Linc Pen & Plastics Limited

Performance review for investors

January to March, FY 2020-21

An introduction to our company

- Linc is one of India's three largest writing instrument manufacturers
- Linc enjoys a brand recall of 'pioneering' and 'consistently high quality'
- Linc enjoys a sales presence in over 50 countries

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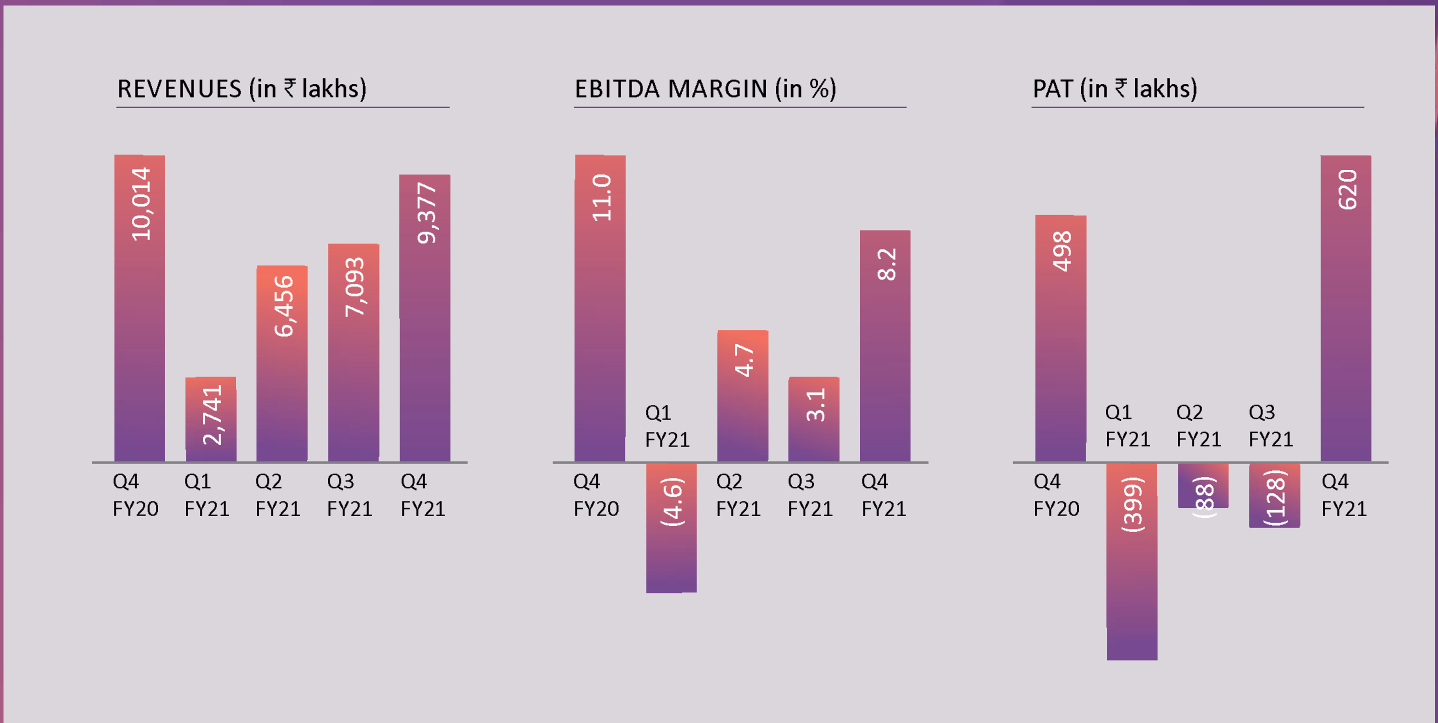
Big numbers of our performance

Q4, FY 2020-21

9,377
Revenue from operations (in Rs. lakhs)

8.2
EBITDA margin %

Performance trend



Performance review

Q4, FY 2020-21

- The Company reported higher revenue over the immediate previous quarter by 32%
- The performance was creditable in view of the continuing closure of educational institutions in India (largest consumers of writing instruments)
- The company achieved 94% of the revenues reported in the fourth quarter of FY 2019-20
- The company reported a turnaround to the black (net profit) during the quarter

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How we strengthened our business

Q4, FY 2020-21

- The company widened its retail network by 13,000; with the total retailers reach was 1,48,000 at the year-end
- The increase in the retail network in Q4 was 9% of the total retail network
- The company strengthened its dealer management through restructuring and digitalisation
- Total debt declined in FY21; finance cost declined from Rs 93 lakhs in Q2 to Rs 65 lakhs in Q3 to Rs 20 lakhs in Q4
- Inventories declined (finished goods and raw materials) by 25% in FY21, moderating working capital requirement
- Pentonic sales continued to account for a growing proportion of revenues

The big message

Q4, FY 2020-21

- The Company widened its product basket to include non-stationery products
- The Company achieved 94% of revenues reported in Q4 FY 2019-20
- The Company moderated finance cost by Rs 272 lakhs in the 12 months ending March 2021 (interest cover improved)
- The Company froze all capital expenditure to conserve cash flows

Highlights of our domestic performance

Q4, FY 2020-21

- Increased from Rs. 5,785 lakhs in Q3 FY 2020-21 to Rs. 8,141 lakhs in Q4 FY 2020-21
- Improvement in consumer sentiment supported sales offtake
- Strengthened acceleration towards a distribution-driven company
- Wider distribution footprint helped the company seed its brand with new retailers

Highlights of our export performance

Q4, FY 2020-21

Exports remained muted in view of the pandemic impact on global trade

Exports were Rs. 1,236 lakhs in Q4 FY 2020-21 (Rs. 2,017 lakhs in Q4 FY 2019-20 and Rs. 1,308 lakhs in Q3 FY 2020-21)

Managing Director Deepak Jalan's **overview**

- Linc posted its most heartening quarter in FY 2020-21.
- Even as most educational institutions continued to be closed and student demand for writing instruments remained subdued, Linc recovered revenues to 94% of what the company had achieved in the normalised corresponding quarter of the previous year.
- This improvement was the result of focused initiatives: wider reach and range.
- The company intends to take this initiative ahead by growing its distribution network rapidly during the current year and increasing the proportion of non-stationery products in its portfolio.
- We are optimistic of prospects as the combination of reach and range coupled with lower debt will enhance our growth and profitability.
- More than that, we believe that this change in our business model is laying the foundation of a reinvented Linc.

Revenue growth

From 27% of the first quarter's revenues of FY 2019-20 in Q1, FY 2020-21

To 64% of the second quarter's revenues of FY 2019-20 in Q2, FY 2020-21

To 74% of the third quarter of 2019-20 in Q3, FY 2020-21

To 94% of the fourth quarter of 2019-20 in Q4, FY 2020-21

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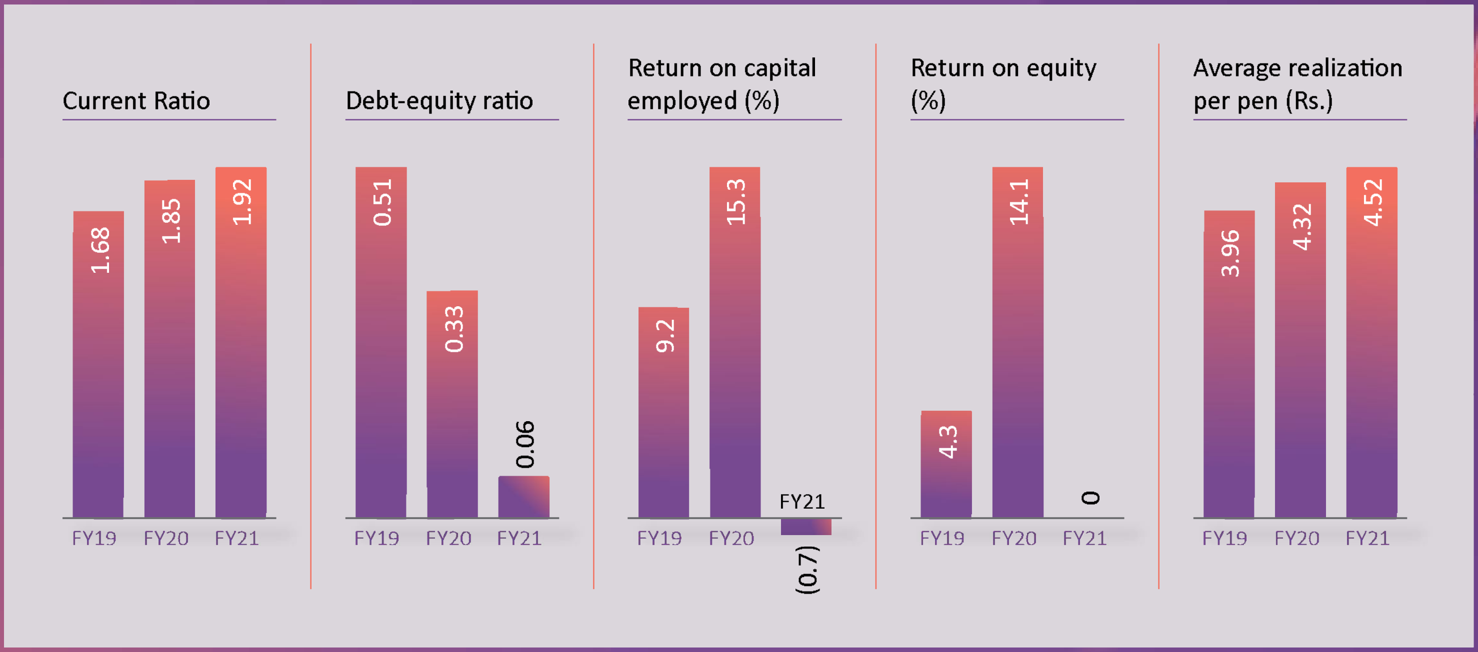
Financial analysis



Outlook

- The improvement reported in the fourth quarter of FY 2020-21 was interrupted during the first quarter of FY 2021-22, marked by a lockdown following the second pandemic surge.
- Educational institutions are unlikely to reopen in a quarter even through India's vaccination pace is accelerating.
- The company has drawn out an aggressive growth agenda during the current financial year on the back of a large increase in its distribution footprint.
- The company expects to post a handsome increase in revenues, margins and profits in FY 2021-22.

Summing up

The company has adapted to the uncertain business environment by reinventing its business model and personality, which should translate into sustainable growth across the coming years.

- Deepak Jalan, Managing Director