



CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 15th February, 2021

To,

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

The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor, Bandra-Kurla
Complex, Bandra (East),
Mumbai - 400051
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Subject: - Q3FY21 Conference Call Transcript

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q3FY2021 conference call which was hosted by the company on 11th February, 2021 at 5.00 P.M.

This is for your records.

Kindly acknowledge the receipt.

Thanking You.

For CUPID LIMITED



Saurabh V. Karmase

Company Secretary and Compliance Officer

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“Cupid Limited Q3 FY 2021 Results Conference Call”

February 11, 2021



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



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Moderator: Ladies and gentlemen, good day, and welcome to Cupid Limited Q3 FY 2021 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Binay Sarda from Christensen IR. Thank you and over to you, sir.

Ankur Maheshwari: Thanks Bikram. Good evening to all of you, and thanks for joining this Q3 FY 2021 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 Prakash 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, Ankur. Good afternoon, ladies and gentlemen. On behalf of Cupid Limited, I would like to welcome you all for attending the third quarter FY 2021 earnings conference call today. We hope that by now you have had a chance to look at the results and the press release we had issued last night after the Board Meeting. And therefore, I would go straight away to the question and answer session.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Yogansh from Mittal Analytics. Please go ahead.

Yogansh: Sir, I am looking for a breakup of your order book in terms of male condoms and female condoms. So out of this Rs. 100-odd crores, what would be the makeup of each, sir?

Om Prakash Garg: Male condom order book is Rs. 75 crores as of January 1, 2021.

Yogansh: Okay. And remaining out of the Rs. 114 crores, Rs. 75 crores are for male, remaining is for female, right?



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- Om Prakash Garg:** Male condoms is Rs. 75 crores and female condoms order is Rs. 44 crores, and other items like lube is balance Rs. 2 crores, for a total of Rs. 121 crores.
- Yogansh:** Understood. And sir, we were expecting a bigger order from Brazil, so any guidance that you can share on that, sir?
- Om Prakash Garg:** On the Brazil order, we have the female condoms order we had received worth Rs. 45 crores, that would be supplied by the end of third quarter, hopefully. And then they are planning to issue another tender by the year end. and another tender for female condoms from South Africa in June or July. And the dispatches on that will start on October 1, 2021, and it would be for a period of three years from South Africa. And Brazil tender would be for one year.
- Moderator:** Thank you. We have next question from the line of Dhwanit Savla, an investor. Please go ahead.
- Dhwanit Savla:** Congratulations on the quarter gone by. My first question was with regards to the cost of the raw materials. I was looking for guidance on our calls for the bar quarter on by, as well as for the coming quarters, has the base price for latex and anything increased? Or are we expecting an increase?
- Om Prakash Garg:** For the third quarter, as compared to the forecast, we have less sales for female condom. And the main reason for that is the impact on the Department of Health budget in South Africa due to COVID-19 pandemic.
- Dhwanit Savla:** Sir, I was asking from the raw material cost, I mean, is the cost of producing going to increase in the coming quarters, that's what I was trying to understand.
- Om Prakash Garg:** Our cost actually has come down by 10% as compared to the first quarter production cost.
- Dhwanit Savla:** And is it going to be sustainable or do we have an outlook on how the costs are going to be for the coming quarter, at least based on the raw material pricing which we have right now?
- Om Prakash Garg:** Yes. I think our cost is going down by an improvement in productivity and also the raw material costs are pretty steady.
- Moderator:** Thank you. We have next question from the line of Omkar Gangurde from Sri Consultancy. Please go ahead.
- Omkar Gangurde:** My question was regarding the U.S. FDA update, what's the status in the U.S., if you can give the latest development happening over there and plans of Cupid?
- Om Prakash Garg:** For condoms or for diagnostics?
- Omkar Gangurde:** No, for condoms business.



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- Om Prakash Garg:** Okay. In terms of male condoms, the worldwide demand is increasing. In fact, in the last quarter, we have received the largest order from WHO UNFPA, and even during this February month so far, we have received additional order of Rs. 4 crores for male condoms. So overall, I would say, that the demand for male condom is improving. And Cupid has a cost advantage. It seems, based on tender competitive price quoted, Cupid is one of the lowest cost producers in the world. And for female condom, we are getting ready for the next two tenders expected later in the year, one tender from Brazil and a three year tender from South Africa. Further, we have started a contract manufacturing with an Indian company for Cupid female condoms, and they would be retailing to the consumer directly throughout the country. And finally, we plan to expand our sales on the internet through Amazon and Flipkart. We are doing about 15,000 pieces right now, and it seemed like the demand is increasing, mostly from India, but also from overseas.
- Omkar Gangurde:** Okay, good to hear that, sir. But my question was regarding what is happening with the U.S. FDA front.
- Om Prakash Garg:** In the U.S., because of the COVID situation, the clinical trial in South Africa was interrupted during the summer months, and now we expect the final report to be ready towards the end of this year, causing a delay of four to five months. So, by the time we apply to U.S. FDA, it could be April or May next year. But the market in U.S. still looks very attractive and very remunerative.
- Omkar Gangurde:** So, you would be applying to the U.S. FDA in April or May?
- Om Prakash Garg:** Once the clinical trial report on the contraceptive efficacy is out, we will immediately go to U.S. FDA. We are already in touch with them and we have submitted all the preliminary information about our product to them.
- Omkar Gangurde:** Okay, I mean, how confident are you that you would be getting the license to...
- Om Prakash Garg:** Our objective is to try to fulfill all their requirements. And the final decision would depend on their evaluation. Of course, we are quite hopeful that we should receive FDA approval sometime next year in 2022.
- Omkar Gangurde:** My question was regarding why you are so hopeful or what makes you confident that you would be getting the approval?
- Om Prakash Garg:** Well, the main reason is that our product has been tested and tried in over 50 countries. And this special clinical trial was a requirement of U.S. FDA. And the results so far have been quite encouraging. So that is what gives us the confidence about our optimism in terms of U.S. FDA permission.



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- Omkar Gangurde:** Okay. And you would be the second player to enter this female condom space, right, in U.S. market?
- Om Prakash Garg:** Yes, correct, we would be the second company.
- Omkar Gangurde:** Okay. The next question is regarding, if you look at the results, the other expenses have gone up from around Rs. 11.5 crores to Rs. 14.5 crores. So, what is the main reason behind it?
- Om Prakash Garg:** The main reason for increase is the marketing expense, and also the increased cost of registration of our products. We are trying to register our products in eight new countries, and we are already selling products to 93 countries so far in the last 10 years. So the other cost increase is due to marketing and registration expenses, mostly.
- Moderator:** Thank you. We have a next question from the line of Subu Murug, an investor. Please go ahead.
- Subu Murug:** Sir, can you give an update on like the medical devices venture where you have a joint venture with Invex, can you give an update on that?
- Om Prakash Garg:** Yes, we have received that first order from the Government of UP for about Rs. 8.3 crores. And out of that, we have dispatched Rs. 6 crores worth of kits by December 31st. Now, going forward, our sales team in Nasik are getting ready and should be ready for commercial operation by mid-April. The demand for the rapid kit, not only Corona, but also dengue, malaria, and HIV worldwide is tremendous. Based on our contact with several potential customers, we expect this to be starting from first quarter next year at Rs. 7.5 crores, second quarter Rs 10 cr and third and fourth quarter moving from Rs. 15 crores to Rs. 20 crores. So, we are expecting pretty good performance next year on these diagnostic kits.
- Subu Murug:** Okay. So, basically you are saying that for next year we will have revenue of about Rs. 50 crores from medical devices, you said Rs. 15 crores and Rs. 15 crores in the last two quarters, so that will be Rs. 30 crores. Plus in the first two quarters another like Rs. 7.5 crores and Rs. 10 crores, so overall close to Rs. 50 crores of revenue from medical devices for next year, is that correct?
- Om Prakash Garg:** Yes. That's our projection. And again, based on the inquiries and information we have been receiving, the demand is a lot more than current supply. We are also in touch with major players on a worldwide basis. For example, a leader in this field is Milan company who are looking for manufacturing sources like Cupid to supply them these different types of kits.
- Subu Murug:** Okay. And what sort of margins are you expecting? Because in the previous call you mentioned that you will be splitting the profit of 50:50 with Invex. So, can you let us know what is the EBITDA margin that will come to Cupid after paying Invex?
- Om Prakash Garg:** Our target is about 15% net profit to Cupid on the next year's Rs. 50 crores sales.



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- Subu Murug:** Okay. Thank you very much. And this U.S. FDA, you have mentioned that there has been a delay of like four to five months on the U.S. FDA, so we will expect the revenues only coming from 2022 from U.S. market, is that the current expectation?
- Om Prakash Garg:** Yes, current expectation is that we should start to get some revenue in 2022 from U.S. sales.
- Subu Murug:** And like last question is, you mentioned that we have this partner in the Indian retail market where we will manufacture, and they will sell the product in the Indian retail market. You have like a partner; I think it was Peesafe. Can you tell us what is the projection revenue that you expect from Indian retail market and what margins you expect for the next year from the Indian retail venture?
- Om Prakash Garg:** Well, we have just started the relationship, and they have very grand plans to go to the consumer market directly, and we are waiting for their projections. But we expect increasing revenue as we move forward. We have already fulfilled their first order of 1 lakh pieces, and they are supposed to come back with their feedback next month to us.
- Subu Murug:** Okay, sir. Thank you very much. And I think you actually mentioned that you have the South Africa order later this year and Brazil order as well, close to the end of the year. Can you tell us how big are the order size in terms of crores, what is the order size in South Africa and Brazil? Like the tender order.
- Om Prakash Garg:** Well, we don't know the exact amount, because it would depend on their next year's financial budget. But we expect at least Rs. 45 crores order from Brazil, and also that much from South African order.
- Moderator:** Thank you. We have next question from the line of Nikhil Chaudhary from Chris Portfolio. Please go ahead.
- Nikhil Chaudhary:** Sir, I have just one question. I wanted to understand like, you mentioned about the arrangement within Indian counterpart who will be retailing our products. So, what sort of commercial arrangements do we have with this party? Could you throw some light on that?
- Om Prakash Garg:** You mean the possible orders for the diagnostics or for the condoms?
- Nikhil Chaudhary:** Sir, for the condoms.
- Om Prakash Garg:** For the condoms, most of the participation is directly from Cupid for these international tenders, and they are direct contract between Cupid and the government of that particular country or the international financial institution who is sponsoring the purchase of condoms. However, in case of Brazil and South Africa, their requirement is that the supplier or the manufacturer go through a local partner, a local agent, which we are following, both in case of Brazil and South Africa.



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- Nikhil Chaudhary:** Thank you for this. But sir, my question was, like, we recently have made an arrangement with an Indian counterpart who will be retailing our product, like we will be manufacturing, and they will be selling it in the market. To the earlier participant you alluded like you have fulfilled the order for 1 lakh pieces and you expect a feedback next month. I just wanted to understand what sort of commercial arrangement do we have with that party?
- Om Prakash Garg:** In India, we are supplying them the products at a fixed price, and they will do the retail marketing.
- Nikhil Chaudhary:** Okay. And probably a color on some margins that we are working with?
- Om Prakash Garg:** Right now to start the initiative on this project, which is very exciting for us, it's only 10% to 15% margin, which, as their sales improve, we are hoping to get a little better margin.
- Moderator:** Thank you. We have the next question from the line of Vaibhav Badjatya from HNI Investment. Please go ahead.
- Vaibhav Badjatya:** My question has been answered. So no more questions for me. Thank you.
- Moderator:** Thank you. We have next question from the line of Yogansh from Mittal analytics. Please go ahead.
- Yogansh:** Sir, on the female condom side, we see the kind of numbers that the company is reporting on the profitability front are very good. So looking at the kind of order inflows that we are getting for the last two years and kind of potential we have going forward, do we see any new players coming up in the female condom for the tendering processes? Are we seeing any third or fourth player who are entering the market?
- Om Prakash Garg:** The question is the scope of future sales for female condoms?
- Yogansh:** No, sir. The question is regarding, do you see any new competition coming in the female side, given the kind of fantastic numbers that we do and the traction that we are getting in terms of bigger and bigger order sizes from various countries, do we see any more competition coming in the market?
- Om Prakash Garg:** As far as we know, there is no competition coming up for female condoms. As I mentioned before, there will be requirement of prequalification from WHO and UNFPA. There may be some companies working on it, but we don't see anything on the horizon in next year or two at least.



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- Yogansh:** Right. That is good to know. Secondly, sir, like you mentioned about the launching of the female condom in Indian market through a partner, so do we also have any volume contract with them or what kind of volume numbers are we expecting through this?
- Om Prakash Garg:** It's too early, because like I mentioned earlier, we have supplied the first order which was 100,000 pieces, we are yet to receive their forecast for rest of the year. But we are expecting a tremendous increase in demand, as based on our internet sales and other domestic sales, we expect the overall increase in demand in India to be quite high.
- Yogansh:** Sir, in terms of capacity, correct me if my understanding is wrong, we were already running at near full capacity. So now given that the Brazilian order and we also are venturing into the domestic market, do we have enough capacity? Or will we need some more investment?
- Om Prakash Garg:** No, based on the expansion we completed last year, we have expanded our capacity, including 52 million pieces of female condoms per year. So we don't see any constraint at least for the next three or four years.
- Yogansh:** And sir, last question. On your medical device business which you said you are expecting a sales of Rs. 50 crores in the next year, did I hear that right?
- Om Prakash Garg:** For the diagnostics, for the rapid test kits, our projection is that we are looking at about Rs. 50 crores business, mostly from export, but also from the domestic sources, like the Indian Government tenders and also several states are planning to issue tenders of their own and it is mostly for malaria, dengue, HIV and COVID.
- Yogansh:** Okay. And sir, in terms of investment that we will be required to put up for this business, what could that figure be?
- Om Prakash Garg:** You mean the expenses for this project?
- Yogansh:** Yes, sir.
- Om Prakash Garg:** Yes. We have allocated a total of Rs. 10 crores, but we expect to start the commercial operation and revenue generation with an investment of about Rs. 7 crores by mid-April next year. So roughly 5x asset turn we are expecting and our share of the profit margin should be 15%.
- Yogansh:** The operating margin?
- Om Prakash Garg:** No, net margin.
- Moderator:** Thank you, sir. We have next question from the line of Subu Murug, an individual investor. Please go ahead.



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Subu Murug: Could you give us a view on like your revenue and margin for the next few quarters? So basically currently you are doing about, so like this quarter revenue was about Rs. 47 crores and profit were about Rs. 9.5 crores. Do you think you can maintain this for the next three quarters? Or do you think that it will be slightly higher, or do you think slightly lower because we don't have resilient order yet? Could you just give a view of next few quarters revenue and net profit, that will be very helpful?

Om Prakash Garg: Well, for the final quarter of this year, we are expecting a similar performance as the current quarter. However, starting the first quarter of FY 2022, we are projecting an increase in revenue from say about Rs. 150 crores to a total of about Rs. 200 crores. And the margins would improve accordingly as well. If we take a 20% net profit, then you are looking at about Rs. 40 crores for the next financial year.

Subu Murug: Sir, but like last year, if I see the results for four year ending March 2020, our overall revenue was around Rs. 164 crores and our net profit was around Rs. 40 crores. So you are saying that for next year we will do Rs. 200 crores are you saying again our margin will still be Rs. 40 crores even though revenue goes up by Rs. 40 crores our net profit will be the same?

Om Prakash Garg: Well, the Rs. 40 crores I am mentioning is a conservative number. It could go up to easily, say, even Rs. 50 crores. However, we have yet to experience on the production cost precisely for these rapid test kits. These are the conservative numbers I am quoting on the diagnostics, but we are expecting better profit than Rs. 40 crores in total.

Subu Murug: And on like the orders from UP, you had said that in the press release you had mentioned that UP order is around Rs. 8 crores to Rs. 9 crores, have you already delivered that? So, the revenue is already included in the latest quarter like results that have come out or this Rs. 8 crores will come for January to March this quarter, which we are talking?

Om Prakash Garg: No, total order was Rs. 8.3 crores, out of which we supplied Rs. 6 crores by the end of December 31, that is during third quarter. And this balance Rs. 2.3 crores we have already supplied in January. So we have supplied the entire order. And the good news is, we have already received 100% of the payment from UP government for this order.

Subu Murug: Okay. But you said that for the diagnostics, the production will only start maybe from end of March or April. But you are saying we have already basically fulfilled the UP order. So it's just a bit confusing, so we are already up and running for the diagnostics or we will only start commercial from April? Just a bit confused on that point.

Om Prakash Garg: For the UP order, because it was our first attempt to participate in the tender business, as soon as we received the order, we had to outsource it. As our factory in Nasik is still under construction, and our full scale operation from Nasik factory would start in mid-April. And between now and April, we are getting all the paperwork ready for registration into different



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countries, including the U.S. FDA, Indian Drug Controller, and many other potential customers. So, our main facilities would be ready for commercial operation in mid-April, this year.

Subu Murug: Okay, sir. And have you noticed that like the prices of these diagnostic devices have been coming down? I think I am just reading some news reports saying that, although there is a lot of demand, I think a lot of players are entering into this market and the price of their diagnostic devices are slowly coming down. Have you noticed that as well? Do you have any thoughts on would the price come down a lot and maybe our margins will be lower? Do you have any views on that?

Om Prakash Garg: Well, it is true that the prices have come down. When the COVID had just started, say, in March last year, there was a shortage of all these materials and the imported prices were quite high. And same trend was followed by the limited number of manufacturers who were in India. But then as the number of manufacturers increased and the government tried to slow down the import, the price did come down. And we still expect a clear margin of 25% to 30% on these test kits. So, the margins are still there.

Subu Murug: Okay. And you said we have an order book of around Rs. 120 crores, if you could just give a breakdown like would we expect it to be equal over the next three quarters, like basically Rs. 40 crores every quarter, is that how we should look at it? Or like the breakdown of the of Rs. 120 crores every quarter, will it be Rs. 40 crores every quarter, is that okay to assume?

Om Prakash Garg: Yes, purely from the condom business, Rs. 40 crores on an average per quarter is a reasonable number going forward over next two, three quarters, depending on the allocation we receive from these big tenders. However, as I mentioned earlier, starting next year, we should be adding about Rs. 50 crores worth of sales from the different types of test kits.

Subu Murug: Okay, understood. And then the last question is, is there any other major developments you are working on apart from the diagnostic and U.S. FDA, is there any? You said you registered the product in eight other new countries, so are you expecting anything big from other countries or anything else that we have not covered already that you would like to share with us?

Om Prakash Garg: Well, during the last 10 years, Cupid has supplied its products to 93 countries so far, and this year we are planning to register our products in eight new countries, including Turkey, Morocco, Ghana, Argentina, Peru. So we are expecting more orders going forward from these new customers. And as I mentioned, UNFPA orders are also increasing. We have had the best year so far in terms of the magnitude of orders from WHO, UNFPA. And they are supplying to various countries, mostly to sub-Sahara region.

Subu Murug: Okay, thank you very much. So like last question is on the U.S. FDA, you said we will only expect revenues in 2022. But if we give them like the test results in April or May of this year, you are saying after submitting to U.S. FDA we will take eight months for them to approve and for us to commercialize. So why does it take so long, can you give some more details on that?



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- Om Prakash Garg:** Yes. In general, U.S. FDA process is quite time consuming. And normally, it should take four to six months. But because of this COVID situation, U.S. FDA people have become a lot more busier and the other projects have actually slowed down. So we are estimating that it may take up to eight months by the U.S. FDA.
- Moderator:** Thank you. We have next question from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.
- Vaibhav Badjatya:** Actually my question has been answered. Thank you.
- Moderator:** Thank you. We have next question from the line of Abhishek Kapoor, an investor. Please go ahead.
- Abhishek Kapoor:** My question is on the CEO we were looking for. are we still searching for or that plan has been shelved?
- Om Prakash Garg:** Well, like I mentioned last time, our search is ongoing. But so far, we have had no luck. In the meantime, we have achieved our objective of diversifying Cupid business by creating this new vertical in terms of manufacturing of diagnostics. So, our current management is going ahead with the expansion and with the top and bottom-line improvements for Cupid.
- Abhishek Kapoor:** My next question is on the partnership or on the contract manufacturing we are taking up for Indian companies. Is it that we are also trying ourselves to go into the market for female condoms?
- Om Prakash Garg:** We would also be going to the market along with the partner, but our partner does have experience and they have direct contact with the buyer, not only in the private sector but also from the several large country, public health departments. So yes, we would also be joined in that effort. And most of the domestic marketing, we can do it directly as we have contacts with the state governments and with the Government of India Ministry of Health.
- Abhishek Kapoor:** One last question. Just a few days back in the last quarter, I had read one article which states that one company, the description is similar to our company is looking to divest the stake. Is the management looking to divest the stake?
- Om Prakash Garg:** Several people have approached us, but since we have decided on this very attractive business prospect in terms of diagnostics, we are not thinking about that anymore.
- Moderator:** Thank you, sir. We have a next question from the line of Santosh Jain, an investor. Please go ahead.



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- Santosh Jain:** Sir, as you said that for the South Africa tender, you are expecting around Rs. 45 crores size of the tender. So, is this Rs. 45 crores you are expecting for three years or do you think this Rs. 45 crores will be for one year?
- Om Prakash Garg:** It will be Rs. 65 crores for three years.
- Santosh Jain:** Rs. 65 crores will be total for three years? Because last time you received order from South Africa it was 110 crores.
- Om Prakash Garg:** Last year we had received Rs. 120 crores, that was also for a period of three years from 2016 to 2018.
- Santosh Jain:** So, this time the tender size you are looking at is on the lower side?
- Om Prakash Garg:** Yes, at least that much, again, depends on the budget allocation from the South African Government for the South Africa. As you know, due to pandemic, the economy of South Africa has suffered a lot. And we really don't know how the Ministry of Health budget would be in March, when the new numbers come out. So it will depend on that.
- Santosh Jain:** And for the arrangement with the Indian partner, you are expecting that around 15% margin you will be getting. So, the 15%, you are talking of net margin or the operating margin?
- Om Prakash Garg:** No, net margin. We are expecting 30% total net margin and 50% of that, or 15% will go to each partner.
- Santosh Jain:** And the next year Rs. 50 crores revenue which you are targeting from the test kit business, is it the Rs. 50 crores that will belong to Cupid or this is the total revenue of the division? Because your share will be just 50% of that.
- Om Prakash Garg:** No, the total Rs. 50 crores sales would be recorded in company's books. All the sales would be reported here and the 50% of the profit would go to the partner, not the sale.
- Santosh Jain:** And sir, in terms of your order book breakup, currently, female condom has gone down to much lower than male condoms, so going forward should we expect the trend to be similar that male condom will be higher than female condoms? Or do you think that female condom contribution can go higher than male condoms?
- Om Prakash Garg:** No, most likely female condom order book will not go higher than male condoms, because the demand for male condoms is many times more than the demand for female condoms. So it would be mostly in the same ratio, Rs. 70 crores to Rs. 80 crores for male, and Rs. 40 crores or maximum Rs. 50 crores for female condom orders.



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- Santosh Jain:** So the margins we used to get previously, they should come down, right?
- Om Prakash Garg:** The margins actually have improved, previously we were doing 15% to 20% for male condoms, which has now improved to 25% to 30% due to lower cost of production. So we have improved our margin in the male condom. And as I mentioned earlier, our female condom margins are 45% to 55%, which we are maintaining.
- Santosh Jain:** So this 25% to 30% male condom margin is sustainable?
- Om Prakash Garg:** Yes, male condom would be 25% to 30%, that is what our objective is, and we are reducing the production cost even further wherever possible.
- Moderator:** Thank you. We have next question from the line of Subu Murug, an investor. Please go ahead.
- Subu Murug:** I actually noticed that on your balance sheet you have cash and current investments in total about I think Rs. 50 crores to Rs. 60 crores, and plus every quarter you are making around Rs. 10 crores in net profit. So, can we expect that the dividend policy will be higher, and you will pay a higher dividend going forward? Or because of these new business ventures, you think the dividend will be the same? What is your view on the dividend?
- Om Prakash Garg:** Yes. Now our thinking is that we should maintain dividends Rs. 4 per share, as we had instituted last year. However, the final number would be reviewed at the end of 4th quarter result. Our objective is always to maximize the dividend as much as possible.
- Subu Murug:** Okay, thank you very much. So, like, that is what is our intention as well, if you can pay as much dividend as possible, then it will attract like shareholders who are like pensioners, who like rely on a steady stream of income. So my next question was on, you mentioned briefly that you are talking to some large multinationals like say, Milan and other companies to build like this medical diagnostic business. So, I was wondering if all the direct sales that you do, even from Indian state government as well as multinationals, they should all go through the joint venture partner, so for every sale Invex will get 15%? Or we can deal directly with multinationals and make more profit? Is that an option or we should always go with the joint venture partner Invex?
- Om Prakash Garg:** Sir, our understanding is that we are looking at this business on a long-term basis. We expect to continue with Invex for long term. The main reason that we have entered into this agreement because of the expertise and experience of our partners in marketing, and their contacts with the major buyers. So when the tenders will come out, what would be the size of the tenders, what are they looking for, all such intelligence gathering, resulting in the final orders for Cupid is the main contribution our partner would be making. We expect to continue this arrangement for next several years.



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- Moderator:** Thank you. We have next question from the line of Anand Singh, an individual investor. Please go ahead.
- Anand Singh:** I just wanted to know what the debt levels are, and what are the plans do? Are we looking at increasing that or decreasing that and at what rate?
- Om Prakash Garg:** I am sorry, the brands in which product?
- Anand Singh:** No, I just wanted to know what the debt on the books is and what are the plans, are we looking at raising more money? I mean, taking on more debt or reducing the debt and what is the plan with the debt on the book?
- Om Prakash Garg:** Are you asking if we are planning to take any debt?
- Anand Singh:** Yes, are we reducing debt, increasing debt, what is the policy with the debt on the books right now?
- Om Prakash Garg:** No, we have zero debt. It is a debt-free company. We have temporary borrowing arrangement and working capital arrangement against our FDs with the banks. We have absolutely no plans to borrow any funds as we have Rs. 54 crores surplus funds with us as of January 1.
- Moderator:** Thank you, sir. We have a next question from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.
- Vaibhav Badjatya:** Sir, you have earlier said that there can be few companies who are trying to get approvals in WHO and UNFPA. So can you please provide us more detail as to who are those companies, if you can provide the names of the companies, and like what stage they are?
- Om Prakash Garg:** No, we don't know the specific names of big companies. All we know is that people have been attending the conferences and meetings and they have indicated their interest into FC business. But we don't know any specific contact and at what level or what stage of approval process they are in.
- Moderator:** Thank you. We have next question from the line of Dalpat Mehta from Sun City Advisor. Please go ahead.
- Dalpat Mehta:** Sir, I just wanted to know, is there any negotiations going on for the dilution of equity or strategic partner in the company?
- Om Prakash Garg:** I think I tried to answer this earlier. Right now, we have no plans to look for a partner or some kind of equity participation as, number one, we have adequate financial resources, we are a debt free company. And also, the main reason for our excitement is the prospects for business going



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forward. I think the business of diagnostics should be improving each year due to more demand from not only COVID infections, but from other diseases like malaria, dengue and HIV. HIV demand is increasing from all over the world. So, we see very exciting prospects for Cupid in next three to five years.

Moderator: Thank you. We have next question from the line of on Omkar Gangurde from Sri Consultancy. Please go ahead.

Omkar Gangurde: My question was regarding succession planning, who would be managing the second level management, what are the plans of you about succession planning?

Om Prakash Garg: As I mentioned earlier, our current management structure is sufficing and is well-versed with all aspects of the business. And I have tried to give you a glimpse of the future planning as well as for next five years. So, if we do need any additional help, we can always look for some specialized expertise to have. But right now, we feel that we have adequate management strength to manage our current and future business.

Moderator: Thank you. We have a next question from the line of Ravinder K., an investor. Please go ahead.

Ravinder K.: Sir, we have a cache of Rs. 54 crores, as you said. And I understand that you have parked it in the FDs, is it only in FDs or have you parked it in some mutual funds so that you can get a better return on the investments there?

Om Prakash Garg: Well, part of our investment and savings is in mutual funds, and partly in FDs. So we are constantly reviewing it. And we are open for suggestions from the shareholders for their recommendations, how we can get the best possible return. I agree with you that the rate of interest is going down on FDs almost every quarter, but we are always looking for ways to improve the return on our invested funds.

Ravinder K.: Okay, thank you for that. And if you have been noticing, the share price has not been moving or it has been actually stagnant since last two quarters or so. Can you propose any buyback or probably something like that, that will help who have invested at least?

Om Prakash Garg: Say that again the last part please, about share prices.

Ravinder K.: The share price has not been moving a lot from the last two quarters, because right now the small-caps and mid-caps have started doing well but Cupid has not been moving a lot. So can you consider any buyback for a smaller quantity, the share buyback?

Om Prakash Garg: Yes, we have been considering that. And we would continue to look at that. Normally, our concentration is on managing the business and making the profits out of the business, and not



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paying too much attention to the day-to-day fluctuations in terms of Cupid share price. However, we would consider your suggestion about buying back shares.

- Ravinder K.:** Okay. And you spoke about having a very good team of people who are working for the company. So I believe you have two sets of team, one working for the condoms and one working on the medical devices, am I understanding right?
- Om Prakash Garg:** Yes, correct. We have people working on both divisions, condoms as well as the diagnostics.
- Moderator:** Thank you. We have next question from the line of Deepak Jindal from Go Check. Please go ahead.
- Deepak Jindal:** Sir, I just have one question, this quarter we had the lifetime highest revenue, but the profit was bit less, majorly because other expenses contributed to the operational cost. But wanted to understand is it a one-time thing which kind of plays its part in this quarter and will not be repeated in the coming quarters? Or is it a sustainable phenomenon?
- Om Prakash Garg:** You mean the revenue from diagnostics?
- Deepak Jindal:** No, sir, the overall revenue of the business.
- Om Prakash Garg:** In this pandemic year, we are forecasting a revenue of Rs. 7.5 crores in the first quarter of next year, April to June, and increasing every quarter from here on.
- Deepak Jindal:** Okay. My question was, what was the reason that we had the highest revenue in this quarter, but the profit was not according to the revenue, I mean, was on the higher side, so what was the reason of it?
- Om Prakash Garg:** Can you tell me slowly your question?
- Deepak Jindal:** Sir, my question was, we had the highest revenue in this quarter, we made a revenue of around Rs. 47 crores. But our profit was not accordingly to the revenue, because there were some other expenses which were there in the cost. Wanted to understand, is it a one-time thing which the other expenses you said that there was a marketing expense and there was a registration fees? Or this is a phenomena which will come up in the coming quarters as well?
- Om Prakash Garg:** The Rs. 7 crores cost is the total cost, including the construction, fencing the project site, purchasing of machinery and all the related costs. And this is one-time cost. We don't have any additional capital expenditure on this diagnostics project.



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- Deepak Jindal:** Okay, second question I had, the guidance that you shared for the revenue at Rs. 200 crores and the profit as Rs. 40 crores, while you said it is a bit conservative, is it for the entire business including condoms plus diagnostics or is it only for the condoms?
- Om Prakash Garg:** projection is that next year we could target at least Rs. 150 crores from condom sales and additional Rs. 50 crores from the diagnostics. This is our projection, making it a total of Rs. 200 crores top-line turnover in the next financial year FY 2022.
- Moderator:** Thank you, sir. We have next question from the line of Nikhil Chaudhary from Chris Portfolio. Please go ahead.
- Nikhil Chaudhary:** Thank you, all my questions have been answered. Just wanted to appreciate the transparency with which you have always explained the business and wish you all the best.
- Moderator:** Thank you, sir. We have next question from the line of Santosh Jain, investor. Please go ahead.
- Santosh Jain:** Sir, as you mentioned that your raw material cost and your overall cost of production is going down for the condom business. But if you look at the rubber prices, even the Indian rubber prices are almost at five, six years high. And if you look at your raw material consumed as a percentage of sales; this has not gone down on a year-on-year basis. So was wondering what gives you confidence regarding the cost of production going down?
- Om Prakash Garg:** The latex cost in the last quarter was up, however, the cost has been stable or going down. And some of the other cost, including packaging material, they have been stable or going down. Overall, production cost is down because of improved productivity and better utilization of equipment.
- Santosh Jain:** But as you increase your male condoms margins from 15% to around 25%, that is a very big jump. So wondering, without getting any help from raw material costs, how such a big jump is possible?
- Om Prakash Garg:** This improvement, say from 15% to 20%, up to 25% in this last quarter, are the actual realization including higher Latex price. So we are hoping to maintain margins assuming that raw material costs don't go up dramatically high. In general, all the commodities are rising, as you know, in price. And we are hoping that when the economy returns to normal later this year, that there would be no major increases in raw material prices. So we are watching these input costs very carefully every day.
- Santosh Jain:** So will you not be able to increase your prices for our condoms to pass on the raw material cost?
- Om Prakash Garg:** It's about 60% of the cost is the total raw material, including all the chemicals, Latex, the manpower cost, and the packaging cost, plus transportation.



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Santosh Jain: What I am asking is, will you be able to increase the price of your product to pass on the increase in raw material costs?

Om Prakash Garg: In general, because of competition, it's not easy to increase the selling price. However, in case of some specialized products with a special ingredients, we are able to charge a little more from our customer. We have been doing that with a few customers in fact this year that we have provided to them better packaging or better products with more variations. That is the more practical way of increasing the selling price.

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

Om Prakash Garg: Again, thank you for attending the third quarter FY 2021 earnings conference call today. And I would like to take this opportunity to thank all our shareholders who have supported us through all these years, including the initial years when Cupid was struggling to become a profitable company. So we really appreciate all the encouragement and help the shareholders have provided to Cupid management. Also, we would like to thank all our employees who have worked with dedication throughout the year. And we hope that with their continuing improved performance, Cupid can even look forward for better days ahead. Thank you very much again.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Cupid Limited, that concludes this conference call. Thank you for joining with us. And you may now disconnect your lines.