Date: 13th August 2024

To,
National Stock Exchange of India Limited ("NSE"),
The Listing Department
"Exchange Plaza", 5th Floor,
Plot No. C/1, G Block, Bandra-Kurla Complex
Bandra (East), Mumbai – 400 051.

NSE Symbol: SULA
ISIN: INE142Q01026

To,
BSE Limited ("BSE"),
Corporate Relationship Department,
2nd Floor, New Trading Ring,
P.J. Towers, Dalal Street,
Mumbai – 400 001.

BSE Scrip Code: 543711
ISIN: INE142Q01026

Sub: Transcript of the Conference Call for analyst/institutional investors for discussing Unaudited Standalone and Consolidated financial results for the quarter ended 30th June 2024.

Dear Sir/Madam,

Pursuant to Regulation 30(6) of the SEBI Listing Regulations, please find enclosed the transcript of the Analyst / Investor Conference Call held on Thursday, 8th August 2024 regarding the unaudited Standalone and Consolidated financial results for the quarter ended 30th June 2024.

The said transcript has been uploaded on the Company's website at the following link: https://sulavineyards.com/investor-relations.php.

Kindly take the same on record.

Thanking you,
For Sula Vineyards Limited

RUCHI PRAMOD SATHE
Digitally signed by RUCHI PRAMOD SATHE
Date: 2024.08.13 20:22:40 +05'30'

Ruchi Sathe
Company Secretary and Compliance Officer
Membership No.: A33566

“Sula Vineyards Limited

Q1 FY ’25 Earnings Conference Call”

August 08, 2024

MANAGEMENT: **MR. RAJEEV SAMANT – CHIEF EXECUTIVE OFFICER – SULA VINEYARDS LIMITED**

MR. KARAN VASANI – CHIEF OPERATING OFFICER – SULA VINEYARDS LIMITED

MR. ABHISHEK KAPOOR – CHIEF FINANCIAL OFFICER – SULA VINEYARDS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Sula Vineyards Limited Q1 FY25 Earnings Conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal the operator by pressing star and then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Runjhun Jain from E&Y IR. Thank you and over to you, ma'am.

Runjhun Jain: Thank you, Dorwin. We welcome you to Q1 FY25 Earnings Call of Sula Vineyards Limited. To take us through the results and to answer your questions, we have with us the top management from the company, represented by Mr. Rajeev Samant, Chief Executive Officer, Mr. Karan Vasani, Chief Operating Officer, and Mr. Abhishek Kapoor, Chief Financial Officer. We will start with a brief overview from the management and then we will open the floor for Q&A.

Before we begin, please note that numerous factors could cause actual results to differ from those in the forward-looking statement. New factors emerge from time to time and it's not possible for the management to predict all of them, including the extent to which any combination of the factors may impact the business or cause results to differ materially from those contained in any statement.

Sula Vineyards also undertakes no obligation to update any statements to reflect developments that occur after the statement is made. With that, I hand over to Mr. Rajeev Samant.

Rajeev Samant: Thanks, Runjhun. A very good evening to all of you. Thank you for joining us today for our Q1 FY25 earnings conference call. I hope all of you have had the opportunity to go through our Q1 press release and earnings call presentation that we have put up on the exchanges.

Coming now to our performance for the first quarter, I'm pleased to say that we continue to be steadfast on our growth journey, reporting our highest ever first quarter sales in Q1 FY25. Our net revenue for the quarter stood at approximately INR 130 crores, which is higher by approximately 10% as compared to the previous year. It's worth highlighting here that this performance has come in despite the significant external challenges we faced during the first quarter, including the national elections, due to which we saw some very heavy restrictions on the movement of AlcoBev. And further, there were also several dry days across the country during the elections, which has definitely had an impact on our performance. In fact, the intensity of the restrictions this time around was quite unprecedented and unlike anything we've seen in the past, and that definitely impacted sales across categories and across the country. The rules in place put restrictions on the stocks AT distributors, as well as retailer points, as well as on consumer purchases. This led to retailers de-stocking during the quarter. Having said that, we do expect this one-time event to be now firmly behind us, and we expect to see this reverse in the coming months. Secondly, the scorching heat wave that we saw in our key markets has also had an adverse impact on us, on wine demand, as well as on wine tourism.

But moving on, there are a couple of really encouraging positive trends in the quarter that I would like to touch upon. First is that the joys of wine are really spreading across India beyond just the metros and large cities. So smaller markets like Nashik, Daman, Telangana, MP, UP, Haryana, Orissa, among others, have performed very strongly for us in Q1, recording very high growth. CSD also continues to see very robust growth and grew 50% in Q1. Now this bodes really well for our future growth and our ambitions of establishing a strong pan-India footprint and taking wine really nationwide. Second is the Source collection, which has been a real standout in our elite and premium portfolio. It has been one of the most successful premium wine brand launches of the last decade, if not the most successful, and continues to be a very strong performer for us, recording a 20% plus growth in Q1.

Moving on, I would like to briefly touch on an important strategic change that we have made to our sales and distribution model to our route-to-market in our key state, number one sales state of Maharashtra. Given the very wide portfolio of wines that we have, with 68 labels currently, and to bring an enhanced focus in both our categories, that is the elite and premium, as well as the economy and popular, we have decided to shift to a third-party sales model for our economy and popular brands in Maharashtra. This strategy enables our own internal sales team to focus much sharper on the elite and premium categories. Moreover, I'm pleased to say that this initiative of moving to a third-party sales model for our cheaper brands in Maharashtra, has shown promising early results. We've seen healthy growth in the economy and popular category in Q1. In fact, we had already earlier adopted this approach in Karnataka and Telangana, and it had yielded good results there as well. So, we are confident of this approach working well in Maharashtra as well.

Coming now to a quick update on our wine tourism business. Q1 was soft, primarily because of heat wave, deterioration of road infrastructure in the last few months, and also due to the national elections. There was definitely an impact even of that. Especially the Mumbai-Nashik route has faced infrastructure issues over the last few months, and these unfortunately still continue. While the footfalls have continued to remain soft, there's a silver lining as we are seeing, resort occupancies going up nicely in July and August compared to Q1. Further, we hope that with the completion of the last stretch of the Samruddhi Mahamarg, and with the repair work that's going on in full swing, travel conditions should improve soon. So, we are optimistic about seeing a pickup before and during the upcoming festive period. This has impacted us because you would be aware that we sell almost exclusively our elite and premium wines in our wine tourism business. And so, when we have an impact on wine tourism, it has a disproportionate impact on our elite and premium wines. When you talk about our elite wines, it has a much higher proportion of sale D2C at our wine tourism than any other category.

Moving on, as I've highlighted in the past, our wine tourism business acts as a springboard for us in attracting new customers and introducing many Indians to wine for the first time. So, this is a very good platform for us to attract long-term Sula patrons, and we are always on the lookout to expand this business to newer locations. So, in the previous quarter, we launched Milestone Cellars by Sula near the Nashik airport. This is our first tasting room and wine-themed restaurant outside the Sula campus. And in the immediate future as well, we have a couple of really exciting projects lined up to open in Q2. First is the tasting room and wine-themed restaurant planned at the newly acquired ND Wines in Nashik. And second is the expansion of our wine tourism facilities at our Domaine Sula campus near Bangalore. Both these projects are progressing well, and our target is to open these before the festive period begins. So, we expect these expansions to add further impetus to our H2 performance, especially in the wine tourism sphere.

A little bit further out, we also have our new resort coming up next year, next to our York Winery in Nashik. This is going to expand our room capacity by 30%, as well as add all important conference facilities, which we are right now lacking in our existing resorts. We will continue to look at expansion opportunities as well as strategic M&A opportunities to scale this business faster, because we see it as a very key part of our continued long-term growth.

Finally, moving on to the outlook, with the transitory headwinds now hopefully behind us, the expansion plans in wine tourism coming on stream in H2, we're confident of ending the year on a stronger footing. With that, I would now like to call on our CFO, Abhishek Kapoor, to take you through our financial performance and metrics in greater detail. Over to you, Abhishek.

Abhishek Kapoor: Thank you, Rajeev. Good evening, everyone. Following Rajeev's overview of our business performance and key initiatives, I will now focus on our financial highlights for Q1 of Fiscal '25. To start, our operating revenue for Q1 showed a 10% YoY increase, with 12.7% growth coming from our own brands. This includes unwinding of fair value of WIPS incentive, amounting to INR 10 crores.

Unwinding of WIPS is an operating income, as the original recognition was fair valued due to expected realizations extending beyond 12 months. The change in fair value assumption, as also confirmed by our auditors, is due to realization of past dues till FY23, leaving a balance of less than 12 months old outstanding. Hence, it is classified as an operating income.

Our Elite and Premium portfolio grew by 8.6% and Economy and Popular by 24%.

It is for the first time in last at least eight quarters that our Economy and Popular portfolio has grown ahead of Elite and Premium. Contribution from Elite and Premium touched 75% of our portfolio at its peak in FY24 and it's taken a pause during Q1. Having said that, our focus on premiumization shall continue.

With separation of route to market for Maharashtra, which Rajeev mentioned in his speech, we see fair growth for both our Elite and Premium and Economy and Popular portfolios going forward.

Our Wine tourism business declined marginally by 2% compared to the same period last year. The reasons have already been mentioned by Rajeev. As Rajeev mentioned, Q1 was soft primarily because of the scorching heat wave and deterioration in infrastructure at present. Having said that, with the weather conditions improving and the conditions of roads also expected to improve, we are optimistic of seeing an uptick in footfall in the period ahead.

Turning to the financial metrics now, our Gross Margin stood at 76%, which is 250 basis points better versus last year. Increase in employee costs by 10.5% includes a 6% increase on account of ESOP costs, which was granted in Q4 of FY24. Our expenses increased by around 18% primarily due to two factors. Selling and distribution cost increase reflects the market mix change, with markets outside of our core markets of Maharashtra and Karnataka growing ahead of these two markets. We saw a 500 basis point increase in contributions from other markets. This is in line with our strategy of investing in building the brand and distribution strength outside of our core markets of Maharashtra and Karnataka. Secondly, operationalization of bottling operations at ND Wines also contributed to an increase in Opex. Our bottling operations commenced in July 2024.

Our Q1 EBITDA increased by 10% to INR35 crores, up from INR32 crores in the same period last year. EBITDA margin held steady at 27%.

Interest costs increased due to a one-time custodian fee on change of mortgage charge, and also a higher utilization of working capital limits in Q1. Our Q1 is heavy on working capital on account of payments towards the grape procurement, with higher rate of cash inflows in Q3 and Q4.

Having said that, our debt to EBITDA stood at 1.6 times, continuing to be well below our own benchmark of 2 times.

Our outstanding WIPs balance as of 31st March 2024 was INR 73 crores, with INR 21 crores accrued during Q1 of FY25, taking the total WIPS balance to INR 94 crores as of June end. At its peak, the WIPS outstanding was INR 160 crores, and we received INR 89 crores from Maharashtra Government on 31st March. We further received INR 10 crores in July 2024, reducing the WIPS outstanding balance to INR 84 crores. We remain positive to realize the balance amount in FY25.

Our profit after tax for the quarter totalled INR 14.6 crores, reflecting a 7% increase over previous year. I would now request our COO, Mr. Karan Vasani, to give you more insights into the operating initiatives. Over to you, Karan.

Karan Vasani: Thank you, Abhishek, and thank you, Rajeev. Good evening, everyone. I will be taking you through some key operational updates. First off, happy to report that the monsoon is on-track, and we are expecting a healthy 2025 grape harvest, which we expect to meet our requirements and ensure that we have adequate supply of all our wines in the next financial year. We expect this to be our fifth consecutive harvest of good quality and quantity.

The quality of our wines continues to be best in class and we continue to gain further international recognition for our wines. Most recently, we won a whole host of medals at both the Decanter World Wine Awards and The Asian Sparkling Wine Masters, confirming our quality.

Moving on, our plan to have multiple bottling units in Maharashtra is on track and I am pleased to report that as of today, we are bottling and dispatching wines from three units in Maharashtra. Dispatches from York Winery, which is our subsidiary Artisan Spirits, began in the middle of May.

At the newly acquired ND Wines, we have put in place bottling infrastructure on a war footing and dispatches have commenced in late July. Dispatches from both these units have commenced as per our planned timelines and we are on track to maximize the WIPS subsidy available to us.

Our key capex project for the year, that is phase one of our low-cost cellar for our cheaper wines at the DD unit, is on track and will be delivered well in time for the 2025 grape harvest. This low-cost cellar is being built at a much lower capital cost of INR80 per litre as against our earlier premium cellars that were built at INR120 per litre. The total capacity of the low-cost cellar is 2.5 million litres and of that, 1.5 million litres will be delivered in the first phase, which will be ready by about January 2025. That concludes our operational updates, and I would now like to hand the call back over to the moderator to open up for Q&A. Thank you.

Moderator: The first question comes from the line of Percy from IIFL. Please go ahead.

Percy: Hi. I just had a question on the WIPS. Including the INR 10 crores of the adjustment booked this quarter, and the normal income also booked this quarter, how do we see the overall WIPS for this year, not in cash flow terms, but in terms of P&L booking?

Abhishek Kapoor: Thanks for your question, Percy. This is Abhishek. I'll answer your question. In terms of the WIPS, we had shared earlier as well that there will be a slightly lower accrual during the year, given that the capping which has been introduced effective this current financial year, we said that it will be closer to 80% of the overall realizable value what we can achieve. But with this INR 10 crores, it is expected to be almost at the same level as last year.

Percy: Sorry, how much was that, if you can just jog my memory?

Abhishek Kapoor: So last year we accrued INR48 crores WIPS in financial year '24.

Percy: Okay, and it will be similar this year?

Abhishek Kapoor: Yes, it is expected to be similar.

Percy: Okay, and going ahead, should we be taking like a normal 10%-15% growth on this number or how does it work?

Karan Vasani: So there, one thing to remember, Percy, the current year, one thing to add is that this year of the eligible WIPS, we are only about to capture 80%-85% given that bottling has begun in mid-May at ASPL and in July at ND. So, from next financial year, we'll be bottling throughout the year. So next year, we expect instead of around 80%-85%, to capture closer to 95%. So, there will be a bit of a jump next year, following which it will stabilize and grow at the pace of Maharashtra sales.

Percy: Second question is, how do I look at your EBITDA for this quarter? So, your reported EBITDA, excluding other financial income, is about INR 34 crores. Now, this would include the INR 10 crores of the WIPS adjustment, which is not pertaining to this quarter, but an adjustment over the last few quarters. So, a one-off in that sense.

So, if I remove that, the EBITDA will be INR 24 crores, which in margin terms would be about 21%-22% approximately, which is significantly lower than what we have done in any of the quarters in the past. So, is this understanding correct, first of all? And secondly, if that is the case, what is the reason for these low margins?

Abhishek Kapoor: Yes, Percy. So yes, you're right in terms of the interpretation of the numbers. So, it will be close to around INR 24 crores, backing off the INR 10 crores one-time WIPS unwinding impact. So, this EBITDA being lower versus last year is largely on account of change in the mix. So, our elite and premium portfolio always used to be higher as we have been focusing on our premiumization. This year, we have seen contraction of 270 basis points in our Elite and Premium's share in revenue. So largely due to that reason and also higher S&D, which you can see in the S&D line item, which I spoke about. Largely these two factors contributed to the EBITDA being lower. In addition to that also, our hospitality, as Rajeev mentioned earlier, where our Elite wines are having the biggest share in terms of the bottles which we sell from there. So, these factors have contributed to the EBITDA being lower versus Q1 of last year.

Percy: Understood. And last question from my side, this third-party model, exactly how does this work? Is there like one person whom you sell the entire wine to in Maharashtra and then he in turn appoints distributors and gets it done? Or do you have like multiple third parties whom you deal with? Some more colour on this would help.

Rajeev Samant: Oh, I'll take this one. We are going to be dealing with one third party, sort of acting like a super distributor who will then appoint his own distributors. This is a party well known to us who knows the market extremely well. This is not a traditional model in Maharashtra. So, we are sort of using that promoter model and using it in Maharashtra. And the initial results have been excellent. Basically, we expand our distribution at the same point. So, whereas earlier we were dealing with one distributor for all our wines, now that party is appointing their own distributors. In some cases, they coincide. But what's happening is our distribution is also expanding. And each distributor in the market always brings their unique strengths and relationships. So that is already starting to pay off very handsomely in the first two and a half months, three months actually, since we have launched this strategy. And it's also a good part of the reason why the popular and economy has outperformed in QI.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, I wanted to understand that excluding the WIP benefits that we get, sir, there has been very little value growth and volume de-growth for this quarter, even on such a small basis. So why is that? Because as you understood that the segment was growing, so being an industry leader, so it's not getting reflected in our numbers. So, if you could just explain regarding that?

Rajeev Samant: Sure, I'll take this. QI has been a perfect storm in a lot of ways. So, this is not about us losing market share. For the entire wine industry, it's been a very slow quarter. Because of the fact that you have the national elections, I can't overemphasize how big an issue this was. Unprecedented and we feel slightly overbearing restrictions and rules, which given the fact that it's a smaller quarter in terms of sales, it has a disproportionate impact. That is one thing.

Another thing which I didn’t allude to earlier was that there was a very specific incident that happened a few months back in Pune. You can refer to it as the Pune Porsche incident. Now, you all will be aware that a large part of our sales and especially our Elite and Premium sales happen in Maharashtra. What has happened as a result of that incident was a large number of bars and restaurants were closed literally overnight, not just in Pune, but also in Mumbai.

And these are our two most important markets. And that has hit us. We are hoping that they're already starting to reopen. It was, again, whether that was the right response or not by the state authorities, it has really hurt the F&B business. And it has hurt us as well. So, we are looking forward to the bars and pubs reopening. That is another factor.

And wine tourism, we did take a hit in Q1, after many quarters of unbridled growth. Finally, in Q1, it softened. And we lay that at the doorstep of not just the elections and even those people who came to our campus where you have people normally who will load up their car dickeys, people were very worried about the checking, etcetera. And, so, everyone was limiting themselves to no more than sort of two bottles a person. You had a big impact of that. You definitely had an impact of the heatwave; Nashik saw some very hot conditions. Of course, that is something that we are unfortunately going to have to deal with every year moving forward. So, we had a perfect storm of a number of these conditions in Q1, which we certainly hope will now start to be behind us. And we are already starting to see that uptick from July onwards. Thank you.

Madhur Rathi: That makes sense. Sir, my next question would be, sir, what percentage of our revenue would come from HoReCa segment?

Abhishek Kapoor: Yes. So, basically, our On-Trade, the HoReCa, which we call as our On-Trade, that contributes to around 30% and 70% comes from our Off-Trade.

Madhur Rathi: Okay. So, the Off-Trade would be distribution and general trade, right?

Abhishek Kapoor: Yes. That's right.

Madhur Rathi: Okay. And, sir, just a final question. Sir, what would be the outlook for FY25 in terms of our revenue as well as margins? A broad guidance would work.

Abhishek Kapoor: So, while we don't give any outlook guidance per se, we continue to remain positive about the balance of the year, as Rajeev has already spoken about. The storm of multiple adverse events is now behind us. So, we are hoping for a positive recovery in the balance of the year.

Madhur Rathi: So, can we expect a double-digit volume growth? On a volume front, I think you would have a better idea. So, can we expect a double-digit volume growth for the whole year?

Abhishek Kapoor: So, as I said, Madhur, definitely can't give any guidance in terms of the specific numbers. I think the indication which we have already given is in terms of a better recovery from what we have seen in quarter one.

Moderator: The next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.

Himanshu Shah: Sir, just wanted your comment. One of our competitors, Pernod, has sold off their wine business in a couple of countries, including India. How do you see this movement? Should this benefit us positively, negatively? We believe, presumably, Pernod must have been pushing their wine business along with their mother brands and the core whiskey business. So, yes. Can the competition get softened or something for us?

Rajeev Samant: Yes, this is a great question. And I would say that if this sale goes through, as we have seen in the media, they are expecting it to close sometime in late 2025. This is excellent news for us. I can't even overstate how good news this is. However, having said that, I would be cautiously optimistic because these kinds of things, you can't depend on them. A deal has been announced, but there's a many a slip between the cup and the lip. No pun intended. So, Pernod – Jacob's Creek is basically number two, to the best of our knowledge, in terms of sales in India after Sula. So, obviously, an extremely important competitor. And the fact is, as you have mentioned, that they have been riding on the success of their whiskeys. I mean, Pernod Ricard India is a giant, a behemoth with massive muscle in the Indian market. And basically, there have been all sorts of incentives to pick up the wine at what works out to a heavily incentivized rate along with the whiskey. So, hey, you want the whiskey, you need to pick up the wine as well. And that is something that has been extremely difficult to compete with that kind of muscle. So, with Jacobs Creek moving on, hopefully, we are very hopeful that this deal gets completed, but we are not going to depend on it.

To a pure wine company, which is likely to be Accolade in this case, they lose their entire clout in India. For Accolade, the UK is a far more important market. And they're also bulking up to go back into China, which dropped out of the Australian radar for a couple of years with the massive tariffs which have been taken off.

India is just not on Accolade's radar. Now, having said that, maybe they could work something out. Maybe they could do a co-distribution with Pernod. That's all possible. But prima facie, excellent news for us, I would say, mid to long term with caution.

Moderator: The next question is from the line of Giriraj Daga from Visaria Family Trust. Please go ahead.

Giriraj Daga: Actually, I'm new to the company. I need some clarification on the rate, sir. So, you mentioned you have accounted for INR 10 crores in the quarter one. Was there a subsequent corresponding number for the quarter one last year? Or if no, where did you account for this INR48 crores last year in which quarter?

Abhishek Kapoor: So, okay, I'll take this question, Giriraj. So, WIPS, as we stated that we had been fair valuing the WIPS. So, the accrual which happened as we did our primary sales from the company, along with that, this is the two years of discounting. We were fair valuing it in our books. Now, this unwinding has happened with respect to the whole clarity coming onto the scheme, the continuity of the scheme, and also getting the regular payments from the government. So, that's where basically this stands from a accounting standpoint. And as I answered earlier to another question in terms of what is our expected WIPS for the year, we are expecting it to be at a similar level as we accrued WIPS amount in the last financial year. Hope this answers.

Giriraj Daga: No, no, sorry, I'm still missing the piece. So last year I can see in the balance sheet we had given INR 47.06 crores government grant accrued during the year. I am particularly looking which line item we have accounted this and in which quarter?

Abhishek Kapoor: So, it was there in each of the quarters. So, all the quarters depending on the sale done during the quarter, the amount was accrued into the operating income. So, when you look at the revenue line item, the operating revenue, WIPS is a part of that.

Giriraj Daga: So, what was the corresponding number last quarter, quarter one?

Abhishek Kapoor: So last year, the number was close to around INR 10 crores.

Giriraj Daga: So, actually, I got a bit confused when other people are making comparison that there is no growth except excluding the WIPS. But the number is same, right? So, we still grew 10%, right?

Abhishek Kapoor: Yes, this is unwinding. So, we have specifically called out the one-time unwinding amount is INR 10 crores. So, in addition to the base amount of INR 10 crores, there is an additional INR 10 crores on account of unwinding.

Giriraj Daga: Understood. My second question is -- just need some clarification, just briefly mention that when I was looking at past financial during '18, '19, '20, we used to have a high material cost. But over the last three years, that number has come down. So that is one aspect what happened there. And second, when I look at number from '19 to '24, standard number, we have barely grown by 10%. So, if you can just highlight these two points?

Abhishek Kapoor: So Giriraj, if you are comparing with the previous years, which is spanning from last three to four years, so there is a major change in terms of our portfolio which has happened. We have been talking about premiumization. So led by this premiumization, of course, the growth has been higher. We spoke about that our, at its peak in FY24, we had reached our Elite and Premium to 75%. So that's basically the reason in terms of where you see the gross margin. And there you're talking about the cost of material has been, gross margin has been increasing. And correspondingly, you have seen the cost of goods producing over these years.

Giriraj Daga: Okay. And growth part, like we have not grown for last like five years comparison, '19 to '24?

Karan Vasani: I think there, just to jump in, you need to take a look and we can send this data to you is the mix change. There was a huge, relatively large third-party brands that we used to do, which was importing and distribution of wines and spirits from across the globe. And that business has reduced substantially. In fact, I would say it's fallen by 70%-plus. And we have refocused on our own brands, which are far more profitable. So, if you were to look at just the own brand side of things, you would see the growth.

Moderator: The next question is from the line of Prakash Modi from KCT Financial and Management Services. Please go ahead.

Prakash Modi: . So, I have a couple of questions. One was that I have seen over the period there is some selling from the promoter side. So, any specific reason for that? If you see last one year, there is a reduction in the stake by almost 1.5%?

Rajeev Samant: I will say something here. Usually I wouldn't comment on this, but I do get this question a lot. So, let me make something very clear, that in fact, if you take a look at what was my holding a couple years ago and what is my holding today, perhaps my holding has reduced from, say, 27% to 25%. So, if you think about it in those terms, this is not a big reduction. I hardly sold anything at OFS.

And I'm going to give you a little personal story here that I had to basically sell my house, my residence, in order to finance my conversion of my warrants and ESOPs into shares at that time. And so, for the last two and a half years, my friends, I have not owned a residence. So finally, I decided that I think for a person in my position, I should own a residence. Now that I am married and have a kid. So, I decided to buy a residence. And those don't come for free. And so, I did need a little bit of liquidity for that. And I hope that that should be the end of the questions and the story. I continue to be by far the largest shareholder. And I hope all of you will appreciate the reason why I had to take a small amount of liquidity. Thank you.

Prakash Modi: Congratulations on your new house. We hope for the best. And just my second question was in the last con-call, you highlighted something of acquisition outside wine business. So, any updates over there?

Rajeev Samant: No update on that. We have been taking a look. But I must say that nothing has come up that looks too exciting. In fact, at this point, we are examining more closely one or two opportunities again within the wine business in India, which look more interesting than anything that we are looking at outside the wine business. So, I did mention that we are open to it. But I would state explicitly at this point that there is nothing, nothing on the anvil. Nothing has come up. That is very interesting. We also received, I must say, a lot of feedback and a lot of warnings from a lot of quarters saying, please stay away from spirits. Stay away from beer. Please continue to focus on wine. In fact, I don't think we got a single positive comment to this comment of mine that we were starting to look a little bit outside as well. So, we also do take some of these things on board. At this point, nothing to report on that front.

Prakash Modi: And just one last question to Mr. Kapoor that on the revenue side, there is one item related to others, other income. So, revenue from other sources. So, can you just highlight that?

Abhishek Kapoor: So, Prakash, this is largely the interest income. So, we also have whatever surplus which we accrue, we also pass it into banks and FDs. So, there is an interest accrual on that. It's largely on account of that.

Moderator: The next question is from the line of Jinita Sanghvi from Stock Lounge. Please go ahead.

Jinita Sanghvi: Hi, I wanted to know the conversion rate from wine tourism. Like how many customers are you retaining from that section?

Rajeev Samant: That is a bit vague. Sorry, retaining. Do you mean how many people who come to our campus actually buy something? If that's your question. So, it's a very high proportion. You should note that we charge an entry fee because years ago, we noticed that people were just coming and having sort of picnic in our vineyards and all that and not really paying anything.

So, we now charge a INR1,000 on the weekend per person to enter. And INR 600 on a weekday per person. People come and pay happily. And then that entire amount is redeemable against purchases against wine or food. So, everyone has to, of course, buy at least that. But in general, we find most people are buying even more than that.

So, there's almost not a single person who enters our vineyards who doesn't buy something or the other. And once you start talking about our higher level, visitors who are staying at the source, etcetera, paying upwards of INR 10,000 a night. Then the purchase really goes up. So almost everyone buys wine to take away.

Jinita Sanghvi: Okay, I do have one more question as well. What is the current capacity utilization?

Karan Vasani: So, I will take this one. As of the previously concluded harvest, harvest '24, we stood at about 85% to 86% capacity utilization, which is pretty close to our maximum, which we judge at around 87%, 88%.

Jinita Sanghvi: So, you all have been at this maximum utilization since this is the first year or has been the previous year as well?

Karan Vasani: So, we are always in the process of incrementally adding capacity. And as I alluded to in my opening remarks, we are this year also adding a little bit more capacity. We're adding 1.5 million litres of capacity, which represents about a 9% increase in our capacity, which will put us in a good spot for the upcoming 2025 grape harvest.

Rajeev Samant: I'm going to add one comment here. I'm not sure if we touched on it earlier that we did a lot of work on figuring out how to build a low-cost cellar for our cheaper wines. Earlier, our cost per litre taking into consideration civil construction as well as the storage tanks, as well as, cooling infrastructure, etcetera was coming to INR120 a litre.

And I'm very pleased to say our team led by Karan have done some great work on this. And the new capacity that we are putting in is at more like INR 80 a litre. So significantly less, which is definitely going to have a great positive impact on our capital investment going forward and will allow us to put more money into competing in the market.

Moderator: The next question is from the line of Arshay Desai from Archer Capital. Please go ahead.

Arshay Desai: So, as mentioned in the opening remarks, sir, this part of growth was impacted due to the heat wave and election. However, the growth in economy and popular has grown strongly, in fact, outpacing elite and premium. So, what is the reason for the same? Going forward do you expect this trend of the economy and popular outgrowing elite and premium to continue?

Rajeev Samant: See I had alluded to a big change that we have made in our distribution in Maharashtra, number one market, where we did feel that our focus was getting diluted over the last year as we've been adding more and more wines, especially in the Elite segment. As I mentioned earlier today, we have 68 wine brands. That is about something like 50 of our own brands and about 17-18 imported brands. So, it's a huge portfolio when you when you're talking about just wine. So just doing this sharpening of focus, hiving off this portfolio to a third party has already started to pay very strong results. And the results are coming first in the sort of the popular and economy category. However, having said that, no, there is nothing that says that moving forward, that is going to continue to be. We expect to get back to something closer to where we were earlier. Having said that, we reached a high point of 75% of our revenues from own brands coming from the Elite and Premium. That was something where we never expected to reach. So, getting to more than 75% is not going to be that easy. So, I would just leave it at that.

Moderator: Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Mr. Rajeev Samant for closing comment. Over to you, sir.

Rajeev Samant: Yes. So, I would just like to thank all of you once again for being on board this evening. Just to recap a few things. Q1 was challenging. However, we already see conditions starting to improve. National elections, obviously, were a big challenge for us, the Heat wave and then more recently of course, we've had the problems with the Nashik Highway. Having said that, a lot of good things are also on the horizon. Just started direct flights from Delhi to Nashik recently. That's, again, one good thing to look forward to.

So, Nashik and Shirdi flight connectivity getting better and better all the time. In fact, I am slated to take my first flight from Hyderabad into Nashik in just a couple of days. So, a lot of good reasons to be very positive and optimistic about the months and years ahead. I want to remind that this is a long-term game. It doesn't lend itself so well to quarterly earnings. But nonetheless, we are positive about the way ahead.

Moderator: Thank you. On behalf of Sula Vineyards Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.