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### Quote for the Quarter

In the business world, the rearview mirror is always clearer than the windshield.

- Warren Buffet



Participation in the Annual Delhi Marathon was a proud moment for the group

### From the MD

Greedy hedge funds; skillful, sharp but unreliable investment bankers; and fly by night traders were all chasing the El Dorado – there was no gold only a mirage. And then Humpty Dumpty had a great fall. This in short, is the story so far...

Sara, inevitably also got caught in this financial mess, but to a much lesser extent. We were hurt in our commodity trading business, licked our wounds and after waiting in the shelter, are ready to take off again, far wiser and much better equipped.

We may not be able to achieve our targets for the year but our teams are working hard to deliver inspiring results in spite of the current turmoil.

The Agri and metals businesses performed great even in these volatile times. Credit risk was minimized proactively, counter party defaults were almost non-existent, and solid growth was delivered.

Textiles' trading is still glowing!!! Our towel manufacturing business is continuing its growth but will need to work very hard for the next few months, to ensure minimal impact of the global economic slowdown.

Gopalpur is loading this 2008 season with much aplomb and will see solid progress in 2009. A great achievement when most ports are not performing well.

But from now onwards, to continue successfully on this growth path, we will need to focus on our core competence, tighten our belts to ensure no wasteful expenditures, obtain value for money in each transaction and be committed to ourselves and the organization.

Contribution from each of you will matter. And I am confident that next year we will find ourselves at greater heights.

Wishing you and your family a great 2009, full of peace, harmony and happiness.

**D. P. Singh**

## Sara International Ltd.

### Ore and Minerals

This quarter marked a dull period where not much movement or activity was there by way of business. But the brighter side was that it gave our team a much-needed time to reflect on the past couple of years. We had the opportunity to revisit all the processes and operations that we had followed over this period leading us to holistically review and reorganize the business model surrounding the iron-ore movement and operations.

With the conclusion of the monsoon season, the iron-ore market saw some positive signs. This was a culmination of the Chinese government providing a much-needed stimulus for domestic infrastructure development, the removal of the Indian export duty on Iron Ore fines and the rationalization of railway freights. The trade has welcomed these steps with a positive sentiment and demand showed some signs of recovery in the later part of November 2008. The next few weeks are expected to display a slight bullish run for iron ore, albeit over a very short run.

We finalized one shipment from Paradip port to China and by the time this newsletter goes into publication, the material shall be under loading. This also marks recommencement of our shipments after a break. We are now planning on shipping our next two parcels out of Paradip and Visakhapatnam during January 2009.

Over the next six months, while we do not see a radical change in the market condition and demand, we do believe that the period of turbulence is over. So although the flurry of activity over the last two years is unlikely to return, we are confident of greater liquidity and demand coming back in to the market.

### Steel and Metals

This quarter has seen a tremendous downfall in prices of steel products across all International markets coupled with a huge build up of stocks at major ports, owing largely to an almost instantaneous disappearance of demand.

Steel manufacturing and trading companies across the globe have been severally hit by falling valuations on their stocks. Towards the end of the quarter, slight price stability has returned to the market, but has also opened up some excellent arbitrage opportunities.

Sara executed its remaining second shipment of 2000 tons structural beams from China to Dubai, and credit to our long-term relationships, was completed without any credit defaults.



Sara continued its venture into the containers business and shipped more than 20 boxes from China to Dubai during this quarter. These empty container boxes were a testament to our design capabilities and were technically engineered to suit special requirements. More containers of unique sizes are under production for the next quarter with further orders under negotiations.

The group is also working on the execution of its current orders for industrial shear blades, and further negotiations are on for other similar high end specialized steel products like investment castings for the US market.

After almost a decade long break in our scrap business, a trial shipment of Aluminium scrap is under process from Australia to India, and negotiations are on for other types of Metal scrap.



The next six months will see Sara increase its sourcing of steel products from the CIS and Russian region, with concentrated efforts being made to make our procurement from the region a sustainable alternate to China.

We expect some demand to return in long products from the gulf region in January 2009, and are hopeful of some orders to be placed. Longer term, it remains anyone's guess as to where the market is going to settle.

## Coal and Energy

The steel making coal business has seen valuations and demand fall as fast as the steel making sector, with spot prices for prime coking coal today being 50% lower than long-term contracted prices. End users have been requesting shipment delays as raw material consumption rates have tumbled. Metallurgical coke demand has followed the steel and coking coal price fall, and the demand reduction has been the most critical here. Chinese coke prices have come down by over 50% in a matter of two months.

The steam coal industry has also seen a major price fall, albeit spread over a longer period. This along with the fact that demand is slowing, but not drying up has helped the industry be less prone to the volatility.

Our business over the last quarter has been minimal, with some stock sale from our earlier coke and coking coal shipments being the only transactions. Steam coal business has been negligible, as we strategically preferred to stay away in a falling market.

Plans are being made for a handy size coking coal vessel for a January 2009 arrival into East coast India as we aim to ride an anticipated short run demand bull in Quarter 1 2009 for steel, by supplying at lower spot prices.

## Retail Sourcing

Carrying on from last quarter's progress, Textiles has slowly morphed into a steady stream of business with Home Retail Group (HRG). A new European customer has brought the year to a grand ending with them placing their first orders with Sara.

Hard lines kicked off with the first long awaited orders placed for the Garden tools category. This is a result of the team's hard work, both to pull

business away from the existing supplier and also from the stronghold of China, making it an even sweeter win for us.

Our work for home retail group continues aggressively with our team now working directly with UK offices. This gives us greater insight into our customer's market strategy and price positioning.

Exposure to new products and requirements from these customers means we are expanding our product portfolio. This is amplified by our discussions with new North American customers to support their re-structured home textiles offering, through our sourcing expertise.

However, our sourcing business faces threats from a global economic slowdown, which shall impact not only the quantities of products purchased, but also put downward pressure on the prices at which they are bought. This sets new challenges for us, both in finding more efficient factories and managing more streamlined supply chains.

As we enter the New Year, it is time for excitement with new customers and an ever-expanding product base. However, this excitement is challenged by the global economic crisis, and the continuous pressure on us to re-emphasize our value as a sourcing partner.

Wishing you all a very HAPPY NEW YEAR from the Sourcing team.

## Agriculture

The agri-commodities vertical completed six months in early December and it's been a very scintillating period. In this period, we have seen markets scale highs on most products and then taken a dive as developed economies started to melt. We are all feeling this sting in the tale and I am happy to say that since we anticipated some of this, we took decisive action early on to liquidate stocks.

Trade has become fragmented and normal demand - supply scenarios are not the rationale of this time. Finance is the key to bring in stability and stop the slide. The trillion dollar question is how do you do this, when commodity - equity values have been eroded by 50%. Not an easy thought.

Agriculturists are unique...so when they are getting half the value for their commodity today, which 6 months back looked better than gold, the common

view is - Hold on! This is not the right price. So we learn a lot slower than the rest of the crowd and sometimes it costs more.

The setting up of our Indore office has faced a few set backs, largely owing to human resource issues. But we have learnt to manage the same, and believe we will have a fully operational office in quarter 1 of the next year.

The oilseed complex has been the bane with more volatility and cross direction. Low end user buying coupled with growing disparity in the processing business.

A late boost to the market was when the government allowed Chana (Chick Peas) and refined soya oil back on the exchange since they were de-listed in the month of May. It was one of the rare admittances by the government for incorrect action.



Looking to the next quarter, we believe the cautious step is to "believe" the bottom has not yet been reached. No short guessing or conservatism just a gut feeling. On the brighter side, values look more realistic and tradable. How can we improve our activity? What's our plan of action? We see ourselves moving more confidently and positively as we gain confidence and establish the name of SARA, in the market place. Growth even in a bear market does exist.

As our finishing thought, when we report on the next quarter, we would have added another two or three members to our team and opened a new branch office in Indore.

## Sara Textiles Limited

Our next phase of expansion has commenced which shall increase our capacity in piece dyeing. Our new dyeing machine shall have a single load charge of 1800 Kilograms. A new tumbler shall increase our Tumble Drying capacity by 30 to 40%. With this we bring in a new technology to tumble the fabric in a discontinuous rope batch form. By way of drying and heat treatment, the fabric obtains a soft bulky grip along with a plush feel, all at a very economical cost.

The Global meltdown is slowly affecting our customers directly or indirectly. This has led to some uncertainty temporarily with our buyers. However, by adjusting our mix of customers and products, we expect to tide over this problem.

Nonetheless, a prolonged recession or major shake up in the market for all our customers can have effect on our future business a few months down the line. From a risk perspective, credit is being curtailed to high-risk customers; our average debtor days have been earmarked for reduction.

We have also started our preparation for our Yearly Show – **Heimtextil 2009** in Frankfurt, Germany from the 14th to the 17th of January 2009. All existing and new customers would be able to visit us at Stand No.10.2/B-28 to have a look on the fresh range of products / colors and designs.

Keeping with our objective of branding Sara Textiles Limited, we shall be sponsoring the **ATP Chennai Open** in January 2009 in the capacity of the **"Official Towel Sponsor"**. The next issue will provide more details about the event.



## Magnum Resources

Magnum Resources Pvt. Ltd. has expanded and moved to a new and bigger office in Noida, Uttar Pradesh. Mr. Peter Kern (President - Melco Embroidery Systems, USA) inaugurated this new office on the 13th of November. Also present were Mike Petersen (Director - International Marketing), Mike Doe (Senior Application Expert), Akshay Sharma (Regional Director - IMEA region) and Shafaat Ali Khan (COO & Director - Al Borj Machinery Co. LLC, Dubai).

In this quarter, Magnum tied up with AEPC (Apparel Export Promotion Council) of India to do a series of workshops for various customers for Lean Manufacturing. The first workshop is on 23rd of January 2009 at Apparel House, Gurgaon during the IIGF (India International Garment Fair) 2009.

Magnum shall also be participating in the upcoming exhibition "Garment Technology Expo" 2009 that shall be held in New Delhi, India from the 16th to the 19th January 2009.



## Gopalpur Port

During the last quarter, Gopalpur completed the planned developmental activities and commenced its second shipment season. The highlights of the development were the procurement of a captive dredger by GPL, creation of new loading points, purchase of additional barges, acquisition of land for the major port etc. As a result of these developments, the port loaded this season's first vessel **MV Good Day** carrying granular Urea for Indian Potash Limited (IPL).

GPL also signed a MoU with a major shipping conglomerate to setup a ship-breaking and recycling unit at Gopalpur. This unit shall be setup based on a completely new technology and shall be the first of its kind in the world. The unit shall be environmentally friendly, carbon credit positive and shall be able to replace the unsafe and socially corrupt practices of the ship breaking yards in Bangladesh and other such places.

The project was also cleared from the Orissa Pollution Control Board and the next stage is to get the clearance from the Ministry of Environment and Forests (MoEF), Government of India.

The fundraising activities of the port are going well considering the current economic scenario and the condition of the banking industry. We hope to achieve complete financial closure for the first phase of the project by 2nd quarter 2009.

## Annual Function

Sara Group's Annual function was celebrated in conjunction with the Diwali Celebrations at the Lutyens Resort, New Delhi. It was attended by all our people and their families from across India.



Mr. D. P. Singh (Managing Director) gave the keynote address about the group's performance and challenges.



## Knowing Us

### Gurmeet Kaur Anand Manager - Human Resources



#### Briefly describe your role at Sara.

My role, as a HR person is to contribute to the development of the organizations culture, values and human capital. On a day-to-day basis, my job responsibility can range from recruitment, induction of new employees, performance appraisals, policy implementation, conflict and grievance management all the way to exit management.

Creating emotional attachment and commitment in our people for the organization is the underlying theme of all that we do in HR.

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

I know that Sara as a group is growing and shall grow in leaps and bounds because we have dedicated and committed people with us. So definitely when the organization is growing I see a lot of positive growth for myself. My role grow can evolve and cover HR strategy, organizational development and culture building.

#### What are your aims while in your current role at Sara?

My aim is to satisfy the growing needs of the group in terms of recruitment and development of our people. Bringing smiles on the faces of everyone in our organization!!!

#### What would your perfect get-away involve?

Any natural and serene place with my family.

#### You idol in life...and why?

Of course my parents: because they taught me the basic principles of life and helped me grow as a good and responsible human being.

#### According to you, what is the most critical element for corporate success?

- Well-defined vision and growth plans.

- Excellent planning, managing, execution, coordination, communication, control & people management.

We also need to create a deeper understanding of the HR department, the various roles it plays, the challenges it faces etc.

## Know Our HR

The human resources department is one of the most valued and respected departments in any organization; our job entails people, and people are the most important asset for any organization. It involves activities designed to attract, train, develop and maintain an effective employee.

The various challenges faced are:

- Retaining the potential employees.
- Work Satisfaction within the employees.
- Maintaining the morale of our employees, which will help them perform well.

## New Joinees

Mr. Sanjeeb Kumar Singh  
Manager (Ores & Minerals, Barbil) - Sara International Limited

Ms. Priyanka Agarwal  
Asst. Merchandiser cum Designer - Sara Textiles Limited

Mr. Kailash Ranga  
Manager (Finance) - Magnum Resources Private Limited

Mr. Dilip Mandal  
Manager (EDP) - Sara Textiles Limited



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