

From the MD

Dear Members of the Sara family,

I would like to share with you a few changes that are being planned by the management and implementation of the same would be visible in the next few months.

As Sara Textiles Limited grows financially stronger; we are looking at further investments in the sector so as to make our spectrum of textiles wider and our base stronger. Opportunities in various areas of textiles are being identified and evaluated and as soon as we are ready with our plans we shall share the same with you.

Sara International Ltd is going to restructure from purely an international trading company to one, which has forward and backward linkages. Our own mining projects in areas of iron ore, chrome ore and coal are being seriously contemplated. We have already acquired mining rights in countries outside India that are likely to be exploited in the next few months. The results of all these efforts would only be known as we go along. Mining projects have a long gestation and therefore we need to be patient, attentive and hands on. We aim to be recognized as an asset owning company rather than a trading organization!

All the above would require expansion overseas and a need for world class human resource assets. This will throw up interesting career opportunities for our people.

Hopefully by next quarter we would have finalized our diversification plans that will be a watershed moment for Sara Group.

Unfortunately, in the shorter term, the volatility of the market, fear of Euro zone defaults and large percentage decline of growth in India are making things difficult for the economy and all commercial organizations. I feel we can overcome these temporary difficulties and for that we all have to be very cost effective and result oriented. I would like each one of you to contribute in cost control and achieving the set targets.

With warm regards,

D. P. Singh



Container Stuffing of Chrome ore

The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic.

– Peter Drucker

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Sara International Limited

Ores and Minerals

Iron ore

The dynamics of iron ore market are changing fundamentally. Till last year, India had been the 3rd largest exporter of iron ore to China, but within a span of one year, some Indian steel plants are being compelled to import iron ore. What has caused this shift are the policies of state and central governments, causing a massive slowdown in domestic mining and subsequent shortage of product. Chinese steel mills, which used to see India as a promising supplier of seaborne iron ore, have now shifted focus to other emerging suppliers. Additionally it seems that the only steps the government may take is to further protect the domestic steel industry by abolishing the iron ore import duty.

Most large miners have had to significantly cut down product and only a handful of iron ore exporters have survived. Sara has stood firm in these turbulent times. We have shown the rigour to ride this wave of change. Our branch offices have got leaner and more agile. Orissa remains shut for operations, but we have been aggressive in procuring from the states of West Bengal, Jharkhand, Chattisgarh and Madhya Pradesh. With committed efforts of entire iron ore team, within a span of 2 months, we have been able to accumulate a shippable lot at Haldia. This momentum we believe will continue to gain pace and we will get more encouraging news.



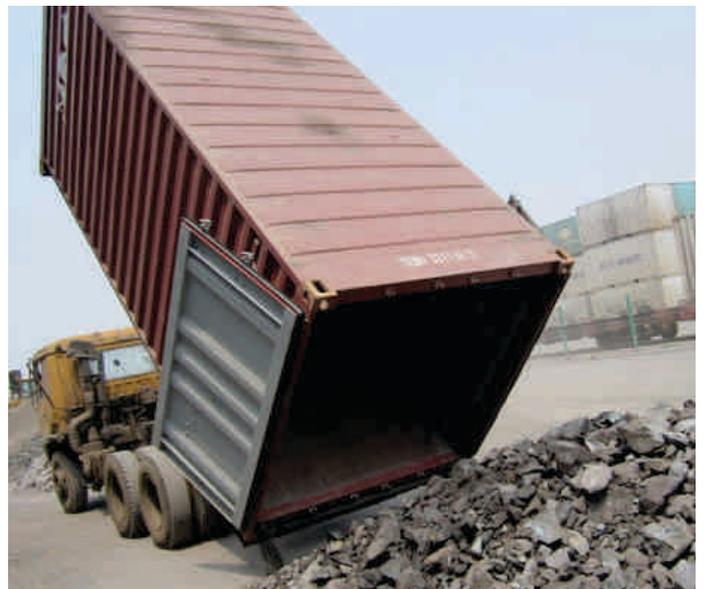
Iron ore Stock at Haldia port being covered in anticipation of the monsoons

The international iron ore market remains subdued due to the general macro economic slowdown in Europe, Asia and even China. Steel consumption is low and port stocks in China are at all time highs. Prices have remained range bound in the last quarter but at levels which continue to make Indian iron ore uncompetitive.

We don't see any fundamental improvement in the market unless there is a sustained flow of good news from Europe, US and other nations. When this will happen and to what extent, remains anyone's guess!!!

Chrome ore

While iron ore has been challenging, our chrome business has been scaling new heights. Focused and well co-ordinated efforts by our origination centers in Europe and Africa to our marketing teams in China, has paved the way for Sara to become a established supplier of chrome ore to China. Chrome is helping us to leverage our marketing expertise of steel making raw materials in the Chinese market and this has resulted in the supply of over 9,000 MTs of chrome ore in May itself.



Chrome Ore offloaded at China

The chrome market is niche and we are confident that with our expanding origination efforts, we will be attaining a large market share in China in the coming months.

Steel & Metals

During the end of the previous quarter, the government raised the import duty on steel in order to curb cheaper imports and make way for the domestic steel industry to survive. This was a sigh of relief to the Indian steel manufacturers who were already under pressure due to high input costs. However earlier in the quarter, India's National Mineral Development Corporation increased ore prices which again hit the steel industry. With such continuous increase in prices, analysts feel that India's steel manufacturing growth is likely to be a moderate 4% to 5% in the current fiscal as economic slowdown is impacting industrial projects. Various number of steel plants are already running behind schedule and have been stressed on the need for improvement.



Cold Rolled Steel Coils at Chennai

Coming to the mid of the quarter, the markets have seen fall in prices of iron ore, coking coal, and thermal coal in the international markets. These were some of the factors that had begun to bring down the steel prices, however, again the imports of scrap came to a halt on account of the depreciating rupee. Faced with dwindling supplies and a country-wide clampdown on iron ore production, for the first time steel companies have started to import iron ore in order to feed their plants.

Our import activities have been limited due to the market conditions, however, our exports have been continuing regularly. We have secured our regular order for the supply of high grade hexagonal steel bars to Mexico and the production is currently in progress. Once the currency movement stabilizes, we shall look forward for commencing our imports of flat steel again.

Coal and Energy

The last quarter has seen thermal coal prices tank by 20-40% across the globe from South Africa, Australia through to Indonesia and the US. This has largely been driven by excellent production levels in all producing countries and a less than healthy demand across Europe, US and Asia. The key factors affecting demand in Asia have been an oversupply on high quality coal from the US (driven by low natural gas prices and very low freight rates), a very weak Indian currency impacting Indian import demand and much lower level of coal shortage than anticipated in China. It has been a recipe for a perfect storm in coal markets, that came as a thunderbolt to the most experienced of analysts.

The India coal story has come to stand still. On the one hand, we are facing a severe shortage of power but on the other hand, regulatory issues with power projects has negatively impacted demand due to a slow down in projects. Nonetheless, demand still outstrips supply putting increasing pressure on COAL INDIA. At the time of printing of this newsletter, majority of the power plants in India are running "critically" low stocks (of less than 4 days). While the demand is there, import appetite has taken a beating due to the depreciating rupee which has wiped out any gains possible due to falling international prices. On the positive side, thermal coal imports into India are still expected to grow by over 14% to reach 90 million tonnes in the coming year but the current market scenario is one of concern and confusion.



Thermal Coal from Indonesia

This quarter we successfully completed another shipment of 60,000 MTs Indonesian Coal to our customer in China. The vessel MV YU LAN HAI was loaded from South Kalimantan to South China. Moving a step ahead, we are now entering into the business of stock-and-sale at various ports across India. Our first operations begin at Kandla (India) wherein our own vessel carrying 50,000 MTs of South African coal will be arriving during the beginning of July 2012. This we feel is the start of something exciting!!!!



MV YU LAN HAI loaded from Indonesia to China

Engineered Products

The first quarter has been a slow starter in terms of the retail business of bunk houses but at the same time there have emerged opportunities for large scale business because few project companies have come out with large requirements of porta cabins / bunk house for their project sites. Our regular supplies to one project company driven by our quality of products has now been noticed by other potential customers, which we hope will result in increasing business in the coming quarter. We are also pleased to inform that we have qualified in the technical bid for government of India tender for supply of 1,650 containers and for which the financial bid opening is expected to be in next few weeks time.



Manufacturing of sound attenuated container

The generator business for our international customers has again picked up and we are very close to getting orders for nearly 40 gensets by the end of this month and we are also in process of targeting other geographical areas worldwide for generating leads and business prospects. At the same time we have again been approached by our existing customers for the further supply of sound attenuated containers similar to last years supplies.

Sara Textiles Limited

Grappling with high inflation costs and a difficult business environment due to the slowdown in various markets combined with uncertainty in the European sector, this has been a quarter where Sara Textiles has had to be very cautious. Demand forecasts are still very uncertain and from the so called developed markets we are now shifting focus to the growing, yet un-chartered territories namely; America, Eastern Europe & South East Asia.

We are also trying to increase our product line by diversifying into the hospitality sector where we have planned to install double needle stitching machines to enhance our productivity.

Our commitment to the environment remains strong as we have added a new scrubber in the boiler in order to have a secondary purification of emissions to minimize air pollution. On the same lines, we have enhanced our control on water purification. This has been achieved by adding one more filter press to the already existing two to treat the sludge generated in the process of effluent purification.

On the community side, Sara Textiles invited students from Lawrence School, Sanawar, to visit our facility in the month of April'12, and this also formed part of their academic curriculum. This industrial visit was a great learning for the students. Many of the students were very enthusiastic to see the elaborate processes & techniques involved to manufacture a daily use product like terry towels.



Students of Lawrence School, Sanawar, visiting the facility at Nalagarh



Mr. Akshay Sharma, CEO, Magum Resources Pvt. Ltd. with Mr. & Mrs. Yoshinori Suzuki, Director, Brother International, awarding Best Performing Branch of the year 2011-2012 to Ludhiana Branch

Magnum Resources Pvt. Ltd.

Fluctuation in the US Dollar & Euro exchange rates have affected the Indian economy as well as the Textile /Garment sector to a remarkable extent. The situation of import of machinery saw unexpectedly low volumes in first quarter of financial year 2012-13. This coupled with increase in customs duty of Textile & Garment machines by 2-3% has further discouraged buyers to get new machines purchased.

Despite the above scenario, MRPL achieved a 30% increase in sales during the first quarter of 2012-13 as compared to the first quarter of 2011-12.

MRPL held a get-together inviting all their local principles & branch teams. During the event, MRPL's CEO Mr. Akshay Sharma awarded and recognized the best performers & highlighted Magnum's vision & plan for achieving better results in every area of business while emphasizing on optimum utilisation of resources.

As part of a continuous effort for technical enhancement through training programs, MRPL's principles Brother & Pegasus jointly conducted technical seminars for customers in Ludhiana & Kolkata.

Under MRPL's constant endeavors towards learning and skill development, Mr. Virender Verma - Head of Home Textile Division, was sent to Miller Weldmaster in USA for Technical & Sales training. He also attended a conference at Miller Weldmaster, where all the international partners of the principal company were present and shared their views. This was a good learning platform as it will help to promote the various products of Miller in India which has vast potential among non woven and technical textile industry.



Brother & Pegasus Management Team Members along with Mr. Akshay Sharma during Technical Seminar conducted at Kolkata

Knowing Us

Shivangni Sinha Manager – Human Resources & Administration



A brief on your role at Sara

My role as the human resources manager is to contribute towards acquiring and retaining talent, facilitating skill enhancement through various learning and development initiatives, managing employee relations and workplace diversity, to ensure that system is well managed with policies and procedures in place.

How do you see your future at Sara

Sara as an organization is constantly exploring various avenues and striving towards growth. Certainly, I look forward for growing from a functional head to a strategic leader thus naturally evolving and widening my horizons by understanding the key business processes and supporting the same by delivering skilled employees and continually enhancing their productivity and quality output.

Your goals while in your current role at Sara

My goal is to fulfil the ongoing human capital requirement with the growing organizational needs. However, the long term objective is to enable a strong self learning culture within the organization, tied to innovation and high performance. Focus would be towards nurturing the next line of managers to take up leadership roles and new challenges in an ever transforming corporate scenario.

Your perfect Get-away

A hill station with my family.

Your idol in life and why

I idolize my parents as they were my first teachers who laid the foundation of basic values & principles in my life. They are the best appreciators and critics.

Your perspective of the most critical element for corporate success

A strong team working in harmony towards the achievement of well defined objectives.

New Joinees

Sara International Ltd.

Suman Rawat
Front Office Executive

Nitin Kapoor
Deputy Manager (Commercial)

Sanjay Patwal
Senior Manager, Operations (International Trade)

Harivansh Singh
Field Executive (Travel)

Sara Textiles Ltd.

Amit Sachdeva
Marketing Manager

Hunny Mehta
Merchandiser

Upendra Kumar Pradhan
Merchandiser

Archit Jain
Assistant Merchandiser

Magnum Resources Pvt. Ltd.

Priyanka Upadhyay
Office Coordinator

Vikas Kumar
Service Engineer

Dilip Kumar Verma
Sales Executive

Tufail Khan
Service Engineer (Mumbai Office)

Nagarwal Pravin B
Sales Engineer (Ahmedabad Office)

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