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BUREAU VERITAS Certification

PRISM JOHNSON LIMITED

May 29, 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/Madam,

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 India Ratings & Research Private Limited ('India Ratings') has assigned credit rating **'IND A+/Positive'** to the proposed issue of Unsecured Rated Listed Redeemable Taxable Non-convertible Debentures for an aggregate amount of ₹ 200 Crores, to be issued by the Company, in one or more tranches, on a private placement basis.

We also wish to inform you that the India Ratings has affirmed its ratings/outlook for the existing Non-convertible Debentures, term loans and fund based limits of the Company at **'IND A+/Positive'**. Further, the ratings / outlook for non-fund based working capital limits, unsecured short-term loans and commercial paper program of the Company has been affirmed as **'IND A1+'**.

Report dated May 28, 2024 published by India Ratings in this regards on its website 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: 2024.05.29 15:16:49 +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 Affirms Prism Johnson's NCDs at 'IND A+'/Positive; Rates Additional NCDs

May 28, 2024 | Cement & Cement Products

India Ratings and Research (Ind-Ra) has rated Prism Johnson Limited's (PJL) debt instruments as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Non-convertible debentures#	-	-	-	INR950	IND A+/Positive	Affirmed
Non-convertible debentures@	-	-	-	INR2,000	IND A+/Positive	Assigned
Term loans	-	-	FY31	INR10,048 (reduced from INR11,048)	IND A+/Positive	Affirmed
Fund-based limits	-	-	-	INR4,290	IND A+/Positive	Affirmed
Non-fund-based working capital limits	-	-	-	INR8,750	IND A1+	Affirmed
Fixed deposit	-	-	-	INR1	IND A+/Positive	Affirmed
Unsecured short-term loans	-	-	-	INR2,700	IND A1+	Affirmed
Commercial paper (CP) programme*	-	-	0-365 days	INR2,000	IND A1+	Affirmed
Fund-based/non-fund-based working capital limit	-	-	-	INR11 (reduced from INR816)	IND A+/Positive/IND A1+	Affirmed

#Details in annexure
@Yet to be issued
*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.

Detailed Rationale of the Rating Action

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

List of Key Rating Drivers

Strengths

- Robust market position
- Asset monetisation and recovery in EBITDA lead to deleveraging; likely to remain comfortable
- Cement profitability recovers on lower costs, to improve further on costs efficiency measures
- RMC sales rebound in FY24; cost saving initiatives improved margins

Weaknesses

- HRJ profitability remains subdued; new plant to bring in cost savings
- EBITDA susceptible to volatility in input prices

Detailed Description of Key Rating Drivers

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, according to the management. It has a track record of six decades in ceramic tiles in India and is a leading player in the industry.

Asset Monetisation and Recovery in EBITDA lead to Deleveraging; Likely to remain Comfortable: After increasing to 2.6x in FY23 (FY22: 2.0x), owing to a contraction in EBITDA, PJL's net leverage improved to 1.6x in FY24 following a decline in the net debt to INR8.43 billion (FY23: INR11.49 billion). The net debt reduced following the transfer of the mining lease and the sale of certain freehold land parcels in Andhra Pradesh to The Ramco Cements Ltd in 1HFY24. This, coupled with an improvement in the EBITDA (FY24: INR5.2 billion, FY23: INR4.4 billion), resulted in an improvement in the net leverage. The interest coverage (EBITDA/gross interest expense) also improved to 2.7x in FY24 (FY23: 2.2x) and is likely to improve 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. Furthermore, the company plans to strengthen 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, during FY23 and FY24, 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 Recovers on Lower Costs, to Improve Further on Costs Efficiency Measures: PJL’s cement sale volumes grew 11% yoy to 6.6 million tonnes (mt) in FY24, while sales realisation moderated marginally to INR5,051/mt (FY23: INR5,118/mt). Ind-Ra expects the company to continue to witness a high single-digit demand growth in FY25, led by the housing and infrastructure segments in the central India markets. Furthermore, the rising share of PJL’s premium branded cement (FY24: 34%, 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 INR523 in FY24 (FY23: INR445/mt, FY22: INR709/mt), mainly on account of a correction in fuel prices and higher clinker production. 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 (FY24: 29% 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.

RMC Sales Rebound in FY24, Cost Saving Initiatives Improved Margins*:* In FY24, RMC's revenue grew 5% yoy to INR14.71 billion, led by demand from the infrastructure sector, primarily because of a traction in coastal road, bullet train and metro projects. The profitability improved on a year-on-year basis to INR388 million in FY24 (FY23: INR49 million), with the margin improving to 2.7% in FY24 (FY23: 0.4%). The improvement is driven by an increased share of value-added products, focus on individual home builder segment coupled with cost-saving initiatives and adoption of franchise model which could further improve the margins.

HRJ Profitability Remains Subdued; New Plant to Bring in Cost Savings: The profitability in PJL's H&R Johnson (HRJ) business continued to decline in FY24 with EBITDA margin of 5.7% (FY23: 7.3%, FY22: 10.6%) with margins fluctuating between 4.5% and 7.2% throughout the year. However, with the ramp-up in operations of the recently completed Panagarh project, which will largely cater to the Eastern India market, the management expects considerable savings in costs mainly on logistics, thereby adding to the profitability which remains a monitorable.

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.

Liquidity

Adequate: The average utilisation of PJL's standalone fund-based limits was around 45% (of drawing power) during the 12 months ended March 2024. PJL's cash flow from operations (post interest; including RQBE) remained healthy at INR3.7 billion in FY24 (FY23: INR4.8 billion, FY22: INR4.7 billion). The company reported cash and equivalents of INR4.9 billion at FYE24 (FYE23: INR3.2 billion, FYE22: INR3.1 billion). PJL has scheduled repayment obligations of about INR1.4 billion for FY25, 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.

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-Ind-Ra-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 to Stable.

Any Other Information

Standalone Profile: During FY24, the company posted revenue of INR70.7 billion (FY23: INR67.1 billion), EBITDA of INR4.5 billion (INR3.9 billion), net leverage of 1.5x (2.4x) and gross interest coverage of 2.7x (2.4x).

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 FY24. 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 INR0.2 billion in FY24 (FY23 losses: INR0.4 billion, FY22 losses: INR0.5 billion).

About the Company

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 2,500 effective dealers and nearly 5,100 effective retailers as of end-March 2024, catering to cement demand in Uttar Pradesh (60%), Madhya Pradesh (18%) and Bihar (22%). 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. At end-March 2024, it had a trade to non-trade mix of 71:29, and the share of premium products in the revenue was 34%.

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 900 dealers, 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 March 2024, it operated 102 plants across 47 location.

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

KEY FINANCIAL INDICATORS

Particulars (INR billion)	FY24	FY23
Revenue	71.75	68.30
Operating EBITDA	5.22	4.45
Operating EBITDA margin (%)	7.3	6.5
Interest coverage (x)	2.7	2.2
Net leverage (x)	1.6	2.6
Source: PJL, Ind-Ra Note: Financials excluding RQBE		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/ Outlook	Historical Rating/Outlook				
				21 February 2024	23 February 2023	24 February 2022	17 August 2021	16 July 2021

Issuer rating	Long-term	-	IND A+/Positive	IND A+/Positive	IND A+/ Stable	IND A+/ Positive	IND A+/ Positive	IND A+/ Stable
Non-convertible debentures	Long-term	INR2950	IND A+/Positive	IND A+/Positive	IND A+/ Stable	IND A+/ Positive	IND A+/ Positive	IND A+/ Stable
Term loan	Long-term	INR10,048	IND A+/Positive	IND A+/Positive	IND A+/ Stable	IND A+/ Positive	IND A+/ Positive	IND A+/ Stable
Fund-based working capital limit	Long-term	INR4,290	IND A+/Positive	IND A+/Positive	IND A+/ Stable	IND A+/ Positive	IND A+/ Positive	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+
Fixed deposit	Long-term	INR1	IND A+/Positive	IND A+/Positive	IND A+/ Stable	IND tAA-/ Positive	IND tAA-/ Positive	IND tAA-/ Stable
Unsecured Short-term loans	Short-term	INR2,700	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Commercial paper	Short-term	INR2,000	IND A1+	IND A1+	IND A1+	-	-	-
Commercial paper	Short-term	INR2,000	-	-	WD	IND A1+	IND A1+	IND A1+
Fund-based/non-fund-based working capital limit	Long-term/ Short-term	INR11	IND A+/Positive/IND A1+	IND A+/Positive/IND A1+	-	-	-	-

Bank wise Facilities Details

Click here to see the details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Fixed deposit	Low
Fund-based working capital limit	Low
Fund-/Non-fund-based working capital limit	Low
Non-convertible debenture	Low
Non-convertible debenture	Low
Non-fund-based working capital limit	Low
Term loan	Low
Unsecured short-term loans	Low

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

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
Non-convertible debentures	INE010A08131	26 August 2021	8.2	26 August 2024	INR950	IND A+/Positive

Source: NSDL

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

Contact

Primary Analyst
Mahima Jain
Analyst
India Ratings and Research Pvt Ltd
DLF Epitome, Level 16, Building No. 5, Tower B DLF Cyber City, Gurugram Haryana - 122002
1246687268
For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst
Khushbu Lakhotia
Director
+91 33 40302508

Media Relation
Ameya Bodkhe
Marketing Manager
+91 22 40356121

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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.

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