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# Q3 FY22 February 2022

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
- 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.

“

In spite of schools & colleges continuing to remain closed most of the quarter due to Covid restrictions, our revenue has grown sequentially as well as YoY. With colleges starting to open in a few states and schools & colleges slated to open in most of the other states, we expect strong growth in demand for our products in the coming quarters.

Raw material prices continued to remain heightened due to strong crude price; but we were able to improve GPM due to better sales mix. EBITDA margin improved handsomely YoY but fell QoQ due to the impact of increase in GST rates and company restarting its marketing efforts. We however continue to focus on increasing the share of higher margin products to improve our profitability.

Relentless focus on increasing sales touch points continues as we added 16,256 touch points in this quarter.

**Mr. Deepak Jalan**

Managing Director, Linc Limited



# Key Highlights.

**Total Income** up 34.4% YoY, 1.4% QoQ at ₹ 9,575 lacs

**Operating EBITDA** up 258.4% YoY at ₹ 671 lacs and Margin stood at 7%. **Operating EBITDA** Margin increased 440 basis points YoY

**Net Debt** reduced by ₹ 764 lacs from 31<sup>st</sup> March 2021 and stood at ₹ 143 lacs

**Gross Profit** up 62.8% YoY at ₹2,416 lacs and Margin stood at 25.3%

**Pentonic Sales** continued to grow and was over 25% of total revenue for 9M FY22 and its GPM stood at over 43%

**Net Debt/Equity** stood at 0.01 against 0.07 in FY 21 and **Net Debt/Operating EBITDA** stood at 0.07 against 0.89 in FY21



# Quarterly Highlights.

₹ Lacs

	Operating Revenue	Gross Profit	Operating EBITDA	PBT	PAT	Cash Profit <sup>1</sup>
	<b>9,533</b>	<b>2,416</b>	<b>671</b>	<b>369</b>	<b>279</b>	<b>615</b>
Growth (YOY)	34.4%	62.8%	258.4%	NA <sup>2</sup>	NA <sup>2</sup>	214%
Growth (QOQ)	1.5%	7.4%	-11.7%	-23.2%	-22.2%	-7.9%
Margin(%)		25.3% ↑	7.0% ↑	3.9% ↑	2.9% ↑	
Margin Expansion/Contraction (YOY)		443 bps	440 bps	628 bps	473 bps	
EPS/CEPS					1.87	4.14

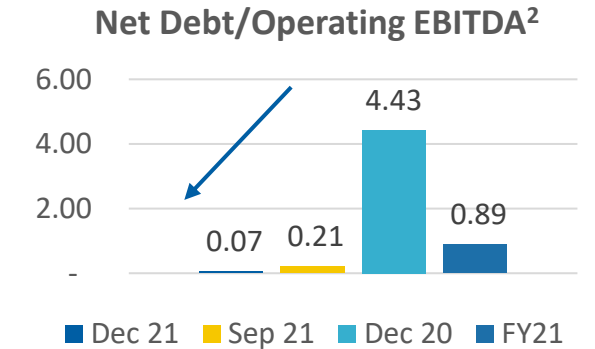
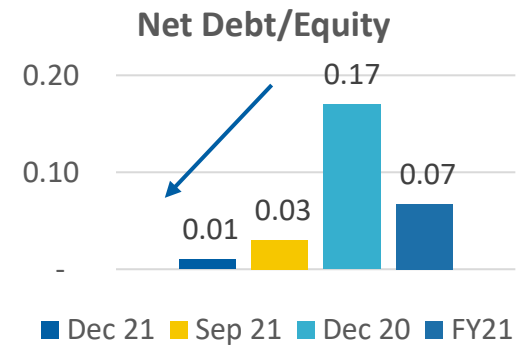
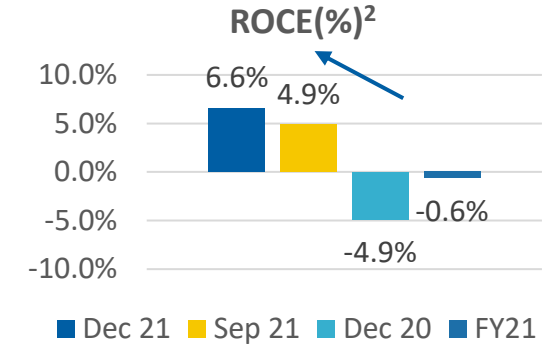
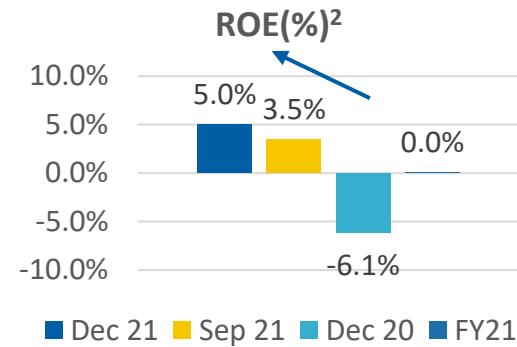
**Note:**

1. Cash Profit = PAT add Depreciation

2. Considered NA as PBT and PAT in Q3 FY 21 were negative

# Quarterly Highlights (Cont.)

Particulars	₹ Lacs	
	31-Dec-21	31-Mar-21
<b>Net Worth</b>	<b>13,979</b>	<b>13,471</b>
Short Term Borrowing	201	881
Long Term Borrowing	4	40
Gross Debt	205	921
Cash & Cash equivalent	63	14
<b>Net Debt</b>	<b>143</b>	<b>907</b>
Net Current Assets <sup>1</sup>	5,618	4,556
<b>Total Assets</b>	<b>19,864</b>	<b>20,046</b>



**Note:**

1. Net current assets excludes short term loans and cash & cash equivalents
2. Profit figures are YTD annualized

# Quarterly Highlights (Cont..)

₹ Lacs

Revenue	Writing Instruments			Other Products		
	Own Brands		Licensed Brands (Uni-Ball)	Own Brands		Licensed Brands (Deli)
	Pentonic	Linc & Others		Pentonic	Linc & Others	
Q3 FY22	2201	4772	1191	48	113	320
Sales Contribution (%)	25%	55%	14%	1%	1%	4%
Q3 FY21	1092	4057	941	29	115	240
Sales Contribution (%)	17%	63%	14%	0%	2%	4%
Q2 FY22	2533	4408	1196	84	163	292
Sales Contribution (%)	29%	51%	14%	1%	2%	3%
Growth YoY	102%	18%	27%	66%	-2%	33%
Growth QoQ	-13%	8%	0%	-43%	-31%	9%



# Quarterly Highlights (Cont..)

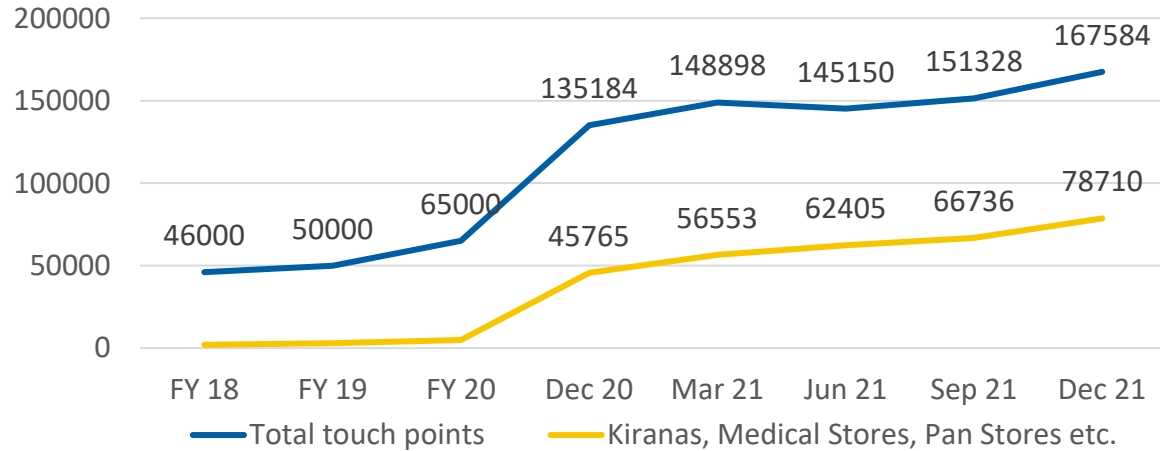
₹ Lacs

Revenue	Trade Channel				
	General Trade	Modern Trade	E-Commerce	Corporate	Exports
Q3 FY22	6043	469	90	309	1734
Sales Contribution (%)	70%	5%	1%	4%	20%
Q3 FY21	4291	211	124	541	1307
Sales Contribution (%)	67%	3%	2%	8%	20%
Q2 FY22	5900	403	218	407	1748
Sales Contribution (%)	68%	5%	2%	4%	20%
Growth YOY	41%	122%	-27%	-43%	33%
Growth QOQ	2%	16%	-59%	-24%	-1%

Q3 FY22

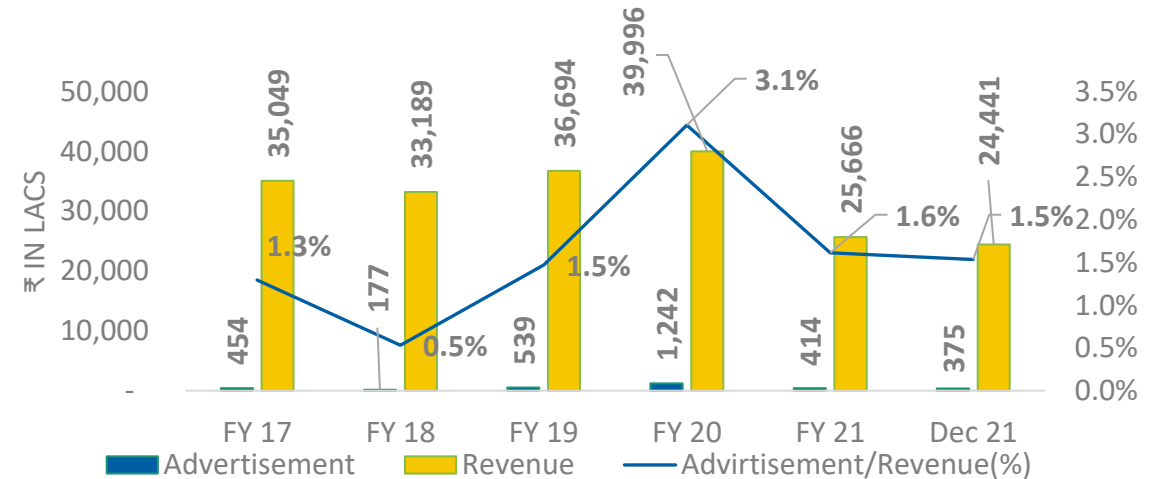
# Operational Highlights.

Increasing touch points



- Broken tradition by expanding to neighbourhood grocery stores (Kirana, Medical stores, Pan stores, etc.)
- Significant increase in touch points

Focus on brand building

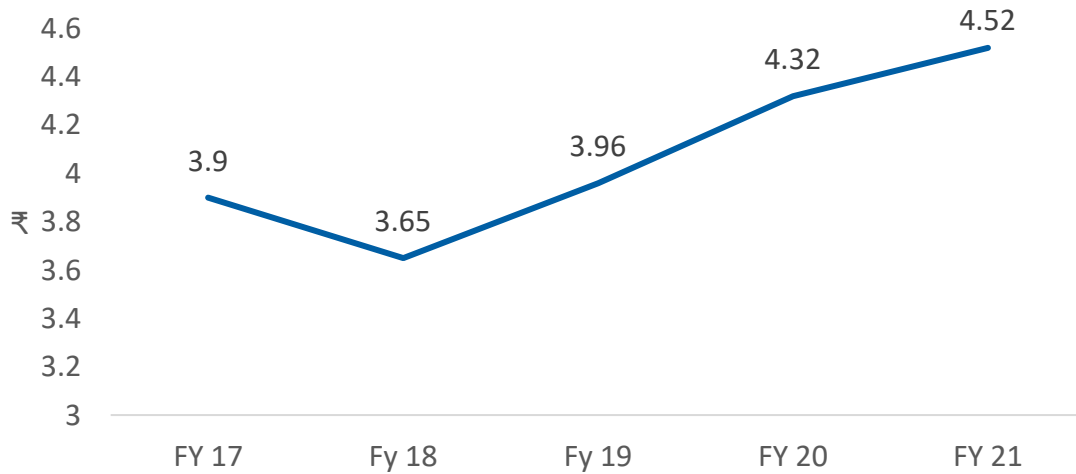


- Spent over ₹ 7500 lacs on brands over last 12 years
- 2.16% of revenue spent on brands over last 12 years
- Reduced spent during covid period to conserve cash
- **Step up brand spend going forward ~ 3% of revenue**

Q3 FY22

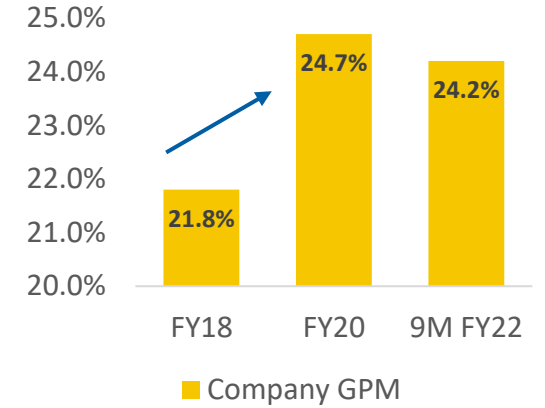
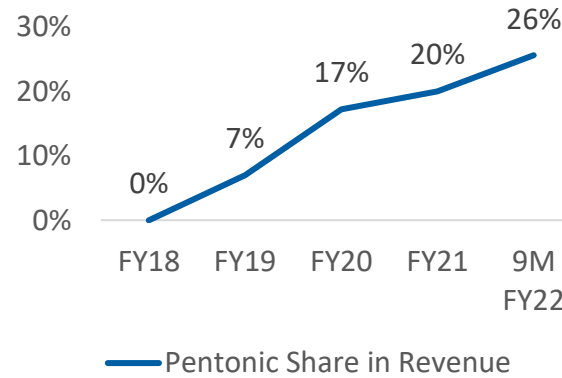
# Operational Highlights (Cont..)

**Growth in average realization**



- Consistent increase in average selling price in spite of covid challenges
- Average realization increase possible due to focus on higher priced products

**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 over 40%
- Significant increase in revenue share of Pentonic over the last 4 yrs
- Hence overall GPM of the Company has increased by ~ 300 basis point

# Quarterly Profit & Loss.

₹ Lacs

Particulars	Q3 FY 22	Q3 FY 21	YOY Change	Q2 FY22	QOQ Change	9M FY22	9M FY21	YOY Change	FY 21
Operating Income	9,533	7,093	34.4%	9,395	1.5%	24,441	16,290	50.0%	25,666
Gross Profit	2,416	1,484	62.8%	2,326	7.4%	5,905	3,586	64.7%	5,753
Gross Profit (%)	25.3%	20.9%	21.2%	23.9%	5.8%	24.2%	22.0%	9.8%	22.4%
Op EBITDA	671	187	258.4%	761	-11.7%	1,568	364	331.3%	1,017
Op EBITDA Margin (%)	7.0%	2.6%	166.6%	8.1%	-13.0%	6.4%	2.2%	187.4%	4.0%
Other Income	42	30	40.4%	44	-3.8%	127	33	290.1%	146
Finance Cost	8	65	-87.2%	15	-44.8%	53	255	-79.1%	274
Depreciation	337	324	3.9%	310	8.7%	955	963	-0.9%	1,269
PBT	369	-171	NA <sup>1</sup>	480	-23.2%	687	-822	NA <sup>1</sup>	-381
PAT	279	-128	NA <sup>1</sup>	358	-22.2%	514	-616	NA <sup>1</sup>	4
EPS (₹)	1.87	-0.86	NA <sup>1</sup>	2.41	-22.2%	3.46	-4.14	NA <sup>1</sup>	0.03

Note:

1. Considered NA as PBT, PAT &amp; EPS in Q3 FY 21 were negative

# Leadership.

## MR. DEEPAK JALAN

### Managing director,

- Commerce graduate with 35 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 30 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. 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 39 years' experience in capital markets

## MR. N.K.DUJARI

### Director finance & CFO,

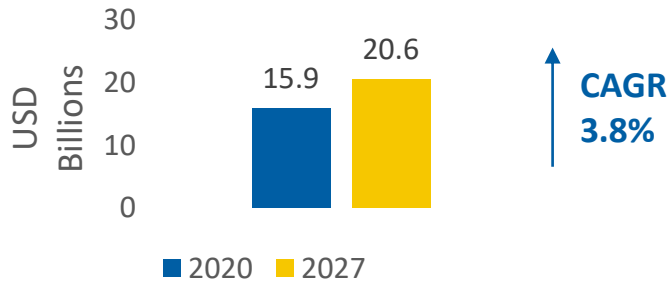
- Qualified Chartered Accountant with 34<sup>th</sup> Rank (All India) and a qualified Company Secretary
- Alumnus of St. Xavier's College, Calcutta with over 34 years of professional experience in varied fields
- Joined Linc in the year 2000



Q3 FY22

# Global Writing Instrument Industry Opportunity.

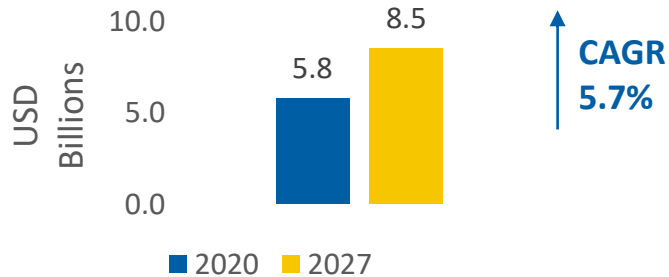
**Global Writing Instrument Industry**



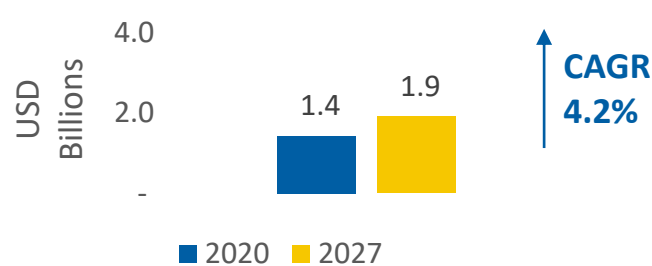
**Share of relevant market**

	2020	2027
Ball and Gel Pen	36%	41%
Roller	9%	9%
<b>Total</b>	<b>45%</b>	<b>50%</b>

**Ball Point and Gel Pen Industry**



**Roller Pens Industry**

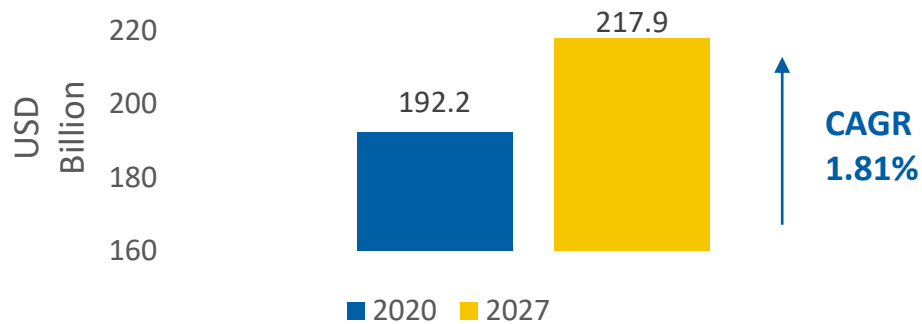


1. The Global writing instruments market is dominated by USA with a market share of 27%
2. Growth Drivers:
  - a) Demand for Luxury Instruments
  - b) Rising trend of corporate gifting
  - c) Rise in education in 3<sup>rd</sup> world countries
3. Corporate gifting market at USD 120 bn
4. Colouring instrument demand growing faster, due to surge in demand for highlighters, markers, etc
5. Pens continue to be the largest share at ~ 60%, growing at over 4% pa

Q3 FY22

# Global Stationery Industry Opportunity.

Global Stationery Products Market



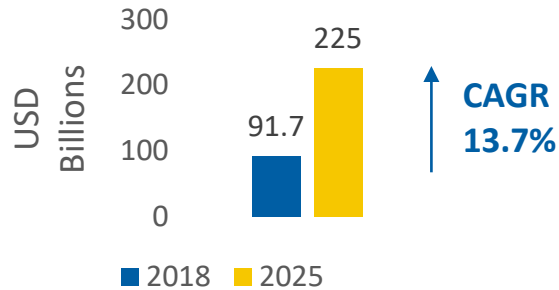
## Market Segments

- 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%

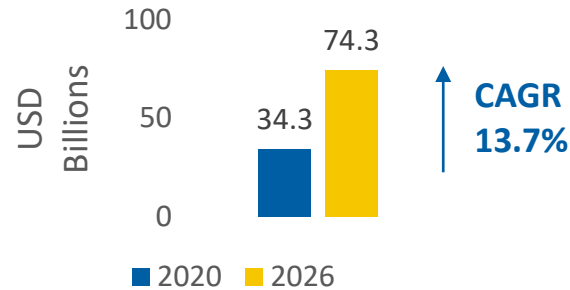
- The stationery industry is divided into paper and non-paper stationery, the latter accounting for the larger share
- Growth Drivers
  - Rising inclination towards higher education
  - Demand from corporate sector
  - Increase in customized and personalized stationery
  - Increased literacy rate in the developing world

# Opportunity in Indian Markets.

## Indian Education Market Size



## Indian School Market Size



- Largest population in age bracket of 5-24 years ~ 580 million
- Over 250 million school going students
- Indian education market expected to be ~ USD 225 billion by FY 25, growing at over 13%
- Budget estimates for 2022-23 show that the government will spend Rs 104,278 crore in the coming fiscal year on education

## Writing Instruments Market

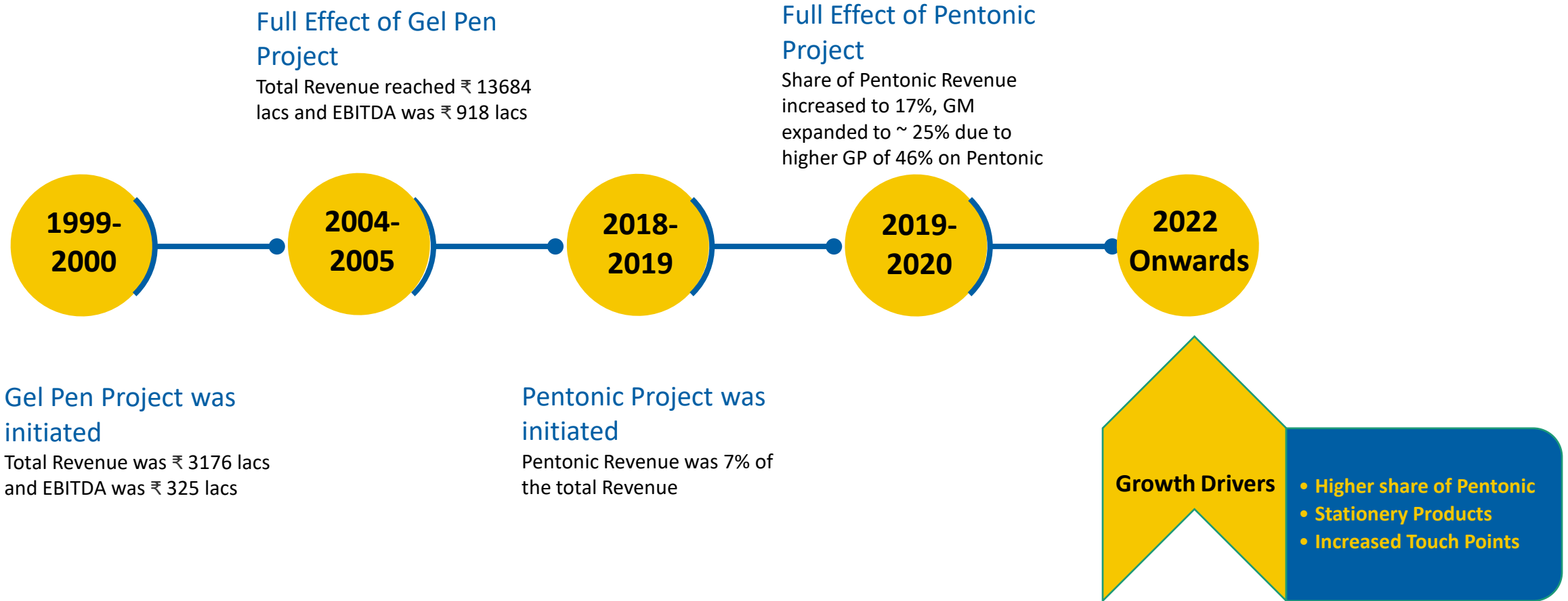
- Market size ~ ₹ 10,000 crs and growing at over 8% pa
- 80% of revenue from pen below ₹ 15 per piece
- Market for Pen below ₹ 15 growing at ~8%
- Market for Pen above ₹ 15 growing at ~ 10%
- 55% consumers are students; 20% are office goers
- Indian working population to grow ~20% and education market to grow ~ 14% , hence Writing Instrument growth prospects are very strong

## 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



# Evolution of Linc.

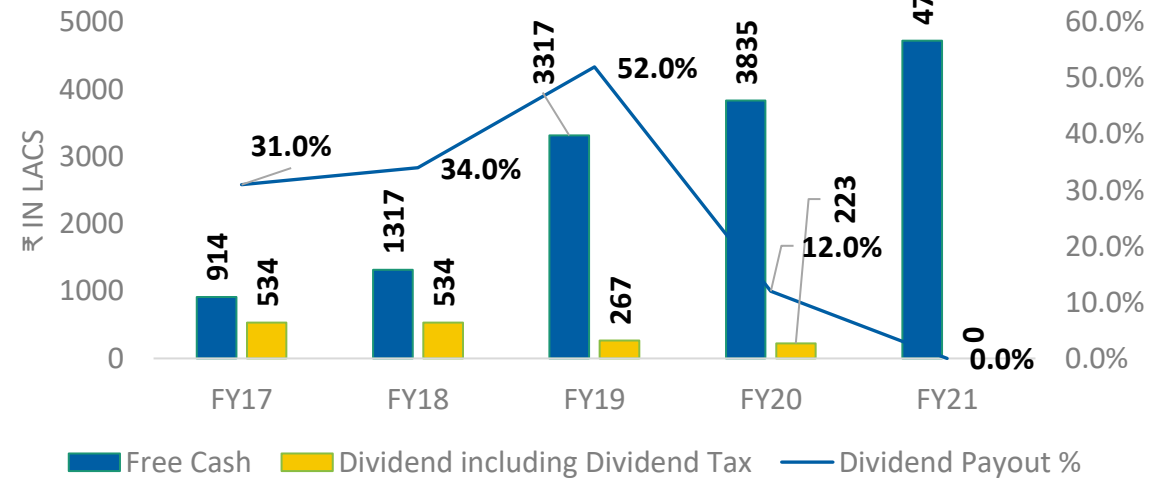


# Focus on Shareholder Value Creation.

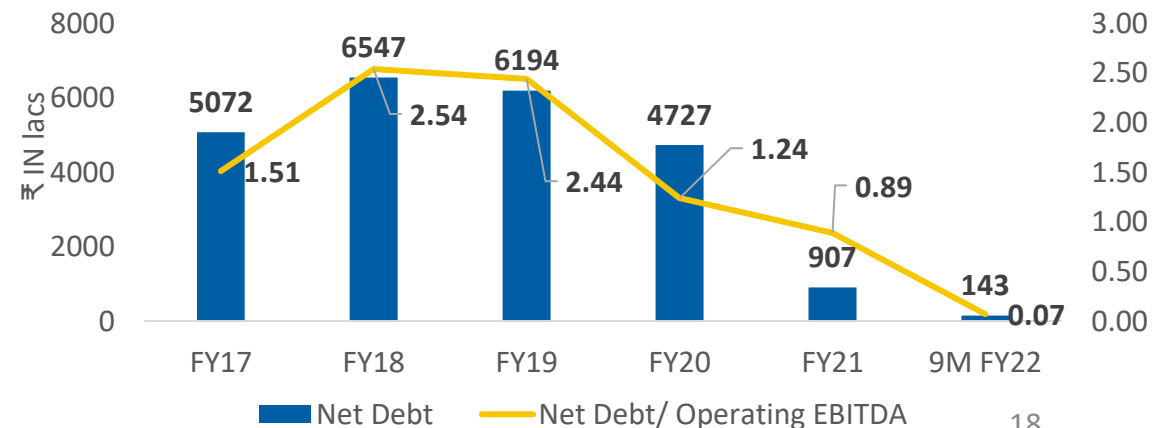
- Steady increase in Free Cash Flow
- Consistent Dividend Pay-out track record of greater than 30% .  
(Other than Covid years due to cash conservation).

- Steady and significant decrease in Net Debt.
- FCF used judiciously to reduce Net Debt to as low as ₹ 143 lacs in Dec 2021.
- Net Debt / EBITDA reduced significantly from peak of 2.54 in March 2018 to 0.07 in Dec 2021.

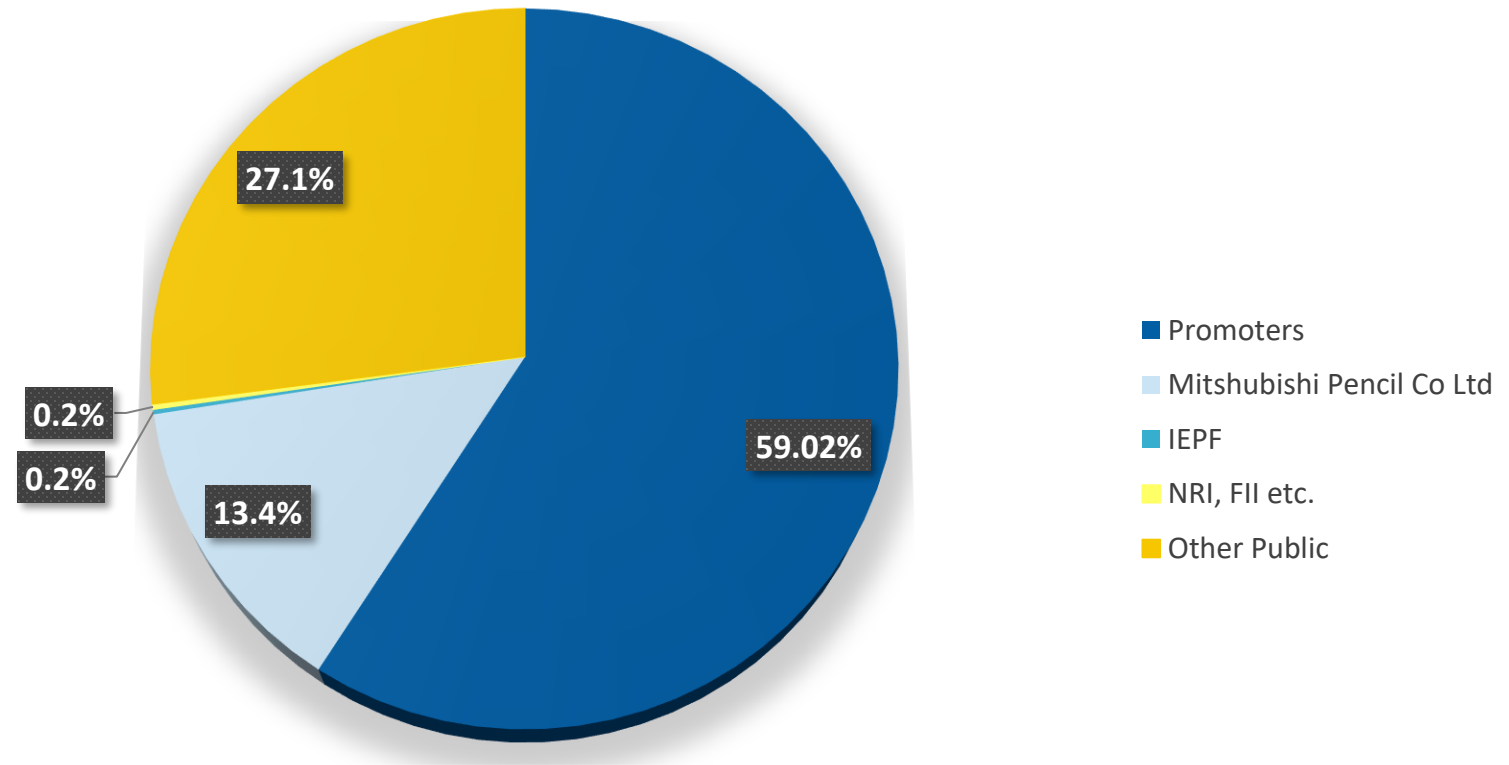
FCF VS DIVIDEND PAYOUT



Net Debt and Net Debt/Operating EBITDA



# Shareholding Pattern.



As on 31<sup>st</sup> Dec 21

# Why Linc?

**LINC**

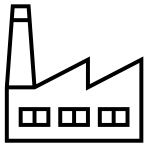
Strong Balance Sheet with very low leverage



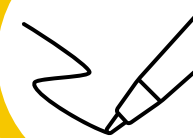
Education sector experiencing strong tail winds in India; hence demand for company's products will continue to grow



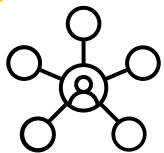
Strong in-house manufacturing facilities with judicious mix of outsourcing



Presence over all categories – Roller Pen, Gel Pen & Ball Pen - in affordable & mid market segment



Rapidly expanding distribution network  
Added over 1.2 lac touch points over the last 4 years



Margin Expansion - Focus on growing high margin products like Pentonic, whose share has been increasing significantly





# Summary of Financial Statements.

Q3 FY22

# Profit & Loss Summary.

₹ Lacs

Particulars	FY18	FY19	FY20	FY21	9M Q3 FY22	3M Q3 FY22
<b>Operating Income</b>	<b>33,189</b>	<b>36,694</b>	<b>39,699</b>	<b>25,666</b>	<b>24,441</b>	<b>9,533</b>
Growth (%) <sup>3</sup>	-5%	11%	8%	-35%	50%	34%
Gross Profit	7,232	7,434	9,805	5,753	5,905	2,416
<b>Gross Profit Margin</b>	<b>21.8%</b>	<b>20.3%</b>	<b>24.7%</b>	<b>22.4%</b>	<b>24.2%</b>	<b>25.3%</b>
Operating EBITDA	2,577	2,539	3,826	1,017	1,568	671
<b>Operating EBITDA Margin</b>	<b>7.8%</b>	<b>6.9%</b>	<b>9.6%</b>	<b>4.0%</b>	<b>6.4%</b>	<b>7.0%</b>
Other Income	116	243	301	146	127	42
Depreciation	960	1,046	1,254	1,269	955	337
Finance cost	485	629	546	274	53	8
<b>PBT</b>	<b>1,248</b>	<b>1,107</b>	<b>2,326</b>	<b>-381</b>	<b>687</b>	<b>369</b>
<b>PAT</b>	<b>784</b>	<b>515</b>	<b>1,925</b>	<b>4</b>	<b>514</b>	<b>279</b>
Cash Profit <sup>1</sup>	1,744	1,561	3,179	1,273	1,469	615
<b>EPS (₹)</b>	<b>5.30</b>	<b>3.48</b>	<b>12.94</b>	<b>0.03</b>	<b>3.46</b>	<b>1.87</b>

**Note:**

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

Q3 FY22

# Balance Sheet Summary.

₹ Lacs

Particulars	FY18	FY19	FY20	FY21	Dec 21
<b>Net Worth</b>	<b>12,077</b>	<b>12,337</b>	<b>13,697</b>	<b>13,471</b>	<b>13,979</b>
Short Term Loans	4,848	3,813	2,422	881	201
Long Term Loans	1,710	2,392	2,319	40	4
<b>Gross Debt</b>	<b>6,558</b>	<b>6,205</b>	<b>4,740</b>	<b>921</b>	<b>205</b>
Cash & Cash equivalent	11	11	13	14	63
<b>Net Debt</b>	<b>6,547</b>	<b>6,194</b>	<b>4,727</b>	<b>907</b>	<b>143</b>
Capital Employed <sup>1</sup>	19,324	19,388	19,199	15,025	14,798
Net Fixed Assets (incl CWIP)	6,706	7,541	7,870	7,106	8,040
Net Current Assets <sup>2</sup>	6,330	6,087	7,219	5,437	5,819
<b>Total Assets</b>	<b>23,705</b>	<b>23,240</b>	<b>24,535</b>	<b>20,046</b>	<b>19,864</b>

**Note:**

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

Q3 FY22

# Ratios Summary.

₹ Lacs

Particulars	Ratios	FY18	FY19	FY20	FY21	Dec 21
Solvency Ratios	Net Debt/Equity	0.54	0.50	0.35	0.07	0.01
	Net Debt/EBITDA	2.54	2.44	1.24	0.89	0.07
	EBIT/Interest	3.57	2.76	5.26	(0.39)	13.92
Operational Ratios	Current Ratio	1.74	1.68	1.85	1.92	2.12
	Fixed Asset Turnover	5.33	5.15	5.15	3.43	4.30
	Total Asset Turnover	1.49	1.56	1.66	1.15	1.63
	Inventory Days	130	107	113	154	112
	Debtor Days	47	44	40	56	35
	Payable Days	40	40	45	86	67
	Cash Conversion Cycle	137	111	108	124	80
Return Ratios	ROE	6.56%	4.22%	14.79%	0.03%	5.00%
	ROCE (Pre-tax)	9.42%	8.97%	14.89%	-0.62%	6.62%

**Note:**

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



Q3 FY22

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# Thank You.

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