

From the MD

Dear Members of the Sara family,

Towards the end of last quarter, we felt that the clouds of uncertainty and pessimism were clearing and there was some silver lining on the horizon. A sense of anticipation was returning to the business, both nationally and internationally.

Sara Textiles seems to have “Taken off” and discussions are being held for expanding and breaking ground on new projects. Even though the textiles industry remains under pressure, Sara appears to have broken the industry shackles. This is a good job done!! I only hope the trend continues.

MRPL is enlarging its hold in the apparel and textile machinery world. More agencies are being acquired and existing business is also improving. The first half of the financial year for MRPL is looking very good. But I would like it to be great!!!

SIL is expanding its reach, increasing its trading / shipping operations in coal and chrome. All in the positive direction! Our first mined minerals will soon be on board in October. That should take the company to another level.

While, I am after a long time, giving you some good news, I am also keeping my fingers crossed. The economy still is very fragile!!!

God bless and happy Diwali!

D. P. Singh



Sara Group Employees participating in the Airtel Marathon 2012

Vision looks inward and becomes duty. Vision looks outward and becomes aspiration. Vision looks upward and becomes faith
– Stephen S. Wise

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Sara International Limited

Ores and Minerals

Iron ore

The Indian iron ore industry is still under a cloud of uncertainty. International prices have been under breakeven levels for majority of the last quarter. With the Indian government not clear on the policy road map, iron ore trade is bound to remain stagnant. Till last year, India was the third largest exporter of iron ore, but now buyers no longer look at India as a major supply source. India exported approx 117 million tons of iron ore in FY 2011, whereas the export is expected to be less than 45 million tons in FY 2012.

After the shortest of periods in July which saw a rise in market prices and demand for iron ore, the demand and prices have been constantly declining the past quarter. In month of July, Sara executed its first shipment of iron ore from Haldia for the financial year. In addition, we started our operations at Visakhapatnam and started accumulating stock of iron ore fines. This puts us in a rare group of companies still having executed some export shipments from the East coast of India.



MV Atrato 2 loading at Haldia Port

However, the international market remains under immense pressure largely driven by a falling downstream steel demand in China. On the other hand, the cost of iron ore procurement, logistics and export is on rise in India. Due to various trade

barriers imposed by Indian Govt., such as the differential freight charged by Indian railways for the iron ore transported for export, almost all companies have been forced to stop export of iron ore fines. Recently the Goa government banned mining activities and suspended the environment clearances of all mining leases in Goa.

Many of our traditional buyers of iron ore have turned into sellers, now offering iron ore lumps and pellets for sale to Indian steel manufacturers. The falling global prices of iron ore coupled with the lack of domestic availability of iron ore is creating a scenario where it is cheaper to import iron ore than to purchase and move the same locally. Sara is playing an aggressive role in developing this trade flow.

Our strategy in iron ore remains to develop non traditional sources of iron ore globally and our efforts on that route continues. However, the plummeting market prices and falling demand are making this task even more challenging.

Chrome ore

Chrome ore markets have been under huge pressure due to price cuts from Chinese mills on account of weak demand for stainless steel and thus, ferro chrome. Chinese traders anticipated that ferro chrome prices would continue to slide and hence hesitated from making any purchases. This of course impacted our volumes for the early part of the quarter.



Chrome Ore stuffing and sampling operations at load port

However, despite all the odds and a bearish market, we have still managed to ship 15,000 metric tons of chrome ore lumps to China during the past quarter. The next quarter will in our opinion remain stable as far as prices go. Nonetheless, we see some restocking activity coming up and with some new end users now on our customer list, we target to ship 30-40,000 metric tons in the coming quarter. Another feather in our hat has been the expansion of our supplies into India as well, in addition to China.

Steel & Metals

After India signed a free trade agreement with Korea and Japan early this year, the duties on import of steel from these countries were reduced which led to an increase in the volume of imports, specially for flat products. Imports went up to 2.88 million tons during April-July period of the current year as compared to 1.88 MT in the same period of last year, notching a growth of over 53%. Domestic producers have been demanding removal of steel from the free trade pacts with Japan and South Korea. Interestingly, the rise in imports has happened in the traditional lean period, when consumption normally turns sluggish due to the monsoon season.

Speaking about the global scenario, it is interesting to note that China's steel production has grown over four times in the past decade, from 182 million tons in 2002 to estimated 715 million tons in 2012. China is dominating the global steel market which has added huge concerns from steel mills in Europe, US and India.



Hexagonal Steel bars ready for dispatch to South America

After a break in the last quarter, we have managed to secure orders for our high carbon steel bars being shipped to South America. We are also working on a deal to ship large volumes of steel reinforcement bars from China to eastern Europe. A few years back these rebars were one of our primary traded steel product to the Middle East.

Coal and Energy



MV PERTH discharging coal at Kandla Port

This quarter has seen a surge in coal imports into India, specially in the month of August which rose to 12.98 million tons, about 30% higher than last year. This import consists of 9.98 million tons of thermal coal and 3.00 million tons of coking coal. The largest suppliers were Indonesia, Australian, South Africa and US. This is surprising considering the continued weakness of the Indian Rupee against the United States Dollar.

However, coal importers in India are still hindered by poor port infrastructure and poor inland connectivity to power plants and steel mills. Despite a massive government spending programme trying to improve port infrastructure, India's ports are still plagued by inefficiency at a time when the country is looking to increase its coal imports to meet rising domestic demand mainly from the power sector. This remains a huge concern for the growth in this sector.



Rake Loading at Kandla Port

Our first import of South African steam coal arrived in July at Kandla Port in west coast India. We are successfully executing the deliveries to our key customers in India as well as catering to new markets. This stock and sale business model has brought us into the foray of coal trading wherein we are able to meet our customer's immediate requirement for smaller quantities along with logistical arrangements for on-site deliveries. We are now lining up for another similar consignment in the next quarter and working on possibilities to venture into similar business model for Indonesian steam coal.

The Chinese coal market remained stagnant with the gap between buying and selling prices too large to bridge. Towards the end of the quarter, we saw this gap reducing. Power plants in China are running on close to 20 days of coal stocks and ample availability of stocks at Qinhuangdao is impacting import demand. However, there is still large volumes of coal moving in due to distressed sales and older contracts. There could be some potential re-stocking before the onset of the winters but in our view, the upside on coal pricing is limited.

High calorific value coal remains available in plenty and continuing low freight rates are making it easy to ship into China from the Atlantic Basin as well. This will continue to weigh in on prices. However, with rationality returning to the producers, there is increasing amounts of capacity cut back which we feel could reflect in a pricing floor over the next quarter.

Engineered Products

We have been able to get a breakthrough in a major project company for supply of bunk houses and containers. The project company is presently executing a prestigious Delhi government project and if satisfied with our supply for the initial order, we can expect big orders over the next six months. We have also successfully completed the first lot of sound attenuated containers for a major genset manufacturing company in India. The sound attenuated containers were designed as per the customer's requirement and have been delivered successfully. The initial order was a pilot test for confirming the quality and workmanship of the container which has been successfully acknowledged by the customer. This is a major segment in the industry and we look forward to building up our reputation here.

We have also successfully executed the supply of first lot of gensets to our middle east customer. We are anticipating a growth in this segment during the second half of the current financial year because of the growing demand for power supply, driven by a return in construction activity in the MENA region.



Specialised sound attenuated enclosures for generators

Sara Textiles Limited

A new market for STL : USA

We had yet another successful show in New York where we had our showroom at 7 West, one of the new but prestigious Textile buildings on 5th Avenue. We have initiated dialogues with a few major importers and distributors in the States and are targeting large sized promotional towel businesses of major retailers.



Sara Textiles New York Showroom

Such programs results in better productivity, lower operational costs and ultimately a lower product cost which is beneficial for us as well as our customer.

The cotton yarn price increase in the recent months had slowed down the purchases or new order confirmations as the customers were adopting the "Wait and Watch" principle. Luckily, cotton prices have come down in the current month and that has given an opportunity to our customers to finalize the bookings. We look forward to having some good programmes in our basket enhancing our dispatch figures accordingly.

On the Plant Front: Upgrades

We have taken up the upgradation of machines to reduce damage percentage and increase in output. In the current month, we hope to further increase efficiencies in overall production. Water conservation is another serious activity under execution and we expect considerable positive results thereby minimizing water consumption.

Magnum Resources Pvt. Ltd.

The garment and textile sector continues to suffer due to fluctuations in US Dollar and Euro currency. The buyers, especially from Europe have reduced order quantities driven by falling garment procurement in Europe. In spite of the above factors, MRPL was able to increase its sales by 20% as compared to the last year.

MRPL recently signed agreement with Loiva Intech Pvt Ltd to represent their range of products in North, East and West India. The products MRPL shall be marketing are button knotting and wrapping machines from Loiva Korea, fusing machines from Martin Group SRL, Italy, collar / cuff / pocket and finishing machines from Nissin Machinery Pte Ltd, Singapore.

MRPL successfully sold and installed its first Miller Weldmaster heat sealing machine for the finishing of sign and bill boards to an Ahmedabad based customer.

Mr. Akshay Sharma, C.E.O of MRPL visited the JIAM show held in Osaka, Japan from 19th to 22nd September along with MRPL's Indian customers. During his visit, Mr. Akshay also visited the manufacturing facility of Brother Industries Ltd where they manufacture sewing machines.



JIAM Show 2012, Osaka

Knowing Us

Sanjay Kohli, Senior Manager - Accounts & Finance



A brief on your role at Sara

My role entails looking after the day to day accounting functions leading to the finalization of balance sheets, liaising with lenders like Banks / NBFC's for submission of information and monitoring the credit facilities required for our operations, managing treasury investments as well as dealing with consultants / government departments. Apart from this, I am also part of the core team interacting with credit agencies for renewal and upgrade of Sara's credit rating.

How do you see your future at Sara

Great! The Group has aggressive growth targets driven by a strategy of diversification and asset creation. I am proud to be a part of this plan and will contribute my utmost to achieve the goal. Individual growth is interlinked to the growth of the organization and I am certain both will come with the passage of time. With increasing internationalization of the group's business, I hope to see my role develop similarly in the future.

Your goals while in your current role at Sara

I would like to acquire more skills in the field of accounting, as due to recent changes it has become a very dynamic field. Along with this, I plan to be hands on with the regulatory environment also.

Your perfect Get-away

Religious places to get the strength for performing KARMA. I was earlier posted in Haridwar, memories of which I still cherish simply for the reason that it is so peaceful and tranquil.

Your idol in life and why

My parents who have given me the values of discipline, honesty and loyalty. They are my first teachers, whose teachings shall last for the lifetime.

Your perspective of the most critical element for corporate success

Detailed planning followed by time bound execution and overseen by regular monitoring are the key elements to corporate success.

New Joinees

Sara International Ltd.

Ravi Sharma
Senior Manager, Coal Marketing (Kandla)

Pradeep Singh
Field Executive, (Kandla)

Satish Kumar Verma
General Manager, Mining

Shankar Lal Goel
General Manager, Accounts & Finance

Alok Ranjan Pradhan
Accounts Executive

Dinesh Kumar
Accounts Executive

Sourish Kumar Samanta
Deputy Manager, Administration

Gyaneshwar Pandey
Maintenance Executive

Harvir Singh
Office Assistant

Sunil Kumar
Pantry Boy

Winston Yue
*Manager, Ores & Minerals
(Shanghai Representative Office)*

Sara Textiles Ltd.

Nitan Dubey
Assistant Merchandiser

Dharmender
Purchase Executive

Krishna Kumar Murmu
Textile Designer

Magnum Resources Pvt Ltd.

Vinod Kumar
Senior Engineer, (Ludhiana)

Anil L Ubale
Regional Manager – West, (Mumbai)

Sara Group

Sara House, B – 8, Sector 4
Noida, UP - 201301, India
Tel: +91-120-466 7272
Fax: +91-120-466 7201
E-mail: info@sara-intl.com
www.saragroup.co.in