



(एक महारत्न कंपनी)



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Date: 12.02.2026

<p>National Stock Exchange of India Limited, Listing Department, Exchange Plaza, Bandra – Kurla Complex, Bandra (E) MUMBAI – 400 051.</p>	<p>BSE Limited, Department of Corporate Services, Floor – 25, PJ Towers, Dalal Street, MUMBAI – 400 001.</p>
<p>नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड लिस्टिंग विभाग, एक्सचेंज प्लाजा, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पू), मुंबई-400 051</p>	<p>बीएसई लिमिटेड, कॉर्पोरेट सेवाएं विभाग, मंजिल-25, पी. जे. टावर्स, दलाल स्ट्रीट, मुंबई-400 001</p>

Sub: Intimation pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- A Brief Update regarding PFC REC restructuring

Madam/Sir,

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation of our earlier intimation dated 06.02.2026, please find below a brief update regarding PFC-REC restructuring:

A. Background

In the Union Budget presented on 1st February 2026, the Hon'ble Finance Minister announced the proposal to restructure Power Finance Corporation Limited (PFC) and REC Limited (REC) (hereinafter referred to as both entities) with the objective of achieving scale and improving efficiency among Public Sector NBFCs.

Pursuant to the above announcement, the Boards of PFC and REC, at their respective meetings held on 6th February 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.

PFC had acquired 52.63% equity stake in REC in 2019, pursuant to which REC became a subsidiary of PFC, in line with the Government of India's approval (PIB press release dated 6 Dec, 2018).

Now, the renewed momentum towards consolidation reflects continuity in strategic intent.

This proposed merger represents a step towards creating a single, focused institution to address the evolving financing needs of the power sector.

B. Synergies on PFC REC merger

As India moves towards the ambitious goals 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, capital efficiencies, and operational synergies, enabling large-scale funding and improved credit flow across the power sector value chain.

Going forward, in addition to renewable energy, the next phase of the sector will be driven by new and emerging technologies such as Green Hydrogen, CCUS, small modular nuclear reactors, energy storage solutions. As a combined entity, it will have stronger technical capabilities, deeper sector expertise, which would be leveraged to capitalise on these emerging opportunities more effectively.

Based on consolidated metrics, the merged entity would be positioned as the largest power sector financier in India.

C. Key Aspects related to the proposed merger

- i. **Government Entity status:** The merged entity will also continue to maintain its status as a Government company and Government of India will continue to retain its control of the merged entity, including the right for appointment/removal of its board members.
- ii. **Merger Implementation:** The merger structure is under deliberation. Appropriate external agencies will be appointed, including consultants, valuation experts, and legal advisors, to ensure structured, timely, and compliant execution of the merger, subject to applicable regulatory approvals.
- iii. **Lending Business:** Both entities, as NBFCs, comply with the Reserve Bank of India's credit concentration norms applicable to single and group borrower exposures, which are linked to Tier I capital. Currently, both entities operate well within the prescribed exposure limits.

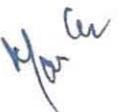
Post-merger, these limits will apply to the consolidated Tier I capital of the merged entity. Given the strong net worth of both entities, any breach w.r.t. borrower exposure norms is not foreseen. The merged entity is expected to maintain comfortable capital levels to support future lending growth.

iv. **Borrowing Exposure:**

Currently, the outstanding borrowing mix of both entities comprises approximately 18% domestic bank/FI's borrowings, 25% foreign currency borrowings, and 57% domestic bond borrowings.

Prior to the acquisition, both entities were subject to a single-entity exposure limit of 20% each (combined limit of 40%). Following Government of India's divestment of its stake in REC to PFC in 2019, the combined exposure under RBI's Large exposure Framework (LEF) was capped at the group limit of 25% of respective banks' Tier I capital, compared to the earlier aggregate limit of 40%. Considering the access to the diversified funding avenues for both the entities, the transition to the lower exposure limits was managed smoothly. Further, for over five years, both entities have been operating comfortably within the applicable group limits.

Post-merger, a single-entity exposure limit of 20% would apply to the merged entity.



It is to mention that the aggregate Tier I capital of the top ten Indian banks is approximately ₹18 lakh crore as per annual reports of 31st Mar, 2025, which will further increase on account of profit accretion. In view of this and the current bank borrowings of both the entities, we believe that adequate headroom would be available for additional borrowings.

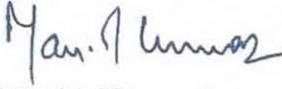
Considering the above and the multiple funding avenues available, we expect to manage this transition smoothly without any material constraints.

This is submitted for your information and record.

Thanking you,

Yours faithfully,

For Power Finance Corporation Ltd.

 Manish Kumar
Digitally signed by Manish Kumar Agarwal Date: 2026.02.12 17:12:25 +05'30'
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For REC Ltd.

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