

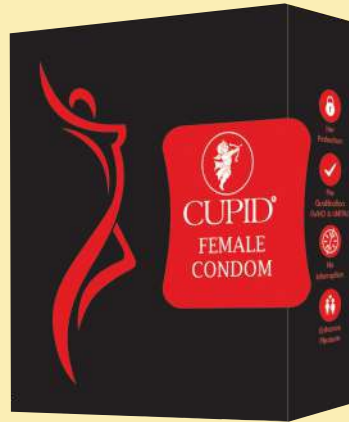


CUPID LIMITED

25th
ANNUAL
REPORT
2017-2018



FEMALE CONDOM



MALE CONDOM



LUBRICANT



BOARD OF DIRECTORS



Mr. Omprakash Garg
Chairman and Managing Director



Mrs. Veena Garg
Non Executive Director

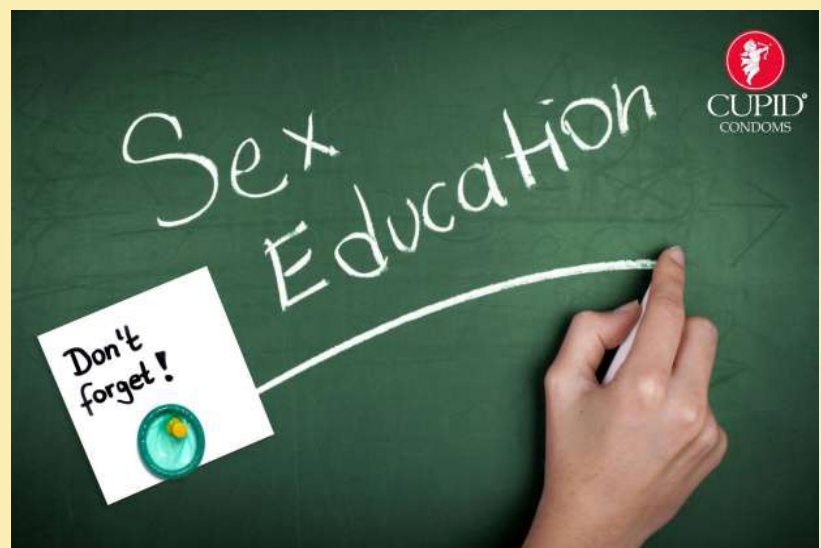


Mr. J. L. Sharma
Independent Director



Mr. Pradeep Kumar Jain
Independent Director

#CUPID CONDOMS IN SOCIAL MEDIA



#CUPID CONDOMS IN SOCIAL MEDIA



CORPORATE SOCIAL RESPONSIBILITY





THE JOURNEY SO FAR.....

Dear Shareholders,

We are pleased to announce the completion of 25 successful years of Cupid Limited. During the course of our journey, we touched new highs in terms of financial and operating performances and simultaneously prepared ourselves to capitalize on the future opportunities.

Before taking you through our future plans and strategy, I would like to give you a glimpse of some of our accomplishments and key highlights of our illustrious journey over the last 25 years. We began our journey on 17th Feb'93 with the name "Cupid Rubber Limited" and got listed on BSE in 1995. We initially started off producing male condoms and now have diversified in to female condoms and water-based lubricant jelly. We began commercial production of male condoms and received our first export order in 1998. We received our first order from Govt of India in 2002 and followed it up with new order awarded in 2005 and 2017. In 2003, the company's name changed from "Cupid Rubbers Limited" to "Cupid Condom Limited" and in 2006, the company's name changed once again from "Cupid Condom Limited" to "Cupid Limited". We imported machinery from Germany for expansion and technology update and expanded our capacity from 160 mn to 320 mn per annum which was increased to 400 mn in 2007. In 2010, Cupid's female condom ("FC-1") was successful in getting its first confirmed export order from South Africa. We received prequalification for female condoms by UNFPA / WHO in 2012 and received order worth \$16.3 mn (₹ 1032.2 mn equivalent) for female condoms from National department of Health(NDOH) through our distributors in South Africa in 2015. We also started production of new product water based lubricant jelly in 2015. We got listed on NSE in 2016. We also featured in Forbes Asia's 200 best under a billion list which was again a rare achievement for an Indian Company. We delivered male condoms along with lubricants packed together for the first time to South Africa in 2017 against an international tender and exported water based Lubricant Jelly packed in tubes to a Central American country for the first time, through an international tender. We launched Cupid Angel female Condom in the same year. We received the contract worth INR 40.09 Cr during August, 2018 from South African Treasury Department through our agents situated in South Africa for supply of Male condoms (worth ₹ 23.80 Cr) and Female condoms (worth ₹ 16.29 Cr) during the period from October 2018 to September 2019.

Going forward, we plan to add Hand Sanitizer, different types of wipes and Vaginal wash and related Hygiene products to our product portfolio and adopt digital marketing extensively to support sales and promotional activities for our branded products.

I would like to take this opportunity to thank you all for showing your trust and support to the company. I would also like to thank all our employees who have made this journey possible.

Best regards,

Omprakash Garg
Chairman & Managing Director



FINANCIAL HIGHLIGHTS

Financial Growth Path

(₹ In Lacs)

| Particulars | As Per Ind-AS | | As Per Previous GAAP | | | | |
|---------------------------|---------------|-----------|----------------------|-----------|-----------|-----------|-----------|
| | 2017-18 | 2016 - 17 | 2015 - 16 | 2014 - 15 | 2013 - 14 | 2012 - 13 | 2011 - 12 |
| Equity Capital | 1,111.50 | 1,111.50 | 1,111.50 | 1,111.50 | 1,111.50 | 1,111.50 | 971.00 |
| Net worth / Reserves | 5,453.48 | 4,288.66 | 2,501.49 | 1,308.33 | 749.33 | 744.14 | 658.34 |
| Capital Employed | 6,740.13 | 5,442.33 | 3,764.82 | 2,590.83 | 1,969.28 | 1,932.06 | 1,712.45 |
| Net Fixed Assets | 1,629.77 | 1,605.95 | 1,555.14 | 1,561.24 | 1,627.51 | 1,720.49 | 1,684.18 |
| Cash and Cash Equivalents | 425.42 | 1,904.28 | 939.85 | 319.82 | 24.77 | 38.70 | 23.76 |
| Trade Receivables | 2,213.47 | 1,341.12 | 1,327.39 | 817.55 | 317.47 | 127.70 | 269.83 |
| Trade Payables | 539.57 | 243.11 | 183.23 | 186.59 | 229.98 | 153.43 | 241.09 |



Operating Results

(₹ In Lacs except EPS & Bonus)

| Particulars | As Per Ind-AS | | As Per Previous GAAP | | | | |
|---|-----------------|-----------------|----------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017-18 | 2016 - 17 | 2015 - 16 | 2014 - 15 | 2013 - 14 | 2012 - 13 | 2011 - 12 |
| Revenue from Operation | 8,059.88 | 8,292.93 | 6,114.56 | 4,444.05 | 1,953.39 | 2,839.89 | 2,597.76 |
| Other than Operation | 118.33 | 229.05 | 165.92 | 70.13 | 8.73 | 22.54 | 25.12 |
| Total Revenue | 8,178.21 | 8,521.98 | 6,280.48 | 4,514.18 | 1,962.12 | 2,862.43 | 2,622.88 |
| Expenditure | 5,202.16 | 5,060.19 | 3,583.04 | 3,160.79 | 1,741.75 | 2,531.31 | 2,327.40 |
| EBITDA | 2,832.81 | 3,461.79 | 2,697.44 | 1,353.39 | 220.37 | 331.12 | 295.48 |
| EBITDA (%) | 34.64 | 40.62 | 42.95 | 29.98 | 11.23 | 11.57 | 11.27 |
| Depreciation | 217.85 | 209.80 | 193.00 | 183.21 | 150.63 | 141.90 | 137.27 |
| Finance Cost | 5.72 | 11.68 | 21.47 | 26.05 | 47.12 | 48.53 | 86.22 |
| Exceptional items | - | - | - | 0.48 | 11.83 | 3.61 | - |
| Profit Before Tax | 2,609.24 | 3,240.31 | 2,482.97 | 1,143.65 | 10.79 | 137.08 | 71.99 |
| Income Tax and Deferred Taxes | 900.22 | 1,186.39 | 889.68 | 372.83 | 5.60 | 51.29 | 13.35 |
| Profit After Tax (PAT) Before Other Comprehensive Income | 1,709.02 | 2,053.92 | 1,593.29 | 770.82 | 5.19 | 85.79 | 58.64 |
| PAT (%) | 20.90 | 24.10 | 25.37 | 17.08 | 0.26 | 3.00 | 2.24 |
| Basic EPS (Amt. in ₹) | 15.38 | 18.48 | 14.33 | 6.93 | 0.05 | 0.77 | 0.60 |
| Diluted EPS (Amt. in ₹) | 15.38 | 18.48 | 14.33 | 6.93 | 0.05 | 0.77 | 0.53 |
| Cash EPS (Amt. in ₹) | 17.34 | 20.37 | 16.07 | 8.58 | 1.40 | 2.05 | 2.02 |
| Dividend (Amt. in ₹) | 4.50 | 4.00 | 3.00 | 1.50 | - | - | - |
| Bonus* | 1:5 | - | - | - | - | - | - |

*On the occasion of completion of successful 25 years, company has decided to give Bonus shares to its shareholders in the proportion of 1:5 i.e. One share for every five shares held which is subject to approval of shareholders in ensuing Annual General Meeting.



Chairman Speech

Dear Shareholders,

It gives me great pleasure to present the developments and financial performance of fiscal 2018. The year was a mixed bag as we started off on a bright note but experienced a bit of slowdown in the second half due to macro and a Female Condom orders related issues. Nonetheless, this year was also a good one in terms of your Company using this mild downturn to focus on developing new products as well as enhancing capacities.

On the financial front, we ended the year with a Total Operating income of ₹ 806.0 million (mn) for FY18 as compared to ₹ 836.4 mn in the corresponding period of the previous year reflecting a decrease of 3.6 %. EBITDA stood at 283.3 mn as compared to 346.3 mn during the fourth quarter of previous year translating to a margin of 34.6%. Net profit was thereby impacted, and we closed the year with a net profit of ₹ 170.9 mn for FY18 as compared to ₹ 205.5 mn in the corresponding period of the previous year which is a decrease of 16.8 %.

Let me take you through the reasons for the dip in revenue and profitability for the year. The revenue of the Company, particularly in the second half of the year, was impacted by the political upheaval in South Africa which resulted in a drastic cut back in the health department's budget. This was compounded by the shifting of dispatches of the Government of India order for male condoms from the fourth quarter of FY17. The decline in revenue along with an unfavorable product mix between male and female condoms impacted the margins and hence the profitability at the net level. We expect the above to be a temporary phenomenon and hence would see some of these orders come back to the Company in the current fiscal.

On the positive side, in addition to fulfilling several repeat orders from our existing customers from various countries, the Company received new orders from WHO/UNFPA covering new geographies and two new contract manufacturing orders from the Domestic market. Despite the significant cut backs in the South African demand for Female Condoms, we increased our sales into new Geographies like Central African Republic, Guatemala, Honduras, Jordan, Tajikistan, Morocco, Tanzania & Uzbekistan. As on Mar 31st, 2018, we have confirmed and repeat order worth 630 mn to be executed during this year. This does not include any potential orders Cupid may get from the South African and the Government of India tenders.

Further, we initiated a process to increase our capacities by about 40% despite the tepid order inflow in the second half and this was a well thought out strategy to address future opportunities that your Company envisages. The other interesting development on the capacity augmentation side is that in addition to continuing to import female and male condoms and lubricants, the Government of South Africa has decided to offer some incentives for manufacturers like Cupid to set up a local manufacturing unit in South Africa and Cupid has joined hands with a local partner to set up a domestic local manufacturing unit and submitted a bid to the Treasury as a part of the tender bid document, which is under review. We believe this will further entrench our presence in the market which has the largest population of HIV positive and STIs in the world.

We made significant strides on the R & D front too. We launched a patented male condom which is unique in design and offers extra sexual satisfaction while the second product, a water-based lubricant jelly in form of sachet, tubes and bottles was launched in the third quarter of this year. The demand for the water based lubricant jelly looks encouraging. We are also in a process to launch a specialized and innovative hand sanitizer which would also be sold in the form of sachet, tube and bottle and we are hoping that with time these new products would add to our revenue streams.

Another important development during this year is that we have completed all the modules for the premarket application service for the USFDA registration. We have written to the FDA to guide us in terms of the protocol for the clinical trial to be done in US under US regulations. We are still awaiting the guidelines from USFDA on this issue. A related development in this respect is that the USFDA is considering downgrading the classification of female condoms from Class III to Class II, which is just like male condom. If that happens, we believe that clinical trial requirements may also be eased out which will help your Company to accelerate its entry into the US market.

One key area where the Company is making rather slow progress is brand promotion. This is a very challenging task and we have taken small steps in the last six months to improve our visibility and reach in the country. We do believe that we have great products in our portfolio and a better brand awareness would further enhance the performance of the Company. We have set ourselves a target of approximately 100 mn in the next 3 years from retail sales in India. One small step in this direction was an extensive Digital marketing strategy which was done to spread awareness about Cupid Male & Female Condoms.

Training and educating users and influencers of our products is an important part of our strategy. To this end, Cupid developed a comprehensive training program related to the HIV and Cupid Female Condoms with the cooperation of Department of Health, South Africa. The training program is in the process of being presented to Health personnel and the users of Female Condoms covering all the 9 provinces of South Africa.