

Cupid Limited.

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs275	Rs286	Rs340	24%	BUY	Rs3.1

About the Company:

Cupid Limited (Cupid) is one of the few companies that manufacture male and female rubber contraceptives. It is one out of the four major players in the world which manufactures female condoms. Cupid, is the second company in the world to get pre-qualification from WHO for the female condoms. In September 2016, Cupid became the first company in the world to have been pre-qualified by WHO (World Health Organization)/UNFPA (United Nations Population Fund) for supplying both male and female condoms.

Results Declared:

- The core business of the company remains steady. The performance in the second quarter has been along the anticipated lines. The net sales for the quarter stood at Rs228mn as against Rs215mn in the same quarter last year, growth of 6%
- The Ebitda margins for the quarter came in 42.98% as against 39.63% in the comparative quarter.
- The net profit stood at Rs60mn as compared to Rs55mn in the corresponding quarter last year.
- The EPS for the quarter stands at Rs5.36 as compared to Rs4.83 in the corresponding period last year.

Other Highlights:

- Along with the emerging retail business, the global condom market presents a growing opportunity for Cupid. The company has received supply contract worth Rs241.3mn to supply male condoms from Central Medical Services Society, Government of India. These goods will have to be delivered over a period of five months.
- Exports in Q2FY18 were around 80% (84% in Q2FY17) of the total revenue while balance 20% (16% in Q2FY17) was domestic.
- The product mix in Q2FY18 was led by female condoms with 60% (47.5% in Q2FY17) contribution to revenues, followed by male condoms 36% (47.5% in Q2FY17) and water based lubricant jellies 4% (5% in Q2FY17)
- The company successfully delivered male condoms along with lubricants packed together for the first time to South Africa against an international tender. Moreover, exported its water based lubricant jelly packed in tubes to a Central American country for the first time, through an international tender.
- The company has an order book worth Rs670mn and repeat orders worth Rs60mn for a total of Rs730mn.
- As per Management discussions, the company intends to expand its production capacity by 20% in next six months.
- Cupid intends to form a joint venture company with a South African partner and to submit bid for secondary packaging plant which is expected to commence production from July 1st, 2018.
- The company intends to focus on the B2C vertical which is anticipated to drive sustainable growth going forward
- The company has projected to launch the newly developed products through online sales, digital marketing and other promotional activities starting from December 2017. The prime targets for this initiative would be related to patented specialty male condom, water based lubricant and specialty hand sanitizer.

Financials (Standalone):

Result Update (Q2FY2018)									
Q2FY18 Result (Rs mn)	Sep-17	Sep-16	y-o-y	June-17	q-o-q	FY16	FY17	y-o-y	FY18E
Total Income	228	215	6.0%	197	15.7%	611	829	35.6%	1037
EBITDA	98	85	15.0%	74	32.6%	253	323	28.0%	384
Other Income	-	6	-	-	-	17	23	38.1%	25
Interest	-1	-	-	1	-	2	1	(45.6%)	1
Depreciation	5	5	-	5	-	19	21	8.7%	22
Tax	34	31	9.7%	25	36.0%	89	119	33.4%	125
Net Profit	60	55	8.7%	43	39.9%	159	205	28.9%	260

Outlook and Recommendations:

The company intends to expand the core B2B business into new territories through large institutional opportunities, new product registrations, and commercialization of the products along with its focus on B2C business. All these factors will help propel the top as well as the bottom line. We maintain our target of Rs340 with a horizon of 12 months.

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