ISO 9001 : 2008 (Excl.Design)
ISO 14001 2004
OHSAS 18001 : 2007
SA 8000 : 2008
BUREAU VERITAS
Certification

PRISM JOHNSON LIMITED

Ref. : ASK/UD/2022-23 February 24, 2023

The National Stock Exchange of India Ltd., Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.	BSE Limited, Corporate Relationship Department, P. J. Towers, Dalal Street, Fort, Mumbai – 400 023.
Code : PRSMJOHNSN	Code : 500338

Sub.: Intimation of Credit Rating and its outlook

Dear Sir,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, we wish to inform you that India Ratings and Research Private Limited ('India Ratings') has revised its rating outlook on the long term debt instruments and other long term borrowings of the Company to 'Stable' from 'Positive', while affirming the ratings at 'IND A+'. There is no change in the ratings for Non-fund based working capital limits and Unsecured short term loans.

Since, the Company did not issue any Commercial Paper (CP), the rating given earlier has been withdrawn. However, for future CP issuance, the rating 'IND A+' has been assigned.

The document published by India Ratings dated February 23, 2023 in this regards is enclosed herewith.

This is for your information and record.

Thanking you,

Yours faithfully,

for **PRISM JOHNSON LIMITED**

ANEETA SUHAS KULKARNI

Digitally signed by ANEETA SUHAS KULKARNI

ANEETA S. KULKARNI
COMPANY SECRETARY

Encl. As above

India Ratings & Research
A Fitch Group Company

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India Ratings Revises Prism Johnson's Outlook to Stable; Affirms 'IND A+'; Limits Enhanced

Feb 23, 2023 | Cement & Cement Products

India Ratings and Research (Ind-Ra) has revised the Outlook on Prism Johnson Limited's (PJL) to Stable from Positive while affirming its Long-Term Issuer Rating at 'IND A+'. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Non-convertible debentures (NCDs#)	-	-	-	INR1.70 (reduced from INR2.85)	IND A+/Stable	Affirmed; Outlook revised to Stable from Positive
Term loans	-	-	FY31	INR11.6 (increased from INR10.41)	IND A+/Stable	Affirmed; Outlook revised to Stable from Positive
Fund-based limits	-	-	-	INR5.51 (increased from INR5.31)	IND A+/Stable	Affirmed; Outlook revised to Stable from Positive
Non-fund-based working capital limits	-	-	-	INR9.04 (increased from INR8.84)	IND A1+	Affirmed
Term deposit programme	-	-	-	INR0.005	IND A+/Stable	Affirmed; Outlook revised to Stable from Positive
Unsecured short-term loans	-	-	-	INR0.7 (increased from INR0.4)	IND A1+	Affirmed
Commercial paper (CP) programme*	-	-	0-365 days	INR2.0	WD	Withdrawn (the company did not proceed with the instrument as envisaged)
CP programme*	-	-	0-365 days	INR2.0	IND A1+	Assigned

#Details in annexure
*The CP has been carved out of PJL's working capital limits and will be used to meet its working capital requirements.

ANALYTICAL APPROACH Ind-Ra continues to take a consolidated view of PJL and its subsidiaries (excluding Raheja QBE General Insurance Company Limited (RQBE)), together referred to as PJL, because of the strong operational and strategic linkages among them. PJL completed the amalgamation of some of its subsidiaries with itself in May 2021, to simplify the group structure. Ind-Ra has not considered RQBE while taking the consolidated view due to its non-strategic nature.

The Outlook revision reflects the likelihood of slower-than-expected deleveraging owing to the profitability being impacted by input cost pressures in FY23.

Key Rating Drivers

Slower-than-Expected Deleveraging; Consolidated Net Leverage Weakens in FY23 but Likely to Improve in FY24: Ind-Ra expects PJL's credit metrics to improve gradually than earlier anticipated, in view of the profitability being affected by rising input costs. Ind-Ra during the last review expected the net leverage sustaining below 2x over the near-to-medium term. PJL's net leverage (net debt to EBITDA), although at comfortable levels, increased to 2.0x in FY22 (FY21: 1.8x) due to a 13% yoy contraction in the EBITDA to INR6.1 billion, despite the revenues growing 9% yoy to INR58.3 billion. The leverage increased further to 3.3x in 9MFY23 as the EBITDA fell 36% yoy to INR2.95 billion, despite the revenues growing 16% yoy to INR48.6 billion, and the net debt increased 19% to INR14.86 billion (FY22: INR12.5 billion).

Ind-Ra understands from the management that PJL will commence its capex plan of INR5 billion for setting up a 2 million tonnes per annum (MTPA) greenfield cement grinding unit in eastern Uttar Pradesh post a meaningful recovery in the credit metrics. Meanwhile, in FY23, the cement division has adopted an asset-light model and has entered into supply arrangements with three small grinding units based out of Faizabad, Mirzapur and Patna to cater to the new untapped markets. The supply arrangements have added an aggregate grinding capacity of 0.82MTPA in FY23. For the H&R Johnson (HRJ) division, the company has installed a solar capacity of 4.5MW and has also undertaken capex to set up a greenfield unit with tile capacity of 5.5 million square meters in Panagarh, West Bengal, which is likely to be commissioned by June 2023. One of the joint ventures of the company has undertaken capex to expand the capacity of its unit at Morbi, Gujarat, by 1.2 million square meters, which will be commissioned by March 2023. All the capex in FY23 have been internally funded.

While the leverage for the full FY23 is likely to remain at 9MFY23 levels, Ind-Ra expects it to improve to below 2.5x in FY24, led by a recovery in EBITDA and capex completion.

Cement Profitability Hit by Input Cost Headwinds in FY23; Recovery Likely in FY24: After declining 10.3% yoy in FY22 owing to kiln shut-down for maintenance in 3QFY22, PJL's cement sale volumes grew 7.9% yoy in 9MFY23. However, the EBITDA/ metric tonne (mt) declined to INR434 in 9MFY23 (9MFY22: INR821/mt, FY22: INR709/mt), mainly on account of a sharp rise in fuel costs. While realisations increased 12% yoy in 9MFY23, it was insufficient to cover the soaring fuel costs. The profitability thus is likely to remain weak in FY23.

Ind-Ra expects the company to continue to witness high single-digit demand growth in FY24, led by the housing and infrastructure segments in the central India markets. Furthermore, the rising share of PJL's premium branded cement (9MFY23: 31.2%, FY22: 29%, FY21: 27.7%) should support realisations. Ind-Ra expects the profitability to improve in FY24 owing to softening in input procurement costs coupled with cost savings arising from an increase in the proportion of green power (9MFY23: 45MW, 32.1%-share of green power) with the addition of a 24MW wind mill.

HRJ Profits Impacted by Surge in Gas Costs; Margins to be Stable in FY24: PJL's HRJ business, which had witnessed a turnaround in profitability (led by a combination of benefits of scale, cost rationalisation and various sales and distribution measures) from FY21, is likely to witness a moderation in profitability in FY23 owing to a sharp rise in natural gas prices after the Russia-Ukraine conflict. Despite 7% yoy growth in volumes, the division's EBITDA margin declined to 7.0% in 9MFY23 (FY22: 10.6%, FY21: 8.7%; FY20: 3.8%), with the absolute EBITDA falling to INR1.2 billion (9MFY22: INR 1.5 billion, FY22: INR2.4 billion; FY21: INR1.6 billion; FY20: INR0.7 billion). Ind-Ra expects the segment's margins to remain at similar levels in FY24.

Robust Market Position: PJL is a prominent cement manufacturer in central India and among the top three domestic players in the ready-mix concrete (RMC) segment. It has a track record of six decades in ceramic tiles in India and is the second-largest player in the industry.

Liquidity Indicator – Adequate: The average utilisation of the fund-based limits was around 50% (of drawing power) in over the 12 months ended January 2023. PJL's cash flow from operations (post interest) remained healthy at INR4.3 billion in FY22 (FY21: INR10.3 billion). The company, reported cash and equivalents (ex-insurance) of INR2.3 billion as of December 2022 (FY22: INR3.1 billion; FY21: INR5.4 billion; FY20: INR4.2 billion). PJL has scheduled debt repayments of around INR4 billion in FY24 and INR6 billion in FY25, and the internal accruals are likely to be sufficient to meet the same. Besides the financial flexibility from being a part of the Rajan Raheja group, the company has a history of successfully refinancing its debt obligations within a year from maturity. Ind-Ra also draws comfort from the management's guidance of a minimum liquidity of around INR1.0 billion to be maintained in business.

RMC Sales Rebound in 9MFY23, but Input Costs Continue to Weigh on Margins*:* In 9MFY23, revenue of the RMC segment grew by 22% yoy, led by demand from the infrastructure sector, primarily because of traction in coastal road, bullet train and metro projects. The RMC division, which had witnessed a sequential improvement over 2QFY22-4QFY22, witnessed pressures on margins in 1HFY23, with losses incurred in 2QFY23 due to input cost pressures. The division turned profitable in 3QFY23, although margins remained low at 0.8% (FY22: 0.7%; FY21: -1.9%; FY20: 1.6%). While growth in volumes coupled with cost savings and rightsizing initiatives could result in the division recording steady profits, the margins are likely to remain low over the near term.

RQBE Deal Terminated due to Non-Receipt of Regulatory Approvals but Division Remains on the Block: PJL had earlier announced a divestment of its entire holding of 51% in RQBE to Paytm Insuretech Private Limited for INR2.9 billion. The sale was automatically terminated in May 2022 as the share sale and purchase transaction has not been consummated within the time period envisaged due to a delay in the receipt of regulatory approvals. PJL invested INR433.7 million in RQBE by subscribing to right issues in FY22 and as given to understand further investments are likely over the next few years. PJL's share in RQBE's losses stood at INR0.5 billion in FY22 (FY21: INR0.4 billion).

EBITDA Susceptible to Volatility in Input Prices: Any sharp increase in the key input prices, including pet coke, coal, gas and diesel, not matched by a corresponding increase in cement prices, could continue to affect the company's EBITDA and margins and this remains a key monitorable.

Rating Sensitivities

Positive: A sustained operating performance and growth along with net leverage of less than 2x on a consolidated basis will be positive for the ratings.

Negative: A lower-than-expected operating performance and/or unexpected debt-funded capex, leading to net leverage exceeding 2.5x, on a sustained and consolidated basis, will be negative for the ratings.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on PJL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

Company Profile

PJL, incorporated is 1992, is a leading manufacturer of building material such as cement, RMC, and ceramic tiles in India. It also has interests in building materials, sanitary-ware and insurance through subsidiaries and joint ventures.

The cement division (Prism Cement) has an installed capacity of 5.6MMTPA in Satna (Madhya Pradesh). With three decades of operations, Prism Cement had a distribution network of 3,000 active dealers and nearly 5,000 active retailers as of December 2022, catering to cement demand in eastern Uttar Pradesh (56%), Madhya Pradesh (21%) and Bihar (23%). The company produces Portland Pozzolana Cement under four brands - Champion, and three premium brands, Champion Plus, Champion All Weather and Duratech - and Ordinary Portland Cement at its Satna plant. As of December 2022, it had a trade to non-trade mix of 78:22, and the share of premium products in the revenue was 32.7%.

HRJ has been operating for over six decades (operating since 1958) in India. The company offers a diversified product portfolio of tiles, sanitary ware, bath fittings and engineered marble and quartz. HRJ products are sold under the brand names of Johnson Tiles, Johnson Marbonite, Johnson Porselano, Johnson Endura, Johnson International and Johnson Marble & Quartz. The division has a distribution network of about 1,200 dealers, and around 8,000-10,000 retail outlets, and it operates 18 large format experience centers. This segment operates 10 tile plants (including JVs) with total capacity of around 60 million square meters, and two bathroom fittings plants with a total capacity of 3.6 million pieces per annum.

Prism RMC is among the top three players in the RMC sector, with a pan-India presence. As of December 2022, it operated 87 plants across 44 locations. It also mines aggregates and operates three aggregate quarries.

PJL holds 51% stake in RQBE which is a JV between the QBE Insurance Group based out of Australia, holding a 49% stake.

FINANCIAL SUMMARY - CONSOLIDATED

Particulars *(INR billion)	FY22	FY21
Revenue	58.27	53.26
Operating EBITDA	6.14	7.02
Operating EBITDA margin (%)	10.5	13.2
Net debt	12.53	12.34
Net leverage (x)	2.0	1.8
Source: PJL, Ind-Ra *excluding RQBE		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Ratings	Historical Rating/Outlook							
				24 February 2022	17 August 2021	16 July 2021	4 March 2021	12 August 2020	23 June 2020	14 May 2020	5 Febru 202
Issuer rating	Long-term	-	IND A+/Stable	IND A+/Positive	IND A+/Positive	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stak
NCDs	Long-term	INR1.70	IND A+/Stable	IND A+/Positive	IND A+/Positive	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stak
Term loan	Long-term	INR11.60	IND A+/Stable	IND A+/Positive	IND A+/Positive	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stak
Fund-based working capital limit	Long-term	INR5.51	IND A+/Stable	IND A+/Positive	IND A+/Positive	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stak
Non-fund-based working capital limit	Short-term	INR9.04	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1	IND A1	IND A1	IND A
Term deposit	Long-term	INR0.005	IND A+/Stable	IND tAA-/Positive	IND tAA-/Positive	IND tAA-/Stable	IND tAA-/Stable	IND tA+/ Stable	IND tA+/ Stable	IND tA+/ Stable	IND tA Stab
Unsecured Short-term loans	Short-term	INR0.7	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1	IND A1	IND A1	IND A

CP	Short-term	INR2.0	IND A1+	-	-	-	-	-	-	-	-
CP	Short-term	INR2.0	WD	IND A1+	IND A1+	IND A1+	IND A1+	IND A1	IND A1	IND A1	IND A

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCDs	INE010A08081	26 July 2019	10.7	25 July 2022	INR1.15	WD; paid in full
NCD	INE010A08123	21 August 2020	9.5	21 August 2023	INR0.75	IND A+/Stable
NCD	INE010A08131	26 August 2021	8.2	26 August 2024	INR0.95	IND A+/Stable

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loans	Low
NCDs	Low
CP	Low
Fund-based limits	Low
Non-fund based limits	Low

For details on the complexity levels of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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APPLICABLE CRITERIA

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

Rating Indian Cement Producers

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