

From the MD's Desk

Dear Colleagues,

In the previous issues of Sara Connect I have been informing you about the uncertainty prevailing in the International commodity markets; making it extremely difficult for a stable business scenario. The 2011-12 budget presented by the Finance Minister further proved as to how uncertainties of Government policies can affect business. For Sara the budget announcement was a bolt from the blue. Export duty on iron ore was increased from five percent to twenty percent adding nearly 30 dollars per tonne to our cost. Just a few weeks earlier, the railway budget had increased the cost of transportation by 10 dollars per tonne. All this added an enormous burden to the inventory cost of Sara International Ltd. Fortunately, the year had been good and therefore we were able to live with this additional cost. But it certainly will hit our profitability.

The good News is, this year will end with higher turnovers in all our companies. We have been able to add to our customer base, win confidence of our suppliers and the Sara family has stood together to move towards better future.

Volatility in the market continues with the earthquake and tsunami hitting Japan and political instability in the Gulf and the Arab World. It appears that for some more time we will have to live with unforeseen ups and downs in the political and economic world, thus making the situation uncertain and vulnerable.

In this kind of scenario our cost competitiveness should be among the best. As long as our costs are lower than the competition we will continue to find success. Therefore, our 'mantra' for the next financial year should be "To be among the low cost producers and suppliers of the world", and to be among the top marketing companies having the ability to get the best business at higher prices because of our better quality, timely deliveries and great customer services.

Let us welcome the New Financial Year !

With warm regards,

D. P. Singh



The SARA Group Cricket Team

Heights by great men reached
and kept were not obtained by
sudden flight but, while their
companions slept, they were
toiling upward in the night.
- Henry Wadsworth Longfellow

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Ores and Minerals

The last quarter for the ores and minerals business has been one of mixed feelings. January and February continued to be solid months with budgeted tonnages being exported, however towards the end of February and March, the market weakened severely. Our procurement was well structured to manage such as price fall, but an increase in inland railway transportation along with an export duty hike of 15 % made our planning ineffective. This of course has had a major dent on the profitability for the year but as in any commodity business, focus in such times must remain on maintenance of ample liquidity.

We see the iron ore supply for high grade ore to remain relatively limited in the next coming months, taking cue from the ban in Karnataka for exports, the ever changing regulations in the domestic scenario in India and the delayed shipments from Australia and Brazil. This should lend tightness to the market, however, the increase in buying shall only happen if steel demand remains relatively strong in China.

The recent price fall from the high USD 190's to the low USD 170's CFR Main port China was owing to a fiscal tightening in China which negatively impacted steel demand, restricted availability of finance and the general sufficiency of mill stocks. However, these very stocks have now depleted, and while they are no where near critical levels, buying interest has started to creep back in the market. This, no doubt, will give support to the iron ore prices.



Chrome container loading in progress in Dures Port, Albania

SIL's efforts to originate Chrome ore from Sudan and Albania are beginning to take shape. From modest beginnings last quarter, this quarter we shipped almost 10,000 Mts of Chrome ore to China. This was shipped in containers and the quality is being well received by our customers. Further investments are now underway for creating infrastructure such as storage facilities at the mine head, port as well having our own on ground security and quality control personnel. This will allow us not only to ensure that material quality is not compromised but also facilitate our achieving the set goal of 12,000 Mts of Chrome ore trade per month in the coming 2 quarters.

The next quarter prices from Brazil have also been reportedly increased between 12% to 22% depending on material specification, which we feel should further support the iron ore price.

Operationally, we are now looking forward to starting operations from Haldia and Gangvaram ports, and we believe that end of the next quarter should see our first shipments from here. This of course will give us additional tonnage, but shall also allow us more efficient usage of our existing railway infrastructure.

Steel & Metals

The demand for steel this quarter has remained subdued, yet there has not been a proportionate impact on the steel prices. Ironically, steel prices in India have risen sharply early this quarter which is why domestic traders are seeking exemption of import duty on steel products in order to maintain control on the domestic prices.

Due to strong investment and infrastructure demand, Indian steel consumption is expected to increase from the current 60 million tonnes to 125 million tonnes in 2015. However, such hike in steel prices would have a major impact on the consumption, though industry experts believe that this price increase is not because of any rise in input costs or increase in demands, but it is an opportunity encashed by major steel producers to maximise their profits during the end of the fiscal year.



Hexagonal bars ready to be shipped to Mexico

Coming to the end of this quarter, the earthquake in Japan has hit production and supplies of steel products from Japanese mills, which has resulted into a strong demand for Chinese and Korean origin material.

For Sara, the first two months of this quarter went busy in handling and managing the last quarter's huge imports of Hot Rolled Steel Coils. Import prices of Cold Rolled Steel Coils have been on the higher side during this quarter, which has put our current imports at Chennai on hold. However with the recent prices now weakening, we look forward to good imports in the next quarter.

This quarter has seen our highest ever exports of Carbon Steel Hexagonal Bars in a single quarter. With over 175 tons of special grade steel shipped to Mexico, we are now working out on new orders for the next quarters.

Coal and Energy

There has been a substantial upsurge in the coking coal price for the 1st quarter of 2011 in comparison to 4th quarter of 2010. One large miner has struck a deal with Japanese customers to sell coking coal at a record \$330/MT FOB Australia for the April to June 2011 Quarter, 46% higher than the January-March quarter price of \$225/MT FOB Australia. This is going to have a significant impact on the Global & Asian met coal demand in particular.

The deal comes at a time when the world's largest coking coal miner is attempting to push through an unpopular shift from quarterly to monthly pricing. The transactions also mark a departure from the usual negotiation procedure, where this miner normally leads and agrees the first "Benchmark" deal.

This high price commits the buyers to paying what is a historical record for a period of 3 months, while those taking up the monthly pricing offer may benefit from lower contract prices for May and June. However, the trump card of how carryover tonnage would be dealt remains to be seen, especially in light of the severe floods which blighted Queensland over the last five months.

Coking coal production & delivery in coal-rich Queensland basin in Australia is still facing setbacks due to natural calamities with coal majors like BHP, Rio Tinto, Xstrata, Anglo American, Peabody Energy etc. still keeping in vogue the "Force Majeure" clause which might lead to restricted availability of Australian hard coking coal on the spot market.

But at the same time, due to recent fallout of the earthquake, tsunami & nuclear flare-up, Japanese steel production may be impacted with lesser consumption of imported coal & coke.

How and when this balance between weather disruptions in Australia and Japan balances out remains to be seen, but does dictate for more volatile spot prices in the next few months.

India remains sluggish in spite of the high rate of growth and infrastructure demand. Downstream sectors like pig iron, sponge iron & others remain subdued thereby putting a firm ceiling of met coke and coking coal prices.

Nonetheless, cargo picked at the right price may still deliver good returns, but one must not get blinded by the international price rise when looking at India.

We are expecting Australian met coal production & exports to roll back during the next 10 months as they did in 2008. And coal supply from USA, Canada, Ukraine, Russia, Indonesia, Mongolia & also offers from Chinese traders for landed Coal from Chinese warehouses neutralizing shortage to some extent.

What the Australian flood situation has done is make a fundamental change in buying mentality in India with coking coal consumers looking at the America's as a long term source to replace at least part of their supply dependence on Australia.

We are working on securing some cargo's from the American miners with a view to supply well priced cargos to end users in the next quarter, thereby trying to reduce the negative impact of price volatility our customers may have to bear.

Engineered Products



Net zero energy home on display at Pragati Maidan, New Delhi

At the onset of next financial year we are pleased to inform that we have got yet another order from one of the world's largest construction equipment and generator producers for supply of 10 nos. sound attenuated enclosures for gensets. The delivery of the first order was completed last month and this pilot order has been successful. The client is satisfied with the product and as a result of this we have obtained a repeat order for similar containers. In spite of an increase in prices of raw material and labour in the international market, we have been able to sustain our margins. The upward pricing trend is expected to stay for a while before stabilizing in the coming months.

On the domestic market front there has been a slow growth for requirement of containers. One major segment in domestic market for requirement of containers is the rail sector wherein there are 15 private players who have obtained licenses for running the train operations for carrying cargo.

These private players are in the process of stabilizing and it is expected that in the financial year 2011-12 there will be a steep increase in demand for containers. Our target is to tap this upcoming demand with our strategic tie-up with a Chinese manufacturing company which gives us an upper edge as a local interface with domestic customers. We hope the rail business to increase in the coming financial year which will help us in establishing Sara as a quality supplier to cater to the domestic market. Apart from supplying specialized containers to various clients we have also been able to create a unique product for one of our clients, which has been appreciated by many. This product was at display at Pragati Maidan during the infrastructure fair held recently. We intend to promote this concept of display to other infrastructure development companies due to its uniqueness in the market.

Sourcing

Finally the barrier is broken... We now have a new customer on board and the first orders are in production. This marks a turning point in the division's history. We are now optimistic of not only sustaining ourselves but breaking new grounds. Having said that, the path ahead is rough and it will take time for us to settle down. The European business is doing better than the last year and we have secured orders till July delivery already. The market sentiment is good but cotton prices being on all time high pose a threat to rapid future growth within the textiles industry.

We have completed another financial year and it has been a roller coaster ride this year. With the market mood changing every now and then, business is not the same any longer. We need to re-invent ourselves continuously to survive in this market.



Sourcing for new opportunities

Sara Textiles Limited

Looking back, it has been a very tough year for Sara Textiles. Having gone through the expansion phase, increasing our installed capacity to 450 tonnes per month, the cotton yarn prices going north have played a major spoil sport in the expected growth due to increased capacity. As per the commodities trading report, cotton has given a return of 150%...that is huge. In a years time cotton prices doubled from the beginning of financial year. To top it all beginning March the govt opened up the export of cotton yarn.

However as close the year on a cautious note we are looking upto the newer opportunities for the coming financial year. Markets have moved out to newer regions and we have increased interest from countries like Hungary and Poland the new entrants into the EU system apart from increased buying the the scandavian countries of Norway,Denmark and Sweden. South America markets have also opened up and is a serious contender of becoming our main market displacing Europe to which approx 70% of shipments were effected till now. This year around shipments to South Amercia have increased to 30% of our total production up from a meager 5% in the FY2009-2010.

Our biggest Fair Heimtextil 2011 turned out to be good and we have managed to add on some important accounts. We had moved on the more important Hall 10.2 and amongst the biggies of Terry Towel Industry. It was an eye-opener and an enriching experience and will go a long way to help us in framing our next exhibition. Overall the Fair was average as the Global Economy was emerging slowly from the depression. The over all mood was of optimism and Retailers across having accepted the rising cotton prices have started to raise the retail pricing. Also with slow buying last year and many running out of stocks the buying is expected to increase and we can see the same in renewed and urgent enquiries from the customers, both old and new.

ERP system has been slowly and steadily deployed in all departments and hopefully we should be able to complete the implementation by the first quarter of 2011-2012. Cross linkings have started so from second quarter we should have both the manual system and ERP running parallel across the system.

With increased capacity to match the requirements of retailers and importers and with cooling of cotton yarn prices, which seemed to have stabilized, we are hoping the next financial year will see Sara Textiles grow at a pace to ensure complete recovery.

Magnum Resources Pvt. Ltd.

Magnum Resources participated in Garknit-X, 2011 at Kolkata from 25th to 27th February 2011. This is a step ahead for us as Magnum opened their New Branch office in Kolkata from 1st February 2011. With co-operation of Mr. Buddhadev Guha, a well known name in Kolkata's Garment Industry, who joined as Branch Manager of Kolkata office, Magnum will flourish its business in East India.

Mr. Miyazawa, Vice President, Brother Industries Ltd., Japan, visited the Magnum office on 9th February 2011 to discuss about the future business strategy of Brother Industrial Sewing Machines through Sara International and Magnum Resources. Mr. Miyazawa was very much impressed about the business results achieved through us for the financial year 2010 - 2011.

Mr. Katsura, Managing Director, Pegasus, Japan, visited the Magnum office on 15th March 2011, to discuss about future business strategy. Magnum gained confidence of Mr. Katsura by showing improved business results in 2010 - 2011. In the meeting it was decided that Sara International will be the stockiest for Pegasus spare parts for North and East India.

Magnum has been appointed as an agent of Eisenkolb, Netherland, the number one manufacturer of Automatic machines for manufacturing various types of curtains. Eisenkolb provides solution for Manufacturing all types of Curtains for Domestic and International use.



Mr. Katsura, MD-Pegasus, Japan with his team at the Group Office

Knowing Us

Shivani Borah - Senior Merchandiser



A brief on your role at Sara

My role as a Senior Merchandiser in the Sourcing division involves providing key support to all aspects of the vertical i.e. business development and marketing for new and existing customers, planning, sourcing diverse product categories, ensuring timely execution of orders, production monitoring and coordination, logistics etc.

How do you see your future at Sara

Bright and promising! Being an active part of Sara, which in itself is a fast growing organization, one automatically is pushed on the same path of growth. Since Sara is providing the perfect environment with a good team, bigger opportunities, right motivation and encouragement, I am sure it will help bring out the best in me in terms of being able to face greater challenges in future.

Your goals while in your current role at Sara

The primary goal is to help build the sourcing division into one of the strongest players in our field with an enhanced network of customer and supplier base and providing an unparalleled service to our clients. To constantly endeavor to improve both - the efficiency and effectiveness of the sourcing solutions that we provide.

Your perfect Get-away

The Tiger Temple (Theravada Buddhist temple) in Thailand

Your idol in life and why

Since childhood, Gerald Durrell (key founder of Jersey Wildlife Preservation Trust) - has been both an inspiration and an idol to me through his works and books. From someone who was home-tutored to a renowned conservationist known for thinking way ahead of his times, he epitomizes success as a result of being driven with utmost passion and 100% commitment to his belief, fighting against all odds, to emerge a winner.

Your perspective of the most critical element for corporate success

Its similar to what one needs in order to win a war or a match!.. a dedicated, strong, well organised and focused team (army) and the right strategy in place

New Joinees

Sara International Ltd.

Samant Kumar

Deputy Manager - Ores & Minerals, Barbil

Pravin Hasapurkar

Branch Manager - Steel and Cement, Mumbai

Nabin Kumar

Deputy Manager - Railway Operations, Chakradharpur

Sara Textiles Ltd.

Rajan Kumar Makhija

Merchandiser

Magnum Resources Pvt. Ltd.

Kundan Tari

Assistant Technical Manager (Mumbai Branch)

Avadesh Kumar Tomar

Technician

Brijesh Kumar

Service Engineer

Buddhadev Guha

Branch Manager (Kolkata)

Ricarda Rozario

Office Coordinator (Kolkata)

Jugal Kishore

Administrative Manager

Gajender Vashist

Service Engineer

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