Nava Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on PAT | Beat on Arrear Collection | Miss on India Energy Margins **One-line:** The investment thesis has transitioned from a "Zambian recovery" story to a "Cash Reinvestment" story, as the repatriation pipe is now gushing cash ($43M arrears + $71M loan repayment this quarter), funding a massive $525M+ growth pipeline across power, sugar, and agri.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Strong Beat (Cash)	Arrear collection of $43M (□361 Cr) vs $15M (□126 Cr) in Q2.	□
Earnings Quality	High	Driven by 100% current bill realization and accelerated arbitration award recovery.	□
Guidance Confidence	Strong	Phase II (300MW) construction is on track for Aug-26; 100MW Solar added to the pipeline.	□
Management Credibility	Strong	Repaid $71M (□596 Cr) of shareholder loans; current outstanding down to $38M.	□
Business Quality Signal	Improving	Zambia asset proves "indispensable" during hydro-crisis; India ops stabilizing through cost-plus shifts.	□
Key Q&A Exchange	Arrears Acceleration	Zesco paid $43M toward arrears this quarter, vastly exceeding the previous $5M/month run-rate.	□
The Street's Primary Anxiety	Reinvestment Risk	Anxiety over $525M+ capex in Sugar/Agri/Solar; Mgmt defended it as high-margin diversification.	□
Capital Cycle Stage	Reinvestment	Aggressive deployment phase for Phase II Power, Sugar, and Avocado plantation.	□
Margin Trajectory	Stable	Zambia Energy EBITDA margins maintained at high levels (~64% FY24 baseline).	□
Pricing Power	Expanding	Zambia Phase II PPA signed at $0.095/unit; India merchant floor remains firm despite seasonal dip.	□
FCF Conversion & Quality	Strong	Massive working capital unlock from Zesco arrears and shareholder loan repatriation.	□
Competitive Moat Signals	Widening	Only integrated thermal plant in a hydro-dependent, power-deficit nation (Zambia).	□
Balance Sheet Strength	Strong	Consolidated Net Cash; Shareholder loan repayment to India parent accelerating.	□
Working Capital Efficiency	Improving	Gross receivables down to $214.9M (□1,805 Cr) from $289.8M (□2,434 Cr) YoY.	□
Mgmt Guidance Track Record	Reliable	Delivered on NTP for Phase II and accelerated debt repatriation.	□
Key Vulnerability	Concentration Risk	Heavily reliant on Zambian sovereign's ability to maintain accelerated payments.	□
Management Tone	Confident	Bullish on the "dynamic" payment plan and strategic expansion into non-power verticals.	□

Key Takeaways (Positives & Negatives): Positives: * **Repatriation Tsunami:** The "repatriation pipe" is fully operational. MEL paid $71M to sponsors toward shareholder loans this quarter. The outstanding principal is now only $38M, suggesting the "Zambian overhang" will be fully cleared by H1 FY26. * **Arrear Acceleration:** Contrary to Q2's sluggish $5M/month collection, Zesco paid a lump sum of $43M toward arbitration arrears this quarter. Total outstanding is now $160M, with a plan to clear it by year-end. * **Phase II Execution:** Construction is progressing with major equipment orders placed. Debt of $67.6M has already been drawn. * **Ferro Alloys Improvement:** EBITDA loss narrowed to □6.8 Cr (vs □28.4 Cr loss in Q2). Management has locked in low-cost manganese ore until Sep/Nov 2024, positioning for a margin recovery in Q4/Q1.

Negatives: * **India Energy Headwinds:** Maintenance shutdowns (NBEIL at 42.1% PLF) and lower seasonal tariffs impacted standalone performance. * **Agri Opacity:** Management remains vague on the exact unit economics of the Avocado business, calling revenue/yield projections "premature." * **Expansion Complexity:** Simultaneously managing Phase II ($400M), Sugar ($125M), and Solar ($TBD) increases execution risk and capital intensity.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q3FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Consolidated (□Cr)	Not in document	-	-	-	PPT only provides segment breakdown in Mn.
EBITDA (□Cr)	503.7	↑ 9.6%	↓ 9.4%	↑	YoY growth driven by Zambia; QoQ dip due to India maintenance.
EBITDA Margin %	Not in document	-	-	-	Individual segment margins remain high (~64% for MEL).
PAT (□Cr)	Not in document	-	-	-	Zambia PAT was $34.6M (□290.6 Cr).
Net Cash / (Net Debt) (□Cr)	Net Cash	↑	↑	↑	Consolidated Net Cash position; Parent debt-free.
Installed Capacity (MW)	734	→	→	→	No change; Phase II (300MW) construction underway.
Machine/Plant Availability (%)	95.1% (ZAM)	↑ 270 bps	↑ 1,060 bps	↑	Zambia plant returned to high availability after Q2 maintenance.
PLF (%) - India	53.2%	→	↓ 1,520 bps	↓	Hit by yearly maintenance at NBEIL (42.1% PLF).
PLF (%) - Zambia	94.2%	↑ 270 bps	↑ 970 bps	↑	Operating at near peak capacity; indispensable to Zambia.
Zambia Energy Rev ($ Mn)	65.0	↓ 21.1%	↑ 11.3%	→	Realization remains steady; YoY dip due to high base.
Ferro Production (tons)	26,807	↑ 23.1%	↓ 12.6%	↑	YoY recovery from FY24 RM handling accident.
External Coal Sales (000 MT)	104	↓ 23.0%	↓ 4.6%	↓	Impacted by client power outages in Zambia.

2B. SEGMENT BREAKDOWN

Segment	EBITDA (□Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Zambia - Energy	318.0	↑ 9.8%	~64.0%	→	Above Avg	Paid $71M in shareholder loan repayments to sponsors.
India - Energy	178.4	↑ 23.4%	Not Stated	↓	In Line	Impacted by seasonal tariff drop and NBEIL maintenance.
Ferro Alloys	(6.8)	NA	Negative	↑	Below Avg	Loss narrowed; 100% RM covered until Sep/Nov.
Zambia - Mining	Not explicitly listed	-	-	↓	Below Avg	External sales hit by local energy crisis affecting customers.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Zambia Phase II	300MW COD Aug 2026; $400M total cost.	Construction on track; NTP issued.	Delivered NTP; tied up $300M debt.	Low
Guidance	Arrears ($160M)	Target clearing entire balance by end of 2024 (calendar).	Needs ~$50M/month in Q4/Q1.	Beat: Collected $43M this quarter.	Medium
Guidance	Agri (Avocado)	400,000 trees by 2027; first fruit end of 2025.	Currently at 130,000 plants.	On track; nursery has 70k more ready.	Medium
Strategy	Sugar Project	$125M total project; Integrated model.	To commence cultivation this year.	New project; execution untested.	High
Strategy	Capital Allocation	$200M total equity needed for current growth projects.	Funded by Zambia cash flow/arrears.	Debt repayment promise delivered.	Low
Macro	Zambia Drought	Thermal plant essential as hydro fails.	95%+ availability required.	Maintained 95.1% availability in Q3.	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	AM Lodha	Arrears & Loans	Financials	Can we assume entire overdue interest and principal has been repaid from Maamba?	Management confirmed all overdue interest as of March 2024 is repaid; the principal shareholder loan is down to $38M from $64M last quarter. This confirms the repatriation channel is robust and the "Zambia risk" is nearly liquidated into parent-level cash.	None	5.0	Clear and quantified
2	5.0	AM Lodha	Arrears	Financials	When can we expect the remaining $160.56M arbitration award to be received?	Management revealed they received $43M in the last quarter (far exceeding the previous $5M/mo guidance) and Zesco plans to clear the remaining balance by the end of the year. This significantly accelerates the cash-conversion cycle for Nava's balance sheet.	None	4.0	Directional with evidence
3	3.5	Govind Gilada	Forex Impact	Financials	Will the 4% USD appreciation benefit the bottom line?	Management clarified that while the subsidiary books are USD-denominated,	None	3.0	Vague but consistent

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						the INR reporting will show a translation benefit in consolidated profits. This provides a natural hedge for Nava as a USD-earner against INR depreciation.			
4	4.0	Gargi Singh	Avocado Project	Business Overview	Why is there a delay in plantation (130k vs 192k target)?	Management explained there is no delay; plantation follows the rainy season (Dec-Mar) and the remaining 60k trees will be planted by March to hit the Phase 1 target. This aligns execution with agricultural cycles rather than a project slippage.	None	4.0	Directional with evidence
5	4.5	Gargi Singh	Agri Economics	Financials	What are the expected returns/PAT from the $45M investment?	Management appeared to hedge, stating it is "premature" to calculate revenue per tree, though the total project encompasses 400,000 trees maturing in 4-5 years. The lack of unit economics	Realization per ton/ PAT	2.0	Deflected

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						remains a key transparency gap for the new agri-vertical.			
6	4.0	Shree Gopal	Solar Project	Capex and Allocation	What is the status of the 100MW solar plant and the PPA tariff?	Management stated it is in a "premature stage" with techno-feasibility studies ongoing and negotiations with Zesco just beginning. This adds to the long-term growth pipeline but is not an immediate contributor to the PBT.	Tariff specifics	2.0	Hedged
7	4.5	AM Lodha	Phase II Funding	Capex and Allocation	Is financial closure over for the 300MW project?	Management confirmed the $300M debt is sanctioned/ drawn and the $100M equity will be infused in phases throughout the current calendar year. This removes the primary execution hurdle for the company's largest growth driver.	None	5.0	Clear and quantified
8	3.0	AM Lodha	Real Estate	Strategy	What is the status of the Nacharam land monetization?	Management is holding the land to benefit from real estate	None	3.0	Vague but consistent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						appreciation in Hyderabad, only entertaining development if a "very good offer" arises. This confirms the land remains a non-core, hidden asset with no near-term cash inflow expected.			
9	4.0	Viraj Mahadevia	Shareholder Returns	Capex and Allocation	Will we see special dividends or buybacks now that the company is debt-free?	Management indicated they are "evaluating certain actions" and will intimate the group soon as Singapore repatriations increase. This signals a high probability of a payout hike in FY25/26 once growth capex is ring-fenced.	Specific timeline	2.0	Deflected
10	4.0	Vignesh Iyer	Phase II Debt	Financials	What is the cost of debt and the tariff for the new 300MW plant?	Cost of debt is 9% in USD, and the PPA tariff is fixed at $0.095/unit (vs $0.105 for Phase I). This implies a lower but still very healthy margin for the expansion project.	None	5.0	Specific and quantified
11	4.5		Ferro Alloys				None	4.0	

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		Gargi Singh		Business Overview	How is the profitability of the alloys business trending after the loss?	Management highlighted a 10-15% price increase in export markets (Q4) and noted they are covered with low-cost raw materials until Sep/Nov. This indicates a likely segment turnaround to profitability in the upcoming quarters.			Directional with evidence
12	4.0	AM Lodha	India Power	Management Outlook	Will domestic power rates spike in summer to benefit NBEIL?	Management noted that while they have tied up most capacity until Sep/Oct, they kept a "minimal quantity" for the merchant exchange to catch summer spikes. Tariffs are currently lower than last year (election year high base).	None	3.0	Vague but consistent
13	4.0	Gargi Singh	Mining/ Minerals	Strategy	What is the status of lithium and magnetite discovery?	Both are in early-stage exploration (drilling/ surveys) with a $2M annual budget; a concrete plan is 12 months away. This maintains optionality in future-facing minerals	None	3.0	Vague but consistent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						without heavy upfront risk.			
14	3.5	Viraj Mahadevia	Growth Initiatives	Strategy	Is there anything besides Power, Agri, Solar, and Minerals?	Management added Sugar (adjacent to avocado) and Manganese exploration in Ivory Coast to the list. The growth strategy is now highly diversified, moving Nava far beyond its "pure-play power" identity.	None	4.0	Directional with evidence

PATTERN FLAGS & SENTIMENT * **The "Repatriation" Fear is Dead:** Analyst questions have shifted from "Can you get cash out of Zambia?" to "How fast is it coming?" and "How will you spend it?" The $43M arrear collection was a major positive surprise, resolving the primary bear case regarding Zesco's liquidity. * **Capital Allocation Anxiety:** There is a visible tension between management's desire to build a "diversified global organization" (Sugar, Avocado, Solar, Mining) and the market's preference for special dividends. Management's deflection on buybacks suggests they prioritize the $200M growth equity pipeline. * **Ferro Alloys Stabilization:** After quarters of being a drag, the narrative here has turned to "cost-covering" and "fixed-price RM security," which was well-received.

Analyst Sentiment Verdict: Analysts are highly constructive on the Zambian cash flow acceleration but remain skeptical about the non-core agri/sugar ventures' IRR. The credibility of the management is at a multi-year high due to the repayment of project debt and the start of Phase II. The primary friction point is now the "complexity discount" being applied to the diversified business model.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening / Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Arrear Run-rate | Targeted $5M - $25M monthly. | Collected $43M in one quarter. | Significant positive acceleration. | Upside to FCF. | | Avocado Timing | 192k plants by Nov '24. | 130k planted as of Feb '25. | Delayed by one season due to rainfall. | Minor delay in first fruit. | | Shareholder Loan | Repayment timeline unclear. | Down to $38M; $71M paid in Q3. | Repayment is much faster than anticipated. | Parent cash balance beat. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY25)	This Quarter (Q3 FY25)	Direction
Arrear Inflow Rate	$5M/month run-rate.	$43M lump-sum received.	↑
Zambia Loan Balance	$64M outstanding.	$38M outstanding ($71M paid back).	↑
Phase II Funding	Planning/Sanction stage.	$67.6M debt already drawn.	↑
Growth Pipeline	Power + Agri.	Added Sugar and 100MW Solar.	↑
Ferro Alloys Drag	□28.4 Cr EBITDA Loss.	□6.8 Cr EBITDA Loss (narrowed).	↑
RM Inventory	Buying spot manganese ore.	100% covered at low prices until Sep/Nov.	↑
Zambia Availability	84.5% (due to maintenance).	95.1% (returned to peak efficiency).	↑
Management Focus	Arrear recovery focus.	Aggressive reinvestment/diversification focus.	→

Investor Note: CFO/PAT ratio for the quarter is estimated to be significantly >1.0 due to the $43M working capital inflow from arrears and $71M loan repayment. The thesis has moved into its most lucrative phase: the harvesting of Phase I cash to fund a larger Phase II and a diversified agri-base. The stock remains a proxy for Zambian sovereign liquidity and global alloy cycles, but the "Zambian risk" is now structurally lower.