Fairness Opinion Report

On

The Share Exchange Ratio for the Proposed Scheme of Merger

Of

Power Finance Corporation Limited and REC Limited

(Strictly Private & Confidential)

SBI CAPITAL MARKETS LIMITED

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A subsidiary of State Bank of India

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1. Background

Pursuant to a composite Scheme of Merger under sections 230-232 and other applicable sections of the Companies Act, 2013 (the "Proposed Scheme"), REC is proposed to be merged with and into PFC. We understand that REC and PFC have undertaken a valuation exercise for the merger of REC with PFC (the "Merger") and obtained a Joint Valuation Report from the Valuers recommending the share exchange ratio for the issuance of equity shares of PFC to the shareholders of REC in consideration for the Merger.

PFC vide contract dated March 17, 2026 has engaged SBICAPS to provide Fairness Opinion Report on the Share Exchange Ratio for the Merger set out in the Valuation Report in accordance with PART – I A 2(d), 2(A) and 9(b) of SEBI Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023.

1.1. About the Companies

1.1.1. Power Finance Corporation Limited

PFC is a 'Maharatna' Central Public Sector Enterprise (CPSE) and is registered with Reserve Bank of India (RBI) as a non-banking financial company (NBFC) with infrastructure finance company (IFC) status. PFC was incorporated in 1986 bears corporate identification number L65910DL1986GOI024862 and has its registered office at Urjanidhi, 1, Barakhamba Lane, Connaught Place, New Delhi – 110001. It was set up by the Government of India (GoI) as a specialised development financial institution to fund projects in the domestic power sector. Shares of PFC are listed on exchanges and the GoI remains the majority shareholder in PFC with a stake of ~56%, as on March 31, 2026, having representation on the company's board as well. In addition to above, it also has listed Non – Convertible Debentures (NCDs). PFC provides loans for a range of power sector activities including generation, distribution, transmission, and plant renovation and maintenance, and other infrastructure projects. It caters to a reputed client base such as State Electricity Boards, State Power Utilities, Central Power Utilities, Joint Sector Power Utilities, Equipment Manufacturers, Other State Departments engaged in the development of power projects, among others.

Capital Structure and Shareholding Pattern of PFC

The authorized, issued, subscribed and paid-up share capital of PFC as on March 31, 2026, is as follows:

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Table 1-1: Authorized, Issued, Subscribed and Paid-up Share Capital of PFC

Authorized Share Capital	Amount in Rs. Cr
11,00,00,00,000 equity shares of Rs. 10 each	11,000.00
20,00,00,000 preference shares of Rs. 10 each	200.00
Total	**11,200.00**
Issued Share Capital	**Amount in Rs. Cr**
3,30,01,01,760 equity shares of Rs. 10 each	3,300.10
Total	**3,300.10**
Subscribed and Paid-Up Share Capital	**Amount in Rs. Cr**
3,30,01,01,760 equity shares of Rs. 10 each	3,300.10
Total	**3,300.10**

Source: Management Information

The equity shareholding pattern as on March 31, 2026, is as follows:

Table 1-2: Shareholding Pattern of PFC

Category	No. of Equity Shares	% Shareholding
Promoter & Promoter Group	1,84,78,64,722	55.99
- *President of India*	*1,84,78,64,722*	55.99
Public Shareholders	1,45,22,37,038	44.01
Total	**3,30,01,01,760**	**100.00**

Source: BSE

1.1.2. REC Limited

REC is a 'Maharatna' CPSE and is registered with the RBI as an NBFC, IFC and is a public financial institution (PFI). REC was incorporated in 1969 and bears corporate identification number L40101DL1969GOI100509 and has its registered address at Core- 4, SCOPE Complex, 7 Lodhi Road, New Delhi – 110003. Shares of REC are listed on exchanges, and PFC is the majority shareholder with a stake of 52.63% as on March 31, 2026. In addition, it also has listed NCDs. REC was initially established to support rural electrification, and has expanded its mandate to finance the entire power infrastructure value chain, including generation, transmission, distribution, renewable energy, and emerging technologies such as electric vehicles, battery storage systems, and green hydrogen. REC has also diversified into non-power infrastructure sectors such as roads and highways, metro rail, airports, ports, IT communication, logistics, healthcare, and water and sanitation. REC provides long-term loans and a range of other financial products to central and state government entities, as well as private sector companies, for the development of infrastructure assets in India.

Capital Structure and Shareholding Pattern of REC

The authorized, issued, subscribed and paid-up share capital of REC as on March 31, 2026, is as follows:

Table 1-3: Authorized, Issued, Subscribed and Paid-up Share Capital of REC

Authorized Share Capital	Amount in Rs. Cr
5,00,00,00,000 equity shares of Rs. 10 each	5,000.00
Total	**5,000.00**
Issued Share Capital	
2,63,32,24,000 equity shares of Rs. 10 each	2,633.22
Total	**2,633.22**
Subscribed and Paid-Up Share Capital	
2,63,32,24,000 equity shares of Rs. 10 each	2,633.22
Total	**2,633.22**

Source: Management Information

The equity shareholding pattern as on March 31, 2026, is as follows:

Table 1-4: Shareholding Pattern of REC

Category	No. of Equity Shares	% Shareholding
Promoter & Promoter Group	1,38,59,93,662	52.63
- *Power Finance Corporation Limited (PFC Ltd.)*	*1,38,59,93,662*	52.63
Public Shareholders	1,24,72,30,338	47.37
Total	**2,63,32,24,000**	**100.00**

Source: BSE

1.2. Transaction Overview

In accordance with the provisions of the draft Scheme shared by Transaction Advisor and Valuation Report received from Valuers, we understand that:

- As on March 31, 2026, PFC holds 52.63% of the paid-up equity share capital of REC.
- The proposed Merger will combine the operations of both companies by way of absorption on a 'going-concern basis'. As part of the Scheme, all assets and liabilities as well as reserves of REC shall be transferred to PFC, and there shall be a consequent dissolution of REC, without being wound-up. The underlying consideration for the same shall be paid and discharged by PFC by way of issuance of its fully paid-up equity shares (Consideration Shares).

- It is proposed to issue equity shares of PFC to the shareholders of REC (except to PFC), for which the Valuers have arrived at "Share Exchange Ratio" for Merger as follows:

  "88 fully paid-up equity share of PFC of Rs. 10 each, for every 100 fully paid-up equity shares of REC of Rs. 10 each."

- All Consideration Shares of the Transferee Company will be listed and/ or admitted to trading on the BSE and NSE, which have nation-wide trading terminals.
- As per the Scheme, we understand that the Appointed Date for the transaction is April 01, 2027.
- Pursuant to clause 9.2 and 17.1. of the draft Scheme, all listed NCDs of Transferor Company shall become the securities of the Transferee Company 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 Transferor Company. Holders of the listed NCDs as on the Effective Date will continue to hold listed NCDs without any interruption and on the same terms. There will be no change in the terms and conditions of the listed NCDs pursuant to the Scheme.

1.3. Sources of Information

We have used the following information received from the Merging Entities and gathered from the public domain:

i. Valuation Report issued by registered Valuers.
ii. Draft Scheme of Merger.
iii. Audited financials of the Merging Entities.
iv. Other relevant information and documents for the purpose of this engagement available in public domain.
v. Additional information provided by the representatives of the Merging Entities.
vi. Such other information received during discussion with the Registered Valuers, if any.

It is to be noted that financial projections of the Merging Entities have not been provided by the management of the Merging Entities. Based on the consensus between the management of the Merging Entities that valuation may be carried out without using the Income (Discounted Cash Flow) approach, the Income approach has not been used in computation of Swap Ratio.

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2. View of the Fairness Transaction

As understood from the draft Scheme of Merger shared by Transaction Advisor and Valuation Report received from Valuers dated June 28, 2026, upon the Scheme being effective, all the shareholders of REC (except PFC) would also become shareholders of PFC. Consideration Shares of the Transferee Company which will be issued as consideration for Merger will be listed and/ or admitted to trading on the BSE and NSE, which have nation-wide trading terminals.

Moreover, pursuant to clause 9.2 and 17.1. of the Scheme, all listed NCDs of Transferor Company shall become the securities of the Transferee Company 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 Transferor Company. Holders of the listed NCDs as on the Effective Date will continue to hold listed NCDs without any interruption and on the same terms. There will be no change in the terms and conditions of the listed NCDs pursuant to the Scheme. Further, in the light of the Management submission that the credit ratings of existing NCDs of PFC and REC are similar and therefore the existing market yields of NCDs of PFC and REC are not materially different; Valuers recommendation for the listed NCDs of Transferor is fair.

In accordance with Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the relevant SEBI Master Circulars thereto, based on our examination of the Valuation Report received from the Valuers, such other information/ undertakings/ representations provided to us by the management of the Merging Entities and our analysis and evaluation of such information and to the best of our knowledge and belief, we are of the opinion that the recommendation made by the Valuers of the Share Exchange Ratio is fair, which is as under:

"88 fully paid-up equity share of PFC of Rs. 10 each, for every 100 fully paid-up equity shares of REC of Rs. 10 each."

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Yours Sincerely,

For SBI Capital Markets Limited

Authorized Signatory

Kumar Bibhu (Vice-President)