Nava Ltd — FY 2023 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	Nava operates a concentrated portfolio with 98% of revenue derived from Power and Metals, characterized by high cyclicality and a significant sovereign dependency on Zambia.	Neutral
2	**Revenue growth remained modest at 5.39% YoY (□3,528 Cr), reflecting a strategic pivot from a low-risk conversion model to self-manufacturing in the Metals segment.**	Positive
3	***Operating margins face pressure from a 30% spike in raw material costs, though the 64.7 sq. km manganese concession in Cote D'ivoire targets a 500bps expansion through backward integration.***	Negative
4	***Reported PAT surged 110% to 1,222 Cr, though earnings quality is distorted by a non-recurring tax rate collapse from 36% to 3%.***	Negative
5	**The balance sheet has significantly deleveraged with a D/E of 0.51x following a massive □823 Cr debt repayment in FY23.**	Positive
6	**Cash generation is exceptionally robust with CFO at □1,223 Cr (1.0x PAT) and FCF at □1,136 Cr, providing a substantial buffer for capital allocation.**	Positive
7	***Management is redeploying excess liquidity into 998 Cr of financial investments, while the idle 20 MW Dharmavaram plant poses a 70.29 Cr impairment risk.***	Negative
8	***Working capital stress is evident as finished goods inventory exploded 884% to 159.67 Cr, signaling a liquidity trap alongside 3,396 Cr in overdue Zambian receivables.***	Negative
9	***Governance remains stable with a 10/10 matrix score, despite a technical default on an intra-group loan and ongoing CBI/ED litigation involving the NBEIL stake attachment.***	Negative
10	***High concentration risk persists with ZESCO receivables representing 55% of subsidiary assets, creating a significant sovereign credit overhang.***	Negative
11	**The outlook hinges on the successful resolution of the ZESCO arbitral award and the stabilization of the new integrated Silico Manganese manufacturing model.**	Positive
12	**Investment View: ACCUMULATE based on strong FCF and deleveraging; key monitorables include the Inventory Turnover Ratio (target 3.0) and ZESCO payment consistency.**	Positive

1. Business overview (In Bullet Points)

- **Business Segments:** Nava Ltd has transitioned into a diversified global conglomerate operating across five verticals: Metals (Ferro Alloys), Energy (Power), Mining (Coal), Agri-business (Avocado plantation), and Healthcare-enabled services (IV Iron distribution).
- **Revenue Drivers:** The business is primarily driven by the Energy and Metals segments, which contribute over 98% of total turnover. Energy revenue is anchored by a "Take-or-Pay" PPA in Zambia (MCL), while Metals revenue is driven by steel demand and Manganese Ore pricing.
- **Cost Drivers:** Primary margin headwinds include high energy costs and volatility in reductants (coke/coal). The shift from a conversion model to self-manufacturing in the Metals segment has increased direct raw material procurement costs.

- **Industry Position:** Nava is positioning itself as an integrated producer rather than a pure-play converter. It is a "Partner of Choice" in the Zambian energy sector through its integrated coal-to-power model.
- **Expansion Plans:** The company is aggressively diversifying into Singapore and Malaysia (Healthcare) and Cote D'ivoire (Manganese exploration). The "Avocado Project" in Zambia (1,500 Ha) is the new focus for the Agri-vertical.
- **Acquisitions & Capacity Additions:** Key focus is on backward integration via a 64.7 sq. km manganese concession in Cote D'ivoire (NRCI) to insulate margins.
- **Segment Performance:** The Zambian Energy segment (MCL) has seen a major turnaround following a settlement with ZESCO. Conversely, the Indian Metals segment saw a revenue drop to □1,042.66 Cr following the cessation of the Tata Steel conversion agreement.
- **Geographical Presence:** The "material base" has shifted to Zambia. The company also maintains operations in India (Odisha/Telangana) and is expanding its footprint in Southeast Asia and West Africa.

2. Management commentary & outlook

- Management characterizes FY 2023 as a year of "remarkable strides," primarily due to the resolution of the long-standing payment dispute with ZESCO in Zambia.
- The group is pivoting from a "debt-servicing mode" to a "growth mode," targeting asset-light and high-margin emerging businesses like Healthcare and Agri-exports.
- Strategic focus has shifted toward backward integration in the Metals segment (Cote D'ivoire) to structurally lower production costs by FY 2024.
- Management admitted to abandoning the Zambian sugar project due to infrastructure bottlenecks, pivoting instead to Avocado cultivation which requires less infrastructure and offers higher export value.
- The Healthcare vertical is projected to break even by 2025, with revenue currently doubling YoY from a small base.
- In the Indian operations, management is navigating a difficult environment for merchant power (NBEIL), choosing to delay internal loan repayments to the parent to preserve funds for coal procurement.
- Management remains cautious regarding the steel sector's impact on Manganese Alloys but expects the shift to Silico Manganese to capture better market opportunities.
- The ongoing CBI/ED case regarding Brahmani Thermal Power (NPPL) is viewed with confidence for a "favorable outcome," though it currently limits the restructuring of Indian power assets.
- The long-term vision involves de-risking the group from heavy-industry cyclicality by redeploying cash flows into non-core, high-multiple sectors like premium lifestyle healthcare.
- **Management Tone:** Management is highly optimistic and assertive, bordering on aggressive regarding their international turnaround. They have successfully transitioned from a period of financial distress to capital surplus. However, there is a noticeable divergence between the glowing global narrative and the operational friction in India. The tone suggests a management that is increasingly "looking outward" (Africa/SEA) for growth, viewing the Indian industrial assets as legacy operations rather than primary growth drivers. **Verdict: Confident & Opportunistic.**

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2023	Mar 2022
Sales	3,528	3,348
Sales Growth %	5.39	31.36
Expenses	1,959	2,029
Material Cost %	27.19	27.23
Raw material cost	1,101	897
Change in inventory	-142	14
Manufacturing Cost %	14.76	11.73
Employee Cost %	6.10	5.94
Other Cost %	7.49	15.70
Operating Profit	1,569	1,319
OPM %	44	39
Other Income	400	211
Exceptional items	27	-83
Other income normal	374	294
Interest	397	338
Depreciation	306	295
Profit before tax	1,266	896
Tax %	3	36
Net Profit	1,222	573
Minority share	0	-56
Exceptional items AT	23	-58
Profit excl Excep	1,199	631
Profit for PE	1,199	570
Profit for EPS	1,222	518
Profit Growth %	110	36
EPS (□)	42.10	17.84
Dividend Payout %	7	17

Balance sheet (□Cr)

Line item	Mar 2023	Mar 2022
Equity Capital	29	29
Reserves	5,996	4,924
Borrowings	3,074	3,587
Long term Borrowings	1,575	1,856
Short term Borrowings	1,492	1,724
Lease Liabilities	8	7
Other Borrowings	0	0
Other Liabilities	2,014	2,161
Non controlling int	1,082	723
Trade Payables	186	86
Advance from Customers	18	7
Other liability items	728	1,345
Total Liabilities	11,114	10,701
Fixed Assets	5,664	5,546
Land	40	40
Building	1,162	1,081
Plant Machinery	5,697	5,330
Equipments	74	74
Computers	3	3
Furniture n fittings	2	2
Railway sidings	4	4
Vehicles	71	61
Intangible Assets	459	424
Other fixed assets	239	225
Gross Block	7,749	7,243
Accumulated Depreciation	2,086	1,697
CWIP	47	17
Investments	450	529
Other Assets	4,953	4,609
Inventories	688	371
Trade receivables	2,337	1,075
Receivables over 6m	2,072	0
Receivables under 6m	552	1,118
Prov for Doubtful	-287	-43
Cash Equivalents	436	342
Loans n Advances	141	167

Line item	Mar 2023	Mar 2022
Other asset items	1,351	2,654
Total Assets	11,114	10,701

Cash flow statement (□Cr)

Line item	Mar 2023	Mar 2022
Cash from Operating Activity	1,223	608
Profit from operations	1,654	1,638
Receivables	-18	-902
Inventory	-313	-73
Payables	67	11
Loans Advances	0	0
Other WC items	-20	151
Working capital changes	-284	-814
Direct taxes	-147	-216
Exceptional CF items	0	0
Cash from Investing Activity	28	-212
Fixed assets purchased	-100	-63
Fixed assets sold	13	0
Investments purchased	-998	-645
Investments sold	1,091	445
Interest received	35	44
Dividends received	1	2
Invest in subsidiaries	0	0
Acquisition of companies	0	-19
Other investing items	-14	24
Cash from Financing Activity	-1,184	-415
Proceeds from borrowings	8	64
Repayment of borrowings	-823	-37
Interest paid fin	-281	-378
Dividends paid	-86	-36
Financial liabilities	-2	-2
Share application money	0	0
Other financing items	0	-25
Net Cash Flow	67	-19
Free Cash Flow	1,136	545
CFO/OP	87	62

Key ratios

Line item	Mar 2023	Mar 2022
Debtor Days	242	117
Inventory Days	262	148
Days Payable	71	34
Cash Conversion Cycle	433	231
Working Capital Days	143	-61
ROCE %	17	15

3.2 Financial analysis summary

- **Revenue** grew by 5.39% to □3,528.00 Cr, masking a shift where Power segment revenue rose to □772.54 Cr while Ferro Alloys revenue dropped to □1,042.66 Cr due to the cessation of the Tata Steel conversion agreement; this forced a pivot to self-manufacturing of Silico Manganese.
- **Operating Profit** improved to □1,569.00 Cr with OPM % expanding to 44.00%, driven by a reduction in Other Cost % from 15.70% to 7.49%, though Raw material cost spiked to □1,101.00 Cr as the company moved to a full-scale production model.
- **Net Profit** surged 110% to □1,222.00 Cr, significantly aided by a one-time tax benefit as Tax % plummeted to 3.00% following the adoption of the Section 115BAA lower tax regime.
- **Balance Sheet** quality is under stress from Trade Receivables, which doubled to □2,337.00 Cr, primarily due to □2,072.00 Cr in Receivables over 6m; this represents a liquidity trap as □3,396.03 Cr in overdue receivables from ZESCO (Zambia) constitutes 55% of subsidiary assets.
- **Inventories** on the Balance Sheet surged to □688.00 Cr from □371.00 Cr, with Inventory Days deteriorating to 262 days; this was driven by an 884% explosion in Finished Goods Inventory (□159.67 Cr) as the company stockpiled Silico Manganese.
- **Total Debt** (Borrowings) decreased to □3,074.00 Cr from □3,587.00 Cr, supported by a massive Repayment of borrowings of □823.00 Cr in the Financing Cash Flow, improving the Debt / Equity ratio to 0.51.
- **Cash from Operating Activity** (CFO) nearly doubled to □1,223.00 Cr, resulting in a strong CFO / PAT ratio of 1.00, which funded a Capex of □100.00 Cr and left a healthy Free Cash Flow of □1,136.00 Cr.
- **Fixed Assets** remained stable at □5,664.00 Cr, but there is an overvaluation risk as the 20 MW Dharmavaram power plant is carried at □70.29 Cr despite being non-operational; additionally, Intangible Assets (Goodwill) of □459.00 Cr remain sensitive to Zambian power margins.
- **ROCE %** improved to 17.00% and ROE % to 20.28%, though these are flattered by the low effective tax rate and Other Income of □400.00 Cr; the Cash Conversion Cycle bloated to 433 days, preventing returns from translating into immediate liquid strength.
- **Other Assets** were impacted by Advances to Vendors of □86.91 Cr, which remain high despite declining revenue, suggesting potential prepayment risks; Other Expenses were pressured by Open Access Charges skyrocketing from □0.93 Cr to □13.01 Cr, indicating rising power transmission costs.
- **Other Liabilities** saw a sharp drop in Accrual for expenses from □35.52 Cr to □6.27 Cr, suggesting a large one-time payout or change in expense recognition timing.
- **Overall Synthesis:** Nava Ltd delivered a high-margin performance in FY23 with **Net Profit** reaching □1,222.00 Cr and strong Free Cash Flow used for significant deleveraging, yet the quality of the Balance Sheet is compromised by a massive Trade Receivables concentration in Zambia and an 82% surge in Inventory, signaling that while the business is operationally robust, its ultimate value remains trapped in sovereign debt and stockpiled alloys.

3.3 Contingent liabilities & commitments

- **Guarantees (Non-Financial):** ₹554.18 Cr (US$ 67.44 million) performance guarantees extended on behalf of the Singapore subsidiary (NEPL) to Maamba Collieries Limited (Zambia).
- **Grid Support Charges (GSC):** ₹31.20 Cr provisioned; however, an additional **₹86.89 Cr** in disputed interest on GSC remains unprovisioned despite a High Court stay.
- **Renewable Power Obligation:** ₹20.42 Cr pending in High Court litigation.
- **Tax & Regulatory Disputes:** A dispute regarding cross-subsidy charges of ₹14.86 Cr remains pending.
- **Capital Commitments:** ₹2.55 Cr in unexecuted contracts for capital expenditure.
- **Litigation:** Ongoing CBI/ED case regarding coal block allotment to NPPL, resulting in the attachment of NBPL's 74% stake in NBEIL.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — earnings quality high as CFO of □1,223 Cr matches PAT of □1,222 Cr.	—	CFO/PAT ratio is ~1.0x, indicating strong cash realization of reported profits.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — liquidity risk; receivables + inventory grew □1,579 Cr vs □180 Cr sales growth.	—	KAM highlights □3,396 Cr overdue from ZESCO (Zambia), creating a massive liquidity trap.
3	Revenue timing (unbilled/advances)	Revenue ↑ — aggressive collection; contract liabilities surged 425% indicating improved short-term order visibility.	—	Note 22(iii) shows contract liabilities rose to □9.56 Cr, signaling front-ended cash collection.
4	Revenue from related parties %	Revenue ↑↓ — high dependency; 100% of O&M service revenue derived from Singapore subsidiary.	—	Note 36(b) confirms total O&M revenue is intra-group, making top-line sensitive to subsidiary health.
5	Inventory vs revenue growth	Profit ↓ — margin risk; inventory grew 82.4% while contract revenue fell 4.65%.	—	Note 11 shows Finished Goods exploded 884% to □159.67 Cr due to shift to self-manufacturing.
6	Inventory valuation method change	Neutral — disclosure shift; moved to "derived amounts" for material consumption reducing transparency.	—	Note 11/24: Shift to Silico Manganese manufacturing changed disclosure basis, potentially masking volatility.
7	Exceptional items in operating profit	Profit ↑ — non-recurring boost; □27 Cr exceptional gain included in PBT calculation.	—	P&L shows exceptional items contributed to the 110% profit growth; not sustainable.
8	Depreciation rate vs useful life	Profit ↑ — potential overstatement; non-operational Dharmavaram plant carried at □70.29 Cr without impairment.	—	Note 3(i): Management avoided impairment based on "realizable value," a subjective judgment.
9	Provision reversals boosting PAT	Profit ↑ — non-cash gain; refusal to reverse ZESCO ECL provisions until cash realization.	—	KAM: Auditor notes management's conservative stance on not reversing provisions, protecting future quality.
10	Tax rate consistency	Profit ↑ — one-time boost; effective tax rate dropped to 3% from 36% YoY.	—	Note 28: Adoption of Section 115BAA provided a massive non-operational boost to Net Profit.
11	CWIP age and stalling projects	Neutral — low risk; CWIP remains negligible at less than 1% of total assets.	—	Balance Sheet shows minimal capital work-in-progress at the parent level.
12	Deferred tax asset adequacy	Profit ↑ — valuation risk; □73.79 Cr MAT credit recognized based on future profit estimates.	—	KAM: Recoverability depends on volatile power market profits, introducing estimation uncertainty.
13	RPT quantum and trend	Profit ↑ — treasury support; parent provided □89.51 Cr loans to subsidiary to retire debt.	—	Note 8: Parent acts as a central treasury, shifting credit risk from subsidiaries to the parent.
14	Dividend paid vs FCF adequacy	Neutral — conservative payout; □86 Cr dividend well-covered by □1,136 Cr Free Cash Flow.	—	Cash Flow Statement confirms dividends are easily funded by operations.
15	Auditor KAM: ZESCO Receivables	Profit ↑↓ — sovereign risk; □3,396 Cr overdue receivables represent 55% of subsidiary assets.	—	Massive liquidity trap at MCL (Zambia) creates high dependency on sovereign debt recovery.
16	Auditor KAM: Goodwill Impairment	Profit ↑↓ — valuation risk; □454.65 Cr goodwill sensitive to budgeted volumes/ margins.	—	Shortfalls in Zambian or Indian power segments could trigger material write-downs.
17			—	

#	Check	Impact	Status	Notes detail
	Technical Default on Intra-group Loans	Neutral — liquidity friction; NBEIL delayed principal/interest payments to parent.		Auditor highlighted delays; management waived strict repayment to preserve subsidiary funds.
18	Complex Cross-border Funding	Neutral — structural complexity; ₹44.95 Cr channeled through Singapore for Zambian agri-investments.	—	Use of Singapore intermediaries for African investments increases structural opacity.

4. Management & governance

A. Auditor report & key audit matters

- **Audit Opinion:** Unqualified.
- **KAM 1: Recoverability of ZESCO Receivables:** Step-down subsidiary MCL has ₹3,396.03 Cr in overdue receivables from ZESCO (Zambia), representing 55% of subsidiary assets. Auditor concern focuses on the "liquidity trap" and sovereign risk. Management reached a Consented Arbitral Award in Dec 2022 and maintains a cumulative ECL provision of ₹472.28 Cr.
- **KAM 2: MAT Credit Entitlement:** Nava Bharat Energy India (NBEIL) holds ₹73.79 Cr in MAT credit. Auditor flagged high estimation uncertainty regarding future taxable profits required for utilization.
- **KAM 3: Goodwill Impairment Testing:** Goodwill of ₹454.65 Cr is sensitive to budgeted volumes and margins in Zambian/Indian power segments. Auditor noted that any shortfall could trigger material write-downs.
- **Emphasis of Matter:** Auditor highlighted delays in principal and interest repayments by NBEIL to the parent company.
- **Other Matters:** Auditor noted the "derived amounts" basis for material consumption reduces transparency.

B. Related party transactions

Party	Relationship	Nature	Amount (₹ Cr)	Concern
Nava Energy Pte Ltd	WOS (Singapore)	O&M Services Rendered	143.58 Cr	100% intra-group revenue dependency
Nava Bharat Energy India	Subsidiary	Loans Outstanding	89.51 Cr	***Default on principal/interest***
Nava Energy Pte Ltd	WOS (Singapore)	Guarantee Commission	10.87 Cr	Standard fee for credit support
KMPs	Management	Remuneration	28.38 Cr	High concentration (28.4% of employee cost)
Nava Agro Pte	WOS (Singapore)	Investment Channeling	44.95 Cr	Complex cross-border funding for Zambia
Nava Bharat Energy India	Subsidiary	Interest Income	7.40 Cr	Parent acting as central treasury

- **RPT Risk:** High intra-group dependency (4.07% of revenue; 23.33% of CFO). Technical default on the ₹89.51 Cr loan to NBEIL is a significant flag.

C. Shareholding

- **Promoter Holding:** P. Trivikrama Prasad holds 7.2%.
- **Promoter Pledging:** 0% (No pledging disclosed).

D. Board composition + KMP compensation

- **Total Directors:** 9 | **Independent:** 55.56% (5) | **Women Directors:** 1 (CA B. Shanti Sree).
- **KMP Compensation:**
  - **P. Trivikrama Prasad (MD):** □14.25 Cr (0% YoY)
  - **D. Ashok (Chairman):** □14.25 Cr (0% YoY)
  - **Ashwin Devineni (CEO):** □15.81 Cr (Highest in group)
- **Family Relations:** D. Ashok (Father) and Ashwin Devineni (Son) are both Whole-Time Directors. D. Nikhil (Son of Chairman) serves as Senior VP (□1.71 Cr).
- **Correlation:** Total KMP compensation is stable despite a 113% jump in Net Profit, suggesting a conservative commission structure.

F. Capital allocation & capex

Action	FY current (□Cr)	FY prior (□Cr)	% of CFO	Signal
Dividends	86.00 Cr	36.00 Cr	7.03%	**Positive**
Capex	100.00 Cr	63.00 Cr	8.18%	**Positive**
Net Debt Change	-513.00 Cr	-25.00 Cr	41.95%	**Positive**
Working Capital Inv.	284.00 Cr	814.00 Cr	23.22%	—
Interest Payments	281.00 Cr	378.00 Cr	22.98%	—
Investments (Financial)	998.00 Cr	645.00 Cr	81.60%	—

- **CAPEX Analytical Notes:**
  - **CFO Coverage:** 12.23x (Massive self-funding capacity).
  - **Nature:** Maintenance and efficiency upgrades (Boiler modules, LED lighting).
  - **Efficiency:** Revenue grew only 5.39% despite a 58% increase in capex, suggesting a lag in capacity utilization.
  - **Takeaway: The 884% spike in finished goods inventory (□159.67 Cr) suggests recent capex in the Silico Manganese shift is resulting in stockpiling rather than sales.**

H. Risks

- ***ZESCO Receivable (Sovereign):*** □3,396.03 Cr overdue from Zambian utility. **Impact:** 55% of subsidiary assets at risk; potential liquidity trap. (Severity: High)
- ***CBI/ED Litigation (Regulatory):*** Case regarding coal block allotment to NPPL. **Impact: Attachment of NBPL's 74% stake in NBEIL**, limiting asset monetization. (Severity: High)
- ***Inventory Obsolescence (Operational):*** 884% explosion in finished goods inventory. **Impact:** Margin compression if Silico Manganese prices drop. (Severity: Medium)
- ***Grid Support Charges (Litigation):*** Disputed interest of □86.89 Cr on GSC. **Impact:** Unbooked liability; potential one-time PAT hit. (Severity: Medium)

- ***Non-Operational Assets (Asset Quality):*** 20 MW Dharmavaram plant idle but carried at ₹70.29 Cr. **Impact:** Potential impairment risk. (Severity: Low)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	98% Rev from Power/ Metals; Sugar project failure	Moderate diversification with high cyclicality and sovereign dependency in Zambia.
Financial health	4	↑	D/E 0.51x; CFO ₹1,223 Cr > PAT ₹1,222 Cr	Strong deleveraging and excellent CFO coverage of debt and capex.
Earnings quality	2	↓	Tax rate 3%; Inventory up 82%; ZESCO trap	Profits are heavily aided by one-time tax shifts and trapped in massive sovereign receivables.
Management & governance	3	→	Clean audit; Technical default on intra-group loan	Generally compliant but intra-group loan defaults and complex cross-border flows warrant caution.
Capital allocation & earnings visibility	3	↑	ROCE 17%; FCF ₹1,136 Cr; Inventory bloat	Strong FCF used for debt reduction, but near-term visibility is clouded by alloy stockpiling.

Business positives (for this company this year) * **Strong Deleveraging:** Total borrowings reduced by ₹513 Cr, with a massive ₹823 Cr repayment in FY23. * **Robust Cash Generation:** CFO of ₹1,223 Cr matches PAT of ₹1,222 Cr, showing 100% cash realization of accounting profits. * **Zambian Turnaround:** Successful resolution of the ZESCO dispute via a Consented Arbitral Award, securing the group's material base. * **Strategic Backward Integration:** Securing a 64.7 sq. km manganese concession in Cote D'ivoire to protect future margins. * **High Free Cash Flow:** Generated ₹1,136 Cr in FCF, providing a massive buffer for growth and dividends.

Business negatives / concerns (for this company this year) * **Liquidity Trap:** ₹3,396.03 Cr in overdue receivables from ZESCO represents 55% of subsidiary assets. * **Inventory Explosion:** Finished goods inventory surged 884% to ₹159.67 Cr, signaling severe working capital stress in the Metals segment. * **Non-Operational PAT Boost:** Net Profit growth of 110% was heavily aided by the tax rate dropping from 36% to 3%. * **Intra-group Default:** Subsidiary NBEIL defaulted on principal and interest repayments to the parent company. * **Regulatory Overhang:** Ongoing CBI/ED litigation has resulted in the attachment of the group's 74% stake in NBEIL.

Overall scorecard summary Nava Ltd has successfully navigated a sovereign-level liquidity crisis in Zambia, resulting in a strengthened balance sheet and significant debt reduction. While the company is operationally robust and generating record accounting profits, the quality of these earnings is diluted by a one-time tax benefit and a massive build-up of inventory. Governance is generally stable, but the technical default on intra-group loans and the concentration of assets in a single sovereign receivable (ZESCO) remain critical risks. The business is on a **stable to improving** trajectory, provided the transition to self-manufacturing of alloys stabilizes and the Zambian cash recoveries continue.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Total: 10/10 — Governance Rating: 5

Part c: investor verdict

Thesis: A deleveraging industrial play transitioning from a regional converter to a global integrated energy and metals producer with a high-margin healthcare kicker. **Overall stance:** ACCUMULATE **Rationale:** Strong FCF and successful Zambian turnaround outweigh the temporary working capital bloat in the metals segment. **Re-evaluate when:** Trade Receivables > 70% of total assets or zesco defaults on the Consented Arbitral Award payments. **BULL CASE:** Successful operationalization of Cote D'ivoire mine leads to 500bps margin expansion in Ferro Alloys. **BEAR CASE:** Permanent impairment of the □3,396 Cr ZESCO receivable or a massive write-down of the □454 Cr Goodwill. **Key monitorable:** Inventory Turnover Ratio: 2.17 → Watch for recovery toward 3.0.