



Update – Q2 FY13 (refers to the period July 01, 2012 to September 30, 2012)

CARE EQUIGRADE GRID (CEG)

| | 1 | 2 | 3 | 4 | 5 |
|--------------|------------------------------|---|---|---|---|
| Fundamentals | [Green arrow pointing right] | | | | |
| Valuation | [Green arrow pointing right] | | | | |

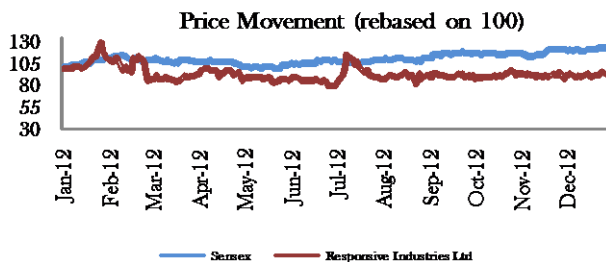
CEG is explained on the last page

KEY EQUSTATS

| | | |
|------------------------|------------|--------|
| Market Capitalisation | Rs. Crores | 2,536 |
| Enterprise Value | Rs. Crores | 3,221 |
| 52 Week High / Low | Rs. | 135/77 |
| Diluted EPS (FY12) | Rs. | 4.2 |
| P/E (FY12) | times | 22.4 |
| Regression Beta | times | 0.3 |
| Average Daily Volumes* | Lakhs | 0.4 |

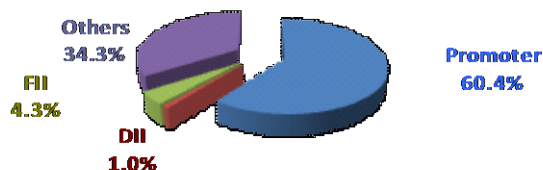
*BSE + NSE for last 52 weeks

STOCK PERFORMANCE



| Returns | 1M | 3M | 6M | 1Yr |
|----------------|----|----|-----|------|
| Absolute | 3% | 6% | 13% | -6% |
| Rel. to Sensex | 2% | 1% | -1% | -23% |

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 Q2FY13, consolidated net revenue increased by 51% y-o-y and 5% q-o-q to Rs.565 crore. On a standalone basis, the company reported 69% y-o-y increase in net revenues to Rs.379 crore on the back of capacity expansion. During the quarter, revenues for Axiom Cordages (subsidiary which is in shipping ropes business) increased by 8.1% y-o-y to Rs 186 crore, however it declined sequentially by 10.8%.

Weak operating performance

During the quarter, EBITDA margin declined by 381bps y-o-y and 167bps q-o-q to 12.7% on account of increase in raw material costs. During the quarter, EBITDA declined by 7.6% q-o-q to Rs.71.8 crore. Raw material costs increased by 7.6% to Rs.466 crore against Rs.431 crore in the last quarter. However, due to decrease in interest costs, higher other income and lower effective tax due to MAT credit resulted in PAT of Rs.32.6 crore in Q2FY13 against Rs.28.0 crore in Q2FY12.

Valuation

We continue to value the equity shares of Responsive at a CIV of Rs.116 per share. The valuation has been arrived at using the Discounted Cash Flow (DCF) methodology. At the Current Market Price (CMP) of Rs. 95 per share, this results in a Valuation Grade of 4/5, indicating 'Moderate Upside Potential'.

Financial Information Snapshot

| (Rs. crore) | FY11 | FY12 | FY13P | FY14P |
|-------------------------------|-------|-------|-------|-------|
| Total Revenues | 1,189 | 1,688 | 2,219 | 2,507 |
| EBITDA | 192 | 221 | 338 | 413 |
| PAT (After minority interest) | 91 | 104 | 135 | 189 |
| Fully Diluted EPS* (Rs.) | 3.7 | 4.2 | 5.1 | 7.2 |
| Dividend Per Share (Rs.) | 0.1 | 0.1 | 0.1 | 0.1 |
| P/E (times) | 25.4 | 22.4 | 18.5 | 13.2 |
| EV/EBITDA (times) | 16.8 | 14.6 | 9.5 | 7.8 |

* 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 | Q2FY13 | Q2FY12 | Growth (y-o-y) | Rs Crore | Q2FY13 | Q2FY12 | Growth (y-o-y) |
|---------------------------|--------------|--------------|----------------|---------------------------|--------------|--------------|-----------------|
| Net Revenues | 379.5 | 224.9 | 68.7% | Net Revenues | 564.9 | 373.3 | 51.3% |
| EBITDA | 51.4 | 31.4 | 64.0% | EBITDA | 71.8 | 61.7 | 16.4% |
| EBITDA Margins (%) | 13.5% | 13.9% | -39 bps | EBITDA Margins (%) | 12.7% | 16.5% | -381 bps |
| PAT | 19.4 | 11.5 | 69.5% | PAT | 32.6 | 28.0 | 16.5% |
| PAT Margins (%) | 5.1% | 5.1% | 2 bps | PAT Margins (%) | 5.8% | 7.5% | -172bps |

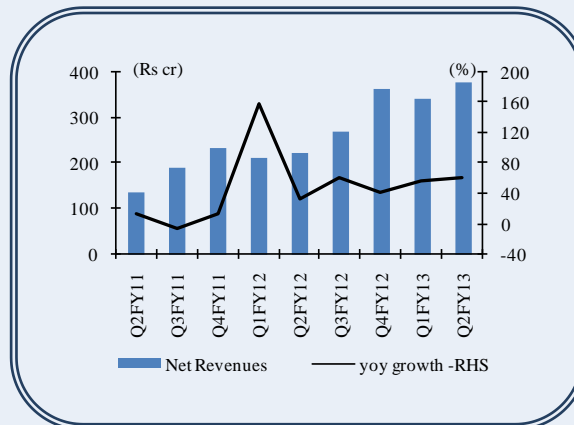
Source: Company and CARE Equity Research

Revenue increases by 69% led by capacity expansion

Standalone business of Responsive reported 69% y-o-y increase in net revenues to Rs.379 crore during Q2FY13 on back of capacity expansion. On a consolidated basis, revenue increased by 51% y-o-y and 5% q-o-q to Rs.565 crore. During the quarter, revenues for Axiom Cordages (subsidiary which is in shipping ropes business) increased by 8.1% y-o-y to Rs 186 crore, however it declined sequentially by 10.8%. Going forward, we expect the growth momentum to continue on the back of higher volume and realizations.



Responsive (Standalone): Trend and growth in quarterly revenues



Source: Company and CARE Equity Research

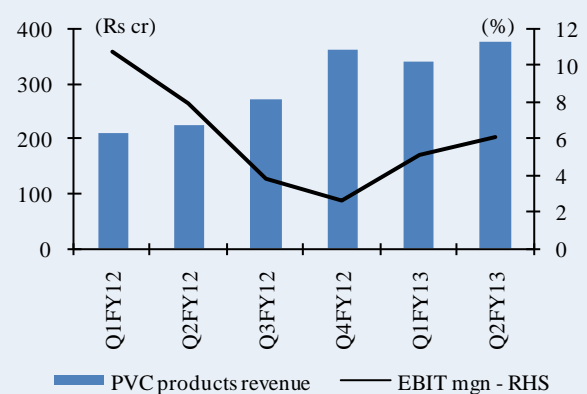
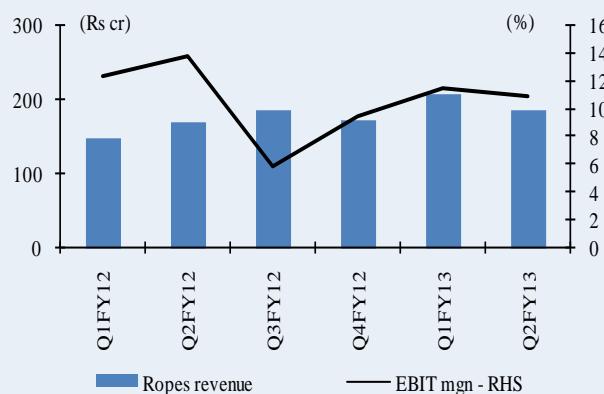
Weak operating performance

In Q2FY13, EBITDA margin declined by 381bps y-o-y and 167bps q-o-q to 12.7% on account of increase in raw material costs. During the quarter, EBITDA declined by 7.6% q-o-q to Rs.71.8 crore. Raw material costs increased by 7.6% to Rs.466 crore against Rs.431 crore in the last quarter (as a percentage of sales it increased to 82.7% from 80.3% in the previous quarter). On a standalone basis, EBITDA during the quarter increased by 64% y-o-y to Rs 51.4, however EBITDA margin declined by 39 bps y-o-y to 13.5%.

Decrease in interest costs, higher other income and lower effective tax due to MAT credit resulted in PAT of Rs.32.6 crore in Q2FY13 against Rs.28.0 crore in Q2FY12. On a standalone basis, PAT increased 69.5% y-o-y to Rs 19.4 crore while PAT margin remained flat at 5.1%.

Axiom: Ropes revenue & EBIT margin

Responsive: PVC product revenue & EBIT margin



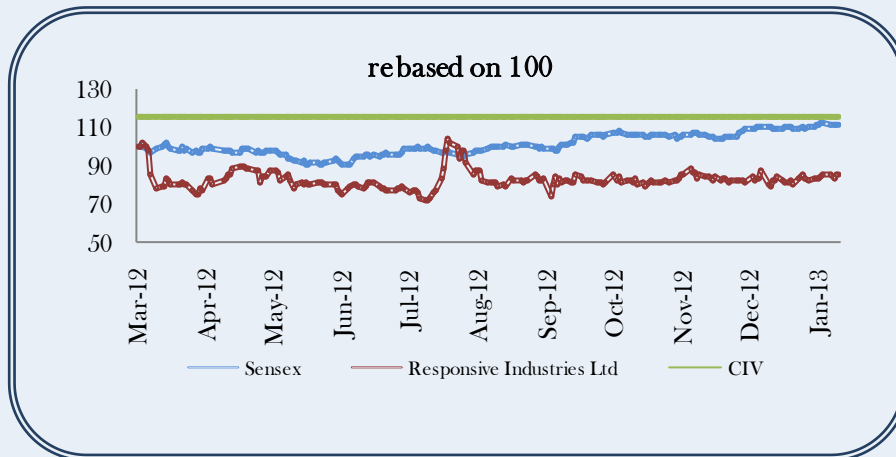
Source: Company and CARE Equity Research



Responsive stock price down 14 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 3/5, based on the Current Market Price (CMP) of Rs.111 on March 1, 2012. The stock price is down by 14 per cent cumulatively, since then. The benchmark index (Sensex) in comparison has increased by 12 per cent during the same period.

Responsive: Stock performance since initiation



Source: BSE and CARE Equity Research

CARE Equity Research assigns a Valuation Grade of 4/5 for Responsive

We continue to value the equity shares of Responsive at a CIV of Rs.116 per share. The valuation has been arrived at using the Discounted Cash Flows (DCF) methodology. At the Current Market Price (CMP) of Rs. 95 per share, we assign a Valuation Grade of 4/5, indicating the shares of Responsive have ‘Moderate Upside Potential’.



ANALYSIS OF INTERIM RESULTS

Quarterly Standalone Income Statement

| (Rs Crore) | Q2FY13 | Q2FY12 | Q1FY13 | Growth (y-o-y) | Growth (q-o-q) |
|-------------------------------|-------------|-------------|-------------|----------------|----------------|
| Net Revenues | 379.5 | 224.9 | 342.4 | 68.7% | 10.8% |
| Total Expenditure | 328.1 | 193.5 | 296.1 | 69.5% | 10.8% |
| EBITDA | 51.4 | 31.4 | 46.3 | 64.0% | 11.0% |
| Depreciation and amortisation | 22.6 | 13.1 | 22.3 | 72.4% | 1.1% |
| EBIT | 28.8 | 18.3 | 24.0 | 57.9% | 20.2% |
| Interest | 6.5 | 1.2 | 7.2 | 446.0% | -9.7% |
| PBT | 23.1 | 18.0 | 17.5 | 28.3% | 32.1% |
| PAT | 19.4 | 11.5 | 15.4 | 69.5% | 26.5% |
| EBITDA Margin | 13.5% | 13.9% | 13.5% | -39 bps | 2 bps |
| Net Margin | 5.1% | 5.1% | 4.5% | 2 bps | 63 bps |

Source: Company and CARE Equity Research

Quarterly Consolidated Income Statement

| (Rs Crore) | Q2FY13 | Q2FY12 | Q1FY13 | Growth (y-o-y) | Growth (q-o-q) |
|-------------------------------|-------------|-------------|-------------|----------------|----------------|
| Net Revenues | 564.9 | 373.3 | 540.4 | 51.3% | 4.5% |
| Total Expenditure | 493.1 | 311.6 | 462.7 | 58.2% | 6.6% |
| EBITDA | 71.8 | 61.7 | 77.7 | 16.4% | -7.6% |
| Depreciation and amortisation | 29.0 | 19.5 | 28.7 | 48.9% | 1.2% |
| EBIT | 42.7 | 42.2 | 49.0 | 1.3% | -12.7% |
| Interest | 7.0 | 2.5 | 8.5 | 178.6% | -17.7% |
| PBT | 43.4 | 41.8 | 41.6 | 3.8% | 4.3% |
| PAT | 32.6 | 28.0 | 29.4 | 16.5% | 10.8% |
| EBITDA Margin | 12.7% | 16.5% | 14.4% | -381 bps | -167 bps |
| Net Margin | 5.8% | 7.5% | 5.4% | -172 bps | 33 bps |

Source: Company and CARE Equity Research



FINANCIAL STATISTICS

Consolidated Income Statement

| (Rs. Crores) | FY10 | FY11 | FY12 | FY13P | FY14P |
|--|------------|--------------|--------------|--------------|--------------|
| Net Revenues | 839 | 1,189 | 1,688 | 2,219 | 2,507 |
| EBITDA | 129 | 192 | 221 | 338 | 413 |
| Depreciation and amortisation | 37 | 53 | 79 | 103 | 106 |
| EBIT | 91 | 139 | 142 | 235 | 307 |
| Interest | 10 | 11 | 12 | 46 | 45 |
| PBT | 92 | 130 | 130 | 196 | 275 |
| Ordinary PAT (After minority interest) | 63 | 91 | 104 | 135 | 189 |
| PAT (After minority interest) | 63 | 91 | 104 | 135 | 189 |
| Fully Diluted Earnings Per Share* (Rs.) | 2.4 | 3.7 | 4.2 | 5.1 | 7.2 |
| Dividend, including tax | 3 | 3 | 3 | 3 | 3 |

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

Consolidated Balance Sheet

| (Rs. Crores) | FY10 | FY11 | FY12 | FY13P | FY14P |
|---|------------|------------|--------------|--------------|--------------|
| Tangible Net worth (incl. Minority Interest) | 322 | 470 | 578 | 705 | 889 |
| Debt (incl. Preference Shares) | 382 | 330 | 735 | 615 | 552 |
| Deferred Liabilities / (Assets) | 22 | 26 | 61 | 61 | 61 |
| Capital Employed | 727 | 827 | 1,374 | 1,382 | 1,503 |
| Net Fixed Assets, incl. Capital WIP, net of reval reserve | 549 | 717 | 906 | 859 | 774 |
| Investments | 34 | 16 | 127 | 127 | 127 |
| Loans and Advances | 16 | 16 | 79 | 63 | 69 |
| Inventory | 45 | 53 | 82 | 100 | 120 |
| Receivables | 107 | 90 | 210 | 263 | 302 |
| Cash and Cash Equivalents | 36 | 21 | 50 | 58 | 208 |
| Current Assets, Loans and Advances | 204 | 180 | 421 | 505 | 722 |
| Less: Current Liabilities and Provisions | 61 | 87 | 81 | 109 | 120 |
| Total Assets | 727 | 827 | 1,374 | 1,382 | 1,503 |

Ratios based on Consolidated Financials

| | FY10 | FY11 | FY12 | FY13P | FY14P |
|---------------------------------|-------|-------|-------|-------|-------|
| Growth in Operating Income | 29.1% | 41.6% | 42.0% | 31.4% | 13.0% |
| Growth in EBITDA | 44.7% | 49.0% | 15.5% | 52.8% | 22.0% |
| Growth in PAT | 50.6% | 45.5% | 14.2% | 29.6% | 40.0% |
| Growth in EPS | 20.0% | 57.3% | 13.4% | 20.8% | 40.0% |
| EBITDA Margin | 15.3% | 16.1% | 13.1% | 15.2% | 16.5% |
| PAT Margin | 7.5% | 7.7% | 6.2% | 6.1% | 7.5% |
| RoCE | 17.4% | 17.8% | 12.9% | 17.0% | 21.3% |
| RoE | 24.8% | 23.0% | 19.8% | 21.0% | 23.7% |
| Gross Debt-Equity (times) | 1.2 | 0.8 | 1.3 | 0.9 | 0.6 |
| Net Debt-Equity (times) | 1.1 | 0.7 | 1.2 | 0.8 | 0.4 |
| Interest Coverage (times) | 9.6 | 12.4 | 11.8 | 5.1 | 6.8 |
| Current Ratio (times) | 3.4 | 2.1 | 5.2 | 4.6 | 6.0 |
| Inventory Days | 19 | 18 | 17 | 18 | 19 |
| Receivable Days | 26 | 29 | 33 | 39 | 41 |
| Price / Earnings (P/E) Ratio | | 25.4 | 22.4 | 18.5 | 13.2 |
| Price / Book Value (P/BV) Ratio | | 5.4 | 4.5 | 3.7 | 3.0 |
| Enterprise Value (EV)/EBITDA | | 16.8 | 14.6 | 9.5 | 7.8 |

Source: Company and CARE Equity Research



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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- 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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