

Mirza International Limited

Rated amount enhanced

Total Bank Loan Facilities Rated	Rs.3560 Million (Enhanced from Rs.3060 Million)
Long Term Rating	CRISIL A/Stable (Reaffirmed)
Short Term Rating	CRISIL A1 (Reaffirmed)

(Refer to Annexure 1 for Facility-wise details)

CRISIL's ratings on the bank facilities of Mirza International Ltd(MIL) continue to reflect the extensive experience of MIL's promoters in the footwear manufacturing segment, the company's established market position as a prominent footwear exporter in India, and integrated operations. The ratings also factor in MIL's sound financial risk profile, marked by a healthy net worth, moderate gearing, and comfortable debt protection metrics. The company has sustained its healthy financial risk profile, despite its debt-funded capital expenditure (capex) programme of over Rs.1 billion over the two years through March 31, 2013. CRISIL believes that MIL will maintain its sound financial risk profile over the medium term, supported by its healthy cash accruals from operations. These rating strengths are partially offset by the company's large working capital requirements, geographic and customer concentration in its revenue profile, and the susceptibility of the company's margin to fluctuations in foreign exchange (forex) rates.

CRISIL had upgraded its ratings on the bank loan facilities of Mirza International Ltd (MIL) to '**CRISIL A/Stable/CRISIL A1**' from '**CRISIL A-/Stable/CRISIL A2+**', on February 6,2014.

The rating upgrade reflects CRISIL's belief that MIL's business risk profile will improve over the medium term, supported by its cost optimisation initiatives, and expansion in the higher margin domestic retail business. MIL has recently completed the modernisation of its tannery, which could significantly reduce wastages. The company is also expected to increase the number of its domestic outlets under the Red Tape brand, over the medium term.

Outlook: Stable

CRISIL believes that MIL will continue to benefit from its integrated operations and the promoters' extensive industry experience, over the medium term. The outlook may be revised to 'Positive' if the company significantly improves its revenue diversification while maintaining its growth and operating margin. Conversely, the outlook may be revised to 'Negative' if MIL's financial risk profile weakens, driven by a larger-than-expected debt-funded capex programme, or pressure on its revenues and profitability due to intense competition.

About the Company

MIL was incorporated in 1979. The company manufactures footwear, and operates a tannery. MIL was set up by Mr. Irshad Mirza, its current chairman. The company mainly exports to the United Kingdom (UK). In the domestic market, MIL sells under the Red Tape brand.

MIL reported a profit after tax (PAT) of Rs.434.4 million on net sales of Rs.6.4 billion for 2012-13 (refers to financial year, April 1 to March 31), vis-à-vis a PAT of Rs.353.1 million on net sales of Rs.5.56 billion for 2011-12. For the six months ended September 30, 2013, the company reported a PAT of Rs.244.7 million on net sales of Rs.3.65 billion, as compared to a PAT of Rs.180.6 million on net sales of Rs.3.06 billion for the corresponding period of the previous year.

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Million)	Rating	Facility	Amount (Rs.Million)	Rating
Bank Guarantee	5	CRISIL A1	Bank Guarantee	5	CRISIL A1
Bill Discounting	1500	CRISIL A1	Bill Discounting	1300	CRISIL A1
Cash Credit	300	CRISIL A/Stable	Cash Credit	260	CRISIL A/Stable
Letter of Credit	120	CRISIL A1	Letter of Credit	100	CRISIL A1
Packing Credit	900	CRISIL A1	Packing Credit	800	CRISIL A1
Term Loan	735	CRISIL A/Stable	Term Loan	595	CRISIL A/Stable
Total	3560	--	Total	3060	--