

Azure Power Global Limited

Results for Fiscal First Half 2024 | Six-months ended September 30, 2023

Ebene, June 27, 2024: Azure Power Global Limited, a leading independent renewable power producer in India, today shares its consolidated results under United States Generally Accepted Accounting Principles (“GAAP”) for the fiscal First Half 2024, six-months ended September 30, 2023.

Fiscal First Half 2024, Six-months ended September 30, 2023, Operating Highlights:

- Megawatts (“MW”) Operating were 3,041 MW, as of September 30, 2023 (including rooftop capacity), an increase of 2% over September 30, 2022. Operating, Contracted & Awarded MW were 4,278 MW, as of September 30, 2023. Contracted & Awarded megawatts include 967 MW for which we had received Letters of Award (“LOA”) but the Power Purchase Agreements (“PPAs”) had not been signed as of September 30, 2023.
- Operating revenues for the six-months ended September 30, 2023, were INR 11,203 million (US\$ 134.8 million), an increase of 8% over the six-months ended September 30, 2022.
- Net loss for the six-months ended September 30, 2023, was INR 993 million (US\$ 12.0 million) against the net loss of INR 2,212 million for the six-months ended September 30, 2022. The decline in Net loss was primarily due to additional revenue from projects commissioned on or after September 30, 2022, provision for bank guarantees created during previous period under projects having portfolio of 3,033 MW, offset by increase in legal and professional expense primarily related to the whistle blower investigations (refer the detailed explanation in the Net Profit/ (Loss) section below).

Key Operating Metrics

Electricity generation excluding rooftop portfolio during the six-months ended September 30, 2023, was 3,122 million kWh an increase of 258 million kWh or 9%, over the six-months ended September 30, 2022. The increase in electricity generation was principally a result of an additional 48 MW of AC (133 MW DC) operating capacity, commissioned since September 30, 2022.

Our Plant Load Factor (“PLF”) excluding rooftop portfolio for the six-months ended September 30, 2023, was 24.1% compared to 23.3%, for the same comparable period in 2022, which increased principally due to the addition of AC and DC capacity and improved performance by our plants.

We commissioned Nil MW AC (17 MW DC) during the six-months ended September 30, 2023, against 241 MW AC (309 MW DC) during the six-months ended September 30, 2022.

Megawatts Operating and Megawatts Contracted & Awarded

We measure the rated capacity of our plants in megawatts. Rated capacity is the expected maximum output that a solar power plant can produce without exceeding its design limits. We believe that tracking the growth in aggregate megawatt rated capacity is a measure of the growth rate of our business.

“Megawatts Operating” represents the aggregate cumulative megawatt rated capacity of solar power plants that are commissioned and operational as of the reporting date.

“Megawatts Contracted & Awarded” represents the aggregate megawatt rated capacity of solar power plants pursuant to customer PPAs signed, allotted or won in an auction but not commissioned and operational as of the reporting date.

Fiscal First Half 2024, Six-months ended September 30, 2023, Consolidated Financial Results:

Operating Revenues

Operating revenues for the six-months ended September 30, 2023, were INR 11,203 million (US\$ 134.8 million), an increase of 8% from INR 10,363 million in the six-months ended September 30, 2022. This increase was mainly driven by revenue generated from projects which were commissioned on or after the September 30, 2022.

Cost of Operations (Exclusive of Depreciation and Amortization)

Cost of operations for the six-months ended September 30, 2023, increased by 6% to INR 907 million (US\$ 10.9 million) from INR 853 million in the six-months ended September 30, 2022, and remained consistent at 8% - 9% of revenue recognized during the respective period of both periods.

The increase in the cost of operations was primarily due to increase in operational expenses under the projects which were commissioned on or after September 30, 2022.

General and Administrative Expenses

General and administrative expenses for the six-months ended September 30, 2023, were INR 2,756 million (US\$ 33.2 million), an increase of INR 220 million (US\$ 2.6 million) compared to the six-months ended September 30, 2022. The increase was primarily due to increase in legal and professional expenses related to whistle blower investigations of INR 996 million (US\$ 12.0 million) and increase in audit fees due to recognition of audit fees of Fiscal 2022 in current period of INR 260 million (US\$ 3.1 million). Credits in the previous period not in the current period on reversal of provisions for stock appreciation rights of INR 646 million and insurance proceeds received of INR 316 million, added to the variance from previous period to current period. This was offset by provisions made in the previous period, not in the current period for bank guarantees of INR 1,768 million and doubtful receivables of INR 344 million.

Depreciation and Amortization

Depreciation and amortization during the six-months ended September 30, 2023, increased by INR 112 million (US\$ 1.3 million), or 5%, to INR 2,301 million (US\$ 27.7 million) compared to the six-months ended September 30, 2022. The increase was primarily related to the projects commissioned on or after September 30, 2022.

Impairment loss

We recognized an impairment loss of INR 680 million (US\$ 8.2 million) during the six-months ended September 30, 2023, primarily due to impairment expense of INR 651 million (US\$ 7.8 million) under our wind projects and INR 29 million (US\$ 0.4 million) in relation to our 2 MW Delhi project.

Interest Expense, Net

Net interest expense during the six-months ended September 30, 2023, increased by INR 1,155 million (US\$ 13.9 million), or 28% compared to the six-months ended September 30, 2022, to INR 5,211 million (US\$ 62.7 million). Of the increase of INR 1,155 million (US\$ 13.9 million), INR 237 million (US\$ 2.9 million) is mainly due to additional interest charged by lenders for delay in filing of financials, INR 297 million (US\$ 3.6 million) is due to interest earlier capitalized, now charged off on projects commissioned after period ended September 30, 2022, INR 198 million (US\$ 2.4 million) is due to interest resets and INR 318 million (US\$ 3.8 million) is on change in notional hedge related cost on 3.575% solar green bonds.

Loss on Foreign Currency Exchange, net

The Indian Rupee ("INR") depreciated against the U.S. dollar by INR 0.89/US\$ (or 1%) for every US\$ 1.00 during the six-months from March 31, 2023, to September 30, 2023. During the six-months ended September 30, 2023, we have reported a loss of INR 3 million (US\$ 0.0 million) on foreign exchange as compared to a loss of INR 143 million, during the six-months ended September 30, 2022.

Other Expenses/ (Income), Net

Other expenses (net), primarily consists of income from current investments and other incidental expense. During the six-months ended September 30, 2023, we have reported other income (net) of INR 1 million as compared to other income (net) of INR 3 million, during the six-months ended September 30, 2022.

Income Tax Expense

Income tax expense during the six-months ended September 30, 2023, was INR 339 million (US\$ 4.1 million), compared to an income tax expense of INR 1,653 million in the six-months ended September 30, 2022. During the current period, deferred tax benefit (net) has been recognised as compared to deferred tax expense in previous period mainly on account of movement in the carrying amount of certain assets and liabilities and their tax base and commissioning of new projects.

Net Profit/ (Loss)

Net loss for the six-months ended September 30, 2023, was INR 993 million (US\$ 12.0 million), decline of INR 1,219 million (US\$ 14.6 million) compared to a net loss of INR 2,212 million for the six-months ended September 30, 2022. The decline in loss was primarily due to additional revenue of INR 840 million majorly from projects commissioned since September 30, 2022, and decrease in tax expense of INR 1,314 million. This was offset by increase in legal and professional expense primarily related to Whistle blower investigations by INR 996 million and increase in interest expense of INR 1,155 million. Provisions made in the previous period, not in the current period, for bank guarantees of INR 1,768 million added to

the positive variance. This was offset by credit in the previous period on reversal of provisions for stock appreciation right of INR 646 million.

Cash Flow and Working Capital

Cash flow from operating activities for the six-months ended September 30, 2023, was INR 3,520 million (US\$ 42.2 million), compared to cash flow generated from operating activities of INR 3,527 million for the prior comparable period. The cash flow from operating activities during current six-months includes working capital impact of INR 272 million primarily due to decrease in accounts receivable by INR 951 million, decrease in prepaid expenses and other current assets by INR 93 million, offset by decrease in other liabilities by INR 708 million and increase in other assets by INR 155 million.

Cash used in investing activities for the six-months ended September 30, 2023, was INR 476 million (US\$ 5.7 million), compared to INR 4,735 million for the corresponding six-months in 2022, primarily due to higher capital expenditures for solar projects in previous comparable period.

Cash flow used in financing activities for the six-months ended September 30, 2023, was INR 3,587 million (US\$ 43.2 million), compared to INR 2,413 million for the corresponding six-months in 2022, primarily due to repayment of debt during current period (net of disbursements).

Liquidity Position

As of September 30, 2023, we had INR 8,305 million (US\$ 99.9 million) of cash and cash equivalents. In addition, we had INR 11,501 million (US\$ 138.4 million) of short-term restricted cash as at September 30, 2023 that we expect to be utilised primarily for capital expenditures over the next twelve months. We had undrawn project debt commitments excluding Rooftop portfolio of INR 3,820 million (US\$ 46.0 million) as of September 30, 2023.

Other updates

Pursuant to the manufacturing linked tender award of 4,000 MW, the Group executed Power Purchase Agreements (“PPAs”) for a capacity of 2,333 MW with Solar Energy Corporation of India (“SECI”), for which SECI executed a Power Sale Agreement (“PSA”) with the state of Andhra Pradesh (“AP”) during Fiscal 2022. In respect of these 2,333 MW projects, two Public Interest Litigations (“PILs”) were filed in the High Court of Andhra Pradesh in Fiscal 2022, challenging various aspects of the manufacturing linked tender and seeking to quash the Andhra Pradesh Regulator’s approval for procurement of capacity tied up by Andhra Pradesh Discoms with SECI pursuant to the tender. Based on the economics and uncertainties associated with the PILs and ongoing Special Committee review, the Group concluded not to go ahead with these PPAs in AP and filed a petition at the Andhra Pradesh High Court seeking a declaration that the Group should be discharged from performance of the obligations under the Andhra Pradesh PPAs for a capacity of 2,333 MW. Since there was a threat by SECI to revoke the Bank Guarantee of US\$14.0 million, the Hon’ble High Court in its order dated October 16, 2023, directed SECI not to take coercive steps against the Group until the next date of hearing. This matter is currently pending. The Group has taken a write-off of INR 254 million (US\$ 3.1 million) towards irrecoverable costs and a provision of INR 1,223 million (US\$14.7 million) towards Bank Guarantees in its consolidated financial statements for Fiscal 2023. On March 18, 2024, we received two letters from SECI stating that SECI reserve the right to take appropriate action against Azure including but not limited to the forfeiture of the Group’s Performance Bank Guarantee, Success Fee and other applicable provisions, SECI also informed the Group that it was awarding the 2,333 MW projects and associated PPAs to a third-party.

In light of the ongoing Special Committee review as well as economic and execution challenges, the Group decided to withdraw from the 700 MW projects which is part of the 4,000 MW manufacturing linked tender awarded by SECI in Fiscal 2020. Accordingly, the Group has recognized a provision of INR 1,053 million (US\$ 12.7 million) in its consolidated financial statements for Fiscal 2023 towards irrecoverable costs and Bank Guarantee in relation to the 700 MW projects. During Fiscal 2025, the Group commenced discussions with SECI to ensure an orderly withdrawal from the 700 MW projects and from the obligations of the Group under the PPAs, Performance Bank Guarantees and other guarantees relating to the projects. Discussions with SECI on the aforesaid matter is still on-going.

Mr. Brijesh Mehra was appointed as a non-executive Director of the Company and of Azure Power India Private Limited as the nominee of CDPQ Infrastructures Asia Pte Ltd., effective May 08, 2024. Mr. Mehra has also assumed the role of Chairman of the Board of the Company and of Azure Power India Private Limited.

For the status of the whistle blower investigations and Special Committee investigation, please refer to Note 27 “Whistle-blower Allegations and Special Committee Investigation” of the Group’s financial statements in the annual report on Form 20-F filed by the Company with the U.S. Securities and Exchange Commission on March 28, 2024.

Exchange Rates

This press release contains translations of certain Indian rupee amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise stated, the translation of Indian rupees into U.S. dollars has been made at INR 83.08 to US\$1.00, which is the noon buying rate in New York City for cable transfer in non-U.S. currencies as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2023. We make no representation that the Indian rupee or U.S. dollar amounts referred to in this press release could have been converted into U.S. dollars or Indian rupees, as the case may be, at any particular rate or at all.

About Azure Power Global Limited

Azure is a leading independent renewable power producer in India. Azure developed India's first private utility scale solar project in 2009 and has been at the forefront in the sector as a developer, constructor and operator of utility scale renewable projects since its inception in 2008. With its in-house engineering, procurement and construction expertise and advanced in-house operations and maintenance capability, Azure manages the entire development and operation process, providing low-cost renewable power solutions to customers throughout India.

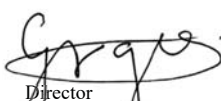
We," "us," the "Group," the "Company," "Azure" or "our" refers to Azure Power Global Limited, a company organized under the laws of Mauritius, together with its subsidiaries (including Azure Power Rooftop Private Limited ("AZR"), and Azure Power India Private Limited, or AZI, its predecessor and current subsidiaries). Our "Company" refers to Azure Power Global Limited.

Azure Power Global Limited
Consolidated Balance Sheets
(INR and US\$ amounts in millions, except share and par value data)

Particulars	As at		
	March 31 2023 (INR) (Audited)	September 30 2023 (INR) (Unaudited)	September 30 2023 (USD) (Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	12,724	8,305	99.9
Restricted cash	7,764	11,501	138.4
Accounts receivable, net	5,713	4,851	58.4
Investments in held to maturity securities	7	7	0.1
Inventory	13	13	0.2
Prepaid expenses and other current assets	1,630	1,738	21.0
Total current assets	27,851	26,415	318.0
Non-current assets:			
Restricted cash	479	390	4.7
Property, plant and equipment, net	143,639	141,108	1,698.5
Software, net	1	4	0.0
Accounts receivable, net	3,896	3,755	45.2
Deferred income taxes	1,137	1,576	19.0
Right-of-use assets	4,346	4,452	53.6
Other assets	8,730	9,904	119.3
Investments	457	457	5.5
Total non-current assets	162,685	161,646	1,945.8
Total assets	190,536	188,061	2,263.8
Liabilities and shareholders' equity			
Current liabilities:			
Short-term debt	7,840	8,745	105.3
Accounts payable	1,504	1,543	19.0
Current portion of long-term debt	9,414	8,609	103.6
Income taxes payable	386	573	6.9
Interest payable	1,098	1,143	13.8
Deferred revenue	308	317	3.8
Lease liabilities	292	324	3.9
Other liabilities	5,357	5,230	62.3
Total current liabilities	26,199	26,484	318.6
Non-current liabilities:			
Long-term debt	114,191	111,489	1,341.9
Deferred revenue	6,688	6,726	81.3
Deferred income taxes	3,338	3,735	45.0
Asset retirement obligations	1,112	1,161	14.0
Lease liabilities	3,408	3,532	42.5
Other liabilities	65	38	0.5
Total non-current liabilities	128,802	126,681	1,525.2
Total liabilities	155,001	153,165	1,843.8
Shareholders' equity			
Equity shares, US\$0.000625 par value; 64,166,360 and 64,166,360 shares issued and outstanding as of March 31, 2023, and September 30, 2023,	3	3	0.0
Additional paid-in capital	56,743	56,736	682.9
Accumulated deficit	(17,597)	(18,614)	(224.0)
Accumulated other comprehensive loss	(4,239)	(3,877)	(46.7)
Total APGL shareholders' equity	34,910	34,248	412.2
Non-controlling interest	625	648	7.8
Total shareholders' equity	35,535	34,896	420.0
Total liabilities and shareholders' equity	190,536	188,061	2,263.8

For and on behalf of Azure Power Global Limited


Director
Place: Ebene, Mauritius
Date: 27 June 2024


Director
Place: Ebene, Mauritius
Date: 27 June 2024

Azure Power Global Limited
Consolidated Statements of Operations
(INR and US\$ amounts in millions, except share and par value data)

Particulars	Six months ended		
	September 30 2022 (INR) (Unaudited)	September 30 2023 (INR) (Unaudited)	September 30 2023 (USD) (Unaudited)
Operating revenues:			
Revenue from customers*	10,363	11,203	134.8
Operating costs and expenses:			
Cost of operations (exclusive of depreciation and amortization shown separately below)	853	907	10.9
General and administrative	2,536	2,756	33.2
Depreciation and amortization	2,189	2,301	27.7
Impairment loss	1,148	680	8.2
Total operating cost and expenses	6,726	6,644	80.0
Operating income	3,637	4,559	54.8
Other expense, net:			
Interest expense, net	4,056	5,211	62.7
Loss on foreign currency exchange, net	143	3	0.0
Other expenses/ (income), net	(3)	(1)	0.0
Total other expenses, net	4,196	5,213	62.7
Loss before income tax	(559)	(654)	(7.9)
Income tax expense	(1,653)	(339)	(4.1)
Net loss	(2,212)	(993)	(12.0)
Net profit attributable to non-controlling interest	2	24	0.3
Net loss attributable to APGL equity shareholders	(2,214)	(1,017)	(12.3)
Net loss per share attributable to APGL equity shareholders			
Basic	(34.50)	(15.85)	(0.19)
Diluted	(34.50)	(15.85)	(0.19)
Shares used in computing basic and diluted per share amounts			
Basic	64,166,360	64,166,360	
Diluted	64,166,360	64,166,360	

* Revenue from customers is in accordance with ASC 606, includes sale of power, other revenue items related to generation from solar power.

For and on behalf of Azure Power Global Limited



Director
Place: Ebene, Mauritius
Date: 27 June 2024

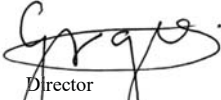


Director
Place: Ebene, Mauritius
Date: 27 June 2024

Azure Power Global Limited
Consolidated Statements of Cash flows
(INR and US\$ amounts in millions)

Particulars	Six months ended		
	September 30	September 30	September 30
	2022 (INR)	2023 (INR)	2023 (USD)
	(Unaudited)	(Unaudited)	(Unaudited)
<u>Cash flows from operating activities</u>			
Net loss	(2,212)	(993)	(12.0)
Adjustments to reconcile net loss to net cash used in operating activities:			
Deferred income taxes	1,091	(204)	(2.5)
Depreciation and amortization	2,189	2,301	27.7
Impairment loss	1,148	680	8.2
Amortization of derivative instruments	845	1,190	14.3
Loss on disposal of property plant and equipment	122	66	0.8
Share based compensation	(632)	(7)	(0.1)
Amortization of debt financing costs	169	83	1.0
Employee benefits	9	5	0.1
ARO accretion	41	47	0.6
Interest income from investments	(17)	(25)	(0.3)
Non-cash rent expense	42	58	0.7
Allowance for doubtful accounts	385	52	0.6
Foreign exchange loss, net	143	3	0.0
Change in operating lease right-of-use assets	(132)	(348)	(4.2)
Change in operating lease liabilities	8	340	4.1
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,020)	951	11.4
Inventory	(13)	-	-
Prepaid expenses and other current assets	321	93	1.1
Other assets	49	(155)	(1.9)
Accounts payable	(1,088)	(5)	(0.1)
Interest payable	121	49	0.6
Deferred revenue	1,283	47	0.6
Other liabilities	675	(708)	(8.5)
Net cash flows from operating activities [A]	3,527	3,520	42.2
<u>Cash flows used in investing activities</u>			
Purchase of property plant and equipment	(4,427)	(472)	(5.7)
Purchase of software	-	(4)	0.0
Investment in equity investee	(362)	-	-
Proceeds from disposal of subsidiaries	54	-	-
Net cash flows used in investing activities [B]	(4,735)	(476)	(5.7)
<u>Cash flows used in financing activities</u>			
Proceeds from term and other debt	3,064	825	9.9
Repayments of term and other debt	(4,454)	(3,358)	(40.4)
Repayment of Green bonds	(1,023)	(1,054)	(12.7)
Net cash flows used in financing activities [C]	(2,413)	(3,587)	(43.2)
Net decrease in cash and cash equivalents, and restricted cash [A+B+C]	(3,621)	(543)	(6.7)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	1,663	(228)	(2.7)
Cash and cash equivalents and restricted cash at the beginning of the period	23,306	20,967	252.4
Cash and cash equivalents and restricted cash at the end of the period	21,348	20,196	243.0

For and on behalf of Azure Power Global Limited

 Director Place: Ebene, Mauritius Date: 27 June 2024	 Director Place: Ebene, Mauritius Date: 27 June 2024
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