



CUPID LIMITED

Manufacturers and Suppliers of Male & Female Condoms

Date: - 16th August, 2022

To,

Department of Corporate Services,

BSE LIMITED,

Phiroze Jeejeebhoy Towers,

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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 Q1 & FY 2023 conference call which was hosted by the company on 10th August, 2022 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 Q1 FY2023
Earnings Conference Call”

August 10, 2022



**MANAGEMENT: MR. OM GARG - CHAIRMAN & MANAGING DIRECTOR -
CUPID LIMITED
MR. DURGESH GARG - CHIEF OPERATING OFFICER -
CUPID LIMITED
MR. BINAY SARDA - ERNST & YOUNG**



Cupid Limited
August 10, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Cupid Limited Q1 FY2023 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 the 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. Binay Sarda from Ernst & Young. Thank you and over to you Sir.

Binay Sarda: Thanks Lizann. Good evening to all of you and thanks for joining this Q1 FY2023 earnings call for Cupid Limited. We have mailed the results and 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 along with him we have Mr. Durgesh Garg, Chief Operating Officer. Mr. Garg will give a brief overview of the quarter gone past and then we will open the floor to Q&A session. I would like to remind you that everything said on this call that reflects any outlook for the future or which can be construed as forward-looking statements 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 Garg: Thank you Binay. Good evening, ladies and gentlemen. On behalf of Cupid Limited, I would like to welcome you all at the first quarter FY2023 earnings conference call for Cupid Limited today. I hope that by now, you had a chance to go through the press release and the statement we had issued last night after the directors meeting. Some of the highlights during the quarter were that the sale of female condom was less due to delayed arrival of lab results and also due to the non-availability of containers during the quarter. Also, we had some external challenges as well, including the supply line issues as well as the depreciating South African Rand, which impacted their frequency of orders.

In any case, we have been doing quite well considering we have a strong order book at Rs.187 Crores as of July 1, 2022 and also, our new orders have been coming in regularly, most of them repeat orders from UNFPA and other private customers. I would like to point out two items. Number one is that during the quarter after a three months pregnancy study done in South Africa, we have been able to apply to USFDA for marketing of our female



Cupid Limited
August 10, 2022

condoms in the US. We are hoping to get this recommendation in about six to nine months, and if that happens, we would be looking at additional revenue in FY2024, which could be a big boost to both our top and bottom line as Cupid will be only the second female company to market its product in the US, which as you are aware is a huge market and also profitable at that.

The second point I would like to mention is that during the quarter, we have been able to obtain six manufacturing licenses for our In Vitro Diagnostics kits from the Drug Controller of India, which has permitted us to start our marketing activities not only in India, but also for export markets. In addition, we are expecting manufacturing licenses for HIV, malaria in the next 15 to 20 days. So, that would make it a total of 17 products, which we would be actively marketing. Now with these initial remarks, I would like to open the conference for Q&A session. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Jyoti Basu, an Individual Investor. Please go ahead.

Jyoti Basu: Thank you for accepting my questions. Congratulations for having a good set of numbers, and I've been constantly tracking, getting some good order book in the pipeline. So, only two questions I am having. What kinds of margin we shall expect from USFDA and if you are going for production means, we have to go for CapEx, do you have any plans?

Om Garg: Sorry, could you please repeat the question. Your voice was not clear.

Jyoti Basu: Okay. What kind of margin shall we expect from USFDA, any view on that or if we are having any orders, like that means, we have to go for additional CapEx or do we have any backup plans? That is all my question.

Om Garg: In US, we are planning to distribute our products through over-the-counter sales as well as through prescription businesses and the market margins would be better than 50% on the sale, and right now, we do not have a precise estimate, but we are looking at a minimum of \$2 to \$3 million business in the first year.

Jyoti Basu: Thanks. That is all from my side. I will join the question queue. Thanks.

Moderator: Thank you. The next question is from the line of Saurabh Shroff from QRC Investment Advisors LLP. Please go ahead.



Cupid Limited
August 10, 2022

- Saurabh Shroff:** Good afternoon Sir. I just wanted to clarify your initial comments on the female condom products, why the sales were lower this quarter and how you see this ramping up as the year progresses?
- Om Garg:** I am sorry, could you please repeat the question?
- Saurabh Shroff:** Sure. I just wanted to get clarity on your initial comments on the sales of female condoms for this quarter, you said that they were impacted because of a couple of reasons like the depreciation of the South African Rand and some approval that you mentioned. So, if you could maybe just help us understand, how you see this playing out over the next three, four quarters and obviously the USFDA approval you clarified that you expect in six to nine months, so can you chart that out for us please?
- Om Garg:** Yes, as I mentioned, the first quarter female condom sales were slow; however, we are planning to catch up in the next three quarters for female condom sale. The US sales of course, we have to wait until we get the approval from USFDA, which may take six to nine months or even more depending on their workload.
- Saurabh Shroff:** Okay, so what is your current expectation for the female condoms for this year and next year?
- Om Garg:** For this FY2023, we are looking at a minimum sale of Rs.30 Crores for female condoms and for FY2024, we are still in the process of computing the numbers. We are expecting of course, it will be higher than Rs.30 Crores, but we do not have any precise estimate right now.
- Saurabh Shroff:** Okay and Sir, how is the lubricant business going and what is your outlook on that?
- Om Garg:** Sorry.
- Saurabh Shroff:** An update on the lubricant business, the jelly business?
- Om Garg:** Yes, jelly business, we have improved the performance and our margin is 40% to 45%. We are expecting Rs.10 Crores to Rs.15 Crores jelly business this year, FY2023.
- Saurabh Shroff:** Okay. Thank you very much sir.



Cupid Limited
August 10, 2022

- Moderator:** Thank you. The next question is from the line of Panjul Agrawal from Green Portfolio. Please go ahead.
- Panjul Agrawal:** Hello sir. I wanted to ask about our IVD facilities, the commercial activity have begun. I wanted to ask how much revenue can we expect from this business?
- Om Garg:** Okay. Since we have just initiated the commercial activities in July, we do not have any precise estimate, but our expectation is that minimum sales would be Rs.5 Crores in FY2023. Of course, we would be trying even to get the export business started as well, but we do not have a precise number right now.
- Panjul Agrawal:** Okay. Sir, where does the order book stand for this? Have you built the order book?
- Om Garg:** The order book as on July 1st 2022 was Rs.187 Crores and it is improving all the time. We have been getting orders worth about Rs.8 Cores in the last quarter as well and also, some more tenders are likely to be published where we expect to participate. One is from Government of India; Ministry of Health and the other possible tender could be for female condoms from Government of Brazil. So, we are hoping that the order book will grow as we move forward into the year.
- Panjul Agrawal:** Yes sir. I was asking about the order book for IVD facilities, because we have just begun the commercial activity. So, where does the order book stand for that business?
- Om Garg:** Right now, the order book is only in a few lakhs, we just started to get some orders. So, we are building up the order book and it would be at least three more months before we can come up with a significant number.
- Panjul Agrawal:** Okay. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Anandbir Singh from AFS. Please go ahead.
- Anandbir Singh:** I just wanted to know if you are aware of any institutions reducing their shareholding, in particular, the Greenmate Corporation, South Korea. They still have a significant holding, I do not see their name on the shareholding pattern anymore and also, any update on an acquisition or a sale which we discussed in the last quarter?
- Om Garg:** Could you please repeat the first part of your question?



Cupid Limited
August 10, 2022

- Anandbir Singh:** The first part was, there was a company called Greenmate Corporation, South Korea, which was holding a decent, I think 2.5% to 3% shareholding in the company and that name does not seem to be appearing in the shareholding pattern anymore. Is there any update on an exit from them or is it just a different way of reporting?
- Om Garg:** No. In fact, what has happened is that they were one of the original investors in Cupid, but over the years, about 10 years ago, they went belly-up and they had declared bankruptcy. So, according to the SEBI rules, after a lapse of eight years, we have surrendered those shares into a government education fund. So, that is the reason that they no longer are listed on our shareholders dossier.
- Anandbir Singh:** Last time, you said, you are open to acquisitions or being acquired and you were in talks with someone for the latter, any updates on that?
- Om Garg:** No. There are discussions going on with one potential buyer, but there is no conclusion yet.
- Anandbir Singh:** Okay. And is it the difference in valuation that is holding that back?
- Om Garg:** I am sorry. Please say it again.
- Anandbir Singh:** So, the reason that is not progressing is only difference in opinion of valuation or is there something else that is holding that back?
- Om Garg:** No, basically they are still evaluating the future prospects of the company and I am sure part of that is the evaluation considerations as well, but we do not know yet, because they have not come back to us with their final decision.
- Anandbir Singh:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Jyoti Basu, an Individual Investor. Please go ahead.
- Jyoti Basu:** Hello Sir, actually, do you have any expansion plans and also additional CapEx for the coming quarter or for this financial year?
- Om Garg:** Right now, we do not have any expansion plans for this year and next. The main reason is that last year, we had expanded our condom production capacity from 400 million pieces per year to 560 million pieces per year, and also, last year and this year, we have entered



Cupid Limited
August 10, 2022

into this new business vertical of IVD kits. So currently, we do not have any immediate plans for further capital expenditures either this year or next year as of now.

- Jyoti Basu:** Sir, you are talking about for IVD also. Am I right?
- Om Garg:** No. I am talking about expansion within Cupid Limited in general, total Cupid.
- Jyoti Basu:** Okay Sir. What is the capacity utilization for the male condom and female condom?
- Om Garg:** It was 88% this past quarter for male condoms and 82% for female condoms, and primarily because the production was much less. So, 88% for male condoms.
- Jyoti Basu:** Okay Sir. That is all from my side. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Vijay Kumar, an Individual Investor. Please go ahead.
- Vijay Kumar:** Sir, last time you mentioned that you are seeking some professional opinion about buyback; number one, and number two, what is the cash position of the company now?
- Om Garg:** Okay. We did have discussions with a consultant on buyback and the conclusion was that this year, we are not going to go for the buyback and the reason being that our working capital requirements both for the condom business as well as for the IVD business may be as high Rs.30 Crores to Rs.40 Crores; however, we will take the necessary action at the appropriate time and our cash position including the reserves in the bank and other investment stands at Rs.84 Crores as of July 1, 2022. So, we have improved our cash position as compared to last quarter and certainly as compared to a year ago, so Rs.84 Crores right now.
- Vijay Kumar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Saurabh Shroff from QRC Investment Advisors LLP. Please go ahead.
- Saurabh Shroff:** Thank you for taking my followup. Sir can you help us understand what our marketing strategy and plan is for the IVD products?



Cupid Limited
August 10, 2022

- Om Garg:** Okay. We are working on two fronts for IVD marketing. For export business, we are contacting major Department of Health in big African countries like South Africa, Kenya, Mozambique, Nigeria, Democratic Republic of Congo, and we already have contacts in these countries. So, we have circulated all the brochures and samples of our products to these countries and we are leaning about their requirements in the coming six to nine months. In terms of domestic market, we have been in touch with distributors in several states and also, recently we attended a technical conference in Chennai dealing with the IVD diagnostics business where we were contacted by 190 distributors throughout the country and also from several doctors, as well as the clinical labs. So, again, this is our first initial step in starting our commercial activity and we will be visiting some of them and we have invited some potential customers to visit our facilities. Also, we are in touch with one party from Singapore and I think, I mentioned in the last call they have five patented products and they would like to outsource the manufacturing of these five diagnostics products and they have contacted us and they are planning to visit our facilities in Nasik on August 17, 2022. In addition, we have a serious enquiry from Oman where one of their largest pharma companies would like to be a lead distributor for all our products and they are also planning to visit Nasik later this month. So, our marketing efforts are at initial stages, but we hope to pick it up quite rapidly in the next three to six months.
- Saurabh Shroff:** And Sir in the domestic market, this will be marketed under the same brand or will you be coming up with another brand and are you also thinking of licensing this out for some other brands or basically just doing manufacturing for them and others can market this product, any thought on that?
- Om Garg:** No, our products would be marketed in our own brands. For each product, we have a separate brand name and as for the outsourcing part, we would be doing it in the customer's brand.
- Saurabh Shroff:** Okay. So, we are open to outsourcing as well, even in the domestic market?
- Om Garg:** Yes, definitely, we are open to offer our facilities to any prospective buyer.
- Saurabh Shroff:** Okay and what is our capacity on the IVD product?
- Om Garg:** IVD products, in terms of rupees, we can do about Rs.100 Crores worth of production in the first year.



Cupid Limited
August 10, 2022

Saurabh Shroff: Okay Sir. Thank you.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Om Garg: Thank you Binay and thank you every one. I would like to thank all the participants for attending this earnings conference call today and also, I would like to thank all the other shareholders who have stood by Cupid Limited over the years through good and bad times. Further, I like to thank our customers, many of whom have given us repeat orders again over the years and last but not least, I would like to thank all the employees of Cupid Limited who have worked diligently throughout the year to make Cupid, a profitable company and in the end, I would like to mention that we are expecting a very good FY2023 with our current order book and the additional orders still coming in, we are expecting a turnover of about Rs.145 Crores and a profit after tax of about Rs.20 Crores to Rs.25 Crores for the entire FY2023. So, we are hoping for a big improvement in our performance going forward as compared to a year ago. Thank you again all of you for attending this conference.

Moderator: Thank you. Ladies and gentlemen, on behalf of Cupid Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.