



MIRZA INTERNATIONAL LIMITED



ANNUAL REPORT 2012-13

Chairman's Message

Dear Shareholders,

It has been a year now we last communicated and I again feel pleasure in presenting before you the Annual Report of your Company for the Financial Year 2012-13.

Today, India's key weakness lies with its Current Account Deficit and this makes India more vulnerable to volatile FII flows. The rupee has depreciated considerably and this sharp fall in the rupee leaves India in precarious position. India has to get its house in order to encourage more FDI. The recent recommendations of the Government to review and open up various sectoral caps on FDI is laudable. The advantage here is that the foreign shareholders will be allowed to bring in more capital into the Country and this would help in expansion and growth. Recently, many of us have become perennial pessimists. Yes, the Indian economy is struggling on many grounds whether it is getting its infrastructure in place, policy uncertainties, corruption scandals, coalition politics and of course, growing uncertainties with the impending general elections of 2014. Yet we need to keep reminding ourselves that the fundamentals of Indian economy are very much intact—a young population; growing middle class; rising aspirations; better job opportunities; and rising disposable incomes.

The year 2012-13 was a challenging year for us both in terms of macro and micro economic factors. There were various bottlenecks that we faced during the year but ultimately, we achieved another landmark this year and I am happy to inform you that your Company has crossed the turnover of ` 600 crores, mainly attributed to our customer oriented marketing strategy and high quality products. Despite the fact that during the year, our tanning operations remained disturbed almost for two months by the orders of the State Government due to Mahakumbh in Allahabad and also for the sluggish demand in European and American markets. Had it been favorable market conditions worldwide, we could have achieved more remarkable figures this year.

Nevertheless, I am happy to inform you that your Company is on its consistent growth track as reflecting in our incremental turnover and revenue. Market size is expanding day by day and expansion is the only strategy by which we can cater this growing opportunity of larger customer base. Not only in forex generation terms, we also feel happy to be part of Industry which provide jobs mainly to skilled / semi- skilled young and dynamic persons belonging to poor and weaker sections of Society.

Lastly I would like to thank all our shareholders for keeping confidence in us. From the core of my heart, I acknowledge that it is your confidence which keeps us motivating to perform better and compete with our past results and encourage to achieve better results in future. I also express my gratitude to the Board of Directors for their planning, to our employees for its execution and to our Banker Punjab National Bank for always keeping us with sufficient funds at right time for smooth functioning. I am limiting my words with positive look for the future.

Mr. Irshad Mirza
Chairman
(Padamshree Awardee)

Thanking You
Yours sincerely,


Irshad Mirza



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. Yashvir 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 – 208 001

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 – 201 308

**Registrar & Share
Transfer Agents**

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

Website

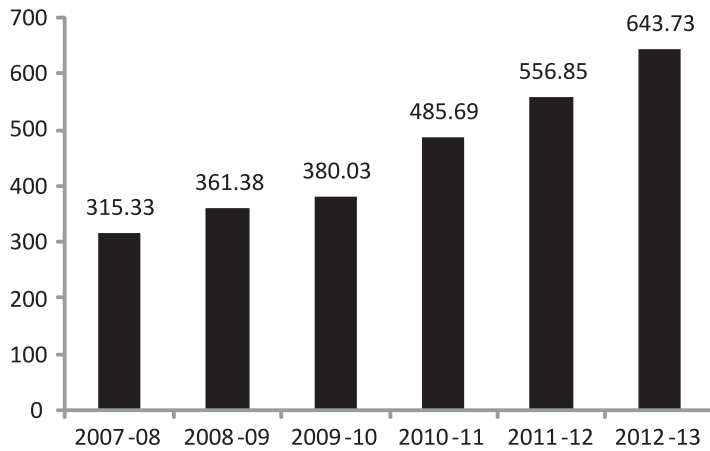
www.mirza.co.in

E-mail ID for Investors

dcpandey@redtapeindia.com

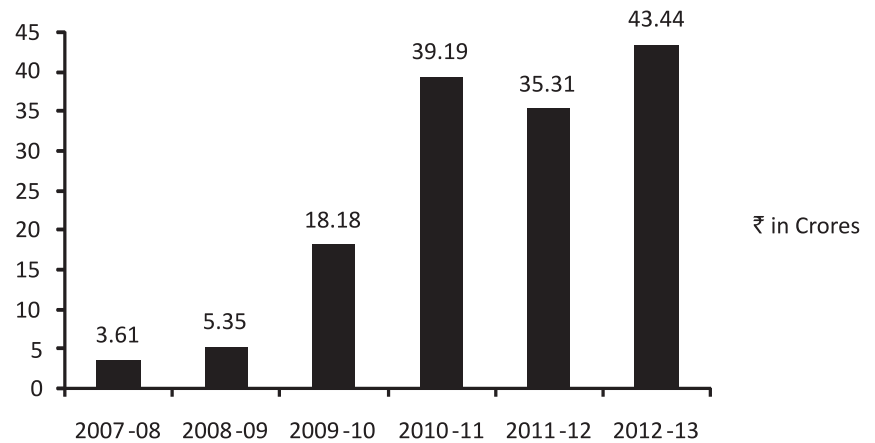


GROSS INCOME

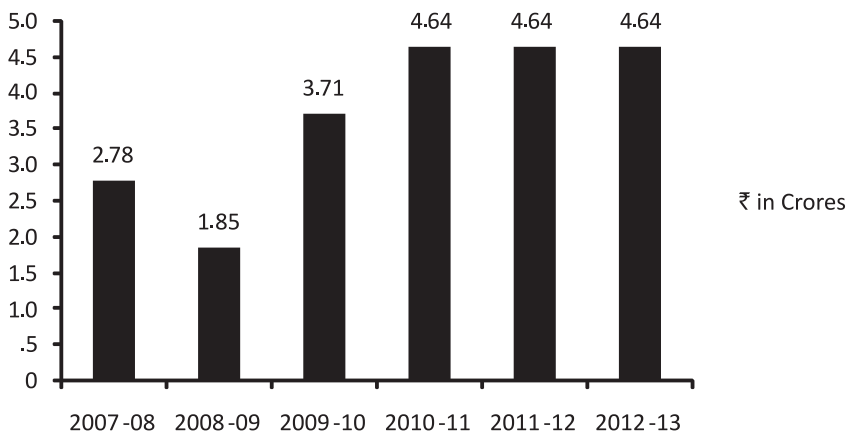


CONSISTENT
PERFORMANCE

PROFIT AFTER TAX

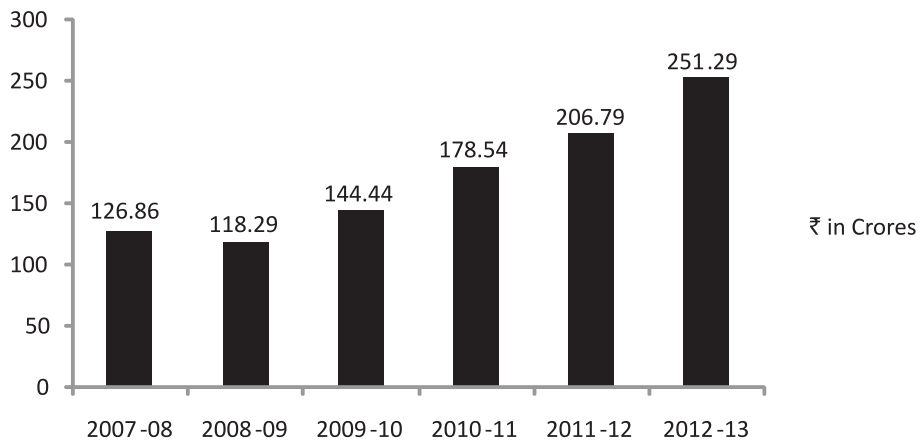


DIVIDEND

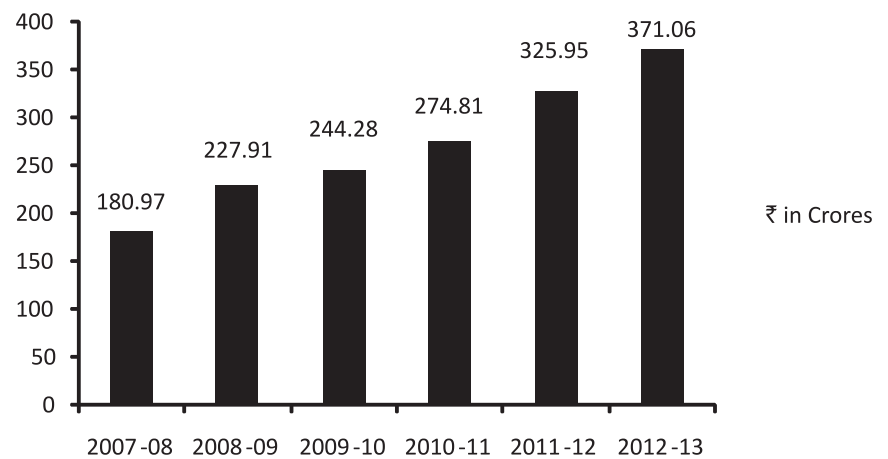




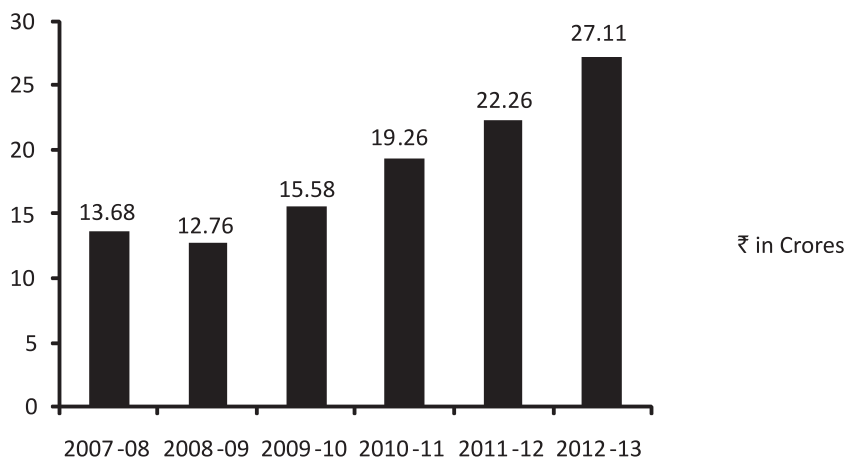
NET WORTH



GROSS FIXED ASSETS



BOOK VALUE PER SHARE





Important Communication to Members

The Ministry of Corporate Affairs has taken a
'Green Initiative in the Corporate Governance'
by
allowing paperless compliances by the Companies
and has issued circulars stating that service of
notice/documents including Annual Report can be
sent by e-mail to its members. To support this
green initiative of the Government in full measure,
members who have not registered their e-mail
addresses, so far, are requested to register their
e-mail addresses, in respect of
electronic holding with the Depository through their
concerned Depository Participants.

Members who hold shares in physical form are
requested to send their e-mail addresses to Karvy
Computershare Private Limited, Plot No. 17-24
Vittal Rao Nagar, Madhapur, Hyderabad-500081

CAUTIONARY STATEMENT

Statements in this annual report describing the company's objectives, projections, estimates and expectations may be forward looking statements with in the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the international trade, exchange rate fluctuations, significant changes in economic environment, slow down in infrastructure sector etc.



AWARDS & CERTIFICATIONS

NAME OF AWARD	YEAR	PRESENTED BY
1. First Place in Leather Footwear	2011-12	Council for Leather Exports
2. First Place in Leather Footwear (Above ₹ 100 Crores)	2010-11	Council for Leather Exports
3. First Place in Leather Footwear (Above ₹ 100 Crores)	2009-10	Council for Leather Exports
4. Award for Excellence for Outstanding Export Performance	2008-09	Government of U.P.
5. First Place in Leather Footwear (Above US\$ 15 Million)	2008-09	Council for Leather Exports
6. Doyen of Leather Industry Award to our Chairman, Mr. Irshad Mirza for development of Leather Industry	2007-08	Council for Leather Exports
7. Export Award for Overall Export & Plaque (First Prize) for Footwear Export	2006-07	Council for Leather Exports
8. Shoppers' Stop Pinnacle Awards	2007	Best Brand – Footwear
9. BVMSR III Consumer Awards	2007	Category : Fashion & Specialities – Shoes
10. Shoppers' Stop Pinnacle Awards	2006	Best Brand – Footwear
11. Dun & Bradstreet American Express Corporate Award	2006	Dun & Bradstreet American Express
12. Best Exporter & Award for Excellence	2005-06	Government of U.P.
13. Certificate of Merit	2005-06	National Productivity Council
14. Excellence Award for Innovative Export Marketing	2005	Merchants' Chamber of Uttar Pradesh
15. Award for Excellence	2004-05	Government of U.P.
16. Best Overall Export Award Gold Trophy	2004-05	Council for Leather Export
17. Best Export Performance Award in Leather Footwear (Above \$ 15 Million)	2004-05	Council for Leather Export
18. Best Export Award	2004-05	Indian Footwear Components Manufacturers Assn.
19. Export Promotion Award	2004-05	Export Promotion Bureau, Govt. of U.P.
20. Brand Promotion Award for "Red Tape & Oaktrak" Brand	2004-05	Council for Leather Export
21. IFCOMA Excellence Award for greatest contribution towards Indian Footwear Industry	2004	Indian Footwear Compnents Manufacturer Assn.
22. PNB Expo Gold Card Award in recognition of outstanding Export performance	2004 (for 3 years)	Punjab National Bank
23. Award for Best Performance Silver Trophy (Overall Export)	2003-04	Council for Leather Exports
24. Export Award (1st Prize)	2002-03	Export Promotion Bureau, Govt. of U.P.
25. National Integration Award	2001	Janyog Newspaper
26. State Export Award (1st Prize)	1999-2000	Export Promotion Bureau, Govt. of U.P.
27. Samman / Award	1998-99	Central Excise & Customs, Govt. of India
28. Best Export Performance in Finished Leather	1998-99	Council for Leather Exports
29. Certificate of Merit for Leather Footwear (Above \$ 5 Million)	1998-99	Council for Leather Exports

DIRECTORS' REPORT

Dear Shareholders,

The Directors of your company have pleasure in presenting the Thirty-fourth Annual Report together with the Audited accounts of the Company for the year ended 31st March, 2013.

FINANCIAL RESULTS:

The financial performance of the Company for the year ended March 31, 2013 is summarized below:-

	(₹ in crores)	
	2012-13	2011-12
TOTAL REVENUE	643.73	556.85
Earning before Finance Costs, Depreciation and amortisation expenses & Taxes	115.88	87.82
Less: Finance Costs	31.57	27.20
Depreciation & Amortisation Expenses	19.92	15.27
Add: Extra-Ordinary Items- (Profit on sale of investment in Associate Company)	—	6.21
Profit before Tax	64.39	51.56
Less: Provision for Taxes	20.95	16.25
Profit after Tax	43.44	35.31
Add: Balance in Profit & Loss A/c	117.04	91.12
	160.48	126.43
Less: Appropriations		
Transfer to General Reserves	4.50	4.00
Dividend on Equity Shares	4.64	4.64
Tax on Dividend	0.79	0.75
Closing Balance	150.55	117.04
	160.48	126.43

PERFORMANCE OF THE COMPANY:

Your Directors are pleased to inform the improved performance of your Company for the financial year ended on March 31, 2013 and the following highlights evidence the performance during the said period:

- The revenue from operations increased by 16%.
- The EBITDA increased to ₹ 115.88 Crores as against ₹ 87.82 Crores in the last year.
- Export increased to ₹ 428.29 Crores from ₹ 362.22 Crores, showing growth of 18.24%.
- Revenue from Domestic Market increased to ₹ 154.57 Crores from 145.37 Crores showing a growth of 6%.
- Profit before tax increased to ₹ 64.39 Crores from ₹ 51.56 Crores, showing a growth of 25%.
- Cash Profit increased to ₹ 63.36 Crores from ₹ 50.58 Crores, showing increase of 25%.
- Net profit increased to ₹ 43.44 Crores from ₹ 35.31 Crores, showing increase of 24%.

DIVIDEND

Considering the shareholders aspirations, the Board of Directors has recommended a Dividend of ₹ 0.50 (25%) per Equity share of ₹ 2/- each for the year ended 31st March, 2013. The said dividend, if approved, will absorb ₹ 5.43 Crores (including Dividend Distribution Tax).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

Leather Industry has a special place in the economy of the country. The leather industry is spread in different segments, namely, tanning & finishing, footwear & footwear components, leather garments, leather goods including saddlery & harness, etc.

Today, Leather Industry is considered among major contributory in India's growth factors. It acts as catalyst to reduce Fiscal deficit of the country by emerging as one of the biggest forex earner along with providing employment opportunities to skilled / semi skilled young Indian population. The leather industry is an employment generating sector, providing jobs to 2.5 million people, mostly from the weaker sections of the society. The down stream industries of leather sector such as shoes, garments and leather goods factories have provided large employment opportunities for women. Woman employment is predominant in leather products sector with about 30% share.

Government of India, keeping in view the importance of Industry in India's growth policy, banned the export of raw or semi finished leather in 1991-92 and allowed only finished leather for export resulting into conversion of tanner to product maker thus creating actual creation of wealth both for Industry and producer. During this year also, Finance Minister, while presenting Union Budget, reduced duty on import of specified machineries for manufacture of leather & leather goods from 7.5 % to 5% showing their sign of concern for further development of leather Industry.

India achieved an export performance close to US \$ 5 billion mark for the first time in 2012-13 and hopeful to achieve positive growth this year too. The provisional data for the period April-May 2013 vis-a-vis April-May 2012 available with Council for Leather Exports (CLE) indicates that our export have performed quite well showing a positive growth of about 9.5% during this period.

Opportunities and Threats

Opportunities

Sky is the limit for opportunity. The changes across the countries have shown that India has a huge window of opportunities to move up the ladder in leather market as developed economies face financial crunches and labour shortages. China is seeing structural changes with local governments increasing minimum wages, especially in export belt concentrated around southern China, as well as encouraging move to develop high tech manufacturing sectors like electronics, telecommunications etc. which can pay higher wages to workers. This has added the pressure



for labour intensive industries such as leather products. Thus, labour arbitrage provides a significant opportunity for migration of capacities to India, provided FDI is actively facilitated. Also, Buyers across the developed world are seeking to develop the alternate sourcing locations as part of their risk management strategies. India can create large capacities to match this demand.

Various favorable factors are

- abundant scope to supply finished leather to multinationals setting up shops in India;
- growing fashion consciousness globally and in domestic market;
- large raw material base;
- rising potential in the domestic market;
- export / production capacity of Indian exporters;
- Government support to industry;
- use of e-commerce in direct marketing and use of information technology and support softwares for efficient production cycle;
- ready availability of highly skilled and cheap manpower.

Further, MIL also recognized growing trend among youth for branded products and our marketing team is catering to this opportunity being reflected by our incremental turnover.

Threats, Risks & Concerns

Along with numerous opportunities, there also exists threats to the Industry from several factors which if remain ignorant can damage the Industry as a whole. Major of amongst them are:

- the resurgence of the recession in the Europe, being a major and traditional market for us, is a cause of concern for the industry;
- entry of Multinationals in domestic market;
- stricter international standards;
- major part of industry is unorganized;
- lack of skilled labour;
- non-tariff barriers - developing countries are resorting to more and more non-tariff barriers indirectly;
- high inflation coupled with higher commodities and raw hide prices;
- rising interest rates.

MIL is also exposed to above risks and have to follow its Risk Management Policy by hedging the risks associated with exchange rates fluctuations. To meet working capital requirements and to fund the capital expenditure plans, MIL borrows fund from Banks and hence is exposed to upward movement in interest rates.

Outlook

In order to benchmark Indian Leather Industry against the best practices of international leather Industry, major factors limiting the growth of firms in the leather industry need to be addressed. The decisive factors are: access to capital, high per capita cost, availability of skilled labour, taxation

and regulations, stable currency, global competition and high employee cost. At the macro level, the key constraints of the leather industry, particularly in its shift to a high value chain segment, is quality of raw materials, absence of an institutional mechanism for design, inability of Indian producers to build the brand despite a huge domestic markets and technology gaps. There is a need for huge capacity addition to meet future demand but currently there is a quantity, quality and qualification mismatch.

India has developed itself into one of the major leather, footwear and leather goods producing country in the globe with the largest livestock, positive investment framework and excellent industrial infrastructure. India is the second largest shoe producer of the world with advantage of product cost.

Segment wise Performance

The Company's business segments are primarily Shoe Division and Tannery Division. During the year under review, the Shoe Division revenue was ₹ 557.31 Crores as against ₹ 491.14 Crores in the previous year and Tannery Division revenue was ₹ 169.53 Crores as against ₹ 144.03 crores in the previous year.

Internal control systems and their adequacy

MIL has established adequate internal control procedures, commensurate with the nature of its business and size of its operations. To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statement, management maintain a system of accounting and controls, including an internal audit process. Internal control are evaluated by the internal Audit Department and supported by Management reviews. All audit observations and follow up actions there on are tracked for resolution by the internal Audit function and reported to Audit Committee.

Human Resources

MIL recognizes human resources as its main asset and it is our constant endeavor to induct more and more number of intellectual and skilled labour in the Organization. Various Human Resources Policies are framed and implemented for the development of the employees as well as the organization. The Company has a strength of about 2518 employees as on March 31, 2013.

Corporate Social Responsibility

MIL is committed to high standards of Corporate Social Responsibility (CSR). The Company believes that business growth should propel community growth and create value for all stakeholders. The Company focuses on inclusive growth by fostering social capital through health. MIL has established by funding **AZAD MULTISPECIALITY HOSPITAL AND RESEARCH CENTRE LTD** (A Non Profit Organization, registered under Section 25 of the Companies Act, 1956) and has undertaken several initiatives focused on improving health care access to the community. The Camp for Free Eye Check up and operations for IOL (Intra Ocular Lens) was conducted successfully, providing great relief to poor masses of the nearby villages. MIRZA FOUNDATION,



a Society registered under the Act, is designed to promote and support employment and local economic development through vocational training, and development of soft skills. A Vocational Training Institute is being run by the MIRZA FOUNDATION, providing skill education to unemployed youths, mostly belonging to Scheduled Castes and Other Backward Class, who are being absorbed in Units situated in nearby areas, thus, improving socio-economic condition and environmental development.

FIXED DEPOSITS

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

EXPORTS

During the year under review, the exports amounted to ₹ 428.29 Crores as against ₹ 362.22 Crores in the previous year showing a growth of 18.24%

DOMESTIC SALES

MIL has penetrated into the best of international fashion markets and is today a respected quality statement in its sphere of operations. Company's flagship brand 'REDTAPE' enjoys customer's admiration and confidence and is one of the highest selling brand in Men's footwear market.

Keeping in view the lifestyles changes (rising middle class population, increasing investment in supermarkets, hypermarkets and organized retail sector, resulting in greater demand for sophisticated and attractive quality products), your Company is also marketing the apparels and leather accessories under the Brand 'REDTAPE' through its own Retail outlets and franchisees Retail shops. Visitor's list of www.redtape.com is also increasing day by day resulting into increase of domestic turnover beyond ₹ 100 crores. MIL has 72 retail outlets of REDTAPE across the country which is scheduled to increase upto 150 over a period of 3 years across India.

DIRECTORATE

In accordance with the provisions of the Companies Act, 1956 and the Article of Association of the Company, Mr. Q.N. Salam, Mr. Shahid Ahmad Mirza, and Mr. Tauseef Ahmad Mirza, Directors of the Company, are to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment and your directors have recommended for the same.

AUDITORS & AUDITORS' REPORT

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 are recommended by the Board of Directors for reappointment. Certificate from the said Auditors has been obtained to the effect that their reappointment, if made, would be within the limits specified under Section 224 (IB) of the Companies Act, 1956.

The Auditors' Report to the members on the accounts of the Company for the year ended 31st March, 2013 does not contain any qualification.

COST AUDIT

As per the government directives, the Company's cost records in respect of PVC/TPR Sole and Rubber Sole for the year ended 31st March, 2013 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 FY 2011-12 was filed on 11.04.2013, with in stipulated time. The Cost Audit Report for the F.Y. 2012-13 shall also be filed within prescribed time.

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.

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.

DIRECTOR 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:

- That in the preparation of the annual accounts for the financial year ended 31st March, 2013 applicable accounting standards have been followed along with proper explanation relating to material departures.
- 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.
- 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.
- That the Directors had prepared the annual accounts for the financial year ended 31st March, 2013 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 support and co-operation.

For and on behalf of the Board

Place : Kanpur
Date : 30th July, 2013

IRSHAD MIRZA
Chairman