

## Cupid Q3FY21

### 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)								
	Q3FY21	Q3FY20	YoY %	Q2FY21	QoQ %	9MFY21	9MFY20	YoY%
Sales	48	44	9.09%	31	54.84%	107	122	-12.30%
PBT	13	13	0%	9	44.44%	30	39	-23.08%
PAT	10	10	0%	7	42.86%	23	29	-20.69%

#### Detailed Results:

1. The current quarter was mixed with revenue growth of 9% YoY and while PAT was flat YoY.
2. The company's total order book as of 1<sup>st</sup> Jan 2021 consists of Rs 121 Cr of confirmed orders.
3. The EBITDA margin for Q3 fell to 28.5% vs 32.5% a year ago.
4. Geographical sales breakup was 79% in exports and 21% domestic in Q3FY21.
5. Product-wise revenue breakup in Q3 is as follows:
  1. Male Condoms: 53%
  2. Female Condoms: 34%
  3. WBJ & Hand Sanitizers: 7%
  4. IVD: 6%
6. The company has started dispatching goods pertaining to the new tender order received from Brazil.

#### Investor Conference Call Highlights

1. Male condom order book size is Rs 75 Cr out of the total of Rs 121 Cr.
2. Female condom order book is Rs 44 Cr while others account for Rs 2 Cr.
3. The current order from Brazil is Rs 45 CR which was being serviced at the end of Q3. The management expects Brazil to come back with another tender by end of FY21.
4. A tender for female condoms is expected from South Africa in June or July and dispatches for it can start from Oct 2021.

5. Although production costs are down 10% as compared to Q1, margins were down due to less sale of female condoms. This was due to the impact on South African Health Budget due to COVID-19 according to the management.
6. The production cost reduction was mainly due to an improvement in labor productivity according to the management.
7. The management is seeing a rise in demand for male condoms. In Q3, Cupid received its largest ever order from WHO/UNFPA. It also got an additional order of Rs 4 Cr of male condoms in Feb 2021.
8. The new tender for female condoms from Brazil is expected to be for 1 year while the South African one is expected to be for 3 years.
9. The clinical trials have been delayed by 4-5 months for the company and it plans to apply to the USFDA in April or May. The management is confident of receiving FDA approval in 2022.
10. The other expenses have risen from Rs 11.5 Cr to Rs 14.5 Cr due to an increase in marketing and the increased cost of registration of products.
11. In the medical kit venture, the company has gotten an order of Rs 8.3 Cr from UP Government. Of this, it has already supplied around Rs 6 Cr worth of kits by Dec end and the rest was delivered in Jan. The management expects this business to bring in sales of Rs 7.5 Cr in Q1FY22 and rise to Rs 15-20 Cr by Q4FY22.
12. The company is also getting in touch with world players in the medical test kits space to become outsourcing partners.
13. The company is targeting 15% net profit to Cupid from the medical business after deducting the share of Invex. It is also projecting sales of Rs 50 Cr from this business in FY22.
14. The management has stated that it expects the Brazil and South Africa tenders to be of at least Rs 45 Cr each.
15. The company is not expecting much competition in the female condom space in the near future as it takes at least 2 years to get the necessary prequalification from WHO and UNFPA.
16. The company has already supplied 1 lac female condoms to a domestic seller and is waiting on feedback on the market response.
17. The company can make around 50 million female condoms per year and the management doesn't expect any capacity constraints to come up for the next 3-4 years.
18. The management is expecting sales of Rs 200 Cr in FY22.
19. The management expects a clear margin of 25-30% on the medical test kits.
20. The company is planning to register its products in 9 new countries including Turkey, Morocco, Guinea, Argentina, & Peru.
21. The management has stated that the ratio of male to female condoms in the order book will always be greater for male condoms as the demand for them is much higher than for female condoms.
22. The management aims to maintain margins for male condoms at 25-30%.
23. The company has zero debt and has surplus funds of Rs 54 Cr as of 1st Jan 2021.
24. The management has stated that it has no plans to raise additional funds from a stake sale or debt raise or equity issuance currently.
25. The surplus funds are parked in FDs or MFs.

**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 mixed quarter revenue growth of 9% YoY and flat PAT growth. The company seems to be well placed with a strong order book ensuring revenues of more than Rs 121 Cr. It is seeing renewed demand for male condoms and has also been able to improve the margin on this segment to 25%. The company is also looking to expand in the medical testing space and has already serviced Rs 8.3 Cr of orders. It also expects this business to bring in sales of Rs 50 Cr in FY22. It remains to be seen how the COVID-19 situation pans out for Cupid in South Africa 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.

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