



ANNUAL REPORT 2002-2003

Chairman's Message



Mr. Irshad Mirza, Chairman & Managing Director

The year 2002-03 was an eventful year on all fronts but it would be mostly remembered for an all round economic slowdown. International conflicts, tensions in middle east, stagnant and weakening economies in North America, Europe and Asia, coupled with natural calamities, epidemics have all had their impact on the world economy. Amidst this distressing scenario, India has stood out in sharp contrast recording economic growth and encouraging increases in consumer demand.

The upsurge in Indian economy has led to buoyancy in several sectors. The manufacturing sector is showing signs of upturn registering a growth of 6 percent. The service sector continued to grow at 7.1 percent, housing and consumer durables grew by 30 percent and 7.3 percent respectively. In line with the overall pick up in Indian industry, exports registered a growth of 18 percent and imports correspondingly rose by 17 percent.

Leather Industry is amongst one of the most prominent industries on account of employment generation and export potential. There has been increasing emphasis on its planned development, aimed at optimum utilisation of available raw materials for maximising the returns, particularly from exports. The exports of finished leather from India in 2002-03 increased to US \$ 487.91 million from USD 459.25 million in 2001-02 registering a growth of 6.24 percent. Leather footwear also took a step forward to USD 409.67 million in 2002-03 from USD 395.39 million in 2001-02 showing a growth of 3.61 percent. Overall leather industry exports however dipped by 6.30 percent in the period.

It was a challenging year for your company also. The company consciously chose the path of planning for a vibrant future without in any manner compromising the interest of its shareholders. Optimism, the ability to deal with situations, adapting to the changes happening all around and finding the necessary motivation to always move ahead are all characteristics of a responsible company. The company worked very prudently during the year taking calculated risk resulting in increased profit margins. During the year the company's profit after meeting its commitment towards preference shares was Rs.13.55 crores as compared to Rs.12.62 crores in 2001-02. In view of this the company has declared an enhanced dividend of 50 percent for the year ended 31st March, 2003 to reward the shareholders.

Mirza has a persistent commitment towards quality improvement, excellence in its manufacturing practices and workmanship, all directed towards achieving maximum consumer satisfaction. It is this commitment that has contributed towards its consolidation in the domestic and international markets. I am extremely happy and proud to mention that the capability and commitment of our team has



Managing Director receiving the award from Hon'ble Minister of State for Commerce and Industry, Govt. of India.



Chairman, receiving the 'Niryat Shree award' from Hon'ble Vice-President of India.

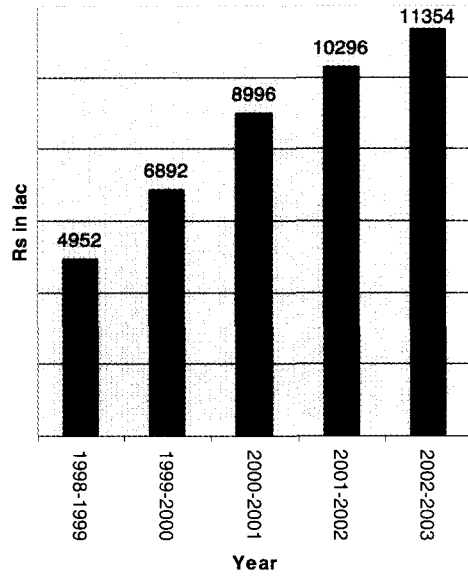
resulted in our company bagging **three prestigious awards from The Council for Leather exports** for overall export performance, export of leather footwear and for brand promotion of Red Tape and Oaktrak in international market. The company was also endowed the "**Niryat Shree award**" by the Federation of Import and Export Organizations.

As a proactive response to today's ever-changing world economic landscape and competition we are continuously ensuring that our company remains consumer centric, performance driven and accountable on all fronts. In an exercise to do so we have cultivated a culture of creativity and continuous innovation so as to keep ahead of the competition.

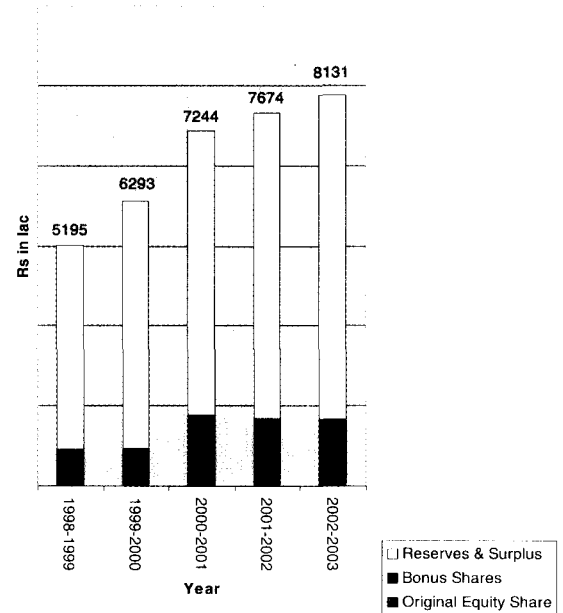
Looking ahead, while the challenges are immense – so are the opportunities. It is this confidence that shall motivate everyone in the company to successfully face the challenges lying ahead and reach for greater heights in leather industry in India and overseas.

With best wishes
IRSHAD MIRZA
 Chairman & Managing Director

Gross Fixed Assets

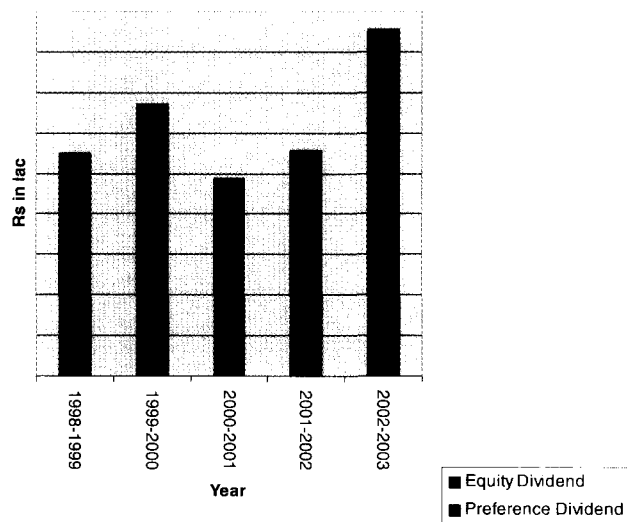


Net Worth

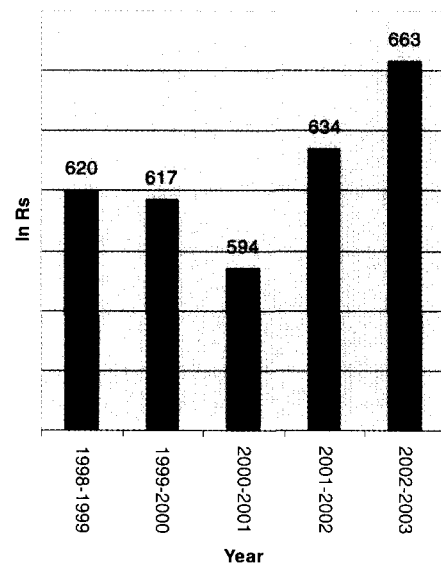


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Dividend Payout



Realisation Per Pair of Shoe



**BOARD OF DIRECTORS**

IRSHAD MIRZA, CMD
 RASHID AHMAD MIRZA, MD
 KURUVILA KURIAKOSE
 Dr. YASHVEER SINGH
 SHAHID AHMAD MIRZA
 PASHUPATI NATH KAPOOR
 TAUSEEF AHMAD MIRZA
 QAZI NOORUL SALAM
 TASNEEF AHMAD MIRZA
 N.P. UPADHYAY
 MOHD. ASLAM KHAN
 SUBHASH SAPRA

COMPANY SECRETARY

S.K. BAJPAI

AUDITORS

M/s KHAMESRA BHATIA & MEHROTRA

COST AUDITOR

MR. A.K. SRIVASTAVA

BANKERS

PUNJAB NATIONAL BANK,
 THE MALL, KANPUR

REGISTERED OFFICE

14/6, CIVIL LINES,
 KANPUR – 208 001

**CORPORATE &
MARKETING OFFICE**

A - 7, MOHAN COOPERATIVE
 INDUSTRIAL ESTATE,
 MATHURA ROAD, NEW DELHI - 110 044

WORKS

KANPUR – UNNAO LINK ROAD,
 MAGARWARA, UNNAO – 209 801

KANPUR-UNNAO LINK ROAD,
 SAHJANI, UNNAO – 209 801

104-106, B.M. MARKET,
 JUHI, KANPUR - 208 014

PLOT NO. C-4, 5, 36 & 37, SECTOR-59,
 NOIDA – 201 303

**REGISTRARS & SHARE
TRANSFER AGENTS**

M/s KARVY CONSULTANTS LTD.,
 CORPORATE OFFICE: 21, ROAD NO. 4,
 STREET NO. 1, BANJARA HILLS
 HYDERABAD – 500 034.



MIRZA TANNERS LIMITED

CONSISTENT PERFORMANCE

(Rs. In Lac)

	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
For the year										
Gross Income	16465	18895	14033	12257	10148	9379	6179	4440	2930	2399
Gross Profit	2284	2176	1934	2185	1995	1316	856	816	537	421
Profit before tax	1786	1742	1581	1918	1836	1190	654	750	501	391
Profit after tax	1395	1492	1456	1843	1806	1181	570	728	475	359
Dividend	*855	*556	*490	*673	*549	*354	160	122	86	19
* Including div. on Pref. Shares										
At the end of the year										
Equity	1629	1629	1629	814	814	814	814	406	406	305
Net Worth	*8131	*7674	*7244	*6293	*5195	*3994	3203	2806	2172	795
* Excluding Pref. Shares										
Gross Fixed Assets	11354	10296	8996	6892	4952	3218	2681	1877	1164	565



DIRECTORS' REPORT

Dear Shareholder,

The Directors of your Company have pleasure in presenting the Twenty-third Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	(Rs. in lac)	
	2002-2003	2001-2002
Gross Income	16465	18895
Gross Profit	2284	2176
Less: Depreciation	498	434
Profit before tax	1786	1742
Less: Provision for tax		
- Current Tax	250	
- Deferred Tax	141	250
Profit after taxation	1395	1492
Appropriations:		
Dividend - Pref. Shares	40	230
- Equity Shares	815	326
Corporate Dividend Tax	104	17
Transfer to Deb.Red.Reserve	125	300
Transfer to General Reserve	200	590

PERFORMANCE OF THE COMPANY

Your Company has achieved a gross income of Rs. 164.65 Crores as against Rs. 188.95 Crores in the previous year. The Operating profit before depreciation and interest has shown a moderate growth of 6 percent and reached to Rs. 31.47 Crores as against Rs. 29.79 Crores in the previous year. After charging a higher interest of Rs. 8.63 Crores (Rs. 8.03 Crores) and depreciation of Rs. 4.98 Crores (Rs. 4.34 Crores) and providing for tax Rs. 2.50 Crores (Rs. 1.60 Crore) and deferred tax liability of Rs. 1.41 Crore (0.90 Crores), your Company has earned a net profit of Rs. 13.95 Crores as against Rs. 14.92 Crores in the previous year. Net Profit after payment of preference Dividend has increased to Rs. 13.55 as against Rs. 12.62 in the previous year.

During the current year, your Company has pre-redemmed the entire preference shares of Rs. 12.50 Crores which was carrying higher coupon rates under the prevailing conditions. This was partly out of internal generations and partly by mobilizing funds through cheaper non-convertible debentures. Interest on such debentures is charged to Profit & Loss Account, whereas the profits

during the same period of the previous year was before considering the dividend on such preference shares.

DIVIDEND

Your Company has already paid an Interim Dividend of 30 percent i.e. Rs. 3/- per equity share aggregating to Rs. 4.88 Crores for the financial year ended 31st March, 2003.

Keeping in view of the improved profitability, the Board of Directors is pleased to recommend a final dividend of 20 percent i.e. Rs. 2/- per equity share for the year ended 31st March, 2003, subject to the approval of shareholders making a total payout of 50 percent i.e. Rs. 5/- per equity share for the year 2002-03.

CORPORATE GOVERNANCE

Your Company has been practising the principles of good Corporate Governance and the board of directors lays strong emphasis on transparency, accountability and integrity. Certificate of the auditors of your company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with the stock exchanges, is enclosed.

All elements of remuneration of the executive directors are mentioned in the Special Resolution(s) being placed for your approval in the notice calling the forthcoming Annual General Meeting attached herewith.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

Leather Industry occupies a place of prominence in the Indian economy in view of its massive potential for employment, growth and exports.

The industry employs more than 2.5 million persons. The annual export value poised to touch about 2 billion US dollars and the industry is amongst top 8 export earners for India. The industry has very high value addition within the country and has enormous potential for future growth.

The export of leather and leather products from India during 2002-2003 have registered a negative growth of 6.3 percent and reached at US\$ 1814.18 million as against US\$ 1936.14 million in 2001-2002. The export of leather footwear has, however, recorded a positive growth of 3.6 percent reached to US\$ 409.67 million as compared to US\$ 395.39 million in the previous year.


MIRZA TANNERS LIMITED

Opportunities and Threats

The Company has firmly established itself in Europe as supplier of quality products. Our own brands have also gained reputation and acceptance in the continent. The company is already established as a global player.

The tension in the Asian region, political instability and lack of proper infrastructure to support exports, continuing currency fluctuations, fuel prices, and frequent changes in the policies of the Government are the threats faced by the Industry.

Segment-wise performance

The company's business segment is primarily Shoe Division and Tannery Division. During the year under review, the Shoe Division revenue was Rs. 143.87 Crores and Tannery Division revenue was Rs. 65.73 Crores

Outlook

Your Company's main focus right now is strengthening of the brands in Domestic and International market and developing strategies for penetration into high growth markets. In the forthcoming years also the company expects a better all round performance.

Internal Control Systems and their adequacy

The Company has proper and adequate systems of Internal controls, including suitable monitoring procedures. The Internal Audit Department regularly conducts a review of the financial and operating controls at all locations of the company. Regular internal audits and checks are carried out to ensure that the responsibilities are executed effectively and that adequate systems are in place. The introduction of new Enterprise Resource Planning (ERP) system provides a high level of system based checks and controls. This system will enhance the internal control mechanisms. An Audit Committee headed by a non-executive independent Director is in place to review various areas of the control system. Internal audit team constantly liaisons with all levels of management and Statutory Auditors and reports significant issues to the Audit Committee of the Board.

Discussion of financial performance with respect to Operational performance

Prudent cash management and judicious working capital management has enabled the company to save substantially on the interest cost. Most of high cost debts have been retired during the year and the exercise to reduce interest cost is continuing.

The improvement in the operational performance is evident from the results as can be observed from the financial statements appearing along with.

Material Developments in Human Resources/ Industrial Relations front, including number of people employed

The company regards its human resources amongst its most valuable assets. The relationship with the employees continues to remain cordial. There was unity of purpose among all levels of employees - continuously striving for betterment and improvement in work practices and productivity. This reinforces the success of the human relationship factor. At the year end, around 1183 employees were on the payroll of the company.

ISSUE OF NON CONVERTIBLE DEBENTURES (NCDs)

During the year under review, your Company issued, on private placement basis, 1000, 7.5 percent Secured Redeemable Non Convertible Debentures (NCDs) of the aggregate face value of Rs. 10 Crores to Punjab National Bank to meet its long term working capital requirements and modernization programs.

Further, the company has redeemed before maturity the entire series of Non-convertible debentures issued to Jammu & Kashmir Bank Ltd. aggregating to Rs. 20 Crores in order to reduce the burden of costly funds.

REDEMPTION/ISSUE OF REDEEMABLE PREFERENCE SHARES

During the year under review, your company has redeemed 2.5 Lac, 13.25 percent Redeemable Preference Shares of Rs. 100/- each aggregating to Rs. 2.5 Crores, 5 Lacs, 11 percent Redeemable Preference Shares of Rs. 100/- each aggregating to Rs. 5 Crores and 5 Lac, 10 percent Redeemable Preference Shares of Rs.100 each aggregating to Rs. 5 Crores before maturity alongwith dividend thereon.

EXPORTS

Your Company has achieved export sales of Rs. 130.01 Crores as against Rs. 152.27 Crores in the previous year. The share of branded shoes in export has shown a steady growth. The products launched in the US and Canadian Markets have been well received. Company is expecting a substantial increase in exports to these countries once the recovery start.

DOMESTIC SALES

During the year under review, domestic sales of shoes remained at Rs. 21.53 Crores. The company's brand "Red Tape" has high brand loyalty in the Indian market.

DIRECTORS

Pursuant to the requirement of the Companies Act, 1956 and the Articles of Association of the company Mr. Qazi



Noorul Salam, Mr. Mohd. Aslam Khan and Mr. P.N. Kapoor, Director(s) of the company will retire by rotation at the forthcoming Annual General meeting and being eligible offer themselves for reappointment.

AUDITORS

M/s Khamesra Bhatia & Mehrotra, Chartered Accountants, Auditors of the company will retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

AUDITORS' REPORT

Auditors have invited attention of the members in their report towards change in Accounting policies of the company with respect to the Depreciation of Fixed Assets, Investments in Foreign Companies, Translation of Foreign Currency Transactions and Government Grants to bring the same in line with those specified by the Institute of Chartered Accountants of India in various Accounting Standards issued by it from time to time.

The notes to the accounts referred in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments on the Auditors' Report under Section 217(3) of the Companies Act, 1956.

COST AUDIT

As per the Government Directives, the company's Cost Records in respect of Footwear for the year ended 31st March, 2003 are being audited by Cost Auditor, Mr. A.K. Srivastava, who was appointed by the Board with the approval of Central Government.

PARTICULARS OF EMPLOYEES

During the year under review, none of the employees of the company was in receipt of remuneration in excess of the limit as specified under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

SUBSIDIARY COMPANY

As required under section 212 of the Companies Act, 1956, the audited statement of accounts along with Report of the Board of Directors and Auditors' Report of Subsidiary company M/s. MTL Trading (Proprietary) Limited, South Africa are annexed herewith.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by the company in accordance with the requirements of Accounting Standards issued by the Institute of Chartered Accountants of India and as stipulated by Clause 32 of the Listing Agreement with the Stock Exchange(s). The audited 'Consolidated Financial Statements' form part of this Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars as prescribed under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, are set out in the Annexure forming part of the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) That in the preparation of the Annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair picture of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) That the directors had prepared the Annual accounts for the financial year ended 31st March, 2003 on a 'going concern basis'.

ACKNOWLEDGEMENTS

Your directors place on record their appreciation for the valuable assistance and cooperation extended by all Government Authorities and in particular by company's Bankers Punjab National Bank, ING Vysya Bank, J&K Bank Ltd. and various buyers around the world.

The Board deeply appreciates the commendable contribution made by the members of staff at all levels during the year and most importantly to the shareholders of the Company for their unshaken trust.

For and on behalf of the Board

IRSHAD MIRZA
Chairman & Managing Director

Place : Kanpur
Date : 26.06.2003