

**GOVERNMENT OF INDIA
MINISTRY OF POWER**

**LOK SABHA
UNSTARRED QUESTION NO.2733
TO BE ANSWERED ON 27.12.2018**

MERGER OF PFC AND REC

**2733. SHRIMATI SANTOSH AHLAWAT:
SHRI JAGDAMBIKA PAL:
SHRI JYOTIRADITYA M. SCINDIA:**

**Will the Minister of POWER
be pleased to state:**

- (a) whether the Government is working on the merger of Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) and if so, the details thereof along with the current shareholding of the Government in the corporations;
- (b) whether due to the proposed merger of PFC and REC the networth of the acquiring company may get damaged and if so, the details thereof;
- (c) the corrective steps taken by the Government to maintain the net worth of acquiring company;
- (d) whether the Government is also concerned about operational and administrative issues that may come up, if the merger goes through as these are established setups; and
- (e) if so, the details thereof and the measures taken by the Government for the smooth merger?

A N S W E R

**THE MINISTER OF STATE (INDEPENDENT CHARGE) FOR POWER
AND NEW & RENEWABLE ENERGY**

(SHRI R. K. SINGH)

(a) : Government of India has decided in-principle for strategic sale of its 52.63% holding in Rural Electrification Corporation (REC) Ltd. to Power Finance Corporation (PFC) Ltd. The details of the current shareholding of the Government in the corporations are as follows:

Name of CPSEs	Percentage of GoI Shareholding
Rural Electrification Corporation (REC)	52.63%
Power Finance Corporation (PFC)	61.48%

(b) to (e): The networth of the acquiring company, as an individual entity, goes down in any acquisition, the amount of which depends on the acquisition price of the acquired company, which is yet to be ascertained in this case. With the acquisition, both PFC and REC would converge into a larger group and the combined networth of the group company would be larger than individual entities. Both entities will continue to maintain separate identities and PFC would enter the promoter group of REC.

The acquisition intends to achieve integration across the Power Sector value chain, obtain better synergies, create economies of scale, and enhance capability to support energy access and energy efficiency. Both the Companies have been advised to remain adequately capitalized and continue in improving quality of Assets.
