



11th September, 2018

The Secretary
The Calcutta Stock Exchange Ltd.
7, Lyons Range
Kolkata – 700 001

Dear Sir,

Re : MD's Speech at 24th Annual General Meeting

Please find enclosed herewith the Speech delivered by Managing Director at the 24th Annual General Meeting held on 11th September, 2018.

Thanking You

Yours faithfully

For LINC PEN & PLASTICS LTD.

N. K. DUJARI
Chief Financial Officer &
Company Secretary

Encl : as above

CC: 1. The Executive Director
The Stock Exchange, Mumbai

Stock Code - 531241

2. The Manager,
Listing Department,
National Stock Exchange of India Ltd.

MD's Statement

Good morning Ladies and Gentlemen,

Warm welcome to the 24th Annual General Meeting of Linc Pen & Plastics Ltd.

Financial Results

The year gone by was a challenging year in view of short term impact of implementation of GST, spike in the crude prices and turbulence in certain International Markets. The financial performance of your Company in the year 2017-18 has been dealt with comprehensively, in the Annual Report, which is with you.

As mentioned, in the Annual Report – during the year under review, the Company's Revenue from Operations decreased by 5.3%. However, the Revenue from Operations were not strictly comparable, as in the post GST scenario the calculation is net of GST, while earlier it was gross of excise. The Profit after Tax during the year was Rs.784 Lacs as compared to Rs. 1726 Lacs in the previous year, a drop of about 55%. These figures were way below our expectation and potential.

The Board of Directors have proposed equity dividend of Rs 1.50 per share, maintaining the payout ratio.

Value-Added Products

We continued to launch products during the year with a singular resolve to enhance our presence in the value-added segment. We are optimistic of the prospects of these products on-account of their cost-competitiveness coupled with value-added returns.

The launch of Pentonic ball pen (MRP Rs.10/-) was a significant step in this direction. The product has received phenomenal response from both Domestic as well as International

Markets. The capacity has been built-up accordingly in the 1st half of the year, full benefit of which will start accruing from 2nd half of FY19.

However, the extra Capex will increase the Interest and Depreciation Cost of the Company, in the short term.

Domestic Market

As informed to you at the last AGM, the Domestic market was affected for about 4 months in view of challenges on account of GST rollout. The sales picked up in the second half of the fiscal, but increased polymer prices impacted the profitability.

Export Market

Exports have played an intrinsic role in our growth. We suffered a setback in exports, down from Rs.105crs in previous year to Rs.80crs in FY17-18. Our company confronted multidimensional challenges in some of our major export markets in Middle East and Africa. The business in 5 key countries came to a complete halt due to import restrictions, currency depreciation, rise in protectionism, internal strife, war and serious business sanctions from USA.

We are trying to overcome these challenges by increasing the penetration in the alternative markets and changing the product mix for better profitability.

As informed last year in my AGM speech, we continue to focus on North America where we expect new business to be developed and it could be a game changer for us in next 2-3 years. We also remain focused on South East Asia, Middle East and African markets, which are expected to be future growth drivers for the global writing instrument industry.

A global study reveals that the writing instrument market is estimated to witness a CAGR of 3.3% from 2017 – 2025 and will be worth approximately US\$ 24 billion by 2025 end. The APAC region is estimated to account for more than 50% of the global writing instrument market by the end of 2025. A volume of more than 30 billion units and a value of over US\$ 12 billion in 2025 makes APAC the behemoth in the global writing instrument market.

As such, Exports are expected to make a significant contribution to our overall sales turnover and we strongly believe that steps taken by us will ensure a exponential growth in exports in years to come.

Gujarat Expansion

The Umbergaon manufacturing facility in Gujarat, inaugurated in July 2017, is now SA8000 certified (recognized by all world standards) and can now be used for exports to major European or American customers. The Phase I capacity is almost running full and we are in the process of expanding the capacity as envisaged for the Second Phase.

Q1 of Current Year 18-19

The Company's domestic revenue grew by about 17.5%, whereas exports grew by 43.6%, resulting in an overall growth of 23.7% in total Revenue of the Company during Q1 of FY19. The PAT during the quarter grew over 3 times to Rs.1.64 Crs from Rs.0.53 Crs in Q1 of last year.

Outlook

We have ambitious plans for FY19, and have taken a Revenue target of Rs.400 Crs for the Company, which means a growth of about 20.5% over FY18. Upto August 2018 we have achieved a growth of about 21% and we hope to maintain the momentum.

Backed by robust topline growth, we hope to improve the profitability going forward on account of favourable exchange rate (for exports) and better product mix, which will also help us to insulate our margins from polymer price volatility. We were very close to a double digit EBITDA margin in FY17, but lost momentum in FY18 owing to the reasons explained earlier. However we are confident of touching the double digit EBITDA margin by the end of FY19.

CSR Activities

Our Company spent around Rs.40 Lacs, which was about 1.8% of the average net profits. Over and above these spendings, as a responsible corporate citizen, the Company is involved in various other CSR activities, which are not covered under the prescribed CSR activities. In the current year we will like to take the prescribed spending at about 2% of average profits.

In Conclusion

I would like to thank our customers, business associates and channel partners (our extended arm) for reposing their faith in us over the years and also to employees for their dedicated contribution.

I sincerely acknowledge the support and wise counsel provided by my colleagues on the Board. And last, but not the least, I would like to express my gratitude to you, our loyal shareholders for your continued patronage and trust throughout these 24 years.

Thank you for your presence here today.

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