



**RESPONSIVE INDUSTRIES LIMITED**

Plastic Products

March 20, 2014

**Very Good Fundamentals, Moderate Upside Potential**    **CMP: Rs 94.1/ CIV: Rs 108.0**    **Sensex: 21,833**
**CARE EQUIGRADE GRID (CEG)**

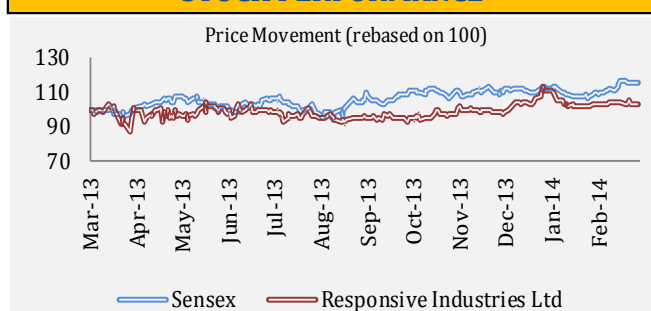
	1	2	3	4	5
Fundamentals					
Valuation					

CEG is explained on page 17

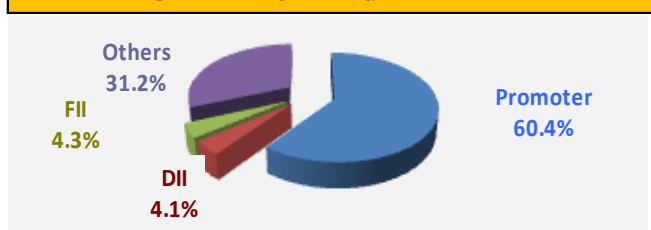
**KEY EQUISTATS**

Market Capitalisation	Rs. Crore	2,510
Enterprise Value	Rs. Crore	3,033
52 Week High / Low	Rs.	110/72
Diluted EPS (FY14E)	Rs.	3.6
P/E (FY14E)	times	26.1
Regression Beta	times	0.1
Average Daily Volumes*	Lakhs	0.5

\* BSE + NSE for last 52 weeks

**STOCK PERFORMANCE**


Returns	1M	3M	6M	1Yr
Absolute	0%	4%	8%	2%
Rel. to Sensex	-6%	1%	0%	-11%

**SHARE HOLDING PATTERN**

**ANALYTICAL CONTACTS**

Jumana Badshah	Senior Manager	+91-22-61443406
Viral Shah	Deputy Manager	+91-22-61443415

<sup>1</sup> CMP: Current Market Price; CIV: Current Intrinsic Value

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

CARE Equity Research assigns a fundamental grade of 4/5 to Responsive. This indicates 'Very Good Fundamentals'. The grading factors in the company's presence in niche PVC-based products such as PVC flooring, PVC leather cloth, PVC rigid blister films and PVC soft sheet 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 reduce 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.

**Valuation**

We have valued the equity shares of Responsive at Rs.108.0 per share. The valuation has been arrived at by using the EV/EBITDA valuation methodology. The CIV of Rs.108.0 per share is around 14.9% above the Current Market Price (CMP) of Rs.94.1 per share; hence we assign a valuation grade of 4/5 to the equity shares of Responsive, indicating that equity shares have 'Moderate Upside Potential.'

**Consolidated Financial Information Snapshot**

(Rs. Crore)	FY12	FY13	FY14E	FY15E	FY16E
Net revenues	1,688	2,186	2,541	2,767	2,936
EBITDA	221	250	305	335	358
PAT (after minority interest)	104	81	95	107	124
Fully Diluted EPS* (Rs.)	4.2	3.1	3.6	4.1	4.7
Dividend Per Share (Rs.)	0.1	0.1	0.1	0.1	0.1
P/E (times)	22.2	30.5	26.1	23.2	20.0
EV/EBITDA (times)	13.8	12.3	9.4	8.0	7.0

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

## FUNDAMENTAL GRADE

## Very Good Fundamentals

4/5

### One of the leading players in India with a diversified product profile within PVC industry

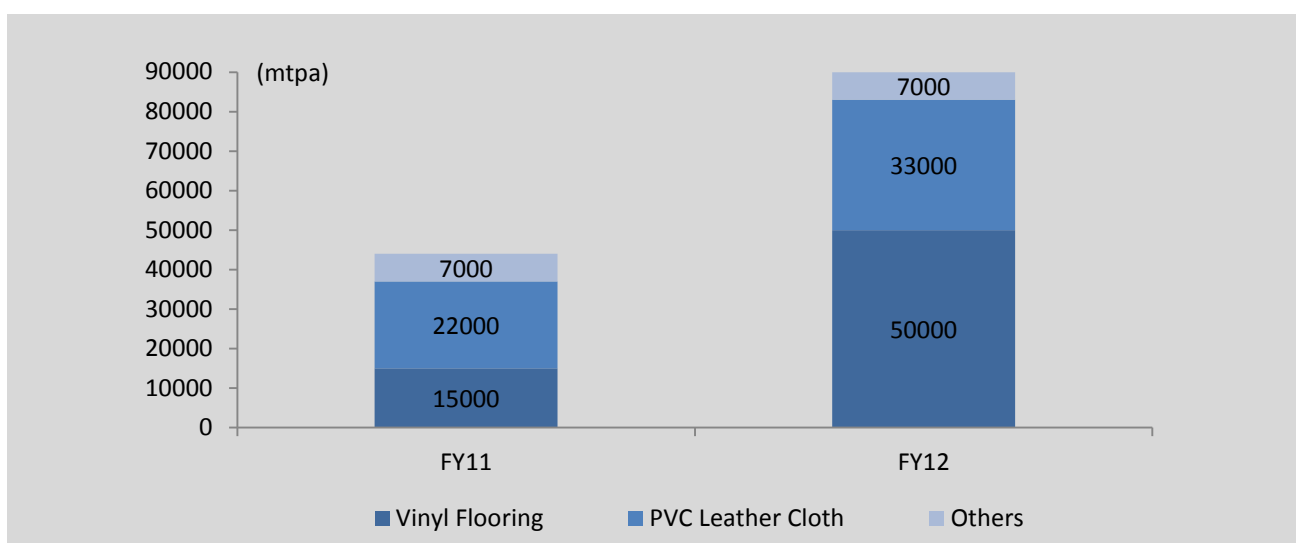
Responsive is amongst the top three manufactures in PVC based products in India. The company has one of the largest capacities for manufacturing of PVC flooring and PVC leather cloth. PVC products of the company include PVC flooring, PVC leather cloth, PVC rigid blister pack, and PVC soft sheeting. These products find its application in various industries such as transportation, healthcare, education, hospitality, sports, retail, residential and commercial spaces, etc.

**Table 1: Product Profile**

Products	Applications
<b>PVC Flooring</b>	
Homogenous Flooring, Heterogeneous 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 centers, offices, etc.
<b>PVC Leather Cloth</b>	
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.
<b>Soft Plastic Sheeting</b>	
Opaque sheeting, Printing films, clear transparent films	Rainwear, baby mats, soft luggage, shower curtains, white-good covers, etc.
<b>Rigid Blister Films</b>	
Packaging films	Packaging of pharmaceuticals, FMCG products, telecom handsets, etc.

Source: Company and CARE Equity Research

**Chart 1: Capacity (Responsive)**

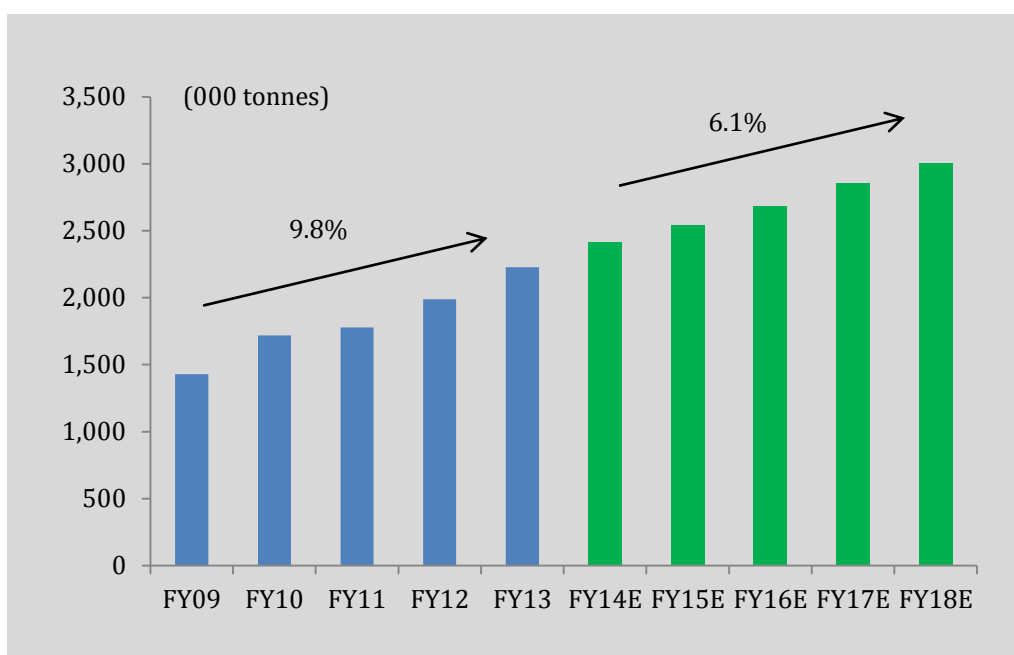


Source: Company and CARE Equity Research

Responsive has strong brand recognition. Its brands in vinyl flooring include Aquaris, Vega Plus, Spica, Talitha, Zeta, Canopus, Wood Essence, Polaris and Regor. Through research and development, the company has added many innovative products across price points in its portfolio both within PVC flooring and PVC leather cloth. Responsive also has a large distribution network of 300 distributors catering to more than 70 countries with presence across industries. Apart from being a leading supplier to Indian Railways, Responsive also has tie-ups with private sector players and road transport companies for PVC leather cloth based seat covers, PVC flooring and other products.

According to Ceresana, the global PVC market is expected to reach revenues of more than USD65 bn in 2019 aided by a confluence of favorable economic growth and expansion of housing & urban infrastructure.

**Chart 2: Domestic PVC demand**



*Source: CMIE and CARE Equity Research*

**Cost arbitration when compared to conventional flooring options to drive demand growth for vinyl flooring; Responsive well poised to benefit on back of expanded capacity.**

PVC flooring (or vinyl flooring) is more economical and relatively easy to install and maintain. The vinyl flooring accounts for 10% of the global flooring market which is estimated to be around USD 150 billion. The domestic flooring market is the third largest in Asia with the total flooring demand expected to reach 705 million sq meters, with 5% of the demand by vinyl flooring to be approximately 35 million sq meters.

**Table 2: Domestic flooring and carpet demand and supply**

Item (mn sq mtrs)	2005	2010	2015 (E)
Residential Buildings	159	219	295
Non- residential Buildings	196	276	372
Transportation Equipment and others	15	25	38
<b>Flooring &amp; Carpet Demand</b>	<b>370</b>	<b>520</b>	<b>705</b>
Net Exports	85	90	100
<b>Flooring &amp; Carpet Shipment</b>	<b>455</b>	<b>610</b>	<b>805</b>

*Source: Company and CARE Equity Research*

The penetration of pucca floorings in India is still low when compared with the world average. The growth in pucca floorings (marble, granite, ceramic, vitrified tiles) has been supported by the commercial, residential construction in the last few years. Compared with 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 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.

**Table 3: Conventional flooring option cost**

Type	Price Band
High End Tiles (Porcelain & Glazed)	Rs 800-4000 per sq.meter
Vitrified Tiles (Glazed & Polished)	Rs 350-1250 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: Company and CARE Equity Research*

We believe Responsive is well positioned especially post the debottlenecking and expansion of its PVC flooring capacity from 15,000 MTPA to 50,000 MTPA in FY12 to benefit from this shift towards vinyl flooring. The capacity expansion has also helped reduce changeover time & enabled Responsive to focus on key customers and premium products within the PVC flooring segment.

### **Responsive's PVC leather cloth business to benefit from an overall shift to artificial leather cloth**

PVC leather cloth finds use in various industries including railways, automobile, footwear, sports goods, garments, luggage and furniture & furnishings. The PVC leather cloth is preferred over natural leather due to its distinct properties such as durability, broad plasticity range, excellent resistance to sunlight & degradation, greater wash ability, water-vapor permeability, weather resistance, printability & competitive prices. Responsive has also expanded its PVC leather cloth capacity from 22,000 MTPA to 33,000 MTPA in FY12 and is set to benefit from the overall positive demand shift towards PVC leather cloth.

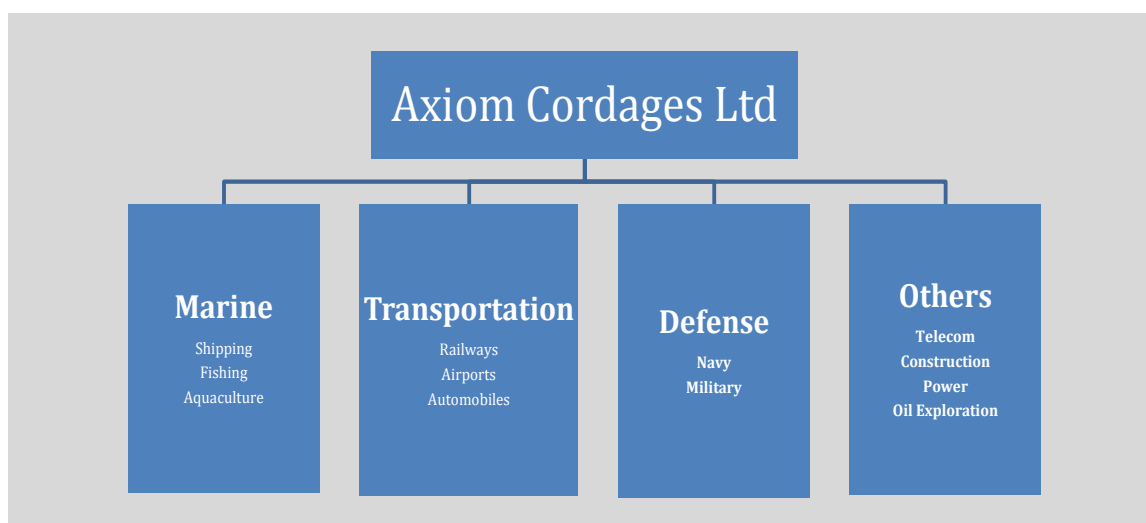
## Transportation sector continues to be the consistent revenue contributor

Responsive is a preferred single point supplier for PVC flooring and leather cloth for Indian Railways, various State Transport Corporations and automobile & three-wheeler Original Equipment Manufacturers (OEMs). The infrastructure sector has been marred for the last couple of years by economic slowdown and policy paralysis. However, the government is taking remedial steps to remove bottlenecks and revive investment into the sector. With increased thrust on infrastructure, we expect improved traction in the transportation sector. As per the 'Railway Vision 2020', Indian Railways should add around 44,000 new coaches during FY13 – FY20 resulting in around 5,500 new coaches per year. This would result in sustained demand for the artificial leather seat covers and PVC floorings used in these railways coaches. Also, replacement demand would remain buoyant for products used in mass transportation and high footfall areas as these needs to be replaced more frequently due to faster wear-and-tear. This would create additional demand for vinyl flooring and PVC leather cloth.

## Presence in synthetic ropes through subsidiary Axiom Cordages Limited (Axiom); mandatory replacement demand & requisite certifications for synthetic ropes used in shipping & oil & gas rigs, to drive growth for the business segment

Axiom, a subsidiary of Responsive, 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. Axiom currently has an annual capacity of 52,500 MTPA which was expanded from 32,520 MTPA in FY11. Synthetic ropes, to a large extent, have replaced cotton, jute, sisal and manila fiber ropes globally. The advantages of synthetic rope are its strength, long life, light weight and water resistance. These ropes find their applications in various industries such as shipping & marine, port trust & dock yards, fishing, construction, transport, defense, etc. The demand for synthetic ropes depends upon the application and size of the ropes. Currently, the demand is mainly from the usage from marine, fishing and construction industries. *(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.

**Chart 3: Product application for Axiom Cordages**



*Source: Company and CARE Equity Research*

Axiom currently earns around 57% of its revenue from exports to markets such as Europe, USA, the Middle East and Singapore. We expect Axiom to benefit from the ongoing demand for synthetic ropes, on the back of expanded capacity and requisite quality & process certifications.

## Accreditations support Responsive & Axiom to be competent in export market and for higher end products

As on FY13, exports form 51.3% of the consolidated revenue for Responsive. Both Responsive and Axiom 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 also has obtained ISO, ASTM, EN and CE certifications for its products & processes. Axiom's products have received certification from Germanischer Lloyds, Lloyds Register of Shipping and its products are eligible under the parameters of Bureau Veritas, DNV and SGS. The company is also ISO 9000 and 14001 certified for quality and environment management. Responsive & its subsidiary Axiom have been successful in obtaining these certifications on the back of its indigenously adapted but internationally sourced technology. The company has obtained the technical know-how through its erstwhile association with Daewoo Corporation, Inc.

**Table 4: 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*

**Table 5: Axiom - Certification and Accreditations**

Organization	
Lloyds Register of Shipping	Recognised vendor
International Maritime Organization	Recognised vendor
Germanishcer Llyod	Certified
Bureau Veritas	Certified
DNV (Det Norske Veritas)	Certified
SGS, India	Certified

*Source: Company*

## Conversion of CCD and amalgamation of Axiom with Responsive

Axiom had issued Compulsory Convertible Debentures worth Rs.127 crore as of FY10. During 9MFY14, Axiom converted the outstanding CCDs into equity by issuing 1.38 crore equity shares to the holders/financers of the CCD. As per the management, while the conversion is likely to be earning dilutive in near term, it would reduce the leverage



position of Axiom and Responsive on a consolidated basis going forward. Post conversion, Responsive's holding in Axiom has reduced from 86.1% in FY13 to 58.2% in Q3FY14.

Additionally, Responsive also plans to amalgamate Axiom with itself. As on now, the Board of Responsive has approved of this amalgamation, but the matter is pending for other necessary approvals and hence currently, we have not considered the effects of this amalgamation of Axiom into Responsive in our financial analysis.

## In compliance with listing agreement 49

As on March 31, 2013, the Board of Directors (BoD) for Responsive consisted of six directors of which one is Non-Executive Director, two are Executive and three are Non-Executive and Independent Directors, i.e. half of the board comprises of Non-Executive and 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.

**Table 6: 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	Director	BE (Chemical Engineering)
Mr. Shobha Singh Thakur	Independent	BA (Mathematics)
Mr. Vijay Kumar Chopra	Independent	CA, CAIIB
Mr. Micheal Freedman	Independent	New York Stern School of Business' Graduate

*Source: Company*

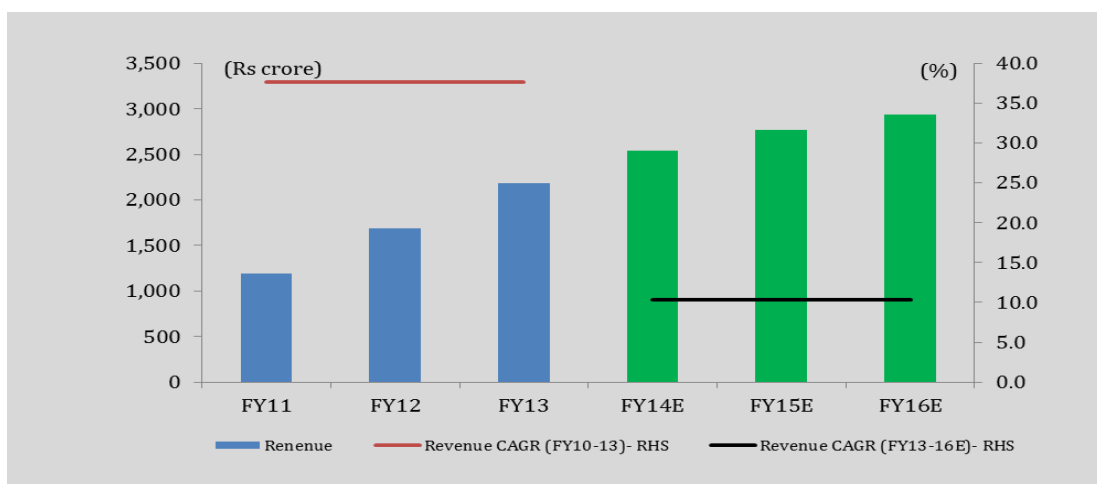


## FINANCIAL ANALYSIS

### Revenue growth to moderate at 10.3% CAGR over FY13-16E

The company witnessed robust consolidated revenue growth at 37.6% CAGR from Rs.839 crore in FY10 to Rs.2186 crore in FY13; supported by capacity additions. Going forward, we expect revenue to moderate at 10.3% CAGR over FY13-16E from Rs.2186 crore to Rs.2936 crore as the company is operating at near full capacity.

**Chart 4: Revenue growth to moderate over FY13 - 16E**



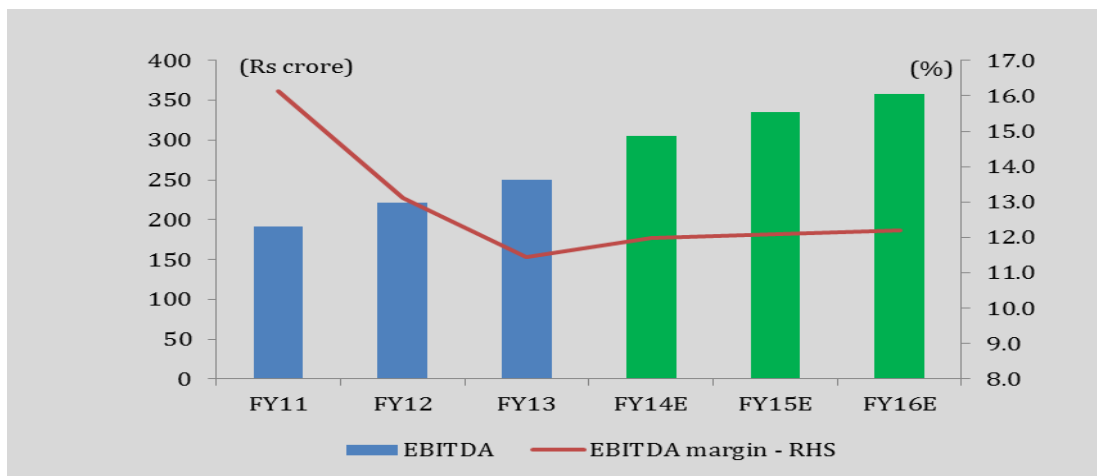
Source: Company and CARE Equity Research

The growth in revenue is expected to be primarily driven by PVC flooring & PVC leather cloth segments. These two segments contributed to around 64.6% of the Responsive's consolidated revenue and grew at CAGR of 34.1% & 48.3%, respectively during FY10-13. We believe the company is likely to sustain CAGR of 14% between these two segments beyond FY13, primarily on the back premium product offering within each of these two segments and sustained growth in replacement demand.

### EBITDA to post 12.7% CAGR, margins improve by 75bps over FY13-16E

We expect EBITDA to register a 12.7% CAGR over FY13-16E from Rs 250 crore in FY13 to Rs 358 crore on the back of modest revenue growth of 10.3% and 75bps improvement in EBITDA margin from 11.5% in FY13 to 12.2% in FY16. We believe full utilization of the newly installed machines will help to achieve better operation leverage.

**Chart 5: EBITDA margin to remain stable**



Source: Company and CARE Equity Research

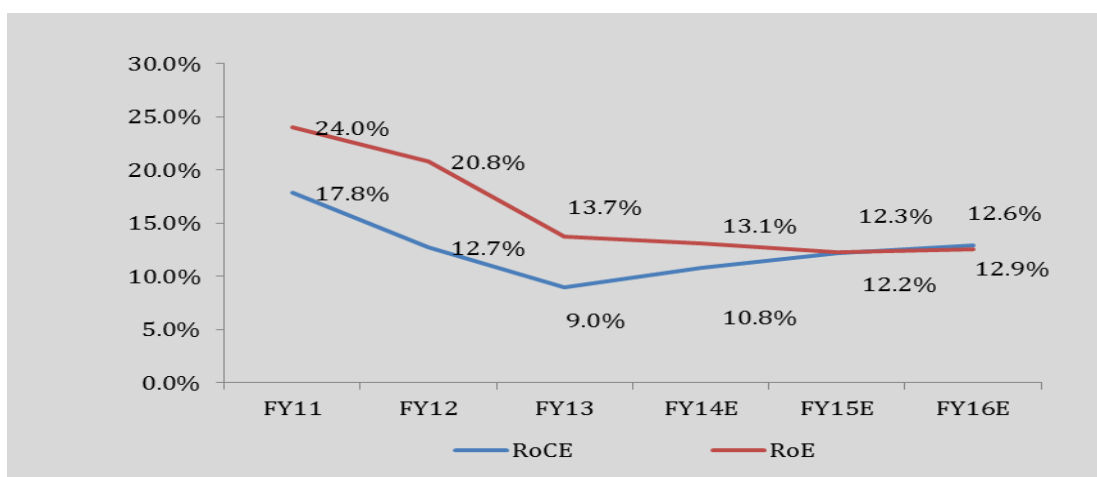
## Earnings to grow at 15.1% CAGR over FY13-16E

We expect the net profit to grow at 15.1% CAGR over FY13-16E from Rs.81 crore to Rs.124 crore, led by stable operating performance and higher other income. Consequently, the net profit margin is expected to expand by 50bps during the same period to 4.2% in FY16E.

## ROE to decline on account of conversion; RoCE to improve on back of better operating margin

We expect RoCE to improve from 9.0% in FY13 to 12.9% in FY16E on account of better operating margin while RoE is expected to decline from 13.7% in FY13 to 12.6% in FY16E on account of conversion of CCD.

**Chart 6: Return ratios trend**



Source: Company and CARE Equity Research

## VALUATION GRADE

**Moderate Upside Potential**

**4/5**

### CARE Equity Research values Responsive at Rs.108.0 per share; assigns a valuation grade of 4/5

CARE Equity Research values equity shares of Responsive Industries Ltd. at a Current Intrinsic Value (CIV) of Rs.108.0 per share. The valuation has been arrived using EV/EBITDA valuation methodology. We have assigned an EV/EBITDA multiple of 10.0 times to FY15 EBITDA of Rs.335 crore. While in the past, the company has traded at higher EV/EBITDA multiple, four year average one year forward rolling EV/EBITDA multiple of 11.8 times; however during the same period Responsive earned an average adjusted Return on Equity of around 17.2%, which going ahead (for FY14E – FY16E) is expected to be lower at around 12.7%. While assigning the EV/EBITDA multiple of 10.0, we have discounted for this decline in RoE as well the future growth in profits, which is expected to be lower at around 15.1%.

**Table7: Valuation snapshot**

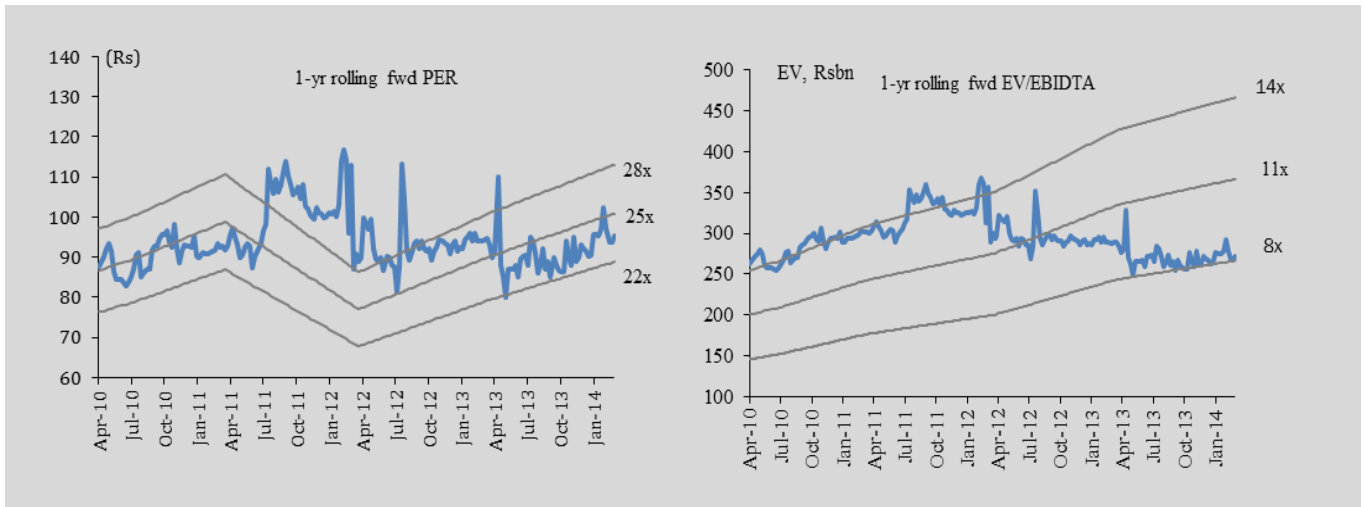
EBITDA (FY15E)	335
Target multiple	10
EV	3349
(-) Debt	567
(+) Cash & cash equivalents	167
(-) Minority interest	108
Total market cap	2841
No. of shares (crore)	26.3
<b>Price per share</b>	<b>108.0</b>

*Source: CARE Equity Research*

At the current market price (CMP) of Rs.94.1 per share, the CIV of Rs.108.0 per share results in a valuation grade of 4/5, indicating equity shares of Responsive are 'Moderate Upside Potential'. For last 15 trading days, the average closing price of Responsive's equity shares has been around Rs.94.9 per share, with average daily volumes of 45,793 shares. The market price of Responsive's equity shares had reached a high of Rs.96.2 per share and a low of Rs.94.1 per share during the same period.

**Chart 7: One year forward rolling P/E**

**One year forward rolling EV/EBITDA**



*Source: BSE and 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 presence in 70 countries constituting 11 offices and more than 300 extensive 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 a presence in synthetic ropes through its subsidiary Axiom located at Boisar. Revenues from Axiom contributed to around 30% of the consolidated revenues in FY13.

### 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 which caters to a gamut of sectors like healthcare, hospitality, transportation, IT and telecom, retail, education, entertainment, hotels, restaurants, sports infrastructure, offices, commercial spaces and real estate. The company also has a presence in the 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 90,000 MTPA by the end of FY13. Axiom on the other hand has a capacity of 52,500 MTPA as on March 31, 2013.

**Table 8: Responsive's standalone product wise capacity & operating rates**

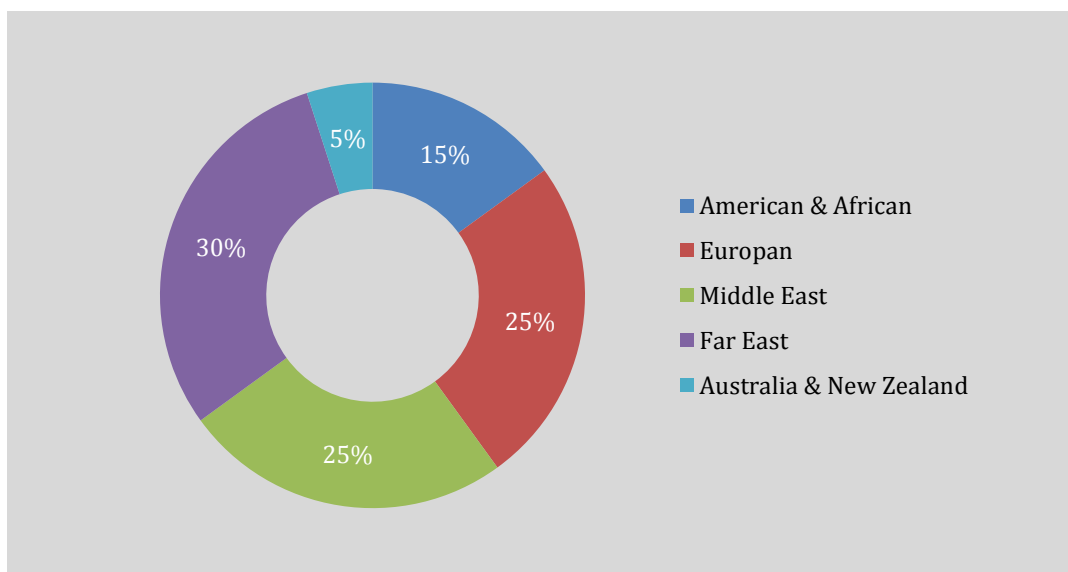
(in tons)	FY13	Capacity Utilization
PVC Leather Cloth	33000	96%
PVC Flooring	50000	97%
PVC Sheeting	4000	93%
PVC Rigid	3000	94%
<b>Total</b>	<b>90000</b>	

*Source: Company and CARE Equity Research*

### Geographical break-up

While the company does have a significant presence in the domestic PVC segment, the revenues are largely driven by exports. Exports formed around 48% and 57% of the Responsive (standalone) and Axiom's revenues in FY13. The exports are diversified across boundaries with sizable revenues stemming from the Far East, European & Middle Eastern regions. Axiom's exports on the other hand are primarily to the European and South East Asian markets.

Chart 8: Axiom revenue break-up



Source: Company and CARE Equity Research

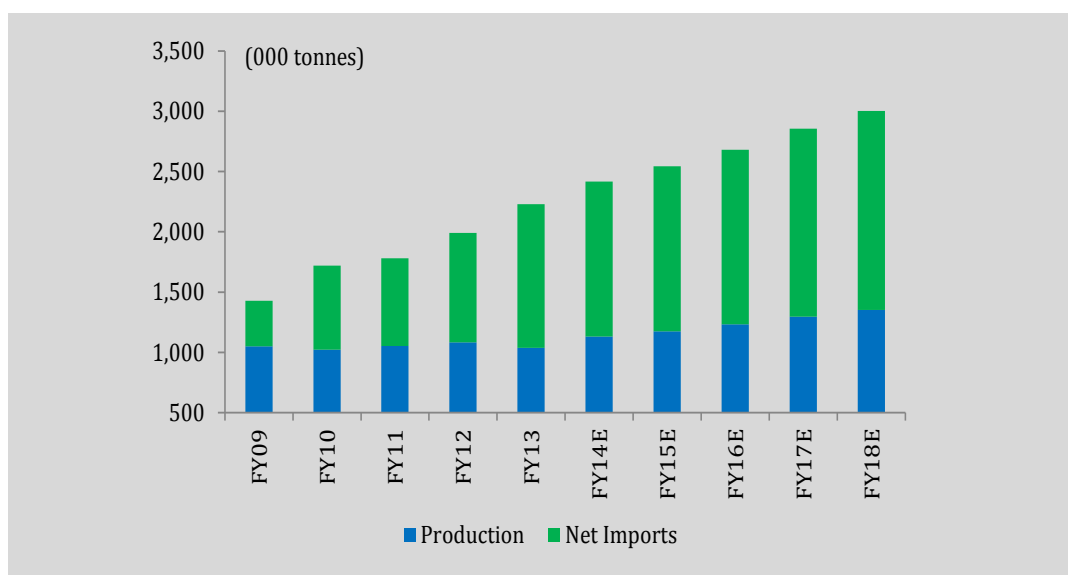
## SNAPSHOT OF THE INDUSTRY

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.

According to Ceresana, the global PVC market is expected to reach revenues of more than USD65 billion in 2019 with the revival in demand from the construction industry. The average annual growth rate of 3.3% seen in the past eight years is likely to be surpassed in future. Ceresana forecasts PVC demand to increase at an average annual rate of 3.9% over the next years. With a roughly 53% share of global consumption, Asia-Pacific is the largest PVC outlet, followed by North America and Western Europe. The demand from the developing nations is expected to reach 61% of the total demand by 2020. Chinese demand will be the major driver in 2020, with the Chinese government estimating an expenditure of USD 600 billion towards investment in infrastructure. It is estimated that China will account for 44% of the global PVC demand by 2020, growing at 15% per annum over the years.

PVC accounts for around 20% of the total plastic industry. The PVC market in India has witnessed a healthy growth of around 9.0% in value terms and 8.4% in volume terms over the last three years. The 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. The increasing demand for PVC is being met by imports. Going forward, PVC production is estimated to exceed 1.3 million tonnes and consumption is estimated to exceed 3 million tonnes by 2018.

**Chart 9: Domestic PVC demand-supply**



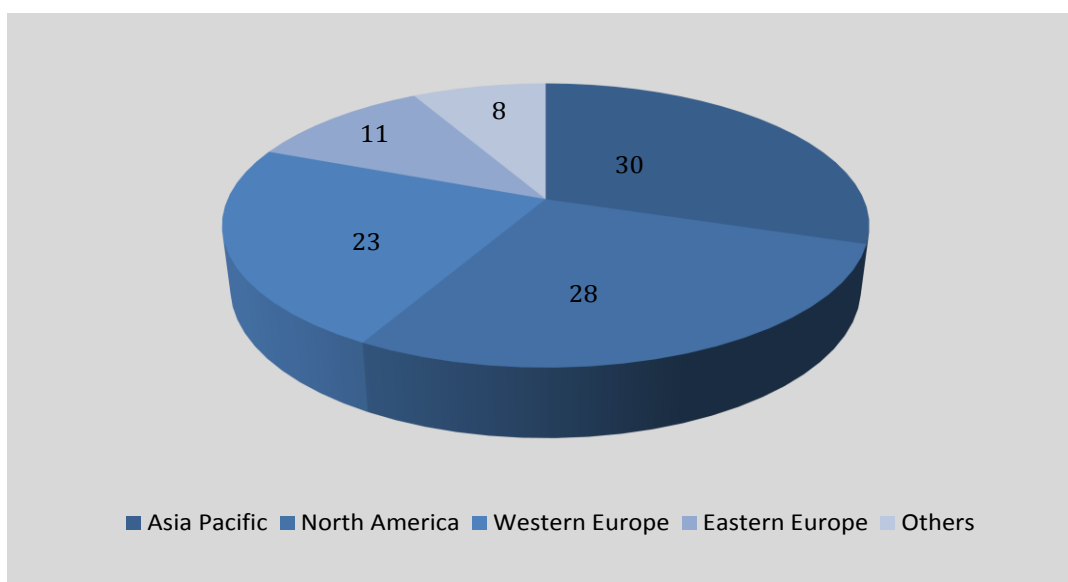
Source: CMIE and CARE Research



## Global Vinyl Flooring Scenario:

The Vinyl Flooring industry is a part of a USD150 billion global flooring & carpet sector of which Vinyl accounts for 10%. The global flooring market grew by 4.6% from 2000 to 2005 & is projected to grow at 4.1% upto 2015 with increasing demand in China, India, Indonesia, Turkey, Iran, Ukraine and Saudi Arabia.

**Chart 10: Share of Global Vinyl Flooring consumption**



*Source: Company and CARE Research*

## Domestic Flooring Scenario:

The Indian flooring market is the third largest in Asia. The total flooring demand in the year 2015 would be around 705 million sq. meters, with 5% of the demand by Vinyl floorings would work out to 35 million sq. meters (turnover Rs. 500 crore). The domestic market would increase from the present Rs. 150 crore to about Rs.600 crore by 2015.

## Domestic PVC Synthetic Leather Scenario:

The PVC synthetic leather is fast replacing natural leather for many products all over the world due to its distinct properties such as durability, broad plasticity range, excellent resistance to sunlight & degradation, greater wash ability, water-vapor permeability, weather resistance, printability & competitive prices. The domestic demand for PVC synthetic leather primarily comes from railways, automobile industry, footwear industry, sports goods industry, garments industry, luggage industry and furniture & furnishings.

## FINANCIAL STATISTICS

### Consolidated Income Statement

(Rs. Crore)	FY11	FY12	FY13	FY14E	FY15E	FY16E
<b>Net Revenues</b>	<b>1,189</b>	<b>1,688</b>	<b>2,186</b>	<b>2,541</b>	<b>2,767</b>	<b>2,936</b>
EBITDA	192	221	250	305	335	358
Depreciation and amortisation	53	79	121	144	150	157
EBIT	139	142	130	161	185	202
Interest	11	12	31	32	29	22
PBT	130	130	108	154	178	202
Ordinary PAT (Before minority interest)	91	104	81	95	107	124
<b>PAT (After minority interest)</b>	<b>91</b>	<b>104</b>	<b>81</b>	<b>95</b>	<b>107</b>	<b>124</b>
<b>Fully Diluted Earnings Per Share* (Rs.)</b>	<b>3.7</b>	<b>4.2</b>	<b>3.1</b>	<b>3.6</b>	<b>4.1</b>	<b>4.7</b>
<b>Dividend, including tax</b>	<b>3.0</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>

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

### Consolidated Balance Sheet

(Rs. Crore)	FY11	FY12	FY13	FY14E	FY15E	FY16E
Tangible Net worth (including Minority Interest)	470	578	666	863	981	1,116
Debt (incl. Preference Shares)	330	764	753	567	487	403
Deferred Liabilities	26	61	68	68	68	68
<b>Capital Employed</b>	<b>827</b>	<b>1,403</b>	<b>1,487</b>	<b>1,497</b>	<b>1,536</b>	<b>1,588</b>
Net Fixed Assets, incl. Capital WIP, net of reval reserve	717	900	1,026	936	856	773
Investments	16	127	123	123	203	223
Inventory	16	86	91	99	103	105
Loans and Advances	53	83	75	103	112	119
Receivables	90	210	188	254	251	297
Cash and Cash Equivalents	21	50	28	44	77	140
Current Assets, Loans and Advances	180	428	382	500	544	661
Less: Current Liabilities and Provisions	87	52	45	62	67	70
<b>Total Assets</b>	<b>827</b>	<b>1,403</b>	<b>1,487</b>	<b>1,497</b>	<b>1,536</b>	<b>1,588</b>

### Consolidated Ratios based on Financials

	FY12	FY13	FY14E	FY15E	FY16E
Growth in net revenues	42.0%	29.5%	16.2%	8.9%	6.1%
Growth in EBITDA	15.5%	13.1%	21.7%	9.9%	7.0%
Growth in PAT	14.2%	-22.1%	17.2%	12.6%	15.7%
Growth in EPS	13.4%	-27.3%	17.2%	12.6%	15.7%
EBITDA Margin	13.1%	11.5%	12.0%	12.1%	12.2%
PAT Margin	6.2%	3.7%	3.7%	3.9%	4.2%
RoCE	12.7%	9.0%	10.8%	12.2%	12.9%
RoE	20.8%	13.7%	13.1%	12.3%	12.6%
Gross Debt-Equity (times)	1.3	1.1	0.7	0.5	0.4
Net Debt-Equity (times)	1.2	1.1	0.6	0.4	0.2
Interest Coverage (times)	11.8	4.1	5.1	6.4	9.0
Current Ratio (times)	8.2	8.4	8.0	8.1	9.5
Inventory Days	17	15	15	16	16
Receivable Days	33	33	32	33	34
Price / Earnings (P/E) Ratio	22.2	30.5	26.1	23.2	20.0
Price / Book Value(P/BV) Ratio	4.5	3.9	3.0	2.7	2.4
Enterprise Value (EV)/EBITDA	13.8	12.3	9.4	8.0	7.0

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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