

RG Group III Special Purpose
Combined Financial Statements
For the six-months ended
September 30, 2024

Restricted Group III Ind AS Special Purpose Combined Financial Statements as of September 30, 2024

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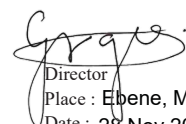
Restricted Group- III
Special purpose combined balance sheet as at September 30, 2024
(All amount in INR millions, unless otherwise stated)

	As at September 30, 2024 (Unaudited)	As at March 31, 2024 (Audited)
Assets		
Non-current assets		
Property, plant and equipment	26,983	27,538
Right-of-use assets	839	855
Capital work-in-progress	-	1
Financial assets		
- Trade receivables	9	40
- Loans	8,682	262
- Other financial assets	1,760	2,049
Deferred tax assets (net)	172	183
Income tax assets (net)	227	159
Other non-current assets	469	563
Total non-current assets	39,141	31,650
Current assets		
Inventories	1	1
Financial assets		
- Trade receivables	2,524	2,429
- Cash and cash equivalents	260	373
- Other bank balances	497	1,960
- Loans	129	7,158
- Other financial assets	1,283	1,584
Other current assets	98	74
Total current assets	4,792	13,579
Total assets	43,933	45,229
Equity and liabilities		
Equity		
Equity share capital	113	113
Other equity	11,217	11,209
Total equity	11,330	11,322
Non-current liabilities		
Financial liabilities		
- Borrowings	23,364	24,282
- Lease liabilities	958	948
- Other financial liabilities	6	-
Provisions	103	98
Deferred tax liabilities (net)	2,547	1,999
Other non-current liabilities	2,114	2,173
Total non-current liabilities	29,092	29,500
Current liabilities		
Financial liabilities		
- Borrowings	2,295	3,042
- Lease liabilities	67	65
- Trade payables		
Total outstanding dues of micro and small enterprises	30	31
Total outstanding dues of creditors other than micro and small enterprises	350	409
- Other financial liabilities	610	620
Other current liabilities	102	130
Provisions	6	6
Current tax liabilities (net)	51	104
Total current liabilities	3,511	4,407
Total liabilities	32,603	33,907
Total equity and liabilities	43,933	45,229
See accompanying notes to the financial statements	1-15	

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

For and on behalf of Restricted Group-III


Director
Place : Ebene, Mauritius
Date : 28 Nov 2024


Director
Place : Ebene, Mauritius
Date : 28 Nov 2024

Restricted Group- III**Special purpose combined statement of profit and loss for the six months ended September 30, 2024**

(All amount in INR millions, unless otherwise stated)

	Six months ended September 30, 2024 (Unaudited)	Six months ended September 30, 2023 (Unaudited)
Revenue		
Revenue from operations	2,821	3,170
Other income	66	82
Total income (I)	2,887	3,252
Expenses		
Employee benefits expense	39	33
Other expenses	358	294
Total expenses (II)	397	327
Earnings before interest, depreciation and amortization (EBITDA) (I)-(II) (A)	2,490	2,925
Depreciation and amortization expense (B)	521	518
Interest income (C)	495	487
Finance costs (D)	1,163	1,449
Profit before tax (A-B+C-D)	1,301	1,445
Tax expense		
Current tax expense	298	390
Income tax adjustment pertaining to earlier years	(9)	-
Deferred tax charge/ (credit)	441	(143)
Total tax expense	730	247
Profit after tax	571	1,198
Other comprehensive income (OCI)		
Items that will be reclassified to profit or loss		
Effective portion of cash flow hedge	777	693
Income tax effect on effective portion of cash flow hedge	(117)	(104)
	660	589
Exchange differences on translating the financial statements of foreign operations	(134)	(302)
Other comprehensive income	526	287
Total comprehensive income	1,097	1,485

See accompanying notes to the financial statements

1-15

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

For and on behalf of Restricted Group-III


Director
Place : Ebene, Mauritius
Date : 28 Nov 2024



Director
Place : Ebene, Mauritius
Date : 28 Nov 2024

Restricted Group- III
Special purpose combined statement of cash flows for the six months ended September 30, 2024

(All amount in INR millions, unless otherwise stated)

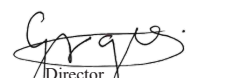
Particulars	Six months ended September 30, 2024 (Unaudited)	Six months ended September 30, 2023 (Unaudited)
A Cash flows from operating activities		
Profit before tax	1,301	1,445
Adjustment to reconcile profit before tax to net cash flow		
Depreciation and amortization expense	521	518
Interest income	(495)	(487)
Deferred revenue	7	(16)
Allowance for doubtful trade receivables (net)	22	(30)
Asset written off	58	3
Provisions / liabilities no longer required written back	(33)	(14)
Viability gap funding income	(58)	(41)
Contract assets	101	(63)
Finance costs	1,163	1,449
Operating profit before working capital changes	2,587	2,764
Movements in working capital:		
(Increase)/ decrease in trade receivables	(86)	731
(Increase)/ decrease in other current/ non-current financial assets	(1)	9
Increase in other current assets	(20)	(30)
Decrease in other non-current assets	2	2
(Decrease)/ increase in trade payables	(27)	60
Increase in other current financial liabilities	14	7
Decrease in other current and non-current liabilities	(121)	(10)
Increase in non-current provisions	-	1
Cash generated from operations	2,348	3,534
Income tax paid (net of refunds)	(413)	(175)
Net cash flows from operating activities	(A) 1,935	3,359
B Cash flows from investing activities		
(Purchase of)/ Proceeds from sale of property, plant and equipment, (including capital work in progress, capital advance and capital creditors)	(21)	9
Interest received	176	201
Net (investment in)/ proceeds from bank deposit (having the original maturity of more than three months)	1,442	(1,246)
Loans taken from/ (given to) holding company/ fellow subsidiaries (net)	152	(554)
Net cash flows from / (used) in investing activities	(B) 1,749	(1,590)
C Cash flows from financing activities		
Repayment of Green bonds	(1,864)	(1,142)
Repayments of borrowings from holding company/ fellow subsidiaries	(25)	-
Payment for hedging arrangements	(254)	(373)
Dividend paid	(1,089)	-
Payment of lease liabilities	(36)	(35)
Interest paid	(587)	(555)
Net cash flows used in financing activities	(C) (3,855)	(2,105)
Net decrease in cash and cash equivalents	(171)	(336)
Effect of exchange rate changes on cash and cash equivalents	(D) 58	(27)
Net decrease in cash and cash equivalents	(A+B+C+D) (113)	(363)
Cash and cash equivalents at the beginning of the period	373	636
Cash and cash equivalents at the end of the period	260	273
Components of cash and cash equivalents		
Balances with schedule banks:		
- On current accounts	196	37
- Deposits with original maturity of less than 3 months	64	236
Total cash and cash equivalents	260	273

Notes:

1. 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.
2. The accompanying notes are an integral part of the special purpose combined financial statements.

For and on behalf of Restricted Group-III


 Director
 Place : **Ebène, Mauritius**
 Date : **28 Nov 2024**


 Director
 Place : **Ebène, Mauritius**
 Date : **28 Nov 2024**

Restricted Group- III
Special purpose combined statement of changes in equity for the six months ended September 30, 2024
(All amount in INR millions, unless otherwise stated)

(a) Statement of changes in equity*

Shares (Aggregate of Restricted Group of entities):

	Number of shares	Amount (In INR million)
At April 01, 2023	1,12,54,112	113
Changes in equity share capital during the year	-	-
At March 31, 2024	1,12,54,112	113
Changes in equity share capital during the period	-	-
At September 30, 2024	1,12,54,112	113

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

(b) Other equity**

For the six months ended September 30, 2024 (Unaudited):

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures***	Items of Other Comprehensive Income			Total equity
	Surplus/ (deficit) in the statement of profit and loss	Securities premium reserve#		Exchange differences on translating the financial statements of foreign operations	Defined benefit plans	Effective portion of cash flow hedges	
At April 01, 2024	2,383	9,960	1,120	(3,608)	1	1,353	11,209
Profit for the period	571	-	-	-	-	-	571
Dividend Paid	(1,089)	-	-	-	-	-	(1,089)
Other comprehensive income/ (expense)	-	-	-	(134)	-	660	526
At September 30, 2024	1,865	9,960	1,120	(3,742)	1	2,013	11,217

For the year ended March 31, 2024 (Audited):

Particulars	Reserves and surplus		Equity component of Compulsorily Convertible Debentures***	Items of Other Comprehensive Income			Total equity
	Surplus/ (deficit) in the statement of profit and loss	Securities premium reserve#		Exchange differences on translating the financial statements of foreign operations	Defined benefit plans	Effective portion of cash flow hedges	
At April 01, 2023	605	9,960	1,120	(3,581)	1	1,064	9,169
Profit for the year	1,778	-	-	-	-	-	1,778
Other comprehensive income/ (expense)	-	-	-	(27)	-	289	262
At March 31, 2024	2,383	9,960	1,120	(3,608)	1	1,353	11,209

For the six months ended September 30, 2023 (Unaudited):

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

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

*** 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.

Securities premium reserve includes INR 1,116 million on account of equity component of compulsorily convertible debenture.

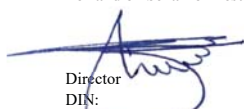
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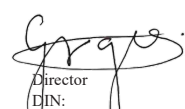
- Surplus/ (deficit) in the statement of profit and loss are the profits of the Restricted Group - III incurred till date net of appropriations.
- Securities premium reserve is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus 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.
- Defined benefits plans include all the remeasurements, comprising of actuarial gains/losses on defined benefits obligation and fair value of assets.
- The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the designated portion of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to statement of profit and loss only when the hedged transaction affects the profit or loss.

See accompanying notes to the financial statements

1-15

For and on behalf of Restricted Group-III


Director
DIN:
Place : Ebene, Mauritius
Date : 28 Nov 2024


Director
DIN:
Place : Ebene, Mauritius
Date : 28 Nov 2024

Restricted Group- III

Notes to special purpose combined financial Statements for the six months ended September 30, 2024

(All amount in INR millions, unless otherwise stated)

1. General Information

Azure Power Energy Limited ("APEL" or "the Company") was incorporated on June 15, 2017 as a public company limited by shares incorporated under laws of Mauritius. The Company is a wholly-owned subsidiary of Azure Power Global Limited (the "Parent") and has its registered office at C/o. AAA Global Services Ltd., 4th Floor, Iconebene, Rue De L'institut, Ebène 80817, Republic of Mauritius. Azure Power Global Limited along with all its subsidiaries is collectively referred to as "Group" in these financial statements. The Company and certain subsidiaries of Azure Power India Private Limited (APIPL), collectively "The Restricted Group III Entities" and "Restricted Entity" individually (as listed below) carry out business activities relating to generation of electricity through renewable energy sources engaged in the ownership, maintenance and management of solar power plants and generation of solar energy based on long-term contracts (power purchase agreements or "PPA") with Indian government entities as well as other non-governmental energy distribution companies and commercial customers. APEL is duly registered as Foreign Portfolio Investor Entity with the Securities Exchange Board of India for investing in debt instruments in India on July 7, 2017.

The Company and 16 Indian subsidiaries (as listed below) of Azure Power Global Limited (APGL) form part of "Restricted Group- III". During financial year 2017-18, the Company had issued 5.50% US\$ 500 Million Senior Notes to institutional investors and is listed on Singapore Exchange Securities Trading Limited (SGX-ST). APEL invested the proceeds, net of issue expenses in Non-Convertible Debentures ("NCDs") and External commercial borrowings ("ECBs") to replace existing Rupee and external debt of Restricted Group entities. Restricted entities are directly or indirectly under common control of the parent.

During financial year 2021-22, APEL had issued Solar Green bonds (the "Bond") of US \$414 Million, at coupon of 3.575% maturing in 2026. The proceeds from this bonds were used to repay the existing 5.50% US\$ 500 Million Solar Green Bond issued in 2017. The Bond has a tenor of 5 years with amortisation and waterfall structures and is a leverage-positive transaction for the Group.

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

Entities	Principle Activity	Country of Incorporation	% Held by Parent		
			September 30, 2024	March 31, 2024	September 30, 2023
Azure Power Energy Limited	Bond Issuance	Mauritius	100%	100%	100%
Azure Power (Punjab) Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power (Haryana) Private Limited	Generation of Solar power	India	99.17%	99.17%	99.17%
Azure Urja Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Surya Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power (Karnataka) Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Photovoltaic Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Infrastructure Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power (Raj.) Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Green Tech Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Clean Energy Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Sunrise Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Sunshine Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Eris Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Mars Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Pluto Private Limited	Generation of Solar power	India	100%	100%	100%
Azure Power Thirty Seven Private Limited	Generation of Solar power	India	99.84%	99.84%	99.84%

2. Purpose of the special purpose combined financial statements

These are special purpose combined financial statements, which have been prepared for the purpose of complying with financial reporting requirements under the indenture governing the US\$ Senior Notes. This special purpose combined financial statements presented herein reflect the Restricted Group- III 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 the Restricted Group- III to prepare Ind AS combined financial statements of the Restricted Group- III for the purpose of submission to the bond holders. The Ind AS combined financial statements of the Restricted Group- III have been prepared in accordance with recognition and measurement principles laid down by the Indian Accounting Standards (Ind AS) (except Ind AS – 33 on Earnings Per Share) prescribed under section 133 of the Companies Act, 2013, read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and subsequent amendments thereto and other accounting principles generally accepted in India and the guidance note on Combined and Carve-out Financial Statements issued by the Institute of Chartered Accountants of India (ICAI).

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

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

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- III.

Restricted Group- III

Notes to special purpose combined financial Statements for the six months ended September 30, 2024

(All amount in INR millions, unless otherwise stated)

The non-controlling interest held by outsiders amount to INR 5 million and INR 5 million as of September 30, 2024 and March 31, 2024 respectively. Share capital and reserves disclosed in the combined financial statements are not the legal capital and reserves of the Restricted Group- III and is the aggregation of the share capital and reserves of the individual combining entities. Income taxes are arrived at by aggregation of the tax expenses actually incurred by the combining businesses, after considering the tax effects of any adjustments which is in accordance with the Guidance Note on Combined and Carve-Out Financial Statements issued by the ICAI.

Accordingly, the procedures followed for the preparation of the special purpose combined financial statements:

- (a) Combined like items of assets, liabilities, equity, income, expenses and cash flows of the combining entities.
- (b) Eliminated in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Restricted Group- III (profits or losses resulting from intragroup transactions that are recognised in assets, such as fixed assets, are eliminated in full).

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

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

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

Summary of significant accounting policies

4. The special purpose combined financial statements have been prepared in accordance with the accounting policies adopted in the Restricted Group- III last audited annual financial statements for the year ended March 31, 2024. The presentation of the Special purpose combined financial statements is consistent with the audited Combined Financial Statements for the year ended March 31, 2024.

5. During financial year 2021-22, Azure Power Energy Limited (one of the subsidiaries of APGL) issued 3.575% US\$ denominated Senior Notes ("3.575% Senior Notes" or "Green Bonds") and raised INR 30,285 million, net of issuance expenses of INR 408 million. The issuance expenses have been recorded as finance cost, using the effective interest rate method and the unamortized balance of such amounts is netted with the carrying value of the Green Bonds. The Green Bonds are listed on the Singapore Exchange Securities Trading Limited (SGX-ST). In accordance with the terms of the issue, the proceeds were used for repayment of 5.5% Senior Notes. The interest is payable on semi-annual basis and principal is payable on a semi-annual instalment ranging from 3.5% to 3.7% and balance 63.8% on maturity in August 2026. The Green Bonds are secured by a pledge of Azure Power Energy Limited's shares held by Azure Power Global Limited.

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

7. Contracts designated as Cash flow hedge

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

The Company documented each hedging relationship and assessed its initial effectiveness on inception date and the subsequent effectiveness was tested on a quarterly basis using dollar offset method. When the relationship between the hedged items and hedging instrument is highly effective at achieving offsetting changes in cashflows attributable to the hedged risk, the Company records in other comprehensive income the entire change in fair value of the designated hedging instrument that is included in the assessment of hedge effectiveness. The gain or loss on the hedge contracts shall be reclassified to interest expense when the coupon payments and principal repayments are made on the related investments. The hedge contracts were effective as of September 30, 2024.

Ind AS 109, Financial Instruments, permits recording the cost of hedge over the period of contract based on the effective interest rate method. The Restricted Group- III determined the cost of hedge at the time of inception of the contract was INR 3,549 million and recorded an expense of INR 355 million and INR 735 million during the six-months ended September 30, 2024 and September 30, 2023 respectively.

The following table presents outstanding notional amount and balance sheet location information related to foreign exchange derivative contracts as of September 30, 2024 and March 31, 2024:

	Foreign currency option contracts	
	As at September 30, 2024 (Unaudited)	As at March 31, 2024 (Audited)
Notional Amount (USD in millions)	309	331
Non-current- Other financial assets (INR in millions)	1,340	2,001
Current- Other financial assets (INR in millions)	1,269	-
Current -Other financial liabilities (INR in millions)	485	501

Restricted Group- III**Notes to special purpose combined financial Statements for the Six months ended September 30, 2024**

(All amount in INR millions, unless otherwise stated)

8. Fair values

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

	Carrying value		Fair value	
	As at September 30, 2024	As at March 31, 2024	As at September 30, 2024	As at March 31, 2024
Financial assets at amortised cost				
Non-current trade receivables	9	40	9	40
Non-current security deposits	9	9	9	9
Performance bank guarantee receivable	11	10	11	10
Non-current loans to holding company	7,772	195	7,772	195
Non-current loans to fellow subsidiaries	899	57	899	57
Non-current term deposits	26	5	26	5
Other financial assets	385	34	385	34
Financial assets at fair value				
Derivative instruments at fair value through OCI *	2,609	2,001	2,609	2,001
Total	11,720	2,351	11,720	2,351
Financial liabilities at amortised cost				
3.575% Senior Notes (including current maturities) **	25,524	27,164	24,442	24,371
Loans from holding company **	135	-	135	-
Other Financial Liabilities	6	-	6	-
Financial liabilities at fair value				
Derivative instruments at fair value through OCI *	485	501	485	501
Total	26,150	27,665	25,068	24,872

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

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

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

Measured at fair value:

* The respective companies under the Restricted Group - III enter into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign currency option derivatives are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. The Restricted Group - III used the derivatives option pricing model based on the principles of the Black-Scholes model to determine the fair value of the foreign exchange derivative contracts. The inputs considered in this model include the theoretical value of a call option, the underlying spot exchange rate as of the balance sheet date, the contracted price of the respective option contract, the term of the option contract, the implied volatility of the underlying foreign exchange rates and the risk-free interest rate as of the balance sheet date.

At amortised cost:

**The fair values of the interest-bearing borrowings and loans of Restricted Group - III are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at September 30, 2024 was assessed to be insignificant.

Restricted Group- III
Notes to special purpose combined financial Statements for the Six months ended September 30, 2024

(All amount in INR millions, unless otherwise stated)

9. Fair value hierarchy

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

Quantitative disclosures fair value measurement hierarchy for assets as at September 30, 2024:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortised cost			
Non-current trade receivables	9	-	9
Non-current security deposits	9	-	9
Performance bank guarantee receivable	11	-	11
Non-current loans to holding company	7,772	-	7,772
Non-current loans to fellow subsidiaries	899	-	899
Non-current term deposits	26	-	26
Other financial assets	385	-	385
Financial assets measured at fair value			
Derivative instruments at fair value through OCI	2,609	-	2,609

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

Quantitative disclosures fair value measurement hierarchy for liabilities as at September 30, 2024:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities at amortised cost			
3.575% Senior Notes (including current maturities)	25,524	-	24,442
Loans from holding company	135	-	135
Other Financial Liabilities	6	-	6
Financial liabilities at fair value			
Derivative instruments at fair value through OCI	485	-	485

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, 2024:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at amortised cost			
Non-current trade receivables	40	-	40
Non-current security deposits	9	-	9
Performance bank guarantee receivable	10	-	10
Non-current loans to holding company	195	-	195
Non-current loans to fellow subsidiaries	57	-	57
Non-current term deposits	5	-	5
Other financial asset	34	-	34
Financial assets measured at fair value			
Derivative instruments at fair value through OCI	2,001	-	2,001

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, 2024:

Carrying Value	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities at amortised cost			
3.575% Senior Notes (including current maturities)	27,164	-	24,371
Financial liabilities at fair value			
Derivative instruments at fair value through OCI	501	-	501

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

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

Restricted Group- III
Notes to special purpose combined financial Statements for the Six months ended September 30, 2024
(All amount in INR millions, unless otherwise stated)

10. Segment information

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 provided.

11. Whistle blower complaint

In May 2022, the Group received whistle-blower complaints on various matters, including lapses in internal control for certain key areas, governance and vendor management. The Board of Directors of the parent company engaged external counsel to undertake investigations on the allegations thereof. None of those allegations pertain to the Restricted Group Entities and therefore no adjustment was required to be made in the books on account. However, some of the Group companies have made certain adjustments in the books of account as a prudent measure. Further, in one investigation in relation to material projects of the Group, including the manufacturing linked tender award of 4,000 MW (the "Manufacturing-Linked Projects") a Special Committee of the Board of Directors of the parent company (the "Special Committee") identified evidence that certain individuals formerly affiliated with the Group may have had knowledge of, or were involved in an apparent scheme with persons outside the Group to make improper payments in relation to certain projects. To date, the Special Committee has not identified related improper payments or transfers by the Group. The Special Committee's review and its findings have impacted the decision-making of the Group in connection with such projects. The Group disclosed the details of the Special Committee's investigation to the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice ("DOJ").

On November 20, 2024, the United States Attorney's Office for the Eastern District of New York unsealed an indictment charging two former executives and two former directors with conspiracy to violate the U.S. Foreign Corrupt Practices Act ("FCPA") in connection with the Manufacturing-Linked Projects, and charging one former executive and two former directors with obstructing the U.S. government's investigations. Additionally, on November 20, 2024, the SEC brought a complaint against a former director alleging violations of the anti-bribery provisions of the FCPA based on the same conduct. The Company is not a defendant in either action and continues to cooperate with both U.S. agencies. The Group cannot predict the outcome or duration of the DOJ and SEC's investigations.

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

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

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

We and many other developers have projects in the potential area as determined by the court, hence aggrieved by the order, the Solar Power Developers Association ("SPDA") and Union of India have filed an application before the Supreme Court seeking among others, exemption from undergrounding of transmission lines in potential areas. The matter was last listed on November 30, 2022, whereby directions were passed to parties to ensure installation of bird diverters in the Priority Area and for them to be in compliance with quality standards issued by the Supreme Court Committee. As per the directions of Supreme Court, for its solar power plants, the several companies of the Restricted Group-III installed bird diverters in the habitats of Great Indian Bustard during FY 2022-23. The PIL is presently pending. The SPDA has filed an application seeking modification of Supreme Court's order dated April 19, 2021. Further, the Supreme Court vide its order dated March 21, 2024 modified its earlier order dated April 19, 2021 directing the Central Government to constitute an expert committee to examine the issue of installing overhead and underground powerlines in the priority areas marked for the conservation of the Great Indian Bustard. The expert committee on the GIB issue will, inter-alia, look into (i) the scope and feasibility of laying down underground and overhead transmission lines, (ii) measures for the conservation of GIB, and (iii) identifying suitable alternatives for laying down power lines in the future. Next date to submit the Update by Expert Committee is January 9, 2025 (tentatively). Citing practical difficulties in laying down underground transmission lines, the Supreme Court has also restricted the requirement of laying down underground transmission lines only to the priority area (covering roughly 13,163 sq km). If the modification application is dismissed, we might entail significant costs and delays.

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

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

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

Further, as per the terms of the amended Indentures, APEL launched first tranche of tender offer for the 2026 Notes on February 16, 2024. The early deadline of this tender offer was on March 01, 2024 and APEL purchased US\$ 12,000,000 of the 2026 Notes on March 11, 2024. The second tranche of tender offer was launched on July 16, 2024 and APEL purchased US\$ 8,000,543 of the 2026 Notes on August 08, 2024.

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

Restricted Group- III

Notes to special purpose combined financial Statements for the Six months ended September 30, 2024

(All amount in INR millions, unless otherwise stated)

Discussion on results of operations

Revenue from operations

Operating revenue for the six-months period ended September 30, 2024 was INR 2,821 million, a decrease of 11% from INR 3,170 million over the same period in 2023. The decrease was primarily on account of lower generation due to higher irradiation losses.

Other income

Other income for the six-months period ended September 30, 2024 has decreased to INR 66 million from INR 82 million over the same period in 2023. The decrease was primarily on account of reduction in allowance for doubtful trade receivables written back and late payment surcharge by INR 30 million and INR 12 million respectively offset by increase in liabilities written back by INR 19 million and others by INR 7 million.

Operating expenses (exclusive of depreciation and amortization)

Operating expenses for the six-months period ended September 30, 2024 increased by 21% to INR 397 million from INR 327 million in the same period in 2023 primarily on account of increase in asset written off, allowance for doubtful trade receivables, rates and taxes and employee benefit expenses by INR 55 million, INR 22 million, INR 9 million and INR 6 million respectively partially offset by decrease in auditor fees and legal and professional fees by INR 12 million and 10 million respectively.

Depreciation and amortization expense

Depreciation and amortization expense for the six-months period ended September 30, 2024 increased marginally by 1% to INR 521 million from INR 518 million in the same period in 2023.

Finance income

Finance income mainly consist of interest income. Finance income for the six-months ended September 30, 2024 was INR 495 million, as compared to INR 487 million over the same period in 2023.

Finance costs

Finance costs for the six-months period ended September 30, 2024 decreased by 20% to INR 1,163 million from INR 1,449 million in the same period in 2023 primarily due to lower interest amount on account of periodic repayment and prepayment of 3.575% Senior Notes and additional cost recognised in previous year on account of change in hedge cost amortisation partially offset by amortisation of consent fees.

Tax expenses

Income tax expense for the Restricted Group- III during the six months period ended September 30, 2024 was INR 730 million, compared to Income tax expenses of INR 247 million for the period ended September 30, 2023. The Restricted Group has recognised deferred tax expense of INR 441 million for the six months period ended September 30, 2024 against deferred tax credit of INR 143 million in the same period in 2023 on account of movement in the carrying amounts of certain assets and liabilities and their tax base.

Liquidity and capital resources

Cash flows from operating activities

Cash generated from operating activities for the six-months period ended September 30, 2024 was INR 1,935 million, compared to INR 3,359 million in the same period in 2023. The decrease in cash flows is primarily on account of increase in accounts receivables by INR 86 million in six months period ended September 30, 2024 compared to decrease in accounts receivables by INR 731 million in same period in 2023, decrease in operating profit before working capital changes by INR 177 million, decrease in other current and non-current liabilities by INR 111 million and increase in taxes paid by INR 238 million.

Cash flows from investing activities

Cash flow from investing activities for the six-months period ended September 30, 2024 was INR 1,749 million, compared to INR 1590 million used in the same period in 2023, primarily due to net increase in proceeds from term deposits with banks and loans received from holding company/ fellow subsidiaries during the current period.

Cash flows used in financing activities

Cash flow used in financing activities was INR 3,855 million for the six-months period ended September 30, 2024, compared to INR 2,105 million in the same period in 2023. This was primarily due to increase in the repayment of green bonds by INR 722 million and dividend payout of INR 1,089 million.

Liquidity position

As of September 30, 2024, Restricted Group - III had INR 757 million of cash and cash equivalents and other bank balances.

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

Combined EBITDA of Restricted Group-III was INR 2,490 million for the six months period ended September 30, 2024, compared to INR 2,925 million for the same period in 2023. This was primarily due to the decrease in revenue from operations by INR 349 million, decrease in other income by INR 16 million and increase in operating expenses during current period by INR 70 million.

Subsequent events

The Company/ Group evaluated all other events or transactions that occurred after September 30, 2024. Based on this evaluation, the Company/ Group is not aware of any event or transactions that would require recognition or disclosure in the Ind AS Special Purpose Combined Financial Statements.