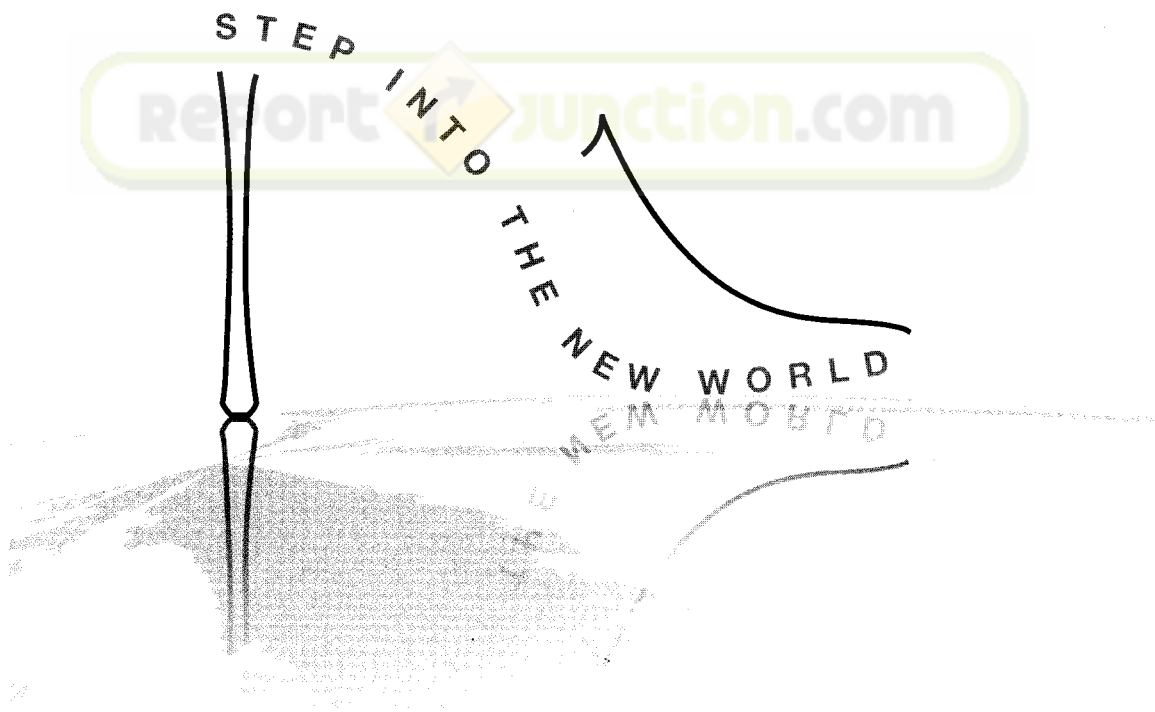


ANNUAL REPORT 2005-06



MIRZA INTERNATIONAL LTD.
(Formerly Mirza Tanners Ltd.)


MIRZA INTERNATIONAL LIMITED

(Formerly Mirza Tanners Limited)

Board Of Directors

Irshad Mirza, *Chairman*
 Rashid Ahmed Mirza, *Managing Director*
 Tauseef Ahmad Mirza
 Dr. Yashveer Singh
 Shahid Ahmad Mirza
 Pashupati Nath Kapoor
 Qazi Noorul Salam
 Tasneef Ahmad Mirza
 N.P. Upadhyay
 Prem S. Khamesra
 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 Co-operative
 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

A-112, Sector - 5,
 Noida – 201 301

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.

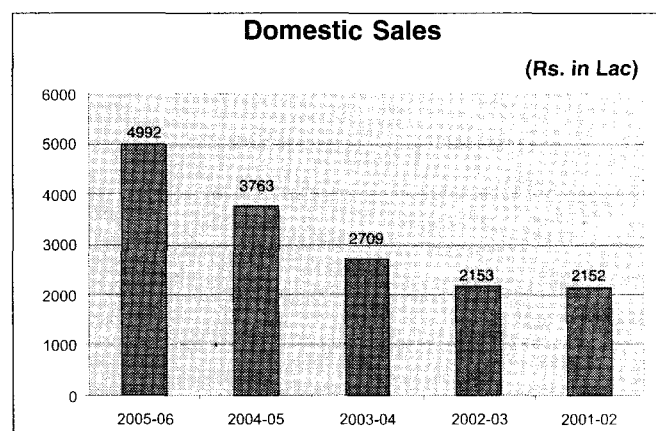
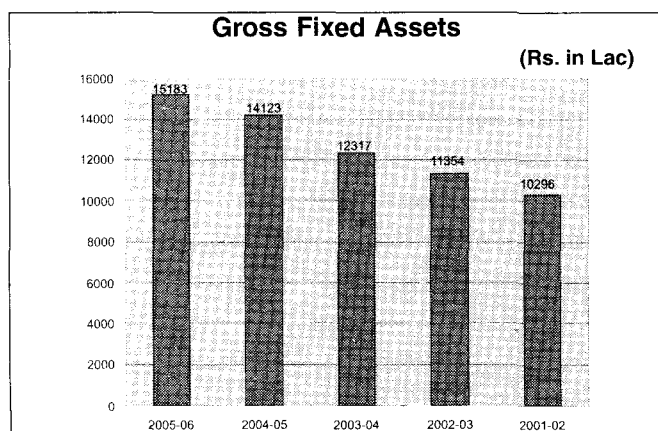
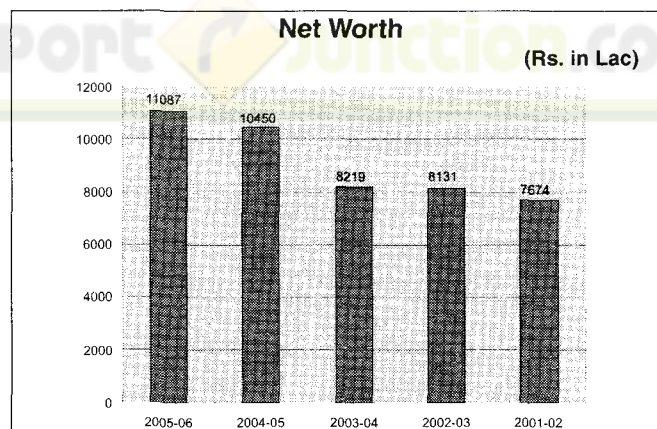


MIRZA INTERNATIONAL LIMITED
(Formerly Mirza Tanners Limited)

Consistent Performance

(Rs. in Lac)

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97
For the year										
Gross Income	23587	25739	18819	16465	18895	14033	12257	10148	9379	6179
Gross Profit	2607	4979	3000	2284	2176	1934	2185	1995	1316	856
Profit before tax	1864	4314	2396	1786	1742	1581	1918	1836	1190	654
Profit after tax	1174	2733	1676	1395	1492	1456	1843	1806	1181	570
Dividend	464	927	896	*855	*556	*490	*673	*549	*354	160
* Including div. On Pref. Shares										
At the end of the year										
Equity	1854	1854	1629	1629	1629	1629	814	814	814	814
Net Worth	11087	10450	8219	*8131	*7674	*7244	*6293	*5195	*3994	3203
* Excluding Pref. Shares										
Gross Fixed Assets	15183	14126	12317	11354	10296	8996	6892	4952	3218	2681





Chairman's Message



Mr. Irshad Mirza, Chairman

Dear Shareholders,

For your company which had been registering a steady growth in its operations during the last few years, 2005-06 was year of mild turbulence. It recorded a Gross Income of Rs. 235.87 crores and has earned a profit after tax of Rs. 11.74 Crores. The Company's operations were under strains on various fronts in the previous year. This has to be viewed in the larger context of a global economic slow down, stiff Chinese competition, increase in raw material prices, weak European currencies and steep increase in fuel and energy costs leading to a squeeze in margins. However, there is now evidence to indicate the global economy is on an upswing and your company should be able to record significant growth in its traditional business in the coming years.

With the US and European economies registering impressive growth and Japan emerging from a long hibernation, the outlook should have been optimistic. However, increase in oil prices, unsettled politics in the Middle East and higher interest rates have cast a dark shadow. Uncertainties associated with these factors have introduced an element of caution in the strategies of the corporate sector and your company is no exception.

Indian economy continued to perform well with real GDP growth of 8% in 2005-06 and remained one of the fastest growing economies of the world. The world is increasingly taking note of the developments in the Indian economy during the last few years. The consistently high growth rate achieved in successive years combined with demonstrated skills in the knowledge sectors has ensured that India can no longer be ignored in the global context.

Your company's dynamic and forward-looking management has been able to foresee market developments and ensure uninterrupted growth. Your Company's foray into women's footwear, men's fashion wear and accessories has started showing positive results.

I have no doubt that the coming years will see considerable expansion in your company's activities leading to significantly greater shareholders' value.

I thank you all for your continued support to the company.

With best wishes,

Irshad Mirza



DIRECTORS' REPORT

Dear Shareholder,

The Directors of your company have pleasure in presenting the Twenty-seventh Annual Report together with Audited Accounts of the company for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs. in Crores)	
	2005-2006	2004-2005
Gross Income	235.87	257.39
Profit before Interest, Depreciation & Taxes	33.16	54.33
Less: Interest	7.09	4.54
Less: Depreciation	7.43	6.67
Profit before Tax	18.64	43.12
Provision		
- Current Tax	5.46	13.96
- Deferred Tax	0.93	1.84
- Fringe Benefit Tax	0.45	-
- Income Tax Previous Year	0.06	-
Profit after Tax	11.74	27.32
Appropriations:		
Dividend - Equity Shares	4.64	9.27
Corporate Dividend Tax	0.68	1.23
Transfer to General Reserve	1.38	3.05

PERFORMANCE OF THE COMPANY

During the year, your company recorded a Gross Income of Rs.235.87 Crores against Rs. 257.39 Crores in the previous year. The operating profit before depreciation and interest has been Rs. 33.16 Crores as against Rs. 54.33 Crores in the previous year. After charging a higher interest of Rs. 7.09 Crores (Rs. 4.54 crores) and depreciation of Rs 7.43 Crores (Rs. 6.67 Crores) and providing for tax Rs. 5.46 Crores (Rs. 13.96 Crores) and deferred tax liability of Rs. 0.93 Crore (Rs. 1.84 Crores), your company has earned a profit after tax of Rs. 11.74 Crores as against Rs. 27.32 Crores in the previous year.

The Company's operations were under strains on various fronts in the previous year. Competition from cheap Chinese products saw the company losing some market share in its principal market - U.K. Serial blasts in London in early July last year dampened buying spirits. Weak European Currencies throughout the year impacted margins substantially. On the other hand, oil prices rose sharply increasing manufacturing and shipping costs. Interest rates firmed up globally which has also affected financial performance of your company.

Corrective actions were taken by expanding the product range to ladies footwear and intensifying marketing operations in other markets like US & Middle East. Domestic marketing was further strengthened. All these initiatives have been successful. The loss in market of men's shoes in Europe has been offset by demand for ladies shoes. Sales to US, Middle East and in India registered good growth. Consequently the slide in overall volume was marginal.

The full impact of corrective steps taken to contain the reduction in margins would reflect in the current year.

An Anti Dumping Duty has been imposed by the European Union on import of footwear from China with effect from May, 2006 taking away the unfair competitive advantage of these products.

European Currencies are once again buoyant.

As a result of the above facts, your Company looks forward to better financial performance ahead.

DIVIDEND

The Board of Directors of your company is pleased to recommend a dividend of 25 percent i.e. Rs.2.50 per equity share for the year ended 31st March, 2006, subject to the approval of shareholders involving a payout of Rs. 4.64 Crores for the year 2005-06. The proposed payout is 45% of profit after tax compared to 38% in the previous year.

AWARDS

The directors proudly report that your company had the rare distinction of bagging five awards from the Council of Leather Exports during the year:

- Gold Trophy for the highest overall exports in the leather sector;
- Plaque for highest exports in the leather footwear sector in the category \$ 15 mn. and above;
- Plaque for promoting Indian brands globally;
- Certificate for Environmental Management, Occupational Health & Safety;
- Certificate for Social Accountability;

ENVIRONMENTAL & SOCIAL ACCOUNTABILITY MANAGEMENT SYSTEM

Your company's ongoing programmes for continuous reduction of environmental impact of operations have further reduced the environmental load of key parameters and it has been certified to comply with the enhanced requirements of ISO -14001:2004.

The company's Social Accountability Management Systems were assessed and certified to comply with the requirements of SA-8000:2001 during the year. Your company is part of a select group of companies found to comply the stringent requirements of this standard and the certification re-affirms the company's concern for its human assets and their well being.

QUALITY

We firmly believe that the pursuit of excellence is one of the most critical components for success in the competitive global market. We have achieved high maturity through rigorous adherence to highly-evolved processes and have been certified as ISO - 9001:2000 compliant for Quality Management System.

Besides all the units are equipped with quality control laboratories certified by SATRA (U.K.) and have also been accorded membership of FDDI (Government of India).



MIRZA INTERNATIONAL LIMITED

(Formerly Mirza Tanners Limited)

EXPANSION PROGRAMME

The expansion program chalked out by the company to increase its tanning and footwear capacities was postponed temporarily in view of the altered scenario last year and shall be pursued during the current year.

CORPORATE GOVERNANCE

Your company is committed to good governance practices that create long term sustainable shareholder value. Keeping in view of the Company's size, global operations and corporate traditions, 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

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

The Government has identified the leather sector as one having immense potential for growth, the benefits whereof reach the lowest strata of the society. The Government have therefore decided to put the development of the sector in a mission mode and have set up a high level committee to work upon the development of the sector.

India is the largest livestock holding country and is source for 10 percent global leather requirement with an annual production value over USD 4000 Million and annual export value over USD 2000 Million.

During 2005-06, the exports of leather and leather products demonstrated an overall increase of 7.98% and reached US\$ 2694.69 million. Exports of leather footwear grew 19.61% and reached US\$ 786.76 million. With more emphasis of the industry to increase export of value added leather goods the export of finished leather has to take a lower priority. The export of finished leather showed a marginal fall of 0.28 % and remained at US\$ 606.06 Million.

Opportunities, Threats, Risks & Concerns

The imposition of Anti Dumping Duty on Chinese and Vietnamese products in Europe and international pressure on China to revalue its Currency presents an interesting opportunity to the company. These steps have reduced the impact of unfair competition faced, not only by your company, but all leather footwear exporters from India. These have also opened up a substantial market segment to Indian leather footwear exporters, which till recent was dominated by products from these countries.

Rising oil prices, currency fluctuations, international turmoil & terrorist actions that dampen consumer spirits are major concerns of your company on the international front. Lack of proper infrastructure in line with global trade requirements, firming of interest rates, diffused economic policy direction are some of the factors which your company perceives as potential threat to its performance on the domestic front.

Outlook

Considering the demand for the company's products, the success of its foray in the ladies shoes segment, the growing acceptance of its brand "Red Tape" as a lifestyle brand in India, recognition of the brand as a high fashion footwear brand in the U.S. augurs well for the company and it is expected to perform well and keep growing in future.

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. 209.73 Crores and Tannery Division Revenue was Rs. 82.84 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

While the operations of the company were almost at the same level as last year, the profitability of the company suffered due to reduced margins, unfavorable exchange rate movements, increased fuel and shipping costs and increase in interest rates. Remedial actions have been taken to counter all the above factors and the impact of these actions shall be fully visible in the current year's performance.

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, 1582 employees were on the payroll of the company.

Fixed Deposits

During the year, the company has not accepted any fixed deposits. Deposits worth Rs.30.00 lacs were repaid and no amount on account of principal or interest on deposits was outstanding on the date of the Balance Sheet.

Exports

Your company has achieved more than seventy percent of its total revenue from exports. The export sales of Rs. 170.59 Crores has shown a marginal decline of 17 percent as against Rs. 205.24 Crores in the previous year. The share of branded shoes in export has shown a steady growth.



MIRZA INTERNATIONAL LIMITED

(Formerly Mirza Tanners Limited)

DOMESTIC SALES

During the year under review, domestic sales recorded an increase of 33 percent and reached Rs. 49.92 Crores compared to Rs. 37.63 Crores in the previous year.

The company's brand "Red Tape" is being marketed aggressively in India. Mr. Salman Khan continues to be our brand ambassador for men's footwear. The company is now on the verge of launching its range of ladies footwear in India under the same brand.

DIRECTORS

Pursuant to the requirement of the Companies Act, 1956 and the Articles of Association of the company Mr. Tasneef Ahmad Mirza, Mr. P.N. Kapoor and Mr. Mohd. Aslam Khan, Director(s) of the company will retire by rotation at the forthcoming Annual General meeting and being eligible offer themselves for reappointment.

Mr. Prem S. Khamesra has joined the Board during the year in place of Mr. Kuruvi Kuriakose.

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 2006 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 Particular 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.

AMALGAMATION

With the approval of the Scheme of Amalgamation by the Hon'ble High Court, Allahabad on 20th September 2005, the erstwhile

Leather Trends Private Limited was merged with your company during the year with retrospective effect from April 1, 2004.

22,50,000 Equity shares of Rs. 10/- each were issued and allotted to the shareholders of erstwhile Leather Trends Private Limited increasing the paid up capital of the company from Rs. 16,29,12,000 to Rs. 18,54,12,000 consisting of Rs. 1,85,41,200 shares of Rs. 10/- each.

CHANGE IN NAME OF COMPANY

After due approval by Central Government the name of the Company was changed from Mirza Tanners Ltd. to Mirza International Ltd. during the year. The changed name reflects the change in the nature and scale of company's operations since its incorporation.

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, 2006, 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, 2006 on a 'going concern basis'.

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
Date : June 20, 2006

For and on behalf of the Board
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 | 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 | Nil |
| (c) Total | Nil |
| (d) Total R & D expenditure as a percentage of total turnover | : - |

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 dependent on any outside technology/source. |
| 1. Benefits derived as a result of the above efforts | N. A. |
| 2. In case of imported technology, | N..A. |
| (a) Technology imported | |
| (b) Year of import | |
| (c) Has technology been fully absorbed ? | |
| (e) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action. | N.A. |



MIRZA INTERNATIONAL LIMITED

(Formerly Mirza Tanners Limited)

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. 165.66 Crores
Used - Rs. 47.27 Crores

For and on behalf of the Board

Place : Kanpur
Date : June 20, 2006

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, 2006.

Name	Designation#	Gross remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Age (Years)	Particulars of Previous Employment
Mr. Rashid Ahmed Mirza*	Managing Director	36,94,938	Diploma in Leather Technology, London	30	05.9.1979	50	Promotor
Mr. Shahid Ahmad Mirza*	Whole-time Director	31,33,609	Diploma in Leather Goods Technology U.K.	28	06.9.1979	49	Leather Trends Pvt. Ltd.
Mr. Tauseef Ahmad Mirza*	Whole-time Director	30,62,619	Diploma in Shoe Technology, London	17	06.9.1989	38	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.

For and on behalf of the Board

Place : Kanpur
Date : June 20, 2006

IRSHAD MIRZA
Chairman


MIRZA INTERNATIONAL LIMITED

(Formerly Mirza Tanners Limited)

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

1. Company's philosophy on Code of Governance

Corporate Governance is a process of building positive relationship and making a wider impact to intensify the interests and appreciation of its members with greater commitment and much greater trust. We, at Mirza International Ltd., have always focused on good Corporate Governance-which is a key driver of sustainable corporate growth and long term value creation.

The company has made full compliance with the norms and disclosures required by Clause 49 of the Listing Agreement with the Stock Exchanges.

2. Board of Directors

a) Composition of the Board

The Board of Mirza International Ltd. consists of twelve directors out of which, four are independent directors and another two are non-executive directors including the Chairman of the Company. Six directors are whole-time executive directors.

Non Executive Independent Directors :

Dr. Yashveer Singh
Mr. P.N. Kapoor
Mr. Subhash Sapra
Mr. Q.N. Salam

Non Executive Non-Independent Directors :

Mr. Irshad Mirza
Mr. Mohd. Aslam Khan

Executive Directors :

Mr. Rashid Ahmed Mirza
Mr. Shahid Ahmad Mirza
Mr. Tauseef Ahmad Mirza
Mr. Tasneef Ahmad Mirza
Mr. N.P. Upadhyay
Mr. P.S. Khamesra

b) Number of Board Meetings

The company held five Board meetings during the year ended 31st March, 2006 on the following dates.

May 30, July 30, August 27, October 29, 2005 & January 28, 2006

The maximum time gap between any two meetings was not more than 3 months.