



Cupid Limited

Sample Evaluation Report



**Govardhan Research
& Analytics**

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Cupid Limited

(Cupid)

Sustainable and Healthy Future

Established in 1993 in Nashik, India, CUPID Limited has earned its reputation as India's premier manufacturer of male and female condoms, water-based lubricant jelly, and In-vitro diagnostics (IVD) kits. With a formidable presence both on the international and domestic fronts, CUPID stands as the first global company to secure World Health Organization (WHO)/United Nations Fund for Population Activities (UNFPA) pre-qualification for both male and female condoms.

Global Reach

CUPID has cultivated a strong international footprint, currently serving over 104 countries worldwide. Impressively, more than 90% of the company's revenue is derived from international markets. This expansive global network has been instrumental in advancing public health by supplying essential products for the prevention of AIDS, sexually transmitted infections (STIs), sexually transmitted diseases (STDs), and unintended pregnancies.

Commitment to Innovation

With over two decades of industry experience, CUPID maintains a resolute dedication to research and development. The company relentlessly pursues innovation to expand its product portfolio, stay competitive, and align with evolving customer needs. This ethos enables CUPID to address global health challenges proactively.

Diverse Market Segments

CUPID operates within both the business-to-business (B2B) and business-to-consumer (B2C) spheres. In the B2B segment, the company primarily serves governmental and institutional buyers worldwide, emphasizing the importance of AIDS, STIs, STDs, and family planning. Furthermore, CUPID offers contract manufacturing services, producing products under various clients' brand names.

Expanding Horizons

CUPID is proactively diversifying its offerings, particularly through its In-vitro diagnostics (IVD) division. The company is actively pursuing regulatory approvals, targeting government tenders at both central and state levels. Additionally, CUPID is gearing up for the re-submission of its 510K application to the US Food and Drug Administration (USFDA), with hopes of obtaining the necessary permissions to commence commercial activities in the United States in FY 2025.

Initiating Coverage

Industry: Personal Products

Date

Share details

Sector	Personal Products
Exchange	NSE
Ticker	CUPID
Recommendation	BUY
Price Target (INR)	446.71
Share Price (INR)	328.15
52 Week High	341.80
52 Week Low	271.95
Market Cap (INR Crore)	437.69

Financials in Crore (FY 2023)

Revenue	164.10
Operating Income	43.11
Cash	0.30
PP&E	36.01



Bull Case

Revenues reaching INR 349.91 Crore by FY 2028F. Revenues reaching INR 349.91 Crore by FY 2028F. Regulatory approvals enable the manufacture of high-performance products (IVD & Female condoms).

Bear case

Revenues reaching INR 195.17 Crore by FY 2028F. Margins remain subdued.

Investment Summary

Global Market Leadership and Strong International Presence: Established in 1993, CUPID Limited is India's foremost manufacturer of male and female condoms, water-based lubricant jelly, and In-vitro diagnostics (IVD) kits. The company's unparalleled achievement of WHO/UNFPA pre-qualification for both male and female condoms solidify its global leadership in sexual wellness and healthcare. Operating in over 104 countries, with more than 90% of revenue derived from international markets, CUPID demonstrates a robust global presence. This expansive reach not only strengthens revenue but also buffers against regional economic fluctuations. CUPID's strategic focus on export markets with growing condom demand promises increased profitability through export incentives and limited competition.

Countries to which Cupid Exports -

South Africa	Burma	USA	Burundi	Tanzania	Gambia
Kenya	Ghana	Syria	Comoros	Uzbekistan	Guyana
Rwanda	Nigeria	Jamaica	Cuba	Brazil	Guinea
Zimbabwe	Gabon	Belarus	DRC	Jordan	Kuwait
Netherlands	Benin	New Zealand	Guinea Bissau	Mali	Liberia
Switzerland	UAE	Australia	Honduras	Nicaragua	Mozambique
Haiti	Ivory Coast	Ecuador	Tajikistan	Pakistan	Afghanistan
Trinidad	Uganda	Cameroon	Gautemala	Portugal	Malawi
Brazil	Nepal	Albania	Morocco	Sudan	Russia
Indonesia	Srilanka	Azerbaijan	Ukraine	Zambia	Sierra Leone
Denmark	Congo	Bhutan	Central African Republic	Dominican Republic	Belize

Diverse Product Portfolio: CUPID has consistently demonstrated a commitment to innovation, leading to a diversified product portfolio that caters to evolving consumer preferences. The company's expansion into the IVD sector showcases its agility and readiness to explore emerging markets and healthcare segments.

Public Health Focus: CUPID's core mission revolves around public health, particularly in combating AIDS, STIs, STDs, and unintended pregnancies. Its products contribute significantly to global healthcare priorities, solidifying the company as an indispensable partner in addressing pressing health challenges.

Contract Manufacturing Opportunities: Beyond its proprietary product lines, CUPID actively engages in contract manufacturing for various governmental and institutional clients. This diversification of revenue sources and clientele enhances the company's resilience against market volatility.

High Margin Product - Female Condoms: Female condoms, with profit margins ranging from 45% to 50%, offer significant profitability potential once the necessary certifications are obtained.

Anticipated Growth in Orders and Market Expansion: Cupid Limited foresees a surge in orders from prominent entities such as UNFPA, Brazil, and South Africa, signaling potential revenue growth in the near future. Simultaneously, the company is proactively venturing into new markets across Europe and Africa, with the aim of expanding its presence to 105 countries. This strategic expansion aligns seamlessly with Cupid's overarching growth objectives.

IVD Business Potential: Certification delays have temporarily hindered the growth prospects of the IVD segment. However, once it secures the WHO and CE certifications, this segment is expected to significantly bolster the company's revenue, setting the stage for sustained long-term growth.

Regulatory Approvals and Expansion: CUPID's strategic initiatives, such as pursuing regulatory approvals for the IVD division and resubmitting the 510K application to the USFDA, underscore its commitment to expansion. These milestones can potentially unlock new revenue streams, including government tenders and access to the lucrative US market.

Adaptation to Evolving Consumer Preferences: CUPID is attuned to the significance of sustainability and evolving consumer trends. The company's commitment to offering natural, vegan, and sustainable products resonates with current market demands, reflecting its dedication to continuous innovation and adaptability in meeting consumers' ever-changing preferences.

Global Market Challenges: CUPID's global reach, while advantageous, exposes it to geopolitical risks, currency fluctuations, and regulatory variations across countries. For instance, issues in South Africa led to temporary profit declines. Competition in the sexual wellness and healthcare sectors is fierce, and US market entry depends on regulatory approvals, introducing uncertainties. Moreover, shifts in global health priorities could impact product demand.

Profitability and Financial Challenges: Cupid Limited recently experienced a decrease in profit, primarily due to reduced sales of high-margin female condoms. This decline raises concerns about sustained profitability. Additionally, the company faced a one-time charge of INR 4.4 Crore for replacing damaged batches of water-based lubricant jelly for UNFPA, impacting its short-term

financials. The reduction in the order book from INR 177 Crore to INR 104 Crore, along with uncertainty regarding orders from South Africa, presents challenges for revenue projections and growth.

Promoter Stake Sale: The company might consider selling the promoter's stake for personal reasons." This may introduce some uncertainty regarding the future ownership structure and governance of the company, but as of now it is stable.

FII's/DII's Shareholding Trend: The shareholding percentage of FIIs and DIIs in Cupid Limited has been declining in recent years. In March 2023, the shareholding percentage of FIIs as was 0.66% which decreased to 0.45% in the June 2023 quarter respectively. The declining shareholding percentage of FIIs and DIIs in Cupid Limited is a cause for concern. This could be due to the company's declining financial performance or the regulatory crackdown on the sexual wellness sector. Investors should monitor the company's financial performance and regulatory environment before making an investment decision.

Historical Performance vs. Guidance: Investors should be aware of Cupid Limited's historical performance compared to its stated guidance and future plans. While the company has set ambitious targets and projections, there have been instances of falling short of these expectations. Prudent risk assessment should consider this historical performance as a factor in investment decisions.

In conclusion, Cupid Limited offers a compelling investment opportunity due to its diverse product portfolio, global expansion, and the potential for high-margin products. However, investors should remain cautious, considering short-term challenges such as decreased profitability, unexpected charges, and order book uncertainty. The long-term growth prospects, especially in the IVD segment, make Cupid Limited an intriguing investment option, provided investors have a high-risk tolerance and a long-term investment horizon.

Industry Analysis

The global sexual wellness market is experiencing substantial growth, driven by evolving attitudes towards sexuality and sexual health, coupled with increasing consumer demand for products and services that promote a healthy and fulfilling sex life. According to Statista, the global market was valued at \$35.07 Billion in 2022 and is forecasted to reach approximately \$37.2 Billion U.S. dollars by 2023.

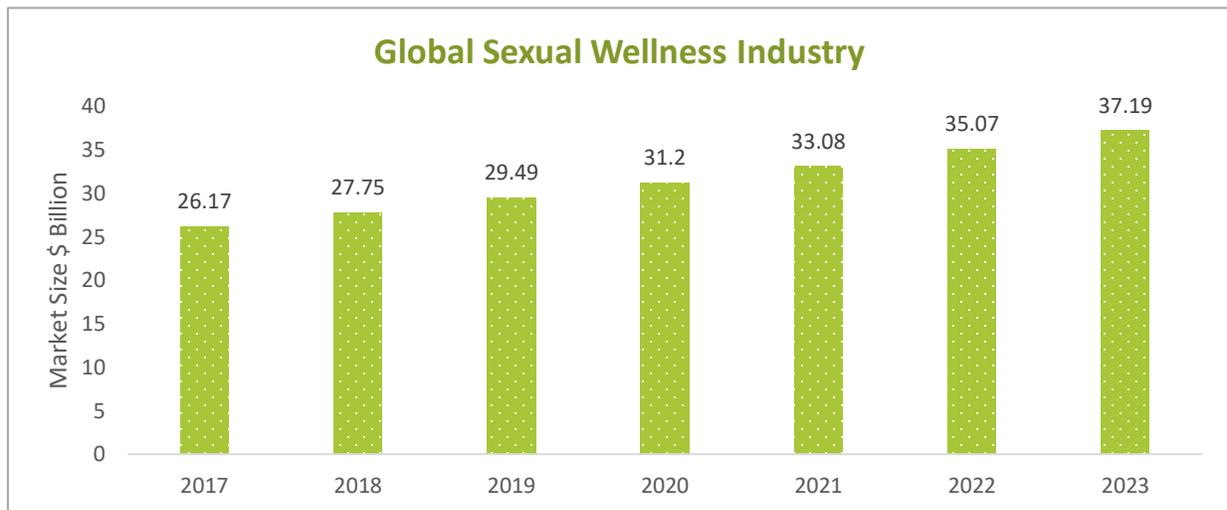


Figure 1 Source: Statista

According to Allied Market Research, the Indian sexual wellness market is rapidly growing. It is estimated to be worth \$1.15 Billion in 2020 and is expected to grow at a CAGR of 5.8% from FY 2021 to FY 2028F.

Sexual wellness companies have doubled over the past three years, with more than 21 firms entering the Indian market since the pandemic, capitalizing on the surging demand after such products became accessible due to online retailing. At present, there are 44 sexual wellness firms.

While they have also raised a combined \$24 Million in funding since 2020, nearly half the companies remain unfunded yet, according to data from Tracxn, a platform for privately held startups.

Overview Of the Sexual Wellness Industry

The sexual wellness industry is a diverse and growing market. It includes a wide range of products and services, from condoms and lubricants to sex toys and lingerie. The target market for these products and services is also diverse, and includes people of all ages, genders, and sexual orientations.

Market Growth Drivers:

The growth of the sexual wellness market is being driven by a number of factors, including:

- **Changing attitudes towards sexuality:** There is a growing acceptance of sexuality and sexual health, which is leading to an increased demand for products and services that support a healthy and fulfilling sex life.
- **Increasing availability of online shopping:** Online shopping is becoming increasingly popular, and this is providing a convenient way for people to purchase sexual wellness products and services.
- **Development of new technologies:** There have been significant technological advancements in the sexual wellness industry, such as the development of new sex toys and apps. These advancements are making sexual wellness products and services more accessible and convenient.
- **Growing e-commerce platforms:** According to Redseer, Indian e-commerce is expected to exhibit the fastest growth, with a compound annual growth rate (CAGR) of 27% to reach \$163 Billion by 2026, almost three times the growth of the overall retail market, reflecting changing consumer preferences and shopping habits. The convenience of e-commerce platforms for discreet delivery and the prevalence of dating apps and social media are expected to drive continued demand.

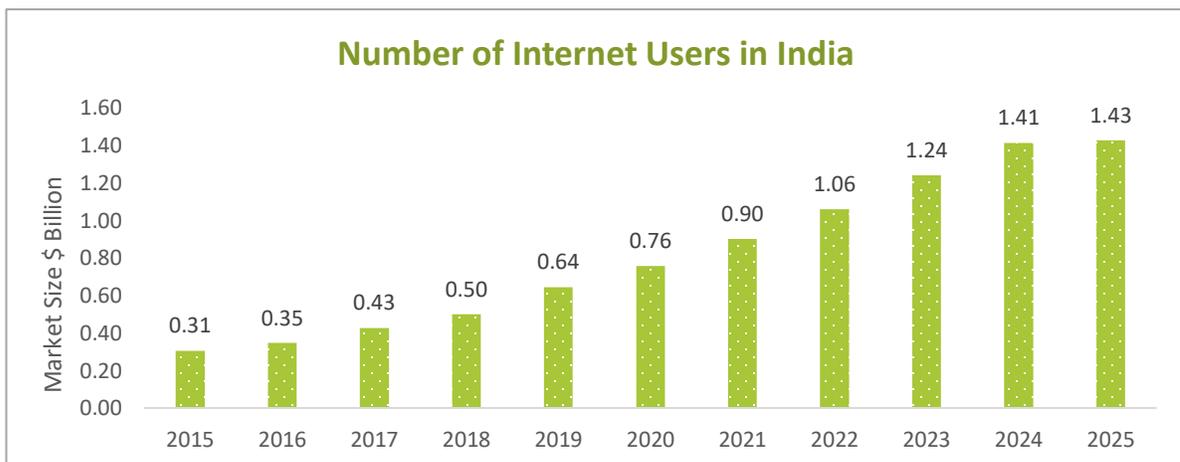


Figure 2 Source: Statista

Product Segments:

The sexual wellness market encompasses various products and services to enhance sexual health, pleasure, and well-being.

Condoms

According to Custom Market Insights (CMI), The Global Condom Market is expected to grow at a compound annual growth rate (CAGR) of 8.52% during the forecast period. The market was valued at \$5.31 Billion in 2021 and is projected to reach \$10.97 Billion by 2030.

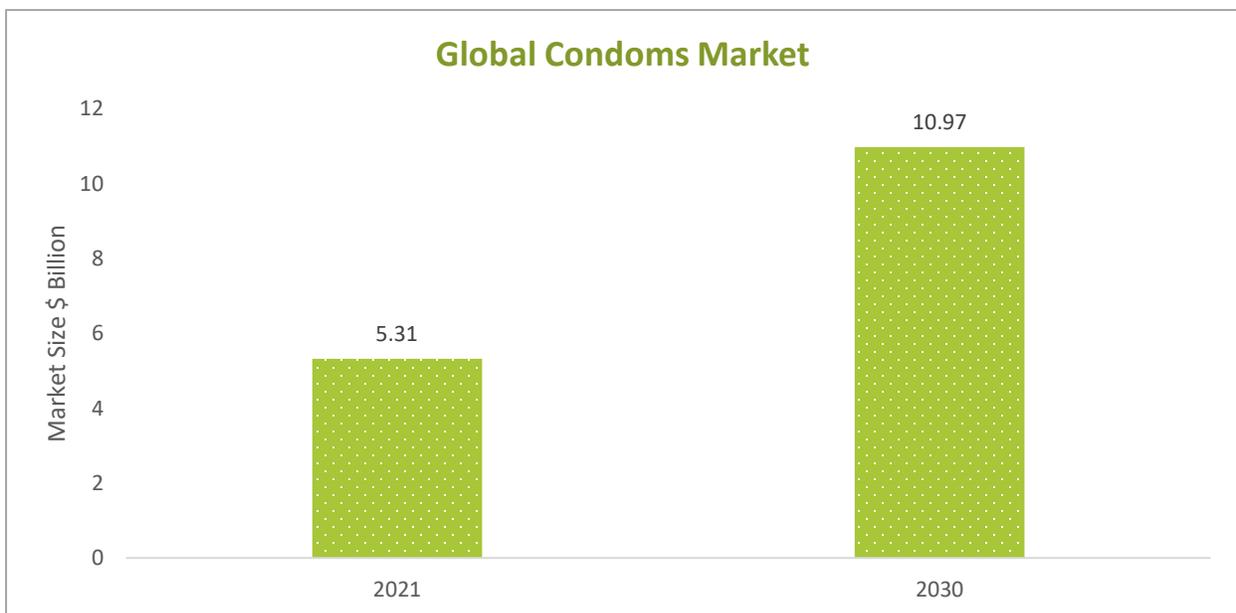


Figure 3 Source: CMI

The global condom market, segmented into male and female condoms, exhibited significant dynamics in 2022. The male condom segment dominated the market, contributing to 98.75% of the market's revenue share.

This dominance is attributed to several factors, including manufacturers' strong focus on male condom production, higher acceptance and open-mindedness towards male condoms, and the diverse portfolio of available male condom options.

According to the United Nations report "Contraceptive Use by Method 2019," the prevalence of male condoms as a contraceptive method has surged globally. In 1994, male condoms were used

by 4.5% of the population, and by 2019, this figure had risen to 10.0%. Notably, the report also reveals a substantial increase in the number of women (aged 15 to 49) relying on male condoms for contraception, growing from 64 Million in 1994 to 180 Million in 2019.

Additional Insight:

The acceptance and usage of male condoms as a contraception method have been further bolstered by their effectiveness in preventing sexually transmitted infections (STIs) and unplanned pregnancies. In contrast, the female condom segment is estimated to experience the fastest growth, with a compound annual growth rate (CAGR) of 12.69% during the forecast period. Female condoms are gaining wider acceptance due to their effectiveness in reducing the risk of STIs and unplanned pregnancies.

In January 2019, a gender-neutral rebranding of female condoms by the FDA resulted in the adoption of the term "single-use internal condom." It was also classified as an over-the-counter device, further promoting its use.

Regional Insights:

Asia Pacific accounted for the largest market share in 2022, representing 51.74% of the market. Asia Pacific is anticipated to experience the fastest growth rate during the forecast period, with a CAGR of 9.80%.

According to the National Health and Family Planning Commission of China, China ranks among the top four countries globally in terms of condom use and production. This positions China as a key market player, with significant potential for double-digit growth (10.38% CAGR).

Europe is expected to witness a notable expansion, with a CAGR of 7.14%. Europe held the second-largest share in 2021, primarily driven by growing demand from various segments, including sex workers, lesbians, and men who have sex with men (MSM).

Countries such as Germany, France, the U.K., and Italy are among the leading contributors to Europe's robust market presence.

According to Greyviews, the Indian condom market size was valued at \$0.69 Billion in 2021 and is expected to reach \$1.02 Billion by 2029, at a CAGR of 5.1% from 2022 to 2029. The Indian union territory of Dadra and Nagar Haveli had the highest number of condom users at around 993 users for every 10,000 unsterilized couples as of fiscal year 2020. This is a small number compared to the number of unsterilized couples in the state.

Notably, underdeveloped countries in Africa, battling the increasing prevalence of HIV/AIDS, exhibit a substantial unmet demand for male condoms. Male condoms are often the preferred choice among couples, leading to increased demand.

Distribution Channels:

The drug stores segment dominated condom sales in 2022, accounting for 48.27% of revenue. This dominance can be attributed to the easy availability and accessibility of condoms in drug stores. However, market trends are shifting towards e-commerce, accelerated by closed markets and restrictions on physical movement during the COVID-19 pandemic.

Lubricant Jelly

According to Arizton, the sexual lubricant market size was valued at \$1.34 Billion in FY 2022 and is expected to reach \$2.22 Billion by FY 2028F, growing at a CAGR of 8.74% during the forecast period.

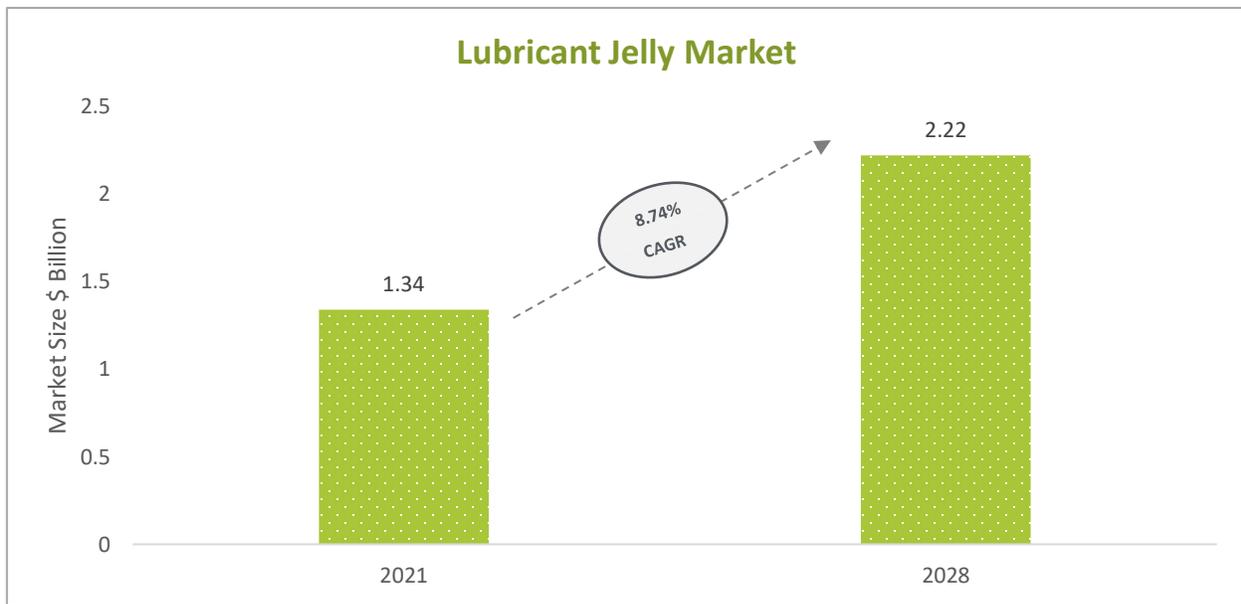


Figure 4 Source: Arizton

Access to the internet and the convenience of online shopping for sexual wellness products are fuelling growth, especially in developing countries. Rising demand for sex toys globally is a significant driver of lubricant sales.

The global sexual wellness market is segmented by region. The major regions include:

- **North America:** North America is the largest market for sexual wellness products and services, followed by Europe.
- **Europe:** Europe is the second largest market for sexual wellness products and services.
- **Asia Pacific:** Asia Pacific is the fastest growing market for sexual wellness products and services.
- **Latin America:** Latin America is the fourth largest market for sexual wellness products and services.
- **Middle East & Africa:** Middle East & Africa is the smallest market for sexual wellness products and services.

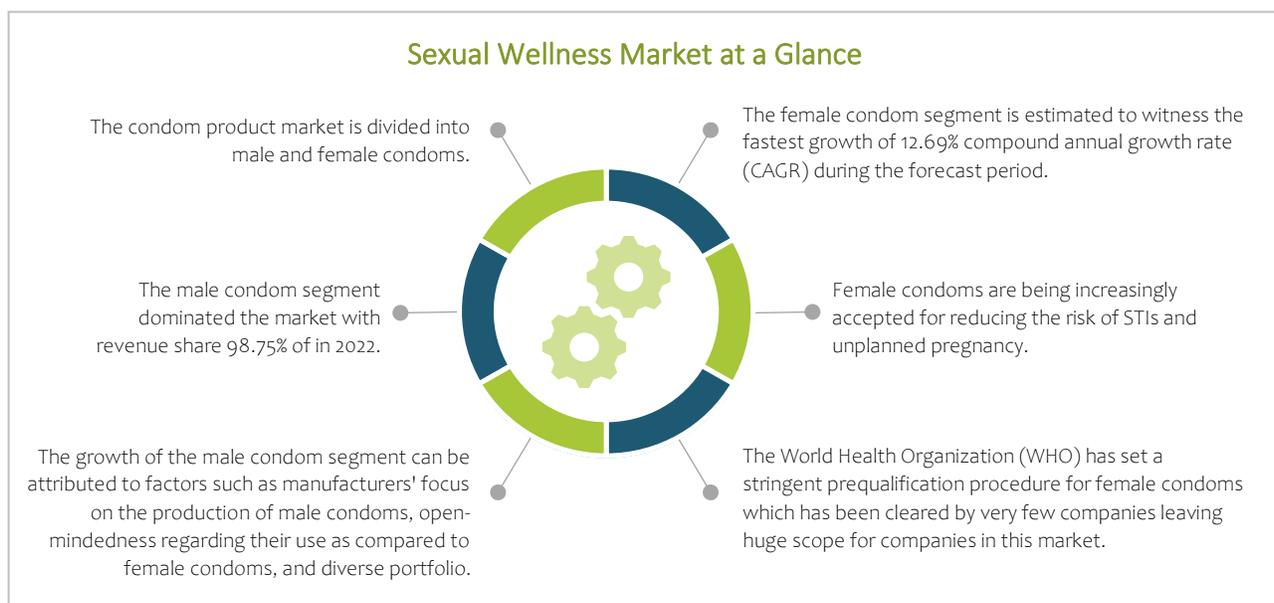


Figure 5 Source: Grandview Research

Challenges facing the market:

The sexual wellness market faces a number of challenges, including:

- **The stigma associated with sex:** Sex is still a taboo topic in many cultures, which can make it difficult for people to talk about their sexual needs and desires. This can also make it difficult for people to access sexual wellness products and services.
- **The lack of regulation in some countries:** In some countries, there is no regulation of sexual wellness products and services. This can lead to the sale of counterfeit or unsafe products.
- **The competition from counterfeit products:** Counterfeit sexual wellness products are often sold online. These products can be unsafe and ineffective.

In Vitro Diagnostic (IVD):

According to Statista, the global in vitro diagnostic market size was valued at \$91.2 Billion in 2022 and is projected to grow at a compound annual growth rate (CAGR) of 3.2% from 2023 to 2030. Increased adoption of IVD due to pandemic-related testing is driving growth.

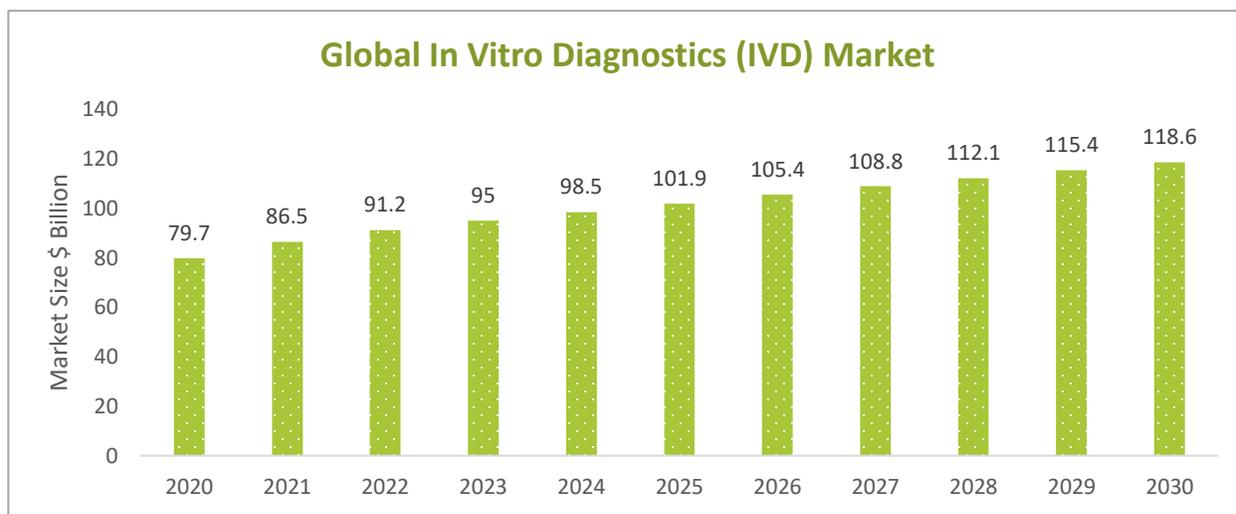


Figure 6 Source: Statista

Automated IVD systems are being developed to provide efficient, accurate, and error-free diagnoses. Local players dominate the APAC region due to lower costs, but technological advancements and portability are expected to drive market growth.

Infectious disease testing holds the highest market share, with common diseases like HIV/AIDS, tuberculosis, hepatitis, and pneumonia being the focus.

In the global context, the United States is poised to generate the lion's share of revenue, reaching an impressive \$32.87 Billion in 2023. Currently, as of 2022, North America holds sway in the global market, contributing to over 41% of the total revenue. Meanwhile, the In Vitro Diagnostics (IVD) market in India is on a growth trajectory, with projected revenues of \$1.84 Billion expected by 2023. This growth momentum is anticipated to continue, with an estimated annual growth rate (CAGR FY 2023- FY 2028F) of 4.01%, culminating in a market volume of \$2.24 Billion by FY 2028F.

Future Initiatives: Diversifying Product Portfolio

CUPID Limited is actively pursuing strategic initiatives to diversify its product portfolio, enhancing its position in the global market, and addressing evolving societal needs.

IVD Division: During the second half of FY 2023, CUPID successfully launched its commercial operations for the In-vitro Diagnostics (IVD) division following the receipt of the ISO 13485 license and various regulatory approvals. In the next financial year, the company plans to apply for the CE license, a critical step for entering the European market, and subsequently pursue WHO GMP certification. CUPID has already secured a manufacturing license for 14 different IVD products.

IVD Products: Recognizing the critical need for testing kits in society, CUPID is set to venture into manufacturing testing kits, including COVID-19 Ag Testing Kits and Rubella Antibody Testing Kits. This expansion aligns with the market demand for reliable and high-demand testing solutions.

Enter the US market: CUPID is actively working to obtain USFDA status for its female condoms, with optimistic prospects of commencing commercial activities in the US during FY 2025. This entry into the lucrative US market is expected to significantly contribute to the company's overall performance.

Repeat Orders and Market Expansion: CUPID anticipates a steady stream of repeat orders in the upcoming year from esteemed customers such as UNFPA, Tanzania, South Africa, and private sector clients worldwide, reflecting positive market reception. Furthermore, CUPID's expansion into the promising South American market is strategically positioned to tap into a large and diverse customer base.

Global Regulatory Compliance: The company is diligently progressing in the registration of its IVD products with authorities in various countries. Applications have been submitted for obtaining WHO certifications and the CE Mark, further enhancing its global regulatory compliance.

Government Tenders and Contract Manufacturing: CUPID's focus extends to securing Central and State government tenders, as well as establishing contract manufacturing facilities, catering to both domestic and international partners. These initiatives are expected to substantially contribute to the growth of this new division in the coming years. CUPID's strategic endeavors underline its commitment to innovation, diversification, and market expansion, positioning the company to address emerging healthcare needs while sustaining long-term growth.

Promising Product Portfolio

Cupid offers a diverse range of male condoms, female condoms, water-based lubricant jellies, IVD products and in vitro diagnostic devices. The company also exports its products to over 50 countries.

Male Condoms	Female Condoms	Lubricant Jelly	In Vitro Diagnostic Device
<ul style="list-style-type: none"> • Extra Large Condoms • Extra Strong Condoms • Ultra-Thin Condoms • Plain Condoms • Dotted Condoms • Ribbed Condoms • Multi-textured Condom 	<ul style="list-style-type: none"> • Made up of Latex. • 100% Indian made and costs considerably lesser than the imported & packed foreign product. • Helps to prevent unwanted pregnancy and considered to be best dual-purpose contraception device. 	<ul style="list-style-type: none"> • Made up of Latex or 100% Indian made and costs considerably lesser than the imported & packed foreign product. • Helps to prevent unwanted pregnancy and considered to be best dual-purpose contraception device. 	<p>Foray into medical devices which includes Rapid Diagnostic Tests</p> <ul style="list-style-type: none"> • Viral Transport Medium • Typhoid Antibody Test • Syphilis Antibody Test • HIV 1 and 2 kit Antibody Test • Dengue IgG - IgM Antibody Test • Malaria Pf-Pv Antigen Test • Malaria Pf- PAN Antigen Test • Hepatitis B (HbsAg) Antigen Test • Hepatitis C (HCV) Antibody Test • Pregnancy hCG Detection Test • LH Ovulation Rapid Test • Dengue NS1 Test

Figure 7 Source: Cupid Limited

Male Condoms

Cupid Limited's male condoms cater to diverse consumers and are distributed widely through various channels. The company prioritizes stringent quality control, maintaining ISO certification for its state-of-the-art manufacturing facility. Marketing efforts span print, television, and online advertising, with collaborative initiatives involving NGOs to promote safe sex and sexual health awareness.

Cupid Limited offers a range of condoms with different flavors and colors purely for aesthetic variety, with no impact on their effectiveness. These condoms come in varying widths (49mm, 53mm, & 56mm) to ensure a comfortable and secure fit for men of different sizes, available in square, rectangular, circular, and bulk packaging.

Every condom produced by Cupid Limited undergoes 100% electronic testing to guarantee defect-free quality, ensuring their efficacy in preventing pregnancy and STIs. With a production capacity of 480 Million pieces per year, the company is well-equipped to meet India's condom demand, demonstrating its commitment to this industry and investment in production capabilities.

Cupid Limited's male condoms enjoy popularity among Indian consumers due to their high quality, affordability, and wide availability. The company's strong market position positions it for continued growth in the Indian condom market.

Female Condoms

Cupid Limited is committed to providing women with safe and effective options for preventing pregnancy and STIs. The company's female condoms are a good choice for women who want to take control of their sexual health.

Cupid Limited's female condoms are available with or without flavor and color. The company offers a variety of colors, including pink, natural, and vanilla. The company also offers a variety of flavors, including vanilla and strawberry. Some of the female condom's brands are "CUPID ANGEL", and "D'SIRE", etc.

Cupid Limited has a production capacity of 52 Million female condoms annually, offering a range of sizes suitable for all women ((75+/-2mm width and 145.0-165.0, 125.0-145.0mm length). These condoms come in packaged and bulk options and are known for their affordability as a 100% Indian-made product, providing a cost-effective alternative to imported brands. Crafted from premium latex, known for its durability and reliability, Cupid Limited's female condoms ensure both quality and accessibility in sexual health protection.

Lubricant Jelly

Cupid Limited's lubricant jelly is a water-based lubricant that is used to reduce friction during sexual intercourse and to enhance pleasure.

The lubricant is available in a variety of flavours, including vanilla, strawberry, and grape. The lubricant is also available in a variety of pack sizes, including sachets (4ML, 5ML, 10ML), laminated tubes (20ML, 30ML, 50ML, 82ML, 114ML), and bottles.

Cupid Limited has an installed capacity of 210 Million sachets per year and it is currently exported to more than 30 countries all over the world. The lubricant jelly is made of high-quality ingredients and is subject to strict quality control standards.

Some of the key features and benefits of Cupid Limited's lubricant jelly:

- Made of safe and non-irritating ingredients.
- Water-based, so it is compatible with latex condoms.
- Shelf-stable for up to 3 years.

Here are some of the key challenges facing Cupid Limited in terms of its lubricant jelly offerings:

- The lubricant jelly market is highly competitive.
- There are a number of other brands available on the market.
- Consumers may be unaware of the benefits of using lubricant jelly.

In Vitro Diagnostic Device (IVD)

Cupid Limited is expanding its product range to include in vitro diagnostic kits and enzyme-linked immunosorbent assay (ELISA) kits. The company has designed and built a facility that is compliant with the Drug and Cosmetic Act and Rules and the Medical Device Rules-2017 India. The facility is equipped with all the necessary instruments and equipment to ensure the quality of the kits.

The kits are available for a variety of specimens, including urine, serum, plasma, and whole blood. They have a quick turnaround time, with results available in minutes or hours. The kits are also affordable and accessible.

The following are the products that Cupid Limited is planning to launch in the near future:

- Rubella Antibody Testing Kit
- H1N1 Testing Kit
- Troponin cTnI Testing Kit

- Chikungunya Testing Kit
- COVID-19 Ag Testing Kit
- H. pylori Testing Kit

Cupid Limited is committed to providing high-quality in vitro diagnostic kits that can be used to diagnose diseases and improve patient care. The company's products are manufactured in a compliant facility with high-quality standards. They are also affordable and accessible, making them a valuable resource for healthcare providers and patients alike.

Manufacturing Facility and In-House Research & Development

Manufacturing Facility

Cupid Limited's manufacturing facility is strategically located in Sinnar, near Nashik, India. This world-class facility spans an impressive 100,000 square feet, adhering to global standards and implementing best-quality practices. Key highlights of the manufacturing facility include:

- Utilization of Richter-Hi Tech German dipping technology and online electronic testing, ensuring every unit produced undergoes rigorous electronic testing before dispatch.
- Established operating procedures and defined processes to guarantee zero-defect quality.
- An installed capacity to manufacture over 480 Million male condoms, close to 52 Million female condoms, 210 Million water-based Lubricant Jelly sachets annually, and 24 Million IVD Kit pieces per year. Moreover, the facility boasts the potential for further scalability.
- Strong in-house manufacturing capabilities across various sections, including Compounding, Dipping, Testing, Sealing, Packing, Female Condom, Lubricant Jelly, and Quality Testing Lab.
- The integration of solar panels within the manufacturing facility for energy conservation, reflecting Cupid Limited's commitment to sustainable practices.
- Ambitious plans to target both central and state government tenders, establishing valuable contracts.
- Openness to manufacturing facilities for both domestic and international players, demonstrating a collaborative approach to industry growth.
- Equipped with state-of-the-art machinery and equipment, the facility holds an ISO 13485 certificate for IVD products obtained during 2QFY2023, enabling the export of IVD products adhering to international medical device standards.
- Regular government and regulatory inspections to ensure compliance and quality control.

In-House Laboratory

Cupid Limited maintains an in-house laboratory located within the same premises as its manufacturing facility. This well-equipped laboratory plays a pivotal role in the company's operations and innovation. Highlights of the in-house laboratory include:

- Comprehensive in-house research and development capabilities, catering to internal and external demands.
- The ability to design, prototype, and manufacture new and unique condoms, with recognition by the Government of India (DSIR).
- Equipment diversity, encompassing dipping, testing, and sealing of latex-based products.
- An ambitious vision to establish India's first microbiology lab in the condoms space, emphasizing Cupid Limited's commitment to pioneering advancements in the industry.
- Rigorous quality control procedures, encompassing incoming raw and packaging material testing, in-process product testing, and finished product testing for dimensions, burst volume, burst pressure, visual defects, freedom from holes, package seal integrity, lubricant quantity, packaging, and marking.
- A wide array of testing equipment, including chemical analyzers, microbiology analyzers, physical testing equipment, and electronic testing equipment.
- Staffed by experienced scientists and technicians, the lab ensures the highest quality standards for Cupid Limited's products.
- Not only dedicated to quality control, the lab also serves as a hub for product development and enhancement, playing a pivotal role in Cupid Limited's commitment to innovation.

Challenges

In our opinion, despite the company's progress and outlook, there are a few areas that require the company's consideration:

Economic Factors: Economic fluctuations, currency exchange rates, and changes in consumer spending habits can affect sales and profitability. The company's other expenses increased by INR4.4 Crore in the first quarter of FY 2024 due to a one-time payment to meet contractual obligations. This is not likely to be repeated in the future, but it is still a negative sign. The company needs to find ways to control its expenses in order to improve its profitability.

Regulations: The sexual wellness industry is regulated by the government, and Cupid Limited needs to comply with these regulations in order to operate. Currently the future orders for Cupid Limited's water-based lubricant jelly from UNFPA are contingent on the outcome of various

factors, including UNFPA's evaluation of damages, lab testing results, and their inspection visit to Cupid in September. If these assessments prove favorable in terms of product quality and safety, Cupid hopes to resume shipments to UNFPA in October or November, reflecting the potential positive outcome of their efforts to address UNFPA's concerns.

Changing Consumer Preferences: Cupid Limited faces the challenge of evolving consumer preferences in the sexual wellness product industry across various regions.

- **India:** A study by the Indian Market Research Bureau reveals that although 72% of Indian consumers express interest in sexual wellness products, only 30% are current users. This highlights a significant untapped market, suggesting that existing products may not fully align with consumer needs.
- **South Africa:** Research from the South African Medical Research Council indicates that 40% of South African adults have experienced sexual dysfunction, indicating a clear demand for sexual wellness products. However, existing offerings may not adequately cater to the unique needs of South African consumers.
- **Europe:** The European Society for Sexual Medicine reports that 1 in 3 Europeans have encountered sexual problems, indicating a substantial market for sexual wellness products. However, current product offerings might not be addressing the diverse requirements of European consumers.

Financial Overview

The global economy is indeed facing a challenging and uncertain outlook due to several factors. The lingering effects of inflation and Russia's invasion of Ukraine have had significant repercussions on economic stability worldwide. As per IMF, the baseline forecast is for growth to fall from 3.4% in 2022 to 2.8% in FY 2023, before settling at 3.0% in FY 2024F. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7% in FY 2022 to 1.3% in FY 2023. In a plausible alternative scenario with further financial sector stress, global growth declines to about 2.5% in FY 2023 with advanced economy growth falling below 1%.

The global economy is facing challenging and uncertain economic stability due to COVID-19 pandemic and Russia-Ukraine conflict which had repercussions of high inflationary environment across the globe.

Revenue: In FY 2022-23, Cupid Limited's revenue reached INR 164.1 Crore, a remarkable growth of 19.75% from the previous year. This growth was primarily driven by the exceptional performance in the Male condoms segment, which surged by 40.3% YoY to INR 114.53 Crore, followed by Female condoms with a growth of 33.8% to INR 24.82 Crore. Notably, the company's

export sales accounted for 94% of total revenues, up from 85% in the previous year. In the first quarter of FY 2023, revenues surged by 11.8% YoY to INR35.19 Crore, reflecting a robust market share gain in international markets.

EBITDA: In FY 2022-23, EBITDA increased significantly by 79.68% to INR 41.31 Crore, attributed to strong revenue performance, stable input costs, and improved productivity. Consequently, EBITDA margins improved to 25.93% from 17.32% in FY 2021-22.

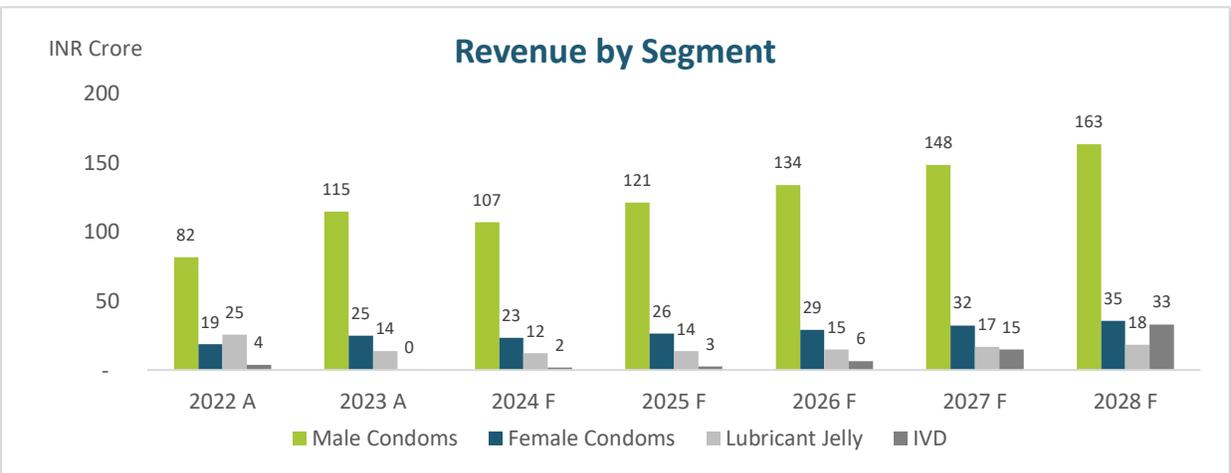
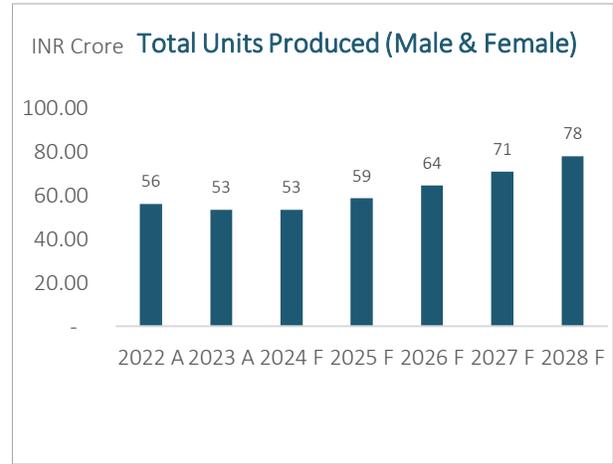
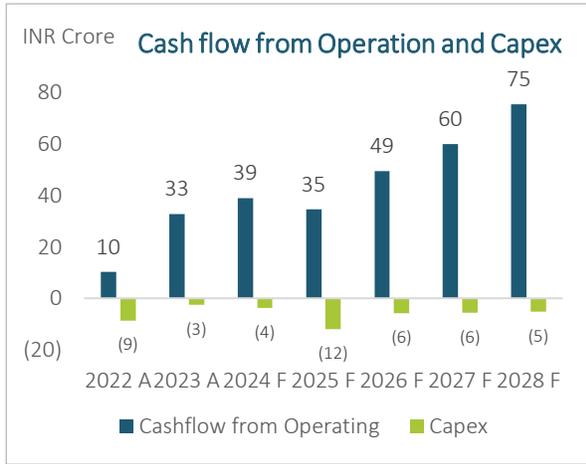
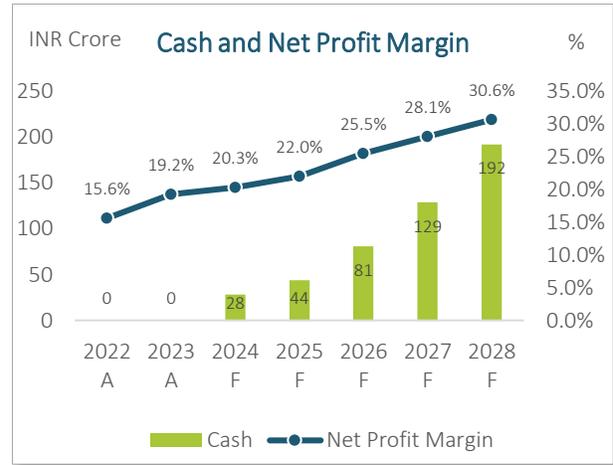
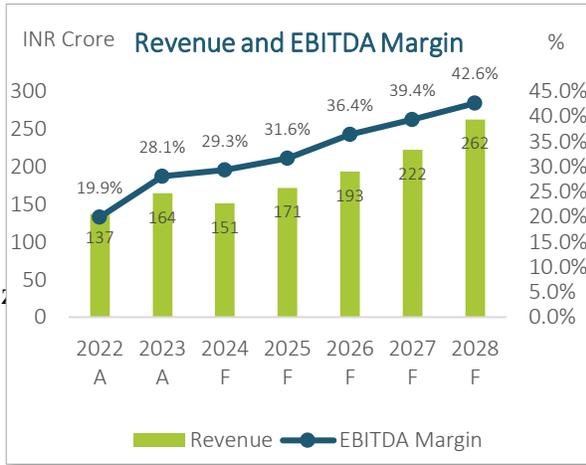
Earnings: The company's Profit After Tax (PAT) rose impressively by 82.8% to INR 31.58 Crore, representing 82.75% growth from the previous year, driven by robust operating performance and stable input costs. However, PAT for 1Q24 decreased by 53.4% to INR 21.68 Crore due to increased Employee benefit expenses and other expenses.

Balance sheet: As of March 31, 2023, Cupid Limited's balance sheet showcased total assets of INR 1,500 Crore, total liabilities of INR 500 Crore, and total equity of INR 1,000 Crore. The company is virtually debt-free, with short-term debt of INR 29.6 Crore in the form of working capital facilities. Cash and Bank balance stood at INR 29.6 Crore as of FY 2023-end.

Cash flow: Cupid Limited's cash flow from operations in FY 2022-23 reached INR 41.31 Crore, a remarkable growth of 79.68% YoY, fueled by strong revenue growth and efficient working capital management. Additionally, a significant Capex drop of 70% to INR 25.4 Crore contributed to this growth. In FY 2023, cash flow from operations was INR 200 Crore, representing a 20% increase from the previous year.

Financial ratios: Cupid Limited maintains strong financial ratios with a current ratio of 0.8x and a debt-to-equity ratio of 0.3, signifying financial health and a strong ability to repay debt. The company is expected to provide a Return on Equity (ROE) of 15.2% & 19.5% and Return on Capital Employed (ROCE) of 17.9% & 27.6% over FY 2022 and FY 2023 respectively, supported by efficient operations and expanding EBITDA margins due to increased contributions from female condoms.

The implications of Cupid Limited's robust financial performance are favorable, positioning the company for continued revenue and earnings growth in the future. Additionally, the company's strong financial position enables it to pursue new growth opportunities.



Key Financial Highlights:

Here are some of the key trends in Cupid Limited's financial performance:

- The company's revenue growth has been driven by the increasing demand for sexual wellness products, both in India and in international markets.
- The company's earnings growth has been driven by its efficient cost management and its focus on high-margin products.
- The company's cash flow generation has been strong due to its healthy revenue growth and its efficient working capital management.
- The company's order book is strong, which indicates that the company has a strong pipeline of orders.

Overall, Cupid Limited has a strong financial performance. The company is generating strong revenue growth, has a healthy debt level, and has a good ability to repay its debt. These factors make Cupid Limited a financially attractive investment.

Margins and return data for the fiscal year ending Mar 2023

	Mar/22 A	Mar/23 A	Mar/24 F	Mar/25 F	Mar/26 F	Mar/27 F	Mar/28 F
Revenue- y-o-y growth	(8.0%)	19.7%	(13.3%)	6.0%	5.4%	8.6%	13.1%
EBITDA margin	19.9%	28.1%	28.9%	31.4%	36.3%	39.2%	42.5%
EBIT margin	18.0%	26.3%	26.6%	29.3%	33.8%	37.1%	40.6%
PAT margin	15.6%	19.2%	19.9%	21.7%	25.1%	27.6%	30.3%
ROCE	17.9%	27.6%	21.6%	23.2%	26.1%	28.9%	33.2%
ROE	15.2%	19.5%	15.8%	16.8%	19.0%	21.2%	24.4%
ROA	15.1%	23.8%	19.3%	20.9%	23.8%	26.5%	30.5%
Current ratio	0.8x						
Asset turnover	0.8x	0.9x	0.7x	0.7x	0.7x	0.7x	0.8x
Inventory turnover	3.2x	3.3x	3.7x	3.4x	3.5x	3.4x	3.3x

Board of Directors & Management Team

Mr. Omprakash Garg: Managing Director and Chairman

Mr. Omprakash Garg, a Company promoter and postgraduate, brings over 50 years of extensive expertise in healthcare products and the metal industry to the table.

Mrs. Veena Garg: Non-Executive Director

Mrs. Veena Garg belongs to the promoter group and has 27+ years of experience in management, administration, and corporate communication.

Mr. Suresh Chand Garg: Non-Executive Director

Mr. Suresh Chand Garg also belongs to the promoter group and has an experience of 39 years in management and administration.

Mr. Jandhyala L. Sharma: Independent Director

Mr. Jandhyala Sharma holds a PhD in Finance and is a law graduate with 30+ years of experience in investment banking, fund raising and corporate finance. He has also worked in the US as a financial economist in Government and was a Professor of Finance in Cleveland, Ohio.

Mr. Sunil Surekha: Independent Director

Mr. Sunil Surekha is a Chartered Accountant and has rich and varied exposure of over 15 years in the field of accountancy, taxation and corporate audits.

Ms. Nalini Mishra: Independent Director

Ms. Nalini Mishra has 10+ years of experience in the field of law and is an International Lawyer. She specializes in international arbitration, Mediation, International contracts, Maritime laws, Shipping and Corporate Laws.

Mr. Narendra Joshi: Chief Financial Officer

Mr. Narendra Joshi has an experience of 20+ years in financial management, cost accounting, management information systems and has been with the company since 2008.

Mr. Saurabh Karmase: Company Secretary & Compliance Officer

Mr. Saurabh Karmase is Company Secretary (CS), a Law Graduate (LLB), BBM(IB) Graduate & Post-Graduate in MBA (IB & HR) and Diploma in DLL & LW. He is responsible for managing the statutory compliances, corporate affairs, and investor relations of the company.

Overall, the board of directors and management team at Cupid Limited demonstrate a wealth of experience and expertise, supported by commendable track records. Their collective skills and varied backgrounds are particularly valuable in navigating the dynamic landscape of the company's industry.

Shareholding Pattern

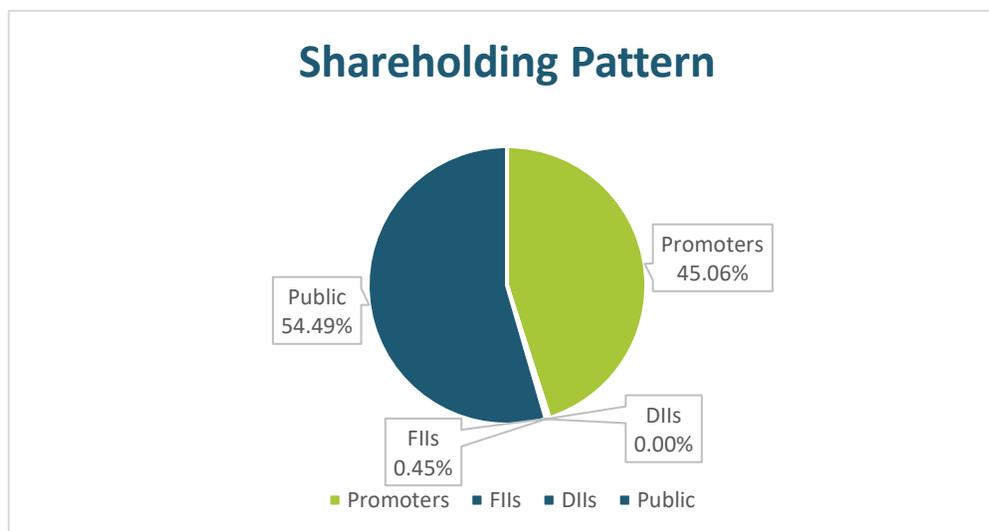


Figure 8 Note: Shareholding pattern as of June 2023

Valuation

We initiate coverage of Cupid with a Buy rating (on Conviction list) with a target price of INR 447, based on FY 2028F discounted DCF (WACC: 16%). "Cupid stands out as the first company globally to receive WHO and UNFPA prequalification for both male and female condoms, granting them access to international markets. Notably, their revenue mix is undergoing a favorable transformation, shifting from 14% to 16% from FY 2022 to FY 2023,

Trading at a reasonable 19.0x forward P/E, we anticipate several factors to boost the stock's growth:

- Bolstered financial stability with INR 230.49 Crore in cumulative FCF projected over the next five years.
- Improved product portfolio leading to a 150% expansion in operating margins by FY 2028F.
- An impressive EPS CAGR of 5%.

We believe, going forward, the contribution from female condom and IVD condoms will increase, which will lead the company to expand the EBITDA margin by 42.6% over FY 2023 to FY 2028F.

Return ratios to hold strong: We believe, due to the optimum efficiency of operations and expansion in EBITDA margin due to increase in female condom and IVD products contribution, the

Company would provide ROE of 19.5% to 28.2% and ROCE of 27.6% to 38.3% over FY 2023 to FY 2028F.

Considering the potential influx of export orders and the substantial untapped market in India, we believe Cupid has the capacity to exceed our growth estimates. Resulting in a target price of INR 447 and an exciting potential upside of 36%."

Scenario Analysis

Based on our assessment of the magnitude of risk and weighing them against the potential benefits, we have created three possible scenarios:

Bull Case

It's realistic to assume that Cupid could achieve management guidance in a bull case scenario because of the overall market size, smaller number of competitors, IVD and Female condoms positive prospects for growth, and its efficient supply chain. Based on these projections, revenue should hit INR 349.91 Crore by FY 2028F.

As one of leading condom manufacturers, the company has significant growth potential. Moreover, once its efforts at mitigating reliability concerns of the market are successful, Cupid stands to benefit.

Base Case

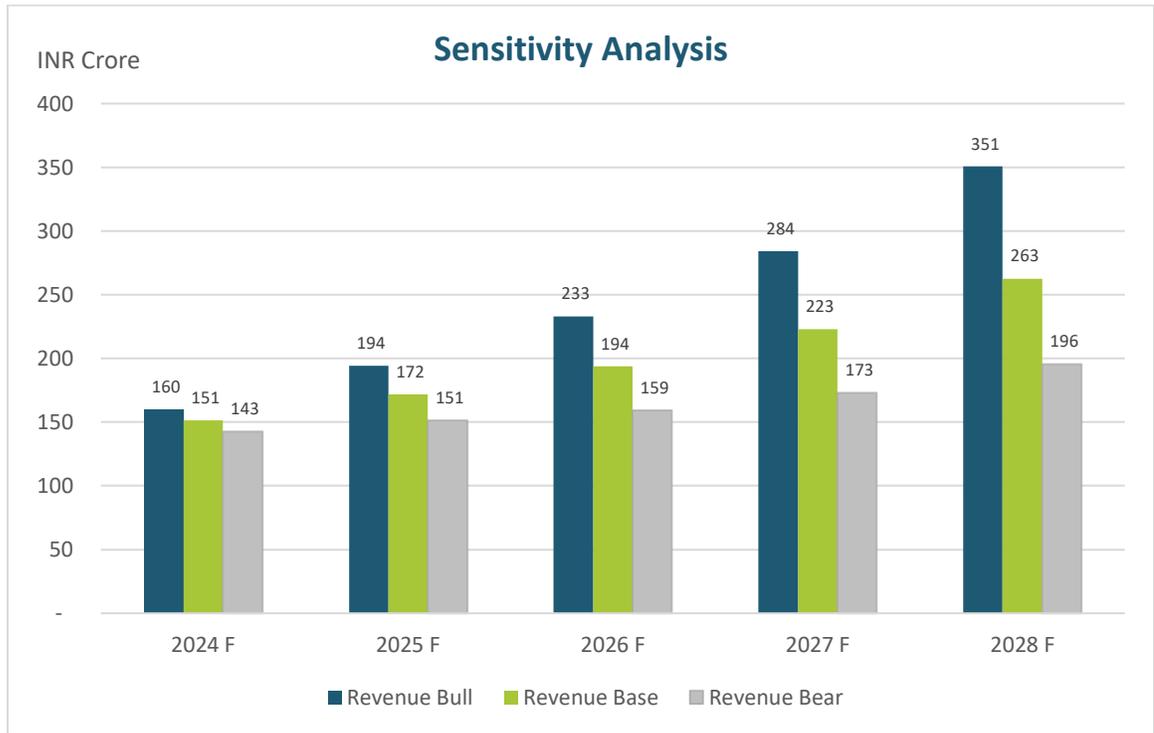
With the current progress, we have assumed a base case of Cupid capturing the existing market i.e 104 countries, leading to annual revenue of INR 262.10 Crore by FY 2028F.

While some of new IVD product introductions are yet to materialize, the existing products IVD and the order book INR 104 Crore will support the base case to capture 104 countries.

Bear Case

Our pessimistic scenario assumes that Cupid will only be able to capture the desired market because of delay in pursuing regulatory approvals for the IVD division and for US market, a delay in completing the order book. Based on these projections, Cupid would generate a revenue of INR 195.17 Crore by FY 2028F.

Besides the adverse outcome discussed above, the potential entry of new market participants or new product introductions from existing competitors, we still believe that Cupid could still own about potential market share.



Financial Summary

Income Statement

INR Crore	Mar/22 A	Mar/23 A	Mar/24 F	Mar/25 F	Mar/26 F	Mar/27 F	Mar/28 F
Revenue	137.05	164.10	150.83	171.50	193.27	222.43	262.10
SG&A	11.37	13.77	12.30	14.15	16.19	18.14	20.99
Depreciation & Amort.	2.65	2.97	3.24	3.28	4.07	3.76	3.90
Other Operating Expense/(Income)	36.75	39.24	35.18	36.59	37.15	40.46	45.29
EBITDA	27.30	46.08	44.16	54.22	70.41	87.58	111.62
Profit/Loss for the year	21.37	31.58	30.60	37.76	49.33	62.46	80.40
<i>Net Profit Margin</i>	16%	19%	20%	22%	26%	28%	31%

Balance Sheet

INR Crore	Mar/22 A	Mar/23 A	Mar/24 F	Mar/25 F	Mar/26 F	Mar/27 F	Mar/28 F
Property, Plant and Equipment	30.70	36.01	36.54	45.26	46.99	48.79	50.13
Inventories	17.85	19.10	16.92	19.35	20.31	22.24	24.63
Trade Receivables	30.47	25.64	23.80	27.31	31.07	36.09	42.92
Current Investments	53.76	69.33	69.33	69.33	69.33	69.33	69.33
Cash And Cash Equivalents	0.40	0.30	2.52	3.17	6.92	4.78	4.05
Total Equity	142.19	167.12	183.05	204.13	228.78	259.90	299.61
Current Borrowings	8.80	5.97	5.72	5.47	5.22	4.97	4.72
Trade Payables	12.15	8.73	10.44	11.27	11.13	12.86	13.98

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