

## From the MD

Dear Members of the Sara family,

As we enter our auspicious and festive season, let me begin with conveying to all of you my best wishes. I am looking forward to be a part of the celebrations at Sara Textiles & Sara International. Meeting you and your families would be a joyous occasion and will make me forget some of the upheavals of business that we have gone through!

The uncertainties of the current business scenario have continued to be a part and parcel of Indian economy and the group. The good news of one division meeting with success comes along with another division's struggles! So I believe we will have to live with these difficulties for some more time. I do not predict normalcy returning before April 2012.

I feel very happy when I find that we are now getting good numbers from STL. Also SIL enters into new areas of Thermal Coal, Chrome Ore and also of getting new business in our Engineered products division. Iron Ore, which was the backbone of the business, has suffered due to the political and environmental hits that the industry has received. It certainly teaches us a lesson of not being over-dependent on one particular business. Therefore we are seriously working out on diversification plans.

While all of us are committed to get better of the situation, let us welcome the Goddess of Wealth during our Diwali celebrations and share the joy of love and togetherness during this period!

Wishing you and your family a very happy Diwali!

*D. P. Singh*



*Best Wishes for a  
Prosperous and  
Happy Diwali*



Let me not pray to be  
sheltered from dangers,  
but to be fearless in facing  
them. Let me not beg for  
the stilling of my pain, but  
for the heart to conquer it.

- Rabindranath Tagore

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## Sara International Limited

### Ores and Minerals

#### Iron Ore

The iron ore industry in India lives in unprecedented times. Never has there been more political turmoil and greater unrealistic regulations, that have hampered the business beyond anybody's comprehension. Coupled with an extremely volatile and unpredictable international market for iron ore, the overall trading environment is challenging at the very least.

What started as an investigation into illegal mining in the state of Karnataka has now extended to all major mining areas across the country, including Orissa, Jharkhand and Goa. Spur of the moment decisions with regards to closure of existing mines, stoppage on local transportation and other red tape has multiplied the risk of doing this business.

The last quarter has seen Sara suffering because of the above reasons as all other companies in the industry. The economics of exporting iron ore are making incrementally less logic and the traded cargo's have reduced in volume, making for a highly competitive scenario where the same number of international trading houses are fighting for a much reduced pie of cargo.

What affected us the most was the fact that we were over reliant on our export business from the port of Paradip. The strategy now is on diversifying our export tonnages to alternative ports, and we are confident that around middle of the coming quarter should see us commence exports from two new ports on the East coast of India.

The commodities business was over reliant on iron ore and the iron ore business over reliant on India as an origin for iron ore. This weakness is now being targetted with a clear focus and the objective is to develop at least two more origination centres and take our India dependence on iron ore down to less than 40 % of total iron ore volume in the next 18-24 months.

The team is hoping that the current environment will improve over the coming few months and that

should allow easier and more seamless movement of iron ore. However, challenges remain and a lot more work needs to be put in before things look back on track.

#### Chrome ore

Our endeavors into entering the area of Chrome ore bore serious fruit in the last quarter with us supplying over 12,000 Mts of chrome ore into the Chinese market. Our product quality has been strongly appreciated by end users due to certain superior quality metrics versus cargo from other origins. We are now setting up a business model that will allow us to seamlessly supply a minimum of 10,000 Mts of Chrome into the Chinese market each month. Long term supply contracts are also being discussed with some end users in North China and the next quarter should see some serious traction achieved on this.

### Steel & Metals

This quarter began with steel markets being in a positive mood. Due to increase in demand, Indian producers recorded higher crude steel production during this quarter ranging from about 10-12% more output in different products compared to last quarter. However, the positive sentiment and expectations of a price rise were soon dimished largely due to global economic fears, increasing interest rates in India and a seasonal slowdown due to monsoons. What also had a material impact is the terrible high price of iron ore domestically owing to closure of most operating mines.



Cold rolled Steel coils arriving in India



Steel prices in India continue to remain range bound but demand sluggishness is creeping in. But import prices have become more competitive and we have enjoyed the benefits of the same during the last quarter.

After completing our last import consignment of Hot Rolled Steel Coils, we are now in the process for booking further imports of 5000 tons which will take place from Japan during October 2011. Our import consignment of 500 tons Cold Rolled Steel Coils has just arrived at Chennai, which will now be offered for sale during next month. Further, after a long gap, we have again imported a small consignment of 250 tons Galvanized Steel Coils in order to tap the potential of this product in the market. We have successfully executed our order of 200 tons hexagonal steel bars for shipment to Mexico, and are working on new orders for such special grade steel.

The only downside that has impacted the import sentiment has been the serious devaluation of the Rupee against the United States Dollar. A weakening to the tune of 8 % has made a lot of imports unviable and it will take some time before this foreign exchange hit reflects in the market prices.

We still see demand in small segments of the market but it is fair to state the general steel scenario domestically continues to be weak.

## Coal and Energy

The metallurgical coal market has witnessed a substantial price slump of USD 30/MT as Anglo American coal and Japanese steel mills have finalized their 3rd Quarter (Oct to Dec 2011) met coal contract pricing at around \$285/MT FOB from Australian ports as compared to 2nd quarter (July to Sep 2011) contract price of USD 315/MT FOB.

This is going to have a significant bearing on the global & Asian met coal demand since met coal prices have dropped by about \$45/MT FOB as compared to 1st quarter (Apr to Jun 2011) price of \$330/MT FOB Australia. This comes at the wake of BHP Billiton attempting to push through an unpopular shift from quarterly to monthly pricing. The market is highly fragmented at the moment as some end-users have already accepted monthly pricing while some others are in favour of 50%

monthly / 50% quarterly basis and some are still relying on quarterly pricing.

Further, a general weakness in the steel markets in India, Europe and rest of Asia (except China) is increasing the gap between the already substantially reduced contract prices and the current acceptable prices for end users such as coke producers.

The pig iron and met coke industry which are a strong determinant of coking coal demand are feeling severe pricing pressures and we expect this to continue into November of this year, before any upside.

On a positive note, we have just finalized opening our offices in Jakarta and Singapore to facilitate our thermal coal trading business. We are confident of quickly ramping up volumes from these offices and create a strong sub vertical of thermal coal trading.

The next quarter should bring more exiting news for the coal business as we spread our network of offices and diversify into more coal types.

## Sourcing

Time to share the progress of another quarter.

The last quarter has seen positive movement with a trip to Australia to meet with a new customer and explore opportunity of Sara Intl Ltd. partnering with



*Visiting the stores of our Australian customers*

one of Australia's leading grocery stores. The positive feedback from the meeting has ensured that over the coming months we will start shipping to a





new customer and a new destination – a small albeit important foothold that has increased our penetration of a new customer.

New opportunities of supplying to the service industry have risen again from the Australian front and we are on the verge of finalising some orders. With help of Sara Textiles Ltd. we are confident on bagging this bid and project.

The fruits of a whole year's work with an European customer are now being reaped, in the form of new and repeat orders for new categories being placed by the buyers.

Eco Mat - a project which we have worked on for nearly two years is now close to completion and will receive orders for this by January.

Wishing everyone and their families a very Happy Diwali !

## Engineered Products

The deliveries for our first order for a rail operator of 300 containers is underway and the first lot of 100 containers has been dispatched from the China factory. We have adopted a unique model for transporting these containers into India that has considerably brought down the overall cost of the containers thus increasing the benefit for our customers and Sara.

This model of transportation is the most economical bar none, and it makes the prices of the containers much more competitive as compared to manufacturers in India. This experience will also benefit us in offering competitive prices to our customers and providing value added end to end logistics for the containers. Once these containers reach the Indian shores and are utilized by our customer in the rail circuit it will give us further exposure as major suppliers of containers.

This will also give us an opportunity to gain market confidence for supply of quality products and this experience will open up further avenues. As this was our first time supplying containers while also managing the end to end logistics, it is bound to have a positive impact on other potential customers. We will further establish ourselves as a trusted supplier of quality containers.

On the international market, our first lot of specialized containers have been delivered to our client. Our constant endeavour is to further enhance our capabilities on providing quality products keeping in view our customers stringent requirements.

Some new product categories within engineered products are also now being identified which could see us increase our topline considerably. More on the same next quarter...



*Containers waiting for delivery to our customers*

## Sara Textiles Limited

In lieu of the Diwali festival there was a sports meet organized in the Sara Textiles terry plant in Baddi from 24th Sept.'11 to 27th Sept.'11.

The entire team at the plant was invited to participate and have fun in the various activities like: relay race, kabbadi, musical chairs and tug of war to refresh the memory of childhood days. Everybody was full of enthusiasm which could be felt by the hooting done by the supporting audience.



*Tug of war at Sara Textiles*



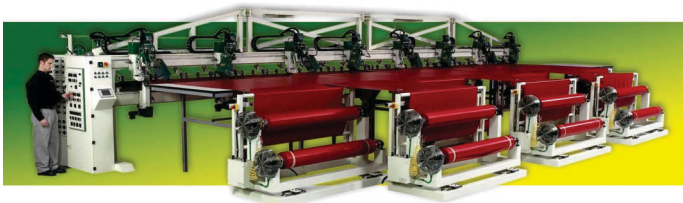
Winners will be rewarded on 8th of October, 2011, the day when entire team of Sara Textiles Ltd. will celebrate its Diwali Function.



*A game of musical chairs at STL*

## Magnum Resources Pvt. Ltd.

Magnum has been appointed as the sole agent for India by Miller Weldmaster, a world renowned company from USA manufacturing heat sealing & bonding equipment for industrial fabrics.



*Miller Weld Master*

In the last quarter, the top management of Brother International Singapore Pte Ltd and of Pegasus Singapore Pte Ltd visited Magnum offices to discuss in detail the future business strategy for Brother & Pegasus machines. With the fast increasing customer base & in line with our constant endeavor to strengthen our after sales service network Magnum has now started monthly training programs for customers and service engineers. With a new branch office in Kolkata, Magnum in the last quarter has seen increase in its business from the East India market.



*The leadership teams of Magnum and Brother International at Sara House*

## Sara "Sher-E-Kashmir" Golf Tournament

Sara Group was the proud lead sponsor for the "Sher-E-Kashmir" Golf tournament in Srinagar at the Royal Springs golf course. The tournament was the first of five annual golf tournaments that Sara plans to host in association with the Jammu & Kashmir government. The event was a roaring success with participants from industry and the Indian bureaucracy having a fantastic day. The tournament held at one of the most breathtaking golf courses in India if not the world saw participation of over 70 golfers who traveled with families for three days to Srinagar. The tournament, aptly named after Shri Sheik Mohammed Abdullah or commonly know as the Sher-E-Kashmir (The Lion of Kashmir) saw Dr. Farooq Abdullah (Union Minister for New and Renewable Energy) tee off the tournament with a splendid drive from Tee number one. In a first, number of white doves were released before the commencement of the tournament to mark the occasion and signal for peace in the state of Jammu & Kashmir.



*Sara "Sher-E-Kashmir" Golf Tournament*



*Dr. Farooq Abdullah along with Mr. D. P. Singh*



*Dr. Farooq Abdullah teeing off the tournament*





## Knowing Us

### **Mritunjai Sain - Head Marketing (Engineering Products), SIL**



#### **A brief on your role at Sara**

I am working as the head of Marketing for the Engineered Products division. I am in charge of developing business for specialized containers in the domestic as well as the international markets. We are in the process of widening our customer base and increase our market presence in both domestic as well as international markets. In the last one and a half year of my tenure in SIL, we have done a fair amount of progress in establishing ourselves as a major supplier of specialized containers.

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

Bright is the word that I will use because of the kind support and encouragement I get from my superiors and very good working environment. This keeps you motivated to go for that extra mile for success. Moreover as this industry is growing many new business avenues are also coming by.

#### **You goals while in your current role at Sara**

Presently it would be to increase the current market presence which we have been successful in doing it to some extent. And also to increase the product profile by exploring various other business opportunities for engineering products apart from containers.

#### **Your perfect Get-away**

The backwaters of Kerala. A holiday to this place with the family gives one time to be yourself without looking at the watch and be away from the hustle of today's urban life.

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

I idolise Shah Rukh Khan. The reason for that is because of his tremendous success inspite of starting his career from scratch and becoming a highly successful entertainer. His attitude, positive thinking and the right arrogance has made him what he is today.

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

The main ingredients for being successful I feel is that one should have discipline and a positive attitude. There has to be a passion to excel in whatever you do and a zeal to achieve your objective in life. One should never give up in life in order to attain his goal and learn from the failures to do better in future.

## New Joinees

### **Sara International Ltd.**

Sanjay Kohli  
*Sr.Manager - Accounts & Finance*

Nisha Bhatti  
*Executive Assistant*

Shirlon Chu  
*Manager - Chrome Ore & Minerals, Shanghai (China)*

### **Sara Minerco Pte. Ltd.**

Sim Ming Hui  
*Chief Representative - Jakarta, Indonesia*

### **Sara Textiles Ltd.**

V C Arun Prasad  
*Manager Export*

Poonam Gupta  
*Company Secretary*

Amit Roy  
*Assistant Merchandiser*

Ravi Bhagat  
*Assistant Merchandiser*

Aprajita Gupta  
*Merchandiser*

### **Magnum Resources Pvt. Ltd.**

Narayan Pandey  
*Service Engineer - Ludhiana*

Jagjeet Singh Sembhi  
*Sales Executive - Ludhiana*

### **Sara Group**

Sara House, B – 8, Sector 4  
Noida, UP - 201301, India  
Tel: +91-120-466 7272  
Fax: +91-120-466 7299  
E-mail: info@sara-intl.com  
www.saragroup.co.in