AZURE POWER
RESTRICTED GROUP SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

Restricted Group Special Purpose Combined Financial Statements as at March 31, 2019

Report on Special Purpose Combined Financial Statements of Restricted Group

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

We have audited the accompanying special purpose combined financial statements of Restricted Group which consist of Azure Power Energy Limited ("the Company"), a wholly owned subsidiary of Azure Power Global Limited (the "Parent") and certain entities under common control of the Parent as listed in note 1 to the combined financial statements (collectively known as "the Restricted Group"), which comprise the combined Balance Sheet as at March 31, 2019, the combined Statements of Profit and Loss including other comprehensive income, the combined Cash Flow Statements and the combined Statement of Changes in Equity for the year ended March 31, 2019 and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as "Special Purpose combined Financial Statements"). These Special Purpose combined Financial Statements have been prepared in accordance with the basis of preparation as set out in note 3 to the Combined Financial Statements.

Management's Responsibility for the Special Purpose combined Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Special Purpose combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Special Purpose combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the management's preparation of the Special Purpose combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Special Purpose combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit Opinion on these Special Purpose combined Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, these Special Purpose combined Financial Statements as at and for the year ended March 31, 2019 are prepared in all material respects, in accordance with the basis of preparation described in Note 3 to these Special Purpose combined Financial Statements.

Emphasis of Matter

We draw attention to Note 2 and 3 to the Special Purpose combined Financial Statements, which describes that the Restricted Group has not formed a separate legal group of entities during the year ended March 31, 2019, which also describes the basis of preparation, including the approach to and the purpose for preparing them. Consequently, the Restricted Group's Special Purpose combined financial statements may not necessarily be indicative of the financial performances and financial position of the Restricted Group that would have occurred if it had operated as a separate standalone group of entities during the periods presented. The Special Purpose combined financial statements has been prepared solely in connection with the Company's compliance with financial reporting requirements under the indenture governing the Senior Notes and is intended solely for the information and use of the Board of Directors of the Company. As a result, the combined financial statements may not be suitable for another purpose.

Our Opinion is not modified in respect of above matters.

Other Matters

This report on the special purpose combined financial statements has been issued solely in connection with the company's compliance with financial reporting requirements under the indenture governing the Senior Notes and is intended solely for the information and use of the Board of Directors of the Company. It should not be used for any other purpose or provided to other parties.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

Sd/-

Subhabrata Ghosh Dastidar
Partner
Membership Number: 060717
Place of Signature: Gurugram
Date: June 20, 2019

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

	Notes	As at March 31, 2019	As at March 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	5	35,706	36,405
Capital work-in-progress	5	39	507
Financial assets	6		
Loans	6.1	2,164	2,161
Other financial assets	6.2	2,697	1
Deferred tax assets (net)	17.2	328	62
Income tax assets (net)	7	131	46
Other non-current assets	8	600	298
Total non-current assets		**41,665**	**39,480**
Current assets			
Financial assets	9		
Investment	9.1	-	242
Trade receivables	9.2	1,798	1,166
Cash and cash equivalents	9.3	498	1,880
Other bank balances	9.4	701	1,234
Loans	9.5	2,624	-
Other current financial assets	9.6	495	759
Other current assets	10	664	88
Total current assets		**6,780**	**5,369**
Total assets		**48,445**	**44,849**
Equity and liabilities			
Equity			
Equity Share Capital	11	115	42
Other equity*		8,550	7,485
Total equity		**8,665**	**7,527**
Non-current liabilities			
Financial liabilities	12		
Borrowings**	12.1	34,395	31,975
Other financial liabilities	12.2	-	331
Provisions	13.1	176	162
Deferred tax liabilities (net)	17.1	805	271
Other non-current liabilities	14	1,630	1,564
Total non-current liabilities		**37,006**	**34,303**
Current liabilities			
Financial liabilities	15		
Borrowings	15.1	935	711
Trade payables			
Outstanding dues to micro enterprises and small enterprises	15.2	-	-
Others	15.2	168	184
Other current financial liabilities	15.3	1,556	2,018
Provisions	13.2	6	-
Other current liabilities	16	109	106

Total current liabilities	**2,774**	**3,019**
Total liabilities	**39,780**	**37,322**
Total equity and liabilities	**48,445**	**44,849**

* Refer Combined Statement of Changes in Equity

** Refer note 6.2 – Derivative assets

Summary of significant accounting policies 4

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

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

	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue			
Revenue from operations	18	6,254	5,350
Non-operating income	19.2	11	37
Total revenue (I)		**6,265**	**5,387**
Expenses			
Employee benefits expense	20	4	1
Other expenses	23	660	621
Total operating expenses (II)		**664**	**622**
Earnings before interest, tax, depreciation and amortisation (EBITDA) (I)-(II) - (A)		**5,601**	**4,765**
Depreciation - (B)	21	2,278	2,026
Interest income - (C)	19.1	526	236
Finance cost – (D)	22	3,316	4,141
Profit/(loss) before tax (A-B+C-D)		**533**	**(1,166)**
Tax expense:			
Current tax	17.3	311	142
Deferred tax charge/(credit)	17.3	(106)	21
Total tax expense		**205**	**163**
Net profit/(loss) after tax		**328**	**(1,329)**
Other Comprehensive Income			
Items that will be reclassified to profit or loss			
Effective Portion of Cash Flow Hedge		2,294	247
Income tax effect		(344)	(37)
		1,950	210
Foreign currency translation reserve		(2,086)	(547)
Income tax effect		-	-
Total other comprehensive loss		**(136)**	**(337)**
Total comprehensive profit/(loss) after tax		**192**	**(1,666)**
Summary of significant accounting policies	4		

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

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

			For the year ended March 31, 2019	For the year ended March 31, 2018
A	**Cash flows from operating activities**			
	Profit/(loss) before tax		**533**	**(1,166)**
	Adjustment to reconcile profit/(loss) before tax to net cash flows			
	Depreciation		2,278	2,026
	Interest income		(520)	(226)
	Change in fair value of option contracts		-	8
	Exchange difference (net)		10	(28)
	Leasehold rent		5	5
	Deferred revenue		30	80
	Sale of scrap		-	(6)
	Loss on sale of fixed assets (net)		5	1
	Net gain on sale of current investments		(6)	(10)
	Provision for doubtful debts/advances		11	1
	Finance cost		3,316	4,141
	Operating profit before working capital changes		**5,662**	**4,826**
	Movements in working capital:			
	Increase in trade receivables		(643)	(685)
	Increase/(decrease) in other financial assets		595	(210)
	Increase/(decrease) in other-current asset		(572)	32
	Increase in current financial liabilities		46	31
	(Increase)/decrease in trade payables		(28)	43
	Increase in other non-current liabilities		281	100
	Increase/(decrease) in other non-current assets		(177)	32
	Cash generated from operations		**5,164**	**4,169**
	Income tax paid (net of refunds)		(386)	(175)
	Net cash flow from operating activities	**(A)**	**4,778**	**3,994**
B	**Cash flows from investing activities**			
	Purchase of property, plant and equipment (including capital work in progress, capital advance and capital creditors)		(1,399)	(8,734)
	Security deposit made		(3)	-
	Interest received		170	129
	Purchase of current investments		-	(530)
	Proceeds from sale of current investments		248	327
	Investment in long term deposits with banks		76	(412)
	Loan to holding company		(2,624)	(2,174)
	Proceeds from repayment of loan to holding company		-	20
	Net cash flow used in investing activities	**(B)**	**(3,532)**	**(11,374)**
C	**Cash flows from financing activities**			
	Proceeds from issue of equity shares (including securities premium)		728	244
	Proceeds from Compulsorily Convertible Debentures		-	156
	Proceeds from short term borrowings from holding/fellow subsidiary companies		-	331
	Repayments of short term borrowings from holding/fellow subsidiary companies		(711)	(590)
	Proceeds from long term borrowings		280	2,011
	Proceeds from US$ Senior Notes		-	31,262

Restricted Group

Special Purpose Combined Statement of Cash Flows

(INR amount in millions, unless otherwise stated)

		For the year ended March 31, 2019	For the year ended March 31, 2018
Repayments of long term borrowings		-	(23,722)
Payment for hedging arrangements		(1,305)	-
Proceeds from short term borrowings		1,950	-
Repayment of short term borrowings		(1,010)	-
Prepayment charges on repayment of loan		-	(662)
Ancillary cost paid on borrowing		-	(8)
Interest paid		(2,566)	(1,361)
Net cash flow from/(used in) financing activities	**(C)**	**(2,634)**	**7,661**
Net increase/(decrease) in cash and cash equivalents	**(A+B+C)**	**(1,388)**	**281**
Effect of exchange rate changes on cash and cash equivalents		6	-
Net increase/(decrease) in cash and cash equivalents		**(1,382)**	**281**
Cash and cash equivalents at the beginning of the year		1,880	1,599
Cash and cash equivalents at the end of the year		**498**	**1,880**
Components of cash and cash equivalents			
Balances with banks:			
On current accounts		266	556
Deposits with original maturity of less than 3 months		232	1,324
Total cash and cash equivalents (refer note 9.3)		**498**	**1,880**

Change in liabilities arising from financing activities

Particulars	**Opening balance as at April 01, 2018**	**Cash flow (net)**	**Change in foreign exchange rate**	**Other changes***	**Closing balance as at March 31, 2019**
Long-term borrowings (including current maturities)	31,975	280	2,034	106	34,395
Short-term borrowings	711	229	-	(5)	935
Total liabilities from financing activities	**32,686**	**509**	**2,034**	**101**	**35,330**

Particulars	**Opening balance as at April 01, 2017**	**Cash flow (net)**	**Change in foreign exchange rate**	**Other changes***	**Closing balance as at March 31, 2018**
Long-term borrowings (including current maturities)	21,272	9,551	627	525	31,975
Short-term borrowings	970	(259)	-	-	711
Total liabilities from financing activities	**22,242**	**9,292**	**627**	**525**	**32,686**

* Including ancillary cost of borrowing

Notes:

1 The Cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) on "Statement of Cash Flows".

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

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

a) Equity share capital: *

Shares (Aggregate of restricted group of entities):	Number of shares	Amount
At April 1, 2017	**2,851,651**	**29**
Addition during the year	1,236,824	14
At March 31, 2018	**4,088,475**	**43**
Addition during the year	7,288,531	72
At March 31, 2019	**11,377,006**	**115**

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

b) Other equity**

For the year ended March 31, 2019:

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures (CCD)***	Items of Other Comprehensive Income/(Loss)		Total equity
	Deficit in the combined statement of profit and loss	Securities premium account		Foreign currency translation reserve	Cash flow hedges (refer note 30)	
At April 1, 2018	**(2,902)**	**10,719**	**5**	**(547)**	**210**	**7,485**
Adjustments on account of Ind AS 115	218	-	-	-	-	218
At April 1, 2018 (restated)	**(2,684)**	**10,719**	**5**	**(547)**	**210**	**7,703**
Profit for the year	328	-	-	-	-	326
Other comprehensive income/(loss)	-	-	-	(2,086)	1,950	(136)
Total comprehensive income	**(2,356)**	**10,719**	**5**	**(2,633)**	**2,160**	**7,895**
Securities premium on issue of equity shares	-	655	-	-	-	655
At March 31, 2019	**(2,356)**	**11,374**	**5**	**(2,633)**	**2,160**	**8,550**

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

For the year ended March 31, 2018:

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures (CCD)***	Items of Other Comprehensive Loss		Total equity
	Deficit in the combined statement of profit and loss	Securities premium account		Foreign currency translation reserve	Cash flow hedges (refer note 30)	
At April 1, 2017	**(1,573)**	**10,333**	**4**	**-**	**-**	**8,764**
Loss for the year	(1,329)	-	-	-	-	(1,329)
Other comprehensive income/(loss)	-	-	-	(547)	210	(337)
Total comprehensive income	**(2,902)**	**10,333**	**4**	**(547)**	**210**	**7,098**
Securities premium on issue of equity shares and Compulsorily Convertible Debentures during the year	-	386	-	-	-	386
Equity component of CCDs issued during the year	-	-	1	-	-	1
At March 31, 2018	**(2,902)**	**10,719**	**5**	**(547)**	**210**	**7,485**

** Other equity represents the aggregate amount of share capital of Restricted Group entities as at the respective year ends does not necessarily represent legal share capital for the purpose of the Restricted Group.
*** CCD are issued to the Azure Power India Private Limited, Azure Power Makemake Private Limited and Haeron Power Singapore Pte Limited with coupon rate of 0% and convertible into equivalent number of equity Shares.

(INR amount in millions, unless otherwise stated)

1. General Information

Azure Power Energy Limited ("APEL" or "the Company") was incorporated on June 15, 2017 as a public company limited by shares incorporated under laws of Mauritius and a wholly-owned subsidiary of Azure Power Global Limited (the "Parent") and has its registered office at C/o. AAA Global Services Ltd., 1st Floor, The Exchange 18 Cybercity, Ebene, Mauritius. The Company and certain subsidiaries of Azure Power India Private Limited (APIPL), collectively "The Restricted Group Entities" and "Restricted Entity" individually (as listed below) carry out business activities relating to generation of electricity through non-conventional renewable energy sources engaged in the ownership, maintenance and management of solar power plants and generation of solar energy based on long-term contracts (power purchase agreements or "PPA") with Indian government entities as well as other non-governmental energy distribution companies and commercial customers. APEL is duly registered as Foreign Portfolio Investor Entity with the Securities Exchange Board of India for investing in debt instruments in India on July 7, 2017.

During the year ended March 31, 2018, the Company had issued US$ Senior Notes to institutional investors and is listed on Singapore Exchange Securities Trading Limited (SGX-ST). APEL invested the proceeds, net of issue expenses in Non-Convertible Debentures ("NCDs") and External commercial borrowings ("ECBs") to replace existing Rupee and external debt of Restricted Group entities. Restricted entities are directly or indirectly under common control of the parent. APEL and restricted entities have been considered as "Restricted Group" for the purpose of financial reporting.

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

Entities	Principal Activity	Country of Incorporation	% Held by Parent	
			March 31, 2019	March 31, 2018
Azure Power Energy Limited	Bond Issuance	Mauritius	100%	100%
Azure Power (Punjab) Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Power (Haryana) Private Limited	Generation of Solar power	India	99.17%	96.97%
Azure Urja Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Surya Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Power (Karnataka) Private Limited	Generation of Solar power	India	100%	100%
Azure Photovoltaic Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Power Infrastructure Private Limited	Generation of Solar power	India	100%	100%
Azure Power (Raj.) Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Green Tech Private Limited	Generation of Solar power	India	99.99%	99.99%

(INR amount in millions, unless otherwise stated)

Entities	Principal Activity	Country of Incorporation	% Held by Parent	
			March 31, 2019	March 31, 2018
Azure Renewable Energy Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Clean Energy Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Sunrise Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Sunshine Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Power Eris Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Power Mars Private Limited	Generation of Solar power	India	99.99%	99.99%
Azure Power Pluto Private Limited	Generation of Solar power	India	99.99%	51.63%
Azure Power Thirty Seven Private Limited	Generation of Solar power	India	99.84%	95.22%

2. Purpose of the special purpose combined financial statements

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

3. Basis of preparation

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

Management of the Company has prepared the Special Purpose Combined Financial Statements, which comprise the Combined Balance Sheet as at March 31, 2019, the Combined Statement of Profit and Loss including other comprehensive income, Combined Statement of Cash Flows and Combined Statement of Changes in Equity for the year ended March 31, 2019, a summary of the significant accounting policies and other explanatory information.

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

The Ind AS combined financial statements have been prepared on the accrual and going concern basis and the historical cost convention, except for the following assets and liabilities which have been measured at fair value or revalued amount;

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

As per the Guidance Note on Combined and Carve Out Financial Statements, the procedure for preparing combined financial statements of the combining entities is the same as that for consolidated financial statements as per the applicable Accounting Standards. Accordingly, when combined financial statements are prepared, intra-group transactions and profits or losses are eliminated. All the inter group transactions are undertaken on Arms Lengths basis. There is no allocation of expenses within the Restricted Group. The information presented in the combined financial statements of the Restricted group may not be representative of the position which may prevail after the transaction. The resulting financial position may not be that which might have existed if the combining businesses had been a stand-alone business.

The non-controlling interest held by outsiders amount to INR 3 million and INR 832 million as of March 2019 and March 2018 respectively. Share capital and reserves disclosed in the combined financial statements is not the legal capital and reserves of the Restricted Group and is the aggregation of the share capital and reserves of the individual combining entities. Income taxes are arrived at by aggregation of the tax expenses actually incurred by the combining businesses, after considering the tax effects of any adjustments which is in accordance with the Guidance Note on Combined and Carve-Out Financial Statements issued by the ICAI.

Accordingly, the procedures followed for the preparation of the combined financial statements:
(a) Combined like items of assets, liabilities, equity, income, expenses and cash flows of the combining entities.
(b) Eliminated in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Restricted Group (profits or losses resulting from intragroup transactions that are recognised in assets, such as fixed assets, are eliminated in full).

These Ind AS combined financial statements may not be necessarily indicative of the financial performance, financial position and cash flows of the Restricted Group that would have occurred if it had operated as a separate stand-alone Group of entities during the year presented or the Restricted Group’s future performance.

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

Transactions that have taken place with the Unrestricted Group (i.e. other entities which are a part of the Group[1] and not included in the Restricted Group of entities) have been disclosed in accordance of Ind AS 24, *Related Party Disclosures*.

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

4. Summary of significant accounting policies

a) Current versus non-current classification

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

An asset is treated as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

[1] Group means parent and its subsidiaries

- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is treated as current when it is:

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

All other liabilities are classified as non-current.

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

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

b) Property, Plant and equipment

Capital work-in-progress, property, plant and equipment (PPE) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Restricted Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 13.1 and 37 regarding significant accounting judgements, estimates and assumptions and provisions for further information about the recorded decommissioning provision.

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

c) Depreciation

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

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

After a period of twelve/thirteen years from the date of commencement of commercial operations, the remaining written down value at the end of the 12th/13th year from the date of commercial operations shall be depreciated over the balance useful life of the asset in the manner prescribed under applicable CERC/SERC Regulations[2].

Depreciation on other fixed assets of Restricted Group is provided as per Part C of Schedule II of the Companies Act, 2013 except in following cases where expected useful life of the assets are different from the corresponding life prescribed as under and the Restricted Group based upon the nature of asset, the operating condition of the asset, the estimated usage of the asset, past history of replacement and anticipated technological changes, believes that this is the best estimate on the basis of actual realization.

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

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

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

The assets' residual values and useful lives are reviewed at each financial year end or whenever there are indicators for impairment and adjusted prospectively.

d) Capital work in progress ("CWIP")

Capital work-in-progress includes cost of fixed assets that are not ready for use at the balance sheet date.

e) Leases

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

Where the respective companies under the Restricted Group are lessees

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

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

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

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

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

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

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

f) Borrowing costs

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

g) Financial Instruments

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

Financial Assets

Initial Recognition and Measurement

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

Subsequent Measurement

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

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

Debt Instruments at Amortised Cost

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

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

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

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

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

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

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

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

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

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

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

Derecognition:

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

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

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

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

Impairment of Financial Assets

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

- Financial assets that are debt instruments, and are measured at amortised cost e.g. deposits, trade receivables and bank balances
- Financial asset that are debt instruments and are measured as at FVTOCI
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.

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

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

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

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

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

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

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

	Less than or equal to 365 days	**More than 365 days**
Default rate	0%	100%

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

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

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

Financial Liabilities

Initial Recognition and Measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition

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

Reclassification of financial assets and financial liabilities

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

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

Original classification	**Revised Classification**	**Accounting Treatment**
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

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

Contracts designated as Cash Flow Hedge

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

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

Undesignated contracts

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

h) Revenue recognition

Revenue from Contracts with Customers

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

Sale of Power

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

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

Viability Gap Funding (VGF)

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

Interest Income

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

Rebates

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

Contract Assets

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

Contract Liabilities

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

Trade Receivables

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

i) Foreign currencies

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

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

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

Conversion

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

Exchange differences

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

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

j) Income taxes

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

Current income tax

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

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

Deferred Tax

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

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

Deferred tax assets and liabilities are measured at the tax rates applicable on Restricted Group that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or equity).

The carrying amount of deferred tax assets (including MAT credit available) of Restricted Group is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered

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

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

Minimum Alternate Tax

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

k) Segment reporting

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

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

l) Provisions

General

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

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

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

Decommissioning liability

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

m) Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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

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

n) Contingent assets/liabilities

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

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

o) Fair Value Measurement

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the notes 32 and 33.

p) Cash and cash equivalents

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

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

q) Events occurring after the Balance Sheet date

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

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

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

r) Measurement of EBITDA

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

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

The entities forming part of Restricted Group applied Ind AS 115, *Revenue from Contracts With Customers* for the first time with effect from April 1, 2018 using modified retrospective approach which was applied to those contracts which were not completed as of April 1, 2018.

In accordance with Ind AS 115, the Restricted Group recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, through the five step approach – (a) identify the contracts; (b) identify the performance obligation in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligation in the contract and (e) recognize revenue when the entity satisfies a performance obligation.

The cumulative effect of initially applying Ind AS 115 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings (for details, refer Special Purpose Combined Statement of Changes in Equity). Therefore, the comparative information was not restated and continues to be reported under Ind AS 11, *Construction Contracts,* Ind AS 18, *Revenue* and related interpretations.

(INR amount in millions, unless otherwise stated)

5. Property, plant and equipment

	Freehold Land**	Plant and Machinery*	Building*	Computer	Capital work in progress*	Total
Gross block at cost						
At March 31, 2017	**1,047**	**31,654**	**2,172**	**-**	**38**	**34,911**
Additions	181	4,820	403	4	5,696	11,104
Disposals/adjustments	-	-	-	-	5,227	5,227
At March 31, 2018	**1,228**	**36,474**	**2,575**	**4**	**507**	**40,788**
Additions	6	1,523	43	1	1,566	3,139
Disposals/adjustments	-	-	-	-	2,034	2,034
At March 31, 2019	**1,234**	**37,997**	**2,618**	**5**	**39**	**41,893**
Accumulated Depreciation						
At March 31, 2017	**-**	**1,762**	**88**	**-**	**-**	**1,850**
Charge for the year	-	1,934	92	-	-	2,026
Disposals/adjustments	-	-	-	-	-	-
At March 31, 2018	**-**	**3,696**	**180**	**-**	**-**	**3,876**
Charge for the year	-	2,161	109	2	-	2,272
Disposals/adjustments	-	-	-	-	-	-
At March 31, 2019	**-**	**5,857**	**289**	**2**	**-**	**6,148**
Net block						
At March 31, 2019	**1,234**	**32,140**	**2,329**	**3**	**39**	**35,745**
At March 31, 2018	**1,228**	**32,778**	**2,395**	**4**	**507**	**36,912**

* Including finance cost of INR 267 million during 2017-18.

** Addition includes provisional capitalisation of land of INR Nil as at March 31, 2019 (INR 44 million as at March 31, 2018) (refer note 15.3).

(INR amount in millions, unless otherwise stated)

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
6. Non-current financial assets		
6.1 Loans		
(Unsecured, considered good)		
Carried at amortised cost		
Security deposits	7	7
Performance Bank Guarantee receivable	3	-
Loans to related party		
Loans to holding company# (refer note 25)	2,154	2,154
Total	**2,164**	**2,161**

#During September 2017, one of Restricted Group entity had given loan to holding company which carries interest rate of 10.60% per annum. The loan is repayable on completion of 60 months.

6.2 Other financial assets		
Carried at amortised cost		
Term deposits*	458	1
Interest accrued on term deposits	19	-
Carried at fair value through OCI		
Derivative asset## (refer note 12.1)	2,220	-
Total	**2,697**	**1**

This relates to US$ Senior Notes.

Azure Power (Punjab) Private Limited

***Axis Bank**

Balance of INR 1 million as at March 31, 2019 (March 31, 2018: INR Nil).

Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

Azure Power (Haryana) Private Limited

***Axis Bank**

Balance of INR 3 million as at March 31, 2019 (March 31, 2018: INR Nil)

Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

Further, the entity also has balance of INR 0.27 million as at March 31, 2019 (March 31, 2018: 0.27 million) as fixed deposit for bank guarantee issued to statutory authorities.

Azure Urja Private Limited

***Axis Bank**

Balance of INR 4 million as at March 31, 2019 (March 31, 2018: INR Nil).

Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

Azure Surya Private Limited

***Central Bank of India (CBI)**

Balance of INR 3 million as at March 31, 2019 (March 31, 2018: INR Nil)

Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

(INR amount in millions, unless otherwise stated)

***Yes Bank**

Balance of INR 3 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

***Indusind Bank**

Balance of INR 57 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount of margin against Letter of credit.

<u>Azure Power (Karnataka) Private Limited</u>

***Central Bank of India (CBI)**

Balance of INR 2 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

***Axis Bank**

Balance of INR 2 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

***Indusind Bank**

Balance of INR 29 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount of margin against Letter of credit.

<u>Azure Photovoltaic Private Limited</u>

***Axis Bank**

Balance of INR 5 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

***Indusind Bank**

Balance of INR 50 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount of margin against Letter of credit.

<u>Azure Power Infrastructure Private Limited</u>

***Yes Bank**

Balance of INR 8 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

<u>Azure Power (Raj.) Private Limited</u>

***Axis Bank**

Balance of INR 6 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

***Indusind Bank**

Balance of INR 62 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount of margin against Letter of credit.

<u>Azure Green Tech Private Limited</u>

***Axis Bank**

Balance of INR 3 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

<u>Azure Renewable Energy Private Limited</u>

***Axis Bank**

Balance of INR 1 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

(INR amount in millions, unless otherwise stated)

<u>Azure Clean Energy Private Limited</u>

***Axis Bank**

Balance of INR 5 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

***Indusind Bank**

Balance of INR 29 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount of margin against Letter of credit.

<u>Azure Sunrise Private Limited</u>

***Axis Bank**

Balance of INR 4 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

***Indusind Bank**

Balance of INR 59 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount of margin against Letter of credit.

<u>Azure Sunshine Private Limited</u>

***Axis Bank**

Balance of INR 3 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

<u>Azure Power Eris Private Limited</u>

***Industrial Development Bank of India (IDBI Bank)**

Balance of INR Nil as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.
Further, the entity has also balance of INR 0.4 million as at March 31, 2019 (March 31, 2018: 0.4 million) as fixed deposit for bank guarantee issued to statutory authorities.	

<u>Azure Power Mars Private Limited</u>

***Axis Bank**

Balance of INR 2 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

<u>Azure Power Pluto Private Limited</u>

***Axis Bank**

Balance of INR 1 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.
Further, the entity has also balance of INR 0.1 million as at March 31, 2019 (March 31, 2018: 0.1 million) as fixed deposit for bank guarantee issued to statutory authorities.	

<u>Azure Power Thirty Seven Private Limited</u>

***Axis Bank**

Balance of INR 9 million as at March 31, 2019 (March 31, 2018: INR Nil)	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.

(INR amount in millions, unless otherwise stated)

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
7. Income tax assets (net)		
Advance income-tax (net of provision for tax)	131	46
Total	**131**	**46**
8. Other non-current assets		
(Unsecured, considered good)		
Advance to vendors/suppliers	70	49
Capital advances - Unsecured considered good (refer note 25)	227	119
Capital advances – Doubtful	1	1
Prepayments - land use rights	103	107
Prepayments – others	14	22
Prepaid performance bank guarantee	48	-
Contract assets	137	-
Balance with statutory authorities	1	1
	601	**299**
Provision for doubtful advances	(1)	(1)
Total	**600**	**298**
9. Current financial assets		
(Carried at amortised cost, unless stated otherwise)		
9.1 Investments		
(Carried at fair value through profit and loss)		
Investments in Debt Mutual Funds (quoted)	-	242
Total	**-**	**242**
9.2 Trade receivables		
Trade receivables	1,798	1,166
Total	**1,798**	**1,166**
Break-up for trade receivables:		
From others		
Secured, considered good	-	-
Unsecured, considered good	1,798	1,166
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables - credit impaired	11	43
	1,809	**1,209**
Impairment Allowance (allowance for bad and doubtful debts)		
Unsecured, considered good	-	-
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables - credit impaired	11	43
Total trade receivables	**1,798**	**1,166**

(INR amount in millions, unless otherwise stated)

Particulars	As at March 31, 2019	As at March 31, 2018
9.3 Cash and cash equivalents		
Balances with banks:		
On current accounts	266	556
Deposits with original maturity of less than 3 months	232	1,324
Total	**498**	**1,880**
9.4 Other bank balances		
- Deposits with remaining maturity for less than 12 months	701	1,234
Total	**701**	**1,234**
9.5 Loans		
Loans to related party		
Loans to holding company (refer note 25)	2,198	-
Loans to fellow subsidiary (refer note 25)	426	-
Total	**2,624**	**-**
9.6 Other current financial assets		
Carried at amortised cost		
Interest accrued on term deposits	13	49
Interest accrued on loans and advances to holding company (refer note 25)	449	112
Interest accrued on loans and advances to fellow subsidiaries (refer note 25)	30	-
Receivable from fellow subsidiaries (refer note 25)	1	-
Receivable from holding company (refer note 25)	2	-
Viability gap funding receivable	-	6
Unbilled revenue	-	592
Total	**495**	**759**
10. Other current assets		
Contract assets	525	-
Balance with statutory authorities	3	1
Prepayments – others	37	31
Prepayments - land use rights	5	5
Prepaid performance bank guarantee	2	-
Advance to vendors/suppliers	87	51
Deferred financing cost	5	-
Total	**664**	**88**
11.Equity Share Capital*		
Issued, subscribed and fully paid-up share capital (Aggregate of restricted group of entities):	115	42
Total	**115**	**42**

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

(INR amount in millions, unless otherwise stated)

Particulars	As at March 31, 2019	As at March 31, 2018

12. Non-current financial liabilities

12.1 Non-current borrowings

__At amortised cost__		
Term loans (secured)		
- Foreign currency loan from bank*	278	-
Bond (secured)		
- US$ Senior Notes**	34,117	31,975
Total non-current borrowings	**34,395**	**31,975**

***Foreign currency loan from bank**

During the year ended March 31, 2019, the Restricted Group has entered into buyer's credit facility amounting to US$ 4.02 million at six months LIBOR plus 0.8% for its solar power projects. The facility is repayable in June 2021.

****US$ Senior Notes**

During August 2017, the APEL issued 5.5% US$ denominated Senior Notes ("5.5% Senior Notes" or "Green Bonds") and raised INR 31,260 million net of a discount on issue of INR 9 million at 0.03% and issuance expense of INR 586 million. The discount on issuance of the Green Bonds and the issuance expenses have been recorded as finance cost, using the effective interest rate method and the unamortized balance of such amounts is netted with the carrying value of the Green Bonds. The Green Bonds are listed on the Singapore Exchange Securities Trading Limited (SGX-ST). In accordance with the terms of the issue, the proceeds were used for repayment of existed loans of respective Restricted Group entities. The interest on the US$ Senior Notes are payable on a semi-annual basis and the principal amount is payable in November 2022. As of March 31, 2019, the unamortized balance of issuance expenses including the discount on issuance of Green Bonds was INR 463 million and the net carrying value of the Green Bonds as on March 31, 2019 was INR 34,117 million. The Parent has guaranteed the principal and interest repayments to the investors and the guarantee shall become ineffective on meeting certain financial covenants. The Green Bonds are secured by a pledge of Azure Power Global Limited's shares. (refer note 6.1 – Derivate assets)

12.2 Other non-current financial liabilities

Financial liabilities at fair value through other comprehensive income (OCI)		
Derivative liability	-	331
Total	**-**	**331**

13. Provisions

13.1 Non-current

Provision for decommissioning liabilities	176	162
Total	**176**	**162**

Provision has been recognised for decommissioning costs associated with solar power plants being constructed on leasehold lands. The respective entities under Restricted Group are under an obligation to decommission the plant at the expiry of the lease term before handing over the leasehold lands to the lessors.

Movement in provision for decommissioning liabilities	**As at March 31, 2019**	**As at March 31, 2018**
Opening balance	162	149
Addition during the year	2	1
Accretion during the year	12	12
Closing balance	**176**	**162**

(INR amount in millions, unless otherwise stated)

Particulars	As at March 31, 2019	As at March 31, 2018
13.2 Current		
Provision for income tax	6	-
Total	**6**	**-**
14. Other non-current liabilities		
Deferred viability gap funding income	1,132	996
Deferred revenue	498	568
Total	**1,630**	**1,564**
15. Current financial liabilities		
(Carried at amortised cost)		
15.1 Current borrowings		
Secured		
Working Capital Demand Loan*	935	-
Unsecured		
Loans from holding company (refer note 25)	-	696
Loans from fellow subsidiary (refer note 25)	-	15
Total	**935**	**711**

*The loan is secured by first ranking hypothecation/other charge on current assets, book debts and receivable of the Restricted Group entities.

Particulars	As at March 31, 2019	As at March 31, 2018
15.2 Trade payables		
Trade Payables		
- Total outstanding dues of micro enterprises and small enterprises	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	165	143
Trade payables to related parties (refer note 25)	3	41
Total	**168**	**184**
15.3 Other current financial liabilities		
Other financial liabilities at amortised cost		
Interest accrued but not due on borrowings	783	1,192
Interest accrued and not due on borrowings from fellow subsidiary company (refer note 25)	14	13
Interest accrued and not due on borrowings from holding company (refer note 25)	334	301
Contractually reimbursable expenses to holding company (refer note 25)	216	149
Payable to fellow subsidiary (refer note 25)	1	-
Payable for purchase of fixed assets to holding company (refer note 25)	164	319
Payable for purchase of fixed assets – other (refer note 5)	44	44
Total	**1,556**	**2,018**
16. Other current liabilities		
Statutory dues	27	27
Deferred viability gap funding income (VGF)	82	79
Total	**109**	**106**

(INR amount in millions, unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
17.1 Deferred tax liabilities (net)		
Deferred tax liabilities	805	271
Total	**805**	**271**
17.2 Deferred tax assets (net)		
Deferred tax assets	328	62
Total	**328**	**62**

17.3 Reconciliation of deferred tax asset/(liabilities)

	As at April 01, 2017	Provided during the year	As at March 31, 2018	Provided during the year	As at March 31, 2019
Deferred tax asset:					
Difference between revenue under tax and recorded for financial reporting	194	23	217	49	266
Depreciation on Asset Retirement Obligation (ARO)	52	(5)	47	4	51
Carried forward losses under Income tax	-	45	45	554	599
Gross deferred tax asset (A)	**246**	**63**	**309**	**607**	**916**
Deferred tax liability:					
Difference between tax depreciation charged for the financial reporting	397	84	481	531	1,012
Gross deferred tax liability (B)	**397**	**84**	**481**	**531**	**1,012**
Deferred tax asset/(liability) (net) (A - B)	**(151)**	**(21)**	**(172)**	**76**	**(96)**
Deferred tax liability recognised in Other Comprehensive Income/loss	-	(37)	(37)	(344)	(381)
Deferred tax asset/(liability) (net) after OCI	**(151)**	**(58)**	**(209)**	**(268)**	**(477)**

The Restricted Group follows Indian Accounting Standard (Ind AS-12) “Income Taxes”, notified by the Companies (Accounts) Rules, 2015. For the entities under Restricted Group that are eligible for Tax holiday benefits under Section 80-IA of the Income Tax Act, Deferred tax asset has not been created on brought forward losses and unabsorbed depreciation at the year-end, since it is not reasonably certain whether these entities would be able to realise such losses outside the tax holiday period.

(INR amount in millions, unless otherwise stated)

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

		For the year ended March 31, 2019	For the year ended March 31, 2018
Accounting profit/(loss) before income tax		**533**	**(1,167)**
India's statutory income tax rate		29.12%	29.12%
Tax at applicable tax rate	**(A)**	**155**	**(340)**
Tax effect of expenses that are not deductible in determining taxable profit:			
Carried forward losses as reversing in the tax holiday period		(528)	349
Permanent difference disallowed under Income Tax Act		523	227
Difference in WDV not considered for deferred tax purpose		(172)	(138)
Effect of Tax of APEL (Mauritius entity)		224	55
	(B)	**47**	**493**
Tax effect of income that are not taxable in determining taxable profit:			
Brought forward losses adjusted		(7)	(12)
Others		10	(1)
	(C)	**3**	**(13)**
Impact of Change in Income tax rates	**(D)**	**-**	**23**
Total tax expense	**(A+B+C+D)**	**205**	**163**
Component of Tax Expenses-			
Current tax expense		311	142
Deferred tax expense		(106)	21
Total tax expense		**205**	**163**

(INR amount in millions, unless otherwise stated)

Particulars		For the year ended March 31, 2019	For the year ended March 31, 2018
18. Revenue from operations			
Revenue from Contract with Customers			
Sale of power		6,181	5,261
Viability gap funding income		73	89
Total		**6,254**	**5,350**
19. Other income			
19.1 Interest income			
Interest income on			
- Term deposits		99	99
- Loan to holding company (refer note 25)		408	125
- Refund of income tax		1	2
- Other		12	-
Net gain on sale of current investments		6	10
Total	**(A)**	**526**	**236**
19.2 Non-operating income			
Sale of scrap		-	6
Exchange difference (net)		-	28
Miscellaneous income		11	3
Total	**(B)**	**11**	**37**
Total other income	**(A+B)**	**537**	**273**
20. Employee benefits expense			
Salaries, wages and bonus		4	1
Total		**4**	**1**
21. Depreciation and amortisation expense			
Depreciation of tangible assets		2,278	2,026
Total		**2,278**	**2,026**
22. Finance cost			
Interest expenses on			
- Term loans#		158	1,525
- US$ Senior Notes		3,062	1,624
- Loan from holding/fellow subsidiary (refer note 25)		38	314
Other finance costs		58	12
Prepayment charges on repayment of term loan ##		-	662
Other borrowing costs		-	4
Total		**3,316**	**4,141**

Restricted Group entities have written off INR 522 million towards ancillary cost of borrowings during 2017-18.

Restricted Group entities incurred prepayment charges of INR 662 million towards repayment of term loans form bank/financial institution during the year ended March 31, 2018.

(INR amount in millions, unless otherwise stated)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
23. Other expenses		
Rent	57	54
Rates and taxes	13	18
Insurance	33	23
Repair and maintenance on plant and machinery	6	17
Legal and professional fees	55	61
Payment to auditor (refer details below)	14	11
Operation and maintenance fees (refer note 25)	437	409
Change in fair value of option contracts	-	8
Provision for doubtful debts	11	1
Incentive to rooftop owners	8	10
Exchange difference (net)	10	-
Loss on sale of fixed assets (net)	5	1
Miscellaneous expenses	11	8
Total	**660**	**621**
Payment to Auditor:		
As auditor		
Audit fees*	14	11
In other capacity	-	-
Total	**14**	**11**

*Including taxes thereon and out of pocket expenses of INR 0.74 million for the year ended March 31, 2019 (INR 0.61 million for the year ended March 31, 2018).

24. Earning per share

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

25. Related party disclosures:

Related parties where control exists:

Parent Company:	Azure Power Global Limited
Holding Company of Azure Power Energy Limited:	Azure Power Global Limited
Holding Company of Restricted Group entities (except APEL):	Azure Power India Private Limited
Key managerial personnel:	Mr. Inderpreet S Wadhwa (Director)
	Mr. H.S. Wadhwa (Director)
	Mr. Surendra Kumar Gupta (Director)
	Mr. Preet Mohinder Sandhu (Director)
	Mr. Sanjeev Bhatia (Director)
	Mr. Khalid Peyrye (Director)
	Mr. Eric Ng Yim On (Director)
	Mr. Ik Pyo Kim (Director) (till March 27, 2019)
	Mr. Mohor Sen (Director) (till March 15, 2019)
	Ms. Shalini Naagar (Director) (with effect from March 15, 2019)

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

Holding company of Restricted Group entities (except APEL):	Azure Power India Private Limited
Fellow subsidiary company:	Azure Power Thirty Three Private Limited
	Azure Power Venus Private Limited
	Azure Power Thirty Six Private Limited
	Azure Power Thirty Four Private Limited
	Azure Power Thirty Eight Private Limited
	Azure Power Mercury Private Limited
	Azure Power Uranus Private Limited
	Azure Power Forty One Private Limited
	Azure Power Rooftop (GenCo.) Private Limited
	Azure Solar Private Limited
	Azure Power (Rajasthan) Private Limited
	Azure Power Forty Three Private Limited
	Azure Power Thirty Three Private Limited

(INR amount in millions, unless otherwise stated)

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

1. Transactions during the year:

Nature of transaction	**Holding / Parent company**		**Fellow subsidiary company**	
	For the year ended March 31, 2019	**For the year ended March 31, 2018**	**For the year ended March 31, 2019**	**For the year ended March 31, 2018**
a) Expenditure incurred on behalf of companies by				
Azure Power India Private Limited	648	310	-	-
b) Share capital issued (including Security Premium)				
Azure Power India Private Limited	728	228	-	-
Azure Power Global Limited*	-	2	-	-
c) Purchase of capital goods				
Azure Power India Private Limited	375	5,332	-	-
d) Operation and maintenance services received (including service tax/GST)				
Azure Power India Private Limited	437	409	-	-
e) Net advance given to holding company				
Azure Power India Private Limited	-	1,268	-	-
f) Loan given				
Azure Power India Private Limited	2,414	2,174	-	-
Azure Power Thirty Three Private Limited	-	-	30	-
Azure Power Venus Private Limited	-	-	122	-

(INR amount in millions, unless otherwise stated)

Nature of transaction	Holding / Parent company		Fellow subsidiary company	
	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2019	For the year ended March 31, 2018
Azure Power Thirty Six Private Limited	-	-	50	-
Azure Power Thirty Four Private Limited	-	-	65	-
Azure Power Thirty Eight Private Limited	-	-	100	-
Azure Power Mercury Private Limited	-	-	70	-
Azure Power Uranus Private Limited	-	-	8	-
Azure Power Forty One Private Limited	-	-	70	-
Azure Power Rooftop (GenCo.) Private Limited	-	-	15	-
g) Repayment of loan given				
Azure Power India Private Limited	216	20	-	-
Azure Power Thirty Three Private Limited	-	-	30	-
Azure Power Uranus Private Limited	-	-	8	-
Azure Power Venus Private Limited	-	-	32	-
Azure Power Thirty Six Private Limited	-	-	19	-
Azure Power Rooftop (GenCo.) Private Limited	-	-	15	-
h) Interest income				
Azure Power India Private Limited	374	125	-	-
Azure Power Rooftop (GenCo.) Private Limited	-	-	1	-
Azure Power Venus Private Limited	-	-	8	-
Azure Power Thirty Three Private Limited	-	-	1	-
Azure Power Forty One Private Limited	-	-	5	-
Azure Power Thirty Six Private Limited	-	-	2	-

(INR amount in millions, unless otherwise stated)

Nature of transaction	Holding / Parent company		Fellow subsidiary company	
	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2019	For the year ended March 31, 2019
Azure Power Thirty Four Private Limited	-	-	5	-
Azure Power Thirty Eight Private Limited	-	-	7	-
Azure Power Mercury Private Limited	-	-	5	-
i) Short term borrowing taken				
Azure Power India Private Limited	-	331	-	-
j) Repayment of Short term borrowing				
Azure Power India Private Limited	696	488	-	-
Azure Solar Private Limited	-	-	-	80
Azure Power (Rajasthan) Private Limited	-	-	-	20
Azure Power Forty Three Private Limited	-	-	15	-
k) Interest expense				
Azure Power India Private Limited	37	309	-	-
Azure Solar Private Limited	-	-	-	2
Azure Power (Rajasthan) Private Limited	-	-	-	1
Azure Power Forty Three Private Limited	-	-	1	2
l) Outstanding guarantee given by holding company on our behalf				
Azure Power India Private Limited	1,950	-	-	-
Azure Power Global Limited	-	31,975	-	-
Note: The Parent has guaranteed the principal and interest repayments to the investors and the guarantee shall become ineffective on meeting certain financial covenants. The Green Bonds are secured by a pledge of Azure Power Global Limited’s shares.				
*** 250 shares of USD 100 each**				

(INR amount in millions, unless otherwise stated)

2. Balances outstanding at the end of the year

Nature of transaction	Holding / Parent company		Fellow subsidiary company	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
a). Receivable				
Azure Power India Private Limited	229	119	-	-
Azure Power (Rajasthan) Private Limited	-	-	1	-
b). Payables				
Azure Power India Private Limited	219	190	-	-
Azure Power Jupiter Private Limited	-	-	1	-
c). Payable for purchase of fixed asset				
Azure Power India Private Limited	164	319	-	-
d). Short term borrowing				
Azure Power India Private Limited	-	696	-	-
Azure Power Forty Three Private Limited	-	-	-	15
e). Interest payable				
Azure Power India Private Limited	334	301	-	-
Azure Solar Private Limited	-	-	9	9
Azure Power (Rajasthan) Private Limited	-	-	2	2
Azure Power Forty Three Private Limited	-	-	3	2

(INR amount in millions, unless otherwise stated)

Nature of transaction	Holding / Parent holding company		Fellow subsidiary company	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
f). Loans given				
Azure Power India Private Limited	4,352	2,154	-	-
Azure Power Venus Private Limited	-	-	90	-
Azure Power Thirty Six Private Limited	-	-	31	-
Azure Power Thirty Four Private Limited	-	-	65	-
Azure Power Thirty Eight Private Limited	-	-	100	-
Azure Power Mercury Private Limited	-	-	70	-
Azure Power Forty One Private Limited	-	-	70	-
g). Interest income receivable on loan given				
Azure Power India Private Limited	449	112	-	-
Azure Power Rooftop (GenCo.) Private Limited	-	-	1	-
Azure Power Thirty Three Private Limited	-	-	1	-
Azure Power Venus Private Limited	-	-	7	-
Azure Power Thirty Six Private Limited	-	-	2	-
Azure Power Thirty Four Private Limited	-	-	4	-
Azure Power Thirty Eight Private Limited	-	-	6	-
Azure Power Mercury Private Limited	-	-	5	-
Azure Power Forty One Private Limited	-	-	4	-
h) Outstanding guarantee given by holding company on our behalf				
Azure Power India Private Limited	1,950	-	-	-
Azure Power Global Limited	34,117	31,975	-	-

(INR amount in millions, unless otherwise stated)

26. Segment information

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

A. Information about revenue from major customers which is included in revenue:

Particulars	Revenue from contract with external customers	Revenue from contract with external customers
	For the year ended March 31, 2019	For the year ended March 31, 2018
Revenue from Contract with Customers		
Bangalore Electricity Supply Company (BESC)	119	115
Bihar State Power (Holding) Company	131	87
Chamundeshwari Electricity Supply Corporation Limited (CESC)	547	515
Gujarat UrjaVikas Nigam Limited (GUVNL)	207	154
Gulbarga Electricity Supply Corporation Ltd, Kalaburgi	440	416
Hubli Electricity Supply Company Limited (HESCOM)	425	408
NTPC Limited	858	140
NTPC Vidyut Vyapar Nigam Limited (NVVN)	54	58
Punjab State Power Corporation Limited	1,278	1,297
Punjab State Power Corporation Ltd (PSEB)	357	376
Punjab State Power Corporation Ltd, Patiala (PSPCB)	72	88
Solar Energy Corporation of India	1,098	1,081
Southern power Distribution company of Andhra Pradesh (DISCOM)	539	497
Uttar Pradesh Power Corporation Ltd	129	118
Total	**6,254**	**5,350**

B. Revenue from major products and services

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Sale of Power	6,181	5,261
Viability gap funding income	73	89
Total	**6,254**	**5,350**

27. Contract balances

The following table provides information about trade receivables, contract assets, and deferred revenue from customers as at March 31, 2019 and March 31, 2018.

Particulars	**March 31, 2019**	**April 01, 2018**
Non-current assets		
Contract assets	137	110
Current assets		
Trade receivables	1,798	1,166
Contract assets	525	592
Non-current liabilities		
Deferred revenue	498	423

(INR amount in millions, unless otherwise stated)

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

The Micro, Small and Medium Enterprises have been identified by management of the Restricted Group entities from the available information, which has been relied upon by the auditors. According to such identification, the disclosures in respect to Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 is as follows:

Particulars	**For the year ended March 31, 2019**	**For the year ended March 31, 2018**
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
Principal amount due to micro and small enterprises	Nil	Nil
Interest due on above	Nil	Nil
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	Nil	Nil

29. Commitments and contingencies

a) Leases

Operating lease: Restricted Group entities as lessee

Particulars	**March 31, 2019**	**March 31, 2018**
Within one year	52	50
After one year but not more than 5 years	238	284
More than 5 years	2,391	2,398

b) Commitments

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

Name of Authority	**Agreement date**	**Commercial Operation Date**	**Rate**	**Period**	**Capacity (in megawatt)**
Gujarat Urja Vikas Nigam Limited (GUVNL)*	30-Apr-10	Q2 2011	15 kw/h - 1 to 12 Years 5 kw/h - 13 to 25 Years	25 Years	5
Gujarat Urja Vikas Nigam Limited (GUVNL)*	30-Apr-10	Q4 2011	15 kw/h - 1 to 12 Years 5 kw/h - 13 to 25 Years	25 Years	5
NTPC Vidyut Vyapar Nigam Limited (NVVN)	15-Oct-10	Q4 2009	17.91 kw/h	25 Years	2
Punjab State Power Corporation Ltd (PSEB)	27-Dec-13	Q3 2014	7.67 kw/h	25 Years	15

(INR amount in millions, unless otherwise stated)

Name of Authority	Agreement date	Commercial Operation Date	Rate	Period	Capacity (in megawatt)
Punjab State Power Corporation Ltd (PSEB)	27-Dec-13	Q4 2014	7.97 kw/h	25 Years	15
Punjab State Power Corporation Ltd (PSEB)	27-Dec-13	Q4 2014	8.28 kw/h	25 Years	4
Uttar Pradesh Power Corporation Ltd	27-Dec-13	Q1 2015	8.99/kwh	12 Years**	10
Bangalore Electricity Supply Company (BESC)	18-Jan-14	Q1 2015	7.47 kw/h	25 Years	10
Solar Energy Corporation of India	28-Mar-14	Q2 2015	5.45 kw/h	25 Years	40
Solar Energy Corporation of India	28-Mar-14	Q2 2015	5.45 kw/h	25 Years	20
Solar Energy Corporation of India	28-Mar-14	Q2 2015	5.45 kw/h	25 Years	40
Southern Power Distribution Company of Andhra Pradesh (DISCOM)***	05-Dec-14	Q1 2016	5.89 kw/h	25 Years	50
Chamundeshwari Electricity Supply Corporation Limited (CESC)	02-Jan-15	Q1 2017	6.51 kw/h	25 Years	50
Hubli Electricity Supply Company Limited (HESCOM)	09-Jan-15	Q1 2017	6.51 kw/h	25 Years	40
Bihar State Power (Holding) Company	17-Jan-15	Q3 2016	8.39 kw/h	25 Years	10
Gulbarga Electricity Supply Corporation Ltd, Kalaburgi	23-Jan-15	Q1 2017	6.51 kw/h	25 Years	40
Solar Energy Corporation of India	05-Feb-15	Q4 2015	5.45 kw/h	25 Years	5
Punjab State Power Corporation Ltd, Patiala (PSPCB)	31-Mar-15	Q2 2016	7.59 kw/h	25 Years	10
Punjab State Power Corporation Limited	03-Feb-16	Q4 2016	5.62 kw/h	25 Years	50
Punjab State Power Corporation Limited	03-Feb-16	Q4 2016	5.63 kw/h	25 Years	50
Punjab State Power Corporation Limited	03-Feb-16	Q4 2016	5.63 kw/h	25 Years	50
NTPC Ltd	10-Aug-16	Q4 2017	4.67 kw/h	25 Years	100

* The entity has entered into a Power Purchase Agreement (PPA) on 30th April, 2010 with Gujarat Urja Vikas Nigam Limited (GUVNL) for 10 MW for a period of 25 years. @ INR 5.89/kwh. to supply power with an escalation of 3% per annum from 2nd year to 10th year and no further escalation subsequent to the 10th year until the end of the PPA.

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

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

c) Pending litigations:

Some entities forming part of Restricted Group have received demand for extension charges totalling INR 415 million (March 31, 2018: INR 415 million) for projects completed beyond the contractually agreed dates. The entity has filed an appeal against such demands and has received a stay order from the appellant authorities. The management believes the reason for delay was not attributable to the entities. Further, on review of underlying facts and based on advice from its legal advisors, management believes that the entities have not accrued any amount with respect to these matters in its financial statements.

(INR amount in millions, unless otherwise stated)

30. Hedging activities and derivatives

Contracts designated as Cash flow hedges

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

The Company documented each hedging relationship and assessed its initial effectiveness on inception date and the subsequent effectiveness was tested on a quarterly basis using dollar offset method. 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, 2019.

Ind AS 109, Financial Instruments, permits recording the cost of hedge over the period of contract based on the effective interest rate method. The Restricted Group determined the cost of hedge at the time of inception of the contract was INR 4,931 million and recorded an expense of INR 1,036 million during the year ended March 31, 2019.

The following table presents outstanding notional amount and balance sheet location information related to foreign exchange derivative contracts as of March 31, 2018 and March 31, 2019:

	Foreign currency option contracts	
	As at March 31, 2019	**As at March 31, 2018**
Notional Amount (US$ denominated)	493.31	499.60
Non-current – Other financial liabilities (INR)	-	331
Non-current – Other financial assets (INR)	2,220	-

31. Operation and Maintenance

The operations of the entities in the Restricted Group including operations and maintenance of the solar plant are managed by the employees of the Holding Company for which cost is charged by the Holding company on the basis of mutually agreed rates as per the operation and maintenance agreement entered by the companies of the Restricted Group with the Holding Company.

(INR amount in millions, unless otherwise stated)

32. Fair values

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

	Carrying value		Fair value	
	As at March 31, 2019	**As at March 31, 2018**	**As at March 31, 2019**	**As at March 31, 2018**
Financial assets measured at fair value				
Derivative instruments at fair value through OCI*	2,220	-	2,220	-
Investment in debt mutual fund at fair value through profit or loss **	-	242	-	242
Total	**2,220**	**242**	**2,220**	**242**
Financial liabilities at fair value				
Derivative instruments at fair value through OCI*	-	331	-	331
Total	**-**	**331**	**-**	**331**
Financial liabilities at amortised cost				
Foreign currency loan from bank****	278	-	278	-
US$ Senior Notes***	34,117	31,975	34,866	33,178
Total	**34,395**	**31,975**	**35,144**	**33,178**

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

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

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

Measured at fair value:

* The respective companies under the Respective Group enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign currency option derivatives are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. The Restricted

Group used the derivatives option pricing model based on the principles of the Black-Scholes model to determine the fair value of the foreign exchange derivative contracts. The inputs considered in this model include the theoretical value of a call option, the underlying spot exchange rate as of the balance sheet date, the contracted price of the respective option contract, the term of the option contract, the implied volatility of the underlying foreign exchange rates and the risk-free interest rate as of the balance sheet date.

**The fair values of the debt mutual funds are derived from quoted market prices in active markets.

***The fair values of the interest-bearing borrowings and loans of Restricted Group are determined by using DCF method using discount rate that reflects the issuer’s borrowing rate as at the end of the reporting period. The own non-performance risk as at March 31, 2018 was assessed to be insignificant.

At amortised cost:

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

(INR amount in millions, unless otherwise stated)

33. Fair Value Hierarchy

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

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

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets measured at fair value				
Derivative instruments at fair value through OCI	2,220	-	2,220	-

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

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

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial liabilities measured at amortised cost				
Foreign currency loan from bank	278	-	278	-
5.5% US Senior Notes	34,866	-	34,866	-

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

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2018:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets measured at fair value				
Investment in mutual fund at fair value through profit or loss	242	242	-	-

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

Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2018:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial liabilities measured at fair value				
Derivative instruments at fair value through OCI	331	-	331	-

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

Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2018:

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial liabilities at amortised cost:				
US$ Senior Notes	33,178	-	33,178	-

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

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

(INR amount in millions, unless otherwise stated)

34. Financial risk management objectives and policies

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include loans, borrowings, deposits, investment in mutual funds and derivatives instruments.

The sensitivity analyses in the following sections relate to the position as at March 31, 2019 and March 31, 2018:

a) Interest rate risk

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

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

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

As at March 31, 2019	Floating rate financial instruments	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	-	6,169	4,808	10,977
Financial liabilities	278	35,052	1,724	37,054

The exposure of the Restricted Group entities' financial instruments as at March 31, 2018 to interest rate risk is as follows:

As at March 31, 2018	Floating rate financial instruments	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	242	4,713	2,488	7,443
Financial liabilities	-	32,686	2,533	35,219

Interest rate sensitivity

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

	Increase/decrease in basis points		March 31, 2019		March 31, 2018
Effect on profit/(loss) before tax (in Rupees)	+/(-)50	(-)/+	1	(-)/+	1

(INR amount in millions, unless otherwise stated)

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

b) Foreign currency risk

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

The following table analyses foreign currency risk from financial instruments relating to US$ as of March 31, 2019 and March 31, 2018:

	March 31, 2019	March 31, 2018
Borrowings		
Foreign currency loan from bank	278	-
US$ Senior Notes	34,117	31,975

Foreign currency sensitivity

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

	Change in USD rate	March 31, 2019		March 31, 2018	
Effect on profit/ (loss) before tax (in Rupees)	+/(-)5%	(-)/+	1,720	(-)/+	1,599

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

Credit risk

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

a) Trade receivables

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

b) Financial instruments and cash deposits

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

Liquidity risk

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

(INR amount in millions, unless otherwise stated)

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

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

	Less than 1 year	1 to 5 years	> 5 years	Total
As at March 31, 2019				
Borrowings*	1,929	40,655	-	42,584
Trade payables	168	-	-	168
Other financial liabilities	1,556	-	-	1,556
	3,653	**40,655**	**-**	**44,308**
As at March 31, 2018				
Borrowings*	1,063	39,682	-	40,745
Trade payables	184	-	-	184
Other financial liabilities	2,018	-	-	2,018
	3,265	**39,682**	**-**	**42,947**

*Including interest on long-term borrowings

(INR amount in millions, unless otherwise stated)

35. Capital management

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

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

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
Borrowings*	30,552	30,525
Trade payables and other current financial liabilities **	1,724	2,202
Less: Cash and cash equivalents***	(1,199)	(3,114)
Net debt	**31,077**	**29,613**
Equity	**8,665**	**7,527**
Total Capital	**8,665**	**7,527**
Capital and net debt	**39,742**	**37,140**
Gearing ratio (%)	**78.2%**	**79.7%**

* The Company has adjusted the Inter Group Borrowings to/from holding and fellow subsidiary in borrowings.
** The Company had trade receivables of INR 1,798 million as at March 31, 2019 (March 31, 2018: INR 1,166 million).
***This includes other bank balances, which the Company has invested in term deposits.

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

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2019 and March 31, 2018.

36. Significant accounting judgements, estimates and assumptions

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

A. Judgements

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

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

(ii) Classification of leases:
Restricted Group's leases relate to leasehold land on which the solar power plants are constructed and for office facilities. Leases are reviewed for capital or operating classification at their inception under the guidance of "Ind AS - 17, Leases". The Restricted Group has determined, based on an evaluation of the terms and conditions of the arrangements e.g. lease term, annual rental, transfer/ retention of significant risks and rewards of ownership of land as operating lease and accordingly accounted the same in the financial statements.

B. Estimates and assumptions

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

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

(ii) Hedging activities and derivatives
The Company has issued 5.5% US$ Senior Notes in August, 2017, listed on the Singapore Exchange Limited ("SGX"). The proceeds were used for repayment of loan of Restricted Group entities, in the form of intercompany Non-Convertible Debentures (NCD) and External Commercial Borrowings (ECB's) denominated in INR. The exchange rate risk on the proceeds invested from the US$ Senior Notes are hedged through cross currency swap for payment of coupons and through call spread option contracts for repayment of principal (collectively "Option contracts"). The Restricted Group designated these option contracts as a cashflow hedge. These options contracts mitigate the exchange rate risk associated with the forecasted transaction for semi-annual repayment of coupon and for repayment of the principal balance at the end of five years.

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

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

(iv) Taxes

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

(v) Fair value measurement of financial instruments

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

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

(vi) Provision for decommissioning

The Restricted Group has recognised provisions for the future decommissioning of solar power plants set up on leased land at the end of the lease term or expiry of power purchase agreement. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the leased land and the expected timing of those costs. The carrying amount of the provision as at March 31, 2019: INR 176 million (March 31, 2018: INR 162 million). The Group estimates that the costs would be realised in 25 years' time upon the expiration of the lease and calculates the provision using the DCF method based on the following assumptions:

- Estimated range of cost per megawatt– INR 0.35 million to INR 0.55 million (March 31, 2018: INR 0.35 million to INR 0.55 million)
- Discount rate – 9 %

(vii) Depreciation on property, plant and equipment

As per the legal view obtained by the Restricted Group, it is regulated under the Electricity Act, 2003 accordingly as per the provision to section 129 of Companies Act, 2013, deprecation has to be charged as per the rates notified by the CERC Regulation. Depreciation on other fixed assets of the Restricted Group is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The management based upon the nature of asset, the operating condition of the asset, the estimated usage of the asset, past history of replacement and anticipated technological changes, believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of property, plant and equipment, though these rates in certain cases are different from lives prescribed under Schedule II of the Companies Act, 2013.

37. Amendments to existing standards that are not yet effective and have not been adopted by the Restricted Group:

During April 2019, Ministry of Corporate Affairs (MCA) notified the Ind AS 116, "Leases" and is effective from financial years starting on or after April 1, 2019. The guidance requires recognition of lease assets and lease liabilities on the balance sheet for material leases with terms in excess of 12 months. The Group plans to adopt this guidance using the modified retrospective method with a cumulative adjustment to its retained earnings.

At transition, lessees and lessors may elect to apply a package of practical expedients permitting entities not to reassess: (i) whether any expired or existing contracts are or contain leases; (ii) lease classification for any expired or existing leases and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance. These practical expedients must be elected as a package and consistently applied. The Group plans to apply the package of practical expedients upon adoption.

The Restricted Group is performing an assessment for evaluating the impact of the guidance and anticipates that its adoption will result in recognition of property, plant and equipment and lease liabilities for leases in effect at the transition date. The adoption of the standard requires segregation of lease expense into interest and depreciation expense. The time value of money in the lease component shall be recorded as interest expense and the property, plant and equipment shall be depreciated over the contract term. The Restricted Group has completed preliminary assessment for evaluating the impact of the guidance and anticipate that its adoption will result in recognition of right-to-use of assets and lease liabilities for leases in effect at the transition date.