



# CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 29<sup>th</sup> July, 2019

To,

Department of Corporate Services,  
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Mumbai – 400 001  
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**Subject: - Conference Call Transcript**

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q1FY2020 conference call which was hosted by the company on 23<sup>rd</sup> July, 2019 at 4.00 p.m.

This is for your records.

Kindly acknowledge the receipt.

Thanking You.

For CUPID LIMITED

Saurabh V. Karmase



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# “Cupid Limited Q1 FY-20 Earnings Conference Call”

**July 23, 2019**



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



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**Moderator:** Ladies and gentlemen good day and welcome to the Cupid Limited Q1 FY20 Earnings Conference Call. 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 the operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Binay Sarda. Thank you and over to you sir.

**Binay Sarda:** Thanks Lizan. Good evening to all of you and thanks for joining this Q1 FY20 Earnings Call for Cupid Limited.

We have mailed the 'Results Press Release' to you. I hope you have received the same and we are going to upload this on our website and the stock exchanges.

To discuss the results and address the queries of the investors, we have with us Mr. Om Garg – Chairman & Managing Director of the company. Mr. Garg will give a brief overview of the quarter gone past and then we will open the floor over to Q&A Session.

I would like to remind you that everything said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and the risks that we face. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual report which you can find on the web site.

With that said, let me hand over the call over to Mr. Garg. Over to you sir.

**Omprakash Garg:** Thank you, Binay. Good afternoon, ladies and gentlemen. On behalf of Cupid Limited I would like to welcome you all for participating in the 1<sup>st</sup> Quarter FY20 Earnings Call today. As Binay had mentioned you have received a copy of the press release which summarizes the results we had declared last night. However I would like to go over few salient points from the results.

First of all our top line grew by 97.5% and the net profit by 82% as compared to the quarter a year ago. These are some of the best numbers we have achieved. The percentage of export from the quarter was 94% and the domestic revenue was only 6%. In terms of split between Male and Female Condoms, 61% of the sales came from Female Condoms and the balance 39% from the Male Condoms.

Now some of the other highlights I would like to point out that this is the first time Cupid has reported revenues over 30 Cr back to back from two quarters in our 25 years history. In terms of the main reason about this performance is the sale of Female Condoms to Brazil. Further, I would like to point out that the total order from Brazil is 124 Cr and this is by far the largest single order Cupid has received in its 25 years history. The last biggest order was 104 Cr from South Africa again to supply Female Condoms and that was back in 2015.



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Now briefly commenting on the order book, you may recall we had 143 crores order when we started the quarter on April 1, out of which we sold 37 leaving a balance of 109 and we added 54 crores worth of new orders during this quarter bringing the total number to 163 Cr. The split between Male and Female Condom is that the Male Condom is 29% of this 163 crores and the balance 71 Cr is from the Female Condoms primarily from Brazil as I have indicated earlier. So we have a healthy order book and we expect similar level of order book going forward at least for the next two quarters.

Some of the other highlights are that we have started production during this quarter from the expanded capacity we had completed at the end of last quarter, by March 31<sup>st</sup>. So this has resulted in lower cost of production for us because of higher volumes and lower overheads. The other factor which is worthwhile mentioning is that we are trying to improve our margins not only because of the high volumes but also because of the addition of new products with new variants which carry a higher margin.

The third highlight during the quarter was that in addition to the potential Female Condom joint venture in South Africa, we have been approached by a partner to participate in a joint venture to manufacture Male Condoms in South Africa. Also Just for your information South Africa is the largest single country purchasing over 1 billion pieces of Male Condoms in a year.

Now moving to the outlook for the company based on the above observations and also the fact that the demand is growing for Male and Female condoms primarily due to the prevention of STIs including HIV and also prevention of unintended pregnancies worldwide which is a major factor resulting in increased demands. In addition the donor funding has improved over the past year and is expected to remain stable for 2020-21. The other factor contributing to increased demand is that the requirement for Condoms from the low and middle income countries is improving due to growing economy and better affordability. Further improved budgetary allocation by Governments like Brazil, South Africa and India, has increased demand for Condoms.

Based on the above observations we believe that Cupid will show improved performance going forward. By the way there is hardly any new plants being built anywhere in the world on the supply side whereas the demand is growing each year.

With these comments now I would like to open the meeting for question and answer session. Thank you.

**Moderator:** Thank you. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Nalin Shaha from NVS Brokerage.

**Nalin Shaha:** I have one question that other expenses item in this P&L seems to have swelled from almost about 3 crores to 12 crores in the current quarter as compared to the previous year same quarter.



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So can you just give us some idea that whether this is going to be the trend or is it only like little disproportionate increase one-time only?

**Omprakash Garg:** Major factor is the Brazilian order, however the demand for both Female Condoms and Male Condoms are coming from Brazil, South Africa, WHO, UNFPA and many international NGOs. So on the demand side we see a stable continuous improvement from the sources.

**Nalin Shaha:** My question is that other expenses item in your profit and loss account, last year it was little over Rs. 20 crores whereas in the current quarter it is Rs. 12.5 crores, so if you can just explain what is the reason for such a big jump in the other expenses?

**Omprakash Garg:** Other expenses include the profit sharing and the business development expense from the Brazil order.

**Moderator:** The next question is from the line of Omkar Kulkarni, an Individual Investor.

**Omkar Kulkarni:** You had mentioned that total order for Condoms from Brazil is what 124 Cr, right?

**Omprakash Garg:** Yes.

**Omkar Kulkarni:** So out of that how much has been delivered in the Q1?

**Omprakash Garg:** So far we have delivered 24 Cr worth of orders and we are planning to do 26 more in the July to September quarter, so it would be 50 Cr out of 124 Cr by the end of September.

**Omkar Kulkarni:** So total 100 Cr, what's the timeline?

**Omprakash Garg:** We expect to complete it by Apr / May 2020. However, we will try to dispatch maximum by the end of March depending on how fast the purchase orders are released and the import licenses are issued by the Brazilian government. It may be carried over during the month of April.

**Omkar Kulkarni:** What about the next year's project from Brazil and South Africa?.

**Omprakash Garg:** For Brazil they are considering a higher budget and we expect the tender to be out by June 2020. In terms of South Africa the new tender and allocation is supposed to happen in October 2019 as the first year commitment will be all delivered by September 30<sup>th</sup>.

**Moderator:** The next question is from the line of Aakriti Shah Kamdar from Samiksha Capital.

**Aakriti Shah Kamdar:** My question would be on US FDA related expenses which you talked about in the last quarter's earning call that it would be in the tune of \$1-\$2 million, so is any of those expenses suppose to accrue in this year or has have happened in the first quarter which is included in other expenses?



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- Omprakash Garg:** No, only about 30 lakhs worth of expenses are included in the current quarter out of a total budget of 3 Cr which would happen over the next 12 months.
- Aakriti Shah Kamdar:** For FY20, 3 Cr is supposed to be spent on US FDA, anything which is spent for FY21 as well?
- Omprakash Garg:** No, like I had mentioned during last con-call, the trademark was registered in US under Cupid Angel. We are continuing to work on the submission of 510 K along with all the test results which the US FDA people they require and finally the contraceptive efficacy study which I mentioned which is being carried out in South Africa with 280 women, those results should be out by June or July next year and they would be submitted to the US FDA. So we believe that by the end of next year we should have approval for the Cupid Female Condoms for distribution in the US market.
- Aakriti Shah Kamdar:** What are the capacity utilization levels currently?
- Omprakash Garg:** Capacity is about 90%.
- Aakriti Shah Kamdar:** Any maintenance CAPEX has been for this year?
- Omprakash Garg:** This year approximately 2 Cr worth of CAPEX may be required, no major expenses planned for rest of the year FY20.
- Aakriti Shah Kamdar:** By when do you think the capacity will be fully utilized for the company?
- Omprakash Garg:** As per our order book we are fully booked at least until March 2020.
- Aakriti Shah Kamdar:** Any new capacity expansion plans?
- Omprakash Garg:** We have orders till Mar 2020 and two quarters for FY21. As well and as you have noticed each quarter we also get additional orders. For example this quarter we had received new orders worth 54 crores.
- Aakriti Shah Kamdar:** Do you have any capacity expansion plans right now?
- Omprakash Garg:** No we have just completed the last one in Mar 2019.
- Moderator:** The next question is from the line of Jayant Raghvan, an Individual Investor.
- Jayant Raghvan:** In the press release I saw 61 crores as the order book and now you clarified that it is 163 crores, am I right?
- Omprakash Garg:** Yes with respect to 61 cr order book, we have the purchase orders and the dispatch schedule from the customers for dispatches which we are planning to complete in the next two quarters.



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The other orders are the repeat orders which we have got the confirmation from the customers, like Brazil, government of India, South Africa. But the actual purchase order would come closer to the time of deliveries, so those additions orders would total 163, 61 plus 102. This is projected and this 102 primarily 74 of that is for the Female Condom from Brazil and remaining for the Male Condom from government of India, Ministry of health.

**Jayant Raghvan:** So can we assume that this 163 crores is 100% going to happen over a period of time? There might be some time differences here and there in the delivery schedule but can we assume that this is 100% going to come into our books as revenues?

**Omprakash Garg:** As far as we know all the paperwork has been done. Customers have confirmed that we are planning to issue these orders and they have given us a monthly schedule all the way up to April 2020. So I have no reason to suspect that these orders will not come through unless something drastic happens in terms of the budget cuts like it happened a year ago when the government of South Africa changed due to election results and they delayed some of the orders. So I would say most likely these orders will come through.

**Jayant Raghvan:** The second question is there was some press release very recently from the company where I read two things, one is it talks about 12% to 15% growth over the coming period and then it's also talking about the JV, joint venture. But I thought we were not going to do the joint venture, right?

**Omprakash Garg:** Like I had mentioned in the last con-call our negotiations with a potential partner was broken down because of some commercial disagreements especially from the lender. But the current situation is that we have already applied to the department of health / Treasury for permission for local manufacturing in South Africa. Also this month we have received a request that some of the local investors would like Cupid to participate in a joint venture for Male Condom production there as well.

**Jayant Raghvan:** One more question is in the P&L, I see when we compare quarter-on-quarter there is a big fall in the material consumed, what exactly is the fall whereas the top-line remains almost the same?

**Omprakash Garg:** The main reason for that is the mix of Female Condom versus Male Condoms. During this quarter 61% of the revenue is coming from Female Condoms which is a high margin item, and only 39% is from Male Condoms.

**Jayant Raghvan:** And the last question is regarding the CEO, is there any luck on this?

**Omprakash Garg:** Unfortunately not yet. We haven't found or located a suitable candidate with the qualification we are looking for.



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- Jayant Raghvan:** My last point is if we feel that in the next foreseeable set of quarters we are likely to produce a good run rate of top-line and bottom-line, it is time to tap the mutual funds and other institutions because right now as you know in the stock market most of the mid-caps and small-caps are not producing good results and the institutions and other big investors are on the look-out for some good stocks that they can invest in by which the market value of the company will improve. So I would like to just point out that if we feel that we are going to do well in the coming times it might be an opportune time to reach out to them. So if they start taking our stocks in their portfolios then it may make a difference to her market value.
- Omprakash Garg:** Thank you very much for that valuable suggestions and we would certainly consider the proposition and I agree with you although the overall market is down including for small companies but there would be eventually a differentiation between companies which are doing little better than the rest.
- Moderator:** The next question is from the line of Deepak Agarwal from Impetus Advisors.
- Deepak Agarwal:** Out of the Female Condom order of 116 crores order book that we have, 74 crores you said is from Brazil, right or no its more than that, 100 crores is from Brazil?
- Omprakash Garg:** Yes total order was 124 Cr, out of which we have already dispatched 24 Cr.
- Deepak Agarwal:** So 100 crores is from Brazil remaining?
- Omprakash Garg:** Yes we have already discussed 24, so the balance we have is 100 Cr.
- Deepak Agarwal:** And the total Female Condom order book is 116 crores, so 16 crores who are the customers?
- Omprakash Garg:** They are coming from South Africa.
- Deepak Agarwal:** Last quarter you mentioned about two South African customers, so it's from these two customers?
- Omprakash Garg:** Yes, the bulk of the remaining order, 16 Cr is from South Africa and some is from WHO UNFPA.
- Deepak Agarwal:** You mentioned that for the current quarter you're expecting to execute 26 of Female Condom order, so going forward in the Q3-Q4 what kind of execution are you expecting on the Female Condom?
- Omprakash Garg:** Based on the current order book situation, we are expecting similar type of performances in the next two quarters.





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- Deepak Agarwal:** In that case like in the first quarter we did 8 crores and for the overall for the full year you're saying 24 to 27, so I understand there is a 2.5 crores of US FDA related expense. But even then it's lower why that?
- Omprakash Garg:** The exact percentage split between Female and Male Condoms would ultimately result in the bottom line. These are our estimates, 24 to 27 Cr for the entire year. However we would try to improve these numbers.
- Deepak Agarwal:** For the next year you said Brazil's next tender will be in June 2020?
- Omprakash Garg:** Yes. It is expected to be published in June 2020.
- Deepak Agarwal:** But you will complete this order by April 20 so then the result of that tender will be out by October 20, so execution will start maybe a few months later than it, right?
- Omprakash Garg:** No, Brazil if they publish the tender in June the results will be out by July end and the dispatches should start from August next year.
- Deepak Agarwal:** So from April to August then there may not be any Brazil order execution?
- Omprakash Garg:** Besides the central government of Brazil there is demand coming from some of the state governments in Brazil like State of Sao Paulo. So we may have some orders there. In any case we have other orders from UNFPA and from South Africa during that May to July period hopefully.
- Deepak Agarwal:** Any other large tender which is in the pipeline which you already bid for?
- Omprakash Garg:** We have bid for the UNFPA which is supposed to come in the next couple of months and like I mentioned the South African renewal would be published in October this year. So far these are the only months but there is a talk about more tenders coming out from Tanzania and from government of India as well.
- Deepak Agarwal:** What are the size of this UNFPA and South African renewal tender?
- Omprakash Garg:** The total order is about 50 Cr from UNFPA but how much of that Cupid would get we really don't know at this point.
- Deepak Agarwal:** And South Africa renewal?
- Omprakash Garg:** South Africa should be 40 to 50 Cr.
- Deepak Agarwal:** And these are only for Female Condom?



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- Omprakash Garg:** South Africa will have both Female and Male Condoms. Government in South Africa has not decided on the exact volume of Female Condoms for the next tender because it depends on the local manufacturing unit. If they give the license and production starts locally there and they would proportionately decrease the imports from country like India for example. So the exact number for Female Condoms for the second year of the three-year contract is not yet known at this point.
- Deepak Agarwal:** UNFPA tender of 50 crores that's entirely for Female?
- Omprakash Garg:** No, that is also both Male and Female and we don't have the split yet there.
- Moderator:** The next question is from the line of Anand Shah from G K Wealthcare LLP.
- Anand Shah:** I have two questions, first we see that there is an abrupt change in the inventory levels, so can you please throw some light on that?
- Omprakash Garg:** The main reason for building of more inventories is the size of the orders we have, say from Brazil, from Tanzania, from South Africa and also they want several variants for each category of Condoms we have to build a separate stock, so ultimately the net result is we have to carry a higher inventory level in order to fulfill the individual order which has varying amount of different colors, different textures and different sizes.
- Anand Shah:** The other question is that we see a double finance cost as compared to the quarter earlier, so can we assume that the positioning of our company or the debt has changed? Are we looking for more debt for some time?
- Omprakash Garg:** As such Cupid is debt free. On the other hand, we have cash and cash equivalents reserves of about 33 Cr as of June 30<sup>th</sup>.
- Moderator:** The next question is from the line of Aakash Panpalia, an Individual Investor.
- Aakash Panpalia:** I just have one question and that question is on the Corporate governance front. Because there was a related party disclosure which was made on 28<sup>th</sup> June, 2019. So, it was mentioned that the commission for the half year ended for 31<sup>st</sup> March '19 which was the past year, it was approximately 40 lakhs and when I was comparing it with the financial year 2018 the entire commission for that year was 26 lakhs. Just wanted to understand and the last year we had a pretty rough year compared to the previous year, why the commissions were increased to 40 lakhs for the half year and when the entire year before that, the previous financial year '17, was at 26 lakhs. That is the question. There is a big gap between 26 lakhs of commission as a percentage of profit to 40 lakhs, when the last year which was a very rough year for the entire company.



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**Omprakash Garg:** The main reason for increase in the expenses in that category is the business development expense in Brazil and also we have a profit-sharing plan as a part of this big tender.

**Aakash Panpalia:** So, that is what I am unable to understand because the topline was not there how did the 40 lakhs figure come into picture? Or if you are saying that it is depending on the profits, if you compare financial year '17 to financial year '18 there was a drop in the profits also. Financial year '18 had a profit of approximately 17 Cr and that time the entire commission that was paid to the Executive Directors and Non-Executive Directors were 26 lakhs. While in the financial year '18-19 there was a 15 crores profit. So, what is the percentage calculated and on which figure? Is it on PBT and what is the percentage? Because if I see it is 1% and all of a sudden there is a spike of 2.79%.

**Omprakash Garg:** Are you referring to the commission to the Directors?

**Aakash Panpalia:** Yes.

**Omprakash Garg:** We have a provision for 2% commission on the profit for the Chairman and this past year there was an increase in the total amount but the percentage remain unchanged as per the contract at 2%.

**Aakash Panpalia:** That is what I am unable to understand that the PBT figure was down, it was at 20 crores and last year, you are saying the percentage has not changed, for 26 crores of PBT if you calculate 2% it will not come 26 lakhs then.

**Omprakash Garg:** Its not 2% of the net profit, it was 2% of the EBITDA and because of the mix the EBITDA is not directly in proportion to last year as opposed to this past year. We can send you some details. If you can please send us an email, we would be glad to go over all the numbers with you.

**Aakash Panpalia:** That would be great, Sir. And this could be a suggestion, because from an investor's point of view we won't be able to always get all these details in a prolific manner also. So, just wanted to know, can we expand our Executive Director base instead of having two Executive Directors and the Audit Committee having 3 to 4 independent Executive Directors, in that place. Because now the company is going to, as you had mentioned in the earnings call also last quarter that we are going to go to 100 crores so we also need to have a structure for 100 crores.

**Omprakash Garg:** I appreciate that suggestion. In fact, we are considering to expand the board along the lines you have mentioned.

**Aakash Panpalia:** Because if you see the current, you are one of the members and there are two executives, so there are two independents and major shareholding is with you, so that gives conflict so if we can have all 3 independents or an CFO in that Audit Committee which will give an unbiased opinion, that would be great, even in the Remuneration Committee, if we can have somebody who doesn't



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have a major shareholding in the company, in these both committees, both Remuneration and Audit Committee.

**Omprakash Garg:** I think that is a very reasonable suggestion and we would definitely put it to the Board for consideration at our next meeting in August.

**Moderator:** The next question is from the line Ram Narang, an Individual Investor.

**Ram Narang:** I would like to know what is the plan on B2C business.

**Omprakash Garg:** The plans on B2C business in India like I had mentioned in the last 2-3 con-calls, the margins in B2C business are very low and the expenses especially for advertisement both on television and in the press are enormous, not to even mention about creating a sales force. So, the conclusion that we have reached is that instead of building a brand through our own retail sales force bagged by advertisements, we are selling our branded products through the wholesalers. There are 15 wholesalers spread throughout India in major cities. That process is slow but it is economical and instead we are concentrating on better margin export markets, even for Male Condoms.

**Moderator:** The next question is from the line of Rohin Govindrajan, an Individual Investor.

**Rohin Govindrajan:** Mr. Garg, thank you very much, not just for the numbers but also for the transparency. Really appreciate these calls and the information sharing. Thank you. So, my first question is with regard to capacity. You mentioned already that you are at 90% which is great. You have also indicated that the supply pipeline is quite strong. So, is there any way to stretch the existing infrastructure more by adding shifts or automation, etc.?

**Omprakash Garg:** We have considered automation, however, there is no one standard set of packing machines which we can use for different types of orders we get. They all require a different set of packing machines and which are quite expensive. We have considered that and we are still inviting people to see what suggestions they could make. Ultimately you are correct we have to look at the automation however we are looking at an economical way so that we can achieve our productivity at a lower cost.

**Rohin Govindrajan:** Is there a way to add and another shift and increase capacity, is that a possibility?

**Omprakash Garg:** We are already working 24X7 so the capacity is fully utilized. The only other way would be to expand it beyond our current capacity 560 million pieces per year capacity.

**Rohin Govindrajan:** One other question I had this for lower margin products say Male products. Is it possible for you to outsource it to a third party?



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**Omprakash Garg:** We have considered that as well because you see our domestic market was only 6% and the volumes are so low that even if we outsource it, the impact on the bottom-line will not be that great. Also some of our customers have been buying Male Condoms from Cupid for a long time, and we like to retain those customers and the quality they expect. But it's a good suggestion to look at both automation as well as possibly outsourcing; specially the Male Condoms.

**Rohin Govindrajan:** How is the e-commerce doing? I know you started in the US last time you mentioned and also it's going on in India. When we do see online we don't see too many reviews or tractions so just wanted to get your take.

**Omprakash Garg:** Online sales have been in improving 20% to 30% each year however they are not in crores yet. We are looking at 5 to 10 lakhs so far however the big benefit we are getting about online promotions is to basically promote Cupid and its products & not actual sales so much. However we are based on these online promotions and advertisements. We are getting many enquiries about Cupid products and we have started to get orders from new countries. For example, this quarter we got orders from Yemen, Palestine, Mongolia. So we are penetrating into new geographies all the time partly based on the promotions we are doing online.

**Rohin Govindrajan:** About raw material cost I just wanted to get a sense of how the forecast is this year? Is it in line with the average or are you expecting it to be lower?

**Omprakash Garg:** There are three main components of raw material. One is the natural rubber latex and which we see a stable price band within 10% depending on the season, down in Kerala. During the rainy season the prices peak about 10% and then back into February-March-April they come down and Indian prices have been very competitive as compared to the international prices. So that's about the latex. Number two, we use lubricant silicone oil, those prices have come down drastically in the last 3 months. The third big component is on the packaging material which is basically stable. The paper prices have been stable and we don't see any significant increases in our input costs for next 2-3 quarters.

**Rohin Govindrajan:** One last, not a question but more a suggestion in lines with what was spoken before. I know one of the things that keep coming back in every phone call is about the CEO. My suggestion is I know you indicated in one of the previous meetings that the existing management supporting you is a very robust management and you have a lot of confidence in them. It would be good either through a press release or otherwise if you can share some details about their roles and backgrounds or in the con-calls get them also to participate and talk because right now you are our face which we appreciate but having them also interact will give more confidence to the community.

**Omprakash Garg:** Yes, this is also a good suggestion and we will try to get 2 or 3 other senior people involved.

**Moderator:** The next question is from the line of from Krishnan Ramdas, an Individual Investor.



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**Krishnan Ramdas:** My question was on the CEO search, what has been the process you have been following and where are you on it right now and also I believe in this kind of a business we need a strong sales head as well so is there somebody who is playing that role right now or that person can be involved in these calls that would be helpful as well.

**Omprakash Garg:** I am sorry I still, I did not get your question.

**Krishnan Ramdas:** The question is about the CEO search and the process that you are following. What is the process that you are following and where are you on the process of the CEO search and also can you talk about the sales head, do you have a salesperson who is in charge and can that person be involved in these calls?

**Omprakash Garg:** You mean the CSR procedure?

**Krishnan Ramdas:** Yes, the process of finding the CEO?

**Omprakash Garg:** Yes, we have our Company Secretary who looks after all the request which come in for the CSR budgets request for different projects. Our criteria are basically guided by the federal government's CSR mandate which is to concentrate on Health and Education and also try to help the communities nearby and that is what we have done. Last year we supported 5 projects, one related to the Adolescent girls about their Health and what we call – Wellness Program.

**Management:** I think the question is being asked is not on CSR but it's more of the CEO search; the Chief Executive Officer search and the process that you are following?

**Omprakash Garg:** The process we have been following for the CEO is that we have contacted different manpower agencies, headhunters and we have contacted our associates who supply us other personnel and we have called for interview about eight candidates in last two years. So we invite them to the facilities, we have long discussions with them. One of the main problem is that the experience which we are looking for which is basically international and domestic marketing along with background in Finance and Production. So we are not getting the right combination and candidate who is willing to relocate in Nasik. They all want to be stationed in Bombay and then they commute every week from Bombay to Nasik and back. Since our production is 24X7 and this is the headquarters of the company; corporate headquarters in Nasik we really need to have the CEO stationed here full time with the family. We have been following the traditional procedure, word-of-mouth contacts as well, talking to our bankers, talking to the other board members but I think the right type of combination is missing. We do get people who are purely FMCG which will not work because Condoms are a kind of product by itself. We have also looked at couple of female candidates but again the right type of experience and expertise is unfortunately not available. If you have any suggestions or if you can recommend some candidates, we would be very happy to invite them for an interview.



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- Moderator:** The next question is from the line of Chirag Khasgiwala, an Individual Investor.
- Chirag Khasgiwala:** Just wanted to understand your order book; so out of this 163 crores order book how much do you expect to execute this in this financial year, financial year '20?
- Omprakash Garg:** We like to do about 140 to 150 crores, our target.
- Chirag Khasgiwala:** So if we take the top-line of full year FY20 it will be close to 180-190 crores, am I correct?
- Omprakash Garg:** No it would be less than that. If we take over an average 30 Cr for 4 quarters it would be around 120 Cr.
- Chirag Khasgiwala:** Because you have already completed 34 crores top-line in the first quarter and 140 crores from this the new orders; it comes to roughly 170-180?
- Omprakash Garg:** But the total 140 will not be executed in the next 3 quarters.
- Chirag Khasgiwala:** That's what I am asking how much do you expect to execute in this financial year?
- Omprakash Garg:** Minimum 120 Cr.
- Chirag Khasgiwala:** What kind of margins you are looking?
- Omprakash Garg:** Margins would be same about 20% of the net sales.
- Chirag Khasgiwala:** You mean EBITDA margin?
- Omprakash Garg:** No the net profit, PAT – Profit After Tax minimum of 20% of the top-line or in other words it would be about 24 Cr minimum.
- Chirag Khasgiwala:** And out of this 120 Cr what could be the proportion of Female and Male Condoms?
- Omprakash Garg:** Two-third would be Female and one-third would be Male.
- Moderator:** The next question is from the line of Aakash Panpalia, an Individual Investor.
- Aakash Panpalia:** On the front of the security premium and the capital results that we have been showing concern long time and I don't think this is just a mere book entry and there are no cash actually as such. So if you can just guide some of from our balance sheet and the issue a bonus share, so that would be a great news to the market as well. This is my first point and the second point I wanted to ask is that in the current budget if you have heard FM has instructed all the listed companies to bring their promoters stake to 35% and I guess you are standing around 40%-44%. How do we plan to bring, are we planning to bring in any kind of institutional investors or somebody on



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and that's the second question? And the third question is; in the last con-call you were mentioning that we are also looking to invest in start-ups or a new fraternity like PeeBuddy or PeeSafe kind of products which are Female Hygiene products where which is collaborated with our product also? Can we look at these companies to get them acquired and grow our top-line also and make our presence in our domestic market?

**Omprakash Garg:** I am sorry I did not get your questions. Maybe we could go one by one. Starting with your last question number three.

**Aakash Panpalia:** The third question is are we looking to invest in start-ups like PeeSafe or PeeBuddy which are Female Hygiene companies and they have recently made a very good mark in the market pan India basis. So these are the two companies I feel that which coincides with the Cupid product as well?

**Omprakash Garg:** I am sorry I still don't get the question as the sound is not clear.

**Aakash Panpalia:** Are we looking to invest in recent start-ups like PeeSafe, PeeBuddy kind of start-ups which are Female Hygiene products these companies are creating. Have we started analyzing any of these start-ups and what is the process or what stage are we in talks with them right now? Because you said in the last con-call that you are interested to make investment in such products.

**Omprakash Garg:** Yes we are still interested and we have looked at a few items and also we have concluded that it would be better to outsource them rather than Cupid trying to create its own manufacturing facilities.

**Aakash Panpalia:** Correct, so they have their own manufacturing, the start-ups that I am talking about? They have their own manufacturing capacity but can we look Cupid investing because we have a cash reserve of 30-32 crores and can we invest such on start-ups and take a bit at risk on our balance sheet?

**Omprakash Garg:** That would be wonderful. I would really like to have some suggestions and we would seriously consider it. This is directly in line with our objectives how to grow Cupid, invest in small start-ups with good prospects and we have the financial resources and also the operating expertise. So please my request would be to recommend or suggest couple of such start-up companies with whom we could explore future partnerships.

**Aakash Panpalia:** I will send an email for that. But on the second question now, as you might have heard in the current FM budget; in this fiscal they have asked the listed companies promoters to bring their promoters stake to 35% and in our Cupid the promoters are holding approximately 40% to 44%. I don't remember really but it is above that. Are we bringing any institutional investors or are we trying to tap private equity investors or somebody who can come on board along with you?





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- Omprakash Garg:** We have looked at that proposal in the budget but we haven't really located anyone yet. Our stake is I think about 44% right now and in order to comply with the regulations; we will have to take the necessary steps as we go along.
- Aakash Panpalia:** What will be the process, who is going to head this process? Can you throw some light on that fact? Is the CFO going to be looking into this or you personally are going to look into this matter?
- Omprakash Garg:** It would be mostly CFO and the two other senior financial people.
- Aakash Panpalia:** That was my second question. Now coming back to the first question; like I said on our balance sheet we see securities premium reserve and capital reserve that is approximately 3 crores 30 lakh approximately I'm not sure the correct figure. So because I was saying that these are the two reserves which are basically non-cash reserves, it's just a book entry that we have done. Can we wipe them off and issue bonus shares? Is that a possibility that we can explore?
- Omprakash Garg:** Yes, we didn't discover the question of bonus shares we would be happy to reconsider it again. Last time we did issue 1 share for every 5 shares.
- Aakash Panpalia:** Yes again we can do it in this financial year again 5:1 and we can wipe of the entire security premium reserve and capital reserve.
- Omprakash Garg:** We will certainly consider your proposal.
- Moderator:** The next question is from the line of Deepak Agarwal from Impetus Advisors.
- Deepak Agarwal:** The release says that our sales were 34 crores and FC was 61%, so that's makes only 21 crores while you mentioned that 24 crores was Brazil FC sales?
- Omprakash Garg:** I did not understand?
- Deepak Agarwal:** The total sales 34 crores right in last quarter and the release mentions that 61% is Female Condoms.
- Omprakash Garg:** 61% is the total confirmed order as of July 1. Out of that 61, 20 crores worth is Male Condoms and the balance 41 crores is for Female for a total of 61 crores order.
- Deepak Agarwal:** No, sales mix. I'm talking about the sales mix in the last quarter. So how much were the FC sales in the last quarter out of 34 crores sales?
- Omprakash Garg:** I think Female Condom was quite a bit lower percentage wise as compared to the total.
- Deepak Agarwal:** Absolute number, can you give me the absolute number? What were the total Female Condom sales in the last quarter April to June?



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- Omprakash Garg:** Last year out of the 37 Cr in the 4<sup>th</sup> quarter.....
- Deepak Agarwal:** No, 34... this quarter, last quarter?
- Omprakash Garg:** Last quarter was March quarter with 37 Cr sales.
- Deepak Agarwal:** April to June quarter, April to June 2019 quarter we had total sales of 34 crores, right?
- Omprakash Garg:** No, we had total top-line of 17 Cr, a year ago this quarter.
- Deepak Agarwal:** No in the just concluded quarter, the quarter that we are doing conference call, the sales has 34 crores right?
- Omprakash Garg:** Yes total 34 crores and 61% of that 34 was Female.
- Deepak Agarwal:** That comes to 21 crores, 61% of 34 is 21 crores.
- Omprakash Garg:** Correct.
- Deepak Agarwal:** But you mentioned that the Brazil execution in the current quarter was 24 crores.
- Omprakash Garg:** Not this quarter, it was 6 crores we reported in the 4<sup>th</sup> quarter and this quarter was 18 crores for a total of 24.
- Deepak Agarwal:** Now you are saying July to September will be 26 crores Brazil order?
- Omprakash Garg:** This is what we are projecting if all the orders come on time and all the dispatches are done. That is our target, yes.
- Deepak Agarwal:** This quarter we have another non-operating income of 1.3 crores, what is that? Just on the cash balance?
- Omprakash Garg:** That is what the interest earnings as well as gain in foreign exchange.
- Deepak Agarwal:** The last gentlemen had a query I didn't understand that. Our stake is 45 and we have to bring it down to 35, there is no such proposal, right?
- Omprakash Garg:** I don't know but I read in the budget that the promoters stake should brought down to 75% currently.
- Deepak Agarwal:** It is to bring it down to 65, we are already way below 65. So where is the question of bringing it down further?



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- Omprakash Garg:** Yes I was just wondering when the other caller had mentioned that they want to bring it down from 75 to 65 maximum. We are nowhere close to that we are more like 44%, so thank you for bringing that up Deepak.
- Moderator:** The next question is from the line of from Dhruv Bhatt from NVS Wealth.
- Dhruv Bhatt:** You had mentioned that there are no other facilities that are coming up around the world so I wanted to understand if you see any opportunities to acquire plants may be within India or outside for the same purpose?
- Omprakash Garg:** We have couple of options there. First of all, if we decide to expand the capacities beyond the last expansion we would look at it how we can do it internally within our premises; that may be the most economical way. Second of all there are 10 other manufacturing units in India and most of them have limited capacity. We have to look at the conditions of those machinery and there are mechanical availability and subsequently their production cost. So right now, we don't see much prospect of buying one of the existing units and then there will be a question of logistics. If we buy a unit 400 km away from Nasik there are obviously additional costs of managing that property. Once we decide that the market needs more capacity, over a 3 to 4 year period not just one year because we don't want to make the same mistake many other companies have done. They expanded too fast and then the order got dried up. Then they basically had to service their debt and problems all over; and most of them went into loss situation.
- Dhruv Bhatt:** Currently we are at 90% capacity and in your view if we are at 100% then what is the highest level of turnover that we could achieve?
- Omprakash Garg:** I think we could achieve 130 Cr easily but it depends on the mix. If we can get more orders for Female Condoms with lesser capacity utilization, we can do better top-line as well as bottom-line as compared to Male Condoms. Theoretically, if we get our entire capacity order for Female Condoms we could do as high as 200 Cr in one year, provided we get the orders.
- Moderator:** The next question is from the line of Jayant Raghvan, an Individual Investor.
- Jayant Raghvan:** I had a quick question on insurance; do we have full insurance against all our assets, staffing and inventory?
- Omprakash Garg:** Yes we do. We have the usual Fire Insurance. We have the insurance against our inventory and we have complete transportation insurance both for sea and air shipments.
- Jayant Raghvan:** If there are floods or any other natural causes apart from fire, the premises, the inventory and any damage to the employees during the course of work will all be covered, right?
- Omprakash Garg:** Yes we are fully protected.



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- Moderator:** The next question is from the line of Omkar Kulkarni, an Individual Investor.
- Omkar Kulkarni:** My question was basically regarding the US FDA; you mentioned that it might be the license might be given to Cupid in this year ending, did I hear it right?
- Omprakash Garg:** Next year ending 2020.
- Omkar Kulkarni:** Yes 2020 end right?
- Omprakash Garg:** Right.
- Omkar Kulkarni:** So are you on the process to get that into 2020?
- Omprakash Garg:** What we are moving first of all it is one has to fulfill all the requirements of US FDA, so that they can review our file and approve our product. At the same time, we have started to discuss with couple of local marketing companies there who have shown interest to market Cupid Female Condoms in US
- Omkar Kulkarni:** Once you get the license what is the potential for the turnover, what is the market size product?
- Omprakash Garg:** In the last phone call we said the current market is a minimum of \$10 million and we had set a modest target of 10% of Cupid share in the first year. Of course we would like to increase that once we get into the market and of course once our product gets approved we plan to be quite aggressive instead of 10% of the share it could be 20% to 30%.
- Omkar Kulkarni:** Right now it is entirely captured by FC, is it?
- Omprakash Garg:** Yes, correct almost 100% because there is no other Female Condom approved by US FDA as yet.
- Omkar Kulkarni:** Another question is on Brazil order, the current order which you have received how much was the total order and what percentage did Cupid receive from that?
- Omprakash Garg:** We received 29.3 million pieces out of 35, so you can say we got 80% of the order.
- Omkar Kulkarni:** Who were the other players FC?
- Omprakash Garg:** FC, Female Health Company.
- Omkar Kulkarni:** In June 2020 what's the chances of getting the same order, the repeat order what would be the percentage?



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- Omprakash Garg:** We cannot really predict, we are planning to participate aggressively in all the tenders coming up during rest of this year and early next year. But how competition would strategize their approach, would it be on the pricing, would it be on the delivery? There are many variables as you know. We will try to fight for the business quite aggressively wherever it is.
- Omkar Kulkarni:** And potential for the Brazilian retail market?
- Omprakash Garg:** Not yet but few large-scale wholesalers have approached us. As earlier mentioned that there is a scope for more Female Condoms sales in the retail market there so I think slowly we will penetrate into that market because our product has been approved and now with this successful completion of the government of Brazil order; it would be easier for us to approach the not only the different state governments there but also in the retail market.
- Omkar Kulkarni:** Apart from South Africa and Brazil is there any other big market?
- Omprakash Garg:** Not really reached at the level of Brazil and South Africa but there are several African countries which are getting their supplies through WHO UNFPA. There are countries like Mozambique, Zimbabwe, DRC-Democratic Republic of Congo and other countries like Cameroon, Ivory Coast and Benin and we have supplied to many of these countries already over the years.
- Omkar Kulkarni:** My question was regarding how do you plan to utilize the 33 Cr if you have and apart from that you will be generating lots of free cash flow this year, so even that would be added for cash reserves, so how do you plan to utilize?
- Omprakash Garg:** Currently our plans are number one to look for an acquisition related to Female Health and Wellness areas; second one is to modernize our facilities along the lines of automation which the earlier caller had suggested and of course we always have in mind to give out more dividends to shareholders.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand over the conference over to the management for their closing comments.
- Omprakash Garg:** Thank you for participating in the Quarter 1, FY20 conference earnings call and I hope that we have been able to answer most of your questions. In case we have not please feel free to write to us and we would be glad to provide more information. We appreciate all the confidence and trust our shareholders have shown in Cupid management over the years and we would like to thank all our employees who have worked very diligently throughout the year to achieve the results we have just discussed over the last hour. Thank you again and we appreciate your active participation in the discussions. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Cupid Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.