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

PRISM JOHNSON LIMITED

February 22, 2024

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

Dear Sir,

Sub.: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Update on Credit Rating and its Outlook

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR'), we wish to inform you that the India Ratings & Research Private Limited ('India Ratings') has revised its rating outlook for the long term debt instruments and long term borrowings of the Company to **'Positive'** from **'Stable'**, while affirming the long-term issuer ratings at **'IND A+'**. The ratings / outlook for existing non-fund based working capital limits, unsecured short-term loans and commercial paper programme of the Company has been affirmed as **'IND A1+'**.

Further, India Ratings has assigned **'IND A1+'** rating to additional unsecured short-term loans and **'IND A+/Positive/IND A1+'** to Fund-based/non-fund-based working capital limit of the Company.

Document published by India Ratings dated February 21, 2024 in this regards is enclosed herewith.

The above is for your information and record.

Thanking you,
Yours faithfully,
for **PRISM JOHNSON LIMITED**

SHAILESH NAGINDAS DHOLAKIA
Digitally signed by SHAILESH NAGINDAS DHOLAKIA
Date: 2024.02.22 16:00:33 +05'30'

SHAILESH DHOLAKIA
Company Secretary &
Compliance Officer

Encl.: As above

PRISM CEMENT दूर की सोच | JOHNSON Not just tiles, Lifestyles. | PRISM RMC Complete Concrete Solutions

India Ratings Revises Outlook on Prism Johnson & its NCDs to Positive; Affirms 'IND A+'; Rates Additional Loans

Feb 21, 2024 | Cement & Cement Products

India Ratings and Research (Ind-Ra) has revised Outlook on Prism Johnson Limited (PJL) to Positive from Stable while affirming the 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 (million)	Rating/Outlook	Rating Action
Non-convertible debentures (NCDs#)	-	-	-	INR950 (reduced from INR1,700)	IND A+/Positive	Affirmed; Outlook revised to Positive from Stable
Term loans	-	-	FY31	INR11,048 (reduced from INR11,605)	IND A+/Positive	Affirmed; Outlook revised to Positive from Stable
Fund-based limits	-	-	-	INR4,290 (reduced from INR5,505)	IND A+/Positive	Affirmed; Outlook revised to Positive from Stable
Non-fund-based working capital limits	-	-	-	INR8,750 (reduced from INR9,040)	IND A1+	Affirmed
Fixed deposit	-	-	-	INR1 (reduced from INR5)	IND A+/Positive	Affirmed; Outlook revised to Positive from Stable
Unsecured short-term loans	-	-	-	INR700	IND A1+	Affirmed
Unsecured short-term loans	-	-	-	INR2,000	IND A1+	Assigned
Commercial paper (CP) programme*	-	-	0-365 days	INR2,000	IND A1+	Affirmed
Fund-based/non-fund-based working capital limit	-	-	-	INR816	IND A+/Positive/IND A1+	Assigned

#Details in annexure
*The CP will be carved out of PJL’s working capital limits and will be used for meeting 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. Ind-Ra has not considered RQBE while taking the consolidated view due to its non-strategic nature.

The Positive Outlook reflects the likelihood of a sustained improvement in PJL's credit profile, led by a reduction in debt and recovery in profitability with the net leverage (EBITDA/net debt) likely to sustainably reduce below 2.0x in the near term.

Key Rating Drivers

Asset Monetisation and Recovery in EBITDA lead to Deleveraging; Further Improvement Likely: After increasing to 3.3x in 9MFY23 (FY22: 2.0x) owing to a contraction in EBITDA, PJL's net leverage improved to 2.6x in FY23 following a decline in the net debt to INR11.49 billion (9MFY23: INR14.86 billion), driven by higher cash flows emanating from a recovery in profitability as well as lower working capital requirements. At 9MFY24, the net debt reduced further to INR10.98 billion, following the sale of a land asset in Andhra Pradesh to The Ramco Cements Ltd in 1HFY24. This, coupled with an improvement in the EBITDA (9MFY24: INR3.8 billion, FY23: INR4.4 billion, 9MFY23: INR3 billion), resulted in an improvement in the net leverage to 2.1x at 9MFY24, which is likely to reduce to 2.0x by FY24. The interest coverage (EBITDA/gross interest expense) also improved to 2.7x in 9MFY24 (9MFY23: 2.2x, FY23: 2.2x) and is likely to remain at similar levels in FY24, before improving further in FY25.

PJL’s 6.3 million square metres-greenfield tiles unit in Panagarh, West Bengal, which commenced operations in October 2023, is likely to ramp-up over FY25, adding to the EBITDA. Further, the company plans to increase its green power by increasing its renewable power capacity by 32MW (solar power: 8MW, wind power: 24MW), which is likely to be completed in FY25, improving cost efficiencies. Ind-Ra understands from the management that PJL's annual capex is likely to be INR4 billion-5 billion over FY25-FY26, which coupled with a robust EBITDA generation is likely to ensure a continued improvement in the net leverage. Meanwhile, in FY23, the cement division adopted an asset-light model to ensure growth and entered into supply arrangements with four grinding units based out of Faizabad, Mirzapur, Patna and Amethi to cater to the new untapped markets. The supply arrangements have added an aggregate grinding capacity of 1.3 million tonnes per annum (MTPA).

Cement Profitability to Recover on Lower Costs: After growing 13% yoy in FY23, PJL’s cement sale volumes grew 14% yoy to 4.7 million tonnes (mt) in 9MFY24, while sales realisation improved marginally to INR5,153/mt (9MFY23: INR5,102/mt, FY23: INR5,118/mt). Ind-Ra expects the company to continue to witness a 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 (9MFY24: 33%, FY23: 31.2%, FY22: 29%, FY21: 27.7%) should support realisations.

After witnessing a sharp fall in the profitability in FY23 owing to the surge in power and fuel costs, the EBITDA/metric tonne (mt) recovered to INR614 in 9MFY24 (FY23: INR445/mt, FY22: INR709/mt), mainly on account of a correction in fuel prices and higher clinker production. The company has sufficient low-cost fuel inventory, which is likely to lead to a healthy EBITDA in the seasonally strong 4QFY24. Thereafter, Ind-Ra expects the profitability in FY25-FY26 to be supported by the cost savings arising from an increase in the proportion of green power (9MFY24: 30% share of green power) with completion of the capex to set up an 8MW of additional solar power by June 2024 and a 24MW captive wind power by March 2025. However, any unexpected increase in fuel costs affecting the profitability would remain a monitorable.

HRJ Profitability Remains Subdued; New Plant to Bring in Cost Savings: PJL's H&R Johnson (HRJ) business witnessed a moderation in EBITDA margin to 7.3% in FY23 (FY22: 10.6%) owing to a sharp rise in natural gas prices after the Russia-Ukraine conflict. After a further decline to 5% in 1QFY24, HRJ’s EBITDA margin recovered to 7.2% in 2QFY24 led by a moderation in gas prices (2QFY23: 7.0%) but fell to 4.5% in 3QFY24 led by the impact of lower volumes and certain one-time costs. However, with the ramp-up in operations of the recently completed Panagarh project, which will largely cater to the Eastern market, the management expects considerable savings in costs mainly on logistics, thereby adding to the profitability which shall remain a monitorable.

Robust Market Position: PJL is a prominent cement manufacturer in central India with an installed capacity of 5.6MTPA 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 a leading player in the industry.

Liquidity Indicator – Adequate: The average utilisation of PJL's standalone fund-based limits was around 35% (of drawing power) over the 12 months ended December 2023. PJL’s cash flow from operations (post interest) remained healthy at INR4.8 billion in FY23 (FY22: INR4.7 billion, FY21: INR10.3 billion). The company reported cash and equivalents of INR3.2 billion at FY23 (FY22: INR3.1 billion, FY21: INR4.9 billion). PJL had scheduled debt repayments of around INR3.8 billion in FY24, of which INR3.5 billion has been repaid/prepaid as of December 2023. PJL has scheduled repayment obligations of about INR4.1 billion over 4QFY24 and FY25, of which repayments for FY25 could reduce substantially by FY24 with continued prepayment/refinancing and Ind-Ra opines that internal accruals would be sufficient to meet the same. Besides, with 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 9MFY24, but Input Costs Continue to Weigh on Margins*:* In 9MFY24, RMC's revenue grew 4% yoy to INR10.77 billion, led by demand from the infrastructure sector, primarily because of traction in coastal road, bullet train and metro projects. Although profitability improved on a year-on-year basis, the division continues to witness pressures with EBITDA of INR28 million and margin of 0.26% in 9MFY24. The growth is likely to be driven by increased share of value-added products, focus on individual home builder segment coupled with cost-saving initiatives and adoption of franchise model could bring some improvement in margins.

Investments in RQBE to Continue, albeit at a Lower Level: PJL's planned divestment of its entire holding of 51% in RQBE to Paytm Insuretech Private Limited for INR2.9 billion was automatically terminated in May 2022 as the share sale and purchase transaction has not been consummated within the envisaged time period, due to a delay in the receipt of regulatory approvals. After investing INR0.5 billion by subscribing to right issues in FY23, PJL invested INR0.2 billion in the company in 9MFY24. The joint venture partner also subscribed to the rights issue, and hence, the shareholding percentage of the company in RQBE remains unchanged. The company continues to evaluate divestment opportunities in RQBE as it remains non-strategic but is likely to invest INR0.2 billion-0.3 billion annually in the near term to support business requirements in the meantime. PJL's share in RQBE's losses stood at INR0.03 billion in 9MFY24 (FY23 losses: INR0.4 billion, FY22 losses: INR0.5 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 the cement prices, could affect the company's EBITDA and margins as witnessed in FY23 and this remains a key monitorable.

Standalone Profile: During FY23, the company posted revenue of INR67.1 billion (FY22: INR55.7 billion), EBITDA of INR3.9 billion (INR5.8 billion), net leverage of 2.4x (1.8x) and gross interest coverage of 2.4x (3.4x).

Rating Sensitivities

Positive: A continued improvement in operating performance and profitability, along with the net leverage reducing below 2.0x, on a consolidated and sustained basis, could be positive for the ratings.

Negative: A lower-than-expected operating performance and/or higher-than-expected capex, leading to the net leverage remaining above 2.0x, on a sustained and consolidated basis, would lead to the Outlook being revised back to Stable.

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 5.6MTPA in Satna (Madhya Pradesh). With three decades of operations, Prism Cement had a distribution network of 3,000 active dealers and nearly 5,400 active retailers as of December 2023, catering to cement demand in Uttar Pradesh (62.2%), Madhya Pradesh (16.4%) and Bihar (21.4%). 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 2023, it had a trade to non-trade mix of 69:31, and the share of premium products in the revenue was 33%.

HRJ has been operating since 1958 in India. The company offers a diversified product portfolio of tiles, sanitary ware, bath fittings and engineered marble and quartz. HRJ's 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 1,300 dealers and over 8,000 retail outlets, and it operates 21 large format experience centres. This segment operates 11 tile plants (including joint ventures) with a total capacity of around 67 million square metres, 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 2023, it operated 100 plants across 44 locations. It also mines aggregates and operates three aggregate quarries.

PJL holds 51% stake in RQBE. which is a joint venture with Australia-based QBE Insurance Group, holding a 49% stake

FINANCIAL SUMMARY

Particulars(INR billion)	9MFY24	FY23	FY22
Revenue	51.75	68.30	58.26
Operating EBITDA	3.85	4.45	6.14
Operating EBITDA margin (%)	7.4	6.5	10.5
Interest Coverage (x)	2.7	2.2	3.1
Net leverage (x)	2.1	2.6	2.0
Source: PJL, Ind-Ra Note: Financials excluding RQBE			

Non-Cooperation with previous rating agency

Not applicable

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.

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/ Outlook	Historical Rating/Outlook							
				23 February 2023	24 February 2022	17 August 2021	16 July 2021	4 March 2021	12 August 2020	23 June 2020	14 May 2020
Issuer rating	Long-term	-	IND A+/Positive	IND A+/ Stable	IND A+/ Positive	IND A+/ Positive	IND A+/ Stable	IND A+/ Stable	IND A/ Stable	IND A/ Stable	IND A/ Stable
NCDs	Long-term	INR950	IND A+/Positive	IND A+/ Stable	IND A+/ Positive	IND A+/ Positive	IND A+/ Stable	IND A+/ Stable	IND A/ Stable	IND A/ Stable	IND A/ Stable
Term loan	Long-term	INR11,048	IND A+/Positive	IND A+/ Stable	IND A+/ Positive	IND A+/ Positive	IND A+/ Stable	IND A+/ Stable	IND A/ Stable	IND A/ Stable	IND A/ Stable
Fund-based working capital limit	Long-term	INR4,290	IND A+/Positive	IND A+/ Stable	IND A+/ Positive	IND A+/ Positive	IND A+/ Stable	IND A+/ Stable	IND A/ Stable	IND A/ Stable	IND A/ Stable
Non-fund-based working capital limit	Short-term	INR8,750	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1	IND A1	IND A1
Fixed deposit	Long-term	INR1	IND A+/Positive	IND A+/ Stable	IND tAA-/ Positive	IND tAA-/ Positive	IND tAA-/ Stable	IND tAA-/ Stable	IND tA+/ Stable	IND tA+/ Stable	IND tA+/ Stable
Unsecured Short-term loans	Short-term	INR2,700	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1	IND A1	IND A1
CP	Short-term	INR2,000	IND A1+	IND A1+	-	-	-	-	-	-	-
CP	Short-term	INR2,000	-	WD	IND A1+	IND A1+	IND A1+	IND A1+	IND A1	IND A1	IND A1
Fund-based/non-fund-based working capital limit	Long-term/ Short-term	INR816	IND A+/Positive/IND A1+	-	-	-	-	-	-	-	-

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCD	INE010A08123	21 August 2020	9.5	21 August 2023	INR0.75	WD (paid in full)

NCD	INE010A08131	26 August 2021	8.2	26 August 2024	INR0.95	IND A+/Positive

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
Short-term loans	Low

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

Contact

Primary Analyst
Khushbu Lakhotia
Director
India Ratings and Research Pvt Ltd
Room no - 1201, 12th Floor, OM Towers, 32 Chowringhee Road, Kolkata-700071, India
+91 33 40302508
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Mahima Jain
Analyst
1246687268

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER