



CUPID LIMITED

Manufacturer & Exporter of Male Condoms, Female Condoms,
Water based Lubricants & In Vitro Diagnostics (IVD) Kits

We Help The World Play Safe

Date: - 1st June, 2023

To,

Department of Corporate Services,

BSE LIMITED,

Phiroze Jeejeebhoy Towers,

Dalal Street,

Mumbai – 400 001

SCRIP CODE: 530843

The National Stock Exchange of India Ltd.

Exchange Plaza, 5th Floor, Bandra-Kurla

Complex, Bandra (East),

Mumbai - 400051

Fax No. – 6641 8125 / 26

SCRIP CODE: CUPID

Subject: - Conference call Transcript

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q4 & FY 2023 conference call which was hosted by the company on 29th May, 2023 at 4.30 p.m.

This is for your records.

Kindly acknowledge the receipt.

Thanking You.

For CUPID LIMITED

Saurabh V. Karmase

Company Secretary and Compliance Officer

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“Cupid Limited
Q4 and FY '23 Earnings Conference Call”

May 29, 2023



**MANAGEMENT: MR. OMPRAKASH GARG – CHAIRMAN AND MANAGING
DIRECTOR – CUPID LIMITED**

MODERATOR: MR. YASH SAVLA – KIRIN ADVISORS

Moderator:

Ladies and gentlemen, good day, and welcome to Q4 FY '23 Results Conference Call of Cupid Limited hosted by Kirin Advisors. 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 the 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 the conference over to Mr. Yash Savla from Kirin Advisors. Thank you, and over to you, sir.

Yash Savla:

Okay. Thank you. Good afternoon, everyone. Thanks for joining the conference call of Cupid Limited. I would like to welcome, Mr. Omprakash Garg, Managing Director and Chairman. Omprakash, sir, over to you.

Omprakash Garg:

Thank you, Yash. Good afternoon, ladies and gentlemen. On behalf of Cupid Limited, I would like to welcome you all for attending the Fourth Quarter FY '23 and the Full Year FY '23 Earnings Conference Call for Cupid Limited today. By now, I hope you had a chance to review the financial results we had circulated yesterday after the Board meeting.

And I am pleased to report that the financial performance has improved significantly, not only in the fourth quarter, but also for the entire FY '23. For example, in the fourth quarter, our top line improved by 34%, as compared to a year ago quarter and also the bottom line actually improved by 99%, as compared to a year ago quarter.

And now talking about the full year performance, our top line at INR164.1 crores improved by about 19%, as compared to a year ago. However, the profit after tax improved by about 82%. Now these significant improvements have been achieved by better operating efficiency, as well as because of the stable input costs, and we are expecting more tender orders from Brazil, as well as Tanzania.

Right now, our order book stands at INR177 crores, as of April 1. And as we had mentioned in the press release, the Cupid Board has declared a final dividend of INR3 per share, making it a total of INR5 per share for the entire financial year. This is the best ever dividend your company has declared so far in its 30-year history.

Now going over to some of the highlights from the operations. First of all, like I have mentioned, this is the second best year for both the top line, as well as bottom line during its entire 30-year history. Number two, the export business revenue was 94% of the total revenue. And as you are aware, there are some export incentives from Government of India, which, of course, contributes to the improved performance. Number three, again, the profits have been achieved mainly due to stable lower input cost, as well as better operating efficiency. And order book, as I mentioned, stands at INR177 crores, as of April 1. And finally, the dividend payment total during the year would be INR5 per share.

Now coming to the outlook because of excellent order book, and also because of the growing demand for our products, mainly male and female condom, we are expecting another good year, almost 10% to 12% improvement in the current financial year ending on March 31st, 2024, as compared to this year.

In general, we have had many stable customers with whom we have been doing business for many years. For example, our top ranking customer is United Nations Population Fund to whom we had sold about INR57 crores worth of goods during FY '23. And similarly, we have six or seven other customers, who have been ordering our products for last many years. By the way, we have sold our products to over 104 countries worldwide since we started the operations. So with these initial remarks, I'm pleased to open the meeting for Q&A session.

- Moderator:** We will take our first question from the line of Onkar Ghugardare from Shree Investments.
- Onkar Ghugardare:** Yes. My question was regarding the INR177 crores orders, which are there with you. So how much you intend to complete entire order since you said around 10%, 12% revenue growth, which implements to around INR180 crores of the revenue. And what would be the contribution from male and female impact? First question is that.
- Omprakash Garg:** Okay. So we expect a minimum top line of INR175 crores, and out of which 75% would be male condoms, 23% would be female condom sales and 2% others.
- Onkar Ghugardare:** Okay. The next question is regarding -- there were some talks about you have been approached by 2 other players for sale of the business. Any update on that front?
- Omprakash Garg:** Basically, the negotiations are still going on, and there is no final decision, as yet on that.
- Onkar Ghugardare:** But what would be the timeline, if any, you can give?
- Omprakash Garg:** I would say in the next 6 months.
- Onkar Ghugardare:** So are the talks still going on? I mean, is there anything we can expect qualitatively? Or like what kind of talks are going on?
- Omprakash Garg:** No. We have provided all the information the investors were looking for, and now they are in the process of organizing their strategy and funding for this deal. So the ball is in their court and very difficult for us to be more precise on what their thinking is.
- Onkar Ghugardare:** Okay. These are other condom manufacturer players? Or these are the private equity players you are talking to?
- Omprakash Garg:** No. They are an independent investor.
- Onkar Ghugardare:** Okay. So they are not related to this condom business, right?
- Omprakash Garg:** Sorry.
- Onkar Ghugardare:** They are not into this condoms manufacturing business.
- Omprakash Garg:** No. Correct.
- Onkar Ghugardare:** Okay. Another question is regarding today only you released a press release stating that cancellation of order. So I mean can you state the reason for that?

- Omprakash Garg:** Well, we have been supplying all the 3 products, male condoms, female condoms and lubricant jelly to UNFPA for many years. And this year, we had supplied about INR25 crores worth of jelly to UNFPA. But what happened in March and April that they had tested some of our batches and they have established that during transit and during the storage period at the destination, a parameter, quality parameter has deteriorated. And based on their risk analysis, they have decided to stop the orders already given to Cupid.
- Onkar Ghugardare:** Okay. So this is with the quality of condoms, which Cupid is supplying? Or is it regarding exactly what?
- Omprakash Garg:** This is not related to either male or female condoms. This is only related to the water-based lubricant jelly.
- Onkar Ghugardare:** Okay. All right. Another question is regarding, I mean there hasn't been any significant capital expansion or capacity expansion from the Cupid. I mean, what is the thinking on that front? And is there anything you are trying to -- I mean, are you trying to bring in some fresh management change to bring this business to the new level of growth or fresh space wide? Or since the talks are going on for the sale of the business, there is no intent for that?
- Omprakash Garg:** No. Right now, our thinking is to look at a possible expansion of business. So that is one part of the investment consideration we have been discussing. But other than that, there are no plans to bring in any fresh management personnel.
- Onkar Ghugardare:** Okay. And what kind of expansion you are talking about? Can you elaborate that?
- Omprakash Garg:** We could add -- yes, we could add male condom and female condom production capacity, that is our primary issue right now.
- Onkar Ghugardare:** By how much? And what is the current capacity? Like any idea on that?
- Omprakash Garg:** Yes. We have about a total of 560 million pieces of male and female condoms per year.
- Onkar Ghugardare:** Yes. So what's the current capacity utilization? And how -- what's the capex you are looking at? How much addition that would be to the existing?
- Omprakash Garg:** Capacity utilization is 94%, and we are looking to add about 12% to 15% capacity expansion.
- Onkar Ghugardare:** Okay. So around -- from 560, you will be looking at around how much around 7 lakh or like how much?
- Omprakash Garg:** About 700 million approximately.
- Onkar Ghugardare:** Okay. And how much time that would take? Or is there any concrete plan regarding this? When can we expect this? And how much capital that would need?
- Omprakash Garg:** Okay. It would need from INR12 CR to INR15 CR, and it will take from about 12 months to 15 months.

- Onkar Ghugardare:** But has that already been decided by the management? Or like how is it?
- Omprakash Garg:** We are closely examining the market size and market order situation and the current capacity worldwide. And we want to make sure that when we do decide to expand the capacity that we are likely to get the orders continuously for many years to come.
- Onkar Ghugardare:** Okay. Just a final question on the raw material prices, how is the current trend going on in this quarter?
- Omprakash Garg:** Okay. Most of the input cost in terms of the packing material, silicon oil, chemicals, the prices are either stable or they are down 5% to 7%. Only the natural rubber latex, the price trend seems to be up about 6% this year, as compared to last year.
- Onkar Ghugardare:** Okay. So 6% up from the Q4 or Q1 of the last year?
- Omprakash Garg:** No, from Q1 of last year.
- Onkar Ghugardare:** Okay. As compared to the current quarter, which is currently going that is Q1?
- Omprakash Garg:** Yes.
- Moderator:** We take our next question from the line of Keshav Garg from Counter Cyclical PMS.
- Keshav Garg:** Sir, what happened to Tanzania, male condom tender of INR75 crores, which is expected to open in March '22, and also the Brazil tender. So have these tenders already been opened, or they are still awaited?
- Omprakash Garg:** No. The March tender from South Africa has been postponed and now it is supposed to be next week, i.e., 1st week of June. And another order female condom tender from Brazil is expected to be announced also during the later part of June. Some of the tenders have been delayed due to the budgetary control from their respective national governments.
- Keshav Garg:** Okay. Sir, so now we are anyway capacity constrained, sir so -- and on the other hand, sir, this IVD division, it is year-on-year, actually, the sales have gone down from INR3.7 crores to INR40 lakhs in the whole of last year, whereas the loss has shot up dramatically to INR1.4 crores, sir and last quarter, you had mentioned that for last financial year, INR10 crores revenue was expected, but instead, we were INR40 lakhs. And last quarter, you had told us that in for the FY '24 to expect INR50 crores to INR100 crores revenue.
- And sir 3 years back, while starting this division, you had said back in FY '21 itself, INR30 crores to INR40 crores revenue was expected, which none of this came. Sir so now what is the outlook for FY '24 for IVD division? What kind of losses shareholders can expect, which we were expecting anywhere from day 1 and yes, sir.
- Omprakash Garg:** Okay. The IVD project, as I had mentioned earlier was delayed by 2.5 years due to COVID. And when we started production in late '22, we have achieved INR40 lakhs worth of sales in the current FY '23 that is up to March 31st, '23. Now we are forecasting a sale of INR2.5 crores for FY '24 and a minimum sale of INR5 crores in FY '25.

There are 2 main reasons that the sales are not growing, as fast as we had projected 2 years back. One is that most of the big tenders, including the Government of India tenders and many other international tenders, they require manufacturers to have 3 years of operating experience because before they are eligible to participate in the tender, so that has prevented us from participating in some of the bigger tenders.

The other issue is the requirements of WHO. Now Cupid has applied for the WHO and it's likely to take about 12 months to 15 more months. And if we receive the WHO approval, that will open big doors for all the United Nations orders, world bank-funded orders like from global funds and so on. So once we start to meet those 2 major conditions, the entire market would open for Cupid. So that is the situation.

We are fully equipped now. We have the staff. We have through about 75 local distributors in India, we have sent our samples, and we have asked these potential customers to review the quality of our products packing, as well as how we compete in our pricing, as compared to the competition.

Keshav Garg: Sir, so what kind of losses can we expect for this year and next year? And when will this division break even if at all?

Omprakash Garg: I would say that it would start to breakeven once we have the sales over INR5 crores in FY '24.

Keshav Garg: Sir, realistically speaking, sir, now there is no demand and there is huge overcapacity in global industry, sir, so the established players are working on breakeven level. Sir, so realistically speaking, things look really weak. Sir, so is it not wiser to just scrap this project and whatever space we will get available, we can at least start producing more condoms, which is making money for us.

Omprakash Garg: Well, both operations are independent. There are separate machinery equipment, as well as personnel and their background and training. So it will be, in our view, would function as a standalone operation. And the reason that some of the bigger players may be breaking even, our view on that is that the product that we have, 5 products we have identified, which is HIV, Dengue, Malaria, Syphilis and pregnancy test kits.

There is not as much competition in the top 4 I have mentioned, and our margins would be better, plus 20%. And plus, we are expecting more and more business from export sales, as opposed to the domestic sales. And as you know, the export sales will carry 4% to 5% of additional Indian government incentive.

So we are convinced that this is a good business to be in, although we have been slow in achieving our target, but you can call it a learning process for us. But we are confident that in next year and a half, we would be more than breaking even.

Keshav Garg: Sir, best of luck with the learning process. And sir, just wanted to understand that what is the INR100 crores cash lying on our balance sheet. Sir before we start another third venture and start making losses, sir, it is better to return the money to the shareholders in the form of our share buyback?

- Omprakash Garg:** Okay. We have seriously considered the issue of share buyback, which was discussed also in the last call, and we have 2 other possible expenditures coming up. One is the higher need for capital expenditure due to this possible expansion; and the other one is a larger working capital requirements for IVD operations. So we would continue to look at the buyback option. And once the situation is clear on about two situations, we would certainly look at it again.
- Keshav Garg:** Sir, I mean, you just told us that INR12 crores, INR15 crores will be the capex that you are looking at condom expansion. And sir, for INR5 crores of IVD sales, how much working capital can possibly, I mean, INR5 crores revenue take. Sir and plus, we have internal accruals also, this year also, you are expecting all-time high revenues. Sir so I mean, I think we can easily do a share buyback of over INR50 crores. Sir, so kindly you think about it? Thank you very much.
- Moderator:** We will take the next question from the line of Yashwanti Khedkar from Kojin Finvest.
- Yashwanti Khedkar:** Sir, I just wanted to understand like how is the Indian market, as well as the contraceptive industry is concerned?
- Omprakash Garg:** The Indian market for condoms, particularly for male condoms is growing. And the only issue is that there are 4 or 5 low-capacity manufacturers, who are offering their products at a much lower price. So the bottom line for the sale of male condoms in India is lower than what we achieved in our export sales. So market itself is good, but profits are much lower.
- Yashwanti Khedkar:** And what is the difference in the margins in the international market and in the Indian market?
- Omprakash Garg:** So in Indian market, you can expect 5% to 7%, and in the export market, minimum 15%, more like 20%.
- Yashwanti Khedkar:** Okay. Sir you mentioned in your opening remarks that, we kept the cost in the control. So what raw material cost into the control? So, what is the raw material used for the manufacturing?
- Omprakash Garg:** I'm sorry, please say it again.
- Yashwanti Khedkar:** So I just wanted to understand what is the raw material used in the manufacturing?
- Omprakash Garg:** Yes. Natural rubber latex.
- Yashwanti Khedkar:** Okay. And how is female condom segment is growing in India?
- Omprakash Garg:** Yes. The demand is increasing. And the projection is also likely to increase, including the Ministry of Health, Government of India is also contemplating additional tender for the manufacturer to supply additional condoms.
- Moderator:** We take the next question from the line of Ranu Parwal from Acura Solutions.
- Ranu Parwal:** Nothing. I think my questions were answered. Most of the questions were already included here.
- Moderator:** We take the next question from the line of Zaki Nasser from an Investor.

- Zaki Nasser:** Sir, congratulations on a decent set of numbers and best of luck for the next year. Sir, my 2 questions are about the IVD segment, sir. The capacities we have set up, what kind of peak turnover are possible in that segment? And do you expect to achieve it in the next 3 years to 5 years, sir?
- Omprakash Garg:** Okay. We expect to do, like I mentioned, INR5 crores worth of IVD sales in FY '25, and INR50 crores to INR100 crores starting from FY '26, I mean 2026 because of the 2 qualifications I mentioned earlier, i.e., a WHO approval; and second is the qualification that we have been in the manufacturing business for 3 years. So based on those 2 factors and based on our current capacity, we can achieve a sale of about INR100 crores after FY '26.
- Zaki Nasser:** And sir, I would also want to ask you whether -- see, any product extension you are looking at because making these latex gloves is, I think, a part of the process to making condoms kind of stuff. So are you looking at any kind of convenient product extension because these latex gloves are also used a lot in nowadays, sir?
- Omprakash Garg:** Okay. We have looked at other products, but after COVID, the demand for the gloves, hand gloves has gone down. And many of the existing plants, say, in Malaysia have stopped the operation and some of them even have gone bankrupt. So the best product right now from market demand point of view and for future prospects are male condoms and female condoms. So we are watching the trend and we are constantly reviewing the installed capacity worldwide, as compared to the demand. So that is why earlier I mentioned that we are contemplating a possible extension program.
- Zaki Nasser:** Sir, also, do we -- do we market any of our products under our own brand, sir, because female condoms, do we market in our own brands or it's just kind of a third-party manufacturer will do?
- Omprakash Garg:** No. all our products are sold under Cupid brand, Cupid male condoms and Cupid female condoms. Also we undertake Third Party manufacturing.
- Zaki Nasser:** No, sir. Do we sell directly to the customer, sir?
- Omprakash Garg:** Some of them, yes. Female condoms, we are doing directly to the customers both online, as well as through physical distribution.
- Zaki Nasser:** But how's the response been sir, for that?
- Omprakash Garg:** The response from female condom is moderate. It's not picking up as fast as we had envisioned. But the sale of male condoms also through website, as well as through some of the local distributors, but mostly through a tender business. This demand has been increasing very much.
- Zaki Nasser:** And sir, see, Cupid is a valuable company, which throws up a lot of cash every year. For some reason, maybe the market cap doesn't indicate that it's just a suggestion for you, sir, that buyback would be a good option to correct the abnormality and also take some cash off the balance sheet, sir? Thanks a lot, sir.

- Omprakash Garg:** Yes. Same question was asked earlier, and we are constantly evaluating the buyback option. And hopefully, next few months, we would be able to take a final call on that.
- Moderator:** We will take the next question from the line of Onkar Ghugardare from Shree Investments.
- Onkar Ghugardare:** Yes. Last call, you have mentioned -- you had mentioned that the U.S. FDA is telling you to conduct studies in U.S. for the approval of female cons. So what's the status on that front?
- Omprakash Garg:** Okay. U.S. FDA has suggested some modifications, and they have recommended that the population base we had used in South Africa was almost 100% black and US FDA has suggested a supplementary study including about 60% white people in South Africa, 30% black population and 10%, Asian Indian population. So we are gearing for that new study. But in general, we had a positive response from US FDA that at least one other manufacturers like Cupid is trying to get into this field. As you know, currently, there is only one product, which has had monopoly since 2009. So FDA would also like to see a competitive product.
- Onkar Ghugardare:** Yes. But this issue is going on from, say, last three years to four years? And when can we finally see you entering US and sales starting and any timeline?
- Omprakash Garg:** Okay. The reason it has taken us three years to four years is that we started the study in South Africa in 2020, and then, it was stopped during the COVID period for 2.5 years. And finally, when we had submitted our report late last year, the US FDA came up with their evaluation. So it is a kind of time-consuming process, but the business outlook is very lucrative. So we are trying to expedite. And my hope is that by this time next year, we would have the US FDA permission.
- Onkar Ghugardare:** Okay. So within a year, you expect to conduct the study and get approvals from US FDA?
- Omprakash Garg:** Yes. That is our plan currently.
- Onkar Ghugardare:** And is there any application you have to submit to US FDA? And after that, how much time it takes to get the approval?
- Omprakash Garg:** They have mentioned three months to six months.
- Onkar Ghugardare:** Three months to six months once you send them the application, right?
- Omprakash Garg:** Yes.
- Onkar Ghugardare:** And when can we expect this application to be sent after the -- once the feasibility study is done after that only, right?
- Omprakash Garg:** Yes. So I would say nine months from now, we should be able to submit the new application.
- Onkar Ghugardare:** Okay. So do you expect the study to take around nine months from June?
- Omprakash Garg:** Correct.

- Onkar Ghugardare:** And after that six months to eight months for the approval?
- Omprakash Garg:** No, three months to six months.
- Onkar Ghugardare:** Okay. So even if we take maximum of six months and around nine months here and six months there, so around 1.5 years from now?
- Omprakash Garg:** 15 months, we are hoping.
- Onkar Ghugardare:** Okay. And say, if we get this approval in, say, next 15 months, what kind of sales we are looking at?
- Omprakash Garg:** We are looking at about \$1 million sale or about INR8 crores in the first year with a 50% profit margin. So INR4 crores worth of profit in the first year.
- Onkar Ghugardare:** Also -- that wouldn't be INR4 crores, right, around INR8 crores sales, that would be 50% profit margin.
- Omprakash Garg:** Yes. And this is after taking care of all the marketing expenses. The overall market is actually 100%, but we are adjusting it for the marketing expense. That is why I mentioned net 50% bottom line on a sale of INR8 crores in the first year, net profit of INR4 crores.
- Onkar Ghugardare:** Okay. But that would be 50% of profit margin, right? Earlier, you mentioned 30% profit margin. So it is 50% or 30% net?
- Omprakash Garg:** It's 50%.
- Onkar Ghugardare:** That is 50% margin you are talking about, net margin.
- Omprakash Garg:** Yes. Yes.
- Onkar Ghugardare:** Not 30%.
- Omprakash Garg:** No, no, not 30%. It's 50%.
- Onkar Ghugardare:** Okay. And another thing is that many participants have asked this several times, just wanted to know why don't Cupid get in touch with some consultancy, financial consultancy, who can guide Cupid very well in terms of how to use the cash properly and how to utilize it properly, so that we can clearly have a road map regarding this?
- Omprakash Garg:** Yes. we have been discussing what is the best use of these funds, and we had looked at investing more in equity, as well as in debt funds, but we decided last year that it was too risky. And that is why we went into a safer option, which was to invest it in fixed deposits, which are now carrying about 7% interest. So your suggestion is welcome, and we'll certainly engage with a financial consultant to see how we can improve our return on this investment, which is close to INR100 crores.

- Onkar Ghugardare:** Yes. Because your expertise lies in manufacturing of condoms -- based -- basically condom business, right, not investing in equity mutual funds or debt mutual funds. So you should keep - - give that job to someone, who is from that industry, right?
- Omprakash Garg:** Definitely, yes. Definitely. And we would welcome any suggestions that you might have, or any other investors might have.
- Onkar Ghugardare:** Okay. Is that the thing, which the potential investors are also looking at?
- Omprakash Garg:** We don't know that. But certainly, they are looking at our positive cash situation and no debt in the company and good performance over last many years, stable operations. So a combination of all these factors must be in their view in their discussions, internal discussions.
- Onkar Ghugardare:** Okay. So how serious is this -- how serious are this to investors? And like what's the on-ground situation? When have you talked to them lastly?
- Omprakash Garg:** No. We talked to them last month. And as I mentioned in the earlier answer, they are looking at the situation and their final decision based on their internal discussions. And I'm estimating that within six months, this should be settled.
- Onkar Ghugardare:** Okay. So these are the foreign individual investors or like from Indian mutual investor like?
- Omprakash Garg:** No, they are Indian.
- Onkar Ghugardare:** Both of them, right?
- Omprakash Garg:** Right.
- Onkar Ghugardare:** Okay. And what is the status on the South Africa order front?
- Omprakash Garg:** South Africa order is expected to come in 1st week of June. This is the order they have postponed from last March.
- Onkar Ghugardare:** Okay. Another question is that you have partially addressed that, but last year, your dividend was around INR4.5, this year, your dividend is INR5, and your profit has almost increased by around 80%. So at least the dividend should have been equivalent to that of the increase in the net profit, right? And on top of that, you have INR100 crores cash. So why you are being so conservative in giving dividends, even though this is your highest dividend. But if you compare it with your profit growth and the cash you have, it's nothing, right, INR5 this year and earlier - - last year, it was INR4.5.
- Omprakash Garg:** We have been increasing the dividends in last 4 years, there was a good amount of discussion at the Board meeting. And certainly, the point you have made was discussed as well. And we hope that with the time this amount of dividend would go up and will improve more and more dividends.

- Onkar Ghugardare:** So I mean, you have been increasing dividends, but the pace of dividend is like very small and very negligible, as compared to the profits you are making and the cash flow, which you are generating? That's the whole question.
- Omprakash Garg:** No, I understand. And we are trying to make the best use of these savings we have had. Like I mentioned to earlier callers, after looking at the cash flow requirements for the operations in the next year or 1.5 year, we are considering the issue of share buyback.
- Onkar Ghugardare:** So when can you hear exactly like concretely on this front from you?
- Omprakash Garg:** I would say in the next 6 months, we should know the cash flow requirements, including capital expenditure.
- Moderator:** We take the next question from the line of Shivam Parakh from ValueWise Wealth Management Services.
- Shivam Parakh:** Congratulations on a good set of numbers. Sir, in a previous question, you had told that there was a price increase of 6% in natural rubber latex. But in last conference call, you had told that you had an inventory hold up of at least six months. Then why is there a sudden spurt in raw material cost this quarter?
- Omprakash Garg:** No. like I mentioned, all the raw material costs have been stable or downward. The only exception is Latex, that starting January this year, there have been a slight increase, 2% to 3%, which has moved up to 6% in this month, during month of May. And this is a seasonal variation depending on the rainfall timing related to the monsoons in Kerala. So we believe this is a temporary phenomenon. And after the rain starts in early June, the prices should go back to its normal direction.
- Shivam Parakh:** Okay. So sir, can you brief us about the current inventory hold up, which you are having?
- Omprakash Garg:** We only hold inventories for 2 weeks production. And as we will issue one truckload, which is 175 drums, so inventory is for about 2 weeks.
- Shivam Parakh:** And sir, one more question. We have seen improvement in EPS of around 80%. So do we see this improvement sustainable over the next 2 years also?
- Omprakash Garg:** We hope so. We are working to improve our performance on many fronts, mainly the operating efficiency and lower rejection rate in the manufacturing process. And besides that, we should have more export incentives and also the benefit of dollar rupee exchange rate. So with all these factors, and in addition, we are trying to increase our selling price talking to our major customers. So if that happens, certainly, we could maintain this year's performance going over next 2 years.
- Moderator:** We will take the next question from the line of Onkar Ghugardare from Shree Investments.
- Onkar Ghugardare:** Yes. My question was regarding the second level management, and why only we see only Mr. Omprakash Garg on the call every time? Why the second level management doesn't come? And what's your plan on succession?

- Omprakash Garg:** Well, we had in the last 3 calls, we had the Chief Operating Officer also joining me in the con call. And in terms of succession, we have a completely second and third line of management, including 10 senior managers, who are with us for more than 12 years to 15 years. So the only change would be a new CEO. And depending on the possible deals, we are discussing, there is no other succession planned.
- Onkar Ghugardare:** Yes. But the CEO thing has been going on for last 3 years, 4 years, right, and you haven't found any one?
- Omprakash Garg:** Yes. The reason is that there is nobody qualified for this particular manufacturing job, including international marketing. We have looked around. We have talked to many people. We have discussed it with our major customers. There are not many people available in this field in general. Condom manufacturing is much different than any other manufacturing. There is a serious quality issue and only an experienced person can fill the requirements, and there are only 5 or 6 factories in India.
- Onkar Ghugardare:** Okay. So -- but after you who would be leading this company, I mean, I just wanted to know that. If this investor deal, it doesn't go through sale of business, then what in case something happens to you, then who would be leading this company? I mean there are managers, I can understand that, but the managers can't lead or give away of growth to the company, right, since you have been doing it for so many years. There has to be some plan on this.
- Omprakash Garg:** No. The plan is that each of these potential investors in Cupid, they have their own plans. They will bring their own CEO, and they will bring maybe their top Chief Financial Officer. So naturally, if they decide to invest in Cupid, they must have their own management plan. So that will be the succession plan.
- Onkar Ghugardare:** Correct. But if this deal of selling the business doesn't go through, then what is the succession plan? And if you are saying it so confidently, then yes...
- Omprakash Garg:** No, if we don't find a buyer, we will continue the business, and we'll continue the improvements we have shown. You look at our last 3 years or 4 years record, we are one of the most profitable condom manufacturer in the world. So our productivity, our profitability is one of the best in the business.
- Onkar Ghugardare:** Sir, I am not questioning your profitability or performance, but I'm just looking, who will be the -- who will be heading this company if this doesn't go through after you since your age is...
- Omprakash Garg:** My plan is to continue, as long as I can.
- Onkar Ghugardare:** Correct. That is good to hear, sir, but I hope you are getting my question from where I'm coming through.
- Omprakash Garg:** Yes. Please tell me again.
- Onkar Ghugardare:** So I just wanted to know, yes, it is good, if you are continuing for -- even if you continue for, let's say, next 5 years, 10 years, but there has to be some strategy in place, right, god forbid

something happens to you, there must be someone, who should be leading this company. And if this investors deal go through then there is no issue only. I mean, this is just in case if this doesn't go through?

Omprakash Garg: Yes. First of all, you have to appreciate that we have been trying to locate a CEO, but no qualified person has come through. Second of all, God forbid, if something happens to me tomorrow, there is a Chief Operating Officer, and there is a full team of top managers in each branch, including finance, maintenance, export, marketing, labour relations and Company Secretary and Compliance Officer. So the entire structure is in place. The only missing person will be CEO, with the existing top manager can fulfil on a temporary basis. But we'll continue to look for a senior management person, who can easily fill in the position of CEO.

Onkar Ghugardare: Okay. One question on the sale of the business you are talking about within the next 6 months, you can hear some concrete news on that. So even if that goes through, what kind of sale of business you are looking at, like giving them a part equity or like fully selling the business?

Omprakash Garg: No, they are interested to buy our 45% share, which we hold.

Onkar Ghugardare: You mean that would be a management change, right? You would be going out and someone else would be coming in, right?

Omprakash Garg: Yes. That is true. However, both the potential investors, they have requested me to continue with the new management also to help them go through the initial period of two years to three years.

Onkar Ghugardare: Correct. Correct. But you would be staying as the main pillar of the company or the Chairman of the company for the next two years, three years, as a guiding force to them, but whatever shares you are holding, you would be selling them to the potential investors, and they will be acquiring the full stake of your shares, right?

Omprakash Garg: Yes. There will be a full management changeover, and they will be fully controlling the management. If I do decide to join them, it will be only in an advisory capacity.

Onkar Ghugardare: Correct. So you won't be holding any stake in the company once there is sale of business or maybe a partial stake here and there, right?

Omprakash Garg: Sorry.

Onkar Ghugardare: So once you decide to sell that, you won't be holding a major chunk of the equity, right. There would be some here and there a 2%, 3% kind of stake or you would be exiting fully?

Omprakash Garg: No. Right now, the plan is to exit fully.

Onkar Ghugardare: Okay. And approximately what percentage is this, sir, if I can get that figure?

Omprakash Garg: Say that again, please?

Onkar Ghugardare: I mean, how much percentage of equity currently you are holding?

- Omprakash Garg:** I said, 45%.
- Onkar Ghugardare:** On individual capacity or the entire management or the entire promoter you are talking about?
- Omprakash Garg:** No, just me and my wife. We are the main promoters.
- Onkar Ghugardare:** Okay. Are there any other promoters apart from you2?
- Omprakash Garg:** Yes. My brother has a minor stake and his wife.
- Onkar Ghugardare:** That would be how much?
- Omprakash Garg:** That is like something like only 30,000 shares only.
- Onkar Ghugardare:** So that would be around less than 1% might be right? 1% or 2%?
- Omprakash Garg:** Correct.
- Onkar Ghugardare:** Okay. And you and your wife, both of you are holding 45% stake, correct?
- Omprakash Garg:** Yes, 45%.
- Onkar Ghugardare:** Okay. And you both would be selling it to the potential investor?
- Omprakash Garg:** Yes.
- Onkar Ghugardare:** Okay. Got it. Hope, we hear that something from that front very soon.
- Moderator:** We will take the next question from the line of Saket Kapoor from Kapoor Company.
- Saket Kapoor:** Sir, just to continue with what the other participant was mentioning. So when you have a -- when you had discussion with the two gentlemen or the two people, sir, they have been zeroed in money, as we come across the valuation part or -- and how will you value your company in terms of the type of sales growth that we have seen is only being observed for the last -- last two years, if I take your net sale number from INR143 crores to INR133 crores and now that leap jump in from INR132 crores to INR160 crores. So what factors are you keeping in mind in -- when you come on across the table to decide the valuation?
- Omprakash Garg:** Well, we are concentrating on improving the performance at the company. Now in terms of valuation, everybody has their own method and their own priorities and their own thinking. So you may be evaluating it a PE of 15 and somebody has maybe thinking of PE of 18. So it's difficult to put a final number on the evaluation.
- Saket Kapoor:** But for the deal to go through sir, there has to be implementation or there has to be a zero in point, where both the buyer and the seller thought has to submerge to control the transaction. So taking that into account since we have got the pillars from them, how has -- how are you evaluating your stake in the company. Given the amount of time, energy, you have spent, and as per your the thoughts and also the implementation that you are working more on the efficiency part.

But when it comes to selling of the stake, then it all works out to how do you value your company, whether in terms of number times of sales or on the profitability? Or if you could give us some understanding how are other companies, who are concentrating only to this business of condom making are being valued globally, so that could give us some idea of what kind of valuation you can command going ahead.

- Omprakash Garg:** Okay. Our expectation is that it should be a minimum of INR300 per share.
- Saket Kapoor:** Okay, sir. So if the candidate -- if they offer you INR300 per share, you are eager to sell your stake.
- Omprakash Garg:** Yes. That is what our expectation is.
- Saket Kapoor:** Correct ?
- Omprakash Garg:** Correct.
- Saket Kapoor:** Okay. And in terms of the people, who are interested to buy your stake, they have any pedigree of this business, or they are financial investors only?
- Omprakash Garg:** No, we are actually looking for ideas how to get a better return on our INR100 crores savings, which are mostly in fixed deposits right now. So since we are not experts in the financial area, we are looking for suggestions and ideas from every investor, and we would welcome their comments, how Cupid can improve the it's return. Last year, we made only 6% on our savings. And people tell me that there must be a way to improve the earnings to more than that, certainly more than maybe 3%, 4%, maybe up to 10%. We would be happy to get some suggestions and improve the profit that way also for Cupid's earnings.
- Saket Kapoor:** Correct, sir. And sir, what is the second generation of the company? Do you have people from your family taking the second generation at the helm? You mentioned about you and your wife being the co-promoters.
- Omprakash Garg:** No. There is no second generation in line for the management. So either I continue for whatever period I can, or some other investor takes over the management or we are lucky to get a suitable candidate, who can be the new CEO. So these are all the possibilities, and we are open on each of them.
- Saket Kapoor:** I will give a small point -- yes, sir, one small point, sir. Since we -- if we take the red markings, we are a small vertical, I mean, other -- there should be other pharma companies also, who would like to add this as -- in their portfolio. So as we looked for value from other small companies, who would like to diversify your segment and get a set business in terms of Cupid being a brand, so -- and they're having two separate verticals, suppose the company is doing into formulations and into other drugs can have a vertical of condom, which is a profit-making organization. Okay. Have we looked into that aspect also selling into a -- selling into a pharma based -- pharma company instead rather than going for separate -- looking for a separate investor?

- Omprakash Garg:** Yes. Definitely. We would be interested in hearing from any interested party, pharma company or any other operating entity or even some kind of funds. So please do let us know and write to us, we will be very eager to sit down with them and discuss the entire issue.
- Saket Kapoor:** Sir, I think that we should engage the people, who are there in the profession, who will arrange you buyers, people in the con call, I don't think would have the pedigree because we -- I don't know, who are the missing or joining there in the call, but I think sir, you should be hiring the consultant, who have an expertise and for the lookout for buyer and seller for the transition to culminate. So that should be the understanding going back.
- And sir, two questions, sir, definitely. The type of growth, which we have seen sir, for this year, what factors have led to it? It is -- is it any one-off -- one-off orders that got executed for this year that we have seen this incremental revenue or how convinced are you that this growth we can look forward for the coming year also?
- Omprakash Garg:** Yes. Like I said earlier, we are open for any suggestions, and we would like to welcome you or anybody, who can help us to guide in this matter.
- Saket Kapoor:** Correct, sir. I was looking for an understanding of this year revenue growth, what factors have led to it? Or is it a one-off event that has led to this growth in the increased revenue? Or can we look at a continuity of the same on a top line of INR159 crores for FY '23. Can we look at growth for this year also? If you could give some colour on the same?
- Omprakash Garg:** Yes. We are forecasting about 8% to 10% improvement in the top line and bottom line for FY '24 assuming that the demand situation remains the same, the world economy stays stable, and there is no major increase in production cost. So in this type of operating environment, that is our target right now.
- Saket Kapoor:** Okay. And when we look at your segmental revenue, sir, it is divided into 3 parts, I think so the other unallocated is the interest income that you are earning. But in the -- in the vitro devices, the IVD segment, if you could explain the lower revenue and also the losses that we have posted. So what kind of utilization capacity, utilization level do we have for the IVD segment and the outlook for the same going ahead?
- Omprakash Garg:** Well, like I mentioned, if we have the 2 requirements, which are WHO approval and to complete 3 years in operations in our IVD section, then we would qualify for many worldwide tenders. And I see FY '26 target could be as high as INR100 crores from IVD alone.
- Saket Kapoor:** Okay, sir. Sir for future -- for future to execute INR100 crores revenue from the IVD segment?
- Omprakash Garg:** Yes. That is our optimistic assessment provided we achieve the 2 conditions, which I mentioned earlier, WHO approval and having completed 3 years of operating experience, which are the requirements for major international tenders.
- Saket Kapoor:** So where are we in the midst of these two conditions getting fulfilled?
- Omprakash Garg:** Sorry.

- Saket Kapoor:** Sir, where are we in midst of what factors are still left that we are unable to continue it. How many years are left for 3 years continuity to happen, 3 years of being in business, what is the pending period as of now?
- Omprakash Garg:** Yes. It's November of 2024. We would complete 3 years.
- Saket Kapoor:** Okay. And for the WHO part, what are -- what is pending for them to get the approval?
- Omprakash Garg:** About the same time, '24 year end December approximately.
- Saket Kapoor:** So we completing 3 years is the precursor for WHO to give the signal, that is what you are trying to explain?
- Omprakash Garg:** No, both the issues are unrelated. 3 years is an actual manufacturing experience requirement, which will be completed in November '24. The approval from WHO, that is an independent requirement for which we are in the process of submitting all our documentation, qualification, our trial sample, all the specifications on our 11 product. So WHO requirement gives us recognition worldwide and then many of the major tenders, they require a WHO pre-qualification in order to allow the leaders to compete for the business.
- Saket Kapoor:** Correct. And this IVD is for the blood glucose monitoring and the self-explored pregnancy, these are the only two segments, which that constitutes IVD or is it the space bigger?
- Omprakash Garg:** No. The 4 major products, we are concentrating on, and we have the highest demands worldwide are number one, Dengue fever, number 2 malaria; number three HIV infection; and number 4 Syphilis, which is the sexually transmitted infection. So there is a high demand and relatively less competition for these 4 products.
- Saket Kapoor:** Thank you, sir. Just, I'll try to connect offline also, as I speak to your Advisor -- Kirin Advisors in getting such the management team with more suggestion, which I may have.
- Omprakash Garg:** Yes, we would welcome that.
- Moderator:** We take the next question from the line of Shivam Parakh from ValueWise Wealth Management Services.
- Shivam Parakh:** Sir, there is a decrease in sales of lubricant water-based jelly. So what are the plans for the current year? Will it be same? Or will we see some growth coming ahead?
- Omprakash Garg:** No. Like I mentioned, the lubricant sales this year will be less than last year because of the quality issue, which we are having discussions with the UN FPA, but that should be fixed in 3 months to 4 months. So I would say FY '24 will be a maximum of INR10 crores sales and FY '25 will be major expansion about INR30 crores sales of lube we are expecting.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, that was the last question. And I would now like to hand the conference back over to Mr. Yash Savla from Kirin Advisors for closing comments. Over to you, sir.



Cupid Limited
May 29, 2023

Yash Savla:

Thanks, everyone, for joining the conference call of Cupid Limited. If you have any queries, you can type to us at research@kirinadvisors.com and vastupal@kirinadvisors.com. And once more, thank you, everyone, for joining the conference.

Moderator:

Thank you very much. Thank you to the members of the management. Ladies and gentlemen, on behalf of Kirin Advisors, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Omprakash Garg:

Right. Thank you.