



Corporate developments during the quarter

Domestic

- The Q3 FY15 domestic sales were down 2.4%, reaching a turnover of ₹49.20 crore compared to a 3.4% growth in the corresponding period of FY14
- Increased sales of value-added products; sales of writing instruments priced at ₹10 and above grew by 25% in Q3 FY15, over the corresponding quarter of FY14; there is attractive head room in this segment as it currently contributes less than 10% of our turnover
- Launched a new product at the price range of ₹10 along with Linc Twinn Gel during the quarter with a focus on margin expansion along with the reengineering of a few products from the existing Linc portfolio

- Sustained region-specific promotional spending at ₹1.44 crore in Q3 FY15, compared with ₹1.03 crore during the same period of FY14; planned spending helped strengthen margins

Exports

- Exports declined 8.6% to ₹19.19 crore in Q3, FY15
- Exports were affected for reasons mentioned in the previous quarter (political turmoil/socioeconomic crises and health scares in the geographies of our presence) and also because of the currency devaluation. However, the situation has improved considerably and appears better going forward
- The Company participated in 'Paperworld 2015' (the world's largest annual international trade fair for stationery,

office supplies and writing instruments) between 31st January and 3rd February 2015 in Frankfurt, Germany. The response was encouraging and is expected to help Linc foray into new Latin American markets

Updates

- There was an increased working capital cycle (inventory and debtors) at the end of Q3, FY15 by 10 days (same as March, 2014 levels) following an increase in inventory and a lower base effect. The Company carried a higher inventory in lieu of the ensuing peak product season; despite this, there was a substantial reduction of 44.8% in finance costs during Q3 FY15

- We applied for SA-8000 certification; an approval on the same is expected during Q4, improving our export prospects

- We expect to complete automating assembly operations of Linc Twinn and Linc Offex by March, 2015, thereby improving profitability

- We plan to relaunch Linc Gumstic in February 2015 and launch a range of colour pencils in April 2015 to strengthen our stationery range

- We intend to launch a 'Smartpen' series (aligned with an era that is increasingly going 'smart'; case in point – Smartphones). This range of pens will offer affordable products with smart features and expected to replace conventional pens. Linc Twinn (ball pen + pencil) is the first in the series and will be followed by several such innovative products.

Results update

Revenue (₹ in crore)

Q3, FY15	69.05 (71.41)
Q2, FY15	83.62 (80.94)
Q1, FY15	73.04 (69.50)
Q4, FY14	92.25 (88.35)

Exports (₹ in crore)

Q3, FY15	19.19 (20.99)
Q2, FY15	23.15 (23.24)
Q1, FY15	16.15 (23.24)
Q4, FY14	29.30 (22.95)

Exports (% of total revenues)

Q3, FY15	28.1 (29.40)
Q2, FY15	27.7 (28.70)
Q1, FY15	22.1 (25.30)
Q4, FY14	31.8 (26.00)

PAT (₹ in crore)

Q3, FY15	3.14 (2.53)
Q2, FY15	4.07 (3.17)
Q1, FY15	3.29 (1.67)
Q4, FY14	3.77 (3.10)

EBIDTA margin (%)

Q3, FY15	8.40 (7.60)
Q2, FY15	8.10 (7.00)
Q1, FY15	8.00 (5.20)
Q4, FY14	8.00 (6.30)

Note: Figures in brackets are for the corresponding quarterly period in the previous financial year





About Linc

Linc Pen & Plastics Limited (established in 1994) is one of India's leading writing instrument brands. The Company has established a brand recall of 'If it is Linc, it must be good' and reported revenues worth ₹314 crore during FY14. The Company is headquartered in Kolkata and its products are available across India as well as in 40 countries around the globe.



Managing Director's message

Dear friends,

At Linc, we believe that the writing instruments industry is at the cusp of what can prove to be a watershed. Though the performance of the Company was reasonable, a silver lining was clearly visible in a challenging environment.

In sync with our business strategy, we continued to phase low-volume/less-profitable products out, which impacted our topline. The 'Smartpen' series is yet to establish itself, but we expect to carve out a sizeable chunk of the consumer mindspace in the near-term.

In line with our strategy to strengthen our bottomline by increasing the share of value-added products, we continued to restructure our portfolio. We focused on launching value-added writing instruments and increasing sticker prices in sharp contrast to our retrospective strategy of pricing products lower in anticipation of an increase in market share.

Although there was a small decline in the topline, we were able to improve our EBIDTA margin to 8.4% during the quarter under review. We are working towards our goal of achieving a double-digit EBIDTA margin, which will help the Company strengthen its ROE.

We reengineered a few products and launched the Linc Twinn Gel during Q3 FY15. These products are getting established and expected to drive profits in the coming quarters.

With a focus on cost rationalisation, we reduced the outsourcing of some processes. We continue to invest in contemporary technologies which are expected to strengthen the quality of our products, reduce our dependence on labour along with a concurrent reduction in costs.

With polymer prices witnessing a downward trend, I am optimistic that the performance of the Company will improve in the next few quarters. Moreover, with our growing volume-

value play, the Company is expected to enrich its revenue mix and profitability, going forward.

Optimism in Q4, FY15

- With a softening of crude prices, the Company expects a resultant benefits in the softening of the polymer prices from Q4, a time lag of about three months
- With political turmoil moderating, we aim to focus on exports yet again vigorously
- By moderating the proportion of outsourcing-to-captive production to 60:40; we expect to optimise costs and enhance value

In an environment of increasing literacy, the entrenched ability to develop and offer a diversified portfolio of pens and stationery products puts Linc in an advantageous position to enhance revenues across the foreseeable future.

Best wishes

Deepak Jalan



Linc @ Paperworld 2015

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