

Sula Vineyards (Sula) – ADD

Result Update

Current Market Price (CMP) Rs.522	Target Price Rs.600
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Rationale:

- Q4FY24—in-line growth but weak margin print.
- FY25E to be a year marked by some structural strategy changes.
- Management has guided some moderation in EBITDA margins from FY24 level.
- We trim growth and margin forecasts and cut FY25-26 estimates by 8-9%.
- We revise our FV to Rs600 (Rs640 earlier), valuing it at 43X June 2026E PE. ADD.

(FV: Fair Value, PE: Price/Earnings, DD: Double digit)

Q4FY24 Earnings update:

Positives:

- Gross revenue grew 9.8% yoy to Rs131.7 cr (in line with our estimates).
- Elite and premium wines value/volume grew 14.3%/18.3% yoy.
- Shift in inorganic growth strategy to explore attractive options beyond wine category.
- Plans to bolster the wine tourism business with multiple upcoming projects.
- Management is eyeing DD volume growth (own brands) in FY25E.

Negatives:

- Management is witnessing some demand softness in Q1 on election-led disruptions.

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For detailed report dated 10th May 2024. Note: CMP & valuation may differ due to difference in dates.



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