

ICICI Securities Limited  
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Q1FY22 result review  
and earnings revision

## Cement

Target price: Rs152

### Earnings revision

(%)	FY22E	FY23E
Sales	↓ 2.8	↓ 1.4
EBITDA	↓ 6.3	↑ 0.5
PAT	↓ 7.7	↑ 6.2

### Target price revision

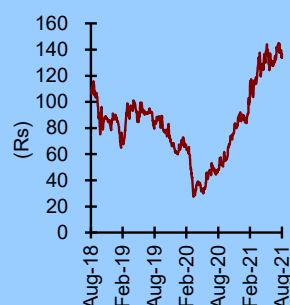
Rs152 from Rs150

### Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	74.9	74.9	74.9
Institutional investors	10.1	10.4	10.7
MFs and others	7.1	7.4	7.4
FIs/Bank/Ins.	0.0	0.0	0.0
FII	3.0	3.0	3.3
Others	15.0	14.7	14.4

Source: CMIE

### Price chart



## Prism Johnson

**ADD**  
Maintained  
**Rs133**

### Expansion to aid growth visibility

Prism Johnson's (PRSMJ) Q1FY22 standalone EBITDA grew 3.2x YoY to Rs1.5bn, broadly in line with our and consensus estimates. Cement volumes declined 30% QoQ owing to covid resurgence; however realisation grew 5.4% QoQ resulting in EBITDA/te increasing 32% QoQ to Rs1,156/te. PRSMJ would be expanding its cement capacity by 1.9mnte in two phases by Sep'23 and tile capacity by 8.5msm by Mar'23 providing improved revenue visibility. Besides, consolidated net debt is likely to reduce from Rs12.3bn in Mar'21 to ~Rs8.3bn by Mar'23. We broadly maintain our FY23E EBITDA and raise our target price to Rs152/sh (earlier: Rs150), based on 8x Jun'23E EV/E on quarterly rollover. Maintain ADD. Key risks: lower than expected demand / prices across segments.

- **Standalone revenues up 46% YoY at Rs11.2bn (I-Sec: Rs12.0bn).** Standalone EBITDA increased 3.2x YoY to Rs1.5bn (I-Sec: Rs1.4bn). Cement revenues were up 10% YoY at Rs6.1bn. Volumes grew 11% YoY to 1.3mnte while realisation grew 5.4% QoQ (flat YoY) at Rs4,589/te. Premium products' contribution increased 190bps YoY to 28.1% in Q1FY22. Cement EBITDA/te grew 4% YoY and 32% QoQ to Rs1,156/te (I-Sec: Rs981/te) driven by cost rationalisation and increase in realisations. RMC revenues increased 2.2x YoY (down 30% QoQ) to Rs2.3bn, while RMC EBITDA loss reduced sharply to Rs88mn against a loss of Rs500mn in Q1FY21 owing to cost rationalisation initiatives.
- **Consolidated TBK revenues grew 89% YoY (fell 43% QoQ) to Rs3.5bn** aided by 78% YoY volume growth in Q1FY22. EBITDA stood at Rs90mn as against a loss of Rs471mn in Q1FY22. EBITDA margin was at 2.5%, down 1000bps QoQ, due to impact of second wave of covid during Q1FY22. Overall, consolidated EBITDA rose 4.4x YoY to Rs1.2bn. Recurring PAT stood at Rs147mn.
- **Capacity expansion plans to aid growth visibility:** Debottlenecking at Satna plant in Madhya Pradesh will increase cement capacity by 0.9mnte and clinker capacity by 1.1mnte by Jun'22 at a capex of Rs1.4bn. Company further plans to increase grinding capacity (by 1.0mnte at Satna by Sep'23 at a capex of Rs2.5bn), which will take the total cement capacity to 7.5mnte. It also plans to increase its tile production capacity from 60msm currently to 68msm by Mar'23. This includes greenfield tile capacity expansion (2.5msm at Panagarh, 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) increased by Rs0.83bn** to Rs13.2bn as of Jun'21 owing to working capital needs. Company is likely to incur capex of Rs10bn over FY22E-FY23E including maintenance capex. Insurance JV stake sale is still awaiting regulatory approvals; it would further reduce net debt by Rs3.5bn.

Market Cap	Rs66.9bn/US\$901mn
Reuters/Bloomberg	PRIS.BO/PRSMJ IN
Shares Outstanding (mn)	503.4
52-week Range (Rs)	144/30
Free Float (%)	25.1
FII (%)	3.3
Daily Volume (US\$'000)	1,215
Absolute Return 3m (%)	(5.5)
Absolute Return 12m (%)	175.0
Sensex Return 3m (%)	13.2
Sensex Return 12m (%)	48.2

Year to Mar	2021	2022E	2023E	2024E
Revenue (Rs mn)	54,949	60,457	67,746	73,853
EBITDA (Rs mn)	6,218	8,596	10,367	11,245
Net income (Rs mn)	1,760	2,891	3,997	4,504
% Chg YoY	764.5	64.2	38.2	12.7
P/E (x)	38.0	23.2	16.8	14.9
CEPS (Rs)	9.3	12.2	15.1	17.0
EV/E (x)	12.5	9.0	7.3	6.4
Dividend Yield	0.0	0.9	1.2	1.3
RoCE (%)	10.5	12.7	15.3	15.8
RoE (%)	15.2	21.3	24.5	22.8

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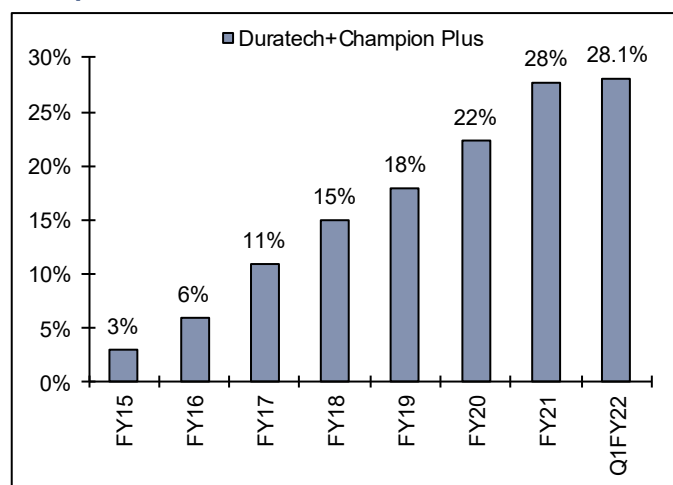
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### On cement division

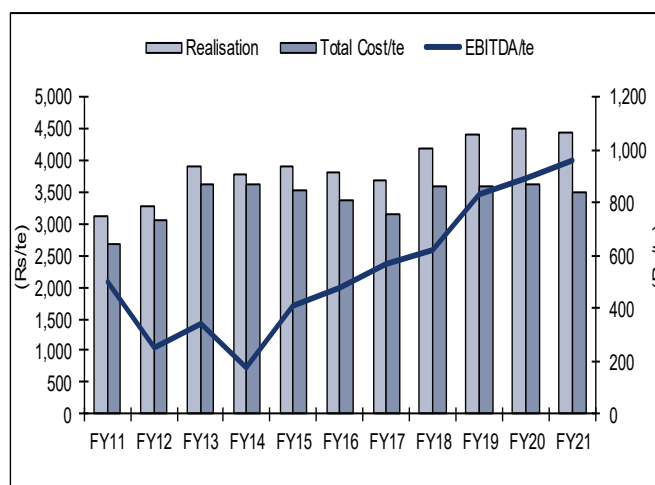
- Demand-supply scenario in Satna cluster remains stable. Management expects demand from real estate and infrastructure sectors to pick up in H2FY22.
- PRSMJ has capital employed at US\$40/te with cement division's RoCE at 28.4% in Q1FY22.
- Key focus will be to further increase the volume share of premium products and expand the network reach.

**Chart 1: Cement – premium products' share rose 190bps YoY to 28.1% of revenues in Q1FY22**



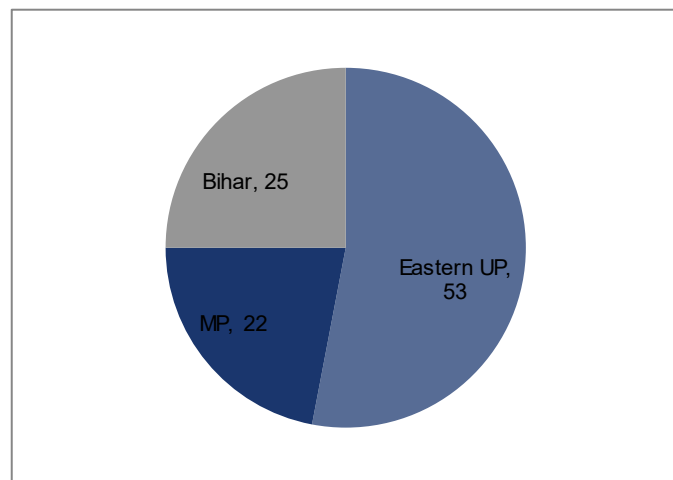
Source: Company data, I-Sec research

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



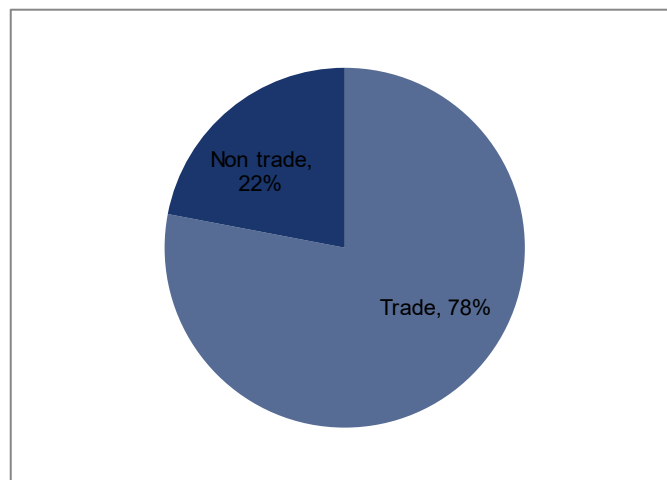
Source: Company data, I-Sec research

**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 (mnte)	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

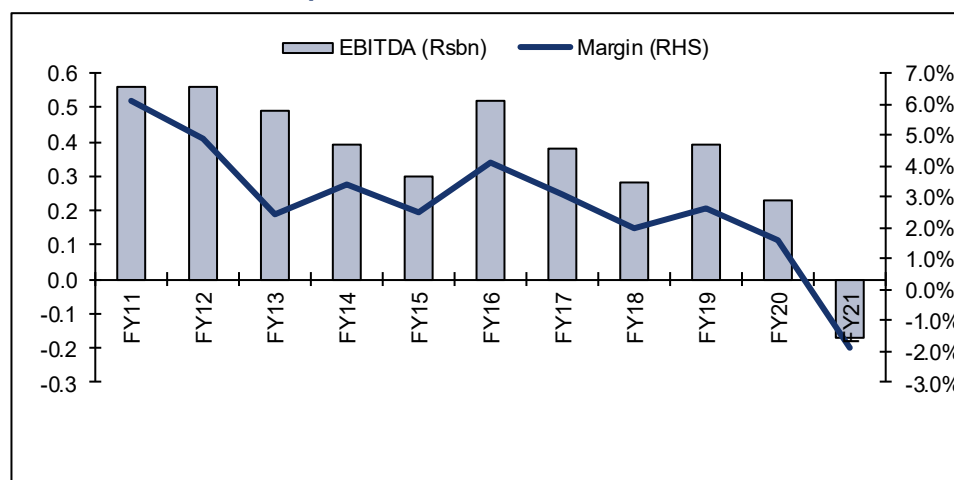
**Table 4: Performance trend and assumptions**

	FY20	FY21	FY22E	FY23E	FY24E
Capacity (mnte)	7.0	7.0	7.0	7.9	8.4
Capacity utilisation (%)	82	83	89	85	84
Sales (mnte)	5.7	5.8	6.2	6.7	7.1
Growth (%)	-8.7	1.7	7.0	8.0	5.0
Realisation (Rs/te)	4,516	4,443	4,532	4,622	4,715
Growth (%)	2.1	-1.6	2.0	2.0	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.

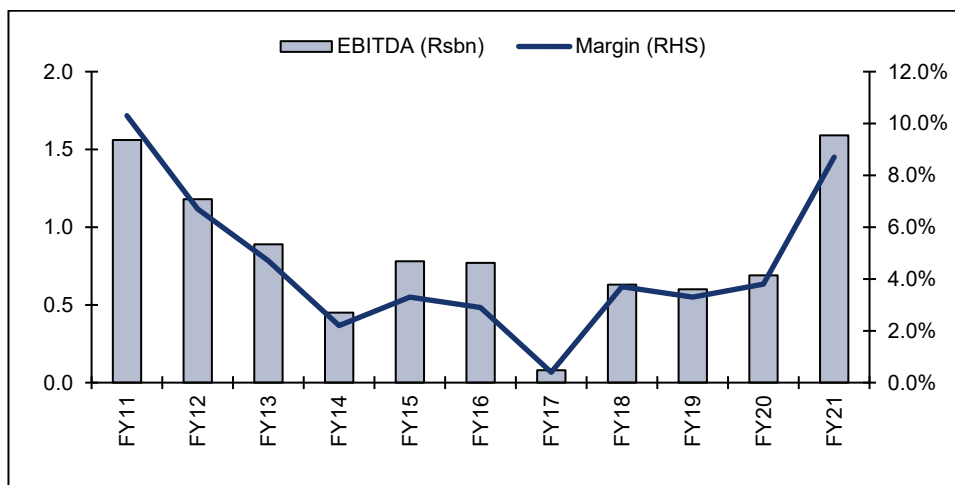
**Chart 5: RMC EBITDA performance**

Source: Company data, I-Sec research

### On TBK division

- Greenfield tile capacity expansion of 2.5MSM at Panhagarh, West Bengal, is expected to be completed by Jan'23. Tile capacity expansion of 6MSM at JV entities is expected to be completed by Mar'23.
- Improvement in product mix and expansion of distribution network continue to be focus areas for the division.

**Chart 6: TBK – consolidated EBITDA performance**



Source: Company data, I-Sec research

**Table 5: Q1FY22 result review (standalone)***(Rs mn, year ending March 31)*

	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	I-Sec	Var (%)
Volume including clinker	1.32	1.19	10.7	1.90	(30.5)	1.43	(7.8)
<b>Net Sales</b>	<b>11,169</b>	<b>7,648</b>	<b>46.0</b>	<b>16,890</b>	<b>(33.9)</b>	<b>12,034</b>	<b>(7.2)</b>
Raw Materials	3,603	2,751	31.0	6,911	(47.9)	4,934	(27.0)
Personnel Cost	1,138	1,088	4.6	1,068	6.5	1,066	6.8
Power and Fuel cost	1,929	1,141	69.2	2,390	(19.3)	1,685	14.5
Freight cost	1,581	1,215	30.1	2,293	(31.1)	1,685	(6.2)
Other Expenses	1,451	1,107	31.1	1,825	(20.5)	1,240	17.1
<b>Total Expenses</b>	<b>9,703</b>	<b>7,300</b>	<b>32.9</b>	<b>14,489</b>	<b>(33.0)</b>	<b>10,609</b>	<b>(8.5)</b>
<b>EBITDA</b>	<b>1,466</b>	<b>347</b>	<b>322.3</b>	<b>2,402</b>	<b>(38.9)</b>	<b>1,425</b>	<b>2.9</b>
Interest	443	531	(16.5)	439	1.0	430	3.0
Depreciation	618	574	7.6	754	(18.1)	596	3.7
Other Income	51	89	(42.6)	122	(58.2)	92	(44.6)
<b>Recurring pre-tax income</b>	<b>456</b>	<b>(669)</b>	<b>NA</b>	<b>1,331</b>	<b>(65.7)</b>	<b>491</b>	<b>(7.1)</b>
Extraordinary income/(expense)	-	-		253		-	
Taxation	115	-		(149)		118	
<b>Reported Net Income</b>	<b>341</b>	<b>(669)</b>	<b>NA</b>	<b>1,733</b>	<b>(80.3)</b>	<b>373</b>	<b>(8.5)</b>
<b>Recurring Net Income</b>	<b>341</b>	<b>(669)</b>	<b>NA</b>	<b>1,480</b>	<b>(77.0)</b>	<b>373</b>	<b>(8.5)</b>
<b>Ratios (%)</b>							
EBITDA margins	13.1	4.5		14.2		11.8	
Net profit margins	3.1	(8.7)		8.8		3.1	

Source: Company data, I-Sec research

**Table 6: Q1FY22 result review (consolidated)***(Rs mn, year ending March 31)*

	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
<b>Net Sales</b>	<b>13,117</b>	<b>8,607</b>	<b>52.4</b>	<b>18,502</b>	<b>(29.1)</b>
Raw Materials	3,563	2,846	25.2	6,523	(45.4)
Personnel Cost	1,455	1,303	11.6	1,394	4.3
Power and Fuel cost	2,338	1,243	88.0	3,030	(22.8)
Freight cost	1,583	1,215	30.3	2,294	(31.0)
Other Expenses	2,978	1,777	67.6	2,886	3.2
<b>Total Expenses</b>	<b>11,916</b>	<b>8,384</b>	<b>42.1</b>	<b>16,127</b>	<b>(26.1)</b>
<b>EBITDA</b>	<b>1,201</b>	<b>223</b>	<b>439.3</b>	<b>2,375</b>	<b>(49.5)</b>
Interest	483	581	(16.8)	485	(0.4)
Depreciation	703	666	5.6	841	(16.4)
Other Income	52	99	(47.9)	123	(57.8)
<b>Recurring pre-tax income</b>	<b>67</b>	<b>(924)</b>	<b>NA</b>	<b>1,172</b>	<b>(94.3)</b>
Extraordinary income/(expense)	-	-		253	
Taxation	110	(25)	NA	(120)	NA
Share of profit of associates & JV	1	(19)	NA	29	(96.1)
Minority interest	(189)	(117)		(89)	
<b>Reported Net Income</b>	<b>147</b>	<b>(801)</b>	<b>NA</b>	<b>1,663</b>	<b>(91.2)</b>
<b>Recurring Net Income</b>	<b>147</b>	<b>(801)</b>	<b>NA</b>	<b>1,410</b>	<b>(89.6)</b>
<b>Ratios (%)</b>					
EBITDA margins	9.2	2.6		12.8	
Net profit margins	1.1	(9.3)		7.6	

Source: Company data, I-Sec research

**Table 7: Segment-wise performance (consolidated)**

(Rs mn, year ending March 31)

	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
<b>Cement</b>					
Volume	1.32	1.19	10.7	1.90	(30.5)
Sales	6,058	5,484	10.5	8,276	(26.8)
Realisation	4,589	4,597	(0.2)	4,356	5.4
EBITDA	1,525	1,324	15.2	1,664	(8.4)
<b>EBITDA/te</b>	1,156	1,116	3.6	875	32.1
EBIT	1,175	1,031	14.0	1,318	(10.8)
EBIT Margin	19.4	18.8		15.9	
<b>TBK</b>					
Sales	3,527	1,865	89.1	6,142	(42.6)
EBITDA	90	(471)	NA	772	(88.3)
EBIT	(158)	(701)	NA	275	NA
EBIT Margin (%)	(4.5)	(37.6)		4.5	
<b>RMC</b>					
Sales	2,349	729	222.2	3,316	(29.2)
EBITDA	(88)	(500)	NA	198	NA
EBIT	(155)	(587)	NA	446	NA
EBIT Margin (%)	(6.6)	(80.5)		13.4	NA
<b>Insurance</b>					
Sales	1,233	564	118.4	866	42.3
EBIT	(171)	(71)	NA	(139)	NA
EBIT Margin	(13.9)	(12.6)		(16.1)	NA

Source: Company data, I-Sec research

**Table 8: Segmental revenues and EBITDA**

Year ending March 31	FY20	FY21	FY22E	FY23E	FY24E
<b>Sales</b>	<b>59,562</b>	<b>55,871</b>	<b>60,457</b>	<b>67,746</b>	<b>73,853</b>
Cement	25,840	25,857	28,220	31,088	33,295
RMC	14,139	9,079	11,530	13,259	14,585
TBK	18,226	18,325	20,707	23,399	25,973
Insurance/Others	1,357	2,611	0	0	0
<b>YoY Growth (%)</b>	<b>-3.8%</b>	<b>-6.2%</b>	<b>8.2%</b>	<b>12.1%</b>	<b>9.0%</b>
Cement	-6.8%	0.1%	9.1%	10.2%	7.1%
RMC	-4.5%	-35.8%	27.0%	15.0%	10.0%
TBK	-0.3%	0.5%	13.0%	13.0%	11.0%
Insurance/Others	20.0%	92.3%	-100.0%	NA	NA
<b>EBITDA</b>	<b>5,386</b>	<b>6,218</b>	<b>8,596</b>	<b>10,367</b>	<b>11,245</b>
Cement	5,089	5,602	6,386	7,262	7,740
RMC	229	(169)	346	530	583
TBK	690	1,590	1,864	2,574	2,922
Insurance/Others	(622)	(805)	-	-	-
<b>EBITDA margins</b>	<b>9.0</b>	<b>11.1</b>	<b>14.2</b>	<b>15.3</b>	<b>15.2</b>
Cement	19.7	21.7	22.6	23.4	23.2
RMC	1.6	-1.9	3.0	4.0	4.0
TBK	3.8	8.7	9.0	11.0	11.3

Source: Company data, I-Sec research

**Table 9: Valuations based on 8x Jun'23E EV/E**

(Rs.mn)

<b>Target EV/ EBITDA multiple (x)</b>	<b>8</b>
Target EV (Rs mn)	84,690
Net debt / (cash) (Rs mn)	7,539
<b>Target value (Rs mn)</b>	<b>77,151</b>
No. of shares (mn)	503
<b>Target price per share (Rs)</b>	<b>152</b>

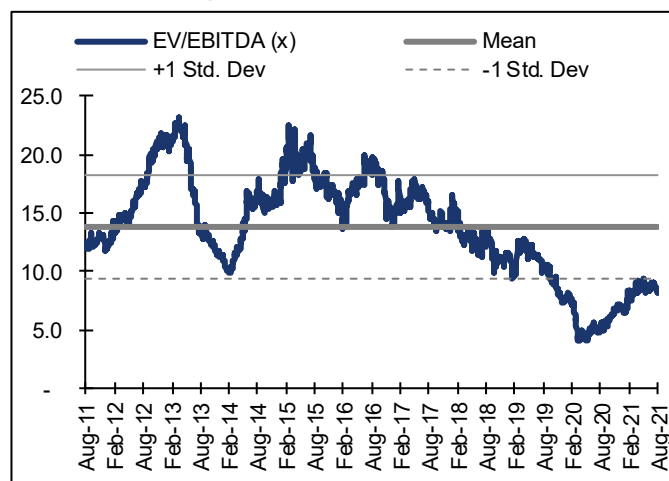
Source: I-Sec research

**Table 10: Earnings revision**

(Rs mn)

(	FY22E			FY23E		
	Revised	Earlier	% chg	Revised	Earlier	% chg
Revenues	60,457	62,199	(2.8)	67,746	68,700	(1.4)
EBITDA	8,596	9,170	(6.3)	10,367	10,311	0.5
PAT	2,891	3,133	(7.7)	3,997	3,762	6.2

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)

	FY21	FY22E	FY23E	FY24E
<b>Operating Income (Sales)</b>	<b>54,949</b>	<b>60,457</b>	<b>67,746</b>	<b>73,853</b>
Cement	25,857	28,220	31,088	33,295
RMC	9,079	11,530	13,259	14,585
TBK	18,325	20,707	23,399	25,973
Insurance/Others	2,611	-	-	-
<b>Operating Expenses</b>	<b>49,653</b>	<b>51,861</b>	<b>57,379</b>	<b>62,608</b>
<b>EBITDA</b>	<b>6,218</b>	<b>8,596</b>	<b>10,367</b>	<b>11,245</b>
% margin	11.3	14.2	15.3	15.2
Depreciation & Amortisation	2,925	3,230	3,619	4,031
Gross Interest	2,104	1,872	1,629	1,368
Other Income	382	420	462	462
<b>Recurring PBT</b>	<b>1,571</b>	<b>3,913</b>	<b>5,580</b>	<b>6,307</b>
Add: Extraordinaries	(48)	-	-	-
Less: Taxes	162	1,409	2,009	2,271
Minority interest	351	387	425	468
<b>Net Income (Reported)</b>	<b>1,712</b>	<b>2,891</b>	<b>3,997</b>	<b>4,504</b>
<b>Recurring Net Income</b>	<b>1,760</b>	<b>2,891</b>	<b>3,997</b>	<b>4,504</b>

Source: Company data, I-Sec research

Table 12: Balance sheet

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
<b>Assets</b>				
Total Current Assets	23,494	24,430	25,277	26,805
Current Liab. & Prov.	29,327	28,206	29,993	32,019
<b>Net Current Assets</b>	<b>(5,833)</b>	<b>(3,776)</b>	<b>(4,716)</b>	<b>(5,214)</b>
<b>Investments of which</b>	<b>7,310</b>	<b>3,730</b>	<b>3,730</b>	<b>3,730</b>
Strategic/Group	7,310	3,730	3,730	3,730
<b>Net Fixed Assets</b>	<b>30,789</b>	<b>32,259</b>	<b>34,590</b>	<b>35,909</b>
of which				
Capital Work-in-Progress	1,324	1,324	1,324	1,324
<b>Total Assets</b>	<b>32,266</b>	<b>32,213</b>	<b>33,604</b>	<b>34,424</b>
of which cash & cash equivalents	5,448	5,451	5,091	5,464
<b>Liabilities</b>				
<b>Borrowings</b>	<b>16,473</b>	<b>15,473</b>	<b>13,473</b>	<b>10,473</b>
Deferred Tax Liability	554	672	839	1,028
Minority Interest	2,824	1,340	1,367	1,395
Equity Share Capital	5,034	5,034	5,034	5,034
Face value per share (Rs)	10	10	10	10
Reserves & Surplus	-	-	-	-
<b>Net Worth</b>	<b>12,415</b>	<b>14,728</b>	<b>17,925</b>	<b>21,529</b>
<b>Total Liabilities</b>	<b>32,266</b>	<b>32,213</b>	<b>33,604</b>	<b>34,424</b>

Source: Company data, I-Sec research

Table 16: Quarterly trend - standalone

(Rs mn, year ending March 31)

	Sep-20	Dec-20	Mar-21	Jun-21
Net sales	12,057	13,755	16,890	11,169
% growth (YoY)	(8)	(0)	23	46
Recurring EBITDA	1,532	1,857	2,402	1,466
Margin (%)	12.7	13.5	14.2	13.1
Other income	80	66	122	51
<b>Recurring Net Income</b>	<b>627</b>	<b>733</b>	<b>1,480</b>	<b>341</b>

Source: Company data

Table 13: Cashflow statement

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
<b>Operating Cashflow</b>	<b>2,610</b>	<b>5,905</b>	<b>7,415</b>	<b>8,366</b>
Working Capital changes	7,176	(2,139)	485	770
Capital Commitments	(850)	(4,200)	(5,950)	(5,350)
<b>Net Operating FCF</b>	<b>8,935</b>	<b>(934)</b>	<b>1,950</b>	<b>3,785</b>
<b>Investing Activities</b>	<b>(2,423)</b>	<b>420</b>	<b>462</b>	<b>462</b>
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc(Dec) in Borrowings	(5,153)	(1,000)	(2,000)	(3,000)
Dividend paid	3	(578)	(799)	(901)
Others	731	2,096	27	27
Extraordinary Items	-	-	-	-
<b>Chg. in Cash &amp; Bank</b>	<b>2,095</b>	<b>4</b>	<b>(360)</b>	<b>373</b>

Source: Company data, I-Sec research

Table 14: Key ratios

(Year ending March 31)

	FY21	FY22E	FY23E	FY24E
<b>Per Share Data (Rs)</b>				
EPS(Basic)	3.4	5.7	7.9	8.9
Diluted Recurring EPS	3.5	5.7	7.9	8.9
Diluted Recurring CEPS	9.3	12.2	15.1	17.0
Dividend per share	-	1.1	1.6	1.8
Book Value	25	29	36	43
<b>Growth Ratios (% YoY)</b>				
Operating Income	(6.7)	10.0	12.1	9.0
EBITDA	15.4	38.2	20.6	8.5
Recurring Net Income	764.5	64.2	38.2	12.7
Diluted Recurring EPS	764.5	64.2	38.2	12.7
Diluted Recurring CEPS	72.9	30.6	24.4	12.1
<b>Valuation Ratios (x)</b>				
P/E	38.0	23.2	16.8	14.9
P/BV	5.4	4.5	3.7	3.1
EV / EBITDA	12.5	9.0	7.3	6.4
EV / te (US\$) - Cement	128	114	86	70
EV / Operating Income	1.4	1.3	1.1	1.0
EV / Operating FCF	6.8	20.4	9.5	7.9
<b>Operating Ratios (%)</b>				
Raw Material / Sales	34	33	31	31
Other expenses / Sales	29	26	28	29
Effective Tax Rate	14	36	36	36
NWC / Total Assets	(0.3)	(0.3)	(0.3)	(0.3)
Inventory (x)	4.7	5.5	5.5	5.6
Receivables (days)	43	38	37	36
Payable (days)	63	69	69	68
D/E Ratio (x)	0.9	0.7	0.5	0.3

**Profitability Ratios (%)**

Rec. Net Income Margins	3.2	4.7	5.9	6.1
RoCE	10.5	12.7	15.3	15.8
RoNW	15.2	21.3	24.5	22.8
Dividend Payout	-	20.0	20.0	20.0

Source: Company data, I-Sec research



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