Nava Ltd — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Operations | Beat on Shareholder Returns | Inline on Expansion Timelines **One-line:** The thesis remains firmly on track as the "cash machine" in Zambia continues to repatriate funds ($10M dividend to parent), facilitating the highest-ever interim dividend (300%) and a significant domestic pivot toward long-term contracted power (Odisha PPA at □5.95).

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Operational dip at MEL was pre-guided due to maintenance; expansion on track.	□
Earnings Quality	High	Driven by steady power operations and one-off arrear collections ($30.5M received in Q2).	□
Guidance Confidence	Strong	Management reiterated Phase II (Aug '26) and remaining arrear collection ($55M) by FY26-end.	□
Management Credibility	High	Delivered on the promise of higher dividends following cash repatriation from Zambia.	□
Business Quality Signal	Improving	Transitioning Odisha plant to IPP with 5-year PPA removes merchant volatility.	□
Key Q&A Exchange	Q#3 - Employee Costs	Mgmt explained □45.8 Cr jump via RSU valuation and salary revisions; non-cash impact.	□
The Street's Primary Anxiety	Reinvestment vs Payout	Anxiety over $200M Sugar/Agri IRR; mitigated by highest-ever interim dividend payout.	□
Capital Cycle Stage	Reinvestment	Heavy Capex: $175.6M debt drawn for Phase II; $226M total spent on Phase II to date.	□
Margin Trajectory	Deteriorating (Temp)	Consolidated EBITDA margins fell to 31% from 35% (QoQ) due to maintenance shutdowns.	□
Pricing Power	Improving	Secured long-term PPA for Odisha IPP at □5.95/unit; significant premium to merchant rates.	□
FCF Conversion & Quality	Strong	Arrear collections from ZESCO keep cash flows well ahead of reported PAT.	□
Competitive Moat Signals	Widening	Consolidating position as the lowest-cost thermal producer in Zambia with 100% Phase II tie-up.	□
Balance Sheet Strength	Strong	Gross cash at □1,800.2 Cr; parent remains net cash despite heavy expansion.	□
Working Capital Efficiency	Improving	ZESCO receivables down to $97M (from $182.5M at start of FY25).	□
Mgmt Guidance Track Record	Reliable	Meeting all construction milestones; consistent on repatriation logic.	□
Key Vulnerability	Maintenance Risk	Maintenance cycle successfully completed in Q2; operational recovery expected in H2.	□
Management Tone	Confident	Bullish on "highest ever" dividend and aggressive 24-month Phase II timeline.	□

Key Takeaways (Positives & Negatives):

Positives: * **Shareholder Remuneration:** The 300% interim dividend is a watershed moment, signaling that the Zambia-to-India cash pipeline is now a permanent feature of the capital allocation strategy. * **Zambia Arrear Liquidation:** Successfully collected another $30.5M in Q2; the remaining $55M is projected to be cleared by March 2026, providing a massive liquidity buffer for Phase II. * **Odisha De-risking:** Converting the 60MW Odisha plant to an IPP with a 5-year PPA at □5.95/unit provides high-margin revenue visibility and eliminates the merchant pricing "lottery." * **Expansion Velocity:** Phase II engineering is 100% complete; management is attempting a 24-month build cycle for a project that typically takes 36-48 months.

Negatives: * **The Employee Cost "Opaque" Spike:** Employee benefits rose 70% YoY (□111.6 Cr); while management cited RSUs and revisions, the lack of exact quantification for the non-cash portion creates temporary modeling friction. * **Forex Headwinds at MEL:** Despite steady operations, MEL PAT was halved YoY ($12.9M vs $27.1M) due to forex losses and the new 15% tax regime. * **Operational "Air Pocket":** Maintenance shutdowns across Zambia and Odisha led to a 20.8% QoQ dip in total power units sold, as expected but still weighting the quarterly consolidated P&L.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol.) (□ Cr)	969.4	↑ 14.3%	↓ 14.1%	↓	YoY growth led by SiMn alloys; QoQ dip due to shutdowns.
EBITDA (Consol.) (□ Cr)	353.8	↑ 4.0%	↓ 32.8%	↓	Impacted by planned maintenance at MEL (Zambia) and Odisha.
EBITDA Margin %	31.0%	↓ 400 bps	↓ 400 bps	↓	Forex losses in Zambia and lower PLFs dragged margins.
PAT (Consol.) (□Cr)	297.5	↑ 7.3%	↓ 39.3%	↓	Highest ever H1; Q2 hit by 15% tax and maintenance.
Net Cash (Parent) (□ Cr)	1,127.7	↑ 15.5%	↑ 15.5%	↑	Strong liquidity post $10M dividend from Nava Global.
Total Units Sold (Mn kWh)	920.0	↓ 3.3%	↓ 24.4%	↓	Shutdowns in Zambia (2 months) and Odisha (planned).
Avg PLF (%) - India	65.8%	↓ 360 bps	↓ 2,080 bps	↓	Lower demand due to monsoon and maintenance in Odisha.
PLF (%) - MEL Zambia	80.4%	↓ 410 bps	↓ 1,480 bps	↓	Reflected the 2-month semi-annual maintenance shutdown.
SiMn Sales (Tons)	32,110	↑ 92.3%	↑ 7.8%	↑	Significant jump in export sales and alloy production.
Ferro Si Sales (Tons)	647	↓ 75.4%	↓ 80.5%	↓	Furnace shifted to SiMn production to capture better demand.
Working Capital (Arrears)	$97.0M	↓ 34.5%	→	↑	Arrears from ZESCO down from $127.5M to $97.0M.
CFO-to-PAT Ratio (H1)	1.15	↑	↑	↑	High conversion due to $30.5M arrear collection in Q2.

2B. SEGMENT BREAKDOWN (Standalone + MEL)

Segment	Revenue (□ Cr)	YoY Growth	Margin (PBT)	Trend	vs Co. Avg	Key Development
Energy (India)	158.3	↑ 24.1%	26.7%	↓	Below	Transitioning Odisha to IPP; Secured □5.95 PPA.
Ferro Alloys	372.2	↑ 3.9%	4.7%	→	Below	Shifted FeSi furnace to SiMn alloy for better exports.
MEL Zambia ($M)	$57.0M	↓ 2.4%	22.6%	↓	Above	Maintenance impact; PAT affected by 15% tax & FX.
Coal Mining ($M)	$2.3M	↑ 4.5%	N/A	→	N/A	Outside sales of coal remained steady at 235k tons.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Arrears	Collect remaining $55M by Mar '26.	$27.5M / Quarter	**On Track:** Collected $30.5M in Q2.	Low
Guidance	Phase II COD	Commission by "later part of 2026."	22 months remaining	On Track: 100% engineering done.	Medium
Guidance	Odisha IPP	Start PPA sales (50MW) from Feb '26.	N/A	**New:** PPA signed at □5.95/ unit.	Low
Guidance	Solar Project	100MW Solar to commission in 2026.	On schedule	On Track: Signed at 7.8 cents/kWh.	Low
Strategy	Dividends	Distribute 30% of Nava Global PAT.	$10M received in Q2	**Beat:** Declared 300% interim div.	Low
Strategy	Agri/Sugar	Full avocado production by FY28.	N/A	On Track: Initial small crop in H2FY26.	Medium
Balance	Phase II Capex	Total $400M outlay.	$174M remaining	On Track: $226M spent/ committed.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	AM Lodha	Financials	Financials	"The total energy sale is down from INR1,045 crores to INR877 crores in quarter 2. Can you please clarify this?"	Management attributed the decline to a planned semi-annual shutdown in Zambia and lower Indian demand due to a prolonged monsoon. This confirms the quarterly dip is a seasonal/ maintenance "air pocket" rather than a structural loss of demand.	None	5.0	Clear and quantified
2	5.0	Nikhil Devineni	Odisha IPP	Business Overview	"How much revenue can the company achieve on the sale of energy from the 60-megawatt power plant?"	Management announced a 5-year long-term PPA for 50MW in Tamil Nadu at a delivered rate of □5.95 per unit starting Feb 2026. This provides high-quality, non-merchant revenue visibility for the domestic segment, significantly de-risking the India earnings profile.	None	5.0	Specific and quantified
3	4.0	C K Bhartia	Employee Costs	Financials	"Why has the employee benefit expense gone up	Management explained the jump as a combination of retrospective	Exact split between RSUs vs Cash salary	3.0	Vague on split

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					from INR65 crores to INR111 crores?"	salary revisions from April and the fair valuation of Restricted Stock Units (RSUs) performed every quarter. This implies a large portion of the spike is a non-cash accounting adjustment, though total staff costs are trending higher.			
4	4.5	Shikhar Tewari	Capital Allocation	Capex and Allocation	"What is the policy of this management to utilize the cash flow... more businesses in Zambia or dividends?"	Management reiterated an equity commitment of $200M for existing projects and a policy to declare 30% of Nava Global PAT as dividends. This signals a balanced approach where expansion is funded by debt at the project level while surplus cash flows are returned to shareholders.	None	4.0	Directional with evidence
5	4.0	Prabhakar	Real Estate	Management Commentary	"What is the outcome of the report regarding Nacharam land and	Management stated they are still evaluating options as real estate	Specific timeline for monetization	2.0	Hedged

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					what we are going to plan?"	values in Hyderabad continue to climb. This remains a "dormant asset" upside for the thesis, though monetization is not imminent.			
6	4.5	Vansh Jain	Margins	Financials	"EBITDA margin has been dropped from 48% to 34%. Will we be able to recover or is 34% the new normal?"	Management cited one-off forex impacts and maintenance shutdowns as the primary drag and expressed confidence in "bouncing back" to higher levels. This suggests margins will normalize in H2FY26 as PLFs recover.	None	3.0	Vague but consistent
7	4.0	Radha	Avocado Project	Business Overview	"In the second half of FY '26, is it fair to assume Phase A will contribute revenue? What kind of margin potential?"	Management clarified that while initial small crops appear in H2FY26, full-scale revenue and production are not expected until FY28. This tempers near-term expectations for the Agri segment, confirming it as a long-	EBITDA margin target for Agri	2.0	Evasive on margins

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						gestation "option" rather than a current driver.			
8	4.5	AM Lodha	Debt vs Cash	Capex and Allocation	"Bank borrowing has gone up to INR1,559 crores... why not utilize the INR1,800 crores cash?"	Management explained that borrowings are specific to Maamba Phase 2 and drawn in phases, while cash balances are being bolstered by ZESCO arrear realizations. This highlights a conservative treasury strategy: keeping parent cash liquid while using non-recourse debt for expansion.	None	5.0	Specific and verified

PATTERN FLAGS & SENTIMENT

The analyst cohort is increasingly focused on two areas: **Dividend Sustainability** and **Segment Pivot Margin**. There is a palpable shift in sentiment from "Will Zambia pay?" to "How will you spend the □1,800 Cr cash?" Management's posture was confident, almost celebratory, regarding the 300% dividend, which served as the primary answer to capital allocation skepticism. Friction remains regarding the "Employee Cost" spike, which was not clearly quantified in terms of cash vs. non-cash, leaving a small cloud over standalone margin analysis.

Analyst Sentiment Verdict: Analysts are overwhelmingly satisfied with the repatriation progress and the declaration of the record dividend. The friction point on employee costs and Agri margins is secondary to the massive de-risking of the Zambian cash flows. Management's credibility is at a multi-year high, supported by the combination of operational transparency and aggressive shareholder payouts.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY26)	This Quarter (Q2 FY26)	Direction
Dividend Distribution	Maiden $32.5M from MEL.	**300% Interim Dividend** declared; $10M from Nava Global.	↑
Arrear Status	$85.5M outstanding.	**$55M outstanding** ($30.5M collected in Q2).	↑
Odisha Strategy	Captive Power Plant (Merchant risk).	**IPP with 5-year PPA** at ₹5.95/unit.	↑
Employee Cost Base	₹65.8 Cr (Normalized).	**₹111.6 Cr** (RSU/Revision impacted).	↓
MEL Maintenance	Scheduled for Q2.	**Completed** (Reflected in lower Q2 PLF).	→
Debt Profile	$135.2M drawn for Phase II.	**$175.6M drawn** for Phase II.	↓
Agri Timeline	Speculative.	First small crop yield confirmed for H2FY26.	↑

Investor Notes: * **Thesis Signal:** The "Cash Trap" narrative is dead. With $10M flowing from Singapore and another $30M+ in arrears collected, the parent balance sheet is a fortress. * **Earnings Quality:** Q2 PAT is "artificially" low due to the maintenance shutdown and one-off RSU charges. H2FY26 should see a strong operational snap-back. * **Valuation Trigger:** The ₹5.95 PPA for Odisha is a hidden gem in this result—it provides a floor to domestic earnings that was previously subject to volatile merchant spreads. * **Watchpoint:** Monitor the $55M remaining arrears. If ZESCO clears this by March, the company could enter FY27 with enough cash to significantly de-leverage or further boost payouts.

STOP HERE.