



Update – Q3 FY13 (refers to the period October 01, 2012 to December 31, 2012)

CARE EQUIGRADE GRID (CEG)

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

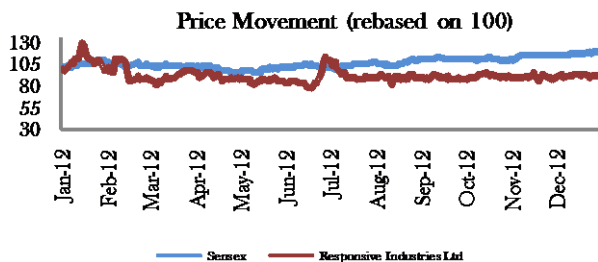
CEG is explained on the last page

KEY EQUISTATS

Market Capitalisation	Rs. Crores	2,477
Enterprise Value	Rs. Crores	3,162
52 Week High / Low	Rs.	135/77
Diluted EPS (FY12)	Rs.	4.2
P/E (FY12)	times	21.9
Regression Beta	times	0.2
Average Daily Volumes*	Lakhs	0.5

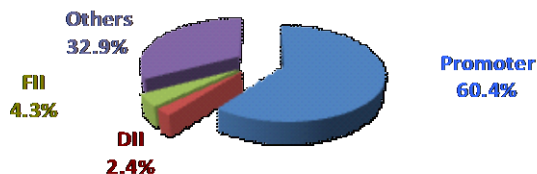
* BSE + NSE for last 52 weeks

STOCK PERFORMANCE



Returns	1M	3M	6M	1 Yr
Absolute	0%	3%	-16%	-9%
Rel. to Sensex	-4%	-3%	-29%	-24%

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 for Responsive Industries Ltd (Responsive). This indicates 'Very Good Fundamentals'.

Capacity expansion aids high revenue growth

Standalone business of Responsive reported 41.9% y-o-y increase in net revenues to Rs.385.6 crore during Q3FY13; primarily on back of capacity expansion. On a consolidated basis, revenue increased by 27.6% y-o-y to Rs.546.3 crore. During the quarter, revenues for Axiom Cordages Ltd. (subsidiary which is in shipping ropes business) decreased by 13.7% y-o-y and 13.4% q-o-q to Rs.161 crore on account of low off-take.

Operating performance expands

During the quarter, consolidated EBITDA margin increased by 414bps y-o-y and 99bps q-o-q to 13.7% on account of decrease in raw material costs. Raw material cost declined by 4.4% q-o-q to Rs.446 crore against Rs.466 crore in the last quarter. On a y-o-y comparative basis standalone, EBITDA for Q3FY13 witnessed an increase of 98.8% to Rs.48.9 crore as the company had reported foreign exchange loss of Rs.12.9 crore in Q3FY12. Increase in interest costs, lower other income and higher effective tax resulted in consolidated PAT of Rs.21.2 crore in Q3FY13 against Rs.11.9 crore in Q3FY12. On a standalone basis, PAT increased 169.0% y-o-y to Rs.11.1 crore while PAT margin increased to 2.9%.

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.93 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)	24.8	21.9	18.1	12.9
EV/EBITDA (times)	16.5	14.3	9.4	7.7

* 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 for 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	Q3FY13	Q3FY12	Growth (y-o-y)	Rs Crore	Q3FY13	Q3FY12	Growth (y-o-y)
Net Revenues	385.6	271.6	41.9%	Net Revenues	546.3	428.3	27.6%
EBITDA	48.9	24.6	98.8%	EBITDA	74.9	41.0	82.7%
EBITDA Margins (%)	12.7%	9.1%	363 bps	EBITDA Margins (%)	13.7%	9.6%	414 bps
PAT	11.1	4.1	169.0%	PAT	21.2	11.9	78.7%
PAT Margins (%)	2.9%	1.5%	136 bps	PAT Margins (%)	3.9%	2.8%	111bps

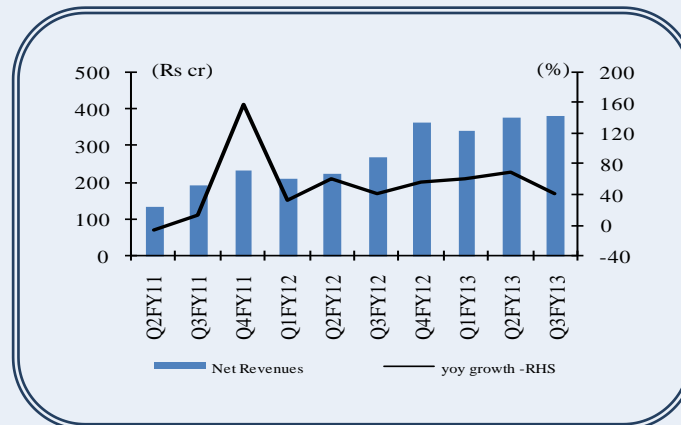
Source: Company and CARE Equity Research

Capacity expansion aids high revenue growth

Standalone business of Responsive reported 41.9% y-o-y increase in net revenues to Rs.385.6 crore during Q3FY13 on back of capacity expansion. On a consolidated basis, revenue increased by 27.6% y-o-y to Rs.546.3 crore. During the quarter, revenues for Axiom Cordages Ltd. (subsidiary which is in shipping ropes business) decreased by 13.7% y-o-y and 13.4% q-o-q to Rs.161 crore on account of lower off-take. Going forward, we expect the growth momentum to continue in standalone business on the back of higher volume and realizations.



Responsive (Standalone): Trend and growth in quarterly revenues

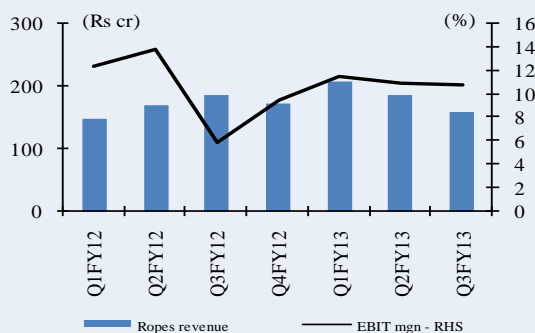


Source: Company and CARE Equity Research

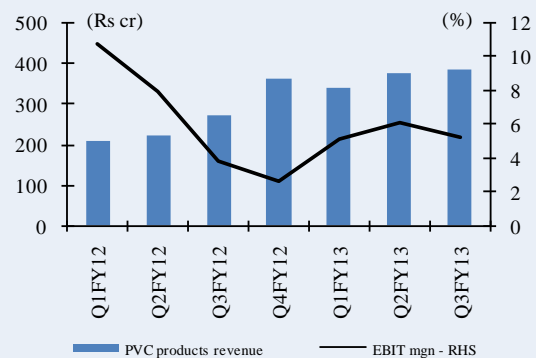
Operating performance improves

In Q3FY13, EBITDA margin increased by 414bps y-o-y and 99bps q-o-q to 13.7% on account of decrease in raw material costs. During the quarter, EBITDA increased by 4.3% q-o-q to Rs.74.9 crore. Raw material costs declined by 4.4% q-o-q to Rs.446 crore against Rs.466 crore in the last quarter (as a percentage of sales it decreased to 81.7% from 82.7% in the previous quarter). On a y-o-y comparative basis, standalone EBITDA during Q3FY13 was higher by 98.8% at Rs 48.9 crore as the company had incurred foreign exchange losses of Rs 12.9 crore in Q3FY12. Consequently, EBITDA margin expanded by 363 bps y-o-y to 12.7%. Increase in interest costs, lower other income and higher effective tax resulted in a consolidated PAT of Rs.21.2 crore in Q3FY13 against Rs.11.9 crore in Q3FY12. On a standalone basis, PAT increased 169% y-o-y to Rs.11.1 crore while PAT margin increased to 2.9% from 1.5% in the corresponding quarter last year.

Axiom: Ropes revenue & EBIT margin



Responsive: PVC product revenue & EBIT margin



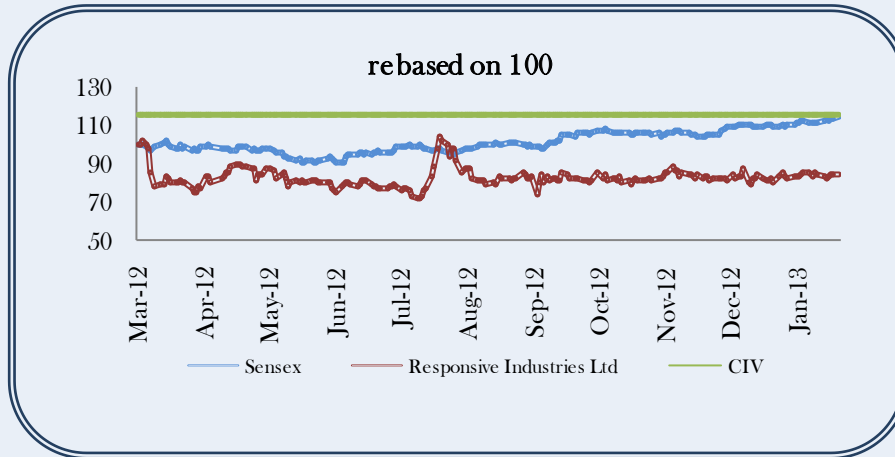
Source: Company and CARE Equity Research



Responsive stock price down 16 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 16 per cent cumulatively, since then. The benchmark index (Sensex) in comparison has increased by 14 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.93 per share, we assign a Valuation Grade of 4/5, indicating the shares of Responsive have ‘Moderate Upside Potential’.



ANALYSIS OF INTERIM RESULTS

Standalone Income Statement (Quarterly)

(Rs Crore)	Q3FY13	Q3FY12	Q2FY13	Growth (y-o-y)	Growth (q-o-q)
Net Revenues	385.6	271.6	379.5	41.9%	1.6%
Total Expenditure	336.7	247.0	328.1	36.3%	2.6%
EBITDA	48.9	24.6	51.4	98.8%	-4.9%
Depreciation and amortization	22.6	13.0	22.6	73.3%	0.1%
EBIT	26.3	11.6	28.8	127.3%	-8.7%
Interest	7.0	2.1	6.5	235.1%	7.6%
PBT	20.4	10.3	23.1	97.7%	-11.9%
PAT	11.1	4.1	19.4	169.0%	-42.7%
EBITDA Margin	12.7%	9.1%	13.5%	363 bps	-86 bps
Net Margin	2.9%	1.5%	5.1%	136 bps	-223 bps

Source: Company and CARE Equity Research

Consolidated Income Statement (Quarterly)

(Rs Crore)	Q3FY13	Q3FY12	Q2FY13	Growth (y-o-y)	Growth (q-o-q)
Net Revenues	546.3	428.3	564.9	27.6%	-3.3%
Total Expenditure	471.5	387.3	493.1	21.7%	-4.4%
EBITDA	74.9	41.0	71.8	82.7%	4.3%
Depreciation and amortization	30.5	19.4	29.0	56.9%	5.0%
EBIT	44.4	21.5	42.7	106.0%	3.8%
Interest	7.6	3.8	7.0	102.8%	8.7%
PBT	37.8	21.2	43.4	78.5%	-12.9%
PAT	21.2	11.9	32.6	78.7%	-34.8%
EBITDA Margin	13.7%	9.6%	12.7%	414 bps	99 bps
Net Margin	3.9%	2.8%	5.8%	111 bps	-188 bps

Source: Company and CARE Equity Research

Income Statement (Year to Date)

(Rs. Crore)	Standalone			Consolidated		
	9MFY13	9MFY12	Growth (y-o-y)	9MFY13	9MFY12	Growth (y-o-y)
Net Revenues	1,107.5	708.9	56.2%	1,651.6	1,153.7	43.2%
Total Expenditure	960.8	617.1	55.7%	1427.2	989.8	44.2%
EBITDA	146.7	91.8	59.8%	224.3	163.9	36.9%
Depreciation and amortization	67.5	38.6	74.6%	88.2	57.7	53.0%
EBIT	79.2	53.1	49.1%	136.1	106.2	28.1%
Interest	20.8	4.1	402.9%	23.2	8.3	178.7%
PBT	61.0	51.1	19.2%	122.7	104.1	17.9%
Adj. PAT	46.0	29.6	55.3%	83.2	66.7	24.7%
EBITDA margin	13.2%	12.9%	30 bps	13.6%	14.2%	-62 bps
Adj. PAT margin	4.2%	4.2%	-3 bps	5.0%	5.8%	-74 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		24.8	21.9	18.1	12.9
Price / Book Value (P/BV) Ratio		5.3	4.4	3.7	2.9
Enterprise Value (EV)/EBITDA		16.5	14.3	9.4	7.7

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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- 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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