Nava Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Operations | Inline on Execution | High Earnings Quality **One-line:** The thesis is solidified as Zambia operations returned to full capacity (96.6% PLF) following Q2 maintenance, and the "cash repatriation" engine proved its durability through a $50M buyback at the Singapore subsidiary level.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat	Consolidated PAT rose 83.5% QoQ; MEL (Zambia) PAT tripled from $12.9M to $32.6M.	□
Earnings Quality	High	Driven by operational recovery and $11.5M reduction in MEL receivables; FX gains contributed to other income.	□
Guidance Confidence	Strong	Arrear collection target ($30.5M remaining) and Phase II commissioning (H2 FY27) reiterated.	□
Management Credibility	Strong	Completed $50M buyback at Nava Global; successfully transitioned Odisha capacity to contracted PPA.	□
Business Quality Signal	Improving	Pivot from volatile merchant power to contracted revenue (Odisha PPA) and diversification (Agri/Solar).	□
Key Q&A Exchange	Q#10 - PPA Pricing	Mgmt confirmed Odisha PPA at □5.2/unit, notably lower than the □5.95 cited in Q2.	□
The Street's Primary Anxiety	Capital Allocation	Concern over $490M Zambia expansion vs payouts; addressed via buyback and steady arrear collection.	□
Capital Cycle Stage	Investment	Heavy capex phase: $200M already spent on Zambia Phase II and Solar projects.	□
Margin Trajectory	Improving	Consolidated EBITDA margin normalized to 32.7% (from 31% in Q2) as high-margin Zambia plant returned.	□
Pricing Power	Stable (Zambia)	Contracted PPAs in Zambia protect against domestic Indian merchant price declines (-12% YoY).	□
FCF Conversion & Quality	Strong	MEL receivables fell to $85.5M; ZESCO arrear balance reduced to $30.5M.	□
Competitive Moat Signals	Widening	Consolidating position as a diversified energy/agri player with low-cost thermal baseload in Zambia.	□
Balance Sheet Strength	Strong	Parent remains liquid; Zambia expansion funded via 70:30 debt-equity at project level.	□
Working Capital Efficiency	Improving	DSO improving as ZESCO continues to liquidate long-standing arrears.	□
Mgmt Guidance Track Record	Reliable	Meeting construction milestones for Phase II (H2 FY27) and Solar (H1 FY27).	□
Key Vulnerability	PPA Rate Walk-back	The Odisha PPA rate of □5.2 is a ~13% discount to the "□5.95" implied in the prior quarter.	□
Management Tone	Confident	Bullish on operational stability and successful repatriation of Zambian cash.	□

Key Takeaways: * **Positives:** The Zambian "cash machine" is fully operational again after Q2 maintenance, with MEL delivering a 96.6% PLF and $32.6M PAT. Arrear collection from ZESCO is in its final stages ($30.5M left), significantly de-risking the balance sheet. The $50M buyback at the subsidiary level demonstrates that the cash repatriation mechanism is functioning at scale. * **Negatives:** There is a visible walk-back in the Odisha PPA realization, now confirmed at ₹5.2/unit vs the ₹5.95 discussed last quarter. Domestic merchant power prices are under pressure (down 12% YoY), making the shift to long-term contracts necessary but lower-yielding than previously hoped. * **Forward Watchpoint:** Monitoring the commissioning of the 100MW Solar project in H1 FY27 and the first meaningful revenue from the Avocado project in FY28 to judge diversification success.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: PPT figures primary. CFO-to-PAT derived from MEL receivable delta.*

Metric	Current Qtr (Q3FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol) (₹Cr)	1,627.4	↑ 28.0%	↑ 28.0%	↑	Driven by 97% availability at MEL and 82% jump in SiMn sales volumes.
EBITDA (Consol) (₹Cr)	532.9	↑ 22.2%	↑ 22.2%	↑	Recovery in Zambia PLF post-maintenance was the primary driver.
EBITDA Margin %	32.7%	↓ 160 bps	↑ 170 bps	↑	YoY dip due to lower merchant power prices in India; QoQ rise on Zambia recovery.
PAT (Consol) (₹Cr)	434.0	↑ 33.1%	↑ 33.1%	↑	Strong operational beat at MEL and FX gains in other income.
Net Cash (Parent) (₹Cr)	1,365.4	↑ 21.0%	↑ 21.0%	↑	Supported by dividends and buyback flows from Nava Global.
MEL PLF (Zambia) (%)	96.6%	↑ 240 bps	↑ 1,620 bps	↑	Plant returned to steady-state operations after Q2 maintenance.
India PLF (%)	54.0%	↓ 1470 bps	↓ 1180 bps	↓	Impacted by 50MW maintenance shutdown at Telangana and lower demand.
SiMn Sales (Tons)	31,648	↑ 82.3%	↓ 1.4%	→	Strong domestic demand offset by cessation of Ferro Silicon production.
MEL Receivables ($M)	$85.5M	↓ 60.2%	↓ 11.8%	↑	Continuous liquidation of arrears by ZESCO; now at record lows.
CFO-to-PAT (Consol)	~1.2x	↑	↑	↑	High quality; PAT supported by $11.5M (₹95 Cr) receivable release.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (PBT)	Trend	vs Co. Avg	Key Development
Energy (India)	144.0	↑ 17.1%	18.1%	↓	Below	Transitioned 60MW Odisha unit to IPP; PPA rate at □5.2/unit.
Ferro Alloys	532.9	↑ 22.2%	6.1%	↑	Below	All 6 furnaces shifted to Si Mn; realization up 8% QoQ.
MEL Zambia ($M)	$72.4M	↑ 11.4%	45.0%	↑	Above	Returned to 97% availability; EBITDA $46.5M.
Coal Mining ($M)	$3.5M	↑ 6.1%	N/A	→	N/A	Outside coal sales at 342k tons; steady third-party demand.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Arrears	Collect remaining $30.5M.	$15M / Quarter	**Delivered:** Receivables down from $215M (YoY).	Low
Guidance	Phase II	300MW COD by H2 FY2027.	$10M/month spend	**On Track:** $190M spent of $400M budget.	Medium
Guidance	Solar	100MW COD by H1 FY2027.	$15M/month spend	**On Track:** $10M spent of $90M budget.	Low
Strategy	Agri	Scale Avocado to 4 divisions.	8-year full cycle	**Early Success:** 140MT pilot crop achieved.	Medium
Strategy	Sugar	Commission plant by April 2028.	$100M total capex	**New:** Project at early execution stage ($8M spent).	Low
Strategy	Allocation	Repatriate cash via dividends/buybacks.	30% of MEL PAT	**Delivered:** $50M buyback completed 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	3.5	Kaushik Doshi / ISEC	Financials	Financials	Verifying sustainability of Other Income jump.	Mgmt attributed the spike to FX fluctuations but noted that the sustainable run-rate is ~□40 Cr per quarter. This clarifies that Q3 earnings had a ~□30 Cr one-off boost from currency tailwinds.	None	4.0	Directiona clarity
2	4.0	Kaushik Doshi / ISEC	Margins	Financials	Drivers of EBITDA expansion.	Mgmt confirmed the margin expansion was almost entirely driven by the normalization of MEL PLF to 97% after the maintenance shutdown. This confirms core operations have returned to peak profitability levels.	None	5.0	Specific and verified
3	3.0	Vaishnavi / Craving Alpha	Zambia Macro	Management Commentary	Government strategy to diversify from Hydro.	Mgmt noted Zambia is actively signing thermal and solar PPAs to mitigate hydro risk, with Nava being a lead partner in both. This validates the long-term	Other thermal players	4.0	Directiona

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						strategic alignment between Nava and the Zambian sovereign.			
4	4.5	Vaishnavi / Craving Alpha	Repatriation	Capex and Allocation	Plan for $50M buyback cash and dividends.	Mgmt stated the primary objective is funding future expansion (Agri/Sugar) and continuing corporate actions to boost shareholder confidence. This signals that while dividends will continue, high reinvestment into $200M+ projects is the priority.	None	4.0	Strategy confirmed
5	3.0	Shree Gopal / Kankani	Agri Timeline	Business Overview	Expected completion for the Sugar complex.	Mgmt targeted mid-2028 (April 2028) for the sugar processing unit completion. This sets a clear long-term horizon for the next major leg of diversification revenue.	None	5.0	Specific timeline
6	4.5	Jatin Damania / SVAN	PPA Strategy	Business Overview	PPA rate for the 60MW Odisha IPP.	Mgmt confirmed a 5-year bilateral contract with Tamil Nadu at □5.2 per	Reasons for rate delta vs Q2	3.0	Specific but lower

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						unit. This is significantly lower than the □5.95 previously discussed, indicating a realistic yield adjustment in a cooling power market.			
7	3.5	Jatin Damania / SVAN	Ferro Alloys	Business Overview	Segment underperformance despite price hikes.	Mgmt noted an 8% price improvement QoQ but emphasized Ferro Alloys as a scale-driven top-line vertical rather than a high-margin one. This confirms Ferro Alloys will remain a secondary EBIT contributor compared to Power.	Margin floor guidance	2.0	Hedged
8	4.0	Jainam / ISEC	Receivables	Financials	Outstanding ZESCO arrears.	Mgmt clarified that the specific arrear amount is now down to $30.5M. This highlights the rapid liquidation of the sovereign debt overhang, a massive positive for the thesis.	Total receivables vs Arrears	3.0	Verifiable
9	3.5	Sailesh Raja / B&K	Payback	Capex and Allocation	Payback period for the $90M solar project.	Mgmt expects a 10 to 12-year	None	5.0	Specific

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						payback for the solar investment. This suggests a modest 8-10% IRR, confirming solar as a defensive/ stability play rather than a high-growth one.			
10	4.0	Stuti Agarwal / CIL	Staff Costs	Financials	Increase in 9M employee costs (□191 Cr to □268 Cr).	Mgmt attributed the rise to commission payments and RSU valuations finalized during the quarter. This implies the spike is partially one-off and accounting-driven rather than a structural cost-base reset.	Exact RSU non-cash split	3.0	Vague on split
11	3.0	Nidhi Shah / ISEC	Domestic Tie-up	Business Overview	Summer power readiness for India.	Mgmt stated that Q4 is "more or less fully committed" and they are currently tying up Q1 FY27 quantities. This ensures high capacity utilization during the high-demand summer months.	None	4.0	Directiona

PATTERN FLAGS & SENTIMENT Analyst interest has pivoted from "Zambia Arrears" to "Capital Deployment." With arrears down to just $30.5M, the anxiety around the sovereign "cash trap" has largely evaporated. The new friction point is the IRR of the massive $490M Zambia Phase 2 and Solar expansion, alongside the $155M Agri/Sugar bets. Analysts pressed for specific revenue/payback numbers for these long-gestation projects.

Analyst Sentiment Verdict: Overwhelmingly positive on operations but cautiously curious on the next growth leg. Management's credibility is high following the $50M buyback, which served as a "proof of concept" for cash repatriation. The slight walk-back in the Odisha PPA rate (₹5.2 vs ₹5.95) was noted but overshadowed by the strong MEL recovery.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Odisha PPA Rate | Hinted at ₹5.95/unit. | Confirmed at ₹5.2/unit. | 12.6% downward variance. | Lower domestic margin floor. | | ZESCO Arrears | $55M remaining (Q2 end). | $30.5M remaining. | Faster-than-expected collection. | Positive; accelerates de-risking. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY26)	This Quarter (Q3 FY26)	Direction
Zambia PLF	80.4% (Maintenance hit)	96.6% (Normalized)	↑ Improving
Arrear Balance	$55.0M	$30.5M	↑ Improving
Consol. PAT	₹297.5 Cr	₹434.0 Cr	↑ Improving
Odisha Strategy	Merchant risk / CPP	5-year PPA at ₹5.2/unit	↑ De-risked
Capital Allocation	Maiden Dividends	$50M Subsidiary Buyback	↑ Improving
Ferro Alloys	Breakeven/Negative	6.1% PBT Margin	↑ Improving
MEL Receivables	$97.0M	$85.5M	↑ Improving

Investor Notes: * **Repatriation Proof:** The $50M buyback is the strongest evidence to date that the Singapore-to-India cash bridge is fully functional. * **Operating Leverage:** The tripling of MEL PAT on a 16% PLF increase highlights the high operating leverage in the Zambian thermal business. * **Valuation Floor:** The Odisha PPA at ₹5.2, while lower than merchant peaks, provides a stable ₹144 Cr+ quarterly revenue floor for the domestic energy business. * **Watchpoint:** Phase II capex spend is accelerating ($190M spent); monitor for any debt-service-coverage-ratio (DSCR) friction as the borrowing increases toward $280M.

STOP HERE.