

SARAC NNECT

Vol LXIII | Quarter ended March 2022

 **SARA
GROUP**
Indian roots. Global reach.

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- South Africa moving towards delivering greater volumes...
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*"Perfection has to do with the end product,
but excellence has to do with the process."*

- Jerry Moran

From the MD

Dear Members of the Sara family,

As we complete the financial year 2021-22, I feel delighted to convey that despite the recurrence of Covid and other fluctuations in the international markets, Sara Group has done better than the previous year. It is all because of your efforts and determination that even in these tough and tiring times we have shown good results.

Unfortunately, the Russia-Ukraine crisis is staring us in the eye and it will certainly cause uncertainties as we move ahead. But we have learned how to get over these difficult times and are determined to achieve our goals.

Our budgeted projections indicate that we will remain on the path of growth. The group's activities in mining, manufacturing, and trading will continue to grow. But difficulties in shipping and logistics will be a matter of concern. We are looking at ways and means to find answers to the cost escalations and availability of shipping capacity and I hope our efforts will show results.

With my best wishes,

D P Singh

“ I continue to be very hopeful of a better result in financial year 2021-2022 and see the problems of yesteryear as bygones. ”



Sara International Pvt. Ltd.

Steel & Metals

The Russia-Ukraine conflict has already shown an impact on the global steel trade. European Union (EU) is the largest buyer of finished steel, scrap, ferroalloys, coking, and non-coking coals from Russia, however, the sanctions on Russia may disturb the trade flows and divert these volumes to Asian countries. In fact, Russia is the world's third-largest steel exporter after China & Japan, and Russia-Ukraine combined control almost 45 million tons (about 10%) of the 450 million tons of total global seaborne steel trade, therefore the sanctions on Russia will block this trade channel in the coming days. Due to this, inquiries of finished steel are pouring into India and other Asian countries as the export volumes from India to the EU are set to increase in the next few weeks. The rise in global steel prices is further supporting Indian mills to get better realization on export deals.

There seems to be no clarity on how the trade pattern will remain even in the short term. As per news reports, Russia is attacking Ukraine's steel plants and ports which have caused the plants to shut down and thereby causing supply disruptions to the EU markets. Further, the recent Covid wave in China may disturb the country's steel production and exports and thereby create better demand from India, Japan, and the US.

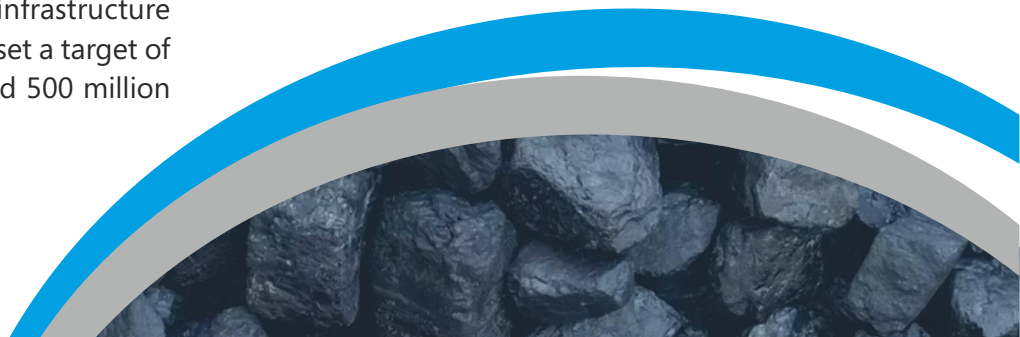
India's steel production has increased from mere 20 million tons in the year 1991 to 120 million tons in the year 2021, making it the world's second-largest steel producer after China. Looking at the strong domestic demand on account of infrastructure growth, the Government of India has set a target of 300 million tons by the year 2030 and 500 million tons by the year 2047.

Iron Ore

Iron Ore shipments from India to China have slumped this quarter on account of lower Chinese buying. As per shipping data, the export volumes fell by about 80% as compared to last year. One of the major reasons was that due to the winter Olympics, China witnessed stringent steel production curbs as well as preferred high-grade ore (especially lumps or pellets) due to environmental concerns. Further, China has been the only buyer of Indian Iron ore since Japan and South Korea have restrained from buying due to the higher export prices from India.

As per price data, low-grade Iron Ore fines prices stood at around \$35-40/mt FOB levels during the beginning of the quarter, which then reached about \$40-45/mt FOB levels by the end of the quarter. Amidst weaker Chinese buying interest for low-grade fines as well as limited deals being concluded, the export volumes are likely to remain within the same range in the next few quarters. The demand for Indian low-grade ore continues to remain weak in China.

We have been closely monitoring the market trends and are waiting for the right opportunity to conclude some export deals in the coming months.



Chrome Ore

This quarter has witnessed a supply-demand mismatch which has led to a spike in Chrome Ore prices. China, the world's largest buyer of Chrome Ore, is experiencing a shortage of material due to shipment disturbances from South Africa. This has caused a fall in inventories at the ports and thereby the demand for the ore has been increasing, whereas there are still supply constraints due to logistical issues as well as high shipping costs. Moreover, stainless steel prices have risen owing to the substantial hike in nickel prices amidst supply constraints, which has further encouraged steel mills to keep their offers up. Global prices are expected to increase in the coming weeks owing to a better outlook in the stainless-steel market.

Talking about Indian Ferro Chrome, many producers have started receiving good export inquiries from the European Union (EU). These countries used to import ferrochrome from Russia, however, due to the recent sanctions, the buying interest has shifted to Indian origin materials. It has been reported that around 2,000 tons of Ferro Chrome orders have been booked for export markets in the last week.

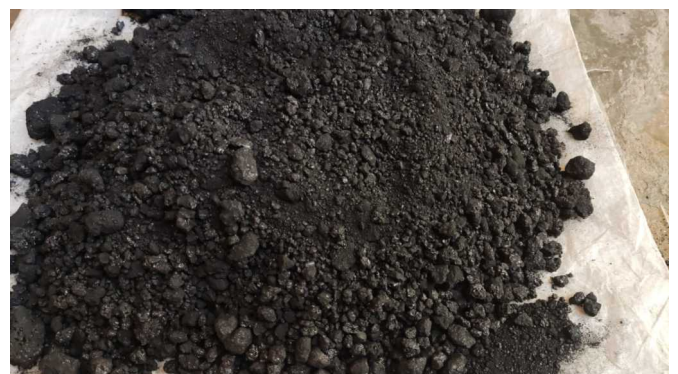
Exports from Albania also remained good during this quarter in view of the strong demand from China. While shipments in Feb'22 were slightly lower due to logistical challenges in Albania, however, the export figures in Jan'22 and Mar'22 remained strong. Despite many challenges, our export volumes crossed 35,000 tons this quarter. In South Africa, our material of ROM cargo has started to arrive at our stockyards, and we have two shipments scheduled for Apr'22.

The availability of containers has been improving so we anticipate an increase in our export volumes from South Africa in the coming months.

Coal & Energy

India has imported about 173 million tons of coal in the year 2021-22, which is lower than the corresponding years wherein the import volumes were 215 million tons in 2020-21 and 248 million tons in 2019-20. The government has made efforts to increase the domestic coal output to cut down the dependency on imports. Surprisingly, India being the second-largest coal miner in the world, it still imports a huge volume from Indonesia, Australia, South Africa, and the USA. On the contrary, Indian coal is mainly exported to neighboring countries like Nepal, Bangladesh, and Bhutan. Due to a sharp increase in global coal prices, India is spending excessive foreign exchange for the import of coal, thereby the government is taking all measures to boost domestic coal production to meet the country's demand in the future.

Prices of Indonesian coal, the world's largest thermal coal exporter, have surged on the back of record demand for the fuel in the wake of Russia's invasion of Ukraine. Moreover, the threat of a coal export ban from Indonesia has caused concerns over future supplies thereby importing countries are trying to book many vessels for lifting the material quickly before any export ban comes into effect. Due to the large volatility in coal prices, we have restrained from taking bigger positions and are waiting for the prices to stabilize before we book new orders in the coming weeks.



Coal sample collection at Kandla

Magnum Resources Pvt. Ltd.

After being outpaced in recent years by Bangladesh & then hammered by the COVID-19 pandemic, India's garment factories have now started utilizing their production capacity to the fullest. There has been a resurgence in demand driven by the China plus one strategy for global retailers; limited CAPEX in India over the last few years; and very strong demand from EU and USA.

Most of the manufacturers for the last 6 months were scouting for adding new facilities to increase the production base to meet the surging demand. Magnum has performed admirably in its key markets of North and East to capture the majority of this demand.

The demand uptick is also observed in key markets that focus on the domestic demand such as Ludhiana and throughout the quarter.

The increased focus on Automation by Magnum has helped it gain orders of its new principal, Supreme, for special machines from the largest garment manufacturer in India.

The home and technical textiles division has secured a large order for Miller Weldmaster machines: A custom built 112 Ex from a big group in Mumbai for their existing manufacturing facilities focusing on industrial fabric for geotextile applications. This will be the first of its kind of machine with dual welding heads to enhance the productivity. The machine will also reduce a large amount of manual labor on the shop floor. With the enthusiasm seen recently in the home and technical textiles, this will be a positive referral installation for the company to gain greater prominence in the industry.

The company also undertook a two and a half day offsite to focus on its plans for the coming one, three and five years. The offsite was full of intense work sessions, long enjoyable evenings and very engaging discussions.



Auto Heat Transfer machine



*Miller Weldmaster Custom 112eX Machine
for Geo Textiles*

Sara Textiles Ltd.

It seems that as the world was emerging out of the tough times caused by the pandemic; it has been caught in the trap rising inflation and recessionary signs amidst the Russia-Ukraine war that is driving commodity prices higher such as fuel and cotton.

The next few months would be very difficult for the sustainability of operations because of the increase in all input costs and fear of recession in the customers' minds.

The uncertain environment in the prices for export sea freight and raw cotton that are already at all-time highs and increased domestic inflation due to fuel prices are likely to adversely damage the bottom line of the company.

Keeping mind the current challenges, operational efficiency shall be critical in determining the results for the company.

Increased focus on marketing; strict inventory management; and improving operational efficiencies shall be key to maintain the growth of the company.

The STL team is confident to be able to respond to the above challenges with creativity, focus and determination.

The immediate focus of the team is working on new products and new markets ensure full capacity utilisation of the factory.

The company has also decided to participate in the HEIMTEX.'22 which is now being held in June.'22 to increase our presence in Europe and the Middle East. Coupled with increasing the solar power generation at the plant to reduce its energy costs.



Group News

Celebrations

At our Sara Textile plant in Nalagarh, the celebration of the New year along with the employee engagement activity was held followed by prize distributions.

Sara House has celebrated International Women's Day on 08 March where we appreciated the contribution made by our powerful and determined women in their respective fields, they played games & also tuned into the music to dance along, the celebration continued with a cake cut and luncheon, we also shared a small token of appreciation to all the lovely ladies.

Holi Hai!!! After a long time, we have celebrated Holi at our office premises, the enthusiasm and cheerfulness have made the celebration more vibrant, the day was celebrated with colors, lavish Gujhias, and Snacks to munch on...

The Nalagarh plant also celebrated the Holi with water games, sweets, and colors.



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Training and Development

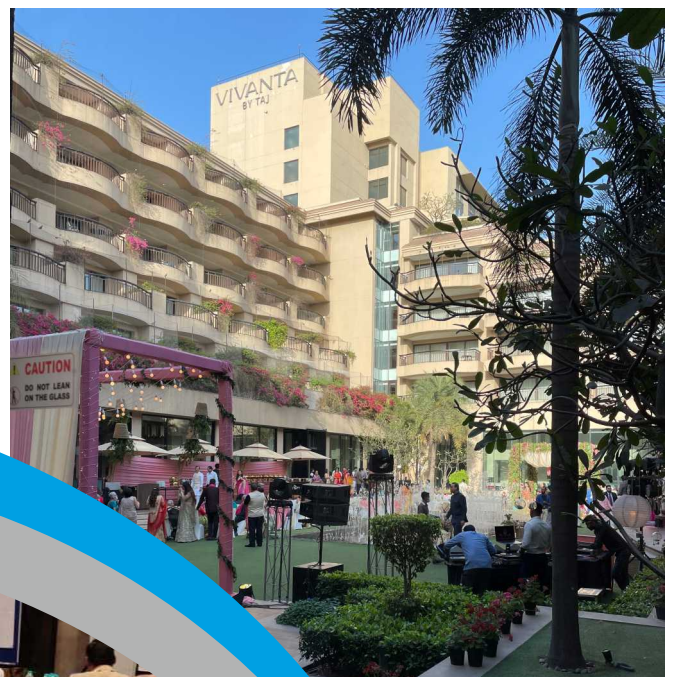
Sara Group's MRPL division has conducted three days Annual Conference, post-pandemic it was the first group event, and the participants were from across India, we also partnered with the team "Scaling Up" the motto is to evaluate & enhance our present performances & outcomes by best utilization of our resources and to set and accomplish organizational objectives.

The two-day interactive seminar with Ajay Hiraskar was like the tip of the iceberg & we still need many things to be worked on & implemented in the coming years.

On the third day of the event, our Director Mr. Tushar Singh has declared the new initiatives & the CEO & Executive Director did talk about the results of FY 20-21, HODs, and branch heads presented their plans for this financial year.

It was an engaging and fruitful program where not only our colleagues from different branches of India brainstormed but also came up with brilliant ideas for innovations.

At our Industrial plant training on "Building positive attitude" was imparted by Mr. Rajesh Kumar Thakur & Ms. Himanshi Sharma, and "Feedback Loop on Damage & Production" was conducted by Mr. Arvind D. Kate on 16th March'2022 for the Weaving team



Mahendra Patil

Manager Sales

Magnum Resources Private Limited

1. A brief on your role at Sara

Working as a sales manager in Mumbai branch handling entire Maharashtra for garment product complete range which is available in the company along with 2 technical support executives for maintaining and improving relationship with clients.

2. How do you see your future at Sara

I see myself as a top-performing employee in a well-established organization like this one, I would like to have the opportunity to move on from sales manager to national sales head of the organization.

3. Your goals while in your current role at Sara

Gain new skills and become an expert in my field to make the company top in my zone and build a better team.

4. Your perfect get-away

Holiday with family at a place which is close to nature, rivers & with no noise.

5. Your idol in life and why

MS Dhoni his struggle & achievement in this world & his success in international cricket inspires me.

6. Your perspective of the most critical element for corporate success

Customer relationship, planning & execution of tasks in a perfect way.



“ My goals are to gain new skills and become an expert in my field to make the company top in my zone and build a better team. ”

New Joiners

Sara International Private Limited

Rupesh Kumar Mishra Security Guard
Fulan Kumar Choudhary..... Security Guard
Rahul Chauhan..... Field Executive
Rishabh Gupta Trainee- Accounts

Magnum Resources Private Limited

Atikur Rahaman..... Senior Service Engineer - Kolkata
Shorn Philip..... Assistant Manager Service - Bengaluru
Nooruddin N. Senior Manager Technical - Bengaluru

Sara Textiles Limited

Mukesh Kumar Singh..... Shift Officer – Yarn Dying
Dinesh Kumar Yadav..... Asst. Manager - Engineering
Lokesh Kumar..... QA Assistant - Quality Assurance
Jaswant Singh..... Security Supervisor
Rajeev Chauhan..... Manager - Preparatory
Masat Ram..... Officer - Quality Assurance
Ashish Kumar Mishra..... Asst. Manager - Weaving
Aditi Officer – Production Planning Control
Parveen Kumar..... Officer - Quality Assurance
Subhash Chandra Pattern Master- Bathrobe
Gurvinder Singh..... Shift Officer - Finishing





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Contact us:
SARA HOUSE
Add: B - 8, Sector 4, Noida 201301, Uttar Pradesh, India
Regd.: A-31, Hauz Khas, New Delhi - 110016, India
Email: info@sara-intl.com
Tel.: +91-120-466-7272
Web: www.saragroup.co.in