

Price: 525

Recommendation: Buy

Industry: Power Generation

Sector: Utilities

Report Date: 02-Apr-2025

Nava Limited is strategically expanding in energy, metals, and agriculture. Key projects include the Maamba Stage 2 thermal power plant and a 100 MW solar plant in Zambia. In agriculture, \$45 million is invested in avocado plantations, with diversification into sugar and manganese. The company excels in ferrosilicon production, enhancing export potential. Debt-free, Nava focuses on cost optimization and strategic investments, aiming for long-term growth while managing market volatility.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1519 Cr	Operating Profit(Year)	368 Cr	Operating Profit Margin	24.2 %
Previous Year	1600 Cr	Operating Profit(Quarter)	61.8 Cr	EBITDA Margin	21.40 %
Current Quarter	280 Cr	PAT (Year)	214 Cr	Net Profit Margin	14.6 %
Previous Quarter	331 Cr	PAT (Quarter)	50.5 Cr	EPS	13.6
Revenue (QYoY)	308 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	38.5	Sales Growth	0.60 %	Sales Growth	-15.41 %
PEG Ratio	7.92	PAT Growth	-30.07 %	Sales Growth QYoY	-9.09 %
EV/EBITDA	28.1	EPS Growth	80.13 %	PAT Growth	-64.93 %
P/B	4.02	Dividend Yield	0.38	PAT Growth QYoY	10.75 %
Capital Allocation		Holdings		Leverage	
RoE	5.94 %	Promoter	48.9 %	Debt/Equity	0.00
RoA	5.45 %	FII	9.74 %	Debt	3.15 Cr
RoCE	8.00 %	DII	0.19 %	Market Cap	15244 Cr
RoIC	14.8 %	Public	39.9 %	Enterprise value	15140 Cr
		No of Shares	29.0 Cr	Cash Equivalents	108 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Nava Limited's recent conference call highlighted several strategic initiatives and growth plans. The company is actively pursuing expansion in the energy, metals, and agriculture sectors. In the energy sector, the Maamba Stage 2 thermal power plant is scheduled for commissioning by August 2026, with a Power Purchase Agreement (PPA) already signed at a tariff of \$0.095. Additionally, Nava is exploring solar power opportunities in Zambia, with a 100 MW solar plant in the early stages of planning. In agriculture, the company is investing \$45 million in avocado plantations, expecting peak maturity in 4-5 years. The diversification into sugar cultivation in Zambia and manganese exploration in Ivory Coast further underscores Nava's commitment to broadening its business portfolio.

The company's business strategies focus on maintaining operational excellence and optimizing costs. Nava has demonstrated resilience in its metal division, despite market volatility, by diversifying into ferrosilicon production, which has shown strong export potential, particularly to the U.S. The company has also secured raw material supplies at favorable prices, providing cost visibility and margin improvement opportunities. In the domestic power sector, Nava is strategically positioned to capitalize on potential tariff increases, with most capacity tied up until late 2025.

Looking ahead, Nava is optimistic about its growth prospects, driven by strategic investments and operational efficiencies. The company is debt-free, with ongoing repayments from its Maamba subsidiary, which enhances its financial flexibility. The management is considering shareholder-friendly actions, such as dividends, reflecting confidence in future cash flows. However, the volatile ferroalloys market and the nascent stage of lithium and magnetite exploration present challenges that require careful navigation.

In summary, Nava Limited is well-positioned for future growth, with a diversified portfolio and strategic initiatives across key sectors. The company's focus on cost optimization and strategic investments is expected to drive long-term value creation. While the outlook is positive, the company must remain vigilant in managing market volatility and execution risks associated with its expansion plans.

NAVA Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Mafatlal Inds.	899.21	7.91	8.20%	-8.56%	116.65%	-5.98%	42.82%
Balmer Lawrie	3257.66	12.50	14.69%	-1.33%	7.83%	1.03%	-6.01%
3M India	32231.10	58.04	24.81%	-1.88%	8.38%	-14.96%	-15.88%
Nava	15244.28	38.49	5.94%	-15.32%	-9.22%	-64.93%	10.89%
Quess Corp	10168.85	26.86	11.15%	6.56%	13.99%	7.36%	18.83%

Aspect	Commentary
Revenue	The company's revenue shows a decline from the previous year and quarter, indicating potential challenges in maintaining sales momentum. The quarterly year-over-year growth is positive, suggesting some recovery or seasonal factors at play. This mixed performance requires strategic focus to sustain growth.
Profit & Loss	Operating profit remains strong, but the year-over-year decline in PAT suggests increased costs or reduced margins. The quarterly PAT shows resilience, indicating effective short-term management. Overall, profitability needs careful monitoring to ensure long-term sustainability.
Profitability Matrix	The company maintains healthy operating and net profit margins, reflecting efficient cost management. However, the relatively high EBITDA margin suggests room for improvement in operational efficiency. EPS growth is robust, indicating strong earnings potential.
Valuation Matrix	The high trailing P/E and PEG ratios suggest the stock may be overvalued, potentially limiting upside. The EV/EBITDA ratio indicates a premium valuation, while the P/B ratio reflects strong asset backing. Investors should weigh these factors against growth prospects.
Growth (YoY)	Sales growth is minimal, while PAT has significantly declined, highlighting profitability challenges. EPS growth is strong, driven by operational efficiencies or cost controls. Dividend yield is modest, suggesting limited immediate returns for income-focused investors.
Growth (QoQ)	Quarterly sales and PAT have declined, indicating potential operational or market challenges. However, the positive QYoY PAT growth suggests some recovery or strategic improvements. This mixed performance requires ongoing strategic adjustments.
Capital Allocation	The company demonstrates efficient capital allocation with strong RoE, RoA, and RoCE. The high RoIC indicates effective investment strategies. These metrics suggest robust financial health and strategic focus on maximizing shareholder value.
Holdings	Promoter holding is strong, indicating confidence in the company's prospects. FII and public holdings are significant, reflecting broad investor interest. The low DII participation suggests potential for increased institutional investment.
Leverage	The company is debt-free, enhancing financial flexibility and reducing risk. The low debt level supports strategic investments and operational resilience. This strong leverage position is a key strength, providing a solid foundation for future growth.

Analyst viewpoint: Nava Limited exhibits promising growth potential, driven by strategic expansions across energy, metals, and agriculture sectors. Recent quarterly reports highlight a positive QYoY PAT growth of 10.75%, signaling effective recovery strategies and operational improvements. Despite a QoQ decline in sales by 15.41%, the company remains financially robust with a debt-free status, ensuring sound capital allocation and a strong RoIC of 14.8%. Nava's strategic investments, including projects like the Maamba Stage 2 thermal plant and solar initiatives in Zambia, position it well to leverage its foothold in the energy sector. The company's resilience in the ferroalloy market bolsters its export potential, supported by cost-effective raw material procurement.

The valuation metrics show a high trailing P/E of 38.5, suggesting confidence in growth prospects, albeit at a premium. The diversification into sugar and manganese further strengthens its business model against market volatility. However, investors should note the challenges in the volatile ferroalloy market, requiring careful navigation. This minor concern aside, Nava's focus on optimizing costs and strategic investments makes it an attractive option for short to mid-term growth, provided it maintains vigilance over its execution risks associated with its ambitious expansion plans.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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