Azure Power Restricted Group - II

Special Purpose

Combined Financial Statements

For the Year Ended
March 31, 2020

Restricted Group – II Special Purpose Combined Financial Statements as at March 31, 2020

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Building a better working world

To the Board of Directors of Azure Power Solar Energy Private Limited ("APSEPL")

Report on Special Purpose Combined Financial Statement of Restricted Group II

We have audited the accompanying special purpose combined financial statement of Restricted Group II which consist of Azure Power Solar Energy Private Limited ("the Company"), a wholly owned subsidiary of Azure Power Global Limited (the "Parent") and certain entities under common control of the Parent as listed in note 1 to the special purpose combined financial statement (collectively known as "the Restricted Group II"), which comprise the combined Balance Sheet as at March 31, 2020, the combined Statements of Profit and Loss including other comprehensive income, the combined Cash Flow Statements and the combined Statement of Changes in Equity for the year ended March 31, 2020 and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as "special purpose combined financial statement"). These special purpose combined financial statement have been prepared in accordance with the basis of preparation as set out in note 3 to the special purpose combined financial statement.

Management's Responsibility for the Special Purpose combined Financial Statements

The Company's Board of Directors is responsible for the preparation of these special purpose combined financial statement in accordance with the basis of preparation as set out in note 3 to the special purpose combined financial statement. This includes the design, implementation and maintenance of internal control relevant to the preparation of the special purpose combined financial statement that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these special purpose combined financial statement based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the special purpose combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose combined financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the management's preparation of the special purpose combined financial statement 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 internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the special purpose combined financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit Opinion on these special purpose combined financial statement.

Ernst & Young Associates LLP * Gurugram *

Opinion

In our opinion and to the best of our information and according to the explanations given to us, these special purpose combined financial statement as at and for the year ended March 31, 2020 are prepared in all material respects, in accordance with the basis of preparation described in Note 3 to these special purpose combined financial statement.

Emphasis of Matter

We draw attention to:

1. Note 2 and 3 of the accompanying special purpose combined financial statement, which describes that the Restricted Group II has not formed a separate legal group of entities during the year ended March 31, 2020, which also describes the basis of preparation, including the approach to and the purpose for preparing them. Consequently, the Restricted Group II's special purpose combined financial statement may not necessarily be indicative of the financial performances and financial position of the Restricted Group II that would have occurred if it had operated as a separate standalone group of entities during the periods presented. The special purpose combined financial statement 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 statement may not be suitable for any other purpose.

2. Note 4(v) of the accompanying special purpose combined financial statement which, describes the uncertainties related to COVID-19 and its consequential effects on the affairs of the Restricted group II.

Our Opinion is not modified in respect of above matters.

Other Matters

The comparative financial information of the Restricted Group II for the year ended March 31, 2019, included in these special purpose combined financial statement, were audited by the predecessor auditor who expressed an unmodified opinion on that financial information on September 06, 2019.

Ernst & Young Associates LLP
Gurugram

Ernst & Young Associates LLP
Place: Gurugram India

Date: June 29, 2020

Restricted Group - II
Special Purpose Combined Balance Sheet
(INR amount in millions, unless otherwise stated)

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	5	35,227	26,051
Right-of-use assets*		822	-
Capital work-in-progress	5	514	1,599
Financial assets	6		
- Investments	6.1	221	221
- Loans	6.2	6	70
- Other financial assets	6.3	814	256
Deferred tax assets (net)	18.2	225	180
Income tax assets (net)	7	9	8
Other non current assets	8	466	1,894
Total non current assets		**38,304**	**30,279**
Current assets			
Financial assets	9		
- Trade receivables	9.1	1,001	474
- Cash and cash equivalents	9.2	1,261	424
- Other bank balances	9.3	346	450
- Loans	9.4	46	46
- Other current financial assets	9.5	38	36
Other current assets	10	19	91
Total current assets		**2,711**	**1,521**
Total assets		**41,015**	**31,800**
Equity and liabilities			
Equity			
Equity share capital	11	73	73
Other equity		7,261	9,373
Total equity		**7,334**	**9,446**
Non-current liabilities			
Financial liabilities	12		
- Lease liabilities*		739	-
- Borrowings	12.1	26,513	8,944
- Other financial liabilities	12.2	4,013	-
Provisions	13.1	316	258
Deferred tax liabilities (net)	18.1	272	23
Other non current liabilities	14	389	247
Total non current liabilities		**32,242**	**9,472**
Current liabilities			
Financial liabilities	15		
- Lease liabilities*		68	-
- Borrowings	15.1	-	837
- Trade payables			
Outstanding dues to micro enterprises and small enterprises	15.2	1	-
Others	15.2	268	166
- Other current financial liabilities	15.3	1,040	11,843
Provisions	13.2	2	3
Current tax liabilities (Net)	16	2	-
Other current liabilities	17	58	33
Total current liabilities		**1,439**	**12,882**
Total liabilities		**33,681**	**22,354**
Total equity and liabilities		**41,015**	**31,800**

* The Restricted Group - II entities adopted Ind AS 116 effective April 01, 2019, refer note 4(e) and note 30.

Summary of significant accounting policies 4

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

As per our report of even date

For and on behalf of Restricted Group - II

Sd/-

For Ernst & Young Associates LLP

Place :
Date :

Sd/-
Muhammad Khalid Peyrye
Place :
Date :

Sd/-
Yung Oy Pin Lun Leung
Place :
Date :

Restricted Group - II
Special Purpose Combined Statement of Profit and Loss
(INR amount in millions, unless otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue			
Revenue from operations	19	3,544	1,323
Non-operating income	20.2	29	7
Total revenue (I)		**3,573**	**1,330**
Expenses			
Employee benefits expense	21	23	16
Other expenses	24	392	216
Total expenses (II)		**415**	**232**
Earnings before interest, tax, depreciation and amortisation (EBITDA) (I)-(II) (A)		**3,158**	**1,098**
Depreciation and amortisation expense- (B)	22	1,754	612
Interest income-(C)	20.1	39	32
Finance cost- (D)	23	2,614	911
Loss before tax (A-B+C-D)		**(1,171)**	**(393)**
Tax expense:			
Current tax expense	18	99	38
Deferred tax expense / (credit)	18	44	(165)
Total tax expense / (benefit)		**143**	**(127)**
Loss after tax		**(1,314)**	**(266)**
Other Comprehensive Income			
Items that will be reclassified to profit or loss			
Effective portion of cash flow hedge		1,069	-
Income tax effect		(160)	-
		909	-
Foreign currency translation reserve		(1,703)	(139)
Total other comprehensive income/(loss)		**(794)**	**(139)**
Total comprehensive income/(expense)		**(2,108)**	**(405)**
Summary of significant accounting policies	4		

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

As per our report of even date

For and on behalf of Restricted Group - II

Sd/-

For Ernst & Young Associates LLP

Place :
Date :

Sd/-	Sd/-
Muhammad Khalid Peyrye	Yung Oy Pin Lun Leung
Place :	Place :
Date :	Date :

Restricted Group - II
Special Purpose Combined Statement of Cash Flows
(INR amount in millions, unless otherwise stated)

	Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
A	**Cash flows from operating activities**			
	Loss before tax		**(1,171)**	**(393)**
	Adjustment to reconcile loss before tax to net cash flows			
	Depreciation expense		1,754	612
	Interest income		(39)	(32)
	Exchange difference (net)		(1)	-
	Net gain on sale of current investments		(16)	-
	Government grants related to assets		(4)	(2)
	Deferred viability gap funding income		(28)	(26)
	Provision for doubtful debts/advances		9	-
	Finance cost		2,614	911
	Operating profit before working capital changes		**3,118**	**1,070**
	Movements in working capital:			
	(Increase) in trade receivables		(536)	(188)
	Decrease in other financial assets		7	61
	Decrease/(Increase) in other current assets		21	(304)
	Increase in other current financial liabilities		61	78
	Increase in other current liabilities		25	11
	Increase in trade payables		105	121
	Increase in other non-current liabilities		174	244
	(Increase) in other non current assets		(19)	(9)
	(Decrease)/Increase in short-term provisions		(1)	3
	Increase in long-term provisions		1	1
	Cash generated from operations		**2,956**	**1,088**
	Income taxes paid (net of refunds)		(98)	(52)
	Net cash flow from operating activities	**(A)**	**2,858**	**1,036**
B	**Cash flows from/(used in) investing activities**			
	Purchase of property, plant and equipment (including capital work in progress, capital advances and capital creditors)		(10,851)	(13,258)
	Security deposit		64	(152)
	Interest received		39	23
	Purchase of current investments		(2,921)	-
	Proceeds from sale/maturity of current investments		2,937	-
	Investment in non-current term deposits with banks		209	(432)
	Loan to holding/fellow subsidiary companies		(125)	(71)
	Proceeds from repayment of loan to holding/fellow subsidiary companies		125	40
	Net cash flows used in investing activities	**(B)**	**(10,523)**	**(13,850)**
C	**Cash flows from/(used in) financing activities**			
	Proceeds from issue of shares (including securities premium)		-	6,385
	Repayments of current borrowings from holding/fellow subsidiary companies		-	(4,078)
	Proceeds from current borrowings from holding/fellow subsidiary companies		-	2,887
	Proceeds from issuance of Senior notes (net of issuance costs)		24,400	-
	Proceeds from other non-current borrowings other than senior notes		8,968	8,782
	Repayments of non-current borrowings		(23,296)	(394)
	Payment of lease rent		(67)	-
	Anciliary cost paid on borrowings		(19)	(48)
	Prepayment charges on repayment of loan		(258)	-
	Finance cost paid		(1,157)	(976)
	Net cash flows from in financing activities	**(C)**	**8,571**	**12,558**
	Effect of exchange rate changes on cash and cash equivelants	**(D)**	**(69)**	**-**
	Net increase/(decrease) in cash and cash equivalents	**(A+B+C+D)**	**837**	**(256)**
	Cash and cash equivalents at the beginning of the year		424	680
	Cash and cash equivalents at the end of the year		**1,261**	**424**
	Components of cash and cash equivalents			
	Balances with schedule banks:			
	- On current accounts		153	372
	- Deposits with original maturity of less than 3 months		1,108	52
	Total cash and cash equivalents		**1,261**	**424**

(INR amount in millions, unless otherwise stated)

Change in liabilities arising from financing activities

Particulars	Opening balance as at April 01, 2019	Recognition on April 01, 2019 due to adoption of Ind AS 116	Cash flow (net)	Change in foreign exchange rate	Other changes*	Closing balance as at March 31, 2020
Non-current borrowings (including current maturities)	14,022	-	10,072	1,564	855	26,513
Current borrowings	837	-	-	-	(837)	-
Lease liabilities	-	782	(67)	-	92	807
Total liabilities from financing activities	**14,859**	**782**	**10,005**	**1,564**	**110**	**27,320**

Particulars	Opening balance as at April 01, 2018	Cash flow (net)	Change in foreign exchange rate	Other changes*	Closing balance as at March 31, 2019
Non-current borrowings (including current maturities)	5,680	8,388	167	(213)	14,022
Current borrowings	2,028	(1,191)	-	-	837
Total liabilities from financing activities	**7,708**	**7,197**	**167**	**(213)**	**14,859**

*Including adjustments of ancillary borrowing cost

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.

As per our report of even date

For and on behalf of Restricted Group - II

Sd/-

For Ernst & Young Associates LLP

Place :
Date :

Sd/-
Muhammad Khalid Peyrye
Place :
Date :

Sd/-
Yung Oy Pin Lun Leung
Place :
Date :

Restricted Group - II
Special Purpose Combined Statement of Changes in Equity
(INR amount in millions, unless otherwise stated)

(a) Equity share Capital: *

Shares (Aggregate of Restricted Group - II entities):	**Number of shares**	**Amount (In million)**
At April 01, 2018	**2,816,283**	**28**
Addition during the period	4,310,116	45
At March 31, 2019	**7,126,399**	**73**
Addition during the period	-	-
At March 31, 2020	**7,126,399**	**73**

* Equity share capital represents the aggregate amount of share capital of Restricted Group - II entities as at the respective year ends and does not necessarily represent legal share capital for the purpose of the Restricted Group - II.

(b) Other equity**

For the year ended March 31, 2020:

Particulars	Reserves and surplus		Items of other comprehensive income		Total equity
	Deficit in the combined statement of profit and loss	Securities premium reserve	Foreign currency translation reserve	Cash flow hedges (refer note 32)	
At April 01, 2019	(364)	9,876	(139)	-	9,373
Loss for the year	(1,314)	-	-	-	(1,314)
Other comprehensive income/(loss)	-	-	(1,703)	909	(794)
Cost of issue of NCCD/CCDs	-	(4)	-	-	(4)
At March 31, 2020	**(1,678)**	**9,872**	**(1,842)**	**909**	**7,261**

For the year ended March 31, 2019:

Particulars	Reserves and surplus		Items of other comprehensive income		Total equity
	Deficit in the combined statement of profit and loss	Securities premium reserve	Foreign currency translation reserve	Cash flow hedges (refer note 32)	
At April 01, 2018	(98)	3,537	-	-	3,439
Loss for the year	(266)	-	-	-	(266)
Other comprehensive loss	-	-	(139)	-	(139)
Securities premium on issue of equity shares during the period	-	6,339	-	-	6,339
At March 31, 2019	**(364)**	**9,876**	**(139)**	**-**	**9,373**

** Other equity represents the aggregate amount of other equity of Restricted Group - II entities as at the respective year ends.

As per our report of even date

For and on behalf of Restricted Group - II

Sd/-

For Ernst & Young Associates LLP

Place :
Date :

Sd/-

Muhammad Khalid Peyrye

Place :
Date :

Sd/-

Yung Oy Pin Lun Leung

Place :
Date :

(INR amount in millions, unless otherwise stated)

1. General Information

Azure Power Solar Energy Private Limited ("APSEPL" or "the Company") was incorporated on April 02, 2018 as a private company limited by shares incorporated under laws of Mauritius and a wholly-owned subsidiary of Azure Power Global Limited (the "Parent") and has its registered office at C/o. AAA Global Services Ltd., 1st Floor, The Exchange 18 Cybercity, Ebene, Mauritius.

The Parent and its subsidiaries (herein collectively referred to as the "Group" carry out business activities relating to generation of electricity through non-conventional renewable energy sources engaged in the ownership, maintenance and management of solar power plants and generation of solar energy based on long-term contracts (power purchase agreements or "PPA") with Indian government entities as well as other non-governmental energy distribution companies and commercial customers.

APSEPL and 10 Indian subsidiaries (as listed below) of Azure Power Global Limited (APGL) form part of "Restricted Group - II". During current year, the Company issued US$ Senior Notes to institutional investors and is listed on Singapore Exchange Securities Trading Limited (SGX-ST). APSEPL 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- II. Restricted entities are directly or indirectly under common control of the parent.

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

Entities	Principal Activity	Country of Incorporation	Date of Incorporation	% Held by Parent	
				March 31, 2020	March 31, 2019
Azure Power Solar Energy Private Limited	Debt financing	Mauritius	02-Apr-18	100%	100%
Azure Power Earth Private Limited	Generation of Solar power	India	09-Dec-14	99.99%	99.99%
Azure Power Makemake Private Limited	Generation of Solar power	India	03-Jan-15	99.99%	99.99%
Azure Power Mercury Private Limited	Generation of Solar power	India	10-Dec-14	99.99%	99.99%
Azure Power Uranus Private Limited	Generation of Solar power	India	05-Jan-15	99.99%	99.99%
Azure Power Venus Private Limited	Generation of Solar power	India	05-Jan-15	99.99%	99.99%
Azure Power Saturn Private Limited	Generation of Solar power	India	20-Dec-14	99.99%	99.99%
Azure Power Thirty Three Private Limited	Generation of Solar power	India	30-Apr-16	99.99%	99.99%
Azure Power Thirty Four Private Limited	Generation of Solar power	India	31-May-16	100%	99.99%
Azure Power Thirty Six Private Limited	Generation of Solar power	India	05-May-16	99.99%	99.99%
Azure Power Forty Four Private Limited	Generation of Solar power	India	01-Feb-17	99.99%	99.99%

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. These Special Purpose combined financial statements presented herein reflect the Restricted Group - II'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 – II to prepare Ind AS combined financial statements of the Restricted Group – II for the purpose of submission to the bond holders. The special purpose combined financial statements of the Restricted Group - II have been prepared in accordance with recognition and measurement principles laid down by the Indian Accounting Standards (Ind AS) and disclosures (except Ind AS – 33 on Earnings Per Share) prescribed under section 133 of the Companies Act, 2013, read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment Rules), 2016, issued thereunder and other accounting principles generally accepted in India and the guidance note on Combined and Carve-out Financial Statements issued by the Institute of Chartered Accountants of India (ICAI). Further for computation of depreciation, the Restricted Group - II entities based upon legal opinion have charged depreciation as per CERC regulations.

Management of the Company has prepared the Special Purpose Combined Financial Statements, which comprise the Combined Balance Sheet as at March 31, 2020, 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, 2020, 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 special purpose 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 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 losses are eliminated. All the inter group transactions are undertaken on Arms Lengths basis. There is no allocation of expenses within the Restricted Group - II. The information presented in the combined financial statements of the Restricted Group - II 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.

Share capital and reserves disclosed in the combined financial statements is not the legal capital and reserves of the Restricted Group - II 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 - II (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 - II that would have occurred if it had operated as a separate stand-alone Group of entities during the year presented or the Restricted Group - II's future performance.

The special purpose combined financial statements include the operation of entities in the Restricted Group - II, 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 Group and not included in the Restricted Group - II 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 - II's accounting policies.

4. Summary of significant accounting policies

a) Current versus non-current classification

The Restricted Group - II 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

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 - II 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 13.1 and 39 regarding significant accounting judgements, estimates and assumptions and provisions for further information about the recorded decommissioning provision.

(INR amount in millions, unless otherwise stated)

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 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

As per the legal view obtained by the Restricted Group - II, it is regulated under the Electricity Act, 2003; accordingly, as per the provision of section 129 of Companies Act 2013, depreciation has to be charged as per the rates notified by the CERC Regulation.

Depreciation on plant and machinery is provided using straight-line method at the rate of 5.28% - 7.00% per annum till the period of 12/13 years from the date of commencement of commercial operations as per the applicable CERC regulations.

After a period of twelve/thirteen years from the date of commencement of commercial operations, the remaining written down value at the end of the 12th/13th year from the date of commercial operations shall be depreciated over the balance useful life of the asset in the manner prescribed under applicable CERC Regulations[1].

Depreciation on other items of property, plant and equipment of Restricted Group - II is provided as per Part C of Schedule II of the Companies Act, 2013 except in following cases where expected useful life of the assets are different from the corresponding life prescribed as under and the Restricted Group - II 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, believes that this is the best estimate on the basis of actual realization.

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

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 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 property, plant and equipment that are not ready for use at the balance sheet date.

[1] CERC regulations prescribe estimated useful life of 25 years

e) Leases

Effective April 01, 2019, the Restricted Group- II has adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on the date of initial application i.e. April 01, 2019. The Restricted Group- II has applied the modified retrospective approach for transition to Ind AS 116 with right-of-use asset (ROU) recognised at an amount equal to the lease liability adjusted for any prepayments/accruals recognised in the balance sheet immediately before the date of initial application. Accordingly, comparative financial information as of March 31, 2019 has not been retrospectively adjusted and continues to be reported under Ind AS 17.

For contracts entered into, or changed, on or after April 01, 2019, at inception of a contract, the Restricted Group- II assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Restricted Group – II assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Restricted Group- II has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Restricted Group- II has the right to direct the use of the asset. The Restricted Group- II has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Restricted Group- II has the right to direct the use of the asset if either:
  - o the Restricted Group- II has the right to operate the asset; or
  - o the Restricted Group- II designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Restricted Group- II allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Where the respective companies under the Restricted Group- II are lessees

The Restricted Group- II recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate is used.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Restricted Group- II is reasonably certain to exercise, lease payments in an optional renewal period if the Restricted Group- II is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Restricted Group- II is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Restricted Group- II's estimate of the amount expected to be payable under a residual value guarantee, or if the Restricted Group- II changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Restricted Group- II presents right-of-use assets and lease liabilities as a separate line item on the face of the Balance Sheet.

The Restricted Group- II elected the transition practical expedients which allowed them (1) not to reassess whether existing contracts contain leases, (2) not to reassess initial direct costs associated with existing leases. The Restricted Group- II has elected to use the recognition exemptions for short-term and low value leases as per Ind AS 116.

Under Ind AS 17

In the comparative period, the determination of whether an arrangement is (or contains) a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was, or contains, a lease if fulfilment of the arrangement was dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Where the respective companies under the Restricted Group - II are lessees

A lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Restricted Group - II was classified as a finance lease.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised as finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Restricted Group - II's general policy (see note 4(f)) on the borrowing costs. Contingent rentals were recognised as expenses in the periods in which they were incurred.

A leased asset was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Restricted Group - II will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases, where the lessor effectively retained substantially all the risks and benefits of ownership of the leased item, were classified as operating leases. Operating lease payments were recognized as expense or income on a straight-line basis with reference to lease terms and other considerations except where-

(i) Another systematic basis was more representative of the time pattern of the benefit derived from the asset taken or given on lease.; or

(ii) The payments to the lessor were structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

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 costs 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 interest 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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Restricted Group - II 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 - II's trade receivables, unbilled revenue, other bank balances, security deposits etc.

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 - II recognizes interest income, impairment losses and reversals in the statement of profit and loss. 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 - II 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 - II’s balance sheet) when:

(a) The contractual rights to receive cash flows from the asset have expired, or
(b) The Restricted Group - II 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 - II has transferred substantially all the risks and rewards of the asset, or (b) the Restricted Group - II 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 - II 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 - II continues to recognize the asset to the extent of the Restricted Group - II’s continuing involvement in the asset. In that case, the Restricted Group - II 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 - II 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 - II could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Restricted Group - II 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 contract assets and bank balances
- Financial asset that are debt instruments and are measured as at FVTOCI
- 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 - II follows ‘simplified approach’ for recognition of impairment loss allowance for trade receivables and contract assets.

The application of simplified approach does not require the Restricted Group - II 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 - II determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, twelve 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 twelve 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 - II 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 - II 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) recognized during the period is recognized as income/ expense 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 - II does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Restricted Group - II 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 appropriate.

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

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

Subsequent measurement

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

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 the statement 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

The Restricted Group - II 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 - II senior management determines change in the business model as a result of external or internal changes which are significant to the Restricted Group - II's operation. Such changes are evident to external parties. A change in the business model occurs when the Restricted Group - II either or ceases to perform an activity that is significant to its operations. If the Restricted Group - II 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 - II does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

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 amortized cost and fair value is recognised in the 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.

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.

Derivative financial instruments and hedge accounting

In the normal course of business, the Restricted Group – II 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 - II'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 profit or loss except for effective portion of cash flow hedges.

Contracts designated as Cash Flow Hedge

At the inception of a hedge relationship, the Restricted Group- II formally designates and documents the hedge relationship to which the Restricted Group- II wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Restricted Group- II'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- II 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 the 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 the statement of profit and loss along with the corresponding transaction gains and losses on the items being economically hedged. The Restricted Group- II 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- II's U.S. dollar denominated borrowings. The Restricted Group- II 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.

h) 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 - II expects to be entitled in exchange for those goods or services. The Restricted Group - II 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.

Sale of power

Revenue from sale of power is recognized when persuasive evidence of an arrangement exists, the fee is fixed or 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 - II are validated by the customer prior to billing and recognition of revenue.

The Restricted Group- II 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).

Viability Gap Funding (VGF)

The Restricted Group - II 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 sale of power 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.

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 - II 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 and loss.

Rebates

In some Power Purchase Agreements (PPAs), the Restricted Group - II provide rebates in invoice if payment is made before the due date. Rebates are offset against amounts 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 the right to consideration in exchange for goods or services transferred to the customer. If the entities forming part of Restricted Group - II perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, 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 - II have 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 - II transfer 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 - II perform under the contract.

Trade receivables

A receivable represents the right of entities forming part of Restricted Group - II 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.

i) Government Grants

Grants from the government are recognised at the fair value where there is a reasonable assurance that the grant will be received and the group will comply all with all attached conditions.

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

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

j) Foreign currencies

The functional currency of APSEPL is the United States Dollar (“US$”) and presentation currency for special purpose combined financial statement of Restricted Group - II is Indian rupees (“INR”). The Restricted Group - II entities which are having operations in India, use INR as the functional currency. The financial statements of APSEPL 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 - II operates and is normally the currency in which the respective entity under the Restricted Group - II 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 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).

k) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Restricted Group- II has no obligation, other than the contribution payable to the provident fund. The Restricted Group- II 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.

The Restricted Group- II 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- II 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- II recognizes termination benefit as a liability and an expense when the Restricted Group- II 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- II 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

l) Income taxes

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

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 - II. 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 Restricted Group - II operates and generates taxable income.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date and includes any adjustment to tax payable in respect of previous years.

Deferred Tax

Subject to exceptions below, 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:

- deferred income tax is not recognised on the initial recognition 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 and liabilities are measured at the tax rates applicable on Restricted Group - II 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.

The carrying amount of deferred tax assets (including MAT credit available) of Restricted Group - II 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

Deferred tax assets and liabilities of respective entities under Restricted Group - II 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 - II 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 Restricted Group - II 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 - II 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 - II.

m) Segment reporting

An operating segment is a component of the Restricted Group - II 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 - II 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 - II entities mainly involve sale of electricity. Considering the nature of Restricted Group - II 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.

n) Provisions

General

Provisions are recognized when the Restricted Group - II 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 - II 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 and 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 a PPA or, if later, the expiration of the lease agreement for solar power plants located on leasehold land, the Restricted Group - II is required to remove the solar power plant and restore the land. The Restricted Group - II 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.

o) Impairment of non-financial assets

The Restricted Group - II assesses, at each reporting date, 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 - II 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.

The Restricted Group - II 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 - II 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.

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 - II 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.

p) 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 - II 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 - II does not recognize a contingent liability but discloses its existence in the financial statements.

q) 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 - II.

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 - II 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 - II 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.

For the purpose of fair value disclosures, the Restricted Group - II 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 35 and 36.

r) 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.

s) Events occurring after the balance sheet date

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

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

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

t) Measurement of EBITDA

The Restricted Group - II 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 - II measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Restricted Group - II does not include interest income, depreciation, finance cost and tax expense.

u) Changes in accounting policy and disclosures – New and amended standards

i) Impact of Ind AS 116 "Leases"

The Restricted Group – II applied Ind AS 116, Leases for the first time with effect from April 01, 2019 using modified retrospective approach on all lease contracts existing on the date of initial application.

Under modified retrospective approach for transition to Ind AS 116, the Restricted Group – II recognised right-of-use asset (ROU) at an amount equal to the lease liability, adjusted for any prepayments/accruals recognised in the balance sheet immediately before the date of initial application.

For contracts entered into, or changed, on or after April 01, 2019, the Restricted Group – II assessed at the inception of contract whether it contained a lease. A contract contained a lease, if it conveyed the right to control the use of an identified asset for a period of time in exchange for consideration.

The adoption of new accounting standard resulted in recognition of ROU asset of INR 839 million and lease liabilities of INR 782 million and derecognition of prepayments of INR 57 million. The Restricted Group -II has recognised the finance cost of INR 66 million and depreciation of INR 30 million on such assets and has paid lease rent of INR 67 million during the year. The comparative information continues to be reported under Ind AS 17, Leases and related interpretations. The disclosure requirements in Ind AS 116 have not been applied on the comparative information. Refer Note 30 (lease note) for complete disclosure and impact on adoption.

ii) Impact of Taxation Laws (Amendment) Ordinance, 2019

Pursuant to the introduction of Section 115BAA of the Indian Income Tax Act, 1961 by the Taxation Laws (Amendment) Ordinance, 2019 which is effective April 01, 2019, companies in India have the option to pay corporate income tax at the rate of 22% plus applicable surcharge and cess as against the earlier rate of 30% plus applicable surcharge and cess, subject to certain conditions like, the company has to forego all benefits like tax holidays, brought forward losses generated through tax incentives/additional depreciation and outstanding MAT credit. Considering all the provisions under Section 115BAA and based on the expected timing of exercising of the option under Section 115BAA, the Restricted Group - II has re-measured its deferred tax balances which lead to reduction in deferred tax assets and liabilities recognised till March 31, 2019 by INR 12.12 million and INR 1.10 million, respectively, in the current year financial statements. This requires assumptions regarding future profitability, which is inherently uncertain. To the extent assumptions regarding future profitability change, there can be increase or decrease in the amounts recognised.

iii) Other Amendments

A number of other minor amendments to existing standards also became effective on April 01, 2019 and have been adopted by the Restricted Group - II. The adoption of these new accounting pronouncements did not have a significant impact on the accounting policies, method of computation or presentation applied by the Restricted Group - II.

iv) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Restricted Group -II's financial statements are not expected to have a significant impact on the Restricted Group – II's financial statements. The Restricted Group – II has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

v) COVID Note

The Restricted Group – II has considered internal and external information in the preparation of Special purpose combined financial statements including the economic outlook and believes that it has taken into account the possible impact of currently known events arising out of the COVID-19 pandemic. The entities within the Restricted Group – II has received Force Majeure notices from various power distribution companies ("DISCOMs") stating their inability to perform their obligations under the terms of the PPA due to COVID-19. However, the Ministry of New and Renewable Energy ("MNRE") had sent a directive to all state DISCOMs to reiterate that all renewable energy facilities in India have been granted "must run" status and this status of "must run" remains unchanged. As such, the force majeure notices from the DISCOMs have no legal effect. The power plants have remained operational as electricity generation is designated as an essential service in India. Based on the current collection experience, the Restricted Group – II has not seen a material impact on accounts receivables collections due to COVID-19. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Restricted Group – II will continue to monitor any material changes to future economic conditions.

The impact of COVID-19 may impact the underlying assumptions and estimates used to prepare the Restricted Group's financial statements, which may differ from that considered as at the date of approval of these financial statements

(INR amount in millions, unless otherwise stated)

5. Property, plant and equipment

	Freehold land	Plant and machinery	Vehicles	Computers	Office equipment	Building	Capital work in progress	Total
Gross block								
At April 01, 2018	**465**	**3,229**	**-**	**-**	**-**	**129**	**7,292**	**11,115**
Additions*	166	21,762	2	1	-	1,255	17,326	40,512
Disposals/Adjustments	-	41	-	-	-	-	23,019	23,060
At March 31, 2019	**631**	**24,950**	**2**	**1**	**-**	**1,384**	**1,599**	**28,567**
Additions*	36	10,241	9	-	3	613	9,805	20,707
Disposals/Adjustments	-	2	-	-	-	-	10,890	10,892
At March 31, 2020	**667**	**35,189**	**11**	**1**	**3**	**1,997**	**514**	**38,382**
Depreciation/ Amortisation								
At April 01, 2018	**-**	**295**	**-**	**-**	**-**	**10**	**-**	**305**
Charge for the year	-	588	-	-	-	24	-	612
Disposals/Adjustments	-	-	-	-	-	-	-	-
At March 31, 2019	**-**	**883**	**-**	**-**	**-**	**34**	**-**	**917**
Charge for the year	-	1,650	2	-	-	72	-	1,724
Disposals/Adjustments	-	-	-	-	-	-	-	-
At March 31, 2020	**-**	**2,533**	**2**	**-**	**-**	**106**	**-**	**2,641**
Net Block								
At March 31, 2020	**667**	**32,656**	**9**	**1**	**3**	**1,891**	**514**	**35,741**
At March 31, 2019	**631**	**24,067**	**2**	**1**	**-**	**1,350**	**1,599**	**27,650**

* Addition during the year includes expenditure during construction period (refer note 34)

Property, plant and equipment are pledged as collateral against borrowing, the details related to which described in Note 12 on borrowings.

(INR amount in millions, unless otherwise stated)

Particulars		As at March 31, 2020	As at March 31, 2019
6. Non-current financial assets			
6.1 Investments			
Investments (at cost)			
83,513 compulsorily convertible debentures 0.0% (March 31, 2019: 83,513) in Azure Power Thirty Seven Private Limited		221	221
Investment in equity share of fellow subsidiary #		-	-
Total		**221**	**221**

During the year ended March 31, 2020, one of the entities of the Restricted Group - II, namely Azure Power Solar Energy Private Limited, acquired 1 equity share of its fellow subsidiary Azure Power India Private Limited (“AZI”) from its holding company Azure Power Global Limited ("APGL") for consideration of INR 0.006 million. The carrying value of the investment as at March 31, 2020 was INR 0.006 million.

6.2 Loans			
(Unsecured, considered good)			
Carried at amortised cost			
Security deposits		-	65
Performance bank guarantee receivable		6	5
Total	**(A)**	**6**	**70**
6.3 Other financial assets			
Carried at amortised cost			
Term deposits *		140	245
Interest accrued on term deposits		2	11
Carried at fair value through OCI			
Derivative assets ## (refer note 12.1 and 32)		672	-
Total	**(B)**	**814**	**256**
Total non-current financial assets	**(A+B)**	**820**	**326**

This relates to US$ Senior Notes.

Azure Power Earth Private Limited
***Indusind Bank**
Balance of INR 8 million as at March 31, 2020 (March 31, 2019: INR Nil). Represents an amount to be used for operational commitments

Azure Power Makemake Private Limited
***Axis Bank**
Balance of Nil as at March 31, 2020 (March 31, 2019: INR 10 million) Represents amount to be used for treating as Debt-Service Reserve account

Azure Power Uranus Private Limited
***Axis Bank**
Balance of INR Nil as at March 31, 2020 (March 31, 2019: INR 36 million) Represents amount to be used for treating as Debt-Service Reserve account

Azure Power Venus Private Limited
***Indusind Bank**
Balance of INR 109 million as at March 31, 2020 (March 31, 2019: INR Nil) Represents an amount of margin against Letter of credit.
Balance of INR Nil as at March 31, 2020 (March 31, 2019: INR 101 million) Represents amount to be used for treating as Debt-Service Reserve account

Azure Power Saturn Private Limited
***Indusind Bank**
Balance of Nil as at March 31, 2020 (March 31, 2019: INR 15 million) Represents amount to be used for treating as Debt-Service Reserve account

***CBI Bank**
Balance of INR 0.2 million as at March 31, 2020 (March 31, 2019: INR 0.2 million) Represents an amount of bank gaurantee against indirect taxes.

Azure Power Thirty Six Private Limited
***Axis Bank**
Balance of Nil as at March 31, 2020 (March 31, 2019: INR 32 million) Represents amount to be used for treating as Debt-Service Reserve account

(INR amount in millions, unless otherwise stated)

Particulars	**As at March 31, 2020**	**As at March 31, 2019**
7. Income tax assets (net)		
Advance income-tax (net of provision for tax)	9	8
Total	**9**	**8**
8. Other non-current assets		
(Unsecured, considered good)		
Capital advances to related parties (refer note 26)	203	1,637
Capital advances to others	10	-
Deferred financing cost	-	8
Prepaid assets	253	249
Total	**466**	**1,894**
9. Current financial assets		
(Carried at amortised cost, unless stated otherwise)		
9.1 Trade receivables		
Trade receivables	1,001	474
Total	**1,001**	**474**
Break-up for trade receivables		
Unsecured, considered good	1,001	474
Trade receivable – credit impaired	9	-
Total	**1,010**	**474**
Impairment allowance (allowance for bad and doubtful receivables)		
Trade Receivables - credit impaired	9	-
Total	**1,001**	**474**
9.2 Cash and cash equivalents		
Balances with banks:		
- On current accounts	153	372
- Deposits with original maturity of less than 3 months	1,108	52
Total	**1,261**	**424**
9.3 Other bank balances		
- Deposits with original maturity for more than 3 months but remaining maturity of less than 12 months	346	450
Total	**346**	**450**
9.4 Loans		
(Unsecured, considered good)		
Loans to fellow subsidiary (refer note 26)	46	46
Total	**46**	**46**
9.5 Other current financial assets		
Carried at amortised cost		
Interest accrued on term deposits	13	8
Interest accrued on loans and advances to fellow subsidiary (refer note 26)	8	4
Receivable from fellow subsidiary (refer note 26)	4	2
Receivable from holding company (refer note 26)	13	8
Viability gap funding receivable	-	14
Total	**38**	**36**
10. Other current assets		
Prepaid assets	15	42
Advance to vendors	3	36
Deferred financing cost	-	13
Other advances	1	-
Total	**19**	**91**

(INR amount in millions, unless otherwise stated)

11. Equity share capital*

Particulars	As at March 31, 2020	As at March 31, 2019
Issued, subscribed and fully paid-up share capital (Aggregate of Restricted Group - II entities):	73	73
Total	**73**	**73**

* Equity share capital represents the aggregate amount of the share capital of Restricted Group - II entities as at the respective year ends and does not necessarily represent legal share capital for the purpose of the Restricted Group - II.

a) Terms/ rights attached to shares

The respective Restricted group - II's 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 entitiled 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.

b) Details of shareholders holdings more than 5% shares- Refer note 1

(INR amount in millions, unless otherwise stated)

Particulars	As at March 31, 2020	As at March 31, 2019
12. Non-current financial liabilities		
12.1 Non-current borrowings		
At amortised cost		
Term loans (secured)		
- From banks (refer note 15.3)*	-	623
- From financial institutions (refer note 15.3)**	-	8,321
Bond (secured)		
- 5.65% Senior Notes***	25,982	-
Loans from related parties (Unsecured)		
Loans from holding company (refer note 26)	405	-
Loans from fellow subsidiary (refer note 26)	126	-
Total	**26,513**	**8,944**

Term loans (secured)

Particulars	Terms of repayment and security
a) Azure Power MakeMake Private Limited	
****PTC India Financial Services Limited (PFS)** (Refinance from L&T** and United Bank of India*)	The loan was secured by exclusive charge on the immovable properties and hypothecation on all the movable fixed assets both present and future. Further the loan was guaranteed by the corporate guarantee of Azure Power India Private Limited, the holding company.
Interest Rate- L&T PLR less 4.9% and L&T PLR less 4.5% for L&T and United Bank of India respectively	Repayable in 72 quarterly instalments starting from October 01, 2016 and ending on July 01, 2034. Net carrying amount as on March 31, 2019 was INR 263 million for United Bank of lndia and lNR 1,145 million for L&T. The loan has been repaid during the year.
b) Azure Power Uranus Private Limited	
****PTC India Financial Services Limited (PFS)**	The loan was secured by exclusive charge on the immovable properties and hypothecation on all the movable fixed assets both present and future.
Interest Rate- PFS Reference Rate less 3.75%	Repayable in 63 quarterly instalments starting allowing the tentative commercial operation date and mortarium period and ending on July 01, 2033. Net carrying amount as on March 31, 2019 was INR 339 million. The loan has been repaid during the year.
c) Azure Power Venus Private Limited	
****Indian Renewable Energy Development Agency Limited (IREDA)**	The loan was secured by exclusive charge on the immovable properties and hypothecation on all the movable fixed assets both present and future.
Interest Rate - for Grade III borrower as per credit risk rating system of IREDA	Repayable in 60 quarterly instalments starting from September 2018 and ending on June 2033. Net carrying amount as on March 31, 2019 was INR 1,470 million. The loan has been repaid during the year.
d) Azure Power Saturn Private Limited	
***lndusind Bank**	The loan was secured by exclusive charge on the immovable properties and hypothecation on all the movable fixed assets both present and future.
Interest Rate - MCLR plus 1.45%	Repayable in 55 quarterly instalments starting allowing the tentative commercial operation date and moratarium period and ending on December 31, 2031. As of March 31, 2019, the entity had unused commitments for above long-term financing arrangements amounting to INR 42 million for solar power projects. Net carrying amount as on March 31, 2019 was INR 389 million. The loan has been repaid during the year.
e) Azure Power Thirty Six Private Limited	
**PTC India Financial Services Limited (PFS) (Refinance from Tata Cleantech Capital Limited (TCCL) **)	The loan was secured by exclusive charge on the immovable properties and hypothecation on all the movable fixed assets both present and future.
Interest Rate - PFS Reference Rate plus 3.25% for PFS and TCCL Prime Lending Rate less 4.9% for TCCL	Repayable in 65 quarterly instalments starting from October 2018 and ending on October 2034. Net carrying amount as on March 31, 2019 was INR 2,092 million. The loan has been repaid during the year.

(INR amount in millions, unless otherwise stated)

f) Azure Power Earth Private Limited

**L&T Finance Limited	The purpose of loan was for financing 100 MW solar power project The borrowing was collateralized by the underlying solar power project assets. As of March 31, 2019, the entity had unused commitments for above financing arrangements amounting to INR 350 million for solar power projects.
Interest Rate- L&T PLR less 4.65%	Repayable within two years from the date of drawdown. Net carrying amount as on March 31, 2019 was INR 3,489 million. The loan has been repaid during the year.

g) Azure Power Solar Energy Private Limited

*****5.65% Senior Notes**	During the year ended March 31, 2020, Azure Power Solar Energy Private Limited ('APSEPL') issued 5.65% Senior Notes ("5.65% Senior Notes" or "Green Bonds") and raised INR 24,400 million net of discount of INR 7 million at 0.03% and issuance expense of INR 397 million. The discount on issuance of the Green Bonds and 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 senior notes. The Green Bonds are listed on the Singapore Exchange Securities Trading Limited (SGX-ST).
Interest Rate- 5.65%	In accordance with the terms of the issue, the proceeds were used for repayment of project level loans. The interest on the 5.65% Senior Notes are payable on a semi-annual basis and the principal amount is payable in December 2024. As of March 31, 2020, the net carrying value of the senior notes was INR 25,982 millions. The Parent Company has guaranteed the principal and interest repayments to the investors and the guarantee shall become ineffective on meeting certain financial covenants. The senior notes are secured fixed charge by APGL over the capital stock of APSEPL. (refer note 6.3 – Derivative assets)

Particulars	As at March 31, 2020	As at March 31, 2019
12.2 Other non-current financial liabilities		
Carried at amortised cost		
Interest accrued and not due on borrowings from fellow subsidiary company (refer note 26)	40	-
Interest accrued and not due on borrowings from holding company (refer note 26)	58	-
Payable to fellow subsidiary companies (refer note 26)	6	-
Payable for purchase of capital goods to related parties (refer note 26)	3,909	-
Total	**4,013**	**-**

13. Provisions

13.1 Non-current		
Provision for gratuity	2	1
Provision for decommissioining liabilities #	314	257
Total	**316**	**258**

Provision has been recognised for decommissioning costs associated with solar power plants being constructed on leasehold lands. The respective entities under Restricted Group - II 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 decommissioining liabilities		
Opening balance	257	128
Addition during the year	47	123
Reversals during the year	(7)	-
Accretion during the year	17	6
Closing Balance	**314**	**257**

13.2 Current		
Provision for compensated absences	2	3
Total	**2**	**3**

(INR amount in millions, unless otherwise stated)

Particulars	As at March 31, 2020	As at March 31, 2019
14. Other non-current liabilities		
Deferred viability gap funding income	303	188
Deferred Government grant	86	59
Total	**389**	**247**
15. Current financial liabilities		
(Carried at amortised cost)		
15.1 Current borrowings		
Unsecured		
Loans from holding company (refer note 26)	-	563
Loans from fellow subsidiary (refer note 26)	-	274
Total	**-**	**837**
15.2 Trade payables		
- Total outstanding dues of micro enterprises and small enterprises (refer note 29)	1	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	188	158
Trade payables to related parties (refer note 26)	80	8
Total	**269**	**166**
15.3 Other current financial liabilities		
Other financial liabilities at amortised cost		
Current maturities of non-current borrowings (refer note 12.1)*	-	5,078
Interest accrued but not due borrowings	775	67
Interest accrued and not due on borrowings from fellow subsidiary company (refer note 26)	-	19
Interest accrued and not due on borrowings from holding company (refer note 26)	-	48
Contractually reimbursable expenes to holding company (refer note 26)	182	127
Payable for purchase of capital goods to related parties (refer note 26)	-	6,504
Payable for purchase of capital goods to others	83	-
Total	**1,040**	**11,843**

* During the previous year, current maturities of non-current borrowings included loan taken by APSEPL from Export Development Canada on below terms:

Particulars	Terms of repayment and security
Export Development Canada (EDC)	During June 2018, the Company entered into an agreement which was secured by exclusive charge on the immovable properties and hypothecation on all the movable fixed assets of Azure Power Thirty Three Private Limited (project company) and borrowed INR 4,675 million net of issuance expenses of INR 36 million. The loan was repayable within 18 months from the date of the facility. In accordance with the terms of the facility, the proceeds were used for lNR denominated external commercial borrowing provided to project company. The interest on the facility is payable on a semi-annual basis and the principal amount was payable in December 2019.
Interest Rate - LIBOR plus 1.5% (semi-annual basis)	Net carrying amount as on March 31, 2019 was INR 4,835 million. The loan has been repaid during the year.

Particulars	As at March 31, 2020	As at March 31, 2019
16. Current tax liabilities (Net)		
Provision for income tax	2	-
Total	**2**	**-**
17. Other current liabilities		
Statutory dues	23	31
Deferred viability gap funding income	29	-
Deferred government grant	5	2
Others	1	-
Total	**58**	**33**

(INR amount in millions, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
18.1 Deferred tax liabilities (net)		
Deferred tax liability	272	23
Total	**272**	**23**
18.2 Deferred tax assets		
Deferred tax asset	225	180
Total	**225**	**180**

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

	As at April 1, 2018	Provided during the year	As at March 31, 2019	Provided during the year	As at March 31, 2020
Deferred tax liability:					
Difference between tax depreciation and depreciation charged for financial reporting	43	329	372	2,765	3,137
Gross deferred tax liability (A)	**43**	**329**	**372**	**2,765**	**3,137**
Deferred tax asets:					
Unabsorbed depreciation and brought forward losses	16	378	394	2,646	3,040
Impact of deferred revenue	10	59	69	38	107
Impact of asset retirement obligation	6	50	56	24	80
MAT credit entitlement	3	6	9	2	11
Other temporary differences	-	1	1	11	12
Gross deferred tax assets (B)	**35**	**494**	**529**	**2,721**	**3,250**
Deferred Tax asset / (liability) (Net) (A - B)	**(8)**	**165**	**157**	**(44)**	**113**
Deferred tax liability recognised in Other Comprehensive Income	-	-	-	(160)	(160)
Deferred tax asset/(liability) (net) after OCI	**(8)**	**165**	**157**	**(204)**	**(47)**

Azure Power Solar Energy Private Limited is incorporated in Mauritius having applicable income tax rate of 15%. However, the 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.

	For the year ended March 31, 2020	For the year ended March 31, 2019
Accounting profit before income tax	**(1,171)**	**(393)**
Applicable statutory income tax rate	25.17%	29.12%
Tax at applicable tax rate	**(295)**	**(114)**
Tax effect of expenses that are not deductible in determining taxable profit:		
Peramanent difference disallowed under income tax Act	449	4
Carry forward losses reversing in the tax holiday	(180)	10
Difference in written down value not considered for deferred tax purposes	129	(1)
Trued up impact of previous year	4	(5)
Tax Effect of ASEPL Mauritius entity	54	(28)
Decapitalisation of interest cost from property, plant and equipment	18	7
Impact of different income tax rates	(11)	-
	463	**(13)**
Change in effective rate of tax	(25)	-
Total	**143**	**(127)**
Component of tax expenses		
Current tax expense	99	38
Deferred tax expense	44	(165)
Total tax expense	**143**	**(127)**

(INR amount in millions, unless otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
19. Revenue from operations		
Revenue from contracts with customers		
Sale of power	3,512	1,295
Other operating revenues		
Viability gap funding income	28	26
Government grants related to assets	4	2
Total	**3,544**	**1,323**
20. Other income		
20.1 Interest income on financial assets measured at amortised cost:		
- Term deposits	34	28
- Loan to holding/fellow subsidiary (refer note 26)	5	4
Total	**39**	**32**
20.2 Non operating income		
Exchange difference (net)	1	-
Net gain on sale of investments measured at FVTPL	16	-
Miscellaneous income	12	7
Total	**29**	**7**
21. Employee benefits expense		
Salaries, wages and bonus	21	15
Contribution to provident and other funds	1	1
Gratuity expense	1	-
Total	**23**	**16**
22. Depreciation expense		
Depreciation of tangible assets	1,724	612
Depreciation of right-of-use assets (refer note 30)	30	-
Total	**1,754**	**612**
23. Finance cost		
Interest expenses on financial liabilities measured at amortised cost:		
-Term loans	861	860
-5.65% Senior Notes*	1,137	-
-Loan from holding/fellow subsidiary (refer note 26)	161	45
-Lease liabilities (refer note 30)	66	-
Prepayment charges**	258	-
Other finance costs	131	6
Total	**2,614**	**911**

*Including amortisation of hedging cost of INR 373 million (March 31, 2019: INR Nil)
**Includes charges for prepayment of existing loans post issuance of 5.65% Senior Notes.

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
24. Other expenses		
Guest house expenses	2	-
Rent (refer note 30)	9	15
Rates and taxes	97	33
Insurance	23	9
Repair and maintenance		
-Plant and machinery	49	5
-Other repairs	15	-
Travelling and conveyance	6	1
Legal and professional fees	30	51
Payment to auditor	8	4
Operation and maintenance fees (refer note 26 and 33)	65	82
Management fees (refer note 26 and 33)	34	-
Provision for doubtful debts (refer note 37)	9	-
Security charges	30	3
Miscellaneous expenses	15	13
Total	**392**	**216**
Payment to auditor:		
As auditor:		
Audit fee*	8	4
Total	**8**	**4**

*Including taxes thereon and out of pocket expenses of INR 0.19 million for the year ended March 31, 2020 (INR 0.17 million for the year ended March 31, 2019).

25. Earning per share
The 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.

(INR amount in millions, unless otherwise stated)

26. Related party disclosures:

Related parties where control exists:

Parent Company:	Azure Power Global Limited (w.e.f July 22, 2015)
Holding company of Restricted Group - II entities:	
Azure Power Solar Energy Private Limited	Azure Power Global Limited
Azure Power Earth Private Limited	Azure Power India Private Limited
Azure Power Makemake Private Limited	Azure Power India Private Limited
Azure Power Mercury Private Limited	Azure Power India Private Limited
Azure Power Uranus Private Limited	Azure Power India Private Limited
Azure Power Venus Private Limited	Azure Power India Private Limited
Azure Power Saturn Private Limited	Azure Power India Private Limited
Azure Power Thirty Three Private Limited	Azure Power India Private Limited
Azure Power Thirty Four Private Limited	Azure Power India Private Limited
Azure Power Thirty Six Private Limited	Azure Power India Private Limited
Azure Power Forty Four Private Limited	Azure Power India Private Limited
Key managerial personnel:	Mr. Surendra Kumar Gupta (Director till June 20, 2019)
	Mr. Preet Mohinder Sandhu (Director)
	Mr. Sanjeev Bhatia (Director)
	Mr. Pawan K Agarwal (Appointed additional director w.e.f. June 21, 2019 till March 11, 2020)
	Ms. Shalini Nagar (Appointed additional director w.e.f. March 15, 2019 till November 12, 2019)
	Mr. Samitla Subba (Appointed additional director w.e.f. March 11, 2020)
	Mr. Srinagesh Ramabhotla (Appointed additional director w.e.f. November 13, 2019)
	Mr. Kapil Sharma (Appointed additional director w.e.f. October 25, 2018)

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

Holding company of 10 Indian entities of Restricted Group - II:	Azure Power India Private Limited
Fellow subsidiary company:	Azure Solar Solutions Private Limited
	Azure Power (Haryana) Private Limited
	Azure Sun Energy Private Limited
	Azure Power Urja Private Limited
	Azure Power Infrastructure Private Limited
	Azure Power Pluto Private Limited
	Azure Power Forty One Private Limited
	Azure Power Forty Three Private Limited
	Azure Power Rooftop Private Limited
	Azure Photovoltaic Private Limited
	Azure Sunshine Private Limited
	Azure Power Thirty Seven Private Limited
	Azure Sunrise Private Limited

(INR amount in millions, unless otherwise stated)

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 period ended March 31, 2020	For the period ended March 31, 2019	For the period ended March 31, 2020	For the period ended March 31, 2019
a). Expenditure incurred on behalf of Restricted Group by				
Azure Power India Private Limited	293	438	-	-
Azure Power Urja Private Limited	-	-	-	4
b). Share capital issued (including securities premium)				
Azure Power India Private Limited	-	6,382	-	-
Azure Power Global Limited	-	2	-	-
c). Purchase of capital goods				
Azure Power India Private Limited	8,449	14,805	-	-
Azure Power Rooftop Private Limited	-	-	4	-
d). Operation and maintenance services received (including GST)				
Azure Power India Private Limited	65	82	-	-
e). Management services received (including GST)				
Azure Power India Private Limited	34	-	-	-
f). Advance given to holding company				
Azure Power India Private Limited	1,016	4,898	-	-
g). Loan given				
Azure Power India Private Limited	125	-	-	-
Azure Power Forty One Private Limited	-	-	-	41
Azure Sun Energy Private Limited	-	-	-	30
i). Repayment of loan given				
Azure Power India Private Limited	125	-	-	-
Azure Power Forty One Private Limited	-	-	-	40
j). Interest income from loan				
Azure Power India Private Limited	1	-	-	-
Azure Solar Solutions Private Limited	-	-	1	2
Azure Power Forty One Private Limited	-	-	-	1
Azure Sun Energy Private Limited	-	-	3	3
k). Borrowings taken				
Azure Power India Private Limited	3,817	2,524	-	-
Azure Photovoltaic Private Limited	-	-	60	-
Azure Sunshine Private Limited	-	-	110	-
Azure Power (Haryana) Private Limited	-	-	-	10
Azure Power Infrastructure Private Limited	-	-	-	136
Azure Power Pluto Private Limited	-	-	-	199
Azure Solar Solutions Private Limited	-	-	-	2
Azure Power Rooftop Private Limited	-	-	-	15
l) Repayment of borrowings				
Azure Power India Private Limited	3,975	3,989	-	-
Azure Solar Solutions Private Limited	-	-	2	-
Azure Photovoltaic Private Limited	-	-	60	-
Azure Sunshine Private Limited	-	-	110	-
Azure Power (Haryana) Private Limited	-	-	-	10
Azure Power Infrastructure Private Limited	-	-	81	15
Azure Power Pluto Private Limited	-	-	65	64
m). Interest expense				
Azure Power India Private Limited	222	175	-	-
Azure Power Infrastructure Private Limited	-	-	9	10
Azure Power Pluto Private Limited	-	-	8	11
Azure Photovoltaic Private Limited	-	-	2	-
Azure Power Rooftop Private Limited	-	-	2	1
Azure Sunshine Private Limited	-	-	3	-
n). Transfer of liabilities related to employee benefits to Restricted Group				
Azure Power India Private Limited	2	-	-	-
o). Transfer of liabilities related to employee benefits from Restricted Group				
Azure Power India Private Limited	-	-	1	-
p). Guarantee given by holding company on our behalf				
Azure Power Global Limited	25,982	-	-	-

(INR amount in millions, unless otherwise stated)

2. Balances outstanding at the end of the year

Nature of transaction	Holding company		Fellow subsidiary company	
	As on March 31, 2020	As on March 31, 2019	As on March 31, 2020	As on March 31, 2019
a). Receivable				
Azure Power India Private Limited	216	1,645	-	-
Azure Power Rooftop Private Limited	-	-	2	2
Azure Sunrise Private Limited	-	-	1	-
Azure Power Forty Three Private Limited	-	-	1	-
b). Payables				
Azure Power India Private Limited	262	135	-	-
Azure Power Rooftop Private Limited	-	-	4	-
Azure Power Forty Three Private Limited	-	-	1	-
Azure Power Forty One Private Limited	-	-	1	-
c). Payable for purchase of capital goods				
Azure Power India Private Limited	3,909	6,504	-	-
d). Borrowings				
Azure Power India Private Limited	405	563	-	-
Azure Power Infrastructure Private Limited	-	-	40	121
Azure Power Pluto Private Limited	-	-	71	136
Azure Solar Solutions Private Limited	-	-	-	2
Azure Power Rooftop Private Limited	-	-	15	15
e). Interest payable				
Azure Power India Private Limited	58	48	-	-
Azure Power (Haryana) Private Limited	-	-	-	-
Azure Power Infrastructure Private Limited	-	-	17	9
Azure Power Pluto Private Limited	-	-	16	9
Azure Power Rooftop Private Limited	-	-	2	1
Azure Photovoltaic Private Limited	-	-	2	-
Azure Sunshine Private Limited	-	-	3	-
f). Loans given				
Azure Solar Solutions Private Limited	-	-	15	15
Azure Power Forty One Private Limited	-	-	1	1
Azure Sun Energy Private Limited	-	-	30	30
g). Interest income receivable on loan given				
Azure Solar Solutions Private Limited	-	-	3	2
Azure Sun Energy Private Limited	-	-	5	2
g). Outstanding guarantee given by holding company on our behalf				
Azure Power India Private Limited	-	6,059	-	-
Azure Power Global Limited	25,982	-	-	-
h). Investment in associate company				
Azure Power Thirty Seven Private Limited	-	-	221	221

Note:
Terms and conditions of transactions with related parties:
- The transactions with related parties are made on terms equivalent to those that prevail in ann'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 10% - 11% p.a. and are repayable/receivable in accordance with the terms of the respective agreement.
- Loans from holding company/fellow subsidiary and payable for purchase of capital goods to related parties are non-current pursuant to the restrictions under the bond indenture of senior notes and will be settled post maturity of such senior notes.

- There has been no transaction with Key managerial personnel during the year ended March 21, 2020 and March 31, 2019.
- Refer note 9.4, 12. l and 15.1 for loan taken from and provided to the holding company/fellow subsidiaries.

(INR amount in millions, unless otherwise stated)

27. Segment information

The Restricted Group - II 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 - II entities' principal operations, revenue and decision making functions are located in India and there are no revenue and non-current assets outside India.

Particulars	Revenue from external customers	Revenue from external customers
	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from operations		
Gujarat Urja Vikas Nigam Limited	1,296	284
Solar Energy Corporation of India Limited	660	528
Punjab State Corporation Limited	299	303
NTPC Limited	641	35
Maharashtra State Electricity Distribution Company Limited	429	-
Delhi Metro Rail Corporation Limited	71	56
Ordinance Factory	61	63
Others	87	54
Total	**3,544**	**1,323**

B. Revenue from major products and services

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of power	3,512	1,295
Total	**3,512**	**1,295**

28. Contract balances

The following table provides information about trade receivables, contract assets, and deferred revenue from customers as at March 31, 2020 and March 31, 2019.

Particulars	As at March 31, 2020	As at March 31, 2019
Current assets		
Trade receivables	1,001	474

(INR amount in millions, unless otherwise stated)

29. 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 - II entities from the available information, which has been relied upon by the auditors. According to such identification, the disclosures in respect to Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 is as follows:

Particulars	For the period ended March 31, 2020	For the period ended March 31, 2019
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	1	-
Principal amount due to micro and small enterprises	1	-
Interest due on above	-	-
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	-	-
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	-	-

(INR amount in millions, unless otherwise stated)

30. Leases

Restricted Group - II entities as lessee:

Land leases:

The entities in Restricted Group - II leases land for construction of solar power plants. These leases typically run for 25 to 35 years which is further extendable on mutual agreement by both lessor and lessee.

Information about the leases for which the Restricted Group - II entities are lessee is presented below:

Right-of-use assets:

Particulars	**For the year ended March 31, 2020**
Opening balance as at April 01, 2019*	839
Additions during the year	17
Depreciation during the year#	(34)
Closing balance as at March 31, 2020	**822**

#including capitalisation of INR 4 million during the year

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, 2020**
Opening balance as at April 01, 2019*	782
Additions during the year	17
Accretion of interest##	75
Payments	(67)
Closing balance as at March 31, 2020	**807**

##including capitalisation of INR 9 million during the year

Particulars	**As at March 31, 2020**	**As at April 01, 2019***
Current	68	64
Non-current	739	718
Total	**807**	**782**

* As at date of initial application of Ind AS 116

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

Particulars	**Amount**
Depreciation of right-of-use assets	30
Interest on lease liabilities	66
Expenses relating to short-term leases	9
Total	**105**

Below is the amount recognised by the Restricted Group - II entities in the statement of cash flows:

Particulars	**Amount**
Total cash outflow for leases	67

Extension options:

Land leases contain extension options exercisable by the entities in Restricted Group - II before the end of the non-cancellable contract period. Where practicable, the Restricted Group - II 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 - II entities assesse at lease commencement whether it is reasonably certain to exercise the extension options. The Restricted Group - II 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.

Impact of adoption of Ind AS 116:

Effective April 01, 2019, the entities in Restricted Group - II adopted Ind AS 116 “Leases” and applied the standard to all lease contracts existing on April 01, 2019 using the modified retrospective method. Accordingly, comparative information has not been restated and continues to be reported under Ind AS 17.

The Restricted Group - II entities recorded the lease liability at the present value of the remaining lease payments discounted at the incremental borrowing rate at the date of initial application and the right of use asset at an amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
4. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
5. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

(INR amount in millions, unless otherwise stated)

The adoption of new accounting standard resulted in recognition of ROU of INR 839 million through recognition of lease liability of INR 782 million and reclassification of prepayments of INR 57 million on April 01, 2019.

The incremental borrowing rate for Restricted Group - II is 10% per annum. The restricted group has applied the portfolio approach to determine the incremental borrowing rate as per the new accounting standard.

The table below provides explanation of difference between operating lease commitments disclosed applying Ind AS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate and lease liabilities recognised in the balance sheet at the date of initial application:

Particulars	**Amount**
Operating lease commitments disclosed as at March 31, 2019	2,325
Discounted using the lessee's incremental borrowing rate of at April 01, 2019	782
Lease liability recognised as at April 01, 2019	**782**
Current lease liabilities	64
Non-current lease liabilities	718

Disclosure as per Ind AS 17, Leases for the year ended March 31, 2019:
Operating lease: Restricted Group - II entities as lessee

Particulars	**As at March 31, 2019**
Within one year	65
After one year but not more than 5 years	277
More than 5 years	1,982
Total	**2,325**

31. Commitments and contingencies

a) Commitments

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

Name of Authority	**Agreement date**	**Rate**	**Period**
Punjab State Corporation Limited	31-Mar-15	7.33 kw/h	25 Years
Punjab State Corporation Limited	31-Mar-15	7.19 kw/h	25 Years
Ordnance Factory, Bhandra	3-May-16	5.50 kw/h	25 Years
Ordnance Factory, Ambajhari	8-May-16	5.31 kw/h	25 Years
Solar Energy Corporation of India Limited	21-Oct-16	4.43 kw/h	25 Years
Delhi Metro Rail Corporation Limited	19-Apr-16	5.55 kw/h	25 Years
Solar Energy Corporation of India Limited	26-Sep-16	4.43 kw/h	25 Years
Gujarat Urja Vikas Nigam Limited	24-Oct-17	2.67/kwh	25 Years
Ahmedabad Division, Western Railway, a part of Indian Railway	17-Apr-17	4.64/kwh	25 Years
Agra Division, North Central Railway, a part of Indian Railway	13-Apr-17	4.58/kwh	25 Years
Allahabad Division, North Central Railway, a part of Indian Railway	13-Apr-17	4.58/kwh	25 Years
Bhavnagar Division, Western Railway, a part of Indian Railway	17-Apr-17	4.64/kwh	25 Years
Rail Spring Karkhana Sithouli Gwalior, North Central Railway, a part of Indian Railway	13-Apr-17	4.58/kwh	25 Years
Jhansi Division, North Central Railway, a part of Indian Railway	13-Apr-17	4.58/kwh	25 Years
Jhansi Workshop, North Central Railway, a part of Indian Railway	13-Apr-17	4.58/kwh	25 Years
North Western Railway, a part of Indian Railway	13-Apr-17	4.98/kwh	25 Years
Rajkot Division, Western Railway, a part of Indian Railway	13-Apr-17	4.64/kwh	25 Years
Ratlam Division, Western Railway, a part of Indian Railway	18-Apr-17	4.64/kwh	25 Years
Vadodara Division, Western Railway, a part of Indian Railway	17-Apr-17	4.64/kwh	25 Years
Mumbai Central Division, Western Railway, a part of Indian Railway	13-Apr-17	4.64/kwh	25 Years
The Green Energy Development Corporataion of Odisha Limited	30-Jul-16	5.69/kwh	25 Years
Bangalore Electricity Supply Company Limited	20-Apr-18	2.93/kwh	25 Years
Hubli Electricity Supply Company Limited	20-Apr-18	2.93/kwh	25 Years
Maharashtra State Electricity Distribution Company Limited	30-Jul-18	2.72/kwh	25 Years

b) Contingent Liabilities:

i) Pending litigations:

The Restricted Group - II does not have any pending litigations which would impact its financial position.

(INR amount in millions, unless otherwise stated)

32. Hedging activities and derivatives

Contracts designated as Cash flow hedges

During the year ended March 31, 2020, the Company hedged the foreign currency exposure risk related to certain investments in Restricted Group - II 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, 2020.

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 - II determined the cost of hedge at the time of inception of the contract was INR 4,064 million and recorded an expense of INR 373 million and INR Nil during the year ended March 31, 2020 and March 31, 2019 respectively.

The following table presents outstanding notional amount and balance sheet location information related to foreign exchange derivative contracts as of March 31, 2019 and March 31, 2020:

	Foreign currency option contracts	
	As at March 31, 2020	**As at March 31, 2019**
Notional Amount (US$ denominated)	350	-
Non-current – Other financial assets (INR)	672	-

33. Operation and Maintenance

Till November 30, 2019, the operations of the 7 Indian entities in the Restricted Group – II, including operations and maintenance of the solar plant are managed by the employees of the Parent Company for which cost was charged by the Parent company on the basis of mutually agreed rates as per the operation and maintenance agreement entered by the 7 Indian entities of the Restricted Group - II with the Parent Company.
Further, the operations of the rest 3 Indian entities in the Restricted Group – II, including operations and maintenance of the solar plant are managed by the respective entities.

Effective December 01, 2019, certain employees have been transferred from parent Company to the Restricted Group - II entities and the operational and maintenance activities are carried out in-house by these entities. Also, the Parent Company is providing certain services to Restricted Group entities in exchange of management fees (refer note 24).

(INR amount in millions, unless otherwise stated)

34. Capitalization of expenditure

During the year, the Restricted Group - II has capitalized the following expenses of revenue nature to the capital work-in-progress (CWIP)/property, plant and equipment. Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the respective companies under Restricted Group - II.

Particulars	March 31, 2020	March 31, 2019
Project development expenses	22	69
Travelling and conveyance	3	-
Insurance expenses	3	-
Finance cost	192	622
Land development	-	419
Legal expenses	18	-
Bank charges	-	235
Lease rent	12	104
Salary	7	-
Other expense	10	78
Interest income	-	(46)
Total	**267**	**1,481**

(INR amount in millions, unless otherwise stated)

35. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Restricted Group - II's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Particulars	Carrying value		Fair value	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Financial assets at amortised cost				
Non-current security deposits	-	65	-	65
Performance bank guarantee receivable	6	5	6	5
Non-current term deposits (including interest accrued)	142	256	142	256
Financial assets at fair value				
Derivative instruments at fair value through OCI*	672	-	672	-
Total	**820**	**326**	**820**	**326**
Financial liabilities at amortised cost				
Term loans from banks - in foreign currency loans**	-	4,835	-	4,835
Term loans from banks/financial institutions - in Indian currency***	-	9,187	-	9,187
5.65% Senior Notes **	25,982	-	22,726	-
Total	**25,982**	**14,022**	**22,726**	**14,022**

The management assessed that cash and cash equivalents, term deposits, interest accrued on term deposits, other bank balances, trade receivables, unbilled revenue, viability gap funding receivable (VGF), loan to related parties, 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 - II 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 - II uses 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 - II 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 31 March 2020 was assessed to be insignificant.

*** Fair value of long-term loan having floating rate of interest approximate the carrying amount of those loans as there was no significant change in the Restricted Group - II's own credit risk during the previous year.

(INR amount in millions, unless otherwise stated)

36. Fair value hierarchy

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

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2020:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets at amortised cost				
Performance bank guarantee receivable	6	-	6	-
Non-current term deposits (including interest accrued)	142	-	142	-
Financial assets at fair value				
Derivative instruments at fair value through OCI	672	-	672	-

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

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2019:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets at amortised cost				
Non-current security deposits	65	-	65	-
Performance bank guarantee receivable	5	-	5	-
Non-current term deposits (including interest accrued)	256	-	256	-

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

Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2020:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial liabilities at amortised cost				
5.65% Senior Notes	22,726	-	22,726	-

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

Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2019:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial liabilities at amortised cost				
Term loans from banks - in foreign currency loans	4,835	-	4,835	-
Term loans from banks/financial institutions - in Indian currency	9,187	-	9,187	-

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

The management assessed that 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, short term borrowings, interest accrued, payable for fixed assets, trade payables and security deposits paid approximate their carrying amounts largely due to the short-term maturities of these instruments.

(INR amount in millions, unless otherwise stated)

37. Financial risk management objectives and policies

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

The Restricted Group - II is exposed to market risk, credit risk and liquidity risk. The Restricted Group - II's senior management oversees the management of these risks. The Board of Directors 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 three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include loans and borrowings, deposits, investment in mutual funds.

The sensitivity analyses in the following sections relate to the position as at March 31, 2020 and 31 March 31, 2019.

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 - II's exposure to the risk of changes in market interest rates relates primarily to the Restricted Group - II's long-term debt obligations with floating interest rates.

Financial instruments comprise of 5.65% 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 - II's financial instruments as at March 31, 2020 to interest rate risk is as follows:

As at March 31, 2020	Floating rate financial instruments	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	-	1,640	2,093	3,733
Financial liabilities	-	26,789	5,853	32,642

The exposure of the Restricted Group - II's financial instruments as at March 31, 2019 to interest rate risk is as follows:

As at March 31, 2019	Floating rate financial instruments	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	-	793	1,184	1,977
Financial liabilities	14,022	837	6,931	21,790

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Restricted Group - II's loss before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points		March 31, 2020		March 31, 2019
Effect on profit before tax (in INR)	+/(-)50	(-)/+	-	(-)/+	70

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment. Though there is exposure on account of Interest rate movement as shown above but the Restricted Group - II minimises the foreign currency (US dollar) interest rate exposure through derivatives.

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 - II is exposed to foreign currency risk arising from changes in foreign exchange rates on foreign currency loan. The Restricted Group - II entities enter 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, 2020 and March 31, 2019:

	March 31, 2020	March 31,
Borrowings		
- Foreign currency loan from financial institutions (including interest accrued)	-	4,902
- 5.65% Senior Notes (including interest accrued)	26,757	-

* Including interest accrued but not due on borrowings of INR 775 million (March 31, 2019: INR 67 million).

Foreign currency sensitivity

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

	Change in USD rate		March 31, 2020		March 31, 2019
Effect on profit before tax (in INR)	+/(-)5%	(-)/+	1,338	(-)/+	245

As the Restricted Group - II entities have 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.

(INR amount in millions, unless otherwise stated)

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 - II is 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.

Trade receivables

Customer credit risk is managed on the basis of Restricted Group - II's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. The Restricted Group - II evaluates the concentration of risk with respect to trade receivable as high. However, since the trade receivables mainly comprise of state utilities/government entities, the Restricted Group - II does not foresee any credit risk attached to receivables from such state utilities/government entities. The Restricted Group - II 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, 2020	For the year ended March 31, 2019
Opening balance	-	-
Changes in allowance for expected credit loss:		
Additional provision (net) towards credit impaired receivables	9	-
Writen off during the year	-	-
Closing balance	**9**	**-**

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 - II 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 - II 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 - II 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.

Non-current borrowings of Restricted Group - II includes INR 25,982 million of senior notes which may be subject to refinancing risk, when they becomes due, as market conditions may not be possible to refinance the bonds at all or to refinance the bonds on favorable terms. In addition, hedges taken on these bonds are covered from INR 70.9/USD to INR 93.0/US$, which may expose Restricted Group - II to additional hedging costs in the future. Furthermore, the recent rating downgrade of India by Moody's, a first in over two decades, as well as a negative outlook for India, may in future make global access to funds difficult.

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

	Less than 1 year	1 to 5 years	> 5 years	Total
As at March 31, 2020				
Lease liabilities	71	298	1,945	2,314
Non-current borrowings*	1,110	32,444	-	33,554
Trade payables	269	-	-	269
Other financial liabilities	1,040	-	-	1,040
	2,490	**32,742**	**1,945**	**37,177**
As at March 31, 2019				
Borrowings*	6,027	7,204	7,299	20,530
Trade payables	166	-	-	166
Other financial liabilities	6,765	-	-	6,765
	12,958	**7,204**	**7,299**	**27,461**

*Including interest on non-current borrowings

(INR amount in millions, unless otherwise stated)

38. Capital management

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

The respective entity of Restricted Group - II manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the respective entity may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The respective entity monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Restricted Group - II includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

Particulars	**As at March 31, 2020**	**As at March 31, 2019**
Borrowings*	26,513	14,859
Trade payables & other current financial liabilities**	1,309	6,931
Less: Cash and cash equivalents***	(1,607)	(874)
Net debts	**26,215**	**20,916**
Equity	**7,334**	**9,446**
Total Capital	**7,334**	**9,446**
Capital and net debt	**33,549**	**30,362**
Gearing ratio（%)	**78.14%**	**68.89%**

* The Restricted Group - II has adjusted the Inter Group Borrowings to/from holding and fellow subsidiary in borrowings.
** The Restricted Group - II has trade receivables of INR 1,001 million as at March 31, 2020 (March 31, 2019: INR 474 million).
*** This includes other bank balances, which the Restricted Group - II has invested in term deposits.

In order to achieve this overall objective, the Restricted Group - II entities' capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current year.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2020 and March 31, 2019.

39. Significant accounting judgements, estimates and assumptions

The preparation of the Restricted Group - II 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 - II 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 sale of power 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.

(ii) Classification of leases:

The Restricted Group - II 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 - II uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Restricted Group - II 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 Restricted Group - II is reasonably certain not to exercise that option. In assessing whether the Restricted Group - II 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 Restricted Group - II to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Restricted Group - II 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.

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 - II 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 - II. Such changes are reflected in the assumptions when they occur.

(i) 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 - II 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 - II 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 - II 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 - II 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.

(ii) Taxes

Projects of Restricted Group - II 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 - II generates power ("Tax Holiday Period"), however, the exemption is only available to the projects completed on or before March 31, 2017. The Restricted Group - II 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 - II generates power and when it has taxable income. Accordingly, its current operations are taxable at the normally applicable tax rates. Due to the Tax Holiday Period, a substantial portion of the temporary differences between the book and tax basis of the Restricted Group - II's assets and liabilities do not have any tax consequences as they are expected to reverse within the Tax Holiday Period. Refer Note 18 for further details.

(iii) 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 Discounted Cash Flow (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.

(iv) Provision for decommissioning

The Restricted Group - II 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, 2020: INR 314 million (March 31, 2019: INR 257 million) . The Restricted Group - II estimates that the costs would be realised in 25 years' time 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 0.35 million to INR 0.55 million (March 31, 2019: INR 0.35 million to INR 0.55 million)

► Discount rate – 6.9% (March 31, 2019: 9.0%)

(v) Depreciation on property, plant and equipment

As per the legal view obtained by the Restricted Group - II, it is regulated under the Electricity Act, 2003 accordingly as per the provision to section 129 of Companies Act, 2013, deprecation has to be charged as per the rates notified by the CERC Regulation.

Depreciation on other fixed assets of the Restricted Group - II is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The management has re-estimated useful lives and residual values of all its property, plant and equipment. The management 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, believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment, though these rates in certain cases are different from lives prescribed under Schedule II of the Companies Act, 2013. Refer Note 4 (c) and 22 for further details.

(vi) Hedging activities and derivatives

The Company has issued 5.65% Senior Notes in September 2019, 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 - II 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 4(v)).

(vii) 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 DCF model. The cash flows are derived from the budget for the next remaining useful life of the projects Restricted Group - II 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.

40. Events after the reporting period

In response to the COVID-19 outbreak, the Restricted Group - II implemented a number of initiatives to ensure business continuity, including ensuring the safety and health of its employees. The situation of the COVID-19 outbreak is still evolving and the Restricted Group - II is closely monitoring its impact on its business. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Restricted Group - II will continue to monitor any material changes to future economic conditions.

41. Reclassfication

For the purpose of these special purpose combined financial statements, figures of audited individual financial statements of entities forming part of the Restricted Group - II have been regrouped /reclassified where necessary.

As per our report of even date

Sd/-

For Ernst & Young Associates LLP

Place :
Date :

For and on behalf of Restricted Group - II

Sd/-	Sd/-
Muhammad Khalid Peyrye	Yung Oy Pin Lun Leung
Place :	Place :
Date :	Date :

Year ended March 31, 2020 Special Purpose Combined Financial Results:

Operating Results

Revenue from Operations

Revenue from operations for the Restricted Group - II during the period ended March 31, 2020 increased to INR 3,544 million from INR 1,323 million compared to the year ended March 31, 2019. The increase in revenue is primarily on account of Gujarat 2, Karnataka 4.1 and 4.2 projects, Andhra Pradesh 3, which commenced operation during the last twelve months period ended March 31, 2019 and contributed incremental operating revenue of INR 1,012 million, INR 607 million and INR 86 million respectively. Further, Maharashtra 3 project which commenced operations during the current year contributed incremental operating revenue of INR 429 million.

Total operating Expenses

Total operating expenses for the Restricted Group - II during the period ended March 31, 2020 increased by INR 183 million, to INR 415 million compared to the year ended March 31, 2019. The increase was primarily due to mainly plant maintenance cost related to projects commissioned since April 2018.

Depreciation

Depreciation and amortization expenses for the Restricted Group - II during the period ended March 31, 2020 increased by INR 1,142 million, to INR 1,754 million, as compared to the year ended March 31, 2019. The primary reasons for the increase in depreciation is primarily on account of Gujarat 2, Karnataka 4.1 and 4.2 projects, Andhra Pradesh 3, which commenced operation during the last twelve months period ended March 31, 2019 and contributed incremental depreciation of INR 581 million, INR 293 million and INR 25 million respectively. Further, Maharashtra 3 project which commenced operations during the current year resulted incremental depreciation of INR 192 million.

Finance Cost

Finance cost for the Restricted Group - II for the period ended March 31, 2020, increased by INR 1,703 million, to INR 2,614 million, as compared to the period ended March 31, 2019. The increase in finance cost was primarily on account of INR 1,137 million for Green bonds issued during the current year, INR 258 million due to prepayment charges of existing loans post issuance of Green Bonds and INR 114 million relating to interest on delayed payment of statutory dues.

Income Tax Expense

Income tax expense for the Restricted Group - II during the twelve months year ended March 31, 2020 was at INR 143 million, as compared to income tax benefit of INR 127 million during the twelve months year ended March 31, 2019. Income tax expense increased primarily on account of taxable profits generated by operational projects and Withholding Tax on interest on Restricted Group – II debt.

Net profit / Loss after tax

Net loss after tax was INR 1,314 million for the year ended March 31, 2020, compared loss after tax of INR 266 million during the year ended March 31, 2019. The increase in loss in current year was primarily due to the increase in finance cost, operating expenses, depreciation and tax expense and offset by increase in revenue from operations, as compared to last year.

Cash Flow Discussion

Fiscal Year Ended March 31, 2020 Compared to Fiscal Year Ended March 31, 2019

The following table reflects the changes in cash flows of the Restricted Group - II for fiscal years ended March 31, 2019 and 2020 derived from the Restricted Group - II 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:

	For Fiscal Year Ended March 31,		
Cash Flow Data	**2020**	**2019**	**Change**
	INR	**INR**	**INR**
	(In millions)	**(In millions)**	**(In millions)**
Net cash flow from operating activities	2,858	1,036	1,822
Net cash flow used in investing activities	(10,523)	(13,850)	3,327
Net cash flow from financing activities	8,571	12,558	(3,987)

Operating Activities

During the fiscal year ended March 31, 2020, the Restricted Group - II generated net cash flow from operating activities amounting to INR 2,858 million, as compared to INR 1,036 million during the year ended March 31, 2019. The cash generated from operating activities before working capital changes during the fiscal year ended March 31, 2020, amounted to INR 3,118 million as compared to INR 1,070 million during the year ended March 31, 2019 due to commissioning of operational projects since April 2018.

Investing Activities

Cash utilized from investing activities for the year ended March 31, 2020 was INR 10,523 million, as compared cash used in investing activities of INR 13,850 million during the year ended March 31, 2019, primarily due to settlements of inter-corporate deposits/ current investments. Further purchase/ payments related to purchases of property, plant and equipment for projects was INR 10,851 million during the year ended March 31, 2020 as compared to INR 13,258 million during the year ended March 31, 2019.

Financing Activities

Cash generated from financing activities was INR 8,571 million for the year ended March 31, 2020, as compared to cash generated from financing activities of INR 12,558 million during the year ended March 31, 2019. This is primarily due to higher proceeds from raising of equity, long term borrowings and inter Corporate loans as compared to current year.

Liquidity Position

As of March 31, 2020, Restricted Group - II had INR 1,607 million of cash, cash equivalents and other bank balances.

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

Combined EBITDA of Restricted Group - II was INR 3,158 million for the year ended March 31, 2020, compared to INR 1,098 million during the year ended March 31, 2019. The increase in EBITDA was primarily due to the increase in operating revenue from projects commissioned since April 2018