



Dear Investors:

One needs an extremely wide-eyed onshore investor base in India to label a median 23x F2026E (Mar)¹ buoyant earnings for *Nifty50* (ex-financials) as “reasonable”. There is absolutely nothing reasonable about these valuations. A microstructure that remains hobbled by capital controls and ban on shorts only further impels these absurdities. Consequently, this remains a remarkably credulous ticker tape that continues to naively price ‘here and now’ growth! One cannot conceivably imagine how a dollar of earnings at Indian food delivery apps, fast fashion retailers, bottom of the value-chain phone assemblers, or railroad wagon manufacturers can get capitalized at levels that make even the likes of *ON Holding*, *Grab*, or *Nvidia* appear unique bargains². Given where rest of the world (ex-US) trades today, in our view, far deeper cuts are required to bring headline Indian names into investable territory for strategies with global/regional mandates. It would befuddle us to see active³ EM or regional strategies not maintain an underweight stance on headline India until that time.

In C1Q25, *Minerva India Under-served* was down **-9.4%**, vs. **-15.5%**, **-10.6%**, and **-4.6%** declines in *BSE Smallcap*, *BSE Midcap*, and *BSE 500* respectively. Over the past 5 years, *Minerva India Under-served* was up **+38%** annualized, vs. **+37%**, **+31%**, and **+25%** gains in *BSE Smallcap*, *BSE Midcap*, and *BSE 500* respectively. Over nearly 14 years of deployment in India, *Minerva India Under-served* is up **+17%** annualized (net; in INR terms), vs. **+13%** (gross; in INR terms) gains in *BSE Smallcap* and *BSE Midcap*, and **+11%** annualized gain in *BSE 500*. Critically, and in contrast to Indian smallcaps, vast majority of our alpha capture vs. *BSE 500* has been during drawdowns and moderate-return periods (and not during broader run-ups). Given our under-owned/orphaned positioning, we typically lag during periods of liquidity surges. Our since-inception annualized volatility was 237 bps below that of *BSE Smallcap*, and 83 bps above that of *BSE Midcap*. Importantly however, our ‘downside volatility’ is materially lower than at either benchmark – 298 bps and 55 bps below that of *BSE Smallcap* and *BSE Midcap* respectively.

We only initiated one new exposure in our tail in C1Q25. Overall, our net buying during the quarter was nearly a tenth of our Dec-end total assets, making C1Q25 our most active buying quarter since C2Q23. To be clear, this is not a reflection of our C1Q view on headline Indian smallcaps or *Nifty50*. Instead, this was simply driven by opportunistic buying in names where prices had temporarily receded to 2023 or earlier levels, and had considerably disconnected with even our depressed view on underlying earnings. As always, our exposure decisions are driven by our attempt to capitalize upon an indiscriminate ticker tape vs. responses to monthly gyrations around the usual amplified street rhetoric towards India. We ended C1Q25 with 35% liquidity on the sidelines, vs. 39% at the beginning of the quarter.

The biggest victims of elevated uncertainties are always the assured and entitled. It is (unfortunately) somewhat farcical that while we are in the business of pricing future and associated uncertainties, we today invest within an ecosystem in India that has, in our humble view, largely abrogated its fiduciary duty on the latter over the last few years. It is therefore ironical when we suddenly notice increased chatter on pricing uncertainties (primarily related to shifts in global tariff structures). It’s remarkable how unreasonably assured we are otherwise – Onshore investors in India are wired to ignore critical tail risks associated with say an overburdened judicial system that cannot swiftly litigate cases brought in by the state, a dilapidated healthcare infrastructure to fend off the next public health scare, arguably bipartisan trade policies that

¹ As of March 31st 2025. At the index level, it was an even generous 29x for *Nifty50* (ex-fin), after excluding *Grasim* (because of depressed earnings). *MSCI India* (seemingly comprised of “reasonably valued” large cap components) was at ~110% premium vs. *MSCI EM* (ex-India).

² All of these have seen their C2025E estimates either stay unchanged, or revised upwards over the last year

³ Depending on the year, actives have recently accounted for close to half of listed equity foreign inflows in India



continue to shield a select few from global competition (and suppress industrial competitiveness, while doling a handful of bilateral trade concessions), or unilateral diktats by states on how/where/when to sell something at what price etc. These structural impediments, besides a few others, by themselves are meaningful enough to temper down the unequivocally generous terminal multiples that are slapped on several Indian businesses that neither have stellar sustainable growth, nor a proven ability to mostly compete outside Indian borders on anything other than price. Yet, somehow ‘tariff’ and associated uncertainty is the imperative discussion point on Dalal street today.

To be clear, we aren’t trivializing the immediate impact of tariffs. It is clearly hard to candy-coat the implications, regardless of whose vantage point this is viewed from. Consider the following timeline - Furniture assemblies in North Carolina and garment factories in New York City’s garment district began folding in the 80s and 90s, while *Apple* started moving production eastward a bit later. Since then, currencies such as the IDR, VND, and INR have seen sharp declines (more like annihilated) vs the USD. It’s patently impossible to bring such activity back to United States today, nearly regardless of the tariffs imposed on importing these. Cases such as *Diageo* brewing *Guinness* in Alabama or *Audi* assembling more units in Tennessee are little more than isolated examples of forced footprint shifts (more for immediate appeasement of current administration, than for fundamental reasons). Likewise, we would also like to call out Dalal street narratives that suggest some dramatic footprint shifts in favor of India. While we don’t discount some such marginal shifts over the next few years, we can’t fathom, for instance, how a mere 9% extra tariff on Bangladesh-made apparel somehow makes up for underlying wage differentials between Dhaka and Bangalore, or lack of established supply lines, even if one were to ignore FX offsets⁴. Elsewhere, it is equally critical to note, that to a significant extent, producing nearly anything in China was also influenced by ‘local for local’ considerations, suggesting that ASEAN nations in close proximity (and not India) should yet again be the preferred choice for shifts away from China.

We believe that, once trade diplomacy comes to the fore and current hyper-bellicose stance in United States takes a back seat, with the exception of select trade between economic/political adversaries, trade barriers will likely reset lower⁵ over time, and the protected would inevitably be called out (and rightly so). If anything, we would be pleasantly surprised if the current administration in United States (and hopefully others follow) turns out to be just the whack India needed to weed out its deeply embedded inefficiencies related to maintaining high legacy trade and other barriers for little more than political considerations. Over the long-term, lower trade barriers should benefit the electorate and exchequer alike (more illustrations later in this letter).

On the off-chance of jingoistic lunacy prevailing, among the most impacted, somewhat ironically, will be the American consumer and *S&P 500* globetrotters, with ensuing inflation likely rendering monetary levers toothless. Don’t expect to see winners elsewhere either, with more than even odds of widespread demand destruction and deflationary conditions⁶ in several industries. Needless to add, left to pick a binary choice, we would side with tariff reciprocity. It’s naïve to side with or own trade-shielded names in India, and we don’t. We would rather be positioned within names that do well within a cocooned environment, but can flourish in a freer (and fair) trade world.

Growth is not endless, and by extension, not priceless. Generously paying for growth is near certain to hurt. Those familiar with extreme cold climates should be well acquainted with *Canada Goose*. It is essentially the

⁴ Bangladeshi Taka lost nearly 3% vs. the INR in the first quarter of C2025 alone

⁵ We expect April 2nd rates to get reshuffled over time into more equitable rates that are dictated by reciprocity

⁶ Over the last few weeks, large non-US names have increasingly hinted towards heightened efforts on selling outside US, while Chinese accelerate their focus towards ASEAN, MENA, and Latin American markets.



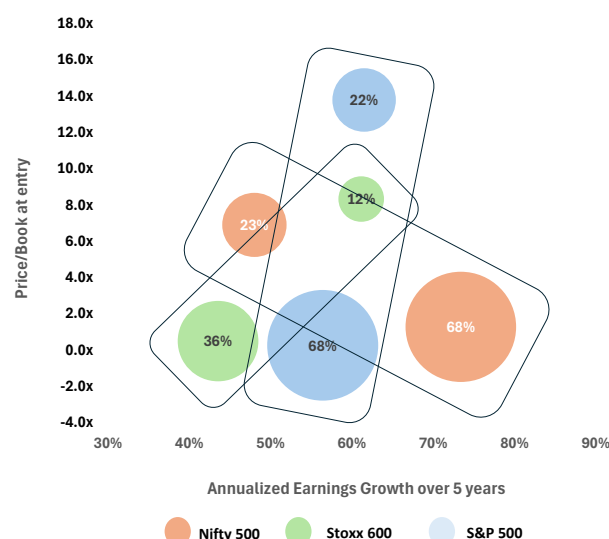
Dior of winter-wear, and is well known for its fur-trimmed parkas. It went public in early 2017 on the back of stellar growth. It's operating earnings had doubled in the two years preceding its public offering. In its first 3 years of being public, earnings had more than quadrupled, but stock returned a relatively measly 29% over this 3-yr period. Heavy institutional ownership meant that there were fewer subsequent takers for that growth after it listed at a bit under 40x TTM EBITDA. Expectedly, competition in China, which was/is typically the biggest market for luxury labels, intensified while eco-conscious consumers elsewhere pushed back⁷. Consequently, growth petered out. Over the last five years, stock has lost more than 60%. This is hardly a revelation for a sane investor though. Neither consumer preferences, nor competitive environments are static. Unless competition is artificially curbed, all growth inevitably hits a proverbial wall. Apparently, a large part of India's onshore investors today never received this memo, and immediate growth in India continues to get capitalized at alarmingly irreconcilable levels. *Canada Goose* is nonetheless a name that transcends borders. Onshore investors in India meanwhile take turns hyping up growth in manufacturing names with limited pricing power and even re-sellers, be it chemical names 5 years ago, shipyards over the last couple of years, and retail names more recently⁸.

To illustrate the point of how overpriced growth is likely to subsequently hurt investments, we evaluated all hyper-growth instances (defined as clean annualized earnings growth of 40% or higher over any 5-yr period) for all *Nifty 500*, *Stoxx 600*, and *S&P 500* components (ex-Financials, Materials, and Utilities) for last 25 years. These hyper-growth instances were then broken into top and bottom quintiles based on entry price-to-book multiples - Subsequent returns for top-quintile entry valuations were distinctly poorer globally vs. bottom-quintile entries (see **Exhibit 1**), with earnings growth often unable to offset generous entry valuations.

Stoxx 600 components in particular showed how elevated entry valuations couldn't offset even superior earnings growth for top-quintile valuations – Note that the median top-quintile entry valuation was at 8.3x P/B (vs. median 0.5x for the bottom quintile). Importantly, even though subsequent 5-yr earnings growth for the top valuation quintile came at 18% higher annualized pace vs. the bottom quintile, median subsequent 5-yr return was 25% (annualized!!) lower for the top quintile.

What green shoots?. Even 'Maha-Kumbh' couldn't mask clear deceleration elsewhere. We remain thoroughly unable to reconcile with Dalal street's apparent conjecture about a suddenly healthy consumer,

Exhibit 1 – Top and Bottom entry valuation quintiles vs return



Notes: All instances of >40% or higher annualized earnings growth (ex 1x items, and excluding financials) over last 25 years across all benchmark components were included in this exercise. Bubble-sizes indicate subsequent 5-yr absolute returns after entry. Smaller bubbles in these cases incidentally also coincide with higher entry multiples.

Sources: LSEG Data & Analytics, S&P Global Market Intelligence

⁷ For use of animal fur in some of its jackets

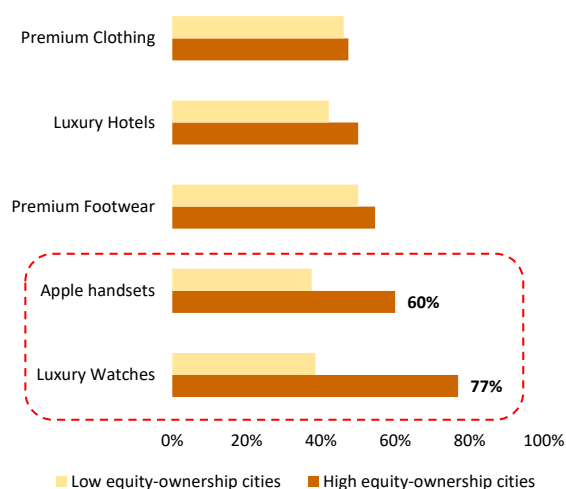
⁸ It's not uncommon for headline retail names in India to trade north of mid-40s F2026E EBITDA (even without adjusting for impact of leases).



be it in urban or rural India. Our observations remain at odds with this overly sanguine assertion – We now see record downtrading across both personal care and food categories in metros and non-metros alike.

Further, if we exclude towns in Uttar Pradesh (to isolate the *Maha Kumbh* impact), we haven't seen as weak a consumer in second-tier towns in distant memory. The point that we have to even isolate impact of an event that reoccurs every 144 years (!!) is ridiculous by itself. And it's not just staples consumption either - The adverse wealth effect is now clearly visible within premium categories. We recently segregated some of India's biggest cities into 'high equity ownership' and 'low equity ownership' buckets, and evaluated deceleration (or not) in January and February within consumption in certain premium categories (luxury watches, apparel, footwear, hotels, and smartphones). We noticed significantly sharper deceleration within high equity ownership cities across all categories (please refer to **Exhibit 2**), with particularly poor demand in February⁹, despite somewhat elevated retail clearance activity at the beginning of this calendar. The impact has expectedly been more severe at higher price points (refer to the number of *Apple* and luxury watch retailers reporting unusual deceleration in the below exhibit). All told, the only consumer comeback we have seen over the last year has been in management commentaries and sell-side's regurgitated research pieces.

Exhibit 2 - % of stores reporting 'unusual' deceleration



Notes: 'High' and 'Low' equity ownership are relative. Mumbai, Delhi, Pune, Bangalore, and Kolkata were included within 'high equity ownership' cities. Hyderabad, Ahmedabad, Jaipur, Baroda, and Surat were included within 'low equity ownership' cities. Source: Internal survey data

Elsewhere, while there are typically several moving parts¹⁰ that drive food inflation in India, we can't miss the point that onset of early summer¹¹ means that agri-yields remain at risk, and recent softer inflation prints could reverse.

Dalal street estimates remain predictably cheerful.

While India's newbie investors¹² may still remember the pandemic, we are arguably looking at a larger structural shift at this time, and this remains uncharted territory for most of us, let alone this thrill-seeking group. In 8 of the last 10 years, *Nifty50*'s earnings have seen down revisions over the course of the respective calendars, with the median cut of -11%¹³ (see the C2015 onwards period in **Exhibit 3a** on next page). Even if we were to inexplicably ignore what is already an ongoing distinct deceleration in India, it is inconceivable that India today wouldn't be adversely impacted in an increasingly interconnected world. It is incredibly naïve to engage in an exercise to determine winners in a combative trade environment.

While C2025E earnings estimates for *Nifty50* have been pared by barely -5% over the last year, vast majority of that only happened in the last quarter (see **Exhibit 3b** on next page), despite persistent weakness over several quarters. Dalal street has essentially kicked those unpleasant cans further down. It wouldn't take

⁹ Between September and February, *BSE 500* and *BSE Smallcap* had lost nearly a fifth and fourth of their value respectively.

¹⁰ While rice stock at *FCI* is running well ahead of historic averages (in terms of months supply), wheat stock is running considerably below historical levels.

¹¹ India recorded its hottest February on record, and even March was 0.8 degree Celsius above normal

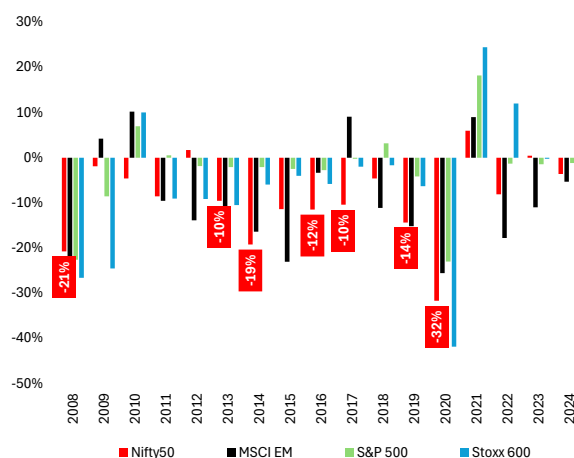
¹² About 90% of all active brokerage accounts in India opened after F2011 (Mar), and nearly 3/4th of them opened after the first pandemic lockdown was announced. Likewise, nearly 60% of all domestic mutual fund investors started only after the first lockdown announcement.

¹³ The corresponding median estimate cut for *S&P 500* and *Stoxx 600* over the last decade was -2% and -4% respectively



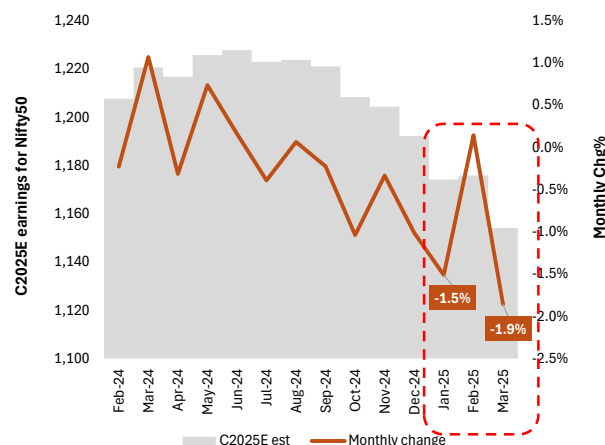
much for *Nifty50*'s C2025E estimates to be cut by at least another 10% (which remains our base case at this time) over the next couple of quarters.

Exhibit 3a – Global earnings estimates drift by calendar year



Source: LSEG Data & Analytics

Exhibit 3b – Nifty50's C2025E drift over the last year



Perhaps a bit too fast and a bit too furious. In nearly a decade and a half of allocating in India (and even earlier), we haven't seen as 'green' (and expectedly as 'entitled') an onshore investor base as we see today. The post-pandemic pace of brokerage account openings in India has not only been unprecedented in Indian history, but we also can't find a parallel in global emerging market history. For context, adjusted for India's current income levels (in today's USD terms), direct equity participation at Indian households¹⁴ is running about 5x what we have seen in emerging markets historically, and about 1.5x the highest precedent we have ever seen (China around 2006/07). It's not in the least aggressive to postulate that this participation rate could recede significantly, should the ticker tape weaken from here.

China meanwhile remains significantly under-owned. Chinese equities in Hong Kong didn't need a deluge of foreign inflows to outpace in the first quarter. Notwithstanding the tariff noise, we expect a prolonged path of sustainable growth in select parts of listed China. Regardless of how tariff barriers shape up, the most competitive are always likely to eventually prevail. In our opinion, it is therefore foolhardy to miss out on several highly enterprising and competitive Chinese names today (often with mid-single-digit or higher yields), particularly at these valuations.

Meanwhile, higher political risk premium in the US is nearly certain to hurt two of the most crowded trades in recent times – long dollar, and long US equities. As tempted as we are to throw in offshore long-duration investment-grade credits in that crowded camp, we would nonetheless still prefer that paper over India's rich headline *Nifty50* components today.

While foreign domiciled China focused funds kept seeing outflows until the end of January, these flows pivoted inwards in February and March, essentially flattening the net flow picture during the quarter. It's worth noting that, as we begin writing this quarter-end update, China dedicated funds posted their second biggest net inflow on record in early April¹⁵. While concentrated periods of large flows can move the ticker

¹⁴ India's direct equity participation for households is now in the mid-teens, not far from even 20% in today's US

¹⁵ This was otherwise in sharp contrast to Global EM funds, which collectively saw a large outflow in early April



tape in the short run, they clearly weren't required to move the tape during this past quarter. Critically, it's daft to see foreign capital flows as arbiters of identifying hidden value within EMs in general, and China in particular. For what it's worth, some of the most forensically suspect names within *BSE 100* today are overwhelmingly held by FPIs, even as domestic investors have rightfully eschewed them. We have consistently emphasized that foreign institutional flows serve little more than driving near-term disconnects vs. capturing durable value - Across most timeframes and most emerging markets, foreign funds mostly under pace their onshore peers over meaningful periods, and China and India are no different. The perennial onshore investor obsession with FPI flows in India¹⁶ or China is little more than noise.

During the quarter, we started allocating to a new auto parts name, which manufactures transmission parts for foreign OEMs. We have always liked Indian businesses that transcend borders and can compete in a free global marketplace without simply anchoring themselves in lower costs. About 3/4th of this business' revenues comes from European exports, while the balance comes from India. 2W OEMs account for a little under half of its business, followed by contributions from ATVs/Tractors/PVs/CVs.

We believe that the underlying growth here has legs, with limited dependence on the domestic market. Instead, the growth here is increasingly planked upon closer engagements with certain European luxury OEMs. We would accentuate the following:

- 1. Validation from a leading German luxury car OEM contributes mid-single-digit revenue growth + material optionality.** Until recently, it supplied parts to German OEMs through a Tier-I supplier. However, recent nomination from a German luxury OEM for a parking lock mechanism¹⁷ further corroborates its positioning and ability to now win through engagements that focus on considerably lower rejection rates and typically involve longer validation periods. Our discussions with the associated OEM further emboldened our view.

We estimate that this nomination by itself should contribute an annualized mid-single-digit revenue growth over F2025-F2030E (Mar). We must stress upon the point that incremental wins at this OEM remain a material optionality¹⁸.

- 2. One can fairly argue that electrification in 2Ws is nearly certain. How is our recent holding positioned?** We see limited challenges from ongoing EV transition because **1.** Our holding operates at the premium end of the market (>350 cc), and **2.** The contribution from higher cc engines is just under 40% (including ATV/RTVs, Tractors, and CVs), which are considerably less likely to move to electric platforms.

While we wouldn't characterize our entry at around 11.5x F2026E (Mar) EBITDA particularly cheap, we certainly don't believe that we have set ourselves up for any multiple contraction here. Consequently, we

¹⁶ Within *BSE 100* names, median institutional ownership is about 32%, with FPIs holding 107 dollars for every 100 dollars held by DIIs. The median institutional ownership for our book is little over 11%, with FPIs holding 97 dollars for every 100 dollars of DII ownership.

¹⁷ This nomination amounts to >INR 5 Bil, with commercialization starting from F2026-27.

¹⁸ Without accounting for subsequent nominations, we believe that high-single-digit to low-double-digit revenue growth is easily achievable. We estimate low-teens EBITDA growth over F2025-30.



anticipate that the price action should commensurately reflect what we believe is highly achievable mid-teens earnings growth over the next 5 years.

We would also like to share some select insights into current/potential tariff related disruptions related to some of our key holdings:

Indian auto parts market can significantly capture incremental volume gains if India drops its obsession with overly taxing foreign luxury OEMs and cuts/removes insanely elevated local tax rates on luxury consumption. Ask any luxury OEM in India and they would attest to global competitiveness of several Indian auto parts businesses. So much so that luxury OEMs with local assemblies now use several Indian suppliers for even global sourcing. In certain cases, cost differentials are significant enough for parts to get shipped from India to Germany before getting shipped back to OEM's local ops in India (blame established logistics systems that work on scale for these comical shipments). Unsurprisingly, luxury vehicle assemblies have got increasingly localized over the years, but we strongly argue that luxury OEM localization rates can go even higher if market gets freed up from India's back-breaking taxes. Simply put, tariffs need to go, and 50% consumption tax (GST + cess) needs to be lowered meaningfully. As if tariffs and taxes on imported (and locally assembled) luxury vehicles in India weren't onerous enough, nearly every foreign OEM with Indian ops at some point has got slapped with tax bills on the argument that they imported knocked down kits in separate shipments to minimize duties. In the absence of these inefficiencies, there is absolutely no reason why Indian domestic luxury car market shouldn't be at least north of 200,000 units, vs. the paltry 51,000 units sold last year¹⁹. That requires a freer market economy though.

Localization rates can increase materially if domestic luxury car market scales up. When *Porsche* launched its Keda facility in Malaysia for merely assembling knocked-down imported kits for *Cayenne*, they nonetheless managed to cut the price down by nearly 20% (vs. entirely imported vehicles). India, in sharp contrast, can offer significant localization alternatives and lower wages – Luxury German OEMs with local assemblies already report localization rates in the 30-50% range²⁰. However, increased localization potential remains capped because of current sub-par scale (because consumer affordability is artificially suppressed through highly elevated taxes) - While powertrain is nearly entirely localized²¹ at Indian ops of *Mercedes* and *BMW*, luxury market size remains too small in India for structural customized parts such as BIW (body in white) and stamped components within chassis to be sourced locally. These components are considered critical Tier-1 subassemblies and need scale to be cost competitive. Likewise, suppliers of low-value chassis components (tires, wheels, brakes, steering etc.) and low value exterior components (lighting, windshields etc) also expectedly focus on scaled-up domestic/Korean OEMs vs. current sub-scale Indian ops of luxury OEMs.

Consider the current environment for luxury wheel rim sourcing - We note that the current rim requirements at domestic assemblies of *Mercedes* and *BMW* in India are entirely imported, despite *Maxion's* presence in

¹⁹ While India accounts for about 6% of millionaires in Asia, its contribution to Asian luxury car sales is typically in very low single-digits (depending on the OEM).

²⁰ To put that in perspective, likes of *GM* and *Stellantis* have higher local content in even their otherwise highly imported North American assemblies.

²¹ Given weight and value considerations, these are sourced from Pune. Depending on the platform, drivetrain and engine account for 30-40% of total material cost.



Pune and another highly competitive peer facility nearby in Gujarat. Contrast this with *Maxion's* wheel rim facilities in Czech Republic (supplies to *BMW*), Thailand (supplies to *Jaguar Land Rover*), and Turkey (supplies to *BMW*, *Jaguar Land Rover*, and *Volvo*). At scale, we therefore have no reason to suspect why Indian suppliers can't be in a position to adapt and be counted.

As always, there are structural challenges that need to be addressed - Consider the occasional case of say a luxury German RFQ in India that comes with associated ESG sourcing requirements for wheels, but limited supply of recycled aluminum (and associated rejection rates) means that local suppliers will often not engage. That said, we are already seeing emerging interest from larger smelters for aluminum recycling. Admittedly, there will also be a handful of models that might continue to see imported content even in a freer operating environment (those that go with forged aluminum rims etc.).

To sum it, in our view, no one stands to incrementally gain more from increased localization at luxury OEMs than leading domestic Tier-1 suppliers of body and chassis components. It wouldn't take a lot from the government to drive the change (as long as there is a clear will, and determination to ignore select interests).

If domestic luxury scale builds up, India also remains well positioned as an assembly base for certain Asian and MENA markets. While given persistent deflation in industrial robotics²², OEM footprint is no longer driven purely on labor costs, it is nonetheless a highly influential driver while deciding upon assembly locations. Consider differentials at *Hyundai*, for instance – It's Indian ops spent about \$295 per \$9K car in payroll (including wages for contractual factory workers) last year, vs. >\$2,700 (excluding post-retirement benefits) per \$24K car for its global ops. And these stark differentials aren't just at mass OEMs either – We estimate that employee costs for *BMW* and *Mercedes* in India also account for barely 3-4% of their revenues. Also, given domestic sourcing capabilities in India today, luxury OEM assemblies have at least an even chance of also doubling up as an assembly hub for select Asian and MENA markets (particularly for entry models and locally developed platforms such as say longer-wheel base vehicles for chauffeur-driven cars). All said, we don't see any particularly credible rationale that would preclude German luxury OEMs in India from having localization rates similar to their Chinese assemblies (typically in the 60-80%²³ range), subject to tariffs and taxes being lowered.

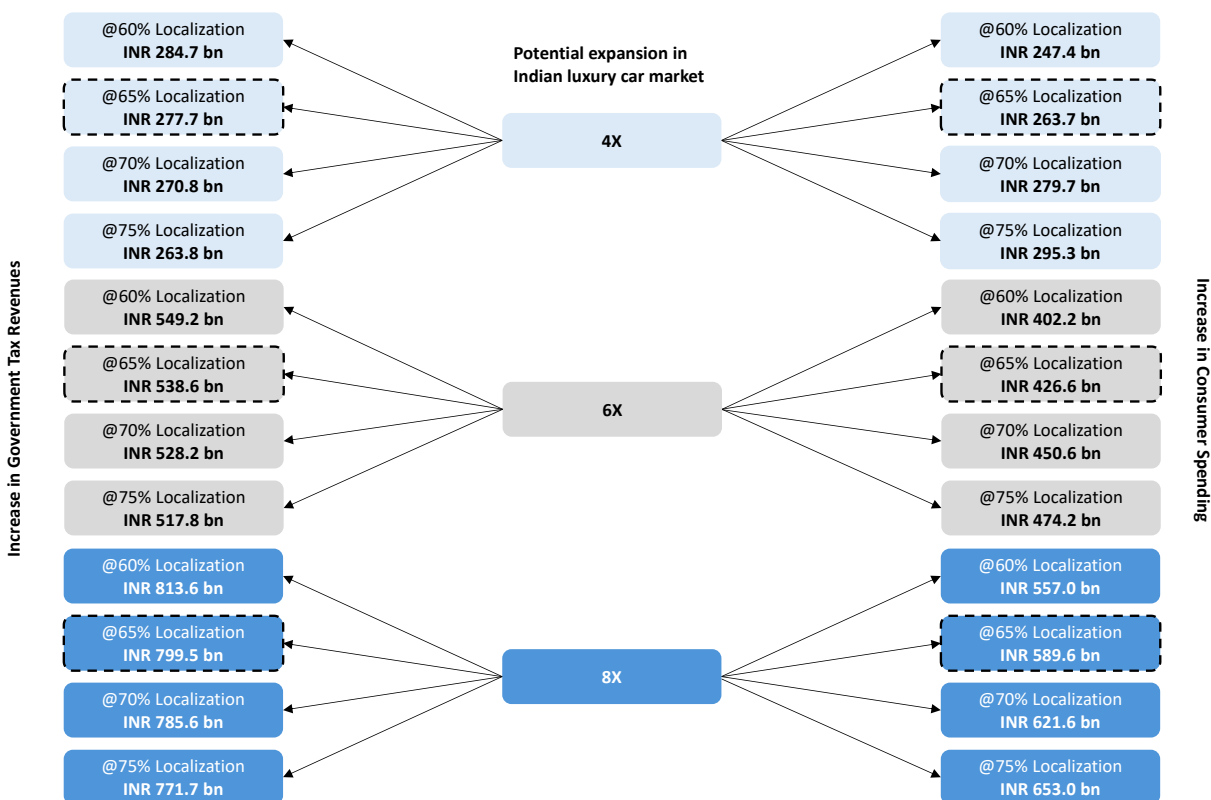
To call out the silliness of having such elevated tariffs and consumption taxes (and debunk the narratives around associated collective negative disruption), we illustrate how lower tariffs and taxes can potentially benefit both government revenues and consumer spending (refer to **Exhibit 4** on next page). Scenarios are treed out based upon potential expansion in domestic luxury OEM market, as a result of tariff and tax rationalization (ranging from 4-8x), and higher localization rates for parts (ranging from 60-75%). We estimate that, assuming Indian tariffs and luxury consumption cess come in line with current levels in China (Import duty on completely built units goes down to 36%, median import duty on parts goes to 10%, and consumption cess on luxury vehicles is reduced to 10%), and luxury OEMs pass through 90% of cost savings to the Indian luxury consumer, government's overall tax revenues (direct + indirect) can grow between INR 260-770 billion, while aggregate domestic consumer spending can expand between INR 245-655 billion. Even excluding potential multipliers associated with job creation around parts and OEM assembly lines, or government spending related multiplier benefits, we estimate that such tariff and tax rationalizations within automotive alone stand to add 20-40 bps to the economy. Expect domestic OEMs to raise a certain ruckus.

²² Average cost of industrial robots has declined by more than 60% over the past 8 years alone (Source: *International Federation of Robotics*).

²³ Certain models of *Audi* (A4L, A6L etc.) are nearly 85% localized, while *Tesla's* Shanghai produced *Model-3* and *Model-Y* apparently have 90% local content

Clear visibility and rational tariff and tax structures are highly critical determinants of supply-chain configurations. Bombastic headlines don't drive investments. Clear (and lower) tariff and higher tax visibility (and less eager taxmen) are undeniably more critical in driving investments than headline wage differentials. If India can deliver on this, we have no reason to suspect that not only would it significantly expand the Indian luxury car market, but also potentially place India among global assembly hubs (for select luxury platforms and mass OEMs). We see enough precedents to confirm that luxury OEMs do not need mega-scale to launch assembly lines – *BMW's* Pretoria plant had an initial capacity of about 70,000²⁴, *Mercedes' JV* facility in Beijing started with a capacity of 40,000, *Jaguar Land Rover's* facility in Rio started with an initial capacity of 24,000, while *BMW's* Chennai plant launched with barely sub-13,000 capacity.

Exhibit 4 – Implications of lower tariff and taxes (for Govt revenues and Consumer spending) within luxury OEM market



Notes/Assumptions: We assumed one assembly line OEM job per 50 assembled vehicles, and every OEM job creates 3-9 jobs within the supplier network. Non-OEM wages are conservatively assumed at 70% of OEM wages. Assembly-line wages were assumed to be 3/4th of overall payroll. We estimated current luxury-OEM weighted localization rate at 44%. Median wages + payroll for the overall Indian parts space is around 11% of revenues, vs. about 4% for domestic luxury OEMs.

Sources: MCA, Company reports, Internal estimates and analysis

Our two top auto parts holdings accounted for more than a fifth of our book at the end of C1Q25. Both of them are not only well positioned to compete in a tariff-less world²⁵, they would be among the primary

²⁴ Nearly the entire production was exported

²⁵ Both have supplied to foreign assemblies, with our two-wheeler lamps holding also supplying to 3 *Harley Davidson* models assembled at *Harley's* Thai facility



beneficiaries of increased assembly activity in India, should India's onerous trade and non-trade (taxes in particular) barriers be rationalized/removed.

'Super vendors' with geographical footprint would continue to gain share in apparel manufacturing. For industries that don't require complex tooling, inter-geographic shifts are easier, particularly when the assembly is entirely outsourced. Think of apparel → We can't think of a major global label that knits internally. That makes switching between geographies relatively easier. That sword cuts both ways though – Those harping on about how Bangladesh being slapped +9% extra tariff (relative to India) for US imports somehow aids India fail to appreciate 1. Significant wage differentials between both countries, and 2. Taka's significantly sharper depreciation vs. INR. Our discussions with apparel buyers confirm our previous understanding that labels would continue to reduce suppliers²⁶ and increasingly engage with 'super-vendors' with broader geographic footprint. Consider this – Between 2019 and 2024, *GAP* and *Ralph Lauren* cut their supplier counts by 75% and 40% respectively, with geographically diversified and environmentally and socially responsible²⁷ suppliers consistently gaining ground. We note that no current Indian apparel maker has nearly as diversified a footprint as our holding (currently in South Asia, ASEAN²⁸, and Central America).

We estimate that 3-4% of global apparel manufacturing can shift outside China in the near-future, and suppliers with footprints in ASEAN, Bangladesh, and India (and this would include our holding) should again be among the biggest beneficiaries. Vietnam in particular remains an important destination for US '*Supima*' cotton and it is not in US-Vietnam bilateral interest to disrupt this engagement. We therefore thoroughly disagree with narratives that suggest a somewhat adverse structural impact on the Vietnamese apparel industry. While we remain convinced that our apparel holding would continue to gain on account of its well-spread footprint, we do not view elevated tariffs as a 'structural' shift and expect subsequent de-escalation. Our apparel holding is much more than a juiced-up 'Make in India' play. In contrast, it is 'A highly agile²⁹ Make Anywhere' business within an industry that increasingly prioritizes agility. In the aftermath of the tariff announcements and ensued bustle, we further increased our exposure in this holding. We do note however, that front-running within US retail channels in C1Q25 would have pulled away some F2026E (Mar) demand.

Halogen to LED shift within automotive lamps is running ahead of our expectations. Even if we were to exclude EV-specific OEMs (*Ola*, *Ather* etc.), there were about 157 two-wheeler trims that only had LED lamps in headlight, taillight, and wipers in F2025. That's s about 50% more all-LED trims vs. last fiscal. For context, industry-wide, there are now about 4 all-LED trims for every trim that featured only halogen or bulb in lamps. We wouldn't rule out a scenario wherein halogen/bulb lamps largely disappear within the next 4-5 years³⁰. We note that no trim at *Suzuki* and barely 14% of *Bajaj's* trims still have halogen/bulb in lamps. Even at mass OEMs such as *HMSI*, *Hero Motocorp*³¹, *TVS*, and *Yamaha*, between 20-40% of all trims over the last year had only LEDs in head and tail-lamps. Given this irreversible natural ongoing shift, even excluding new incoming

²⁶ *Inditex*, which arguably has the widest network of supplier factories globally, sharply cut its supplier factories from nearly 8,200 at the end of 2019 to 6,600 by 2024 end.

²⁷ The *Higg Index* average for *Ralph Lauren's* Tier-1 suppliers in 2024 was 63, considerably below our holding's facilities' average score in the mid-70s.

²⁸ In Vietnam and Indonesia

²⁹ It takes a year or less to set up most apparel facilities in Vietnam and Central America, and about 4-6 quarters in South Asia (slightly longer because of slower approvals).

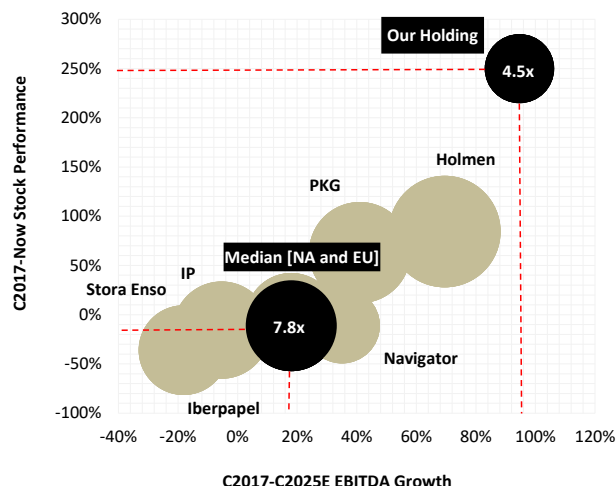
³⁰ Only exist within sub-INR 100K budget vehicles

³¹ *Hero Motocorp* remains the most 'mass' OEM within Indian two-wheelers, with its median F2025 trim priced at under INR 90K

wins at *Royal Enfield* and *Hero*, and subject to about 7% increase in industry two-wheeler unit sales, our automotive lamps holding should deliver at least low-teens earnings growth in F2026E (Mar).

The set-up for our forestry holding suggests a violent price recoil at some point within the next two years. While India's onshore investors are largely desensitized to the point of generously pricing immediately visible growth, in recent past they have also inexplicably capitalized temporarily depressed earnings at depressed multiples (even in cases where such depressed earnings are clearly unsustainable). Our forestry holding is a case in point, where wood prices have led to an unprecedented contraction in profitability. Few commodities exhibit as hyper-local characteristics as hardwood does - While eucalyptus wood prices declined meaningfully in Indonesia and Brazil (because of persistent weakness in China) over the last 2 years, Indian wood prices have seen a nearly unprecedented increase over this same period. Depending on which part of the country you look at, eucalyptus prices have moved up between 50-70% over the last 8 quarters. Despite a near certain outlook for wood supply situation to turn into a potential glut over the next few years, depressed F2026E (Mar) EBITDA at our forestry holding was capitalized at 4.5x by end of March, or >40% discount vs. its European and NA forestry peers (see **Exhibit 5**, where bubble sizes indicate the multiple), most of whom are also integrated producers and have instead been beneficiaries of lower wood prices.

Exhibit 5 – Our forestry holding's EU and NA comps



Notes: All chosen European and North American peers are integrated forestry names. Paper and paperboard (not counting external sales of pulp) make the following % of peer-group revenues: 63% for Holmen, 81% for Navigator (which controls a fourth of cut-size market in Europe), 62% for Stora-Enso, 52% for UPM, 86% for IP (with no exposure to printing paper), and 91% for PKG.
Sources: Company Reports; S&P Global Market Intelligence

Our forestry checks now suggest that wood prices are likely to at least partly reverse course beginning at some point in the second half of this calendar or the first half of next. Even assuming a 10% reversal in wood prices in the current fiscal and another 10-15% in F2027E (Mar), we expect to double our investment on this position within the next 2 years. This was another name where we added exposure in C1Q.

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

Thanks,

Piyush Sharma

Minerva India Under-served

Minerva Asset Advisors Pvt Ltd.
 Tower B, 10th Floor,
 Unitech Cyber Park,
 Sector 39, Gurugram,
 Haryana 122003, India



Performance benchmarking

	Minerva India Under-served	Nifty 50	S&P BSE 500	S&P BSE Midcap	S&P BSE Smallcap	EurekaHedge Asia ex-Japan	India-focused CE Funds*
Trailing 1 year	5%	5%	5%	6%	8%	8%	5%
Trailing 5 yr CAGR	38%	23%	25%	31%	37%	9%	19%
Since inception CAGR	17%	11%	11%	13%	13%	6%	9%
2025 YTD	-9%	-1%	-5%	-11%	-15%	1%	-3%
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%	11%	12%	15%	17%	6%	12%
Sharpe Ratio	0.70	0.44	0.46	0.54	0.47	0.14	0.32

Source: BSE, NSE, EurekaHedge, Bloomberg

Note: Returns are until the end of 31st March 2025; Our 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 returns vs. client actuals; Sharpe was calculated by using since-inception monthly returns and is based on an Rf of 5%. Sortino was 1.0.

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

Strategy Snapshot

Characteristic	Notes	
Top 5 positions as % of book	51%	
Avg. weighted market cap of book (mil)	\$519	>> Median holding's market cap is \$333 mil
Avg. weighted institutional ownership	16%	>> Median institutional ownership of current holdings is 12%
Avg. weighted free float of book	42%	>> Median free float was 46%
Net Exposure	65%	
Avg. weighted F2026E (Mar) EV/EBITDA	8.1x	>> vs. 21.3x (Nifty Smallcap 50), and 20.9x (Nifty 50)
Avg. weighted current P/B	2.3x	>> Median P/B was 1.9x
# of positions	12	

Note: Characteristics are as at the end of March 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.



@ps_tarheel

OFFERING DESCRIPTION: Minerva India Under-served is advised by Minerva Asset Advisors Pvt Ltd. It is offered on both onshore and offshore structures. Any reference to "Minerva" in this document refers to an investment offering managed by a regulated manager. The offering is only applicable for accredited investors.

DISCLAIMER: The information, opinions, estimates and projections contained in this newsletter were prepared by managers of Minerva India Under-served and constitute its current judgment as of the date of this note. The information contained herein is believed to be reliable and has been obtained from sources believed to be reliable, but we make no representation or warranty, either expressed or implied, as to the accuracy, completeness or reliability of such information. We do not undertake, and have no duty, to advise you as to any information that comes to our attention after the date of this fund brief or any changes in its opinion, estimates or projections. Prices and availability of securities are also subject to change without notice. This is not a prospectus and does not constitute investment advice or an offer or solicitation to buy or sell any designated investments discussed herein. Neither Minerva Asset Advisors, nor its officers, directors, agents, or employees make any warranty, express or implied, as to the suitability of any fund as an investment or of any kind whatsoever, or assumes any responsibility for, and none of these parties shall be liable for, any losses, damages, costs, or expenses, of any kind or description, arising out of this newsletter or your investment in any fund. You understand that you are solely responsible for reviewing any fund, its offering and any statements made by a fund or its manager and for performing such due diligence as you may deem appropriate, including consulting your own legal and tax advisers.

INVESTMENT TEAM:

Piyush Sharma	piyush.sharma@minervaassetadvisors.com
Arpit Khunteta	arpit.khunteta@minervaassetadvisors.com
Devchandra Ramani	devchandra.ramani@minervaassetadvisors.com
Kunal Kapoor	kunal.kapoor@minervaassetadvisors.com
Siddhant Chhabra	siddhant.chhabra@minervaassetadvisors.com
Amrit Raj	amrit.raj@minervaassetadvisors.com
Sourav Dutta	sourav.dutta@minervaassetadvisors.com
Yati Chauhan	yati.chauhan@minervaassetadvisors.com
Arjun Pathania	arjun.pathania@minervaassetadvisors.com

Minerva Asset Advisors Pvt Ltd.
Tower B, 10th Floor,
Unitech Cyber Park,
Sector 39, Gurugram,
Haryana 122003, India

Minerva India Under-served
4th Floor, 19 Bank Street,
Cybercity,
Ebene 72201,
Mauritius

+1-919-360-0359 [United States]
+91-9910944277 [Gurgaon]



Medium



substack