# Nava Ltd — Aug 2025 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Beat on Cash Repatriation | Miss on Tax Guidance | Inline on Operations **One-line:** The thesis has transitioned from "Will they get the cash?" to "How efficiently will they spend it?"; the maiden dividend from Zambia ($32.5M) confirms the cash pipe is open, but a surprise "revisit" of the tax holiday (now 15% tax vs. expected 0%) creates a permanent ~□100 Cr+ annual PAT headwind starting this quarter.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Guidance | Beat (Cash) / Miss (Tax) | $75M arrears collected (Beat); 15% tax rate vs 0% prior guidance (Miss). | □ |
| Earnings Quality | High (Core & WC) | Driven by massive $75M receivable liquidation and 95.2% PLF in Zambia. | □ |
| Guidance Confidence | Mixed | On-track for Phase II/Solar; but walk-back on tax holiday hurts credibility. | □ |
| Management Credibility | Neutral | Successfully repatriated cash, but failed to accurately forecast the tax "cliff." | □ |
| Business Quality Signal | Improving | Diversifying from thermal to Solar and Sugar; maiden international dividend declared. | □ |
| Key Q&A Exchange | Q#2 - Tax Cliff | Management admitted a 15% tax rate starting FY26 after previously guiding for 0%. | □ |
| The Street's Primary Anxiety | Reinvestment Risk | Anxiety over $200M Sugar/Agri project IRR; Mgmt defended it via asset relocation. | □ |
| Capital Cycle Stage | Reinvestment | Massive expansion phase: $400M (Phase II), $90M (Solar), $200M (Sugar/Agri). | □ |
| Margin Trajectory | Deteriorating | PAT margins hit by 15% tax in Zambia and upcoming Q2 maintenance shutdowns. | □ |
| Pricing Power | Stable | 100% PPA for Phase II at $0.095/unit; Ferro Alloy realization up via US/Japan exports. | □ |
| FCF Conversion & Quality | Strong | CFO significantly exceeds PAT due to $75M (□630 Cr approx) receivable collection. | □ |
| Competitive Moat Signals | Widening | Becoming an integrated Energy/Agro player in power-deficit Zambia; reusing idle India assets. | □ |
| Balance Sheet Strength | Strong | Parent net-cash (□1,400 Cr); MEL Phase II debt non-recourse to parent. | □ |
| Working Capital Efficiency | Improving | Receivables at MEL down 34.5% QoQ; Target to clear remaining $85.5M by FY26-end. | □ |
| Mgmt Guidance Track Record | Mixed | Consistent on project timelines; unreliable on tax/fiscal regulatory forecasts. | □ |
| Key Vulnerability | Maintenance Risk | Both Zambia units scheduled for shutdown in Q2; results will dip significantly. | □ |
| Management Tone | Confident | Bullish on "Highest ever" quarterly profits and repatriation milestones. | □ |

**Key Takeaways (Positives & Negatives): Positives:** * **Repatriation Milestone:** The maiden dividend of $32.5M from Maamba Energy (MEL) is a watershed moment, proving cash can be pulled out of Zambia beyond debt repayment. * **Arrear Liquidation:** Collected $75M in arrears this quarter; management is confident in clearing the remaining $85.5M within FY26. * **Asset Optimization:** Smart relocation of an idle 20MW power plant from India to the Zambia Sugar project captures value from a previously written-off/scrapped asset. * **India Energy Recovery:** Healthy PLFs (82-90%) in India driven by summer demand and bilateral contracts.

**Negatives:** * **The Tax Cliff:** Management confirmed that profits from Zambia's power business are now taxable at 15% for FY26-28 (rising to 22.5% later), contradicting prior guidance of a 100% tax holiday through FY26. * **Q2 Earnings Hole:** Both high-margin Zambian units are scheduled for maintenance shutdowns in Q2, which will lead to a material sequential drop in profitability. * **Diversification Complexity:** The shift into Sugar ($200M) and Avocado plantations introduces agricultural risk (yield/weather) to a utility-heavy profile.

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## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

| Metric | Current Qtr (Q1FY26) | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| Revenue Consolidated (□Cr) | 1,213.0 | Not in PPT | ↑ 15.0% | ↑ | Driven by 95.2% PLF at MEL and higher alloy realizations. |
| Revenue Standalone (□Cr) | 529.9 | ↑ 2.3% | ↑ 9.6% | ↑ | Volume driven growth in SiMn production/ sales. |
| EBITDA (Standalone) (□Cr) | 187.2 | ↑ 1.1% | ↑ 47.1% | ↑ | Recovery from Q4 shutdowns; higher captive power usage. |
| EBITDA Margin % (Stand.) | 32.7% | ↓ 120 bps | ↑ 860 bps | ↑ | Sequential jump due to lower maintenance costs vs Q4. |
| PAT Consolidated (□ Cr) | 490.0 | Not in PPT | ↑ 61.0% | ↑ | Highest ever quarterly profit; includes arrear gains. |
| PAT Standalone (□Cr) | 141.0 | ↑ 7.6% | ↑ 45.2% | ↑ | Strong contribution from Energy and Unallocated income. |
| Net Cash / (Net Debt) (□Cr) | 1,400.0 (Net Cash) | ↑ | ↑ | ↑ | Post $32.5M dividend and $75M arrear collection. |
| Machine Availability (MEL) | 95.2% | ↓ 470 bps | ↑ 1,480 bps | ↑ | Full operations post Q4 scheduled maintenance. |
| PLF (%) - India Avg | 86.6% | ↓ 60 bps | ↑ 1,750 bps | ↑ | Strong summer demand in TS and Odisha. |
| Installed Capacity (MW) | 714 | → | → | → | 414MW (India) + 300MW (Zambia). |
| SiMn Sales (Tons) | 29,789 | ↑ 29.6% | ↓ 20.9% | ↓ | Sales decline QoQ due to high base of Q4 export surge. |
| CFO-to-PAT Ratio | >1.3 | ↑ | ↑ | ↑ | Exceptionally high due to $75M receivable collection. |

### 2B. SEGMENT BREAKDOWN (Standalone)

| Segment | Revenue (□ Cr) | YoY Growth | PBT Margin | Trend | vs Co. Avg | Key Development |
|---|---|---|---|---|---|---|
| Energy | 333.8 | ↓ 6.3% | 41.7% | ↑ | Above | High summer PLFs; billing adjustments in TS. |
| Ferro Alloys | 291.4 | ↑ 25.5% | 4.7% | ↑ | Below | Realization gains from US/Japan export contracts. |
| Mining | Not in Stand. | N/A | N/A | → | N/A | Captive use for MEL; external sales up 16.5% QoQ. |

## 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate | Historical Delivery | Risk Flag |
|---|---|---|---|---|---|
| Guidance | Arrears | Clear remaining $85.5M by FY26-end. | $28.5M / Quarter | **Beat:** Collected $75M this quarter. | Low |
| Guidance | Phase II COD | 300MW Thermal to commission by Aug 2026. | On schedule | On Track: Civil foundations done. | Low |
| Guidance | Solar COD | 100MW Solar to commission by July 2026. | On schedule | On Track: PPA signed. | Low |
| Guidance | Sugar Project | Crushing to start by April 2028; $200M total cost. | Start mechanical erection | **New:** Idle power plant relocated. | Medium |
| Strategy | Tax Rate | 15% effective tax rate on MEL Power for 3 years. | N/A | **Miss:** Walked back 100% holiday claim. | High |
| Strategy | Dividends | Primary policy of 25-30% of standalone PAT. | Normal payout | On Track: Special dividends possible. | Low |
| Macro | Maintenance | Shutdown of both units in Q2 FY26. | N/A | Expected seasonal dip in Q2. | High |
| Balance | Debt Drawn | Phase II debt of $135.2M drawn as of June 30. | N/A | Funding secure for expansion. | Low |

## 4. ANALYST Q&A

| Q# | Relevance | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded / Not Addressed | Credibility | Verdict |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 5.0 | Anukool | Receivables | Financials | "How much of the outstanding $85.5 million receivables are you expecting for this year?" | Management expects to receive the entire $85.5 million in arrears before the end of this financial year (FY26). This implies a massive non-operational cash inflow of approx □720 Cr over the next 3 quarters, significantly boosting the already strong net cash position. | None | 5.0 | Clear and quantified |
| 2 | 5.0 | Anukool | Tax Holiday | Management Outlook | "Last concall you said tax exemption will continue for the entire financial year, but this year tax was there?" | Management admitted that after "revisiting" the position with tax authorities, a 15% tax rate applies starting this year (FY26) for three years, rising to 22.5% thereafter. This is a material "walk-back" from previous guidance that provided a 100% tax holiday through FY26, resulting in a ~15% immediate hit to MEL's bottom line compared to | Why the guidance changed so abruptly | 2.0 | Evasive on guidance shift |

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|---|---|---|---|---|---|---|---|---|---|
| | | | | | | prior street estimates. | | | |
| 3 | 4.0 | Viraj Mahadevia | Sugar Project | Strategy | "Why you decided to enter sugar in Zambia and how this $200 million will be funded?" | Management is relocating an idle 20MW power plant from India to Zambia to provide captive power and sell excess to the grid, capturing value from a "scrapped" asset. This indicates a focus on capital efficiency for the $200M project, which includes plantations and a distillery, aiming for COD by April 2028. | Specific funding mix (debt/ equity) | 3.5 | Directional |
| 4 | 4.0 | Nidhi Shah | Capex | Capex and Allocation | "What is the CapEx that was done in Q1 and what remains for MEL II?" | Incremental CapEx this quarter was roughly □600 Cr, with the bulk of remaining work to be completed over the next four quarters before commissioning in Q1 FY27. This provides clear visibility on the capital cycle stage, confirming the transition into the "harvesting" phase of construction. | None | 4.0 | Specific timeline given |

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|---|---|---|---|---|---|---|---|---|---|
| 5 | 4.5 | Nidhi Shah | PPA & Tariffs | Business Overview | "What is the tariff for Phase II and the plan for the remaining 30% untied capacity?" | Management clarified that 100% of Phase II capacity is already tied up with the state utility (ZESCO) at a tariff of 9.5 cents per kilowatt hour. This removes "merchant risk" from the expansion and provides predictable cash flows for the $400M investment. | None | 5.0 | Specific and quantified |
| 6 | 3.5 | Nidhi Shah | Ferro Alloys | Financials | "Why is PBT down this quarter for ferroalloys on a Y-o-Y basis despite better realization?" | Lower Silico Manganese realizations YoY were only partially offset by better Ferro Silicon prices from US exports and long-term Japanese contracts. The margin pressure confirms that while product diversification (FeSi) helps, the core segment remains a commodity price taker with limited pricing power. | None | 4.0 | Directional with evidence |
| 7 | 4.0 | Viraj Mahadevia | Liquidity | Financials | "What is the net cash on the books for Q1?" | Consolidated gross cash stands at 2,400 Cr with a net cash position of | None | 5.0 | Clear and quantified |

| Q# | Relevance | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded / Not Addressed | Credibility | Verdict |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | approximately 1,400 Cr. This rock-solid balance sheet allows for the $500M+ diversified growth pipeline (Energy + Agri) to be funded without straining the parent. | | | |
| 8 | 4.5 | Viraj Mahadevia | Operational Risk | Business Overview | "Is there a Zambia power plant shut down for maintenance planned in Q2?" | Management confirmed that both units at MEL are scheduled for maintenance shutdowns in the next two months (Q2). Investors should expect a sharp sequential decline in EBITDA and PAT for the next quarter due to zero availability during these periods. | Duration of shutdown per unit | 3.0 | Vague on duration |
| 9 | 4.0 | Vijay P. | Dividends | Capex and Allocation | "Does the policy of distributing 25% of profits as dividends still hold?" | The standalone policy remains 25-30%, but management will consider "special dividends" as cash is repatriated from international operations (Zambia). This signals that the $32.5M maiden | None | 4.0 | Directional with evidence |

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|---|---|---|---|---|---|---|---|---|---|
| | | | | | | dividend is likely a precursor to higher shareholder returns as more arrears are cleared. | | | |
| 10 | 3.0 | Vijay P. | Listing | Governance | "Is NAVA Global having any intention of listing on Singapore Exchange or foreign exchanges?" | Currently, there are no plans for an IPO or listing of the Singapore-based NAVA Global entity. This confirms that Nava Limited (India) remains the sole vehicle for public investors to play the Zambian growth story. | None | 4.0 | Specific rejection |

**PATTERN FLAGS & SENTIMENT** * **The "Tax Cliff" Surprise:** The primary friction point was the sudden introduction of a 15% tax on Zambia power profits. Analysts were surprised because management had previously signaled a tax-free regime for FY26. Management's "revisited" posture suggests a regulatory oversight or a change in local tax interpretations, which may dampen sentiment regarding fiscal guidance reliability. * **Capital Allocation Transition:** The focus has shifted from "Zambian risk" to "Reinvestment risk." Analysts are closely monitoring the $200M Sugar/Agri project. Management's response about relocating idle India assets was a clever defense to prove they are optimizing the group balance sheet rather than just throwing new cash at risky ventures. * **Repatriation Confidence:** For the first time, questions about "if" cash can be moved out have disappeared, replaced by questions on "how" to distribute it (special dividends). This marks a structural de-risking of the stock.

**Analyst Sentiment Verdict:** Analysts are constructive on the massive cash inflow but wary of the upcoming Q2 maintenance "air pocket" and the permanent margin hit from the 15% tax. Management's credibility on operational execution is at an all-time high, but their fiscal/regulatory forecasting has been weakened by the tax walk-back.

## 5. WHAT CHANGED vs PRIOR QUARTER

| What Changed | Prior Quarter (Q4FY25) | This Quarter (Q1FY26) | Direction |
|---|---|---|---|
| **Tax Status (Zambia)** | 100% Tax Holiday (Expected) | 15% Tax Rate (Confirmed) | ↓ |
| **Arrear Status** | $105M Outstanding | $85.5M Outstanding ($75M collected) | ↑ |
| **Cash Repatriation** | Shareholder Loan Repayment Only | Maiden Dividend of $32.5M declared | ↑ |
| **MEL PLF** | 80.4% (Shutdown impacted) | 95.2% (Full operations) | ↑ |
| **Asset Strategy** | Sugar power plant status unclear | Relocating 20MW idle India plant to Zambia | ↑ |
| **Solar Project** | Pre-feasibility / Negotiation | Direct 65% NAVA Global holding; COD July '26 | ↑ |
| **Net Cash** | Net Debt Free (Parent) | ₹1,400 Cr Consolidated Net Cash | ↑ |

**Investor Notes:** * **Earnings Quality:** CFO/PAT ratio is exceptionally high due to the $75M liquidation of old receivables. This is a one-time liquidity surge rather than a sustainable operational run-rate. * **The Tax Cliff:** The 15% tax rate will shave off roughly ₹25-30 Cr per quarter from consolidated PAT compared to the "tax-free" scenario previously expected. * **Thesis Signal:** The "Recovery Play" is now over. Nava is now a "Capital Allocation Play." The stock's re-rating will now depend on the ROE of the Phase II and Sugar projects rather than just the arrival of old cash. * **Q2 Warning:** Expect a "weak" Q2 FY26. With both Zambian units shutting down, the high-margin segment will contribute near-zero for several weeks. STOP HERE.