



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)

No: 1:05:138:II:CS

Date: 27th December, 2018

National Stock Exchange of India Limited, Listing Department, Exchange Plaza, Bandra – Kurla Complex, Bandra (E) MUMBAI – 400 051. नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड लिस्टिंग विभाग, एक्सचेंज प्लाजा, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पू), मुंबई-400 051	Bombay Stock Exchange Limited, Department of Corporate Services, Floor – 25, PJ Towers, Dalal Street, MUMBAI – 400 001. बंबई स्टॉक एक्सचेंज लिमिटेड, कॉर्पोरेट सेवाएं विभाग, मंजिल-25, पी. जे. टावर्स, दलाल स्ट्रीट, मुंबई-400 001
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SUB: PFC's statement w.r.t. Cabinet Decision on 6th December 2018 – In Principle approval for PFC acquiring entire Govt stake in REC

Sir/Madam,

The stock exchanges vide our filing dated 11-12-2018, were informed that the Board of Directors of Power Finance Corporation Ltd. in its meeting held on 11th December, 2018 took note of Department of Investment and Public Asset Management, Ministry of Finance, Government of India O.M. dated 11th December, 2018 enclosing therewith a copy of PIB release dt. 6th December, 2018, regarding the Cabinet decision on the 'In-principle' approval for the strategic sale of the Government of India's existing 52.63% of total paid-up equity shareholding in Rural Electrification Corporation (REC Ltd.) to Power Finance Corporation Limited along with transfer of management control.

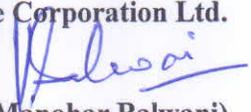
Further vide our filing dated 20-12-2018, the Stock exchanges were informed that the Board of Directors of Power Finance Corporation Ltd. in its meeting held on 20th December, 2018 has inter alia Granted 'in-principle' approval, subject to the provisions of Section 186 and other applicable provisions of the Companies Act, 2013, applicable Securities & Exchange Board of India Regulations and further subject to such necessary approvals, permissions and sanctions, as may be required, pursuant to the decision of the Cabinet Committee on Economic Affairs as conveyed by Department of Investment and Public Asset Management, Ministry of Finance, Government of India O.M. dated 11th December, 2018 and pursuant to approval of the related party transaction by Audit Committee in its meeting held on 20th December, 2018 in accordance with the provision of Section 177 of Companies Act 2013, to purchase Government of India's(GOI) entire shareholding in REC along with transfer of Management Control and to take all other steps/actions as may be required in accordance with SEBI(Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

With regard to above, PFC has been receiving various queries from the investors around this deal. Considering the investor concerns, a Statement from PFC in this regard is enclosed herewith.

This is submitted for your information and record.

Thanking you,

Yours faithfully,
For Power Finance Corporation Ltd.


(Manohar Balwani)
Company Secretary
mb@pfcindia.com

**A note w.r.t. Cabinet Decision on 6th December 2018 – In Principle approval
for PFC acquiring entire Govt stake in REC**

The Cabinet Committee on Economic Affairs has given its 'In Principle' approval for strategic sale of the Government of India's (GoI) entire shareholding in REC Limited (REC) to Power Finance Corporation Limited (PFC) along with transfer of management control.

In this context, PFC has been receiving various queries from the investors around this deal. Considering the investor concerns, it is felt prudent to share:-

1. That the Board of Directors on PFC in their meeting held on December 20, 2018 have also given an in-principle approval to the acquisition of GOI's stake in REC.
2. That as per our understanding, the Government of India intends to conclude the transaction by the end of the current financial year, i.e. by 31st March 2019.
3. Currently, PFC had not agreed to a definitive pricing for acquiring GOI's stake in REC, and the figures being discussed in various media reports are purely speculative in nature. The actual transaction price will be known once the modalities of the deal are decided by PFC in discussion with GoI and in compliance with applicable law.
4. Further, the funding of transaction is likely to happen through internal sources and/or debt raising. Also, considering the quantum of funds being raised by PFC each year for its routine business, in case debt funds are raised for the transaction, not much impact is expected on the total borrowings of PFC for the year. However, a firm financing structure/plan has not been devised yet by PFC as modalities of the deal are yet to be finalised.
5. We are cognizant of the concerns of investors regarding PFC's Capital Adequacy subsequent to the transaction. Considering the fact that a concrete transaction structure is not yet in place, the probable impact it would have on our capital and other financial ratios cannot be assessed at this stage. Having said that, we would like to assure investors that PFC will make all necessary efforts to maintain its capital adequacy at all times, as per the limits prescribed by RBI.
6. Further, we have been receiving a lot of queries on PFC being placed on credit watch by the rating agencies. In this context we understand that it's a regular process being followed by credit rating agencies. Further, we understand that the principal reason to place PFC on credit watch is the uncertainty at the moment around the pricing and financing structure/plan for the deal, and its impact on financial parameters of PFC, if any. We feel that as the deal progresses, a better picture would be available on the various aspects of the transaction which will help resolve rating agencies concerns over the various financial parameters of PFC post the deal. We expect that once the deal is completed rating agencies will again review and restore back PFC's Credit Rating.
7. Also, questions are being received on the potential merger of REC with PFC subsequent to acquisition. In this regard, as of now, no decision has been taken by PFC. Presently the focus is on completing the acquisition process and further steps will be taken as deemed necessary by PFC in consultation with the Ministry of Power/ GOI and in compliance with applicable law.

We would like to state to our investors that as the acquisition deal progresses, we will do our best to keep our investors updated.
