AZURE POWER GLOBAL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2023

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CONTENTS **PAGES**

MANAGEMENT AND ADMINISTRATION…………………………………………………………………………………………	1
DIRECTORS' REPORT TO THE MEMBERS…………………………………………………………………………………….	2-12
SECRETARY'S CERTIFICATE TO THE MEMBERS…………………………………………………………………………	13
INDEPENDENT AUDITOR'S REPORT………………………………………………………………………………………….	14-20
CONSOLIDATED AND SEPARATE BALANCE SHEETS AS AT MARCH 31, 2023…………………………………………….	21
CONSOLIDATED AND SEPARATE STATEMENTS OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2023…………………………..	22
CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE LOSS FOR THE YEAR ENDED MARCH 31, 2023……………....	23
CONSOLIDATED AND SEPARATE STATEMENTS OF PREFERRED SHARES AND SHAREHOLDERS' EQUITY FOR THE YEAR ENDED MARCH 31, 2023……………………………………………………………………………………….	24-25
CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED MARCH 31, 2023 ……………………….	26
NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS……………………………………………………….	27-58

			Date of appointment	Date of resignation
DIRECTORS	:	Muhammad Khalid Peyrye	January 30, 2015	-
		Arno Lockheart Harris	May 30, 2016	May 31, 2022
		Cyril Sebastien Dominique Cabanes	December 20, 2016	October 30, 2023
		Ranjit Gupta	July 18, 2019	April 26, 2022
		Yung Oy Pin (Jane) Lun Leung	November 08, 2019	March 16, 2023
		Deepak Malhotra	November 13, 2019	October 29, 2023
		Supriya Prakash Sen	August 01, 2020	-
		Panicker Sukumara Mangalath Unnikrishnan	August 19, 2020	March 13,2024
		Richard Alan Rosling	September 30, 2021	October 11, 2023
		Christine Ann McNamara	March 1, 2022	June 26, 2023
		Delphine Voeltzel	May 11, 2022	-
		Sugata Sircar	October 1, 2022	April 30, 2023
		Jean-François Joseph Boisvenu	February 8, 2023	-
		Gowtamsingh Dabee	March 30, 2023	-
		Richard Payette	July 01, 2023	-
		Jaime Garcia Nieto	October 31, 2023	-
		Philippe Pierre Wind	October 31, 2023	-

ADMINISTRATION AND SECRETARY	:	AAA Global Services Ltd 4th Floor, Iconebene, Rue De L'institut, Ebène 80817 Republic of MAURITIUS
BANKER	:	Absa Bank Mauritius Limited 2nd Floor, Absa House, 68 Wall Street, Cybercity Ebène 72201 Republic of MAURITIUS The Hong Kong and Shanghai Banking Corporation Limited, GIFT City Branch Signature Building, 504-505 Floor 5, Block 13-B, Zone 1, Gift SEZ, Gandhinagar, India
AUDITOR	:	ECOVIS (MAURITIUS) Suite 207, 2nd Floor NG Tower, Ebène 72201 Republic of MAURITIUS
REGISTERED OFFICE	:	c/o AAA Global Services Ltd 4th Floor, Iconebene, Rue De L'institut, Ebène 80817 Republic of MAURITIUS

AZURE POWER GLOBAL LIMITED
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 consolidated and separate financial statements for the financial year ended on March 31, 2023.

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, 2023 is summarized as follows:

Particulars	**For the year ended March 31, 2023**	
	(US$000's)	**(US$000's)**
	Group	**Company**
Revenue from operations	258,085	-
Total revenue	**258,085**	**-**
Total expenses	249,909	6,077
Profit/(Loss) before tax	**8,176**	**(6,077)**
Less: Income tax expense	(34,358)	(470)
Loss after tax and before non-controlling interests	**(26,182)**	**(6,547)**
Loss attributable to non-controlling interests	(461)	-
Loss After Tax and after non-controlling interests	**(25,721)**	**(6,547)**

2. **Financial performance and state of company affairs:**

Standalone Financial Details:

The Company's loss for the year ended March 31, 2023 is US$ 6,547 thousand.

Consolidated Financial Details:

The Group's loss for the year ended March 31, 2023 is US$ 25,721 thousand.

3. **Dividend:**

The Group has made a net loss of US$ 25,721 thousand during the year and therefore the Board does not recommend the payment of any dividend for the year under review.

4. **Group structure:**

During the year under review, the Company holds 98.52% of Azure Power India Private Limited and all the shares of Azure Power Energy Limited, Azure Power Solar Energy Private Limited and Azure Power Rooftop Private Limited and is therefore the holding company of the entire group.

5. **Fund raised during the year:**

During the year ended March 31, 2023, the net loan proceeds of the Indian subsidiaries of the Company were US$38,617 thousand primarily for Rajasthan 8 project and Rajasthan 9 project.

6. **Current size of operations:**

The Company has 2 direct Mauritian subsidiaries, 2 direct Indian subsidiaries, 64 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.

A major part of our project pipeline consisted of 4,000 MW allocated by SECI under their manufacturing linked tender, that we won in December 2019 and upsized in July 2020 to reflect the green-shoe. We had executed PPAs with SECI for aggregate capacity of 3,033 MW under the manufacturing linked tender, and PPAs for the balance capacity of 967 MW can be signed only after SECI has the power supply agreements for these remaining MW in place.

We are conducting an ongoing review of our projects under contract to consider their commercial and economic viability. In addition, a Special Committee of the Board (the "Special Committee") was convened in August 2022 to review certain material projects and contracts over a three-year period for anti-corruption and related compliance issues. See "Risk Factors - We have conducted investigations into whistle-blower claims and other allegations against persons who served as our directors, officers and employees. We reported the allegations and our findings to the SEC and the U.S. Department of Justice and continue to cooperate with these authorities."

Pursuant to the manufacturing linked tender award of 4,000 MW, the Group executed PPAs for a capacity of 2,333 MW with SECI, for which SECI executed a Power Sale Agreement ("PSA") with the state of Andhra Pradesh during Fiscal 2022. In respect of these 2,333 MW projects, two PILs were filed in the High Court of Andhra Pradesh in Fiscal 2022, challenging various aspects of the manufacturing linked tender and seeking to quash the Andhra Pradesh Regulator's approval for procurement of capacity tied up by Andhra Pradesh Discoms with SECI pursuant to the tender. The tariff adoption for the capacities by the Central Electricity Regulatory Commission ("CERC") is subject to the outcome of the PILs. We are not a party to the PILs, and the PILs currently are pending adjudication. Currently, we cannot predict the outcome of these two PILs.

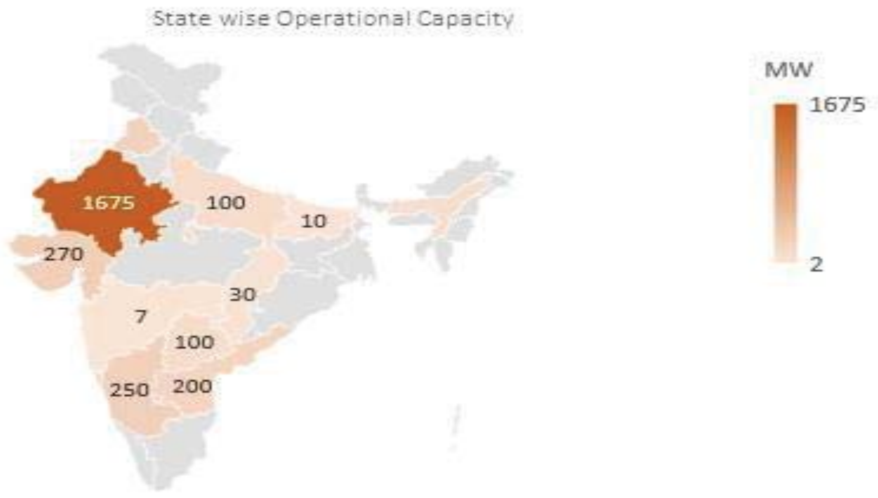
Based on the economics and uncertainties associated with the PILs and ongoing Special Committee review, the Group concluded that it should seek to terminate the PPAs in respect of these 2,333 MW projects and filed a petition at the Andhra Pradesh High Court seeking a declaration that the Group should be discharged from performance of the obligations under the Andhra Pradesh PPAs for a capacity of 2,333 MW as a result of the absence of the unconditional tariff adoption order from the regulatory commission. Since there was a threat by SECI to revoke the Bank Guarantee of US$14.2 million, the High Court in its order dated October 16, 2023, directed SECI not to take coercive steps against the Group until the next date of hearing. This matter is pending.

On March 18, 2024, we received two letters from SECI. In its first letter, SECI stated that it had terminated the PPAs with the Group in respect of the 2,333 MW projects and reserved its rights to take action against the Group including forfeiture of the performance bank guarantees and success charges and fees in respect of the PPAs and other documentation associated with the 2,333 MW projects. In its second letter, SECI informed the Group that it was awarding the 2,333 MW projects and associated PPAs to a third-party. Further, SECI informed the Group that it had reduced Azure's capacity allocation under the manufacturing Letter of Award by 2,333MW and its corresponding manufacturing capacity of solar cells and solar modules by 583 MW. Accordingly, the Group has taken a write-off of INR 254 million (US$ 3.1 million) towards irrecoverable costs and a provision of INR 1,223 million (US$14.9 million) towards Bank Guarantees in its consolidated financial statements for Fiscal 2023.

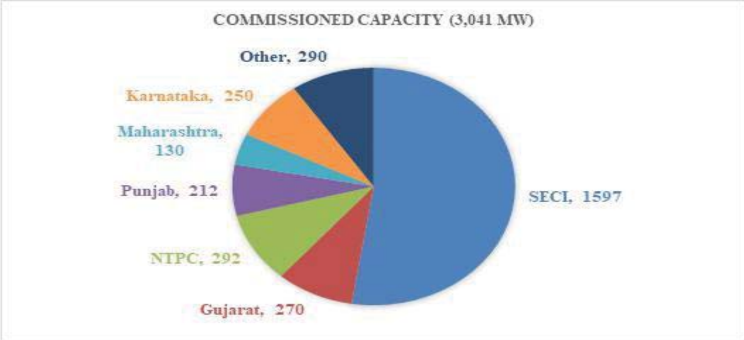
In light of the ongoing Special Committee review as well as economic and execution challenges, the Group also has decided to withdraw from the 700 MW projects which is part of the 4,000 MW manufacturing linked tender awarded by SECI in Fiscal 2020. The Group intends to commence discussions with SECI to ensure an orderly withdrawal from the 700 MW projects and from the obligations of the Group and its subsidiaries under the PPA, Performance Bank Guarantees and other guarantees relating to the projects. Accordingly, the Group has recognized a provision of INR 1,053 million (US$ 12.8 million) in its consolidated financial statements for Fiscal 2023 towards irrecoverable costs and Bank Guarantee in relation to the 700 MW projects.

In FY 2023, we also executed PPAs with SECI for our first 150 MW solar-wind hybrid project, and for our first wind project of 120 MW. The presently estimated scheduled commissioning timelines for these projects are May 2025 (for the 120 MW wind project), and November 2025 (for the 150 MW solar-wind hybrid project). These timelines are estimated based on anticipated dates of regulatory approvals (in case of the 120 MW wind project), and anticipated completion dates of the requisite elements of the grid's transmission/evacuation system (in case of the 150 MW hybrid project).

In case of the 120 MW Wind Project, the tariff has only recently been adopted by CERC (in March 2024), after a delay of more than 16 months. The approval for power procurement by one of the buying state's (procuring 45 MW out of the 120 MW contracted capacity) regulatory commission – is still awaited. Because of the inordinate delay in getting these regulatory approvals (which is a Condition Precedent to be fulfilled by SECI and/ or the buying utility under the PPA), this tariff is no longer market competitive. Owing to this delay, and a few deviations in the PPA (from the standard bidding guidelines), we have written to SECI to withdraw their tariff adoption petition filed at CERC, and made a submission to the same effect at CERC as well. Now that the said tariff has been adopted at CERC, we are in the process of evaluating the same, and deciding further course of action.



We sell renewable power under long term PPAs, typically 25 years in duration, at a fixed tariff. The strength of our off take customers is fundamental to our business and more than 62% of our PPAs (operational capacity) are signed with top rated central government owned intermediaries such as SECI and NTPC, providing predictable and consistent revenues and cash flows. Further, according to a report published by MoP in April 2023, among the state government owned Discoms that we have large capacities contracted with, Gujarat is rated A+, Punjab & Assam are A rated, while the three Discoms of Karnataka (CESCOM, GESCOM and HESCOM) are B rated, and Maharashtra Discom is rated B-. Our counterparty exposure for the commissioned capacity is set out below:



During FY 2023, we generated 5,854 million units of clean and green electricity for the Indian power grid. Our goal is to remain a leader in the renewable energy market in India. All our operating assets are currently solar. We intend to explore adding wind, hybrid and storage assets over time, to complement our solar generation capacity.

7. Investment in Subsidiary Companies during the year:

The Company's investment in subsidiaries stood at US$ 766,195 thousand (net of Provision for diminution in value of investments amounting US$ 45,692 thousand).

8. Change in nature of business, if any:

During the year under review 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. Following the Finance Act 2018, the Category 1 Global Business Company has been renamed to Global Business Corporation. The Company also falls within the definition of a reporting issuer in accordance with Securities Act 2005 of Mauritius.

10. 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:

The Company was delisted effective on November 13, 2023. On January 29, 2024, the Company's shares ceased to be registered with the SEC pursuant to Section 12(b) of the Exchange Act. Further, on April 1, 2024, the Company's SEC reporting obligations under Section 15(d) of the Exchange Act was suspended and the Company no longer has an obligation to file periodic reports (annual reports on Form 20-F and Form 6-K reports) with the SEC. For more information see "Azure Power Announces Suspension of SEC Reporting Obligations" press release dated April 03, 2024.

11. Internal financial controls:

All companies under Company operate as one unit ("Group"), having common systems, processes, controls, and resources which are used by all components of the Group. The Group has a common Internal Control framework applicable to all the subsidiaries including the Company.

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting includes maintaining records that, in reasonable detail, accurately and fairly reflect our transactions; provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; provide reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and provide reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management used the Committee of Sponsoring Organizations of the Treadway Commission Internal Control—Integrated Framework (2013), or the COSO framework, to evaluate the effectiveness of our internal control over financial reporting.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement in our annual or interim financial statements would not be prevented or detected on a timely basis. The scope of our management's assessment of the effectiveness of internal control over financial reporting includes all of our consolidated operations. Further, Management determined that, as of March 31, 2023, our internal controls over financial reporting were ineffective due to inadequacy of certain review controls including control failures in financial statement closing procedures, controls pertaining to capitalization, vendor reconciliation process, land acquisition, documentation on testing of control attributes and completeness and accuracy of reports used including inadequate consideration in designing of risk and controls matrices.

Management, under the supervision of the Company's Audit and Risk Committee, has initiated remediation actions focused on improving the Group's internal control and compliance environment to address the control deficiencies that led to material weaknesses. Management is taking support from external consultants while performing this remediation exercise. These efforts include creation of a Management Assurance Service function, assessing and strengthening internal control framework, testing operational controls, adding accounting personnel for assistance on critical accounting matters, training of team members, implementing additional process level reviews, and periodic monitoring by the Audit and Risk Committee of the effectiveness of the remedial efforts and overall reporting framework. As it continues to implement such remediation, management may take additional measures or modify the plan elements described above. On March 14, 2024, the Board has appointed Mr. Vijay Kumar Wadhwani as Chief Compliance & Ethics Officer and approved the Chief Compliance & Ethics Charter including specific power and responsibilities.

Our management recognizes that there are inherent limitations in the effectiveness of any system of internal control over financial reporting, including the possibility of human error and the circumvention or override of internal control. Accordingly, even the most effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements and can only provide reasonable assurance with respect to the preparation and presentation of our financial statements.

The effectiveness of our internal control over financial reporting as at March 31, 2023 has been audited by ASA & Associates LLP, India, our independent registered public accounting firm, as stated in their report which is reproduced in its entirety below.

12. <u>Risk Factors</u>

The Company actively assesses, monitors and seeks to mitigate risks in its business. Azure Power as a group have categorized and organized our risk factors set forth below:

Financial Risks

1. *Our cash reserves and cash flows may be insufficient to meet our working capital requirements and expansion plans absent further financing. Accordingly, our failure to obtain additional financing on acceptable terms and in a timely manner could materially and adversely affect our financial condition.*

2. *Our failure to deliver our audited consolidated financial statements and the financial statements of our subsidiaries may violate covenants in certain of our financing agreements and may materially and adversely affect our business, results of operations, financial condition and cash flows.*

3. *Any downgrade of our credit rating may result in increase in interest cost or may trigger covenant defaults under our loan agreements.*

4. *If we fail to comply with financial and other covenants under our loan agreements, our business, results of operations, financial condition and cash flows may be materially and adversely affected.*

5. *Our substantial indebtedness and volatility in interest rates could adversely affect our business, results of operations, financial condition and cash flows.*

6. *We were not profitable in the past three fiscal years, and we may not be profitable in the future.*

7. *Fluctuations in foreign currency exchange rates may negatively affect our revenue, cost of sales and gross margins and could result in exchange losses.*

8. *Our operating results may fluctuate from period to period, which could make our future performance difficult to predict and could cause our operating results for a particular period to fall below expectations.*

9. *We have stopped reporting quarterly consolidated financial information.*

10. *Our certain actions may limit our ability to issue new shares for certain periods.*

Compliance risks

1. *The New York Stock Exchange (NYSE) has delisted our Company's shares due to our failure to timely file periodic reports with the SEC.*

2. *On April 1, 2024, our SEC reporting obligations under Section 15(d) of the US Securities Exchange Act of 1934, as amended , were suspended and the Company no longer has an obligation to file periodic reports (annual reports on Form 20-F and Form 6-K reports) with the SEC.*

3. *We have conducted investigations into whistle-blower claims and other allegations against persons who served as our directors, officers and employees. We reported the allegations and our findings to the SEC and the U.S. Department of Justice and continue to cooperate with these authorities.*

4. *Our international corporate structure and operations require us to comply with anti-corruption laws and regulations of the United States and various other jurisdictions. If we are not in compliance with applicable legal requirements, we may be subject to civil or criminal penalties and other remedial measures.*

5. *Any damages caused by fraud, corruption, or other misconduct by our employees and former employees could adversely affect our business, the results of operations, financial condition and cash flows.*

6. *We have identified material weaknesses in our internal control over financial reporting. If we fail to develop and maintain an effective system of internal controls over financial reporting or if we experience additional material weaknesses in the future, we may not be able to accurately or timely report our financial results, which may adversely affect investor confidence.*

7. *We did not timely file our annual reports on Form 20-F for Fiscal 2022 and Fiscal 2023. In accordance with SEC rules, which may limit our financing options.*

8. *As a "foreign private issuer," we are permitted to, and we will, follow certain home country corporate governance practices which may afford less protection to holders of our shares.*

Procurement, Supply Chain and Construction Risks

1. *We may incur unexpected cost overruns and expenses if the suppliers of components in our solar/wind projects delay or fail to deliver solar modules, solar cells and other components or equipment for any reason.*
2. *Our construction activities may be subject to cost overruns or delays which may adversely affect our business, results of operations, financial condition and cash flows.*
3. *We face risks and uncertainties when developing our projects.*
4. *Our in-house procurement and construction operations expose us to certain risks.*
5. *There are substantial delays between making significant upfront investments in our solar and other renewable energy projects and receiving revenue.*

Risks Related to Retention of Management and Key Employees

1. *The loss of our senior management or key employees may adversely affect our ability to conduct our business.*

Off taker risks related to compliance with the terms of PPAs, delay in payments, and LoAs cancelled

1. *Counterparties to our PPAs may not fulfil their obligations which could materially and adversely affect our business, results of operations, financial condition and cash flows.*
2. *There are a limited number of strong credit purchasers of utility scale quantities of electricity which exposes us to risk of LoA cancellations, and our utility scale projects to risk.*

Power Generation Risks

1. *Any constraints in the availability of the electricity grid, including our inability to obtain access to transmission lines in a timely and cost-efficient manner could adversely affect our business.*
2. *Maintenance and expansion of power generation facilities involve significant risks that could result in reduced power generation and financial results.*

Changes in the political, fiscal or regulatory environment in India.

1. *A substantial portion of our business and operations are in India, and we are subject to regulatory, economic, social and political uncertainties in India.*
2. *The regulatory and policy environment affecting the renewable energy sector in India impacts our business.*
3. *Duties on solar equipment imports increase our costs and adversely impact our performance.*
4. *Foreign investment laws in India include certain restrictions, which may affect our future assets sales, acquisitions or investments in India.*
5. *Our ability to raise foreign capital may be constrained by Indian law.*
6. *We are subject to various labor laws, regulations and standards in India. Non-compliance with and changes in such laws may adversely affect our business, results of operations, financial condition and cash flows.*
7. *Changes in the taxation system in India could adversely affect our business.*

Health, Safety and Environmental Risks

1. *Our operations have inherent safety risks and hazards that require continuous oversight and substantial insurances coverage.*
2. *Our operations are subject to governmental, health, safety and environmental regulations, and we may have to incur material costs to comply with these regulations.*

Competition Risks

1. *We may not be able to acquire rights to develop and generate power from new solar projects through the competitive bidding process.*
2. *We face significant competition from traditional and renewable energy companies.*

IT and cyber security risks

1. *Weaknesses, disruptions, failures or cyber security events in our IT systems could adversely impact our business.*

Risks related to project land and the acquisition of land

1. *We may not be able to find suitable sites for the development of renewable energy projects.*

2. *Land title in India can be uncertain, and it may be subject to onerous conditions which may restrict its use.*

3. *We do not own all the land on which we operate.*

Risks of Adverse Weather Events and Natural Calamities

1. *The generation of electricity from solar and wind sources depends on suitable weather.*

2. *Natural calamities could have a negative impact on the Indian economy and adversely affect our business.*

Contractual Risks Related to Our PPAs and Fixed Tariffs

1. *In Fiscal 2022, a Special Committee was convened to review certain material projects and contracts over a three-year period for anti-corruption and related compliance issues. Further, the Group will not continue with construction of 3,033 MWs manufacturing linked projects.*

2. *We may not be able to sign PPAs for balance capacity of 967 MWs in respect of the 4,000 MWs manufacturing linked tender for which letter of award has already been received.*

3. *Much of our revenue is exposed to fixed tariffs, changes in tariff regulation and structuring.*

4. *Our PPAs may be terminated upon the occurrence of certain events.*

5. *Restriction in transfer of PPAs*

Risk Related to Our Growth Strategy

1. *As part of our growth strategy, we engage in acquisitions which involve a number of risks, that could adversely affect our ability to achieve the benefits and returns expected.*

Risks Related to Litigation and Legal Proceedings

2. *We may become involved in costly and time-consuming litigation, arbitration and other regulatory proceedings, which require significant attention from our management.*

3. *An action alleging violations of U.S. securities laws has been brought against our Company in the New York.*

External Risks Including the Global Economy, Unrest, Terrorism War, Downgrading of India's Debt

1. *Global economic conditions have been challenging and continue to affect the Indian market, which may adversely affect our business, results of operations, financial condition and cash flows.*

2. *War, terrorist acts and other acts of violence involving India or other neighboring countries could adversely affect our operations.*

3. *Any downgrading of India's sovereign debt rating by an international rating agency could adversely impact our business, results of operations, financial condition and cash flows.*

Risks Related to Our Corporate Structure, Control of our Business and Investments in Mauritius Companies

1. *Our Company will have to rely principally on dividends and other distributions on equity paid by its operating subsidiaries and limitations on their ability to pay dividends to our Company could adversely impact your ability to receive dividends on our Company's equity shares.*

2. *As a shareholder in our Company organized under the laws of Mauritius, you may have greater difficulties in protecting your interests than as a shareholder of a United States corporation.*

3. *Anti-takeover provisions in our Company's constitutional documents could make an acquisition of us more difficult and may prevent attempts by our Company's shareholders to replace or remove our Company's current management.*

4. *Our Company's largest shareholder owns 53.4% of our shares and may exercise control of our Company.*

5. *You may have difficulty enforcing judgments against our Company, our Company's directors and management. Further, investors may not be able to enforce a judgment of a foreign court against our Indian subsidiaries, certain of our Company's directors, or our key management, except by way of a suit in India on such judgment.*

Risks Related to Our Shares

1. *Our Company does not expect to pay any cash dividends on our Company's shares.*

2. *There is no assurance of an active or liquid trading market for our Company's shares.*

3. *The market price of our Company's shares has been and may continue to be volatile, and you could lose all or part of your investment.*
4. *Sales of a substantial number of our Company's shares by our Company or our Company's existing shareholders, could cause our Company's share price to fall.*
5. *Future issuances of any equity securities may cause a dilution in your shareholding, decrease the trading price of our equity shares, and restrictions agreed to as part of debt financing arrangements may place restrictions on our operations.*
6. *If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our shares adversely, our stock price and trading volume could decline.*

Tax Risks for Shareholders and Investors

1. *You may be subject to Indian taxes on income arising through the sale of our shares.*
2. *Our Company may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to certain U.S. investors of our Company's shares.*
3. *If a United States person is treated as owning at least 10% of our Company's shares, the holder may be required to include amounts in its U.S. taxable income even if our Company does not make distributions to its shareholders.*

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) were appointed as statutory auditors of the Company. On September 5, 2023, Ernst & Young, Mauritius ("EY Mauritius") tendered its resignation as the statutory auditor of the Company with immediate effect. Pursuant to this resignation, the Company's Board on September 28, 2023, approved the appointment of ECOVIS (MAURITIUS) as the new statutory auditors for the fiscal year ended March 31, 2022 ("Fiscal 2022") and fiscal year ended March 31, 2023 ("Fiscal 2023"), to audit the financials of the Company for necessary filings in Mauritius. The Company has paid a fee of US$ 12,484 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. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report

No material changes apart from those which have already been disclosed in the financial statements, have occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report.

For more information, please refer to "Note 29" of the Financial Statement for FY'23 annexed herewith.

17. Share Capital:

a) Issue of employee stock options:

The Company has a 2015 Stock Option Plan and 2016 Equity Incentive Plan and as amended on March 31, 2020 (collectively "ESOP Plans") duly approved by the Board and had 2,023,744 stock options in the employee stock option pool. 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 Group 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.

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.

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, fulfilment 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/ Key Managerial personal (KMP) of the Company.

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

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

18. Directors

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

1)	Muhammad Khalid Peyrye	Independent Non-Executive Director
2)	Jaime Garcia Nieto	Caisse de dépôt et placement du Québec (CDPQ) Nominee Director
3)	Philippe Pierre Wind	Caisse de dépôt et placement du Québec (CDPQ) Nominee Director
4)	Supriya Prakash Sen	Independent Non-Executive Director
5)	Jean-François Joseph Boisvenu	Independent Non-Executive Director
6)	Delphine Voeltzel	OMERS Infrastructure Asia Holdings Pte. Ltd. Nominee Director
7)	Gowtamsingh Dabee	Independent Non-Executive Director
8)	Richard Payette	Independent Non-Executive Director

19. Number of meetings of the Board of Directors:

For the year under review, the Board met 13 times and passed 6 Director resolutions.

20. Compensation, Nominating and Governance Committee:

As at the date of this report, the Compensation, Nominating and Governance Committee is composed of three members who are as follows:

Supriya Prakash Sen	Member
Delphine Voeltzel	Member
Philippe Pierre Wind	Member

Mr. Panicker Unnikrishnan Mangalath Sukumara was appointed as Chairman of the Committee effective October 12, 2023 (replacing Mr. Richard Alan Rosling who resigned from Chairmanship and membership of the committee effective October 11, 2023). Mr. Cyril Sebastien Dominique Cabanes resigned from membership of the committee effective October 30, 2023. Ms. Delphine Voeltzel was appointed as new member of the Committee effective June 09, 2022. Mr. Philippe Wind was appointed as a new member effective December 05, 2023. Mr. Panicker Unnikrishnan Mangalath Sukumara resigned as Chairman of the Committee effective March 13, 2024. On March 14, 2024, the Compensation Committee and the Nomination and Governance Committee were combined to form the Compensation, Nominating and Governance Committee.

21. Audit & Risk Committee:

As at the date of this report, the Audit & Risk Committee is composed of three members who are as follows:

Richard Payette	Chairperson
Supriya Prakash Sen	Member
Jean-François Joseph Boisvenu	Member

Mr. Richard Payette was appointed as new Chairperson of the Committee effective July 1, 2023 (replacing Ms. Christine Ann McNamara who had been in office from March 1, 2022 to June 26, 2023). Mr. Arno Lockheart Harris resigned from the membership of the Committee effective May 31, 2022. Mr. Sugata Sircar was appointed as member of the Audit & Risk Committee with effect from October 1, 2022 but left the role on April 30, 2023 to become the new CFO. Mr. Jean-François Joseph Boisvenu was appointed as a new member of the Audit & Risk Committee on March 15, 2023.

22. Investment and Capital Committee:

As at the date of this report, the Investment and Capital Committee is composed of four members who are as follows:

Richard Payette	Member
Supriya Prakash Sen	Member
Delphine Voeltzel	Member
Jaime Garcia Nieto	Member

Mr. Barney Sheppard Rush retired from the office of the Board of Directors and member of Committee effective from September 30, 2021. Mr. Arno Lockheart Harris resigned from the membership of the Committee effective May 31, 2022. Mr. Richard Alan Rosling joined the committee effective 01 October 2021 and resigned effective October 11, 2023. Ms. Delphine Voeltzel and Ms. Christine Ann McNamara were appointed as new members of the Committee effective June 09, 2022. Mr. Richard Payette was appointed as new member of the Committee effective July 1, 2023 (replacing Ms. Christine Ann McNamara who resigned on June 26, 2023). Mr. Panicker Unnikrishnan Mangalath Sukumara was appointed as Chairman of the Committee effective October 12, 2023 (replacing Mr. Richard Alan Rosling). Mr. Deepak Malhotra resigned from the membership effective October 29, 2023. Mr. Jaime Garcia Nieto was appointed as a new member effective December 05, 2023. Mr. Panicker Unnikrishnan Mangalath Sukumara resigned as Chairman of the Investment and Capital Committee effective March 13, 2024.

23. Finance Committee:

As at the date of this report, the Finance Committee is composed of three members who are as follows:

Sunil Kumar Gupta	Member
Sugata Sircar	Member
Ramamurthy Narasimhan Iyer	Member

24. Sustainability & CSR Committee:

As at the date of this report, the Sustainability & CSR Committee is composed of two members who are as follows:

Supriya Prakash Sen	Member
Philippe Pierre Wind	Member

Mr. Deepak Malhotra resigned from the membership effective October 29, 2023. Mr. Philippe Wind was appointed as a new member effective December 05, 2023. Mr. Panicker Unnikrishnan Mangalath Sukumara resigned as Chairman of the Sustainability & CSR Committee effective March 13, 2024.

25. Other Committees:

Special committees may be formed from time to time as required to review particular matters or transactions.

During the leadership transition following the resignation of our previous CEO and Managing Director, a Special Committee of the Board was created to support the Chairman in supervising our operations. This Special Committee was comprised of Mr. Rosling, Mr. Unnikrishnan, Mr. Malhotra, and Ms. McNamara, and it was dissolved on August 22, 2022.

A Special Committee of the Board of Directors was convened in August 2022 to review material projects and contracts over a three-year period for anti-corruption and related compliance issues. This Special Committee is comprised of Ms. Delphine Voeltzel and Mr. Jean-François Boisvenu.

The Board also established a Special Finance Committee in July 2023 in connection with capital raising activities. This Special Finance Committee comprises Mr. Richard Payette, Mr. Jean-François Boisvenu and Ms. Supriya Prakash Sen.

26. Risk management policy:

Group Management actively assess, monitor and seek to mitigate risks in its business. In the course of the last two years, with the support of outside advisers, Group Management have reviewed and enhanced Company's Enterprise Risk Management (ERM) process. Group Management have identified potential risks, assigned an executive to manage each risk, and analyzed the probability of each risk crystalizing, the likely impact in such an event and how the risk can best be mitigated. Company's Audit and Risk Committee oversees the ERM and provides assurance that the process is effective.

27. 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 material related party contracts as at March 31, 2023.

28. 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, 2023 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 financial statements have been prepared on the basis the Group and the Company is a going concern. The Company has an Audit & Risk Committee which consists of Mr. Richard Payette, Ms. Supriya Prakash Sen and Mr. Jean-François Joseph Boisvenu.

29. 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 review.

30. VIGIL MECHANISM

The Company is dedicated to fostering and maintaining the highest standards of ethics, integrity, and compliance in all aspects of our business and is committed to a work environment that is free from harassment, intimidation, discrimination and retaliation of any kind. Our commitment to these principles includes ensuring that employees have a safe and secure avenue to report any concerns. We encourage all employees and stakeholders to speak up without fear of retaliation when they observe any behavior that may violate our company policies or any applicable laws and regulations. The Company takes all complaints seriously and is dedicated to addressing them promptly and impartially to safeguard the interests of our organization and our employees.

Copies of our Whistleblower and Anti-Retaliation Policy are available on the "Investor Relations" page of our corporate website www.azurepower.com

During the previous year, current year and subsequent to the year end, the Group received whistle-blower complaints on various matters, including lapses in internal controls for certain key areas, governance and vendor management. The Board of Directors of the Company have engaged external counsel to undertake investigations on the allegations thereof. Some of the Group companies have made certain adjustments in the books of account as a prudent measure.

In May 2022, we received a whistle-blower complaint that alleged health and safety lapses, procedural irregularities, misconduct by certain employees, improper payments and false statements relating to one of our projects belonging to a project subsidiary. Following extensive investigation by the Ethics Committee, supervised by the Board's Audit and Risk Committee and by external counsel and forensic professionals, we identified evidence of manipulation and misrepresentation of project data by some employees at that project site. Weak controls over payments to a vendor and failures to provide accurate information both internally and externally were found, but no direct evidence that any improper payment was made to any government official was identified. Further, in Fiscal 2023, we reported to SECI that this project had (i) shortfalls in generation and (ii) that it failed to timely complete and commission the requisite contractually required capacity. On January 3, 2023 and January 4, 2023, SECI advised us, inter alia, that the project may be liable for damages and penalties for shortfalls in generation.

In September 2022, we received an additional whistle-blower complaint primarily making similar allegations of misconduct as raised in the May 2022 complaint, as well as allegations of misconduct related to joint ventures and land acquisition, allegations of our failure to be transparent with the market and advisors and other claims. The Ethics Committee, supervised by the Board's Audit and Risk Committee, with the support of external counsel and forensic accounting professionals, investigated these September 2022 allegations. The investigation of the September 2022 complaint identified significant control issues in the process of acquiring land and land use rights in relation to one of our projects. The investigation specified that third party land aggregators may have been involved in improper payments but no improper transfer of money by the Group was identified. We have made an adjustment (de-capitalization) in the books of accounts of INR 138 million (US$1.8 million) on estimate, as a prudent measure in the given project. Further, we have reviewed the entire amount paid to land aggregators in other projects to identify any similar issue and after an assessment a further adjustment (decapitalisation) aggregating to INR 118 million (US$1.6 million) has been made in the books of account for FY 2022 on estimate, as a prudent measure, though no improper payments by the Group could be identified. In line with review made during the previous year, we reviewed reviewed the entire amount paid to land aggregators during the current year and made adjustment of INR 28 million (US$0.4 million) during the year ended March 31, 2023 on prudent basis though no improper payments by the Group could be identified in current year as well.

Our investigation did not substantiate other portions of this September 2022 whistle-blower complaint.

As part of our investigations of the May 2022 and September 2022 whistle-blower complaints, we also widened our review to include a review of projects commissioned in Fiscal 2022 and Fiscal 2023 to ensure that similar weaknesses were not present. As part of our investigations, we identified inconsistencies in project data in certain of our projects, but we identified no improper payments made in connection with these projects.

We have taken a range of actions due to these findings, and the employees involved in the misconduct are no longer associated with us. In accordance with the recommendations of the Ethics Committee, the Board's Audit and Risk Committee and their legal and forensic advisors, we are implementing remedial measures in both project control and monitoring. Further, we reported the findings from its investigations of the May 2022 and September 2022 whistle-blower complaints to the SEC and the U.S. Department of Justice, and we continue to cooperate with these authorities.

In addition, a Special Committee of the Board (the "Special Committee") was convened in August 2022 to review certain material projects and contracts over a three-year period for anti-corruption and related compliance issues. Independent outside counsel and forensic advisors were engaged to support the Special Committee. The Special Committee's investigation has identified evidence that individuals formerly affiliated with the Group may have had knowledge of, or were involved in, an apparent scheme with persons outside the Group to make improper payments in relation to certain projects. To date, the Special Committee has not identified related improper payments or transfers by the Group. The Special Committee's investigation is still ongoing. The Special Committee's review and its findings has impacted the decision-making of the Group in connection with such projects. We have disclosed the details of the Special Committee's investigation to the SEC and the U.S. Department of Justice, and we continue to cooperate with those agencies.

Our Group including our subsidiaries with respect to affected projects could be exposed to liabilities under the relevant contractual and tender documents (including levy of damages and liquidated damages, reduction of PPA tariffs and/or short closure of capacity), administrative actions (including the risk of PPA cancellation, risk of being debarred from SECI's future contracts, withdrawal or nullification of commissioning certificates and/or revocation of commissioning extensions) and penalties from customers and other civil liabilities, all of which could adversely impact the revenue, profitability and capitalization of the affected projects. In addition, civil and/or criminal fines and/or penalties by regulatory authorities (including by the SEC, the U.S. Department of Justice and applicable Indian regulatory authorities) could be imposed on us as well as ongoing obligations, remedial corporate measures or other relief against us that could adversely impact our operations. Any such fines, penalties, ongoing obligations or other measures or relief against uscould materially and adversely affect our business, results of operations, financial condition and cash flows in future periods. Further, in addition, certain of those outcomes could adversely impact our ability to maintain compliance with the covenants under our credit facilities or result in an event of default thereunder. In addition, we could be exposed to future litigation in connection with any findings of fraud, corruption, or other misconduct by persons who served as our directors, officers and employees.

31. 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.

32. 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

Director ***Director***

AZURE POWER GLOBAL LIMITED
SECRETARY'S CERTIFICATE TO THE MEMBERS
FOR THE YEAR ENDED MARCH 31, 2023

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, except for the filing of the financial statements for the year ended March 31, 2023 within the prescribed period.

………………………………………………………
AAA Global Services Ltd
CORPORATE SECRETARY
4th Floor, Iconebene,
Rue De L'institut, Ebène 80817
Republic of MAURITIUS

Suite 207-2nd Floor NG Tower
Cybercity, Ebene.
Tel:- 463 5291
BRN: F11000012

INDEPENDENT AUDITOR'S REPORT

To the Shareholders 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'') which comprise the consolidated and separate balance sheets as at 31 March 2023, the consolidated and separate statements of operations, consolidated and separate statements of of comprehensive loss, consolidated and separate statements of preferred shares and shareholder's equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements on pages 21 to 58 gives a true and fair view of the consolidated and separate financial position of the Group and the Company as at 31 March 2023, and their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America and in compliance with the requirements of the Mauritius 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group and the Company in accordance with *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the consolidated and separate financial statements, which indicates that there have been financial covenants breach after the reporting date due to non-submission of certain subsidiaries audited financial statements to the Group's lenders on a timely basis and an extension has been obtained till 30 April 2024. As stated in Note 2(a), these events or conditions, along with other matters as set forth in Note 28, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matters

1. We draw attention on the following matters:

a) Refer Note 28 to the consolidated financial statements in respect of allegations of improper payments by land aggregators for acquisition of land in one of the projects in the previous years, as more fully described therein. As a result of these allegations, based on review, during the previous year ended March 31, 2022, the management has made an adjustment (de-capitalisation) of INR 253 million (equivalent to USD 3.4 million) on an estimate basis. During the current year, an incremental adjustment amounting to INR 28 million (equivalent to USD 0.40 million) has been made in respect of the above matter.

b) Refer Note 28 to the consolidated financial statements, wherein the Company has voluntarily disclosed certain matters to the U.S. Securities and Exchange Commission and the U.S. Department of Justice. Engagement and cooperation with the aforesaid authorities is continuing on those matters.We are informed that any potential liability or penalty from authorities cannot be assessed at this stage.

c) Refer Note 29 to the consolidated financial statements which describes that the Company has been delisted from the New York Stock Exchange ('NYSE') on November 13, 2023. The management believes that the delisting would not have any impact on the operations of the Group.

Our Audit report is not modified in respect of above matters.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Azure Power Global Limited

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significant 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.

Key audit matter	***How our audit addressed the key audit matter***
The Group **Contingencies for investigations, lawsuits and other legal proceedings**	
As discussed in Note 20 and 28 to the consolidated financial statements, due to the ongoing investigations, lawsuits and other legal proceedings, management is of the view, that the Group might be exposed to certain liabilities such as levy of damages, reduction of PPA tariffs, administrative actions from lenders including the risk of PPA cancellation, all of which could adversely impact the revenue, profitability, and capitalization of the affected projects. Any such fines or penalties could materially and adversely affect the Group's results of operations, financial condition, and cash flows in future periods.	The procedures performed with respect to the contingencies for investigations, lawsuits, and other legal proceedings include: • Obtained management's assessment and representation stating that no triggering event such as demand or any potential notice from any lender or regulator has happened, except the ongoing inquiries from U.S. Securities and Exchange Commission and the U.S. Department of Justice. • The discussions and disclosures to the U.S. Securities and Exchange Commission and the U.S. Department of Justice are ongoing and the Company is cooperating with all the issues raised by the regulators and based on submissions made till date, the management has confirmed that there is no financial impact on the Group as of the date of this report and there is no impact on the Group's ability to run the operations of the business of the Group. • Independently conducted the inquiries including meetings with the investigators and obtained written response from them. • Enquired with management and Audit and Risk Committee of the Board of Directors of the Company about the facts and obtained the representation in writing in this respect.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders 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 our audit addressed the key audit matter***
The Group **Impairment and other estimates of Property, Plant & Equipment** As disclosed in Note 24 to the consolidated financial statements, the Group uses various inputs to assess indicators of impairment as well as evaluate the need to recognise any impairment provision. Also, the Group relies on various third-party expert reports for the purpose of estimation (e.g. useful life, fair valuation etc). Any departure/deviation in the estimates used will have a significant bearing on the carrying value of the PPE.	The procedures performed with respect to the impairment and other estimates of Property, Plant & Equipment include: • Reviewed the third-party report and the inputs used by management in determining the estimates • Assessed the qualifications, independence, and objectivity of the external experts engaged by management to perform the fair value assessments. • Reviewed the scope and terms of their engagement to ensure it aligns with audit requirements. • Reviewed the expert reports, including their methodologies, assumptions, data sources, and findings. We assessed whether the reports were consistent with relevant accounting standards and industry best practices. • Compared the expert reports' conclusions and valuations to the estimates provided by management. Significant discrepancies or inconsistencies between the expert opinions and management's estimates were investigated and documented. • Evaluated management's process for identifying indicators of impairment, including changes in market conditions, technological advancements, economic factors, or internal issues that may suggest a potential impairment of PPE.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders 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 our audit addressed the key audit matter***
The Group **Impairment and other estimates of Property, Plant & Equipment (continued)**	The procedures performed with respect to the impairment and other estimates of Property, Plant & Equipment include: • Assessed the appropriateness of management's methods and assumptions used to determine the fair value of PPE when impairment indicators were present. This involved evaluating the selection of valuation models, discount rates, and the use of external experts, if applicable. • Reviewed the documentation and underlying data used by management in their impairment assessment and fair value determination. This included examining historical financial data, market information, and internal reports.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders 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 our audit addressed the key audit matter***
The Company **Impairment of investments in subsidiaries** Included in investments of USD 766.3 million, are investments in subsidiaries which at 31 March 2023 amounted to USD 766.2 million, net of impairment, as disclosed in Note 10. Investments in subsidiaries are measured at cost less impairment. The impairment charge recognised for the year ended 31 March 2023 is nil (2022: USD 45.7 million) as disclosed in Note 10. The measurement of investments in subsidiaries and the related impairment has been identified as a key audit matter due to: • Size of impairment recognised in the prior year and continued losses in the current year. • The complexity and significant judgement involved in determining the recoverable amount of these investments and thus the impairment amount, if any	The procedures performed with respect to the appropriate measurement of investments in subsidiaries and related impairment include: • Obtained and read the minutes of meetings of the board of directors. • Critically assessed through an analysis of internal and external factors impacting the entity, whether there were any indicators of impairment. • Wherever there were any indicators of impairment, obtained a third party valuation report and challenged the assumptions made. • Verified the arithmetical accuracy of the calculations. • Verified that proper disclosure has been made with respect to any impairment.

Responsibilities of Directors and Those Charged with Governance 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 that comply with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the 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.

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholders 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

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 judgment 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.

► 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 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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 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 of 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 audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholders 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)

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 Statement for the year ended 31 March 2023", which included the Management and Administration, the Directors' report to the Members and the Secretary's Certificate to the Members as required by the Mauritius Companies Act 2001. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express 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.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors and tax advisors of the Company.

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.

Other matters

Our report is made solely to the shareholders of the Company, as a body, in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders for our audit work, for this report, or for the opinion we have formed.

Ecovis (Mauritius)

ECOVIS (MAURITIUS)

Date: 24 April 2024

Vivek Gujadhur, FCCA
Licensed by FRC

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

	Notes	As at March 31			
		The Group		The Company	
		2022 (US$)	2023 (US$)	2022 (US$)	2023 (US$)
Assets					
Current assets:					
Cash and cash equivalents	3	247,948	154,748	7,625	52
Restricted cash	4	49,915	94,438	-	-
Accounts receivable, net	5	79,687	69,487	-	-
Investments in held to maturity securities	9	83	83	-	-
Inventory		-	160	-	-
Prepaid expenses and other current assets	6	25,383	19,811	997	2,589
Assets classified as held for sale	24	1,675	-	-	-
Total current assets		**404,691**	**338,727**	**8,622**	**2,641**
Restricted cash	4	9,579	5,829	-	-
Property, plant and equipment, net	7	1,899,757	1,747,077	-	-
Software, net	8	102	10	-	-
Accounts receivable	5	42,246	47,391	-	-
Deferred income taxes	14	26.383	13,824	-	-
Right-of-use assets	19	58,902	52,860	-	-
Non-current Investments	10	1,267	5,564	766,278	766,278
Other assets	11	68,456	106,186	-	-
Total assets		**2,511,383**	**2,317,468**	**774,900**	**768,919**
Liabilities and shareholders' equity					
Current liabilities:					
Short-term debt		92,814	95,360	-	-
Accounts payable		47,143	18,279	544	366
Current portion of long-term debt	13	121,481	114,506	-	-
Income taxes payable		2,389	4,691	-	-
Interest payable		13,230	13,358	-	-
Deferred revenue		3,039	3,744	-	-
Lease liabilities	19	3,954	3,546	-	-
Other liabilities	12	66,081	65,167	1,059	1,756
Liabilities directly associated with assets classified as held for sale	24	959	-	-	-
Total current liabilities		**351,090**	**318,651**	**1,603**	**2,122**
Long-term debt	13	1,484,585	1,388,891	-	-
Deferred revenue		71,459	81,340	-	-
Deferred income taxes	14	25,291	40,594	-	-
Asset retirement obligations		11,903	13,520	-	-
Lease liabilities	19	46,613	41,447	-	-
Other liabilities		1,299	791	-	-
Total liabilities		**1,992,240**	**1,885,234**	**1,603**	**2,122**
Shareholders' equity					
Equity shares, US$ 0.000625 par value; 64,161,490 and 64,166,360 shares issued and outstanding as of March 31, 2022 and March 31, 2023, respectively	17	40	40	40	40
Additional paid-in capital		794,489	794,698	832,833	832,880
Accumulated deficit	2(a)	(225,304)	(251,025)	(59,576)	(66,123)
Accumulated other comprehensive loss		(60,296)	(121,232)	-	-
Total APGL shareholders' equity		**508,929**	**422,481**	**773,297**	**766,797**
Non-controlling interest		10,214	9,753	-	-
Total shareholders' equity		**519,143**	**432,234**	**773,297**	**766,797**
Total liabilities and shareholders' equity		**2,511,383**	**2,317,468**	**774,900**	**768,919**

See accompanying notes.

These financial statements have been approved by the Board of Directors and authorised for issue on April 24, 2024.

Director

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	
		2022	2023	2022	2023
	Notes	(US$)	(US$)	(US$)	(US$)
Operating revenues:					
Sale of power		246,151	258,085	-	-
Operating costs and expenses:					
Cost of operations (exclusive of depreciation and amortization shown separately below)		21,433	22,704	-	-
General and administrative		27,745	59,420	2,275	6,086
Depreciation and amortization	7 & 8	49,214	50,055	-	-
Impairment loss		3,182	11,971	-	-
Total operating cost and expenses		**101,574**	**144,150**	**2,275**	**6,086**
Operating income/(loss)		**144,577**	**113,935**	**(2,275)**	**(6,086)**
Other expense:					
Interest expense, net	15	160,101	104,177	-	(20)
Other expense/(income)		37	(371)	-	-
Loss/(gain) on foreign currency exchange, net	16	(430)	1,953	15	11
Total other expenses		**159,708**	**105,759**	**15**	**(9)**
Profit / (loss) before income tax		**(15,131)**	**8,176**	**(2,290)**	**(6,077)**
Income tax expense	14	(16,334)	(34,358)	-	(470)
Net (loss) / profit		**(31,465)**	**(26,182)**	**(2,290)**	**(6,547)**
Less: Net (loss)/ profit attributable to non-controlling interest		(290)	(461)	-	-
Net (loss)/ profit attributable to APGL		**(31,175)**	**(25,721)**	**(2,290)**	**(6,547)**
Accretion to redeemable non-controlling interest		-	-	-	-
Net (loss)/profit attributable to APGL equity shareholders		**(31,175)**	**(25,721)**	**(2,290)**	**(6,547)**
Net loss per share attributable to APGL equity stockholders					
Basic	18	(0.61)	(0.40)	(0.05)	(0.10)
Diluted		(0.61)	(0.40)	(0.05)	(0.10)
Shares used in computing basic and diluted per share amounts					
Basic		50,876,360	64,166,360	50,876,360	64,166,360
Diluted		50,876,360	64,166,360	50,876,360	64,166,360

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	
	2022 (US$)	2023 (US$)	2022 (US$)	2023 (US$)
Net (loss)/profit attributable to APGL equity shareholders	(31,175)	(25,721)	(2,290)	(6,547)
Add: Non-controlling interest	(290)	(461)	-	-
Other comprehensive loss, net of tax [(1)]			-	-
Foreign currency translation	25,873	(96,605)	-	-
Effective portion of cashflow hedge (Net of tax for March 31, 2022 and 2023, US$ 10,106 and US$ 7,222 for the Group)	(60,040)	35,669	-	-
Unrealized gain on available for sale securities	-	-	-	-
Total other comprehensive income/(loss)	**(34,167)**	**(60,936)**	**-**	**-**
Less: Total comprehensive income attributable to non-controlling interest	-	-	-	-
Total comprehensive loss	**(65,632)**	**(87,118)**	**(2,290)**	**(6,547)**

(1) Balance in accumulated other comprehensive loss was US$ (60,296) thousand and US$ (121,232) thousand as of March 31, 2022 and 2023, respectively. During the year ended March 31, 2023 adjustments of US$ (96,605) thousand and US$ 35,669 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, 2022

	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, 2021	**30**	**543,233**	**(26,129)**	**(188,471)**	**328,663**	**4,071**	**332,734**
Transaction with NCI	-	-	-	(5,658)	**(5,658)**	6,433	**775**
Issuance of Equity Shares (refer note 17)	10	249,893	-	-	**249,903**	-	**249,903**
Net loss	-	-	-	(31,175)	**(31,175)**	(290)	**(31,465)**
Other comprehensive income	-	-	(34,167)	-	**(34,167)**	-	**(34,167)**
Share based compensation	-	1,363	-	-	**1,363**	-	**1,363**
Balance as at March 31, 2022	**40**	**794,489**	**(60,296)**	**(225,304)**	**508,929**	**10,214**	**519,143**

For the Group as on March 31, 2023

	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, 2022	**40**	**794,489**	**(60,296)**	**(225,304)**	**508,929**	**10,214**	**519,143**
Transaction with NCI	-	-	-	-	**-**	-	**-**
Issuance of Equity Shares (refer note 17)	-	-	-	-	**-**	-	**-**
Net loss	-	-	-	(25,721)	**(25,721)**	(461)	**(26,182)**
Other comprehensive income	-	-	(60,936)	-	**(60,936)**	-	**(60,936)**
Share based compensation	-	209	-	-	**209**	-	**209**
Balance as at March 31, 2023	**40**	**794,698**	**(121,232)**	**(251,025)**	**422,481**	**9,753**	**432,234**

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, 2022

	Equity shares	Additional paid in capital	Accumulated deficit	Total shareholder's equity
Balance as at March 31, 2021	**30**	**583,819**	**(57,286)**	**526,563**
Issuance of Equity Shares………………..	10	249,014	-	**249,024**
Share based compensation………………..	-	-	-	**-**
Net loss……………………..………………..	-	-	(2,290)	**(2,290)**
Balance as at March 31, 2022	**40**	**832,833**	**(59,576)**	**773,297**

For the Company as on March 31, 2023

	Equity shares	Additional paid in capital	Accumulated deficit	Total shareholder's equity
Balance as of March 31, 2022	**40**	**832,833**	**(59,576)**	**773,297**
Issuance of Equity Shares………………..	-	-	-	**47**
Share based compensation………………..	-	47	-	**-**
Net loss……………………..………………..	-	-	(6,547)	**(6,547)**
Balance as at March 31, 2023	**40**	**832,880**	**(66,123)**	**766,797**

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	
		2022	2023	2022	2023
		(US$)	(US$)	(US$)	(US$)
Cash flows from operating activities					
Net loss		(31,175)	(26,182)	(2,290)	(6,547)
Adjustments to reconcile net loss/(profit) to net cash provided from/(used in) operating activities:					
Deferred income taxes		4,805	21,309	-	-
Depreciation and amortization		49,214	50,055	-	-
Adjustment to derivative instruments		21,151	21,463	-	-
Loss on disposal of property, plant and equipment		2,241	3,013	-	-
Share based compensation		(3,959)	(7,831)	-	47
Impairment loss		3,182	11,971	-	-
Provision for diminution in value of investments		174	-	-	-
Amortization of debt financing costs		14,867	4,183	-	-
ARO accretion		789	1,034	-	-
Non-cash rent expense		4,751	1,505	-	-
Allowance for doubtful accounts		(2,730)	6,411	-	-
Interest income from investments		-	(508)	-	-
Employee benefit		-	(34)	-	-
Loan Prepayment charges		21,580	-	-	-
Foreign exchange (gain)/loss, net		(443)	1,953	15	11
Change in operating lease right-of-use assets		(10,857)	(4,341)	-	-
Change in operating lease liabilities		6,670	2,639	-	-
Changes in operating assets and liabilities					
Accounts receivable		(14,186)	(11,401)	-	-
Inventory		-	(163)	-	-
Prepaid expenses and other current assets		(11,569)	4,853	312	(1,592)
Other assets		(47,845)	3,393	-	-
Accounts payable		4,657	(12,381)	102	(189)
Interest payable		(6,979)	1,339	-	-
Deferred revenue		42,731	16,772	-	-
Other liabilities		13,663	9,466	999	697
Net cash flows provided / (used) from operating activities	**A**	**60,732**	**98,518**	**(862)**	**(7,573)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(548,488)	(74,049)	-	-
Purchase of software		(282)	40	-	-
Proceeds from disposal of subsidiaries		20,896	672	-	-
Investment in equity shares		(1,262)	(4,506)	(245,009)	-
Net cash flows used in investing activities	**B**	**(529,136)**	**(77,843)**	**(245,009)**	**-**
Cash flows from financing activities					
Proceeds from issuance of Green Bonds		406,444	-	-	-
Proceeds from issuance of equity shares		249,903	-	249,024	-
Repayments of term and other loan[(3)]		(710,644)	(64,396)	-	-
Repayment of Green Bond		(497,490)	(25,458)	-	-
Loan prepayment charges		(21,580)	-	-	-
Proceeds from term and other loan		1,136,232	38,617	-	-
Net cash flows from financing activities	**C**	**562,845**	**(51,237)**	**249,024**	**-**
Effect of exchange rate changes on cash and cash equivalents		(144)	(22,309)	-	-
Net increase in cash and cash equivalents	**A+B+C**	94,441	(30,118)	3,153	(7,573)
Cash and cash equivalents at the beginning of the year		213,146	307,442	4,472	(7,625)
Cash and cash equivalents at the end of the year*		**307,442**	**255,015**	**7,625**	**52**
Supplemental disclosure for cash flow					
Cash paid during the year for interest		143,015	121,667	-	-
Cash paid during the year for income taxes		13,567	12,265	-	470
Non-cash conversion of CCD and CCPS		-	-	-	-

* Refer Note 3 and 4.

(3) Includes US$ 24,694 thousand and US$ 23,020 thousand paid towards hedging costs for Solar Green Bonds for the year ended 2022 and 2023, respectively.

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 year the previous year the Group had entered into a sale agreement for the disposal of its rooftop business. See also Note 24.

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.

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$ 59,576 thousand and US$ 65,653 thousand as on March 31, 2022 and March 31, 2023, respectively and the Group has an accumulative deficit of US$ 225,304 thousand and US$ 251,025 thousand as on March 31, 2022 and March 31, 2023, respectively. The Company has sufficient cash balance at the end of the year to meet the expenses for the next twelve months period. After the reporting date, the Group was subject to a breach of financial covenants due to delays in submitting certain audited financial statements of the subsidiaries to various lenders and an extension has been obtained till 30 April 2024. In the event the deadline of 30 April 2024 is not met, management shall discuss with lenders to obtain further extensions and it is probable that these will be granted. Accordingly, the directors have no reason to believe the business will not be a going concern in the year ahead.

(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.

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. The Company has eliminated all 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.

(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 totaling US$ 138,273 thousand and US$ 144,119 thousand and US$ 3,696 thousand and US$ Nil for the Company as at March 31, 2022 and 2023, 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,	
	2022	**2023**
	(US$)	**(US$)**
	(in thousands)	
Current Assets		
Cash and cash equivalents	247,948	154,748
Restricted cash	49,915	94,438
Non-Current Assets		
Restricted cash	9,579	5,829
Cash and cash equivalents and restricted cash	**307,442**	**255,015**

(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.

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, 2022, and March 31, 2023, amortized cost of held to maturity investments were US$ 83 thousands and US$ 83 thousands for the Group and US$ 83 thousands and US$ 83 thousands for the Company respectively.

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 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 provision for diminution of investments as at March 31, 2022 and March 31, 2023 is US$ 45,692 thousand and US$ 45,692 thousand respectively. See Note 24.

(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, 2022 and 2023 was US$ 3,760 thousand and US$ 10,171 thousand for the Group and US$ Nil and US$ Nil for the Company.

(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
Building	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, 2022 and 2023 was US$ 7,985 thousand and US$ 4,279 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 the planned disposal of the Company’s rooftop business, impairment of assets related to manufacturing linked tender and impairment of one of the project, there were no impairment charges related to remaining long-lived assets recognized during the years ended March 31, 2022, and 2023 respectively. See also note 24.

(j) Leases and land use rights

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.

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 2 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 of 10% for the purposes of the determination of discount rate. The weighted average remaining lease term for operating leases is 29 years.

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.

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.

The Group has recognized and reported the Right of Use asset, on consolidated balance sheet by US$ 52,860 thousand as well as Lease Liabilities by US$ 44,993 thousand as at March 31, 2023 and US$ 58,902 thousand in Right of Use asset as well as Lease Liabilities by US$ 50,567 thousand as at March 31, 2022 respectively. During the year ended March 31, 2022 and 2023, the Company recorded lease cost of US$ 5,892 thousand and US$ 5,423 thousand respectively. See Note 19 to the consolidated financial statements.

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 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 includes 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.

(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$ 11,903 thousand and US$ 13,520 thousand as of March 31, 2022 and 2023, respectively. The accretion expense incurred during the years ended March 31, 2022 and 2023 was US$ 789 thousand and US$ 1,034 thousand, respectively. The depreciation expense incurred during the years ended March 31, 2022 and 2023 was US$ 194 thousand and US$ 260 thousand, respectively.

During the current year, the carrying amount of the ARO liability is increased by US$ 1,617 thousand primarily due to commissioning of new projects during the year and accretion expense during the year.

(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, 2023, 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, 2023, 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, 2022 and 2023 was US$ 14,867 thousand and US$ 4,183 thousand, respectively for the Group, including debt financing costs written off related to the debt refinancing amounting to US$ 9,920 and US$ Nil thousand, respectively for the Group. See Note 13.

The carrying value of debt financing costs as on March 31, 2022 and 2023 was US$ 15,686 thousand and US$ 12,285 thousand, excluding the debt finance cost against borrowings which are reported as liabilities held for sale.

Further the Group had debt financing costs of US$ 1,861 thousand and US$ 446 thousand under other assets and other current assets, as on March 31, 2022 and 2023, respectively for facilities not yet drawn.

(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, 2023, the Group does not have any unrecognized tax benefits, nor has it recognized any interest or penalties.

During the year ended 2019-20, 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, 2023, 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.

(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.

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$ 358 thousand and US$ 336 thousand for the years ended March 31, 2022 and 2023, 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, 2023, 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$ 754 thousand and US$ 597 thousand as of March 31, 2022 and 2023, 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, 2022 and 2023 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. The Company's customers are generally the Government of India, power distribution companies and, to a lesser extent, commercial and industrial enterprises. Sale of power includes solar power sold through exchange.

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. Revenues from the recovery of safe-guard duties and goods and service tax under the change in law provision are recognized over the PPA period in the proportion of the actual sale of solar energy in kilowatts as per the terms agreed with customers or unless contractually agreed otherwise, once collectability is reasonably assured. Revenue from the sale of carbon credit emissions are recognized at the point in time when control of the carbon emission reduction units is transferred. These are initially recognized at cost.

The Group and the Company applies "ASC Topic 606" Revenue from Contracts with Customers, to recognize revenue from sale of power to its customers. Further, under Topic 606, total consideration for PPAs with scheduled price changes (price escalation is applicable in a solar power plant with 50 MW of operating capacity and price decrease in a solar power plant with 10 MW of operating capacity over the term of PPA) 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 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 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 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 during the period to the total estimated sale of solar energy during the tenure of the applicable power purchase agreement or balance tenure of power purchase agreement, as applicable pursuant to the revenue recognition policy.

The Company also recognise revenue on Late Payment Surcharge and interest on late payment for power supply on reasonable certainty to expect ultimate collection or otherwise based on actual collection, whichever is earlier.

Revenue from customers

Revenue from customers, net consists of the following:

	The Group As at March 31, 2022 US$	2023 US$
	(in thousands)	
Revenue from Customers:		
Sale of Power[(1)]	236,483	258,032
Others[(2)]	9,668	53
Total	**246,151**	**258,085**

(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, 2023 amounting to US$ 3,324 thousand.

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

Contract balances

The following table provides information about receivables, unbilled receivables, contract acquisition cost and deferred revenue from customers as at March 31, 2022 and 2023, respectively.

	As at March 31,	
	2022 US$	**2023 US$**
	(in thousands)	
Current assets		
Accounts Receivable, net	79,687	69,487
Non-current assets		
Unbilled receivable	3,341	3,513
Accounts receivable (net)	42,252	47,391
Contract acquisition cost	4,243	3,714
Current liabilities		
Deferred Revenue	3,039	3,744
Non-current liabilities		
Deferred Revenue	71,459	81,340

Deferred Revenue	As at March 31,	
	2022 US$	**2023 US$**
	(in thousands)	
Beginning balance	**23,509**	**74,498**
Increased as a result of additional cash received against 'VGF'	537	1,887
Deferred revenue recognized	42,718	16,209
Amount recognized into revenue	(523)	(1,383)
Forex Movement	8,257	(6,127)
Closing balance	**74,498**	**85,084**

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 Stock Appreciation Rights ("SARs") and Restricted Stock Units ("RSUs") based on the fair value of the amount payable to employees in respect of SARs, which are settled in cash, with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to the payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs or amounts as per best estimated. Any changes in the fair value of the liability are recognized in consolidated statements of operations.

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.

The Group has elected to use the Black-Scholes-Merton valuation model to determine the fair value of SARs at each reporting date.

Employee Stock Option

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$ 930 thousand and US$ 209 thousand for the years ended March 31, 2022 and 2023, respectively. The amount of share-based compensation expense capitalized during the year ended March 31, 2023 was US$ Nil 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 reversal of US$ 5,010 thousand and reversal of US$ 8,039 thousand for the year ended March 31, 2022 and March 31, 2023. The amount of share-based compensation expense capitalized during the year ended March 31, 2022 and March 31, 2023 was US$ Nil.

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 24.

(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.

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 following:

(i) 0.83% ownership interest in a subsidiary, a 10MW Gujarat power plant, not held by the Company
(ii) 49.00% ownership interest in a subsidiary, a 50MW Uttar Pradesh power plant, not held by the Company
(iii) 0.16% ownership interest in a subsidiary, a 100 MW Telangana power plant, not held by the Company
(iv) 0.01% ownership interest in Azure Power India Private Limited* not held by the Company
(v) 49% ownership interest in 16 MW rooftop project** of DJB not held by the Company
(vi) 48.6% ownership interest in a subsidiary, a 4 MW rooftop project** with GEDCOL, not held by the Company
(vii) 48.6% ownership interest in a subsidiary, a 11.4 MW** rooftop project with DMRC, not held by the Company
(viii) 48.6% ownership interest in a subsidiary, a 17.8 MW** rooftop project with railways, not held by the Company.

As of March 31, 2023, the Company recorded a non-controlling interest amounting to US$ 9,753 thousand including US$ 461 thousand of net loss for the year ended March 31, 2023. As of March 31, 2022, the Company recorded a non-controlling interest amounting to US$ 10,214 thousand including US$ 290 thousand of net profit for the year ended March 31, 2022.

*This remaining ownership by the founders was under arbitration and same has been decided in the favor of the Company, subsequent to the year end. Refer to note 21.

**During the previous year, the Company has entered into a sale agreement for the disposal of its rooftop business and has transferred the 48.6% and 49% shareholding of identified entities in reference to agreement and has recognized proportionate minority interest of US$ 6,433 thousand on transfer of its shareholdings of rooftop entities. See also Note 24.

(z) Inventory

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

(aa) 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 is effective for the annual periods beginning after December 15, 2020, including interim periods within those fiscal years. During current period, the Group applied ASU 2019-12 and noted that the impact of adoption of this guidance did not have a material effect on the Group's financial statements.

In March 2020, the Financial Accounting Standards Board issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04")." ASU 2020-04 provides temporary optional expedients and exceptions to the guidance in U.S. GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. In January 2021, the FASB issued Accounting Standard Update ("ASU") 2021-01 (Topic 848), which amends and clarifies the existing accounting standard issued in March 2020 ("ASU") 2020-04 for Reference Rate Reform. Reference rates such as LIBOR, are widely used in a broad range of financial instruments and other agreements. The ASU permits entities to elect certain optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows, for computing variation margin settlements, and for calculating price alignment interest in connection with reference rate reform activities under way in global financial markets (the "discounting transition"). The ASU 2020-04 is effective for adoption at any time between March 12, 2020 and December 31, 2022, for all entities and the ASU 2021-01 is effective for all entities as of January 7, 2021 through December 31, 2022. As of March 31, 2022, the Group has not made any contract modifications to replace the reference rate in any of its agreements and will continue to evaluate the effects of this standard on its consolidated financial position, results of operations, and cash flows.

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.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of March 31,			
	The Group		The Company	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Balances with current accounts………………………………..	109,675	10,629	3,929	52
Bank demand deposits*………………………………………..	138,273	144,119	3,696	-
Total	**247,948**	**154,748**	**7,625**	**52**

* Includes unrestricted term deposit having maturity more than one year.

4. Restricted cash

Restricted cash consists of the following:

	As of March 31,			
	The Group		The Company	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Bank deposits………………………………………….………..	49,915	94,438	-	-
Term deposits – Restricted Cash…………………….………….	9,579	5,829	-	-
Total…………………………………………………………….	**59,494**	**100,267**	-	-
Restricted cash current…………………………………………….	49,915	94,438	-	-
Restricted cash non-current balance……………………………	9,579	5,829	-	-

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	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Accounts receivable [(1)]……………………………………………	125,693	127,049	-	-
Less: Allowance for doubtful accounts…………………………..	(3,760)	(10,171)	-	-
Total……………………………………………………………	**121,933**	**116,878**	**-**	-
Current	79,687	69,487	-	-
Non-Current	42,246	47,391	-	-

[(1)] Includes US$ 68,965 thousand and US$ 70,131 thousand of unbilled receivables for the year ended March 31, 2022 and 2023, respectively.

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

	As of March 31,			
	The Group		The Company	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Balance as at beginning of the year…………………………………	6,384	3,760	-	-
Less: Provision for assets held for sale…………………………...	-	-	-	-
Provision for doubtful accounts……………………………………..	(2,730)	6,411	-	-
Provision written off………………………………..…………..	-	-	-	-
Reclassified from held for sale………………………..…………..	106		-	-
Balance at the end of the year..……………………………………	3,760	10,171	-	-

In relation to the Group's 50 MW project in Andhra Pradesh, the Andhra Pradesh DISCOM, Southern Power Distribution Company of Andhra Pradesh Ltd ("APSPDCL"), had issued a letter to the Group requesting the reduction of quoted tariff to INR 2.44 per unit as against the PPA rate of INR 5.89 per unit for solar projects from the date of commissioning and threatened termination of the PPA in case of refusal to accede to such reduction ("Letter"). The Group had challenged the Letter before the High Court at Vijayawada, as well as the decision of the Government of Andhra Pradesh ("GoAP") to constitute a High-Level Negotiation Committee to review, negotiate, and bring down" the solar energy purchase prices vide order dated July 1, 2019 ("HLNC Order"). The High Court vide its judgment dated September 24, 2019 ("Judgment"), whilst quashing the aforesaid Letter and HLNC Order, granted its implied blessing to Andhra Pradesh DISCOM to approach the Andhra Pradesh Electricity Regulatory Commission ("APERC") for reduction of tariff by directing APSPDCL to make payment of outstanding and future invoices at the "interim" rate of INR 2.44/- per unit, till the dispute is resolved by APERC. Accordingly, the Group has filed a writ appeal challenging the Judgment, whereby the Group 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 INR 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 actions 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 of the proceedings. Further, the appellate authority during several hearings had directed the DISCOM to remit the overdue receivables at interim rate.

During the previous year on March 15, 2022, High court of Andhra Pradesh, Amaravati has passed an order in favour of the Group and has directed the discom to make the payments of arrears with within six weeks from the date of this order, at the original rate of INR 5.89 per unit mentioned in PPAs.

During the current year, the Group has received a letter from offtaker dated August 4, 2022, stating outstanding liability as at May 31, 2022, to be paid in 12 monthly installments. The Group has also received dues pursuant to the same.

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	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Derivative asset - current (Note 25)……	12	2,553	-	-
Firm commitment……	152	-	-	-
Debt financing cost……	1,861	446	-	-
Interest receivable on term deposits……	1,293	2,689	3	-
Balance with statutory authorities……	3,528	2,725	-	-
Prepaid bank guarantee charges……	814	422	-	-
Prepaid insurance and other expenses……	1,248	2,674	683	2,139
Prepaid income taxes……	-	-	-	5
Advance to suppliers……	13,160	1,150	-	-
Intercompany receivable……	-	-	311	445
Other……	3,315	7,152	-	-
Total……	**25,383**	**19,811**	**997**	**2,589**

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	
		2022	2023	2022	2023
		(US$)	(US$)	(US$)	(US$)
		(in thousands)			
Plant and machinery (solar power plants) ……	25-35	1,759,657	1,832,115	-	-
Furniture and fixtures……	5	172	124	-	-
Leasehold improvements — solar power plant ……	25	83,060	74,090	-	-
Vehicles ……	5	1,097	1,070	-	-
Office equipment ……	5	1,645	1,641	-	-
Computers……	3	1,342	1,386	-	-
Leasehold improvements – office……	1-3	2,005	1,849		-
		1,848,978	**1,912,275**	-	-
Less: Accumulated depreciation ……		207,870	239,430	-	-
Less: Accumulated impairment……		8,126	40,965	-	-
		1,632,982	**1,631,880**	-	-
Freehold land*……		42,529	45,583	-	-
Construction in progress……		224,246	69,614	-	-
Total……		**1,899,757**	**1,747,077**	-	-

Depreciation expense on property, plant and equipment for the Group was, US$ 48,837 thousand and US$ 50,033 thousand for the years ended March 31, 2022 and 2023, respectively. Refer Note 24 for impairment recognized and classification of assets held for sale during the current year.

*Also see Note 28. "Whistle-blower Allegations and Special Committee Investigation" for adjustment towards payment made to land aggregators.

8. Software, net consists of the following:

	Estimated Useful Life (in years)	As of March 31,			
		The Group		The Company	
		2022	2023	2022	2023
		(US$)	(US$)	(US$)	(US$)
		(in thousands)			
Software licenses and related implementation costs	3	2,223	2,020	-	-
Less: Accumulated depreciation		2,121	2,010	-	-
Total		**102**	**10**	-	-

Aggregate amortization expense for software for the Group was, US$ 377 thousand and US$ 22 thousand for the years ended March 31, 2022 and 2023, respectively.

Estimated amortization expense for the years ending March 31, 2024 is 12 thousand.

9. Current investments

Investments, consists of the following:

	As of March 31,			
	The Group		The Company	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Investment in Mauritius bonds (held to maturity)	83	83	83	83
Total	**83**	**83**	**83**	**83**

10. Non-current investments

Investments, consists of the following:

	As of March 31,			
	The Group		The Company	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Investment in subsidiaries*	-	-	766,195	766,195
Investment in others **	1,267	5,564	83	83
Total	**1,267**	**5,564**	**766,278**	**766,278**

* 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 thousand. See Note 24.

**During the current year ended March 31, 2022, the Group entered into a non-binding obligation with M/s Premier Energies limited ("Premier/ Manufacturer"), a solar module manufacturing company, relating to execution of tender received from SECI. During Fiscal Year 2021-22, the Group invested US$ 1,236 thousand in equity shares of Premier Energies International Private Limited ("PEIPL"). During the current year, the Group further invested US$ 521 thousand in equity shares (without dividend rights) and US$ 3,874 thousand in Compulsory Convertible Debentures of PEIPL. During the current year, the Group has entered into related module supply agreements and share and debentures subscription agreements with Premier. The Group is entitled for return of 10% p.a. on investment made under the agreement.

11. Other assets

Other assets consist of the following:

	As of March 31,			
	The Group		The Company	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Prepaid income taxes	8,518	4,388	-	-
Derivative asset (note 25)	46,566	88,815	-	-
Interest receivable on term deposits	367	398	-	-
Security deposit to others	4,919	4,696	-	-
Contract acquisition cost	4,243	3,714	-	-
Unbilled receivables	3,341	3,513	-	-
Other	502	662	-	-
Total	**68,456**	**106,186**	-	-

12. Other current liabilities

Other current liabilities consist of the following:

	As of March 31,			
	The Group		The Company	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Derivative liability	32,963	18,753	-	-
Provision for employee benefits	151	260	-	-
Payable for share based payments	11,138	-	-	-
Payable to statutory authorities	3,834	1,806	2	-
Other payables	17,995	44,348	1,057	1,756
Total	**66,081**	**65,167**	**1,059**	**1,756**

13. Long term debt

Long term debt consists of the following:

	As of March 31,			
	The Group		The Company	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Secured term loans, net of financing costs:				
Foreign currency loans	998,705	942,317	-	-
Indian rupee loans	607,361	561,080	-	-
Total	**1,606,066**	**1,503,397**	-	-
Other secured bank loans:				
Vehicle loans	-	-	-	-
Total Debt	**1,606,065**	**1,503,397**	-	-
Less: Current portion of debt	(121,481)	114,506	-	-
Long term debt	**1,484,585**	**1,388,891**	-	-

Foreign currency term loans

3.575% Senior Notes

During the year ended March 31, 2022, Azure Power Energy Limited (one of the subsidiaries of APGL) issued 3.575% US$ denominated Senior Notes ("3.575% Senior Notes" or "Green Bonds") and raised US$ 399,500 thousand, net of issuance expense of US$ 5,382 thousand. 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. In accordance with the terms of the issue, the proceeds were used for repayment of 5.5% Senior Notes. The interest on the 3.575% Senior Notes is payable on a semi-annual basis and the principal amount is payable semi-annual instalment ranging from 3.4% to 3.8% and balance 67.4% on maturity in August 2026. As of March 31, 2023, the net carrying value of the Green Bonds was US$ 367,893 thousand. The Green Bonds are secured by a pledge of Azure Power Energy Limited's shares held by Azure Power Global Limited.

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$ 5590 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.

In accordance with the terms of the issue, the proceeds were used for repayment of project level loans. The interest on the 5.65% Senior Notes are payable on a semi-annual basis and the principal amount is payable in December 2024. As of March 31, 2023, the net carrying value of the Green Bonds was US$ 348,043 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. Investment of APSEL in non-convertible debentures of group entities are further secured by a first priority security interest (to be shared on pari-passu basis) over all immovable properties of the entities by an equitable mortgage.

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

During the year ended March 31, 2021, the Group borrowed US$ 93,000 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. s. 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 ranging from 2.5% - 32.5% commencing from November 2021 and ending May 2025. The borrowing is collateralized by the shares of project SPVs, a hypothecation/charge over receivables of the Company. The net carrying value of the loan as of March 31, 2023 is US$ 58,650 thousand.

Indian Rupee Non-Convertible Debentures

During the year ended March 31, 2019, the Group issued Non-Convertible Debentures in two of its 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 its 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$ 32,962 thousand. As of March 31, 2023, the net carrying value of the Non-Convertible Debentures was US$ 12,066 thousand. As of March 31, 2023, the Group was not in compliance with the financial covenants related to this borrowing and has classified the loan under current debt.

Project level secured term loans

Foreign currency loans

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 Group further borrowed US$ 1,790 thousand and US$ 3,591 thousand under the same facility. These foreign currency 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$ 32,962 thousand as on March 31, 2023. The net carrying value of the loan as of March 31, 2023 is US$ 13,209 thousand. As of March 31, 2023, the Group was not in compliance with the financial covenants related to this borrowing and has classified the loan under current debt.

During the year ended March 31, 2022, the Group borrowed amount of US$ 155,078 thousand from MUFG Bank, Societe Generale, Export development Canada and Hong Kong Mortgage corporation limited for financing of its 300 MW solar project with Solar Energy Corporation of India. These facilities carry interest rate sum of margin and LIBOR. As of March 31, 2022, the loan carries interest rate of 8.25%. The loan is repayable in 18 quarterly instalments commencing April 2022. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US$ 163,446 thousand as of March 31, 2023 and pledge of 100% share of borrower held by promoters. The net carrying value of the loan as of March 31, 2023 is US$ 154,506 thousand.

Indian rupee loans

The net carrying value of the loan as of March 31, 2023, is US$ 4,439 thousand, borrowed for financing of a 5 MW solar power project with NTPC Vidyut Vyapar Nigam Limited. The loan has been refinanced from Kotak Infrastructure Debt Fund Limited and unamortized carrying value of ancillary cost of borrowing was expensed. These facility carries an interest rate of 8.25% per annum with reset after every 5 years. The loan is repayable in 42 quarterly instalments commencing September 2021. The borrowing is collateralized by movable and immovable properties of the underlying solar power project assets with a net carrying value of US$ 5,510 thousand as of March 31, 2023.

The net carrying value of the loan as of March 31, 2023 is US$ 17,101 thousand, borrowed for financing of a 30 MW solar power project with Chhattisgarh State Power Distribution Company Ltd from Indian renewable Energy Development Agency Limited (IREDA). The loan carries interest rate of 7.5% per annum and the interest rate is subject to reset every three years based upon rate of interest notified by IREDA as per applicable grading. The loan is repayable in 168 monthly instalments ranging from 0.50% - 0.60% of the loan amount commencing from April, 2022 and ending on March 2036. 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$ 18,147 thousand as of March 31, 2023.

The net carrying value of the loan as of March 31, 2023, is US$ 24,375 thousand, borrowed for financing of a 50 MW solar power project with NTPC Limited. The loan has been refinanced from NIIF Infrastructure Finance Limited and unamortized carrying value of ancillary cost of borrowing was expensed. The loan carries interest rate of 7.75% per annum and interest rate is subject to reset in every five years from initial disbursement and loan is repayable in 64 quarterly instalments ranging from 1.05% to 2.45% of loan amount commencing from December 2021. The loan is collateralized by movable and immovable properties of the underlying solar power project assets with net carrying value of US$ 29,738 thousand as of March 31, 2023 and the loan had been guaranteed by the corporate guarantee and pledge of 51% shares of Azure Power India Private Limited, the holding company

The net carrying value of the loan borrowed for financing a 100 MW solar power project with NTPC Limited as of March 31, 2023 is US$ 58,321 thousand from NIIF infrastructure Finance Limited and Aseem Infrastructure Finance Limited. These loans carry interest rate of 7.75% per annum and the interest rate is subject to reset for every five years in case of loan taken from NIIF Infrastructure Finance Limited based upon -35 bps ("Spread") over and above the NIIF IFL 5 YR Benchmark Rate and for every three years in case of loan taken from Aseem Infrastructure Finance Limited based upon AIFL Benchmark Rate/Benchmark Rate and the applicable Spread. These facilities are repayable in 63 quarterly instalments ranging from 1.23% to 2.55% of the loan amount commencing from December 2021 and ending on June 2037. These facilities are secured by first charge on Company's movable and immovable properties and hypothecation on all the movable fixed assets both present and future with a net carrying value of US$ 4,882 thousand as of March 31, 2023.

During the year ended March 31, 2022, the Group borrowed amount of US$ 43,057 thousand, net of initial installment, from Tata Cleantech Capital Limited for financing of its 200 MW solar project with Solar Energy Corporation of India. The loan carries interest rate of 7.50% and the interest rate is subject to reset every three years based upon TCCL New Prime Lending Rate- Long Term (TCCL NPLR-LT). The loan is repayable in 70 quarterly instalments ranging from 1.1% - 1.71% of the loan amount commencing from December 2021 and ending on March 2039. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US$ 104,261 thousand as of March 31, 2023. The net carrying value of the loan as of March 31, 2023 is US$ 36,842 thousand.

During the year ended March 31, 2022, the Group borrowed amount of US$ 32,543 thousand, net of initial installment, from Axis Bank for financing of its 200 MW solar project with Solar Energy Corporation of India. Loan has interest rate of 3 years MCLR and as of March 31, 2023, the loan carries interest rate of 7.50% and the interest rate is subject to reset every three years based upon 3 year MCLR rate. The loan is repayable in 70 quarterly instalments ranging from 1.10% to 1.71% of the loan amount commencing from December 2022 and ending on March 2039. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US$ 104,261 thousand as of March 31, 2023. The net carrying value of the loan as of March 31, 2023 is US$ 27,865 thousand.

During the year ended March 31, 2019, the Group borrowed US$ 1,795 thousand as an External Commercial Borrowings from International Finance Corporation (IFC) for some of its rooftop projects. 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 passu mortgage charge on all immovable and movable properties of the borrower with a net carrying value of US$ 27,573 thousand as of March 31, 2023. The loan is repayable on October 15, 2024. The net carrying value of the loan as of March 31, 2023 is US$ 1,496 thousand. As of March 31, 2023, the Group was not in compliance with the financial covenants related to this borrowing and has classified the loan under current debt.

During the year ended March 31, 2020 and March 31, 2021, the Group borrowed US$ 6,554 thousand and US$762 thousand as a project level financing for financing of a 16 MW rooftop solar power project from the State Bank of India ('SBI'). These facilities carry an annual interest rate of 6 months MCLR + 1.45%. As of March 31, 2023, the loan carries interest rate of 8.50% per annum. The loan is repayable in 52 quarterly installments commencing June 2020. The borrowing is collateralized by first charge on Company's movable and immovable properties of the underlying solar power project assets with a net carrying value of US$ 6,969 thousand as of March 31, 2023 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, 2023 is US$ 3,856 thousand. As of March 31 2023, the Group was not in compliance with the financial covenants related to this borrowing and has obtained suitable waivers for the non-compliance.

The net carrying value of the loan borrowed for financing of its 90 MW solar project with Assam Power Distribution Company Limited as on March 31, 2023 is US$ 41,463 thousand from Indian renewable energy development agency limited (IREDA The loan carry fixed interest rate of 7.5% payable monthly as applicable for Renewable Energy Projects with 3 year reset as per IREDA's policy. The loan is repayable in 234 monthly instalments ranging from 0.30% to 0.70% of loan amount commencing October 2022. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of USD$ 57,227 thousand as of March 31, 2023 and pledge of 51% shares held by the Promoter company in the SPV and Further loan is guaranteed by Azure Power India Pvt Ltd.

The net carrying value of the loan as of March 31, 2023 is US$ 27,063 thousand, borrowed for financing of a 35 MW solar project with NTPC Vidyut Vyapar Nigam Limited. The loan has been refinanced from NIIF Infrastructure Finance Ltd and Kotak Infra Debt Fund Limited and unamortized carrying value of ancillary cost of borrowing was expensed. These facilities carry an interest rate of 8% per annum. The loan is repayable in 47 quarterly instalments commencing September 2021. The borrowing is collateralized by movable and immovable properties of the underlying solar power project assets with a net carrying value of US$ 26,965 as of March 31, 2023 and pledge of 51% shares of the Promoter company and Corporate Guarantee which shall terminate as per conditions stipulated in the agreement.

The net carrying value of the loan borrowed for financing of its 600 MW solar project with Solar Energy Corporation of India as on March 31, 2023 is US$ 269,434 thousandfrom L & T finance Limited, Indian renewable Energy Development Agency Limited (IREDA) and L&T Infra Credit Pvt Ltd. The loan carries rate of interest of 7.2% payable monthly and the interest rate is applicable for Renewable Energy Projects with an Integrated Rating of IR-2, with 3 year reset as per L&T Finance policy. loan is repayable in 243 installments ranging from 0.30% to 0.58% of loan amount commencing from July 2022. The borrowing is collateralized by the underlying solar power project assets with a net carrying value of US$ 325,772 thousand as of March 31, 2023 and corporate guarantee of Azure Power India Private Limited.

During the year ended March 31, 2021, the Group 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. As on March 31, 2023 the loan carries the interest rate of 11% per annum, The loan is repayable in 54 quarterly instalments ranging from 1.85% - 1.88% commencing from 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$ 7,140 thousand as of March 31, 2023. The net carrying value of the loan as of March 31, 2023 is US$ 4,087 thousand.

The net carrying value of the loan borrowed for financing of its 300 MW solar project with Solar Energy Corporation of India as on March 31, 2023 is US$ 18,658 thousand from State Bank of India for financing of its 300 MW solar project with Solar Energy Corporation of India. The loan carries interest rate of SBI 6-month MCLR +2.60%which is presently 9.55% p.a. payable monthly and after operation date the interest rate will be 6 Month MCLR plus margin based on credit ratings payable monthly. The loan is repayable in 222 installments ranging from 0.21% to 0.77% of the loan amount commencing from December 2022. 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$ 193,172 thousand as on March 31,2023 and pledge of 51% equity shares of the Company held by holding Company.

During the current year, certain subsidiaries falling under the disposable group of rooftop entities has raised unsecured term loans from its minority shareholder amounting to US$ 14,121 thousand as at March 31, 2023 and US$ 14,748 thousand as at March 31, 2022 respectively. These funds have been used for settlement of inter group loans between subsidiaries. which are also consolidated in the Group.

As of March 31, 2023, the Group has unused commitments excluding Rooftop portfolio for long-term financing arrangements amounting to US$ 46,462 for solar power projects.

Trade credit

As of March 31, 2023, the Group has a buyer's credit facility amounting to US$ 95,358 thousand for one of its under construction SPVs for 300 MW solar power project with Solar Energy Corporation of India. This facility carries a floating interest rate of 12 Month SOFR and spread ranging plus 0.21 PCT.

Other long-term loans

During the previous year ended March 31, 2022, the Company has taken loan of INR 7 million (US$0.1 million) from HDFC Bank. Borrowing under this facility is repayable in 60 monthly instalments from 1.39% - 1.98% of the loan amount commencing from November 2021 and ending October 2026. The facility carries an interest rate of 7.2%per annum. The loan is repaid during the current year ended March 31, 2023.

During the previous year ended March 31, 2022, the Company has taken loan of INR 2 million (US$0.0 million) from HDFC Bank. The loan was repayable in 60 monthly instalments ranging from 1.39% - 1.97% of the loan amount commencing from January 2022 and ending December 2026. The facility carries an interest rate of 7.1% as of March 31, 2023. The net carrying value of the loan as of March 31, 2023, is US$ 24 thousand.

During the current year ended March 31, 2023, the Company has obtained car loan of US$ 97 thousand. Borrowing under this facility is repayable in 60 monthly instalments ranging from 1.38% - 1.98% of the loan amount commencing from January 2022 and ending December 2026. The facility carries an interest rate of 7.35% as of March 31, 2023. The net carrying value of the loan as of March 31, 2023, US$ 85 thousand.

Covenants and debt financing costs

These aforementioned borrowings 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, 2023, the Company was in compliance with the financial covenants or remediated the non-compliance prior to the issuance of these financial statements except for the loans aggregating to US$ 26,783, wherein the Company was not in compliance with the financial covenants and have classified the loan under current debt.

Generally, under the terms of the loan agreements entered into by the Company'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, 2022 and 2023 was US$ 15,686 thousand and US$ 12,285 thousand for the above loans, which is amortized over the term of the contract using the effective interest rate method.

Timely submission of financial statements of the Group, our subsidiaries and/or our subsidiary restricted groups is a key covenant in most of our financing agreements. We have received the time extensions from all lenders until April 30, 2024, towards submission of audited financial statements for FY 2022-23 and expect to submit the audited financial statements with lenders within given extended timelines.

As of March 31, 2023, the aggregate maturities of long-term debt are as follows:

As of March 31,	Annual maturities US$ (in thousands)
2024	123,670
2025	453,297
2026	73,671
2027	438,979
2028	28,969
Thereafter	397,096
Total: aggregate maturities of long-term debt	**1,515,682**
Less: carrying value of unamortized debt financing costs	(12,285)
Net maturities of long-term debt	**15,03,397**
Less: current portion of long-term debt	(1,14,506)
Long-term debt	**13,88,891**

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.

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

	Year ended March 31,	
	2022	**2023**
	(in thousands)	
	US$	US$
Current tax expense/(benefit)	6,502	8,801
Withholding Tax on interest on Inter-corporate debt	4,926	4,248
Deferred income tax expense/(benefit)	4,906	21,309
Total	**16,334**	**34,358**

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

	March 31,	
	2022	**2023**
	(US$)	**(US$)**
	(in thousands)	
Domestic operations	255	4,133
Foreign operations	(15,386)	4,043
Total	**(15,131)**	**8,176**

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

	March 31,	
	2022	2023
	(US$)	(US$)
	(in thousands)	
Deferred tax assets	56,476	43,689
Less: Valuation allowance	(30,093)	(29,865)
Net deferred tax assets	**26,383**	**13,824**
Deferred tax liability	**25,291**	**40,594**

At March 31, 2023, 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, 2023, 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, 2022 and March 31, 2023 is as follows:

	March 31,	
	2022	2023
	(US$)	(US$)
	(in thousands)	
Opening valuation allowance	14,802	30,093
Movement during the Year	15,291	(228)
Closing valuation allowance	30,093	29,865

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,	
	2022	2023
	(US$)	(US$)
	(in thousands)	
Deferred tax assets:		
Net operating loss [(1)]	164,523	196,926
Tax on Inter — Company margin	4,069	(301)
Deferred revenue	6,633	7,280
Asset retirement obligation	3,065	3,472
Depreciation and amortization	-	15,649
Minimum alternate tax credit	10,091	4,571
Other deductible temporary difference	14,116	10,256
Valuation allowance	(30,093)	(29,863)
Deferred tax liabilities:		
Depreciation and amortization	(170,108)	(226,709)
Other comprehensive income	(1,204)	(8,051)
Net deferred tax (liability) asset	**1,092**	**26,770**

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

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,			
	2022		2023	
	Tax US$ (thousands)	%	Tax US$ (thousands)	%
Statutory income tax (benefit)/expense	(5,287)	34.94%	2857	34.94%
Temporary differences reversing in the Tax Holiday Period	121	(0.80)%	(7,289)	(89.15)%
Permanent timing differences	332	(2.19)%	36,297	443.95%
Valuation allowance created / (reversed) during the year	16,014	(105.84)%	2,164	26.47%
Tax adjustment relating to earlier years	-	-	(970)	(11.86)%
Withholding tax on interest on Inter-Company debt related to green bonds	-	-	4,255	52.04%
Other difference	5,154	(34.06)%	(2,956)	(36.15)%
Total	**16,334**	**(107.95)%**	**34,358**	**420.24%**

During the year end March 31, 2020, 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 had decided not to opt for this lower tax benefit and have continued under the old regime for the fiscal year ended March 31, 2022 and 2023. 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.

As of March 31, 2022, and 2023, 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	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Interest expense:				
Term loans	135,099	119,968	-	-
Bank charges and other[1]	31,423	4,588	15	17
Loss on account of modification of contractual cash flows	3,944	373	-	-
	170,466	**124,929**	-	-
Interest income:				
Term and fixed deposits	7,755	12,154	-	-
Investments held-to-maturity	-	-	-	-
Other	2,610	8,598	15	37
Total	**160,101**	**104,177**	**-**	**(20)**

[1] Bank charges and other includes amortization of debt financing costs of US$ 14,857 thousand and US$ 4,183 thousand for the Group, for the years ended March 31 2022 and 2023, respectively, and includes debt financing costs written off related to the debt refinancing amounting to US$ 9,920 and US$ Nil 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	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousand)			
Unrealized loss/(gain) on foreign currency loans	17	323	-	-
Realized (gain)/ loss on foreign currency loans	-	-	-	-
Realized loss/(gain) on derivative instruments	(65,567)	-	-	-
Other loss on foreign currency exchange	65,120	1,630	15	11
Total	**(430)**	**1,953**	**15**	**11**

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, 2022, and 2023, there were 64,161,490 and 64,166,360 equity shares issued and outstanding.

	As of March 31,			
	2022	2022	2023	2023
	Number of shares	US$	Number of shares	US$
Issued:				
Outstanding and fully paid:				
Equity shares of US$ 0.000625 par value each				
Beginning balance	48,195,962	30	64,161,490	40
Issuance of new shares [1]	15,828,917	10	-	-
Exercise of ESOPs [2]	136,611	0	4,870	0
Ending balance	**64,161,490**	**40**	**64,166,360**	**40**

[1] During the previous year, the Company's has raised proceeds of US$245.4 million net of issuance expenses through its Rights offering and has issued 15,828,917 equity shares (par value $0.000625 per share) at US$15.79 per share. These proceeds from the rights offering have been invested in subsidiaries and are utilised for repayment of existing corporate borrowings.

[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.

Loss per share is presented below:

	As of March 31,			
	The Group		The Company	
	2022	2023	2022	2023
	(US$)	(US$)	(US$)	(US$)
	(in thousands)			
Net (loss)/profit attributable to APGL equity shareholders	(31,175)	(25,721)	(2,290)	(6,077)
Add: Accretion on redeemable non-controlling interest	-	-	-	-
Total (A)	**(31,175)**	**(25,721)**	**(2,290)**	**(6,077)**
Shares outstanding for allocation of undistributed income:				
Equity shares	64,161,490	64,166,360	64,161,490	64,166,360
Weighted average shares outstanding				
Equity shares (B)	50,876,360	64,166,360	50,876,360	64,166,360
Equity shares – Diluted (C)	50,876,360	64,166,360	50,876,360	64,166,360
Net loss per share — basic and diluted				
Equity earnings per share – Basic (D=A/B)	(0.61)	(0.40)	(0.05)	(0.09)
Equity earnings per share – Diluted (E=A/C)	(0.61)	(0.40)	(0.05)	(0.09)

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 184,600 and 413,843 for years ended March 31, 2022 and 2023, respectively.

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 2 to 35 years which is further extendable on mutual agreement by both lessor and lessee. The Group 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, 2022 and March 31, 2023 were as follows:

	For the year ended March 31,	
	2022	2023
	US$	US$
	(in thousands)	
Operating lease cost	5,892	5,423
Short-term lease cost (1)	228	274
Total lease cost	**6,120**	**5,697**

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

Amounts reported in the consolidated balance sheet as of March 31, 2022 and March 31, 2023 were as follows:

	As at March 31,	
	2022	2023
	US$	US$
	(in thousands)	
Non-current assets		
Right-of-use assets	58,902	52,860
Non-current liabilities		
Lease liabilities	46,613	41,447
Current liabilities		
Lease liabilities	3,954	3,546
Total operating lease liabilities	**50,567**	**44,993**

Other information related to leases as of March 31 2022 and March 31, 2023 was as follows:

	As at March 31,	
	2022	2023
	Amount (US$) (in thousands)	Amount (US$) (in thousands)
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	4,187	4,316
Weighted average remaining lease term	30 years	29 years
Incremental borrowing rate	10%	10%

Maturities of lease liabilities under non-cancellable leases as of March 31, 2023 are as follows:

Year ended March 31, 2023	Amount (US$) (in thousands)
Fiscal 2024	3,698
Fiscal 2025	3,819
Fiscal 2026	3,916
Fiscal 2027	4,038
Fiscal 2028	4,160
Thereafter	135,252
Total undiscounted lease payments	**154,883**
Less: Imputed interest	109,890
Total lease liabilities	**44,993**

Maturities of lease liabilities under non-cancellable leases as of March 31, 2022 are as follows:

Year ended March 31, 2022	Amount (US$) (in thousands)
Fiscal 2023	4,129
Fiscal 2024	4,221
Fiscal 2025	4,366
Fiscal 2026	4,485
Fiscal 2027	4,617
Thereafter	157,149
Total undiscounted lease payments	**178,967**
Less: Imputed interest	128,380
Total lease liabilities	**50,567**

20. Commitments, guarantees and contingencies

Capital commitments

As at March 31, 2023, the Group's commitments for the purchase of property, plant and equipment were US$ 391,124 thousand.

Guarantees

The terms of our PPAs provide for the annual delivery of a minimum amount of electricity at fixed prices. Under the terms of the PPAs, we have issued irrevocable performance bank guarantees. These in total amount to US$ 29,301 thousand as of March 31, 2023.

As of March 31, 2022 and 2023, the Group issues irrevocable performance bank guarantees aggregating to US$ 30,604 million and US$ 10,995 thousand respectively, in relation to under construction projects. Further, bank guarantee of US$ 20,011 thousand and US$ 14,036 thousand as of March 31, 2022 and 2023 respectively are in relation to commissioned projects as per respective PPAs and other project requirements.

The Group issued bank guarantees amounting to US$ 6,042 thousand and US$ 949 thousand as of March 31, 2022 and 2023 respectively, have been issued to meet Debt-Service Reserve Account (DSRA) requirements for outstanding loans.

The Group has obtained guarantees from financial institutions as a part of the bidding process for establishing solar projects amounting to US$ 11,516 thousand and US$ 3,248 thousand s of March 31, 2022 and 2023 respectively. The Group has given term deposits as collateral for those guarantees which are classified as restricted cash on the consolidated balance sheet.

Further, US$ 145 thousand and US$ 61 thousand bank guarantee as of March 31, 2022 and 2023 respectively, are towards other commitments. The funds released from maturity/settlement of existing bank guarantees can be used for future operational activities.

(US$ amounts in thousands except share and per share data)

Contingencies

A PIL had been initiated by certain individuals claiming to be wildlife experts/interested in conservation of wildlife, before the Supreme Court of India against various state governments such as Rajasthan, Gujarat, and MNRE, MoP among others, seeking protection of the two endangered bird species, namely the GIB and the Lesser Florican found in the states of Rajasthan and Gujarat. The Supreme Court by way of order dated April 19, 2021 issued directions to: (i) underground all low voltage transmission lines, existing and future lines falling in potential and priority habitats of GIB, (ii) to convert all existing high voltage lines in priority and potential areas of GIB where found feasible within a period of one year, if not found feasible, the matter to be referred to the committee formed by the Supreme Court which will take a decision on feasibility, and (iii) to install bird diverters on all existing overhead lines in the interim. We and many other developers have projects in the potential area as determined by the court, hence aggrieved by the order, the Solar Power Developers Association ("SPDA") and Union of India have filed an application before the Supreme Court seeking among others, exemption from undergrounding of transmission lines in potential areas. The matter was last listed on November 30, 2022, whereby directions were passed to parties to ensure installation of bird diverters in the Priority Area and for them to be in compliance with quality standards issued by the Supreme Court Committee. As per the directions of Supreme Court, for its solar power plants, the Group installed bird divertors in the habitats of Great-Indian Bustard during FY 2022-23. The PIL is presently pending. The SPDA has filed an application seeking modification of Supreme Court's order dated April 19, 2021. Further, the Supreme Court vide its order dated March 21, 2024 modified its earlier order dated April 19, 2021 directing the Central Government to constitute an expert committee to examine the issue of installing overhead and underground powerlines in the priority areas marked for the conservation of the Great Indian Bustard (GIB). The expert committee on the GIB issue will, inter-alia, look into (i) the scope and feasibility of laying down underground and overhead transmission lines, (ii) measures for the conservation of GIB, and (iii) identifying suitable alternatives for laying down power lines in the future. The expert committee is required to submit its report latest by July 31, 2024. Citing practical difficulties in laying down underground transmission lines, the Supreme Court has also restricted the requirement of laying down underground transmission lines only to the priority area (covering roughly 13,163 sq km). If the modification application is dismissed, we might entail significant costs and delays.

21. Related Party Disclosures

During the previous year the Company received a favorable Award from Singapore International Arbitration Centre in relation to the purchase price of shares, held by Mr. Inderpreet Singh Wadhwa and Mr. H. S. Wadhwa (erstwhile Chief Operating Officer), in Azure Power India Private Limited. However, Mr. Inderpreet Singh Wadhwa has challenged the award and filed an appeal before the High Court of Singapore. The appeal challenging the SIAC Award has been dismissed by the Singapore court.

22. Share based compensation

The Group and the Company has a 2015 Stock Option Plan and 2016 Equity Incentive Plan and as amended on March 31, 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 Group are transferred back to the employee stock pool and shall be available for new grants.

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/ Key Managerial personal (KMP) of the Group.

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 Group 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, 2022 and March 31, 2023 is set out below:

	Number of shares*	**Weighted average exercise price in USD**
Options outstanding as of March 31, 2021	703,708	16
Granted(1)	24,205	21
Exercised	(136,611)	10
Forfeited	(32,474)	21
Options outstanding as of March 31, 2022	558,829	17
Vested and exercisable as of March 31, 2022	250,784	15

(1)Includes 4,748 RS granted during the year to its Directors.

(US$ amounts in thousands except share and per share data)

	Number of shares*	Weighted average exercise price in USD
Options outstanding as of March 31, 2022	558,829	17
Granted[(1)]	543	-
Exercised	(4,870)	1
Forfeited	(138,687)	18
Options outstanding as of March 31, 2023	415,813	16
Vested and exercisable as of March 31, 2023	281,960	14

[(1)]Includes 543 RS granted during the year to its Directors.

Total options available for grant as of March 31, 2023 was 457,114 ESOPs.

The Black-Scholes-Merton option pricing model includes assumptions regarding dividend yields, expected volatility, expected option term, and risk-free interest rates. The Group estimates expected volatility based on the historical volatility of the Group (considering sufficient history of its own data is available now for identifying the 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 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,	
	2022	**2023**
Dividend yield	0%	0%
Expected term (in years)	3.8 – 5.1	3.8 – 5.1
Expected volatility	46.3% - 47.8%	46.3% - 47.8%
Risk free interest rate	0.55% - 0.80%	0.55% - 0.80%

As of March 31, 2022, and 2023, the aggregate intrinsic value of all outstanding options was Nil., respectively.

The share-based compensation expense related to share options (including RS) is recorded as a component of general and administrative expenses in the Group’s consolidated statements of operations and totaled, US$ 930 thousand and US$ 47 thousand for the years ended March 31, 2022 and 2023, respectively. The amount of share-based compensation expense capitalized during the year ended March 31 2023 was US$ Nil thousand.

Unrecognized compensation cost for unvested options as of March 31, 2023 is US$ 389 thousand, which is expected to be expensed over a weighted average period of 2.1 years.

The intrinsic value of options exercised during the year ended March 31, 2022, and March 31, 2023 was US$ Nil and US$ Nil respectively.

During November 2018, the Group 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 Group’s financial statements.

The intrinsic value per option at the date of grant during the years ended March 31, 2022 and 2023 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
October 01, 2020*	4,273	31	—	Market price
March 31, 2021	1,82,800	27	—	Market price
July 7, 2021	20,000	24	—	Market price

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

(US$ amounts in thousands except share and per share data)

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, 2022 and 2023 is set out below:

	Number of SARs	Weighted average exercise price in US$
SAR outstanding as of March 31, 2021	1,875,000	11
Granted	-	-
Options outstanding as of March 31, 2022	1,875,000	11
Vested as of March 31, 2022	680,000	11
Exercisable as of March 31, 2022	130,000	15

	Number of SARs	Weighted average exercise price in US$
SAR outstanding as of March 31, 2023	1,875,000	11
Granted	-	-
SAR forfeited/reversed during the year	(1,195,000)	9
Options outstanding as of March 31, 2023	680,000	11
Vested as of March 31, 2023	680,000	11
Exercisable as of March 31, 2023	680,000	11

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,	
	2022	2023*
Dividend yield	0%	-
Expected term (in years)	3.7 – 4.7	-
Expected volatility	49.32% - 52.52 %	-
Risk free interest rate	2.45% - 2.49%	-

The share-based compensation expense related to SARs is recorded as a component of general and administrative expenses in the Company’s consolidated statements of operations totaled reversal of US$ 5,010 thousand and reversal of US$ 8,039 thousand for the year ended March 31, 2022 and March 31, 2023 respectively. The amount of share-based compensation expense capitalized during the year ended March 31, 2023 was US$ Nil. The carrying value of the liability recorded for SARs as at March 31, 2023 was US$ 2,408 thousand.

Unrecognized compensation cost for unvested SARs as of March 31, 2023 is US$ Nil.

On April 26, 2022, the Company through its Board of Directors has accepted the resignations of erstwhile CEO and COO of the Company. Both of the KMP’s were relinquished from their roles with the Company/ Group with immediate effect. Considering the same adjustment in relation to stock appreciation rights of CEO and COO will be made in Fiscal Year 2023.

The fair value per SAR at the date of grant during the year ended March 31, 2023 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

23. Post retirement plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Scheme is unfunded and accrued cost is recognized through a provision in the accounts of the company.

The following table sets forth the changes in projected benefit obligations:

	The Group As at March 31,	
	2022	2023
	US$	US$
	(in thousands)	
Benefit obligation at beginning of year	660	739
Service cost	185	174
Interest cost	53	62
Net actuarial loss (gain)	(106)	(265)
Benefits paid	(53)	(124)
Benefit obligation at end of year	**739**	**586**
Amounts recognized in statement of financial Position at March 31 consist of:		
Other non-current liabilities	699	476
Other current liabilities	40	110
Net amount recognized	**739**	**586**

Components of Net Periodic Benefit Cost (Income)

Net periodic benefit cost (income) for our postretirement benefit plans consisted of the following and is recorded as a component of general and administrative expenses in the Company's consolidated statement of operations:

	The Group As at March 31,	
	2022	2023
	US$	US$
	(in thousands)	
Service cost	185	174
Interest cost	53	62
Amortization of:		
Net actuarial loss (gain)	(106)	(265)
Net periodic benefit cost (income)	**132**	**(29)**

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

	Year ended March 31,	
	2022	2023
Discount rate	7.92%	7.92%
Salary escalation rate	10.00%	10.00%
Employee turnover rate	9.00%	30.00%
Retirement age	58 years	58 years

The following estimated payments to the defined benefit plan in future years:

	Year ended March 31,	
	2022	2023
Within the next		
- 1 year	53	109
- 1 and 2 years	40	231
- 2 and 3 years	53	219
- 3 and 4 years	66	195
- 4 and 5 years	66	170
- 5 and 10 years	317	292

(US$ amounts in thousands except share and per share data)

24. Impairment of assets and Assets held for sale

In April 2021, the Group has entered into an agreement with Radiance to sell following subsidiaries (the "Rooftop Subsidiaries") with an operating capacity of 153 MW (the "Rooftop Portfolio") for US$ 73.1 million, subject to certain purchase price adjustments (the "Rooftop Sale Agreement").

Azure Solar Solutions Private Limited	Azure Power Forty Six Private Limited
Azure Sun Energy Private Limited	Azure Power Rooftop (GenCo.) Private Limited
Azure Renewable Energy Private Limited	Azure Power Rooftop One Private Limited
Azure Sunlight Private Limited	Azure Power Rooftop Two Private Limited
Azure Power Mercury Private Limited	Azure Power Rooftop Four Private Limited
Azure Power Saturn Private Limited	Azure Power Rooftop Five Private Limited
Azure Power Thirty Eight Private Limited	Azure Power Rooftop Eight Private Limited
Azure Power Forty Four Private Limited	

Pursuant to the Rooftop Sale Agreement, Radiance will acquire 100% of the equity ownership of the Rooftop Subsidiaries owned by the Group. The Group had recognized an impairment loss in relation to the Rooftop Subsidiaries aggregating to US$ 35,351 million during the year ended March 31, 2021, pursuant thereto these assets (net) are carried at its fair values in the financial statements.

As per the terms of the Rooftop Sale Agreement in respect of Azure Renewable Energy Private Limited, Azure Power Mercury Private Limited, Azure Power Saturn Private Limited and Azure Power Forty four Private Limited (43.2 MW operating capacity) that are part of the Restricted Groups (as defined in the respective Green Bond Indentures) 48.6% of the equity ownership has been transferred to Radiance during the previous year on closing date, and pursuant to the terms of the Green Bond Indentures, the remaining 51.4% may only be transferred post refinancing of the Green Bonds. During the previous year in August 2021, post refinancing of 5.5% Senior Notes and repayment of loan relating to Azure Renewable Energy Private Limited (10 MW operating capacity), the restriction on transfer of shareholding was released and related assets and liabilities of the SPV have been reclassified as assets held for sale. Further, the loan repaid by the Company relating to this 10 MW project will be recovered from Radiance.

The transfer of ownership for the remaining operating capacity of 33.2 MW for the Solar Green Bonds is not anticipated to occur within 12 months, hence, 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 in the consolidated financial statements at March 31, 2023 and March 31, 2022 respectively.

There is also a restriction on transfer of equity ownership relating to Azure Power Thirty Eight Private Limited (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, 2023 and March 31, 2022 respectively.

During the current year, Company has transferred 100% shareholding in relation to 2.5 MW operating capacity.

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

Further, the Company and Radiance have mutually agreed to terminate the transfer in shareholding of the remaining un-transferred 86.5 MW portfolio to Radiance, and accordingly, the Purchaser will not purchase from the Sellers and the Sellers will not sell to the Purchaser the AZR Sale Shares (including any Seller Group Loans) as was agreed in the Previous MSPA and further amended under the Amended MSPA. Accordingly, the assets and related liabilities of these subsidiaries are not presented as "Assets classified as held for sale" and instead re-classified within the respective balance sheet captions in the consolidated balance sheet as at March 31, 2022 and March 31, 2023. The 86.5 MW portfolio pertains to the following subsidiaries of the Group:

Azure Power Rooftop (GenCo.) Private Limited	Azure Power Rooftop Four Private Limited
Azure Power Rooftop One Private Limited	Azure Power Rooftop Five Private Limited
Azure Power Rooftop Two Private Limited	Azure Power Rooftop Eight Private Limited

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, 2022 (US$ in thousands)	As of March 31, 2023 (US$ in thousands)
Current assets:		
Cash and cash equivalents	545	-
Restricted cash	119	-
Accounts receivable, net	13	-
Prepaid expenses and other current assets	-	-
Total current assets	**677**	**-**
Restricted cash	-	-
Property, plant and equipment, net	1,262	-
Deferred income taxes	-	-
Right-of-use assets	-	-
Other assets	-	-
Total assets (A)	**1,939**	**-**
Liabilities		
Current liabilities:		
Accounts payable	12	-
Current portion of long-term debt	870	-
Interest payable	25	-
Other liabilities	52	-
Total current liabilities	**959**	**-**
Non-current liabilities:		
Long-term debt	-	-
Deferred income taxes	-	-
Other liabilities	-	-
Total liabilities (B)	**959**	**-**
Net Assets (C=A-B)	**976**	**-**
Fair value (D)	712	-
Impairment loss/ (reversal)* (E=C-D)	**264**	**-**

The fair value of consideration related to the rooftop sale in previous year includes expected recovery of VGF for US$ 6.1 million. The Company 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.

During the previous year ended March 31, 2022, in respect of the 33.2 MW operating capacity that are part of the Restricted Groups, and 16 MW project with Delhi Jal Board, the Company has consolidated the entities in the consolidated financial statements and net carrying value of assets are reinstated. The Company has reported the Minority interest equivalent to shareholding transferred to Radiance.

25. 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.

Fair value measurement for the Group as on March 31, 2022 and 2023.

	Fair Value measurement at reporting date using			
Description	**As of March 31, 2022 (US$)**	**Quoted Prices in Active Markets for Identical Assets (Level 1) (US$)**	**Significant Other Observable Inputs (Level 2) (US$)**	**Significant Unobservable Inputs (Level 3) (US$)**
Assets	(in thousands)			
Current assets				
Forward exchange derivative contracts	164	-	164	-
Non-Current assets				
Fair valuation of swaps and options	34,918	-	34,918	-
Forward exchange derivative contracts	11,648	-	11,648	-
Total assets	**46,730**	**-**	**46,730**	**-**

	Fair Value measurement at reporting date using			
Description	**As of March 31, 2022 (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	1,398	-	1,398	-
Fair valuation of swaps and forward	8,680	-	8,680	-
Fair valuation of swaps and options	22,886	-	22,886	-
Non-current liabilities				
Fair valuation of swaps and forwards	92	-	92	-
Total Liabilities	**33,056**	**-**	**33,056**	**-**

	Fair Value measurement at reporting date using			
Description	**As of March 31, 2023 (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	2,553	-	2,553	-
Non-Current assets				
Fair valuation of swaps and options	66,252	-	66,252	-
Fair valuation of swaps and forward	22,563	-	22,563	-
Total assets	**91,368**	**-**	**91,368**	**-**

Description	As of March 31, 2023 (US$)	Fair Value measurement at reporting date using: Quoted Prices in Active Markets for Identical Assets (Level 1) (US$)	Significant Other Observable Inputs (Level 2) (US$)	Significant Unobservable Inputs (Level 3) (US$)
	(in thousands)			
Current liabilities				
Forward exchange derivative contracts	1,313	-	1,313	-
Fair valuation of swaps and forward	36	-	36	-
Fair valuation of swaps and options	17,404	-	17,404	-
Total Liabilities	**18,753**	**-**	**18,753**	**-**

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, 2022	
	Carrying Value (US$)	Fair Value (US$) *
Fixed rate project financing loans:	(in thousands)	
Foreign currency loans…………………………………………………………………..	749,072	752,331
Indian currency loan	52,845	47,225

	As of March 31, 2023	
	Carrying Value (US$)	Fair Value (US$) *
	(in thousands)	
Fixed rate project financing loans:		
Foreign currency loans	715,948	559,046
Indian currency loan	45,234	53,724

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, 2022	
	Carrying Value (US$)	Fair Value (US$) *
	(in thousands)	
Non-current investments:		
Fixed rate Bank of Mauritius notes……………………………………………………..	83	83

	As of March 31, 2023	
	Carrying Value (US$)	Fair Value (US$) *
	(in thousands)	
Non-current investments:		
Fixed rate Bank of Mauritius notes……………………………………………………..	83	83

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).

(US$ amounts in thousands except share and per share data)

26. Derivative instruments and hedging activities

Option Contracts Undesignated as hedge

(Gains)/Losses on foreign exchange derivative contracts for the year ended March 31, 2022 and 2023 aggregated US$ Nil 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, 2023.

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

	March 31, 2022				
	Notional Amount US$	Non-current Liabilities (Fair Value) US$	Current Liabilities (Fair Value) US$	Prepaid expenses and other current assets (Fair Value) US$	Other non-current assets (Fair Value) US$
Fair valuation of swaps and options	753,900	-	22,886	-	34,918
Forward exchange derivative contracts	93,800	-	1,398	164	-
Fair valuation of swaps and forward	253,700	92	8,680	-	11,648

	March 31, 2023				
	Notional Amount US$	Non-current Liabilities (Fair Value) US$	Current Liabilities (Fair Value) US$	Prepaid expenses and other current assets (Fair Value) US$	Other non-current assets (Fair Value) US$
Fair valuation of swaps and options	721,600	-	17,404	-	66,252
Forward exchange derivative contracts	97,400	-	1,313	-	-
Fair valuation of swaps and forward	230,000	-	36	2,553	22,563

The Group recorded the net fair value of derivative asset/liability of US$ 11,251 thousand and US$ 60,024 thousand in the Other comprehensive income for the year ended March 31, 2022 and 2023, respectively and recorded an expense of US$ 17,474 thousand and US$ 21,463 thousand related to the amortization of the cost of the hedge for the year ended March 31, 2022 and 2023, respectively.

The foreign exchange derivative contracts mature generally over a period of 0.7 – 3.3 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 – 9 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, 2023.

	March 31, 2022 (in thousands)		
	Notional Amount (US$)	**Prepaid expenses and other current assets (US$)**	**Current Liabilities (US$)**
Forward exchange derivative contracts	15,700	12	152

The Group recorded the fair value of derivative asset/liability of US$ 152 thousand and US$ Nil as at March 31, 2022 and 2023, respectively and incurred an amount of US$ 13,205 thousand and US$ Nil thousand related to acquisition of capital assets during the year ended March 31, 2022 and 2023, respectively

27. 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, 2022 and 2023:

Customer Name	March 31, 2022		March 31, 2023	
	% of Sale of Power	**% of Accounts Receivable***	**% of Sale of Power**	**% of Accounts Receivable***
Solar Energy Corporation of India	30.09 %	39.64 %	42.31 %	47.02 %
Punjab State Power Corporation Limited	10.71 %	4.53 %	9.35 %	5.42 %
NTPC Vidyut Vyapar Nigam Limited	15.23 %	5.42 %	13.73 %	4.81 %
Hubli Electricity Supply Company Limited	5.32 %	10.49 %	3.93 %	8.91 %
Chamundeshwari Electricity Supply Company	2.88 %	8.20 %	2.57 %	10.67 %
Andhra Pradesh Power Coordination Committee	2.83 %	13.12 %	2.44 %	7.44 %

*Includes receivables from Rooftop Portfolio

28. Whistle-blower Allegations and Special Committee Investigation

In May 2022, the Group received a whistle-blower complaint that alleged health and safety lapses, procedural irregularities, misconduct by certain employees, improper payments and false statements relating to one of our projects belonging to a project subsidiary. Following extensive investigation by the Ethics Committee, supervised by the Board's Audit and Risk Committee and by external counsel and forensic professionals, the Group identified evidence of manipulation and misrepresentation of project data by some employees at that project site. Weak controls over payments to a vendor and failures to provide accurate information both internally and externally were found, but no direct evidence that any improper payment was made to any government official was identified. Further, in Fiscal 2023, the Group reported to SECI that this project had (i) shortfalls in generation and (ii) that it failed to timely complete and commission the requisite contractually required capacity. On January 3, 2023 and January 4, 2023, SECI advised us, inter alia, that the project may be liable for damages and penalties for shortfalls in generation.

In September 2022, the Group received an additional whistle-blower complaint primarily making similar allegations of misconduct as raised in the May 2022 complaint, as well as allegations of misconduct related to joint ventures and land acquisition, allegations of our failure to be transparent with the market and advisors and other claims. The Ethics Committee, supervised by the Board's Audit and Risk Committee, with the support of external counsel and forensic accounting professionals, investigated these September 2022 allegations. The investigation of the September 2022 complaint identified significant control issues in the process of acquiring land and land use rights in relation to one of our projects. The investigation specified that third party land aggregators may have been involved in improper payments but no improper transfer of money by the Group was identified. The Group has made an adjustment (de-capitalization) in the books of accounts of US$ 1,820 thousand on estimate, as a prudent measure in the given project. Further, the Group has reviewed the entire amount paid to land aggregators in other projects to identify any similar issue and after an assessment a further adjustment (decapitalisation) aggregating to INR 1,557 thousand has been made in the books of account for FY 2022 on estimate, as a prudent measure, though no improper payments by the Group could be identified. In line with review made during the previous year, the Group reviewed the entire amount paid to land aggregators during the current year and made adjustment of US$ 341 thousand during the year ended March 31, 2023 on prudent basis though no improper payments by the Group could be identified in current year as well.

The Group's investigation did not substantiate other portions of this September 2022 whistle-blower complaint.

As part of our investigations of the May 2022 and September 2022 whistle-blower complaints, the Group also widened our review to include a review of projects commissioned in Fiscal 2022 and Fiscal 2023 to ensure that similar weaknesses were not present. As part of the Group's investigations, the Group identified inconsistencies in project data in certain of our projects, but the Group identified no improper payments made in connection with these projects.

The Group have taken a range of actions due to these findings, and the employees involved in the misconduct are no longer associated with the Group. In accordance with the recommendations of the Ethics Committee, the Board's Audit and Risk Committee and their legal and forensic advisors, the Group is implementing remedial measures in both project control and monitoring. Further, the Group reported the findings from its investigations of the May 2022 and September 2022 whistle-blower complaints to the SEC and the U.S. Department of Justice, and the Group continues to cooperate with these authorities.

In addition, a Special Committee of the Board (the "Special Committee") was convened in August 2022 to review certain material projects and contracts over a three-year period for anti-corruption and related compliance issues. Independent outside counsel and forensic advisors were engaged to support the Special Committee. The Special Committee's investigation has identified evidence that individuals formerly affiliated with the Group may have had knowledge of, or were involved in, an apparent scheme with persons outside the Group to make improper payments in relation to certain projects. To date, the Special Committee has not identified related improper payments or transfers by the Group. The Special Committee's investigation is still ongoing. The Special Committee's review and its findings has impacted the decision-making of the Group in connection with such projects. The Group have disclosed the details of the Special Committee's investigation to the SEC and the U.S. Department of Justice, and the Group continue to cooperate with those agencies.

The Group including our subsidiaries with respect to affected projects could be exposed to liabilities under the relevant contractual and tender documents (including levy of damages and liquidated damages, reduction of PPA tariffs and/or short closure of capacity), administrative actions (including the risk of PPA cancellation, risk of being debarred from SECI's future contracts, withdrawal or nullification of commissioning certificates and/or revocation of commissioning extensions) and penalties from customers and other civil liabilities, all of which could adversely impact the revenue, profitability and capitalization of the affected projects. In addition, civil and/or criminal fines and/or penalties by regulatory authorities (including by the SEC, the U.S. Department of Justice and applicable Indian regulatory authorities) could be imposed on the Group as well as ongoing obligations, remedial corporate measures or other relief against us that could adversely impact the Group's operations. Any such fines, penalties, ongoing obligations or other measures or relief against the Group could materially and adversely affect our business, results of operations, financial condition and cash flows in future periods. Further, in addition, certain of those outcomes could adversely impact the Group's ability to maintain compliance with the covenants under the Group's credit facilities or result in an event of default thereunder. In addition, the Group could be exposed to future litigation in connection with any findings of fraud, corruption, or other misconduct by persons who served as our directors, officers and employees.

29. Subsequent event

On May 3, 2023, the Group announced the appointment of Mr. Sugata Sircar as CFO for the Group and Executive Director, Finance of the Group's subsidiary, Azure Power India Private Limited, with effect from May 1, 2023. He subsequently resigned from his position as Non-executive Independent Director and member of the Group's Audit & Risk Committee and Capital Committee.

On May 3, 2023, the Group has announced the appointment of Mr. Sunil Gupta as Chief Executive Officer (CEO) effective July 10, 2023, replacing the acting CEO, Rupesh Agarwal.

On May 27, 2023, Radiance have sent the Company a notice to terminate the Master Share Purchase Agreement in relation to 86.5 MW Rooftop portfolio in relation to Azure Power Rooftop (Genco) Private Limited and related group SPVs. The Group and Radiance have mutually agreed to terminate the transfer in shareholding of the un-transferred 86.5 MW portfolio to Radiance and accordingly, the Purchaser will not purchase from the Sellers and the Sellers will not sell to the Purchaser the AZR Sale Shares (including any Seller Group Loans) as was agreed in the Previous MSPA and further amended under the Amended MSPA. The assets and related liabilities of these subsidiaries are not presented as "Assets classified as held for sale" and instead re-classified within the respective balance sheet captions in the consolidated balance sheet as at March 31, 2022.

On June 16, 2023, the Group has announced the appointment of Mr. Richard Payette as an Independent non-executive Director on the Company's Board effective July 1, 2023.

On June 23, 2023, the Company has announced the resignation of Ms. Christine Ann Mc Namara as an Independent non-executive Director on the Company's Board.

On October 11, 2023, Mr. Alan Rosling resigned as Chairman of the Board and as a director of the Company and Azure Power India Private Limited ("APIPL"). Mr. M.S. Unnikrishnan then became the Chairman of the Board of the Company.

Mr. Deepak Malhotra and Mr. Cyril Sebastien Dominique Cabanes resigned as directors of the Company on October 29, 2023 and October 30, 2023 respectively. On October 31, 2023, Mr. Jaime Garcia Nieto and Mr. Philippe Pierre Wind were appointed as directors of the Company. Both directors are nonexecutive nominees of the majority shareholder, CDPQ.

On December 14, 2023, Azure Power Solar Energy Private Limited and Azure Power Energy Limited completed a consent solicitation in respect the 2024 Notes and 2026 Notes. Under the same, APSEPL and APEL sought the consent of the Noteholders of each of the 2024 Notes and 2026 Notes to amend certain terms of Bond Indentures. Pursuant to the terms of the amended Indentures, APSEPL and APEL launched tender offers for the 2024 Notes and the 2026 Notes on February 16, 2024. The early deadline of the tender offers was on March 1, 2024 and APSEPL and APEL purchased US$40,000,000 of the 2024 Notes and US$14,477,000 of the 2026 Notes respectively on March 11, 2024.

On March 13, 2024, Mr. M.S. Unnikrishnan resigned as Chairman of the Board and as a director of the Company and APIPL.

Subsequent to year end, the Group has received favorable orders for entitlement of compensation related to "change in law" event for increase in GST rate from 5% to 12 % and introduction & imposition of Safeguard Duty aggregating to US$ 17,308 thousand. These favorable orders have been considered as subsequent adjusting event; accordingly, the Group has recognized the same in the books of account as on 31st March 2023.

On February 13, 2024, FS India Solar Ventures Private Limited ("First Solar") sent us a notice that First Solar was terminating the Master Supply Agreement, dated August 22, 2022 ("First Solar MSA"), between First Solar and APIPL. The notice claims that a termination payment of US$29.242 million is due to be paid by APIPL to First Solar under the First Solar MSA. APIPL disputes that such a termination payment is due and intends to engage in commercial discussions with First Solar to resolve the matter.

On March 05, 2024, Siemens Gamesa sent us a notice which claims a default and damages of US$ 23,523 thousand in connection with a supply agreement between Siemens Gamesa and APIPL in respect of our 345.6 MW wind power project in the state of Karnataka. APIPL disputes such claim of default and damages and intends to engage in mutual discussions with Simens Gamesa to resolve the matter.

On March 18, 2024, we received two letters from SECI. In its first letter, SECI stated that it had terminated the PPAs with the Group in respect of the 2,333 MW projects and reserved its rights to take action against the Group including forfeiture of the performance guarantees and success charges and fees in respect of the PPAs and other documentation associated with the 2,333 MW projects. In its second letter, SECI informed the Group that it was awarding the 2,333 MW projects and associated PPAs to a third-party. Further, SECI informed the Group that it had reduced Azure's capacity allocation under the manufacturing Letter of Award by 2,333MW and its corresponding manufacturing capacity of solar cells and solar modules by 583 MW.

On July 13, 2023, the NYSE suspended trading in the Company's shares and commenced delisting proceedings (the "Delisting Decision"). As described more fully in our July 13, 2023 Form 6-K, we took substantial steps to remediate the issues that led to the Delayed Filings including, among others, the replacement of our independent public accounting firm for our U.S. GAAP consolidated financial statements, strengthening our management team and appointing external consultants to review our internal controls and compliance framework. On July 26, 2023, we submitted an appeal of the Delisting Decision. However, on October 30,2023, the NYSE Committee for Review affirmed the Delisting Decision. On November 13, 2023 our shares were delisted from trading on the NYSE. On January 29, 2024, the Company's shares ceased to be registered with the SEC pursuant to Section 12(b) of the Exchange Act. Further, on April 1, 2024, the Company's SEC reporting obligations under Section 15(d) of the Exchange Act was suspended and the Company no longer has an obligation to file periodic reports (annual reports on Form 20-F and Form 6-K reports) with the SEC. For more information see "Azure Power Announces Suspension of SEC Reporting Obligations" press release dated April 03, 2024.