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Q4FY21 result review and reco change

Cement

Target price: Rs150

Earnings revision

(%)	FY22E	FY23E
Sales	↑ 0.9	↑ 1.5
EBITDA	↓ 0.7	↑ 1.0
PAT	↑ 5.1	↑ 7.8

Target price revision

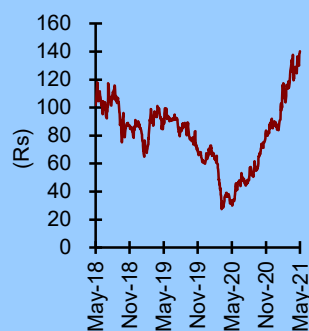
Rs150 from Rs118

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	74.9	74.9	74.9
Institutional investors	10.9	10.1	10.4
MFs and others	7.9	7.1	7.4
FIs/Bank/Ins.	0.0	0.0	0.0
FII	3.0	3.0	3.0
Others	14.2	15.0	14.7

Source: CMIE

Price chart



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Prism Johnson

ADD

Downgrade from BUY

Strong operating performance continues

Rs140

Prism Johnson's (PRSMJ) Q4FY21 standalone EBITDA grew 68% YoY to Rs2.4bn, above our estimates led by higher cement volumes which grew 26% YoY and 34% QoQ. Besides, consolidated TBK volumes grew strong at 55% YoY with EBITDA margins of 12.6% owing to better product mix and operating leverage. PRSMJ announced addition of 1.0mnte grinding capacity at Satna to be commissioned by Sep'23. It also announced a greenfield tile capacity expansion of 2.5 MSM at Panahagarh, West Bengal and another expansion of 6 MSM at its JV entities - both likely to commission by Q4FY23. Consolidated net debt declined by Rs6.3bn in FY21 to Rs12.3bn as of Mar'21. Factoring in improved profitability and return ratios, we raise our target multiple to 8x (earlier 7x) and raise our target price to Rs150/sh (earlier: Rs118) based on 8x FY23E EV/E. We downgrade the stock to ADD from Buy post ~60% stock return over the past four months and reasonable valuation at 7.5x FY23E EV/E. Key risk: Lower than expected demand / prices across segments.

- ▶ **Standalone revenues were up 23% YoY at Rs16.9bn (I-Sec: Rs16.0bn).** Standalone EBITDA increased 68% YoY to Rs2.4bn (I-Sec: Rs2.2bn). Cement revenues were up 24% YoY at Rs8.3bn. Volumes grew 26% YoY to 1.9mnte (2yr CAGR of 4%); while realisation was flat QoQ at Rs4,356/te. Premium products' contribution increased 550bps YoY to 28.9% in Q4FY21. Cement EBITDA/te declined 14% YoY to Rs875/te (I-Sec: Rs946/te) mainly due to various cost escalations. RMC revenues declined 6% YoY to Rs3.3bn, while RMC EBITDA increased to Rs198mn in Q4FY21 against Rs20mn in Q4FY20 led by cost rationalisation initiatives despite decline in revenues.
- ▶ **Consolidated TBK revenues grew 45% YoY to Rs6.14bn** aided by 55% YoY volume growth in Q4FY21. TBK posted highest-ever quarterly EBITDA of Rs772mn (Rs57mn in Q4FY20) with margins improving 1,120bps YoY to 12.6% owing to better product mix and operating leverage. Overall, consolidated EBITDA rose 76% YoY to Rs2.4bn. Recurring PAT stood at Rs1.4bn.
- ▶ **Capacity expansion plans:** Debottlenecking at Satna plant in Madhya Pradesh will increase cement capacity by 0.9mnte and clinker capacity by 1.1mnte by June'22. The company further plans to increase grinding capacity (1.0mnte at Satna by Sep'23 for a capex of Rs2.5bn) and tile capacity (2.5MSM at Panahagarh, West Bengal by Jan'23 for a capex of Rs550mn and 6MSM at its JV entities by Mar'23 for a capex of Rs700mn) which is likely to be met primarily through internal accruals.
- ▶ **Consolidated net debt (ex-insurance) reduced by Rs2.5bn** (Rs6.3bn in FY21) to Rs12.3bn as of Mar'21. OCF generation was strong at Rs9.8bn in FY21 aided by working capital release of Rs7.2bn. Insurance JV stake sale is still awaiting regulatory approvals, which would further reduce net debt by Rs3.5bn.

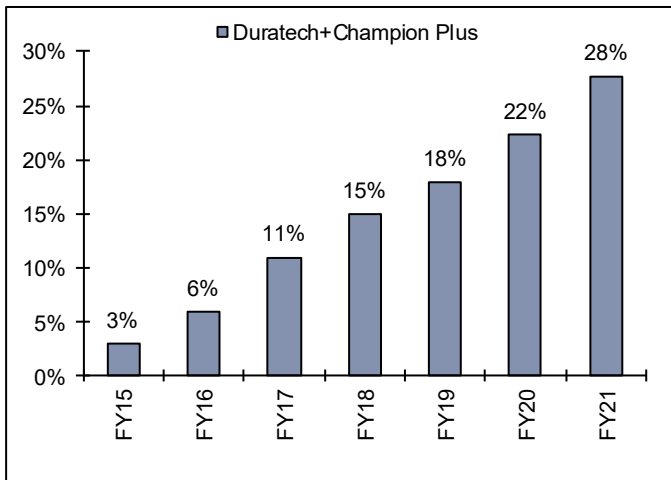
Market Cap	Rs70.5bn/US\$966mn
Reuters/Bloomberg	PRIS.BO/PRSMJ IN
Shares Outstanding (mn)	503.4
52-week Range (Rs)	144/30
Free Float (%)	25.1
FII (%)	3.0
Daily Volume (US\$'000)	1,135
Absolute Return 3m (%)	29.2
Absolute Return 12m (%)	354.0
Sensex Return 3m (%)	(1.8)
Sensex Return 12m (%)	67.1

Year to Mar	2020	2021	2022E	2023E
Revenue (Rs mn)	58,901	54,949	62,199	68,700
EBITDA (Rs mn)	5,386	6,218	9,170	10,311
Net income (Rs mn)	204	1,760	3,133	3,762
% Chg YoY	(84.1)	764.5	78.0	20.1
P/E (x)	346.1	40.0	22.5	18.7
CEPS (Rs)	5.4	9.3	12.9	15.1
EV/E (x)	16.5	13.1	8.6	7.5
Dividend Yield	0.7	0.0	0.9	1.1
RoCE (%)	(2.0)	10.5	13.7	15.2
RoE (%)	1.8	15.2	22.1	21.6

On cement division

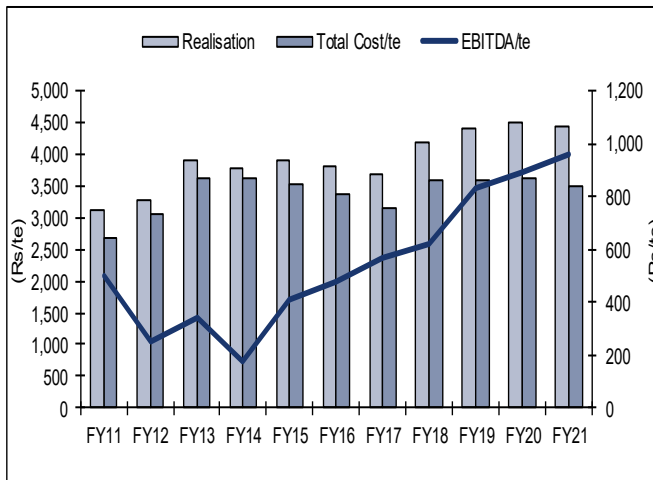
- The division commissioned 10MW solar power capacity during Q4FY21 thereby taking the total solar power installed at the cement plant at Satna, Madhya Pradesh to 22.5MW.
- PRSMJ commissioned 12.4MW of WHRS during Mar'21, taking the total installed WHRS capacity to 22.4MW at Satna, Madhya Pradesh.

Chart 1: Cement – premium products’ contribution rose to 28.9% of revenues in Q4FY21 and 27.7% in FY21



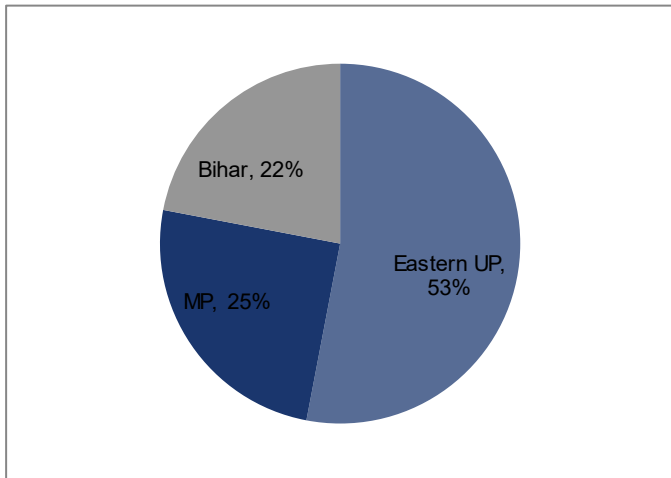
Source: Company data, I-Sec research

Chart 2: Cement division – key metrics for FY11-FY21



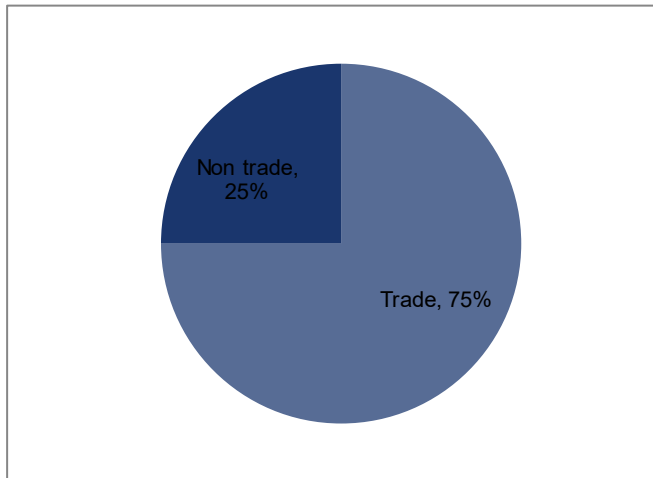
Source: Company data, I-Sec research

Chart 3: Regional sales mix



Source: Company data, I-Sec research

Chart 4: Sales volumes- Trade vs Non trade



Source: Company data, I-Sec research

Table 1: Cement division – key metrics

	FY16	FY17	FY18	FY19	FY20	FY21
Cement & clinker sales volume (mnste)	5.3	5.4	5.6	6.3	5.7	5.8
Net Sales (Rs bn)	20.1	22.0	23.6	27.7	25.7	25.9
Net realisation incl clinker (Rs/te)	3,800	3,686	4,182	4,395	4,494	4,443
Total cost (Rs bn)	17.7	17.0	20.2	22.5	20.8	20.3
Total cost (Rs/te)	3,356	3,148	3,587	3,590	3,627	3,482
EBITDA incl operating income (Rs/te)	477	567	619	834	889	962

Source: Company data, I-Sec research

Table 2: Freight & forwarding – key metrics for cement division

	FY16	FY17	FY18	FY19	FY20	FY21
Lead Distance (km)	405	406	391	391	382	384
Mode Mix						
Railway (%)	63	63	60	50	43	39
Road (%)	37	37	40	50	57	61

Source: Company data, I-Sec research

Table 3: Power & fuel – key metrics for cement division

Power & Fuel	FY16	FY17	FY18	FY19	FY20	FY21
Power consumption per ton of cement (kWh)	71	73	73	73	74	71
Fuel Mix						
Pet-Coke (%)	59	65	55	60	51	45
Coal (%)	41	35	45	39	47	55
AFR (%)	0	0	0	1	3	0

Source: Company data, I-Sec research

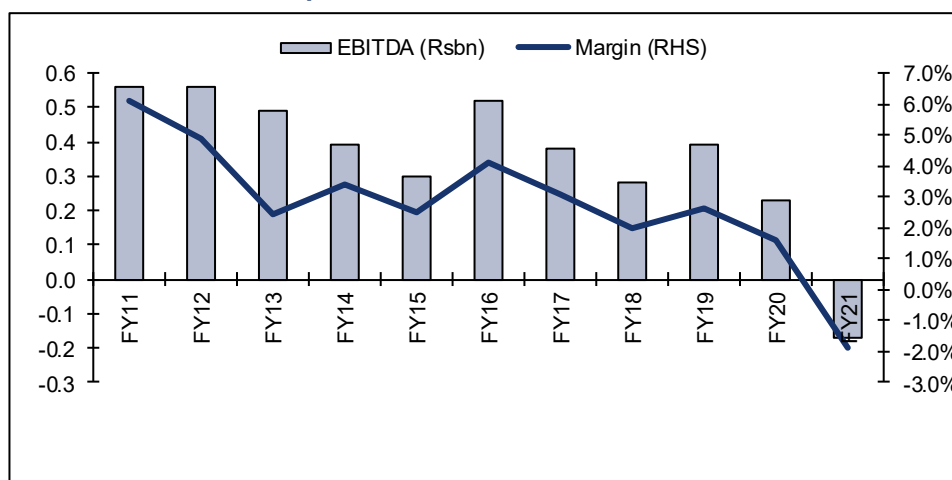
Table 4: Performance trend and assumptions

	FY19	FY20	FY21	FY22E	FY23E
Capacity (mnste)	7.0	7.0	7.0	7.0	7.9
Capacity utilisation (%)	90	82	83	91	86
Sales (mnste)	6.3	5.7	5.8	6.4	6.8
Growth (%)	11.2	-8.7	1.7	10.0	6.0
Realisation (Rs/te)	4,423	4,516	4,443	4,509	4,600
Growth (%)	5.2	2.1	-1.6	1.5	2.0

Source: Company data, I-Sec research

On RMC division

- Focus continues on improving plant utilisation levels, increase in sales of value-added products, and IHB segment.

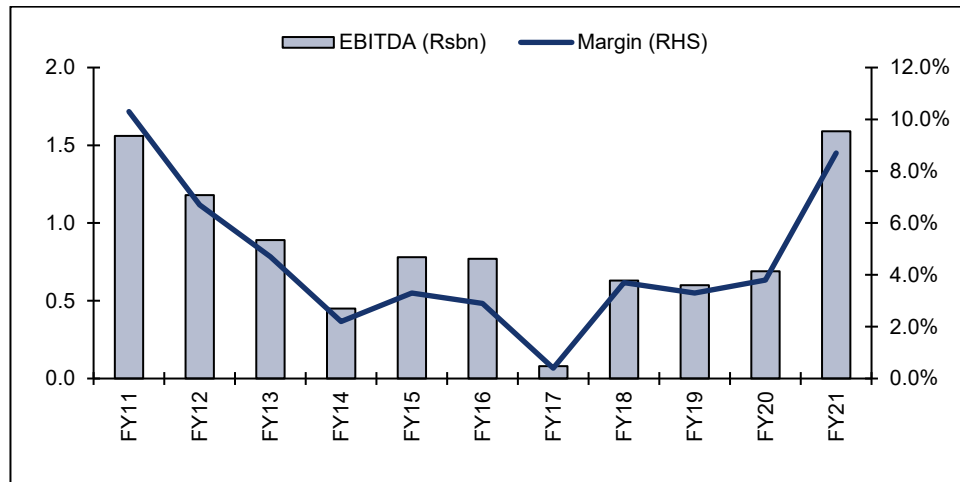
Chart 5: RMC EBITDA performance

Source: Company data, I-Sec research

On TBK division

- Fixed cost and working capital management continue to remain under control.
- Improvement in product mix and expansion of distribution network continue to be focus areas for the division.
- Revenue from sanitary wear and bath fittings grew 11.9% YoY in FY21. Tile exports revenue grew 54% YoY in FY21.

Chart 6: TBK – consolidated EBITDA performance



Source: Company data, I-Sec research

Table 5: Q4FY21 result review (standalone)*(Rs mn, year ending March 31)*

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	I-Sec	Var (%)
Volume including clinker	1.90	1.51	26.2	1.42	33.8	1.75	8.8
Net Sales	16,890	13,720	23.1	13,755	22.8	15,984	5.7
Raw Materials	6,911	5,120	35.0	5,685	21.6	5,225	32.3
Personnel Cost	1,068	1,229	(13.1)	1,100	(2.9)	1,452	(26.4)
Power and Fuel cost	2,390	2,026	18.0	1,923	24.3	2,370	0.9
Freight cost	2,293	1,951	17.6	1,690	35.7	2,034	12.7
Other Expenses	1,825	1,964	(7.1)	1,500	21.7	2,718	(32.8)
Total Expenses	14,489	12,290	17.9	11,898	21.8	13,799	5.0
EBITDA	2,402	1,431	67.9	1,857	29.4	2,185	9.9
Interest	439	560	(21.6)	453	(3.1)	408	7.4
Depreciation	754	612	23.1	549	37.4	513	46.9
Other Income	122	74	63.7	66	84.0	79	54.0
Recurring pre-tax income	1,331	333	299.4	921	44.5	1,342	(0.9)
Extraordinary income/(expense)	253	(103)		(120)		-	
Taxation	(149)	323		188		513	
Reported Net Income	1,733	(93)	NA	614	182.5	829	109.0
Recurring Net Income	1,480	10	NA	733	101.9	829	78.5
Ratios (%)							
EBITDA margins	14.2	10.4		13.5		13.7	
Net profit margins	8.8	0.1		5.3		5.2	

Source: Company data, I-Sec research

Table 6: Q4FY21 result review (consolidated)*(Rs mn, year ending March 31)*

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Net Sales	18,502	14,831	24.8	15,254	21.3
Raw Materials	6,523	4,683	39.3	5,214	25.1
Personnel Cost	1,394	1,514	(7.9)	1,418	(1.7)
Power and Fuel cost	3,030	2,539	19.3	2,439	24.2
Freight cost	2,294	1,951	17.6	1,690	35.7
Other Expenses	2,886	2,795	3.3	2,587	11.6
Total Expenses	16,127	13,483	19.6	13,348	20.8
EBITDA	2,375	1,348	76.1	1,906	24.6
Interest	485	622	(22.0)	503	(3.6)
Depreciation	841	748	12.4	636	32.1
Other Income	123	93	32.8	64	90.7
Recurring pre-tax income	1,172	71	-	831	41.0
Extraordinary income/(expense)	253	(103)		(120)	
Taxation	(120)	359		260	
Share of profit of associates & JV	29	12	147.8	28	2.9
Minority interest	(89)	(148)		(78)	
Reported Net Income	1,663	(231)	-	558	198.2
Recurring Net Income	1,410	(128)	-	677	108.2
Ratios (%)					
EBITDA margins	12.8	9.1		12.5	
Net profit margins	7.6	(0.9)		4.4	

Source: Company data, I-Sec research

Table 7: Segment-wise performance (consolidated)*(Rs mn, year ending March 31)*

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Cement					
Volume	1.90	1.51	26.2	1.42	33.8
Sales	8,276	6,663	24.2	6,196	33.6
Realisation	4,356	4,424	(1.5)	4,363	(0.2)
EBITDA	1,664	1,530	8.8	1,303	27.7
EBITDA/te	875	1,016	(13.9)	918	(4.6)
EBIT	1,318	1,132	16.4	879	50.0
EBIT Margin	15.9	17.0		14.2	
TBK					
Sales	6,142	4,239	44.9	5,423	13.3
EBITDA	772	57	-	769	0.4
EBIT	275	(221)	-	492	(44.1)
EBIT Margin (%)	4.5	(5.2)		9.1	
RMC					
Sales	3,316	3,535	(6.2)	2,920	13.6
EBITDA	198	20	890.0	92	115.2
EBIT	456	(85)	-	26	-
EBIT Margin (%)	13.7	(2.4)		0.9	-
Insurance					
Sales	866	541	60.1	819	5.8
EBIT	(139)	(138)	-	(135)	-
EBIT Margin	(16.1)	(25.6)		(16.5)	

Source: Company data, I-Sec research

Table 8: Segmental revenues and EBITDA

Year ending March 31	FY19	FY20	FY21	FY22E	FY23E
Sales	61,944	59,562	55,871	62,199	68,700
Cement	27,733	25,840	25,857	28,869	31,214
RMC	14,807	14,139	9,079	12,256	14,095
TBK	18,273	18,226	18,325	21,074	23,392
Insurance/Others	1,131	1,357	2,611	0	0
YoY Growth (%)	12.5%	-3.8%	-6.2%	11.3%	10.5%
Cement	16.9%	-6.8%	0.1%	11.7%	8.1%
RMC	8.6%	-4.5%	-35.8%	35.0%	15.0%
TBK	8.5%	-0.3%	0.5%	15.0%	11.0%
Insurance/Others	31.3%	20.0%	92.3%	NA	NA
EBITDA	6,010	5,386	6,218	9,170	10,311
Cement	5,230	5,089	5,602	6,423	7,174
RMC	385	229	(169)	429	564
TBK	599	690	1,590	2,318	2,573
Insurance/Others	(204)	(622)	(805)	-	-
EBITDA margins	9.7	9.0	11.1	14.7	15.0
Cement	18.9	19.7	21.7	22.2	23.0
RMC	2.6	1.6	-1.9	3.5	4.0
TBK	3.3	3.8	8.7	11.0	11.0

Source: Company data, I-Sec research

Table 9: Valuations based on 8x FY23E EV/E*(Rs.mn)*

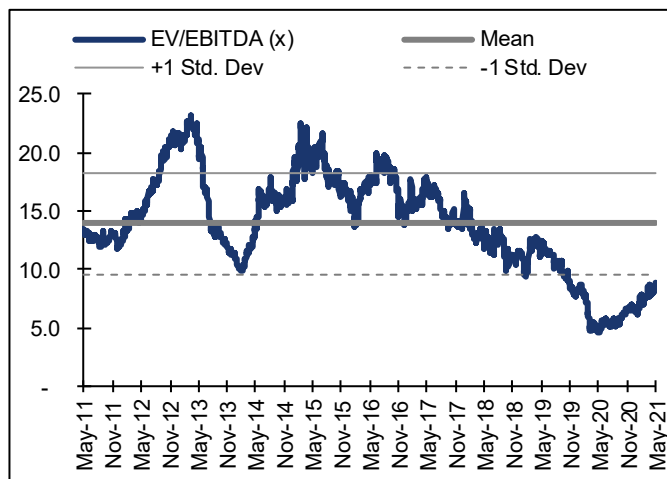
Target EV/ EBITDA multiple (x)	8
Target EV (Rs mn)	82,486
Net debt / (cash) (Rs mn)	7,106
Target value (Rs mn)	75,380
No. of shares (mn)	503
Target price per share (Rs)	150

Source: I-Sec research

Table 10: Earnings revision*(Rs mn)*

(FY22E			FY23E		
	Revised	Earlier	% chg	Revised	Earlier	% chg
Revenues	62,199	61,641	0.9	68,700	67,704	1.5
EBITDA	9,170	9,232	(0.7)	10,311	10,209	1.0
PAT	3,133	2,982	5.1	3,762	3,490	7.8

Source: Company data, I-Sec research

Chart 7: Rolling EV/EBITDA

Source: Company data, I-Sec research

Financial summary (consolidated)

Table 11: Profit and Loss statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Operating Income (Sales)	58,901	54,949	62,199	68,700
Cement	25,840	25,857	28,869	31,214
RMC	14,139	9,079	12,256	14,095
TBK	18,226	18,325	21,074	23,392
Insurance/Others	1,357	2,611	-	-
Operating Expenses	54,176	49,653	53,029	58,389
EBITDA	5,386	6,218	9,170	10,311
% margin	9.1	11.3	14.7	15.0
Depreciation & Amortisation	2,506	2,925	3,363	3,817
Gross Interest	2,517	2,104	1,935	1,742
Other Income	287	382	420	462
Recurring PBT	651	1,571	4,292	5,213
Add: Extraordinaries	(103)	(48)	1,000	-
Less: Taxes	740	162	1,545	1,877
Minority interest	293	351	387	425
Net Income (Reported)	100	1,712	4,133	3,762
Recurring Net Income	204	1,760	3,133	3,762

Source: Company data, I-Sec research

Table 12: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Assets				
Total Current Assets	24,703	23,494	24,016	24,714
Current Liab. & Prov.	24,532	29,327	28,454	30,092
Net Current Assets	171	(5,833)	(4,438)	(5,378)
Investments of which	5,230	7,310	3,730	3,730
Strategic/Group	5,230	7,310	3,730	3,730
Net Fixed Assets	30,797	30,789	32,126	34,259
of which				
Capital Work-in-Progress	2,590	1,324	1,324	1,324
Total Assets	36,198	32,266	31,418	32,610
of which cash & cash equivalents	4,179	5,448	4,726	4,367
Liabilities				
Borrowings	22,444	16,473	13,473	11,473
Deferred Tax Liability	516	554	683	839
Minority Interest	2,450	2,824	1,340	1,367
Equity Share Capital	5,034	5,034	5,034	5,034
Face value per share (Rs)	10	10	10	10
Reserves & Surplus	-	-	-	-
Net Worth	10,789	12,415	15,922	18,931
Total Liabilities	36,198	32,266	31,418	32,610

Source: Company data, I-Sec research

Table 16: Quarterly trend - standalone

(Rs mn, year ending March 31)

	Jun-20	Sep-20	Dec-20	Mar-21
Net sales	7,645	12,057	13,755	16,890
% growth (YoY)	(49)	(8)	(0)	23
Recurring EBITDA	403	1,532	1,857	2,402
Margin (%)	5.3	12.7	13.5	14.2
Other income	92	80	66	122
Recurring Net Income	(525)	627	733	1,480

Source: Company data

Table 13: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Operating Cashflow	3,577	2,610	6,291	7,368
Working Capital changes	1,332	7,176	(2,202)	487
Capital Commitments	(6,286)	(850)	(4,200)	(5,950)
Net Operating FCF	(1,377)	8,935	(611)	1,905
Investing Activities	(785)	(2,423)	420	462
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc(Dec) in Borrowings	3,525	(5,153)	(3,000)	(2,000)
Dividend paid	(614)	3	(627)	(752)
Others	-	731	2,096	27
Extraordinary Items	-	-	1,000	-
Chg. in Cash & Bank	749	2,095	(721)	(359)

Source: Company data, I-Sec research

Table 14: Key ratios

(Year ending March 31)

	FY20	FY21	FY22E	FY23E
Per Share Data (Rs)				
EPS(Basic)	0.2	3.4	8.2	7.5
Diluted Recurring EPS	0.4	3.5	6.2	7.5
Diluted Recurring CEPS	5.4	9.3	12.9	15.1
Dividend per share	1.0	-	1.2	1.5
Book Value	21	25	32	38
Growth Ratios (% YoY)				
Operating Income	(3.8)	(6.7)	13.2	10.5
EBITDA	(10.4)	15.4	47.5	12.4
Recurring Net Income	(84.1)	764.5	78.0	20.1
Diluted Recurring EPS	(84.1)	764.5	78.0	20.1
Diluted Recurring CEPS	(17.3)	72.9	38.6	16.7
Valuation Ratios (x)				
P/E	346.1	40.0	22.5	18.7
P/BV	6.5	5.7	4.4	3.7
EV / EBITDA	16.5	13.1	8.6	7.5
EV / te (US\$) - Cement	155	134	109	89
EV / Operating Income	1.5	1.5	1.3	1.1
EV / Operating FCF	12.7	7.1	19.4	9.9
Operating Ratios (%)				
Raw Material / Sales	34	34	32	31
Other expenses / Sales	30	29	27	29
Effective Tax Rate	135	14	36	36
NWC / Total Assets	(0.1)	(0.3)	(0.3)	(0.3)
Inventory (x)	4.5	4.7	5.6	5.6
Receivables (days)	43	43	38	37
Payable (days)	52	63	68	68
D/E Ratio (x)	1.7	0.9	0.6	0.4
Profitability Ratios (%)				
Rec. Net Income Margins	0.3	3.2	5.0	5.4
RoCE	(2.0)	10.5	13.7	15.2
RoNW	1.8	15.2	22.1	21.6
Dividend Payout	247.2	-	20.0	20.0

Source: Company data, I-Sec research

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BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

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