



Dear Investors:

We believe that recent gains in Indian listed equities lack about as much durability as the post-September sell-off. The former is unlikely to stick, just as the latter didn't. You likely haven't been around for long if you are among those who believe that the sell-off in India earlier this year was characterized by extreme fear. Don't mistake that sell-off for outright panic. Extreme fear is accompanied by lingering trauma, and not continued recklessness as we saw in last quarter. You don't just flip the 'fear-switch' off. Critically, the longer the threat stays (without an adverse outcome), the more likely it is that investors put their guards down. Indian headline equities remain in an unequivocally perilous zone, and we actively continue to battle calls to cave in and partake in this jubilation. In our near decade and half experience of allocating in India, this is arguably the most anticipated drawdown that hasn't played out (yet). Don't blink though!

Most headline Indian names remain a powder keg, and are mostly one shock away from what could potentially be a terrifying sell-off. India's steroidal valuations (labeled as "reasonable" by many) can only be supported by some inexplicable structural tectonic shift(s) in key value driver(s) and we don't see any that can support current valuations. The only eager participants in this melee could be domestic investors that remain hobbled by capital controls, offshore retail, or passives elsewhere. We maintain our view that between end of C2024 and C2029E, *Nifty50* would likely struggle to materially outpace domestic fixed income yields.

In C2Q25, *Minerva India Under-served* strategy was up **+17.2%** (net; in INR), vs. **+17.3%**, **+12.8%**, and **+10.3%** gains (gross; in INR) in *BSE Smallcap*, *BSE Midcap*, and *BSE 500* respectively. This was despite retaining about 35% liquidity at the beginning of the quarter. Over the past year, *Minerva India Under-served* strategy was up **+8.4%** (net; in INR), vs. **+4.9%**, **+1.5%**, and **+3.9%** gains (gross; in INR) in *BSE Smallcap*, *BSE Midcap*, and *BSE 500* respectively. Over the past 5 years, *Minerva India Under-served* strategy was up **+35.3%** annualized (net; in INR), vs. **+34.6%**, **+29.1%**, and **+22.5%** gains (gross; in INR) in *BSE Smallcap*, *BSE Midcap*, and *BSE 500* respectively. Over more than 14 years of deployment in India, *Minerva India Under-served* strategy is up **+18%** annualized (net; in INR), vs. **+14%** (gross; in INR) gains in *BSE Smallcap* and *BSE Midcap*, and **+12%** annualized gain in *BSE 500*. Despite having camped within the smaller end of India's smallcap space, strategy's since-inception annualized volatility has been nearly 250 bps below that of *BSE Smallcap*. In fact, our since-inception negative volatility¹ is closer to that of *BSE 500* than that of *BSE Smallcap*.

Minerva India Under-served Fund (Tattva series USD), which tracks our INR strategy², was up **+14.3%** (net; in USD) for the quarter, with insignificant FX impact. It should be noted that reported performance of *Minerva India Under-served Fund (Tattva series USD)* is net of not only taxes paid on realized gains, but also tax accruals on unrealized gains.

At the end of C2Q25, net exposure for *Minerva India Under-served* strategy was **70%**, up +9.0% since the beginning of this calendar, but still close to our lowest level in nearly 12 years. During the quarter, we initiated one new exposure in an Industrials name, while fully exiting two positions in packaging and technology. Elsewhere, we also added to 4 legacy holdings following the C1Q selloff.

¹ Negative annualized vol of 14.3%, vs. 12.3% for *BSE 500* and 17.2% for *BSE Smallcap*

² Our INR strategy performance is reported net of mgmt fees and all charges, but before performance fees. Our performance fees typically gets crystallized @10% over a 10% hurdle. Our USD fund performance is net of all actual and accrued taxes, charges and fees, including monthly performance fee accruals, if any; Our mgmt fees is accrued monthly for INR strategy reporting purposes, even as its charged quarterly. Vast majority of our clients in our separately managed accounts structure are aligned and are run on the same strategy with nearly same allocations (unless expressly requested otherwise). Our offshore commingled fund is also aligned with the INR strategy, with insignificant tracking error.

Exhibit 1a – Nifty50 historical 1-yr forward revisions vs actuals

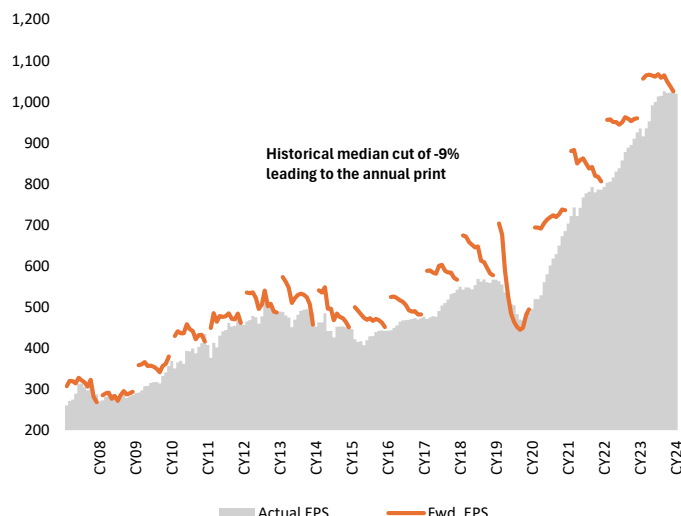
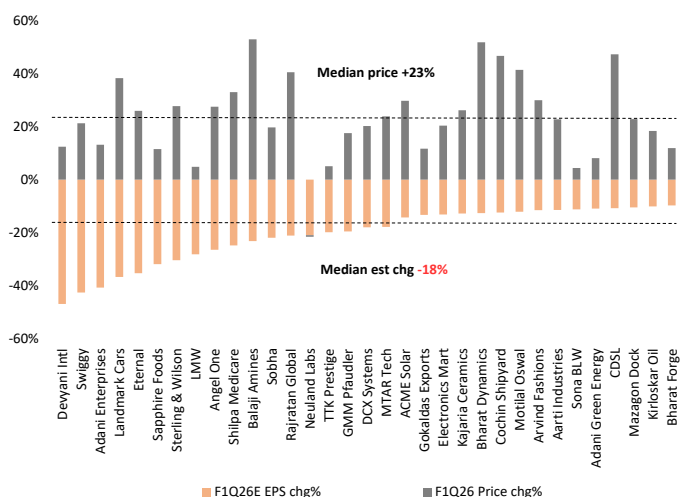


Exhibit 1b - F1Q26 (June)'s Houdini club



Notes: Nifty50 earnings revisions are for the final 10 months leading to the annual print. Over this same period, median revision for S&P 500 was flattish, while Stoxx 600 had a median estimate cut of -2%.

Sources: LSEG, S&P Global Market Intelligence

several prominent names (we call this set the 'earnings Houdini' club) during the quarter – This set started F1Q26 (June) at just under 30x F2026E (Mar), and yet a median (and rather steep!) -18% cut to underlying F2026E earnings expectations in this group was rewarded with another median +23% price run-up⁶. We view recent ticker-tape gains in such names as anything but durable. To us, nothing material appears fundamentally aligned to support this.

Typically, post-peak ticker tape in India is characterized by somewhat lower retail participation, and that has again been the case (post Sept 2024). While a sense of somewhat discernment has emerged, it still remains a fairly exuberant listed equities market. F1Q26 (June) ticker tape could have one conclude that earnings estimate cuts have abated. In contrast, it was one of the worst quarters for estimate revisions since the pandemic, with index level cuts between -3.5% and -4%³ within *BSE 500* and *Nifty50*. For context, typically over the course of a year, Indian headline names see a high single digit cut leading to the final print, with most revisions being loaded in the second half (see **Exhibit 1a**). The cuts over the past quarter were therefore unusually material and early⁴. As an aside, we would suggest that investors read F1Q26 (June) prints within export-oriented names with somewhat augmented doubt since channels were clearly stuffed because of tariff-induced noise (particularly for exports to North America).

No sector saw an earnings upgrade during June quarter, with particularly sharp cuts in Consumer Discretionary and Real Estate⁵ names. Overall, every fifth *BSE 500* component saw a double digit cut to its F2026E (Mar) expectations.

Investors meanwhile continued to largely ignore elevated levels of adverse revision activity. So much so, that several even very sharp down revisions didn't alter the sentiment. Refer to **Exhibit 1b**, which plots earnings estimate revisions vs. price action for

³ Market-cap weighted cuts

⁴ Historically, headline India has seen about -2.5% cut in the entire first half of fiscals

⁵ Consumer Discretionary, Real Estate, Technology, Materials, and Industrials reported worse than median cuts

⁶ Consequently, this group ended June 2025 at a rather balmy 41x F2026E (Mar) earnings



Other than an above-average southwest monsoon, is there anything else to support what appears an oddly optimistic view on underlying earnings?. Unless one gets excited by seasonal precipitation swings, or other 1x undefined tailwinds, there isn't much that can materially accelerate headline India's growth at this time. Meanwhile, listed and (particularly!) unlisted assets continue to be priced at farcical levels, as domestic investors continue to maintain a largely unalloyed cheerful view on anything Indian. In our view, while urban wage growth and employment remain stable, this is simply not enough to drive acceleration within an otherwise anemic hiring environment. *Nifty 100's* aggregate capex meanwhile would likely be flat to down in the ongoing fiscal (and this isn't on a high base either), and it's inconceivable to us that foreign investment can offset such a sharp deceleration in domestic investment. Dalal street narratives meanwhile continue to peddle anything "conveniently sellable", be it the potential impact of the 8th pay commission⁷, or the announced personal income tax cuts, both of which will directly impact an absolutely monumental 2-3% of Indian households (excluding multiplier impact). This is not to say that select consumer categories (cars, for instance) may not benefit, but to extend favorable impact of such targeted factors on the broader consumer is comical.

There aren't many hiding pockets in headline India, with Indian staples names still trading at valuations that make the likes of *Novo Nordisk*, *Nvidia*, or *Tencent* appear giveaways. If the idea of owning Indian staples names is to tactically own "safety", we suggest that investors rather throw away harnesses, belts, and helmets and jump in head first. While we remain wary of where listed India trades, our book trades close to record discount vs. *Nifty Smallcap50* (see **Exhibit 2B**). It is critical to note that entry valuations have historically held significant explanatory power for subsequent returns of our holdings (see **Exhibit 2a**). The highlighted area shows subsequent 5-yr returns when starting point was at or below where we began C3Q. Our most distinguished characteristic over >14 years of deploying capital in India has been our ability to nearly always outpace during drawdowns, and showing quicker subsequent recoveries. This is planked upon two key portfolio construct characteristics - **1.** We avoid steeply valued street darlings, and **2.** Our natural disengagement getting into these absurd peaks (we were net sellers for 6 quarters, getting into C2025).

Exhibit 2a – Historical perf of passive long-book vs. P/B

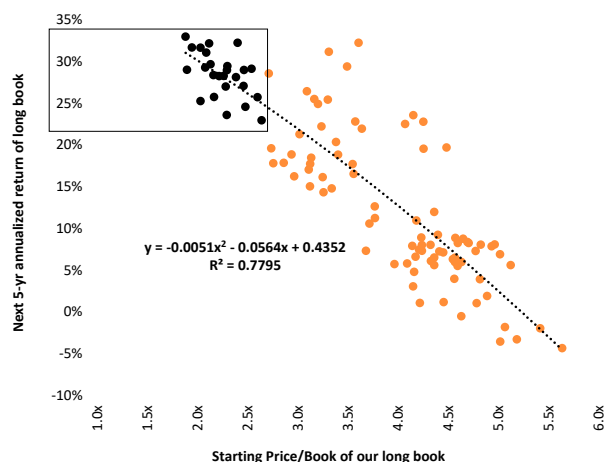
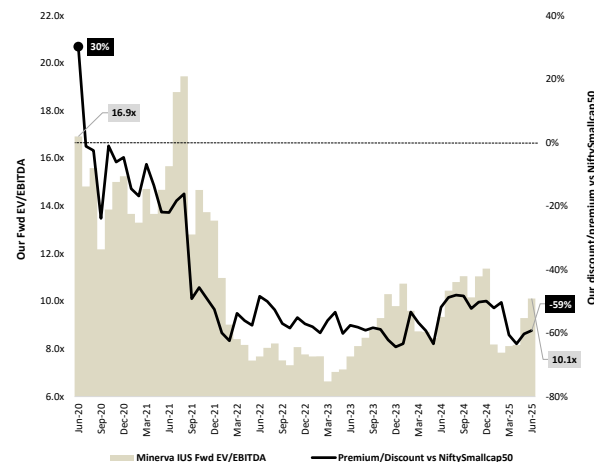


Exhibit 2b – Our premium/discount vs Nifty Smallcap50



Notes: All P/B numbers are from April 2011 onwards. Subsequent 5-year returns assume that the starting book is not tinkered with, i.e. no security or its exposure is added or deleted, and the book is held passively over this period.

Sources: Internal databases, S&P Global Market Intelligence

⁷ Unlikely to kick in prior to F2027 (Mar). When we evaluated historical material acceleration/deceleration within discretionary categories such as Cars, Apparel and Footwear, Hotels and Restaurants, Alcoholic Beverages, and Electronics, the only category where we noted material acceleration after prior central government 'Pay Commission' revisions was 'Cars'.



Foreign strategic holders and financial sponsors meanwhile stick it out to Indian investors at a quicker pace. We note 4 such large (and material) stake sales since the beginning of last December (out of 7 such sales since the beginning of C2023), and this doesn't count⁸ large ~\$1.5 bil deals such as *SingTel's* sale of *Bharti Airtel* stock or a similar sized sale by *BAT* of *ITC* stock (see **Exhibit 3**). Historically, such strategic offloads have more often than not worked for those offloading (refer to the last column in the table), and we believe that it's even more likely to work for these recent stake sales.

Exhibit 3 – Mid-single digit or higher stake sales by offshore strategic holders

Company	Offshore seller	Month	Stake sale %	Company's subsequent return	Seller's home index subsequent return	Offshore seller better off by...
Repco Home Finance	Carlyle Group	Jul-14	17%	-45%	74%	119%
Andhra Paper	International Paper	May-19	20%	75%	52%	-23%
Wheels India	Titan Europe PLC	Oct-19	11%	6%	51%	45%
Ambuja Cements	Holcim Group	May-22	63%	51%	46%	-5%
IFGL Refractories	Krosaki Harima Corp	Aug-23	15%	7%	25%	18%
Thomas Cook (India)	Fairbridge Capital	Dec-23	9%	18%	31%	13%
Whirlpool of India	Whirlpool Corp	Feb-24	24%	5%	24%	19%
Carraro India	Carraro International	Dec-24	32%	-32%	5%	37%
Brookfield India REIT	Brookfield Corp	Mar-25	5%	6%	9%	3%
SMIL Isuzu	Sumitomo & Isuzu	Apr-25	58%	15%	8%	-7%
Wendt	Wendt GmbH	May-25	38%	-17%	1%	18%
Median			20%	6%	25%	19%

Notes: All returns are from stake sale date to end of June 2025. All returns are in INR. We only included instances of >5% stake sales. For seller's 'home index', we picked the large cap headline proxy in that market. In above cases, that meant picking one of Euro Stoxx 600, S&P 500, or Nikkei 225.

Sources: Regulatory filings, Reuters

We see value within select pockets in emerging Asia (ex-India and Thailand); Belligerent Trumpnomics likely to catalyze China-EU thaw; US equities remain the ugly duckling in our view. The highly anticipated China-EU⁹ summit is upon us, and deeply-entrenched passive hostility continues to seemingly transition into a somewhat accommodative stance in Brussels. While it's too early to call a truce, indications are that both sides appear at least keen to capitalize on their fallout with United States. We continue to work with the thesis that China's large ASEAN and European export corridors should offset a vast majority of reduction from United States. Rhetoric notwithstanding, it's foolhardy to bet against the most competitive and nimble (read 'China') eventually prevailing in innovation and trade, especially when valuations backstop most of the apparent risks. The 'fixed' yuan meanwhile has depreciated sharply against the Euro YTD, bringing the currency to its lowest level in more than a decade and making Chinese imports even more attractive within EU. In the CFETS index¹⁰, it weakened against nearly 80% of all index components, even as it marginally gained against the USD.

Elsewhere, other than allocators that prefer viewing the world through a 'stars and stripes' tinted lens, few should be excited about paying north of 24x C2025E¹¹ for S&P 500 for what appears at best (yet again!) to be a tepid high single-digit underlying earnings growth period (and thank NVDA for even this). Perhaps even

⁸ Because stake sale% was a low single-digit offload

⁹ Collectively account for about 30% of global trade

¹⁰ China Foreign Exchange Trade System's yuan index, which tracks CNY against 25 currencies

¹¹ 6 of the 11 GICS sectors are trading north of 20x, with no sector trading under 17x



more than our somber view on headline India, we remain extremely unconvinced of supporting narratives that argue for diversified listed equity exposures in United States.

In C2Q25, we completely exited two ‘tail’ positions. The reduced exposure however was partly offset by initiating a new ‘tail’ position. Since we also added to 4 legacy holdings, our liquidity level went from 35% at the beginning of the quarter to 30% by quarter-end.

We initiated a ‘tail’ exposure in a decorative aesthetics supplier to automotive and consumer appliances.

They are well positioned to be a leading beneficiary of a distinct premiumization trend, and a visible shift in consumer and OEM preferences toward differentiated, high-content surfaces. We expect this to drive CPV expansion within OEMs. The company is camped in a space which requires complex design and high-spec manufacturing to produce parts such as decals, IML/IMD/IMF components, and optical interfaces. This positioning has unsurprisingly driven higher profitability vs. auto-parts suppliers.

This new holding of ours operates in in-mold decoration (IMD), in-mold labelling (IML) and in-mold forming (IMF)¹² — manufacturing processes that embed decorative or functional films into plastic components during molding. The technical and commercial barriers are high as each mold can cost up to INR 8 mil, with rejection rates for decorated injection-molded parts often running at 5–10% vs. 2–3% for conventional plastic components. This makes viable execution feasible only for players with scale, capital efficiency, and multi-step process integration. Our discussions with leading consumer appliances OEMs reinforced this view – While most suppliers are unable to justify IML/IMD on commercial terms, our holding has emerged as one of a few domestic players that executes at scale across categories, backed by fully integrated in-house capabilities of printing, thermoforming, die-cutting, and 1K and 2K injection molding.

To better appreciate underlying premiumization trends within their automotive clients, note the following:

- ✓ **Interior design language is shifting toward form-finished, visually differentiated surfaces across components**, such as dashboards, door trims, door handles, FATC units, Infotainment units, steering wheel units, and center consoles. These are segments where IML/IMD/IMF enables OEMs to create a premium tactile and visual experience.
- ✓ **Cabin interfaces are becoming increasingly digital and screen-driven, with larger infotainment screens and integrated instrument clusters**. This shift raises both aesthetic and functional demands on interior components.

Within two-wheelers, one clear pocket of transformation is in instrument clusters, with analog dials giving way to digital and TFT displays. This shift accelerates with rising EV penetration, where digital HMI (Human machine interface) is often standard. Once limited to high-end models, these design and interface upgrades are now progressively cascading into mid-premium and value segments. As OEMs respond to consumer expectations and platform refresh cycles, this expansion creates multi-year opportunities for suppliers that are capable of delivering scale and customization at acceptable quality.

¹² Unlike post-mold applications, IML/IMD/IMF enables seamless, heat- and wear-resistant surfaces that can conform to complex shapes and deliver long-term durability. These technologies are particularly suited for high-precision, high-content parts where aesthetic differentiation and structural integration are both critical. Despite their global relevance, IML/IMD/IMF adoption in India remains limited.



We don't view this as a particularly cheap name (surprise!), and accordingly our thesis is planked upon certain more-than-achievable growth levers. We would highlight five of these:

1. **High-volume platform additions in core decals and logos business.** The company has secured a multi-SKU mandate from India's largest two-wheeler OEM. The program is expected to be one of the biggest growth drivers over the next 2 years, marking one of the company's largest programs in terms of units serviced. Importantly, the win positions our holding to command a majority share of business (SOB) in these parts, with internal estimates suggesting that it will be present in >70% of the units. Notably, this falls within our holding's legacy high-margin vertical, where integration and design-to-delivery control allow for meaningfully better margins. We estimate this deal to contribute 320 bps to annualized earnings growth over the next 5 years.
2. **Embedded presence in cars' interior aesthetics is now cascading downwards.** Company continues to deepen its presence in interior decorative parts across passenger vehicles, including within center consoles, dashboards, FATC units, door and steering trims. These components, once confined to premium trims (i.e. *Safari*, *Harrier*, *XUV700*), are now increasingly visible in mid- and even entry-level models (such as *Nexon*, *Dzire*, and *Tiago*).
3. **Optical cover glass business could be a meaningful contributor to CPV.** Our holding has entered into an agreement with a global Tier-1 auto electronics supplier to produce optical cover glass, a high-spec aesthetic and functional component that¹³ bonds onto TFT displays and is used in digital instrument clusters and infotainment systems. As car interiors become increasingly screen-dominated, especially within mid-premium segments, this piece could become meaningful. This cover glass until recently had been fully imported, largely as a bonded unit alongside Chinese TFT displays. Our holding's launch marks a first-of-its-kind domestic manufacturing effort, creating an import substitution opportunity, with their part being ~10% cost-effective vs. imports on landed cost. Its early entry, coupled with proven tooling and cleanroom capabilities, positions it strongly in what could become a meaningful kit value driver over the next 5 years. We estimate that this deal will likely contribute 180 bps to annualized earnings growth over the next 5 years.
4. **Platform win within badges and emblems expected to contribute ~180 bps to annualized earnings growth over 5 years.** They have secured an exclusive multi-year mandate to supply badges and emblems for a specific platform of a global PV OEM across three continents. The program also serves as proof-of-concept for the company's ability to support global rollouts from India with precision design and tooling readiness.
5. **Entry into global white goods for overlay components.** They recently began supplying overlays to a global consumer appliance major's US facility, where it is now the sole supplier for a key dishwasher line. While the initial revenue contribution is insignificant, it reflects a rare full-program win in white goods and opens up opportunities across the OEM's broader appliances portfolio.

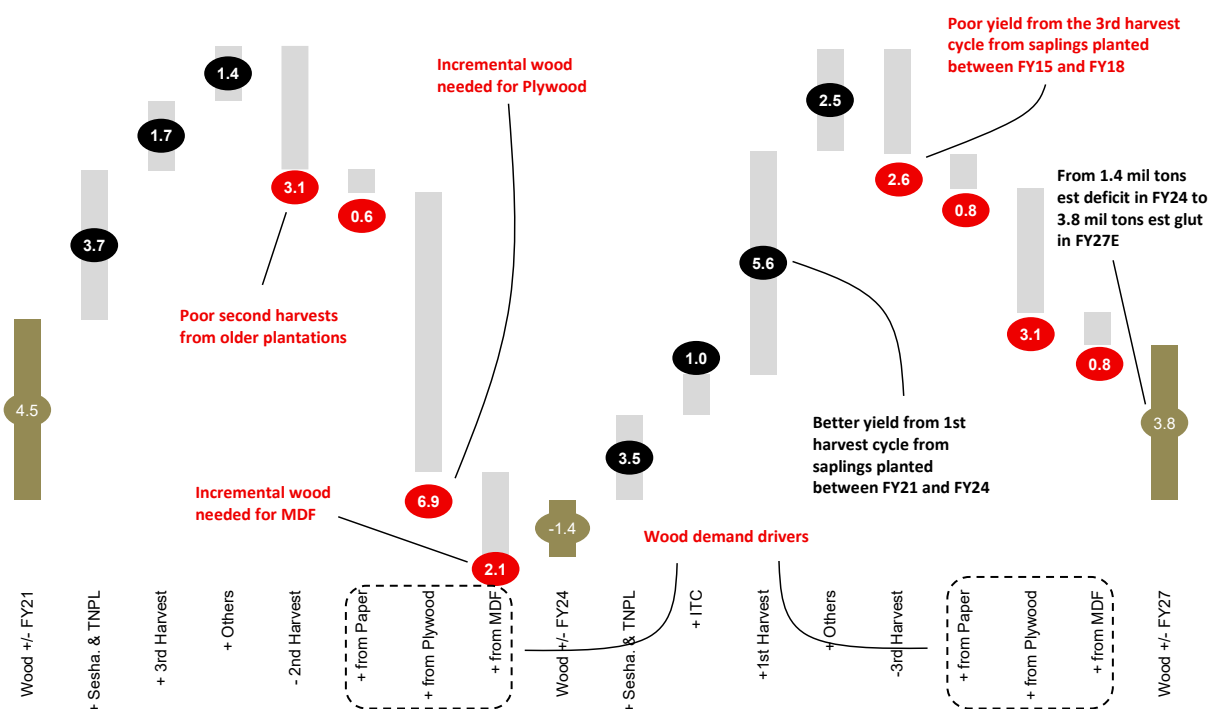
We expect this holding to compound earnings in the mid-teens over the next 5 years, which is not entirely dependent on underlying industry-wide auto and appliances sales. Instead, this is driven idiosyncratically through layered tailwinds that include premiumization, import substitution, new customer programs, and rising share within existing platforms.

¹³ Optical cover glass enhances visual quality and durability through anti-glare, anti-fingerprint, and anti-reflective properties.

India's forestry space is coming off of unprecedented increase in domestic wood costs. We now expect wood deficit to turn into a meaningful glut over the next 2 years, and expect significant improvement in profitability for integrated Indian producers. F2024 and F2025 (Mar) had a perfect storm of sub-par second harvest of somewhat lower saplings/seedlings planted in F2017 (Mar), and first harvest of depressed plantations of F2021 (Mar). That coupled with plywood and fiberboard manufacturers going after the same fiber without adding plantations drove an unprecedented increase in fiber costs.

Getting into F2024, poor yield from the second harvest between F2015 and F2018¹⁴ adversely impacted wood availability by around 3.1 mil tons (see **Exhibit 4**), which was only partly offset by better yields from the third harvest cycle from saplings planted between F2012 and F2015 (favorable impact of 1.7 mil tons). Nonetheless, it was woefully inadequate to offset the supplies that were diverted to plywood manufacturers during this period. We note that plywood and MDF manufacturers didn't aggressively engage in farm forestry until after F2022 (Mar). Fast forward to this fiscal, and incoming supply from plantation activity during F2022, F2023, and F2024 is set to create a wood glut this year (and particularly) in F2027E (Mar).

Exhibit 4 – How wood deficit from F2024 transitions into a significant glut in F2027E (Mar)?



Assumptions/Notes: 70% of clonal saplings get planted and grow into trees. Yields are assumed as follows – 70kg for Eucalyptus, 50 kg for Casuarina, and 20 kg for Subabul. For seedlings, survival rate will remain same @70%. 90% weight of MDF comes from wood fiber. For plywood, 75% of the market is unorganized, and Greenply makes up 25% of the organized market. Plywood thickness is assumed at 1 cm density is 780 kg per cbm. Over the years, development of newer short-rotation clonal saplings not only cut harvest cycles to under 3 years, but have also improved yields. Depending on wood type and process design, BCTMP (used for paperboard) requires 1.2-1.4 tons of wood for a ton of pulp. Yield is higher because BCTMP production retains most of lignin and reduces wood waste. This makes BCTMP much more 'wood-efficient' than other pulp types. Until 2Q FY26, only ITC would produce hardwood BCTMP in India. After 2Q FY26, JK Paper will also have in-house hardwood BCTMP pulping. While eucalyptus and subabul coppicing can lead to stable or even higher yields across 5 or more cycles, we have assumed 5 harvest cycles and 10% progressive yield loss for each harvest.

Sources: Internal estimates, Company reports, Industry discussions

¹⁴ JK Paper and Andhra Paper's sapling giveaways declined by >50% and >65% respectively between F2015 and F2018



Our call for wood glut in F2027 and beyond does not bake in several drivers that would likely exacerbate this glut. For instance, we have ignored government's forest wood cutting, and have assumed that private trees are only coppiced 4 times with progressively lower yields i.e. are only harvested 5 times (which is the lower end of typical coppicing rotations, particularly with newer clones). Further, Indian plywood and fiberboard manufacturers are increasingly working with alternative wood sources such as pine logs¹⁵, and our model excludes such alternative sources to service wood requirements.

Materials costs elsewhere should turn favorable too. Indian caustic soda prices are expected to decline between 8-12% over the next year, or well off of F2023 (Mar) highs. Similarly, coal prices¹⁶ are likely to come off by about as much in this calendar and next. We accordingly expect a sharp profitability rebound for integrated producers over the next 2-3 years.

Hindi revival and Hollywood tentpoles are material tailwinds for box office over the next 18-24 months. Continued shift towards 'fixed yield incentive' properties increasingly makes for a re-rating case for our theatrical exhibition holding. The first fiscal quarter for Indian box office was predictably strong (collections were up 20%). While English original content (+67%) was expected to be solid because of concentration of tentpoles, Hindi original content delivered a surprisingly strong +75% growth¹⁷. Other than Kannada and Marathi original content, no language content reported a decline, despite unseasonal rains and thunderstorms across the country. As we had stressed in our [January 2025 letter](#), we see more (and not less) propensity to consume theatrical content (vs. pre-pandemic), and this is even more apparent in the sub-29 yr cohort. We believe that investors had rather naïvely extrapolated poor Hindi content over the last year, and even more importantly, established a likely hypothetical association of this with a perceived adverse change in theatrical consumption habits.

IMAX screen revenues in India continue to be extremely impressive, despite *Jurassic World Rebirth* not getting *IMAX* screens in the first two weeks. It's critical to note that the exhibitor has no control on *IMAX* screen programming in any movie's first week. Consequently, given *IMAX*' screen agreements with *Apple* and *DC Studios*, both *F1* and *Superman* had hold over *IMAX* screens for nearly 2 weeks after *Jurassic World Rebirth* release. That however still didn't preclude *Jurassic World Rebirth*'s first day collections in India to outpace those of the other two. Given the paucity of screens, *IMAX* in India continues to exhibit impressive occupancies during what is one of the most concentrated Hollywood tentpole calendars in distant memory.

Going forward, 35-45% of all new screen openings would be on developer books, while another about 15% would be franchised¹⁸. Under the former, our holding would pay developers 8-10% fixed yield on their theatrical buildouts. By our estimate, such openings in the current fiscal alone could cut cash outflows by around INR 1.5 bil. For a business that has historically eked out CFROEs in the 20s (in its legacy properties) during even muted box-office years, the significance of going asset-light cannot be overstated. While we aren't pricing this yet, it undeniably brings in significant re-rating optionality within this position.

¹⁵ Plywood with pine core is also lighter

¹⁶ Our holding reported EBITDA in the low 30s in F2023. Since then, we estimate that coal consumption per ton of paper produced at our holding has declined by at least a low-teens %.

¹⁷ *Housefull 5*, *Raid 2*, and *Sitaare Zameen Par* collectively accounted for just over half of Hindi collections in F1Q26 (June).

¹⁸ Typically, these are properties that our holding otherwise wouldn't deem 'feasible'



We note continued movement of apparel manufacturing away from China and Myanmar, with Vietnam remaining the top alternative for such shifts. Trade headlines might suggest that apparel exports from Myanmar have normalized. In our view however, this is little more than tariff influenced inventory stuffing. If anything, while Myanmar has had client exits in recent years on account of labor grievances, we are now also noting recent moves away from the country that are influenced by client requests to minimize exposure to politically unstable environments. Meanwhile, shifts away from China continue to benefit our apparel holding, which owns facilities in all the other targeted supplier markets. While Japanese labels such as *Muji* have been acquired lately, we remain confident that brands such as *Uniqlo* (owned by *Fast Retailing*) remain firm (and capturable) targets for our holding. We note that one of *Fast Retailing*'s biggest Chinese suppliers, *Nameson Holdings*¹⁹, has borne the brunt of cuts lately, principally on account of its hitherto concentrated footprint in China. Vietnam²⁰ meanwhile has been the biggest gainer over the years from this shift, and now accounts for every sixth facility that supplies to *Fast Retailing*. The recently announced flat 20% tariff for US supplies²¹ also significantly alleviates fear of apparel shifts out of Vietnam. Our discussions across the apparel supply chain suggest that Vietnam would likely remain the top choice of client shifts away from China and Myanmar (assuming 'transshipments' are strictly defined as relabeled shipments²²), with other ASEAN nations, Bangladesh, and India also seeing some gains. As we have emphasized previously, ESG-focused vendors with diversified non-China footprint, such as our holding, should remain disproportionate beneficiaries. We increased our position in our apparel holding by >25% in C2Q26, which incidentally was our biggest quarterly add within our legacy holdings.

We completely exited our position in a packaging films company, driven by our assessment that profitability is set to deteriorate meaningfully over the next 12–24 months, because of a wave of incoming supply. While volumes may continue to grow, underlying unit economics are weakening, particularly in commodity and semi-specialty segments, creating what we believe is an adverse asymmetric situation.

The key structural driver behind our exit was the significant industry-wide capacity addition, with capacity expanding by 25% within this fiscal itself. Much of this is being driven by incumbent players expanding aggressively. As is typical in this space, most new lines are initially configured for commodity-grade film production, where process stabilization and higher throughput are easier to achieve. This front-loads downward pressure on pricing in the commodity piece, well before those lines can transition into semi-specialty or specialty products. Even semi-specialty segments, while arguably more 'value-added', have not been entirely immune, as oversupply in adjacent commodity grades has historically exerted downward pressure on pricing across the mid-spectrum. Meanwhile, the company had been rebalancing its legacy capacity, with the combined share of semi-specialty and specialty films increasing from ~72% to ~80%. While this mix shift moves the business incrementally towards higher-margin films, it does little to offset the broader supply glut. Pricing pressure remains widespread, and with a significant portion of the company's expanded capacity still exposed to commodity and semi-specialty segments, either through new lines or through transitional volumes, we expect gross margins to contract.

¹⁹ *Fast Retailing*, one of the very few bright spots in global apparel, was *Nameson*'s biggest client in F2025 (Mar).

²⁰ Our holding's Vietnam ops make 15-20% of its revenues

²¹ North America accounted for only 10% of *Uniqlo* sales overseas in the fiscal year ended in August 2024

²² Independent estimates suggest that barely low-mid single digit % of Vietnamese exports to US are relabeled shipments. There is however a risk that US replaces its current 'qualitative' standard to identify transshipments with a 'quantitative' one that relies on content value. By that standard, potentially a mid-teens % of Vietnamese exports to US might be at risk.



We expect pricing to decline by ~8% for commodity films and ~5% for semi-specialty films in F2026E. Despite this, overall films' revenue is expected to rise in the mid-teens, supported by higher utilization levels. However, the decline in per-unit spreads should more than offset the benefit of favorable mix and volume gains, resulting in mid-teens decline in films' EBITDA this fiscal. Profitability will likely further worsen on account of increased overheads from a newly commissioned line.

This business also has smaller verticals in pet care, specialty chemicals, and specialty plastics, which are all expected to report improved profitability over the next two years. Pet care remains EBITDA-negative (albeit improving), while the other two are growing off of a low base. Collectively however, these verticals remain sub-10% of the overall business. Effectively, by our estimate, improvement in smaller verticals and ongoing cost rationalization initiatives should limit overall decline in EBITDA to ~8%. Overall, for F2026E (Mar), we expect earnings to decline by nearly 60%, driven largely by spread compression and a higher capital charge.

Our decision to exit was also supported by a sharp post-earnings re-rating, with the stock gaining nearly 90% after the F4Q25 print. Given our outlook on medium-term profitability, the stock trading at ~50% premium (on 'normalized' profitability) to its pre-pandemic valuation, and tempting yields elsewhere, the setup wasn't as asymmetric as we usually prefer in our exposures.

We also completely exited our only 'technology' position in April 2025. We remain deeply concerned about the structural 'in-sourcing' headwinds faced by Indian technology services names. We had initiated exposure within this enterprise digital and cloud transformation name in May 2021, and had cut about a fifth of that exposure at about +50% gain by the end of that calendar itself. Subsequently, in September 2022, we had doubled our exposure after the stock had fallen more than -40% YTD. A quarter of the position was again pared a year later in September 2023, following another ~30% gain since the last addition. The remaining holdings were then liquidated in April 2024 and April 2025. This full exit in last quarter was planked on our view that regardless of industry-focus or development capabilities, nearly all Indian IT services names would continue to struggle as clients build out offshore centers.

For over 3 years, we have called out what increasingly appears to be a GCC steamroller cutting through development and, to a lesser extent, maintenance revenues of Indian IT services²³. Be it cost savings, lower internal resource turnover, long-term decline of the rupee, quality execution, or greater control over proprietary tools, Fortune 500 companies would continue to in-house development (and a part of maintenance too). Our internal discussions with GCC dedicated practices at certain US based consulting names such as *Deloitte* and *Glopax* confirm a fully billed out situation for GCC consultants.

Elsewhere, our continued discussions with Fortune 500 clients overwhelmingly confirm the trend of development getting increasingly in-housed. Case in point is a Fortune 50 healthcare services name, whose pharmacy benefits business is a surprising late entrant on the Indian GCC map. Their Hyderabad center was launched last year with the initial plan to hire 1,100 people, but would now house around 2,000 employees before the end of next year. Typically, their technology budgets work with 70:30 carveouts between development: maintenance, and like several others, they intend to fully internalize development. That is not to say that some development piece won't remain with legacy contractors. Many clients have confirmed that they intend to maintain vendor relationships because of two chief reasons – 1. More innovative and advanced development is planned to be managed internally, while vendors would be engaged for other

²³ As per *Xpheno*, GCC employment in India should grow at about double the pace of Indian IT services in F2026 (Mar)



projects, and **2**. Since technology budgets often don't get finalized until the end of calendars, clients would continue to have minimal development relationships with contractors to allow them hiring flexibility, even as a large chunk of development revenues for Indian IT vendors would likely disappear. That said, there are large clients such as *Target Corp*, who have fully internalized not only development but also maintenance work (by bringing contracted resources on payroll). Our discussions suggest that many others such as *Ameriprise*, *Nike*, and *Best Buy*²⁴ also intend to go down this path over the next few years.

Since many new GCC models are now being designed on build-operate-transfer structures²⁵, we expect to see a significant chunk coming off contractors' revenues once the transfer occurs in the coming years. It behooves us that the average IT services component within *Nifty50* ended the half year trading at nearly 25x F2026E (Mar) earnings. That reflects what appears to be inexplicable confidence within businesses that, at the very least, are likely to trudge through increasingly apparent revenue and pricing headwinds over the next few years.

Please let us know if you have any questions/thoughts.

Thanks,

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²⁴ *Best Buy* has already completely internalized development, while about half of maintenance work is still outsourced

²⁵ Managed by the legacy Indian IT contractor over say 3 years, before entire payroll transfers to the client



Performance benchmarking

	Minerva India Under-served	Nifty 50	S&P BSE 500	S&P BSE Midcap	S&P BSE Smallcap	With Intelligence Asia HF	India-focused CE Funds*
Trailing 1 year	8%	6%	4%	2%	5%	12%	8%
Trailing 5 yr CAGR	35%	21%	22%	29%	35%	7%	17%
Since inception CAGR	18%	11%	12%	14%	14%	6%	9%
2025 YTD	6%	8%	5%	1%	-1%	6%	6%
2024	8%	9%	15%	26%	29%	9%	16%
2023	28%	22%	25%	46%	48%	0%	26%
2022	18%	6%	3%	1%	-2%	-9%	-2%
2021	92%	23%	30%	39%	63%	8%	20%
2020	18%	15%	17%	20%	32%	22%	12%
2019	-10%	12%	8%	-3%	-7%	13%	3%
2018	-6%	3%	-3%	-13%	-22%	-7%	-5%
2017	17%	29%	36%	48%	60%	29%	31%
2016	9%	3%	4%	8%	2%	3%	1%
2015	22%	-4%	-1%	7%	7%	6%	-1%
2014	34%	31%	37%	55%	69%	39%	49%
2013	21%	7%	3%	-6%	-11%	-6%	6%
2012	39%	28%	31%	38%	33%	14%	28%
2011	-11%	-25%	-27%	-34%	-43%	-25%	-31%
Annualized Volatility	21%	16%	17%	20%	23%	9%	16%
Annualized Volatility (+ve)	14%	10%	11%	12%	13%	5%	9%
Annualized Volatility (-ve)	14.3%	11.4%	12.3%	14.8%	17.2%	6%	12%
Sharpe Ratio	0.75	0.47	0.50	0.57	0.51	0.17	0.35

Source: BSE, NSE, EurekaHedge, Bloomberg

Note: Returns are in INR and until the end of 30th June 2025; Our strategy performance is net of execution charges and mgmt. fees, but before incentive fees; Our management fees are accrued monthly for reporting purposes. Since the fee is actually charged and calculated quarterly, compounding of the fee charge leads to us conservatively reporting slightly lower strategy returns vs. client actuals; Sharpe was calculated by using since-inception monthly returns and is based on an Rf of 5%. Sortino was 1.1.

*US-based close-ended funds, with returns adjusted for INR/USD movements.

Strategy Snapshot

Characteristic	Notes	
Top 5 positions as % of book	58%	
Avg. weighted market cap of book (mil)	\$627	>> Median holding's market cap is \$470 mil
Avg. weighted institutional ownership	17%	>> Median institutional ownership of current holdings is 12%
Avg. weighted free float of book	41%	>> Median free float was 45%
Net Exposure	70%	
Avg. weighted F2026E (Mar) EV/EBITDA	10.1x	>> vs. 24.8x (Nifty Smallcap 50), and 26.1x (Nifty 50)
Avg. weighted current P/B	2.9x	>> Median P/B was 2.6x
# of holdings	11	

Note: Characteristics are as at the end of June 2025



Meet your investment manager

Piyush Sharma, born and raised in India, has been running the Minerva India Under-served strategy across offshore and onshore structures since early 2011. The strategy focuses on investing in uncrowded and institutionally under-owned/orphaned situations within Indian smaller smallcaps. Essentially, strategy's focus is to capitalize upon flawed overly-generalized narratives within poor price discovery pockets. Having spent time with Citigroup and Bombay Stock Exchange in India, he moved to United States in early 2000s, where he covered stocks within Business Services, Autos, Consumer Products and Financials with Sanford Bernstein, Longbow Research, and Avondale Partners, working in teams that received accolades from leading institutional research arbiters, including Institutional Investor (II) and Greenwich Associates. Piyush received an MBA from University of North Carolina at Chapel Hill, MS from MNNIT, and BS in Accounting from University of Allahabad.



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