



Dear Investors:

Probability logic often fails in the near-term because of inescapable randomness around us, and near-term investment outcomes are accordingly either pleasing, modest or unpleasant. Aleatory uncertainty (aka statistical uncertainty) cannot be wished away. Within investing, we constantly deal with ambiguities and often unprecedented uncertainties as we move ahead. The only controlled variables for us therefore are discipline (eliminating/minimizing style drift), and rigor. Our comfort today stems from historical outcomes of our arguably regimented value-focus over nearly a decade and a half. If anything, given our book's current value disconnects with underlying growth and operating returns, we have rarely felt this comfortable while navigating through a sea of irrationality, and this current one is as irrational as we have seen in distant memory. Our book began this year trading at a very comfortable 11.4x F2025E (Mar) EBITDA, about half of where headline largecaps (*Nifty50* ex-financials at 23.8x) and smallcaps (*Nifty Smallcap50* ex-financials at 22.7x) traded.

Not that 'E' word please. The oft-peddled narrative on Dalal street has been the convenient reference to the last decade or two to suggest some sort of structural exceptionalism for India (and US). It's worthwhile to remind about the result of doing the same towards the end of 2007 for China and HK¹, or doing the same in 2000 for the *Nasdaq Composite*². The best of last 2 decades can often end up being the worst over the next. Such sightly narratives are spun to sell to the unsuspecting.

Vast majority of domestic allocators and intermediaries in India typically tend to chase recent price performance ranging from a few quarters to a few years, often with a singular focus on 'outcome'. While motorists check the rear-view mirrors nervously, Indian investors and advisors, in sharp contrast, do so confidently, and often with a fatal overdose. This set today is likely to side with the spiky-haired kid next door who cleared the cover off the proverbial investing ball over the past couple of years - Rare case of extended momentum frenzy ensured that retail crowd in India and US significantly outpaced institutional investors for two years running. Unsurprisingly then, security selection rigor hasn't been missed in a while. For all the street talk of rigor, dispersion within investment outcomes in last 2 calendars in India increasingly suggest a heavily top-down selection by herds, which unsurprisingly is in distinct contrast with what we saw in C2022 – Average dispersion within the top-4 best performing industries over the last 2 years was less than half of what we saw in 2022. The "winners" were disturbingly crammed up as we began 2025. Unless gravitational rules have flipped, we reckon a violent volte-face awaits this crowd. The unquestioned obsession with 'here and now' earnings growth in India (eg. accelerated store openings at a fast fashion retailer optically suggest heady pace, even as same-store comps weaken) has led to that growth getting priced at irreconcilable levels (eg. this retailer now trades at nearly 350% over the likes of *Inditex*). Sustainability of growth hasn't been a question in recent memory. It's been a brazen entitlement!

In C4Q24, *Minerva India Under-served* was down **-3.45%** (net; in INR), vs. **-7.95%**, **-8.39%**, and **-3.41%** (gross; in INR) declines in *BSE 500*, *Nifty50*, and *BSE Smallcap* respectively. Over the past 5 years, *Minerva India Under-served* was up **+30%** annualized (net; in INR), vs. **+18%** annualized (gross; in INR) gain in *BSE 500* and **+32%** annualized (gross; in INR) gain in *BSE Smallcap*. Over nearly 14 years of deployment, *Minerva India Under-served* is up **+18.1%** annualized (net; in INR terms), vs. **+11.9%** and **+14.3%** annualized gains (gross; in INR terms) in *BSE 500* and *BSE Smallcap* respectively. Importantly, this decade-plus alpha wasn't driven by skewed asset-class driven prints in 2014, 2017, 2021, 2023, or 2024. To see how our return streams capture

¹ *Shanghai Composite* and *Hang Seng* were best and second best respectively between 1987 and 2007. They were worst and second worst respectively over the next decade.

² At an annualized +19%, *Nasdaq Composite* was the best performing index globally between March 1980 and March 2000. It bled an annualized -6% over the next decade, making it the worst performer over that period.

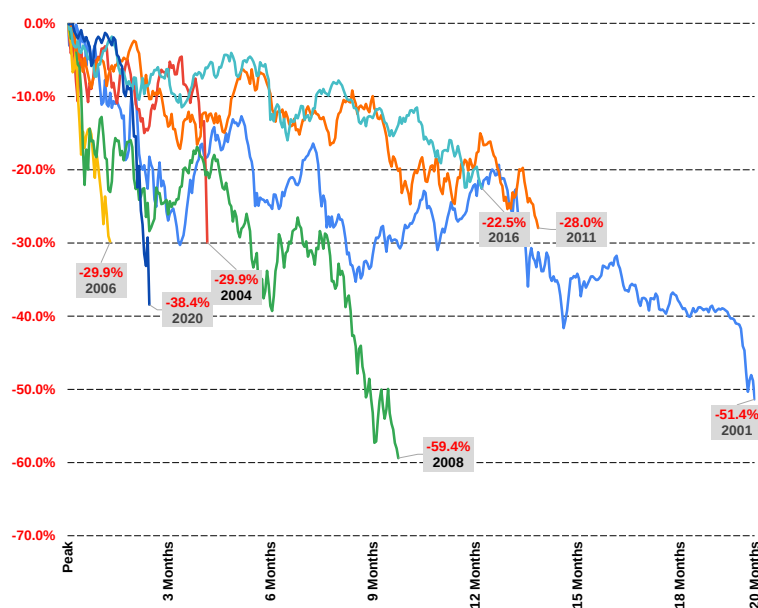


alpha vs beta (often used by discerning allocators as a tool to identify long-term performance repeatability³, click [here](#)). To see how *Minerva India Under-served* fared vs. *BSE Smallcap* and *Nifty50* in the 5 years following prior *BSE Smallcap* peaks, click [here](#).

We initiated no new exposure in C4Q24. In fact, since end of C1Q23, we have only initiated one new exposure, and this marks the longest new-exposure drought in our 14-year history. We also fully exited an amusement park holding (made about 5% of the book at the beginning of the quarter). Consequently, we ended the year with 39% liquidity on the sidelines. That's a +7% sequential increase, and a rather steep +20% increase from the beginning of C2024. For context, we haven't had this much liquidity since the end of C2011. At the expense of being repetitive, this somewhat elevated liquidity is only partly a reflection of our unequivocally somber view on headline India (and likelihood of temporary collateral panic spillover). Instead, this was primarily driven by some large partial/full exits and our inability to fully allocate the proceeds in high conviction positions because of internal security/industry exposure guardrails.

Our best performing position for the quarter⁴ was the only name we have picked since C1Q23 – an apparel exporter (>60% gain in C4Q and >120% for the calendar), which also ended up as our third biggest position by the end of the calendar. Our worst performing position for the quarter was a spirits⁵ name (down -30%), incidentally finishing the year flat after giving away its first three quarter of gains.

Exhibit 1 – Nifty50 drawdowns of >20% over last 25 years



Source: National Stock Exchange

Entitled retail folks in India are now wired to see any proverbial glass as half-full. The median *Nifty50* (ex-financials) component ended last calendar trading at nearly 30x F2025E (Mar) sanguine expectations, while earnings growth remains unremarkable.

For whatever a refresher is worth today, over the last quarter of a century, the median 20%+ drawdown in *Nifty50* lasted 3 quarters, and ended up shaving off nearly a third of its value (see **Exhibit 1**). In the interim, liquidity got sucked into these drawdowns frequently, with a 10% or higher bounce⁶ coming off of intermittent lows every 4-5 months. Few within today's entitled domestic crowd remembers these bygone days. Interestingly, the median *Nifty50* (ex-financials) component began these peaks

somewhere between 2.9x-6.1 book. For context, the median *Nifty50* (ex-financials) component ended September 2024 at a rather precarious 7.1x⁷, which many viewed as "reasonable". It's not just current retail

³ BSE 500 was used as the benchmark

⁴ A fourth of our holdings gained in C4Q24

⁵ Largely a manufacturing business at this time, but would transition into a branded spirits name over the course of the next decade

⁶ Median bounce was 16%

⁷ That translated into a thoroughly unjustifiable >250% premium for headline India over headline Emerging Asia peers

investors that haven't seen extended pain in India – More than a fifth of current PMs within Indian mutual funds started their investment careers after C2011, which was the last calendar of meaningful (and extended) pain within Indian listed equities. Try feeling that entitlement!

Historically, at an index level (i.e. including Financials), the median subsequent 10-yr CAGR (whenever the valuation starting point was similar or higher than at C2024 end) was about +8% (gross; in INR terms). Further, given INR's current valuation, it's also safe to pencil in at least an incremental 3-5% currency weakness in this calendar. Regardless of how this situation is framed, headline Indian names would need some right-tailed assistance over the next decade to break off of that mediocre precedent of high single-digit INR returns. In all likelihood, medium-long duration credits would likely trump this mediocrity. We therefore struggle to identify reasons why global allocators would be looking at passive Indian vehicles at this time⁸.

Employment trends in India remain flat to decelerating, and we see continued pain for the bottom half.

Some cyclical tailwinds notwithstanding, in our view, the only way to structurally alter this somewhat vexing situation is through a sharp increase in India's budgetary allocation on education, broad-based reduction in tariffs, and further relaxation in local sourcing clauses. We suspect that a demographic tinderbox awaits India if these aren't addressed urgently. Lower indirect taxes (even though these don't seem imminent) might help alleviate stress in the near-term, but we question near-term impact of supply side fixes such as increased government spends (especially at a time when fiscal space is getting constrained), which is something that street estimates for 2HF2025E are seemingly planked upon. We note tenuous evidence to support this optimism (please refer to **Exhibits 2a** and **2b**, which show historical muted impact of government capital and revenue expenditure on mass consumer spending).

Exhibit 2a – Employment generating rev schemes vs mass spending

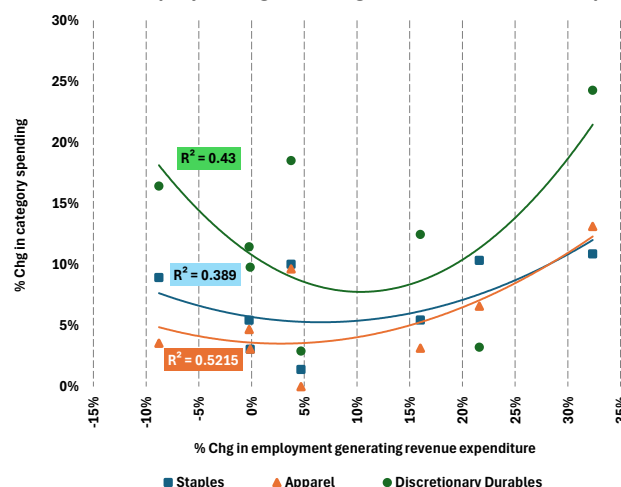
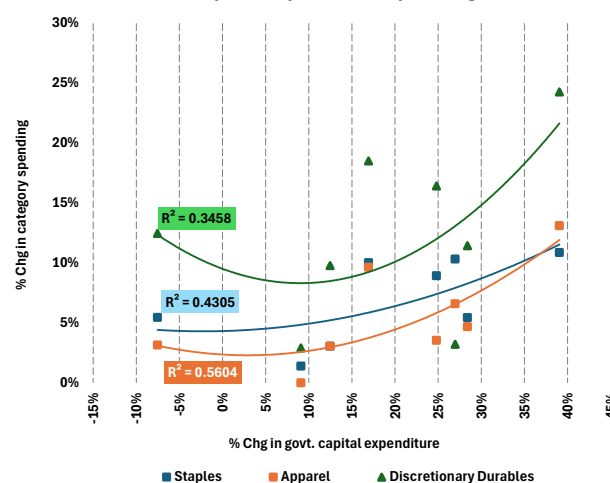


Exhibit 2b – Govt. capital exp vs mass spending



Notes: All numbers are based on 2016-2024 period. We used the following government schemes for revenue expenditure – Rashtriya Krishi Vikas Yojana, PMMSY, PM-FME, Infrastructure maintenance, DAY-NOM, AMRUT, Swachh Bharat Mission, PMKSY, Jal-Jeevan Mission, RGSA, MGNREGA, PMGSY, Deendayal Antyodaya Yojana, PMAY, New ITI Upgradation, PMABHIM, National Education Mission, Jobs and Skill Development, Interlinking of Rivers, PMEGP etc. For mass staples, we used the following as a proxy (Britannia, Dabur, Nestle, Colgate-Palmolive, Godrej Consumer, Emami, Bajaj Consumer, Tata Consumer, HUL, Marico). For mass durables, we used the following as a proxy (Hawkins, Symphony, Hero, Bajaj, TVS). For mass apparel, we used the following as a proxy (Dollar, Rupa, Lux, Relaxo).

Sources: Company reports, Union Budget of India

⁸ The first week of January 2025 saw the highest redemption activity at India-focused offshore funds since March 2022. 11 of the 16 weeks since the end of September 2024 have seen liquidations within these funds.



We don't see the wheels coming off yet, but would caution backing street's rural recovery hyperbole (based upon harvest and/or spike in wedding days). Our recent checks within CPG distribution networks suggest that while there is a slight improvement in rural consumption, this interestingly coincides with very high levels of downtrading⁹ across both food and personal care categories in rural and semi-urban geographies.

It is remarkable to see Dalal street even suggest an arguably "mythical" rural revival at a time when delinquencies for younger vintages at some rural-focused micro lenders are increasing sharply. Expectedly, overall net loan origination volume also declined sharply in the second half of last calendar, and we see no credible evidence of this dramatically turning around. By our estimate, this pullback in origination alone had shaved 50-60 bps off of economic growth in 2HC2024. That being said, higher number of wedding days in C4Q24, and harvest related end of the year uptick might mislead few investors when reading F3Q25 (Dec) earnings¹⁰. From our vantage point, given no acceleration in employment trends¹¹, we wouldn't view any near-term improvement within rural India as some sort of a structural shift that feeds the proverbial street bull at this time.

Elsewhere, exports also aren't as much of an opportunity as street's distinctly sanguine narratives suggest - New administration in US is near certain to target high-tariff jurisdictions, and few major countries stand out on elevated tariff structures and arguably onerous local sourcing requirements as clearly as India does. Further, albeit not as material, we also note that about 5-7% of India's merchandise exports will face headwinds as CBAM¹² in Europe enters a definitive phase in C2026.

In our view, earnings growth for headline Indian largecaps (excluding financials) over the next 5 years is unlikely to materially exceed low double-digits. Over F2014A-F2024A, *Nifty50* (ex-financials) had compounded earnings at about +14% annualized pace¹³, and about 50 bps lower net pace on account of dilution from new issuance¹⁴. Importantly, about 125 bps of this entire growth came from the C2019 corporate tax rate cut alone. Headline growth was effectively in the 12% range (excluding tax cut benefits and dilution from new stock issuance). We note that about 70% of this came from organic revenue growth, with no clear standouts. Unless one cherry picks a depressed comparable year for optical satisfaction, Indian headline largecaps are unlikely to deliver growth that materially diverges from high single to low double digit range over any meaningful period of time, with the former a more reasonable postulation in our view. We see limited assistance below the revenue growth line because.....

- 1. Most of easy pickings from lower energy costs are past us. Freight costs haven't come off despite somewhat elevated infrastructure spends.** Collectively, lower utility costs and freight¹⁵ added about +60 bps to EBITDA margins over the last decade - Use of renewables increased significantly, while dependence on the grid declined. Also, in recent years, investments within group captives have

⁹ Nearly 60% of distributors were noting downtrading in these markets in our most recent discussions. This is the most elevated level we have seen in nearly 3 years.

¹⁰ Our C4Q24 checks on durables spending within rural markets suggested 3-6% growth (excluding impact of weddings) within categories such as motorcycles and televisions

¹¹ Our checks with labor contractors have shown no perceptible change in overall requirements

¹² CBAM attempts to incrementally tax imports from jurisdictions with laxer environmental laws. Its transitional phase runs between 2023 and 2025.

¹³ Would be worse if the end point was F2025E (Mar)

¹⁴ About 5% higher share count for *Nifty50* (ex-financials)

¹⁵ Freight now makes ~2% of revenues of a median *Nifty50* (ex-financials) component. For technology names, travel expenses was used as a proxy for freight.



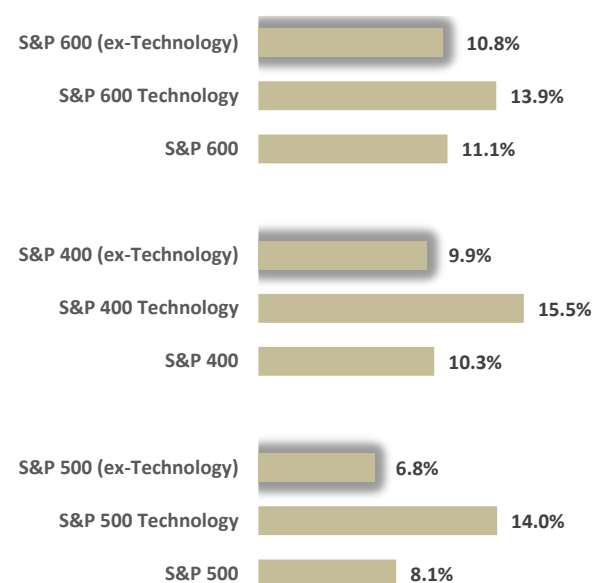
accelerated and grid dependence would continue to reduce, albeit at a relatively subdued pace¹⁶ from here onwards. Tech names were the only distinct beneficiary of lower freight/travel costs, and that is entirely on account of the pandemic - Remote workplace solutions in the post-pandemic world positively impacted profitability (by lowering travel requirements) at tech names by nearly 300 bps, only partly offsetting a large drag from post-Covid wage pressures and competitive intensity (as ops got increasingly internalized at GCCs¹⁷).

2. **GRMs won't be a tailwind for Energy components.** We note that refining margins have now normalized and operating earnings over the next few years would remain in the tepid low-mid single digits.
3. **Nearly everything below the operating line would be less accretive vs. what we saw in the past decade.** We note that these names today aren't as levered as they were in F2014. Further, fiscal constraints suggest that its highly unlikely that direct tax rates will see as large a cut. Finally, headline India, as always, is habituated to dilute through intermittent secondaries during retail frenzies, and this would again be a routine drag.

With or without the 'pivot', crowd jumps in head first in United States. Brace for cranial trauma.

We retain our view that both headline India and headline United States are priced for imminent pain, and we remain diametrically divergent from the camp that views these geographies as fertile pastures. In our view, continued disconnects here will only exacerbate the eventual decline. It is undeniable that growth concentration risk in indices such as S&P 500 in the US is now alarmingly high. NVDA alone would account for >40% of S&P 500's 16%+ projected earnings growth in C2025E¹⁸. Consequently, not only are select names skewing 'Technology', the sector itself now skews the benchmarks, with particularly large skew within S&P 500. Meanwhile, unremarkable long-term earnings elsewhere (ranging between 7-11%) are nonetheless also getting capitalized at elevated multiples. It's critical to note that ex-Technology, S&P 500's long-term run-rate revenue growth would likely be in a rather muted 3-4% range. Further, a significant part of S&P 500's operating margin expansion of close to 200 bps over the last decade came from Technology components. To see how small-cap (S&P 600), mid-cap (S&P 400), and

Exhibit 4 – LT earnings skew of 'Tech' within US benchmarks



Notes: All numbers reflect earnings growth between C2013 and C2025E. S&P 600, S&P 400, and S&P 500 are benchmarks for small, mid, and large-caps respectively. Median weight of Technology within these benchmarks over this 12-year period was used to calculate the earnings skew.

Sources: Internal analysis, S&P Global

¹⁶ Ultratech and Grasim would be exceptions here. Contribution of renewables in the mix would increase from 30% to >80% by F2030E (Mar). Incrementally, Grasim would have additional contribution from paints.

¹⁷ GCC launches would again increase by >20% this year

¹⁸ We believe that ex-Technology, S&P 500's C2025E earnings is unlikely to materially outpace its long-term average



large-cap (S&P 500) benchmark long-term earnings growth has been in the US (after excluding 'Technology'), please see **Exhibit 4**. Given such underlying mediocrity, it would take extremely elevated levels of desensitization to be comfortable when even Utilities and Financials¹⁹ within S&P 500 trade in the high-teens. For prisoners of recent pleasant investing history in United States, we would suggest a look back at the dot-com bubble, when Technology and Communication Services' collective weight in that benchmark had exceeded 40%. Sounds familiar?. This is at a time when a hyper-bellicose Trump stance towards trade partners could potentially take a point off of US' underlying economic growth²⁰ this year, and USD strength could particularly drag earnings at the likes of AAPL and TSLA, which collectively make a tenth of the benchmark. As things stand, we suggest that its best to keep the view on the steroidal "US exceptionalism" trade in abeyance until the end of this calendar.

In sharp contrast to headline India and United States, we continue to see ample opportunities in listed equities within emerging Asia. In our view, the year of the snake in the Chinese zodiac couldn't have come at a more opportune time. We wouldn't be a bit surprised if serpent's re-emergence from proverbial hibernation syncs with that of re-emergence of listed equities in China²¹. As always, we do not espouse blanket index ownerships anywhere. Instead, we believe that global allocators today can selectively own Chinese names (that have successfully transcended borders) at valuations that thoroughly disregard their growing influence outside China, often with no or insignificant dependence on United States.

Following are some updated thoughts/insights on some of our key holdings:

We completely exited an amusement park holding in C4Q24. In the last quarter, we spent some time at an amusement park holding's recently²² launched park in Eastern India. Our checks yielded a much-subdued first year (300K footfalls in our view, vs. 450K guidance), and we do not expect this new park to get profitable until F2027E (Mar). Our checks elsewhere also suggested a somewhat meaningful decline in park footfalls in the December quarter (despite precipitation not being particularly worse vs. long-term averages). We had particularly loaded upon this name during the pandemic, and did partial liquidation in October 2024, before full exit towards the end of the quarter.

We anticipate mid-high 20s earnings growth in the next fiscal for our biggest auto parts holding. For F2026E (Mar), we expect revenues to grow close to 10%, with EBITDA registering mid-high teens growth. This is driven primarily by a 100-bps margin up-shift from moving a tractor steel-rim line from a recently acquired asset out of bankruptcy, and to a lesser extent by inclusion of alloy knuckles²³ in the mix. Debt paydown alone should add about 10% to our F2026E (Mar) earnings. Overall, mid-high 20s earnings growth looks increasingly achievable here. We maintain our view that steering knuckles, a business with materially higher operating returns, provides an entirely unpriced optionality at this name - Alloy knuckles are less than half the weight of steel knuckles, and are only about 25-30% pricier. Given that CAFE-III norms kick in about 2

¹⁹ 7 of the 11 GICS sectors finished the year above 20x C2025E expectations

²⁰ Based on IDE (at the Japan External Trade Organization) geographical simulation model

²¹ Ownership disclosure: Members of Minerva's investment team own securities within both China (Mainland and HK) and United States

²² Started at the beginning of F1Q25 (Mar)

²³ Supplies will be for 3 new models of M&M and 1 of Tata Motors



years, we expect accelerated traction for alloy knuckles from here onwards²⁴. By our estimate, the increased cost for an Indian consumer pays for itself within 3-4 years, and we see little reason to question what we increasingly believe could be a surprisingly fast rate of adoption. To be clear, our current exposures within Indian autos should not be construed as any reflection of our view on either the industry overall or our view on OEMs. If anything, we had already sounded our concern on elevated inventory levels. That said, we noted a significant release of inventory across cars and two-wheelers during November. To a reasonable degree, this was influenced by elevated discounting - We note that discounts at car dealerships in the December quarter were about 3-4x the levels seen last year²⁵. Further, launch/facelift calendar for F2026E (Mar) remains significantly muted vs. the current fiscal – Car launches/facelifts should be collectively down in the early-20s in F2026E (Mar).

We are getting increasingly comfortable with W&P (writing and printing) pricing at our forestry holding. Turn around in wood prices would likely receive a violent ticker response at some point over the next year. We do not expect a material fall in hardwood pulp prices from current levels²⁶. We note that over the course of the last quarter alone, *Suzano's* C2025E revenue estimates were revised upwards by +4%. From our holding's viewpoint though, this strength would get partly offset by some softness within virgin paperboard²⁷. As far as hardwood pulp (and by extension, W&P pricing) is concerned, our comfort is planked upon the following:

1. BEK price delivered in China was near record discount (vs. delivered prices in US) in the final quarter of C2024, suggesting limited room for further declines. As things stand, marginal cash cost for nearly 7% of global hardwood pulp capacity is now above current prices.
2. As communicated in our [last quarterly letter](#), we expect global hardwood pulp dynamics to improve from here because of easier demand comparison in China²⁸, elevated mill closure activity in Europe (refer to our last letter), and par/below-par inventory levels at Chinese and European ports.
3. Recent capacity shut-downs have been significant. *Shandong Chenming*, China's largest paper producer (11 mil tons capacity), suspended production that temporarily took out 3/4th of its capacity²⁹. For context, that cut accounts for nearly a fifth of India's installed capacity across paper grades, and *Chenming's* virgin paperboard capacity alone would be larger than India's big-4 (*ITC*, *Emami*, *JK Paper*, and *Century*) virgin paperboard combined capacity.

At 4.2x F2026E (Mar) 'very achievable'³⁰ EBITDA, this forestry holding began the year trading at near record 60% discount vs. NA and EU peers, setting it up for what could likely be a frenzied period of price discovery at some point within the next year. As previously communicated, we remain prepared to aggressively engage if indiscriminate selling were to spill over in deep-value names such as these.

²⁴ M&M, for instance, has an internal target of taking out 180 kgs from their car line-up

²⁵ Average discount was likely north of INR 40K/unit at *Maruti* and *Hyundai*

²⁶ At the end of December, *Suzano* announced \$20-\$100/ton increase for January deliveries

²⁷ Major CPG and pharmaceutical buyers reported another 3% price cut in FBB 300 gsm in C4Q24

²⁸ According to data from the *General Administration of Customs*, pulp import volume in China from January to November 2024 was 31 million tons, a year-on-year decrease of 6%.

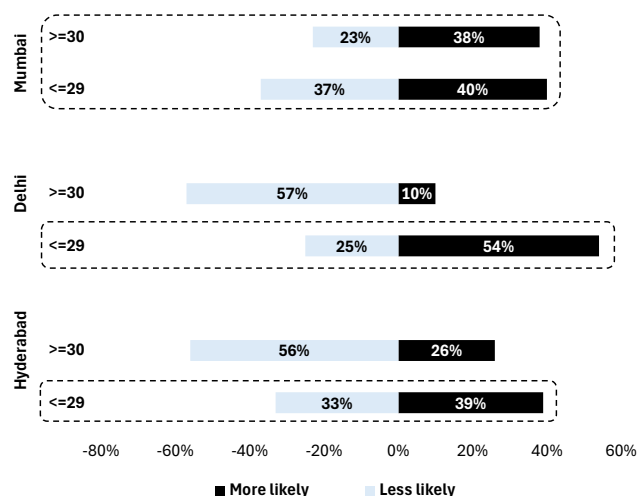
²⁹ About a tenth of their bank accounts were frozen by end of November

³⁰ Given continued stability in domestic cut-size pricing, better pulp dynamics, and likely lower energy and (somewhat likely) lower wood costs

Distress within Bangladesh drives gains for our apparel name. Inventory restocking continues at major labels. Largely on account of facility closures in Bangladesh, we expect a pretty significant jump in *Inditex'* sourcing from alternative sources across the Indian sub-continent, with our holding being a clear beneficiary. The mid-teens revenue growth in F2026E (Mar) for our apparel holding is also largely driven by continued gains within European (*Zara*³¹ etc.) and Asian (*Muji* etc.) apparel brands, despite muted growth at North American labels. We also note increased gains for our holding at premium brands such as *Ralph Lauren*, which aren't doing as poorly as say the likes of *PVH* and *Gap*, and where sourcing is increasingly moving to Vietnam (for Asian and European markets) and Guatemala (for North and Latin American markets). Elsewhere, we note that inventories at major NA labels in the last quarter increased in the low double-digits vs. last year, despite flattish to declining sales. Despite the run-up over the last calendar, we see at least 20%+ upside in this holding over the next year.

Elevated skepticism on theatrical exhibition gets steeply priced. We are increasingly confident of taking the other side of this trade. C2024 was a rather forgettable year for Hindi and English original content – Collectively, domestic box office share for this original language content declined sharply from nearly 55% in C2023 to just over a third last year³². C2025E however would mark the return of Hollywood tentpoles, and

Exhibit 5 – Post-pandemic propensity to visit theatres (by age)



Notes: The survey was conducted in the second week of January 2025. Respondents were randomly selected across 3 cities. Age of ~70% of respondents fell in the 29 or less bracket, somewhat mimicking the break-up of theatrical consumers in India. The median theatrical exhibition consumer in India is aged in the mid-20s.
Source: Internal survey

C2026E Hollywood calendar looks even better on what appears a solid C2025E base – Key franchises coming up in this calendar include *Avatar*³³, *Marvel Cinematic Universe*, *Jurassic World*, *Mission Impossible*, *Superman*, *John Wick*, *Conjuring*, and *Zootopia*. Similarly, C2026E releases would include *Avengers*, *Spider Man*, *Super Mario Bros*, *Star Wars*, *Toy Story*, *Shrek*, and *The Odyssey*³⁴. These franchises should conservatively contribute north of INR 5 billion to our holding's revenues this calendar and next. We note that while our holding typically accounts for about a third of national box-office collections, it controls 50-75% of English (original language content) titles' domestic box-office³⁵. Interestingly, while C2025E estimates for global theatrical exhibitors (that have material contribution from English content) saw a mid-single digit upward earnings revision in C4Q24, our holding's F2026E (Mar) estimates somewhat bizarrely saw a double digit cut. We suspect that this was driven by what appears a rather naïve

³¹ By our estimate, *Inditex'* sourcing from Bangladesh in the December quarter was up in low-mid teens vs. last year

³² In contrast, Telugu and Malayalam content's combined share increased from barely 18% in C2023 to just under 45% in C2024, despite ticket price caps in their core markets.

³³ *Avatar: Way of water* (Dec 2022 release) was the highest ever Hollywood box office grosser in India

³⁴ Christopher Nolan's \$250 million next project, which is about 2.5x *Oppenheimer's* budget.

³⁵ Even within English titles with mass appeal (dubbed in Indian languages), our holding's box-office share is typically in the mid-40s. *Avatar* and *Avengers* franchises are prime examples, where Hindi and Tamil versions had previously contributed to significant collections within single-screens in India.



extrapolation of poor Hindi content over the last year, and even more importantly, a likely hypothetical association of this with a materially adverse change in theatrical consumption habits. To address the latter, we recently engaged with consumers within 3 of India's biggest theatrical markets – Mumbai, Delhi, and Hyderabad. While overall we found about as many consumers that are 'more likely' as 'less likely' (vs. 5 years ago) to consume content at theatres vs. at home, the core exhibition consumer (defined as ≤ 29 years of age) in each market was actually 'more likely' to consume content outside home today – For every 10 consumers in this cohort that are 'less likely' to visit the theatres now, there are about 14 that are 'more likely' to visit. For more granular break-up, see **Exhibit 5**. Further engagement with this cohort on their consumption decisions confirmed that good content (emphasis on story and visual effects; cast is deemphasized; reviews are largely ignored) will be consumed more outside home.

Concentration of English tentpole releases in the current calendar and next also suggests that share of *IMAX*³⁶ exhibition revenues would continue to witness disproportionate increases³⁷. Our recent discussions with *IMAX* suggest that their C2025E film slate is already nearly full, with more than twice as many titles that were shot on *IMAX* cameras (vs. C2024) slated for release in this calendar. Elsewhere, Hindi content calendar (with historically more bankable cast³⁸, and whose dates have been announced) appears arguably better vs. C2024 – The median production budget (excluding estimated profit share agreements³⁹ for the lead actor) is about 2x of what we saw in C2024. As things stand, unless Hindi content has another absolute stinker of a year, we believe that street's current mid-teens revenue growth estimate for F2026E (Mar) could turn out to be meaningfully conservative.

Between what appears to be a materially better calendar (this year and next), increased premium formats in the exhibition mix, continued revival of in-cinema advertising, improved operating returns from asset-light properties, structurally lower operating costs, and higher mix of Southern properties⁴⁰, we are increasingly constructive on this exhibitor. Unsurprisingly, this is at a time when pessimism around this holding is arguably at its highest since the pandemic. At 7x F2026E (Mar) EBITDA, it's about as cheap or cheaper than most major exhibitors globally, and is arguably the most asymmetric bet in our book at this time.

Please let us know if you have any questions.

Thanks,

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³⁶ There are 33 active *IMAX* screens in India, vs. 29 a year ago

³⁷ While *IMAX* format screenings made about a fifth of *Oppenheimer's* global box office, the corresponding contribution of *IMAX* screenings in India was INR 500 mil, or >30% of *Oppenheimer's* domestic box office revenues (despite relatively lower *IMAX* penetration at that time). *Dune 2's* *IMAX* revenues confirmed this trend too.

³⁸ We placed Shahrukh Khan, Salman Khan, Akshay Kumar, Aamir Khan, Ranbir Kapoor, and Ranveer Singh in this bucket

³⁹ Aamir Khan (in case of *Sitaare Zameen Par*) and Salman Khan (in case of *Sikandar*) will share in profits

⁴⁰ Typical occupancies are 50% higher vs Western India, which more than offsets slightly lower spend on concessions. Overall, EBITDA margins at these properties tend to be 5-10% higher.



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	1%	6%	8%	11%	13%	7%	11%
Trailing 5 yr CAGR	28%	15%	17%	23%	29%	6%	11%
Since inception CAGR	18%	11%	11%	14%	14%	6%	9%
2025 YTD	-3%	-3%	-4%	-7%	-6%	-5%	-3%
2024	8%	9%	15%	26%	29%	9%	18%
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%	11%	11%	12%	14%	5%	9%
Annualized Volatility (-ve)	14%	11%	12%	15%	17%	6%	12%
Sharpe Ratio	0.74	0.44	0.48	0.56	0.52	0.10	0.34

Source: BSE, NSE, EurekaHedge, Bloomberg

Note: Returns are until the end of 21st January 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 1.1.

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

Strategy Snapshot

Characteristic		Notes
Top 5 positions as % of book	46%	
Avg. weighted market cap of book (mil)	\$642	>> Median holding's market cap is \$410 mil
Avg. weighted institutional ownership	14%	>> Median institutional ownership of current holdings is 11%
Avg. weighted free float of book	42%	>> Median free float is also 42%
Net Exposure	61%	
Avg. weighted F2025E (Mar) EV/EBITDA	11.4x	>> vs. 22.7x (Nifty Smallcap 50), and 23.8x (Nifty 50)
Avg. weighted current P/B	2.7x	>> Median P/B was 2.3x
# of positions	12	

Note: Characteristics are as at the end of December 2024



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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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.

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