



CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 8th June, 2021

To,

Department of Corporate Services,
BSE LIMITED,

Phiroze Jeejeebhoy Towers,

Dalal Street,

Mumbai – 400 001

SCRIP CODE: 530843

The National Stock Exchange of India Ltd.

Exchange Plaza, 5th Floor, Bandra-Kurla

Complex, Bandra (East),

Mumbai - 400051

Fax No. – 6641 8125 / 26

SCRIP CODE: CUPID

Subject: - Conference call Transcript

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q4 & FY 2021 conference call which was hosted by the company on 4th June, 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

ECSIN: EA041701A000083921



CIN No.: L25193MH1993PLC070846

Factory & Registered Office:

A-68, M.I.D.C. (Malegaon), Sinnar, Nashik - 422113, Maharashtra, India

Tel: +91 2551 230280 / 230772 / +91 7722009580 Email: info@cupidlimited.com, Website: www.cupidlimited.com



“Cupid Limited Q4 FY-21 Earnings Conference Call”

June 4, 2021



**MANAGEMENT: MR. OM PRAKASH GARG - CHAIRMAN AND MANAGING
DIRECTOR, CUPID LIMITED**



*Cupid Limited
June 4, 2021*

Moderator: Ladies and gentlemen, good day and welcome to Cupid Limited Q4 FY21 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 '**' 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, sir.

Binay Sarda: Good evening to all of you. And thanks for joining this Q4 FY21 earnings call of Cupid Limited. We have mailed the 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 Prakash 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 of 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 our website. With that said, let me hand over the call over to Mr. Garg. Over to you, sir.

Om Prakash Garg: Thank you, Binay. Good afternoon, ladies, and gentlemen. On behalf of Cupid Limited, I would like to welcome you all at the fourth quarter of FY 21 and the full year 21 earnings conference call today. By now, I assume that you had a chance to look at the results we had published last night after the board meeting. So I would not take time to repeat all those numbers and will straight away go to the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Badjatya: Just wanted to understand that one of your competitors Veru has actually announced that they want to exit the business which is one of their non-core business now because they are moving towards more R&D based company. So, just wanted to know are you interested in kind of acquiring that business of your competitor and then growing by the way of consolidation?

Om Prakash Garg: We have seen their publication where they have announced their intention to look for investors or even for a complete exit. We have had no formal contacts with them. However we believe that this same when it is completed may open up more opportunities for Cupid in future.



*Cupid Limited
June 4, 2021*

Vaibhav Badjatya: So, I mean, would not we better off acquiring the company rather than someone else acquiring this because then there are just two of us in the marketplace, right? If we want to acquire it, it is practically a monopoly business for us?

Om Prakash Garg: First of all, it depends on what is their expectation. What is their asking price? And for Cupid it may be more profitable to go for new businesses. Just like the medical devices business as compared to putting more investments and hard work into the female condom alone.

Moderator: Thank you. The next question is from the line of Dhvanit Sarla, individual investor. Please go ahead.

Dhvanit Sarla: I have a couple of questions. Firstly, I would want to know from our product mix as I can see that we have made it is then broadly distributing into three major categories of the product mix, IVDs, condoms. Can you tell me what is an approximate margin we are getting on each of this business, and have we seen any cost pressure especially in our core raw material that is latex and rubber these products? And secondly, I just wanted to know what has been the impact of the second wave of COVID on our business and have we resumed normal operations yet?

Om Prakash Garg: Okay, let me start with your last question. We are expecting full production in this post Corona period. In fact, we are working at the 92% capacity right now in our Nasik plant.

With respect to your second question, yes, we have seen an increase in the input cost about 18% increase in the last quarter for latex and 25% increase in cost in silicone oil. However, I think we have reached the peak in these prices. And it should start to come down to the normal levels similar to the last few years.

And about your first question, our margin in male condom is between 15% to 20%. And for female condoms, it is anywhere from 45% to 55% and in the lubricants it is about 40%.

Dhvanit Sarla: Just one little clarification. Can you just briefly tell us that I have read that our order book stands at around Rs. 110 crores to Rs. 115 crores as of now. So, for this current year, how does your outlook seem that will we be able to go back to our pre- Covid of 2019 kind of a performance level or we will be even better than that, that can be the baseline?

Om Prakash Garg: Okay, our order book as of April 1 stands at Rs. 113 crores. This does not include our projected business from the sale of medical devices, which at a minimum, we are expecting Rs. 40 crores to Rs. 50 crores in this current financial year. And our total performance we are projecting would slightly exceed the 2019 level. We are looking at top line of approximately Rs. 170 crores by March 31st, 2022.

Moderator: Thank you. The next question is from the line of Onkar Ghugardare from Shree Consultancy. Please go ahead.



*Cupid Limited
June 4, 2021*

- Onkar Ghugardare:** My question is regarding the South African order which you have stated that you expect a significant portion of that order. So what exactly that means? Can you please explain that?
- Om Prakash Garg:** Okay, yes. The South African Government has floated a new tender which is asking for a total procurement of 1 billion male condoms and 40 million female condoms each year for the next three years and we have submitted our bids already and based on our input from the market and from the government officials last year, many of the manufacturers could not deliver their allocated quantities mostly due to Corona problems. So, we are expecting an order worth of approximately Rs. 60 crores to Rs. 80 crores each year from this tender.
- Participant:** Okay, so Rs. 60 crores to Rs. 80 crores for female the total order you are saying?
- Om Prakash Garg:** Yes, total order as a minimum between Rs. 60 crores to Rs. 80 crores and this will be starting from October 1, 2021, to September 30th, 2022 as the 1st year.
- Participant:** Okay so, Rs. 60 crores to Rs. 80 crores order for every year and what would be the total order size which they would be giving?
- Om Prakash Garg:** Which one?
- Participant:** The total order size what would be approximate?
- Om Prakash Garg:** The total order each year to Cupid we are expecting would be minimum Rs. 60 crores to Rs. 80 crores each year for the next three years.
- Participant:** I understood that that would be for the Cupid Limited, but what would be the total order they would be giving? I mean the exact total tender I am asking out of which Cupid would be getting around Rs. 60 crores to Rs. 80 crores?
- Om Prakash Garg:** It will be about 10% to 15% of the total. We do not know the total amount because that would depend on the unit price they would be awarded the contract but 1 billion male condoms at least Rs. 2 per condom for male and about Rs. 30 per piece for female condoms.
- Participant:** And the second question is on the IVD sale, you mentioned about all the three verticals' margins, but what would be the margins for that particular vertical IVD sale?
- Om Prakash Garg:** Okay, we are expecting a minimum margin of 15% to 20% on the IVD sales. We are still exploring the market in detail. But the indications are that we should have at least 15% to 20% margin both from the export orders as well as from the domestic market.
- Participant:** And you are targeting around Rs. 50 crores of the total revenue right?



*Cupid Limited
June 4, 2021*

Om Prakash Garg: Yes, around Rs. 50 crores this year and the first product would be antigen rapid test kits. And this demand would continue until 70% of the citizens get vaccinated which could happen anywhere between March to June next year. So we expect this demand to continue only.

Participant: So at least for a year you expect this to be continued, right?

Om Prakash Garg: Yes. Actually, with time we are expecting the sales volumes of medical kits to even go higher. It could be easily Rs. 100 crores in the next financial year 2023 and besides the antigen Covid rapid test kits, we are also setting up our capabilities to produce test kits for malaria, dengue, HIV and also pregnancy test kits. The demand for most of these items is coming from improving mostly from the export markets.

Participant: Okay, but the question is that what gives you the confidence and visibility to project a doubling of revenue from Rs. 50 crores to Rs. 100 crores, from this particular side of the business?

Om Prakash Garg: Right now, based on the indications that we are getting in terms of the customer's enquiries, and from some of the tenders, which are in the planning stages, and based on the current market price we have projected these numbers. These are very preliminary numbers. And as we get into the business this year, we would have a better handle on these projections.

Participant: Okay, so the last question is, apart from all these businesses, do you plan to venture into any other particular businesses? As you have said that you would not be putting much money or hard work in the female condom business of the competitor?

Om Prakash Garg: Yes, in terms of our production capacity versus the worldwide demand for condoms, we see better margins in other business vertical. And right now, we are looking at these medical devices, diagnostics, and we may expand this business to manufacture more products. And we are always looking for new opportunities as our investments and reserves have exceeded Rs. 65 crores as of March 31st 2021, so we are looking for some new opportunities as well. But right now, our emphasis is to increase our production capacity for the medical devices business.

Participant: Just a last quick question. What is the update on the USFDA front?

Om Prakash Garg: Regarding USFDA, the clinical trial in South Africa has been delayed by five months due to their complete shutdown due to pandemic and now we expect to submit our application in the first part of next year, January-February.

Participant: Can any particular orders from Brazil you are expecting?

Om Prakash Garg: Yes, they are talking about the new tender to be published at the end of this year.

Participant: End of this financial year or calendar year?



*Cupid Limited
June 4, 2021*

- Om Prakash Garg:** No, calendar year November 2021.
- Moderator:** Thank you. The next question is from the line of Karan Mohindru from Mohindru Family Office. Please go ahead.
- Karan Mohindru:** So, my question is regarding the demand projections. So, what kind of demand growth or like your tender growth or like tender float you see in coming year or like, upcoming few years? I have seen the like South African tender that signed, other than that like what else do you expect which all tenders you expect will be floated this year or next year?
- Om Prakash Garg:** As I mentioned to the earlier caller our projection right now for this financial year FY22 is to have the top line of about Rs. 170 crores and then an increase of 10% to 15% per year minimum going forward, at least for next couple of years.
- Karan Mohindru:** So, my second question is regarding your focus of increasing the brand's footprint in Indian market. So I have not seen any aggressive brand awareness campaigns coming from Cupid. So, if we compare it with the competitors in Indian market. So, is it like by design or like are we not focusing on domestic market?
- Om Prakash Garg:** No, the Indian market for male condoms is very very competitive and the margins are a lot less than the margins we are getting from the export sales. So, right now, our priority is for the export business rather than for domestic sales.
- Karan Mohindru:** So what about female condoms? Because there are not many players for that, right, in domestic market?
- Om Prakash Garg:** Female condom domestic demand is very slow. The awareness about female condoms in India is still very limited. We are selling about 1,000 condoms per month through our internet sales. And we have engaged with a local marketing company to sell female condoms throughout India. But in general, I would say there is a limited scope about increased sales of female condoms in India.
- Karan Mohindru:** And the last question is regarding the exclusion of diagnostic infection company. So, are we planning to, like remove our focus from condom business to this diagnostic kits segment, how is it, like how will be the future projection going further? Like how much revenue will be coming from this diagnostic test segment?
- Om Prakash Garg:** First of all, we are not diminishing our emphasis on the condom business. In fact, with the increased production capacity we have from last year of 560 million condoms each year, both male and female combined. And we are one of the lowest cost producers of condoms anywhere in the world. We believe that this is a right size of production level, because some of the factories producing 3 billion to 4 billion condoms per year, were working at only half their capacity last



*Cupid Limited
June 4, 2021*

year, because either their cost of production is too high, or their order book is low. We are in a very favorable situation, both in terms of our capacity, as well as in terms of our competitiveness and as I mentioned, still we are able to make 15% to 20% margin on the sale of our male condoms.

Recently due to increase input costs, we have been able to negotiate a higher sales price with our major customers in last three months. Now, our emphasis on medical devices business is in addition to what we are already doing in the condom business. We see going forward though more profit opportunities, more business opportunities in the medical devices field as opposed to condom sale only.

So that is why we are devoting a lot of time and efforts to do research about the total market requirement and forecasts for these medical devices worldwide.

Karan Mohindru: Okay, so we are planning to move these devices like export these devices as well, diagnostic devices?

Om Prakash Garg: Yes, we will continue with the condom business as well as we will try to expand our medical devices business going forward.

Karan Mohindru: So, what I was asking is like what is the projected growth for like overall condom plus diagnostic kits business, which can comfortably be assumed? This is the kind of projected growth which we are assuming and working with in the top line?

Om Prakash Garg: Like I mentioned we are projecting a minimum revenue of Rs. 40 crores to Rs. 50 crores from our diagnostics business out of total Rs. 170 crores during the current financial year. And going forward, we hope to increase our top line through more opportunities both from medical devices and Condoms.

Moderator: Thank you. The next question is from line of Prerit Bansal, individual investor Please go ahead.

Prerit Bansal: I have a couple of questions. Firstly, I have a question on female condom. Cannot we operate at a lower margin in India on female condoms and spend something on development of awareness and the market for condoms in India, so that in future we can take some benefit from it? And my second question is relating to other expenses. I feel sharp decline in the other expenses on YoY and QoQ bases as well. So, what continues to the decline and is this sustainable?

Om Prakash Garg: Okay, to answer your first question, we are selling it at a much lower price to the distributor, the female condoms in India. It is not about price as much as promotion for the female condoms. We are trying it through various means, including we have lobbied to the Health Ministry in Delhi. And we are hoping that they would come out with a tender to supply female condoms in India. And what was your second question, please?



*Cupid Limited
June 4, 2021*

- Prerit Bansal:** My second question was relating to other expenses, there is a sharp decline in other expenses on QoQ as well as on YoY basis. So, what contributes to this decline? And is this decline sustainable?
- Om Prakash Garg:** No, we see a better order book in this quarter and rest of the year, and we are trying to cut our costs wherever possible. Most of all, we are trying to improve our productivity. Our operating efficiency was 92% in the last quarter, as well as for this entire year, FY21.
- Prerit Bansal:** But what is the reason behind decline in the other expenses, which expense has been curtailed majorly?
- Om Prakash Garg:** First of all, with all our suppliers, we are negotiating very aggressively and due to the competition in the market, we are able to make some reduction in cost there and also in terms of improving the productivity of the labor and by operating the machinery more efficiently our overall cost of production has come down.
- Moderator:** Thank you. The next question is from the line of Abhi Jain from JK Business Services. Please go ahead.
- Abhi Jain:** Sir, I would like to ask you that the company is currently highly undervalued, and you have enough cash on your book. Why not utilize that cash to have a share buyback? This will help create shareholder wealth as well as increased earnings per share. So, are you considering a share buyback? And my second question is around succession planning, but I will come to it later.
- Om Prakash Garg:** What is the second question?
- Abhi Jain:** Sir, I will come to it later. First question is related to share buybacks. Why are you not considering a share buyback given that the company is highly undervalued right now?
- Om Prakash Garg:** Okay, we are considering the buyback options. But at the same time, we are also looking at the other possible requirements and use of funds which includes the dividend, is one item. Second of all, we have about Rs. 7 crores more to spend on the medical device's facilities at Nasik. And also, we will need funding for the working capital for the medical devices business. So, we have to look at all these projected requirements and then come to some kind of conclusion about the buyback. And what was your second question?
- Abhi Jain:** My second question is around succession planning. So have you put in a succession plan in place?
- Om Prakash Garg:** As I mentioned in earlier quarter's earnings call, we are still looking at a suitable candidate for the CEO job. In spite of that, our current management team is experienced and doing a



*Cupid Limited
June 4, 2021*

reasonably good job. So as soon as we find A CEO our rest of succession plan is intact. We have quite capable and experienced people in the second line and third line of management.

Moderator: Thank you. The next question is from the line of Subbu Murugesan, individual investor. Please go ahead.

Subbu Murugesan: So like just a few questions from my side. You said the order book is about Rs. 113 crores, can you give us a split of how much is male and how much is female out of this Rs. 113 crores?

Om Prakash Garg: Currently, 35% of the orders are for female condoms as we are closer to completing the last tender from Brazil. However, as I mentioned earlier, we are expecting new orders for female condoms, both from South Africa and from Brazil.

Subbu Murugesan: Okay, and this Rs. 113 crores so can you tell me what is the timeline for completion? So is it split equally for the next three quarters? So is it like I think 35 for the next three quarters, or is it more in the next quarter and then smaller in the next couple of quarters? Can you just tell me how this will split across the next three quarters?

Om Prakash Garg: I think the current quarter will be approximately Rs. 30 crores as we are still facing some COVID-19 pandemic related issues with our customers. But after that, we should have about 35 crores each of the three next quarters.

Subbu Murugesan: And you said that the overall the like revenue for next year will be Rs. 170 crores of which we expect like about Rs. 40 crores to Rs. 50 crores are for the medical devices segment. So that means from the condom business, it will be about Rs. 120 crores to Rs. 130 crores. This is like sort of a decline from the last year and this year right because we like normally to do more from the condom business, but I guess it is because maybe like some of the tenders have been finished and you are waiting for the new tenders. But if the South Africa tender is going to come in October, then maybe, do you think we will pick up in the second half? Could you just tell me why we expect a decline in the condom business this year from a top line perspective?

Om Prakash Garg: Yes, the funds were diverted and relocated to other Corona related facilities. But this year, those funds are being restored and also the new tender funds have been approved last month. So, we expect more revenue in total especially from South Africa.

Subbu Murugesan: And you also said that the South Africa tender starts in October of 2021. So, when will we see the revenue? So, which quarter will this come in? So will this come in so, if we start dispatching in October, November, December then will we actually see the revenues coming in like Q3 of this year or will that be in the next quarter which will be Q4 of this year? So basically when will we see the revenues from South Africa being booked in the financials?



Cupid Limited
June 4, 2021

- Om Prakash Garg:** We should start to see the revenue in the third quarter of this year from October to December sales. We are supposed to start supplying the products from October 1. So it will show up in the October-December quarter results and the subsequent three quarters.
- Subbu Murugesan:** You also said that you have negotiated an increase in the price with a large customer and in the last conference call, you said that you have done some efficiencies, which will increase the EBITDA margins for the male condoms. But still, in like today's call, you said that the EBITDA margin for male condoms is 15% to 20%. So I just found that a bit surprising. I thought with all these efficiencies, and things like that you will probably on the male condoms, you might start making more margins, maybe 20% to 25%. Is that correct or have I just understood it wrong?
- Om Prakash Garg:** No, in some of the male condom sales, the margins have gone up to 22%. And our average margin last year was closer to 18% as compared to 16% in the previous year. So we have been able to increase the overall male condom margin by a couple of percent. And in terms of increase in the selling price, we have negotiated about 11% increase from our major customers, the biggest being the United Nations Population Fund, UNFPA with whom we have recently signed a new three year supply contract.
- Subbu Murugesan:** One last question. You said that on the medical devices, you expect Rs. 40 crores to Rs. 50 crores this year in revenues, when do you see that coming in? Would it be in like Q3?
- Om Prakash Garg:** Sorry, I missed the earlier part of your question. Could you please repeat?
- Subbu Murugesan:** Yes, no problem, sir. So you basically said that from the medical devices segment, you will generate about Rs. 40 crores to Rs. 50 crores this year, like ongoing so Q4 or Q2 which quarter do you see this coming in?
- Om Prakash Garg:** This would be approximately evenly distributed. Rs. 10 crores to Rs. 12 crores in each of the four quarters during the current financial year.
- Subbu Murugesan:** Okay, so that means that the plant in like Nasik is already completed, because like I was expecting that the plant will be completed maybe by June or July. And maybe we only start to see revenues later in the year. But has it already been completed, and they have already started production on the medical devices?
- Om Prakash Garg:** The commercial production will start in July at the Nasik plant. Right now, we are outsourcing the material. But once the Nasik plant starts in July, we are expecting at a minimum Rs. 10 crores to Rs. 12 crores per quarter.
- Moderator:** Thank you. The next question is from the line of Aakash Panpalia, individual investor. Please go ahead.



Cupid Limited
June 4, 2021

Aakash Panpalia: I just have a follow up question regarding the succession plan. I mean, you have mentioned rightly, that it was discussed last quarter. But I would say it has been discussed since last two years, in all the con calls but to be very honest and candid with you sir, your HR team has not been doing anything on ground. I have not seen any advertisement on any job portals that there is a CEO requirement or anything of that sort, or any kind of if you are not able to find the talent within the system?

Om Prakash Garg: No, we have been looking for the right candidates, through the manpower companies, two of them.

Aakash Panpalia: So which are those two companies?

Om Prakash Garg: I do not have the names offhand, but we can convey this to you, please do send us a line.

Aakash Panpalia: So this has always been said that we will convey it to you, but it is never conveyed because if you see the top 10 HR portals on that Cupid is not listed yet finding the right because see to be very honest, we have been very happy how the way you have operated. But see sir, the new CEO when he comes on board, he will take another six months to figure out what is happening, what are the current processes, and then he will be setting his own new processes. So it takes a year for things to see.

But I am really very upset that this has not been taken. This is really not taking because I understand see sir, you have 49% of the shareholding also. So the thing is really not moving since past three years. And it has always been told on the con calls that we are searching; we are doing but there is nothing concrete?

Om Prakash Garg: No, let me answer that. We have made tremendous progress in last 10 years. We had introduced male condom sales in the export markets back in 2006 and 2007.

Aakash Panpalia: Sorry, I am not asking about the credibility, that we have already seen sir. We have seen that in our results, we have seen that you have now become a debt free company. Whatever has been achieved that has been achieved because of your, you can say leadership. But now we need to look forward for next 10 years. See this one year, two years sales will be up and down because of the COVID that is secondary, but having a process having a proper structure in place for next 10 years and this we have been asking you since past three years.

I am only questioning about the HR who is not been diligent enough. You do not even in your annual reports do not even have a proper Head of HR whose name is mentioned on the annual reports also, or on their website. If you see the today's website also on Cupid Limited, the Q4 is not yet been uploaded, we have to go to the BSE website to find the results.



*Cupid Limited
June 4, 2021*

Om Prakash Garg: Well, they are supposed to be published at the same time as we send the information to BSE. So our website must be getting updated.

Aakash Panpalia: Sir, the independent has signed the document and it is mentioned that it has been uploaded on your own website also?

Om Prakash Garg: That is what I am saying the documents have been sent to our website people also, they must be in the process of uploading it. Now about our vision for next 10 years, we like to see Cupid Limited as a first class manufacturer of male and female condoms throughout the world with profitable venture each year. And in addition, we like Cupid to expand into new businesses. And the first one, we have discovered these medical devices business based on our research during the last two years.

So our current management is very visionary. And we are keeping a worldwide watch on all the developments related to our industry. For example, we keep on tracking the budget for the current year and next year from all the major international institutions. Based on that information, we see where the market is going, and where the opportunities are heading. And like I mentioned earlier, several condom manufacturers throughout the world are in financial trouble. In fact, some of the units have been closed down this year, especially in Malaysia. So, I would like to assure you that our vision is very clear, we want to expand, this will be a very profitable year going forward. And even if we are not able to locate a proper person, for the CEO job, we would train some people internally.

Moderator: Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: Sir, just one clarification on the order book. The Rs. 113 crores order that you have mentioned is this inclusive of both your medical device and your condom business?

Om Prakash Garg: No, the Rs. 113 crores order book is only for male and female condoms. There is no confirmed order yet from the medical devices field. However, as I mentioned earlier, we are expecting revenue of Rs. 40 crores to Rs. 50 crores from the medical devices business during this current financial year. So that would be in addition to these Rs. 113 crores condom order book.

Yogansh Jeswani: So this Rs. 113 crores do not include any medical device orders. So sir, sometime back I think there was some announcement that you had made to the exchange regarding an order that you had got from, I think if I am not wrong UP Government for any medical devices or something? So, is that executed?

Om Prakash Garg: The first order we had, we had executed, and we had received all the funds. All our revenues we have received it and now we are working on the second order, which is kind of slow. We are



*Cupid Limited
June 4, 2021*

expecting more orders from the various state governments, especially for these antigen Corona test kits.

Yogansh Jeswani:

So sir, on your medical device business, if you could dwell just a bit more on in terms of developments that you are doing to build up your product pipeline. As I think as you mentioned, I think so far we had been doing on contract manufacturing basis, but going forward, we are setting up our own plant. So other than the fixed asset investments, what are the kinds of efforts that we are taking in terms of developing the technological capabilities for these devices? And what kind of money are we spending on such R&D efforts?

Om Prakash Garg:

Okay, we have completed the construction phase for our new facilities at Nasik and we have further ordered all the machinery required to produce the test kits for Malaria, Dengue, HIV and Corona and we are in the process of getting the permission, all the licenses from the FDA, local FDA as well as from the drug controller in Delhi. Basically, we have hired some experienced people from the market. And we have employed a couple of employees who are doing the research on the future possible requirements. So, we are in touch with the procurement division of major Indian states, as well as some of the foreign countries. So, based on their input, we will be targeting the manufacturing level for each of these items, as per the order quantity.

Yogansh Jeswani:

If you could also just share any internal targets that or budget that you have set for the medical device segment, how much we are going to spend in terms of development, in terms of R&D, and other related expenses, any budget that you can share with us?

Om Prakash Garg:

Yes, the current facilities would cost a total of Rs. 10 crores, as we had mentioned in the last con call. In addition, we will need Rs. 10 crores to Rs. 15 crores of working capital to run the current business. By the way, the commercial activities are expected to start from July from the Nasik plant. Now, about the R&D, we are anticipating Rs. 5 crores of investment for the new R&D, and mostly it would be through the hiring of some competent people experienced people in this line of business.

Yogansh Jeswani:

Also a related question is, we have been following the RTPCR market in these devices' markets. And off late what we are seeing is the price correction in these devices, per unit price correction is being extremely sharp. I think it is as high as 70%, 80% fall in last six, seven months. So given the kind of fall, these devices are seeing and the kind of competition that is coming up, we are seeing tens of players coming up and setting up capacity at a very short time. And I think from your last con call also we understand that you are expecting respectable EBITDA margins from this business.

So how do you think about the situation now looking at increasing competition, falling end product prices? And in terms of able to ramp up capacities, I think it is not just if you are able to set up capacity in such short notice, there are established players who have already expanded capacities and there are new players coming up with capacities. So, how do you expect all these



*Cupid Limited
June 4, 2021*

things to play out in terms of your competitive dynamics, if you could just share your thought process on that, sir?

Om Prakash Garg: It is true that competition is increasing every day. And the demand side is increasing even faster, than the availability of production. So, the selling price did dip two to three months ago, but now they seem to have come up. We have got this UP order at a very good sales price. And Corona is not the only product for which right now there is a huge demand.

And like I mentioned it is expected to continue until majority of the Indians are vaccinated by early to mid-next year. But beyond that, there is a demand for test kits for HIV and Malaria, especially from the African countries. So, order book we are expecting would improve and depending on the order book, we would gear up the production facilities.

Yogansh Jeswani: Sir, one last question on this front. So I think other than COVID what I understand HIV and Malaria testing is another area in which we will be focusing right. So just to understand the market about it, so this is also a tender driven market, or do we have to go through the retail channel, through a distribution network or is it similar to how we have been doing our current business that is mostly tender driven?

Om Prakash Garg: Mostly it is tender business, but there is also a scope for the business through the distributors as well, but mostly through the tenders, international tenders as well as the Indian State Government tender.

Yogansh Jeswani: And these tenders come out just the way it is being coming out for like the condom business that we have. So these tenders are also floated through these organizations, and we bid for them in Africa, Brazil, in such countries, right? Is that understanding, right sir?

Om Prakash Garg: Yes, there is no schedule that we go off, but as soon as their budgets are firmed up, and their demand is outlined, they send these requests.

Yogansh Jeswani: So sir, typically what is the tender size for these contracts for HIV and Malaria and these markets? What is the typical tender size for these contracts?

Om Prakash Garg: For HIV and Malaria right now, the contract size is about Rs. 10 crores to Rs. 15 crores. But for big tenders for HIV is more like Rs. 40 crores to Rs. 50 crores business, especially from South Africa, which has the highest number of HIV infected people. So the tender size varies in amounts, depending on the country, and depending on the products.

Moderator: Thank you. The next question is from the line of Nikhil Chowdhary from Crystal Portfolio. Please go ahead.



*Cupid Limited
June 4, 2021*

- Nikhil Chowdhary:** Sir, all my questions have been answered. Just one follow up to the earlier participant. I just wanted to understand these HIV, Malaria and Dengue kits, like we will be catering to the like governments probably we will be having tenders and then we will be participating in that. I just want you to understand the competitive landscape as in like probably in the female condoms, we are the only guys, there are only two or three guys, and we are one of them. But if these kits what is the competitive scenario that is existing presently and what sort of competitive advantage do we have considering we may not be the first player and what sort of differentiation we may be offering on the table?
- Om Prakash Garg:** First of all, there are seven to eight manufacturers already working in India to produce these types of kits I mentioned. However, the demand is increasing more rapidly than the production capacities of these existing manufacturers. So, we see some business opportunities there to meet the exceeding demand. Also, we would like to be competitive in our bids. We are looking at 15% to 20% net margin as a minimum in our business plan.
- Nikhil Chowdhary:** So 15% to 20% net profit margin you are speaking sir on this business on medical kits business?
- Om Prakash Garg:** Yes, 15% to 20% margin minimum.
- Nikhil Chowdhary:** And sir, just like wanted to understand your rationale for entering this business considering we are already dominant guys in the condom business. We could have scaled it really well, but just wanted the management bandwidth that this would command any competent person that we have hired specifically for this division. And any rationale that has led to entering this space, considering the synergies we may be having in distribution, customer base, or any capacity of synergies that we have? Wanted to understand our rationale on that?
- Om Prakash Garg:** Now, the main issue is the demand side. For example, the demand for male condom is much higher than the female condoms. But the manufacturers are also varying in numbers quite a bit. Male condom has a worldwide plants, with billions of pieces of capacity. And in the female condoms, there are only three players throughout the world. So in spite of the lower demand, relatively speaking, we can command a better margin and also a Cupid's cost of production is one of the lowest looking at the competitors' bids on the tenders.
- Moderator:** Thank you. The next question is from the line of Mukesh Kumar, individual investor. Please go ahead.
- Mukesh Kumar:** I had few questions related to, first on the regular business, which we have condom business. If we see like in FY20 we had Rs. 161 crores revenue. In FY21 it came to Rs. 149 crores and the guidance which you also have shared now. So that goes to Rs. 120 crores, Rs. 130 crores in this current financial year.



Cupid Limited
June 4, 2021

So, it is a trend of regular it is continuously reducing revenue from our ongoing business Rs. 161 crores and Rs. 149 crores and again Rs. 130 crores, Rs. 120 odd crores?

Do we see this downtrend to continue for next 2, 3 years?

Om Prakash Garg: like I mentioned, our current year's top line, we are projecting at about Rs. 170 crores including Rs. 40 crores to Rs. 50 crores from the sale of medical diagnostics. So it means about Rs. 120 crores to Rs. 130 crores from the condom business. And going further, we see increasing demand for male condoms, as well as female condoms post this Covid-19 pandemic. All the indications are that the demand would increase going forward.

Mukesh Kumar: Yes sir, but in the last three years if we see so Rs. 161 crores, and then Rs. 149 crores, and then Rs. 130 crores. So it is slowly reducing. So anyway, it is good that you have a better clarity on next two, three years. We go with that.

The next question is on the medical device business what we have started. So, as of now, we got the orders from UP Government, and I think we got the repeat order from them again. And when we are going with the other medical devices for Malaria, Dengue, pregnancy kits, and all are we planning to use or follow the tender route for even these devices within country, because for pregnancy kits and all not sure how will be the market inside India. So is there any option or are we exploring the retail or distributor channel as well for that?

Om Prakash Garg: Well, most of the sales we are expecting would be through the tender business. But we are also looking at distribution network, which would be about 20% of the business according to our current projection, but bulk of the sales will be through the tender business. So we do not see big expenses on building up the marketing team. Most of the tender business is being handled by our own internal staff. Basically, it is all through emails and telephones and communicating with all the prospective buyers.

Moderator: Thank you. The next question is from the line of Dinesh. Please go ahead.

Dinesh: So my question is like, so like you mentioned, most of our business for the condom side is from the commercial tender business. And we are not really looking into building our own brand owing to the marketing expenses involved. So what I wanted to ask was, is there an opportunity for us to look at contract manufacturing for other global brands, because I know that one of the biggest contract manufacturer in Malaysia, that condom company is also looking to branch out and start its own brand.

And they are manufacturing on contract basis for other global brands. Right now they will be becoming a competitor to those brands, global brands. So is there an opportunity for us to get into contract manufacturing with the global company, so global brands like Durex or others, and



*Cupid Limited
June 4, 2021*

take some shares from that since we are anyway one of the lowest cost manufacturers in terms of male condoms?

Om Prakash Garg:

Well, in the past we have looked at that. In fact, we were doing contract manufacturing for brand names like Playboy, USA. The problem is that the margins are no better than the margins we are currently getting from our export sales. And also, sometimes we do not meet their quantity requirements. We have about 30 repeat customers worldwide, from all categories, from the institutional business to government tenders, to NGOs, and through private sales.

So sometimes the capacity becomes a constraint in terms of if you look at big player requirements, like Durex.

Dinesh:

Sir, my second question is regarding the USFDA, the US prescription market. So you mentioned that currently we are, the clinical trial is on hold due to the COVID situation. And once that is able to resume by next January or so, you are expecting that the USFDA approval should come for us. So I just wanted to know, what are the actions and what are the strategies that we are taking currently to tap the US prescription market?

Because when I was looking into that, there is only one competitor there currently, and looking at their recent presentations, their sales from the US prescription market has been growing exponentially, although on a small base. So it is a very lucrative market for us if we can get into that. So how are we looking at that? Have we made any tie ups locally with other firms that can help us in distribution in the US market? And are there any challenges you have seen in terms of getting the approval from FDA? Because I know we are already WHO pre-approved or pre-qualified.

So should we then expect that this approval should not be a major challenge, or is there any still any concern in terms of getting the clearance from the FDA?

Om Prakash Garg:

Well, the USFDA requirements have recently been tightened up to qualify a female condom. Now after we submit our formal application in January - February next year to FDA, they normally take several months to review the data to test the quality of samples and some other formalities. Now we are expecting it will take at least six months before we get a final decision and hopefully approval. Now in terms of marketing, we are in touch with couple of marketing companies in the US and they are quite interested to represent Cupid. I agree with you that the margins in the prescription business is huge. In fact, one of the competitors remain supplier of female condoms in US had a \$10 million sale out of a total sale of \$13 million in their last quarterly report indicating a huge profit margin in the prescription sales. So, we are eagerly looking for that opportunity. However, it will be in the second half of next year before we start to realize some revenues and profits.



*Cupid Limited
June 4, 2021*

Moderator: Thank you. The next question is from the line of Santosh Jain, individual investor. Please go ahead.

Santosh Jain: As you previously mentioned that you had improved the margin in the male condoms to around 22% and you also negotiated higher prices with one of the largest customers, but if you look at your recent the reported margins they are only contracting from on a YoY perspective. So, why the numbers, the margin improvement is not visible?

Om Prakash Garg: We have negotiated the new price increase will be effective from April 1. We will see these in this current quarter results. In some of the contracts the margin has improved 22% but in other sales contracts, we still have 16%, 17% margins. But all the time we are looking for ways to improve the margins.

Santosh Jain: And if you look your latex prices, so in the past two months April and May how has been the latex prices moved? Have they been higher than the March quarter or they have been stable or something like that?

Om Prakash Garg: In the last four months, the prices have gone up by at least 14%. But now that the monsoon season is on in Kerala, we expect the prices to come down to normal levels next month or so.

Santosh Jain: And sir, lastly in the diagnostic the testing kit business so, since you are dealing with the government currently, so, are you facing any issue in getting the payments the receivables days high or the payments coming on time and why are we getting orders at a very slow pace despite the COVID pandemic becoming so high in India? So, my sense is that we should have got much more higher orders than by now?

Om Prakash Garg: Yes, so far we have received all our pending payments on time, we do not have any problems. In fact, our total receivable as of March 31st has been reduced to Rs. 27 crores as compared to Rs. 41 crores a year ago. So, our cash flow has been very strong all year and our current debt, which was about Rs. 31 crores working capital loans, which was reduced to zero on March 31st 2021. So, we have made significant improvement in our cash flow situation especially in our receivable's encashment.

Moderator: Thank you. The next question is from the line of Raghav Hans, individual investor. Please go ahead.

Raghav Hans: Sir, actually I had two questions. Both are regarding the industry space actually.

Okay. So basically I wanted to understand that I was reading this Condomology Report which was recently released by the Condom Alliance. So over there they had basically explained that the market size per annum in India is Rs. 1,500 crores, for the condoms. And in terms of volume,



*Cupid Limited
June 4, 2021*

it is 2.3 billion pieces. So I just wanted to understand how much Cupid is contributing to this domestic market as on 31st March 2020.

Om Prakash Garg: The Cupid's contribution in the domestic market is very limited. For example, it is about 15% of our sales are done in the domestic market, balance 85% to 90% in export sales. And the main reason for that is that there is lot of price competition in the domestic market. And margins are much better from the export sales.

Raghav Hans: And sir, one thing, I get our focus, why is it on the export market, basically, because of the margins, but because you have been a veteran in the industry for so long. So I wanted to understand that from 2014 to 2020, that is six years, the volume of condoms has grown at a measly rate of 2%. So sir, I get our company focus but how and when do you see this trend changing or increasing?

And second of all, what do you think can the government efforts can be focused over here to increase the awareness? Because another thing which I was reading in the report was that for example, from the age group of 15 to 24 people, who are basically, there are 70% to 80% people in the age of 15 to 24 ages who do not use a condom, who have not used a condom in their previous encounters. So, how do you see this changing over five years let us say in India at least?

Om Prakash Garg: Well, the demand is on the increase in India. I do not have the statistics about the future projection in India. But in general, with our population much younger than the rest of the world, I would assume that the demand going forward would be much improved. And also the Government of India is promoting along with all the states more and more use of contraceptives to control the population growth.

Moderator: Thank you. The next question is from the line of Onkar Ghugardare from Shree Consultancy. Please go ahead.

Onkar Ghugardare: My question is, as several participants have already alluded to the fact that the company is undervalued and hardly it is trading at 10 times of the value as multiple. So why do not we hire a consulting firm or a finance personnel in this which can help us to achieve the higher level of multiples as we are in this health related business, and which would also help the company how to allocate the capital more efficiently, which would ultimately drive the overall valuation of the company as we are also having around Rs. 65 crores of cash and we do not have any debt? So overall, I would like to know your views on that?

Om Prakash Garg: I welcome your suggestion. And we are considering looking at a three year strategic plan. And for that, we may need to hire an expert related to medical field as well as health, along with knowledge of financial. So I think we could use one especially as we see more opportunities going forward in the medical devices field, not only in India, but also worldwide.



*Cupid Limited
June 4, 2021*

Moderator: Thank you. The next question is from the line of Subbu Murugesan, individual investor. Please go ahead.

Subbu Murugesan: Sir, my question is on the Brazilian order. You said it is going to the tender will be released in November and December of this year. So, I just wanted to know, what is the size in CR terms of this order? And to be honest, if we want to get a larger share of this order and also a larger share of the South African order, and maybe also get into the prescription business, cannot we just speak to Veru and then acquire their non-core business so that we will be targeting all three areas at once, because then we will basically have a greater negotiating power with South Africa, Brazil and also maybe even get into the prescription business much faster? So, I just wanted to know your thoughts on that?

Om Prakash Garg: Well, two points. First of all, we have been in discussion with the government officials, both in Brazil, as well as in South Africa. About their current budgets and next year's budgets and the volume of businesses, volume of the condoms that they will be looking for. Now, in terms of acquiring the possibility to buy out the competitors on a preliminary basis, we have looked at the asking price, and it will take at least 10 years to get the payback because they are asking for a really high price, because their current margins are very high.

So, we are following all these developments. And we will ultimately decide what is the best option for Cupid whether to continue to concentrate on female condom and male condom business only or to look for other business verticals which offer maybe even a better return on our investment.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Badjatya: Sir, on diagnostic business so, basically you have said that we have invested near about, we are going to invest in total Rs. 10 crores to Rs. 15 crores plus some working capital which is nearly Rs. 25 crores to Rs. 30 crores of capital and working capital investment into diagnostic business. And by FY23, you expect to have Rs. 100 crores of revenue with 15%, 20% margin, which seems like a very, very high return on capital employed, even in a business which is highly competitive and unlike our condom business, where the competition is very limited.

We do not even make that kind of ROC in this business. So, I think I am not sure when you are projecting numbers or when you are forecasting this how you are getting the confidence that you will be able to do this, do nearly 50%, 60% return on capital employed on your diagnostic business?

Om Prakash Garg: First of all, our total capital expenditure on our Nashik facility would be Rs. 10 crores and the working capital requirements would vary between Rs. 10 crores to Rs. 15 crores depending on the order book. Now, in terms of margins, our predictions and projections are based on the



Cupid Limited
June 4, 2021

current market price for each of these products, and also the cost of production and we see a 15% to 20% margin on these high sales volume Rs. 40 crores,

Rs. 50 crores this year and up to Rs. 100 crores next year. So, unless the market price the selling price has a drastic drop, I think we should be okay in our projections 15% to 20% margin, because the cost of production has to be controlled through utilizing more modern automatic machinery, and of course least number of labor for manufacturing.

Moderator: Thank you. The next question is from the line of Aakash Panpalia, individual investor. Please go ahead.

Aakash Panpalia: Sir, I guess in the last question where I did not get the proper answer, so I had to come back to the queue. So my question was regarding the succession plan? And also, why are we not promoting Mr. Durgesh Garg? I mean, from past three years, we have been looking out if we are not able to find we have the COO already in place. Sir, I really do not need an answer, which is like what we had done, what is there and what is the vision, but we really need this is a high time that we recruit someone at the CEO position? I know you are holding 49% to 50% of the shareholding.

And the composition of board is also not very dynamic. You are there on the board, then you have Ms. Veena Garg also on the board. But there is no dynamic board that we have right now. And that is the reason why we do not have FII and DII also investing for a longer tenure. If you see ICICI Bank since 1920 was just trading in our shares and made money and moved out of it. They do not have a confidence on the board that they will ever move out of their position.

Om Prakash Garg: Okay, in terms of our current staff, we are always evaluating their capabilities as compared to the requirements for the higher positions. And in terms of the board, we have two senior members with us for almost last 10 years. And they have been contributing significantly to the workings of the company. However, now we are open and thank you for your suggestion, maybe to look for a new board member.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Om Prakash Garg: I would like to thank all the shareholders who have guided us and helped us throughout all these years through their suggestions and recommendations for the improvement of workings of Cupid Limited. Also, I would like to thank all our customers who have shown confidence in Cupid products through their repeat orders and in many cases for several years.

And finally, I would like to thank all the employees of Cupid Limited who have worked very diligently throughout the year, especially during this difficult year because of Covid-19



Cupid Limited
June 4, 2021

pandemic. So again, I would like to thank all the shareholders for their contribution and suggestions to improve the performance of Cupid Limited. 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.