

PRISM JOHNSON LIMITED

(FORMERLY PRISM CEMENT LIMITED)

CEMENTING MILESTONES COMMITTED TO DELIVER



PRISM
CEMENT
दूर की सोच

JOHNSON
Not just tiles. Lifestyles.

**PRISM
RMC**
Complete Concrete Solutions

ANNUAL REPORT 2018-19

OUR PRESENCE

The map illustrates the extensive presence of H & R Johnson across India. States and Union Territories shown include Jammu & Kashmir, Himachal Pradesh, Punjab, Chandigarh, Haryana, Rajasthan, Gujarat, Maharashtra, Goa, Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, Telangana, Chhattisgarh, Odisha, West Bengal, Jharkhand, Bihar, Uttar Pradesh, Madhya Pradesh, Uttaranchal, Uttarakhand, Himachal Pradesh, Jammu & Kashmir, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, and Sikkim. Major cities and locations marked include Jammu, Samba, Baddi, Derabassi, Ludhiana, Mohali, Jalandhar, Punjab, Chandigarh, Dehradun, Panchkula, Sonapat, Haryana, Rohtak, New Delhi, Gurgaon, Surajpur, Faridabad, Jaipur, Agucha, Udaipur, Ahmedabad, Baroda, Rajkot, Wanakbori, Agroah, Surat, Nashik, Shirdi, Thane, Mumbai, Pen, Pune, Kolhapur, Sawantwadi, Goa, Hubli, Mangalore, Kunigal, Bengaluru, Mysore, Vellore, Salem, Chennai, Kozhikode, Coimbatore, Thrissur, Trichy, Karaikal, Tuticorin, Keral, Kochi, Thiruvananthapuram, Sri Lanka, Colombo, Kurnool, Vijaywada, Warangal, Gulbarga, Hyderabad, Vizag, Raipur, Chhattisgarh, Odisha, Bhuvaneshwar, Paradeep, Jharkhand, Ranchi, Dhanbad, Dumka, Durgapur, West Bengal, Kolkata, Bihar, Patna, Marhaura, Bhagalpur, Jhapaiguri, Guwahati, Assam, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Arunachal Pradesh, and Sikkim. The legend indicates: Registered Office (red square), Corporate Office (black square), RMC Plant (orange diamond), RMC Crushers (orange circle), H & R Johnson Plant (black square with red border), H & R Johnson Branch Office (black square with red border), Prism Cement Plant (red circle), Prism Cement Marketing Office (blue circle with red border), and Prism Cement AP Project (blue circle).










-  Registered Office
-  Corporate Office
-  RMC Plant
-  RMC Crushers
-  H & R Johnson Plant
-  H & R Johnson Branch Office
-  Prism Cement Plant
-  Prism Cement Marketing Office
-  Prism Cement AP Project

TABLE OF CONTENTS

COMPANY OVERVIEW

Cementing Milestones	02
Committed to Deliver	04
Letter from the Managing Director	06
The World of Prism Johnson Limited	08
Financial Highlights	12
Corporate Information & BOD	15
Management Discussion & Analysis	16
Corporate Social Responsibility	31

REPORTS

Report on Corporate Governance	33
Director's Report	50

FINANCIAL STATEMENTS

Standalone

Independent Auditor's Report	84
Balance Sheet	92
Statement of Profit and Loss	93
Cash Flow Statement	95
Notes to Accounts	97

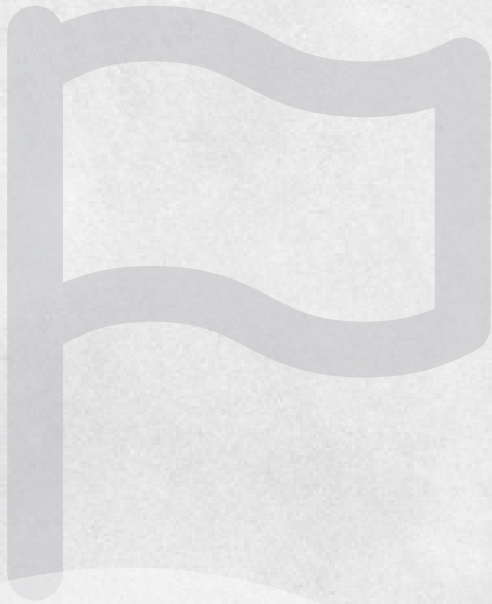
Consolidated


Independent Auditor's Report	149
Balance Sheet	156
Statement of Profit and Loss	157
Cash Flow Statement	160
Notes to Accounts	162
Form AOC – 1	232

Shareholder's Information

Notice	234
Proxy	

CEMENTING MILESTONES



Prism Johnson delivered another year of profitable growth with overall EBITDA increasing by ~36%, with Cement Division leading the growth. This performance has to be seen in the light of the challenging macro situation and cost environment. The year 2018-19 was filled with extreme external vulnerabilities arising out of rising commodity prices, volatile currencies, trade war between major global trading partners and normalisation of monetary policies in the larger advanced economies. In this backdrop, the Indian economy continue to be one of the fastest growing economies in the world, supported by the continued investment in infrastructure and steady consumption amid a more expansionary stance of monetary policy.

The Cement Division continued its good run with record volumes and better utilization levels leading to increased EBITDA performance. Despite several external challenges, the Division reported a fifth consecutive year of increase in EBITDA per ton.

It reflects the efforts put over last few years such as: pet-coke usage, lowering power consumption, reducing logistic costs, successful launches of premium products amongst others. The “Satna Cluster” where the Division operates has also witnessed robust demand growth over last few quarters leading to better utilization levels and better realizations.

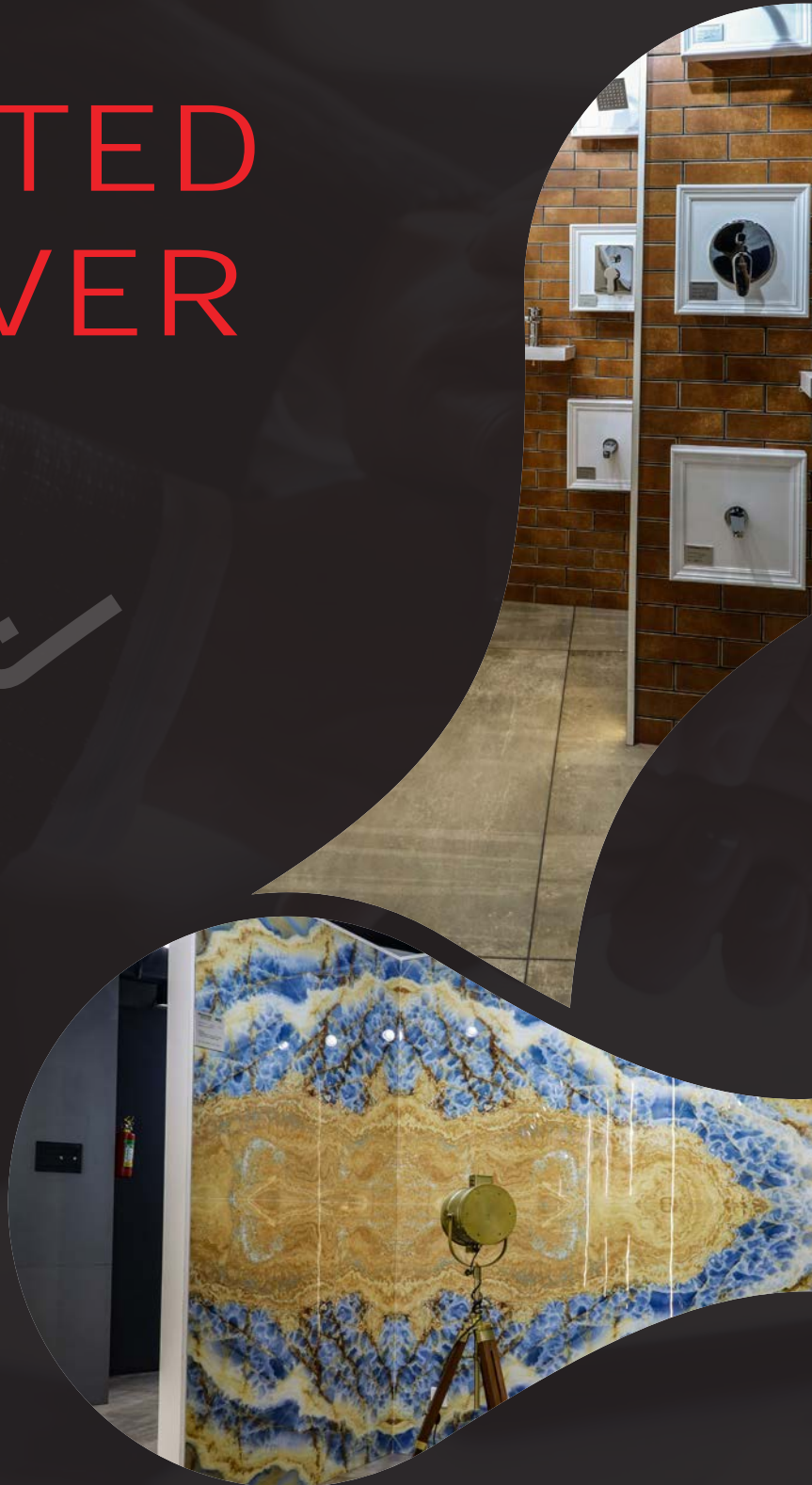
At the same time the efforts and focussed initiatives undertaken by H & R Johnson (India) (HRJ) and RMC (India) (RMC) Divisions have also led to gradual improvement. HRJ Division reported close to mid-single volume growth and higher single digit consolidated value growth, the best in last three years and RMC Division reported double digit volume growth after nearly five years of flattish trend.

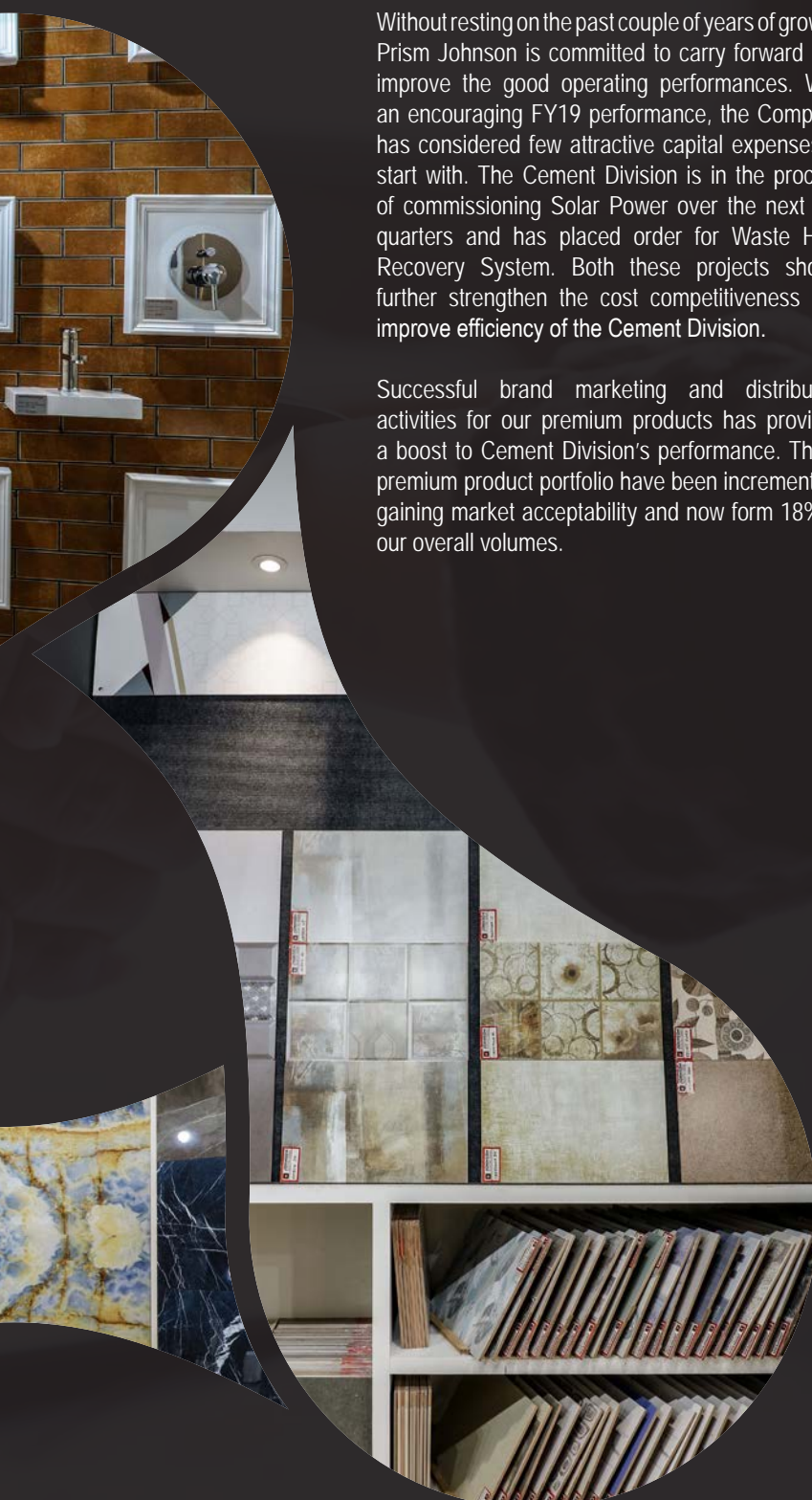
On the back of improved performance, the Company is back on the list of dividend paying companies, the company declared an interim dividend during the year, the last dividend was paid in FY12. The Company has reduced its standalone debt, this being the fourth successive year of debt reduction thereby improving gearing.

While financial performance and ratios gain utmost importance for most stakeholders, the success of a Corporate is also measured on several other parameters such as fulfilling its corporate social responsibility, developing its human capital and investing in Safety, Health and Environment. In this regard, Cement Division continued to take CSR projects related to upliftment of communities in the region it operates, RMC Division continued its unparalleled focus on health & safety issues of plants, people and environment and HRJ Division resorting to use of waste products of other industries. Overall Prism Johnson takes utmost care to fulfil its responsibilities towards the environment and the communities around its manufacturing units.



COMMITTED TO DELIVER





Without resting on the past couple of years of growth, Prism Johnson is committed to carry forward and improve the good operating performances. With an encouraging FY19 performance, the Company has considered few attractive capital expenses to start with. The Cement Division is in the process of commissioning Solar Power over the next few quarters and has placed order for Waste Heat Recovery System. Both these projects should further strengthen the cost competitiveness and improve efficiency of the Cement Division.

Successful brand marketing and distribution activities for our premium products has provided a boost to Cement Division's performance. These premium product portfolio have been incrementally gaining market acceptability and now form 18% of our overall volumes.

The HRJ Division continues its focus on expanding its product portfolio and investing in marketing and distribution initiatives. Continuing its demand generation activities, the Division has successfully opened six additional large formats display centres during the year across different regions, taking the total to eleven. The enhanced focus is now on improving utilization levels and sustaining working capital management.

RMC division has reported a double digit volume growth. The spike in volumes is on the back of pick up in few pockets of real estate and infrastructure, especially road construction. This Division is expanding in Prism catchment areas and enjoys a strong order book in the Mega vertical. These initiatives should increase the utilization levels going forward. Evolution in construction technology should further aid in the growth momentum.

While we continue to invest in growth avenues, we are not turning our back to current challenges such as liquidity crisis, industrial and consumption showing signs of slowdown and execution delays in real estate and infrastructure projects amongst others. Hence alongside our energies on sustainable growth, Prism Johnson is committed to financial discipline – continue to deleverage balance sheet, control on working capital, investing in critical capex projects and dividend payout. Overall we focus on creating long term investor value through efficient and successful implementation of our long term growth plans.

LETTER FROM THE MANAGING DIRECTOR:

“

Reduction in
debt levels
continues, further
the Company is
back on dividend
paying list

”



Dear Shareholders,

It is an honour and immense pleasure to have completed another year of profitable growth. At Prism Johnson, our determination remained steady in a challenging year, and the result was a stable performance in all the three segments. Your Company reported consolidated net sales of ~₹ 6,124 Crores, Earnings before interest, tax, depreciation and amortization of ~₹ 601 Crores and Profit after tax of ~₹ 110 Crores, increase of ~12%, ~36% and ~99% respectively. Your Company continues to invest in demand generation activities, highlighted below, which would help in continuing its future growth. Our corporate name Prism Johnson, resembles our capability and dedication for creating value by delivering quality products to our customers across domains.

Your Company has prepared a well-defined strategy of being closer to customers, to strengthen business model with a diversified portfolio and strong manufacturing capabilities. This strategy should help us to optimally utilize our assets in all the three businesses – Cement, Tiles and Ready Mixed Concrete. Going forward, the Company is also cautiously optimistic about various operational parameters of all the three Divisions.

During FY19, your Company has achieved revenue growth in all the three Divisions despite a challenging economic environment with Cement Division reporting revenue growth of 17%, HRJ growth of 8% on consolidated basis and RMC growth of 9%. We are continuously striving to enhance value for investors and this year your Company has paid an interim dividend of ₹ 0.50 per equity share (5% of FV).

Let me now take you through some key highlights of our performance across all the three Divisions. Cement Division clocked volume of 6.3mn tons, an 11% volume growth, aided by Individual Home Building and ongoing spend in infrastructure especially road construction. We continued to achieve record volumes for the second year in row. Cement EBITDA per ton was at ₹ 834, a swing of ₹ 215 over FY18 despite challenging cost environment especially on account of power & fuel and freight expenses. In absolute terms, Cement EBITDA grew by nearly 50% to ₹ 523 Crores. Better net realizations and higher utilization levels helped mitigate cost inflation. Few other highlights are as under:



- Cement Division utilization levels at 89% up from 81% in FY18.
- Premium products, 'Duratech' and 'Champion Plus' continue to perform well. They together contribute 18% of overall volumes as compared to 15% in FY18.
- We are in the process of commissioning 15MW Solar Power. Further addition of 15MW planned during the current year.
- The Division has placed orders for 22.5MW Waste Heat Recovery System at a capital cost of less than ₹ 200 Crores. The WHRS is likely to get commissioned by June 2020.
- The thermal power sourcing from third party has also started from current year at a cost less than current grid cost.

The above initiatives would help the Division to reduce power cost thereby increasing its cost competitiveness.

The H & R Johnson (India) Division's tile revenue grew by 8% on consolidated basis reflecting the efforts and focussed initiatives undertaken during past couple of years. The tile volume growth could have been better but for Kerala floods and transport strike affecting tile JV sales and operations. Key highlights of the Division are given below:

- The Division continues to invest in marketing and distribution activities. As a result consolidated EBITDA was at ₹ 60 Crores similar to last year levels.
- Demand generation activities continue. The Division has added six large format display centres taking the total to 11 display centres in operation across India.
- The Division continued its efforts towards covering more white spaces and cost management program.
- Focused approach such as influencer engagement and re-organization of sales department into four product verticals.
- H & R Johnson (India) Smart Tiles is selected as a Consumer Superbrands in 2019. Johnson Endura selected as a Business

Superbrands in 2019. Johnson Marble & Quartz selected as Consumer Superbrands 2019.

- "H & R Johnson (India)" has been recognised as one of 'The Economic Times Best Brands 2019'.
- Johnson Tiles receives the Reader's Digest Trusted Brand Award for 2018 - GOLD.

The RMC (India) division has witnessed a satisfactory growth this year. The Division reported 14% volume growth as there was pick up in few pockets of real estate, while infrastructure segment continues to do well. The Division's EBITDA grew by about 37% to ₹ 39 Crores. During the year the Division witnessed increase in fuel prices and intense competition. The industry has seen a shift from unorganized players to organized players.

On the balance sheet front, net standalone debt reduced by ~₹ 70 Crores to ~₹ 1,410 Crores, fourth consecutive year of debt reduction. There has also been improvement in financial ratios with standalone net debt to EBITDA improving to 2.5x from 6.3x in FY15. The working capital of the Company remains under control. As a result, FY19 is also significant as it gives us confidence to take some capital expenditures with attractive pay back.

To encapsulate your Company's performance, I am happy to mention that our overall performance in FY19 was satisfactory considering the challenging environment.

Looking forward, at Prism Johnson, we continue to believe that our market opportunities are brighter. We believe the growth momentum to continue given efforts to increase utilization levels and cost reduction measures. I take this opportunity to extend our gratitude to our valued customers, joint-venture partners, suppliers, employees, dealers and sub-dealers, shareholders, bankers as well as the State and Central Governments for their support, encouragement and motivation throughout our journey.

Best Regards,
Vijay Aggarwal



THE WORLD OF PRISM JOHNSON

Prism Johnson is an integrated building materials company that operates the business in three main segments, that is, Cement, Ceramic tiles and Ready Mixed Concrete.