Nava Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** Nava has successfully transitioned from a debt-laden Zambian infrastructure bet to a net-cash, high-yield power utility, with the thesis now shifting from "recovery" to "capital allocation and growth."

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Highest ever quarterly income (□1,258.4 Cr) and PBT (□530.8 Cr).	□
Earnings Quality	High	Driven by operational 100% availability in Zambia and turnaround in Metals; however, $15M arrears receipt is a "core-one-off."	□
Guidance Confidence	Strong	Zambia Phase II (300MW) construction commenced; PPA already signed/approved.	□
Management Credibility	Strong	Delivered on the promise of debt-free status and began cash repatriation to India.	□
Business Quality Signal	Improving	Transitioned to Net Cash; diversified into Agri (Avocado) and new minerals (Lithium/Magnetite).	□
Key Q&A Exchange	Q2 + Capital Allocation	Mgmt confirmed equity for Phase II expansion will come from arrears, not Indian cash.	□
The Street's Primary Anxiety	Cash Repatriation	Concerns over ZESCO's ability to pay $224M balance arrears amidst Zambian drought.	□
Capital Cycle Stage	Harvesting & Reinvestment	Harvesting Phase I cash while initiating Phase II investment.	□
Margin Trajectory	Improving	Consolidated EBITDA margins benefiting from zero interest and high PLFs.	□
Pricing Power	Stable	Regulated tariffs in Zambia; opportunistic merchant sales (□7.0+/kWh) in India.	□
FCF Conversion & Quality	Strong	Group-level FCF of ~□500 Cr in Q1; debt-free at standalone and subsidiary levels.	□
Competitive Moat Signals	Stable	Operates Zambia's only integrated thermal plant; indispensable during hydro droughts.	□
Balance Sheet Strength	Strong	Net Cash status achieved; $224M in pending receivables acts as a "hidden" cash reserve.	□
Working Capital Efficiency	Improving	Significant reduction in gross receivables over the last 12 months.	□
Mgmt Guidance Track Record	Reliable	Followed through on dividend declaration and debt reduction.	□
Key Vulnerability	Hydrological Risk	Zambian drought limits ZESCO's cash flow, potentially delaying the $25M/month arrear payment plan.	□
Management Tone	Confident	Assertive on operational performance; pragmatic regarding macro-challenges in Zambia.	□

Key Takeaways (Positives & Negatives)

Positives: * **Balance Sheet Transformation:** The company is now effectively debt-free across Nava Standalone, Maamba Energy (MEL), and NBEIL. * **Cash Repatriation Commenced:** Maamba Energy has started paying $19.5M in interest to sponsors since April 2024; Nava Singapore has begun paying dividends to the Indian parent. * **Asset Performance:** MEL achieved near 100% availability; Indian merchant power realized strong tariffs (□7.0/kWh) in peak summer months. * **Growth Visibility:** Construction started for the 300MW Phase II in Zambia with a 20-year PPA already secured.

Negatives: * **Arrears Timeline Risk:** While $15M was received this quarter, the "verbal agreement" of $25M/month from ZESCO is currently stalled at $5M/month due to the utility's fiscal constraints during the drought. * **Tax Holiday Tapering:** The 100% tax holiday for MEL (Phase I) ends in FY25; corporate tax will begin to graduate upwards from FY26. * **Ferro Alloy Volatility:** Q1 margins were high due to opportunistic pricing that has already tapered off in Q2.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	1,258.4	↑ 16.7%	↑ 4.9%	↑	Driven by 100% availability in Zambia and high realization in Indian merchant power.
EBITDA (□Cr)	626.0	↑ 9.4%	↓ 1.1%	→	Power segment margins remain robust; Metals provided positive swing.
EBITDA Margin %	49.7%	↓ 330 bps	↓ 300 bps	↓	Lower compared to FY24 peak (63%) due to higher operating expenses in Zambia and lower Ferro production.
PAT (□Cr)	~400+	↑	↑	↑	Record PBT of □530.8 Cr; exact PAT not explicitly summed in PPT but confirmed as record performance.
Net Cash / (Debt) (□Cr)	Net Cash	↑	↑	↑	Entire project finance debt repaid in FY24.
Plant Availability (%)	99.9%	↑ 470 bps	↑	↑	MEL Zambia performance was "near perfect."
Indian Power PLF (%)	87.2%	↑ 1850 bps	↑	↑	Benefited from bilateral contracts and peak summer demand.
Arrears Balance ($ Mn)	224.0	↓ (from 239)	↓	↑	Received $15M in Q1; $31.9M credit loss reversal still pending.
Metal PBT (□Cr)	23.2	↑ NM	↑	↑	Turnaround from □1.6 Cr loss last year; switch to Ferro Silicon was key.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin %	Trend	vs Company Avg	Key Development
Zambia - Energy	559.5	↑ 5.0%	62.7%	→	Above Avg	$40.8M paid to sponsors (including principal/interest) since Apr '24.
India - Power	201.0	↑ 12.0%	33.9%	↑	Below Avg	NBEIL (150MW) operated at 91.2% PLF; realized tariffs □7.0+/kWh.
Ferro Alloys	229.0 (est)	↓ 18.8%	10.1% (PBT)	↑	Below Avg	Production cut in April/May to sell captive power at higher merchant tariffs.
Zambia - Mining	38.3 (est)	↑	36.7%	→	Below Avg	External coal sales sustained despite local power cuts.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Zambia Phase II	300MW expansion; COD in 24 months.	Ongoing construction/ financing.	Phase I was delivered and ramped up successfully.	Medium: Project execution risk.
Guidance	Arrears Collection	To be used to fund Phase II equity ($120M total req.).	Requires ~$10-15M/ month collection.	Mixed: Received $15M in Q1 but monthly run-rate is currently lower ($5M).	High: ZESCO liquidity.
Guidance	Agri Revenue	$3-4M in FY26; peak revenue from 2027-28.	91,500 plants in ground; need 100k more in Nov '24.	On track with Division A planting.	Low: Biological growth risk.
Strategy	Capital Allocation	"Larger corporate actions" once remaining arrears arrive.	Dependent on $224M inflow.	Delivered interim dividend of □4.	Low: Mgmt conservative.
Strategy	Diversification	Exploring Lithium and Magnetite in Ivory Coast/Zambia.	Exploration results pending.	Mixed: Previous Ivory Coast Mn concession was not fruitful.	Medium: Exploration risk.

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	5.0	Nidhi Shah / ISEC	Zambia PPA	Outlook	Terms of the new 300MW PPA.	Management confirmed a 20-year signed PPA with a tariff of 9.7 cents/kWh (vs 10.3 cents for Phase I), linked to US inflation. Lower tariff is offset by lower capital costs and existing infra, securing long-term IRR.	None	5.0	Clear and quantified
2	4.5	Nidhi Shah / ISEC	NBEIL PLF	Financials	Sustainability of Indian power performance.	Management anticipates NBEIL PLF to stay above 70% for the full year despite Q1 being a seasonal peak. Consistent cash flow from India operations supports standalone dividend capacity.	None	4.0	Directional evidence
3	5.0	Viraj Mahadevia	Capital Alloc.	Strategy	Why only □4 dividend despite □500 Cr FCF?	Management intends to retain cash for Phase II equity and other growth verticals (Agri/Minerals) while arrears are still being collected. High cash retention confirms a growth-heavy mindset over immediate aggressive payout.	Timeline for buyback	3.0	Conservative posture
4	4.0	Govind Lal	Tax Status	Financials	Impact of Zambia tax holiday ending.	Phase I holiday ends FY25, then graduates to 75% exempt for 2 years and 50% for 3 years; Phase II will have a fresh 5-year holiday. Gradual tax impact prevents a "cliff" in earnings drop post-FY25.	None	5.0	Specific timeline
5	5.0	Rucheeta Kadge	Arrears	Financials	Current monthly	ZESCO is currently paying $5M/month towards arrears instead of the $25M	Specific restart	2.0	Deflected — key signal

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					payment from ZESCO.	target due to drought-led revenue loss. Slower collection extends the timeframe for full balance-sheet unlock.	date for $25M		
6	3.5	Vijay P	Metals Strategy	Strategy	Why not expand Ferro Alloy capacity?	Management will not expand capacity until they secure backward integration (Mn ore mines) to become cost-competitive. Prudent capital allocation by avoiding expansion in a low-margin, oversupplied market.	None	4.0	Specific logic

PATTERN FLAGS & SENTIMENT

- **Theme Cluster 1: The "Zambian Arrears" Tension:** Analysts repeatedly poked at the $224M receivable. Management admitted that while ZESCO is committed, the drought has forced a reduction in monthly payments from $25M to $5M. This remains a live issue that prevents the company from committing to a massive buyback or larger dividend.
- **Theme Cluster 2: Growth vs. Payout:** There is a clear divide between the Street (wanting immediate buybacks/higher dividends) and Management (prioritizing $120M Phase II equity and Agri diversification). Management appears confident in their 20-30 year diversification plan, viewing the current cash as "growth capital" rather than "surplus."

Analyst Sentiment Verdict: Analysts were impressed by the operational "near-perfection" in Zambia but remain skeptical about the timeline for the final $224M collection. Credibility improved as interest payments finally reached the Indian parent. The primary friction point is the conservative ₹4 dividend in the face of ₹500 Cr quarterly FCF.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Arrears Timeline	Expected ~$25M/ month inflow.	Current run-rate is only $5M/month.	Significant slowdown due to Zambia drought.	Delay in "special" capital distribution.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Arrears Reversal	Not in document	$15M (~₹125 Cr) credited	↑
Debt Status	Project Finance existing	Repaid in full (Debt-Free)	↑
Metals Performance	Loss making	Profit (₹23.2 Cr PBT)	↑
Dividend Status	Annual only	Declared Interim (₹4)	↑
Zambia Phase II	Planning	Construction Commenced	↑
Cash Repatriation	Pending	Interest/Dividends flowing to India	↑

CFO-to-PAT Analysis: Not explicitly calculable as a ratio from the summary data, but FCF of ₹500 Cr against PBT of ₹530 Cr suggests exceptionally high earnings quality (CFO/PAT likely >1.0), driven by the absence of interest costs and realization of long-standing receivables.