

INDEPENDENT AUDITOR'S REPORT

Report on Special Purpose Combined Financial statements of Restricted Group

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

Qualified Opinion

We have audited the special purpose combined financial statements of Restricted Group which consist of Azure Power Solar Energy Private Limited ("the Company"), a wholly owned subsidiary of Azure Power Global Limited ("the Parent") and certain identified entities under the common control of the Parent as listed in Note no. 1 to the special purpose combined financial statements (collectively known as "the Restricted Group-II" or "the RG-II"), which comprise the combined Balance Sheet as at March 31, 2023, 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, 2023 and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as "special purpose combined financial statements"). These special purpose combined financial statements have been prepared in accordance with the basis of preparation as set out in Note no. 3 to the special purpose combined financial statements.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of other auditor, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the special purpose combined financial statements of the Restricted Group-II for the year ended March 31, 2023 are prepared in all material respects, in accordance with the basis of preparation described in Note no. 3 to these special purpose combined financial statements.

Basis for Qualified Opinion

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

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

As a result of above:

- a) based on the review exercise of significant projects with respect to land aggregator costs, the management has written off INR 137.63 million on an estimate basis as a prudent measure during the previous year ended March 31, 2022.
- b) the Restricted Group functions within a shared control environment, and there are identified design deficiencies noted in some of the key controls in significant areas. These deficiencies constitute material weaknesses.



- c) the Group has voluntarily disclosed certain matters to the U.S. Securities and Exchange Commission and the U.S. Department of Justice. Engagement and cooperation with the aforesaid authorities is continuing those matters.

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

The above matters were subject matter of qualification in the predecessor auditor's report on special purpose combined financial statements.

2. Refer Note no. 44 to the accompanying special purpose combined financial statements, which describes the matters relating to non-compliances with certain provisions of the Companies Act, 2013 ("the Act") with respect to the adoption of the annual audited standalone financial statements of several entities of RG-II for the year ended March 31, 2023 and March 31, 2022, before the shareholders in the Annual General Meeting within the stipulated time as prescribed under Section 96 of the Act. Hence, the several entities of RG-II has also not complied with the provisions of Section 137 of the Act relating to the filing of entities standalone financial statements with the Registrar of Companies ("ROC") and with Section 92 relating to the filing of annual returns. The consequential impact of the said non-compliance, including the liability for penal charges, if any, and the consequential impact under other applicable laws and regulations is presently not ascertainable. Accordingly, we are unable to comment on the same.

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

Emphasis of Matters

We draw attention to the Note no. 2 and 3 of the accompanying special purpose combined financial statements, which describes that the RG-II has not formed a separate legal group of entities during the year ended March 31, 2023, which also describes the basis of preparation, including the approach to and the purpose for preparing them. Consequently, the Restricted Group's special purpose combined financial statements may not necessarily be indicative of the financial performances and financial position of the RG-II that would have been presented has consolidated financial statements been prepared for the RG-II. The special purpose combined financial statements has been prepared solely to comply with financial reporting requirements under the indenture governing the Senior Notes. As a result, the special purpose combined financial statements may not be suitable for any other purpose.

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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

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

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

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

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

Other Matters

- a) We did not audit the financial statements of three entities forming part of these special purpose combined financial statements, whose financial statements reflect total assets of INR 1,656.27 million, total revenues of INR 150.96 million and total loss after tax of INR 133.00 million, as considered in the special purpose combined financial statements. The financial statements and other information have been audited by other auditors whose reports have been furnished to us by the Management and our conclusion on the special purpose combined financial statements, in so far as it relates to the amounts and disclosures included in respect of these entities are based on the reports of the other auditors.



- b) The special purpose combined financial statements of the Restricted Group-II for the year ended March 31, 2022 were audited by another auditor, whose report dated November 10, 2023 expressed a modified opinion on those statements related to matters mentioned above in the paragraphs of Basis for qualified opinion.

Our opinion is not modified in respect of these matters.

For **ASA & Associates LLP**

Chartered Accountants

Firm Registration No: 009571N/N500006


K Nithyananda Kamath
Partner

Membership No. 027972



UDIN: 24027972BKCRGH3289

Place: Kochi, India

Date: April 15, 2024

Restricted Group - II**Special purpose combined balance sheet for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

Particulars	Notes	As at March 31, 2023	As at March 31, 2022
Assets			
Non-current assets			
Property, plant and equipment	5	31,107	31,976
Right-of-use assets	30	1,039	1,071
Capital work-in-progress	5	11	145
Financial assets	6		
- Investments	6.1	221	221
- Trade receivables	6.2	143	151
- Loans	6.3	1,212	1,062
- Other financial assets	6.4	6,289	1,229
Deferred tax assets (net)	18.2	310	298
Income tax assets (net)	7A	52	26
Other non-current assets	7B	66	70
Total non-current assets		40,450	36,249
Current assets			
Inventories	8	1	-
Financial assets	9		
- Trade receivables	9.1	1,100	1,443
- Cash and cash equivalents	9.2	355	661
- Other bank balances	9.3	174	1,719
- Loans	9.4	935	30
- Other financial assets	9.5	183	225
Other current assets	10	59	56
Total current assets		2,812	4,134
Total assets		43,262	40,383
Equity and liabilities			
Equity			
Equity share capital	11.1	73	73
Other equity	11.2	3,438	4,941
Total equity		3,511	5,014
Non-current liabilities			
Financial liabilities	12		
- Borrowings	12.1	32,668	30,871
- Lease liabilities	30	833	735
- Other financial liabilities	12.2	898	735
Provisions	13.1	162	249
Other non-current liabilities	14	917	826
Deferred tax liabilities (net)	18.1	1,483	822
Total non-current liabilities		36,961	34,238
Current liabilities			
Financial liabilities	15		
- Borrowings	15.1	491	-
- Lease liabilities	30	72	70
- Trade payables			
Total outstanding dues of micro and small enterprises	15.2	7	2
Total outstanding dues of creditors other than micro and small enterprises	15.2	482	364
- Other financial liabilities	15.3	1,586	606
Current tax liabilities (net)	16	20	10
Other current liabilities	17	89	77
Provisions	13.2	43	2
Total current liabilities		2,790	1,131
Total liabilities		39,751	35,369
Total equity and liabilities		43,262	40,383
See accompanying notes to the financial statements	4-45		

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



For and on behalf of Restricted Group - II

Director
Place: Ebene, Mauritius
Date: 15 April 2024

Director
Place: Ebene Mauritius
Date: 15 April 2024

Restricted Group - II**Special purpose combined statement of profit and loss for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue			
Revenue from operations	19	4,450	5,000
Other income	20.2	215	99
Total revenue (I)		4,665	5,099
Expenses			
Employee benefits expense	21	29	30
Other expenses	24	772	938
Total expenses (II)		801	968
Earnings before interest, tax, depreciation and amortisation (EBITDA) (I)-(II) (A)		3,864	4,131
Depreciation and amortisation expense- (B)	22	1,085	1,094
Interest income-(C)	20.1	283	147
Finance cost- (D)	23	3,051	2,905
Profit before tax (A-B+C-D)		11	279
Tax expense:			
Current tax expense	18.3	196	179
Deferred tax charge	18.3	416	471
Total tax expense		612	650
Loss after tax		(601)	(371)
Other Comprehensive Income			
Items that will be reclassified to profit or loss			
Effective portion of cash flow hedge		1,555	251
Income tax effect	18.3	(233)	(38)
		1,322	213
Exchange differences in translating the financial statements of foreign operations		(2,225)	(806)
Items that will not be reclassified to profit or loss			
Re-measurement gains/(losses) on defined benefit plans	37	1	-
Income tax effect	18.3	-	-
Total other comprehensive expense		(902)	(593)
Total comprehensive expense		(1,503)	(964)

See accompanying notes to the financial statements

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

For and on behalf of Restricted Group - II

Director

Place: Ebene, Mauritius

Date: 15 April 2024

Director

Place: Ebene Mauritius

Date: 15 April 2024

Restricted Group - II
Special purpose combined statement of cash flows for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
A Cash flows from operating activities		
Profit before tax	11	279
Adjustment to reconcile loss before tax to net cash flows		
Depreciation and amortisation expense	1,085	1,094
Assets written off	48	167
Interest income	(283)	(137)
Loss on sale of property, plant and equipment (net)	22	1
Liabilities no longer required written back	(15)	(65)
Government grants related to assets	(8)	(15)
Deferred viability gap funding income	(29)	-
Interest income on performance bank guarantee	(1)	(1)
Exchange difference	1	-
Allowance for doubtful trade receivables (net)	66	61
Bad debts written off	-	9
Loss on account of modification of contractual cash flows	6	18
Finance cost	3,051	2,886
Operating profit before working capital changes	3,954	4,297
Movements in working capital:		
Decrease/ (increase) in trade receivables	298	(681)
Increase in other current/non-current financial assets	(15)	(313)
Increase in other current assets	(2)	(1)
Increase in other current/non-current financial liabilities	102	613
Increase in other current liabilities	12	6
Increase in trade payables	122	136
Increase in other non-current liabilities	128	436
Decrease in other non-current assets	3	3
(Increase) in inventories	(4)	-
Increase/ (Decrease) in current provisions	42	(1)
(Decrease)/ Increase in non-current provisions	(1)	1
Cash generated from operations	4,639	4,496
Income taxes paid (net of refunds)	(212)	(187)
Net cash flow from operating activities	4,427	4,309
	(A)	
B Cash flows from investing activities		
Purchase of property, plant and equipment (including capital work in progress, capital advances and capital creditors)	(244)	(637)
Proceeds from sale of property, plant and equipment	18	-
Interest received	347	51
Net investment in bank deposits (having the original maturity of more than three months)	(1,047)	(514)
Loan to holding/fellow subsidiary companies	(1,055)	(557)
Net cash flows used in investing activities	(1,981)	(1,657)
	(B)	
C Cash flows from financing activities		
Proceeds from borrowings	-	232
Repayment of borrowings	(37)	-
Payment of lease liabilities	(74)	(4)
Payment for hedging arrangements	(888)	(847)
Finance cost paid	(1,614)	(1,819)
Net cash flows used in financing activities	(2,613)	(2,438)
	(C)	
Effect of exchange rate changes on cash and cash equivalents	(139)	(4)
	(D)	
Net increase/(decrease) in cash and cash equivalents	(306)	210
	(A+B+C+D)	
Cash and cash equivalents at the beginning of the year	661	451
Cash and cash equivalents at the end of the year	355	661
Components of cash and cash equivalents (refer note 9.2)		
Balances with banks:		
- On current accounts	294	234
- Deposits with original maturity of less than 3 months	61	427
Total cash and cash equivalents	355	661



Restricted Group - II**Special purpose combined statement of cash flows for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

Change in liabilities arising from financing activities

Particulars	Opening balance as at April 01, 2022	Cash flow (net)	Change in foreign exchange rate	Other changes**	Closing balance as at March 31, 2023
Non-current borrowings (including current maturities)	30,871	-	2,244	44	33,159
Lease liabilities	805	(74)	-	174	905
Total liabilities from financing activities	31,676	(74)	2,244	218	34,064

Particulars	Opening balance as at April 01, 2021	Cash flow (net)	Change in foreign exchange rate	Other changes**	Closing balance as at March 31, 2022
Non-current borrowings (including current maturities)	29,760	232	799	80	30,871
Lease liabilities	799	73	-	(67)	805
Total liabilities from financing activities	30,559	305	799	13	31,676

**Including adjustments of ancillary borrowing cost, accrual of interest on lease liabilities and adjustment due to change in estimates.

See accompanying notes to the financial statements

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Notes:

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

**For and on behalf of Restricted Group - II**

Director

Place: Ebene, Mauritius

Date: 15 April 2024

Director

Place: Ebene, Mauritius

Date: 15 April 2024

Restricted Group - II
Special purpose combined statement of shanges in equity for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

(a) Statement of changes in equity*
Shares (Aggregate of Restricted Group - II entities):

At April 01, 2021

Changes during the year

At March 31, 2022

Changes during the year

At March 31, 2023

Number of shares	Amount (In million)
71,26,399	73
-	-
71,26,399	73
-	-
71,26,399	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, 2023:-

Particulars	Reserves and surplus		Items of other comprehensive income			Total equity
	Deficit in the combined statement of profit and loss	Securities premium reserve	Exchange differences on translating the financial statements of foreign operations	Defined benefit plans (refer note 37)	Effective portion of Cash flow hedges (refer note 32)	
At April 01, 2022	(3,816)	9,872	(2,008)	(1)	894	4,941
Loss for the year	(601)	-	-	-	-	(601)
Other comprehensive expense	-	-	(2,225)	1	1,322	(902)
At March 31, 2023	(4,417)	9,872	(4,233)	-	2,216	3,438

For the year ended March 31, 2022:-

Particulars	Reserves and surplus		Items of other comprehensive income			Total equity
	Deficit in the combined statement of profit and loss	Securities premium reserve	Exchange differences on translating the financial statements of foreign operations	Defined benefit plans (refer note 37)	Effective portion of Cash flow hedges (refer note 32)	
At April 1, 2021	(3,445)	9,872	(1,202)	(1)	681	5,905
Loss for the year	(371)	-	-	-	-	(371)
Other comprehensive expense	-	-	(806)	-	213	(593)
At March 31, 2022	(3,816)	9,872	(2,008)	(1)	894	4,941

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

See accompanying notes to the financial statements

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

For and on behalf of Restricted Group - II


 Director
Place: Ebene, Mauritius
Date: 15 April 2024

 Director
Place: Ebene Mauritius
Date: 15 April 2024

Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

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

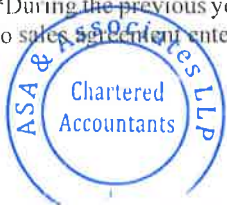
The Parent and its subsidiaries (herein collectively referred to as the "Group") carry out business activities relating to generation of electricity through non-conventional renewable energy sources engaged in the ownership, maintenance and management of solar power plants and generation of solar energy 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 the year ended March 31, 2020, the Company issued US\$ Senior Notes to institutional investors and same are 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, 2023	March 31, 2022
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	100%	100%
Azure Power Makemake Private Limited	Generation of Solar power	India	03-Jan-15	100%	100%
Azure Power Mercury Private Limited *	Generation of Solar power	India	10-Dec-14	51.4%	51.4%
Azure Power Uranus Private Limited	Generation of Solar power	India	05-Jan-15	100%	100%
Azure Power Venus Private Limited	Generation of Solar power	India	05-Jan-15	100%	100%
Azure Power Saturn Private Limited *	Generation of Solar power	India	20-Dec-14	51.4%	51.4%
Azure Power Thirty Three Private Limited	Generation of Solar power	India	30-Apr-16	100%	100%
Azure Power Thirty Four Private Limited	Generation of Solar power	India	31-May-16	100%	100%
Azure Power Thirty Six Private Limited	Generation of Solar power	India	05-May-16	100%	100%
Azure Power Forty Four Private Limited *	Generation of Solar power	India	01-Feb-17	51.4%	51.4%

*During the previous year, 48.6% shareholding of entities have been transferred to Radiance Renewables Private Limited pursuing to sales agreement entered during the current year.



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

2. Purpose of the special purpose combined financial statements

These are special purpose combined financial statements, which have been prepared for the purpose of complying with financial reporting requirements under the indenture governing the US\$ Senior Notes. This Special Purpose combined financial statements presented herein reflect the Restricted Group - 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 subsequent amendments thereto and other accounting principles generally accepted in India and the guidance note on Combined and Carve-out Financial Statements issued by the Institute of Chartered Accountants of India (ICAI).

Management of the Company has prepared the Special Purpose Combined Financial Statements, which comprise the Combined Balance Sheet as at March 31, 2023, 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, 2023, 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.

The non-controlling interest held by outsiders amount to INR 124 million and INR 118 million as of March 2023 and March 2022 respectively. 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).



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

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.

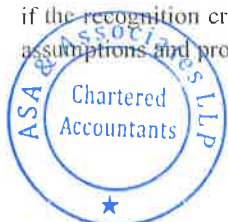
Deferred tax assets/liabilities are classified as non-current assets/liabilities.

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



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(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 Restricted Group considers the cost of the replacement as the cost of the replaced part, when it was acquired or constructed, in case it is not practicable to determine the separate cost of the component of asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

c) Depreciation

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

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

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

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

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

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

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

d) Capital work in progress ("CWIP")

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

e) Leases

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

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

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



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

i) Right of use assets

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

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

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

ii) Lease Liabilities

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

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

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

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

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing cost includes interest and amortization of ancillary 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 borrowing cost.

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



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

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 and in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

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

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



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

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, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in the subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on a 12-month ECL.

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



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

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

For financial assets measured at amortised cost: ECL is presented as an allowance i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write off criteria, the Restricted Group - 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 the 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:

Financial liabilities at fair value through profit or loss

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

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

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



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses

attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to statement of profit and loss. However, the Restricted Group-II may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in 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.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss the reclassification date.
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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.

h) 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.

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.

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

i) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Restricted Group - 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.



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

Application of interpretation for Service Concession Arrangements (SCA)

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

Sale of power

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

Revenue from the recovery of Safe-guard duties and Goods and Service Tax under the change in law provision are recognized over the PPA period based on terms agreed with customers or unless agreed otherwise once collectability is reasonably assured. The revenue of Safe-guard duties and Goods and Service Tax for the year is recognized by the Restricted Group 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.

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.

Income from carbon credit emission

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

Rebates

In some Power Purchase Agreements (PPAs), the Restricted Group - II provide rebates on 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 initially recognised for revenue earned for its right to consideration in exchange for goods or services transferred to the customer. If the entities forming part of Restricted Group - II perform by transferring goods or services to a customer before the customer pays consideration or before acceptance by the customer, a contract asset is recognised for the earned consideration that is conditional.



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

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

j) Government Grants

Government grants are recognised at the fair value where there is a reasonable assurance that the grant will be received and the 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 operating income/ 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 operating income/ other income.

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

k) Foreign currencies

The functional currency of 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.



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

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

l) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Restricted Group- 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 measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Restricted Group- 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.

m) 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 income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and considers whether it is probable that a taxation authority will accept an



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

uncertain tax treatment. The Restricted Group shall reflect the effect of uncertainty for each uncertain tax treatment by using either most likely method or expected value method, depending on which method predicts better resolution of the treatment.

Deferred Tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates applicable on Restricted Group - 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. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

n) 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.

o) 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 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.

p) Impairment of non-financial assets

The Restricted Group - II, at each reporting date, assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Restricted Group - 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.



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

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

The Restricted Group - 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.

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

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.

q) Contingent assets/liabilities

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

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Restricted Group - 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.

r) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

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.

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

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

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 34 and 35.

s) Cash and cash equivalents

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

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

t) Inventory

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

u) Events occurring after the balance sheet date

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

The Restricted Group - 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.



Restricted Group-II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(INR amount in millions, unless otherwise stated)

v) Material prior period errors

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

w) Measurement of EBITDA

The Restricted Group - 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.

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

i) Other Amendments

A number of other amendments to existing standards also became effective on April 01, 2022 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.

ii) Standards issued but not yet effective

The Restricted Group is currently evaluating the impact of the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Restricted Group's financial statements and does not expect to have significant impact on the Restricted Group's financial statements. The Restricted Group has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective. Refer the note "Standards notified but not yet effective" in Notes to Financial Statements.



Restricted Group - II
Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

5. Property, plant and equipment

	Freehold land	Plant and equipment	Vehicles	Computers	Office equipment	Building	Total	Capital work in progress
Gross block								
At April 01, 2021	816	35,440	12	2	7	2,019	38,296	63
Additions	19	57	1	3	3	14	97	246
Disposals/Adjustments	(43)	(44)	-	-	-	-	(87)	(164)
At March 31, 2022	792	35,453	13	5	10	2,033	38,306	145
Additions	1	249	-	2	1	16	269	33
Disposals/Adjustments	-	(94)	-	-	-	(6)	(100)	(167)
At March 31, 2023	793	35,608	13	7	11	2,043	38,475	11
Depreciation/ Amortisation								
At April 01, 2021	-	5,097	4	-	1	188	5,290	-
Charge for the year	-	984	3	1	1	57	1,046	-
Disposals/Adjustments	-	(6)	-	-	-	-	(6)	-
At March 31, 2022	-	6,075	7	1	2	245	6,330	-
Charge for the year	-	986	3	2	2	57	1,050	-
Disposals/Adjustments	-	(11)	-	-	-	(1)	(12)	-
At March 31, 2023	-	7,050	10	3	4	301	7,368	-
Net Block								
At March 31, 2022	792	29,378	6	4	8	1,788	31,976	145
At March 31, 2023	793	28,558	3	4	7	1,742	31,107	11

(i) Property, plant and equipment are pledged as collateral against borrowing, the details related to which is described in Note 12.1 and 15.1 on borrowings.

(ii) On transition of Ind AS, the Restricted Group has elected to continue with the carrying value of all its property, plant and equipment recognised as at 1 April 2015 measured as per Indian GAAP and use that carrying value as the deemed cost of property, plant and equipment.

Capital work in progress (CWIP) ageing schedule

As at March 31, 2023	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Project in progress	11	-	-	-	11
Total	11	-	-	-	11
As at March 31, 2022	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Project in progress	145	-	-	-	145
Total	145	-	-	-	145

As at March 31, 2023 and March 31, 2022, there is no CWIP whose completion is overdue or has exceeded its cost compared to original plan.



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

Particulars	As at March 31, 2023	As at March 31, 2022
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6. Non-current financial assets

(Carried at amortised cost, unless stated otherwise)

6.1 Investments

Investments (at cost)

83,513 compulsorily convertible debentures 0.0% (March 31, 2023: 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, 2023 was INR 0.006 million.

During the year ended March 31, 2021, one of the entities of the Restricted Group - II, namely Azure Power Makemake Private Limited, acquired 1 equity share of its fellow subsidiary Azure Power Forty One Private Limited ("AZI") for consideration of INR 0.003 million. The carrying value of the investment as at March 31, 2023 was INR 0.003 million.

6.2 Trade receivables

Trade receivables (unsecured) (refer note 28)

143

151

Total

143

151

Break-up for trade receivables

From others

Undisputed trade receivables, considered good

143

151

Undisputed trade receivables, credit impaired

-

2

Total

143

153

Impairment allowance for trade receivables (refer note 35)

Undisputed trade receivables, credit impaired

-

(2)

Total

-

(2)

Total

143

151

Trade receivables Ageing Schedule

As at 31 March 2023	Unbilled receivables *	Non-current but not due**	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables - considered good	82	61	-	-	-	-	-	143
	82	61	-	-	-	-	-	143

As at 31 March 2022	Unbilled receivables*	Non-current but not due**	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables - considered good	111	40	-	-	-	-	-	151
Undisputed Trade receivable - credit impaired	-	2	-	-	-	-	-	2
	111	42	-	-	-	-	-	153

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

** Non-current but not due represent receivables which aren't due as per credit terms agreed with the customer.

6.3 Loans

(Unsecured, considered good)

Carried at amortised cost

Loans to holding company (refer note 26) ##

1,200

1,055

Performance bank guarantee receivable

8

7

Loans to other###

4

-

Total

(A)

1,212

1,062

Some of the Restricted Group - II entities have renewed the loan given to Holding Company and fellow subsidiaries for long term and has classified the same accordingly. The loans outstanding at the end of the current year are repayable over the period of 3 years and carries interest rate of 10%-10.6% p.a.

Loan given to Azure Sun Energy Private Limited carrying interest rate of 10% p.a. is repayable in October 2024.



Restricted Group - II
Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

Particulars	As at March 31, 2023	As at March 31, 2022
6.4 Other financial assets		
Carried at amortised cost		
Term deposits *	2,720	102
Interest accrued on fixed deposits	14	-
Security deposits	4	4
Interest accrued on loans and advances to holding company (refer note 26)	-	79
Interest accrued on loans and advances to others	11	-
Derivative instruments at fair value through OCI		
Derivative assets ### (refer note 12.1 and 32)	3,540	1,044
Total	(B) 6,289	1,229
### This relates to US\$ Senior Notes.		
<u>Azure Power Earth Private Limited</u>		
*ICICI Bank		
Balance of INR 687 million as at March 31, 2023 (March 31, 2022: INR Nil)	Represents an amount under escrow account	
<u>Azure Power Makemake Private Limited</u>		
*ICICI Bank		
Balance of INR 393 million as at March 31, 2023 (March 31, 2022: INR Nil)	Represents an amount under escrow account	
<u>Azure Power Uranus Pvt. Ltd.</u>		
*ICICI Bank		
Balance of INR 44 million as at March 31, 2023 (March 31, 2022: INR Nil)	Represents an amount under escrow account.	
<u>Azure Power Venus Pvt. Ltd.</u>		
*ICICI Bank		
Balance of INR 195 million as at March 31, 2023 (March 31, 2022: INR Nil)	Represents an amount under escrow account	
<u>Azure Power Thirty Three Pvt. Ltd.</u>		
*ICICI Bank		
Balance of INR 721 million as at March 31, 2023 (March 31, 2022: INR Nil)	Represents an amount under escrow account	
<u>Azure Power Thirty Four Pvt. Ltd.</u>		
*ICICI Bank		
Balance of INR 413 million as at March 31, 2023 (March 31, 2022: INR Nil)	Represents an amount under escrow account.	
<u>Azure Power Thirty Six Private Limited</u>		
*ICICI Bank		
Balance of INR 267 million at March 31, 2023 (March 31, 2022: INR Nil million)	Represents an amount under escrow account	
Balance of INR Nil at March 31, 2023 (March 31, 2022: INR 102 million)	Represents an amount of margin against Letter of credit.	
7A. Income tax assets (net)		
Advance income-tax (net of provision for tax INR Nil (March 31, 2022: INR Nil))	52	26
Total	52	26
7B. Other non-current assets		
(Unsecured, considered good)		
Capital advances to others	-	1
Prepaid assets	66	69
Total	66	70
8. Inventories		
(Valued at cost or net realisable value, whichever is lower)		
Carbon credit	4	-
Total	4	-



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

Particulars	As at March 31, 2023	As at March 31, 2022
9. Current financial assets		
(Carried at amortised cost, unless stated otherwise)		
9.1 Trade receivables		
Trade receivables (unsecured) (refer note 28)	1,100	1,443
Total	1,100	1,443
Break-up for trade receivables		
Undisputed trade receivables, considered good	1,100	1,436
Disputed trade receivables, considered good	-	7
Undisputed trade receivables, credit impaired	127	18
Disputed trade receivables, credit impaired	28	69
Total	1,255	1,530
Impairment allowance for trade receivables (refer note 35)		
Undisputed trade receivables, credit impaired	(127)	(18)
Disputed trade receivables, credit impaired	(28)	(69)
Total	(155)	(87)
Total trade receivables	1,100	1,443

Trade receivables Ageing Schedule

As at 31 March 2023	Unbilled receivables *	Current but not due**	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	411	345	288	44	7	4	1	1,100
Undisputed Trade receivable – credit impaired	11	1	46	19	29	17	4	127
Disputed Trade receivables – credit impaired	-	-	-	1	12	15	-	28
	422	346	334	64	48	36	5	1,255

As at 31 March 2022	Unbilled receivables*	Current but not due**	Outstanding for following periods from due date of payment					Total
			Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed Trade Receivables – considered good	763	237	263	170	3	-	-	1,436
Undisputed Trade receivable – credit impaired	4	1	6	6	-	-	1	18
Disputed Trade receivables – considered good	-	-	1	6	-	-	-	7
Disputed Trade receivables – credit impaired	-	-	1	19	36	11	2	69
	767	238	271	201	39	11	3	1,530

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

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

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

9.2 Cash and cash equivalents

Balances with banks:

- On current accounts	294	234
- Deposits with original maturity of less than 3 months	61	427
Total	355	661

There are no repatriation restriction with cash and cash equivalents as at the end of reporting period and prior period.

9.3 Other bank balances

- Deposits with remaining maturity less than 12 months	110	-
- Deposits with original maturity for more than 3 months but remaining maturity of less than 12 months	64	1,719
Total	174	1,719

9.4 Loans

(Unsecured, considered good)

Loans to holding company (refer note 26)#	935	-
Loans to fellow subsidiary companies (refer note 26)	-	30
Total	935	30

Loans given to holding company carrying interest rate of 10%-10.6% p.a. and is receivable before March 31, 2024.



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

Particulars	As at	As at
	March 31, 2023	March 31, 2022
9.5 Other financial assets		
Carried at amortised cost		
Interest accrued on term deposits	1	11
Interest accrued on loans and advances to holding company (refer note 26)	3	-
Interest accrued on loans and advances to fellow subsidiary companies (refer note 26)	-	22
Fixed deposits with original maturity more than 12 months**	-	26
Government grant receivable (VAT Refund)	-	60
Receivable from fellow subsidiary companies (refer note 26)	8	1
Receivable from holding company (refer note 26)	176	104
Carried at fair value through profit or loss		
Firm Commitment (refer note 32)	-	1
Total	185	225
**This amount related to bank guarantee.		
10. Other current assets		
Balance with statutory / government authorities	3	2
Prepaid assets	14	14
Prepaid performance bank guarantee	3	2
Advance to vendors	6	6
Other advances*	33	32
Total	59	56

* Other Advances includes advance given to Holding company (refer note 26).

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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

11.1 Equity share capital*

Particulars

Shares (Aggregate of Restricted Group - II entities):	Number of shares	Amount
At April 01, 2021	71,26,399	73
Changes during the year	-	-
At March 31, 2022	71,26,399	73
Changes during the year	-	-
At March 31, 2023	71,26,399	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 entitled to one vote per share. In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the entity, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

B. There are no bonus shares issued, for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date. Further, there are no shares reserved for issue under options and contracts/commitments for sale of shares/disinvestment.

11.2 Other equity*

For the year ended March 31, 2023:

Particulars	Reserves and surplus		Items of other comprehensive income			Total equity
	Deficit in the combined statement of profit and loss	Securities premium reserve	Exchange differences on translating the financial statements of foreign operations	Defined benefit plans (refer note 37)	Effective portion of Cash flow hedges (refer note 32)	
At April 1, 2022	(3,816)	9,872	(2,008)	(1)	894	4,941
Loss for the year	(601)	-	-	-	-	(601)
Other comprehensive expense	-	-	(2,225)	1	1,322	(902)
At March 31, 2023	(4,417)	9,872	(4,233)	-	2,216	3,438

For the year ended March 31, 2022

Particulars	Reserves and surplus		Items of other comprehensive income			Total equity
	Deficit in the combined statement of profit and loss	Securities premium reserve	Exchange differences on translating the financial statements of foreign operations	Defined benefit plans (refer note 37)	Effective portion of Cash flow hedges (refer note 32)	
At April 1, 2021	(3,445)	9,872	(1,202)	(1)	681	5,905
Loss for the year	(371)	-	-	-	-	(371)
Other comprehensive expense	-	-	(806)	-	213	(593)
At March 31, 2022	(3,816)	9,872	(2,008)	(1)	894	4,941

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

Note:

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



Restricted Group - II
Notes to special purpose combined financial statements for the year ended March 31, 2023
(All amount in INR millions, unless otherwise stated)

Particulars	As at March 31, 2023	As at March 31, 2022
12. Non-current financial liabilities		
12.1 Non-current borrowings		
<u>At amortised cost</u>		
Term loans (secured)		
(a) Bonds (Secured)		
- 5.65% Senior Notes* (refer note 45)	28,616	26,291
(b) Loans from related parties (Unsecured)		
- from holding company (refer note 26)#	14	395
- from fellow subsidiary (refer note 26)#	1	111
- from others##	811	848
(c) Deferred payment liabilities (refer note 26)	3,226	3,226
Total	32,668	30,871

#The loans are repayable over the period of 5 years.

##Pertains to unsecured term loans taken by certain entities from Radiance Renewables Private Limited amounting to INR 811 million as at March 31, 2023 (INR 848 million as at March 31, 2022) pursuant to share purchase agreement relating to disposal of rooftop entities. These loans carries interest rate of 10% p.a.

a) Azure Power Solar Energy Private Limited

*5.65% Senior Notes	During the year ended March 31, 2020, Azure Power Solar Energy Private Limited issued 5.65% US\$ denominated 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 Green Bonds. 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, 2023, the unamortised balance of issuance expenses was INR 169 million (March 31, 2022: INR 239 million) and the net carrying value of Green Bonds as on March 31, 2023 was INR 29,027 million (March 31, 2022: INR 26,291 million). The Parent Company continues to guarantee the principal and interest repayments to the investors and the guarantee shall become ineffective on meeting certain financial covenants. The Green Bonds are secured fixed charge by the Company over the capital stock of Azure Power Solar Energy Private Limited (refer note 6.4 – Derivative assets). Investment of APSEL in non-convertible debentures of RG group entities are further secured by a first priority security interest (to be shared on pari-passu basis) over all immovable properties of the RG entities by an equitable mortgage.

12.2 Other non-current financial liabilities

Carried at amortised cost

Interest accrued but not due on borrowings from fellow subsidiary companies (refer note 26)	-	21
Interest accrued and due on borrowings	10	-
Interest accrued and not due on borrowings from holding company (refer note 26)	11	135
Payable to fellow subsidiary companies (refer note 26)	4	7
Interest payable on deferred payment liabilities (refer note 26)	873	572
Total	898	735

13. Provisions

13.1 Non-current

Provision for gratuity (refer note 37)	3	4
Provision for decommissioning liabilities #	159	245
Total	162	249

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 decommissioning liabilities

Opening balance	245	257
Impact of change in estimate during the year	(100)	(31)
Accretion during the year	14	19
Closing Balance	159	245



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

Particulars	As at March 31, 2023	As at March 31, 2022
13.2 Current		
Provision for gratuity (refer note 37)	1	-
Provision for compensated absences	2	2
Provision for liquidated damages*	40	-
Total	43	2

* Provision for liquidated damages represents the penalty imposed by the customers for not meeting the requirement of minimum power generation and supply as outlined in the respective Power purchase agreement. Movement in the provision is as follows:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Opening balance	-	-
Provision created during the year (refer note 24)	40	-
Closing balance	40	-
14. Other non-current liabilities		
Deferred revenue	-	220
Deferred viability gap funding	493	378
Deferred revenue on account of safeguard duty (SGD)	300	95
Deferred Government grant	124	133
Total	917	826

15. Current financial liabilities (Carried at amortised cost)

15.1 Current borrowings

Unsecured

Loans from holding company (refer note 26)	381	-
Loans from fellow subsidiaries (refer note 26)	110	-
Total	491	-

*Loan from holding/fellow subsidiary carries interest rate of 10.60% per annum on the balance outstanding and repayable before March 31, 2024

15.2 Trade payables

- Total outstanding dues of micro enterprises and small enterprises (refer note 29)	7	2
(A)	7	2
- Total outstanding dues of creditors other than micro enterprises and small enterprises#		
- from related parties (refer note 26)	345	241
- from others	137	123
(B)	482	364
Total (A + B)	489	366

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

(b) For terms and conditions relating to related party payables, see note 26.

Trade payables Ageing Schedule

As at 31 March 2023	Unbilled dues*	Not due trade payable**	Outstanding for following periods from due date of payment				Total
			Less than 1 year	1-2 years	2-3 years	More than 3 years	
Total outstanding dues of micro enterprises and small enterprises	-	5	1	1	-	-	7
Total outstanding dues of creditors other than micro enterprises and small enterprises	115	16	350	-	1	-	482
	115	21	351	1	1	-	489
As at 31 March 2022	Unbilled dues*	Not due trade payable**	Outstanding for following periods from due date of payment				Total
			Less than 1 year	1-2 years	2-3 years	More than 3 years	
Total outstanding dues of micro enterprises and small enterprises	-	-	2	-	-	-	2
Total outstanding dues of creditors other than micro enterprises and small enterprises	77	5	278	1	1	2	364
	77	5	280	1	1	2	366

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

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



Restricted Group - II**Notes to special purpose combined financial statements for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

Particulars	As at March 31, 2023	As at March 31, 2022
15.3 Other financial liabilities		
Other financial liabilities at amortised cost		
Interest accrued and not due on borrowings	438	404
Interest accrued and not due on borrowings from fellow subsidiary company (refer note 26)	17	35
Interest accrued and not due on borrowings from holding company (refer note 26)	188	-
Contractually reimbursable expense to holding company (refer note 26)	49	32
Payable to fellow subsidiary companies (refer note 26)	12	-
Payable to employees	1	4
Other payables	80	-
Payable for purchase of capital goods to others	20	130
Financial liabilities at fair value through OCI		
Derivative liabilities (refer note 32)	781	-
Financial liabilities at fair value through profit and loss		
Derivative liabilities (refer note 32)	-	1
Total	1,586	606
16. Current tax liabilities (net)		
Provision for income tax (net of Advance tax of INR 22 million (March 31, 2022: INR 10 million))	20	10
Total	20	10
17. Other current liabilities		
Statutory dues	36	32
Advance from customers	1	1
Deferred Revenue	12	14
Deferred viability gap funding	27	20
Deferred government grant	8	8
Deferred revenue on account of SGD	5	2
Total	89	77

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Restricted Group - II
Notes to special purpose combined financial statements for the year ended March 31, 2023
(All amount in INR millions, unless otherwise stated)

	As at March 31, 2023	As at March 31, 2022
18.1 Deferred tax liabilities (net)		
Deferred tax liability	1,483	822
Total	1,483	822
18.2 Deferred tax assets		
Deferred tax asset	310	298
Total	310	298

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

	As at April 1, 2021	Recognised in Profit & Loss	Recognised in Other comprehensive income	As at March 31, 2022	Recognised in Profit & Loss	Recognised in Other comprehensive income	As at March 31, 2023
Deferred (tax liability):							
Difference between tax depreciation and depreciation charged for financial reporting	4073	786	-	4,859	470	-	5,329
EIR impact on borrowings	10	2	-	12	-	-	14
Leases	84	(18)	-	66	(33)	-	33
Gross deferred tax liability (A)	4167	770	-	4937	439	-	5,376
Deferred tax assets:							
Unabsorbed depreciation and brought forward losses	4,097	263	-	4,360	(28)	-	4,332
Deferred revenue	87	13	-	100	31	-	131
Provision for decommissioning liabilities	65	(3)	-	62	(22)	-	40
Minimum alternate tax	11	7	-	18	15	-	33
Performance bank guarantee	2	1	-	3	-	-	3
Provision for employee benefits	2	-	-	2	-	-	2
Trade receivables measured at amortised cost	4	1	-	5	(1)	-	4
Allowance for doubtful trade receivables	4	17	-	21	28	-	49
Gross deferred tax assets (B)	4,272	299	-	4,571	23	-	4,594
Deferred Tax asset / (liability) (Net) (A - B)	105	(471)	-	(366)	(416)	-	(782)
Deferred tax liability recognised in Other Comprehensive Income	(120)	-	(38)	(158)	-	(233)	(391)
Deferred tax asset/(liability) (net) after OCI	(15)	(471)	(38)	(524)	(416)	(233)	(1,173)

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

	For the year ended March 31, 2023	For the year ended March 31, 2022
Accounting profit before income tax	11	279
Applicable statutory income tax rate	25.17%	25.17%
Tax at applicable tax rate	3	70
Adjustments:		
Permanent difference disallowed under income tax Act	5	56
Disallowance as per section 94B of Income Tax Act, 1961 not considered for deferred tax purpose	494	461
Deduction during tax holiday period	(22)	(8)
Difference in property, plant and equipment not considered for deferred tax purposes	(12)	10
Tax Effect of ASEPL Mauritius entity	148	109
Leases	4	(11)
Impact of different income tax rates	(14)	(36)
Deferred government grant	-	1
Other	6	(2)
Total	609	580
Total tax expense	612	650
Component of tax expenses		
Current tax expense	196	179
Deferred tax charge	416	471
Total tax expense	612	650



Restricted Group - II**Notes to special purpose combined financial statements for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
19. Revenue from operations		
Revenue from contracts with customers*		
Sale of power (refer note 27, 28 and 39)	4,418	4,436
Other operating revenues		
Viability gap funding income (refer note 39)	29	20
Income from carbon credit emission*	3	544
Total	4,450	5,000
20. Non Operating Income		
20.1 Interest income on financial assets measured at amortised cost:		
- Term deposits	97	49
- Loan to holding/fellow subsidiary companies (refer note 26)	167	88
- Others	19	10
Total	283	147
20.2 Other income		
Late payment surcharge	103	-
Insurance claim	18	-
Liabilities no longer required written back	15	65
Government grants related to assets	8	15
Allowance for doubtful trade receivables written back	1	8
Miscellaneous income	10	11
Total	215	99
21. Employee benefits expense		
Salaries, wages and bonus	26	27
Contribution to provident and other funds (refer note 37)	2	2
Gratuity expenses (refer note 37)	1	1
Total	29	30
22. Depreciation and amortisation expense		
Depreciation of property, plant and equipment (refer note 5)	1,050	1,046
Depreciation of right-of-use assets (refer note 30)	35	48
Total	1,085	1,094
23. Finance costs		
Interest expenses on financial liabilities measured at amortised cost:		
- 5 65% Senior Notes*	2,496	2,375
- Loan from holding/fellow subsidiary companies** (refer note 26)	369	418
- Loan from others	68	-
- Lease liabilities (refer note 30)	86	77
Interest on delayed payment of statutory dues	2	1
Other finance costs***	30	34
Total	3,051	2,905

*Including amortisation of hedging cost of INR 886 million (March 31, 2022: INR 821 million)

**Includes interest on deferred payment liabilities.

*** Primarily includes adjustment related to interest on decommissioning liabilities and interest to micro and small enterprises.

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Restricted Group - II**Notes to special purpose combined financial statements for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
24. Other expenses		
Guest house expenses	5	5
Rent (refer note 30)	1	-
Rates and taxes	69	78
Solar park maintenance	60	66
Insurance	55	56
Repair and maintenance		
-Plant and machinery	91	91
-Other	36	30
Travelling and conveyance	6	5
Communication costs	1	2
Legal and professional fees	48	20
Payment to auditor*	1	6
Corporate social responsibilities	1	1
Operation and maintenance fees	21	-
Management fees (refer note 26)	109	197
Allowance for doubtful trade receivables (refer note 35)	67	69
Penalty	40	-
Bad debts written off (refer note 35)	-	9
Recruitment expenses	5	7
Security charges	43	41
Asset Written off	48	167
Bank charges	3	4
Advance written off	-	8
Land development	13	13
Exchange difference (net)	1	-
Loss on disposal of property, plant and equipment	22	1
Loss on account of modification of contractual cash flows	6	18
Adjustment related to viability gap funding (refer note 39)	-	33
Miscellaneous expenses	20	11
Total	772	938
Payment to auditor:		
As auditor:		
Audit fee	1	6
In Other Capacity		
Reimbursement of expenses	-	0
Total	1	6

*The audit fee for the year ended March 31, 2023 amounting to INR 1.5 million has not been recognised in current year since the current auditor's appointment was made on February 06, 2024 and this is a non-adjusting subsequent event.

The audit fee recognised in previous year pertains to amounts incurred in relation to services provided by erstwhile statutory auditors of the Company. Since the statutory auditors appointment was made on July 12, 2023 for the year ended March 31, 2022, to fill the casual vacancy caused by the resignation of the erstwhile statutory auditor, audit fees for the audit of year ended March 31, 2022 amounting to INR 5.7 million has not been recognized in year ended March 31, 2022 and March 31, 2023, as this is a non-adjusting subsequent event.

25. Earning per share

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

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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR 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 Earth Private Limited
Azure Power Makemake Private Limited
Azure Power Mercury Private Limited
Azure Power Uranus Private Limited
Azure Power Venus Private Limited
Azure Power Saturn Private Limited
Azure Power Thirty Three Private Limited
Azure Power Thirty Four Private Limited
Azure Power Thirty Six Private Limited
Azure Power Forty Four Private Limited

Azure Power Global Limited
Azure Power India Private Limited
Azure Power India Private Limited
Azure Power India Private Limited
Azure Power India Private Limited
Azure Power India Private Limited
Azure Power India Private Limited
Azure Power India Private Limited
Azure Power India Private Limited
Azure Power India Private Limited
Azure Power India Private Limited

Key managerial personnel:

Mr. Khalid Muhammad Peyrye (Director from April 2, 2018)
Mr. Gowtamsingh Dabee (Director from March 30, 2023)
Mrs. Yung Oy Pin Lun Leung (Director w.e.f. November 13, 2019 till March 30, 2023)
Mr. Kapil Sharma (Appointed director w.e.f. October 25, 2018)
Mr. Gaurang Sethi (Appointed additional director w.e.f. December 2, 2020)
Mr. Saurabh Gupta (Director w.e.f. February 22, 2023)
Mr. Tarun Aggarwal (Director w.e.f. July 13, 2022)
Ms. Shweta Srivastava (Director w.e.f. March 26, 2024)
Ms. Samridha Subba (Director w.e.f. September 21, 2020 till November 21, 2022)
Mr. Srinagesh Ramabhotla (Director w.e.f. November 13, 2019 till July 13, 2022)
Mr. Nitin Vaid (Director w.e.f. December 2, 2020 till March 08, 2022)
Mr. Rajani Kumar Chinnari (Director w.e.f. November 21, 2022 till March 25, 2024)
Mr. Kishore Kumar (Director w.e.f. March 08, 2022 till February 10, 2023)

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

Fellow subsidiary company:

Azure Sun Energy Private Limited
Azure Green Tech Private Limited
Azure Power Forty Three Private Limited
Azure Power Infrastructure Private Limited
Azure Power Pluto Private Limited
Azure Power Rooftop Private Limited
Azure Solar Solutions Private Limited
Azure Power Venus Private Limited
Azure Power Thirty Three Private Limited
Azure Power (Karnataka) Private Limited
Azure Power Earth Private Limited
Azure Power Forty Four Private Limited
Azure Surya Private Limited
Azure Power Solar Solution Private Limited (upto February 03, 2022)

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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR 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, 2023	For the period ended March 31, 2022	For the period ended March 31, 2023	For the period ended March 31, 2022
a). Settlement of liabilities on behalf of the entity				
Azure Power India Private Limited	42	70	-	-
Azure Power Forty Three Private Limited	-	-	6	7
Azure Power Pluto Private Limited	-	-	-	3
b). Sale of capital goods and services				
Azure Power India Private Limited	16	7	-	-
Azure Power Pluto Private Limited	2	-	-	-
c). Purchase of capital goods and services				
Azure Power Forty Three Private limited	-	-	10	-
Azure Power (Karnataka) Private Limited	-	-	1	-
d). Operation and maintenance services received (including GST)				
Azure Power India Private Limited	-	4	-	-
e). Management services received (including GST)				
Azure Power India Private Limited	109	197	-	-
f). Loan given				
Azure Power India Private Limited	1,080	1,873	-	-
g). Rent income				
Azure Green Tech Private Limited	-	-	1	-
h). Repayment of loan given				
Azure Power Solar Solution Private Limited	-	-	-	15
i). Interest income from loans				
Azure Power India Private Limited	166	84	-	-
Azure Sun Energy Private Limited	-	-	1	-
Azure Solar Solutions Private Limited	-	-	-	1
Azure Sun Energy Private Limited	-	-	-	3
j) Repayment of borrowings				
Azure Power India Private Limited	-	1	-	-
Azure Power Rooftop Private Limited	-	-	-	15
Azure Power Forty Four Private Limited	-	-	-	19
k). Interest expense on borrowings				
Azure Power India Private Limited	365	394	-	-
Azure Power Infrastructure Private Limited	-	-	4	4
Azure Power Pluto Private Limited	-	-	-	6
Azure Power Rooftop Private Limited	-	-	-	1

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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR 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, 2023	As on March 31, 2022	As on March 31, 2023	As on March 31, 2022
a). Receivable				
Azure Power India Private Limited	176	104	-	-
Azure Power Pluto Private Limited	-	-	3	-
Azure Green Tech Private Limited	-	-	1	-
Azure Surya Private Limited	-	-	1	-
b). Payables				
Azure Power India Private Limited	394	273	-	-
Azure Power Forty Three Private Limited	-	-	10	-
Azure Power (Karnataka) Private Limited	-	-	1	-
Azure Power Rooftop Private Limited	-	-	4	4
Azure Power Pluto Private Limited	-	-	-	3
c). Deferred payment liabilities				
Azure Power India Private Limited*	3,226	3,226	-	-
d). Borrowings				
Azure Power India Private Limited	395	395	-	-
Azure Power Infrastructure Private Limited	-	-	40	40
Azure Power Pluto Private Limited	-	-	71	71
e). Interest accrued on borrowings				
Azure Power India Private Limited	1,073	707	-	-
Azure Power Infrastructure Private Limited	-	-	16	21
Azure Power Pluto Private Limited	-	-	1	25
f). Loans				
Azure Power India Private Limited	2,135	1,055	-	-
Azure Sun Energy Private Limited	-	-	-	30
g). Interest receivable on loans				
Azure Power India Private Limited	3	79	-	-
Azure Sun Energy Private Limited	-	-	-	11
h). Outstanding guarantee given by holding company on our behalf				
Azure Power Global Limited	28,616	26,291	-	-

Note:

Terms and conditions of transactions with related parties:

- The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- Loans from/to related parties carry an interest rate of 10%-10.60% 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 31, 2023 and March 31, 2022.

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Restricted Group - II**Notes to special purpose combined financial statements for the year ended March 31, 2023**

(All amount in INR 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 all located in India and there are no revenue and non-current assets outside India.

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

Particulars	Revenue from external customers	Revenue from external customers
	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue from operations		
Gujarat Urja Vikas Nigam Limited	1,535	1,458
Solar Energy Corporation of India Limited	741	681
NTPC Limited	-	789
Maharashtra State Electricity Distribution Company Limited	949	972

B. Revenue from major products and services

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Sale of power	4,418	4,436
Total	4,418	4,436

28. Revenue from contracts with customers

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

Particulars	March 31, 2023	March 31, 2022
Revenue as per Contracted price	4,441	5,009
Adjustments for:		
Rebate/Discount	(20)	(29)
Revenue from contract with customers	4,421	4,980

The following table provides information about trade receivables, contract assets and liabilities and deferred revenue from customers as at March 31, 2023 and March 31, 2022.

Particulars	As at March 31, 2023	As at March 31, 2022
Non-current assets		
Trade receivables	143	151
Current assets		
Trade receivables	1,100	1,443
Non-current liabilities		
Deferred revenue on account of SGD	300	95
Current liabilities		
Deferred revenue on account of SGD	5	2



Restricted Group - II**Notes to special purpose combined financial statements for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

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

The Micro and Small Enterprises have been identified by management from the available information, which has been relied upon by the auditors. On the basis of the information and records available with the management, following are outstanding dues to Micro and small enterprises:

Particulars	For the period ended March 31, 2023	For the period ended March 31, 2022
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	7	2
Principal amount due to micro and small enterprises	1	1
Interest due on above	6	1
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	6	1
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	-	-

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Restricted Group - II**Notes to special purpose combined financial statements for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

30. Leases**Restricted Group - II entities as lessee:****Land leases:**

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

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

Right-of-use assets:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Opening balance	1,071	1,186
Additions during the year	9	57
Adjustment during the year	(94)	-
Adjustment due to change in estimate	88	(30)
Written off during the year	-	(94)
Depreciation for the year	(35)	(48)
Closing balance	1,039	1,071

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, 2023	For the year ended March 31, 2022
Opening balance	805	799
Additions during the year	-	-
Accretion of interest	86	77
Lease modification during the year	88	-
Payments	(74)	(71)
Closing balance	905	805

Particulars	As at March 31, 2023	As at March 31, 2022
Current	72	70
Non-current	833	735
Total	905	805

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

Particulars	As at March 31, 2023	As at March 31, 2022
Depreciation of right-of-use assets	35	48
Interest on lease liabilities	86	77
Total	122	125

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

Particulars	As at March 31, 2023	As at March 31, 2022
Total cash outflow for leases	74	71

The maturity analysis of leases is disclosed in note 35. The weighted average incremental borrowing rate applied to lease liabilities is 10%. The Company has applied single discount rate to a portfolio of leases of similar assets in similar economic environment with similar end date.

Extension options:

Land leases contain extension options exercisable by the entities in Restricted Group - 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.

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Restricted Group - II**Notes to special purpose combined financial statements for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

31. Commitments and contingencies**a) Commitments**

(i) The Restricted Group has commitments of INR 6 million (net of advances) (March 31, 2022: INR 145 million) for purchases of assets for the construction of solar power plants

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

Name of Authority	Agreement date	Rate (INR)	Period
Punjab State Corporation Limited	31-Mar-15	7.33/kwh	25 Years
Punjab State Corporation Limited	31-Mar-15	7.19/kwh	25 Years
Ordinance Factory, Bhandra	03-May-16	5.50/kwh	25 Years
Ordinance Factory, Ambajhari	08-May-16	5.31/kwh	25 Years
Solar Energy Corporation of India Limited	21-Oct-16	4.43/kwh	25 Years
Delhi Metro Rail Corporation Limited	19-Apr-16	5.55/kwh	25 Years
Solar Energy Corporation of India Limited	26-Sep-16	4.43/kwh	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 Corporation 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) A PIL had been initiated by certain individuals claiming to be wildlife experts/interested in conservation of wildlife, before the Supreme Court of India against various state governments such as Rajasthan, Gujarat, and MNRE, MOP among others, seeking protection of the two endangered bird species, namely the Great-Indian Bustard (GIB) and the Lesser Florican found in the states of Rajasthan and Gujarat. The Supreme Court by way of order dated April 19, 2021 issued directions to: (i) underground all low voltage transmission lines, existing and future lines falling in potential and priority habitats of GIB, (ii) to convert all existing high voltage lines in priority and potential areas of GIB where found feasible within a period of one year, if not found feasible, the matter to be referred to the committee formed by the Supreme Court which will take a decision on feasibility, and (iii) to install bird diverters on all existing overhead lines in the interim.

The Restricted group along with many other developers have projects in the potential area as determined by the court, hence aggrieved by the order, the Solar Power Developers Association ("SPDA") and Union of India have filed an application before the Supreme Court seeking among others, exemption from undergrounding of transmission lines in potential areas. The matter was last listed on November 30, 2022, whereby directions have been passed to parties to ensure installation of bird diverters in the Priority Area and for them to be in compliance with quality standards issued by the Supreme Court Committee. As per the directions of Supreme Court, for its solar power plant, the Restricted Group installed bird diverters (as applicable) in the habitats of Great-Indian Bustard during FY 2022-23. The PIL is presently pending. The SPDA has filed an application seeking modification of Supreme Court's order dated April 19, 2021. Further, the Supreme Court vide its order dated March 21, 2024 modified its earlier order dated April 19, 2021 directing the Central Government to constitute an expert committee to examine the issue of installing overhead and underground powerlines in the priority areas marked for the conservation of the Great Indian Bustard. The expert committee on the GIB issue will, inter-alia, look into (i) the scope and feasibility of laying down underground and overhead transmission lines, (ii) measures for the conservation of GIB, and (iii) identifying suitable alternatives for laying down power lines in the future. The expert committee is required to submit its report latest by July 31, 2024. Citing practical difficulties in laying down underground transmission lines, the Supreme Court has also restricted the requirement of laying down underground transmission lines only to the priority area (covering roughly 13,163 sq km). If the modification application is dismissed, Restricted Group might entail significant costs and delays.

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

Particulars	As at March 31, 2023	As at March 31, 2022
Viability gap Funding (VGF)	591	591



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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

32. Hedging activities and derivatives

Contracts designated as Cash flow hedges

The Company hedged the foreign currency exposure risk related to certain investments in Restricted Group - 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, 2023.

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 886 million and INR 821 million during the year ended March 31, 2023 and March 31, 2022 respectively.

The following table presents outstanding notional amount and balance sheet location information related to foreign exchange derivative contracts as of March 31, 2023 and March 31, 2022:

	Foreign currency option contracts	
	As at	As at
	March 31, 2023	March 31, 2022
Notional Amount (US\$ denominated)	350	350
Non-current – Other financial assets (INR)	3,540	1,044
Current – Other financial Liability (INR)	781	1
Current – Other financial Asset (INR)	-	1

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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

33. 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 :

Particulars	Carrying value		Fair value	
	As at March 31, 2023	As at March 31, 2022	As at March 31, 2023	As at March 31, 2022
Financial assets at amortised cost				
Non-current trade receivables	143	151	143	151
Non-current security deposits	4	4	4	4
Performance bank guarantee receivable	8	7	8	7
Loans to holding company	1,200	1,055	1,200	1,055
Other Financial Assets	2,720	181	2,720	181
Financial assets at fair value				
Derivative instruments at fair value (through OCI)*	3,540	1,043	3,540	1,043
Total	7,615	2,443	7,615	2,443
Financial liabilities at amortised cost				
5.65% Senior Notes **	28,616	26,291	27,780	27,780
Loans from holding company**	14	395	14	395
Loans from fellow subsidiary **	1	111	1	111
Loans from others **	811	848	811	848
Deferred payment liabilities **	4,099	3,798	4,099	3,798
Other financial liabilities	894	728	894	728
Financial assets at fair value				
Derivative instruments at fair value through OCI*	781	-	781	-
Derivative instruments at fair value through Profit and Loss*	-	1	-	1
Total	35,216	32,172	34,380	33,661

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.

Investments in subsidiaries are classified as equity investments have been accounted at historical cost. Since these are scope out of Ind AS 109 for the purposes of measurement, the same have not been disclosed in the tables above.

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

Measured at fair value:

* The fair values of respective companies under the Respective Group - II's interest-bearing borrowings and loans are determined by using Discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at March 31, 2023 was assessed to be insignificant.

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 2023 was assessed to be insignificant.



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

34. 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, 2023:

	Carrying value	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortised cost				
Non-current trade receivables	143	-	-	143
Non-current security deposits	4	-	-	4
Performance bank guarantee receivable	8	-	-	8
Loans to holding company	1,200	-	-	1,200
Other Financial Assets	2,720	-	-	2,720
Financial assets at fair value				
Derivative instruments at fair value through OCI	3,540	-	3,540	-

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, 2022:

	Carrying value	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortised cost				
Non-current trade receivables	151	-	-	151
Non-current security deposits	4	-	-	4
Performance bank guarantee receivable	7	-	-	7
Loans to holding company	1,055	-	-	1,055
Loans to fellow subsidiary companies	-	-	-	-
Other Financial Assets	181	-	-	181
Financial assets at fair value				
Derivative instruments at fair value through OCI	1,045	-	1,045	-

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, 2023:

	Carrying value	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities at amortised cost				
5.65% Senior Notes	28,616	-	-	27,780
Loans from holding company	14	-	-	14
Loans from fellow subsidiary	1	-	-	1
Loans from others	811	-	-	811
Deferred payment liabilities	4,099	-	-	4,099
Other financial liabilities	894	-	-	894
Financial assets at fair value				
Derivative instruments at fair value through OCI	781	-	781	-

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



Restricted Group - II**Notes to special purpose combined financial statements for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2022:

	Carrying value	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities at amortised cost				
5.65% Senior Notes	26,291	-	-	27,780
Loans from holding company	395	-	-	395
Loans from fellow subsidiary	111	-	-	111
Loans from others **	848	-	-	848
Deferred payment liabilities	3,798	-	-	3,798
Other financial liabilities	728	-	-	728
Financial assets at fair value				
Derivative instruments at fair value through PL	1	-	1	-

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, as applicable, approximate their carrying amounts largely due to the short-term maturities of these instruments.

Investments in subsidiaries are classified as equity investments have been accounted at historical cost. Since these are scope out of Ind AS 109 for the purposes of measurement, the same have not been disclosed in the tables above.

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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

35. 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, trade and other receivables, cash and cash equivalents, deposits with banks and other financial assets, as applicable.

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 two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and investment in mutual funds.

The sensitivity analyses in the following sections relate to the position as at March 31, 2023 and 31 March 31, 2022.

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.

Financial instruments comprise of 5.65% Senior Notes, loans to related parties, term loans from banks and financial institution are fixed 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, 2023 to interest rate risk is as follows:

As at March 31, 2023	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	4,980	5,413	10,393
Financial liabilities	32,668	4,369	37,037

The exposure of the Restricted Group - II's financial instruments as at March 31, 2022 to interest rate risk is as follows:

As at March 31, 2022	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	3,333	3,187	6,520
Financial liabilities	30,871	2,512	33,383

Fair value sensitivity analysis for fixed-rate instruments

The Restricted Group - II's fixed rate instruments are carried at amortised cost. They are therefore not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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, 2023 and March 31, 2022:

	March 31, 2023	March 31, 2022
Borrowings		
- 5.65% Senior Notes (including interest accrued)	29,054	26,695

* Including interest accrued but not due on borrowings of INR 438 million (March 31, 2022: INR 404 million)

Foreign currency sensitivity

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

	Change in USD rate	March 31, 2023	March 31, 2022
Effect on profit before tax (in INR)	+ / (-) 5%	(-) / +	(-) / +
		1,453	1,335

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.



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR 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 and contract asset

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

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

	For the year ended March 31, 2023	For the year ended March 31, 2022
Opening balance	89	28
Changes in allowance for expected credit loss:		
Additional provision during the year (refer note 24)	67	69
Reversal of provision during the year (refer note 20.2)	(1)	(8)
Closing balance	155	89

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 28,616 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 favourable terms. In addition, hedges taken on these bonds are covered from INR 70.9/USD to INR 93.0/USD, which may expose Restricted Group - II to additional hedging costs in the future. Furthermore, rating downgrade of India by Moody's in past periods, 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, 2023				
Lease liabilities	75	316	1,688	2,079
Loan from Holding Company *	-	25	-	25
Loans from fellow subsidiary*	-	1	-	1
Loans from Others	-	811	-	811
5.65% Senior Notes*	1,649	30,438	-	32,087
Other non-current financial liabilities	-	887	-	887
Trade payables	489	-	-	489
Other current financial liabilities	1,586	-	-	1,586
	3,799	32,478	1,688	37,965
As at March 31, 2022				
Lease liabilities	73	309	1,770	2,152
Loan from Holding Company *	-	530	-	530
Loans from fellow subsidiary*	-	132	-	132
Loans from Others	-	848	-	848
5.65% Senior Notes*	1,520	29,181	-	30,701
Other non-current financial liabilities	-	579	-	579
Trade payables	366	-	-	366
Other current financial liabilities	606	-	-	606
	2,565	31,579	1,770	35,914

*Including interest on non-current borrowings



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

36. Capital management

For the purpose of the Restricted Group - II's capital management, capital includes issued equity 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 and to ensure the ability to continue as a going concern 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, if any. To maintain or adjust the capital structure, the respective entity of Restricted Group - II reviews the fund management at regular intervals and take necessary actions to maintain the requisite capital structure.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2023 and March 31, 2022.

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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

37. Employee Benefits**(a) Defined contribution plan**

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

The Restricted Group - II has recognised INR 2 million during the year ended on March 31, 2023 (previous year INR 2 million) for provident fund contribution in the Statement of Profit and Loss. The contribution payable to the plan by the Restricted Group - II is at the rate specified in the rules to the scheme.

(b) Defined benefit plan**Gratuity and other post-employment benefits**

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

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

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

	Gratuity March 31, 2023	Gratuity March 31, 2022
Current service cost	1	1
Interest cost on benefit liability	-	-
Net expense recognized in statement of profit and loss	1	1

Amount recognised in Other Comprehensive Income for the year ended:

	Gratuity March 31, 2023	Gratuity March 31, 2022
Actuarial(gain)/ loss recognized in the year	1	-

Balance Sheet figures as at:

	Gratuity March 31, 2023	Gratuity March 31, 2022
Present value of defined benefit obligation	4	4

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

	Gratuity March 31, 2023	Gratuity March 31, 2022
Present value of obligation as at the beginning	4	3
Current service cost	1	1
Re-measurement (or Actuarial) (gain) / loss	(1)	-
Present Value of Obligation as at the end	4	4
Current portion	1	-
Non-Current portion	3	4

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

	March 31, 2023	March 31, 2022
Discount rate	7.27%	7.42%
Employee turnover rate	10.00%	9.00%
Withdrawal rate (p.a.)	30.00%	9.00%
Salary Escalation Rate	10.00%	10.00%
Retirement age	58 years	58 years

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



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

Risk exposure

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

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

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

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

A quantitative sensitivity analysis for significant assumption as at March 31, 2023 is as shown below:

Defined benefit obligation increased/(decreased) by	Discount rate		Discount rate	
	March 31, 2023		March 31, 2022	
	1 % increase	1 % decrease	1 % increase	1 % decrease
	-	-	-	-
Defined benefit obligation increased/(decreased) by	Salary Escalation Rate		Salary Escalation Rate	
	March 31, 2023		March 31, 2022	
	1 % increase	1 % decrease	1 % increase	1 % decrease
	-	-	-	-

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

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

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 5.43 years (March 31, 2022: 11.73 years).

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

	March 31, 2023	March 31, 2022
Within the next 12 months (next annual reporting period)	1	-
Between 2 and 5 years	3	1
Between 5 and 10 years	1	1

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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

38. 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 other operating revenue in proportion to the actual sale of solar energy kilowatts during the period to the total estimated sale of solar energy kilowatts during the tenure of the applicable power purchase agreement pursuant to the grant 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. (Refer note 19)

(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)



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

(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. (Refer note 33 and 34)

(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. 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, 2023: INR 159 million (March 31, 2022: INR 245 million) (refer note 13.1). The Restricted Group - II estimates that the costs would be settled upon the expiration of the lease and calculates the provision using the DCF method based on the following assumptions:

- ▶ Estimated range of cost per megawatt– INR 0.39 million to INR 0.45 million (March 31, 2022: INR 0.39 million to INR 0.45 million)
- ▶ Discount rate – 10.0% (March 31, 2022: 8.5% p.a.)
- ▶ Inflation rate – 8.0% (March 31, 2022: 8.0% p.a.)

(v) Depreciation on property, plant and equipment

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

Based on legal opinion obtained, management is of the view that application of CERC and/or SERC rates for the purpose of accounting of depreciation expense is not mandatory. Hence, the Restricted Group - II is depreciating the assets based on life as determined by the management. During the previous year, the Restricted Group - II basis the technical assessment, had revised the useful life of solar power project assets i.e. plant and machinery (excluding inverter) and building from 25 years to 35 years. These changes had been considered as change on accounting estimate as per Ind AS 8 (Accounting policies, change in accounting estimates and errors) and had been accounting for prospectively with effect from April 1, 2021. (Refer note 5 and 22)

(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 32).

(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.



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

(viii) Defined benefit plans (gratuity benefits)

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

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

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

Further details about gratuity obligations are given in Note 37.

(ix) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. (Refer note 30)

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

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

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

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

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Restricted Group - II**Notes to special purpose combined financial statements for the year ended March 31, 2023**

(All amount in INR millions, unless otherwise stated)

39. Reclassification

Certain reclassifications have been made to the comparative period's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been reclassified in the statement of profit and loss, the details of which are as under:

Items of statement of Profit and Loss before and after reclassification for the year ended March 31, 2022:

Particulars	Amount before reclassification	Reclassification	Amount after reclassification
Sale of power (refer note 19)	4,423	13	4,436
Other operating revenue (refer note 19)	-	20	20
Other expenses (refer note 24)	-	33	33

a) The Restricted Group had earlier classified the viability gap funding income for year ended March 31, 2022 under sale of power. To align with requirements of Schedule 3 and Ind AS 20, the Restricted Group has reclassified the viability gap funding income from sale of power to other operating revenue for the year ended March 31, 2022.

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Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

40. Standards notified but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 31, 2023, MCA amended the Companies (Indian Accounting Standards) Rules, 2015 by issuing the Companies (Indian Accounting Standards) Amendment Rules, 2023, applicable from April 1, 2023, as below:

(a) Ind AS 1 – Presentation of Financial Statements:

The amendments require companies to disclose their material accounting policies rather than their significant accounting policies and added guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Accounting policy information, together with other information, is material when it can reasonably be expected to influence decisions of primary users of general-purpose financial statements. The Company does not expect this amendment to have any significant impact in its financial statements.

(b) Ind AS 12 – Income Taxes:

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

(c) Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors:

The amendments will help entities to distinguish between accounting policies, accounting estimates and correction of errors. It has also been clarified how entities use measurement techniques and inputs to develop accounting estimates. The Company does not expect this amendment to have any significant impact in its financial statements.

41. Other statutory information

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

42. Whistle blower complaint

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

Further, in September 2022, the Group received an additional whistle-blower complaint primarily making similar allegations of misconduct as raised in May 2022, as well as allegations of misconduct related to joint ventures and land acquisition, allegations of our failure to be transparent with the market and advisors and other claims. The Ethics Committee, supervised by the Board's Audit and Risk Committee, with the support of external counsel and forensic accounting professionals, investigated these September 2022 allegations. The investigation of the September 2022 complaint identified significant control issues in the process of acquiring land and land use rights in relation to one of the Company forming part of Restricted Group. The investigation specified that third party land aggregators may have been involved in improper payments but no improper transfer of money by the Group was identified. During the previous year, we made an adjustment (de-capitalization) in the books of accounts of INR 1,376 Lakhs on estimate, as a prudent measure.

The Group remains steadfast in its commitment to upholding the principles of transparency, accountability, and ethical conduct in all areas of its operations. We will continue to monitor and assess our internal processes to ensure compliance with all relevant laws and regulations.

43. The Restricted Group-II is in process of conducting a transfer pricing study as required by the transfer pricing regulations under the income tax act ('regulations') to determine whether the transactions entered during the year ended March 31, 2023 with associated enterprises were undertaken at arms length price. The Management confirms that all the transactions with associate enterprises are undertaken at arm length prices and is confident that the aforesaid regulations will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

44. As per the provision of the Companies Act, 2013, a company is required to convene the Annual General Meeting ("AGM") for adoption of its annual audited financial statements within the six months from the end of each financial year, i.e. September 30 ("Due Date"). The Registrar of Companies ("ROC") granted three months extensions to the several Restricted Group-II SPVs to hold the AGMs for financial year 2021-22 and 2022-23 on or before December 31, 2022, and December 31, 2023, respectively. Considering the delay in closure of audit due to ongoing investigations (refer note 42), several Restricted Group-II SPVs have not been able to hold the AGM for financial year 2021-22 and 2022-23 within timelines as stated above. The AGM for financial year 2022-23 is not held till date and the AGM for financial year 2021-22 was held beyond December 31, 2022.

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



Restricted Group - II

Notes to special purpose combined financial statements for the year ended March 31, 2023

(All amount in INR millions, unless otherwise stated)

45. On December 14, 2023, Azure Power Solar Energy Private Limited ("APSEPL") completed a consent solicitation (the "Consent Solicitation") in respect of the 5.65% Senior Notes due 2024 (the "2024 Notes"). APSEPL sought the consent of the Noteholders of the 2024 Notes to amend certain terms of the indenture dated as of September 24, 2019 (the "2024 Indenture"). The purpose of the consent solicitation was to: (i) undertake to make tender offers to purchase an outstanding principal amount of U.S. \$40,000,000 of the 2024 Notes by March 25, 2024; (ii) make certain amendments and provide certain confirmations with respect to the reporting covenant of each of the Indentures, and (iii) make certain amendments to the restricted payments and limitations on amendments of onshore debt covenants in the 2024 Indenture to allow for the implementation of a cash-neutral intercompany transaction (the "proposed amendments").

The consent solicitation was announced on November 28, 2023. The deadline to submit consent instructions expired at 5:00 pm New York time on December 7, 2023. Over 99% consent instructions were received. On December 8, 2023, APSEPL executed a supplemental indenture with Azure Power Global Limited (as Parent), the trustee and the collateral agents to implement the proposed amendments. On December 14, 2023, the consent fee was paid and the proposed amendments became operative.

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

Further, as per the terms of the amended Indentures, APSEPL launched tender offers for the 2024 Notes on February 16, 2024. The early deadline of the tender offers was on March 1, 2024 and APSEPL purchased US\$40,000,000 of the 2024 Notes on March 11, 2024.



For and on behalf of Restricted Group - II

Director
Place: Ebene, Mauritius
Date: 15 April 2024

Director
Place: Ebene, Mauritius
Date: 15 April 2024

Restricted Group – II

Results of operations – Special purpose combined financial statements

(INR amount in millions, unless otherwise stated)

Year ended March 31, 2023 Special Purpose Combined Financial Results:

Operating Results

Revenue from Operations

Revenue from operations for the Restricted Group - II during the year ended March 31, 2023 decreases to INR 4,450 million from INR 5,000 million compared to the year ended March 31, 2022. The decrease in revenue was primarily on account of decrease in carbon credit emission related income by INR 541 million.

Total operating Expenses

Total operating expenses for the Restricted Group - II decreased by INR 166 million, to INR 772 million during the year ended March 31, 2023 as compared to the year ended March 31, 2022. This decrease was primarily on account of decrease in management consultancy charges by INR 88 million and assets written off by INR 119 million partially offset by recognition of penalty in rooftop project of INR 40 million.

Depreciation and amortisation expense

Depreciation and amortisation expenses for the Restricted Group - II decreased marginally by INR 9 million, to INR 1,085 million during the year ended March 31, 2023 as compared to the year ended March 31, 2022.

Finance Cost

Finance cost for the Restricted Group - II increased by INR 146 million, to INR 3,051 million for the year ended March 31, 2023 as compared to the period ended March 31, 2022.

Income Tax Expense

Income tax expense for the Restricted Group - II during the year ended March 31, 2023 was INR 612 million, as compared to income tax expense of INR 650 million during the year ended March 31, 2022. During the current year the company has recognized a deferred tax expense (net) on account of movement in the carrying amount of certain assets and liabilities and their tax base.

Loss after tax

Net loss after tax was INR 601 million for the year ended March 31, 2023, compared to net loss after tax of INR 371 million during the year ended March 31, 2022. The increase in loss in current year was due to decrease in revenue from operations, increase in finance cost, partially offset by increase in interest income, decrease in operating expenses and decrease in tax expense as compared to last year.



Restricted Group – II
Results of operations – Special purpose combined financial statements
(InR amount in millions, unless otherwise stated)

Cash Flow Discussion

Fiscal Year Ended March 31, 2023 Compared to Fiscal Year Ended March 31, 2022

The following table reflects the changes in cash flows of the Restricted Group - II for fiscal years ended March 31, 2022 and 2023 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:

Cash Flow Data	For Fiscal Year Ended March 31,		
	2023	2022	Change
	INR	INR	INR
	(In millions)	(In millions)	(In millions)
Net cash flows from operating activities	4,427	4,309	118
Net cash flows used in investing activities	(1,981)	(1,657)	(324)
Net cash flows used in financing activities	(2,613)	(2,438)	(175)

Operating Activities

During the fiscal year ended March 31, 2023, the Restricted Group - II generated net cash flow from operating activities amounting to INR 4,427 million, as compared to INR 4,309 million during the year ended March 31, 2022, primarily on account of decrease in profit by INR 268 million and increase in working capital changes by INR 445 million with higher collections from customer during current year as compared to previous year and decrease in current liabilities.

Investing Activities

Cash used in investing activities for the year ended March 31, 2023, was INR 1,981 million, as compared to cash used in investing activities of INR 1,657 million during the year ended March 31, 2021. Increase in cash used in investing activities was primarily due to higher (net) investment in term deposits with banks and Inter-Company loans by INR 1,031 million as compared to the previous year partially offset by decrease in purchases of property, plant and equipment for projects amounting by INR 393 million and increase in receipt of interest income by INR 296 million.

Financing Activities

Cash used in financing activities was INR 2,613 million for the year ended March 31, 2023, as compared to cash used in financing activities of INR 2,438 million during the year ended March 31, 2022. The higher cash outflow in the current year was primarily on account of increase in lease payments by INR 74 million and repayment of borrowing of INR 37 million in current year against proceeds of borrowings of INR 232 million in previous year partially offset by increase in finance cost paid by INR 206 million.

Liquidity Position

As of March 31, 2023, Restricted Group - II had INR 529 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 3,864 million for the year ended March 31, 2023, compared to INR 4,131 million during the year ended March 31, 2022. The decrease in EBITDA was primarily due to decrease in carbon credit emission related income and decrease in operating expenses.

