

CARE EQUIGRADE GRID (CEG)

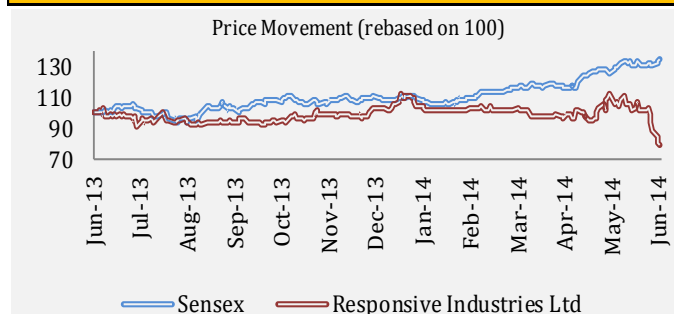
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Fundamentals					
Valuation					

CEG is explained on page 6

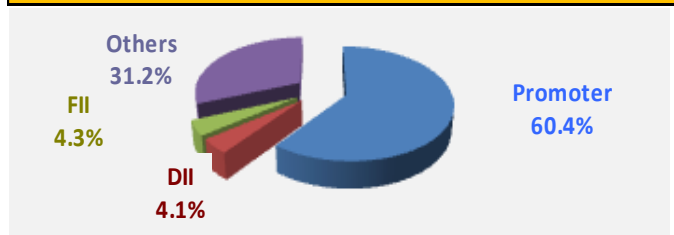
KEY EQUISTATS

Market Capitalisation	Rs. Crore	1,958
Enterprise Value	Rs. Crore	2,668
52 Week High / Low	Rs.	119/71
Diluted EPS (FY14)	Rs.	3.1
P/E (FY14)	times	23.4
Regression Beta	times	0.1
Average Daily Volumes*	Lakhs	0.7

* BSE + NSE for last 52 weeks

STOCK PERFORMANCE

Returns

	1M	3M	6M	1Yr
Absolute	-25%	-22%	-23%	-21%
Rel. to Sensex	-28%	-32%	-38%	-41%

SHARE HOLDING PATTERN

ANALYTICAL CONTACTS

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CARE Equity Research maintains a fundamental grade of 4/5 to Responsive Industries Ltd (Responsive)

During Q4FY14 (refers to the period January 01 to March 31), Responsive reported consolidated revenue of Rs.612 crore (up 14.5% y-o-y) which was in-line with CARE Equity Research estimates. On a standalone basis, the revenue grew from Rs.411 crore in Q4FY13 to Rs.459 crore in Q4FY14. During the quarter, Axiom Cordages reported significant increase in revenue (up 24% y-o-y) to Rs.153 crore.

EBITDA on a consolidated basis was reported at Rs.29.1 crore in Q4FY14 as against Rs.25.1 crore in Q4FY13, registering an increase of 15.7% y-o-y. However, on a standalone basis, EBITDA decreased by 63.5% y-o-y to Rs.8.2 crore in Q4FY14. Consolidated EBITDA margin remained constant at 4.7%. EBITDA margin was largely affected by higher raw material expenses and discounts offered to customers/distributors for revenue targets achieved in the entire year. Raw material cost as a percentage of revenue increased from 90.7% in Q4FY13 to 93.1% in Q4FY14.

Consolidated other income increased from Rs.0.9 crore in Q4FY13 to Rs.8.5 crore in Q4FY14 on account of gain on sale of investment. Also during the quarter, there was tax reversal of Rs.13.2 crore on account of excess provision in previous quarters. As a result, Responsive reported a consolidated net profit of Rs.5.7 crore in Q4FY14.

On an annual basis, the company witnessed 15% y-o-y, increase in consolidated revenue to Rs.2,515 crore, while EBITDA increased by 3.4% y-o-y to Rs.258 crore. The EBITDA margin was down by 115 bps to 10.3%, while net margin was lower by 82 bps at 2.9% in FY14.

Valuation

We have valued the equity shares of Responsive at Rs.109 per share. The valuation has been arrived at by using the EV/ EBITDA valuation methodology. The CIV of Rs.109 per share is around 49.1% above the Current Market Price (CMP) of Rs.73 per share; hence we assign a valuation grade of 5/5 to the equity shares of Responsive, indicating that equity shares have 'Considerable Upside Potential.'

Consolidated Financial Information Snapshot

(Rs. crore)	FY12	FY13	FY14	FY15E	FY16E
Operating Income	1,684	2,186	2,515	2,784	2,965
EBITDA	213	250	258	320	345
PAT (After minority interest)	104	81	73	96	106
Fully Diluted EPS* (Rs.)	4.2	3.3	3.1	4.1	4.6
Dividend Per Share (Rs.)	0.1	0.1	0.1	0.1	0.1
P/E (times)	17.3	22.2	23.4	17.7	16.1
EV/EBITDA (times)	12.1	10.4	10.3	8.2	7.2

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

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

RESULTS ANALYSIS & PRICE PERFORMANCE

CARE Equity Research retains the fundamental grade at 4/5, indicating 'Very Good Fundamentals'

CARE Equity Research maintains a fundamental grade of 4/5 to Responsive. This indicates 'Very Good Fundamentals'. The grading factors in the company's presence in the 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. In India, Responsive has the largest capacity in PVC flooring and PVC leather cloth and is amongst the top three manufacturers of PVC-based products in India. Responsive has strong brand recognition and through research and development, the company has added many innovative products across price points in its portfolio. The company has a diversified client base across industries and geographies, which significantly reduces the risk of revenue concentration. The company is also a preferred supplier to the Indian Railways' catering to the Railways' requirement for PVC flooring and artificial leather cloth used in passenger coaches. The company also has a significant presence in the synthetic ropes market through its subsidiary Axiom Cordages Ltd (Axiom). Responsive (& Axiom) have expanded capacity for PVC-based products (primarily flooring and leather cloth) from a total of 44,000 MTPA to 90,000 MTPA and for synthetic ropes from 32,520 MTPA to 52,500 MTPA in order to cater to increase in global & domestic demand for these products.

Revenue growth in-line with estimates

During Q4FY14, Responsive reported consolidated revenue of Rs.612 crore (up 14.5% y-o-y) which was in-line with CARE Equity Research estimates. On a standalone basis, revenue grew from Rs.411 crore in Q4FY13 to Rs.459 crore in Q4FY14, while Axiom Cordages reported significant increase (up 24% y-o-y) in revenue to Rs.153 crore. During FY14, the company witnessed 15% y-o-y increase in consolidated revenue to Rs.2,515 crore, while on a standalone basis it increased from Rs.1,519 crore in FY13 to Rs.1,842 crore.

Modest operating performance; decline in gross margin

EBITDA on a consolidated basis was at Rs.29.1 crore in Q4FY14 as against Rs.25.1 crore in Q4FY13, registering an increase of 15.7% y-o-y. However, on a standalone basis, EBITDA decreased by 63.5% y-o-y to Rs.8.2 crore in Q4FY14. Consolidated EBITDA margin remained constant at 4.7%. EBITDA margin was largely affected by higher raw material expenses and discounts offered to distributors. Responsive gave discounts to distributors who had achieved a pre-agreed level of yearly turnover; the impact of all the three previous quarters' discount was seen in this quarter. Raw material cost as a percentage of revenue increased from 90.7% in Q4FY13 to 93.1% in Q4FY14.

Consolidated other income increased from Rs.0.9 crore in Q4FY13 to Rs.8.5 crore in Q4FY14 on account of gain on sale of investment. Also during the quarter there was tax reversal of Rs.13.2 crore on account of excess provision in previous quarters. Consequently, Responsive reported a net profit of Rs.5.7 crore as compared to net loss of Rs.2.2 crore in Q4FY13.

During FY14, the company witnessed 15% y-o-y, increase in consolidated revenue to Rs.2,515 crore, while EBITDA increased by 3.4% y-o-y to Rs.258 crore. EBITDA margin on the other hand was marginally lower at 10.3%, down 115 bps, y-o-y. The adjusted net profit for FY14 decreased by 10.4% y-o-y to Rs.72.6 crore, while

net margin was at 2.9%, down by 82bps y-o-y. Net profit margin was largely affected by lower operating performance and higher minority interest on account of conversion of debentures into equity shares in Axiom.

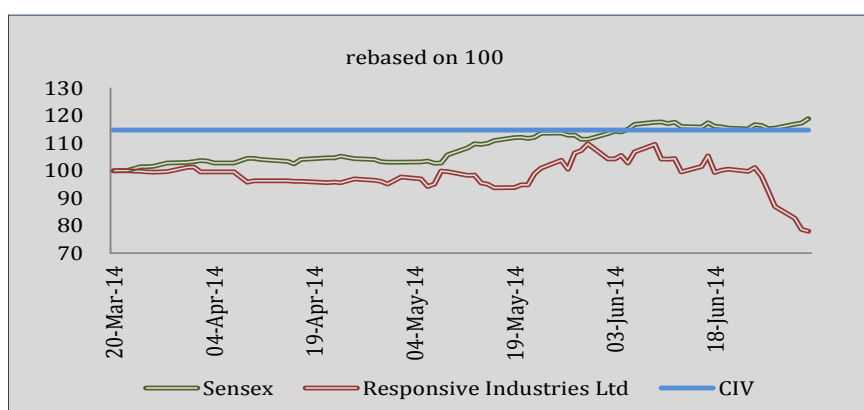
CARE Equity Research assigns valuation grade of 5/5

CARE Equity Research values the equity shares of Responsive at a Current Intrinsic Value (CIV) of Rs.109 per share. The valuation has been arrived at by using the EV/ EBITDA multiple valuation methodology. The CIV of Rs.109 per share is around 49.1% above the Current Market Price (CMP) of Rs.73 per share resulting in a valuation grade of '5/5', indicating that equity shares of Responsive have 'Considerable Upside Potential'.

Responsive's stock price down by 22% since re-initiation of coverage

CARE Equity Research re-initiated coverage on Responsive on March 20, 2014, with a Current Intrinsic Value (CIV) of Rs.108 and a Valuation Grade of '4/5', based on the then Current Market Price (CMP) of Rs.94.1. Since our initiating coverage, the stock price has decreased by 22%. The benchmark index (Sensex) in comparison is up by 19% during the same period.

Responsive: Stock performance since re-initiation



Source: BSE and CARE Equity Research

ANALYSIS OF INTERIM RESULTS

Quarterly Income Statement

Consolidated (Rs crore)	Q4FY14	Q4FY13	Q3FY14	Growth (y-o-y)	Growth (q-o-q)
Net Revenues	612	535	693	14.5%	-11.6%
Total Expenditure	583	510	615	14.4%	-5.2%
EBITDA	29.1	25.1	77.9	15.7%	-62.7%
Depreciation and amortisation	36.8	32.5	37.0	13.3%	-0.6%
EBIT	-7.8	-7.4	40.9	5.1%	-119.0%
Interest	8.0	8.2	7.7	-2.4%	3.1%
PBT	-7.2	-14.7	37.5	-51.1%	-119.1%
PAT	5.7	-2.2	21.3	-363.6%	-73.3%
EBITDA Margin (%)	4.7%	4.7%	11.2%	5.0 bps	-649.8 bps
Net Margin (%)	0.9%	-0.4%	3.1%	133.5 bps	-214.9 bps

Source: Company and CARE Equity Research

Quarterly Income Statement

Standalone (Rs crore)	Q4FY14	Q4FY13	Q3FY14	Growth (y-o-y)	Growth (q-o-q)
Net Revenues	459.4	411.4	522.0	11.7%	-12.0%
Total Expenditure	451.2	388.9	463.6	16.0%	-2.7%
EBITDA	8.2	22.5	58.3	-63.5%	-85.9%
Depreciation and amortisation	27.1	24.7	27.1	9.9%	0.0%
EBIT	-18.9	-2.2	31.2	761.9%	-160.5%
Interest	7.4	7.1	7.2	3.8%	2.0%
PBT	-8.5	-9.1	26.5	-6.9%	-132.1%
PAT	5.2	1.4	16.7	277.6%	-68.6%
EBITDA Margin (%)	1.8%	5.5%	11.2%	-367.6 bps	-939.1 bps
Net Margin (%)	1.1%	0.3%	3.2%	80.4 bps	-205.4 bps

Source: Company and CARE Equity Research

Annual Income Statement

Consolidated (Rs crore)	FY14	FY13	Growth (y-o-y)
Net Revenues	2515	2186	15.0%
Total Expenditure	2257	1937	16.5%
EBITDA	258	249	3.4%
Depreciation and amortisation	145	121	20.5%
EBIT	113	129	-12.5%
Interest	31	31	-0.9%
PBT	108	108	0.3%
PAT	72.6	81.0	-10.4%
EBITDA Margin (%)	10.3%	11.4%	-115.1 bps
Net Margin (%)	2.9%	3.7%	-82.1 bps

Source: Company and CARE Equity Research

FINANCIAL STATISTICS

Consolidated Income Statement

(Rs. crore)	FY12	FY13	FY14	FY15E	FY16E
Operating Income	1,684	2,186	2,515	2,784	2,965
EBITDA	213	250	258	320	345
Depreciation and amortisation	79	121	145	161	178
EBIT	134	130	113	159	167
Interest	12	31	31	30	27
PBT	130	108	108	151	162
Ordinary PAT (After minority interest)	104	81	73	96	106
PAT (After minority interest)	104	81	73	96	106
Fully Diluted Earnings Per Share* (Rs.)	4.2	3.3	3.1	4.1	4.6
Dividend, including tax	3.1	3.1	3.1	3.1	3.1

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

Consolidated Balance Sheet

(Rs. crore)	FY12	FY13	FY14	FY15E	FY16E
Tangible Net worth (including Minority Interest)	578	666	848	955	1,071
Debt (incl. Preference Shares)	764	753	754	587	503
Deferred Liabilities	61	68	69	69	69
Capital Employed	1,403	1,487	1,671	1,611	1,644
Net Fixed Assets, incl. Capital WIP, net of reval reserve	900	1,026	1,084	1,045	941
Investments	127	123	10	60	110
Loans and Advances	86	91	119	104	106
Inventory	83	75	59	90	96
Receivables	210	188	322	348	400
Cash and Cash Equivalents	50	28	184	31	61
Current Assets, Loans and Advances	428	382	683	573	663
Less: Current Liabilities and Provisions	52	45	106	67	71
Total Assets	1,403	1,487	1,671	1,611	1,644

Ratios based on Financials

	FY12	FY13	FY14	FY15E	FY16E
Growth in Operating Income	41.7%	29.8%	15.0%	10.7%	6.5%
Growth in EBITDA	11.3%	17.4%	3.0%	23.9%	7.8%
Growth in PAT	14.2%	-22.1%	-10.4%	32.5%	9.7%
Growth in EPS	13.4%	-21.9%	-5.4%	32.5%	9.7%
EBITDA Margin	12.7%	11.5%	10.3%	11.5%	11.6%
PAT Margin	6.2%	3.7%	2.9%	3.5%	3.6%
RoCE	12.0%	9.0%	7.1%	9.7%	10.3%
RoE	20.8%	13.7%	11.1%	12.9%	12.5%
Gross Debt-Equity (times)	1.3	1.1	0.9	0.6	0.5
Net Debt-Equity (times)	1.0	0.9	0.7	0.5	0.3
Interest Coverage (times)	11.1	4.1	3.6	5.4	6.2
Current Ratio (times)	8.2	8.4	6.5	8.5	9.4
Inventory Days	17	15	11	11	13
Receivable Days	33	33	37	44	46
Price / Earnings (P/E) Ratio	17.3	22.2	23.4	17.7	16.1
Price / Book Value(P/BV) Ratio	3.5	3.0	2.8	2.4	2.2
Enterprise Value (EV)/EBITDA	12.1	10.4	10.3	8.2	7.2

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.
- 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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