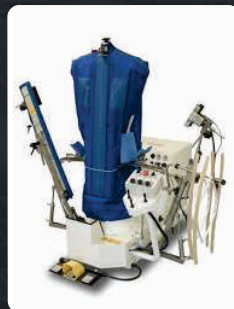




### In this issue

- A truly once in a lifetime quarter...
- Indian Iron ore demand from China remains robust
- Chrome -volumes stable despite the Corona crisis
- MRPL - Agility in the face of an existential crisis
- STL - Textile manufacturers in a spot



“

*The oak fought the wind and was broken,  
the willow bent when it must and survived*

**- Robert Jordan,  
The Fires of Heaven**

”

Vol LVI Quarter Ended  
**June 2020**

Dear members of the Sara family,

In my living business memory I could have never visualized, leave aside seeing, the lockdown which we all went through in the April-June period. It not only came as a bolt from the blue but lasted far longer than the initial indications. Nearly every business enterprise came to a halt. All financial, business and banking transactions stopped. It hurt everyone including us. It was a massive jolt !!!

But the silver lining was that our young leaders saw this coming and prepared the technology to work from home. Without operating from our residences, our businesses would have come to a grinding halt. The Sara textiles plant at Baddi got the permission to start production much before the opening of the offices. The Albanian & China offices started activities quickly too and helped us in generating cash flow.

But as we go into 2nd quarter of 2020-21, one thing is for sure that this financial year is nearly lost. I beseech each one of the Sara family to ensure that we create more business quickly, get our receivables earnestly, cut all costs drastically and be safe in our interactions. You and your family members must follow the COVID SOPs with no exceptions. We can't have any slippages both in our business activities and personal safety.

Hoping to see a better future when I write to you next.

Best Wishes

**D.P. Singh**



**FROM THE MD**





## STEEL & METALS

The Covid-19 pandemic has been a challenge for the steel industry. Mills have been coping with the lockdown and the mismatch in the demand supply situation. The logistics issues, manpower scarcity, low steel demand, raw material unavailability, and cash flow disturbance have severely impacted the steel industry. Further, there has been slow demand of steel from construction activities due to inadequate workforce, which may continue to see slow procurement of finished steel in near term.

Large mills have been running at only 50-60% production capacities, while small mills have been running at even lower production levels. Some of the common issues being faced by the steelmakers have included high unsold inventories at stockyards, transportation bottlenecks, as well as managing deliveries of previous consignments which were put on hold during the lock down. However, analysts feel that steel demand and production levels will be seeing consistent improvement every month and estimated to completely return to normalcy by Sept/Oct'20.

Indian steel markets remained stable in major locations during this quarter. The demand remained average and it is expected that mills are having sufficient orders in hand so there are very little chances that prices may come down soon.

## IRON ORE

The demand for Indian iron ore has been sharply increasing in China this quarter due to the supply constraints from Brazil over Covid issues. Due to the increase in the number of cases at Brazilian mines, the operations have been suspended and many mines have entered temporary closures.

Iron ore prices have been constantly rising and the demand for ships has increased accordingly which has led to an increase in the sea freights as well. Chinese port inventories fell from 115 million tons to 110 million tons in June further leading to an increase in the demand for the material.

Indian iron ore export shipments in May'20 had touched 3.91 million tons, recording a sharp increase on a monthly basis as against 1.58 million tons exported in Apr'20. Further, export volumes touched a 3 year high in May'20.

We had successfully executed 4 shipments in the last two quarters, however due to the Covid pandemic this quarter, there have been logistical problems which have disturbed the movement of cargo from the mines to the port. The good sign is that the situation now seems to be normalizing and we are working on a new cargo for July'20 shipment.



Iron Ore Fines unloading at port

## CHROME ORE

Chrome Ore prices have been on a roller coaster ride this quarter. Prices went up in Apr May'20 and then started to fall again in Jun'20. The Covid situation in South Africa had led to shortage of supplies which in turn had increased the demand from other origins like Albania, Turkey, Oman, and Pakistan. The demand from Chinese smelters remained high and the supply of raw material was tight, thereby prices move upwards early this quarter. Although South Africa, being China's largest supplier of chrome ore, had announced the easing of restrictions on mining & transportation from 1st May, but the lack of manpower failed to boost the export volumes.

Prices of Albanian Chrome Ore Lumps 42/40 grade had touched a high of \$220-225 CIF Xingang in May'20 and thereafter fell to \$210-215 CIF Xingang by end Jun'20. Inventories at the Chinese ports remained high at about 4.0 million tons thereby keeping the demand on a low level by the end of the quarter.

During this period, we still managed to ship more than 28,000 MT Chrome Ore from Albania to China despite the worsening pandemic situation. After our successful trial shipment of Chrome Ore ROM from South Africa to China last quarter, we are now focusing on increasing the volumes once the situation normalizes.



Chrome Ore sample preparation at discharge port

## COAL & ENERGY

India's coal imports have been hit hard by the Covid pandemic which had resulted in lockdown across the country. Import volumes fell from 16.9 million tons in Apr'20 to 12.2 million tons in May'20, down by 28% m-o-m, thereby recording a fall for third straight month. The lockdown in India since Mar'20 has been extended in some parts till end Jun'20 and has taken a toll on the power demand. The slump in economic growth has curbed the country's average power demand in the last three months by 25%. Adding to this, India is also focusing on reducing its dependency of imported coal and thereby utilizing domestic coal for power generation. However, it is expected that once the country starts to reopen its economy next quarter, the imported coal demand will once again pick up from the power, cement and steel sectors.

Talking about South African coal, the prices had dived amid fall in crude oil prices. The oil index saw a decline of more than 10% in April, after seeing an upward trend for the last six months. With the plunge in crude oil prices, pet coke prices (a by product of the crude oil refining process) also came down by about 8-10% this quarter. In comparison to thermal coal and pet coke, the cement industry opts for pet coke given its higher calorific value. End users in the Asian markets have shifted their buying interest to pet coke, resulting in limited trades of thermal coal, and thereby bringing down the prices. In the long run, it is expected that South African coal prices will not fall further as it has now touched the lowest level. In fact, buyers in India have already started to increase their buying requirements for Sep-Oct shipments as the situation is expected to normalize by that time.

## MAGNUM RESOURCES PVT. LTD.

The garmenting and textiles industries have been amongst the worse hit by the Corona crisis, in India and around the world. Orders cancellations by the buyers; delayed shipments and renegotiations for existing orders under force majeure have led to an unprecedented crisis for the industry. This has led to massive cash flow losses for the companies, a complete clogging of the supply chain and for many mills, a matter of survival. MRPL, a textile technology solution provider, is highly dependent of new capital expenditure by our customers. Needless to say, this crisis impacted the company materially.

However, through a mixture of nimble actions and pro-active thinking, MRPL was able to tide over the quarter successfully. MRPL was already in discussions with and this quarter finalised a new distributorship agreement with M/s Nawon Machinery of South Korea (for Seam Sealing machines used for manufacturing of PPE garments). "Nawon" is the world's leading producer of these machines with all machines manufactured in South Korea with leading product quality and reliability. While Seam Sealing machines are used for a variety of purposes, the most pressing and relevant use currently is for making Hazmat suits and protective wear, which are very much needed across India in this critical hour. Nawon Seam Sealing Machines were sold to many renowned customers all over India and customers have appreciated the machine's technology and performance. These sales and installations were done remotely, successfully and to the customers satisfaction. We also had new tie-ups this quarter with Supreme from Ningbo, China (for Mask Making Machines and Mask Packing Machine), I-Sealon (for Seam Sealing Tapes), IMB (for Ultrasonic Welding Machines for Coveralls required for medical industry) and with Rehoo from China (for UV Sterilisation Machine for PPE garments and masks).

Mask Making machines were sold to top customers in India with their successful installations.

The next few quarters shall remain challenging with the CAPEX environment remaining subdued. However, at MRPL we are focusing internally during these times, making changes with a long term mind set focused on leveraging technology more effectively and laying the foundations of growth.



Lace Machine from IMB



Supreme Cutting machine.

## SARA TEXTILES LTD.

This quarter had been a tough one due to outbreak of the pandemic COVID-19. However, during the given situation in market, Sara Textiles was able to retain all our team members without any major reduction in payroll compensations. The company also rewarded its team members that demonstrated extra courage and work ethics beyond limitations during this pandemic period. Due to countrywide lockdown, the textile industry is grappling with major hurdles in the following areas:



Awareness regarding Corona Virus in bathrobe department

**Import & Exports of raw material:** The pandemic has affected the majority of India's exports market (the US and EU together constitute for approximately, 60% of the total textile exports from India in value terms), causing order cancellations/deferral of orders leading to an inventory build-up and expectation of slower realization of export receivables leading to higher working capital requirements. Additionally, domestic consumption was also impacted due to an all India closure. New store openings have stopped, and even domestic stores are facing an inventory build-up. Further domestic prices could be negatively impacted if exporters dump their inventories in the domestic market leading to further reduced margins. This could lead to short term blips such as reduced employment of casual labour (factory closures and people moving back to their hometowns) and reduced consumption.

**Cash flow constraints:** The sector has been grappling with profitability issues due to a sharp decline in exports. These issues are likely to get aggravated further with the current crisis.

**Supply chain disruption:** The manufacturers need to look at local sourcing opportunities as an aftermath of COVID. Raw material supplies are getting affected that were previously being imported from neighbouring countries. Even supplies from other states are delayed due to border closures.

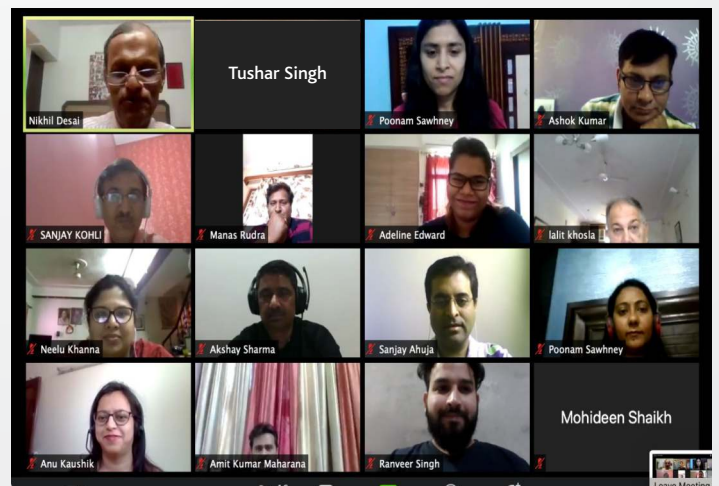
**Consumer sentiment:** If nationwide lockdown continues and the situation persists, it will impact consumer sentiment further, due to closure of the markets and malls and also due to the need of maintaining social distancing and norms. Overall, the export orders are subdued now but the order-enquiry for the next quarter seems to be good. The market situation of textiles is gradually recovering, even as the impact of Covid-19 is massive. At the plant, we organised training programs on Covid 19 Awareness and Social Distancing and Quality Control Awareness in the month of May to enhance employees' capacity to improve community awareness, prevention and sensitization towards COVID-19 best practices.

## GROUP NEWS

Sara House closed business operations with effect from 21st March'20 as per the Government guidelines urging employees to take care of their health and avoid contamination to others under the purview of Covid-19 pandemic. "Work from home" guidelines were sent out from time to time so that the work doesn't get hampered.

We planned to turn this situation into an opportunity for self-development and enrolled for various training courses which were well chosen as per the requirements of our employees. The guiding principal was – Let us learn together so when the current lock down is over, we are transformed into a better person.

Virtual training programs like "Achieving Excellence Thru Stress Management" with Nikhil Desai was organised for all the Managers across the group. A Virtual Training on "Communication and Business Etiquette" was also organised for all our sales personnel for the best utilisation of this time to improve the skills.



Team attending online training





## Ashok Kumar

Branch Manager – Ahmedabad

Magnum Resources Pvt Ltd.

### A brief on your role at Sara

My role in company is to determine & identify new customers in textiles industry and retain our existing customers with industry leading service levels and solutions with the most advanced technologies for the benefit of the customer. To find & generate new leads for the development of our business and to meet the desired revenue targets keeping in mind the overall profitability targets of company with minimising of the cost. It is to ensure that the customers are satisfied, happy and have a positive outlook towards the company.

### How do you see your future at Sara

I look forward for a long last association with company where I can grow by contributing to Sara Family. I look forward to taking on the additional responsibilities & challenges and to contribute with my best knowledge and efforts and achieving the common goals.

I see myself as fully performing member with the best team under the guidance of my veteran seniors.

### Your goals while in your current role at Sara

To use my knowledge and skills to achieve the company's mission with its vision. To contribute in expanding our customer base by adding new customer as well as maintaining the existing customers. To identify new areas of improvement for myself as well as the company's processes which will result ultimately in business growth. Also, would like to improve and enhance my knowledge and skills with the pace of changing environment of business across the world.

### Your perfect Get-away

My perfect Get-away is Manali, a hill town in the lap of nature and mountains having peace and greenery. This is best place for family vacation as well as for visiting as a pilgrimage with family members.

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

My idol in life is Mahatma Gandhi, I think after Gautam Buddha, he was the great son of India who promoted truth & non-violence across the world. He was a messenger of peace, truth, non-violence & service of humanity to the whole world. A great leader with millions of followers and a great inspiration to millions of people across the world.

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

Hard work with honesty by all members, is the key element for success of any entity-be it family or any organization. Corporate success demands dedication, determination & devotion with transparency in every step or task to gain the trust of customers, that then lays the foundation for any organization's success.

# NEW JOINERS

## MAGNUM RESOURCES PVT. LTD.

Vivekanand M. Patil	Branch Manager - Bangalore
Prasanna Kumar	Technical Manager - Bangalore

## SARA TEXTILES LTD.

Jagtar Singh	Supervisor - Admin
Amit Kumar	Deputy Manager – F&A

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