

Azure Power
Restricted Group Special Purpose
Combined Financial Statements
For the year ended
March 31, 2021

Restricted Group Special Purpose Combined Financial Statements as at March 31, 2021

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Report on Special Purpose Combined Financial Statement of Restricted Group

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

Opinion

We have audited the special purpose combined financial statement 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 special purpose combined financial statement (collectively known as "the Restricted Group" or "the RG"), which comprise the combined Balance Sheet as at March 31, 2021, 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, 2021 and a summary of the significant accounting policies and other explanatory information (together hereinafter referred to as "special purpose combined financial statement"). These special purpose combined financial statement have been prepared in accordance with the basis of preparation as set out in note 3 to the special purpose combined financial statement.

In our opinion, the accompanying financial statements of the Company for the year ended March 31, 2021 are prepared in all material respects, in accordance with the basis of preparation described in Note 3 to these special purpose combined financial statement.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to the Note 2 and 3 of the accompanying special purpose combined financial statement, which describes that the Restricted Group has not formed a separate legal group of entities during the year ended March 31, 2021, 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 statement 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 statement has been prepared solely to comply with financial reporting requirements under the indenture governing the Senior Notes. As a result, the special purpose combined financial statement may not be suitable for any other purpose.

Our Opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these special purpose combined financial statement in accordance with the basis of preparation as set out in note 3 to the special purpose combined financial statement and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the

going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Ernst & Young Associates LLP
Place: Gurugram India
Date: July 28, 2021

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

	Notes	As at March 31, 2021	As at March 31, 2020
Assets			
Non-current assets			
Property, plant and equipment	5	30,939	33,294
Right-of-use assets	30	757	789
Capital work-in-progress	5	39	13
Financial assets	6		
- Investments	6.1	-	-
- Loans	6.2	5,901	2,167
- Other financial assets	6.3	5,094	5,916
Deferred tax assets (net)	18.2	244	286
Income tax assets (net)	7	172	200
Other non-current assets	8	461	470
Total non-current assets		43,607	43,135
Current assets			
Financial assets	9		
- Trade receivables	9.1	3,018	2,749
- Cash and cash equivalents	9.2	1,949	2,033
- Other bank balances	9.3	1,514	100
- Loans	9.4	687	3,926
- Other financial assets	9.5	164	582
Other current assets	10	24	24
Total current assets		7,356	9,414
Total assets		50,963	52,549
Equity and liabilities			
Equity			
Capital	11.1	115	115
Other equity	11.2	8,242	7,779
Total equity		8,357	7,894
Non-current liabilities			
Financial liabilities	12		
- Borrowings	12.1	36,519	37,617
- Lease liabilities	30	779	760
Provisions	13.1	127	189
Deferred tax liabilities (net)	18.1	1,489	1,505
Other non-current liabilities	14	2,039	1,827
Total non-current liabilities		40,953	41,898
Current liabilities			
Financial liabilities	15		
- Borrowings	15.1	-	975
- Lease liabilities	30	56	54
- Trade payables			
Total outstanding dues of micro and small enterprises	15.2	10	3
Total outstanding dues of creditors other than micro and small enterprises	15.2	228	268
- Other financial liabilities	15.3	1,216	1,307
Other current liabilities	17	106	113
Provisions	13.2	5	3
Current tax liabilities (net)	16	32	34
Total current liabilities		1,653	2,757
Total liabilities		42,606	44,655
Total equity and liabilities		50,963	52,549
Summary of significant accounting policies	4		

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

As per our report of even date

For and on behalf of Restricted Group

For Ernst & Young Associates LLP

Director 

Director 

Place : Gurugram, India
Date

Place : Mauritius
Date 28 July 2021

Place : Mauritius
Date 28 July 2021

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

	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue			
Revenue from operations	19	6,257	6,179
Other income	20.2	40	27
Total revenue (I)		6,297	6,206
Expenses			
Employee benefits expense	21	47	19
Other expenses	24	822	833
Total expenses (II)		869	852
Earnings before interest, depreciation and amortization (EBITDA) (I)-(II) (A)		5,428	5,354
Depreciation and amortisation expense- (B)	22	2,354	2,368
Impairment loss- (C)	40	90	-
Interest income- (D)	20.1	758	697
Finance cost- (E)	23	3,464	3,532
Profit before tax (A-B-C+D-E)		278	151
Tax expense:			
Current tax expense	18	431	343
Income tax adjustment pertaining to earlier years	18	(15)	-
Deferred tax expense	18	79	244
Total tax expense		495	587
Net loss after tax		(217)	(436)
Other comprehensive income			
Items that will be reclassified to profit or loss			
Effective portion of cash flow hedge		(343)	3,317
Income tax effect		53	(498)
		(290)	2,819
Exchange differences on translating the financial statements of foreign entities		971	(3,154)
Items that will not be reclassified to profit or loss			
Re-measurement gains/(losses) on defined benefit plans		(2)	-
Income tax effect		1	-
Other comprehensive income/(loss)		680	(335)
Total comprehensive income/(loss)		463	(771)

Summary of significant accounting policies

4

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

As per our report of even date

For and on behalf of Restricted Group

For Ernst & Young Associates LLP


Director

Place: Gurugram, India
Date

Place : Mauritius
Date 28 July 2021

Director 

Place : Mauritius
Date 28 July 2021

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

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
A Cash flows from operating activities		
Profit before tax	278	151
Adjustment to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	2,354	2,368
Impairment loss	90	-
Interest income	(758)	(697)
Exchange difference (net)	(8)	25
Contract assets	(6)	(52)
Deferred revenue	30	(58)
Loss on sale of property, plant and equipment (net)	-	2
Net gain on sale of current investments	-	(22)
Provision for doubtful debts/advances	266	213
Provisions / liabilities written back	(23)	-
Bad debts written off	6	-
Viability Gap funding income	(80)	(90)
Finance cost	3,464	3,532
Operating profit before working capital changes	5,613	5,372
Movements in working capital:		
Increase in trade receivables	(533)	(596)
Increase in other current and non-current financial assets	(34)	(12)
Increase in Security deposit	(3)	(3)
Decrease in other current assets	-	43
(Decrease)/Increase in other current financial liabilities	(244)	65
(Decrease)/ Increase in trade payables	(35)	103
Increase in other current and non-current liabilities	192	295
Decrease in other non-current assets	17	34
Increase in current provisions	2	3
(Decrease)/Increase in non-current provisions	(56)	3
Cash generated from operations	4,919	5,307
Income tax paid (net of refunds)	(390)	(384)
Net cash flow from operating activities	4,529	4,923
(A)		
B Cash flows from investing activities		
Property, plant and equipment (including capital work in progress, capital advance and capital creditors)*	(184)	222
Interest received	1,141	582
Purchase of current investments	-	(5,527)
Proceeds from sale/maturity of current investments	-	5,549
Investment in/ (Proceeds from) in bank deposits	(1057)	691
Loan given to holding/fellow subsidiary companies	(2,544)	(3,019)
Proceeds from repayment of loan to holding/fellow subsidiary companies	2,052	1,717
Net cash flows (used in)/from investing activities	(592)	215
(B)		
C Cash flows from financing activities		
Proceeds from current borrowings	-	2,700
Repayment of current borrowings	(981)	(2,660)
Repayments of current borrowings from holding/fellow subsidiary companies	-	(334)
Payment for hedging arrangements	(930)	(1,058)
Payment of lease rent	(56)	(46)
Interest paid	(2,079)	(2,202)
Net cash flows used in financing activities	(4,047)	(3,600)
(C)		
Net (decrease)/increase in cash and cash equivalents	(110)	1,538
Effect of exchange rate changes on cash and cash equivalents	26	(3)
(D)		
Net (decrease)/increase in cash and cash equivalents (A+B+C+D)	(84)	1,535
Cash and cash equivalents at the beginning of the year	2,033	498
Cash and cash equivalents at the end of the year	1,949	2,033
Components of cash and cash equivalents		
Balances with schedule banks:		
- On current accounts	113	401
- Deposits with original maturity of less than 3 months	1,836	1,632
Total cash and cash equivalents	1,949	2,033

* This amount is net of refund of Goods and Services Tax amounting to INR Nil (March 31, 2020: INR 120 million).

Change in liabilities arising from financing activities

Particulars	Opening balance as at April 01, 2020	Cash flow (net)	Change in foreign exchange rate	Other changes**	Closing balance as at March 31, 2021
Non current borrowings (including current maturities)	37,617	-	(940)	137	36,814
Current borrowings	975	(981)	-	6	-
Lease liabilities	814	(56)	-	77	835
Total liabilities from financing activities	39,406	(1,037)	(940)	220	37,649

Particulars	Opening balance as at April 01, 2019	Recognition on April 01, 2019 due to adoption of Ind AS 116	Cash flow (net)	Change in foreign exchange rate	Other changes**	Closing balance as at March 31, 2020
Non current borrowings (including current maturities)	34,395	-	-	3,090	132	37,617
Current borrowings	1,269	-	(294)	-	-	975
Lease liabilities	-	784	(46)	-	76	814
Total liabilities from financing activities	35,664	784	(340)	3,090	208	39,406

**Including adjustments of ancillary borrowing cost

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.

As per our report of even date

For Ernst & Young Associates LLP

Place: Gurugram, India
Date

For and on behalf of Restricted Group

Director

Place: Mauritius
Date 28 July 2021

Director

Place: Mauritius
Date 28 July 2021

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

(a) Share capital*

Shares (Aggregate of Restricted Group of entities):

	Number of shares	Amount
At April 01, 2019	1,13,77,006	115
Addition during the year	-	-
At March 31, 2020	1,13,77,006	115
Addition during the year	-	-
At March 31, 2021	1,13,77,006	115

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

(b) Other equity**

For the year ended March 31, 2021:

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 account		Exchange differences on translating the financial statements of foreign entities	Defined benefit plans (Refer note 38)	
At April 01, 2020	(2,792)	11,374	5	(5,787)	-	7,779
Adoption of Ind AS 115	-	-	-	-	-	-
At April 1, 2018 (restated)	(2,792)	11,374	5	(5,787)	4,979	7,779
Loss for the year	(217)	-	-	-	-	(217)
Other comprehensive income/(loss)	-	-	-	971	(1)	680
At March 31, 2021	(3,009)	11,374	5	(4,816)	(1)	8,242

For the year ended March 31, 2020:

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 account		Exchange differences on translating the financial statements of foreign entities	Defined benefit plans (Refer note 38)	
At April 01, 2019	(2,356)	11,374	5	(2,633)	-	8,550
Loss for the year	(436)	-	-	-	-	(436)
Other comprehensive income/(loss)	-	-	-	(3,154)	-	(335)
At March 31, 2020	(2,792)	11,374	5	(5,787)	-	7,779

** Other equity represents the aggregate amount of other equity of identified subsidiaries of Restricted Group as of the respective period and does not necessarily represent legal other equity for the purpose of the Restricted Group.

*** CCDs were issued to Azure Power India Private Limited, Azure Power Makemake Private Ltd and Haeron Power Singapore Pte Limited with coupon rate of 0% and convertible into equivalent number of equity shares.

Note:

Deficit in the statement of profit and loss are the losses of the Restricted Group incurred till date net of appropriations.

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

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

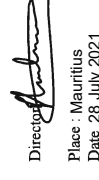
As per our report of even date

For and on behalf of Restricted Group


Director

For Ernst & Young Associates LLP

Place: Gurugram, India
Date


Director
Place : Mauritius
Date 28 July 2021

Restricted Group
Notes to special purpose combined financial statements
(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, 2021	March 31, 2020
Azure Power Energy Limited	Bond issuance	Mauritius	100%	100%
Azure Power (Punjab) Private Limited	Generation of Solar power	India	100%	99.99%
Azure Power (Haryana) Private Limited	Generation of Solar power	India	99.17%	99.17%
Azure Urja Private Limited	Generation of Solar power	India	100%	99.99%
Azure Surya Private Limited	Generation of Solar power	India	100%	99.99%
Azure Power (Karnataka) Private Limited	Generation of Solar power	India	100%	99.99%
Azure Photovoltaic Private Limited	Generation of Solar power	India	100%	99.99%
Azure Power Infrastructure Private Limited	Generation of Solar power	India	100%	99.99%
Azure Power (Raj.) Private Limited	Generation of Solar power	India	100%	99.99%
Azure Green Tech Private Limited	Generation of Solar power	India	100%	99.99%

Restricted Group
Notes to special purpose combined financial statements
(INR amount in millions, unless otherwise stated)

Entities	Principal Activity	Country of Incorporation	% Held by Parent	
			March 31, 2021	March 31, 2020
Azure Renewable Energy Private Limited	Generation of Solar power	India	100%	99.99%
Azure Clean Energy Private Limited	Generation of Solar power	India	100%	99.99%
Azure Sunrise Private Limited	Generation of Solar power	India	100%	99.99%
Azure Sunshine Private Limited	Generation of Solar power	India	100%	99.99%
Azure Power Eris Private Limited	Generation of Solar power	India	100%	99.99%
Azure Power Mars Private Limited	Generation of Solar power	India	100%	99.99%
Azure Power Pluto Private Limited	Generation of Solar power	India	100%	99.99%
Azure Power Thirty Seven Private Limited	Generation of Solar power	India	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. 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, 2021, 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, 2021, 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.

Restricted Group
Notes to special purpose combined financial statements
(INR amount in millions, unless otherwise stated)

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 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. 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 3 million as of March 2021 and March 2020 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 Group¹ 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

Restricted Group
Notes to special purpose combined financial statements
(INR amount in millions, unless otherwise stated)

- 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 property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 13.1 and 38 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, depreciation 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.

Restricted Group
Notes to special purpose combined financial statements
(INR amount in millions, unless otherwise stated)

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 Regulations².

Depreciation on other items of property, plant and equipment 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
Office equipment	5 years	1-5 years

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

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

The assets' residual values 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 items of property, plant and equipment that are not ready for use at the balance sheet date.

e) Leases

During the previous year, effective April 01, 2019 the Restricted Group has adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on the date of initial application i.e. April 01, 2019. The Restricted Group had applied the modified retrospective approach for transition to Ind AS 116 with right-of-use asset (ROU) recognised at an amount equal to the lease liability adjusted for any prepayments/accruals recognised in the balance sheet immediately before the date of initial application.

For contracts entered into, or changed, on or after April 01, 2019, at inception of a contract, the Restricted Group assessed whether a contract is, or contained, a lease. A contract is, or contained, a lease if the contract conveyed the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveyed the right to control the use of an identified asset, the Restricted Group assessed whether:

- the contract involved the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier had a substantive substitution right, then the asset is not identified;
- the Restricted Group had the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Restricted Group had the right to direct the use of the asset. The Restricted Group had this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Restricted Group had the right to direct the use of the asset if either:
 - the Restricted Group had the right to operate the asset; or
 - the Restricted Group designed the asset in a way that predetermines how and for what purpose it will be used.

² CERC regulations prescribe estimated useful life of 25 years

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At inception or on reassessment of a contract that contained a lease component, the Restricted Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Restricted Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Where the respective companies under the Restricted Group are lessees

The Restricted Group recognised a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate is used.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Restricted Group is reasonably certain to exercise, lease payments in an optional renewal period if the Restricted Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Restricted Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Restricted Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Restricted Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Restricted Group presents right-of-use assets and lease liabilities as a separate line item on the face of the Balance Sheet.

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.

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

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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)

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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 115.

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.

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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.

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:

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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 statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Derecognition

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

Reclassification of financial assets 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 statement of profit and loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.

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.

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Compulsory Convertible Debentures

Convertible debentures are separated into liability and equity components, where applicable based on the terms of the contract.

On issuance of the convertible debenture, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares, where applicable based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

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 statement of profit and 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 statement of profit and loss 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 statements of profit and loss. These derivatives are not held for speculative or trading purposes.

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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).

Further, revenue from the recovery of Safe-guard duties and Goods and Service Tax under the change in law provision are recognized over the PPA period based on terms agreed with customers or unless agreed otherwise.

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.

Income from carbon credit emission

Revenue from the sale of carbon credit emission is recognized at the time of transfer of credits to customers.

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.

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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) Government grants

Grants from the government are recognised at the fair value where there is a reasonable assurance that the grant will be received and the Restricted Group will comply all with all attached conditions.

Government grant relating to income are deferred and recognised in the statement of profit and loss over the period necessary to match them with the cost that they are intended to compensate and presented within other income.

Government grant relating to purchase of property, plant and equipment are included in non- current liabilities as deferred government grant and are credited to statement of profit and loss on a straight-line basis over the expected lives of the related assets and presented within other income.

j) 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

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Conversion

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

Exchange differences

Exchange differences arising on settlement or translation of monetary items are recognized in the statement of profit and 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 statement of profit and loss are also recognized in other comprehensive income or statement of profit and loss, respectively).

k) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Restricted Group has no obligation, other than the contribution payable to the provident fund. The Restricted Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Retirement benefit in the form of gratuity is a defined benefit scheme. The costs of providing benefits under the scheme are determined on the basis of actuarial valuation at each year-end using the projected unit credit method. The actuarial valuation is carried out for the plan using the projected unit credit method.

The Restricted Group presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Restricted Group has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

The Restricted Group recognizes termination benefit as a liability and an expense when the Restricted Group has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the termination benefits fall due more than 12 months after the balance sheet date, they are measured at present value of future cash flows using the discount rate determined by reference to market yields at the balance sheet date on government bonds.

The interest is calculated by applying the discount rate to the net defined benefit liability. The Restricted Group recognizes the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense

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l) 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.

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.

Current and deferred tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum Alternate Tax

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the entities forming part of the Restricted Group 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.

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m) 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.

n) 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.

o) 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.

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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.

p) 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.

q) 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.

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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 34 and 35.

r) 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.

s) Events occurring after the balance sheet date

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

The Restricted Group 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.

t) 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.

Restricted Group
Notes to special purpose combined financial statements
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u) Changes in accounting policy and disclosures – New and amended standards

i. Recent pronouncements

On March 24, 2021, the Ministry of Corporate Affairs (“MCA”) through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

- a) Lease liabilities should be separately disclosed under the head ‘financial liabilities’, duly distinguished as current or non-current.
- b) Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- c) Specified format for disclosure of shareholding of promoters.
- d) Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
- e) If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- f) Specific disclosure under ‘additional regulatory requirement’ such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

Statement of profit and loss:

- a) Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head ‘additional information’ in the notes forming part of consolidated financial statements.

The amendments are extensive, and the Group will evaluate the same to give effect to them as required by law.

ii. Other amendments

A number of minor amendments to existing standards also became effective on April 01, 2020 and have been adopted by the Restricted group. The adoption of these new accounting pronouncements did not have a significant impact on the accounting policies, method of computation or presentation applied by the Restricted Group.

iii. Standards issued but not yet effective

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

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

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v) During the current year, the Social Security Code, 2020 (“SS Code”) has been passed by the Parliament of India and also received Presidential assent on September 28, 2020. The SS Code has been enacted to amend and consolidate the laws relating to social security with the goal of extending social security to all employees and workers. However, due to second wave of COVID-19 pandemic, implementation of these labour reforms has been delayed and now are expected to be implemented in fiscal 2022. The Restricted Group is awaiting the issuance of final guidelines by Central and State governments on the new SS code and is under process of evaluating related impacts of these codes.

Restricted Group

Notes to Special Purpose Combined Financial Statements
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5. Property, plant and equipment

	Freehold land	Plant and machinery	Vehicles	Office equipment	Building	Computer	Total	Capital work in progress
Gross carrying amount								
At April 1, 2019	1,234	37,997	-	-	2,618	5	41,854	39
Additions	6	99	-	1	1	1	108	11
Disposals/ Adjustments*	36	157	-	-	-	-	193	37
At March 31, 2020	1,204	37,939	-	1	2,619	6	41,769	13
Additions	12	117	2	1	16	1	149	76
Disposals/ Adjustments*	4	91	-	-	-	-	95	50
At March 31, 2021	1,212	37,965	2	2	2,635	7	41,823	39
Accumulated Depreciation/ Amortisation								
At April 1, 2019	-	5,857	-	-	289	2	6,148	-
Charge for the year	-	2,220	-	1	106	2	2,329	-
Disposals/ Adjustments	-	2	-	-	-	-	2	-
At March 31, 2020	-	8,075	-	1	395	4	8,475	-
Charge for the year	-	2,215	-	-	105	2	2,322	-
Disposals/ Adjustments	-	3	-	-	-	-	3	-
Impairment loss**	-	90	-	-	-	-	90	-
At March 31, 2021	-	10,377	-	1	500	6	10,884	-
Net Block								
At March 31, 2021	1,212	27,588	2	1	2,135	1	30,939	39
At March 31, 2020	1,204	29,864	-	-	2,224	2	33,294	13

* Adjustments under 'Plant and machinery' includes adjustment for revised estimates in provision for decommissioning liabilities amounting to INR 74 million (March 31, 2020: INR Nil) and recovery of Goods and Services Tax amounting to INR Nil (March 31, 2020: INR 120 million).

** Pursuant to share purchase agreement entered between the shareholders.

Property, plant and equipment are pledged as collateral against borrowing, the details related to which is described in Note 12 on borrowings.

Restricted Group
Notes to Special Purpose Combined Financial Statements
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Particulars	As at March 31, 2021	As at March 31, 2020
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6. Non-current financial assets

6.1 Non-current investments

Investment in equity shares of fellow subsidiaries*

Total	-	-
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*During the year ended March 31, 2020, one of the entity of the Restricted Group, namely Azure Power Energy Limited, acquired a share of fellow subsidiary of Azure Power Group namely, Azure Power India Private Limited for INR 0.006 million. The carrying value of the investment as at March 31, 2021 was INR 0.006 million (Previous year INR 0.006 million).

6.2 Loans

(Unsecured, considered good)

Carried at amortised cost

Security deposits	9	7
Performance bank guarantee receivable	7	6
Loans to related party		
Loans to holding company # (refer note 26)	5,774	2,154
Loans to fellow subsidiary companies ## (refer note 26)	111	-
Total	5,901	2,167

#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. During the year ended March 31, 2021, some of the Restricted Group entities have renewed the loan given to Holding Company for long term and has classified the same accordingly. The loans are repayable over the period of 3 years.

During the year ended March 31, 2021, some of the Restricted Group entities have renewed the loan given to fellow Subsidiary Companies for long term and has classified the same accordingly. The loans are repayable over the period of 3 years and carries interest rate of 10.60% per annum

6.3 Other financial assets

Carried at amortised cost

Term deposits*	11	368
Interest accrued on term deposits	2	42
Interest accrued on loans and advances to holding company (refer note 26)	48	-
Interest accrued on loans and advances to fellow subsidiary (refer note 26)	36	-

Derivative instruments at fair value through OCI

Derivative assets ### (refer note 12.1)	4,997	5,506
Total	5,094	5,916

This relates to US\$ Senior Notes.

Azure Power (Punjab) Private Limited

*Axis Bank

Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 1 million).

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

Azure Power (Harvana) Private Limited

*Axis Bank

Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 3 million)

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

Further, the entity has balance of INR 0.16 million as at March 31, 2021 (March 31, 2020: INR 0.16 million).

Represents the amount of fixed deposit for bank guarantee issued to statutory authorities

*Indusind Bank

Further, the entity has balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 0.10 million).

Represents the amount for margin against letter of credits.

Azure Uria Private Limited

*Axis Bank

Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 4 million).

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

Azure Surya Private Limited

*Yes Bank

Balance of INR 3 million as at March 31, 2021 (March 31, 2020: INR 3 million)

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

*Indusind Bank

Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 57 million)

Represents an amount of margin against Letter of credit.

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Particulars	As at March 31, 2021	As at March 31, 2020
<u>Azure Power (Karnataka) Private Limited</u>		
*Indusind Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 29 million)		Represents an amount of margin against Letter of credit.
<u>Azure Photovoltaic Private Limited</u>		
*Axis Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 5 million)		Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.
*Indusind Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 50 million)		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, 2021 (March 31, 2020: INR 8 million)		Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.
Balance of INR 1 million as at March 31, 2021 (March 31, 2020: INR 1 million)		Represents an amount of third party margin.
Azure Power (Raj.) Private Limited		
*Axis Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 6 million)		Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.
*Indusind Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 62 million)		Represents an amount of margin against Letter of credit.
<u>Azure Green Tech Private Limited</u>		
*Axis Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 3 million)		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 Nil as at March 31, 2021 (March 31, 2020: INR 1 million)		Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.
<u>Azure Clean Energy Private Limited</u>		
*Axis Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 5 million)		Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.
*Indusind Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 29 million)		Represents an amount of margin against Letter of credit.
<u>Azure Sunrise Private Limited</u>		
*Axis Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 4 million)		Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.
*Indusind Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 59 million)		Represents an amount of margin against Letter of credit.
<u>Azure Sunshine Private Limited</u>		
*Axis Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 3 million)		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>		
*CBI Bank		
Balance of INR 0.4 million as at March 31, 2021 (March 31, 2020: 0.4 million).		Represents fixed deposit for bank guarantee issued to statutory authorities.
<u>Azure Power Mars Private Limited</u>		
*Axis Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 2 million)		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>		
*CBI Bank		
Balance of INR 0.1 million as at March 31, 2021 (March 31, 2020: 0.1 million).		Represents fixed deposit for bank guarantee issued to statutory authorities.

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Particulars	As at March 31, 2021	As at March 31, 2020
Azure Power Thirty Seven Private Limited		
*Axis Bank		
Balance of INR Nil as at March 31, 2021 (March 31, 2020: INR 9 million)		
	Represents an amount to be used for treating as Interest-Service Reserve account for its working capital demand loan.	
7. Income tax assets (net)		
Advance income-tax (net of provision for tax)	172	200
Total	172	200
8. Other non-current assets		
(Unsecured, considered good)		
Capital advances to related parties (refer note 26)	53	53
Capital advances to others	6	26
Prepaid assets - Land use rights	88	100
Prepaid performance bank guarantee	82	86
Contract assets	231	204
Balance with statutory / government authorities	1	1
Total	461	470
9. Current financial assets		
(Carried at amortised cost, unless stated otherwise)		
9.1 Trade receivables		
Trade receivables*	3,018	2,749
Total	3,018	2,749
Break-up for trade receivables		
Unsecured, considered good	3,018	2,749
Trade Receivables - credit impaired	440	181
Total	3,458	2,930
Impairment allowance (allowance for bad and doubtful debts)		
Trade Receivables - credit impaired	440	181
Total	3,018	2,749
*Trade receivable are non-interest bearing and are generally on terms of 30 to 60 days		
9.2 Cash and cash equivalents		
Balances with banks:		
- On current accounts	113	401
- Deposits with original maturity of less than 3 months	1,836	1,632
Total	1,949	2,033
9.3 Other bank balances		
- Deposits with original maturity for more than 3 months but remaining maturity for less than 12 months	1,228	100
- Deposits held as margin money with maturity less than 12 months	286	-
Total	1,514	100
9.4 Loans		
(Unsecured, considered good)		
Loans to holding company (refer note 26)	6	3,468
Loans to fellow subsidiary companies (refer note 26)	681	458
Total	687	3,926
9.5 Other financial assets		
Carried at amortised cost		
Interest accrued on term deposits	74	4
Interest accrued but not due on loans and advances to holding company (refer note 26)	1	527
Interest accrued but not due on loans and advances to fellow subsidiary companies (refer note 26)	45	38
Receivable from holding company* (refer note 26)	44	13
Total	164	582
*Relates to advances/payments for reimbursement		
10. Other current assets		
Prepaid assets - Land use rights	4	4
Prepaid assets - Others (refer note 30)	12	5
Prepaid performance bank guarantee	4	4
Advance to vendors		
Unsecured, considered good	3	8
Unsecured, considered doubtful	43	43
(Less): Allowance for bad and doubtful advances	-43	-43
	3	8
Deferred financing cost	-	3
Employee advances	1	-
Total	24	24

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11.1 Share capital*

Issued, subscribed and fully paid-up share capital
(Aggregate of Restricted Group of entities):

	Number of shares	Amount
At April 01, 2019	1,13,77,006	115
Addition during the year	-	-
At March 31, 2020	1,13,77,006	115
Addition during the year	-	-
At March 31, 2021	1,13,77,006	115

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

a) Terms/rights attached to shares

The respective Restricted Group entities have only one class of equity shares, Indian entities having a par value of INR 10/- per share and Mauritius entity having a par value of USD 100/- per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation, the holders of equity shares will be entitled to receive remaining assets of the entity, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b) Details of shareholders holdings more than 5% shares - Refer note 1

Restricted Group
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11.2 Other equity*

For the year ended March 31, 2021:

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 account		Exchange differences on translating the financial statements of foreign entities	Defined benefit plans (Refer note 38)	Effective portion of cash flow hedges (Refer note 32)	
At April 01, 2020	(2,792)	11,374	5	(5,787)	-	4,979	7,779
Adoption of Ind AS 115	-	-	-	-	-	-	-
At April 1, 2018 (restated)	(2,792)	11,374	5	(5,787)	-	4,979	7,779
Loss for the year	(217)	-	-	-	-	-	(217)
Other comprehensive income/(loss)	-	-	-	971	(1)	(290)	680
At March 31, 2021	(3,009)	11,374	5	(4,816)	(1)	4,689	8,242

For the year ended March 31, 2020:

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 account		Exchange differences on translating the financial statements of foreign entities	Defined benefit plans (Refer note 38)	Effective portion of cash flow hedges (Refer note 32)	
At April 01, 2019	(2,356)	11,374	5	(2,633)	-	2,160	8,550
Loss for the year	(436)	-	-	-	-	-	(436)
Other comprehensive income/(loss)	-	-	-	(3,154)	-	2,819	(335)
At March 31, 2020	(2,792)	11,374	5	(5,787)	-	4,979	7,779

* Other equity represents the aggregate amount of other equity of identified subsidiaries of Restricted Group as of the respective period and does not necessarily represent legal other equity for the purpose of the Restricted Group.

** CCDs were issued to Azure Power India Private Limited, Azure Power Makemake Private Ltd and Haeron Power Singapore Pte Limited with coupon rate of 0% and convertible into equivalent number of equity shares.

Note:

Deficit in the statement of profit and loss are the losses of the Restricted Group incurred till date net of appropriations.

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

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

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Particulars	As at March 31, 2021	As at March 31, 2020
12. Non-current financial liabilities		
12.1 Non-current borrowings		
At amortised cost		
Term loans (secured)		
- Foreign currency loan from bank*	-	303
Bond (secured)		
- 5.5% Senior Notes**	36,519	37,314
Total	36,519	37,617

***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 and accordingly the same has been classified as current as on March 31, 2021 (refer note 15.3).

****5.5% Senior Notes**

During August 2017, Azure Power Energy Limited ('APEL') issued 5.5% 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 senior notes 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 senior notes. The senior notes 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, 2021, the unamortized balance of issuance expenses including the discount on issuance of senior notes was INR 231 million and the net carrying value of the senior notes as on March 31, 2021 was INR 36,519 million. The Parent had guaranteed the principal and interest repayments to the investors, however the guarantee was cancelled on May 07, 2020 upon meeting certain financial covenants, which were met basis financial statements for the year ended March 31, 2019. (refer note 6.3 – Derivative assets). The Green Bonds are collateralized by pledge of 100% shares of APEL. Investment of APEL in non-convertible debentures and external commercial Borrowings of RG group entities, are further secured by 51% shares of respective RG entities, including charge over project assets of the RG group entities.

13. Provisions

13.1 Non-current

Provision for gratuity (refer note 38)	6	3
Provision for decommissioning liabilities*	121	186
Total	127	189

*Provision has been recognized 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

Opening balance	186	176
Accretion during the year	9	10
Impact of change in estimate during the year (refer note 39)	(74)	-
Closing balance	121	186

13.2 Current

Provision for compensated absences	5	3
Total	5	3

14. Other non-current liabilities

Deferred viability gap funding income	1,362	1,243
Deferred revenue	677	584
Total	2,039	1,827

15. Current financial liabilities

(Carried at amortised cost)

15.1 Current borrowings

Secured loans, repayable on demand

From banks:		
Working capital demand loan**	-	975
Total	-	975

**During the previous year, the Restricted Group entities had taken working capital facility from ICICI Bank amounting to INR 1,690 million for meeting the working capital requirement for execution of the EPC contracts awarded/to be awarded to it for identified solar development projects to be set up by the Restricted Group entities. The facility carried an interest rate of 10.15% and was repayable within 12 months from the date of agreement. The same has been repaid during the year. The loans were secured by first ranking hypothecation/other charge on current assets, book debts and receivable of the Restricted Group entities.

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Particulars	As at March 31, 2021	As at March 31, 2020
15.2 Trade payables		
- Total outstanding dues of micro enterprises and small enterprises (refer note 29)	10	3
(A)	<u>10</u>	<u>3</u>
- Total outstanding dues of creditors other than micro enterprises and small enterprises *	215	182
Trade payables to related parties*	13	86
(B)	<u>228</u>	<u>268</u>
Total (A)+(B)	<u>238</u>	<u>271</u>
* (a) Trade payables are non-interest bearing and are normally settled upto 90 days terms. (b) For terms and conditions relating to related party payables, see note 26.		
15.3 Other financial liabilities		
Other financial liabilities at amortised cost		
Current maturities of non-current borrowings (refer note 12.1)	295	-
Interest accrued but not due on borrowings	831	852
Contractually reimbursable expenses to holding company (refer note 26)	18	280
Payable to fellow subsidiary companies (refer note 26)	20	2
Payable for purchase of capital goods to related parties (refer note 26)	38	163
Payable for purchase of capital goods to others	14	10
Total	<u>1,216</u>	<u>1,307</u>
16. Current tax liabilities (Net)		
Provision for income tax	32	34
Total	<u>32</u>	<u>34</u>
17. Other current liabilities		
Statutory dues	25	32
Deferred viability gap funding income	81	81
Total	<u>106</u>	<u>113</u>
17.1 Deferred tax liabilities		
Deferred tax liabilities	1,489	1,505
Total	<u>1,489</u>	<u>1,505</u>
17.2 Deferred tax assets		
Deferred tax assets	244	286
MAT credit entitlement	-	-
Total	<u>244</u>	<u>286</u>

Restricted Group
Notes to Special Purpose Combined Financial Statements
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	As at March 31, 2021	As at March 31, 2020
18.1 Deferred tax liabilities (net)		
Deferred tax liabilities	1,489	1,505
Total	1,489	1,505
18.2 Deferred tax assets		
Deferred tax assets	244	286
Total	244	286

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

	As at April 01, 2019	Provided during the year	As at March 31, 2020	Provided during the year	As at March 31, 2021
Deferred tax assets:					
Difference between revenue under tax and recorded for financial reporting	266	27	293	87	380
Depreciation on Asset decommissioning liability	51	3	54	(19)	35
Unabsorbed depreciation and brought forward losses	532	(117)	415	(100)	315
MAT credit entitlement	67	(10)	57	(33)	24
Provision for doubtful debt	-	53	53	75	128
Other temporary differences	-	18	18	6	24
Gross deferred tax assets (A)	916	(26)	890	16	906
Deferred tax liability:					
Difference between tax depreciation/ amortisation charged for the financial reporting	1,012	218	1,230	95	1,325
Gross deferred tax liability (B)	1,012	218	1,230	95	1,325
Deferred Tax asset / (liability) (Net) (A - B)	(96)	(244)	(340)	(79)	(419)
Deferred tax liability recognised in Other Comprehensive Income	(381)	(498)	(879)	53	(826)
Deferred tax asset/(liability) (net) after OCI	(477)	(742)	(1,219)	(26)	(1,245)

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 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.

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

Restricted Group
Notes to Special Purpose Combined Financial Statements
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Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:

	For the year ended March 31, 2021	For the year ended March 31, 2020
Accounting loss before income tax	278	151
India's statutory income tax rate	29.12%	29.12%
Tax at applicable tax rate	81	44

(A)

Tax effect of expenses that are not deductible in determining taxable profit:

Carried forward losses reversing in the tax holiday period	(142)	12
Permanent difference disallowed under Income Tax Act	326	428
Difference in written down value not considered for deferred tax purpose	25	40
Effect of tax of APEL (Mauritius entity)	225	177
Impact of different income tax rates	(32)	(49)
Adjustments in relation to tax expense of previous years	(15)	-
	387	608

(B)

Tax effect of income that are not taxable in determining taxable profit:

Brought forward losses adjusted	-	(85)
Others	27	15
	27	(70)

(C)

Impact of Change in Income tax rates

	-	5
	495	587

(D)

(A+B+C+D)

Component of tax expenses-

Current tax expense	431	343
Adjustments in relation to tax expense of previous years	(15)	-
Deferred tax expense	79	244
Total tax expense	495	587

Restricted Group
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Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
19. Revenue from operations		
Revenue from contracts with customers*		
Sale of power (refer note 28)	6,176	6,089
Other operating revenue		
Viability gap funding income	80	90
Income from carbon credit emission	1	-
Total	6,257	6,179
*		
1. There is no difference between revenue recognised as per P&L and contracted price therefore no reconciliation is required to be disclosed		
2. As revenue recognized at the time, hence the performance obligation is met at the same time.		
20. Non Operating Income		
20.1 Interest income		
Interest income on financial assets measured at amortised cost:		
- Term deposits	69	58
- Loan to holding/fellow subsidiary companies (refer note 26)	647	624
Interest income on refund of income tax	20	-
Other*	22	15
Total	(A) 758	697
*Primarily relates to revenue straight lining under IND AS 115		
20.2 Other income		
Net gain on sale of current investments measured at FVTPL	-	22
Provision / liabilities written back	23	-
Exchange difference (net)	8	-
Miscellaneous income	9	5
Total	(B) 40	27
Total other income	(A+B) 798	724
21. Employee benefits expense		
Salaries, wages and bonus	43	17
Contribution to provident and other funds (refer note 38)	3	1
Gratuity expense (refer note 38)	1	1
Total	47	19
22. Depreciation and amortisation expense		
Depreciation of tangible assets	2,322	2,328
Depreciation of right-of-use assets (refer note 30)	32	40
Total	2,354	2,368
23. Finance cost		
Interest expenses on financial liabilities measured at amortised cost:		
- Term loans	31	233
- 5.5% Senior Notes*	3,282	3,126
- Loan from holding/fellow subsidiary companies (refer note 26)	-	30
- Lease liabilities	77	75
Other finance costs**	74	68
Total	3,464	3,532

* Including amortisation of hedging cost of INR 1,101 million (March 31, 2020: INR 1,054 million).

** Primarily includes adjustment related to IND AS 115 and interest to micro and small enterprises.

Restricted Group
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Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
24. Other expenses		
Rent (refer note 30)	17	7
Rates and taxes	37	16
Insurance	46	28
Repair and maintenance		
- Plant and machinery	120	50
- Other repairs	28	8
Management fees (refer note 26 and 33)	102	34
Legal and professional fees	36	72
Payment to auditor (refer details below)	7	14
Operation and maintenance fees (refer note 26 and 33)	2	306
Bad debts written off (refer note 36)	6	-
Provision for doubtful advances	-	43
Provision for doubtful debts (refer note 36)	266	170
Security charges	115	35
Incentive to rooftop owners	11	13
Exchange difference (net)	-	25
Loss on sale of property, plant and equipment (net)	-	2
Miscellaneous expenses	29	10
Total	822	833
Payment to auditor:		
As auditor:		
Audit fees	6	13
Reimbursement of expenses	1	1
Total	7	14

25. Earnings per share

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

26. 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) (till July 16, 2019) Mr. H.S. Wadhwa (Director) (till March 30, 2020) Mr. Surendra Kumar Gupta (Director) (till June 20, 2019) Mr. Preet Mohinder Sandhu (Director till December 3, 2020) Mr. Sanjeev Bhatia (Director till September 15, 2020) Mr. Khalid Muhammad Peyrre (Director from June 15, 2017) Mr. Eric Ng Yim On (Director from June 15, 2017 till November 12, 2019) Mr. Eric Ng Yim On (Alternate Director from November 13, 2019) Mr. Ik Pyo Kim (Director) (till March 27, 2019) Mrs. Yung Oy Pin Lun Leung (Director from November 13, 2019) Mr. Mohor Sen (Director) (till March 15, 2019) Ms. Shalini Naagar (Director) (with effect from March 15, 2019 till November 12, 2019) Mr. Shankar Kumar (Additional Director) (with effect from July 17, 2019 till March 10, 2020) Mr. Sandeep Arora (Additional Director) (with effect from March 11, 2020) Mr. Pawan Kumar Agarwal (Additional Director) (with effect from June 21, 2019) Mr. Samitla Subba (Additional Director) (with effect from March 11, 2020) Mr. Gaurang Sethi (Additional Director) (with effect from March 11, 2020) Mr. Srinagesh Rambhotla (Additional Director) (with effect from November 13, 2019) Mr. Nitin Vaid (Director with effect from September 14, 2020)

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 Rooftop Private Limited Azure Power Rooftop (GenCo.) Private Limited Azure Power Forty One Private Limited Azure Power Venus Private Limited Azure Power Thirty Eight Private Limited Azure Power Mercury Private Limited Azure Power Forty Three Private Limited Azure Power Thirty Three Private Limited Azure Solar Solutions Private Limited Azure Power (Rajasthan) Private Limited Azure Power Thirty Six Private Limited Azure Power Thirty Four Private Limited Azure Solar Private Limited

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

1. Transactions during the year :

Nature of transaction	Holding company		Fellow subsidiary company	
	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
a) Expenditure incurred on behalf of Restricted Group by				
Azure Power India Private Limited	40	293	-	-
Azure Power (Rajasthan) Private Limited	-	-	-	1
b) Sale of capital goods				
Azure Power India Private Limited	4	36	-	-
c) Purchase of capital goods				
Azure Power India Private Limited	18	-	-	-
Azure Solar Solutions Private Limited	-	-	16	-
Azure Power Venus Private Limited	-	-	4	-
Azure Power Forty Three Private Limited	-	-	19	-
d) Operation and maintenance services received				
Azure Power India Private Limited	-	306	-	-
e) Management services received				
Azure Power India Private Limited	102	34	-	-
f) Loans given				
Azure Power India Private Limited	2,139	2,279	-	-
Azure Power Thirty Three Private Limited	-	-	-	170
Azure Power Rooftop Private Limited	-	-	405	570
g) Repayment of loans given				
Azure Power India Private Limited	1,982	1,007	-	-
Azure Power Thirty Three Private Limited	-	-	-	170
Azure Power Venus Private Limited	-	-	-	50
Azure Power Thirty Six Private Limited	-	-	-	31
Azure Power Rooftop (GenCo.) Private Limited	-	-	-	1
Azure Power Rooftop Private Limited	-	-	-	393
Azure Power Thirty Four Private Limited	-	-	-	65
Azure Power Forty One Private Limited	-	-	70	-

Restricted Group
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(InR amount in millions, unless otherwise stated)

h) Interest income from loan				
Azure Power India Private Limited	581	542	-	-
Azure Power Venus Private Limited	-	-	4	7
Azure Power Thirty Three Private Limited	-	-	-	5
Azure Power Forty One Private Limited	-	-	6	7
Azure Power Thirty Six Private Limited	-	-	-	2
Azure Power Thirty Four Private Limited	-	-	-	1
Azure Power Thirty Eight Private Limited	-	-	11	11
Azure Power Mercury Private Limited	-	-	7	7
Azure Power Rooftop Private Limited	-	-	38	41
Azure Power Rooftop (GenCo.) Private Limited	-	-	-	1
i) Repayment of borrowings (including interest accrued)				
Azure Power India Private Limited	-	334	-	-
Azure Solar Private Limited	-	-	-	9
Azure Power (Rajasthan) Private Limited	-	-	-	2
Azure Power Forty Three Private Limited	-	-	-	3
j) Interest expense				
Azure Power India Private Limited	-	29	-	-
Azure Solar Private Limited	-	-	-	1
k) Transfer of liabilities related to employee benefits				
Azure Power India Private Limited	-	4	-	-
l) Outstanding guarantee given by holding company on our behalf				
Azure Power India Private Limited	-	1,690	-	-
m) Outstanding guarantee released by holding company on our behalf				
Azure Power India Private Limited	1,690	-	-	-

2. Balances outstanding at the end of the year

Nature of transaction	Holding company		Fellow subsidiary company	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
a) Receivables				
Azure Power India Private Limited	97	66	-	-
b) Payables				
Azure Power India Private Limited	30	366	-	-
Azure Power Venus Private Limited	-	-	1	-
Azure Power Jupiter Private Limited	-	-	-	2
Azure Power Rooftop (GenCo.) Private Limited	-	-	1	-
Azure Power Forty Three Private Limited	-	-	19	-
c) Payable for purchase of capital goods				
Azure Power India Private Limited	38	163	-	-
d) Loans given				
Azure Power India Private Limited	5,780	5,622	-	-
Azure Power Venus Private Limited	-	-	40	40
Azure Power Thirty Six Private Limited	-	-	-	-
Azure Power Thirty Four Private Limited	-	-	-	-
Azure Power Thirty Eight Private Limited	-	-	100	100
Azure Power Mercury Private Limited	-	-	70	70
Azure Power Forty One Private Limited	-	-	-	70
Azure Power Thirty Three Private Limited	-	-	1	1
Azure Power Rooftop Private Limited	-	-	581	177
e) Interest income receivable on loan given				
Azure Power India Private Limited	49	527	-	-
Azure Power Rooftop Private Limited	-	-	36	-
Azure Power Thirty Three Private Limited	-	-	-	5
Azure Power Venus Private Limited	-	-	17	14
Azure Power Thirty Six Private Limited	-	-	-	3
Azure Power Thirty Four Private Limited	-	-	-	5
Azure Power Thirty Eight Private Limited	-	-	10	-
Azure Power Mercury Private Limited	-	-	18	11
f) Outstanding guarantee given by holding company on our behalf				
Azure Power India Private Limited	-	1,690	-	-
Azure Power Global Limited* (refer note 12.1)	-	37,314	-	-

* The Parent has guaranteed the principal and interest repayments to the investors, however, the guarantee was cancelled on May 07, 2020 upon meeting certain financial covenants, which were met basis financial statements for the year ended March 31, 2019.

Note:

Terms and conditions of transactions with related parties:

- The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.
- Loans from/to related parties carry an interest rate of 9.9% - 12.5% p.a. and are repayable/receivable in accordance with the terms of the respective agreement.
- During the previous year, the Holding Company of Restricted Group entities had given a guarantee for the total working capital facility availed from ICICI Bank amounting to INR 1,690 million. Out of the total facility, loan amounting to INR 709 million had been repaid during the previous year and the remaining facility was repaid during the current year.
- There has been no transaction with Key managerial personnel during the year ended March 31, 2021 and March 31, 2020.
- Refer note 6.2 and 9.4 for loan provided to the holding company/fellow subsidiaries.

Restricted Group**Notes to Special Purpose Combined Financial Statements**

(INR amount in millions, unless otherwise stated)

27. 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 all located in India and there are no revenue and non-current assets outside India.

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

Particulars	Revenue from external customers	Revenue from external customers
	For the year ended March 31, 2021	For the year ended March 31, 2020
Sale of power		
Punjab State Power Corporation Limited	1,736	1,677
Solar Energy Corporation of India	1,000	997
NTPC Limited	871	848

B. Revenue from major products and services

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Sale of Power	6,176	6,089
Viability gap funding income	80	90
Carbon credit emission income	1	-
Total	6,257	6,179

Restricted Group
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28. Contract balances

The following table provides information about trade receivables, contract assets, and deferred revenue from customers as at March 31, 2021 and March 31, 2020.

Particulars	As at March 31, 2021	As at March 31, 2020
Non current assets		
Contract assets	231	204
Current assets		
Trade receivables*	3,018	2,749
Non current liabilities		
Deferred revenue	677	584
Deferred viability gap funding income	1,362	1,243
Current liabilities		
Deferred viability gap funding income	81	81

29. 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, 2021	For the year ended March 31, 2020
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	10	3
Principal amount due to micro and small enterprises	9	3
Interest due on above	1	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	1	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-

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30. Leases

During the previous year effective April 01, 2019, the Restricted Group adopted Ind AS 116 "Leases" to all lease contracts existing on April 01, 2019 using the modified retrospective method. The adoption of new accounting standard resulted in recognition of right-of-use asset ('ROU') of INR 827 million through recognition of Lease Liability of INR 785 million and reclassification of prepayments of INR 42 million on April 01, 2019.

Restricted Group entities as lessee:

Land leases:

The entities in Restricted Group leases land for construction of solar power plants. These leases typically run for 25 to 30 years which is further extendable on mutual agreement by both lessor and lessee.

Information about the leases for which the Company is a lessee is presented below:

i) Right-of-use assets

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening balance as at April 01, 2020	789	827
Additions during the year	-	2
Depreciation for the year	(32)	(40)
Closing balance as at March 31, 2021	757	789

ii) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movement during the year:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening balance as at April 01, 2020	814	785
Additions during the year	-	-
Accretion of interest	77	75
Payments	(56)	(46)
Closing balance as at March 31, 2021	835	814

Particulars	As at March 31, 2021	As at March 31, 2020
Current	56	54
Non-current	779	760
Total	835	814

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

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Depreciation of right-of-use assets	32	40
Interest on lease liabilities	77	75
Expenses relating to short-term leases	17	7
Total	126	122

Below are the amounts recognised by the Restricted Group entities in the statement of cash flows:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Total cash outflow for leases	56	46

Extension options:

Land leases contain extension options exercisable by the entities in Restricted Group before the end of the non-cancellable contract period. Where practicable, the Restricted Group entities seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only on mutual agreement. The Restricted Group entities assess at lease commencement whether it is reasonably certain to exercise the extension options. The Restricted Group entities reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

31. Commitments and contingencies

a) Commitments

(i) The Restricted Group has commitments of INR 16 million (net of advances) (March 31, 2020: INR Nil) for purchases of assets for the construction of solar power plants.

(ii) 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 UrjaVikas Nigam Limited*	30-Apr-10	Q2 2011	15 kw/h - 1 to 12 Years 5 kw/h - 13 to 25 Years	25 Years	5
Gujarat UrjaVikas Nigam Limited*	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	15-Oct-10	Q4 2009	17.91 kw/h	25 Years	2
Punjab State Power Corporation Limited	27-Dec-13	Q3 2014	7.67 kw/h	25 Years	15
Punjab State Power Corporation Limited	27-Dec-13	Q4 2014	7.97 kw/h	25 Years	15
Punjab State Power Corporation Limited	27-Dec-13	Q4 2014	8.28 kw/h	25 Years	4

Restricted Group**Notes to Special Purpose Combined Financial Statements**

(INR amount in millions, unless otherwise stated)

Uttar Pradesh Power Corporation Limited	27-Dec-13	Q1 2015	8.99/kwh	12 Years**	10
Bangalore Electricity Supply Company Limited	18-Jan-14	Q1 2015	7.47 kw/h	25 Years	10
Solar Energy Corporation of India	28-Mar-14	Q1 2015	5.45 kw/h	25 Years	40
Solar Energy Corporation of India	28-Mar-14	Q1 2015	5.45 kw/h	25 Years	20
Solar Energy Corporation of India	28-Mar-14	Q1 2015	5.45 kw/h	25 Years	40
Southern Power Distribution Company of Andhra Pradesh Limited***	05-Dec-14	Q1 2016	5.89 kw/h	25 Years	50
Chamundeshwari Electricity Supply Corporation Limited	02-Jan-15	Q1 2017	6.51 kw/h	25 Years	50
Hubli Electricity Supply Company Limited	09-Jan-15	Q1 2017	6.51 kw/h	25 Years	40
Bihar State Power (Holding) Company Limited	17-Jan-15	Q3 2016	8.39 kw/h	25 Years	10
Gulbarga Electricity Supply Corporation Limited	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 Limited	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 Limited	10-Aug-16	Q4 2017	4.67 kw/h	25 Years	100

*The entity had entered into a Power Purchase Agreement (PPA) on 30th day of April, 2010 with Gujarat Urja Vikas Nigam Limited for 10 MW @ Rs. 15/kwh for first 12 years and @ Rs. 5/kwh. for remaining period.

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

***The entity had entered into a Power Purchase Agreement (PPA) on 5th day of December, 2014 with Southern Power Distribution Company of Andhra Pradesh Limited 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.

b) Pending litigations:

Some entities forming part of Restricted Group have received demand for extension charges totaling INR 415 million (March 31, 2020: 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.

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

32. Hedging activities and derivatives**Contracts designated as Cash flow hedges**

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

The Company documented each hedging relationship and assessed its initial effectiveness on inception date and the subsequent effectiveness was tested on a quarterly basis using dollar offset method. When the relationship between the hedged items and hedging instrument is highly effective at achieving offsetting changes in cashflows attributable to the hedged risk, the Company records in other comprehensive income the entire change in fair value of the designated hedging instrument that is included in the assessment of hedge effectiveness. The gain or loss on the hedge contracts shall be reclassified to interest expense when the coupon payments and principal repayments are made on the related investments. The hedge contracts were effective as of March 31, 2021.

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 1,101 million and INR 1,054 million during the period ended March 31, 2021 and March 31, 2020 respectively.

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

	Foreign currency option contracts	
	As at	As at
	March 31, 2021	March 31, 2020
Notional Amount (US\$ denominated)	499.60	499.60
Non-current – Other financial assets (INR)	4,997	5,506

33. Operation and Maintenance

Till November 30, 2019, the operations of the entities in the Restricted Group including operations and maintenance of the solar plant were managed by the employees of the Parent Company for which cost was charged by the Parent 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 Parent Company.

Effective December 01, 2019, certain employees were transferred from parent Company to the Restricted Group entities and the operation and maintenance activities were carried out in-house by these entities. Also, the Parent Company is providing certain services to Restricted Group entities in exchange of management fees (refer note 23).

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34. Fair values

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

	Carrying value		Fair value	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Financial assets at amortised cost				
Non-current security deposits	9	7	9	7
Performance bank guarantee receivable	7	6	7	6
Non-current loans to holding company (including interest accrued)	5,822	2,154	5,822	2,154
Non-current loans to fellow subsidiaries (including interest accrued)	147	-	147	-
Non-current term deposits (including interest accrued)	13	410	13	410
Financial assets at fair value				
Derivative instruments at fair value through OCI*	4,997	5,506	4,997	5,506
Total	10,995	8,083	10,995	8,083
Financial liabilities at amortised cost				
Foreign currency loan from bank (including current maturities)**	295	303	295	303
5.5% Senior Notes***	36,519	37,314	38,435	35,754
Total	36,814	37,617	38,730	36,057

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 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 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.

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 period.

***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, 2021 was assessed to be insignificant.

35. 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, 2021:

Total	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 security deposits	9	-	9
Performance bank guarantee receivable	7	-	7
Non-current loans to holding company (including interest accrued)	5,822	-	5,822
Non-current loans to fellow subsidiaries (including interest accrued)	147	-	147
Non-current term deposits (including interest accrued)	13	-	13
Financial assets measured at fair value			
Derivative instruments at fair value through OCI	4,997	-	4,997

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, 2021:

Total	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			
Foreign currency loan from bank (including current maturities)	295	-	295
5.5% Senior Notes	38,435	-	38,435

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, 2020:

Total	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 security deposits	7	-	7
Performance bank guarantee receivable	6	-	6
Non-current loans to holding company (including interest accrued)	2,154	-	2,154
Non-current term deposits (including interest accrued)	410	-	410
Financial assets measured at fair value			
Derivative instruments at fair value through OCI	5,506	-	5,506

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, 2020:

Total	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			
Foreign currency loan from bank (including current maturities)	303	-	303
5.5% Senior Notes	35,754	-	35,754

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

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36. 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 and borrowings, deposits, investment in mutual funds.

The sensitivity analyses in the following sections relate to the position as at March 31, 2021 and March 31, 2020.

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 Restricted Group's exposure to the risk of changes in market interest rates relates primarily to the Restricted Group's long-term 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's financial instruments as at March 31, 2021 to interest rate risk is as follows:

As at March 31, 2021	Floating rate financial instruments	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	-	9,647	8,680	18,327
Financial liabilities	295	36,519	-34,525	2,289

The exposure of the Restricted Group's financial instruments as at March 31, 2020 to interest rate risk is as follows:

As at March 31, 2020	Floating rate financial instruments	Fixed rate financial instruments	Non-interest bearing	Total
Financial assets	-	8,180	9,293	17,473
Financial liabilities	303	38,289	-36,200	2,392

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, the Restricted Group's loss before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points	March 31, 2021	March 31, 2020
Effect on profit/(loss) before tax (in Rupees)	+/(-)50	(-)/+	1
		(-)/+	2

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.

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, 2021 and March 31, 2020:

	March 31, 2021	March 31, 2020
Borrowings		
- Foreign currency loan from bank	295	303
- 5.5% Senior Notes*	37,350	38,166

* Including interest accrued but not due on borrowings of INR 831 million (March 31, 2020: INR 852 million).

Foreign currency sensitivity

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

	Change in USD rate	March 31, 2021	March 31, 2020
Effect on profit/(loss) before tax (in INR)	+/(-)5%	(-)/+	1,882
		(-)/+	1,923

As the Restricted Group has 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.

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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.

Trade receivables and contract asset

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

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

	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening balance	181	11
Changes in allowance for expected credit loss:		
Additional provision (net) towards credit impaired receivables during the year (refer note 24)	272	170
Provision written back during the year (refer note 20)	(7)	-
Bad debts written off during the year (refer note 24)	(6)	-
Closing balance	440	181

Financial instruments and cash deposits

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

Liquidity risk

Liquidity risk is the risk that Restricted Group 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.

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.

Non-current borrowings of Restricted Group include INR 36,519 million of senior notes which may be subject to refinancing risk, when they becomes due, as market conditions may not be possible to refinance the bonds at all or to refinance the bonds on favorable terms. In addition, hedges taken on these bonds are covered from INR 63.6/US\$ to INR 90.0/US\$, which may expose Restricted Group to additional hedging costs in the future. Furthermore, the rating downgrade of India by Moody's in past periods, as well as a negative outlook for India, may in future make global access to funds difficult.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. 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, 2021				
Lease liabilities	59	266	2,230	2,555
Borrowings*	2,350	37,971	-	40,321
Trade payables	228	-	-	228
Other financial liabilities	921	-	-	921
	3,558	38,237	2,230	44,025
As at March 31, 2020				
Lease liabilities	56	253	2,301	2,610
Non-current borrowings*	2,119	42,205	-	44,324
Current borrowings	975	-	-	975
Trade payables	268	-	-	268
Other financial liabilities	1,307	-	-	1,307
	4,725	42,458	2,301	49,484

*Including interest on Borrowings

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37. Capital management

For the purpose of the Restricted Group's capital management, capital includes issued equity share capital, securities 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, 2021	As at March 31, 2020
Borrowings*	30,242	32,512
Trade payables & other current financial liabilities**	1,149	1,575
Less: Cash and cash equivalents***	(3,463)	(2,133)
Net debts	27,928	31,954
Equity	8,357	7,894
Total Capital	8,357	7,894
Capital and net debt	36,285	39,848
Gearing ratio (%)	77.0%	80.2%

* The Restricted Group has adjusted the Inter Group Borrowings to/from holding and fellow subsidiary in borrowings.

** The Restricted Group has trade receivables of INR 3,018 million as at March 31, 2021 (March 31, 2020: INR 2,749 million).

*** This includes other bank balances, which the Restricted Group 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, 2021 and March 31, 2020.

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38. Employee Benefits

(a) Defined contribution plan

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

The Restricted Group has recognised INR 3 million (March 31, 2020: INR 1 million) for provident fund contribution in the Statement of Profit and Loss. The contribution payable to the plan by the Restricted Group is at the rate specified in the rules to the scheme.

(b) Defined benefit plan

Gratuity and other post-employment benefits

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

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

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

	Gratuity
	March 31, 2021
Current service cost	1
Net expense recognized in statement of profit and loss	1

Amount recognised in Other Comprehensive Income for the year ended:

	Gratuity
	March 31, 2021
Effect of change in financial assumptions	1
Experience (gains)/ losses	1
Actuarial(gain)/ loss recognized in the year	2

Balance Sheet figures as at:

	Gratuity	
	March 31, 2021	March 31, 2020
Present value of defined benefit obligation	6	3

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

	Gratuity
	March 31, 2021
Present value of obligation as at the beginning	3
Current service cost	1
Re-measurement (or Actuarial) (gain) / loss	2
Present Value of Obligation as at the end	6
Current portion	-
Non-Current portion	6

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

	March 31, 2021	March 31, 2020
Discount rate	7.03%	6.65%
Employee turnover rate	9.00%	12.00%
Withdrawal rate (p.a.)	9.00%	12.00%
Salary Escalation Rate	10.00%	7.00%
Retirement age	58 years	58 years

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

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A quantitative sensitivity analysis for significant assumption as at March 31, 2021 is as shown below:

	Discount rate	
	March 31, 2021	
	1 % increase	1 % decrease
Defined benefit obligation increased/(decreased) by	(1)	1
	Salary Escalation Rate	
	March 31, 2021	
	1 % increase	1 % decrease
Defined benefit obligation increased/(decreased) by	1	(1)

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

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

	March 31, 2021
Within the next 12 months (next annual reporting period)	-
Between 2 and 5 years	2
Between 5 and 10 years	3

During previous year effective December 01, 2019, certain employees were transferred from parent Company to the Restricted Group entities. Related employee benefits liabilities were accordingly transferred to these Restricted Group entities. In absence of breakup of related employees costs the movement of defined benefit obligation and other components related to previous year ended March 31, 2020, are not reported separately. (Also refer note 26 and 33)

39. 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:

The Restricted Group evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgement. The Restricted Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Restricted Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

B. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Restricted Group 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 Discounted Cash Flow (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% 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 (also refer note 4(v)).

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(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, 2021: INR 121 million (March 31, 2020: INR 186 million). The Group estimates that the costs would be settled upon the expiration of the lease and calculates the provision using the DCF method based on the following assumptions:

► Estimated range of cost per megawatt– INR 0.39 million to INR 0.41 million (March 31, 2020: INR 0.35 million to INR 0.55 million)

► Discount rate – 6.9% p.a (March 31, 2020: 6.9% p.a)

If the estimated pre-tax discount rate used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would have been impacted by INR 18 million.

(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, depreciation 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 has re-estimated useful lives and residual values of all its property, plant and equipment. 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.

Restricted Group**Notes to Special Purpose Combined Financial Statements**

(INR amount in millions, unless otherwise stated)

(viii) Defined benefit plans (gratuity benefits)

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

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

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

Further details about gratuity obligations are given in Note 38.

(ix) Leases - Estimating the incremental borrowing rate

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

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

40. Impairment of assets

During fiscal year ended March 31, 2021, The Parent has identified certain subsidiaries to sell off on a going concern basis, which currently form part of our Rooftop business. Out of this identified portfolio, subsequent to March 2021, Azure Power India Private Limited (APIPL) and Azure Power Rooftop Pvt. Ltd (APRPL), being the Subsidiaries of Parent have entered into a contract with Radiance Renewables Pvt. Ltd. ("Radiance") to sell certain subsidiaries (the "Rooftop Subsidiaries") with an operating capacity of 153 MW, for INR 5,350 million, subject to certain purchase price adjustments (the "Rooftop Sale Agreement"). Pursuant to the Rooftop Sale Agreement, Radiance will acquire 100% of the equity ownership of the Rooftop Subsidiaries owned by APIPL and APRPL, respectively.

As per the terms of the Rooftop Sale Agreement in respect of the 10 MWs operating capacity that is part of the Restricted Group, 48.6% of the equity ownership will be transferred to Radiance on the closing date, and pursuant to the terms of the Green Bond Indentures, the remaining 51.4% may only be transferred post refinancing of our Green Bonds. Further, in the event the above sale transaction does not occur, the Group must reimburse Radiance the equity value of the assets not transferred along with an 10.5% per annum equity return.

The Group has determined that the decision to sell the Rooftop Subsidiaries and the subsequent execution of the Rooftop Sale Agreement are indicators of impairment and therefore the Group has undertaken an impairment assessment for the Rooftop Subsidiaries.

The Restricted group entities used the Sale price in the Rooftop Sale Agreement of INR 67 million as its best estimate of the recoverable value and accordingly, an impairment loss of INR 90 million was recorded in relation to the Property, plant and equipment.

41. Events after the reporting period

The Restricted Group has considered internal and external information in the preparation of financial statements including the economic outlook and believes that it has taken into account the possible impact of currently known events arising out of the COVID-19 pandemic. The Ministry of New and Renewable Energy ("MNRE") had sent a directive to all state DISCOMs to reiterate that all renewable energy facilities in India have been granted "must run" status and this status of "must run" remains unchanged. The power plants have remained operational as electricity generation is designated as an essential service in India. Based on the current collection experience, the Restricted Group has not seen a material impact on accounts receivables collections due to COVID-19. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Restricted Group will continue to monitor any material changes to future economic conditions. Subsequent to the year end the Restricted Group has entered into a binding agreement to sell off certain assets. See also note 40.

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

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

43. Reclassification

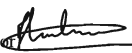
For the purpose of these special purpose combined financial statements, figures of audited individual financial statements of entities forming part of the Restricted Group have been regrouped /reclassified where necessary.

As per our report of even date

For and on behalf of Restricted Group

For Ernst & Young Associates LLP


Director

Director 

Place: Gurugram, India
Date

Place : Mauritius
Date 28 July 2021

Restricted Group**Results of operations – Special purpose combined financial statements**

(INR amount in millions, unless otherwise stated)

Year ended March 31, 2021 Special Purpose Combined Financial Results:**Operating Results*****Revenue from operations***

Operating revenue for the year ended March 31, 2021 was INR 6,257 million, an increase of 1% from INR 6,179 million as compared to the year ended March 31, 2020. The increase in revenue was driven by the higher insolation and lower curtailments as compared to the previous year.

Other income

Non-operating income for the Restricted Group for the year ended March 31, 2021 was INR 40 million, an increase of 48% from INR 27 million as compared to the year ended March 31, 2020. The increase was primarily due to insurance claim received amounting INR 4 million and exchange gain(net) on reinstatements of loans amounting INR 8 million.

Employee benefits expense

Employee benefits expenses during the year ended March 31, 2021 increased to INR 47 million from INR 19 million as compared to the year ended March 31, 2020. The principal reason for the increase was due to transfer of employees from Holding company to Restricted Group entities during second half of last year as operation and maintenance activities have been internalized.

Operating expenses (exclusive of depreciation and amortisation)

Operating expense for the year ended March 31, 2021 decreased by 1% to INR 822 million from INR 833 million for the year ended March 31, 2020. The decrease was primarily due to less activity on account of COVID-19 and lower professional expenses and exchange loss(net), partially offset by higher provision for doubtful receivables (non-cash) during the year.

Depreciation and amortisation expense

Depreciation and amortisation expense during the year ended March 31, 2021 decreased by 1%, to INR 2,354 million from INR 2,368 million as compared to the year ended March 31, 2020.

Impairment loss

Restricted Group has recognised an impairment loss of INR 90 million during the current year (Previous year Nil) in a subsidiary, in relation to the Property, plant and equipment (Also refer Note 40 for further details).

Interest income

Interest income during the year ended March 31, 2021 increased by INR 61million, or 9%, to INR 758 million as compared to INR 697 million for the year ended March 31, 2020 as a result of an increase in interest income on term deposits, inter corporate deposits and interest on refund of income tax during the current year.

Finance cost

Finance cost during the year ended March 31, 2021 decreased by 2%, to INR 3,464 million from INR 3,532 million as compared to the year ended March 31, 2020. The primary reason for the decrease in interest expense is due to repayment of working capital demand loan during the current year, partially offset by increase in interest expense on Green Bonds due to depreciation of Indian Rupee against U.S dollar during the year.

Tax expense

Income tax expense for the Restricted Group during the year ended March 31, 2021 was INR 495 million, as compared to income tax expense of INR 587 million during the year ended March 31, 2020. During current year, Restricted Group has recognized a deferred tax benefit (net) of INR 165 million on account of movement in the carrying amounts of certain assets and liabilities and their tax base, partially offset by increase in taxable profits of Restricted Group entities.

Restricted Group**Results of operations – Special purpose combined financial statements**

(INR amount in millions, unless otherwise stated)

Net Loss after tax

Net loss after tax was INR 217 million for the year ended March 31, 2021, compared to net loss after tax of INR 436 million during the year ended March 31, 2020. The decrease in loss in current year was primarily due to the increase in revenue, other income and decrease in tax expense, offset by recognition of impairment loss in current year, as compared to last year.

Liquidity and Capital Resources

The following table reflects the changes in cash flows of the Restricted Group for fiscal years ended March 31, 2021 and 2020 under IND-AS:

<u>Cash Flow Data</u>	For Fiscal Year Ended March 31,		
	2021	2020	Change
	INR (In millions)	INR (In millions)	INR (In millions)
Net cash flows from operating activities	4,529	4,923	(394)
Net cash flows (used in)/from investing activities	(592)	215	(807)
Net cash flows used in financing activities	(4,047)	(3,600)	(447)

Cash flows from operating activities

Cash generated from operating activities for the year ended March 31, 2021 was INR 4,529 million, as compared to INR 4,923 million during the year ended March 31, 2020, primarily due to higher cash outflow on trade payables and other liabilities.

Cash flows (used in)/from investing activities

Cash used in investing activities for the year ended March 31, 2021 was INR 592 million, as compared to cash generated from investing activities of INR 215 million during the year ended March 31, 2020, primarily on account of settlement of liabilities relating to capex and net investment in term deposits.

Cash flows used in financing activities

Cash utilised from financing activities was INR 4,047 million for the year ended March 31, 2021, as compared to cash utilised from financing activities of INR 3,600 million during the year ended March 31, 2020. This is primarily due to repayment of current borrowings, related to the working capital facility taken in Restricted Group entities, offset by lower hedge payments on account of timing difference and lower cash outflows in respect of inter-company loans transactions as compared to last year.

Liquidity Position

As of March 31, 2021, Restricted Group had INR 3,463 million of cash, cash equivalents and other bank balances.

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

Combined EBITDA of Restricted Group was INR 5,428 million for the year ended March 31, 2021, compared to INR 5,354 million during the year ended March 31, 2020. The increase in EBITDA was primarily due to increase in operating revenue during the current year as compared to last year.