



Q4 FY23 & FY23 May 2023

NSE : LINC
BSE : LINC
Bloomberg : LINC:IN

EARNINGS PRESENTATION.

Linc Limited
(formerly Linc Pen and Plastics Limited)



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Executive Summary.



- Among Top 3 brands in India for Writing Instruments.
- Presence in the affordable segment for over 4 decades.



- New Writing Instrument brand launched in FY19 by Linc in MRP ₹10 and above segment.
- Known for its super smooth writing and sleek design.



- Global brand from Mitsubishi Pencil Co. Ltd, Japan.
- Presence across all categories of Writing Instruments – Roller Pen, Gel Pen and Ball Pen.



- Asia's largest stationery giant.
- Presence across all stationery categories with over 2000 Products.



- Linc Ltd. is one of India's largest writing instrument companies with 7.8% market share in the pen segment as of 2020
- National and international presence in over 50 countries
- Strong and extensive network in Southeast Asia, Middle East, USA, UK, Europe, South America, Africa, Russia and CIS countries
- India's exclusive importer and distributor of Asia's largest stationery giant; Deli and world-famous pen brand Uni-ball; Mitsubishi Pencil Co., Japan

Management Commentary.

“FY23 has been a landmark year for our company as we posted highest ever revenue and profit. Operating income stood at ₹ 48,676 lacs, a growth of 37.1% against the previous financial year. Q4 FY 23 income also registered strong growth, viz 24.2% YoY and 10.2% QoQ.

Buoyed by increase in share of Pentonic revenue to ~ 30%, further aided by increase in selling prices of Linc pens during the year; gross profit margin of the company expanded to 31.2% in FY23, an expansion of 7.4% over the previous year. While gross profit grew by 80%, fixed overheads grew only by 44%, 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 ₹ 3,740 lacs and 7.6% respectively.

While the polymer prices have increased moderately of late, strong demand for company’s products, increasing traction for our stationery portfolio “Deli” and growing share of higher margin products should enable us achieve strong topline and bottom-line growth in the near future as well. ”

Deepak Jalan

Managing Director, Linc Limited



Key Highlights.

Operating Income up 24.2% YoY, 10.2% QoQ at ₹ 13,729 lacs

Operating EBITDA up 235.6% YoY at ₹ 1,961 lacs and Margin stood at 14.3%

PAT grew by 312.2% YoY at ₹ 1,233 lacs, **highest in a quarter**, annual PAT also highest at ₹ 3,740 lacs

Net Debt was nil as on 31st Mar 2023 and the company has net free cash of ₹ 760 lacs

Gross Profit up 85.7% YoY at ₹4,709 lacs and Margin stood at 34.3%. Gross Profit and GPM were also the **highest in a quarter**

'Pentonic' Sales continued to grow and was ~ 30% of total revenue for Q4 FY23 and its GPM stood ~ 42%

Dividend of ₹ 5.0 per share proposed; dividend pay-out of 19.9 %

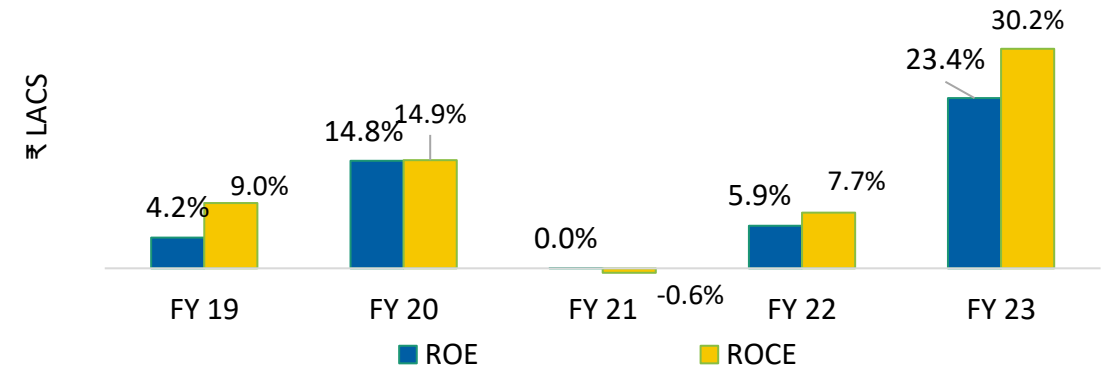
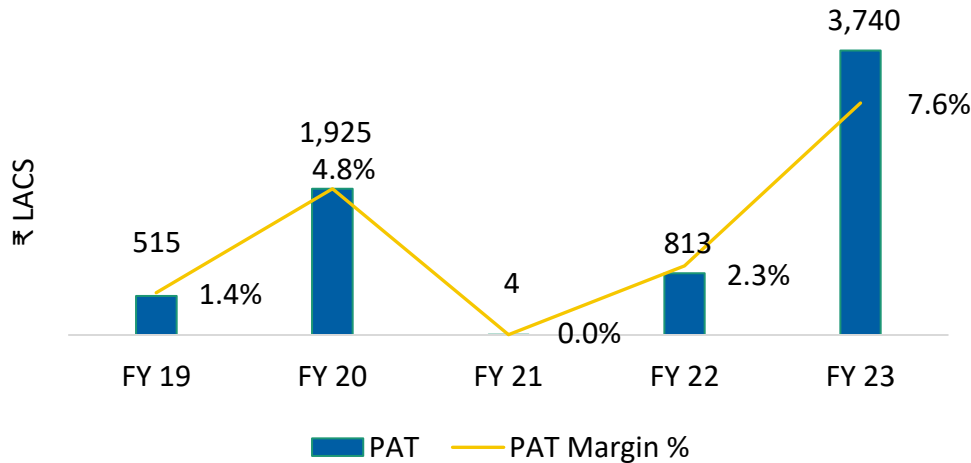
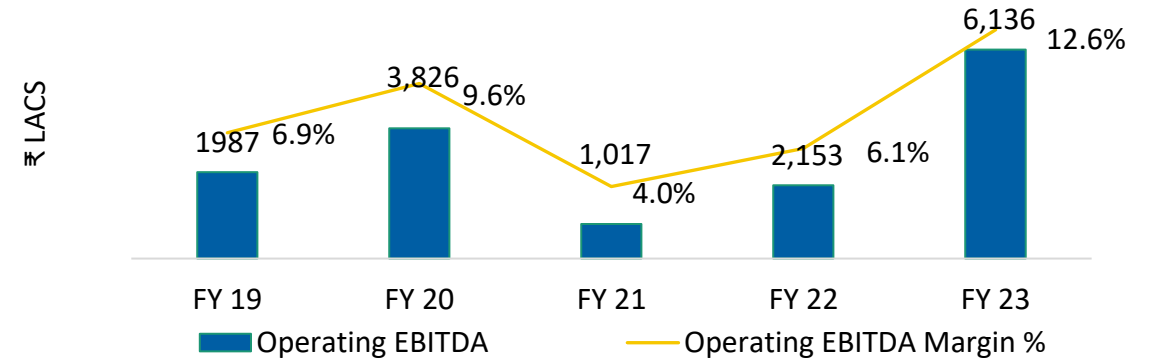
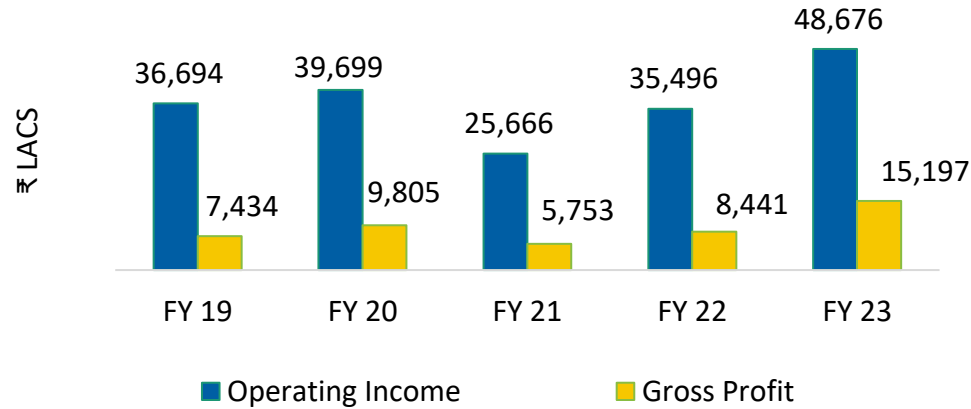
ROE improved significantly to over 23.4%

Net Debt/Equity stood at (0.04) against 0.02 in FY22 and **Net Debt/Operating EBITDA** stood at (0.12) against 0.13 in FY22



Key Highlights (Cont.)

Financial performance at all time high...



Annual Highlights.

₹ Lacs

	Operating Income	Gross Profit	Operating EBITDA	PBT	PAT	Cash Profit ¹
	48,676	15,197	6,136	5,009	3,740	5,151
Growth (YOY)	37.1%	80.0%	185.0%	361.5%	359.8%	145.8%
Margin²(%)		31.2% ↑	12.6% ↑	10.2% ↑	7.6% ↑	
Margin Expansion/Contraction (YOY)		744 bps	654 bps	718 bps	536 bps	
EPS/CEPS					25.15	34.64

Note:

1. Cash Profit = PAT add Depreciation

2. Gross Profit & Op EBITDA Margins calculated on Operating Income

Quarterly Highlights.

₹ Lacs

	Operating Income	Gross Profit	Operating EBITDA	PBT	PAT	Cash Profit ¹
	13,729	4,709	1,961	1,658	1,233	1,598
Growth (YOY)	24.2%	85.7%	235.6%	316.4%	312.2%	155.3%
Growth (QOQ)	10.2%	14.1%	7.8%	11.3%	10.8%	8.9%
Margin ² (%)		34.3% ↑	14.3% ↑	12.0% ↑	8.9% ↑	
Margin –YoY Expansion/(Contraction)		1136 bps	900 bps	845 bps	625 bps	
EPS/CEPS					8.29	10.75

Note:

1. Cash Profit = PAT add Depreciation

2. Gross Profit & Op EBITDA Margins calculated on Operating Income

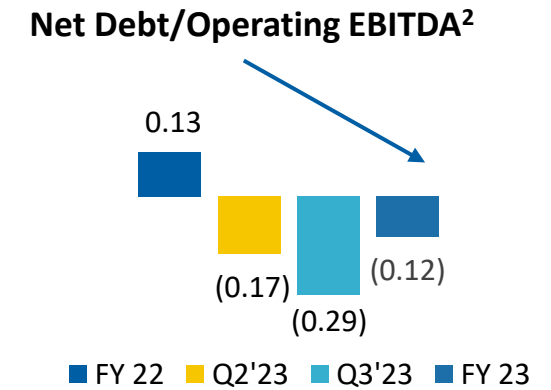
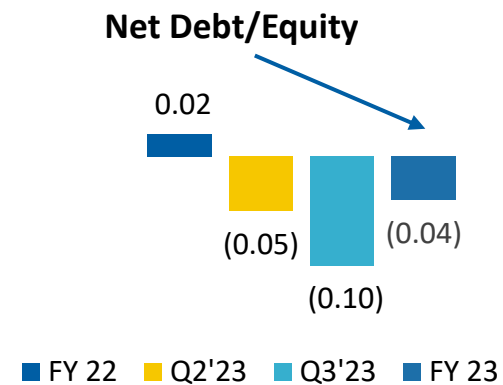
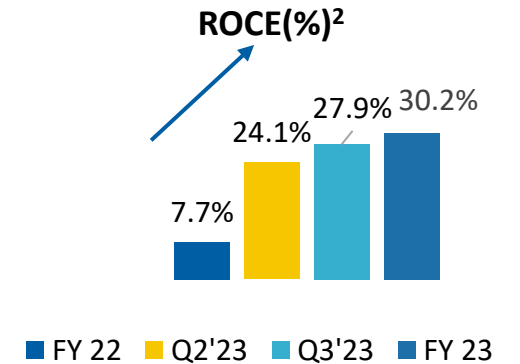
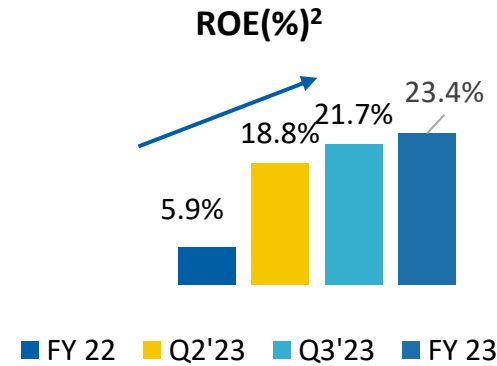
Quarterly Highlights (Cont.)

₹ Lacs

Particulars	31-Mar-23	31-Dec-22	30-Sep-22	31-Mar-22
Net Worth	17,722	16,526	15,412	14,285
Gross Debt	-	-	-	299
Cash & Cash equivalent	760	1,604	822	9
Net Debt	(760)	(1,604)	(822)	290
Fixed Assets	9,038	8,364	7,996	8,215
Net Current Assets ¹	7,748	6,376	6,348	6,072
Total Assets	23,746	24,162	21,605	20,162
Fixed Asset Turnover	5.64	5.62	5.55	4.63
Total Asset Turnover	2.22	2.10	2.15	1.77
Cash Conversion Cycle	68	67	67	74

Note:

1. Net current assets excludes cash & cash equivalents
2. Profit figures are YTD annualized



Quarterly Highlights (Cont..)

₹ Lacs

Revenue	Writing Instruments			Other Products		
	Own Brands		Licensed Brands	Own Brands		Licensed Brands
	Pentonic	Linc & Others	(Uni-Ball)	Pentonic	Linc & Others	(Deli)
Q4 FY23	4,024	6,298	1,949	76	705	649
Sales Contribution (%)	29.4%	46.0%	14.2%	0.6%	5.1%	4.7%
Q3 FY23	3,742	6,021	1,697	26	413	700
Sales Contribution (%)	29.7%	47.8%	13.5%	0.2%	3.3%	5.6%
Q4 FY22	3,202	5,346	1,367	1	79	336
Sales Contribution (%)	31.0%	51.7%	13.2%	0.01%	0.8%	3.3%
Growth QoQ	7.6%	4.6%	14.9%	187.7%	71.3%	-7.3%
Growth YoY	25.7%	17.8%	42.6%	11357.1%	793.6%	93.3%

Note: Revenue does not include Re-Sale of raw material and export incentive

Quarterly Highlights (Cont..)

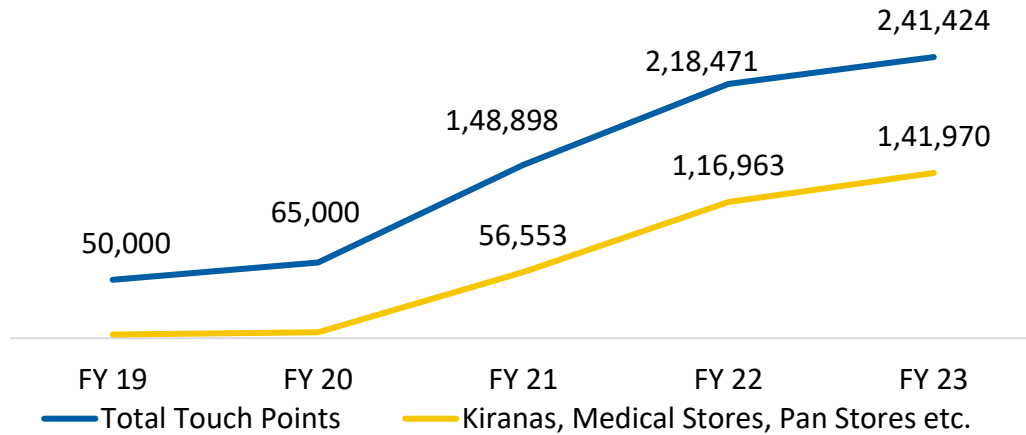
₹ Lacs

Revenue	Trade Channel				
	General Trade	Corporate	Modern Trade	E-Commerce	Exports
Q4 FY23	8,919	688	727	268	3,099
Sales Contribution (%)	65.1%	5.0%	5.3%	2.0%	22.6%
Q3 FY23	8,468	329	660	230	2,910
Sales Contribution (%)	67.2%	2.6%	5.2%	1.8%	23.1%
Q4 FY22	6,536	299	443	144	2,909
Sales Contribution (%)	63.3%	2.9%	4.3%	1.4%	28.2%
<hr/>					
Growth QoQ	5.3%	109.2%	10.2%	16.5%	6.5%
Growth YoY	36.5%	129.7%	64.1%	86.4%	6.5%

Note: Revenue does not include Re-Sale of raw material and export incentive

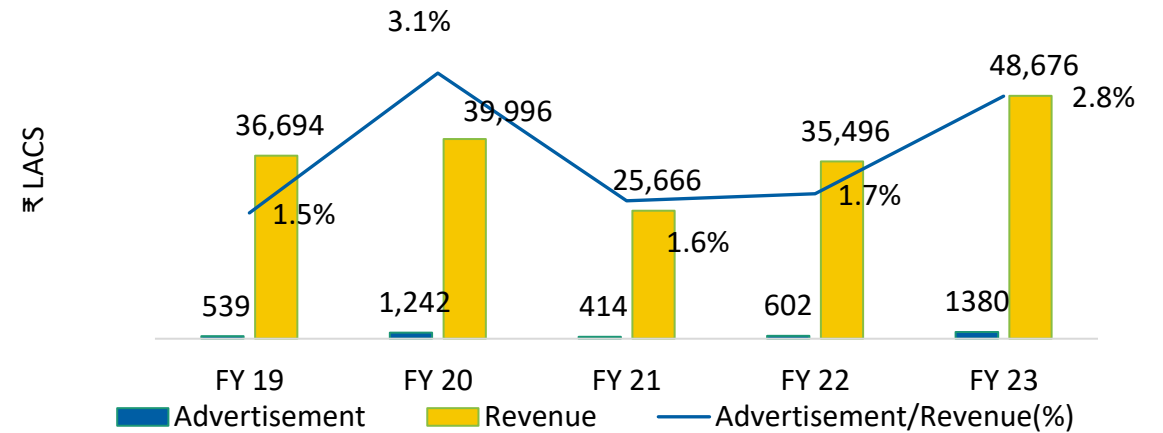
Operational Highlights.

Increasing touch points



- Started expanding aggregately to neighbourhood grocery stores (Kirana, Medical stores, Pan stores, etc.) since FY20 to increase footprint
- Added over 1,76,424 touch points since FY'20; 22,953 over the last 1 year

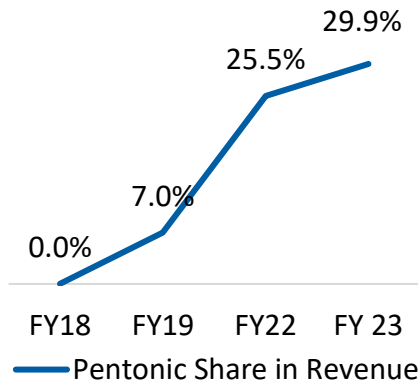
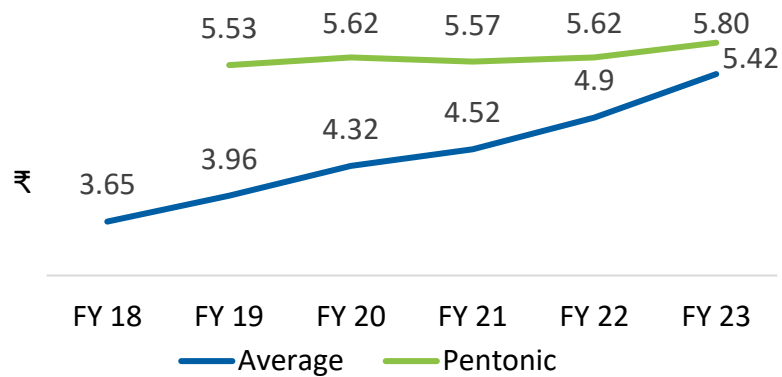
Focus on brand building



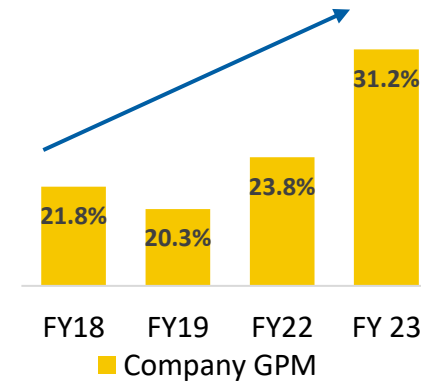
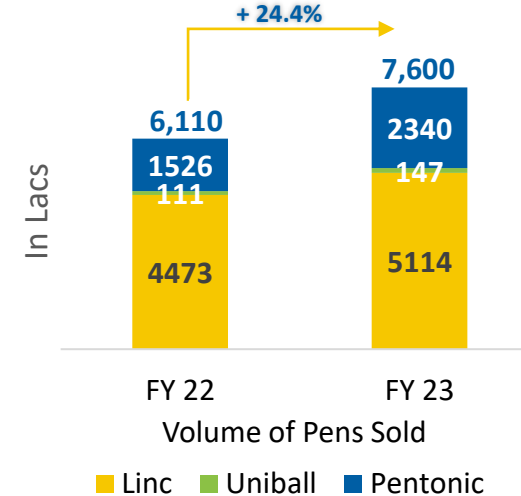
- Spent over ₹ 4,100 lacs on brands over last 5 years
- Step up brand spend going forward ~ 3% of revenue

Operational Highlights (Cont..)

Growth in average realization of Pens



Focus on higher margin products



- Consistent increase in average selling price
- Average realization increase possible due to focus on higher priced products
- Company was able to increase price of its traditional products during FY23

- Pentonic positioned at ₹ 10 + segment
- Pentonic GPM ~ 42%
- Significant increase in revenue share of 'Pentonic' over the last 5 years
- Overall GPM of the Company has increased by ~ 744 basis point YoY
- Pentonic pen volume increased by over 53%

Quarterly Profit & Loss.

Particulars	₹ Lacs							
	Q4 FY 23	Q4 FY 22	YoY Change	Q3 FY 23	QoQ Change	FY 23	FY 22	YOY Change
Operating Income	13,729	11,055	24.2%	12,455	10.2%	48,676	35,496	37.1%
Gross Profit	4,709	2,536	85.7%	4,126	14.1%	15,197	8,441	80.0%
Gross Profit (%)	34.3%	22.9%	49.5%	33.1%	3.5%	31.2%	23.8%	31.3%
Operating EBITDA	1,961	584	235.6%	1,819	7.8%	6,136	2,153	185.0%
Operating EBITDA Margin (%)	14.3%	5.3%	170.2%	14.6%	(2.2%)	12.6%	6.1%	107.8%
Other Income	91	161	(43.3%)	41	125.0%	348	288	20.9%
Finance Cost	29	20	42.5%	15	93.8%	64	73	(13.2%)
Depreciation	365	327	11.8%	354	3.2%	1,411	1,282	10.1%
PBT	1,658	398	316.4%	1,490	11.3%	5,009	1,085	361.5%
PAT	1,233	299	312.2%	1,113	10.8%	3,740	813	359.8%
PAT Margin (%)	8.9%	2.7%	234.5%	8.9%	0.1%	7.6%	2.3%	235.6%
EPS (₹)	8.29	2.01	312.2%	7.49	10.8%	25.15	5.47	359.8%

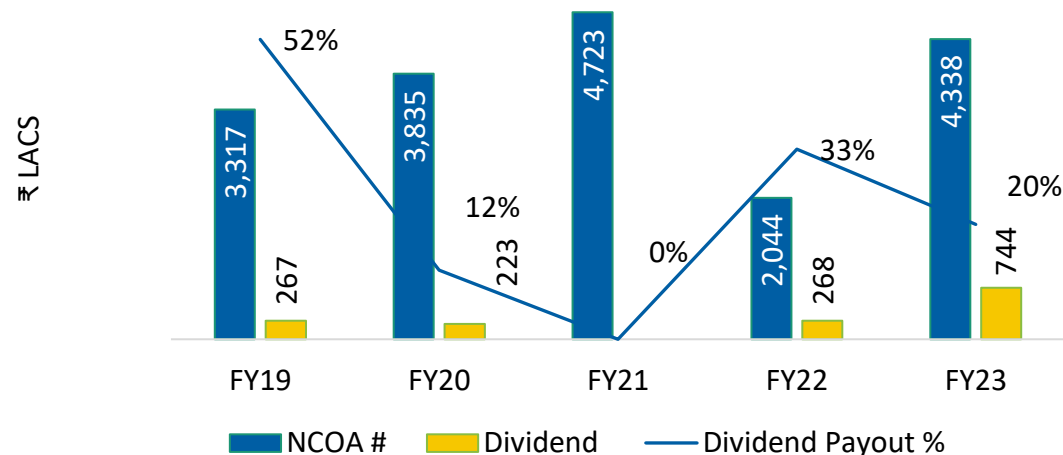
Focus on Shareholder Value Creation.

- Sharp increase in Free Cash Flow in FY23
- Consistent Dividend Pay-out track record (Other than Covid years due to cash conservation)

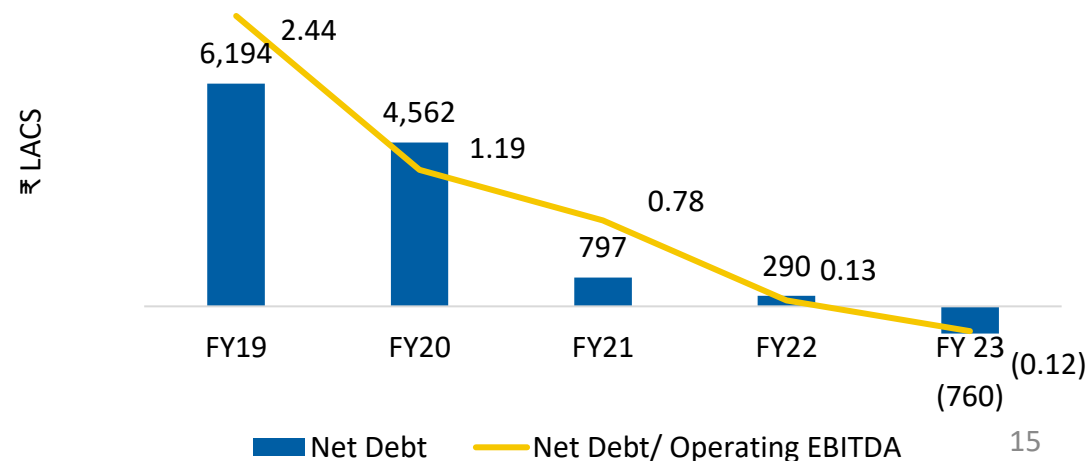
- Steady and significant decrease in Net Debt
- NCOA used judiciously to reduce Debt – Nil Debt and free cash of ₹760 lacs as on 31 Mar 2023
- Capex commitment funded largely through internal cash generation
- Net Debt / Operating EBITDA reduced significantly from peak of 2.54 in FY 2018 to (0.12) in FY 2023

Note
NCOA is Net Cash generated from Operating Activities

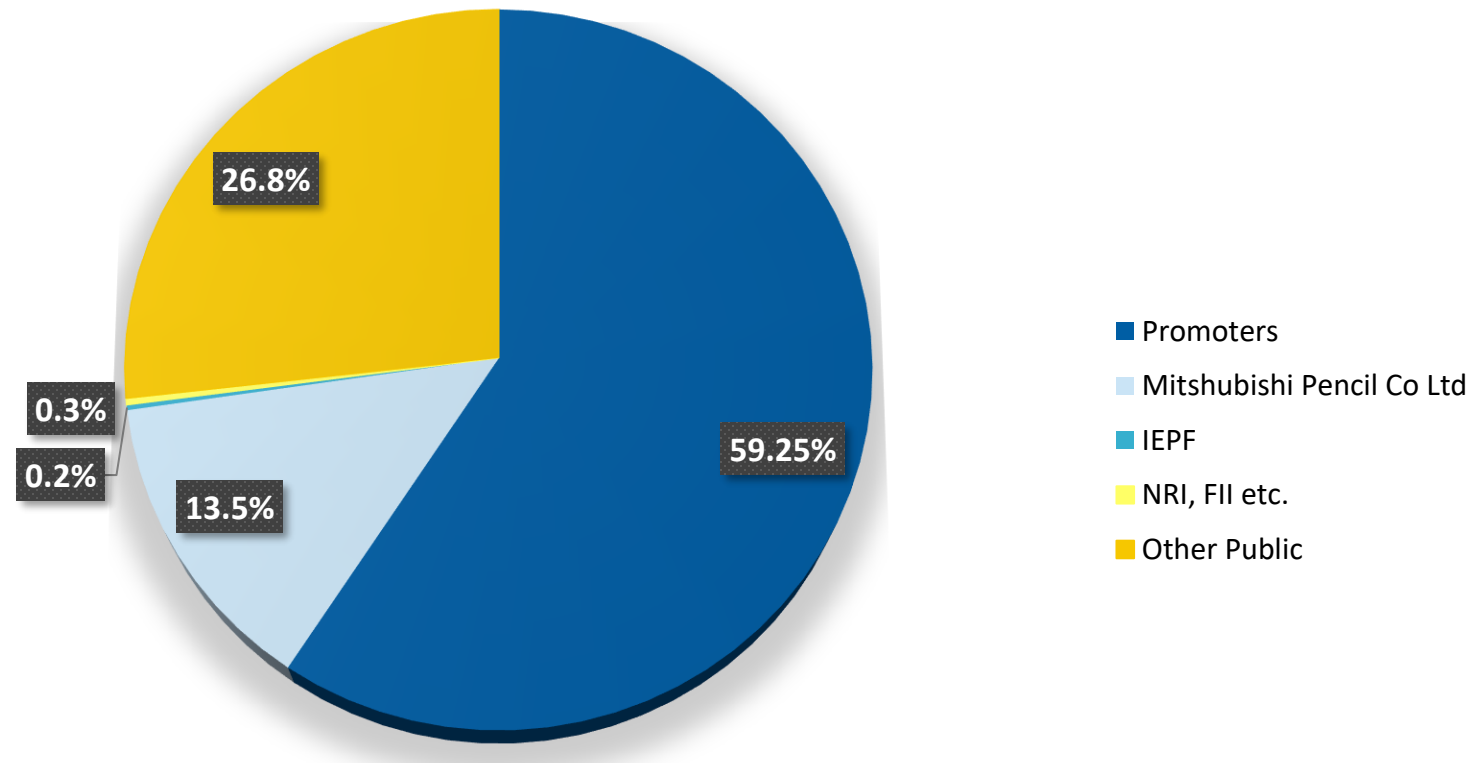
Net Cash from Operating Activities Vs Dividend Payout



Net Debt and Net Debt/Operating EBITDA



Shareholding Pattern.



As on 31st March'23

Why Linc?.



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