



CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 22nd November, 2019

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 Q2FY2020 conference call which was hosted by the company on 19th November, 2019 at 4.00 p.m.

This is for your records.

Kindly acknowledge the receipt.

Thanking You.

For CUPID LIMITED

Saurabh V. Karmase

Company Secretary and Compliance Officer



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 Q2 FY20 Earnings Conference Call”

November 19, 2019



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



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Moderator: Ladies and gentlemen, good day and welcome to the Cupid Limited Q2 FY20 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 '*' 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. Thank you and over to you, sir.

Binay Sarda: Thanks, Stanford. Good evening to all of you and thanks for joining this Q2 FY20 Earnings Call for Cupid Limited. We had 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 and Managing Director of the company. Mr. Garg will give a brief overview of the quarter gone past and then we will open the floor over to Q&A session.

I would like to remind you that everything said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement, must be viewed in 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 website.

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 participating in the second quarter conference call FY20. I suppose you have gone through the results which we have published last week. Some of the highlights are that this has been the best quarter ever for Cupid Limited both in terms of topline as well as the bottomline. The results are expected to be about the same for the next 2 quarters or the second half of FY20.

Now in terms of the order book, we have a healthy order book at 123 crores worth of confirmed orders with us and in addition, we have 50 crores worth of orders in the pipeline. Our objective is to dispatch the maximum quantity possible by March 31st 2020.

Now one of the highlights during the quarter was higher production at lower cost due to the expansion we had completed last year. Also, this increased capacity has made possible for Cupid to participate in the large-sized tenders from all over the world. Now, looking ahead, we noticed that the demand for male and female condoms is increasing. The primary reason for that is increased donor funding from organizations like global funds and also some of the national governments have increased their budget allocations for contraceptives. This category would include countries like South Africa, Brazil, Tanzania and UN Population Fund.



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With these opening remarks, now I would like to open the discussion for a Q&A session.

- Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.
- Viraj Mehta:** You had mentioned that your order book was 123 crores and you are going to get another 50 crores, so let us say 70 or 80 crores for the second half, then is the opening order book for the next year only going to be 100 crores? Can you clarify or do we expect more orders in the second half?
- Om Prakash Garg:** We are expecting more orders because these numbers I have given out are the actual orders we have on hand or in the pipeline and we expect yet additional orders in the next 6 months. So for FY2021, we believe that our order book would be still healthy.
- Viraj Mehta:** Can you quantify that?
- Om Prakash Garg:** It is difficult to put a number on what additional orders we will get, but our assumption is that it will be at least as much as we have done in FY20.
- Viraj Mehta:** So FY21, you are saying that you should be able to maintain your revenue of FY20, is that right?
- Om Prakash Garg:** Correct.
- Viraj Mehta:** Now sir if that is the scenario, then sir why have we not increased our dividend because in spite of profits growing more than doubling in the first half, our dividend is the same at Rs. 1.
- Om Prakash Garg:** The board had reviewed the dividend and the general conclusion is that we would review it again at the end of the year like last year, we had announced Rs. 3 as the annual dividend.
- Viraj Mehta:** So would we maintain the pay out for the full year?
- Om Prakash Garg:** Yes, it should be about Rs. 4 per share, like we did last year.
- Viraj Mehta:** No sir, but if our profits double and our pay out remains the same, then our absolute dividend should also go up, right in the same percentage?
- Om Prakash Garg:** I do not know about the same percentage, but definitely the board would consider the maximum dividend company can give out.
- Viraj Mehta:** And sir just last question. Considering that our stock today is trading very low compared to the potential and the profitability that we are exhibiting, I would urge the management to please consider a buyback because our stock is now trading at 6-7 P/E for the kind of business that we



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are doing, it is only beneficial to the existing shareholders including the majority shareholder which is you, sir.

Om Prakash Garg: Thank you. Please repeat the question?

Viraj Mehta: No, that was a suggestion sir that if you can please consider a buyback because our stock is trading really way below our intrinsic actual value of the business. So if you can buyback the stock, it will be of the greatest benefit to all the existing shareholders including yourself.

Om Prakash Garg: We would definitely consider that as the time goes on till March.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir, just wanted to know the 50 crore visibility of order that we have, from which country is this order?

Om Prakash Garg: These orders are from Tanzania, South Africa and Brazil.

Ankit Gupta: And sir, for South Africa, we were expecting a bigger order, so any update on that, the government was supposed to procure the orders for the next 2 years and any update on that?

Om Prakash Garg: We have just been informed that the decision for the allocation of orders for the second year has been postponed till the end of November. So at that time, we would know how much we are getting.

Ankit Gupta: So this will be in addition to the 50 crores order pipeline that we have?

Om Prakash Garg: Yes, definitely.

Ankit Gupta: And sir any updates on the Brazilian order for the refurbishment of the existing order that we are completing?

Om Prakash Garg: The current tender, first year delivery is scheduled till June 2021. I am referring to the total order of Rs. 125 crores which we received end of last year, but the new tender is supposed to come out in March or April for the next year.

Ankit Gupta: And how big will be the tender?

Om Prakash Garg: We do not know as yet because the government is in the process of allocating the budget for tender.



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- Ankit Gupta:** Sir, basically I just wanted to understand more on the orders that we are expecting, so we have 123 crores of orders in hand currently as on 30th September and let us say if you are able to maintain the run rate that we have done in the H1, will complete almost, let us assume around 70 crores of order for second half. So from the existing order book, we will have some 50 crores worth of order left and you are expecting another, let us say, somewhere around 80-90 crores worth of orders to be received in second half. Is it true what you are expecting?
- Om Prakash Garg:** Not 80-90 crores of new orders in the second half. Our plan right now is to dispatch the maximum quantity out of this 123 crores business we already have in hand.
- Ankit Gupta:** So how new order inflows are you expecting in the second half?
- Om Prakash Garg:** We do not know exactly the quantity, but based on our experience, additional orders would be substantial.
- Ankit Gupta:** And you expect them to be somewhere in the vicinity of 120-130 crores?
- Om Prakash Garg:** You mean new orders of 123 crores?
- Ankit Gupta:** Yes. New orders of 120-130 crores.
- Om Prakash Garg:** As I mentioned, really we cannot predict or envisage how big the orders would be. I would say at least 50 crores worth of orders we should receive by March end.
- Ankit Gupta:** And sir out of these 123 crores of confirmed orders that we have, what will be the breakup between female condoms and male condoms?
- Om Prakash Garg:** Female condoms would be about 67% and the male condoms and lubricants would be the balance 33%.
- Ankit Gupta:** And last question on the CAPEX part. This half year we have done CAPEX of close to 6 crores, so was it for any expansion in capacities, what was the CAPEX used for?
- Om Prakash Garg:** The CAPEX we are expecting or allocating is another 5 to 6 Cr till March.
- Ankit Gupta:** What will be the purpose of this CAPEX that full year will be executing close to 10-12 crores of CAPEX? So what will be the purpose of...
- Om Prakash Garg:** 3 crores we will need for completion of the building where the new production lines are setup and also we have decided to book for the solar system which is about 2 Cr. And another 1 crore would be to maintain the facilities.



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- Ankit Gupta:** So till now in H1, the 6 crores CAPEX that we have done, that was primarily for, was in continuation of last year capacity enhancement program that we had started?
- Om Prakash Garg:** Yes, correct.
- Ankit Gupta:** And just one request sir on dividend pay-out, I think you should really reconsider since we throw a lot of cash and this year, we are expected to do well, so at least the dividend payment should increase. That is our request.
- Om Prakash Garg:** We would definitely consider increased dividend.
- Moderator:** Thank you. The next question is from the line of Aakriti Shah from Sameeksha Capital. Please go ahead.
- Aakriti Shah:** Sir, just wanted to understand what is the reason for the sudden spike in other financial liabilities in the balance sheet sir? It was around 4 crores in March and right now, it is around 16 crores. So what are the hedges included in other financial liabilities?
- Om Prakash Garg:** Mostly, it is related to the raw materials we are purchasing in larger quantities, larger volumes.
- Aakriti Shah:** So you expect this trend to remain the same for the second half as well?
- Om Prakash Garg:** Maybe not as much because we have a good inventory of the raw material, so it would be less than that in the second half.
- Aakriti Shah:** And sir, also there is a spike in receivables as well. So have we booked some income in advance?
- Om Prakash Garg:** No, not really. The reason for the increased receivable amount is the payment terms for the Brazilian orders which is 60 to 90 days and shipments are in large quantities. For example, we sent containers worth Rs. 25 crores in one consignment. So out of the receivable number, you will see 31 crores are due from the Brazilian government alone.
- Aakriti Shah:** And sir, what is the major reason for increase in other expenses, we believe that the order book currently which we have is more favour towards female condoms and the EBITDA margins are very high. So, what are the overheads included in other expenses? It has almost become out of 4x of how much we were incurring last year?
- Om Prakash Garg:** One of the main reasons is the business development expense we are incurring mostly in Brazil where this is our first year of contract.
- Aakriti Shah:** So this will be the normalized run rate for other expenses, every quarter around 16 crores?



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- Om Prakash Garg:** No, it would go down at the end of this contract period which is like May or June.
- Aakriti Shah:** And sir could you mention, how are the US online sales traction and under which brand names, do we sell the female condoms and on which websites specifically?
- Om Prakash Garg:** We are selling in Cupid's Angel brand which has been registered in US, the actual sales through internet are very limited in number.
- Aakriti Shah:** So these are on which website sir?
- Om Prakash Garg:** This is on Amazon and all the other major ones.
- Aakriti Shah:** And sir last question, we have cash around 20-25 Cr and we have a current investment as well. So why have we taken borrowings in the first half this year, it is around 12 crores. Is it related to working capital or any other overheads?
- Om Prakash Garg:** No, it is mostly increased need for higher working capital.
- Moderator:** Thank you. The next question is from the line of Narendran Ravi, an investor. Please go ahead.
- Narendran Ravi:** My question is related to the other expenses only. So just wanted to check with you like whenever we approach the new market, so for now it is Brazil, maybe are we expecting the similar kind of other expenses to be hike when we are pitching in the new market as well? So what is your thought process on that sir?
- Om Prakash Garg:** Not really, it depends on the situation in each country. For example in South Africa, we did not spend any significant amount toward the business. The reason is that the local distributors, they approached Cupid if they could be our agent and then we supply to the government through those participants, but in case of Brazil, this was our first exposure and there was immense competition there for the tender. So, we had to engage couple of local people to get the order and to deliver the goods on time.
- Narendran Ravi:** The next question is from the order book point of view, so what will be your product mix sir, is it female condoms will be more than 50% or what will be the percentage mix?
- Om Prakash Garg:** In terms of quantity, male condom of course is the largest component; however, if you look at the revenue, female condom is higher as compared to the male condoms. In terms of the revenue, we had 61% in this last quarter from female condoms, 37% from male condoms and 2% lubricant jelly. So female condom always gives us higher revenue as well as better profitability.



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- Moderator:** Thank you. The next question is from the line of Bhavin Shah from Sameeksha Capital. Please go ahead.
- Bhavin Shah:** So could you comment on what will be the capacity in place by end of the year for both male and female and how fungible it is or it is completely separate?
- Om Prakash Garg:** No. Our capacity now would be the same, 560 million pieces of male and female condoms combined by this year end, March 2020.
- Bhavin Shah:** And is it that you can produce either one in any quantity or certain capacity is for male and certain is for female?
- Om Prakash Garg:** We basically the same dipping lines are used for both, either male or female condoms.
- Bhavin Shah:** And if you do what you are saying that if you are able to basically repeat the first half performance in second half, when you look at the full year, what would be the contribution from South Africa, Brazil, Tanzania, how would be the spread across the countries?
- Om Prakash Garg:** I think for the next 6 months, the highest revenue and profit will come from our sales from Brazil, second one probably South Africa and third one Tanzania orders.
- Bhavin Shah:** Is it all Brazil government or there is some international donor that is..
- Om Prakash Garg:** Funding is done by international donor, but the actual buyer is the government of Brazil Department of Health.
- Bhavin Shah:** Just wondering who the donor is?
- Om Prakash Garg:** We do not know but global fund has been very active and also some funds from WHO and UN.
- Bhavin Shah:** South Africa had this plan of having a local manufacturing and do a JV and all that, any update on that or have I missed that?
- Om Prakash Garg:** Unfortunately, that JV project is going very slowly and the main reason is that the government is putting quite a few restrictions and the final numbers are not very attractive. So it is going but rather slowly.
- Moderator:** We take the next question from the line of Subbu, an individual investor. Please go ahead.
- Subbu:** My first question is on the US business. Could you give us an update on if there is any progress that has happened on the US business?



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- Om Prakash Garg:** We have submitted most of the documents required for the registration with US FDA; however, this clinical study we are doing for the safety of female condom is going to be completed by June-July next year. So we are expecting the conclusion from the US FDA by the end of year, end of 2020.
- Subbu:** So potentially you will start getting some revenues in 2021, that is the current expectation?
- Om Prakash Garg:** Yes, it is.
- Subbu:** And how much is this stream going to cost sir in terms of the process, entry into US?
- Om Prakash Garg:** It would be about 2 Cr, by the time we had all the expenses.
- Subbu:** So this 2 Cr would be split over the next year until end of December 2020?
- Om Prakash Garg:** Yes.
- Subbu:** And is there any other large contracts or tenders you are expecting in the next 6 months that you could shed some light on?
- Om Prakash Garg:** During next 6 months, we should have a tender from Brazil government and also a new tender from the South African government. These will be the two big ones, but then there are smaller quantity orders coming from WHO, UNFPA, from countries like Kenya or Tanzania and also more orders are coming from CIS countries.
- Subbu:** So this additional 50 crore of order book that has already been received or you are expecting to get in the next 6 months, I was a bit confused by that?
- Om Prakash Garg:** No, we have the communication with the buyers and they have indicated that they would be issuing the purchase orders for these quantities. So they would come anytime between now and December-January period.
- Subbu:** And on the Brazilian government, you said that the receivable, we have quite a lot of exposure of 31 crores which we expect on the Brazilian government, so like do you think there is any risk on this or is just question of just it will be delayed, but we will surely get the money, is that how you see this?
- Om Prakash Garg:** Yes. Actually, we have dispatched 2 containers worth 19 crores in the first quarter and we do not see any risk in terms of not getting our money back.
- Subbu:** And one last question, you mentioned that you have done some expansion and also working on some cost reduction, so could you let me know what is the impact of these projects on your



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cost? Is the EBITDA margin on male and female condoms now higher than what it was before because of these cost reduction projects?

Om Prakash Garg: Yes, that is the main reason.

Subbu: So what is your EBITDA margin on male versus female condoms now after all these projects?

Om Prakash Garg: For male condoms, it is 15 to 20% and for female condoms, it is 40 to 50%.

Subbu: And one last question again, you mentioned previously that we actually borrowed because of working capital requirements but I was a bit confused that because we already have the cash, why would you borrow because then you have to pay interest expense, right, so couldn't we just use our cash or the fixed deposit or whatever investments that we have rather than borrowing or incurring more interest expenses?

Om Prakash Garg: No, basically we are borrowing against our FDs and the interest rate is about 3% on these additional borrowings we are doing for the working capital.

Moderator: Thank you. The next question is from the line of Ayush Mittal from MAPL Value Investing Fund. Please go ahead.

Ayush Mittal: Many of my questions have been answered, but it will be good to hear your thoughts on the longer-term vision and thoughts on the business or how this area on the female condom side is shaping up for you because as we see over the years, we have grown pretty well but as of now many of the concerns are that it is a tender business and it may be unpredictable or volatile, so can you share some thoughts from a bit longer-term perspective?

Om Prakash Garg: Yes, first of all we believe that the demand for female and male condoms would be continuing at the current space and for longer term, we are looking at either an acquisition or to develop products in-house related to women's health and wellness, so this is the new area we are looking at for the expansion of Cupid.

Ayush Mittal: Sir, any timeframe for this?

Om Prakash Garg: Within the next two years.

Ayush Mittal: And sir coming like specifically as of now, the order book is very good as we have a lot of proportion of female condom but this is due to the big Brazil order we got and as you mentioned that there is delay in the next round of funding or something and as we know that these things can get delayed further, so any specific hindsight on this, why do you believe that we can get similar kind of orders in future or any thoughts on that?



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- Om Prakash Garg:** Well, based on our ongoing discussions with the government officials, their indication is that their budget allocations by their respective governments would continue as the government is very much concerned about the spread of sexually transmitted infections including HIV and also they are trying to prevent unintended pregnancies. So we believe as a government policy, funding would be available. We just don't know the amount from each of the government.
- Ayush Mittal:** And sir, apart from these 4-5 geographies that you mentioned, any other key geographies that we are planning to explore and get success?
- Om Prakash Garg:** We are exploring now more business from South America, particularly Peru and Argentina where we have no sales right now and also the CIS countries, it seems like there is a growing demand for contraceptives.
- Moderator:** Thank you. The next question is from the line of Ajitesh Jaiswal, an individual investor. Please go ahead.
- Ajitesh Jaiswal:** Sir, my question is on the current cash position of the company, so if I have a look at your balance sheet as on 30th September, you have current investments of 20 crores, cash balance of 4 crores and bank balance of 21 which adds up to 45, plus there are trade receivables of 22 crores and assuming you are going to have the same net run rate for the profit after tax as you had in this quarter, another 20 crores is what you will be adding to your bottomline. So net-net if I add up all these, what I can see is as on March 2020, you will end up with the cash and cash equivalents of anywhere between 70 to 80 crores, so sir what is the long-term plan of utilization of this cash?
- Om Prakash Garg:** As I indicated few minutes ago that would be either for the expansion into new category of products related to female health and wellness even through an acquisition and some of the funding would be considered for more male and female facilities if we have increased demand like in last 2 years.
- Ajitesh Jaiswal:** So sir, then my understanding is, it would have an impact on your dividend policy also sir?
- Om Prakash Garg:** Of course, more money is made, a higher proportion would be allocated to the dividend.
- Ajitesh Jaiswal:** No sir, I meant a different thing, what I meant was if your outlook is towards potential acquisition in terms of your dividend policy, you would turn towards being more conservative?
- Om Prakash Garg:** Like you had quoted some numbers, if indeed we have a surplus of 70 Cr in March 2020, the consideration for dividend will not be impacted because of the fact we may look for some diversification.



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Moderator: Thank you. The next question is from the line of Ajay Sharma from Cycas Investment Advisors. Please go ahead.

Ajay Sharma: I had a couple of questions, the first was, does the company have online strategy for B2C sales, for its male condoms, female condoms and sanitizers?

Om Prakash Garg: We have tried talking to various platforms and to the commercial sites like Amazon and Google but the response is quite limited so far.

Ajay Sharma: Yes, it does take some initial investment, alright, does the company have a person who is in charge of this, are there some sale targets or something like that?

Om Prakash Garg: You mean through online?

Ajay Sharma: Yes.

Om Prakash Garg: We have advertised at many places, at many sites but no big order has come through as yet.

Ajay Sharma: And in one of the company's press releases, I came across the website, cupidstore.com, is that belongs to the company?

Om Prakash Garg: Cupid.com?

Ajay Sharma: Cupidstore.com is also online business, but it is a range of health products.

Om Prakash Garg: No, our's is cupidstore.com.

Ajay Sharma: Because I saw that in one of the company's disclosure forms, so perhaps you want someone to look into that.

Om Prakash Garg: Yes, I would.

Ajay Sharma: And one more question, what is the margin for the hand sanitizers?

Om Prakash Garg: Hand sanitizer is about 50%.

Ajay Sharma: Do you see it being a larger contributor to revenues that is 2%?

Om Prakash Garg: I think the margins would be okay, but the sales volumes are difficult to predict.

Ajay Sharma: And one final question, I actually bought your sanitizers through Flipkart and I wanted to know what colour particles are there in the sanitizers? Are they micro plastics?



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- Om Prakash Garg:** I believe so.
- Ajay Sharma:** Then as a consumer I have to urge you to find something else that you can use because we all know how bad micro plastics are for the environment.
- Om Prakash Garg:** Of course, we are also concerned about the use of this plastic based.
- Moderator:** Thank you. The next question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.
- Viraj Mehta:** Just coming back with the order book, just want to understand, so if we do the same revenue as first half in the second half and we get those 50 crores orders, then you still be left with only an order book of around 100 crores, then how will you manage the same revenue in 2021 which is 140 crores. This is the part that I am not clear on, can you please explain?
- Om Prakash Garg:** Out of the 123 crores confirmed order, our assumption is that we would be able to dispatch about 80 Cr by March 20, so that would leave us 43 crores worth of order from this category plus 50 crores from the pipeline order making it a total of 93 crores which is definitely good till 6 months into the financial year 21 and the balance of the order to achieve the same level of sales would be the additional orders we are expecting like I indicated earlier.
- Moderator:** We take the next question from the line of Dinesh, an Individual Investor. Please go ahead.
- Dinesh:** I would like to understand, so first I would like to say that I was the one who sent an e-mail regarding AutoZone in the US, how they created massive wealth using buyback, so many people have already suggested that so again, I would suggest please put systems in place wherever we have additional cash, we can use them to do buybacks whenever you think our share price is below our intrinsic value, so that is again a suggestion, so please go through that. My actual question would be regarding the competitive scenario, so we know that Cupid is a big player in the global market and probably one more player is Veru from the US, so are there any other big players and maybe I think in the last concall, you said some other new players are also coming, so what is the kind of entry barrier is there? How difficult is it to do a business like us? So that I wanted to understand that?
- Om Prakash Garg:** There are four players who are accredited with the WHO UN pre-qualification. One as you mentioned is Veru who is the largest player, second one would be Cupid and the third player, Chinese they are not producing female condoms anymore, although they had been qualified and then the fourth player is HLL, they are also in the field but the major players I would say are Veru and Cupid.



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- Dinesh:** And then, I just wanted to understand how difficult is it like if a new company, let us say from the US wanted to get into this global business, how difficult is it to do and how much capital will it take like if a big company wanted to do it and can they do it easily?
- Om Prakash Garg:** In terms of time involved, it will take 4 to 5 years to set up a ground base, freshly prepared female condom plant and the main reason is that it requires 2 years of quality testing program from the initial production and go through all the international regulatory and labelling requirements. In terms of the funds involved, one can do it within 25 Cr, not counting land and building cost.
- Dinesh:** And next question will be, in the last concall, I think maybe we were talking about introduction of new wipes, what is the progress on that?
- Om Prakash Garg:** It is going but rather slowly.
- Dinesh:** So again, I would like you to consider doing buybacks at regular intervals and may be just go through the mail I sent about AutoZone because our business is not like a continual thing, we get orders on and off, so I think there is huge scope for buybacks creating value for us, so kindly consider that.
- Om Prakash Garg:** Since so many of you have mentioned buybacks, we would certainly consider this.
- Moderator:** Thank you. The next question is from the line of Puneet Mittal from Global Core Capital. Please go ahead.
- Puneet Mittal:** Sir, I had couple of questions. One is who is the second in line in terms of the management responsibility, so for example, if you were to have to take a break for couple of months, who would be in charge of the company and the management in that situation?
- Om Prakash Garg:** In the production area, the COO, Durgesh Garg would be the person and in terms of the finance and regulatory issues, we have Dinesh Pachori who is in our Bombay office.
- Puneet Mittal:** I think it was suggested in one of the previous calls that it would be good to have some of the other senior members on the call as well, so that the investors can understand and know that there is a strong bench of management at the company, so if you could consider that in future would be great. The second question is, you were just talking about the competition and you mentioned Veru and yourself been the two largest players, could you give us a sense of what the size of the market is and what is the presented share of Veru and what is your share in that in the market size?



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- Om Prakash Garg:** I think the percentage of business, 60 to 65% would be Veru share and 30% would be Cupid and the exact volume amount is difficult to predict, it could be anywhere from 100 to 200 crores per year.
- Puneet Mittal:** And what is the reason that Veru is much bigger than us, almost double the size, so why does that gap exist and how can we reduce the gap?
- Om Prakash Garg:** The main reason is that Veru purchased a company named Female Health Company who has been in this women's condom area since 1993 and it is hard to believe but they had absolute control on the market all these years until in 2012 came up with a qualified product, female condom.
- Puneet Mittal:** So on those lines, you did mention in your comments before that you are looking at some acquisitions as one of the way to expand the business, are there any acquisitions that are in pipeline that you are considering? Is there anything on the table, I am sure you don't want to give names and details because of you want to keep it confidential but any information on that will be helpful?
- Om Prakash Garg:** We are looking at various options, but they are at an exploratory stage.
- Puneet Mittal:** And my last question, what is the dividend policy of the company, now I know that some people had suggested for high dividends and buybacks, but at this stage what is the dividend policy of the company?
- Om Prakash Garg:** Our target is to achieve between 25 and 30% of the net income as of now but depending on the market situation, it may increase going forward.
- Moderator:** Thank you. The next question is from the line of Dipak Agarwal from Impetus Advisors. Please go ahead.
- Dipak Agarwal:** I would like to know what was your total debt, long term, short term at the end of the last quarter?
- Om Prakash Garg:** It was about 3 Cr as of September 30th.
- Dipak Agarwal:** Current borrowing is something mentioned as 12 crore and there would be something more, right?
- Om Prakash Garg:** Yes, that is the working capital loan.
- Dipak Agarwal:** So the total is 15 you are saying?
- Om Prakash Garg:** No, I think total is 12 including the short-term borrowing we do against our fixed deposits.



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- Dipak Agarwal:** Sir, in the earlier question regarding the other financial liabilities, you mentioned that it is for raw material but the raw material can't be included there. Raw material is part of trade payables of 9 crores which is shown separately. Apart from that, we have 16 crores of financial liabilities, so what are those 16 crores of financial liabilities?
- Om Prakash Garg:** Most of those would be for the inventories we have purchased. Our inventory level as of September 30th is very high.
- Dipak Agarwal:** Sir, that will be part of trade payables, as per accounting standards you can't include it in financial liabilities?
- Om Prakash Garg:** I have to really look at the numbers again.
- Dipak Agarwal:** Fine, then I will then touch this with you later there.
- Om Prakash Garg:** Yes, please that would be helpful.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Sir, can you quantify how big has been the upcoming contract from South Africa and Brazil?
- Om Prakash Garg:** Based on last tender's numbers, we are expecting 125 crores worth of female condom tenders from Brazil and about Rs. 150 crores worth of tender orders for male and female condoms from South Africa.
- Ankit Gupta:** And the competitors will again be the three players which normally compete or it was last time I think we got a large chunk of the Brazilian order, so how will be the competitive intensity in both the orders?
- Om Prakash Garg:** I think only qualified people would be allowed to bid on it and the relative percentage of orders will depend on the price, of course we quote along with the delivery schedule to match with the government demand.
- Ankit Gupta:** And sir, I think the Female Health Company has been recently sold to the new promoters or it is an old sale to them?
- Om Prakash Garg:** No, it was about 2 years ago I think they were sold.
- Ankit Gupta:** And has there been any change in their approach? Have they become more aggressive now or it remains the same as it was earlier?



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- Om Prakash Garg:** No, I think the Female Health Company or the parent Veru Pharma, they have also very aggressive approach. They would like to have higher percentage same like Cupid would like.
- Moderator:** Thank you. We take the next question from the line of Keshav Garg from Counter Cyclical. Please go ahead.
- Keshav Garg:** Sir, way back in 2016, we used to do 60 crores or there about turnover and we used to do 41% operating margin and now our scale of operation has more than doubled but our operating margin has reduced to below 34%, so instead it should have increased due to operating leverage, so what is the reason for decline in margins?
- Om Prakash Garg:** The main reason is that the split in percentage between female and male condoms.
- Keshav Garg:** And sir, also many participants have requested for a share buyback, sir I also would like to add my voice to that proposal, sir because no matter how much dividend you pay, sir, once it is paid that is gone, sir but a share buyback will permanently reduce our equity capital and whatever future growth will come will get divided into a smaller base, so that will be permanently helpful thing, so please consider a share buyback.
- Om Prakash Garg:** Okay, we will consider.
- Moderator:** Thank you. The next question is from the line of Shekar Mundra, an individual investor. Please go ahead.
- Shekar Mundra:** Most of my questions have been answered, just wanted to know our current capacity utilization or the number of pieces we are dispatching per quarter?
- Om Prakash Garg:** I don't have the exact number but in terms of female condom, we have done about 30 million pieces.
- Shekar Mundra:** That is for the whole year?
- Om Prakash Garg:** No, 6 months.
- Shekar Mundra:** And approximate number for the male pieces?
- Om Prakash Garg:** Male condom in 6 months is usually 200,000 gross. So 200,000 multiplied by 144 pieces, so that would be the approximate number for the male condoms.
- Shekar Mundra:** And approximate utilization number would be for this?
- Om Prakash Garg:** 95% for the male condom and 99% is for female condom.



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- Moderator:** Thank you. The next question is from the line of Keshav Garg from Counter Cyclical. Please go ahead.
- Keshav Garg:** Sir, you mentioned that in South Africa, around 150 crores of tender will open shortly, sir but previously you had mentioned that in South Africa, only you can participate in the tender if you have local manufacturing and you are saying that our JV is still stuck, so then how do we intend to participate in this tender?
- Om Prakash Garg:** These are two separate proposals government is considering. The main source of product right now for the government is import of material from companies like Cupid. This idea about the joint venture from the government is that instead of spending foreign exchange, South Africa should have its own production facility; however, not many people have shown keen interest for various reasons. So according to the government plan, they want to start with 20% purchasing from a local unit whenever one gets established and 80% from import and slowly over a 3-year period the target is to take the minimum from the export and try to manufacture the total quantity required in the country in South Africa.
- Keshav Garg:** And sir, how big would be the global female condom market and by what rate is it growing?
- Om Prakash Garg:** It is growing at about 9.5% and the total quantity is about 100 million.
- Keshav Garg:** Sir and out of 100 million, how much are we producing like this year how much do we intend to produce?
- Om Prakash Garg:** Our target is to produce 52 million pieces this year.
- Keshav Garg:** Sir, I am saying that means almost 50% of the market, we will be enjoying market share?
- Om Prakash Garg:** Yes, we expect so.
- Keshav Garg:** And you are saying that this market is growing by around 10%, so basically next year it should be like 110 million?
- Om Prakash Garg:** Approximately.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand over the conference over to the management for closing comments.
- Om Prakash Garg:** I would like to thank all our employees, vendors and customers. Also especially to our shareholders who have shown faith in the Cupid Management. Thank you.
- Moderator:** Thank you very much sir. Ladies and gentlemen, on behalf of Cupid Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.