

RG Group III Combined
Financial Statements
For the six-months period ended
September 30, 2023

Restricted Group III Ind AS Special Purpose Combined Financial Statements as of September 30, 2023

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

	As at September 30, 2023 (Unaudited)	As at March 31, 2023 (Audited)
Assets		
Non-current assets		
Property, plant and equipment	28,050	28,548
Right-of-use assets	871	887
Capital work-in-progress	2	1
Financial assets		
- Trade receivables	122	200
- Loans	2,401	4,878
- Other financial assets	2,959	2,524
Deferred tax assets (net)	165	172
Income tax assets (net)	54	161
Other non-current assets	581	534
Total non-current assets	35,205	37,905
Current assets		
Inventory	1	1
Financial assets		
- Trade receivables	2,482	3,108
- Cash and cash equivalents	273	636
- Other bank balances	3,193	2,030
- Loans	4,974	1,943
- Other financial assets	908	482
Other current assets	84	54
Total current assets	11,915	8,254
Total assets	47,120	46,159
Equity and liabilities		
Equity		
Equity share capital	113	113
Other equity	10,654	9,169
Total equity	10,767	9,282
Non-current liabilities		
Financial liabilities		
- Borrowings	27,272	28,012
- Lease liabilities	934	923
Provisions	113	107
Deferred tax liabilities (net)	1,644	1,689
Other non-current liabilities	2,225	2,221
Total non-current liabilities	32,188	32,952
Current liabilities		
Financial liabilities		
- Borrowings	2,326	2,405
- Lease liabilities	63	62
- Trade payables		
Total outstanding dues of micro and small enterprises	3	10
Total outstanding dues of creditors other than micro and small enterprises	286	233
- Other financial liabilities	1,014	828
Other current liabilities	89	106
Provisions	6	6
Current tax liabilities (net)	378	275
Total current liabilities	4,165	3,925
Total liabilities	36,353	36,877
Total equity and liabilities	47,120	46,159

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

For and on behalf of Restricted Group-III


Director
Place : Ebene, Mauritius
Date : 27 June 2024


Director
Place : Ebene, Mauritius
Date : 27 June 2024

Restricted Group- III**Special Purpose Combined Statement of Profit and Loss**

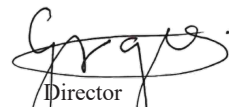
(All amount in INR millions, unless otherwise stated)

	Six months period ended September 30, 2023 (Unaudited)	Six months period ended September 30, 2022 (Unaudited)
Revenue		
Revenue from operations	3,170	3,051
Other income	82	6
Total income (I)	3,252	3,057
Expenses		
Employee benefits expense	33	24
Other expenses	294	536
Total expenses (II)	327	560
Earnings before interest, depreciation and amortization (EBITDA) (I)-(II) (A)	2,925	2,497
Depreciation and amortisation expense (B)	518	521
Interest income (C)	487	436
Finance costs (D)	1,449	1,135
Profit before tax (A-B+C-D)	1,445	1,277
Tax expense		
Current tax expense	390	314
Deferred tax (credit)/ charge	(143)	56
Total tax expense	247	370
Profit after tax	1,198	907
Other comprehensive income (OCI)		
Items that will be reclassified to profit or loss		
Effective portion of cash flow hedge	693	934
Income tax effect on effective portion of cash flow hedge	(104)	(212)
	589	722
Exchange differences on translating the financial statements of foreign entities	(302)	(2,229)
Items that will not be reclassified to profit or loss		
Re-measurement gains on defined benefit plans	-	-
Income tax effect	-	-
Other comprehensive income/ (expense)	287	(1,507)
Total comprehensive income/ (expense)	1,485	(600)

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

For and on behalf of Restricted Group-III


Director
Place : Ebene, Mauritius
Date : 27 June 2024



Director
Place : Ebene, Mauritius
Date : 27 June 2024

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

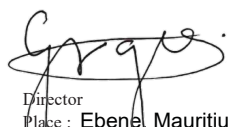
Particulars	Six months period ended September 30, 2023 (Unaudited)	Six months period ended September 30, 2022 (Unaudited)
A Cash flows from operating activities		
Profit before tax	1,445	1,277
Adjustment to reconcile profit before tax to net cash flow		
Depreciation and amortisation expense	518	521
Interest income	(487)	(436)
Deferred revenue	(16)	30
Allowance for doubtful trade receivables (net)	(30)	239
Asset written off	3	-
Loss on account of modification of contractual cash flows	-	16
Loss on disposal of property, plant and equipment (net)	-	1
Provisions / liabilities no longer required written back	(14)	(2)
Viability gap funding income	(41)	(41)
Contract assets	(63)	(33)
Finance costs	1,449	1,135
Operating profit before working capital changes	2,764	2,707
Movements in working capital:		
Decrease/ (increase) in trade receivables	731	(101)
Decrease/ (increase) in other current/ non-current financial assets	9	(151)
(Increase) in inventory	-	(1)
(Increase) in other current assets	(30)	(49)
Decrease in other non-current assets	2	2
Increase in trade payables	60	20
Increase in other current financial liabilities	7	208
(Decrease)/ increase in other current and non-current liabilities	(10)	6
Increase/ (decrease) in non-current provisions	1	(2)
Cash generated from operations	3,534	2,639
Income tax paid (net of refunds)	(175)	(230)
Net cash flows from operating activities (A)	3,359	2,409
B Cash flows used in investing activities		
Proceeds from sale of/ (Purchase of) Property, plant and equipment, (including capital work in progress, capital advance and capital creditors)	9	(48)
Interest received	201	28
Net (investment in)/ proceeds from bank deposit (having the original maturity of more than three months)	(1,246)	(269)
Loan (given to)/ from holding/fellow subsidiaries (net)	(554)	49
Net cash flows used in investing activities (B)	(1,590)	(240)
C Cash flows used in financing activities		
Repayment of Green bonds	(1,142)	(1,094)
Repayment of borrowings	-	(152)
Payment for hedging arrangements	(373)	(447)
Payment of lease liabilities	(35)	(29)
Interest paid	(555)	(382)
Net cash flows used in financing activities (C)	(2,105)	(2,104)
Net increase/ (decrease) in cash and cash equivalents	(336)	65
Effect of exchange rate changes on cash and cash equivalents (D)	(27)	(33)
Net increase/ (decrease) in cash and cash equivalents (A+B+C+D)	(363)	32
Cash and cash equivalents at the beginning of the period	636	290
Cash and cash equivalents at the end of the period	273	322
Components of cash and cash equivalents		
Balances with schedule banks:		
- On current accounts	37	129
- Deposits with original maturity of less than 3 months	236	193
Total cash and cash equivalents	273	322

Notes:

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

For and on behalf of Restricted Group-III


Director
Place : Ebene, Mauritius
Date : 27 June 2024


Director
Place : Ebene, Mauritius
Date : 27 June 2024

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

(a) Statement of changes in equity*

Shares (Aggregate of Restricted Group of entities):

At April 01, 2022

Changes in equity share capital during the year

At March 31, 2023

Changes in equity share capital during the period

At September 30, 2023

Number of shares	Amount (In million)
1,12,54,112	113
-	-
1,12,54,112	113
-	-
1,12,54,112	113

* Share capital represents the aggregate amount of share capital of identified subsidiaries of the Restricted Group - III as at the respective period and does not necessarily represent legal share capital for the purpose of the Restricted Group - III.

(b) Other equity**

For the period ended September 30, 2023 (Unaudited):

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures	Items of Other Comprehensive Income			Total equity
	Surplus/ (deficit) in the statement of profit and loss	Securities premium reserve		Exchange differences on translating the financial statements of foreign entities	Defined benefit plans	Effective portion of cash flow hedges	
At April 01, 2023	605	9,960	1,120	(3,581)	1	1,064	9,169
Profit for the period	1,198	-	-	-	-	-	1,198
Other comprehensive income/ (expense)	-	-	-	(302)	-	589	287
At September 30, 2023	1,803	9,960	1,120	(3,883)	1	1,653	10,654

For the year ended March 31, 2023 (Audited):

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures	Items of Other Comprehensive Income			Total equity
	Surplus/ (deficit) in the statement of profit and loss	Securities premium reserve		Exchange differences on translating the financial statements of foreign entities	Defined benefit plans	Effective portion of cash flow hedges	
At April 01, 2022	(1,406)	9,960	1,120	(1,097)	(1)	(142)	8,434
Profit for the year	2,011	-	-	-	-	-	2,011
Other comprehensive income/ (expense)	-	-	-	(2,484)	2	1,206	(1,276)
At March 31, 2023	605	9,960	1,120	(3,581)	1	1,064	9,169

For the period ended September 30, 2022 (Unaudited):

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures	Items of Other Comprehensive Income			Total equity
	Surplus/ (deficit) in the statement of profit and loss	Securities premium reserve		Exchange differences on translating the financial statements of foreign entities	Defined benefit plans	Effective portion of cash flow hedges	
At April 01, 2022	(1,406)	9,960	1,120	(1,097)	(1)	(142)	8,434
Profit for the period	907	-	-	-	-	-	907
Other comprehensive income/ (expense)	-	-	-	(2,229)	-	722	(1,507)
At September 30, 2022	(499)	9,960	1,120	(3,326)	(1)	580	7,834

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

Notes:

(i) Surplus/ (deficit) in the statement of profit and loss are the losses of the Restricted Group - III incurred till date net of appropriations.

(ii) Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

(iii) Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity.

Restricted Group- III
Notes to Special Purpose Combined Financial Statements
(All amount in INR 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. The Company is a wholly-owned subsidiary of Azure Power Global Limited (the “Parent”) and has its registered office at C/o. AAA Global Services Ltd., 4th Floor, Iconebene, Rue De L’institut, Ebene 80817, Republic of 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 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.

APEL and 16 Indian subsidiaries (as listed below) of Azure Power Global Limited (APGL) form part of “Restricted Group - III”. 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.

During August 2021, APEL had issued Solar Green bonds (the “Bond”) of US \$414 Million, at coupon of 3.575% maturing in 2026. The proceeds from this bonds were used to repay the existing 5.50% US\$ 500 Million Solar Green Bond issued in 2017. The Bond has a tenor of 5 years with amortisation and waterfall structures and is a leverage-positive transaction for the Group

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

Entities	Principle Activity	Country of Incorporation	% Held by Parent		
			September 30, 2023	March 31, 2023	September 30, 2022
Azure Power Energy Limited	Bond Issuance	Mauritius	100%	100%	100%
Azure Power (Punjab) Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power (Haryana) Private Limited	Generation of Solar power	India	99.17%	99.17%	99.17%
Azure Urja Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Surya Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power (Karnataka) Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Photovoltaic Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Infrastructure Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power (Raj.) Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Green Tech Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Clean Energy Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Sunrise Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Sunshine Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Eris Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Mars Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Pluto Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Thirty Seven Private Limited	Generation of Solar power	India	99.84%	99.84%	99.84%

2. Purpose of the special purpose combined financial statements

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

The Special Purpose Combined Financial Statements have been prepared in accordance with Ind AS 34, Interim Financial Reporting. The Special Purpose Combined Financial Statements do not include all the information and disclosures required in the annual financial statements.

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

As per the Guidance Note on Combined and Carve Out Financial Statements, the procedure for preparing combined financial statements of the combining entities is the same as that for consolidated financial statements as per the applicable Indian Accounting Standards. Accordingly, when combined financial statements are prepared, intra-group transactions and profits or losses are eliminated. All the inter group transactions are undertaken on arms lengths basis. There is no allocation of expenses within the Restricted Group - III.

Restricted Group- III
Notes to Special Purpose Combined Financial Statements
(All amount in INR millions, unless otherwise stated)

The non-controlling interest held by outsiders amount to INR 4 million and INR 4 million as of September 30, 2023 and March 31, 2023 respectively. Share capital and reserves disclosed in the combined financial statements are not the legal capital and reserves of the Restricted Group - III 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 special purpose 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 - III (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 - III that would have occurred if it had operated as a separate stand-alone group of entities during the period presented or the Restricted Group - III's future performance.

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

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 - III's accounting policies.

Summary of significant accounting policies

4. The special purpose combined financial statements have been prepared in accordance with the accounting policies adopted in the Restricted Group - III's last audited annual financial statements for the year ended March 31, 2023. The presentation of the Special purpose combined financial statements is consistent with the audited Combined Financial Statements for the year ended March 31, 2023.

5. During fiscal 2022, Azure Power Energy Limited (one of the subsidiaries of APGL) issued 3.575% US\$ denominated Senior Notes ("3.575% Senior Notes" or "Green Bonds") and raised INR 30,285 million, net of issuance expenses of INR 408 million. 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 5.5% Senior Notes. The interest is payable on semi-annual basis and principal is payable on a semi-annual instalment ranging from 3.4% to 3.8% and balance 67.4% on maturity in August 2026. The Green Bonds are secured by a pledge of Azure Power Energy Limited's shares held by Azure Power Global Limited.

6. The Company designates the derivative contracts for mitigating the foreign exchange fluctuation risk as a cash flow hedge. The changes in fair value of the derivatives are included in other comprehensive income to the extent the hedge continues to be effective. The related other comprehensive income amounts are allocated to the Combined Statements of Profit and Loss in the same period in which the hedged item affects net earnings. To the extent the change in fair value of the derivative financial instruments is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in the Combined Statement of Profit and Loss.

7. Contracts designated as Cash flow hedge

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

The Company documented each hedging relationship and assessed its initial effectiveness on inception date and the subsequent effectiveness was tested on a quarterly basis using dollar offset method. When the relationship between the hedged items and hedging instrument is highly effective at achieving offsetting changes in cashflows attributable to the hedged risk, the Company records in other comprehensive income the entire change in fair value of the designated hedging instrument that is included in the assessment of hedge effectiveness. The gain or loss on the hedge contracts shall be reclassified to interest expense when the coupon payments and principal repayments are made on the related investments. The hedge contracts were effective as of September 30, 2023.

Ind AS 109, Financial Instruments, permits recording the cost of hedge over the period of contract based on the effective interest rate method. The Restricted Group - III determined the cost of hedge at the time of inception of the contract was INR 3,549 million and recorded an expense of INR 735 million and INR 411 million during the six-months ended September 30, 2023 and September 30, 2022 respectively.

The following table presents outstanding notional amount and balance sheet location information related to foreign exchange derivative contracts as of September 30, 2023 and March 31, 2023:

	Foreign currency option contracts	
	As at September 30, 2023	As at March 31, 2023
	(Unaudited)	(Audited)
Notional Amount (USD in millions)	357	371
Non-current- Other financial assets (INR in millions)	2,413	1,908
Current -Other financial liabilities (INR in millions)	822	649

Restricted Group- III**Notes to special purpose combined financial statements**

(All amount in INR millions, unless otherwise stated)

8. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Restricted Group- III's financial instruments:

	Carrying value		Fair value	
	As at September 30, 2023	As at March 31, 2023	As at September 30, 2023	As at March 31, 2023
Financial assets at amortised cost				
Non-current trade receivables	122	200	122	200
Non-current security deposits	9	9	9	9
Performance bank guarantee receivable	10	9	10	9
Non-current loans to holding company	2,014	4,858	2,014	4,858
Non-current loans to fellow subsidiaries	377	11	377	11
Non-current term deposits	85	2	85	2
Other financial asset	452	605	452	605
Financial assets at fair value				
Derivative instruments at fair value through OCI *	2,413	1,908	2,413	1,908
Total	5,482	7,602	5,482	7,602
Financial liabilities at amortised cost				
3.575% Senior Notes (including current maturities) **	29,428	30,247	24,240	28,397
Financial liabilities at fair value				
Derivative instruments at fair value through OCI *	822	649	822	649
Total	30,250	30,896	25,062	29,046

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

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

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

Measured at fair value:

* The respective companies under the Restricted Group - III 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 - III 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.

At amortised cost:

**The fair values of the interest-bearing borrowings and loans of Restricted Group - III 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 September 30, 2023 was assessed to be insignificant.

9. Fair value hierarchy

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

Quantitative disclosures fair value measurement hierarchy for assets as at September 30, 2023:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortised cost			
Non-current trade receivables	122	-	122
Non-current security deposits	9	-	9
Performance bank guarantee receivable	10	-	10
Non-current loans to holding company	2,014	-	2,014
Non-current loans to fellow subsidiaries	377	-	377
Non-current term deposits	85	-	85
Other financial asset	452	-	452
Financial assets measured at fair value			
Derivative instruments at fair value through OCI	2,413	-	2,413

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

Quantitative disclosures fair value measurement hierarchy for liabilities as at September 30, 2023:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities at amortised cost			
3.575% Senior Notes (including current maturities)	29,428	-	24,240
Financial liabilities at fair value			
Derivative instruments at fair value through OCI	822	-	822

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

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2023:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortised cost			
Non-current trade receivables	200	-	200
Non-current security deposits	9	-	9
Performance bank guarantee receivable	9	-	9
Non-current loans to holding company	4,858	-	4,858
Non-current loans to fellow subsidiaries	11	-	11
Non-current term deposits	2	-	2
Other financial asset	605	-	605
Financial assets measured at fair value			
Derivative instruments at fair value through OCI	1,908	-	1,908

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

Quantitative disclosures fair value measurement hierarchy for liabilities as at March 31, 2023:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities at amortised cost			
3.575% Senior Notes (including current maturities)	30,247	-	28,397
Financial liabilities at fair value			
Derivative instruments at fair value through OCI	649	-	649

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

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, current borrowings, interest accrued, payable for capital goods, trade payables and security deposits paid as applicable approximate their carrying amounts largely due to the short-term maturities of these instruments.

Restricted Group- III

Notes to special purpose combined financial statements

(All amount in INR millions, unless otherwise stated)

10. Segment information

The activities of Restricted Group - III entities mainly involve sale of electricity. Considering the nature of Restricted Group - III 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 provided.

11. Whistle blower complaint

For the status of the whistle blower investigations and special committee investigation, please refer to Note 42 "Whistle-blower complaints" of the Special purpose Combined financial statements of Restricted Group-III for the year ended March 31, 2023.

12. As per the provisions of the Companies Act, 2013, a Company is required to convene the Annual General Meeting ("AGM") for adoption of its annual audited financial statements within the six months from the end of the financial year, i.e. September 30 ("Due Date"). The Registrar of Companies ("ROC") granted three months extension to the several Restricted Group-III SPVs to hold the AGMs for financial year 2021-22 and 2022-23 on or before December 31, 2022, and December 31, 2023, respectively. Considering the delay in closure of audit due to ongoing Whistle blower investigations, several Restricted Group-III SPVs have not able to hold the AGM for financial year 2021-22 and 2022-23 within the extended timelines as stated above. The AGM for financial year 2021-22 were held during February'2024, and the AGM for financial year 2022-23 were held during May/June'2024.

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

13. A PIL had been initiated by certain individuals claiming to be wildlife experts/interested in conservation of wildlife, before the Supreme Court of India against various state governments such as Rajasthan, Gujarat, and MNRE, MOP among others, seeking protection of the two endangered bird species, namely the Great-Indian Bustard (GIB) and the Lesser Florican found in the states of Rajasthan and Gujarat. The Supreme Court by way of order dated April 19, 2021 issued directions to: (i) underground all low voltage transmission lines, existing and future lines falling in potential and priority habitats of GIB, (ii) to convert all existing high voltage lines in priority and potential areas of GIB where found feasible within a period of one year, if not found feasible, the matter to be referred to the committee formed by the Supreme Court which will take a decision on feasibility, and (iii) to install bird diverters on all existing overhead lines in the interim.

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

14. On December 14, 2023, Azure Power Energy Ltd ("APEL") completed a consent solicitation (the "Consent Solicitation") in respect of the 3.575% Senior Notes due 2026 (the "2026 Notes"). APEL sought the consent of the Noteholders of the 2026 Notes to amend certain terms of the indenture dated as of August 19, 2021 (the "2026 Indenture"). The purpose of the consent solicitation was to: (i) undertake to make tender offers to purchase an outstanding principal amount of U.S.\$12,000,000 of the 2026 Notes by March 25, 2024 and an outstanding principal amount of U.S.\$8,000,000 of the 2026 Notes by August 26, 2024; and (ii) make certain amendments and provide certain confirmations with respect to the reporting covenant of each of the Indentures (the "proposed amendments").

The consent solicitation was announced on November 28, 2023. The deadline to submit consent instructions expired at 5:00 pm New York time on December 07, 2023. Over 99% consent instructions were received. On December 08, 2023, APEL executed a supplemental indenture with Azure Power Global Limited (as Parent), the trustee and the collateral agents to implement the proposed amendments. On December 14, 2023, the consent fee was paid and the proposed amendments became operative.

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

Further, as per the terms of the amended Indentures, APEL launched tender offers for the 2026 Notes on February 16, 2024. The early deadline of the tender offers was on March 01, 2024 and APEL purchased US\$ 12,000,000 of the 2026 Notes on March 11, 2024.

15. Previous period figures have been regrouped/ rearranged wherever considered material and necessary to conform to the current period presentation.

Six Months Period Ended September 30, 2023 Special Purpose Combined Financial Results:

Operating Results

Revenue from Operations

Operating revenue for the six-months period ended September 30, 2023 was INR 3,170 million, an increase of 4% from INR 3,051 million over the same period in 2022.

Other Income

Other income for the six-months period ended September 30, 2023 has increased to INR 82 million from INR 6 million over the same period in 2022. The increase is primarily on account of increase in late payment surcharge, allowance for doubtful trade receivables written back and liabilities written back by INR 37 million, INR 30 million and INR 12 million respectively.

Operating expenses (exclusive of depreciation and amortization)

Operating expenses for the six-months period ended September 30, 2023 decreased by 42% to INR 327 million from INR 560 million in the same period in 2022 primarily on account of decrease in allowance of doubtful trade receivables by INR 239 million.

Depreciation and Amortization Expense

Depreciation and amortization expense for the six-months period ended September 30, 2023 decreased marginally by 1% to INR 518 million from INR 521 million in the same period in 2022.

Finance Income

Finance income mainly consist of interest income. Finance income for the six-months ended September 30, 2023 were INR 487 million, an increase of 12% from INR 436 million over the same period in 2022. The increase was primarily on account of increase in interest income from term deposits and other interest income by INR 81 million and INR 18 million respectively partially offset by decrease in interest income on loans given to third parties by INR 60 million.

Finance costs

Finance costs for the six-months period ended September 30, 2023 increased by 28% to INR 1,449 million from INR 1,135 million in the same period in 2022 primarily on account of change in amortisation methodology of hedge cost by INR 324 million.

Tax Expenses

Income tax expense for the Restricted Group - III during the six months period ended September 30, 2023 was INR 247 million, compared to Income tax expenses of INR 370 million for the period ended September 30, 2022. The Restricted Group has recognised deferred tax credit of INR 143 million for the six months period ended September 30, 2023 against deferred tax expense of INR 56 million in the same period in 2022 on account of movement in the carrying amounts of certain assets and liabilities and their tax base.

Liquidity and Capital Resources

Cash flows from operating activities

Cash generated from operating activities for the six-months period ended September 30, 2023 was INR 3,359 million, compared to INR 2,409 million in the same period in 2022. The increase in cash flows is primarily on account of collection from accounts receivables of INR 731 million in six months period ended September 30, 2023 compared to increase in accounts receivables by INR 101 million in same period in 2022, increase in operating profit by INR 57 million and decrease in taxes paid by INR 55 million.

Cash flows used in investing activities

Cash used in investing activities for the six-months period ended September 30, 2023 was INR 1,590 million, compared to INR 240 million in the same period in 2022, primarily due to net increase in investments in term deposits with banks and loans given to related parties during the current period. The Group has invested INR 1,246 million on bank deposits during the six months ended September 30, 2023 compared to INR 269 million in the same period in 2022. Further, the Restricted Group-III has given net loans of INR 554 million to related parties in comparison to INR 49 million loans received back during the same period in 2022.

Cash flows used in financing activities

Cash used in financing activities was INR 2,105 million for the six-months period ended September 30, 2023, compared to INR 2,104 million in the same period in 2022.

Liquidity Position

As of September 30, 2023, Restricted Group - III had INR 273 million of cash and cash equivalents and other bank balances.

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

Combined EBITDA of Restricted Group-III was INR 2,925 million for the six months period ended September 30, 2023, compared to INR 2,497 million for the same period in 2022. This was primarily due to the decrease in allowance for doubtful trade receivables during current period by INR 269 million, increase in revenue from operations by INR 119 million and increase in late payment surcharge by INR 37 million.

Subsequent events

The Company/ Group evaluated all other events or transactions that occurred after September 30, 2023. Based on this evaluation, the Company/ Group is not aware of any event or transactions that would require recognition or disclosure in the Ind AS Special Purpose Combined Financial Statements.