

Date: 13th February, 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.

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

NSE Symbol: SULA
ISIN: INE142Q01026

BSE Scrip Code: 543711
ISIN: INE142Q01026

Sub: Transcript of Q3 & 9M FY26 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 Monday, 9th February, 2026 regarding the Unaudited Standalone and Consolidated Financial Results for the quarter and nine months ended 31st December, 2025.

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 Iyer
Company Secretary and Compliance Officer
Membership No.: A38069

Encl: As above



Sula Vineyards Limited

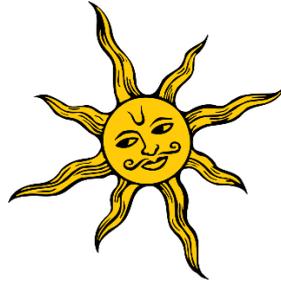
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SULA
VINEYARDS

“Sula Vineyards Limited

Q3 and 9 Months FY '26 Earnings Conference Call”

February 09, 2026



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

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

**MR. MANDAR KAPSE – HEAD, INVESTOR RELATIONS –
SULA VINEYARDS LIMITED**



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Moderator: Ladies and gentlemen, good day, and welcome to Sula Vineyards Q3 and 9 Months FY '26 Earnings Conference Call. As a reminder, all participants' lines will be in 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 touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Mandar Kapse, Head, Investor Relations. Thank you, and over to you, sir.

Mandar Kapse: Yes. Good afternoon, everyone. On behalf of the management team at Sula, I would like to welcome you all to the Q3 and 9M FY '26 Earnings Call. Today on the call from the management team, we have with us Founder and CEO, Mr. Rajeev Samant; and CFO, Mr. Abhishek Kapoor. They will take us through the Q3 performance and answer your questions.

As always, we'll kick off today's call with Rajeev, sharing his thoughts on the operating environment as well as the business performance. This will be followed by Abhishek taking us through the financial highlights for the quarter, post which we'll open the forum for Q&A.

Before we proceed, I'd just like to draw your attention to the safe harbour statement regarding the forward-looking statements. Please note that various factors may cause actual outcomes to differ materially from those projected.

With that, I now invite Rajeev to commence today's call.

Rajeev Samant: Thank you, Mandar. Good afternoon, everyone. Thank you all for joining us today for our Q3 FY '26 Earnings Call. I trust you have had a chance to review our Q3 press release and presentation, which is available on our website and the exchanges.

It was clearly a challenging quarter and probably the toughest quarter since listing from both a revenue and profitability standpoint. During the quarter, we took a tactical decision to undertake destocking in Karnataka, our second largest market, with the objective of right sizing channel inventory in this market and strengthening our working capital position.

Demand in Karnataka has been subdued through this fiscal year. And given the uncertain near-term outlook in that market, we took this difficult but very conscious call to destock significantly. Following this action, we believe we are now at a comfortable level in terms of stocks across markets across the country. So, we do not anticipate any further material destocking going ahead.

Importantly, to give some visibility here, excluding the destocking impact, our revenue in the third quarter was largely in line with Q3 of last year. While this decision to destock weighed on our Q3 performance, we are confident that this was the right strategic step that positions us



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for healthier and more sustainable growth in Karnataka as consumer demand normalizes in FY '27.

Encouragingly, in Maharashtra, our largest market, we have seen demand recovery and a return to consistent growth in the past few months. You would recall that about 6 to 12 months ago, Maharashtra was the sluggish market for us. But now I'm happy to say that we are back to consistent single-digit growth in this market across Maharashtra.

In Telangana too, our third largest state, we returned to growth as guided in the last couple of earnings calls following the conclusion of the license renewal process. With the route to market disruption now behind us, we expect to see good growth in Telangana in Q4 as well as in FY '27 as the license renewal will be in place for a couple of years, so no disruption seen in FY '27 in this important market.

Additionally, we saw healthy double-digit growth in other markets like UP, Rajasthan, Goa and especially CSD, which are some of our key markets outside our top three markets. CSD in particular, continues to perform well, delivering double-digit growth in Q3, supported by increased wine listings. And I'm very happy to report that on a 9-month basis, sales to CSD are up nearly 40% year-on-year, reinforcing the strength of this important channel.

Coming now to our portfolio mix. The share of our elite and premium wines stood steady at 80% during the quarter. And within this, our Source range continues to be a standout performer, delivering strong double-digit growth in Q3, successfully building on the solid momentum from H1, so strong double-digit growth in the 9 months as well over last year.

Driven by this traction, The Source is increasingly becoming a more significant contributor to our business with its share within Own Brands rising 250 basis points from 8.5% last year to 11% now in Q3, so now looking at a double-digit share. And I would say that a far higher share in terms of profitability.

We further strengthened The Source portfolio, we are sort of doubling down on our focus on this portfolio because it has such great traction with our consumers, by launching an exciting new white wine, The Source Chardonnay, last month in January.

And in parallel, our efforts are underway to expand the rollout of the entire Source range across more states to support sustained momentum going ahead. We expect this strong traction in The Source to continue in Q4 and into FY '27, even with the impending duty reduction on EU wines looming up ahead.

Before moving on to our Wine Tourism performance, I would just like to touch on our market share. Very pleased to say that in the first 9 months of FY '26, we gained significant market share in the domestic elite and premium wine segment across corporation markets for which we get industry data, including Karnataka and Telangana.



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Turning over to Wine Tourism now. Very pleased to say that we delivered robust year-on-year growth of 34% over last year Q3, marking yet another record quarter. The strong performance of our Wine Tourism business, in which I would say that we are leaders in Asia, has helped offset the weakness in Own Brands during the quarter.

The strong growth in Q3 was powered by the healthy double-digit growth in footfalls, which increased more than 15% year-on-year and the opening of our third resort, The Haven by Sula. And this is not far from our original Source, our tasting room and beyond.

This is particularly heartening because after a dip in footfalls last year, we are once again seeing strong traction during this all-important festive and wedding season. So, it looks like people are coming back. Perhaps people have started going maybe abroad a little bit more, Thailand, Vietnam, but very happy to see a very strong comeback for domestic travelers back to our campuses.

And I think that this really reflects on the strength of our vineyard-centric guest experience and our team's warm hospitality and is a tribute to all the hard work we've done over these past couple of years to continue to improve the attractiveness of the experience, to continuously add new features, new rooms, new bars and places to enjoy our wines.

Coming to our new resort, The Haven. We added 30 keys in October under Phase 1, followed by 20 additional keys in December in Phase 2. And this Phase 2, in particular, was delivered 3 months ahead of schedule. So, I think that in the last earnings call, I had said that we would be adding 30 rooms in Q3, but instead, and again, a tribute to our hospitality team, we have added 50 keys. With this expansion, our total room capacity has increased by nearly 50% to 154 keys as compared to 104 keys last year at the same time.

The new resort has seen strong acceptance already. Even with the significant addition of rooms, our Q3 occupancy has remained stable at around 80%, which is pretty much the same as Q3 last year. In fact, The Source and Beyond resorts saw higher occupancy if you stripped out the Haven.

Occupancy at The Source resort, I'm very pleased to say, increased 500 basis points versus last year, while occupancy at Beyond was higher by 200 basis points. And Source is sitting just below 90% occupancy, so very strong performance. Excluding The Haven, our occupancy stood at about 85%.

Further, some milestones. I am pleased to note that the Christmas 2025 weekend, we set a record for highest-ever single-day revenue and footfall. And then and even more good news, Q4 has also started on a strong note with the Republic Day long weekend topping the Christmas weekend record. Once again, we set our highest-ever single-day revenue and footfalls



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on the 25th of January. So overall, Wine Tourism continues to surge and be a very meaningful growth engine for us., We continue to be the most visited vineyard in the world.

And with a 17% growth in footfall in Q3, I don't see that record being challenged anytime soon. And the share in our total revenue has risen by 350 basis points year-over-year to over 11% in Q3, and that gives a good idea about the direction in which it's heading.

Given this strong momentum and favorable outlook, we are decisively doubling down on investing in this segment. In fact, we expect that over the next 2 years, a lion's share of our total capex will be allocated to Wine Tourism. In line with this strategy, we are looking to add, once again, close to 50% more rooms in the next couple of years. So, watch this space.

A quick word on SulaFest 2026 that was held just last weekend. The event was once again a standout success, and it is our second sold-out SulaFest in a row. And in fact, we sold a lot more tickets this year. We had a lot less complimentary entries, that's one of our strategies, than the previous year.

So, the event was once again attended by over 10,000 participants, and it included strong performances by well-known artists, King and Nucleya among others. And this SulaFest offers a platform, a unique platform for Sula to build deeper engagement with wine enthusiasts, something that will stand us in very good stead even when duties come down on the EU wines in the FTA. This is something that nobody else has and nobody else is likely to have for a long time.

So, speaking about the FTA, I'd like to give you an update. In the recent India-EU FTA, you all must have seen the press release that we recently uploaded. Just to reiterate, the reduction in import duties is applicable only to wines priced above a minimum import price of EUR2.5 per 750 ml bottle CIF. The same level of duty applies also to bulk wine. Imports below this EUR2.50 threshold will continue to attract the existing 150% duty.

Drawing parallels with the India-Australia FTA, where duty reductions were phased in gradually over a decade, we expect a similar calibrated approach for European wines. The first duty reduction to 75% is expected to happen, as per our government, as per the Commerce Ministry, around a year from now. And then we expect that it would reach its final duty level within something like 7 to 10 years from the first duty reduction.

At these levels, an imported European wine with a CIF price of EUR2.50 and 75% duty would typically retail at about INR1,700 MRP in Maharashtra, which is the largest market for imported wines. Now it could differ a little bit here or there, but this is pretty much where we expect it to land.

So, we, therefore, believe the framework is well balanced. Of course, we might have preferred a slightly higher MIP, that's the truth, but the way it's turned out, it continues to give some protection to over 95% of our portfolio, which is priced below INR1,600 MRP in Maharashtra.



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Just to give some more perspective, only two of our 50-plus own wines, our Rasa Cabernet Sauvignon and Rasa Syrah are today priced above INR1,600 per bottle. These two wines represent about 1% of our sales volume and 4% of our sales value.

We started preparing for possible concessions in the FTA a year back. And accordingly, we targeted and have made significant headway in ramping up listings for Rasa and The Source in the last 12 months. The Source, in particular, in line with its double-digit growth, also has seen strong double-digit growth in listings.

When I say listings, I'm talking also specifically about institutions where you have the visibility. We are extremely well represented today with this range in wine shops. But in institutions where the process typically takes longer, and you have to persuade the buyer to list the wines, it's been a tremendous performance, strong, strong double-digit growth in listings for The Source, which has really caught the attention of buyers for institutions as well as wine consumers across the country.

So, this puts us in a very strong position once duties come down, and we will continue to put emphasis on expanding these listings further over the next 1 year until the market opens.

Just to add here, The Source range, which has seen a significant double-digit increase this year, retails at a price range of INR1,100 to INR1,500 per bottle, Maharashtra MRP, therefore, slotting in very well below the aforementioned expected MRP of INR1,700 per bottle for the EU wines at EUR2.50.

There has been some amount of doom & gloom around the FTAs, but there's a strong silver lining to this as well. With these imported wines coming in, for sure, it will bring a lot more excitement and expand the Indian wine market. And I hope we will finally, working together, go beyond the 1% threshold of total alco-bev consumption in India.

Here, I hark back to a year ago when we were summoned by the Commerce Ministry and informed that duties would come down significantly in our FTA with the EU. Just to put in perspective, it's come down around 40% when you convert the currency compared to the Australia FTA.

And just to also further give color, Australia has MFN status, which means this lower price -- this lower minimum price will also be applicable to Australian wines. In fact, most FTAs are being signed with this MFN clause, just to make it clear.

At that time, it was a little bit scary, the prospect, I must say. But I note that in that 1 year, euro has appreciated by 20% against the rupee. And that puts us today, I would say, in a much less scary position, a much more comfortable position.

We would have hoped for a slightly higher MIP, but I do believe that our government has managed to come up with a balanced outcome. And I must say that we look forward to



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working together with our European counterparts, when these wines come in, to develop the Indian wine market together.

The past 18 months have been challenging for Sula and the Indian wine industry with multiple headwinds impacting performance. But that said, we believe that impact on our revenue and margins has bottomed out in Q3. I am feeling a lot better about the future and expect a much-improved performance in Own Brands from Q4 onwards as demand conditions, the way we see it, seem to be improving markedly across most key markets.

Further, our Wine Tourism business is well positioned for strong growth, led by sustained footfall traction and contribution from our third resort, The Haven, and new expansion projects.

Taking it all together, overall, we are optimistic about a healthy recovery going forward. Lastly, I am mindful of the fact that I did give some cautiously optimistic guidance in the past. However, based on what we are seeing on the ground today, we feel materially more confident about prospects this time around.

With that, thank you. I would now like to call on our CFO, Abhishek Kapoor, to take you through our financial performance in greater detail. Over to you, A.K.

Abhishek Kapoor:

Thank you, Rajeev, and good afternoon, everyone. After the overview of our operating performance and strategic initiatives by Rajeev, I'll walk you through the financial highlights for Q3 FY '26.

First, talking about the revenue performance. As Rajeev highlighted, our Q3 revenues were significantly impacted by a one-time tactical destocking undertaken in Karnataka. This was a conscious step to recalibrate channel inventories and preserve working capital in the context of subdued demand in the state of Karnataka during the first 9 months of this fiscal.

Given that Karnataka is our second biggest market, the one-time destocking exercise had a material impact in Q3. Revenues in Karnataka declined by around INR21 crores compared to Q3 last year.

Excluding this impact, Q3 revenues were broadly in line with the prior year. Encouragingly, our other key markets performed well. Telangana, our third largest market, recovered strongly in Q3 and delivered double-digit growth following the conclusion of license renewal process.

We expect this momentum in Telangana to continue going forward as well. Beyond our top three markets, we recorded healthy double-digit growth in several states, including Uttar Pradesh, Rajasthan, Goa as well as in the CSD channel, to name a few.

From a portfolio perspective, the elite and premium segments within Own Brands remained stable at approximately 80% of the mix. The Source range, as Rajeev alluded to earlier,



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continued to deliver strong double-digit growth in Q3, making yet another consecutive quarter of robust performance.

Before moving to Wine Tourism, let me briefly touch upon our 9-month performance. For the first 9 months of this fiscal, revenue stood at INR454 crores, representing a year-on-year decline of 5%, excluding the onetime WIPS unwinding benefit, which we took in quarter 1 of the last fiscal. Our Own Brands revenues declined by 7% over the same period.

That said, there are two clear bright spots in our Own Brands performance this fiscal. First, The Source range delivered strong momentum on a 9-month basis, growing 23% Y-o-Y with revenues increasing from INR32 crores to INR40 crores. Its share within our Own Brands has now crossed 10%, underlining its increasing relevance within our own portfolio.

Second, our performance in the CSD channel has been particularly strong. Our first 9 months CSD revenues grew nearly 40% year-on-year, driven by increased wine listings. We continue to work towards expanding our presence further in this channel.

On Wine Tourism, the business delivered an exceptional performance in Q3, with revenues growing 34% year-on-year following a solid 15% growth in first half. This growth was driven by a 17% increase in footfall, improved occupancy across our existing rooms and while maintaining ARR.

With the launch of our new resort, The Haven by Sula, during the quarter, we added a total of 50 rooms, around 30 rooms in October and additional 20 rooms in December. The new resort has seen encouraging traction right from the launch, achieving an occupancy of 63% in the very first quarter.

Our other two resorts also reported improved occupancies during the quarter. The Source saw occupancy increase from 83% last year to 88% this year, and Beyond, improved from 78% to 80%.

As Rajeev mentioned earlier, we achieved a new milestone in Q3, recording our highest-ever single-day revenue and footfalls on 26th December during the Christmas weekend. Importantly, this momentum has continued into quarter 4. For the first 9 months of FY '26, Wine Tourism revenues stood at INR49 crores, representing a 22% year-on-year growth compared to INR40 crores last year.

Moving on to profitability. Gross margins contracted by 270 basis points year-on-year. This contraction was driven primarily by an adverse state mix led by lower contribution from Karnataka, which is one of our high-margin markets. Karnataka's share to our total Own Brands revenue declined by approximately 900 basis points year-on-year from 20% to 11% in Q3 FY '26.



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I would also like to highlight the impact on margins from change in route to market for sourcing wine for our Wine Tourism business has now been fully tapered off. As a reminder, we implemented this change in quarter 3 of the last financial year, transitioning from an intercompany sourcing model to sourcing through an external distributor. Since this impact is now part of the base, we do not expect it to have any further bearing on the margins going forward.

On the cost side, we continue to exercise tight control over operating costs. With the exception of other expenses, which increased by 13% year-on-year, all other costs had recorded a reduction compared to last year. The increase in the other expenses was attributable to the initial operationalization costs associated with the launch of our new resort, The Haven by Sula.

It is important to note that The Haven was operational for only part of the quarter with 30 rooms launched in October and 20 becoming operational in December. As Q3 represented a partial operating period, we expect better operating leverage and closer alignment of cost to revenues as the resort moves into a full quarter of operations and occupancies ramp up towards the normalized level.

The impact of new Labour Code during the quarter was not material as our existing compensation structures were largely already largely compliant with the revised requirements. As a result of the revenue decline and adverse geographic mix, EBITDA for the quarter declined to INR32 crores from INR53 crores in the corresponding period last year, representing a 40% year-on-year decline and an 800-basis-point contraction in margins.

For the first 9 months of the year, EBITDA stood at INR76 crores compared to INR110 crores last year, which is excluding the one-time WIPS unwinding benefit, reflecting a year-on-year decline of 30% and a 650-basis-point contraction in margins.

Depreciation increased in quarter 3, reflecting the higher capex undertaken last year as well as The Haven's lease expenses, which is classified as right-to-use asset in line with the accounting requirements. That said, the bulk of our planned investments are now behind us. Capex in FY '26 and FY '27 is expected to moderate to INR20 crores to INR25 crores levels annually, which is less than half of around INR60 crores incurred in last financial year.

During the quarter, we also recognized a onetime exceptional charge of INR 1.7 crores relating to impairment of certain York brands acquired in 2021. This impairment was taken following the pruning of our York portfolio and discontinuation of select varietals.

Interest costs for the quarter increased by 4% year-on-year, reflecting higher average debt levels. Encouragingly, our net debt declined sequentially by INR36 crores to INR319 crores to close December as compared to INR355 crores as of September 2025. This reduction was driven by lower capex and the WIPS payout released by the government in quarter 3.



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Our debt-to-EBITDA remains comfortable at approximately 3x on a trailing 12-month basis. We expect to further reduce the debt by end of March, supported by improved inventory levels and continued moderation in capex.

On WIPS, outstanding receivables stood at INR85 crores as of December compared to INR72 crores at the end of March. We accrued INR37 crores during the quarter and received payouts of INR24 crores in the first half of this fiscal. Heartening to note, we have also received a WIPS government release of around INR10 crores in Feb 2026, which will further take this outstanding balance down to below INR80 crores.

Looking ahead, we expect Own Brands to return to growth over the next couple of quarters. As Rajeev mentioned earlier, demand conditions have improved across all key markets. We also expect Wine Tourism to sustain its strong momentum, providing additional support to our performance in quarter 4 and the coming fiscal. Overall, we expect margins to improve and gradually revert towards normalized levels going forward.

With that, I would now request the operator to open the floor for questions and answers. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first is from the line of Viresh, an Individual Investor.

Viresh: So, I had a question on one of the announcement or statement that you gave around a couple of quarters back in which you told like we plan to foray into spirits. So just wanted to take your opinion, like are we venturing into it?

And why I'm asking is, in alcohol industry, biggest limiting factor is that there is no advertisement. But we do have so much footfall in our resorts, which can be a positive to introduce any kind of flavors or anything. So just wanted to get your opinion, are we thinking in that direction?

Rajeev Samant: It's a good question. We have taken a good look at some opportunities that have come our way. I must be very frank that we have not looked very strongly at starting our own greenfield brand, but there have been certain opportunities that have come our way. However, sort of heightened valuation expectations from founders and promoters are always things that get in the way. So, we continue to look, and we continue to be open, and we are in sort of continuous discussions.

Now in terms of using our resorts also as a place to sort of popularize spirit brands, I should note that wine has a very special status in Maharashtra. There's a very liberal regime when it comes to wine as compared to spirits. So, if we were to start serving spirits at some of our resorts, we would come into a very different category. So that's something that we really have to consider.



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However, having said that, your point it does make sense. It's very pertinent for us. It's not only our resorts, which, of course, it could make sense if we could do it, it's also our distribution. Today, we are one of the few companies, who has such strong distribution across the country.

So, anything that we are distributing would, of course, already have an advantage compared to some of the smaller craft spirit companies for whom distribution is possibly their most major challenge.

Moderator: The next question is from the line of Gunit Singh from CCIPL.

Gunit Singh: Sir, most of the wine drinkers have, I mean, aligned drinking wine with having some aspirational value. And when it comes to Indian taste, I mean, if there's a brand which is available at the same price as an Indian brand, which is European or French, so I mean, we would choose that. That's the general sense.

So, I mean, what kind of impact would this FTA have? And do you think the points that are made are fair according to you? And have you done a scenario analysis for a price compression or a drop in volumes once the duties, say, fall to 50% and when they fall to 20%, 30%? So, what is your take on this?

Rajeev Samant: So, I'll answer your first question first, which is that you feel that a lot of consumers would move towards imports. Doubtless, you're correct in that. I do feel, however, that given our brand saliency and the fact that there are also a lot of wine drinkers out there, like today's spirit drinkers who are very happy also to choose a well-made Indian wine, but we are definitely very aware of the fact that once these wines do come in, as we said, at a price point of around INR1,700 and above, definitely, they will gain traction.

So, we have to work harder on our quality, on our branding, on our offers. We cannot sit and wait for this to happen. And that is something that I did try to address in my speech right now. In terms of the scenario planning, look, please remember, this is 1 year off. We have a year to start to plan scenarios and all that.

I think more important for me to work out how we're going to lessen that impact and make sure that we remain strong and relevant even after the duties come down. That is what we are already working on very strongly. In terms of, what the impact is likely to be, I think we might work on that a little bit further down the road. Thanks.

Gunit Singh: Sir, what percentage of our sales for the 9 months are in the price range of, say, INR450 to around INR800 and above INR800?

Rajeev Samant: So, I can give you a number for above INR800. That is our premium range. I think it's INR750 and above. INR750 and above is 80% of our sales. And I did point out that above INR1,600 MRP sales is about 4% by value, and that's across the country. But that's Maharashtra MRP.



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I mean let's get that straight. We are talking about Maharashtra MRP. When you go to other states, some more of our brands go into that. But these two brands of ours, these two wines of ours, Rasa Cabernet and Rasa Syrah in Maharashtra are above INR1,600. So that would come squarely into contention with these imports.

And please remember, one thing I must point out that today also, you can get plenty of imported wines. If you go to your wine store today, if you're going to buy two or more wines, you will get offers at INR1,300 and INR1,400.

So, it's not that right now they're sitting at price points above INR2,000. Many wines are imported wines are already available at a far lower price point. What I'm talking about really is the EUR2.50 wines that are going to come. But today, you have wines coming in at EUR1 a bottle just to put it in perspective.

And Sula is holding its own apart from, I would say, there's one imported brand, Jacob's Creek, which has gotten a lot of traction across the country. However, the latest reports that we have seen there shows a significant decline in those sales. Sula stands head and shoulders above the pack of imported wines that are available quite cheaply across the country even today. So let me make that clear.

Gunit Singh:

Got it, sir. Point taken.

So, are we planning to re-enter the imported wine distribution business or pivot towards accommodating the inflow of wines rather than competing with them? Or I mean, what are your thoughts on this?

Rajeev Samant:

Yes, yes. So, we are planning to start rebuilding our portfolio. But I want to point out that conditions have not changed so much since we took a decision 5 years ago during COVID -- coming out of COVID and just before we went public to start to withdraw from this segment. It still remains a very unprofitable business today across India. You have a plethora of importers. You have new importers coming on board all the time.

You have a big change in the structure of the market over the last couple of years when some of the big retailers in the north, especially and people called the bonders, they started importing their own brands. So, the market has become very fragmented. And there is not a lot of profit in it at the moment. In fact, it is unprofitable on the whole right now.

So, we will proceed cautiously. However, having said that, I think you can safely bet that by the time these wines come in, yes, we will have a beefed-up import portfolio. We need to do that. We need to satisfy the market. We have the best wine distribution and sales force, bar none, in India. And hence, it makes a lot of sense for us to start to get into this with some strong brands that could hold their own.



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Moderator: The next question is from the line of Siddhant from Goodwill.

Siddhant: My question was about the domestic pricing competition. Has that reduced?

Rajeev Samant: That continues very unfortunately to be today, really the pain point. So, the pain point today is not from imports. The Australia FTA really in fact, Australian wine imports have declined precipitously over the past year or so. So today, the pain point is, I would say, almost unscrupulous, and I always use the term unsustainable discounting by other domestic wine players. Unfortunately, it seems to sustain longer than it should. And we have very little visibility on how long they can last out because it is very clear that some of these players are continuously having to pump in more funds into their companies. And I just question how long this scenario is going to last.

At this point, they are also ceasing to be as much of a factor. However, given, as I told you, our market share continues to rise smartly in elite and premium, probably the most pain is felt in the cheaper wine segment, where our market share has come down compared to a few years ago and we have sort of voluntarily been stepping back here because there you have 100 producers. And if BOGO was not enough, that is buy one, get one, today, most of them, we are in a scenario of buy one, get two.

Siddhant: Okay. That's understood. The second question was on the grape harvest. There were some reports about a lot of damage around the Nashik grape belt. So how will that affect us? And how has our crop been doing?

Rajeev Samant: Yes, very good question. This year, the grape harvest is looking quite a bit less than in years past. For us, for Sula, that's not such a bad thing this year, I must say. Having said that, our hearts go out to our grape growers. It's a very difficult year for them. We had a 6-month monsoon almost this year. I think you'll say we started early in May and went all the way extended till November.

So, a lot of damage to especially in plots that were pruned early. But that damage is much more in table grapes where the price has soared. It's double or triple of what it was a year ago. And so, wines costing sort of less than typically less than INR700, those are going to be hit, not just ours, but everybody else, and some of them more than us because we have other avenues. And I think you're going to see a little bit of a shrinkage in supply of those wines in the market.

However, wines above INR800, I would like to assure you, no impact on our supply. We've got plenty of wine. We were carrying, as you're all aware, at last March also a pretty decent quantity of bulk wine.

So, we are well supplied for the year to come. If anything, to us, it's been a cash flow benefit because a lot of the grapes that could have come in, in fact, we didn't need this year. So, the harvest that's come into balance is a far better scenario for Sula.



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Siddhant: Okay. And just one last question. Could you explain the breakup of how a wine at EUR.25 CIF retails at about INR 1,700 MRP in Maharashtra?

Rajeev Samant: That is complicated. You'll have to do some of the buildup yourself, but you add on 75% customs duty. And then you have to get into remember, 25 states, 25 different value chains, leading to 25 different MRPs or RRP.

But you can figure in 12%, 13% distributor margin; 20% or 22% VAT, I think we have in Maharashtra; 15%, 20% retailer margin and then a big fat chunk that you have to keep for what are called schemes, which is selling and distribution expenses in the market where, today, pretty much the way it's working is that on every three bottles of imported wine, you got to give at least one bottle free.

So that's the scheme that's going on right now. And if you're not giving that, the retailer is not going to pick up your wine no matter how desirable the brand may be.

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

Madhur Rathi: Sir, so I'm trying to understand, Rajeev, that like the Maharashtra government came out with Maharashtra Made Liquor category. So let's say, in the fullness of time after 5, 7 years, once the import duties on imported wines from Europe come down significantly to 20%, 30%, so can the state government to protect the interest of domestic wineries and domestic grape farmers, can the state government put a differential VAT on imported wines or it has to be the same for each category?

Rajeev Samant: They can put something known as an additional excise duty, which is already there in place. So surely, the state government is always looking for ways to boost revenue to pay for very much needed social programs.

And so, it's entirely possible that down the road, state governments could do that. Having said that, I must make it very clear that we are not in discussions with any state government to do it currently or anything like that, our industry is not, but it is entirely possible.

Madhur Rathi: And Rajeev, secondly, can you tell us about the WIPS? I mean, are we getting that VAT refund subsidiary in Maharashtra? Or like how is it and what is the expected inflow in the coming quarters?

Rajeev Samant: So, it is in place at this point until March 28. The inflow has been unfortunately a little bit slower than expected. I think, in Maharashtra, there is a constraint on funds. You have certain schemes that are geared to the government, and which do require a lot of funds. So, every single, I would say, scheme of this kind, industrial support and many other schemes, all of them, the inflow over the past 1 year has been throttled back.



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Having said that, it continues. Rather than a gush, it's a little bit more than a trickle, but it does continue. We are happy to say that GRs are coming out. I think A.K. gave some color on it. We would certainly have wished for it to be coming in a little bit faster, but it continues to flow, but not at a big flow, yes.

Madhur Rathi: And lastly, Rajeev, what is the average price of the one case that we sell in Maharashtra, Karnataka and outside?

Rajeev Samant: We don't have that off the cuff, but the basic price will be lower in Maharashtra and Karnataka, and higher outside

Abhishek Kapoor: We can take this offline. Please connect and end us your query by e-mail and we can get back to you.

Madhur Rathi: Sure. Thank you.

Moderator: The next question is from the line of Pranav from Rare Enterprises.

Pranav: Sir, just one question that though we are talking about competition, what is the real quality of EUR2.5 wine as compared to, say, majority of our current portfolio? That is one. And second is that we have actually if I remember correctly, in 2022, I think our Rasa Cabernet Sauvignon won gold medal at, I think, Sauvignon Masters in U.K., right? So that is, I think, first wine from India to do so...

Rajeev Samant: Yes. And only one.

Pranav: Yes, yes. But that doesn't seem to appear on your website or anywhere. And why not launch a 10,000-plus wine just to make a mark? And then have that benefit for whole portfolio rather than fighting this competition of EUR2.5.

Rajeev Samant: Yes. Okay. I will address your first question that how the quality will be. Listen, the quality will be good. Even at EUR2.50, the quality and the competition is going to be quite decent. But I would say to you that probably these wines would be of, I would say, comparable to our Source quality, that's a good way to put it, which today is for us here between INR1,100 and INR1,500, as I said earlier. These wines are going to start off being more like INR1,700.

And remember, that's at the lowest price point, exactly of EUR2.5. But so that is the thing, okay, I take your point about the Cabernet Sauvignon, we'll certainly take a look and you're right about that. I would say that at this point, when you go above INR2,000 a bottle, say, retail price point, consumption drops massively.

So, while your point about why you don't do a INR5,000 and INR10,000 wine. You'd be counting the sale in bottles, not in cases. You'd have to hand sell that. And I'm firmly of that



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belief that really, we've always said, let's make wines of good, decent quality and affordable for the consumer. That's always been our mantra.

So, we don't have our sights set on a INR10,000 wine right now. Maybe that will come in the future in due course. But at this point, I think that we have to up our quality. We will probably have to hold on price increases for our wines that cost, say, more than INR1,300. And in any case, in the last 1 year, we've been going very slow in terms of price increases.

I think that we should not skimp our price increases on wines below, say, INR1,100 a bottle, which still is the bulk of our sales. But above that now, we will have to be more cautious in terms of price increase and give even better quality in the bottle and make sure that we are available across the board everywhere you go.

Pranav: Right, right. Sir, just related to these two questions only, I'm not saying that the expensive wine priced above INR 10,000+ will have a great volume, but it's like Volkswagen has some rub-off of Audi, right? So that says a lot about the brand itself. And second point is at EUR2.5, if they can match our higher range of wines, is there any problem in grapes or soil or our manufacturing process that their cost in such high geographies is so low for such good wines?

Rajeev Samant: See, you must remember, we are competing against countries that have been making wine for 1,000 years and have had a tradition of the best quality wine for over a century. In that, we are a pretty young wine-producing country. Plus, unfortunately, the industry has not developed in the way that it should have.

You don't have enough quality producers like Sula in India today, pushing each other to improve even better and even faster. So no, I would not say that intrinsically that anything is superior or inferior. But I would say that they have far more experience to have come to the place where they've come today.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand over the conference to management for closing comments. Over to you, sir.

Mandar Kapse: Yes. Thanks, everyone, for joining us today. If there are any further queries, please feel free to reach out on our Investor Relations contact number or our Investor Relations ID. That's it for today. Thanks once again. Bye.

Rajeev Samant: Thank you.

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