Ref. : ASK/UD/2021-22 August 17, 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.: 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 inform you that India Ratings and Research Private Limited ('India Ratings') has revised its rating outlook on the long term debt instruments of the Company to 'Positive' from ' Stable', while affirming the ratings at 'IND A+'. The rating on commercial paper has been affirmed at 'IND A1+'.

We also wish to inform you that India Ratings, has assigned the Credit Rating 'IND A+/Positive' to the proposed new issue of Unsecured Rated Listed Redeemable Taxable Non-convertible Debentures, Tranche - XVIII of Rs. 95 Crores of the Company on private placement.

The document published by India Ratings dated August 17, 2021 in this regards 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 Revises Prism Johnson's Outlook to Positive; Affirms 'IND A+'; Rates Additional NCDs

17

AUG 2021

By Khushbu Lakhotia

India Ratings and Research (Ind-Ra) has revised Prism Johnson Limited's (PJL) Outlook to Positive from Stable 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 (million)	Rating/Outlook	Rating Action
Non-convertible debentures (NCDs^)	-	-	-	INR2.89	IND A+/Positive	Affirmed; Outlook revised to Positive
Term loans	-	-	FY30	INR10.87	IND A+/Positive	Affirmed; Outlook revised to Positive
Fund-based limits	-	-	-	INR4.1	IND A+/Positive	Affirmed; Outlook revised to Positive
Non-fund-based working capital limits	-	-	-	INR6.99	IND A1+	Affirmed
Term deposit programme	-	-	-	INR0.01	IND tAA-/Positive	Affirmed; Outlook revised to Positive
Unsecured short-term loans	-	-	-	INR0.9	IND A1+	Affirmed
Commercial paper (CP) programme*	-	-	0-365 days	INR2.0	IND A1+	Affirmed
NCD#	-	-	-	INR0.95	IND A+/Positive	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
#yet to be issued

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.

The Positive Outlook reflects the continued better-than-Ind-Ra-expected performance of PJL with net leverage of 1.9x in FY21, which improved further to 1.6x in 1QFY22, despite the impact of the second COVID-19 wave induced restrictions and Ind-Ra's expectation of net leverage sustaining below 2x over the near-to-medium term.

KEY RATING DRIVERS

Continued Strengthening of Financial Profile: Despite the adverse impact of COVID-19 and its second wave, PJL's FY21 net leverage (net debt/EBITDA) improved to 1.9x in FY21 (FY20: 3.4x) and further to 1.6x in 1QFY22, led by a significant improvement in its profitability and reduction in net debt. Despite a weak demand in tiles business HR Johnson (HRJ) and ready-mix concrete (RMC) segments due to restrictions in 1QFY22, the company's EBITDA increased to INR1.2 billion (1QFY21: INR0.2 billion) while the net debt reduced to INR13.2 billion (1QFY21: INR15.5 billion). PJL's EBITDA had increased 16% yoy to INR6.6 billion in FY21, on account of an increase in EBITDA/mt of cement (FY21: INR962; FY20: INR889) as a result of the low power and fuel costs as well cost-reduction initiatives taken by the company, coupled with a significant increase in the profitability of the HRJ division.

Ind-Ra expects the PJL's net leverage to sustain at around 1.5x in FY22, with a rebound in demand and continued strong margins. The consolidated metrics exclude Raheja QBE General Insurance Company Limited (RQBE), as PJL is divesting its entire 51% stake, indicating its non-strategic nature. While the divestment of RQBE has been delayed due to regulatory approvals, it could result in an additional inflow of around INR3.5 billion, post the receipt of approvals.

Cement EBITDA Continues to Grow on Strong Realisations and Cost-Saving Initiatives: PJL's cement volumes grew 2% yoy to 5.8 million tonnes (mnt) in FY21, against Ind-Ra's expectations of a low single-digit decline, aided by a strong 26% yoy growth in 4QFY21. The recovery was supported by PJL's presence in high-growth markets of central India and a high proportion of rural sales in the mix (trade sales: 75%). Sale volumes grew 11% yoy to 1.3mnt in 1QFY22, aided by a low base, with the second wave led lockdowns acting as a dampener. The agency believes a higher level of consolidation and balanced demand-supply additions in the central market will keep its dynamics favourable than some of the other regions. PJL's growth, the agency believes, will accelerate in 2HFY21 as the 2Q is a seasonally-weak quarter with monsoons impeding construction activities.

PJL's EBITDA/mt rose to a decadal high of INR1,156 in 1QFY22 (1QFY21: INR1,116; 4QFY21: INR875) on strong realisations (up INR233/mt qoq; flattish yoy) and cost savings. Despite a sharp increase in coal and pet coke prices in the past few months, PJL reduced its total costs in 1QFY22 owing to savings from waste heat recovery power plant (12.5MW in March 2021; 10MW in November 2020) and increased use of solar power (22.5MW, including 10MW commissioned in March 2021) that together formed 36% of PJL's total power requirement. The company commissioned another 0.7MW of solar power in 1QFY22 and the management expects additional 1.3MW to come onstream in 2QFY22. These power cost-saving measures are likely to cushion the decline in EBITDA/mt due to increased fuel prices, keeping them close to INR1,000/mt 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. EBITDA/mt improved further to INR962 in FY21, resulting in 10% yoy growth in cement EBITDA to around INR5.6 billion. 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 in FY21; Likely Rebound in 2HFY22 after Second-wave Impact in 1Q: After a sharp 60% yoy fall in the revenue in 1QFY21 due to COVID-19 led operational disruptions, the HRJ business witnessed a turnaround in FY21, growing 20% yoy over July-March 2021. 1QFY22 was weak as the second-wave led restrictions affected demand in the real estate and construction segments leading to a 43% qoq fall in revenue to INR3.5 billion (though up 89% yoy on a low base). 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. While the weak demand led to the margins shrinking to 2.6% in 1QFY22, Ind-Ra expects the EBITDA margins to recover to comfortable levels in 2HFY22, albeit lower than the historical high witnessed in 3QFY21. The division reported an EBITDA of INR2.1 billion over July-March 2021 (FY20: INR0.7 billion), and the agency expects it to constitute over 20% of the company's total EBITDA in the near-to- medium-term.

RMC Sales Remain Affected: While the RMC division witnessed a sequential improvement 2QFY21 onwards, it was yet to reach pre-COVID-19 level in 4QFY21 (down 6% yoy), given the urban-centric customer base and the second-wave led restrictions in 1QFY22 have further delayed the recovery, resulting in 29% qoq decline (though up three times yoy on a low base). Despite lower revenue, the division's EBITDA increased to INR198 million in 4QFY21 (4QFY20: INR20 million), led by lower operating costs but the fall in sales in 1QFY22 led to the segment reporting losses. However, with a recovery in demand particularly from the infrastructure segment, Ind-Ra expects the segment to remain profitable in FY22.

RQBE Divestment to Boost Liquidity: PJL has announced a divestment of its entire holding of 51% in RQBE to QORQL Private Limited, a technology company for INR2.9 billion. The company expects to complete the sale by FY22, delayed from the original schedule of March 2021 pending an Insurance Regulatory and Development Authority of India approval. The deal will result in a net cash inflow of around INR3.5 billion (including an 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 INR2.9 billion and EBITDA loss of INR0.4 billion in FY21.

Liquidity Indicator – Adequate: No Near-term Refinancing Requirement: PJL had around INR2.6 billion of cash as at end-June 2021 (FYE21: INR5.4 billion; FYE20: INR4.2 billion) and INR4 billion of working capital lines which remained fully unused, providing sufficient cushion for any increase in the working capital. The company witnessed a normalisation in working capital in 1QFY22, with a reduction of around INR1 billion in trade payables and the agency believes any further reduction will be limited during the year. PJL's average use of the fund-based and non-fund-based working capital limits was around 10% and 80%, respectively, for the 12 months ended July 2021. PJL's principal repayment obligations reduced to INR1.8 billion for FY22 (of which INR0.6 billion has been paid in 1QFY22) after principal payments of around INR10.4 billion in FY21 (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. 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. Thereafter, 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 large working capital reduction. The growth in revenue coupled with some normalisation of payables is likely to lead to an increase in working capital in FY22, leading to a moderation in the cash flow from operations. However, the same is likely to remain comfortable.

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.

Large Expansion 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 through internal accruals.. 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, resulting in an expansionary capex of INR4.5 billion-5 billion over FY22-1HFY24. 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: Continued strong operating performance and growth along with the net leverage remaining below 2x on a sustained basis will be positive for the ratings

Negative: A lower-than-expected operating performance and/or unexpected debt-funded capex, leading to the net leverage exceeding 2x, on a sustained basis, will lead to the Outlook being revised back to Stable.

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 joint ventures/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.

CONSOLIDATED FINANCIAL SUMMARY

Particulars	FY21	FY20
Revenue (INR billion)	55.9	59.6
Operating EBITDA (INR billion)	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

	Current Rating/Outlook			Historical Rating/Outlook												
Instrument Type	Rating Type	Rated Limits (billion)	Rating	16 July 2021-	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 July 2018	6 April 2018
Issuer rating	Long-term	-	IND A+/Positive	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	INR3.84	IND A+/ Positive	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+/ Positive	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+/ Positive	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	IND A1
Term deposit programme	Long-term	INR0.01	IND tAA-/ Positive	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	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	IND A1

Source: Ind-Ra

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
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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