

## DURO CAPITAL

*The purpose of this letter is to provide you, our partners, with deeper insights into our investment philosophy and portfolio positioning. By investing a significant portion of our own net worth into our funds, we ensure that our interests are fully aligned with our investor partners.*

Despite a weak start to the year, Indian equities have staged a steady climb since mid-March, brushing off multiple geopolitical and policy-related shocks. Liberation Day tariffs, the India-Pakistan military conflict, and the Israel-Iran war had surprisingly little impact on markets. In our April note “India 2025 – Why Now,” we outlined why the setup for Indian equities was compelling - both from an economic cycle and capital flows standpoint. That thesis appears to be gradually playing out. While the economic recovery is not yet fully reflected in reported quarterly results, and consensus FY26 earnings growth for the BSE 500 remains muted at ~4.5%<sup>1</sup>, our discussions with corporate leaders suggest that we are near a cyclical bottom. We expect a broad-based recovery in activity to gain visibility as the year progresses. Regardless of the muted earnings outlook for the broader Indian market, Bloomberg estimates suggest that the DIOF portfolio will deliver portfolio-weighted earnings growth of over 20% this fiscal year.

oo oo oo oo oo oo oo oo oo oo

A notable recent development has been the **launch of the Duro Equity Opportunities AIF 1** in July 2025 - a Category III Alternative Investment Fund (AIF) domiciled in India. This vehicle is specifically designed for Indian onshore family offices and local institutional investors. While the targeted underlying investor base differs from that of DIOF, the investment strategy, portfolio construction principles, and application of the Duro investment framework remain fully aligned. We are excited about this extension of the Duro platform and the opportunity to deepen Duro’s engagement with domestic long-term capital.

oo oo oo oo oo oo oo oo oo oo

### The “Why Now” in the Duro Investment Framework

At Duro, we define the “Why Now” of an investment opportunity as the identification of a **structural change** - at the company or industry level - that drives a meaningful, multi-year acceleration in earnings growth of the business that we are evaluating for investment. This is not merely a one-off event. Instead, it is the start of a compounding effect comprising a series of mini positive outcomes driven by the structural change, and that eventually leads to a meaningful increase in the slope of a company’s cash flow and earnings trajectory over a 3–5 year horizon. Because the value of a business is the present value of its future cash flows, any sustained step-change in earnings growth can result in a significant re-rating in intrinsic value - and ultimately, stock price.

Examples of structural changes we’ve invested behind:

- *Change in ownership and alignment of incentives driving significant operational improvement:* e.g., Max Healthcare, following the entry of Abhay Soi as CEO and significant shareholder
- *Comprehensive transformation of operating culture driving sharp improvement in unit economics:* e.g., Bharti Airtel, where internal transformation is enabling the company to capitalize on multi-year pricing tailwinds or a significant decline in competitive intensity

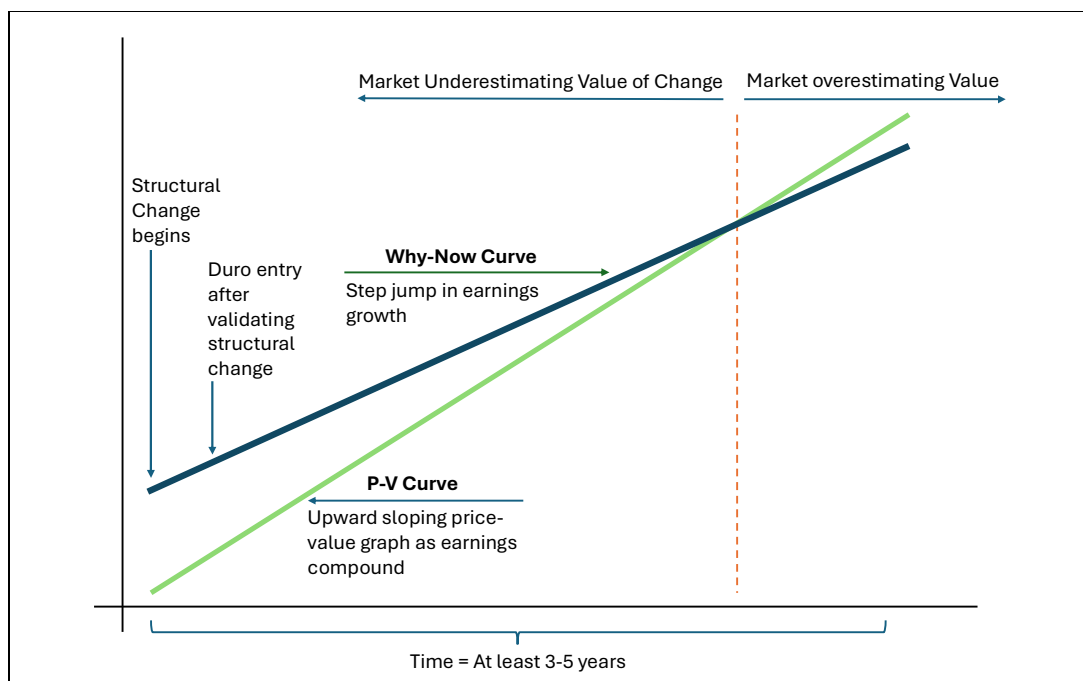
---

<sup>1</sup> Source: Bloomberg

- *Sustained supply constraint in industry allowing market leader to consolidate share:* e.g., Indigo, where it has continued to strengthen its competitive moats amid limited capacity expansion of weaker rivals
  - *Expansion of total addressable market through capability upgrades:* e.g., Craftsman Auto, which is set to achieve non-linear growth by scaling capacity and building differentiated manufacturing capabilities
- Each of the above companies demonstrated a clear and compelling “Why” in their business model, enabling them to capitalize on a structural opportunity when the timing was right. In every case, it was the combination of underlying change and institutional readiness that has helped unlock long-term value.

Identifying structural change is inherently difficult. Early signs are often ambiguous, and true compounding impact is only validated over time through the realization of a sequence of positive developments. As long-term investors, we are not drawn to one-off catalysts. For example, the Kumbh festival in North India earlier this year drove a temporary surge in air travel over a four-week period. While impactful in the short term, such momentary catalysts - without sustained, compounding follow-through - do not constitute structural change. Similarly, a hot winter leading to unseasonably higher air-conditioner sales may boost quarterly results, but lacks the enduring attributes we look for. Instead, we focus on underwriting enduring inflections using a rigorous set of diligence tools. We initiate positions only when we have conviction, based on evidence, that the change is structural and not episodic. In fact, the early innings of any transformation may lead to a wide dispersion of outcomes. But as early wins stack up leading to a strong foundation, and trajectory clarity improves, that dispersion narrows meaningfully. For instance, although Abhay Soi assumed leadership of Max Healthcare in June 2019, we initiated our position only in late 2020/early 2021 - once we had validated the tangible impact of his actions on the company’s trajectory. Since our entry, the company has compounded operating profit at over 38% per annum.

How does Price-Value (PV) relate to the “Why Now” in our investment framework? In the chart below, we have tried to present a rudimentary graph that represents the Why Now and Price-Value curves:



The Price-Value pillar in our framework tracks the relationship between a company’s market price and its intrinsic value. As the impact of a structural change unfolds (represented by an upward-sloping “Why Now”

curve), the market gradually incorporates that change into its pricing, leading to an upward movement in the P-V curve. The increase in stock price reflects rising earnings expectations - and often, a corresponding multiple expansion. Even in the absence of a multiple re-rating, earnings compounding alone is capable of delivering attractive returns.

Eventually, the step-change in earnings plays out, and growth normalizes at a new normal. If the market begins to extrapolate growth rates triggered by the structural change far into the future, despite fading tailwinds, it may indicate overvaluation. That is typically our cue to exit. While not all investments play out as cleanly as this framework suggests, it provides a disciplined mental model to guide decision-making and avoid behavioral traps.

oo oo oo oo oo oo oo oo oo oo

### **New Position: Indus Towers**

One of the key additions to our portfolio earlier this year was Indus Towers (Indus), India's largest telecom tower company. Notably, we had previously held a short position in Indus that we covered in 2023, generating a return of ~35% over a relatively brief holding period of 8 months. That short thesis was predicated on the deteriorating position of India's third largest telecom player, Vodafone Idea (VI), which was then contributing to over 35% of Indus' revenues. Given VI's inability to compete effectively with stronger incumbents, Reliance Jio and Bharti Airtel, we anticipated tenancy reductions, cash flow pressure, and dividend suspensions. All of these played out: leading Indus to suspend dividends for two years and suffer a sharp 50%+ earnings decline in FY23.

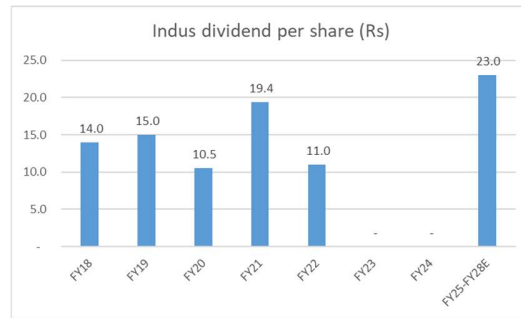
Today, however, we see the "Why Now" turning favorable for Indus. VI's financial condition is beginning to stabilize, aided by government support, equity infusions, and recent tariff hikes. The probability of a VI bankruptcy has reduced significantly, and the base case now tilts towards survival through sustained tariff improvement in the entire telecom industry. With Indus' EBITDA stabilizing and dividend payouts likely to resume from FY25, current valuations present a compelling risk-reward setup.

### ***The "Why" of Indus Towers***

The core structural strength of Indus lies in its unmatched scale. With over 249,000 towers and 405,000 co-locations across India, its infrastructure footprint is virtually impossible to replicate. Establishing a network of this magnitude would require massive capital, deep operational know-how, and navigating regulatory and land acquisition hurdles – all in a mature and price-sensitive market like India. Additionally, the Indian telecom industry has consolidated into two dominant players, Reliance Jio and Bharti Airtel, each with its own affiliated tower infrastructure (albeit Reliance with a limited history of sharing that infrastructure with other players). Bharti Airtel, on the other hand, holds a majority stake in Indus, which has a long history of operating as an independent tower company with multiple customers. Given this market structure, there is little economic rationale for a new tower company to enter the market, reinforcing Indus' competitive moat.

### ***The "Why Now" for Indus Towers***

VI's Turnaround Offers Incremental Tenancy Upside: VI's troubles have long overshadowed Indus. At its peak, VI accounted for 40% of Indus' revenue and underpinned its dividend-paying capacity. As VI's liquidity eroded, Indus suspended dividends in FY23 and FY24 and reported sharp earnings declines (down 54% in FY23 and a further 28% in H1 FY24).



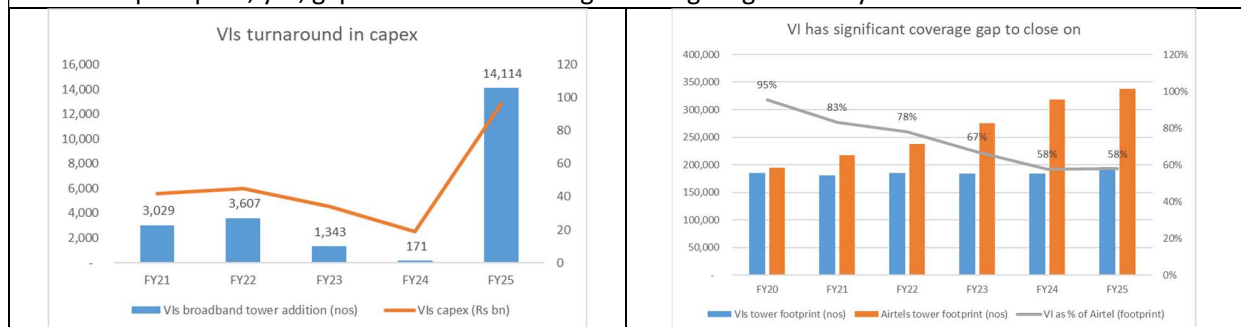
That overhang is now lifting. VI, which still contributes ~30% of Indus' revenues, has taken decisive steps to stabilize its operations. Since March 2024, the company has raised INR260 billion in equity and is on track to secure an additional INR250 billion in debt to fund its network expansion. In April 2025, the Indian government converted INR369.5 billion of outstanding dues from VI into equity, raising its stake in VI from 22.6% to 48.99%. This not only provided a critical financial lifeline, but also led to the deferral of substantial repayments from VI to the government until 2027, thereby alleviating near-term stress for VI (and by association, Indus).

With liquidity restored, VI has announced a capex program of INR 500–550 billion over the next two years to close the gap with Reliance Jio and Bharti Airtel. The rollout plan includes:

- Upgrading 3G radios to 4G
- Expanding 4G population coverage from 1.03 billion to 1.2 billion (implying a need to increase tower presence from 170,000 to ~222,000)
- Initiating 5G deployment and fiberization

Indus is the natural and clear beneficiary of this investment. In fact, evidence of this is already emerging. VI's FY25 (ended March 31, 2025) capex exceeded the prior five years combined, with Q4 FY25 being its highest single-quarter capex spend since 2018. Tenancy additions at Indus have now outpaced tower additions for three consecutive quarters, pointing to rising operating leverage. Notably, VI has also cleared all past dues to Indus in FY25.

#### VI on a capex spree; yet, gap to Bharti Airtel is significant giving a runway for Indus:

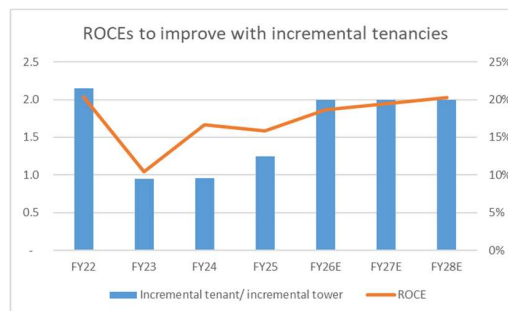


**Streamlined Ownership Structure:** Indus' ownership structure has also become more streamlined and constructive. Vodafone exited its stake in Indus entirely in January 2025 (from a peak 28% stake), leaving Bharti Airtel as the sole strategic owner of Indus. With Airtel's financial position stronger than ever, Airtel and Indus' incentives now align toward long-term value creation rather than short-term cash extraction from Indus.

In fact, this clarity in ownership opens up new growth pathways for Indus. Backed by Airtel, the company is well-positioned to scale adjacent B2B infrastructure plays, including edge data centers, EV charging stations, and other enterprise solutions. With a track record of >99% uptime and deep operational know-how across distributed infrastructure, Indus is uniquely suited to lead these emerging verticals.

### **Price-Value: Re-Rating Potential and Optionality**

Indus' cash flow profile is visibly improving. With VI having settled its past dues to the company, Indus is set to generate an average of \$750 million in free cash flow over the next 3 years, representing a 7.3%+ FCF yield on our entry price. In Q3 FY25, Indus completed a buyback of INR 26.4 billion at INR 465/share, a significant positive development that validated our "Why Now" thesis prior to our initiating our long position. With liquidity normalized and earnings visibility improving, a dividend resumption appears imminent. In fact, in May 2025, the company's board formed a capital return committee to consider best options to return capital to investors. Meanwhile, return on capital employed, which stood at 16% in FY25, is projected to exceed 20% by FY28. We estimate dividend yields of ~6% in FY26, rising to 8.5% by FY28 and expect the stock to compound at 30%+ over the next two years on our entry price, assuming a sustainable exit yield of around 5%.



As VI's viability improves and tariff hikes become entrenched, the market's valuation framework may also shift to a EV/EBITDA-based approach, in line with global tower peers. At just 8x EBITDA, Indus could deliver an IRR of over 30% on our investment. Historically, during stronger growth periods, Indus has traded as high as 12x EV/EBITDA, underscoring the scope for re-rating as fundamentals normalize and optionalities materialize.

Despite a >20% appreciation since our initial entry, we believe Indus remains undervalued relative to its evolving fundamentals. The structural tailwinds, stemming from VI's improving viability and a simplified ownership structure that provides new growth pathways, are set to drive a material re-rating in return ratios and financial resilience. As these shifts gain further traction, we see a continued substantial upward movement in the P-V curve.

Nishchay Goel  
July 2025

## DURO CAPITAL

This document is not an offer to sell, or a solicitation of offers to buy, any securities. Offers to invest in an investment vehicle managed or advised by Duro Capital (Singapore) Advisors Pte Ltd (along with its affiliates, "Duro Capital") will be made only by a private placement memorandum or other definitive offering memorandum (the "PPM"). If there is any discrepancy between this document and such PPM, the PPM will control. An investment in any fund is speculative and entails substantial risks.

The information contained in this document is provided for information only and does not contain all material terms, including important conflicts disclosures and risk factors associated with your investment; and this communication in and of itself should not form the basis for any investment decision. Duro Capital shall not assume any legal liability or responsibility for any incorrect, misleading or altered information contained in this document.

This document is confidential and proprietary and is intended only for the person to whom it has been delivered or to whom it was intended to be delivered. This document should be used only by sophisticated investors who are knowledgeable of the risks involved. Your acceptance of this document from Duro Capital constitutes your agreement to (i) keep confidential all the information contained in this document ("Confidential Information") and not disclose any such Confidential Information to any other person, (ii) not use the Confidential Information for purposes of trading any security, (iii) not copy this document without the prior express written consent of Duro Capital, and (iv) promptly return this document and any copies hereof to Duro Capital upon Duro Capital's request. The distribution of this document in certain jurisdictions may be prohibited or restricted by law; therefore, people in whose possession this document comes should inform themselves about and observe such restrictions. Any recipient of this document is deemed to accept the following conditions by accepting delivery of this document and the information contained herein. If the recipient does not accept these conditions, the recipient must immediately inform the deliverer of the document and return this document. This material is also subject to any confidentiality provisions set forth in any written agreement between the recipient and Duro Capital or any investment vehicle managed or advised by Duro Capital. No portion of this material may be reproduced, copied, distributed, modified, shared or made available to others without the express written consent of Duro Capital.

This document may contain projections, forecasts, targeted returns, illustrative returns, estimates, beliefs and similar information ("Forward Looking Information"). Forward Looking Information is subject to inherent uncertainties and qualifications and is based on numerous assumptions, in each case whether or not identified herein. Forward Looking Information is provided for illustrative purposes only and is not intended to serve as, and must not be relied upon by any prospective investor as, a guaranty, an assurance, a prediction or a definitive statement of fact or probability, nor should the inclusion of Forward Looking Information be regarded as Duro Capital's representation that the Fund will achieve any strategy, objectives or other plans.

The examples of current and potential investments included in this document are provided for discussion purposes only and are no guarantee of future results. They are not intended as a representation or warranty by Duro Capital or any other person or entity as to the actual composition or performance of the Fund's portfolio. Over time, the nature of, and risks associated with, the Fund's portfolio may differ substantially from (and may be subject to constraints or limitations that were not applicable to) those investments and strategies discussed in this document.

All information and opinions herein have been compiled in good faith, but no representation or warranty, express or implied, is made as to their accuracy, completeness and correctness. The right to change any such information, at any time, without notice, is fully reserved.

Past performance is not indicative of future results and there can be no assurance that any investment will achieve comparable results or its investment objectives. Investors may not get back the full amount invested, and the net asset value of the investment will fluctuate.