ReNew Power Ventures Private Limited
Interim consolidated balance sheet as at September 30, 2017
(Amounts in INR million unless otherwise stated)

	As at 30 September 2017	As at 31 March 2017
Assets		
Non-current assets		
Property, plant and equipment	145,547	127,577
Capital work in progress	14,705	19,094
Goodwill	293	293
Intangible assets	1,189	1,175
Financial assets		
Loans	37	22
Others	93	31
Deferred tax assets (net)	2,562	1,342
Prepayments	949	770
Other non-current assets	9,418	9,570
Total non-current assets	**174,793**	**159,874**
Current assets		
Inventories	33	14
Financial assets		
Investments	5,084	6
Trade receivables	8,829	4,841
Cash and cash equivalent	7,649	27,139
Bank balances other than cash and cash equivalent	10,542	4,507
Others	6,652	1,995
Prepayments	315	210
Other current assets	2,085	2,677
Total current assets	**41,189**	**41,389**
Total assets	**215,982**	**201,263**
Equity and liabilities		
Equity		
Equity share capital	3,384	3,384
Other equity		
Share application money pending allotment	4	-
Share premium	50,712	50,065
Capital Reserve	114	114
Debenture Redemption Reserve	1,642	1,065
Hedging reserve	(1,478)	(978)
Defined benefit obligation reserve	(4)	(4)
Share Based Payment reserve	854	1,183
Retained earnings	1,312	(1,109)
Equity attributable to owners of the parent	**56,540**	**53,720**
Non-Controlling Interests	3,347	3,126
Total equity	**59,887**	**56,846**
Non-current liabilities		
Financial liabilities		
Long-term borrowings	125,264	102,445
Deferred government grant	12	12
Long-term Provisions	35	25
Deferred tax liabilities (net)	945	360
Other non-current liabilities	1,310	968
Total non-current liabilities	**127,566**	**103,810**
Current liabilities		
Financial liabilities		
Short-term borrowings	6,578	16,575
Trade payables	2,480	2,391
Derivative instruments	2,164	2,244
Other current financial liabilities	16,804	18,279
Other current liabilities	346	1,039
Short-term Provisions	157	79
Total current liabilities	**28,529**	**40,607**
Total liabilities	**156,095**	**144,417**
Total equity and liabilities	**215,982**	**201,263**

ReNew Power Ventures Private Limited
Interim consolidated statement of profit and loss for the half year ended September 30, 2017
(Amounts in INR million unless otherwise stated)

	For the half year ended September 30, 2017 Rs.	For the half year ended September 30, 2016 Rs.
Income:		
Revenue from operations	14,343	7,724
Other income	1,583	1,145
Total Income	**15,926**	**8,869**
Expenses:		
Cost of raw material and components consumed	152	4
Employee benefits expense	362	148
Other expenses	1,571	823
Total expenses	**2,085**	**975**
Earning before interest, tax, depreciation and amortization (EBITDA)	**13,841** -	**7,894**
Depreciation and amortization expense	3,219	1,739
Finance costs	6,995	3,390
Profit/(loss) before tax	**3,627**	**2,765**
Tax expense		
Current tax	891	697
Deferred tax (credit)/ charge	(545)	(459)
Profit/(loss) for the year	**3,281**	**2,527**
Other comprehensive income (OCI)		
Other comprehensive income to be reclassified to profit or loss in subsequent period :		
Net movement on cash flow hedges	(723)	(1,221)
Income tax effect	223	376
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(500)**	**(845)**
Other comprehensive income not to be reclassified to profit or loss in subsequent period :		
Re-measurement losses of defined benefit plan	-	(3)
Income tax effect	-	1
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	(2)
Other comprehensive income for the year, net of taxes	**(500)**	**(847)**
Total comprehensive income/ (loss) for the year, net of tax	**2,780**	**1,680**
Profit for the year		
Attributable to:		
Equity holders of the parent	2,999	2,303
Non-controlling interests	282	224
Total comprehensive income for the year		
Attributable to:		
Equity holders of the parent	2,559	1,485
Non-controlling interests	221	195

ReNew Power Ventures Private Limited
Interim consolidated Cash Flow Statement for the half year ended September 30, 2017
(Amounts in INR million unless otherwise stated)

Particulars	For the half year ended September 30, 2017 Rs.	For the half year ended September 30, 2016 Rs.
Profit before tax	3,627	2,765
Adjustments for:		
Depreciation/amortisation	3,219	1,739
Gain on ineffectiveness on derivative instruments designated as cash flow hedge	-	(0)
Interest income	(623)	(554)
Interest expenses	6,477	3,129
Share issue expenses adjusted against securities premium account	-	(12)
Loss/(profit) on sale of asset	(2)	1
Share based payment	318	65
Gain - defined benefit obligation reserve	-	(2)
Unamortised ancillary borrowing cost written off	160	-
Loss/(profit) on sale of Investment	(16)	-
Amortisation of option premium	-	16
Operation and maintenance equalisation reserve	345	138
Operating profit/(loss) before working capital changes	**13,505**	**7,285**
Movement in working capital		
(Increase)/decrease in trade receivables	(3,988)	(4,231)
(Increase)/decrease in inventories	(19)	-
(Increase)/decrease in other current financial assets	(4,539)	(1,110)
(Increase)/decrease in prepayments	(164)	(103)
(Increase)/decrease in other current assets	593	(618)
(Increase)/decrease in other non-current financial assets	(15)	2,034
(Increase)/decrease in other non-current assets	(132)	(136)
Increase/(decrease) in trade payables	84	1,049
Increase/(decrease) in other current financial liabilities	1	(134)
Increase/(decrease) in other non-current liabilities	-	11
Increase/(decrease) in other current liabilities	(697)	(79)
Increase/(decrease) in long term provisions	21	(7)
Increase/(decrease) in short term provisions	-	27
Cash generated from operations	**4,650**	**3,988**
Direct taxes paid (net of refunds)	(318)	(363)
Net cash generated from operating activities	**4,332**	**3,625**
Cash flow from investing activities		
Purchase of fixed asset including CWIP, capital creditors and capital advances	(21,571)	(16,980)
(Investments in)/redemption of mark deposits having original maturity more than 3 months	(6,097)	1,629
Investments (made)/redeemed	(5,061)	52
Purchase condsideration paid	(54)	(336)
Interest received	506	673
Net cash used in investing activities	**(32,277)**	**(14,962)**
Cash flow from financing activities		
Proceeds from issue of equity shares (including premium)	-	5,032
Refund of share application money pending allotment	(2)	-
Proceeds from long-term borrowings (net of repayments)	24,420	11,532
Proceeds from short-term borrowings (net of repayments)	(9,998)	(758)
Interest paid	(5,965)	(2,712)
Net cash generated from financing activities	**8,455**	**13,094**
Net (decrease) / increase in cash and cash equivalents	**(19,490)**	**1,757**
Cash and cash equivalents at the beginning of the year	**27,139**	**3,632**
Cash and cash equivalents at the end of the year	**7,649**	**5,389**
Components of cash and cash equivalents		
Cash and cheques on hand	0	0
Balances with banks:		
- On current accounts	1,038	2,103
- On deposit accounts with original maturity of less than 3 months	6,611	3,286
Total cash and cash equivalents	**7,649**	**5,389**

ReNew Power Ventures Private Limited
Interim Consolidated Statement of Changes in Equity for the half year ended 30 September 2017
(Amounts in INR million, unless otherwise stated)

Particulars	Attributable to the equity holders of the parent											Non-Controlling Interests (NCI)	Total Equity
	Equity share capital	Equity Component of compulsorily convertible debentures	Share application money pending allotment	Reserves and Surplus				Items of OCI			Total		
				Share Premium	Share Based Payment reserve	Debenture redemption reserve	Retained Earnings	Capital Reserve on Business Combination	Defined benefit obligation reserve	Hedging Reserve			
At 1 April 2016	**2,608**	**147**	**-**	**31,244**	**1,397**	**370**	**(740)**	**-**	**(1)**	**(131)**	**34,894**	**1,665**	**36,559**
Profit for the year	-	-	-	-	-	-	335	-	-	-	335	171	506
Other comprehensive income (net of tax)	-	-	-	-	-	-	-	114	(3)	(847)	(736)	(56)	(792)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**335**	**114**	**(3)**	**(847)**	**(401)**	**115**	**(286)**
Share-based payments	-	-	-	-	447	-	-	-	-	-	447	-	447
Share application money received	-	-	18,817	-	-	-	-	-	-	-	18,817	-	18,817
Amount utilised on exercise of stock options	-	-	-	-	(661)	-	-	-	-	-	(661)	-	(661)
Equity shares issued during the year	776	-	(18,815)	18,850	-	-	-	-	-	-	811	826	1,637
Amount utilized for issue of shares	-	-	-	(29)	-	-	-	-	-	-	(29)	-	(29)
Issue of compulsory convertible debentures	-	511	-	-	-	-	-	-	-	-	511	-	511
Share application pending for refund	-	-	(2)	-	-	-	-	-	-	-	(2)	-	(2)
Debenture redemption reserve	-	-	-	-	-	695	(695)	-	-	-	-	-	-
Adjustments for acquisition of interest by NCI in subsidiaries	-	-	-	-	-	-	(9)	-	-	-	(9)	9	-
Debentures converted into equity shares	-	(147)	-	-	-	-	-	-	-	-	(147)	-	(147)
Equity component of compulsorily convertible debentures attributable to NCI	-	(511)	-	-	-	-	-	-	-	-	(511)	511	-
At 31 March 2017	**3,384**	**-**	**-**	**50,065**	**1,183**	**1,065**	**(1,109)**	**114**	**(4)**	**(978)**	**53,720**	**3,126**	**56,846**
Profit for the year	-	-	-	-	-	-	2,998	-	-	-	2,998	282	3,280
Other comprehensive income (net of tax)	-	-	-	-	-	-	-	-	-	(500)	(500)	(61)	(561)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**2,998**	**-**	**-**	**(500)**	**2,498**	**221**	**2,719**
Share-based payments	-	-	-	647	(329)	-	-	-	-	-	318	-	318
Share application money received	-	-	4	-	-	-	-	-	-	-	4	-	4
Debenture redemption reserve	-	-	-	-	-	577	(577)	-	-	-	-	-	-
At 30 September 2017	**3,384**	**-**	**4**	**50,712**	**854**	**1,642**	**1,312**	**114**	**(4)**	**(1,478)**	**56,540**	**3,347**	**59,887**

1 Corporate information

ReNew Power Ventures Private Limited (the “Parent” or “Company”) is a private limited company domiciled in India. The registered office of the Company is located at 138, Ansal Chamber - II Bhikaji Cama Place, New Delhi-110066.

The Parent and its subsidiaries (hereinafter collectively referred to as the “Group”) are carrying out business activities relating to generation of electricity through non-conventional and renewable energy sources.

The Consolidated Financial Statements were authorized for issue with a resolution of the directors on 21 December 2017.

2 Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 read with the rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended and other accounting principles generally accepted in India and issued by the Institute of Chartered Accountants of India.

The Consolidated Financial Statements are prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Derivate financial instruments
- Assets and liabilities acquired under business combination
- Financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The significant accounting policies used in preparing the Consolidated Financial Statements are set out in Note 3 of these financial statements.

The Consolidated Financial Statements are presented in INR, which is the Group’s functional and presentation currency and all values are rounded to nearest million except when otherwise stated.

The items in the Consolidated Financial Statements have been classified considering the principles under Ind AS 1, “Presentation of Financial Statements”.

3 Significant Accounting Policies

3.1 Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Group as at 30 September 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights
- The size of the Group’s holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the Consolidated Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member’s financial statements in preparing the Consolidated Financial Statements to ensure conformity with the Group’s accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 30 September, 2017. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent on line by line basis with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the Consolidated Financial Statements at the acquisition date.
b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the Consolidated Financial Statements. Ind AS12 *Income Taxes* applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.
If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3.2 Business Combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

- Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.

- Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

3.3 Current versus non-current classification

The 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 be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is 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
- It is held primarily for the purpose of trading
- It is 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 Group has identified twelve months as its operating cycle for classification of its current assets and liabilities.

3.4 Customer Contracts

Customer-related intangibles are capitalized if they meet the definition of an intangible asset and the recognition criteria are satisfied. Customer-related intangibles acquired as part of a business combination are valued at fair value and those acquired separately are measured at cost. Such intangibles are amortized over the remaining useful life of the customer relationships or the period of the contractual arrangements.

3.5 Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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

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

All assets and liabilities for which fair value is measured in the financial statements are categorised 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 the purpose of fair value disclosures, the 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. (Refer Note 41 and 42)

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Cross currency interest rate swaps and forward exchange contracts are valued based on the quotation received from the respective banks which uses valuation techniques, which employs the use of market observable inputs. The valuation technique incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the currency, interest rate curves and forward rate curves of the underlying instrument.

At each reporting date, the management of the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per its accounting policies.

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the 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.

This note summarises the accounting policy for determination of fair value. Other fair value related disclosures are given in the relevant notes as following:

- Significant accounting judgments, estimates and assumptions (Refer Note 52)
- Quantitative disclosures of fair value measurement hierarchy (Refer Note 40)
- Financial instruments (including those carried at amortised cost) (Refer Note 39)

3.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Power

Income from supply of wind power and solar power is recognized on the supply of units generated from the plant to the grid, as per the terms of the PPA entered into with the state electricity board/ private customers.

Income from Engineering Procurement and Construction (“EPC”) Contracts

Revenue from provision of supply under EPC contracts is recognised when all significant risks and rewards of ownership of the EPC contract have been passed to the buyer.

Revenue from provision of service is recognized on the percentage of completion method. Percentage of completion is determined as a proportion of cost incurred to date to the total estimated contract cost. Profit on contracts is recognized on percentage of completion method and losses are accounted as soon as these are anticipated. However, profit is not recognized unless there is reasonable progress on the contract. In case the total cost of a contract based on technical and other estimates is expected to exceed the corresponding contract value such expected loss is provided for. The revenue on account of extra claims on construction contracts are accounted for at the time of acceptance in principle by the customers due to uncertainties attached.

Contract revenue earned in excess of billing has been reflected under other current assets and billing in excess of contract revenue has been reflected under current liabilities in the balance sheet.

Liquidated damages / penalties are provided for based on management’s assessment of the estimated liability as per contractual terms and / or acceptances. Possible liquidated damages which can be levied by customers for delay in execution of project are accounted for as and when they are levied by the customer.

Sale of Renewable Energy Certificates (“RECs”)

Income from sale of RECs is recognised on sale of these certificates and is classified under “Revenue from Operations”.

Income from liquidated damages, compensation for loss of revenue and interest on advances

Income from liquidated damages, compensation for loss of revenue and interest on advance is recognised after certainty of receipt of the same is established.

Interest income

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

Dividend

Dividend income is recognized when the right to receive dividend is established by the reporting date.

Income from government grants

Refer note 3.24 for accounting policy.

3.7 Foreign Currencies

The Consolidated Financial Statements are presented in INR, which is also the functional currency and the currency of the primary economic environment in which the Group operates.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

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 that are measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.8 Taxes

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. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date in India.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in OCI or in equity). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current income tax assets and liabilities are offset if a legally enforceable right exists to set off these.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognised for undistributed profits of subsidiaries and joint arrangements, except when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

In situations where companies under group is entitled to a tax holiday under the Income-tax Act, 1961, enacted in India, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period. Deferred taxes in respect of temporary differences which reverse after the tax holiday period are recognized in the year in which the temporary differences originate. However, the company restrict the recognition of deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred taxes in respect of temporary differences which reverse after the tax holiday period are recognized in the period in which the temporary differences originate.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in OCI or equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in OCI or equity).

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss.

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 Company 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 Company.

3.9 Property, plant and equipment

Capital work-in-progress, plant and equipment is 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 if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item of property, plant and equipment, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably with the carrying amount of the replaced part getting derecognised. The cost for day-to-day servicing of property, plant and equipment are recognised in the Consolidated Statement of Profit and Loss as and when incurred.

As permitted by Ind AS 101, the Group has an option to continue applying its Indian GAAP policy to apply paragraph 46A of AS 11, “Foreign Exchange Differences” for accounting of exchange differences arising on translation of long term foreign currency loans for the period ending immediately before the beginning of the first Ind AS financial reporting period.
Accordingly, the Group adjusts exchange differences arising on translation/settlement of long-term foreign currency monetary items (recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period) pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. In accordance with Ministry of Corporate Affairs (“MCA”) circular dated August 09, 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, the Group does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

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 Consolidated 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.

3.10 Intangible assets

Intangible assets acquired separately are measured in initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.
The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Consolidated Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset.
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.11 Depreciation / amortization

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
• Plant and equipment (solar rooftop projects)*	25 years or term of Power Purchase Agreement, whichever is less
• Plant and equipment (wind and solar power projects)*	18 – 25
• Plant and equipment (others)	5 – 18
• Office equipment	3 – 5
• Furniture & fixture	10
• Computers	3
• Computers servers	6
• Computer software	3-6
• Customer contracts	Over the term of Power Purchase agreement i.e. 25 years
• Development rights	Over the term of Power Purchase agreement i.e. 25 years
• Leasehold Improvements	Over the period of the leases

* Based on an external technical assessment, the management believes that the useful lives as given above best represents the period over which management expects to use its assets. Hence, the useful life of plant and equipment is different from the useful life as prescribed under Part C of Schedule II of Companies Act, 2013.

3.12 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 capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds (this cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs).

The loan origination costs including loan processing fee, upfront fee, discount which are directly attributable to the acquisition of borrowings and premium on redemption of bonds are amortised basis the Effective Interest Rate (EIR) method over the term of the loan. The EIR amortisation is recognised under finance costs in the Statement of Profit or Loss. The amount amortized for the period from disbursement of borrowed funds upto the date of capitalization of the qualifying assets is added to cost of the qualifying assets.

3.13 Exceptional Items

Exceptional items refer to items of income or expense within the income statement from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the company.

3.14 Earnings Per Share ("EPS")

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the group by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the group by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issue is at a later date. Dilutive potential equity shares are determined independently for each period presented.
The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

3.15 Leases- As a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term

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

Arrangements containing a lease have been evaluated as on the date of transition i.e. 1st April 2015 in accordance with Ind-AS 101 First-time Adoption of Indian Accounting Standards for classification as finance or operating lease as at the date of transition to Ind AS basis the facts and circumstances existing as at that date.

3.16 Inventories

Inventories are valued at the lower of cost and net realisable value and accounted on weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

3.17 Impairment of non-financial assets

The 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 Group estimates 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 Group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre -tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are as per business financials model of the Group.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Consolidated Statement of Profit and Loss
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 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. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised. Such reversal is recognised in the Consolidated Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as increase in revaluation.

Goodwill is not subject to amortisation and is tested for impairment annually, or more frequently when there is an indication that there may be impairment. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.18 Provisions

Provisions are recognised when the 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 Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Consolidated Statement of Profit and Loss net of any reimbursement.

Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at their reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.19 Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

The Group operates a defined benefit plan in India, viz., gratuity. The cost of providing benefit under this plan is determined on the basis of actuarial valuation at each year-end carried out using the projected unit cost method.

Remeasurements comprising of actuarial gain and losses, the effect of the asset ceiling, excluding amount recognized in the net interest on the defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats the accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes. Such long term compensated absences are determined on the basis of actuarial valuation at each year-end carried out using the projected unit cost method. Remeasurements comprising of actuarial gain and losses are recognized in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. The Company presents the leave as current liability in the balance sheet, to the extent is does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

3.20 Share Based Payments

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognized, together with a corresponding increase in share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expenses. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the numbers of equity instruments that will ultimately vest. The Consolidated Statement of Profit and Loss expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefit expense.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other condition attached to an award, but without associated service requirement are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because of non-market performance and/or service conditions have not been met. Where awards include a market or non-market condition, the transaction are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service condition are satisfied.

3.21 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 Group commits to purchase or sell the asset.

Subsequent measurement

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

- **Debt instruments at amortised cost**

  A 'debt instrument' is measured at 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 EIR method. 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 profit or loss. The losses arising from impairment are recognised in the profit or loss.

- **Debt instruments 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 sale of 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 OCI. However, the Group recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the Consolidated Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Consolidated Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

- **Debt instruments at fair value through profit or loss ("FVTPL")**

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

In addition, the 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'). The Group has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Consolidated Statement of Profit and Loss.

- **Equity investments**

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present the subsequent changes in the fair value in OCI. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Consolidated Statement of Profit and Loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Consolidated Statement of Profit and Loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered under a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, it continues to recognise the transferred asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the 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 Group could be required to repay.

Impairment of financial assets

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

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., Loans, Debt securities, Security deposits, Trade receivables and Bank balances.

b) Trade receivables.

The Group recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the Consolidated Statement of Profit and Loss.

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 recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

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

Loans and borrowings

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

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

The Group recognises debt modifications agreed with lenders to restructure its existing debt obligations. Such modifications are done to take advantage of falling interest rates by cancelling the exposure to high interest fixed rate debt, pay a fee or penalty on cancellation and replace it with debt at a lower interest rate (exchange of old debt with new debt). The qualitative factors considered to be relevant for modified financial liabilities include, but are not limited to, the currency that the debt instrument is denominated in, the interest rate (that is fixed versus floating rate), conversion features attached to the instrument and changes in covenants. The accounting treatment is determined depending on whether modifications or exchange of debt instruments represent a settlement of the original debt or merely a renegotiation of that debt. The exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group performs quantitative analysis to determine whether an exchange or a modification is to be accounted for as an extinguishment. If the change in discounted cash flows (calculated on the basis of EIR) of the revised loans as compared with the original loan is less than 10%, the exchange or modification is not accounted for as an extinguishment and the unamortised loan origination costs in respect of the original loan are carried forward and amortised over the life of the revised loans. However, if the impact on cash flows due to modification is equal to or more than 10%, the unamortised loan origination costs of the initial loans are directly taken to the Consolidated Statement of Profit and Loss as finance costs.

Compound Instruments- Compulsory Convertible Debentures ("CCDs")

The Group determines the classification of CCDs at initial recognition.

Basis the terms of these CCDs the distributions to holders of such equity instruments are being recognised by the entity directly in equity. Transaction costs of an equity transaction are being accounted for as a reduction from equity.

The Group recognises interest, losses and gains relating to such financial instruments or a component that is a financial liability as income or expense in profit or loss.

The present value of the liability component of the compulsory convertible debentures is classified under financial liabilities and the equity component is calculated by subtracting the liability from the total proceeds of CCDs.

Transaction costs that relate to the issue of CCDs are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds. Transaction costs that relate jointly to more than one transaction (for example, cost of issue of debentures, listing fees) are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged/ 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 recognised in the Consolidated Statement of Profit and Loss.

Reclassification of financial assets and liabilities

The 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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated 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.

3.22 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and forwards, to hedge its interest rate risks and foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedged item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the 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.

Hedges that meet the criteria for hedge accounting are accounted for, as described below:

(i) Fair value hedges

The change in the fair value of a hedging instrument is recognised in the Consolidated Statement of Profit and Loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Consolidated Statement of Profit and Loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

(ii) Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Consolidated Statement of Profit and Loss.

The Group uses interest rate swaps and call options as hedges of its exposure to interest rate risks and foreign currency risks in the foreign currency loan. The ineffective portion relating to foreign currency loan is recognised in other income or expenses.

Amounts recognised in OCI are transferred to Consolidated Statement of Profit and Loss when the hedged item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(iii) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the Consolidated Statement of Profit and Loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is reclassified to the Consolidated Statement of Profit and Loss (as a reclassification adjustment).

3.23 Cash and Cash Equivalents

Cash and cash equivalent 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 Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

3.24 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

The Group has chosen to present grants related to an expense item as other income in the Consolidated Statement of Profit and Loss. Thus, Generation based incentive and Emission Reduction Certificates have been recognised as other income.

Generation based incentives ("GBI")

Income from generation based incentives is recognised on the basis of supply of units generated by the Group to the State Electricity Board from the eligible project in accordance with the scheme of the GBI for Grid Interactive Solar Power and Wind Power Projects.

Sale of Emission Reduction Certificates

Income from sale of Emission Reduction Certificates are recognised on actual sale due to uncertainty of market

Subsidy (Viability Gap Funding)

The Group receives Viability Gap Funding (VGF) for setting up of certain solar power projects. The Group records the VGF proceeds on fulfilment of the underlying conditions as deferred government grant. Such deferred grant is recognized over the period of useful life of underlying asset.

3.25 Measurement of EBITDA

As permitted by Guidance Note on the Revised Schedule III of the Companies Act, 2013, the Group has elected to present earnings before interest, tax, depreciation and amortization ("EBITDA") as a separate line item on the face of the Consolidated Statement of Profit and Loss. The Group measures EBITDA on the basis of profit or losses from continuing operations. In its measurement, the Group includes interest income but does not include depreciation and amortization expense, finance costs and tax expense.

3.26 Events occurring after the Balance Sheet date

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

3.27 Contingent liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

3.28 Standards issued but not yet effective:

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows'. The amendment is in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows'. The amendment is applicable to the Company from 1 April 2017.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.
The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

The Company has disclosed only those new standards or amendments that are expected to have an impact on its financial position, performance and disclosures.