

November 19, 2025

## Sula Vineyards Limited: Ratings reaffirmed; outlook revised to Negative

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based Term Loan	98.13	157.00	[ICRA]A+ (Negative); Reaffirmed and outlook revised to Negative from Stable
Long-term/ Short-term – Fund-based/ Non-fund Based	220.00	255.00	[ICRA]A+ (Negative)/ [ICRA]A1; Reaffirmed and outlook revised to Negative from Stable
Long-term/ Short-term – Unallocated	106.87	13.00	[ICRA]A+ (Negative)/ [ICRA]A1; Reaffirmed and outlook revised to Negative from Stable
<b>Total</b>	<b>425.00</b>	<b>425.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

ICRA has revised its outlook on Sula Vineyards Limited's (Sula) long-term rating to Negative from Stable, reflecting expectations of a sharp decline in SVL's profitability metrics in FY2026, coupled with its continued high working capital intensity and modest revenue increase over the past 5-6 years. SVL's revenues grew modestly by 2.4% on a YoY basis to Rs. 579.8 crore in FY2025 from Rs. 566.3 crore in FY2024 as continued weakness in urban demand affected sales in SVL's major markets, besides the impact of General Elections in Q1 FY2025 and state elections in Maharashtra in Q3 FY2025. Despite flat wine sales, the revenue growth was supported to an extent by an increase in hospitality revenues on the back of higher footfalls at its vineyards and resorts and revival of SulaFest after five years. The company's sales declined by 5% on a YoY basis to Rs. 240 crore in H1 FY2026 on account of continued subdued demand conditions in the urban markets, disruption in sales to Telangana (Sula's third largest market) following expiry of retail licences, and excise duty hike (for spirits) in Maharashtra (Sula's largest market) that temporarily impacted wine dispatches in June 2025. Sula's operating margins moderated to 25.9% in FY2025 from 31.0% in FY2024 owing to higher selling and distribution expenses as the company invested in expanding its presence in non-core geographies. Sula's operating margins further declined to 18.2% in H1 FY2026 (from 26.7% in H1 FY2025) owing to a change in product mix, transition to third-party sourcing for wine tourism (resulting in a 400-500 bps higher COGS), and carryover of high-cost grape inventory procured during the 2024 harvest season. However, accrual of Rs. 20 crore from the Wine Industrial Promotion Scheme (WIPS) in H1 FY2026 mitigated a further decline in margins. Nonetheless, ICRA expects Sula's operating margins to improve sequentially in the second half of the fiscal, led by strong demand during the festive season in addition to higher WIPS accruals, but it is expected to remain below FY2023 and FY2024 levels.

The ratings are also constrained by the seasonal nature of wine and hospitality operations, high working capital intensity due to inventory build-up during the harvest season, and exposure to agro-climatic risks. Sula's working capital intensity remained high at 69.3% in FY2025, which further increased to 89.5% in H1 FY2026. However, ICRA understands that a part of the overdue receivables from the Telangana Government have been received by the company in October 2025 following expiry and fresh auction of retail licences in Telangana. While NWC/OI is expected to moderate gradually from the current level, going forward, the same is expected to remain high, in line with the nature of the business.

Additionally, the industry's highly regulated environment and dependence on state-specific excise policies pose structural challenges. Maharashtra, Karnataka and Telangana together account for 60-70% of SVL's wine revenues, making policy changes in these states a key risk factor, though increasing contributions from other states such as Haryana, Rajasthan, and West Bengal provide some diversification. ICRA notes that competition within the wine segment is also rising, with ready-to-

drink (RTD) products gaining traction. Sula plans to launch its own RTD variant in Q3 FY2026 to address the same. While the company continues to benefit from WIPS, which is expected to remain in force till FY2028, mitigating subsidy-related risks, any delay in receipt of WIPS accruals may impact its cash flows and will remain a monitorable.

The ratings continue to reflect Sula's dominant position in the domestic wine industry, supported by a strong brand portfolio and its diversified revenue streams. The ratings also consider Sula's comfortable capital structure and debt coverage metrics, despite sizeable dividend payouts (Rs. 38 crore in FY2025 and Rs. 30.7 crore in H1 FY2026) and capex of around Rs. 78 crore in FY2025 for capacity expansion, renewable energy set-up, and towards wine tourism expansion. With major capacity expansion completed (tank capacity at 19.2 million litre expected by the end of FY2026), Sula's capex requirements are likely to remain in the range of Rs. 30-35 crore annually over FY2026-FY2028, primarily towards maintenance, wine tourism and expansion to newer geographies. Any debt-funded expansion or large shareholder payouts that weaken liquidity or debt metrics will remain a key monitorable.

## Key rating drivers and their description

### Credit strengths

**Market leadership in the wine industry supported by a vast portfolio of wine brands** – Sula has a strong brand name with a dominant market share in the domestic wine industry, driven by its vast portfolio of wine brands across the price spectrum and an expansive distribution network. It produces more than 60+ labels across 20 brands of red, white and sparkling wines and the brands are classified into – elite, premium, economy and popular segments – based on price, composition, taste and other properties such as alcohol content. Going forward, increasing contributions from the elite and the premium segments are expected to continue supporting Sula's revenues and margins.

**Diversified revenue profile** – In addition to producing and selling wines, the company derives revenue from the hospitality segment through its three wine resorts, The Source at Sula, Beyond by Sula and recently opened Haven by Sula and its wine tourism business. The wine segment accounted for around 73% of the company's revenues, while the hospitality/wine tourism and trading segments each accounted for around 17% and 2% of its consolidated revenues, respectively, in FY2025, with income from WIPS accounting for the remaining. Going forward, the company is planning to add around 20 rooms at its Haven by Sula resort at York Winery, which is expected to commence operations in Q4 FY2026. The company has also increasingly been focusing on wine tourism, which has witnessed a steady growth over the years, with revenues of Rs. 60.3 crore in FY2025 against Rs. 54.7 crore in FY2024 and Rs. 26.9 crore in H1 FY2026 compared to Rs. 23.5 crore in H1 FY2025.

**Despite contraction in FY2026, operating margins expected to remain healthy** – Sula's operating margins moderated to 25.9% in FY2025 from 31.0% in FY2024, owing to higher selling and distribution expenses as the company invested in expanding its presence in non-core geographies. This trend continued in H1 FY2026, with the operating profitability witnessing a sharp moderation to 18.2% in H1 FY2026 from 26.7% in H1 FY2025, primarily due to changes in product mix, carryover of high-cost liquid inventory, and transition to third-party sourcing for the wine tourism segment. Margins are expected to recover sequentially in H2 FY2026, supported by seasonally strong demand during the festive period, higher accruals under WIPS, and benefit of relatively lower cost grape inventory procured during 2025 harvest season. Although margins are likely to remain below historical highs, they are expected to stabilise at the current levels, remaining healthy relative to industry peers, aided by Sula's strong brand positioning, premium product mix, and cost optimisation initiatives.

### Credit challenges

**Working capital-intensive nature of operations; exacerbated further by seasonality in sales and harvest season** – Sula's operations remain inherently working capital intensive, with NWC/OI increasing to 69.3% in FY2025 and further to 89.5% in H1 FY2026 (49.1% in FY2024 and 66.5% in H1 FY2025). The elevated levels are primarily driven by high inventory build-up during the harvest season in Q4, as wine grapes are procured once annually and converted into wine for storage and sales over the subsequent months. This structural requirement, coupled with seasonality in demand where Q3 is the peak sales period, results in significant year-end inventory holding. Additionally, receivables remained high in FY2025 and H1 FY2026 due to

increasing sales to the canteen stores department (CSD) segment, which entails a higher receivable cycle as well as delayed payouts from the Telangana Government. While ICRA expects the working capital intensity to moderate from the current level with normalisation of receivables, and inventory liquidation in H2 FY2026, it is likely to remain elevated over the medium term, given the nature of the business.

**Debt coverage metrics expected to moderate in FY2026** – Although Sula’s capital structure remains comfortable, its debt coverage metrics are expected to weaken in FY2026 due to contraction in operating margins and subdued revenue growth. Sula’s total debt/OPBDITA moderated to 2.6 times as on March 31, 2025 from 2.1 times as on March 31, 2024. The same is expected to moderate further in the current fiscal, given significant contraction in the operating margin. Sula’s interest coverage ratio moderated to 5.1 times in FY2025 from 6.7 times in FY2024. Further, with declining OPM, the same is expected to deteriorate in the current fiscal. Sula’s annual capex requirements are expected to decline to Rs. 30-35 crore over FY2026-FY2028. However, any incremental debt-funded expansion or sizeable shareholder payout could further impact liquidity and coverage indicators and remains a key monitorable.

**Susceptible to agroclimatic and inventory risks; exposure to regulatory risks** – The wine manufacturing industry is seasonal in nature. The quantity of grapes harvested each year is susceptible to weather conditions. During the harvest months of January and March, prolonged rainfall and lack of wind can cause moisture in grapes and reduce the quality. The company is also susceptible to the inventory risk that may arise from its contractual obligation with farmers in the absence of ample demand. Sula tries to mitigate the agro-climatic risk to a certain extent by diversifying sourcing locations, using technology and advanced tools for crop monitoring. Further, the company’s inventory risk is mitigated to a certain extent by procuring a reduced share of grapes through the open market. However, the price at which these grapes are procured will also be a key determinant for margins.

The company operates in a highly regulated industry with state-specific policies, which continue to impact industry volumes in several markets. Sula derives 60-70% of its revenue in the wine segment from sales in Maharashtra, Karnataka and Telangana. However, the company is expected to witness growth in other markets, such as West Bengal, Rajasthan and Haryana, which may reduce the concentration risk to a certain extent. However, ICRA notes that the revenue contribution from the CSD department is also increasing. Going forward, the risk of unfavourable policy changes in key states continues to remain a major risk factor for the company as well as for the industry. Further, extensive Government controls on advertising and taxes restrict the wine industry growth to an extent. However, the same creates entry barriers for new players, favouring incumbents, such as Sula.

**Exposure to rollback of WIPS, which contributes significantly to OPBITDA** – The company is eligible for WIPS, which is applicable for all wines manufactured and sold in Maharashtra, wherein 80% of the VAT paid is received in the form of subsidy. In FY2024, the Maharashtra Government announced that the WIPS scheme will continue till FY2028, mitigating the risk of rollback in the near term. However, any non-payment or delayed payment from the Government would also affect the company’s cash flows. The subsidy amount is currently built into the company’s value chain, wherein it gives an incentive to the farmers. In FY2025, WIPS accruals stood at around Rs. 54 crore and WIPS received was around Rs. 56 crore for the same fiscal. In H1 FY2026, the company further received Rs. 13 crore worth of subsidy and the outstanding from WIPS as on September 30, 2025, was Rs. 79.6 crore on a consolidated basis.

## Environmental and social risks

**Environmental considerations:** Environmental risks for players in the alco-beverage industry are primarily from the handling and discharge of hazardous and pollutant waste generated during production processes. Additionally, the industry is vulnerable to the impact of climate change, particularly in relation to agricultural inputs such as grapes. Fluctuations in crop yields due to changing weather patterns, water scarcity and extreme climate events can disrupt the supply and pricing of raw materials, posing a significant operational risk.

**Social considerations:** The exposure to social risk is moderate for the company. This includes shifts in consumer tastes that can accompany changing demographics, as well as evolving regulatory and societal attitudes towards alcoholic products, which

can affect demand. Moreover, Sula has a high dependence on human capital, and retaining the same, maintaining healthy relationships with employees and a safe work environment remain essential for disruption-free operations.

### Liquidity position: Adequate

Sula’s liquidity position is adequate, primarily supported by expectations of healthy cash accruals for FY2026 and unutilised fund-based working capital limits (against sanctioned limits) of Rs. 45.0 crore (on a consolidated basis) as of September 30, 2025, along with free cash and liquid investments of Rs. 12.6 crore as on September 30, 2025. The average working capital utilisation remained moderately high at 78% of the sanctioned limits over the 12 months ending on September 30, 2025. Against the same, the company has debt repayments of Rs. 32.3 crore in FY2026 and Rs. 31.9 crore in FY2027. It expects to incur capex of Rs. 30-35 crore in FY2026 mainly towards maintenance, sustainability capex and towards wine tourism, which would be funded through internal accruals and incremental term debt.

### Rating sensitivities

**Positive factors** – The outlook on the long-term rating can be revised to Stable if the company demonstrates significant improvement in its scale of operations, profit margins and liquidity position.

**Negative factors** – Negative pressure on Sula’s rating could arise if there is continued pressure on revenue growth and profit margins and if any debt-funded capex, or acquisitions or regulatory measures, lead to deterioration of the company’s credit profile on a sustained basis. Further, a weakening liquidity position due to higher-than-expected capex could also result in a rating downgrade. Specific credit metrics that could lead to a revision in rating include Total Debt/OPBIDTA of more than 3.0 times on a sustained basis.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of Sula Vineyards Limited

### About the company

Incorporated in 1999, Sula Vineyard Limited (Sula) is involved in manufacturing, marketing and distribution of wines in the domestic market. Sula is headquartered in Nashik, and has six manufacturing units, four in Nashik and two in the Bangalore region. Sula has a production capacity of 18.2 million liters, of which 16.5 million liters is housed in Nashik and 1.7 million liters is housed in Karnataka. After the launch of its first wine in 2000, Sula expanded its portfolio and now has a portfolio of 60+ labels across various price points. The company owns three wine resorts, Beyond Sula, The Source at Sula and recently opened Haven by Sula, all three located in its manufacturing facility in Nashik. In Q1 FY2025, the company acquired a 100% shareholding in N D Wines Private Limited.

### Key financial indicators (audited)

Sula Consolidated	FY2024	FY2025	H1 FY2026*
Operating income	566.3	579.8	240.6
PAT	93.3	70.2	8.0
OPBDIT/OI	31.0%	25.9%	18.2%
PAT/OI	16.5%	12.1%	3.3%
Total outside liabilities/Tangible net worth (times)	0.9	0.8	0.9
Total debt/OPBDIT (times)	1.8	2.1	4.6
Interest coverage (times)	6.7	5.1	2.7

Source: Company, ICRA Research; \* Results; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount rated (Rs crore)	Nov 19, 2025	Date	Rating	Date	Rating	Date	Rating
<b>Fund-based/Non-fund based- Others</b>	Long Tem/ Short Term	255.00	[ICRA]A+ (Negative)/ [ICRA]A1	Sep 30, 2024	[ICRA]A+ (Stable)/ [ICRA]A1	Nov 24, 2023	[ICRA]A+ (Stable)/ [ICRA]A1	Sep 08, 2022	[ICRA]A+ (Stable)/ [ICRA]A1
<b>Unallocated limits- Unallocated limits</b>	Long Tem/ Short Term	13.00	[ICRA]A+ (Negative)/ [ICRA]A1	Sep 30, 2024	[ICRA]A+ (Stable)/ [ICRA]A1	Nov 24, 2023	[ICRA]A+ (Stable)/ [ICRA]A1	Sep 08, 2022	[ICRA]A+ (Stable)/ [ICRA]A1
<b>Fund-based- Term loan</b>	Long Term	157.00	[ICRA]A+ (Negative)	Sep 30, 2024	[ICRA]A+ (Stable)	Nov 24, 2023	[ICRA]A+ (Stable)	Sep 08, 2022	[ICRA]A+ (Stable)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loans	Simple
Long Term/Short Term- Fund Based/ Non-fund Based limits	Simple
Long Term/Short Term – Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	FY2022	7.06%*	FY2030	157.00	[ICRA]A+ (Negative)
NA	Long Term/Short Term- Fund Based/ Non-fund Based limits	NA	NA	NA	255.00	[ICRA]A+ (Negative)/ [ICRA]A1
NA	Long Term/Short Term – Unallocated limits	NA	NA	NA	13.00	[ICRA]A+ (Negative)/ [ICRA]A1

Source: Company; \* average coupon rate

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**Annexure II: List of entities considered for consolidated analysis**

Company Name	Sula Ownership (as on March 31, 2025)	Consolidation Approach
Artisan Spirits Pvt Ltd	100%	Full Consolidation
N D Wines Private Limited	100%	Full Consolidation

Source: Company

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