Nava Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Arrear Collection | Beat on Debt Repayment | Inline on Operations **One-line:** The "Zambian Liquidity Risk" is effectively liquidated; the thesis has successfully transitioned from a distressed recovery play to a capital allocation story, with the parent now debt-free and reinvesting a massive $100M+ annual FCF into a $525M+ diversified growth pipeline.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Strong Beat (Cash)	Arrears down to $105M (vs $160M in Q3); Shareholder loan repaid to $0 (vs $38M).	□
Earnings Quality	High	Driven by massive working capital unlock (receivables down $81M YoY) and core operational efficiency.	□
Guidance Confidence	Strong	Phase II (300MW) and Solar (100MW) timelines firm; Sugar/Agri projects progressing on the ground.	□
Management Credibility	Strong	Delivered on the promise to clear parent-level debt and accelerate repatriation from Zambia.	□
Business Quality Signal	Improving	Transitioned from a "single-asset" risk to a diversified Energy/Agro-industrial conglomerate.	□
Key Q&A Exchange	Tax & ECL	Mgmt confirmed 100% tax holiday through FY26, removing the "tax cliff" anxiety for another year.	□
The Street's Primary Anxiety	Reinvestment IRR	Concern over "Agro-diversification" into Sugar/Avocados; Mgmt defended it as a high-margin, USD-hedge strategy.	□
Capital Cycle Stage	Reinvestment	Parent is flush with cash; shift from debt reduction to aggressive Phase II/Agro capex.	□
Margin Trajectory	Stable	Zambia Energy EBITDA at $155M (63% margin); India Energy stabilizing via bilateral contracts.	□
Pricing Power	Expanding	Phase II PPA floor at $0.095/unit; India merchant rates catch seasonal spikes.	□
FCF Conversion & Quality	Strong	CFO-to-PAT ratio >1.0 due to $81M receivable reduction and shareholder loan repatriation.	□
Competitive Moat Signals	Widening	Sole baseload thermal provider in drought-hit, hydro-dependent Zambia; captive RM security in India.	□
Balance Sheet Strength	Strong	Parent is effectively debt-free; MEL Phase II debt ($94.8M) is non-recourse.	□
Working Capital Efficiency	Improving	Gross receivables down to $202M (□1,700 Cr) from $283M (□2,380 Cr) YoY.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on arrear recovery, debt repayment, and Phase II NTP.	□
Key Vulnerability	Non-core Execution	Risks associated with managing a massive $125M Sugar project and Avocado yields.	□
Management Tone	Highly Confident	Bullish on "Highest ever" profits and the transition to a debt-free, growth-oriented structure.	□

Key Takeaways (Positives & Negatives):

Positives: * **Repatriation Complete:** The "Zambian Overhang" is dead. Maamba Energy (MEL) has repaid the sponsor shareholder loan in full (final $55M received post-quarter). Nava Standalone is now a net-cash entity. * **Arrears Accelerated:** Zesco arrears dropped to $105M. Management expects to clear the remaining balance by FY25-end, providing a massive non-operational cash kicker. * **Tax Holiday Extension:** Clarification that the 100% tax holiday in Zambia lasts until end-FY26 (vs expectations of Dec '24 expiry) provides an additional ~□100 Cr+ annual PAT cushion. * **India Energy Turnaround:** Odisha 60MW unit converted to IPP, allowing higher PLFs and merchant participation. Standalone Energy PBT rose 115% YoY to □389.3 Cr.

Negatives: * **Complexity Discount:** Nava is no longer a pure-play utility. Simultaneously executing Phase II ($400M), Solar ($90M), Sugar ($125M), and Avocado projects creates a "conglomerate discount" risk. * **Metals Volatility:** While the segment turned PBT positive (□26.9 Cr vs -□70.7 Cr loss), it remains a low-margin commodity play compared to the Energy cash cow. * **Agri Opacity:** Management still lacks granular "unit economics" (revenue per tree/ton) for the Avocado and Sugar verticals, labeling them "premature."

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Consolidated (□Cr)	3,983.5 (Net)	↑ 4.3%	Not in PPT	↑	Driven by Energy (India) and Ferro Alloys volume recovery.
EBITDA (Standalone) (□Cr)	127.2	↑ 23.7%	↑ 63.5%	↑	Strong merchant power realizations and Alloy volume growth.
EBITDA Margin % (Stand.)	24.1%	↓ 50 bps	↓ 220 bps	→	Stable despite input cost fluctuations in Metals.
PAT Consolidated (□ Cr)	302.8	↑ 18.7% (vs Q4FY24)	↓ 14.3%	↑	Full year PAT (1,434 Cr) is "highest ever."
Net Cash / (Net Debt) (□Cr)	Net Cash	↑	↑	↑	Parent debt-free; MEL loan repaid in full post-quarter.
Zambia Energy Rev ($ Mn)	245.0 (FY25)	↓ 5.7%	↓ 15.7%	↓	YoY dip due to planned shutdowns in both units in Q4.
Zambia Energy EBITDA ($ Mn)	155.0 (FY25)	↓ 10.2%	↓ 29.6%	↓	Shutdown impact; EBITDA margins remain healthy at 63.2%.
Machine Availability (ZAM)	80.4%	↓ 320 bps	↓ 1,380 bps	↓	Planned maintenance shutdown for both units in Q4.
PLF (%) - India	69.1%	↑ 1,440 bps	↑ 1,590 bps	↑	Summer demand & bilateral contracts drove higher utilization.
SiMn Sales (Tons)	37,645	↑ 18.7%	↑ 116.9%	↑	Volume doubled QoQ due to strong export demand.
External Coal Sales (000 MT)	104 (approx)	↑ 5.2%	↓ 5.6%	→	Impacted by energy outages for industrial consumers in Zambia.
CFO / PAT Ratio	>1.2	↑	↑	↑	High quality; driven by $81M receivable reduction in Zambia.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	PBT Margin	Trend	vs Co. Avg	Key Development
Energy - Zambia	2,139.3*	↓ 1.1%	~44.5%	→	Above Avg	Shutdowns in Q4; $55M repayment received post-quarter.
Energy - India	1,513.6*	↑ 14.2%	~25.7%	↑	In Line	Odisha unit conversion to IPP; Summer demand spike.
Metals	928.8	↑ 6.4%	2.9%	↑	Below Avg	Segment turned PBT positive (□26.9 Cr vs □70.7 Cr loss).
Mining	455.9	↑ 1.8%	35.6%	↑	Above Avg	Coal sales steady; targeted for Phase II captive use.
**Segment revenue before inter-segment eliminations.*						

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; major P&M orders placed.	Delivered NTP; $94.8M debt drawn.	Low
Guidance	Solar Project	100MW Maamba Solar; COD July 2026.	Needs EPC finalization in Q1FY26.	New: PPA negotiated at 7.8 cents.	Medium
Guidance	Arrears ($105M)	Target clearing remaining balance by end of FY26.	Needs ~$10M/month collection.	Beat: Collected $55M post-Q4.	Low
Strategy	Sugar Project	$125M project; COD March 2028.	Integrated model execution starting now.	New vertical; site work in progress.	High
Strategy	Avocado	400k trees; first commercial crop end-2025.	Reached "commercial fruit" stage in 50 acres.	On track for small quantity revenue.	Medium
Macro	Zambia Drought	Thermal remains "indispensable" baseload.	90%+ availability target post-shutdown.	Maintained relevance during crisis.	Low
Balance	Debt Target	Peak Debt of $250M-$300M (Consol).	Supported by $100M+ annual operational FCF.	Parent is now net-cash.	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	Tax & Receivables	Financials	Will Zambia tax exemption end in Dec '24 and what is the status of arrears?	Management confirmed the 100% tax holiday continues until end-FY26, and $105M arrears remain with an ECL provision of $16.8M. This provides a multi-quarter earnings safety net and clarifies that the tax "cliff" is postponed.	None	5.0	Clear and quantified
2	4.5	Nidhi Shah	Solar & NBEIL	Capex and Allocation	What is the cost of the solar plant and tie-ups for the 150MW India unit?	Solar project cost is $90M ($63M debt / $27M equity), and the 150MW NBEIL unit has short-term bilateral commitments until September. This confirms the funding structure for Solar and visibility for India's merchant-exposed capacity.	None	4.0	Specific timeline given
3	5.0	Viraj Mahadevia	Phase II Tariffs	Financials	How do Phase II thermal and Solar tariffs compare to Phase I?	Solar is at 7.8 cents (escalating) and Phase II thermal starts at 9.5 cents (escalating), compared to Phase I's ~10.5 cents. Lower tariffs	None	5.0	Specific and quantified

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						for Phase II are offset by lower financing costs and depreciated common infrastructure, maintaining healthy IRRs.			
4	4.0	Viraj Mahadevia	Repatriation	Financials	What is the net debt after the $55M inflow?	Management stated that post-$55M repayment, the parent is effectively debt-free, and the only consol debt is the non-recourse Phase II project debt. This signals a rock-solid balance sheet ready for aggressive reinvestment.	None	5.0	Clear and quantified
5	3.5	Vijay P	Ivory Coast	Strategy	What is the status of the Ivory Coast Manganese and Zambia critical minerals?	Nickel/Iron ore exploration was halted due to poor commercial viability, while Lithium exploration (11k hectares) and Ivory Coast (Manganese) geophysical studies are ongoing. This indicates a disciplined approach—exiting non-viable mines early to	None	3.0	Vague but consistent

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						preserve capital.			
6	4.0	Vijay P	Ferro Alloys	Business Overview	Do you have expansion plans for Ferro Alloys in India?	Management will not expand Alloys in India without captive raw material security (Manganese mines) due to oversupply and high cost of production. This confirms a "margin over volume" strategy in the volatile metals segment.	None	4.0	Directional with evidence
7	4.5	Radha	Earnings Growth	Management Outlook	Where will earnings growth come from before Phase II starts in FY27?	Growth will come from Odisha unit IPP conversion (higher PLF), Ferro Silicon diversification (Japan/US exports), and reduced fuel costs via coal procurement diversification. This offsets the "waiting period" for the mega-projects.	None	4.0	Directional with evidence
8	4.5	Shree Gopal	Profitability Dip	Financials	Why did Energy profit drop QoQ despite stable revenue?	The dip was due to planned shutdowns at the high-margin Maamba plant, which was replaced by lower-margin India	None	4.0	Follow-up forced clarity

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						generation in the revenue mix. This explains the margin compression as a mix-shift rather than a fundamental pricing erosion.			
9	4.0	Faisal Hawa	Solar Vision	Strategy	Is the government encouraging more solar and what is the 3-year vision?	The Zambian government is actively pushing Solar (attractive PPA signed), and the 3-year vision includes Phase II, Sugar, Solar, and Avocado revenues kicking in. The company is morphing from a utility to a diversified "Zambian Growth Proxy."	None	3.0	Vague but consistent
10	4.0	Anand	Coal Sales	Strategy	What is the target for external coal sales and can it support Phase II?	Targeted sales are 35k-40k tons/month; mine capacity is ample for Phase I, II, and potentially III. This reinforces the "integrated utility" moat where RM is a profit center, not a cost risk.	None	4.0	Specific and quantified
11	4.0	Radha	Peak Debt	Financials			None	5.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					What is the peak debt for the expansion projects?	Peak consol debt is expected at $250M-$300M, funded largely by internal accruals and non-recourse project debt. This confirms that the $500M+ expansion is being handled with minimal stress to the parent balance sheet.			Clear and quantified

PATTERN FLAGS & SENTIMENT * **The "Zambian Risk" is Liquidated:** Analysts have shifted from questioning "if" cash will come to "where" it will go. The $55M post-quarter repayment of the shareholder loan marks a structural turning point—the parent is now a net-cash vehicle for African reinvestment. * **Conglomerate Anxiety:** Multiple questions on Lithium, Sugar, and Avocados suggest the Street is wary of "di-worse-ification." Management's defense—disciplined exploration exits (Magnetite) and USD-denominated agricultural exports—appears to have calmed, but not fully convinced, the long-term investors. * **Operational Resilience:** The focus on Odisha's IPP conversion and Ferro Silicon exports shows management is actively optimizing "unloved" segments to bridge the earnings gap until 2026.

Analyst Sentiment Verdict: Analysts are highly constructive on the cash-flow acceleration but remain in a "show-me" mode regarding the IRR of the non-power verticals. Management's credibility has reached a new peak following the full repayment of sponsor loans.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY25)	This Quarter (Q4FY25)	Direction
Shareholder Loan	$38M Outstanding.	$0 (Fully Repaid post-quarter).	↑
Zesco Arrears	$160M Outstanding.	$105M Outstanding ($55M drop).	↑
Tax Holiday	Expected to end Dec '24.	Confirmed until end-FY26.	↑
Odisha Power	Captive Power Plant status.	Approved for IPP conversion (higher PLF).	↑
Phase II Debt	$67.6M drawn.	$94.8M drawn.	↑
Metals Segment	EBITDA Loss (narrowing).	Segment PBT Positive (□26.9 Cr full year).	↑
Exploration	Magnetite/Iron Ore active.	Halted/Exited due to non-viability.	↓
Solar Project	Pre-feasibility.	PPA negotiated at 7.8 cents; COD July '26.	↑

Investor Notes: * **Earnings Quality:** CFO-to-PAT remains exceptionally high. The reduction in Zambian receivables by $81M YoY has flooded the parent with liquidity. * **Forensic Trigger:** The ₹47.52 Cr ECL write-back is a one-off non-cash gain; however, it reflects a genuine improvement in the aging profile of Zambian receivables. * **Thesis Signal:** The "Repatriation" leg of the thesis is 100% complete. The new thesis is: "Can Nava replicate its thermal success in Solar, Sugar, and Agri?" The stock is no longer a recovery play but a growth compounder.