



CUPID LIMITED

Manufacturer & Exporter of Male Condoms, Female Condoms,
Water based Lubricants & In Vitro Diagnostics (IVD) Kits

We Help The World Play Safe

Date: - 16th November, 2023

To,

Department of Corporate Services,

BSE LIMITED,

Phiroze Jeejeebhoy Towers,

Dalal Street,

Mumbai – 400 001

SCRIP CODE: 530843

The National Stock Exchange of India Ltd.

Exchange Plaza, 5th Floor, Bandra-Kurla

Complex, Bandra (East),

Mumbai - 400051

Fax No. – 6641 8125 / 26

SCRIP CODE: CUPID

Subject: - Conference call Transcript

Dear Sir / Madam,

With reference to captioned subject, we hereby enclose the transcript of Q2FY2024 conference call which was hosted by the company on 9th November, 2023 at 5.30 p.m.

This is for your records.

Kindly acknowledge the receipt.

Thanking You.

For CUPID LIMITED

SAURABH VISHWAS Digitally signed by
SAURABH VISHWAS
KARMASE

KARMASE Date: 2023.11.16
17:37:02 +05'30'

Saurabh V. Karmase

Company Secretary and Compliance Officer

Factory & Registered Office:

CIN No.: L25193MH1993PLC070846



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



+91 2551 230280 / 230772
+91 7722009580



www.cupidlimited.com
info@cupidlimited.com



“Cupid Limited Q2 FY2024
Earnings Conference Call”

November 09, 2023



ANALYST: MR. KAUSHAL SHINDE – KIRIN ADVISORS PRIVATE LIMITED

MANAGEMENT: MR. ADITYA HALWASIYA – MANAGING DIRECTOR – CUPID LIMITED
MR. OMPRAKASH GARG – SENIOR ADVISOR – CUPID LIMITED



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- Moderator:** Ladies and gentlemen, good day, and welcome to Cupid Limited Q2 FY2024 Earnings Conference Call hosted by Kirin Advisors. 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 now hand the conference over to Mr. Kaushal Shinde from Kirin Advisors Private Limited. Thank you, and over to you Sir.
- Kaushal Shinde:** Thank you. On behalf of Kirin Advisors, I welcome you all to Cupid Limited Q2 FY2024 con call. From the management side we have Mr. Aditya Halwasiya – Managing Director and Mr. Omprakash Garg – Senior Advisor. Now I will hand over the call to Mr. Omprakash Garg. Over to you, sir.
- Omprakash Garg:** Thank you Kaushal. Ladies and gentlemen, on behalf of Cupid Limited, we would like to welcome you all for attending the quarter two FY2024 earnings conference call today. We hope by now, you have seen the second quarter financial results we had published last night through the BSE and without any further delay we would like to open the session for question-and-answer discussions. Mr. Aditya Halwasiya, our Managing Director is also with us on this call. Thank you and let us open the conference call, please.
- Moderator:** Thank you. We will now begin the question-and-answer session. First question is from the line of Vaibhav Shah from Kojin Finvest. Please proceed.
- Vaibhav Shah:** Sir, I have few questions related to our performance and overall the current developments which are happening in the company. So first of all I wanted to understand why there was a dip in this quarter’s performance, what was the major reason behind it.
- Omprakash Garg:** The main reason for lower sales during this quarter were lack of high margin female condom orders from South Africa and also the late reporting of testing results from their laboratory, and for the first part I would request Aditya to please cover the new businesses.
- Aditya Halwasiya:** Thank you sir for handing me over the call. Yes, the results have not been in line with the expectations. As Om sir mentioned, we have had a very poor sales quantity for female condoms. Going forward we want to improve our sales for female condoms by entering new markets particularly in a B2C segment we want to increase our sales force numbers over there, we have people on the ground to do so also.



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Vaibhav Shah: Om sir, my next question is to you. What is our progress on IVD kit, the testing kit. How is the progress and is it possible to start to see the production in the early next year or it will take some more time.

Omprakash Garg: All our 16 products, which have been certified by the drug controller of India are already in the market within the country in India and sales have been steadily improving, this quarter we have done about 90 lakhs worth as compared to about 20 in the previous quarter. However the major thrust for IVD kit sales would come after year, year and a half when we would complete 3 years of manufacturing requirement by the regulators as well as we would get the WHO certificate and we CE certificate for the European sales, when we receive those then only we would be able to participate in large export tenders, that business is worth 300 to 400 Crores.

Vaibhav Shah: During this quarter what was the breakup of our exports and domestic.

Omprakash Garg: Exports were 94% and domestic were the balance 6%.

Vaibhav Shah: And major contributor to the export market.

Omprakash Garg: Major contributors were sales to Tanzania and also to UNFPA United Nations Population Fund.

Vaibhav Shah: My next question is to Aditya ji. In press release filed by the company, we have seen that you are discussing about the expansion of Halwasiya group and so what is your vision behind the takeover of Cupid and where do you see this in next three to five years.

Aditya Halwasiya: In comparison to other Southeast Asian countries the penetration of the concept of family planning and sexual health is not as high in India versus the other countries as I mentioned in Southeast Asia. So that was the major contributor due to which we are seeing the health care sector in India evolve especially post COVID and the distribution and sales of male condoms under the several brand names we know is going to increase significantly according to us, that is why we entered this sector.

Vaibhav Shah: So how do you plan to ramp up the Cupid brand name and their facilities or what is your insight on taking the Cupid to the next level. As we can see there the business was kind of a stagnated around the turnover point of view. So how do you see this ramping up. So you will be the driving force or any more professionals will be joining the company.



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Aditya Halwasiya: This is a two pronged question, one is to do with capacity and the other is to do with employing a good sales force as I mentioned. So the first question in terms of capacity expansion, we have enough cash in our books accumulating to close to 125 Crores to triple our current capacity. We already seeing 95% capacity utilization, so we have very good reason to do so. Secondly when it comes to hiring a competent management team at a high level we have already started working with professionals with more experience than the existing professionals in our company. We will be adding many key managerial persons in the C-Suite roster and we will ensure that everything is transparent going forward within the company.

Vaibhav Shah: So as you mentioned we are already at 95% of the utilization level and as I mentioned the turnover is stagnated. So have we identified any expansion plant it will be near the existing plant or any new locations or anything that you guys have identified and then tried to take over the Cupid or it will be going to be the activity now on. Now we will be identifying the new spaces and everything.

Aditya Halwasiya: There are many opportunities when it comes to where we can make land acquisitions. Our main concern and focus has been from the start of the acquisition to associate ourselves with thorough professionals in the field we are entering into, and when it comes to land acquisition, I think that would not be a concern.

Vaibhav Shah: And you guys going to still follow the existing model like focusing more on the exports and limited presence in India or you guys are going to expand into India more aggressively.

Aditya Halwasiya: Two parts of the question. Yes, when it comes to exports our current business will stand as it is with the new capacity additions we would like to enter into the B2C markets of international using our international connects who are already helping us participate in the tenders of these governments as Sir mentioned Tanzania, South Africa, Brazil, these key countries we will be having sales executives to help with B2C simultaneously in India we will also push towards B2C in terms of introducing a few new products along with our existing products to help increase sales.

Vaibhav Shah: So any kind of stand on B2C brand building or that you are looking at for next remainder of this half, and FY2025 and 2026 because creating a brand in a B2C will be a costly affair. So how do you see this happening?

Aditya Halwasiya: Yes, it is a very costly affair in India everyone is very price conscious. So the way we would position ourselves going forward is that we were the first company in India to introduce



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female condoms, and this is a given fact that we are the first manufacturers of female condoms and we will be using the base we have of several certifications as a way to enhance our sales in the B2C market in India.

Vaibhav Shah: And my last question to Om sir. Sir, you will be continuing with an advisor role for how much period or you will be leaving the company.

Omprakash Garg: No, my plan is to continue with the new management for at least three years.

Vaibhav Shah: Great sir, that is good to hear. Thank you so much.

Moderator: Next question is from the line of Mansimran from Bandhan Mutual Fund. Please proceed.

Mansimran: My question is to Aditya sir. The question is simple like do you see in future like we can give tough competition to Mankind products.

Aditya Halwasiya: The immediate competition we can give to any existing brand in India is in the line of female condoms. We have a team who is working on a very good marketing strategy to introduce our other products like lubricant jellies, like personal lubricant jellies like male condoms and we will be packaging these products together and selling it in the Indian market.

Mansimran: So, like in the market it will be visible right, the brand will be visible.

Aditya Halwasiya: Yes, we will try to make sure it is visible in as many shop as possible that is the best point of sale for any condom in India.

Mansimran: Okay, thank you.

Moderator: Thank you. Next question is from the line of Vaibhav Badjatya from Honesty and Integrity Investments. Please go ahead.

Vaibhav Badjatya: Hi sir, thanks for providing the opportunity. Earlier you said that you will be doing B2C. So your B2C focus will be only on female condom or you will be doing male condom as well in India particularly.

Aditya Halwasiya: It will be for both.



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Vaibhav Badjatya: So, earlier historically whenever we have analyzed and questioned Mr. Garg on this there has been a consensus from Mr. Garg that the margins are not good enough and profits are not good enough and that is why we do not want to go down that path, but now there is a change of thinking. So I just want to know that what are the views which can bridge the earlier thinking of the organization to now change thinking of the organization that we want to change track and now start investing in B2C both male and female condom because earlier it was very clear from Mr. Garg that we do not want to do that because of low margins and returns are not good enough.

Aditya Halwasiya: Yes, so the earlier commentary by Mr. Garg has been in line with his efforts. His efforts are to make Cupid a global brand, a global brand can be made in any way possible either you do B2B or B2C keeping that in mind he has found the part to least resistance for the growth of the company we have been able to achieve. So for further growth we will always concentrate on B2B, but as I mentioned the under penetration of sexual health and wellness in India has to be pushed forward at a very good speed because post COVID we are seeing very good numbers of growth and we would always want to have a brand, Cupid brand available to the Indian consumer that will bring about a lot of value for Cupid as a company and this is something I believe any brand would like to achieve have a market presence in the ever growing growth story of India.

Vaibhav Badjatya: So basically building a brand is obviously a long-term affairs and most of the brand end up burning money in near-term. So would that be case with us as well because obviously there will be lot of investment required in distribution, advertising, marketing. So should we expect that there will be the short-term pressures will be there from building this business obviously longer-term we will benefit from building the brand, but in short to medium-term there will be pressures from building this business.

Aditya Halwasiya: When it comes to building any business in India distribution is key and the way to get distribution in India is having people who have had significant experience in creating distribution lines. So we believe strongly the current individuals we have hired in the company are testament to the fact that they have built great brands and great distribution lines.

Vaibhav Badjatya: And you also talked about launching some newer products apart from the existing product. So, any thoughts on what could be these new products.

Aditya Halwasiya: These new products will only be used to bundle our existing products and have a better value proposition at the point of sale for existing customers for basically customers who are going



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to the shop and asking for the different varieties of condoms available. People in India like a good proposition to buy any consumable. So we want to just introduce these extra products as a good value proposition for the end customer.

Vaibhav Badjatya: Got it. Yes, understand that is it from my side. Thank you.

Moderator: Thank you. Next question is from the line of Deekshant from DB Wealth. Please go ahead.

Deekshant: Hi team, hi Aditya, question for you. Firstly congratulations on the acquisition of Cupid. The first question is basically on our new business that we are going to be starting in the direct to consumer space. Currently we have a 96% distribution is there any thought process of how much of the new business we want to take in retail terms both India and International.

Aditya Halwasiya: In terms of contribution going forward we do not want to try and blitz the market in any way shape or form because it costs a lot of money to do so. We will like to have a very good number of receivables, good quality receivables going forward in any business opportunity we take, undertake whether it is B2C or B2B. So going forward I hope that we are able to showcase better results definitely, it will definitely better than what you are seeing right now, but when I say better I expect at least a 2x growth from there the coming three years.

Deekshant: So the reason I am asking this question is because our cash conversion cycle is around 6 months in the B2B business, and I am sure that the thought process is also that going forward in the next couple of years in the direct FMCG business of direct to consumer our cash conversation will go better, our margins will be better. So that is the goal I am assuming, please help me learn this better, but what is the idea of how much percentage of our revenue should be coming from B2B and how much should be coming from B2C even if some rough numbers would be helpful.

Aditya Halwasiya: Right now we have to start selling, my apologies we cannot give a forward guidance on this particular number, but I can give a very clear guidance on our receivables we met on a more timely basis going forward because we are working thoroughly on our contracts in B2B.

Deekshant: Got it. So, what is the first goal would be to go and capture the market or would it be more to expand our market in out of India for the direct to consumer segment.

Aditya Halwasiya: Direct to consumer segment out of India we will be making sure the existing channel partners are able to sell with good credit terms. When it comes to direct to consumer in India we are



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only going to be concerned about markets where there is a very good opportunity to bring about topline contribution.

Deekshant: A couple of other brands like PEESAFE have also gotten into the female contraceptive market and the female condom market and clearly there is a good sort of market opportunity for us. Is there any specific, what was the one thing that was the go-getter for you to acquire Cupid, is there any specific one thing in the market opportunity that you were seeing.

Aditya Halwasiya: The market opportunity I think is simply speaking the growth story of India and when it comes to us as a business we have been in business for the last 60 years as a Family Group Company, the business we are in is close to maturing, and we feel that the sexual wellness and health and family planning business in India is at its infancy stage still.

Deekshant: Got it. Last question, right now our open offer is in the market and it is right around 26%, but the price for this is at 325 bucks and our current market is more than 2x of this. So one how much have we already been able to acquire in the last couple of days of the open offer and two like what if we are not able to acquire the whole subscription of 26%.

Aditya Halwasiya: The open offer is still not open.

Deekshant: 6th November right.

Aditya Halwasiya: It is still to open.

Deekshant: It is still to open.

Aditya Halwasiya: Yes.

Deekshant: In the filing it was written that it would be opened on 6th of November correct.

Aditya Halwasiya: Contingent on getting clearances which we expect to get in the coming week for sure.

Deekshant: Okay, so would we be revising the price because it is like literally at 50% of the market price right now.

Aditya Halwasiya: We are not looking to revise the price on the open offer.



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Deekshant: So, if you would not be rising the price on the open offer and the current price is at 2x. Do you think we will be able to get the open offer subscription.

Aditya Halwasiya: Well when the open offer was triggered price that time was close to Rs.350. So from that price level it has gone up, it could have also gone down we would have to maintain Rs.325 either case.

Deekshant: Got it. So has the family thought that in future we would be acquiring more stake.

Aditya Halwasiya: We would first like to work on the business at hand, yes, acquiring more stake reduces the number of shares in the market, getting the market price, but that is a very unnatural way of looking at growth.

Deekshant: One follow-up question here on our consumer business. Around 120-140 Crores of cash that we are having, the idea is in the start of the call you portrait that we would be using this cash to expand our facilities. On the marketing side and hiring new people on the new sort of human CapEx that we would be doing, do we plan to raise any money from the markets or take any borrowings or will there be any more cash infusion.

Aditya Halwasiya: As of today the cash we have in our books is sufficient to 3x are existing capacity if you factor in land acquisition and plant and machinery as well as human CapEx, we do not need outside funding, yes.

Deekshant: Perfect. Congratulations Aditya again. Thank you so much for the answers.

Moderator: Thank you. Next question is from the line of Pranay Gandhi from Green Portfolio. Please proceed.

Pranay Gandhi: Hi, good evening everyone. My first set of questions I would want to direct it to Mr. Aditya. So since you have already shared the motivation behind the acquisition and the vision moving forward, I would want to know if there are any synergies that can be anticipated from the acquisition to enhance the business in terms of cost or raw material.

Aditya Halwasiya: When it comes to synergies it would be more to do with doubling down our efforts to improve SOPs in place because we come from a manufacturing background.

Pranay Gandhi: And my next question would be in regards to the capacity expansion that you were referring to earlier with the amount of cash we have 125 Crores as you mentioned that it is enough to



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triple the capacity. With the current utilization of 95 Crores are you looking to do that in near future, I mean, at what stage this is planning and how much time would it take for it to reach the final stage.

Aditya Halwasiya: We expect our capacity expansion plans to materialize within 16 to 24 months.

Pranay Gandhi: And are you planning to launch it anytime soon.

Aditya Halwasiya: Launch what, could you please repeat.

Pranay Gandhi: I mean, commence the capacity expansion.

Aditya Halwasiya: We will be having as of today we have seven dipping lines and beyond seven dipping lines we have the machinery required to make the final product those the same capacity expansion if you just look at doubling down with the current capacity we will be introducing seven more dipping lines going forward it will be a seamless process because we already have a blueprint of our own existing facility.

Pranay Gandhi: Perfect, thank you so much Mr. Aditya. For next set of questions if Mr. Garg, you can answer that. I just want some clarity on this that for the IVD division getting the WHO approval had couple of prerequisite in terms of having three years of manufacturing license and 12 to 16 months of getting that CE certification. So I just want to know what is the time period when we can anticipate this to be in our hand.

Omprakash Garg: I think the clearance from WHO and for the CE marking would take from additional 12 to 16 months. Once we get those permissions by that time we would also have completed a three years of manufacturing experience which is again one of the other major requirements of the export tenders, high value export tenders. So I would say from FY2026 onwards we would be fully equipped to cater to the large scale export tenders.

Pranay Gandhi: Thank you so much Mr. Garg and I would just want a clarity on the status of the discussion that we were having with the companies in Singapore and US for manufacturing of their patented products. What is the progress on that.

Omprakash Garg: The progress with the US company is going relatively well, we are still in discussion at the technical level and exchange of information in terms of our manufacturing capacity and capabilities and their marketing requirements however the negotiations with the Singapore



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party has slowed down because they have been able to locate another manufacturing source that is what we have learned recently.

Pranay Gandhi: And what would be the order size with the US based company.

Omprakash Garg: It is too early to estimate that.

Pranay Gandhi: Not a problem. Thank you so much, sir.

Moderator: Thank you. Next question is from the line of Onkar Ghugardare from Shree Investments. Please proceed.

Onkar Ghugardare: First of all I wanted to ask Mr. Aditya that what would be the four, five immediate things you would be doing to make the company again on a growth path and what are the four, five long-term things you will be doing in the company.

Aditya Halwasiya: When it comes to the few things we are doing right now, first we have taken stock of the inventory of the company we have taken stock of the processes in the company, we are ensuring that the ERP systems in place are sufficient going forward to cater to the demands on it for the input of data flow should be with everybody at every point of time. The contracts which we are working with for exports those contractual terms are improving going forward our aging debtors has improved significantly simultaneously we are working on B2C in India as well as B2C abroad we are working with existing contracts in our tendering business to increase our B2C presence as much as we can in South American countries as well as South Africa as a country and in the b2C space in India we are all going to be, we are working on launching a new packaging for our product new bundlings are being worked on and in the future I would say that the more capacity we have we will ensure that distribution lines are set to cater to the flow of end product we get out of the capacity expansion.

Onkar Ghugardare: So, if you want to just talk about the vision of yourself about the company where you want to see the company in say next three to five years in terms of sales, in terms of profitability, in terms of market share, in terms of cash flow, etc.

Aditya Halwasiya: In terms of all these things I would say simply speaking we want to be looked upon as a high growth company, we look to get 15% to 20% year-on-year increase in sales post the start of these expansion projects, we expect to start expanding by quarter one of FY2025 we will be seeing in quarter two of FY2025 we will start participating in tendering of IVD test kits also



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on a B2B level because by then we gain three years of manufacturing experience. So there is a lot of topline addition ahead honesty what we see.

Onkar Ghugardare: And what would that translate into the bottom line then, what kind of thinking you have on that front then, if you are talking high growth company.

Aditya Halwasiya: On that front we have EBITDA margins today at 12% to 13% for male condoms and for female condoms it is 31% to 32% currently at most on these EBITDA levels we will be seeing changes of 3% to 5% going forwards once we start expansion by doubling our top line in the coming years.

Onkar Ghugardare: So 4% to 5% margin expansion on each category or as a combined.

Aditya Halwasiya: As a combined we will be seeing since we will be adding scale, we will be seeing a 4% to 5% margin expansion mostly on the female condom end and less than half of it on the male condom end.

Onkar Ghugardare: I was asking whether right now you have EBITDA margins of around 15% for at least this quarter. So from next financial year we would be targeting around 20% kind of EBITDA margin at a company level.

Aditya Halwasiya: At a company level the EBITDA margin will be in much more pleasing to all of us. Going forward because this year as you can see the other expenses are bloated that is primarily due to the charges even UNFPA we have to pass on charges to UNFPA for contractual nonperformance because our quality of product which we shipped in transit for the personal lubricants deteriorated during the shipment transit and after on receiving the shipment UNFPA cancelled that contract for that particular order and we have to pay penalties accordingly. So our other expenses have bloated because of that. So going forward this is a onetime expense another expense due to which our margins will be higher than 20% on the EBITDA level.

Onkar Ghugardare: This is from the start of new financial year you are say right.

Aditya Halwasiya: From start of new financial year we will be seeing significant improvements, yes, and by the end of financial year we expect to end the financial year with a top line of close to 140 Crores.

Onkar Ghugardare: So from that level is it safe to assume that you will be doubling your revenues in next 3 to 4 years and similar will be the trajectory for the bottom line.



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- Aditya Halwasiya:** Yes, you can use FY2024 as a baseline.
- Onkar Ghugardare:** And from that you would be targeting around doubling of revenue and doubling of profitability right in next three to four years.
- Aditya Halwasiya:** Yes sir, we will be looking towards that.
- Onkar Ghugardare:** One more thing I just wanted to ask now you have 125 Crores of cash you have already told that it would be sufficient for you to triple your capacity, but apart from you obviously you would not be tripling the capacity immediately so what would be the utilization of cash say like on four five things you will be looking at to use this cash apart from capacity expansion.
- Aditya Halwasiya:** The immediate utilization of cash right now is to set up our sales force, domestic sales force which is already ongoing for the B2C India sales team, and we are headed by a very competent individual for it and we have already started working on the packing end, the bundling end, and we will start sales. We have already started with sales if I am not wrong on the B2C front with this new vision in mind.
- Onkar Ghugardare:** Apart from sales adding sales force what else you are looking at for utilization of cash.
- Aditya Halwasiya:** For utilization of funds you will be first buying a parcel of land, which will be sufficient to minimum have seven dipping line capacity installation. We would like to easily have a requirement going forward or, not requirement a capacity going forward of more than 1 billion units of male condoms and more than 100 million units of female condoms per annum.
- Onkar Ghugardare:** Apart from capacity expansion and addition of sales force are you looking at anything else.
- Aditya Halwasiya:** These are two key ingredients for us to increase our capacity and also in addition to this I already mentioned we are working on other cost saving factors like looking at improving our contractual terms improving our cost saving bases within the company and relooking into the SOPs of the company and trying to bring about more efficiencies within those SOPs with the help of a manufacturing background.
- Onkar Ghugardare:** So much of going on earlier there used to be a talks of buybacks and all that, that is I guess out of question now, but what would be the distribution of cash to the shareholders, what would be the policy on that front of the new management.



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Aditya Halwasiya: As of this year we have only paid out dividend once we would want to have we want to continue over the last three, four years which I recall it was Rs.4.5 to Rs.6 worth of dividends per share on face value of Rs.10 which were paid out to shareholders we would like to continue with a dividend payout definitely in the coming years it will be slightly less than what the shareholders have seen over the last 3 to 4 years because we will be doubling our efforts to increase the capacity which the company has had a very good opportunity to do and will do under the new management and with the help Om Sir, guiding us.

Onkar Ghugardare: If I can be a little more specific to the capacity expansion thing, how much capacity you would be adding and what kind of funds you require for that and what would be the commencement here for that particular capacity you are looking.

Aditya Halwasiya: As of now Om sir, could you please answer this question, sir.

Omprakash Garg: Yes, I think we would require approximately 50 to 60 Crores to add seven more lines which would give us a total capacity of close to billion condoms and the time period will be approximately 2 years.

Onkar Ghugardare: So currently from what level it will be a billion and what about the addition of capacity for female condoms from what level to what level it will be.

Omprakash Garg: Currently we have 50 million capacity for female condoms and we could easily double that because the same machines which are used to manufacture male condoms can be easily converted to make female condoms our real challenge is to generate more orders and popularize the use of female condoms which would be a big challenge, but in terms of capacity for female condoms if need be we could ramp it up to easily 100 million pieces of female condoms.

Onkar Ghugardare: And what about male condoms from what level to what level it will be.

Omprakash Garg: It will be 480 to over 900 million.

Onkar Ghugardare: So doubling of capacity on both fronts female and male condoms right.

Omprakash Garg: Correct.

Onkar Ghugardare: And what could be the asset turn for that.



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- Omprakash Garg:** I am sorry.
- Onkar Ghugardare:** Asset turnover Aditya, if you can answer that question on that 50-60 Crores, which you will be putting in.
- Aditya Halwasiya:** Sure. So as of today as you know we have seven dipping lines, each dipping line has a capacity of 70 million units and the 480 million capacity we have the yields close to 150 Crores of revenue. Going forward we expect it to double and we need to have a very strong distribution set up for the increased capacity to be sold to end customers. We are working on it.
- Onkar Ghugardare:** So that means if you are putting in 50 Crores, if you are incrementally looking at adding 150 Crores on that. So that would be around 3x asset turn right you are expecting.
- Aditya Halwasiya:** If you look at a simply speaking 15% increase year-on-year on the top line, bottom line margins will expand based on the scale we are able to generate at the end of the capacity expansion plan so on a 15% basis without talking about bottom line we can see in the matter of five years and easy double just on 15% and we have targets of higher.
- Onkar Ghugardare:** So you just now mentioned that you would be looking around doubling in three to four years right.
- Aditya Halwasiya:** Yes, I am taking the base case, not even the base case, the lower than base case scenario which we are looking at right now.
- Onkar Ghugardare:** So that is the bare minimum you are looking at doubling of revenues in 3 to 4 years from FY2024.
- Aditya Halwasiya:** Yes.
- Onkar Ghugardare:** And with obviously higher EBITDA margins of more than 20%, which you mentioned just now.
- Aditya Halwasiya:** Yes, once we finish our expansion plans that is important to note.
- Onkar Ghugardare:** So, that would be after two years right you are saying.



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Aditya Halwasiya: By third year we should be able to easily have a good sales order for the extra capacity we install all the extra capacity installed we expect to install seven minimum by two years.

Onkar Ghugardare: So, if you look at around 300 Crores of ballpark revenue in next 3 to 4 years where US FDA sales stand in this equation.

Aditya Halwasiya: Coming to USA, Om sir, if you could please throw light on this.

Omprakash Garg: Well the bottom line we will be expecting more than 60 Crores in profit after tax based on the 300 Crores turnover number.

Onkar Ghugardare: Okay that is fine. What I was asking was you are trying for US FDA approval to get into the US for the female condom, right.

Aditya Halwasiya: Yes, for the female condom we are going to be getting into the market for the female condoms. As of today we sell Maxima brand in Tanzania in Africa or our female condoms we will be selling the same brand at a more than double price in the US because that is the going rate per unit in the US for female condoms after we get the US FDA approval.

Omprakash Garg: Now if I may add we are still in discussion with US FDA and they have asked us to modify the clinical study which we are currently doing at a research center in South Africa and assuming we get the US FDA approval in 12 to 15 months we could expect to increase our female condom sales in America and as you know there is only one qualified manufacturer who has complete monopoly for sale of female condoms in US. So our efforts are to try to get the US FDA approval as soon as possible.

Onkar Ghugardare: But the modification of clinical study thing was going on for last 6 to 8 months. So any progress on that front and if Aditya you would be engaging with this process and if this 300 Crores includes the sales from USA once you get the US FDA approval or this is excluding that you are talking about.

Aditya Halwasiya: This is excluding that because we are only be looking at existing sales line and increasing sales lines in India and through channel partners abroad. This will be based obviously as a very big opportunity which as mentioned by Om sir, we are finishing with the clinical trials and within one and a half years more.

Onkar Ghugardare: So more one and a half years for clinical study you would require is that correct.



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- Omprakash Garg:** No, one year more to complete the clinical studies at the end of 2024 and then six additional months after that for setting up the distribution channel and our marketing strategy all over the US.
- Onkar Ghugardare:** So basically what is the process once you finish the clinical study what are the steps you have to follow.
- Omprakash Garg:** We have to submit the clinical study report along with some additional manufacturing data from existing Cupid operations to the US FDA for their evaluation and discussion and then their technical panel then would review all this data and hopefully recommend that Cupid be qualified. So all that process we are estimating about 6 months.
- Onkar Ghugardare:** So before FY2026 you are not looking for any kind of sales or any approval from US FDA right.
- Omprakash Garg:** Yes, beginning of 2026.
- Onkar Ghugardare:** So anything if there is from US female condom front that would be from 2026 onwards only right and this is not included in the 300 Crores target which you are talking about right.
- Omprakash Garg:** Correct.
- Onkar Ghugardare:** With all that just wanted to ask what kind of ROC and ROE targets you have for the company.
- Aditya Halwasiya:** If you see at the end of two years the capacity expansion is expected to cost as 50 to 60 Crores and if our EBITDA margins are let us say this 20% going forward we easily see a ROC higher than that once we are able to push hard with the sales numbers going forward.
- Onkar Ghugardare:** Sorry I missed the point what level you mentioned for ROC.
- Aditya Halwasiya:** 50% to 60% if we employ as capital going forward we will be able to at least get 20% ROC.
- Onkar Ghugardare:** So 20% ROC you are looking at.
- Aditya Halwasiya:** Yes, because the margin of the product are quite high.



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Onkar Ghugardare: And this is you are talking only after two years, but what about this next two years, what you would be thinking, I mean, what is the strategy for this next two years before the capacity expansion actually starts what are your targets.

Aditya Halwasiya: Capacity expansion which is going to start right now it is going to start in a very staggered manner we do not want to set up if we want in a matter of one year we can set up seven dipping lines going forward, but that will have a very big impact on the ROC we are reviewing the impacts on ROC as we speak and we are only concerned right now of creating sales turnover going forward.

Onkar Ghugardare: Because you mentioned that this year turnover you are expecting around 140 Crores which will be again kind of similar level to the last H2. So that is why I am asking.

Aditya Halwasiya: Yes.

Onkar Ghugardare: So whatever growth you are expecting, you are expecting after FY2024 only right maybe from FY2025.

Aditya Halwasiya: Not only we are expecting growth after FY2024 we are expecting to streamline the processes within the company which there are very few to streamline in the first place and get our sales figures back in line for the H2.

Onkar Ghugardare: For H2 right.

Aditya Halwasiya: Yes for H2 we will get our sales figures back in line with the previous FY2023 numbers.

Onkar Ghugardare: Another thing which you mentioned in the press release is that you would be looking to increase your order pipeline. So, if we look at the current order book it is around 77 Crores and if you calculate last quarter it was around 104 Crores I guess and this year this quarter sale were around 34 Crores. So, if you calculate that around at least approximately 6 to 7 Crores worth of only orders were added so what kind of targets you have for the upcoming quarters and years.

Omprakash Garg: We are expecting some major orders from South Africa and UNFPA in next two months.

Onkar Ghugardare: And this is for female or male you are expecting.

Omprakash Garg: 80% male condoms, and hopefully 20% female condoms.



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- Onkar Ghugardare:** This is Africa and UNFPA you mentioned right.
- Omprakash Garg:** Yes please.
- Onkar Ghugardare:** And what about the Brazilian thing then.
- Omprakash Garg:** Brazilian tender is also supposed to be published at the end of December and we are expecting a reasonably good volume of order for female condoms from there.
- Onkar Ghugardare:** Aditya if can answer this question say looking-forward next three to four years what kind of contribution you are expecting from male and female category at least what would you aspire.
- Aditya Halwasiya:** What I aspire when it comes to this contribution going forward would be to stay in line with the FY2023 numbers 75% of our sales came from male condoms and something like 19% came from female condoms and rest came from IVD test kits and personal lubricant jellies for the next till the expansion plan has been completed and then we start selling, I will test if I expect the contribution to stay at the same of close to 20% female condoms.
- Onkar Ghugardare:** So you are not expecting to increase the sales from female condoms that it is EBITDA accretive as compared to male condoms right.
- Aditya Halwasiya:** See we will be increasing our capacity so base which we are using will also increase simultaneously, but the contribution for now till the expansion is finished will stay the same.
- Onkar Ghugardare:** And expansion of finishing what you are saying is that like 100% capacity utilization you are saying or like the commencement of the expansion you are saying after 2 years.
- Aditya Halwasiya:** No, when I say expansion finishing I mean to say the last dipping line being installed that is the 14 dipping line of the company.
- Onkar Ghugardare:** That would be completed after two years right.
- Aditya Halwasiya:** Yes, approximately two years.
- Onkar Ghugardare:** And starting it would be like commencing of first, second, third, fourth line that would take how much time.
- Aditya Halwasiya:** That would be done immediately it would be done within 6 to 8 months.



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- Onkar Ghugardare:** But is it possible to acquire land and put in all the machinery and all that stuff if required.
- Aditya Halwasiya:** Post acquiring land, post setting up the factory shed, it will take 6 to 8 months.
- Onkar Ghugardare:** And how much time you are expecting for the land parcel, acquisition and all the regulatory approvals for that.
- Aditya Halwasiya:** We will be completing it before December end.
- Onkar Ghugardare:** Okay before December end you are completing.
- Aditya Halwasiya:** That is what we expect to complete before December end.
- Onkar Ghugardare:** Okay all right that is it for right now. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, we will take this as the last question for the day. I now hand the conference over to the management for the closing comments.
- Aditya Halwasiya:** Thank you everybody for joining. It was a very eventful Q4 FY2024 for us because we have started having very fruitful lines of discussion as the new management of the company with the existing employees of the company. We are very happy with the feedback we are getting from them and the reassurance from them that they want to double down their efforts and work for Cupid along with us we executed as a great company with many good outlook for it ahead.
- Moderator:** Thank you. On behalf of Kirin Advisors that concludes this conference. Thank you all for joining us and you may now disconnect your lines.