



BHAGYANAGAR INDIA LIMITED

ISO 9001 - 2008 Certified Company

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Date: 27.10.2015

To
Mr. Vishnu Vyas
Assistant Manager – Listing Compliance
The National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (E)
Mumbai 400051

Sub: Clarification –reg

Ref: Your e-mail dt.15.10.2015 – reg.

Dear Sir

With reference to your e-mail dated 15.10.2015 regarding Clarification with respect to announcement dated October 12, 2015 on scheme of arrangement, we would like to clarify as follows:

1. Brief details of the business to be demerged?

Bhagyanagar India Limited (“BIL”) is a Company incorporated under the Companies Act, 1956, having its Registered Office at 5th floor, Surya Towers, S.P.Road, Secunderabad, Telangana, India-500 003. The Company is inter-alia engaged in the business of manufacturer of copper and allied products and over the time it has diversified into Real Estate, Non-conventional energy like Wind and Solar and over a period of time has developed the following Divisions:-

a) Copper Division, b) Windmill Division, c) Solar Division and d) Real Estate Division.

i) Solar Division:

BIL wishes to consolidate the Group’s solar power business into one company. The solar division of BIL comprising of solar power plant (5 MW situated at Munipally, Medak District, Telangana) and investments in equity shares of Surana Solar Limited (“SSL”) and Surana Telecom and Power Limited (“STPL”) are proposed to be transferred to STPL.

ii) Real Estate Division:

The Real Estate division is comprising of investments in its subsidiaries i.e. Scientia Infocom India Private Ltd, Metropolitan Ventures India Ltd and Bhagyanagar Properties Private Limited (BPPL) and it is proposed to transfer the Real Estate division to BPPL so that the later may develop the properties into commercial buildings, malls residential properties which may then be leased or sold to generate revenue. Thus, BPPL will function as a focused real estate development and operating company.

2. Turnover of the demerged business and as percentage to the total turnover of the listed:

Particulars	Turnover (Rs.in lakhs)	%
Solar Power division	366.86	1.40
Real Estate division	-	-
Residual Divisions	25767.77	98.6
Total	26134.63	100.00



3. Entity in the immediately preceding financial year/ based on financials of the last financial year

The performance of the Company for the financial year 2014-15:

(Amount in Rs.)

Sl. No	Particulars	Solar Power Plant	Real Estate	Residual	Total
I	Net Revenue from Operations	35,527,153	-	2,481,940,158	2,517,467,311
II	Other Income	1,159,184	-	94,836,180	95,995,364
	Total Revenue	36,686,337	-	2,576,776,338	2,613,462,675
III	Expenses				
	Purchases of stock-in-trade	-	-	2,424,257,588	2,424,257,588
	Changes in Inventories of Finished Goods,	-	-		
	Work-in-Progress and Stock in Trade	-	-	(258,919,375)	(258,919,375)
	Employee Benefit Expenses	-	-	51,358,259	51,358,259
	Finance Costs	16,360,546	-	66,914,673	83,275,219
	Depreciation and Amortisation Expenses	16,703,773	-	32,952,812	49,656,585
	Other Expenses	6,004,411	-	214,124,701	220,129,112
	Total Expenses	39,068,730	-	2,530,688,658	2,569,757,388
IV	Profit before Exceptional and Extraordinary items and Tax	(2,382,393)	-	46,087,680	43,705,287
V	Amortization of FCMITD Reserve	-	-	(19,753,717)	(19,753,717)
VI	Profit before Extraordinary items & Tax	(2,382,393)	-	26,333,963	23,951,570
VII	Profit Before Tax	(2,382,393)	-	26,333,963	23,951,570
VIII	Tax Expense				
	1. Current Tax			3,276,970	3,276,970
	2. Deferred Tax			171,757	171,757
IX	Profit after Tax	(2,382,393)	-	22,885,236	20,502,843

4. Rationale for Demerger

The rationale for the arrangement as provided in the Scheme of Arrangement is as follows:

Solar Division:-

The Solar Division of BIL comprising solar power plant (5 MW situated at Munipally, Medak District, Telangana) and investments in equity shares of Surana Solar Limited ("SSL") and Surana Telecom and Power Limited ("STPL") are proposed to be transferred to STPL. Management of BIL is of the opinion that by transferring the entire Solar division to STPL shall bring in the following advantages:

- (a) **Focus on Solar Business:** STPL has placed its focus solely on Non-Conventional energy viz. Solar Power Generation, already having an installed capacity of 10 MW, Wind Power Generation, with an installed capacity of 1.25 MW, and other power generation projects in the pipeline. So BIL is of the view that by transferring Solar Division to STPL will achieve greater revenues and growth with proper focus & resources.
- (b) **Strength for future expansion:** There has been a rising awareness worldwide that renewable energy and energy efficiency are critical not only for addressing climate change, but also for creating new economic opportunities. In the recent years, advances in renewable energy technologies, global increases in capacity and rapid cost reductions have been made as the policies have been favorable. The size of renewable energy market will see further growth as the application of renewable purchase obligation expands to cover open access and capture consumers.
- (c) **Enhanced synergies arising out of consolidation:** The demerger of Solar Division of BIL into STPL will also bring about administrative efficiencies in managing operations of both the companies. Post demerger, there will be synergies in respective businesses, which will result in operational efficiencies. Thus, the proposed de-merger will result in better and effective administration in management and operations, owing to creation of focused entities.
- (d) **Investor attractiveness:** The proposed demerger will bring about an increase in value of STPL which in turn increases value to the share-holders of BIL who will become share-holders in STPL by virtue of this scheme of arrangement.

Real Estate Division:-

The Real Estate Division of BIL comprising Loans & Advances in the subsidiaries and Investments in BPPL, Scientia Infocom India Private Limited & Metropolitan Ventures India Private Limited are proposed to be transferred to BPPL. Management of BIL is of the opinion that by transferring the entire Real Estate division to BPPL shall bring in the following advantages:

- (a) **Focus on Real Estate Business:** BPPL has sufficient landbank to develop & thrive in the Real Estate markets. Consolidating the Real Estate division into BPPL will result in higher revenues & accelerated growth as a result of increased focus in the Real estate business.
- (b) **Future Expansion:** The Indian business scenario is getting more complex by the day, with new government regulations, newer technologies, customer preferences, increased competition, advent of new business strategies, global expansion etc. In order to meet the growing challenges, most of the business organizations are increasing their focus on their core businesses and going for backward and forward integration accordingly.
- (c) **Enhanced synergies arising out of consolidation:** The demerger of Real Estate division comprising of loans and advances and investments in the real-estate subsidiaries of BIL into BPPL will also bring about administrative efficiencies in managing operations of both the companies. Post demerger there will be synergies in respective businesses, which will result in operational efficiencies. Thus, the proposed de-merger will result in better and effective administration in management and operations, owing to creation of focused entities.

(d) **Investor attractiveness:** Often financial investors look out for sector specific companies because they have different parameters for risk and return. The return expectations of a Copper business investor are different from that of an investor in a real estate industry. The proposed demerger of the Real estate of BIL into BPPL will create two entities focusing on their respective businesses, thereby addressing investor concern.

5. Whether the transaction would fall within related party transaction? If yes whether the same is done at the arm's length?

The transaction would not fall within the related party transaction. However, the promoters / promoter group is common in BIL, STPL and BPPL. The proposed transfer is taking place through demerger/merger. The consideration in the form of equity shares of STPL and BPPL is being received by shareholders of BIL based on the valuation done by independent Chartered Accountants and fairness report issued by SEBI registered merchant bankers M/s Karvy Investor Services Limited.

Further, we would like to inform you that, on the date of the draft scheme of arrangement becoming effective, the promoters' shareholding in Bhagyanagar India Ltd will remain 74.21% as earlier and in case of Surana Telecom and Power Ltd it will reduce from 74.59% to 72.42%.

6. Brief details of buyer's and whether any of the buyers belong to the promoter/ Promoter Group/Group Companies. If Yes details thereof.

The solar business and real estate business is not being sold to STPL and BPPL rather it is being transferred through scheme of arrangement under Sections 391 to 394 read with Section 78, 100 to 103 and other applicable provisions of the Companies Act, 1956, subject to approval of Hon'ble High Court.

Thanking you
For **BHAGYANAGAR INDIA LIMITED**


DEVENDRA SURANA
MANAGING DIRECTOR