Annexure - 3A.

Ernst & Young Merchant Banking Services LLP	RBSA Valuation Advisors LLP
Registered Valuer Registration No. IBBI/RV-E/05/2021/155 LLPIN: AAO 2287	Registered Valuer Registration No.: IBBI/RV-E/05/2019/110 LLPIN: AAA-0842
14th Floor, The Ruby, 29 Senapati Bapat Marg, Dadar (W), Mumbai, Maharashtra 400028	1081 & 1082, 8th Floor, Building No. 10, Solitaire Corporate Park, Guru Hargovindji Road, Chakala, Andheri East, Mumbai 400093

Date: 28 June 2026

To,

The Audit Committee/ The Board of Directors,
REC Limited
Core 4, SCOPE Complex 7, Lodhi Road,
New Delhi – 110003

The Audit Committee/ The Board of Directors,
Power Finance Corporation Limited
Urjanidhi, 1, Barakhamba Lane, Connaught Place, New Delhi - 110001

Sub: Recommendation of fair equity share exchange ratio for the proposed merger of REC Limited into Power Finance Corporation Limited

Dear Sir / Madam,

We refer to the respective engagement letters ("Engagement Agreement") of Ernst & Young Merchant Banking Services LLP ("EY") and RBSA Valuation Advisors LLP ("RBSA") (collectively referred to as "Valuers"), EY is appointed by REC Limited ("REC") and RBSA is appointed by Power Finance Corporation Limited ("PFC") to assist in recommending the fair equity share exchange ratio ("Share Exchange Ratio") in connection with the proposed merger by absorption of REC into PFC pursuant to a Scheme of merger under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and other applicable laws, rules and regulations ("Proposed Merger").

REC and PFC are hereinafter jointly referred to as the "Companies" and "Clients", as the context may require.

EY and RBSA are hereinafter jointly referred to as "Valuers" or "Registered Valuers" or "we" or "us" in this report ("Report").

The Share Exchange Ratio for this Report refers to number of equity shares of PFC which would be issued and allotted to the equity shareholders of REC, as consideration for the Proposed Merger.

Our deliverable for this engagement would be a report recommending the Share Exchange Ratio for the Proposed Merger with valuation date as 23 June 2026 ("Valuation Date") being the last trading day on which, the notice for the Board Meeting for considering the Proposed Merger was intimated to the stock exchanges.

आर ई सी लिमिटेड
REC Limited

पावर फाइनेंस कॉर्पोरेशन लिमिटेड
POWER FINANCE CORPORATION
नई दिल्ली

Ernst & Young Merchant Banking Services LLP
IBBI/RV-E/05/2021/155

RBSA VALUATION ADVISORS LLP

SCOPE AND PURPOSE OF THIS REPORT

Power Finance Corporation Limited ("PFC") was incorporated on 16 July 1986, as a company limited by shares under the provisions of Companies Act, 1956, and is registered with the Registrar of Companies, National Capital Territory of Delhi, with CIN: L65910DL1986GOI024862, having its registered office at "Urjanidhi", 1, Barakhamba Lane, Connaught Place, New Delhi-110001, India.

PFC is a Government Company and is registered with the Reserve Bank of India as a non-deposit taking Non-Banking Financial Company – Infrastructure Finance Company ("NBFC-IFC") and has been accorded Maharatna status by the Government of India. It is engaged in extending financial assistance to power, logistics and infrastructure sector. It extends fund-based and non-fund-based financial assistance to State, Central and private sector entities.

For the financial year ended 31 March 2026, PFC reported a revenue from operations of INR 58,504 crore and profit after tax of INR 20,051 crore on a standalone basis.

REC Limited ("REC") was incorporated on 25 July 1969, as a company limited by shares under the provisions of Companies Act, 1956, and is registered with the Registrar of Companies, National Capital Territory of Delhi, with CIN: L40101DL1969GOI005095, and having its registered office at Core 4, SCOPE Complex 7, Lodhi Road, New Delhi – 110003, India. As of the Valuation Date, PFC holds a 52.63% stake in REC Limited.

REC is a Government Company and is registered with the Reserve Bank of India as a non-deposit taking Non-Banking Financial Company – Infrastructure Finance Company ("NBFC-IFC") and has been accorded Maharatna status by the Government of India. It is engaged in extending financial assistance to power, logistics and infrastructure sector. It extends fund-based and non-fund-based financial assistance to State, Central and private sector entities.

For the financial year ended 31 March 2026, REC reported a revenue from operations of INR 59,140 crore and a profit after tax of INR 16,282 crore on a standalone basis..

On 1 February 2026, the restructuring of PFC and REC was announced in the Union Budget. Subsequently, on 6 February 2026, the Board of Directors of both PFC and REC granted in-principle approval for the merger of PFC and REC.

We understand that the management of the Companies (collectively, the "Management") are evaluating a merger of REC into PFC, pursuant to a Scheme of Merger under Sections 230 to 232 of the Companies Act, 2013, including any statutory modification, reenactment or amendment thereof, and other applicable securities and capital market laws and regulations (the "Scheme"). Under the Scheme, REC is proposed to be merged by absorption into PFC as a going concern with effect from the appointed date of 1 April 2027. *"Appointed Date" (as defined in the Scheme") means the opening of business on 1 April 2027, or such other date that is mutually agreed in writing between the Transferor Company and the Transferee Company.*

As a consideration for the Proposed Merger, equity shares of PFC would be issued to equity shareholders of REC. Since PFC is one of the shareholders of REC, equity shares of PFC will be issued only to the remaining shareholders of REC. The existing equity shares of REC held by PFC will stand cancelled following the issuance of equity shares of PFC.

For the aforesaid purpose, the Board of Directors of REC have appointed EY and the Board of Directors of PFC have appointed RBSA, the Registered Valuers, to submit a joint report recommending the Share Exchange Ratio for the proposed merger for consideration of the Board of Directors of the Companies. This Report will be placed before the respective Boards of the Companies and, to the extent required under applicable law, may be submitted to shareholders, stock exchanges, Reserve Bank of India, Securities Exchange Board of India, National Company Law Tribunal, Ministry of Corporate Affairs, Government of India and other regulatory/governmental authorities in connection with the Scheme.

The scope of our services is to conduct a relative (and not absolute) valuation of equity shares of the Companies and recommend the Share Exchange Ratio for the Proposed Merger.

The Valuers have independently performed their analysis on the valuation of the Companies and have arrived at different values per share of Companies. However, to arrive at the consensus on the Share Exchange Ratio for the Proposed Merger, appropriate minor adjustments/rounding off have been done in the values arrived at by the Valuers.

We would like to emphasize that certain terms of the Proposed Merger are stated in our Report, however, the detailed terms of the Proposed Merger shall be more fully described and explained in the Scheme document to the extent as required under applicable law, to be submitted with relevant authorities in relation to the Proposed Merger. Accordingly, the description of the terms and certain other information contained herein is qualified in its entirety by reference to the underlying Scheme.

It is clarified that any reference to this Report in any document and/ or filing with any tribunal/ judicial/ regulatory authorities/ government authorities/ stock exchanges/ courts and/or sharing with shareholders/ professional advisors/ merchant bankers, in connection with the Proposed Merger, shall not be deemed to be an acceptance by the Valuers of any responsibility or liability to any person/ party other than to the Clients.

We have been provided with the audited consolidated and standalone financial statements of REC and PFC for the year ended 31 March 2026. We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Report.

This Report is our deliverable for the above engagement. This Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts, in conjunction with the relevant documents referred to therein.

BACKGROUND OF VALUERS

Ernst & Young Merchant Banking Services LLP

EY is a Limited Liability Partnership registered under The Limited Liability Partnership Act, 2008 having its registered office at The Ruby, 14th Floor, 29 Senapati Bapat Marg, Dadar West, Mumbai – 400028. We are registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/05/2021/155.

RBSA Valuation Advisors LLP

RBSA is a Limited Liability Partnership registered under The Limited Liability Partnership Act, 2008 having its registered office at Unit 1081 & 1082, 8th Floor, Building No. 10, Solitaire Corporate Park, Guru Hargovindji Road, Chakala, Andheri East, Mumbai – 400 093. We are registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/05/2019/110.

SOURCES OF INFORMATION / MAJOR FACTORS THAT WERE TAKEN INTO ACCOUNT DURING THE VALUATION

In connection with this exercise, we have used the following information received from the Management and/or gathered from public domain while arriving at the Share Exchange Ratio for the Proposed Merger:

- Draft Scheme;
- Annual reports of the Companies for financial year ("FY") FY22-FY25;
- Audited standalone and consolidated financial statements (profit and loss account and balance sheet) of the Companies for FY26;Audited Financial statements (profit and loss account and balance sheet) of the Companies' subsidiaries for FY26;
- Number of shares outstanding of the Companies as of the Valuation Date;
- Discussions with the Management/ Companies to obtain requisite explanation and clarification of data provided;
- Discussions with the Management/ Companies to *inter alia* understand their perception of historical, macro-economic parameters and key value drivers affecting the Companies;
- Market comparables and/or transactions, to the extent information on comparable companies/ transactions is readily available in the public domain; and,
- Other relevant information and documents for the purpose of this engagement provided through email or hard copy of documents or during discussion.

In addition, we have obtained information from public sources/ proprietary databases including quarterly results.

During discussions with the Management, we have also obtained explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise. The Clients have been provided with the opportunity to review the draft report (excluding the recommended Share Exchange Ratio) as part of our standard practice to make sure that factual inaccuracy/ omissions are avoided in our Report.

We understand from the Management and the Scheme that all assets and liabilities of REC shall vest in PFC pursuant to the Proposed Merger. The Proposed Merger would result in a dilution of the Government of India's ("GoI") shareholding percentage in PFC owing to the issuance of equity shares to the public shareholders of REC. Management has represented that appropriate steps shall be undertaken by the GoI, subject to applicable laws, regulatory approvals and corporate authorizations, to ensure that the merged entity continues to qualify as a Government Company under the provisions of the Companies Act, 2013 and that the GoI continues to hold majority voting rights and control, directly or indirectly, in the merged entity.

The Share Exchange Ratio recommended has been determined assuming that the merged entity shall continue to qualify as Government entity and the proposed capital infusion shall be undertaken as per applicable regulations. Management has further represented that there are no unusual or abnormal events affecting the Companies which materially impact their operating or financial performance and that all material information relevant to the present valuation exercise has been disclosed to us.

We have been informed by the Management that:
1. In the event that either of the Companies restructure their equity share capital by way of share split/consolidation / issue of bonus shares before the Proposed Merger becomes effective, the issue of shares pursuant to the Share Exchange Ratio recommended in this Report shall be adjusted accordingly to take into account the effect of any such corporate actions.
2. till the Proposed Merger becomes effective, none of the Companies would declare any substantial dividends having materially different yields as compared to past few years.
3. there are no unusual/abnormal events in the Companies materially impacting their operations/ financial position after 31 March 2026 till the Report date.

We have relied on the above while arriving at the Share Exchange Ratio for the Proposed Merger.

We were informed that Nuvama Wealth Management Limited ("Nuvama") and SBI Capital Markets Limited ("SBI Caps") have respectively been appointed by REC and PFC to provide fairness opinions on the Share Exchange Ratios recommended by EY and RBSA in connection with the Proposed Merger. At the request of the respective Companies, EY and RBSA held discussions with Nuvama and SBI Caps, respectively, regarding their valuation analyses.

PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

In connection with this exercise, we have adopted the following procedures to carry out the valuation:
- Requested and received financial and qualitative information, and clarifications regarding past financial performance of the Companies, their subsidiaries and associates, as relevant.
- Considered data readily available in public domain related to the Companies, their subsidiaries and associates, and its peers, to the extent relevant.
- Discussions (physical/over call/ email) with the Management to understand the business and fundamental factors that affect its earning-generating capability and historical financial performance of the Companies (refer summary in Annexure 1) and their subsidiaries.
- Undertook high level industry analysis basis data readily available in the public domain:
  - Researched publicly available market data including economic factors and industry trends that may impact the valuation.
  - Analysed key trends and valuation multiples of comparable companies using proprietary databases subscribed by us or our network firms.
- Obtained and analysed market prices, volume data and other relevant information for Companies.
- Selected internationally accepted valuation methodology/(ies) as considered appropriate by us, in accordance with the International Valuation standards (effective January 31, 2025) published by the International Valuation Standards Council.
- Arrived at the fair equity value of the Companies in order to conclude our analysis on Share Exchange Ratio for the Proposed Merger.
- Discussed our valuation with fairness opinion provider.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

This Report is subject to the limitations detailed in the respective Engagement Agreement. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our network firms.

The user to which this Report is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the Valuation Date. Due to possible changes in market forces and circumstances, this valuation Report can only be regarded as relevant as at the Valuation Date.

While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the Client's existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

This Report, its contents and the conclusion herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the Report date; (iii) audited standalone and consolidated financial statements of the Companies; and (iv) other information obtained by us from time to time. We have been informed that the business activities of the Companies have been carried out in the normal and ordinary course between 31 March 2026 and the Report date and that no material changes have occurred in their respective operations and financial position between 31 March 2026 and the Report date.

An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by Management. In accordance with our Engagement Agreement and in accordance with the customary approach adopted in similar valuation exercises, we have not audited or otherwise investigated the historical financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Clients, we have been given to understand that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/ on behalf of the Clients. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our analysis/ results. Accordingly, we assume no responsibility for any errors in the information furnished by the Management and their impact on the

Report. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report.

We have also used available market data, from our respective subscribed databases and public domain sources, where appropriate, for which we are not responsible in terms of content and accuracy. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. However, where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title/ eligibility and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited balance sheets of the Companies, if any provided to us. No investigation of the Companies' claim to title of assets has been made for the purpose of this Report and the Companies' claim to such rights has been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature. We have not carried out any physical verification of the assets and liabilities of the Companies and take no responsibility for the identification of such assets and liabilities.

This Report does not look into the business/ commercial reasons behind the Proposed Merger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Merger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This Report is restricted to the recommendation of the Share Exchange Ratio for the Proposed Merger only. Further, the decision to carry out the transaction lies entirely with the Board of Directors of our Clients and the work, and the findings shall not constitute a recommendation as to whether or not the Board of Directors of our Clients should carry out the transaction.

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made various assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies and their subsidiaries/ investee companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies and their subsidiaries/ investee companies, and other factors which generally influence the Valuation.

Further, by its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of our engagement, and although our conclusions are in our opinion reasonable and defensible, others may place a different value to the same. In the event of a transaction, the actual transaction value achieved may be higher or lower than our valuation depending upon the circumstances of the transaction. The knowledge, negotiability and motivations of the buyers and sellers will also affect actual price achieved. Accordingly, our valuation will not necessarily be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves have to agree. We also emphasize that our opinion is not the only factor that should be considered by the parties in agreeing the transaction price.

This Report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Our Clients are the only authorized users of this Report and use of the Report is restricted for the purpose indicated in the respective Engagement Agreement and should not be copied or reproduced without obtaining our approval for any purpose other than the purpose for which it is prepared. This restriction does not preclude the Clients from providing a copy of the Report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for the unauthorized use of this Report.

We owe responsibility only to the Clients that have appointed us under the terms of our Engagement Agreement and nobody else. Though the Valuers are issuing a joint report, EY owes responsibility only to the Board of Directors of REC, and RBSA owes responsibility only to the Board of Directors of PFC, who have been appointed under the terms of their respective Engagement Agreement. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies, their directors, employees or agents. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Clients or Companies, their directors, employees or agents. In no circumstances shall the liability of EY or RBSA, their partners, directors or employees, relating to the services provided in connection with the engagement set out in this Report exceed the amount paid to us, respectively, in respect of the fees charged by us for these services. Though the Valuers are issuing a joint report, notwithstanding the issuance of this joint report, it is clarified that EY/ RBSA are not responsible for the acts or omissions of EY/ RBSA in connection with this engagement.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement, or other agreement or document given to the third parties other than in connection with the Proposed Merger, without our prior written consent except for disclosures to be made to relevant regulatory/ statutory authorities, to be read with covenants mentioned above. It is clarified that reference to this Report in any document and/ or filing with any recipient, in connection with the Proposed Merger, shall not be deemed to be an acceptance by us of any responsibility or liability to any person/ party other that our Clients.

In addition, this report does not in any manner address the prices at which equity shares of REC or PFC will trade following consummation of the Proposed Merger and we express no opinion or recommendation as to how the shareholders/ creditors of the Companies should vote at any shareholders'/ creditors' meeting(s) to be held in connection with the Proposed Merger. Our report and the opinion/ valuation analysis contained herein is not and nor should it be construed as advice relating to investing in, purchasing, selling, or otherwise dealing in securities or as providing management services or carrying out management functions.

The recommendation(s) rendered in this Report represents our recommendations based upon information till the date of this Report, furnished by the Management (or its representatives) and the said recommendation(s) shall be considered to be in the nature of non-binding advice. Any person/ party intending to provide finance/ invest in the shares/ businesses of the Companies/ their holding companies/ subsidiaries/ joint ventures/ associates/ investee/ group companies, if any, shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. If any person/ party (other than the Clients) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to us.

The Clients and their management/ representatives have warranted us that the information provided for the valuation was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the Clients, their management and other third parties, if any, concerning the financial data, operational data and other information, except as specifically stated to the contrary in the Report.

Valuers are not aware of any contingency, commitment or material issue which could materially affect the Companies' economic environment and future performance and therefore, the equity value of the Companies.

It should be noted that we have not examined any other matter including economic rationale for the Proposed Merger per se or accounting, legal or tax matters involved in the Proposed Restructuring.

This Report will not be used to determine the carrying value of the relevant asset (or liability) in any financial statements that EY/ RBSA or their network entities would be auditing.

It has been assumed that the required and relevant policies and practices have been adopted by the Companies and would be continued in the future.

The fee for the engagement is not contingent upon the results reported.

It is understood that this analysis does not represent a fairness opinion. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

The valuation analysis and result are governed by concept of materiality.

This Report is subject to the laws of India.

Any discrepancies in any table/ annexure between the total and sum of amounts listed are due to rounding-off.

DISCLOSURE OF RV INTEREST OR CONFLICT, IF ANY AND OTHER AFFIRMATIVE STATEMENTS

We hereby certify that, to the best of our knowledge and belief that:

- We/ the Valuers do not have any financial interest in the Client(s), nor do we have any conflict of interest in carrying out this valuation.
- We/ the Valuers are not affiliated to the Client(s) or their group companies in any manner whatsoever;
- Valuers' fee is not contingent on an action or event resulting from the analyses, opinions or conclusions in this Report.

- Further, the information provided by the Management have been appropriately reviewed in carrying out the valuation. Sufficient time and information were provided to us to carry out the valuation.

SHAREHOLDING PATTERN

Power Finance Corporation Limited ("PFC")

The issued and subscribed equity share capital of PFC as of 31 March 2026 is INR 3,300.10 crores consisting of 3,300,101,760 equity shares of face value of INR 10/- each. The shareholding pattern is as follows:

Shareholding Pattern as on 31 March 2026	No. of Shares	% Shareholding
Promoter & Promoter Group	1,847,864,722	55.99%
DII	496,579,427	15.05%
FII	648,270,799	19.64%
Central Government / State Government(s)	20,820	0.00%
Public	307,365,992	9.31%
Grand Total	3,300,101,760	100.00%

Source: Management information

REC Limited ("REC")

The issued and subscribed equity share capital of REC as of 31 March 2026 is INR 2,633.22 crores consisting of 2,633,224,000 equity shares of face value of INR 10/- each. The shareholding pattern is as follows:

Shareholding Pattern as on 31 March 2026	No. of Shares	% Shareholding
Power Finance Corporation Limited	1,385,993,662	52.63%
DII	430,629,338	16.35%
FII	415,664,561	15.79%
Central Government / State Government(s)	1,373,569	0.05%
Public	399,562,870	15.17%
Grand Total	2,633,224,000	100.00%

Source: Management information

APPROACH FOR RECOMMENDATION OF FAIR EQUITY SHARE EXCHANGE RATIO

The Scheme contemplates the merger of REC into PFC. Arriving at the Share Exchange Ratio for the Proposed Merger would require determining the value of equity shares of REC and PFC on a relative basis. These values are to be determined independently, but on a relative basis for the Companies, without considering the effect of the Proposed Merger.

Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for mergers and our reasonable judgment, in an independent and bona fide manner.

The valuation approach adopted by EY and RBSA is given in Annexure 2 and 3 respectively (Annexure 2 and 3 together referred to as Annexures).

BASIS OF FAIR EQUITY SHARE EXCHANGE RATIO

The basis of the Proposed Merger would have to be determined after taking into consideration all the factors and methods mentioned hereinafter. Though different values have been arrived at under each of the approaches / methods as mentioned in the Annexures, for the purposes of recommending the Share Exchange Ratio for the Proposed Merger it is necessary to arrive at a final value for each of the Companies. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approach / method, applied for the present valuation exercise.

The Share Exchange Ratio has been arrived at on the basis of the relative value of the equity shares of the Companies based on the various approaches / methods explained in this Report and various qualitative factors relevant to each company, the business dynamics and growth potentials of the businesses, having regard to information base, key underlying assumptions and limitations.

While we have provided our recommendation of the Share Exchange Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the Share Exchange Ratio. The final responsibility for the determination of the Share Exchange Ratio at which the Proposed Merger shall take place will be with the Board of Directors of the respective Companies who should take into account other factors such as their own assessment of the Proposed Merger and input of other advisors.

We have independently applied approaches/ methods discussed in the Annexures, as considered appropriate, and arrived at the value per share of REC and PFC. To arrive at the consensus on the Share Exchange Ratio for the Proposed Merger, suitable minor adjustments / rounding off have been done.

CONCLUSION

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove and in our respective annexures, we recommend that the Share Exchange Ratio for the Proposed Merger of REC into PFC be 88 (Eighty-eight) equity shares of PFC of INR 10/- each fully paid up for every 100 (One hundred) equity shares of REC of INR 10/- each fully paid up.

It should be noted that we have not examined any other matter including economic rationale for the Proposed Transaction per se or accounting, legal or tax matters involved in the Proposed Transaction.

Respectfully submitted, **Ernst & Young Merchant Banking Services LLP** Registered Valuer IBBI Registration No. IBBI/RV-E/05/2021/155 IBBI/RV-E/05/2021/155 **Mihir V Kenia** Partner IBBI Membership No.: IBBI/RV/05/2024/15546 Report Ref. No.: EYMBS/RV/2026-27/059 Place: Mumbai Date: 28 June 2026	Respectfully submitted, **RBSA Valuation Advisors LLP** Registered Valuer IBBI Registration No. IBBI/ RV-E/05/2019/110 **Samir D. Shah** Partner IBBI Membership No.: IBBI/RV/06/2019/12263 Report Ref. No.: RVA2627BOMRRN059 Place: Mumbai Date: 28 June 2026

आर ई सी लिमिटेड REC Limited

पावर फाइनेंस कॉर्पोरेशन लि. FINANCE CORPORATION नई दिल्ली

Annexure 1 – Historical Performance

1. PFC – Standalone

- PFC's revenue from operations has increased from INR 38,545 Crore in FY22 to INR 58,504 Crore in FY26, reflecting a compounded annual growth rate (CAGR) of 11.0%. Interest income during the same period increased from INR 36,701 Crore in FY22 to INR 55,073 Crore in FY26, reflecting an expansion in the lending portfolio.

- Profit has correspondingly improved, with Profit After Tax rising from INR 10,022 Crore in FY22 to INR 20,051 Crore in FY26, registering a CAGR of 18.9%.

- The Company's loan book has increased from INR 373,135 Crore in FY22 to INR 580,115 Crore in FY26, representing a CAGR of 11.7%.

- Net worth has increased from INR 59,350 Crore in FY22 to INR 102,532 Crore in FY26, reflecting a CAGR of 14.6%.

2. REC - Standalone

- REC's revenue from operations has increased from INR 39,132 Crore in FY22 to INR 59,140 Crore in FY26, reflecting a CAGR of 10.9%. Interest income during the same period increased from INR 38,186 Crore in FY22 to INR 57,812 Crore in FY26, reflecting an expansion in the lending portfolio.

- Profit has correspondingly improved, with Profit After Tax rising from INR 10,046 Crore in FY22 to INR 16,282 Crore in FY26, registering a CAGR of 12.8%.

- The Company's loan book has increased from INR 385,371 Crore as at FY22 to INR 583,659 Crore as at FY26, representing a CAGR of 10.9%.

- Net worth has shown a consistent increase from INR 50,986 Crore in FY22 to INR 84,290 Crore in FY26, reflecting a CAGR of 13.4%.

RBSA VALUATION ADVISORS LLP

Ernst & Young Merchant Banking Services LLP IBBI/RV-E/05/2021/155

आर ई सी लिमिटेड REC Limited

पावर फाइनेंस कॉर्पोरेशन लि. POWER FINANCE CORPORATION LTD. नई दिल्ली NEW DELHI

Annexure 2 - Approach to Valuation – EY

We have followed the International Valuation Standards ("IVS") (effective 31 January 2025) published by the International Valuation Standards Council, for carrying out our valuation analysis and delivering our valuation conclusion. There are primarily three approaches in valuation (viz., Cost/Asset Approach, Market Approach and Income Approach). For any valuation, all the approaches may not be relevant and therefore will not give a fair estimate of value. Hence, the approach most suitable for that specific business / company must be applied in the valuation exercise, based on the experience and common practices adopted by valuers.

We have adopted a definition of Market Value as given in IVS 102: "Market Value is the estimated amount for which an asset and/or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The Fair Value referred in the Report is same as Market Value as defined above.

We have considered internationally accepted valuation standards and approaches in delivering our valuation conclusion. There are several principal valuation approaches under International Valuation Standard of which we have considered only those approaches to the extent, it is applicable and relevant.

The various approaches generally adopted in valuation are as under:

1. Cost/Asset Approach: Net Asset Value method
2. Income Approach: Discounted Cash Flows (DCF) method
3. Market Approach: Comparable Companies' Multiple (CCM) method, Comparable Transactions' Multiple (CTM) method, Market Price method and Price of Recent Investment (PORI) method

We have used the Market Approach (i.e., Market Price method and CCM method) for valuation of the Companies.

Fair valuation of the Companies factors various intangible assets whether or not recorded in the financials of the respective companies.

Cost/ Asset Approach – Net Asset Value (NAV) method: Under this approach, the net asset value method is considered, which is based on the underlying net assets and liabilities. The Cost Approach has not been considered as it does not reflect the earnings-generating capability of the business and is generally not appropriate for companies that are intended to continue on a going concern basis. Hence, in the present valuation analysis, we have not considered NAV method.

Income Approach - Discounted Cash Flow (DCF) method: Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm. Such DCF analysis involves the following:

- *Estimating future free cash flows:*

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's capital – both debt and equity.

- *Appropriate discount rate to be applied to cash flows i.e., the cost of capital:*

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

The DCF Method requires preparation of detailed future financial projections, including projected earnings, balance sheet position, growth rates, capital structure, funding requirements, profitability metrics and terminal value assumptions, which is generally based on management-approved business plans, reflecting the best estimate of future operating performance of the entities / companies being valued.

In the present case, the Management of the Companies did not provide any business plans, budgets, financial projections or long-term forecasts for the purpose of the valuation exercise.

We reviewed publicly available analyst reports issued by various brokerage houses. However, such forecasts represent views of the respective research analysts and are based on assumptions, methodologies and judgments that may differ across institutions.

Stock exchange guidance in relation to valuation reports for schemes of arrangement contemplates that where the Income Approach is adopted, the valuer should provide appropriate justification regarding the basis of projections, growth assumptions and comparison of projected performance with historical performance. In the present case, we were unable to identify a management approved forecasting framework capable of supporting such assumptions.

Accordingly, we have not considered Discounted Cash Flow method as (i) placing reliance on research analysts projections would involve significant subjectivity and (ii) both PFC and REC are large listed public sector financial institutions with actively traded equity shares, substantial public float, established operating histories, transparent financial disclosures and readily observable market-based valuation benchmarks.

Market Approach - Multiples method: Under this method, one attempts to measure the value of the shares / business of a company by applying the derived market multiple based on market quotations of comparable public / listed companies, in an active market, possessing attributes similar to the business of such company - to the relevant financial parameter of the company / business. This valuation is based on the principle that such market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. In the present valuation analysis, we have considered P/BV multiples for arriving at the equity value of REC and PFC.

We have considered the trading multiples of comparable listed companies engaged in infrastructure financing and lending activities, specifically comprising government-backed non-banking financial companies (NBFCs) focused on financing power, housing, and infrastructure projects. For the purpose of valuation, we have relied on the average multiple of the selected comparable companies (on a rounded basis).

Market Approach - Market Price (MP) method: Under this method, the value of shares of a company is determined by taking the average of the market capitalization of the equity shares of such companies as quoted on a recognized stock exchange over reasonable periods of time where such quotations are arising from the shares being regularly and freely traded in an active market, subject to the element of speculative support that may be inbuilt in the market price.

The equity shares of REC and PFC are listed on NSE and BSE and are traded frequently. In these circumstances the share prices observed on NSE over a reasonable period have been considered for arriving at the fair value per equity share of REC and PFC under the Market Price method. For arriving at the market price, we have considered prices over appropriate period before the date of the announcement of the merger i.e., 01 February 2026 and till 23 June 2026 i.e. the Valuation Date

The Management have informed us that since the last quarterly results were declared till the Report date there are no unusual / abnormal events / events not in the normal course of business in case of the Companies materially impacting their operating / financial information or financial performance.

Fair Valuation:

We have arrived at the fair value of equity shares of the Companies by applying below mentioned weights to the value derived under various methods.

Valuation Approach	PFC (A) Value per Share (in INR)	PFC (A) Weights	REC (B) Value per Share (in INR)	REC (B) Weights
Market Approach:				
- Market Price Method	402.3	50%	361.2	50%
- CCM Method	377.8	50%	324.9	50%
Income Approach:				
- DCF Method	NA	NA	NA	NA
Cost/Asset Approach				
- NAV Method	402.6	0%	320.9	0%
Concluded Relative Value per share	390.0		343.0	
Share Exchange Ratio (B/A) (Rounded)	0.88			

Notes:

- The Cost Approach has not been considered as it does not reflect the earnings-generating capability of the business and is generally not appropriate for companies that are intended to continue on a going concern basis. Hence, in the present valuation analysis, we have not considered NAV method.
- We have not considered Income Approach i.e. Discounted Cash Flow method as the Management of the Companies did not provide any financial projections and placing reliance on research analysts projections would involve significant subjectivity
- Considering that the equity shares of PFC and REC are listed on BSE and NSE and are frequently traded, share prices observed on NSE over a reasonable period have been considered for arriving at the fair value per equity share of the Companies under the Market Price method.
- The CCM Method has been considered by applying price to book value multiples of comparable listed companies possessing attributes similar to the business of such company to those of the Companies.

Annexure 3 – Approach to Valuation - RBSA

The valuation exercise has been carried out independently for each of the Companies, and the Share Exchange Ratio has been determined based on their relative equity values, without considering any potential synergies or benefits that may arise from the Proposed Merger. For the purpose of arriving at the valuation of the Companies, we have considered the valuation base as 'Fair Value', and the valuation has been carried out on a going concern premise. As per the ICAI Valuation Standards ("ICAI VS"), *Fair Value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.*

We have carried out the valuation in accordance with the principles laid in the ICAI VS, as applicable to the purpose and terms of this engagement. ICAI VS 301 specifies that generally, the following three approaches can be used for the valuation of a business to determine the value of the equity shares of a company/ business,

- Income Approach
- Market Approach
- Cost Approach

There are several commonly used and accepted methods within the market approach, income approach and asset approach, for determining the relative fair value of equity shares of the Companies, which can be considered in the present valuation exercise, to the extent relevant and applicable, to arrive at the Share Exchange Ratio for the purpose of the Proposed Merger, subject to the availability of the relevant information.

Income Approach - Discounted Cash Flow ("DCF") Method

Income approach is a valuation approach that converts maintainable or future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted or capitalized) amount.

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. The terminal value represents the total value of the available cash flow for all periods subsequent to the horizon period. The terminal value of the business at the end of the horizon period is estimated, discounted to its present value equivalent, and added to the present value of the available cash flow to estimate the value of the business.

Such DCF analysis involves the following:

Estimating future free cash flows: Free cash flows to firm are the cash flows expected to be generated by the company/ business that are available to the providers of the company's capital - both debt and equity.

Appropriate discount rate to be applied to cash flows i.e., the cost of capital: This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

Market Approach

Under this approach, value of a company is assessed on the basis of its market price (i.e. if its shares are quoted on a stock exchange) or basis multiples derived using comparable (i.e., similar) listed companies or transactions in similar companies. Following are the methods under Market Approach:

Market Price Method:

Under this method, the value of shares of a company is determined by taking the average of the market capitalization of the equity shares of such company as quoted on a recognized stock exchange over reasonable period of time where such quotations are arising from the shares being regularly and freely traded in an active market, subject to the element of speculative support that may be inbuilt in the market price.

Comparable Companies Multiple ("CCM") Method:

Under this method, the value of the business is estimated by applying the derived market multiple based on market quotations of comparable public / listed companies, in an active market, possessing attributes similar to the business of such company - to the relevant financial parameter of the Company/ business (based on past and / or projected working results) after making adjustments to the derived multiples on account of dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued. These valuations are based on the principle that such market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Cost (Asset) Approach - Adjusted Net Asset Value Method

Under the Cost/Asset Approach, the value of a business is determined with reference to the underlying net assets of the company based on book value, replacement value or realizable value of assets and liabilities. This approach generally reflects the floor value of a business, as it is derived primarily from historical accounting information and does not capture the future earning potential of the business as a going concern.

The selection and application of the above valuation methodologies involved the exercise of professional judgement, having regard to the nature of the businesses, availability and reliability of information, and prevailing market conditions. Our choice of methodologies has been guided by usual and conventional valuation approaches adopted for transactions of a similar nature and based on our independent and bona fide judgement. The valuation approaches / methods considered, and the values derived therefrom are discussed below.

Valuation Methodology adopted for valuation:

I. Market Price Method:

- The equity shares of PFC and REC are listed on the BSE and NSE and are frequently traded. Accordingly, the Market Price Method has been considered for valuation of the Companies. For the purpose of determining the market value under this method, we have considered the volume weighted average market prices ("VWAP") of the equity shares observed on NSE being the exchange with relatively higher trading volumes and liquidity.

- The proposed restructuring of REC and PFC was announced by the Hon'ble Finance Minister during the Union Budget presented on 1 February 2026. Accordingly, market prices prevailing prior to such announcement reflect market perceptions and expectations independent of the proposed merger, whereas market prices prevailing subsequent thereto may incorporate the market's assessment of the proposed transaction and other developments affecting the Companies.

- Having regard to the above and considering that both reference points provide relevant valuation indicators, we have considered prices over appropriate period before the date of the announcement of the merger i.e., 1 February 2026, and till 23 June 2026 i.e. the Valuation Date for the purpose of determining the value under the Market Price Method.

II. Comparable Companies Multiple (CCM) Method:

- *Considering the nature of operations* of the Companies and the industry in which they operate, we have identified and considered listed companies in India having business characteristics broadly comparable to those of the Companies.

- The price to book value multiples of the selected comparable companies have been derived based on publicly available information and subscribed databases. Given the specialized nature of the businesses of the Companies and the absence of any closely comparable listed company that is fully comparable in all respects, appropriate adjustments and calibrations were considered necessary to reflect differences in scale, profitability profile, return metrics, growth expectations, business mix, ownership structure, sectoral exposure, liquidity characteristics, market positioning and overall risk profile vis-à-vis the Companies. Such adjustments were considered necessary to derive valuation benchmarks that appropriately reflect the relative economic and operating characteristics of the Companies and to ensure that the resultant valuation conclusions are based on a reasonable assessment of comparability in the context of the present transaction.

III. DCF Method:

The DCF Method is a widely accepted valuation methodology as it focuses on the future cash generation potential of a business. Under this method, the value of a company is derived by discounting the future cash flows expected to be generated by the business to their present value. Application of the DCF Method ordinarily requires detailed management-approved business plans and financial projections, including assumptions relating to future growth, profitability, capital structure, funding requirements, asset quality, margins, cost of capital and terminal value.

- For the purpose of the present valuation exercise, the Management of the Companies did not provide any business plans, budgets, financial projections or long-term forecasts.

- In the absence of management approved projections, we reviewed publicly available analyst reports issued by various brokerage houses. However, such forecasts represent views of the respective research analysts and are based on assumptions, methodologies and judgments that *may differ across* institutions and cannot be regarded as management forecasts or management expectations of future performance.

- Further, stock exchange guidance in relation to valuation reports for schemes of arrangement contemplates that where the Income Approach is adopted, the valuer should provide appropriate justification regarding the basis of projections, growth assumptions and comparison of projected performance with historical performance. In the present case, we were unable to identify a management approved forecasting framework capable of supporting such assumptions.

- Accordingly, having regard to the absence of management approved projections, the reliance that would necessarily be required to be placed on independent analyst estimates and the significant subjectivity involved in formulating the assumptions necessary for application of the Income Approach, we have not adopted Income Approach (DCF Method) for determining the recommended Share Exchange Ratio.

- We note that both PFC and REC are large listed public sector financial institutions with actively traded equity shares, substantial public float, established operating histories, transparent financial disclosures and observable market-based valuation benchmarks. In such circumstances, market-based approaches provide a more direct and observable basis for relative valuation.

IV. Adjusted Net Asset Value Method

- For the present valuation analysis, the merger of the Companies is proceeded with on the assumption that the Companies would merge as going concerns and actual realization of the operating assets is not contemplated. In such a going concern scenario, the relative earning power, as reflected under the Income and/or Market approach, is of greater importance to the basis of merger, with the values derived on the net asset basis being of limited relevance. Considering the above, while we have calculated the values of the shares of the Companies under the Asset Approach, we have considered it appropriate not to give any weightage to the same for the purpose of the present exercise.

- In applying the above approaches, appropriate weights have been assigned to the values derived therefrom, having regard to the nature of the businesses, reliability of available information and relevance of each methodology.

- In determining the recommended Share Exchange Ratio, due consideration has been given to various quantitative and qualitative factors, including the relative financial performance, growth prospects, business risks, prevailing market parameters and other relevant considerations pertaining to the Companies.

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The computation of Share Exchange Ratio for the Proposed Merger is given below:

Valuation Approach	PFC (A) Value per Share (in INR)	Weights	REC (B) Value per Share (in INR)	Weights
Market Approach:				
- Market Price Method	402.3	50%	361.2	50%
- CCM Method	432.0	50%	369.0	50%
Income Approach:				
- DCF Method	NA	NA	NA	NA
Cost/Asset Approach				
- Adjusted NAV Method	402.6	0%	320.9	0%
Concluded Relative Value per share	417.1		365.1	
Share Exchange Ratio (B/A) (Rounded)	0.88			

Notes:

- In absence of reliable long-term business projections approved by the managements of the Companies for the purpose of the present transaction, the Income Approach was not considered.
- Considering that the equity shares of PFC and REC are listed on BSE and NSE and are frequently traded, share prices observed on NSE over a reasonable period have been considered for arriving at the fair value per equity share of the Companies under the Market Price method.
- The CCM Method has been considered by applying price to book value multiples of comparable listed companies having business characteristics broadly similar to those of the Companies.
- While the Cost / Asset Approach (Adjusted Net Asset Value Method) has been reviewed as part of the valuation exercise, it has not been applied for determining the equity value, as the Companies are operating businesses whose value is primarily driven by their earnings capacity and future cash flows, and there is no intention to realize the underlying operating assets.

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