Nava Ltd — May 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Cash Flow | Miss on Reported Consol PAT | Inline on Operations **One-line:** The thesis of Nava as a "Zambian Cash Machine" is fully validated by the near-total liquidation of sovereign arrears ($202M down to $1.3M), though the quarter's consolidated bottom line was masked by a non-cash accounting hit from currency appreciation.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat (Cash)	ZESCO arrears reduced to $1.3M; exceeded expectations for repatriation.	□
Earnings Quality	Low (Accounting distortion)	Consol PAT hit by □270 Cr+ non-cash deferred tax; Standalone PAT inflated by internal dividends.	□
Guidance Confidence	Strong	Reiteration of H2 FY27 for 300MW Zambia expansion and July 2026 for Solar.	□
Management Credibility	High	Delivered highest dividend in history (□8.50); successfully moved Odisha units to contracted PPA.	□
Business Quality Signal	Improving	Pivot to contracted power and reduced merchant exposure de-risks the India cash flow profile.	□
Key Q&A Exchange	Q#2 - Arrear Recovery	Arrears nearly zeroed ($1.3M left); $15.5M recovered in FY26.	□
The Street's Primary Anxiety	Zambia FX Impact	Concern over "technical" PAT hit; Mgmt clarified it's non-cash and reversible.	□
Capital Cycle Stage	Investment	Committing $130M in remaining group equity for 300MW expansion and Agri/Sugar projects.	□
Margin Trajectory	Improving (India)	Singareni coal price reduction (Sept '25) sustainably lowered India power opex.	□
Pricing Power	Eroding (Alloys)	Dumping from exporters into domestic Indian market is pressuring Ferro Alloy margins.	□
FCF Conversion & Quality	Exceptional	CFO significantly outpaced PAT due to massive $124M+ receivable collection in Zambia.	□
Competitive Moat Signals	Stable	"Mine-to-mouth" Zambian asset remains a regional low-cost leader.	□
Balance Sheet Strength	Strong	Parent is net cash with □1,347 Cr in liquid assets.	□
Working Capital Efficiency	Improving	DSO in Zambia has structurally shifted from years to months.	□
Mgmt Guidance Track Record	Reliable	Meeting operational milestones for Phase II and Agri-harvest pilots.	□
Key Vulnerability	Long-dated Agri ROI	Avocado/Sugar complex will not see peak revenue ($22M for Avocado) until 2032.	□
Management Tone	Confident	Bullish on "technical" nature of tax hits and sovereign payment stability.	□

Key Takeaways: * **Positives:** The Zambian sovereign debt overhang has essentially been eliminated, with arrears falling from $202M to $1.3M in 12 months. This is a massive "proof of concept" for the investment thesis. India operations are benefiting from a structural reduction in fuel costs (Singareni price cut) and the successful transition of 60MW of Odisha capacity to a stable 5-year PPA (at ₹5.2-5.5/unit), reducing merchant volatility. * **Negatives:** Consolidated PAT was severely impacted by a $30M+ non-cash deferred tax liability triggered by the 32% appreciation of the Zambian Kwacha. While management correctly identifies this as a "technical" hit, it creates volatility in reported numbers. The Ferro Alloy segment remains under pressure due to global trade barriers (EU duties) causing Indian exporters to dump supply domestically. * **The Street's Concern:** Analysts pressed on the sustainability of the employee cost spike and the actual IRR of the long-dated Agri projects. Management's response suggests Agri is a 10-year+ play, meaning the stock will remain tied to Zambia Power and India Alloy cycles for the foreseeable future. * **Forward Watchpoint:** Monitoring the 100MW Solar commissioning in July 2026 and the 300MW Thermal Phase 2 in early 2027—these are the next material EBITDA catalysts.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol) (₹Cr)	602.8	↑ 24.8%	↓ 14.2%	↓	YoY growth driven by higher volume in SiMn; QoQ dip due to planned MEL maintenance.
Revenue (Standalone) (₹Cr)	403.9	N/A (New)	↑ 34.6%	↑	Boosted by healthy upstream dividend flows from overseas subsidiaries.
EBITDA (Consol) (₹Cr)	186.6	↑ 7.2%	↓ 41.1%	↓	QoQ compression due to planned maintenance at Zambia unit (PLF down to 86%).
EBITDA Margin %	31.0%	↓ 500 bps	↓ 140 bps	↓	Maintenance costs and lower PLF in Zambia weighed on margins this quarter.
PAT (Consol) (₹Cr)	138.4	↑ 31.5%	↓ 68.1%	↓	Hit by non-cash deferred tax provision ($30M+) related to Kwacha appreciation.
Standalone PAT (₹Cr)	910.9	↑ 116.0%	↑ 115.1%	↑	Low-quality spike: Driven by dividend/buyback receipts, not core standalone ops.
Net Cash (Parent) (₹Cr)	1,347.0	↑ 1.1%	→	→	Liquid mutual funds and debt products; reserved for Agri/300MW capex.
MEL PLF (Zambia) (%)	86.0%	↑ 560 bps	↓ 1060 bps	↓	Planned maintenance shutdown of one unit in Q4; FY26 PLF healthy at 89.6%.
India PLF (Operating) (%)	79.9%	↑ 1470 bps	↑ 2590 bps	↑	Telangana (74.6%) and Odisha (77.2%) performed strongly for the full year.
SiMn Sales (Tons)	40,863	↑ 8.5%	↑ 29.1%	↑	Volume expansion driven by shift from Ferro Silicon to Silico Manganese.
MEL Receivables ($M)	$77.4	↓ 61.7%	↓ 9.5%	↑	Rapid collection of arrears ($202M in FY25 to $77.4M in FY26).
CFO-to-PAT (Consol)	~1.6x	↑	↑	↑	High Quality: CFO far exceeds PAT as ZESCO arrears are liquidated.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (PBT)	Trend	vs Co. Avg	Key Development
Energy (India)	144.0	↑ 15%	18.2%	↑	Below	Odisha 60MW unit converted to IPP; realizations stable at ₹5.50.
Ferro Alloys	224.2	↑ 42% (Vol)	6.5%	↓	Below	Realization pressure due to export dumping in domestic market.
MEL Zambia ($M)	$60.8M	↑ 10.9%	3.5% (PAT)	↓	Below	PAT hit by deferred tax; EBITDA remained healthy at $28.6M.
Mining ($M)	$5.5M	↑ 6.0%	N/A	→	N/A	Stable outside coal sales; captive mine supports MEL thermal.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Arrears	Collect remaining $1.3M arrears in FY27.	High Feasibility	**Delivered:** Collected $124M+ in FY26.	Low
Guidance	Phase II	300MW Zambia COD in early Jan 2027.	$15M/month equity spend	**On Track:** Equity contribution ongoing.	Medium
Guidance	Solar	100MW Zambia COD by July 2026.	Commissioning phase	**On Track:** Construction nearing completion.	Low
Strategy	Agri	1,000 tons Avocado harvest in FY27.	7x jump from FY26	**Early Success:** 150-ton pilot crop sold.	Medium
Strategy	Agri	Peak Revenue $22M from Avocado.	Post-2032 target	Long-gestation project.	High
Strategy	Allocation	Repatriate cash for domestic Agri.	₹130M group equity comm.	**Delivered:** Standalone cash at ₹1.3k Cr.	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	Adthiya Sriman / PCS	Expansion	Capex and Allocation	Status of 100MW Solar and 300MW Thermal projects.	Mgmt confirmed Solar commissioning for July 2026 and Phase 2 Thermal for early January 2027. This provides a clear timeline for the next step-change in Zambia EBITDA; Re-rating trigger.	None	5.0	Specific timeline
2	4.5	Saket Kapoor / Kapoor & Co	Arrears	Financials	Understanding the □137 Cr ECL reversal for the year.	Mgmt explained this was the reversal of provisions on ZESCO arrears as $15.5M was recovered in cash during the year. This confirms the high quality of current earnings as legacy "bad debt" turns into cash; Balance sheet de-risking.	None	5.0	Quantified
3	4.0	Saket Kapoor / Kapoor & Co	Ferro Alloys	Business Overview	Environment for silico manganese and ferro silicon.	Mgmt noted dumping pressures in India due to EU duties but highlighted that 80-90% of their sales are tied to long-term/fixed contracts with Japanese and Indian mills. This protects the segment from the worst	None	4.0	Directional evidence

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						of spot-market volatility; Margin floor secured.			
4	3.5	Saket Kapoor / Kapoor & Co	Coal Pricing	Financials	Impact of Singareni Collieries price reduction.	Mgmt confirmed Singareni cut prices in Sept 2025 to match international rates, allowing year-round higher PLF for Telangana ops. This structurally lowers the cost of power in India; Positive for standalone margins.	Exact % price cut	3.0	Consistent
5	4.0	Viraj Mahadevia / MoneyGrow	Cash Use	Capex and Allocation	Planned use for the 1,347 Cr in liquid investments.	Mgmt stated the corpus is earmarked for equity contributions into Avocado, Sugar, and the 300MW Thermal projects. This clarifies that despite the cash hoard, further buybacks may be secondary to project funding.	None	4.0	Strategy confirmed
6	3.5	Viraj Mahadevia / MoneyGrow	Capex Debt	Capex and Allocation	Incremental debt needed for new projects.	Mgmt expects to take on ~$100M in Agri debt and ~$30M for Solar, while Phase 2 debt is already secured. This confirms a balanced	None	5.0	Specific numbers

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						70:30 debt-equity approach for the expansion phase.			
7	4.5	Abhinav / ISEC	Solar Economics	Financials	Tariff for the 100MW solar plant.	Mgmt confirmed the tariff is fixed at $0.078 per unit. This is a very attractive dollar-denominated tariff compared to global solar benchmarks, ensuring a solid IRR.	Project cost	CAPEX cost evaded	3.0
8	3.0	Jhalak Jain / CIL	Zambia Macro	Management Commentary	Political stability and receivables risk in Zambia.	Mgmt stated elections in August are not a concern and power demand remains high despite fuel price hikes. This reaffirms the stability of the Zambian cash flow engine despite macro headwinds.	None	3.0	Qualitatively bullish
9	4.0	Saket Kapoor / Kapoor & Co	Margins	Financials	Sustainability of EBITDA margins.	Mgmt guided for a 35-40% consolidated EBITDA margin range, noting maintenance impacts and tax holiday expirations. This sets a realistic floor for analyst models going into FY27.	Specific FY27 number	3.0	Hedged
10	3.5		Staff Costs	Financials				3.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Sai Shreyas / Sci. Inv			Sudden jump in employee costs YoY.	Mgmt attributed the rise to ESOPs, labor code changes, and normal increments, claiming it is now a sustainable base. This implies a structural step-up in fixed opex; Margin headwind.	Split between ESOP/ Cash		Vague on split
11	3.0	Sai Shreyas / Sci. Inv	Agri Revenue	Business Overview	Revenue potential from Avocado and Sugar.	Mgmt expects peak Avocado revenue of $22M, but not until post-2032. This highlights the long-term, non-linear nature of the agri-diversification thesis.	Sugar revenue	2.0	Long-dated
12	4.0	Viraj Mahadevia / MoneyGrow	FX Translation	Financials	Hit on consol P&L due to Kwacha appreciation.	Mgmt argued that Kwacha appreciation is "notional" for cash flows but affects tax accounting due to balance sheet conversion. They emphasized that PPAs remain in USD, providing a natural hedge for core revenue.	None	4.0	Technical clarity
13	4.0	Jhalak Jain / CIL	Mining	Business Overview	Progress on Manganese	Mgmt reported positive	Resolution timeline	2.0	Evasive/ Blocked

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					(Ivory Coast) and Lithium.	exploration in Ivory Coast but noted the Lithium project in Zambia is "on hold" due to a license contest. Lithium, a potential catalyst, is now a dead-leg for the near term; Overhang.			
14	3.5	Vedant Sarda / Nirmal Bang	Volumes	Business Overview	3-5 year volume growth for Ferro Alloys.	Mgmt noted they can hit 160k tons at full utilization but will pivot between alloys and exporting power based on grid economics. This suggests Alloy growth is capped by current furnace capacity; Yield-optimization play.	None	3.0	Directional
15	4.0	Viraj Mahadevia / MoneyGrow	Land Bank	Capex and Allocation	Monetization plans for Nacharam land.	Mgmt is engaging a third party to evaluate JV vs. Sale options, noting the value has appreciated significantly. A land sale would be a massive one-off cash catalyst; Monitoring point.	Current valuation	2.0	Hedges on value

PATTERN FLAGS & SENTIMENT Analyst focus has shifted from "Zambia Survival" (arrears) to "Diversification Efficiency." With the ZESCO arrears nearly cleared ($1.3M remaining), the anxiety has pivoted to whether the □1,347 Cr parent cash is being deployed at high IRRs in Avocado and Solar. Management appeared defensive only on two fronts: the contested Lithium license and the current market value of their land bank.

Analyst Sentiment Verdict: Convincingly positive on the operational turn in Zambia and the cash repatriation, but skeptical of the near-term contribution from Agri. Management's credibility is at a multi-year high following the $124M+ arrear recovery and the □8.50 dividend. The primary unresolved issue is the structural increase in employee costs (ESOPs) and the lack of clarity on the Lithium license resolution.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Q3) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Odisha Realization | Confirmed □5.2/unit | Estimated □5.50/unit | Marginal improvement. | Low; upside to domestic margins. | | Lithium Mining | Exploration underway | On hold / License contested | Significant delay/stagnation. | Asset may not monetize this cycle. | | Zambia Arrears | $30.5M remaining | $1.3M remaining | Faster than expected collection. | Positive; de-risks capital allocation. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY26)	This Quarter (Q4FY26)	Direction
ZESCO Arrears	$30.5M	$1.3M	↑ Improving
MEL PLF	96.6%	86.0% (Maint. hit)	↓ Deteriorating
India Power Realization	□5.2/unit	□5.50/unit (Est)	↑ Improving
Consol PAT	□434.0 Cr	□138.4 Cr	↓ Deteriorating
EBITDA Margin (Consol)	32.7%	31.0%	↓ Deteriorating
SiMn Sales Volume	31,648 tons	40,863 tons	↑ Improving
Mining Catalyst	Lithium exploring	Lithium on hold/contested	↓ Deteriorating
Dividend Payout	Finalizing	□8.50 (Record High)	↑ Improving

Investor Notes: * **Repatriation Reality:** The massive Standalone PAT (□911 Cr vs □138 Cr Consol) confirms that the "Bridge" from Zambia to India is now wide open. The parent is finally the primary beneficiary of subsidiary cash. * **The "Technical" PAT Hit:** Do not be misled by the Consol PAT drop; it was driven by a non-cash tax accounting adjustment. The underlying EBITDA of MEL ($28.6M) in a maintenance quarter remains robust. * **Agri Patience:** The Avocado harvest started (150MT), but this remains a 2030+ story. The stock remains a "Power & Alloy" play for the medium term. * **Watchpoint:** Look for the engagement of a third party for the Nacharam land sale/JV in FY27; this could unlock □500 Cr+ of non-core value.

STOP HERE.