REPORT ADOPTED BY THE BOARD OF DIRECTORS OF POWER FINANCE CORPORATION LIMITED ("PFC/ COMPANY/ TRANSFEREE COMPANY") AT ITS MEETING HELD ON JUNE 28, 2026 EXPLAINING THE EFFECT OF THE DRAFT SCHEME OF MERGER AMONGST REC LIMITED ("REC/ TRANSFEROR COMPANY") AND PFC ON EACH CLASS OF SHAREHOLDERS, KEY MANAGERIAL PERSONNEL, PROMOTERS AND NON-PROMOTERS SHAREHOLDERS, HOLDERS OF NON-CONVERTIBLE DEBENTURES (NCDs), LAYING OUT IN PARTICULAR THE SHARE EXCHANGE RATIO, SPECIFYING VALUATION DIFFICULTIES, IF ANY.

Present Members:

1. Mrs. Parminder Chopra, Chairman and Managing Director
2. Mr. Rajesh Kumar Agarwal, Director (Finance)
3. Mr. V Packirsamy, Director (Commercial)
4. Mr. Shashank Misra, Government Nominee Director
5. Dr. Sudhir Mehta, Independent Director
6. Mr. Pankaj Gupta, Independent Director

In attendance:

1. Mrs. Parminder Chopra, Chairman and Managing Director
2. Mr. Rajesh Kumar Agarwal, Director (Finance)
3. Mr. V Packirsamy, Director (Commercial)
4. Mr. Shashank Misra, Government Nominee Director
5. Dr. Sudhir Mehta, Independent Director
6. Mr. Pankaj Gupta, Independent Director
7. Mr. Manish Kumar Agarwal, Company Secretary

Invitees:

1. Mr. Venugopal Yakasiri, Executive Director, Power Finance Corporation Limited
2. Mr. Shailen Shah, Partner, Representative of Deloitte Touche Tohmatsu India LLP
3. Mr, Dhruv Singhal, Partner, Representative of Cyril Amarchand Mangaldas
4. Ms. Sonal Dubey, Director, Representative of Deloitte Touche Tohmatsu India LLP
5. Mr. Samir Shah, Managing Director, Representative of RBSA Valuation Advisors LLP
6. Mr. Vivek Khurana, Senior Vice President, Representative of SBI Capital Markets Limited

1. Background

a) The proposed scheme of merger provides for a merger by absorption involving PFC and REC and their respective shareholders and creditors (**"Scheme"**), wherein REC i.e. Transferor Company shall merge into and with PFC i.e. Transferee Company in terms of Section 230 to Section 232 and other applicable provisions, if any, of the Companies Act, 2013 (**"Act"**) read with the rules and/ or regulations made thereunder (including any statutory modification(s) or re-enactment(s) or other

पावर फाइनेंस कॉर्पोरेशन लिमिटेड नई दिल्ली NEW DELHI POWER FINANCE CORPORATION LIMITED amendment(s) thereof for the time being in force), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("**LODR Regulations**"), and other applicable laws including the Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (as amended from time to time) ("**SEBI Scheme Circular**"), Master Circular no. SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2025/0000000103 dated July 11, 2025 ("**SEBI Debt Scheme Circular**") or any other applicable circulars issued by the Securities and Exchange Board of India ("**SEBI**") from time to time. Based on the recommendations of the Audit Committee and the Committee of Independent Directors of PFC, the Scheme was presented to the Board of Directors of the Company ("**Board**") at its meeting held on June 28, 2026 for its consideration and approval.

b) The equity shares of PFC are listed on BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**") (collectively the "**Stock Exchanges**"). The NCDs of PFC are also listed on BSE and NSE. The equity shares and NCDs of REC are also listed on the Stock Exchanges.

c) Pursuant to Section 232(2)(c) of the Act, a report is required to be adopted by the Board explaining the effect of the Scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders laying out in particular the share exchange ratio, specifying any special valuation difficulties. Further, pursuant to paragraph (A)(2)(d) of Part I of Annexure XII-A of Chapter XII of the SEBI Debt Scheme Circular, a report from the Board is required recommending the Scheme, taking into consideration, inter-alia, the Valuation Report and ensuring that the Scheme is not detrimental to the holders of NCDs of PFC and also comment on the impact of the Scheme on the holders of NCDs, safeguards for the protection of the holders of NCDs and exit offer to the dissenting holders of NCDs, if any.

d) Accordingly, this Report of the Board is prepared to and in compliance with the requirements of the Act and SEBI Debt Scheme Circulars, as amended from time to time, for adoption by the Board.

e) While deliberating on the Scheme, the Board of Directors, inter-alia, considered and has taken on record the following documents:

(i) Draft Scheme of Merger

(ii) Joint valuation reports dated June 28, 2026 submitted by M/s. RBSA Valuation Advisors LLP appointed by the Transferee Company and M/s. Ernst & Young Merchant Banking Services LLP appointed by the Transferor Company in relation to recommendation of fair equity share exchange ratio for the equity shareholders and fair exchange ratio for the NCD holders of Transferor Company for proposed merger of Transferor Company into Transferee Company ("**Valuation Report(s)**");

(iii) Fairness opinions report dated June 28, 2026 submitted by SBI Capital Markets Limited;

(iv) Statutory Auditors certificate inter alia confirming that the accounting treatment included in the Scheme is in compliance with the applicable accounting standards specified by the Central Government under section 133 of the Act read with applicable rules, and/or the accounting standards issued by the Institute of Chartered Accountants of India and other generally accepted rules; and

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(v) Other presentations, documents and information made to/furnished before the Board of Directors, pertaining to the Scheme.

2. Salient features of the Scheme

The Scheme is pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Act, and provides for inter alia the following:

a) The Scheme provides for the merger by absorption of REC Limited ("**Transferor Company**") into Power Finance Corporation Limited ("**Transferee Company**") with effect from Appointed Date and the consequent dissolution of the Transferor Company without being wound up and on a going concern basis, and the issuance of Consideration Shares to the equity shareholders of Transferor Company in accordance with the Share Exchange Ratio.

b) Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder and in accordance with Section 2(6) of Income Tax Act, 2025, and other applicable provisions of the same and the relevant provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws, rules, regulations and guidelines, as may be applicable from time to time, shall govern the Scheme.

c) Appointed Date shall mean the opening of business on April 1, 2027, or such other date that is mutually agreed in writing between the Transferor Company and the Transferee Company.

d) Effective Date shall mean the (i) the Appointed Date; or (ii) date on which the last of the approvals, sanctions, orders, or filings required under this Scheme and Applicable Law have been obtained or made, and specifically the date on which the certified true copy of the order of the Ministry of Corporate Affairs sanctioning the Scheme is filed by the Transferee Company with the Registrar of Companies, after all conditions set out in the Scheme have been satisfied or waived in accordance with the terms thereof, whichever is later. The Scheme shall be effective from the Appointed Date but shall be operative from the Effective Date.

e) Upon the coming into effect of the Scheme and with effect from the Appointed Date and subject to the provisions of the Scheme, the Undertaking of the Transferor Company shall, pursuant to the sanction of the Scheme by the MCA and pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, stand transferred to and vested in and/or be deemed to have been transferred to and vested in the Transferee Company, as a going concern, in accordance with Section 2(6) of the Income Tax Act, 2025, without any further act, instrument, deed, matter or thing.

f) Upon the Scheme coming into effect, the entire authorized share capital of the Transferor Company, shall stand transferred to and be merged/combined with the authorised share capital of the Transferee Company.

g) Upon the coming into effect of the Scheme and with effect from the Appointed Date, and in consideration of the transfer and vesting of the Undertaking of the Transferor Company in the Transferee Company, the Transferee Company shall, without any further application, act or deed, issue and allot Consideration Shares to all Eligible Shareholders (*i.e.*, each Person (other than the Transferee Company) whose name appears in the register of members of the Transferor Company on the Record Date *(as defined in the Scheme)* (or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of the Transferee Company), at the Share Exchange Ratio on the basis of the relevant Valuation Report and relevant Fairness Opinion. The Consideration Shares shall be listed on the Stock Exchanges.

h) All the Transferor Company Shares held by the Transferee Company as on the Effective Date shall stand cancelled without any further application, act or deed.

i) Upon this Scheme becoming effective and with effect from the Appointed Date, all Debt Securities, shall, without any further act, instrument or deed become the Debt Securities of the Transferee Company with same terms and conditions and all rights, powers, duties and obligations in relation thereto shall be and shall stand transferred to and vested in or deemed to be transferred to and vested in and shall be exercised by or against the Transferee Company as if it were the issuer of such Debt Securities, so transferred and vested. The Transferee Company shall undertake all actions as may be required under the Applicable Law (including executing appropriate documents) for the issuance and/or allotment and/or acquisition of debentures, bonds, notes, commercial papers, or such other securities of the Transferee Company (as the case may be), on same terms and conditions as those of the corresponding Debt Securities of the Transferor Company, in favour of each holder of such Debt Securities as on the Record Date, or such holder's legal heirs, executors, or administrators, or, where such holder is a body corporate, its successors-in-interest.Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Transferor Company shall stand dissolved without being wound up.

j) The effectiveness of the Scheme is conditional upon fulfilment of the actions specified in the Scheme, which *inter-alia* include:

   i. The requisite consent, approval or permission of relevant Governmental Authorities including, but not limited to, the President of India, CCEA and RBI in relation to the Scheme, having been obtained by the relevant Parties;

   ii. The receipt of no-objection letters from the Stock Exchanges in accordance with the LODR Regulations, the SEBI Scheme Circular, and the SEBI Scheme Circular - Debt in respect of the Scheme, prior to filing the Scheme with the MCA;

   iii. Compliance with all other conditions prescribed by SEBI under the SEBI Scheme Circular and the SEBI Debt Circular;

   iv. The Scheme being approved by the Central Government/Ministry of Corporate Affairs in accordance with Government Notification G.S.R. 582(E) dated June 13, 2017;

   v. The approval of the members of the Parties to the Scheme:

      (i) by the requisite majorities in number and value of such classes of members as may be directed by Central Government/Ministry of Corporate Affairs or any other competent authority, as may be applicable (through postal ballot/ e-voting, as applicable); and

      (ii) with the votes cast by the respective public shareholders of the Parties in favour of the Scheme being more than the number of votes cast by the respective public shareholders of the Parties against the Scheme (through e-voting); and

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in each case in compliance with the provisions of the Applicable Law, including the Act, the SEBI Circular and the LODR Regulations;

vi. The approval of the respective creditors including holders of non-convertible debentures, bonds, notes, as may be applicable, of the Parties (through e-voting) to the Scheme, in compliance with the provisions of the Applicable Law, including the Act, the SEBI Circular, SEBI Circular – Debt and the LODR Regulations;

vii. All Parties to the Scheme having undertaken all necessary actions to ensure that post effectiveness of the Scheme: (a) the Transferee Company continues to qualify as a Government Company; and (b) Government of India continues to retain majority voting rights and control in the Transferee Company (directly or indirectly), in each case by, (I) Government of India and/or its nominees, directly or indirectly, subscribing to additional equity or any other instruments or securities, in accordance with Applicable Law and/or (II) any other manner as the Government of India approves and/or directs, and any dilution to the public shareholders pursuant to the issuance of shares/securities to Government of India and / or its nominees shall be undertaken in accordance with Applicable Law as may be determined by an independent registered valuer in accordance with rules and regulations of SEBI;

viii. Each of the Parties having filed the certified copies of the order of the MCA sanctioning the Scheme with the ROC within the statutory timelines; and

3. Need for the proposed merger

a) With the objective of achieving scale and improving efficiency in public sector NBFCs, the Hon'ble Finance Minister announced the proposal to restructure PFC and REC in the Union Budget presented on February 01, 2026.

b) Pursuant to the above announcement, the Boards of PFC and REC, at their respective meetings held on February 06, 2026, accorded in-principle approval for restructuring in the form of a merger of PFC and REC, while ensuring that the merged entity continues to remain as a "Government Company" under the Companies Act, 2013 and other applicable laws.

c) Subsequently, at the Board meeting of PFC and REC held on May 16, 2026, the Board of Directors of PFC and REC reserved the proposed merger of REC into PFC for the approval of the Hon'ble President of India. In this regard, Ministry of Power vide its letters dated June 10, 2026, has conveyed the approval of the Hon'ble President of India to PFC and REC.

d) While it is contemplated that, the shareholding of Government of India will fall below 51% (Fifty One Percent) through the proposed Merger, the Government of India proposes to invest, directly and/or indirectly, further capital in the Transferee Company to increase its shareholding and ensure that: (i) the merged entity remains a 'Government Company' under the provisions of the Companies Act; and (ii) the Government of India retains majority voting rights and control, directly or indirectly, in the merged entity.

e) Retention of Government Company status is critical to preserving sovereign-linked funding access, business continuity, Government scheme implementation, and existing financing arrangements. The proposed capital investment will ensure continued Government ownership and control, reinforcing stakeholder confidence, institutional stability, and the merged entity's position as a trusted sovereign-backed financier, while supporting its sustainable business model and long-term value creation for all shareholders.

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4. **Rationale of the Scheme**

The Scheme would be in best interest of both the companies and their respective shareholders, borrowers, creditors, employees and other stakeholders as the proposed reorganization pursuant to this Scheme is expected, *inter alia*, to yield advantages as set out below:

a) The merged entity would emerge as the Government's principal institution for implementing power sector reforms and flagship programmes, serving as the primary vehicle for translating national policy objectives into measurable sectoral outcomes. By leveraging its enhanced scale, financial strength, and institutional capabilities, the merged entity would maximise the effectiveness, reach, and impact of Government initiatives, thereby accelerating the development and transformation of the power sector

b) As India moves towards the ambitious goal of Viksit Bharat 2047, the power sector will require substantial capital investment. On a consolidated basis, the merged entity is expected to benefit from improved balance sheet strength, stronger capital base, and higher operational efficiencies, enabling large-scale funding and improved credit flow across the power sector value chain.

c) The merged entity would serve as a key financier of India's energy transition and strategic infrastructure buildout, supporting generation, transmission, distribution, renewable energy, and next-generation technologies such as green hydrogen, energy storage, small modular nuclear reactors, and grid modernization. Combining greater scale, technical expertise, and sector knowledge, it would be better equipped to deploy capital and capture opportunities arising from these emerging growth areas.

d) With enhanced scale, diversified exposure, and deeper sector expertise, the merged entity would strengthen market confidence by improving project bankability, enabling more effective risk sharing, accessing longer-tenor capital, and structuring complex infrastructure financings with greater resilience and stability.

e) The merger will strengthen the balance sheet, improve borrowing capacity and financial flexibility. By combining credit lines, improving credit metrics, and expanding capital access channels, the merged entity can support more competitive pricing for customers, easing funding constraints for critical infrastructure and enabling a greater credit flow across the power sector and the broader economy.

f) The merged entity would become the primary vehicle for implementing a majority of government schemes for the power sector and would maximize sector benefits through these programs.

5. **Effect of the Scheme on equity shareholders (promoters and non-promoter shareholders of PFC)**

a) PFC has no other class of shareholders, apart from equity shareholders.

b) Upon the coming into effect of the Scheme, and with effect from the Appointed Date, and in consideration of the transfer and vesting of the Undertaking of the Transferor Company in Transferee Company pursuant to the Scheme, Transferee Company shall, without any further application, act or deed, issue and allot Consideration Shares to all Eligible Shareholders (or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Transferee Company), at the Share Exchange Ratio on the basis of the relevant Valuation Report and relevant Fairness Opinions and all the Transferor

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Company Shares held by Transferee Company on the Effective Date shall stand cancelled without any further application, act or deed.

c) While it is contemplated that the shareholding of Government of India will fall below 51% (Fifty One Percent) through the proposed Merger, the Government of India proposes to invest, directly and/or indirectly, further capital in the Transferee Company to increase its shareholding and to ensure that: (i) the merged entity remains a 'Government Company' under the provisions of Companies Act; and (ii) the Government of India maintains majority voting rights and control, directly or indirectly, in the merged entity. Retention of Government Company status is critical from both lending and borrowing perspectives to ensure continuity of business operations, implementation of government schemes, preservation of existing borrowing covenants and contractual arrangements, and maintenance of the sovereign linkage in the merged entity's credit profile, which facilitates access to competitively priced funding to support the financing requirements of the power sector. Further, any such issuance shall be undertaken with the consent of the shareholders in accordance with Applicable Law as may be determined by an independent registered valuer in accordance with rules and regulations of SEBI. The Merger would therefore be in the best interest of the shareholders of the Company and shall not in any manner be prejudicial to the interests of the shareholders concerned.

d) **Share Exchange Ratio**

The Share Exchange Ratio for the Proposed Merger of REC into PFC shall be 88 equity shares of PFC of INR 10/- each fully paid up for every 100 equity shares of REC of INR 10/- each fully paid up.

e) The Consideration Shares of the Transferee Company to be allotted and issued to the shareholders of the Transferor Company shall be subject to the provisions of the memorandum and articles of association of the Transferee Company and shall rank pari-passu in all respects with the Transferee Company Shares after the Effective Date including in respect of dividend, bonus, voting rights, and other corporate benefits attached to the equity shares of the Transferee Company, if any, that may be declared by the Transferee Company on or after the Effective Date.

f) The Consideration Shares allotted and issued, shall be listed and/ or admitted to trading on the Stock Exchanges, where the equity shares of the Transferee Company are listed and/ or admitted to trading as on the Effective Date.

g) The Scheme is expected to have several benefits for PFC, as indicated in the Rationale of Scheme in Paragraph 4 above, and is expected to be in the best interests of the shareholders of PFC. There is no adverse effect of the Scheme on the equity shareholders of the PFC as the merger is expected to strengthen the consolidated business profile, balance sheet size, and operational capabilities of PFC. The merged entity will benefit from improved efficiencies, optimized cost structures, and enhanced earnings potential over the medium to long term. The shareholders of PFC will have direct ownership in the largest power sector financier in India, which will house operations, profits and entire value chain of the NBFC power sector lending business under one roof.

6. **Effect of the Scheme on Key Managerial Personnel ("KMPs") of PFC**

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The employees of PFC (including KMPs) shall continue as employees of PFC. The roles and responsibilities assigned to the KMPs of REC and PFC in PFC post-merger, shall be subject to the decision of the Board or any existing delegated authority of PFC.

7. **Impact of the Scheme on the holders of NCDs; safeguards for the protection of the holders of NCDs; and exit offer to the dissenting holders of NCDs, if any:**

a) Impact: The holders of the NCDs in PFC, shall continue to hold the NCDs in PFC (merged entity) even post the Scheme becoming effective on the same terms and conditions at which they were issued. The liability of PFC towards NCD holders of PFC is neither being reduced nor being extinguished under the Scheme. Thus the rights of the holders of the NCDs are in no matter affected by the Scheme.

b) Safeguards for the Protection of the holders of the NCDs: Pursuant to the Scheme, the holders of the NCDs of PFC as on the Record Date shall continue to hold the same NCDs, without any interruption, on the same terms and conditions, including the coupon rate, tenure, redemption price, quantum, nature of security, International Securities Identification Number (ISIN) etc. Further, the fair exchange ratio for the NCD holders of the Transferor Company has been determined basis the Valuation Report.

c) All Encumbrances over Transferee Company's assets existing on the Effective Date shall, in so far as they secure or pertain to the liabilities of the Transferee Company, after the Effective Date, continue to relate and attach only to such assets or any part thereof over which they subsisted immediately prior to the Effective Date, and shall not be extended to, and shall not operate over, any assets of the Transferor Company transferred to and vested in the Transferee Company pursuant to the Scheme. The holders of security or Encumbrance over the properties and/or assets of the Transferor Company (transferred to the Transferee Company pursuant to this Scheme) shall not be entitled to any security over the pre-existing properties, assets, rights, benefits, and interests of the Transferee Company.

d) Exit offer to the dissenting holders of NCDs, if any: The Scheme, is not expected to have any adverse effect on the holders of PFC listed NCDs and adequately safeguards interests of the holders of PFC listed NCDs. Given the above, no exit offer is proposed to the dissenting holders of NCDs. Moreover, NCDs of PFC, will continue to be freely tradeable and listed on NSE and BSE, thereby providing exit option and liquidity to the holders of such NCDs.

8. **Effect of the Scheme on creditors and/or other lenders of PFC**

Under this Scheme, there is no arrangement with the creditors and/or other lenders of PFC. The liability of PFC towards such creditors and/or other lenders is neither being reduced nor being extinguished under the Scheme and shall be paid off in the ordinary course of business as per the agreements and/or arrangements entered into with them.

While it is contemplated that the shareholding of Government of India will fall below 51%, through the proposed Merger, the Government of India proposes to invest directly and/or indirectly, further capital in the Transferee Company to increase its shareholding and to ensure that (i) the merged entity remains a 'Government Company' under the provisions of Companies Act; and (ii) the Government of India maintains majority voting rights and control, directly or indirectly, in the

पावर फाइनेंस कॉर्पोरेशन लि. POWER FINANCE CORPORATION LIMITED नई दिल्ली NEW DELHI merged entity. The merger will therefore not be in any manner be prejudicial to the interests of the creditors and/ or other lenders of PFC.

9. **Consideration**

(a) The relevant Valuation Report was obtained by PFC in terms of the SEBI Master Circulars to arrive at the share exchange ratio in connection with the Scheme.

(b) No special valuation difficulties were reported by the registered valuers in the said Valuation Report in connection with determination of the share exchange ratio.

(c) The Fairness Opinion also does not indicate any such difficulties.

(d) The recommendation of the share exchange ratio in connection with the Scheme based on the relevant Valuation Report has been accepted as being fair and reasonable by the Committee of Independent Directors, Audit Committee and the Board of PFC.

10. **Adoption of the Report by the Board of Directors**

In the opinion of the Board of Directors of PFC, the Scheme will be advantageous and beneficial to PFC, its shareholders and other stakeholders and the terms thereof are fair and reasonable. The Board hereby adopts this report after due deliberations and due consideration of all terms of the Scheme, the information set forth in this Report and the papers tabled before it, including the effect of the Scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders and NCD holders of PFC, as well as the proposed share exchange ratio.

For and behalf of Board of Directors of PFC

Name: Mrs. Parminder Chopra

Designation: Chairman – Board of Directors

Date: June 28, 2026

Place: Kovalam, Kerala

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