



## Update – Q4 FY12

## CARE EQUIGRADE GRID (CEG)

	1	2	3	4	5
Fundamentals					
Valuation					

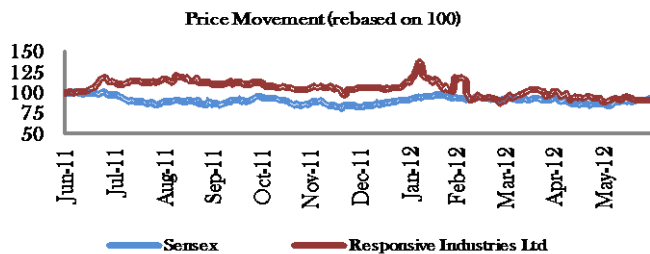
CEG is explained on the last page

## KEY EQUISTATS

Market Capitalisation	Rs. Crores	2,269
Enterprise Value	Rs. Crores	2,954
52 Week High / Low	Rs.	135/78
Diluted EPS (FY12)	Rs.	4.2
P/E (FY12)	times	20.0
Regression Beta	times	0.3
Average Daily Volumes*	Lakhs	0.2

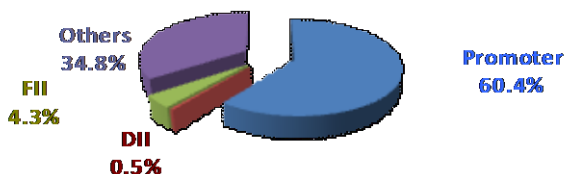
\* BSE + NSE for last 52 weeks

## STOCK PERFORMANCE



Returns	1M	3M	6M	1Yr
Absolute	-4%	-8%	-17%	-11%
Rel. to Sensex	-10%	-9%	-20%	-5%

## SHARE HOLDING PATTERN



## ANALYTICAL CONTACTS

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<sup>1</sup> CMP: Current Market Price; CIV: Current Intrinsic Value

CARE Equity Research retains fundamental grade of 4/5 to Responsive Industries Ltd (Responsive). This indicates 'Very Good Fundamentals'.

Revenue increases by 57%; led by increase in capacity expansion

Standalone business of Responsive reported 57% y-o-y and 36% q-o-q increase in net revenues to Rs.369 crore during Q4FY12 on back of capacity expansion. On a consolidated basis, revenue increased by 24% q-o-q to Rs.531 crore. Revenues from Axiom decreased by 7% q-o-q to Rs.174 crore for Q4FY12. For FY12, standalone revenue increased by 49% y-o-y to Rs.1078 crore in line with our estimates of Rs.1071 crore while consolidated revenue increased by 42% to Rs.1684 crore.

Operating performance dropped in Q4FY12

Responsive reported lowest operating performance in the last eight quarters as EBITDA margin for Q4FY12 declined by 485 bps y-o-y and 255 bps y-o-y to 6.5% on account of forex loss and rise in raw material costs. Raw material costs for the quarter increased substantially by 84% to Rs.307 crore against Rs.161 crore. The steep rise in raw material cost can be attributed to increase in prices of PVC resins and rupee depreciation. Increase in other income (Rs.3.3 crore against loss of Rs.0.28 crore) coupled with negative tax expense (Rs.9.8 crore) due to MAT credit resulted in PAT of Rs.19.4 crore in Q4FY12 against Rs.15.5 crore in Q4FY11.

Valuation

We have valued Responsive at a CIV of Rs.116 per share based on Discounted Cash Flows (DCF) methodology. Our CIV results in the valuation grade of 5/5, indicating the shares of Responsive have 'Considerable Upside Potential'.

## Financial Information Snapshot

(Rs. crore)	FY11	FY12	FY13E	FY14E
Total Revenues	1,179	1,684	2,387	2,586
EBITDA	182	213	368	413
PAT (After minority interest)	91	104	161	195
Fully Diluted EPS* (Rs.)	3.5	4.2	6.1	7.4
Dividend Per Share (Rs.)	0.1	0.1	0.1	0.1
P/E (times)	24.6	20.0	13.9	11.5
EV/EBITDA (times)	16.3	13.8	8.0	7.2

\* Calculated on Current Face Value of Re. 1/- per share



**CARE Equity Research retains the fundamental grade at 4/5, indicating ‘Very Good Fundamentals’**

CARE Equity Research retains a fundamental grade of 4/5 to Responsive, indicating ‘Very Good Fundamentals’. The grade draws strength from Responsive’s presence in niche PVC-based products such as PVC flooring, PVC leather cloth, PVC rigid blister films and PVC soft sheeting that find application in various industries. While around 64 per cent of the standalone revenues are from exports market, Responsive is also dominant in the domestic Poly Vinyl Chloride (PVC) products market. The company has around 85 per cent market share in the domestic surface transport, around 95 per cent market share in the domestic three-wheeler upholstery and canopy market and around 65 per cent market share in domestic PVC floorings. The company is also a key player in the domestic synthetic rope segment, through its subsidiary Axiom Cordages Ltd and has around 60 per cent market share in the domestic shipping ropes industry.

**Responsive: Standalone Financial Performance Snapshot**

Rs Crore	Q4FY12	Q4FY11	Growth (y-o-y)	Rs Crore	FY12	FY11	Growth (y-o-y)
Net Revenues	369.3	234.6	57.4%	Net Revenues	1,078.0	724.5	48.8%
EBITDA	24.0	26.6	-9.8%	EBITDA	115.6	97.4	18.7%
<b>EBITDA Margins (%)</b>	<b>6.5%</b>	<b>11.4%</b>	<b>-485 bps</b>	<b>EBITDA Margins (%)</b>	<b>10.7%</b>	<b>13.4%</b>	<b>-272 bps</b>
PAT	19.4	15.1	28.8%	PAT	48.9	55.3	-11.6%
<b>PAT Margins (%)</b>	<b>5.2%</b>	<b>6.4%</b>	<b>-117 bps</b>	<b>PAT Margins (%)</b>	<b>4.5%</b>	<b>7.6%</b>	<b>-310 bps</b>
Diluted EPS (in Rs.)	0.7	0.6	25.3%	Diluted EPS (in Rs.)	1.87	2.09	-10.5%

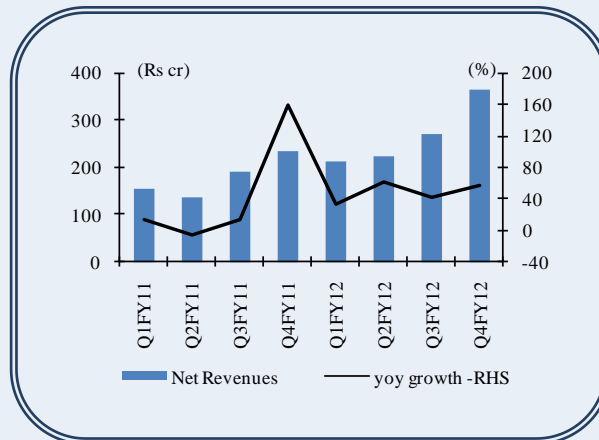
Source: Company and CARE Equity Research

**Revenue increases by 57% led by increase in capacity expansion**

Standalone business of Responsive reported 57% y-o-y and 36% q-o-q increase in net revenues to Rs. 369 crore in Q4FY12 on back of new capacity coming on stream. On a consolidated basis, revenue increased by 24% q-o-q to Rs.531 crore. However, revenues from Axiom decreased by 7% q-o-q to Rs.174 crore for Q4FY12. For FY12, standalone revenue increased by 49% y-o-y to Rs.1078 crore in line with our estimates of Rs.1071 crore while consolidated revenue increased by 42% to Rs.1684 crore. Going forward, we expect the growth momentum to continue on back of higher volume and realizations.



### Responsive: Trend and growth in quarterly revenues



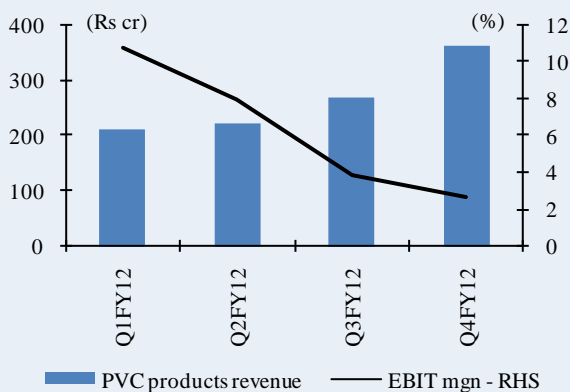
Source: Company and CARE Equity Research

### Operating performance subdued

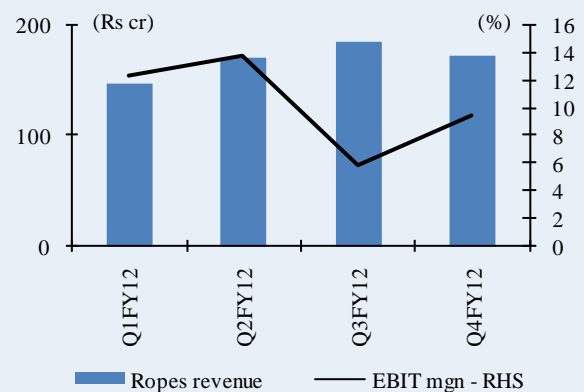
Responsive reported lowest operating performance in the last eight quarters as EBITDA margin for Q4FY12 declined by 485 bps y-o-y and 255 bps q-o-q to 6.5% on account of forex loss and rise in raw material costs. Raw material costs for the quarter increased substantially by 84% to Rs.307 crore against Rs.161 crore, as percentage of sales it has increased by 1280 bps y-o-y to 84.7%. The steep rise material cost can be attributed to increase in prices of PVC resins and rupee depreciation. Thus, EBITDA for the quarter declined 10% to Rs.24 crore.

Increase in other income (Rs.3.3 crore against loss of Rs.0.28 crore) coupled with negative tax expense (Rs.9.8 crore) due to MAT credit resulted PAT to Rs.19.4 crore in Q4FY12 against Rs.15.5 crore in Q4FY11. Accordingly, EPS was Rs 0.74 as compared to Rs 0.59 in Q4FY11.

### Responsive: PVC product revenue & EBIT margin



### Responsive: Ropes revenue & EBIT margin



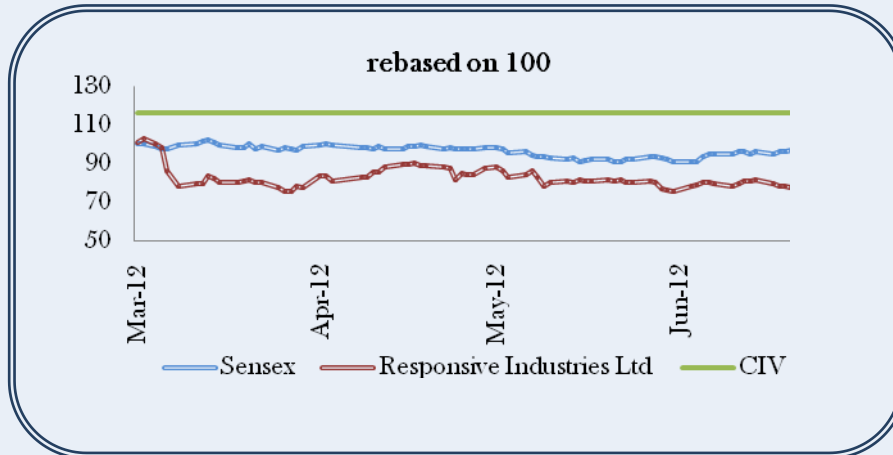
Source: Company and CARE Equity Research



### Responsive stock price down 23.5 per cent since its coverage initiation

CARE Equity Research initiated coverage on Responsive with a Current Intrinsic Value (CIV) of Rs.116 and a valuation grade of 3, based on the Current Market Price (CMP) of Rs.111 on March 1, 2012. The stock price is down by 23.5 per cent cumulatively, since then. The benchmark index (Sensex) in comparison has remained almost flat during the same period.

#### Responsive: Stock performance since initiation



Source: BSE and CARE Equity Research

### CARE Equity Research assigns valuation grade of 5/5

CARE Equity Research maintains the CIV of Responsive to Rs 116 per share. The CIV has been arrived using the Discounted Cash Flows (DCF) methodology. Given the CMP for Responsive at Rs. 85 per share, the CIV of Rs. 116 per share results in the valuation grade of 5/5, indicating the shares of Responsive have 'Considerable Upside Potential'.



## ANALYSIS OF INTERIM RESULTS

## Quarterly Standalone Income statement

(Rs Crore)	Q4FY12	Q4FY11	Q3FY12	Growth (y-o-y)	Growth (q-o-q)
Net Revenues	369.3	234.6	271.5	57.4%	36.0%
Total Expenditure	345.3	207.9	246.9	66.1%	39.8%
<b>EBITDA</b>	<b>24.0</b>	<b>26.6</b>	<b>24.6</b>	<b>-9.8%</b>	<b>-2.3%</b>
Depreciation and amortisation	15.6	7.0	13.0	122.8%	19.8%
<b>EBIT</b>	<b>8.4</b>	<b>19.6</b>	<b>11.6</b>	<b>-57.2%</b>	<b>-27.2%</b>
Interest	2.2	0.9	1.9	135.2%	12.0%
PBT	9.6	18.4	10.3	-48.0%	-7.0%
<b>PAT</b>	<b>19.4</b>	<b>15.1</b>	<b>4.1</b>	<b>28.8%</b>	<b>367.9%</b>
EBITDA Margin (%)	6.5%	11.4%	9.1%	-485 bps	-255 bps
Net Margin (%)	5.2%	6.4%	1.5%	-117 bps	372 bps

## Quarterly Consolidated Income statement

(Rs Crore)	Q4FY12	Q3FY12	Growth (q-o-q)
Net Revenues	530.6	428.3	23.9%
Total Expenditure	481.0	387.3	24.2%
<b>EBITDA</b>	<b>49.6</b>	<b>41.0</b>	<b>21.0%</b>
Depreciation and amortisation	21.7	19.4	11.6%
<b>EBIT</b>	<b>27.9</b>	<b>21.5</b>	<b>29.4%</b>
Interest	3.7	3.8	-0.8%
PBT	25.7	21.2	21.3%
<b>PAT</b>	<b>37.3</b>	<b>11.9</b>	<b>214.0%</b>
EBITDA Margin (%)	9.3%	9.6%	-22 bps
Net Margin (%)	7.0%	2.8%	426 bps

## Annual Income statement

(Rs. Crore)	Standalone			Consolidated		
	FY12	FY11	Growth (y-o-y)	FY12	FY11	Growth (y-o-y)
Net Sales	1078	724.5	48.8%	1684.1	1188.7	41.7%
EBITDA	115.6	97.4	18.7%	213.3	191.6	11.3%
Depreciation and amortization	54.2	28.3	91.5%	79.3	53.1	49.5%
<b>EBIT</b>	<b>61.4</b>	<b>69.1</b>	<b>-11.1%</b>	<b>134.0</b>	<b>138.5</b>	<b>-3.3%</b>
Interest	6.1	3.8	60.5%	12.1	11.1	8.2%
PBT	60.7	67.5	-10.1%	129.8	129.5	0.2%
<b>Adj. PAT</b>	<b>48.9</b>	<b>55.3</b>	<b>-11.6%</b>	<b>104.0</b>	<b>91.0</b>	<b>14.2%</b>
EBITDA margin	10.7%	13.4%	-272 bps	12.7%	16.1%	-346 bps
Adj. PAT margin	4.5%	7.6%	-310 bps	6.2%	7.7%	-148 bps



## FINANCIAL STATISTICS

### Consolidated Income Statement

(Rs. Crores)	FY10	FY11	FY12#	FY13E	FY14E
<b>Net Revenues</b>	<b>839</b>	<b>1,179</b>	<b>1,684</b>	<b>2,387</b>	<b>2,586</b>
EBITDA	129	182	213	368	413
Depreciation and amortisation	37	53	79	106	112
EBIT	91	128	134	263	301
Interest	10	11	12	33	28
PBT	92	130	130	234	283
Ordinary PAT (After minority interest)	63	91	104	161	195
<b>PAT (After minority interest)</b>	<b>63</b>	<b>91</b>	<b>104</b>	<b>161</b>	<b>195</b>
<b>Fully Diluted Earnings Per Share* (Rs.)</b>	<b>2.4</b>	<b>3.5</b>	<b>4.2</b>	<b>6.1</b>	<b>7.4</b>
<b>Dividend, including tax</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>

\* Calculated based on ordinary PAT on Current Face Value of Rs. 1/- per share

### Consolidated Balance Sheet

(Rs. Crores)	FY10	FY11	FY12#	FY13E	FY14E
Tangible Net worth (incl. Minority Interest)	322	470	578	734	926
Debt (incl. Preference Shares)	382	350	735	514	457
Deferred Liabilities / (Assets)	22	26	61	61	61
<b>Capital Employed</b>	<b>727</b>	<b>847</b>	<b>1,374</b>	<b>1,310</b>	<b>1,444</b>
Net Fixed Assets, incl. Capital WIP, net of reval reserve	549	717	906	902	839
Investments	34	16	127	69	68
Loans and Advances	16	16	79	19	20
Inventory	45	54	82	115	124
Receivables	107	90	210	197	213
Cash and Cash Equivalents	36	21	50	174	368
Current Assets, Loans and Advances	204	180	421	517	739
Less: Current Liabilities and Provisions	61	67	81	179	202
<b>Total Assets</b>	<b>727</b>	<b>847</b>	<b>1,374</b>	<b>1,310</b>	<b>1,444</b>

### Ratios based on Consolidated Financials

	FY10	FY11	FY12#	FY13E	FY14E
Growth in Operating Income	29.1%	40.4%	41.7%	41.7%	8.3%
Growth in EBITDA	44.7%	41.1%	11.3%	72.7%	12.0%
Growth in PAT	50.6%	45.4%	14.2%	54.4%	21.5%
Growth in EPS	20.0%	45.5%	13.4%	43.9%	21.5%
EBITDA Margin	15.3%	15.4%	12.7%	15.4%	16.0%
PAT Margin	7.5%	7.7%	6.2%	6.7%	7.5%
RoCE	17.4%	16.3%	12.2%	19.6%	21.9%
RoE	24.8%	23.0%	19.8%	24.5%	23.5%
Gross Debt-Equity (times)	1.2	0.8	1.1	0.8	0.5
Net Debt-Equity (times)	1.1	0.7	0.8	0.5	0.1
Interest Coverage (times)	9.6	11.5	11.1	8.0	10.6
Current Ratio (times)	3.4	2.7	5.2	2.9	3.7
Inventory Days	19	18	18	17	20
Receivable Days	26	29	26	26	28
Price / Earnings (P/E) Ratio		24.6	20.0	13.9	11.5
Price / Book Value (P/BV) Ratio		4.9	4.1	3.2	2.5
Enterprise Value (EV)/EBITDA		16.3	13.8	8.0	7.2

Source: Company, CARE Equity Research  
# based on abridged financials



## EXPLANATION OF GRADES

**CARE Equigrade Grid (CEG)**

Through CEG, CARE Equity Research addresses two critical factors considered by an investor while investing in a particular company's equity shares:

1. **Fundamentals:** Whether the company is fundamentally sound with respect to its business, its financial position, its management and its prospects.
2. **Valuation:** What is the Current Intrinsic Value (CIV) of the stock and how it compares vis-a-vis its Current Market Price (CMP)

These factors are answered assigning quantitative grades to both these parameters. CEG is the snapshot of 'Fundamental Grade' and 'Valuation Grade' assigned by CARE Equity Research.

**Fundamental Grade**

This grade represents how sound the company is fundamentally, vis-à-vis other listed companies in India. This grade captures:

1. Business Fundamentals and Prospects
2. Financial Soundness
3. Management Quality
4. Corporate Governance Practices

The grade is assigned on a five-point scale as under:

CARE Fundamental Grade	Evaluation
5/5	Strong Fundamentals
4/5	Very Good Fundamentals
3/5	Good Fundamentals
2/5	Modest Fundamentals
1/5	Weak Fundamentals

**Valuation Grade**

This grade represents the potential value in the company's equity share for the investor over a 1 year period. The Current Intrinsic Value (CIV) or the price arrived by CARE Equity Research on fundamental basis is compared with the current market price (CMP) of the stock and the grade is assigned based on the gap between CIV and CMP of the stock.

The grade is assigned on a five-point scale as under:

CARE Valuation Grade	Evaluation
5/5	Considerable Upside Potential (>25% upside from CMP)
4/5	Moderate Upside Potential (10-25% upside from CMP)
3/5	Fairly Priced (+/- 10% from CMP)
2/5	Moderate Downside Potential (10-25% downside from CMP)
1/5	Considerable Downside Potential (>25% downside from CMP)

**Grading determination is a matter of experienced and holistic judgment, based on relevant quantitative and qualitative factors of the company in relation to other listed companies.**





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- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
- This report has been sponsored by the company.
- Mr V. K. Chopra, Independent Director on the board of Responsive, is CARE's Rating Committee Member. The member has not participated in the grading process and in the grading committee meeting.

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