

## From the MD

Dear members of the Sara family,

At the cost of repeating myself, I have to once again share with you the continuing volatility of the raw material and commodity markets and also the continuous downfall of the prices of Steel & Chrome ore, Chrome Concentrates and Coal. Iron ore prices have fallen below USD 40, which is the worst in the last 11 years and is expected to go to USD 30!!! All this makes the business unpredictable with only one certainty that the economic scenario is not likely to get any better in the near future. Even the best Economic Pundits are only hoping for economic recovery in late 2016 or 2017.

To ensure that we play in larger basket of commodities, we have recently taken on sourcing of Copper, Zinc and Lead. This has shown a silver lining, as our buying is in line with the falling market prices. Hopefully this should add to our bottom line.

Sara Textiles Limited is certainly increasing its tonnages of exports. More and more new markets are being added so that we do not depend on the stagnant market of Europe alone. As we see it, STL is sure to give better results in this financial year.

MRPL is expanding in the field of Textile machinery and with its participation in CISMA in China and ITMA in Frankfurt; it is likely to have many more Principals to partner with. This will not only show better financials in the next three months of 2015-16 but will take us to higher levels in the year 2016-17.

These are tough times and to stay afloat we need to be more hand on with our pulse on cost reduction a single-minded focus on increasing each pence of realization.

We are drawing the curtains on 2015 with wishes that the New Year will bring us health, happiness, and joy. I wish you and your family a great 2016 and may you be among God's chosen one!

With warm regards,

**D. P. Singh**



*Sara employees participated in Airtel Great Delhi Run 2015*

To remain indifferent to the challenges we face is indefensible. If the goal is noble, whether or not it is realized within our lifetime is largely irrelevant. What we must do therefore is to strive and persevere and never give up.

-Dalai Lama

*Merry X-mas and a  
Happy New Year!*

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## Sara International Pvt. Ltd.

### Ores and Minerals

#### Iron ore

Global iron ore prices have declined further this quarter and touched USD 40/MT CFR China. Shrinking steel demand in China and the global slowdown could force prices to touch USD 37-38/MT CFR China in the foreseeable future. In addition, the upcoming projects by major iron ore producers like Vale and Rio Tinto are making the situation worse. Further, weak steel demand and rising iron ore port inventories continue to keep iron ore prices low. As per reports, among the 23 main steel units in northern province of China, 10 units have shut down while the rest are running at low capacity utilization.

Iron ore exports from Goa (India) have slightly increased this month. Six vessels have already been shipped to China in early Dec 2015 and three more vessels are expected to be shipped out by end of the month. Indian miners are still at a break-even position but falling of global iron ore prices is a matter of concern for them. Iron ore produced from Goa is mainly of low grade (Fe 55-58%) and is only exported to China. With spot iron ore prices in China hitting record lows, there are concerns with regards to the feasibility of exports from India. Price of iron ore fines (Fe 58%) of Indian origin are at USD 30/MT CFR China, which have dropped by USD 8/MT in last one month. Apart from declining prices in the global market, high taxes are also an issue for Indian exporters. Export duty on iron ore fines (with Fe content 58% and above) is 30% and 10% respectively for lower grade. Although government has taken few supportive measures for survival of iron ore export through reduction of export duty by 20 % to 10 % on low grade and reduction in railway freight yet it is not adequate as Indian exporters are not able to match the international price level.

During October 2015, Paradeep port trust also floated a tender for allotment of plots with basic reserve price of Rs.12 and Rs.9 per sq ft for mechanical and manual plots respectively but response was absolutely poor. However, this is a display of the intention of the government to support the iron ore export trade, but the efforts are too slow, and now too late.

On the other hand, India imported 3.44 million tons of iron ore from Apr 2015 to Nov 2015. It is expected that iron ore imports to India might increase in the coming months due to the weak outlook of global iron ore prices. South African lump offers to India have decreased further this week amid consistent downtrend in global iron ore prices. Imported South African lump offers for ready stock which were around USD 55/MT CFR Kandla have fallen to USD 50/MT CFR Kandla, and Jan 2016 shipments are being priced at around USD 46/47/MT CFR Kandla.

SIPL has been focussing on liquidating its stocks locally in light of no viability of exports. The last quarter saw us sell some quantity to a few steel plants and we believe that the next quarter should allow us to increase this tonnage.

#### Chrome ore

Chrome ore prices have been bearish all of this quarter and the outlook remains dim. The main suppliers of lumpy cargo such as Turkey, Pakistan, Albania and Oman are feeling the pressures as fixed costs of mining are now becoming a burden. South African concentrate has come down to USD 100 PMT CNF China which is a fall of 40 % in this quarter supported by a depreciating South Africa Rand. This has been putting tremendous pressure on Turkish concentrate prices as well as lumpy pricing.

On the demand side, the prices have been under pressure due to the terribly slow offtake across the stainless steel and ferro chrome complex. According to most buyers in China, they do not have urgent demand for chrome ore lump, so market will remain weak for the coming few weeks.



Chrome ore - Size checking in China

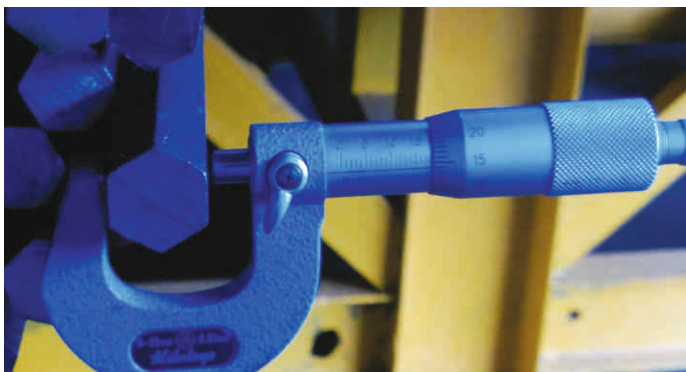
In India, the state owned Odisha Mining Corporation (OMC) has reduced prices of chrome ore lumps by more than 20% in Dec 2015. OMC has been under tremendous pressure to reduce the prices as Indian ferro chrome producers were demanding price reduction in view of fall in international ferro chrome prices.

Although our chrome ore shipment volumes have been low in this quarter, but on the positive note, we have been able to cross total shipments of 100,000 Mts during this calendar year 2015. The next quarter is set to start strongly for us even though we see serious headwinds in the sector. Our aim is to show a Y-O-Y growth of 20-25 % despite the market conditions.

## Steel & Metals

This quarter has seen a lot of changes taking place in the duty structure for imported steel in India. In order to curb cheaper imports and support the domestic industry, the government had earlier imposed a 20% safeguard duty on import of hot rolled coils. This saw a drop of about 17% in the imports of HRC into India as compared to the previous quarter. On the contrary, imports of cold rolled coils increased and this quarter saw an increase of 42% in the imports of CRC as compared to the previous quarter. The government is proposing to increase import duty on CRC as well.

In the stainless steel sector, the government has imposed anti-dumping duty on cold-rolled stainless steel flat products. This duty has been levied in the range of 5% to 57% on major countries such as China, United States, South Africa, Thailand and Taiwan. The highest duty of 57% has been imposed on stainless steel imports from China.



*Steel hexabars - checking of diameter*

There are rumors that the import duty on scrap may also increase, therefore buyers have kept new orders on hold and are waiting to see if any change in the policy takes place. Prices of imported HMS 1:2 (grade 80:20) have fallen from USD 200-205/MT CFR India to USD 185-190 CFR India during this quarter. To make matters worse, the INR has suddenly depreciated against the USD, thereby making imports more expensive and unviable. We have got our repeat order for shipment of hexagonal steel bars for the next quarter. This material will be shipped to South America in two lots during January and March 2016.

## Coal and Energy

Low availability of South African coal at Richard's Bay had supported the prices to increase above USD 55/MT FOB levels in November 2015. However, December saw fall in prices to about USD 49/MT FOB due to depreciation of the South African Rand. In fact, India is the largest destination for South African coal due to the products suitability in DRI units, sponge iron plants, and cement industry. On one hand, South African prices had slightly increased after a long time, while on the other hand, coal demand is still subdued in India owing to a depressed steel market.

Indonesian steam coal prices have fallen slightly again this quarter due to oversupply and weak global markets. Moderate demand coupled with an oversupplied coal market have already dragged down the Indonesian coal index to the bottom. Prices of GAR4200 coal dropped from USD 27/MT FOB to USD 25/MT FOB, whereas prices of GAR3800 coal fell from USD 21/MT FOB to USD 19/MT FOB. A liquidity crunch and currency fluctuations have kept most traders out of the business this quarter. We are also watching the market and will plan out next import consignment in the coming quarter.

Coal India Limited (CIL) was able to increase its coal production this year by about 10%. It increased its coal output to 350 million tons as compared to 320 million tons last year, and is targeting to produce over 1 billion ton by the year 2020. The government is of the opinion that India will be self sufficient in terms of its coal requirement and will no longer need to import coal from the year 2017 onwards.

## Sara Textiles Limited

Sara Textiles Ltd. is all set to participate again in one of the biggest textile fairs in the world - HEIMTEX'16 which is being held in Germany. STL will be displaying its latest range of towels, bathrobes and jersey sheet sets developed with new yarns and using new weaving techniques and textures based on the latest and upcoming market trends.

STL is working exclusively on new product developments and technology advancements to attract customers and has a healthy order book going forward, with major emphasis on maintaining a very high quality level. We have been focusing on consistent quality improvements since the last few months and the same are rightly visible from the feedback we receive from our customers. Customer service has been another focus area for us and regular improvements on this crucial front is being worked on through emphasis on training, team work and engraining customer satisfaction in our culture even deeper. This has also resulted in the company organizing various employee engagement activities and events this quarter.



*Volleyball match being organised at STL plant*

The Diwali Pooja was organized on 7th Nov 2015 at our plant followed by lunch for all our shift workers, staff & senior management. A Mehandi competition was organized for our Plant female workers on 28th Nov 2015. Also, awards were presented to employees having 100% attendance for the month of November. A Volleyball match within the departments was also organized during 1st week of December followed by a celebration with families of our colleagues in our best performing departments.



*Mehandi competition*



*Awards function organised at the plant*

## Magnum Resources Pvt. Ltd.

Team Magnum had visited ITMA 2015 that was held in Milan, Italy from 12th till 19th Nov 2015. It is one of the biggest exhibitions for the textile machinery industry. Principals like De Koninck, Rimac, Tanghe, Texma, Brossiomeccanica, Fepa and Daude displayed their latest technologies at the show. Many customers also visited the production facilities of Fepa, Daude and Brossiomeccanica. As the show happens only once in 4 years, all the big and reputed customers from India make it a point to visit to see the new technologies in the textile industry. This year was no different!!!



Magnum CEO, Akshay Sharma at ITMA 2015

We joined hand with companies like Lidem and Optron from Spain for Roll Slitting and Quilting machines respectively. Also, at an early stage of our collaboration with Lidem (our principal), we closed an order with one of our customers at the show itself. We also joined hands with some more product principals manufacturing various textile machineries. The agreement between these companies is under process.

Magnum Resources also participated in Knit Vision 2015 held in Ludhiana from 18th till 21st Dec 2015. Brother launched one of their most eagerly awaited machines, the Model S7300, at the show. The model's special feature includes a direct drive lock stitcher with an electronic feeding system and a thread trimming style, which attracted many customers. MRPL booked good quantities of orders for this machine in India at the show.



Pegasus machine display at Knit Vision 2015

MRPL also displayed a new technology from the world-renowned Pegasus Overlock and Flatlock machines: the Pegasus Cylinder bed 3500 series. Eastman Fusing machines were displayed for the first time and customers appreciated the Button Feeder of Sakho that helps in increasing the productivity.

MRPL remains on tracks to deliver annualized growth of over 25 % in FY 2015-16. However, the market conditions remain tough with private sector investment in the garments and knitting sector remaining very low. The company's strategy is to increase its market presence geographically, break into new sectors and build a more robust team and all the focus for the coming quarter is on executing the same.



Brother machine display at Knit Vision 2015

## Knowing Us

### Aakanksha Kashyap, (Company Secretary - Sara International Pvt. Ltd.)



#### A brief on your role at Sara

As the Company Secretary of SIPL, I am responsible for Secretarial function of SARA Group. With the new Companies Act, 2013 in place, the role has expanded beyond simply ensuring statutory compliance and corporate laws. It now encompasses a larger scope of establishing and maintaining a compliance system which covers all applicable laws for the Company. Hence, it calls for larger cooperation and support within and outside the organization.

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

My priority is to grow within a great organization such as Sara. I am excited to spend the next few years learning and mastering my current role. From there, I'd like to take on more responsibility to contribute towards common business objective. I shall continue towards the development of the organization while securing the interests of company and its directors, wherein I will engage at the highest level of professionalism and support through my core areas.

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

My long-term goals involve growing with the company where I can continue to learn, take on additional responsibilities, and contribute as much of value as I can. My goal is to support the management with solutions not only in my core areas but overall.

#### Your perfect Get-away

My perfect getaway is Jaipur since it is the place where I have grown up and spent my formative schooling years.

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

There have been many idols in various spheres of my life from time to time. Professionally speaking, I admire Mr. Narendra Singhania, my mentor, for his abilities to manage an organization with equal focus on people perspective.

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

For me, the most critical element for attaining corporate success is the vision and mission of the company. This is so because the Vision statement is future focused and paints a picture of what you would like the organization to accomplish in the long term and the mission is focused on the present and describes the purpose/need of existence of the organization.

## New Joinees

### Sara International Pvt. Ltd.

Dinesh Gupta  
*Group Finance & Accounts Head*

### Sara Textiles Ltd.

Mohit Batra  
*Sr. Manager - Business Development*

Rajat Bhattacharya  
*Manager - Business Development*

Neha Bahal  
*Company Secretary*

Sharang Singla  
*Assistant Manager - PPC*

Umesh Singh Bhadoria  
*Chief Engineer - Engineering*

Sharadendu Kumar  
*Assistant Manager - HR. & Pers.*

Amar Singh  
*Deputy Manager - Dyeing*

Ishatpal Singh  
*Deputy Manager - Dyeing*

### Magnum Resources Pvt. Ltd.

Ravi Kumar  
*CRM Administrator*

Lalit Khosla  
*General Manager - Operation*

### Sara Group

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