

Cupid Q2FY21

Financial Results & Highlights

Introduction

Cupid is engaged in business of dealing, marketing and manufacture of rubber contraceptives and allied prophylactic products. It is the first company in the world to obtain Pre-qualification status from WHO/UNFPA for supply of both Male & Female condoms. It currently exports to more than 65 countries worldwide.

Consolidated Financials (In Crs)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	31	43	-27.91%	29	6.90%	59	78	-24.36%
PBT	9	14	-35.71%	8	12.50%	17	25	-32.00%
PAT	7	11	-36.36%	6	16.67%	13	19	-31.58%

Detailed Results:

- The current quarter was dismal with a revenue decline of 28% YoY and a profit decline of 36% YoY.
- The company's total order book as of 1st Oct 2020 consists of Rs 120 Cr of confirmed orders.
- The EBITDA margin for Q2 fell to 34.4% vs 35.6% a year ago.
- Geographical sales breakup was 91% in exports and 9% domestic in Q2FY21.
- Product-wise revenue breakup in Q2 is as follows:
 - Male Condoms: 39%
 - Female Condoms: 57%
 - WBJ & Hand Sanitizers: 1%
- The board has considered and approved the Service Provider and License Agreement between Cupid Limited and Invex Health Private Limited for manufacturing of Medical Devices including various testing kits / diagnosing kits by Cupid Limited.
- The company has announced an interim dividend of Rs 1 in Q2.

Investor Conference Call Highlights

- The company has around Rs 18 Cr of products in transit which were not included in performance due to the new accounting rules. These products should add around Rs 3-4 Cr in profit when recognized.
- In Q2, Cupid completed the dispatch of the entire Rs 120Cr worth of female condom orders to the government of Brazil.

3. The new business vertical for medical devices shall include rapid testing kits and ELISA kits. These rapid testing kits are useful not only for Corona but also for dengue, HIV, and Malaria. ELISA tests are based on enzymes and it indicates the antibodies amongst the COVID infected people.
4. The global market potential for the medical devices business is expected to be Rs 860 billion. This business segment is expected to start commercial operations at the end of Q4FY21.
5. The company has reduced its receivables to Rs 25 Cr in Sep '20 from Rs 41 Cr in March '20.
6. The payables have also come down from Rs 21 Cr in March '20 to Rs 6 Cr in Sep '20 and the cash and cash equivalents have increased to Rs 48 Cr.
7. The construction and installation of machinery for the medical devices segment should be done by Jan '21. Revenues would start coming in during the first quarter of 2022.
8. The management expects rubber prices to be at least 10% higher in Q3 & Q4.
9. This price increase should have a minimal impact of at most 1-2% on the company's margins.
10. The company is guiding for revenues of Rs 135-140 Cr and profits of Rs 30-35 Cr in FY21.
11. The business has been severely impacted as many govt have reduced or relocated their budgets due to COVID-19.
12. The management expects revenues of Rs 30 Cr from the medical devices business in FY22 and the profits will be split evenly with Invex.
13. The management expects the company to earn at least Rs 20 Cr of profits in H2 going forward.
14. The company is back at almost 100% utilization in Sep and all activities are back to normal.
15. The management has stated that the company would like to maintain a yearly dividend at Rs 4.
16. The order book of Rs 120 Cr has orders for female condoms of Rs 45 Cr.
17. The management is expecting to earn margins of 20% from medical devices even including current prices.
18. The long term outlook for govt and other tender orders remain stable. The short-term outlook has become volatile due to the reallocation of funding towards COVID-19 and other relief efforts.
19. The company is looking to add orders from Papua New Guinea and Bolivia and 2 small countries in Sub Sahara Africa.
20. The medical devices segment is expected to have a Capex of only Rs 6-8 Cr in total.
21. The company expects the verdict on the USFDA approval to be done by Dec '21 at the earliest.
22. The management has stated that despite high competition in the medical devices space, the demand continues to outstrip the supply, and thus there shouldn't be many struggles due to competition.
23. The big orders from South Africa and others which the company was expecting may have gotten postponed due to COVID-19 and may come in next year.

Analyst's View:

Cupid is a leading condom maker in India. It is also one of the only 3 WHO-approved female condom manufacturers in the world. It exports its products to over 80 countries around the world now. The company has had a dismal quarter due to the postponement of orders from govt and the slow revival of operations. The company seems to be well placed with a strong order book ensuring revenues of more than Rs 120 Cr. The company is also looking to expand into the medical devices field and start selling these by the end of this financial year. It remains to be seen how the COVID-19 situation pans out and what challenges the company faces in its foray into the medical devices field. Nonetheless, given the company's long history of expertise in this field and the consistent sales growth and expanding order book, Cupid is a good small-cap stock to watch for.



If you found this report useful and would like to receive more such investing insights, you can [subscribe to our updates.](#)

Subscribe



Click here to Subscribe
on WhatsApp

