

From the MD

Dear Members of the Sara family,

I really wish that all our problems were over as we approach this financial year ending on 31st March, 2015. However, I am quite certain that if not all, a substantial portion of our challenges is a thing of the past.

Both STL & MRPL continue to be the bright stars and I am sure they will be able to contribute much more in the coming year. SIPL is still facing strong head winds, as is the broader bulk commodities and minerals industry but I believe that the international market for our products has seen its worst and now we may benefit from a period of stability. However, in the present economic scenario it is likely to take time to move up. Therefore, with a note of caution, I am also of the opinion that SIPL needs to be cost conscious and build businesses other than standalone trading. With mining operations showing good results, SIPL has the basics in place to show robust numbers going forward.

I am hopeful that when I get back to you in the next quarter I will be far more optimistic than what I am today!

Remain glued and committed to the business as we all move together, to a much happier financial year 2015-16!!!

With best wishes,

D. P. Singh



The Sara Group Cricket Team

The most unknown, unused and unrecognised tool of the human mind, is the recognition that attitude is always a choice.

- Mark Horton

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Ores and Minerals

Iron ore

After the iron ore mining restrictions in several states across India, the import for the raw material has started to pick up. It was projected that India would be importing about 11-12 million tons of iron ore in the financial year 2014-15, however the actual figures have touched 15 million tons. Major imports have taken place at seaports like Krishnapatnam, Paradeep, Kandla, and Haldia. The scarcity of iron ore in India has led to an increase in domestic prices, so the steel mills are now finding imported material to be economical for their production, especially the mills with close proximity to the coast.

While demand for imported iron ore in India has been picking up, the international prices have been going down due to fall in global steel prices and rampant over supply. The import prices have dropped from US\$ 100/MT CFR Kandla to below US\$ 90/MT CFR Kandla within a span of three months, and the trend is likely to continue. Coming to the end of the quarter however, iron ore imports have slowed, mainly due to increasing availability and fall in prices of domestic iron ore.

India used to be the third largest exporter of iron ore to China (world's largest steel producers) till 2009-10 with quantity about 110 million MT. However, exports of iron ore from India are not workable at the moment due to fall in prices in China. In fact, iron ore prices in China hit a record low of USD 55/MT CIF China for Fe 62%. After our successful shipment of 55,000 MT last year from Europe to China, we are now looking forward to making one more similar shipment in the next quarter.

Chrome ore

Although prices have been falling this quarter, the good part is that we have managed to ship a considerable volume of chrome ore lumps to China inspite of the Chinese New Year holidays. Our shipments to China crossed 32,000 MT this quarter. We have also done a shipment of 1,000 MT to India, and are now focusing on increasing the volumes into India.



Chrome ore container loading in progress at the load port

Meanwhile, international prices have remained under pressure due to rampant over supply in the stainless steel industry this year. Demand for finished steel has been very low, and therefore stocks of chrome ore are beginning to pile up at various ports in China. A lot of pressure has also been put on the local Chinese ferro alloy industry due to oversupply, especially in light of increasing exports from South Africa, fuelled by a depreciating rand.

As part of our quality control procedures, we are focused on minimizing the variation in analysis results between load port and the discharge port. After lot of research and exercise, we have now laid down stringent checks and controls at the time of inspection at load port itself. Our quality team at the load port carefully monitor the sampling process as well as the size of the lumps, and the latest data from the discharge ports has been very encouraging.



Chrome ore container unloading at the discharge port

We expect the market to remain under pressure over the next 2-3 months and thus our marketing strategy is planned based on the same and on the changing customer requirements in terms of quality and type of chrome. However, we remain confident to exceed our volumes achieved in the January - March 2015 quarter.

Steel & Metals

Steel mills in India have continued to be under pressure during this quarter too because of the low demand and high input costs. The mills have been reducing prices every month with the hope to increase their sales. As the financial year ends in March, the mills are desperate to sell their stocks in order to achieve their sales targets for the year 2014-15.

Due to this, prices of raw materials like coal, coke, iron ore, ferro alloys and scrap are continuously falling. Prices of imported steel scrap fell from US\$ 320/MT CFR Mumbai to US\$ 280/MT CFR Mumbai (a fall of US\$ 40/MT in a span of two months). Similarly, prices of Australian hard coking coal came down from US\$ 114/MT CFR India to US\$ 103/MT CFR India (a fall of 10% within a quarter).

The global steel industry is also going through a difficult time. Due to excess capacity & production in China, the imports of finished steel from China to India has been on the rise with already more than 3.0 million tons being imported into India from April 2014 till March 2015.

In February 2015, we got an order for shipment of high carbon hexagonal steel bars from India to South America. The first lot has been loaded in March and the balance is getting ready for shipment in the next quarter.



Hexagonal bars ready to be shipped

Coal and Energy

South African coal prices have been highly unstable during this quarter. Markets have witnessed a drop in prices of RB1 coal from US\$ 66/MT FOB to US\$ 59/MT FOB (lowest level in 4 years), and finally settling at US\$ 61-62/MT FOB levels in the end of the quarter. The latest sudden price increase had taken place on the news that few mines had closed operations, hence it was anticipated that there would be a shortage of material. However, the demand has remained low from Europe, India and China, thereby forcing miners to reduce the prices.

Prices of Indonesian coal have also seen a slight downward trend with drop in prices by about US\$ 2/MT in the last two months, specially for lower CV coal. The Indian government has recently started auctioning of many coal blocks, and moreover Coal India Ltd. has also been able to achieve its target production this month, hence the availability of domestic coal is gradually improving. Many end users have started to buy domestic coal from e-auctions, hence this has kept new imports on hold as buyers feel that prices will drop further.



Coal stock at Kandla

In the annual budget, the Indian government kept the import duty on steam coal unchanged, however there was an increase in the energy cess by Rs.100/MT (approx US\$1.50/MT) which has resulted in the increase in landed cost for all types of coal.

Our stocks of South African Coal at Kandla are almost over now and we are focusing on new imports of RB1 and RB2 coal for the next quarter.

Sara Textiles Limited

STL started the year 2015 with a great show at Heimtextil'15 in Frankfurt, Germany. We have received lot of appreciation from customers and our business partners at the expo for the impressive presentation and display of our new products. Towels manufactured with new techniques / weaves and yarn qualities were displayed to encourage customers to place their regular running valuable programmes with us. Induction of some regular quality of orders will support the optimum utilization of the installed production capacities.



Sara Textiles Ltd. at Heimtextil 2015

This quarter, STL added 2 new products lines in its exports: home furnishings & garments. These products have been planned for online display at our new website which will be live shortly.

At the plant, we have installed a new boiler, which is the latest and most fuel efficient version from Thermax. Being a multi fuel-feeding boiler, it can be fed with husk and petcock and it leaves no residue and negligible ash. Whatever ash will be generated can be re-used in this boiler and we expect to save costs of around Rs. 20,000/- per day with this.

Sudhaar Celebration (Kaizen): This quarter, the Kaizen ceremony was organized for celebrating the best implemented "Sudhaar". It witnessed an extraordinary participation from the operators. We saw an overwhelming response from people who are slowly getting involved in our improvement journey.



New boiler at the plant

Kaizen involves each and every employee in making a change, in most cases small, incremental changes. It focuses on identifying problems at their source, solving them at their source, and changing the processes to ensure the problem stays solved.

We continued our efforts to connect with employees by celebrating events such as birthdays and anniversaries at the plant. Keeping in line with this practice, we got the chance to celebrate our CEO's birthday during his visit to the plant. These small celebrations help release stress and provide a break from usual routine and helps in creating increased ownership in the company.



Team gathering for birthday celebrations

Magnum Resources Pvt. Ltd.



MRPL team at Garment Technology Expo 2015

Magnum participated in **Garment Technology Expo 2015** from 28th February 2015 till 3rd March 2015. During the show, our principal, Brother undertook the worldwide launch of their new model S 7300 - new generation single needle direct drive lockstitch machine with thread trimmer. The New model was launched by Mr. Virender Uppal, Chairman of Apparel Export Promotion Council (AEPC).

Mr. Yasuki Hasegawa, President of Brother Industries Ltd., Japan and Mr. Koichi Naganuma, M.D. of Brother Machinery Asia Ltd., Hong Kong, were present during the launch of S 7300.



Display of S 7300, Brother machine at GTE'15

During the show, Pegasus also displayed their new range of machines along with labour saving devices, which helps in increasing the productivity. Mr. Takashi Asakao, M.D of Pegasus Sewing Machines Ltd. Singapore, attended the exhibition.

Other than Brother and Pegasus, MRPL displayed Keki machine which is used for manufacturing of automatic placket making machines for polo shirts. The response to the Keki machine was very positive.

Fepa S.R.L, the Netherland based company specialising in eyelet fixing solutions showcased their latest technology for the first time during the show. Daude from France are specialised for different types of snaps and its fixing machines. They are in a long term partnership with Magnum. Mr. Stefano Patron and Mr. Karl Lemire, from Fepa and Daude respectively, were present in the show and were optimistic to see the response.

Sakho from Korea, which is engaged in manufacturing automatic machines for garment industry and H&H from Hong Kong manufacturing seam sealing machines also displayed their latest range of machines during the show.

The prospective customers gave an overwhelming response on the complete range of machines that were displayed during the exhibition.



Mr. Akshay Sharma (CEO- MRPL) along with Mr. Virender Uppal, Chairman – AEPC at GTE'15

Knowing Us

Rasananda Prusti, (Senior Manager Quality Control - Ores & Minerals)



A brief on your role at Sara

My role as a quality controller is devising and establishing the company's quality procedures, standards and specifications; reviewing customer requirements and making sure they are met by looking at ways to reduce waste and increase efficiency.

How do you see your future at Sara

I am committed to putting in my best efforts and strive to deliver consistent results with continual improvements through monitoring proper methods, procedures & practices for the growth of the organisation. I look forward to having a long term association with Sara.

Your goals while in your current role at Sara

My focus is to minimize quality issues with an innovative and analytical approach to the work with an eye for detail. Optimum utilization of resources, and cost rationalization and ensuring desired customer satisfaction is my objective.

Your perfect Get-away

I prefer to visit spiritual places with my family.

Your idol in life and why

I don't have any role model in particular, however, I do admire people with good values and principles that I have come across in my life.

Your perspective of the most critical element for corporate success

The most critical element for corporate success is to have focused approach to increase market share, improve operational efficiencies & lower costs.

New Joinees

Sara International Pvt. Ltd.

Subir Lahiri
General Manager – Sales (TBB)

Divyendra Bhardwaj
IT Executive

Shailendra Kotnala
Estate Manager

Himanshu Patra
Sr. Executive – Commercial (Ores & Minerals)

Sara Textiles Ltd.

Vivek Kumar
Manager - Business Development

Ranbir Singh Tanwar
Executive Merchandiser

Amit Gupta
Manager – Business Development

Abhishek Bhardwaj
Manager – ERP (Nalagarh)

Aditya Sharma
Asst. Manager – Technical & QA (Nalagarh)

Magnum Resources Pvt Ltd.

Mohideen Shaikh
Regional Manager – Sales (ISM Division - Mumbai)

Shubhasis Sur
General Manager – (West & South - Mumbai)

Ghulam Rasool Shaikh
Service Engineer – (Mumbai)

Chandrapal Kamble
Assistant Manager – Sales (ISM Division - Mumbai)

Sara Group

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