March 31, 2025

ND Wines Private Limited: [ICRA]BBB-(Stable)/ [ICRA]A3; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term - Fund-Based facilities	8.00	[ICRA]BBB- (Stable); assigned
Short term - Fund-Based facilities – WCDL	12.00	[ICRA]A3; assigned
Short term – Non Fund-Based facilities - BG (Sublimit of WCDL)	(2.00)	[ICRA]A3; assigned
Long term/ Short term – Unallocated Limits	5.00	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned
Total	**25.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned ratings factor in the support enjoyed by ND Wines Private Limited (NDWPL) from its parent, Sula Vineyards Limited (SVL, rated [ICRA]A+ (Stable)/[ICRA]A1), which holds a 100% shareholding in the company. NDWPL is expected to benefit from the long and established track record of SVL in the wine manufacturing and distribution business across India and the financial flexibility derived from being a part of the Group. SVL is expected to support NDWPL in funding its capital expenditure (capex), working capital, and debt servicing, if required. The ratings also factor in the company's financial profile, which would be characterised by healthy margins, given its presence in the premium wine segment and its low debt levels.

Following commencement of operations at its bottling plant, NDWPL reported revenues of Rs. 33.9 crore in 9M FY2025 against revenues of Rs. 2.5 crore in FY2024. ICRA notes that prior to the acquisition of NDWPL by SVL, the former's premises were being used on a lease basis by the latter. SVL acquired NDWPL in Q1 FY2025 for a consideration of Rs. 14 crore. In 9M FY2025, the margins improved to 59.8% from 40.6% as NDWPL received finished products from SVL and was mainly involved in selling the same. Going forward, the OPM is expected to moderate as NDWPL starts manufacturing operations at its plant. However, margins are expected to remain healthy, given its presence in the premium wine segment.

The ratings, however, continue to remain constrained by the seasonal nature of wine business when the revenues are generally higher in Q3 and Q4 of a financial year. Further, NDWPL's operations, similar to SVL's, are susceptible to agro-climatic and inventory risks on account of its contractual obligation with farmers. Further, the company operates in a highly regulated industry with state-specific policies, which could impact industry volumes.

As of now, NDWPL derives ~100% of its revenues in the wine segment from Maharashtra. Going forward, the risk of unfavourable policy changes in this state continues to remain one of the major risk factors for the company, as well as the industry. NDWPL is also exposed to the rolling back of the Wine Industry Promotion Subsidy (WIPS) by the Government of Maharashtra, which is expected to contribute significantly to the company's OPBITDA. However, the company is expected to continue to benefit from WIPS till FY2028, as per the latest notification by the Maharashtra Government, mitigating this risk in the near term.

The company plans to construct a roof top wine tasting room, bar and restaurant, retail shop and gift shop at the plant location. It is currently awaiting licences for the tour and tasting facility and the same is expected to be received in Q1 FY2026. NDWPL did not have a bottling line. It was set up in September 2024 with 10 lakh cellar capacity. In FY2025, the company's total capex is estimated at Rs. 12-13 crore towards capacity expansion, infrastructure development, investment in renewable energy, wine tourism along with some maintenance capex, which will be partially debt funded. Going forward, the company is expected to incur Rs. 3-5 crore capex per annum mainly towards maintenance. Any debt-funded capex, leading to a deterioration in its financial risk profile or liquidity position, will remain a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company would be able to commence manufacturing and ramp up operations in a timely manner and would continue to receive support from its parent on a need basis.

Key rating drivers and their description

Credit strengths

Strong parentage of Sula Vineyards, a leading player in Indian wine industry –NDWPL benefits significantly from its strong parentage as it is a wholly-owned subsidiary of Sula Vineyards Limited. The parent provides NDWPL with substantial financial flexibility and support. The same is reflected in NDWPL receiving unsecured loans worth Rs. 6.2 crore from SVL. This association also ensures access to SVL's extensive distribution network and operational expertise. The strategic backing from SVL is expected to enable NDWPL to leverage synergies in wine manufacturing and tourism, driving growth and stability in its operations.

Financial profile characterised by healthy margins and low debt levels – NDWPL's financial profile is expected to be characterised by healthy margins and low debt levels. In 9M FY2025, the company reported an operating margin of 59.8%. While the operating margins are expected to moderate going forward (as NDWPL starts incurring raw materials and other overhead charges starting Q4 FY2025), they are expected to remain healthy. As of December 31, 2024, the company's total debt stood at Rs. 20.1 crore and TD/OPBITDA remained at 0.7 times with interest coverage of 29.8 times in 9M FY2025. Going forward, while the debt metrics are expected to moderate to a certain extent given the capex being incurred, they are expected to remain healthy.

Credit challenges

Nascent stage of operations with modest scale – ICRA notes that NDWPL is currently at a nascent stage of operations, characterised by a modest scale. Despite the significant growth in revenues to Rs. 33.9 crore in 9M FY2025 from Rs. 2.5 crore in FY2024, the company is still in the early phase of operation. However, it benefits from the expertise of SVL as the holding company. The recent acquisition by SVL and the commencement of bottling operations provide visibility for revenue in the near term. However, the company is yet to fully operationalise its wine tourism segment, which is expected to contribute to future growth. Additionally, any delay in obtaining necessary licence for commencement of wine tourism, thus impacting the revenue growth, will remain a key monitorable, going forward.

Exposure to regulatory risks – The company operates in a highly regulated industry with state-specific policies, which continue to impact industry volumes in several markets. At present, NDWPL derives 100% of its revenue in the wine segment from sales in Maharashtra. Going forward, the risk of unfavourable policy changes in such states continue 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's growth to an extent. However, the same creates entry barriers for new players, thereby favouring incumbents such as NDWPL, which are backed by established players like SVL.

Susceptible to agroclimatic and inventory risks – The wine manufacturing industry is seasonal in nature. The quantity of grapes harvested each year is susceptible to weather conditions. During the harvesting months of January till March, prolonged rainfall and lack of wind can cause moisture in grapes and reduce the quality. The company is also susceptible to inventory risk that may arise from its contractual obligation with farmers in the absence of ample demand. NDWPL relies on its parent, Sula, for procurement of raw materials and hence, the company's ability to mitigate the agro-climatic risk to a certain extent by diversifying sourcing locations, using technology and advanced tools for crop monitoring, remain dependent on SVL.

Liquidity position: Adequate

NDWPL's liquidity position is adequate, with unutilised fund-based working capital limits (against sanctioned limits) of Rs. 4.5 crore as on December 31, 2024, along with free cash and liquid investments of Rs. 1.36 crore as on December 31, 2024. The company has, on an average, utilised 43% of the sanctioned limits in the eight months ending December 2024. Against the same, the company has debt repayments of Rs. 0.12 crore in FY2025. The company is likely to be supported by SVL in meeting its interest and debt repayment obligations and capex requirements on a need basis.

Rating sensitivities

Positive factors – ND Wines Private Limited's rating could be upgraded if the company demonstrates significant improvement in its scale of operations and liquidity position while maintaining healthy profit margins on a sustained basis. Improvement in the parent's credit profile could also trigger a rating upgrade.

Negative factors – Negative pressure on NDWPL's rating could arise if there is any material deterioration in revenues or earnings and if any debt-funded capex, or regulatory measures, lead to deterioration of the company's credit profile on a sustained basis. Any moderation in the parent's credit profile or weakening of linkages with the parent could also trigger a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent / Group Company: Sula Vineyards Limited (SVL) The ratings assigned to NDWPL factor in the high likelihood of its parent, SVL (rated [ICRA]A+ (Stable)/[ICRA]A1), extending financial and operational support to it because of close business linkages between them.
Consolidation/Standalone	Standalone

About the company

ND Wines Private Limited is a wholly-owned subsidiary of Sula Vineyards Limited. The company manufactures wines and is in the process of setting up a wine tourism facility at its premises.

Key financial indicators (audited)

NDWPL	FY2023	FY2024	9M FY2025*
Operating income	2.3	2.5	33.9
PAT	1.2	0.7	14.8
OPBDIT/OI	68.9%	40.6%	59.8%
PAT/OI	51.9%	29.1%	43.6%
Total outside liabilities/Tangible net worth (times)	0.1	0.2	1.8
Total debt/OPBDIT (times)	0.0	-	0.7
Interest coverage (times)	526.1	842.5	29.8

*Source: Company, ICRA Research; * Provisional numbers; 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

	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 31, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-Based facilities	Long term	8.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-
Fund-Based facilities - WCDL	Short term	12.00	[ICRA]A3	-	-	-	-	-	-
Non Fund-Based facilities - BG (Sublimit of WCDL)	Short term	(2.00)	[ICRA]A3	-	-	-	-	-	-
Unallocated Limits	Long term/ Short term	5.00	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund-Based facilities	Simple
Short term - Fund-Based facilities – WCDL	Simple
Short term – Non Fund-Based facilities - BG (Sublimit of WCDL)	Very Simple
Long term/ Short term – Unallocated Limits	NA

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	**Long term - Fund-Based facilities**	24-06-2024	8.55%	FY2025-28	8.00	[ICRA]BBB- (Stable)
NA	**Short term - Fund-Based facilities - WCDL**	24-06-2024	8.20%	NA	12.00	[ICRA]A3
NA	**Short term – Non Fund-Based facilities - BG (Sublimit of WCDL)**	24-06-2024	NA	NA	(2.00)	[ICRA]A3
NA	**Long term/ Short term – Unallocated Limits**	NA	NA	NA	5.00	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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