

From the MD

Dear Members of Sara family,

The upheavals in the economic world refuse to go away. Just when I thought that the April-June quarter was going to be one without any great shocks, we find the Rupee depreciating against the US Dollar from 54 to 60 towards the very end of the quarter. While this may be good for Sara Textiles but it has cast a shadow on our import operations. However, we need to learn to live with this volatility.

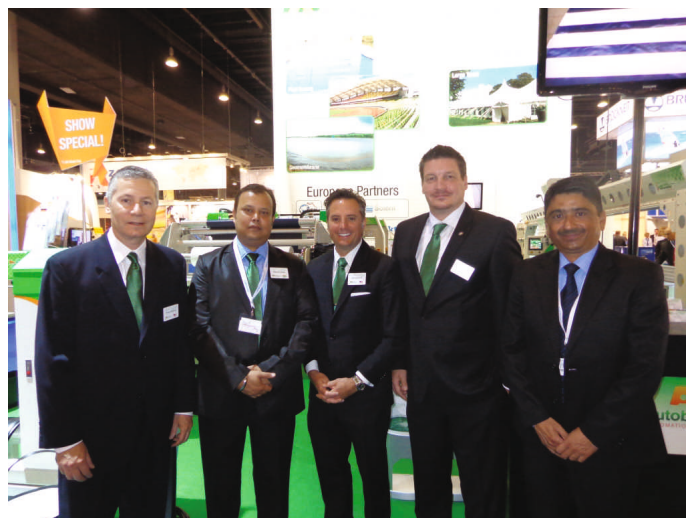
During the quarter Sara received kudos for being the first Company to bring a Capesize Vessel at Kandla Port. Not only was this well celebrated but Kandla Port Trust congratulated the Group on this first Capesize shipment which has opened up a world of opportunities for the unloading scenario at Kandla.

Sara Textiles Ltd. continues to explore new markets worldwide and with the depreciation of the Rupee it may find better footing in the days to come. STL being fully booked for next few months, is a matter of great satisfaction. I only hope that STL continues to increase production and soon reach its target of 300 MT's per month.

I need to emphasize that our markets are becoming extremely competitive and the only way to be successful is to keep a hawk eye on our costs and bring them down on a daily basis.

With best wishes,

D. P. Singh



MRPL team at "Texprocess Show - 2013", Frankfurt, Germany

Remember the two benefits of failure. First, if you do fail, you learn what doesn't work; and second, the failure gives you the opportunity to try a new approach.

- Roger Von Oech

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Sara International Limited

Ores and Minerals

Iron ore

As a whole, the financial year 2012-13 was not positive for the iron ore export business from India and this resulted in a constrained export volume of about 18 million MT's. A combination of world prices, domestic logistics costs and export duties all played their roles in bringing about this fall. Even though the past few months have seen some lifting of restrictions on mining, cargo volumes for export have been dismal. The union government constituted commission headed by Justice M. B. Shah is expected to come out with its report on the state of Odisha in the next month or so. This will have a major impact on the mining operations in the state. Their report has had a massive impact on the states of Karnataka and Goa.

On the business front, the last quarter of FY 2012-13 showed positive swings and the delivered prices in China climbed to USD 151 PMT but FY 2013-14 saw a return of the bearish sentiment in the general steel raw materials industry. The only saving grace has been a low level of inventories in China that is allowing the prices to maintain a price floor of around USD 110 PMT CNF.

A new plot has been allotted to SIL at Haldia dock complex. Civil work is over and the plot is now ready for the storage of iron ore fines. Dispatches have already been started and our target is to make a shipment within July 2013.



Iron ore stock at Haldia dock complex

The essence of doing exports from India is going to be centered around niche grades of iron ore and ensuring procurement from regions that have lowest transportation costs to the port. Margins remain very thin and therefore a strict cost control coupled with quality management is critical. Working from major ports such as Paradip has become prohibitively costly due to high plot rents. If this continues, we have serious concerns on the viability of the export of iron ore.



Iron ore samples for inspection

Chrome ore

During this quarter, we shipped more than 35,000 MTs of chrome ore lumps from our mines in the Balkan region to China. Coming to the end of the quarter, the Chinese market started to slightly pick up showing positive signs for the next quarter. In fact, our China marketing team participated in the Asian Ferro Alloys conference in Hong Kong and increased our presence in the market. With the efforts of our China office, we have secured orders from many new customers and end users, apart from catering to our regular long term established customers. Having started the business with shipments to Lianyungang only, we have now expanded our customer network and are currently shipping the goods to new destinations like Shanghai, Xingang/Tianjin, and Zhanjiang. We are now focusing on new opportunities of sourcing chrome ore from South Africa, Oman, and Pakistan.



Chrome ore stock for loading at the load port

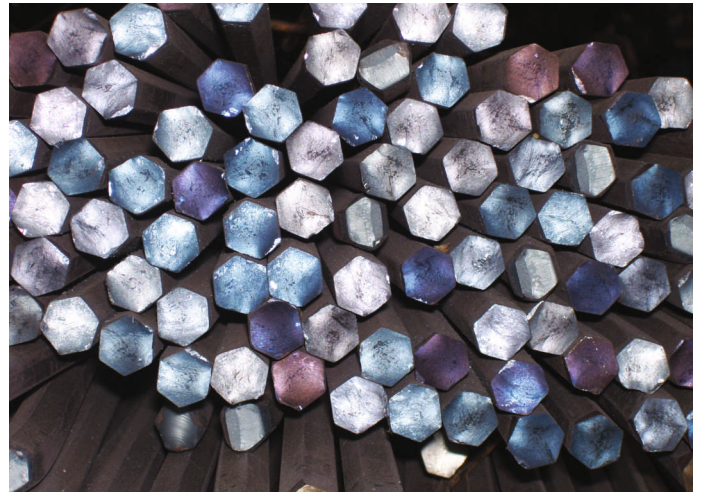
Steel & Metals

The steel sector in India has witnessed good production and demand growth this quarter. Domestic steel production already touched 19.7 million tons in the first quarter of the calendar year and is aiming to cross over 82 million tons during the year 2013. This is a 7-8% growth over last year. Further, the depreciation of the Indian Rupee has added to competitive export prices and resulted in increase of exports. Steel companies are eyeing prices to be range-bound around present price levels throughout the year. With the increase of production capacities in the pipeline, the supply is set to meet the growing demand and would keep prices under control.

In a move to increase exports of steel, the Indian government has offered incentives for exports to Iran. Indian manufacturers and traders will be allowed to turn around imports and sell them to Iran as long as they have added at least 15 percent in value to the goods. On the other hand, India is facing an acute shortage of iron ore due to closure of illegal mining and hence is likely to import 10-12 million ton this year. Till few years back, India was the third largest exporter of iron ore, however the domestic output has declined and now India is turning into a growing importer of this raw material.

During this quarter, we shipped out specialized high carbon steel bars to our regular customer in Mexico.

Imports of steel have not been viable because of the increased import duty as well as depreciation of the Indian Rupee. However, we expect the markets to stabilize after which we shall once again start imports to South India.



Hex bars shipped from India to Mexico

Coal and Energy

Prices of Indonesian coal remained strong this quarter. The availability was low due to difficulty in the movement of cargo during the monsoon season in Indonesia and subsequent flooding in various mining areas. Initially demand was good from China, however with the news of low CV coal import being banned in China, the market turned weak as Chinese buyers were focusing on imports of high CV coals from South Africa & Australia. South African coal remained stable during most of the quarter, however coming to the end of the quarter we have seen a drop in the Index. The weakness looks pronounced this time due to the strengthening South African Rand allowing miners to lower their USD cost of production and the Indian monsoons keeping buyers out of the market.



MV Coppersmith discharging at Kandla anchorage

This quarter saw our greatest achievement in the coal business wherein we handled imports of South African Coal from a capesize vessel at Kandla Port. This vessel MV Coppersmith was the first ever capesize vessel to call at Kandla Port and with the expertise of our stevedores M/s. Rishi Shipping, they were able to complete the discharging of the vessel at anchorage by using their latest floating cranes. This has given an opening to imports of capesize vessels at Kandla and drastically reduced the shipping costs in this competitive market. Our next consignment will be arriving on a capesized vessel during early July 2013.



Coal stockpiles at Kandla port

Engineered Products

Our past experience in the supply of rail containers from China gives us a very important edge over other suppliers and manufacturers in India. As a reason we are being considered by yet another private rail operator for placing an order to us for their requirement of rail containers. Our past deliveries of similar containers to a rail operator in the last year has earned us this credibility in terms of quality and the price competitiveness. This order would be our second big order from a rail operator in

India and will be further able to strengthen our position as a major supplier of containers in India from China. We are also happy to inform that now we have tied up with world's largest manufacturer of containers in China and are exploring options for increasing our customer base with such a manufacturers brand with us.

We are also in the process of bidding for a tender for containers and are confident this time with our experience of a similar tender in the past.

With the current scenario in the rail industry, the private rail operators are in the process of expanding their business, which again gives us a very good opportunity to strengthen our position as a supplier of quality products.



A ready bunk house for delivery to a domestic customer

However, towards the end of the quarter the depreciation of the Rupee has hit the competitiveness of imported containers in a big way, impacting the costing for our customers. While this is something we have no control over, we hope that the Rupee gains back some of its lost ground soon.

Sara Textiles Limited

In the financial year 2012-13, Sara Textiles Ltd achieved a 13% annualised increase in turnover and a 9% increase in dispatches. The focus has been to diversify in the value added products and now we are doing regular in-house production of institutional towels, bathrobes and knitted makeups.



Double needle automatic length hemming machine

During the first quarter of 2013-2014, there has been a substantial increase in the raw material cost including yarn and chemicals, which has been countered by an appreciating US dollar, helping to balance the impact on the bottom line.

To further stream line and increase output, we have now ordered more machines to reduce dependency on the manual labour and hence moving towards a more automated production line.

The human resources team has been playing a very important role in achieving organization goals by strengthening STL's focus on learning and various management development programs.

A workshop was conducted in the facility of STL on 5th June'13 on "Stress Management & Life Challenges" by a professional certified trainer. The programme was attended by managers, floor in-charges of various departments along with Mr. S. M Dwivedi & Mr. P. S. Barnala.

The programme focused on providing an insight on how to manage work – life balance, evaluating the stress levels and dealing with them positively, thus utilizing the inner resources to find greater health & well being. We look forward to seeing this have a positive impact on our team.

Magnum Resources Pvt. Ltd.

Magnum Resources sold Brother's first new technology bonding machine in India to a customer based at Shahjahanpur for Medical Textiles. Brother's bonding machine is now being promoted aggressively across multiple new sectors.

Brother launched its new generation single needle direct drive lockstitch machine (model S7000 DD) with a thread trimmer dry head technology. It is an environment-conscious machine for which a special seminar was conducted by Brother focused on training the MRPL team.

Mr. Akshay Sharma, CEO of Magnum along with his team visited the "Texprocess and Techtexsil" show held from 10th June till 13th June in Frankfurt, Germany. The show was visited by many potential customers. MRPL's existing principles Brother, Pegasus, Titan, Miller Weldmaster, Loiva, Martin and Eisenkolb had displayed their latest technology machines in the show. The team had fruitful discussions with new companies that showed a lot of interest to work with Magnum for sales of their products.

MRPL is in the stage of finalizing an order of Miller Weldmaster with one of the biggest manufacturers of Industrial Ventilation Ducts.



Display of 'Miller Weldmaster' machine at Texprocess Show-2013

Knowing Us

V C Arun Prasad - Marketing Manager (Sara Textiles Ltd.)



A brief on your role at Sara

My role at Sara is to develop the untapped US market for premium toweling products and most importantly to bring in volume business from major customers of this market. So far, we have done a fair amount of progress by executing such high volume businesses and establishing ourselves as a potential and a reliable supplier for toweling products in US.

How do you see your future at Sara

I would say "Great" due to the continued support that I have from my management as well from the entire team, a very good working environment etc., as all these factors enhance motivation and keeps one focused on achieving the desired targets. I see a bright and a promising future here at Sara.

Your goals while in your current role at Sara

My goal is to be the best at whatever I do and currently it would be to increase the business volumes from the existing customers and on the other hand to develop and bring in new businesses.

Your perfect Get-away

The most enchanting holiday experience I would prefer is the back waters of Kerala especially the house boats at Alleppey where one can have the breathtaking view of the untouched and otherwise inaccessible rural Kerala that really keeps one away from the busy daily schedules.

Your idol in life and why

I don't idolize anybody in particular, however I do admire people with good values & principles that I have come across in my life so far.

Your perspective of the most critical element for corporate success

Be focussed and never give up. Identify the problems and give the power and energy towards the solutions.

New Joinees

Sara International Ltd.

Jagdeep
General Administration (Sara House)

Paramdeep
Field Executive – Amritsar

Sushil Kumar Mishra
Senior Manager – Accounts & Finance

Sara Textiles Ltd.

Chandresh Kumar
Merchandiser

Santosh Pandey
Documentation Executive

Deepak Tiwari
Executive – Purchase

Rajan Kumar
Executive – Data cum MIS

Sumit Kumar
Merchandiser

Mangal
Field Executive

Magnum Resources Pvt. Ltd.

Anila Soman
Executive – Spare Parts

Nitin Sikarwar
AGM – ISM Division

Sitesh Singh
Service Engineer – Mumbai

Sandip Chavan
Service Engineer – Mumbai

Preethi Kailasarajan
Office Coordinator – Mumbai

Arvind Godara
Sales Executive – Home Textiles

Sara Group

Sara House, B – 8, Sector 4
Noida, UP - 201301, India
Tel: +91-120-466 7272
Fax: +91-120-466 7201
E-mail: info@sara-intl.com
www.saragroup.co.in