



FY23
May 2023

NSE : LINC
BSE : LINC
Bloomberg : LINC:IN

STRATEGY
PRESENTATION.

Linc Limited
(formerly Linc Pen and Plastics Limited)

Inside this Presentation.

Executive Summary

Industry Outlook

LINC 2.0

Financial Snapshot





LINC
Who are we?.

A Leading Writing Instrument Company .



- 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 the 3rd largest writing instrument company with 7.8% market share in the pen segment as of 2020
- National and international presence in over 40 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

With State of the Art Manufacturing Facilities



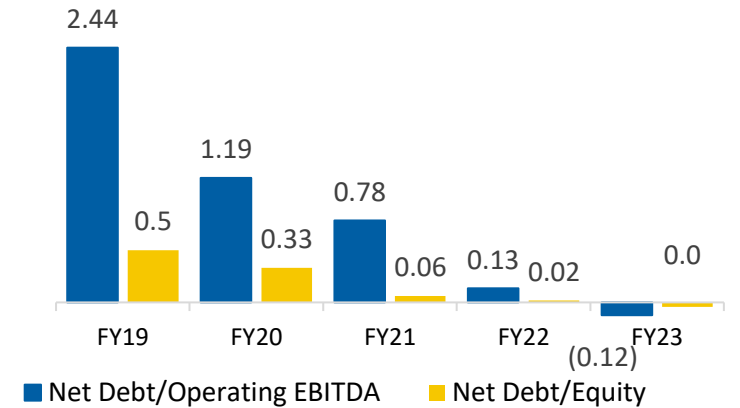
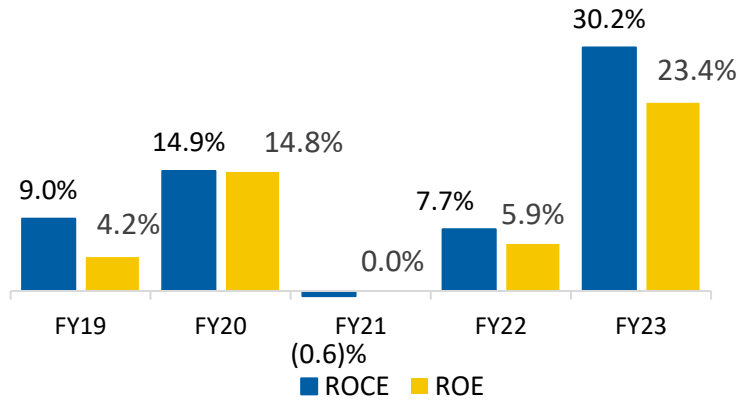
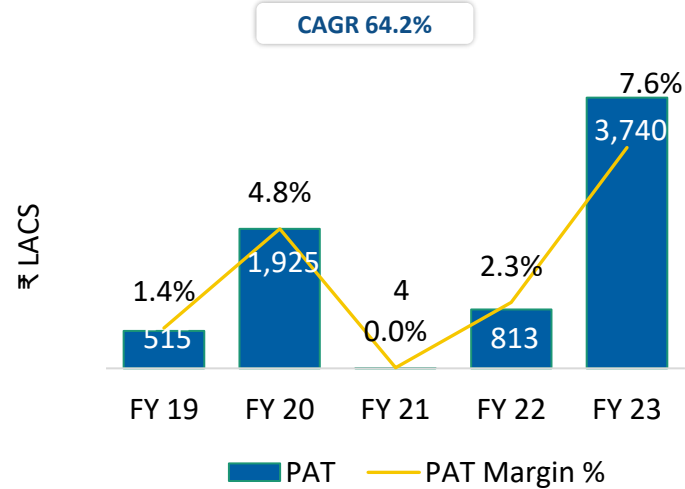
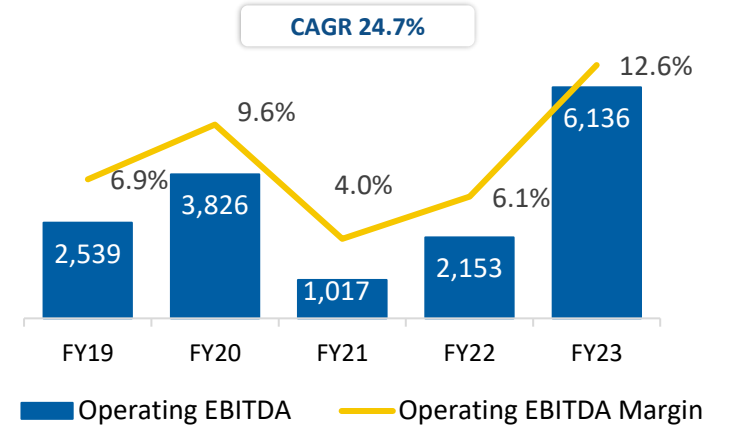
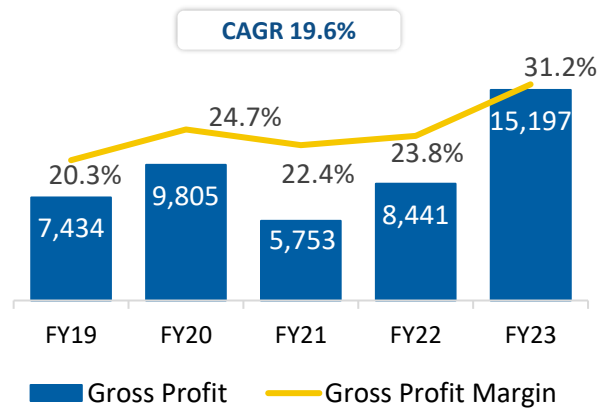
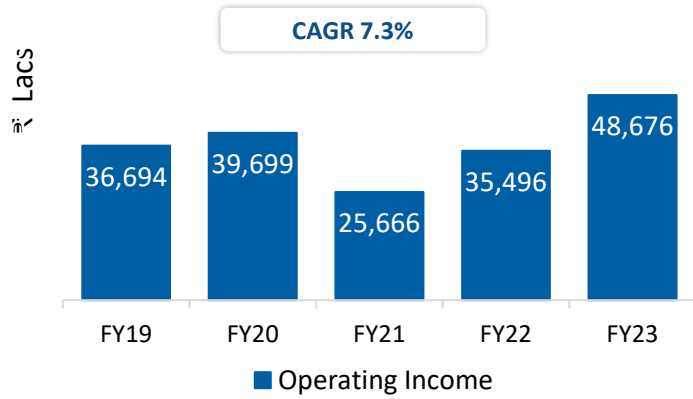
- Manufacturing Facility at Serakole in West Bengal
- Plant at Serakole was established in 1984



- Manufacturing Facility at Umbergaon, Gujarat with plans in place to double the capacity
- Plant at Umbergaon was established in 2017

[Umbergaon Manufacturing Facility](#)

Trend of Financial Performance



Leadership.

MR. DEEPAK JALAN

Managing director,

- Commerce graduate with 37 years of experience
- Responsible for the overall operations with a specialization in international operations
- Responsible for the Company's strategic direction

MR. ALOKE JALAN

Whole time director,

- Commerce graduate with 32 years of experience in the business
- Looks after the Company's marketing operations with special emphasis on Western and Southern regions

MR. ROHIT DEEPAK JALAN

Whole time director,

- BA Hons. in Management studies from University of Nottingham, UK and PG Diploma in Business Management with specialization in Marketing
- Heading International Business and Marketing Department of the Company

MR. N.K.DUJARI

Director finance & CFO,

- Chartered Accountant with 34th Rank (All India) and a Company Secretary
- Alumnus of St. Xavier's College, Calcutta with over 34 years of professional experience in varied fields
- Joined Linc in the year 2000

MR. ANIL KOCHAR

Independent, Non-executive director,

- Postgraduate in Commerce and LLB
- An eminent advisor on income tax matters

MS. SUPRIYA NEWAR

Independent, Non-executive director,

- Author, Writer and a Communications specialist with over two decades of invaluable experience
- Believes in both the beauty and the might of the pen

MR. NARESH PACHISIA

Independent, Non-executive director,

- Founder & MD, SKP Securities Ltd.
- SKP Securities Ltd is Eastern India's leading investment banker, wealth manager and stockbroker with over 40 years' experience in capital markets

MR. SANJAY JHUNJHUNWALLA

Independent, Non-executive director,

- Commerce graduate with over 35 years of experience across diverse areas
- Specialization in retail-driven growth
- Whole Time Director & driving force behind Turtle India

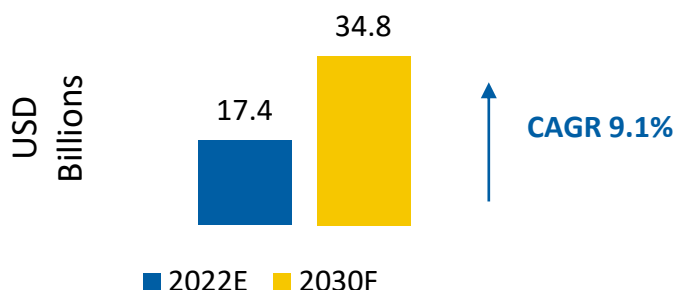




Industry Outlook.

Global Writing Instrument Industry Opportunity.

Global Writing Instrument Industry



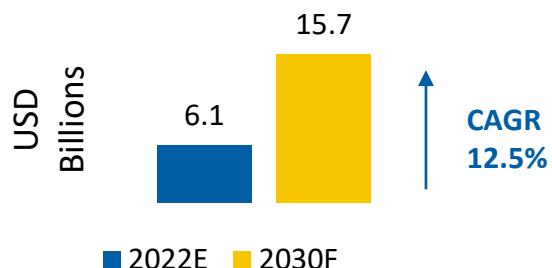
Share of Relevant Market

| | 2020 | 2027 |
|----------------|------------|------------|
| Ball & Gel Pen | 36% | 41% |
| Roller | 9% | 9% |
| Total | 45% | 50% |

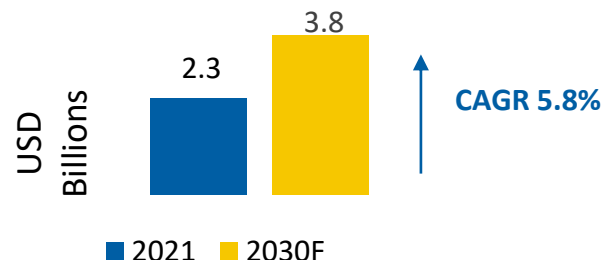
Writing & Marking Instruments Market Size

- The USA is estimated at US\$4.7 Billion in the year 2022.
- China is forecasted to reach a projected market size of US\$8.7 Billion by the year 2030 at CAGR of 14.7% by 2030
- Japan and Canada, each forecasted to grow at 4.6% and 7.7% respectively over the 2022-2030 period, while Germany is forecasted to grow at ~ 5.6% CAGR.

Global Ball Point and Gel Pen Industry



Global Luxury Pen Industry

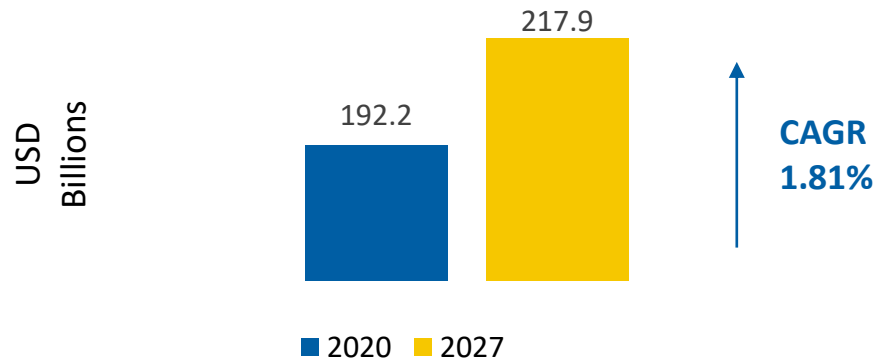


Growth Drivers

- Rise in education in 3rd world countries
- Rising trend of corporate gifting
- Demand for Luxury Instruments
- Corporate gifting market at \$120 bn
- Colouring instrument demand growing faster, due to surge in demand for highlighters, markers, etc
- Pens continue to be the largest share at ~ 60%

Global Stationery Industry Opportunity.

Global Stationery Products Market



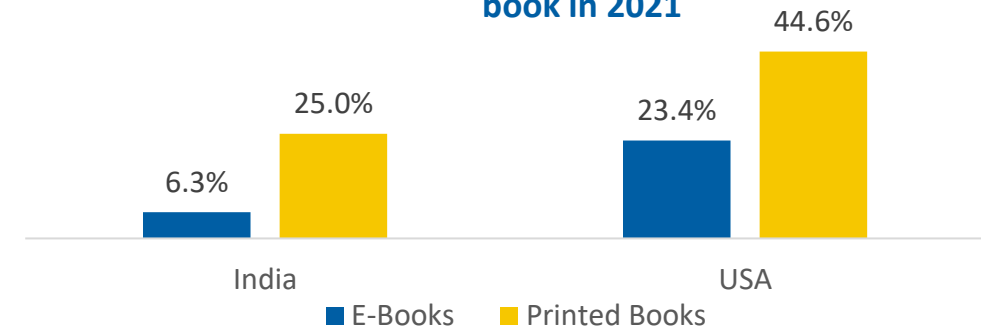
Market Segments

- US Market estimated at \$52 Bn
- China Market at \$33 Bn, to grow faster @ 3.6% CAGR
- Japan to grow at 0.2% only, while Canada to grow at 1.3%
- Education sector held the largest share of the market at 45.3%
- The stationery industry is divided into paper and non-paper stationery, the latter accounting for the larger share

Growth Drivers

- Rising inclination towards higher education
- Demand from corporate sector
- Increase in customized and personalized stationery
- Increased literacy rate in the developing world

Share of population that purchased e-book/printed book in 2021

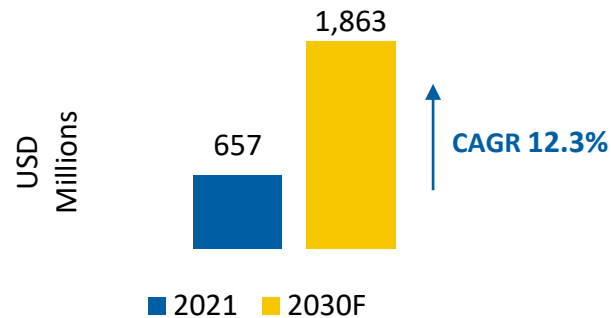


Trends

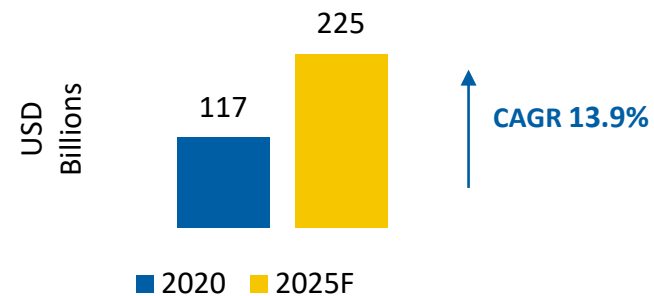
- Despite digitization over the past few years, **print medium continues to be dominant for readers** which argues well for writing instrument and stationery
- Licensed collaboration with numerous child-based TV Channels are prompting manufactures to **print popular cartoon characters on stationery products.**

Opportunity in Indian Market.

Indian Writing Instrument Industry



Indian Education Industry



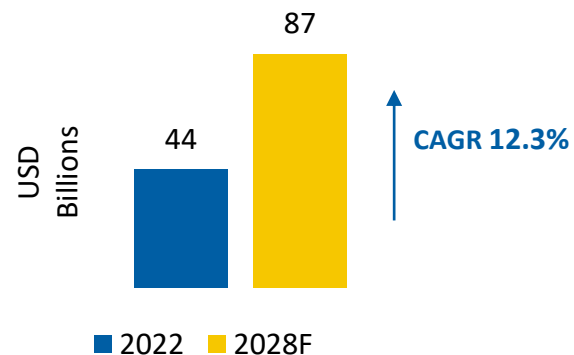
Writing Instruments Market

- 80% of revenue from pen below ₹ 15 per piece
- Market for Pen below ₹ 15 growing at ~8%
- Market for Pen above ₹ 15 growing at ~ 10%
- 55% consumers are students; 20% are office goers
- **Linc**, Cello, Flair, and Reynolds are the major players in the Indian pen market in the mass segment category, where the price of the writing instruments is below Rs. 20

Stationery Market

- Anticipated to increase at a CAGR of 6.2% between 2019 and 2025
- Education sector amongst the largest consumers of stationery products
- Education sector poised to do well over the next 10 years
- Preschool Market expected to grow by USD 735 million at 8% CAGR between 2021-2025
- India's Stationery market holds tremendous growth potential as the country has **over 288 million school and college students**, studying and requiring notebooks and other stationery materials

Indian Schools Market Size

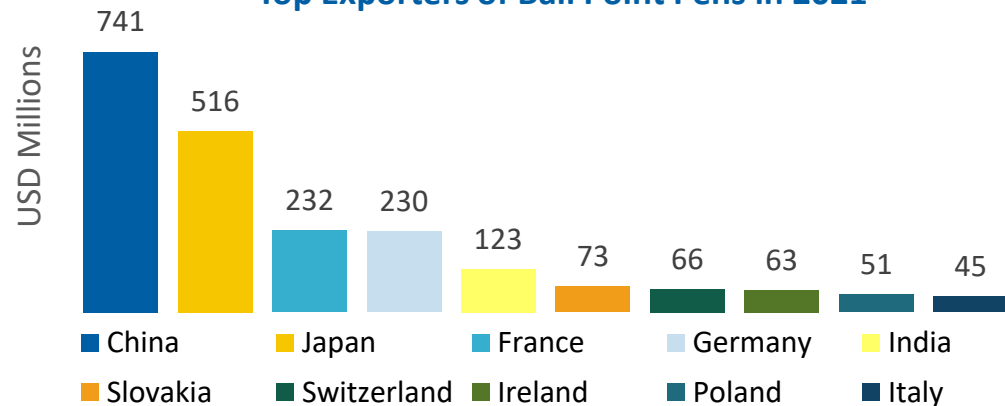


Writing Instruments Market Growth Drivers

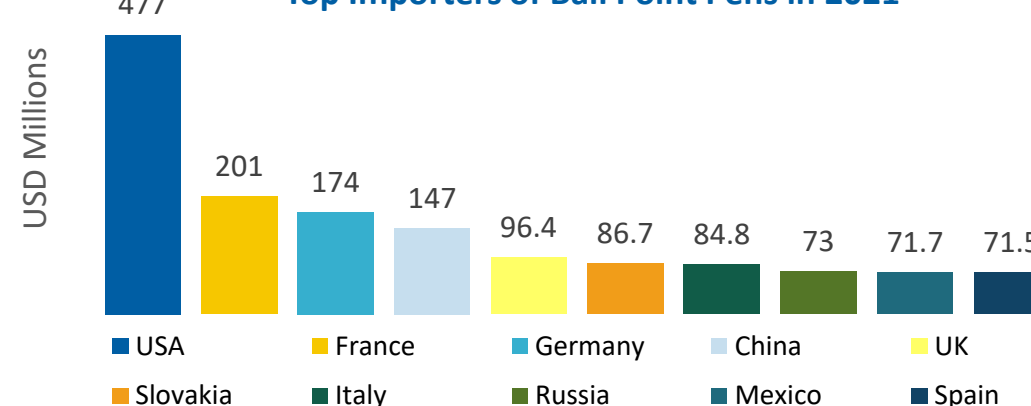
- **Rising Populations:**
 - Largest population in age bracket of 5-24 years ~580 million.
 - Indian working population to grow ~20% and education market to grow ~ 14% , hence Writing Instrument growth prospects are very strong
- **Over 250 million school going students and over 38 million students enrolled in higher education**
- **Rising literacy rate:** Govt. initiative such as **Sarva Shiksha** has **strengthened India's literacy from 65% in 2001 to ~77.70% in 2021**. The **objective of attaining 100% literacy levels** by 2025 could have a positive impact on the writing instruments sector.
- **Educational Spending** : Budget estimates for 2023-24 show that the **government will spend ₹ 1.12 lakh crore** in the coming fiscal year on education – the highest ever and an increase of around 8.2% than what was pegged in 2022-23

Pens - Global Trade Perspective

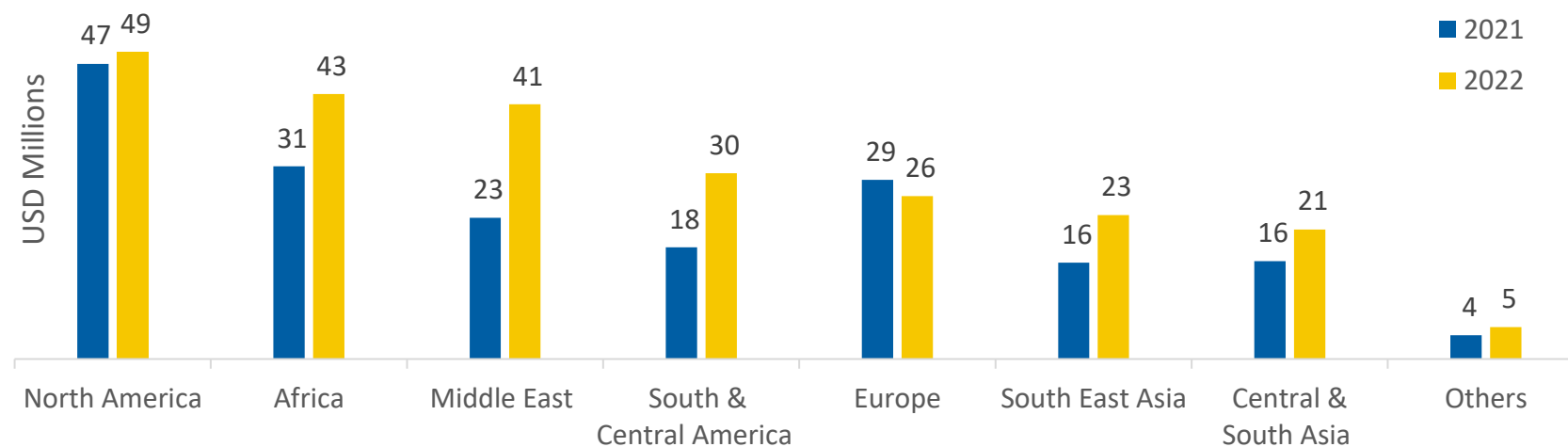
Top Exporters of Ball Point Pens in 2021



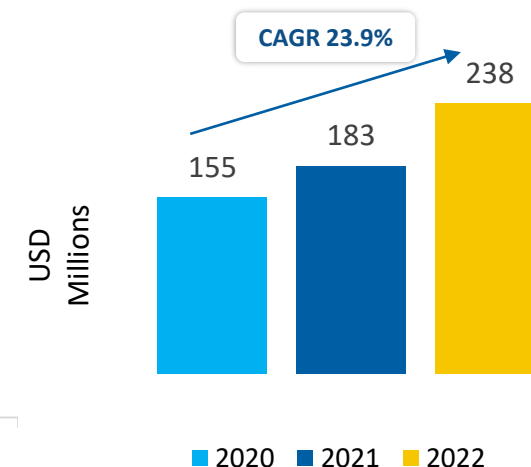
Top Importers of Ball Point Pens in 2021



India's Export of Pens



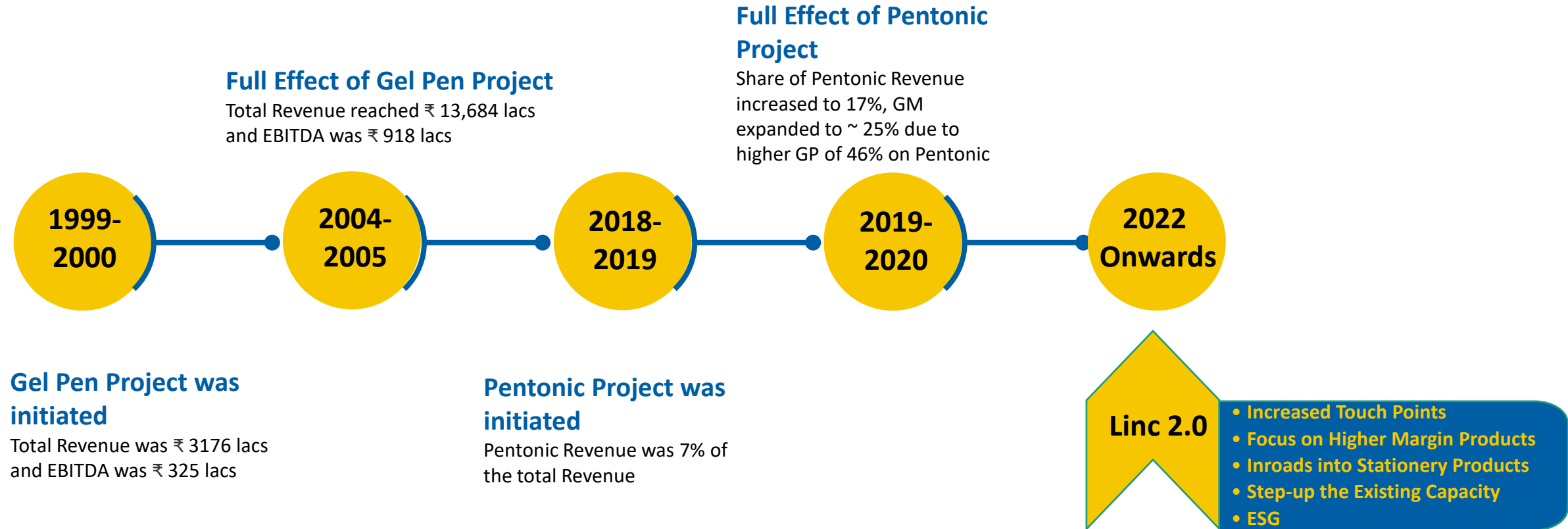
India's Export of Pens



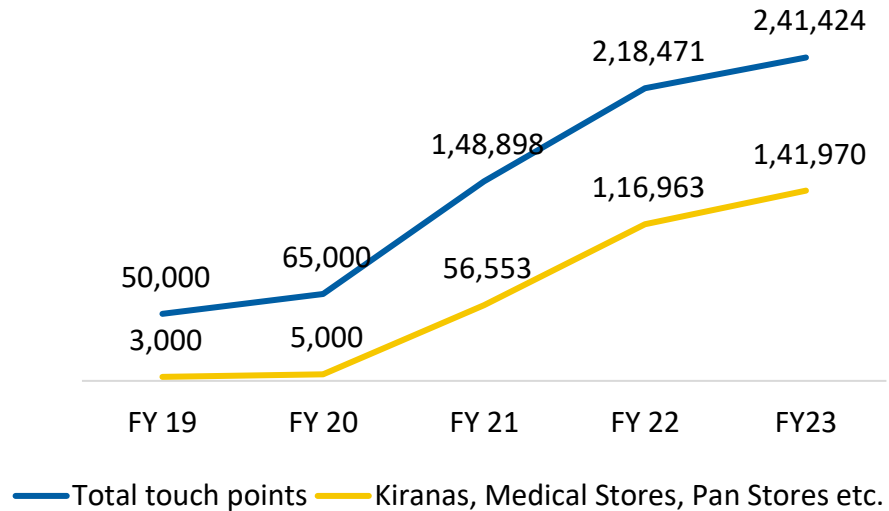


LINC 2.0.

Evolution to Linc 2.0.

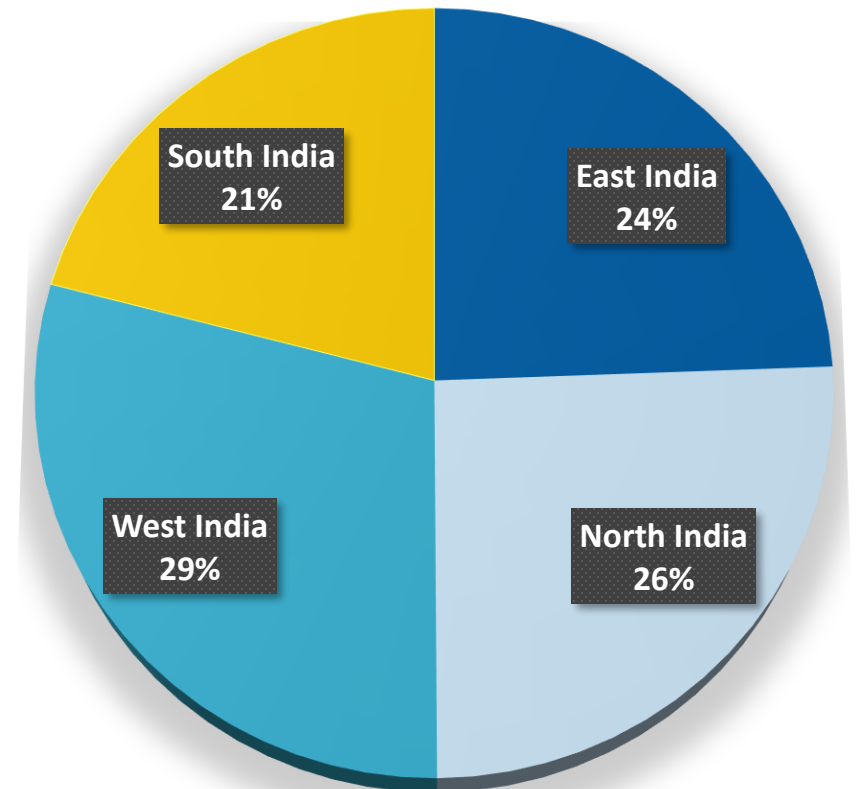


Increased Touch Points...



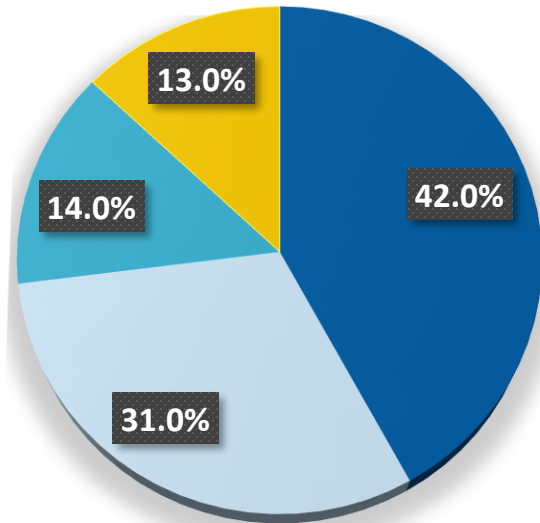
- India has over 10 Mn non-stationery outlets
- Broken tradition by expanding to neighbourhood grocery stores (Kirana, Medical stores, Pan stores, etc.)
- We have already crossed the milestone of 1 lakh non-stationery outlets
- The company targets to reach 5 lakh touch points by FY 25

Break-up of Region wise Touch Points FY'23

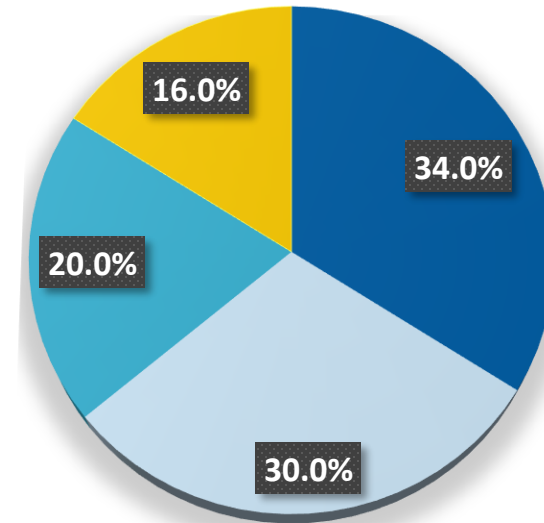


...Resulting in Broader Penetration Across India.

Revenue Share FY19



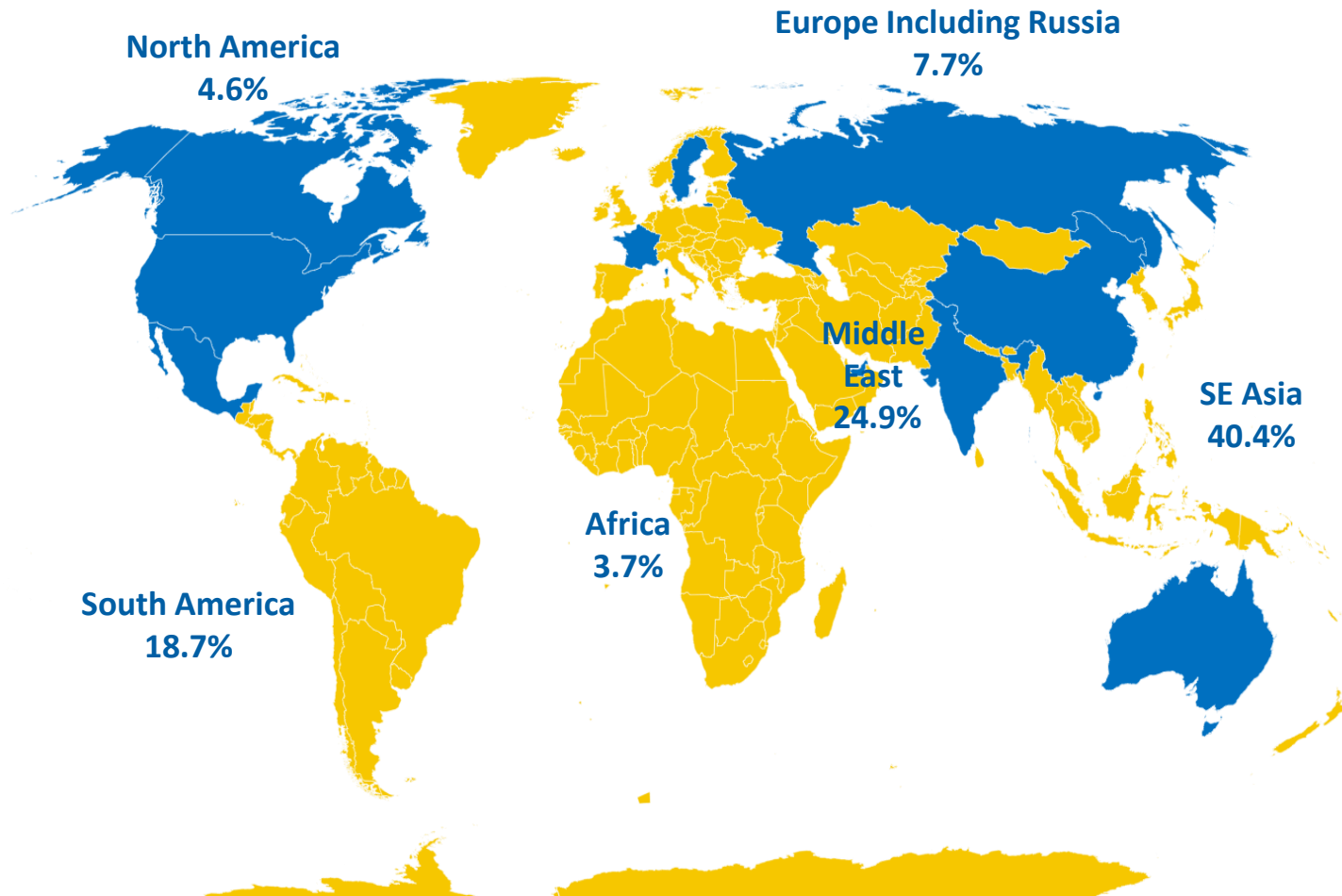
Revenue Share FY23



- East India
- North India
- West India
- South India

Increasing footprint in West and South India and steadily moving towards a more homogenous presence across India

Increasing it's Global Footprint As Well.

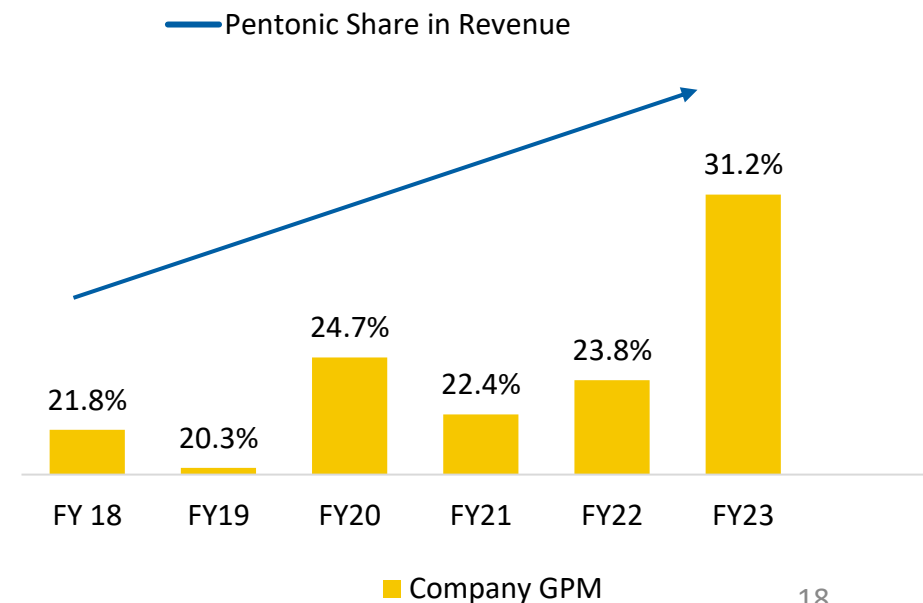
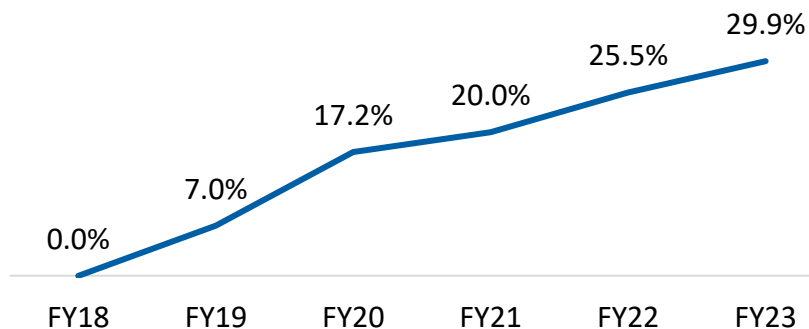
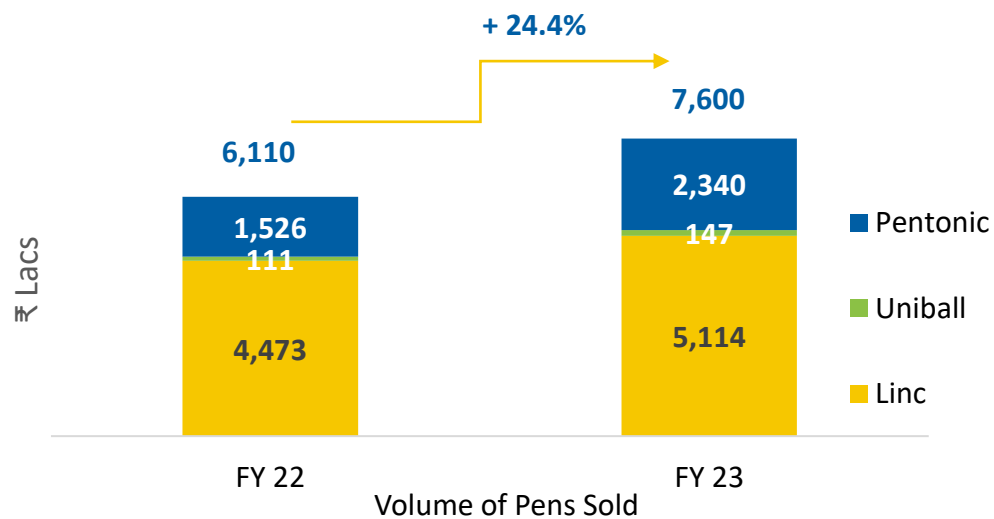


| Pen Exports from India - 2022 | Value USD Millions | Growth over 2021 |
|-------------------------------|--------------------|------------------|
| South & Central America (SA) | 30 | 66% |
| Middle East (ME) | 41 | 80% |
| Africa | 43 | 38% |
| South East Asia (SEA) | 23 | 49% |
| Total Exports | 238 | 30% |

- Global Ball & Gel Pen demand expected to grow at a CAGR of 12.5% over the next 7-8 years
- Demand to grow faster in the developing world
- Increasing literacy in the developing world to drive this growth
- This poses excellent opportunity to increase exports to the developing world
- While overall export of pens from India grew by 30% in 2022, Africa, ME, SEA & SA grew at a much higher rate
- Linc exports at ₹ 101,51 lacs is over 20% of it's revenue
- Linc to continue its focus on exports to SEA, ME & SA
- To improve penetration in the fast-growing African market, the company is in the process of acquiring a Kenyan manufacturer & seller of writing instruments

Focus on Higher Margin Products.

- Pentonic brand introduced in FY19 as a minimalistic yet contemporary pen, known for its aesthetics as well as writing smoothness
- Positioned at ₹ 10 + segment, Pentonic's GPM is ~ 42%
- Increase in share of Pentonic in total revenue leading to higher GPM at the company level
- Pentonic pen volume increased by over 53%



Inroads into Stationery Products.

- Targeting over ₹7,500 lacs topline by FY25
- Deli offers a range of over 200 products in India
- Company to largely focus on Calculators & Scissors
- Deli should contribute at least 10 % of company's revenue by FY25
- Deli's GPM is around 20%
- Deli has achieved the revenue of ₹2,497 Lacs in FY'23





Step-up the Existing Capacity.

Linc plans to increase its existing capacity at Gujarat from 10 lacs per day to 15 lacs per day in FY'25 & to 20 lacs per day subsequently

FY'24 demand would be met by the existing capacity & stepping-up outsourcing, which has already been tied up

Revenue potential of the new facility at full capacity will be ~ ₹15,000 lacs

Total Project cost ~ ₹5,000 lacs.

Infra Cost of ~₹1,700 lacs will be spent in FY'24 through internal accruals

Phase 1 Plant & Machinery of ~₹1,800 Lacs in FY'25 & Phase 2 ~₹1,500 Lacs subsequently

New plant is at the existing location (Umbergaon) to rationalize logistics and economic synergies

Capacity expansion being phased to align with demand and company's capital allocation strategy

ESG.

Environment

- Pentonic’s individual plastic wrapper packaging has been consciously substituted with paper box packaging of 10/20pcs.
- This step has saved the planet from around 90 MT of plastic waste in FY23 while also having saved company ~ ₹ 300 lacs in packaging cost

Social

- Strongly believes in diversity in the workforce and has ~700 female employees at Gujarat
- Employs a small specially-abled workforce, also providing training to these employees to enable efficient performance
- Long-standing partner of “Friends of Tribal Society” in providing support for education & other welfare activities

Governance

- Consistently endeavored to practice good Corporate Governance
- Believes such practices are founded upon the core values of transparency, empowerment, accountability, independent monitoring and environmental consciousness





LINC Financial Snapshot.

Annual Highlights (Cont..)

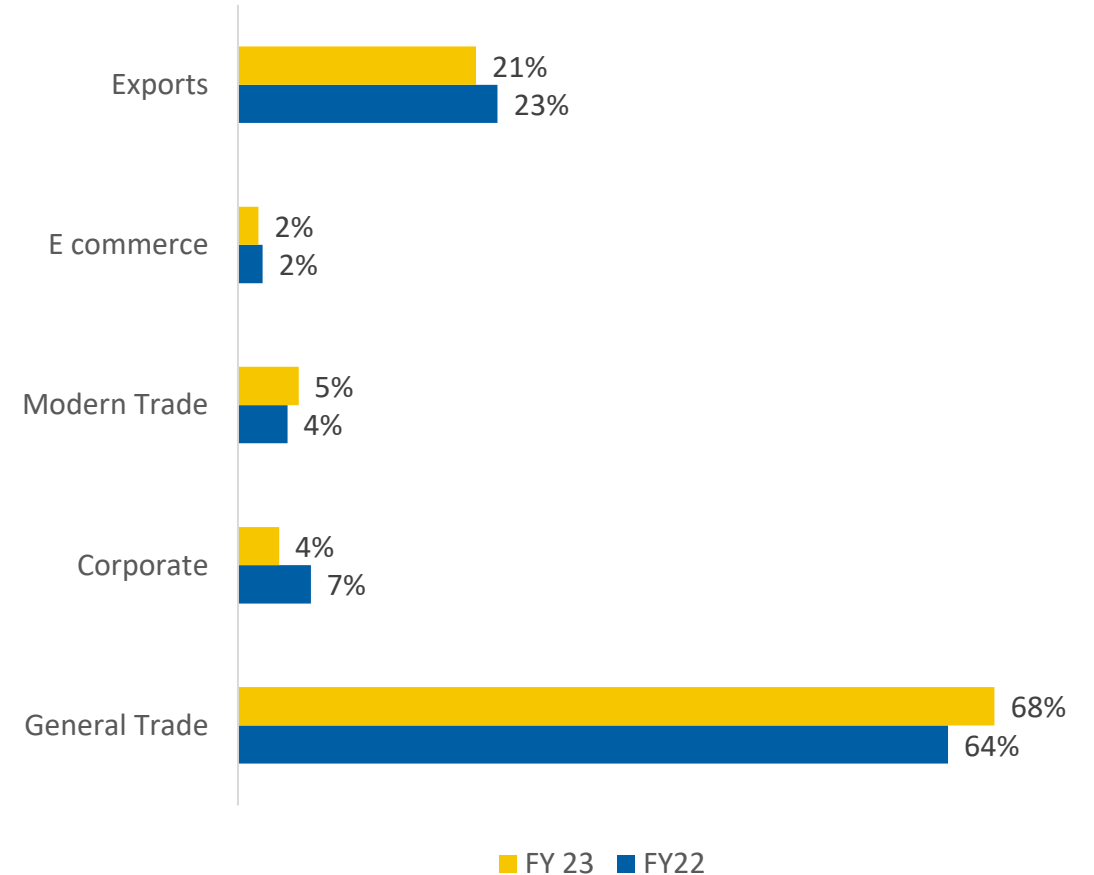
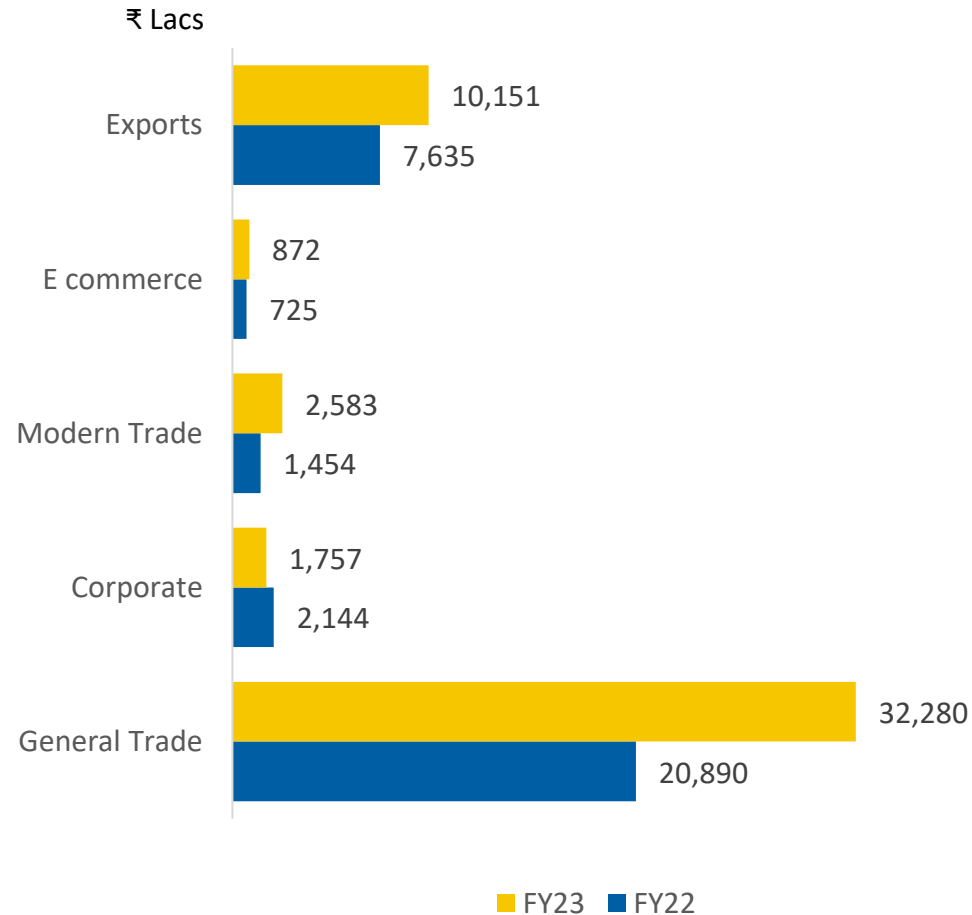
₹ Lacs

| Revenue | Writing Instruments | | | Other Products | | |
|-------------------------------|---------------------|---------------|-----------------|----------------|---------------|-----------------|
| | Own Brands | | Licensed Brands | Own Brands | | Licensed Brands |
| | Pentonic | Linc & Others | (Uni-Ball) | Pentonic | Linc & Others | (Deli) |
| <i>FY23</i> | 14,109 | 22,884 | 6,648 | 142 | 1,363 | 2,497 |
| Sales Contribution (%) | 29.6% | 48.0% | 14.0% | 0.3% | 2.9% | 5.2% |
| <i>FY22</i> | 8,676 | 17,834 | 4,564 | 133 | 561 | 1,080 |
| Sales Contribution (%) | 26.4% | 54.3% | 13.9% | 0.4% | 1.7% | 3.3% |
| <i>Growth YoY (FY23-FY22)</i> | 62.6% | 28.3% | 45.7% | 7.0% | 143.0% | 131.2% |

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

Annual Highlights (Cont..)

Trade Channel Wise Break-up of Operating Revenue



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

Profit & Loss Summary.

₹ Lacs

| Particulars | FY19 | FY20 | FY21 | FY22 | FY23 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Operating Income | 36,694 | 39,699 | 25,666 | 35,496 | 48,676 |
| Growth (%) ³ | 10.6% | 8.2% | -35.4% | 38.3% | 37.1% |
| Gross Profit | 7,434 | 9,805 | 5,753 | 8,441 | 15,197 |
| Gross Profit Margin | 20.3% | 24.7% | 22.4% | 23.8% | 31.2% |
| Operating EBITDA | 2,539 | 3,826 | 1,017 | 2,153 | 6,136 |
| Operating EBITDA Margin | 6.9% | 9.6% | 4.0% | 6.1% | 12.6% |
| Other Income | 243 | 301 | 146 | 288 | 348 |
| Depreciation | 1,046 | 1,254 | 1,269 | 1,282 | 1,411 |
| Finance cost | 629 | 546 | 274 | 73 | 64 |
| PBT | 1,107 | 2,326 | -381 | 1,085 | 5,009 |
| PAT | 515 | 1,925 | 4 | 813 | 3,740 |
| Cash Profit ¹ | 1,561 | 3,179 | 1,273 | 2,095 | 5,151 |
| EPS (₹) | 3.48 | 12.94 | 0.03 | 5.47 | 25.15 |

Note:

1. Cash Profit = PAT + Depreciation
2. Prior period figures are restated wherever necessary
3. Growth (%) is calculated YoY

Balance Sheet Summary.

₹ Lacs

| Particulars | FY19 | FY20 | FY21 | FY22 | FY23 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Worth | 12,337 | 13,697 | 13,471 | 14,285 | 17,722 |
| Short Term Loans | 3,813 | 2,352 | 812 | 299 | - |
| Long Term Loans | 2,392 | 2,223 | - | - | - |
| Gross Debt | 6,205 | 4,575 | 812 | 299 | - |
| Cash & Cash equivalent | 11 | 13 | 14 | 9 | 760 |
| Net Debt | 6,194 | 4,562 | 797 | 290 | (760) |
| Capital Employed ¹ | 19,388 | 19,199 | 15,025 | 15,178 | 18,730 |
| Net Fixed Assets (incl CWIP) | 7,541 | 7,870 | 7,106 | 8,215 | 9,038 |
| Net Current Assets ² | 6,087 | 7,219 | 5,437 | 6,072 | 7,748 |
| Total Assets | 23,240 | 24,535 | 20,046 | 20,162 | 23,746 |

Note:

1. Capital Employed = Net worth + Gross Debt + Other long-term liabilities + Lease Liabilities
2. Net current assets does not include Cash & cash equivalents

Ratios.

| | | ₹ Lacs | | | | |
|---------------------------|-----------------------|--------|--------|--------|-------|--------|
| Particulars | Ratios | FY19 | FY20 | FY21 | FY 22 | FY23 |
| Solvency Ratios | Net Debt/Equity | 0.50 | 0.33 | 0.06 | 0.02 | (0.04) |
| | Net Debt/Op EBITDA | 2.44 | 1.19 | 0.78 | 0.13 | (0.12) |
| | EBIT/Interest | 2.76 | 5.26 | -0.39 | 15.81 | 79.78 |
| Operational Ratios | Current Ratio | 1.68 | 1.85 | 1.92 | 2.14 | 2.56 |
| | Fixed Asset Turnover | 5.15 | 5.15 | 3.43 | 4.63 | 5.64 |
| | Total Asset Turnover | 1.56 | 1.66 | 1.15 | 1.77 | 2.22 |
| | Inventory Days | 107 | 113 | 154 | 98 | 89 |
| | Debtor Days | 44 | 39 | 56 | 36 | 27 |
| | Payable Days | 40 | 45 | 86 | 60 | 48 |
| | Cash Conversion Cycle | 111 | 107 | 124 | 74 | 68 |
| | Return Ratios | ROE | 4.22% | 14.79% | 0.03% | 5.86% |
| | ROCE (Pre-tax) | 8.97% | 14.89% | -0.62% | 7.67% | 30.24% |

Note:

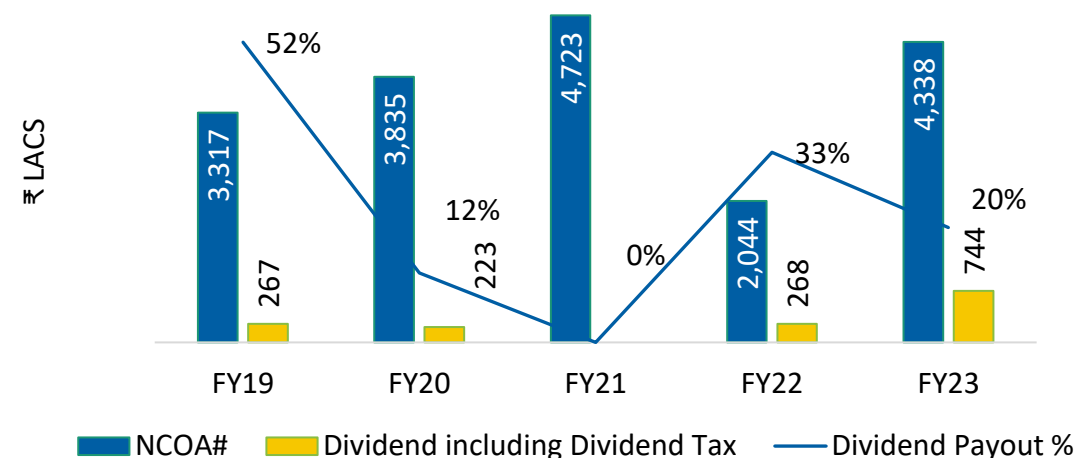
ROCE = EBIT / Average Capital Employed & ROE = Net Profit / Average Net worth

Focus on Shareholder Value Creation.

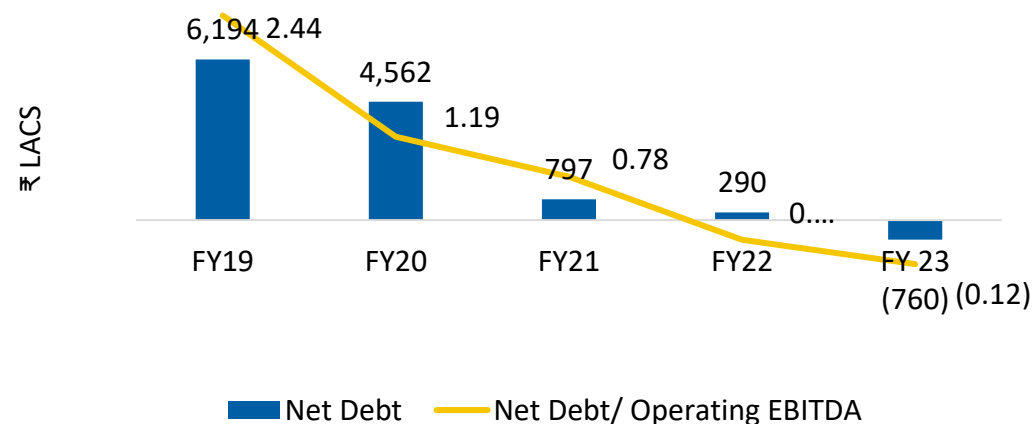
- Sharp increase in Free Cash Flow in FY23
- Consistent Dividend Pay-out track record (Other than Covid years due to cash conservation)

- Steady and significant decrease in Net Debt
- FCF used judiciously to reduce Debt – Nil Debt and free cash of ₹760 lacs as on 31st March 2023
- Capex commitment funded largely through internal cash generation
- Net Debt / Operating EBITDA reduced significantly from peak of 2.44 in FY 19 to (0.12) in FY23

FCF VS DIVIDEND PAYOUT

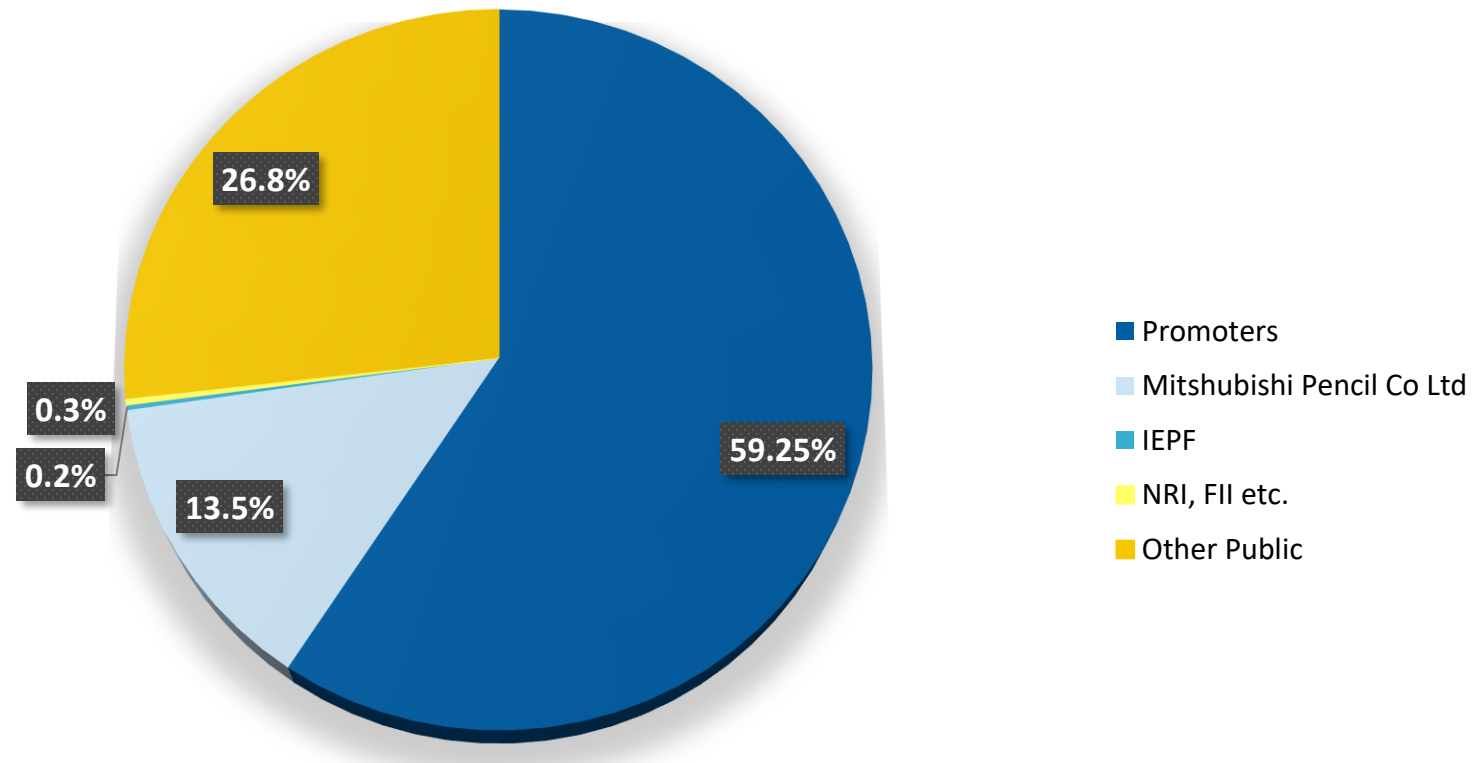


Net Debt and Net Debt/Operating EBITDA



Note
NCOA is Net Cash generated from Operating Activities

Shareholding Pattern.



As on 31st March'23

Why Linc?.



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