# Prism Cement Limited

| Instrument | Amount (In Rs. Crore) | Rating Action |
|---|---|---|
| Non-Convertible Debenture programme | 560.00 (outstanding amount as of September 30, 2016) | [ICRA]A- (Stable) reaffirmed |
| Term Loan | 1,080.50 | [ICRA]A- (Stable) reaffirmed |
| Long-term, fund based limits | 297.90 | [ICRA]A- (Stable) reaffirmed |
| Short-term, fund based limits | 80.00 | [ICRA]A1 reaffirmed |
| Short-term, non-fund based limits | 192.00 | [ICRA]A1 reaffirmed |
| Long-term/ short-term, fund based limit* | 40.00 | [ICRA]A- (Stable)/ [ICRA]A1 reaffirmed |
| Long-term/ short-term, non-fund based limit** | 110.00 | [ICRA]A- (Stable)/ [ICRA]A1 reaffirmed |
| Commercial Paper programme | 150.00 | [ICRA]A1 withdrawn |

**The fund based limits rated on long-term and short-term scale are interchangeable and as such the combined utilization should not exceed Rs. 40.00 crore*

*** The non-fund based limits rated on long-term and short-term scale are interchangeable and as such the combined utilization should not exceed Rs. 110.00 crore*

ICRA has reaffirmed the long-term rating of [ICRA]A- (pronounced as ICRA A minus)[1] to the Rs. 1,080.50 crore term loans, Rs. 297.90 crore long-term, fund based limits and Rs. 560.00 crore Non-Convertible Debenture (NCD) programme of Prism Cement Limited (‘PCL’ or ‘the company’). The outlook on the long-term rating is ‘Stable’.

ICRA has reaffirmed the short-term rating of [ICRA]A1 (pronounced as ICRA A one) to the Rs. 80.00 crore short-term, fund based limits and Rs. 192.00 crore short-term, non-fund based limits of the company.

ICRA has also reaffirmed the ratings of [ICRA]A-/ [ICRA]A1 (pronounced ICRA A minus/ ICRA A one) to the Rs. 40.00 crore long-term/ short-term interchangeable fund based limits and Rs. 110.00 crore long-term/ short-term interchangeable non-fund based limits of PCL. The outlook on the long-term rating is ‘Stable’.
ICRA has, at the request of the company, also withdrawn the short-term rating of [ICRA]A1 (pronounced ICRA A one) assigned to the Rs. 150.00 crore Commercial Paper programme of the company as there is no amount outstanding against the said instrument.

The reaffirmation of ratings takes into account the diversified and established position of the company in the domestic building materials sector having presence across cement, ceramic/vitrified tiles, bathroom fittings and kitchen, and ready mixed concrete (RMC) businesses, and the financial flexibility enjoyed by the company by virtue of being a part of the Rajan Raheja Group. PCL is one of the leading cement manufacturers in Central India (the Satna belt); launch of premium cement brands coupled with various cost saving initiatives undertaken by the company have resulted in improvement in the cement division’s profitability during FY2016, despite a pressure of realizations (per ton of cement) for most part of the year on account of subdued demand and intense competition. ICRA notes that cement prices have bounced back strongly in central and northern India from mid-February 2016 onwards, supported by the Central Government’s push towards higher infrastructure development. Additionally, an increase in infrastructure developmental expenditure in Uttar Pradesh (PCL’s key market), ahead of the impending State Assembly Elections in Q4 FY2017, is likely to help support the price buoyancy. Recent business consolidations in the region should also aid improvement in realizations. Profitability of the cement division is expected to improve on the back of securing the coal linkage from South Eastern Coalfields Limited and tying up cheaper power by acquiring 15.23% stake in BLA Power Private Limited (under the Government’s Group Captive Power Arrangement scheme). The TBK (Tiles, Bath fittings and Kitchen) division (H&R Johnson) is also a leading player in the ceramic tiles industry. The rating favorably

[1] For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications

factors in the improved power and fuel availability at its plants in Andhra Pradesh and Karnataka, which is expected to drive volumes and profitability going forward. The RMC division – the second largest RMC player in India with 81 concrete plants across the country – is well placed to benefit from any revival in the construction sector. The ratings also favorably factor in the mitigation of near term liquidity concerns through various divestment and refinancing strategies (replacing relatively shorter tenor debt with longer tenor ones); the company has adequate liquidity marked by sizeable cash & bank balances and unutilized bank lines.

The ratings are, however, constrained by the weaker performance of the TBK and RMC divisions over the past few years, and the moderate financial profile of the company characterised by stretched capital structure (gearing of 1.9x as of March 31, 2016) and moderate debt coverage indicators (interest coverage of 1.4x and Total Debt/OPBDITA[2] of 5.7x in FY2016). The weakness in selling and distribution network of the TBK division, amidst intense competition from other branded players, has led to loss of market share and the division has been reporting losses at PBIT level over the past few quarters in spite of mitigating the power and fuel availability issues in FY2016. The performance of RMC division has, however, improved over the past two quarters. While a pick up in the pace of execution of certain large infrastructure projects in the country has aided the division's revenue growth, cost management programs pertaining to sourcing of raw material and transportation, among others, have helped in margin improvement.

Going forward, the implementation of GST is expected to augur well for the company, especially the TBK and RMC divisions, which are dominated by unorganised sector. Additionally the demand would also draw support from pay revision (implementation of recommendations of Seventh Pay Commission as well as one rank one pension), favourable budgetary allocations towards rural development and the impact of adequate monsoon. Ability of the company to turnaround the performance of the TBK division and further improve the profitability (EBIDTA per tonne) of the cement division will remain critical for an improvement in the financial profile of the company.

**Company Profile**

Prism Cement Limited, promoted by the Rajan Raheja group, was incorporated in 1992 and has been in the business of manufacturing and selling cement since 1997. The company's cement division operates two units, both based in Satna, Madhya Pradesh, with a combined installed cement capacity of 5.6 million tonnes per annum (MTPA) (saleable 7.0 MTPA). It caters to the major markets in Uttar Pradesh, Madhya Pradesh and Bihar. In FY2010, PCL amalgamated H & R Johnson (India) Limited and RMC Readymix (India) Private Limited with itself. Post amalgamation, PCL has three divisions namely the Cement, TBK and RMC.

**Recent Results**

During Q1 FY2017, as per Ind-AS, the company reported a net profit (total comprehensive income after tax) of Rs. 15.46 crore on an operating income of Rs. 1,409.61 crore as compared to a net loss of Rs. 14.99 crore on an operating income of Rs. 1,417.65 crore in Q1 FY2016.

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[2] OPBDITA: Operating Profit before Depreciation, Interest, Tax and Amortization

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