



CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 19th November, 2021

To,

Department of Corporate Services,
BSE LIMITED,

Phiroze Jeejeebhoy Towers,

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Mumbai – 400 001

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The National Stock Exchange of India Ltd.

Exchange Plaza, 5th Floor, Bandra-Kurla

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Mumbai - 400051

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Subject: - Q2FY22 Conference Call Transcript

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q2FY2022 conference call which was hosted by the company on 15th November, 2021 at 5.00 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 Q2 FY2022 Earnings Conference Call”

November 15, 2021



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



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY22 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 touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Binay Sarda from Christenson Advisory. Thank you and over to you, sir.

Binay Sarda: Thanks Stanford. Good evening to all of you and thanks for joining this Q2 FY22 earnings call for Cupid Limited. We have mailed the results and press release 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 and 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 the subsequent annual report, which you can find on the website. With that said, let me hand the call over to Mr. Garg. Over to you sir.

Omprakash Garg: Thank you Binay. Good evening ladies and gentlemen. On behalf of Cupid Limited, I would like to thank you all for attending the Q2 FY22 earnings conference call today. By now I hope you have had a chance to go through the press release we had issued last Friday after the Board meeting. And therefore instead of repeating all the numbers I will directly go to the question and answer session. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Naveen Jain an individual investor. Please go ahead.

Naveen Jain: I just wanted to get an update on the CEO candidates, like how many CEO candidates are in our pipeline?

Omprakash Garg: So far we haven't found any suitable candidate for the CEO Job.

Naveen Jain: How many are in the pipeline? Like how many did we interview in the last quarter and how many are we looking at for the next quarter or how many candidates do we have in mind?

Omprakash Garg: Actually we don't have anyone in the pipeline since the last quarter.



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- Naveen Jain:** And, apart from that I wanted to understand the status of Brazil order. You mentioned in last to last quarter that we would be having some updates related to Brazil order in the month of November. Have we got any updates for that?
- Omprakash Garg:** Yes. The update is that Brazil Government had a severe cut in the Health Ministry budget and based on that they have reduced their procurement of female condomsthis calendar year. So we are expecting a new tender now to be issued early next year.
- Moderator:** The next question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.
- Vaibhav Badjatya:** What is the progress on US-FDA approval for launching female condom in the US market? Are the results of the studies out or yet to be out?
- Omprakash Garg:** The clinical study final report is expected in January 2022, and immediately after that, we plan to submit our formal application to US-FDA. Usually they are taking 6-9 months to review all the data before coming up with the final decision on the approval. So hopefully it would be end of next year for such an approval for Cupid.
- Vaibhav Badjatya:** Sir, have we finalized our marketing plan? Whenever it will happen, how we are going to market this product in the US market; have you finalized anything on that front?
- Omprakash Garg:** No,we are still in discussion with the different distributors and we have plans to gofor its marketing through over the counter as well as through the prescription drug business. We will be looking at both the options to promote our product.
- Vaibhav Badjatya:** Sir, I request you to look at how Veru is currently doing this business? They have seen tremendous traction in this business by having different contract with all the telemedicine companies, and this is turning out to be extremely profitable for them. And in last year alone, they have done \$40-50 million of female condom sales. So, I would request you to seriously look at their model and start thinking whether that model can be adopted by us as well. Because if Veru who has some kind of exclusive arrangement with telemedicine companies then, definitely we cannot do it. So whatever is the remaining telemedicine company, we have to move now and enter into contract with them now. So, I would seriously request you to look at their model and probably think how we can grow this business without incurring significant cost. Because distributing to distributors or having our sole salesperson or something that will turn out to be or should I say an expensive exercise for us. So great if you can think on that line.
- Omprakash Garg:** Thank you very much. This is an excellent suggestion and we would be exploring the possibility of using tele-marketing companies where Veru is not yet involved. So, we will



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definitely explore that possibility. We agree that this is the least expensive and most profitable way to market our female condoms in US.

Vaibhav Badjatya: Do you know any specific reason why the sales of all of their female condom in US retail market is surging like anything? What could be the reason behind that some kind of structural change in the market or what has suddenly happened in the US market?

Omprakash Garg: I think the main reason has been that there has been a significant increase in the number of HIV cases in US recently, and also more emphasis on the prevention of unintended pregnancies. Further, because now the sale of female condom is covered under the General Insurance plan so all the consumers they are getting reimbursed based on the prescription from their doctors. That is the main reason that in last year or so the demand has increased tremendously. Based on that, we are also excited to try to start getting a share of that market.

Vaibhav Badjatya: Okay. And that insurance change has happened just in last year or so? Or it was done before that?

Omprakash Garg: No, it was about 2 years ago that it was approved. Veru took about 2 years to set up this tele-marketing set up.

Moderator: The next question is from the line of Shankar Narayanan from CAMS. Please go ahead.

Shankar Narayanan: If you look at the Balance Sheet of the current quarter, we have taken short-term borrowings of around Rs.8 crores and if you see on the assets side, there is a short-term borrowing lend to someone. If you can throw some light on these two financial statement items it will be helpful.

Omprakash Garg: Most of the short-term borrowing is to take care of the working capital requirements. It has come down from about Rs.11- Rs.12 crores in the last quarter down to about Rs.8 crores this quarter.

Shankar Narayanan: And sir, what about the loans that we are given to a third party? To whom it was given?

Omprakash Garg: No, we have a receivable of about Rs. 22 crores and we are getting the payments within 30 to 60 days. Besides that there is no significant amount of loan that company has given to any individual or any other associate or company.

Shankar Narayanan: I wanted to understand to whom this loan of Rs. 3.37 crores was given. It is disclosed as short-term loan.

Omprakash Garg: Rs.3.6 crores loan could be to the associate company for the development of IVD business, the diagnostics business.



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- Moderator:** The next question is from the line of Rishikesh Oza from the Robo Capital. Please go ahead.
- Rishikesh Oza:** My first question is for the US potential. So, what is the potential for us there in terms of revenue and PAT?
- Omprakash Garg:** Well, we can only estimate the first-year revenue expected a minimum of \$5 million and the profitability would be 30 to 40%. However we have yet to get into the details of marketing, like the previous answer, I have mentioned that we are still looking for the distributors or the tele-marketing companies. But we are looking at a rapid increase in revenue going forward as the US market is expanding quite a bit.
- Rishikesh Oza:** So, 30–40% net profit margins you meant, right?
- Omprakash Garg:** Yes, that is what we are expecting.
- Rishikesh Oza:** So, what is the addressable market size there?
- Omprakash Garg:** We are not quite sure, because the market is expanding all the time, but I think Veru is targeting \$30 million during this calendar year 2021.
- Rishikesh Oza:** And how many players are there in the market?
- Omprakash Garg:** Cupid will only be the second player besides the Veru Pharma. So, only two players as of now.
- Rishikesh Oza:** My second question is that if you could indicate what are FY22 and FY23 revenue and EBITDA margins will be.
- Omprakash Garg:** For FY22, we are looking at the top-line of about Rs.150 crores and the PAT should be a minimum of Rs.20 crores and going forward into FY23 we are expecting a revenue of between Rs.170-180 crore minimum, depending on the diagnostics sale. Again the PAT should be a minimum of 20% net of sales.
- Rishikesh Oza:** Okay 20% minimum you are saying?
- Omprakash Garg:** Yes, that is what we are targeting.
- Rishikesh Oza:** Sir, I just wanted to confirm this point. I got some input from some other source that are you looking to exit this business?
- Omprakash Garg:** Well, we are always looking for any excellent opportunity if it comes through our way. But we are working diligently on improving the business, every day as we go along and trying to



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expand the market for Cupid, not only in the condoms business - male condoms, female condoms, and lubricants, but also starting in the fourth quarter trying to initiate the commercial operation of the diagnostics business from our newly added plant at Nasik.

Rishikesh Oza: And sir, regarding the US-FDA approval, you said that we should expect by FY23 end, correct?

Omprakash Garg: Yes, that is what we are expecting. Of course, it will depend on how fast our application is processed by US-FDA due to the extra load they are carrying due to COVID-19 related issues like the different types of vaccines.

Moderator: The next question is from the line of Prashant Kale an individual investor. Please go ahead.

Prashant Kale: My question is, this IVD business, we were thinking of starting in Q1 this year, then Q2 this year, and now we are talking about Q4 this year. Can you please state what is the reason for this delay? Almost like let us say, two quarters is reasonable delay, right, 6 months of delay than the actual plan. So, what are the reasons and at what exact stage we are now for the commissioning of the plant?

Omprakash Garg: The main reason of delay is the construction related delays due to problems in the supply line during the COVID time. But now finally the entire construction at the site is complete and we are setting up all the instruments and we will be starting the experimental production line in December. So yes the startup has been delayed, but it was mostly beyond our control as it was dependent on the supply of labor and material, which were kind of difficult to estimate at the time of second quarter.

Prashant Kale: And my other question is, IVD sales for this quarter was really-really low, extremely low. What was the reason for low off-take of this vertical?

Omprakash Garg: The main reason is the low top-line, as well as bottom-line was a much reduced sales and shipments of female condoms, which as you know are high margin items as compared to previous quarter. And the second important reason for a lower profit was, increase in input costs of material like latex, silicone oil and packing material and also logistic costs, mainly shortage of containers.

Prashant Kale: My question was about IVD sales. These IVD we had clocked a very little sale for this quarter. What was the reason for very little sale of IVD vertical?

Omprakash Garg: As I mentioned, the facilities were not ready to do any commercial business during this third quarter, instead we would be starting from January 1 onwards.



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- Prashant Kali:** Okay, so the plant was not ready, that is why there was no production and there is little sales. So, going forward from Q4 there will be a commercial production and then the revenue will go up for IVD sale. And how many kits, what type of kits are we are targeting in Q4, like Malaria, Pregnancy Tests, RTPCR what type of kits we are producing going forward in Q4?
- Omprakash Garg:** We would be starting with Dengue Tests, Malaria Tests, Pregnancy Test kits and COVID Antigen Tests. These are the four items we have in mind to start the business. Of course the business will start slow as we have to go into the market with our new products and we being a new player, it may take little bit more time to penetrate into the market.
- Moderator:** The next question is from the line of Shankar Narayanan from CAMS. Please go ahead.
- Shankar Narayanan:** If you have seen the financial results you have mentioned that we have floated an associate company. So, I just wanted to understand what we plan to undertake from that associate, the group company basically we have invested in.
- Omprakash Garg:** Are you talking about the IVD business?
- Shankar Narayanan:** I am not sure about which business has been carried out in that associate entity. Because in the notes to quarterly results it is mentioned that during the year, company has invested in associate company, and it is in the first year of consolidation. So, that is why I just wanted to understand what is been carried out, sir.
- Omprakash Garg:** Basically they were providing the antigen test surveys and they had participated in one of the tenders. But they are also equipped to do the testing kits related to Dengue, Malaria, and Pregnancy Test kits.
- Moderator:** The next question is from the line of Zain Banihali an individual investor. Please go ahead.
- Zain Banihali:** My question is regarding the domestic business, as where do we stand in the domestic market going down in FY23.
- Omprakash Garg:** Which business?
- Zain Banihali:** The domestic business for female condoms.
- Omprakash Garg:** Domestic consumption and demand for female condoms within India is very-very slow. Although we have been promoting it online and the sales have been increasing, but not in a big way. And we are also selling in the retail market through a marketing company, but their off-take is also kind of low. So, in general our experience is that demand for female condoms in



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India is picking up very slowly. Part of the reason is the lack of education amongst the Indian women about the advantages of using female condoms.

Zain Banihali: Could you please tell us what was the marketing budget for the same?

Omprakash Garg: Marketing budget for the online sales we are doing is only about Rs.50 lakhs this year.

Zain Banihali: And do we see the marketing budget to be increased in the coming years?

Omprakash Garg: Yes, we like to double it depending on the response we will be getting from the market.

Zain Banihali: So what we have seen is the marketing has been very poor for the particular product, and that is one of the major reasons that there is a lack of knowledge for the product among the women. And, if and when there is proper marketing for the same product, we could see a growth in the sales, because we have practically no competitors in this particular niche market, right?

Omprakash Garg: Yes, we have one. We have been trying to promote the use of female condoms regularly, especially through writing articles and different types of usefulness related material for the use of female condoms and we have been getting a reasonably good response on our website. But it is still kind of very slow as compared to the population of India and there is tremendous scope we see going forward. But it may take some more time.

Moderator: The next question is from the line of Naveen Jain an individual investor. Please go ahead.

Naveen Jain: I wanted to know about the order book for IVD devices. Last quarter we partnered with associate company. So, is there any order opportunity that we are looking at now, that we can just transfer to them and take some advantage of that opportunity to market Cupid?

Omprakash Garg: We have a current order book of about Rs.71crores, and we are expecting some allocations from major tenders from Tanzania, South Africa and Indian Government. From South Africa the tender allocation is expected to be announced during this month of November and it is 1 billion pieces of male condoms, and 40 million pieces of female condoms per year for next 3 years. So, we are hoping to get a sizeable part of the order going forward.

Naveen Jain: Sir, I wanted to understand about the IVD devices sales. In last quarter we partnered with some associate company, right? We transferred some sales to them while our capacity was building and we had capital work in progress for that. Are there any further plans to do similar things? Because I guess you mentioned in last quarter that we want to do this to increase the visibility of our company in IVD sector? Are we doing that right now?



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- Omprakash Garg:** Well, you are correct that we were doing it. As I had mentioned in the last quarter, mainly while we were waiting for the Nasik IVD facility to get completed. So currently our emphasis is on starting the commercial production now that the Nasik facility has been completed and we hope to generate some business in the fourth quarter from the Nasik facility. We would use the associate company as and when we can generate some business at the initial level and mainly process the major order through Nasik plant going forward.
- Naveen Jain:** I wanted to ask one another thing, which was related to bringing the other KMPs and the leaders of the company on call. You mentioned that there was a training going on in the company. What are the updates and what is expected timeline where in we can interact with other people in the management or other employees as well?
- Omprakash Garg:** Yes, we are still looking at it and working on it.
- Naveen Jain:** Is there any expected timeline by which we can expect?
- Omprakash Garg:** I hope by next quarter.
- Naveen Jain:** How are we targeting the CEO hiring? Because as you mentioned in last quarter, we did not have any candidate in pipeline. Going forward, what are our plans to work on that?
- Omprakash Garg:** Well, we have been looking for a suitable candidate, and so far we haven't located one with the requisite experience we need, mostly in international marketing as well as someone with experience in the production with some financial background. In the meantime, we are continuing to work with the existing team and try to expand the scope of business. One example is this addition of the new vertical which we did during 2021. So, we will continue to improve the performance of Cupid with our existing manpower.
- Moderator:** The next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.
- Rishikesh Oza:** Sir if you could help me with the capacity utilization. Or you could just tell me how many pieces that you have sold or produced?
- Omprakash Garg:** Our capacity utilization was excellent. It was 98% for male condom and 97% for female condom.
- Moderator:** The next question is from the line of Prashant Kale an individual investor. Please go ahead.
- Prashant Kale:** Sir, my question is regarding this IVD business. So, what type of marketing plan do we have for that? Are we going to tie up with the diagnostic chains like Thyrocare and all those



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companies, or are we going to participate in government tenders, big tenders only? What is our marketing plan?

Omprakash Garg:

We are looking at all of the possible marketing channels. Primarily, we would like to participate in all the tenders as well as we are looking at the export market. We have already established some contacts with some major buyers of some of these IVD products we plan to manufacture. So we are looking at all possible ways, including contacting major players, like Mylan who are looking for some capacity which can be allocated for their business. In other words, we could be part of their outsourcing plan. So this is also part of our overall marketing plan.

Prashant Kale:

And sir for the new CEO search, what I see from what you said is that you are looking for an all-rounder CEO. But unfortunately sir, the time of having hands-on CEO is gone. Nowadays the CEOs are mostly experienced in one or two functions. But this multitasking and all-rounder CEOs are very hard to find nowadays. So, probably if you reduce your requirement for experience for the new CEO, and maybe he will handle the financial part and little bit of operations and operations are run by other parts, or maybe he can focus on marketing and financial part, that could be a good trade off. It would be very difficult to find a traditional type of CEO who knows how to make a condom, who knows how to fix the broken machine, who knows where to buy a spare part, who knows how to build a building, who knows how to work with the finance guy, accounting guys, trade receivable, trade payables. So I think you will have to reduce your requirement a bit, then you will find the guy.

Omprakash Garg:

Thank you very much for your suggestion. I agree with you that the requirements we are looking for is very difficult to find the proper candidate. And our problem is that if we strictly look at international marketing as the main requirement for the CEO, that doesn't serve the overall objective of company's development and expansion plans. So we are looking in the CEO not only the international marketing experience, but also some production related and some financial exposure. Otherwise it will be very difficult for the next CEO to charter a new course and an expansion plan. We like to grow the company further, in next 2-3 years, we like to double the revenue from Cupid Limited. That is why we have put some strict requirements and we understand why it has been so difficult to find the proper candidate. So thank you for your suggestion, we would like to look at some lesser requirements.

Moderator:

As there are no questions on the participants, I would not like to hand the conference over to the management for closing comments.

Omprakash Garg:

On behalf of Cupid Limited, I would like to thank you all for attending this earnings conference call today. Also I would like to thank all the shareholders of Cupid Limited for supporting the management of the company through good and bad times. Further, I would like



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to thank all our major customers who have shown confidence in our product quality, indicated through their repeat orders over the years. Some of these customers have been with Cupid for over 10 years. And also I would like to thank all our employees, who have worked diligently throughout the year to improve the performance of Cupid Limited. So thank you all again.

Moderator:

Thank you very much, sir. Ladies and gentlemen, on behalf of Cupid Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.