

From the MD

Dear Members of the Sara family,

The volatility in 2011 was unabated till the very end. As I had written to you earlier, stability in the financial and commodity world continues to be far out on the horizon. So we have to adapt to flourish in this new uncertain world.

The devaluation of Indian Rupee in such a short period had its negative impacts on the group's profitability. The silver lining being Sara Textiles; which gains by being more competitive in the International Market.

The business lines of Container, Gen sets, Steel, Cement and Gypsum continue to be good and we hope this business will further thrive. The business heads of commodities, which have been the prime business of the group, feel that this is not the time to be aggressive in business and wait for the clarity in the market. I agree with them.

Our group had faced a similar situation in 2008 but with our hard work, resilience and thought provoking ideas we were able to overcome the difficult period. I am sure; we shall overcome this too.

The year 2012 will certainly offer us better opportunities and greater business. I am sure along with business and progress of the company; it will bring in personal happiness to you and your family members!

Please accept my best wishes for the New Year and a great beginning!

D. P. Singh



Sara group employees participating in the Annual Delhi Run 2011

Adversity has the effect of eliciting talents that in prosperous circumstances would have lain dormant.

- Horace

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Ores and Minerals

Iron ore

It has been a challenging quarter characterised by even more administrative disruptions, government intervention and volatile markets impacting the iron ore business from India severely. We see export volumes being at less than half as compared to last year at around 40 million MTs. It is ironic that such a huge fall in supply from China's third largest supplier of iron ore has not had a major impact on prices. This has largely been driven by greater spot market supplies coming in from Australia and Brazil as well as new origins such as Iran and South America snapping up this market share.

Our own exports have taken a big hit but since we had planned for this, the impact while negative was manageable. On the trading side, we continued to make a few shipments but in general, the combination of domestic limitations and international market volatility forced us to sit on the sidelines, sometimes to our great benefit.

For iron ore exporters, another aspect of the economy, the depreciating rupee while a possible boon remained exactly that, a possibility.

Chrome ore

On the Chrome ore side, markets have also been very weak largely coming under pressure due to weakening ferro chrome prices in China. However, our sourcing continues to remain strong and we are confident of maintaining our tonnages over the next few months at close to 5,000 -7,000 MTs per month.



Iron Ore loading at Paradeep

Steel & Metals

The quarter began with a hike in domestic steel prices which were propelled by the sentiment of limited availability of steel products. This was driven by a fall in pig iron and finished steel production due to shortage of iron ore. Another hit came due to the weakening of the INR versus USD which increased the imported costs for a major raw material, coking coal. Struggling with high input costs and a sluggish market, domestic steel companies had to resort to price hikes to maintain their margins. However, this hike came at an ill-opportune time with industrial growth slowing down and a general weakness in the Indian economy.



Hot Rolled Steel Coils

Following from the above, a glaring mismatch between the steel demand and production still continues in India. Steel production for the first six months of the year grew by 9.3%, whereas demand rose by a mere 1.8%. This resulted in several major steel plants initially cutting down their production to about 80% of capacity and later to 30% of capacity. Many other small steel plants had also resorted to production cuts or complete shutdowns.

Our import consignment of 7,000 MT Hot Rolled Steel Coils arrived at Kandla in December, and we are working out the possibility for imports of further quantities in the next quarter. More than half of our import consignment of 500 tons Cold Rolled Steel Coils (which arrived at Chennai during the end of last quarter) has been sold out, and balance quantity under stock shall be sold out next month.

Our last consignment of 250 tons Galvanized Steel Coils carried a good demand in the market, and so we have booked another similar parcel for shipment during Jan 2012. Nonetheless, import demand has taken a beating due to the depreciating Indian rupee and this large fall may take some time to gain acceptance in the market.

Due to increased domestic steel prices, we have not been able to secure an order for our regular product Hexagonal Steel Bars as prices from India have not been competitive. However, with the recent appreciation of the USD, we foresee export prices to come down due to better realization.

Sourcing

This quarter saw inception of a new customer for towels from Australia and the first orders are on the cards. We must congratulate Sara Textiles for the impressive factory presentation and cleanliness while the buyer was there. The buyer was all praise for the perfect working conditions and was impressed by their uniforms. This goes a long way in building up the buyers confidence and in turn to our brand building.

While our Scandinavian customer continues to support us with orders, at the same time order sizes are still small.

With the downturn of the world economy..business looks tough and difficult in the times to come. We need to brace ourselves for challenges and display innovative out of the box thinking to be succesful.

Coal and Energy

There has been a substantial slump in the prices of metallurgical coal since the market witnessed a sharp fall of USD 50/MT in fourth quarter pricing. This is going to have a significant impact on global and Asian met coal demand and hammer an already sluggish market

Since met coal prices have dropped by about \$90/MT FOB in the last few months spot coking coal prices in the Asia-Pacific region are being quoted lower than the contract pricing.

A clear trend in the market was a continued reluctance by buyers to conclude or to clinch any deal at this stage. China is also likely to avoid booking December cargoes to avoid clashes with Chinese New Year Holiday, but China may consider buying once they return in February 2012.

Demand for imported coal in India continues to be sluggish as end-users & traders wait for market conditions to improve and prices to fall further. The situation has become worse with no demand for imported coal & the spot market seeing little price movement taking place.

Factors such as weak economic growth, a depreciating rupee against the US dollar, and the slow growth of the Steel & Infrastructure Sector have all impacted on coal demand.

Also Chinese buyers' continuing absence from the international market is one of the main reasons for softening prices. We all expected China to give into the market once spot prices fell but they have been surprisingly absent from the market. Demand in India has also "hit an all-time low".

The one factor that could stop the slide may be the weather patterns in Australia over the next month.

The Indian market is not very upbeat due to sluggish demand in downstream sectors like pig iron, sponge iron etc. and this has significantly impacted the Indian met coal & met coke prices. But hopefully, the market should witness some signs of recovery from April 2012 onwards.

On the thermal coal side, we made our maiden shipment in November 2011 from Indonesia to China. This was a watershed moment for Sara International and we are now confident that we can establish our brand name in the first full year of operations in the Asia Pacific region.

Another two shipments are being planned for the next quarter and we hope to give more in-depth views on the market in the subsequent issue.

Engineered Products

The first lot of containers from China to be delivered to a large container train operator have started coming in and the whole delivery of 300 containers is expected to be over in next couple of months. As mentioned earlier regarding the transportation of these containers, we hope to attain a wider recognition as major suppliers of international containers and managing end to end logistics in India and will also increase our market presence. This delivery will further enhance our capabilities and confidence in approaching the other rail operators for their requirements.



Site Office Container

The requirement of bunk houses in domestic market on the other hand is moving very slow with no major projects taking off because all the project companies are awaiting for the project finalisations and their yearly budgets. It is expected to pickup in the next quarter because majority of projects are in finalisation stage and are hoping to be cleared early 2012. Also, we have been exploring new business avenues for Engineering Products and have started an international business related to gensets and are confident we can establish ourselves as a stable player in this market. We are also pleased to share with you that we have been qualified by one of the world's largest heavy equipment and diesel engine manufacturers as a potential supplier for the specialized containers for their gensets. Their team is expected to visit our China factory in Feb'2012 for final approvals and the potential for this business is around 300 containers every year.

Sara Textiles Limited

Sara Textiles Ltd made its presence felt in the US market by participating in the New York September market week 2011. We would be again participating in Heimtextil 2012 to be held at Frankfurt, Germany from 11th - 14th Jan 2012 where we would be exhibiting in Premium Hall 10.2 Stand C50.

The company is regaining lost ground in Australia and penetration into the Middle East Market is gathering momentum. Towards the west, volume of business with US based companies is slowly being added and in the east we are becoming an important supplier to Japan / Korea. We have also been able to generate good orders from the domestic market and have sufficient orders for approximately 40 days. Our order position is showing a healthy mix of customers across various countries and we are increasingly looking to service larger volume buyers. Now our focus is to work mainly on quality of orders and realisation.

At the factory at Nalagarh, the employees celebrated Diwali 2011 on 9 Oct with great enthusiasm and pledged themselves to becoming a zero defect unit in the coming months. On 25th Dec 2011, the CEO Mr. Dwivedi accompanied by all Factory HOD's went on a day out at Nangal Dam celebrating the great team spirit that binds all Sara employees together.



Annual celebrations at the Sara Textiles plant



Day out for Sara Textiles HOD's

We will soon step into 2012 with greater confidence than ever before and a steely resolve that is in line with the group corporate vision. Sara Textiles will drive the promised growth to live up to the promise it made in early 2010.

We wish a great 2012 to all stake holders of Sara Group.

Magnum Resources Pvt.Ltd

In the month of December, a selection show was organised in Kolkata wherein new machines of Pegasus and Brother were launched. Mr. Okumura, President Pegasus Singapore, Mr. Yamada - Director Brother Singapore, also attended the show. Both Mr. Okumura and Mr. Yamada appreciated Magnum's effort in increasing the business in East India. The show was attended by many customers where the Pegasus Zebra Stitch Sewing Machine and the Brother Pattern Sewer Machine were the main attractions.



Inauguration of the **Selection Show** by Mr.K.B Agarwala (M.D - Rupa & Co.Ltd)

Magnum will be participating in the GTE 12 Delhi exhibition to be held from 17th to 20th Feb. All the products represented by Magnum will be displayed in the GTE show.

Magnum successfully also commissioned the 1st Automatic Sewing Machines of Sipami to a Jeans manufacture in Indore.



Selection Show 2011 at Kolkata

Knowing Us

Taranjeet Singh - Sr. Manager – Finance & Accounts, SIL



A brief on your role at Sara

My role encompasses looking after finance and all related functions of the flagship company Sara International Limited (SIL). This includes but is not limited to meeting and satisfying the requirements of various verticals, establishing budgetary controls and preparation of internal management information systems.

How do you see your future at Sara

So far, it has been wonderful experience working with SARA. Would also say that most of the skills I now employ to do my job were obtained through work experience gained here rather than educational training. I believe that the growth of the company and growth of the employees are interlinked and the kind of the growth the company has shown, the future seems to be very bright and promising.

Your goals while in your current role at Sara

I would say that the ability to get things done in the right way and in the right timeframe is of utmost importance. Being a part of the finance team we do have to ensure that the financial aspects of the business are always under control, cash flows are managed efficiently and all standard reports are produced correctly on time.

Your perfect Get-away

Golden temple, Amritsar. The best place to get peace of mind and soul where you get one step closer to yourself and god.

Your idol in life and why

Everyone with good intentions. I don't really have any individual idol - there are several people whom I value: some for their contributions or outlook on life and living; some for their hard work etc. I would rather idolize good qualities.

Your perspective of the most critical element for corporate success

Well defined goals; Visionary meticulous plan; Having passion; Hard work; and Good health.

New Joinees

Sara International Ltd.

Gautam Paswan
Office Assistant

Sara Textiles Ltd.

Naval Kishor Jha
Commercial Manager

Om Prakash Sharma
Commercial Executive

Sushil Bhatia
Marketing Manager

Magnum Resources Pvt. Ltd.

Pankaj Jha
Accounts Executive

Gajendra Kumar
Territory Manager (Sales)

Deepak Kumar
Technician

Madhulina Roy
Office Coordinator (Kolkata)

Mohd. Ali Zabir Khan
Assistant Manager (Sales)

Sara Group

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