

PRISM JOHNSON LIMITED

TIDES OF CHANGE, PLAY TO YOUR STRENGTHS



ANNUAL REPORT 2019-20

PRISM
CEMENT
दूर की सोच

JOHNSON
Not just tiles, *Lifestyles.*

**PRISM
RMC**
Complete Concrete Solutions



OUR PRESENCE



Disclaimer :

The information provided in the above map are to be used for reference purpose only.

Annual Report 2019-20

TABLE OF CONTENTS

COMPANY OVERVIEW

Tides of Change	002
Play to your Strengths	004
Letter from the Managing Director	006
Corporate Information	009
The World of Prism Johnson Limited	010
Financial Highlights	014
Management Discussion & Analysis	016

REPORTS

Report on Corporate Governance	033
Directors' Report	048

FINANCIAL STATEMENTS

Standalone

Independent Auditors' Report	080
Balance Sheet	088
Statement of Profit and Loss	089
Cash Flow Statement	091
Notes to Accounts	093

Consolidated

Independent Auditors' Report	145
Balance Sheet	150
Statement of Profit and Loss	151
Cash Flow Statement	154
Notes to Accounts	156
Form AOC – 1	224

Shareholder's Information

Notice	226
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TIDES OF CHANGE

The economic scenario all over the world is in the cusp of a major transformation. Population growth patterns are changing, Information flow has become superefficient, the giant corporations of today are much more powerful than the most dominant companies of the previous era, the old order of capitalism is giving way to new one and the definition of resources and what are the most valuable assets is undergoing a shift. The incremental change per unit time period is getting bigger and bigger, in every subsequent timeframe. The

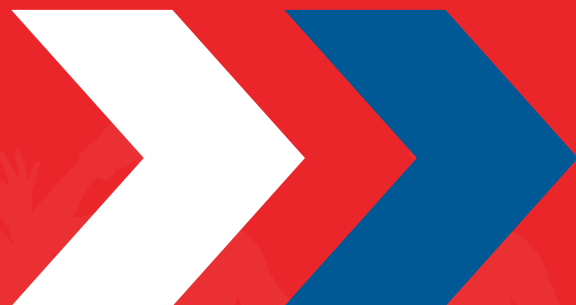
adage 'change is the only constant' may have become a cliché, but it is even more valid in current times.

Prism Johnson has exhibited courage and determination during these challenging times and ensured that the business stays true to its promise of excellence and integrity. Our EBITDA for FY19-20 was at ₹539.2 Crores, which underlines how effective the Company was during tough economic conditions. All our business verticals are safeguarded for the future, which will ensure the

sustainability of the business. This year we gained new customers and voyaged markets where we created a lasting impression. Prism Johnson continued its dedication for a safer environment by taking steps which ensure a green atmosphere in-site and around us.

The Cement Division remains one of the important pillars of our Company. A few economic factors halted the revival of the industry, however optimism is not lost as the sector will be back on its feet once things settle down. The government





is looking to launch initiatives which will give a much-needed push to the infrastructure sector in the near term. Our presence and demand in the market continues to be prominent through our dealer networks and cost-effective strategies.

The Ready-Mixed Concrete Division continues its run of hope and focus is being laid on motivating its development with better products. H&R Johnson is one of the most popular names in the tiles industry, and the division garnered much

appreciation from the customers in FY20. With product expansion and more experience centers in the pipeline, this division is primed for growth.

The beginning of FY21 will mark numerous challenges for all kinds of businesses. But these are the times which define the commitment of an organization towards its vision and ethics. A change in numerous business processes is imminent and Prism Johnson is confident in becoming a part of it. Within a few quarters,

the demand for our products will rise with the growth in housing and construction projects. We set our eyes towards the horizon as we embark on a new journey, on the back of a rejoiced assurance after striding well through turbulent tides.



PLAY TO YOUR STRENGTHS

Change and crisis are usually perceived as degrees of transformation over time. However, opportunity is one such aspect which is similar in both. They both help in giving rise to a new approach or solution, ultimately taking the world forward. Every change and crisis bring with them new areas of growth and renewed perspective. The times now call for circumspection and relevant steps to ensure the adaptability of the business and voyaging towards the future with confidence and optimism.

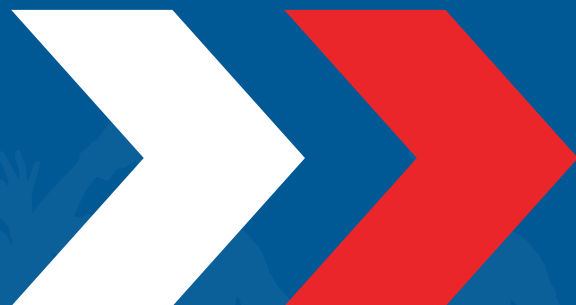
In FY21, it is important for Prism Johnson to capitalize on its

strengths. Focusing on business efficiency and the macro economic environment will help us connect the dots for emerging trends. The infrastructure and real estate industry will have blips, but they are core for a nation which is perpetually starved of good quality roads, ports and airports, acceptable quality of accommodation for population and urban infrastructure. All our businesses remain at the core of these industries and there are only small time delays possible on projects and demand for our products, no indefinite postponement is likely. The economic recovery might be

delayed, but once things settle down, the Company is well-placed to benefit from the opportunities which arise.

These are also the times when the companies with strong balance sheets will get even stronger. The enterprises with financial strength will get even more successful at the marketplace because they will have the resources to benefit from the opportunities which arise. In retrospect, our focus on 'financial deleveraging' over the last few years and the strategy to bring down debt looks even more timely and appropriate. We are in a far better position on our balance





sheet today than any other recent time in history. Though we have invested significantly in waste heat recovery capex and other initiatives over the last twelve months, we remain in a comfortable position to deal with this economic challenge the Indian economy is undergoing.

With both short and long-term strategies in place, optimized costs, lower power consumption and expansion of premium products, the Cement Division continues to be a promising aspect of the Company. As a result, the Cement Division posted EBITDA of ₹889 per ton, despite numerous challenges. The Ready-Mixed Concrete and

HRJ sectors, meanwhile, continue to grow on the success of the past few years and retain customer satisfaction. With wide range of products and focus on marketing and retail chains, our business verticals are on the right track for a run of growth and prospect.

These are exceptional times but we are fully aware of business situations for our industry and other related end user industries. After an objective assessment of the external environment and internal systems and processes, we are fully confident that we can tide through this crisis. We are playing to our strengths and using

this opportunity to consolidate our gains from previous years. We are optimistic that while the business environment is the same for everyone, we on the back of our fundamental strengths will not only be able to survive but will also emerge much stronger. Prism Johnson has continuously shown the determination and commitment towards upholding its ethics and values. With optimal decisions and necessary initiatives taken during the year, we look forward to taking the Company further ahead and increasing its value for all the stakeholders.





LETTER FROM THE MANAGING DIRECTOR

Dear Shareholders,

I am pleased to share with you all the annual performance of your Company for the fiscal year 2019-20. The year was marked with new prospects, unexpected challenges, fresh insights and important lessons for future. Prism Johnson has been able to steer itself amid turbulent economic challenges, which were spread throughout the year. Crests and troughs are a part of business and your Company has plans to ensure the progress and sustenance of all the three business divisions: Cement, Ready-Mixed Concrete and Tiles.

Since the last quarter of the recently concluded fiscal, the world has been dealing with the pandemic outbreak of COVID-19. The accelerated spread of the virus has touched the human life without any exceptions and this has directly affected all businesses. It is leading to an economic crisis much bigger than that of Global Financial Crisis of 2008. Healthcare workers and civil servants around the globe, with the combined efforts of Governments and non-Government

Organizations, are working tirelessly to ensure safety and health of people. We express our sincere thanks and gratitude to all the people who are the frontline of this combat, their selfless effort is making the belief in humanity even stronger for the entire world.



Considering the situation at hand, the time to total health and economic recovery might be long. It is expected that the disruptions to the Indian economy would also be felt.



During FY20, your Company continued to work hard towards catering demand from underserved areas, expanding the consumer base and identify emerging trends, which will shape business.



Government has announced slew of measures, which might ensure slow and steady improvement. At Prism Johnson, we continue to monitor the situation at ground level. With the mutual trust and motivation to fight the pandemic across the organization, we have displayed the grit and unity amongst all of us. To further accelerate the testing of COVID-19, Prism Johnson has contributed a high-speed Corona Virus testing machine worth ₹ 65 Lakhs to the Government of Madhya Pradesh.

During FY20, your Company continued to work hard towards catering demand from underserved areas, expanding the consumer base and identify emerging trends, which will shape business. To achieve this, we have a robust distribution network and continue delivering improved and high- quality products. With technological advancements, a wide retailer network and wide range of products, we aim to ensure sustainable growth of all three business divisions - Cement, Ready-Mixed Concrete and Tiles.

Considering the challenges posed by the difficult economic scenario, it is clear that Prism Johnson performed satisfactorily to earn the trust of its customers and shareholders. In FY20, your Company also paid a dividend of ₹ 1.00 per share (10% of Face Value).

I will also briefly comment on the Company's performance across all three divisions. Cement volumes de-grew by 3% on account of lockdown in March. Else Cement volumes would have grown as they were up marginally by 1% for the first 11 months. Overall Cement & Clinker Division clocked volume of 5.72mn tons, a decline of 9% in volumes. Cement EBITDA per ton improved to ₹ 889 in FY20 from ₹ 834 in FY19 backed by higher realizations, off setting higher overall costs. Key other highlights are as under:



- Cement Division utilization levels were at 82%
- 'Champion Plus' and 'Duratech', our premium products, have performed well contributing ~22% of overall cement volumes in FY20.
- Division has been declared as the Winner of Special Commendation for 'Golden Peacock Environment Management Award' for the year 2019.
- Variable cost of Cement Division is likely to come down in the foreseeable future on account of commissioning of WHRS & solar power, fuel mix change and benign fuel cost.

The consolidated revenues of H & R Johnson (India) were nearly flat at ₹ 1,823 Crores. The bathroom segment revenue continues to shine underlined by their growth of 9%. The Division has been able to sustain itself due to the hard work by your employees and the continued reliance of the loyal customers on the brand. The initiatives undertaken over the last few years have resulted in better operating performance and future strategies will be laid to capitalize on our brand presence.



- The EBITDA has grown marginally to ₹ 70 Crores, in comparison to ₹ 60 Crores in FY19 and margins increased to 3.8%.
- The Division continues to invest in marketing and distribution activities and has added eight large format Experience Centres taking the total to 19, spread across India. These Centres provide a more personalized experience to the customers and give us an edge in the market.
- To ensure brand outreach and market presence, your Company held launch events and numerous marketing campaigns of its tiles products.
- Tiles export revenues (Consolidated) more than doubled to ₹ 119 Crores.
- Engineered Marbles & Quartz export revenues jumped by ~50% to ₹ 117 Crores.
- A composite scheme of arrangement and amalgamation has been undertaken to simplify the corporate structure.

The Ready-Mixed Concrete (India) Division has performed slightly below expectations this year and reported a decline in volumes by 14%. This was largely due to prolonged monsoon, liquidity tightness and slowdown

in the real estate sector. The NGT ban on construction and volatility in cement prices also proved crucial to the industry. However labour shortage and self distancing norms due to COVID-19 pandemic could turn into an opportunity for Ready-Mixed Concrete manufacturers by replacing site mix, which is labour intensive. The Division's EBITDA was at ₹ 23 Crores. Strategies are being made to improve market presence, improving utilization levels and increase in value added products in the Individual Housing Segment.



After four years of reduction, standalone debt (net) has increased by ~ ₹ 90 Crores to ~ ₹ 1,475 Crores mainly due to capex in WHRS and significant blockage of working capital due to sudden lockdown. It is likely that the COVID-19 will have a significant impact on Indian economy resulting in sudden change in the business environment. We are looking at COVID-19 as an opportunity to emerge as a leaner and stronger organization once businesses start to normalize.

Measures for cost efficiency/ stability

- HRJ Division's variable cost is likely to come down due to lower gas cost
- All the three Divisions have identified several significant fixed cost saving initiatives. A good part of this cost savings would be sustainable
- To review inefficient and unprofitable manufacturing assets and undertake appropriate measures
- Capex are being scaled down in all the three divisions resulting in better cash flows
- Over the years, the Company has been proactively managing its liquidity profile. During FY20 too, the Company had created liquidity buffer to take care of its financial obligations during H1FY21. Given the current challenges, the Company continues to explore its strategy of pre-payment / refinancing so as to fulfill financial obligations till the end of FY22.
- We believe that the rural and Individual Housing Segment demand to normalize and pick up better than Urban demand. Hence Cement demand is likely to come at normalize level much sooner than Tile and Ready-Mixed Concrete demand, which is likely to see demand revival by year end

Prism Johnson is committed towards achievement and maintenance of high standards of Environment,

Health and Safety issues at all plants and offices. The Company actively looks for opportunity to replace fossil fuels with green / renewable energy. During FY21, the Company is likely to commission WHRS in a phased manner and 30 MW of solar power. This apart, Company continues to focus on increasing usage of alternate fuels and usage of bio-diesel. With the objective of giving back to the society several initiatives were conducted during the quarter at pan India level. The Company also places great importance on CSR and our commitment to the sustainable model of development.

Board of Directors of the Company had approved divestment of its 51% stake in Raheja QBE General Insurance Company Limited ('RQBE'), to QORQL Private Limited, a technology Company with majority shareholding of Vijay Shekhar Sharma and remaining held by Paytm, for an aggregate consideration of ₹ 289.68 Crores, subject to receipt of approval by the shareholders of the Company and all other requisite approvals ('Divestment'). The divestment would further accelerate Company's on-going efforts to de-leverage Balance sheet and improve financial ratios.

As we enter the new financial year, I am filled with cautious optimism, at the same time fully aware of short term challenges. The country's young generation backed by progressive initiatives of the government will pave the way for progress in both industrial and social avenues. At Prism Johnson, we will continue to work hard and take your Company to new levels of success. I would like to express my gratitude to our valued shareholders, the customers, employees and everyone associated with our growth.



Best Regards,
Vijay Aggarwal