



# CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 1<sup>st</sup> September, 2020

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, 5<sup>th</sup> Floor, Bandra-Kurla  
Complex, Bandra (East),  
Mumbai - 400051  
Fax No. – 6641 8125 / 26  
SCRIP CODE: CUPID

**Subject: - Q1FY21 Conference Call Transcript**

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q1FY2021 conference call which was hosted by the company on 27<sup>th</sup> August, 2020 at 5.00 P.M.

This is for your records.

Kindly acknowledge the receipt.

Thanking You.

For CUPID LIMITED



**Saurabh V. Karmase**

**Company Secretary and Compliance Officer**

**ECSIN: EA041701A000083921**

CIN No.: L25193MH1993PLC070846

**Factory & Registered Office:**

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

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



# “Cupid Limited Q1 FY-21 Earnings Conference Call”

**August 27, 2020**



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



*Cupid Limited  
August 27, 2020*

**Moderator:** Ladies and gentlemen good day and welcome to the Cupid Limited Q1 FY21 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Binay Sarda from Christensen IR. Thank you and over to you sir.

**Binay Sarda:** Thanks Janis. Good evening to all of you and thanks for joining this Q1 FY21 Earnings Call for Cupid Limited.

We have mailed the 'Results Press Release' to you. I hope you have received the same and we have also uploaded this on our website and the stock exchanges.

To discuss the results and address the queries of the investors, we have with us Mr. Om 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 over to Q&A Session.

I would like to remind you that everything said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and the risks that we face. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual report which you can find on the web site. With that said, let me hand over the call over to Mr. Garg. Over to you sir.

**Om Prakash Garg:** Thank you, Binay. Good afternoon, ladies and gentlemen. On behalf of Cupid Limited I would like to welcome you all for attending the Quarter 1, FY21 Earnings Conference Call today.

Before I cover the result is from the quarter I hope that all of you are safe and healthy because of the COVID19 serious problem. The results from this quarter have been mailed to you as mentioned by Binay, so I would only cover the important highlights of the results.

First of all as you are all aware Cupid was impacted by the nationwide lockdown on March 25<sup>th</sup> and we did not open until first week of May and even then there was a shortage of workers in the factory and the operations were partially started and were slowly built up by June. Therefore the results from this current quarter, April-June quarter are not directly related to the quarter a year ago.

However in spite of this serious virus situation company made a sale of over 27 Cr with EBITDA margin of 31% and net profit of 5.92 Cr during the quarter which is 21% of our revenue. Also during the quarter our order book improved to 117 Cr as of July 1 and since July 1 we have received additional order of 6 Cr bringing the total to 123 Cr. In addition I should mention that as a result of our participation in the Brazilian for tender for Female Condoms we have been



*Cupid Limited  
August 27, 2020*

awarded a contract to supply Female Condoms worth Rs. 45 Cr and that order we are expected to receive by mid-September. Now most of these orders we are planning to execute by the end of the financial year March 31<sup>st</sup>, 2021.

Going further, the exports during the quarter were one of the highest at 94% and domestic sales were only 6%. As you are aware but margins are better in export sales including the incentives offered by the government.

Now I open the floor for Q&A session.

**Moderator:** Thank you very much. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Viraj from Equirus Securities.

**Viraj:** Can you please give us the breakup of the order between Male and Female Condoms of this 123 crores order book?

**Om Prakash Garg:** 31% is Female Condoms and 69% is Male Condoms excluding that new order of a 45 crores expected from Brazil.

**Viraj:** When you are saying that you will be able to execute this entire (+160) crores or 170 odd crores revenue this year from this order book how does the order pipeline for next year look like?

**Om Prakash Garg:** Next year it looks like a reasonable one. However many of the new tender results are not available now. Governments and international agencies are still in the process of finalizing their budgets for 2021 to 2022. So it's difficult to predict the precise number. But we are expecting order book because we have enquiries from several new countries, including the Philippines, Russia, Bolivia and many countries in the Sub-Sahara African continent.

**Viraj:** Our current capacity is good enough to do 55-57 crores revenue per quarter at the current juncture because last time I remember you said 40-45 crores is what we can do max but with this order book if we have to complete in the nine months we will need to do around 56-57 crores a quarter. Do we have that kind of capacity?

**Om Prakash Garg:** Yes, we have capacity of 55 Cr, easily per quarter.

**Viraj:** In spite of overall profits going up significantly last year and this year also seems like a good year, our dividend distribution has come down in terms of percentage or as in our dividend payout has come down significantly. Either if you can give dividend or even better you can do a buyback because our stock is very-very cheap. So that's just a suggestion from my side. Thanks a lot.

**Moderator:** The next question is from the line of Omkar Kulkarni from Shri Investment.



*Cupid Limited  
August 27, 2020*

- Omkar Kulkarni:** My question was regarding just I want you respond to get this clear, you said 123 crores orders are in hand and plus 45 crores, so in total 168 Cr, right?
- Om Prakash Garg:** Yes.
- Omkar Kulkarni:** And you wish to complete all this in the current financial year?
- Om Prakash Garg:** No. our target is to complete about 150 Cr in this financial year.
- Omkar Kulkarni:** Around 80%-85% of the total order which you will be having?
- Om Prakash Garg:** Yes, total of about 150 for the entire year.
- Omkar Kulkarni:** So as the earlier participant asked you have the capacity to do all this or you have to invest some to enhance the capacity?
- Om Prakash Garg:** No, we have adequate capacity to fulfill all these orders.
- Omkar Kulkarni:** Last time in the conference call you mentioned that for the Brazilian order you have taken some working capital and you will be repaying that loan because in this quarter also the finance costs are comparatively higher, so what is the status on that?
- Om Prakash Garg:** The temporary working capital loan was 31 Cr as you may recall on March 31<sup>st</sup>, now that has been reduced to 17 Cr as of June 30<sup>th</sup>. So we have significantly paid off the temporary borrowing and at the same time our investment plus the bank deposit have grown from 25 Cr to 44 Cr as on June 30<sup>th</sup> and our receivables have been reduced from 41 Cr on March 31<sup>st</sup> down to 24 Cr on June 30<sup>th</sup>. So we have made significant progress on all three fronts during this quarter.
- Omkar Kulkarni:** So the 17 crores which is remaining, you plan to hibe that off in the current financial year itself?
- Om Prakash Garg:** Yes, our target is to bring it to zero by March 31<sup>st</sup>.
- Omkar Kulkarni:** The next question is, in detail can you tell us about what is happening about your business in US because there is lot of expectation as well as confusion what exactly is happening in US because it's a big opportunity for Cupid?
- Om Prakash Garg:** Yes. In terms of registration we have registered four new brands of Cupid Male Condoms in US during this quarter and earlier you may recall, we have registered with the US trademark, our Female Condoms under Angel brand. Now the contraceptive efficacy study, which is going on in South Africa has been delayed by five months due to serious COVID situation in South Africa. So now it looks like the study will be completed around the April or May next year and then the results of that study would be submitted to US FDA and we are hoping that by the end of next year hopefully Cupid should get the permission to market its Female Condoms in US.



*Cupid Limited  
August 27, 2020*

- Omkar Kulkarni:** So the actual sales will start only in 2023 FY that's what you think?
- Om Prakash Garg:** 22 FY.
- Omkar Kulkarni:** But you said that it will be delayed by 5-6 months, so we will be receiving?
- Om Prakash Garg:** Yeah.
- Omkar Kulkarni:** So when would the actual sales start for the Cupid?
- Om Prakash Garg:** Could be end by FY22, you are right.
- Omkar Kulkarni:** And FY23 would be a bigger year you would think because you will get a full year for that?
- Om Prakash Garg:** Yeah from then on if our Female Condom is approved we would continue our sales and marketing as such in US aggressively.
- Moderator:** The next question is from the line of Keshav Garg from Counter Cyclical Investments.
- Keshav Garg:** Sir first of all I hope your health is fine because you are the biggest asset for our company. So I wanted to understand like you said that this year we will do around 150 crores turnover but next year onwards, FY22 financial year even if we have orders it will be hard to grow year-on-year because you are saying that in per quarter you can do a maximum of 55 crores and already we would be reaching that level later this year. So in that case next year, are there any plans to increase capacity?
- Om Prakash Garg:** No, right now there is no plan to increase the capacity. However if we exceed the order beyond 175 Cr, we can always outsource it. It would be economical to outsource it a limited quantity rather than investing capital expenditure. So right now there are no plans to make new capital expenditure in FY22.
- Keshav Garg:** That's very heartening to know sir. I think you are totally on the right track and are there any budget cuts for Condom because I understand that the health budget would be used for COVID related issues, so in that case is it a possibility that going forward the various governments might cut the health budget and subsequently there might be a drought of orders for us.
- Om Prakash Garg:** No, in fact it is the contrary. This year even during the COVID19 the budgets for most of the major buyers of Condoms like Brazil, Tanzania, India they have increased and we don't see any indication of any reduction of funds availability from institutional investor either. So as of now we feel confident that the funding will be available for purchase of Condoms during FY22 also.
- Moderator:** The next question is from the line of Mohit Jain from Value Educator.



*Cupid Limited  
August 27, 2020*

**Mohit Jain:** My question is pertaining to investments which you had done in prior years. If I see you have invested in Cupid Medical & Research Center in early 2000s, the money was written off which was close to 98,000. Then you did an investment in Shri Sai Sakshi Hotel which was of 6,50,000. It was written off within a year, again an investment of 24 lakhs in Harihans Sidh Properties, again it was written-off in a couple of years. Then again Ramniyati Realities, 7.5 lakhs, again the money was written off and then Sanmati Realities, again the money was written off. So what is the reason of these writing offs plus I'm seeing a pattern here that 2 or 3 realty companies have same directors, they were incorporated in 2011, your investment was in 2011. So could you just help me that why did you burn off your approximately Rs. 50 lakhs in that? So this Rs. 50 lakhs is big for your company because even your CEO, CTO and Head of Marketing does not earn this amount of money, even your salary for FY19 was 68 lakhs whereas the company has burnt off around 50 lakhs. So could you help me with these numbers and how are the companies related to you or what exactly are these investments? What is the basis of these investments?

**Om Prakash Garg:** I'm sorry I missed the first part. Which investments you are mentioning?

**Mohit Jain:** In early 2000 you had invested in Cupid Medical & Research Private Limited that is run by your brother Durgesh Dayanand Garg. Then again in 2011-12-13-14 you had invested in some realty company. All these three companies are interrelated. The directors are same. These companies have never had any AGM or some incorporation. They were incorporated only 4 to 5 months prior to your investments and all these companies are based out in Bombay or their offices are within a kilometer to each other. Could you help me with the investments of your company?

**Om Prakash Garg:** The investments you are mentioning back in 2011 onwards were done for our research center which was actively involved in developing the new design of Female Condoms. As you recall we got the WHO-UNFPA approval on our newly designed and in house developed Female Condoms and the company's performance based on the sale of Female Condoms since 2014 has been showing very good performance for the company.

**Mohit Jain:** I am talking about investments in real estate companies; it is not related to your business at all. There is one hotel company which you had invested in. There are three real estate companies which leased. So I don't think it is related to your R&D which you are telling me. Could you briefly about those companies because you have not mentioned, after 2014 you have clearly wiped that off your annual reports? Prior to that it is mentioned in your annual report but after that you clearly wiped it off and if you see the total sum is approximately 47 lakhs which is almost 80% of your salary as of FY19, so could you throw some light on these investments?

**Om Prakash Garg:** I have to look at the details. I really don't remember but if you can send me a line will be very pleased to send you a written answer on these investments going back to 2011.

**Mohit Jain:** This was written off in 2017, not 2011. So if I'm not wrong you are the CMD of the company and you should know about the investments which you do and all these companies are



*Cupid Limited  
August 27, 2020*

interlinked. All the directors are interlinked to one another, incorporated only 4-5 months prior to your investment, so what is it? What exactly are your investments pieces because these companies are incorporated in May 2011, September 2011, your investment was somewhere between September to March 2011 to 12, so what exactly is it? If you see the company's performance for FY16 to FY19, it was flat. The top line grew but the bottom line did not grow. Your salary as a percentage of PAT was approximately 2.3% in FY16, in FY19 it's close to 4.6%. It's almost doubled. So I wanted to know when the company wasn't growing you kept on increasing your salary and your salary as a percentage of PAT?

**Om Prakash Garg:** My salary has remained unchanged since July 2016. It's at Rs. 60 lakhs per year. It has not increased in last 5 years.

**Diwakar Pingle:** I think Mohit Jain what you can do is, why don't you send me your queries either to Binay or myself. This is Diwakar Pingle here. I think this is the call where we kind of discussing the business update for the quarter. We do understand that you have some queries on the past investments. Please do send it to me or Binay. Both our e-mail IDs will be available in the press release. We are happy to kind of go through it and give you all the necessary clarification. I think let's use this call to discuss the outlook on update. I'm not saying this is not important but there are lot of others waiting on the call for this. So please do send us e-mail. Mine is [dpingle@christensenir.com](mailto:dpingle@christensenir.com) and Binay's is [bsarda@christensenir.com](mailto:bsarda@christensenir.com). Please do that and we will come back to you immediately. Not a problem at all.

**Om Prakash Garg:** Could you please repeat your question, it wasn't clear

**Diwakar Pingle:** This is Diwakar here. I just told Mr. Jain who was on the call earlier, whatever queries he has with respect to the questions that he asked on the investment in the real estate companies, he can write to us via an e-mail and we will respond to that immediately. That's all. This is not a question. I was trying to clarify to the earlier participant.

**Om Prakash Garg:** So if you could please send me an e-mail on all these queries, I would be very glad to answer those in detail.

**Moderator:** The next question is from the line of Mukesh Rai, Retail Investor.

**Mukesh Rai:** I had few questions directed to the new appointments, mainly Mr. S.C. Garg has been appointed as Additional Director and another appointment of Ms. Nalini Mishra as Additional Director to look after legal things. Can we correlate these with our search for CEO which you are doing for last 2-3 years? Are they going to discharge similar duties or we are expecting a different kind of role from them?

**Om Prakash Garg:** We are still looking for CEO but we are not getting the right type of candidate with the background we need in terms of international marketing. So we would continue with the existing





*Cupid Limited  
August 27, 2020*

set up which we are doing okay in terms of the order book, in terms of the execution of the orders and in terms of the cost control.

**Mukesh Rai:** My query was that are we expecting that role to be performed by new appointees till we get a CEO?

**Om Prakash Garg:** Say that again please.

**Mukesh Rai:** Can we expect that the CEO's post what we were expecting will be performed by new appointees till we get a CEO placed?

**Om Prakash Garg:** Yes, some of the duties which currently I am taking care of would be shifted to the CEO, correct.

**Moderator:** The next question is from the line of Subbu Murugesan, Retail Investor.

**Subbu Murugesan:** On the US venture, you said that you've also registered Male Condoms as well. I'm just a bit confused, so could you actually split the US business as Male versus Female. So you said that the efficacy study is delayed by 5 months, so we will only start seeing revenues in 2021. So are we referring to Female Condoms or the Male Condoms, so if you could just give an overall view of the US business split in Male and Female and when we expect to see revenues for Male and when we expect to see revenues for Female that would be very helpful?

**Om Prakash Garg:** So as I mentioned earlier, we expect revenues from Female Condoms to start coming in at the end of next year 2021 or early 2022. That is from the Female Condoms business assuming we get the US FDA approval on our Female Condoms based on the contraceptive, efficacy study we are doing in South Africa. Now in terms of Male Condoms we have just started to market our four newly registered brands in US. However it will take some time to develop the business there as the competition is quite steep from suppliers from Thailand, Malaysia and China, so we are not expecting a huge business with better than average margin from Male Condoms in US. So our emphasis will be on Female Condoms over there.

**Subbu Murugesan:** In terms of the Brazilian orders, last time we received an order of 120 Cr but this time we only received an order of 45 Cr but you said that the Brazilian budget has increased. So does that mean that we got a lower allocation, just wanted to understand how come the number decreased from 120 to 45 from Brazil?

**Om Prakash Garg:** The budget was reduced from 120 Cr to 90 Cr and we got about 50% of that business. This is for the latex based Female Condoms.

**Moderator:** The next question is from the line of Dhruv Kashyap, Individual Investor.



*Cupid Limited  
August 27, 2020*

- Dhruv Kashyap:** I just wanted to ask you on the strategic part that given that a large part or a significant part of your business comes from supplying to governments or in the Indian Government, foreign governments etc. What is your view on a B2C sort of branded play, so competing with the likes of Kamasutra and Durex etc. is that a part of the strategy?
- Om Prakash Garg:** We have considered that few times in prior years. The basic problem is that the margins are lot less in B2C market than in the overseas export markets. And also the promotional expenses, advertisements and marketing expenses are a lot higher than our regular expenses for promotion. So there is not much incentive right now to go ahead and spend 5 or 6 crores to develop the B2C market in India with very low margin and high expense ratio.
- Dhruv Kashyap:** The second question I had with the clarification on the couple of financial figures. I think the first question was that are you saying that it's going to be 150 crores topline total for the year or you're talking about 150 plus the 28 we've already done because last year we had done 161, right?
- Om Prakash Garg:** Yes, last year we did 164. This year we have lost production between March end and beginning of May due to Corona Virus, so I'm looking at total Rs. 150 Cr right now for FY21.
- Dhruv Kashyap:** Which would mean that the PAT would also be lower than last year?
- Om Prakash Garg:** It will be little bit lower because of the lower percentage of Female Condoms which is as you know a high margin items.
- Dhruv Kashyap:** The last clarification I had was that this is it true that the borrowings have gone up from 2 crores to 31 crores or I have got my figures wrong?
- Om Prakash Garg:** The loan amount on March 31<sup>st</sup> was 31 Cr which is now reduced to 17 Cr on June 30<sup>th</sup>.
- Dhruv Kashyap:** But the 31 crores was on March 31<sup>st</sup>, 2019 was only 2 crores, so what was this increase 29 crores on account of?
- Om Prakash Garg:** That is because of the 90 days payment period for the big order from Brazil, so we had to increase our working capital limits for extending period of time to service the Brazilian Female Condom order that is the main reason that the temporary borrowing went to and now it is coming down like I mentioned from 31 Cr in March down to 17 on June 30<sup>th</sup>.
- Dhruv Kashyap:** And this is likely to go down even further?
- Om Prakash Garg:** Our objective is to bring it down to zero by the March 31<sup>st</sup>, 2021.
- Moderator:** The next question is from the line of Tanvir Chawla from GM Trading.



*Cupid Limited  
August 27, 2020*

- Tanvir Chawla:** I had a two part question, firstly I wanted to know that geographically or more specific continentally what is the breakup of our exports considering India as one market, Asia, Latin America, Africa and US? Secondly I wanted to know this debt reduction we are planning to do, is there a specific plan behind it or is it all through internal cash flows which we are going to do?
- Om Prakash Garg:** Our major markets through the tender and through UNFPA are on the African continent in the Sub-Sahara African countries, 18 of them. In addition we have the major tenders from Government of Brazil from Tanzania and from Government of India. Please repeat the second part of your question.
- Tanvir Chawla:** The second part was regarding this debt reduction which you had said that you probably want to bring down the debt which we have to zero till March 2021. So I just wanted to know that are you planning to do that through internal cash flows.
- Om Prakash Garg:** Yes, mostly through internal cash flows and by reduction of receivable. The receivables we have reduced from 41 Cr on March 31<sup>st</sup> down to 24 Cr on June 30<sup>th</sup>, 2020.
- Participant:** Are you expecting any increase in dividend amount or any reduction in the dividend amount which we are planning to give in the next year because since we are going to go for debt reduction and we are expecting lower profits?
- Om Prakash Garg:** No, right now our plan is to maintain our policy of declaring two dividends per financial year, one after the end of September quarter results and then the second one final dividend after the March 2021 results. Right now we are not looking at the reduction of the total dividend what we paid out last year which was Rs. 4.50 per share for the entire financial year last year.
- Moderator:** The next question is from the line of Deep Singla, Individual Investor.
- Deep Singla:** In the early presentation or the basically report for the call, you had mentioned the company is actively considering enter into manufacturing of medical devices. Can you throw more light on that?
- Om Prakash Garg:** Could you please repeat that question?
- Deep Singla:** Basically, company is actively considering to enter into manufacturing of medical devices, so please throw some light on that.
- Om Prakash Garg:** As you may recall Cupid has been looking for diversification to health related businesses for the last few years and this year prompted by the COVID19 pandemic, we have decided to go ahead with the manufacturing of medical devices which are used in the infectious diseases like COVID and also related issues, related diseases like HIV, like Malaria, Dengue and others. So the plan is that we would set up a facility within our existing factory premises and we are hoping to start



*Cupid Limited  
August 27, 2020*

the initial production in late November. We are expecting to generate a revenue somewhere between 20 to 30 Cr, hopefully by March 31<sup>st</sup>, 2021. This is the revenue we have not included in our forecast because we like to see the construction completed, arrival and installation of the machinery and also the successful testing of all the devices, we are going to produce by ICMR, Indian Council of Medical Research. All these products will be used to detect and monitor and test all the infections, different viruses. There is a big demand for these products, not only in India but also some good export facilities, mainly from South Africa, Brazil and some of the other countries. As you are aware currently India is importing some of these products from China and the objective is to manufacture all these in India for both domestic consumption as well as for exports.

- Moderator:** The next question is from the line of Hiten Bharucha from Sequent Investment.
- Hiten Bharucha:** My first question is on the raw material side, so what is the major raw material we are using right now and from where are we sourcing? Are we sourcing it from China or domestically?
- Om Prakash Garg:** No, for the medical devices majority of the raw material is available in India except one or two ingredients which we are exploring to get it from South Korea, not China.
- Hiten Bharucha:** My question is on the major product, so what kind of raw material are we using for Condoms like the latex?
- Om Prakash Garg:** Say that again please.
- Hiten Bharucha:** My question was more on the Condom side, so what kind of raw material are we using for that and where are we sourcing that for Condoms?
- Om Prakash Garg:** All most 100% of the raw material for Condoms is being sourced from India.
- Hiten Bharucha:** And what are the raw material, can you name them?
- Om Prakash Garg:** Mostly it is the natural rubber latex from Kerala.
- Hiten Bharucha:** So 100% it is from India, right?
- Om Prakash Garg:** Correct. By the way the latex prices have been coming down. For the entire year last year it was Rs. 114 per kilo and in the March quarter it was down to Rs. 107 per kilo and in the current market it's now coming down to Rs. 102 per kilo, so we don't know if this trend will continue. But it's quite favorable to our bottom line.
- Hiten Bharucha:** My second question is on the CAPEX side, what kind of CAPEX are we going to incur on this existing medical devices we are planning?



*Cupid Limited  
August 27, 2020*

- Om Prakash Garg:** These are rapid test kits and basically to detect of the virus. One of the tests would be instant answer whether virus has infected someone or not and then there are other tests which would give more detailed information on the details of the infected virus.
- Moderator:** The next question is from the line of Gaurav Shah, Independent long-term investor.
- Gaurav Shah:** My question to you is very simple since you mentioned the US market. Now you mentioned we will be marketing once we get those US FDA approvals. So do you plan to market on your own products and I presume it will be predominantly B2B marketing? Can you throw some light how do you plan to take up that business?
- Om Prakash Garg:** There will be two distribution channels currently we are looking at for our Female Condom sales in US, one will be through the distributors and we have started to contact some of them. Second one would be the prescription business and as you may recall, the US government has covered the cost of Female Condoms under the Medical insurance plan for the users. So women can go directly to the pharmacy with a prescription from their doctors and get the Female Condoms. So these are the two channels we are exploring. And as I mentioned earlier, the average revenue from the sale of a single Female Condom in US is about US\$1 per piece which is more than double the average revenue we are now collecting from our other sales of Female Condoms.
- Gaurav Shah:** So what will be the opportunity size in terms of the size of the market of the Female Condoms in US? We will be just entering but I'm sure there is a stiff competition as well, so what will be the opportunity size?
- Om Prakash Garg:** There is only one qualified supplier right now to the US and if Cupid is successful in registering with US FDA, we would be the second company. Even if we get a 10% of the business in first 2 years, we are looking at a minimum revenue of US\$5 million.
- Moderator:** The next question is from the line of Sunil Utthapa, Individual Investor.
- Sunil Utthapa:** I have just two questions. First question is what is the need of getting Mrs. Nalini Mishra as an International Lawyer at this stage? Question number one. And question number two is, why do I see the finance cost high even after repayment that you mentioned little bit earlier? Thank you.
- Om Prakash Garg:** The reason for hiring Ms. Mishra is to fulfill the requirements from SEBI to appoint one independent woman director on the board and after considering several candidates; this is the one we have selected.
- Sunil Utthapa:** So it has got nothing to do with requiring an international lawyer, am I right to say that?



*Cupid Limited  
August 27, 2020*

- Om Prakash Garg:** Cupid's business is mostly international and there are always issues related to overseas business including some legal agreements and follow-ups, so that way it would be helpful contribution. What was the second question?
- Sunil Utthapa:** Why do we see the finance cost still high even after repayment as you mentioned earlier, so we have done repayments but the finance cost is still seems to be high?
- Om Prakash Garg:** Because like I mentioned earlier the borrowings on March 31<sup>st</sup> was 31 Cr and we have been paying it down the loan amount over the last 3 months, so this is the finance charge for all their cumulative borrowing. But the actual loan amount has come down significantly from 31 Cr down to 17 Cr.
- Moderator:** The next question is from the line of Ayush Mittal from Mittal Analytics.
- Ayush Mittal:** I wanted to understand what about this Brazilian order that you announced that we have got 45 crores order out of the 90 crores tender overall. Is this for one year and the next order will happen after one year only and as this order intake has reduced for us versus 120 crores earlier, how do we plan to increase our order book on the Female side?
- Om Prakash Garg:** First of all, the Brazil requirement this year has been reduced because they wanted lesser quantity of the latex bases Female Condoms which Cupid produces as compared to last year. Now going forward we expect Female Condom orders from Brazil and also an increasing amount of Female Condom order from UN Population Fund, UNFPA for the prevention of HIV and prevention of unintended pregnancies, mostly from the Sub-Saharan countries.
- Ayush Mittal:** So this Brazil order will not come again for next one-year or it is a yearly thing which happens?
- Om Prakash Garg:** In Brazil the tender is annually, with UNFPA we have a 3 year long-term supply agreement and under that agreement will receive the order from different African countries through the UNFPA.
- Ayush Mittal:** My second question is that as we have good cash on balance sheet, how do we plan to use this cash going forward, what kind of investment will the medical device area entail?
- Om Prakash Garg:** Right now, our initial budget for the medical devices is about 12 Cr which would be all coming out of our internal accruals and then we are always looking for some new business opportunities for extension. So as of now we would continue to build up our cash position and then hopefully find some new investment possibilities, including of course we would increasing the dividend amount at some point going forward.
- Ayush Mittal:** I wanted to sit is that for a company like us where the cash flows are so good we should be paying much higher dividend of at least 25%-30% of the profits or buyback whatever suitable.



*Cupid Limited  
August 27, 2020*

**Om Prakash Garg:** Certainly we would consider that. So far we have been doing about 25% but thank you for your submission. We would certainly consider.

**Moderator:** The next question is from the line of Agastya Dave from CAO Capital.

**Agastya Dave:** I have just one request. I have been a long-term shareholder and I would advise you not to increase the dividend would go for buyback because of tax consultation. Other than that I had this question on the medical devices which you have answered. Thank you very much, looking forward to a very good execution on the medical devices side. Thank you very much sir. Good luck.

**Om Prakash Garg:** Thank you very much for your good wishes. We need it.

**Moderator:** The next question is from the line of Keshav from RakSan Investor.

**Keshav:** I wanted to have some clarity on the medical devices business line. Are you planning to develop reagents or is it physical medical devices?

**Om Prakash Garg:** Please say it again, what's the question?

**Keshav:** On the medical devices business line, are you moving towards possession of manufacturing reagents or is it....

**Om Prakash Garg:** Using some reagents we are going to make the devices or some products which will be used in the treatment, detection and treatment of the different viruses including Corona and as I mentioned earlier some are rapid tests which would give you instantaneously whether you are Corona positive or not and then the other tests would give you a detailed breakdown on the details of the virus itself, further analysis of infection.

**Keshav:** So since COVID there are lot of Indian players Trans Asia, Mylab, I just wanted to have an idea like what would be the barrier to entry because there would be a huge windfall of money sort of like a watershed moment for them right now. So how are we planning to start in November then I think even a lot of other competitors would have that cash to put in their business. So I just wanted to have your view on the opportunity side as in what the barrier to entry will be increasing going forward for us?

**Om Prakash Garg:** Some of the existing companies you mentioned, they have been in this business for some time now and now for a new player like Cupid, we need to have some lead time to assemble the technical expertise to get into some of these competitive products. Now the reason we are going into medical devices as compared to other products like hand sanitizers is that there are better opportunities in the medical devices field and there is limited production of these devices right now in India and instead of importing our objective is to start producing these in India. So



*Cupid Limited  
August 27, 2020*

basically we see better opportunities in the medical devices field rather than the traditional manufacturing of these pharmaceutical products.

**Moderator:** The next question is from the line of Ankit Gupta from Bamboo Capital.

**Ankit Gupta:** My question was related to the foray into medical devices. You're saying we are expecting 30-40 crores of revenue from this, so how are we acquiring the technology for this that we are planning to develop. So if you can throw some light on that and with us being pretty inexperienced in this field, how do you think the government will award tenders for these diseases to us?

**Om Prakash Garg:** First of all we have assembled the team of experts, three experts who have about 20 years of experience in this business. So that group would lead the manufacturing process here in Cupid and because of their experience we believe that quality of our products would be acceptable to the Indian Council of Medical Research, Ministry of Health.

**Ankit Gupta:** Aren't there any barriers to entry in this business that everyone can enter the business because hardly any experience of course I do understand that you are saying we have hired experienced professionals to run this business. But still any company can just start building a manufacturing facility and start supplying them?

**Om Prakash Garg:** Could you please repeat the question?

**Ankit Gupta:** My question was, aren't there any barriers to entry for this business that any company can set up a manufacturing facility in a year and start supplying kits to ICMR?

**Om Prakash Garg:** The basic necessity is to have a in-depth knowledge and experience about these products and how to manufacture these and the expertise we have assembled has the requisite experience and they are completely familiar with the requirements of the ICMR requirements. So we are aware of the barriers and we have taken adequate steps to address those.

**Moderator:** The next question is from the line of Nishit Patel from Cupid Limited.

**Nishit Patel:** My question is market in India, why not company is aggressively market its products in India and India is a very huge market as far as I know, could you please answer that?

**Om Prakash Garg:** I am sorry, please repeat the question.

**Nishit Patel:** Why not company is leveraging market in India because India is a huge market for Condoms, why not?

**Om Prakash Garg:** I am sorry, your voice is not clear. Please say it again.





*Cupid Limited  
August 27, 2020*

- Nishit Patel:** My question is on marketing in India because India is a huge market for Condoms as far as population is concerned and as far as I know company is not marketing aggressively, why not company is marketing aggressively in India is there any reason behind that?
- Om Prakash Garg:** Like I mentioned, the market for Male Condoms in India is very competitive and the profit margins are less than one-half of what we are making in our exports sales, so there is less incentive to market Male Condoms in India and for Female Condoms the demand is limited in India because of lack of awareness about the usefulness of Female Condoms amongst Indian women. The awareness is slowly improving and we have been trying to promote Female Condoms sales on Internet, both in India as well as overseas.
- Moderator:** The next question is from the line of Tanmay Shah from Bridge Capital.
- Tanmay Shah:** My question actually was regarding the medical devices and it has been answered. But is there any like if you would like to elaborate anything else on the medical devices?
- Om Prakash Garg:** In addition to these four new products which we are initially going to launch, we are looking at several new products and we would take these up one by one as our marketing opportunities and other technical considerations are fully addressed. So yes, we do have other products in mind for which there seems to be a ready market.
- Tanmay Shah:** Like margin wise is this profitable for us because if there is intense competition how would we be able to compete, is the economics favorable for us?
- Om Prakash Garg:** Yes, it's very preliminary number. It could be between 20% to 30% margin business.
- Moderator:** The next question is from the line of Rashi, Individual Investor.
- Rashi:** My question regarding this medical equipment which you are considering to manufacture, how do you get this visibility about 20 to 25, is there any market research have we done or how do we get that number?
- Om Prakash Garg:** The Main reason is lower cost of production we would have because all the new facilities do not require much additional capital. It's a question of acquiring machinery costing 3 to 4 Cr and then the experienced people who would be manufacturing these products and also with their knowledge and background of marketing these products, both within India including supply to Government of India and for exports would overall give us that margin factor.
- Rashi:** I was considering about the 20-25 crores revenue expectation which you have just said for next year like March 2021. That how do we get that number?



*Cupid Limited  
August 27, 2020*

- Om Prakash Garg:** These are projected numbers on the sale of these devices in the periods between November end to March 31<sup>st</sup> and these are very preliminary numbers and we are projecting about 30 Cr sales with the minimum 20% profit.
- Rashi:** My next question is regarding the succession planning, as the company done any succession planning recently?
- Om Prakash Garg:** In terms of?
- Rashi:** Succession planning like companies succession plan for after you because as you said it was for the CEO to take care of it but as we are not able to find any CEO, so is there any plan regarding that?
- Om Prakash Garg:** Yes, of course almost the entire company is a professional organization. The top 10 managers we have, have over 15 years of experience in the business. Now we are hoping that sooner or later we would be able to locate a CEO with the required experience. So the company hopefully would run as a professional organization going forward under the leadership of the new CEO.
- Moderator:** The next question is from the line of Dipesh Sancheti from Mallya Finance.
- Dipesh Sancheti:** My questions are mostly answered regarding the medical devices. Are we looking at any B2C sales for Female Condoms in India as you told that there is also a huge market abroad? Even in India there can be a huge market for Female Condoms, specially on Amazon and Flipkart or Netmeds.
- Om Prakash Garg:** We have been selling Female Condoms in India through internet, through Amazon, Flipkart and eBay and also we have been selling a limited quantity of Female Condoms through the wholesale dealers of Condoms especially in major cities like Bombay, Bangalore, Delhi, Pune etc. So the sales are picking up with time as more and more women become aware of the usefulness of Female Condoms both in fighting infections like HIV and also to prevent unintended pregnancies. This Female Condom is a tool which is controlled by women and it gives them gender equality as well.
- Dipesh Sancheti:** One more question. What are the other medical devices apart from the testing kits and which are will be approved by ICMR? Which are the other medical devices if you could throw some light on them by naming them maybe?
- Om Prakash Garg:** Please say that again.
- Dipesh Sancheti:** If you could name the other medical devices which the company is planning to manufacture by by 2020?



*Cupid Limited  
August 27, 2020*

**Om Prakash Garg:** So initially we are planning to do four devices related to the detection and analysis of the virus. They come under different technical names but they are being utilized in the test kits.

**Moderator:** The next question is from the line of Ankit Kanodia from Smart Sync Services.

**Ankit Kanodia:** I just had one question for the management. In terms of the execution of this fairly large order book, what are the risks we are looking at strategically today? As in risk both from internal and from external side, macro side or market side? If you can throw some light on that, that would be great.

**Om Prakash Garg:** Please say that again about the order book.

**Ankit Kanodia:** Like the kind of order book which we have been able to generate that's really good. My question is related to the execution risk. What in your sense are the execution risk for us both from the internal point wherein from the company's point and also from the point of view of the market? What can go wrong if we have to just try to say about it, think about it today?

**Om Prakash Garg:** Basically the export orders have been coming from established customers and buyers of these products over a long period of time and in terms of supply, Cupid has over 20 years of experience to produce excellent quality products. So we don't see any major problems in terms of executing these orders for our customers both for exports as well as for domestic.

**Moderator:** The next question is from the line of Keshav Garg from Counter Cyclical Investment.

**Keshav Garg:** So regarding the medical devices although you are very optimistic, you are not the only person in the world who knows that there is a huge demand for COVID kit and everybody is expanding capacities. So what will happen next year or year after when there is no COVID? There will be a huge supply glut and all this investment will have to be written off. So what do you have to say on that?

**Om Prakash Garg:** Basically the devices we are looking at, there are only a total of 4 to 5 manufacturers in India and right now they cannot fulfill all the demands coming out from India itself. Also there is a demand for exports from many countries. Right now we don't see any possibility of glut of these products in the market in the next several years and as the competition increases we will always be looking out for new products to be launched in the market. This is a growing market due to various infectious diseases. So we are aware of the say potential risk however we are prepared to tackle it as the competition in the market grows. Right now we don't see any major negatives to initiate this business at least over the next 5 to 7 years.

**Moderator:** The next question is from the line of Subbu Murugesan, Retail Investor.



*Cupid Limited  
August 27, 2020*

**Subbu Murugesan:** My question was just like for the medical devices do you again expect it like a tender business or from Indian, from like all the governments of the world or do you see like it's supposed to be what is the like selling or the distribution mechanism. Would it be tender or would it be on a like a per order basis, could you expand on that?

**Om Prakash Garg:** We are expecting business initially from the government tenders from several governments around the world but also we would be marketing our products through major distributors in India. But initially it would be mostly through the tenders. The tenders are coming both from the Central Government and Ministry of Health as well as from the several State Governments in India and right now there is a shortage of some of these products already in the market.

**Moderator:** The next question is from the line of Chintan Jain, Individual Investor.

**Chintan Jain:** I had just couple of questions. So one is related to the Brazilian order. So as you said that you have received 45 crores of order which will be finalized by September. So this is out of the total 90 crores of tender. So wanted to know who has got the balance of the tenders because in the previous calls you have mentioned that for Brazilian order you are the only one who has been qualified for supplying Female Condoms to Brazil but then how come someone else got the order now? And secondly if you look at your Male and Female Condom ratio for this quarter it has been skewed more towards Male Condom and Female Condom proportion was lower. So what was the reason for that and what's your outlook for going forward?

**Om Prakash Garg:** Okay good question. First of all the Female Condom tender budget was 90 crores this year for the latex-based Female Condom and Cupid got a 50% of that volume or 45 Cr order. Now in terms of the ratio of Male and Female Condom what you said is correct. Male Condom was 56% and Female Condom was 43% of the total sale during this April to June quarter and that ratio reflected nearly the end of the last year Brazil order, worth 120 crores.

**Moderator:** The next question is from the line of Gaurang, Individual Investor.

**Gaurang:** My question was on similar lines only. Initially when I was tracking the company, I used to see the proportion of Female Condom was consistent but in last few years or couple of quarters I can say it is been very erratic. So as an investor we are not able to gauge like what are the margins as sustainable for the company. So in last 2 years you can say the margins has gone from 41% to 21% so that's a huge range?

**Om Prakash Garg:** No it's a direct reflection of the proportion of Female Condoms which are higher margin as compared to the Male Condoms margins which are lower. So during any particular year it depends on the mix of Female versus Male quantity and directly dependent on that ratio would be the final bottom line, net profit.



*Cupid Limited  
August 27, 2020*

**Gaurang:** So we can't judge as such this is the proportion which we can continue with all. This is the sustainable proportion?

**Om Prakash Garg:** Yeah because the worldwide demand is 95% in terms of quantity is for Male Condoms. Female Condom requirements are only 5% of the total worldwide Condom's market. So our target is to emphasize the sale of Female Condoms and our target is to try to achieve a 50-50 balance between Male and Female Condoms. If we can realize that or not would depend on the overall international institutional funding for the purchase of the Female Condom and also the government budget allocation for Female Condom specially from countries like Brazil and South Africa.

**Moderator:** We proceed to the next question from the line of Ayush Jalan, Individual Investor.

**Ayush Jalan:** Earlier on in the call there was a question about capacity and our ability or our plans to do any forward CAPEX to which you said that you would look at outsourcing rather than setting up your own capacity. So I just wanted to know have you done this before and are we planning to outsource any production this year because our order book is very strong and the turnover that we are targeting shows that we will not be able to complete the entire order book within this financial year?

**Om Prakash Garg:** We did outsource a limited quantity last year and also we may do the same even this year. Now in terms of our capacity, depending on the dispatch schedule on a temporary basis we might be constraint in our own internal production which would direct us to buy or outsource the material. In general our approach is, unless we get a sustained order for a higher capacity for a period of at least 2 years, it is not worth investing 10 to 12 Cr in expansion of the production capacity and then after that if we don't have continuing order for the expanded capacity then our investment will not be fruitful. So if we have a temporary constraint we would prefer to outsource it otherwise we try to produce it internally.

**Moderator:** The next question is from the line of Alok Kumar, Individual Investor.

**Alok Kumar:** There is a strong rumor that internal auditor of the company has resigned. Is it true, just I wanted to confirm if it is so then why?

**Om Prakash Garg:** Basically they were overloaded with work and mutually we agreed that it would be better if we find a replacement for him.

**Alok Kumar:** And my second question is that you are having an order book of 160 Cr at the moment and you are projecting a turnover of 150 crores for the whole year that means the remaining 3 quarters you are expecting a turnover of only 130 Cr. So why don't you, do we plan to outsource so that we are executing the entire order of 160 Cr during the current financial year itself and that makes the turnover of the company 180 Cr?



*Cupid Limited  
August 27, 2020*

**Om Prakash Garg:** Basically there are two reasons for that. Number one there is no outside source to procure Female Condoms. We are the only qualified manufacturer. So we have to manufacture the maximum quantity possible within Cupid. Now in terms of Male Condoms we can outsource and that's what we are planning depending on the requirements we are planning to do that but of course we would try to manufacture and dispatch the maximum quantity of orders. We don't know exactly what the final number would be but our objective would be to try to dispatch the maximum with the highest possible revenue top line.

**Moderator:** The next question is from the line of Sunil Utthapa, Individual Investor.

**Sunil Utthapa:** I was looking at Female Condoms in US, that seems to be a very good move and all the best for that but my only concern is on the marketing though I heard your answer on distribution. Would we have a dedicated marketing officer of Cupid stationed in US to take care of this business or a subsidiary of some sort so that we can focus on this very lucrative business in US?

**Om Prakash Garg:** That's a very good suggestion. Thank you for that. We are planning to hire someone starting next year when we are closer to the US FDA approval process.

**Moderator:** The next question is from the line of Keshav Garg from Counter Cyclical Investment.

**Keshav Garg:** I just wanted to talk about the medical devices foray. You are assuming that COVID is here to stay for next 5 years and if by next year I am sure initially there will be a lot of demand for your kit but next year or next to next year once COVID goes away then what will happen in the world with so many kits?

**Om Prakash Garg:** The medical devices we are planning to manufacture they are useful not only for COVID but also for the detection and treatment of HIV, malaria, dengue and other infectious diseases. So the demand would continue well beyond COVID19.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for their closing comments.

**Om Prakash Garg:** Thank you. On behalf of Cupid Limited I would like to thank all of our shareholders for their co-operation and trust they have placed in the management of the company. Without your co-operation and encouragement, we would not have been able to consistently produce positive results for the company in last several years. Also I would like to thank all our customers and our employees who have worked continuously throughout the year with full dedication. So thank you again for your participation at the earnings conference call and I wish you a safe and healthy life going forward. Thank you all.

**Moderator:** Thank you. On behalf of Cupid Limited we conclude today's conference. Thank you all for joining. You may now disconnect your lines.