



INDEPENDENT EQUITY RESEARCH

Responsive Industries Ltd

Q3FY12 Result Update

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 (- 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:

This **company-commissioned Report** (Report) is based on data publicly available or from sources considered reliable by CRISIL (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. The Data / Report are subject to change without any prior notice. Opinions expressed herein are our current opinions as on the date of this Report. Nothing in this Report constitutes investment, legal, accounting or tax advice or any solicitation, whatsoever. The Report is not a recommendation to buy / sell or hold any securities of the Company. CRISIL especially states that it has no financial liability, whatsoever, to the subscribers / users of this Report. This Report is for the personal information only of the authorized recipient in India only. This Report should not be reproduced or redistributed or communicated directly or indirectly in any form to any other person – especially outside India or published or copied in whole or in part, for any purpose.

Responsive Industries Ltd

High raw-material costs impact margins

Fundamental Grade 4/5 (Superior fundamentals)

Valuation Grade 3/5 (CMP is aligned)

Industry Materials

Responsive Industries Ltd's (Responsive's) Q3FY12 standalone revenues (PVC flooring and other PVC products) were in line with CRISIL Research's expectations. EBITDA and PAT were lower than expected on account of higher raw material costs. Responsive was impacted by the sharp rupee depreciation during the quarter as it imports PVC resins (crude oil derivatives) - key raw material. We have factored in the increase in raw material costs during the quarter and have lowered our FY12 estimates. However, with the rupee movement against the dollar having stabilised, we expect the company to continue to operate at ~19% EBITDA margin in FY13. Based on Responsive's dominant position in PVC flooring and other PVC products, we maintain our fundamental grade of **4/5**.

Q3FY12 standalone result analysis

- Revenues increased by 21% q-o-q and 41% y-o-y to Rs 2,715 mn due to strong demand post new capacities coming on stream.
- EBITDA margin declined by 487 bps q-o-q to 9.1% due to increase in raw material costs by 532 bps to 79.3%.
- Decrease in EBITDA margin coupled with increase in interest cost (62% q-o-q to Rs 19 mn) lowered PAT to Rs 41 mn against Rs 114 mn in Q2FY12. Accordingly, EPS was Rs 0.16 vis-à-vis Rs 0.44 in Q2FY12.

Q3FY12 consolidated result analysis

- Consolidated revenues increased by 14.7% q-o-q to Rs 4,283 mn, at a lower pace than standalone revenues. Revenues from its shipping ropes subsidiary - Axiom Cordages increased by ~6% q-o-q.
- EBITDA margin declined by 696 bps to 9.6% primarily because raw material costs as a percentage of sales increased by 495 bps to 79.6%. Raw material costs for Axiom Cordages also increased by 421 bps to 80%.
- The company reported PAT of Rs 119 mn against Rs 280 mn in Q2FY12. Accordingly, EPS was Rs 0.45 vis-à-vis Rs 1.07 in Q2FY12.
- The company started reporting its consolidated numbers from Q1FY12.

Valuations: Current market price is aligned

We value Responsive based on the discounted cash flow method with a fair value of Rs 107. At the current market price of Rs 99, 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	2,285	3,798
Adj PAT	463	637	957	960	1,712
Adj EPS-Rs	2.1	2.6	3.7	3.7	6.5
EPS growth (%)	12.8	23.1	39.9	0.2	78.5
Dividend yield (%)	0.2	0.1	0.1	0.1	0.2
RoCE (%)	27.6	18.3	16.1	12.5	20.8
RoE (%)	28.0	23.9	21.8	15.9	23.4
PE (x)	40.5	38.2	27.3	27.3	15.3
P/BV (x)	10.2	7.6	5.0	4.2	3.3
EV/EBITDA (x)	19.6	21.3	15.7	13.8	8.2

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

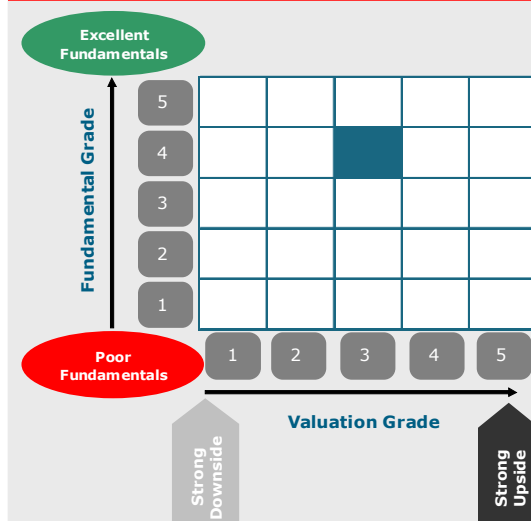


February 27, 2012

Fair Value Rs 107

CMP Rs 99

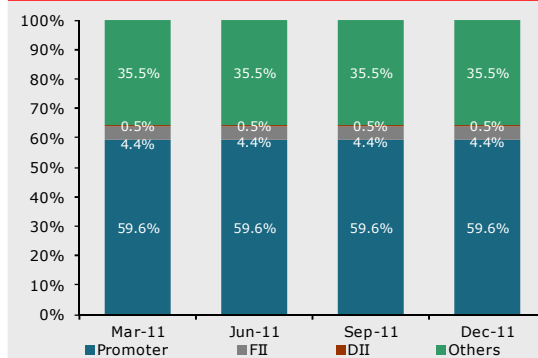
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5564/18289
NSE / BSE ticker	RESPONSIVE
Face value (Rs per share)	1
Shares outstanding (mn)	261.6
Market cap (Rs mn)/(US\$ mn)	28,768/587
Enterprise value (Rs mn)/(US\$ mn)	32,224/658
52-week range (Rs) (H/L)	145/83
Beta	0.5
Free float (%)	40.4
Avg daily volumes (30-days)	32,557
Avg daily value (30-days) (Rs mn)	3.7

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Responsive	-2%	-1%	-9%	8%
NIFTY	6%	14%	11%	3%

ANALYTICAL CONTACT

Chetan Majithia (Head) chetanmajithia@crsil.com

Chinmay Sapre csapre@crsil.com

Suresh Guruprasad sguruprasad@crsil.com

Client servicing desk

+91 22 3342 3561

clientservicing@crsil.com

Q3FY12 Result Summary (Standalone)

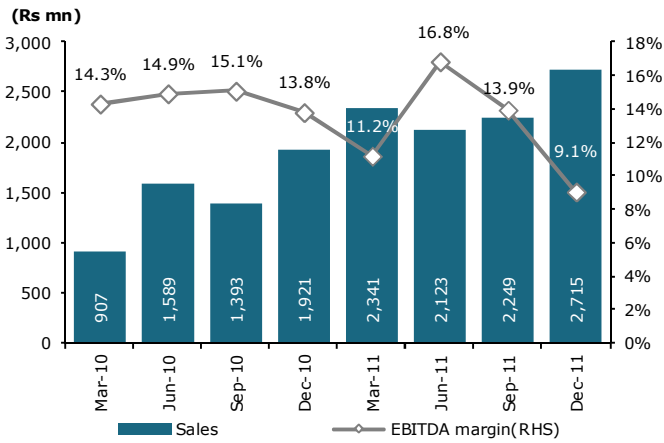
(Rs mn)	Q3FY12	Q2FY12	Q3FY11	q-o-q (%)	y-o-y (%)	9MFY12	9MFY11	y-o-y (%)
Net sales	2,715	2,249	1,921	21	41	7,087	4,904	45
Raw materials cost	2,153	1,663	1,501	29	43	5,391	3,740	44
Raw materials cost (% of net sales)	79.3%	74.0%	78.2%	532 bps	113 bps	76.1%	76.3%	-20 bps
Employees cost	23	21	20	11	12	63	65	(2)
Other expenses	294	252	134	17	119	717	387	85
EBITDA	246	313	265	(22)	(7)	916	712	29
EBITDA margin	9.1%	13.9%	13.8%	-487 bps	-474 bps	12.9%	14.5%	-159 bps
Depreciation	130	131	72	(0)	81	386	213	81
EBIT	116	182	193	(37)	(40)	530	499	6
Interest and finance charges	19	12	9	62	106	40	29	37
Operating PBT	96	170	184	(44)	(48)	490	470	4
Other Income	7	9	5	(28)	46	21	21	(1)
PBT	103	180	188	(43)	(45)	511	491	4
Tax	62	65	37	(6)	67	215	88	144
PAT	41	114	152	(64)	(73)	296	402	(27)
Adj PAT	41	114	152	(64)	(73)	296	402	(27)
Adj PAT margin	1.5%	5.1%	7.9%	-356 bps	-637 bps	4.2%	8.2%	-403 bps
No of equity shares (mn)	261.6	261.6	261.6	-	-	261.6	261.6	-
Adj EPS (Rs)	0.16	0.44	0.58	(64)	(73)	1.13	1.54	(27)

Source: Company, CRISIL Research

Q3FY12 Result Summary (Consolidated)

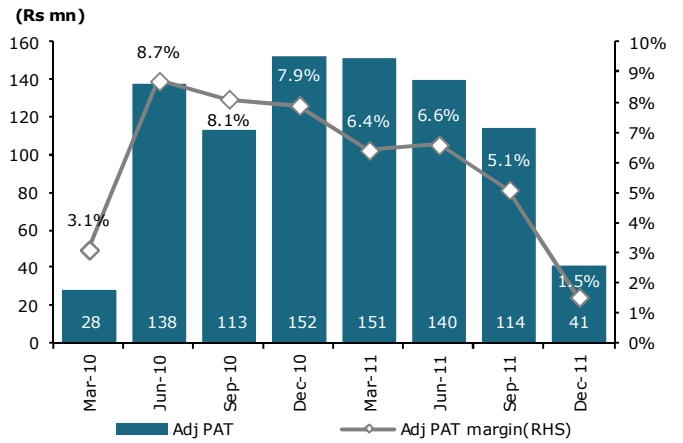
(Rs mn)	Consolidated			
	Q3FY12	Q2FY12	q-o-q (%)	9MFY12
Net sales	4,283	3,733	14.7%	11,535
Raw materials cost	3,408	2,790	22.2%	8,863
Raw materials cost (% of net sales)	79.6%	74.7%	485 bps	76.8%
Employees cost	26	30	-13.3%	81
Other expenses	439	297	48.0%	954
EBITDA	410	617	-33.6%	1,637
EBITDA margin	9.6%	16.5%	-696 bps	14.2%
Depreciation	194	195	-0.4%	577
EBIT	215	422	-48.9%	1,061
Interest and finance charges	38	25	49.4%	83
Operating PBT	178	397	-55.2%	978
Other Income	34	21	59.0%	63
PBT	212	418	-49.3%	1,041
Tax	80	112	-28.0%	314
Minority interest	13	27	-52.7%	58
PAT	119	280	-57.5%	669
Adj PAT	119	280	-57.5%	669
Adj PAT margin	2.8%	7.5%	-493 bps	5.8%
No of equity shares (mn)	261.6	261.6	0.0%	261.6
Adj EPS (Rs)	0.45	1.07	-57.5%	2.56

EBITDA margin lowest in the past 10 quarters



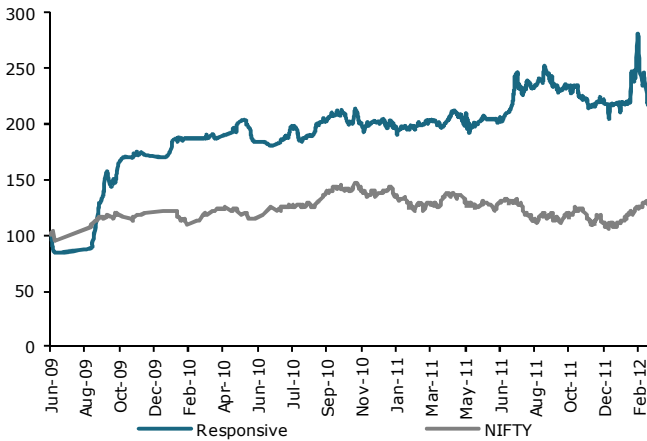
Source: Company, CRISIL Research

PAT margin declined



Source: Company, CRISIL Research

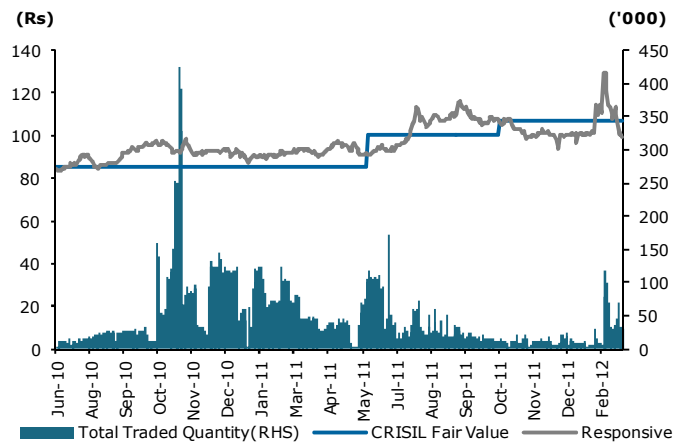
Share price movement



-indexed to 100

Source: NSE, CRISIL Research

Fair value movement since initiation



Source: NSE, CRISIL Research

EARNINGS ESTIMATES REVISED DOWNWARDS

Particulars	Unit	FY12E			FY13E		
		Old	New	% change	Old	New	% change
Revenues	(Rs mn)	15,640	15,640	0.0%	20,221	20,221	0.0%
EBITDA	(Rs mn)	2,637	2,285	-13.3%	3,798	3,798	0.0%
EBITDA margin	%	16.9%	14.6%	(225) bps	18.8%	18.8%	0 bps
PAT	(Rs mn)	1,042	960	-8.0%	1,712	1,712	0.0%
PAT margin	%	6.7%	6.1%	(53) bps	8.5%	8.5%	0 bps
EPS	Rs	4.0	3.7	-8.0%	6.5	6.5	0.0%

Source: CRISIL Research estimate

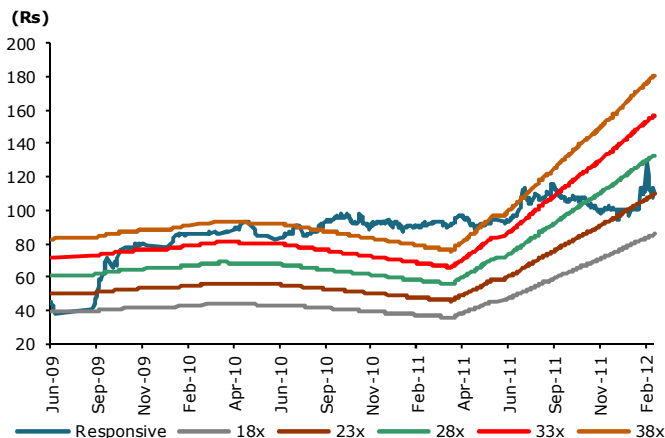
Reasons for changes in estimates

Line item	FY12	FY13
Revenues	<ul style="list-style-type: none"> No change. 	<ul style="list-style-type: none"> No change.
EBITDA margins	<ul style="list-style-type: none"> Rise in raw material costs due to sharp rupee depreciation. The company would stand to benefit in case the rupee appreciates more than our expectation. 	<ul style="list-style-type: none"> No change.
PAT margins	<ul style="list-style-type: none"> In line with fall in EBITDA margin. However, interest costs are expected to be lower on account of them being capitalised till end FY12. 	<ul style="list-style-type: none"> No change.

VALUATION

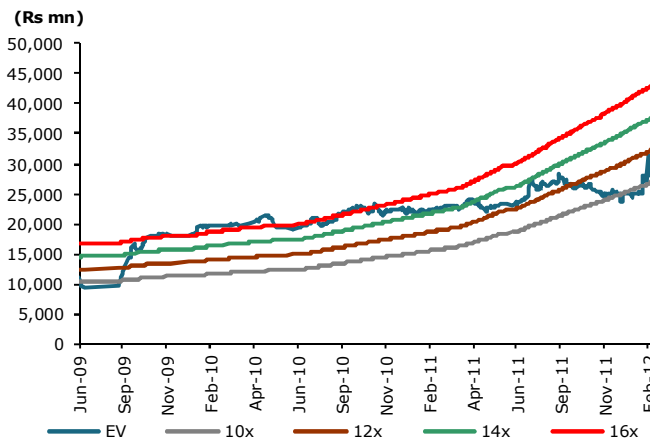
We continue to use the discounted cash flow (DCF) method to value Responsive at a fair value of Rs 107 per share. At this value, the implied P/E multiples are 29.1x FY12 earnings estimate and 16.3x FY13 earnings estimate. We maintain the valuation grade of **3/5**.

One-year forward P/E band



Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



Source: NSE, CRISIL Research

P/E – premium/discount to NIFTY



Source: NSE, CRISIL Research

P/E movement



Source: NSE, CRISIL Research

CRISIL IER reports released on Responsive Industries Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
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
21-Nov-11	Q2FY12 result update	4/5	Rs 107	3/5	Rs 100
27-Feb-12	Q3FY12 result update	4/5	Rs 107	3/5	Rs 99

* For detailed initiating coverage report please visit: 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.

FINANCIALS

Income statement

(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	2,285	3,798
EBITDA margin	15.4%	15.5%	16.1%	14.6%	18.8%
Depreciation	272	373	531	862	971
EBIT	734	927	1,381	1,423	2,827
Interest	125	50	111	136	513
Operating PBT	609	878	1,269	1,287	2,314
Other income	7	39	30	84	107
Exceptional inc/(exp)	(2)	(2)	-	-	-
PBT	614	914	1,299	1,371	2,421
Tax provision	120	247	308	370	654
Minority interest	32	32	33	41	55
PAT (Reported)	462	635	957	960	1,712
Less: Exceptionals	(2)	(2)	-	-	-
Adjusted PAT	463	637	957	960	1,712

Ratios

	FY09	FY10	FY11	FY12E	FY13E
Growth					
Operating income (%)	58.1	29.0	41.3	31.6	29.3
EBITDA (%)	13.9	29.2	47.0	19.5	66.2
Adj PAT (%)	16.7	37.5	50.3	0.2	78.5
Adj EPS (%)	12.8	23.1	39.9	0.2	78.5
Profitability					
EBITDA margin (%)	15.4	15.5	16.1	14.6	18.8
Adj PAT Margin (%)	6.6	7.2	7.8	5.9	8.2
RoE (%)	28.0	23.9	21.8	15.9	23.4
RoCE (%)	27.6	18.3	16.1	12.5	20.8
RoIC (%)	26.4	16.3	14.4	11.8	19.6
Valuations					
Price-earnings (x)	40.5	38.2	27.3	27.3	15.3
Price-book (x)	10.2	7.6	5.0	4.2	3.3
EV/EBITDA (x)	19.6	21.3	15.7	13.8	8.2
EV/Sales (x)	3.0	3.3	2.5	2.0	1.5
Dividend payout ratio (%)	7.2	5.3	3.7	3.7	3.1
Dividend yield (%)	0.2	0.1	0.1	0.1	0.2
B/S ratios					
Inventory days	19	23	23	24	25
Creditors days	72	25	22	19	16
Debtor days	10	44	46	61	63
Working capital days	(13)	17	41	52	61
Gross asset turnover (x)	2.2	2.1	2.3	1.9	1.8
Net asset turnover (x)	2.6	2.7	3.2	2.5	2.4
Sales/operating assets (x)	2.4	2.0	1.8	1.9	2.3
Current ratio (x)	1.1	3.7	4.5	5.4	6.7
Debt-equity (x)	0.7	1.2	0.9	1.0	0.8
Net debt/equity (x)	0.5	1.0	0.7	0.8	0.6
Interest coverage	5.9	18.7	12.4	10.5	5.5

Per share

	FY09	FY10	FY11#	FY12E	FY13E
Adj EPS (Rs)	2.1	2.6	3.7	3.7	6.5
CEPS	3.4	4.1	5.7	7.0	10.3
Book value	8.4	13.2	20.2	23.8	30.4
Dividend (Rs)	0.2	0.1	0.1	0.1	0.2
Actual o/s shares (mn)	218.0	243.5	261.6	261.6	261.6

Balance Sheet

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Liabilities					
Equity share capital	218	244	262	262	262
Reserves	1,516	2,843	4,846	5,764	7,415
Minorities	95	136	177	211	266
Net worth	1,829	3,223	5,277	6,236	7,942
Convertible debt	-	-	-	-	-
Other debt	1,260	3,820	4,820	6,470	6,470
Total debt	1,260	3,820	4,820	6,470	6,470
Deferred tax liability (net)	143	224	210	227	253
Total liabilities	3,232	7,267	10,307	12,933	14,666
Assets					
Net fixed assets	2,698	3,533	4,002	8,335	8,364
Capital WIP	430	1,961	3,481	441	441
Total fixed assets	3,128	5,494	7,483	8,777	8,805
Investments	35	113	113	113	113
Current assets					
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	981	1,597
Marketable securities	10	227	227	227	227
Total current assets	1,273	2,268	3,482	4,966	6,749
Total current liabilities	1,204	608	771	922	1,002
Net current assets	69	1,660	2,711	4,044	5,747
Intangibles/Misc. expenditure	-	-	-	-	-
Total assets	3,232	7,267	10,307	12,933	14,666

Cash flow

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Pre-tax profit	615	916	1,299	1,371	2,421
Total tax paid	(79)	(167)	(322)	(353)	(627)
Depreciation	272	373	531	862	971
Working capital changes	133	(1,361)	(531)	(1,236)	(1,088)
Net cash from operations	941	(238)	977	644	1,677
Cash from investments					
Capital expenditure	(1,100)	(2,740)	(2,520)	(2,155)	(1,000)
Investments and others	69	(295)	-	-	-
Net cash from investments	(1,031)	(3,035)	(2,520)	(2,155)	(1,000)
Cash from financing					
Equity raised/(repaid)	118	751	1,105	0	-
Debt raised/(repaid)	278	2,561	1,000	1,650	-
Dividend (incl. tax)	(33)	(33)	(42)	(42)	(61)
Others (incl extraordinary)	(2)	7	-	-	-
Net cash from financing	362	3,286	2,063	1,608	(61)
Change in cash position	272	12	520	97	616
Closing cash	351	364	884	981	1,597

Quarterly financials(Standalone Results)

(Rs mn)	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12
Net Sales	1,921	2,341	2,123	2,249	2,715
Change (q-o-q)	38%	22%	-9%	6%	21%
EBITDA	265	262	357	313	246
Change (q-o-q)	26%	-1%	36%	-12%	-22%
EBITDA margin	13.8%	11.2%	16.8%	13.9%	9.1%
PAT	152	151	140	114	41
Adj PAT	152	151	140	114	41
Change (q-o-q)	35%	-1%	-7%	-18%	-64%
Adj PAT margin	7.9%	6.4%	6.6%	5.1%	1.5%
Adj EPS	0.6	0.6	0.5	0.4	0.2

Note: All ratios are computed on Adj PAT

Source: Company, CRISIL Research estimate

CRISIL Research Team

Senior Director

Mukesh Agarwal	+91 (22) 3342 3035	maagarwal@crisil.com
----------------	--------------------	--

Analytical Contacts

Tarun Bhatia	Director, Capital Markets	+91 (22) 3342 3226	tbhatia@crisil.com
Prasad Koparkar	Head, Industry & Customised Research	+91 (22) 3342 3137	pkoparkar@crisil.com
Chetan Majithia	Head, Equities	+91 (22) 3342 4148	chetanmajithia@crisil.com
Jiju Vidyadharan	Head, Funds & Fixed Income Research	+91 (22) 3342 8091	jvidyadharan@crisil.com
Ajay D'Souza	Head, Industry Research	+91 (22) 3342 3567	adsouza@crisil.com
Ajay Srinivasan	Head, Industry Research	+91 (22) 3342 3530	ajsrinivasan@crisil.com
Sridhar C	Head, Industry Research	+91 (22) 3342 3546	sridharc@crisil.com
Manoj Mohta	Head, Customised Research	+91 (22) 3342 3554	mmohta@crisil.com
Sudhir Nair	Head, Customised Research	+91 (22) 3342 3526	snair@crisil.com

Business Development

Vinaya Dongre	Head, Industry & Customised Research	+91 (22) 33428025	vdongre@crisil.com
Ashish Sethi	Head, Capital Markets	+91 (22) 33428023	asethi@crisil.com

CRISIL's Equity Offerings

The Equity Group at CRISIL Research provides a wide range of services including:

- ☞ Independent Equity Research
- ☞ IPO Grading
- ☞ White Labelled Research
- ☞ Valuation on companies for use of Institutional Investors, Asset Managers, Corporate

Other services by the Research group include

Funds & Fixed Income Research

- ☞ Mutual fund rankings
- ☞ Wealth Tracking and Financial Planning tools for asset managers, wealth managers and IFAs
- ☞ Valuation for all debt instruments
- ☞ Developing and maintaining debt and hybrid indices
- ☞ Consultancy and research support to retirement funds

Industry & Customized Research

- ☞ Provide comprehensive research coverage across 65 sectors
- ☞ Customised research on market sizing, demand modelling and entry strategies
- ☞ Customised research content for Information Memorandum and Offer Documents

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Research

CRISIL Research is the country's largest independent and integrated research house with strong domain expertise on Indian economy, industries and capital markets. We leverage our unique research platform and capabilities to deliver superior perspectives and insights to over 1200 domestic and global clients, through a range of research reports, analytical tools, subscription products and customised solutions.

To know more about CRISIL IER, please contact our team members:

Ashish Sethi – Head, Business Development
Email : asethi@crisil.com | Phone : 9920807575

Sagar Sawarkar – Senior Manager, Business Development
Email : ssawarkar@crisil.com | Phone : 9821638322

Regional Contacts:

Ahmedabad / Mumbai

Vishal Shah - Manager, Business Development
Email : vishah@crisil.com | Phone : 9820598908

Bengaluru

Gayathri Ananth – Senior Manager, Business Development
Email : gs@crisil.com | Phone : 9886498175

Chennai / Hyderabad

Kaliprasad Ponnuru - Manager, Business Development
Email : kponnuru@crisil.com | Phone : 9642004668

Delhi

Arjun Gopalkrishnan - Manager, Business Development
Email : agopalakrishnan@crisil.com | Phone : 9833364422

Kolkata

Priyanka Agarwal - Manager, Business Development
Email : priyagarwal@crisil.com | Phone : 9903060685

Mumbai / Pune

Vivek Tandon - Manager, Business Development
Email : vtandon@crisil.com | Phone : 9967714970



Head Office: CRISIL House, Central Avenue, Hiranandani Business Park,
Powai, Mumbai - 400 076
Phone : 91-22-3342 3000

Web: www.crisil.com

Download reports from: www.ier.co.in