

From the MD

Dear Fellow Colleagues,

As we are reaching the end of the last quarter of the Financial Year 2011-12, it appears to me that we have seen the worst. The unstable situation and weak business scenario seems to be reducing. After a long gap, we made a shipment of iron ore fines in March '12. Also the business of coal has started reappearing and we can safely target some regular tonnages in the coming financial year. Fortunately, Sara Textiles is now reaching a target of 250 tons per month and hopefully we should achieve 300 tons in the next few months. At these tonnages and sales, our profits will display more robustness...

We all are now re-evaluating our business models and restructuring our businesses...some of the weak businesses may be closed and stronger divisions would be re-inforced. We may also enter into new areas of operations as we would like to grab the opportunities being offered to us. All this will take a concrete form in the next few weeks and a lot more on this will be shared in the next Sara Connect.

Budgetary preparations are in full swing and we hope to finalize the budgets before the 10th of April with targets that will stretch us, but which we believe are absolutely achievable.

Thank you for being part of this financial year and I look forward to your continued support as we go from strength to strength.

With best wishes,

D. P. Singh



Sara Textiles Ltd. at " Heimtextil 2012" , Frankfurt

Vision is not enough, it must be combined with venture. It is not enough to stare up the steps. We must step up the stairs.

– Václav Havel

In this issue

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Sara International Limited

Ores and Minerals

Iron ore

The Indian iron ore industry is still facing a very challenging environment, be it with the government regulations, administrative delays, pricing of domestic ore, inland transportation or the Chinese market. It seems that all these factors are converging to make the business of iron ore exports from India, more difficult. The expected export duty reduction in the latest union budget did not materialize, and in spite of the recent railway freight rationalization, there still remains a substantial gap on pricing parity.



*M.V. Mighty Royal - First Iron Ore Shipment
for the year 2012*

Sara has commenced operations at Haldia and Vizag port and it was one of the very few companies making export shipments in this last quarter from Paradip. MV Mighty Royal loaded 34,000 MTs of iron ore fines to China and we are now aiming to make one monthly small handy max shipment in the next quarter. This has required us to redesign our business model and undertake some tough restructuring.

Road restrictions and the high railway freight have made the Orissa operations negligible. This has dried up volumes moving into Paradip port and has impacted all companies, including Sara, for whom Paradip was a pivotal export port. However, our operations at Haldia and Vizag should now allow us to weather this passing phase.

The market for iron ore seems to have reached a plateau with a manageable price volatility. A balance seems to have been struck between demand and supply and we hope this sanity continues for some time. However, we see a further weakness due to Chinese demand and prices, which should hit the market sometime in May 2012. We will be prepared for the same.

Chrome ore

This financial year saw our full fledged expansion into the Chrome ore industry and we concluded the year with a volume of 45,000 tons. We have been procuring the material from miners in Europe and have arranged logistics for end-to-end supply to manage supply to our customers in China. This includes having deep pre-financing arrangements with miners, our own logistics and storage infrastructure as well as a dedicated and growing team. The chrome content of our product ranges from 34% to as high as 44% and is shipped loose in 20 feet containers. Sudan is another avenue that we are looking at with some interest and the coming two quarters should see us expand our origination from there.

Markets have been bearish during this quarter on account of weak demand and low prices in China. However, we foresee improving demand in the coming months and target to achieve volume of 100,000 tons during the next financial year.

Steel & Metals

The beginning of the quarter witnessed an appreciation of the USD resulting in very low imports of steel products into India. This trend gave a sign of relief to the Indian steel manufacturers who were under pressure to cut prices due to cheaper imports. Although prices remained mostly stable throughout the quarter, yet this did not bring an increase to the demand. In fact the country's steel production capacity has increased by 12% during the last year whereas the real demand has risen by a mere 4%. Further, it is expected that the domestic steel Industry will suffer from overcapacity in the medium to long-term due to the completion of several brownfield projects.

By the middle of this quarter, the USD started to weaken which again opened up opportunities for imports in India.

Due to low demand and surplus output, Chinese steel prices dropped resulting in increase of import bookings into India. However coming to the end of the quarter, the government raised the import duty on steel from 5% to 7.5% in order to curb cheaper imports and make way for the domestic steel industry to survive.

Due to the higher cost of imports earlier in the quarter, it was not viable to import Hot Rolled Coils or Cold Rolled Coils into India, however imports of high end Galvanized Coils were seen workable for our stock and sale business in South India. We are waiting for the markets to correct before we take any new decision on further imports.



Galvanized Steel Coils

During the beginning of the quarter, we have managed to secure an order for exports of steel bars because the appreciation of the USD let to better realization hence we could compete in the international pricing. Coming to the end of the quarter, we are again witnessing a trend for appreciation in the USD and anticipate a decrease in imports.

Coal and Energy

The past quarter has seen both thermal and coking coal markets remain subdued, faced with reluctant buyers, stubborn sellers and a general lack of liquidity. What this has resulted in for traders is a challenge in closing deals, increased counter party risk and an increasingly low margin environment.

The coking coal markets felt pressured due to a general weakness in steel prices globally, depressed demand, low utilization rates at steel plants and a general bearish sentiment. The expected rainy weather in Australia did not come to fore till as late as one week ago, and even then, the markets have not responded as they normally would. Quarterly coking coal benchmark prices have fallen and we expect the spot market to trade at a discount to the same in the coming quarter. Both India and China have chosen to remain on the sidelines of the spot market, and this has reflected in the availability of the product in the market. One has seen a large inflow of non-traditional coking coal origins such as US, Columbian and Indonesian coking coals now being available in the market at competitive levels.

Coke imports into India have also remained under pressure due to competitive and abundant supply from domestic sources. Russian and Ukrainian coke has been seen offered in the market but quality concerns have meant very little, if any, spot activity has been seen.

The thermal coal market has been under pressure for primarily two reasons: (a) China remaining out of the spot market or offering materially lower prices than acceptable to sellers; and (b) a slow down in demand from Europe. This has meant that large tonnage out of USA, Columbia and South African coals have entered the Asian markets. To support this, we have been seeing a low freight environment, especially for panamax and capesize vessels. The usual winter demand from China failed to materialize and this has put further pressure on the spot market, with high CV coals seeing a fall of close USD 12 PMT since December 2011.

For the Indian market, high stocks at ports have yet to be used up, and the recent depreciation of the INR again means imports have become expensive again. We do see enquiries in the market again, but there still exists some gap on the bid – offer spread. Our Jakarta office opened in Jan 2011 and this quarter has seen further strengthening in the team there and we will now cover South Asian markets like Korea, Thailand and Vietnam. Sara is committed to building up a robust coal business in Indonesia, news of which we shall share over the next few months.

Engineered Products

We are now close to concluding the deliveries of the containers under the tender contract from the government owned customer. The quality of the product, service levels and dependable logistical support have all been praised by our client. Nonetheless, the rail container market has been slow through the last year due to a slowing economy, high interest rate environment and slowdown in projects. But the consolidation happening in the rail sector and the anticipated pick up in demand are two reasons which should mean that the coming quarter is better for our order book. The infrastructure projects in the domestic market are also expected to re-start, which will give rise to a demand for specialised containers.

We have also been successful in establishing the genset business for our international customers and this business is bound to grow in the next financial year with mobile power requirement growing in Asia and the Middle East.

Our scheduled meeting with the Global purchase team of one of the world's foremost engineering and equipment companies was very interesting and discussions are now on for Sara to design and operate a global supply chain for their requirement of sound attenuated specially designed containers.



Sara's In house designed Bunk House

Sara Textiles Limited

Sara Textiles had the opportunity of making its presence felt in the US market again during the September '11 Market show. We had yet another successful show this March and now have got a permanent Showroom in New York at the Textile Building at 230, 5th Avenue.



Textile Show Room at New York

During this show, we could see the customers appreciating our new innovative products rather than just being focused on the price point. This is a welcome change for us and our towels, especially the luxury towel range were well received by almost all the customers who visited us during this show.

Sara textiles is actively working with major importers & distributors in the US for the production and distribution of towels for various high end retail chains as well as catalogues / TV channels, where we can build up volumes.

We also have initiated the Beach 2013 developments with premium brands in US and Sara textiles is discussing about EDI (Warehouse & distribution) programs for the Bath categories.

Our marketing focus on the US market continues to grow and we are very confident that this will result in it becoming a much large market for us.

We had another successful Heinmtex '12 with a new range of display and impressive presentations that were very well received by our buyers, visitors and the Jury as well. Further, we got continued support from our existing customers which was a major boost for the team as well as a strong

statement on our focus of quality, delivery and long term relationship building.

We have started planning for 2013 Heimtex on a different dimension where we intend to have a much increased product portfolio duly combined with coordinated stories.

On the operational front, we have been successful in optimizing our resources and have achieved a remarkable benchmark on water consumption, steam consumption and energy consumption.

The plant is constantly trying to optimize the resources and there has been a considerable improvement in last 3 months at all fronts. As a means to further our staff welfare activities, we have started a transport service from the Kirat Pur site to the works.

Magnum Resources Pvt. Ltd

Magnum Participated in Garment Technology Expo 2012 – the biggest Sewing Machine Exhibition in India, held from 17th till 20th February 2012 in New Delhi.

Our New Principal, Brosiomeccanica from Italy and Miller Weldmaster from USA, participated in the Exhibition for the first time and received good response and potential enquiries.



"Garment Technology Expo - 2012", New Delhi

Mr. Pasquale Brosio, Director of Brosiomeccanica and his daughter Ms. Antonella Brosio, Sales Manager visited the exhibition for promoting their products for the first time and were happy with the response from India. They appreciated Magnum's effort towards promoting their products.

"Zebra Stitch" – the new sewing machine of Pegasus, button hole and button stitch Induser of Brother were displayed for the first time in New Delhi in GTE 2012.



*Mr. S. M. Dwivedi (CEO - Sara Textiles Limited)
and Mr. Akshay Sharma (CEO - Magnum Resources)
attending the "Garment Technology Expo ' 12"*

Magnum received a big order for Cornely machines from one of the oldest and largest customers in India: Welspun India Limited for their Anjar unit and these machines were successfully installed in the month of February 2012.

The plan for sending people from Magnum for getting technical training for the various machines in USA, Italy and Belgium is in process as a means to boost the sales promotion strategy.

Knowing Us

Gitesh Singh, Assistant General Manager – Ores & Minerals



A brief on your role at Sara

I am heading Barbil office within the “ores and minerals” division of Sara International Limited. My role is to formulate strategy for procuring iron ore fines keeping in mind the techno-commercial feasibility of the same, managing the logistics of the iron ore to the port, liaising with different govt. departments, railways, local bodies etc. and ensuring efficient execution of the plan.

How do you see your future at Sara

Great ! All I can say is that “the sky is the limit” here. The group has a tremendous growth plan and a great work environment makes one more enthusiastic. I am committed to putting the best of my efforts towards the organizational goal which is ultimately personal growth.

You goals while in your current role at Sara

My immediate objective is to explore possibilities of sourcing iron ore from different steel manufacturing plants from state of West Bengal, Orissa, Chhatisgarh, Jharkhand and MP which will expand our sourcing base. My ultimate aim is to establish Sara as the foremost exporter in the iron ore business from India.

Your perfect Get-away

Hill stations where all you hear are the chirping birds, the rustling of leaves that awaken and rejuvenate the senses...

Your idol in life and why

I do not idolize any one person but I do admire the late Dhuru Bhai Ambani. What a visionary he was! He dreamt of building a business empire and converted that dream into a reality in his life time.

Your perspective of the most critical element for corporate success

A target oriented and committed team having a professional approach based on best practices is the single most critical element for corporate success.

New Joinees

Sara International Ltd.

Shruti Sehgal
Front Office Executive

Magnum Resources Pvt. Ltd.

Sanjay Singh
Territory Manager (Sales)

Mohd. Mijan
Senior Technician (Kolkata)

*Wishing You All
The Very Best For
The Financial Year
2012-2013*

Sara Group

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