



CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 18th August, 2018

To,

Department of Corporate Services,
BSE LIMITED,

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Mumbai – 400 001

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Subject: - Conference call Transcript

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q1 FY 2019 conference call which was hosted by the company on 14th August, 2018 at 4.00 p.m.

This is for your records.

Kindly acknowledge the receipt.

Thanking You.

For CUPID LIMITED



Saurabh V. Karmase

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“Cupid Limited Q1 FY19 Earnings Conference Call”

August 14, 2018



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



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Moderator: Ladies and gentlemen, good day and welcome to the Cupid Limited Q1 FY19 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, please signal an operator by pressing '*' and then '0' on your touchtone telephone. 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: Thanks Inba. Good evening to all of you and thanks for joining this Q1 FY19 Earnings Call for Cupid Limited. We had mailed the press release and the results to you. I hope you have received the same and we have also uploaded this on our website and the stock exchange. 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 brief overview of the quarter gone past and then we will open the floor over to Q&A session.

I would like to remind you that everything said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement, must be viewed in conjunction with uncertainties and the risks that we face. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual report which 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 evening, ladies and gentlemen. First of all, I would like to welcome all of you to the quarter 1 FY19 earning conference call. And before I start, first of all let me congratulate all the shareholders for the fact that your company has completed its 25 years journey this year in 2018. During this period Cupid has produced 25 billion pieces of male condoms since it started its commercial production back in 1998 and in addition 60 million female condoms since 2012 when it had received its WHO UNFPA prequalification status. Just as a reminder, Cupid was the first company in India and only second company in the world at that time to have achieved this status. Now, I will come back to the quarter 1 results. As Binay has mentioned, you must have seen the results which were sent to the stock exchanges and on the Cupid website last night. I will cover some of the highlights and of course details would be cover during the Q&A session.

First of all, although the topline was lower than the quarter a year ago, we have improved the margin by 3.5% with a net profit of about 4.5 Cr. During this period, the male condom business both domestic and international has been very robust. However, as I indicated in the last conference call, the female condom orders from South Africa have been rather slow due to the budget cut backs which were a direct result of all the political upheavals there during the year. Now, I will mention some of the highlights of the quarter. We had taken a decision to expand the capacity instead of 20% to 40% from the current 400 million bringing it over to



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560 million pieces of condoms per year. This is in direct response to the demand being coming through in the market place through large tenders. For example, Brazil is looking for 800 million pieces of male condoms per year. Indian government is looking for 900 million pieces of male condoms over 2 years and South Africa has been looking to import one billion male condoms each year. Second major accomplishment would be the joint venture with a local partner in South Africa to manufacture female condoms with the encouragement of the government there. We have submitted our proposals and results are expected later this month.

The third is the improvement in the margin on our products. Based on our research, we discovered that the demand for high quality condom is higher than the current supply. There are lots of condom producers, but not of high quality which indicated to us that there is a scope to improve the margins and we did negotiate with our major customers including government of India, WHO - UNFPA and also the international NGOs for a better margin anywhere from 4% to 13% over the existing prices. One other aspect we concentrated on during the quarter was to look at our overheads, how we can reduce the overall cost of production, so that we are competitive in the market place.

In addition, we have listed some of the activities which would accelerate the future growth of the company. We remain optimistic about the future growth and we are planning to achieve that through participation in larger quantity tenders. This is possible because of the expansion in capacity, reduced cost and also for better margins. The JV application in South Africa as I have mentioned has been submitted. First good news is that Cupid along with its partner is the only manufacturing company which has submitted the proposal to make local manufacturing and this proposal has been accepted. The details on this would be released from the government of South Africa hopefully later in the month.

The JV gives us 3 streams of revenues. First of all, in the first year the raw material, all the female condoms would be dispatched from India and that would be first source of revenue for Cupid. The second source would be our equity of 49% in the JV and third one is our 5% royalty payment. By the way, the price we have been able to negotiate with the government is far better for the sale of locally manufactured goods there. Also, the order book last year when we started on Mar 31st we were at about 63 crores and in the April-June quarter we had dispatched about 17 crores leaving a balance of 46 crores worth of orders. And during this quarter we got additional orders of about 9 crores to make it 55 crores and with the addition of 40 crores orders we recently received from South Africa. I am pleased to announce that the total order book is very healthy at 95 Cr. The split between male condom and female is 70 crores and 25 crores respectively. Again the quantity of female condom would improve as soon as we get second and third year of allocation from the export tender and also from the quantities to be exported for the joint manufacturing. So the current order book of female condom at 25 crores does not include these 2 factors which I mentioned.

Now I would like to open the discussion for the Q&A session.



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- Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.
- Vaibhav Badjatya:** On this, South Africa order for the current year that you have received can we have more details what was the total size of the order for the current year and how much we have received out of the total both the female and male condoms?
- Om Prakash Garg:** If I understand your question correctly, you are asking what percentage of the order we have received from the South African tender?
- Vaibhav Badjatya:** Yes.
- Om Prakash Garg:** So, first of all this tender was for 3 years from October 2018 to September 2021 and as you may recall the last 3 years tender was extended from June 30th to September 30th. Now, the results which have been declared only spells out the quantity for the 1st year of this 3 year contract. Now, for the first year allocation Cupid has received 22% of the quantity from the export tender and like I mentioned the female condom from the JV is not included in this. So, 22% of the first year quantity and second and third year quantities have yet to be declared.
- Vaibhav Badjatya:** And how has been the pricing, I mean is the current tenders, in the current pricing lower than our last contract pricing? Or it was because more in line how was the pricing or it was more in line how has the pricing geared as compared to the previous?
- Om Prakash Garg:** No, this tender is about Rs. 2 per piece less i.e. Rs. 21 as compare to Rs. 23 per piece. However, Rupee has depreciated and some of that difference could be compensated.
- Vaibhav Badjatya:** So, you are saying constant currency terms it would be 21 as compared to 23 but because of Rupee had depreciated it can be somewhat compensated?
- Om Prakash Garg:** Almost the same.
- Moderator:** Thank you. Our next question is from the line of Chirag Khasgiwala, an individual investor. Please go ahead.
- Chirag Khasgiwala:** Sir, if you look at your past 3 quarters numbers, in the past 3 quarters the existing order of female condom from South Africa is continuously declining. So, do you think there is a risk at the existing contract of 100 crores which you received 3 years back is may not be honored and it can be subsequently cancelled and what gives you the confidence that the, if that happens then the additional order of 40 crores will also not be honored and it may be cancelled?



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Om Prakash Garg: First about the last tender which was for 3 years and the total value as you recall we had received was 105 crores and we have completed 98 crores worth of orders. So, only 7 crores worth of orders are remaining from the last tender which we are planning to dispatch during the second quarter, the extended deadline for the tender is September 30th. Now, coming back to the second part of your question, the government has committed 2.5 times funding for this next 3 years tender 2018 to 2021 in terms of number of pieces. Last time it was 54 million pieces of Female Condom, this time they are asking for 120 million pieces. Now, 120 million pieces are split like 40 million each of the 3 years and this 40 million is made out of 2 components. One is the imported portion like first year it is all 40 million is all imported and out of which we got that 22%. In the second year the joint venture quantity would be 16 million and imported quantity will be 24 million to make up a total of 40. In the third year, the local manufacturing will increase to 24 million and the tender business will be left with 16 million. In fact, under the JV terms and conditions being negotiated that JV contract is for a period of 5 years and government is committing to take of all the quantities they would be allocating. Of course, with the government budgets and especially due to political changes anything could happen but the government has assured us that they have secured the budget from the treasury and they intend to carry out this program. And as you may recall, South Africa has the largest number of HIV positives. The kind of bad news is that inspite of overall reduction in the number of new infections, the number of cases between the ages of 13 and 19 is increasing tremendously especially amongst the women there. So, from all the indication we have a government remains committed. However, we will see how it actually works out over the next 3 years.

Chirag Khasgiwala: Sir, going forward as you said that their last tenders that may come up from Brazil, South Africa, India but they are all for male condom. So, the product mix of your entire could be more skewed towards male condoms which could lead to contraction in the EBITDA margin?

Om Prakash Garg: No, we are continuing to expand the program for female condom as well, just this fourth quarter and the first quarter this year because of the special situation in South Africa and the fact that it is the tail end of the earlier 3 year period. The volumes and revenues are down from female condom. But like I mentioned going forward, the quantities are increasing and our overall revenues and profit from female condoms are expected to improve.

Chirag Khasgiwala: Lastly sir, what could be the capacity of the JV company in South Africa?

Om Prakash Garg: It would be 16 and 24 million pieces in tear two and three respectively for a total of 40 million. So, we are gearing for 40 million and then like I mentioned the contract maybe extended by 2 more years.

Moderator: Thank you. Our next question is from the line of Omkar Kulkarni, an individual investor. Please go ahead.



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- Omkar Kulkarni:** My question was regarding down grading of the female condom in US. What is the status on that sir?
- Om Prakash Garg:** Yes, unfortunately there is no update on that. Couple of weeks ago we had contacted the US FDA and they had mentioned that the decision is still under review. So, we don't know exactly when that decision will be taken but we are expecting it by end of September.
- Omkar Kulkarni:** So, you will be filing for the US FDA application after than only?
- Om Prakash Garg:** Yes, because we do not know all the rules and requirements for the new classification under class-II. If they equated just like male condoms we will be able to file the application pretty fast. But on the other hand, if they ask for a special clinical trial for female condoms even when they downgraded to class-II then we have to study the protocol for the clinical trial. But I would say this could all be achieved within a period of 6 months after the decision is announced by the US FDA.
- Omkar Kulkarni:** And this orders from South Africa for the second and third year and also for the joint venture when they will be announced?
- Om Prakash Garg:** They are saying next couple of weeks by end of the month. However, the government decisions could be delayed. But we are expecting it by end of August.
- Omkar Kulkarni:** So, for second and third year also you will be declared in this year only?
- Om Prakash Garg:** No, they will announce the quantities but that will be for second year and third year supplies.
- Omkar Kulkarni:** Yes, I mean if you get the orders, you will get the orders, right now only, right? The supply will be from second year and third year from your side?
- Om Prakash Garg:** Exactly, just like in the last 3 year tender we were given the quantity upfront at the beginning of the tenders and we had to supply that over the 3 year period.
- Omkar Kulkarni:** So, you expect that in a month or two?
- Om Prakash Garg:** Yes, I hope so.
- Omkar Kulkarni:** And you mentioned that you have the sole registration for these orders from within South Africa, that means you do not have any competition for those orders?
- Om Prakash Garg:** For the local manufacturing unit and nobody has applied, and we are the only one. That is what we have been told.
- Omkar Kulkarni:** So, there is no other local manufacturer also?



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- Om Prakash Garg:** Not for female condom. There are 3 for male condoms but nobody has it for female condoms and our understanding is that you need the technology and the trained man power in order to initiate the production there.
- Omkar Kulkarni:** So, you and your joint venture partner are the only ones who have those technologies?
- Om Prakash Garg:** Correct, right now.
- Omkar Kulkarni:** And another thing is that you mentioned that you have the capacities around 20 million but in the third year the quantity would be approximately 24 million. So, you will be hiking the capacity for that?
- Om Prakash Garg:** Yes, we are thinking along those lines because in the fourth year they are asking for 32 million from the local unit and in the final year 2022, they are asking for 40 million. This is the female condoms portion to be produced from the local unit there. So, yes we have to plan for a gradual increase in production capacity there.
- Omkar Kulkarni:** So, what will be the approximate cost for that, sir?
- Om Prakash Garg:** Initially it is about 5 crores and then we are still negotiating for the lease on the land and talking to the contractors for the construction. I think, the maximum total investment would be around 8 crores and we are 49% equity partner.
- Omkar Kulkarni:** Maximum investment would be 8 crores?
- Om Prakash Garg:** Right,
- Omkar Kulkarni:** For the whole, like for the 5 years you are saying?
- Om Prakash Garg:** No, for the capacity expansion.
- Omkar Kulkarni:** Which would take place after 20 million, right?
- Om Prakash Garg:** Yes, which will be in the year 2021.
- Omkar Kulkarni:** And what will be the investment right now, sir?
- Om Prakash Garg:** Right now it is about 2 crores, initial investment.
- Moderator:** Thank you. Our next question is from the line of Subu Murugesan, an individual investor. Please go ahead.



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- Subu Murugesan:** So, my first question was that you like mentioned before that the Cupid got 22% of the export tender, right. So, who got the remaining 78%?
- Om Prakash Garg:** 71% went to Female Health Company, we understand. And the balance 7% to HLL, the Chinese company did not receive any quantity.
- Subu Murugesan:** And then what was the split 3 years back?
- Om Prakash Garg:** 3 years back this split was, Cupid had received 80% of the 54 million and Female Health Company received remaining 20%.
- Subu Murugesan:** So, could you explain why it decreased? Because last time we received 80 and now we are down on the 22.
- Om Prakash Garg:** The main reason is we are concentrating on the more profitable segment in terms of the local manufacturing. We would not be able to supply 40 million from the local unit there and also 20 to 30 million from the export and we are getting royalty payment from there. So, we looked at the 2 alternates and our priority was to get the manufacturing rights there for 5 years. And we are looking ahead beyond 5 years because from that plant we intend to export to 16 neighboring countries in the sub-Saharan Africa. They are all looking for female condoms and if the numbers work out the production from this plant would be very much in demand in rest of Africa with reasonably good profit.
- Subu Murugesan:** And one another question I had was, you actually mentioned that the roughly revenues streams for the JV and one of it is been the first year, all the raw materials and even the product will come from Cupid. So, could you just expand on that basically, what is the quantity that has been supplied through the JV in the first year and what is the revenue that you are expect?
- Om Prakash Garg:** Revenue in the first year will come from 3 sources as far as Cupid is concerned. 16 million pieces of raw material exported from India. We would test them and pack them in bulk and would export. So, the revenue on that would be about same like we do it on the export tender say about Rs. 22 per piece. So, same margin of about 50% EBITDA. The second revenue would come from the sealing and the next operating phase from joint venture where we are getting about for each piece about Rs. 44 total from the government of South Africa. And then we have third element which is the royalty which would be about 3 crores in the first year of operation on the sale of 16 million pieces.
- Subu Murugesan:** And just like first year will start, I assume from October or November of this year is that what you mean by first year same from April next year?



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- Om Prakash Garg:** I am glad you have asked this question. Although the tender says October 01, 2018 to September 2021 in case of local manufacturing they are asking us to start supply from July 01, 2019 to June 30th 2021. It is about 3 months earlier.
- Subu Murugesan:** In like your previous call you had mentioned that the orders from South Africa had slowdown and we have lost some revenue in imports of Q3 of last year and Q4 as well. And you expected that, that revenue to be made up in Q1 and Q2 this year, right? Since you mention that we have about 98 crores of the 105 crores have been dispatch, I assume that the remaining 7 crores would be dispatched in this month and next month and then overall there are full tender amount of the previous tender would be completed. So, we would not have lost any revenue. So, like the revenue that we lost in Q3 and Q4 would be made up now, right?
- Om Prakash Garg:** Yes, we would with this 7-crore additional sale during this quarter we would have completed all our obligations of 104 crores commitment. Now, the reason I said, the orders have slowed down in the fourth quarter and first quarter is that the demand for female condom was there, however, they had run out of funds. In other words, we were expecting more orders beyond 104 crores for Cupid and the other reason is that they have extended their old tender. So, instead of starting from July 01 they have started it from October 1st although for female condom they are maintaining July 1st.
- Subu Murugesan:** And one final question is, given the split of that 40 million each year and the second year would be 16 million for JV and 24 million through export. So, in the 24 million export we do expect we might get a small amount, right?
- Om Prakash Garg:** Yes, the margin would remain what I have indicated. It has been around 50 to 55% EBITDA.
- Moderator:** Thank you. We will take our next question from the line of Narendran Ravi, an individual investor. Please go ahead.
- Narendran Ravi:** I could see from the sales breakup, the total revenue 20% of the total revenues from domestic markets. So, I would like to understand like what is the contribution of B2C business in this? And the next question is like did we achieve any net sales performance in the B2C segment from previous quarter?
- Om Prakash Garg:** In terms of the domestic production, we have 22% of our revenue coming from domestic sales, from 3 customers. We have two third-party job works we are doing for these companies and that business is expected to grow and we have been able to negotiate a little better price as compared to last year. The other activity in the domestic market is that we are manufacturing our own brand condoms both in male condoms and female condoms. Now talking about the brand, based on our last 6 months of experience we have concluded that an expensive advertisement campaign especially in the newspapers and television is not going to give us an adequate return. This has been proven by 2 recent launches, which had 10 crores to 15 crores



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of their advertising budget. So, we have changed our strategy. Now, we plan to expand our brand promotion through 3 distant channels. Number one, we have engaged a distribution company who would be doing it with their own sales force. So, Cupid does not have to employ many sales people. Second channel, we have decided based on our last 10 years of experience that there are some major wholesalers of condoms in the country mostly in the major metropolitan cities who are doing pretty good business to move the volumes. So, we were doing this before 2013 when the price control started and the margins at that time were better in exports. So, we had slowdown our domestic sales. Now, starting with this quarter we have resumed that channel and we are going to promote our brand in different parts of the country. Also we are launching our major brand which is the Cupid Angel for female condom and Cupid brand male condom. We are also launching 2 other brands in Male condom, one with the name of Fantasy and one Desire. We do realize that the brand promotion will be slow but I think looking at the cost benefit analysis this revised approach we have come up with, should give us good results. Our target is to achieve 10 crores of sales which would be about 10% of our topline in 2 years.

Narendran Ravi: You are saying that we were providing condoms for the third party vendors in the domestic market, right? So is it for male condom or is it for both male and female condoms?

Om Prakash Garg: We are open to take the business from both male condom and female condom customers.

Narendran Ravi: So, currently it is for male, sir?

Om Prakash Garg: Male. Currently it is mostly male, there is one discussion going on, the company would like Cupid to manufacture female condoms in their own brand.

Moderator: Thank you. We will take the next question from the line of Ashwin H, an individual investor. Please go ahead.

Ashwin H: Mr. Garg, just was wondering is there any way where you are already working on diversifying the source of revenue for female condoms maybe beyond South Africa in the immediate future. I think you are talking about expansion into Europe, any progress on that?

Om Prakash Garg: Yes, we have expanded our capacity for female condoms from 25 million to 52 million and the new markets we have just started to make inroads are number one in CIS countries and number two, through WHO-UNFPA orders. We are supplying female condoms into some of the African countries like Benin, Kongo, Nigeria and Cameroon but in limited quantities.

Ashwin H: By when can you expect, would you expect sizeable contribution from these diversification efforts?



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- Om Prakash Garg:** I would say it will take at least 2 years to realize full potential. By the way there is a big tender still under process for 30 million pieces of female condoms from government of Brazil. So, we are expecting the results of that by September end.
- Ashwin H:** And who else is in fray for that? How many people are in fray for that tender?
- Om Prakash Garg:** I think it would be the same 4 qualified people, Female Health, Cupid, HLL and the Sanghai company.
- Ashwin H:** And do you have any guidance for the year in terms of your revenues or what portion of the order book would you be able to execute and also what you are expected our bottom line would be?
- Om Prakash Garg:** Of course we would try to dispatch the maximum quantity out of our order book of 95 crores and we are working to improve our performance going forward and I expect an improvement of approximately 10% to 15% over the top numbers from the year just passed.
- Ashwin H:** And from a bottom line perspective, I mean do you think the current margins are sustainable or can you improve them?
- Om Prakash Garg:** We of course would try to increase it but certainly the current margins are sustainable. We are talking about it's the earnings per share Rs. 4. So, we hope to improve on that. But exactly what the projection would be its too early to really to say.
- Ashwin H:** Where I was going with that was in the balance 3 quarters, do you expect reversal and proportion of male and female condoms in anyway which might impact our margins in the remaining 3 quarters.
- Om Prakash Garg:** This current quarter like I indicated female condom component would be little lower but once we start the supplies from October on the new tender, so the latter half of the FY19 should be better. So overall, I would say that FY19 should have the same proportion of female condoms between 40% to 50% of the total revenue.
- Moderator:** Thank you. Our next question is from the line of Girish Vyas, an individual investor. Please go ahead.
- Girish Vyas:** What will be the payment term in all these South African order?
- Om Prakash Garg:** Normal payment terms are 60 days at the maximum but some of the people they would prefer to receive a cash discount and pay us in advance before dispatch and some are in between with 30 to 60 days credit.



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- Girish Vyas:** So sir, government will be taking any cash discount?
- Om Prakash Garg:** No, actually Cupid is not selling it directly to the government of South Africa. All the sales are going through our 4 local partners because the South African government regulations do not permit that they buy the products from a foreign company directly. It has to go through local agents.
- Girish Vyas:** And sir, second is regarding the silicon oil, right? Last concall you had said that month-on-month escalation. So any, sir your overview on that silicon oil as a raw material?
- Om Prakash Garg:** It is a really unfortunate situation because of the environmental concerns, several plants have been closed down in China and even 2 plants in US, so it seems like there is a serious shortage of raw materials being imported into India and there are only 3 major suppliers of silicon oil. So, like I had indicated last time the prices have gone up 40% in last 6 months and in this past quarter it has gone up above 15% yet again. We are hoping to get a break by maybe some alternate supply sources would emerge from these 2 countries, i.e., China and US.
- Girish Vyas:** And sir regarding the natural rubber, latex prices?
- Om Prakash Garg:** Our latex prices were favorable until the 4th quarter. During the 1st quarter the prices have increased about 5% to 7% up to say Rs. 104 per kilo for the double centrifuged latex which is used in the condom manufacturing. Last time it was more like Rs. 95 to Rs. 99 per kilo from January to March.
- Girish Vyas:** So sir, latex is being source from India only, right? We do not import?
- Om Prakash Garg:** No, we use to import no more and the reason is that the imported latex is more expensive due to heavy import duty and also there are some logistical problems delays in terms of landing at the Bombay port and then trucking it in. Quality of condoms coming out of Kerala is of excellent quality and I would say all the 12 condom manufacturers in India, they are using the domestic latex.
- Girish Vyas:** Sir, Brazilian order size, Brazilian order you said any approximate order value of that order?
- Om Prakash Garg:** No, like I mention the quantity in the tender is 30 million pieces and you can take about say Rs. 25 per piece minimum. So, that would indicate the total value and we hope to maintain the margins like we have been doing from South Africa.
- Moderator:** Thank you. Our next question is from the line of Shruti Patel, an individual investor. Please go ahead.



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- Shruti Patel:** Sir, I had a question on CAPEX. So, last time you had mentioned that you will be spending 20% of the capacity. This quarter you mentioned that we are expanding to about 40%. So, would the CAPEX be similar?
- Om Prakash Garg:** Yes, the CAPEX would increase from 7 Cr to 12 Cr.
- Shruti Patel:** Sir and just to clarify, you mentioned earlier on the call that initial CAPEX for the JV will be about 2 crores. So, this is for the 20 million pieces per year, is it?
- Om Prakash Garg:** Yes, this is just what we call secondary packaging. The reason the investment is rather low or seems low is that we are doing only the final feeling and packing all the raw materials including condoms and the other ingredients will be all dispatched from India. So initially that does not require any huge CAPEX.
- Shruti Patel:** Sir, but that will be only for the first year, right? From second year onwards when you are doing 24 million that will be from the plant in local plant right?
- Om Prakash Garg:** That is the plan, may be half will be done from here and last 6 months of the second year would start from there. So, our projection is that Cupid share would be maximum 8 Cr like I mentioned earlier.
- Shruti Patel:** Sir, my next question is on government of India was going to come out with a contract, right, in June?
- Om Prakash Garg:** Government of India has published 2 tenders, one in 2016-2017 about 450 million pieces and similar quantity in 2017-2018. So, they are trying to procure 900 million pieces during these 2 years. We understand that similar quantities would be required next year as well and just for the sake of information this 900 million, the government is purchasing only 25% of the total quantity they have allocated to the private manufacturers. The balance 75% of the allocation goes to the government company PSU which is HLL.
- Shruti Patel:** And in this 25% there are you mention there are about 12 players right?
- Om Prakash Garg:** No, but only 4 are qualified out of 12. That is where the advantage is for Cupid we have not only the quality and also the fact that we can provide full varieties but also we have the capacity and a competitive cost structure. But only 4 players are licensed by the government of India not the other 8.
- Shruti Patel:** And sir, my last question is on the advertisement you mention that you are going with advertisement new campaign 2-3 channels, so what would be the budget? I am sorry is that already mentioned but I am missed it.



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- Om Prakash Garg:** No, I have not mentioned. It will be about 1.5 Cr and I mentioned about distribution channel and I mentioned about the whole sale dealers. The third and important element is the digital marketing. We have been spreading awareness as you may know and last year we had covered only 1,100 postal codes as of June 30th. Now we have covered over 2,000 postal codes, spreading all over India. We dispatched about 4,000 pieces this past year and our projection is to expand it to about 25,000 pieces in the FY19. The big advantage of digital marketing is that its cost is very reasonable and the awareness program can be best achieved. So that is what we are going to concentrate besides selling our own products on Flipkart and Amazon directly. We have also expanded our products to the other market places. Like for example concombazaar.com and several others. So, our recent budget is rather modest at 1.5 Cr. We are going to rely heavily on digital marketing besides wholesalers and through distribution company.
- Shruti Patel:** Sir lastly on, you mentioned we got about 22% share of the first year exports contract right out of the 40 that was allocated. So, for next year you had mentioned that we will get, the exports will be about 24 and year after it will be about 16. So, would we expect similar share of about 22% or more?
- Om Prakash Garg:** We really do not know. The government of South Africa is emphasizing more production and more allocation from the local manufacturing and how they would like to divide we really do not know but we are hoping that our share would increase from the current 22%.
- Moderator:** Thank you. Our next question is from the line of Rudresh Kalani, an individual investor. Please go ahead.
- Rudresh Kalani:** I just wanted to understand where are we with CEO searching?
- Om Prakash Garg:** CEO, okay, since our last concall we have engaged a HR search firm and we have shortlisted 2 candidates and we are hoping to take a decision within a month on the CEO candidate.
- Rudresh Kalani:** And my second question is where do we stand on your other products like lubricant products, lubricant as well as hand sanitizer something like that?
- Om Prakash Garg:** There has been a slow progress in terms of commercializing both the lubricants as well as hand sanitizers. Now we are channeling these 2 products through the distribution company and also on the internet.
- Rudresh Kalani:** And my third question is, as we are celebrating 20th year of existence, are you thinking of rolling out any special dividend for the investor?
- Om Prakash Garg:** That is under discussion within our board.



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- Rudresh Kalani:** And sine you have guided on the revenue of somewhere around CAGR of 10% to 15% on the topline. So, I just wanted figures of revenue. Are we going to sustain revenue around 100 crores for the next possible 3-4 years?
- Om Prakash Garg:** Certainly, we will be over 100 crores, I hope and expect within the FY2020.
- Moderator:** Thank you. Our next question is from the line of Praveen Balachandra, an individual investor. Please go ahead.
- Praveen Balachandra:** Sir, you are mentioning about the new acquisition right of female health care company you said that you are looking for some new acquisitions, right?
- Om Prakash Garg:** Yes, we are studying a proposal to acquire a sexual health related product mix from a company and our discussions are continuing. We are definitely interested to acquire a business, related to women's wellness and sexual hygiene. But we have not been able to locate a suitable partner as yet.
- Moderator:** Thank you. Our next question is from the line of Vaibhav Badjatya from HNI Investments Please go ahead.
- Vaibhav Badjatya:** So, just a little bit outlook on the raw material crisis, in the latex and the rubber prices are lot of problems in Kerala around floods and everything. So, do you expect lot of troubles in raw material availability and what is the outlook on pricing due to these disruptions that has happened in Kerala?
- Om Prakash Garg:** No, it is a very practical question. We are concerned, however in the last 2 weeks, we had given advanced orders and our supplies should be okay at least for rest of August. Now, depending on how long the serious flood situation continues we may be impacted. But we are trying to take steps to reach for more suppliers. So, I hope that the situation can be managed.
- Vaibhav Badjatya:** And on this South African tender, we know that we have received this tender which is 22% of the overall quantity. So, is there any substantial price difference between what we quoted and what the competitors quoted and that is why we lost out? Or ...
- Om Prakash Garg:** I think, it seems the government thinking is that they would like to distribute the supplies amongst the top 2 manufacturers, i.e., Female Health Company and Cupid. So, in that sense if they give Cupid a bigger chunk of joint venture proposal the import portion may be allocated to the other party.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back to the management for closing comments. Over to you, sir.



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Om Prakash Garg:

I would like to thank all the shareholders for their continued support and trust in the management of the company. Also I would like to thank all the employees of Cupid Limited who have worked very hard and diligently throughout the year. I would like to assure all our shareholders that we are constantly working to improve the shareholder's value through improved performance. I would like to thank everyone for attending the Q1 earnings conference call and if there are any questions left out, we would welcome your queries and we would try to respond to them as quickly as possible. Thank you.

Moderator:

Thank you, Mr. Garg. Ladies and gentlemen, on behalf of Cupid Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.