November 24, 2021

Mirza International Limited: Ratings placed on watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Term Loan	24.68	24.68	[ICRA]A- &; put on watch with developing implications
Fund Based – Working Capital Facilities	420.0	420.0	[ICRA]A- &; put on watch with developing implications
Non-fund Based – Working Capital Facilities	35.05	35.05	[ICRA]A2+ &; put on watch with developing implications
Long term-unallocated	0.27	0.27	[ICRA]A- &; put on watch with developing implications
Total	**480.00**	**480.00**	

**Instrument details are provided in Annexure-1; & - Rating placed on watch with developing implications*

Rationale

Material Event

On November 12,2021, Mirza International Limited (MIL) announced that the Board of Directors has in-principally approved the proposal of the amalgamation of RTS Fashions Private Limited, the ultimate holding company of Mirza U.K. Limited, with Mirza International Limited and demerger of domestic business of Mirza International Limited into a separate company, on mirror shareholding basis.

Impact of Material Event

ICRA has taken note of the above event and has placed the outstanding long-term rating of [ICRA]A- (pronounced ICRA A minus) and short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) on rating watch with developing implications. ICRA will continue to monitor the development of the merger/demerger process as well as the timelines involved and will take appropriate rating action as may be required.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: **Click here**

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in Footwear Industry
Parent/Group Support	Not Applicable
Consolidation/Standalone	Consolidated

About the company

Mirza International Limited (MIL) was incorporated in 1979 as a private limited company promoted by Mr. Irshad Mirza and his son Mr. Rashid Mirza. Initially, its operations were limited to manufacture and sale of processed leather through its own tannery unit in Kanpur. However, in 1990, MIL established an integrated shoe factory at Unnao, Kanpur. At present, the manufacturing capacity is spread across its five manufacturing units in Kanpur and Noida. It also outsources the production of footwear to other vendors. The promoters together hold a 67.66% stake in the company. It has expanded its presence in the domestic market since FY2019. The various brands of MIL include Red Tape, Red Tape Athleisure, Bond Street, MODE, and Oaktrak.

Key financial indicators (audited)

MIL	FY2020	FY2021
Operating Income (Rs. crore)	1,261.2	1,048.9
PAT (Rs. crore)	47.7	8.4
OPBDIT/OI (%)	13.6%	11.3%
PAT/OI (%)	3.8%	0.8%
Total Outside Liabilities/Tangible Net Worth (times)	1.2	0.9
Total Debt/OPBDIT (times)	3.2*	3.0*
Interest Coverage (times)	3.8	2.9

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation *include lease liabilities also*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31,2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019		
					Nov 24,2021	Mar 22,2021	Dec 13,2019	Mar 5, 2019	Feb 25, 2019	Oct 8, 2018
1	Fund Based – Term Loan	Long-term	24.68	22.66	[ICRA]A-&	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A (Negative)
2	Fund Based – Working Capital Facilities	Long-term	420.0	--	[ICRA]A-&	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A (Negative)
3	Non-fund Based – Working Capital Facilities	Short term	35.05	-	[ICRA]A2+&	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-	
4	Long term-unallocated	Long-term	0.27	-	[ICRA]A-&	[ICRA]A- (Negative)	-	-	-	-

&= Under watch with developing implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund Based – Term Loan	Simple
Fund Based – Working Capital Facilities	Simple
Non-fund Based – Working Capital Facilities	Very Simple
Long term-unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Fund Based – Term Loan	FY 2018-19	NA	FY 25-26	24.68	**[ICRA]A-&**
Fund Based – Working Capital Facilities	-	NA	-	420.0	**[ICRA]A-&**
Non-fund Based – Working Capital Facilities	-	NA	-	35.05	**[ICRA]A2+&**
Long term-unallocated	-	NA	-	0.27	**[ICRA]A-&**

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Mirza (H.K) Limited	100%%	Full Consolidation
Mirza Bangla Limited	99.9%	Full Consolidation
Sen En Mirza Industrial Supply Chain LLP	52%	Full Consolidation

ANALYST CONTACTS

Jayanta Roy
91-33-71501100
jayanta@icraindia.com

Priyesh Ruparelia
91-22- 61693328
priyesh.ruparelia@icraindia.com

Sumit Jhunjhunwala
91-33- 7150 1111
sumit.jhunjhunwala@icraindia.com

Gaurav Singla
91-124- 4545366
gaurav.singla@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches