LINC

27th August, 2019

The Listing Department, The Calcutta Stock Exchange Ltd. 7, Lyons Range, Kolkata – 700 001	The Manager The Department of Corporate Services, BSE Limited, P. J. Towers, Dalal Street, Mumbai – 400 001	The Manager, The Listing Department, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

Dear Sir,

Re : MD's Speech at 25th Annual General Meeting

Please find enclosed herewith the Speech delivered by Managing Director at the 25th Annual General Meeting held on 26th August, 2019.

Thanking You

Yours faithfully

For LINC PEN & PLASTICS LTD.

N. K. DUJARI
Chief Financial Officer &
Company Secretary

Encl : as above

MD's statement for AGM

Good afternoon ladies and gentlemen, shareholders and colleagues.

It gives me immense pleasure to welcome you all to the 25th Annual General Meeting of Linc Pen & Plastics Ltd.

I am pleased to report that the Company delivered reasonable results in a challenging 2018-19.

In 2018-19, India reported a GDP growth rate of 6.8% owing to weakness in the last two quarters. Though the year started on a positive note with GDP growth rate strengthening to 8% in the first quarter, growth moderated to 7% in the second quarter, dropped to 6.6% in the third and touched a five-year low 5.8% in the fourth quarter.

The writing instruments industry has been affected by over-supply and commoditisation in the last few years. Most brand owners have operated with a wholesaler's mindset rather than a marketer's mindset. As a result, sectoral profit margins remained under pressure, and innovation was lacking in the absence of limited resources available with companies. The result was a high product availability and cut throat competition.

Linc Pen's financial performance during 2018-19 was presented in comprehensive detail in the Annual Report. Despite lower profits, the Board of Directors proposed the same equity dividend of Rs 1.50 per share, increasing the payout ratio from 34% from the previous fiscal to 49% in the year under review.

At Linc, like other pen brands, we encountered a resistance to increased prices of existing products. However, we countered this reality through the development of differentiated products over the last few years and finally developed an unique product 'Linc Twinn' ball pen with the help of our in-house R&D in 2013-14.

Since then, Linc has been continuously striving to manufacture unique products to differentiate from peers and fortify our market position. Over the years, we launched differentiated products like 'Linc Twinn', 'Linc Touch' and 'Linc plus one'. We followed this with the launch of 'Pentonic'; gaining traction country-wide due to its premium appeal. We reinvested in the brand utilising superior cash flows from the product. The full benefits of the Pentonic launch shall accrue in 2019-20 and the foreseeable future.

Consequently, Linc posted handsome results in the first quarter of 2019-20: PAT of Rs. 427 lakhs, backed by revenue growth of 20.8%, which was one of the best performances in recent years. The EBITDA margin of 10.7% was the first ever time that the Company reported a double-digit EBITDA margin in any quarter. The Company also spent Rs. 272 lakhs on advertisement during the period compared to Rs. 43 lakhs in the corresponding period last year.

Outlook

Following success of the Pentonic ball pen, the launch of Pentonic gel pen in July'19 received a favourable initial feedback that should boost the financials in the coming quarters. The Company is coming up with another product under the 'Pentonic' brand umbrella - a retractable ball pen priced at Rs. 20 in 2019-20. The company is targeting double-digit revenue growth every successive quarter and the share of revenues from the Rs.10 and above segment is projected at 50% of domestic revenues by 2020-21.

In the current financial year, Company is expecting moderate growth in exports due to several global challenges. However, low margin products are being replaced by the likes of the Pentonic ball pen, which should help the company considerably improve its overall profitability.

CSR Activities

Our Company spent around Rs.16 lakhs in the year under review, which accounted for 1.6% of the average profits. As a responsible corporate citizen, the Company is involved in various other CSR activities, which are not covered under the prescribed CSR activities. In 2019-20, the Company expects to spend well above 2% of its average profits in CSR.

In conclusion

I express my appreciation to the Board for their wise counsel and guidance, while adhering to high standards of corporate governance. I would also like to express my sincere gratitude towards all our channel partners (our extended arm), business associates and employees for their dedicated contribution. We truly value the continued patronage of our esteemed customers. I would also like to thank my fellow Directors and loyal shareholders for their continued confidence and support.