



RED TAPE

ANNUAL REPORT 2010-11



MIRZA INTERNATIONAL LIMITED



An Exterior view of newly setup Unit at Greater Noida



Shop floor veiw of newly setup Unit at Greater Noida



Board of Directors

Mr. Irshad Mirza, Chairman
Mr. Rashid Ahmed Mirza, Managing Director
Mr. Shahid Ahmad Mirza, Whole-time Director
Mr. Tauseef Ahmad Mirza, Whole-time Director
Mr. Tasneef Ahmad Mirza, Whole-time Director
Mr. N.P. Upadhyay, Whole-time Director
Dr. Yashveer Singh
Mr. Pashupati Nath Kapoor
Mr. Qazi Noorus Salam
Mr. Sudhindra Jain
Mr. Subhash Sapra
Mr. Islamul Haq

Company Secretary

Mr. D.C. Pandey
V.P. (Accounts) & Company Secretary

Auditors

M/s. Khamesra Bhatia & Mehrotra,
Chartered Accountants

Cost Auditors

Mr. A.K. Srivastava
Cost Accountant

Secretarial Auditors

M/s. Savita Jyoti Associates
Company Secretaries

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

C-4, 5, 36 & 37, Sector-59,
Noida 201 303

UPSIDC Industrial Area,
Site II, Unnao – 209 801

1A, Sector-Ecotech-I, Extension-I,
Greater Noida.

**Registrar & Share
Transfer Agents**

M/s Karvy Computershare Pvt. Ltd.
"Karvy House", 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034

Website

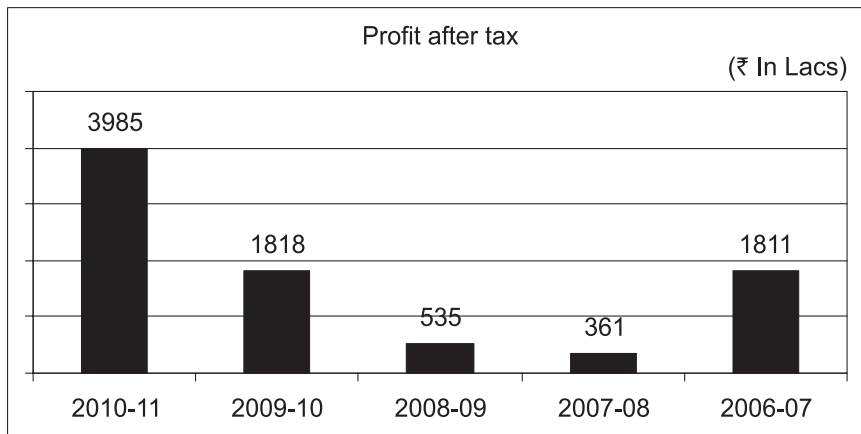
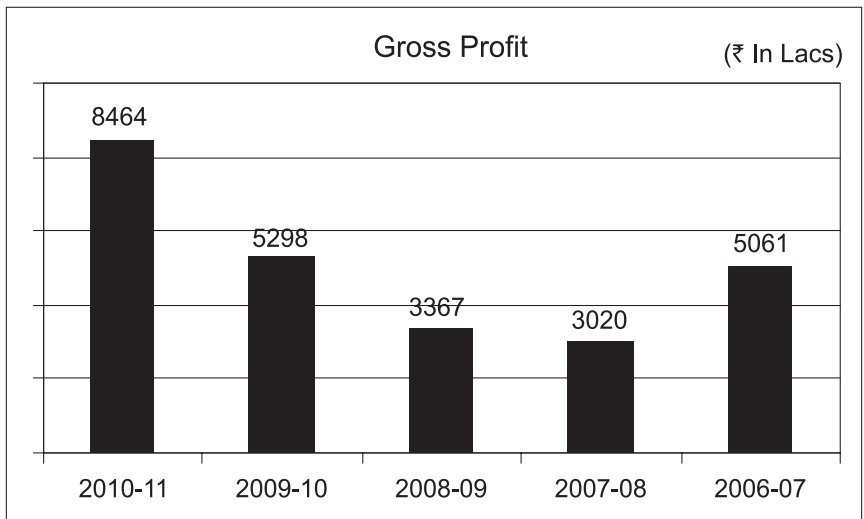
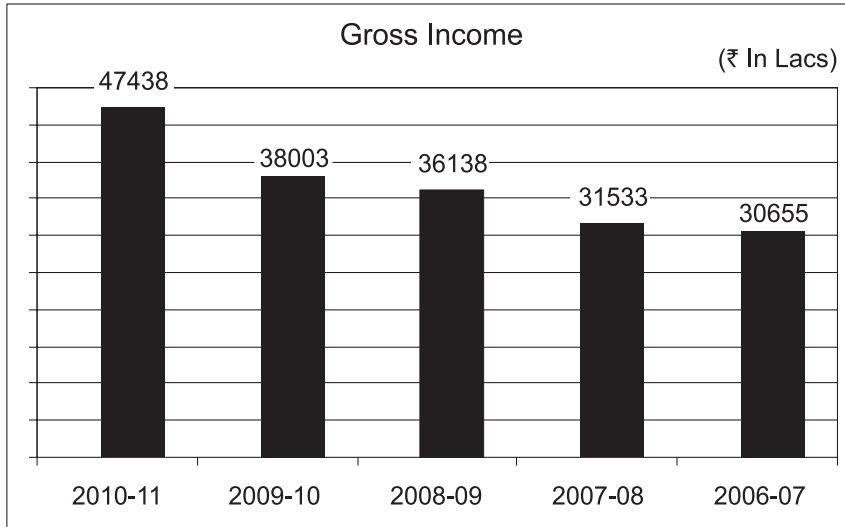
www.mirza.co.in

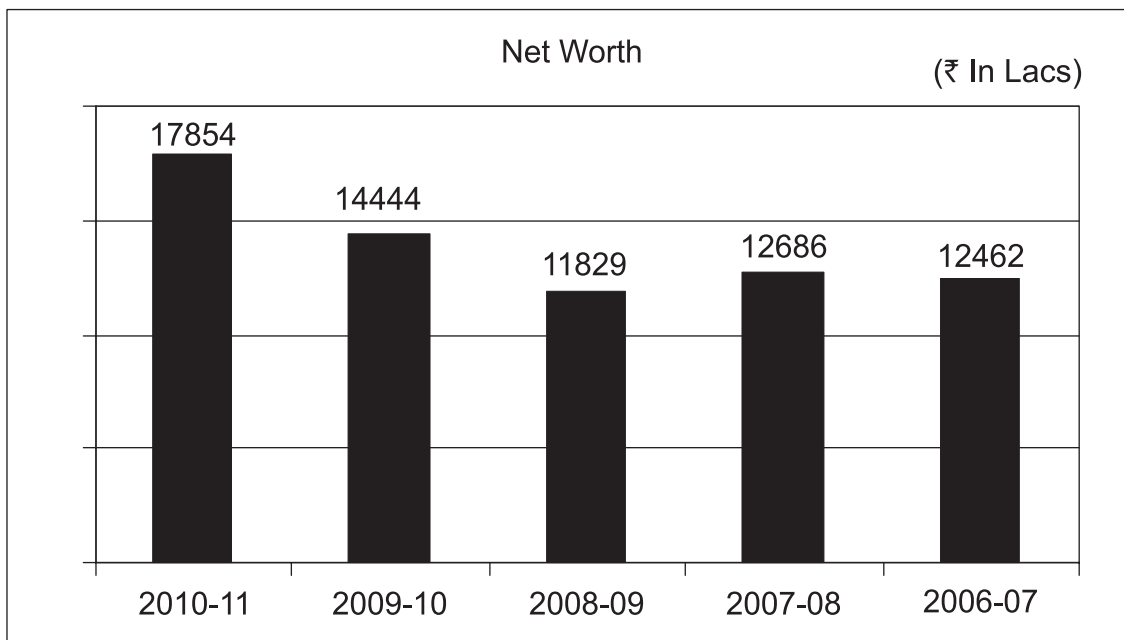
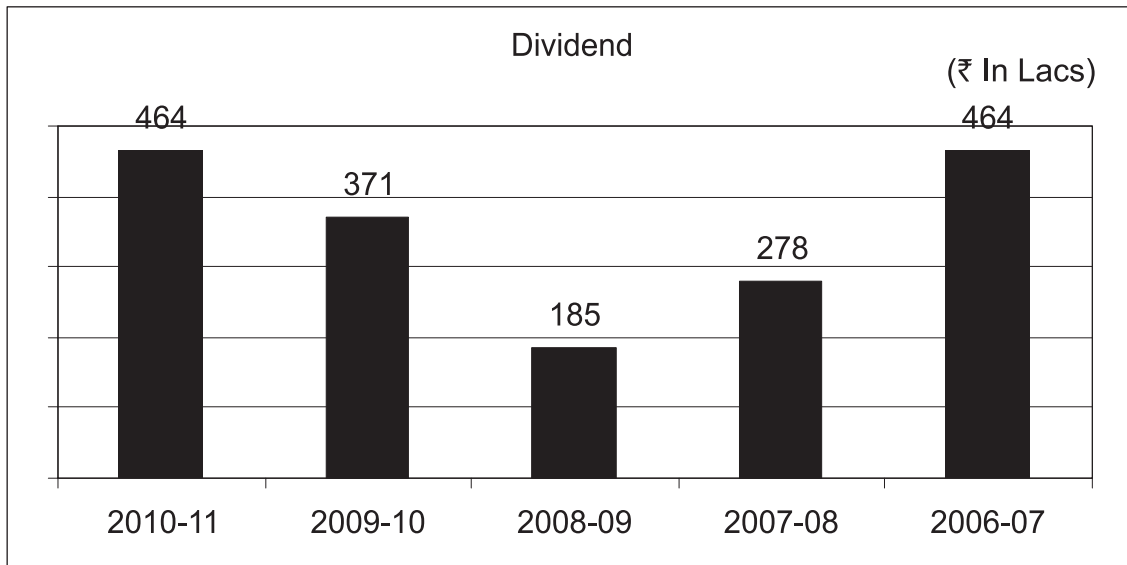
E-mail ID for Investors

dcpandey@redtapeindia.com



CONSISTENT PERFORMANCE





AWARDS & CERTIFICATIONS

NAME OF AWARD	YEAR	PRESENTED BY
1. First Place in Leather Footwear (Above ₹ 100 Crores)	2009-10	Council for Leather Exports
2. Award for Excellence for Outstanding Export Performance	2008-09	Government of U.P.
3. First Place in Leather Footwear (Above US\$ 15 Million)	2008-09	Council for Leather Exports
4. Doyen of Leather Industry Award to Mr. Irshad Mirza for development of Leather Industry	2007-08	Council for Leather Exports
5. Export Award for Overall Export & Plaque (First Prize) for Footwear Export	2006-07	Council for Leather Exports
6. Shoppers' Stop Pinnacle Awards	2007	Best Brand -Footwear
7. BVMSR III Consumer Awards	2007	Category :Fashion & Specialities-Shoes
8. Shoppers' Stop Pinnacle Awards	2006	Best Brand -Footwear
9. Dun & Bradstreet American Express Corporate Award	2006	Dun & Bradstreet American Express
10. Best Exporter & Award for Excellence	2005-06	Government of U.P.
11. Certificate of Merit	2005-06	National Productivity Council
12. Excellence Award for Innovative Export Marketing	2005	Merchants' Chamber Uttar Pradesh
13. Award for Excellence	2004-05	Government of U.P.
14. Best Overall Export Award Gold Trophy	2004-05	Council for Leather Export
15. Best Export Performance Award in Leather Footwear (Above \$ 15 Million)	2004-05	Council for Leather Export
16. Best Export Award	2004-05	Indian Footwear Components Manufacturers Assn.
17. Export Promotion Award	2004-05	Export Promotion Bureau, Govt. of U.P.
18. Brand Promotion Award for "Red Tape & Oaktrak" Brand	2004-05	Council for Leather Export
19. IFCOMA Excellence Award for greatest contribution towards Indian Footwear Industry	2004	Indian Footwear Components Manufacturer Assn.
20. PNB Expo Gold Card Award in recognition of outstanding Export performance	2004 for 3 years	Punjab National Bank
21. Award for Best Performance Silver Trophy (Overall Export)	2003-04	Council for Leather Exports
22. Export Award (1 "Prize)	2002-03	Export Promotion Bureau, Govt. of U.P.
23. National Integration Award	2001	Janyog Newspaper
24. State Export Award (1 "Prize)	1999-2000	Export Promotion Bureau, Govt. of U.P.
25. Samman/Award	1998-99	Central Excise & Customs, Govt. of India
26. Best Export Performance in Finished Leather	1998-99	Council for Leather Exports
27. Certificate of Merit for Leather Footwear (Above \$ 5 Million)	1998-99	Council for Leather Exports



Chairman's Message



Mr. Irshad Mirza, Chairman

Dear Shareholders,

The Indian economy has emerged rapidly from the slowdown caused by the global financial crisis of 2007-09 and remains one of the fastest growing economies of the world. Financial and economic event over the year, however, have increased concerns about the sustainability of growth momentum. According to me, three concerns are likely to persist during 2011-12: high inflation, fiscal stress and current account deficit. The impact of each of these is likely to be felt with varying intensity during the course of 2011-12.

As I mentioned earlier, high and persisting inflation has emerged as a significant risk factor in sustaining India's growth. Initially confined to high food prices, which has persisted despite good monsoon, inflationary pressures are spilling over to other non-food segments, including manufactured products. Commodities prices had increased on prospects of higher growth in developed markets and in the latter parts of the year, so have crude prices. In general, higher global metals and commodity prices have contributed to rising inputs costs for India, which may be progressively passed on to the consumers.

The second stress point has been a high fiscal deficit which had increased as a result of the fiscal stimulus introduced to counter the effects of financial crisis. Persisting high fiscal deficit have effect of increasing interest rates, due to consequent market borrowings by the government, thereby squeezing private investments.

The Third concern was a high current account deficit, particularly in the context of weakening capital flows. The current account deficit was a manifestation of strong domestic demand (which fuelled imports) and global weakness (which kept exports performance moderate). However, a strong rebound in India's exports over the past couple of months has considerably reduced the pressure, but India's overall balance of payment remains weaker than expected, putting pressure on the Rupee.

I am pleased to mention here that your Company has reported another successful performance in the year 2010-11, underpinned by the healthy growth of both turnover and profits. Your Company has demonstrated the full potential of its manufacturing assets, management capacities, high quality of products by achieving record turnover, gross profit and net profits. This shows the reflection of strong customers support enjoyed by the Company across the market world wide. I believe the Company is truly well positioned to capitalize on emerging opportunities across the economy and therefore, continue to deliver value to its shareholders.

Now, before finishing my words, I would like to express my gratitude to the Shareholders, Board of Directors, Bankers, Suppliers, Employees and all Govt Departments for their support and confidence shown on us and I look forward to have same support in future for the further growth of the Company.

With best wishes,

Irshad Mirza

DIRECTORS' REPORT

Dear Shareholders,

The Directors of your Company have pleasure in presenting the Thirty-Second Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

	(₹ in Crores)	
	2010-2011	2009-2010
Gross Income	474.38	380.03
Profit before Interest,	84.64	52.98
Depreciation & Taxes		
Less: Interest	17.43	13.97
Less: Depreciation	12.96	11.40
Add: Extra Ordinary Items	3.90	—
(Profit on Sale of one Unit)		
Profit before tax	58.15	27.61
Provision for Taxes	18.30	9.43
Profit after Tax	39.85	18.18
Appropriations		
Dividend – Equity Shares	4.64	3.71
Corporate Dividend Tax	0.77	0.62
Transfer to General Reserve	4.00	2.00

PERFORMANCE OF THE COMPANY

Your Directors are pleased to inform the improved performance of your Company for the financial year ended on March 31, 2011 and the following highlights evidence the performance during the said period:

- The Sales and the Other Income reached to ₹ 474.38 Crores witnessing a magnificent growth of 25% as Compared to ₹ 380.03 Crores in the previous year.
- The Revenue from the Export Sales amounted to ₹ 316.45 Crores showing a growth of 20% as against ₹ 264.05 Crores in the previous year.
- The EBITDA rose by 60% to ₹ 84.64 (excluding extra ordinary items) Crores as compared ₹ 52.98 Crores in the last year.
- The Profit Before Tax showed a remarkable growth of 111% and achieved a level of ₹ 58.15 Crores as against ₹ 27.61 Crores in the previous year.
- The Cash Profit increased by 79% to ₹ 52.81 Crores as compared to ₹ 29.58 Crores.
- The Net Profit reached to ₹ 39.85 Crores as compared to ₹ 18.18 Crores in the last year showing a healthy growth of 119%.

DIVIDEND

Considering the improved profitability, your Directors have recommended a dividend of ₹ 0.50 (25%) per Equity Share of ₹ 2/- each for the year ended 31st March, 2011 as against ₹ 0.40

(20%) per Equity Share in the previous year. If approved, the dividend will absorb ₹ 5.41 Crores (including ₹ 0.77 Crores towards dividend tax).

TRANSFER TO RESERVE

As on March 31, 2011, an amount of ₹ 4.00 Crores was transferred to General Reserve as against ₹ 2.00 Crores in the previous year.

EXPANSION PROGRAMME

Keeping in view the increasing demand of Company's product in the global market Company started the production activity at newly set up Shoe Factory at Greater Noida (Unit 6). This will take the present installed capacity of 4.8 million pairs per annum to 6.0 million pairs per annum over the next three years and will further augment the Company's turnover and overall profitability.

The Unit 6 of the Company will be an eco-friendly unit having green building concept for construction. The bricks used in the building are made of fly ash waste from power plants and sand (thereby helping in preserving topography of the area and ecology). They are not only cheaper than clay bricks but also have better insulation properties. The Building walls are double insulated to keep the Building cool as the production halls are constructed having east-west orientation. This will help in keeping the buildings cool with minimum forced cooling equipment and thus, saving precious energy cost. The entire boundary wall has solar energy lighting system again to save energy cost. It is proposed to have a solar energy electricity generation plant of 25kw for entire lighting needs to further save the energy cost.

SALE OF ASSETS OF UNIT 4

During the year 2008-09, the Company had closed down its small Shoe Factory (Unit 4), situated at Sector 5, NOIDA, to achieve the benefits of reorganisation. This unit of the Company was situated on a comparatively smaller size of plot where operations of the Unit could not be expanded to an economical / cost effective level on account of paucity of space. The Company has passed resolution through postal ballot, authorising Board of Directors for the sale of the assets of Unit 4 and accordingly, during the year the assets of the Unit 4 were sold out and a profit of ₹ 372.21 Lacs (net of taxes) are earned. The closure/ sale of the Unit 4 has not affected adversely to the overall production as the expanded capacity of shoes was created in New Unit 5 of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

The Indian Leather Industry is serving as a major contributor to the Indian Economy, through its export earnings and employment generation potential. In the 1950s and 1960s the industry was exporting mainly raw hides & skins and semi processed leathers. However, during 1970s the Government of India laid emphasis on export of value added leather products. As a result, the export of value added leather products and footwear began to increase slowly. The 1980s saw the transition phase of the industry from being a supplier of raw materials to an exporter of high quality leather products and footwear and value added leather products



constituting a significant share of about 65%. The 1990s witnessed implementation of long term programme coupled with economic liberation programme implemented by Government provided the required filling for the industry.

Opportunities,Threats, Risks & Concerns

The growth path of the leather industry continued in the first decade of 21st Century and several landmark initiatives were taken by the Government which includes recognition of leather sector as a "Focus Sector" in Foreign Trade Policy 2004-09 and 2009-14 , implementation of Indian Development programme (ILDP) in the 10th and 11th plan and de-reservation of the Leather Sector. The long term planning have also led to the establishment of world class institutions like Central Leather Research Institute, Footwear Design and Development Institute, MSME-Development Institutes and Central Footwear Training Institutes at various centers, which are rendering yeoman services in the area of skill development. Thus, the success of the leather industry can be attributed to various long term and short term plans implemented by the Government of India.

Though Indian Leather Industry has achieved significant growth, the share of Indian Leather Sector in the global imports of leather and leather products is only 2.94%. The Leather Industry definitely has the potential to double its export performance in the coming years. The Department of Commerce, Ministry of Commerce and Industry has fixed a target of USD 8.5 billions for the Indian Leather Sector, to be achieved by 2013-14. The Industry has to achieve an annual growth of about 26% (as against the present level of about 10.5%) in order to achieve this target. Another opportunity of India is in store as China has indicated a change in strategy with the focus there being on reducing growth rate thereby signaling that exports are not going to be as important. However, there are challenges on account of higher commodity prices, high food inflation and rising interest rates, coupled with lack of infrastructure facilities and the rise of low cost economies like Vietnam, Bangladesh etc. have posted a threat to the Indian players.

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 ₹ 420.87 Crores and Tannery Division revenue was ₹ 123.39 Crores.

Outlook

With the aim of availing the huge potential opportunities, your Directors are consistently moving towards value enhancement. The upward trend of Exports are likely to continue. However, to contain inflation, Reserve Bank of India has gradually started tightening monetary policy. This has resulted in much larger increase in Bank's Cost of Funds. Consequently, Banks have progressively increased their lending rates and we expect the margins to come under pressure going forward.

Internal Control System and Their Adequacy

The Company has an adequate internal control system, commensurate with the size and nature of its business. The system is supported by documented policies, guidelines and procedures to monitor business and operational performance which are aimed at ensuring business integrity and promoting operational efficiency. The reports of internal auditors are regularly reviewed at Audit Committee Meetings.

Risk Management

As part of the Company's efforts to strengthen Corporate Governance, the Board of Directors have formulated a Risk Management Policy, which puts in place a risk management structure with clear definition of roles and responsibilities, as well as a risk portfolio involving a continuous process of risk identification, risk assessment, control assessment and risk monitoring, review and communication. The Company aims to:

- Identify, assess and manage existing as well as new risks in a planned and coordinated manner;
- Develop and foster a culture within the organization that encourage all staff to identify risk and associated opportunities and respond to them with appropriate actions.

Human Resources

The Company recognizes human resources as its strength and hence welfare activities form an integral part of your Company's strategy for growth. No man-days were lost due to strike, lock out etc. As on 31st March, 2011, your Company had a staff strength of 2166 employees consisting of persons well qualified in technical and managerial skills and having the requisite competence required for their tasks. Your Company follows a philosophy of fair compensation to its employees.

CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible organisation, the MIRZA Group has contributed not only to economic well being of the Communities it interacts with, but has also enhanced their social well being and development. Since its inception, the MIRZA Group has always been engaged in activities, which add value to the community around it.

As a part of its commitments to CSR initiatives, your Company, during the year, made available medical and educational assistance to economically disadvantaged and socially weaker section of the society by distribution of School Uniforms, School Bags and Books to School going children in association with the District Administration Authorities.

In the area of health care, the Company organised free Eye Camps jointly with Rotary Club, Kanpur and MIRZA FOUNDATION, (a society registered for Charitable and Social Welfare purposes) and successfully performed Cornea operations of poor and weaker section of society. On yet another project, Company distributed blankets to poors to protect them from the severe winter.

Your Company has also been one of the contributory to fund for setting up a Multi Speciality Hospital and Research Centre in association with MIRZA FOUNDATION and other Industry Partners for the welfare of poor & weaker section of society.

PUBLIC DEPOSITS

The Company has not accepted any deposits from public within the meaning of Section 58A of the Companies Act, 1956 during the year under the review.

EXPORTS

Your Company has achieved approximately seventy percent of its total revenue from exports. During the year, Company achieved an export turnover of ₹ 357.69 Crores as compared to ₹ 295.55 Crores during the previous year.

DOMESTIC SALES

Your Company enjoys leadership position in the segment in which its products are represented. Company's brand '**REDTAPE**' enjoys customers' admiration and confidence and is one of the highest selling brand in Men's footwear market. The Company's flagship brand '**REDTAPE**' online outlet www.redtape.com is also getting huge response from customers.

Keeping in view the lifestyle changes (rising middle class population, increasing investment in supermarkets, hypermarkets and organised retail sector, resulting in greater demand for sophisticated and attractive high quality products), your Company has also started the marketing of apparels and leather accessories under the Brand "REDTAPE" through its own Retail Outlets and franchisees Retail Shops. This will further add to improved value enhancement for the Company.

DIRECTORATE

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Narendra Prasad Upadhyay, Mr. Subhash Sapra, and Mr. Islamul Haq, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

AUDITORS

M/s Khamesra Bhatia & Mehrotra, Chartered Accountants (Firm Registration No. 001410C), Auditors of the Company will retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

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. In respect of observations made by the Auditors in their report, the notes to accounts referred in the Auditor's Report, adequately explain the auditor's observations.

COST AUDIT

As per the government directives, the Company's cost records in respect of Footwear for the year ended 31st March, 2011 are being audited by Cost Auditor, Mr. A.K. Srivastava, Cost Accountant (Membership No.10467) who was appointed by the Board with the approval of Central Government. Cost Audit Report for the F. Y . 2009-10 was filed on 18.10.2010. Further the Cost Audit Report for F. Y. 2010-11 shall be filed on or before the due date as per the said provisions i.e. 30.09.2011.

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.

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 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, 2011, 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 view 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, 2011 on a "going concern basis".

ACKNOWLEDGEMENT

Your directors take this opportunity to express their gratitude to the bankers, employees, suppliers and the shareholders and various government departments for their unstinted support and the confidence they have placed in their ability to make MIL a great success.

For and on behalf of the Board

Place : Kanpur
Date : May 28, 2011

IRSHAD MIRZA
Chairman