Think it. Linc it.

Linc Pen & Plastics Limited

Presentation of the financial results for Q2/FY 2019-20

An **introduction**

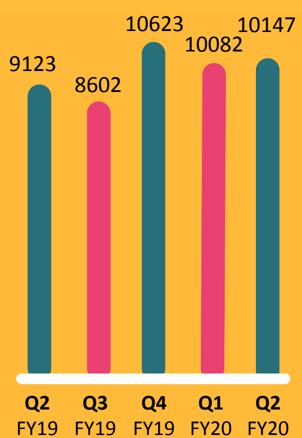
One of India's most respectable writing instrument brands

Respected for pioneering marketing and branding initiatives

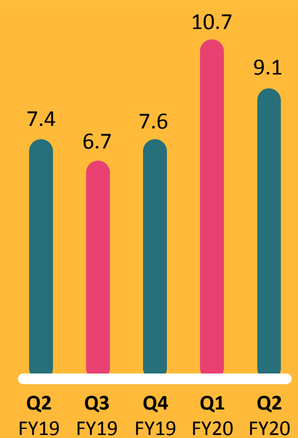
Robust presence spread across 50 countries

Quarterly update

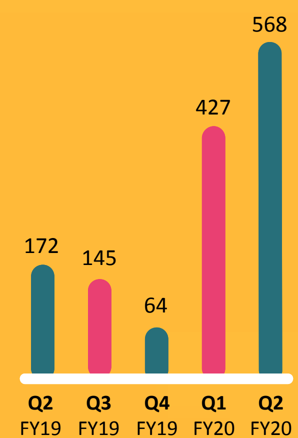
Revenues
(In Rs. Lakhs)



EBITDA margin
(%)



PAT
(In Rs. Lakhs)



our **performance** **Highlights**

Domestic performance

- Linc is among the most respectable players in the Indian writing equipment industry
- The Company reported Rs. 8266 lakhs from domestic sales in Q2 FY 2019-20 compared to Rs. 7276 lakhs in Q2 FY 2018-19, a y-o-y growth of 13.6%
- The Company reported Rs. 16810 lakhs domestic revenues for H1 FY 2019-20 compared to Rs. 13995 lakhs for H1 FY 2018-19, registering a y-o-y growth of 20.1%

our **performance**
Highlights

Export performance

- Linc focused on existing markets (~50 countries)
- Linc generated Rs. 1881 lakhs from exports during the second quarter of FY 2019-20, compared to Rs. 1847 lakhs for the same period in FY 2018-19
- Linc generated Rs. 1881 lakhs from exports during the second quarter of FY 2019-20 compared to Rs. 1537 lakhs in Q1 FY 2019 -20

our **performance Highlights**

Price segmentation

The <Rs. 10 pen segment accounted for 50% of Q2 FY2019-20 revenues (from general trade).

Share of revenues from the Rs. 10 and above segment is projected to grow to >60% of revenues (from general trade) by FY 2020-21.

Advertisement spending on Brand

The Company spent Rs. 3.4 crore on branding and advertisement during Q2 FY 2019-20 compared to Rs. 57 lakhs in the corresponding quarter last year.

Inventory

The Company successfully reduced inventory to 71 days of sale at the close of Q2 FY 2019-20, compared to 93 days at the end of the corresponding quarter last year, resulting in reduction in working capital borrowings by Rs. 550 lakhs as on 30.09.2019.

Managing Director's message

Owing to domestic and global headwinds, the country's economic growth has been sluggish at a 5-year low GDP growth of 5% in the quarter under review. On the backdrop of a GDP forecast of 6.1% for 2019-20, compared to 6.8% (achieved) in the previous fiscal, the Company recorded a turnover of Rs. 101.47 crore in the quarter under review.

In the quarter under review, the Company launched two new products:

- Geltonic – a gel pen at Rs. 10
- Pentonic gel – a gel pen under the 'Pentonic' brand at Rs. 10

I am pleased to inform that both the product launches were successful our continuous endeavours to boost the Rs. 10 and above segment resulted in a proportion of 50% of revenues from the segment in Q2 FY 2019-20, compared to 38% in Q2 FY 2018-19, in general trade channel.

Managing Director's message

Performance overview

I am pleased to inform that we registered 11.2% y-o-y growth in our total revenues of Q2 FY 2019-20, compared to the same period in the previous fiscal.

We recorded a PBT growth of 74.3% and a whopping 230.6% y-o-y growth in our bottomline (after tax deductions) in Q2 FY 2019-20 compared to Q2 FY 2018-19.

We strengthened our EBITDA margin by 230 bps to 9.9% in H1 FY 2019-20, compared to 7.6% in H1 FY 2018-19.

We invested a lumpsum quantum of Rs. 6.1 crore in branding and advertisement in H1 FY2019-20, compared to Rs. 1 crore in H1 FY 2018-19. Further, we also invested Rs. 3.4 crore in the quarter under review compared to Rs. 57 lakhs in Q2 FY 2018-19 and Rs. 272 lakhs in Q1 FY 2019-20.

Managing Director's message

Outlook

A brand extension of 'Pentonic' which will result in 'Pentonic' becoming the largest revenue contributor for the Company.

Projected a double-digit revenue growth in Q3 FY 2019-20.

Boost the Rs. 10 and above segment with increasing investment in branding for the newly launched products.

Summing up

"At Linc, we are optimistic for various reasons. We have seen through the broad slowdown in India's consumer sentiment by deepening our investments without risking our Balance Sheet. The result is that our financials are beginning to strengthen, reflecting in improved average realisations, larger proportion of revenues from products in excess of Rs. 10 per instrument and larger profits. This relative strength inspires the optimism for a sustainable improvement in our performance across the foreseeable future."

– Deepak Jalan, *Managing Director*