SARA CONNECT

SARA GROUP
Indian roots. Global reach.

Volume XXVII Quarter ended March 2013

From the MD

Dear Members of Sara family,

The Financial Year 2012-13 has ended on a positive note. Financially, commercially and strategically we have added capacities and have moved on to a surer footing to achieve our growth targets.

Even though 2012-13 has been a miserable year for the Indian and the world economy, we were able to come out of these rough waters with our flag flying high!!!

The coming financial year looks to be interesting...Many opportunities are coming our way such as commissioning the second unit under Sara Textiles, adding mining capacity and increasing trade opportunities. We hope that the economic scenario will help us in reaching the tough goals that we have set for ourselves.

Needless to say the contribution of each one of you is very important and I hope that you will continue to give your best.

With best wishes,

D. P. Singh

Sara Textiles Ltd at Heimtextil 2013

Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall.
-Stephen Covey.

In this issue

Sara International Limited

Ores and Minerals

Iron ore

The iron ore industry is still under the cloud of uncertainty. India continues to lose its share in the Chinese import market. Indian export of iron ore fines are expected to be approx 25 million tons in financial year 2012-13, which was 60 million ton in financial year 2011-12. What happens in the next financial year is still unclear...

After the shipment done from Haldia by Sara in the last quarter, we liquidated all our stock at the port. Due to the efficient control by our Haldia branch, for the first time in the company's history, we benefitted from a zero percent loss in iron ore handling in any financial year. We expect the same to be replicated across commodities and branches.

MV Seacon 9: Mechanical loading of iron ore at Haldia

At the macro level, the iron ore prices have been constantly under pressure in the international market. The Chinese steel market continues to suffer from over capacity and excess stocking, thereby impacting the iron ore demand. The only factor supporting prices somewhat has been the low level of port inventories in China.

In the Indian Union Budget 2013, the government ignored the export duty on iron ore, which is still at 30% of the free-on-board (FOB) price. The industry was expecting some major relief from the government in this annual budget, which did not materialise.

Production in Karnataka and Goa remains negligible and the miners in Odisha are under the scanner of various commissions. This is creating a severe shortage of iron ore in the domestic market, leading to an inverse movement of domestic iron ore prices which have been inching up.

For SIL, we continue to look at opportunities pan India to maintain our position as a leading exporter of iron ore and expect to re-commence our shipments from May 2013.

Chrome ore

In February, we sourced in excess of 11,000 MTs of chrome ore from the Balkans. Inspite of severe winters and snow in our chrome ore mines, we met our shipment targets.

The Chinese market started cooling off, which was in line with the broader weakening in steel and raw material prices. Having said that, our long term established customers continued to lift monthly quantities and our marketing in China is becoming much stronger as we go deeper into targeting end users. This is highlighted by the fact that for half of the month of February, China had been on New Year Holidays and this did not impact volumes.

As the newsletter goes into printing, our China marketing team was participating in the Asian Ferro Alloys conference in Hong Kong, which is expected to result in greater brand visibility for our chrome operations.

Chrome ore stock ready for container stuffing at the load port

Steel & Metals

The steel sector has been good for India in the year 2012. In fact, the production growth rate outpaced all major steel producing nations, maintaining its position in the world rankings still at number four. The country produced 77 million tons in 2012, clocking in a 4.2% growth rate over last year.

With the expansion of production capacities in the pipeline (mainly through the brownfield route), India is projected to grab the second rank in the world of steel production within next few years. From the current installed production capacity of 90 million tons, the country expects the steel production capacity to reach up to 200 million tons by the year 2020.

In early 2012, the government increased the import duty on steel from 5% to 7.5%, making imports unviable and hence resulting in an increased steel production during the year. Although this year's budget saw no increase in import duty, however, the removal of export duty on flat steel made Indian origin material more competitive in the international markets, hence resulting in an increase in India's export of flat steel.

This quarter did not see any new imports for us, mainly owing to the rise in international prices. However, we now foresee a potential for exports of steel products from India. Coming to the end of the quarter, we have grabbed our regular export order for the supply of high carbon steel bars from India to Mexico. The shipments are expected to take place in the next quarter.

Sara has now also commenced local trading in semi-finished steel products such as billets and blooms. The quarter saw SIL supply over 10,000 MTs of billets from Indian producers to end users in North India. We expect these volumes to pick up and the business to become a stable revenue contributor to SIL.

Coal and Energy

The beginning of the quarter started with a surprise when importers in India got to know that the import duty on high calorific value (CV) coal would be applicable at 11% instead of the 1% being charged earlier. This came as a shock to buyers since they were not aware of such a duty difference between high and low CV coal. To make things worse, the claim from customs department came with retrospective date being effective from March 2012. This suddenly brought the demand for high CV coals normally originating from South Africa, Australia, and the United States, to a staggering halt.

This year's budget policy announced in Feb 2013 equalized the import duty of 4% on all grades of coal. It ultimately gave a relief to importers of high CV coal, however added an extra burden on importers of low CV coal, causing an impact on the costs for power generators.

Prices of South African Coal remained relatively stable during the quarter, with prices dropping from $86 FOB levels in January to $83 FOB levels in February, and finally settling down at $84 FOB levels in March. After the clarification in India's import policy, the demand for South African coal has been increasing and most miners have already sold out their cargo’s for the month of April.

South African steam coal at Kandla

Indonesia has experienced tough times this quarter, both in terms of bad weather and a crackdown on illegal mining. This had resulted in shipment delays due to which prices slightly went up. However, with the expansion of power projects in India, the demand for Indonesian coal is all set to increase in the future. The Indian thermal coal imports are expected to rise sharply in the next few years as the country's economy grows at a rapid pace and domestic production might not meet the surge in demand. It is projected that India will import as much as 200 million tons by 2017 to meet the demand-supply gap. The dependence on imported coal is continuously rising as India's state-owned miner, Coal India Limited (CIL) has been unable to meet growing demand from the power sector and has been falling short of annual output targets.

Out of our last imports of South African coal which arrived in November 2012, the deliveries could not be completed to our major customers in North India mainly due to the duty uncertainty and bad weather conditions on account of heavy snowfall in the winter months. This has hampered our projected sales, however, we now expect things to move smoothly due to offset of winter and business returning back to normalcy. We are now looking at importing our next cargo in May 2013.

Agri Products

SIL re-entered the agri-products business this quarter with imports of white sugar. In fact, over the quarter, it has become the largest importer of white sugar from Pakistan at Wagha border and has supplied over 5,000 MTs of sugar in February and March. We expect this business to increase over the summer period owing to a price arbitrage between Pakistani and Indian sugar. Our customer segmentation has been good with a healthy mix of end users, traders and indentors.

This is an important milestone for SIL as it marks its re-entry into a business it had long been active in. The team is working towards establishing the sugar vertical as a key commodity for SIL and a jumping board for entering other agricultural commodities.

Sugar warehouse at Amritsar

Engineered Products

The sluggishness in the Indian rail sector continued through the last quarter with no procurements of containers being done by the private rail operators. Only one government entity had come up with a tender for their requirement of rail containers. Sara participated in this tender though lost the tender by a narrow margin.

The frequent changes in the rail policies by Indian railways with regards to the goods to be carried by the private operators, pushed them into a wait-and-watch attitude much of the last financial year. The much anticipated rail policy is now in place which has evoked a positive response from private rail operators. This has opened up opportunities for us to supply containers from China, where even today, the China market is more competitive than the domestic market for the supply of containers. Our past experience in supply of rail containers from China gives us a very important edge over other suppliers to further exploit the present opportunity.

Containers supplied for rail operations

The last quarter has also been very slow for specialised containers with no major orders being executed. The major project companies have been discussing their requirements but have postponed their procurement for the next financial year .

As we move into the new financial year, we are very hopeful for closing various deals where we are in the middle of discussions with rail operators and project companies.

Sara Textiles Limited

As every year, Sara Textiles Ltd. participated in Heimtextil in January 2013. We displayed various new products from Bamboo, Organic to Bleach safe, Zero and Low Twist. These products resulted in excellent interest from our customers. We have been able to crack some good opportunities overseas and have been successful in getting big programmes for special quality towels which resulted in increased efficiencies at our operations. STL is confident of creating a new milestone in production and dispatch figures in the near future.

Visitors at the STL stall consisted of buyers from across the globe from countries like America, South America, Australia, Israel, GCC and Europe who appreciated our products and extended their co-operation by placing orders.

Few updates on the operations: Sara Textiles added automatic double needle stitching machinery to increase its production capacity by 25% enabling it to bid for high quality institutional business. STL also started a new project of Jersey fitted sheet sets in-house and has successfully shipped number of containers, having obtained continuous orders for this product.

Terry towel colour trends for 2013

STL was also able to fetch continuous bathrobe orders with good quantities to keep its bathrobes facility booked out for the next few months. It has been able to achieve high quality bathrobes with the in-house manufacturing facility which reflected in repeat and continuous orders.

Sara Textiles is excited as it moves into the next financial year.

Magnum Resources Pvt. Ltd.

With the recent budget announcement regarding the removal of excise duty from domestic branded garments, we are looking forward to enjoying a better domestic demand for Garment Sewing & value addition machines. However, the export sector of Garment & Home Textile continues to suffer mainly due to the economic condition in Europe. Despite unfavorable conditions, MRPL continues to move against the winds and has performed better than previous years on a quarter to quarter basis.

MRPL recently participated in GTE-13 show held at New Delhi from 1st to 4th March'13 at NSIC Complex, Okhla, Delhi. The new Bonding machine from Brother was displayed for the first time in India at the show and received a good response from visitors. Pegasus, Cornely, Baratto and Amaya machines were also displayed during the show along with the Pattern Tacker machines of Brother.

Mr. Asako, the new M.D of Pegasus, Singapore along with Mr. John, Vice President-Pegasus, Singapore and Mr. Yoshinori Suzuki, Director, Brother International, Singapore attended the exhibition. Brossiomeccanica, manufacturers of Automatic Pillow filling machines also attended the exhibition.

Magnum at GTE-13, New Delhi

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Knowing Us

Virender Verma, Manager – Home Textile Division (Magnum Resources Pvt.Ltd)

A brief on your role at Sara
My role at Magnum is to handle all India sales and marketing operations of the Home Textile division. Besides this, my duty is also to acquire new Principals to expand the product basket. I am also involved in the division's growth planning and strategy execution.

How do you see your future at Sara
Good. I have learnt a lot during my career with Magnum and I look forward to acquire more valuable knowledge and professional exposure. Sara as a group, sets very high standards for professionalism and more importantly it takes its employees with it. I really see a good future ahead.

Your goals while in your current role at Sara
My goal in my current role is to establish the Home Textile division as an independent profit earning division, meeting its goals and growth at a rapid pace. I aspire to expand the network of home textiles to all Magnum branches and generate handsome business on pan India basis. I want to see Magnum as a first choice for the Indian Home Textiles Industry for all machinery requirements.

Your perfect Get-away
South India, specifically, Coimbatore. Coimbatore is very close to my heart as I started my professional career in this beautiful city. South India in general is a great blend of spiritual destinations and nature's beauty. I try to be at Coimbatore atleast once every year.

Your idol in life ...... and why
My father. He has set great example of a perfect blend of professional excellence, social and family life. He has always believed in nothing but KARMA and GOD.

Your perspective of the most critical element for corporate success
My learning and idea of being successful in any role or business is to consider the role or business as one's own. When we align the business closely with ourselves, we understand its opportunities, bottlenecks, threats and prospectives and act accordingly, to succeed. One has to believe in himself, his karma and his strengths.

New Joinees

Sara International Ltd.

Shyam Sundar Dash
General Manager – Chrome Ore Beneficiation

Sara Textiles Ltd.

Rupa Dubey
Assistant Manager – Human Resources

Alok Giri
Export Manager

P. S. Barnala
Vice President – Operations (Nalagarh)

Magnum Resources Pvt Ltd.

Manpreet Singh
Senior Sales Executive (Ludhiana)

Shyam Sankhe
Service Engineer (Mumbai)

Raj Kishore
Territory Sales Manager (Noida)

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