Azure Power Global Ltd.

Q3 FY 2020 Earnings Conference Call

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CORPORATE PARTICIPANTS

Ranjit Gupta – *Chief Executive Officer*

Murali Subramanian – *President*

Pawan Kumar Agrawal – *Chief Financial Officer*

Nathan Judge – *Head of Investor Relations*

PRESENTATION

Operator
Hello, and welcome to the Azure Power Q3 FY '20 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 (0). After today's presentation, there will be an opportunity to ask questions. Please note, this event is being recorded.

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

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 third fiscal quarter of 2020, ended December 31, 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 highlights of the recent actions to increase shareholder value, followed by an industry update. Pawan and Murali will also provide commentary on the things that is also contributing to create value. Pawan will provide an update on the quarter, and then we will wrap up the call with Ranjit reiterating FY '20 guidance and providing FY '21 guidance. After this, we will open the call up for questions.

Please note, our Safe Harbor statements are contained within our press release, presentation materials and available on our website. The 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. We encourage you to review the press release we refurnished 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 and I joined Azure around seven months back and are very proud of the work we have done here in these months. We have worked on four broad themes during our time at Azure: strategy, transparency, efficiency, and prudence. I will talk about the first two a little bit and then Murali will touch on the latter two in his remarks.

The basis of our strategy has been a focus on discipline of capital allocation. Towards this, we have largely taken three steps. Step #1, we have exited an overall approximately 600 megawatts of our committed portfolio, which did not add value to our portfolio. The purging of our portfolio is now complete, and we are focusing on building the around 1,300 megawatts of our committed capacity. Second, we have won 4 gigawatts of projects, which are to be delivered over the next five years at a tariff around 15% higher than projects that we are currently constructing. Note that 2 gigawatts of the 4 gigawatts was a greenshoe option that we have exercised but have yet to receive a LOA.

We are confident of building these projects at an equity return of over 20%, which will add significant value to our shareholders. While we will need to raise equity to fund these projects, we want to be absolutely clear that we will not issue shares to fund this growth when we believe there are lower cost of equity options available to us. We strongly believe that at the current share price, the cost of issuing shares is too high.

Number three, we have decided to sell assets to not only streamline our portfolio, but also to free up much needed equity for further investment in the above-mentioned profitable projects. Further to the decision, the first set of assets have been identified, banker appointed, and outreach to potential investors has already begun. There is strong initial interest, and we are enthused by the growing interest in the Indian solar sector by international investors. Some parts of our portfolio could be ideal candidates for many such investors.

Murali and I also pride ourselves on the transparency and governance of the businesses we have been associated with in our careers. We have provided many new disclosures to our investors and shareholders over the last two quarters. We aim to keep improving our disclosures and aim to be industry leaders in this regard.

We have been complimented by the Board also for the level of data analysis and information provided to them, which will enable the Board to guide the company as it is meant to do. We have met hundreds of investors in our short time here and taken note of their concerns and expectations. Some of you might feel we have not acted on your advice but rest assured that we are working on every suggestion that we have received. Our internal transparency and governance has been given a priority to strengthen the internal audit process, which Pawan will touch upon later. We have done away with the SBU structure we followed in the past. SBU, meaning Strategic Business Unit structure that we followed in the past. We have realigned reporting structures so that each project has its own profit and loss statement.

Going forward, all of our overhead will be allocated to projects, and we will not record EPC margins for new projects, thereby saving cash taxes, increasing transparency, and making modeling easier for the investors.

I will let Murali speak about other two themes.

Murali Subramanian
Thank you, Ranjit. As Ranjit just mentioned, we have been fairly busy over the last seven months. In addition to the many high-level strategic decisions we have made, we have also had an opportunity to undertake a deep and full review of our assets, including a visit to every site. In keeping with the theme of efficiency and prudence, we undertook a restructuring at the company to not only reduce cost, but to also better position the company going forward. Some of the critical departments, which are core to sustainability of our business, such as safety, health environment, quality, design and engineering, construction, are now directly reporting to the CEO or to the President. Similarly, our internal control and governance team has been strengthened and now reports directly to the CFO.

At a high level, we believe there are a lot of opportunities for efficiency related to building a gigawatt-plus capacity every year over a five-year time period. With that in mind, one of the first steps we took was to right size the team. Recently, we reduced our staff by about 20%, and with the current team in place, we believe that we have a fit-for-purpose team to build out 1-gigawatt plus capacity annually. While significant overhead costs has been removed from corporate, we are investing more in our site employees and their living conditions. We have increased our budgets for housing of local site employees and are focused on improving the working conditions for these very important team members.

In the last quarter, we have awarded major contracts for almost 700 megawatts of our 1,300 megawatts committed capacity. Work has started on our Assam projects and on Rajasthan 6, which is a 600-megawatt project. We are currently in process of placing equipment orders and other service contracts for the remaining committed projects. We have also held workshops for our construction teams to ensure that they are fully aligned with design, engineering, and procurement, and even the operations and maintenance teams in the projects are associated right from the beginning of the construction cycle.

On the O&M front, operations and maintenance front, we have been very impressed with the hard work and dedication of our site teams and recognize the tough conditions we contend with. We are now deploying technologies such as drones and robotic cleaning. Drones will help with preventative maintenance and will also help in project monitoring during construction. While robotic cleaning will give better yields while reducing cost and will avoid the use of water, which is a precious resource.

On the governance front, we have completely revamped the land acquisition process and made it more transparent. We have hired an in-house legal resource to supplement the efforts of the land team and the outside counsels. We have combined our land strategy and land departments, and the land acquisition process has now been streamlined to bring greater focus on accurate and complete paperwork, thereby making our land acquisition more efficient.

Looking at our portfolio today, we have 1.8 gigawatt operational, another 1.3 gigawatts under construction, and 4 gigawatts that we have recently won. About 95% of our counterparties are investment-grade, and about 85% of our contracts are with the central government. We have been working very hard to improve our accounts receivable profile and have reduced the days sales outstanding by about 20 days in the last 6 months. We would note that nearly 2/3 of our accounts receivables are with some of the best counterparties in India who pay their bills in less than 60 days. We continue to work with a few parties that have extended payment cycles, and expect that the days sales outstanding, the DSO will improve as the year progresses.

Turning to safeguard duties. During the recent budget release, a new duty called the basic custom duty was announced. The details of this new duty are still being worked out, but we expect that this will be implemented only from the next financial year. As a reminder, all our projects are protected from any change in duty structure under the change in law provisions in our power purchase agreement, and we do not expect any material impact on our returns on account of this new duty introduced.

This brings us to the positive rulings we have received for the recovery of safeguard duties for our Rajasthan 5, Rajasthan 6, and Maharashtra 3 projects. We expect more positive rulings going forward to reimburse our safeguard duties that we paid in the previous projects. There have been mixed developments in Andhra Pradesh. As a reminder, after the new government in Andhra Pradesh was elected in the state last year, the government decided to stop payments and arbitrarily demanded contract renegotiation across a wide range of services, including solar power contracts. We are pleased to highlight that the courts and the central government have reinforced sanctity of contract through several positive rulings. We are now getting paid from Andhra Pradesh for the past due bills, and we have received about $2.5 million since the beginning of this calendar year. This has reduced our DSO for this asset by about 100 days.

Unfortunately, AP has started to curtail solar power projects across the state, while buying replacement power from the spot market. On account of this, we lost about $1.2 million of revenue during this quarter, but the Grid Code defines the renewable energy as a must-run project, and therefore, developers have approached the courts and the AP regulatory authority. Both the courts and the regulatory authority have been swift to react and have ordered the state utility to stop arbitrary actions, such as curtailment. We have also filed suit along with many others to enforce this ruling and to seek recovery.

Another issue that has come up recently is the impact on our supply chain from the coronavirus. We are beginning to receive force majeure notifications from some of our suppliers related to this unfortunate development. While we do not expect this to have much effect on our operations for the next couple of months, if the supply chain is indeed affected for a prolonged period of time, we believe that the force majeure clauses in our power purchase contracts will allow us extensions on our projects under construction without any penalty. At a high level, we see significant potential to maximize cash flows and returns by sweating our assets and making them--and making sure we gain investors trust through transparency and accessibility.

With that, I will turn it back to Ranjit. Ranjit?

Ranjit Gupta
Thanks, Murali. I am pleased to highlight that we have published our first sustainability report, which highlights the positive environmental and social impact we are having and the robust governance in place. We had promised this report to be released within this fiscal, and I am happy to say that we have met that timeline in February itself.

One of the areas related to the environment that we are particularly focused on is water. We have reduced our water consumption by half since 2018, and our aim is to be water-neutral over the next couple of years.

On the regulatory and industry front, on the direct tax front, the central government recently implemented a tax cut that we view as a strong, long-term positive for the business. Importantly, the government also reduced the minimum alternate tax rate, which should save us cash taxes. As an industry, we are also enthused by the uptick in solar tariffs. As mentioned earlier, our recent 4-gigawatt win was at tariffs about 15% higher than the contract tariffs we had won for projects with similar counterparties that were central grid-connected.

There are a couple of important drivers behind this. Most of the largest companies in the Indian solar sector are financed by disciplined international investors who require higher minimum returns. In addition, the amount of competition for large utility scale projects is limited to a handful of companies that have the operational and financial capability to undertake such large projects.

On the disclosure front, you will note that in response to numerous requests, we are providing new disclosures of free cash to equity, which takes into consideration normalized debt amortization over a 20-year period. As can be seen, we expect there will be significant growth, and by the time we complete the 7 gigawatts, we expect to generate enough internal cash that you will not need outside equity for growth.

We will also consider other alternatives for our cash at that time, such as dividends, depending upon market and regulatory conditions.

Going back to our equity needs, there are several important considerations about our equity needs. First, the need is spread over the next 5 years since the 4 gigawatts are to be completed over the next 5 years. And second, the 1.3 gigawatts of projects under construction already have equity in place. So, we will not need any equity until next year. This gives us ample time to raise equity from the lowest cost source.

As mentioned earlier, we would only consider issuing new shares if it became the lowest cost source of equity, which implies our stock price significantly higher than today's levels. At this point in time, cheaper equity options range from internal cash accruals, asset sales, optimizing our cash flow through cost reductions and refinancing, opportunities for issuing investment-grade green bonds, and corporate debt.

We have had operational success historically, and we will look to grow it further. Over the past 12 months, we realized revenues of $169 million, and expect to increase this to over $700 million, once our under-construction and committed projects are operational. We have cut costs and continue to believe we can drive further efficiencies going forward as we capitalize on economies of scale.

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

Pawan Kumar Agrawal
Thank you, Ranjit. The broader theme outlined by Ranjit and Murali here in about, has been supplemented by restructuring of the finance team to have a laser sharp focus on the organizational goals, primarily broadening sources of finance, and reduction of financing cost.

We have already briefed the market about successful U.S. $350 million green bond in September 2019, which has been followed by our fixed-level, specific refinancing. We have already refinanced two operating project loans and there are more in process. Similarly, we are looking for the cheapest source of debt for our under-construction pipeline, and we have received tranches at around 9.25% for one of our under-construction projects. We have also seen improvements in the yields of our green bond by about 90 basis points since we issued in September 2019, and our green bond yields are one of the lowest among Indian renewable energy issuers.

On the governance front, we have created an independent team for monitoring and strengthening the internal control within the company and the team directly reports to the CFO. The team has significantly increased the scope of inter-audit function with significantly high focus on improving business efficiency, and we are seeing positive results of this restructuring.

Coming to the financials; this quarter was particularly challenging given the poor weather we had, which reduced our insolation per megawatt by around 9%, was vis-a-vis last year. As of December 31, we had 1,804 megawatts in operation, or about 54% more than what we had at the end of third fiscal quarter 2019.

We would note that we built 52 megawatts of DC capacity in this quarter, most of which was overloading. While it did not add to our operational megawatts, these DC capacities are generating additional revenues and are enhancing the value creation of existing projects. Focusing on project cost per megawatt operating for the nine months ended December 31, 2019, excluding the impact of safeguard duties, which represent about $40,000 per megawatt, our cost per megawatt on a DC basis decreased by 28% to $450,000.

Moving on to the P&L, we have provided some new disclosures so that it is easier to understand the underlying ongoing operations of the company. After adjusting for the curtailment in Andhra Pradesh, revenues rose 29% year-on-year. We would also note that this year was particularly challenging, given an extended monsoon season, which led to around 9% negative impact on our generation. Our cost of operations rose 22% year-on-year, and our G&A would have been higher by about 8%, if charges related to management transition and provisions for account receivables were excluded.

After adjustments, EBITDA would have been about $35 million, 34% higher than the third quarter of the prior year. There was about $7 million of charges related to our issuance of green bonds in our interest expense. Taking out all these exceptional charges, our net loss would have been about $7 million compared to $19 million reported under GAAP.

Turning on to the balance sheet, we had $158 million of cash and cash equivalents. Our property, plant and equipment increased to about $1.3 billion and net debt was slightly under $1 billion.

With this, I would now turn it to Ranjit to provide some commentary on guidance.

Ranjit Gupta
Thank you, Pawan. We are reiterating our financial year 2020 guidance. Although due to some challenges in the second and third quarter, which were discussed earlier, we will likely come in at the lower end of the range of revenues. Looking out to the next fiscal year, we expect to generate revenue between U.S. $221 million to U.S. $232 million, and have between 2,650 and 2,950 megawatts operating.

A couple of important drivers that would help us get to the higher end of our guidance range next year would be normal weather, no curtailment, and commissioning plants on time. Also, this quarter, we are providing revenue guidance for the fourth fiscal quarter of 2020 and the first fiscal quarter of 2021 to help investors better forecast the seasonality of our business. There are also quarterly PLF forecasts in the appendix.

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 (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 star (*), then two (2). At this time, we will pause momentarily to assemble the roster.

And the first question comes from Philip Shen with Roth Capital Partners.

Philip Shen
Hi everyone. Thanks for the questions. I want to follow up on the coronavirus situation. Murali, I think you mentioned that if the situation persists that you can get an extension on your projects. You mentioned that you have already received some force majeure. So, I was wondering if you could comment on this from a couple of perspectives.

Number one, how many megawatts of force majeure did this--did you already kind of receive notice on, and do you expect more? So that is No. 1, and then No. 2, can you provide some more detail on the mechanisms and the degree and flexibility that you have to extend projects? So just a little bit more color on how flexible those project agreements and LOAs and so forth are? Thanks

Murali Subramanian
Sure. So as far as the force majeure notices go, so for the 600-megawatt project, 110 megawatts have already been manufactured and is ready to be shipped. For the balance 490-megawatt, it is split between two suppliers, and they have basically said that we hope to bring our projects back into--not projects, sorry, our construction facility for the modules back towards the end of February. And if that happens, then we do not expect any disruption to our project schedule. However, if the manufacturing sort of gets delayed through March, then there is a likelihood that there will be a delay in shipments.

So, this is where we are. As far as the Assam projects go, for 97 megawatt, we already have raw materials in place in the factory, and it is being churned out as we speak, for the last 35 or 38 megawatts, there is a force majeure, which has been invoked by one of the manufacturers because they are unable to procure cells to manufacture the modules.

As far as the way we get extension is--the government or our counterparties are fully aware of this particular issue. It is the worldwide phenomenon, so we do not anticipate any trouble in getting them to extend the commissioning--the scheduled commissioning dates of our projects. Our Assam project is scheduled for commissioning in the end of June, and we do not really expect a delay except for 25 megawatts, which may go into July or August, and we are fairly certain we will get an extension. And the 600-megawatt project is scheduled for October end. We hope that we will still be able to complete by the end of October, failing which, we again, do not envisage any problem in getting an extension.

Philip Shen
Okay, great, thanks Murali. And then in terms of the 2-gigawatt greenshoe, you have not received the LOA yet. Can you provide some color on what the delay might be, when do you expect to get it? And do you see an issue with that at all?

Murali Subramanian
So, we have got the LOA for the 2 gigawatts.

Pawan Kumar Agrawal
Please go ahead, Ranjit.

Ranjit Gupta
So--sorry, Phil. So yes, on the 2 gigawatts, where the LOA has not been received. It is--like we mentioned, because it was a greenshoe option, and in the greenshoe option, there were a certain--and the way the document was written, there were some things in the document which were not very, very clear. So, because it is a large capacity, overall, this auction including the greenshoe and all other capacities is 12 gigawatts. So the Solar Energy Corporation of India, SECI, which is the counterparty, decided to make sure that they crossed all the Ts and dotted all the Is, and they are taking some certain internal legal opinions to ensure that they can give us a greenshoe option capacity without causing any litigation in the future. Because of this, it has taken time. We have been assured by SECI that this legal opinion that they have sought from within the government is expected within a week, 10 days, and within a couple of weeks of that, they expect to give us the LOA. So, I would say, between two-to-three weeks from now is when we can expect the LOA. We are fairly confident that there are no issues, which could arise because the couple of points that they have told us on which they are taking these clarifications are standard bidding

qualification criteria, which we meet. So, we do not see any issues with getting the LOA for the greenshoe option also.

Philip Shen
Okay. Great. Thank you, Ranjit. One other one, and then I will pass it on. As it relates to land and the amount of land that you will need for the 4 gigawatts, can you walk us through your process and your confidence around your ability to secure the 4 gigawatts worth of land? And what percentage of that 4 gigawatts are--might already be secured?

Murali Subramanian
Ranjit, let me take that. So, for the amount of land approximately is about 4 acres per megawatt that is required, and we proposed to build this 4-gigawatt over eight sites of 500 megawatt each. So, each site will need roughly about 2,000 acres. So, we have already identified locations in three states--Rajasthan, Gujarat, Madhya Pradesh, and while we have not procured any of this land except started work at one site. There is not much significant land procurement yet done, but sites have been identified and we are in the process of collecting paperwork and determining the process going ahead for the land acquisition.

We do not envisage any problem--any significant problem to acquire this land because this--these projects have to be built over four-to-five years, and we have enough time to complete our land acquisition. It will be done in stages. It will be done, for example, for the projects that are coming up to be commissioned in '21. The land for that will be done over the next eight-to-10 months and so on and so forth over the next four years

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

Joseph Osha
Thank you, and good morning. Can you hear me okay?

Ranjit Gupta
Yes, sir. Thanks.

Joseph Osha
Okay. Great. To return to this question of funding. I am just curious, obviously your--like many management teams believe your stock price is undervalued. I am wondering if we could see this business model evolve to a situation where it is really more of a build-and-sell model, and that--as a result of that, maybe you recycle capital more quickly. I am just curious about your reaction to that idea.

Ranjit Gupta
That is a very important observation that you have made, but the thing is that the reason why we are looking at recycling of some of our projects is simply because at this point in time, that is a cheaper source of equity for us. As far as our large shareholders are concerned, they do want to see us as a large generating company and a company that they can deploy equity on and then get a return from that equity deployed. So, they are not looking at lumpy cash returns at this point in time, though over a period of time that might change, we have to figure out what the shareholders want in the longer term. At the moment, our focus is, over the next couple of years, what exactly is our equity requirement over the next two-to-four years to build out the 4 gigawatts of capacity that we have won. And in this timeframe, we believe that in the current--at the current share price, it does not make sense for us to raise money from the capital from the public market.

Joseph Osha
Okay. Then would the idea then be--once you have gotten this pipeline built that you would, at that point, not take on any additional projects that you could not bootstrap with existing resources because as much as--I think we all would like to see the stock price go up. We do not know that is going to happen necessarily. So, you could perhaps find yourself in the same conundrum in another two years, where you have got an attractive IRR project, but you do not have the ability to finance it. So I am just wondering if this presages some new way of operating or is this just a one-off because of the situation that you find yourself in right now.

Ranjit Gupta
Like I said, at this point in time, it is a one-off. And at some point in time--like I have mentioned that we are trying to identify assets that are not core to our business and sell those assets. Time will come, like you rightly pointed out, that if we are not able to pick up the share price, even with those actions, and we are then standing at the crossroads where we have to start selling, as I said, the family jewels to be able to invest in a newer project. That is the decision at that point in time that the Board and the shareholders will have to take along with the company as to what direction does the company or does the shareholder or does the investor want the company to take. Right?

Joseph Osha
Okay. Well, then, I guess, the logical question then would be, if one were to look at your portfolio right now, what percentage of your assets would you regard as noncore or not being the family jewels? Is that something you can share with us?

Ranjit Gupta
So, we have done some analysis. Like I mentioned that the first set of assets have been identified, and the process has begun to figure out other assets also. We are having some internal discussions with bankers. We have tentatively discussed with the Board. But at this point in time, I would not be able to give you a percentage of our portfolio as such.

Joseph Osha
Okay. Yes, it is just--I guess--but what I am hearing–I will go away here, but it sounds like what I am hearing is, we should not think of this as signaling necessarily some new modus operandi. This is kind of a one-off for now at least to get you to where you need to be and that your major shareholders still want you to be a build-and-hold company.

Ranjit Gupta
That is right. That is true, and however, the build-and-hold, with the caveat that we cannot afford to build with the share price at this level.

Joseph Osha
Okay, thank you.

Operator
And the next question comes from Maheep Mandloi with Crédit Suisse.

Maheep Mandloi
Hi, thanks for taking the questions. Just building on Joe's question, could you probably talk about like any options to sell a portion of the 4 gigawatts under construction or if you are getting any interest on those assets from your talks of late?

Ranjit Gupta
Maheep, are you talking about the 4 gigawatts that we have won to sell those?

Maheep Mandloi
Yes.

Ranjit Gupta
So no, we have not received any offers to sell those as yet. Typically, those are very good projects, 20%-plus IRRs, like I have mentioned, and the real value of those projects, even if they were to be sold, would be realized only when they are--how it is in India that typically only at COD, you realize the best value for the assets, and like I mentioned, we would rather sell assets that are not strategic before coming to the family jewels. So as of now, we have not received any offers and if we receive any offers at this point in time, I do not know whether we would be interested because first of all, nobody will give us the value for those assets that we believe those assets hold, and also that would be like selling the family jewels.

Maheep Mandloi
Got it. That is fair.

Pawan Kumar Agrawal
Maheep I will--just to add, this is little premature question also in the sense that even the PPAs of those projects have--had been signed. So definitely, at this stage, expecting anyone even to approach is something which is, in our view, quite an early stage. While there has been interest in our existing portfolio or under construction or whatever the market is, but definitely this project we have just won the LOA and the PPA is also not yet signed, so definitely no discussions around that.

Maheep Mandloi
Got it. Just going back to the coronavirus issue, apart from any Force Majeure notices on solar module supplies, are you seeing any constraints on rest of the equipment supply chain on the wires, inverters, transformers, or other equipment?

Murali Subramanian
So, most of the electrical equipment, like the transformers and the cables, et cetera, are manufactured in India, and we do not envisage any delays on that. However, inverters may come under pressure. At the moment, there is no--we have not yet received any flag from our suppliers for the inverter suppliers. We will see how it goes, but inverter being--inverters being a slightly smaller ticket, more nimble supply chain, we really hope and believe that it may not be an issue, even if the coronavirus results in manufacturing being shut through March. We do not think it will be a problem, but we will wait and watch. We have received no indication so far.

Maheep Mandloi
Got it, and just probably like two housekeeping questions from me. On the Andhra Pradesh project, could you confirm if that is just limited to the AP1 project with the state of Andhra Pradesh, or does that issue overflow to other Andhra Pradesh projects with the central government? And the second part is just if you could probably talk about the rooftop issue, which you mentioned in the press release. Sorry if I--you mentioned this earlier, and I probably did not catch it, but just wanted to understand the revenue and EBITDA impact from the rooftop issue in the quarter?

Ranjit Gupta
Yes. So, see, on the Andhra Pradesh, definitely. For example, we have 200 megawatts in Andhra Pradesh.

Maheep Mandloi
Hello.

Ranjit Gupta
Hello. Maheep, can you hear me?

Murali Subramanian
Please go ahead, Ranjit.

Ranjit Gupta
Yes, so on the AP--Maheep, can you hear us?

Maheep Mandloi
Yes. I can hear you guys. Yes

Ranjit Gupta
Okay. So Maheep, on the AP issue, when you were–so, as far as curtailment is concerned, we have three projects in Andhra Pradesh, a 50-megawatt, 100 megawatt and a 50 megawatt. The curtailment impact is on two of the projects, the 50 megawatt and the 100 megawatts, so AP1 and AP2. Whereas the payment delay is impacting only AP1 project, for which like as mentioned in the first quarter, $2.5 million were paid against a court order. So similarly, we are expecting hearings in February and March on the curtailment matter also, and we are very hopeful that this curtailment is a short-lived story.

Maheep Mandloi
Thanks, and could you probably just touch upon the rooftop issue on impact on revenues?

Pawan Agrawal
Impact on revenue for rooftop was around U.S. $1.8 million, and then the impact of EBITDA is around $1.5 to $1.6 million.

Maheep Mandloi
And could you probably just talk about the drivers of that impact? And then probably I will jump back in the queue. Thanks.

Murali Subramanian So, the lower revenue in rooftop was largely because there was a delay in completion of some of the rooftop capacity. While almost all of it has been installed, there have been certain regulatory issues in actually connecting the panels with a concept called net metering, which permits a two-way flow of power, and on account of delay in this, we were unable to actually generate the revenues despite having connected and commissioned a lot of the rooftop capacity. That resulted in some underperformance. And then a lot of the recently commissioned capacity, we are also installing the data logging systems, etc. to sort of understand exactly the performance of each panel. So, a bunch of that has just got completed over the last few weeks, and on account of these two, we were unable to meet the numbers on rooftop.

We expect all of this to sort of--we expect these issues to be resolved over the next few weeks, and we expect the rooftop assets to start generating as per design within four-to-six weeks from now, but that is our expectation in terms of completion because the net metering is also slightly related to certain regulatory issues.

Maheep Mandloi
Got it. Thanks for taking the questions.

Operator
Thank you, and once again please press star (*), then one (1) if you would like to ask a question.

CONCLUSION

Operator
All right. As there are no more questions, this concludes the question-and-answer session as well as the call. Thank you for your participation. The conference has now concluded, and you may now disconnect your lines.