

**Restricted Group Ind AS Unaudited Interim Condensed Combined
Financial Statements as of September 30, 2017**

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**Review Report to the Board of Directors
Azure Power Energy Limited**

We have reviewed the accompanying special purpose Ind AS unaudited interim condensed combined financial statements of Restricted Group which consist of the Azure Power Energy Limited (the "Company"), a wholly owned subsidiary of Azure Power Global Limited (the "Parent") and certain entities under common control of the Parent, as listed in note 3 to the Ind AS unaudited interim condensed combined financial statements (collectively known as "the Restricted Group"), and which comprise the unaudited interim condensed combined balance sheet as at September 30, 2017 and the related unaudited interim condensed combined Statement of Profit and Loss, unaudited interim condensed combined statement of changes in equity and unaudited interim condensed combined Cash Flows for the half year ended September 30, 2017, and selected explanatory information (together hereinafter referred to as the "Special Purpose Ind AS unaudited interim condensed combined Financial Statements").

Management's Responsibility

The preparation of special purpose Ind AS unaudited interim condensed combined Financial Statements are the responsibility of the Company's management and prepared in accordance with the basis of preparation as set out in note 3 to special purpose Ind AS unaudited interim condensed combined Financial Statements and have been approved by the Board of Directors. These special purpose Ind AS unaudited interim condensed combined Financial Statements contain an aggregation of financial information relating to Restricted Group and have been prepared from the books and records maintained by Restricted Group entities. This includes the design, implementation and maintenance of internal control relevant to the preparation of the special purpose Ind AS unaudited interim condensed combined Financial Statements that are free from material misstatement whether due to fraud or error.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Special Purpose Ind AS unaudited interim condensed combined Financial Statements is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

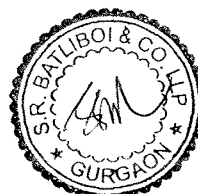
Conclusion

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Special Purpose Ind AS unaudited interim condensed combined Financial Statements have not been prepared in all material respects in accordance with recognition and measurement principles of Ind AS 34 prescribed under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and other recognised accounting practices and policies.

We have not audited or reviewed the comparative Ind AS interim financial information of the Restricted Group for the corresponding year to date period ended September 30, 2016 which have been presented solely based on the information compiled and approved by the management.

Emphasis of Matter

We draw attention to Note 2 and 3 to the special purpose Ind AS unaudited interim condensed combined Financial Statements, which describes that the Restricted Group has not formed a separate legal group of entities during the period/year ended September 30, 2017 and March 31, 2017, which also describes the basis of preparation, including the approach to and purpose of preparing them. Consequently, the Restricted Group's special purpose Ind AS unaudited interim condensed combined financial statements may not necessarily be indicative of the financial



performances and financial position of the Restricted Group that would have occurred if it had operated as a single standalone group of entities during the periods presented. The special purpose Ind AS unaudited interim condensed combined financial statements has been prepared for the purpose of complying with financial reporting requirements under the indenture governing the Senior Notes. As a result, the special purpose Ind AS unaudited interim condensed combined financial statements may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.


Other Matters

This report on the special purpose Ind AS unaudited interim condensed combined financial statements has been issued solely in connection with the Company's compliance with financial reporting requirements under the indenture governing the Senior Notes and is intended solely for the information and use of the Board of Directors of the Company. It should not be used for any other purpose or provided to other parties.

For S.R. BATLIBOI & CO. LLP

ICAI Firm registration number: 301003E/E300005

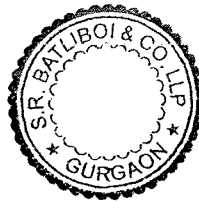
Chartered Accountants



per Subhabrata Ghosh Dastidar

Partner

Membership No.: 060717



Place: Gurgaon

Date: December 18, 2017

Restricted Group
Unaudited Interim Condensed Combined Balance Sheet
(INR amount in millions, unless otherwise stated)

	As at September 30, 2017 (Unaudited)	As at March 31, 2017 (Audited)
Assets		
Non-current assets		
Property, plant and equipment	32,224	33,023
Capital work-in-progress	3,658	38
Financial assets		
Loans	2,160	7
Other financial assets	279	706
Deferred tax assets (net)	51	43
Income tax assets (net)	18	16
Other non-current assets	1,499	688
Total non-current assets	39,889	34,521
Current assets		
Financial assets		
Investment	33	29
Trade receivables	903	482
Cash and cash equivalents	2,141	1,599
Other bank balances	403	171
Loans	20	-
Other current financial assets	697	406
Other current assets	90	120
Total current assets	4,287	2,807
Total assets	44,176	37,328
Equity and liabilities		
Equity		
Capital	42	29
Other Equity	7,426	8,764
Total equity	7,468	8,793
Non-current liabilities		
Financial liabilities		
Borrowings	32,101	20,148
Provisions	156	149
Deferred tax liabilities (net)	237	196
Other non-current liabilities	1,383	1,384
Total non-current liabilities	33,877	21,877
Current liabilities		
Financial liabilities		
Borrowings	823	970
Trade payables	294	141
Other current financial liabilities	1,592	5,425
Provisions	-	1
Other current liabilities	122	121
Total current liabilities	2,831	6,658
Total equity and liabilities	44,176	37,328

The accompanying notes are an integral part of the unaudited interim condensed combined financial statements.

Restricted Group
Unaudited Interim Condensed Combined Statement of Profit and Loss
(INR amount in millions, unless otherwise stated)

	Six months period ended September 30, 2017 (Unaudited)	Six months period ended September 30, 2016 (Unaudited)
Revenue		
Sale of Power	2,673	1,213
Other income	34	21
Total revenue (I)	2,707	1,234
Expenses		
Other expenses	251	158
Total operating expenses (II)	251	158
Earnings before interest, tax, depreciation and amortisation (EBITDA) (I)-(II)	2,456	1,076
Depreciation and amortization expense	988	504
Finance income	78	39
Finance cost	2,891	813
Loss before tax	(1,345)	(202)
Tax expense:		
Current tax expense	5	-
Deferred tax expense	33	39
Total tax expense	38	39
Net loss	(1,383)	(241)
Other Comprehensive Income		
Items that will be reclassified to profit or loss		
Cash flow hedges	336	-
Items that will not be reclassified to profit or loss		
Foreign currency translation reserve	(679)	-
Total other comprehensive loss	(343)	-
Net comprehensive loss	(1,726)	(241)

The accompanying notes are an integral part of the unaudited interim condensed combined financial statements.

Restricted Group
Unaudited Interim Condensed Combined Statement of Changes in Equity
(INR amount in millions, unless otherwise stated)

Other equity*

For the period ended September 30, 2017:

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures	Items of Other Comprehensive Income		Total equity
	Surplus in the statement of profit and loss	Securities premium account		Foreign currency translation reserve	Cash flow hedges#	
At April 01, 2017	(1,573)	10,333	4	-	-	8,764
Loss for the period	(1,383)	-	-	-	-	(1,383)
Securities premium on account of issue of equity shares/Compulsorily Convertible Debentures during the period	-	387	-	-	-	387
Equity component of Compulsorily Convertible Debentures issued during the period	-	-	1	-	-	1
Other comprehensive income/(loss)	-	-	-	(679)	336	(343)
At September 30, 2017	(2,956)	10,720	5	(679)	336	7,426

For the year ended March 31, 2017:

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures	Items of Other Comprehensive Income		Total equity
	Surplus in the statement of profit and loss	Securities premium account		Foreign currency translation reserve	Cash flow hedges#	
At April 01, 2016	(1,214)	7,685	-	-	-	6,471
Loss for the year	(359)	-	-	-	-	(359)
Securities premium on account of issue of equity shares/Compulsorily Convertible Debentures during the year	-	2,648	-	-	-	2,648
Equity component of Compulsorily Convertible Debentures issued during the year	-	-	4	-	-	4
At March 31, 2017	(1,573)	10,333	4	-	-	8,764

*Capital and Other equity represents the aggregate amount of capital and other equity of Restricted Group entities as of the respective period and does not necessarily represent legal capital and other equity for the purpose of the Group.

Refer note 5 & 6

Restricted Group
Unaudited Interim Condensed Combined Statement of Cash Flows
(INR amount in millions, unless otherwise stated)

	For the period ended September 30, 2017 (Unaudited)	For the period ended September 30, 2016 (Unaudited)
A Cash flows from operating activities		
Loss before tax	(1,345)	(202)
Adjustment to reconcile loss before tax to net cash flows		
Depreciation/amortization	988	504
Exchange difference (net)	(26)	(11)
Loss on sale of fixed assets (net)	-	3
Change in fair value of option contracts	8	22
Interest income	(78)	(39)
Net gain on sale of current investments	(4)	(7)
Finance cost	2,891	813
Operating profit before working capital changes	2,434	1,083
Movements in working capital:		
Decrease/(increase) in other financial assets	(22)	185
Increase in trade receivables	(421)	(290)
Decrease/(increase) in other current assets	30	(122)
Increase in trade payables	153	128
Increase in Other Non-current assets	22	26
Increase in other financial and current liabilities	20	234
Cash generated from operations	2,216	1,244
Direct taxes paid (net of refunds)	(7)	(7)
Net cash flow from operating activities	(A) 2,209	1,237
B Cash flows from/(used in) investing activities		
Purchase of tangible/intangible fixed assets (including capital work in progress and capital advance)	(7,634)	(6,589)
Interest received	89	37
Proceeds from sale of mutual funds (net)	-	(91)
Inter Corporate Loans	(2,174)	-
Investment in bank deposits (having the original maturity of more than three months)	153	496
Net cash flow (used in) investing activities	(B) (9,566)	(6,147)
C Cash flows from financing activities		
Proceeds from issue of equity shares and Compulsorily Convertible Debentures	737	2,156
Option premium paid	(8)	(24)
Proceeds from borrowings (net)	10,004	5,587
Finance cost	(2,155)	(750)
Net cash flow from financing activities	(C) 8,578	6,969
Foreign currency translation reserve	(D) (679)	-
Net increase/(decrease) in cash and cash equivalents	542	2,059
(A+B+C+D)		
Cash and cash equivalents at the beginning of the year	1,599	528
Cash and cash equivalents at the end of the year	2,141	2,587
Components of cash and cash equivalents		
Balances with schedule banks:		
- On current accounts	901	2,107
- Deposits with original maturity of less than 3 months	1,240	480
Total cash and cash equivalents	2,141	2,587

Notes:

- The Statement of Cash Flows has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) on "Statement of Cash Flows" referred to Section 133 of Companies Act 2013.
- The accompanying notes are an integral part of the unaudited interim condensed combined financial statements.

1. General Information

Azure Power Energy Limited (“APEL” or “the Company”) was incorporated on June 15, 2017 as a public company limited by shares incorporated under laws of Mauritius and a wholly-owned subsidiary of Azure Power Global Limited (the “Parent”) and has its registered office at C/o. AAA Global Services Ltd., 1st Floor, The Exchange 18 Cybercity, Ebene, Mauritius. The Company and certain subsidiaries of Azure Power India Private Limited (APIPL), collectively “The Restricted Group Entities” and “Restricted Entity” individually (as listed below) carry out business activities relating to generation of electricity through non-conventional renewable energy sources engaged in the ownership, maintenance and management of solar power plants and generation of solar energy based on long-term contracts (power purchase agreements or “PPA”) with Indian government entities as well as other non-governmental energy distribution companies and commercial customers. APEL is duly registered as Foreign Portfolio Investor Entity with the Securities Exchange Board of India for investing in debt instruments in India on July 7, 2017.

The Company has issued Senior Notes to institutional investors and is listed on Singapore Exchange Securities Trading Limited (SGX-ST). APEL invested the proceeds, net of issue expenses in Non-Convertible Debentures (“NCDs”) and External commercial borrowings (“ECBs”) to replace their existing Rupee and external debt. Restricted entities are directly or indirectly under common control of the parent. APEL and restricted entities have been considered as “Restricted Group” for the purpose of financial reporting.

The Restricted Group entities which are all under the common control of the Parent company comprises of the following entities:

Entities	Principle Activity	Country of Incorporation	% Held by Parent		
			September 30, 2017	March 31, 2017	September 30, 2016
Azure Power Energy Limited	Bond Issuance	Mauritius	100%	-	-
Azure Power (Punjab) Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Power (Haryana) Private Limited	Generation of Solar power	India	96.97%	79.99%	79.99%
Azure Urja Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Surya Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Power (Karnataka) Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Photovoltaic Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Power Infrastructure Private Limited	Generation of Solar power	India	71.42% [#]	71.42%	71.42%
Azure Power (Raj.) Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Green Tech Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Renewable Energy Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Clean Energy Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%

Azure Sunrise Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Sunshine Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Power Eris Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Power Mars Private Limited	Generation of Solar power	India	99.99%	99.99%	99.99%
Azure Power Pluto Private Limited	Generation of Solar power	India	51.63%	51.63%	51.63%
Azure Power Thirty Seven Private Limited	Generation of Solar power	India	95.22%	100%	100%

100% subsequent to 30th September 2017.

2. Purpose of the Ind AS Unaudited Interim condensed combined financial statements

These are special purpose Ind AS unaudited interim condensed combined financial statements, which have been prepared for the purpose of complying with Financial reporting requirements under the indenture governing the Senior Notes. These Ind AS unaudited interim condensed combined financial statements presented herein reflect the Restricted Group's results of operations, assets and liabilities and cash flows for the period presented. The basis of preparation and significant accounting policies used in preparation of these special purpose Ind AS unaudited interim condensed combined financial statements are set out in note 3 and 4 below.

3. Basis of preparation

The indenture governing the Senior Notes requires Restricted Group to prepare Ind AS unaudited interim condensed combined financial statements of the Restricted Group entities and APEL for the purpose of submission to the bond holders. The Ind AS unaudited interim condensed combined financial statements of the Restricted Group have been prepared in accordance with recognition and measurement principles laid down by the Indian Accounting Standards (Ind AS) (except Ind AS - 33 on Earnings Per Share) prescribed under section 133 of the Companies Act, 2013, read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment Rules), 2016 issued thereunder and other accounting principles generally accepted in India and the guidance note on Combined and Carve-out Financial Statements issued by the Institute of Chartered Accountants of India. Further for computation of depreciation the company based upon legal opinion has charged depreciation as per CERC regulations.

The Ind AS unaudited interim condensed combined financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting. The Ind AS unaudited interim condensed combined financial statements do not include all the information and disclosures required in the annual financial statements.

The items in the Ind AS unaudited interim condensed combined financial statements have been classified considering the principles under Ind AS 1, Presentation of Financial Statements.

These Ind AS unaudited interim condensed combined financial statements have been prepared on the accrual and going concern basis and the historical cost convention, except for the following assets and liabilities which have been measured at fair value or revalued amount;

- Certain financial assets and liabilities measured at fair value.

As per the Guidance Note on Combined and Carve Out Financial Statements, the procedure for preparing combined financial statements of the combining entities is the same as that for consolidated financial statements as per the applicable Accounting Standards. Accordingly, when combined financial statements are prepared, intra-group transactions and profits or losses are eliminated. All the inter group transactions are undertaken on Arms Lengths basis. There is no allocation of expenses within the Restricted Group. The information presented in the Ind AS unaudited interim condensed combined financial statements of the Restricted group may not be representative of the position which may prevail after the transaction. The resulting financial position may not be that which might have existed if the combining businesses had been a stand-alone business.

The Non-Controlling Interest held by outsiders amounts to INR 1,091 million and INR 1,196 million as of September 2017 and March 2017 respectively. Share capital and reserves disclosed in the Ind AS unaudited interim condensed combined financial statements is not the legal capital and reserves of the Restricted Group and is the aggregation of the share capital and reserves of the individual combining entities. Income taxes are arrived at by aggregation of the tax expenses actually incurred by the combining businesses, after considering the tax effects of any adjustments which is in accordance with the Guidance Note on Combined and Carve-Out Financial Statements issued by the ICAI.

Accordingly, the procedures followed for the preparation of the Ind AS unaudited interim condensed combined financial statements:

- (a) Combined like items of assets, liabilities, equity, income, expenses and cash flows of the combining entities.
- (b) Eliminated in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Restricted Group (profits or losses resulting from intragroup transactions that are recognised in assets, such as fixed assets, are eliminated in full).

These Ind AS unaudited interim condensed combined financial statements may not necessarily be indicative of the financial performance, financial position and cash flows of the Restricted Group that would have occurred if it had operated as a separate stand-alone Group of entities during the period presented or the Restricted Group's future performance.

The Ind AS unaudited interim condensed combined financial statements include the operation of entities in the Restricted Group, as if they had been managed together for the period presented.

4. Summary of significant accounting policies

The Ind AS unaudited interim condensed combined financial statements have been prepared in accordance with the accounting policies adopted in the Restricted Group's last audited annual financial statements for the period ended 31 March 2017. The presentation of the Ind AS unaudited interim condensed combined financial statements is consistent with the audited Combined Financial Statements for the period ended 31 March 2017.

5. During August 2017, the Company has issued 5.5% US\$ denominated Senior Notes (“US\$ 500 million Senior Notes” or “Green Bonds”) and raised INR 31,264 million net off of discount on issue of INR 9 million at 0.03% and issuance expense of INR 581 million. The discount on issuance of “US\$ 500 million Senior Notes” and the issuance expenses have been recorded as Finance cost based on effective interest rate method and the unamortized balance is netted with the carrying value of Senior Notes. These Notes are listed on Singapore Exchange Securities Trading Limited (SGX-ST). In accordance with the terms of the issue, APEL invested the proceeds in INR denominated Non-Convertible Debentures (NCDs) and External Commercial Borrowings (ECBs) within the Restricted Group. The interest on the Senior Notes are payable on a semi-annual basis and the principal amount is payable in November 2022.

6. The Company designates the derivative contracts for mitigating the foreign exchange fluctuation risk as a cash flow hedge. The changes in fair value of the derivatives are included in other comprehensive income to the extent the hedge continues to be effective. The related other comprehensive income amounts are allocated to the Combined Statements of Profit and Loss in the same period in which the hedged item affects net earnings. To the extent the change in fair value of the derivative financial instruments is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in the Combined Statements of Profit and Loss.

Results of operations – Ind AS Unaudited Interim condensed combined financial statements

Six Months Period Ended September 30, 2017 Unaudited Interim Condensed Combined Financial Results:

Operating Revenue

Sale of power

Operating revenue for the six months period ended September 30, 2017 was INR 2,673 million, an increase of 119% from INR 1,213 million over the same period in 2016. The increase in revenue was driven by the commissioning of new projects.

Other Income

Other income for the six months period ended September 30, 2017 was INR 34 million, an increase of 141% from INR 21 million over the same period in 2016. The increase in other income was due to exchange difference (net).

Operating expenses (exclusive of depreciation and amortization)

Operating expense for the six months period ended September 30, 2017 increased by 58.8% to INR 251 million from INR 158 million in the same period in 2016. The increase was primarily due to plant maintenance cost and lease rent for newly commissioned projects.

Depreciation and Amortization Expenses

Depreciation and amortization expenses during the six months period ended September 30, 2017 increased by 96%, to INR 988 million from INR 504 million compared to the same period in 2016. The principal reason for the increase was capitalization of projects during the period from September 30, 2016 to September 30, 2017.

Finance Income

Finance income mainly consist of interest income. Finance income during the six months period ended September 30, 2017 increased by INR 39 million, or 100%, to INR 78 million compared to the same period in 2016 as a result of an increase in income on term deposits placed during the period.

Finance cost

Net interest expense during the six months period ended September 30, 2017 increased by 255%, to INR 2,891 million from INR 813 million compared to the same period in 2016. It includes one-time non-cash write offs of unamortised deferred financing cost of INR 521 million on account of financing with Green Bonds and in addition, one-time prepayment fees of INR 658 million for debt refinancing related to the Green Bonds.

Tax Expenses

Income tax expense during the six months period ended September 30, 2017 decreased by 3%, to INR 38 million from INR 39 million compared to the same period in 2016. During the period we recorded, a non-cash deferred tax expense of INR 33 million and a provision for income tax expense of INR 4 million.

Net Loss

Net loss for the six months period ended September 30, 2017 was INR 1,383 million, as compared to a net loss of INR 241 million for the six months period ended September 30, 2016, an increase in loss of INR 1,142 million as compared to the same period in 2016. This was primarily due to one-time expenses related to the issuance of Green Bonds, and was partially offset due to an increase in revenue during the period ended September 30, 2017.

Liquidity and Capital Resources

Cash Flow from operating activities

Cash generated from operating activities for the six months period ended September 30, 2017 was INR 2,209 million, compared to INR 1,237 million in the same period in 2016, primarily due to an increase in revenue during the six months period ended September 30, 2017.

Cash Flow used in investing activities

Cash used in investing activities increased by INR 9,566 million during the six months period ended September 30, 2017 compared to INR 6,147 million in the same period in 2016 as purchases of property, plant and equipment for new projects and intercorporate deposits.

Cash Flow from financing activities

Cash generated from financing activities was INR 8,578 million for the six months period ended September 30, 2017, compared to INR 6,969 million for the prior comparable period. During the six months period ended September 30, 2017, the Company raised INR 31,264 million of through Green Bonds.

Liquidity Position

As of September 30, 2017, Restricted Group had INR 2,578 million of cash, cash equivalents and current investments and other bank balances.

EBITDA

EBITDA was INR 2,456 million for the six months period ended September 30, 2017, compared to INR 1,076 million in the same period in 2016. This was primarily due to the increase in revenue during the period.

Subsequent event

The Company evaluated all other events or transactions that occurred after September 30, 2017. Based on this evaluation, the Company is not aware of any event or transactions that would require recognition or disclosure in the Ind AS Unaudited Interim condensed combined financial statements.