

India Investment Session



Metis Capital Management

Analytical rigor meets a disciplined investing process

April 16, 2024- Raleigh, NC

India -the fastest growing major economy

- India real GDP is projected to grow at 6.6%-7% (depending on estimate) in FY'25 (March). This 6%+ growth rate is expected to continue for at least next 5 years (IMF)
- Current GDP (2023) : \$3.7t. GDP is set to cross \$4t in 2024 (IMF data). 5th largest economy in world currently- expected to be #3 by 2027 (Jefferies)
- Inflation is under 5% and interest rates are expected to fall
- Political stability and vision of government is clear- strong leadership and aspirational masses are a potent combination

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- Market cap of Indian equities crossed \$4t in December and is now close to \$4.5t. This is 4th largest in world after US, China, and Japan
- \$10t market cap expected by 2030 (Jefferies)
- Small-midcap universe of listed companies (small: under \$1b, midcap: \$1b-\$3b) which makes up ~20% of the \$4.5t total market cap (~\$900b) but ~80% of the listed firms
- Clear ongoing shift from China/HK to India in terms of money flow and investment- given current setup, will likely only accelerate

Metis India Opportunity Fund (MIOF)

- Metis Capital Management(MCM) is the fund manager for MIOF. MCM/MIOF founded in 2014, FSC (Mauritius) registered, Grant Thornton audited. Advisor office in Gurgaon. Metis Capital has a team of 6 professionals.
- Mauritius is a well-regarded, regulated, and cost-efficient jurisdiction
- Focus is only on listed Indian equities and on long-term outperformance (i.e. since inception)
- Fundamental, bottom-up process leads to a high conviction, low turnover book of our best long-term ideas

Key attributes of MIOF

- Only goal is to maximize the long term wealth generation of investor/ partners...Gaurav has all his savings in fund/strategy and so there is full alignment of interest
- Focused on smaller companies (90% of exposure is small & midcap companies) where there is more growth and less coverage/focus
- Extremely selective in picking businesses to partner with and then having high degree of patience & confidence in the business regardless of market action

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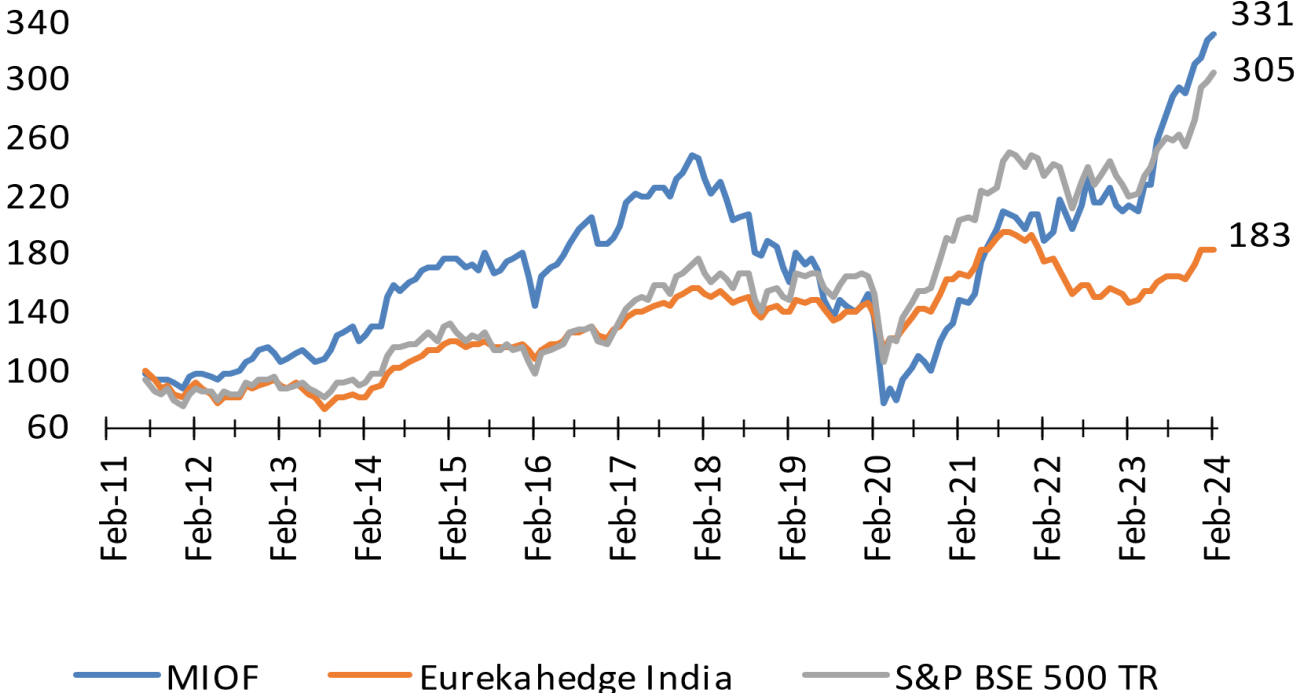
- Given the low portfolio turnover, MIOF is highly tax-efficient
- MIOF's definition of risk is 1) Rule # 1: Don't lose money
2) Rule # 2: Don't forget Rule #1. 3) Not Beta or volatility
- 10+ year track record for fund (3 year/5 year/ 10 year net annualized return in USD, is 33%/16%/10% net) investing across the listed Indian equities universe

Metis' Investment Process – Process Schematic

- Our process is highly iterative in which we play devil's advocate and try to "kill" our best ideas. Some of the reasons why an idea may be "killed": 1. Valuation, 2. Management integrity/ability, 3. Strategic advantage not defensible enough, 4. Lack of accounting clarity, 5. Lack of identifiable catalyst(s), etc.




Outperformance over time- at panic or stressed times, must stay invested and be patient for returns to catch-up to the business story to get the ROE/Earning Growth of book (currently ~15%+ and ~20%)



Example of an investment


- Time Technoplast (over 6000 workers (~2k temp)); started in 1992 by 4 technocrats; Mumbai HQ) bought first stake almost 10 years ago when market value was \$150m; now \$730m; 4.8x or 17% annual)- discovered reading in weekly Capital Market
- Leading diversified (over 900 institutional customers) plastic product (drums, cans, cylinders, etc.) manufacturer with focus on industrial packaging (#3 in world; #1 in Asia); key now is value added products like composite plastic CNG cylinders



NEX-G
CNG Composite Cylinder
A FRIM Product

Type IV CNG Cascades

70% Lighter than TYPE I Cylinders	2.20 Times More Gas per trip
Reduce per Kg CNG transportation cost by almost 50%	No Dry Outs



#MakeAShift
Aligned to Hon'ble Prime Minister's vision of
AtmaNirbhar Bharat & Make In India Policy.

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- Last 15 years ~11% CAGR sales and net profit growth- slowed during Covid
 - Now growing closer to 20% sales and 30%+ profit
- Passionate and driven management led by Bharat Vageria- one of the founders. Focused on ROE and ROCE improvement.
 - Have met team in Mumbai several times and seen HQ; seen several plants, - frugal yet focused on prudent growth
- Like we do with each of our holdings, conservative DCF and has minimum upside of 30% even now (up 97% in 2023 and 50% YTD)

Key Terms of MIOF

Legal Structure	Open-ended limited liability company, domiciled in Republic of Mauritius
Fund Manager/GIPS Compliant?	Metis Capital Management Ltd./Yes, independently verified
Custodian/Broker	Kotak Mahindra (Intl.) Ltd.
Regulator	Financial Services Commission
Administrator	Apex Fund Services (Mauritius)
Auditor	Grant Thornton (Mauritius)
Strategy	India long bias listed equity (Inception in April 2011)
Benchmark	S&P BSE 500 TR
Minimum Investment Horizon	10+ Years
Base Currency of Fund	USD
Subscription/Redemption	Monthly / Monthly (notice of 20 days)
Entry Fee	None
Exit Fee	Up to 1.50% (prior to first year)
Management Fees	Up to 1.5% (size-dependent)
Performance Fees	15% over a yearly cumulative HWM + hurdle rate of 8%
Minimum Investment	USD 100,000
Incremental Investment	USD 50,000

Thank You

Let us know if any questions

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