

Global Vision

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ANNUAL
REPORT



MIRZA TANNERS LTD.

Chairman's Message



Mr. Irshad Mirza, Chairman & Managing Director

The financial year 2003-04 has been a year of opportunities and challenges. A robust GDP growth at 8.2 percent during 2003-04 amidst global economic slowdown has testified resilience of Indian economy. The Indian economy performed quite impressively emerging as one of the fastest growing economies in the world. Strong performance of the economy was partly a reflection of the best monsoon in the decade, which sparked a rebound in the farm sector with an upturn in the manufacturing sector and sustained growth in the services sector. The silver lining in Indian economy continues inter alia with low inflation, adequate forex reserve, spurt in exports, containment of fiscal deficit and rejuvenated capital market. I am confident that growth momentum gained by the economy last year will not slow down inspite of change in Govt. at Centre.

The leather industry has emerged as a significant contributor to the economy in recent years. The exports of leather and leather products from India during 2003-04 (April-Feb) of US\$ 1896.21 million has been the highest in relation to the corresponding period in the last five years. It is again heartening to note that the footwear especially leather has been growing at about 25 percent in dollar terms and reached at USD 475.43 million as compared to USD 380.15 million in the corresponding period in the last year.

At Mirza Tanners, we are pleased to report another excellent year of continued growth, with our knowledged businesses making increased contributions to both revenues and earnings. The improved performance during the FY 2004 is a strong endorsement of our strategy to focus on high value-added leather footwear and exports supported by enhanced efficiencies and reduced cost of capital. Our profit (PBT) has increased by 34 percent for FY 2004. Our revenues too demonstrated continued growth, and increased by 14 percent to touch Rs. 1881.86 million compared to Rs. 1646.56 million in the previous year.

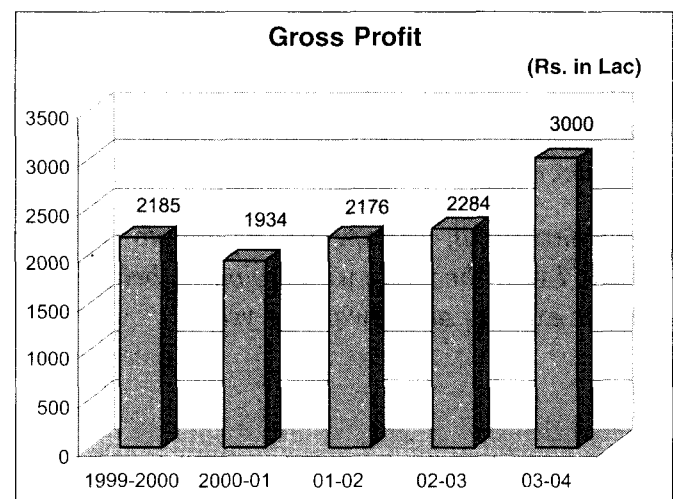
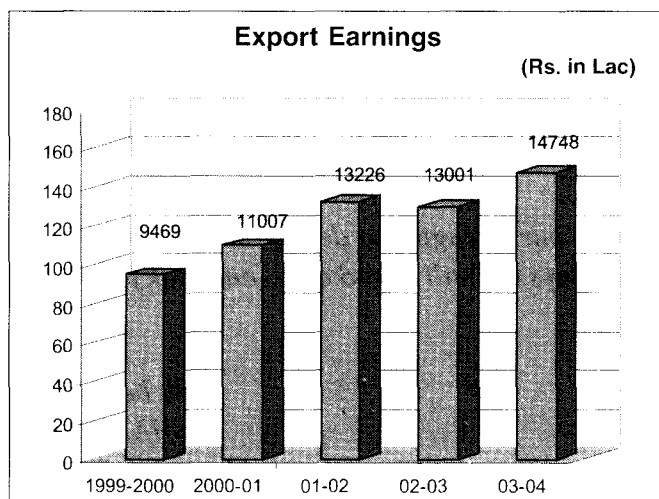
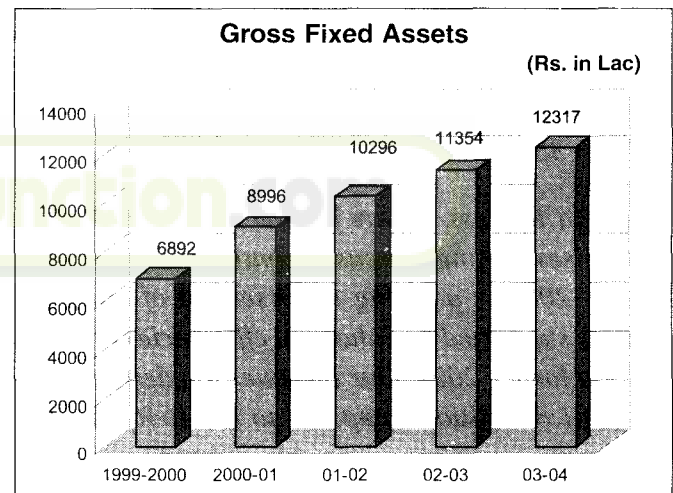
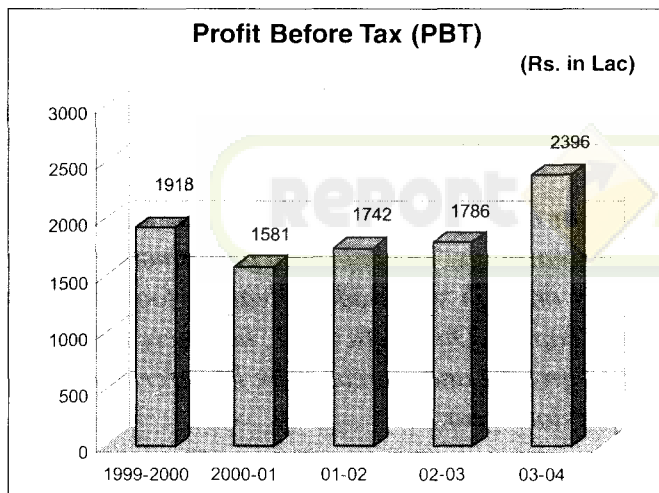
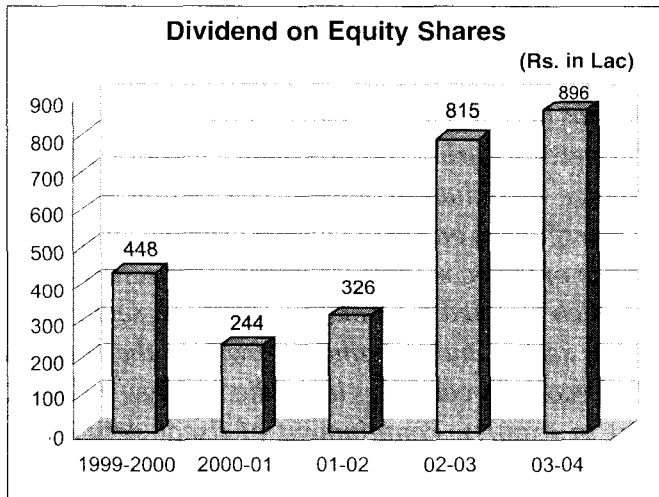
Mirza Tanners' dividend policy is aimed at enabling shareholders to progressively share in the operating performance of the company, and in keeping with this, the Board of Directors of the Company have recommended a dividend of 55 percent for the year under review, which amounts to a higher payout than last year.

The improved results we have achieved in FY 2004 are much due to continuing support, commitment and enterprise of all our stakeholders-our employees, members on the Board, customers, suppliers as well as our shareholders. I am pleased that this message gives me the opportunity to express my personal appreciation to each and every one.

In the next fiscal, we expect to be able to capitalize further on our strengths to deliver sustainable overall growth. I view the future with optimism, believing that our best days are still ahead of us, and look forward to another exciting and rewarding year.

With best wishes
IRSHAD MIRZA
 Chairman & Managing Director

Five Years at a Glance





MIRZA TANNERS LIMITED

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 COMPUTERSHARE PVT. LTD.
 "KARVY HOUSE", 46, AVENUE 4,
 STREET NO. 1, BANJARA HILLS
 HYDERABAD – 500 034.

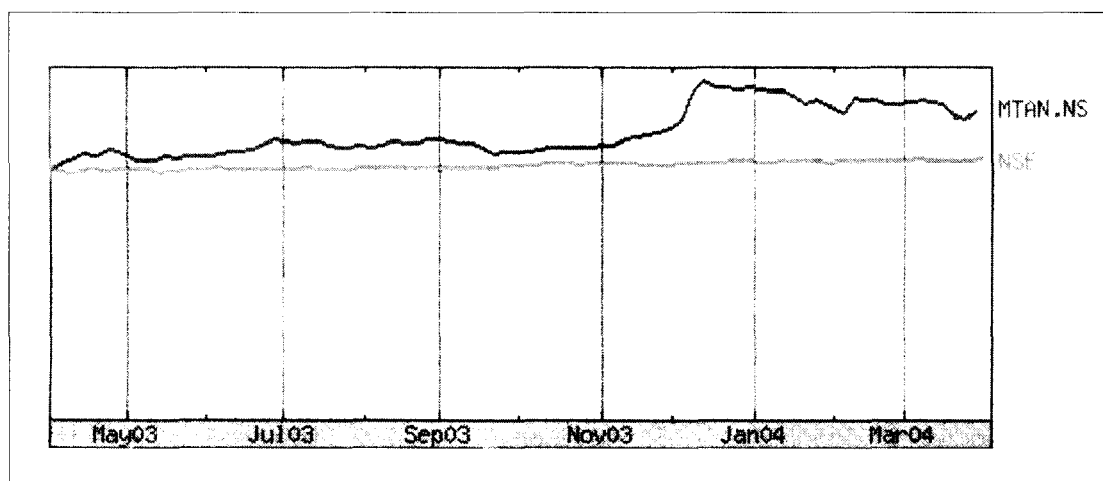


CONSISTENT PERFORMANCE

(Rs. In Lac)

	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95
For the year										
Gross Income	18819	16465	18895	14033	12257	10148	9379	6179	4440	2930
Gross Profit	3000	2284	2176	1934	2185	1995	1316	856	816	537
Profit before tax	2396	1786	1742	1581	1918	1836	1190	654	750	501
Profit after tax	1676	1395	1492	1456	1843	1806	1181	570	728	475
Dividend	896	*855	*556	*490	*673	*549	*354	160	122	86
* Including dividend on Pref. Shares										
At the end of the year										
Equity	1629	1629	1629	1629	814	814	814	814	406	406
Net Worth	8219	*8131	*7674	*7244	*6293	*5195	*3994	3203	2806	2172
* Excluding Pref. Shares										
Gross Fixed Assets	12317	11354	10296	8996	6892	4952	3218	2681	1877	1164

SHARE PRICE — MIRZA TANNERS LTD VS. S&P CNX NIFTY INDEX





DIRECTORS' REPORT

Dear Shareholder,

The Directors of your company have pleasure in presenting the Twenty-fifth Annual Report together with Audited Accounts and the consolidated results of the Company for the year ended March 31, 2004.

FINANCIAL RESULTS

	(Rs. in lac)	
	2003-2004	2002-2003
Gross Income	18819	16465
Profit Before	3423	3147
Interest, Dep. & Taxes		
Less Interest	423	863
Less Depreciation	604	498
Profit Before Tax	2396	1786
Provision for Tax		
- Current	505	250
- Deferred	215	141
Profit After Tax	1676	1395
Provision for deferred tax relating to earlier year	577	—
Dividend - Pref. Shares	—	40
- Equity Shares	896	815
Corporate Dividend Tax	115	104
Transfer to Debenture Redemption Reserve	200	125
Transfer to General Reserve	299	200

PERFORMANCE OF THE COMPANY

During the year under review, your company has achieved a Gross Income of Rs. 188.19 crores as against Rs. 164.65 crores in the previous year showing a growth of over 14 percent. The profit before tax during the same period has shown more than proportionate growth of 34 percent at Rs. 23.96 crores as against Rs. 17.86 crores in the previous financial year. This was achieved due to better control on cost and a substantial savings in interest charges. After providing for taxation Rs. 5.05 crores (Rs. 2.50 crores) and deferred tax liability of Rs. 2.15 crores (Rs. 1.41 crores), net profit for the current year is arrived at Rs. 16.76 crores as against Rs. 13.95 crores. As per the new guidelines, company has provided deferred tax liability of earlier years Rs. 5.77 crores.

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 March 31, 2004.

Keeping in view of the improved profitability, the Board of Directors is pleased to recommend a final dividend of 25 percent i.e. Rs. 2.50 per equity share for the year ended March 31, 2004, subject to the approval of shareholders, making a total payout of 55 percent i.e. Rs. 5.50 per equity share for the year 2003-04.

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.

A separate report on Corporate Governance together with a certificate from Statutory Auditors confirming compliance with corporate governance requirements as stipulated in Clause 49 of the listing agreement with the stock exchanges has been annexed as part of this report.

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. There has been increasing emphasis on its planned development aimed at optimum utilization of available raw materials for maximizing the returns, particularly from exports.

The export of leather and leather products from India during 2003-2004 (April-Feb.) have registered a positive growth of 9 percent in dollar terms and reached at USD 1896.21 Million. The export of leather footwear have also recorded an excellent growth of 25 percent in dollar terms and reached USD 475.43 million.

The industry has very high value addition within the country and has enormous potential for future growth.

Opportunities and Threats

Your Company is already established as a global player especially in Europe as supplier of quality products. Our own brands have also gained reputation and acceptance in the continent. The new range holds plenty of promises for the coming years.



Lack of proper infrastructure to support exports, slow down in the US Economy, tension in the Asian region, continuing currency fluctuations, fuel prices, and frequent changes in the policies of the Government are the threats faced by the Industry.

Segment-wise performance

Your Company's business segment is primarily Shoe Division and Tannery Division. During the year under review, the Shoe Division revenue was Rs. 167.16 Crores and Tannery Division Revenue was Rs. 78.63 Crores as compared to Rs. 143.87 Crores and Rs. 65.73 Crores respectively in the previous year.

Outlook

To meet the market challenges, your company would continue to follow the philosophy of providing the highest quality of products to its customer, endeavor to achieve possible cost savings in all areas of operations and give more emphasis on consolidation of existing markets and developing strategies for penetration into high growth markets.

Internal Control Systems and their adequacy

There exists an appropriate system of internal control within the company, which ensures a desired level of control over all the transactions. The internal audit is conducted at all the plants for all the key areas of business. The internal audit is oriented towards strengthening of controls and improvement of operational efficiency. Your company has an Audit Committee headed by a non-executive independent Director to review various areas of the control systems.

The effectiveness and efficiency of the internal control systems have improved with the implementation of Enterprise Resource Planning software, which provides a high level of system-based checks and controls 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 have enabled the company to save substantially on the interest cost.

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, 1377 employees were on the payroll of the company.

Redemption of Non-convertible Debentures (NCDs)

Your company has redeemed 500, 7.5 percent Secured Redeemable Non-Convertible Debentures of Rs. 1,00,000 each aggregating Rs. 5.00 crores issued to Punjab National Bank on its due date.

Fixed Deposits

There was no failure to make payment of interest due on fixed deposits in terms of the Scheme.

Borrowings

Your company has pre-paid most of the high cost borrowings and switched over to more economical borrowings, which has brought down the average cost of borrowings from 8.32 percent to 4.16 percent per annum.

EXPORTS

Your company has achieved export sales of Rs 147.47 Crores as against Rs. 130.01 Crores in the previous year. The share of branded shoes in export has shown a steady growth.

DOMESTIC SALES

During the year under review, the response of sales of shoes in Indian markets has been quite encouraging and reached at Rs. 27.09 Crores as against Rs. 21.53 Crores. The company's brand "Red Tape" has high brand loyalty in the Indian markets.

DIRECTORS

Pursuant to the requirement of the Companies Act, 1956 and the Articles of Association of the company Mr. Tauseef Ahmad Mirza, Mr. Kuruvila Kuriakose and Dr. Yashveer Singh, 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

The notes to the accounts referred in the Auditors' Report are self-explanatory and, therefore, do not call for any



MIRZA TANNERS LIMITED

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 2004 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

A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, is set out in the Annexure forming part of the Directors' Report.

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, 2004, 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 judgments 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, 2004 on a 'going concern basis'.

ACKNOWLEDGEMENTS

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from Government authorities and our bankers Punjab National Bank. Your directors thank the shareholders and depositors for their continued support.

Your directors also place on record their deep sense of appreciation for the commitment displayed by all executives, officers, staff and workers in the successful performance of the company during the year.

For and on behalf of the Board

IRSHAD MIRZA
Chairman & Managing Director

Place : New Delhi
Date : June 7, 2004



ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT AS REQUIRED UNDER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

Conservation of Energy

- | | |
|---|--|
| (a) Energy conservation measures taken | Upgradation of power generation and distribution system for long term energy savings. |
| (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy | Procurement of generators sets for better specific fuel consumption. |
| (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of product of goods | Energy conservation measures have helped the company in its drive towards improving efficiencies and reduction in costs. |
| (d) Total energy consumption and energy consumption per unit of production as per Form A | N.A. |

Research and Development (R&D)

- | | |
|--|--|
| 1. Specific areas in which R & D carried out by the company | : a. Quality control and Technical upgradation.
b. Developing of new designs for Shoe uppers & shoes. |
| 2. Benefits derived as a result of the above R & D | : a. Accreditation to ISO 9002 & ISO 9001:2000
b. Cost reduction & better unit realisation.
c. Better product acceptance |
| 3. Future plan of action | : To continue to invest in R & D, develop new designs and add new moulds. |
| 4. Expenditure on R & D | |
| (a) Capital | Nil |
| (b) Recurring | Rs. 8.45 Lac |
| (c) Total | Rs. 8.45 Lac |
| (d) Total R& D expenditure as a percentage of total turnover | 0.04 percent |

Technology Absorption, Adaptation and Innovation

- | | |
|---|---|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. | The company develops in-house technology and is not dependant on any outside technology/source. |
| 2. Benefits derived as a result of the above efforts | N.A. |
| 3. In case of imported technology,* | N.A. |
| (a) Technology imported | |
| (b) Year of import | |
| (c) Has technology been fully absorbed? | |
| (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action. | N.A. |

Foreign Exchange Earnings and Out Go

- | | |
|---|---|
| 1. Activities relating to exports, initiative taken to increase exports, development of new export markets or products and export plans | : The Company's performance is continuously improving on export front and the products are finding better acceptance in international markets. The share of branded products is steadily increasing. New markets are also being explored. |
| 2. Total foreign exchange earned & used | : Earned - Rs.143.33 Crores
Used - Rs. 43.15 Crores |

For and on behalf of the Board

Place : New Delhi
Date : June 7, 2004

IRSHAD MIRZA
Chairman & Managing Director



ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2004.

Name	Designation	Gross remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Age (Years)	Particulars of Previous Employment
Mr. Irshad Mirza*	Chairman & Managing Director	33,56,115	Leather Technologist	43	05.9.1979	69	Promotor
Mr. Rashid Ahmad Mirza*	Managing Director	30,59,100	Diploma in Leather Technology. London	28	05.9.1979	48	Promotor
Mr. Tauseef Ahmad Mirza*	Whole-time Director	24,44,223	Diploma in Shoe Technology. London	15	06.9.1989	36	Leather Trends Pvt. Ltd.

Notes:

1. All appointments are on contractual basis.
2. *Directors are related to each other within the meaning of Companies Act, 1956.
3. # Designation denotes nature of duties.
4. Remuneration includes salary and perquisites as per rule of the Company and recorded under Income Tax Act, 1961.

For and on behalf of the Board

Place : New Delhi
Date : June 7, 2004

IRSHAD MIRZA
Chairman & Managing Director