LINC PENS
Encouraging Literacy

QUARTERLY UPDATE
(Q2, FY15)

Core developments during Q1 and Q2 of FY15

Domestic

- Enhanced domestic sales by 7% to ₹117.36 cr in the first half of FY15 compared to a 0.30% decrease in the corresponding period FY14.
- Emphasized value-addition; sale of writing instruments priced at ₹10 and above grew 35% and 44% in Q1 and Q2 FY15 respectively over their corresponding quarters in FY14; attractive head room as this segment contributes less than 10% of turnover.
- Launched three products (two in the ₹10 and above segment); one product re-launch; focus on margin expansion.
- Sustained region-specific promotional spending - ₹3.53 cr during the first two quarters compared with ₹3.01 cr during the same period FY14; planned spending strengthened margins.
- Phased out five low volume/ profitability products; enhanced portfolio focus and brand-spend efficiency.

Exports

- Exports declined 3.7% to ₹39.30 cr in the first half of FY15 compared to a 8.4% growth in the corresponding period FY14.
- Exports affected by political turmoil in Iraq, Syria and Yemen, Ebola scare in West African countries and Crimea crisis in Ukraine.
- Exported products to more than 40 countries (including two new countries in the first half FY15).
- Launched two products (Linc Twinn and Corona Plus).

Updates

- Moderated working capital cycle (inventory and debtors) by nine days to 121 days; corresponding reduction in finance costs.
- Moderated outsourcing; moderated costs and enhanced value-addition.

Results update

Revenue (₹ in crore)

Q3, FY14	71.41 (69.04)
Q4, FY14	92.25 (88.35)
Q1, FY15	73.04 (69.50)
Q2, FY15	83.62 (80.94)

Exports (₹ in crore)

Q3, FY14	20.99 (16.45)
Q4, FY14	29.30 (22.95)
Q1, FY15	16.15 (23.24)
Q2, FY15	23.15 (23.24)

Exports (% of total revenue)

Q3, FY14	29.4 (23.8)
Q4, FY14	31.8 (26.0)
Q1, FY15	22.1 (25.3)
Q2, FY15	27.7 (28.7)

PAT (₹ in crore)

Q3, FY14	2.53 (0.76)
Q4, FY14	3.77 (3.10)
Q1, FY15	3.29 (1.67)
Q2, FY15	4.07 (3.17)

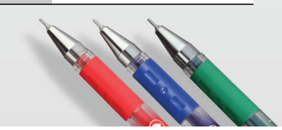
EBIDTA margin (%)

Q3, FY14	7.6 (3.8)
Q4, FY14	8.0 (6.3)
Q1, FY15	8.0 (5.2)
Q2, FY15	8.1 (7.0)

Note: Figures in brackets are for same period during the previous year

Working capital cycle (including inventory and debtors; in days)

H1, FY14	132
FY14	130
H1, FY15	121



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About Linc

Linc Pen & Plastics Limited (established 1994) is one of India's leading writing instrument brands. The company, comprising a brand recall of 'If it is Linc, it must be good' reported revenues of ₹314 cr in FY14. The Company is headquartered in Kolkata; the company's products are available pan-India and in over 40 countries.

Managing Director's message

Dear friends,

At Linc, we recognise that we are placed at the cusp of an attractive opportunity.

A new government in New Delhi augurs well for the reforms momentum on the one hand and market sentiment on the other, both of which are positive for an FMCG company like ours.

Even as this trend appears to be unfolding, we have embarked on a number of proactive initiatives to strengthen our competitiveness.

One, we recognise that in a commoditising market, it is imperative to play the brand game more competently than ever before as an insurance against price erosion. This brand-centric focus is the result of some emerging insights: the consumer is increasingly conscious of the kind of writing instrument he or she uses; there is a willingness to pay more for a superior writing instrument; there is a greater respect for product utility in an evolving market. At Linc, we responded to this reality through portfolio restructuring on the one hand, which resulted in our dropping slow movers and launching new products. More specifically, Linc focused on launching value-added writing instruments and consciously increasing sticker prices in sharp contrast to its retrospective strategy of pricing products lower in the anticipation of an increase in market share.

Two, we focused on cost rationalization by reducing our dependence on outsourcing; we invested in contemporary technology that strengthened our quality; we commissioned separate assembling units, to cater to our export and domestic needs respectively, besides the two existing manufacturing facilities.

I am optimistic that our volume-value initiatives will enrich our revenues and profitability, enhancing value for all those who own shares in our company.

Best wishes,
Deepak Jalan

Our six commandments for reinforcing business sustainability

- Increase sales of value-added products.
- Aim to reach the target of ₹100 crore in export earnings during FY15.
- Target a further 10% reduction in working capital levels by reducing inventory and debtors.
- Launch Linc Twinn Gel (gel pen with a pencil) during Q3, following the success of Linc Twinn (ball pen with a pencil) launched last year. This product is primarily targeting schoolchildren, our largest consumer base.
- Automate assembly operations of two more focus products (including Linc Twinn) from Q4, with resultant improvement in productivity and profitability.
- With softening crude prices, the Company expects resultant benefits (with a time lag of two to four months), if prices continue to stay at lower levels (than a third of the raw materials used are crude-based).