

AZURE POWER GLOBAL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2021

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FOR THE YEAR ENDED MARCH 31, 2021

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AZURE POWER GLOBAL LIMITED
MANAGEMENT AND ADMINISTRATION

		Date of appointment	Date of resignation	
DIRECTORS	:	Muhammad Khalid Perye	January 30, 2015	-
		Sanjeev Aggarwal	September 28, 2015	October 05, 2020
		Barney Sheppard Rush	January 29, 2016	-
		Cyril Sebastien Dominique Cabanes	December 20, 2016	-
		Arno Lockheart Harris	May 30, 2016	-
		Rajendra Prasad Singh	October 20, 2017	September 28, 2020
		Ranjit Gupta	July 18, 2019	-
		Yung Oy Pin (Jane) Lun Leung	November 08, 2019	-
		Deepak Malhotra	November 13, 2019	-
		Supriya Prakash Sen	August 01, 2020	-
		Panicker Unnikrishnan Mangalath Sukumara	August 19, 2020	-
ADMINISTRATION AND SECRETARY	:	AAA Global Services Ltd 1st Floor, The Exchange 18 Cybercity Ebene Mauritius		
BANKER	:	Absa Bank (Mauritius) Limited 2 nd Floor, Absa House, 68 Wall Street, Cybercity Ebene 72201 Mauritius		
AUDITOR	:	Ernst & Young 9 th Floor, Tower 1 Nexteracom Cybercity, Ebene Mauritius		
REGISTERED OFFICE	:	c/o AAA Global Services Ltd 1 st Floor, The Exchange 18 Cybercity Ebene Mauritius		

DIRECTORS' REPORT TO THE MEMBERS

To
The Members,

The Directors have the pleasure in submitting their report of Azure Power Global Limited (the "Company") along with the audited financial statements for the financial year ended on March 31, 2021.

The Company was incorporated on January 30, 2015 in Mauritius and its main activity is investment holding. The Company's subsidiaries are organized under the laws of India (except for one U.S. subsidiary and 2 Mauritian subsidiaries) and are engaged in the development, construction, ownership, operation, 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 energy distribution companies as well as other non-governmental energy distribution companies and commercial customers.

The Group financial statements consist of the Company and its Subsidiaries.

1. Financial summary or highlights/performance of the company:

The Group and the Company's financial performance for the year ended March 31, 2021 is summarized as follows:

Particulars	For the year ended March 31, 2021	
	(US\$000's)	(US\$000's)
	Group	Company
Revenue from Operations	205,330	-
Total Revenue	205,330	-
Total Expenses	257,936	48,172
Loss Before Tax	(52,606)	(48,172)
Less: Income Tax expense	(3,988)	-
Loss After Tax and before non-controlling interests	(56,594)	(48,172)
Loss Attributable to non-controlling interests	62	-
Loss After Tax and after non-controlling interests	(56,656)	(48,172)
Accretion to redeemable non-controlling interests	-	-
Net Loss attributable to equity shareholders	(56,656)	(48,172)

2. Financial performance and state of company affairs:

Standalone Financial Details:

The Company's loss for the year ended March 31, 2021 is US\$ 48,172,000.

Consolidated Financial Details:

The Group's loss for the year ended March 31, 2021 is US\$ 56,656,000.

3. Dividend:

The Company has made a net loss of US\$ 48,172,000 during the year and therefore the Board does not recommend the payment of any dividend for the year under audit.

4. Group structure:

During the year under audit, the Company continuous to hold 97.746% of Azure Power India Private Limited and all the shares of Azure Power Energy Ltd, Azure Power Solar Energy Private Limited and Azure Power Rooftop Pvt Limited and is therefore the holding company of the entire group.

5. Fund raised during the year:

During the year ended March 31, 2021, the Group (through its wholly owned subsidiary, Azure Power India Private Limited) borrowed US\$ 93.0 million from Export Development Canada and Standard Bank (Singapore) Limited. The funds were provided to project SPV's as shareholder loans or other instrument for capital expenditure or for payment of capital expenditure in respect of various specified projects.

During the year ended March 31, 2021, the Indian subsidiaries of the Company raised total of US\$ 189 million project debt including working capital facilities which were used towards development of projects in Group's subsidiaries.

6. Details of Subsidiary/Joint Ventures/Associate Companies:

The Company has 2 direct Mauritian subsidiaries, 2 direct Indian subsidiaries, 69 indirect Indian subsidiaries, 1 indirect US subsidiary and 1 indirect Indian associate company as on date. All the Indian subsidiaries are engaged in the business of operating solar power projects.

Operational – 1,990 MW

During the year ended March 31, 2021, Azure Power Group of Companies have commissioned 325 MW (excluding 10 MW of Rooftop portfolio) of solar power projects and has ended the year under audit with a total installed capacity of 1,990 MW. This excludes 153 MW of Rooftop portfolio, for which we entered into an agreement to sell subsequent to fiscal year ended March 31, 2021.

Under construction and Contracted and Awarded – 4,965 MW

The Group has 4,965 MW of solar power capacity in construction and awarded stage at the end of the year. This includes under construction projects Assam 1 – 65 MW, Rajasthan 6 – 300 MW, Rajasthan 8 – 300 MW and Rajasthan 9 – 300 MW. In addition to this, the Group also has contracted and awarded, SECI 1 and SECI 2, 2000 MW each for which a Letter of Award is received but PPA is yet to be signed.

7. Investment in Subsidiary Companies during the year:

The Company's investment in subsidiaries stood at US\$ 521,284,000 (net of Provision for diminution in value of investments amounting US\$ 45,692,000) as at March 31, 2021 as there was no further investment in project SPV's.

8. Change in nature of business, if any:

During the year under audit there has been no change in nature of business carried out by the Company.

9. License:

The Company was granted a Category 1 Global Business License issued by the Financial Services Commission of Mauritius on February 2, 2015. The Company also falls within the definition of a reporting issuer in accordance with Securities Act 2005 of Mauritius.

10. Material changes and commitments, if any, affecting the financial position of the Company which have occurred between March 31, 2021 and the date of this report:

No material change has occurred between March 31, 2021 and the date of this report.

During the same period, there has been no material change in the commitments taken by the Company.

11. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future:

No such orders have been passed in relation with the Company.

12. Internal financial controls:

Azure Power Group internal controls are commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance of corporate policies. Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal and statutory auditors and external consultants, including audit of internal financial controls over financial reporting by the statutory auditors, and the reviews performed by management and the relevant board committees, including the audit committee, the board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2020-21.

13. Deposits:

The Group has not accepted any deposits from public and hence, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

14. Auditor:

Ernst & Young (Mauritius) was appointed as first statutory auditors of the Group. Ernst & Young (Mauritius) has indicated its willingness to continue in office and a resolution concerning its re-appointment will be proposed at the next Annual Meeting. The Company has paid a fee of US\$ 4,535 for statutory audit.

15. Auditor's Report on Financial Statements:

The Financial statements of the Group and the Company have been prepared in accordance with the United States Generally Accepted Accounting Principles and in compliance with the requirements of the Companies Act 2001.

The auditor of the Company has not given any qualified opinion on the Consolidated Financial Statements for the Group and Standalone financials of the Company.

16. Share Capital:

a) Issue of employee stock options:

The Company has a 2015 Stock Option Plan and 2016 Equity Incentive Plan and as amended in 2020 (collectively “ESOP Plans”) duly approved by the Board of Directors and had 2,023,744 stock options in the employee stock option pool as of March 31, 2021. Under the ESOP Plans, the Compensation Committee on behalf of Board of Directors (the “Directors”) may from time to time make grants to one or more employees, determined by it to be eligible for participation under the plans.

During November 2018, the Company repriced the exercise price for 692,507 options, which were previously awarded to certain officers, employees and directors under the ESOP plans from US\$ 13.25 to US\$ 11.90 per share. All terms and conditions of the eligible options, including the vesting schedule, service condition and other terms remain the same. The impact of the repricing of the options has been considered in the company’s financial statements.

b) Provision of money by company for purchase of its own shares by employees or by trustees for the benefit of employees:

The Company has not made any provision for purchase of its own shares by employees or by trustees for the benefit of employees.

17. Directors

As at date of this Report, the following were the Directors of the Company:

- | | |
|---|--|
| 1) Ranjit Gupta | Chief Executive Officer |
| 2) Yung Oy Pin (Jane) Lun Leung | Independent Non-Executive Director |
| 3) Muhammad Khalid Peyrye | Independent Non-Executive Director |
| 4) Barney Sheppard Rush | Independent Non-Executive Director |
| 5) Cyril Sebastien Dominique Cabanes | Caisse de dépôt et placement du Québec (CDPQ) Nominee Director |
| 6) Arno Lockheart Harris | Independent Non-Executive Director |
| 7) Deepak Malhotra | Caisse de dépôt et placement du Québec (CDPQ) Nominee Director |
| 8) Supriya Prakash Sen | Independent Non-Executive Director |
| 9) Panicker Unnikrishnan Mangalath Sukumara | Caisse de dépôt et placement du Québec (CDPQ) Nominee Director |

18. Number of meetings of the Board of Directors:

For the year under audit, the Board met 7 times and passed 10 Director resolutions.

19. Compensation Committee

The Compensation Committee is composed of four members who are as follows:

Barney Sheppard Rush	Chairman
Cyril Sebastien Dominique Cabanes	Member
Panicker Unnikrishnan Mangalath Sukumara	Member
Supriya Prakash Sen	Member

20. Audit Committee

The Audit Committee is composed of three members who are as follows:

Arno Lockheart Harris	Chairman
Barney Sheppard Rush	Member
Supriya Prakash Sen	Member

21. Capital Committee

The Capital Committee is composed of four members who are as follows:

Arno Lockheart Harris	Chairman
Barney Sheppard Rush	Member
Deepak Malhotra	Member
Supriya Prakash Sen	Member

22. Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee is composed of three members who are as follows:

Barney Sheppard Rush	Chairman
Cyril Sébastien Dominique Cabanes	Member
Supriya Prakash Sen	Member

23. Finance Committee

The Finance Committee is composed of three members who are as follows:

Ranjit Gupta	Member
Murali Subramanian	Member
Pawan Kumar Agrawal	Member

24. CSR Committee

The CSR Committee is composed of three members who are as follows:

Deepak Malhotra	Member
Panicker Unnikrishnan Mangalath Sukumara	Member
Supriya Prakash Sen	Member

25. Risk management policy:

The Group has identified the key risks for the business and have made a mitigation plan.

The Group activities is to maximize opportunities and minimize adversity by considering the following: -

- Identification of risk, define ownership with clearly defined roles and responsibilities;
- Balance between the cost of managing risk and the anticipated benefits;
- Contributing to more efficient use/allocation of capital and resources;
- To encourage and promote a pro-active approach towards risk management;
- Identifying any unmitigated risks and formulating action plans for its treatment through regular review.

26. Contracts and Arrangements with Related parties:

All contracts/arrangements/transactions entered by the Group and the Company during the period under audit with related parties were in the ordinary course of business and on an arm's length basis. During the period, the Group and the Company had not entered into any contract/arrangement/transaction with related parties which could be considered material in accordance with the policy of the Group on materiality of related party transactions.

The Group had no related party contracts as at March 31, 2021.

27. Directors' Responsibility Statement:

The Company's directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements, comprising of, the balance sheet as at March 31, 2021 and the statements of operations, comprehensive loss, preferred shares and shareholders' equity and cash flows for the year ended, and the notes to the consolidated and separate financial statements, which include a summary of accounting policies and other explanatory notes, in accordance with accounting policies generally accepted in the United States ("GAAP") and in compliance with the requirements of the Companies Act 2001.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making estimates that are reasonable in the circumstances.

The directors have made an assessment of the Group's and Company's ability to continue as going concerns and have no reason to believe the businesses will not be going concerns in the year ahead. The Company has an Audit Committee which consists of Mr. Arno Lockheart Harris, Mr. Barney Sheppard Rush and Ms. Supriya Prakash Sen.

28. Human Resource Development and Industrial Relations

The Group believes that the development of employees is one of the most important enablers for an organization. This is being done at both individual and team levels. Sustained development of its employees, professional and personal, is the hallmark of its human resource policies. The Group values its Human Resources and is committed to ensure employee satisfaction, development and growth.

The Group is working towards developing a culture of nurturing leaders, encouraging creativity and openness. Cordial industrial relations and improvements in productivity were maintained at all of the Group's Plants and Offices during the year under audit.

29. Acknowledgements:

The Directors extend their sincere appreciation for the assistance and co-operation received from the financial institutions, banks and Government Authorities. The Directors appreciate and value the support from all the Shareholders of the Company. The Directors also place on record their deep sense of appreciation for the committed services by the Group's executive and staff.

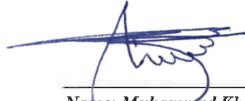
30. Cautionary Statement

Statements in this Board's Report describing the Group's present position, expectations or forecasts may be forward-looking within the meaning of applicable laws and regulations. Actual results may differ from those expressed in the statement. Important factors that could influence the Group's operations include global and domestic demand and supply conditions, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

For and on behalf of the board of directors,
For AZURE POWER GLOBAL LIMITED



Name: Ranjit Gupta
Designation: Director



Name: Muhamwad Khalid
Peyrye Designation: Director

Date: 17 August, 2021

**AZURE POWER GLOBAL LIMITED
SECRETARY'S CERTIFICATE TO THE MEMBERS
FOR THE YEAR ENDED MARCH 31, 2021**

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.



.....
AAA Global Services Ltd
CORPORATE SECRETARY
1st Floor, The Exchange
18 Cybercity
Ebene
Mauritius

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AZURE POWER GLOBAL LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Azure Power Global Limited (the "Company") and its subsidiaries (the "Group") set out on pages 14 to 49 which comprise the consolidated and separate balance sheets as at March 31, 2021, and the consolidated and separate statements of operations, consolidated and separate statements of comprehensive loss, consolidated and separate statements of preferred shares and shareholders' equity, and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, consolidated and separate the financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at March 31, 2021, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America and comply with the Companies Act 2001.

Basis for Opinion

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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and other independence requirements applicable to performing audits of financial statements of the Group and Company and in Mauritius. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in Mauritius. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matters applies equally to the audit of the consolidated and separate financial statements.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AZURE POWER GLOBAL LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
<p>The Group Rooftop business classified as assets held for sale and related impairment</p> <p>As described in Note 23, during the year, the Group resolved to sell the rooftop business and a sale agreement was executed.</p> <p>The Group ascertained that the rooftop business should be considered as assets held for sale in accordance with the accounting policies described in note 2(t) and consequently net assets amounting to USD 47.3 million were classified as held for sale.</p> <p>Assets held for sale are measured at the lower of the carrying amount and fair value less cost to sell and thus an impairment charge of USD 35.4 million has been recognised in profit or loss.</p> <p>The presentation and measurement of the rooftop business and the related impairment have been identified as a key audit matter due to:</p> <ul style="list-style-type: none"> ▪ the size of impairment ▪ the complexity and significant judgement involved in evaluating the conditions precedent for the purpose of identification and classification of assets held for sale 	<p>The procedures performed to ensure appropriate presentation and measurement for sale of the rooftop business and related impairment include:</p> <ul style="list-style-type: none"> ▪ Obtained and read the minutes of meetings of the board of directors and the capital committee for required approvals. ▪ Obtained the sale contract entered between the Company and the buyer for understanding the key terms and conditions of the proposed sale. ▪ Critically assessed the conditions precedent to sale of rooftop business and examined the assessment done by the management for classification of the disposal group as "Assets held for Sale". ▪ Verified that the fair value determined by management for the disposal group was in line with the sales contract and the costs to sell have been correctly netted off. ▪ Verified the accuracy of the impairment calculation. ▪ Assessed the completeness of the disclosures in the financial statements.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AZURE POWER GLOBAL LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
<p>The Company Impairment of investments in subsidiaries</p> <p>Included in investments of USD 521.3 million, are investments made in subsidiaries, which at March 31, 2021 amounted to USD 521.2 million, net of impairment, as disclosed in note 9.</p> <p>Investments in subsidiaries are measured at cost less impairment. The impairment charge recognised for the year ended March 31, 2021 is USD 45.7 million as disclosed in note 9.</p> <p>The measurement of investments in subsidiaries and the related impairment has been identified as a key audit matter due to</p> <ul style="list-style-type: none"> ▪ Size of Impairment recognised ▪ The complexity and significant judgement involved in determining the recoverable amount of these investments and thus the impairment amount, if any. 	<p>The procedures performed with respect to the appropriate measurement of investments in subsidiaries and related impairment include:</p> <ul style="list-style-type: none"> ▪ Obtained and read the minutes of meetings of the board of directors and the capital committee. ▪ Critically assessed through an analysis of internal and external factors impacting the entity, whether there were any indicators of impairment. ▪ Verified the recoverable amount assessment done by the management for the investments and examined supporting evidences ▪ Verified the arithmetical accuracy of the calculations ▪ Verify that required impairments have been properly recognised and disclosed.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Azure Power Global Limited Financial Statements for the year ended March 31, 2021", which includes the Management and Administration, the Directors' Report to the Members and the Company Secretary's Certificate to the Members as required by the Companies Act 2001. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AZURE POWER GLOBAL LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Other Information (Continued)

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with generally accepted accounting principles in the United States of America and the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AZURE POWER GLOBAL LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

- 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 Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Group and 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 consolidated and separate 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 Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AZURE POWER GLOBAL LIMITED

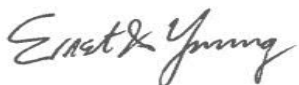
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

We have no relationship with or interests in the Group and the Company other than in our capacity as auditor, tax advisor and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.



ERNST & YOUNG
Ebène, Mauritius



ROGER DE CHAZAL, A.C.A.
Licensed by FRC

Date: 17 August 2021

AZURE POWER GLOBAL LIMITED
Consolidated and Separate Balance Sheets
(US\$ amounts in thousands, except share and par value data)

As at March 31

Notes	The Group		The Company	
	2020 (US\$)	2021 (US\$)	2020 (US\$)	2021 (US\$)
Assets				
Current assets:				
Cash and cash equivalents	129,883	151,110	765	4,472
Investments in held to maturity securities	-	-	-	-
Restricted cash	64,690	66,408	-	-
Accounts receivable, net	59,111	66,569	-	-
Prepaid expenses and other current assets	21,480	29,790	1,361	1,309
Assets classified as held for sale	-	44,909	-	-
Total current assets	275,164	358,786	2,126	5,781
Restricted cash	11,246	2,307	-	-
Property, plant and equipment, net	1,273,287	1,480,801	-	-
Software, net	721	393	-	-
Deferred income taxes	29,250	23,781	-	-
Right-of-use assets	58,809	57,328	-	-
Investments	91	90	566,976	521,284
Investment in equity investee	0	0	-	-
Other assets	107,650	96,394	-	-
Total assets	1,756,218	2,019,880	569,102	527,065
Liabilities and shareholders' equity				
Current liabilities:				
Short-term debt	12,929	121,667	-	-
Accounts payable	23,812	58,418	604	442
Current portion of long-term debt	30,542	63,364	-	-
Income taxes payable	664	620	-	-
Interest payable	22,765	20,819	-	-
Deferred revenue	1,464	1,499	-	-
Lease liabilities	3,396	3,850	-	-
Other liabilities	26,793	26,230	72	60
Liabilities directly associated with assets classified as held for sale	-	30,910	-	-
Total current liabilities	122,365	327,377	676	502
Long-term debt	1,148,518	1,223,349	-	-
Deferred revenue	28,243	32,010	-	-
Deferred income taxes	34,782	27,830	-	-
Asset retirement obligations	9,826	11,034	-	-
Lease liabilities	47,641	45,698	-	-
Other liabilities	3,822	19,848	-	-
Total liabilities	1,395,197	1,687,146	676	502
Redeemable non-controlling interest	-	-	-	-
Shareholders' equity				
Equity shares, US\$ 0.000625 par value; 47,650,750 and 48,195,962 shares issued and outstanding as of March 31, 2020 and March 31, 2021, respectively	29	30	29	30
Additional paid-in capital	536,882	543,233	577,512	583,819
Accumulated deficit	(131,815)	(188,471)	(9,115)	(57,286)
Accumulated other comprehensive loss	(48,084)	(26,129)	-	-
Total APGL shareholders' equity	357,012	328,663	568,426	526,563
Non-controlling interest	4,009	4,071	-	-
Total shareholders' equity	361,021	332,734	568,426	526,563
Total liabilities and shareholders' equity	1,756,218	2,019,880	569,102	527,065

See accompanying notes.

These financial statements have been approved by the Board of Directors and authorised for issue on 17 August, 2021.


Ranjit Gupta
Director


Muhammad Khalid Peyrye
Director

AZURE POWER GLOBAL LIMITED
Consolidated and Separate Statements of Operations
(US\$ amounts in thousands, except share and par value data)

		Year ended March 31,			
		The Group		The Company	
		2020	2021	2020	2021
Notes		(US\$)	(US\$)	(US\$)	(US\$)
Operating revenues:					
	Sale of power	182,820	205,330	-	-
Operating costs and expenses:					
	Cost of operations (exclusive of depreciation and amortization shown separately below)	16,173	16,989	-	-
	General and administrative	34,338	40,268	1,934	2,436
	Depreciation and amortization	40,344	43,159	-	-
	Impairment loss	-	43,860	-	-
	Total operating cost and expenses	90,855	144,276	1,934	2,436
	Operating income/(loss)	91,965	61,054	(1,934)	(2,436)
Other expense:					
	Interest expense, net	112,336	113,328	(82)	45
	Provision for diminution in value of investments	-	-	-	45,692
	Other expense/(income)	(1,528)	239	-	-
	Loss/(gain) on foreign currency exchange, net	7,224	93	10	(1)
	Total other expenses	118,032	113,660	(72)	45,736
	Profit / (loss) before income tax	(26,067)	(52,606)	(1,862)	(48,172)
	Income tax expense	(6,892)	(3,988)	-	-
	Net (loss) / profit	(32,959)	(56,594)	(1,862)	(48,172)
	Less: Net (loss)/ profit attributable to non-controlling interest	(962)	62	-	-
	Net (loss)/ profit attributable to APGL	(31,997)	(56,656)	(1,862)	(48,172)
	Accretion to redeemable non-controlling interest	-	-	-	-
	Net (loss)/profit attributable to APGL equity shareholders	(31,997)	(56,656)	(1,862)	(48,172)
	Net loss per share attributable to APGL equity stockholders				
	Basic	(0.74)	(1.18)	(0.04)	(1.00)
	Diluted	(0.74)	(1.18)	(0.04)	(1.00)
	Shares used in computing basic and diluted per share amounts				
	Basic	43,048,026	47,979,581	43,048,026	47,979,581
	Diluted	43,048,026	47,979,581	43,048,026	47,979,581

See accompanying notes.

AZURE POWER GLOBAL LIMITED
Consolidated and Separate Statements of Comprehensive Loss
(US\$ amounts in thousands)

	Year ended March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
Net (loss)/profit attributable to APGL equity shareholders	(32,959)	(56,656)	(1,862)	(48,172)
Add: Non-controlling interest	-	62	-	-
Other comprehensive loss, net of tax ⁽¹⁾				
Foreign currency translation	(99,742)	30,518	-	-
Effective portion of cashflow hedge (Net of tax for March 31, 2020 and 2021, US\$ 8,757 and US\$ 1,924 for the Group)	51,108	(8,563)	-	-
Unrealized gain on available for sale securities	-	-	-	-
Total other comprehensive income/(loss)	(48,634)	21,955	-	-
Less: Total comprehensive income attributable to non-controlling interest	-	-	-	-
Total comprehensive loss	(81,593)	(34,639)	(1,862)	(48,172)

⁽¹⁾ Balance in accumulated other comprehensive loss was US\$ (48,084) thousand and US\$ (26,129) thousand as of March 31, 2020 and 2021, respectively. During the year March 31, 2021 adjustments of US\$ 30,518 thousand and US\$ (8,563) thousand (net of tax) were made on account of foreign currency translation and effective portion of cash flow hedge, respectively in accumulated other comprehensive loss.

See accompanying notes.

AZURE POWER GLOBAL LIMITED
Consolidated and Separate Statements of Preferred Shares and Shareholders' Equity
(US\$ amounts in thousands)

For the Group as on March 31, 2020

	Equity shares	Additional paid in capital	Accumulated other comprehensive income	Accumulated deficit	Total APGL shareholders' equity	Non- controlling Interests	Total shareholders' Equity
Balance as at March 31, 2019	25	461,443	550	(99,818)	362,200	4,971	367,171
Issuance of Equity Shares (refer note 17)	4	75,014	-	-	75,018	-	75,018
Net loss	-	-	-	(31,997)	(31,997)	(962)	(32,959)
Other comprehensive loss	-	-	(48,634)	-	(48,634)	-	(48,634)
Share based compensation	-	425	-	-	425	-	425
Balance as at March 31, 2020	29	536,882	(48,084)	(131,815)	357,012	4,009	361,021

For the Group as on March 31, 2021

	Equity shares	Additional paid in capital	Accumulated other comprehensive income	Accumulated deficit	Total APGL shareholders' equity	Non- controlling Interests	Total shareholders' Equity
Balance as at March 31, 2020	29	536,882	(48,084)	(131,815)	357,012	4,009	361,021
Issuance of Equity Shares (refer note 17)	1	5,712	-	-	5,713	-	5,713
Net loss	-	-	-	(56,656)	(56,656)	62	(56,594)
Other comprehensive income	-	-	21,955	-	21,955	-	21,955
Share based compensation	-	639	-	-	639	-	639
Balance as at March 31, 2021	30	543,233	(26,129)	(188,471)	328,663	4,071	332,734

AZURE POWER GLOBAL LIMITED
Consolidated and Separate Statements of Preferred Shares and Shareholders' Equity
(US\$ amounts in thousands)

2(a) For the Company as on March 31, 2020

	Equity shares	Additional paid in capital	Accumulated deficit	Total shareholder's equity
Balance as at March 31, 2019	25	501,572	(7,253)	494,344
Issuance of Equity shares...	4	75,515	-	75,519
Share based compensation.....	-	425	-	425
Net loss.....	-	-	(1,862)	(1,862)
Balance as at March 31, 2020	29	577,512	(9,115)	568,426

For the Company as on March 31, 2021

	Equity shares	Additional paid in capital	Accumulated deficit	Total shareholder's equity
Balance as of March 31, 2020	29	577,512	(9,115)	568,426
Issuance of Equity shares.....	1	5,365	-	5,366
Share based compensation.....	-	942	-	942
Net loss.....	-	-	(48,171)	(48,171)
Balance as at March 31, 2021	30	583,819	(57,286)	526,563

See accompanying notes.

AZURE POWER GLOBAL LIMITED
Consolidated and Separate Statements of Cash Flows
(US\$ amounts in thousands)

	Year ended March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
Cash flows from operating activities				
Net (loss)/ profit	(32,959)	(56,594)	(1,862)	(48,172)
Adjustments to reconcile net loss/(profit) to net cash provided from/(used in) operating activities:				
Income taxes including deferred taxes	2,102	(4,434)	-	-
Depreciation and amortization	40,350	43,153	-	-
Adjustment to derivative instruments	20,144	25,852	-	-
Loss on disposal of property, plant and equipment	736	425	-	-
Share based compensation	2,624	13,489	425	942
Impairment loss	-	43,860	-	-
Provision for diminution in value of investments	-	-	-	45,692
Amortization of debt financing costs	10,006	4,971	-	-
Realized gain on investments	(1,524)	-	-	-
ARO accretion	506	568	-	-
Non-cash rent expense	2,723	2,278	-	-
Allowance for doubtful accounts	4,278	3,960	-	-
Debt Prepayment charges	-	-	-	-
Employee benefit	(151)	606	-	-
Loan Prepayment charges	3,985	3,464	-	-
Foreign exchange (gain)/loss, net	7,223	94	-	-
Change in operating lease right-of-use assets	10,132	(5,000)	-	-
Change in operating lease liabilities	(17,712)	1,685	-	-
Changes in operating assets and liabilities				
Accounts receivable	(18,437)	(11,888)	-	-
Prepaid expenses and other current assets	3,280	272	(1,115)	53
Other assets	(4,444)	1,524	-	-
Accounts payable	3,137	(2,400)	(51)	(163)
Interest payable	9,268	(1,135)	-	-
Deferred revenue	4,510	3,047	-	-
Other liabilities	2,181	(830)	70	(12)
Net cash flows provided / (used) from operating activities	51,958	66,967	(2,533)	(1,659)
Cash flows from investing activities				
Purchase of property, plant and equipment	(258,477)	(254,822)	-	-
Purchase of software	(607)	(135)	-	-
Sale of available for sale investments	456,155	-	-	-
Purchase of available for sale securities	(454,632)	-	-	-
Proceeds from disposal of available for sale securities	-	-	-	-
Investment in subsidiary	-	-	(80,785)	-
Redemption/ maturity of term deposits-restricted cash	-	-	-	-
Net cash flows used in investing activities	(257,561)	(254,957)	(80,785)	-
Cash flows from financing activities				
Proceeds from issuance of Green Bonds	344,410	-	-	-
Proceeds from issuance of NCD's	-	-	-	-
Proceeds from issuance of equity shares	75,180	5,418	75,519	5,366
Repayments of term and other loan ⁽³⁾	(435,431)	(143,703)	-	-
Loan prepayment charges	(3,985)	(3,464)	-	-
Proceeds from term and other loan	259,155	347,053	-	-
Cost of issuance of equity shares	(184)	-	-	-
Net cash flows from financing activities	239,145	205,304	75,519	5,366
Effect of exchange rate changes on cash and cash equivalents	(29,917)	3,726	-	-
Net increase in cash and cash equivalents	33,542	17,314	(7,799)	3,707
Cash and cash equivalents at the beginning of the year	202,194	205,819	8,564	765
Less: Cash and cash equivalents and restricted cash, held for sale	-	(7,034)	-	-
Cash and cash equivalents at the end of the year*	205,819	219,825	765	4,472
Supplemental disclosure for cash flow				
Cash paid during the year for interest	101,707	120,187	-	-
Cash paid during the year for income taxes	9,838	6,581	-	-
Non-cash conversion of CCD and CCPS	-	-	-	-

* Refer Note 3 and 4.

⁽³⁾ Includes US\$ 15,027 thousand and US\$ 28,801 thousand paid towards hedging costs for Solar Green Bonds for the year ended 2020, and 2021, respectively

AZURE POWER GLOBAL LIMITED
Notes to Consolidated and Separate Financial Statements
(US\$ amounts in thousands except share and per share data)

1. Organization

Azure Power Global Limited (“APGL” or “Azure”) organized under the laws of Mauritius was incorporated on January 30, 2015. APGL’s subsidiaries are organized under the laws of India (except for one U.S. subsidiary and two subsidiaries in Mauritius) and are engaged in the development, construction, ownership, operation, 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 energy distribution companies as well as other non-governmental energy distribution companies and commercial customers. APGL and its subsidiaries are hereinafter referred to as the “Group”. During the current year the Group has entered into a sale agreement for the disposal of its rooftop business. See also Note 23.

2. Summary of significant accounting policies

(a) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and are presented in US\$ in thousands, unless otherwise stated. The consolidated financial statements include the accounts of the company and companies which are directly or indirectly controlled by Company. All intercompany accounts and transactions have been eliminated upon consolidation. Certain balances relating to prior years have been reclassified to conform to the current year presentation.

All share and per share amounts presented in the consolidated financial statements have been adjusted to reflect the 16-for-1 stock split of the Company’s equity shares that was effective on October 6, 2016.

The Company has an accumulative deficit of US\$ 9,115 thousand and US\$ 57,286 thousand as on March 31, 2020 and March 31, 2021, respectively and the Group has an accumulative deficit of US\$ 131,815 thousand and US\$ 188,471 thousand as on March 31, 2020 and March 31, 2021, respectively. The Company has sufficient cash balance at the end of the year to meet the expenses for the next twelve months period. The financials have been prepared based on the going concern assumption.

(b) Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs, expenses and comprehensive loss that are reported and disclosed in the consolidated financial statements and accompanying notes. These estimates are based on management’s best knowledge of current events, historical experience, actions the Group may undertake in the future and on various other assumptions that are believed to be prudent and reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to impairment of and useful lives of property, plant and equipment, determination of asset retirement obligations, valuation of derivative instruments, hedge accounting, lease liabilities, right to use asset, allowances for doubtful accounts based on payment history, credit rating, valuation of share-based compensation, income taxes, energy kilowatts expected to be generated over the useful life of the solar power plant, estimated transaction price, including variable consideration, of the Group’s revenue contracts, impairment of other assets and other contingencies and commitments. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates, and such differences may be material to the consolidated financial statements.

Estimation uncertainty relating to COVID-19 pandemic

In evaluating the recoverability of accounts receivable including unbilled revenue, contract assets, long-lived assets and investments, the Group has considered, at the date of approval of these financial statements, internal and external information in the preparation of the financial statements including the economic outlook. The Group has performed sensitivity analysis on the assumptions used to assess the recoverability of these assets and based on current estimates, expects the carrying amount of these assets will be recovered. The impact of COVID-19 may be different from that estimated on preparation of these financial statements and the Group will continue to closely monitor any material changes to future economic conditions. See also Note 2 aa - Impact of COVID-19 Pandemic.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of APGL, its subsidiaries, and variable interest entities (“VIE”), where the Company has determined it is the primary beneficiary and are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Group uses the equity method to account for its investments in entities where it exercises significant influence over operating and financial policies but does not retain control under either the voting interest model (generally 20% to 50% ownership interest) or the variable interest model. In 2020, the Group entered into a joint venture agreement as further described in Note 10—Investments, and the investment is accounted for using the equity method. The Company has eliminated all significant intercompany accounts and transactions.

(c) Foreign currency translation and transactions

The functional currency of the Company is the United States Dollar (“US\$”). The Company’s subsidiaries with operations in India use INR as the functional currency and the subsidiaries in the United States and Mauritius use US\$ as functional currencies. The financial statements of the Company’s subsidiaries are translated into US\$ using the closing exchange rate as of the balance sheet date for assets and liabilities 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 shareholders’ equity.

In the financial statements of the Company’s subsidiaries, transactions in currencies other than the functional currency are measured and recorded in the functional currency using the exchange rate in effect at the date of the transaction. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated into the functional currency using the exchange rate at the balance sheet date. All gains and losses arising from foreign currency transactions are recorded in the determination of net income or loss during the year in which they occur.

Revenue, expense and cash flow items are translated using the average exchange rates for the respective year. The resulting gains and losses from such translation are excluded from the determination of earnings and are recognized instead in accumulated other comprehensive loss, which is a separate component of shareholders’ equity.

Realized and unrealized foreign currency transaction gains and losses, arising from exchange rate fluctuations on balances denominated in currencies other than the functional currency of an entity, such as those resulting from the Group’s and Company’s borrowings in other than functional currency is included in ‘(Gain)/loss on foreign currency exchange, net’ in the consolidated statements of operations.

AZURE POWER GLOBAL LIMITED
Notes to Consolidated and Separate Financial Statements
(US\$ amounts in thousands except share and per share data)

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, term deposits and all other highly liquid investments purchased with an original maturity of three months or less at the date of acquisition and that are readily convertible to cash. The Group has classified term deposits totalling US\$ 91,392 thousand and US\$ 135,182 thousand and US\$ 755 thousand and US\$ 4,153 thousand for the Company as at March 31, 2020 and 2021, respectively, as cash and cash equivalents, because they have ability to redeem these deposits at any time subject to an immaterial interest rate forfeiture. All term deposits are readily convertible into known amount of cash with no more than one day's notice.

(e) Restricted cash

Restricted cash consists of cash balances restricted as to withdrawal or usage and relates to cash used to collateralize bank letters of credit supporting the purchase of equipment for solar power plants, bank guarantees issued in relation to the construction of the solar power plants within the timelines stipulated in PPAs and for certain debt service reserves required under the Group's loan agreements. Restricted cash is classified into current and non-current portions based on the term of the deposit and the expiration date of the underlying restriction.

The following table presents the components of cash, cash equivalents and restricted cash included in the consolidated balance sheet that sums to the total of the same such amounts in the Consolidated Statements of Cash Flows:

	March 31,	
	2020	2021
	(US\$)	(US\$)
	(in thousands)	
Current Assets		
Cash and cash equivalents	129,883	151,110
Restricted cash	64,690	66,408
Non-Current Assets		
Restricted cash	11,246	2,307
Cash and cash equivalents and restricted cash	205,819	219,825

(f) Investments

The Group and the Company determine the appropriate classification of investment securities at the time of purchase and re-evaluates such designation at each balance sheet date. The investment securities held by the Group and the Company during the year presented in the accompanying financial statements were classified as available for sale (short-term investments) consisting of liquid mutual funds units and held-to-maturity investments (short-term investments) consisting of notes of the Bank of Mauritius.

The Group and the Company account for its investments in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 320, Accounting for Certain Investments in Debt and Equity Securities. These investments are considered as available for sale and held to maturity. Investments classified as available for sale are recorded at fair value, with the unrealized gains or losses, net of tax, reported as a component of accumulated other comprehensive income or loss in the statement of shareholders' equity. Realized gains from the sale of available for sale securities during the years ended March 31, 2020 and 2021 for the Group were US\$ 1,528 thousand and US\$ Nil thousand and US\$ Nil and US\$ Nil for the Company, respectively and proceeds from the sale of available for sale securities during the year ended March 31, 2020 and 2021 were US\$ 456,155 thousand and US\$ Nil thousand for the Group and US\$ Nil and US\$ Nil for the Company, respectively.

Securities that the Group and the Company have positive intent and ability to hold till maturity are classified as held-to-maturity securities and stated at amortized cost. As of March 31, 2020, and March 31, 2021, amortized cost of held to maturity investments were US\$ 91 thousands and US\$ 90 thousands for the Group and US\$ 91 thousands and US\$ 90 thousands for the Company respectively. The maturity date of the investment is January 31, 2023.

Realized gains and losses and decline in value judged to be other than temporary on these investments are included in the consolidated statements of operations. The cost of securities sold or disposed is determined on First in First Out ("FIFO") method.

Investment in equity investee

The Group holds equity investments where it does not have a controlling financial interest but has the ability to exercise significant influence over the operating and financial policies of the investee. These investments are accounted for under the equity method of accounting wherein the Group records its proportionate share of the investee's income or loss in its consolidated financial statements.

During the previous year ended March 31, 2020, The Group has invested US\$ 0.34 thousand to acquire 26% of equity shares in a newly formed Company incorporated to establish a manufacturing facility (investee) and the Group is committed to further invest 26% of the equity required for construction of the manufacturing facility.

Investment in subsidiaries

Investments representing equity interest in subsidiaries which are carried at cost. A subsidiary is an entity that is controlled by the Company. Control is evidenced where the Company has the power over the investee or exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity returns. The Company has recognized Provision for diminution of Investments aggregating to US\$ 45,692 during fiscal year ended March 31, 2021. See Note 23

AZURE POWER GLOBAL LIMITED
Notes to Consolidated and Separate Financial Statements
(US\$ amounts in thousands except share and per share data)

(g) Accounts receivable

The Company adopted "ASC Topic 326" Financial Instruments — Credit Losses, effective April 1, 2020 using the modified retrospective transition approach. The new guidance requires the measurement and recognition of expected credit losses (ECL) for financial assets held at amortized cost and replaces the existing incurred loss impairment model with an expected loss model using the forward-looking information to calculate credit loss estimates. The new model requires consideration of a broader range of relevant information, such as offtake ratings historical loss experience, current economic conditions, and reasonable and supportable forecasts. The impact of adoption of this guidance did not have a material effect on the Company's financial statements.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which consists principally of accounts receivables, cash and cash equivalents and restricted cash, leading to a financial loss. Customer credit risk is managed using the Company's established policy, procedures and control relating to customer credit risk management. Outstanding accounts receivables are regularly monitored.

The Group's accounts receivables are generated by selling energy to customers and are reported net of any allowance for uncollectible accounts. The allowance for doubtful accounts receivable is based on various factors, including the length of time receivables are past due, significant one-time events, the financial health of customers and historical experience. The allowance for doubtful accounts receivable as at March 31, 2020 and 2021 was US\$ 3,258 thousand and US\$ 6,384 thousand for the Group and US\$ Nil and US\$ Nil for the Company. Accounts receivable serve as collateral for borrowings under the working capital facility, described in Note 5.

(h) Property, plant and equipment

Property, plant and equipment represents the costs of completed and operational solar power plants, as well as the cost of furniture and fixtures, vehicles, office and computer equipment, leasehold improvements, freehold land and construction in progress. Construction in progress represents the accumulated cost of solar power plants that have not been placed into service at the date of the balance sheet. Construction in progress includes the cost of solar modules for which the Group has taken legal title, civil engineering, electrical and other related costs incurred during the construction of a solar power plant. Construction in progress is reclassified to property, plant and equipment when the project begins its commercial operations.

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the assets' estimated useful lives as follows:

Plant and machinery (solar power plants).....	25-35 years
Furniture and fixtures	5 years
Vehicles.....	5 years
Office equipment.....	1-5 years
Computers.....	3 years

Leasehold improvements to office facilities are depreciated over the shorter of the lease period or the estimated useful life of the improvement. Lease hold improvements on the solar power plant sites are depreciated over the shorter of the lease term or the remaining period of the PPAs undertaken with the respective customer. Freehold land is not depreciated. Construction in progress is not depreciated until it is ready for use.

Improvements to property, plant and equipment deemed to extend the useful economic life of an asset are capitalized. Maintenance and repairs that do not improve efficiency or extend the estimated economic life of an asset are expensed as incurred. Additional capacity, if any, added to property plant and equipment is depreciated over the remaining estimated useful live.

Capitalized interest

Interest incurred on funds borrowed to finance construction of solar power plants is capitalized until the plant is ready for its intended use. The amount of interest capitalized during the years ended March 31, 2020 and 2021 was US\$ 4,643 thousand and US\$ 4,530 thousand for the Group and US\$ Nil and US\$ Nil for the Company, respectively.

(i) Accounting for impairment of long-lived assets

The Group and the Company periodically evaluate whether events have occurred that would require revision of the remaining useful life of property, plant and equipment and improvements, or render their carrying value not recoverable. If such circumstances arise, the Group and the Company use an estimate of the undiscounted value of expected future operating cash flows to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows are less than the carrying amount of the assets, the resulting impairment charge to be recorded is calculated based on the excess of the carrying value of the assets over the fair value of such assets, with the fair value determined based on an estimate of discounted future cash flows, appraisals or other valuation techniques. Other than as it relates to the planned disposal of the Company's rooftop business, there were no impairment charges related to remaining long-lived assets recognized during the years ended March 31, 2020, and 2021. See also note 23.

(j) Leases and land use rights

Policy applicable beginning April 1, 2019

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months and disclosing key information about leasing transactions. Leases are classified as either operating or financing, with such classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) – Targeted Improvements, which provided an optional transition method to apply the new lease requirements through a cumulative-effect adjustment in the period of adoption.

The Group adopted the guidance effective April 1, 2019 using the modified retrospective approach and elected certain practical expedients permitted under the transition guidance.

AZURE POWER GLOBAL LIMITED
Notes to Consolidated and Separate Financial Statements
(US\$ amounts in thousands except share and per share data)

The majority of the Group's leases relate to leasehold land on which the solar power plants are constructed on and leases related to office facilities. The leasehold land related to solar power plants has a lease term ranging between 25 to 35 year which is further extendable on mutual agreement by both lessor and lessee. Where applicable, the Group has the consent from the lessors to extend the leases up to 35 years. These leases have rent escalation ranging between 5% to 10% every year, during the tenure of the lease. All existing leases on the date of adoption of ASC Topic 842, were classified as operating leases as they were concluded at their inception under previous guidance of ASC Topic 840, as permitted by the practical expedient package elected. As the implicit rate in the lease contract is not readily determinable, the Group has used its average incremental rate of borrowing for the purposes of the determination of discount rate. The discount rate for operating leases is 10%. The weighted average remaining lease term for operating leases is 30 years.

The results of reporting periods beginning April 1, 2019 are presented in accordance with ASC Topic 842, whereas the prior period amounts are reported in accordance with ASC Topic 840 and have therefore not been reinstated. Upon adoption of ASC Topic 842, and by availing the exemption under the modified retrospective approach, the Group did not have a material impact to consolidated statements of operations and consolidated statements of cash flows. However, the adoption resulted in increasing the assets, by recognizing the Right of Use asset, on consolidated balance sheet by US\$ 46,001 thousand as well as Lease Liabilities by US\$ 42,496 thousand and derecognition of historical prepaid rent and land use right balances. During the year ended March 31, 2020 and 2021, the Group recorded lease cost of US\$ 7,625 thousand and US\$ 6,765 thousand. See Note 19 to the consolidated financial statements.

On Adoption of ASC 842, all the lease arrangements entered prior to adoption continued to be classified as operating leases. The Group has made an assessment for lease arrangements entered during the year and classified them as operating leases. The Group did not have any finance lease during any of the periods presented in the accompanying consolidated financial statements.

The Group is a lessee in several non-cancellable operating leases, primarily for construction of solar power plants and for office facilities. The Group determines if an arrangement is or contains a lease at contract inception. The Group recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date.

Key estimates and judgments include how the Group determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

ASC Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Group cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Group generally uses its incremental borrowing rate as the discount rate for the lease. The Group's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

The lease term for all of the Group's leases includes the non-cancellable period of the lease plus any additional periods covered by either a Group option to extend (or not to terminate) the lease that the Group is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

The lease term for all of the Group's leases includes the non-cancellable period of the lease plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Group is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties the Group would owe if the lease term assumes Company exercise of a termination option);
- Variable lease payments, if any, that depend on an index or rate, initially measured using the index or rate at the lease commencement date;
- Amounts expected to be payable under a Company-provided residual value guarantee; and
- The exercise price of a Company option to purchase the underlying asset if the Group is reasonably certain to exercise the option.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

ROU assets for operating leases are periodically reduced by impairment losses. The Group uses the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize. See Note 2(i).

The Group monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

Operating lease ROU assets are presented as operating lease right-of-use assets on the consolidated balance sheet. The current portion of operating lease liabilities is included in other current liabilities and the long-term portion is presented separately as operating lease liabilities on the consolidated balance sheet.

The Group has elected not to recognize ROU assets and lease liabilities for short-term leases of warehouses, office, machinery etc. that have a lease term of 12 months or less. The Group recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

The Group's corporate office leases generally also include non-lease maintenance services (i.e. common area maintenance). The Group allocates the consideration in the contract to the lease and non-lease maintenance component based on each component's relative standalone price. The Group determines stand-alone prices for the lease components based on the prices for which other lessors lease similar assets on a stand-alone basis. The Group determines stand-alone prices for the non-lease components (i.e. maintenance services) based on the prices that several suppliers charge for maintenance services for similar assets on a stand-alone basis.

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(k) Asset retirement obligations (ARO)

Upon the expiration of the land lease arrangement for solar power plants located on leasehold land, the Group is required to remove the solar power plant and restore the land. The Group records the fair value of the liability for the legal obligation to retire the asset in the period in which the obligation is incurred, which is generally when the asset is constructed. When a new liability is recognized, the Group capitalizes it by increasing the carrying amount of the related long-lived asset, which results in an ARO asset being depreciated over the remaining useful life of the solar power plant. The liability is accreted and expensed to its present expected future value each period based on a credit adjusted risk free interest rate. Upon settlement of the obligation, the Group eliminates the liability and, based on the actual cost to retire, may incur a gain or loss.

The Group's asset retirement obligations were US\$ 9,826 thousand and US\$ 11,034 thousand as of March 31, 2020 and 2021, respectively. The accretion expense incurred during the years ended March 31, 2020 and 2021 was US\$ 506 thousand and US\$ 568 thousand, respectively. The depreciation expense incurred during the years ended March 31, 2020 and 2021 was US\$ 294 thousand and US\$ 309 thousand, respectively.

During the current year, due to revision of estimates of costs, the carrying amount of the ARO liability is reduced by USD 2,490 thousand with a corresponding adjustment to the related long-lived asset.

(l) Software

The Group and the Company capitalizes certain internal software development cost under the provision of ASC Topic 350-40 *Internal-Use Software*. As of March 31, 2021 the amount capitalized as software includes the cost of software licenses, as well as related implementation costs, which primarily relate to third party consulting fees. Such license and implementation costs are capitalized and amortized over their estimated useful lives of three years using the straight-line method. On an ongoing basis, the Group and the Company assesses the recoverability of its capitalized software intangible assets. Capitalized software costs determined to be unrecoverable are expensed in the period in which the determination is made. As of March 31, 2021, all capitalized software were considered fully recoverable.

(m) Debt financing costs

Financing costs incurred in connection with obtaining construction and term financing loans are deferred and amortized over the term of the respective loan using the effective interest rate method. Amortization of debt financing costs is capitalized during construction and recorded as interest expense in the consolidated statements of operations, following commencement of commercial operations of the respective solar power plants.

Amortization of debt financing costs for the year ended, March 31, 2020 and 2021 was US\$ 10,006 thousand and US\$ 4,972 thousand, respectively for the Group, including debt financing costs written off related to the debt refinancing amounting to US\$ 3,595 and US\$ 408 thousand, respectively for the Group. See Note 13.

The carrying value of debt financing costs as on March 31, 2020 and 2021 was US\$ 15,178 thousand and US\$ 15,060 thousand.

Further the Group has paid US\$ 5,006 thousand for the commitments not yet drawn. See note 11.

(n) Income taxes

Income taxes are recorded under the asset and liability method, as prescribed under ASC Topic 740 Income Taxes, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Group and the Company establishes valuation allowances against its deferred tax assets when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

The computation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Group applies a two-step approach to recognize and measure uncertainty in income taxes in accordance with ASC Topic 740. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement through March 31, 2021, the Group does not have any unrecognized tax benefits, nor has it recognized any interest or penalties.

During the previous year, the Taxation Laws (Amendment) Act, 2019 brought key changes to corporate tax rates in the Income Tax Act, 1961, which reduced the tax rate for certain subsidiaries within the group to 25.17%. Azure Power India Private Limited and several of its subsidiaries which are claiming tax benefits under section 80-IA of the Income Tax Act had decided not to opt for this lower tax benefit and have continued under the old regime for the fiscal year ended March 31, 2021, the statutory income tax rate as per the Income Tax Act, 1961 ranges between 25.17% to 34.94%, depending on the tax regime chosen by the particular subsidiary. Based on future projection of Azure Power India Private Limited, management has decided to claim a lower tax rate under the new regime from FY 2033-34 onwards.

During the previous year, the above adoption resulted in the remeasurement of deferred tax balances impacted by the change in regime. Deferred tax assets and deferred tax liabilities have been reduced by US\$ 3,823 thousand and US\$ 3,782 thousand respectively having a net impact of US\$ 41 in the previous year consolidated financial statements.

(o) Employee benefits

Defined contribution plan

Eligible employees of the Group in India receive benefits from the Provident Fund, administered by the Government of India, which is a defined contribution plan. Both the employees and the Group make monthly contributions to the Provident Fund equal to a specified percentage of the eligible employees' salary.

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The Group has no further funding obligation under the Provident Fund, beyond the contributions elected or required to be made thereunder. Contributions to the Provident Fund by the Group are charged to expense in the period in which services are rendered by the covered employees and amounted to US\$ 501 thousand and US\$ 367 thousand for the years ended March 31, 2020 and 2021, respectively for the Group.

Defined benefit plan

Employees in India are entitled to benefits under the Gratuity Act, a defined benefit post-employment plan covering eligible employees of the Group. This plan provides for a lump-sum payment to eligible employees at retirement, death, and incapacitation or on termination of employment, of an amount based on the respective employee's salary and tenure of employment. As of March 31, 2021, this plan is unfunded.

Current service costs for defined benefit plans is accrued in the period to which they relate. In accordance with ASC Topic 715, *Compensation Retirement Benefit*, the liability in respect of defined benefit plans is calculated annually by the Group using the projected unit credit method and amounted to US\$ 453 thousand and US\$ 680 thousand as of March 31, 2020 and 2021, respectively for the Group. Prior service cost, if any, resulting from an amendment to a plan is recognized and amortized over the remaining period of service of the covered employees. Interest costs for the period ended March 31, 2020 and 2021 were not significant.

Compensated absences

The Group and the Company recognizes its liabilities for compensated absences in accordance with ASC Topic 710, *Compensation-General*. The Group and the Company accrues the liability for its employee rights to compensated absence in the year in which it is earned.

(p) Revenue recognition

Sale of power consists of solar energy sold to customers under long term Power Purchase Agreements (PPAs), which generally have a term of 25 years. Our customers are generally power distribution companies and, to a lesser extent, commercial and industrial enterprises.

The Group and the Company recognizes revenue on PPAs when the solar power plant generates power and is supplied to the customer in accordance with the respective PPA. The Group recognize revenue each period based on the volume of solar energy supplied to the customer at the price stated in the PPA once the solar energy kilowatts are supplied and collectability is reasonably assured. The solar energy kilowatts supplied by the Group are validated by the customer prior to billing and recognition of revenue. 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. Revenue from the sale of carbon credit emission are recognized at the time of transfer of credits to customers.

The Group and the Company adopted "ASC Topic 606" Revenue from Contracts with Customers, being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Group adopted the guidance effective April 1, 2018 using the modified retrospective approach, which was applied to those contracts which were not completed as of April 1, 2018. Under Topic 606, total consideration for PPA's with scheduled price changes (price escalation in one of the solar power plant with 50 MW of operating capacity and price decrease in one of the solar power plant with 10 MW of operating capacity) and for significant financing components, is estimated and recognized over the term of the agreement. Price escalations create an unbilled receivable and the price decreases create deferred revenue. The time value of the significant financing component is recorded as interest expense. The Group and the Company uses the discount rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception and recognizes the revenue amount on a straight-line basis over the term of the PPAs, and interest expense using the effective interest rate method. The Group and the Company also recognizes incremental costs incurred to obtain a contract in Other Assets in the consolidated balance sheet. These amounts are amortized on a straight-line basis over the term of the PPAs and are included as a reduction to revenue in the consolidated statements of operations.

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

Revenue from customers

Revenue from customers, net consists of the following:

	As at March 31,	
	2020	2021
	US\$	US\$
	(in thousands)	
Revenue from Customers:		
Sale of Power ⁽¹⁾	182,820	203,943
Others ⁽²⁾	-	1,387
Total	182,820	205,330

(1) Sale of power includes revenue for the recovery of Safe-Guard Duties and Goods and Service Tax, which is linked to generation of Solar units, resulting from the change in law provision of our PPAs, which was recognised for the first time during the year ended March 31, 2021 amounting to US\$ 5,139 thousand.

(2) Others includes revenue from the sale of carbon credits recognized at the time of transfer of credits to customers.

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Contract balances

The following table provides information about receivables, unbilled receivables, contract acquisition cost and deferred revenue from customers as at March 31, 2020 and 2021, respectively.

	As at March 31, 2020	2021
	US\$	US\$
	(in thousands)	
Current assets		
Accounts Receivable, net	59,111	66,569
Non-current assets		
Unbilled receivable	2,596	3,034
Contract acquisition cost	1,947	1,914
Current liabilities		
Deferred Revenue	1,464	1,499
Non-current liabilities		
Deferred Revenue	28,243	32,010
 Deferred Revenue		US\$
		(in thousands)
Balance as of April 1, 2020		29,707
Increased as a result of additional cash received against 'VGF'		3,211
Deferred revenue recognized		1,265
Amount recognized into revenue		(1,425)
Forex Movement		751
Closing as of March 31, 2021		33,509
 Deferred Revenue		US\$
		(in thousands)
Balance as of April 1, 2019		27,457
Increased as a result of additional cash received against 'VGF'		5,107
Deferred revenue recognized		968
Amount recognized into revenue		(3,825)
Closing as of March 31, 2021		29,707

Accounts receivable – from sale of power consist of accrued revenues due under the PPA, based on the sale of power transferred to the customer, generally requiring payment within 30 to 60 days of sale. As per terms of PPA, payment is unconditional once performance obligations have been satisfied and does not contain any future, unsatisfied performance obligation to be included in this disclosure.

(q) Cost of operations (exclusive of depreciation and amortization)

The Group's cost of operations consists of expenses pertaining to operations and maintenance of its solar power plants. These expenses include payroll and related costs for maintenance staff, plant maintenance, insurance, and lease costs.

Depreciation expense is not included in cost of operations but is included within "Depreciation and amortization expense", shown separately in the consolidated statements of operations.

(r) General and administrative expenses

General and administrative expenses include payroll and related costs for corporate, finance and other support staff, including bonus and share based compensation expense, professional fees and other corporate expenses.

(s) Share based compensation

The Group and the Company follows guidance under ASC Topic 718, *Compensation — Stock Compensation*, which requires compensation costs related to share-based transactions, including employee share options, to be recognized in the financial statements based on their fair value. The Group and the Company recognizes compensation expense for equity share options net of estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Share-based compensation is included in general and administrative expenses and recognized in the consolidated and separate statements of operations based on awards ultimately expected to vest, except the cost of services which is initially capitalized by the Group as part of the cost of property, plant and equipment.

The Group recognizes compensation expense for SARs and RSUs based on the fair value of the amount payable to employees in respect of SARs and RSUs, which are settled in cash, with a corresponding increase in liabilities, over the period that the employees unconditionally becomes entitled to the payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the fair value of the liability are recognized in consolidated statements of operations, except the cost of services which is initially capitalized by the Group as part of the cost of property, plant and equipment.

The Group and the Company has elected to use the Black-Scholes-Merton valuation model to determine the fair value of share-based awards on the date of grant for employee share options with a fixed exercise price and fixed service-based vesting.

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The Group has elected to use the Black-Scholes-Merton valuation model to determine the fair value of SARs at each reporting date. The Group uses the market price of its equity share to determine the fair value of the RSUs at each reporting date.

Employee Stock Option

Effective November 2018, the Group revised the exercise price of 692,507 options from US\$ 13.25 to US\$ 11.90 per option. The impact to share-based compensation expense on account of the revision in the exercise price is not material. The share-based compensation expense related to share based compensation is recorded as a component of general and administrative expenses in the Group's consolidated statements of operations and totaled US\$ 243 thousand and US\$ 595 thousand for the years ended March 31, 2020 and 2021, respectively. The amount of share-based compensation expense capitalized during the year ended March 31, 2021 was US\$ 108 thousand.

Stock Appreciation Rights

The share-based compensation expense related to SARs is recorded as a component of general and administrative expenses in the Group's consolidated statements of operations totaled US\$ 2387 thousand and US\$ 17,771 thousand for the year ended March 31, 2020 and March 31, 2021. The amount of share-based compensation expense capitalized during the year ended March 31, 2020 and March 31, 2021 was US\$ 1,467 thousand and US\$ Nil respectively.

Refer to note 22 for details on the Share based compensation.

(t) Assets held-for-sale

Assets and asset disposal group are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when management commits to a plan to sell the asset; the asset is available for immediate sale in its present condition; an active program to locate a buyer and other actions required to complete the plan have been initiated; the sale of the asset is probable within one year; the asset is being actively marketed for sale at a reasonable price in relation to its current fair value; and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Assets and liabilities classified as held-for-sale are measured at lower of their carrying amount and fair value less costs to sell and depreciation (amortization) ceases once the asset is classified as held for sale. See also, Note 23.

(u) Contingencies

Liabilities for loss contingencies arising from claims, tax assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred with respect to these items are expensed as incurred.

(v) Fair value of financial instruments

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price at which an asset could be exchanged or a liability transferred in an orderly transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on observable market prices or derived from such prices. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(w) Derivative and Hedging

In the normal course of business, the Group and the Company 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 Group and the Company's policy and are with counterparties that are highly rated financial institutions.

Contracts designated as Cash Flow Hedge

Cash flow hedge accounting is followed for derivative instruments to mitigate the exchange rate risk on foreign currency denominated debt instruments. Changes in fair value of derivative contracts designated as cash flow hedges are recorded in other comprehensive income/(loss), net of tax, until the hedge transaction occurs. The Group evaluates hedge effectiveness of cash flow hedges at the time a contract is entered into as well as on an ongoing basis or as required. 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 Group 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 cost of the hedge is recorded as an expense over the period of the contract on a straight-line basis.

Fair value hedges: hedging of foreign exchange exposure

Fair value hedge accounting is followed for foreign exchange risk with the objective to reduce the exposure to fluctuations in the fair value of firm commitments due to changes in foreign exchange rates.

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Fair value adjustments related to non-financial instruments will be recognized in the hedged item upon recognition, and will eventually affect earnings as and when the hedged item is derecognized. Changes in the fair value of derivatives designated and qualifying as fair value hedges, together with any changes in the fair value of the hedged firm commitments attributable to the hedged risk, will be recorded in in the consolidated balance sheet. The gain or loss on the hedging derivative in a hedge of a foreign-currency-denominated firm commitment and the offsetting loss or gain on the hedged firm commitment is recognized in earnings in the accounting period, post the recognition of the hedged item in the balance sheet

Undesignated contracts

Changes in fair value of undesignated derivative contracts are reported directly in earnings along with the corresponding transaction gains and losses on the items being economically hedged. The Group and the Company 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 Group's U.S. dollar denominated borrowings. The Group and the Company 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 Loss / (gain) on foreign currency exchange, net in the consolidated statements of operations for the Group and the Company. These derivatives are not held for speculative or trading purposes.

(x) Segment information

Operating segments are defined as components of the Company and the Group about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Group and the Company's chief executive officer is the chief operating decision maker. Based on the financial information presented to and reviewed by the chief operating decision maker in deciding how to allocate the resources and in assessing the performance of the Group and the Company, the Group and the Company has determined that it has a single operating and reporting segment: Sale of power. The Group and the Company's principal operations, revenue and decision-making functions are located in India.

(y) Non-controlling interest

The non-controlling interest recorded in the consolidated financial statements relates to (i) a 0.83% ownership interest in a subsidiary, a 10MW Gujarat power plant, not held by the Company, (ii) a 49.00% ownership interest in a subsidiary, a 50MW Uttar Pradesh power plant, not held by the Company, (iii) a 0.60% ownership interest in a subsidiary, a 100 MW Telangana power plant, not held by the Company and (iv) a 0.01% ownership interest in Azure Power India Private Limited* not held by the Company. As of March 31, 2021, the Group recorded a non-controlling interest amounting to US\$ 4,071 thousand including US\$ 62 thousand of net loss for the year ended March 31, 2021. As of March 31, 2020, the Group recorded a non-controlling interest amounting to US\$ 4,009 thousand including US\$ 962 thousand of net loss for the year ended March 31, 2020.

During March 31, 2019, the Group paid US\$ 21,097 thousand, to purchase the 48.37% ownership interest in a subsidiary, with a 150 MW Punjab project, which was not held by the Group previously.

(z) Recent accounting pronouncements

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes ("ASU 2019-12"). This ASU eliminates certain exceptions to the general principles in ASC 740, Income Taxes and adds guidance to reduce complexity in accounting for income taxes. The ASU eliminates, inter alia, the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The ASU requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. ASU 2019-12 will be effective for the annual periods beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company has completed a preliminary assessment for evaluating the impact of the guidance and expects that its adoption will not have a material impact on the Company's future financial statements.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting" which provides companies with optional financial reporting alternatives to reduce the cost and complexity associated with the accounting for contracts and hedging relationships affected by reference rate reform. The guidance applies to contracts that:

- reference LIBOR or another rate that is expected to be discontinued as a result of rate reform; and
- have modified terms that affect, or have the potential to affect, the amount and timing of contractual cash flows resulting from the discontinuance of the reference rate.

The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022.

In addition, in January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform – Scope," which clarified the scope of ASC 848 relating to contract modifications.

The Company is currently evaluating the impact of the guidance on the Company's future financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the United States Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future financial statements.

(aa) Impact of COVID-19 Pandemic

The Group and the Company has considered internal and external information in the preparation of the financial statements including the economic outlook and believes that it has taken into account the possible impact of currently known events arising out of the COVID-19 pandemic. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Group and the Company will continue to monitor any material changes to future economic conditions.

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3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
	(in thousands)			
Bank deposits.....	38,491	15,928	10	319
Term deposits.....	91,392	135,182	755	4,153
Total	129,883	151,110	765	4,472

4. Restricted cash

Restricted cash consists of the following:

	As of March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
	(in thousands)			
Bank deposits.....	64,690	66,408	-	-
Term deposits – Restricted Cash.....	11,246	2,307	-	-
Total	75,936	68,715	-	-
Restricted cash current.....	64,690	66,408	-	-
Restricted cash Non-current balance.....	11,246	2,307	-	-

Restricted cash balance at Group level represents cash margin against Bank Guarantees, deposits against letter of credit and deposits towards Debt-Service Reserve account.

5. Accounts receivable

Accounts receivable, net consists of the following:

	As of March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
	(in thousands)			
Accounts receivable ⁽¹⁾	62,369	72,953	-	-
Less: Allowance for doubtful accounts.....	(3,258)	(6,384)	-	-
Total	59,111	66,569	-	-

⁽¹⁾ Includes US\$ 18,491 thousand and US\$ 21,196 thousand of unbilled receivables for the year ended March 31, 2020 and 2021, respectively.

Activity for the allowance for doubtful accounts receivable is as follows:

	As of March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
	(in thousands)			
Balance as at beginning of the year.....	533	3,258	-	-
Less: Provision for assets held for sale.....	-	(174)	-	-
Provision for doubtful accounts.....	3,189	3,899	-	-
Provision written off	(464)	(599)	-	-
Balance at the end of the year	3,258	6,384	-	-

In relation to the Company's 50 MWs project in Andhra Pradesh, the DISCOM Andhra Pradesh Distribution Company (APDC) issued a letter to the Company requesting the reduction of quoted tariff to INR 2.44 per unit as against the PPA rate of 5.89 per unit for solar projects from the date of commissioning and threatened termination of the PPA in case of refusal of the developers to accede to such reduction ("Letter"). The Company has challenged the Letter in the High Court at Vijayawada. The High Court vide its judgment dated September 24, 2019, whilst quashing the aforesaid Letter, directed DISCOM to approach the Andhra Pradesh Electricity Regulatory Commission ("APERC") for reduction of tariff by directing DISCOM to make payment of outstanding and future invoices at the "interim" rate of Rs. 2.44/- per unit, until the dispute is resolved by the APERC. Accordingly, the Company has filed writ petition challenging the judgment, whereby the Company has inter alia sought: (i) setting aside of the judgment to the limited extent of the direction to DISCOMS to make payment at the "interim" rate of Rs. 2.44 per unit and the implied blessing granted by the High Court to approach the APERC for reduction of tariff; and (ii) quashing of all action undertaken by the respondents and/or restrain the respondents from taking any action seeking reduction of tariff under the concluded PPA and/or unilateral alteration of the terms of such PPA, pursuant to the directions in the judgment, including quashing the proceedings. The matter was scheduled to be listed in April 2020 for further arguments, however, the hearings have now been adjourned due to the COVID-19 pandemic and the consequent lockdown imposed by the Government of India. Based on a legal opinion obtained by management, the Company is invoicing and recognizing revenue as per the PPA rate since management has assessed that matter is likely to be decided in favor of the Company. Further, the Company has recognized allowance for doubtful debts on this receivable as per the expected credit loss model.

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6. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
	(in thousands)			
Derivative asset - current (Note 24)	8,920	514	-	-
Firm commitment	-	11,921	-	-
Debt financing cost	-	4,987	-	-
Interest receivable on term deposits	3,129	4,150	60	5
Balance with statutory authorities	6,680	5,388	-	-
Prepaid bank guarantee charges	1,172	927	-	-
Prepaid insurance and other expenses	809	1,119	251	303
Advance to suppliers	520	597	-	-
Intercompany receivable	-	-	1,050	991
Other	250	187	-	10
Total	21,480	29,790	1,361	1,309

7. Property, plant and equipment, net

Property, plant and equipment, net consist of the following:

	Estimated Useful Life (in years)	As of March 31,			
		The Group		The Company	
		2020	2021	2020	2021
		(US\$)	(US\$)	(US\$)	(US\$)
		(in thousands)			
Plant and machinery (solar power plants)	25-35	1,206,995	1,378,560	-	-
Furniture and fixtures	5	159	173	-	-
Leasehold improvements — solar power plant	25	72,730	81,220	-	-
Vehicles	5	917	982	-	-
Office equipment	5	358	515	-	-
Computers	3	1,208	1,305	-	-
Leasehold improvements – office	1-3	1,665	2,003	-	-
		1,284,032	1,464,758	-	-
Less: Accumulated depreciation		122,642	162,798	-	-
Less: Accumulated impairment		-	8,937	-	-
		1,161,390	1,293,023	-	-
Freehold land		38,596	43,438	-	-
Construction in progress		73,301	144,340	-	-
Total		1,273,287	1,480,801	-	-

Depreciation expense on property, plant and equipment for the Group was, US\$ 39,612 thousand and US\$ 42,659 thousand for the years ended March 31, 2020 and 2021, respectively. Refer note 23 for impairment recognized and classification of assets held for sale during the current year.

The Group has received government grants for the construction of rooftop projects amounting to, US\$ 451 thousand and US\$ 1,550 thousand for the years ended March 31, 2020 and 2021, respectively. The proceeds from these grants have been recorded as a reduction to the carrying value of the related rooftop projects.

8. Software, net consists of the following:

	Estimated Useful Life (in years)	As of March 31,			
		The Group		The Company	
		2020	2021	2020	2021
		(US\$)	(US\$)	(US\$)	(US\$)
		(in thousands)			
Software licenses and related implementation costs	3	2,185	2,236	-	-
Less: Accumulated depreciation		1,464	1,843	-	-
Total		721	393	-	-

Aggregate amortization expense for software for the Group was, US\$ 732 thousand and US\$ 500 thousand for the years ended March 31, 2020 and 2021, respectively.

Estimated amortization expense for the years ending March 31, 2022, 2023, and 2024 is US\$ 323 thousand, US\$ 54 thousand and US\$ 13 thousand, respectively.

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9. Investments *

	As of March 31,			
	The Group		The Company	
	2020 (US\$)	2021 (US\$)	2020 (US\$)	2021 (US\$)
	(in thousands)			
Investment in subsidiaries*	-	-	566,885	521,194
Investment in Mauritius bonds (held to maturity)	91	90	91	90
Total	91	90	566,976	521,284

* The Company had made strategic investments in subsidiaries and classified it as non-current. Further, The Company has recognized Provision for diminution of Investments aggregating to US\$ 45,692 during fiscal year March 31, 2021. See Note 23.

10. Investment in equity investee

Investment in equity investee, consists of the following:

	As of March 31,	
	2020 (US\$)	2021 (US\$)
	(in thousands)	
Investment in associate	0.3	0.4
Total	0.3	0.4

During the year ended March 31, 2020, one of the subsidiaries of the Group, namely Azure Power India Private Limited won a tender issued by Solar Energy Corporation of India Limited (SECI) pursuant to which Azure Power India Private Limited has agreed to a firm purchase commitment with a solar module manufacturer to procure 2,800 MWs of modules. Pursuant to the terms of the tender, Azure Power India Private Limited has entered into a joint venture agreement on January 6, 2020 with a third party to establish a manufacturing facility with a capacity of manufacturing 500 MW Solar PV Modules per annum. Currently, the Company is in the process of agreeing the terms of the PPA with SECI.

Accordingly, the Group had invested US\$ 0.34 thousand to acquire 26% of the equity shares in a newly formed company incorporated as part of the joint venture agreement to establish a manufacturing facility (investee) and is committed to further invest 26% of the equity required for construction of the manufacturing facility, and procure modules, in compliance with the terms of the aforementioned tender.

11. Other assets

Other assets consists of the following:

	As of March 31,			
	The Group		The Company	
	2020 (US\$)	2021 (US\$)	2020 (US\$)	2021 (US\$)
	(in thousands)			
Prepaid income taxes	7,866	6,823	-	-
Derivative asset (Note 24)	83,462	78,722	-	-
Interest receivable on term deposits	1,257	299	-	-
Security deposit to others	5,450	5,180	-	-
Contract acquisition cost	1,947	1,914	-	-
Unbilled receivables	2,596	3,034	-	-
Prepaid debt financing cost	4,832	-	-	-
Other	240	424	-	-
Total	107,650	96,394	-	-

12. Other current liabilities

Other current liabilities consist of the following:

	As of March 31,			
	The Group		The Company	
	2020 (US\$)	2021 (US\$)	2020 (US\$)	2021 (US\$)
	(in thousands)			
Derivative liability	8,871	13,071	-	-
Provision for employee benefits	182	106	-	-
Payable for share based payments	1,028	1,299	69	-
Payable to statutory authorities	2,336	1,721	2	59
Payable for property, plant and equipment	3,747	-	-	-
Other payables	10,629	10,033	1	1
Total	26,793	26,230	72	60

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13. Long term debt

Long term debt consists of the following:

	As of March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
	(in thousands)			
Secured term loans, net of financing costs:				
Foreign currency loans	954,293	995,853	-	-
Indian rupee loans.....	224,767	290,860	-	-
Total.....	1,179,060	1,286,713	-	-
Other secured bank loans:				
Vehicle loans	-	-	-	-
Total Debt	1,179,060	1,286,713	-	-
Less: Current portion of debt.....	(30,542)	(63,364)	-	-
Long term debt	1,148,518	1,223,349	-	-

Term loans

5.5% Senior Notes

During the year ended March 31, 2018, one of the subsidiaries of the Company issued 5.5% US\$ denominated Senior Notes (“5.5% Senior Notes” or “Green Bonds”) and raised US\$ 490,669 thousand net of discount of US\$ 135 thousand at 0.03% and issuance expense of US\$ 9,196 thousand. 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). In accordance with the terms of the issue, the proceeds were used for repayment of project level loans. The interest on the 5.5% Senior Notes are payable on a semi-annual basis and the principal amount is payable in November 2022. As of March 31, 2021, the net carrying value of the Green Bonds was US\$ 496,281 thousand, net of debt financing cost. The Company had guaranteed the principal and interest repayments to the investors; however, the guarantee has been cancelled during the current year on May 7, 2020, upon the Company satisfying certain financial covenants, on the basis of the financial statements for the year ended March 31, 2019. The Green Bonds are secured by a pledge of Azure Power Energy Limited’s shares.

5.65% Senior Notes

During the year ended March 31, 2020, Azure Power Solar Energy Private Limited (one of the subsidiaries of APGL) issued 5.65% US\$ denominated Senior Notes (“5.65% Senior Notes” or “Green Bonds”) and raised US\$ 344,410 thousand net of discount of US\$ 101 thousand at 0.03% and issuance expense of US\$ 5,590 thousand. 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).

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, 2021, the net carrying value of the Green Bonds was US\$ 345,734 thousand. The

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.

Loan from Export Development Canada and Standard Chartered Bank (Singapore) Limited

During the year ended March 31, 2021, the Company borrowed US\$ 93000 thousand from Export Development Canada and Standard Chartered Bank (Singapore) Limited. The funds were provided to project SPVs as shareholder loans or through other instrument for capital expenditure or for payment of capital expenditure in respect of various specified projects. These facilities are foreign currency loans and carry an interest rate of LIBOR+Margin of 3.95% and the loan is repayable in 8 half yearly instalments commencing November 2021. The borrowing is collateralized by the shares of project SPVs and a hypothecation/charge over receivables of the Company. The net carrying value of the loan as of March 31, 2021 is US\$ 91,447 thousand.

Indian Rupee Non-Convertible Debentures

During the year ended March 31, 2018, the Group issued Non-Convertible Debentures in one of the subsidiaries and borrowed US\$ 28,668 thousand, net of issuance expense of US\$ 542 thousand. The debentures carry an interest rate of 12.30% per annum. The debentures are repayable in 11 equalized semi-annual instalments beginning September 2022 until September 2027 and interest payments are payable semi-annually commenced March 2018. The issuance expenses are amortized over the term of the contract using the effective interest rate method. As of March 31, 2021, the net carrying value of the non-convertible debentures was US\$ 25,460 thousand.

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During the year ended March 31, 2019, the Group issued Non-Convertible Debentures in one of the subsidiaries and borrowed US\$ 21,370 thousand, net of issuance expense of US\$ 319 thousand which has been renewed during the previous year with additional issuance expense of US\$ 353 thousand. The debentures carry an interest rate of 10.50% per annum. The debentures were repayable on the expiry of a period of 15 months from the date of allotment and interest payments are payable every three months and commenced December 2019. The Non-Convertible Debentures were collateralized with the shares of nine of the Group's subsidiaries in terms of the debentures deed and total assets of one of its subsidiaries with a net carrying value of US\$ 23,815 thousand and a charge over loans and advances amounting to US\$ 10,694 thousand. The loan has been repaid during the current year.

During the year ended March 31, 2019, the Group issued Non-Convertible Debentures in two of the subsidiaries and borrowed US\$ 7,924 thousand, net of issuance expense of US\$ 203 thousand. The debentures carry an interest rate of 10.32% per annum. The debentures are repayable on October 2024 and interest payments are payable every three months commencing from April 2019. During the year ended March 31, 2020, the Group issued further Non-Convertible Debentures in four of the subsidiaries and borrowed US\$ 5,830 thousand, net of issuance expenses of US\$ 253 thousand under the same facility. The debentures carry an interest rate of 9.85% to 10.87% per annum. The debentures are repayable starting October 2024 and interest payments are payable every three months commencing from March 2020. The issuance expenses are amortized over the term of the contract using the effective interest rate method. The borrowing is collateralized by first ranking pari passu mortgage charge on all immovable and movable properties of related subsidiary within the group with a net carrying value of US\$ 26,819 thousand. As of March 31, 2021, the net carrying value of the Non-Convertible Debentures was US\$ 13,513 thousand. As of March 31, 2021, the Group was not in compliance with the financial covenants related to this borrowing and had obtained suitable waivers for the non-compliance prior to the issuance of these financial statements. Out of this total debt, US\$ 11,755 thousand relates to rooftop business and hence has been classified as liabilities directly associated with assets classified as held for sale. See also note 23.

Project level secured term loans

Foreign currency loans

The net carrying value of the loan as of March 31, 2020 is US\$ 40,582 thousand, which was borrowed in foreign currency from Export-Import Bank of the United States (EXIM) for the financing of a 35 MW solar power project with NTPC Vidyut Vyapar Nigam Limited. The loan carries a fixed interest rate of 4.07% per annum. The loan was repayable in 36 semi-annual instalments which commenced on August 20, 2013. The borrowing was collateralized by underlying solar power project assets with a net carrying value of US\$ 33,533 thousand as of March 31, 2020. This loan has been prepaid during the current period.

The net carrying value of the loan of US\$ 604 thousand as of March 31, 2021 which was borrowed in foreign currency for financing its future rooftop solar power projects and carries a fixed interest rate of 4.42% per annum. The loan is repayable in 54 quarterly instalments which commenced from October 15, 2017. The borrowing is collateralized by the leasehold land, movable/immovable properties and underlying solar power project assets with a net carrying value of US\$ 621 thousand as of March 31, 2021. As of March 31, 2021, the Company was not in compliance with the financial covenants related to this borrowing and had obtained suitable waivers for the non-compliance prior to the issuance of these financial statements. This debt is related to rooftop business and hence has been classified as liabilities directly associated with assets classified as held for sale. See also note 23.

During the year ended March 31, 2019, the Group borrowed US\$ 7,980 thousand, as project level financing for some of its rooftop projects. During the year ended March 31, 2020, the Company further borrowed US\$ 1,790 thousand and US\$ 3,591 thousand under the same facility. These facilities carry an annual interest rate of LIBOR + 2.75%. The facility is repayable starting October 2024 and interest payments are payable every three months commencing from April 2019. The borrowing is collateralized by first ranking pari passu mortgage charge on all immovable and movable properties of the borrower with a net carrying value of US\$ 26,819 thousand. The net carrying value of the loan as of March 31, 2021 is US\$ 13,022 thousand. As of March 31, 2021, the Group was not in compliance with the financial covenants related to this borrowing and had obtained suitable waivers for the non-compliance prior to the issuance of these financial statements. Out of this total debt, US\$ 11,508 thousand relates to rooftop business and hence has been classified as liabilities directly associated with assets classified as held for sale. See also note 23.

The Group is required to maintain principal and interest, both as defined in the respective agreements, as a reserve with banks specified by the respective lenders. Such amounts, totaling US\$ 12,415 thousand and US\$ 12,326 thousand at March 31, 2020 and March 31, 2021, respectively, are classified as restricted cash on the consolidated balance sheets.

Indian rupee loans

The net carrying value of the loan as of March 31, 2021 is US\$ 5,951 thousand, borrowed for financing of a 5 MW solar power project with NTPC Vidyut Vyapar Nigam Limited, which has been refinanced during the year ended March 31, 2020, from L&T Infra Debt Fund Limited and unamortized carrying value of ancillary cost of borrowing was expensed. The loan carries a fixed rate of 9.70% per annum. The loan is repayable in 49 quarterly instalments commenced December 31, 2019. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US\$ 6,756 thousand as of March 31, 2021 and pledge of 51% shares of the Promoter Company.

The net carrying value of the loan as of March 31, 2021 is US\$ 1,015 thousand, borrowed for the financing of a 2.5 MW solar power project. The interest rate as of March 31, 2021 was 12.15% per annum. The loan is repayable in 29 semi-annual instalments which commenced on January 15, 2014. The borrowing is collateralized by first charge on Company's movable and immovable properties of the underlying solar power project assets with a net carrying value of US\$ 1,315 thousand as of March 31, 2021 and is guaranteed by Azure Power India Private Limited. This debt is related to rooftop business and hence has been classified as liabilities directly associated with assets classified as held for sale. See also note 23.

The net carrying value of the loan as of March 31, 2021 is US\$ 16,179 thousand, borrowed for financing of a 30 MW solar power project with Chhattisgarh State Power Distribution Company Ltd. The loan was borrowed from a consortium of bank led by Yes Bank, which carries a floating rate of interest at a YES Bank Base Rate plus 1.50% per annum. As of March 31, 2021, the loan carries interest rate of 11.25% per annum. The loan is repayable in 58 quarterly instalments commenced December 2015. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US\$ 21,002 thousand as of March 31, 2021.

The net carrying value of the loan as of March 31, 2021 is US\$ 27,351 thousand, borrowed for financing of a 50 MW solar power project with NTPC Limited. The loan has been refinanced from TATA Capital Financial Services Limited and unamortized carrying value of ancillary cost of borrowing was expensed. The annual floating interest rate at TCCL Prime Lending Rate less 8.15%. The loan is repayable in 71 quarterly instalments and commenced March 31, 2020. The borrowing is collateralized by a first charge on the Company's movable and immovable properties of the underlying solar power project assets with a net carrying value of US\$ 35,982 thousand as of March 31, 2021 and the loan had been guaranteed by the corporate guarantee and pledge of 51% shares of Azure Power India Private Limited, the holding company.

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The net carrying value of the loan as of March 31, 2021 is US\$ 5,658 thousand, borrowed for financing of a 10 MW solar power project, from REC Limited (formerly known as Rural Electrification Corporation Limited) ('REC'). The rate of interest applicable was for a Grade-III borrower for the financing and will reset after 10 years. The floating interest rate was at the REC lending rate. The loan was repayable in 60 quarterly instalments and commenced June 2017. The borrowing was collateralized by the underlying solar power project assets with a net carrying value of US\$ 7,705 thousand as of March 31, 2020.

The net carrying value of the loan borrowed from Indian Renewable Energy Development Agency Limited for financing a 100 MW solar power project with NTPC Limited as of March 31, 2021 is US\$ 69,560 thousand. The floating interest rate at Grade-II as per Indian Renewable Energy Development Agency (IREDA). The loan is repayable in 73 quarterly instalments and commenced June 30, 2018. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US\$ 71,382 thousand as of March 31, 2021.

During the year ended March 31, 2019 and March 31, 2020, the Group borrowed US\$ 15,470 thousand and US\$ 5,639 thousand, respectively, for financing a 200 MW solar power project from Yes Bank. The annual floating interest rate was at MCLR plus 0.55%. The loan was repayable in 74 quarterly instalments and commenced March 2020. The borrowing was collateralized by the underlying under construction solar power project assets with a net carrying value of US\$ 122,855 thousand as of March 31, 2020. The net carrying value of the loan as of March 31, 2021 is US\$ 18,554 thousand. This loan has been prepaid during the current period.

During the year ended March 31, 2021, the Company borrowed amount of US\$ 23,590 thousand from Aditya Birla finance Limited and Tata Cleantech Capital Limited for financing of its 200 MW solar project with Solar Energy Corporation of India. The loan was borrowed from a consortium of banks led by Yes Bank, which carries an annual floating rate of interest at a MCLR plus 0.55%. The loan is repayable in 72 quarterly instalments commencing September 2020. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US\$ 125,673 thousand as of March 31, 2021. The net carrying value of the loan as of March 31, 2021 is US\$ 21,383 thousand.

During the year ended March 31, 2019, the Group borrowed US\$ 1,795 thousand as an External Commercial Borrowings for some of its rooftop projects from International Finance Corporation (IFC). These facilities carry an interest rate of 10.74% and interest payments are payable every three months which commenced April 2019. The borrowing is collateralized by first ranking pari paasu mortgage charge on all immovable and movable properties of the borrower with a net carrying value of US\$ 21,722 thousand as of March 31, 2021. The loan is repayable on October 15, 2024. The net carrying value of the loan as of March 31, 2021 is US\$ 1,652 thousand. As of March 31, 2021, the Company was not in compliance with the financial covenants related to this borrowing and had obtained suitable waivers for the non-compliance prior to the issuance of these financial statements. This debt is related to rooftop business and hence has been classified as liabilities directly associated with assets classified as held for sale. See also note 23.

During the year ended March 31, 2020 and March 31, 2021, the Group borrowed US\$ 6,554 thousand and US\$ 762 thousand as a project level financing for financing of a 16 MW solar power project from the State Bank of India ('SBI'). These facilities carry an annual interest rate of 6 months MCLR + 1.45%. As of March 31, 2021, the loan carries interest rate of 8.40% per annum. The loan is repayable in 52 quarterly installments commencing June 2020. The borrowing is collateralized by first charge on Company's movable and immovable properties of the underlying solar power project assets with a net carrying value of US\$ 7,808 thousand as of March 31, 2021 and pledge of 51% shares of the Promoter company and Corporate Guarantee which shall terminate as per conditions stipulated in the Rupee Term Loan Agreement. The net carrying value of the loan as of March 31, 2021 is US\$ 5,995 thousand.

During the year ended March 31, 2020 and March 31, 2021, the Group borrowed US\$ 13,521 thousand and US\$ 10,693 thousand from REC Limited (formerly known as Rural Electrification Corporation Limited) ('REC') for financing of its 90 MW solar project with Assam Power Distribution Company Limited. The rate of interest shall be applicable for a Grade-III borrower and will reset after 1 year. The floating interest rate is at the REC lending rate. As of March 31, 2021, the loan carries interest rate of 10.65% per annum. The loan is repayable in 204 monthly instalments commencing April 2022. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US\$ 38,682 thousand as of March 31, 2021. The net carrying value of the loan as of March 31, 2021 is US\$ 24,133 thousand.

During the year ended March 31, 2021, the Company borrowed an amount of US\$ 34,828 thousand from L&T Infra Debt Fund Limited for financing of its 35 MW solar project with NTPC Vidyut Vyapar Nigam Limited. These facilities carry an interest rate of 9.60% and the loan is repayable in 52 quarterly instalments commencing June 2020. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US\$ 32,800 thousand as of March 31, 2021 and pledge of 92.31% of total equity shares/ preference shares/ Compulsorily convertible debentures (CCDs)/ Non- Convertible debentures (NCDs). The net carrying value of the loan as of March 31, 2021 is US\$ 32,787 thousand.

During the year ended March 31, 2021, the Company borrowed an amount of US\$ 55,711 thousand from Power Finance Corporation Limited (PFC) for financing of its 600 MW solar project with Solar Energy Corporation of India. The applicable interest rate is 10.30% per annum payable monthly. This interest rate is applicable for Renewable Energy Projects with an Integrated Rating of IR-2, with 3 year reset as per PFC policy. The loan is repayable in 228 monthly instalments commencing November 2021. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US\$ 262,333 thousand as of March 31, 2021. The net carrying value of the loan as of March 31, 2021 is US\$ 55,010 thousand.

During the year ended March 31, 2021, the Company borrowed an amount of US\$ 5,619 thousand from Kotak Infrastructure Debt Fund Limited for financing of a 10 MW solar power project with Bangalore Electricity Supply Company Limited. The loan is disbursed to refinance the previous lender REC Limited. These facilities carry an interest rate of 8.50% per annum fixed till September 30, 2022 and shall be reset every two years thereafter. The loan is repayable in 54 quarterly instalments commencing December 2020. The borrowing is collateralized by movable and immovable properties of the underlying solar power project assets with a net carrying value of US\$ 8,364 thousand as of March 31, 2021, operating working capital and pledge of at least 51% issued equity shares and CCDs of the borrower company. The net carrying value of the loan as of March 31, 2021 is US\$ 5,290 thousand.

As of March 31, 2021, the Group has unused commitments for long-term financing arrangements amounting to US\$ 259,235 thousand for solar power projects.

Trade credit

As of March 31, 2021, the Group has multiple buyer's credit facilities amounting to US\$ 56,323 thousand jointly from Yes Bank and State bank of India including US\$ 33,397 thousand availed during the year ended March 31, 2020, for financing of a 200 MW solar power project with Solar Energy Corporation of India. These facilities carry a floating interest rate of LIBOR+ 0.38%-0.50%, for its solar power projects. The trade credits are required to be repaid in 2.7 -2.8 years from the date of shipment of the products from the suppliers, with semi-annual interest payments.

As of March 31, 2021, the Group has buyer's credit facility amounting to US\$ 4,016 thousand, for some of its operational SPV's, entered during the year ended March 31, 2019. These facilities carry a floating interest rate of six months LIBOR plus 0.8% spread.

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As of March 31, 2021, the Company has a buyer's credit facility amounting to US\$ 101,049 thousand for one of its under construction SPVs for 600 MW solar power project with Solar Energy Corporation of India, entered during the current period. This facility carries a floating interest rate of six months LIBOR plus spread (45 basis points, 60 basis points or 11 basis points) as applicable.

Short term credit

For the year ended March 31, 2020, the Group entered into a working capital facility in the amount of US\$ 23,449 thousand. The Group has drawn the entire facility during the previous year out of which US\$ 9,406 thousand was repaid as of March 31, 2020 and remaining amounts were repaid during the current year. Borrowings under this facility are repayable within 12 months of disbursement, unless renewed by the lenders thereafter, and the facility will be available until July 2022. The facility bears an interest rate of 10.15% per annum.

For the year ended March 31, 2021, the Company has obtained a short-term loan facility of US\$ 20,801 thousand. Borrowings under this facility are repayable within 12 months of disbursement. The facility bears an interest rate of 8.75% per annum, payable monthly. The net carrying value of the loan as of March 31, 2021 is US\$ 20,618 thousand.

Covenants and debt financing costs

These aforementioned loans are subject to certain financial and non-financial covenants. Financial covenants include cash flow to debt service, indebtedness to net worth ratio, debt equity ratio and maintenance of debt service balances.

As of March 31, 2021, the Group was in compliance with the financial covenants or remediated the non-compliance prior to the issuance of these financial statements.

Generally, under the terms of the loan agreements entered into by the Group's project subsidiaries, the project subsidiaries are restricted from paying dividends, if they default in payment of their principal, interest and other amounts due to the lenders under their respective loan agreements. Certain of APGL's project subsidiaries also may not pay dividends out of restricted cash.

The carrying value of debt financing costs as on March 31, 2020 and 2021 was US\$ 15,178 thousand and US\$ 15,059 thousand for the above loans, which is amortized over the term of the contract using the effective interest rate method.

As of March 31, 2021, the aggregate maturities of long-term debt are as follows:

As of March 31,	Annual maturities
	US\$
	(in thousands)
2022	64,369
2023	569,323
2024	40,326
2025	391,365
2026	33,392
Thereafter	202,081
Total: aggregate maturities of long-term debt	1,300,856
Less: carrying value of unamortized debt financing costs	(14,143)
Net maturities of long-term debt	1,286,713
Less: current portion of long-term debt	(63,364)
Long-term debt	1,223,349

14. Income Taxes

The individual entities within the Group file individual tax returns as per the regulations existing in their respective jurisdictions.

The fiscal year under the Indian Income Tax Act ends on March 31. A portion of the Group's Indian operations 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 Group generates power ("Tax Holiday Period"), however, the exemption is only available to the projects completed on or before March 31, 2017. The Group anticipates that it will claim the aforesaid deduction in the last ten years out of fifteen years beginning with the year in which the Group generates power and when it has taxable income. Accordingly, its current operations are taxable at the normally applicable tax rates.

The Group had adopted the provisions of ASC Topic 740 as they relate to uncertain income tax positions. Tax exposures can involve complex issues and may require extended periods to resolve. The Group and the Company does not have any uncertain tax positions requiring to be reserved for. The Group and the Company reassesses its tax positions in light of changing facts and circumstances, such as the closing of a tax audit, refinement of an estimate, or changes in tax codes. To the extent that the final tax outcome of these matters differs from the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made.

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The provision (benefit) for the Group consists of the following:

	Year ended March 31,	
	2020	2021
	(in thousands)	
	US\$	US\$
Current tax expense/(benefit)	1,690	3,255
Withholding Tax on interest on Inter-corporate debt	3,636	5,167
Deferred income tax expense/(benefit)	1,566	(4,434)
Total	6,892	3,988

Income/(loss) before income taxes for the Group is as follows:

	March 31,	
	2020	2021
	(US\$)	(US\$)
	(in thousands)	
Domestic operations	4,599	108
Foreign operations	(30,666)	(52,714)
Total	(26,067)	(52,606)

Net Deferred income taxes for the Group in the consolidated balance sheet as follows:

	March 31,	
	2020	2021
	(US\$)	(US\$)
	(in thousands)	
Deferred tax assets	32,128	38,583
Less: Valuation allowance	(2,878)	(14,802)
Net deferred tax assets	29,250	23,781
Deferred tax liability	34,782	27,830

At March 31, 2021, the Group and the Company performed an analysis of the deferred tax asset valuation allowance. Based on the analysis, the Group and the Company has concluded that a valuation allowance offsetting the deferred tax assets is required as of March 31, 2021, on the basis that it is more likely than not that APGL itself will not be able to utilize the entirety of its net operating losses as it has no business operations of its own.

Change in the valuation allowance for deferred tax assets for the Group as of March 31, 2020 and March 31, 2021 is as follows:

	March 31,	
	2020	2021
	(US\$)	(US\$)
	(in thousands)	
Opening valuation allowance	4,748	2,878
Valuation allowance on adoption of ASU 2016-16	-	-
Movement during the Year	(1,870)	11,924
Closing valuation allowance	2,878	14,802

The significant components of the net deferred income tax assets and liabilities for the Group exclusive of amounts that would not have any tax consequences because they will reverse within the Tax Holiday Period, are as follows:

	As of March 31,	
	2020	2021
	(US\$)	(US\$)
	(in thousands)	
Deferred tax assets:		
Net operating loss ⁽¹⁾	65,340	116,171
Tax on Inter — Company margin	730	4,313
Deferred revenue	5,001	6,340
Asset retirement obligation	2,374	2,598
Depreciation and amortization	3,820	1,375
Minimum alternate tax credit	8,529	8,326
Allowance for doubtful accounts	-	-
Other deductible temporary difference	4,457	13,704
Valuation allowance	(2,878)	(14,802)
Deferred tax liabilities:		
Depreciation and amortization	(80,024)	(130,686)
Other comprehensive income	(12,881)	(11,388)
Net deferred tax (liability) asset	(5,532)	(4,049)

⁽¹⁾ Includes deferred tax on unabsorbed depreciation that can be carried forward indefinitely for set off as per income tax laws.

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APGL, the holding company and two of its subsidiaries incorporated in Mauritius have applicable income tax rate of 15%. However the group's significant operations are based in India and are taxable as per Indian Income Tax Act, 1961. For effective tax reconciliation purposes, the applicable tax rate in India has been considered. The effective income tax rate differs from the amount computed by applying the statutory income tax rate to loss before income taxes and is as follows:

	For the Year ended March 31,			
	2020		2021	
	Tax US\$ (thousands)	%	Tax US\$ (thousands)	%
Statutory income tax (benefit)/expense	(9,114)	34.94%	(18,396)	34.94%
Temporary differences reversing in the Tax Holiday Period	(5,446)	20.88%	(14,420)	27.40%
Taxes on intercompany transaction reversing in the Tax Holiday Period	—	—	—	—
Impact of changes in tax rate	42	(0.16)%	—	—
Permanent timing differences	18,715	(71.81)%	19,178	(36.44)%
Valuation allowance created / (reversed) during the year	(1,566)	6.03%	11,850	(22.30)%
Other difference	4,261	(16.34)%	5,776	(11.19)%
Total	6,892	(26.46)%	3,988	(7.59)%

The Taxation Laws (Amendment) Act, 2019 has brought key changes to corporate tax rates in the Income Tax Act, 1961, which reduced the tax rate for certain subsidiaries within the group to 25.17%. Azure Power India Private Limited and several of its subsidiaries which are claiming tax benefits under section 80-IA of the Income Tax Act have decided not to opt for this lower tax benefit and have continued under the old regime. For the fiscal year ended March 31, 2021, the statutory income tax rate as per the Income Tax Act, 1961 ranges between 25.17% to 34.94%, depending on the tax regime chosen by the particular subsidiary. Based on future projection of Azure Power India Private Limited, management has decided to claim a lower tax rate under a new regime from FY 2033-34 onwards.

Accordingly, the above adoption resulted in the remeasurement of deferred tax balances impacted by the change in regime. Deferred tax assets and deferred tax liabilities have been reduced by US\$ 3,823 thousand and US\$ 3,782 thousand respectively having a net impact of US\$ 41 thousand in the current year consolidated financial statements.

As of March 31, 2020, and 2021, deferred income taxes have not been provided for the Group's share of undistributed net earnings of foreign operations due to management's intent to reinvest such amounts indefinitely.

15. Interest expense, net

Interest expense, net consists of the following:

	As of March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
	(in thousands)			
Interest expense:				
Term loans	108,003	113,187	-	-
Bank charges and other ⁽¹⁾	12,298	8,057	16	45
	120,301	121,244	16	45
Interest income:				
Term and fixed deposits.....	7,961	7,462	98	-
Investments held-to-maturity	4	3	-	-
Other	-	451	-	-
Total.....	112,336	113,328	(82)	45

⁽¹⁾ Bank charges and other includes amortization of debt financing costs of US\$ 10,006 thousand and US\$ 4,972 thousand for the Group, for the years ended March 31 2020 and 2021, respectively, and includes debt financing costs written off related to the debt refinancing amounting to US\$ 3,595 and US\$ 408 thousand, respectively for the Group.

16. Loss on foreign currency exchange

Loss on foreign currency exchange consists of the following:

	As of March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
	(in thousand)			
Unrealized loss/(gain) on foreign currency loans	3,643	(162)	-	-
Realized (gain)/ loss on foreign currency loans.....	257	176	-	-
Unrealized loss on derivative instruments.....	-	-	-	-
Realized loss/(gain) on derivative instruments.....	1,531	(11)	-	-
Other loss on foreign currency exchange	1,793	90	10	(1)
Total.....	7,224	93	10	(1)

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17. Equity shares

Equity shares

Equity shares have a par value of US\$0.000625 per share at APGL. There is no limit on the number of equity shares authorized. As of March 31, 2020, and 2021, there were 47,650,750 and 48,195,962 equity shares issued and outstanding.

	As of March 31,			
	2020	2020	2021	2021
	Number of shares	US\$	Number of shares	US\$
Issued:				
Outstanding and fully paid:				
Equity shares of US\$ 0.000625 par value each				
Beginning balance	41,040,028	25	47,650,750	29
Issuance of new shares ⁽¹⁾	6,493,506	4	-	-
Exercise of ESOPs ⁽²⁾	117,216	0	545,212	1
Ending balance	47,650,750	29	48,195,962	30

⁽¹⁾ During the year ended March 31, 2020, the Company made a US\$75.0 million private placement and issued 6,493,506 equity shares at US\$ 11.55 per share to Caisse de depot et placement du Quebec (CDPQ), a shareholder with an 41.4% holding in the Company prior to the private placement resulting in net proceeds of US\$ 75,519 thousand. The proceeds from the private placement have been invested in AZI and pursuant to this investment in AZI, the company's ownership increased from 97.20% to 99.99%*.

* The remaining ownership by the founders is subject to an arbitration proceeding, refer note 21.

⁽²⁾ Refer Note 22 for details of ESOPs exercised during the year.

18. Loss/ earnings per share

The Group and the Company calculates earnings per share in accordance with FASB ASC Topic 260 Earnings per Share and FASB ASC Topic 260-10-45 Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. Basic and diluted earnings losses per equity share give effect to the change in the number of equity shares of the Group and the Company. The calculation of basic earnings per equity share is determined by dividing net loss attributable to APGL equity shareholders by the weighted average number of equity shares outstanding during the respective periods. The potentially dilutive shares, consisting of employee share options, compulsorily convertible debentures, and compulsorily convertible preferred shares have been included in the computation of diluted net earnings per share and the weighted average shares outstanding, except where the result would be anti-dilutive.

The Mezzanine CCPS shareholders were entitled to participate, along with the equity shareholders, in the earnings of the Group. Under ASC Topic 260 *Earnings per Share*, such participative rights would require the two class method of reporting EPS. As the preferred shares do not participate in losses, the Group had excluded these shares, as including them would be antidilutive.

Loss per share is presented below:

	As of March 31,			
	The Group		The Company	
	2020	2021	2020	2021
	(US\$)	(US\$)	(US\$)	(US\$)
	(in thousands)			
Net (loss)/profit attributable to APGL equity shareholders.....	(31,997)	(56,656)	(1,862)	(48,172)
Add: Accretion on redeemable non-controlling interest	-	-	-	-
Total (A)	(31,997)	(56,656)	(1,862)	(48,172)
Shares outstanding for allocation of undistributed income:				
Equity shares	47,650,750	48,195,962	47,650,750	48,195,962
Weighted average shares outstanding				
Equity shares (B)	43,048,026	47,979,581	43,048,026	47,979,581
Equity shares – Diluted (C).....	43,048,026	47,979,581	43,048,026	47,979,581
Net loss per share — basic and diluted				
Equity earnings per share – Basic (D=A/B)	(0.74)	(1.18)	(0.04)	(1.00)
Equity earnings per share – Diluted (E=A/C)	(0.74)	(1.18)	(0.04)	(1.00)

Refer to Note 17 for details of shares issued.

The number of share options outstanding but not included in the computation of diluted earnings per equity share because their effect was antidilutive is 870,065 and 703,708 for years ended March 31, 2020 and 2021, respectively.

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19. Leases

The Group has several non-cancellable operating leases, primarily for construction of solar power plants and for office facilities, warehouses, and office space that have a lease term ranging between 3 to 35 years which is further extendable on mutual agreement by both lessor and lessee. The Company has considered the renewal options in determining the lease term to the extent it was reasonably certain to exercise those renewal options and accordingly, associated potential option payments are included as part of lease payments.

The components of lease cost for the year ended March 31, 2020 and March 31, 2021 were as follows:

	For the year ended March 31,	
	2020	2021
	US\$	US\$
	(in thousands)	
Operating lease cost	7,625	6,765
Short-term lease cost ⁽¹⁾	212	175
Total lease cost	7,837	6,941

(1) Refer note 2(j) for details of short-term lease exception elected by the Company on adoption of ASC Topic 842.

Amounts reported in the consolidated balance sheet as of March 31, 2020 and March 31, 2021 were as follows:

	As at March 31,	As at March 31,
	2020	2021
	US\$	US\$
	(in thousands)	
Non-current assets		
Right-of-use assets	58,809	57,328
Non-current liabilities		
Lease liabilities	47,641	45,698
Current liabilities		
Lease liabilities	3,396	3,850
Total operating lease liabilities	51,037	49,548

Other information related to leases as of March 31 2020 and March 31, 2021 was as follows:

	As at March 31,	
	2020	2021
	Amount (US\$)	Amount (US\$)
	(in thousands)	
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	4,825	4,461
Weighted average remaining lease term	31 years	30 years
Incremental borrowing rate	10%	10%

Maturities of lease liabilities under non-cancellable leases as of March 31, 2021 are as follows:

Year ended March 31, 2021	Amount (US\$)
	(in thousands)
Fiscal 2022	4,013
Fiscal 2023	4,136
Fiscal 2024	4,245
Fiscal 2025	4,381
Fiscal 2026	4,503
Thereafter	160,588
Total undiscounted lease payments	181,866
Less: Imputed interest	132,318
Total lease liabilities	49,548

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Maturities of lease liabilities under non-cancellable leases as of March 31, 2020 are as follows:

Year ended March 31, 2020	Amount (US\$) (in thousands)
Fiscal 2021	4,741
Fiscal 2022	4,857
Fiscal 2023	4,980
Fiscal 2024	5,208
Fiscal 2025	5,365
Thereafter	157,115
Total undiscounted lease payments	182,266
Less: Imputed interest	131,229
Total lease liabilities	51,037

20. Commitments, guarantees and contingencies

Capital commitments

As at March 31, 2021, the commitments for the purchase of property, plant and equipment were US\$ 175,931 thousand.

Guarantees

The Company issues irrevocable performance bank guarantees in relation to its obligation towards construction and transmission infrastructure of solar power plants as required by the PPA and such outstanding guarantees are US\$ 73,002 thousand as of March 31, 2021.

Further, US\$ 7,020 thousand is in relation to commissioned plants which the Company expects to release within a year and US\$ 136 thousand is bank guarantee towards other commitments.

The Company issued bank guarantees amounting to US\$ 12,326 thousand as of March 31, 2021 to meet its Debt-Service Reserve Account (DSRA) requirements for its outstanding loans.

The Company has obtained guarantees from financial institutions as a part of the bidding process for establishing solar projects amounting to US\$ 12,679 thousand as of March 31, 2021. The Company has given term deposits as collateral for those guarantees which are classified as restricted cash on the consolidated balance sheet.

The terms of the PPAs provide for the delivery of a minimum quantum of electricity at fixed prices.

Contingencies

As of March 31, 2021, the Group had a contingent of liability of US\$ 5,646 thousand for projects completed beyond the contractually agreed dates. The Group has filed an appeal against such demands and has received a stay order from the appellant authorities. The management believes the reason for delay was not attributable to the Group, based on advice from its legal advisors and the facts underlying the Group's position, and therefore the management believes that the Group will ultimately not be found liable for these assessments and has not accrued any amount with respect to these matters in its consolidated financial statements.

During the year, the Group received a demand of US\$ 1,633 thousand, related to services tax assessment through July 31, 2017. The Group is contesting the demand and is confident that there should not be a tax outflow related to this claim.

Refer Note 21 for details of arbitration proceedings with the erstwhile CEO and erstwhile COO of the Company.

21. Related Party Disclosures

For the years ended the year ended March 31, 2018 and 2019, the Group incurred rent expense on office facilities and guest house facilities totalling US\$ 147 thousand and US\$ 40 thousand, respectively, where the lessors are related to the Ex- CEO and erstwhile COO and another director of the Company. As of March 31, 2020, and 2021, the Group did not have any security deposits with these lessors. The contract for guest house facilities was cancelled with effect from March 29, 2019.

The Group has certain loan facilities with International Finance Corporation, which is a shareholder of the Company. During the year ended March 31, 2020, the Company has drawn US\$ 3,475 against these loan facilities, net of repayments and has an outstanding loan against these facilities totaling US\$ 10,160 thousand as of March 31, 2020, which includes a current portion of the loan totaling US\$ 119 thousand. During the year ended March 31, 2021, the Company has drawn US\$ Nil against these loan facilities, net of repayments and has an outstanding loan against these facilities totaling US\$ 10,299 thousand as of March 31, 2021, which includes a current portion of the loan totaling US\$ 136 thousand. The Company incurred US\$ 716 thousand and US\$ 1,051 thousand of interest expense for the years ended March 31, 2020 and 2021, respectively. The Company has outstanding interest accrued against these facilities totaling US\$ 318 and US\$ 136 as of March 31, 2020 and 2021, respectively. These loans are also hedged with IFC with outstanding notional amount of US\$ 182 thousand as of March 31, 2021.

The Company and its subsidiary, Azure Power India Private Limited, are respondents in arbitration proceedings initiated by the former Chairman, CEO and Managing Director of the Company, Mr. Inderpreet Singh Wadhwa ("IW") and former COO Mr. H.S Wadhwa ("HSW"), in relation to the purchase price of the shares of IW's and HSW's in Azure Power India Private Limited. The arbitration is being conducted under the Singapore International Arbitration Centre (SIAC) Rules, with the seat of arbitration in Singapore. Management strongly believes in the merits of the case; however, an unfavorable outcome in these proceedings could potentially have a material adverse effect on the results of operations, cash flows and financial condition. As management believes it will be successful in the arbitration, the Company has not accrued any amount with respect to this arbitration in its consolidated financial statements.

In addition, the Company and its subsidiary Azure Power India Private Limited are respondents to arbitration proceedings initiated by IW in relation to his transition agreement. The Company and IW have filed our claims and counter claims in relation to the matter in the arbitration. Management continues to strongly

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believe in the merits of the case and are confident that the outcome will be favorable for them. The claim amount is not significant to the financial position. As management believes it will be successful in the arbitration, the Company has not accrued any amount with respect to this arbitration in its consolidated financial statements.

Refer Note 17 for equity shares issued during the previous year to Caisse de depot et placement du Quebec (CDPQ).

22. Share based compensation

The Group and the Company has a 2015 Stock Option Plan and 2016 Equity Incentive Plan and as amended in 2020 (collectively “ESOP Plans”) duly approved by the Board of Directors and had 2,023,744 stock options in the employee stock option pool as of March 31, 2021. Under the ESOP Plans, the Compensation Committee on behalf of Board of Directors (the “Directors”) may from time to time make grants to one or more employees, determined by it to be eligible for participation under the plans.

The Compensation Committee determines which employees are eligible to receive the equity awards, the number of equity awards to be granted, the exercise price, the vesting period and the exercise period. The vesting period will be decided by the Compensation Committee as and when any grant takes place. All options granted under these plans shall vest over a period of 4 years from the date of grant with 25% vesting at the end of year one, 25% vesting at the end of year two, 25% vesting at the end of year three and 25% vesting at the end of year four unless specified otherwise. Shares forfeited by the Company are transferred back to the employee stock pool and shall be available for new grants. During the previous year, due to the CDPQ acquiring the majority stake in the company which resulted in a change in the vesting schedule of ESOPs/SARs for certain senior employees from yearly vesting to monthly vesting for the grants made till the date of the event. In addition, for the CEO and COO of the company, one of the tranches vested immediately as per their employment agreements.

Options are deemed to have been issued under these plans only to the extent actually issued and delivered pursuant to a grant. To the extent that a grant lapses or the rights of its grantee terminate, any equity shares subject to such grant are again available for new grants.

The option grant price may be determined by the Compensation Committee and is specified in the option grant. The grant is in writing and specifies the number of options granted the price payable for exercising the options, the date/s on which some or all of the options shall be eligible for vesting, fulfillment of the performance and other conditions, if any, subject to when vesting shall take place and other terms and conditions thereto. The option grant can be exercised only by the employees of the Company.

Employee Stock Option Plan

Options granted under the plan are exercisable into equity shares of the Company, have a contractual life equal to the shorter of ten years, or July 20, 2025, or July 20, 2027, as the case may be, and vest equitably over four years, unless specified otherwise in the applicable award agreement. The Company recognizes compensation cost, reduced by the estimated forfeiture rate, over the vesting period of the option. A summary of share option activity during the periods ending March 31, 2020 and March 31, 2021 is set out below:

	Number of shares*	Weighted average exercise price in USD
Options outstanding as of March 31, 2020	870,065	10
Granted	443,772	20
Converted from RSU	10,920	-
Exercised	(545,212)	10
Forfeited	(75,837)	11
Expired	-	-
Options outstanding as of March 31, 2021	703,708	17
Vested and exercisable as of March 31, 2021	231,712	11

Available for grant as of March 31, 2021 is 448,843 ESOPs.

The Black-Scholes-Merton option pricing model includes assumptions regarding dividend yields, expected volatility, expected option term, and risk-free interest rates. The Company estimates expected volatility based on the historical volatility of comparable publicly traded companies for a period that is equal to the expected term of the options because it does not have sufficient history of its own volatility. The risk-free interest rate is based on the yield of relevant time period based on US government bonds in effect at the time of grant for a period commensurate with the estimated expected life. The expected term of options granted is derived using the “simplified” method as allowed under the provisions of ASC Topic 718 due to insufficient historical exercise history data to provide a reasonable basis upon which to estimate expected term.

The fair value of each share option granted to employees is estimated on the date of grant using the Black- Scholes option-pricing model with the following weighted average assumptions:

	Year ended March 31,	
	2020	2021
Dividend yield	0%	0%
Expected term (in years)	4.2 – 5.7	3.7 – 7.4
Expected volatility	31.1% - 32.1%	34.0% - 45.6%
Risk free interest rate	0.47% - 0.62%	0.49% - 1.01%

As of March 31, 2020, and 2021, the aggregate intrinsic value of all outstanding options was US\$ 464 thousand and US\$ Nil, respectively.

The share-based compensation expense related to share options is recorded as a component of general and administrative expenses in the Group’s consolidated statements of operations and totaled, US\$ 228 thousand and US\$ 486 thousand for the years ended March 31, 2020 and 2021, respectively. The amount of share-based compensation expense capitalized during the year ended March 31, 2021 was US\$ 108 thousand.

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Unrecognized compensation cost for unvested options as of March 31, 2021 is US\$ 2,749 thousand, which is expected to be expensed over a weighted average period of 3.5 years.

The intrinsic value of options exercised during the year ended March 31, 2020, and March 31, 2021 was US\$ 636 thousand and US\$ 476 thousand.

During November 2018, the Company repriced the exercise price for 692,507 options, which were previously awarded to certain officers, employees and directors under the ESOP plans from US\$ 13.90 to US\$ 11.90 per share. All terms and conditions of the eligible options, including the vesting schedule, service condition and other terms remain the same. The impact of the repricing of the options has been considered in the Group's financial statements

The intrinsic value per option at the date of grant during the years ended March 31, 2020 and 2021 is as follows:

Date of grant	No. of options granted*	Deemed fair value of equity shares (US\$)	Intrinsic value per option at the time of grant (US\$)	Valuation used
July 2, 2019	13,760	10	—	Market price
March 22, 2020	12,000	15	—	Market price
March 31, 2020	256,699	15	—	Market price
October 01, 2020*	4,273	32	—	Market price
March 31, 2021	1,82,800	28	—	Market price

*Pertains to RSUs converted into RSs at the prevailing market price.

Stock Appreciation Rights (SARs)

The Group granted incentive compensation in the form of Stock Appreciation Rights ("SARs"), as defined in the Group's 2016 Equity Incentive Plan, as amended in 2020, to its CEO and COO. The SARs have been granted in 3 tranches with maturity dates up to March 31, 2028.

A summary of SARs activity during the periods ending March 31, 2021 is set out below:

	Number of SARs	Weighted average exercise price in US\$
SAR outstanding as of March 31, 2020	1,970,000	10
Granted	80,000	28
Exercised	(175,000)	9
Forfeited	-	-
Expired	-	-
Options outstanding as of March 31, 2021	1,875,000	10
Vested as of March 31, 2021	417,500	10
Exercisable as of March 31, 2021	67,500	13

The fair value of each SAR granted to employees is estimated at each reporting date using the Black- Scholes option-pricing model with the following weighted average assumptions:

	Year ended March 31,	
	2020	2021
Dividend yield	0%	0%
Expected term (in years)	4.0 – 7.3	3.7 – 5.2
Expected volatility	27.06% - 34.43%	45.20% - 45.64%
Risk free interest rate	0.15% - 0.58%	0.63% - 1.01%

The share-based compensation expense related to SARs is recorded as a component of general and administrative expenses in the Group's consolidated statements of operations totaled US\$ 17,771 thousand for the year ended March 31, 2021. The amount of share-based compensation expense capitalized during the year ended March 31, 2021 was US\$ Nil. The carrying value of liability recorded for SARs as at March 31, 2021 is US\$ 16,557 thousand.

Unrecognized compensation cost for unvested SARs as of March 31, 2021 is US\$ 16,765 thousand, which is expected to be expensed over a weighted average period of 3.8 years.

The fair value per SAR at the date of grant during the year ended March 31, 2020 and March 31, 2021 is as follows:

Date of grant	No. of SARs granted	Deemed fair value of SAR (US\$)	Vesting period	Valuation used
July 18, 2019	200,000	9	February 2020	Market price
July 18, 2019	1,600,000	9	March 31, 2020 to July 31, 2027	Market price
March 30, 2020	170,000	15	March 31, 2021 to March 31, 2024	Market price
March 31, 2021	80,000	28	March 31, 2022 to March 31, 2025	Market price

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Restricted Stock Units (RSUs)

The Group granted restricted stock units of 10,920 equity shares to be settled into cash to some of its directors, pursuant to Restricted Stock Unit ESOP plans with maturity dates up to February 28, 2021.

A summary of RSUs activity during the periods ending March 31, 2021 is set out below:

	Number of RSUs
RSUs outstanding as of March 31, 2020	10,920
Granted	-
Converted to RS*	(10,920)
Exercised	-
Forfeited	-
Expired	-
Options outstanding as of March 31, 2021	-
Vested and exercisable as of March 31, 2021	-

The fair value of each RSU granted to employees is estimated at each reporting date based on the current market price of the Group's equity share. The share-based compensation expense related to RSUs is recorded as a component of general and administrative expenses in the Group's consolidated statements of operations totaled US\$ 162 thousand for the year ended March 31, 2021.

23. Impairment of assets and Assets held for sale

The Group has recognized an impairment loss in relation to the Rooftop Subsidiaries aggregating to US\$ 43,860 thousand during fiscal year March 31, 2021, as described below:

During fiscal year ended March 31, 2021, the group identified certain subsidiaries to sell off on a going concern basis, which currently form part of the group's Rooftop business. Out of this identified portfolio, subsequent to March 2021, the group entered into a contract with Radiance Renewables Pvt. Ltd. ("Radiance") to sell certain subsidiaries (the "Rooftop Subsidiaries") with an operating capacity of 153 MW, for US\$ 73.1 million, subject to certain purchase price adjustments (the "Rooftop Sale Agreement"). Pursuant to the Rooftop Sale Agreement, Radiance will acquire 100% of the equity ownership of the Rooftop Subsidiaries owned by the Group's subsidiaries, Azure Power India Pvt. Ltd. and Azure Power Rooftop Pvt. Ltd, as more fully described below.

The sale of Rooftop Subsidiaries having 94.4 MWs operating capacity is expected to be consummated within the next 12 months and accordingly the assets and related liabilities of these subsidiaries are shown as "Assets classified as held for sale" in the consolidated balance sheet at March 31, 2021. The Group has recognized an impairment loss of US\$ 35,351 thousand in the Consolidated Statement of Operations in this respect, as shown below.

Further, as per the terms of the Rooftop Sale Agreement in respect of the 43.2 MWs operating capacity that are part of the Restricted Groups (as defined in the respective Green Bond Indentures) 48.6% of the equity ownership will be transferred to Radiance on the closing date, and pursuant to the terms of the Green Bond Indentures, the remaining 51.4% may only be transferred post refinancing of our Green Bonds. As the refinancing of our Green Bonds is not anticipated to occur within 12 months, the assets and liabilities of these subsidiaries are not presented as "Assets classified as held for sale" and instead continue to be classified within the respective balance sheet captions at March 31, 2021. There is also a restriction on transfer of equity ownership relating to the 16 MW project with Delhi Jal Board (DJB), wherein 49% of the equity ownership will be transferred to Radiance on closing date, and the remaining 51% will be transferred on or after March 31, 2024. Accordingly, the related assets and liabilities of the DJB 16 MW project are not presented as "Assets classified as held for sale" and instead continue to be classified within the respective balance sheet captions at March 31, 2021.

In the event the sale of the Rooftop Subsidiaries does not occur, the Group must reimburse Radiance the equity value of the assets not transferred along with an 10.5% per annum equity return.

The Group has determined that the decision to sell the Rooftop Subsidiaries and the subsequent execution of the Rooftop Sale Agreement are indicators of impairment and therefore the Group has undertaken an impairment assessment for the Rooftop Subsidiaries. Management used the Sale price in the Rooftop Sale Agreement as its best estimate of the recoverable value of the Rooftop Subsidiaries. The assets and liabilities of the Rooftop Subsidiaries classified as held for sale, together with the calculation of the related impairment loss is shown below.

	As of March 31, 2021 (US\$ in thousands)
Fair value of assets classified as held for sale	44,909
Liabilities directly associated with assets classified as held for sale	(30,910)
Expenses recognized by the Group	(2,057)
Net fair value	11,942

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As of March 31, 2021

(US\$ in thousands)

Assets	
Current assets:	
Cash and cash equivalents	3,940
Restricted cash	1,145
Accounts receivable, net	2,028
Prepaid expenses and other current assets	603
Total current assets	7,716
Restricted cash	1,951
Property, plant and equipment, net	62,248
Deferred income taxes	4,882
Right-of-use assets	1,180
Other assets	310
Total assets (A)	78,287
Liabilities	
Current liabilities:	
Accounts payable	181
Current portion of long-term debt	157
Interest payable	1,234
Other liabilities	2,159
Total current liabilities	3,731
Non-current liabilities:	
Long-term debt	26,377
Deferred income taxes	83
Other liabilities	803
Total liabilities (B)	30,994
Net Assets (C=A-B)	47,293
Fair value* (D)	11,942
Impairment loss (E=C-D)	35,351

*Fair value is calculated after adjusting for the expected timing of the proceeds from the sale and other costs related to the Rooftop Sale Agreement amounting to US\$ 2,741 thousand.

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The impairment loss recorded in relation to the Property, plant and equipment of the Rooftop Subsidiaries not classified as held for sale was US\$ 8,509 thousand, as shown below.

	As of March 31, 2021
	(US\$ thousand)
Carrying value of Property Plant and Equipment	41,085
Fair Value *	32,576
Impairment loss	8,509

*Fair value is calculated after adjustment for the expected timing of the proceeds from the sale and other costs related to the Rooftop Sale Agreement amounting to US\$ 741 thousand.

The fair value of consideration related to the rooftop sale includes expected recovery of VGF for US\$ 6,299 thousand. The Group has undertaken to refund to the purchaser an amount equivalent to 85% of any shortfall in recovery of VGF. Based on the current circumstances, management has assessed that they have complied with the conditions associated with the grant of VGF and hence have determined that the recovery of the VGF is likely.

24. Fair Value Measurements

ASC Topic 820 *Fair Value Measurements and Disclosures* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly, hypothetical transaction between market participants at the measurement date. ASC Topic 820 establishes a three-tier value hierarchy of fair value measurement based upon the whether the inputs to that measurement are observable or unobservable. Observable inputs reflect data obtained from independent sources while unobservable inputs reflect the Group's market assumptions. ASC Topic 820 prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — includes other inputs that are directly or indirectly observable in the marketplace. Observable inputs, other than Level 1 quoted prices for similar instruments in active markets; quoted prices for similar or identical instruments in markets that are not active; and valuations using models in which all significant inputs are observable in active markets.

Level 3 — Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

In accordance with ASC Topic 820, assets and liabilities are to be measured based on the following valuation techniques:

Market approach — Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach — converting the future amounts based on the market expectations to its present value using the discounting methodology.

Cost approach — Replacement cost method.

The valuation techniques used by the Group to measure and report the fair value of certain financial assets and liabilities on a recurring basis are as follows;

Foreign exchange derivative contracts

The Group enters into foreign exchange derivative contracts to hedge fluctuations in foreign exchange rates for recognized balance sheet items such as foreign exchange term loans. The Group mitigates the credit risk of these foreign exchange derivative contracts by transacting with highly rated counterparties in India which are major banks. The Group used the super derivatives option pricing model based on the principles of the Black-Scholes model to determine the fair value of the foreign exchange derivative contracts. The inputs considered in this model include the theoretical value of a call option, the underlying spot exchange rate as of the balance sheet date, the contracted price of the respective option contract, the term of the option contract, the implied volatility of the underlying foreign exchange rates and the risk free interest rate as of the balance sheet date. The techniques and models incorporate various inputs including the credit worthiness of counterparties, foreign exchange spot and forward rates, interest rate yield curves, forward rate yield curves of the underlying. The Group classifies the fair value of these foreign exchange derivative contracts in Level 2 because the inputs used in the valuation model are observable in active markets over the term of the respective contracts.

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Fair value measurement for the Group as on March 31, 2020 and 2021.

Description	Fair Value measurement at reporting date using			
	As of March 31, 2020 (US\$)	Quoted Prices in Active Markets for Identical Assets (Level 1) (US\$)	Significant Other Observable Inputs (Level 2) (US\$)	Significant Unobservable Inputs (Level 3) (US\$)
		(in thousands)		
Assets				
Current assets				
Forward exchange derivative contracts	8,857	-	8,857	-
Forward exchange option contracts	50	-	50	-
Non-Current assets				
Fair valuation of swaps and options	81,940	-	81,940	-
Forward exchange derivative contracts	1,522	-	1,522	-
Total assets	92,369	-	92,369	-

Description	Fair Value measurement at reporting date using			
	As of March 31, 2020 (US\$)	Quoted Prices in Active Markets for Identical Assets (Level 1) (US\$)	Significant Other Observable Inputs (Level 2) (US\$)	Significant Unobservable Inputs (Level 3) (US\$)
		(in thousands)		
Non-current liabilities				
Other Liabilities				
Fair valuation of swaps and forwards	383	—	383	—
Total Liabilities	383	—	383	—

Description	Fair Value measurement at reporting date using			
	As of March 31, 2021 (US\$)	Quoted Prices in Active Markets for Identical Assets (Level 1) (US\$)	Significant Other Observable Inputs (Level 2) (US\$)	Significant Unobservable Inputs (Level 3) (US\$)
		(in thousands)		
Assets				
Current assets				
Forward exchange derivative contracts	12,435	-	12,435	-
Non-Current assets				
Fair valuation of swaps and options	78,436	-	78,436	-
Forward exchange derivative contracts	286	-	286	-
Total assets	91,157	-	91,157	-

Description	Fair Value measurement at reporting date using			
	As of March 31, 2021 (US\$)	Quoted Prices in Active Markets for Identical Assets (Level 1) (US\$)	Significant Other Observable Inputs (Level 2) (US\$)	Significant Unobservable Inputs (Level 3) (US\$)
		(in thousands)		
Current liabilities				
Forward exchange derivative contracts	13,071	-	13,071	-
Non-current liabilities				
Other Liabilities				
Fair valuation of swaps and forwards	3,414	—	3,414	—
Total Liabilities	16,485	—	16,485	—

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The carrying amount of cash and cash equivalents, including restricted cash, accounts receivable, accounts payables, and other current financial assets and liabilities approximate their fair value largely due to the short-term maturities of these instruments and are classified as level 2. There have been no transfers between categories during the current year.

The carrying value and fair value of the Group's fixed rate project financing term loans is as follows:

	As of March 31, 2020	
	Carrying	Fair
	Value (US\$)	Value (US\$) *
	(in thousands)	
Fixed rate project financing loans:		
Foreign currency loans.....	881,118	820,483
Indian currency loan	45,698	45,068
	As of March 31, 2021	
	Carrying	Fair
	Value (US\$)	Value (US\$) *
	(in thousands)	
Fixed rate project financing loans:		
Foreign currency loans	843,388	901,371
Indian currency loan	80,403	76,567

The Group uses the yield method to estimate the fair value of fixed rate loans using interest rate change as an input. The carrying amount of the Companies variable rate project financing terms loans approximate, there fair values due to variable interest rates.

The carrying value and fair value of the Group's investment in Bank of Mauritius notes, classified as available for sale security is as follows:

	As of March 31, 2021	
	Carrying	Fair
	Value (US\$)	Value (US\$) *
	(in thousands)	
Non-current investments:		
Fixed rate Bank of Mauritius notes.....	91	91

The Group and the Company uses the yield method to estimate the fair value of fixed rate Bank of Mauritius notes by using interest rate as an input. The carrying amount of the Group and the Company's investment in fixed rate Bank of Mauritius notes approximate, their fair values relative to variable interest rates.

* Fair value measurement at reporting date using significant unobservable inputs (Level 3).

25. Derivative instruments and hedging activities

Option Contracts Undesignated as hedge

(Gains)/Losses on foreign exchange derivative contracts for the year ended March 31, 2020 and 2021 aggregated US\$ 1,531 thousand and Nil, respectively for the Group.

Contracts designated as Cashflow hedge

The Group hedged the foreign currency exposure risk related to certain intergroup loans denominated in foreign currency through call spread option with full swap for coupon payments. The Group also availed trade credit facilities denominated in foreign currencies which were fully hedged through interest rate swaps. The foreign currency forward contracts and options were not entered for trading or speculative purposes.

The Group documented each hedging relationship and assessed its initial effectiveness on inception date and the subsequent effectiveness was tested as determined at the time of inception of the contract. The gain or loss on the hedge contracts was recorded in accumulated other comprehensive income to the extent the hedge contracts were effective. 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, 2021.

The following table presents outstanding notional amount and balance sheet location information related to foreign exchange derivative contracts as of March 31, 2020 and 2021:

	March 31, 2020		
	Notional Amount (US\$)	Current Liabilities (Fair Value) (US\$)	Other assets (Fair Value) (US\$)
Fair valuation of swaps and options	849,700	-	81,940
Forward exchange option contracts	2,577	-	50
Fair valuation of swaps and forward	13,361	383	-
Forward exchange derivative contracts	57,380	-	1,522

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March 31, 2021

	Notional Amount (US\$)	Non- Current Liabilities (Fair Value) (US\$)	Prepaid expenses and other current assets (Fair Value) (US\$)	Other Assets (Fair Value) (US\$)
Fair valuation of swaps and options	849,700	-	-	78,430
Forward exchange derivative contracts	11,233	-	-	286
Fair valuation of swaps and forward	94,561	3,415	-	
Forward exchange derivative contracts	46,149	-	517	-

	Notional (US\$)	Current Liabilities (US\$)
Forward exchange derivative contracts	101,406	1,007

The Group recorded the net fair value of derivative asset/liability of US\$ 53,675 thousand and US\$ 11,251 thousand in the Other comprehensive income for the year ended March 31, 2020 and 2021, respectively and recorded an expense of US\$ 20,144 thousand and US\$ 26,230 thousand related to the amortization of the cost of the hedge for the year ended March 31, 2020 and 2021, respectively.

The foreign exchange derivative contracts mature generally over a period of 0.1 – 4.5 years.

Contracts designated as fair value hedge

The Group hedged the exposure to fluctuations in the fair value of firm commitments denominated in foreign currency through forward exchange derivative contracts. Fair value adjustments related to non-financial instruments will be recognized in the hedged item upon recognition and will eventually affect earnings as and when the hedged item is derecognized. Changes in the fair value of derivatives designated and qualifying as fair value hedges, together with any changes in the fair value of the hedged firm commitments attributable to the hedged risk, will be recorded in the consolidated balance sheet. The gain or loss on the hedging derivative in a hedge of a foreign-currency-denominated firm commitment and the offsetting loss or gain on the hedged firm commitment is recognized in earnings in the accounting period, post the recognition of the hedged item in the balance sheet. The forward exchange derivative contracts were not entered into for trading or speculative purposes.

The foreign exchange derivative contracts mature generally over a period of 1 months – 3 months.

The Group documented each hedging relationship and assessed its initial effectiveness on inception date and the subsequent effectiveness was tested as determined at the time of inception of the contract. The hedge contracts were effective as of March 31, 2021.

	March 31, 2020 (in thousands)		
	Notional Amount (US\$)	Prepaid expenses and other current assets (US\$)	Current Liabilities (US\$)
Forward exchange derivative contracts	189,640	8,857	8,870

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	March 31, 2021 (in thousands)		
	Notional Amount (US\$)	Prepaid expenses and other current assets (US\$)	Current Liabilities (US\$)
Forward exchange derivative contracts	265,100	11,921	12,067

The Group recorded the fair value of derivative asset/liability of US\$ 9,101 thousand and INR 12,067 thousand as at March 31, 2020 and 2021, respectively and incurred an amount of US\$ Nil and US\$ 2,721 thousand related to acquisition of capital assets during the year ended March 31, 2020 and 2021, respectively

26. Concentrations of credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, accounts receivables and derivative instruments. The Group mitigates the risk of credit losses from financing instruments, other than trade receivables, by selecting counter parties that are well known Indian or international banks.

The following customers account for more than 10% of the Group's accounts receivable and sale of power as of and for the year ended March 31, 2020 and 2021:

Customer Name	March 31, 2020		March 31, 2021	
	% of Sale of Power	% of Accounts Receivable	% of Sale of Power	% of Accounts Receivable
Solar Energy Corporation of India	19.48 %	11.70 %	21.47 %	13.17 %
Punjab State Power Corporation Limited	15.25 %	12.25 %	13.46 %	11.60 %
NTPC Vidyut Vyapar Nigam Limited	20.70 %	10.66 %	20.36 %	10.54 %
Hubli Electricity Supply Company Limited	3.34 %	13.98 %	5.08 %	9.45 %
Chamundeshwari Electricity Supply Company	4.37 %	13.08 %	3.62 %	14.41 %
Andhra Pradesh Power Coordination Committee	4.01 %	12.80 %	3.53 %	18.32 %
Gujarat Urja Vikas Nigam Limited	10.00 %	3.06 %	11.17 %	3.16 %

*Includes receivables from Rooftop Portfolio

27. Subsequent event

Due to the second wave of infection in the country, several state governments have again had to announce partial lockdowns, subsequent to March 31, 2021. The Group and Company implemented a number of initiatives to ensure business continuity, including ensuring the safety and health of its employees. The situation of the COVID-19 outbreak is very fluid and management is closely monitoring its impact on the Company including, but not limited to the impact on the availability of labor, components and material. Such effects could therefore also have an adverse impact related to timely completion of projects which are under development and related operational and liquidity issues. The impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Company will continue to monitor any material changes to future economic conditions. Subsequent to the year end the Company has entered into a binding agreement to sell off certain assets. See also note 23.

Further, subsequent to the year end, the Supreme Court of India while disposing petition filed under public interest litigation (PIL) aimed at the conservation of two species of birds, the Great Indian Bustard and the Lesser Florican, which are protected species in the states of Rajasthan and Gujarat vide its order dated April 19, 2021 instructed the states to install diverters, as well as the conversion of overhead power lines to underground lines, subject to technical evaluation of such conversion by a committee set up by the Supreme Court in this regard. Further, the conversion of overhead cables into underground power lines, wherever considered feasible by such committee, is to take place within a period of one year. The order mentioned the pass through of portion of such expenses incurred by the Company to the ultimate consumer, subject to approval of the Competent Regulatory Authority. Management has preliminarily assessed that any costs incurred to comply with the said order are likely to be substantially or wholly recoverable by the Company under provisions of change in law and/or force majeure of their respective PPAs. Given the preliminary nature of the order and the ongoing assessment by the aforementioned committee, the Company has not provided any amount for this matter at March 31, 2021.

Also, the Company's subsidiary Azure Power Energy Limited (APEL) has elected to redeem the 5.50% Senior Notes having aggregate principal amount of US\$500 million, which were maturing in 2022. APEL has served the notice to the bondholders as on July 20, 2021.

The Group has recently received several anonymous whistleblower reports, which made various claims against Group's certain Key Managerial Personnel. The Group through its Audit Committee, and with the assistance of external counsel and forensic auditors, has undertaken an investigation to determine whether the allegations contained in the whistleblower reports are substantive. The investigation did not substantiate the allegations contained in the whistleblower reports. Nevertheless, the Group has determined that a review of certain of its processes is required to ensure continued compliance with its internal policies and procedures.