

SEC-1/187(2)/2018/ 2626

Dated: February 12, 2018

Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East),
Mumbai – 400 051.
Scrip Code—RECLTD

Sub: Clarification on announcement relating to approval of Scheme of Amalgamation of RECTPCL and RECPDCL by Board of Directors of REC.

Ref.: Our Letter No. SEC-1/187(2)/2018/2624 dated February 6, 2018.

Dear Sir(s),

With reference to your e-mail dated February 9, 2018, it is hereby informed that presently, Rural Electrification Corporation Limited (REC) has two wholly-owned unlisted subsidiaries viz. REC Power Distribution Company Limited (RECPDCL) and REC Transmission Projects Company Limited (RECTPCL). Further, RECTPCL has three unlisted wholly owned subsidiary companies, viz. Dinchang Transmission Limited, Ghatampur Transmission Limited and WR-NR Power Transmission Limited.

Ministry of Power OM dated 30th August, 2017 *inter-alia* specified that “considering the demand of the market, REC along with PFC may go for merging consultancy subsidiaries of REC and PFC and other power sector CPSUs to make a more effective and capable consultancy company such that it is managed professionally and can be independent in its functioning.”

Accordingly, with a view to have better operational efficiency and to reap the benefits of higher capital base, pooled resources and to create one big Consultancy firm and in terms of Ministry of Power's Office Memorandum dated 30th August, 2017, the Board of Directors of REC in its Meeting held on 6th February, 2018 *inter-alia* approved the Scheme of Amalgamation of both wholly owned subsidiaries of the Company viz. REC Transmission Projects Company Limited (“Transferor Company”) and REC Power Distribution Company Limited (“Transferee Company”), subject to requisite approvals/sanctions of the shareholders/creditors of the transferor & transferee companies, Central Government and such other authority(ies), as may be required.

Further, the point-wise reply to the queries, as contained in the e-mail dated February 9, 2018 received from NSE are as under:-

1. Brief details of change in shareholding pattern (if any) of listed entity :-

There will be no change in the shareholding pattern of listed entity.

However, upon the effectiveness of Scheme of Amalgamation of REC Transmission Projects Company Limited (RECTPCL or Transferor Company) with REC Power Distribution Company Limited (RECPDCL or Transferee Company), the number of shares held by REC in the Transferee Company will

change, based on the swap ratio/consideration proposed in the Scheme of Amalgamation or as may be approved by the Ministry of Corporate Affairs (MCA).

2. In case of cash consideration amount or otherwise share entitlement/ exchange ratio :-

RECPDCL (Transferee Company) shall issue and allot equity shares to REC, the sole beneficial shareholder of RECTPCL (Transferor Company), in the ratio of 109 Equity Shares of Rs. 10.00 (Rupees Ten) each Fully Paid-up in lieu of every 100 equity shares of Rs. 10.00 (Rupees Ten) each Fully Paid-up in Transferor Company.

3. Rationale for amalgamation/ merger :-

- (i) The proposed merger of RECPDCL and RECTPCL will help in reaping the benefits of higher capital base and pooled resources, resulting in greater integration, financial strength and flexibility of the merged entity, which will help in improving the competitive position of the combined entity.
- (ii) The merged entity will be in better position for leveraging the benefits of a higher net worth, for tapping diverse business opportunities and the proposed merger will also place the entity in a strategic position for providing end-to-end solutions in the Transmission & Distribution space.
- (iii) The merger will lead to synergies of operations and will help the merged entity in reaping the economies of scale, improving organizational capability to enable the entity to compete in an increasingly competitive industry.
- (iv) Cost savings are expected to flow from more focused operational efforts, rationalization, standardization and simplification of business processes and elimination of duplication and rationalization of administrative expenses.
- (v) Greater access by the amalgamated company to different market segments in the conduct of its business.
- (vi) Greater efficiency in management of the merged entity and deployment of funds for organic and inorganic growth opportunities, to maximize shareholder value.
- (vii) The amalgamation will contribute in furthering and fulfilling the objectives and business strategies of both the companies thereby accelerating growth, expansion and development of the respective businesses through the Transferee Company. The amalgamation will thus enable further expansion of the Transferee Company and provide a strong and focused base to undertake the business more advantageously. Further, this arrangement would bring concentrated management focus, integration, streamlining of the management structure, seamless implementation of policy changes and shall also help enhance the efficiency and control of the Transferor Companies and Transferee Company.
- (viii) The synergies created by scheme of arrangement would increase operational efficiency and integrate business functions.

4. Area of business of the entity (ies):-

RECTPCL (Transferor Company) acts as Bid Process Coordinator for selection of Transmission Service Provider(s), through Tariff Based Competitive Bidding (TBCB) process for independent inter-state and intra-state transmission projects allocated by the Ministry of Power, Government of India and State Governments from time to time. In order to initiate development of each of such independent transmission project allocated to it, RECTPCL incorporates project-specific Special Purpose Vehicle (SPV) as its wholly-owned subsidiary, which is also a wholly-owned subsidiary of REC. Further, such SPVs are subsequently transferred along with all assets and liabilities to the successful bidder(s) selected through TBCB process. Further, the Transferor Company is also engaged *inter-alia* in the business to promote, organize or carry on the consultancy services and/or project implementation in any field relating to Transmission, Distribution, Generation and Smart Grid etc. in India or abroad.

RECPDCL (Transferee Company) *inter-alia* focusses on facilitating the power utilities in the areas of their operation specifically related to the Power Distribution sector, by providing expertise to capitalize on the emerging needs and demands of Power Sector. Its core business includes preparation of Detailed Project Report, Third Party Inspection, Material Inspection & Project Management Consultancy services, Project Implementation under R-APDRP Part-A scheme and Enhancement of Energy Efficiency mission.

5. Whether the transaction would fall within related party transactions? If yes, whether the same is done at "arm's length":-

No, the transaction does not fall within the ambit of related party transactions as defined under the Companies Act, 2013 and SEBI (LODR), Regulations, 2015.

Under the proposed Scheme of Amalgamation, it is proposed that RECTPCL (Transferor company) along with its subsidiaries, may be merged into RECPDCL (Transferee company), thereby RECPDCL will continue to exist after the amalgamation process. Further, the valuation of transferor and transferee companies has been conducted by an expert, who is eligible to carry out the valuation in terms of the provisions of the Companies Act, 2013 and Rules made thereunder, by adopting Net Assets Value Approach taking into account Share Capital, Reserve & Surplus and appreciation in value of Investments made in Listed Bond (Post Tax).

Based on the valuation report, upon effectiveness of the Scheme, RECPDCL (Transferee Company) shall issue and allot equity shares to REC, the sole beneficial shareholder of RECTPCL (Transferor Company), in the ratio of 109 Equity Shares of Rs. 10.00 (Rupees Ten) each Fully Paid-up in lieu of every 100 equity shares of Rs. 10.00 (Rupees Ten) each Fully Paid-up in Transferor Company.

Accordingly, there is no contract/arrangement of REC with any of its Related Parties.

6. Name of the entity (ies) forming part of the amalgamation/merger, details in brief such as, size, turnover etc.:-

The entity (ies) forming part of the amalgamation/merger are as under:-

Transferor Company(ies):- REC Transmission Projects Company Limited and its wholly owned unlisted subsidiaries viz. Dinchang Transmission Limited, Ghatampur Transmission Limited and WR-NR Power Transmission Limited.

Transferee Company(ies):- REC Power Distribution Company Limited.

Based on the last Audited Balance Sheet of RECTPCL and RECPDCL for the financial year 2016-17, the details are as under:-

Particulars	RECTPCL (Rs. Lakh)	RECPDCL (Rs. Lakh)
Total Revenue	5,238.00	19,157.07
Profit Before Tax	4,985.79	6,067.08
Profit After Tax	3,445.57	4,033.18
Paid-up Capital	5.00	5.00
Reserves and Surplus	15,781.04	15,778.61
Net Worth	15,786.04	15,783.61

We request you to take our clarification on record. Kindly let us know in case any further clarification is required in this regard.

Thanking you,

Yours faithfully,



(J.S. Amitabh)

General Manager & Company Secretary