

## MIRZA INTERNATIONAL

### FOOTWEAR

#### Q3FY17: New launch compensated for impact of demonetization...

Mirza Intl. reported revenues of Rs 228cr (↑6% YoY & ↓9%QoQ) primarily driven by ~13% rise in shoe segment revenue with the launch of new brand “Bond Street” at a price bracket slightly lower (Rs 1500-2000/-) than Red Tape. The company reported an annual expansion of ~159 bps in EBITDA margins in Q3. Profit after tax was reported at Rs 17.2 cr up 14% (YoY). The sales to UK market were up by 1%, almost flat for US and marginally up for Rest of the world. Domestic market sale was up by 35% to Rs 71 cr. while exports were up by 4% at Rs 136 cr.

Mirza International has restructured its business by amalgamation of promoter owned Genesis Footwear, which used to supply shoes to be branded and sold under Redtape brand. Having successfully completed the amalgamation, MIL is now concentrating on increasing its reach in the domestic market along with expanding its product basket. As per management, the new brand “Bond Street” has been well accepted by the market and the company is now preparing to foray into sports shoe market with a test scheduled for Q4FY17 using the imports from China. We maintain a **HOLD** with price target of Rs 95 giving an upside of 6% over CMP.

# HOLD

Target Price: Rs 95

CMP : Rs 90  
Potential Upside : 6%

#### MARKET DATA

No. of Shares : 12.03 cr  
FV (Rs) : 2  
Market Cap : Rs 1083 cr  
52-week High / Low : Rs 111/ Rs 69  
Avg. Daily vol. (6mth) : 215603 shares  
Bloomberg Code : MRZI IN  
Reuters Code : MIRZ.BO  
BSE Code : 526642  
NSE Code : MIRZAINT

### Key Highlights

- Mirza Intl. has launched a new brand “Bond Street” at a price point slightly below the Redtape brand in the range of Rs 1500-2000 per pair. The company plans to sell around 3-4 lakh pairs in domestic market in FY18. The new brand will give deeper penetration to the company in MBOs in tier 2 and 3 cities. The new brand is expected to help the company capture its position in the MBOs, where the sales were on exhibiting declining trend.
- The company is looking to make a foray in sports wear segment by making test launch using imports from China under Redtape brand. The product has been designed by ex-Nike/Adidas ‘Off-shelf’ designers and the promotional video is expected to hit You Tube by March or April this year by when the product would be available in the market. The product will be pitted against the Nike, Adidas, and Reeboks of the world and would be priced in the range of Rs. 3500-4000/- per pair, at discount to the international brands. If successfully accepted by the market, the company will plan to produce the same in India. No major capex would be required as the shoe can be produced at the existing production lines of the company. The company plans to export the sports shoe in future under the Redtape brand.
- At the end of Q3FY17, the company has 132 outlets. 30 new EBOs are lined up in near future and the company wants to take the number to 200-220 by FY18.

### FINANCIAL SUMMARY

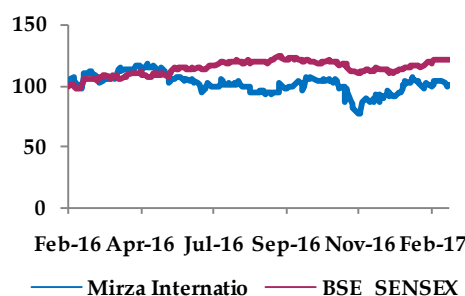
Y/E March (St)	Sales (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2015	918	51	5.5	18.0	-	16.8	32.4	-	0.5
2016	926	78	6.5	17.6	-	20.4	34.0	-	0.5
2017E	1015	76	6.3	(2.6)	14.2	15.6	27.2	6.3	0.5
2018E	1191	104	8.6	36.5	10.4	18.2	30.0	5.0	0.5

Source: Company and Axis Securities

Key Drivers	FY15	FY16	FY17E	FY18E
Sales Growth (%)	30	0.8	9.6	17.4
PAT Growth (%)	18	53	(2.6)	36.5
EBITDA Margin (%)	15.5	18.7	17.0	17.9

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### PRICE PERFORMANCE



## Results Update

(Rs. Cr)	Quarter ended					12 months ending		
	Q3FY17	Q3FY16	% Change	Q2FY17	% change	FY18E	FY17E	FY16
<b>Sales</b>	<b>228</b>	<b>216</b>	6	<b>250</b>	(9)	<b>1191</b>	<b>1015</b>	<b>926</b>
Other Op. Inc	0	0	NA	0	NA	0	0	3
<b>Total Revenue</b>	<b>228</b>	<b>216</b>	5	<b>250</b>	(9)	<b>1191</b>	<b>1015</b>	<b>929</b>
<b>Expenditure</b>								
Net Raw Material	74	58	28	101	(27)	465	401	344
Personnel	48	61	(22)	45	7	222	188	160
Purchase of traded goods	18	16	13	16	12	60	51	59
Other Exp	49	48	3	50	(3)	232	203	192
<b>Total Expenditure</b>	<b>188</b>	<b>182</b>	3	<b>212</b>	(11)	<b>978</b>	<b>842</b>	<b>755</b>
<b>EBIDTA</b>	<b>40</b>	<b>34</b>	16	<b>38</b>	5	<b>213</b>	<b>173</b>	<b>174</b>
Oth. Inc.	0	0	NA	0.0	NA	0	0	0
Interest	6	5	31	6.5	(1)	29	31	32
Depreciation	8	6	20	7.1	5	30	28	26
Exceptional Item								
<b>PBT</b>	<b>25.8</b>	<b>23.1</b>	12	<b>24.2</b>	7	<b>155</b>	<b>114</b>	<b>116</b>
Tax	9	8	8	8	10	51	37	38
<b>PAT</b>	<b>17.2</b>	<b>15.1</b>	14	<b>16.4</b>	5	<b>104</b>	<b>76</b>	<b>78</b>
EPS (Rs.)	1.4	1.3	14	1.4	5	8.6	4.7	6.5

Source: Company and Axis Securities

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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