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

PRISM JOHNSON LIMITED

Ref. : ASK/UD/848/2021-22 July 16, 2021

The National Stock Exchange (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.: Affirmation of Credit Ratings by India Ratings and Research Pvt. Limited

Re. : Intimation under Regulation 30(6) read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir,

This is to inform that India Ratings and Research Pvt. Limited ('India Ratings') has on July 16, 2021, affirmed the rating actions for Company's financial facilities. The document published by India Ratings is enclosed herewith.

This is for your information and record.

Thanking you,

Yours faithfully,

for **PRISM JOHNSON LIMITED**

ASKulkarni

ANEETA S. KULKARNI
COMPANY SECRETARY

Encl. : As above

India Ratings & Research
A Fitch Group Company

India Ratings Affirms Prism Johnson at 'IND A+'/Stable; Limits Enhanced

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JUL 2021

By Khushbu Lakhotia

India Ratings and Research (Ind-Ra) has taken the following rating actions on Prism Johnson Limited (PJL):

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND A+/Stable	Affirmed
NCDs^	-	-	-	INR2.89 (reduced from INR3.24)	IND A+/Stable	Affirmed
Term loans	-	-	FY30	INR10.87 (reduced from INR11.02)	IND A+/Stable	Affirmed
Fund-based limits	-	-	-	INR4.1 (increased from INR4)	IND A+/Stable	Affirmed
Non-fund-based working capital limits	-	-	-	INR6.99 (increased from INR6.94)	IND A1+	Affirmed
Term deposit programme	-	-	-	INR0.01 (reduced from INR0.05)	IND tAA-/Stable	Affirmed
Unsecured short-term loans	-	-	-	INR0.9	IND A1+	Affirmed
Commercial paper programme*	-	-	0-365 days	INR2.0	IND A1+	Affirmed

^Details in annexure

* CP has been carved out of PJL's working capital limits and will be used to meet working capital requirements

ANALYTICAL APPROACH: Ind-Ra continues to take a consolidated view of PJL and its subsidiaries, together referred to as PJL, because of strong operational and strategic linkages among them. PJL completed the amalgamation of some of its subsidiaries with itself in May 2021, to ease out the group structure.

KEY RATING DRIVERS

Robust Market Position: PJL is among the top three cement producers in central India by volumes and a leading player in RMC. It has been a pioneer in ceramic tiles in India for the past five decades and is the second-largest player in the industry.

Cement EBITDA Grows as Recovery Exceeds Expectations: After a COVID-19-induced decline of 24% yoy in 1QFY21, PJL's cement sales grew 3% yoy in both 2QFY21 and 3QFY21 and a strong 26% yoy on a low base in 4QFY21, resulting in overall volume growth of around 2% yoy to 5.8 million tonnes (mnt) in FY21, against Ind-Ra's expectations of a low single-digit decline in sales. The growth is likely to improve further in FY22. PJL's cement division EBITDA/mt has continuously improved since FY15 (FY15: INR409, FY20: INR889), aided by an improving demand and industry consolidation in central India. The EBITDA/mt improved further to INR962 in FY21, resulting in 10%yoy growth in cement EBITDA to around INR5.6 billion. While the pet coke and coal prices have increased in the past six months, the company's efforts to reduce costs include the commissioning of a waste heat recovery power plant (10MW in November 2020, 12.5MW in March 2021), higher use of solar power (22.5MW including 10MW commissioned in March 2021) and an increased share of linkage coal (to 25% from 20%), minimising the need to use grid power. Also, the rising share of PJL's premium branded cement is likely to bolster realisations (FY21: 28%, FY20:22%, FY19: 18%, FY18: 15%) and profitability.

Turnaround in HRJ Division: After the COVID-19-induced disruption led to a sharp 60% yoy plunge in the revenue in 1QFY21, the HRJ division registered revenue growth of 6% yoy in 2QFY21, which increased to 45% yoy in 4QFY21, aided by a recovery in the real estate and construction segments and an expanded distribution network. Furthermore, the division reported double-digit EBITDA margins in the last three quarters (2QFY21: 10.7%, 3QFY21: 14.1%, 4QFY21: 12.6%)- the highest in the past decade (FY20: 3.8%), owing to a combination of increased volumes, the strengthened distribution network, a refocused sales team, an expanded product portfolio, strict control on working capital and cost-optimisation measures. The division reported an EBITDA of INR2.1 billion over July-March 2021 (FY20: INR0.7 billion), and is likely to constitute over 20% of the company's total EBITDA in the near-to- medium-term. Notwithstanding some moderation from the historical high witnessed in 3QFY21, the division's EBITDA margins are likely to remain comfortable.

RMC Sales Remain Affected but Profitability Improves: While the ready-mix concrete (RMC) division witnessed a sequential improvement in revenue 2QFY21 onwards, it was yet to reach pre-COVID-19 levels in 4QFY21 (down 6% yoy), given the urban-centric customer base. Despite lower revenues, the division's EBITDA increased to INR198 million in 4QFY21 (4QFY20: INR20 million), led by lower operating costs.

Strong Financial Profile: Despite the adverse impact of COVID-19, PJL's net leverage (net debt/EBITDA) improved to 1.9x in FY21 (FY20: 3.4x), led by a significant improvement in its profitability post 1QFY21 and a gradual growth recovery in the cement and tiles (HRJ) businesses in 2QFY21. The consolidated metrics exclude Raheja QBE General Insurance Company Limited (RQBE), as PJL is divesting its entire 51% stake (likely to be completed by FY22) in the company, indicating its non-strategic nature. PJL's EBITDA (ex-RQBE) increased 16%yoy to INR6.6 billion in FY21, on account of an increase in the EBITDA/mt of cement (FY21: INR962; FY20: INR889), as a result of the low pet coke and coal prices, the cost-reduction initiatives taken by the company, and a significant increase in the profitability of the HRJ division. Ind-Ra expects the net leverage to improve further in FY22, with a rebound in demand and continued strong margins. While the divestment of RQBE has been delayed due to regulatory approvals, it could result in an additional inflow of around INR3.5 billion in FY22, once approvals are received.

RQBE Divestment to Boost Liquidity: PJL in FY21 announced a divestment of its entire holding of 51% in RQBE to QORQL Private Limited, a technology company for INR2.9 billion. The sale was originally planned to be completed by March 2021 but has been delayed due to pending receipt of approval from the Insurance Regulatory and Development Authority of India. The company now expects to complete the sale by FY22The deal will result in a net cash inflow of around INR3.5 billion (including investment of INR0.7 billion made by PJL in FY21) which will be used towards debt reduction as confirmed by the management. RQBE reported sales INR1.8 billion and EBITDA loss of INR0.3 billion in FY20.

Liquidity Indicator – Adequate; No Near-term Refinancing Requirement: PJL had cash of around INR5.4 billion of (FYE20: INR4.2 billion) and unutilised working capital lines of INR4 billion at FYE21, providing sufficient cushion to the company for any increase in working capital. PJL's average use of the fund-based and non-fund-based working capital limits was around 40% and 80%, respectively, for the 12 months ended May 2021.In FY21, the company made principal payments of around INR10.4 billion (including prepayment of INR8 billion), funded by its cash generation and refinancing of INR6.6 billion. In addition to the robust EBITDA generation, the debt reduction was aided by a working capital release of over INR7.2 billion. PJL has principal repayment obligations of INR1.8 billion for FY22. The company has a history of successfully refinancing its debt obligations within a year from maturity, but it has already refinanced bulk of its repayment liabilities for FY22, resulting in a robust debt service coverage ratio of above 1x. Ind-Ra believes the company's EBITDA generation and the inflow from RQBE divestment will obviate the need for refinancing a bulky repayment of over INR5 billion in FY23. But in the event of a delay in RQBE divestment, Ind-Ra draws comfort from PJL being a Rajan Raheja group company, which gives it the required financial flexibility. PJL's cash flow from operations (post interest) rose sharply to INR10.3 billion in FY21 (FY20: INR2.7 billion; FY19: INR4.7 billion), owing to a sharp reduction in the working capital. The growth in revenue coupled with some normalisation of payables is likely to lead to an increase in working capital requirements in FY22, leading to a moderation in the cash flow from operations. However, the same is likely to remain comfortable.

Large Capex Plans Contingent on Leverage Reduction: PJL is increasing its cement capacity by 0.9 million tonnes by June 2022 at a cost of INR1.4 billion, funded entirely through internal accruals with total capex of around INR4.5-5 billion in FY22. In addition, it plans to increase its grinding capacity by 1mnt by September 2023 for a total capex of around INR2.5 billion. It also plans to expand tile capacity by 8.5 million square meters by 2023 at a total cost of INR1.25 billion. The company's medium-term plans include a grinding unit and/or an integrated unit in central/south India where it has mines available. However, these have not yet been firmed up and the management has indicated that it is likely to embark on a large capex only once the net leverage reduces to around 1x, which provides comfort on a sustained strong financial profile.

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

RATING SENSITIVITIES

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

COMPANY PROFILE

PJL has diversified business activities, with a presence in the cement, HRJ and RMC segments. It has been manufacturing and selling cement since 1997. It manufactures Portland Pozzolana cement under the brands of Champion, Champion Plus and Duratech in addition to ordinary portland cement at its plants in Satna, Madhya Pradesh. It caters to the cement requirements of major markets in Uttar Pradesh, Madhya Pradesh and Bihar.

Its HRJ division (including JVs/subsidiaries) has 11 manufacturing units nationwide and has added various product categories to offer complete solutions to customers. The RMC division has 96 plants countrywide and has presence in aggregates business operating large quarries and crushers.

FINANCIAL SUMMARY- CONSOLIDATED

Particulars	FY21	FY20
Revenue (INR million)	55.9	59.6
Operating EBITDA (INR million)	6.2	5.4
EBITDA margin (%)	11.1	9.1
Interest coverage (x)	3	2.1
Net leverage (x)	1.9	3.4
Source: PJL, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook											
	Rating Type	Rated Limits (billion)	Rating	4 March 2021	12 August 2020	23 June 2020	14 May 2020	5 February 2020	27 January 2020	24 July 2019	15 July 2019	15 November 2018	1 August 2018	25 August 2018	6 April 2018
Issuer rating	Long-term	-	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A-/Positive	IND A-/Stable	IND A-/Stable	IND A-/Stable
NCDs	Long-term	INR2.89	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A-/Positive	IND A-/Stable	IND A-/Stable	IND A-/Stable
Term loans	Long-term	INR10.87	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A-/Positive	IND A-/Stable	IND A-/Stable	IND A-/Stabl
Fund-based limits	Long-term	INR4.1	IND A+/Stable	IND A+/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A-/Positive	IND A-/Stable	IND A-/Stable	IND A-/Stable
Non-fund-based working capital limits	Short-term	INR6.99	IND A1+	IND A1+	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1
Term deposit programme	Long-term	INR0.01	IND tAA-/Stable	IND tAA-/Stable	IND tA+/Stable	IND tA+/Stable	IND tA+/Stable	IND tA+/Stable	IND tA+/Stable	IND tA+/Stable	IND tA+/Stable	IND tA/Positive	IND tA/Stable	IND tA/Stable	IND tA/Stable
Unsecured short-term loans	Short-term	INR0.9	IND A1+	IND A1+	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1
CP programme	Short-term	INR2.0	IND A1+	IND A1+	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1	IND A1

ANNEXURE

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCDs	INE010A08115	12 June 2020	10.25	30 December 2021	INR0.15	IND A+/Stable
NCDs	INE010A08081	26 July 2019	10.7	25 July 2022	INR1.15	IND A+/Stable
NCDs	INE010A08099	31 January 2020	10.0	31 January 2023	INR0.84	IND A+/Stable
NCD	INE010A08123	21 August 2020	9.5	21 August 2023	INR0.75	IND A+/Stable

NCDs	INE010A08107	12 June 2020	10.25	25 June 2021	INR0.35	WD; paid in full
Total					**INR2.89**	

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.

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.

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ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency 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

Applicable Criteria

Corporate Rating Methodology
Parent and Subsidiary Rating Linkage
Short-Term Ratings Criteria for Non-Financial Corporates

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