SULA
VINEYARDS

Date: 17th November, 2026

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 Q2 FY27 Earnings Conference Call

Dear Sir/Madam,

Pursuant to Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Analyst / Investor Conference Call held on Thursday, 12th November, 2026 regarding the unaudited Standalone and Consolidated Financial Results for the quarter and half year ended 30th September, 2026.

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

Kindly take the above information on records.

Thanking you,

For Sula Vineyards Limited

GAYATHRI S IYER
Digitally signed by GAYATHRI S IYER
Date: 2026.11.17 18:46:06 +05'30'

Gayathri Iyer
Company Secretary and Compliance Officer
Membership No. A38069

Encl: As above

“Sula Vineyards Limited

Q2 FY ’27 Earnings Conference Call”

November 12, 2026

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

MS. RINKU MORE – CHIEF FINANCIAL OFFICER – SULA VINEYARDS LIMITED

MR. MANDAR KAPSE – IR HEAD – SULA VINEYARDS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY27 Earnings Conference Call of Sula Vineyards Limited. 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 call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mandar Kapse, IR Head at Sula Vineyards. Thank you, and over to you, sir.

Mandar Kapse: Thank you, Dorwin, and good afternoon, everyone. On behalf of the management team at Sula, I extend a very warm welcome to all of you joining us today for our Q2 FY27 earnings conference call. From the management team, we have with us today, Mr. Rajeev Samant, Founder and CEO, and Ms. Rinku More, CFO. We will begin with Rajeev sharing his perspectives on the operating environment, business performance, and key strategic developments, followed by Rinku taking us through the quarterly financial performance in greater detail.

We will then open the floor for Q&A. Before we begin, I would like to draw your attention to the safe harbor statement. Please note that actual results may differ materially from forward-looking statements due to various factors. With that, I now invite Rajeev to share his opening remarks. Over to you, Rajeev.

Rajeev Samant: Thank you, Mandar, and good afternoon, everyone. I appreciate all of you taking the time to be with us today. I trust you have had a chance to go through our quarterly results presentation and press release, both of which are available on the stock exchanges and on our website. Before we dive into Q2, I would like to extend my warmest Diwali wishes to all of you and your families.

I am pleased to report that we delivered a strong all-round performance in the second quarter, with net revenue growing by 4%, EBITDA increasing 8%, and net profit rising by a robust 34% year-on-year. At the same time, we also made significant progress in strengthening our balance sheet, reducing our net debt by nearly INR50 crores year-on-year to INR306 crores as of September 2026.

Importantly, we have now delivered three consecutive quarters of positive revenue growth, which reinforces our confidence in the sustained recovery of our business. What is particularly encouraging here is that this momentum is now translating into stronger earnings, supported by our premiumization strategy and our continued focus on cost efficiencies. Moving to own brands, our elite and premium portfolio continued to lead growth, delivering a healthy 9% year-on-year increase in Q2.

Its contribution as a result of this to own brands expanded over 400 basis points Y-o-Y to an all-time high of 82%. This is an important milestone, reinforcing the success of our

premiumization strategy, which remains central to driving stronger realizations and supporting our long-term profitability. Of particular note, our flagship elite brand, The Source, continued its exceptional performance, growing by over 30% Y-o-Y in Q2.

This brand has truly gone from strength to strength, with its contribution to own brands expanding by 300 basis points Y-o-Y to over 11%. We have crossed the important 10% mark for the first time, and it shows no signs of slowing down. We are actively expanding the brand's distribution footprint across India. This year, we introduced our superstar The Source Moscato across many more states, including Telangana, Goa, U.P., Delhi, Haryana, West Bengal, Chandigarh, and Punjab. We are seeing a very good initial response in all these markets. Among our Sula Classics, Sula Merlot has been another standout performer, recording growth of over 100% Y-o-Y in Q2. Launched not even a couple years ago, the brand now contributes nearly 5% of our own brand sales, and we are actively expanding its production and distribution footprint to sustain this momentum.

Our Sula sparkling wines also delivered strong double-digit growth in Q2. Together, these were our standout brands that powered the growth in our elite and premium portfolio in Q2. Importantly, Sula gained market share in the premium wine segment in the first half of FY27, as indicated by industry data that is available to us from select corporation markets.

Also, from all accounts, Indian wine has been gaining share from imported wines, with Sula emerging as the frontrunner in this shift. On the other hand, economy and popular portfolio performance remained under pressure due to continued indiscriminate and unsustainable discounting, and that has ended up moderating our overall own brands growth. However, that said, we continue to maintain pricing discipline in this segment, and we are prioritizing profitable sales. Further, we are also going to be strengthening our offerings in the more affordable segment as well through product innovation.

And on that front, I am excited about our upcoming entry into the wine-based RTD segment, with our first launch expected early next month. We see RTD as an opportunity to reach new consumers, broaden our portfolio, and create an additional avenue for growth. While the RTD segment is quite competitive, we believe that our product quality, brand strength, and extensive distribution network give us a very strong platform to establish a meaningful presence in this category relatively quickly.

Moving to the regions, from a regional standpoint, Telangana continued its strong momentum, delivering almost 40% YoY growth in Q2. Goa, Rajasthan, West Bengal, and exports also recorded robust growth during the quarter. Encouragingly, our largest market, Maharashtra, witnessed improving demand trends compared to Q1.

At the same time, Karnataka, our second-largest market, remained relatively subdued, with consumption trends following the recent excise policy changes favoring beer in Karnataka

over wine and spirits. Meanwhile, owing to its strong growth, Telangana has now overtaken Karnataka to become our second-largest market in the elite and premium segment, which marks quite a remarkable and important milestone in our premiumization journey.

Moving to wine tourism, this business continues to deliver strong double-digit growth and continues to become an increasingly important part of the Sula growth story. In the quarter, wine tourism's contribution to total revenue, including the D2C wine sales at our tourism facilities, increased by 220 basis points YoY to nearly 20% in Q2. Strong growth in wine tourism was driven by a robust 30% increase in room revenues, supported by the addition of our third resort, The Haven.

This was further complemented by a 7% increase in visitor footfalls in Q2, along with higher spending per guest by day visitors, further strengthening the segment's performance. Given the sustained momentum and attractive growth potential of this business, we have been and continue to direct a larger share of our growth investments towards expanding our wine tourism portfolio. On that front, I would like to give a quick update on two expansion projects.

First, I am delighted to share that our new event pavilion at our mother campus in Nashik, called the Vintage Room, is now operational and has already successfully hosted its first event just a few days ago. Spread across 5,000 sq ft, this premium air-conditioned indoor banquet facility can comfortably accommodate around 300 guests and adds a very important piece to our offering.

The addition of this indoor event venue addresses an important gap in our hospitality offering, enabling us to cater even more effectively to destination weddings, corporate events, and MICE throughout the year. We expect the Vintage Room to contribute incremental revenues in H2 of FY 2027 and further in FY 2028.

Second, in more good news, we have finalized plans for our fourth hotel, a 35-key property at our York Estate, strategically located right alongside The Haven and just a stone's throw from our flagship Nashik campus. Our target is to open the hotel in a year's time in Q4 2028. Once operational, the new hotel will expand our room capacity by another 20% to approximately 185 to 190 rooms. This project would involve an investment of around INR 25 crores and with a targeted payback period of just five to six years.

To facilitate this development, we are relocating winery operations from York to Domaine Rasa, which is the erstwhile Chandon estate we acquired just a little while back. We expect to complete the relocation by the end of Q3, that is this ongoing quarter, this year, and then the construction of the new hotel will begin right after the relocation is done, commencing in Q4. We are already at this point utilizing well this beautiful asset that we acquired not so long ago, Domaine Rasa. It is a terrific facility in terms of winemaking operations, so it made a lot of sense for us to transfer some of our operations from York, which is a bit more cramped, you

can say. Then what we are looking to do is to repurpose the existing winery building into a boutique hotel, with hardly any more external civil construction, which will bring down the cost of construction by quite a bit. Together, these investments will strengthen our hospitality infrastructure, expand our capacity, and support the next phase of growth in Sula's wine tourism. Before moving on to profitability, I would really like to highlight a significant sustainability milestone.

Solar energy now accounts for 97% of our winery energy requirements and 80% of our overall energy needs. This is our H1 number. I am very proud of this achievement. I got to say that some years back when we started putting in our own solar, we had a target of 75% in mind, and never did I expect that there was going to come a time when we would go above 90%.

But with the reduced monsoon, et cetera, all the conditions for Sula have been very perfect, and this is the outcome of that. Our sustained investments in solar energy and now battery energy storage systems over the past decade is now paying rich dividends and positioning us well to materially reduce our energy costs and hence our manufacturing expenses moving forward, with further benefits expected as we double our battery energy storage capacity from the current 2 MW to 4 MW in the coming months.

Turning to profitability, our net profit grew by a robust 34% year-over-year, backed by stronger growth in our premium portfolio, coupled with improved operating efficiency and lower finance costs. Importantly, this marks the first quarter in nearly two years in which we have delivered such strong year-on-year earnings growth, and I do believe that this is a positive development for our profitability trajectory.

We remain firmly focused on driving further cost efficiencies, having already front-loaded investments in winery capacity expansion. We have identified an opportunity to bring our Maharashtra super distribution logistics operations in-house by repurposing an existing facility. This is at our Domaine Dindori facility.

This initiative is expected to deliver annual savings of INR 1 crore, with benefits starting to reflect from Q4 FY 2027. Looking ahead to the rest of the year, we do believe that we can build on the earnings momentum we saw in Q2 and close the second half of FY 2027 on a strong note. I will now hand it over to our CFO, Rinku More, to take you through the financial performance in greater detail. Thank you.

Rinku More: Thank you, Rajeev, and good afternoon, everyone. Building on to Rajeev's overview of our business performance and strategic priorities, I will take you through the key financial highlights for the second quarter of FY 2027. On revenue performance, we delivered a healthy quarter with net revenue from operations growing by 4% year-on-year to INR136 crores versus INR131 crores last year.

The growth in revenue was supported by stronger traction in own brands and continued momentum in wine tourism. Importantly, the positive sales momentum seen over the last two quarters continued into Q2. Our elite and premium portfolio remained a key growth driver, recording 9% year-on-year growth. This was led by a strong double-digit growth in The Source, Sula sparkling wines, and Sula Merlot.

Importantly, the contribution of elite and premium to our overall sales mix increased by 420 basis points to a record 82%, reflecting the continued premiumization of our portfolio. Regionally, Telangana was a standout performer, delivering nearly 40% year-on-year growth. Goa, Rajasthan, West Bengal, and exports also recorded healthy growth, broadening the base of our revenue momentum. Moving on to wine tourism now, this business delivered another strong quarter with revenue increasing 24% year-on-year to INR16.3 crore.

Growth was underpinned by robust room revenues, higher visitor footfalls, and increased spending per guest. Room revenue grew 32% year-on-year, driven by launch of The Haven and increased ARR by 3%. Further, our direct-to-consumer wine sales through bottle shops at our own wine tourism facilities also grew 7% to INR9.8 crore. Overall, the quarter reflects the resilience of our premium portfolio and the growing contribution of our wine tourism business.

Looking ahead, we will start to work very soon on the development of Sula's fourth hotel, a 35-key property at York. The new hotel will increase the room capacity by nearly 20% to 185 rooms. Moving on to profitability. Despite the 4% net revenue growth in Q2, gross profit declined by 280 basis points versus last year, primarily due to two major factors.

Firstly, as discussed in our previous earnings call, the procurement mix during harvest 2026 was skewed toward wine grapes, following our conscious decision to limit open market table grape purchases to reduce wine inventory carryover. This has led to a higher blended grape cost, which has impacted gross margin by 150 basis points in Q2 and will also impact quarter three. However, from Q4 onwards, we expect this cost to moderate progressively as the procurement mix normalizes with harvest 2027.

Moving on, the second factor which impacted the gross margin was an adverse market mix. Telangana delivered a strong double-digit growth, outpacing our higher-margin core markets of Maharashtra and Karnataka. That said, it is important to highlight that while Telangana operates at lower gross margin, it also has meaningfully lower selling and distribution costs as well. As a result, the impact at the EBITDA margin level is relatively modest. EBITDA grew 8% year-on-year to INR27.5 crores despite higher blended grape costs.

This improvement was driven by strength of our elite and premium portfolio alongside continued discipline in operating expenditure. In terms of margin, our EBITDA margin improved 85 basis points to 20.3% in Q2. We took concerted measures to materially bring down our overheads, resulting in a 4% year-on-year reduction in the operating expenses.

The benefit of these actions is now beginning to reflect in the form of improved profitability from Q2 onwards. Looking ahead, we remain focused on improving operating efficiencies while continuing to invest behind our premium brands and long-term growth opportunities. Moving to items below EBITDA. Depreciation increased 10% year-on-year, primarily reflecting the lease-related depreciation for the new resort, The Haven, recognized as right-of-use assets in accordance with the accounting standards.

Interest costs declined 16% year-on-year in quarter two, benefiting from the lower average net debt level and a marginally lower cost of borrowing. Average cost of borrowing for the quarter stood at 7.3%, lower by 30 basis points versus 7.6% last year. Consequently, net profit grew a strong 34% year-on-year to INR 8 crores during quarter two, reflecting the combined benefit of higher EBITDA and lower finance costs.

For the first half of FY 2027 as well, net profit saw healthy growth of 15% to INR 9.2 crore. Turning to cash flow and the balance sheet, we continue to make progress in strengthening our financial position. Cash generated from operations after working capital increased by nearly 20% to INR 5 crore, reflecting a significant improvement in cash generation. Net debt declined significantly by INR49 crores while closing at INR306 crores as of September 2026, 14% lower than INR355 crores a year ago.

This improvement reflects our focus on cash generation, disciplined capital expenditure, and working capital management. Pertinent to note that our debt-to-EBITDA continues to remain below three times on a trailing 12-month EBITDA. A quick update on our WIPS outstanding as of September end. Our WIPS outstanding receivables stood at INR88 crores as of September 2026, compared to INR86 crores at the end of March.

During H1, we recognized INR19 crores under WIPS and received payout of INR18 crore. Post the quarter end, we received a WIPS payout of INR4.2 crores in November, reducing the outstanding balance now to approximately INR85 crores. Going forward, our priorities remain clear: sustain profitable growth through premiumization, maintain tight control over operating costs, improve cash conversion, and strengthen the balance sheet. With that, I would now request the operator to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Kaustav Bubna with Kamana Holdings. Please go ahead.

Kaustav Bubna: Yes. Hi. Thanks for taking my question. The first question is, how will the drought conditions in Maharashtra affect the company's margins and growth going forward? Basically, how is the company working around these conditions? That's the first question.

Rajeev Samant: I'll take that. It is, of course, a bad scenario for farmers in general, which is quite tragic. However, as far as the wine industry is concerned, actually, last year's grape growing

conditions were far harder because of the extended monsoon, and so we saw a big cut in the grape harvest.

This year, due to dry and sunny conditions, in fact, it's looking like a bumper grape harvest. Last year, we had actively stayed away from buying table grapes for our cheaper wines because grape prices had gone way up. This time, we're expecting the exact opposite with a plunge in table grape prices. So, in fact, that's going to have a salutary effect on our margins and all wine producers on the cheaper wines.

It doesn't much impact the more premium wines because those are contracted, and so the prices remain pretty constant. But on the popular and economy portfolio, which is made mostly out of table grapes, we should see a decent reduction in raw material costs from this harvest.

Kaustav Bubna: Okay. Are there any longer-term impacts of this drought, like moving ahead of this next seven to eight months over to your next procurement season, or no?

Rajeev Samant: Yes. Look, when there's a drought, obviously, it impacts the entire state agriculture and country's agriculture scenario, makes life that much more difficult for farmers, and it depletes the reservoirs and the groundwater. So in the following harvest, there could be some challenges for some of our farmers with regards to irrigation water.

It will not be a surprise if the state puts some major controls on irrigation once we are in about, starting around April next year, which could have an impact on the following year's harvest. Having said that, right now, our problem is not in terms of procurement of grapes. We generally tend to have a more surplus grape scenario. Having said that, we do not see much of an impact on Sula's procurement costs for grapes or on our margins, even moving forward.

We should, however, note that the trend, if you look over the last decade, is of a declining monsoon, which has obviously very serious repercussions beyond just our sort of quarter-to-quarter performance, and that is something that I'm not talking about here. That obviously affects all of us.

Kaustav Bubna: Okay. My second question is on this elite and premium segment, which you all mentioned, INR 400-odd crores annual revenue, which is now, I think, 80% of your revenue around. Could you tell me what is the overall size of the Indian market for this category? So, you are at INR400-odd crores. What is the overall size of the Indian market? Where do you see this going, the size of this elite and premium market in India going in the next three years, and why? Why do you see it going to those numbers?

Rajeev Samant: I would say out of the Indian wine market of this size, we are somewhere between 70% to 75% market share. On the imported wine, it is not as easy to get the data, but I would say that it is

probably somewhere almost equivalent to the Indian premium wine market. So, you can sort of double the Indian scenario.

You get to about INR1,000 crore market size including both domestic and imported wines, more or less. We do see growth going ahead. There are a couple of things here, because this part of the market has been showing growth for us. Plus, of course, now when the EU FTA and all that kicks in, which of course has been delayed a bit, where we were expecting December, January. The latest news is, it looks like it is moving out to May of 2027, so we are not really sure when it is going to kick in. But with the duty reduction on the wines above EUR 2.50 CIF, that is going to give further impetus. I guess more money is going to come into marketing wine from all of these producers as well, and so that should change the direction of the market. Thank you.

Kaustav Bubna: Great. Thanks.

Moderator: Thank you. Ladies and gentlemen, to ask a question, you may please press star and one. Our next question comes from the line of Nikhil Upadhaya with SiMPL. Please go ahead.

Nikhil Upadhaya: Yes. Hi. Good afternoon. I hope I am audible.

Moderator: You are audible, sir. You may proceed.

Nikhil Upadhaya: Yes. See, one question on Telangana, while we had a low base of last year, now if we adjust for the base effect, how does the growth rate pan out for us in the elite and premium for that market? That is one. Secondly, on the popular and economy, now if I look at it, while we have been de-growing, but at a run rate level, we are in the INR23 crore-INR24 crore, which is like for last three quarters we are sustaining.

Do you think this is the base for us, or would you say there is still more room where we can see more de-growth, or this is a base? Lastly, on Maharashtra and Karnataka, while your commentary was Maharashtra is seeing some improvement, Karnataka is still subdued, while last year in Q3 we made those changes in the Karnataka market also. How do you see the trends shaping up for our big two markets?

Rajeev Samant: In terms of Telangana, you are right that last year was a lower base effect. However, if you take a look at the last sort of five or six years, Telangana has shown sustained growth in this segment. If you average it out over the last couple of years, there is still a decent growth that is seen here.

It is not just the fact that you had an easy comparative with the quarter gone by. This year's growth has been very strong, and it is an all-time high in terms of sales of elite and premium. We see that continuing. Telangana is a terrific market. Interestingly, it is very much more red wine-oriented, where a market like Maharashtra for us in elite and premium might be around

55%-60% red. In Telangana, we are talking about more than 80% red. That is also something very interesting.

Sula has just captured this market. Once again, in Telangana, we have more than 70% market share in elite and premium. In terms of the popular and eco, we cannot take it for granted that one is going to see growth forever. We have to even though this is not as profitable, still it is not that we are neglecting this segment, and hence I had mentioned about the RTD that we are going to be launching very shortly.

Watch this space for an announcement anytime now in terms of the launch. There is still a lot of action in this segment. One has to figure out how to tackle it profitably. That is what we are working on. We have something interesting lined up, and I think this year's harvest also of cheaper table grapes will definitely add in to the profitability of this segment, allow one to expand maybe the S&D spend a little bit in this segment.

Your third point about these two states. Maharashtra has been now consistently showing some growth since the last three quarters at least. Those troubles that unfortunately in our case went on for at least three quarters or so last year, those are behind us. You remember the Pune Porsche incident, et cetera, et cetera. Maharashtra has a decent sort of low single-digit growth trajectory, high single-digit in case of premium and elite. Karnataka continues to be a bit of a struggle, and hence I mentioned that Telangana has now overtaken Karnataka in terms of elite and premium sales.

Yes, we did do the destocking to some extent last year, so you would get the benefit of that in the next quarter or two. However, the intrinsic sales and depletions, those are still not up to the mark in Karnataka, and quite frankly, given the state's emphasis on beer over the last few months, it might be that going forward it is going to continue to be a bit of a tough going in Karnataka.

Nikhil Upadhaya: Thank you. Yes, one last question. This is a little more long-term question. See, over the next three to five years, when you look at the business, Rajeev, earlier, three years back, two states had a higher concentration. Telangana came up in last three to four years. If I go back to our last four to five calls, we've been mentioning about Goa, Delhi, Haryana, like these states. Would you say the business concentration from two or three states can significantly change over next three to four years? Is the groundwork in terms of the registrations and everything done for us, and it's more of an execution and gaining the share, which is what we are working on, or are we still in the registration phase? Over the next three to four years, how do you see the business shaping up?

Rajeev Samant: Much of this depends on state policies. We face certain challenges in Haryana. We have a policy that unfortunately at this point is a bit discriminatory towards Indian wines vis-a-vis imported wines. Imported wines get included in a quota system for the retailers, whereas

Indian wines are not in it. We are lobbying, working with the government, asking them to please change this thing to stop the discrimination against our wines.

We hope, and fingers crossed, that we should find a sympathetic ear to this, because we do believe it's unfair. Delhi has seen some, of course, serious challenges over the last three to four years. You know that there were a lot of difficulties, excise, almost brought down a government, you can say. Unfortunately, Delhi, we are not seeing the things moving back in a positive way quickly.

However, there are a lot of discussions, a lot of noises. Delhi, it does have the potential to be a very significant market once again, as it was in the past. It's been a challenge, really, in Delhi for all wine producers, premium Alcobev producers across categories, spirits, wine, and beer, over the last three to four years. Surely, that can't last forever. Goa, there's good news. In fact, the last few quarters have been strong in Goa.

We are seeing, I say this cautiously, double-digit growth. Goa has come back in a very good way. A lot in Goa, of course, depends on tourism. One of the things, challenges that we faced in Goa was the almost collapse of international tourism. It's been replaced with domestic tourism, and really, international tourists were our bread and butter for wine in Goa in the past.

However, having said that, now even domestic tourists seem to be seeing a predilection for it, and we have seen a very nice recovery and growth momentum in Goa. Having said, how close will they get to the big states, Maharashtra, Karnataka, Telangana? I think that for another one year or so, you're going to continue seeing the Trimurti of these three states as far as we're concerned. After that, it's entirely possible that one or the other of these states also enters into that top tier.

Nikhil Upadhaya: Sure. Thanks a lot.

Moderator: Thank you. Participants, to ask a question, you may please press star and one. Our next question comes from the line of Keshav Garg with Counter Cyclical PMS. Please go ahead.

Keshav Garg: Rajeev, if we see our past 12-month revenue is the same that we did in FY 2024, but our EBITDA has reduced from INR176 crores to INR104 crore. Now basically if we see, then it seems that the gross margin has shrunk significantly versus FY 2024, and whereas the other expenses are broadly in line. Basically, Rajeev, what has to happen for us to regain that kind of profitability?

Rajeev Samant: Yes, that's a good question. One of the main factors here has been grape costs, and one of the big reasons for that has been that our sales growth has not been as we had projected. However, we have been locked into long-term grape costs for the wine grapes at fairly good prices, you can say, robust prices. When the sales growth did not happen as expected, we had no option but to pick up those grapes, and that has impacted.

Today, you have, for instance, last harvest, we did not harvest any table grapes, and so our wine grapes went into our cheaper wines, driving up costs. Plus, you have agings, you have overheads being added onto some of that wine because we're sitting on wine inventory being carried over from year to year.

All of that has impacted pretty significantly. I have good news, though, on this front. We have been working on this, and we are very optimistic. We were almost 1,000 basis points higher on raw material costs this quarter versus our own brand growth. Own brand was maybe 3.5%, and raw material was almost 13%.

This gap, this delta, we expect to come down. Q3, maybe a little bit, but definitely Q4 onwards, we expect that to moderate, and that should have a very salutary impact on grape margins. Unfortunately, in the case of wine, this is one of those things where quarterly results don't really always work in our favor because of the long-term contracts and the very sticky nature of grape prices, contracts, and sourcing. Having said that, we have massively reduced our wine inventory.

I'm told by our team that we are down around 80 days in wine inventory from Q2 FY 2026 to Q2 FY 2027, so things are moving in the right direction. This year, we're not getting that much of that benefit, but next year, I surely hope and expect that that will be very good for our gross margins.

Keshav Garg: Also, Rajeev, what is the WIPS grant for FY 2027, and how much did we get in the first half, and what's the expected amount in the second half?

Rinku More: I will take this. The WIPS grant that we got in first half was INR19 crore. The eligibility for us is INR 80 crores annually, and we'll be well within this range. Last year, on a full-year basis, we accrued around INR 45-odd crores on account of WIPS. With the Maharashtra growth, like Rajeev has mentioned, we have witnessed a single-digit growth in Maharashtra. A similar WIPS growth we'll be witnessing in current full-year basis. Somewhere around INR 49 to INR 50 crores on a full-year basis on WIPS.

Keshav Garg: Understood. Basically, a large part of it is expected to come in the second half. Basically, we got INR19 crores in the first half, and if we take INR50 crores for the full year, approximately INR31 crores or so should come in the second half?

Rinku More: Yes. This is basically the seasonal nature of the business, where the H2 is bigger than H1, and 60% of our revenue gets accrued in H2 of any FY, and a corresponding WIPS get accrued in H2, which is a larger number compared to H1.

Keshav Garg: Understood. Rajeev Samant, our wine tourism business is growing very well, and it is highly profitable, and the hotel resort stocks are getting a very high valuation also. Any thoughts on demerging the wine tourism part of the business?

Rajeev Samant: I would also like to point you are absolutely right, and it is a very good question. You can imagine that it is not a topic that has escaped us. I would also like to point out that even Alcobev stocks do get decent valuations, so I do not think there is any burning reason to do that right now. Having said that, matters like this are always under consideration and under discussion. I would just put it like that for now. Thanks.

Keshav Garg: Now, lastly, Rajeev, in Maharashtra, we have manufacturing, and Maharashtra and Karnataka, are grape-growing states. Are there any other major states which also grow grapes wherein there is a hope of a basically conducive government policy for wine?

Rajeev Samant: Yes, there are such states now. Just in terms of the quantum, the other states are nowhere close to Maharashtra and Karnataka. Maharashtra and Karnataka are way ahead in terms of the quantum of grapes. However, grapes grow in, as far as we know, at least four or five other states, and we as an industry are constantly in discussion with those state governments to put in place more conducive policies.

I would say that with couple of those states, there are active discussions going on right now. Nothing final has come out of it right now, but yes, there is entirely a possibility that you could see in the not-so-distant future at least one or two more states coming up with a very friendly winery policy.

Keshav Garg: Understood, Rajeev. Thank you and best of luck.

Moderator: Thank you. Ladies and gentlemen, if you wish to ask questions, you may please press star and one. We have a follow-up question from the line of Nikhil Upadhyay with SiMPL. Please go ahead.

Nikhil Upadhaya: Hi, Rajeev. Just on this gross margin part, I wanted to understand this a little better. You mentioned, so there are two parts which you mentioned in the call. One is when the table grape prices go down, the profitability at the economy level improves, which was a comment you made in the initial question which was asked. On the premium and elite, you said that the pricing is defined, so it does not see a great improvement. If I add to the gross margin issue which we are currently facing because of higher grape prices, one is, what can impact us negatively next year, which can prevent us from gaining on that gross margin? What can be the factor which can impact us negatively on the gross margin, and the kind of flow or increment we are thinking may not happen?

Rajeev Samant: I would say things are looking pretty good right now. We have a pretty good visibility on how this harvest is shaping up. If we get unseasonal rains now, let's say today as we're talking on this call, some unseasonal rains come, even that is not going to impact much. We are reaching that stage called véraison in the vineyards when the grapes don't get so affected after that for things like that.

Last year we did have this big issue with regards to table grape prices. Having said that, we were also sitting on a lot of wine inventory, so there was not a lot we could do. Now moving forward, as I told you, we are 80 days down in our raw material inventory, which is very significant. Also, we see the cheaper table grapes coming through in Harvest 2027.

I got to say that on the raw materials side, things are looking pretty good, and that is the most important factor when it comes to our gross margins. On the packing material side also, we had some unfortunate adverse impact. Everybody in consumer goods has felt it due to the troubles in the Middle East and etcetera, etcetera.

So unexpected, unnecessary, that also came through to us. It is anybody's guess, but we certainly hope it looks like that things are calming down there right now, and that should also work out well on the packing material front. At least I don't expect any big rise. We did see some rise, unfortunately, in terms of glass, fuel, oil, et cetera. I would say things are looking pretty good.

From whatever we have visibility on, I cannot see any big factor that could hurt apart from not growing sales. That obviously will always impact, but on everything else, I think that we could start to see gross margins go back up.

Nikhil Upadhaya: Sure. There are two questions. If I look at the business from 2022 onwards, the mix of the business has moved in two directions. One is the resorts taking a greater share, where the intrinsic margins are higher, which we have mentioned in the call, and also elite and premium giving more share versus the popular. Would you say that intrinsically the economics of the business has only improved from what we have?

If you remove the RM volatility, the intrinsic margins of the business or economics of the business have only improved from what we have seen historically? Or is it like that 25%-26% is the peak which you would like to sustain and use the more cost towards growing the business in a newer market? How should we understand on the economics considering the mix improving towards better margin businesses?

Rajeev Samant: Well, I mean, I think in this, I do not have a crystal ball. I think for now, we have a very clear road ahead that, at least for the next year, every quarter, we should be trying to improve our EBITDA Y-o-Y. That is like the most important thing for us. Now, what actually happens down the road, etcetera, etcetera, I do not have a crystal ball to look that far. When you say 25%-26%, I mean, I would love to see it go further.

I do not see that there is any natural thing that stops it there. There are a lot of things we are working on, apart from gross margins. If you see the other parts, things like staff costs and other expenses also, S&D also, you see that we are doing some hard work there. I mean, I see a good period ahead for margins. I will just put it like that. Sorry, that is the best I can say right now.

Nikhil Upadhaya: Lastly, on the growth side. While second half you mentioned, and even in the presentation you mentioned that the momentum looks good. When you think over the next three years for the business or for the category, what is the kind of sustainable volume growth do you see our business can sustain?

Because now at 82% or 85% elite and premium, maybe there is not much room to improve. The room is more on getting more volume, getting more share of the whole Alcobev. How do you see the sustainable volume growth in this industry and for you as a key player? Even our market shares are 75%, so there also it is not much room for us to gain further. How do you think about it?

Rajeev Samant: I think we are seeing a bit of a K-shaped recovery, you can call it, for our industry, where elite and premium seem to be growing significantly better than popular economy. Popular economy is too crowded, not really sustainable, not incredibly profitable, and not our space. I think that in terms of better wines, wines of quality, which are not too expensive, Sula has always tried to provide wines of quality at an affordable price.

That is really a mantra of ours. I still see a lot of good room for growth ahead. I am going to reserve my judgment in terms of popular wines. I see a lot of spoilers in this market. There are also some new products being launched by people with very bright colors and this and that, which seem to, I do not know, they seem to be getting through the excise rules somehow, which are creating troubles in this market. I have my own doubts about the long-term profitability about this segment. Let me be perfectly clear about that. You can see the direction that we are going in, that our elite and premium are growing, and we are taking market share. I agree with you that how do you go beyond a certain thing? The funny thing is, even as we say this, we continue to do it. That is where it is. Sorry, that is about all I can comment on this.

Nikhil Upadhaya: Thanks, sir.

Moderator: Thank you. Our next question comes from the line of Siddharth Bhattacharya with Authum Investment & Infrastructure Limited. Please go ahead.

Siddharth Bhattacharya: Hi, am I audible?

Rajeev Samant: Yes.

Moderator: You are audible.

Siddharth Bhattacharya: Hi. Just wanted to drill down a bit more and understand the structure of both your segments. While wine tourism, let's say four years back, was 7%-8% of our overall turnover, our EBITDA margins seem to have peaked over there at 31% from an entire company perspective. Today, wine tourism again has become like 14% of your overall turnover, and EBITDA

margins are much lower today at around 18.5%-19%. Just wanted to understand, is the impact on the wine sales much more in terms of gross and EBITDA?

Because wine tourism, I would believe, is a very fairly stable EBITDA margin on gross margin business. What I'm trying to also figure out is that once the raw material pricing is taken care of, there will be positive operating leverage that gets created into the system. Am I right in my understanding?

Mandar Kapse: Yes. Siddharth, you are right. I mean, of course, the better margin segments have grown in share as compared to a couple of years back. Of course, raw material cost has increased, like we spoke about in this year, we are seeing that impact. Let us say once these raw material costs settle, you will definitely see positive operating leverage coming in because we continue to grow, and gross margins are at a structural low point, which should start improving from Q4 or from Q1 next year. Once that happens, you will see a disproportionate benefit coming in in terms of EBITDA. It will be difficult to comment on whether we can go back to 30% sort of EBITDA margins. I think that is a bit far-fetched right now. Our immediate goal would be to at least to go to 22%-23% over the next couple of years.

Siddharth Bhattacharya: Got it. Also wanted to understand our raw material sourcing policy. Just wanted to understand this better as to why did we get caught in something like this, which is impacting our gross margins for a significant part of time?

Mandar Kapse: Yes. As we had communicated during the last call as well, this is more of a one-time excess inventory correction exercise that has been undertaken. See, we had factored in a much stronger growth than what we achieved in the last couple of years. Accordingly, we had signed up more acres to produce wine grapes. We have signed up with more farmers for more acres to produce more wine grapes for us. But the growth that we were envisaging, that did not work out. The growth was much slower than what we expected. Now these wine grapes are under very long-term contracts, 10, 12-year contracts. We had to take up those grapes and so last year when the growth was a bit slow and we had to take up these grapes, wine grapes, and at the same time, because of the very strong monsoon that we saw last year and unseasonal rains as well, the grape harvest was not great last year. So, table grape prices, table grape, which is a cheaper variety of grapes, they generally go for around INR15 to INR20 a kg, versus wine grapes, which are generally between IN R60 to INR 70 per kg, depending on the variety. Those table grape prices also shot up to INR30 per kg.

So, we thought it was a good time to consciously not source any table grapes and reduce the carryover wine inventory that we had in the system, because the growth in the preceding two years was lower than we expected. That was a one-time measure that we took to bring down our inventory, and we are achieving that this year. From next year onwards, it should be business as usual.

Siddharth Bhattacharya: Typically, what is the mix between table grapes and wine grapes for us in our raw material?

Mandar Kapse: Generally, it is 75%-80% wine grapes and 20%-25% table grapes.

Siddharth Bhattacharya: Okay. The 25% shot up 3x, and that created the issue.

Mandar Kapse: No, no. It went from INR 15-20 / kg to INR 30 / kg. Given that large increase in table grape price, we decided not to source any table grapes, since we already had excess carryover liquid in the system. Our priority was to sort of reduce that to more ideal levels. That one-time impact you are seeing in our financials for this year. But in the next year's harvest, which will take place between January to March 2027, we will go back to our typical procurement of 20%-25% table grapes and rest being wine grapes. That should, again, help us on the gross margin front from Q1 of next year.

Siddharth Bhattacharya: Got it. In our manufacturing process, just for understanding from a technical standpoint, we cannot keep the raw material longer. Is that an issue?

Mandar Kapse: No, no. There is nothing of that sort that is impacting us. We can keep the liquid for three, four years. It is just that you do not want to keep carrying over the inventory.

Rinku More: Just to add over here, normally if the carryover inventory continues to sit in the books of account, it continues to absorb the overheads, and it becomes costlier. Once that gets consumed, you will see a gross margin being impacted due to the carry liquid. The strategic call which the company took in harvest 2026 was basically to control this carryover liquid. That impact is visible on the P&Ls from the last three, four quarters. But we see once FY 2027 to close at a much-controlled inventory position, which will help us in FY 2028 on the gross margin front.

Siddharth Bhattacharya: Got it. Okay. Thank you. Thank you so much.

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

Mandar Kapse: Thanks, Dorwin. Thank you, Rajeev and Rinku, for sharing your insights. Thank you to all our investors and analysts for joining us today. We hope we have been able to address your questions. Should you have any further queries or require any additional information, please feel free to reach out to our investor relations team. Thank you once again for your participation today. We look forward to connecting with you once again next quarter. Have a great day.

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