



# CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 14<sup>th</sup> November, 2017

To,

Department of Corporate Services,  
BSE LIMITED,  
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Dalal Street,  
Mumbai – 400 001  
SCRIP CODE: 530843

The National Stock Exchange of India Ltd.  
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SCRIP CODE: CUPID

**Subject: - Conference call Transcript**

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q2 FY 2018 conference call which was hosted by the company on 9<sup>th</sup> November, 2017 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 Q2 FY ‘18 Earnings Conference Call”

**November 9, 2017**



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



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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Cupid Limited Q2 FY '18 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 the operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle. Thank you and over to you, Sir.

**Diwakar Pingle:** Thanks Lizann, very Good Afternoon to all of you and thanks for joining this Q2 FY '18 earnings call for Cupid Limited. We have mailed the press release and the results to you. I hope you have received that and we have also uploaded this on our website and the stock exchanges. To discuss the results and address the queries of the investors, we have with us Mr. Om Garg, Chairman and Managing Director of the company. Mr. Garg will give a brief overview of the quarter gone past and then we will open the floor over to Q&A session.

I would like to remind you that everything said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in the 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 website. With that said, let me hand over the call over to Mr. Garg. Over to you, Sir.

**Om Garg:** Hello, Mr. Diwakar, thank you very much. On behalf of Cupid Limited, I would like to welcome all of you for attending the second quarter FY '18 earnings conference call today. By now, I assume that most of you have looked at the contents of the press release we had issued last night and therefore, I will not go into all the details of the numbers which we have recorded there. However, I would like to mention some of the highlights achieved during the quarter and some of our plans going forward. To start with, the performance during the quarter was along our anticipated lines and we are encouraged that the business conditions going forward look very promising. In terms of the increasing demand worldwide for both male and female condoms, as compared to the very limited new capacity that is in the works on the supply side, so the overall situation looks quite optimistic.

Now, some of the highlights during the quarter which would continue in the third and fourth quarter and beyond were number one, we have an order of worth about 24 crores from the Department of Health, Government of India, and on all these points we will go into detail during the Q&A session. First one is the Government of India order, second one is that Cupid is going for expansion of facilities by 20% and these facilities should be producing additional revenue starting the first quarter of 2019. The third one is that we have an exciting opportunity in South Africa which has as you know the largest number of HIV positives and STI cases in the entire world. The opportunity is that in addition to continue to import female and male condoms and lubricants, the Government of South Africa has decided to offer some incentives for manufacturers like Cupid to



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set up a local manufacturing unit over there, and Cupid is excited to participate in both the tenders, i.e., the domestic import tender as well as the domestic local manufacturing unit.

The fourth project we had is the brand promotion activity which we had started about six months ago and we have made some significant improvements, however, as I have mentioned earlier this is a very challenging task. It would require lot of investments and will take three to five years to establish a brand with some reasonable revenue. Our target is to achieve about 10 crores of sales in next three years and in order to promote our brands, we have plans to use extensively digital marketing techniques and we are doing quite well with respect to the social marketing channels like Facebook to spread the awareness and Google to get the online orders.

The last thing I like to mention is that we have been doing some R&D in-house and we have developed some new products and now starting next month in December, we would start to commercialize these three products initially. Number one is to launch our patented male condom which is unique in design and offers extra sexual satisfaction. The second product is water-based lubricant jelly in form of sachet, and in form of tubes and bottles. The demand is growing for all the three distribution channels. The third product we are planning to launch in December is a specialized and innovative hand sanitizer which would also be sold in those three forms, i.e., sachets, bottles, and tubes, and we are hoping that with time these new products would add to our revenue streams. Right now, after these initial remarks I would like to open the session for Q&A. Thank you.

**Moderator:** Thank you. Ladies and Gentlemen, we will now begin the question and answer session. We will take the first question from the line of Tejas Gupta from Tamohara Investment. Please go ahead.

**Tejas Gupta:** Sir, what is the outlay that you are looking at for these B2C products in terms of marketing and promotion expenditure?

**Om Garg:** We are looking at about 7 Cr over the next three years.

**Tejas Gupta:** I presume a lot of it would be up fronted rather than back ended?

**Om Garg:** It is about 2 Cr in the first year and another 2.5 in the second year and the balance of 2.5 in the third year, and the reason we have limited this is that we are going to use extensively the digital marketing techniques because as you know the advertising and promotion in the newsprint as well as through the TV channels is quite a bit expensive.

**Tejas Gupta:** Sir, on the male condom side, the market is getting more competitive, we have just had one more new brand launched, how are you looking at that and does that lead to any change in strategy?

**Om Garg:** Yes, we are keeping a close watch on what the competition is doing in terms of brand promotion. Our strategy is little bit different in the sense that we are going to heavily promote female condoms



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which none of this other big players offer and also it has a high margin and less competitive product, and along with that we would also promote male condoms fully realizing that because of competition our bottom line would not be as attractive and that is one reason we are trying to keep the advertising budget to a reasonable level.

**Tejas Gupta:** Sir, secondly on the capacity expansion that you mentioned what sort of outlay would be made for that?

**Om Garg:** It is about 5.5 to 6 Cr in total including the import of machinery as well as the required infrastructure in our current facilities.

**Tejas Gupta:** This would be towards female condoms I would assume?

**Om Garg:** Female condoms we have been able to increase the capacity from 20 million pieces per year to 40 million already and since have developed a technique whereby the capacity could be interchanged between male and female condoms so depending on the order requirements at a particular time, we would use this extra capacity to do either female or male condoms.

**Moderator:** Thank you. The next question is from the line of OmKar Kurkarni, an Individual Investor. Please go ahead.

**OmKar Kurkarni:** My question was regarding the joint-venture setup in South Africa, how it would be advantageous to the Cupid?

**Om Garg:** There are two main advantages, number one is that the Government of South Africa has indicated that over the next five years, they would like to procure maximum quantities from the local plant there, so Cupid would like to get started on the very first year of operation. The second advantage is that the government will give a guarantee to take all the production from the new plant for a period of five years initially, and in addition they are providing several other facilities including subsidized credit facilities sponsored by the government there.

**OmKar Kurkarni:** Already we are supplying them from India right, so apart from this how it would be beneficial to us?

**Om Garg:** There are two phases as far as the local production unit there is concerned. In the first phase, starting from July 1, 2018, they would want most of the product to be imported from Cupid here in India and we will do only final sealing and packing, so we would get our regular revenue from that export of female condoms to that unit and second advantage is that the government has indicated that they would be willing to pay a little higher per unit price for the locally manufactured goods as compared to the imported products, and another important element is that Cupid would get a royalty in exchange for its patented technology.



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- OmKar Kurkarni:** What would be the percentage of that?
- Om Garg:** The royalty number we are looking at is about 5% of the selling price.
- OmKar Kurkarni:** Another thing, the special male product you have mentioned you are trying to develop that is starting from December onwards, the realization is similar to the existing ones that is Rs. 2?
- Om Garg:** We would try to get more than that may be Rs. 2.5 a piece, but it would depend how the reaction would be in the marketplace.
- OmKar Kurkarni:** Last one, you have done 42.5 Cr for the first half, right?
- Om Garg:** Yes.
- OmKar Kurkarni:** You have mentioned that we will try to execute around 70 Cr worth of orders in the remaining portion of the year?
- Om Garg:** No, what we have said is that we have an order book of 73 crores as of October 1 and out of that we would try to dispatch the maximum possible during the Quarter-3 and Quarter-4.
- OmKar Kurkarni:** That is the remaining half of the year, right?
- Om Garg:** Remaining part of this financial year, exactly how much in terms of quantity and value would be exported depends on several factors including the committed order at that time during the year, sometimes the customers will shift the requirements say from third quarter to fourth or even from March to first quarter of next year, so it is difficult to say how much we would do for the next two quarters. The minimum we would do is what we have done in the first quarter, but of course we will try to dispatch the maximum quantities.
- OmKar Kurkarni:** EBITDA will be the same, the margins for that?
- Om Garg:** The margins would depend on the mix now that we have more male condoms orders from this 24 crore order from Government of India, I think EBITDA would be lower than what we have done, 44% in the second quarter.
- Moderator:** Thank you. The next question is from the line of Ankit Kholi, an Individual Investor. Please go ahead.
- Ankit Kholi:** Sir, my first question is around the overall management bandwidth, you had hired a Chief Business Development Officer and also you are looking at getting orders from Central America, from Africa, there are orders from India and then you are also targeting the USFDA approval, so one is these things that Chief Business Development Officer is helping and secondly do you think the



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management has the bandwidth to sphere its operation in so many countries actively at this time or is that a challenge right now, how are things on that front?

**Om Garg:** First part of the answer is that yes, the newly hired Chief Business Development Officer is in place and he is spearheading all our marketing activities mainly the brand promotion project and in terms of trying to get the orders from these countries you mentioned most of these orders are coming through international tenders and Cupid has registered with all the agencies and through those, we are getting information every time a tender is published anywhere in the world. In addition, we have started to work with local partners to see if they can develop some new business not on the tender side, but also on the commercial market, and what we find is that especially in sub-Sahara Africa, the affordability is quite limited for the individual consumers to buy male or female condoms at the market price.

**Ankit Kholi:** My question really do you feel that there is enough management bandwidth to tackle all of this, to look at all of this and give it the right attention?

**Om Garg:** Yes, we do. We have three people in Nasik who are dedicated to marketing and we have three people in our Bombay office. Right now we do have, however, we are looking for an international marketing company with whom we could possibly tie-up for the new business; however, we have not been able to locate one as yet.

**Ankit Kholi:** Sir, my second question is around the South African bulk contract that we have which is close to 50% of our revenue if I get that right, so if I recall right in one of the previous conversations that you mentioned that the next time the contract comes up for renewal, the percentage of volume allocated to Cupid might go down, so do you think that pose a risk to the next let us say three to five year revenue forecast that Cupid has, am I reading this right or is there another way to look at it?

**Om Garg:** No, like I mentioned the next tender which is going to come out within one month's time, they would require the quantities to be about 75 million pieces as compared to 54 million pieces in the last tender three years ago and we are aiming to get at least 30 million out of that 75 million in the open competition.

**Ankit Kholi:** Last time we had like half of the 50, correct?

**Om Garg:** Last time we had 80% of 54 which was about 43 million.

**Ankit Kholi:** Going forward we are expecting 30 million?

**Om Garg:** Minimum 30, we will try for the maximum, our target is to get an order almost like 80% as we did last year, however, it depends on how the pricing is, how other people would bid on the tender.



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- Ankit Kholi:** In case that does not happen, if it is still let us say 30% or 35%, do you think that poses a material risk to the revenue growth of Cupid or do we have any backups in place or similar size contracts that we are bidding for if at all we are not able to get 80%, it will be good if we get there but if we are at let us say 30% that means the next order would be substantially lower than what it is, so do we have any backup orders that we are bidding for similar size?
- Om Garg:** First of all, we think we would get a fair share which is at least 30 million pieces and in addition we will get at least 10 million pieces from the South African project which Cupid would supply, so that 30+10 would make 40 million pieces which is almost the quantity we got in the last tender. Now in addition, there are some other tenders which are likely to come up including one from Brazil, one from USAID, one from Government of India, and one from CIS countries, so we are hoping that we would cash out on some of those tenders quantities as well.
- Moderator:** Thank you. We will take the next question from the line of Yash Joshi from Pico Capital. Please go ahead.
- Yash Joshi:** My question is related to South Africa project which you are planning to get it, if you can give us some guidance on the IRR and USFDA approvals are there?
- Om Garg:** The secondary plant which will go into production on July 1, 2018, does not require any WHO permission. The project goes full blast which would be on July 1, 2020. During that time, we have to apply to WHO to get the prequalification status.
- Yash Joshi:** One question was related to the royalty for patent, I missed out on the royalty amount which will be there?
- Om Garg:** We are negotiating the final percentage of royalty, but about 5% of the total selling price. Now each female condom there would be selling for about 35 Cents per piece, 5% of that would be about 1.75 Cents extra revenue because of royalty from the South African sale.
- Yash Joshi:** Sir, the new products which are coming up the hand sanitizer and water-based lubricant in form of sachets, tubes and bottles so that would be coming like from December this year or next year?
- Om Garg:** We would start the online selling from December this year in one month's time.
- Moderator:** Thank you. The next question is from the line of Subbu Murugesan, an Individual Investor. Please go ahead.
- Subbu Murugesan:** My first question is going B2C in India, as far as I understand the female condoms are probably been around in the US for quite a number of years now and I am not sure if even people in the US are buying these off the counter, so what makes you think that even after being in the US for so





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many years this product, when people are not buying it in the retail in the US people in India would spend and buy it over the market?

**Om Garg:**

First of all, the selling price in US was quite expensive \$2 to \$3 per piece and the alternate contraceptives available there mostly the oral pills they were cheaper than that, and therefore, the women in general they preferred the use of pill over the female condoms. In any case, they were selling about 6 to 10 million pieces in retail over in US. Now, as far as India is concerned we are looking at the population of say 1.3 billion and about half or 650 million are women, out of that about 280 million or 28 crores are between the reproductive age group of 14 and 49. We are saying even if there are 10% of those, we can convince them to use or at least try, we are still looking at a large number of 3 crores. There are three target groups anywhere in the world including India. The first is the sex workers, there is a demand and in India right now the women there have no alternates, they have to depend whereas the men have condoms when they come for sex or not, so they are exposed and surveys have shown that they would be willing to use female condoms, and hopefully, they would expect a subsidized price through NGOs or through Ministry of Health.

The second target group we have are the teenagers who are indulging in casual sex more and more at a younger age, and the third target group are the middle-aged, educated working women and like I mentioned in previous calls, we did a small survey in the Bank of Baroda building and UTI building in Bombay and 93% of the working women in the office, they said they liked the idea of female condom which gives them the control and protection against HIV and also protection against unintended pregnancies, and they showed their inclination that they would be willing to try female condoms. Based on all these factors and based on some of the surveys we have done again in the Bombay area talking to 10,000 women last year and our promotion during the two Navaratri festivals, we decided to take on this business challenge and some of our expectations are coming out quite nicely. One indication is from the sale of female condoms online, we are selling through Flipkart and Amazon and now we are spreading the awareness through Facebook and we have a direct channel on Google where people can put the orders for female condoms. Volumes are not very big, but the message is spreading. Like in the last quarter, we sold about 1200 pieces mostly one-piece orders where people are just trying to find out what it is and how useful it is and we increased our spread to 50 new towns, so now we have sold it to a 350 towns in total all across the country from Guwahati to Kutch and Jammu to Kochi.

**Subbu Murugesan:**

What is the price at which you are selling this in India?

**Om Garg:**

In India it is Rs. 50 per piece.

**Moderator:**

Thank you. The next question is from the line of Prachi Dave, an Individual Investor. Please go ahead.

**Prachi Dave:**

I had a question regarding ISU partners, there was something mentioned that Cupid approached the ISU for manufacturing its condoms, so is there any notification on this or not?



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- Om Garg:** Madam, we have had some correspondence. They have offered their three patented female condoms and we are looking at their proposal, nothing is final and as soon as some decision is taken, we will of course report it promptly through the stock exchange.
- Prachi Dave:** One more question regarding your South Africa, the compensation till now was in US dollars, so from like the new one would be in South African Rand or in US dollar itself, the one where you will manufacture locally?
- Om Garg:** The one we manufacture over there would be in South African Rand, their local currency, but they have assured us that they would provide enough foreign exchange reserves to take care of the input, which is the raw material which are not available there, for example, latex.
- Prachi Dave:** We will have to secure ourselves on the foreign exchange fluctuation there?
- Om Garg:** Yes, the Government would make sure that out of the all the revenues we get in Rands, part of that is available in US dollars.
- Moderator:** Thank you. We will take the next question from the line of Ashwin H., an Individual Investor. Please go ahead.
- Ashwin H.:** I joined a little late so if it is a repeat please let me know and I will listen to the con call. Basically at the end of Q1, the confirmed orders were 103 crores and as of now the confirmed orders are 73, so the difference is 30 crores and I think you booked a revenue of 22 crores, so I was just trying to understand I would have assumed the difference would have been on the book, so how do I reconcile the numbers?
- Om Garg:** It is a good question, yes, we did have an order book of 103 crores in the last quarter and we dispatched 22 crores, so we are left with 81 crores backlog of the orders, however, some of the orders we had anticipated during the second quarter were not confirmed, so now we are reporting 73 crores worth of orders and not 81.
- Ashwin H.:** The second was I think two or three con calls that you had said that there is some initial exploration on the USFDA approval, so just wondering what has been the progress on that over the last six months and if there is any going forward timeline for some concrete outcome on the same?
- Om Garg:** We have made like I reported during the last quarter conference call, we have completed all the modules for the premarket application service for the USFDA registration. Now, we have written to the FDA to guide us in terms of the protocol for the clinical trial to be done in US under US regulations. We now suspect that it would be between nine months to 12 months from the time we receive the guidelines from USFDA. Another related development in this respect is that the USFDA is considering downgrading the classification of female condoms from Class III to Class II, which is just like male condom. If that happens, we are suspecting that the clinical trial



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requirements may also be eased out, so all that we should know by end of the year or in early January.

**Moderator:** Thank you. We take the next question from the line of Hardik Solanki from MoneyBee Investments. Please go ahead.

**Hardik Solanki:** Sir, with regard to expansion plan of 20% capacity, will these be in male condom or female condom?

**Om Garg:** This 20% capacity can be used for either male or female condoms depending on the order book.

**Hardik Solanki:** Do we have the land bank or enough area for expansion or whether we are Greenfield expansion?

**Om Garg:** It would be using our existing facilities, but on the top floor of our building, same overall facilities, but 3000 square feet available on the rooftop.

**Hardik Solanki:** Okay, what would be the estimated cost for this expansion?

**Om Garg:** This would be about 5.5 including the import of machinery and the related infrastructure facilities.

**Hardik Solanki:** What is an estimated cost of the expansion?

**Om Garg:** It is 5.5 to 6 crores, total cost.

**Hardik Solanki:** What is the market share in female condom in Indian market and across globe?

**Om Garg:** Condom share in India for Cupid?

**Hardik Solanki:** Yes.

**Om Garg:** There are no statistics available on the total in all the segments, the branded and the non-branded area and for World again it depends what are the procurement, what is the total quantity, I would say we are about 5% of the World's supply right now.

**Moderator:** Thank you. The next question is from the line of OmKar Kurkarni, an Individual Investor. Please go ahead.

**OmKar Kurkarni:** Regarding the South African order, what would be the probable joint-venture like the contribution?

**Om Garg:** The total cost for the entire project including the primary manufacturing to secondary manufacturing for all the three products, i.e., male condoms, female condoms, and lubricants is about US \$8 million, but just for the secondary plant which is starting in July, it is about 676,000 USD which comes to about four crores,



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- OmKar Kurkarni:** What will be the profit sharing ratio in this venture?
- Om Garg:** It will be 51% South African, by law if they have a black company with women as the director and under the age of 35, they have to have a 51% share and Cupid would then have 49%, the balance.
- Moderator:** Thank you. The next question is from the line of Tejas Gupta from Tamohara Investment. Please go ahead.
- Tejas Gupta:** Sir, on the female condoms that you have sold in India, do you have any statistics, if there any repeat orders and what percentage of those orders would be repeat orders?
- Om Garg:** There are about 15% of the orders are repeat, however, we are contacting all the people who have bought from us kind of sending them reminder emails requesting them to try to repeat their orders if possible.
- Tejas Gupta:** Sir, on the quarterly results the water-based jelly revenues are down on a quarter on quarter basis, any particular reason for this fall?
- Om Garg:** The reason is that some of the tenders which we were expecting have been postponed and most likely they will come now in the fourth quarter.
- Tejas Gupta:** Sir, any update on the wet wipes?
- Om Garg:** Wet wipes we are still looking at it, we are working on two wipes, primarily, one is the alcohol-based wipe and the other one is this Benzocaine wipes which is to slowdown the premature ejaculation, so this would be ready in about three to four months time. Hopefully by the time of next conference call, we would have some good news on these.
- Tejas Gupta:** You would go on your own, you are not looking at a tie-up now?
- Om Garg:** Most likely not because the cost of manufacturing is lot cheaper if we do it in India.
- Moderator:** Thank you. The next question is from the line of Chirag Khasgiwala, an Individual Investor. Please go ahead.
- Chirag Khasgiwala:** Just wanted to know any update on the new CEO?
- Om Garg:** Unfortunately, there is no candidate yet been selected. We have interviewed few more in last three months, but the qualification and the experience and the leadership quality we are looking for have not been located yet in any of these candidates.



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- Chirag Khasgiwala:** Regarding your South African order which is expected to come in December, 75 million pieces, so whatever quantity you win from that order, everything will be supplied from the South African JV or it will be supplied from India as well?
- Om Garg:** First of all the 75 million tender is going to be published in December, the order will be finalized sometime in March and the deliveries from that they will start from July 1 and they will all be done from India because just to recall, the current three-year tender ends on June 30. We still have about 23 crores worth of material to be shipped in third or fourth quarter and the April June quarter of next year.
- Chirag Khasgiwala:** From first July we will be supplying still from India or do we supply from the South African JV?
- Om Garg:** This import tender I am talking about the 75 million pieces tender that will all be done from India 100%.
- Chirag Khasgiwala:** The entire profit share of contract will belong to Cupid?
- Om Garg:** Exactly.
- Chirag Khasgiwala:** When this JV plant is expected to start, the South African plant?
- Om Garg:** The secondary plant is supposed to start from July 1, 2018.
- Chirag Khasgiwala:** For that, there will be additional tendering will be done?
- Om Garg:** Yes, that will be a separate tender, so the government will be coming out with two tenders, one to import from India and the second one will be from the local plant, procurement from the local plant there.
- Moderator:** Thank you. We take the next question from the line of Ashwin H., an Individual Investor. Please go ahead.
- Ashwin H.:** In terms of the 73 crores current order that you have in hand what is your expectation and how much you will execute by the end of the year and again a link to that is what is your overall revenue guidance now for this year?
- Om Garg:** Like I mentioned, we would match at least the first half performance which would bring us to about 85 Cr and we are looking at least 10% additional, maybe even 15%, so the total could be about 93 to 95 Cr, but it all would depend on the scheduling of the orders. Sometime because we do not get the test results from the lab, we are unable to dispatch it as scheduled, so there could be a shift or delay by month or two.



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- Moderator:** Thank you. The next question is from the line of Hardik Solanki from MoneyBee Investments. Please go ahead.
- Hardik Solanki:** There is an investment of 91 million in non-current investment, so can you just specify, it is an investment relating to what?
- Om Garg:** We had cash reserves of 19 crores at the last report, now we have improved the balance. Right now, we have about 14 Cr in investments in mutual fund and in corporate bonds and we have about 13 Cr in our cash reserves so that 19 crores has moved up to about 27 crores as of September 30.
- Hardik Solanki:** Have we incurred any CAPEX during first half of FY '18?
- Om Garg:** Only about 1.25 Cr so far.
- Hardik Solanki:** It was relating to?
- Om Garg:** Mostly it is purchase of the sealing machines.
- Hardik Solanki:** Why we are seeing the finance cost is negative if you look at the P&L part?
- Om Garg:** This is related to the interest we have earned on all our savings. The actual finance charge is minimal. We borrow sometime against our credit line, but the main reason is that we have earned the interest rather than finance charge like we usually show.
- Moderator:** Thank you. The next question is from the line of Ajitesh Jaiswal, an Individual Investor. Please go ahead.
- Ajitesh Jaiswal:** My question is regarding your South Africa JV where the production is going to be next year, so how do you see your projected EBITDA margins for the next year for FY '19 onwards considering that you know once the localized production starts from there, the imports are going to come down?
- Om Garg:** The imports will continue for a period of five years, bulk of the supplies would still be through imports. The purchase is from the local unit would be maximum 10 million pieces in the first two years and the impact on overall EBITDA is difficult to predict at this point because we do not know the final mix between the male condoms and female condoms, our objective is of course to maintain the EBITDA at plus 35% level.
- Ajitesh Jaiswal:** My next question is regarding the royalty that you are going to get, so this is over and above what you are going to get from your share of profits 49% or is it included in that?
- Om Garg:** No, this will be over and above.



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**Moderator:** Thank you. We take the next question from the line of Subbu Murugesan, an Individual Investor. Please go ahead.

**Subbu Murugesan:** One question I had was regarding South African JV again, so you previously said that you would invest about 8 million USD in this venture, so I am just wondering what sort of profit per year do you expect once everything is stabilized, just so that I am just trying to calculate what your return on investment would be, and my second question is if we are putting 8 million than is the other joint-venture partner also going to put in about 8 million?

**Om Garg:** Actually, the 8 million number is for the total project including the primary manufacturing which will start in three years from now and it is for all the three products, male condoms, female condoms, and lubricants. The proposal is that out of 8 million about 60% will be the debt to the local company there, so 4.8; balance 3.2 will be split between the two partners which Cupid share would be about \$1.6 million which is about 10 crores. This will be at the end of the third year and we are expecting a 20% return on this investment.

**Moderator:** Thank you. We take the next question from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

**Riddhesh Gandhi:** Just another question regarding the South African JV, just that I understand the business which was earlier we would get 100% of the EBITDA, going ahead now we will be only entitled to half of that and if the margins would be the same would the actual absolute EBITDA review because it is now through a JV?

**Om Garg:** Again, we have to split the exports from the JV, export business will continue, and percentage of EBITDA would remain as current and the quantity will determine the exact amount of EBITDA, so there would be no negative impact of the local unit. Local unit will be standalone and would be profitable by itself, so that will be additional revenue for Cupid and it will not impact on the EBITDA from the exports we do like we are doing. The only numbers we do not know is what quantity we would get out of the new tender.

**Moderator:** Thank you. The next question is from the line of OmKar Kurkarni, an Individual Investor. Please go ahead.

**OmKar Kurkarni:** Would it be possible to share the South African partner?

**Om Garg:** It is one of our current agents we have been working with him for last five years and we had a choice out of the three and we have selected this one.

**OmKar Kurkarni:** How is their position in South African market?



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- Om Garg:** They have good experience in terms of distribution of contraceptives and they have close working relation with the Ministry of Health there and Ministry of Treasury there. The father of the joint-venture partner was the Chief Medical Officer within the Government of South Africa, so they are well connected in terms of the, I would say bureaucracy there.
- OmKar Kurkarni:** The second question is your domestic percentage in overall revenue has gone up from 16% to 20%, so this contribution has come from the retail sales, that is B2C sales or any other thing?
- Om Garg:** In the last quarter we had about 20% domestic and 80% from exports.
- OmKar Kurkarni:** I am talking about from year-to-year comparison?
- Om Garg:** Year-to-year the additional sales partly has come from the domestic sales and partly the order from the international NGO under the third-party job work, those quantities have increased.
- OmKar Kurkarni:** The addition from retail portion is quite negligible in this?
- Om Garg:** Yes, in the last quarter it is quite negligible.
- OmKar Kurkarni:** Mainly this is contracting work, right?
- Om Garg:** Correct.
- Moderator:** Thank you. We take the last question from the line of Hardik Solanki from MoneyBee Investments. Please go ahead.
- Hardik Solanki:** As we are saying that at the end of third year there will be an investment of 10 crores, so my cash flow would be in third year, right?
- Om Garg:** Yes.
- Hardik Solanki:** Even the order inflow or cash generation or revenue generation is from the third year?
- Om Garg:** A bulk of it, we would start revenue generation from next July 1 from the secondary plant, but the revenue generation from the total project would start from three years.
- Hardik Solanki:** The secondary manufacturing unit and the other manufacturing unit with South Africa would be different altogether, right?
- Om Garg:** Yes, it would be at one location, but most of the material will be almost fully packed from Cupid. The only thing we would be doing there is to do the final sealing and packaging, so there is minimal work there, but the revenue would start.





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**Hardik Solanki:** Secondary packaging would be 100% with Cupid, right?

**Om Garg:** It will be joint-venture over there.

**Hardik Solanki:** Okay, 51 and 49, right?

**Om Garg:** Correct.

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

**Om Garg:** Thank you very much. We appreciate all your input and suggestions made during the conference call. If we have left some questions unanswered, please do feel free to write to us and we would be glad to provide you the information. Again, our objective at Cupid has been to improve the working of the company and try to increase the shareholders value at all times through new ideas, through improvements in the existing business and to manage the facilities as strictly as possible in terms of cost control, so again I would like to thank all the shareholders who have stood by us over the years especially during our lean years say 10 years ago. Also, I would like to thank board members of Cupid Limited and all our employees who have dedicated and hard work to achieve all the results that we have just reviewed. Again, thank you very much and we welcome your comments if you have any going forward.

**Moderator:** Thank you. Ladies and Gentlemen, on behalf of Cupid Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.