Nava Bharat Energy India Limited

February 19, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	60.00	CARE A (CE); Stable	Reaffirmed
Long-term / Short-term bank facilities	10.00	CARE A (CE); Stable / CARE A1 (CE)	Reaffirmed

Details of instruments/facilities in Annexure-1.

Unsupported rating	**CARE A-; Stable, CARE A2 [Upgraded from CARE BBB; Stable , Upgraded from CARE A3]**

Note: Unsupported rating does not factor in the explicit credit enhancement.

Rationale and key rating drivers for credit enhanced debt

Reaffirmation of ratings assigned to bank facilities of Nava Bharat Energy India Limited (NBEIL) is based on credit enhancement (CE) in the form of an unconditional and irrevocable corporate guarantee extended by Nava Limited (NAVA).

Rationale and key rating drivers of Nava Limited

The credit profile of NAVA derives strength from its experienced management backed by a strong and resourceful promoter group, established track record of operations, integrated ferro alloys operations with captive power generation, revival in financial performance in 9MFY25 (unaudited; FY refers to April 01 to March 31) backed by higher sales realisation and improved profitability, strategic location of the plant, healthy financial risk profile with comfortable leverage, coverage indicators led by prepayment of term loans, and adequate liquidity profile.

However, rating strengths are tempered by moderation in total operating income (TOI) profitability in FY24 (audited) considering subdued export demand, lower sales realisation of ferro alloys in the domestic market and shut down of the odisha plant for five months due to raw material handling system breakdown resulted in operating loss in the ferro alloy segment, high exposure towards group companies, derived demand of ferroalloys segment with the cyclical steel industry, susceptibility raw material prices to volatility, high inventory days, and absence of power purchase agreements (PPAs) for power generation vertical operated under subsidiary, NBEIL.

Key rating drivers of Nava Bharat Energy India Limited (NBEIL) for unsupported rating:

Revision in unsupported ratings assigned to bank facilities of Nava Bharat Energy India Limited (NBEIL) considers significant improvement in the operational and financial performance in FY24 (audited; FY refers to April 01 to March 31) and H1FY25 (unaudited) led by full year of operations supported with short term power purchase agreements (PPAs), comfortable financial risk profile with closure of debt availed from the NAVA, and strong debt coverage indicators, availability of coal supply arrangement under Shakti B-III scheme with Singareni Collieries Limited (SCL) and Mahanadi Coal Fields (MCL) in current fiscal which will ensure uninterrupted supply of coal in near term.

Ratings derive strength from the strong and resourceful promoter group (Nava Group) with established track record of operations and significant promoter support, and corporate guarantee extended by NAVA for working capital facilities, strategic location of plant with proximity to The Singareni Collieries coal belt, and adequate liquidity position. However, ratings are constrained by volatile revenue stream associated with the sale of power under merchant basis, absence of long term PPA, risk associated with coal price fluctuation and the company's plan to withdraw conversion for plant to captive power plant due to reluctance of state power distribution utility to provide open access.

Rating sensitivities (Nava Limited): Factors likely to lead to rating actions

Positive factors

- Increase in the total operating income (TOI) to over ₹2,000 crore with profit before interest, lease rentals, depreciation, and taxes (PBILDT) margins above 20% on a sustained basis.
- Tying up PPA for the power segment and improving revenue/profit from the division.

Negative factors

- Weakening financial risk profile with slowdown of business operation and/or declining profitability below 15% on a sustained basis.
- Significantly increasing group exposure, with an impact on cash flow.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Credit Enhancement
CARE Ratings Limited (CARE Ratings) has based its rating on the assessment of the guarantor, NAVA, which has provided an unconditional and irrevocable corporate guarantee for bank facilities availed by NBEIL. NAVA's credit profile is analysed with standalone financials and factoring support extended to subsidiaries.

For unsupported/standalone ratings: Standalone; factoring financial and management linkages with the parent, NAVA.

Outlook: Stable.
Stable outlook reflects the company's healthy capital structure and liquidity position, strengthened by its low debt levels and ample cash reserves.

Detailed description of key rating drivers:

Key strengths

Strong promoter group with established track record of operations
The Nava Bharat group, a south India-based industrial house promoted by Dr Devineni Subba Rao and P Punnaiah, has over four decades of existence in diverse businesses ranging from ferroalloys, sugar and distillery, power generation, and mining among others, through its flagship company, NAVA (erstwhile Nava Bharat Ventures Limited) and its subsidiaries/step-down subsidiaries. Nava Bharat Projects Limited (NBPL) is engaged in providing services to the group company, M/s. Nava Energy PTE. Limited, Singapore, in relation to project management and technical support services under operations and maintenance (O&M) contract for 300-MW power plant of Maamba Collieries Limited at Maamba, Zambia. The group has presence in Zambia (expanded its presence overseas with successful commencement of commercial operation of 300 MW of thermal power plant coal production commenced in FY13 and power generation started from August 2017).

Strategic plant location
NAVA's plant has a proximity to coal mining belt of Singareni Collieries Company Limited (within 25 Km radius) (SCCL), which helps the company efficiently procure domestic coal through e-auctions. The imported coal (when required) can be procured from Kakinada Port, which is ~275 km from the plant location. As sources for procurement of coal is not far, transportation cost becomes cheaper and loss in transit is largely mitigated. This also makes it cheaper to procure imported ferro manganese.

Integrated operations captive power generation supporting ferroalloys division
NAVA produces silico manganese and chromium alloys for companies across India, the Middle East, East Asia, and Europe. It operates two plants of 1,35,800 metric tonne per annum (MTPA) (reduced gradually from 2,00,000 MTPA) in Paloncha, Telangana, and the other plant in Kharagprasad, Odisha. NAVA has captive power plant to facilitate the power intensive ferro alloy division. NAVA's silico-manganese manufacturing facility in Telangana is supported by a 114-MW captive power plant, while the other plant in Odisha is supported by a 90-MW captive power plant. Of total capacity of 204 MW, ~47% in FY24 is used for captive generation and balance is sold on ST PPA basis or merchant exchange. NAVA also has a 60-MW power unit (based on coal), which was fully operational in FY24.

Strong capital structure backed by healthy debt coverage indicators
NAVA has a strong capital structure manifested by overall gearing of 0.01x as on March 31, 2024, (0.04x as on March 31, 2023) considering accretion of profits to net worth and prepayment of term loans. The company's debt profile as on March 31, 2024, comprises of only working capital borrowings. Nava Limited had repaid the entire term loan at standalone level in FY24. At consolidated level, with early closure of term loans (majority in MEL), the overall gearing improved significantly to 0.05x as on March 31, 2024, compared to 0.45x as on March 31, 2023. The other debt coverage metrics have also been at comfortable level.

Key weaknesses

Moderation in financial performance in FY24 but improved in 9MFY25
In FY24, Nava Limited on a standalone basis reported TOI of ₹1493 crore which is lower by ~8% despite sales volumes aligning with FY23. This is primarily considering subdued performance of ferroalloy segment impacted by reduced export demand and plant shutdown in Odissa and pressure on selling prices in the domestic market due to intense competition.

The company's PBILDT levels declined to ₹278 crore (FY23: ₹398 crore) considering production loss incurred in ferro alloys segment but this has been offset by healthy profits generated from power. Nava Limited had repaid most debt in FY24, which resulted in significant reduction in interest expense. Profit after tax (PAT) level though declined stood healthy at ₹218 crore in FY24 (FY23: ₹320 crore). The company's PBILDT and PAT margins though moderated remained comfortable ~18.61% and 14.62%, respectively.

In 9MFY25, Nava (at standalone level) reported TOI of ₹1128.44 crore with PBILDT and PAT margins of 25.92% and 28.76%, respectively, against corresponding previous year TOI of ₹1076.75 crore with PBILDT and PAT margins of 16.43% and 13.87% supported by increased sales realisation of ferro alloys resulted in better operating profitability.

Risk associated with foreign exchange fluctuation
NAVA fulfils its raw material requirement from countries including South Africa, Australia, and Ivory Coast, and exports ~32% ferro alloys across Europe, the Middle East, and East Asia, resulting in risk associated with forex fluctuation. The company hedges the forex risk on export receivables and import payables, considering the exchange parity at the time of export or import, as the case may be, and the indicative forex movements. Nava is net exporter with exports stood at ₹472.10 crore in FY24 than the import value of ₹192.15 crore for FY24, resulting in a natural hedge for the company. Nava reported forex gain of ₹1.03 crore in FY24 (FY23: ₹7.65 crore).

High exposure towards group companies
Nava has high exposure to its group companies in the form of investments, loans and advances, and corporate guarantee extended to NBEIL. The aggregate funded exposure stood at ₹1930 crore (₹1908 crore as on March 31, 2023). This accounts for ~52% tangible net worth (TNW) (~₹3660 crore) as on same date. On a consolidated level, NAVA's TNW stands at ~₹7857 crore (PYE: ₹6650 crore).
The company has highest exposure in Nava Bharat (Singapore) Private Limited, ~80% of total, which is the investment arm and holding company of overseas strategic investments in coal mining and power generation, principal investment being in Zambia. Majority debt availed by these subsidiaries are non-recourse and there is no additional support envisaged to such entities. Incremental exposure to group entities with corresponding impact on cashflow would be important from credit perspective.

Working capital intensive business
The company's working capital cycle has remained high and further elongated to 175 days in FY24 (PYE: 146 days) due to longer inventory days of 143 days in FY24 (120 days in FY23). The significant increase in inventory days in the last two years ended FY24 was considering Odisha ferro alloys unit had shifted to manufacturing silico manganese and discontinued the ferro chrome conversion agreement with Tata Steel Mining Limited resulting high inventory levels of RM procurement and finished goods. Though inventory days remained high at 143 days in terms of absolute levels, inventory levels reduced to ₹505.45 crore as on March 31, 2024 (PYE: ₹ 434.75 crore). The collection period usually extends to two months on an average, which is realised without delays. As on September 30, 2024, total debtors stood at ₹160.27 crore, of which ₹129.62 crore (81% are within 60 days). There are no long pending dues as reflected in the collection period of 54 days.

Liquidity: Adequate.
The company has adequate cash accrual generation ₹252 crore for FY24 and a satisfactory collection efficiency. The company had free cash and bank balance of ₹146.08 crore as on March 31, 2024. The average cc utilisation remains low at 0.18% for the last 12 months ending November 30, 2024, providing adequate liquidity cushion.

Detailed description of key rating drivers of NBEIL:

Key Strengths

Improved operational and financial performance in FY24 and H1FY25
NBEIL's total operating income (TOI) significantly improved to ₹549.29 crore in FY24 with year-over-year (y-o-y) growth of ~185% primarily driven by sale of power supported by increase in demand for power and presence of short-term PPAs from 50 MW to 120 MW and merchant sales resulted in improved plant load factor (PLF) to 67% (PY: 18.75%) and growth in sales. O&M income stood at ₹25.22 crore, generated from project services provided to Nava Bharat Zambia.

Aligned with TOI, the company's PBILDT levels improved to ₹128.16 crore (PY: 40.79 crore) and PAT levels stood comfortable at ₹78.48 crore making a strong recovery from net loss in FY23.

In H1FY25, operational and financial performance continued to improve with PLF further improved to 80% supported by the consistent backing of short-term PPAs and sales through IEX resulted in TOI of ₹₹347.90 crore, PBILDT of ₹115.82 crore, net profit of ₹71.17 crore, and cash accruals of ₹86.11 crore.

Comfortable capital structure and debt coverage metrics
As on March 31, 2024, the company's debt profile primarily comprises of unsecured loans from holding company, NAVA and working capital bank borrowings. The company's capital structure is comfortable at 0.04x (PYE: 0.27x) as on March 31, 2024, considering strong net worth base with accumulated profits. The debt coverage metrics are also satisfactory.
In H1FY25, NBEIL fully repaid the debt received from its holding company, making it term debt-free. Its low reliance on working capital limits further strengthened its financial risk profile.

Support from promoters
NBEIL receives support from the promoter that derive operational and financial comfort from NAVA. NAVA took over NBEILs outstanding term loans through infusion of funds directly and indirectly. NAVA extended inter-corporate loans of ₹155 crore to

NBEIL with repayment linked to availability of cash in NBEIL. This has been entirely paid back by end of H1FY25 supported by generation of healthy profits.

Key weaknesses

Volatile revenue stream associated with power sale and absence of long term PPAs
The company has been majorly selling power generated on merchant exchange due to absence of PPAs/ST PPA. In the year, improvements were observed in terms of demand from the domestic power generation sector, however, volatility tends to continue with merchant sale of power. The company has also dropped its plan to convert the plant to captive power plant due to reluctance from DISCOM to grant open access permission. However, NBEIL has entered multiple short-term PPAs and expecting a revival in performance.

Absence of long-term fuel supply agreement
The company is exposed to fluctuation in prices, given the absence of long-term fuel supply arrangements in place. However, the company has been sourcing coal from Mahanadi Coalfields and Western Coalfields under Shakti B-III scheme, despite high transportation cost but it has taken measures such as transporting coal using railway rakes.

However, in current fiscal, NBEIL entered coal supply arrangement with Singareni Collieries Limited (SCL) under Shakti B-III scheme for next one year which will support uninterrupted supply of coal at remunerative prices and low transportation cost, given SCLs proximity to the company.

Liquidity: Adequate.
NBEIL's liquidity profile is adequate, supported by absence of external repayment obligation with entire debt being availed from holding company and repayment subject to availability of funds. By end of H1FY25, NBEIL has repaid loans received from Nava Limited from cash accruals. The company had free cash and bank balance of ₹0.42 crore as on September 30, 2024. Average working capital utilisation for the last 12 months ending as on November 2024, stood low at 5.96% providing liquidity cushion.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks (Nava Limited):

Parameters	Risk factors
Environmental	1. NAVA is prioritising responsible resource management and foster innovative solutions for a greener tomorrow. Across its facilities, practicing 100% recycling of water, ensuring efficient and sustainable water usage. Utilise fly ash to produce bricks and pavers, significantly reducing top-soil erosion. NAVA is committed to minimising the impact on the existing environment to the greatest extent possible. 2. The group has long-term remediation obligations comprising decommissioning, dismantling and restoration liabilities relating to its past operations which are based on the group's environmental management plans, in compliance with current environmental and regulatory requirements.
Social	1. NAVA organises awareness programs on preventive healthcare, focusing on proactive and timely medical attention, particularly in slum areas near its operations.
Governance	1. The evaluation of the board members is conducted annually by the board, the nomination and remuneration committee, and the independent directors, with a specific focus on the performance and effective functioning of the board and individual directors 2. The company ensures the board of directors remain diversified and the company's board of directors has an optimum combination of executive, non-executive and independent directors including a woman director.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Credit Enhanced Debt
Rating Outlook and Rating Watch
Non Ferrous Metal
Thermal Power
Financial Ratios – Non financial Sector
Short Term Instruments
Power Distribution
Manufacturing Companies

Adequacy of credit enhancement structure:
The corporate guarantee extended by NAVA is unconditional and irrevocable, legally enforceable for the entirety of the facility and entire tenor of the working capital borrowings with payment structure being post default, in compliance with the Reserve Bank of India's (RBI's) guidance note on bank loan - credit enhanced ratings dated April 22, 2022, and subsequent FAQs dated July 26, 2022, for credit enhancement ratings. The executed corporate guarantee deeds met all required stipulations of the RBI guidance note.

About the company – Nava Limited

About the company- Nava Limited NAVA was incorporated in 1972 as Nava Bharat Ferro Alloys Limited, which began operations in 1975 with a small ferro silicon manufacturing unit in Paloncha. In 1980, NAVA ventured in sugar manufacturing with the amalgamation of The Deccan Sugar and Abkhari Co Limited, an EID Parry company. In 1997, it set up a second ferro alloy unit in Odisha. It diversified in coal-fired power generation in 1997, as backward integration for its highly power-intensive ferroalloy business, and later pursued the merchant power business for surplus generation capacity. The company renamed itself as Nava Limited on July 15, 2022. NAVA was promoted by Dr Devineni Subba Rao and is presently managed by his son, Devineni Ashok, and son-in-law, P Trivikrama Prasad. The company has two key business divisions including ferro alloys and power. It has installed ferro alloy capacity of 1,35,800 MTPA and power generation capacity of 264 MW, of which 204 MW is primarily used for captive consumption in ferro alloy.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	1618.84	1492.78	1128.44
PBILDT	398.46	277.76	292.53
pat	320.22	218.24	350.06
Overall gearing (times)	0.04	0.00	NA
Interest coverage (times)	31.50	43.43	143.40

A: Audited UA: Unaudited; NA: Not applicable; Note: these are latest available financial results

About the company and industry: Nava Bharat Energy India Limited

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

Incorporated in April 2008, NBEIL has been promoted by the Nava Bharat Group of Hyderabad, Telangana. The company has set up 150-MW coal-based thermal power plant at Paloncha, Khammam, Telangana. The company does not have PPA, and power sale is done through merchant exchange. NBEIL is subsidiary of Nava Bharat Projects Limited (NBPL, investment arm for projects), which is a wholly owned subsidiary of NAVA. NBEIL has 100% effective shareholding by NAVA.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	193.03	549.29	347.90
PBILDT	40.79	128.16	115.82
PAT	-0.80	78.48	71.17
Overall gearing (times)	0.27	0.06	0.01
Interest coverage (times)	4.57	16.11	93.41

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE A (CE); Stable
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE A (CE); Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	10.00	CARE A (CE); Stable / CARE A1 (CE)
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	CARE A-; Stable
Un Supported Rating-Un Supported Rating (Short Term)		-	-	-	0.00	CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	40.00	CARE A (CE); Stable	-	1)CARE A (CE); Stable (26-Mar-24)	1)CARE A (CE); Stable (06-Jan-23)	1)CARE A- (CE); Stable (29-Mar-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	10.00	CARE A (CE); Stable / CARE A1 (CE)	-	1)CARE A (CE); Stable / CARE A1 (CE) (26-Mar-24)	1)CARE A (CE); Stable / CARE A1 (CE) (06-Jan-23)	1)CARE A- (CE); Stable / CARE A2+ (CE) (29-Mar-22)
3	Fund-based - LT-Cash Credit	LT	20.00	CARE A (CE); Stable	-	1)CARE A (CE); Stable (26-Mar-24)	1)CARE A (CE); Stable (06-Jan-23)	1)CARE A- (CE); Stable (29-Mar-22)
4	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE A-; Stable	-	1)CARE BBB; Stable (26-Mar-24)	1)CARE BBB; Stable (06-Jan-23)	1)CARE BBB- (29-Mar-22)
5	Un Supported Rating-Un	ST	0.00	CARE A2	-	1)CARE A3	1)CARE A3	1)CARE A3

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
	Supported Rating (Short Term)					(26-Mar-24)	(06-Jan-23)	(29-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	Not mentioned specifically in the sanction letter
B. Non-financial covenants	
Corporate Guarantee	Un-conditional and irrevocable corporate guarantee of Nava Limited shall be available for the entire tenor of rated bank facilities of NBEIL.

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Complex
2	Non-fund-based - LT/ ST-Bank Guarantee	Complex
3	Un Supported Rating-Un Supported Rating (Long Term)	Simple
4	Un Supported Rating-Un Supported Rating (Short Term)	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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