India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 7	Hold 1	Sell 0

Current price:	Rs123
Target price:	Rs158
Previous target:	NA
Up/downside:	28.5%
InCred Research / Consensus:	-5.8%
Reuters:	PRIS.NS
Bloomberg:	PRSMJ IN
Market cap:	US$824m
	Rs61,787m
Average daily turnover:	US$1.0m
	Rs74.1m
Current shares o/s:	503.4m
Free float:	77.6%

**Source: Bloomberg*

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.7)	(7.2)	87.1
Relative (%)	(5.6)	(19.1)	26.2

Major shareholders	% held
Promoter & Promoter Group	74.9
SBI Contra Fund	4.2
DSP Small Cap Fund	2.3

Prism Johnson Ltd

Takes concrete steps towards its future

- PRSMJ is an integrated building materials company with a presence in cement, tiles and bathware (H&R Johnson India) and ready-mix-concrete.
- Leverage is likely to remain under control, in our view, despite a higher capex intensity for expanding its cement and tile capacity over FY22F-24F.
- We forecast cement volume/realisation/EBITDA/t CAGR of 8%/2%/2%, respectively, over FY21-24F. Initiate coverage with ADD rating and Rs158 TP.

Cement division to remain as key contributor to growth, profitability

Prism Johnson (PRSMJ) has cement capacity of 5.6mtpa currently and in the past, has been able to achieve sales volume of more than 5.8mtpa with a change in product mix. Going ahead, as per PRSMJ, it plans to debottleneck capacity of 0.9mtpa by Jun 2022 and raise grinding capacity by 1mtpa by Sep 2023 at Satna in Madhya Pradesh. These expansions will help maintain volume growth going ahead. Continuous rise in the share of premium products as well as addition of a waste heat recovery system (WHRS) and solar power capacity would provide sustainable savings, in our view. Thus, we factor in cement volume/realisation/EBITDA/t CAGR at 8%/2%/2%, respectively, over FY21-24F.

HRJ figures among the leading ceramics players in India

H&R Johnson (HRJ) is one of the leading tiles makers in India with a capacity of ~60msm (own +JVs) as at FY21-end. Tile, Bath and Kitchen (TBK) division's EBITDA margins, at 486bp, have improved to 8.7% in FY21 vs. 3.8% in FY20, as it benefitted from operating leverage and other cost-saving initiatives. The company has shown great resilience in difficult times, and we expect HRJ division to maintain lower double-digit margins over FY22F-24F. PRSMJ has announced greenfield tile capacity expansion of 2.5msm at Panhagarh in West Bengal and 6msm capacity at its joint venture (JV) entities, both likely to be commissioned by FY23-end, as per the company. We factor in a ~13% revenue and ~22% EBITDA CAGR over FY21-FY24F after factoring in Covid-led demand disruptions, particularly in tiles business.

Deleveraging to be strong despite capex growth

Debt reduction is on track as net debt fell to Rs12.3bn in FY21 from Rs18.6bn in FY20. PRSMJ might incur, as per our estimate, a capex of ~Rs10bn over FY22F-FY23F including maintenance capex. We expect net debt/EBITDA to drop from 1.9x in FY21 to 0.5x by FY24F, backed by better traction in cement and HRJ divisions. Further, Raheja QBE General Insurance (RQBE) JV stake sale is still awaiting regulatory nod.

Initiate coverage on PRSMJ with an ADD rating and a TP of Rs158

PRSMJ currently trades at an EV/EBITDA of 8.9x/7.3x FY22F/FY23F, respectively. We initiate coverage on PRSJM with an ADD rating and a TP of Rs158, set at 8.5x year-ending Sep 2023F EV/EBITDA. The 8.5x multiple is below its historical three-year average of 9.4x. We believe a steady ROE of 20-21% over FY22F-24F along with healthy growth plans will maintain the balance sheet, despite a higher capex, and result in a re-rating of multiples. Risks – Slowdown in real estate construction, delay in capacity expansion, rollback in cement price, and a further rise in input costs.

Analyst(s)

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Financial Summary	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	59,562	55,871	59,231	66,829	75,780
Operating EBITDA (Rsm)	5,386	6,218	8,188	9,828	11,038
Net Profit (Rsm)	101	1,712	2,577	3,445	3,930
Core EPS (Rs)	0.2	3.5	5.1	6.8	7.8
Core EPS Growth	(93.0%)	2,076.1%	46.8%	33.7%	14.1%
FD Core P/E (x)	766.05	35.20	23.97	17.94	15.72
DPS (Rs)	1.0	0.0	0.8	0.8	1.0
Dividend Yield	0.98%	0.00%	0.79%	0.79%	0.99%
EV/EBITDA (x)	15.04	12.03	8.93	7.27	6.19
P/FCFE (x)	16.86	12.34	36.80	49.48	34.30
Net Gearing	126.6%	67.1%	49.0%	33.5%	15.5%
P/BV (x)	5.73	4.98	4.26	3.54	2.97
ROE	0.7%	15.1%	19.1%	21.6%	20.5%
% Change In Core EPS Estimates			(0.51%)	(0.49%)	(0.50%)
InCred Research/Consensus EPS (x)			0.81	0.83	1.00

SOURCES: INCRED RESEARCH, COMPANY REPORTS, PRICED AS AT 08 OCT 2021

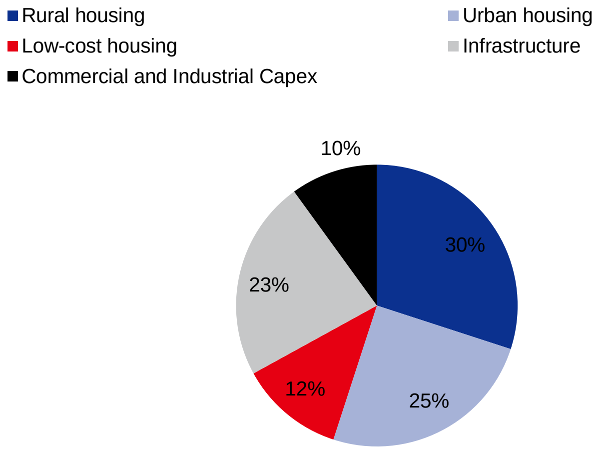
Takes concrete steps towards its future

Prominent cement player in Central India

Region to see better demand vs. all-India average, thereby aiding volume growth

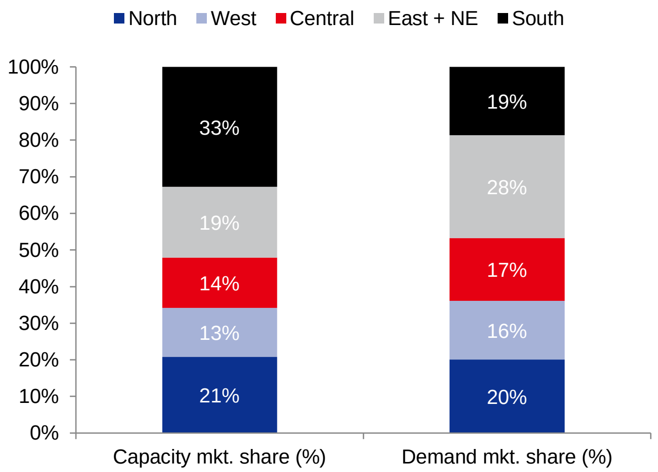
- PRSMJ is among the top four companies in Central India with ~10% capacity share currently, as per our analysis. It currently has two units at Satna in Madhya Pradesh, with 5.6mtpa cement capacity (while effective/saleable cement capacity is 7mtpa).
- Cement consumption by the rural housing sector in India constituted an average ~34-36% during the period FY19 to FY21, urban housing constituted 25-27%, infrastructure sector constituted 24-26% and the commercial sector accounted for 14-16% during the same period (Source: Annual Report FY21).
- During the pandemic, cement consumption remained resilient in rural and semi-urban markets. This demand was mostly driven by construction of rural infrastructure and low-cost houses. Cement demand, which had been particularly tepid in Tier-I cities, has recovered during the past few months (Source: Annual Report FY21)
- The low-cost affordable housing segment has further contributed to demand surge in the cement sector.
- For PRSMJ, the cement segment contributed ~49% to its total consolidated revenues (excluding that of RQBE) in FY21, where the company registered ~78% of its cement volumes in Uttar Pradesh and Madhya Pradesh and the remaining in Bihar (Source: Company).
- The central region contributed ~17% to India's overall cement demand and has ~14% of the India's total cement capacity as at FY21-end, as per our analysis. The supply-demand scenario in the region is likely to remain favourable over FY21-24F with ~8-9% CAGR in both capacity and consumption and this, in turn, should support capacity utilisation levels to stay strong in the medium term, in our view.
- A favourable demand-supply scenario, together with limited competitive intensity by newer players, should help support prices in the region. Additionally, demand recovery should also be led by (a) better spending by the IHB (independent house building) segment, particularly in Tier-2 and below towns/cities because of better monsoons, and (b) some impetus led by a pick-up in infrastructure projects by 2HFY22F and beyond.
- We factor in ~8% volume CAGR for the company over FY21-FY24F with a strong recovery in demand in segments like IHB and infrastructure after the COVID-related disruption.

Figure 1: Cement consumption breakdown of the industry (%) – IHB and infrastructure segments remain key growth drivers for the industry as at FY21-end



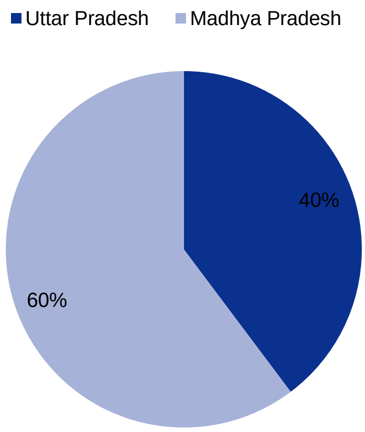
IHB = INDIVIDUAL HOME BUILDERS
SOURCES: INCRED RESEARCH, DBL FY21 ANNUAL REPORT

Figure 2: Central India has ~14% of India's cement capacity and formed ~17% of India's total demand as at FY21-end



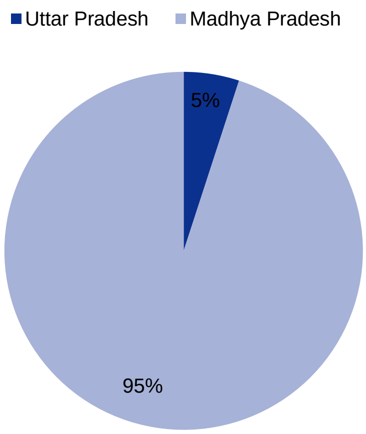
SOURCES: INCRED RESEARCH, COMPANY REPORTS
NE=NORTH-EAST

Figure 3: Uttar Pradesh has major grinding capacity in Central India (as at FY21-end)



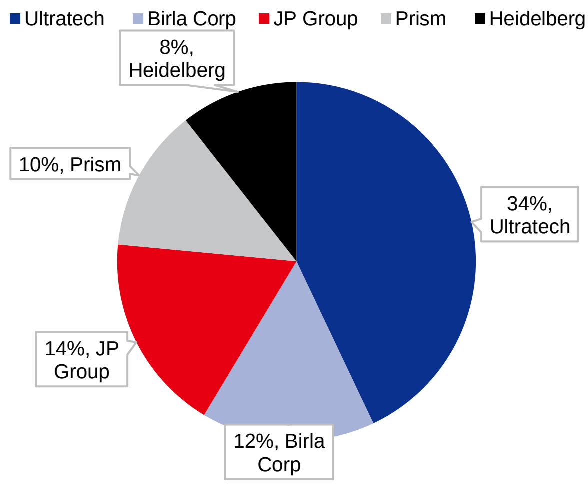
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Central India has only one clinker cluster at Satna which caters to Madhya Pradesh market (as at FY21-end)



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 5: PRSMJ is among the top five players in terms of cement capacity in Central India (as at FY21-end)



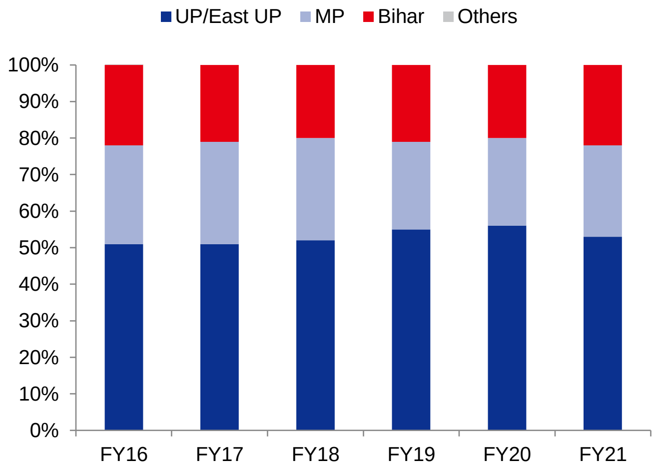
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 6: East and Central regions have great potential to outperform all other regions

Macro-economic potential	North	Central	East*	West	South	India
Rural population (FY20)	67%	75%	77%	53%	54%	67%
Per capita consumption (kg) – FY20	231	173	203	273	263	227
Housing shortage (FY20) (m)	10	8	9	7	12	50
Road density (km/ per lakh people)	294	244	307	469	401	358
Power density (kwh/capita)	1233	700	820	1758	1461	1181

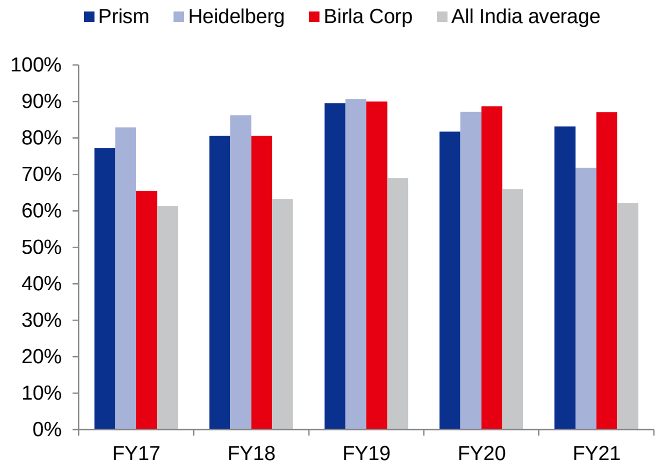
* EXCLUDING NORTH-EAST
SOURCES: INCRED RESEARCH, UTCEM BUSINESS UPDATE PRESENTATION

Figure 7: Central/East India regions contributed ~78%/22%, respectively, to PRSMJ's cement revenues as at FY21-end



SOURCES: INCRED RESEARCH, COMPANY REPORTS
UP=UTTAR PRADESH, MP= MADHYA PRADESH

Figure 8: Central India-based players had better capacity utilization versus all-India average

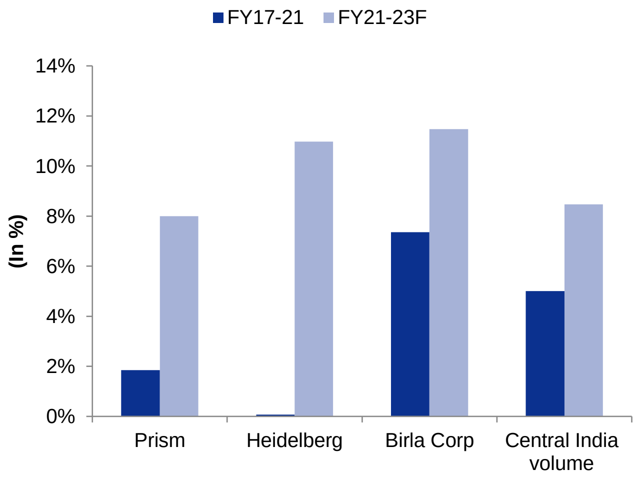


SOURCES: INCRED RESEARCH, COMPANY REPORTS

Cement capacity expansion plans to aid growth visibility

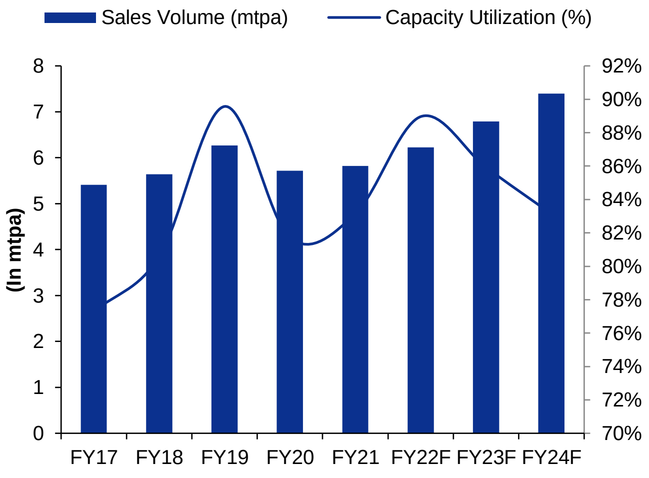
- PRSMJ has announced its plan to increase cement capacity at Satna in Madhya Pradesh from 5.6mtpa currently to 6.5mtpa (debottlenecking of 0.9mtpa) by Jun 2022 at a capex of Rs1.4bn and further plans to increase grinding capacity at Satna by ~1mtpa by Sep 2023 at a total capex of around Rs2.5bn, thereby taking total cement production capacity at Satna to 7.5mtpa post expansion (from 5.6mtpa capacity currently).
- With a stable supply-demand scenario in the Satna cluster and demand from key segments like infrastructure and real estate showing signs of a recovery, we expect demand to meaningfully recover from 2HFY22. With the expanded capacity and superior plant utilisation, we expect the company to deliver a cement volume CAGR of 8.3% over FY21-FY24F.

Figure 9: PRSMJ's volume growth over FY21-23F should move in line with the region's growth rate, as per our estimates



SOURCES: INCRED RESEARCH ESTIMATE, COMPANY REPORTS

Figure 10: PRSMJ cement volume to post a CAGR of ~8.3% over FY21-FY24E on steady demand trend in key markets, in our view



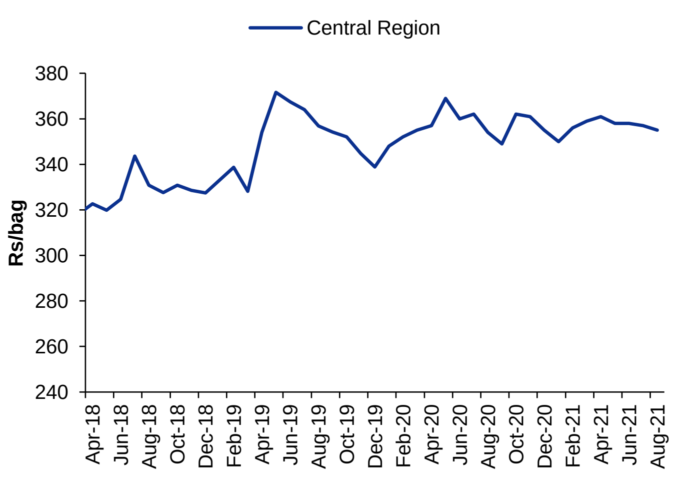
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Central and East India regions unlikely to see major price hikes in the medium to long term

Consolidation witnessed in central India, intensified competition in East/Central regions going ahead

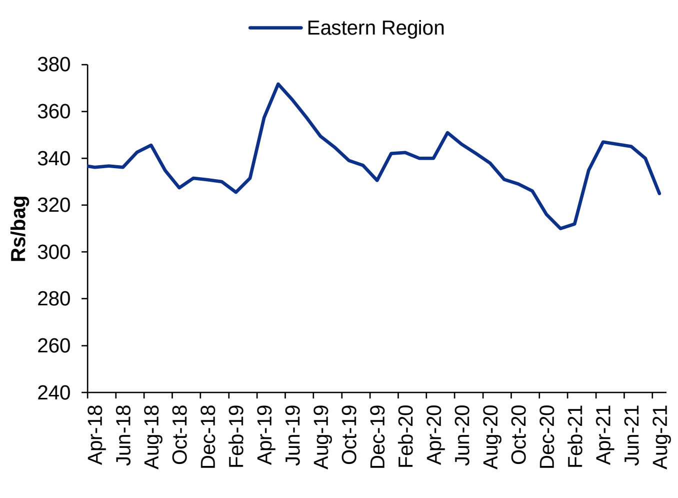
- The central India region has 9-10 players and has seen consolidation in capacity over the last four years with the acquisition of the assets of JP Associates, Binani and Century by Ultratech Cement, and that of Reliance Cement by Birla Corporation. Top five players now control 78% of the region's capacity vs. a national average of ~66%, as per our analysis as on 7 Oct 2021.
- However, there are also some challenges, especially in east and central regions, which could impact cement pricing going ahead as we expect substantial grinding capacity addition over the next three years of ~100mtpa (while it was only 58mtpa over the last three years), and while based on our estimates, incremental cement demand should match that, we note that new capacity addition is skewed towards east and central regions. As per our estimate, (based on capacity announcements by a number of cement companies) over the next three years (FY22F-24F), east and central regions' capacity is expected to go up by 32% and 24% versus 14% and 10% for north and south regions, respectively.
- We expect ~7-8% supply CAGR over FY21-FY24F in the region (central and east) with most capacity (cement + clinker) being added by large players such as Ultratech, Dalmia Bharat, Nuvoco, ACC and Ultratech. Demand should also move in tandem with supply, driven by IHB segment and a gradual pick-up in the infrastructure segment. As per our analysis, demand growth in east/central regions was ~7-7.5% over the past five years (FY17-FY21). However, if the entire new capacity is to be absorbed in these markets, it would imply a demand CAGR of ~8-9% (at 80% capacity utilisation).
- Consequently, realisation could come under some pressure once planned capacities go on stream and competitive intensity increases. We factor in a 2% realisation CAGR over FY21-FY24F for the company as a favourable demand-supply situation along with pricing discipline in the near term should help sustain realisation and marginal price hikes in Central India.

Figure 11: Pricing trend in central region



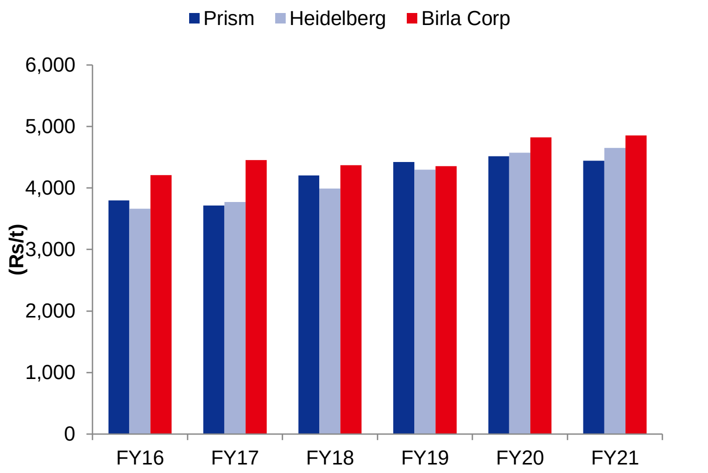
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: Pricing trend in eastern region



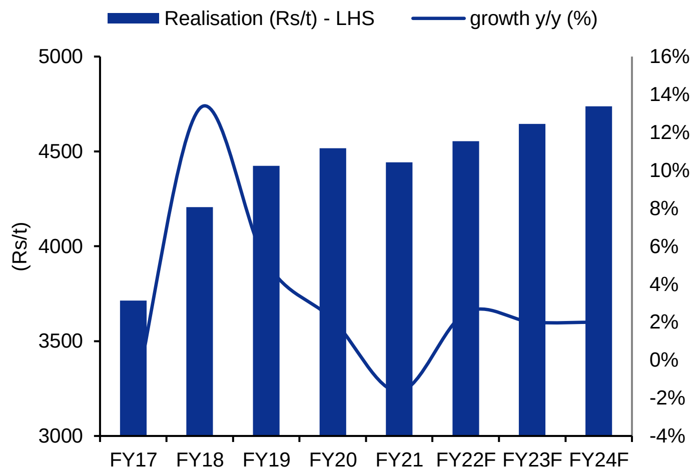
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 13: Realisation for regional players in central region has remained stable for the past four years



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 14: We expect realisation to grow at a 2% CAGR over FY21-24F due to favourable competitive intensity and demand- supply situation



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

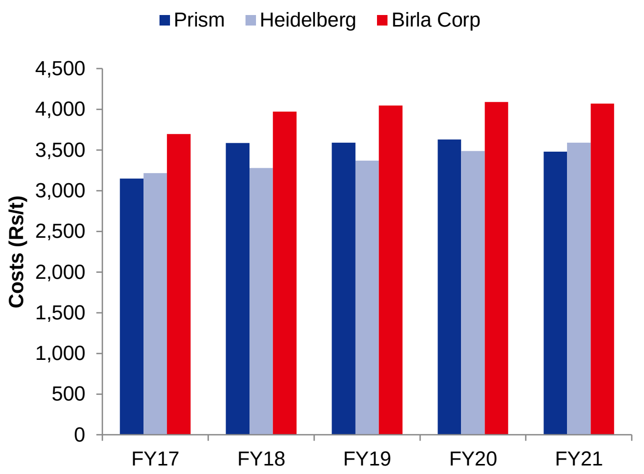
Cement division – Cost-saving initiatives to support EBITDA/t over the medium-long term ›

- Between FY10-FY14, PRSMJ's cement cost/t rose at a 12% CAGR on low capacity utilization amid subdued demand, reconstruction of the blending silo, increase in fuel (higher coal usage) and electricity costs, and higher lead distance (from 377km in FY10 to 407km in FY14). Due to all this, EBITDA/t declined by 38% CAGR during the period.
- Between FY16-FY21, the company streamlined its costs by increasing pet-coke usage (from nil in FY13 to 45% in FY21), increasing sourcing of group captive power, optimizing logistics costs and reducing lead distance (down from 407km in FY14 to 384km in FY21). PRSMJ's cost/t is now broadly in line with its regional peers. Over FY17-21, the company's realisation grew by a 4.6% CAGR due to which EBITDA/t improved by 14% CAGR over the same period, from Rs566/t in FY17 to Rs963/t in FY21.
- Cement companies, to a greater extent, rationalised fixed costs during recent lockdowns and, as a result, reported record high margins in FY21. Pet coke (and HCV coal) prices continued to move up, rising to ~US$170/t in Sep 2021 (from a low of ~US$60/t in Jun 2020). We expect power and fuel (P&F) costs to rise significantly in 2Q-3QFY22F (PRSMJ already witnessed an increase of Rs200/t qoq in 1QFY22).
- On an average, a US$10 change in pet coke prices drive a Rs50/t increase in fuel costs, some of which can be absorbed by utilising a higher proportion of HCV coal/alternate fuels, depending on their price movements relative to pet coke.
- PRSMJ has already reduced its usage of pet coke (25% of fuel mix in 1QFY22 vs. 45% in FY21) and increased its usage of coal (75% of fuel mix in 1QFY22 vs. 49% in FY21 while the rest pertains to alternative fuel resources).
- However, the company adopted continuous cost optimization measures to offset higher commodity costs and support profitability over FY22F-24F. Recently, PRSMJ commissioned 22.4MW of WHRS (including 12.4MW commissioned in Mar 2021), which is likely to reduce dependence on fossil fuels, as per our understanding. Further, the company installed 10MW of solar power during FY21, taking the total solar power installed to 22.5MW at Satna in Madhya Pradesh. This will help the company to meet ~35% of its power and fuel requirement through renewable sources. The benefits of WHRS and solar power would result in saving in power cost for the cement division. Further, the company is focusing on increasing the proportion of road despatches compared to the railways, leading to a cost-efficient door-to-door reach and

service, given that the lead distance is currently at 373km as at 1QFY22-end (vs. 384km as at FY21-end).

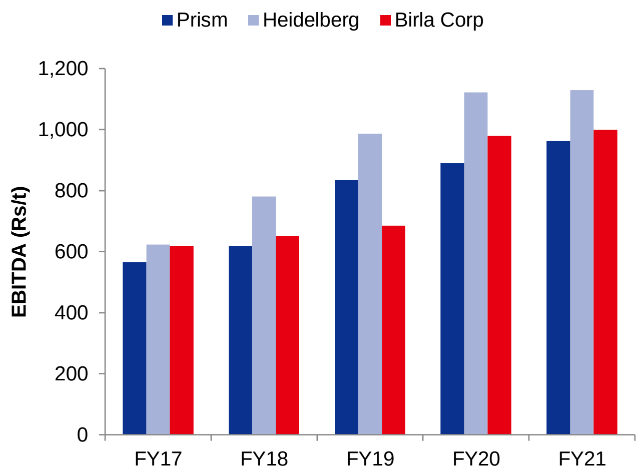
- Revenue contribution of value-added products like Duratech and Champion Plus (normally command a 5-8% premium vs. the company's other brands) has been increasing since the last five years (from 6% in FY16 to 27.7% in FY21). We believe continuous advertisements promoting its product benefits should ultimately help in increasing the revenue share, further aiding realisation.
- We believe stable realisation in Central India along with benign costs and cost-saving initiatives should help improve EBITDA/t from Rs963 in FY21 to Rs 1,031 by FY24F.

Figure 15: PRSMJ's cost/t has moved broadly in line with its regional peers over the past five years (FY17-FY21)



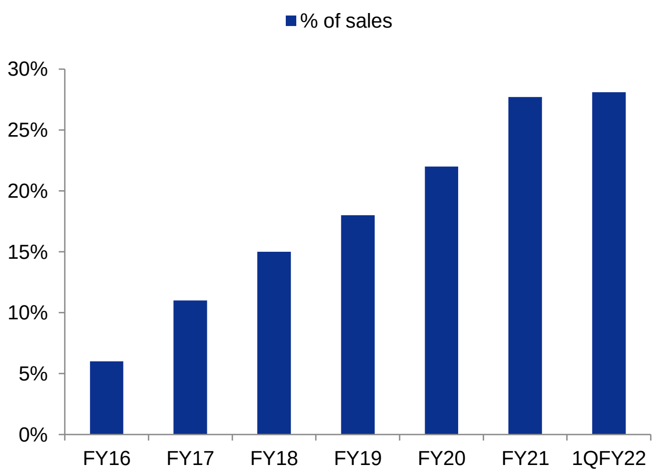
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 16: EBITDA/t has improved for Central India players due to better competitive dynamics and cost control



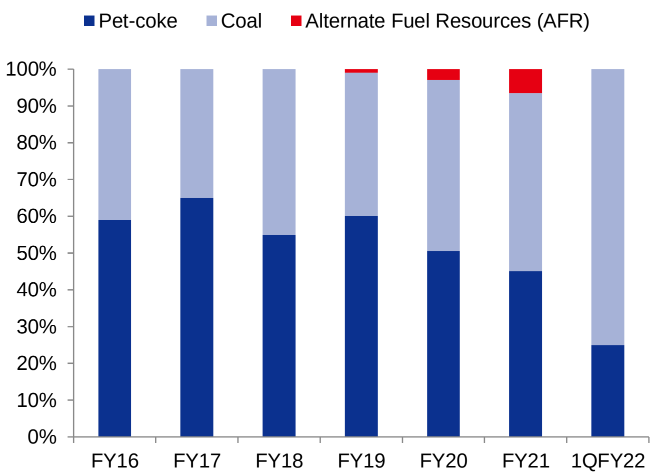
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Value-added products' contribution (*Duratech + Champion Plus*) has been rising since the past five years



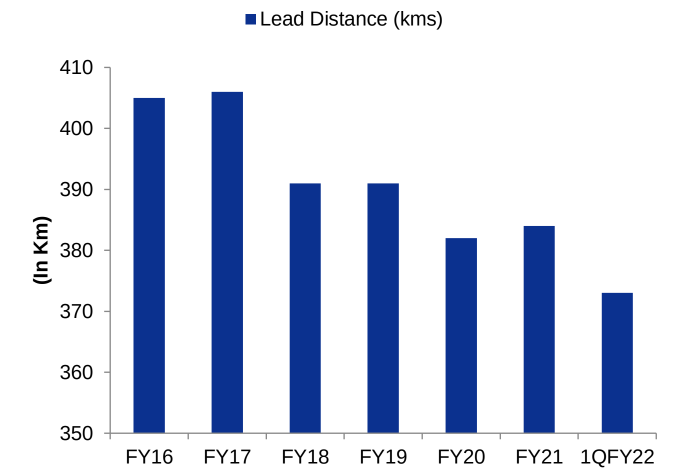
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 18: PRSMJ has already reduced its usage of pet coke (25% of fuel mix in 1QFY22 vs 45% in FY21)



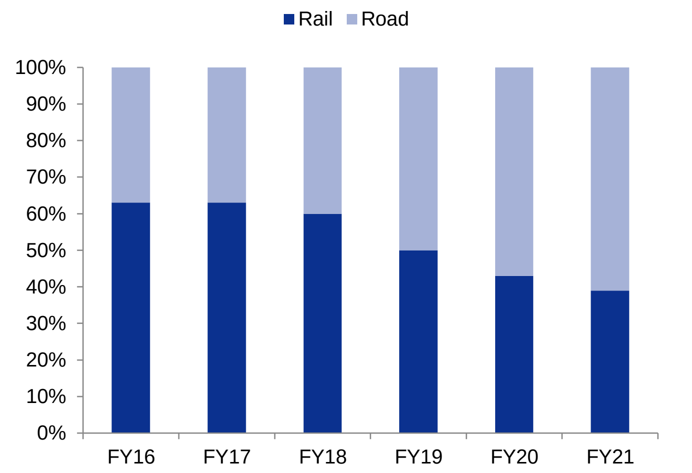
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 19: Average lead distance has been declining for the company on rationalisation of logistics costs



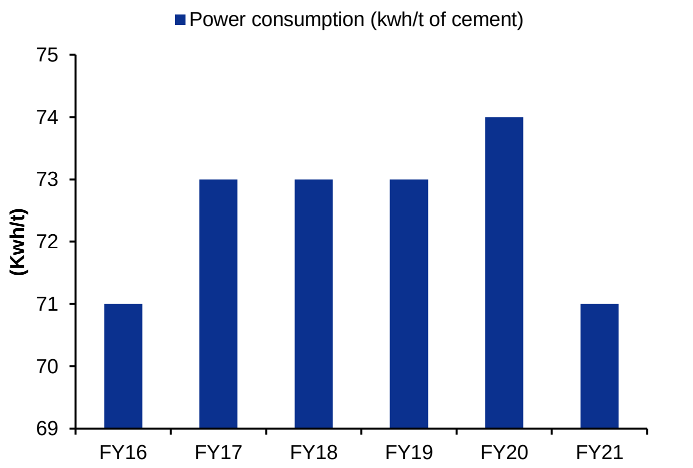
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 20: Contribution to sales volume from road transport has been increasing over the years



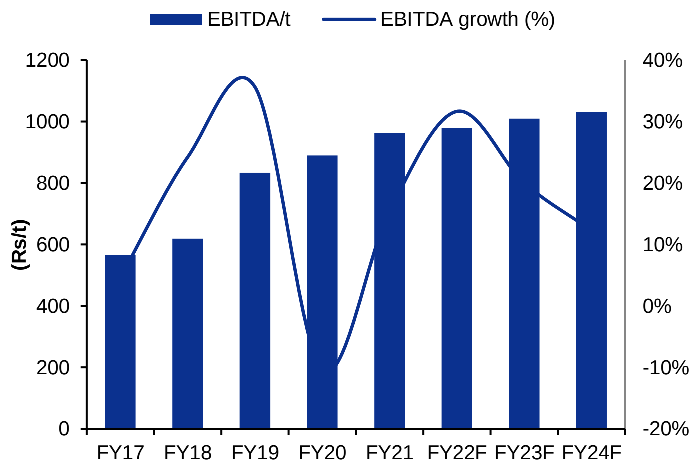
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 21: Power consumption per tonne of cement (Kwh)



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 22: We expect EBITDA/t to improve by ~2% CAGR over FY21-24F on stable realisation, cost-saving initiatives



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

HRJ's TBK division – One of the leading tile manufacturers in India

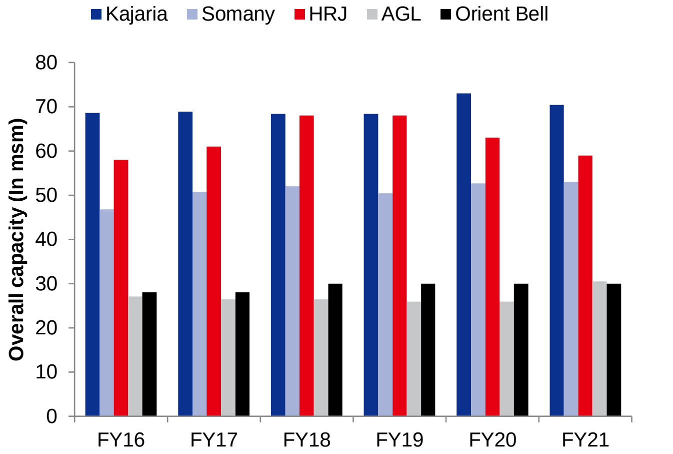
Continuous focus on enhancing product mix, increasing capacity utilisation and expanding distribution network pan-India.

- PRSMJ's HRJ division is one of the leading tile companies in India in terms of capacity (own + JV) and figures among the top two players in terms of total turnover (tiles + bathware + other segments) with an installed capacity of ~60 msm or million square metres per annum spread across 11 manufacturing plants as at FY21-end.
- As per the company, ~80% of tiles produced in India are consumed domestically and the remaining ~20% are exported. The organized sector in India accounts for around ~50% of the tiles produced (representing players like Kajaria, HRJ, Somany, Asian Granito, Orient Bell, etc.) and the remaining half is represented mostly by unorganized regional players based in Morbi, Gujarat.
- Between FY03-FY12, HRJ was the market leader in Indian tiles and bathware. The segment posted a 17% CAGR during the period with EBITDA margin reaching ~15% in FY10. However, between FY11-FY14, HRJ started facing problems at its Andhra Pradesh and Karnataka plants (~40% of its capacity as

on 7 Oct 2021) due to non-availability of power and fuel; this increased its cost of operations and hurt business in South India – its biggest market for the products of TBK division. Additionally, the company continued to focus more on ceramic tiles and was not very aggressive in strengthening its distribution reach. In contrast, peers like Kajaria and Somany started focusing on vitrified tiles via capacity addition, strengthening distribution reach by dealer/retail touch point addition and sprucing up their design portfolios to cater better to changing customer perceptions. Vitrified products also generated better margins vs. basic commoditized products.

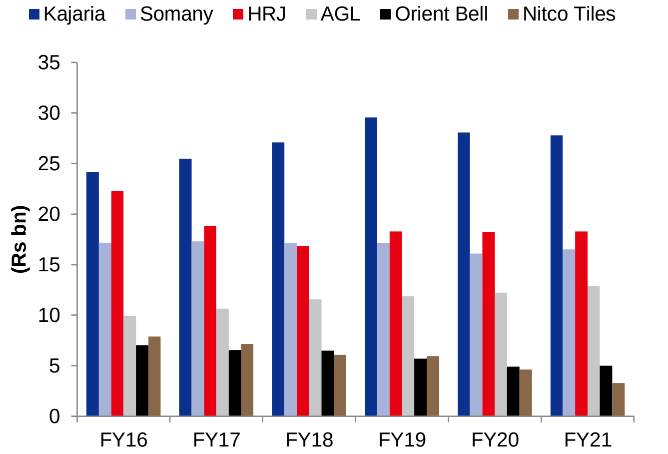
- Due to the above-mentioned problems, HRJ started losing market share in the tile segment between FY11-FY18, although other segments such as bathware, construction chemicals, quartz and marble provided support to consolidated revenues. Consolidated EBITDA fell from Rs1.56bn in FY11 to Rs637m in FY18 (EBITDA margins fell from 11% to 4%) during the period because of higher operating costs and an unfavourable product mix in tiles.
- Problems relating to power and fuel unavailability were addressed between FY14-FY15 via installation of three coal gasifiers at its two plants in Andhra Pradesh and winning bids for gas consumption from onshore micro gas wells in the state. The Kunigal plant in Karnataka also got RLNG pipeline connection from GAIL (through its Dabhol-Bengaluru pipeline) between FY14-FY15.
- Since the last three years, PRSMJ has started focusing on increasing the contribution from the high-margin Glazed Vitrified Tiles (GVT) segment by (a) engaging brand influencers like architects, contractors and plumbers to push its products, (b) investing in large format display centres showcasing the company's entire range of products (19 experience centres as at FY21-end), and (c) rationalizing depots and '*House of Johnson'* centres. Further, in FY21, PRSMJ has focused on reducing fixed costs, especially administrative and travel costs among others, leading to EBITDA margins expansion from 3.8% in FY20 to 8.7% in FY21.
- PRSMJ plans to increase its current tile production capacity from 60msm to 68msm by Mar 2023. This includes greenfield tile capacity expansion of 2.5msm at Panhagarh, West Bengal, by Jan 2023 and tile capacity expansion of 6msm at JV entities by Mar 2023, as per the company.
- Over the past two years, PRSMJ has been witnessing good traction in its quartz business (revenue contribution up from 1% in FY18 to 6% in FY21) led by healthy demand in the US market, further aided by the imposition of anti-dumping duty (ADD) and countervailing duty (CVD) on Chinese quartz exports in CY19.
- HRJ posted a revenue of Rs18.3bn in FY21, a growth of 0.5% yoy with EBITDA margins expanding 486bp to 8.7%. While the HRJ division recorded a revenue growth of ~89% yoy in Q1FY22 (down 43% qoq due to Covid-led disruptions and lockdowns, caused by the second wave of the pandemic), on a low base. Going ahead, we expect a gradual recovery over the next two years further aided by the company's refocused sales and distribution strategy, expansion in product portfolio, strict WC control, and cost optimization.
- We factor in ~13% revenue and 22% EBITDA CAGR over FY21-FY24F after factoring in COVID-led demand disruption, particularly in tile business.

Figure 23: Capacity (msm) addition by listed tile players drops in last three years due to better outsourcing opportunities



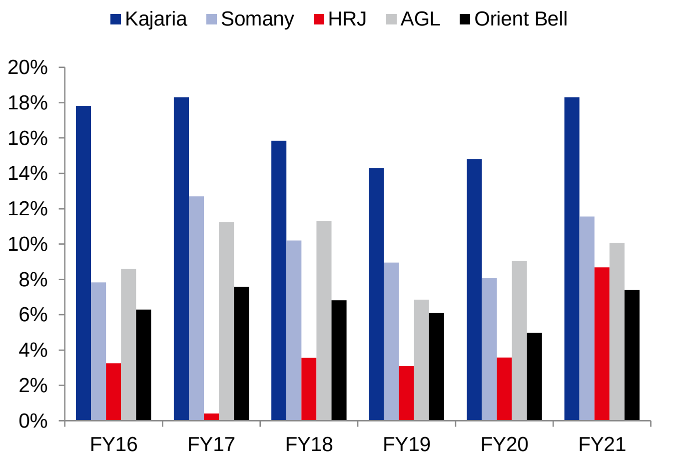
SOURCES: INCRED RESEARCH, COMPANY REPORTS
AGL = ASIAN GRANITO LIMITED, HRJ = H&R JOHNSON

Figure 24: Tile revenue (Rsbn) for most listed players remained static in last four to five years



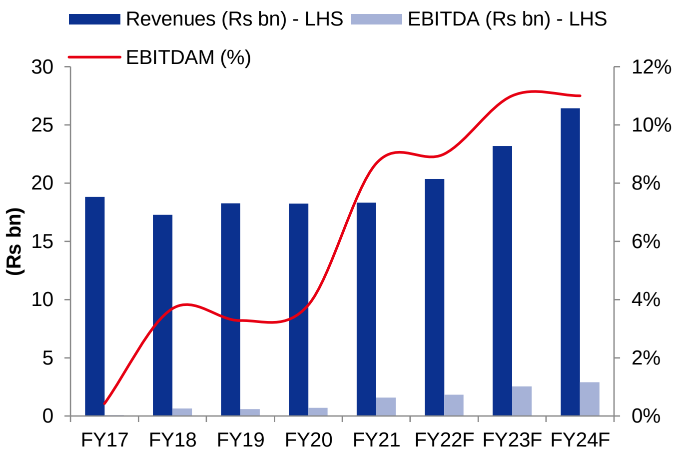
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 25: Industry margins remained under pressure over FY18-FY20 due to intense competition, while it improved in FY21 mostly led by cost optimization



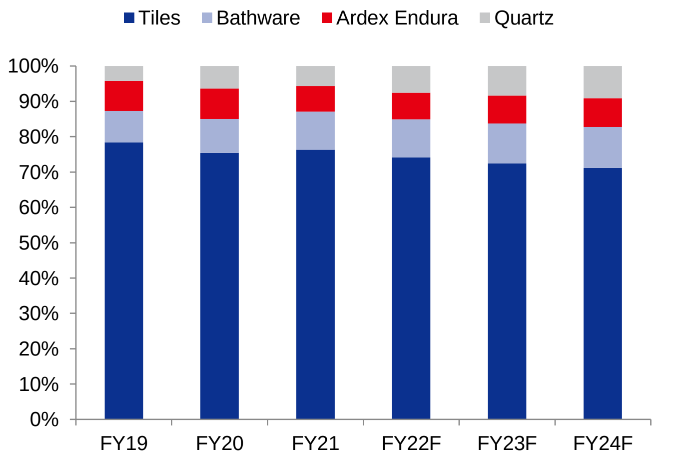
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 26: PRSMJ's HRJ division's margin improved by 490bp in FY21, and we expect this division to see a gradual recovery and maintain lower double-digit margin over FY22-FY24F



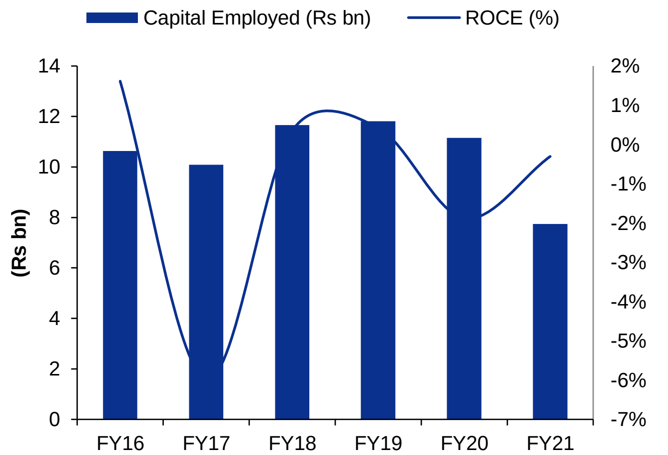
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 27: PRSMJ's HRJ division - Tile business contribution to overall sales to be dominant, but quartz segment to see better near-term traction



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 28: HRJ's ROCE has improved in FY21 amid high EBITDAM but still posted EBIT loss of Rs29mn in FY21 vs. a loss of Rs215mn in FY20

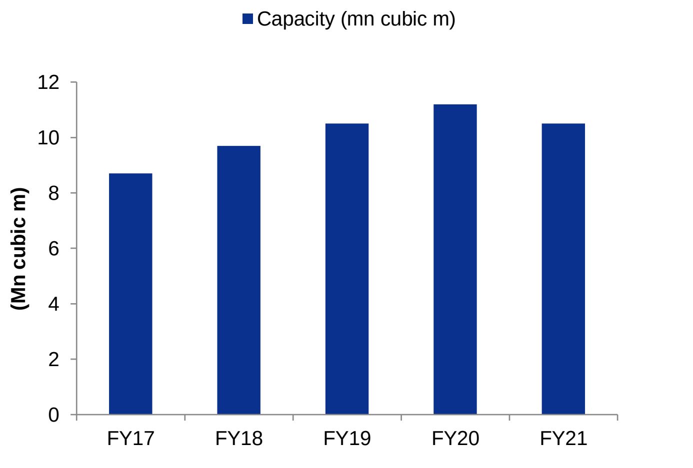


SOURCES: INCRED RESEARCH, COMPANY REPORTS

RMC segment – Revival in urban infrastructure and increased market penetration to be key growth drivers

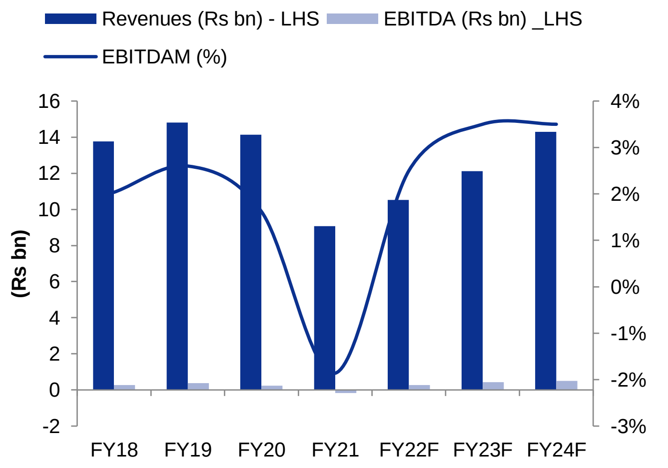
- The RMC industry currently accounts for 10-12% of total cement used in concrete with a higher penetration in urban areas (~35% in metros/Tier-1 cities, ~20% in Tier-2 cities). In developed countries, penetration levels are at 50-70% as of FY21-end. (Source: PRSMJ Annual Report FY21). Organized players accounted for 49-50% of the total market (up from 40-42% in the pre-GST era) with local players accounting for the remaining during FY21.
- PRSMJ is the second-largest player in the RMC sector. It has a pan-India presence with 96 plants at 44 locations as at FY21-end. RMC segment has ventured into the aggregates business and operates large quarries and crushers. At present, PRSMJ has six quarries across the country.
- Between FY03-FY12, PRSMJ posted a 39% sales CAGR off a small base and increased spending on urban infrastructure construction, while EBITDAM touched ~6%. However, between FY13-FY19, growth spiralled down to a 5% CAGR with EBITDAM falling to ~2.5% due to muted demand, particularly from the urban infrastructure segment, increased competition from local and national players and the focus on debtor management. FY20 saw a volume/revenue decline of 8%/5%, respectively, due to a prolonged monsoon, National Green Tribunal or NGT's ban on construction activities in some regions and the lockdown hurting construction activity in Mar 2020.
- Further, the conditions worsened in FY21 as nationwide lockdowns brought construction activity to a complete standstill and the problems of labour migration exacerbated the situation, resulting in a revenue decline of ~36% in FY21. However, PRSMJ's RMC division reported a revenue decline of 29% on qoq basis in 1QFY22 (up 222% yoy on a low base) as the second wave of Covid-19 impacted economic activity during the quarter. However, with the re-opening of the economy and businesses slowly returning to normalcy, the RMC industry expects a recovery in demand from the real estate and infrastructure segments (as per PRSMJ). Going ahead, the company plans to continue its focus on improving plant utilisation levels, increasing sales of value-added product and catering to the individual home builder segment.
- We believe that a pick-up in infrastructure projects and revival of real estate would help the division achieve better capacity utilisation, and thus we expect better operating margins in coming years. We model for ~15% revenue CAGR over FY21-FY24F, with a steady EBITDA margin of ~3%.

Figure 29: PRSMJ is second-largest player in the RMC sector in India having a pan-India presence with 96 plants at 44 locations



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 30: After a sharp disruption in the RMC division in FY21, we see a gradual recovery over FY22-24F

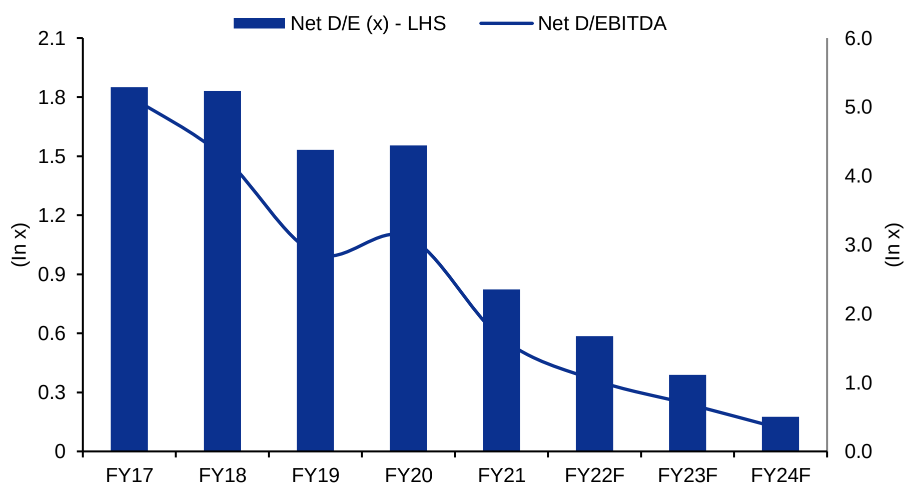


SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Deleveraging to be strong despite capex growth

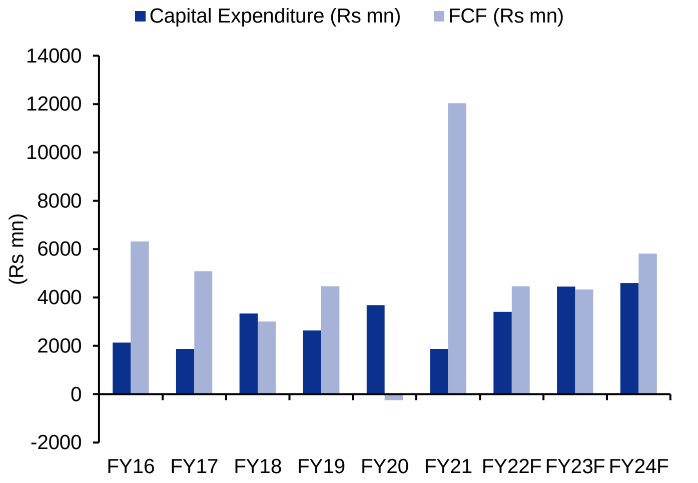
- The company has repaid/prepaid loans amounting to Rs6.2bn and taken fresh loans to the extent of Rs5.7bn during FY21 to finance, inter alia, its debt repayment, and meet ongoing long-term working capital and capital expenditure.
- During FY21, the company raised Rs1.25bn by way of privately placed unsecured redeemable non-convertible debentures (NCDs) to finance, inter alia, its refinancing of debt, meet long-term working capital requirement and for general corporate purpose. NCDs aggregating Rs6.03bn were redeemed during FY21, in accordance with the terms of the issue (source: Annual Report - FY21).
- Going ahead, PRSMJ is expanding its reach in both the divisions (cement and HRJ). In cement business, the company has announced its plan to increase cement capacity at Satna in Madhya Pradesh from 5.6mtpa currently to 6.5mtpa (0.9mtpa through debottlenecking) by Jun 2022 at a capex of Rs1.4bn and further intends to increase grinding capacity at Satna by ~1mtpa by Sep 2023 at a total capex of around Rs2.5bn, thereby taking the total cement production capacity at Satna to 7.5mtpa after this expansion.
- The company also announced a greenfield tile capacity expansion of 2.5msm at Panhagarh in West Bengal at an incremental capex of Rs550mn and another expansion of 6msm at its JV entities at an estimated capex of Rs700mn, both likely to be commissioned by FY23-end, as per PRSMJ. Tile production capacity will increase from 60msm to 68msm after both these expansions by FY23-end, as per PRSMJ.
- PRSMJ's consolidated net debt (excluding that of RQBE) reduced from Rs18.6bn in FY20 to Rs12.3bn in FY21 (while it increased by Rs0.83bn to Rs13.2bn as at Jun 2021-end owing to working capital requirement). The company is likely to incur a capex of Rs10bn over FY22F-FY23F, including maintenance capex. Consolidated net D/EBITDA ratio improved from 3.4x in FY20 to 1.9x in FY21 (it further declined to 1.6x in 1QFY22). The company remains focused on reducing its debt despite capex plans. PRSMJ's D/E ratio stood at 0.9x in FY21 vs. 1.7x in FY20. Further, Raheja QBE General Insurance (RQBE) JV stake sale is still awaiting regulatory approval, which would further reduce net debt by Rs3.5bn, as per the company. Rationalisation of fixed costs and the focus on working capital or WC management (particularly on receivables) should help cushion the impact on the company's liquidity. We expect net D/E ratio to improve from 0.9x in FY21 to 0.2x by FY23F, while net D/EBITDA ratio is likely to reduce from 1.9x in FY21 to 0.5x by FY24F.

Figure 31: We expect net D/E and net D/EBITDA ratios to reduce sharply over FY22F-24F



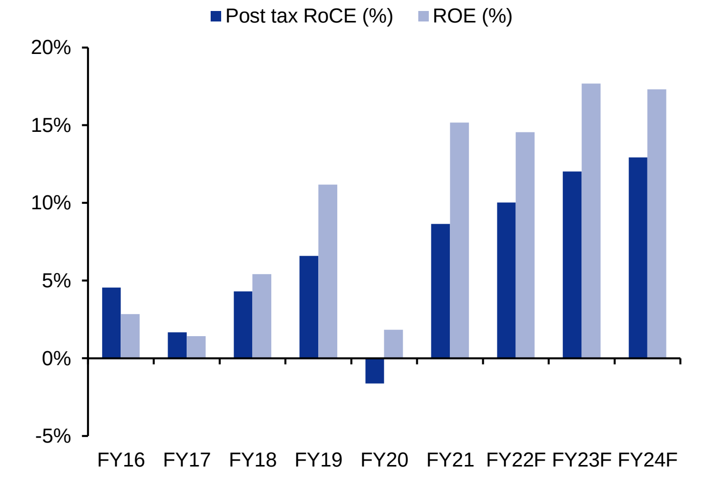
SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 32: OCF has improved on the back of better operating performance and improvement in working capital; capex likely to pick up over FY22F-FY24F



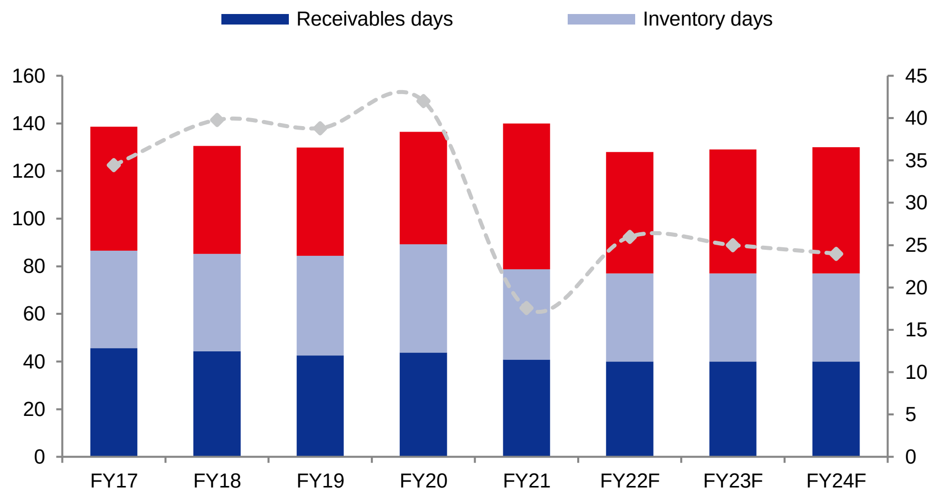
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 33: ROE/RoCE highest in FY21 compared to the past eight to nine years and, in our view, will continue to be strong over FY22F-24F



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 34: Net working capital cycle to remain stable over FY22F-FY24F



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 35: PRSMJ capacity expansion update

Division	Capacity expansion	Location	Capex (Rsm)	Commencement date
Cement (mtpa)	0.9	Satna,MP	1390	Jun2022
Cement (mtpa)	1	Satna,MP	2500	Sep2023
HRJ (msm)	2.5	Panhagarh,WB	550	Jan2023
HRJ (msm)	6	JV entities	700	Mar2023

SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Initiate coverage with an ADD rating, year-ending Sep 2023F EPS target price of Rs158/share

Valuation ➤

- We believe PRSMJ's cement business will remain the key contributor to revenue and continue to be the main driver for EBITDA improvement. Tiles business should see a recovery from 2HFY22F, while EBITDAM expansion (via a better product mix in tiles, and higher contribution from other segments) remains the key monitorable. For RMC business, we believe that a pick-up in infrastructure projects and revival of the real estate segment would help the division achieve a better capacity utilisation rate.
- For cement division, better demand-supply dynamics in the company's key operating regions should help sustain realisation going ahead, while higher input costs may be offset by cost-saving initiatives which should aid an improvement in EBITDA/t. We expect the company to post volume/ realisation/EBITDA per tonne CAGR of 8%/2%/2%, respectively, over FY21-24F.
- HRJ division's volume growth is expected, as per our assumption, to remain healthy considering a pick-up in real estate activity and easing competition in domestic market as Morbi players are diverting their capacities towards the export market. We expect margin improvement going ahead on a combination of factors such as reduction in fixed overheads, price hikes, improving product mix and expansion of distribution network. We have assumed a 9% volume CAGR over FY21-24F in HRJ business and this division to maintain double-digit margins at 10-11%.
- For RMC division, we believe that a pick-up in infrastructure projects and revival of real estate would help it to achieve better capacity utilisation, and thus expect better operating margin in coming years. We model for ~15% revenue CAGR over FY21-FY24F, with a steady EBITDA margin of ~3%.
- We expect the company to benefit from strong regional presence in cement, improving capacity utilization in all three divisions, cost efficiencies and working capital improvement. We prefer PRSMJ due to its margins improving on the back of substantial ongoing cost reduction initiatives and future growth visibility due to expansion plans. However, in the short to medium term, demand recovery in core markets continues to be the key monitorable. Also, the divestment of insurance business should help improve liquidity and profitability.
- At the current market price of Rs123, PRSMJ is trading at FY22F/FY23F EV/EBITDA of 8.9x/7.3x, respectively. We initiate coverage on PRSMJ with an ADD rating and a target price of Rs158, set at 8.5x our year-ending Sep 2023F EV/EBITDA. This multiple is below its historical three-year/five-year average of 9.4x/11.5x, respectively, as we wait for a more sustainable recovery in cement business and tile business margins. Tile division's margins were lower when compared with Kajaria Ceramics, but at par with Somany during FY21. We believe a steady ROE of 20-21% over FY22F-24F, along with healthy growth plans will likely maintain the balance sheet, despite a higher capex, thereby resulting in a re-rating of multiples.

Figure 36: Key assumptions

Key operational estimates	FY19	FY20	FY21	FY22F	FY23F	FY24F
Cement Volume (mtpa)	6	6	6	6	7	7
yoy (%)	11%	-9%	2%	7%	9%	9%
Cement EBITDA (Rs/t)	834	890	963	979	1010	1031
yoy	35%	7%	8%	2%	3%	2%
RMC revenue (Rs mn)	14807	14139	9079	10531	12111	14291
yoy	8%	-5%	-36%	16%	15%	18%
RMC EBITDA (Rs mn)	385	229	-169	263	424	500
yoy	38%	-41%	-174%	256%	61%	18%
TBK revenue (Rs mn)	18273	18226	18325	20341	23188	26435
yoy	6%	0%	1%	11%	14%	14%
TBK EBITDA (Rs mn)	599	695	1590	1831	2551	2908
yoy	-6%	16%	129%	15%	39%	14%

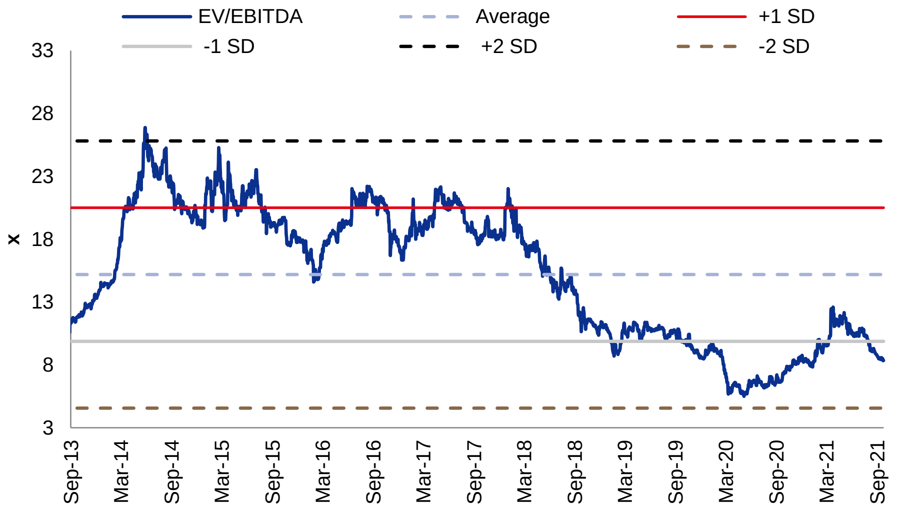
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 37: Our target price of Rs158/share is based on 8.5x year-ending Sep 2023F EV/EBITDA

Valuation	TP
Target EV/EBITDA (x)	8.5
Target EV (Rs m)	83,542
Net debt / (cash) (Rs m)	8,494
No. of shares (m)	503
Fair value per share (Rs)	158

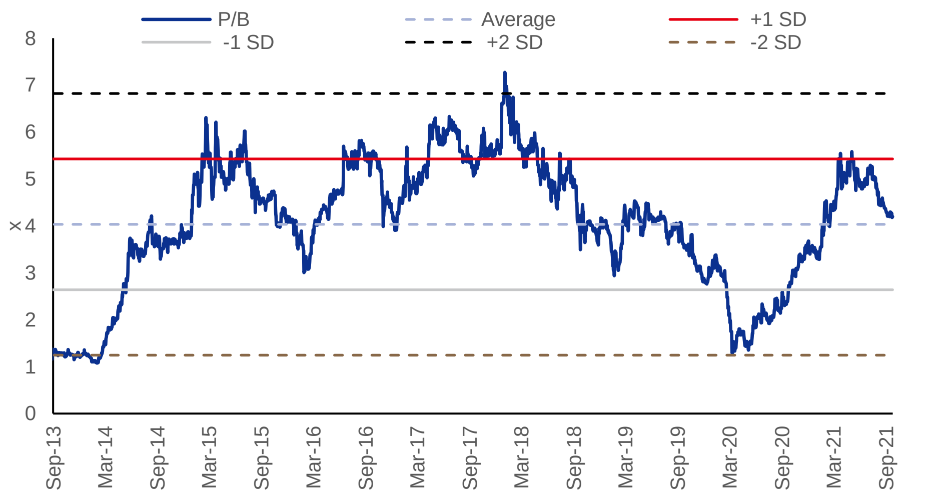
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 38: We value the stock at 8.5x year-ending Sep 2023F EV/EBITDA to arrive at our target price of Rs158



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 39: PRSMJ trading at a P/BV of c.2.9x for FY24F



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Peer comparison

Figure 40: Cement sector peer comparison

Company	Bloomberg Ticker	Closing Price (LC)	Target Price* (LC)	% Upside	Rating	Market cap (US$ m)	EV/EBITDA (x)		P/BV (x)		RoE (%)		P/E (x)		EV/T (US$)	
							FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
UltraTech Cement	UTCEM IN	7,336	7,592	3%	ADD	28,236	17.1	14.6	4.3	3.9	14.0	15.2	32.4	26.9	254.7	211.1
ACC	ACC IN	2,241	2,424	8%	HOLD	5,611	10.3	8.8	2.7	2.4	14.3	14.5	19.7	17.5	137.7	114.7
Ambuja Cements	ACEM IN	403	353	-12%	ADD	10,672	20.0	18.2	3.4	3.2	11.3	11.3	31.4	29.0	158.8	156.7
Shree Cement	SRCM IN	27,757	25,799	-7%	REDUCE	13,354	22.7	19.7	6.0	5.2	15.2	15.6	41.8	35.5	292.2	279.4
Ramco	TRCL IN	995	1186	19%	ADD	3,130	13.5	11.4	3.6	3.1	16.0	16.1	24.1	20.8	158.0	151.7
JK Cement	JKCE IN	3,396	2918	-14%	HOLD	3,498	15.4	13.6	5.5	4.6	22.3	22.2	27.0	22.6	221.1	222.5
Birla Corp	BCORP IN	1,382	1357	-2%	ADD	1,419	10.0	8.1	1.8	1.6	10.3	11.7	18.0	14.5	100.7	90.8
Heidelberg	HEIM IN	252	268	6%	ADD	762	9.6	8.1	3.5	3.0	20.2	21.0	18.1	15.4	117.7	113.0
Dalmia Bharat	DALBHARA IN	2,100	2366	13%	ADD	5,240	13.1	11.3	2.9	2.6	9.3	10.5	32.1	25.8	156.7	156.0
JK Lakshmi	JKLC IN	651	740	14%	ADD	1,021	8.0	7.1	2.9	2.5	21.4	20.7	14.9	12.9	76.8	74.7
Orient Cement	ORCMNT IN	156	199	28%	ADD	426	5.6	5.6	2.1	2.1	20.1	19.2	11.2	9.9	55.5	61.8
Prism Johnson	PRSMJ IN	123	158	29%	ADD	824	8.9	7.3	4.3	3.5	19.1	21.6	23.9	17.9	139.9	121.1
Mean							12.9	11.1	3.6	3.1	16.1	16.6	24.6	20.7	155.8	146.1
Median							11.7	10.1	3.4	3.1	15.6	15.9	24.0	19.3	148.3	136.4
Minimum							5.6	5.6	1.8	1.6	9.3	10.5	11.2	9.9	55.5	61.8
Maximum							22.7	19.7	6.0	5.2	22.3	22.2	41.8	35.5	292.2	279.4

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 08 OCT 2021

Downside risk

- **Geographical concentration:** The company's cement division caters to Uttar Pradesh, Madhya Pradesh and Bihar from its plant situated at Satna in Madhya Pradesh. Due to this limited geographical reach, the company is exposed to state-specific risks. Any state-specific event which impacts demand will hurt the company's business.
- **Slowdown in demand:** Any prolonged slowdown in general construction activity due to localised lockdowns across the country might impact PRSMJ's volume growth.
- **Real estate construction:** Slowdown in real estate construction, particularly in urban areas, will impact HRJ as well as RMC divisions.
- **Any delay in expansion plans:** The company has announced its plan to increase cement capacity at Satna in Madhya Pradesh from 5.6mtpa currently to 6.5mtpa (0.9mtpa through debottlenecking) by Jun 2022 and further intends to increase grinding capacity at Satna, by ~1mtpa by Sep 2023. The company also announced a greenfield tile capacity expansion of 2.5msm at Panhagarh in West Bengal and another expansion of 6msm at its JV entities, both likely to be commissioned by FY23-end. Any delay in commissioning could impact volume growth.
- **Sharp rollback in cement prices:** The central and eastern regions will face aggressive competition from existing players for market share gains in coming years which may impact pricing stability. Lower-than-estimated cement prices would adversely impact our realisation and EBITDA/t estimates.
- **Higher input cost pressure:** Any further rise in coal, pet coke or diesel prices over the medium term could hit EBITDA/t.

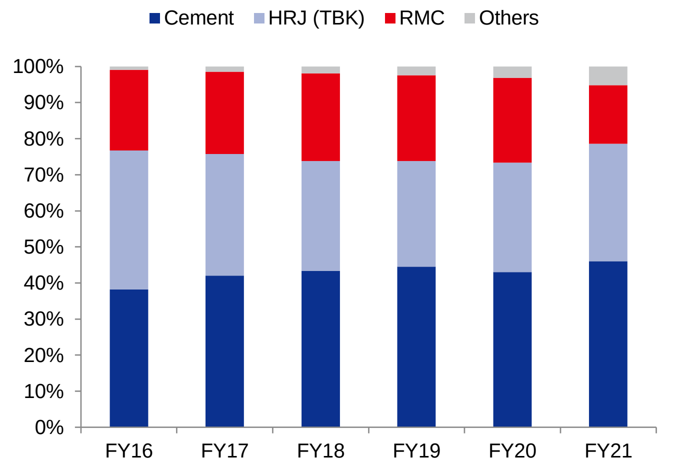
Company introduction and management profile

Company background ➤

- Prism Johnson Limited, promoted by the Rajan Raheja Group, was incorporated in 1992. It has been engaged in manufacturing and sale of cement since 1997. The company's cement division operates two units, both based in Satna, Madhya Pradesh, with a combined installed cement manufacturing capacity of 5.6mtpa (saleable). It caters to markets of eastern Uttar Pradesh, Madhya Pradesh and Bihar, with an average lead distance of 384km in 2020-21. It has a distribution network comprising more than 4,000 dealers servicing from 160 stocking points. In FY2010, PJL amalgamated H&R Johnson (India) Limited and RMC Ready-mix (India) Private Limited with itself and post amalgamation, it is now operating three divisions - cement, HRJ and RMC.
- HRJ, established in 1958, is one of the leading tile manufacturers in the country with a capacity of ~60msm/annum spread across 11 manufacturing plants (including those under subsidiaries and joint ventures as at FY21-end). The division has a nation-wide trade network of over 1,000 dealers, in addition to 19 large format display centres. The segment also consists of construction chemicals (via its 50% stake in Ardex Endura JV with Ardex, Germany with plants in Bengaluru, Baroda, Durgapur, Pune, Nellore, Bhiwadi and Allahabad and a pan-India presence), bathware and sanitaryware (two manufacturing plants for fittings – Baddi in Himachal Pradesh and Samba in Jammu & Kashmir), engineered marble and quartz businesses.
- The company's RMC business, set up in 1996, currently is the second- largest in India with 96 operational plants (combined capacity of 11.2mcm (million cubic metres) spread across 44 locations in India. It has also done backward integration and has seven plants for aggregates and manufactured sand which are used in the RMC business.
- **PRSMJ to divest entire stake in Raheja QBE General Insurance Company Limited (RQBE):** In 2007, the company had formed a 51:49 insurance JV, Raheja QBE General Insurance Company Limited (RQBE) with the QBE group of Australia, one of the largest international general insurers and reinsurers, operating in more than 37 countries. Its JV in India was focusing on liability-led specialist insurance business and had forayed into retail business. In FY20, gross written premium by RQBE jumped 39% yoy to Rs1.8bn and the segment contributed around 3% to consolidated revenues and posted Rs660mn loss at the PBT level. It had a net worth of ~Rs1.54bn (~15% of PRSMJ's consolidated networth in FY20). However, in Jul 2020, PRJSC announced the divestment of its entire equity shareholding of 51% in RQBE to QORQL Pvt. Ltd., a technology company with majority shareholding by Mr. Vijay Shekhar Sharma and the remaining held by Paytm, for a total consideration of Rs2.9bn, subject to all requisite approvals. The consideration to be received by the company for the divestment is subject to certain adjustments, which may be carried out between the date of execution of a definitive agreement and closure of the sale, and other customary terms for a sale of such nature. The divestment will result in the termination of the company's joint venture with Australia's QBE in the general insurance business in India. This divestment is currently awaiting regulatory approvals.
- In case of FY21 topline, cement business contributed 49% while HRJ and RMC contributed 34% and 17%, respectively, while in case of FY21 EBITDA, cement contributed 80% while HRJ and RMC contributed 23% and -3%, respectively.
- PRSMJ's cement ROCE stood at 28.8% in FY21 vs. 24% in FY20, which is the highest among cement peers operating in the Central India region. This was because the company was one of the early movers in Central India to set up cement plants and was able to do this at a lower rate of ~US$36/t (including brownfield capex) vs. current greenfield cost at US$90-100/t. HRJ currently accounts for ~38% of PRSMJ's capital employed but generated a negative ROCE in FY20.

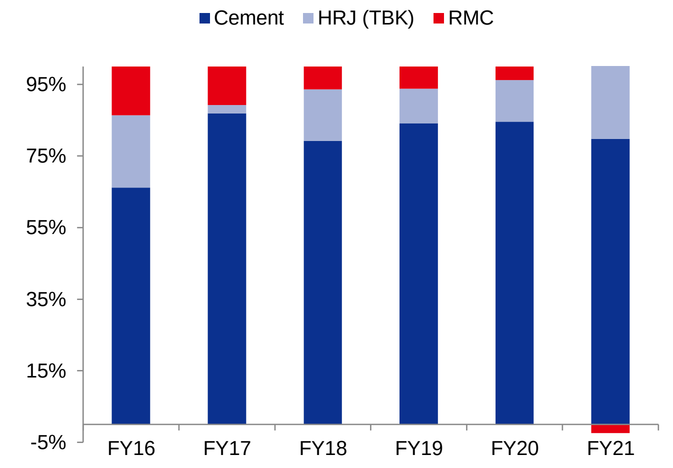
- **Scheme of arrangement and amalgamation:** The company has approved a composite scheme of arrangement and amalgamation amongst Prism Johnson Limited (PJL), H. & R. Johnson (India) TBK Limited, Milano Bathroom Fittings Private Limited, Silica Ceramica Private Limited, TBK Rangoli Tile Bath Kitchen Private Limited, TBK Venkataramiah Tile Bath Kitchen Private Limited, TBK Samiyaz Tile Bath Kitchen Private Limited and their respective shareholders and creditors, subject to all necessary approvals. Appointed date for the scheme is 1 Apr 2018 and the scheme's effective date is 11 May 2021. The scheme received approval from the National Company Law Tribunal (NCLT), Hyderabad, vide its order dated 28 Apr 2021. All companies involved in the proposed restructuring, directly or through subsidiary, are wholly-owned subsidiaries of the company. No cash consideration will be involved, and the shareholding pattern will not change. Key objectives for the proposed scheme, as per our understanding are: (a). it would result in elimination of multiple operating companies' structure, (b) simplify group structure under the common management, and (c). would lead to better efficiency and cost savings via optimum utilization of resources.

Figure 41: Contribution from cement and HRJ divisions to total revenues stood at 46%and 33%, respectively, in FY21



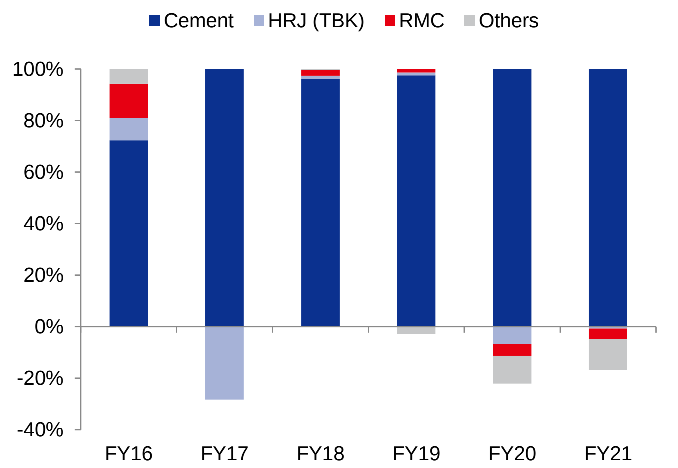
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 42: Cement division contributes ~80% to FY21 EBITDA (vs ~85% in FY20)



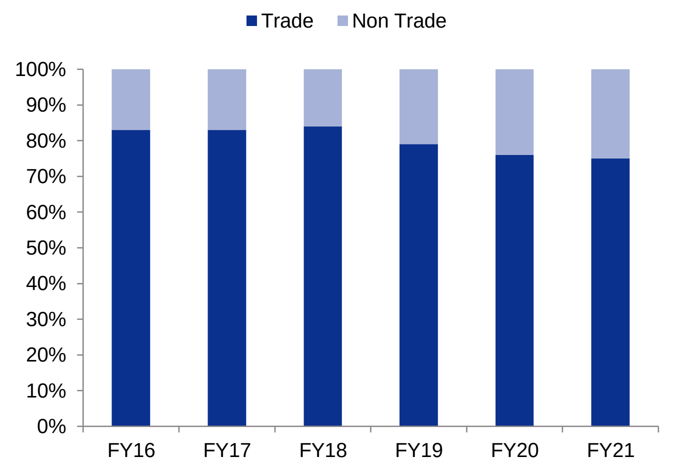
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 43: EBIT is mainly driven by the cement segment, while HRJ has struggled to deliver a consistent performance



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 44: Trade mix has shifted more towards non-trade in last few years due to dominance of Infrastructure construction in key markets



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 45: Top 5 listed tile companies in terms of capacities and distribution networks as at FY21-end

Company Name	Capacity	Brand Ambassador	Dealers/Retailers	Display Centres/Showrooms	Brands
Kajaria	70.4	Tiles - Akshay Kumar Sanitaryware - Anushka Sharma Plywood - Ranveer Singh	Dealer: 1,600+; Exclusive Dealers: 270; Touch Points: 10,000+	Display Centres: 21 Exclusive Dealer Showrooms Kajaria Star: 43 Kajaria Prima Plus: 124 Kajaria Galaxy: 51 Kajaria Prima: 190	Kajaria - Tiles/Plywood Kerovit - Sanitaryware+Faucets
HRJ	60	Katrina Kaif	Dealers: 1,000+; Retail Touch Pts.: 10,000	Experience/Display Centres: 19 (Include 2 office-cum showrooms)	Johnson, Johnson Marbonite, Johnson Porselano and Johnson Endura
Somany	55	Salman Khan	Dealers: 3000; Retail Touch Pts.: 10,000+	Showrooms: 383 Sales Depots: 6 Grandes: 11 Exclusives: 11 Studios: 12 Bath Studios: 19 Duragres: 3	Somany
Asian Granito	30	None	Dealers: 1,350; Retail Touch Pts.: 6,700	Showrooms: 300+ Display Centres: 13	AGL
Orient Bell	30	None	Channel Partners: 2,000+	Company-owned Tile Boutiques: 10 Orient Bell Tile Boutiques: ~230	Orient

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 46: Data on major RMC players in Indian market as at FY21-end

Company	Year of Establishment	No. of Plants	Locations	Brands
Ultratech	1998	130+	Pan-India - 41 locations	Performance-based Concrete - Ultratech Concrete (Free Flow, Hypercon, Duracon, Stainless, Rapid) Usage-based Concrete - Ultratech Concrete (Fibercon, Aquaseal, Fire Safe, Slab Plus, Foundation Plus, Zip, Column Plus) Decorative Concrete - Ultratech Concrete (Colourcon, Decor) Green Concrete - Ultratech Concrete (Pervious, Litecon)
Prism	1996	96	Pan-India - 44 locations	Aquaresistcrete, Easycrete, Elitecrete, Foundationcrete, FRCcrete, Megacrete, Xpresscrete
Nuvoco Vistas	2009	70+	Pan-India	Agile, Artiste, Instamix, Xlite, Robuste, Fluide, Steelibre, Polibre, Lente, Regletherme, Instante and Easyfille
ACC	1993	80	Pan-India (17 states)	ACC - Supercrete, Flowcrete, Speedcrete, Value added products - Ultivacrete, Imprintcrete, Flowcrete
RDC Concrete	1993	52	Pan-India	Fibercrete, Impricrete, Litecrete, Naturecrete, Procrete, Selfcrete, Tempcrete

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 47: PRSMJ's subsidiaries/JVs as at FY21-end

Manufacturing Unit	Subsidiaries/JVs	Stake in 2020 (%)	Stake in 2021(%)	Investments-Measured at cost (Rsm)	Type of Business	Location
Raheja QBE General Insurance Company Limited	Subsidiary	51%	51%	1821.2	General insurance	Mumbai, Maharashtra
H. & R. Johnson (India) TBK Limited	Subsidiary	100%	100%	16.1	Ceramic wall and floor tiles	Mumbai, Maharashtra
TBK Venkataramiah Tile Bath Kitchen Private Limited	Subsidiary	100%	100%	0.1		Bengaluru, Karnataka
TBK Rangoli Tile Bath Kitchen Private Limited	Subsidiary	100%	100%	0.1	Kitchen tiles, bedroom tiles & outdoor tiles	Mumbai, Maharashtra
TBK Samiyaz Tile Bath Kitchen Private Limited	Subsidiary	100%	100%	5.8	Floor tiles	Pune, Maharashtra
RMC Readymix Porselano (India) Limited	Subsidiary	100%	100%	0.5	Manufacturing and supply of ready-mix concrete (RMC)	Mumbai, Maharashtra
Sentini Cermica Private Limited	Subsidiary	50%	50%	85.5	Ceramic floor tiles	Hyderabad, Telangana
Antique Marbonite Private Limited	Subsidiary	50%	50%	113.2	Ceramic wall and floor tiles	Morbi, Gujarat
Spectrum Johnson Tiles Private Limited	Subsidiary	50%	50%	80.3	Ceramic wall tiles	Morbi, Gujarat
Small Johnson Floor Tiles Private Limited	Subsidiary	50%	50%	133.0	Porcelain tiles/GVT	Morbi, Gujarat
Coral Gold Tiles Private Limited	Subsidiary	50%	50%	54.6	Ceramic wall tiles	Morbi, Gujarat
Antique Minerals Private Limited (Subsidiary of Antique Marbonite Private Limited)	Subsidiary	25.5%	25.5%	-	Mirror polished vitrified tiles, marble and quartz slabs	Morbi, Gujarat
Sanskar Ceramic	Subsidiary	32.5%	50%	182.3	Wall tiles/vitrified tiles	Morbi, Gujarat
TBK Prathap Tile Bath Kitchen Private Limited (w.e.f 29.06.2020)	Subsidiary	-	98%	0.1		Bengaluru, Karnataka
Ardex Endura (India) Private Limited	JV	50%	50%	65	Solution provider of specialty building materials	Bengaluru, Karnataka
TBK Deepgiri Tile Bath Kitchen Private Limited	JV	50%	50%	0.5		Mumbai, Maharashtra
TBK Florance Ceramics Private Limited	JV	50%	50%	33.8	Wall, bathroom and floor tiles	Noida, Uttar Pradesh
TBK Unique Jalgaon Tile Bath Kitchen Private Limited (upto 23.03.2021)	JV	50%	-	-	Wall, bathroom and floor tiles	Jalgaon, Maharashtra
TBK Prathap Tile Bath Kitchen Private Limited (upto 29.06.2020)	JV	50%	-	-		Bengaluru, Karnataka
TBK Sanitary Sales Private Limited (upto 29.06.2020)	JV	50%	-	-	Wall and floor tiles	Chandigarh
Prism Power & Infrastructure Private Limited	Associate	49%	-	-	Power and infrastructure	Hyderabad, Telangana
CSE Solar Parks Satna Private Limited	Associate	27%	27.95%	99.8	Solar energy equipment	Mumbai, Maharashtra
Sunspring Solar Private Limited	Associate	27%	27%	14.8	Energy generation	Mumbai, Maharashtra

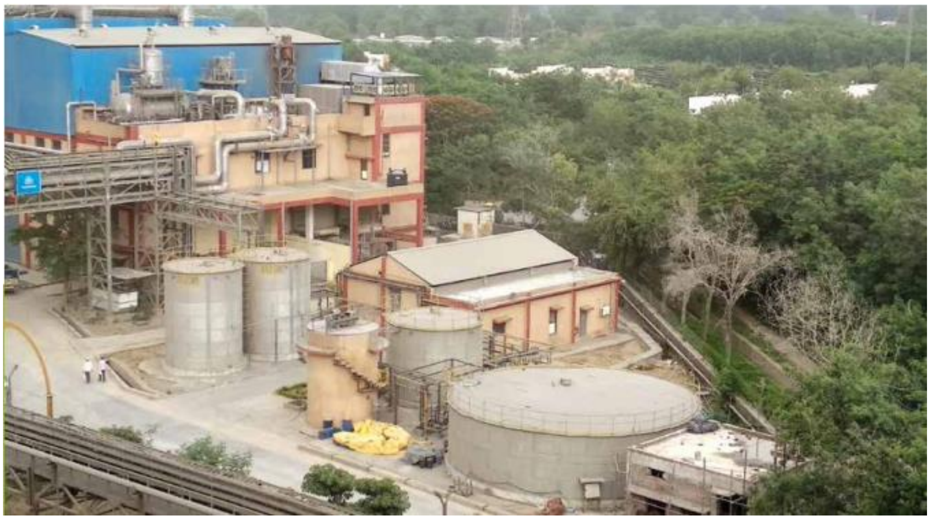
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Manufacturing facilities ›

Figure 48: Company's cement plant at Satna in Madhya Pradesh

SOURCES: INCRED RESEARCH, Q4FY21 COMPANY PRESENTATION

Figure 49: WHRS site at Satna in Madhya Pradesh - Boiler



SOURCES: INCRED RESEARCH, COMPANY'S ANNUAL REPORT

Figure 50: WHRS site at Satna in Madhya Pradesh - AQC-1

SOURCES: INCRED RESEARCH, COMPANY'S ANNUAL REPORT

PRSMJ's milestones ➤

Figure 51: Journey of PRSMJ since incorporation

1992	• Incorporated as Karan Cement Ltd and was jointly promoted by RRG, F.L. Smidth and IFU, Denmark.
1993	• Started construction work for 2mtpa cement plant under a JV agreement.
1994	• Company's name changed to Prism Cement Limited.
1995	• Got listed on stock exchanges.
1996	• Forayed into RMC business.
1997	• Commercialized production at Unit-I in the Satna cluster in Madhya Pradesh.
2004	• FLS and IFU exited in 2004, with their stake being taken over by the Rajan Raheja Group.
2010	• Merged HRJ and RMC with Prism Cement Limited.
2011	• Commissioned Unit II with 3.6mtpa of cement capacity (brownfield expansion),
2014	• Completed the reconstruction of blending silo, launched its premium cement brand 'Hi-Tech' in Bihar, signed Ms. Katrina Kaif as a brand ambassador for HRJ and started TV advertising.
2015	• Launched its premium cement brand Hi-Tech in Uttar Pradesh, addressed power and fuel problems in South India relating to HRJ.
2017	• Signed a power supply agreement with BLA Power for sourcing 25MW of power to reduce power cost.
2018	• Company's name changed from Prism Cement Ltd to Prism Johnson Ltd.
2020	• Commissioned 10MW of WHRS and 5MW of solar power at Satna, signed JV venture agreement with Sanskar Ceramics Private Limited.
2021	• Commissioned 12.4MW of WHRS and 10MW of solar plant at Satna unit, Received NCLT approval for the composite scheme of arrangement and amalgamation among the company and some of its wholly-owned subsidiaries.

SOURCES: INCRED RESEARCH, COMPANY REPORTS

PRSMJ's product portfolio

- **Duratech Cement:** It is an all-purpose cement, which can be used in all types of reinforced cement concrete (RCC), pre-cast works, including building terraces, beams, columns and foundations.
- **Champion Plus:** This cement makes concrete stronger, denser and leak - proof, reinforcing the foundation. It caters to a broad application base, including home builders and infrastructure projects.
- **Champion Cement:** This cement has a finer pore structure and less permeability. It offers durability, compactness and chemical attack resistance. It is sustainable for a variety of applications, including housing, highways, wells, dams, masonry and plastering.

Figure 52: Grey cement portfolio (OPC, PPC, PSC and value-added products)

SOURCES: INCRED RESEARCH, PRSMJ Q1FY22 INVESTOR PRESENTATION

Figure 53: HRJ's product portfolio

SOURCES: INCRED RESEARCH, PRSMJ Q1FY22 INVESTOR PRESENTATION

Figure 54: Prism RMC business

SOURCES: INCRED RESEARCH, PRSMJ Q1FY22 INVESTOR PRESENTATION

Figure 55: Company's Experience Centre in Pune

SOURCES: INCRED RESEARCH, PRSMJ Q1FY22 INVESTOR PRESENTATION

SWOT Analysis

Figure 56: Prism Johnson Limited

Strength	Weakness
Strong regional presence in Central market One of the leading players in tiles with a vast distribution network and a premium brand image.	Prolonged slowdown in general construction activity in its key markets. Further increase in input costs. Any fall in cement prices
Opportunity	**Threat**
Company to expand its cement capacity to 7.5mtpa and also tile production capacity to 68msm in the next two years.	Delay in aforesaid capacity expansion.

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Key management profile

The company's board comprises eight directors, which includes two Non-Executive Directors, three Independent Directors (including one Independent Woman Director) and three Executive Directors.

Mr. Vijay Aggarwal, Managing Director: Holds a B.Tech. degree in Electrical Engineering from Indian Institute of Technology, Delhi and PGDM from Indian Institute of Management, Ahmedabad. He has around 23 years of tenure in the company. Earlier, he has worked with SBI Capital Markets. Remuneration stood at Rs 55.6m for the year ended 31 Mar 2021.

Mr. Vivek K. Agnihotri, ED & CEO - Cement: Holds a MBA degree from FMS, University of Delhi. He has around six years of tenure in the company. Earlier, he has worked with Ambuja Cements and ACC Cements. Remuneration stood at Rs 34.1m for the year ended 31 Mar 2021.

Mr. Sarat Chandak, ED & CEO - HRJ: Holds a B.SC. (Hons) degree and a MBA from University of Pune. He has 2+ years of tenure in the company. Earlier, he has worked with Kajaria Ceramics and RAK Ceramics. Remuneration stood at Rs 30.2m for the year ended 31 Mar 2021.

Mr. Atul Desai, ED & CEO – RMC: Holds a B.E. degree in Chemical Engineering from Gujarat University and a MBA in Marketing from South Gujarat University. He has 5+ years of tenure in the company. Earlier, he has worked with Reliance Cement, Ambuja Cement and GSFC. Remuneration stood at Rs28.2m for the year ended 31 Mar 2021.

Mr. Manish Bhatia, Chief Financial Officer**:** He is a Chartered Accountant. He has nearly four years of tenure in the company. Earlier, he has worked with Apollo Tyres and Essar Steel.

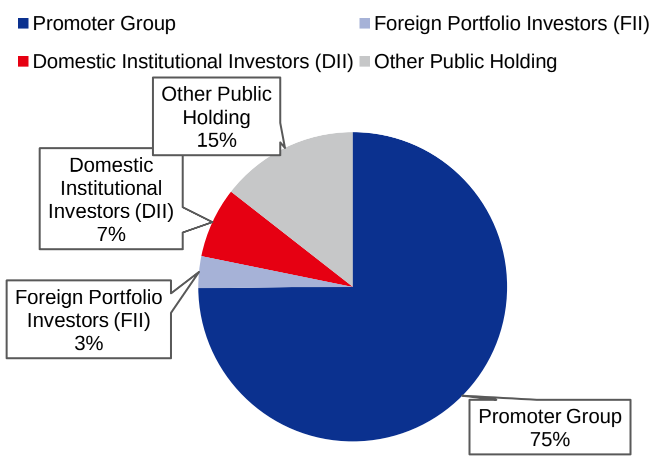
Mr. Rajnish Sacheti, Group President Legal & Indirect Taxes**:** He is Company Secretary. He has nearly 23 years of tenure in the company. Earlier, he has worked with Grasim Industries.

Figure 57: Composition of the company's board as at FY21-end

Name of Director	Designation
Mr. Shobhan Thakore	Chairman and Independent Director
Mr. Rajan Raheja	Director
Mr. Vijay Aggarwal	Managing Director
Mr. Vivek Agnihotri	Executive Director & CEO (Cement)
Mr. Sarat Chandak	Executive Director & CEO (HRJ)
Mr. Atul Desai	Executive Director & CEO (RMC)
Ms. Ameeta Parpia	Independent Director
Mr. Raveendra Chittoor	Independent Director
Mrs. Varsha Vasant Purandare	Independent Director

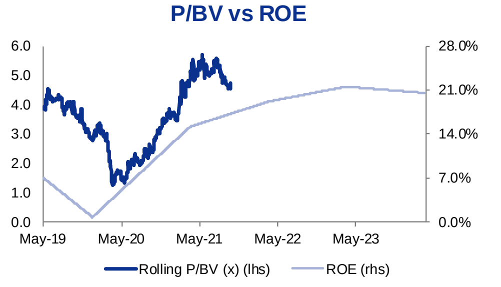
SOURCES: INCRED RESEARCH, COMPANY REPORTS

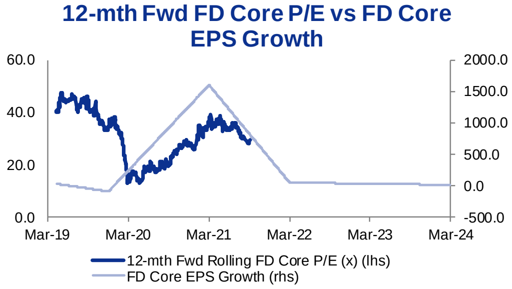
Figure 58: PRSMJ 's shareholding pattern (as at Jun 2021-end)



SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	**59,562**	**55,871**	**59,231**	**66,829**	**75,780**
Gross Profit	**59,562**	**55,871**	**59,231**	**66,829**	**75,780**
Operating EBITDA	**5,386**	**6,218**	**8,188**	**9,828**	**11,038**
Depreciation And Amortisation	(2,506)	(2,925)	(3,349)	(3,885)	(4,507)
Operating EBIT	**2,881**	**3,293**	**4,838**	**5,943**	**6,531**
Financial Income/(Expense)	(2,517)	(2,104)	(1,893)	(1,742)	(1,637)
Pretax Income/(Loss) from Assoc.	73	43			
Non-Operating Income/(Expense)	287	382	391	411	431
Profit Before Tax (pre-EI)	**724**	**1,613**	**3,336**	**4,612**	**5,325**
Exceptional Items	(103)	(48)			
Pre-tax Profit	**621**	**1,565**	**3,336**	**4,612**	**5,325**
Taxation	(740)	(162)	(1,067)	(1,476)	(1,704)
Exceptional Income - post-tax					
Profit After Tax	**(119)**	**1,403**	**2,268**	**3,136**	**3,621**
Minority Interests	220	309	309	309	309
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**101**	**1,712**	**2,577**	**3,445**	**3,930**
Recurring Net Profit	81	1,755	2,577	3,445	3,930
Fully Diluted Recurring Net Profit	**81**	**1,755**	**2,577**	**3,445**	**3,930**

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	5,386	6,218	8,188	9,828	11,038
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,332	7,176	(1,860)	(693)	(96)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	287	382	391	411	431
Other Operating Cashflow	2,678	1,270	1,270	1,270	1,270
Net Interest (Paid)/Received	(2,517)	(2,104)	(1,893)	(1,742)	(1,637)
Tax Paid	(468)	(131)	(1,067)	(1,476)	(1,704)
Cashflow From Operations	**6,699**	**12,811**	**5,027**	**7,599**	**9,301**
Capex	(3,689)	(1,869)	(3,400)	(4,450)	(4,600)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2,879)	(781)	1,552		
Cash Flow From Investing	**(6,568)**	**(2,650)**	**(1,848)**	**(4,450)**	**(4,600)**
Debt Raised/(repaid)	3,533	(5,153)	(1,500)	(1,900)	(2,900)
Proceeds From Issue Of Shares	(16)		618	618	618
Shares Repurchased					
Dividends Paid	503		403	403	503
Preferred Dividends					
Other Financing Cashflow	(3,373)	(2,909)	(403)	(403)	(503)
Cash Flow From Financing	**648**	**(8,061)**	**(882)**	**(1,282)**	**(2,282)**
Total Cash Generated	779	2,100	2,297	1,867	2,419
Free Cashflow To Equity	**3,664**	**5,009**	**1,679**	**1,249**	**1,801**
Free Cashflow To Firm	**2,648**	**12,265**	**5,073**	**4,891**	**6,339**

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	5,677	7,050	7,281	7,081	7,312
Total Debtors	7,147	6,255	6,491	7,324	8,305
Inventories	7,417	5,805	6,004	6,774	7,682
Total Other Current Assets	2,676	2,674	2,725	3,074	3,486
Total Current Assets	**22,917**	**21,784**	**22,501**	**24,253**	**26,785**
Fixed Assets	27,994	29,238	30,288	31,703	32,196
Total Investments	3,082	4,973	4,973	4,973	4,973
Intangible Assets	2,804	1,552			
Total Other Non-Current Assets	3,978	4,105	3,105	2,255	1,855
Total Non-current Assets	**37,857**	**39,867**	**38,366**	**38,931**	**39,024**
Short-term Debt	7,400	2,976	2,676	2,276	1,776
Current Portion of Long-Term Debt					
Total Creditors	7,707	9,370	5,028	5,725	6,628
Other Current Liabilities	10,165	11,840	14,808	15,371	16,672
Total Current Liabilities	**25,272**	**24,187**	**22,512**	**23,372**	**25,076**
Total Long-term Debt	15,044	14,298	13,098	11,598	9,198
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	7,218	7,927	7,927	7,927	7,927
Total Non-current Liabilities	**22,261**	**22,225**	**21,025**	**19,525**	**17,125**
Total Provisions					
Total Liabilities	**47,533**	**46,412**	**43,537**	**42,897**	**42,201**
Shareholders Equity	10,790	12,415	14,505	17,463	20,784
Minority Interests	2,450	2,824	2,824	2,824	2,824
Total Equity	**13,240**	**15,239**	**17,329**	**20,287**	**23,608**

Key Ratios

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(3.8%)	(6.2%)	6.0%	12.8%	13.4%
Operating EBITDA Growth	(10.4%)	15.4%	31.7%	20.0%	12.3%
Operating EBITDA Margin	9.0%	11.1%	13.8%	14.7%	14.6%
Net Cash Per Share (Rs)	(33.31)	(20.31)	(16.87)	(13.50)	(7.28)
BVPS (Rs)	21.43	24.67	28.82	34.69	41.29
Gross Interest Cover	1.14	1.57	2.56	3.41	3.99
Effective Tax Rate	119.2%	10.3%	32.0%	32.0%	32.0%
Net Dividend Payout Ratio	297.9%		18.9%	14.1%	15.5%
Accounts Receivables Days	44.03	43.78	39.27	37.73	37.64
Inventory Days	44.46	43.19	36.39	34.90	34.81
Accounts Payables Days	51.99	62.77	51.48	34.43	34.82
ROIC (%)	8.4%	11.6%	16.8%	19.8%	21.6%
ROCE (%)	8.4%	9.7%	14.7%	17.7%	19.0%
Return On Average Assets	4.3%	5.8%	6.8%	7.9%	8.2%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** - Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** - Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)
- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of January 30, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.