

SUMMARY OF THE PROPOSED COMBINATION

Under Regulation 13(1B) of The Competition Commission of India (Procedure in regard to the Transaction of Business relating to Combinations) Regulations, 2011

A. Name of the Parties to the Proposed Combination

1. The Parties to the Proposed Combination are:
 - a. Power Finance Corporation Limited (**PFC**)
 - b. REC Ltd (formerly Rural Electrification Corporation Ltd.) (**REC**)

B. The Type of the Proposed Combination

2. It is pertinent to note that the Proposed Combination is being effectuated pursuant to a decision of the Cabinet Committee on Economic Affairs (**CCEA**), chaired by the Hon'ble Prime Minister of India *vide* its meeting dated 06.12.2018 along with an in-principle approval of the Board of Directors of PFC *vide* resolution dated 20.12.2018.
3. It may also be noted that the Proposed Combination is a single step process. PFC shall on the closing date, purchase and acquire the shares (52.85% shareholding in REC) from the Government of India, free from all liens and with all voting rights and other benefits appertain thereto on a *pari-passu* basis. In effect the Government of India shall sell and transfer its control and management in REC to PFC.
4. The Proposed Combination constitutes a combination in terms of Section 5(a)(i)(B) of the Competition Act, 2002.

C. Area of Activity of the Parties to the Proposed Combination

The Acquirer

5. PFC is the acquiring entity in the Proposed Combination. It is a Navratna, Public Financial Institution and a Non-Banking Financial Company (**NBFC**) and has been declared as an Infrastructure Finance Company (**IFC**) under the provisions of the Companies Act, 1956.
6. PFC is predominantly engaged in the market for provision of credit to industry. PFC provides credit facilities and their borrowers are predominantly in the power sector (and its allied sectors), including for generation (conventional and renewable), transmission and distribution projects as well as for related renovation

and modernization projects. PFC provides various fund based financial assistance, including project finance, short-term loans, buyer's line of credit and debt refinancing schemes, as well as non-fund-based assistance including default payment guarantees, letters of comfort etc. Additionally, PFC, through a subsidiary, also provides various fee-based technical advisory and consultancy services for power sector projects.

7. Further, PFC is a nodal agency for the following government schemes:

- a) Ultra-Mega Power Projects Scheme (**UMPP**),
- b) Integrated Power Development Scheme (**IPDS**) / Restructured Accelerated Power Development and Reforms Program (**R-APDRP**) projects

The Target

8. REC is the target entity and is also a Navratna, NBFC and an IFC, engaged in providing credit facilities to the power sector in all segments, including generation, transmission and distribution.
9. Further, REC also finances rural electrification projects, renovation and modernization of power plants throughout India. It also provides financial assistance to state electricity boards, state government departments and rural electric cooperatives for rural electrification projects. REC also promotes and finances and, administers funds, grants from the Government of India, and other sources for financing rural electrification.
10. Furthermore, REC through its subsidiaries provides consultancy services and project implementation in related fields, finances and executes small, mini and micro generation projects as well as larger generation, transmission and distribution power projects, and develops other energy sources. REC has been designated as nodal agency for the following Government of India schemes:
 - a. Sahaj Bijli Har Ghar Yojana (**SAUBHAGYA**)
 - b. Deendayal Upadhyaya Gram Jyoti Yojana' (**DDUGJY**),
 - c. National Electricity Fund (**NEF**), an Interest Subsidy Scheme to provide interest subsidy on loans disbursed to the State Power Utilities, Distribution Companies (**DISCOMs**), to improve the infrastructure in distribution sector.

D. The Relevant Market(s) to which the Proposed Combination relates

11. For the purpose of the current assessment, the Hon'ble Commission may consider the relevant market(s) as:

- (a) Market for the deployment of credit for Industry;
- (b) Market for provision of consultancy services to players in the power sector