

## From the MD

Dear Members of the Sara Family,

It seems we are following a “mirage”. I earlier thought that business volatility will soon get over, but it has not. The cycle of economic fluctuation has continued not only affecting us, but the entire industrial community which is facing uncertainties. We are in the same boat as others but fortunately doing better than our peers.

Our smaller divisions like Containers, Cement, Steel and Sourcing are growing steadily, but larger operations of Commodity Trading, Textiles and Infrastructure are fire fighting.

In view of these impediments it is important that we keep on our vigil on costs and try innovative measures to expand our markets. We also need to make "Impeccable quality in products and best-in-class services" our motto. The customer who holds our hands once, should become our life time partner.

Looking forward to better times!

**D. P. Singh**



*The Sara Group Top Management Team at The Annual Off-Site in Sariska*

Life is ten percent what happens to you and ninety percent how you respond to it  
- Lou Holtz

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## Sara International Limited

### Ores and Minerals

The new financial year started with a rally in iron ore prices with April reaching USD 190 PMT CNF China levels. But as we have seen many times earlier, this is pretty much a ceiling for Chinese buyers on the spot market and prices fell down by USD 10-12 PMT within a matter of five weeks. This volatility in the spot iron ore market has made risk management top of the priority list for Sara International. While reading of the markets is essential, the operational and back office functions are now even more critical and our team is working hard to become world class in our operations and back office execution.

Post April, our exports tonnage dwindled due to state government restrictions. Practical issues facing exporters like Sara are not being considered and this is impacting the iron ore industry in general. We, however, feel that we may be able to get the wheels rolling again by the end of June and next quarter should see us race in to make up for our missed targets. We are also looking at commencing exports from three more ports along the Eastern Coast of India that should boost our performance.

Our trading of FOB iron ore cargoes remained solid and we delivered on our targets. We see this business growing for the company and are now looking at expanding to newer ports including West India.



*Domestic Supplies for Iron Ore are held up as of now*

The most dominant factor here, however, is the sheer volatility in the market and the price swings one has to factor in. Newer tools, such as iron ore swaps and over-the-counter traded contracts, do however provide hedging opportunities supporting our quest for flawless risk management but liquidity issues remain.

The general scenario for iron ore remains bearish from our perspective till end of August, with small bullish spurts in pricing possible. This is driven by weakness in both Chinese as well as the Indian steel markets. High production, coupled with restricted demand during April and May, has led to substantial inventories at most steel mills and this will keep prices in check. Further, general macro-economic indicators seem to be bearish and government policies in India and China are being aimed at reigning in inflation that is bound to impact growth and demand.

### Steel & Metals



*Imported cold-rolled coils at the Chennai warehouse*

Continuing the impact of the fourth quarter of the last financial year, FY 2011 – 2012 began with high Indian steel prices, which remained stable through April and May, but due to fall in raw material costs, they have again started moving southwards. As we move towards the end of the quarter, even the Chinese steel mills have cut prices for July shipments.

In 2010-11, India produced 78 million tonnes of steel from both primary and secondary producers, making it the 5th largest producer of steel in the world. In particular, the fourth quarter saw robust growth with increase in rural demand. Exports of steel were 3.5 million tonnes, while imports of steel were at 6.8 million tonnes. An addition of 10 to 15 million tonnes of steel making capacity is expected to be commissioned in India by the end of this year.

During this quarter, we have imported 5000 tons of Hot Rolled Steel Coils from Japan and 500 tons of Cold Rolled Steel Coils from China. The strong domestic demand has kept it viable for imported steel, and we are now planning enhanced orders for the next quarter.

Our existing order of 175 tonnes of hexagonal steel bars for shipment to Mexico is currently under production and expected to be shipped out during the first week of July. We are targeting more such orders for this special grade steel.

## Coal and Energy

There has been a downtrend in the Coking Coal Price for the 2nd Quarter of 2011 in comparison to the 1st Quarter of 2011. Anglo American has settled their 2nd Quarter Coking Coal Pricing with the Japanese Customers at \$315 / MT FOB Australia for July to September 2011 Quarter which is \$15 / MT lower than the April – June Quarter Price of \$330/MT FOB Australia.

But this settlement comes at a time when BHP Billiton has made an unpopular shift from Quarterly to Monthly Pricing. This Deal also marks a departure from the usual negotiation procedure, as BHP normally leads and agrees the first "Benchmark" Deal. This Deal is likely to be welcomed by the Steel Industry which is averse to BHP Billiton's proposed Monthly Pricing. Meanwhile, BHP Billiton - Mitsubishi Alliance would be settling their Monthly Pricing with Japanese Steelmakers for its top Quality Hard Prime Coking Coal for July Sales by June end which would presumably bring down the Spot Prices of Coking Coal to some extent.

It has been reported that some Major Indian Steelmakers, largely dependent on Australian Coking Coal supplies to feed their Blast Furnaces,

are accepting demands by BHP Billiton Mitsubishi Alliance for monthly priced Contracts, at least for a part of their purchase volumes from the Australian Miner. SAIL & RINL are being reported to have agreed that Contract Prices be renewed monthly for 50% of their Coal Purchases from BMA. For the remaining 50%, the Indian firms would pay the Quarterly Contract Price. However, the Contract Prices, monthly for July and Quarterly for July-September, would be finalized only after BMA concludes negotiations with its Japanese customers by end-June.

Owing to a severe paucity of good quality coal supplies domestically, India remains particularly vulnerable to the pricing tactics of foreign suppliers, especially from Australia. But, in spite of restricted availability of Australian Hard Coking Coal on spot, the Indian market is not very upbeat due to sluggish demand in the downstream sectors like Pig Iron, Sponge Iron and others and this has significantly impacted the Indian Met Coal & Met Coke Prices. Hopefully the market should witness some signs of recovery from September 2011 onwards.



*MV Polaris Melody at the Load Port in US*

We are in discussions with some of our key suppliers and customers for future business opportunities pertaining to Coking Coal, Thermal Coal & Met Coke. We have successfully executed a Coking Coal shipment of about 33583.90 MT per MV Polaris Melody from the US and the cargo has been discharged at Paradip.

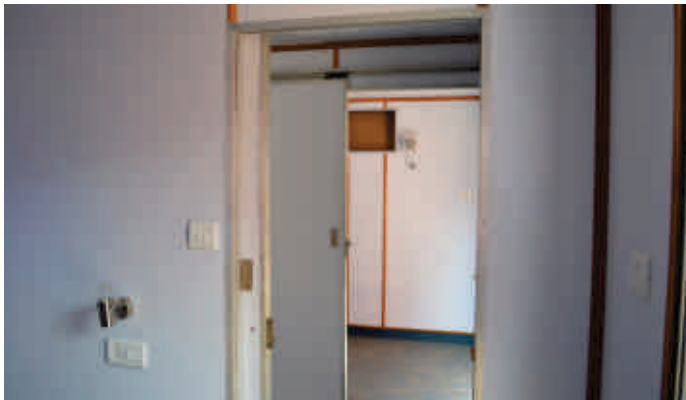
As regards the future Global Met Coal and Coke Market Scenario, the incremental US Coking Coal Exports might merely offset Australian Coal exports. As regards present global Met Coal market scenario, the West is yet to recover from the economic crisis while the bearish sentiment and

sluggish demand in the steel sector is still continuing and all these factors are considerably attributing to the Met Coal prices in the US and Europe. As for China, it's Policy is highly unpredictable as usual and it's quite difficult to fathom their future plans at this moment.

Finally, both the Indian and the World Coking Coal and Met Coke demand would remain strong for next couple of years and with accelerated recovery, Coking Coal and Met Coke supply will find it difficult to meet demand. Coking Coal and Met Coke prices, too, would remain high for some years but more or less stable.

## Engineered Products

The process of establishing Sara International as a supplier of specialized quality product containers has had a major boost with few important orders in hand. These orders have given us the much needed confidence and considerable market recognition. The customers have also started showing more confidence in our supplies by increasing the requirements, which is evident with the current orders in hand.



*Another of Sara's Containers nearing completion*

On the domestic market front, after a lot of perseverance and hard work, we have been able to get a breakthrough in the rail sector. We have got an order for 300 containers from a government owned rail operator in India. This is a major breakthrough considering the fact that the overall rail segment is going through a lean phase and is a major business avenue when there are no orders being placed in the rail sector. The private rail companies are streamlining their processes and keeping on hold all the future requirements. This market is expected to open up in the last two quarters of this financial year.

We have also been able to obtain a big order from a project company for 20 bunk houses for which the deliveries have already started. It has been our endeavor in the last year to create market awareness about our company and all the efforts put in through last year have started yielding results as is evident from the new orders.

## Sourcing

A large European retailer has given us the opportunity for quoting on new product categories like gaments and coir mats. We have had a successful visit of the Sourcing Manager and Senior Merchadiser from their buying office for vetting our garment factories.

This quarter, we have shipped the first container of towels from Sholapur to our German buyer and this looks promising to become a continuous business. Another first has been the shipment of towels from Sara Textiles to a South American customer. An interesting project we have been working on for an American customer for over two years is in the final stage of testing and hopefully commercial production shall start in the next quarter.

Cotton prices are coming down and the market sentiment looks positive. If the downward trend continues then hopefully next quarter should be good for booking orders.

Jute market continues to be low as Bangladesh is giving quality products at cheaper prices as compared to India. We are monitoring the situation and will do forward bookings when we have new crops in the next season.



*Sara Sourcing's first dispatches to South America*

## Sara Textiles Limited

Continuing our constant endeavor for a greener earth, we have invested over Rs. 1.5 crores for the upgradation of our existing ETP process. We have started the new Biological treatment process and the same was formally inaugurated by the Executive Engineer, H.P. Pollution Control Board, Baddi. Now the plant is equipped with completely operational chemical as well biological effluent treatment facility. Now the process is not only more efficient but also cost effective considering the operational costs. Energy audits have been conducted and the recommendations given by the auditors have been adopted to save energy and water and reduce our impact on global warming.

Last two months have been challenging in terms of orders, but with the cotton yarn prices heading southwards, international buyers have started heading towards India. We have already started receiving sizeable enquiries and expect good business in the coming months. We also got a good break in Middle-East and the Indian markets which have tremendous potential. We do also hold the advantage of offering branded towels in the domestic market without the obligation of excise duty.

To further improve efficiencies of operations we have been putting an additional thrust on HR activities. A change of guard in the preparatory, weaving, finishing and production departments, and strengthening of the marketing team is expected to give efficient delivery of products and services.

The ERP implementation and inventory control has been implemented at the ground level and we expect considerable improved results in coming months.



*The upgraded ETP at the Sara Textiles plant in Nalagarh*

## Magnum Resources Pvt. Ltd.

Magnum has opened new branch office in Kolkata to cater to the east Indian market. Mr. Toshiaki Yamada, Director, Brother International Singapore Pte Ltd, along with Mr. John Tan, Vice President, Pegasus Singapore Pte Ltd, visited Magnum's Kolkata office on 7th June 2011 and discussed the future business strategy for Brother and Pegasus Machines.



*Mr. Yamada, Director, Brother International Singapore Pte Ltd being greeted at the Magnum office*

The quarter also saw Magnum participating in Garment Technology Expo 2011 in Jaipur for the first time from 14th to 16th May. Sewing machines from Pegasus and Brother and Amaya machines were displayed in the exhibition.



*The MRPL Team at the GTE - 2011 in Jaipur*

## Knowing Us

### **Abhijat Mishra - Product Head – Embroidery, MRPL**



#### **A brief on your role at MRPL**

My role with MRPL, as the Product Head for Embroidery Division, is to continuously increase business volumes by adding value to clients and the organization alike

#### **How do you see your future at MRPL**

MRPL is a growing organization where we have a team of professionals who are strong in their respective areas of specialization and are together working towards the common goal of empowering clients and benefiting our organization. Under these circumstances growth is promising and future is bright!

#### **Your goals while in your current role at MRPL**

The mid-to-long term Goal is to exponentially increase the market share of the products that we represent, through building a bond of trust with our clients and by working as a total solution provider for them while concentrating on organizational benefits

#### **Your perfect Get-away**

The Himalayas....

#### **Your idol in life ..... and why**

Dhiru Bhai Ambani. I admire the way he dreamt of creating the biggest grass root refinery of the world and made it a reality in his life time

#### **Your perspective of the most critical element for corporate success**

Have a vision and work towards making it a reality by applying your experience and through constant improvisation, innovation and improvement

## New Joinees

### **Sara International Ltd.**

Santosh Kumar Panda  
*Branch Incharge - Gangavaram / Vizag*

Anubhav Gupta  
*Management Trainee - Ores and Minerals*

Pravir Chandra Pattanaik  
*Branch Head - Paradip*

Suniti Chatterjee  
*Executive Assistant*

### **Sara Textiles Ltd.**

Rakesh Kumar Sharma  
*Merchandiser*

Ravi Sharma  
*Merchandiser*

Deepak Singh  
*Personal Secretary*

### **Magnum Resources Pvt Ltd.**

Vishal Raj  
*Sr. Service Engineer - Home Textiles Division*

Raveesh Mittal  
*Sales Officer - Home Textiles*

Nur Allom Mullick  
*Technician - Kolkata*

Naginder Sharma  
*Service Engineer - Ludhiana*

Avinash Rajendra Sharma  
*Executive Sales - Ahmedabad*

Munmum Chakravorty  
*Office Coordinator - Kolkata*

### **Sara Group**

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