

MIRZA TANNERS LTD.



MARCHING TOWARDS SUCCESS

Chairman's Message



Mr. Irshad Mirza, Chairman

Dear Shareholders,

Favourable global economic expansion has facilitated Indian economy to continue in the accelerated growth path at 6.9% (GDP) during 2004-2005. Industry and service sector have shown a significant growth at 8.3% and 8.6% respectively, while agriculture sector grew by 1.1% in the backdrop of robust growth last year. Both global and national economic scenes were conducive for rapid expansion of Indian Industry. Looking ahead, many of the factors that characterized the market environment in 2004-2005 are likely to remain in place in 2005-06. Crude oil price volatility is expected to persist on account of geopolitical events especially due to strong demand in growing economies like India and China.

The leather industry occupies a place of prominence in the Indian economy and has emerged as a significant contributor to the economy. The export of leather and leather products from India during 2004-2005 have registered a positive growth of 7.35 percent in dollar terms and reached US\$ 2379.44 (US\$ 2216.45) million. The export of leather

footwear have also recorded a positive growth of 8.80 percent in dollar terms and reached US\$ 601.73 (US\$ 553.04) million.

The year 2004-2005 has been extremely gratifying for your company. Sustained customers' confidence in the company's products has enabled it to clock gross revenue of Rs. 2564.34 million compared to Rs. 1881.86 million in the previous year registering a growth of 38 percent. Net profit of Rs. 260.88 million against Rs. 109.65 million previous year registered remarkable growth of 138 percent.

This achievement has been made possible by relentless pursuit of total quality management initiatives on all fronts, constantly discovering and improving managerial capabilities and moving ahead with an unbeatable performance culture and value creation.

Your company's Red Tape and Oaktrak have received international recognition for quality, styling, durability and pricing. Both the brands have strong consumer pull and continued to be popular in all the markets where they are present. The emphasis of the company continues to be to provide discerning consumer value for money.

Your company is now concentrating on increasing its market penetration in mainland Europe, USA and India for men's footwear. It has also diversified into ladies footwear, which will result significant revenue coming from this segment in years to follow.

The company's manufacturing facilities are presently running close to their peak levels and, to service the increasing demand, need to be enhanced for which the company has drawn up an ambitious expansion programme. .

Not just in the field of business goals and profits, your company also made all attempts to leave mark as a socially responsible corporate citizen. It has taken all meaningful measures to enrich the environment and living standard of the people all around especially backward and economically weaker sections.

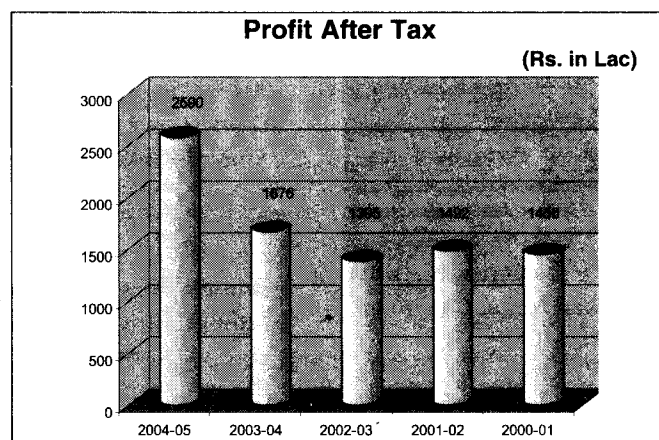
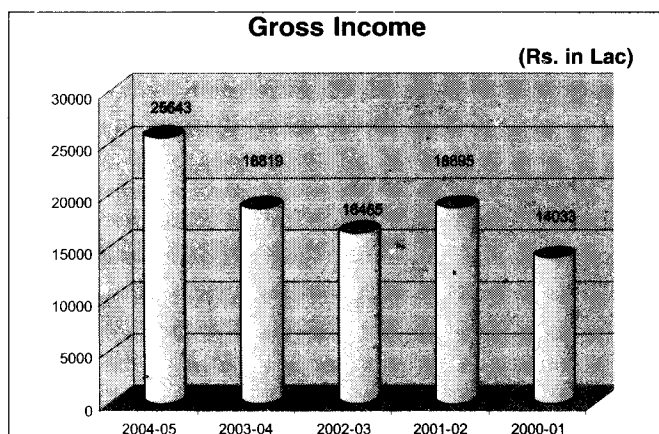
Today, emerging as a global player with the strength of its glorious past and vibrant present, your company is all set to reach a future that will make all of you feel proud and satisfied.

At the end, I would like to thank you all for your unbridled support and cooperation.

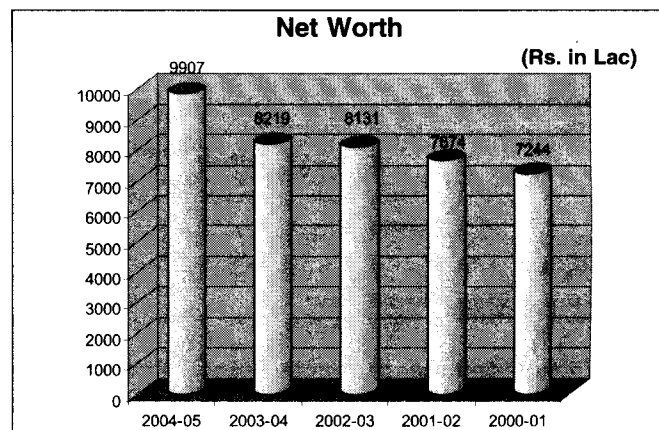
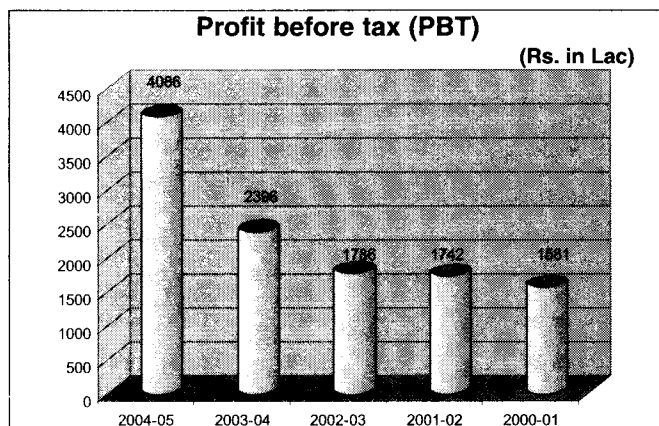
With best regards

IRSHAD MIRZA

Five Years at a Glance



Report  junction.com




MIRZA TANNERS LIMITED
BOARD OF DIRECTORS

IRSHAD MIRZA, CHAIRMAN
 RASHID AHMAD MIRZA, MANAGING DIRECTOR
 TAUSEEF AHMAD MIRZA
 Dr. YASHVEER SINGH
 SHAHID AHMAD MIRZA
 PASHUPATI NATH KAPOOR
 QAZI NOORUL SALAM
 TASNEEF AHMAD MIRZA
 N.P. UPADHYAY
 KURUVILA KURIAKOSE
 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.

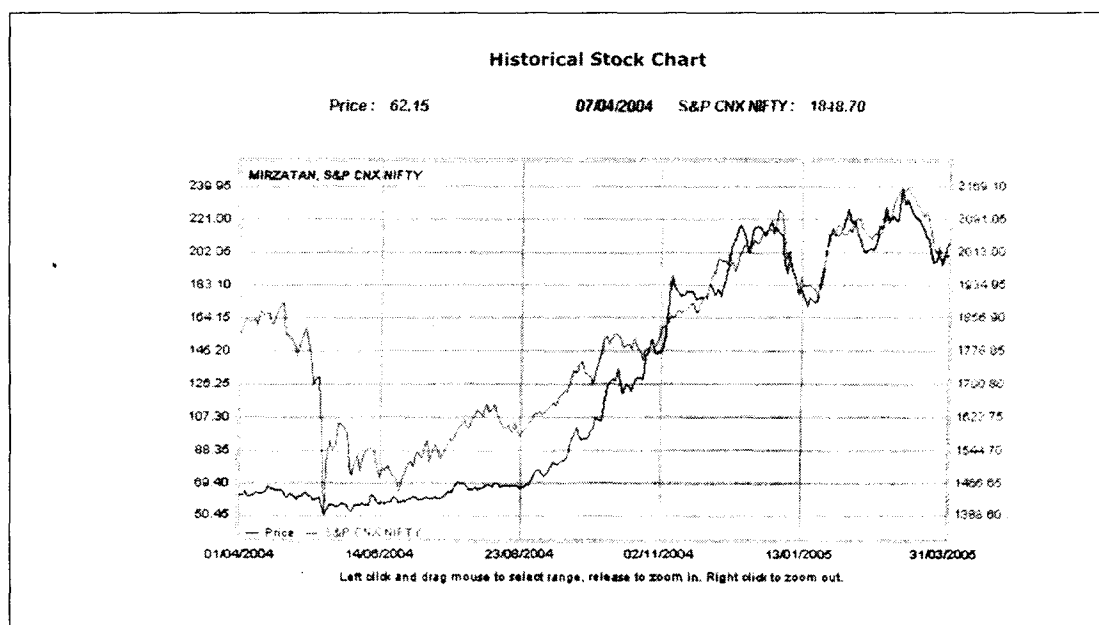


CONSISTENT PERFORMANCE

(Rs. In Lac)

	2004-05	2003-04	2002-03	2001-02	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96
For the year										
Gross Income	25643	18819	16465	18895	14033	12257	10148	9379	6179	4440
Gross Profit	4724	3000	2284	2176	1934	2185	1995	1316	856	816
Profit before tax	4086	2396	1786	1742	1581	1918	1836	1190	654	750
Profit after tax	2590	1676	1395	1492	1456	1843	1806	1181	570	728
Dividend	815	896	*855	*556	*490	*673	*549	*354	160	122
* Including dividend on Pref. Shares										
At the end of the year										
Equity	1629	1629	1629	1629	1629	814	814	814	814	406
Net Worth	9907	8219	*8131	*7674	*7244	*6293	*5195	*3994	3203	2806
* Excluding Pref. Shares										
Gross Fixed Assets	13438	12317	11354	10296	8996	6892	4952	3218	2681	1877

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-sixth Annual Report together with Audited Accounts of the company for the year ended 31st March, 2005.

FINANCIAL RESULTS

	(Rs. in lac)	
	2004-2005	2003-2004
Gross Income	25643	18819
Profit before Interest,	5151	3423
Dep. & Taxes		
Less Interest	427	423
Less Depreciation	638	604
Profit before Tax	4086	2396
Provision		
- Current Tax	1312	505
- Deferred Tax	184	215
Profit after Tax	2590	1676
Appropriations:		
Dividend - Equity Shares	815	896
Corporate Dividend Tax	107	114
Transfer to Deb. Red. Reserve	—	200
Transfer to General Reserve	275	299

PERFORMANCE OF THE COMPANY

During the year under review, your Company continued its impressive performance. Gross Income of Rs. 256.43 Crores registered a growth of 36 percent as against Rs. 188.19 crores in the previous year. The operating profit before depreciation and interest has shown a growth of 50 percent and reached to Rs. 51.51 crores as against Rs. 34.23 crores in the previous year. After charging a higher interest of Rs. 4.27 crores (Rs. 4.23 crores) and depreciation of Rs. 6.38 crores (Rs. 6.04 crores) and providing for tax Rs. 13.12 crores (Rs. 5.05 crores) and deferred tax liability of Rs. 1.84 crore (Rs. 2.15 crores), your company has earned a profit after tax of Rs. 25.90 crores as against Rs. 16.76 crores in the previous year. After making prior year adjustments, the net profit of the company has jumped to Rs. 26.09 crores as against Rs. 10.96 crores in the previous year registering a growth of 138 percent.

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, 2005.

Keeping in view of the improved profitability as well as expansion programme of the company, 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, 2005, subject to the approval of shareholders making a total payout of 50 percent i.e. Rs. 5/- per equity share for the year 2004-05.

EXPANSION PROGRAMME

The Company has achieved saturation of its existing manufacturing capacities and has chalked out an ambitious expansion plan to double its tanning and footwear manufacturing capacities. Over the next two years the company plans to incur a substantial capital expenditure towards this objective. As a first step, 70 acres of land has been acquired at Unnao for enhancement of tanning capacities and 20 acres at Greater Noida for setting up an integrated world class footwear manufacturing centre both for ladies & men's footwear and a state of the art R & D center.

CORPORATE GOVERNANCE

Your company has been practicing 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 requirement as stipulated in Clause 49 of the listing agreement with the stock exchange has been annexed as part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

Indian leather industry is gradually coming out of its traditional unorganized form and more and more individual units are now engaging into good practices resulting into better quality of products, less damage to environment and higher efficiency of operations. With the largest population of livestock in the world, India is a source of 10% of global leather requirement translating into an annual production value of 4 billion of finished leather. Value additions through downstream products like



footwear can take this to an export potential of \$ 10 billion of leather goods. During 2004-05, the exports of finished leather grew 7.35% to reach \$ 2.4 billion and exports of leather footwear grew 8.8% to reach \$ 0.6 billion, Indian footwear exports account for 1.66 % of the global market and there is an immense potential of growth in the sector.

Opportunities, Threats, Risks & Concerns

Having established a strong presence in U.K.'s men's footwear market, it enjoys a comfortable market share. The company has now entered the ladies shoes segment, which in value terms is 5-6 times larger. Its South African operations continue to be stable. Leveraging its international experience, it has entered the U.S. market and also mainland Europe. It is also intensifying its domestic operations with these initiatives, the company sees sustained growth in operations after its expansion program is fully implemented.

Economic showdown in European & U.S. economies, competition from China which continues to artificially value its currency to levels highly inclined in favour of its exporters, impact of global terrorism actions, lack of proper infrastructure in line with global trade requirements, indifferent government policies, increasing fuel prices and weakening of currencies are some of the threats faced by the company.

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 and our focus in the future will be on the high growth retail segment in India.

In the forthcoming years also the company expects a better all round performance.

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. 226.03 and Tannery Division Revenue was Rs. 98.22 crores

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 Enterprise Resource Planning (ERP) system provides a high level of system based checks and controls.

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

A combination of prudent production planning, economic material resourcing, strict control of production processes, efficient logistics, judicious working capital management and alert foreign exchange operations has resulted in net profit growing 138% against an operational growth of 36%.

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 1400 employees were on the payroll of the company.

Redemption of Non-Convertible Debentures (NCDs)

During the year under review, your company has redeemed remaining 500, 7.5 percent Secured Redeemable Non-Convertible Debentures (NCDs) of the aggregate face value of Rs. 5 crores to Punjab National Bank on its due date.

Fixed Deposits

During the year, fixed deposits worth Rs. 1.40 crores were paid off and there was no failure to make payment of interest on deposits in terms of the Scheme.

Exports

Your company has achieved approximately 78 percent of its total revenue from exports. The export sales of Rs. 199.49 crores has shown an increase of 35 percent as against Rs. 147.48 crores in the previous year. The share of branded shoes in export has shown a steady growth.

DOMESTIC SALES

During the year under review, domestic sales of shoes has also recorded a significant increase of 59 percent and reached to Rs. 42.83 crores as against Rs. 27.09 crores.



MIRZA TANNERS LIMITED

The company's brand "Red Tape" is being marketed more aggressively in India by endorsing "Salman Khan" as our brand ambassador. The company expects to double its turnover in the branded segment during the current year.

DIRECTORS

Pursuant to the requirement of the Companies Act, 1956 and the Articles of Association of the company Mr. Shahid Ahmad Mirza, Mr. N.P.Upadhyay and Mr. Subhash Sapra, 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 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 2005 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 specified 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.

SCHEME OF AMALGAMATION

During the year, a Scheme of Amalgamation has been filed in the Hon'ble High Court of Allahabad for the amalgamation of Leather Trends Private Limited with the company. The Scheme has been approved by the shareholders and Creditors of both the companies and Company Petition has been filed in the Hon'ble High Court seeking sanction of the Scheme of Amalgamation.

CHANGE OF NAME

Considering the nature of business of the company, the name of the company is being changed to MIRZA INTERNATIONAL LIMITED subject to final approval of the central Govt. in terms of Sec. 21 of the Companies Act, 1956.

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, 2005, 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, 2005 on a 'going concern basis'.


MIRZA TANNERS LIMITED
ACKNOWLEDGEMENTS

Your directors place on record their appreciation for the valuable assistance and co-operation extended by all Government Authorities and in particular by company's Bankers Punjab National Bank, 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.

Place : Kanpur	For and on behalf of the Board
Date : May 30, 2005	IRSHAD MIRZA Chairman

ANNEXURES 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 | N.A. |
| (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy | N.A. |
| (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 | N.A. |
| (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 | : | N.A. |
| 2. Benefits derived as a result of the above R&D | : | N.A. |
| 3. Future Plan of action | : | N.A. |
| 4. Expenditure on R&D | | |
| (a) Capital | | Nil |
| (b) Recurring | | Nil |
| (c) Total | | Nil |
| (d) Total R&D expenditure as a percentage of total turnover | : | Nil |

Technology Absorption, Adaption and Innovation

- | | |
|--|---|
| 1. Efforts, in brief, made towards technology absorption, adaptation and innovation. | The Company develops in-house technology and is not dependent 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 ? | |



MIRZA TANNERS LIMITED

(d) If not fully absorbed, areas where this has not taken place, reasons there for and future plan of action.

N.A.

Foreign Exchange Earnings and Outgo:

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. 193.10 Crores
Used - Rs. 71.84 Crores

For and on behalf of the Board

Place : Kanpur
Date : May 30, 2005

IRSHAD MIRZA
CHAIRMAN

STATEMENT OF PARTICULARS UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005.

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@	34,52,808	Leather Technologist	44	05.9.1979	70	Promoter
Mr. Rashid Ahmad Mirza*	Managing Director	33,35,395	Diploma in Leather Technology, London	29	05.9.1979	49	Promoter
Mr. Tauseef Ahmad Mirza*	Whole-time Director	27,41,832	Diploma in Shoe Technology, London	16	06.9.1989	37	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 rules of the Company and recorded under Income Tax Act, 1961.
5. @Mr Irshad Mirza relinquished the post of Managing Director on 1st March, 2005 and is now Chairman (non-executive) of the company.

For and on behalf of the Board

Place Kanpur
Date May 30, 2005

IRSHAD MIRZA
Chairman