

## Mirza International Limited

Instrument	Amount	Rating Action
	In Crore	As on July 2016
<b>Term Loans</b>	75.0	[ICRA]A (Stable Outlook) (Reaffirmed)
<b>Fund Based Facilities</b>	295.0	[ICRA]A (Stable Outlook) (Reaffirmed)

ICRA has reaffirmed the long term rating of Mirza International Limited (MIL) at **[ICRA]A** (pronounced ICRA A) for Rs. 370.0 crore<sup>1</sup> Fund Based facilities. The outlook on long term rating is stable.

The re-affirmation of MIL's rating takes into account its experienced promoters; its integrated manufacturing operations which increase its cost competitiveness and its established market position as one of the leading footwear exporters in India. Further, ICRA notes that post incurring substantial debt funded capital expenditure over the last three years, MIL has limited capital expenditure plans going forward and its annual cash accruals from operations are expected to remain comfortable to service the overall debt obligations in a timely manner. The rating is however constrained due to moderate dip in MIL's export revenues during FY16 mainly on account of weak demand from its customers in the European region. Moreover, with the continuing recession in the European region which forms the company's main export market, its top line and profitability are expected to remain under pressure in the short to medium term. However, ICRA takes comfort from the healthy growth in MIL's domestic turnover during this period mainly driven by increase in sales of products under the in-house "Red Tape" brand. The rating also factors in high competitive intensity in the leather footwear industry, geographic concentration in MIL's revenue, its large working capital requirements and vulnerability of its profits to adverse movements in exchange rates, raw material prices and changes in duty drawback rates. Going forward, MIL's ability to grow its sales turnover while managing its working capital intensity as well as capital structure will be the key rating sensitivities.

### 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 the operations of the company 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. Currently, the company has a manufacturing capacity of 54 lakh pairs per annum, which is spread across its 5 manufacturing units in Kanpur and Noida. Besides the above manufacturing capacities, the company also outsources the production of footwear to other vendors, which exclusively cater to manufacturing footwear for Mirza International and have a capacity of about 15 lakh pairs per annum. The promoters together hold 64.8% stake in the company.

**Recent Results:** In FY2016, the company reported a profit after tax (PAT) of Rs. 78.09 crore on an operating income of Rs. 927.16 crore as compared to a PAT of Rs. 51.17 crore on an operating income of Rs. 927.16 crore in the corresponding previous year. MIL had long term debt outstanding of Rs. 41.41 crore at the end of FY2016 which will be repaid between FY17-FY20.

**July 2016**

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