

Domestic business to overtake export in FY19E

Our recent channel checks on the new product launches in the domestic market and visit to its new online EBO stores was quite impressive and further validates our long term investment thesis. Aggressive addition of online EBO stores, efficacious entry into organized value footwear segment with launch of sports/canvas, Bond Street and renewed focus coupled with expansion of product portfolio in the garment segment should translate into robust domestic revenue growth of 39% CAGR over FY2018-FY20E even outpacing exports. We see meaningful upside from current levels despite being conservative vs. management guidance and retain our BUY with TP of Rs205.

- **Aggressive launch of online EBOs to add meaningful traction:** We understand that in line with change in its EBO strategy, the company has opened new 10 Online EBO concept stores and targets 75 by FY2019. These stores would be on discount throughout the year similar to the outlet malls globally. However, it is unlikely to cannibalize the revenues of regular stores due to different product offerings. Recently launched Bond Street and women's footwear would be available only in these online EBOs and not in regular EBOs. Further, these online stores are larger formats with 3000-4000sq ft in size vs. 300-500sqft size for the regular store. Our recent channel check and visit to its online EBO store was quite impressive and indicated higher revenues for online store at c.Rs2.5-3mn/mth vs. Rs0.6-0.7mn/month for regular EBO.
- **Entry in organized value footwear segment with launch of Sports/canvas shoes, Bond Street to fuel growth:** We believe the opportunity is huge in sports shoes segment given significant pricing difference between the big brands such as Nike & Adidas and the unorganised players. With the launch of Sports/canvas shoes, Bond Street, the company has positioned itself as an organised branded player being present at the value segment. We believe that this strategy is playing out with strong traction witnessed since launch of FY18 and currently accounts for 30% of its domestic footwear segment. We believe the range of design is one of the best in the industry and expect the revenues to grow 3.5x at Rs2.1bn in FY20E from Rs0.6bn in FY18.
- **Garmenting to gaining acceptance:** We understand that aggressive focus over the past few years has helped the company to register a strong CAGR of 40% over FY2014-FY2018 and currently this segment accounts for 25% of its domestic sales. We believe this growth rate would continue as the company has extensively increase the product range to shirts, t-shirts, jeans, sweaters, jackets, shorts, chinos, trousers etc. They also have accessories such as belts, socks, wallets, shoe polish etc. Management continues to source all the garments from Bangladesh as they feel it is more profitable than manufacturing in India. Our channel check suggested that over last year the company has significantly improved the fabric, product design, fitting along with attractive pricing.
- **Domestic business to overtake exports in FY19E:** On back the above mentioned growth drivers, we expect the company to register robust revenue growth at CAGR of ~39% over FY2018-FY20E and expect the revenues to scale up to Rs7.5bn in FY20E vs. Rs3.9bn in FY18. Despite domestic business which is expected to outpace exports, in our opinion, the margins are unlikely to get impacted (*this is evident from the fact that over the past 8 quarters despite the company posting healthy revenue growth the margins have been higher than 20%+ for the branded business*). We see meaningful upside from current levels despite being conservative vs. management's revenue guidance (*management is targeting revenues of Rs6bn and Rs9bn for FY19E and FY20E*) and retain our BUY with TP of Rs205 (20x FY20E).

Target Price	Rs205	Key Data	
CMP*	Rs103	Bloomberg Code	MRZII IN
Upside	99%	Curr Shares O/S (mn)	120.3
Previous Target	Rs205	Diluted Shares O/S(mn)	120.3
Previous Rating	Buy	Mkt Cap (Rsbn/USDmn)	12.4/180.3
Price Performance (%)*		52 Wk H / L (Rs)	183.7/92.2
	1M 6M 1Yr	5 Year H / L (Rs)	183.7/19.3
MRZII IN	5.8 (21.5) (36.7)	Daily Vol. (3M NSE Avg.)	333303
Nifty	5.8 8.5 13.2		

*as on 3 August 2018: Source: Bloomberg, Centrum Research

Shareholding pattern (%)*

	Jun-18	Mar-18	Dec-17	Sep-17
Promoter	70.4	70.4	73.5	73.7
FII's	3.0	3.6	4.0	4.5
DII's	2.9	2.9	2.8	2.7
Others	23.7	23.1	19.7	19.1

Source: BSE, *as on 3 August 2018

Ankit Kedia, ankit.kedia@centrum.co.in; 91 22 4215 963

Y/E Mar (Rsmn)	Rev	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	FDEPS (Rs)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY16	9,258	0.8	1,706	18.4	781	52.6	7.2	20.7	15.0	12.7	6.9
FY17	9,357	1.1	1,611	17.2	717	(8.1)	6.0	15.1	13.2	15.0	7.6
FY18	9,721	3.9	1,740	17.9	784	9.3	6.5	14.6	11.1	22.5	11.6
FY19E	11,984	23.3	2,150	17.9	1,008	28.6	8.4	16.5	12.1	12.3	7.3
FY20E	14,051	17.3	2,539	18.1	1,236	22.6	10.3	17.6	13.0	10.0	6.2

Source: Company, Centrum Research Estimates

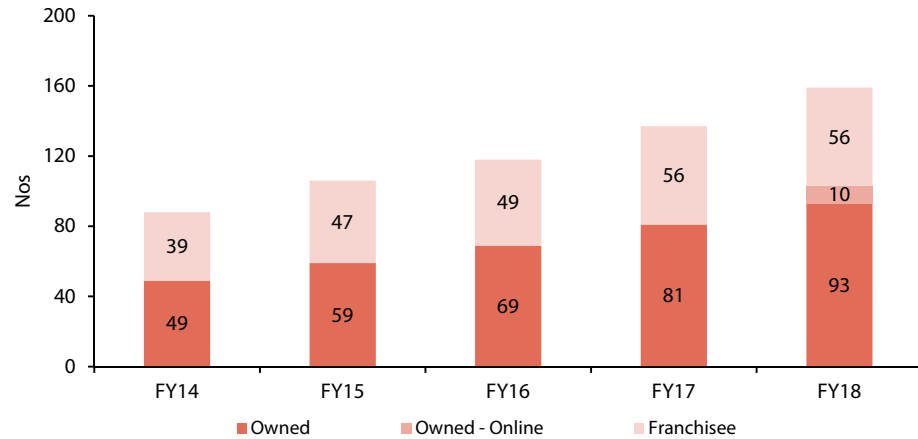
In the interest of timeliness, this document is not edited

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Target online EBOs for future growth

Mirza International had 159 EBOs in FY18 and plans to increase the same by ~60-65 EBOs in FY19. We believe bulk of the growth would come from the online EBOs which the company launched from H2FY18. Management targets 75 Online EBOs in FY19 of which 10 were opened in FY18. All the online EBOs would be owned by the company and none of them would be franchisee owned.

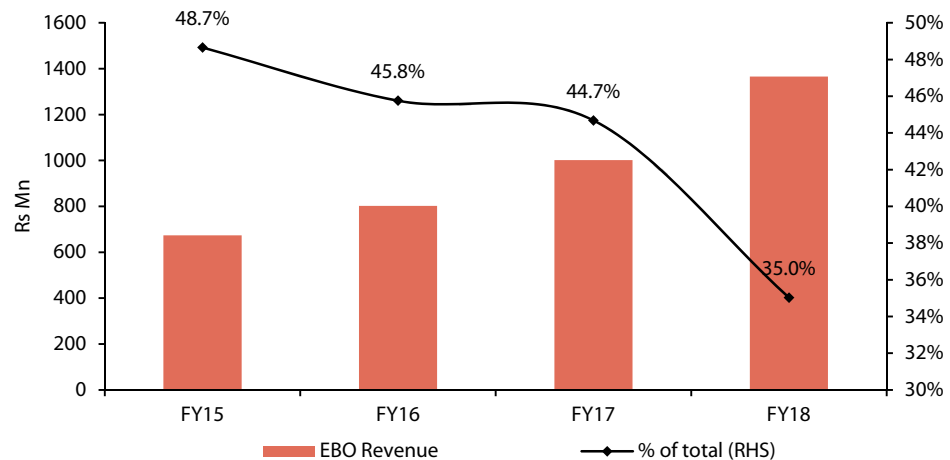
Exhibit 1: Online EBOs to grow going forward



Source: Company, Centrum Research

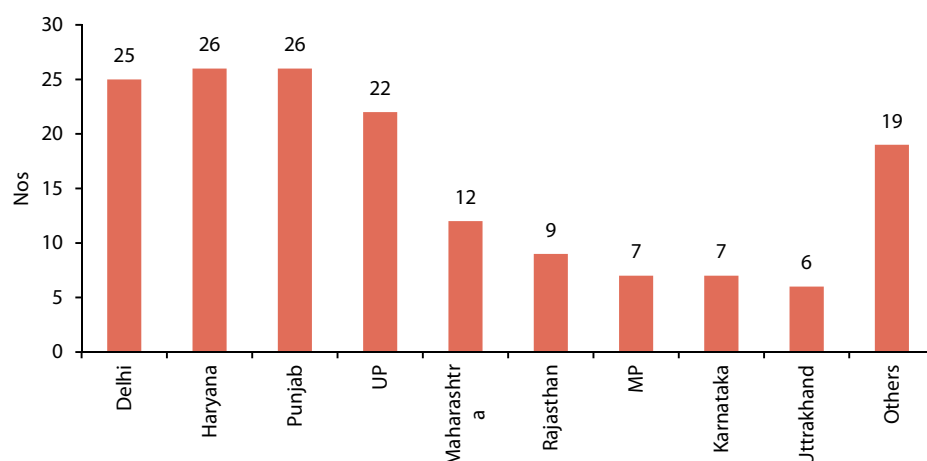
Currently the EBOs account for 35% of the domestic revenues however with the aggressive growth plans for the EBO expansion we expect the share of revenue from the EBO to grow back to 45-50%.

Exhibit 2: Share of revenues from EBOs to grow with online EBOs



Source: Company, Centrum Research

Currently the company has 77 stores in the 3 Indian states of Delhi, Punjab and Haryana out of 159 stores. Hence we believe the revenue from these 3 states would be upwards of 50% while states of UP, Maharashtra and Rajasthan would further account for ~25% of the revenues. We believe bulk of the revenues for EBOs is from North India with very small proportion from South, West and East of India. Going forward the management is planning to open more online EBOs in South & West of India which would reduce the dependence on North India.

Exhibit 3: EBOs location across states

Source: Company, Centrum Research

Online EBOs to give fillip to revenues

Since H2FY18 the management has decided to change its EBO strategy and open a new online EBO concept store wherein the store would be on discount throughout the year similar to the outlet malls globally. Unlike the regular stores that have end of season sale twice in a year, these stores would have 50%+ discount all around the year. These stores would compete with the online platform where the customer is flocking for discount deals and impacting the retail channel sales. Management believe by offering new unique products through these online stores they can garner more customers without compromising on the brand and margins.

Our interaction with the management suggests that these stores would have complete different products from the regular EBOs hence they won't cannibalise the revenues of the regular stores. Further given that the products would be different, the company would have slight higher MRP for these products and at the same time offer higher discounts given that there are certain customers who enter the store only on heavy discounting. Further the company would bring the online channel customers to the store who visit online shopping site for discount deals. The company has partnered with Paytm for these stores and plans to open 75 stores by FY19 end. The buyer would further get additional Paytm cashback/discount on buying the product from the store.

These online stores would be of 3000-4000sq ft in size compared to 300-500sq ft size for the regular store. Given the higher store size, the company would have a complete range of products in these stores with double the SKUs and designs. Recently launched Bond Street and women's footwear would be available only in these online EBOs and not in regular EBOs. Further the complete range of the sports/canvas shoes would be available in the new online store. Range of garments would be higher with more designs.

Our channel checks suggest that an online store currently does Rs2.5-3mn in revenue/month compared to Rs0.6-0.7mn/month in a regular EBO. However these stores would need an inventory of Rs5.5-7mn compared to an inventory of Rs1.5-2mn for a regular store.

Exhibit 4: Difference in regular and online EBO

Particulars	Regular EBO	Online EBO
Area (sq ft)	300-500	3000-4000
Revenues (Rs Mn)	Rs 0.6-0.7mn	Rs2.5-3mn
Manpower (Nos)	5 -7	22-25
Inventory (Rs Mn)	1.5-2	5.5-7
SKUs	100	250+
Red Tape	Yes	Yes
Bond Street	No	Yes
Women	No	Yes
Garments	Limited range	Full range
Sports/Canvas	Limited range	Full range
Discount	Only in EOSS	Full Year, Minimum 50%

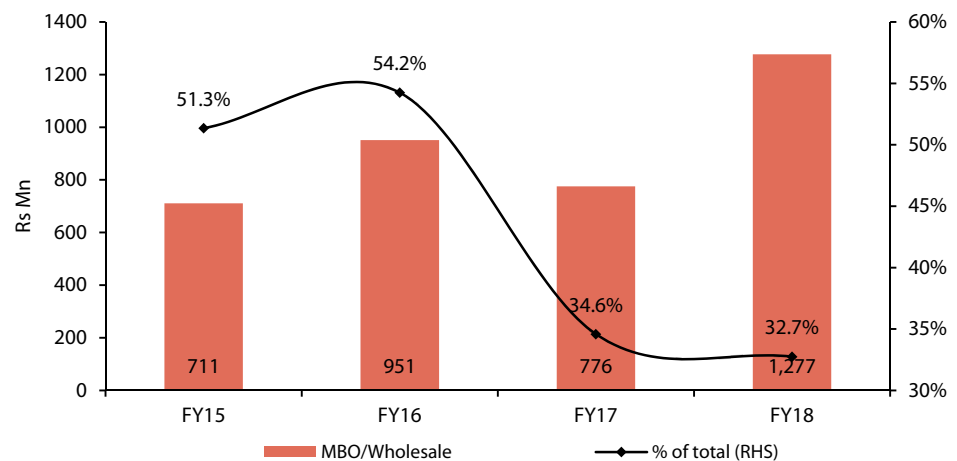
Source: Centrum Research

Exhibit 5: Online Store powered by PayTM

Source: Company, Centrum Broking

MBO/Wholesale format to grow the slowest

Share of domestic revenue from MBO/Wholesale distribution has reduced from 51% in FY15 to 33% in FY18 on the back of growth in other channels. We believe LFS stores would account for ~50% of this revenue and growing lower than the company average as the company sells only a small part of the complete bouquet of products through this channel. Further the growth would be marginally higher than the industry growth as the company would keep adding new products.

Exhibit 6: Wholesale / MBO format to grow the slowest

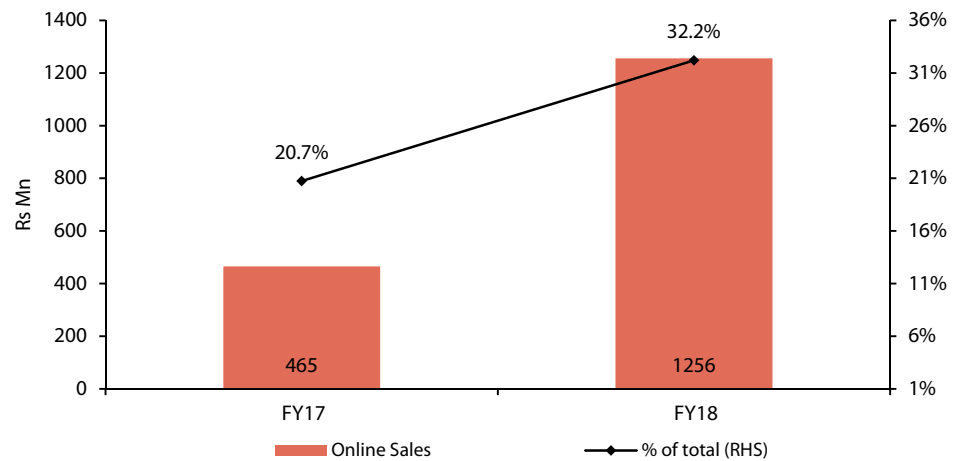
Source: Company, Centrum Research

Online to be one of the fastest growing channel

Management expects online to be one of the fastest growing distribution channels for next 2 years. Within two years of launching own distribution for the online portals, it now accounts for 1/3rd of the total domestic revenues. Currently the company sells both garments and footwear across portals such as Amazon, Flipkart, Paytm, Myntra, TataCliq etc. These five portals would account for more than 85% of the online sales.

Most of the discounts offered online would be similar to the discount offered in the online EBOs. Further the company is planning to have a separate range of footwear for online channel as it would not cannibalise the sales with regular EBOs.

Exhibit 7: Online to drive growth



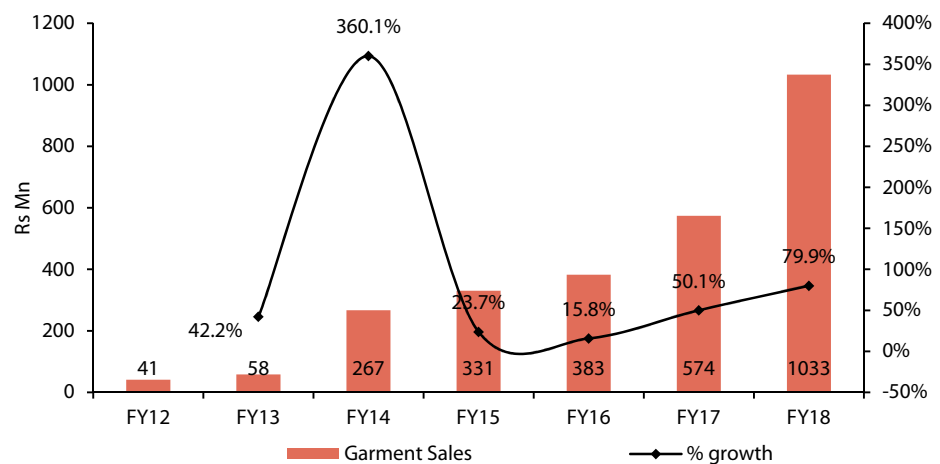
Source: Company, Centrum Research

Strong focus on garments

Over last few years the company has aggressively focussed on the garment business and it contributes ~25% of domestic sales. Management expects the same to be in the ~25-30% range over next 2 years. Growth in the garments business has been at a CAGR of 40% over FY14-18. We believe this growth rate would continue as the company has extensively increase the product range to shirts, t-shirts, jeans, sweaters, jackets, shorts, chinos, trousers etc. They also have accessories such as belts, socks, wallets, shoe polish etc.

Management continues to source all the garments from Bangladesh as they feel it is more profitable than manufacturing in India. Our channel check suggested that over last year the company has significantly improved the fabric, product design, fitting along with attractive pricing. Key change is the product quality with attractive pricing has driven the sales growth for the company. Some of the loyal footwear customers have become loyal garment customers over last couple of years after trying the product. Management also plans to introduce womens denims in near term in the EBOs.

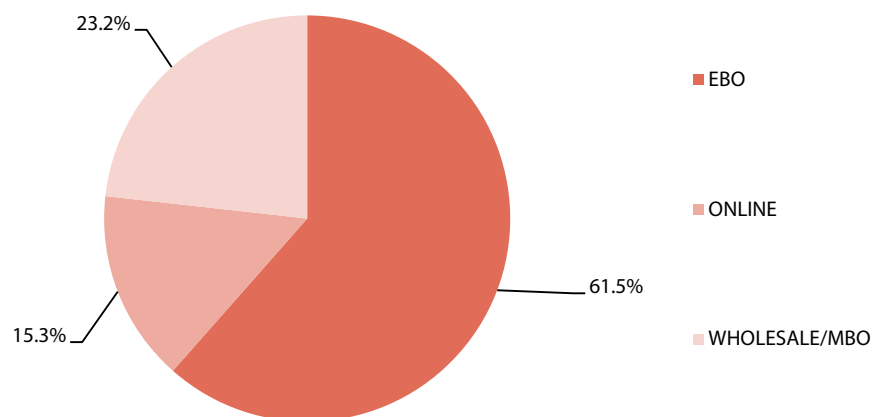
Exhibit 8: Garments growing at an exponential rate



Source: Company, Centrum Research

Garments are sold through three main channels viz. EBOs, Online and Wholesale/MBO. More than 60% of the garments are sold through EBOs as the management plans to leverage the customer footfalls through multiple product offering. Hence most of the garments are sold through own/franchisee EBOs as this would help them to garner more revenues/sq ft and also help them de-risk from the footwear sales. Further the company has the ability to showcase all the designs in the same store which helps in owning the customer. Online channel has recently become very big and 15% of the sales were through this channel. We believe going forward this channel would grow substantially. MBOs/Wholesale account for 23% of revenue. However we believe this channel would grow at a small pace in near future as most of the large format stores don't stock garments.

Exhibit 9: Garment sales across various distribution channels



Source: Company, Centrum Research

Exhibit 10: Garment display at stores

Source: Company, Centrum Research

The company offers differential pricing for denim in the new online EBOs in order to garner incremental sales. We believe the introductory price of Rs999/denim is for short term and would later be increased. The pair of denim was available in the other regular EBO for Rs1650.

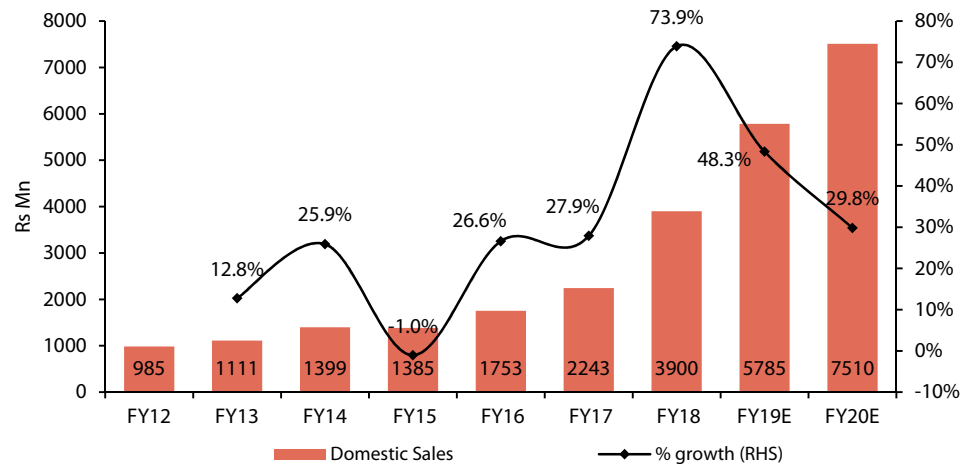
Exhibit 11: Attractive pricing for denims

Source: Company, Centrum Research

Domestic business to grow at a CAGR of 39% over FY18-20E

We expect the domestic business for Mirza International to grow at a CAGR of 38.8% over FY18-20E to Rs7.5bn from Rs3.9bn in FY18 on the back of strong growth in the sports/canvas shoes, newly launched Bond Street brand and garmenting division. Further the growth would be from online EBOs and online portals. Hence the domestic branded business would overtake the exports business of the company in FY19 itself. While management is targeting revenues of Rs6bn and Rs9bn for FY19E and FY20E, we remain conservative in our estimates.

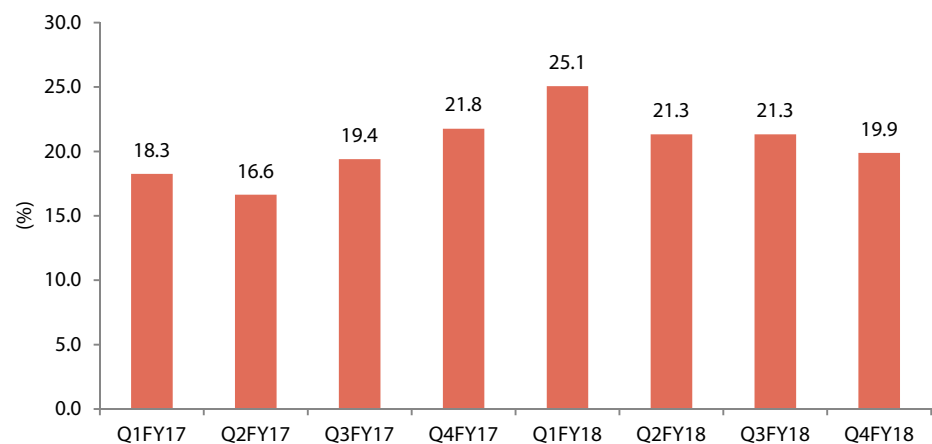
Exhibit 12: Domestic sales growth



Source: Company, Centrum Research Estimates

While the domestic business would post exponential growth, we believe this would not impact the margins for the company. In last 8 quarters despite the company posting healthy revenue growth the margins have been higher than 20%+ for the branded business. We believe this trend would continue given that the company would import new products of sports/canvas shoes, women's footwear and garments. Only the leather shoes under Red Tape and Bond Street would be manufactured in the company.

Exhibit 13: Branded business margins



Source: Company, Centrum Research

We believe the growth in the Red Tape shoes would be in-line with industry growth given that the company would continue to innovate on new designs and SKU which is the need of the hour. However the growth would come from new products such as Bond Street, sport/canvas shoes and womens footwear.

Exhibit 14: Revenue growth across products

Rs Mn	FY16	FY18	FY20E	CAGR -FY18-20E %
Redtape	1370	2007	2500	11.6
Bond Street	0	300	900	73.2
Sports/canvas	0	560	2100	93.6
Women	0	0	300	NM
Garments	383	1033	1710	28.7
Total	1753	3900	7510	38.8

Source: Company, Centrum Research Estimates

Bond Street: Company has launched Bond Street brand for middle class customers who can't afford pure leather footwear. Hence Bond Street has artificial leather with average pricing of Rs1300/pair. While the pricing is cheaper, the design and quality of the product is similar to Red Tape brand and it is positioned as value for money product for the customers. This product would be available at online EBO and e-commerce portals.

Sports/canvas shoes: Management is very bullish on this segment and believe the opportunity is huge given then significant pricing difference between the big brands such as Nike & Adidas and unorganised players. The company is positioning themselves as an organised branded player being present at affordable price point. Most of the sports shoes are in the Rs3500-5000/pair while the canvas shoes are below Rs2000/pair. We believe the range of design is one of the best in the industry. They are competing with Puma & Skechers. While currently these shoes are being imported from China, management is considering to now source them from Bangladesh and other regions given the high import duty from China. This segment has revenues of ~Rs0.6bn in FY18 and we expect the same to increase to Rs2.1bn by FY20E on the back of growing young target audience.

Women's footwear: Company has entered this segment in Q1FY19 under the brand name 'Mode by Red Tape' for sandals, slip-ons, moccasins, casual shoes etc while sports shoes continue to be sold under the brand name Red Tape. Currently these are only sold through the online EBOs and e-commerce sites. Management wants to target the women audience who accompany with the men to the stores. Our channel checks suggest that the response have been encouraging and women's footwear contribution is currently 5-10% of the store sales. We have modelled Rs300mn in revenue from this segment by FY20E.

Different distribution channels for domestic sales

Company broadly has 3 different distribution channels for domestic sales viz. EBOs, online e-commerce and wholesale/LFS. Company has both owned and franchisee EBOs wherein the franchisee partner gets 28-30% trade margin while the debtor days are minimum. Newly launched online EBOs are powered with Paytm wherein Paytm gets 5% trade commission for all the sales done in the store and the inventory in the store is higher than the regular store given the size difference. In the online e-commerce the product is in the company warehouse and hence company doesn't have inventory risk while the collection happens in 60-70 days. For wholesale and LFS the sales is outright under SOR basis for LFS however the collection is in 5-6months with 30-35% trade margin.

Exhibit 15: Trade terms across distribution network

	EBO Franchisee	EBO Owned	EBO Online	Online Portals	Wholesale/ LFS
Inventory	Rs2mn	Rs2mn	Rs5.5-7mn	In company warehouse	Outright sale
Debtor	5 days (CC & Paytm)	5 days (CC & Paytm)	5 days (CC & Paytm)	60-70 days	5-6 Months, SOR Basis
Trade Margin	28-30%	NA	5% Paytm	30-35%	35%

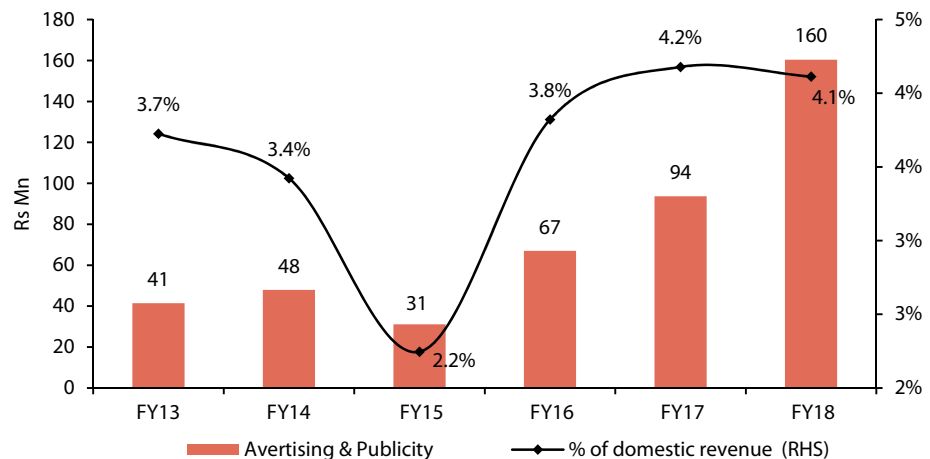
Source: Centrum Research

Healthy investments in A&P to build the domestic brand

Company invests ~3.5-4.5% of the domestic revenues in pure advertising and promotions over last few years. Our interaction with the management suggest that the same would continue going ahead despite the sales growth being higher as they are inclined to invest on the brand. Over last 2 years the A&P spends have more than doubled and was Rs160mn in FY18. Management expects the same to increase to ~Rs250mn in FY19.

TV is the not the preferred medium for advertising and they prefer other mediums. Typically they invest in in-flight magazines, digital and print for the products. BTL activities are also done by the company to build engagement with the customers.

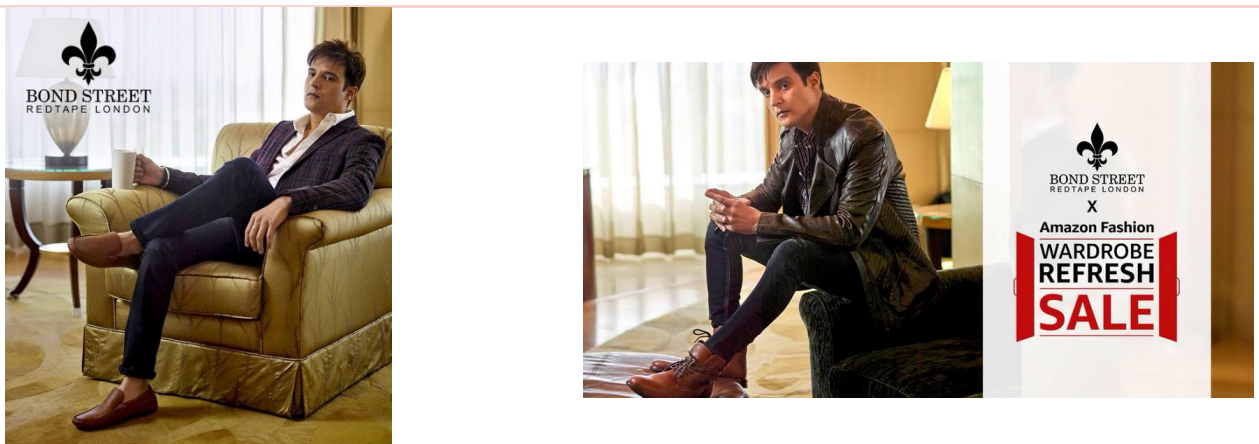
Exhibit 16: Investments in A&P over time



Source: Company, Centrum Research

They have signed actor Jimmy Shergill for the Bond Street brand. Management prefers to have different brand ambassadors for this new product. Jimmy Shergill has huge fan following in the North India and since more than 50% of the sales for the company is from North India, we believe it would be advantageous for the brand since it has recently been launched.

Exhibit 17: Jimmy Shergill advertises for Bond Street



Source: Company, Centrum Broking

Further the company has also signed cricketer Karun Nair for the the Red Tape brand. Karun Nair would also have the brand logo at the back of his bat while playing the sport. He has been seen in the print and digital ads of the company wearing the Red Tape garments as well. We believe this would significantly have a positive impact on the revenues of the company given the popularity of Karun Nair.

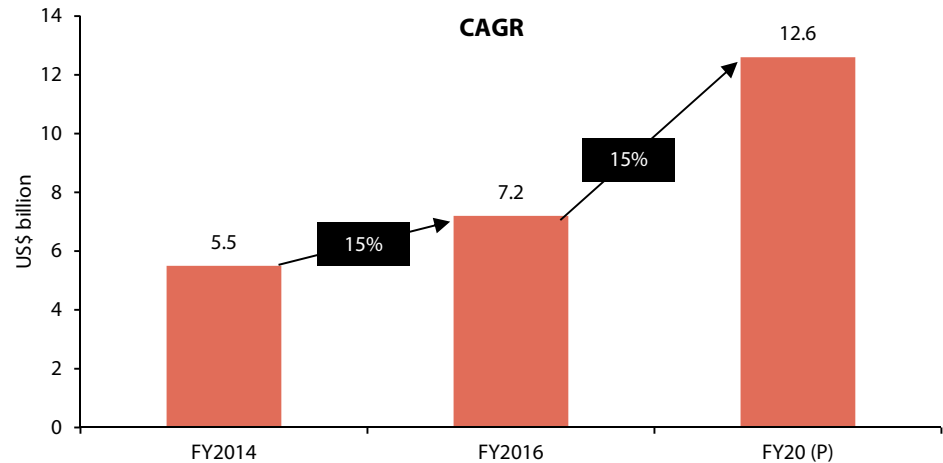
Exhibit 18: Karun Nair is the brand ambassador for Red Tape

Source: Company, Centrum Research

Footwear Industry

The domestic footwear market in India is projected to grow at a CAGR of 15% to reach US\$12.6bn by FY2020 from US\$7.2 bn in FY2016. The key drivers for the footwear segment will be: a) increased adoption owing to versatility in usage, and b) shift from unbranded to branded

Exhibit 19: Domestic Footwear Market in India

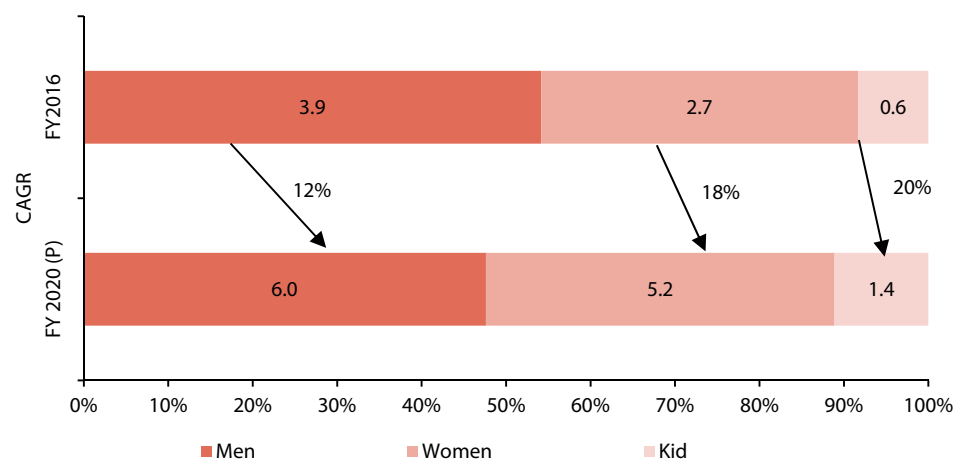


Source: Khadims DRHP

Men's footwear currently dominates this market with ~54% share, however women's segment will outpace the men's growth to take 41% of the footwear market in FY2020 against the current share of 37%. Further growth will be driven by:

- Increasing disposable income of consumer and higher spending on lifestyle products, leading to shift from unbranded to branded play
- Increasing middle class population and working population
- Increase in number of working women driving the growth of women's footwear market
- Increasing urbanisation and more focus towards branded footwear
- Easy availability and assortment width with the advent of online channel
- Surge in sale of sports and health based footwear with increasing focus towards sports and events: marathons, adventure trips, etc

Exhibit 20: Gender wise breakup of footwear in India



Source: Khadims DRHP

Indian footwear market is broadly categorised as dress, casual and activewear segments. Casual segment is the largest segment and its growth has outpaced growth of other segments. However, women and kids segments are expected to grow at a faster pace as compared to men's segment to

account for 41% and 11% of market respectively, by FY 2020. Growth in women's segment will be driven by increasing number of working women and increasing disposable income. Also, women are not loyal to particular brand and change their fashion trend with specific occasion, which will drive volume growth.

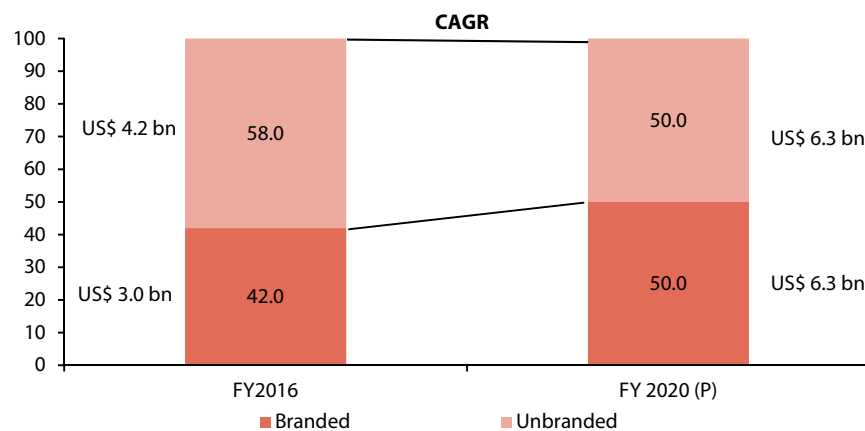
Branded Footwear market is expected to grow at a CAGR of 20% to account for ~50% of the overall market by FY2020 from current ~42% of total market. The footwear segment is unique compared to other lifestyle and retail categories. Other key lifestyle categories such as men's shirts and women's ethnic reflect ~30% and ~18% branded play, respectively.

Footwear demonstrates highest receptivity to modern retail with 26% share of channel sales attributed by modern retail. For other key lifestyle categories viz. apparel, jewellery and watches, modern retail channel averages ~22% share of total pie.

Growth will also be driven by the increasing reach of mid and economy brands to Tier II/III Indian cities.

Growth in the branded segment will also be driven by shift of consumers from unbranded product with increase in disposable income, better availability of product and increasing health consciousness.

Exhibit 21: Branded share of footwear market in India

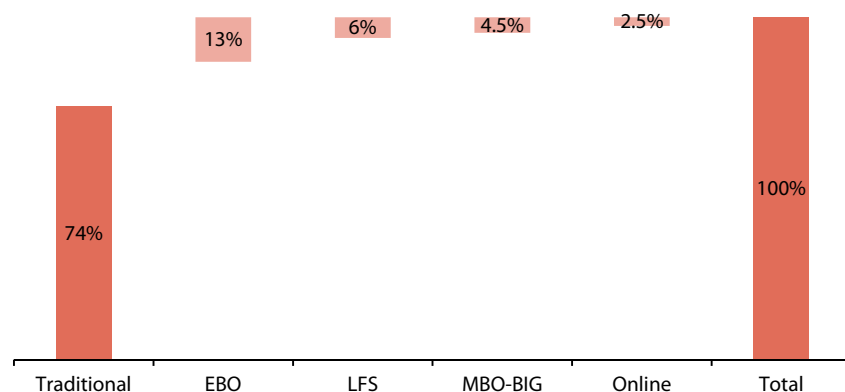


Source: Khadims DRHP

Footwear retail market is expected to witness further penetration of organized retail driving growth beyond major urban clusters. This shall be driven by growth of multiple retail formats across Exclusive Branded Outlet, Large Format Department Stores, Multi-branded Outlets and e-commerce. Thus this share is poised to grow sharply over the next five years to contribute 30% share by FY 2020.

Footwear market is among the most organized category in the country with 26% of the organized share with presence of EBOs of leading brands. However, the unorganized pie of 74% will reflect a growth of 14%. Organized market is expected to grow at a CAGR of 18% to account for ~30% of the market by FY 2021, however distribution segment will still comprise 70% share. Growth in organized format will be driven by increasing penetration of EBOs in Tier II, Tier III and below towns, across the country.

Exhibit 22: Channel wise break-up (2016)



Source: Khadims DRHP

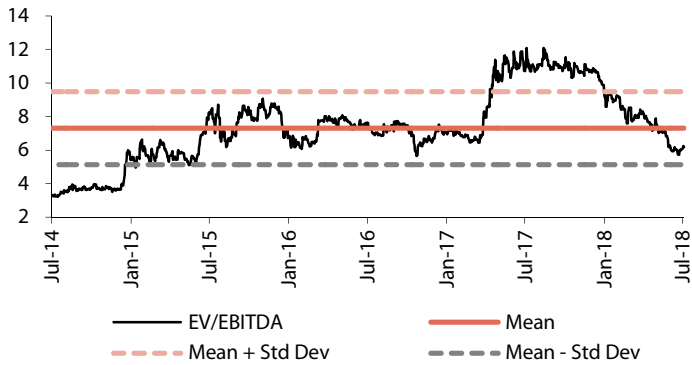
Valuation

Exhibit 23: Sensitivity Analysis

Sensitivity to key variables (FY19E)	% increase	% impact on EBITDA	% impact on EPS
RM cost	1.0	(2.5)	(4.0)

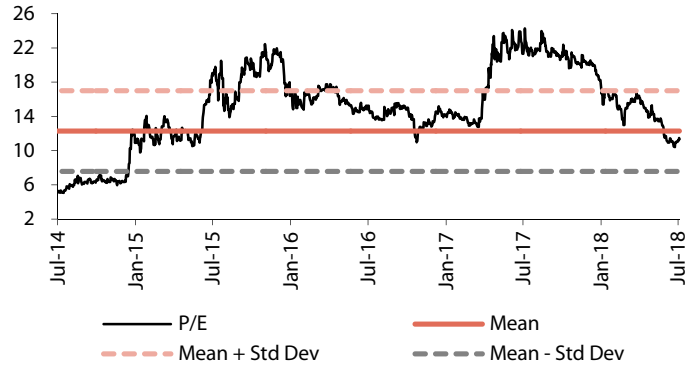
Source: Company, Centrum Research Estimates

Exhibit 24: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 25: 1 year forward P/E chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 26: Comparative Valuations

Company	Mkt Cap (Rsmn)	CAGR FY18-FY20E (%)			EBITDA Margin (%)			PE (x)			EV/EBITDA (x)			RoE (%)			Div Yield (%)		
		Rev.	EBITDA	PAT	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Mirza*	12,373	20.2	20.8	25.5	17.9	17.9	18.1	22.5	12.3	10.0	11.6	7.3	6.2	14.6	16.5	17.6	0.6	1.3	1.3
Bata	1,20,591	11.8	21.1	22.4	13.2	14.9	15.4	39.0	43.6	36.6	23.1	26.1	22.3	15.4	17.3	17.5	0.7	0.7	0.7
Relaxo Footwear	98,341	14.6	20.7	23.8	14.5	15.9	16.0	43.8	50.7	42.6	23.7	27.4	23.6	22.3	22.5	22.5	0.1	0.1	0.1

Source: Bloomberg consensus, *Centrum Research Estimates

Quarterly financials, Operating Metrics and Key Performance Indicators

Exhibit 27: Quarterly Financials

Y/E Mar (Rsmn)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Total Income	2,522	2,503	2,280	2,052	2,521	2,404	2,540	2,257
COGS	1,466	1,459	1,214	895	1,309	1,187	1,316	996
Staff cost	154	159	179	215	213	217	239	237
Admin & other expenses	464	505	489	548	562	575	524	610
Total Expenditure	2,084	2,123	1,881	1,658	2,084	1,980	2,079	1,843
EBITDA	438	380	399	394	437	424	460	414
Depreciation	67	71	75	78	72	75	80	89
EBIT	371	308	324	317	366	349	380	325
Interest	68	65	64	62	59	53	66	71
Other Income	1	1	0	7	1	0	0	3
Exceptional Item	0	0	0	0	0	0	0	0
PBT	304	244	260	262	307	296	314	257
Total tax	104	79	87	84	106	102	105	80
Reported PAT	200	165	173	178	201	193	209	177
Adj PAT	200	165	173	178	201	193	209	177
Growth %								
Revenue	1.0	(2.0)	5.5	(0.3)	(0.0)	(3.9)	11.4	10.0
EBIDTA	0.8	(7.0)	16.6	(26.3)	(0.1)	11.8	15.3	5.0
Adj PAT	11.2	2.8	14.7	(38.6)	0.6	17.5	20.8	(0.2)
Margins %								
Gross Margin	41.9	41.7	46.8	56.4	48.1	50.6	48.2	55.9
EBIDTA	17.4	15.2	17.5	19.2	17.3	17.7	18.1	18.3
EBIT	14.7	12.3	14.2	15.4	14.5	14.5	15.0	14.4
Adj PAT	7.9	6.6	7.6	8.7	8.0	8.0	8.2	7.9
Segmental Breakup								
Shoes - Sales	2,196	2,279	2,092	1,868	2,277	2,238	2,426	2,090
YoY Growth (%)	4.0	(1.9)	12.6	(1.4)	3.7	(1.8)	15.9	11.9
Leather- Sales	714	593	478	324	622	417	425	405
YoY Growth (%)	(7.7)	14.5	(21.9)	(35.7)	(12.9)	(29.8)	(11.1)	24.8
Shoes - EBIT	432	403	420	386	441	453	438	401
EBIT Margin (%)	19.7	17.7	20.1	20.7	19.4	20.3	18.1	19.2
Leather - EBIT	35.9	3.6	5.1	18.9	30.1	20.8	10.6	17.0
EBIT Margin (%)	5.0	0.6	1.1	5.8	4.8	5.0	2.5	4.2

Source: Company, Centrum Research

Exhibit 28: Assumptions

Assumptions	FY15	FY16	FY17	FY18	FY19E	FY20E
Exports Sales growth (%)	37.4	(1.8)	(3.0)	(15.9)	6.9	4.9
Domestic Sales growth (%)	(1.0)	26.6	28.0	74.1	48.1	29.8
Tannery - External Sales growth (%)	45.7	(9.3)	(14.2)	(25.4)	6.1	11.1

Source: Company, Centrum Research

Financials

Exhibit 29: Income Statement

Y/E March (Rsmn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	9,258	9,357	9,721	11,984	14,051
Employee Cost	594	707	902	1,127	1,296
%of revenue	6.4	7.6	9.3	9.4	9.2
Material cost	5036	5033	4808	5929	6966
%of revenue	54.4	53.8	49.5	49.5	49.6
Other expenses	1,922	2,006	2,271	2,778	3,250
% of revenue	20.8	21.4	23.4	23.2	23.1
EBIDTA	1,706	1,611	1,740	2,150	2,539
EBIDTA Margins (%)	18.4	17.2	17.9	17.9	18.1
Depreciation & Amortization	258	291	316	330	360
EBIT	1,447	1,320	1,424	1,820	2,179
Interest expenses	319	259	250	309	326
PBT for operations	1,129	1,061	1,174	1,511	1,853
Other income	30	9	4	5	5
Exceptional item	-	-	-	-	-
PBT	1,158	1,069	1,178	1,516	1,858
Taxes	377	352	394	508	623
Effective tax rate (%)	32.6	32.9	33.5	33.5	33.5
Net Profit	781	717	784	1,008	1,236
Adj Net Profit	781	717	784	1,008	1,236

Source: Company, Centrum Research Estimates

Exhibit 30: Key Ratios

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Growth ratios (%)					
Revenues	0.8	1.1	3.9	23.3	17.3
EBIDTA	20.1	(5.6)	8.0	23.6	18.1
Adj Net Profit	52.6	(8.1)	9.3	28.6	22.6
Margin ratios (%)					
EBIDTA Margins	18.4	17.2	17.9	17.9	18.1
PBT from operations Margins	12.2	11.3	12.1	12.6	13.2
PAT Margins	8.4	7.7	8.1	8.4	8.8
Return Ratios (%)					
ROCE	15.0	13.2	11.1	12.1	13.0
RoE	20.7	15.1	14.6	16.5	17.6
RoIC	14.9	13.3	11.2	12.2	13.1
Turnover Ratios (Days)					
Gross block turnover ratio(x)	1.8	1.7	1.6	1.8	2.0
Inventory	104	103	144	145	145
Debtors	25	26	50	50	50
Creditors	22	15	32	30	30
Cash conversion cycle	107	114	161	165	165
Solvency Ratio					
Debt-equity	0.5	0.3	0.5	0.5	0.5
Net Debt-equity	0.4	0.3	0.5	0.5	0.4
Current ratio	4.3	4.6	4.4	4.6	4.6
Interest coverage ratio	4.5	5.1	5.7	5.9	6.7
Gross debt/EBITDA	1.2	1.0	1.5	1.6	1.4
Per Share (Rs)					
FDEPS (Adjusted)	7.2	6.0	6.5	8.4	10.3
CEPS	9.6	8.4	9.1	11.1	13.3
Book Value	40.9	41.9	47.3	54.2	62.9
Dividend	0.5	0.9	0.9	1.3	1.3
Dividend Payout (%)	9.3	18.2	16.6	18.6	15.2
Valuations (x)					
PER	12.7	15.0	22.5	12.3	10.0
P/BV	2.2	2.1	3.1	1.9	1.6
EV/EBIDTA	6.9	7.6	11.6	7.3	6.2
Dividend yield(%)	0.6	1.0	0.6	1.3	1.3
5 Yr Avg AOCF/EV yield %	3.6	4.6	1.8	2.4	2.4

Source: Company, Centrum Research Estimates

Exhibit 31: Balance Sheet

Y/E March (Rsmn)	FY16	FY17	FY18	FY19E	FY20E
Share Capital	217	241	241	241	241
Reserves & Surplus	4,240	4,802	5,456	6,276	7,324
Total Shareholders Funds	4,457	5,042	5,696	6,517	7,565
Loan Funds	2051	1560	2696	3346	3446
Minority Interest	0	0	0	0	0
Deferred Tax Liabilities	149	167	177	177	177
Total Liabilities	6,656	6,769	8,569	10,039	11,188
Gross Block	5,460	5,858	6,254	6,954	7,454
Less:- Accumulated Depreciation	2,097	2,368	2,684	3,014	3,374
Net Block	3,363	3,490	3,570	3,940	4,079
Capital WIP	85	19	246	246	246
Net Fixed assets	3,448	3,509	3,816	4,186	4,326
Investments	6	38	6	6	6
Inventory	2,630	2,642	3,827	4,761	5,582
Debtors	634	674	1,325	1,642	1,925
Loans & advances	116	137	80	132	155
Other Assets	667	595	809	839	984
Cash & bank balances	115	65	106	87	120
Total current assets	4,162	4,112	6,146	7,460	8,765
Trade payables	558	396	854	985	1,155
Other liabilities	226	237	417	486	599
provisions	176	263	128	141	155
Net current assets	3,202	3,216	4,747	5,848	6,856
Total	6,656	6,763	8,569	10,039	11,187

Source: Company, Centrum Research Estimates

Exhibit 32: Cash Flow

Y/E March (Rsmn)	FY16	FY17	FY18	FY19E	FY20E
CF before WC changes	1,711	1,613	1,740	2,150	2,539
Working capital changes	(503)	(134)	(1,490)	(1,120)	(975)
Cash from Operations	903	1,142	(133)	522	942
Adj. OCF (OCF-Interest)	584	882	(383)	213	616
Change in Fixed assets	(445)	(333)	(623)	(700)	(500)
Adj. FCF (AOCF-Capex)	139	549	(1,006)	(487)	116
Cash from investing	(423)	(363)	(587)	(695)	(495)
Cash from financing	(507)	(822)	756	154	(413)
Net change in cash	(26)	(44)	36	(19)	33

Source: Company, Centrum Research Estimates

Appendix A

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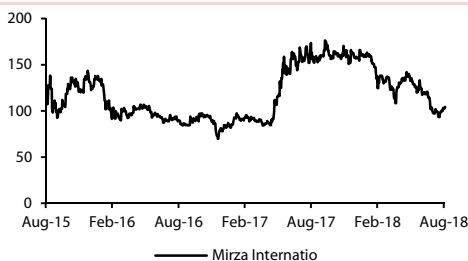
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Mirza International price chart



Source: Bloomberg

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Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor

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Website: www.centrum.co.in

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Ashok D Kadambi
(022) 4215 9937; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)

Registered Office Address	Corporate Office & Correspondence Address
Bombay Mutual Building , 2nd Floor, Dr. D. N. Road, Fort, Mumbai - 400 001	Centrum House 6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E), Mumbai 400 098. Tel: (022) 4215 9000 Fax: +91 22 4215 9344