

Corporate developments during the quarter

Domestic

- Linc enhanced domestic sales by nearly 8% in the first quarter of FY16 over the corresponding period of FY15.
- Linc continued its focus on the value-added segment (writing instruments priced ₹10 and above); sales of this segment grew 18% in Q1, FY16 over the corresponding quarter of FY15. The Company believes there is attractive headroom in this niche segment.
- Linc increased its advertisement spend from ₹144 lac in Q1, FY15 to ₹294 lac in Q1, FY16, with an eye on the future growth targets.
- Linc expanded its Southern India presence through various initiatives; there was a 25% sales growth from this geography.

Exports

- Unfavourable global geopolitical realities moderated exports during Q4, FY15. However with the help of various measures taken, the Company reported 11.7% increase in exports during Q1, FY16 compared to the corresponding quarter of FY15.

- During Q1 FY16, the Company entered two new countries, widening its global presence further.
- Linc launched two new products in the global market during the quarter under review

Updates

- Linc improved its working capital management further, though marginally, and reduced its working capital cycle (inventory and debtors days) from 121 days (inventory and debtors days) from 121 days of turnover equivalent in Q4, FY15 to 116 days in Q1, FY16.
- The Company reduced its finance costs by nearly 55% in Q1, FY16. Finance costs declined from ₹46.91 lac as on Q4, FY15 to ₹21.04 lac as on Q1, FY16, largely on account of lower working capital levels.
- Linc enhanced in-house assembly capacity by 50 lac units per month by the end of Q1, FY16. This will help in improving supply chain efficiencies.
- Linc launched a range of colour pencils to strengthen its stationery portfolio.

Results update

Revenue (₹ in lac)	
Q1, FY16	7,918.63
Q4, FY15	9,259.70
Q1, FY15	7,303.70
Growth (Q1, FY16 over Q1, FY15)	8%

Exports (₹ in lac)

Q1, FY16	1,803.64
Q4, FY15	2,868.08
Q1, FY15	1,615.14
Growth (Q1, FY16 over Q1, FY15)	11.7%

Exports (% of total revenues)

Q1, FY16	22.8
Q4, FY15	31.0
Q1, FY15	22.2
Growth (Q1, FY16 over Q1, FY15)	60 bps

PAT (₹ in lac)

Q1, FY16	373.90
Q4, FY15	382.46
Q1, FY15	329.03
Growth (Q1, FY16 over Q1, FY15)	13.6%

EBIDTA margin (%)

Q1, FY16	8.1
Q4, FY15	7.4
Q1, FY15	8.0
Growth (Q1, FY16 over Q1, FY15)	10 bps



About Linc

Linc Pen & Plastics Limited (established 1994) is one of India's leading writing instrument brands. The Company known by its brand recall: 'If it is Linc, it must be good' reported revenues of ₹318 crore in FY15. The Company is headquartered in Kolkata and its products are available across India as well as in 50 countries around the globe.



QUARTERLY UPDATE

(Q3, FY15)

Managing Director's message

Dear friends,

At Linc, the last quarter was an interesting phase for the Company as Linc continued to evolve and adapt in an ever-changing global marketplace. In line with our strategy of focusing on topline growth, the Company achieved a nearly-double digit sales growth after a gap of almost four quarters.

Another major event that transpired in the last quarter was the improvement in the exports scenario with the political turmoil subsiding in certain regions. We also marked our presence in a couple of new countries in Q1, FY16 and launched a couple of new products in the international market as well. This led to a growth in our exports by nearly 12% in Q1, FY16 compared to the Q1, FY15.

From a domestic standpoint, we grew by around 8% in Q1, FY16. Our advertising expenses stood at ₹294 lac in the said quarter compared to ₹144 lac in the same quarter during the previous year.

Going forward, we intend to focus on geographies like Southern India, where we increased our visibility over the last few quarters, evident from a 25% increase in sales in Southern India in Q1, FY16.

We will continue with our product reengineering strategy in terms of utilising alternate raw materials to reduce costs without compromising on quality. And in line with our cost optimisation strategy we continued to invest in contemporary technologies, which are expected to strengthen product quality, reduce labour costs and overheads. At Linc, we are focused on

achieving a double-digit topline growth with improved margins, strengthening our ROE.

Optimism in Q2, FY16

- With global geopolitical tensions subsiding, we intend to enhance exports.
- We intend to launch another two new products in the international market.
- We intend to strengthen our branding to enhance customer loyalty.
- We intend to launch Linc Touch (pen and stylus combined in one) at an MRP of ₹20, the next installment in the Linc smart pen series.

Having achieved an attractive volume-value balance, we expect to enhance revenues and profitability over the next few quarters.

Best wishes

Deepak Jalan

