



मनोहर बलवानी
कम्पनी सचिव
MANOHAR BALWANI
Company Secretary

पावर फाइनेंस कार्पोरेशन लिमिटेड
POWER FINANCE CORPORATION LTD.
(भारत सरकार का उपक्रम) (A Govt. of India Undertaking)

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20th March, 2019

National Stock Exchange of India Ltd. Exchange Plaza Bandra-Kurla Complex Bandra (E) MUMBAI – 400 051	BSE Ltd. Corporate Relationship Department Phiroze Jeejeebhoy Towers Dalal Street, Fort MUMBAI – 400 001
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Sub: Disclosure pursuant to Regulation 30 of the SEBI (LODR), Regulations, 2015

Dear Sirs,

Pursuant to Regulation 30 of the SEBI (LODR), Regulations, 2015, read with SEBI Circular No. CIR/CFD/CMD/4/2015, dated 9th September 2015, please find enclosed the disclosure required with regard to proposed acquisition of 103,93,99,343 equity shares of REC Ltd. (representing 52.63% of the share capital of REC Limited) from President of India.

This is for your kind information and record please.

Thanking you

Yours faithfully
For POWER FINANCE CORPORATION LIMITED

(Manohar Balwani)
Company Secretary

Enclosed: as above

Disclosure made by Power Finance Corporation Limited (PFC) in terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI vide Circular No. CIR/CFD/CMD/4/2015 dated 09.09.2015

Disclosure on Execution of Agreement to acquire 52.63% of equity shares in the capital of REC Limited from President of India

A) *Name of the target entity, details in brief such as size, turnover etc:*

REC Limited

REC Limited ("REC") was incorporated on 25th July, 1969. It is a Navratna Central Public Sector Enterprise and a Public Financial Institution, providing fund and non-fund based support for the development of Indian Power Sector. REC, since 2010, is registered with the RBI as a Systematically Important Non-Deposit Taking Infrastructure Finance Company. The Equity shares of REC are listed on the Bombay Stock Exchange and the National Stock Exchange.

The Balance sheet size of REC stood at INR 2,46,484.46 as on 31st March 2018. The total loan book was INR 2,39,449.34 Crores, with a Turnover of INR 22,440.31 Crores and Profit After Tax of INR 4,647 Crores during 2017-18 (*all figures on standalone basis*). REC is engaged in financing projects / schemes of power generation (both conventional and renewable), transmission, distribution, rural electrification, system improvement, renovation and modernization of power plants in both public and private sectors. Further, the Ministry of Power, Government of India has designated REC as the Nodal Agency for operationalization of 'Sahaj Bijli Har Ghar Yojana' (SAUBHAGYA) and 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY), flagship programmes of Government of India supplementing overall rural development and facilitating '24x7 Power for All' in the country. Additionally, REC is also the Nodal Agency for National Electricity Fund (NEF), an Interest Subsidy Scheme to provide interest subsidy on loans disbursed to the State Power Utilities, Distribution Companies (DISCOMs) - both in public and private sector, to improve the infrastructure in distribution sector.

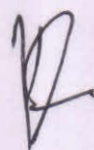
B) *Whether the acquisition would fall within related party transaction(s) and whether the promoter/ promoter group/ group companies have any interest in the entity being acquired? If yes, nature of interest and details thereof and whether the same is done at "Arm's Length":*

The President of India, being the common promoter of both PFC (61.02%) and REC (52.63%) is the Seller. The Transaction is a related party transaction between the Government and a government company within the meaning of the SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015 (LODR) and the Companies Act 2013 (Act).

The SEBI has granted necessary exemption from the application of Regulation 23(2), 23(3) and 23(4) of LODR to PFC for this transaction vide its letter dated 27th December 2018.

With regards to Companies Act 2013 ("Act"), Section 188(1) of Act read with Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 ("Rules") specifies the limits for transactions beyond which related party transaction shall require approval of the shareholders. With regard to the category of "sale, purchase or supply of any goods or materials", the limit has been prescribed as 10% or more of turnover or Rs.100 Crore, whichever is lower. The said threshold applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year. The transaction between President of India and PFC for sale and purchase of 52.63% shareholding of the GOI in REC Ltd. shall exceed the threshold limit set out under Rule 15(3) of the Rules.

MCA vide Notification No. G.S.R. 463(E), dated 5 June 2015, exempted the application of the first and second proviso to Section 188(1), to a Government company in respect of contracts or



arrangements entered into by it with any other Government Company. However, there is no such exemption for a transaction between the Government and a Government Company.

The shareholders of PFC, in the Extra Ordinary General Meeting held on 19th March 2019 have approved the said related party transaction by passing an Ordinary Resolution pursuant to the provisions under section 188 and other applicable provisions/ rules, if any, of the Companies Act, 2013.

The transaction is at Arm's Length Price determined on the basis including inter alia a valuation report from a reputed valuer appointed by PFC.

C) *Industry to which the entity being acquired belongs:*

Non-Banking Financial Services.

D) *Objects and effects of acquisition:*

The Cabinet Committee on Economic Affairs in its meeting held on dt. 6th December, 2018, granted its 'in-principle' approval to the proposal of Department of Investment and Public Asset Management, Ministry of Finance, for the strategic sale of the government of India's existing 52.63% of total paid-up equity shareholding in Rural Electrification Corporation (REC) to Power Finance Corporation Limited (PFC) along with transfer of management control. In furtherance to the decision of the Cabinet Committee on Economic Affairs, requisite approvals were obtained from the Board of Directors & shareholders of PFC, SEBI, RBI and CCI.

This decision would enable increased efficiencies in lending processes and policies across both the institutions and would create substantial public value by offering better loan products to the power sector. A common management thread between the two institutions would lead to better cross fertilization of specific institutional expertise in diverse areas, across rural and urban areas, as well as between generation, transmission, renewable & distribution sub-sectors. The convergence between the entities as combined group entities would help the power sector reap benefits from a decentralized outreach of REC Ltd. and a professional project finance expertise of PFC. Further, the ensuing diversification of assets of the group, as well as portfolio risk would help these institutions manage the resolution of stressed power sector assets in a better and coordinated manner.

E) *Brief details of any governmental or regulatory approvals required for the acquisition:*

Approval/Exemption	Authority	Status	Date of Approval/Exemption
SEBI Exemption for obtaining shareholders' approval or prior audit committee approval for the related party transaction - Regulation 23(2), 23(3) and 23(4) (LODR, 2015)	SEBI	Approved	27 th December 2018 read with email dated 25 th January 2019
REC - Approval for change in management- para 64 - RBI Master Directions - NBFC	RBI	Approved	12 th February 2019
CCI Approval u/s 31(1) of the Competition Act, 2002	CCI	Approved	7 th March 2019
Approval for related party transaction u/s 188 of CA-2013 (Ordinary Resolution)	PFC shareholders	Approved	19 th March 2019

The CCEA has provided its in principle approval for the transaction on 6th December, 2018 and the Alternate Mechanism set up for the finalizing the price, terms and conditions of the transaction, has accorded its final approval on 20th March, 2019.

F) *Indicative time period for completion of the acquisition:*

On or Before March 31, 2019

G) *Nature of consideration - whether cash consideration or share swap and details of the same:*

Cash consideration.

H) *Cost of acquisition or the price at which the shares are acquired:*

INR 139.5036 per share; total consideration of INR 14499,99,50,186/-

I) *Percentage of shareholding / control acquired and / or number of shares acquired:*

1,03,93,99,343 Equity Shares of INR 10 per share amounting to 52.63% of the total paid up capital of REC Limited

J) *Brief background about the entity acquired in terms of products/line of business acquired, date of incorporation, history of last 3 years turnover, country in which the acquired entity has presence and any other significant information (in brief):*

Name: REC Limited
CIN: L40101DL1969GOI005095
Whether Listed: Yes, listed on NSE and BSE [RECL/532955]
Date of Incorporation: 25.07.1969
Line of Business: Non-Banking Financial Services

Turnover during last three years: (INR Crores- Standalone basis)

FY 2015-16	FY 2016-17	FY 2017-18
23,756.28	24,095.35	22,440.31

कृते पावर फाइनेंस कॉर्पोरेशन लि.
For Power Finance Corporation Ltd.


(मनोहर बलवानी)
(MANOHAR BALWANI)
कंपनी सचिव / Company Secretary