



CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date : 05th February 2019,

To,

**Department Of Corporate Services,
BSE LIMITED,**
Phiroze Jeejeebhoy Towers,
Dalai Street,
Mumbai -400 001

The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400051
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SCRIP CODE: 530843

SCRIP CODE: CUPID

SUBJECT: - CONFERENCE CALL TRANSCRIPT

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q3 FY 2019 conference call which was hosted by the company on Monday 28th January, 2019 at 4.00 p.m.

This is for your records.

Kindly acknowledge the receipt.

Thanking You.

For Cupid Limited

J. Garg



Omprakash Garg

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“Cupid Limited Q3 FY-19 Earnings Conference Call”

January 28, 2019



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



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Moderator: Good day ladies and gentlemen and welcome to the Q3 FY19 Earnings Conference Call of Cupid Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an 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 from Christensen IR. Thank you and over to you Mr. Sarda.

Binay Sarda: Thanks Margaret. Good Evening to all of you and thanks for joining this Q3 FY19 Earnings Call for Cupid Limited.

We have mailed the 'Press Release' and the 'Results' to you. I hope you have received the same and we have also uploaded 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 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 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 to the third quarter FY19 Earnings Call.

I assume that most of you have seen the press release. However, I would like to point out couple of significant events during the quarter. First of all, the decrease in sale was due to shifting of two major orders from two new customers from the third quarter into the fourth quarter and the main reason for that was the confirmed LC was not received in time from these two buyers and we did not want to take a credit risk on these new customers.

The second point is that during the year and a quarter in particular, our order book increased substantially. Right now it stands at a record 130 crores as of January 1. This is the best ever we had and the split between the Male Condoms and Female Condoms are 73 Cr. and 60 Cr respectively.

In addition to these two major points there were few other highlights I would briefly mention :



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1. Through an international tender and competitive bidding Cupid received orders for Female Condom and also for Male Condoms from South African government. We have received the Male Condom order for the first time from this market which requires a minimum of 1 billion Male Condoms per year for the last several years and projected into next several years.
2. Second point is that we got Cupid trademark registered in Brazil which has allowed us to participate in the international tender requirements for both these products.
3. Third important highlight is that during the quarter, Cupid received a pre-qualification status from WHO / UNFPA. This was renewed for a three year period, not only for our Cupid-1 Female Condom but also our newly launched and WHO approved Cupid-2 Female Condoms as well as for the Male Condoms.

So, these three pre-qualifications, they give us a heads-up in terms of qualifying to participate in the international tenders and also helps us to increase our orders from private sector. In addition during the quarter Cupid has applied for its Female Condom trademark under Cupid Angel name with the USFDA. Further we have signed a contract with an international group to conduct a contraceptive efficacy study which is required by USFDA. This study involves participation of 270 women for a period of six months. This is to prove the efficacy of Cupid Female Condoms to make sure there is no pregnancy occurring during this trial period and the results of the survey should be out by January 2020.

Further in terms of the order book, we expect better funding from all the four sources i.e.

1. global funds, they have increased their funding for Male and Female Condom procurements,
2. WHO / UNFPA,
3. Third one are the international NGOs like Marie Stopes International London and PSI and DKT, based in Washington DC and
4. Also from national governments. Three governments are very active in supporting the Condoms procurement program from their own funds in addition to the international donor funding. These are Brazil, South Africa and India.

The way I see the business growing, more demands are coming from lower and middle income countries who could not afford to buy the Condoms earlier. The trend seems to be for more demands from Central America, Sub Sahara Africa and the CIS countries.

Going forward we believe that prospects for growth at Cupid are very promising and we are projecting an increase of 12% to 15% year-on-year in revenue over the next 3 to 5 years and we expect some additional orders during the calendar year 19.

Now I would like to open the meeting for a Q&A session. Thank you.



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- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Omkar Kulkarni, an individual investor. Please go ahead.
- Omkar Kulkarni:** My question is regarding the two orders which you got from two customers instead of Q3, so what was the size of that order and you haven't received LC for that so those orders are confirmed or they are not confirmed yet?
- Omprakash Garg:** No, both the orders are confirmed. In one case we have already received the confirmed LC last Friday and also on the second large order, the payment has been initiated and is expected soon.
- Omkar Kulkarni:** What was the approximate size of that order?
- Omprakash Garg:** These two specific orders which have been delayed are about 12 Cr in total, 7+5.
- Omkar Kulkarni:** If this would have happened in this quarter your revenue would have been approximately 20-22 crores right?
- Omprakash Garg:** It would be between 22 and 23.
- Omkar Kulkarni:** The next question is regarding Brazil, so what is the quantum of orders you are expecting from Brazil market?
- Omprakash Garg:** We are expecting 29.3 million out of the total order of 35 million. So the balance 6 million has been allocated to our competitor.
- Omkar Kulkarni:** So, it has been already allocated to the other companies?
- Omprakash Garg:** 6 million has been allocated to them and 29.3 million has been published in the Brazilian government gazette and it has been issued to our local partner in Brazil. However now our partner is going through the internal formalities and arranging the funding to be transferred.
- Omkar Kulkarni:** So the 29 million pieces worth of order has been already received by Cupid?
- Omprakash Garg:** Yes but we are only taking in our confirmed order book about 28 crores out of the total order of 66 crores. If you take 29.3 million pieces the total value would be about 66 Cr.
- Omkar Kulkarni:** And this is the Male or Female Condoms?
- Omprakash Garg:** This is Female order and as you know Brazil is the largest market and now the annual carnival festival is coming there from March 1st to 10th and they are requesting Cupid to dispatch the goods by air because they need these Cupid Condoms very badly there.
- Omkar Kulkarni:** So just to be clear, we have received a 66 crores worth of order?



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- Omprakash Garg:** But we are getting the funding in five tranches, 40% of 66 crores would be coming in the first tranche and the other 60% would follow. But the entire order has to be delivered within 285 days or in other words within a year, the total 66 crores worth of goods have to be delivered to them.
- Omkar Kulkarni:** And out of that how much is already counted in order book ?
- Omprakash Garg:** It's only the first 28 Cr.
- Omkar Kulkarni:** So the rest is still not included in the order book?
- Omprakash Garg:** No, once we get the confirmed orders with a payment plan then we would include it, most likely in the next update after the March quarter results in May.
- Omkar Kulkarni:** What has stood out for Cupid like Cupid got 29 million pieces order out of 35 million pieces; it's just the lowest cost produced or anything else?
- Omprakash Garg:** No, our cost actually was not the lowest. The main reason we believe is that Cupid's track record of supplying 44 million pieces of Female Condoms over the last three years to South Africa. The entire 104 crores worth of orders were dispatched on time and received very well in the nine provinces in South Africa. In addition, we also have an excellent track record in terms of quality and delivery with UNFPA and WHO. So we believe that Cupid's reputation as a supplier of high-quality Female Condoms is the main reason that we are getting increasing allocations from these different tenders.
- Omkar Kulkarni:** So FC also participated in this tender?
- Omprakash Garg:** It did, FC I believe they did and I believe they got that remaining 6 million.
- Omkar Kulkarni:** So it is Cupid and FC, they have got the total order?
- Omprakash Garg:** I believe so.
- Omkar Kulkarni:** One last question on USFDA, so you have said that like first of half of FY20 that is 2020 the survey, so we are looking like what is the procedure after that?
- Omprakash Garg:** After that the procedure would be, USFDA would be reviewing all the documents we would be submitting for the 5-10 K and they will take I believe few months before they qualify Cupid Female Condoms under the new category of Class 2 for public distribution. We don't know exactly how long USFDA would take. But as I have mentioned in the previous calls we have taken a very important step in terms of organizing this clinical study or what we are calling it, pregnancy study on an international level.



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- Omkar Kulkarni:** So the commencements won't be before 2021 that's for sure?
- Omprakash Garg:** Most likely. It depends how fast USFDA starts to process our request.
- Omkar Kulkarni:** The commencement in 2021 that's it, not before that?
- Omprakash Garg:** I think it would be a fair assumption.
- Moderator:** The next question is from the line of Aashav Patel from Igloo Capital. Please go ahead.
- Aashav Patel:** We did capacity expansion in our existing plant of 40% from the older 400 million capacity of Condoms to 560 millions?
- Omprakash Garg:** Correct.
- Aashav Patel:** So of the addition of 160 million capacity I wanted to know the breakup between Male Condoms and Female Condoms, what is the breakup?
- Omprakash Garg:** Breakup would be 52 million Female Condoms and about 410 million Male Condoms. Each Female Condom is approximately 3 times the size and the capacity of a Male Condom, and the reason of course we are preparing for 52 million Female Condoms is that we are expecting to participate again in year 2020 both on the Brazilian tender, South African tender and also WHO UNFPA.
- Aashav Patel:** And regarding Brazilian tender you said around 66 Cr order is with agent of Cupid in Brazil, right?
- Omprakash Garg:** Yes it has been allocated but we have the confirmed order only for the 40% of the quantity like I mentioned earlier.
- Aashav Patel:** For 50% of the quantity, right?
- Omprakash Garg:** We have already received confirmation, purchase orders and all the paperwork for the first 40% worth 28 Cr order. The balance 60% should follow. Also as mentioned earlier, the total order has to be executed in less than a year.
- Aashav Patel:** Will we be able to do it from our existing plan because we also need to cater to government of India 25 Cr order the recent one which you bought in November?
- Omprakash Garg:** That is the one for Male Condoms. That order to government of India would come out of that 410 million Male Condom capacity we have.
- Aashav Patel:** And Brazilian tender order is entirely Female Condom, right?



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- Omprakash Garg:** Right now it is entirely Female Condoms.
- Aashav Patel:** The Tanzania tender you have for 70 million condoms?
- Omprakash Garg:** Yes 70 million is the total order and this one we also won through international tender process and that would be delivered within the next six months. So to give you a more complete picture up to third quarter, up to December 31st our top-line is 47 crores in approximate numbers and we expect to dispatch between 45 to 50 Cr in the fourth quarter. So the projected total top-line would be between 92 Cr and 97 Cr assuming everything goes well as per our projection.
- Aashav Patel:** But for that the March quarter, the fourth quarter of this fiscal, you will need to post 40 Cr of sales because in three quarters we have already only posted 50 Cr of sales until now.
- Omprakash Garg:** In the first three quarters we had 47 Cr.
- Aashav Patel:** The March quarter should have a higher top-line comparatively.
- Omprakash Garg:** Yes it should,
- Aashav Patel:** Regarding South African tender, the 121 million was divided into three tranches so what about second and third tranche, any update over there?
- Omprakash Garg:** Like I had mentioned in the last con call, out of the three year tender from South Africa, 120 million, they had allocated only for the first year, only for the 40 million pieces. Year 2 and year 3 allocations have not been made. We believe it will be done around July to September period, 2019 for the following two years.
- Aashav Patel:** The last con calls the reason you mentioned for lower proportion of order to Cupid was that we are entering into JV that then you cancelled the JV decision, right. So now after JV decision cancellation do you expect higher proportion of order from South African government for the next upcoming two tranches?
- Omprakash Garg:** First of all the JV project is still under review. We have both challenges and opportunities in JV as the governments demand and schedule of supply have been changed couple of times in the past. So we are still reviewing their latest proposal and the results should be out before the end of March about Cupid's participation in the JV. Now if we do decide to participate it would be 16 million Female Condom additional order from October 19 to September 2020 and in the following year from October 20 to September 21 it will be 24 million order which will be allocated to the joint venture group. But the year 2 and year 3 allocations we really do not know how much Cupid would get. We would of course try for the maximum possible.



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- Aashav Patel:** And if we don't enter into JV then are we expected to get a higher proportion of tender order?
- Omprakash Garg:** Yes. I think if we end up not participating in JV we should be expecting a higher amount in year 2 and year 3.
- Aashav Patel:** But that would be best option you should not participate in JV and even then you will be supplying raw material to the JV partner.
- Omprakash Garg:** There are both positives and few negatives in terms of the JV projects. The positives are that the customer is ready which is the government of South Africa. We don't have to go out and do any active marketing and also we are transferring the technology and skill for which Cupid would be receiving a royalty and the raw material and semi finished goods would still be exported from India by Cupid. So there are quite a few advantages plus looking ahead there, this will open a door for Cupid in the entire sub Sahara African countries. There are two or three other countries which have shown interest in setting up JVs with Cupid's technical collaboration. Now on the challenge side, of course there is always a concern about the productivity levels there, some quality of work until people are trained and of course the overall investments involved in the project.
- Aashav Patel:** And entire raw material for the year 1, 16 million pieces in JV and year 2, 24 million pieces entire raw material would be collected from Cupid?
- Omprakash Garg:** Exactly right.
- Aashav Patel:** EBITDA margin for the raw material to JV would be 50%, right?
- Omprakash Garg:** Yes 45% to 50%.
- Aashav Patel:** Regarding government of India order of 25 Cr which we recently received, what are the margins on that?
- Omprakash Garg:** Margins there are about 15% to 16%.
- Aashav Patel:** Any bigger orders you are expecting from government of India?
- Omprakash Garg:** No, the government of India is considering another tender for about 250 crores and that would be cleared only after this budget on February 1.
- Aashav Patel:** Of the 250 Cr of government tender, our competitor would be getting majority as it is in PSU?
- Omprakash Garg:** Well it all depend how the prices would be and what kind of material the government is looking for and which manufacturer can offer the maximum product options. As you know out



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of the 10 local Indian manufacturers, not everyone is equipped to produce and deliver all the varieties of Male Condoms which Cupid can.

- Aashav Patel:** Regarding Tanzania government order, we also got the tender order in that?
- Omprakash Garg:** Yes Tanzania like I mentioned, we got about 16 Cr order from government of Tanzania.
- Aashav Patel:** That is regarding Female Condoms, right?
- Omprakash Garg:** No, that is Male Condoms. This is the first quarter ever we got from that part of Africa and that is another big opportunity for us going ahead, not only for Male Condoms but also for Female Condoms.
- Moderator:** We will move to the next question which is from the line of Bhavin Shah from Samiksha Capital. Please go ahead.
- Chitragda Desai:** This is Chitragda Desai. Your total order book currently is 130 crores?
- Omprakash Garg:** Yes, 130 crores is our order book as of January 1.
- Chitragda Desai:** What are you expecting, how much of the 130 crores are you expecting to be fulfilled in Quarter 4 and how much of that will be fulfilled in calendar year 20?
- Omprakash Garg:** 50 crores approximately, 45 to 50 crores will be processed in FY19 and the balance 80 crores odd, 80 to 85 would be processed for FY20 and we expect some more orders to exceed the top line in March 20 beyond 80 Cr.
- Chitragda Desai:** So that 80 to 85 crores which is the balance you expect to be fulfilled in FY20 that includes the 12 crores order from Brazil?
- Omprakash Garg:** That includes yes, 12 crores from Brazil as well.
- Chitragda Desai:** And 25 crores of order from government of India?
- Omprakash Garg:** Correct.
- Chitragda Desai:** So remaining then 40 crores of the business will be from South Africa and Tanzania combined or are we missing some orders here?
- Omprakash Garg:** No, 16 crores from Tanzania is separate from a total of 40 crores order from South Africa, 20 crores of which is Male Condoms which we are supplying for the first time and the other 20 crores is for Female Condoms. So these are two separate quarters, 40 from South Africa and 16 from Tanzania, all to be processed within the next 12 months.



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- Chitragda Desai:** And the 130 order book can further increase after I include the 66 crores remaining order from Brazil that you expect to receive?
- Omprakash Garg:** Right now this 130 crores includes only 28 crores out of 66 crores.
- Chitragda Desai:** My next question is pertaining to basically now that you have got Brazil registration and you have received the first order of Brazil, you said that you have a local partner there, so what is exactly the strategy that you are going to follow in Brazil and what can we expect on the order book going forward from Brazil, keeping aside this 66 crores?
- Omprakash Garg:** As I had mentioned in the past we have been doing research on the Brazilian market as well as the other Latin American countries for the last five years and of course Brazil is the largest and most promising one. We have already initiated the process of registering our Male Condoms in Brazil and also in addition to our Female Condoms being sold to government of Brazil, the 66 Cr order we are also allowed to supply to the different states within Brazil, like the State of Sao Paulo has already requested us to give them a quotation. Just like Indian states and procurement from Delhi, they also have a two-tier system. So we are hoping some more business for Female Condoms as well as Male Condoms from Brazil and also we are looking at the possibility of supplying some Lubricant Jelly over there.
- Chitragda Desai:** What is the margin that you expect from the business in Brazil given that you have a local partner there?
- Omprakash Garg:** For Female Condoms we expect about 40% to 45% EBITDA, Male Condoms would be more like 15% to 20% and Lubricants would be about 50% EBITDA.
- Chitragda Desai:** So similar to what you're currently having margins.
- Moderator:** The next question is from the line of Yash Shah, an individual investor. Please go ahead.
- Yash Shah:** Almost the 50% loss that you have attributed to the order being transferred from Q3 to Q4, so does that mean that the orders from the previous quarter, the customers from the previous quarter is there a decline in the existing customers or was that a limited specific purchase order?
- Omprakash Garg:** No, it's an open order and as they make is the payment we dispatch the orders and especially these two customers are the new customers so we were waiting for the funds to be cleared before we could dispatch. However these orders are part of their overall request like in case of Tanzania 16 crores and in Brazil total of 66 Cr.



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- Yash Shah:** Those are related to the new orders, so I just want to ask about older customers. In September 2018 quarter we posted 21.36 crores of revenue, has there been a drop in the orders from the older customer?
- Omprakash Garg:** No, most of those orders were completed.
- Yash Shah:** There were limited orders, right?
- Omprakash Garg:** Exactly.
- Yash Shah:** There was not droppage of customers or losing out on customers.
- Omprakash Garg:** No and there were not carry over either.
- Moderator:** The next question is from the line of Tanmay Shah from Shah Investments. Please go ahead.
- Tanmay Shah:** I wanted to ask you regarding FDA, do you think that after it gets downgraded there will be more competition in this space and that will impact margin?
- Omprakash Garg:** It's quite possible with more players coming in. That is always a possibility. However it takes about five years for any new player to initiate a project to manufacture Female Condoms going through the testing, clinical trials and all the regulatory requirements like ISO and WHOs. So yes there is always the possibility that competition would put more pressure on margins. But then in the meantime to Cupid is already taking steps to work on the next style of Female Condoms like I mentioned in my introductory remark. We now have two Cupid models which are pre-qualified by WHO and UNFPA. No other company in the world has two Female Condoms which are pre-qualified for worldwide public distribution. So we will march ahead as well with new research while the potentially new customers start to build up their projects.
- Tanmay Shah:** In some of the other products with similar materials like silicon and latex, baby bottle-nipples or menstrual cups and all, are you pursuing any other kind of product in the sexual wellness and social awareness kind of space?
- Omprakash Garg:** Yes, we are exploring those possibilities but we haven't quite decided. However like you are mentioning it would be logical to go into businesses which are using the same raw material like rubber latex.
- Moderator:** The next question is from the line of Vaibhav Joshi from Bluegrass Capital. Please go ahead.
- Vaibhav Joshi:** My question pertains to your domestic operation; as to how much of your domestic sales come from government orders if any and balance the open orders? How much touch points or distributors would you have?



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Omprakash Garg: Over 60% of the domestic quarters are coming from the government order from the Ministry of Health, another 25% to 30% from the third party job work and the balance 5% to 7% coming from B2C. We have decided to market our Condoms in India through wholesalers as opposed to marketing through a sales-force which obviously is quite expensive, not only in terms of manpower cost but also in terms of the advertising cost, both print and television. And the margins are rather limited and we have learnt from other people's experience and decided to use this wholesale model whereby we are slowly increasing our domestic sales.

Vaibhav Joshi: So can you help me with the number of wholesalers that you have currently?

Omprakash Garg: We have about 15 wholesalers from Guwahati to Bombay and from Jammu to Cochin.

Vaibhav Joshi: Can we have distribution in the breakup between the Male Condoms and the Female Condoms for the domestic market?

Omprakash Garg: Yes mostly we are talking about Male Condoms. Most of our Female Condoms are being sold online. We are selling about 20,000 to 30,000 pieces of Female Condoms through online sales.

Vaibhav Joshi: But as a percentage of your sales in the domestic market, is it right to say that 80% would come from Male Condoms?

Omprakash Garg: In the domestic market.

Moderator: The next question is from the line of Puneet Mittal from Global Core Capital. Please go ahead.

Puneet Mittal: I just wanted to look back I think couple of quarters ago you were talking about new products which is Hand Sanitizer, some other creams and so forth, so what's the status with that?

Omprakash Garg: We have launched our Hand Sanitizers through online sales and also started to export. We are projecting a sales of 1 Cr in next 12 months and second product is water based Lubricant Jelly which we have sold already about 3 Cr and we are projecting a sale of 6 Cr. Recently we got a major order from Austria for the Jelly. So the demand in these two products are going to expand in terms of sales volume. We are working on some of the other products but we have not yet commercialized them, including the Wipes, the second generation Female Condoms and some creams and lotions. We are also exploring the possibility of outsourcing these products as opposed to setting up our own infrastructure.

Puneet Mittal: The question is most of our business is based on tenders and which is very inconsistent. You get some business for certain quarters and then for certain quarters the order book may be very small or there is not enough orders to use the capacity. Is there a possibility to work on a model where you can have a steady stream of orders even with lower margin throughout the year by partnering with some other players and so forth?



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- Omprakash Garg:** This is a very practical suggestion and we are open for consideration. However the tender business has grown so much in volumes that it is not up and down business anymore. If you look at the last five years of our sales from 20 Cr to almost 85 Cr, every year we increase due to repeat order and new tender business. However your suggestion is highly valuable and we should be looking at this new line of business which would give a steady revenue to us.
- Puneet Mittal:** Just a last question to look back into what you're talking about order book; if I understand correctly you said 130 crores order book and out of that 66 is for Brazil, 40 crores is for South Africa and 25 is for India and 16 is for Tanzania. But if you add up all that that should be bit higher than the numbers that you are quoting, so what am I missing there?
- Omprakash Garg:** You are correct. But some of the orders have already been dispatched. For example South Africa, some of the orders have been dispatched and some to Tanzania.
- Moderator:** The next question is from the line of Rahul Parnami, an individual investor. Please go ahead.
- Rahul Parnami:** I have two questions, one was regarding any update, would you like to update on your search for the CEO?
- Omprakash Garg:** We have been continuously looking at different resumes and people with different backgrounds. Unfortunately we have not been able to locate the right type of individual who could look after not only our sales and marketing but also who would grow the company inorganically. In spite of all that, I think the way our current marketing team is working, I am very much satisfied with their performance. We are constantly getting new orders from new territories from new customers. As soon as we get a new CEO, hopefully he would enhance our marketing efforts further. So we have been looking for a suitable one but so far we have had no luck.
- Rahul Parnami:** My second question is regarding you said that there is expansion of capacity by 40%. So with the new capacity what would be the utilization of the plant?
- Omprakash Garg:** Inflation cost of the plant?
- Rahul Parnami:** No, with the new capacity you have expanded, we have the invested in kind of expanding the capacity of the plant, with the new capacity what would be the utilization you are expecting?
- Omprakash Garg:** We are expecting between 90% to 92% utilization.
- Rahul Parnami:** That would be in the next financial year or how is that?
- Omprakash Garg:** Including this fourth quarter as well as in the next financial year up to March 20.



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- Rahul Parnami:** Do you think that that is more than sufficient or will that be that you would again look at further CAPEX?
- Omprakash Garg:** Right now we don't see any major requirement for CAPEX unless demand for condoms explodes due to HIV prevention or due to prevention of unintended pregnancies. But normally I would not think we would need any capital expenditure in next 2 to 3 years, major one anyway.
- Moderator:** The next question is from the line of Hardik Patel, an individual investor. Please go ahead.
- Hardik Patel:** I just wanted to know the progress on the CAPEX that we are doing, the expansion, is it already completed the entire 560 million?
- Omprakash Garg:** We have completed majority of it. We still have about six weeks work left which we plan to finish it before the year-end.
- Hardik Patel:** Just wanted to understand the Brazil order of which 6 million has not been allocated to us, any idea why such a small quantity was given to some other party and rest was given to us?
- Omprakash Garg:** They wanted two different types of Female Condoms. As you know Cupid is using natural rubber as raw material and the other party is using a chemical rubber called Nitrile, so the requirement was such that 6 million went to their type of raw material product and the balance came to Cupid.
- Moderator:** The next question is from the line of Omkar Kulkarni, an Individual Investor. Please go ahead.
- Omkar Kulkarni:** Just to clear the doubt, earlier you said out of 66 only 28 Cr is included in this 130 crores.
- Omprakash Garg:** 130 crores because we have not received the confirmation in advance we are not including right now. However this quantity is confirmed, it would be reported in due course.
- Omkar Kulkarni:** As you said, the fourth quarter should see sales of around 45 Cr so left would be 85 Cr, right confirmed orders?
- Omprakash Garg:** Yes.
- Omkar Kulkarni:** And if you add for about the leftover the leftover quantity of 66 Cr that would come around 123 Cr, am I correct?
- Omprakash Garg:** Yes. Once it gets confirmed, and is added up to the order book....
- Omkar Kulkarni:** Only once it gets confirmed that's what I'm saying.



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- Omprakash Garg:** The government has issued the orders to our local partners like I mentioned earlier, but we have not received the advance and the purchase orders as yet.
- Omkar Kulkarni:** So once this quarter ends, you would be having confirmed orders if you end up with 45 Cr worth of revenue this quarter you would be having 85 Cr worth of confirmed orders and the balance remaining out 66 Cr?
- Omprakash Garg:** Correct.
- Omkar Kulkarni:** And whatever the new orders might come that would also add up?
- Omprakash Garg:** Yes, basically, that's a good summary.
- Omkar Kulkarni:** Another question was regarding your foray into retail segment; it seems that you have...in that segment if you are focusing on government orders as of now?
- Omprakash Garg:** We are trying to get the orders from any source we can get, government, non-government, NGOs and from private sector. However, we look at the net margins which are much lower in terms of the brand promotion than the other three categories, I mentioned then naturally we would not give the same preference. So, we are not particularly looking at any type of the order. Basically we want to increase the top line as well as the bottom line to grow the business.
- Omkar Kulkarni:** With confirmed orders having reached 130 Cr, the next quarter and the year after that should be a very good year for Cupid.
- Omprakash Garg:** We hope so.
- Omkar Kulkarni:** Another question was regarding, you have already mentioned that but in the previous calls, but have you been approached by any company?
- Omprakash Garg:** In terms of what?
- Omkar Kulkarni:** Like for buyout or any kind of purpose for that?
- Omprakash Garg:** Not, not to us directly.
- Moderator:** The next question is from the line of Aashav Patel from Igloo Capital. Please go ahead.
- Aashav Patel:** I wanted to ask regarding tender business. Always, the L1 is preferred, the lowest bidder in all the tender business say Brazil, South Africa, Tanzania?



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- Omprakash Garg:** No. Price of course is a major factor. However, they also look at the quality of product and delivery performance. So, there are quite a few factors but the price of course is—I would say is the major one, assuming the products are qualified.
- Aashav Patel:** How the actual sale is done to those NGOs and those governments, our vendors over there do they brand it as their own product?
- Omprakash Garg:** It's done both ways. Sometimes they would take it in Cupid brand and sometimes they would want us to produce the goods in their own brands.
- Aashav Patel:** And until now for non-condom CAPEX the products like Lubricants and Hand Sanitizer, how much CAPEX we have done roughly?
- Omprakash Garg:** About 5 Cr so far this year and they are all in Cupid brand.
- Aashav Patel:** So even Hand Sanitizers and everything is sold with Cupid brand?
- Omprakash Garg:** Correct.
- Aashav Patel:** And regarding the joint venture in which we were planning in South Africa, even if we break the joint venture will get the 5% royalty over there on the triple sales amount?
- Omprakash Garg:** Yes, correct. In addition to our 49% equity we would also get 5% royalty on all sales recorded there.
- Moderator:** The next question is from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.
- Vaibhav Badjatya:** I lost out between different type of information provided at different points of time. So, can you just give me a break up of this 130-crore order book country-wise?
- Omprakash Garg:** I don't have off-hand country-wise but the major order for Male Condoms are coming from government of India, government of South Africa, Tanzania and the WHO / UNFPA. These are the four major sources for Male Condoms. In terms of Female Condoms, we mentioned this 40% order from Brazil and earlier we had mentioned from South African government Female Condoms and also WHO / UNFPA. These are the three major sources of Female Condoms.
- Moderator:** The next question is from the line of Bhavin Shah from Samiksha Capital. Please go ahead.
- Bhavin Shah:** Going back to the same question, I think there is a little confusion going on. In 130 crores order book how much orders from Brazil are included?
- Omprakash Garg:** 28 Cr which is the 40%.



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- Bhavin Shah:** For the Female Condom.
- Omprakash Garg:** If you take 40% of 66 it comes to about 26 and 27. So that's the portion we have included in the 130 crore order book.
- Bhavin Shah:** So, the remaining portion of the 66 will be included later on when you get confirmed orders is what you are saying?
- Omprakash Garg:** Right now we are not including that but if it comes to next 2- 3 weeks of course we would revise the order book.
- Bhavin Shah:** So, if indeed you end up getting that order, you could end up looking at 125 -130 crore revenues in FY20?
- Omprakash Garg:** Assuming everything get shipped on time, yes.
- Moderator:** The last question is from the line of Puneet Mittal from Global Core Capital. Please go ahead.
- Puneet Mittal:** It seems that in FY19 and again in FY20 the company would generate substantial cash flows and we do not have any CAPEX plan. So what is the view of the management and the board with respect to the cash that the company will be generating?
- Omprakash Garg:** First of all, we have about 4 to 5 Cr CAPEX yet to be spent by March 31st, as a part of that expansion previously reported. Second, we'll like to maintain the dividend as we have been doing in the last couple of years. And third one, we are looking at an opportunity for growth, both organic and inorganic and any cash left out would be used for business growth.
- Puneet Mittal:** So, what's the dividend policy of the company?
- Omprakash Garg:** We are trying to do at least 25%. Last year we did Rs. 4.50 which was more than 25 for each Rs. 10 share. We will see how this fourth-quarter comes out and depending on that then the board will take a call on the quantum of the dividend.
- Puneet Mittal:** And in terms of the growth are we looking at some inorganic growth, anything in the pipeline out there?
- Omprakash Garg:** No, we are just looking at some of the possibilities. Like I mentioned some of the products related to sexual health and wellness areas. Whether we try to manufacture it in-house or outsource it that is still under consideration.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand over the conference over to the management for closing comments.



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Omprakash Garg:

On behalf of the Cupid Limited, I would like to thank all the participants, all the shareholders who have participated in the just concluding earnings call and we would also like to thank all our customers, employees and vendors for working closely with Cupid. We look forward to their continuous cooperation. I would like to emphasize that we are working every day for the benefit of a shareholder and how to increase the payouts, dividends, bonuses, whatever we can. Our prime objective here is to run the business on 24/7 basis and try to improve wherever we can in terms of cost cutting or in terms of implementing new ideas but primary looking for customers all the time from all over the world. So again, thanks very much to all of you, on behalf of Cupid Limited.

Moderator:

Thank you. On behalf of Cupid Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.