



Update – Q1 FY13

CARE EQUIGRADE GRID (CEG)

	1	2	3	4	5
Fundamentals					
Valuation					

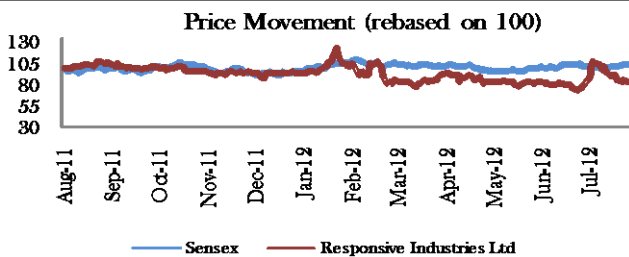
CEG is explained on the last page

KEY EQUISTATS

Market Capitalisation	Rs. Crores	2,469
Enterprise Value	Rs. Crores	3,154
52 Week High / Low	Rs.	135/78
Diluted EPS (FY12)	Rs.	4.2
P/E (FY12)	times	21.8
Regression Beta	times	0.2
Average Daily Volumes*	Lakhs	0.1

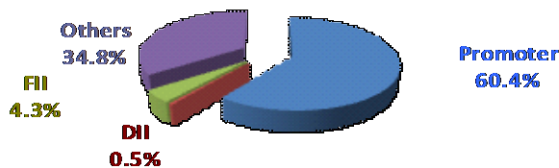
* BSE + NSE for last 52 weeks

STOCK PERFORMANCE



Returns	1M	3M	6M	1Yr
Absolute	-7%	3%	-17%	-13%
Rel. to Sensex	-10%	-6%	-14%	-17%

SHARE HOLDING PATTERN



ANALYTICAL CONTACTS

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¹ CMP: Current Market Price; CIV: Current Intrinsic Value

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

Revenue growth led by capacity expansion

During Q1FY13 (refers to the period April 01, 2012 to June 30, 2012, standalone business of Responsive reported 61% y-o-y increase in net revenues to Rs.342 crore on the back of capacity expansion. On a consolidated basis, revenue increased by 54% y-o-y and 1% q-o-q to Rs.540 crore. During the quarter, strong growth was also witnessed in Axiom Cordages (subsidiary which is in the business of shipping ropes) where revenue increased by 41% y-o-y to Rs.208 crore.

Improvement in operating performance q-o-q

After reporting lowest operating performance in Q4FY12, Responsive exhibited improvement in EBITDA margin in Q1FY13. In Q1FY13, EBITDA margin increased by 703bps q-o-q to 13.5% on account of lower forex loss and decline in raw material costs, however operating margin declined by 333bps y-o-y. During the quarter, EBITDA increased by 29% y-o-y to Rs.46.3 crore. Raw material costs during the quarter declined by 13% to Rs.270 crore against Rs.307 crore in the last quarter. The decline in raw material cost can be attributed to decrease in prices of PVC resins. However, due to increase in depreciation and interest costs PBT declined by 23% y-o-y to Rs.17.5 crore. Lower effective tax due to MAT credit resulted in PAT of Rs.15.4 crore in Q1FY13 against Rs.14.0 crore in Q1FY12.

Valuation

We have valued Responsive at a CIV of Rs.116 per share based on Discounted Cash Flows (DCF) methodology. However our estimates are under review and may revise it post management discussion.

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)	26.7	21.8	15.2	12.5
EV/EBITDA (times)	17.4	14.8	8.6	7.6

* 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 (LHS) and Consolidated (RHS) Financial Performance Snapshot

Rs Crore	Q1FY13	Q1FY12	Growth (y-o-y)	Rs Crore	Q1FY13	Q1FY12	Growth (y-o-y)
Net Revenues	342.4	212.4	61.2%	Net Revenues	540.4	352.1	53.5%
EBITDA	46.3	35.8	29.4%	EBITDA	77.7	61.2	26.9%
EBITDA Margins (%)	13.5	16.9	-333 bps	EBITDA Margins (%)	14.4	17.4	-301 bps
PAT	15.4	14.0	9.9%	PAT	29.4	26.9	9.4%
PAT Margins (%)	4.5	6.6	-210 bps	PAT Margins (%)	5.4	7.6	-219 bps

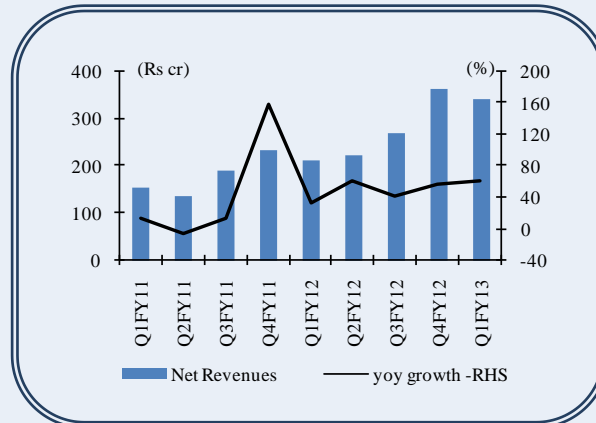
Source: Company and CARE Equity Research

Revenue increases by 61% led by capacity expansion

Standalone business of Responsive reported 61% y-o-y increase in net revenues to Rs.342 crore during Q1FY13 on back of capacity expansion. On a consolidated basis, revenue increased by 54% y-o-y and 1% q-o-q to Rs.540 crore. During the quarter, strong growth was also witnessed in Axiom Cordages where revenue increased by 41% y-o-y to Rs.208 crore. Going forward, we expect the growth momentum to continue on the back of higher volume and realizations.



Responsive: Trend and growth in quarterly revenues



Source: Company and CARE Equity Research

Improvement in operating performance q-o-q

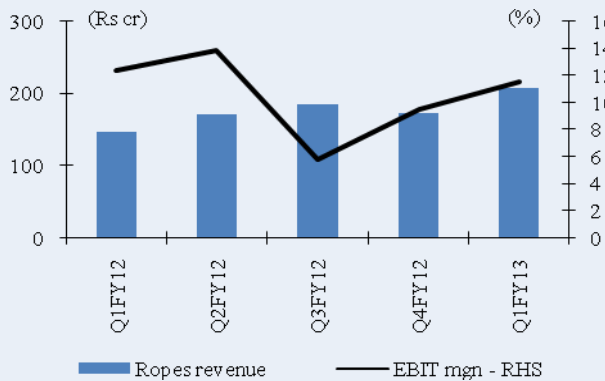
After reporting lowest operating performance in Q4FY12, Responsive exhibited improvement in EBITDA margin in Q1FY13.

In Q1FY13, Responsive exhibited an EBITDA increase of 29% y-o-y to Rs 46.3 crore. EBITDA margin too increased by 703bps q-o-q to 13.5% during the quarter on account of lower forex loss coupled with a decline in raw material costs. Raw material costs during the quarter declined by 13% q-o-q to Rs.270 crore as against Rs.307 crore in Q4FY12. The decline in raw material cost can be attributed to decrease in prices of PVC resins. EBITDA margins however, witnessed a 333bps decline y-o-y. On a consolidated basis, EBITDA during the quarter increased by 27% y-o-y to Rs 77.7, however EBITDA margin declined by 301 bps y-o-y to 14.4%.

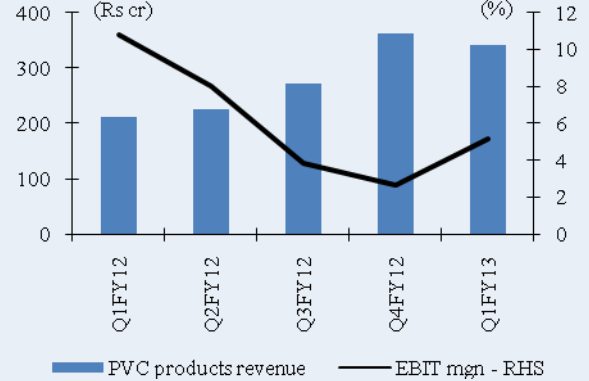
However, due to increase in depreciation and interest costs (interest expensed as against capitalized), standalone PBT declined by 23% y-o-y to Rs.17.5 crore. Lower effective tax due to MAT credit resulted in PAT of Rs.15.4 crore in Q1FY13 against Rs.14.0 crore in Q1FY12. On a consolidated basis, PAT increased 9.4% y-o-y to Rs 29.4 crore. PAT margin declined by 219 bps y-o-y due to higher depreciation and interest costs.



Responsive: Ropes revenue & EBIT margin



Responsive: PVC product revenue & EBIT margin

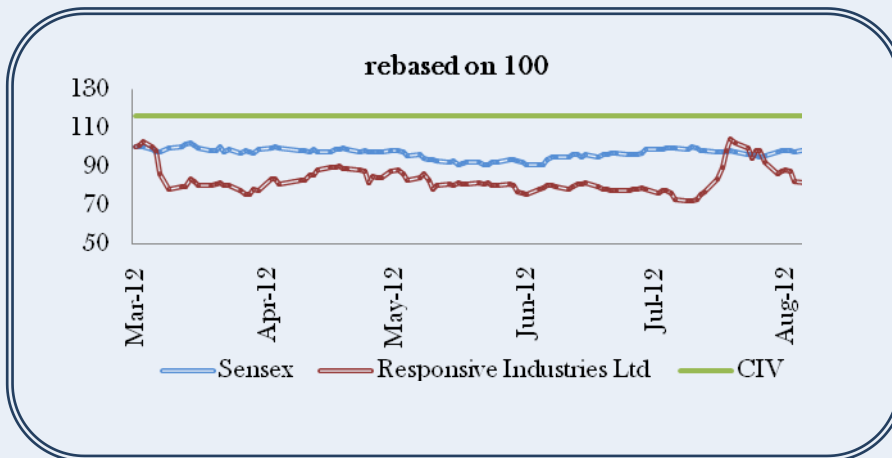


Source: Company and CARE Equity Research

Responsive stock price down 17 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 17 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



ANALYSIS OF INTERIM RESULTS

Quarterly Standalone Income statement

(Rs Crore)	Q1FY13	Q1FY12	Q4FY12	Growth (y-o-y)	Growth (q-o-q)
Net Revenues	342.4	212.4	369.3	61.2%	-7.3%
Total Expenditure	296.1	176.6	345.3	67.7%	-14.3%
EBITDA	46.3	35.8	24.0	29.4%	92.9%
Depreciation and amortisation	22.3	12.5	15.6	78.3%	43.0%
EBIT	24.0	23.3	8.4	3.1%	185.5%
Interest	7.2	0.8	2.2	759.8%	233.7%
PBT	17.5	22.8	9.6	-23.4%	82.6%
PAT	15.4	14.0	19.4	9.9%	-20.7%
EBITDA Margin	13.5%	16.9%	6.5%	-333 bps	703 bps
Net Margin	4.5%	6.6%	5.2%	-210 bps	-76 bps

Quarterly Consolidated Income statement

(Rs Crore)	Q1FY13	Q1FY12	Q4FY12	Growth (y-o-y)	Growth (q-o-q)
Net Revenues	540.4	352.1	535.6	53.5%	0.9%
Total Expenditure	462.7	290.8	486.0	59.1%	-4.8%
EBITDA	77.7	61.2	49.6	26.9%	56.7%
Depreciation and amortisation	28.7	18.7	21.7	53.2%	32.4%
EBIT	49.0	42.5	27.9	15.3%	75.6%
Interest	8.5	2.0	3.7	319.2%	128.4%
PBT	41.6	41.1	25.7	1.1%	62.0%
PAT	29.4	26.9	37.3	9.4%	-21.2%
EBITDA Margin	14.4%	17.4%	9.3%	-301 bps	512 bps
Net Margin	5.4%	7.6%	7.0%	-219 bps	-152 bps

Source: Company and CARE Equity Research



FINANCIAL STATISTICS

Consolidated Income Statement

(Rs. Crores)	FY10	FY11	FY12#	FY13E	FY14E
Net Revenues	839	1,179	1,684	2,387	2,586
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
PAT (After minority interest)	63	91	104	161	195
Fully Diluted Earnings Per Share* (Rs.)	2.4	3.5	4.2	6.1	7.4
Dividend, including tax	3	3	3	4	4

* Calculated based on ordinary PAT on Current Face Value of Re. 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
Capital Employed	727	847	1,374	1,310	1,444
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
Total Assets	727	847	1,374	1,310	1,444

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		26.7	21.8	15.2	12.5
Price / Book Value (P/BV) Ratio		5.3	4.2	3.6	2.8
Enterprise Value (EV)/EBITDA		17.4	14.8	8.6	7.6

Source: Company and 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.



DISCLOSURES

- 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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