

## From the MD

Dear members of the Sara family,

As the Financial Year of the Sara Group ends on 31st March 2016, we can look back to a year of contraction, struggle and forbearance.

While MRPL & STL will hopefully be showing better results, SIPL continues to struggle. A lot of this struggle is on account of a massive fall in commodity pricing, high interest rates in India and increasing counter party risk. But we cannot blame others without looking at ourselves afresh. Our exuberant growth in periods prior to 2013 and the sudden downfall of the markets since has had a serious negative impact on SIPL. The company's inability to foresee such drastic volatility and not taking preemptive action has contributed to the present state of affairs. Fortunately, we believe that most of the uncertainty is behind us and the coming financial year should see us move forward and create wealth for all our stakeholders.

STL added capacity in FY 2015-16 and is confident of increasing not only its top lines numbers but also making a marked difference to its bottom line.

MRPL continues to deliver, with continuous additions and diversifications to its product offerings, opening up new lines of business. We hope to see a better-diversified and much stronger MRPL next year.

Wishing you all a great year with the group and happiness in your personal lives.

With warm regards,

**D. P. Singh**



*Magnum Team at Garment Technology Exhibition 2016*

Our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time

- Thomas A. Edison

## In this issue

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### Ores and Minerals

#### Iron ore

While it is often said that “All’s well that ends well”, there does not seem to be any end to the pain for the iron ore industry. Despite the Indian government taking some supportive measures for the survival of iron ore exports but it really is a case of too little too late. The government reduced the export duty on low grade iron ore (below Fe 58%) as well as reduced the railway freight for export cargo. These measures were taken with a view to boost the export of low grade iron ore, in a globally oversupplied market. But on the other hand, the district mineral foundation (DMF) fund has also been imposed on iron ore, which restricted the ability of Indian exporters to match international prices. But it is expected that in the forthcoming fiscal (FY17), iron ore exports may cross 10 million tons. This would still be less than 10% of India’s peak exports, but a 400% increase over the previous fiscal.

Global iron ore prices rose over 35% from their bottom of USD 37/MT CFR China in Dec 2015 to USD 50/MT CFR China in Feb 2016. Major reasons for this sudden price increase are:

-Seasonal restocking by Chinese’s steel mills followed by New Year holiday, helped to increase demand of iron ore. Chinese steel production traditionally becomes little bit stronger in the February month every year.

-Australia iron ore supply disruption: Major supplies from Australia to China have disrupted from mid Jan’16 due to weather disruption in Australia. Australia’s Port Hedland exporting iron ore to China was surrounded by Cyclone named Stan over the New Year. As a result, iron ore supplies from Australia were tight, supporting global iron ore prices.

-Impact of Samarco disaster: Samarco mine in Brazil, jointly owned by BHP and Vale, has been shutdown since Nov’15 as the dam busted there. Due to some environmental disaster, supplies from Samarco region halted, leading to short supply of iron ore to China from Brazil.

The fundamentals still remain poor with the global steel industry reeling. So the question remains as to how long will iron ore sustain this increase!!!

Imported South African iron ore lump offers into India have increased in line with rising global iron ore prices. Offers for imported South African lumps have touched USD 62/MT CIF Kandla for shipments arriving in April 2016. However, with increasing prices of imported lumps, buying interest of steel mills has reduced considerably. Market participants highlighted that they prefer using domestic material rather than going for imported ore at these prices.

#### Chrome ore

Albanian chrome ore prices have remained quite stable in this quarter despite a rapid fall in prices of Turkish, Iranian, and Pakistani origin material. The advantage of Albanian material is that the quality is very good and hence is quite popular among the Chinese ferro chrome producers. However, a general negative sentiment in the market has had an impact on the volumes that are being sold. In China, steel mills like Baosteel and TISCO have continuously been reducing their ferro chrome buying prices and this has been putting additional pressure on the import prices.

The Indian government has removed the export duty on chrome ore, which stood at 30%. This has brought about good news for the Indian chrome ore suppliers because now they will be able to compete with the international market prices. In 2012, the Indian government had imposed the export duty of 30% in order to discourage exports and preserve the raw material for domestic consumption. However, domestic consumption has not increased in line with expectations leading the government to reverse the decision. We expect this to lead more exports in the coming quarters from India.



*Chrome Ore Lumps under discharge in China*

Overall volumes have been very low in the quarter but we have managed to ship out more than 25,000 MT maintaining our leadership position. Our pipeline for shipments looks solid for the next three months and we aim to cross 30,000 MT shipments in the coming quarter.



*Chrome ore stacks for sampling purpose*

## Steel & Metals

This quarter has witnessed a drastic policy change in India. Just before its annual budget, the government of India fixed a minimum import price (MIP) on the import of steel products. This meant that imports of steel would not be allowed below the fixed price irrespective of the prices in the international markets. This has brought about a boost to the domestic steel industry which was reeling under severe pressure over the past few years. Owing to the imposition of MIP, import of cheaper steel has stopped and thereby domestic steel prices gradually started rising by about INR1000/mt every week (about USD 15/mt) for the last 4 weeks.

Along with the increase in steel prices, the prices for raw material like iron ore, sponge iron, coking coal, coke, and ferro alloys has also increased due to increased demand. Import shipments of scrap have also increased and fueling a price rise from USD 190/mt CIF to USD 235/mt CIF levels in the past one month. We are working out to import one vessel of scrap for our trading business. During this quarter, we did two shipments of hex bars from India to South America. We started trading in this product from the year 2006 and have completed 10 years in supplying this material to one of our esteemed and reputed clients in the region.



*Steel hexabars getting ready for shipment*

## Coal and Energy

Coal prices in the domestic market has been very stable this quarter. One of the main reasons being that Coal India Ltd., India's largest coal miner, has been able to accomplish 98% of its production target, thereby leading to a relatively healthy demand-supply balance and reduced dependency on coal imports. As of now, Coal India has supplied 477 million tons of coal in the first 11 months of the financial year 2015-16, as against a target of 550 million tons for the financial year. Stability in India's current coal import is due to the mixed sentiments prevailing in domestic market. Coal availability has increased from Coal India Ltd., making the import environment less conducive. Moreover, steady demand and a depreciating INR against USD is restricting buyers from making new import bookings.

During the recent budget announcement, the government increased the clean energy cess by INR 200/mt on imports of coal. This is equivalent to about USD 3/mt which the importer will have to pay to the customs department. The government is planning to use these funds for implementing ecofriendly measures in order to safeguard the environment.

This quarter has seen a lot of petcoke imports due to the fall in prices in Saudi Arabia and USA. A lot of cement companies have turned to using petcoke due to the cost economics, cost effectiveness, and ample availability. A quantity of 8.95 million tons of petcoke landed at Indian ports in the first 11 months of the financial year 2015-16. After fall of prices in Dec/Jan, the prices have again started to increase in the last few weeks due to increase in crude prices. Demand continues to be strong in India as active production is going on across all segments of end-users.

## Sara Textiles Limited

Sara Textiles Ltd. in the last quarter of calendar year 2015, completed expansions related to 6 looms and welcomed year 2016 with installed capacity of 70 terry looms. STL has added more infrastructure for bathrobes production, jersey made ups and utilities to meet the customer demands and is now focusing towards filling its increased production capacities.

STL participated in Heimtex'16 held in Frankfurt from the 12th Jan'16 to 15th Jan'16.



*STL stall at Heimtex'16*

The profitability at STL came under pressure because of excess capacities available in the market, so while the top line continued to grow, the bottom line has remained stagnant. To address the issue, additional resources in the designing & marketing division have been deployed to focus on innovating with new designs and products to command higher realizations in the market.

Lohri and Holi celebrations were organized on 13th Jan'16 and 24th Mar'16 respectively at the plant. A female friendly cricket match was also organized for our plant female workers on 3rd Mar'16. To ensure quality and service to customers, STL also organized a Quality Week-Gunvatta Jagrukta Abhiyan and implemented SUDHAR this quarter.



*STL stall at Market Week - March 2016*

In the continuous endeavour to find potential customers, STL participated in one of the biggest textile fair in USA named Market week from 14th March'16 to 17th March'16 which is being organised twice a year. STL has been participating in the market week since last 5 years. The fair has a great potential to study the new trends in market and to strategically penetrate into the USA market. During the market week, we were able to add some substantial new accounts.



*Market Week - March 2016*

## Magnum Resources Pvt. Ltd.

MRPL Participated in Garment Technology Expo (GTE) held in Delhi from 26th Feb'16 to 29th Feb'16. MRPL exhibited at one of the largest booths at the exhibition. All major principals of MRPL participated in the exhibition. Brother S7300, Single Needle Lockstitch Machine with Electronic Feeding System was the show's attraction, with many customers appreciating this brand new technology. Pegasus also introduced new machines with labour saving devices which help customers in increasing the productivity.



MRPL stall at GTE

MRPL for the first time displayed Bus Bar from HGT, China and Ricoma Embroidery Machine from China, with both receiving rave reviews from customers for their advanced technologies. H&H, the world's best manufacturer for seam sealing machines and Sakho, manufacturers of automation machines in the apparel sector, both displayed their latest range of machines. Eastman fusing machines and cutting tables were also displayed at the exhibition.

Daude which manufactures Snap Buttons received a very good response during GTE show. Lidem, our principal manufacturing roll slitting machines that joined hands with MRPL only last quarter, received its first order from the biggest manufacturer of home textiles from India.

GTE - the biggest exhibition for garment machinery is organised every year. We will be displaying our new range of products in the coming exhibition of 2017-18.



MRPL's principals, Pegasus and Ricoma displayed their products at GTE

We are also planning to participate in another very big exhibition GARTEX 2016 to be held in Delhi in August 2016 (Pragati Maidan). It will be a comprehensive trade show on garment textile machinery targeted to address the interests of those who wish to conduct business in the textile and garment machineries and accessories market in India. This will be a must visit show for garment and textile machinery importers and exporters, garment manufacturers and home furnishing companies.

From 1st April'16 MRPL is going to start an in-house PCB repairing facility at its Head Office in Noida. The repairing of PCBs will be for all types of Industrial Sewing Machines, Computer Embroidery machines and all automated machines used in the Garment Industry. We will be giving after sales service to our end customers. To start with, it will be repairing the PCB's for the sewing Machines and the facility will slowly be made into a profit centre for MRPL.



MRPL at GTE

## Knowing Us

### Mr. Yogesh Pandita, Deputy Manager (Commercial & Purchase) - Sara Textiles Ltd.



#### A brief on your role at Sara

As the Deputy Manager (Comm. & Purchase) of STL, I am responsible for on time deliveries of packaging material and yarn to the production and finishing team at the factory through effective planning and management.

#### How do you see your future at Sara

My priority is to grow with a great organization such as Sara. With our consistent team efforts, we have been able to increase the dispatches very well and looking forward to meet and exceed the set targets every month.

#### Your goals while in your current role at Sara

Currently, my focus is to minimize the cost related to packing material, quality and on time delivery of material. Further, it would be fantastic to be able to take on additional responsibilities and contribute as much value as I can.

#### Your perfect Get-away

My perfect get-away is Kashmir as I have grown up there.

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

My parents have always inspired me in my life. They always motivate me to do any work in a well-planned manner and they are my role models.

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

In my opinion, corporate success depends upon a healthy and progressive way of thinking of its employees. Apart from that, marketing is the driving force for any business.

## New Joinees

### Sara International Pvt. Ltd.

Gurmeet Kaur Anand  
*Manager – HR & Administration*

Radhika Agarwal  
*Secretarial/Taxation Assistant – Finance & Accounts*

Gaurisha Sapra  
*Secretarial Assistant – Finance & Accounts*

### Sara Textiles Ltd.

Rajat Sharma  
*Manager – Business Development*

### Magnum Resources Pvt. Ltd.

Santanu Adak  
*Service Engineer*

Urvashi Grover  
*Assistant Manager*

Kuldeep Verma  
*Sales Engineer*

Madhulika Nishchal  
*Executive*

Ranjeet Singh  
*Service Engineer*



*Celebrating Women's Day in Sara House*

### Sara Group

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