LINC

10th February, 2025

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Dear Sir / Madam,

Sub: Post Earnings Call - Submission of Transcript

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Post Earnings (Group Conference) Call held on Tuesday, 4th February, 2025 which is simultaneously being uploaded on the website of the Company.

This is for your information and records.

Thanking You,

Yours faithfully,
For LINC LIMITED

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DIPANKAR DE
Company Secretary

TRANSCRIPT

Linc Ltd

Q3 FY25 Earnings Conference Call

February 04, 2025

MANAGEMENT:

MR. DEEPAK JALAN, MANAGING DIRECTOR

MR. ALOKE JALAN, WHOLE-TIME DIRECTOR

MR. ROHIT DEEPAK JALAN – WHOLE-TIME DIRECTOR

MR. N.K. DUJARI – DIRECTOR, FINANCE & CF)

MR. SANJEEV SANCHETI – UIRTUS ADVISORS LLP - INVESTOR RELATIONS ADVISOR

MODERATOR:

MR. NAVIN AGRAWAL

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Moderator: Ladies and gentlemen, good day and welcome to Linc Limited's Q3 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the management's opening remarks. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Navin Agrawal, Head, Institutional Equities and SKP Securities Limited. Thank you and over to Mr. Agarwal.

Navin Agrawal: Good day, ladies and gentlemen. I am pleased to welcome you to Linc Limited's Q3 FY '25 Results Con-Call. We have with us Mr. Deepak Jalan, Managing Director, Mr. Aloke Jalan, Whole Time Director, Mr. Rohit Deepak Jalan, Whole Time Director, Mr. N. K. Dujari, Director of Finance and CFO, and Mr. Sanjeev Sancheti from Uirtus Advisors, LLP, the Company's IR Advisors.

We'll have the opening remarks from Mr. Jalan followed by a Q&A session. Thank you and over to you, Deepakji.

Deepak Jalan: Thank you, Navin. And good afternoon to everyone and thank you for joining us. I'm pleased to share our Q3 FY '25 performance, highlighting our resilience, strong fundamentals, and continued progress toward expanding our portfolio and strengthening our market position.

Despite short-term challenges, we remain on track with our growth strategy and innovation-led expansion into new product categories. In Q3 FY '25, our operating income stood at INR12,216 lakhs, a slight 1.4% dip compared to Q3 FY '24. While our performance in this financial year, and more particularly in Q3 FY '25, has been moderate, this period has been one of strategic investment and groundwork for future growth.

We have been actively engaged in seeding multiple initiatives that will drive long-term value creation. These include new product development and introductions, expansion into adjacent categories, strengthening our export and e-com presence, and operationalizing key joint ventures.

The Linc segment remains a key pillar of our business, and while it saw a 3.4% Y-o-Y dip, this was primarily due to some legacy products maturing. However, we have already taken proactive measures to refresh and expand our product lineup, ensuring sustained momentum in the coming quarters. Pentonic's recent launches witnessed a mixed response, as higher-value products typically require longer adoption cycles.

We remain confident that these products will gain stronger traction in the coming quarters. Despite the revenue softness, we have maintained healthy profitability. Gross profit rose by 2.9% year-on-year to INR4,017 lakhs, with gross margin expanding to 32.9% from 31.5% last year. Operating EBITDA stood at INR1,461 lakhs, maintaining a healthy 12% margin, while PAT stood at INR872 lakhs, with a strong 7.1% margin.

A key part of our long-term strategy is the successful execution of our joint ventures, which are progressing as planned. The JV with Morris Co. is advancing well, and we anticipate benefits to start accruing from Q2 or Q3 of next financial year, once our new manufacturing facility becomes operational, which is expected within the same timeframe in Kolkata.

The joint venture with Mitsubishi remains on schedule, and as previously communicated, commercial production is expected to commence from July next financial year. The Indian stationery and art materials market is estimated at INR38,000 crores, with the writing instrument segment accounting for INR13,000 crores. While our current TAM is less than INR9,000 crores, we are actively expanding into adjacent categories such as markers, mechanical pencils, calculators, etcetera, positioning Linc for long-term multi-segment growth.

We have an exciting product roadmap ahead. Markers and mechanical pencils are set for launch in Q1 FY '26, further strengthening our presence in writing instruments. Linc calculators launched in Q4 cater to the affordable segment, expanding our customer reach.

With India's stationery and art materials market projected to grow at 13% CAGR, reaching INR72,000 crores by FY '28, we see tremendous expansion opportunities. Key growth drivers include rising literacy rates, increasing purchasing power, and premiumization trends. Additionally, global per capita stationery consumption is nearly 9x that of India, presenting significant untapped potential.

With a robust export business, strong traction in e-com, and an expanding product portfolio, Linc is well-positioned for sustained long-term growth. We remain optimistic about the future and committed to delivering innovation, operational excellence, and long-term value for all stakeholders. Thank you, over to Mr. Dujari.

N. K. Dujari: Thank you, Mr. Jalan. Good afternoon, everyone. I appreciate you joining us for the FY '25 quarter 3 financial review. For quarter 3 FY '25, our operating revenue was INR12,216 lakhs, Y-o-Y decreased by 1.4% from INR12,396 lakhs in Q3 FY '24. Operating EBITDA experienced growth, increasing by 4.9% year-on-year to INR1,461 lakhs, with an operating EBITDA margin of 12%. PAT also improved by 15.3% year-on-year, reaching INR872 lakhs and achieving a PAT margin of 7.1%. Operational efficiency remained strong, generating a cash flow of INR4,200 lakhs from operations for the nine-month period. Further, our net debt was negative at INR21,49 lakhs, underscoring our focus on maintaining a resilient balance sheet.

Looking forward, we are confident in achieving our projected medium-term revenue growth guidance, driven by well-aligned strategic initiatives and robust business fundamentals. Now I request to open the floor for Q&A.

Moderator: Thank you very much. The first question is from the line of Rushabh Shah from BugleRock PMS. Please go ahead.

Rushabh Shah: My question is in one of the calls, you mentioned that you want to become Colgate of Pen Industry. With you, sir, great aspirations, but your journey will be very difficult. What steps are you taking to go towards that aspiration? What challenges will you face on this road?

Deepak Jalan: Definitely, when I mentioned this, I meant that our distribution expanding to the non-stationary outlets, so reaching the general stores and FMCG stores and make our products available at those outlets. However, we realized that the ballpen category is very competitive and the cost of reaching those outlets was really quite high. So, we tweaked our strategy of rather serving more deeply our existing stationary outlets and expand into other adjacent categories.

We were just focused on pen, but just being in the pens category could be challenging for growth. So, we thought that it was wise that we must build a stationary portfolio rather than just being in the Pen. But definitely, the greater focus is still on the writing instruments and we like to tread this path more cautiously and profitably.

Rushabh Shah: Sir, second part of the question was challenges you think will be faced in this journey?

Deepak Jalan: So as I mentioned, that the challenge -- see, it's a low entry barrier category, the pen. So there is an intense competition. And so it would be difficult to grow at our desired pace. This is what we realized that just keeping our focus on pens could be not really worthwhile. So that's what I mentioned that we thought that we must get into other categories, yes. And as I mentioned, that cost of reaching those non-stationery outlet is also very expensive. It does not mean that we are not trying to cater to them. We are also catering to them, but that aggressive plan is a little bit on hold.

Rushabh Shah: The second question is [inaudible 0:12:56] market sharing for us, sir? Could you please share your view [inaudible 0:13:00] how has the export market shaping for us, sir? Could you please share your views on how big it could be? And where do we stand in the whole export market?

Deepak Jalan: Okay. So Rohit is here, who looks at our exports, and he'll give a brief on our export initiatives.

Rohit Jalan: Rohit here. So on the exports front, we are quite positive. We are on a double-digit growth, and we expect it to grow this in the coming quarters. Our export business is quite distributed across the globe. So if you look at Latin America, North America, Eastern Europe, Africa and even Asia Pacific. So some of our strong regions are Asia Pacific and Latin America lately, even U.S.A., Mexico that we've entered through a national distributor has been showing positive and good results. So we opened a couple of new markets as well in the last quarter that's Morocco and Indonesia and Turkey. So exports look quite positive, and yes.

Moderator: Thank you. Next question is from the line of Chirag Pachisia from SKP Securities. Please go ahead.

Chirag Pachisia: So in a previous call, you mentioned that for FY '26, the top line could become like a INR600 crores, but I also remember last quarter, we left it open ended. So do you still have it open ended or have you put a number to it?

Deepak Jalan: Well, looking at the numbers of the first 9 months of this financial year, the growth looks very moderate for the current financial year. Nevertheless, for FY '26, we are still expecting to meet what you mentioned, based on the seeding activities which I mentioned that we have done in recent quarters. So we have a good line-up of the products, which we have recently launched plus new products in pipeline. And the benefits from the joint ventures. So yes, so that looks more than achievable, I would say.

Chirag Pachisia: Okay. And those will be the growth drivers, nothing else other than that, right?

Deepak Jalan: Sorry.

Chirag Pachisia: Whatever the growth drivers that you mentioned....

Deepak Jalan: So far, -- so far, these are the growth drivers here.

Chirag Pachisia: And just confirming the production is starting July '25, right?

Deepak Jalan: Yes. So Mitsubishi, yes. The commercial production is going to start from July '25.

Chirag Pachisia: Okay. Can the number can you see from Q2 FY '26?

Deepak Jalan: Yes. So we should start getting benefit of the Mitsubishi's JV from the second quarter.

Moderator: Thank you. Next question is from Zaki Naser, Individual Investor. Please go ahead.

Zaki Naser: I think the results have been slightly muted and slight negative growth since last quarter. Sir, do you think the general retail scenario has been slightly dragged is my question number one. Number 2 is, you put out a very important statistic saying that India is about 10% of the per capita world consumption. So your thoughts on this? And how does it vary between the developed countries and the developing countries, sir?

Deepak Jalan: So, Zaki Bhai, first of all, sorry to disappoint you with the numbers, the revenues. But, you know, the dip is really not very, I mean, it's not that, you know, we are really worried about that. Of course, we are not happy about this dip and which could also be due to some stock adjustments at the secondary level. But, so I would not really assign it to, you know, a general retail sentiment. I think we have -- there is a good potential of writing instruments and stationery. So, yes, it's just that we've had some bad overs.

That's about it. So far, the per capita consumption I mentioned, the globally, you know, the stationery consumption is, the average stationery consumption is worth $3 in India, whereas the global consumption is about $26 per capita consumption. And it is as high as $100 per capita in developed countries like the US or Europe. So, that's my -- that was what I wanted to say.

Zaki Nasser: And if I may add another small thing, sir, I think three, four quarters back, we were looking at expanding to the non-stationery outlet because we have a large footprint in terms of retail. I think it's a very important statement you gave about cost of reaching. So, your thoughts on this point, sir?

Deepak Jalan: So, Zaki Bhai we are -- see, as I have clarified in the past, in the previous calls that, we reached up to 250,000 outlets, out of which about almost 150,000 outlets were non-stationery outlets. And we made a first sale to them. But the value of each transaction was very low. And our distributors were not really very eager to service those outlets. And so they, over the period, they became inactive. So, we realized that yes, we should not blindly keep on increasing the number of outlets, which are not being serviced after once they are enrolled.

But even though the cost is high, cost of reach is high for such outlets, but we are talking to our distributors on a regular basis that gradually we can make those outlets active because the number is still very large. So, we do not want to really ignore those outlets, but we are trying to find ways, how we can service those outlets, keeping our costs low. So, that is the strategy.

Deepak Jalan: Yes. Thank you so much.

Moderator: Thank you. Next question is from the line of Rakesh from Nine Rivers Capital.

Rakesh: Sir, first question with respect to a gross margin. When I look at the average realization journey of Linc Pen, it has grown very well, be it pentonic and non-pentonic. It has grown to INR6 per unit. But gross margin is not improving. And when I look at other players in the industry, they are doing higher gross margin and their realization are also around us, like 5.7, 5.8. Any reason for that?

Deepak Jalan: So, if you compare to our peers, definitely the gross margin, we still have room in increasing our gross margin. But one significant difference is that the peers which you are mentioning, it's mostly their in-house production. Whereas in our case, it is a kind of a 50-50 model. So, 50% of our production is in-house while 50% is outsourced. So, there would be some, you know, you can understand some difference between their margins and our margins.

Rakesh: That is the only reason or there are other reasons also with respect to the ink also, the tip of the pen, everything is manufactured. Other peers have everything manufactured in-house. Can that be the reason?

Deepak Jalan: So, not all our peers are producing the tips in-house. So, some of them are producing and there is not much delta in the tip production versus outsourcing. So, yes, there would be some difference but not very significant. And ink, generally ink is outsourced by all the pen companies.

Rakesh: Okay. So, second question with respect to the others, like you have mentioned in the opening remarks that we have also realized that to grow at higher rate, we have to go into other adjacent categories like a stationary. Others to grow at higher because the same salesperson is going in order and he can by doing more products, he can bring more sales. So, I just wanted to know what we are doing in that segment to increase our product portfolio or the sales. Currently, what is the share of other products in the total sales and what we are doing in this other segment?

Deepak Jalan: So, currently the contribution of non-pen would be less than 10%. So, which is quite, you know, lopsided I would say towards the core category. So, I think ideally, we are looking at least in the medium term 70-30 kind of a ratio. So, we are, there are several products under development. And as I mentioned in my opening remark that we have recently launched a Linc calculator. So, that is something. And apart from that, of course, there are several others.

Moderator: Participants, please stay connected. The line for the management drops. Thank you for your patience. We have the line for the management reconnected. Rakesh, kindly proceed?

Rakesh: Sir was answering, Mr. Jalan was answering.

Deepak Jalan: Right, yes. So, as I mentioned that, yes, of course, we are looking at several product categories in the adjacent space and Linc calculator is one of them. And even in the writing instruments, we were not present in some of the subcategories like the markers and mechanical pencils, which we have, you know, either going to launch very soon or some of them have already been launched. So, ideally, we like to have the contribution to increase from less than 10% to 30% from the non-pen category.

Rakesh: What will be the margin profile in these products like non-stationary? It will be equivalent to pen margins or it will be lesser or higher?

Deepak Jalan: Honestly, you know, it will be a little lower because these non-stationary and non-pen categories are mostly outsourced.

Rakesh: So, if you allow me, I have one more question. Can I go ahead?

Deepak Jalan: Yes please do.

Rakesh: Thanks, sir. So, recently we have found, we have witnessed in the market and the channel that other players have entered into the market, which went into non-pen category earlier and they have entered into a lesser price range also, like a INR5 price range, which was not prevalent after COVID, but after COVID has come back. And other players, which are not listed, have also come into a INR5 range and the competition has intensified. Your thoughts on that?

Deepak Jalan: Actually, you see, you know, after we launched Pentonic, the industry actually moved towards the INR10 and above pens. But as you rightly mentioned that some of our peers, they have -- they found the below INR10 price segment as low hanging fruit. So, they went into that price segment quite aggressively, even though the segment is less profitable. So, while our endeavor is to develop products which are more value added, we have definitely, refocused on the legacy products under Linc brand, which are mostly below INR10, price point. And we are reviewing our portfolio of the below INR10 price point without any new investment and trying to reintroduce some of them, which are profitable for us.

Rakesh: So, just to clarify the point, we have, with respect to the Linc pen brand, we are working on INR5 price point. Is my understanding, correct?

Deepak Jalan: Absolutely. So, we have actually reintroduced three products, which we had in the past, not really, -- we had actually discontinued, but we did some cost engineering and then reintroduced three products at that price point without any new investment.

Rakesh: Thank you.

Moderator: Thank you. Next question is from line of Himanshu Upadhyay from BugleRock PMS. Please go ahead.

Himanshu Upadhyay: So, this question was related to trying to expand beyond the fence category. So, we started experimenting with Deli products also, bringing them from China and trying to sell. What were our learnings from that whole exercise? And how are we fine-tuning the basket of products we want to bring with the Deli brand and focus to sell in the country? Because Linc calculators, there were initially Deli calculators also we were trying to sell. So, some thoughts on what type of calculators?

Deepak Jalan: Yes definitely a pertinent point. So Del, for example, Deli calculators, we are pitching against Casio. So, Casio is a number one brand in calculators as you know. And we are pitching Deli calculators against Casio. So, which means that they are slightly on the price range of Casio.

While Linc calculators, we are targeting the lower segment, which could not be targeted by, you know, Deli brand. So, these Linc calculators, which are produced in India, are targeted at lower-end brands like ORPAT or Oreva. So, it's just like, Linc and Uniball or Pentonic and Uniball, you know, like Uniball is at the higher price point while Linc and Pentonic, they are in the mass price segment. Similarly, Linc calculators are at the mass price segment while Deli is at the higher price point.

Himanshu Upadhyay: And also, what were our learnings from that Deli exercise? And how do you fine tune the basket of products?

Deepak Jalan: So we continue to distribute Deli and they have a huge portfolio. And so there is a learning -- we are learning quite diverse categories within the stationery. And so some of the popular products, as I've mentioned in the past, that calculators is one of them, then there are scissors. Then there are some desk items and there are glue sticks and so on. There is a large category.

So yes, we are still trying to expand our distribution of Deli products. And more particularly, we are getting good feedback in the e-commerce for Deli products because we are able to list Deli products in the e-com and able to present our range to our potential customers.

Himanshu Upadhyay: And one more question on this only. Any specific view on staplers as a category of products? Because the market leader has a dominant position and nobody is there besides that leader in that particular category.

Deepak Jalan: You know, even yesterday, last evening, we were discussing about this category. And as you rightly mentioned, there is only one manufacturer in India, who has kind of a monopoly. So, definitely, it would not be easy for any or at least for Linc to really get into that category in the immediate future. And so, we are, frankly, we are not looking at that right now. I don't know what our peers are thinking about that.

Himanshu Upadhyay: So, the question was with regard to Deli product profile. Do they have that category and can we bring and sell it in India? Like many of the categories where we are fighting with Deli, there are large number of players and highly intense competition is there. That was the question.

Deepak Jalan: Yes, we have staplers in Delhi brand and we are distributing also. But definitely, the volumes are much, much smaller than the leading brand. So, that's why I didn't really mention about staplers. But you are absolutely right that there is a potential in this category. And we believe that we would be able to leverage that through our e-com business because in the general trade, it's really very competitive.

So, definitely, after importing, the price is not as competitive as the leading brand here. But we have some products which are more value added and we are getting some traction in the staplers also. But I am sure it will take some time to really build on that category.

Himanshu Upadhyay: Thanks. I have few queries. I will join back in queue.

Moderator: Thank you. Next question is from the line of Saurabh Shroff from QRC Investment Advisors. Please go ahead.

Saurabh Shroff: Good evening. I have two questions I wanted to ask. One is related to the volumes. I have seen that the volumes have fallen from Q2 to Q3. But at the same time, the realizations of Linc pens have gone up from INR4.4 to INR6.5. So, what is the reason behind that and what is driving the realizations to grow so much and the volumes to fall?

Deepak Jalan: So, the volumes, the reason of falling volume in Linc segment is mainly, some of our legacy products which we have been selling for last more than 20 years. So, there are some riddance, like you can call it, like the maturity of the life cycle maturity. So, that is the reason of the fall in the Linc segment.

But nevertheless, as I mentioned that we have recently launched three new products or three products we have relaunched in Linc in the price segment of INR5 to INR6. So we are likely to make up that loss in the Linc segment. And the reason of improved ASP is also because of higher exports. So the contribution of exports has increased and as you know that our average selling price as well as margins in exports are better than the domestic.

Saurabh Shroff: So how much better are the realizations in exports than in the domestic sector?

Deepak Jalan: In the range of 5% to 10%.

Saurabh Shroff: And another question is, so the Pentonic realization is now the average realization for the last 9 months is lesser than the company average realizations. So, does that mean that the Linc realizations will eventually come down or will Pentonic be in the similar range to the average company realizations?

Deepak Jalan: So, the Pentonic average realization should increase because, as I mentioned in my opening remarks that, we have launched several new products in Pentonic portfolio at price range of INR20, INR30, INR40 and they are taking a little longer time to get the desired traction. So, we are heading for a better realization going forward in the Pentonic portfolio.

Moderator: Next question is from the line of Jaspreet Arora from Equentis PMS. Please go ahead.

Jaspreet Arora: Yes. Wanted to check on the volume growth that overall we have done for the quarter, which is 3Q on a Y-o-Y basis and for 9 months.

Management: Just a minute. Let me have the volumes.

Jaspreet Arora: I see absolute volume of 1,367 lakhs, but the Y-o-Y number is not there.

Deepak Jalan: Y-o-Y number is not there?

Management: Are you talking of the quarter or the full year?

Jaspreet Arora: Both for the quarter, which is the third quarter and 9 months on a Y-o-Y basis.

Management: Yes 5,237 versus 5,216.

Deepak Jalan: 9 months.

Management: Yes, 9 months.

Jaspreet Arora: Okay, and the third quarter last year?

Management: Yes, third quarter last year was 1,737.

Deepak Jalan: 1,737.

Jaspreet Arora: Okay, so maybe that was a question that was being asked earlier. So we have dropped from 1,737 to 1,367.

Management: Yes, right.

Jaspreet Arora: That's like a steep fall. I think you mentioned some reasons attached to this, but is this the reason attributed for such a steep fall? You had to withdraw products, I think. Is that what I heard?

Deepak Jalan: No, it's not withdrawal. It's just that, as I mentioned, some of the legacy products, their life cycle, maturity reasons. So that was the main reason. And of course, some stock adjustments at the secondary level could be the other reason. So these are the main reasons. And as I mentioned, in this coming quarter, we are likely to neutralize this degrowth because we have introduced some products in the INR5, INR6 -- reintroduced some products in Linc portfolio.

Jaspreet Arora: Understood. Got it. And just to understand the three brands, so you have mentioned the INR6 plus as the average gross realization. How does it stack up across the three brands, Linc, Uni-ball and Pentonic, the same INR6?

N.K. Dujari: Uni-ball will be around INR40.

Jaspreet Arora: Sorry, can you come closer to the speaker?

Deepak Jalan: Uni-ball would be around INR40. Linc would be 4.6 for the 9 months. And Pentonic would be INR6.

Jaspreet Arora: And Uni-ball is obviously the - which is less than that. Volume wise, it's the lowest. And the other two are the highest. So Linc is the highest and which is at 4.6, followed by Pentonic. So one question was around the growth beyond pens and I think you covered it by saying you are trying to look at a lot of other products categories within the stationery market. But broadly within pens, would it be right to say that new product introductions and price and the inflation and all of that would be the real growth drivers? Because it seems like this industry doesn't have any volume growth left at the industry level.

So maybe a little bit of market share gains, if at all. But per se, the pens market doesn't seem to be growing. In fact, even it -- what's your sense in the last -- my sense is whatever will happen in the last three years, I'm sorry, the next three years, we'll have to keep in mind what has happened in the last three years. Because the next years cannot be radically different from what has happened in the last three years. So just your sense on the industry growth outlook of pens over the next three years?

Deepak Jalan: So, well, of course, the market estimates are that the category growth is -- of course, it is slightly stunted, but it is still more than 5%. So it could be around 5% to 6%. But definitely the growth will come mainly from the premiumization. And of course, we are also looking at gaining market share from the competition. So, yes, in the domestic market, yes, so these are the growth drivers we are looking at.

Moderator: Jaspreet, may I request you to come back for a follow-up question?

Jaspreet Arora: Okay. Thank you.

Moderator: Next follow-up question is from the line of Rushabh Shah from BugleRock PMS. Please go ahead.

Rushabh Shah: Yes. Hi. Thanks for the opportunity.

Moderator: Sir, the line for the participant has been dropped. Yes. We move on to the next question. Next question is from the line of Priyankar Sarkar from Square 64 Capital. Please go ahead.

Priyankar Sarkar: Good afternoon, sir. So a quick question again, pertaining back to the INR5 price point by competition? So do you think this is temporary in nature that the competitors are undercutting a price?

Deepak Jalan: Well, I won't like to make a remark on that. So it may be temporary for a not very long period, but it can be temporary for a medium term. Because we feel that the INR5 price segment is a shrinking segment. So and that's the reason that our focus was more on the INR10 and above price segment.

So as I mentioned that since for the new entrant, it is a low hanging fruit. So, yes, in a way you can say that. But we are still, as I mentioned that, we are reviewing our INR5, INR6 portfolio so that, we can counter this competition.

Priyankar Sarkar: Got it. So the other follow up question is the new areas where we are entering, are we undercutting price in the areas where the other competitors are present? For us, for example, a calculator, are we underpricing in order to gain market share over there?

Deepak Jalan: Not really. So we are keeping, our decent margins. And so we are not really much on the price cutting, but maybe in some categories, temporarily, we may have to have some aggressive pricing or promotion.

Priyankar Sarkar: Okay. So last question from my end. For our non-Pen category, are we reaching all the outlets that the Pen category is present in? A large part of it rather?

Deepak Jalan: Yes. So, the same salesman is carrying those non-Pen categories. And so we are pitching to all the outlets, which we are reaching. But, honestly, it takes time to, introduce a new product, which is a non-Pen. So it's taking a little longer time. But, yes, so, but we have to leverage the same outlets and the same network.

Priyankar Sarkar: So as of now, what would be the ratio? How much has the non-Pen reached out of the entire network? Any ballpark figure?

Deepak Jalan: I think about what? 15,000, 20,000 outlets.

Priyankar Sarkar: Okay. So ample room for that to grow.

Deepak Jalan: Yes.

Priyankar Sarkar: Okay, sir. Thank you. I wish you all the best.

Moderator: Thank you. Next follow-up question is from Rushabh Shah from BugleRock PMS. Please go ahead.

Rushabh Shah: So we entered INR30 and INR40 price points. How large is the market at these price points? Can these be a INR5 million pieces type of price points for us?

Deepak Jalan: I couldn't get your second part of it. But…

Rushabh Shah: I'll repeat the question. We entered INR30 and INR40 price points. How large is the market at these price points? Can these be a INR5 million pieces yearly sale type of price points for us?

Deepak Jalan: For us? So it's not difficult to reach a INR5 million annual volume. I mean, it's within our projections. But so far INR30 to INR40 price point currently is not very big. But as I've mentioned even in our previous calls that there is a trend of premiumization. So Pentonic helped increase the price point from INR5 to INR10. Similarly, we are now trying to upgrade our customers from INR10 to INR20 or INR10 to INR30.

So that is the endeavor. We have observed that if the same customer comes to buy a INR5 or INR10 pen and if he is presented with a INR30 or INR40 pen, if he likes, he does not hesitate to buy that product. So we need to expand this price point and that is our endeavor.

Rushabh Shah: My next question is, the main thing in our business is distribution. So what are we doing on those lines to make it better and penetrate into more Tier 2, Tier 3 cities?

Deepak Jalan: So our presence is actually all over and the best way to increase distribution is appoint new distributors and reach more outlets. So that is an ongoing process and we continue to increase the number of stockists and retailers. So that is an ongoing process.

Rushabh Shah: Just a small follow-up on this one. How many have you added in the past 2, 3 years?

Deepak Jalan: So just to refresh in case you did not hear my last conversation. So in the last 3 years, rather last 4 years, we reached a level of about 250,000 outlets including the non-stationary outlets. But as I explained that out of which about 150,000 outlets were non-stationary outlets which were the transaction value was very small.

So those outlets became inactive over the period because the distributors were not very keen to supply to those outlets because of the low transaction value. So currently the active outlets are about 100,000 outlets. So as such there has been no increase if you say lately. It is just that we are trying to make these 250,000 outlets which are enrolled trying to make some of them active every month. So that is the process we are going on.

Rushabh Shah: Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for the afternoon. I would now like to hand the conference over to Mr. Jalan for closing remarks.

Deepak Jalan: Thank you and I will ask Mr. Sancheti to make a closing remark.

Sanjeev Sancheti: Thanks a lot everybody. I really appreciate your time this afternoon and really appreciate the participation. Thanks from the management side. Have a good day. Thank you.

Moderator: Thank you very much. On behalf of SKP Securities Limited, that concludes this conference. Thank you for joining us ladies and gentlemen and you may now disconnect your lines. Thank you.