# Azure Power

## Fiscal Q3 2018 Earnings Conference Call

## Friday, February 9, 2018, 8:30 AM EST

**CORPORATE PARTICIPANTS**

**Nathan Judge** - *Senior Vice President, Investor Relations*

**Inderpreet Singh Wadhwa** - *Founder, Chairman and Chief Executive Officer*

**Sushil Bhagat** - *Chief Financial Officer*

## PRESENTATION

**Operator**
Good day and welcome to the Azure Power Fiscal Third Quarter 2018 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" followed by "0". After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*", then "1" on your touchtone phone. To withdraw your question, please press "*", then "2". Please note, this event is being recorded.

I would now like to turn the conference over to Nathan Judge, Senior Vice President, Investor Relations. Please go ahead.

**Nathan Judge**
Thank you. Good morning, everyone, and thank you for joining us. After the close on Thursday, the company issued a press release announcing its financial results for the third fiscal quarter of 2018 ended December 31, 2017. 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 Inderpreet Singh Wadhwa, Founder, Chairman and Chief Executive Officer, and Sushil Bhagat, Chief Financial Officer. Inderpreet will provide a business update, and Sushil will discuss our third quarter financial performance, and then Inderpreet will finish our prepared remarks by updating our fiscal year 2018 guidance and providing our fiscal 2019 guidance. After this, we will open up the call for questions.

Please note, our Safe Harbour 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 with 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 those 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 Inderpreet Singh Wadhwa, Founder, Chairman, and Chief Executive Officer.

**Inderpreet Singh Wadhwa**
Thank you, Nathan, and good morning, everyone.

Slide four summarizes our mission and core values, which are critical to our long-term success. Our mission is to be the lowest cost power producer in the world, and this is not the same as having the lowest selling price of power in the world. Core to our culture as a company are four values: excellence, honesty, social responsibility, and entrepreneurship. We strive to uphold every one of these values in everything we do.

We continue to make progress in growing the company with projects that have an attractive return and are above the cost of our capital. As of December 31, 2017, we had a portfolio of 1,580 megawatts, which does not include our 250 megawatt project with NTPC and an 11 megawatt win on rooftop solar projects over 152 schools.

All of the new PPAs are for 25 years and have fixed tariffs, which is to say they are not exposed to variable commodity risks. 73% of our counterparties have domestic A-rating debt or higher, and 52% of our portfolio is with Government of India off-take counterparties, which offer the highest credit possible for power projects in India.

We increased our competitiveness by lowering our cost of capital through a cash release from our Green Bond issuance in August of 2017 that has a coupon of 5.5%. This issuance has allowed us to tap into free cash resulting from the removal of restrictions as well as non-amortization nature of the debt instrument. We released approximately $34 million of cash with the issuance and expect an additional $125 million will be retained for growth capital over the remaining tenure of the bond.

In the future, when we issue bonds to refinance projects, we expect to be able to tap additional capital releases without having dilute our shareholders. We would also highlight that most of our debt has a fixed coupon, and our direct exposure to interest rate moves is minimal. As the financing markets for solar in India continue to mature, we are seeing refinancing opportunities with even lower interest rates, and we expect that our financing cost spread over base rates will continue to tighten.

Also, during the quarter and first week of January, we commissioned 102 megawatts, bringing the total operating megawatts to 905 at the end of the quarter.

We are excited to have Dipti Swain join us as Chief Counsel. Dipti has a lot of diversified work experience with leading Indian law firms across multiple sectors and functions, including securities law, mergers and acquisitions, capital market transactions, and other corporate law matters for leading Indian and overseas corporations. Dipti has provided legal advisory for transactions over US $33 billion for foreign as well as Indian investors and corporations. We are confident that his contributions will further strengthen the company's strong governance.

As mentioned previously, we have been very successful in winning new PPAs recently. We won a 200 megawatt PPA in the Bhadla Solar Park in Rajasthan with Solar Energy Corporation of India and a 11 megawatt rooftop contract to supply power for over 152 schools in the last few weeks. Fiscal year to date, we have won 795 megawatts, which is a 72% increase in the portfolio from the prior year. With regard to our 250 megawatt project with NTPC, there has been some press releases around India's WTO obligations involving domestic contract requirements, and since this contract requires domestic content requirements, we are working with the government at this point to understand where we stand, given the advisory from Ministry of Renewable Energy that no projects with private developers under DCR will progress. All of our projects are expected to have attractive returns above our cost of our capital.

We're also pleased to start the calendar year 2018 with the commissioning of our Telangana 100 megawatt project. As a reminder, we signed a 25-year Power Purchase Agreement at a tariff of 7.3 US cents per kilowatt hour with AAA-debt rated NTPC, and the project is providing approximately 400 local jobs in the state of Telangana.

Given the reduction in costs, solar energy is providing even cheaper energy throughout the world. In fact, a long-term agreement was signed for under $0.02 per kilowatt hour in Saudi Arabia and a tariff of about $0.024 per kilowatt hour in US. While the tariffs may not be directly comparable across these contracts, with tariffs that are nearly double these locations, we believe India continues to remain an attractive investment for solar energy. Put differently, we expect to earn attractive returns above our cost of capital given that our projects have tariffs that are nearly double other international markets options that have concluded recently. India for its much better solar radiation and costs that are quite low for construction and development in India as compared to some of the other regions.

Given the low cost of Solar versus other energy sources, solar continues to take market share in India, and 2017 was the first time in Indian history where more solar capacity was added than any other fuel source. There is more to come with about 6.6 gigawatts of bids in process and the recently heightened expectations by the Renewable Energy Ministry to install 67 gigawatts of solar in addition to what's installed already by 2020 compared to only about 17 gigawatts installed today. This equates to about 25 gigawatts of new capacity to be bid every year between now and 2020.

One new point of emphasis is that the recent $3.7 billion dollar financial assistance program that the central government has allocated to boost rooftop projects in India will also create a lot of demand for rooftop solar in the coming years, an area where Azure continues to be strong.

There has been a lot of press lately about the proposed anti-dumping duties that have been recommended. We continue to believe that any impact will be limited on our existing projects, and if the government takes up the recommendations, there have been many assurances that it will be applied prospectively on projects and would not include any projects that have already been bid out. If there is a retrospective application, which, again, we believe is unlikely, we do have change in law provisions in our contracts that would protect our investments.

There has been press about a 7.5% tax being imposed by certain ports in India. We have had very little exposure on account that the issue is limited to a few ports, and we've been able to import a lot of our equipment from other ports throughout the country. It is our belief that, if the change in law on such imports is put in place across the country, we will have a good case for recovery of such charges, much like GST. Overall, we expect this to have little or no impact on our financials.

With that said, I would like to pass it our CFO, Sushil Bhagat, who will review our third quarter fiscal performance in detail.

**Sushil Bhagat**
Thank you, Inderpreet.

Turning to our third fiscal quarter performance, we continue to record strong growth with kilowatt hours generated more than doubling to 855 million as of December 31, 2017, compared to the third fiscal quarter of the prior year. We had 1,580 of operating and committed megawatts as of calendar year ending 2017, which is about 48% more than the same date as the prior fiscal year. Including the 250 megawatt project with NVVN and a recent 11 megawatt win in January, our portfolio would have been 1,841 megawatts, reflecting an increase of 72% from the prior year.

Our operating cost per megawatt rose 20% for the nine month period ending December 31, 2017 compared to the same nine month period in the prior year. However, project cost per megawatt was higher due to the use of higher-cost domestic modules as required by the Power Purchase Agreement, the PPA, and purchased land compared to lower-cost open source modules and leased land in the corresponding previous period.

During our third fiscal quarter of 2018, revenue grew by 83% to approximately $27 million dollars over the corresponding quarter of the last year, as we commissioned new projects. As had been seen in the press, there was abnormally high level of smog in the northern portion of India during the third quarter, where the majority of our operating megawatts are located. The smog increased when the cooler winter air trapped the smog, resulting in a blanket of haze and lower electricity output than we expected for the quarter. So far, this and the fourth fiscal quarter, the inversion phenomenon has moderated, the smog is back to typical levels, and the plants are performing in line with expectations.

Reported EBITDA was $19 million for the quarter. However, due to a delay by the government in bundling of thermal power with the solar power production at one of our recently commissioned projects, we recorded a one-time charge of $1 million. Our contract for the project was extended by the duration of the delay by the government. So, excluding the one-time charge, our adjusted EBITDA would have grown 88%, which is a continuation of our margin expansion story since our IPO. We expect G&A to increase in Q4 as some expenses were delayed to the second half of the year, and we expect our G&A expenses as a percent of revenues will be around 16% for the full year.

Our interest expense during the quarter was $18 million. With regard to taxes, we recognized a non-cash income tax benefit of $2 million dollars during the quarter.

Our balance sheet continues to grow as we add new projects to our portfolio. Property, plant and equipment increased to $835 million dollars, a 9% increase from the prior quarter. Net debt was $648 million dollars as of December 31, 2017, or 20% more than second quarter '18, which is a result of investments we are making to grow our operating fleet of assets.

Our liquidity position continues to remain very strong. We ended the quarter with $248 million dollars of cash and cash equivalents including restricted cash. We had undrawn project debt facilities of $57 million dollars at the end of the quarter. We also have $141 million dollars of working capital facilities we can draw on if necessary. In addition, as a result of reducing our loan balances at domestic banks following the issuance of the Green Bond in August 2017, we believe our borrowing capacity at these banks has increased.

Beyond these sources of immediate liquidity, we continue to have the support of our large shareholder, CDPQ, which has a ROFO on our assets where we can grow our portfolio by bringing in CDPQ as a minority equity investor in our projects without existing shareholder dilution.

I'll pass it over to Inderpreet to discuss our guidance.

**Inderpreet Singh Wadhwa**
Thanks, Sushil.

This year marks our 10-year anniversary, and during this period of time, we've demonstrated significant growth. We are on track to increase our revenues sevenfold from 2015, and our portfolio run rate is nearly $220 million, compared to only $85 million a few years ago. Our high quality portfolio of around 1,580 megawatts is now one of the largest solar portfolios in India, which is in one of the fastest-growing markets in the world. Despite this growth, we have been able to deliver value through efficiency gains. We are very proud that we have been able to reduce our costs by 86% since 2011, as well as significantly reduced our cost of capital during the same time.

With our robust pipeline and strong execution capabilities, we expect to continue to deliver high growth of high-quality megawatts in the next fiscal year ending March 31, 2019. We expect to have somewhere between 1,300 to 1,400 megawatts operational at the end of the next financial year.

We are also providing revenue guidance for the next fiscal year of between $143 million to $151 million at the exchange rate of 63.83 rupees to a dollar. A couple of things to consider when evaluating our next year revenues--we had two projects, UP 40 megawatts and Andhra Pradesh 50 megawatts that are expected to be materially completed by fiscal year end 2018. However, since these projects were in a solar park sponsored by the government, the transmission and interconnection was in the scope of the government, and there have been delays on the government's side to provide these same, and these projects are likely to roll into fiscal year 2019, and we only expect three quarters of revenue from the UP project and only one quarter from the AP project. So, there is a shift of revenue based on these changes that I just mentioned.

The majority of our new capacity additions for the next fiscal year are expected to come online in the fourth fiscal quarter of 2019, and that's just the nature of our business that we have about 12 to 15 months to build these projects, and when we start, we finish all towards the end of the fiscal year. So, there's some impact of that, as well, and I'll continue to guide people towards the revenue run rate of the portfolio to understand the true top line for the business.

We do expect a noticeable increase in our plant load factor in fiscal year ending 2020 that will realize a full of effect of the operations of all our new projects, including the UP project, the AP project and the large 260 megawatt project in Gujarat.

Regarding our fiscal year 2018 guidance, we now expect about 905 to 1,000 megawatts range to be operational by end of this fiscal year, given the project transmission delay that I talked about on the solar park. However, those delays are expected not to have any significant impact on our revenue guidance, and anticipate--reiterate our fiscal year ending March 31, 2018 revenue guidance between US $118 million $125 million.

With this, we come to the end of the formal remarks, and we will now take questions.

**QUESTION AND ANSWER**

**Operator**
We will now begin the question-and-answer session. To ask a question, you may press “*”, then “1” 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 “*”, then “2.” At this time, we will pause momentarily to assemble our roster.

The first question comes from Philip Shen of Roth Capital Partners. Please go ahead.

Mr. Shen, your line is open. Please go ahead. Is your line muted accidentally? Please go ahead.

**Philip Shen**
Yes.

**Operator**
We hear you. Go ahead.

**Philip Shen**
Can you hear me now?

**Operator**
Yes sir.

**Philip Shen**
Great. Hey, Inderpreet and Sushil, thank you for the questions. Inderpreet, you mentioned and talked about the 70% tariff, or the anti-dumping potential tariff, and that the impact might be minimal. That said, our check suggests that shipments to India have actually stopped from a number of major Chinese module vendors. And for March, my understanding is that there are little to no deliveries of modules. So, can you just kind of give us a feel for what's next in terms of procedure for this tariff to be decided on?

How long of a process is it, and is it true that there are some module vendors from China that are actually not shipping in? And then my understanding is that the capacity in India for sale is about 1.3 gigs as of summer of last year. What is the latest capacity in India, perhaps as of year end, and overall, what is the potential impact on the business? If you can share a little bit more color beyond what you said in your prepared remarks, that could be helpful. Thank you.

**Inderpreet Singh Wadhwa**
Sure. Thanks, Philip, for those questions. So, I think in terms of the market in India continues to be very vibrant. In fact, this is the highest growth in both new megawatts constructed as well as new megawatt auctions that we've seen historically in the country. In the last year, we saw 9.5 gigawatts installed in India, which is much higher than the previous year, as well. And we continue to see additional megawatts coming online as we speak.

The most recent stats that I looked at, India, I think touch almost 20 gigawatts of operational solar capacity. Now, it's interesting to note when National Solar Mission, the Premier Solar program was announced in 2010. The target was to reach 20 gigawatts by 2020, and we've achieved that goal much ahead of that deadline. Now, of course, the targets have increased to 100 gigawatts, as well, but just to put things in perspective, there was a lot of skepticism when India announced the 20 gigawatt program, and now no one's talking about 20 gigawatts. People are talking about 100 gigawatts.

So, I think that's in terms of demand. What we've seen is I think I mentioned almost 6.5 gigawatts of auctions out there that we are actively tracking, and there are more coming in every week. So, the pipe is very large and very attractive, and the new Minister has been very active in committing to these megawatts, and what we hear is 25-to-30 gigawatts next year. But, that would make India one of the largest markets of solar in the world. So, that's where sort of the demand is.

And also, this is a function of the price, as well, right? I mean, where we see the contract at $0.04, $0.05 a kilowatt hour, solar has become the lowest cost energy source for India. So, that's on the demand side for projects both current and future.

On the piece about Chinese suppliers situation, I mean, I think we chatted in the previous call, as well, that we are not operating at a transaction level with our suppliers, we as in Azure Power. So, whether it's a difficult time or a good time for the supply chain, our suppliers continue to support our business and continue to deliver on their commitments. There was some noise earlier on the previous call that the contracts have been canceled and not being honored because of the rush in the US ahead of the 201 case.  And even in that situation, we didn't have issues with our long-term partners.

Similarly, I mean, we don't see any of that challenge even today.  I mean, as we speak, we are getting deliveries for our projects, and we don't see that challenge that Chinese suppliers are not shipping to India.

Having said that, I'd also say, because this time of the year most of the projects are done in India, and the next set of projects will require modules in the second half of the calendar year that were auctioned a few months ago.  So, there are not a lot of projects in India right now that need panels. And maybe, someone's sort of construing that as Chinese are not shipping into India is what I feel.

We also know some of the guys have taken orders from US and other parts of the world, and we've heard some of the suppliers make public announcements, like First Solar, that they're sold out this quarter and so forth.  So, that also is a phenomenon.  So, I think it's a little bit of both, but we do not feel any constraints on getting supplies from these suppliers.

The other part of your question was around the process for determining the duty.  So, there are actually two parts to this process.  One is safeguard and the other is a more sort of longer-term decision on anti-dumping.  So, in fact, I mean, the safeguard is a much shorter process, but we've seen that has more or less slowed down.  I mean, there are a couple of matters in the court that require at least some introspection of the safeguard duty that's been put forward that are reviewed by the various committees within the government on that.  It's taking time.  So, we don't have a line-of-sight on when that would be resolved.

But, the anti-dumping duties typically is an 8 to 12 month process.  I mean, a lot of information is collected, public hearings are done.  So, a lot of that process is ongoing.  We don't expect the anti-dumping decision to be made at least in the current quarter.  May go into the next quarter or even a quarter after that.  But, we will keep watching that, because the process takes a due course of time.

**Philip Shen**
Great.  And so, just to kind of put a final point on this, as you look through your installations for the rest of this fiscal year, actually into the fiscal '19 year, into March 2020--sorry, 2019, do you expect that your--I mean, have you been given assurances by your suppliers outside of India that you, in spite of the process for the anti-dumping situation, should continue to receive product?

**Inderpreet Singh Wadhwa**
Yes, absolutely.  I don't think there's any concern from any of the suppliers we work with that, because these duties are being investigated, that they're not going to supply.  So, we don't have any such issues for any of our projects.

**Philip Shen**
Okay, thank you for the color, Inderpreet.  Shifting gears to--I think we saw some more recent news about the MNRE planning to launch a scheme where PPAs of up to 20 gigawatts of capacity would be allocated to manufacturers, domestic manufacturers that commit to launch module manufacturing facilities and perhaps even sell in India.  And so, how do you expect--first of all, can you update us as to whether or not you think this will happen, what's left in this process, and do you expect this to possibly impact your ability to win share from those who are launching

domestic module and sell manufacturing capabilities in India, especially if they get preferential treatment?

**Inderpreet Singh Wadhwa**
It's too early to comment on that, because what we've just seen is just the announcement, like you said. There will be a long process of consultations and what does this imply and how it'll work and all those things associated with that, so very difficult for me to comment on what it implies for the market in general. But, I mean, India's been working towards creating capacity for manufacturing in India one way or another. I mean, the earlier program was to be at DCR, and given the challenge at WTO and India sort of backing off of the DCR structure and are looking for alternatives to create manufacturing in India.

Having said that, we don't anticipate that projects associated with manufacturing will clear the entire market, right? So, it's still going to be a subset of the overall 100 gigawatt plan. And there'll be enough projects to build for us to continue our growth, and we will continue to watch and understand what this policy entails and how it's going to be done. And you also must realize, it's not like manufacturing can happen overnight and 20 gigawatts will happen overnight. This is also going to be a multi-year process on how manufacturing comes in and how these PPAs are allocated.

So, we still feel that it will be a small percentage of the overall market, but we will continue and watch and see where Azure will play in this space.

**Philip Shen**
Great. Thanks, Inderpreet. One last one from me--this is coming back to the new product or segment that you launched last quarter. I just wanted to see if, beyond your prepared remarks, is there some additional--how is the Azure M-Power product coming along? Any sense of whether or not there's--could there be a meaningful impact in fiscal '19 ahead or should we look for a longer kind of ramp-up time for those rural projects to take hold?

**Inderpreet Singh Wadhwa**
Yes, so, Philip, we'll be able to give more color on that as we receive some more information on the implementation, once these projects have run for a bit. So, we will be able to add more color in the next earnings call on the M Power for 2019.

**Philip Shen**
Great, okay. Thank you very much. I'll pass it on.

**Inderpreet Singh Wadhwa**
Thank you.

**Operator**
The next question comes from Maheep Mandloi of Credit Suisse. Please go ahead.

**Maheep Mandloi**
Hi, thanks for taking the question. Just a quick question on anti-dumping duty--any potential anti-dumping duty, would it be retroactive in the sense would it be applicable to contracts or auctions won before a duty is implemented, or would those get any benefit or those duties would be passed through?

**Inderpreet Singh Wadhwa**
Yes, so I think the view at the moment from all the discussions we are having with the government is that it will be a prospective duty, so it would not impact the projects that have already been bid out. And while having said that, we also believe our contracts are quite strong with good off-takes, where there are provisions of change in law protection on such an event. But, from whatever we hear right now, the clear message is that this will be prospective if it comes.

**Maheep Mandloi**
Got that. And thanks for the clarification around your revenue run-rate guidance for FY '19, but could you talk more about what the run-rate revenue would be for that 1.3 to 1.4 gigawatts exiting FY '19?

**Inderpreet Singh Wadhwa**
So, perhaps--I mean, I don't have the number handy with me. We can try and do a follow-up separately on that number. But, again, I mean, our guide to what we formally communicate is our portfolio revenue run rate, which we have sort of included in our remarks, as well. So, I mean, I do understand that you're looking at 1,300 to 1,400 megawatts number, but there's no reason why the other ones won't come online, and they'll come online shortly thereafter. And that number is about $219 million for 1,580 megawatts.

**Maheep Mandloi**
Got that. And on that FY '19 guidance, does it include any impact from smog or potential smog next year or something similar to what you saw in this quarter?

**Inderpreet Singh Wadhwa**
So, we've tried to moderate our assumptions based on what we saw on the weather this year. And you know, this business well that, year-over-year, you can see some deviations. But, I think from percentage perspective, we don’t see a significant movement. It's relatively short. But, I think even if you look at the numbers you published and what we've delivered, the gap is not that large for this quarter. And if you analyze that, it would not be meaningful.

**Maheep Mandloi**
Thanks for taking my questions.

**Inderpreet Singh Wadhwa**
Thank you, Maheep.

**Operator**
Again, if you have a question, please press "*", then "1".

The next question comes from Joseph Osha of JMP Securities. Please go ahead.

**Joseph Osha**
Good afternoon, everyone. Another duty question--sorry about that. I'm looking at this $0.83 cost per watt, and there's a comment there that that does reflect, to some extent, the absorption of higher cost modules, and I'm wondering what we can infer from that about what your costs might look like as you continue to absorb higher cost domestic supply--maybe a comment on how much of that $0.83 reflects the usage of domestic modules? And then, I have a couple other ones. Thanks.

**Inderpreet Singh Wadhwa**
Yes. Thanks, Joe, for that question. So, we typically see a $0.10 to $0.15 premium on domestic modules, and the fact that you see this number this year is because a big project that we turned on in Uttar Pradesh this year was using domestic modules. But, the fact now the DCR program is by and large off the table. We don't see this sort of significant gap going forward. And the other piece in this was land because we try and lease where possible. So, when you're leasing land, then you don't need to increase that cost upfront. It's lease rental over a 33 year period typically what we do. So, if you sort of take that effect off, as well, we'd come out somewhere in the mid to--around mid 60s.

**Joseph Osha**
Okay. And so, that is to say that I can look at this Uttar Pradesh project that you were working on, take that sort of premium that you mentioned and draw some conclusions based on that, that was the only area where you're using the domestic modules.

**Inderpreet Singh Wadhwa**
In fact, the projects that we are working on in Uttar Pradesh and Andhra Pradesh are based on open technology and will not see a similar cost structure going forward. So, in the next quarter, you would see a relatively lower number on account of some of the capitalization we are likely to do on those projects.

**Joseph Osha**
Okay. And then two slightly off the wall questions, I apologize. The first, are you seeing any interest in deploying storage alongside any of your projects yet?

**Inderpreet Singh Wadhwa**
Mostly for the M Power line that we launched earlier, because those are mini- and micro-grids and operate independent of the main grid system. But, wherever we are connecting to the grid, we don’t see that requirement today and largely because India continues to be a deficit economy and needs more energy, and as much as we produce in our contracts, it is consumed. So, it's a must run status, so we take advantage of that.

**Joseph Osha**
Okay. And then my final question, and this may be a difficult one to answer given the very dramatic move in rates over the last two months--I'm wondering if you've had any very preliminary conversation with your bankers about what impact, if any, that might have on your borrowing cost?

**Inderpreet Singh Wadhwa**
Yes, so I think one of the things we just mentioned--so, there are two things. There's sort of new projects, and then there are existing projects. The majority of our existing projects are packaged in the Green Bond, which is a fixed rate for the tenure of the bond, so there's no impact to the business on the majority of the operating portfolios.

In terms of new projects or any refinancing that we are considering, given the credit quality and the track record of the company, we are able to negotiate a much tighter spread on new projects. So, there is no immediate increase on interest rates from these institutions that we are talking to, but even if there were to happen an increase on the interest rate side, the tightening of the spread would offset such an increase. But, we don't see any significant movement even for our projects going forward.

**Joseph Osha**
Okay, thank you very much.

**Inderpreet Singh Wadhwa**
Thank you, Joe.

**Operator**
The next question comes from Harsh Agarwal of Deutsche Bank.

**Harsh Agarwal**
Hi, Inderpreet. I have two or three questions, as well. One was can you talk about the funding plans to get you to your target for FY '19 in terms of capacity? Is it fully funded? How much additional funding do you need, if at all, to get to the target?

**Inderpreet Singh Wadhwa**
So, if you follow some of the remarks, Harsh--and thanks for the question--is that we are well capitalized to execute next year's plan. So, we don't see that to be an issue. And we did talk about it. We've got about $248 million of cash on the balance sheet, and we have in addition, another sort of $200 million in working capital and debt facilities. And in addition to that, we have the ROFO with CDPQ. So, putting all of these pieces together, we don't need any additional capital for this plan. I mean, of course, we need to raise more debt. When I say capital, it's the equity piece.

**Harsh Agarwal**
Got it, got it, Inderpreet. And one housekeeping question--when I simply divide this quarter revenues with your gross generation, right, the number of units that got generated, and I compare that average cost tariff to the previous quarter, there seems to have been a pretty big decrease in the average tariff realized. Am I doing something wrong with the math here, or if you can explain what the reason for that decline is.

**Inderpreet Singh Wadhwa**
So, Harsh, I mean, maybe we can take this offline, but if you are going to do any analysis on revenue and status and generation, quarters are quite seasonal in nature and lumpy in nature. I would recommend you look at the portfolio revenue run rate. So, you look at that number as the top line. And then you can look at the generation that we can anticipate from these projects based on the plant load factor that we've historically disclosed. And then you have to sort of get a little bit more details into which projects will have higher plant load factors versus lower plant load factors, a straight average of the portfolio tariff would not give you that same answer, because the capacities in different regions are very different. So, I guess, I mean, the short answer is the analysis you're trying to do with the quarterly numbers won't work. There's a little bit more work that needs to be done on this front.

And I think as part of our sort of bond offering, there are independent reports for at least the restricted group that have enough detail for each project to give you color on what you're trying to accomplish.

**Harsh Agarwal**
Okay, all right. Thanks, Inderpreet.

**Inderpreet Singh Wadhwa**
No problem, Harsh. Thank you for your questions.

## CONCLUSION

**Operator**
This concludes the Q&A session, and also this concludes today's Azure Power Fiscal Third Quarter 2018 Earnings Conference Call. Thank you for attending today's presentation. You may now disconnect.