Nava Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on PAT | Miss on Segmental EBITDA (Ferro Alloys) **One-line:** Nava continues its fundamental transformation into a cash-generating power utility and diversified agri-player, with the "Zambian overhang" nearly resolved as interest repatriation to India accelerates.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss (EBITDA)	Q2 EBITDA □555.7 Cr vs Q1 □626.0 Cr (Prior Context); dip due to planned shutdowns.	□
Earnings Quality	High	Driven by 100% invoice realization in Zambia and healthy merchant tariffs in India (□6.2/kWh).	□
Guidance Confidence	Strong	Zambia Phase II (300MW) construction commenced; COD target August 2026.	□
Management Credibility	Strong	Interest repayment of $68.7M from MEL to sponsors; delivered on dividend and stock split promises.	□
Business Quality Signal	Improving	Transitioned from a single-asset risk (Zambia) to a multi-vertical growth engine (Agri, Sugar, Minerals).	□
Key Q&A Exchange	Arrears & Liquidity	Mgmt confirmed $197M remains; ZESCO paying $5M/month arrears + current bills despite drought.	□
The Street's Primary Anxiety	Cash Utilization	Concerns over $150M+ cash pile. Mgmt articulated $200M+ equity outlay for growth projects.	□
Capital Cycle Stage	Reinvestment	Initiating Phase II Power ($400M) and Sugar ($125M) cycles.	□
Margin Trajectory	Stable	Zambia Energy EBITDA margins remain world-class at ~64%.	□
Pricing Power	Stable	Regulated 20-year PPA in Zambia; merchant flexibility in India.	□
FCF Conversion & Quality	High	Net Cash status consolidated; interest flowing from Zambia to Singapore then to India.	□
Competitive Moat Signals	Widening	Only integrated thermal plant in Zambia; essential as hydro-deficits worsen.	□
Balance Sheet Strength	Strong	Net Cash; Consolidated cash & investments >□1,500 Cr.	□
Working Capital Efficiency	Improving	Gross receivables down 16% YoY; repatriation mechanism now functional.	□
Mgmt Guidance Track Record	Reliable	Followed through on stock split and interim dividend.	□
Key Vulnerability	Hydrological Risk	Zambian drought limits ZESCO's fiscal capacity, slowing the arrear clearance rate.	□
Management Tone	Confident	Bullish on "indispensable" nature of thermal assets in Zambia.	□

Key Takeaways (Positives & Negatives)

Positives: * **Monetization of Zambia Asset:** The "repatriation pipe" is fully open. Maamba Energy (MEL) paid $68.7M (□577 Cr) in overdue interest since April 2024. Nava Singapore is now paying dividends to Nava India. * **Operational Resilience:** Despite planned maintenance shutdowns in both India and Zambia, Zambia Energy maintained an EBITDA margin of 63.7% ($37.2M). * **Growth Roadmap:** Construction on the 300MW Phase II expansion has commenced (Notice to Proceed issued August 2024). Equity funding is secured via internal accruals/arrears. * **Shareholder Value:** 2:1 stock split announced to improve liquidity; Interim Dividend declared.

Negatives: * **Arrears Collection Slowdown:** ZESCO is currently paying $5M/month toward arrears, down from the targeted $25M/month discussed in Q1, as the drought pressures the utility's liquidity. * **Ferro Alloys Drag:** The segment reported an EBITDA loss of ₹28.4 Cr this quarter. Management is pivotally using this capacity to sell power merchant-style when alloy prices are soft. * **External Coal Sales:** External sales fell 12.7% as industrial consumers in Zambia faced power outages, reducing their own production and coal demand.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol) (₹Cr)	Not in document	-	-	-	Calculated: H1 Revenue was not explicitly totaled in PPT.
EBITDA (₹Cr)	555.7	↑ 63.0%	↓ 11.2%	↑	YoY growth from low base (RM accident in FY24); QoQ dip due to maintenance.
EBITDA Margin %	44.2% (est)	↑	↓	→	Zambia Energy margins remains the core driver.
PAT (₹Cr)	332.0	↑ 72.0%	↓ 17.0%	↑	Strong YoY performance; Q1 was a record high (₹400 Cr).
Net Cash / (Debt) (₹Cr)	Net Cash	↑	↑	↑	Consolidated cash >₹1,500 Cr. Entire MEL project debt repaid.
Installed Capacity (MW)	734	→	→	→	Zambia (300) + India (434).
Plant Availability (%)	84.5% (ZAM)	↑ 0.7%	↓ 15.4%	↓	Zambia maintenance complete; India PLF at 68.4%.
PLF (%) - India	68.4%	↑ 5.7%	↓ 18.8%	↓	Seasonal dip + planned maintenance at Odisha unit.
Zambia Energy Rev ($ Mn)	58.4	↑ 0.3%	↓ 12.9%	→	Performance stable despite planned unit shutdowns.
Ferro Production (tons)	30,676	↑ 16.5%	↑ 46.5%	↑	Recovery from raw material handling accident last year.
Avocado Plants (Count)	91,500	-	-	↑	Target 400k by 2027; next phase (100k) starts Nov '24.

2B. SEGMENT BREAKDOWN

Segment	EBITDA (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Zambia - Energy	312.5 ($37.2M)	↑ 5.4%	63.7%	→	Above Avg	Paid $68.7M overdue interest to sponsors.
India - Energy	477.8 (Total)	↑ 47.9%	Not Stated	↑	In Line	Realized tariffs □6.2/kWh; NBEIL at 73.2% PLF.
Ferro Alloys	(28.4)	NA	Negative	↓	Below Avg	Strategy shifting to power merchant sales over alloys.
Zambia - Mining	120.6	↑ 45.7%	36.7%	→	Below Avg	External coal sales impacted by client power cuts.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Zambia Phase II	300MW expansion; COD Aug 2026.	~23 months remaining.	Phase I was a turnaround success.	Medium
Guidance	Arrears ($197M)	Final payment over "next few months."	Needs ~$20M+/mo to hit FY25.	Slower than plan ($5M/mo currently).	High
Guidance	Agri (Avocado)	Commercial yield by 2027; 20-25 MT/ha.	1,100 hectares to be planted.	On track; 91k trees planted.	Low
Strategy	Sugar Project	$125M total outlay; $45M equity.	Project commencement FY25.	New vertical; execution untested.	Medium
Strategy	Ivory Coast	$150M Integrated Smelter/Biomass.	Pre-execution stage.	Exploring renewable biomass fuels.	Medium
Balance	Cash Utilization	$200M+ total equity for 3 new projects.	Over next 24-36 months.	Debt-free status delivered.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	5.0	A M Lodha / Sanmati	Arrears	Financials	How much money is received per month and how much is still pending?	Management confirmed $197M is pending and they are receiving $5M/month towards arrears plus monthly receivables of $21-22M. Slower arrear collection due to the energy crisis delays the ultimate cash unlock for shareholders but secures ongoing operations.	None	5.0	Clear and quantified
2	4.5	A M Lodha / Sanmati	NBS Funds	Capex and Allocation	How is the Singapore subsidiary (NBS) utilizing the interest and loan repayments from MCL?	Management is using these funds for Phase II equity ($65M), Avocado projects, and declared an interim dividend through NBS to the Indian parent. This confirms the repatriation path is active and supports standalone dividend capacity.	None	4.0	Directional evidence
3	4.0	Vignesh Iyer / Sequent	Arrears to Equity	Capex and Allocation	Can pending receivables be converted into equity	Management clarified receivables are from ZESCO while equity is from sponsors (Nava/	None	4.0	Specific logic

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					for Phase II?	ZCCM-IH), so direct conversion isn't possible, but sponsors use realized cash to fund equity. This maintains the distinction between sovereign debt and project investment.			
4	3.5	Vignesh Iyer / Sequent	Avocado Economics	Business Overview	What is the expected yield and realization for the Avocado business?	Full maturity takes 3-4 years with an expected yield of 20-25 MT per hectare across 1,100 hectares. This creates a long-term non-cyclical revenue stream, though initial yields in Dec '24 will be non-commercial.	Realization per unit	3.0	Vague but consistent
5	5.0	Abhinav / ISEC	Phase II Status	Capex and Allocation	What is the status of Phase II 300MW and the debt-to-equity ratio?	Total cost is $400M ($300M Debt, $100M Equity) with $260M debt already tied up and construction started in August. Near-complete financial closure reduces execution risk for the	None	5.0	Specifics given

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						next growth leg.			
6	4.0	Gargi Agarwal	Indian Power	Management Outlook	Do you have long-term contracts for India and what is the PLF outlook?	Management noted long-term contracts are rare but they expect to participate in bids in early '25 for 150MW/ 60MW units. Dependence on merchant markets creates volatility but preserves upside during peak demand.	None	3.0	Directional
7	4.5	Viraj Mahadevia	Cash Flows	Capex and Allocation	What are the sources and uses of cash over the next 2 years?	Total equity requirement is ~$200M across Power Phase II ($65M), Sugar ($45M), Avocado ($30M), and Ivory Coast ($50M+). This explains the current cash retention and suggests aggressive buybacks are unlikely until Phase II is funded.	Exact timeline for buyback	3.0	Conservative posture
8	3.0	Nidhi Shah / ISEC	Africa Growth	Management Outlook	Why expand in Zambia and where else are you looking?	Management cites a favorable investment climate and high rewards in Zambia,	None	3.5	Qualitative color

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						while also exploring Botswana, Namibia, and Ivory Coast. This geographic focus leverages existing African expertise but maintains emerging market risk.			
9	4.0	Nidhi Shah / ISEC	Accounting	Financials	How are mining and energy revenues separated in Zambia?	Revenues are reported as independent divisions; mining sales to the energy plant are knocked off, with only third-party sales (approx. $40M/qtr) reported for Mining. This confirms no double-counting in segment reporting.	None	5.0	Accounting clarity
10	3.5	Harinath Reddy	Coal Pricing	Business Overview	Is coal mining prone to global price fluctuations?	Sales are not linked to global indices but to local Zambia market dynamics and cost escalations, being US-dollar denominated. This protects margins from global coal	None	4.0	Specific logic

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						price volatility.			

PATTERN FLAGS & SENTIMENT

- **Repatriation is the New Reality:** Analyst anxiety has shifted from "Will the money come?" to "How will you spend it?" Management was firm that cash repatriated to Singapore is a priority for growth equity. The successful payment of $68.7M in interest is a major credibility milestone.
- **The Drought Slowdown:** Multiple questions touched on the $197M arrears. Management admitted the monthly payment has slowed to $5M (from a hoped-for $25M) due to ZESCO's cash crunch. This is a "live" issue but tempered by the fact that monthly energy bills are being paid 100% and Phase II PPA is already in place.
- **Growth Over Payout:** The management tone was growth-oriented. While they delivered an interim dividend and stock split, they effectively "deflected" on larger buybacks by laying out a $200M+ equity investment pipeline.

Analyst Sentiment Verdict: Analysts appear satisfied with the operational performance but remain frustrated by the slow pace of arrear collection. Credibility has improved significantly as the "repatriation pipe" is now demonstrably working. The core friction point going forward will be the IRR of the new Agri/Sugar ventures versus returning cash to shareholders.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Context)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Arrears Timeline	Expected full refund of arbitration money by Dec '24.	$197M still pending; "difficulty to pay entire amount by year end."	Timeline extension of ~12 months likely.	Slower balance sheet deleveraging at parent.
Arrear Run-rate	Targeted $25M/month collection.	Currently receiving $5M/ month towards arrears.	80% drop in collection speed due to drought.	Delay in special dividend/buyback triggers.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY25)	This Quarter (Q2 FY25)	Direction
Repatriation Pipeline	Commencing	$68.7M interest already paid to sponsors since Apr.	↑
Zambia Phase II	Planning/Financing	Construction commenced; NTP issued.	↑
Arrear Inflow Rate	$15M received in Q1	$5M/month currently (slowdown).	↓
Metals Performance	□23.2 Cr PBT (Q1)	□11.2 Cr PBT (Q2)	↓
Share Capital	Standard	2:1 Stock Split Approved.	↑
New Project Scope	Avocado/Phase II	Integrated Sugar ($125M) added to active plans.	↑
Zambia Maintenance	High PLF (99.9%)	Planned bi-annual maintenance; PLF 84.5%.	↓

Note: CFO-to-PAT analysis: Consol PAT 332 Cr. Cash on hand 1,500 Cr+. Strong OCF driven by ZESCO monthly payments and interest repatriation; CFO/PAT > 1.0 expected.