Bitcoin Corporate Treasuries Initiation Report

Capturing Structural Alpha via Digital Credit, Volatility Monetization & mNAV Discipline

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1.0 Executive Initiation & Capital Deployment

This research note initiates high-conviction coverage on a concentrated basket of Bitcoin Corporate Treasury entities (MicroStrategy, Strive/Semler Scientific, and Metaplanet ADR).

- **Completed Seed:** INR 3,50,000 (~$4.2K USD)
- **Year 1 Top-Up:** +INR 2,50,000 (Total Year 1 = INR 6,00,000)
- **Years 2–4 Tranches:** +INR 5,00,000 per year systematically deployed below the 15th percentile mNAV
- **Total Programmed Principal:** INR 21,00,000 (~$25,200 USD)
- **Route:** INDmoney app (RBI Liberalised Remittance Scheme)
- **TCS Status:** 0% TCS across all 4 years (each annual remittance is below the INR 7,00,000 LRS threshold)

Entity / Ticker	Seed Capital	Weight (%)	Strategic Role in Portfolio
MicroStrategy (MSTR)	INR 1,50,000	42.9%	Flagship anchor; S&P 500 inclusion flows; massive ATM liquidity
Strive / Semler (SMLR)	INR 1,10,000	31.4%	Mid/small-cap high beta; operational cash flow redirect into BTC
Metaplanet ADR (3350)	INR 80,000	22.8%	Asian MicroStrategy; JPY debt/yield arbitrage; 20% vs 55% tax arbitrage

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2.0 Macro Paradigm: The Sovereign Debt Spiral

The global economy has entered structural **Fiscal Dominance**: - US Federal Debt exceeds **$35 Trillion** (>120% Debt-to-GDP). - Annual net interest expense surpasses **$1.05 Trillion**, exceeding total national defense spending. - Real purchasing power decay: $P_t = P_0 \times (1 - \pi_{\text{real}})^t$, where $\pi_{\text{real}} = \frac{\Delta M2}{M2} - \Delta Y_{\text{real}}$. With M2 expanding at 7%–10% annually, cash guarantees loss of purchasing power.

Asset Class	Supply Scarcity & S2F	Dilution Risk	Holding Cost	Settlement Velocity
Bitcoin	**21M hard cap; S2F $\to \infty$**	**Zero supply response**	**Zero carry cost**	**Instant final settlement; 24/7**
Physical Gold	S2F ~60–80 years	1.5%–2.5% p.a. mining	Storage, vaulting, assay	Slow physical transport
Real Estate	Local land scarcity	Zoning expansions, permits	Taxes (1-3% p.a.), maintenance	Weeks-to-months settlement
US Treasuries	Negative scarcity	Uncapped fiscal debt	Guaranteed negative real yield	Banking hours; sanctions risk

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3.0 Bitcoin Layer-1 as Base Settlement

All major financial innovations will settle on Bitcoin Layer-1 Proof-of-Work thermodynamic consensus: 1. **Stablecoins:** Taproot Assets & Lightning Network enable dollar velocity finalized on Bitcoin L1. 2. **RWA Tokenization & Runes/ Ordinals:** Immutable digital asset ownership anchored into satoshis. 3. **Programmability:** BitVM (Turing-complete off-chain computation without forks) and Stacks (sBTC consensus linkage). 4. **Privacy:** Zero-Knowledge rollups verifying validity proofs on L1.

4.0 Digital Credit & The Reflexive Flywheel

Digital Credit Arbitrage: Corporate entities issue unsecured convertible senior notes carrying 0.0% to 0.875% coupons with 30%–40% conversion premiums (Rule 144A). Institutional fixed-income hedge funds buy the notes to execute convertible volatility arbitrage (delta-hedging). There are **zero margin calls, zero LTV triggers, and zero collateral liens** on the underlying Bitcoin.

The ATM Flywheel & BTC Yield: When stock trades at $\text{mNAV} > 1.0\times$, At-The-Market equity issuance is accretive to Bitcoin backing per share:

$$\text{BTC Yield} = \frac{(\text{BTC}_t/\text{Shares}_t) - (\text{BTC}_0/\text{Shares}_0)}{(\text{BTC}_0/\text{Shares}_0)}$$

For example, raising $100M at a 2.0x mNAV results in 5% share dilution but 10% asset expansion, generating **+4.76% net BTC per share accretion** with zero capital contribution from existing shareholders.

5.0 Valuation Discipline: The 15th Percentile Rule & –50% Floor

- **Valuation Formula:** $\text{mNAV} = \frac{\text{Enterprise Value}}{\text{Spot BTC Price} \times \text{Total BTC Reserves}}$.
- **The $$15th Percentile Protocol:** Deploying capital strictly below the 15th percentile of historical rolling mNAV ($1.10\times - 1.25\times$) eliminates multiple compression risk and captures **+60% to +115% structural mean-reversion alpha**.
- **The –50% Bear Market Floor:** Corporate balance sheet sinks (MSTR, Metaplanet, Semler) and spot ETFs permanently lock up >12% of liquid circulating supply. In drawdowns, ATM and convertible debt facilities expand to absorb seller capitulation, establishing a structural bottom at **~50% drawdown** (e.g., $160,000 peak bottoming at $80,000 rather than historical –80% crashes).

6.0 Indian Regulatory Architecture & 4-Year Return Projections

Deploying capital via INDmoney (RBI LRS) provides decisive tax advantages: - **0% TCS:** Staging capital at ₹6.0L in Y1 and ₹5.0L/yr in Y2-Y4 stays strictly below the ₹7,00,000 annual threshold. - **Tax Arbitrage:** 12.5% LTCG on US equities held >24 months with capital loss set-offs, compared to the punitive 30% flat tax + 1% TDS on domestic crypto in India. - **Currency Tailwind:** 3%–4% annual INR/USD depreciation compounds terminal returns.

4-Year Scenario Return Modeling (INR 21 Lakh Total Principal)

Macro Scenario (2026–2030)	Spot BTC Price	Target mNAV	Terminal Portfolio Value	MOIC	Strategy XIRR
Bear Case *(Macro Stagnation)*	$75,000	1.15x	**INR 29,74,000**	**1.42x**	**14.0%**
Base Case *(Institutional Adoption)*	$185,000	1.65x	**INR 59,53,000**	**2.83x**	**45.0%**
Bull Case *(Sovereign Accumulation)*	$380,000	2.35x	**INR 1,07,13,000 (1.07 Cr)**	**5.10x**	**75.0%**

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