

PFC-REC merger stuck, govt looks to PSUs to pick up stake

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The merger of India's two leading non-banking financial companies (NBFCs) in the power sector is yet to conclude even after a year of Power Finance Corporation (PFC) taking over the central government's stake in Rural Electrification Corporation (REC). At the same time, several global lenders to PFC and REC have raised an alarm over the delay and the structure of the company after the merger.

PFC in March last year acquired the Central government's 52.63 per cent paid-up share capital, along with managerial control, in REC.

PFC Chairman and Managing Director Rajiv Sharma had then said the company was "hopeful about the merger of the two firms (PFC and REC) during 2019-20. We have to get directions from the government in this regard".

One major obstacle is that the direct stake of the Centre will fall below 51 per cent after the merger. The Centre is, therefore, reaching out to other public sector companies such as Life Insurance Corporation (LIC) and state-owned power companies like NTPC to pick up a stake in the merged company, said a senior government official.

Turn to Page 18 ▶

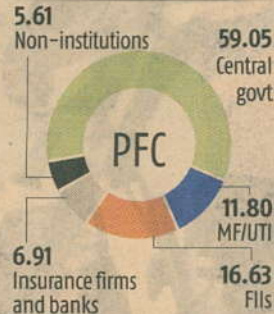
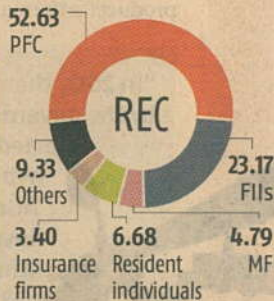
SHAREHOLDING PATTERN



DEAL DYNAMICS

- PFC acquired 52.63% stake of central govt in REC for ₹14,500 crore last year
- Deal helped govt meet its divestment target of FY19
- Merger facing challenges, including Centre's stake falling below 51%

Stakeholders



Source: Annual reports of PFC and REC