



2<sup>nd</sup> November, 2024

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Dear Sir / Madam,

**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 (Group Conference) Call held on Wednesday, 30<sup>th</sup> October, 2024 which is simultaneously being uploaded on the website of the Company.

This is for your information and records.

Thanking You,

Yours faithfully,  
For LINC LIMITED

DIPANKAR DE  
*Company Secretary*

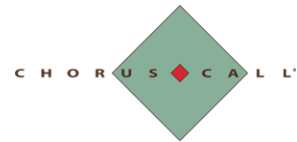


## **Transcript**

**Linc Limited**

**Q2 FY25 Earnings Conference Call**

**October 30, 2024**



## **Management**

**Mr. Deepak Jalan – Managing Director**

**Mr. Alope Jalan – Whole-Time Director**

**Mr. Rohit Deepak Jalan – Whole-Time Director**

**Mr. N.K. Dujari – Director, Finance & CFO**

**Mr. Sanjeev Sancheti – Uirtus Advisors LLC, Investor Relations Advisor**

## **SKP Securities Ltd**

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*Linc Limited*  
*October 30, 2024*

**Moderator:** Good evening, ladies and gentlemen. Welcome to the Linc Limited's Q2 FY25 Earnings Conference call. 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 management's opening remarks. Should you need assistance during the call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Navin Agrawal, Head Institutional Equities at SKP Securities Limited. Thank you, and over to you, sir.

**Navin Agrawal:** Good day, ladies and gentlemen. I am pleased to welcome you to Linc Limited's Q2 FY25 Results Conference call. We have with us Mr. Deepak Jalan, Managing Director, Mr. Alopek Jalan, Whole-Time Director, Mr. Rohit Deepak Jalan, Whole-Time Director Mr. NK Dujari, Director of Finance and CFO, and Mr. Sanjeev Sancheti from Uirtus Advisors LLC, the company's IR Advisor. We'll have the opening remarks from Mr. Jalan, followed by a Q&A session. Thank you, and over to you, Deepakji.

**Deepak Jalan:** Thank you, Navin. Happy Diwali to everyone. Good afternoon, and thank you for joining us. We are pleased to report that Q2 FY25 has been a quarter of good progress and exciting milestones for Linc Limited as we continue to strengthen our market position and enhance shareholder value. In celebration of Linc's 30th anniversary, our Board has approved a 1-1 bonus issue and a stock split, subdividing each equity share with a face value of INR10 into two shares with a face value of INR5, pending shareholder approval.

These measures demonstrate our commitment to increasing shareholder value. Moving to our quarterly results, we achieved an operating income of INR13,728 lakhs, marking a 4.6% growth year-on-year, with Pentonic leading the charge and recording a robust 24% growth in Q2. Our gross profit margin improved to 31.8%, driven by a favourable product mix shift led by Pentonic's strong performance.

Our profit after tax rose by 14% year-on-year to INR879 lakhs, with our PAT margin increasing to 6.4%. Turning to new product developments, in the recent few months, we have launched three new pens at price points of INR20, INR30 and INR40 in select markets, with a nationwide rollout underway. Early feedback has been encouraging and we expect the positive impact of these launches to be reflected in upcoming quarters.

Additionally, we are making our entry into the mechanical pencil category, with launches under both the Linc and Pentonic brands in the second half of this fiscal. We are also preparing for the launch of a Pentonic-branded mathematical drawing instrument in Q4, followed by a range of markers set for a test launch in the same quarter. A major highlight this quarter is our joint venture with Mitsubishi Pencil Company of Japan to produce uni products in India for the domestic market and exports to ASEAN countries.

This partnership enables us to bring affordable, high-quality uni products to a broader customer base, a segment where Mitsubishi currently has limited offerings. By leveraging Mitsubishi's

established export channels, we are poised to capitalize on growth opportunities in the ASEAN region while also expanding our product mix domestically. We understand there may be some concern about potential overlap with our Pentonic line, which also has a few offerings in the same price range.

However, we want to reassure that Pentonic products in this segment are distinct in design and features, ensuring minimal risk of cannibalization. The uni products will occupy a complementary position within this price bracket, allowing us to strengthen our presence in an underrepresented market segment. Importantly, our commitment to Pentonic remains steadfast.

As a highly profitable core brand, Pentonic's growth and market leadership will continue to be top priorities. The JV allows us to broaden our product portfolio and reach new customer segments without diluting our focus on Pentonic's success. On the export front, in the first half of this fiscal, on a standalone basis, we had a growth of 13% year-on-year, and on a consolidation basis, after considering the Kenya factory, it's 24% year-on-year.

In summary, these strategic initiatives position us strongly for sustained growth and market leadership. We are confident that our efforts will drive continued progress and value creation for our shareholders in the years ahead. Thank you. I will now turn the call over to Mr. Dujari for Financial Insights.

**N K Dujari:**

Thank you Mr. Jalan and good afternoon, everyone. I appreciate your joining us for the FY '25 Q2 Financial Review. For Q2 FY '25, our revenue rose by 4.6% to INR13,728 lakhs, up from INR13,122 lakhs in Q2 FY '24. Operating EBITDA experienced significant growth, increasing by 29.5% year-over-year to INR169 lakhs, with an operating EBITDA margin of 11.9%. PAT also improved by 14% year-on-year, reaching INR879 lakhs and achieving a PAT margin of 6.4%.

Operational efficiency remained strong, generating a cash flow of INR271 lakhs from operations. Further, our net debt was negative at INR475 lakhs, underscoring our focus on maintaining a resilient balance sheet. Looking forward, we are confident in achieving our projected medium-term revenue growth of 17% to 20% CAGR, driven by well-aligned strategic initiatives and robust business fundamentals.

We now welcome your questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vaidik from Monarch Network Capital. Please go ahead.

**Vaidik:**

Congratulations, sir, on a good set of numbers. I have two questions. First one, I wanted to understand more about the partnership with Uniball, which we have taken place. Which type of products are we going to target over here? And how will our target audience be different with that of Pentonic, if that's the case?

**Deepak Jalan:** Okay, Vaidik, you know, I've already explained in my opening statement that the price segment is going to be in the, INR20 to INR50. And of course, as I mentioned that in even under Pentonic brand, we have products at INR20, INR30 and INR40 rupees. Which we have recently launched.

But what I wish to mention here is that, you know, we have quite a limited offering in this price segment and which we believe is, you know, growing. So, you know, while there are Pentonic pens in this price segment, Uniball will have products which would be different in design, different in features. So, as such, we will be able to offer, a wider choice to our, you know, customers. So, that's the strategy behind this project.

**Vaidik:** Okay, sir. But, sir, my question over here would be that our target audience would be same for Pentonic as well as Uniball, right? Because since we have the same...

**Deepak Jalan:** Generally, Yes. Generally, yes.

**Vaidik:** So, sir, don't you think that this might hamper our Pentonic's revenue contribution?

**Deepak Jalan:** Not really. First of all, as I mentioned that, the products which we have recently launched under Pentonic. So, these INR20, INR30 and INR40, they have been recently launched. So, they are actually, growing now. And since, see, if you go to any stationary shop, you will find maybe, you know, 50 products at a particular price point. So, and the customers, they choose, you know, from those 50 products.

So, let's say if we have two products at 20 rupees from Pentonic. So, the possibility of Pentonic being picked up is only 4%. Let's say if we have two Uniball products also. So, our possibility of being picked up doubles. So, that is the point which I am trying to, you know, explain. So, we don't find any such challenge here. And we are happy that we will be able to offer a wider, you know, choice to our customers.

**Vaidik:** Okay. And sir, what would be our margins over here in these type of products for Uniball since Pentonic is a high margin product? And our target audience is also the same. And we will be pushing these products as well for Uniball as well. So, don't you think our margins can be hampered?

**Deepak Jalan:** So, as I may have mentioned in my previous call regarding the joint venture, the margins in case of Uniball is about 20% for the JV and 20% for the Linc Limited. So that's how the margin is distributed. It is approximate, you know, number. Whereas, of course, in Pentonic as you know that we have margins 40% upwards. So, of course, it is going to be our priority. But there are certain products which Uniball can produce better than us. So that's the reason that we want to have some Uniball products in this price range, which we are not able to produce so well.

**Vaidik:** Okay, sir. And sir, in terms of distribution for Uniball, are we going to use our same distribution model in which we use for Pentonic?

- Deepak Jalan:** Even today, we have the same distribution for both Pentonic and Uniball. So we are going to have the same distribution channel going forward also. But if necessary in future, if the range increases, then we may have to consider a separate channel only in the metro or Tier 1 cities. So that's the call which we will take once we have more products in the basket.
- Vaidik:** Okay, sir. Got it. And sir, my second question would be on our revenue guidance. So, sir, we are targeting 17% to 18% revenue growth in the coming years. So how confident are we because in -- if we see in first two quarters, we've done around INR267 crores and 17%-18% growth means around INR600 crores of revenue for FY '25. So that means for the next two quarters, we will have to grow by more than 20%. So how confident are we on achieving that growth number?
- Deepak Jalan:** So I think your concern is absolutely right. In the first half, we are only about 9% while we are talking of 17% to 20% of CAGR in the medium term. But I would like to say that we have done a lot of seeding work in last couple of quarters in terms of joint ventures, in terms of new product development and in terms of exports, new geographies opening up. So we are confident that all these seeding work is going to pay back in the future. So while the current fiscal may be less than 17% to 20%, we are confident that we'll be able to deliver a CAGR of 17% to 20% in the medium term.
- Vaidik:** Okay, sir. Sir, also on margins front, in FY '24, we emulated 11.1% EBITDA margins. And in the first two quarters, we already surpassed that. So with Uniball revenue contribution to increase going forward, do you think our margins would be hampered by few debts here and there?
- Deepak Jalan:** I don't think so because, as I mentioned that the products -- the three products which I mentioned at INR20, INR30 and INR40 rupees in Pentonic, they are yet to be scaled up. So once they are scaled up across the country, we are going to benefit from those products. So we are going to be not worse than what we are today. It could only be slightly better, I would say.
- Vaidik:** Sir, what would be a target in terms of margins going forward?
- Deepak Jalan:** I don't want to give any target. I would rather like it to be a pleasant surprise for you. Because if I give a target, I'm at the back foot. So I prefer not to give a target right now. But I'm sure you must have understood that since you can see the trend. So the trend is improving. And given the raw material prices being stable, we are quite upbeat on the margin front.
- Moderator:** The next question is from Zaki Nasaer, who is an individual investor. Please go ahead.
- Zaki Nasaer:** Hello Deepak bhai Namaskar and I think wishing everybody and your team a fantastic Diwali, sir. And I think congratulations on your wonderful tie-up with Mitsubishi. Sir, could you just share the nature of this tie-up? Sorry, I joined a little late if you would have. Would this entail some kind of technology transfer to Linc best manufacturing practices, again what about the use of the brand? How does that work? What kind of sales would you be expecting from the manufacturing setup over here, the gross nature and outlines of this?

**Deepak Jalan:**

We had a separate investor call regarding this joint venture once we had signed it up. So probably you were not there. So I'll just go through the brief. So this is a joint venture between Mitsubishi Pencil Company of Japan and Link Limited. It's 51% for Mitsubishi and 49% for Link because they wanted to consolidate. And since they are the principal company, they wanted to have the majority.

So, we will continue to import Uniball products which we are currently distributing as it is. So there is no change in that, but currently uniball products are in the price range of above INR50 in India. And our main selling product in Uniball is INR80. So, actually Mitsubishi has been missing any penetration in the price segment of INR20, INR30 or INR50. So that was the endeavor that if we could launch a Uniball product in this price segment, which is actually a growing price segment.

So we are developing, to begin with, we are developing three products which are specially designed for Indian market as well as for ASEAN countries. So, once these products are launched, Mitsubishi will also have a market offering in this price segment. And apart from the domestic market, since Mitsubishi does not have any significant product in this price segment, even for exports. So we are targeting ASEAN countries for these products which will be produced in India.

And so that is something which we are quite excited about, because they already have the distribution channel. And so these products would be distributed through their existing channel. So this can be actually it's really very difficult to visualize today, but we are looking at it excitedly because this can be a huge opportunity as you rightly mentioned. So, this is about it and then the initial projection, which we have made for first 3 years is about INR200 crores of revenue from the joint venture company.

**Zaki Nasaer:**

So that is apart from the regular business?

**Deepak Jalan:**

So, this is additional, this is a JV revenue INR200 crores. So nothing to do with. So, out of this INR200 crores, let's say if it is 50% of it is distributed in India, then we gain that much revenue. The Linc Limited gets gains that much of a revenue from Uniball products. So, this is the brief about this joint venture. And we have been actually looking forward to this joint venture for last more than 10 years. So finally we were able to crack it.

**Zaki Nasaer:**

Fantastic, sir. And hopefully you would be thinking on something like same lines with Deli also, sir?

**Deepak Jalan:**

Yes, so Delhi right now, considering the Indian government's relations with China, which, of course, the last two days has improved. So, Yes, things could be, Yes, something like this could happen, but I don't want to really comment on that at this point of time. But Yes, we are quite optimistic.

**Zaki Nasaer:**

Fantastic Deepak Bhai. Best wishes, sir. And have a wonderful year ahead, sir.



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- Deepak Jalan:** Thank you so much for your wishes.
- Moderator:** The next question is from Sakshee Chhabra from Svan Investments. Please go ahead.
- Sakshee Chhabra:** Yes, so I just wanted to understand a little more on your exports. So what is the growth that you are envisaging in the coming years in the export market? And also, if you can throw some more light on the Kenya business.
- Deepak Jalan:** Okay, so Rohit is here who looks after exports, and I would ask Rohit to brief you on the international business.
- Rohit:** So, exports, we've done better than last year in H1. H2 basically, the skew and the traction is higher in H2, so we are expecting better growth in H2.
- Sakshee Chhabra:** Okay.
- Rohit:** And as far as Kenya is, concerned, so of course, it's moving slightly slower than expected. So our team has been in the region entire, last month, and we've been meeting all our customers and distributors that we've built in last about one year or so in Egypt, Tanzania, Uganda, Kenya in itself. And we're seeing positive, traction and feedback on the products, we've launched from Kenya market.
- We have some, feedback which we are going to work on in next one quarter. So beyond that, I think, you know, things should shape up and catch better pace.
- Sakshee Chhabra:** Okay, so in, but in the coming years, what is the revenue growth that you are seeing in terms of your international business?
- Rohit:** I think we will have similar CAGR of 17% to 20% in export also. JV export will, the JV export will come in the JV company. So we are talking about the next.
- Sakshee Chhabra:** I mean, excluding the JV, I'm talking about your current business, what is the growth you are envisaging? Similar growth in international as well as domestic.
- Rohit:** Right. Absolutely.
- Sakshee Chhabra:** Oh, thank you.
- Rohit:** All right. Thank you.
- Moderator:** Well, as there are no further questions, I would now like to hand the conference over to Mr. Jalan for closing comments.
- Deepak Jalan:** Thank you, Naveen. I've already mentioned in our opening statement that we are very excited about the future and we are committed to increase shareholder value by delivering better





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numbers every quarter. And Yes, that's about it. Happy Diwali to everyone. And thank you very much.

**Management:**

Thanks a lot, Naveen. Thanks everybody for joining in just before the Diwali. We really appreciate that. And Happy Diwali to everybody. Thank you.

**Moderator:**

On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.