Nava Ltd — 05 Dec 2024 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	**Reaffirmed** at CRISIL A / CRISIL A1 (Maintained status quo; last upgrade was from A- to A in Oct 2022)
Outlook (Current vs Prev)	**Stable vs Stable**
Key Drivers of Change	1. **Deleveraging:** Net-cash positive status with Adjusted Debt/Equity at **0.0x**; Term Loan of **₹185 Cr** fully paid off and withdrawn. 2. **Revenue Growth:** Consol. Revenue rose to **₹2,252 Cr** in FY24 (from ₹1,793 Cr), driven by robust power segment PLFs. 3. **Ring-fenced Expansion:** Future capex in Zambia (MEL) and Ivory Coast is **non-recourse** to the Indian parent, protecting the domestic balance sheet. 4. **Subsidiary Turnaround:** NBEIL (150 MW plant) turned profitable in FY24, improving consolidated cash accruals.
Rated Instruments	1. **Cash Credit:** ₹271 Cr
Key Observations	• **Strong Liquidity:** Massive cash/equivalent cushion of **₹636 Cr** as of March 2024. • **Operational Integration:** 125,000 TPA alloy capacity is supported by captive power, hedging against energy price spikes. • **Zambia Arbitration:** Won US$ 518M ruling against ZESCO; while payouts are slightly delayed, current collections (post-May 2022) are timely. • **Segmental Weakness:** Ferroalloys booked a **₹59 Cr loss** in FY24 due to low realizations, though H1-FY25 shows a 10% recovery. • **Merchant Risk:** 210 MW of power capacity lacks long-term PPAs, exposing margins to spot price volatility. • **High Coverage:** Interest coverage ratio is exceptionally high at **304.7x**.
Investor Impact	• **Zero Dilution Risk:** Strong internal accruals and cash surplus negate the need for equity infusion for growth. • **Margin Outlook:** While alloy margins are volatile, integrated power and O&M income from Zambia provide a stable floor. • **Dividend Potential:** With debt extinguished and non-recourse capex, the company has significant room for higher payouts.
Agency / Cross Analysis	**Same Agency:** Rating reaffirmed despite a dip in EBITDA (**₹387 Cr vs ₹428 Cr** in FY23). This signals that the agency values the **Net-Cash** status and the turnaround of the NBEIL power plant over temporary commodity-linked margin compression. **Conclusion: Significant Improvement** in financial risk profile; the "A" rating is now backed by a much stronger, debt-free balance sheet compared to the initial upgrade period.
Final Inference	**Real Improvement.** Nava has effectively de-risked its balance sheet by moving to zero net debt. The stock now functions as a "Cash Cow" where India operations are protected from the risks of overseas expansion.