



Very Good Fundamentals, Fairly Valued

CMP: 111 / CIV: 116

Sensex: 17,584

CARE EQUIGRADE GRID (CEG)

	1	2	3	4	5
Fundamentals					
Valuation					

CEG is explained on the last page

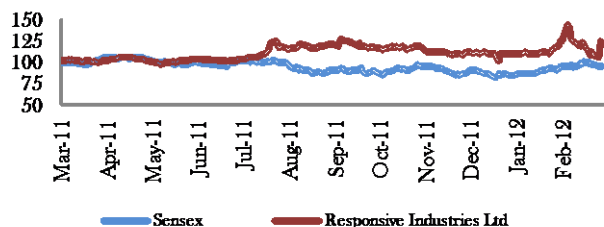
KEY EQUIS TATS

Market Capitalisation	Rs. Crores	2,906
Enterprise Value	Rs. Crores	3,427
52 Week High / Low	Rs.	135/84.5
Diluted EPS (FY12E)	Rs.	3.8
P/E (FY12E)	times	29.0
Regression Beta	times	0.3
Average Daily Volumes*	Lakhs	0.3

* BSE + NSE for last 52 weeks

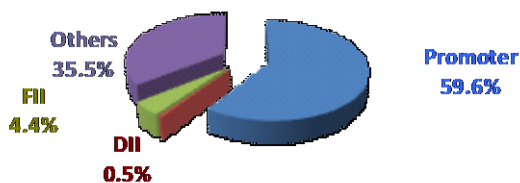
STOCK PERFORMANCE

Price Movement (rebased on 100)



Returns	1M	3M	6M	1 Yr
Absolute	-3%	8%	0%	19%
Rel. to Sensex	-4%	4%	-4%	25%

SHARE HOLDING PATTERN



ANALYTICAL CONTACTS

Amod Khanorkar	General Manager	+91-22-6754 3520
Jumana Badshah	Manager	+91-22-6754 3481
Viral Shah	Deputy Manager	+91-22-6754 3449

CARE Equity Research assigns 4/5 on fundamental grade to Responsive Industries Ltd (Responsive)

CARE Equity Research assigns a fundamental grade of 4/5 to Responsive. This indicates '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. The company is the leading player in PVC flooring and PVC (artificial) leather cloth segment. Responsive has an internationally sourced technology and a client base across industries and geographies which diversifies risk and ensures revenue stability. 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. In order to meet the increasing demand for its products, Responsive is increasing its total production capacity from 44,000 MTPA as at the end of FY11 to 90,000 MTPA by the end of FY12 for PVC based products. Axiom too has increased its capacity to 52,500 MTPA as on March 31, 2011 and is expected to have a second leg of expansion by the end of FY13.

Valuation

CARE Equity Research assigns a valuation grade of 3/5 to Responsive, indicating 'Fairly Valued'. The valuation grade is based on the upside/downside indicated by difference in the Current Intrinsic Value (CIV) of Rs.116 and Current Market Price (CMP) of Rs. 111. We have used the Discounted Cash Flows (DCF) methodology to value the equity shares of Responsive.

Financial Information Snapshot

(Rs. Crores)	FY11	FY12P	FY13P	FY14P
Operating Income	1,179	1,577	2,387	2,586
EBITDA	182	253	368	413
PAT (After minority interest)	91	107	161	195
Fully Diluted EPS* (Rs.)	3.5	4.1	6.1	7.4
Dividend Per Share (Rs.)	0.1	0.1	0.1	0.1
P/E (times)	32.1	29.0	18.2	15.0
EV/EBITDA (times)	18.9	14.0	9.3	8.3

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

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

FUNDAMENTAL GRADE

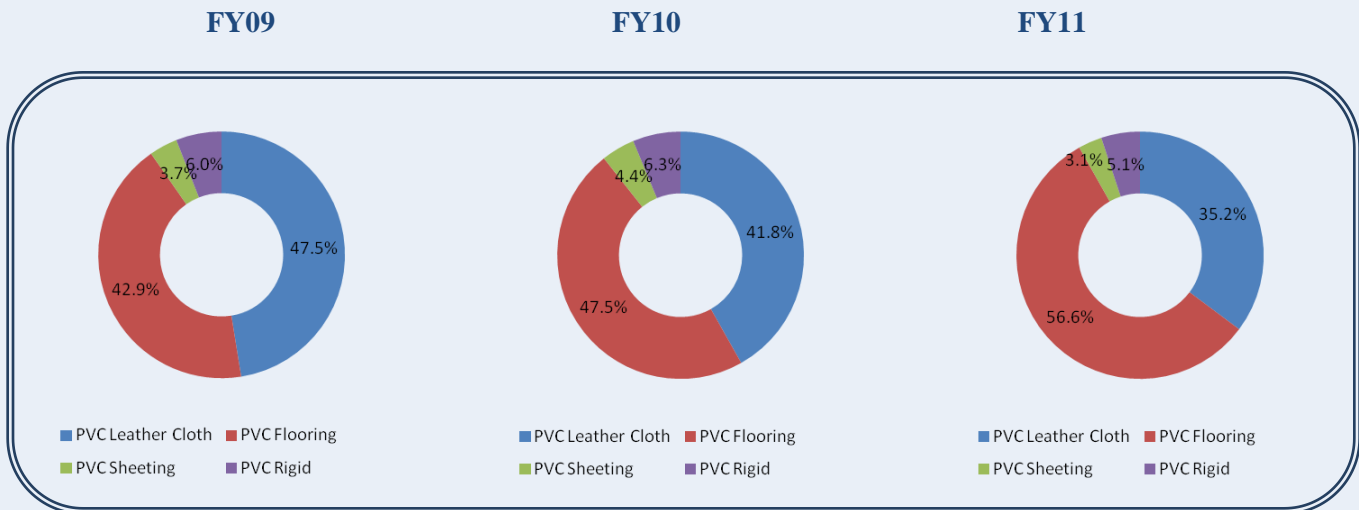
Very Good Fundamentals

4/5

Presence in niche product segments within PVC market; competition primarily in global markets

Responsive is a dominant PVC-based product manufacturer in India and manufactures wide varieties of PVC flooring, PVC leather cloth, PVC rigid blister pack, and PVC soft sheeting. PVC flooring and PVC leather cloth cumulatively formed around 91.8 per cent of the total revenues for the company on a standalone basis in FY11. Both these products find application in various industries. Responsive manufactures a wide variety of PVC flooring, which finds application in residential, commercial spaces, public transport, hospitals, theatres etc. The PVC leather cloth (or artificial leather cloth as it is commonly known) find application in railway and bus seats, automobile upholstery, three-wheeler canopy, hospital bed covers, soft luggage, footwear, etc.

Responsive: Revenue share of various products

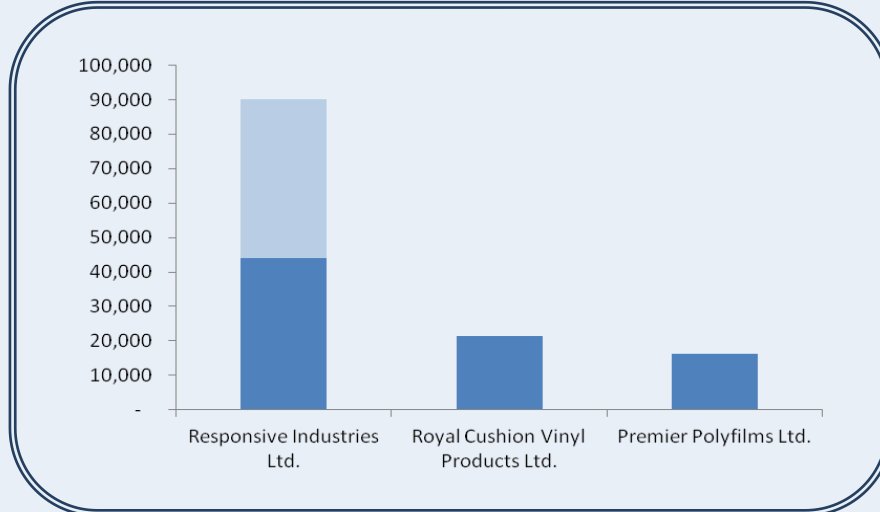


Source: Company and CARE Equity Research

With over 63.9 per cent of the standalone revenue from the international market, the key competition is from the international PVC flooring and PVC leather cloth manufacturers such as Tarkett Inc., Armstrong World Industries Inc., James Halstead Plc., Gerflor Group and LG Hausys Ltd. In India, the company has the largest PVC flooring and PVC leather cloth manufacturing capacities. Responsive had around 44,000 million tonnes per annum (MTPA) of PVC products capacity as at the end of FY11, which is scheduled to increase to 90,000 MTPA by the end of FY12.



Major domestic PVC products capacities



Source: Company and CARE Equity Research

Demand from railways, automobile sector to support growth in PVC flooring and PVC leather cloth

Although, PVC leather cloth finds various end uses, it is commonly used in railways, public transport and automobiles as seat cover. PVC leather cloth is also used in three-wheelers for upholstery and canopy. Also PVC flooring is used as a floor covering in automobiles and public transports. Responsive is the preferred supplier for PVC leather cloth for Indian Railways, various State Transport Corporations and automobile and three-wheeler Original Equipment Manufacturers (OEMs). The company has around 85 per cent market share in the domestic surface transport and 95 per cent market share in the domestic three-wheeler upholstery and canopy market. The company also supplies around 98 per cent of Indian Railways' requirement for PVC flooring and artificial leather used in passenger coaches.

We expect healthy demand for PVC products from both Indian Railways and Automobiles sector going forward. The Indian Railways is expected to add around 44,000 new coaches during FY13 – FY20 resulting in 5,500 new coaches per year as per the 'Railway Vision 2020' report. This would result in sustained demand for the artificial leather seat covers and PVC floorings. Also, as per CARE Research automobiles sales is expected to grow at a CAGR of 9-10 per cent over the next 5 years. In addition, there is a strong demand expected from the replacement market too. Given the market leadership, we expect demand from railways and automobiles segment to fuel growth in demand for Responsive.



Shift to PVC flooring options and low penetration level of pucca flooring in domestic market to result in strong demand for PVC flooring from domestic market

PVC flooring (or vinyl flooring) is more economical and relatively easy to install and maintain. Also, it offers durability and is more affordable than most other flooring options. While the international floorings market is estimated to be around USD 150 billion, the Indian flooring market is still relatively nascent. The penetration of pucca floorings in India is still low when compared to the world average. The growth in pucca floorings (marble, granite, ceramic, vitrified tiles) has been supported by the commercial, residential construction in last few years. Compared to conventional marble flooring which costs anywhere between Rs. 400-2500 per sq metres, or ceramic flooring (higher end) which cost around Rs.300-600 per sq metres, PVC flooring is a cheaper alternative costing around Rs. 200-300 per sq metres. Also, PVC flooring is more durable, provides more design options than other conventional flooring options and requires less time to fix resulting in savings in labour cost and wait-time, and is therefore emerging as a cost-effective alternative to conventional floorings both for new constructions and replacement market.

Cost of conventional flooring options

Type	Price Band
High End Tiles (Porcelain & Glazed)	Rs. 800-4000 per sq.meter
Vitrified Tiles (Glazed & Polished)	Rs. 350-1250 per sq.meter
Marble	Rs. 400-2500 per sq. meter
Ceramic Tiles (High End includes imports of Spanish & Italian Tiles)	Rs. 200-600 per sq.meter
Ceramic Tiles (Low End)	Rs. 150-200 per sq.meter

Source: Industry and CARE Research

CARE Equity Research believes this shift in trend would boost domestic demand for PVC floorings and prove to be beneficial for Responsive.

Axiom Cordages Limited (Axiom) to benefit from growth in shipping ropes demand

Axiom, a subsidiary of Responsive, is a manufacturer of synthetic ropes with an annual capacity of 52,500 MTPA. The company manufactures a variety of synthetic ropes such as 3-strands, 4-strands, 8-strands and 12-strands ropes, from polymers such as polyester, nylon, and polypropylene. Exports formed around 61.1 per cent of its total revenues and 36.9 per cent of total production.

Synthetic ropes, find their applications in various industries such as shipping & marine, port trust & dock yards, fishing, construction, transport, defense, etc. Currently, the demand is mainly from the usage from marine, fishing and construction industries. (According to industry sources, the estimated size of the global shipping ropes market is

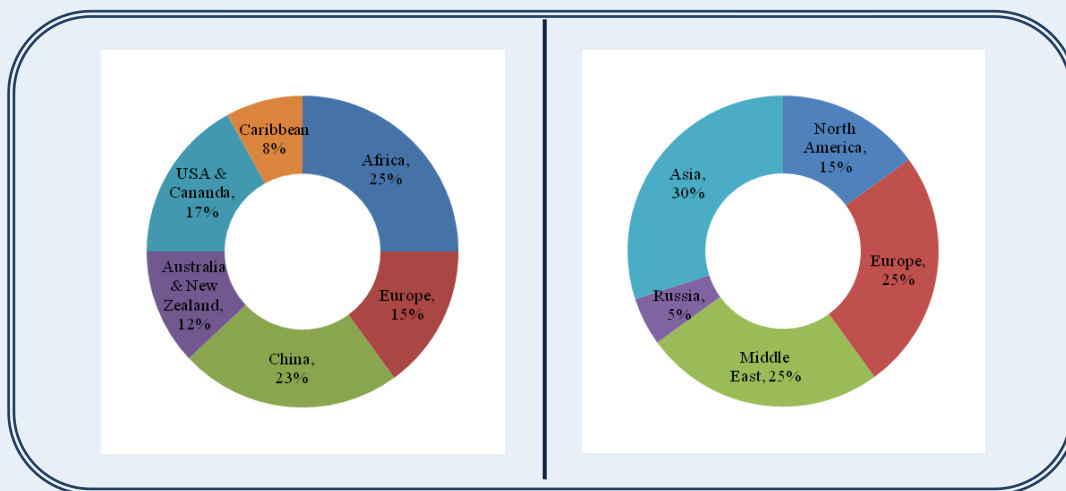


around USD 3-3.5 billion). A strong replacement demand also exists since ropes used in the shipping industry and oil rigs need to be mandatorily replaced after certain duration of use. With Axiom's requisite certification for its ropes, we expect Axiom to benefit from the growth in the shipping industry.

Diverse (geographical and industries) clientele ensures revenue stability

The company has diverse client base (both across industries and geographies). Around 63.9 per cent of standalone revenue is from exports which again are geographically diversified, with no one region or one client having a significant impact on the business.

Responsive (LHS) and Axiom (RHS): Geographical diversification



Source: Company and CARE Equity Research

Apart from the some reputed corporate clients, Responsive also claims to have a strong base of government clientele across the globe. Some of its key governmental clients are Indian Railways, UAE Ministry of Health and South African Department of Health. Internationally accepted technology, accreditations and certifications and long-term relationships have ensured repeat orders from these clients and resulted in strong client base. We believe the mix of clientele provides diversification to ensure the revenue growth and stability for Responsive.

Accreditations to help in exports demand

Responsive and Axiom both have the requisite certifications for its products to enable it to compete with the global players in the exports market. Responsive has received DMF registration under FDA, and has ISO, ASTM, EN and CE certifications.. Axiom's products have received certification from Germanischer Lloyds, Lloyds Register of Shipping and are eligible under the parameters of Bureau Veritas, DNV and SGS. The company is ISO 9000 and 14001 certified for quality and environment management. Company has been successful in obtaining these certifications on the back internationally sourced technology which it has indigenously adapted to suit its requirements. The technical know-how



was obtained through the company's erstwhile association with Daewoo Corporation, Inc.

Responsive: Certification and Accreditations

Organization

Indian Green Building Council	Member
US Green Building Council	Member
World Floor Covering Association	Member
Star Net Association, USA	Recognised vendor
US FDA	DMF Registration (Rigid Blister Films)
ISO	Certification 9001 2008, 14001 2004
EN	Standard Certification
CE	Certification
ASTM, International (American Society for Testing and Materials)	Certification

Source: Company

Axiom: Certification and Accreditations

Organisation

Lloyds Register of Shipping	Recognised vendor
International Maritime Organisation	Recognised vendor
Germanischer Lloyd	Certified
Bureau Veritas	Certified
DNV (Det Norske Veritas)	Certified
SGS, India	Certified

Source: Company

Company in capacity expansion mode; timelines as envisaged

Anticipating strong demand for PVC flooring and PVC leather cloth both from domestic and export market, Responsive is in the process of augmenting its manufacturing capacities for these two products. As a part of this expansion, Responsive plans to de-bottleneck its existing capacities and has set-up additional dedicated lines with a capacity of 35,000 MTPA for PVC flooring and 11,000 MTPA for PVC leather cloth. The expansion is expected to be completed by the end of FY12. This will increase the total PVC flooring and PVC leather cloth capacities to 50,000 MTPA and 33,000 MTPA respectively by end of FY12. Currently, the company has completed trial runs and is in the process of aligning its new capacities with the existing ones. Axiom on the other hand has already witnessed



an increase in capacity from 32,500 MTPA to 52,500 MTPA as on March 31, 2011. The second leg of capacity expansion in Axiom is expected by the end of FY13. While, the capacity expansion in Responsive as per the management is primarily funded by External Commercial Borrowings (ECB) of 73.5 mn USD (repayable by FY19) and internal accrual, the expansion in Axiom is funded through a mix of ECB of USD 6.25 mn, compulsorily convertible debentures (CCD) of USD 21.25 mn, promoter capital and internal accruals.

Hands-on involvement of the promoter a positive for the company's growth

The promoter family has hands-on involvement in the day-to-day functioning of the business of the company. Mr Atit Agarwal, the present Chairman and Whole Time Director is a second-generation entrepreneur. He has been instrumental in steering the family-owned company into a professional managed firm. He is supported in the business by Ms. Swati Agarwal (who is also on the board). The current management is young, qualified, and has the requisite grasp of the business.

In compliance with the listing agreement 49

The Board of Responsive consists of eight Directors as on March 31, 2011 of which one is an Executive and Whole-Time Director, two are Non-Executive Directors and three are Independent Directors, i.e. half of the board comprises of Independent Directors. The board is chaired by Mr. Atit Agarwal, Promoter, Chairman and a Whole-Time Director. The board has formed three sub-committees for audit, remuneration and shareholder's/ investor's grievance. As per the annual report the same is in compliance with the listing agreement of the stock exchanges.

Responsive: Board of Directors

Name	Designation held	Qualification
Mr. Atit Agarwal	Chairman and Whole Time Director	B.Sc (International Marketing) and MBA (Finance)
Mrs. Swati Agarwal	Non - Executive Director	BMS
Mr. Rajesh Pandey	Non - Executive Director	BE(Cheical Engineering)
Mr. Shobha Singh Thakur	Independent Director	BA (Mathematics)
Mr. Vijay Kumar Chopra	Independent Director	CA, CAIIB
Mr. Micheal Freedman	Independent Director	Graduate, New York University, Stern School of Business

Source: Company

Axiom's Board comprises of two Executive and Whole-Time Directors, two Non-Executive Directors, two Independent and one Nominee Director representing Banyan Tree Growth Capital.



Axiom: Board of Directors

Name	Designation held	Qualification
Mr. Atit Agarwal	Chairman and Whole Time Director	B.Sc (International Marketing) and MBA (Finance)
Mrs. Swati Agarwal	Whole Time Director	BMS
Mr. Rajesh Pandey	Director	BE(Cheical Engineering)
Mr. Bharat Mahalik	Director	B.Com
Mr. Sankaran Krishnamurthy	Independent Director	BA(Mathematics)
Mr. Subramaniam Santhanakrishnan	Independent Director	Postgraduate, CAIIB,
Mr. Sanjiv Singhal	Nominee Director (Banyan Tree Growth Capital)	MBA(Wharton), Master (Essex, UK),

Source: Company



VALUATION GRADE

Fairly Valued

3/5

CARE Equity Research assigns a valuation grade of 3/5 to Responsive

According to CARE Equity Research, the Current Intrinsic Value (CIV) of Responsive stands at Rs.116 per share, which translates into an Enterprise Value of Rs. 3,411 crore. Thus, Responsive shares are 'Fairly Valued' at the Current Market Price of Rs. 111 per share. (The company currently has free float of only around 10 per cent of the total market capitalization).

The CIV is calculated based on Discounted Cash Flow (DCF) model

- The overall firm Weighted Average Cost of Capital (WACC) is calculated based on our long-term assumptions of cost of financing summarized in below table.
- CARE Equity Research has used Free Cash Flow (FCF) methodology to arrive at the firm value. The forecasted FCF is as per CARE Equity Research estimates.
- Terminal value is arrived at by using Gordon Growth Model.
- The terminal value forms 76 per cent of the firm's total firm value, which appears to be reasonable.

Responsive: Valuation Assumptions

Item	Value	Basis
Risk Free Rate	8.5%	10 year G-sec yield
Equity Risk Premium	6.5%	
Beta	1.0	
Cost of Equity	14.7%	
Cost of Debt	11.5%	Long term cost of debt
Tax Rate	30.0%	Long term tax rate
D/E Ratio	1.0	Long term target D/E ratio
WACC	11.4%	
Terminal growth rate	3.0%	

Source: CARE Equity Research



Responsive: Valuation based on DCF methodology

(Rs. Crore except per share data)

	2011-12	2012-13	2013-14	2014-15	2015-16
PAT	109	170	205	226	238
Depreciation	76	106	112	116	120
Interest (1-Tax Rate)	19	24	21	17	14
Capital Expenditure	-308	-48	-48	-48	-38
Increase in Working Capital	-32	-39	-5	-1	-7
Free Cash Flow (FCF)	-137	213	284	309	327
Discount Rate	0.98	0.88	0.79	0.71	0.64
PV of FCF	-136	189	227	222	211
PV of Terminal Value					2,597

Total Discounted Value of Firm	3,411
<i>Less: Net Debt (FY12E)</i>	-324
<i>Less: Minority Interest (FY12E)</i>	-39
Present Value of equity	3,049
No of Equity Shares (Crores)	26.3
CIV	116

Source: CARE Equity Research



COMPANY BACKGROUND

Company Overview

Responsive is a leading player in the Poly Vinyl Chloride (PVC) based product in India. Responsive has the largest capacity for manufacturing PVC flooring and PVC leather cloth in India. The company has a network of 11 offices and more than 300 wide retailer networks. The manufacturing plant is located at Boisar (Maharashtra, India). The company was incorporated in the year 1982 under the name Sinhal Holdings Ltd. In FY06, the company acquired manufacturing unit of Responsive Polymers International Ltd located at Tarapur, manufacturing PVC Products and changed its name to Responsive Polymers Ltd. On January 4, 2007, the company further changed its name from Responsive Polymers Ltd to Responsive Industries Ltd. The company also has presence in synthetic ropes through its subsidiary Axiom also located at Boisar. Revenues from Axiom contributed to around 44 per cent of the consolidated revenues in FY11.

Business Mix

Responsive is primarily engaged into the production of various PVC products, such as PVC Leather Cloth, PVC Flooring, PVC Sheeting and PVC Rigid. The company also has presence in Ropes Industry through its subsidiary Axiom Cordages Ltd. The company is one of the largest manufacturers of PVC products in India with a total capacity of 44,000 MTPA at the end of FY11 and is expected to increase to 90,000 MTPA by end of FY12. Axiom on the other hand has a capacity of 52,500 MTPA as on March 31, 2011.

Responsive: Capacity

(in tonnes)	FY11
PVC Leather Cloth	22000
PVC Flooring	15000
PVC Sheeting	3000
PVC Rigid	4000
Total	44000

Source: Company



Responsive and Axiom: Product Profile

Products	Applications
PVC Flooring (Responsive)	
Homogenous Flooring, Heterogenous Flooring, Compact/ Acoustic Flooring, Safety Transport Flooring, Anti static & Conductive Flooring, Rubber Flooring, Sports Flooring, Printed Flooring	Commercial and residential spaces, including hospitals, airports, malls, movie theatres, hotels, fitness centres, offices, etc
PVC Leather Cloth (Responsive)	
Sponge Leather, Un-foamed Leather, Coated Leather	Domestic upholstery, automobile upholstery for cars, buses, three-wheelers seats, canopies, railways coaches, footwear industry, bag, leather lining, rainwear, etc.
Soft Plastic Sheeting (Responsive)	
Opaque sheeting, Printing films, clear transparent films	Rainwear, baby mats, soft luggage, shower curtains, white-good covers, etc.
Rigid Blister Films (Responsive)	
Packaging films	Packaging of pharmaceuticals, FMCG products, telecom handsets, etc
Shipping Ropes (Axiom)	
3 - Strand ropes, 4 - Strand ropes, 8- Strand ropes, 12- Strand ropes	Shipping, Oil exploration, Defence & Navy, Power, Construction, Transport, Telecom, Sports, General Purposes

Source: Company

Geographical break-up

While the company does have a significant presence in domestic PVC segment, the revenues are largely driven by exports. Exports formed around 64 per cent of the Responsive's standalone revenues in FY11. The exports however are diversified and include countries such as Africa, China, USA & Canada, Europe and Australia & New Zealand. Axiom's exports on the other hand are primarily to Asia, Middle East and Europe.

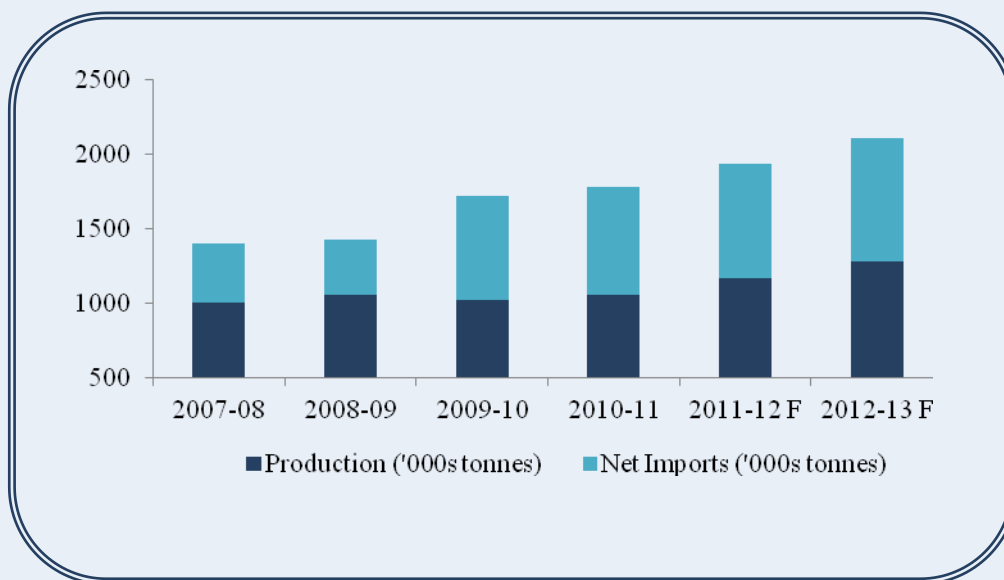


SNAPSHOT OF THE INDUSTRY

Poly Vinyl chloride, commonly abbreviated PVC, is a thermoplastic polymer. PVC is the most versatile thermoplastic forming on one extreme, highly rigid product such as pipes and profiles and on the other, highly flexible products such as soft leather cloth & flexible footwear. PVC is the third most widely produced plastic, after polyethylene and polypropylene. PVC is widely used in construction because it is cheap, durable and easily worked.

PVC accounts for around 20 per cent of the total plastic industry. The PVC market in India has witnessed a healthy growth of around 13 per cent in value terms and 8.4 per cent in volume terms over the last three years. Demand from real estate and agriculture industry has triggered a favorable demand for the PVC industry. Growing use of PVC in wires and cables too has stimulated growth. While demand has witnessed an increase, there has been little addition in the PVC capacity. Increasing demand for PVC is being met by imports. Going forward, PVC production is estimated to exceed 1.2 million tonnes and consumption is estimated to exceed 2 million tonnes by 2013.

Trend in PVC Demand – Supply



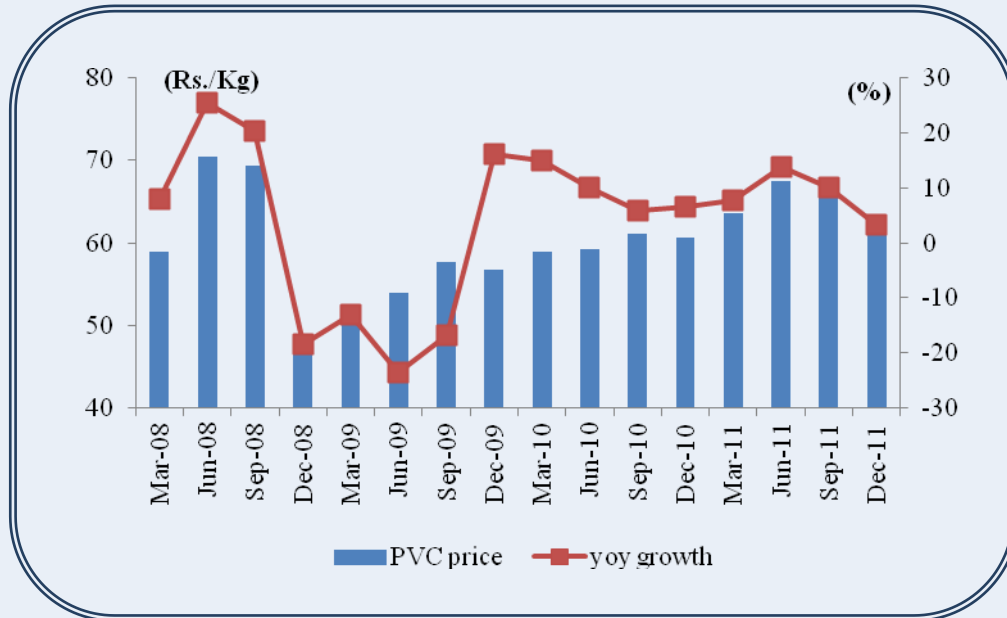
Source: CMIE and CARE Equity Research

PVC price trend

The PVC prices witnessed an uptrend in the current year, when compared with the previous year. Crude being the raw material for PVC, the PVC prices are closely linked to the movement in crude prices. Also, the domestic prices of PVC are also closely linked to the land cost of imports. Average PVC prices were up by 8.8 per cent in the first eight months of 2011-12. PVC resin prices in November 2011 were at around Rs.61 per kg.



PVC price trend



Source: CMIE and CARE Equity Research

PVC product user industries

PVC is one of the most cost effective and easy to use thermoplastics which can be tailored to match the end-user requirement. PVC products such as PVC leather cloth, PVC floorings, PVC sheeting, PVC rigid blister sheets etc find applications in various industries, including construction (residential & commercial), automotives, railway coaches, FMCG, pharmaceuticals and telecom. Growth in these industries and increase in consumption demand from the same will provide a boost to the overall PVC demand.



FINANCIAL ANALYSIS

Consolidated Income Statement

(Rs. Crores)	FY09	FY10	FY11	FY12P	FY13P	FY14P
Net Revenues	650	839	1,179	1,577	2,387	2,586
EBITDA	89	129	182	244	368	413
Depreciation and amortisation	27	37	53	76	106	112
EBIT	62	91	128	168	263	301
Interest	2	10	11	25	33	28
PBT	62	92	130	146	234	283
Ordinary PAT (After minority interest)	46	63	91	101	161	195
PAT (After minority interest)	42	63	91	101	161	195
Fully Diluted Earnings Per Share* (Rs.)	2.0	2.4	3.5	3.8	6.1	7.4
Dividend, including tax	3	3	3	3	3	3

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

Consolidated Balance Sheet

(Rs. Crores)	FY09	FY10	FY11	FY12P	FY13P	FY14P
Tangible Net worth (incl. Minority Interest)	183	322	470	553	716	909
Debt (incl. Preference Shares)	127	382	350	608	514	457
Deferred Liabilities / (Assets)	14	22	26	26	26	26
Capital Employed	325	727	847	1,188	1,257	1,392
Net Fixed Assets, incl. Capital WIP, net of reval reserve	313	549	717	960	902	839
Investments	4	34	16	16	16	16
Loans and Advances	59	16	16	12	19	20
Inventory	28	45	54	75	115	124
Receivables	19	107	90	147	197	213
Cash and Cash Equivalents	35	36	21	87	174	368
Current Assets, Loans and Advances	141	204	180	331	517	739
Less: Current Liabilities and Provisions	133	61	67	120	179	202
Total Assets	324	727	847	1,188	1,257	1,392

Ratios based on Consolidated Financials

	FY10	FY11	FY12P	FY13P	FY14P
Growth in Operating Income	29.1%	40.4%	33.8%	51.3%	8.3%
Growth in EBITDA	44.7%	41.1%	34.6%	50.8%	12.0%
Growth in PAT	50.6%	45.4%	10.8%	59.2%	21.5%
Growth in EPS	20.0%	45.5%	10.8%	59.2%	21.5%
EBITDA Margin	15.3%	15.4%	15.5%	15.4%	16.0%
PAT Margin	7.5%	7.7%	6.4%	6.7%	7.5%
RoCE	17.4%	16.3%	16.5%	21.5%	22.7%
RoE	24.8%	23.0%	19.7%	25.3%	24.0%
Gross Debt-Equity (times)	1.2	0.8	1.2	0.8	0.5
Net Debt-Equity (times)	1.1	0.7	1.0	0.5	0.1
Interest Coverage (times)	9.6	11.5	6.7	8.0	10.6
Current Ratio (times)	3.4	2.7	2.8	2.9	3.7
Inventory Days	19	18	18	17	20
Receivable Days	26	29	26	26	28
Price / Earnings (P/E) Ratio		32.1	29.0	18.2	15.0
Price / Book Value (P/BV) Ratio		6.4	5.6	4.3	3.4
Enterprise Value (EV)/EBITDA		18.9	14.0	9.3	8.3

Source: Company, 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



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.
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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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