19th May 2023

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Dear Sir,

Sub: Post Earnings Call - Submission of Transcript

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Post Earnings (Conference) Call held on Monday, 15th May, 2023 which is simultaneously uploaded on the website of the Company.

This is for your information and record.

Thanking You

Yours faithfully

For LINC LIMITED

KAUSHIK RAHA
Digitally signed by KAUSHIK RAHA
Date: 2023.05.19 14:23:38 +05'30'

KAUSHIK RAHA
Company Secretary

Encl: as above

"Linc Limited
Q4 FY2023 Earning Conference Call"

May 15, 2023

HOST:	**MR. NAVIN AGARWAL** **HEAD, INSTITUTIONAL EQUITIES - SKP SECURITIES LIMITED**
MANAGEMENT:	**MR. DEEPAK JALAN** **MANAGING DIRECTOR – LINC LIMITED**
	MR. N.K. DUJARI **DIRECTOR FINANCE – LINC LIMITED**
	MR. SANJEEV SANCHETI **UIRTUS ADVISORS LLP (IR ADVISORS)**

Navin Agrawal, SKP Securities:
Good day, ladies and gentlemen. It's my pleasure to welcome you on behalf of Linc Limited and SKP Securities to Linc Limited's Q4 FY23 and FY23 Earnings Webinar. We have with us Mr. Deepak Jalan, Managing Director along with Mr. N K Dujari, Director Finance and CFO and Mr. Sanjeev Sancheti, Uirtus Advisors LLP, IR Advisors to the company. This webinar is being recorded for compliance reasons and during the discussion there may be certain forward-looking statements which must be viewed in conjunction with the risk that the company faces.

We'll have the opening remarks by Mr. Jalan and a presentation by the management followed by a Q &A session. Thank you. And over to you Deepak Ji.

Deepak Jalan - Managing Director, Linc Limited:
Good afternoon. And a very warm welcome to Linc Limited’s quarter four, FY23 and full year FY23 earnings webinar. I will take you through the business and operational highlights of the quarter and the years gone by. While our CFO, Mr. Dujari, will share the financial metrics. I'm excited to share that fiscal year 2023 has been a landmark year as our company posted its highest ever revenue, profit and margins. While Pentonic sales continued to grow with its share at around 30%, Linc revenue also posted high double digit growth. Further, export revenue was also strong and contributed over 20% to our top line. Hence, our operating revenue for the financial year 2023 grew by over 37% to Rs. 487 Crores. With Pentonic sales contribution continuing to grow and increasing traction for our stationary portfolio Deli, we expect to achieve strong top line growth in the coming years as well.

In the Pen segment, the company continues to have a strong presence with a market share of around 8%. With its uniqueness of design and its perceived value, Pentonic has become one of the leading brands in the affordable segment of the writing instruments industry in India. Since its launch in FY2019, Pentonic is now a Rs. 140 Crores plus brand, which is a rarity in the writing instrument industry. Gird by increase in share of Pentonic revenue, further aided by increase in selling price of lease portfolio during the year, gross profit margin of the company expended to 31.2% in FY23, which is an expansion of 7.4% over the previous year.

While gross profit grew by 80%, fixed overhead grew by 40%, thus displaying very strong operating leverage. This resulted in operating EBITDA growing by 185%. And operating EBITDA margin more than doubling from 6.1% in FY22 to 12.6% in FY23. Consequently, the company achieved its highest ever PAT and PAT margin of Rs. 37.4 Crores and 7.6% respectively. Linc 2.0, the results of the five prone strategies embarked upon by the company in FY22 are now clearly visible, as the company has been able to achieve its highest ever revenue, profit and margins in FY23.

While we continue to focus on our core strength and the laid down strategy, strong demand for the company's products and significant opportunities in the export market should enable us to achieve high top line and bottom line growth in the near future. The strategies adopted by the company are as follows. The first is increase touch points. India has over 10 million non-stationary outlets, likes of Kiranas, Medical Stores, Paan Stores, et cetera. And from nowhere in FY20, the company has reached to almost 1.4 lakh such outlets directly, thus taking its total touch points to over 2.4 lakh outlets. The company has also been able to broad base its penetration across India and hence the share of revenue from south and west zones has increased from 27% in FY19 to 36% in FY23.

The company expects to expand its overall reach to more than five lakh touch points by FY25, as mentioned in my earlier calls also.

Focus on higher margin products. So we continue our focus on higher value and higher margin products while the overall volume of pens sold grew by around 24%, Pentonic volume grew by over 53%. Quite a few products are under development in Pentonic Portfolio, and one of them, priced at Rs. 40, is finally getting launched in this quarter. Apart from this, there are another three products which are under development and likely to be launched within this financial year under Pentatonic portfolio.

Inroads into stationary products. The company's foray into full range of stationary products through an exclusive tie up with Deli is progressing well and the company achieved a turnover of around Rs. 25 Crores in FY 23 for the Deli brand as against just Rs. 11 Crores in FY22, we expect to generate a top line of at least Rs. 75 Crores by FY25 for the Deli brand.

Step up the existing capacity, to meet the targeted demand, we are planning to increase our manufacturing capacity at Gujarat by putting up an additional manufacturing facility adjacent to our existing factor. ESG, on the ESG front, the company has taken the following initiatives. Number one substituting plastic wrappers with bulk packing and paper boxes. This initiative saved about 60 tons of plastic in FY22 and around 90 tons of plastic in FY23.

Next is we employ more than 1,200 female workers in our manufacturing facilities. Number three, we also employ and provide training to a small number of specially abled workforce. Number four, we support several NGOs who provide education to the less privileged sections of the society. The company is actively working on projects like recycling used pens. Consumers are encouraged to change the refill more often rather than buying a new pen under its refill more campaign. These efforts will go a long way in contributing towards reducing the carbon footprint of our planet.

Now I would like to hand over the call to Mr. Dujari to provide updates on financial numbers. Thank you.

N K Dujari - Director of Finance and CFO, Linc Limited:
Thank you, Mr. Jalan. Good afternoon, ladies and gentlemen. Many thanks for joining the FY23 Linc Limited earnings webinar. I will give a brief overview of the financial numbers for the year gone by before we open for Q& A. During FY23, the company's operating income grew by over 37% from Rs. 355 Crores in FY22 to Rs. 487 Crores with an improved product mix, increase in selling price of Linc products during FY23, rationalization of input prices and strengthening of US dollars the company achieved record profit in current period with operating profit margin crossing 31% in FY23.

FY23 PAT stood at Rs. 37.4 Crores up from Rs. 8.13 Crores in the previous year. FY23 EPS stood at Rs. 25.15 versus Rs. 5.47 in the previous year. The company continues to use its free cash flow judiciously and, in the process, has been able to reduce its net debt significantly over the last five years. From a net debt of Rs. 62 Crores in FY19 the company is now debt free with a free cash of over Rs. 7 Crores as of 31st March 2023. The company has embarked upon a modular expansion plan in Gujarat next to its existing facility. While the basic infrastructure is being created to double its capacity to 20 lakhs pen per day, equipment and machinery will be added in a modular fashion in sync with the demand needs. The total cost of the project is expected to be around Rs. 50 Crores. Infrastructure for the above will be completed in FY24 at a cost of around Rs. 17 Crores through internal accruals.

The first phase of the equipment to increase the capacity to 15 lakh pens per day will be completed in FY25 at a cost of around Rs. 18 Crores which was originally envisage for FY24. The second phase will be taken up subsequently at an estimated cost of Rs. 15 Crores. Demand growth for FY24 will be met through existing capacity and stepped up outsourcing which has already been tied up. On the back of strong demand for the company's product, better product mix and improved margin, the company is revising its guidance upward to achieve a top line of over Rs. 750 Crores by FY25 with a CAGR of around 25%. During this period, the share of Pentonic revenue is expected to grow to around 40%, while Reli is expected to contribute over 10%. We expect to achieve an annual operating EBITDA margin of about 15% by FY25 with modular expansion and judicious use of debt, we also expect ROE to be about 21%.

We continue to remain focused on our long term goal of sustainable growth, profitability and a strong delivered balance sheet.

With this, I will leave the floor open for Q& A. Thank you.

Navin Agrawal, SKP Securities:
Thank you, Mr. Dujari. Anyone who wishes to ask a question request you to raise your hand. We'll unmute you and take your question to the management. We'll wait for a couple of minutes to have some questions lined up. The first question is from the line of Anuj Sharma. Anuj, Please go ahead.

Mr. Anuj Sharma:
Yes, thank you. Am I audible?

Navin Agrawal, SKP Securities:
Yes, loud and clear.

Anuj Sharma:
Few questions. First of all, congratulations for the good number. See, we have spoken about imitation by others as a part of strategy and we have anticipated that. So my first question is could you talk a little bit about how are we staying ahead in the game and typically, how much lead time does a new product have before it gets imitated? We have also said that it's good to get imitated rather than imitate others, but some bit on this strategy, please.

Deepak Jalan - Managing Director, Linc Limited:
Well, for the lead time to get imitated, I think that's what is your question. It takes about six months' time. So let's say if we launch a new product, and if the product is doing well in the market, and from that point, if the competition picks it up and they need about six months lead time to imitate the product, was that your question?

Anuj Sharma:
Yes, so that's part of my question. But the other thing is then, to stay ahead in the game, new product introduction, that's the only way out, is that correct?

Deepak Jalan - Managing Director, Linc Limited:
Yes, definitely. So our strategy has been that whenever we launch a new product, we monitor it very closely in the first month or the second month of the launch. And if we feel that, if we observe that the product is doing well, in select market we have launched, we scale it up in a way that before the competition copies it. We already have an edge in the market, so that has been the strategy so far.

Secondly, whenever we develop new products, of course, it takes about six months' time for us to design and develop a new product, rather more than six months sometimes. And the products are designed by top class designers and engineers. So that is another way that we try to be different and stand out in the market.

Anuj Sharma:
Yes, that's helpful. My second question is, earlier we had said that we would imagine Pentonic contributing Pentonic portfolio approximately 35% by '25, and I think we have raised it upwards to 40%. Now, is there a limit beyond which you would want to innovate or see the new product brand or do you think Linc and Pentonic two are good enough, along with Deli, to take us at least for the three to five year journey?

Deepak Jalan - Managing Director, Linc Limited:

Yes, while Pentonic actually started as a product brand, but now Pentonic has become a brand umbrella itself. And so whatever new products which we are launching, they are launched under Pentonic umbrella only, so Pentonic brand. So we don't feel any need of launching another new brand. So all our new products are 0:17:05.1

Anuj Sharma:
Great. And one final before I come back in queue. Our exports have also done well. And I think in your presentation that India exports has grown by 23% CAGR. So in our total growth strategy of 20%, 25% export will also tang along on the same growth rate and what is driving exports. That will be helpful. Thank you.

Deepak Jalan - Managing Director, Linc Limited:
Yes. So I would say that Pentonic is not just doing well in the local market, but it is also doing very well in most of the markets where we have launched. So Pentonic is actually driving our revenue growth and profits even in the export market.

Anuj Sharma:
Thank you so much.

Deepak Jalan - Managing Director, Linc Limited:
Also, Anuj, we shared little late, though, one strategy presentation where we have kind of covered the strategy of export, which you would be able to see it probably because we shared it just two hours back.

Navin Agrawal, SKP Securities:
Friends, there are a couple of participants who posted multiple questions. If possible, request you to raise your hand so that the follow up questions can be asked immediately. The next question is from Zaki Nasir. Zaki, please go ahead. Please go ahead. Please unmute yourself and go ahead.

Zaki Nasir:
Can you hear?

Navin Agrawal, SKP Securities:
Yes, Zaki.

Zaki Nasir:
Hi. Deepak Bhai. Congratulations to you and Linc for the phenomenal performance, sir. As Dujari Ji pointed out 2025, you have a top line target of Rs. 750 Crores, would it mean that the margins would expand from these levels or these would be slightly uptick margins due to raw material advantages?

Deepak Jalan - Managing Director, Linc Limited:
I would like to be a little conservative and would say that we would like to at least maintain the existing margins because going forward in next two years we don't know what is going to be the polymer prices trend. And secondly, as we increase our market share, we have to invest more in the advertising and promotion. So I think I'll be happy that if we are able to even have a slight uptick in our current margin.

Zaki Nasir:
Would be good. Sir, the other question is regarding your relationships with Deli one and Mitsubishi Pen, the other. Sir, it looks like stationery is a huge market. I think you can do much better than Rs. 75 Crores in ‘25. What would you want the nature of relationship with Deli look, maybe three to four years hence, are you looking at some kind of a manufacturing base in India or that would come at a later stage.

Deepak Jalan - Managing Director, Linc Limited:

So Zaki Bhai, definitely, as you can understand that it's not, actually our long term plan to just do the trading of Deli brand. So definitely we have plans in future to produce some of Deli products in India, maybe in association with the company Deli. But currently it's a very nascent stage. But yes, definitely that would be the direction going forward. But right now, I cannot comment for the near future.

Zaki Nasir:
I understand, Deepak Bhai. See, as Pentonic also moves up the value chain how would you handle your relationship with Uni-ball with Pentonic moving up the value chain?

Deepak Jalan - Managing Director, Linc Limited:
That's a good question. Nevertheless, actually while we are launching some higher value products Rs. 40 pens under Pentonic. Fortunately, the Uni-ball prices have also gone up in last couple of years. So a product which we used to sell at Rs. 50 about five years back is today Rs. 80 in the Uni-ball portfolio. I think we are still going to have some price difference in both the brands and it should not really conflict much. There could be some gray areas in some products but largely there would not.

Zaki Nasir:
Okay because I mean I tend to see the quality of the pens. I think Pentonic has almost equal, I would say equal the best quality imported pen set. Would the nature of relationship with the Mitsubishi change in the future or it's still nascent. I mean, you would just see how things pan along on the way, sir.

Deepak Jalan - Managing Director, Linc Limited:
Yes. So actually really very difficult question to answer. But you can understand that while Uni-ball we are only handling for the Indian market and Pentonic since it is our own brand. So we are selling across the world. So I don't see much issues here and so far, we are able to manage and let's see we'll cross the bridge when it comes.

Zaki Nasir:
Deepak Bhai, one general piece of info. What would Uni-ball as a pen sell across the world in terms of value?

Deepak Jalan - Managing Director, Linc Limited:
Uni-ball's revenue across the world. I mean in terms of Indian rupees I calculated it may be little off but it is around INR Rs. 5,000 Crores Indian, equivalent to INR Rs. 5,000 Crores.

Zaki Nasir:
Fantastic, sir. So we have a large, large headroom on Pentonic. Thanks a lot, sir. Best of luck to you and team Linc.

Navin Agrawal, SKP Securities:
Friends, anyone with a question request you to please raise your hand. We'll unmute you and take your question. Some participants line up. Okay. There is one Binoy Jariwala Benoit, please go ahead.

Binoy Jariwala:
Am I audible?

Navin Agrawal, SKP Securities:
Yes. Benoit.

Binoy Jariwala:

Yes, sorry, I'm a little new to the company. And therefore some of the questions might be pretty basic questions. So I just wanted to understand what percentage of the overall revenue comes from our agreement, distribution agreement with Uni-ball?

Deepak Jalan - Managing Director, Linc Limited:
So currently, in this financial year, it's about 13%-14% of revenue which came from Uni-ball in our overall revenue.

Binoy Jariwala:
30, right? 30%?

Deepak Jalan - Managing Director, Linc Limited:
No, 13%, 1, 3.

Binoy Jariwala:
13% to 14% of overall sales.

Deepak Jalan - Managing Director, Linc Limited:
Yes, of overall sales comes from Uni-ball.

Binoy Jariwala:
Understood. And under this agreement, do we have exclusivity? How does it work? What is the term of the agreement? What is the nature and scope of the agreement?

Deepak Jalan - Managing Director, Linc Limited:
Alright, so far Uni-ball is concerned. I would like to share that Uni-ball, they have 13.5% shareholding in Linc Limited. So they are, of course, a significant shareholding they have in the company. So you can understand the level of interest they have in our company. And of course, this distribution is just for the domestic market.

Binoy Jariwala:
Okay, so is this purely a distribution agreement where you have to purchase from and sell it in India? Or do you also manufacture these products on your own and pay royalty?

Deepak Jalan - Managing Director, Linc Limited:
No. So there is no such agreement. And frankly speaking, we started working with Mitsubishi in 1992. And at that time, we did not even have any agreement. So even today, we don't have any agreement with them. I mean, any written agreement with them. But as that they have 13.5% shareholding in our company. So of course, we are exclusive. By understanding, we are exclusive distributors for them. And most of their products are imported as finished products. But there are two products which we are importing as components from them and assembling in India and packing and selling. And in future, of course, we've been talking to them for a couple of years that some of the products which, some of the products we can even make in India, but that might take some time.

Binoy Jariwala:
Okay. So, okay. And likewise for Deli, if you can just explain what is the term of the agreement? Is there an agreement in place, term of the agreement, scope of work, et cetera.

Deepak Jalan - Managing Director, Linc Limited:
Yes, same thing. Actually similar thing for Deli. When we started working with them just before COVID. And so we started working with them without any agreement. And we were negotiating on the agreement terms. And so generally their agreement terms are like every year they renew it, which we did not accept. So we told them that

there is no need of any agreement right now. Let us work for five years and you see our potential and then we will talk about the agreement. So when we took over the business, Deli business, it was very meager. And as we delivered a handsome number of Rs. 25 Crores they are very excited to deepen our relationship. I don't want to comment more on this at this point of time, but we are going to, our relationship is going to be more, I mean, deeper going forward.

Binoy Jariwala:
Understood. So likewise, so as per my understanding, what are you, you're trying to say is that you import the products from Deli and sell it here in India. And so far, you are the exclusive importer and distributor.

Deepak Jalan - Managing Director, Linc Limited:
Right, absolutely. Yes. Understood. So Benoy, Benoy, can we keep this as the last question and request to rejoin. There are many other participants are wanting to ask a question.

Binoy Jariwala:
Yes, I'm just doing the last question. The last part, I wanted to actually touch upon was on the current capacity and the CapEx and what kind of turnover can the current capacity generate at full utilization.

Deepak Jalan - Managing Director, Linc Limited:
So generally see, so we have a mix of our own capacity as well as outsourcing. So the ratio is about 50:50, which we like to maintain. So just to give you some insights, like last year, I mean, in FY23, we sold about 75 Crores pens, out of which almost 50% of which was outsourced and 50% was manufactured in house. So because of this outsourcing we are able to use our capacity to a very decent level. So you can say that on average the utilization would be in the range of 85% to 90% considering the lean months. So like in the peak season we are actually short of capacities and so for our forecast of FY25, we would be needing additional capacity of at least 30 Crores additional, we will be needing 30 Crores pens capacity of which we plan to outsource about 50% and the remaining 50% we like to produce in house by increasing our capacity. And the CapEx for which we've already mentioned in our strategy presentation. But for the benefit of everyone else there, I would like to mention that in FY24 we had in my last earnings call, I had mentioned that we will be making a CapEx of Rs. 35 Crores in the infrastructure as well as first phase of plant and machinery. Since we have already tied up our requirement for this year with our vendors, we don't need to invest in plant and machinery in this year. So we have scaled down our CapEx to about Rs. 17 Crores to Rs. 18 Crores only in this financial year, which will be just for the infrastructure.

And then in FY25, we would put in another Rs. 17Crores - Rs. 18 Crores to increase our capacity by that 15 Crores pens annually. So that will take care of our FY25 business objective.

Navin Agrawal, SKP Securities:
So just request you to rejoin the queue, please.

Deepak Jalan - Managing Director, Linc Limited:
We'll come back.

Navin Agrawal, SKP Securities:
We have a question from Saket Mehrotra. Please unmute yourself and go ahead.

Saket Mehrotra:
Yes, so, sir, I wanted to understand this jump that we've seen from FY22 to '23 in our top line. So obviously one part is on sales. So if you could just give us a sense of how much of this has been on price increases and how much of this has been, let's say, in terms of your raw material costs that we've seen this expansion in EBITDA coming in.

Deepak Jalan - Managing Director, Linc Limited:
You mean you're talking about the margins, is it?

Saket Mehrotra:
Right.

Deepak Jalan - Managing Director, Linc Limited:
Yes. So, yes, as Dujari Ji covered in his speech, there are three, four factors. So one is, of course, as I mentioned, that the contribution of Pentonic portfolio has increased significantly, almost more than 50%. Above 50%.

N K Dujari - Director of Finance and CFO, Linc Limited:
If you compare from '22 to '23, it is from 25% to 30%. So 5% extension.

Deepak Jalan - Managing Director, Linc Limited:
5% expansion, yes, that is one. So there is an improvement in the product mix. And secondly, we were also able to increase prices of some of the legacy products are under Linc portfolio. So that also helped us increase our bottom line or the overall gross margins. Definitely the polymer prices which were actually on a high in the previous year or even up to the first quarter of this year. But from the second quarter onwards, the polymer prices have moderated and continue to be moderate even today. So that has also played a significant role. And the fourth one I would say that in exports because of the rupee becoming weak against the dollar, it improved our realization in our exports. So these are the four main factors I would say which helped increase our gross margins, overall gross margin.

N K Dujari - Director of Finance and CFO, Linc Limited:
Saket, just to add from a mathematics point of view, the volume of pens grew by 24% in FY23 whereas the revenue grew by 38%. So that difference is basically the expansion that you are seeing that reflects into your gross profit margin and your EBITDA margin. Your revenue has grown at a much faster rate than your volume.

Saket Mehrotra:
Okay. And secondly, sir, in terms of the SKUs that we have in Pentonic, I think most of our SKUs are in the Rs. 10 price point, if I'm not wrong. And now we are going to introduce Rs. 20 and Rs. 30, right. Is that what the strategy is with Pentonic?

Deepak Jalan - Managing Director, Linc Limited:
So in Pentonic right now, of course, our classic pen which was the first pen to be launched under Pentonic is a Rs. 10 products. But then we also launched another product which is at Rs. 20 which we have been -- which we launched actually in the middle of COVID. So that is another product which is picking up and doing well. And so these are the two price points. Of course, we also have a gel pen at 10 Rs. under Pentonic. And now as I mentioned that we are launching a product at Rs. 40 in this quarter. Actually, this product was actually supposed to be launched last year only but it got delayed. So yes, so our strategy is that to have products at various price points under Pentonic.

Navin Agrawal, SKP Securities:
We have a question from Prodosh Chheda.

Prodosh Chheda:
Yes, can you hear me?

Navin Agrawal, SKP Securities:

Yes, Pradesh, loud and clear. Please go ahead.

Prodosh Chheda:
Yes, sir, my question is from the Rs. 400 Crores revenue that we had in March ‘20, so what's 490 Crores today, which is about 25% growth. In this 25% growth, what would be our India growth and what would be our export growth? And what would be our volume growth in this 25% growth company?

Deepak Jalan - Managing Director, Linc Limited:
Yes, so I really like your comparison because I always tell my people that we have not grown, we should not calculate our growth from the previous year. We should calculate our growth from the pre -COVID period. So, yes, so it's actually about 25% growth when you compare to FY20. So the growth percentage incidentally has been similar, both in the domestic as well as in exports. And volume would be around 17% volume growth overall compared to FY20.

N K Dujari - Director of Finance and CFO, Linc Limited:
Yes, which is, and the revenue growth is about 23%-24%.

Deepak Jalan - Managing Director, Linc Limited:
Yes, about 25% and so on.

Prodosh Chheda:
Okay, and at the same time, what would be the market growth rate for pens in India?

Deepak Jalan - Managing Director, Linc Limited:
See, generally the market growth is estimated at about 7% to 8%. So, yes, I mean, fortunately, we have done better than the market growth rate. Or the average market rate, yes.

Deepak Jalan - Managing Director, Linc Limited:
Yes. Okay. And can you help us know this industry also has that sticky price point pen, Rs. 5 pen, Rs. 10 pen. So that less than Rs. 10 pen portfolios mix how it would have reduced or increased in this two year time phase from Rs. 400 Crores to Rs. 487 Crores.

N K Dujari - Director of Finance and CFO, Linc Limited:
For our company?

Prodosh Chheda:
Yes. So less than Rs. 10 pen contribution to sales, has it reduced?

Deepak Jalan - Managing Director, Linc Limited:
I think we already mentioned now that the contribution of the Rs. 10 and above products has increased.

N K Dujari - Director of Finance and CFO, Linc Limited:
It has increased because Pentonic has increased.

Deepak Jalan - Managing Director, Linc Limited:
Yes. So that will answer his question.

N K Dujari - Director of Finance and CFO, Linc Limited:
So basically, if you look at the percentage of growth, the whole growth of Pentonic is driven by Rs. 10 plus segment, right? And Rs. 20 plus segment. If you look at the growth, then Pentonic share has grown up from, let's

say FY20 was 17% to today, about 30% of your total revenue. So that's the expansion. So obviously the Rs. 10 pen has grown at a much faster rate than the Rs. 5 pen.

Deepak Jalan - Managing Director, Linc Limited:
And another figure I'd like to share with you is –

Prodosh Chheda:
Sir, I missed a bit so you gave an analogy of Rs. 10 pen, right. Rs. 10 has increased from 17% to 30%.

N K Dujari - Director of Finance and CFO, Linc Limited:
17% to 30%. Yes, because Pentonic is nothing is below Rs. 10, yes, Rs. 10 and above.

Prodosh Chheda:
So Rs. 10 and above is 30% of sales and Rs. 10 and below is now 17% of the sales, right.

N K Dujari - Director of Finance and CFO, Linc Limited:
Not 17% because you have Mitsubishi also which is again above Rs. 10. So Mitsubishi is another 14%. So you can say about 44% is Rs. 10 above and the rest is Rs. 10 below.

Prodosh Chheda:
Okay. So if I include Mitsubishi in that 17% also, then maybe 25%- 30% of your sales Which was Rs. 10 and above, is now 44% of your sales.

N K Dujari - Director of Finance and CFO, Linc Limited:
The 17% doesn't include Mitsubishi because we were giving only the Pentonic share.

Prodosh Chheda:
That's why I said, no, sir. I added the Mitsubishi part. Right. It was 17%. So I'm saying you 25% to 30% now. Right. So for an analogy perspective, 25% to 30% of sales is now 44% of sales, which is Rs. 10 and above.

N K Dujari - Director of Finance and CFO, Linc Limited:

Prodosh Chheda:
30% from Pentonic and 14% from Mitsubishi, right. So this is a part of the portfolio which has grown faster than the less than Rs. 10 portfolio. Less than Rs. 10 portfolio may be stagnant or single digit growth rate.

Deepak Jalan - Managing Director, Linc Limited:
Yes, it is actually stagnant. And even shrinking.

N K Dujari - Director of Finance and CFO, Linc Limited:
If you look at the presentation, you'll see that the Linc has grown from 4,400 to 1,500 in just one year comparison, whereas the Pentonic, and both Pentonic and Uni-ball has grown at a much faster rate. The numbers are slightly –

Prodosh Chheda:
The GM differential, the gross margin differential in these two portfolios would be what percentage?

N K Dujari - Director of Finance and CFO, Linc Limited:
So gross profit margin, so just to explain that Pentonic would be 40% plus, right. Mitsubishi will be 20% because it's largely trading about 20% to 30%, depending on product. And Linc is 25%.

Deepak Jalan - Managing Director, Linc Limited:
Linc is about 25% to 30%.

Saket Mehrotra:
This is gross profit margin, right?

N K Dujari - Director of Finance and CFO, Linc Limited:
Yes, this is GPR.

Prodosh Chheda:
Okay. And my last question is what opportunities do you see in exports? Does writing instrument also have that kind of opportunity, which you are seeing in a lot of other sectors from export perspective?

Deepak Jalan - Managing Director, Linc Limited:
Yes. So there is a huge export opportunity for us. And as I mentioned, that we are targeting a similar growth as domestic, even in the export market. And in our strategy presentation, we have already shown our global footprint and we have also shared the growth of pen exports from India, which is about 30%. I mean overall growth.

N K Dujari - Director of Finance and CFO, Linc Limited:
Just share the slide also. We're just sharing it. You can also have a very quick look at that. It's a very interesting slide.

Deepak Jalan - Managing Director, Linc Limited:
That you can look at it later.

Prodosh Chheda:
But is it a white labeling opportunity or it's an opportunity under branded Linc pen.

Deepak Jalan - Managing Director, Linc Limited:
So our 95% of our exports are under Linc brand or Linc or Pentonic brand. So that is the advantage we have that we are building our brands in international market.

Prodosh Chheda:
Okay, thank you. And what I understand from your interpretation of growth and gross profit margin, so most of it is then become sustainable. Right? Because between the two years which I talked about from Rs. 390 to Rs. 490 Crores movement, the entire growth is greater than Rs. 10 price point product where the margin is 15% higher gross profit margin versus the less than Rs. 10 products, right. So mix also has played a significant role in improving our gross profit margin.

Deepak Jalan - Managing Director, Linc Limited:
Yes, definitely. So it's quite sustainable because the share of Pentonic is growing and even if there is an uptick in the polymer prices, we should be able to sustain the margins.

Prodosh Chheda:
Your share is against which players? Whose share are you taking? Who is the player? Who is a reasonably large player because you're taking share also in greater than Rs. 10 price point products. So some competitor must have.

Deepak Jalan - Managing Director, Linc Limited:

Of course, there are several small and medium players and some regional players across the country. So what I have observed is that the top brands are actually growing. Like Flair is another brand which is also growing but apart from that there are several players and I think we are taking a market share of some of them. But more than that, as I mentioned, that premiumization is also helping us grow in terms of revenue as well as profits.

Navin Agrawal, SKP Securities:
Friends, anyone with a question request, you raise your hands and we'll take your question. Deepak Ji, there are a few questions on the question board. May I take them?

Deepak Jalan - Managing Director, Linc Limited:
Yes. Please.

Navin Agrawal, SKP Securities:
There are a few questions from Himanshu Upadhyaya. India exports nearly $250 million of pens. What is our strategy to grow the exports and penetrate in the largest three markets of USA, France and Germany.

Deepak Jalan - Managing Director, Linc Limited:
All right, so we are working in the US market for last more than more than five years. And so the exports to North America from India, is mainly in the third party brand. So whatever exports you see out of India are mostly under the customers brand. But as a policy, we don't like to do that kind of a business. And we prefer that whatever we sell or export, it must be in our own brand. So that is what is taking some time for us to really make a breakthrough in the US market. But we are regularly talking to some potential distributors in the US. And you never know. I'm just waiting for that American dream to happen, and I'm sure that it will happen very soon. So that is our strategy for exports to the US.

So far, Europe is concerned. We have a distributor in Europe, and these are tough markets, frankly speaking, France or Europe, these are tough markets because Germany itself is a producer of several popular brands of writing instruments. So we have a distributor. But more than France or other European countries, our eyes are more on the North American and South and Central American market.

Navin Agrawal, SKP Securities:
The follow up question was what are the top three priorities for us in FY24 and FY25?

Deepak Jalan - Managing Director, Linc Limited:
Okay, so the top priorities are to make Pentonic bigger and bigger. That is the number one, because it helps us increase our top line and bottom line both. Number two is, of course, expansion of distribution. So, as I have mentioned in our strategy presentation, and even in my remarks, that we like to have 0.5 million touch points by FY25. So that is our another going to be the focus.

And thirdly, of course, the export potential is huge, so we are going to have increased focus on penetrating our export markets deeper. So these would be three priorities, I would say.

Navin Agrawal, SKP Securities:
Thank you, Deepak ji. There's a question from Kanvar Sahani. Kindly give some insight on the Kenyan market. What kind of market do we see in Kenya or the whole of Africa?

Deepak Jalan - Managing Director, Linc Limited:
Well, as you know, Africa is a developing continent and we, our current contribution in Africa is currently very low, whereas Africa has a great potential. You can see only 3.7% of our total exports is to Africa. But while the market potential is huge. So we have signed a term sheet with a factory in Africa, in Kenya, to cater to the African

market, mainly Kenya and some COMESA markets, the neighboring countries in Africa. So right now, as you can see that we are just very small in Africa. And even that percentage, as I mentioned earlier, that Pentonic has been accepted very well in those countries where we have exported. So yes, I think that will operating from Kenya will help us increase our penetration more rapidly, I would say.

Navin Agrawal, SKP Securities:
Thank you, Deepak ji. The question is from Pranav Parekh. What is our dividend payout policy?

Deepak Jalan - Managing Director, Linc Limited:
So far if you will see, of course, we did not have any declared dividend policy so far. And if you observe, last 10 years we have been paying almost 30% of our net profits towards dividend. That's been our payout. But this year we decided a policy that we should pay a minimum of 20% to 25%. So you can say that 25% is our dividend policy. So it can range from 20% to 25%. And as you would observe that we have been consistently paying dividend ever since the company was listed, except the COVID year, of course.

Navin Agrawal, SKP Securities:
Thank you. Follow up from Pranav. Can you please throw some light on the economics the Africa acquisition, as well as our expected sales and margins there over the next few years? Also, what were our margins in exports versus domestic sales in the last two years?
Too many numbers.

Deepak Jalan - Managing Director, Linc Limited:
Okay. Yes. Well, this majority in the Kenyan factory, the ticket size is very small. It is like just about Rs. 4 Crores when converted into Indian rupees. And this is going to be our first ever overseas venture or adventure, I would say so. So I would say that it is really too early to comment on how much we will be able to do. But definitely right now I'm not able to give you the numbers because exports are being looked after by my son. But this is a running factory and they already have a brand and they are producing about 4 million pens a month with Pentonic we are planning in the first phase, we are planning to produce 2 million pens. So actually we have developed a capacity of 2 million Pentonic pens in the Kenya factory. But I don't know how much time will it take for us to consume that capacity. So let's see how it goes. As I said that this is a low ticket investment and we thought that it would be worthwhile. So as far the gross margins in exports are concerned, definitely we have better margins than the domestic in the exports. So yes.

Navin Agrawal, SKP Securities:
Thank you, Deepak Ji. Friends, we are actually running quite tight. We have time for another question from Aastha Sundarka. Request all other participants to please send their questions to me and I'll take it up with our management. Aastha, please go ahead.

Astha Sundarka:
Good afternoon, sir, and thanks for the opportunity. My question to you is that the polymer which is the raw material, so how much of it is domestically sourced and how much is it from outside in percentage terms?

Deepak Jalan - Managing Director, Linc Limited:
Most of the polymers, except polycarbonate is sourced from India. So you can say that almost about 80% of it is sourced from India and about 20% from overseas.

Astha Sundarka:
Okay. And sir, are we looking to hedge polymer because the prices are quite fluctuating.

Deepak Jalan - Managing Director, Linc Limited:

Well, we have not done this hedging so far since we are mostly procuring from local companies, I don't think that they have any such hedging scope. But I would check with them if there is any way that we can hedge the polymer prices, yes.

Astha Sundarka:
Okay. Thank you, sir.

Deepak Jalan - Managing Director, Linc Limited:
And just wanted to share that this is the question which I was expecting. In our total cost of production of a pen, polymer is about 30%. I think that could be one good information.

N K Dujari - Director of Finance and CFO, Linc Limited:
Also that we have 20% export. Also there is a reasonable amount of internal self-edging which is already happening.

Deepak Jalan - Managing Director, Linc Limited:
That is for the foreign exchange. Yes.

N K Dujari - Director of Finance and CFO, Linc Limited:
FX not for the polymer.

Deepak Jalan - Managing Director, Linc Limited:
Yes, that's for the foreign exchange.

Astha Sundarka:
Got it. Thank you.

Navin Agrawal, SKP Securities:
Thank you, Astha. We'll probably take the last question from Gaurav Somani. He sent it on the Q&A Board. Gaurav, I think Deepak Ji preempted your question. He's already answered the polymer cost as a percent of production cost. Next is can you please reiterate margin guidance for FY25? Is it 15%?

Deepak Jalan - Managing Director, Linc Limited:
Yes, it is.

N K Dujari - Director of Finance and CFO, Linc Limited:
EBITDA margin is 15% guidance, around 15%. So don't hold me if it is 14.99%.

Deepak Jalan - Managing Director, Linc Limited:
So yes, frankly speaking, we have potential to do better, but that's what we like to guarantee.

Navin Agrawal, SKP Securities:
Thank you. Deepak Ji, there's a participant, as an anonymous attendee with multiple questions, request you to mail your questions to me because I wouldn't know who I'm answering to and the others are follow up questions. So I request all of you to if you can, please forward your questions by mail and we can take them up. Thank you very much, participants, for attending this earnings webinar of Linc Limited.

Thank you very much. Deepak Ji, Dujari Ji and Sanjiv Ji for taking time out and interacting with the investors. Deepak Ji, your closing remarks, please.

Deepak Jalan - Managing Director, Linc Limited:
Yes. Thank you very much. And I would say Naveen, I would like to thank all the participants for trusting Linc pen and we would like to keep their trust and do our best to our potential. That's it.

N K Dujari - Director of Finance and CFO, Linc Limited:
Thanks Naveen, for arranging this. Really appreciate it.

Navin Agrawal, SKP Securities:
Thank you. Sanjiv. Thank you. Ladies and gentlemen. That concludes our webinar and have a wonderful day ahead. Thank you.

- ***END OF TRANSCRIPT***