



Linc Pen & Plastics Limited

Instrument	Amount	Rating Action
Fund Based Limits (Cash Credit)	Rs. 21.00 crore	[ICRA]BBB (Stable) assigned
Fund Based Limits (EPC/ PCFC)	Rs. 15.00 crore	[ICRA]BBB (Stable) assigned
Fund Based Limits (Cash Credit/ EPC/ PCFC - Proposed)	Rs. 5.50 crore	[ICRA]BBB (Stable) assigned
Non Fund Based Limits (LC/ BG)	Rs. 6.50 crore	[ICRA]A2 assigned
Non Fund Based Limits (LC/ BG - Proposed)	Rs. 1.00 crore	[ICRA]A2 assigned
Fund Based/ Non Fund Based Limits (Untied)	Rs. 6.00 crore	[ICRA]BBB (Stable)/ [ICRA]A2 assigned

ICRA has assigned an [ICRA]BBB (pronounced ICRA triple B) rating to the Rs. 41.50 crore¹ fund based bank facilities (including a proposed limit of Rs. 5.50 crore) of Linc Pen & Plastics Limited (LPPL) †. The outlook on the long term rating is stable. ICRA has also assigned an [ICRA]A2 (pronounced ICRA A two) rating to the Rs. 7.50 crore non-fund based bank facilities (including a proposed limit of Rs. 1.00 crore) of LPPL. An unallocated amount of Rs. 6.00 crore has also been rated by ICRA at [ICRA]BBB and [ICRA]A2.

The ratings take into account the positive demand outlook of the writing instrument industry in the medium to long term, driven by the expected growth in literacy rates in the country, and the long track record of the company in the sector. The ratings also factor in the strong brand equity enjoyed by LPPL; enhanced further by being an exclusive licensee of reputed international companies, its healthy market share and large scale operations arising from its position as one of the major players in the industry. ICRA notes that the investment of MPCL, in LPPL's equity, is likely to strengthen the company's business risk profile and improve its liquidity position. The ratings are, however, constrained by consistent decline in LPPL's operating and net profitability over the last few years, adversely impacting the coverage indicators. This coupled with high inventory levels have resulted in a sharp decline in the company's overall return on capital employed in 2011-12. The writing instrument industry is highly competitive in nature, with competition stemming from both the organized and unorganized players, which restricts pricing flexibility of players. On the other hand, LPPL's cost structure is highly raw material intensive, with raw materials typically accounting for over two-third of its total cost of operations. The major raw material prices however are dependent on crude oil prices, which are volatile in nature, while a competitive market structure constraints LPPL's ability to pass on significant increase in raw material costs, exposing the company to margin risks. Nevertheless, given LPPL's comfortable capital structure, ICRA expects the company's debt service indicators to remain consistent with its rating category.

Company Profile

Incorporated in 1994, Linc Pen & Plastics Limited (LPPL) has been involved in manufacturing, marketing and export of writing instruments and stationery products. LPPL manufactures different varieties of pens, which include ball point pens, gel pens, roller pens and fountain pens. The company has two manufacturing plants located at Serakole and Falta Special Economic Zone, West Bengal, with annual manufacturing capacities of around 39 crore pens and 53 crore refills. LPPL has strategic alliances with international companies such as Mitsubishi Pencil Co. Ltd in Japan and C. Joseph Lamy GmbH in Germany, which allow the company to market their products in India.

¹100 lakh = 1 crore = 10 million

†For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



Recent Results

The company reported a net profit of Rs. 1.70 crore during 2011-12 on an operating income of Rs. 275.05 crore, as compared to a net profit of Rs. 8.40 crore on an operating income of Rs. 252.16 crore during 2010-11.

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