Management Discussion

Ananthanalayan - Conference Coordinator, SKP Securities Limited
Good afternoon, ladies and gentlemen. It's my pleasure to welcome you all on behalf of Linc Limited and SKP Securities to this financial results conference call. We have with us Mr. N.K. Dujari, Director Finance and CFO; and Mr. Sanjeev Sancheti from Uirtus Advisors LLP, the company's IR advisers. We will have the opening remarks by the management, followed by a Q&A session.

Thank you, and over to you, Mr. Sanjeev.

Sanjeev Sancheti - Investor Relations Advisor, Uirtus Advisors LLP
Thank you, Anant. Good afternoon to all the participants. Before I hand over the call to Mr. Dujari for the opening remarks, I would like to draw your attention to the safe harbor statement in the earnings presentation. I request each one of you to kindly go through the presentation, either now or before the Q&A starts, so that you are well aware of the earnings presentation details as well as the safe harbor statement. Request you to go through the same very carefully.

Over to you, Mr. Dujari.

N. K. Dujari - Director, Finance & Chief Financial Officer, Linc Limited
Good afternoon, and thank you for joining us for Linc Limited Quarter 1 FY '27 Investor Call. During the quarter, we delivered a stable performance despite a challenging operating environment marked by geopolitical uncertainty and elevated input costs. Operating income stood at INR13,895 lakhs, representing a Y-o-Y growth of 1.4%. Our business segment recorded varying trend during the quarter.

Corporate sales declined by 14% against a high base in the previous year, while export revenue declined by 3% due to the continued impact of geopolitical uncertainty on global trade flows. At the same time, general trade grew by 8%, while e-commerce registered a robust growth of 32%, supported by sustained demand for our product portfolio and an increasing contribution from LINC On, our e-commerce-focused subsidiary.

Corporate sales are inherently requirement based and influenced by the timing of order execution. Consequently, quarterly fluctuations are characteristic of this segment and do not indicate any structural change in the business. The steady growth in general trade and the strong performance of e-commerce underscore the continued progress of our brand building and distribution initiatives.

Operating EBITDA for the quarter stood at INR1,209 lakhs with an EBITDA margin of 8.7% representing a Y-o-Y contraction of 89 bps. The margin pressure was primarily attributable to an increased polymer prices, our principal raw material, driven by supply constraints and higher crude oil prices. This impact were partially offset by disciplined cost management.

Looking ahead, we are seeing polymer prices ease, and we expect them to normalize over the coming quarters. Alongside this, we will continue to maintain a disciplined approach to cost management. For quarter one FY '27, PAT stood at INR581 lakhs, translating into a PAT margin of 4.2%, representing a Y-o-Y decline of 93 bps. Our balance sheet remains strong with net cash position of INR1,194 lakhs as on 30th June 2026, reflecting continued financial discipline. Asset productivity remained healthy with fixed asset turnover of 3.72x, indicating efficient utilization of the asset base. The cash conversion cycle stands at 65 days.

Our international growth initiative continues to progress broadly in line with our previously outlined plan. Unilink, our JV with Mitsubishi Pencil Company, Japan, remained operationally stable with

export accounting for more than 50% of its revenue during the quarter. Operations at our JV in Turkey continues to progress steadily. The development of our subsidiary with Morris of Korea remains linked to the commissioning of the upcoming manufacturing facility in West Bengal which is expected to become operational by quarter 3 of FY '27.

Sales momentum at our Kenya subsidiary has begun to improve, and we expect this positive trend to strengthen over the coming quarters. LINC On has remained stable in the current quarter and is expected to gain momentum in periods ahead. While the ramp-up of these initiatives has taken a little longer than initially envisaged, we believe the foundations being established are robust and well considered.

The benefit of an improving product mix, disciplined execution and deepening strategic partnership are expected to become increasingly visible as near-term input cost pressure moderates. We remain committed to strengthening the business and creating a platform for sustainable long-term growth. Given the current uncertainties, we believe it will be prudent to await another quarter to gain better visibility before providing formal guidance on our outlook. We remain focused on maintaining financial discipline while executing our long-term growth initiatives.

With that, now I open the floor for the questions.

Questions & Answers

Operator
Thank you. We will now begin the question-and-answer session. [Operator Instructions] We take the first question from the line of Sapna Devi from Renaissance Investment Managers. Please go ahead.

Sapna Devi - Analyst, Renaissance Investment Managers Private Limited
Hi, good afternoon. So I have three questions. One is related to the market share. How has our market shares trended this quarter? Have we seen any market share gains or dip? And what's the long-term revenue growth guidance? And have we taken any price hikes considering the commodity inflation? How much of the price hike has been passed on to the customers vis-a-vis how much is yet to be passed on? And how much of the price hike has passed through has reflected in the margins this quarter? And what is like -- question two would be what is the steady-state margin guidance we are expecting?

N. K. Dujari - Director, Finance & Chief Financial Officer, Linc Limited
Yes, madam, market share -- as far as market share is concerned, there is no change during the quarter because the whole industry was facing this raw material availability issue and higher input cost across the manual as well as a few other inputs. Price hike -- as far as price hike is concerned, we could pass on around 50% of the price hike to the trade. But we have not passed on the entire increase. And we don't intend to do that also immediately. We have to take a call after observing the market -- raw material price scenario for another quarter, then probably we will take a call whether we go for another price hike or not. But as far as the current situation is concerned, the prices -- raw material prices have come down. And we don't expect any further -- we feel the worst is behind us, but still the future is always uncertain. So we will take a call maybe in another few months, what is the scenario in the raw material front.

As far as the margin guidance and overall guidance is concerned, since the situation is quite volatile, we would like to wait for a few months. Maybe in the second quarter call, if we have some better

visibility, so we will be sharing something on that in the second quarter con call. Right now, the situation is very volatile. So it is better to be prudent and just take the matter as that comes in the future. I hope I have not left out any question from your end.

Sapna Devi - Analyst, Renaissance Investment Managers Private Limited
Yeah. I think that briefly answers our question. Thank you so much.

N. K. Dujari - Director, Finance & Chief Financial Officer, Linc Limited
Thank you, ma'am.

Operator
Thank you. [Operator Instructions] As there are no further questions from the participants, I now hand the conference over to Mr. N.K. Dujari for his closing comments.

N. K. Dujari - Director, Finance & Chief Financial Officer, Linc Limited
Thank you for joining us today. As we navigate an evolving global environment, we remain committed to building a stronger, more resilient business and creating sustainable long-term value for all our stakeholders. Thank you. Thank you very much.

Sanjeev Sancheti - Investor Relations Advisor, Uirtus Advisors LLP
Thanks a lot.

Operator
[Operator Closing Remarks]