



CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 18th May, 2018

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
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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 Q4 FY 2018 conference call which was hosted by the company on 15th May, 2018 at 4.00 p.m.

This is for your records.

Kindly acknowledge the receipt.

Thanking You.

For CUPID LIMITED

Saurabh V. Karmase



Company Secretary and Compliance Officer

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“Cupid Limited Q4FY18 & Full Year FY18 Earnings
Conference Call”

May 15, 2018

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



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Moderator: Ladies and gentlemen, good day and welcome to the Cupid Limited Q4 FY'18 & Full Year 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 an operator by pressing '*' 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: Good Evening to all of you and thanks for joining this Q4 & Full Year FY'18 Earning 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 & Managing Director of the company. Mr. Garg will give a brief overview of the quarter gone past and then we will open the floor to Q&A Session.

I would like to remind you that everything is said on this call that reflects any outlook for the future 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 our web site.

With that said, let me hand over the call to Mr. Garg.

Omprakash Garg: Thank you, Binay. Good Afternoon, Ladies and Gentlemen. On behalf of Cupid Limited, I would like to welcome all of you to the Fourth Quarter and FY'18 Earnings Call for Cupid Limited.

As Binay has mentioned, we hope that by now you have seen the results which we had published yesterday after the board meeting. I would not go into all the detail about the numbers except to say that the results were highly impacted by the political upheaval in South Africa whereby the funding for HIV and female condom procurements were drastically reduced resulting in less orders for Cupid during the quarter.

The second important consideration impacting on the results is the mix of our two products, low margin male condoms and high margin female condoms. Male condoms were sold in higher proportion as compared to volume of the high margin female condoms resulting in reduced EBITDA level.



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The third consideration is the result of shifting some of the dispatches for the male condoms for supply to the Government of India. So all these three reasons impacted both on top and bottom line numbers.

One more thing I would like to mention is that in terms of dividend, in FY15-16, we had paid out 35% or Rs.3.5 per share and last year in '16-17 we had paid 40% or Rs.4 per share. This year in '17-18 we had paid Rs.2 per share as interim dividend after the second quarter results and yesterday we had declared Rs.2.5 per share additional as a final dividend, bringing the total for the FY'17-18 to Rs.4.5 per share which is the highest dividend your company has ever paid to the shareholders.

Now, I would like to open the conference for "Q&A Session."

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 Devraj Rara, an individual investor. Please go ahead.

Devraj Rara: Can you please guide on the Competition Commission of India pending order against some contraceptive companies where Cupid is named in that order, but the final order has not been passed, that is what?

Omprakash Garg: No, we are not aware of the final order; we have had no information to that effect.

Devraj Rara: So can you please let us know the background on why Cupid has been named in the report?

Omprakash Garg: Yes, there was a tender where Cupid along with others had submitted bids back in 2011 and a few months back we had received a notice to furnish all the information we had submitted for the tender at that time which we did and we have not heard any particular judgment on our presentations, we are still awaiting the outcome.

Devraj Rara: As a shareholder, will it impact Cupid or what is your take, sir, on this?

Omprakash Garg: we don't believe so as we have used a standard bidding process.

Devraj Rara: Second question is regarding that United Nations aid, right, which they give it to the South African companies. Will there be any impact from the Trump policy?

Omprakash Garg: Basically, President Trump has reduced the funding for international aid including Africa. But we believe the worst is over and some of those funds it seems are coming back.

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



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Ashwin H: Mr. Garg, two things which are conspicuous due to their absence in your press release in the US FDA update and the update on release of new products or launch of new products. On this the launch of new products I think you were getting into an agreement with the distribution company and that is what was mentioned in the last concall. If you can update us on that and when is the launch expected to happen and the modalities of the launch? Second, is the USFDA approval for female condom not happening because it is not classified under Category-2 or what is the update on that?

Omprakash Garg: The update on USFDA classification is that by February 2nd USFDA had received all the filings from interested parties expressing their views about reclassification of female condoms from Class-III to Class-II. The decision is still under review. We do not know exactly when the results would be announced. Now, in terms of the launch of the new products and the distribution option, we are still negotiating with the distribution company. Earlier we had discussed with another company, but we could not come to an agreement. As soon as we finalize the arrangement, we would initiate the launch of these products. It could still take about three months to get going.

Ashwin H: And then this means like we will get quite a few headwinds from a macro perspective. So what is your view on how it is going to pan out in the next six to twelve-months because it is kind of conflicting or at least my understanding was not clear when I read the press release. The South African government has significantly reduced its budget, but then you are also talking about South Africa being a significant opportunity in the coming year. That along with the Government of India orders, what is your outlook on the next year and like in the past would you give any revenue guidance for the coming year?

Omprakash Garg: The situation during the quarter just gone by was due to that political turmoil where the HIV funding was diverted to other social programs and the result was fewer orders were issued to manufacturers like Cupid, impacting on our performance. The reason we are more optimistic going forward is that, South Africa in their new tender bids, have increased the allocation to about 120 million pieces of female condoms over three-year period as compared to only 54 million pieces in the 2015 tender. It seems they have lot more funding available going forward. In addition, they are also calling for import of 600 million pieces of male condoms each of the three years. So we believe this is the largest single order from any international agency and that should provide wonderful opportunities for us as a manufacturer of both male condoms as well as female condoms. The revenue guidance would depend entirely on the quantity of the order we receive from this new tender. We expect a reply by end of June when the current tender expires, and then they would be asking for supplies from the new tender. So in the absence of those quantities and those indicators it is difficult to forecast a number for the coming year.

Ashwin H: The next question was really around competition in the South African context. Compared to last time what is the competitive intensity for the new South African tender or what do you



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expect it to be? Linked to that you were talking about South African joint venture, what is the status of that and will that be of any advantage here?

Omprakash Garg: We expect about 30% of the quantity to be allocated to Cupid for the import part of the tender. Now, as a part of the same tender, the Government of South Africa has requested manufacturers to participate in the bidding process for local manufacturing unit in South Africa and Cupid has submitted its bid and the results will be announced along with the tender results which are expected by June-end. We believe we have a fair chance because we do have all the required qualifications and certifications plus we have a record of supplying 80% of the tender quantities during the last three years and we have on time delivery record as well.

Ashwin H: Finally, what was the average capacity utilization for the year gone by and when will your new capacity be up and running in the current year?

Omprakash Garg: For male condoms during the year we operate at about 90% of the capacity and for female condoms we operate at about 95%. For the new capacity, we have ordered all the machineries and some of them have arrived and few have been delayed. So we expect in the second quarter our additional 80 million production capacity would be operating and by that time we are hoping that the results from the new Government of India tender as well as these 600 million male condoms tender from South Africa would also be announced.

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

Omkar Kulkarni: Can you give us the update on why it is taking so long to get a new CEO on board as well?

Omprakash Garg: We have been trying constantly, the main problem seems to be the kind of qualifications we are looking at which includes FMCG background, marketing experience both international and domestic and also someone who has experience in the leadership experience to lead the team. Another hurdle we have been facing is that one or two of the candidates are not willing to shift their families to Nasik and the business has to be run from our factory and offices here.

Omkar Kulkarni: What is the outlook on that sir, like when ...?

Omprakash Garg: Outlook for that is we are going to look for another HR agency and double up our efforts to get few more candidates for interview.

Omkar Kulkarni: So would you expect that a new CEO on board this financial year?

Omprakash Garg: We hope so, if it takes us three months to identify the candidate and for him or her to join in another three months we should be all set during this financial year.



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- Omkar Kulkarni:** When you mentioned like the tendering worth 120 million pieces, last time you garnered the share of somewhere around 80% of that order, right?
- Omprakash Garg:** In the last South African tender, we got 80% of the tender quantity.
- Omkar Kulkarni:** So, are you underplaying yourself by mentioning that you will get 30% only this time?
- Omprakash Garg:** This time there are more potential bidders as opposed to only two back in 2015 and the reason for mentioning 30% is a conservative number. Of course, we are hoping that we would get more.
- Omkar Kulkarni:** What was the per piece realization at that time sir?
- Omprakash Garg:** It is anywhere from 30 cents to 34 cents per piece.
- Omkar Kulkarni:** You have mentioned that orders from Government of India have been shifted from fourth quarter like so when we can expect those orders sir?
- Omprakash Garg:** We are still expecting to hear from them, unfortunately it is taking too long and we think it should come before the end of the quarter.
- Omkar Kulkarni:** Out of those 120 million pieces which would be tendered, you said 30% Cupid would get, right?
- Omprakash Garg:** We are hoping, yes.
- Omkar Kulkarni:** But with the JV coming with another South African company, how much additional we can expect sir?
- Omprakash Garg:** The JV production would start in the second year in '19-20 and we expect 50% of the JV quantity which is 20 million each year. Therefore we expect additional 10 million from the JV. In addition, we have negotiated a 5% royalty payment on the invoice value of the production there with our partner. That would be an additional revenue to Cupid.
- Omkar Kulkarni:** The result would be out by June end?
- Omprakash Garg:** We do not know for sure. We are hoping that as soon as they finalize their decision, they would announce it, as this current contract expires on June 30th. So normally the new contract should be in place and the supply should start from July. So that is what we are hoping, but we have no definite indication on the date of announcement of results.
- Omkar Kulkarni:** But it should be out before July, right?



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- Omprakash Garg:** We hope so. For us sooner it is, better it will be.
- Moderator:** Thank you. We will take the next question from the line of Kshitij Verma, an individual investor. Please go ahead.
- Kshitij Verma:** I just wanted to understand the recent USD rates depreciation which we have seen; will we get the benefit in margins for that?
- Omprakash Garg:** Yes, we did. I believe for this entire year we had the benefit of about Rs.84 lakhs.
- Kshitij Verma:** Sir, I wanted to understand what is your hedging policy when it comes to your input prices?
- Omprakash Garg:** In terms of the raw material, we do not have any hedging policies in place. The main reason is that the latex prices are not fluctuating as much to kind of consider the hedging mechanism. For incoming foreign exchange funds, we are considering a hedging strategy hopefully over the next few months.
- Kshitij Verma:** Sir, could you give us any update on the Nigeria market?
- Omprakash Garg:** Nigeria market is quite big. As you know largest population on the African continent is something like 175 million people. We have received a fairly large order which we are currently working on and it should be shipped partly in June and balance in July. The demand for female condoms is also increasing there but it has been slower than the requirements for male condoms.
- Kshitij Verma:** What about the competitive intensity in the Nigeria market?
- Omprakash Garg:** There are two platforms; some of the customers there, they are looking for lower price from manufacturers like China. Going forward, the trend seems to be even for the government and NGO requirements to go for good quality condoms and these are of course more expensive. So I would say that the market for products from Cupid would be in demand much more than in the past.
- Kshitij Verma:** In the current financial year, will we see more share of sales from high margin products let us say hand sanitizer or water-based jelly?
- Omprakash Garg:** Like I mentioned earlier, we are yet to launch this through the new distribution agency, we are currently negotiating with. We do expect some higher margins from the variety of male condoms we would be selling. Cupid offers a wide variety of male condoms in the market. There are over 50 varieties based on the width, texture, different colors and different flavors. We receive premium for some of these additional ingredients. Recently the South African requirement is also calling for more colored and flavored condoms. Recently, Cupid has



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registered many of these new varieties and we hope to earn some additional revenue from these varieties.

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

Shruti Patel: I wanted to ask on the order book. So you mentioned there is Rs.63 crores of order book as of this quarter. So if you can give us the composition between the male and female condoms and the timelines for meeting this order book?

Omprakash Garg: About 50 million out of 63 million order book is for male condoms and 13 million from female condom. The reason for that is we have not received any allocation or orders from this big South African order we talked about earlier. So this 63 million we will be able to dispatch in next two to three quarters. In the meantime, we are hoping for additional female condom orders from South Africa and male condoms from Government of India. So the order book during the quarter should further improve.

Shruti Patel: Just to clarify, this is Rs.63 crores, right, for you?

Omprakash Garg: Yes, as of March 31st, we have confirmed and repeat orders worth Rs.63 crores.

Shruti Patel: Another question on contract manufacturing. So last quarter you had mentioned that a pharma company had given initial order of Rs.2 crores and this year you expect about Rs.15 crores from them. So is there any update on that? And then you also mentioned in the press release that there are two new orders on contract manufacturing. So can you guide us on that?

Omprakash Garg: The pharma company has given us a repeat order and we expect repeat orders throughout the year. So that is one update. The other job work is from a Dubai-based company, they have launched male condoms in their brand. We have received three orders from them in the range of 20-30 lakhs.

Shruti Patel: What is sort of margin in contract manufacturing business?

Omprakash Garg: About 10-15%.

Shruti Patel: Our EBITDA margins ballpark number for our female and male condoms would be?

Omprakash Garg: Normal EBITDA margins for our female condoms is between 45-50% and for male condoms more like in the range of 10-15%.

Shruti Patel: The total capacity right now is 400 million, right?



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- Omprakash Garg:** Yes, current capacity is 400 million which is a mix of male condoms at 325 million and female condoms of about 25 million which is equivalent to 75 million for male condoms. So this 400 million capacity would be expanded to 480 million. We do have the flexibility to use our capacity either for male condoms or we can switch to produce female condoms depending on our order situation.
- Shruti Patel:** The ratio between male and female is about 1:3, right?
- Omprakash Garg:** Yes, because of the design and the size of the product, it is about 3:1.
- Moderator:** Thank you. We will take the next question from the line of Ankit Kohli from Pure Research. Please go ahead.
- Ankit Kohli:** Sir, first my question is a follow up on the South African tender. So last time you mentioned between the 80 million and 40 million pieces from import and local production. We are hoping to get like 25 million to 30 million after the 20 million out of the 40 million pieces order. So I am assuming that guidance still holds, is that the right way to understand?
- Omprakash Garg:** Yes, that is our estimates are based on.
- Ankit Kohli:** Now you mentioned that there is also 600 million pieces of male condoms. So what are we hoping to garner there out of those 600 million pieces?
- Omprakash Garg:** We are looking at about 100 million pieces for male condoms to supply to South Africa per annum.
- Ankit Kohli:** The realization there are also like 10-15% EBITDA for the South African order also on male condoms or are they higher?
- Omprakash Garg:** Male condoms are slightly higher, more like 10-15% depending on what are the variants they would ask. If they ask for more colored and flavored condoms, the margins are little better than the normal lubricated male condoms.
- Ankit Kohli:** Sir, we have also mentioned that we are seeing some demand trends from African countries and other countries. In terms of revenue percentage, what is the contribution of South Africa and what is the contribution of India and then what is the contribution of all these remaining countries to our revenue pie?
- Omprakash Garg:** In terms of female condoms, about 85% of the demand is coming from South Africa and another 10-12% from WHO and UNFPA and the balance 3% from countries like CIS -- Uzbekistan, Kazakhstan. In terms of male condoms, we have not supplied much quantities to South Africa. Bulk of our orders for male condoms are coming from WHO and UNFPA and



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second category is now supplying it to Government of India and the third big one would be the job work we do for customers in India. We have been working with one of them for almost 10-years.

Ankit Kohli: This is on a volume basis. In terms of value, male and female combined, what percentage of our revenue currently come from South Africa?

Omprakash Garg: I would say combined male and female is about 50%.

Ankit Kohli: How about UNFPA and WHO?

Omprakash Garg: Another 15%.

Ankit Kohli: What about the balance 35%?

Omprakash Garg: 25% of that will be from the job work and the balance 10% would come from international NGOs and they supply to African countries.

Ankit Kohli: So the reason I am kind of trying to understand, it is very clear that currently this B2B and Institutional work is our biggest revenue churn, right and also South Africa has a disproportionate contribution here. Now, when you are looking for a CEO, what I am trying to understand is are you looking for somebody who is an expert in managing government contracts and helping you form liaison on countries in Latin America and Africa better or are you looking for a marketing person that will help you build a brand because the two are completely different and you need people with very-very different skill sets, so what is it that we are looking in the CEO and how are we going about that in terms of aligning with our current business objectives because our B2C business is very small and last quarter you had indicated that we faced lot of competitive pressure due to higher advertising spends by some of the largest competitors. So does it really make sense to move forward with a lot of B2C focus or should we rather look for a person who is very-very skilled in getting us the government tenders and breaking through the bottlenecks there?

Omprakash Garg: That is an excellent question, we have been grappling with that and our direction right now is that we would go for an expert who is more like B2C person rather than institutional guy like the tender business. Other reason is that the marketing part of the international business is relatively easy to handle right from India itself with the use of internet and with the use of all the other communication channels available. We are finding it very difficult for an experienced person with contraceptive background and who has a drive and passion to build a brand. Yes, it would be expensive but so far we have not been able to locate that particular candidate.

Ankit Kohli: Have we tried to poach anyone from the female health company... FC2 is the biggest US competitor?



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Omprakash Garg:

Not so far.

Ankit Kohli:

The reason I am asking is that all our business initiatives which you highlight are largely focused towards the institutional business and this hiring is focused towards B2C business. These both had crossheads and given that we have already seen that capital allocation in the B2C business has not paid off. Do you still believe in pursuing the B2C strategy or do you think right now we are a sub-100 crores top line company, we can probably go to Rs.500 crores or Rs.1000 crores just the institutional business. So why are we pressing on B2C at this stage because building a brand is going to be more tough and expensive from a manpower perspective, from a cost perspective. So is that a thought you agree with or do you believe that B2C is the right strategy still and it could give you good results on the capital employed, what are your thoughts there?

Omprakash Garg:

We believe that we have to continue with both. Volumes are there in the institutional business and in the tender business. However, for the long-term growth of Cupid we need to have B2C element. Yes, it is expensive to build a brand with the print advertisement and TV and appointing a brand ambassador, we are looking at several crores. But during the last three months, we have some indications that we could build the brand in India using more and more digital marketing techniques. For example, to spread the awareness and promotion of female condoms we have covered about 1100 postal zip codes throughout the country. In addition, we are trying for a new approach that we would try to sell our female condoms in India through wholesalers and also finally, through this distribution company. At one time before the price control system in 2013 we had a network of wholesale dealers, about 39 of them in 15 states of India. So we believe that as the awareness grows about female condoms, there would be a market through wholesalers as opposed to going through the retail shops.

Moderator:

Thank you. We will take the next question from the line of Chitrangda Kapoor from Sameeksha Capital. Please go ahead.

Chitrangda Kapoor:

Sir, a few questions; first on the gross margin bit. Your gross margin was depressed which was surprising considering that Latex prices were down on YoY basis. If I am not wrong, the Latex was at about Rs.100 a Kg and it is currently hovering around Rs.84 a Kg. So is the Latex down and volumes are up, despite that your gross margins were depressed. So what is the reason for that?

Omprakash Garg:

Actually in the last quarter, the average Latex price was about Rs.90, it did go down to about Rs.82 and then between Rs.82 and Rs.92. But in general, yes, the Latex prices were down during the quarter. However, there have been significant input cost increases mainly in the silicon oil which has jumped about 60% in last four months and there are some constraints in the supply as well. Also, there is some pressure in terms of the wage increases. So overall the benefit of say lower Latex price has been more than offset by these three other ingredients.



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- Chitragda Kapoor:** Sir, when there is a sudden spike in certain input cost in a quarter, do you negotiate the contract that you are already serving in that case or is there a back-ended revenue that you would get from your customer that you are supplying to?
- Omprakash Garg:** We try to negotiate a long-term contract for the supply of silicon oil but there is such a shortage of this imported material that they are not willing to quote a price going forward beyond one month. So right now unfortunately we have to go month-to-month and each month there is an escalation of 10%, 15%. There are some serious problems in terms of some plants being closed down in China and even in US due to environmental considerations. So the production of the basic raw material for the silicon oil are in short supply. In the entire country, there are a maximum of four suppliers, believe it or not. So the choice is rather limited, international supplies are constraint and resulting in price increases.
- Chitragda Kapoor:** What is the contribution of the silicon oil to your total raw material basket?
- Omprakash Garg:** About 20%.
- Chitragda Kapoor:** Of the 7.6 crores inventory that has been booked, how much of that is finished goods?
- Omprakash Garg:** Out of 7 crores, about 4 are finished goods and 3 crores are the raw materials. The main reason for 4 crores of finished goods is that the Government of India has not lifted their order quantities.
- Chitragda Kapoor:** So that means the 35-days inventory minus your 18-days of finished goods inventory, your raw material inventory has increased by about 16-days which is higher than the usual, so you are storing some raw material with you right now... are you keeping some silicon oil probably with you as a backup currently instead of buying it?
- Omprakash Garg:** Yes, we are doing that for supply needed for four to six weeks.
- Chitragda Kapoor:** Why is there a very sharp increase in your sundry debtors and sundry creditors' days?
- Omprakash Garg:** It goes back to a situation in South Africa when the funding stopped there, our receivables got delayed and also impacted on payables. Since March 31st, we have reduced our receivables by Rs.7 crores. So situation is coming back to normal. South Africa has released the funds and our customers have started to pay us.
- Chitragda Kapoor:** With regards to Cupid Angel trademark registration in euro zone. One, could you elaborate on that? Second, why are you having a separate brand in euro zone? The sub-question is does this brand require USFDA approval because I was of the understanding to market female condoms in euro zone you need to have USFDA approval?



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- Omprakash Garg:** The last part first; to sell Cupid female condoms or any other condoms, we do not need to have USFDA, we need the CE mark which is valid in all the 28 euro zone countries. In terms of another brand, our initial launch was we were calling it Cupid female condoms and then we did some research and we decided that we will build our female condoms brand under Cupid Angel brand name. Now this is not special for Europe only. Even when we get approval and going in US, Cupid female condoms will be sold as Cupid Angel. We have already started to do it in India including all our digital marketing sales through Amazon and Flipkart under cupid Angel.
- Chitragda Kapoor:** What is typically the cost associated in creating a new brand like Cupid Angel?
- Omprakash Garg:** The initial costs are minimal, we have to come up with the design of a few lakhs and do some different art work, color combinations and then the main expense really relates to the promotion of that brand. We would of course register it under Cupid Angel trademark but then the expenditure is open from there on how much to spend on promotion.
- Chitragda Kapoor:** So what is your CAPEX guidance for FY'19 and subsequent three years or four years?
- Omprakash Garg:** Capital expenditure for our 80 million new capacity expansion will be about Rs.10 crores including the infrastructure like we had mentioned in the quarter ago earnings call.
- Moderator:** Thank you. We will take the next question from the line of Ashwini Ugale, an individual investor. Please go ahead.
- Ashwini Ugale:** What is your roadmap for the consumer business over the next two, three years in terms of revenues and in terms of expenses?
- Omprakash Garg:** Like I mentioned in response to the previous caller, we believe that the long-term growth of Cupid rest with building a brand and we figure that it would take us about three years and about Rs.10 crores to generate sales of at least Rs.30 crores out of say Rs.100 crores. So 30% of our total sale should come from brands in next three years.
- Moderator:** Thank you. We will take the next question from the line of Chirag Khasgiwala from GMO. Please go ahead.
- Chirag Khasgiwala:** Just wanted to understand that you are currently executing the Rs.100 crores order which you received four, five years back. So if we look at your December quarter numbers and your March quarter numbers, in both the quarters you have said that due to political situation in South Africa your orders were delayed. So is it safe to assume that those orders can be subsequently canceled?



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- Omprakash Garg:** No, out of that Rs.104 crores order we had received in June 2015, we have completed approximately Rs.90 crores order in last three years. So the pending order is approximately Rs.13 crores and we expect that those orders would be honored and in case the new tender allocation is delayed, then it is possible that the government may even extend that last three years contract for a few more months.
- Chirag Khasgiwala:** How much of the order was delayed in December quarter and how much of the order is delayed in the March quarter?
- Omprakash Garg:** No, in the December quarter, there was about Rs.3-4 crores orders that were delayed, but about Rs.7-8 crores were delayed in the January to March quarter.
- Chirag Khasgiwala:** So total Rs.11 crores orders have already been delayed, right? That means the delays keeping on increasing only, so it is possible that you may not get these orders and then subsequently it creates doubt over the new orders that can come up because the funding has already been cut?
- Omprakash Garg:** The funding was cut but we are hoping that during May and June the funding would be restored and we would be able to dispatch some of these outstanding orders.
- Chirag Khasgiwala:** So the funding has been restored to the previous level or is it lower than the previous level?
- Omprakash Garg:** We have been told that the funding has been restored to the previous level. for this last year contract it has not been increased but going forward for the new three-year contract, the funding is more than doubled.
- Moderator:** Thank you. We will take the next question from the line of Omkar Kulkarni, an individual investor. Please go ahead.
- Omkar Kulkarni:** Just wanted to know your roadmap for say next three to five years. So how would you keep on growing at say 15, 20%, what are the strategies you are implementing for that?
- Omprakash Garg:** We have a two-pronged strategy; one is to continue to grow our existing line of business, for example, male and female condoms covering more and more geographies and coming up with new brands in both the categories including this B2C business. The other strategy we are looking at is to do an acquisition in women health and hygiene field. That market seems to be growing. We are looking at that. Over a three-year period, we can see Cupid growing up to Rs.200 crores and after that it would depend on the market supply and demand situation.
- Omkar Kulkarni:** Did you just say Rs.200 crores in three years?
- Omprakash Garg:** That is what our target is.



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- Omkar Kulkarni:** So right now it is Rs.80 crores, right?
- Omprakash Garg:** Correct.
- Omkar Kulkarni:** Is the Rs.200 crores in three years a tall ask, sir, that would be around 30, 35% CAGR growth?
- Omprakash Garg:** But again that is from two elements; one is the growth from our existing operations and also with the expansion in capacity, we are considering expanding our capacity by additional 80 million pieces later this year. So revenues from capacity expansion and the new acquisition.
- Omkar Kulkarni:** What is the update on that acquisition sir, have you considered anything, or nothing has been considered yet?
- Omprakash Garg:** We have looked at a couple of possibilities; we are talking to one of them, so it is in the evaluation stage. We have indications that the market is going to expand for most of these hygiene products.
- Moderator:** Thank you. We will take the next question from the line of Ankit Kohli from Pure Research. Please go ahead.
- Ankit Kohli:** Sir, last time you had mentioned that there were certain big volumes expected from a Brazilian tender which had gotten delayed. So what is the update there?
- Omprakash Garg:** Brazil tender has not yet been published, we believe that the funding has been approved by the parliament, but it is taking some time. We are preparing ourselves to participate especially for the female condoms portion of the contract. We do not know exactly when the tender would be published but we hope that in the second quarter we should have some definite news on the timeline.
- Ankit Kohli:** Also sir, if the US FDA does downgrade female condoms to Class-II, you mentioned that it is going to take six to nine months for an approval. So do you think you have the internal substances ready to launch as soon as there is such a downgrade that happens, are we prepared to kind of tag that opportunity immediately?
- Omprakash Garg:** We are doing some preliminary preparations; however, one thing we do not know is what kind of clinical trial USFDA would mandate, the protocol and the guidelines have yet to be published and then we have to engage a consultant and go for that clinical trial. So unfortunately there is very little we can do well ahead of the announcement of the guidelines from USFDA.
- Ankit Kohli:** Is there any advisor that we have shortlisted...of course not contracted, who will be relevant?



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Omprakash Garg: Earlier when we were looking at Class-III classification, we had talked to a couple of consultants and the estimates was that it would need a clinical trial costing about US\$2 million and about 18-months. Now since the possibility of Class-II, those numbers have been drastically reduced, now we are looking at six months trial period and maybe about \$0.5 million. So we are waiting for some definite guidelines from USFDA.

Moderator: Thank you. Ladies and gentlemen, we will be taking the last question, that is from the line of Subu Murugesan, an individual investor. Please go ahead.

Subu Murugesan: One of the points that I wanted to check with you is the traction that you have received from the South African government in terms of orders, it is not the same with the other countries like Nigeria and some of the smaller countries. Just want to understand what is the reason is – is it just because something to do with the local situation in South Africa and do you expect things to change within another country as well given your larger orders like South Africa?

Omprakash Garg: The main reason is that the funding source in South Africa is mostly their own money with some additional help from World Bank, global fund and Gates Foundation. In other countries like Nigeria or Kenya, the funding is not available to the same extent as for South Africa. As you know there are 7 million HIV positive people, the largest in any country in the world and each year 126,000 people are dying from HIV AIDS. So, the need is there. Government is providing the funding and the other smaller countries unfortunately have to depend on WHO and UNFPA or some other European national governments like Sweden or Netherlands or Germany. So I think it is directly a question of funding sources. We are hoping that with time, more funding would be available because the need is equally pressing in some of these other sub-Saharan African countries. People are dying and especially the poor women, they have unmet needs for contraceptives. They cannot afford at their own, so they are counting on free distribution from their government or from international agencies.

Subu Murugesan: What is the revenue do you expect for the first half of FY'19 which should be Q1 and Q2?

Omprakash Garg: Like I mentioned in response to the earlier caller, because we do not know what quantities of order we would get from the two or three big tenders, South Africa, Government of India and maybe Brazil, it is very difficult to estimate the revenue situation in Q1 and Q2.

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

Omprakash Garg: On behalf of Cupid Limited, we would like to thank all of you who have participated in the fourth quarter and full year FY'18 earnings call. We hope we have been able to answer most of your questions. In case we have left some out, please feel free to write to us and we would endeavor to provide any missing details. We would like to thank all our shareholders for maintaining confidence and trust in the management of Cupid over the years especially during



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the lean years and also I would like to thank Board of Directors of Cupid Limited and all the employees for continuing to work with sincerity and with diligence. So thank you again for participation and good luck.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Cupid Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.