

DIRECTORS' REPORT

To the Shareholders,

The Directors present the Twenty-eighth Annual Report together with the audited Statement of Accounts of the Company for the year ended March 31, 2020.

FINANCIAL RESULTS (Standalone)

₹ Crores

| Particulars | 2019-20 | 2018-19 |
|--|----------|----------|
| Revenue from operations | 5,572.29 | 5,955.57 |
| Other income | 26.46 | 20.73 |
| Total income | 5,598.75 | 5,976.30 |
| Expenses | 5,467.11 | 5,746.25 |
| Profit before tax | 131.64 | 230.05 |
| Tax expenses | 75.19 | 84.07 |
| Profit for the year | 56.45 | 145.98 |
| Surplus - opening balance | 376.08 | 246.82 |
| Amount available for appropriation | 432.53 | 392.80 |
| Dividend & Dividend Distribution Tax | 60.68 | 30.34 |
| Transfer from Debenture Redemption Reserve | 96.25 | 12.98 |
| Other Comprehensive Income/(Loss) - net of tax | (14.36) | 0.64 |
| Surplus - closing balance | 453.74 | 376.08 |

RESERVES

Pursuant to the amendment to the Companies (Share Capital and Debentures) Rules, 2014, the Company is not required to create a Debenture Redemption Reserve for its outstanding Non-convertible Debentures. Accordingly, the Company has transferred an amount of ₹ 96.25 Crores from the Debenture Redemption Reserve to the Retained Earnings during the year under review. An amount of ₹ 453.74 Crores is proposed to be retained in the Statement of Profit and Loss.

DIVIDEND

In compliance with the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 ('SEBI LODR'), the Board of Directors of the Company has approved a Dividend Distribution Policy. The objective of the policy is to lay down the criteria to be considered by the Board before recommending dividend to its shareholders for a financial year and to provide clarity to stakeholders on the profit distribution of the Company. The Board shall consider distribution of profits in accordance with the business strategies, provisions of the applicable regulations and seek to balance the benefit to shareholders of the Company with the comparative advantages of retaining profits in the Company which would lead to greater value creation for all stakeholders.

The Policy is uploaded on the Company's website at www.prismjohnson.in/investors/disclosures-under-SEBI-LODR-regulations/policies.

During the year, the Company has paid an interim dividend of ₹ 1/- (@ 10%) per equity share of ₹ 10/- each. The total outflow for the year ended March 31, 2020 towards Dividend is ₹ 50.34 Crores and Dividend Distribution Tax is ₹ 10.34 Crores.

OPERATIONS

The Covid-19 global pandemic which set foot in India in March 2020 has impacted the country's economy across industries and businesses. The Company is not immune to this crisis. To ensure the safety of its employees and workers and to combat the Covid-19 pandemic in compliance with the containment directives of the Government, the Company had shut down its facilities at all locations towards the end of March 2020.

A cross-functional Task Force was constituted under the Managing Director of the Company which has been constantly reviewing the rapidly changing situation to ensure that measures are continuously implemented to keep employees safe at all times while also attempting to ensure business continuity.

Whilst manufacturing and sales came to a standstill, supply chains and revenues had been under severe stress with the lockdown restrictions in place. The Management has been hands-on to re-evaluate its strategies to overcome the unprecedented situation. With major focus on preserving cash and reducing fixed costs, and resumption of operations in a phased manner since April 20, 2020, all efforts are being made to tide over this challenging time and bounce back.

All statutory obligations have been paid within time limit allowed by the Government with relaxations as announced. The Company has been monitoring cash inflows with continuous follow up with customers during the lock down period and managing vendor payments. Due to rigorous follow-up, trade collections have been better. The Company has not opted for moratorium with any banks/FIs for principal or interest payments and has made TDS and all payments in time.

During the year ended March 31, 2020, revenue from operations decreased to ₹ 5,572 Crores from ₹ 5,956 Crores in the previous year due to impact of the lockdown on volumes in the last quarter. The Company earned a profit before tax of ₹ 131.64 Crores and profit after tax of ₹ 56.45 Crores during the year ended March 31, 2020 as against profit before tax of ₹ 230.05 Crores and profit after tax of ₹ 145.98 Crores during the year ended March 31, 2019.

The consolidated loss after tax for the year ended March 31, 2020 of the Company and its subsidiary/joint venture companies amounted to ₹ 20.65 Crores as against profit after tax of ₹ 109.60 Crores for the previous year ended March 31, 2019.

No other material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which the financial statements relate and the date of this report.

SHARE CAPITAL

The paid-up equity share capital was ₹ 503.36 Crores as on March 31, 2020. During the year under review, the Company has not issued shares with differential voting rights neither granted any stock options nor sweat equity.

FIXED DEPOSITS

The Company has discontinued acceptance of any fixed deposits and also the renewal of its fixed deposits on maturity. During the year ended March 31, 2020, 175 deposits amounting to ₹ 0.57 Crores had matured and had not been claimed as on that date.

There has been no default in the repayment of the deposits or payment of interest thereon during the year under review. All deposits accepted by the Company were in compliance with the requirement of the Companies Act, 2013 and the Rules thereunder.

FINANCE

The Company has repaid/prepaid loans of ₹ 439.37 Crores and tied-up fresh loans of ₹ 822.92 Crores during the year under review to finance, *inter alia*, its repayment of debts, ongoing long term working capital and capital expenditure. The loans were used for the purpose they were sanctioned by the respective banks/financial institutions.

During the year ended March 31, 2020, the Company raised ₹ 199 Crores by way of privately placed Secured/Unsecured Redeemable Non-convertible Debentures ('NCDs'), to finance, *inter alia*, its refinancing of debt, long term working capital and general corporate purpose detailed as under :

| Coupon Rate | Date of Allotment | No. of NCDs | Total Amount ₹ Crores | Tenor | Maturity Date |
|-------------------------------------|-------------------|-------------|-----------------------|-----------|---------------|
| 10.70% Unsecured NCDs Tranche - XIV | 26.07.2019 | 1150 | 115.00 | 36 months | 25.07.2022 |
| 10% Unsecured NCDs Tranche - XV | 31.01.2020 | 840 | 84.00 | 36 months | 31.01.2023 |

The aforesaid debentures are listed on BSE Limited. The proceeds of the NCDs issue have been fully utilised for the purpose of the issue.

During the year under review, NCDs aggregating ₹ 171.90 Crores were redeemed in accordance with the terms of the issue.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

During the year, the Company has transferred a sum of ₹ 0.39 Crores to the Investor Education and Protection Fund in compliance with provisions of the Companies Act, 2013 which represents unclaimed/unpaid dividend, unclaimed fixed deposits and unclaimed interest on the fixed deposits.

SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013, a statement containing salient features of financial statements of subsidiary, joint venture and associate companies in Form AOC-1 is attached to the Accounts.

The Company has 5 subsidiaries, 3 step-down subsidiaries, 6 joint ventures and 4 associate companies as on March 31, 2020. The subsidiaries and joint ventures have performed satisfactorily during the year under review. The details of subsidiaries, joint ventures and associates of the Company are given in Form MGT-9, extract of the Annual Return, annexed herewith as Annexure 'F'.

Silica Ceramica Private Limited ('Silica') : The Company acquired 62,500 equity shares representing 0.07% in the total paid-up equity share capital of Silica, a subsidiary of the Company, for ₹ 0.16 Crores during the year under review. Consequent to the aforesaid acquisition, Silica became a wholly owned subsidiary of the Company effective October 9, 2019.

Sunspring Solar Private Limited ('Sunspring Solar') : During the year under review, the Company has acquired 14,78,412 equity shares of ₹ 10/- each aggregating to ₹ 1.48 Crores constituting 27% in the total paid-up equity share capital of Sunspring Solar due to which it has become an associate of the Company. Sunspring Solar is engaged in the business of providing solar power solutions comprising of consulting, design, engineering, fabrication, installation, commissioning, distribution, operation & maintenance and monitoring of distributed rooftop and ground mounted solar power plants primarily for captive consumption of commercial and industrial customers in India. Sunspring Solar will supply power to the Company's tile manufacturing facilities resulting in reduction of power costs thereby increasing the cost competitiveness.

Spectrum Johnson Tiles Private Limited, Joint Venture of the Company, decided to permanently close its wall manufacturing plant with capacity of 5 MSM per annum with effect from March 1, 2020 due to an aged unviable plant. Adequate cost effective arrangements have already been made for transition to outsourced vendor(s) so that there is full continuity with better profitability and no impact on sales.

Sanskar Ceramics Private Limited ('Sanskar') : The Company acquired 15% equity stake for ₹ 5.25 Crores in Sanskar, for supply of wall and vitrified tiles. Sanskar is engaged in manufacturing of ceramic tiles, at Morbi, Gujarat. Sanskar is a joint venture of Small Johnson Floor Tiles Private Limited, a joint venture of the Company. With this investment, Sanskar has become an associate of the Company. This arrangement is expected to increase the Company's footprint in Morbi.

Prism Power and Infrastructure Private Limited ('PPIPL') : The Company has made an application for striking-off of the name of PPIPL, an associate in which the Company holds 49% equity stake, from the Register of Companies as per applicable provisions of the Companies Act, 2013. PPIPL was incorporated in 2006 with the object to carry on the business of generation of electrical power by conventional, non-conventional methods, etc. PPIPL is not doing/carrying on any business right from the date of its incorporation and there is no intention to do any business or commercial activity as laid down in the main objects of its Memorandum of Association in future.

TBK Samiyaz Tile Bath Kitchen Private Limited, became wholly owned step down subsidiary with effect from October 14, 2019.

There has been no material change in the nature of the business of the other subsidiaries, joint ventures and associates during the year under review.

Composite Scheme of Arrangement and Amalgamation

The Board of Directors had, at its meeting held on October 23, 2019, considered and approved a Composite Scheme of Arrangement and Amalgamation as under :

- a. Demerger of retail/trading business undertakings of TBK Rangoli Tile Bath Kitchen Private Limited, TBK Venkataramiah Tile Bath Kitchen Private Limited and TBK Samiyaz Tile Bath Kitchen Private Limited, into its holding company H. & R. Johnson (India) TBK Limited ('HRJ TBK') and subsequent demerger of retail/trading business undertaking of HRJ TBK into the Company.
- b. Subsequent amalgamation of Milano Bathroom Fittings Private Limited and Silica Ceramica Private Limited, with the Company.

The application is pending before the NCLT, Hyderabad.

CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company, prepared in accordance with the Companies Act, 2013 and the applicable Indian Accounting Standards, alongwith all relevant documents and the Auditors' Report form part of this Annual Report.

The separate audited financial statements in respect of each subsidiary company is also available on the website of the Company at www.prismjohnson.in/investors/disclosures-under-SEBI-LODR-regulations/financials.

DIRECTORS

Pursuant to Section 152 of the Companies Act, 2013, Mr. Rajan B. Raheja and Mr. Vijay Aggarwal retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, have offered themselves for re-appointment.

In accordance with the requirements of the Companies Act, 2013, the shareholders on August 9, 2017 have appointed Dr. Raveendra Chittoor and on July 31, 2019 have appointed Mr. Shobhan M. Thakore and Ms. Ameeta A. Parpia as Independent Directors for a term of five consecutive years from July 3, 2017 and July 31, 2019, respectively.

The Company has received declarations from Ms. Parpia, Mr. Thakore and Dr. Chittoor, Independent Directors of the Company, confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under the SEBI LODR. The terms and conditions of appointment of the Independent Directors are placed on the website of the Company www.prismjohnson.in/investors/disclosures-under-SEBI-LODR-regulations/policies.

The details of familiarisation programme for Independent Directors have been disclosed in the Report on Corporate Governance and on the website of the Company www.prismjohnson.in/investors/disclosures-under-SEBI-LODR-regulations/policies.

As required, the requisite details of Directors seeking appointment/re-appointment are included in this Annual Report.

Meetings

The Board of Directors met 11 times during the year ended March 31, 2020. Additionally, several Committee Meetings were held including the Audit Committee, which met 11 times during the year. Details of the meetings are included in the Report on Corporate Governance.

Evaluation

Pursuant to the provisions of the Companies Act, 2013 and the SEBI LODR, the Board has carried out an annual performance evaluation during the year under review. Details of the same is given in the Report on Corporate Governance.

Remuneration Policy

The policy on Director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of Director and also remuneration for Key Managerial Personnel, Senior Management and other employees forms part of the Report on Corporate Governance and is also available on the website of the Company at www.prismjohnson.in/investors/disclosures-under-SEBI-LODR-regulations/policies.

KEY MANAGERIAL PERSONNEL

There were no changes in the Key Managerial Personnel of the Company during the year under review.

COMPOSITION OF AUDIT COMMITTEE

The Board has constituted an Audit Committee, details of the same is stated in the Report on Corporate Governance.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company has established a vigil mechanism by adopting a Whistle Blower Policy to report concerns about illegal or unethical practices, if any. The details of the Policy is explained in the Report on Corporate Governance and is also available on the website of the Company at www.prismjohnson.in/investors/disclosures-under-SEBI-LODR-regulations/policies.

PREVENTION OF SEXUAL HARASSMENT

The Company offers equal employment opportunity and is committed to creating a healthy working environment that enables employees to work without fear of prejudice, gender bias and sexual harassment. The Company has also framed a policy on Prevention of Sexual Harassment of Women at workplace. As per the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 and Rules made thereunder, the Company has constituted an Internal Committee to inquire into complaints of sexual harassment and recommend appropriate action.

During the financial year 2019-20, no complaint was received.

RISK MANAGEMENT

The Company has constituted a Risk Management Committee. The details of the Committee and its terms of reference are set out in the Report on Corporate Governance.

The Company works across a wide range of products i.e. Cement, Tiles, Bath and Ready Mixed Concrete. Several of the product lines have their own unique business and operating models. These businesses operate in an evolving and challenging business environment.

The Risk Management Policy framed by the Company details the objectives and principles of risk management along with an overview of the risk management process, procedures and related roles and responsibilities. The risk management process includes identifying types of risks and its assessment, risk handling and monitoring, reporting and controlling/mitigation.

The Committee on timely basis informed members of the Audit Committee and the Board of Directors about risk assessment and minimisation procedures and in their opinion there was no risk that may threaten the existence of the Company.

CORPORATE SOCIAL RESPONSIBILITY ('CSR')

The Company has adopted a CSR Policy based on which its future CSR initiatives shall be developed and implemented. The Company policy is focussed on CSR initiatives in areas such as water, health and sanitation, energy conservation, pollution-free atmosphere, clean technologies and primary health care for the villagers in the vicinity of the plants. The Policy is available on the Company's website at www.prismjohnson.in/investors/disclosures-under-SEBI-LODR-regulations/policies.

During the financial year 2019-20, the Company has spent ₹ 2.80 Crores (2.05% of the average net profits of the last three financial years) towards CSR activities.

Requisite disclosure including composition of the CSR Committee has been made in the prescribed form annexed herewith as Annexure 'A'.

BUSINESS RESPONSIBILITY REPORTING

A separate section on Business Responsibility Reporting forms part of this Annual Report as required under Regulation 34(2)(f) of the SEBI LODR annexed herewith as Annexure 'B'.

LOANS, GUARANTEES AND INVESTMENTS

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to Financial Statements.

RELATED PARTY TRANSACTIONS

All related party transactions are placed before the Audit Committee as also the Board, wherever required, for prior approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature. A statement giving details of all related party transactions entered into pursuant to the omnibus approval is placed before the Audit Committee for their review on a quarterly basis. The statement is supported by a Certificate from the Managing Director, Executive Director & CEOs and the Chief Financial Officer.

The Policy on Related Party Transactions as approved by the Audit Committee and the Board of Directors is available on the website of the Company at www.prismjohnson.in/investors/disclosures-under-SEBI-LODR-regulations/policies.

There was no material related party transaction made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. None of the Directors have any pecuniary relationships or transactions vis-à-vis the Company.

Attention of the members is drawn to the disclosure of related party transactions set out in Note 4.09 of the Standalone Financial Statements forming part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Companies Act, 2013, to the best of their knowledge and belief and according to the information and explanations obtained by them, the Directors confirm :

- a. That in the preparation of the annual financial statements for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for the year ended on that date;
- c. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That the annual financial statements have been prepared on a going concern basis;
- e. That proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- f. That systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

EMPLOYEE REMUNERATION

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are forming part of this report as Annexure 'C'.

The information required under Section 197 of the Companies Act, 2013 and Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this Report. Having regard to the provisions of the first

proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. Any shareholder interested in obtaining a copy of the statement may send an e-mail to investor@prismjohnson.in.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 134 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014, is given in Annexure 'D' forming part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the year under review as stipulated under the SEBI LODR is presented in a separate section forming part of this Annual Report.

CORPORATE GOVERNANCE

As per the SEBI LODR, a separate section on Corporate Governance together with a certificate from the Company's Auditors confirming compliance forms part of this Annual Report.

INTERNAL FINANCIAL CONTROL SYSTEMS

The Company has established set of standards, processes and structure which enable it to implement adequate internal financial controls and ensure that the same are operating effectively. The internal financial control systems of the Company are commensurate with its size and the nature of its operations. The Company has well defined delegation of authority limits for approving revenue as well as expenditures. The Company uses an established ERP system to record day to day transactions for accounting and financial reporting.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, the work done by the Internal, Statutory, Cost and Secretarial Auditors and the reviews of the Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2019-20.

AUDITORS

Statutory Auditors

The shareholders at the 26th Annual General Meeting appointed M/s. G. M. Kapadia & Co., Chartered Accountants, Mumbai as the Company's Auditors upto conclusion of the 31st Annual General Meeting of the Company. The Auditors have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder. As required under the SEBI LODR, the Auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The Report given by the Auditors on the financial statements of the Company are part of this Annual Report. There is no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Rules thereunder, as amended, the Company needs to maintain the cost records and such accounts and records are maintained for its businesses. The Board of Directors of the Company has, on the recommendation of the Audit Committee, at its meeting held on May 28, 2020, appointed M/s. D. C. Dave & Co., Cost Accountants as the Cost Auditors for the year ending March 31, 2021 and has recommended their remuneration to the shareholders for their ratification.

Secretarial Auditors

The Company has appointed Ms. Savita Jyoti, M/s. Savita Jyoti Associates, Practising Company Secretary, Hyderabad to undertake the Secretarial Audit of the Company pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. There was no qualification, reservation or adverse remarks given by Secretarial Auditor of the Company. The Report of the Secretarial Auditor in Form MR-3 is annexed herewith as Annexure 'E'.

Secretarial Audit of Material Unlisted Subsidiaries

For the Financial year 2019-20, Raheja QBE General Insurance Company Limited ('RQBE') is the material unlisted subsidiary of the Company. In terms of Regulation 24A of SEBI LODR read with Section 204 of the Companies Act, 2013, Secretarial Audit of the RQBE has been conducted for the year 2019-20 by Practising Company Secretary. The said Audit Report which does not contain any qualification, reservation or adverse remark or disclaimer has been annexed to RQBE's Board Report.

ANNUAL RETURN

The Annual Return of the Company has been placed on the website of the Company and can be accessed at www.prismjohnson.in/investors/annual-return. The extract of the Annual Return in Form MGT - 9 is furnished in Annexure 'F' attached to this Report.

GENERAL

1. No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.
2. During the year, no revision was made in the previous financial statement of the Company.
3. No fraud has been reported during the audit conducted by the Statutory Auditors, Internal Auditors, Secretarial Auditor and Cost Auditors of the Company.
4. The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Companies Act, 2013.
5. For the financial year ended on March 31, 2020, the Company has complied with provisions relating to the