Nava Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Nava operates a high-moat energy business in Zambia (90% PLF) while successfully pivoting into high-margin Agribusiness with its first 150 MT commercial avocado harvest.**	□
2	Consolidated revenue grew 7.72% to □4,291 Cr, supported by operational stability and the start of agri-revenue streams.	□
3	***Consolidated PAT declined 30% to 1,039 Cr, primarily compressed by a one-time 500 Cr interest discount granted to ZESCO to facilitate settlement.***	□
4	**The balance sheet underwent structural de-risking as ZESCO receivables fell from $518M to $28M, maintaining a conservative D/E ratio below 1x.**	□
5	**Cash generation remains the core strength, with CFO at □2,312 Cr (2.22x PAT) providing 1.28x coverage for the current aggressive expansion phase.**	□
6	***The company is in a heavy investment cycle with 2,185 Cr in CWIP (42% of PPE), though 655 Cr is aged over one year, suggesting potential execution bottlenecks.***	□
7	***Reported earnings were flattered by a 137.13 Cr non-cash ECL reversal and the capitalization of 140.95 Cr in borrowing costs, masking the true interest burden.***	□
8	***Significant internal control lapses are evident, highlighted by an 11.5-month audit trail failure and a 102% hike in KMP compensation despite falling profits.***	□
9	***Governance is further strained by RPTs reaching 7.28% of revenue and total family compensation exceeding 5.8% of PAT, indicating a "private office" mentality.***	□
10	***Legal risks persist with the stalled Brahmani Infratech asset and reliance on external volumetric experts for inventory valuation, introducing forensic and estimation risks.***	□
11	**Growth visibility is tied to the commissioning of MEL Phase II (300 MW) and a 100 MW solar plant, which are expected to drive a 200bps ROCE expansion.**	□
12	Maintain ACCUMULATE on dips; the operational cash flow story remains intact, but investors must monitor CWIP conversion to PPE and audit trail compliance in FY27.	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Nava Ltd has transitioned from a cyclical metals player into a diversified conglomerate with core interests in Energy (Zambia and India), Metals (Ferroalloys), and an emerging high-margin Agribusiness wing.
- **Revenue Drivers:** The primary revenue engine is Maamba Energy Limited (MEL) in Zambia. In India, revenue is driven by the strategic conversion of the 60 MW Captive Power Plant (CPP) to an Independent Power Plant (IPP) to capture merchant tariffs, and the production of Silico Manganese.

- **Cost Drivers:** Key costs include fuel security (mine-to-mouth coal in Zambia), raw materials for ferroalloys, and personnel costs. A □740/MT reduction in coal prices from Singareni Collieries in India acts as a margin tailwind.
- **Industry Position:** Nava holds a dominant position in the Zambian energy sector and is a flexible player in the Indian metals market, pivoting production between Ferro Silicon and Silico Manganese based on global demand.
- **Expansion Plans:** The company is in an aggressive capex cycle, including MEL Phase II (300 MW), a 100 MW Solar project (MSEL) in Zambia, and a $200M integrated sugar project.
- **Acquisitions & Capacity Additions:** Silico Manganese production increased by 43.2% in Telangana. Agribusiness is scaling with a target of 400,000 Avocado trees by 2027.
- **Segment Performance:** Energy remains the "crown jewel" and cash harvester. Metals face margin pressure from Chinese exports. Agribusiness has transitioned from project phase to revenue phase with its first 150 MT harvest.
- **Geographical Presence:** Operations are spread across India, Zambia (Energy and Agri), and Singapore (Holding and Trading).

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has shifted from a "recovery and litigation" focus to a "frontier-building" narrative, characterized as "Aggressively Offensive."
- The strategy focuses on leveraging the massive cash windfall from the ZESCO settlement to fund multi-continental expansion in thermal, solar, and hydro-agri projects.
- There is high conviction in the Zambian "Energy Hub" thesis, with MEL Phase II progressing toward Q4FY27 commissioning and 74% of debt already drawn.
- Management is sophisticated in its use of the Singapore holding structure (Nava Global Pte Ltd) to upstream cash for Indian dividends and global capex through buybacks and monetization.
- The Agribusiness segment is moving toward "brand creation" for Avocados to capture higher retail margins in Europe and the Middle East, rather than just commodity farming.
- The 100 MW Solar project (MSEL) is slated for July 2026, marking the group's first major pivot into renewables.
- The $200M Zambian Sugar project (March 2028) utilizes asset recycling by dismantling and shipping a 20 MW co-gen plant from India to reduce capital leakage.
- Despite the expansionary outlook, the Brahmani Infratech (BIPL) litigation remains a "dead asset" with no resolution in sight, representing a failure in infrastructure monetization.
- Management Tone: Management is **highly confident and expansionary**, bordering on aggressive. They are successfully recycling capital from legacy Indian assets into high-growth Zambian frontiers. However, there is a visible gap between their "Unified Vision" narrative and the "Internal Control" reality reported by auditors regarding the audit trail failure.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	4,291.00	3,984.00
Sales Growth %	7.72	4.33
Expenses -	2,573.00	2,148.00
Material Cost % -	33.32	30.69
Raw material cost	1,355.00	1,330.00
Change in inventory	75.00	-107.00
Manufacturing Cost %	14.10	13.58
Employee Cost %	8.80	6.35
Other Cost %	3.75	3.30
Operating Profit	1,718.00	1,835.00
OPM %	40.00	46.00
Other Income -	186.00	150.00
Exceptional items	22.00	-2.00
Other income normal	164.00	152.00
Interest	12.00	26.00
Depreciation	391.00	352.00
Profit before tax	1,501.00	1,607.00
Tax %	31.00	11.00
Net Profit -	1,039.00	1,434.00
Minority share	-252.00	-343.00
Exceptional items AT	31.00	0.00
Profit excl Excep	1,008.00	1,434.00
Profit for PE	763.00	1,091.00
Profit for EPS	787.00	1,091.00
Profit Growth %	-30.00	-5.00
EPS in Rs	27.80	38.57
Dividend Payout %	31.00	21.00

Balance Sheet (₹Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	28.00	28.00
Reserves	8,717.00	7,583.00
Borrowings -	2,226.00	893.00
Long term Borrowings	2,173.00	823.00
Short term Borrowings	48.00	65.00
Lease Liabilities	5.00	5.00
Other Borrowings	0.00	0.00
Other Liabilities -	3,393.00	2,758.00
Non controlling int	2,019.00	1,800.00
Trade Payables	285.00	168.00
Advance from Customers	5.00	2.00
Other liability items	1,085.00	787.00
Total Liabilities	14,365.00	11,262.00
Fixed Assets -	5,753.00	5,528.00
Land	104.00	92.00
Building	1,541.00	1,300.00
Plant Machinery	6,411.00	5,963.00
Equipments	95.00	90.00
Computers	4.00	3.00
Furniture n fittings	8.00	6.00
Railway sidings	4.00	4.00
Vehicles	131.00	148.00
Intangible Assets	528.00	477.00
Other fixed assets	253.00	229.00
Gross Block	9,078.00	8,314.00
Accumulated Depreciation	3,325.00	2,786.00
CWIP	2,185.00	575.00
Investments	1,408.00	1,042.00
Other Assets -	5,019.00	4,118.00
Inventories	666.00	818.00
Trade receivables -	949.00	1,409.00
Receivables over 6m	263.00	1,018.00
Receivables under 6m	699.00	514.00
Prov for Doubtful	-14.00	-122.00
Cash Equivalents	2,115.00	1,045.00
Loans n Advances	436.00	123.00

Line Item	Mar 2026	Mar 2025
Other asset items	854.00	723.00
Total Assets	14,365.00	11,262.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	2,312.00	2,157.00
Profit from operations	1,689.00	1,736.00
Receivables	1,038.00	757.00
Inventory	165.00	-213.00
Payables	102.00	-2.00
Loans Advances	0.00	0.00
Other WC items	-365.00	63.00
Working capital changes	940.00	605.00
Direct taxes	-317.00	-185.00
Cash from Investing Activity -	-1,848.00	-1,270.00
Fixed assets purchased	-1,807.00	-852.00
Fixed assets sold	24.00	0.00
Investments purchased	-1,929.00	-1,325.00
Investments sold	1,615.00	839.00
Interest received	52.00	41.00
Dividends received	1.00	1.00
Invest in subsidiaries	0.00	0.00
Acquisition of companies	0.00	0.00
Other investing items	196.00	25.00
Cash from Financing Activity -	645.00	-163.00
Proceeds from borrowings	1,177.00	813.00
Repayment of borrowings	-17.00	-348.00
Interest paid fin	-19.00	-150.00
Dividends paid	-495.00	-115.00
Financial liabilities	0.00	0.00
Share application money	0.00	0.00
Other financing items	0.00	-363.00
Net Cash Flow	1,109.00	724.00
Free Cash Flow	529.00	1,305.00
CFO/OP	153.00	128.00

Key Ratios (□Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	81.00	129.00
Inventory Days	170.00	244.00
Days Payable	73.00	50.00
Cash Conversion Cycle	178.00	323.00
Working Capital Days	129.00	171.00
ROCE %	13.00	17.00

3.2 Financial Analysis Summary

- **Revenue** grew by **7.72%** to **□4,291.00 Cr**, but this growth is considered lower quality as it was heavily influenced by the recovery of **US$ 550.61 million** from ZESCO rather than organic expansion.
- **Operating Profit (EBITDA)** fell to **□1,718.00 Cr**, with **OPM** contracting from **46.00%** to **40.00%** due to a **49.16%** spike in **Employee Cost** (**□377.56 Cr**) and negative operating leverage as **Expenses** grew by **19.78%**.
- **PAT** declined by **30%** to **□1,039.00 Cr**, impacted by a **□500.24 Cr** discount granted on ZESCO interest arrears and a sharp tax rate increase from **11%** to **31%**.
- **Earnings Quality** is diluted by a **□137.13 Cr** reversal of **Expected Credit Loss (ECL)**, which accounts for **13.2%** of **Profit before tax** (**□1,501.00 Cr**).
- **Finance Cost** on the P&L appears deceptively low at **□12.00 Cr** because the company capitalized **□140.95 Cr** of borrowing costs into **CWIP**, which surged to **□2,185.00 Cr**.
- **Cash from Operating Activity (CFO)** reached a robust **□2,312.00 Cr** (**CFO/PAT** of **2.22x**), primarily due to the liquidation of old **Trade Receivables** which provided a **□1,038.00 Cr** boost to **Working Capital**.
- **Capex** (Fixed assets purchased) amounted to **□1,807.00 Cr**, resulting in a positive **Free Cash Flow (FCF)** of **□529.00 Cr**, though this was only possible due to the one-time ZESCO receivable liquidation.
- **Total Debt** (Borrowings) increased sharply from **□893.00 Cr** to **□2,226.00 Cr** (**164%** increase in long-term debt) to fund the expansion of **Plant Machinery** and **CWIP**.
- **ROCE** fell from **17.00%** to **13.00%**, caused by a "cash drag" from non-earning assets, including a **214%** jump in **Capital Advances** (**□545.85 Cr**) and a **216%** surge in **Advances to Vendors** (**□336.97 Cr**).
- **Trade Receivables** fell from **□1,409.00 Cr** to **□949.00 Cr**, yet **□261.80 Cr** remains outstanding for more than 3 years, signaling that significant liquidity is still tied up in aged buckets.
- **Inventory Days** improved to **170 days**, but valuation relies on "external volumetric experts," introducing estimation risk in the **Power** and **Metals** divisions.
- **Other Assets** are dominated by **Capital Advances** (**□545.85 Cr**) and **Vendor Advances** (**□336.97 Cr**), indicating a massive, front-loaded capital expenditure cycle that creates a "cash drag" on **Net Worth** and returns.
- **Other Expenses** rose to **□388.44 Cr**, contributing to the margin compression alongside higher manufacturing expenses of **□514.72 Cr**.
- **Nava Ltd's financial performance this year is characterized by a massive one-time liquidity windfall from the ZESCO settlement which masked a decline in core operating margins and was immediately redeployed into a highly leveraged capital expenditure cycle, resulting in a temporary dilution of return ratios and increased balance sheet risk.**

3.3 Contingent Liabilities & Commitments

- **Litigation (Brahmani Infratech):** Ongoing shareholder litigation has stalled core infrastructure operations. The outcome is "presently unascertainable," creating a permanent cloud over the valuation of these assets.
- **Tax Disputes:** Subjectivity exists in applying Ind AS 37 for tax and regulatory litigations; the auditor flags a risk of under-provisioning by classifying potential outflows as "contingent" rather than "probable."
- **Capital Commitments:** While not explicitly quantified in the summary, the company is committed to MEL Phase II and the Zambian Sugar project, with 74% of debt for MEL Phase II already drawn.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — CFO exceeds PAT due to one-time liquidation of long-overdue Zambian receivables.	□	CFO □2,312 Cr vs PAT □1,039 Cr.	CFO boost driven by □1,038 Cr receivable liquidation from ZESCO settlement (Note 12i).
2	Receivables & channel-stuffing signal	Revenue ↑ — healthy collection cycle as receivables and inventory decline despite sales growth.	□	Receivables fell 32.6%; Inventory fell 18.6% while Sales grew 7.7%.	Massive cash realization from ZESCO settlement reduced aged receivables significantly (Note 12i).
3	Revenue timing	Revenue ↑ — point-in-time recognition and customer advances suggest conservative revenue timing approach.	□	Advances from customers □5 Cr; Revenue recognized at point in time.	Practical expedient used for short-term contracts; ignores time value of money (Note 2k).
4	Revenue from related parties %	Revenue ↑↓ — potential value leakage risk through complex promoter-controlled investment and infrastructure entities.	□	Promoter group entities control 28.57% of the company.	Risk of value leakage through non-arm's length infrastructure or development contracts (Note 15c).
5	Inventory vs revenue growth	Profit ↑ — efficient inventory management as stock levels drop despite rising operational revenue.	□	Inventory decreased by □152 Cr while revenue increased by □307 Cr.	Inventory valuation relies on external volumetric experts using density assumptions (Note 2d-vii).
6	Inventory valuation method change	Profit ↑↓ — estimation risk from volumetric density assumptions could lead to material stock misstatements.	□	Use of "external volumetric experts" for density and stacking methodology.	Estimation risk in Ferro Alloys/ Power; small density assumption errors impact stock value (Note 2d-vii).
7	Exceptional items in operating profit	Profit ↑ — non-recurring gains and settlement discounts distort core operating performance and comparability.	□	□22 Cr exceptional gain in FY26 vs □2 Cr loss in FY25.	ZESCO settlement involved a US$ 60 million (□500 Cr) discount on interest (Note 2d-x).
8	Depreciation rate vs useful life policy	Profit ↑↓ — management judgment in estimating recoverable coal reserves affects annual depreciation expense levels.	□	Depreciation increased 11% (□391 Cr); "Units of Production" method used.	Stripping activity assets depreciated based on management's "economically recoverable reserves" estimates (Note 2f).
9	Provision reversals boosting PAT	Profit ↑ — non-cash ECL reversal of □137 Cr artificially inflates PAT by thirteen percent.	□	ECL reversal of □137.13 Cr accounts for 13.2% of Profit Before Tax.	Non-operational gain from credit loss reversal significantly inflates the reported bottom line (Note 12c).
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — sharp tax rate increase and deferred tax suppression impact net earnings quality.	□	Tax rate jumped from 11% to 31%; Cash tax □317 Cr.	No deferred tax recognized on temporary differences reversing during tax holidays (Note 2s).
11	CWIP age and stalling projects	Profit ↓ — high CWIP aging and stalled infrastructure projects signal potential future asset impairments.	□	CWIP □2,185 Cr; □655 Cr aged over 1 year; □61 Cr over 2 years.	Massive CWIP persistence and stalled BIPL infrastructure projects create future impairment risks (Note 36a-iv).

#	Check	Impact	Status	Evidence	Notes Detail
12	Deferred tax asset recognition adequacy	Profit ↑ — non-recognition of deferred tax during holiday periods temporarily inflates reported net profit.	□	Policy suppresses DTL by not recognizing differences during tax holiday periods.	Accounting policy makes current tax expense appear lower than the statutory rate (Note 2s).
13	RPT quantum and trend	Neutral — complex subsidiary structure and audit trail failures increase risk of undetected related transactions.	□	Promoter group controls 28.57%; complex web of Singapore and Zambian subsidiaries.	Auditor flags lack of audit trail for 11.5 months, complicating RPT verification (Note 48).
14	Dividend paid vs FCF adequacy	Neutral — dividend payments are sustainable as they are fully funded by current free cash.	□	Dividend payout □495 Cr is fully covered by Free Cash Flow of □529 Cr.	Dividend payout increased to 31% following the massive ZESCO cash recovery event.
15	Audit Trail Failure	Neutral — inability to track direct back-end data changes for 11.5 months creates a "black box" risk.	□	Audit trail disabled at database level until March 13, 2026.	Severe internal control lapse; integrity of financial records cannot be verified (Note 48).
16	Interest Capitalization	Profit ↑ — diverting borrowing costs to CWIP masks the true cost of debt in the P&L.	□	□140.95 Cr interest capitalized into CWIP.	Artificially inflates current period profits; will lead to a depreciation cliff (Note 6).
17	Goodwill Impairment Testing	Profit ↑ — aggressive 22-year cash flow projection for goodwill testing assumes long-term PPA enforceability.	□	22-year projection used for □523.44 Cr Goodwill.	Assumes ZESCO PPA remains profitable for two decades despite past defaults (Note 2h).

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Unqualified. * **KAM 1: Recoverability of ZESCO Receivables:** The auditor flags significant management judgment regarding the "financial ability of the debtor" and a "past history of delays." While a sovereign guarantee exists, the auditor emphasizes the subjectivity of the Expected Credit Loss (ECL) model used to value these assets. * **KAM 2: Provisions and Contingent Liabilities:** Auditor identifies subjectivity in applying Ind AS 37 for tax and regulatory litigations. There is a specific risk of under-provisioning by classifying potential outflows as "contingent" rather than "probable." * **Emphasis of Matter:** The auditor highlights that the outcome of the Brahmani Infratech Private Limited (BIPL) lawsuit remains "presently unascertainable," creating a permanent valuation cloud over these infrastructure assets. * **Audit Trail Failure: CRITICAL FORENSIC RED FLAG.** The auditor reported that the audit trail (edit log) feature was NOT enabled at the database level for accounting software until March 13, 2026. For 11.5 months of the fiscal year, direct data changes could have been made without a log, representing a significant internal control weakness.

B. Related Party Transactions

Party	Relationship	Nature	Amount (□ Cr)	Concern
Nava Energy Pte Ltd	WOS	Technical Support Services	254.08 Cr	**Positive** - High-margin service export
Nava Energy Pte Ltd	WOS	Guarantee Commission (2%)	13.23 Cr	Standard credit support fee
Nava Bharat Projects Ltd	WOS	Sale of 20MW Power Plant	30.10 Cr	***Intra-group asset transfer; valuation basis unclear***
Ashwin Devineni	MD & CEO	One-time Bonus (US$ 1.5M)	13.25 Cr	***Disproportionate bonus via Singapore subsidiary***
Nava Bharat Energy India	Subsidiary	Manganese Bricks Job Work	1.98 Cr	Operational dependency
D. Rajasekhar	Chairman's Brother	Registered Office Rent	0.14 Cr	Personal interest in corporate real estate

RPT Verdict: Monitor □ While technical service income is a positive cash driver, the US$ 1.5M bonus to the CEO and the intra-group sale of a 20MW power plant, combined with the audit trail failure, necessitate close monitoring of value tunneling risks. Promoter group entities control approximately 28.57% of the company.

C. Shareholding * **Promoters:** 48.94% (Stable YoY) * **FII:** 12.06% (Stable YoY) * **DII:** 0.15% (Stable YoY) * **Public:** 38.85% (Stable YoY) * **Promoter Pledging:** 0.00% of total shareholding.

D. Board Composition + KMP Compensation

- **Total Directors:** 10 (50% Independent; 1 Woman Director).
- **KMP Compensation Analysis:**
  - ***Nikhil Devineni*** (Executive Director): **□17.14 Cr** (+102.84% YoY). Surged despite a 6.38% decline in consolidated Operating Profit.
  - ***Ashwin Devineni*** (MD & CEO): **□32.70 Cr** (+4.51% YoY). Paid primarily through Singapore (US$ 2.2M base + US$ 1.5M bonus), bypassing Indian caps.
  - **D. Ashok** (Chairman): **□10.34 Cr** (+6.60% YoY).
- **Family Concentration:** The Devineni family (Ashwin, Nikhil, and D. Ashok) received a combined **□60.18 Cr**, representing **3.50% of total Operating Profit**. Nikhil Devineni's 102.7% pay hike is disproportionate to the 27.6% decline in consolidated PAT.

F. Capital Allocation & Capex

Action	FY Current (□Cr)	FY Prior (□Cr)	% of CFO	Signal
Capex	1,807.00 Cr	852.00 Cr	78.15	***Aggressive***
Dividends Paid	495.00 Cr	115.00 Cr	21.41	**Positive**
Net Debt Change	1,333.00 Cr	479.00 Cr	57.66	***Re-leveraging***
Interest Payments	19.00 Cr	150.00 Cr	0.82	**Positive**

CAPEX Analytical Notes: * **CFO Coverage of Capex:** 1.28x. CFO (**□2,312 Cr**) covers the **□1,807 Cr capex**, but this is only possible due to the one-time **□1,038 Cr** ZESCO receivable liquidation. * **Nature of Capex:** Primarily **growth capex** for Zambia Phase-2 (300 MW), 100 MW Solar, and the Avocado/Sugar plantations. * **Capex Deployment Efficiency:** Revenue grew only 7.72% despite a 112% increase in capex, confirming a long gestation period for new assets. * **CWIP Persistence: CWIP stands at □2,185.00 Cr (42% of Net PPE)**, with **□654.67 Cr** aged over 1 year, indicating potential execution delays.

H. Risks

- ***Audit Trail Failure*** (Governance): Database-level logging disabled for 11.5 months. **Impact:** Integrity of financial records cannot be verified; risk of back-dated entries. (Severity: □High)
- ***Sovereign Concentration*** (Strategic): 20-year PPA dependency on ZESCO (Zambia). **Impact:** Future defaults could trap **□2,000 Cr+** in new capex; liquidity risk. (Severity: □High)
- ***Litigation (BIPL)*** (Legal): Stalled infrastructure project due to shareholder dispute. **Impact:** Permanent impairment risk for infrastructure assets; outcome "unascertainable". (Severity: □Medium)
- ***Interest Capitalization*** (Accounting): **□140.95 Cr** interest diverted to CWIP. **Impact:** Masks true cost of debt; will lead to a "depreciation cliff" once projects commission. (Severity: □Medium)
- ***Forex Volatility*** (Financial): Zambian Kwacha volatility. **Impact:** Notional deferred tax of **□261.79 Cr** impacted PAT by 27.6%. (Severity: □Medium)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	90% PLF in Zambia; Avocado harvest started.	Strong moat in Zambian energy and successful diversification into Agri.
Financial Health	4	↓	D/E < 1x; CFO □2,312 Cr > PAT □1,039 Cr.	Strong liquidity from ZESCO settlement, but re-leveraging for capex.
Earnings Quality	2	↓	Audit trail failure; □137 Cr ECL reversal.	Significant non-cash boosts and internal control lapses cloud the P&L.
Management & Governance	2	↓	Nikhil Devineni pay +102%; Audit trail □	Aggressive family compensation and repeat audit trail failures are red flags.
Capital Allocation & Earnings Visibility	3	→	CWIP □2,185 Cr; ROCE 13%.	Massive capex cycle with long gestation; visibility depends on MEL Phase II.

BUSINESS POSITIVES (for this company this year) * □**ZESCO Settlement:** Recovered **US$ 550.61 million**, reducing trade receivables by **32.6%** and de-risking the balance sheet. * □**Strong Cash Generation: CFO of □2,312 Cr** represents a **CFO/PAT ratio of 2.22x**, providing a massive liquidity cushion. * □**Agribusiness Transition:** First commercial harvest of **150 MT of Avocados** signals the shift to a high-margin revenue phase. * □**Operational Efficiency:** Maintained high **90% PLF** in Zambian energy operations and achieved a **□740/MT reduction** in Indian coal costs. * □**Shareholder Returns:** Dividend payout increased to **□495 Cr**, fully funded by **Free Cash Flow of □529 Cr**.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Audit Trail Failure:** Edit log disabled for **11.5 months**, representing a severe internal control lapse and forensic risk. * □**Aggressive Compensation:** Nikhil Devineni’s pay increased **102.84%** to **□17.14 Cr** despite a **27.6% decline** in consolidated PAT. * □**Earnings Dilution:** PAT was artificially boosted by a **□137.13 Cr non-cash ECL reversal** (13.2% of PBT). * □**Interest Capitalization: □140.95 Cr** of borrowing costs were capitalized, masking the true interest burden in the P&L. * □**CWIP Persistence: □2,185 Cr** locked in CWIP (42% of PPE), with **□655 Cr** aged over 1 year, indicating potential execution delays.

OVERALL SCORECARD SUMMARY Nava Ltd is currently in a "harvesting" phase where it has successfully liquidated long-standing sovereign receivables, resulting in exceptional liquidity and financial strength. However, this strength is being used to fund an aggressive, debt-heavy expansion cycle while core operating margins are contracting. Governance is the primary weak point, with repeat audit trail failures and disproportionate family compensation suggesting a "private office" mentality that undermines earnings quality. The business is on a stable operational trajectory but a deteriorating governance trajectory.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.70).
2	Promoter pledge = 0?	□	Remains 0.00%.
3	KMP pay < 5% of PAT?	□	Total family pay □60.18 Cr is ~5.8% of PAT.
4	RPT quantum < 5% of revenue?	□	RPTs at 7.28% of revenue (□312.78 Cr).
5	Board > 50% independent?	□	5 out of 10 directors are independent.
6	At least 1 woman director?	□	Mrs. B. Shanti Sree.
7	No statutory dues outstanding?	□	No major defaults reported.
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	Disabled until March 13, 2026.
10	Frequent Auditor change	□	Walker Chandiok & Co. LLP (Stable).

Total: 7/10 □— Governance Rating: 2

Part C: Investor Verdict

THESIS: Nava Ltd is a cash-rich energy play using a one-time sovereign windfall to pivot into high-margin Agribusiness, but it carries significant governance baggage. **OVERALL STANCE:** ACCUMULATE (on dips) **RATIONALE:** The structural de-risking of Zambian receivables and the 90% PLF operational reality outweigh the governance irritants for now. **RE-EVALUATE WHEN:** Audit trail failure persists in FY2027 OR MEL Phase II commissioning is delayed beyond Q4FY27. **BULL CASE:** Successful commissioning of the 100 MW Solar plant and Avocado branding leads to a 200bps ROCE expansion. **BEAR CASE:** ZESCO defaults on new payments or BIPL litigation leads to a □500 Cr+ impairment. **KEY MONITORABLE:** CWIP Capitalization: □2,185 Cr → watch for conversion to PPE in FY27.

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7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Focused on massive deleveraging (₹2,770 Cr repaid) and shareholder exits via ₹363 Cr buyback.	Shifted to aggressive re-leveraging (Borrowings up 149%) to fund a ₹1,807 Cr capex cycle.	The company has pivoted from balance sheet fortification to a high-leverage expansion phase.
Margin Trajectory	OPM at 46% with a low 11% effective tax rate due to tax holidays.	OPM contracted to 40% while the effective tax rate normalized sharply to 31%.	Core profitability is weakening as the safety net of tax holidays and high-margin legacy power tariffs expires.
Working Capital	Liquidity trapped in ₹1,014 Cr of aged (>3yr) receivables and a 35.6% inventory buildup.	Liquidity unlocked via ZESCO settlement but immediately re-trapped in ₹882 Cr of capital/ vendor advances.	The one-time sovereign cash windfall is being aggressively consumed by front-loaded prepayments for new projects.
Interest Accounting	₹30.35 Cr of interest capitalized into CWIP; finance costs appearing low.	Interest capitalization surged to ₹140.95 Cr, masking the true P&L impact of new debt.	Reported PAT is increasingly insulated from rising debt costs through aggressive capitalization into long-gestation assets.
Management Tone	Defensive and recovery-oriented, focused on resolving Zambian liquidity disputes.	"Aggressively Offensive" and expansionary, focused on "frontier-building" in Agribusiness and Renewables.	Management has transitioned to a high-conviction growth narrative to justify the massive redeployment of settlement proceeds.

7.2 Persistent Patterns

- **Critical internal control failure regarding the database-level audit trail** persists, preventing independent verification of back-end financial modifications for a second consecutive year.
- **Extreme customer concentration with ZESCO (Zambia)** remains the primary structural risk, as the group's liquidity remains tethered to a single sovereign entity's payment discipline.
- **Disproportionate family compensation growth** continues, with executive pay hikes (notably for Nikhil Devineni) frequently decoupled from underlying EBITDA or PAT performance.
- **Reliance on non-cash ECL reversals to inflate PAT** remains a recurring earnings quality issue, with reversals contributing 10-13% of Profit Before Tax in both periods.
- **The Brahmani Infratech (BIPL) litigation** remains an "unascertainable" legal overhang, resulting in the continued stagnation of significant infrastructure assets.
- **Strategic pivot toward Agribusiness (Avocados/Sugar)** is consistently messaged as the long-term hedge against industrial cyclicality, despite the segment's long gestation and high capital intensity.
- **Aggressive inventory valuation methodology** involving "external volumetric experts" and density assumptions remains a persistent source of potential estimation error in the Metals and Power divisions.

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