



PRISM JOHNSON LIMITED

October 4, 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

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR'), we wish to inform you that CRISIL Ratings Limited has reaffirmed its rating for the existing commercial paper programme of the Company as 'CRISIL A1+'.

Document published by CRISIL Ratings dated October 4, 2024 in this regards is enclosed herewith.

The above is for your information and record.

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

SHAILESH DHOLAKIA
Company Secretary &
Compliance Officer

Encl.: As above



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CIN: L26942TG1992PLC014033

Rating Rationale

October 04, 2024 | Mumbai

Prism Johnson Limited

Rating reaffirmed at 'CRISIL A1+'

Rating Action

Rs.200 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL A1+' rating on the commercial paper program of Prism Johnson Ltd (PJL).

The rating reflects the healthy business risk profile supported by PJL's position as a prominent cement player in the central region, its established presence in the domestic ceramic and vitrified tiles industry along with being one of the leading players in the ready-mix concrete (RMC) business and structural improvement in the operating efficiency of the Cement and HRJ Divisions. The rating also factors in the healthy liquidity and financial risk profile maintained. These strengths are partially offset by susceptibility to fluctuations in input costs and realisations, cyclical in the industry and exposure to intense competition.

During fiscal 2024, the consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) margin improved to 7.3% compared to 6.5% in the previous fiscal due to improvement in profitability of the cement division. EBITDA per ton of the cement segment improved to Rs 523 in fiscal 2024 as compared to Rs 445 in fiscal 2023 owing to decline in power and fuel cost even as realisations declined. As for the tiles division, operating profitability continued to remain moderate owing to ageing plants leading to higher fixed costs.

For fiscal 2025, CRISIL Ratings expects EBITDA margin to improve to 7-8% driven by cost reduction in the cement division with decline in power and fuel cost on account of lower input prices and benefit of investments made in green energy in cement division. The profitability of tiles division is also expected to improve with completion of modernization activities in first half of fiscal 2025 which will lead to better operational efficiencies. The profitability of the RMC segment is also expected to improve with various cost rationalization measures being undertaken and further scaling up of asset light franchise model.

With higher accruals during fiscal 2024 aided by proceeds from land parcel and mining lease sale, the financial risk profile improved as seen in consolidated net debt to EBITDA ratio declining to 2.6 times in fiscal 2024 against 3.8 times a year earlier. CRISIL Ratings expects the net debt to EBITDA ratio to further gradually decline over the medium term with an improvement in profitability despite pickup in capital expenditure (capex). Liquidity remains strong, with cash and equivalents of approximately Rs 400 crore as on June 30, 2024, along with a policy to prepay or refinance a large part of the term debt a year in advance.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of PJL and its joint ventures (JVs), associate and subsidiary companies as these have strong financial, managerial and operational linkages.

CRISIL Ratings has factored in support from PJL to Raheja QBE General Insurance Company Ltd and has accordingly carried out adjustments to net worth, in line with the capital allocation approach.

CRISIL Ratings has considered supplier's credit as debt.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Prominent cement player in the central region, established presence in the domestic tiles business and one of the leading players in the RMC business:** PJL is a prominent cement player in the central region with capacity of 5.6

million metric tonne per annum (MTPA) supported by long track record of operations. Cement sales for PJJ are concentrated in Uttar Pradesh (UP), Madhya Pradesh (MP) and Bihar with majority of the offtake from eastern and central UP. PJJ sells cement under the brands – Champion, Champion Plus, Champion All Weather and Duratech. PJJ also has supply agreements with four suppliers for supply of cement having grinding capacity of 1.3 MTPA.

The company's tiles division, HRJ, has total tile manufacturing capacity of 64 million m² across 11 units (including JVs) across India post modernisation of its Vijaywada plant and commencement of its greenfield tile plant at Panagarh, West Bengal with a production capacity of 6.3 million m². The division also houses a faucet manufacturing plant each in Samba, Jammu & Kashmir, and Baddi, Himachal Pradesh. HRJ has a wide product range including tiles, sanitary ware, faucets, quartz and engineering marbles, and construction chemicals. HRJ has a wide distribution network of over 900 dealers and 21 large format experience centres.

PJJ, one of the leading RMC manufacturers, operates 108 RMC plants at 49 locations across India as on June 30, 2024.

- **Healthy operating efficiency:** The EBITDA per tonne of PJJ's cement division has declined to Rs 445-525 over fiscals 2023-2024 from Rs 700-1,000 per tonne in fiscals 2019 to 2022. The reduction was driven by due to heightened power and fuel cost owing to higher petcoke/ coal prices which couldn't be fully passed on. Going forward, EBITDA per ton is expected to improve gradually despite near term challenges of lower realization as the company is expected to benefit from various cost efficiency measures such as AFR project and investments in green energy. The company has recently completed installation of 8 MW of solar capacity and commissioning of wind power project of 24 MW is expected by March 2025, which will lead to cost savings.

After witnessing a turnaround in the HRJ division during fiscals 2021 and 2022 as seen in EBITDA margin improving to double digits (barring quarters impacted due to the pandemic) from 3-4% during fiscals 2018 to 2020, operating profitability was impacted during fiscals 2023-2024 due to high gas prices and various kiln modernization activities being undertaken by the company. However, with modernization largely expected to be completed during fiscal 2025, EBITDA margins should improve from current levels over the medium term.

- **Healthy financial risk profile and strong liquidity:** Financial leverage, as measured by net debt to EBITDA decreased in fiscal 2024 to 2.6 times as compared to 3.8 times in fiscal 2023 largely owing to proceeds of Rs 530 crore as on overall consideration from the transfer of mining lease and sale of certain freehold land parcel etc. to The Ramco Cements Ltd, and is expected to strengthen further over the medium term with expected improvement in profitability. The company plans to incur large annual capex of around Rs 500 crore over medium term towards various cost efficiency improvement and purchase of mining land which will lead to higher accruals.

Interest coverage to remain comfortable at above 2.5 times over the medium term. Liquidity remains strong, with cash and equivalents of approximately Rs 400 crore as on June 30, 2024 which will be utilised towards capex. The company plans to maintain liquidity of around Rs 150- 200 crore over medium. Further, the company has a practice to prepay or refinance large part of the term debt a year in advance which lends comfort to the financial risk profile. PJJ also has healthy financial flexibility being part of a strong group.

Weaknesses:

- **Susceptibility to fluctuations in input costs and realisations; and cyclicality in the industry:** Capacity addition in the cement industry tends to be sporadic because of the long gestation period for setting up a facility and numerous players adding capacity during the peak of a cycle. This has led to unfavourable price cycles for the sector in the past. Moreover, profitability remains exposed to volatility in input prices, including raw material, power, fuel and freight. Increase in coal and pet coke prices have impacted the profitability of several cement players. Realisations and profitability are also affected by demand, supply, offtake and regional factors.
- **Exposure to intense competition:** The ceramic tiles industry is intensely competitive coupled with presence of large unorganised sector. However, with changes such as closure of ceramic units running on coal gasifiers, and implementation of the Goods and Services Tax (GST) and Real Estate (Regulation and Development) Act, 2016 (RERA), the market share of organised players has expanded in recent times.

Despite being one of the leading players, the HRJ division faces significant competition from reputed brands such as Kajaria Ceramics Ltd, Somany Ceramics Ltd (rated 'CRISIL AA-/Stable/CRISIL A1+'), Asian Granito India Ltd and Orient Bell Ltd (rated 'CRISIL A/Negative/CRISIL A1'). Intense competition restricts profitability, given the lower ability to pass on cost increases to customers.

Liquidity: Strong

Estimated net cash accrual of over Rs 300 crore and Rs 400 crore per annum for fiscals 2025 and 2026 along with high cash and equivalents balance, are more than adequate to meet the yearly scheduled debt repayment. Also, PJJ has demonstrated its ability to refinance debt in the past as the company typically prepays or refinances major portion of loans

due in the next one year. Moderately utilised bank lines at around 40% of the drawing power for the six months ended June 2024 provide additional cushion to liquidity. Furthermore, being part of a strong group provides healthy financial flexibility.

Environment, social and governance (ESG) profile

The ESG profile of PJL supports its healthy credit risk profile.

The cement sector has a significant impact on the environment owing to higher emissions, waste generation and water consumption. This is because of energy-intensive cement manufacturing process and high dependence on natural resources such as limestone and coal as key raw materials. The sector has significant social impact due to its nature of operations, affecting local community and health hazards. PJL has continuously focused on mitigating these environmental and social risks.

Key ESG highlights

- PJL aims to reduce its emissions by increasing use of alternate raw materials, alternate fuels, and renewable energy and focusing on energy conservation and efficiency. Further, company has reduced its Scope 1 and 2 emission intensity at standalone level by ~2% to 616 kg CO₂ per tonne of cementitious material in fiscal 2024.
- Share of renewable energy (including that from the waste heat recovery system, solar and biomass) in its energy mix stood at ~29% in fiscal 2024
- At the standalone level, it reported nil lost time injury frequency rate (LITFR) for employees and 0.69x for workers in fiscal 2024, as compared to 0.21x for employees and 0.45x for workers in fiscal 2023.
- Company's governance structure is characterized by ~45% of its board being independent directors, two-woman board members, independent chairperson and extensive financial disclosures (as of March 31, 2024).

Rating sensitivity factors

Downward factors:

- Weakening of the financial risk profile with net debt to EBITDA ratio sustaining above 4 times
- Lower-than-expected liquidity either owing to low cash balance or high utilisation of fund-based limits
- Slower-than-expected turnaround in profitability across divisions (Cement, HRJ and RMC)
- Large, debt-funded capital expenditure exposing the company to project risks

About the Company

PJL is an integrated building materials company, with a wide range of products such as cement, RMC, tiles and bath products. The PJL group currently has three divisions - Cement, HRJ, and RMC. Further, it has a 51% stake in its general insurance subsidiary, RQBE General Insurance Company Ltd(RQBE). PJL is listed on the Bombay Stock Exchange and National Stock Exchange.

Key Financial Indicators (consolidated excluding RQBE) – Adjusted by CRISIL Ratings

Particulars	Unit	2024	2023
Revenue	Rs crore	7,149	6,821
PAT	Rs crore	202	-68
PAT margin	%	2.8	-1.0
Adjusted debt/adjusted networth	Times	1.03	1.25
Adjusted interest coverage	Times	2.84	2.46

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Commercial Paper	NA	NA	7-365 days	200.00	Simple	CRISIL A1+

Annexure – List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
TBK Rangoli Tile Bath Kitchen Pvt Ltd	Full	Significant operational and financial linkages
TBK Venkataramiah Tile Bath Kitchen Pvt Ltd	Full	Significant operational and financial linkages
TBK Samiyaz Tile Bath Kitchen Pvt Ltd	Full	Significant operational and financial linkages
TBK Prathap Tile Bath Kitchen Pvt Ltd	Full	Significant operational and financial linkages
H. & R. Johnson (India) TBK Ltd	Full	Significant operational and financial linkages
RMC Readymix Porselano (India) Ltd	Full	Significant operational and financial linkages
Sentini Cermica Pvt Ltd	Full	Significant operational and financial linkages
Spectrum Johnson Tiles Pvt Ltd	Full	Significant operational and financial linkages
Antique Marbonite Pvt Ltd	Full	Significant operational and financial linkages
Sanskar Ceramics Pvt Ltd	Full	Significant operational and financial linkages
Small Johnson Floor Tiles Pvt Ltd	Full	Significant operational and financial linkages
Coral Gold Tiles Pvt Ltd	Full	Significant operational and financial linkages
Prism Johnson Building Solutions Limited	Full	Significant operational and financial linkages
Prism Concrete Solutions Limited	Full	Significant operational and financial linkages
PJL Cement Limited	Full	Significant operational and financial linkages
Raheja QBE General Insurance Company Ltd	Capital allocation	Significant operational and financial linkages
Ardex Endura (India) Pvt Ltd	Proportionate	JV
TBK Deepgiri Tile Bath Kitchen Pvt Ltd	Proportionate	JV
TBK Florance Ceramics Pvt Ltd	Proportionate	JV
Sunbath Sanitary Pvt Ltd (with effect from August 22, 2024)	Proportionate	JV
CSE Solar Parks Satna Pvt Ltd	Proportionate	Associate
Sunspring Solar Pvt Ltd	Proportionate	Associate
ReNew Green (MPR Two) Private Limited	Proportionate	Associate

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	200.0	CRISIL A1+		--	06-10-23	CRISIL A1+	25-03-22	CRISIL A1+		--	--
			--		--	23-03-23	CRISIL A1+		--		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
The Rating Process
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Cement Industry
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

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