

Azure Power
Restricted Group III Special Purpose
Combined Financial Statements
For the year ended
March 31, 2024

INDEPENDENT AUDITOR'S REPORT

Report on Special Purpose Combined Financial statements of Restricted Group-III

To the Board of Directors of Azure Power Energy Limited ("APEL")

Qualified Opinion

We have audited the special purpose combined financial statements of Restricted Group which consist of Azure Power Energy Limited ("the Company"), a wholly owned subsidiary of Azure Power Global Limited ("the Parent") and certain identified entities under the common control of the Parent as listed in Note no. 1 to the special purpose combined financial statements (collectively known as "the Restricted Group-III" or "the RG-III"), which comprise the combined Balance Sheet as at March 31, 2024, the combined Statement of Profit and Loss including other comprehensive income, the combined Cash Flow Statement and the combined Statement of Changes in Equity for the year ended March 31, 2024 and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as "special purpose combined financial statements"). These special purpose combined financial statements have been prepared in accordance with the basis of preparation as set out in Note no. 3 to the special purpose combined financial statements.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the special purpose combined financial statements of the RG-III for the year ended March 31, 2024 are prepared in all material respects, in accordance with the basis of preparation described in Note no. 3 to these special purpose combined financial statements.

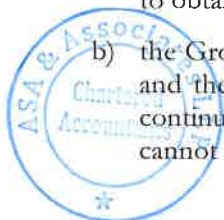
Basis for Qualified Opinion

1. Refer Note no. 42 of the accompanying special purpose combined financial statements, the Parent, Azure Power India Private Limited (the subsidiary of the Parent) and some entities under common control of the Parent (collectively referred to as the 'Group'), have received several complaints via the Group's common whistleblower mechanism during the previous year. In response to such whistle blower complaints, the Board of Directors and Audit and Risk Committee of the parent company appointed external legal counsels to conduct investigations into the significant issues highlighted in the said complaints. These issues include, but are not limited to, lapses in key control areas, governance issues, assets capitalization date and problems with vendor management.

A special committee was constituted by the Board of Directors of the parent company ('the Special Committee'), to review certain material projects and contracts for anti-corruption and related compliance issues. Independent external counsels and forensic advisors were engaged to support the Special Committee. The Special Committee's investigation is not yet complete.

As a result of above:

- a) the RG-III functions within a shared control environment, and there are identified design deficiencies noted in some of the key controls in significant areas. These deficiencies constitute material weaknesses. During the year, the Group has implemented the revised design and controls including over such material weaknesses which were operated for a part of the year, therefore, we were unable to obtain sufficient audit evidence and test about its operating effectiveness
- b) the Group has voluntarily disclosed certain matters to the U.S. Securities and Exchange Commission and the U.S. Department of Justice. Engagement and cooperation with the aforesaid authorities is continuing on those matters. We are informed that any potential liability or penalty from authorities cannot be assessed at this stage.



In respect of the above matters, we are unable to comment whether the outcome will result in possible adjustments and/or disclosures to the special purpose combined financial statements, and the status of compliance with the applicable laws and regulations, if any.

2. Refer Note no. 44 to the accompanying special purpose combined financial statements, which describes the matters relating to non-compliances with certain provisions of the Companies Act, 2013 ("the Act") with respect to the adoption of the annual audited standalone financial statements of RG-III entities for the year ended March 31, 2023 and March 31 2022, before the shareholders in the Annual General Meeting within the stipulated time as prescribed under Section 96 of the Act. The consequential impact of the said non-compliance, including the liability for penal charges, if any, and the consequential impact under other applicable laws and regulations is presently not ascertainable. Accordingly, we are unable to comment on the same.

The above matters were also subject matter of qualification in previous year's report on special purpose combined financial statements.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Combined Financial Statements section of our report. We are independent of the RG-III in accordance with the ethical requirements that are relevant to our audit of the special purpose combined financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to the Note no. 2 and 3 of the accompanying special purpose combined financial statements, which describes that the RG-III has not formed a separate legal group of entities during the year ended March 31, 2024, which also describes the basis of preparation, including the approach to and the purpose for preparing them. Consequently, the RG-III's special purpose combined financial statements may not necessarily be indicative of the financial performances and financial position of the RG-III that would have been presented had consolidated financial statements been prepared for the RG-III. The special purpose combined financial statements has been prepared solely to comply with financial reporting requirements under the indenture governing the Senior Notes. As a result, the special purpose combined financial statements may not be suitable for any other purpose.

Our Opinion is not modified in respect of the above matter.

Responsibilities of Management and Those Charged with Governance for the special purpose combined financial statements.

Management is responsible for the preparation of these special purpose combined financial statements in accordance with the basis of preparation as set out in Note no. 3 to the special purpose combined financial statements and for such internal controls as management determines is necessary to enable the preparation of special purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose combined financial statements, management is responsible for assessing the RG-III 's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the RG-III or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the RG-III 's financial reporting process.



Auditor's Responsibilities for the Audit of the special purpose combined financial statements.

Our objectives are to obtain reasonable assurance about whether the special purpose combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RG-III 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RG-III 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the RG-III to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For **ASA & Associates LLP**

Chartered Accountants

Firm Registration No: 009571N/N500006



K Nithyananda Kamath

Partner

Membership No. 027972

UDIN: 24027972BKRLB6630

Place: Gurugram

Date: August 7, 2024

Restricted Group- III
Special purpose combined balance sheet as at March 31, 2024
 (All amount in INR millions, unless otherwise stated)

	Notes	As at March 31, 2024	As at March 31, 2023
Assets			
Non-current assets			
Property, plant and equipment	5	27,538	28,548
Right-of-use assets	31	855	887
Capital work-in-progress	5	1	1
Financial assets	6		
- Trade receivables	6.1	40	200
- Loans	6.2	262	4,878
- Other financial assets	6.3	2,049	2,524
Deferred tax assets (net)	19.2	183	172
Income tax assets (net)	7	159	161
Other non-current assets	8	563	534
Total non-current assets		31,650	37,905
Current assets			
Inventory	9	1	1
Financial assets	10		
- Trade receivables	10.1	2,429	3,108
- Cash and cash equivalents	10.2	373	636
- Other bank balances	10.3	1,960	2,030
- Loans	10.4	7,158	1,943
- Other financial assets	10.5	1,584	482
Other current assets	11	74	54
Total current assets		13,579	8,254
Total assets		45,229	46,159
Equity and liabilities			
Equity			
Equity share capital	12.1	113	113
Other equity	12.2	11,209	9,169
Total equity		11,322	9,282
Non-current liabilities			
Financial liabilities	13		
- Borrowings	13.1	24,282	28,012
- Lease liabilities	31	948	923
Provisions	14.1	98	107
Deferred tax liabilities (net)	19.1	1,999	1,689
Other non-current liabilities	15	2,173	2,221
Total non-current liabilities		29,500	32,952
Current liabilities			
Financial liabilities	16		
- Borrowings	16.1	3,042	2,405
- Lease liabilities	31	65	62
- Trade payables			
Total outstanding dues of micro and small enterprises	16.2	31	10
Total outstanding dues of creditors other than micro and small enterprises	16.2	409	233
- Other financial liabilities	16.3	620	828
Other current liabilities	17	130	106
Provisions	14.2	6	6
Current tax liabilities (net)	18	104	275
Total current liabilities		4,407	3,925
Total liabilities		33,907	36,877
Total equity and liabilities		45,229	46,159

See accompanying notes to the financial statements

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The accompanying notes are an integral part of the special purpose combined financial statements.

For and on behalf of Restricted Group



[Signature]
 Director
 Place : Ebene, Mauritius
 Date : 07/08/2024

[Signature]
 Director
 Place : Ebene, Mauritius
 Date : 07/08/2024

Restricted Group- III**Special purpose combined statement of profit and loss for the year ended March 31, 2024**

(All amount in INR millions, unless otherwise stated)

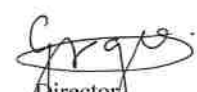
	Notes	For the year ended March 31, 2024	For the year ended March 31, 2023
Revenue			
Revenue from operations	20	6,023	6,086
Other income	21.2	173	49
Total revenue (I)		6,196	6,135
Expenses			
Employee benefits expense	22	69	51
Other expenses	25	755	888
Total expenses (II)		824	939
Earnings before interest, depreciation and amortization (EBITDA) (I)-(II) (A)		5,372	5,196
Depreciation and amortisation expense- (B)	23	1,039	1,041
Interest income- (C)	21.1	958	875
Finance costs- (D)	24	2,579	2,313
Profit before tax (A-B+C-D)		2,712	2,717
Tax expense:			
Current tax expense	19	666	606
Income tax adjustment pertaining to earlier years	19	20	-
Deferred tax charge	19	248	100
Total tax expense		934	706
Profit after tax		1,778	2,011
Other comprehensive income			
Items that will be reclassified to profit or loss			
Effective portion of cash flow hedge		340	1,418
Income tax effect	19	(51)	(212)
		289	1,206
Exchange differences on translating the financial statements of foreign entities		(27)	(2,484)
Items that will not be reclassified to profit or loss			
Re-measurement gains on defined benefit plans	38	-	2
Income tax effect	19	-	-
Other comprehensive expense/(income)		262	(1,276)
Total comprehensive income		2,040	735
See accompanying notes to the financial statements	4-45		

The accompanying notes are an integral part of the special purpose combined financial statements.

For and on behalf of Restricted Group




 Director
 Place : Ebene, Mauritius
 Date : 07/08/2024


 Director
 Place : Ebene, Mauritius
 Date : 07/08/2024

Restricted Group- III
Special purpose combined statement of cash flows for the year ended March 31, 2024
(All amount in INR millions, unless otherwise stated)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
A Cash flow from operating activities		
Profit before tax	2,712	2,717
Adjustment to reconcile profit before tax to net cash flow		
Depreciation and amortisation expense	1,039	1,041
Interest income	(958)	(875)
Exchange difference (net)	1	(1)
Deferred revenue	(88)	(43)
Insurance claim received	(4)	-
Balance written off	1	-
Allowance for doubtful trade receivables (net)	78	311
Advance written off	2	1
Asset written off	27	9
Loss on account of modification of contractual cash flows	-	16
Loss on disposal of property, plant and equipment (net)	-	20
Provisions / liabilities no longer required written back	(52)	(2)
Viability Gap funding income	(81)	(84)
Contract assets	(6)	(27)
Finance cost	2,579	2,313
Operating profit before working capital changes	5,250	5,396
Movements in working capital:		
Decrease/ (increase) in trade receivables	798	(23)
Decrease in other current/non-current financial assets	34	12
Decrease in Security deposit	-	4
Increase in inventory	-	(1)
Decrease/ (increase) in other current assets	8	(23)
Decrease in other non-current assets	4	4
Increase in trade payables	248	77
(Decrease)/ increase in other current financial liabilities	(32)	24
Increase in other current and non-current liabilities	43	87
Increase in current provisions	-	1
Decrease in non-current provisions	(39)	-
Cash generated from operations	6,314	5,558
Income tax paid (net of refunds)	(835)	(480)
Net cash from operating activities (A)	5,479	5,078
B Cash flow from investing activities		
Purchase of Property, plant and equipment (including capital work in progress, capital advance and capital creditors)	(24)	(82)
Interest received	297	317
Net proceeds/ (investment in) from bank deposit (having the original maturity of more than three months)	67	(709)
Loan (given to)/ from holding/ fellow subsidiaries (net)	(728)	50
Proceeds from repayment of loan given to others	130	-
Net cash used in investing activities (B)	(258)	(424)
C Cash flow from financing activities		
Repayment of Green bonds	(3,227)	(2,228)
Proceeds from current borrowing	-	135
Repayment of current borrowings	(10)	(200)
Payment for hedging arrangements	(693)	(813)
Payment of lease liabilities	(66)	(57)
Payment of ancillary cost of borrowing	(296)	-
Interest paid	(1,195)	(1,186)
Net cash used in financing activities (C)	(5,487)	(4,349)
Net (decrease)/ increase in cash and cash equivalents (A+B+C)	(266)	305
Effect of exchange rate changes on cash and cash equivalents (D)	3	41
Net (decrease)/ increase in cash and cash equivalents (A+B+C+D)	(263)	346
Cash and cash equivalents at the beginning of the year	636	290
Cash and cash equivalents at the end of the year	373	636
Components of cash and cash equivalents (refer note 10.2)		
Balances with schedule banks:		
- On current accounts	308	364
- Deposits with original maturity of less than 3 months	65	272
Total cash and cash equivalents	373	636



Restricted Group- III**Special purpose combined statement of cash flows for the year ended March 31, 2024**

(All amount in TNR millions, unless otherwise stated)

Change in liabilities arising from financing activities

Particulars	Opening balance as at April 01, 2023	Cash flow (net)	Change in foreign exchange rate	Other changes**	Closing balance as at March 31, 2024
Non current borrowings (including current maturities)	30,247	(3,227)	293	(149)	27,164
Current borrowings	170	(10)	-	-	160
Lease liabilities	985	(66)	-	94	1,013
Total liabilities from financing activities	31,402	(3,303)	293	(55)	28,337

Particulars	Opening balance as at April 01, 2022	Cash flow (net)	Change in foreign exchange rate	Other changes**	Closing balance as at March 31, 2023
Non current borrowings (including current maturities)	29,954	(2,298)	2,497	94	30,247
Current borrowings	165	5	-	-	170
Lease liabilities	852	(57)	-	190	985
Total liabilities from financing activities	30,971	(2,350)	2,497	284	31,402

**Including adjustments of ancillary borrowing cost and interest on lease liability

See accompanying notes to the financial statements


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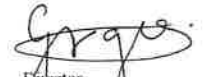
Notes:

1. 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.
2. The accompanying notes are an integral part of the special purpose combined financial statements.



For and on behalf of Restricted Group


 Director
 Place : Ebene, Mauritius
 Date : 07/08/2024


 Director
 Place : Ebene, Mauritius
 Date : 07/08/2024

Restricted Group- III
Special purpose combined statement of changes in equity for the year ended March 31, 2024
(All amount in INR millions, unless otherwise stated)

(a) Statement of changes in equity*

Shares (Aggregate of Restricted Group of entities):

For the Year ended March 31, 2024

Equity shares of INR 10 each issued, subscribed and fully paid

At April 01, 2023

Changes in equity share capital during the year

At March 31, 2024

	Number of shares	Amount
At April 01, 2023	1,12,54,112	113
Changes in equity share capital during the year	-	-
At March 31, 2024	1,12,54,112	113

For the Year ended March 31, 2023

Equity shares of INR 10 each issued, subscribed and fully paid

At April 01, 2022

Changes in equity share capital during the year

At March 31, 2023

At April 01, 2022	1,12,54,112	113
Changes in equity share capital during the year	-	-
At March 31, 2023	1,12,54,112	113

* Share capital represents the aggregate amount of share capital of identified subsidiaries of the Restricted Group as at the respective period and does not necessarily represent legal share capital for the purpose of the Restricted Group.

(b) Other equity**

For the year ended March 31, 2024:

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures***	Items of Other Comprehensive Income (OCI)			Total equity
	Surplus/(deficit) in the statement of profit and loss	Securities premium reserve#		Exchange differences on translating the financial statements of foreign entities	Defined benefit plans (Refer note 38)	Effective portion of cash flow hedges (Refer note 33)	
At April 1, 2023	605	9,960	1,120	(3,581)	1	1,064	9,169
Profit for the year	1,778	-	-	-	-	-	1,778
Other comprehensive income/(loss)	-	-	-	(27)	-	289	262
At March 31, 2024	2,383	9,960	1,120	(3,608)	1	1,353	11,209

For the year ended March 31, 2023:

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures***	Items of Other Comprehensive Income (OCI)			Total equity
	Surplus/(deficit) in the statement of profit and loss	Securities premium reserve#		Exchange differences on translating the financial statements of foreign entities	Defined benefit plans (Refer note 38)	Effective portion of cash flow hedges (Refer note 33)	
At April 01, 2022	(1,406)	9,960	1,120	(1,097)	(1)	(142)	8,434
Profit for the year	2,011	-	-	-	-	-	2,011
Other comprehensive income/(loss)	-	-	-	(2,484)	2	1,206	(1,276)
At March 31, 2023	605	9,960	1,120	(3,581)	1	1,064	9,169

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

*** CCDs were issued to Azure Power India Private Limited, Azure Power Makemake Private Ltd and Haeron Power Singapore Pte Limited with coupon rate of 0% and convertible into equivalent number of equity shares

Securities premium reserve includes INR 1,116 million on account of equity component of compulsorily convertible debenture.

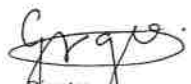
See accompanying notes to the financial statements 4-45

The accompanying notes are an integral part of the special purpose combined financial statements

For and on behalf of Restricted Group




Director
Place : Ebene, Mauritius
Date : 07/08/2024


Director
Place : Ebene, Mauritius
Date : 07/08/2024

Restricted Group-III**Notes to special purpose combined financial statements for the year ended March 31, 2024**

(INR amount in millions, unless otherwise stated)

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. The Company is a wholly-owned subsidiary of Azure Power Global Limited (the “Parent”) and has its registered office at C/o. AAA Global Services Ltd., 4th Floor, Iconebene, Rue De L’institut, Ebène 80817, Republic of 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 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.

APEL and 16 Indian subsidiaries (as listed below) of Azure Power Global Limited (APGL) form part of “Restricted Group - III”. During the year ended March 31, 2018, the Company had issued US\$ 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 existing Rupee and external debt of Restricted Group entities. Restricted entities are directly or indirectly under common control of the parent company. APEL and restricted entities have been considered as “Restricted Group” for the purpose of financial reporting.

During the financial year 2021-22, the Company has issued Solar Green bonds (the “Bond”) of US \$414 Million, at coupon of 3.575% maturing in 2026. The proceeds from this bonds were used to repay the existing 5.50% US\$ 500 Million Solar Green Bond issued in 2017. The Bond has a tenor of 5 years with amortisation and waterfall structures and is a leverage-positive transaction for the Group.

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

Entities	Principal Activity	Country of Incorporation	% Held by Parent	
			March 31, 2024	March 31, 2023
Azure Power Energy Limited	Bond issuance	Mauritius	100%	100%
Azure Power (Punjab) Private Limited	Generation of Solar power	India	100%	100%
Azure Power (Haryana) Private Limited	Generation of Solar power	India	99.17%	99.17%
Azure Urja Private Limited	Generation of Solar power	India	100%	100%
Azure Surya Private Limited	Generation of Solar power	India	100%	100%
Azure Power (Karnataka) Private Limited	Generation of Solar power	India	100%	100%
Azure Photovoltaic Private Limited	Generation of Solar power	India	100%	100%
Azure Power Infrastructure Private Limited	Generation of Solar power	India	100%	100%
Azure Power (Raj.) Private Limited	Generation of Solar power	India	100%	100%
Azure Green Tech Private Limited	Generation of Solar power	India	100%	100%



Restricted Group-III**Notes to special purpose combined financial statements for the year ended March 31, 2024**

(INR amount in millions, unless otherwise stated)

Entities	Principal Activity	Country of Incorporation	% Held by Parent	
			March 31, 2024	March 31, 2023
Azure Clean Energy Private Limited	Generation of Solar power	India	100%	100%
Azure Sunrise Private Limited	Generation of Solar power	India	100%	100%
Azure Sunshine Private Limited	Generation of Solar power	India	100%	100%
Azure Power Eris Private Limited	Generation of Solar power	India	100%	100%
Azure Power Mars Private Limited	Generation of Solar power	India	100%	100%
Azure Power Pluto Private Limited	Generation of Solar power	India	100%	100%
Azure Power Thirty Seven Private Limited	Generation of Solar power	India	99.84%	99.84%

2. Purpose of the special purpose combined financial statements

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

3. Basis of preparation

The indenture governing the US\$ Senior Notes requires Restricted Group to prepare Ind AS combined financial statements of the Restricted Group for the purpose of submission to the bond holders. The Ind AS 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 subsequent amendments thereto 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 (ICAI).

Management of the Company has prepared the Special Purpose Combined Financial Statements, which comprise the Combined Balance Sheet as at March 31, 2024, the Combined Statement of Profit and Loss including other comprehensive income, Combined Statement of Cash Flows and Combined Statement of Changes in Equity for the year ended March 31, 2024, a summary of the significant accounting policies and other explanatory information.

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

The Ind AS 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:

- Derivative financial instruments
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

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 Indian Accounting Standards. Accordingly, when combined financial statements are prepared, intra-group transactions and profits or



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

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 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 amount to INR 5 million and INR 4 million as of March 2024 and March 2023 respectively. Share capital and reserves disclosed in the 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 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 combined financial statements may not be necessarily 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 year presented or the Restricted Group's future performance.

The special purpose combined financial statements include the operation of entities in the Restricted Group, as if they had been managed together for the year presented.

Transactions that have taken place with the Unrestricted Group (i.e. other entities which are a part of the Group¹ and not included in the Restricted Group of entities) have been disclosed in accordance of Ind AS 24, *Related Party Disclosures*.

The preparation of financial information in conformity with Ind AS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Restricted Group's accounting policies.

4. Summary of material accounting policies

a) Current versus non-current classification

The Restricted Group presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is treated as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is treated as current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period



Restricted Group-III**Notes to special purpose combined financial statements for the year ended March 31, 2024**

(INR amount in millions, unless otherwise stated)

All other liabilities are classified as non-current.

Deferred tax assets/liabilities are classified as non-current assets/liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation/settlement in cash and cash equivalents. The companies have identified twelve months as their operating cycle for classification of their current assets and liabilities.

b) Property, Plant and equipment

Capital work-in-progress, property, plant and equipment (PPE) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Restricted Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 39 regarding significant accounting judgements, estimates and assumptions and provisions for further information about the recorded decommissioning provision.

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised. The Restricted Group considers the cost of the replacement as the cost of the replaced part, when it was acquired or constructed, in case it is not practicable to determine the separate cost of the component of asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

c) Depreciation

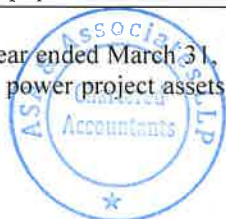
Based on legal opinion obtained, management is of the view that application of CERC and/or SERC rates for the purpose of accounting of depreciation expense is not mandatory. Hence, Restricted Group is depreciating the assets based on technical assessment made by technical expert and management estimate.

Depreciation on property plant and equipment is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. Considering the applicability of Schedule II of the Companies Act, 2013, the management has re-estimated useful lives and residual value of all of its property plant and equipment during the year ended March 31, 2022.

The management believes that depreciation rates currently used fairly reflects its estimate of the useful lives and residual value of the Property plant and equipment, though these rates in following cases are different from lives prescribed under Schedule II of the Companies Act, 2013 based upon the nature of asset, the operating condition of the asset, the estimated usage of the asset, past history of replacement and anticipated technological changes.

Category	Life as per Schedule II	Life considered
Furniture and fittings	10 years	5 years
Inverter	25 years	25 years
Buildings	30 years	35 years
Vehicles	8/10 years	5 years
Office equipment	5 years	1-5 years

During the year ended March 31, 2022, the Restricted Group-III entities basis the technical assessment, have revised the useful lives of solar power project assets i.e., plant and machinery (excluding inverter) and building from 25 years to 35 years. These



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

changes have been considered as change in accounting estimate as per Ind AS 8 (Accounting policies, change in accounting estimates and errors) and have been accounting for prospectively with effect from April 1, 2021.

The identified components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

Assets individually costing less than INR 5,000 are fully depreciated in the year of acquisition.

The assets' residual values of not more than 10% of the original cost of the asset and useful lives are reviewed at each financial year end or whenever there are indicators for impairment and adjusted prospectively.

d) Capital work in progress ("CWIP")

Capital work-in-progress includes cost of items of property, plant and equipment that are not ready for use at the balance sheet date.

e) Leases

The Restricted Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where the respective companies under the Restricted Group are lessees

The Restricted Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Restricted Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right of use assets

The Restricted Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Restricted Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

ii) Lease Liabilities

At the commencement date of the lease, the Restricted Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Restricted Group and payments of penalties for terminating the lease, if the lease term reflects the Restricted Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Restricted Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.



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Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

iii) Short term leases and leases of low-value assets

The Restricted Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing cost includes interest and amortization of ancillary cost incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the borrowing cost.

Hedging cost paid relates to borrowing of the group accordingly has been considered as part of finance cost.

g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through Profit & Loss (FVTPL)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. The category applies to the Restricted Group's trade receivables, unbilled revenue, other bank balances, security deposits etc.



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Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

Debt instrument at fair value through other comprehensive income (FVTOCI)

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Restricted Group recognizes interest income, impairment losses and reversals in the statement of profit and loss and in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at fair value through profit and loss (FVTPL)

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Restricted Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instrument included within FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

Derecognition:

A financial asset (or, where applicable, a part of a financial asset) is primarily derecognised (i.e. removed from the Restricted Group's balance sheet) when:

- a) The contractual rights to receive cash flows from the asset have expired, or
- b) The Restricted Group has transferred its contractual rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Restricted Group has transferred substantially all the risks and rewards of the asset, or (b) the Restricted Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Restricted Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Restricted Group continues to recognize the asset to the extent of the Restricted Group's continuing involvement in the asset. In that case, the Restricted Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Restricted Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Restricted Group could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Restricted Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost e.g. deposits, trade receivables and bank balances
- Financial asset that are debt instruments and are measured as at FVTOCI



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Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115.

The Restricted Group follows 'simplified approach' for recognition of impairment loss allowance for trade receivables.

The application of simplified approach does not require the Restricted Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Restricted Group determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in the subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on a 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that is possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Restricted Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, the Restricted Group uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

ECL impairment loss allowance (or reversal) is recognized during the period as expense/ income in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the statement of profit and loss. The balance sheet presentation for financial instruments is described below:

For financial assets measured at amortised cost: ECL is presented as an allowance i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write off criteria, the Restricted Group does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Restricted Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of the directly attributable transaction costs.

The Restricted Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdraft and derivative financial instruments.



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Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Restricted Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Restricted Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Reclassification of financial assets and financial liabilities

The Restricted Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Restricted Group senior management determines change in the business model as a result of external or internal changes which are significant to the Restricted Group's operation. Such changes are evident to external parties. A change in the business model occurs when the Restricted Group either or ceases to perform an activity that is significant to its operations. If the Restricted Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediate next reporting period following the change in the business model. The Restricted Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.



Restricted Group-III**Notes to special purpose combined financial statements for the year ended March 31, 2024**

(INR amount in millions, unless otherwise stated)

The following table shows various reclassifications and how they are accounted for:

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in statement of profit and loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss the reclassification date.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Compulsory Convertible Debentures

Convertible debentures are separated into liability and equity components, where applicable based on the terms of the contract.

On issuance of the convertible debenture, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares, where applicable based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

h) Derivative financial instruments and hedge accounting

In the normal course of business, the Restricted Group uses derivative instruments for the purpose of mitigating the exposure from foreign currency fluctuation risks associated with forecasted transactions denominated in certain foreign currencies and to minimize earnings and cash flow volatility associated with changes in foreign currency exchange rates, and not for speculative trading purposes. These derivative contracts are purchased within the Restricted Group's policy and are with counterparties that are highly rated financial institutions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss except for effective portion of cash flow hedges.



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

At the inception of a hedge relationship, the Restricted Group formally designates and documents the hedge relationship to which the Restricted Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Restricted Group's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Restricted Group evaluates hedge effectiveness of cash flow hedges at the time a contract is entered into as well as on an ongoing basis. The ineffective portion of cash flow hedge is recorded as expense in statement of profit and loss. The cost of effective portion of cash flow hedges is expensed over the period of the hedge contract.

Undesignated contracts

Changes in fair value of undesignated derivative contracts are reported directly in statement of profit and loss along with the corresponding transaction gains and losses on the items being economically hedged. The Restricted Group enters into foreign exchange currency contracts to mitigate and manage the risk of changes in foreign exchange rates. These foreign exchange derivative contracts were entered into to hedge the fluctuations in foreign exchange rates for recognized balance sheet items such as the Restricted Group's U.S. dollar denominated borrowings. The Restricted Group has not designated the derivative contracts as hedges for accounting purposes. Realized gains (losses) and changes in the fair value of these foreign exchange derivative contracts are recorded in foreign exchange gains (losses), net in the statements of profit and loss. These derivatives are not held for speculative or trading purposes.

The Restricted Group does not have any net investment in a foreign operation.

i) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Restricted Group expects to be entitled in exchange for those goods or services. The Restricted Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

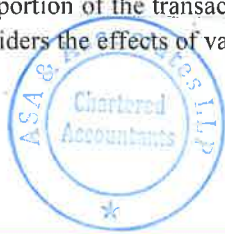
Application of interpretation for Service Concession Arrangements (SCA)

The Management has assessed applicability of Appendix C of Indian Accounting Standards 115: Service Concession Arrangements for the power purchase agreement which the Restricted Group has entered into. In assessing the applicability of SCA, the management has exercised significant judgement in relation to the underlying ownership of the assets, the attached risks and rewards of ownership, residual interest and the fact that secondary lease periods are not at nominal lease rentals etc. in concluding that the arrangements don't meet the criteria for recognition as service concession arrangements.

Sale of power

Revenue from sale of power is recognized when persuasive evidence of an arrangement exists, the fee is fixed or is determinable, solar energy kilowatts are supplied and collectability is reasonably assured. Revenue is based on the solar energy kilowatts actually supplied to customers (including the solar energy kilowatts supplied and not billed on reporting date) multiplied by the rate per kilo-watt hour agreed to in the respective PPAs. The solar energy kilowatts supplied by the Restricted Group are validated by the customer prior to billing and recognition of revenue.

The Restricted Group entities considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of power, the Group considers the effects of variable consideration and consideration payable to the customer (if any).



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Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

Further, revenue from the recovery of Safe-guard duties and Goods and Service Tax under the change in law provision are recognized over the PPA period based on terms agreed with customers or unless agreed otherwise.

Interest income

For all debt instruments measured either at amortized cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Restricted Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit or loss.

Income from carbon credit emission

Revenue from the sale of carbon credit emissions are recognized at the time of transfer of carbon credits to the customers, at consideration agreed under the sale agreements.

Rebates

In some Power Purchase Agreements (PPAs), the Restricted Group provide rebates on invoice if payment is made before the due date. Rebates are offset against consideration payable by the customers. To estimate the variable consideration for the expected future rebate, the Group applies the most likely method.

Contract assets

A contract asset is initially recognised for revenue earned for its right to consideration in exchange for goods or services transferred to the customer. If the entities forming part of Restricted Group perform by transferring goods or services to a customer before the customer pays consideration or before acceptance by the customer, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the entities forming part of Restricted Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the entities forming part of Restricted Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the entities forming part of Restricted Group performs under the contract.

Trade receivables

A receivable represents the right of entities forming part of Restricted Group to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (g) Financial instruments – initial recognition and subsequent measurement

j) Government grants

Government grants are recognised at the fair value where there is a reasonable assurance that the grant will be received and the Restricted Group will comply all with all attached conditions.

Government grant relating to income are deferred and recognised in the statement of profit and loss over the period necessary to match them with the cost that they are intended to compensate and presented within other operating income.

Government grant relating to purchase of property, plant and equipment are included in non- current liabilities as deferred government grant and are credited to statement of profit and loss on a straight-line basis over the expected lives of the related assets and presented within other operating income.



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

The Company considers Viability Gap Funding (VGF) as government grant and records the proceeds received from VGF on fulfilment of the underlying conditions as deferred revenue. Such deferred VGF revenue is recognized in the statement of profit and loss in proportion to the actual sale of solar energy kilowatts during the period to the total estimated sale of solar energy kilowatts during the tenure of the applicable power purchase agreement pursuant to the revenue recognition policy.

k) Foreign currencies

The functional currency of APEL is the United States Dollar ("US\$") and presentation currency for special purpose combined financial statement of Restricted Group is Indian rupees ("INR"). The Restricted Group entities with operations in India use INR as the functional currency. The financial statements of APEL are translated into INR using the exchange rate as of the balance sheet date for assets and liabilities, historical exchange rates for equity transactions and average exchange rate for the year for income and expense items. Translation gains and losses are recorded in accumulated other comprehensive income or loss as a component of other equity.

Functional currency is the currency of the primary economic environment in which a respective entity under Restricted Group operates and is normally the currency in which the respective entity under the Restricted Group primarily generates and expends cash.

Transactions in foreign currencies are initially recorded by the Restricted Entities at the functional currency spot rates at the date the transaction first qualifies for recognition

Conversion

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences

Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or statement of profit and loss are also recognized in other comprehensive income or statement of profit and loss, respectively).

l) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Restricted Group has no obligation, other than the contribution payable to the provident fund. The Restricted Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Retirement benefit in the form of gratuity is a defined benefit scheme. The costs of providing benefits under the scheme are determined on the basis of actuarial valuation at each year-end using the projected unit credit method. The actuarial valuation is carried out for the plan using the projected unit credit method.



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

The Restricted Group presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Restricted Group has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability. The Restricted Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Restricted Group recognizes termination benefit as a liability and an expense when the Restricted Group has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the termination benefits fall due more than 12 months after the balance sheet date, they are measured at present value of future cash flows using the discount rate determined by reference to market yields at the balance sheet date on government bonds.

The interest is calculated by applying the discount rate to the net defined benefit liability. The Restricted Group recognizes the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

m) Income taxes

Tax expense represents the sum of current tax and deferred tax of Restricted Group entities.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities by each entity in Restricted Group. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Restricted Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

Deferred Tax

Deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, on carry forward of unused tax credits and unused tax loss, subject to exceptions as below:

- deferred income tax is not recognised on the initial recognition (including MAT) of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates applicable on Restricted Group that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

The carrying amount of deferred tax assets (including MAT credit available) of Restricted Group is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities of respective entities under Restricted Group are offset when they relate to income taxes levied by the same taxation authority and the entities intend to settle their current tax assets and liabilities on a net basis.

In the situations where one or more entities in the Restricted Group are entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where they operate, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the concerned entity's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate. However, the group restricts recognition of deferred tax assets to the extent it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the temporary differences which originate first are considered to reverse first.

Current and deferred tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum Alternate Tax

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the entities forming part of the Restricted Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the entities forming part of the Restricted Group.

n) Segment reporting

An operating segment is a component of the Restricted Group entities' that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other components, and for which discrete financial information is available. All operating segments' operating results are regularly reviewed by the respective Restricted Group entities' chief operating decision maker(s) to make decisions about resources to be allocated to the segments and assess their performance. The Parent's chief executive officer is the chief operating decision maker.

The activities of Restricted Group entities mainly involve sale of electricity. Considering the nature of Restricted Group entities' business and operations, there are no separate reportable operating segments in accordance with the requirements of Indian Accounting Standard 108, 'Operating Segments' referred in to Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

o) Provisions

General

Provisions are recognized when the Restricted Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Restricted Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Decommissioning liability

Upon the expiration of the lease agreement for solar power plants located on leasehold land, the Restricted Group is required to remove the solar power plant and restore the land. The Restricted Group records a provision for such decommissioning costs. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

p) Impairment of non-financial assets

The Restricted Group, at each reporting date, assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Restricted Group estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairment loss is recognized when the carrying amount of an asset exceeds recoverable amount and the asset is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Restricted Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Restricted Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations are recognised in the statement of profit and loss.



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Restricted Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

q) Contingent assets/liabilities

Contingent assets are not recognised. However, when realisation of income is virtually certain, then the related asset is no longer a contingent asset, and is recognised as an asset.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Restricted Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Restricted Group does not recognize a contingent liability but discloses its existence in the financial statements.

r) Fair value measurement

Fair value is 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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Restricted Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Restricted Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Restricted Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Restricted Group determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for distribution in discontinued operations.



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

External valuers are involved for valuation of significant assets and liabilities, if any. At each reporting date, the Restricted Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Restricted Group's accounting policies.

For the purpose of fair value disclosures, the Restricted Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the notes 34 and 35.

s) Cash and cash equivalents

Cash and cash equivalents in the Balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the combined statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

t) Inventory

Carbon emission rights (CERs) received on registered projects are recorded as inventory. Inventories are valued at the lower of cost and net realisable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The Group derecognises the CERs when the certificate is sold, which occurs when units are transferred to the customer.

u) Events occurring after the balance sheet date

Impact of events occurring after the balance sheet date that provide additional information materially affecting the determination of the amounts relating to conditions existing at the balance sheet date are adjusted to respective assets and liabilities.

The Restricted Group does not adjust the amounts recognised in its interim combined financial statements to reflect non-adjusting events after the reporting period.

The Restricted Group makes disclosures in the interim combined financial statements in cases of significant events.

v) Material prior period errors

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated.

w) Measurement of EBITDA

The Restricted Group has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. The Restricted Group measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Restricted Group does not include interest income, depreciation, amortisation expense, finance cost and tax expense.



Restricted Group-III

Notes to special purpose combined financial statements for the year ended March 31, 2024

(INR amount in millions, unless otherwise stated)

x) Changes in accounting policy and disclosures

On March 31, 2023, Ministry of Corporate Affairs (“MCA”) amended the Companies (Indian Accounting Standards) Rules, 2015 by issuing the Companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from April 01, 2023, major amendments are as follows:

➤ Ind AS 1 – Presentation of Financial Statements

The amendments require companies to disclose their material accounting policies rather than their significant accounting policies and added guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general-purpose financial statements. The amendments have had an impact on the Restricted Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Restricted Group’s financial statements.

➤ Ind AS 12 – Income Taxes

The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of Ind AS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Restricted Group previously recognised for deferred tax on leases on a net basis. As a result of these amendments, the Restricted Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. Since, these balances qualify for offset as per the requirements of paragraph 74 of Ind AS 12, there is no impact in the balance sheet. There was also no impact on the opening retained earnings as at April 01, 2022.

➤ Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments will help entities to distinguish between accounting policies, accounting estimates and correction of errors. It has also been clarified how entities use measurement techniques and inputs to develop accounting estimates. This amendment did not have any impact on the Restricted Group’s financial statements.



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

5. Property, plant and equipment

	Freehold land	Plant and machinery	Vehicles	Office equipment	Building	Computer	Total	Capital work in progress
Gross carrying amount								
At April 01, 2022	1,184	37,228	2	2	2,629	4	41,049	3
Additions	-	100	-	1	6	-	107	1
Disposals/ Adjustments	-	(39)	-	-	-	-	(39)	(3)
At March 31, 2023	1,184	37,289	2	3	2,635	4	41,117	1
Additions	20	3	-	-	1	1	25	3
Disposals/ Adjustments	-	(44)	-	-	-	-	(44)	(3)
At March 31, 2024	1,204	37,248	2	3	2,636	5	41,098	1
Accumulated depreciation								
At April 01, 2022	-	10,997	-	1	567	2	11,567	-
Charge for the year	-	936	-	-	73	-	1,009	-
Disposals/ Adjustments	-	(7)	-	-	-	-	(7)	-
At March 31, 2023	-	11,926	-	1	640	2	12,569	-
Charge for the year	-	934	-	1	72	-	1,007	-
Disposals/ Adjustments	-	(16)	-	-	-	-	(16)	-
At March 31, 2024	-	12,844	-	2	712	2	13,560	-
Net Block								
At March 31, 2023	1,184	25,363	2	2	1,995	2	28,548	1
At March 31, 2024	1,204	24,404	2	1	1,924	3	27,538	1

(i) Property, plant and equipment are pledged as collateral against borrowing, the details related to which is described in note 13.1 and 16.1 on borrowings.

Capital work in progress (CWIP) Ageing Schedule

As at March 31, 2024	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	1	-	-	-	1
Total	1	-	-	-	1

As at March 31, 2023	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	1	-	-	-	1
Total	1	-	-	-	1

As at March 31, 2024 and March 31, 2023, there are no CWIP whose completion is overdue or has exceeded its cost compared to original plan.



Restricted Group- III
Notes to special purpose combined financial Statements for the year ended March 31, 2024
(All amount in INR millions, unless otherwise stated)

Particulars	As at	
	March 31, 2024	March 31, 2023
6. Non-current financial assets		
(Carried at amortised cost, unless stated otherwise)		
6.1 Trade receivables		
Trade receivables (unsecured) (refer note 29)	40	200
Total	40	200
Break-up for trade receivables		
Undisputed trade receivables, considered good	40	200
Undisputed trade receivables, credit impaired	-	-
Total	40	200
Impairment allowance for trade receivables (refer note 36)		
Undisputed trade receivables, credit impaired	-	-
Total	40	200

Trade receivables ageing schedule

As at March 31, 2024	Unbilled receivables*	Not due**	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	-	40	-	-	-	-	-	40
Total	-	40	-	-	-	-	-	40

As at March 31, 2023	Unbilled receivables*	Not due**	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	-	200	-	-	-	-	-	200
Total	-	200	-	-	-	-	-	200

* Unbilled receivables represents receivables where the goods and/or services have been provided to the customer for which the Group has unconditional right to consideration. However, the Group is yet to raise invoices to the customer.

** Not due represent receivables which aren't due as per credit terms agreed with the customer.

6.2 Loans

(Unsecured, considered good)

Performance guarantee deduction receivable	10	9
Loans to holding company # (refer note 27)	195	4,858
Loan to fellow subsidiary companies ## (refer note 27)	57	11
Total	262	4,878

#Loans given to holding company carries interest rate ranging from 10.09% to 10.11% p.a., which are receivable on or before March 29, 2029.

Loan given to fellow subsidiary companies carries interest rate 10.60% p.a., which is receivable on March 30, 2029.

6.3 Other financial assets

Other financial assets at amortised cost

Term deposits*	5	2
Security deposits	9	9
Interest accrued on loans and advances to holding company (refer note 27)	13	605
Interest accrued on loans and advances to fellow subsidiaries (refer note 27)	21	-
Derivative instruments at fair value through OCI		
Derivative assets ### (refer note 13.1 and 33)	2,001	1,908
Total	2,049	2,524

This relates to US\$ Senior Notes.

Azure Power (Harvata) Private Limited

***Axis Bank**

Balance of INR 0.16 million as at March 31, 2024 (March 31, 2023: INR 0.16 million). Represents the amount of fixed deposit for bank guarantee issued to statutory authorities.

Azure Surya Private Limited

***ICICI Bank**

Balance of INR 0.03 million as at March 31, 2024 (March 31, 2023: INR 0.07 million). Represents an amount under escrow account.

Azure Power Infrastructure Private Limited

***Yes Bank**

Balance of INR 1.13 million as at March 31, 2024 (March 31, 2023: INR 1.13 million). Represents an amount of third party margin.

Azure Clean Energy Private Limited

***ICICI Bank**

Balance of INR Nil as at March 31, 2024 (March 31, 2023: INR 0.04 million). Represents an amount under escrow account.

Azure Power Eris Private Limited

***CBI Bank**

Balance of INR 0.4 million as at March 31, 2024 (March 31, 2023: INR 0.58 million). Represents fixed deposit for bank guarantee issued to statutory authorities.



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024
(All amount in INR millions, unless otherwise stated)

Particulars	As at March 31, 2024	As at March 31, 2023
Azure Power Mars Private Limited		
*ICICI Bank		
Balance of INR 0.05 million as at March 31, 2024 (March 31, 2023 INR 0.01 million)		
Represents an amount under escrow account		
Azure Power Pluto Private Limited		
*ICICI Bank		
Balance of INR 0.06 million as at March 31, 2024 (March 31, 2023 INR 0.11 million)		
Represents an amount under escrow account		
*CBI Bank		
Balance of INR 0.10 million as at March 31, 2024 (March 31, 2023 0.14 million)		
Represents fixed deposit for bank guarantee issued to statutory authorities		
Azure Power Thirty Seven Private Limited		
*SBI Bank		
Balance of INR 3.4 million as at March 31, 2024 (March 31, 2023 INR Nil)		
Represents an amount under escrow account		
*ICICI Bank		
Balance of INR 0.02 million as at March 31, 2024 (March 31, 2023 INR Nil)		
Represents an amount under escrow account		
7. Income tax assets (net)		
Advance income-tax (net of provision for tax of INR 483 million (March 31, 2023 INR 44 million))	159	161
Total	159	161
8. Other non-current assets		
(Unsecured, considered good)		
Capital advances	-	16
Prepaid performance guarantee deduction	70	74
Contract assets (refer note 29)	493	444
Total	563	534
9. Inventories		
(Valued at cost or net realisable value, whichever is lower)		
Carbon credit inventories	1	1
Total	1	1
10. Current financial assets		
(Carried at amortised cost, unless stated otherwise)		
10.1 Trade receivables		
Trade receivables (unsecured) (refer note 29)	2,429	3,108
Total	2,429	3,108
Break-up for trade receivables		
Undisputed trade receivables, considered good	1,189	2,144
Disputed trade receivables, considered good	1,240	964
Undisputed trade receivables, credit impaired	146	59
Disputed trade receivables, credit impaired	365	374
Total	2,940	3,541
Impairment allowance for trade receivables (refer note 36)		
Undisputed trade receivables, credit impaired	(146)	(59)
Disputed trade receivables, credit impaired	(365)	(374)
Total	2,429	3,108

Trade receivables ageing schedule

As at March 31, 2024	Unbilled receivables*	Current but not due**	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	440	588	60	97	-	-	-	1,185
Disputed Trade receivables - considered good	87	75	120	102	108	144	608	1,244
Undisputed Trade receivable – credit impaired	1	3	2	29	-	5	12	52
Disputed Trade receivables – credit impaired	13	12	29	32	131	40	202	459
	541	678	211	260	239	189	822	2,940
<hr/>								
As at March 31, 2023	Unbilled receivables*	Current but not due**	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	518	1,188	428	10	-	-	-	2,144
Undisputed Trade receivable – credit impaired	1	3	38	3	14	-	-	59
Disputed Trade receivables - considered good	42	40	160	72	141	141	368	964
Disputed Trade receivables – credit impaired	12	11	45	20	40	40	206	374
	573	1,242	671	105	195	181	574	3,541

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days

* Unbilled receivables represents receivables where the goods and/or services have been provided to the customer for which the Group has unconditional right to consideration. However, the Group is yet to raise invoices to the customer

** Current but not due represent receivables which aren't due as per credit terms agreed with the customer



Restricted Group- III
Notes to special purpose combined financial Statements for the year ended March 31, 2024
 (All amount in INR millions, unless otherwise stated)

Particulars	As at	As at
	March 31, 2024	March 31, 2023
10.2 Cash and cash equivalents		
Balances with banks		
- On current accounts	308	364
- Deposits with original maturity of less than 3 months	65	272
Total	373	636
There are no repatriation restriction with cash and cash equivalents as at the end of reporting period and prior period		
10.3 Other bank balances		
- Deposits with original maturity for more than 3 months but remaining maturity for less than 12 months	1,960	2,030
Total	1,960	2,030
10.4 Loans		
(Unsecured, considered good)		
Loan to parent company (refer note 27)*	16	-
Loans to holding company (refer note 27)#	6,483	1,038
Loans to fellow subsidiary companies (refer note 27)##	659	775
Loans to others	-	130
Total	7,158	1,943
*Loan given to parent company carries interest rate of 7%, which is receivable on or before May 31, 2024		
# Loans given to holding company carries interest rate ranging from interest rate ranging from 7.65% to 10.60% p a and receivable on or before February 28, 2025		
## Loans given to fellow subsidiaries carries interest rate ranging from 8.20% to 10.60% p a which are receivable on or before March 31, 2025		
10.5 Other financial assets		
Interest accrued on term deposits	46	15
Interest accrued but not due on loans and advances to parent company (refer note 27)	1	-
Interest accrued but not due on loans and advances to holding company (refer note 27)	1,302	203
Interest accrued but not due on loans and advances to fellow subsidiary companies (refer note 27)	232	210
Interest accrued but not due from others	-	15
Receivable from fellow subsidiaries (refer note 27)	3	7
Receivable from holding company* (refer note 27)	-	30
Other receivables	-	2
Total	1,584	482
*Relates to advances/payments for reimbursement		
11. Other current assets		
Contract assets (refer note 29)	23	9
Balance with statutory / government authorities	25	23
Prepaid performance guarantee deduction	4	4
Prepaid assets - others	9	10
Advance to vendors		
Unsecured, considered good	12	6
Unsecured, considered doubtful	8	8
(Less): Allowance for bad and doubtful advances	(8)	(8)
	12	6
Other advances	2	-
Advances to employees	1	2
Total	74	54

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Restricted Group- III**Notes to special purpose combined financial Statements for the year ended March 31, 2024**

(All amount in INR millions, unless otherwise stated)

12.1 Share capital***Issued, subscribed and fully paid-up share capital (Aggregate of Restricted Group of entities):**

	Number of shares	Amount
At April 01, 2022	1,12,54,112	113
Changes during the year	-	-
At March 31, 2023	1,12,54,112	113
Changes during the year	-	-
At March 31, 2024	1,12,54,112	113

*Share capital represents the aggregate amount of the share capital of identified subsidiaries of the Restricted Group as at the respective period and does not necessarily represent legal share capital for the purpose of the Restricted Group.

a) Terms/ rights attached to shares

The respective Restricted Group entities have only one class of equity shares. Indian entities having a par value of INR 10/- per share and Mauritius entity having a par value of USD 100/- per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the entity, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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Restricted Group- III
Notes to special purpose combined financial Statements for the year ended March 31, 2024
 (All amount in INR millions, unless otherwise stated)

12.2 Other equity*

For the year ended March 31, 2024:

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures**	Items of Other Comprehensive Income (OCI)			Total equity
	Surplus/(deficit) in the statement of profit and loss (refer note (i))	Securities premium reserve# (refer note (ii))		Exchange differences on translating the financial statements of foreign entities (refer note (iii))	Defined benefit plans (Refer note (iv) and 38)	Effective portion of cash flow hedges (Refer note (v) and 33)	
At April 01, 2023	605	9,960	1,120	1	1,064	9,169	
Profit for the year	1,778	-	-	-	-	1,778	
Other comprehensive income/(loss)	-	-	-	(27)	289	262	
At March 31, 2024	2,383	9,960	1,120	(3,608)	1,353	11,209	

For the year ended March 31, 2023:

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures**	Items of Other Comprehensive Income (OCI)			Total equity
	Surplus/(deficit) in the statement of profit and loss (refer note (i))	Securities premium reserve# (refer note (ii))		Exchange differences on translating the financial statements of foreign entities (refer note (iii))	Defined benefit plans (Refer note (iv) and 38)	Effective portion of cash flow hedges (Refer note (v) and 33)	
At April 01, 2022	(1,406)	9,960	1,120	(1,097)	(142)	8,434	
Profit for the year	2,011	-	-	-	-	2,011	
Other comprehensive income/(loss)	-	-	-	(2,484)	1,206	(1,276)	
As at March 31, 2023	605	9,960	1,120	(3,581)	1,064	9,169	

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

** CCDs were issued to Azure Power India Private Limited, Azure Power Makemake Private Ltd and Haeron Power Singapore Pte Limited with coupon rate of 0% and convertible into equivalent number of equity shares

Securities premium reserve includes INR 1,116 million on account of equity component of compulsorily convertible debenture

Note:

- (i) Surplus/ (deficit) in the statement of profit and loss are the losses of the Restricted Group incurred till date net of appropriations.
- (ii) Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.
- (iii) Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity.
- (iv) Defined benefits plans includes all the remeasurements, comprising of actuarial gains/losses on defined benefits obligation and fair value of assets.
- (v) The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the designated portion of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to statement of profit and loss only when the hedged transaction affects the profit or loss.



Restricted Group- III
Notes to special purpose combined financial Statements for the year ended March 31, 2024
(All amount in INR millions, unless otherwise stated)

Particulars	As at March 31, 2024	As at March 31, 2023
13. Non-current financial liabilities (Carried at amortised cost, unless stated otherwise)		
13.1 Non-current borrowings (secured)		
(a) Bond		
3.575% Senior Notes* (refer note 16.1 and 45)	24,282	28,012
Total	24,282	28,012
*3.575% Senior Notes		
During fiscal 2022, Azure Power Energy Limited (one of the subsidiaries of APGL "APEL") issued 3.575% US\$ denominated Senior Notes ("3.575% Senior Notes" or "Green Bonds") and raised INR 30,285 million, net of issuance expense of INR 408 million. The issuance expenses have been recorded as finance cost, using the effective interest rate method and the unamortized balance of such amounts is netted with the carrying value of the Green Bonds. The Green Bonds are listed on the Singapore Exchange Securities Trading Limited (SGX-ST). In accordance with the terms of the issue, the proceeds were used for repayment of 5.5% Senior Notes. The interest is payable on semi-annual basis and principal is payable on a semi-annual instalment ranging from 3.4% to 3.8% and balance 62.6% on maturity in August 2026.		
During the current year, APEL completed a consent solicitation process in respect of the Green Bonds and amended certain terms of the bond indenture (also refer note 45). In line with these amendments, the APEL purchased US\$ 12,000,000 of the 2026 Notes on March 11, 2024 and also incurred transaction cost of INR 296 million. The transaction costs have been recorded as finance cost, using the effective interest rate method and the unamortised balance of such amounts is netted with the carrying value of the Green Bonds. As of March 31, 2024, the net carrying value of the Green Bonds was INR 27,164 million. The Green Bonds are secured by a pledge of Azure Power Energy Limited's shares held by Azure Power Global Limited.		
14. Provisions		
14.1 Non-current		
Provision for gratuity (refer note 38)	7	6
Provision for decommissioning liabilities*	91	101
Total	98	107
*Provision has been recognized for decommissioning costs associated with solar power plants being constructed on leasehold lands. The respective entities under Restricted Group are under an obligation to decommission the plant at the expiry of the lease term before handing over the leasehold lands to the lessors.		
Movement in provision for decommissioning liabilities		
Opening balance	101	115
Accretion during the year	10	9
Impact of change in estimate during the year (refer note 39)	(20)	(23)
Closing balance	91	101
14.2 Current		
Provision for gratuity (refer note 38)	2	2
Provision for compensated absences	4	4
Total	6	6
15. Other non-current liabilities		
Contract Liability		
Deferred revenue on account of revenue straightlining (refer note 29)	956	929
Deferred viability gap funding	1,217	1,292
Total	2,173	2,221
16. Current financial liabilities (Carried at amortised cost, unless otherwise stated)		
16.1 Current borrowings		
Secured		
Current maturities of non-current borrowings (refer note 13.1)	2,882	2,235
Unsecured		
Loans from holding company** (refer note 27)	160	170
Total	3,042	2,405

** Loan taken from holding company carries interest rate ranging from 6.95% to 8.40% p.a. and is repayable on or before March 31, 2025.

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Restricted Group- III
Notes to special purpose combined financial Statements for the year ended March 31, 2024
(All amount in INR millions, unless otherwise stated)

Particulars	As at	
	March 31, 2024	March 31, 2023
16.2 Trade payables		
Total outstanding dues of micro enterprises and small enterprises (refer note 30)	31	10
(A)	<u>31</u>	<u>10</u>
Total outstanding dues of creditors other than micro enterprises and small enterprises #		
- from related parties (refer note 27)	57	54
- from others	352	179
(B)	<u>409</u>	<u>233</u>
Total	(A)+(B)	243

Trade payables ageing schedule

As at March 31, 2024	Unbilled dues*	Not due trade payable**	Outstanding for following periods from due date of payment				Total
			Less than 1 year	1-2 years	2-3 years	More than 3 years	
Total outstanding dues of micro enterprises and small enterprises	-	11	18	-	2	-	31
Total outstanding dues of creditors other than micro enterprises and small enterprises	317	76	16	1	-	-	409
	<u>317</u>	<u>86</u>	<u>34</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>440</u>
As at March 31, 2023	Unbilled dues*	Not due trade payable**	Outstanding for following periods from due date of payment				Total
			Less than 1 year	1-2 years	2-3 years	More than 3 years	
Total outstanding dues of micro enterprises and small enterprises	-	7	1	2	-	-	10
Total outstanding dues of creditors other than micro enterprises and small enterprises	154	16	63	-	-	-	233
	<u>154</u>	<u>23</u>	<u>64</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>243</u>

* Unbilled dues represents payables where the goods and/or services have been received, however, Group is yet to receive invoices from the vendors.

** Not due trade payable represent balances which are not due as per credit terms agreed with the vendor.

(a) Trade payables are non-interest bearing and are normally settled upto 90 days terms.

(b) For terms and conditions relating to related party payables, see note 27.

16.3 Other financial liabilities

Other financial liabilities at amortised cost

Interest accrued but not due on borrowings	108	121
Interest accrued and not due on borrowings from holding company (refer note 27)	-	11
Contractually reimbursable expense to holding company (refer note 27)	2	9
Payable to fellow subsidiaries companies (refer note 27)	3	27
Payable to holding company (refer note 27)	-	2
Payable to employees	3	2
Payable for purchase of property, plant and equipment to related parties (refer note 27)	-	2
Payable for purchase of property, plant and equipment to others	3	5
Derivative instruments at fair value through OCI		
Derivative liabilities (refer note 33)	501	649
Total	620	828

17. Other current liabilities

Statutory dues	45	21
Deferred viability gap funding	85	85
Total	130	106

18. Current tax liabilities (Net)

Provision for income tax (net of advance tax of INR 381 million (March 31, 2023 INR 511 million))	104	275
Total	104	275

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Restricted Group- III
Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

	As at March 31, 2024	As at March 31, 2023
19. Deferred tax assets/liabilities (net)		
19.1 Deferred tax liabilities (net)		
Deferred tax liabilities	1,999	1,689
Total	1,999	1,689
19.2 Deferred tax assets (net)		
Deferred tax assets	183	172
Total	183	172

Reconciliation of deferred tax asset/(liabilities) (net)

	As at April 01, 2022	Recognised in Profit & Loss	Recognised in OCI	As at March 31, 2023	Recognised in Profit & Loss	Recognised in OCI	As at March 31, 2024
Deferred tax assets:							
Deferred revenue	421	45	-	466	14	-	480
Provision for decommissioning liabilities	33	(4)	-	29	(3)	-	26
Unabsorbed depreciation and brought forward losses	132	(109)	-	23	(15)	-	8
Minimum alternate tax	98	335	-	433	273	-	706
Allowance for doubtful trade receivables	35	89	-	124	23	-	147
Trade receivables measured at amortised cost	50	(36)	-	14	(10)	-	4
Lease liabilities	248	39	-	287	8	-	295
Provision for employee benefits	4	(1)	-	3	1	-	4
EIR impact	-	-	-	-	1	-	1
Performance bank guarantee	2	1	-	3	1	-	4
Deferred tax assets (A)	1,023	359	-	1,382	293	-	1,675
Deferred tax liability:							
Difference between tax base and book base of property, plant and equipment	2,003	445	-	2,448	511	-	2,959
Right-of-use assets	244	14	-	258	(9)	-	249
Amortisation of extension charges	2	-	-	2	42	-	44
EIR impact	3	-	-	3	(3)	-	-
Deferred tax liability (B)	2,252	459	-	2,711	541	-	3,252
Deferred Tax asset / (liability) (Net) (A - B)	(1,229)	(100)	-	(1,329)	(248)	-	(1,577)
Cash flow hedge	24	-	(212)	(188)	-	(51)	(239)
Deferred tax asset/(liability) (net) after OCI	(1,205)	(100)	(212)	(1,517)	(248)	(51)	(1,816)

Azure Power Energy Limited is incorporated in Mauritius having applicable income tax rate of 15%. However, the restricted group's significant operations are based in India and are taxable as per Indian Income Tax Act, 1961. For effective tax reconciliation purposes, the applicable tax rate in India has been considered.

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:

	For the year ended March 31, 2024	For the year ended March 31, 2023
Accounting loss before income tax	2,712	2,717
India's statutory income tax rate	29.12%	29.12%
Tax at applicable tax rate	(A) 790	791
Adjustments:		
Permanent difference disallowed under Income Tax Act	(61)	219
Disallowance as per section 94B of Income Tax Act, 1961 not considered for deferred tax purpose	190	309
Deduction during tax holiday period	(217)	(426)
Carried forward losses reversing in the tax holiday period	-	(25)
Effect of tax of APEL (Mauritius entity)	197	13
Impact of different income tax rates	(29)	(173)
Adjustments in relation to tax expense of previous years	20	-
Adjustments in relation to extension charges	45	-
Others	(1)	(2)
(B)	144	(85)
Total tax expense	(A+B) 934	706
Component of tax expenses-		
Current tax expense	666	606
Adjustments in relation to tax expense of previous years	20	-
Deferred tax charge	248	100
Total tax expense	934	706



Restricted Group- III**Notes to special purpose combined financial Statements for the year ended March 31, 2024**

(All amount in INR millions, unless otherwise stated)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
20. Revenue from operations		
Revenue from contracts with customers*		
Sale of power (refer note 28 and 29)	5,941	6,001
Other operating revenue		
Viability gap funding income	81	84
Income from carbon credit emission*	1	1
Total	6,023	6,086
*Revenue from sale of power and income for carbon credit emission are recognised at point in time.		
21. Non Operating Income		
21.1 Interest income		
Interest income on financial assets measured at amortised cost:		
- Term deposits	222	91
- Loan to holding/fellow subsidiary companies (refer note 27)	637	592
- Interest income - others	37	157
Others*	58	35
Total	958	875
*Primarily relates to revenue straight lining under Ind AS 115, Revenue from contract with customers.		
21.2 Other income		
Allowance for doubtful trade receivables written back (refer note 36)	34	2
Late payment surcharge	80	32
Liabilities no longer required written back	52	2
Exchange difference (net)	-	1
Insurance claim received	4	8
Miscellaneous income	2	4
Total	173	49
22. Employee benefits expense		
Salaries, wages and bonus	64	43
Contribution to provident and other funds (refer note 38)	3	3
Gratuity expenses (refer note 38)	2	3
Staff welfare expenses	-	2
Total	69	51
23. Depreciation and amortisation expense		
Depreciation of property, plant and equipment (refer note 5 and 39)	1,007	1,009
Amortisation of right-of-use assets (refer note 31)	32	32
Total	1,039	1,041
24. Finance costs		
Interest expenses on financial liabilities measured at amortised cost:		
- 3.575% Senior Notes*	2,318	2,052
- Loan from holding/fellow subsidiary companies (refer note 27)	14	10
- Lease liabilities (refer note 31)	94	91
Interest on delayed payment of statutory dues	-	20
Other finance costs**	153	140
Total	2,579	2,313

* Including amortisation of hedging cost of INR 1,055 million (March 31, 2023: INR 838 million).

** Primarily includes adjustment related to Ind AS 115, Revenue from contract with customers.



Restricted Group- III**Notes to special purpose combined financial Statements for the year ended March 31, 2024**

(All amount in INR millions, unless otherwise stated)

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
25. Other expenses		
Guest house expenses	1	5
Rent (refer note 31)	-	3
Rates and taxes	37	46
Insurance	49	48
Repair and maintenance		
- Plant and machinery	127	107
- Other repairs	39	37
Travelling and conveyance	7	6
Communication costs	2	2
Management fees (refer note 27)	114	105
Legal and professional fees	41	30
Payment to auditor (refer details below)	28	-
Corporate social responsibilities	34	21
Operation and maintenance fees	1	1
Loss on disposal of property, plant and equipment (net)	-	20
Allowance for doubtful trade receivables (refer note 36)	112	313
Recruitment expenses	1	4
Security charges	125	107
Bank charges	1	1
Balance written off	1	-
Advance written off	2	1
Asset written off	27	9
Exchange difference (net)	1	-
Loss on account of modification of contractual cash flows	-	16
Miscellaneous expenses	5	6
Total	755	888
Payment to auditor*:		
As auditor:		
Audit fees	27	-
Reimbursement of expenses	1	-
Total	28	-

*Includes audit fees of INR 7 millions and INR 15 million for Financial Year 2022-23 and 2021-22 respectively. The audit fees was not recognised during aforesaid years since the auditors were appointed during the current financial year and this was considered as non-adjusting event in earlier years.

26. Earnings per share

The special purpose combined financial statements do not represent legal structure and are aggregated for a specific purpose. Accordingly, Earning Per Share (EPS) on aggregated number of shares have not been disclosed.

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27. Related party disclosures:

Related parties where control exists

Parent Company:	Azure Power Global Limited
Holding company of Azure Power Energy Limited (APEL):	Azure Power Global Limited
Holding Company of Restricted Group entities (except APEL):	Azure Power India Private Limited
Key managerial personnel:	<p>Mr Muhammad Khalid Peyrye (Director from June 15, 2017)</p> <p>Mr Gowtamsingh Dabee (Director from March 30, 2023)</p> <p>Mr Sandeep Arora (Director with effect from March 11, 2020)</p> <p>Mr Gaurang Sethi (Director with effect from March 11, 2020)</p> <p>Mr Kapil Sharma (Director with effect from August 02, 2022)</p> <p>Mr Mahesh Shivappa Arali (Additional director w e f June 20,2024)</p> <p>Mr Tarun Aggarwal (Director with effect from July 13, 2022)</p> <p>Ms Shweta Srivastava (Director with effect from March 26, 2024)</p> <p>Ms Vani Sundaram (Director with effect from February 01, 2024)</p> <p>Mr Rajani Kumar Chinnari (Director till March 26,2024)</p> <p>Mr Vikas Bansal (Director till February 01, 2024)</p> <p>Mr Saurabh Gupta (Director with effect from March 2, 2023 till June 20,2024)</p> <p>Mrs Yung Oy Pin Lun Leung (Director from November 13, 2019 till March 30, 2023)</p> <p>Mr Pawan Kumar Agarwal (Director with effect from June 21, 2019 till August 02, 2022)</p> <p>Mr Samitla Subba (Director with effect from March 11, 2020 till November 21, 2022)</p> <p>Mr Srinagesh Rambhotla (Director with effect from November 13, 2019 till July 13, 2022)</p> <p>Mr Kishore Kumar (Director with effect from March 11, 2021 till February 10, 2023)</p>

Related parties with whom transactions have taken place during the year:

Holding company of Azure Power Energy Limited (APEL):	Azure Power Global Limited
Holding company of Restricted Group entities (except APEL):	<p>Azure Power India Private Limited</p> <p>Azure Power (Rajasthan) Private Limited</p> <p>Azure Power Forty One Private Limited</p> <p>Azure Power Forty Three Private Limited</p> <p>Azure Power Makemake Private Limited</p> <p>Azure Power Mercury Private Limited</p> <p>Azure Power Rooftop (GenCo) Private Limited</p> <p>Azure Power Rooftop Eight Private Limited</p> <p>Azure Power Rooftop Five Private Limited</p> <p>Azure Power Rooftop Four Private Limited</p> <p>Azure Power Rooftop Private Limited</p> <p>Azure Power Thirty Three Private Limited</p> <p>Azure Power Venus Private Limited</p> <p>Azure Power Earth Private Limited</p> <p>Azure Power Forty Private limited</p> <p>Azure Power Thirty Four Private limited</p>
Fellow subsidiary company:	

Following transactions were carried out with related parties in the ordinary course of business:

1. Transactions during the year :

Nature of transaction	Holding company		Fellow subsidiary company	
	For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2024	For the year ended March 31, 2023
a) Settlement of liabilities on behalf of the entity				
Azure Power India Private Limited	1	13	-	-
b).Settlement of liabilities by the entity on behalf of				
Azure Power India Private Limited	5	-	-	-
c) Purchase of capital goods				
Azure Power Forty Three Private limited	-	-	-	12
Azure Power Forty Private limited	-	-	-	3
Azure Power Makemake Private Limited	-	-	-	2
d) Management services received				
Azure Power India Private Limited	114	105	-	-
e) Loans given				
Azure Power Global Limited	16	-	-	-
Azure Power India Private Limited	782	-	-	-
f) Repayment of loans given				
Azure Power Rooftop Private Limited	-	-	-	50
Azure Power Mercury Private Limited	-	-	70	-



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

Nature of transaction	Holding company		Fellow subsidiary company	
	For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2024	For the year ended March 31, 2023
Azure Power Global Limited	1	-	-	-
Azure Power India Private Limited	562	517	-	-
Azure Power Venus Private Limited	-	-	4	4
Azure Power Rooftop Private Limited	-	-	69	70
Azure Power Rooftop Four Private Limited	-	-	1	1
h) Borrowings taken				
Azure Power India Private Limited	-	135	-	-
i) Repayment of borrowings taken				
Azure Power India Private Limited	10	200	-	-
j) Interest expense				
Azure Power India Private Limited	14	10	-	-
k) Sale of goods and services				
Azure Power Earth Private Limited	-	-	-	1
l) Rent expense				
Azure Power India Private Limited	-	2	-	-
Azure Power Thirty Four Private limited	-	-	-	1

2. Balances outstanding at the end of the year

Nature of transaction	Holding company		Fellow subsidiary company	
	As at March 31, 2024	As at March 31, 2023	As at March 31, 2024	As at March 31, 2023
a) Receivables				
Azure Power India Private Limited	-	30	-	-
Azure Power (Rajasthan) Private Limited	-	-	2	1
Azure Power Earth Private Limited	-	-	1	-
Azure Power Forty Three Private Limited	-	-	-	6
b) Payables				
Azure Power India Private Limited	59	65	-	-
Azure Power Venus Private Limited	-	-	-	1
Azure Power Rooftop (GenCo.) Private Limited	-	-	-	1
Azure Power Forty Three Private Limited	-	-	-	19
Azure Power Thirty Four Private limited	-	-	-	1
Azure Power Forty Private limited	-	-	-	3
Azure Power Forty One Private Limited	-	-	1	-
Azure Power Makemake Private limited	-	-	2	2
c) Payable for purchase of capital goods				
Azure Power India Private Limited	-	2	-	-
d) Borrowings taken				
Azure Power India Private Limited	160	170	-	-
e) Interest payable				
Azure Power India Private Limited	-	11	-	-
f) Loans given				
Azure Power Global Limited	16	-	-	-
Azure Power India Private Limited	6,678	5,896	-	-
Azure Power Venus Private Limited	-	-	40	40
Azure Power Mercury Private Limited	-	-	-	70
Azure Power Thirty Three Private Limited	-	-	1	1
Azure Power Rooftop Private Limited	-	-	660	660
Azure Power Rooftop Four Private Limited	-	-	11	11
Azure Power Rooftop Five Private Limited	-	-	2	2
Azure Power Rooftop Eight Private Limited	-	-	2	2
g) Interest income receivable on loan given				
Azure Power Global Limited	1	-	-	-
Azure Power India Private Limited	1,315	808	-	-
Azure Power Rooftop Private Limited	-	-	221	160
Azure Power Thirty Three Private Limited	-	-	1	-
Azure Power Venus Private Limited	-	-	29	25
Azure Power Rooftop Four Private Limited	-	-	2	1
Azure Power Mercury Private Limited	-	-	-	24

Terms and conditions of transactions with related parties:

- The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- Loans from/to related parties carry an interest rate of 6.95% - 10.60% p.a. and are repayable/receivable in accordance with the terms of the respective agreement.
- There has been no transaction with Key managerial personnel during the year ended March 31, 2024 and March 31, 2023.



Restricted Group- III**Notes to special purpose combined financial Statements for the year ended March 31, 2024**

(All amount in INR millions, unless otherwise stated)

28. Segment information

The Restricted Group primarily is carrying out business activities relating to generation of electricity through non-conventional and renewable sources (refer note 1) which according to the management, is considered as the only business segment. Accordingly, no separate segmental information has been provided herein. The Restricted Group entities' principal operations, revenue and decision making functions are all located in India and there are no revenue and non-current assets outside India.

A. Information about revenue from major customers who contributed 10% or more relating to revenue from sale of power:

Particulars	Revenue from external customers	Revenue from external customers
	For the year ended March 31, 2024	For the year ended March 31, 2023
Sale of power		
Punjab State Power Corporation Limited	1,194	1,637
Solar Energy Corporation of India	1,056	1,003
NTPC Limited	895	891

B. Revenue from major products and services

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Sale of Power	5,941	6,001
Carbon credit emission income	1	1
Total	5,942	6,002



Restricted Group- III**Notes to special purpose combined financial Statements for the year ended March 31, 2024**

(All amount in INR millions, unless otherwise stated)

29. Revenue from contracts with customers

Reconciliation of the amount of revenue recognised in statement of profit and loss with the contracted price:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Revenue as per contracted price	5,887	5,991
Adjustments for:		
Liquidated damages	(9)	(9)
Revenue straight lining	88	43
Rebate/ Discount	(24)	(23)
Revenue from contract with customers	5,942	6,002

The following table provides information about trade receivables, contract assets, and deferred revenue from customers as at March 31, 2024 and March 31, 2023.

Particulars	As at March 31, 2024	As at March 31, 2023
Non current assets		
Trade receivables	40	200
Contract assets	493	444
Current assets		
Trade receivables	2,429	3,108
Contract assets	23	9
Non current liabilities		
Deferred revenue on account of revenue straightlining	956	929

Movement of contract assets

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Opening Balance	453	426
Addition during the year	73	35
Deletion/adjustment during the year	(9)	(8)
Closing Balance	516	453

Movement of contract liabilities

Particulars	As at March 31, 2024	As at March 31, 2023
Opening Balance	929	773
Addition during the year	27	156
Closing Balance	956	929

30. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

The Micro, Small and Medium Enterprises have been identified by management of the Restricted Group entities from the available information, which has been relied upon by the auditors. According to such identification, the disclosures in respect to Micro, and Small Enterprises is as follows:

Particulars	As at March 31, 2024	As at March 31, 2023
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	31	10
Principal amount due to micro and small enterprises	27	7
Interest due on above	4	3
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	4	3
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

31. Leases**Restricted Group entities as lessee:****Land leases:**

The entities in Restricted Group have taken land on lease for construction of solar power plants. These leases typically run for 26-35 years which is further extendable on mutual agreement by both lessor and lessee. Accordingly, the Group has taken lease period of 35 years considering reasonable certainty and expectation of extension of the lease period.

Information about the leases for which the Group is a lessee is presented below:

i) Right-of-use assets

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Opening balance	887	840
Additions during the year	-	3
Adjustment due to change in estimate	-	99
Adjustment during the year	-	(23)
Amortisation for the year	(32)	(32)
Closing balance	855	887

ii) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movement during the year:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Opening balance	985	852
Adjustment due to change in estimates	-	99
Accretion of interest	94	91
Payments	(66)	(57)
Closing balance	1,013	985

Particulars	As at March 31, 2024	As at March 31, 2023
Current	65	62
Non-current	948	923
Total	1,013	985

Below are the amounts recognised by the Restricted Group entities in the statement of profit and loss:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Amortisation of right-of-use assets	32	32
Interest on lease liabilities	94	91
Expenses relating to short-term leases	-	3
Total	126	126

Below are the amounts recognised by the Restricted Group entities in the statement of cash flows:

Particulars	For the year ended March 31, 2024	For the year ended March 31, 2023
Total cash outflow for leases	66	57

The maturity analysis of leases is disclosed in note 36. The weighted average incremental borrowing rate applied to lease liabilities is 10%. The Company has applied single discount rate to a portfolio of leases of similar assets in similar economic environment with similar end date.

Extension options:

Land leases contain extension options exercisable by the entities in Restricted Group before the end of the non-cancellable contract period. Where practicable, the Restricted Group entities seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only on mutual agreement. The Restricted Group entities assessed at lease commencement whether it is reasonably certain to exercise the extension options. The Restricted Group entities reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

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Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

32. Commitments and contingencies**a) Commitments**

(i) The Restricted Group has commitments of INR 12 million (net of advances) (March 31, 2023: INR 13 million) for purchases of assets for the construction of solar power plants.

(ii) The entities of Restricted Group have entered in to Power Purchase Agreement (PPA) with following parties:

Name of Authority	Agreement date	Commercial Operation Date	Rate	Period	Capacity (in megawatt)
Gujarat UrjaVikas Nigam Limited*	30-Apr-10	Q2 2011	15 kw/h - 1 to 12 Years 5 kw/h - 13 to 25 Years	25 Years	5
Gujarat UrjaVikas Nigam Limited*	30-Apr-10	Q4 2011	15 kw/h - 1 to 12 Years 5 kw/h - 13 to 25 Years	25 Years	5
NTPC Vidyut Vyapar Nigam Limited	15-Oct-10	Q4 2009	17.91 kw/h	25 Years	2
Punjab State Power Corporation Limited	27-Dec-13	Q3 2014	7.67 kw/h	25 Years	15
Punjab State Power Corporation Limited	27-Dec-13	Q4 2014	7.97 kw/h	25 Years	15
Punjab State Power Corporation Limited	27-Dec-13	Q4 2014	8.28 kw/h	25 Years	4
Uttar Pradesh Power Corporation Limited	27-Dec-13	Q1 2015	8.99/kwh	12 Years**	10
Bangalore Electricity Supply Company Limited	18-Jan-14	Q1 2015	7.47 kw/h	25 Years	10
Solar Energy Corporation of India	28-Mar-14	Q1 2015	5.45 kw/h	25 Years	40
Solar Energy Corporation of India	28-Mar-14	Q1 2015	5.45 kw/h	25 Years	20
Solar Energy Corporation of India	28-Mar-14	Q1 2015	5.45 kw/h	25 Years	40
Southern Power Distribution Company of Andhra Pradesh Limited***	05-Dec-14	Q1 2016	5.89 kw/h	25 Years	50
Chamundeshwari Electricity Supply Corporation Limited	02-Jan-15	Q1 2017	6.51 kw/h	25 Years	50
Hubli Electricity Supply Company Limited	09-Jan-15	Q1 2017	6.51 kw/h	25 Years	40
Bihar State Power (Holding) Company Limited	17-Jan-15	Q3 2016	8.39 kw/h	25 Years	10
Gulbarga Electricity Supply Corporation Limited	23-Jan-15	Q1 2017	6.51 kw/h	25 Years	40
Solar Energy Corporation of India	05-Feb-15	Q4 2015	5.45 kw/h	25 Years	5
Punjab State Power Corporation Limited	03-Feb-16	Q4 2016	5.62 kw/h	25 Years	50
Punjab State Power Corporation Limited	03-Feb-16	Q4 2016	5.63 kw/h	25 Years	50
Punjab State Power Corporation Limited	03-Feb-16	Q4 2016	5.63 kw/h	25 Years	50
NTPC Limited	10-Aug-16	Q4 2017	4.67 kw/h	25 Years	100

*The entity had entered into a Power Purchase Agreement (PPA) on 30th day of April, 2010 with Gujarat UrjaVikas Nigam Limited for 10 MW @ Rs. 15/kwh for first 12 years and @ Rs. 5/kwh. for remaining period.

**PPA may be extended for a further period of 13 year on mutually agreed terms and conditions.

***The entity had entered into a Power Purchase Agreement (PPA) on 5th day of December, 2014 with Southern Power Distribution Company of Andhra Pradesh Limited for 50 MW for a period of 25 years @ INR 5.89/kwh, to supply power with an escalation of 3% per annum from 2nd year to 10th year and no further escalation subsequent to the 10th year until the end of the PPA.

b) Contingent liabilities:

A Public interest litigation (PIL) had been initiated by certain individuals claiming to be wildlife experts/ interested in conservation of wildlife, before the Supreme Court of India against various state governments such as Rajasthan, Gujarat, and Ministry of New and Renewable Energy, Ministry of Power among others, seeking protection of the two endangered bird species, namely the Great Indian Bustard (GIB) and the Lesser Florican found in the states of Rajasthan and Gujarat. The Supreme Court by way of order dated April 19, 2021 issued directions to: (i) underground all low voltage transmission lines, existing and future lines falling in potential and priority habitats of GIB, (ii) to convert all existing high voltage lines in priority and potential areas of GIB where found feasible within a period of one year, if not found feasible, the matter to be referred to the committee formed by the Supreme Court which will take a decision on feasibility, and (iii) to install bird diverters on all existing overhead lines in the interim. We and many other developers have projects in the potential area as determined by the court, hence aggrieved by the order, the Solar Power Developers Association ("SPDA") and Union of India have filed an application before the Supreme Court seeking among others, exemption from undergrounding of transmission lines in potential areas. The matter was last listed on November 30, 2022, whereby directions were passed to parties to ensure installation of bird diverters in the Priority Area and for them to be in compliance with quality standards issued by the Supreme Court Committee. As per the directions of Supreme Court, for its solar power plants, the several companies of the Restricted Group-III installed bird diverters in the habitats of Great Indian Bustard during FY 2022-23. The PIL is presently pending. The SPDA has filed an application seeking modification of Supreme Court's order dated April 19, 2021. Further, the Supreme Court vide its order dated March 21, 2024 modified its earlier order dated April 19, 2021 directing the Central Government to constitute an expert committee to examine the issue of installing overhead and underground powerlines in the priority areas marked for the conservation of the Great Indian Bustard. The expert committee on the GIB issue will, inter-alia, look into (i) the scope and feasibility of laying down underground and overhead transmission lines, (ii) measures for the conservation of GIB, and (iii) identifying suitable alternatives for laying down power lines in the future. Next date to submit the Update by Expert Committee is August 20, 2024. Citing practical difficulties in laying down underground transmission lines, the Supreme Court has also restricted the requirement of laying down underground transmission lines only to the priority area (covering roughly 13.163 sq km). If the modification application is dismissed, we might entail significant costs and delays.



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

(C) Viability gap funding represents the amount already received which the government agencies can demand repayment of in case the project fails to generate power for a longer period of time.

Particulars	As at	As at
	March 31, 2024	March 31, 2023
Viability gap Funding (VGF)	1,155	1,347

33. Hedging activities and derivatives**Contracts designated as Cash flow hedges**

The Company hedged the foreign currency exposure risk related to certain investments in Restricted Group-III entities denominated in foreign currency through call spread option with full swap for coupon payments. The foreign currency forward contracts and options were not entered for trading or speculative purposes.

The Company documented each hedging relationship and assessed its initial effectiveness on inception date and the subsequent effectiveness was tested on a quarterly basis using dollar offset method. When the relationship between the hedged items and hedging instrument is highly effective at achieving offsetting changes in cashflows attributable to the hedged risk, the Company records in other comprehensive income the entire change in fair value of the designated hedging instrument that is included in the assessment of hedge effectiveness. The gain or loss on the hedge contracts shall be reclassified to interest expense when the coupon payments and principal repayments are made on the related investments. The hedge contracts were effective as of March 31, 2023 and 2024 respectively.

Ind AS 109, Financial Instruments, permits recording the cost of hedge over the period of contract based on the effective interest rate method. The Restricted Group - III determined the cost of hedge at the time of inception of the contract was INR 3,549 million and recorded an expense of INR 1,055 million and INR 838 million during the year ended March 31, 2024 and March 31, 2023 respectively.

The following table presents outstanding notional amount and balance sheet location information related to foreign exchange derivative contracts as of March 31, 2024 and March 31, 2023:

	Foreign currency option contracts	
	As at	As at
	March 31, 2024	March 31, 2023
Notional Amount (US\$ denominated)	331	371
Non-current assets (INR)	2,001	1,908
Current Liabilities (INR)	501	649

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Restricted Group- III**Notes to special purpose combined financial Statements for the year ended March 31, 2024**

(All amount in INR millions, unless otherwise stated)

34. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Restricted Group's financial instruments:

	Carrying value		Fair value	
	As at	As at	As at	As at
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Financial assets at amortised cost				
Non-current trade receivables	40	200	40	200
Non-current security deposits	9	9	9	9
Performance bank guarantee receivable	10	9	10	9
Non-current loans to holding company	195	4,858	195	4,858
Non-current loans to fellow subsidiaries	57	11	57	11
Non-current term deposits	5	2	5	2
Other financial asset	34	605	34	605
Financial assets at fair value				
Derivative instruments at fair value through OCI*	2,001	1,908	2,001	1,908
Total	2,351	7,602	2,351	7,602
Financial liabilities at amortised cost				
3.575% Senior Notes (including current maturities)**	27,164	30,247	24,371	28,397
Financial liabilities at fair value				
Derivative instruments at fair value through OCI*	501	649	501	649
Total	27,665	30,896	24,872	29,046

The management assessed that fair value of cash and cash equivalents, term deposits, interest accrued on term deposits, other bank balances, trade receivables, unbilled revenue, viability gap funding receivable (VGF), receivable from related parties, security deposits received, current borrowings, interest accrued, payable for capital goods, trade payables and security deposits paid approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the price that would be received on selling of assets or paid to transfer a liability in an orderly transactions between market participants at measurement date.

The following methods and assumptions were used to estimate the fair values :

Measured at fair value:

* The respective companies under the Respective Group enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign currency option derivatives are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. The Restricted Group used the derivatives option pricing model based on the principles of the Black-Scholes model to determine the fair value of the foreign exchange derivative contracts. The inputs considered in this model include the theoretical value of a call option, the underlying spot exchange rate as of the balance sheet date, the contracted price of the respective option contract, the term of the option contract, the implied volatility of the underlying foreign exchange rates and the risk-free interest rate as of the balance sheet date.

At amortised cost:

**The fair values of the interest-bearing borrowings and loans of Restricted Group are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at March 31, 2024 was assessed to be insignificant.

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35. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the assets and liabilities of the Restricted Group.

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2024:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortised cost			
Non-current trade receivables	40	-	40
Non-current security deposits	9	-	9
Performance bank guarantee receivable	10	-	10
Non-current loans to holding company	195	-	195
Non-current loans to fellow subsidiaries	57	-	57
Non-current term deposits	5	-	5
Other financial asset	34	-	34
Financial assets measured at fair value			
Derivative instruments at fair value through OCI	2,001	-	2,001

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2024:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities at amortised cost			
3.575% Senior Notes (including current maturities)	27,164	-	24,371
Financial liabilities at fair value			
Derivative instruments at fair value through OCI	501	-	501

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2023:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortised cost			
Non-current trade receivables	200	-	200
Non-current security deposits	9	-	9
Performance bank guarantee receivable	9	-	9
Non-current loans to holding company	4,858	-	4,858
Non-current loans to fellow subsidiaries	11	-	11
Non-current term deposits	2	-	2
Other financial asset	605	-	605
Financial assets measured at fair value			
Derivative instruments at fair value through OCI	1,908	-	1,908

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2023:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities at amortised cost			
3.575% Senior Notes (including current maturities)	30,247	-	28,397
Financial liabilities at fair value			
Derivative instruments at fair value through OCI	649	-	649

There have been no transfers between Level 1 and Level 2 during the period.

The management assessed that fair value of cash and cash equivalents, term deposits, interest accrued on term deposits, other bank balances, trade receivables, unbilled revenue, viability gap funding receivable (VGF), receivable from related parties, security deposits received, current borrowings, interest accrued, payable for capital goods, trade payables and security deposits paid as applicable approximate their carrying amounts largely due to the short-term maturities of these instruments.



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

36. Financial risk management objectives and policies

The financial liabilities of respective entities under Restricted Group comprise loans and borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the respective Restricted Group entities' operations. The Restricted Group's principal financial assets include loans, trade and other receivables, cash and cash equivalents, deposits with banks and other financial assets, as applicable.

The Restricted Group entities are exposed to market risk, credit risk and liquidity risk. The senior management of respective Restricted Group entities oversees the management of these risks. The Board of Directors of respective Restricted Group entities reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings.

The sensitivity analyses in the following sections relate to the position as at March 31, 2024 and March 31, 2023.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Restricted Group's exposure to the risk of changes in market interest rates relates primarily to the Restricted Group's long-term debt obligations with floating interest rates.

Financial instruments comprise of US\$ Senior Notes, loans to related parties which are fixed interest bearing whereas term loans from banks and financial institution are both fixed and floating interest bearing. Remaining financial assets and liabilities are non-interest bearing.

The exposure of the Restricted Group's financial instruments as at March 31, 2024 to interest rate risk is as follows:

As at March 31, 2024	Floating rate financial instruments	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	-	9,434	6,421	15,855
Financial liabilities	-	28,337	1,060	29,397

The exposure of the Restricted Group's financial instruments as at March 31, 2023 to interest rate risk is as follows:

As at March 31, 2023	Floating rate financial instruments	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	-	9,116	6,685	15,801
Financial liabilities	-	30,417	2,056	32,473

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Restricted Group entities are exposed to foreign currency risk arising from changes in foreign exchange rates on foreign currency loan and derivative financial instruments. The Restricted Group entities enters into foreign exchange derivative contracts to mitigate fluctuations in foreign exchange rates in respect of these loans.

The following table analyses foreign currency risk from financial instruments relating to US\$ as of March 31, 2024 and March 31, 2023:

	As at March 31, 2024	As at March 31, 2023
Borrowings		
3.575% Senior Notes*	27,272	30,368

* Including interest accrued but not due on borrowings of INR 108 million (March 31, 2023: INR 121 million).

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD/INR exchange rates, with all other variables held constant. The impact on the Restricted Group's loss before tax is due to changes in the fair value of monetary liabilities.

	Change in USD rate		March 31, 2024		March 31, 2023
Effect on profit/(loss) before tax (in INR)	+/-5%	(-)/+	1,364	(-)/+	1,518

As the Restricted Group has entered into foreign exchange derivatives contract to mitigate the foreign exchange fluctuation risk, these derivatives act as economic hedges and will offset the impact of any fluctuations in foreign exchange rates.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Restricted Group entities are exposed to credit risk from their operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

Trade receivables and contract asset

Customer credit risk is managed on the basis of Restricted Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables and contract assets are regularly monitored. The Restricted Group evaluates the concentration of risk with respect to trade receivable and contract assets as high. However, since the trade receivables and contract assets mainly comprise of state utilities/government entities, the Restricted Group does not foresee any material credit risk attached to receivables from such state utilities/government entities. The Restricted Group does not hold collateral as security.

Movement in expected credit loss on trade receivables during the year (refer note 4(g)):

	For the year ended March 31, 2024	For the year ended March 31, 2023
Opening balance	433	122
Changes in allowance for expected credit loss:		
Additional provision during the year (refer note 25)	112	313
Reversal of provision during the year (refer note 21.2)	(34)	(2)
Closing balance	511	433

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Restricted Group's treasury department in accordance with its policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Liquidity risk

Liquidity risk is the risk that Restricted Group entities will encounter in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The approach of Restricted Group entities to manage liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to its reputation.

The Restricted Group entities assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Restricted Group has access to a sufficient variety of sources of funding and debt maturing within 12 months.

Borrowings of Restricted Group include INR 27,164 million of senior notes which may be subject to refinancing risk, when they become due, as market conditions may not be possible to refinance the bonds at all or to refinance the bonds on favourable terms. In addition, hedges taken on these bonds are covered ranging from INR 80.7/US\$ to INR 90.5/US\$, which may expose Restricted Group to additional hedging costs in the future.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The table below summarises the maturity profile of the Restricted Group's financial liabilities based on contractual undiscounted payments.

	Less than 1 year	1 to 5 years	> 5 years	Total
As at March 31, 2024				
Lease liabilities	68	308	3,105	3,481
Borrowings*	4,037	25,691	-	29,728
Current borrowings	160	-	-	160
Trade payables	440	-	-	440
Other financial liabilities**	9	-	-	9
Total	4,714	25,999	3,105	33,818
As at March 31, 2023				
Lease liabilities	65	294	3,192	3,551
Borrowings*	3,391	31,861	-	35,252
Current borrowings	181	-	-	181
Trade payables	243	-	-	243
Other financial liabilities**	707	-	-	707
Total	4,587	32,155	3,192	39,934

*Including interest on borrowings

** Excluding interest accrued on borrowings

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Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

37. Capital management

For the purpose of the Restricted Group's capital management, capital includes issued equity share capital, securities premium and all other equity reserves attributable to the equity holders of the respective entities of Restricted Group. The primary objective of the Restricted Group's capital management is to maximise the shareholder's value of the respective entity of Restricted Group.

The Restricted Group's manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants, if any. To maintain or adjust the capital structure, the Restricted Group's reviews the fund management at regular intervals and take necessary actions to maintain the requisite capital structure.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2024 and March 31, 2023.

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Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

38. Employee Benefits

(a) Defined contribution plan

The entities in Restricted Group make contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The contribution by entities in Restricted Group to the Employee Provident Fund is deposited with the Regional Provident Fund Commissioner.

The Restricted Group has recognised INR 3 million (March 31, 2023: INR 3 million) for provident fund contribution in the Statement of Profit and Loss. The contribution payable to the plan by the Restricted Group is at the rate specified in the rules to the scheme.

(b) Defined benefit plan

Gratuity and other post-employment benefits

The Restricted Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Scheme is unfunded and accrued cost is recognised through reserve in the accounts of the entities of the Restricted Group

The following tables summaries the components of net benefit expense recognized in the profit and loss account and the unfunded status and amounts recognized in the balance sheet.

Net employee benefit expense (recognized in Employee Cost) for the year ended:

	Gratuity March 31, 2024	Gratuity March 31, 2023
Current service cost	1	2
Net Interest cost	1	1
Net expense recognized in statement of profit and loss	2	3

Amount recognised in Other Comprehensive Income for the year ended:

	Gratuity March 31, 2024	Gratuity March 31, 2023
Experience (gains)/ losses	-	(2)
Actuarial(gain)/ loss recognized in the year	-	(2)

Balance Sheet figures as at:

	Gratuity March 31, 2024	Gratuity March 31, 2023
Present value of defined benefit obligation	9	8

Changes in the present value of the defined benefit obligation for the year ended:

	Gratuity March 31, 2024	Gratuity March 31, 2023
Present value of obligation as at the beginning	8	8
Current service cost	1	2
Interest cost	1	1
Re-measurement (or Actuarial) (gain) / loss	-	2
Benefits paid	(1)	(2)
On account of transfer of employees	-	(3)
Present Value of Obligation as at the end	9	8
Current portion	2	2
Non-Current portion	7	6

The principal assumptions used in determining gratuity for the Restricted Group's plans are shown below:

	March 31, 2024	March 31, 2023
Discount rate	7.09%	7.27%
Employee turnover rate	26.00%	30.00%
Withdrawal rate (p.a.)	26.00%	30.00%
Salary Escalation Rate	10.00%	10.00%
Retirement age	58 years	58 years

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Discount rate- Reduction in discount rate in subsequent valuations can increase the liability.

Salary escalation rate- Actual salary increases will increase the defined benefit liability. Increase in salary increase rate assumption in future valuations which in turn also increase the liability.

Withdrawal rate- Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawals rates at subsequent valuations can impact defined benefit liability.

A quantitative sensitivity analysis for significant assumption as at March 31, 2024 is as shown below:

	Discount rate		Discount rate	
	March 31, 2024		March 31, 2023	
	1 % increase	1 % decrease	1 % increase	1 % decrease
Defined benefit obligation increased/(decreased) by	(0)	0	(0)	0

	Salary Escalation Rate		Salary Escalation Rate	
	March 31, 2024		March 31, 2023	
	1 % increase	1 % decrease	1 % increase	1 % decrease
Defined benefit obligation increased/(decreased) by	0	(0)	0	(0)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Restricted Group does not have any plan assets. The Restricted Group - II has sufficient balance of Cash and cash equivalent to fund the liabilities that may arise in near future.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 4.92 years (March 31, 2022: 5.12 years).

Expected maturity analysis of the defined benefit plans in the next ten years are as follows:

	March 31, 2024	March 31, 2023
Within the next 12 months (next annual reporting period)	2	2
Between 2 and 5 years	6	3
Between 5 and 10 years	3	2
	11	9

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Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

39. Significant accounting judgements, estimates and assumptions

The preparation of the Restricted Group financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

A. Judgements

In the process of applying the entity's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(i) Revenue from Viability Gap Funding (VGF)

The Restricted Group records the proceeds received from Viability Gap Funding (VGF) on fulfilment of the underlying conditions as deferred revenue. Such deferred VGF revenue is recognized as other operating revenue in proportion to the actual sale of solar energy kilowatts during the period to the total estimated sale of solar energy kilowatts during the tenure of the applicable power purchase agreement pursuant to the revenue recognition policy. (refer note 15, 17 and 20)

(ii) Classification of leases:

The Restricted Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgement. The Restricted Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Restricted Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics. (refer note 31)

B. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Restricted Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Restricted Group. Such changes are reflected in the assumptions when they occur.

(i) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budget for the next remaining useful life of the projects Restricted Group entities. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

(ii) Hedging activities and derivatives

The Company has issued 3.575% Senior Notes during the previous year in August, 2021, listed on the Singapore Exchange Limited ("SGX"). The proceeds were used for repayment of loan of Restricted Group entities, in the form of intercompany Non-Convertible Debentures (NCD) and External Commercial Borrowings (ECB's) denominated in INR. The exchange rate risk on the proceeds invested from the US\$ Senior Notes are hedged through cross currency swap for payment of coupons and through call spread option contracts for repayment of principal (collectively "Option contracts"). The Restricted Group designated these option contracts as a cashflow hedge. These options contracts mitigate the exchange rate risk associated with the forecasted transaction for semi-annual repayment of coupon and for repayment of the principal balance at the end of five years.

The cashflow from the underlying agreement match the terms of a hedge such as – notional amount, maturity of the option contracts, mitigation of exchange rate risk, and there are no significant changes in the counter party risk, hence they are designated as a cashflow hedge in accordance with Ind AS 109, Financial Instruments. (Refer note 33)

(iii) Revenue estimate

Where power purchase agreements (PPAs) include scheduled price changes, revenue is recognized at lower of the amount billed or by applying the average rate to the energy output estimated over the term of the PPA. The determination of the lesser amount is undertaken annually based on the cumulative amount that would have been recognized had each method been consistently applied from the beginning of the contract term. The Restricted Group estimates the total kilowatt hour units expected to be generated over the entire term of the PPA. The contractual rates are applied to this annual estimate to determine the total estimated revenue over the term of the PPA. The Restricted Group then uses the total estimated revenue and the total estimated kilo-watt hours to compute the average rate used to record revenue on the actual energy output supplied. The Restricted Group compares the actual energy supplied to the estimate of the energy expected to be generated over the remaining term of the PPA on a periodic basis, but at least annually. Based on this evaluation, the Restricted Group reassesses the energy output estimated over the remaining term of the PPA and adjusts the revenue recognized and deferred to date. The difference between actual billing and revenue recognized is recorded as deferred revenue. (Refer note 20)

(iv) Taxes

Projects of Restricted Group qualify for deduction from taxable income because its profits are attributable to undertakings engaged in development of solar power projects under section 80-IA of the Indian Income Tax Act, 1961. This holiday is available for a period of ten consecutive years out of fifteen years beginning from the year in which the Restricted Group generates power ("Tax Holiday Period"), however, the exemption is only available to the projects completed on or before March 31, 2017. The Restricted Group anticipates that it will claim the aforesaid deduction in the last ten years out of fifteen years beginning with the year in which the Restricted Group generates power and when it has taxable income. Due to the Tax Holiday Period, a substantial portion of the temporary differences between the book and tax basis of the Restricted Group's assets and liabilities do not have any tax consequences as they are expected to reverse within the Tax Holiday Period. (Refer note 19)

(v) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Assumptions include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. (Refer note 34)

(vi) Provision for decommissioning

The Restricted Group has recognised provisions for the future decommissioning of solar power plants set up on leased land at the end of the lease term or expiry of power purchase agreement. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the leased land and the expected timing of those costs. The carrying amount of the provision as at March 31, 2024: INR 91 million (March 31, 2023: INR 101 million) (refer note 14.1). The Group estimates that the costs would be settled upon the expiration of the lease and calculates the provision using the DCF method based on the following assumptions:

- ▶ Estimated range of cost per megawatt– INR 0.49 million to INR 0.51 million (March 31, 2023: INR 0.39 million to INR 0.41 million)
- ▶ Discount rate – 10.0% (March 31, 2023: 10.0% p.a.)
- ▶ Inflation rate – 8.0% (March 31, 2023: 8.0% p.a.)



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

(vii) Depreciation on property, plant and equipment

Depreciation on property plant and equipment is calculated on a straight line basis using the rates arrived at based on the useful lives estimated by the management. Considering the applicability of Schedule II of the Companies Act, 2013, the management has re-estimated useful lives and residual value of all of its property plant and equipment. The management believes that depreciation rates currently used fairly reflects its estimate of the useful lives and residual value of the Property plant and equipment, though these rates in certain cases are different from lives prescribed under Schedule II of the Companies Act, 2013.

Based on legal opinion obtained, management is of the view that application of CERC and/or SERC rates for the purpose of accounting of depreciation expense is not mandatory. Hence, Restricted Group is depreciating the assets based on life as determined by the management.

During the earlier years, the Restricted Group basis the technical assessment, had revised the useful life of solar power project assets i.e. solar power modules from 25 years to 35 years. These changes had been considered as change of accounting estimate as per Ind AS 8 (Accounting policies, change in accounting estimates and errors) and had been accounted for prospectively with effect from April 1, 2021. (refer note 5 and 23)

(viii) Defined benefit plans (gratuity benefits)

The cost of the defined benefit gratuity plan and other post-employment medical benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds where remaining maturity of such bond correspond to expected term of defined benefit obligation. For plans operated outside India, the management considers the interest rates of high quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.

Further details about gratuity obligations are given in Note 38.

(ix) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. (Refer note 31)

(x) Key assumption about the likelihood and magnitude of an outflow of resources in case of Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, legal interpretations of various other acts/laws, and the amount and timing of future taxable income. Given the wide range of business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Restricted Group establishes provisions, based on reasonable estimates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the companies.

(xi) Provision for expected credit losses of trade receivables and contract assets

The Restricted Group follows 'simplified approach' for recognition of impairment loss allowance for trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. ECL is the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate. As concluded by the management that there is no risk of default from the DISCOMs/State Government bodies being a state government entities. Accordingly, no provision for default risk is required for receivables from DISCOM. As per the requirements of Ind AS 109, on subsequent measurement, the management while making ECL assessment considered the past experience with the Government of honouring its commitments and the strong capacity and ability of the Government to meet its contractual cash flow obligations.



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

40. Standards notified but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. The MCA has not notified any new standards or amendments to the existing standards applicable to the Company as on date.

41. Other statutory information

- (i) The Restricted Group - III do not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.
- (ii) The Restricted Group - III do not have any transactions with companies struck off.
- (iii) The Restricted Group - III do not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- (iv) The Restricted Group - III have not traded or invested in Crypto currency or Virtual Currency during the financial year.
- (v) The Restricted Group - III have not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of The Restricted Group - III (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
- (vi) The Restricted Group - III have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (vii) The Restricted Group - III do not have any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
- (viii) The Restricted Group - III has not been declared as a wilful defaulter by any bank, financial institution or any other lender.
- (ix) The Restricted Group - III has used its specific borrowings for the specific purpose for which they were taken.

42. Whistle blower complaints

In May 2022, the Group received whistle-blower complaints on various matters, including lapses in internal control for certain key areas, governance and vendor management. The Board of Directors of the ultimate holding company engaged external counsel to undertake investigations on the allegations thereof. None of those allegations pertain to the Restricted Group and therefore no adjustment was required to be made in the books on account. However, some of the Group companies have made certain adjustments in the books of account as a prudent measure. Further, in one of the ongoing investigations ("Special Committee") in relation to material projects of the Group, the Special Committee have identified evidence that certain individuals formerly affiliated with the Group may have had knowledge of, or were involved in an apparent scheme with persons outside the Group to make improper payments in relation to certain projects. To date, the Special Committee has not identified related improper payments or transfers by the Group. The Special Committee's investigation is still ongoing. The Special Committee's review and its findings have impacted the decision-making of the Group in connection with such projects. The Group has disclosed the details of the Special Committee's investigation to the SEC and the U.S. Department of Justice, and the Group continues to cooperate with those agencies. The current members of the Board of Directors of the ultimate holding Company have confirmed that none of them were aware of the apparent scheme referred to above other than through the Special Committee investigation. The Group remains steadfast in its commitment to upholding the principles of transparency, accountability, and ethical conduct in all areas of its operations. We will continue to monitor and assess our internal processes to ensure compliance with all relevant laws and regulations.



Restricted Group- III

Notes to special purpose combined financial Statements for the year ended March 31, 2024

(All amount in INR millions, unless otherwise stated)

43. The Restricted Group is in process of conducting a transfer pricing study as required by the transfer pricing regulations under the income tax act ('regulations') to determine whether the transactions entered during the year ended March 31, 2024 with associated enterprises were undertaken at arms length price. The Management confirms that all the transactions with associate enterprises are undertaken at arm length prices and is confident that the aforesaid regulations will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

44. As per the provisions of the Companies Act, 2013, a Company is required to convene the Annual General Meeting ("AGM") for adoption of its annual audited financial statements within the six months from the end of the financial year, i.e. September 30 ("Due Date"). The Registrar of Companies ("ROC") granted three months extension to the Restricted Group-III SPVs to hold the AGMs for financial year 2021-22 and 2022-23 on or before December 31, 2022, and December 31, 2023, respectively. Considering the delay in closure of audit due to ongoing Whistle blower investigations (refer note 42), the Restricted Group-III SPVs have not been able to hold the AGM for financial year 2021-22 and 2022- 23 within the extended timelines as stated above. The AGM for financial year 2021-22 were held during February'2024, and the AGM for financial year 2022-23 were held during May/June'2024.

These Restricted Group-III SPVs will apply for compounding of the offence for not holding the AGM for financial year 2021-22 and 2022-23 on or before December 31, 2022, and December 31, 2023, respectively and liable to pay penalties as may be imposed by ROC. Management is unable to ascertain the amount for these offences and hence no accruals for the same has been taken in these financial statements.

45. On December 14, 2023, Azure Power Energy Ltd ("APEL") completed a consent solicitation (the "Consent Solicitation") in respect of the 3.575% Senior Notes due 2026 (the "2026 Notes"). APEL sought the consent of the Noteholders of the 2026 Notes to amend certain terms of the indenture dated as of August 19, 2021 (the "2026 Indenture"). The purpose of the consent solicitation was to: (i) undertake to make tender offers to purchase an outstanding principal amount of U.S.\$12,000,000 of the 2026 Notes by March 25, 2024 and an outstanding principal amount of U.S.\$8,000,000 of the 2026 Notes by August 26, 2024; and (ii) make certain amendments and provide certain confirmations with respect to the reporting covenant of each of the Indentures (the "proposed amendments").

The consent solicitation was announced on November 28, 2023. The deadline to submit consent instructions expired at 5:00 pm New York time on December 07, 2023. Over 99% consent instructions were received. On December 08, 2023, APEL executed a supplemental indenture with Azure Power Global Limited (as Parent), the trustee and the collateralagents to implement the proposed amendments. On December 14, 2023, the consent fee was paid and the proposed amendments became operative.

Pursuant to the terms of the amended Indentures, the Company, in conjunction with the other members of the restricted group (collectively referred to as Restricted Group-III), is mandated to submit its Combined Annual Financial Statements within 30 days to Trustee following the submission of financials by the Ultimate Parent Company to the SecuritiesExchange Commission ('SEC'). However, if the Ultimate Parent Company does not file the said results with SEC and the Common Stock of the Ultimate Parent Company is not listed for trading on an internationally recognised stock exchange, the Ultimate Parent Company has a window of 120 days post the fiscal year-end to file its consolidated financials with the Trustee. Accordingly, on July 13, 2023, the Ultimate Parent Company received a delisting notification from the New York Stock Exchange ('NYSE'), indicating the decision to delist its equity shares and on April 01, 2024, the Ultimate Parent Company terminated and/or suspended its duty to file the reports/result with SEC. Accordingly, the Ultimate Parent Company now has a window of 120 days post the fiscal year-end to file its consolidated financials with the Trustee.

Further, as per the terms of the amended Indentures, APEL launched tender offers for the 2026 Notes on February 16, 2024. The early deadline of the tender offers was on March 01, 2024 and APEL purchased US\$ 12,000,000 of the 2026 Notes on March 11, 2024.



For and on behalf of Restricted Group


Director
Place : Ebene, Mauritius
Date 07/08/2024


Director
Place: Ebene, Mauritius
Date 07/08/2024

Year ended March 31, 2024 Special Purpose Combined Financial Results:

Operating Results

Revenue from operations

Operating revenue for the year ended March 31, 2024 was INR 6,023 million, a decrease of 1% from INR 6,086 million as compared to the year ended March 31, 2023. Considering the same, Revenue from operations during the current year is in line with Revenue from operations during the previous year.

Other income

Other income for the year ended March 31, 2024 was INR 173 million, an increase of INR 124 million, from INR 49 million as compared to the year ended March 31, 2023. The increase was primarily on account of increase in write back of allowance for doubtful trade receivables by INR 32 million, increase in liabilities no longer required written back by INR 50 million and increase in late payment surcharge by INR 48 million.

Employee benefits expense

Employee benefits expenses during the year ended March 31, 2024 was INR 69 million, an increase of 35% from INR 51 million as compared to the year ended March 31, 2023. The increase was primarily on account of increase in number of employees.

Operating expenses (exclusive of depreciation and amortisation)

Operating expenses for the year ended March 31, 2024 was INR 755 million, a decrease of 15% from INR 888 million as compared to the year ended March 31, 2023. The decrease was primarily on account of decrease in allowance of doubtful trade receivables by INR 201 million, offset by INR 28 million due to increase in audit fees pursuant to recognition of audit fees (including audit fee of previous auditors) for financial year 2021-22 to financial year 2023-24 in the current year.

Depreciation and amortisation expense

Depreciation and amortisation expense during the year ended March 31, 2024 and year ended March 31, 2023 was INR 1,039 million and INR 1041 million respectively.

Interest income

Interest income during the year ended March 31, 2024 increased by INR 83 million, or 9%, to INR 958 million as compared to INR 875 million for the year ended March 31, 2023, primarily on account of increase in interest income on term deposits.

Finance costs

Finance costs during the year ended March 31, 2024 increased by INR 266 million or 12%, to INR 2,579 million as compared to INR 2,313 million for the year ended March 31, 2023, primarily on account of increase in amortisation of notional hedge related cost on 3.575% solar green bonds.

Tax expense

Tax expense during the year ended March 31, 2024 was INR 934 million, as compared to tax expense of INR 706 million during the year ended March 31, 2023. During current year, deferred tax expense (net) has increased by INR 148 million on account of movement in the carrying amounts of certain assets and liabilities and their tax base. Further current tax expense has increased during the current year by INR 60 million primarily on account of increase in the book profits under various SPVs resulting increase in Minimum Alternate Tax and increase in the taxable income of the entities that are outside Tax holiday period.

Net profit after tax

Net profit after tax was INR 1,778 million for the year ended March 31, 2024, compared to net profit after tax of INR 2,011 million during the year ended March 31, 2023. The decrease in net profit was primarily due to increase in interest cost (net) on account of higher notional hedge related cost on 3.575% solar green bonds and increase in current tax expenses and increase in deferred tax expense (net).



Restricted Group-III**Results of operations – Special purpose combined financial statements for the year ended March 31, 2024**

(INR amount in millions, unless otherwise stated)

Cash Flow Discussion**Fiscal Year Ended March 31, 2024 Compared to Fiscal Year Ended March 31, 2023**

The following table reflects the changes in cash flows of the Restricted Group for fiscal years ended March 31, 2023 and 2024 derived from the Restricted Group financial statements prepared using recognition and measurement principles of Ind AS and the guidance note on Combined and Carve-out Financial Statements issued by the ICAI:

<u>Cash Flow Data</u>	For Fiscal Year Ended March 31,		
	2024	2023	Change
	INR	INR	INR
	(In millions)	(In millions)	(In millions)
Net cash flows from operating activities	5,479	5,078	401
Net cash flows used in investing activities	(258)	(424)	166
Net cash flows used in financing activities	(5,487)	(4,349)	(1,138)

Cash flows from operating activities

Cash generated from operating activities for the year ended March 31, 2024 increased to INR 5,479 million, as compared to INR 5,078 million during the year ended March 31, 2023, primarily on account of working capital changes by INR 902 million, offset by INR 355 million due to higher income tax paid in current year.

Cash flows used in investing activities

Cash used in investing activities for the year ended March 31, 2024 decreased to INR 258 million, as compared to INR 424 million during the year ended March 31, 2023, primarily on account of decrease in investment in bank deposits by INR 776 million, offset by increase in loan given (net of proceeds) by INR 648 million.

Cash flows used in financing activities

Cash used in financing activities for the year ended March 31, 2024 increased to INR 5,487 million, as compared to INR 4,349 million during the year ended March 31, 2023, primarily on account of increase in repayment of green bonds during the current year (including payment of transaction cost on consent solicitation).

Liquidity Position

As of March 31, 2024, Restricted Group had INR 2,333 million of cash, cash equivalents and other bank balances.

Combined Earnings before interest, tax, depreciation and amortisation (EBITDA)

Combined EBITDA of Restricted Group was INR 5,372 million for the year ended March 31, 2024, compared to INR 5,196 million during the year ended March 31, 2023. The increase in EBITDA was primarily due to decrease in allowance of doubtful trade receivables.

