



CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 18th November, 2022

To,

Department of Corporate Services,

BSE LIMITED,

Phiroze Jeejeebhoy Towers,

Dalal Street,

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

Fax No. – 6641 8125 / 26

SCRIP CODE: CUPID

Subject: - Conference call Transcript

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q2FY2023 conference call which was hosted by the company on 15th November, 2022 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 FY ‘23 Earnings Conference Call”
November 15, 2022



**MANAGEMENT: MR. OMPRAKASH GARG – CHAIRMAN AND
MANAGING DIRECTOR – CUPID LIMITED
MR. DURGESH GARG - CHIEF OPERATING OFFICER –
CUPID LIMITED**



Cupid Limited
November 15, 2022

Moderator: Ladies and gentlemen, good day, and welcome to the Cupid Limited Q2 FY '23 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 an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Binay Sarda. Thank you, and over to you.

Binay Sarda: Thank you and thanks for joining the Q2 FY '23 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 exchange. To discuss the results and address the queries of investors, we have with us Mr. Om Garg, Chairman and Managing Director of the company. Along with him, we have Mr. Durgesh Garg, Chief Operating Officer. Mr. Garg, will give a brief overview of the quarter 1 part and then we'll 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 reports, which you can find on the website.

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 the half of Cupid Limited, I would like to welcome you all to the second quarter FY '23 earnings conference call for Cupid Limited today. And we have already forwarded the Board meeting minutes and the results last night to all of you. So we hope you had a chance to look at it.

Let me briefly describe some of the salient features from the results. To start with, I'm very pleased to report that we had a very good second quarter and our topline, the revenue had increased by about 38% as compared to the second quarter a year ago. And the net profit has also shown tremendous improvement, it's up 84% as compared to the similar second quarter last year.

Also, the EBITDA margin has improved to 26% during this quarter as compared to a 16% EBITDA margin in the quarter a year ago. As a result of increased profitability, the Board of Directors has recommended and approved interim dividend of INR 2 per share or 20% which is double the amount of INR 1 per share, which was declared a year ago.

In terms of the business, there is a stronger demand for our products mainly male condom, female condom and lubricants and the demand is coming from all over the world, especially from the lower- and middle-income countries, mostly they've been from Africa. Along with that, the international donor funding for the procurement of condoms is also improving through the World Bank and through the global funds. Also in terms of the order book going forward, we

have order worth INR 169 crores as on October 2022, and we are expecting more repeat orders in the coming months.

Now some of the other highlights are, number one, we have attained our target of 97% of our sales in exports. Our target has been 95% of sales should be in export and as you are aware, the margins are much better in the export sales as compared to the domestic sales. And in addition, we get an export incentive from the Government of India between 3% and 4% additional revenue for us.

The other highlight is that we have been successful in obtaining the ISO 13485 Certificate for our IVD product, this allows us to export our products to different countries. The third important observation is that the trend in the input cost and the logistic costs has been stabilized during the quarter and this should help in improving our profitability going forward during the year.

We expect that the demand and the dispatches and sales will continue to improve based on the existing strong order book, as well as on the expected new orders and we are paying full attention in terms of how to grow the company both in terms of the topline as well as in terms of the profitability.

We are targeting at least a similar pattern for both top and bottom line in the first two quarter of, say, 75 crore in the revenue and the profit of 13 crore net profit after tax. So, we plan to at least meet this standard in the next two quarters, so that we are looking at for full year FY '23 at least 150 crore in the topline and about INR 25 crores or INR 26 crores net profit in the year.

Further, we are also looking at the potential order book in the FY '24 and '25 and we see a similar trend in terms of both the topline growth as well as in the profit after-tax number. So with these remarks, now I would like to open the conference for Q&A session. Thank you.

Moderator: First question is from the line of Pushkar Jain from Sequent Investments.

Pushkar Jain: Congrats on the quarter. My question was regarding the input cost. So how much percentage of input cost collection we have seen in Q2? And also, can you quantify the benefit that we have derived because of rupee depreciation?

Omprakash Garg: Sorry, could you please repeat your question?

Moderator: Mr. Jain, please use the handset mode.

Pushkar Jain: Yes. First of all, congrats on the good set of numbers. Can you quantify by how many percentage the raw material prices have corrected at least the main raw materials? And how much benefit we have derived because of rupee depreciation that is in sales, what is the benefit that we got in this quarter because of rupee depreciation?

Omprakash Garg: Well, we got about 7% to 8% improvement in terms of the lower input costs and in the logistics costs. Worldwide trends seem to have stabilized. And in one particular commodity, for example,

the silicone oil, we have noted a reduction of over 20% in our input costs. And so we are excited to benefit from these stable and lowering input cost going forward.

Pushkar Jain: And apart from that, how much again -- did we gain because of rupee depreciation in our sales? Can you quantify the gain that we got because of rupee depreciation? As all our sales are in dollars, what is the amount of gain that you got because the rupee depreciated 79 to 83.

Omprakash Garg: Yes. We have certainly obtained more rupees as all our invoices export invoices are in US dollars. So I don't have the exact number, but it's 5% to 6% additional revenue due to stronger dollar or depreciating rupee.

Pushkar Jain: Is it 6%?

Omprakash Garg: Yes, between higher than 6% in total.

Pushkar Jain: Okay, sir. And on the sustainable EBITDA margin going forward for the last 3, 4 quarters, our margin has been in the range of 20% to 25%. So with the input cost stabilizing and dollar also been strong, what EBITDA margin do we think we can continue in the quarters ahead?

Omprakash Garg: Yes, we expect the EBITDA margin to continue at least at 26%. And this is mainly because of higher sales of Female condoms and lubricant jelly, which have a higher margin of 40% to 45%. So depending on the sales of these 2 products, we expect to continue a higher EBITDA margin in the next 2 quarters as well.

Pushkar Jain: Congratulations for getting the ISO certificate on IVD products. How much revenue do you expect from these products in the coming few quarters?

Omprakash Garg: In terms of the IVD product, as I had reported in the last conference call, we have obtained all the licenses from the drug controller of India. And during this quarter, we have contacted over 90 distributors from all over India for our products. And also, we have contacted 30 potential customers for exports of our products. We have 11 products already registered and additional five products are in the pipeline. So we have just started the initial marketing. We have sent our sample to a selected group of distributors in India and in foreign countries, and we have started to get some positive feedback. However, we believe that it will take at least 3-4 months before we start to see some commercial sales most likely in the fourth quarter of FY '23.

Pushkar Jain: Okay, sir. And what will be the margins on these products, IVD product? Like will it be margin accretive?

Omprakash Garg: Yes. It's a 15% to 20% margin on an average within Indian domestic sales and the margin goes up between 30% to 50% on the export sales. So you see a much higher margin in the export sales and our initial target for the first year is about INR 5 crores with a profit potential of 1.5 crores from all the IVD sales.

Moderator: We have the next question from the line of Jyoti Basu, an Investor.



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- Jyoti Basu:** Actually, thank you all for opportunity. In the last call, we have mentioned that we had a visit from a pharma company for IVD because in the month of July and in August. Any such thing that has happened or any development in this model let us test you want to move?
- Omprakash Garg:** And sorry, could you please repeat your question?
- Jyoti Basu:** Yes, actually, in the last con call, you have mentioned that from Singapore-based pharma company is about to visit our facility regarding the IVD devices. Any such thing happened or any other developments that happen?
- Omprakash Garg:** Yes. The Singapore party representative, they visited our facilities in Nashik and they like these facilities very much. And they have indicated their interest to continue the collaboration. We are in the process of drafting an agreement. And we are quite hopeful that in the next 3 months, we should have some positive results from this collaboration.
- Jyoti Basu:** Yes. Okay. That's a great to hear. And just 1 more thing I want to add. In the initial presentation you have mentioned that we got an approval on US FDA. Is it a new one? Or we already got the certificate from US FDA?
- Omprakash Garg:** Could you please repeat it again?
- Jyoti Basu:** No issues on that. In the presentation, you mentioned that the US FDA certification, you have mentioned in that -- is it the new one we got in this quarter or already we had with us?
- Omprakash Garg:** US FDA?
- Jyoti Basu:** Yes. In a presentation you mentioned that US FDA certified, that's what I'm asking. Is it the new one we got or it's already existing with us?
- Omprakash Garg:** No. Are you asking about the Cupid female condoms in USA?
- Jyoti Basu:** No. You have mentioned several certification, but we have Drug Control of India and some other things. I think nine to 10 aggregation we have mentioned, in that one of the certification is that US FDA, is it the new one which we got in this quarter, or already we are holding that one?
- Omprakash Garg:** No. We had a marketing 510k certification for male condom, already with the US FDA. However, for female condom registration in US FDA, we are in the process of submitting our final application next month and we expect to hear back from US FDA during the next three months to six months. Our initial target from the, I'm sorry?
- Jyoti Basu:** Sorry, please go ahead. Go ahead, please.
- Omprakash Garg:** No, I was just going to say we are taking some initial steps about marketing of this new product in US. Cupid would be the second manufacturer to supply this product and our initial target is

to obtain a sale of about USD 0.5 million and a net profit of at least INR 4 crores after taking care of all the marketing and distribution charges.

Jyoti Basu: And final thing is, what's our medium-term view on IVD sales and profit? Are Medium-term means three to four years like that?

Omprakash Garg: Within next three years to four years, we are projecting a sale of between INR 150 crores to INR 200 crores, a margin of at least 20% from combined domestic and the export market. So we see it as a very promising area of growth for Cupid.

Moderator: We have the next question from the line of Yogansh Jeswani from Mittal Analytics.

Yogansh Jeswani: You mentioned in your press release, the order book is INR 169 crores. Can you also provide a breakup of that within the three segments, the male, female and the IVD segment?

Omprakash Garg: Yes. It's about 61% is for male condom, 36% is for female condom and the balance 3% is from lubricants. That will bring in INR 169 crores worth of order book.

Yogansh Jeswani: And nothing so far for the IVD segment, right?

Omprakash Garg: For IVD, we don't have any confirmed orders as yet with us, like I mentioned earlier, we are still in the process of establishing our distributors and our export customers. So it will take us I would say, until end of December to start to get some confirmed orders for IVD products.

Yogansh Jeswani: And sir, we were expecting large orders for our female segment, I think, from Brazil. So any update on that?

Omprakash Garg: Yes. The update is that Brazil just had finished their presidential election two weeks ago. And now the latest update is that the government of Brazil is in the process of approving their new budget, and we are expecting a tender for female condom supply and Cupid would be actively participating in that.

Yogansh Jeswani: And sir, any expectations with regards to the size of this tender? How much are we expecting the value to be?

Omprakash Garg: We are expecting about 50 million pieces at a rate of about \$0.60 per piece. So it could be quite huge order, of course, depending on the new Brazilian budget approval.

Yogansh Jeswani: And sir, on your US approval, like you mentioned that you will be filing your reply to them by next month. So in terms of the whole process, at what stage are we now? And do you think post this filing we are confident enough to get the approval in next, say, six months and by FY '24, we hope to start our US business?

Omprakash Garg: Yes, we have completed the three-year clinical study for the contraceptive efficacy study which is one of the major requirements of USFDA. And now we are collecting all the other information

which USFDA requires. Now we are planning to submit all that before December end. And based on our general feedback, USFDA could take anywhere from three months to six months to respond to that. And we may have to go through one more cycle of discussion with them. But we are hoping that by the end of June 2023, we should have the permission to market this product portfolio.

Yogansh Jeswani: And sir, is it possible for you to share the efficacy data that we have got so far versus a product that is already running in US, how did we perform in terms of efficacy versus established products there?

Omprakash Garg: Yes, we would share that. Right now, in the next couple of weeks, we are going to submit all the data to USFDA and they usually make this data available publicly. So we would be glad to share that. The performance of Cupid female condoms is at least similar, if not a little better than the currently marketed product, which would be our main competition. So quality-wise, we have been, I would say, quite successful.

Moderator: We have the next question from the line of Onkar G from Shree Investments.

Onkar G: Yes. My question was regarding IVD sales. You mentioned around INR 150 crores to INR 200 crores sales in next three years to four years. But right now, you have no visibility seeing zero sales. So what gives you the visibility to achieve INR 150 crores to INR 200 crores of sales? There must be some plan to achieve this.

Omprakash Garg: Yes. The major expectation is that there are large vendors for five products, including dengue, malaria, HIV, syphilis and COVID and some of these tenders are in millions of dollars. So the demand is huge and of course, there is a competition. And our prices are quite competitive. So once we start to get actively involved in submitting our bids for some of these tenders, we project that we could achieve its target of INR 150 crores to INR 200 crores sales in next two years to three years, maybe even more.

Onkar G: But right now, any people or like the companies which you intend to supply to are keeping in touch with you or contacting you for the future sale or something like that?

Omprakash Garg: Of our foreign potential customers, they have contacted us, they have requested that we mail them samples of our products for quality, and they have asked for our price list actually, there were two medical exhibitions one in Chennai and one in Delhi. And we had a boost with a lot of information on display. And that is where we got several of the potential customer's contact. They visited our booth and that is how we started the communications with the new export customers. But also we have a very active list of overseas customers who have been buying male and female condom from us during the last 20 or so years. So they are also interested to participate in their respective government tender. I think we should have a very good network, in terms of the achieving the ability to submit bids for some of these large tenders.

Onkar G: The next question is on the cash balance, which you have. I guess you have around INR 65 crores to INR 70 crores of cash balance. So apart from the dividends which you are giving how do you plan to utilize that? I mean do you have any capex plans in your mind, or was some going on, but nothing has fructified. For the last two years, three years, you haven't even increased the dividend payout also, but your cash balance is increasing?

Omprakash Garg: First of all, we have about INR 94 crores worth of total cash with us. And we have doubled the amount of dividend as I mentioned in the beginning of my presentation, so the dividend has already been doubled from INR 1 per share to INR 2 per share as interim dividend. And our projection is that for the entire FY '23, we would at least meet the last year's target of INR 4.5 per share dividend and maybe even up to INR 5 per share. Now in terms of the capital expenditure plan, we are looking at a property and where we could be looking at either expanding our condom manufacturing capacities further or even expanding our IVD business.

So other than that, we are in the process of improving our return on our savings and on our investments. And the important thing is that we are always looking for additional new opportunity to expand Cupid. And as you recall, we had introduced a female condom in 2012, we had been extended and introduced the lubricant jelly in 2016. And now the IVD in 2022. So we are always looking for new business opportunities and the savings we have achieved would come in quite handy. One area, for example, we are looking at the sexual, female sexual wellness related new products. We have to do more research, but that will be the next new vertical for Cupid, which will be formed, which will be tested after male, female condoms, lubricants and IVD. So I hope that answers your question.

Onkar G: So another question was regarding, actually I joined the call a bit late, so any update again on the long-pending issue of the CEO?

Omprakash Garg: Okay. We have a... internally we have come up with a very aggressive three-year plan and things are going pretty good very well and unless we get an exceptional candidate which could further take Cupid to the next level of achievement we are going to concentrate to grow the company and improve our profitability with the existing management.

Onkar G: Are the three-year plans which you mentioned, can you elaborate more on that? I mean, exactly what is the three-year plan?

Omprakash Garg: Well, the three-year plan, which is FY '23, FY '24 and '25 we are expecting a 10% to 15% increase in the -- both the top line and bottom line. So like I mentioned, for FY '23, as of March 31st '23, we are expecting the top line between INR 155 crores to INR 160 crores as compared to last year, where we had only INR 132 crores. And in terms of profit, last year's profit was INR 17 crores and now in the FY '23, we are targeting a net profit of at least INR 25 crores, INR 26 crores.

And then for the following three years, we are expecting at least a 10% improvement. And we have not fully included the impact of female condom sales in US will have plus increased sales

in IVD. Now if we get a much better orders from these two new segments our profit top line and bottom line could be 30% to 40% starting from FY24 and beyond.

Onkar G: Okay. There was a rumour going on and participants in earlier calls have also are that -- is there any possibility of Cupid being acquired by some other companies? I mean, what's your view on that? Is there any discussion regarding the....

Omprakash Garg: So some people have approached us that they are interested to look at Cupid and of course, will depend on the level of their interest and the valuation they put on Cupid, everything turns out to be satisfactory for us, we would certainly consider some of these offers. If not, we are happy to run the business the way we are doing and improve on the growth and the possibil profitability of the business. Like I mentioned earlier, we are looking at least next three years and then beyond.

Onkar G: Okay. But about these discussions going on with some potential buyers, where exactly did discussion stand right now? I mean, at what stage is they are?

Omprakash Garg: Well, there are two outfits, two companies who are evaluating the data, existing data and our future plans. They have visited our facilities and they have met our people. So it may be about four to six weeks, I think, before they make up their mind and come up with their proposal.

Moderator: I would like to hand it over to the management for closing comments.

Omprakash Garg: Hello, everyone again. We would like to thank all the shareholders who have decided to participate in this earnings conference call and have given their valuable time, have made valuable comments and contributions. Because some of you have been with Cupid over 20 years, we have always valued your suggestions and your commitments and your interest and your confidence in the management of the company through thick and thin years.

So we would also like to thank all of our vendors and most of all, our customers who have been with us, many of them for over 15 years, we have been getting the repeat orders. We have now supplied our products to over 113 countries. So almost we are covering 80% of all the worldwide 190 countries. So, and most of all, I would like to thank our employees who have worked diligently and dedicatedly for the growth of Cupid.

And with that in mind, for the first time, the board of directors have approved an employee stock option plan for 27 of our employees. We have done this for the first time in the 25-year history of Cupid. We have decided to allocate shares, a total number of shares of 209,500 to these 27 employees. So we appreciate their contribution very much and we hope to achieve more growth and profitability going forward. So we'd like to thank you all again and thank you.

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