



# **INDEPENDENT EQUITY RESEARCH**

**Responsive Industries Ltd**

**Detailed report**

**Enhancing investment decisions**

## Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

### Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

### Disclaimer:

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# Responsive Industries Ltd

## Capacity expansion to bolster domestic dominance

Fundamental Grade 4/5 (Superior fundamentals)

Valuation Grade 3/5 (CMP is aligned)

Industry Materials

Responsive Industries Ltd (Responsive) manufactures PVC flooring solutions, seat covering, upholstery, pharmaceutical packaging, transparent sheeting and shipping ropes. It has completed its capacity expansion in Q2FY12 which increases our confidence in the management's ability to enhance Responsive's dominance in domestic markets and further penetrate global markets. In addition, based on the improvements in corporate governance practices, we upgrade the fundamental grade to **4/5**, indicating that its fundamentals are **superior** relative to other listed securities in India.

### Capacity expansion to help leverage Responsive's strong position

Responsive has doubled its PVC products capacity to 90,000 MTPA and its shipping ropes capacity to 40,000 MTPA from 33,000 MTPA in FY10. It is by far the largest domestic manufacturer of PVC and shipping rope products and has the largest market share. Responsive is expected to reach optimum utilisation levels by FY13, given the increasing demand for PVC products, combined with increasing penetration in the international markets.

### Expansion + low cost base + strong distribution = strong growth

Responsive is one of the low-cost producers globally, as most competitors have manufacturing facilities in the developed world. Responsive has shown 30%+ revenue growth rates, whereas its international and domestic peers' revenues have stagnated. Due to its low cost positioning, strong distribution base, and increasing investments in international sales, we expect the company to benefit significantly from the capacity expansion and register strong growth.

### Exposed to fluctuations in raw material prices

- Responsive relies heavily on crude oil derivatives. Adverse movements in international crude oil prices will have an impact on profitability.
- With exports accounting for ~60% of total revenues, the company remains exposed to currency movements.

### Expect two-year revenue CAGR of 31%

Revenues are expected to register a two-year CAGR of 31% to Rs 20.2 bn in FY13 due to new capacity coming on stream in FY12. EBITDA margin is expected to increase by 280 bps to 18.8% in FY13 due to higher share of high margin PVC flooring products. EPS is expected to increase to Rs 6.5 in FY13 from Rs 3.7 in FY11.

### Valuations – the current price is 'aligned' with fair value

We continue to use the discounted cash flow method to value Responsive at Rs 107 per share. At the current market price of Rs 107, the stock merits a valuation grade of **3/5**.

## KEY FORECAST

(Rs mn)	FY09	FY10	FY11#	FY12E	FY13E
Operating income	6,515	8,407	11,882	15,640	20,221
EBITDA	1,006	1,301	1,912	2,637	3,798
Adj PAT	463	637	957	1,042	1,712
Adj EPS-Rs	2.1	2.6	3.7	4.0	6.5
EPS growth (%)	12.8	23.1	39.9	8.9	64.2
Dividend yield (%)	0.2	0.1	0.1	0.1	0.2
RoCE (%)	27.6	18.3	16.1	15.4	20.6
RoE (%)	28.0	23.9	21.8	16.9	23.0
PE (x)	40.5	40.9	29.2	26.9	16.4
P/BV (x)	10.2	8.1	5.3	4.4	3.5
EV/EBITDA (x)	19.6	22.6	16.7	12.7	8.7

#FY11 numbers are based on abridged financials

NM: Not meaningful; CMP: Current market price

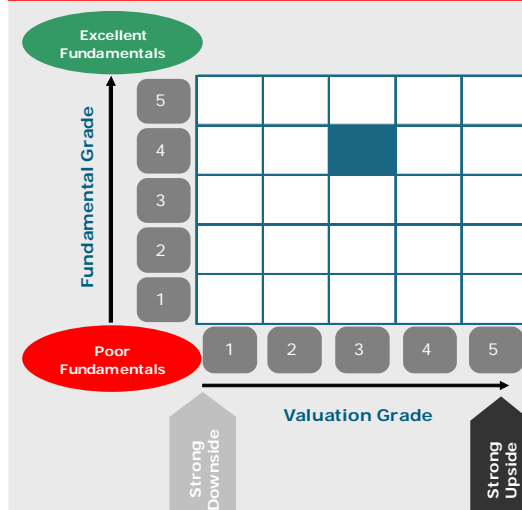
Source: Company, CRISIL Research estimate

October 28, 2011

Fair Value Rs 107

CMP Rs 107

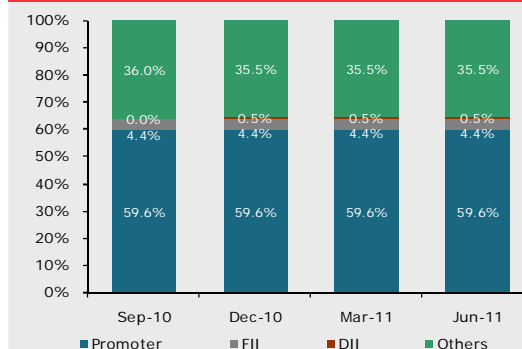
## CFV MATRIX



## KEY STOCK STATISTICS

NIFTY/SENSEX	5202/17287
NSE/BSE ticker	RESPONIND
Face value (Rs per share)	1
Shares outstanding (mn)	261.6
Market cap (Rs mn)/(US\$ mn)	27,996/566
Enterprise value (Rs mn)/(US\$ mn)	31,452/634
52-week range (Rs) (H/L)	120/86
Beta	1.8
Free float (%)	40.4
Avg daily volumes (30-days)	37,179
Avg daily value (30-days) (Rs mn)	3.1

## SHAREHOLDING PATTERN



## PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Responsive	-3%	-5%	12%	13%
NIFTY	5%	-9%	-13%	-16%

## ANALYTICAL CONTACT

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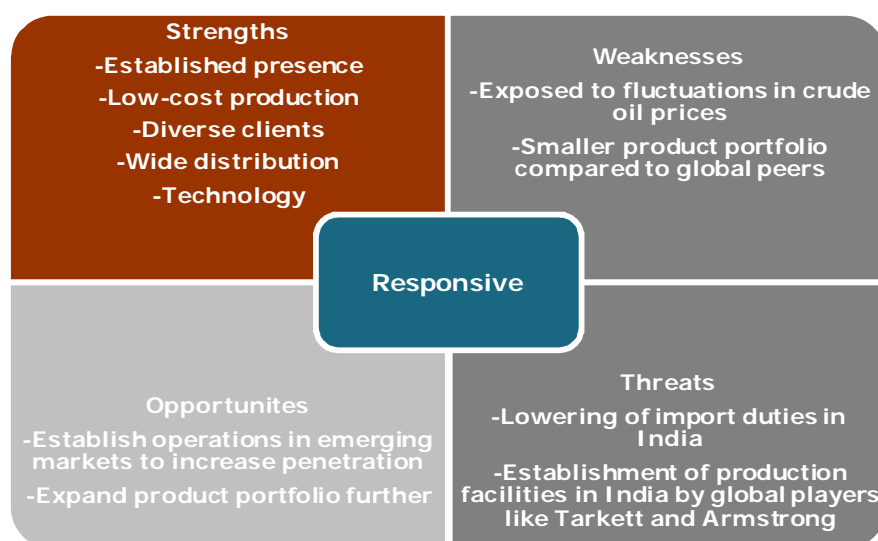
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**Table 1: Responsive Industries: Business environment**

Product / Segment	Vinyl/PVC flooring	PVC leather cloth	Shipping ropes
Revenue contribution (FY10)	29.2%	25.7%	38.5%
Revenue contribution (FY13E)	52.0%	16.9%	28.9%
Product offering	Floor tiles	Artificial leather cloth	Ropes for shipping industry
Capacity FY10 (MTPA)	16,500	24,200	33,000
Capacity FY13E (MTPA)	50,000	33,000	44,000
Market position	<ul style="list-style-type: none"> <li>65% market share in the domestic PVC flooring market</li> </ul>	<ul style="list-style-type: none"> <li>85% market share in seat covering and upholstery for the domestic bus-body manufacturing industry</li> <li>95% share in the auto-canopy OEM and replacement market</li> </ul>	<ul style="list-style-type: none"> <li>60% market share in the shipping ropes industry</li> </ul>
End markets	Automotive industry, Indian Railways, hospitals, gymnasium, shopping malls, etc.	Automotive industry and Indian Railways	Shipping industry
Sales growth (FY08-10 – 2-yr CAGR)	11.3%	44.3%	65.6%
Sales forecast (FY10-13 – 3-yr CAGR)	57.7%	13.2%	18.2%
Demand drivers	<ul style="list-style-type: none"> <li>Earmarked capital expenditure by Indian Railways</li> <li>Shift in consumer preference from traditional forms of flooring to vinyl flooring</li> </ul>	<ul style="list-style-type: none"> <li>Growth in automotive industry</li> <li>Earmarked capital expenditure by Indian Railways</li> </ul>	<ul style="list-style-type: none"> <li>Growth in shipping sector</li> </ul>
Key competitors	Tarkett, Armstrong, LG Hausys, Gerflor, James Halstead, Royal Cushion Vinyl Products, Marvel Vinyls, Premier Poly	Tarkett, Armstrong, LG Hausys, Gerflor, James Halstead, Royal Cushion Vinyl Products, Roseli, Marvel Vinyls	DSR Wires (Korea), Garware Wall Ropes
Key risks	Volatility in crude oil prices		

Source: Company, CRISIL Research

**Figure 1: SWOT Analysis**



Source: CRISIL Research

## Grading Rationale

### Capacity expansion to bolster domestic dominance

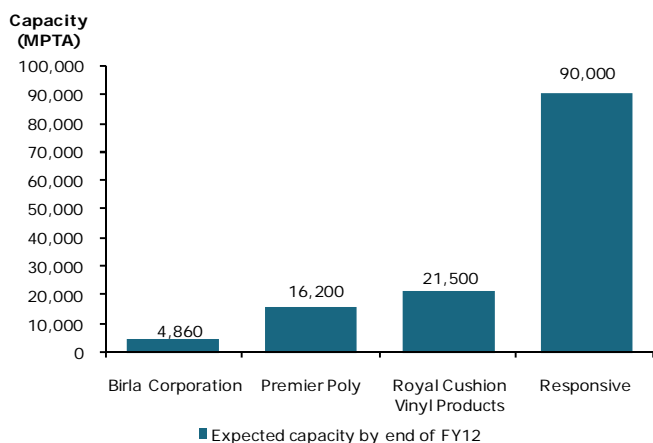
Responsive - the largest domestic manufacturer of PVC flooring solutions, seat covering, upholstery, pharmaceutical packaging and transparent sheeting - is doubling its capacity from 44,000 MTPA to 90,000 MTPA. Expansion will not only confer the company considerable economies of scale but will also drive it much ahead of its domestic peers.

Segment	Market share
Domestic vinyl flooring and artificial leather cloth segments	65%
Seat covering and upholstery for the domestic bus-body manufacturing industry	85%
Domestic auto-canopy OEM and replacement market	95%

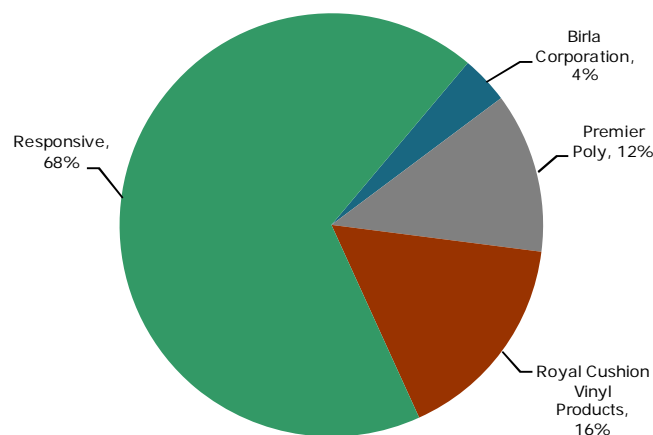
Source: Company

Responsive has completed the trial runs and is currently in the process of realigning its existing capacity with the new processes. Commercial production is expected to begin from September 2011. Addition of lines with a dedicated capacity of 35,000 MTPA for vinyl flooring and 11,000 MTPA for its artificial leather capacity will act as a de-bottlenecking exercise for current capacities.

**Figure 2: Largest installed capacity for vinyl flooring and artificial leather cloth in India**



Source: CRISIL Research estimates



Source: CRISIL Research estimates

Given strong demand in the domestic market and Responsive's cost advantage in the global markets (present in over 70 countries through 11 sales offices and 300+ distribution agents and retailers), we expect the company to achieve optimum utilisation during FY13-FY14.

## Strong demand growth to drive domestic flooring sales

There is a huge potential demand for vinyl flooring as an alternative to existing ceramic/wooden laminated flooring in the country on account of its durability, resilience, design flexibility and pricing. Qualities like slip-resistant, anti-bacterial, anti-static, moisture and stain-resistant make it an attractive flooring option vis-à-vis traditional flooring in commercial and residential spaces. Taking into account the low base level effect and increasing awareness of vinyl flooring, the demand for the same is expected to grow at a much higher level in the coming years.

Usage of vinyl flooring on an increase

Figure 3: Large player in the domestic market...

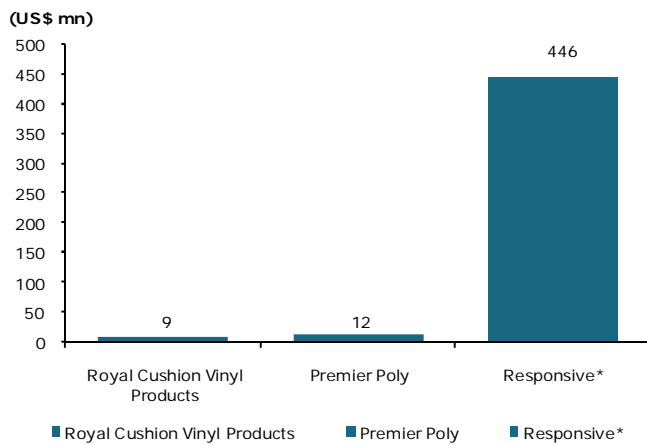
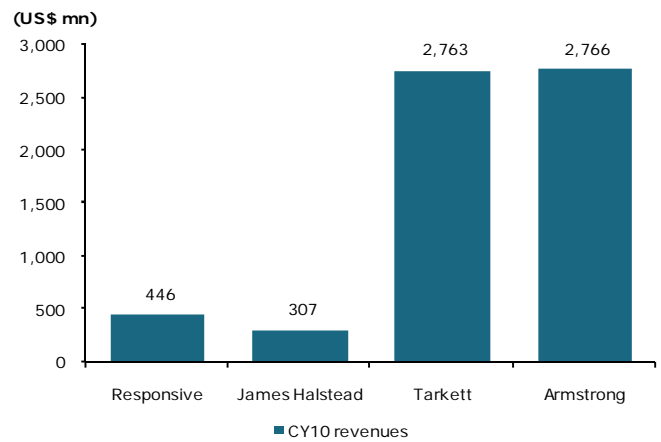


Figure 4: ... but a small player amongst global peers



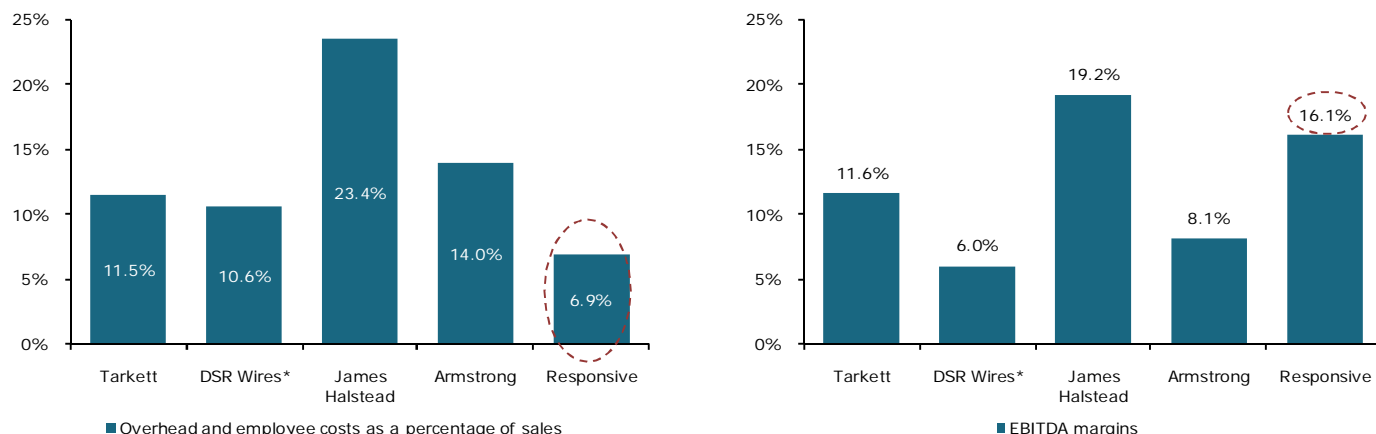
\*Expected revenues for Responsive in FY13. Revenues of peers are for the last financial year

Source: Company, CRISIL Research

## Cost advantage to steer penetration in global markets

Responsive, by virtue of having the largest capacity in a low-cost destination like India, enjoys significant economies of scale. Operational efficiencies have resulted in a more cost-effective product vis-à-vis that of global competitors. While Responsive's gross margins are comparable to its peers, the company's EBITDA margins are higher due to low overhead and employee costs. Low-cost production enables Responsive to price its products competitively in the export markets and, consequently, grab the market share from its peers.

**Figure 5: Low overhead costs lead to better EBITDA margins**

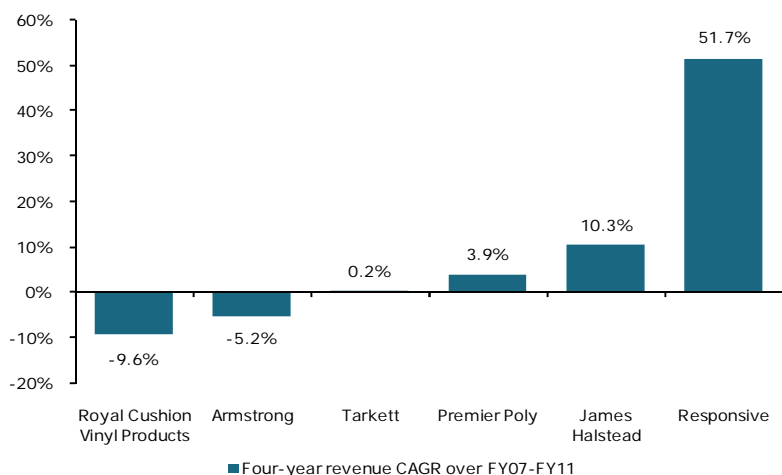


\*Peers in shipping ropes business

Source: CRISIL Research

Responsive’s cost advantage is reflected in the strong revenue growth registered by the company over the past few years - grown at a four-year CAGR of ~52%, which is much higher than that of its peers.

**Figure 6: Industry-leading revenue growth**



Source: Company, CRISIL Research

On the back of capacity expansion, we expect revenues from exports to increase to ~58% of standalone revenues in FY13 from ~47% in FY10. Responsive’s present export turnover is limited due to lower capacity for manufacturing of premium segment products. The incremental capacity would take care of the demand for premium segment products in the export markets. We do not expect the company to face any offtake risks from the capacity addition as it is already in the process of appointing additional distributors and strengthening its marketing set-up in various other countries.

**Exports expected to account for 58% of standalone revenues in FY13 compared to 47% in FY10**



## Diverse clientele reduces concentration risks

Responsive has a diverse clientele across sectors and geographies, which reducing revenue concentration risks. Its global client base includes several sectors like commercial, fitness, transportation, specialty, real estate and healthcare; based across the world.

Sector	Clients
Government	Indian Railways, UAE-Ministry of Health, South African Department of Health
Transportation	Tata Motors, Mercedes Benz, Volvo, Bajaj Auto
Commercial	Al Jaber, Al Habtoor, Toyota Al Futaim, Spacemaker
Others	Big Bazaar, Reliance Retail, Ikea, Wal-Mart, BARC, Home Store, Seven Hills Hospitals

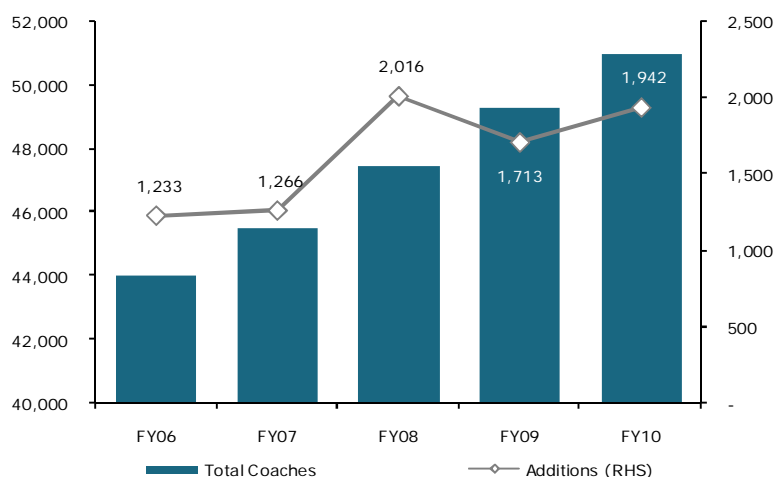
Source: Company, CRISIL Research

## To benefit from increase in demand from Indian Railways

Demand for new coaches along with replacement demand is expected to drive the growth of Responsive's PVC flooring and artificial leather cloth businesses. According to the Working Group on Railway Programmes report for the Eleventh Five-Year Plan, passenger traffic is expected to increase from 7.25 bn passengers in FY10 to 8.2 bn in FY12 at a CAGR of ~6%. The Indian Railways plans to add ~43,000 new coaches over FY13-FY20 to cater to the increasing passenger traffic. This translates to an incremental demand for ~5,500 passenger coaches p.a. It is also planning to replace seats in existing coaches (which were made of wood) with new artificial leather cloth seats. Being a major supplier to them, Responsive is expected to be a key beneficiary of the high demand from Indian Railways.

**Growth in passenger traffic to drive demand for new coaches which will in turn benefit Responsive**

Figure 7: Emphasis on addition of new coaches



Source: Indian Railways yearbook, CRISIL Research



## Effective entry barriers keep newcomers away

The flooring industry is largely oligopolistic with high entry barriers. The entry of new players is restricted by a) the long time (three-five years) taken for technology innovation and b) stringent processes spanning 6-18 months to procure international certifications.

Responsive has indigenously developed internationally accepted production process technology, at a significantly lower capital cost. It is also a member of the US Green Building Council, World Floor Covering Association and Star Net Association. Its manufacturing facility is approved by the US FDA, is ISO certified and has certification from Germanischer Lloyd. These accreditations help the company sell its products in niche and lucrative markets of Europe and the Americas. It also helps the company gain preferred vendor status in some of the markets.

## Also a strong player in shipping ropes industry

Responsive, through its subsidiary Axiom Cordages (capacity of 40,000 MTPA), is one of the largest players in the global shipping ropes industry. While the demand for shipping ropes from developed countries has stagnated, we expect it to come from the developing Asian nations. The company, with its extensive B2B distribution and lower cost of production, is expected to feed this demand and increase its market share. The company already has large shipping companies as its customers including MSC Lines, APL, Hyundai, and companies catering to defence, navy and offshore oil and gas sectors. We expect the company's shipping ropes division to register a two-year revenue CAGR of 29.5% over FY11-FY13.

This industry is highly fragmented and is dominated by South Korean companies. According to industry sources, the estimated size of the shipping ropes market is around US\$3-3.5 bn. Most of the players in this industry have capacities in the range of 2,000 MTPA to 3,000 MTPA and fail to meet the quality requirements of the reputed shipping companies. Axiom has recently enhanced its capacity to 40,000 MTPA from ~33,000 MTPA in FY10 and is poised to further strengthen its foothold in the shipping ropes industry.

**It takes about 6-18 months to get certifications, without which it is difficult to sell**

**Axiom Cordages is a 86% export-oriented subsidiary manufacturing synthetic ropes used in oil rigs and shipping industry**

## Key risks

### Volatility in raw material prices is a key risk

Responsive is dependent on crude oil for its raw materials (resin and plasticisers) and stands susceptible to the high volatility in crude oil prices. The present policy of the company to incorporate any change in crude oil costs into its product pricing helps the company address the risk better than the earlier practice of entering into long-term contracts. CRISIL Research expects prices of crude oil to remain firm over CY11 due to ongoing political unrest in MENA (Middle-East and North Africa) regions. Prices are expected to ease down in CY12 to ~US\$ 95 per barrel once things stabilise. Responsive's ability to continue to pass on upward fluctuations crude oil prices would remain a key monitorable.

### Exposed to fluctuations in currency

Exports are expected to contribute ~60% of Responsive's revenues. Although the company has a natural hedge on account of its foreign currency loans, and also hedges its currency exposure, any sharp appreciation of the rupee would have a negative impact on Responsive's top line and bottom line.

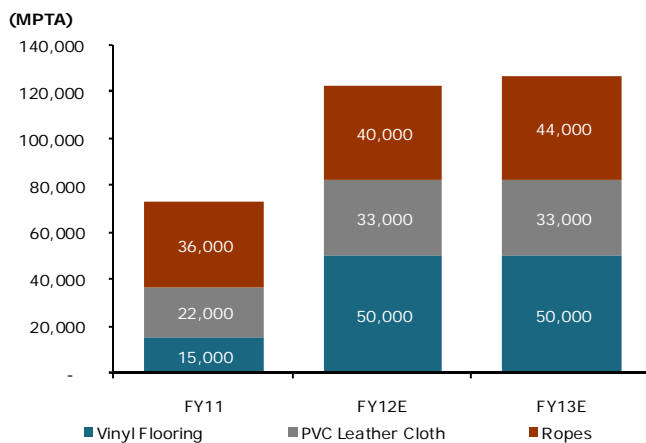
## Financial Outlook

### Revenues to grow at two-year CAGR of 31%

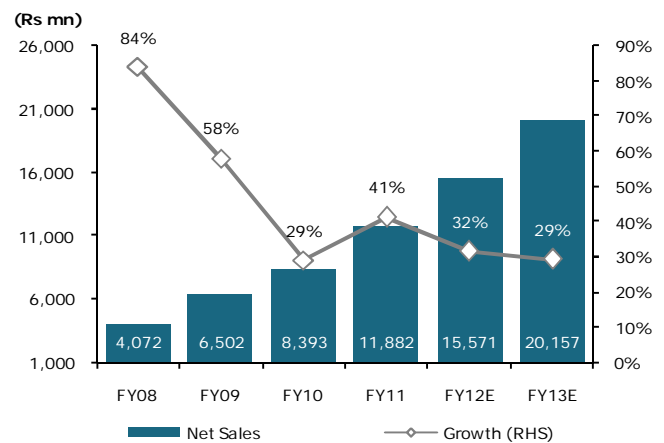
With Responsive's capacity expected to come on stream in Q3FY12, revenues are expected to increase at a two-year CAGR of 31% to Rs 20.2 bn by FY13. The vinyl flooring segment, which will be allotted the largest share of the expanded capacity, is expected to contribute maximum to growth. This segment is expected to clock a two-year CAGR of 58% on the back of strong demand from railways and bus manufacturers.

Vinyl flooring segment to drive growth

Figure 8: Capacity addition to result in robust growth

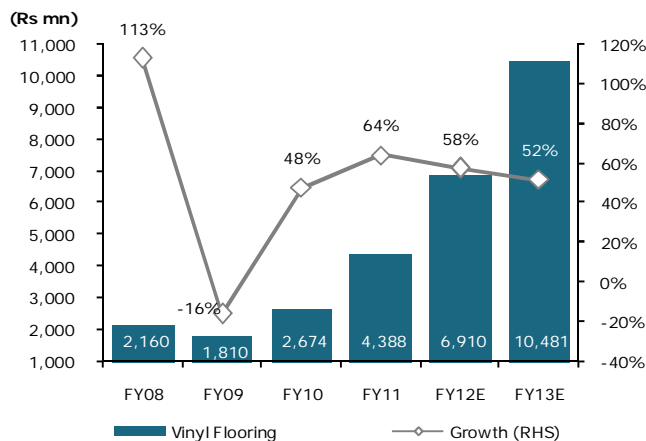


Source: Company, CRISIL Research



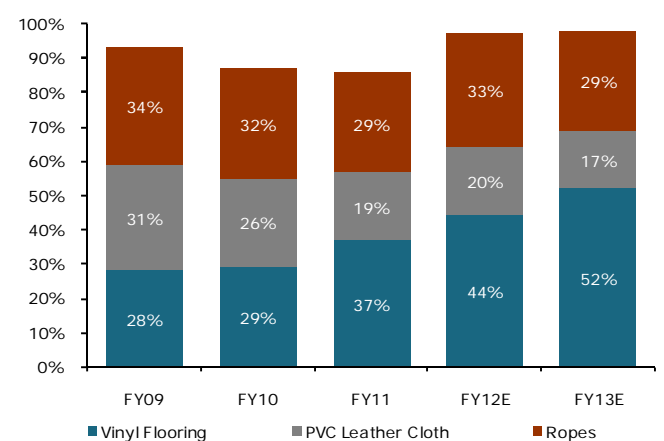
Source: Company, CRISIL Research

Figure 9: Focus on vinyl flooring to drive growth...



Source: Company, CRISIL Research

Figure 10: ... with higher share of revenues



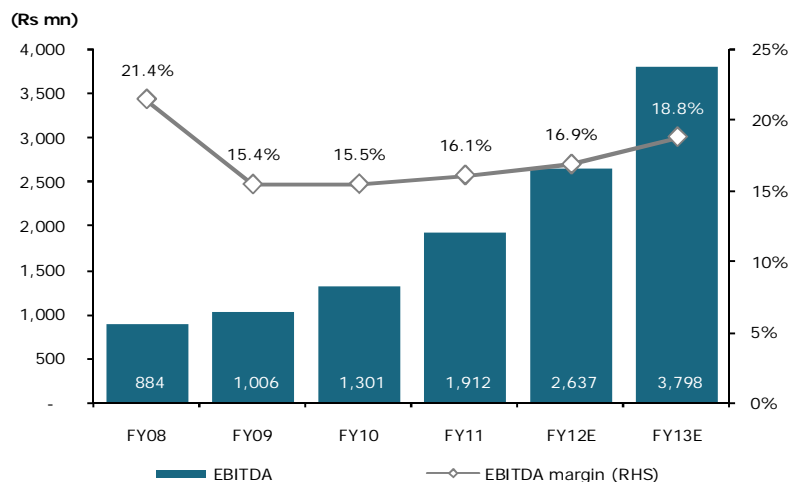
Source: Company, CRISIL Research

## High-margin vinyl flooring segment to improve EBITDA margin

Due to higher revenue contribution from the high-margin vinyl flooring segment, the overall EBITDA margin of the company is expected to inch up from 16.1% in FY11 to 16.9% in FY12 as the new capacity would be on stream from H2FY12. Responsive would enjoy the full benefit of the expanded capacity in FY13 and consequently, EBITDA margin is expected to improve to 18.8%.

**EBITDA margin expected to improve to 18.8% in FY13 from 16.1% in FY11**

**Figure 11: Steady rise in EBITDA margin**



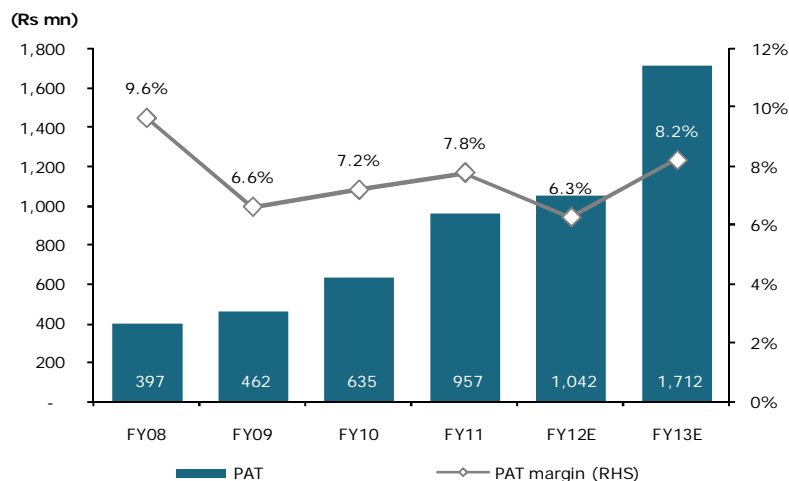
Source: Company, CRISIL Research

## PAT to grow at a two-year CAGR of ~34%, EPS to increase from Rs 3.7 in FY11 to Rs 6.5 in FY13

Responsive's consolidated PAT is expected to grow from Rs 957 mn in FY11 to Rs 1,712 mn in FY13, primarily driven by strong growth in revenues with an increase in contribution from the high-margin vinyl flooring business. PAT margin is expected to decline to 6.3% in FY12 from 7.8% in FY11 due to higher depreciation costs from the expanded capacity. However, an improvement in EBITDA margin will push up PAT margin to 8.2% in FY13. Adjusted EPS is expected to increase to Rs 6.5 in FY13 from Rs 3.7 in FY11.

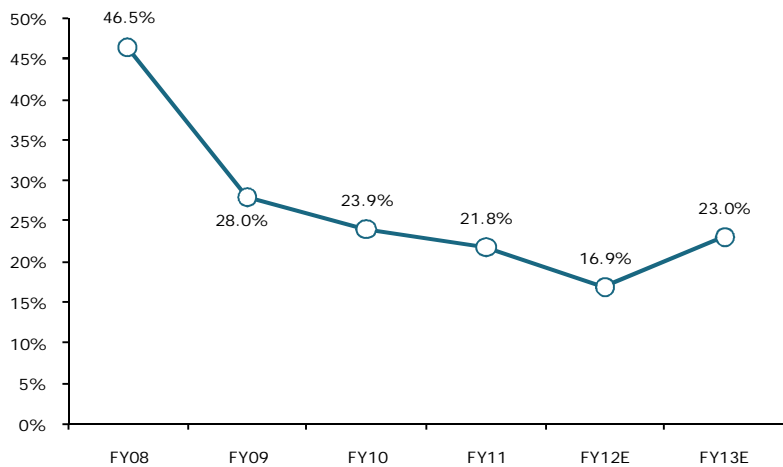
**PAT margin to decline to 6.3% in FY12, expected to improve to 7.8% in FY13**

**Figure 12: PAT and PAT margin**



Source: Company, CRISIL Research

**Figure 13: RoE to improve in FY13**



Source: Company, CRISIL Research

**RoE to decline in FY12 due to higher depreciation and interest costs from the capacity addition; will improve in FY13 as the new capacity would have been on stream for the entire year**

## Management Overview

CRISIL's fundamental grading methodology includes a broad assessment of management quality, apart from other key factors such as industry and business prospects, and financial performance.

### Experienced management

Responsive has an experienced management headed by chairman and whole-time director Mr Atit Agarwal; he is from the second generation of the promoter family. Under his management, Responsive has reported 52% revenue CAGR over the past four years. His business acumen and marketing initiatives are instrumental in taking the company forward.

He is supported by Mr Abhishek Agarwal, who heads corporate sales and looks after the company's domestic and institutional marketing. Mr Rajesh Pandey, executive director with over 15 years of experience, oversees the entire plant's operations.

### Ability to maintain market leadership

Management has displayed its ability to maintain market share in the face of competition as indicated by its leadership position in the PVC vinyl flooring, PVC artificial leather cloth and shipping ropes segments.

### Professional set-up

Responsive's management has adopted a professional approach towards managing the company. The company has recently inducted various professionals from the industry at the senior and mid management levels to prepare for the next level of growth. Based on our interactions, we understand that various members from the promoter family are involved in the running of the company.

**Management with rich  
domain experience**

## Corporate Governance

CRISIL's fundamental grading methodology includes a broad assessment of corporate governance and management quality, apart from other key factors such as industry and business prospects, and financial performance. In this context, CRISIL Research analyses the shareholding structure, board composition, typical board processes, disclosure standards and related-party transactions. Any qualifications by regulators or auditors also serve as useful inputs while assessing a company's corporate governance.

Overall, corporate governance at Responsive meets the minimum levels, supported by reasonably good board practices and an independent board.

### Board has been strengthened in recent times

Responsive's board comprises nine members, of whom five are independent directors, which meets the requirement under Clause 49 of SEBI's listing guidelines. The company has ramped up the board of directors with professionals across various fields. Mr V.K Chopra (Dewan Housing), Mr Akil Hirani (Legal background), Mr S.S Thakur and Mr Freedman (PVC flooring distributor in the US) have replaced earlier directors Mrs Vaishali Shinde and Mr A. Jha. The new directors have strong industry experience and are highly qualified. Based on our interactions, we believe they have a fairly good understanding of the company's business and its processes.

### Board's processes

The company's quality of disclosure can be considered moderate judged by the level of information and details furnished in the annual report. There is scope for greater disclosures through presentations, websites and other publicly available data. The company has all the necessary committees – audit, remuneration, and investor grievance - in place to support corporate governance practices.



## Valuation Grade: 3/5

We continue to use the the discounted cash flow (DCF) method to value Responsive at a fair value of Rs 107 per share. At this value, the implied P/E multiples are 26.8x FY12 earnings estimate and 16.3x FY13 earnings estimate. The stock is currently trading at Rs 107 per share. Consequently, we maintain the valuation grade of **3/5**, indicating that the current market price is **aligned** with the fair value.

**We assign a fair value of Rs 107 per share and a valuation grade of 3/5**

### Key DCF assumptions

- We have considered the discounted value of the firm's estimated free cash flow from FY13 to FY22.
- We have included capital expenditure of Rs ~2,200 mn in FY12 and Rs 1,000 mn in FY13. We have assumed a maintenance capex of Rs 250 mn per annum thereafter.
- We have assumed a terminal growth rate of 3% beyond the explicit forecast period.

### WACC computation

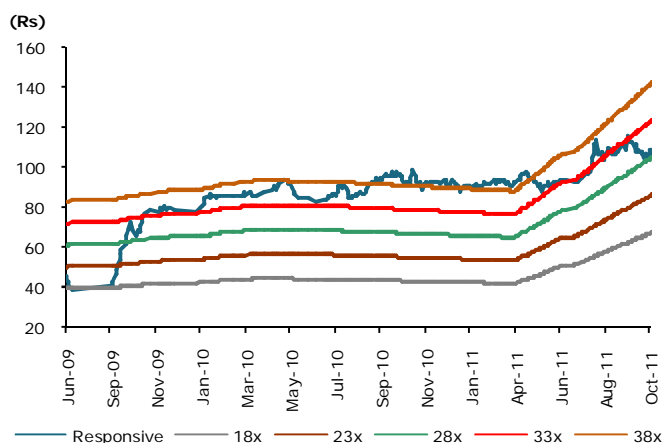
	FY13-22	Terminal value
Cost of equity	18.2%	18.2%
Cost of debt (post tax)	7.4%	7.4%
<b>WACC</b>	<b>12.2%</b>	<b>12.8%</b>
Terminal growth rate		3.0%

### Sensitivity analysis to terminal WACC and terminal growth rate

		Terminal growth rate				
		1.0%	2.0%	3.0%	4.0%	5.0%
Terminal WACC	10.8%	116	125	136	150	170
	11.8%	105	111	119	129	143
	12.8%	96	101	<b>107</b>	114	123
	13.8%	89	93	97	103	109
	14.8%	83	86	90	94	99

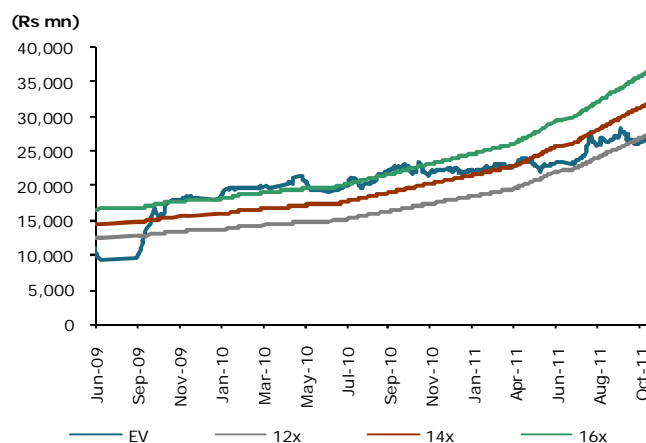
Source: CRISIL Research estimates

### One-year forward P/E band



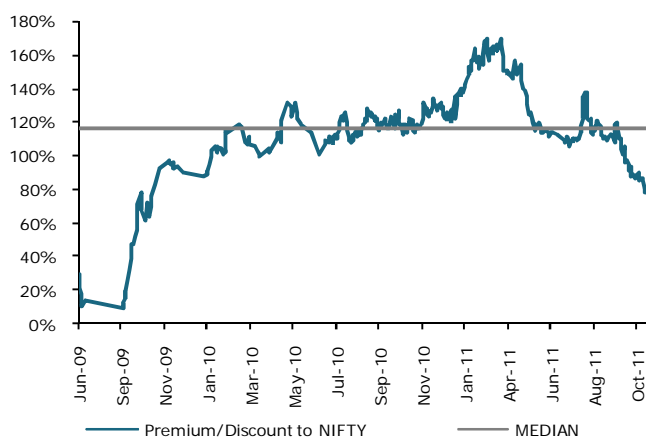
Source: NSE, BSE, Company, CRISIL Research

### One-year forward EV/EBITDA band



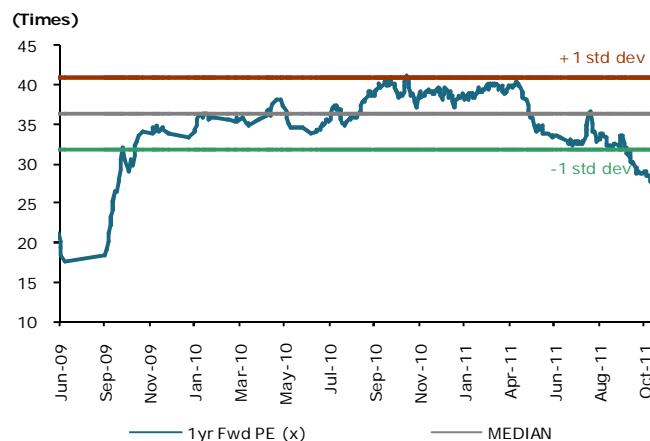
Source: NSE, BSE, Company, CRISIL Research

## P/E – premium / discount to NIFTY



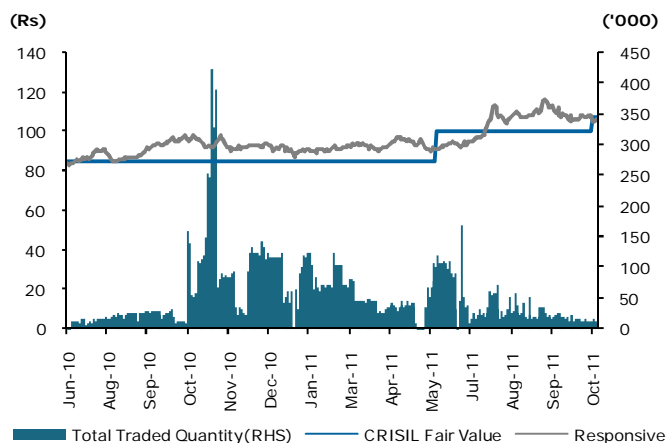
Source: NSE, BSE, Company, CRISIL Research

## P/E movement



Source: NSE, BSE, Company, CRISIL Research

## Fair value movement since initiation



Source: NSE, BSE, CRISIL Research

## CRISIL IER reports released on Responsive Industries Ltd

Date	Nature of report	Fundamental		Valuation		CMP (on the date of report)
		grade	Fair value	grade		
07-Jun-10	Initiating coverage*	3/5	Rs 85	3/5		Rs 85#
04-Oct-10	Q1FY11 result update	3/5	Rs 85	2/5		Rs 96#
23-Nov-10	Q2FY11 result update	3/5	Rs 85	3/5		Rs 90
08-Apr-11	Q3FY11 result update	3/5	Rs 85	3/5		Rs 95
13-Jun-11	Q4FY11 result update	3/5	Rs 100	2/5		Rs 95
18-Aug-11	Q1FY12 result update	3/5	Rs 100	3/5		Rs 107
28-Oct-11	Detailed report	4/5	Rs 107	3/5		Rs 107

\* For detailed initiating coverage report please visit: [www.ier.co.in](http://www.ier.co.in)

# Adjusted for stock split of FV Rs 10 to FV Rs 1 (record date October 11, 2010)

CRISIL Independent Equity Research reports are also available on Bloomberg (CRI <go>) and Thomson Reuters.

## Company Overview

Responsive Industries Ltd is an India-based company engaged in the manufacturing of vinyl flooring, soft sheeting, rigid polyvinyl chloride (PVC) and leather cloth. Vinyl flooring includes printed and homogenous flooring, flooring of transportation interiors, antistatic and conductive flooring, multi-layered and sports flooring.

The company was incorporated in 1982 under the name of Sinhal Holding Ltd, which was primarily into the trading of PVC products. In FY07, the company amalgamated Responsive Polymers Ltd (which was into the manufacturing of PVC flooring and artificial leather cloth) with itself and the name of the company was changed to Responsive.

### Capacity

Currently, the company has a capacity to produce 22,000 MTPA of PVC leather clothing, 15,000 MTPA of vinyl flooring, 3,000 MTPA of rigid blister films and 4,000 MTPA of soft sheeting capacity.

### Expected capacity by September 2011

Segment	Capacity in MTPA
Vinyl flooring	50,000
PVC leather cloth	33,000
Rigid blister films	3,000
Soft sheeting	4,000
Total	90,000
Shipping ropes (Axiom Cordages)	44,000

Source: Company, CRISIL Research

### Products

Responsive manufactures a wide variety of PVC flooring solutions, seat covering and upholstery solutions, pharmaceutical packaging and transparent sheeting. It has an export-oriented subsidiary company, Axiom Cordages Ltd, which is into the manufacturing of synthetic ropes used in oil rigs and the shipping industry. Exports contribute ~60% of the total revenues. Asia-Pacific contributed to 30% of the total exports, North America contributed to 28% of the total exports and the Euro zone contributed to 34% of the exports.

Soft sheeting includes opaque sheeting, which is used for diary and passbook covers, files, folders and other stationery items, such as soft lug; printed film, which is used in tablemats, raincoats, covers for fridge, television and washing machines, and shower curtains, among others; clear transparent film, which is used in making of stationery items, diary covers, files, folders, raincoats, shower curtains, table mats and other applications.

Rigid PVC products include PVC packaging film under brands like Magic, Armstrong and Pearl. Leather cloth or artificial leather comes in three different types: sponge leather, un-foamed leather and coated leather cloth.

## Raw materials

PVC, plasticisers and chemicals are the key raw materials; they are procured from Reliance Industries Ltd, LG Korea, Thai Petro, Exxon Mobil and Lyondell Basell.

## Milestones

1982	Incorporated as Sinhal Holding Ltd
1996	Renamed as Responsive Polymers Ltd
2000	Undertook international certifications and processes
2004	Undertook significant up-gradation of machinery and production capabilities
2004	Investment in Axiom Cordages for capacity expansion and product innovation
2007	Name of the company changed to Responsive Industries Limited
2010	10:1 stock split
2010	Completed capacity expansion in Axiom Cordages
2011	Started trial runs for the new capacity

## Annexure: Financials

Income statement						Balance Sheet					
(Rs mn)	FY09	FY10	FY11#	FY12E	FY13E	(Rs mn)	FY09	FY10	FY11#	FY12E	FY13E
<b>Operating income</b>	6,515	8,407	11,882	15,640	20,221	<b>Liabilities</b>					
<b>EBITDA</b>	1,006	1,301	1,912	2,637	3,798	Equity share capital	218	244	262	262	262
<b>EBITDA margin</b>	15.4%	15.5%	16.1%	16.9%	18.8%	Reserves	1,516	2,843	4,846	5,846	7,497
Depreciation	272	373	531	870	980	Minorities	95	136	170	232	287
<b>EBIT</b>	734	927	1,381	1,767	2,819	<b>Net worth</b>	1,829	3,223	5,277	6,341	8,046
Interest	125	50	111	296	513	Convertible debt	-	-	-	-	-
<b>Operating PBT</b>	609	878	1,269	1,471	2,305	Other debt	1,260	3,820	4,820	6,470	6,470
Other income	7	39	30	64	115	<b>Total debt</b>	1,260	3,820	4,820	6,470	6,470
Exceptional inc/(exp)	(2)	(2)	-	-	-	Deferred tax liability (net)	143	224	210	227	255
<b>PBT</b>	614	914	1,299	1,535	2,420	<b>Total liabilities</b>	3,232	7,267	10,307	13,038	14,772
Tax provision	120	247	308	430	654	<b>Assets</b>					
Minority interest	32	32	33	63	55	Net fixed assets	2,698	3,533	4,002	8,427	8,448
<b>PAT (Reported)</b>	462	635	957	1,042	1,712	Capital WIP	430	1,961	3,481	441	441
Less: Exceptionals	(2)	(2)	-	-	-	<b>Total fixed assets</b>	3,128	5,494	7,483	8,869	8,889
<b>Adjusted PAT</b>	463	637	957	1,042	1,712	<b>Investments</b>	35	113	113	113	113
						<b>Current assets</b>					
						Inventory	278	449	634	835	1,079
						Sundry debtors	191	1,067	1,508	2,622	3,457
						Loans and advances	443	162	229	301	389
						Cash & bank balance	351	364	884	971	1,619
						Marketable securities	10	227	227	227	227
						<b>Total current assets</b>	1,273	2,268	3,482	4,956	6,771
						<b>Total current liabilities</b>	1,204	608	771	899	1,002
						<b>Net current assets</b>	69	1,660	2,711	4,057	5,770
						<b>Intangibles/Misc. expenditure</b>	-	-	-	-	-
						<b>Total assets</b>	3,232	7,267	10,307	13,038	14,772
						<b>Cash flow</b>					
						(Rs mn)	FY09	FY10	FY11#	FY12E	FY13E
						Pre-tax profit	615	916	1,299	1,535	2,420
						Total tax paid	(79)	(167)	(322)	(412)	(626)
						Depreciation	272	373	531	870	980
						Working capital changes	133	(1,361)	(531)	(1,259)	(1,064)
						<b>Net cash from operations</b>	941	(238)	977	734	1,710
						<b>Cash from investments</b>					
						Capital expenditure	(1,100)	(2,740)	(2,520)	(2,255)	(1,000)
						Investments and others	69	(295)	-	-	-
						<b>Net cash from investments</b>	(1,031)	(3,035)	(2,520)	(2,255)	(1,000)
						<b>Cash from financing</b>					
						Equity raised/(repaid)	118	751	1,105	-	-
						Debt raised/(repaid)	278	2,561	1,000	1,650	-
						Dividend (incl. tax)	(33)	(33)	(42)	(42)	(61)
						Others (incl extraordinary)	(2)	7	-	-	-
						<b>Net cash from financing</b>	362	3,286	2,063	1,608	(61)
						Change in cash position	272	12	520	87	648
						Closing cash	351	364	884	971	1,619
						<b>Quarterly financials(Standalone Results)</b>					
						(Rs mn)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12
						<b>Net Sales</b>	1,589	1,393	1,921	2,341	2,123
						Change (q-o-q)	75%	-12%	38%	22%	-9%
						<b>EBITDA</b>	237	210	265	262	357
						Change (q-o-q)	82%	-11%	26%	-1%	36%
						<b>EBITDA margin</b>	14.9%	15.1%	13.8%	11.2%	16.8%
						PAT	142	113	152	151	140
						<b>Adj PAT</b>	138	113	152	151	140
						Change (q-o-q)	393%	-18%	35%	-1%	-7%
						<b>Adj PAT margin</b>	8.7%	8.1%	7.9%	6.4%	6.6%
						<b>Adj EPS</b>	0.5	0.4	0.6	0.6	0.5

Source: CRISIL Research

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