Azure Power

Q2 2020 Earnings Conference Call

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CORPORATE PARTICIPANTS

Nathan Judge – *Investor Relations*

Ranjit Gupta – *Chief Executive Officer*

Murali Subramanian - *President*

Pawan Kumar Agrawal – *Chief Financial Officer*

PRESENTATION

Operator
Hello, and welcome to the Azure Power Fiscal Second Quarter 2020 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. Instructions will follow at that time. Please note this event is being recorded.

I would now like to turn the conference over to your host today, Nathan Judge. Mr. Judge, please go ahead.

Nathan Judge
Thank you, and good morning, everyone, and thank you for joining us. After last night's close, the company issued a press release announcing its fiscal results for the second fiscal quarter of 2020 ended September 30, 2019. A copy of the press release and the presentation are available on the Investors' section of Azure Power's website at azurepower.com.

With me today are Ranjit Gupta, CEO; Murali Subramanian, President; and Pawan Kumar Agrawal, Chief Financial Officer. Ranjit will start the call by going through the finding of the review over the past several months since they joined and what initial actions have been taken followed by an industry update. Pawan will provide an update on the quarter and then we will wrap up the call with Ranjit, providing commentary on new disclosures we are providing this quarter that we believe highlights the value of the company. After this, we will open up the call for questions.

Please note, our Safe Harbor statements are contained within our press release, presentation materials and available on our website. These statements are important and integral to all our remarks. There are risks and uncertainties that could cause our results to differ materially from those expressed or implied by such forward-looking statements. So we encourage you to review the press release we furnished in our Form 6-K and presentation on our website for a more complete description.

Also contained in our press release and presentation materials are certain non-GAAP measures that we reconcile to the most comparable GAAP measures, and these reconciliations are also available on our website and in the press release and presentation materials.

It is now my pleasure to hand it over to Ranjit.

Ranjit Gupta
Thank you, Nathan, and a very good morning, everyone. Murali & I and have reviewed the majority of the business in great detail and what we found has been very positive on many fronts. We will continually review the business and will take steps to address areas that we find to be deficient.

Last quarter, we provided a framework of our commitment to capital discipline and the important components of the actions we considered important to deliver shareholder value. At our core, we are a shareholder return focused management and only when returns are above our cost of capital will we invest in growth projects for future growth. I want to walk through each of the principles provided and update you on actions we are taking.

One of the fundamentals that is paramount to value creation is execution of the core business. We must deliver our current pipeline on time and on budget. During the quarter, we delivered 189 MWs. We have another 90MW facility under construction in Assam. Most of the land has been procured and financing has been secured. We expect this plant will be delivered by the middle of calendar year 2020. We also

expect that another 27 MWs of rooftop will be completed over the next 4 months or so.

We believe that there is a lot of incremental value from making more with what we have, or sweating the assets. To this end, Murali and I have been doing an extensive review of the company's Capex, operating portfolio performance and cost structure. We have found meaningful opportunities to enhance returns through efficiency gains and cost optimization. We will be providing more in the way of quantification in the future but wanted to provide some examples now.

We believe there are ways to meaningfully reduce our capital costs going forward and expect that our cost per watt on a DC basis will be between $0.40 - $0.45/watt excluding safe guard duties which we recover for projects under construction, which would be up to 15% lower than the capital cost we just reported. For example, we are benchmarking our EPC business against peers to further improve efficiency in our EPC business and if a third party is more competitive in any specific project, we will potentially outsource the low margin nuts and bolts construction process.

In O&M, we are benchmarking performance against the expected performance at the time of build and finding opportunities to increase output at least 1 – 2% by closely monitoring performance ratio of each plant. We also see opportunities to increase the generation of our power plants through wider deployment of cleaning technology that not only increases output but also reduces operating costs and water consumption. We also believe that we can make more of the scale of our platform by optimizing employees to enhance productivity. We will leverage our scale more in the future with vendors to improve value and service.

During the quarter, we successfully undertook two large capital raises which included our second Green Bond of $350 million as well as a $75 million private placement with our largest shareholder CDPQ. We are pleased to note that with the completion of the private placement with CDPQ, our contracted portfolio will be fully equity funded. Overall, we believe that this illustrates our access to capital in an environment where capital is at a premium and most of our peers are capital constrained.

Turning to a very important facet of the value creation proposition, we are intently focused on doing only projects that meet threshold returns and must be above our cost of capital. During our review over the past three months, we came upon projects that did not meet these thresholds and we took actions to exit 350 MWs. We are reviewing all projects our portfolio and exploring an exit from 200 to 300 more MWs and we will provide more disclosure once we have something to announce.

Looking at expected equity returns for new projects, we believe that our business is a utility and should earn utility type returns over the long run, or mid teens equity returns. Having said that, the Indian solar industry is currently in an environment where we may be able to achieve returns above this run rate in the near term. Overall, there is significant demand for new solar capacity given that it is the lowest cost source of new electricity capacity in the country. In fact, the amount of new capacity auctions in process is so large that the industry does not have enough capacity to fill demand and auctions are not being fully subscribed. As a result, we are now seeing tariffs for new capacity beginning to rise. Recently, SECI has increased the tariff cap to INR 2.78 from INR 2.65, or 5%. These higher tariffs could present opportunities that could allow us to earn higher than long term normalized returns

In other industry news, the Central Government recently implemented a tax cut that we view as a strong long term positive for business. Importantly, the government reduced the minimum alternate tax rate which should save us cash taxes.

We continue to make progress in improving payment security through letters of credit. At this point of time, more than 20% of our operating MWs have LCs in place and we expect more LCs will be put in

place in the future.

The situation in Andhra Pradesh is evolving rapidly. We continue to be pleased by the central government's strong backing of the sanctity of contract. At the moment, we have about $6 million of accounts receivable outstanding with AP that are over 90 days past due and we expect that following some of the positive court orders that we will begin to see payments from AP sooner than later.

The MNRE recently proposed a new version of safe guard duties called Basic Custom Duty which would become effective in 2021. It is very early to know how this plays out. In any case, we continue to be covered by our contracts for any such eventuality and do not expect there would be any material negative impact on our business of BCDs were implemented.

I would now like to turn it over to Pawan to go through the fiscal second quarter results.

Pawan Kumar Agrawal

We had 1,798 megawatts in operations as of September 30, 2019, or about 77% more than what we had at the end of second fiscal quarter of 2019. We have another 117 MWs under construction and 900 MWs that have PPAs and are in development. Combined, this contracted portfolio is 2,815 MWs. We have another over 500 MWs of capacity that have Letters of Award although we are exploring to exit some of these. We expect that we will sign PPAs with some of the capacity with LOAs although some of these projects could be dropped.

The contracted portfolio of 2,815 MWs has a revenue portfolio run rate of $310 million or about 93% higher than the revenues we realized over the past 12 months. Including the contracts with LOAs, our portfolio revenue run rate would be $358 million.

Focusing on project cost per megawatt operating for the six months ended September 30, 2019. Excluding the impact of safe guard duties which represented about 40,000 dollars per megawatt, our cost per megawatt on a DC basis decreased by 27% to 460,000 dollars. As a reminder, we do expect to recover Safeguard duties over time either through a reimbursement or through an increase in our tariff. We continue to work through this and once we have better clarity, we will provide more color to the market.

Looking at the P&L, 2Q'20 would have been in line with our internal budget after excluding various charges and weather headwind. Revenues rose 28% year on year however, an extended monsoon season resulted in 3% less revenue than if the monsoon had ended when it normally does. Our cost of operations rose 44% year to year. This increase reflecting the 300MWs of solar park projects that were brought online since then. Solar park projects cost more to operate than non solar park projects. However, we expect that this solar park impact will moderate as all of our projects under construction or development are non solar parks and the gross margin averages will revert back to historical levels.

G&A doubled during the quarter. However, after taking out about $2.1 million of charges and provisions that were generally one time impacts, G&A was slightly better than our internal budget.

2Q20 EBITDA increased 15% year to year. However, adjusting for the $2 million charges in G&A and weather, EBITDA would have increased in line with revenues. Longer term, we continue to expect that there will be meaningful EBITDA margin improvement over the next couple of years.

D&A increased 12% year on year to $9.5 million dollars in the quarter which reflected the 189 MWs brought on during the quarter. Our D&A has gone up by about $1 million ever quarter and we expect this

trend to continue for the third fiscal quarter as well.

Interest expense increased 53% to $27.1 million in the quarter as gross debt increased by as similar amount. For the third quarter, we would highlight that we expect to record a $5.4 million charge in our interest expense line related to the recent issuance of our second Green Bond.

On Foreign exchange, we are actively hedging capital costs which is costing us about $1 million per quarter but reducing our exposure to foreign exchange meaningfully and this should continue for the remainder the quarter. We also realised a one time FX hedging loss of around $2 million related to refinancings in the quarter.

On our balance sheet, cash and equivalents ended the quarter at US$ 106 million. Property, plant and equipment increased to about US$ 1.3 billion and net debt was slightly over US$ 1bn million as of September 30, 2019.

I would now like to turn it over to Ranjit to provide some commentary on new guidance and disclosures that we are providing.

Ranjit Gupta

We subscribe to the ethos that transparency breeds trust and trust results in value creation. Today, we are rolling out a significant amount of new disclosure and guidance. We believe that this additional information should highlight the value of the company and that the disclosure will make it easier for investors to invest.

On EBITDA and cash flow guidance, we expect the currently operating portfolio of 1,798 MWs to generate run-rate EBITDA of around $200 million and produce run-rate Funds from Operations around $75 - $85 million once the portfolio is operational for one full year. The net debt required to support the 1.8 GWs operational level of capacity is about $1bn. Looking further out to once our contracted portfolio of 2,815 MWs is complete in the next 12 months or so, we expect run-rate EBITDA to be around $270 million and FFO to range from $105 to $120 million annually which is effectively calendar year 2022. We will have about $1.6bn of net debt on our balance sheet once this capacity is operational. To help you further model the financials of a larger portfolio, a 300 MW project should add about $22 - $28 million of EBITDA, $10 - $15 million of FFO and about $125 - $135 million of debt.

We also are providing NAV/share value of the contracted 2,815 MW portfolio under various cost of capital scenarios. We would highlight that this value does not place any value for growth, the differentiated platform nor cost reductions we believe are achievable. We also see opportunity to lower our borrowing costs and every 100 basis points reduction in our cost of debt over the 25 year life of a project equals about 50% more in NAV/share.

Turning to operating MW guidance, we expect to deliver about 1,800 – 1,825 MW operating this year and grow it by about 1,000 MWs next year and have the contracted capacity of 2,815 MWs fully operational be the end of next financial year. To build these, we will spend another $600 - $650 million in capex with about $150 - $200 million spent in the 2nd half of this fiscal year and the remainder in Fiscal 2021.

On liquidity, we wanted to provide better disclosure about funds available to build new megawatts. Whilst we have $417 million of cash on the balance sheet, about $278 million has been since used to refinance debt related to our recent issuance of a green bond and another $108 million is allocated largely for projects that are completed but where we have yet to make payments and meeting upcoming debt servicing obligations. This only leaves about $30 million of cash for new projects which was a driver for

our recent $75 million private placement with CDPQ.

We have also provided new information on plant load factor, DSO, and credit ratings by counter parties in our appendix. We continue to make progress on a sustainability report by the end of this fiscal year to increase the awareness of our cultural focus on improving the lives of those in our community and the natural advantage we have of providing clean sustainable energy for generations.

On guidance, we are reiterating our revenue guidance for fiscal year ending March 31, 2020 of revenues to be between INR 12.8 billion and INR 13.4 billion, which will translate to US$ 181 million to US$ 189 million, using the September 30, 2019 exchange rate of 70.64 rupee for every US dollar.

With this, we will be happy to take questions.

QUESTIONS AND ANSWERS

Operator
Yes, thank you. We will now begin the question-and-answer session. To ask a question, you may press star, then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble the roster.

And the first question comes from Philip Shen with Roth Capital Partners. I'm sorry. Actually, the question comes from Maheep Mandloi from Credit Suisse.

Maheep Mandloi
Hi, everyone. Thanks for taking the questions and a lot of good information on the slides. Thanks for that as well. I just wanted to briefly touch upon the changes we can expect to the existing projects, apart from the changes to the projects under development. What can we expect around the existing projects, if you could just highlight upon that?

Ranjit Gupta
Maheep, I didn't actually get your question right, this is Ranjit here. I didn't get the question.

Maheep Mandloi
Hi, Ranjit. I just wanted to understand like the levels you have to improve profitability or EBITDA on the existing projects going forward. I think [audio drops] something like that in your comments.

Ranjit Gupta
Right. So, on the existing projects, right, so like we mentioned, we believe that we can stretch these projects more. Over the last three months, Murali and I have visited our projects in Rajasthan, in Karnataka, in Andhra Pradesh, right, and looked at the operating performance, how we are analyzing the data that is coming out from those projects. And, we are starting to monitor our projects on a week-to-week basis, looking at the performance ratios on a week-to-week basis, right. And, we have already seen that this focus on a weekly PR as we call it, the performance ratio, has made the team a little bit more aware of the generation issues that typically, if you do a monthly or a quarterly update, you don't see.

So apart from that, we are also, like I mentioned, looking at some dry cleaning options. Typically, what happens is, when you do water cleaning and you clean your modules, typically, you are able to clean modules only, let's say, twice a month or something of that sort; whereas if we are able to retrofit dry

cleaning on the modules in our projects, then you can clean modules on a daily basis. There are also some re-powering opportunities that exist on our projects, which we are currently undergoing, right. I mean we hope that all the re-powering that we have put in place will complete by end of January. So there are several opportunities out there for us to stretch our operating portfolio more and we are doing that very aggressively.

Apart from the operational part, we are also looking at the financing of each project very closely. Of course, two large chunks of our projects are in bonds, but there is still almost 500-odd megawatts that are still funded individually, either through local debt or foreign debt. So at least two or three of those projects we are looking at refinancing. We are in talks with various lenders, so that we can bring down the cost of debt.

So, not only in the new projects, but in the operating projects, we are looking at very aggressively how we can improve on a project-by-project basis, how can we improve the performance of each project.

Maheep Mandloi
Got it. That's helpful. And just on the mid-teens IRR guidance, could you first clarify whether that's unlevered or levered and as you exit the 350 megawatts and the additional 200-to-300 megawatts, could you just touch upon the drivers for exiting these projects and then just looking at the project, it looks like some of the projects being excluded were not necessarily the lowest PPAs on the market. So, I just wanted to understand the drivers behind the cancellations.

Ranjit Gupta
Right. So Maheep, the cancellations are purely driven by economic reasons, right. So there are two aspects we have to look at. One is, of course, that there should be an out on a project, so that we don't get financially hit when we exit the project. And secondly, we have to ensure that we don't get hit reputationally when we exit projects, right. So of course there is economics and then there is the reputation. So we have to balance both of these things. So balancing those, we are exiting projects where we can.

Please note that tariff is not the only driver for returns, because a tariff of $0.035 or $0.038 might be great for one state and might be horrible for another state, right. So just because I drop a project, which is $0.04, doesn't mean that that project was giving you better returns than a project that was $0.037, but in the state where the installation is much higher, the project is much larger, so I can drive economies of scale; I can get better insolation; I can be closer to other projects that I have. So many factors will lead to an equity return on a particular project. So we are taking the decision purely based on economics.

Maheep Mandloi
Got it. And if you can touch upon the IRR guidance?

Ranjit Gupta
So the IRR is always levered. We are talking about equity IRR, so these are levered IRRs. Yes, and this is a yield to maturity. If you hold these projects to maturity, this is what you will get.

Maheep Mandloi
Perfect. And I think one last from me and then I'll probably jump back in the queue for others. The 15% CapEx reduction you expect going forward, does it include any module price savings and just more from the rest of the balance systems and EPC cost reductions, which you spoke about? Because, just looking at the spot prices and we are seeing continuous pressures, downward pressures on the module prices just given the bringing over-capacity out there. So any thoughts on that?

Ranjit Gupta
No, 100%, right. I mean whenever, when you are trying to drive 15% CapEx reduction, a lion's share will come from modules. So the reduction in the other parts when you're looking at a CapEx of the project, there are largely three or four elements. One is of course the module price in the balance of plant and then the rest of the establishment cost, financing cost and so on and so forth. So as far as the 15% is concerned, a large portion of it will come from modules, but certainly on the BOS part, and on the financing costs, and establishment costs, and overheads, etc., also we are focusing, even though the returns there on our effort might be slightly lower, but on an efficiency basis, we are looking at reducing CapEx on all items.

Maheep Mandloi
Got it. Thank you.

Operator
Thank you. And the next question does come from Philip Shen with Roth Capital Partners.

Abel Ortega
Hi, this is Abel Ortega. I'm on for Phil. Just a quick question from me and then I'll jump back into the queue. How do you expect PLF to trend in fiscal year 2021?

Ranjit Gupta
Abel, you are asking about the PLF in fiscal 2021?

Abel Ortega
Yes.

Ranjit Gupta
So the PLFs in fiscal 2021 we expect to be better than the 2020 numbers, simply because of the fact that a large portion of our upcoming capacity is going to be in Rajasthan, which has the best installation. And also, if you look at overloading DC to AC of our portfolio, with every new project that we build, the DC by AC ratio also goes up. So we are building projects which are in the higher installation area going forward. Almost 90% of the capacity between 1,800 to 2,800 is going to come from Rajasthan. And also as you will see that the DC-AC ratio will also continue to increase. So we expect the PLFs to get better.

Abel Ortega
Got it. And jumping on to the previous—sorry, I have one more question. Jumping on to the previous question, you mentioned reaching cost per operating megawatts of $0.40 and you mentioned that to reach that it will be because of lower marginal cost. Do you see other levers you expect to use to reduce this cost and how much lower do you think this cost can be as the industry matures? Do you see more low-hanging fruit? Thank you.

Ranjit Gupta
So like I mentioned to Maheep, Abel, the large part of the cost reduction will continue to come from modules. In the next 12 months, we don't see any huge technology advancements that will allow us to reduce CapEx significantly apart from modules. So there are always design improvements and technology improvements on the BOS side, which enable us to get certain advantages. But like I mentioned in response to the last question, the lion's share will come from modules.

As far as how low the modules can go, we keep hearing of new technology, which are in development and people talk about the module prices going down really low. But when those technologies will come

to fore, when they will become commercial and when we will see the benefits of that to our projects is difficult to access.

Abel Ortega
Got it. Thank you.

Operator
Thank you. And the next question comes from Joseph Osha with JMP Securities.

Joseph Osha
Thank you and hello, everyone. A couple of questions. First, listening to you discuss your IRRs, I'm wondering, have you established a hurdle rate methodology within your company that will affect whether you take on new projects or not? Then I have a couple of follow-ups.

Ranjit Gupta
Yes, absolutely, Joe. I mean that's the reason why we have dropped those projects that we spoke about. They did not meet our internal hurdle and we are looking to drop some more if we can get out of them, because they don't meet that internal hurdle. So certainly there is a benchmark for us and if we don't hit those benchmarks, we will not participate in future growth going forward.

Joseph Osha
Okay. And obviously there is a number there, but it strikes me that the philosophy here is more important, going back to the initial comments about utility scale returns. I mean over time is that IRR likely to converge with the IRR realized by in utilities or how do you think about how you should manage that number?

Ranjit Gupta
So to tell you the truth, the number, even currently the number that we are looking at is the number that typically the Indian regulator actually allows as a pass-through when they do—when they used to do MOUs or bilateral power purchase agreements. So we are very close to that number already. So mid-teens is what people expect. Unless and until there is a structural change in India, which reduces the India risk in the eyes of foreign investors, we don't believe that we will see any contraction in the returns.

At the end of the day, in this sector, in the renewable energy sector, majority of the money comes from international investors and they all have similar return expectations where they factor in the technology that we are using and also they add a premium for India. And unless and until that premium goes down, we expect to see similar returns.

Joseph Osha
Okay, all right. And can you share with me what the number is at the moment?

Ranjit Gupta
So it's mid-teens.

Joseph Osha
Okay. And then just on the kind of the other side of the equation if you will, you have all these assets, some of them have green bond financing. Some of them have, I presume, amortizing debt. What's the philosophy over time here? Are you going to seek to—once you've got a project operating, are you going to seek to de-lever it over time, or are we going to see you tend to go back and back lever those assets over time to provide cash, assuming that you can identify new opportunities that meet your hurdle rate?

Ranjit Gupta
So I mean, Joe, we are very clear on this. We are not going to take any risks on refinancing project or take a fund ten years down somehow I'll be able to make a bullet payment by raising money from somewhere and repay our debt. Debt is a debt. It has to be repaid. As a utility, we cannot be aggressive on this. The reason why we have a non-amort facility is because we are confident that post this non-amort period, there is still a 20-year PPA left for us to do an amort refi.

And even in this, if you look at our presentation, you will see that we have committed that year four and year five of our bond, we are going to not do any distribution internally, right? So the year four cash and the year five cash will be locked, which will be about 15% of the bond issuance of the debt that we have on those projects that will help us in refinancing. We are going to be conservative, we're not going to over-leverage our balance sheet. And as time goes by on our operating projects, the level of debt will continue to go down.

Joseph Osha
Okay. So that's a critical point that you're committing that you are over-time going to match the amort schedules on these projects with the PPAs, so that we're not facing any sort of bullets or refi risk down the road. That's the objective.

Ranjit Gupta
One-hundred percent. We are a utility. We are not a start-up.

Joseph Osha
Okay. Thank you.

Operator
Thank you. And the next question comes from Moses Sutton with Barclays.

Moses Sutton
Good morning, everyone, or I guess not for everyone. Thanks for the new disclosures. A quick question on leverage to pick up on that point. The go-forward leverage amount on future projects, could we maybe put like a percent marker on that? So historically the ongoing leverage rate would be 70% or 75%. I'm wondering if you could give us sort of thoughts on that even thinking beyond the committed portfolio.

Ranjit Gupta
So, Moses, absolutely, that is the right number. Typically, we finance our projects 75% to 25%, so 75% debt and 25% equity. If there is a good DSCR cover, if there is a good debt service coverage ratio on some of our projects, when we have seen operating history of those projects, sometimes we are able to take it up to 80%-20%. But you know I have not seen at least in the time that we have spent in India sustainable projects that have been levered more than 80%-20%.

And at construction, 75%-25%, once you have a stable established cash flows, maybe you can take it up to 80%-20%, keeping in mind that you want to be able to amortize such that at the end of 80% of your PPA life, so if your PPA life is 25 years, then approximately at the 20-year marker, you should be completely debt free. So that, in case there is any hiccup along the way, you still have the 20% runway if you need to do anything with that project. So the target has to be 75%-25%, maybe go up to 80%-20% once the cash flows have been established and try and see that at 80% of your PPA life, your project becomes debt free.

Moses Sutton

Got it. That's helpful. And then thinking of debt-to-EBITDA, I guess I'm going to look at the metrics here. From the full committed portfolio, it would be an implied like 5.4 times using midpoint. So putting that in another way, would you say you're comfortable with that level? Obviously, some of it would come down naturally a little bit over time as projects split out cash flow. So around a 5 times to 5.5 times range, is that sort of a fair long-term target for debt-to-EBITDA?

Ranjit Gupta
Absolutely. And like you rightly pointed out, as we continue to grow and as our project debt keeps getting amortized and paid, this number will continue to come down. On the new projects, when we built new, we target 5.5 times and as the percentage of new build in our portfolio will reduce, once we are 4,000 or 5,000 or 7,000 or 10,000 megawatts, as the percentage of new build reduces, we will see a continual decrease in this ratio.

Moses Sutton
Got it. That's helpful. And then shifting to capacity factors, you gave historical numbers. Any update on thoughts on go-forward project capacity factors? So just to put a numbers here. In the past, management disclosed, high 20% given the amount of DC overloading. What are your thoughts there on how we think of the blended capacity factor or even the go-forward numbers for these projects?

Ranjit Gupta
So that is the right number still, the high 20%s, and of course like I mentioned earlier, when we were talking about tariffs, that in some states, you will see lower installation, so there you will see these numbers come down. And in some states like Rajasthan, you will see the high 20% numbers including the overloading. Over the last few years, we have seen that the overloading has sort of matured to between 1.35 to 1.5. We have not seen a significant uptick in this number.

So assuming that the overloading stays in this range of 1.35 to 1.5, and if you are building projects in Rajasthan, you would tend to see a high 20% number.

Moses Sutton
Great. And then last one from me. NAV per share at the varying cost of debt that was very helpful sort of metric you have in the presentation. Just thinking going forward, any updated thoughts on selling an entire asset to sort of validate market valuation there?

Pawan Kumar Agrawal
You are talking about selling portfolio?

Moses Sutton
Yes, sort of thinking of selling a single asset to give you a marker.

Pawan Kumar Agrawal
So of course we do have in our mind, how do we recycle our capital at best, and we have thought of a couple of options. But as you know, the initial focus is more on trying to optimize the CapEx, trying to set our assets better, try to get the capital structure in place, and even if you look at selling any of our asset, the process is going to take its own time. In the current environment we're in, when there are a lot of projects available, this is not something, which is readily available market and as of now, we are not really looking at selling off our assets very, very actively.

Having said that, as a management team, we are extremely clear that anything and everything that can create more value, we will be looking at those and capital recycling is one of the options, one of the bucket in which we are—we have two, three options in mind, but to be very honest it is little premature.

Maybe as you move along in next couple of quarters, we should be in a better position to prioritize that and probably come back to you.

Ranjit Gupta
And Moses, to also give further color to this, we will continually look to re-balance our portfolio. So as the business moves forward, I know the risks change for the portfolio, we will certainly look at seeing what makes sense for us. For example, today SECI and NTPC that are the flavor of the month. Today, people are doing very large projects, 200 megawatts, 250 megawatt portfolios. We have one project that is almost 600 megawatts.

On the other hand, we have projects in our portfolio that are 5 megawatts and 10 megawatts and 15 megawatts; some of them have state off-takers. So we will continually look to see how to re-balance the portfolio and make it more homogeneous. So like Pawan mentioned over the next few quarters, we will take some decisions on this and move forward to ensure that we are deploying our time, our bandwidth in the most optimum and efficient fashion.

Moses Sutton
Great, thank you. That’s it from me.

CONCLUSION

Operator
Thank you, and this concludes both the question-and-answer session as well as the call itself. Thank you for attending today’s presentation. You may now disconnect your lines.