

18<sup>th</sup> August, 2022

The Listing Department, The Calcutta Stock Exchange Ltd. 7, Lyons Range, Kolkata - 700001	The Manager The Department of Corporate Services, BSE Limited, P. J. Towers, Dalal Street, Mumbai - 400001	The Manager, The Listing Department, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400051
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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 Tuesday, 16th August, 2022 which is simultaneously uploaded on the website of the Company.

The audio recording of the above had already made available within 24hours on website of the Company.

This is for your information and record.

Thanking You

Yours faithfully

For LINC LIMITED



KAUSHIK RAHA  
Company Secretary &  
Compliance Officer



**“Linc Limited  
Q1 FY2023 Earning Conference Call”**

**August 16, 2022**



**ANALYST: 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 PARTNERS)**



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*August 16, 2022*

**Moderator:** Ladies and gentlemen good day and welcome to Q1 FY2022 Earnings Conference Call of Linc Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Navin Agarwal - Head Institutional Equities at SKP Securities Limited. Thank you and over to you Sir!

**Navin Agarwal:** Good afternoon ladies and gentlemen. It is my pleasure to welcome you to this earnings conference call on behalf of Linc Limited and SKP Securities. We have with us Mr. Deepak Jalan, Managing Director, Mr. N.K. Dujari, Director Finance, and Sanjeev Sancheti, Uirtus Advisors LLP their IR partners. We will have the opening remarks from Mr. Deepak Jalan, and Mr. Dujari will feed in with the financial overview followed by Q&A session. Thank you and over to you Mr. Jalan.

**Deepak Jalan:** Thank you Navin. Good afternoon and very warm welcome to Linc Limited Q1 FY2023 earnings conference call. This is Deepak Jalan, Managing Director of Linc Limited. I will take you through the business and operational highlights of the quarter gone by while our CFO Mr. Dujari will share the financial metrics. During the quarter the company delivered a strong top line growth. Our operating revenue for Q1 grew by over 77% as against the same quarter of the previous year clocking an operating income of around Rs.98 Crores however the first quarter being traditionally a weaker quarter for the industry revenue on quarter on quarter basis was lower by 11.4%. With Pentonic sales going strong and with plans of introducing new product we expect strong top line growth in the coming quarters as well. In the popular segment of writing segment more specifically the pen segment, the company continues to have a strong presence with market share of about 8%. Company's focus on Rs.10 plus segment since the launch of Pentonic brand has helped the company grow at a faster pace. One of the USP of the product is perceived value due to its unique design has gone a long way in establishing Pentonic as one of the strongest brand in its segment. In little over three years Pentonic now contribute over 30% of company's core revenue as against only 7% in FY2019. Due to higher GPN of over 40% for Pentonic the company's average GPN which was below 22% in FY2018 has steadily increased to more than 25% in Q1 FY2023. The company has been witnessing sharp increase in input cost during the last few quarters due to continuous rise in crude and polymer prices. Q1 also saw all round cost increase however the company was able to pass on the cost increase by increasing the selling prices with effect from April. Consequently gross margin improved from 22.9% in Q4 FY2022 to 25.4% in Q1 FY2023. Operating EBITDA margin increased both year on year basis and quarter on quarter basis. I am glad to share that the input cost have started to come off and prices of key input are expected to remain wining in the coming quarter which should help us in further improving our margin and profitability going forward. Link 2.0 with the five prone strategy that we have embarked upon as was discussed in our previous call. We believe the company will not only grow rapidly over the next few years but will also be able to expand its margin with judicious business mix and economies of scale. Let me touch upon the five prone strategy briefly which is adopted by the company. Number one increased touch point. India has over 10 million non stationery outlets like kiranas, medical store, paan plus stores etc and from nowhere in FY2020 the company has reached

to almost 1.25 lakh such outlets directly thus taking its total touch points to over 2.3 lakh outlets including the stationery outlet. The company expects to expand its overall reach to more than 5 lakh outlet by FY2025. Number two focus on higher margin product. As informed earlier also our focus is more on the higher value and higher margin product and we will soon be launching pens at Rs.20 and at Rs.40 under the Pentonic portfolio. Number three in roads into stationery product, company's foray into full range of stationery product through exclusive tie up with the Delhi is progressing well and we expect to generate a minimum of Rs.100 Crores of revenue in three to four years time. Fourth point is stepping up of existing capacity. To meet this targeted demand we are planning to increase our manufacturing capacity at Gujarat by putting up additional manufacturing facility adjacent to our existing factory. The fifth point ESG, on ESG front company is taking the falling initiatives substituting plastic rappers with bulk packing and paper boxes this initiatives saves about 60 tonnes of plastic in FY2022. We employ more than 1200 female workers in our manufacturing facility. We also employ and provide training to a small number of specially able work force. We support several NGOs who provide education to the less privilege sections of the society. The company is actively working on projects like recycling of used pen consumers are encouraged to change the refill rather than buying a new pen under its refill more campaign. These efforts will go a long way in contributing towards reducing carbon foot print 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:**

Thank you Mr. Jalan. Good afternoon ladies and gentlemen. Many thanks for joining the Q1 FY2023 Linc Limited Earnings con call. I will give a brief overview of the financial numbers for the quarter before we open for Q&A. During Q1 FY2023 companies operating revenue grew by 78% from 55 Crores in Q1 FY2022 to 98 Crores however as explained earlier operating income fell by 11% quarter on quarter as the first quarter is traditionally weaker for the writing instrument industry. Operating EBITDA in Q1 FY2023 increased by over 480% to 8 Crores versus 1.4 Crores with an operating EBITDA margin of 8.2%. As already explained earlier operating EBITDA and EBITDA margin increased in spite of all around increase in cost as the company was able to increase the selling price of its legacy products under Linc pen from April 2022. Higher input cost has kept the margins under pressure in FY2022 however input prices have started softening from second quarter and we expect prices to stabilize at lower levels in these ensuing quarters. These along with increase in selling prices go well for the company's margin and profit. Q1 FY2023 profit before tax stood at 5.9 Crores up from loss of Rs.1.6 Crores in the same quarter of the previous year. Q1 FY2023 EPA stood at 2.95 versus negative 0.8 in the same period last year. Company continues to use its free cash flow judiciously and in the process has been able to reduce its net debt significantly in the last four years. In fact the net debt reduced from over 65 Crores in FY2018 to less than zero as on 30 June 2022. The company is extremely focus in using its resources judiciously and has embarked upon modular expansion plan in Gujarat. While the basic infrastructure is being created to double its capacity to 20 lakh tonne per day some of the critical equipment and machine will be added in modular fashion in sync with the demand needs. With the total project cost expected to 50 Crores the first phase of expansion which will increase the capacity by 5 lakhs tonnes per day will cost only 35 Crores and will be operational by Q4 FY2024. The expansion will be largely funded by internal accrual and small level of not more than Rs.15 Crores. On the back of expanded capacity and with customer demand expected to be high, the company is



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well set to achieve a top line of over 600 Crores by FY2025 with CAGR of over 20%. During this the share of Pentonic revenue is expected to go to over 32% while Deli is expected to contribute around 15%. With pandemic behind us cost of raw material starting to soften strong growth prospect increased penetration through Kinara network and focus on Pentonic we should be able to achieve annual operating EBITDA margin of over 12% by FY2025. With low cost modular expansion and judicious use of debt we also expect ROI to cross 18% by FY2025. We continue to remain focused on our long term goals of sustainable growth profitability and strong deleverage balance sheet. With this I leave the floor open for Q&A. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. Our first question is from the line of Zaki Nasser an individual investor. Please go ahead.

**Zaki Nasser:** Sir first of all I would like to congratulate you and your team on the fantastic quarter numbers given by. My first question is broadly according to our investor presentation we have three broad verticals, one is our own pens, one is Deli portfolio and the other is your tie up with Uniball. Sir would you slightly give a small explanation how you see these three spanning out in the future Sir. On your journey towards 600 Crores. The second question would be broadly there is lot of talk about reduction of pens, usage of pens during computerization. Your thoughts on this aspect of argument Sir. Thank you.

**Deepak Jalan:** Coming to the first question of our revenue target of 600 Crores by FY2025. We estimate the contribution of Deli and Uni together should contribute about 25% of our total revenue so 75% we are expecting from Linc and Pentonic both by way of exports and the local market so about 150 Crores from Uniball and Deli we are expecting. Coming to the next question of future of pen I would say so I am actually getting this question for more than 10 to 15 years that what is the future of pen but as you would know that even though there has been lot of digitalization the pen is still needed and I have even observed in the developed countries like the US and even Europe so there is actually no degrowth even on those market so of course it is flat but there is no negative growth while there has been growth rather close to double digit growth in the developing countries say for example Africa or even in our own country we have a decent single digit growth even though we have a single digit growth in India but it is a decent single digit growth so I do not foresee any challenge or any threat to the future of pen at least for many years.

**Zaki Nasser:** Thank you Sir and best wishes for balance of the year.

**Moderator:** The next question is from the line of Subhankar Ojha from SKS Capital. Please go ahead.

**Subhankar Ojha:** Hi thanks for the opportunity. Sir two questions. Can you give me the capex number once again and what capacity you are adding in your Gujarat facility that is one and secondly can you quantify the price hike that you have taken in order to pass on the cost pressure.

**Deepak Jalan:** So Mr. Dujari will share the capex details so far the price increase we have been able to increase price on average about 5% on our product so when I say average on some product we have been



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able to increase prices by even 10% but on some products the price increase has been even lower than 5% but on average it has been about 5%.

**N.K. Dujari:** The total capex we are expecting for the new facility is around 50 Crores so we will split that in two phases in first phase we will spend 35 Crores for the basic infrastructure and the machines and in the second phase we will spend around 15 Crores on the machine so in the first phase we will expand the capacity by 5 lakh per day and in the second phase again we will expand the capacity by another 5 lakh per day so this is beyond our normal capex. This is only the capex for the new facility.

**Subhankar Ojha:** And Sir this will be operational FY2024?

**N.K. Dujari:** Yes FY2024 Q4 we should be operational. First phase should be operational by Q4 FY2024.

**Subhankar Ojha:** And by when do you plan to launch this new product of Rs.20 and Rs.40 Pentonic variety.

**Deepak Jalan:** The Rs.40 pen is going to be actually we are already behind schedule. It should have been launched by now but it should definitely be launched in the next one month and the Rs.20 product we intend to launch latest by fourth quarter maybe even in third quarter but latest by fourth quarter.

**Subhankar Ojha:** Do you have any advertisement budget in terms for this two products or even otherwise and can you quantify how much do you plan to spend?

**Deepak Jalan:** Generally we have a budget of about 3% of our revenues to our advertising spend so whenever there is a new launch the majority of the budget is inclined to us and new launch so this is how generally we do our advertisement spend.

**Subhankar Ojha:** Thank you so much Sir and good luck for the future.

**Moderator:** The next question is a followup from the line of Subhankar Ojha from SKS Capital. Please go ahead.

**Subhankar Ojha:** Thanks again. You were saying expect 100 Crores of revenue can you give some number in terms of some colour. What figure you are doing right now and how do you plan to ramp it up.

**N.K. Dujari:** In the last quarter gone by we have done a figure of around 5 Crores from Deli.

**Deepak Jalan:** Just 5 Crores in the first quarter so this year we are expecting anything between 30 to 40 Crores so which will be actually a handsome growth over last year as we also estimate that by FY2025 we should touch 75 Crores and then the next step would be reaching 100 Crores in the following year so that is the kind of the journey or trajectory we intend to take.

**Subhankar Ojha:** Thank you again Sir.



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**Navin Agarwal:** I believe the presentation shared by the management and the opening remarks by Deepak ji have been detailed enough so in case there are any followup questions which do not come to your mind right now request you to share them with either Nikhil or myself or coordinators are mentioned on the invite. We will take them up with the management and get back to you so since there are no further questions I would like to hand over the conference to Mr. Sanjeev Sancheti for closing remarks. Sanjeev over to you.

**Sanjeev Sancheti:** Thank you Navin. Thank you everybody for joining this call. If you have any more questions please do reach out to Mr. Navin or to Mr. Dujari the number of Mr. Dujari is there on investor presentation. Please feel free to ask any question we will be happy to address them. Thanks a lot and have a great week ahead.

**Moderator:** Thank you very much. On behalf of SKP Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.