

From the MD

Dear members of the Sara family,

There seemed to be a renewed positivity in the business circles in the quarter ending September 2014. However, this has not yet resulted in better financial numbers. But I believe this too will follow in time. Fortunately this looks inevitable!!!

For our commodity business the down side continues because of pressure in the Chinese steel and coal markets. Both coal and iron ore prices have further fallen during the last quarter and our only hope is that from here it can only go up! Our chrome business has however remained resilient in the face of falling prices with volumes remaining stable.

Both STL & MRPL continue to grow even in an increasingly competitive market. Having done well in the first half of this financial year we expect better results from them in the second half of the financial year. For both businesses, the future looks to be bright and it appears that we will once again be on the path of high growth.

In the coming quarter we will have festivals of Dusshera and Diwali so let me convey to you my best wishes for the festivities and good health and happiness of your family.

With warm regards,

D. P. Singh



Coal vessel MV Tian Bao Hai at Kandla Port, India

The greatest accomplishment is not in never falling, but in rising again after you fall.

- Vince Lombardi

*Wish you a very
happy and prosperous Diwali!*



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Sara International Limited

Ores and Minerals

Iron ore

Iron ore export from India is still struggling and the current standoff continues from the last quarter. Very low global iron ore prices; a supply glut; high export duties from India; and high domestic prices are hampering the competitiveness of Indian iron ore in the Chinese market.

The domestic steel industry is reeling due to the shortage of local iron ore, driven by the rampant shut down of mining in Odisha, Jharkhand and Karnataka. Goa's re-opening of mines has not yet translated into more supply. Further, the substitutability of high-grade iron ore from Orissa and Karnataka with iron ore of Goa is rather limited.

We are today truly envisaging a situation where Indian iron ore imports may overshoot exports, which was an unfathomable scenario as recently as two years ago.



Iron ore stock at the load port in Europe

Chinese steel prices continue to fall and this has been directly translating into falling iron ore prices. Chinese spot iron ore fines prices have fallen to a 5 year low, with prices of Fe 62% material touching \$84 pmt CFR levels, and Fe 58% material touching \$64 pmt CFR levels.

Although October is normally a peak steel consumption period in China, however, Baosteel maintained that it needs to reduce the prices of both HR and CR steel during this month. The world's largest steel making country has been hit by weak demand and chronic oversupply problems.

During this quarter, we did our first bulk shipment of 55,000 metric tons of iron ore lumps from Europe to China. This material of Fe 52% has opened a new market opportunity for us and now we look forward to increasing our volumes for this cargo.



Vessel loading of iron ore at the load port in Europe

Chrome ore

During this quarter, chrome ore sales have been under pressure in China. End users were not willing to buy chrome ore largely due to falling prices and excess stocks on ports. The decrease of ferrochrome prices has narrowed the ferro-alloy manufacturers margin, leading to decline in the production levels across plants. A lot of ferrochrome producers are also planning to stop production in the near future, which may further dampen chrome ore demand.

On the other hand, many ferrochrome producers that continue to operate have ample raw material stock for up to two months production and therefore, they prefer to wait and watch the market. Some end users say that they will not buy chrome ore unless the prices drop to workable levels, otherwise they prefer to shut down their units. The market has already seen a drop of chrome ore prices by at least \$10 pmt in this quarter.

The closure of Tata's Sukinda mines in India has also resulted in a loss of opportunity for exports of chrome concentrate from India to China.

In view of the market situation, we have still managed to ship more than 28,000 tons of chrome ore lumps to China in the past quarter. The better size distribution and higher Cr:Fe ratio of our lumps has allowed us to continue getting orders from our regular end user customers.



Sampling of chrome ore at the load port

Steel & Metals

During this quarter, steel prices in India have been stable despite the slowdown in demand, specially for flat steel. Most of the domestic manufacturers have held onto the prices of hot rolled & cold rolled steel coils even as domestic demand failed to recover. Prices of HMS scrap also remained stable at \$370 PMT CFR levels for European and Middle East origin material, however, it is expected to fall to \$350 PMT CFR by the end of the year.

Further, this quarter has witnessed a lot of cheap rebar imports from China that has negatively disturbed the market for local billet manufacturers. Prices of Chinese origin rebars have dropped to \$510-520 PMT CFR levels, which is cheaper by \$20-30 PMT compared to domestic material.

In September, we shipped our consignment of hot rolled carbon steel bars from India to South America and are now having our next shipment lined up for October.

We also imported wire rod coils from China to India and sold the same to our long term customers in Punjab, India.

Coal and Energy

Earlier this month, the Supreme Court of India passed judgment that all coal blocks allocated since 1993 were illegal. The court has said that coal blocks have been allotted without following proper

guidelines and that the allocation by the committee was not fair and transparent. This has sent shockwaves through the coal industry, as the actual impact of the decision on the coal market is unclear. Some users fear that it will create an acute shortage of coal in the country and will increase its dependence on imported coal.

However, the total coal produced from the impacted mines is not a very large amount in light of the complete coal market. Further, the court has also given the market another six months to hand over the mines back to the government, which should allow some breathing space. There is no doubt that this should give a boost to imports into India, but how much impact this will have on the oversupplied international market prices is yet to be seen!!!



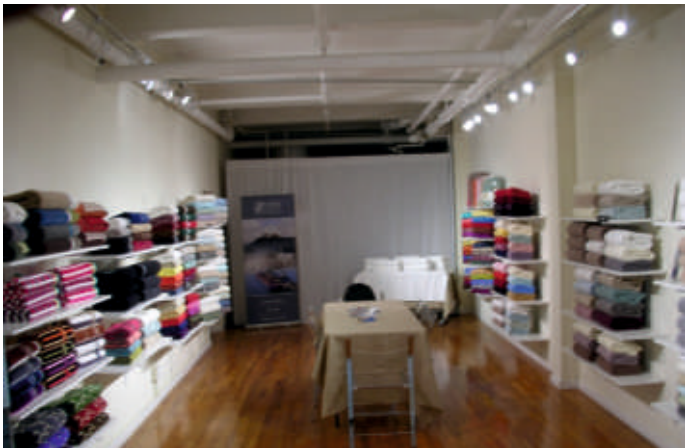
Unloading of coal at Kandla port

Prices of South African coal dropped drastically due to weak demand from China and North West Europe. The spot prices of RB1 coal fell from \$76 PMT FOB to \$67 PMT FOB levels during this quarter. It finally saw a little bit of gain owing to demand from Ukraine. Russia has been a major supplier of coal to Ukraine, however, due to an unstable political situation, Ukraine is now seeking South African and US coal for its consumption.

During this quarter, we got another capesize vessel MV Tian Bao Hai at Kandla in July 2014. This RB1 grade of South African coal has inherent demand from cement & steel sector in West and North India.

Sara Textiles Limited

STL had a good show at the Market week that was held in New York during the 3rd week of September. STL had its showroom at 267, 5th Avenue where a large number of premium clients visited and appreciated the quality of the towels displayed.



STL showroom in New York

New Product ranges were showcased, which were developed considering the market requirements and valuable feedback from the customers. We have also been able to expand our presence in Middle East and Europe with order pipeline looking strong.



Plantation drive led by Mr. Sumeet Jerath at STL, Baddi

Additional Director General of Foreign Trade/ Development Commissioner of NOIDA SEZ zone (Mr. Sumeet Jerath) and Deputy Development Commissioner (Mr. Rakesh Kumar) along with their supporting staff of Chandigarh and Delhi, visited the manufacturing facility of STL in Nalagarh to understand the operations of the plant. A tree plantation activity was conducted during their visit.

STL has been undergoing modernization continuously and technology remains the backbone of our infrastructure. Recently, the company imported energy efficient Kaeser German compressors and dryers. We have also ordered a new Thermax fuel efficient boiler and the same is expected to arrive soon.



Inauguration of the Kaeser machine at STL, Baddi

Magnum Resources Pvt. Ltd.

MRPL has strengthened its home textile division by adding new companies in the product profile.



*Mr. Akshay Sharma (CEO – MRPL)
at Texma headquarters in Milano, Italy*

The company has also been appointed as an exclusive distributor for India for the following companies:

- Texma, an Italian manufacturer of machines for automatic fabric over edging, joining and finishing.
- RI.MA.C SRL, an Italian manufacturer of automatic machines for home textiles, quilts, blankets, carpets.
- Brossiomeccanica, an Italian manufacturer of automatic machines for pillow filling.

MRPL has also been appointed as the distributor for M/s Italian dry-cleaning machine, an Italian manufacturer of Perc dry-cleaning machines for the apparel industry.

Mr. Akshay Sharma, CEO of Magnum, visited Melco Head Quarters in Steckborn, Switzerland in August for the Melco international sales conference. There was a lot of appreciation by the principal on the efforts made by MRPL to promote the “Amaya” sewing machines.

Pearl Academy of Fashion, India's leading institute for education and training in the field of fashion, design, business and technology, by adhering to the international standards has placed order for Brother and Pegasus machines for their new centres in Noida and Mumbai through MRPL.



Manufacturing of RI.MA.C SRL machines

MRPL participated in the “Garmek” exhibition which was held in Jaipur from 27 Sep'14 to 29 Sep'14. MRPL showcased various range of products along with its newly appointed dealer M/s Unique Engineers. Managing Director of Pegasus - Mr. Asako and Director of Brother - Mr. Tsusaka along with their team members were also present at the show.



MRPL team at Garmek, Jaipur

Knowing Us

Nitin Sikarwar, (AGM - ISM Division, MRPL)



A brief on your role at Sara

As an AGM, my role is to drive the business constantly & achieve well-defined targets. Besides this, I am also involved in the division's growth planning and strategy execution.

How do you see your future at Sara

I see a great future ahead and a longer association with Magnum. Sara as a group has a very clear view on professionalizing operations. This allows employees to deal with challenging work, which in turn motivates them to put in more effort and strive for the best. I believe that anyone who has given 100% to MRPL (Sara) has received the deserved recognition.

Your goals while in your current role at Sara

There are unlimited opportunities in the market. It depends on how we perceive and convert them in favour of our company. I look forward to work on expanding the business on a pan India basis and ensure the growth of the ISM division at a rapid pace.

Your perfect Get-away

It's always a great joy to be on family vacations. I recall a trip to Diu adjacent to Gujarat. It was a great fun staying at a sea beach with soothing atmosphere during mid-January and enjoying a peaceful environment. It was a memorable trip to cherish forever.

Your idol in life and why

My role model is Mahatma Gandhi. "Be the change that you wish to see in the world" is the ideology which is well said by him and I try to follow in my life.

Your perspective of the most critical element for corporate success

I believe that work done with utmost diligence and well-presented are the two critical elements for corporate success.

New Joinees

Sara International Ltd.

Terry Yuan
*Manager – Quality & Logistics (Ores & Minerals),
Shanghai office*

Neelu Khanna
EA to Director

Sara Textiles Ltd.

Gajendra Kumar
Steno – Secretary

Dinesh Rawat
Assistant Executive – Accounts & Finance

Supragaya Kaushalyayan
Merchandiser

Nitin Pandey
Assistant Manager – PPC (Nalagarh)

Narender Kumar Verma
Deputy Manager - Preparatory (Nalagarh)

Rakesh Chaudhary
Assistant Manager – Human Resource (Nalagarh)

Magnum Resources Pvt Ltd.

Deepak Vishnu Nathgosavi
Senior Sales Executive (Pune)

Dhananjay Singh
Jr. Service Engineer (Ahmedabad)

Devender Saini
Service Technician

Vivek Kumar
Service Technician

Shalini Chand
CRM Executive

Varun Khanna
Assistant Sales Manager (Ludhiana)

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