

## Investor Webinar

# Chaos to Clarity

## Stocks, Strategy and Outlook

**Presented by:**

SANDIP AGARWAL

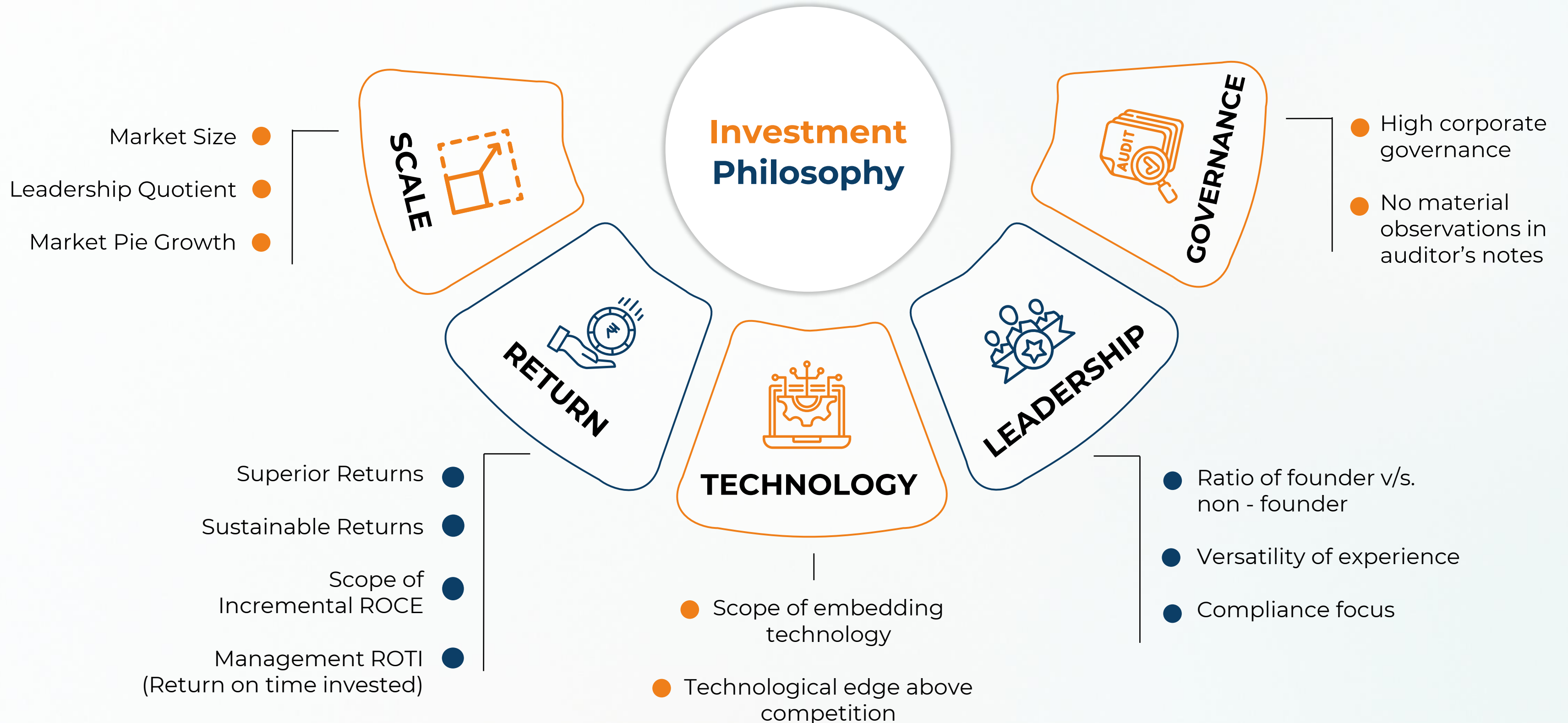
Co-Founder & Fund Manager

June 21st, 2025 | Saturday

[www.sowilo.co.in](http://www.sowilo.co.in)

# Introduction

Sowilo Investment Managers LLP (“Sowilo”) is a boutique asset and wealth management firm catering primarily to Corporate, UHNI, HNI investors and Family offices in domestic as well as offshore markets.



# Our Achievements





# Our Achievements

Consistent Recognition by PMS AIF World – driven by process, discipline, performance, and trust.

 **Top 10 Portfolios In Each Peer Group (Data as of 31st May 2025)**

Peer Group 5: One Year Plus Peer Group											
Company	Strategy	AUM (Cr)	1M	3M	6M	1Y	2Y	3Y	5Y	SI	Category
Wallfort	India Contra	18.6	8.97%	19.48%	3.18%	30.77%	-	-	-	39.53%	Mid & Small
Sowilo	Multicap	125.2	9.91%	19.44%	-4.72%	13.99%	-	-	-	26.47%	Mid & Small
Ckredence	Business Cycle	-	6.88%	12.20%	-5.48%	17.33%	-	-	-	19.78%	Multi Cap
Nuvama	Absolute Return	836.0	3.20%	7.30%	5.70%	10.10%	-	-	-	12.70%	Multi Cap
Sowilo	Target Return Aggressive	59.4	8.24%	16.97%	-10.54%	10.45%	-	-	-	24.76%	Mid & Small
Abakkus	Diversified Alpha	-	6.50%	15.93%	-1.56%	7.25%	-	-	-	10.27%	Multi Cap
Axis AMC	Emerging Stars	107.0	9.23%	17.43%	-3.37%	6.65%	-	-	-	4.07%	Mid & Small
Wryght Research	Factor	250.4	5.50%	7.50%	-14.10%	-4.31%	-	-	-	25.10%	Multi Cap
Wryght Research	Factor - Hedged	12.8	3.80%	2.60%	-17.80%	-3.57%	-	-	-	13.10%	Multi Cap
Wryght Research	Alpha	74.0	1.80%	-0.30%	-27.70%	-16.48%	-	-	-	10.30%	Multi Cap

**Top 10 Portfolios In Each Peer Group (Data as of 30th Apr 2025)**

Peer Group 5: One Year Plus Peer Group											
Company	Strategy	AUM( Cr)	1M	3M	6M	1Y	2Y	3Y	5Y	SI	Market Cap
Nuvama	Absolute Return	887	1.31%	2.00%	2.51%	7.86%	-	-	-	11.33%	Debt
Emkay Investment	Emkay Golden	58	3.82%	-0.26%	-8.76%	9.63%	-	-	-	18.94%	Multi Cap
Sohum	India Opportunities Investment	51	3.96%	2.97%	-4.42%	7.88%	-	-	-	14.85%	Multi Cap
Ckredence Wealth	Business Cycle Fund	94	-0.46%	-3.17%	-9.22%	5.27%	-	-	-	15.70%	Multi Cap
Sowilo Investment	Multi Cap Fund	111	1.71%	-5.60%	-14.13%	2.11%	-	-	-	21.47%	Multi Cap
Motilal Oswal	India Growth Strategy	220	1.76%	-4.11%	-16.21%	3.89%	-	-	-	18.80%	Multi Cap
Sowilo Investment Managers LLP	Target Aggressive Scheme	55	2.08%	-7.91%	-16.58%	1.15%	-	-	-	20.77%	Mid & Small
Moneygrow	Small Midcap	132	4.90%	-8.03%	-18.96%	6.43%	-	-	-	17.33%	Mid & Small
PL Asset Management	Aqua Strategy	396	-0.22%	-2.39%	-14.03%	-5.30%	-	-	-	23.73%	Quant
Axis AMC	Emerging Stars	97	0.78%	-4.78%	-11.28%	-3.92%	-	-	-	-4.22%	Mid & Small

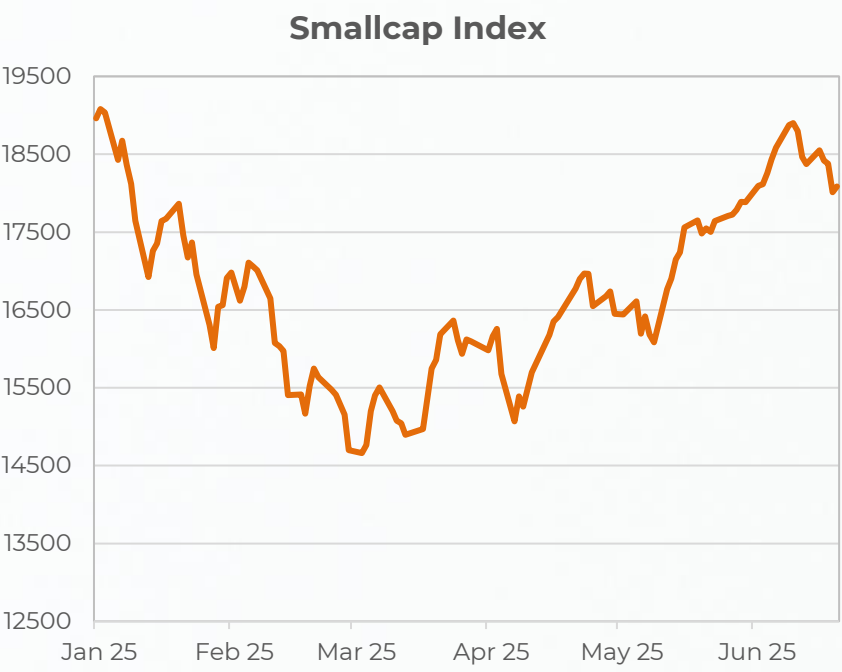
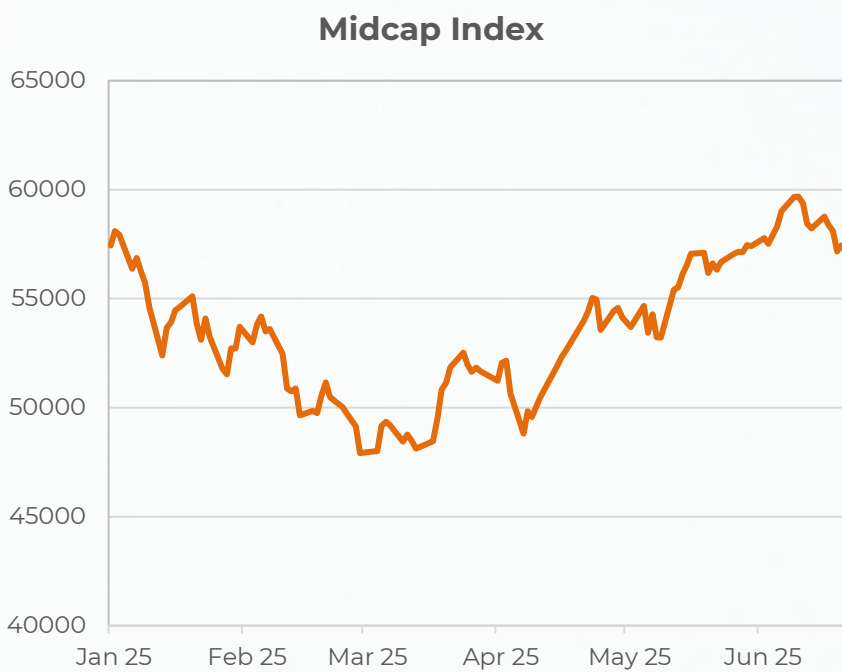
13 months of consistent recognition by PMS AIF World — from **April 2024 to May 2025**

# Indian Equity Markets

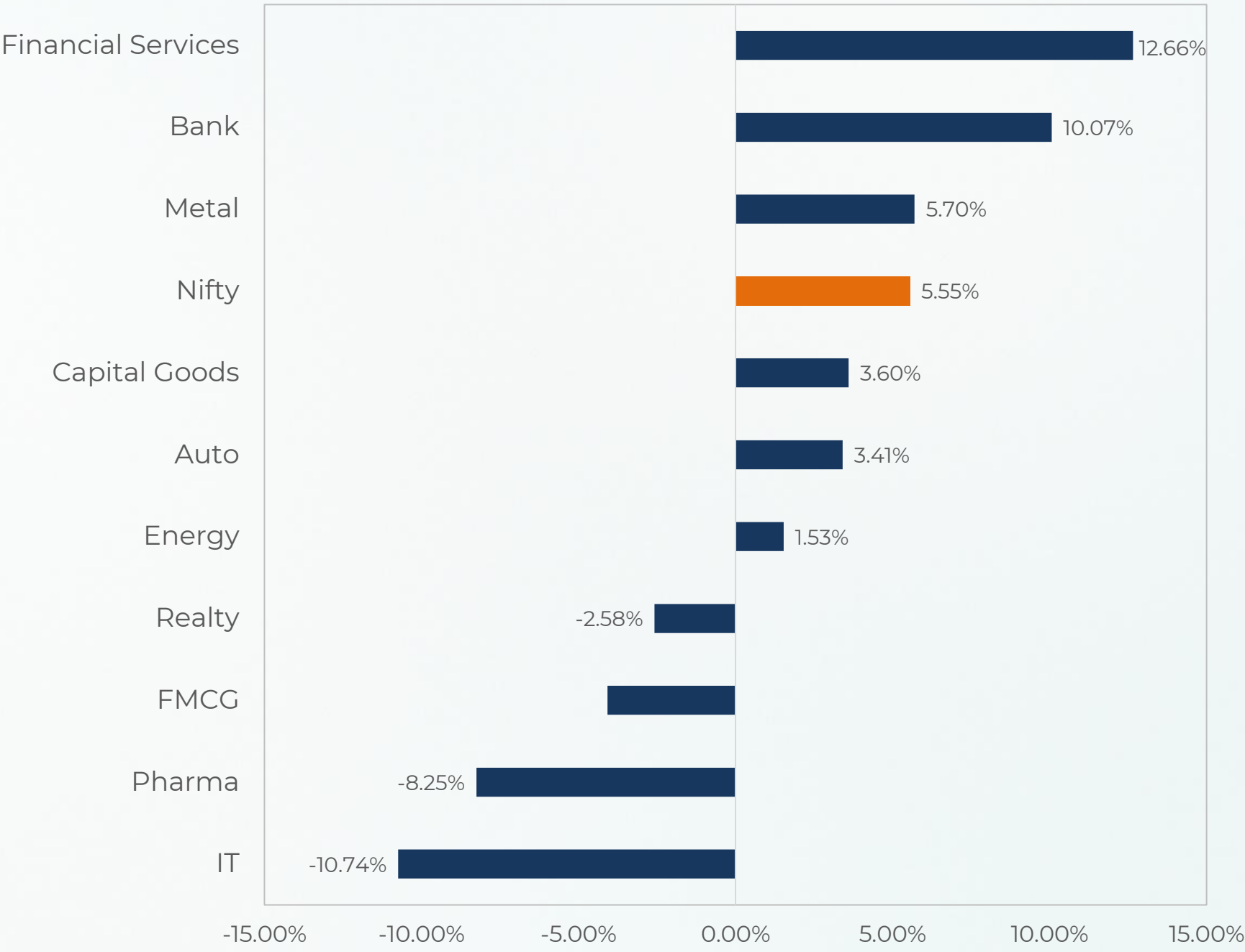
Past, Present and Future

# Indian markets have made a sharp recovery in CY25

## Indian indices performance

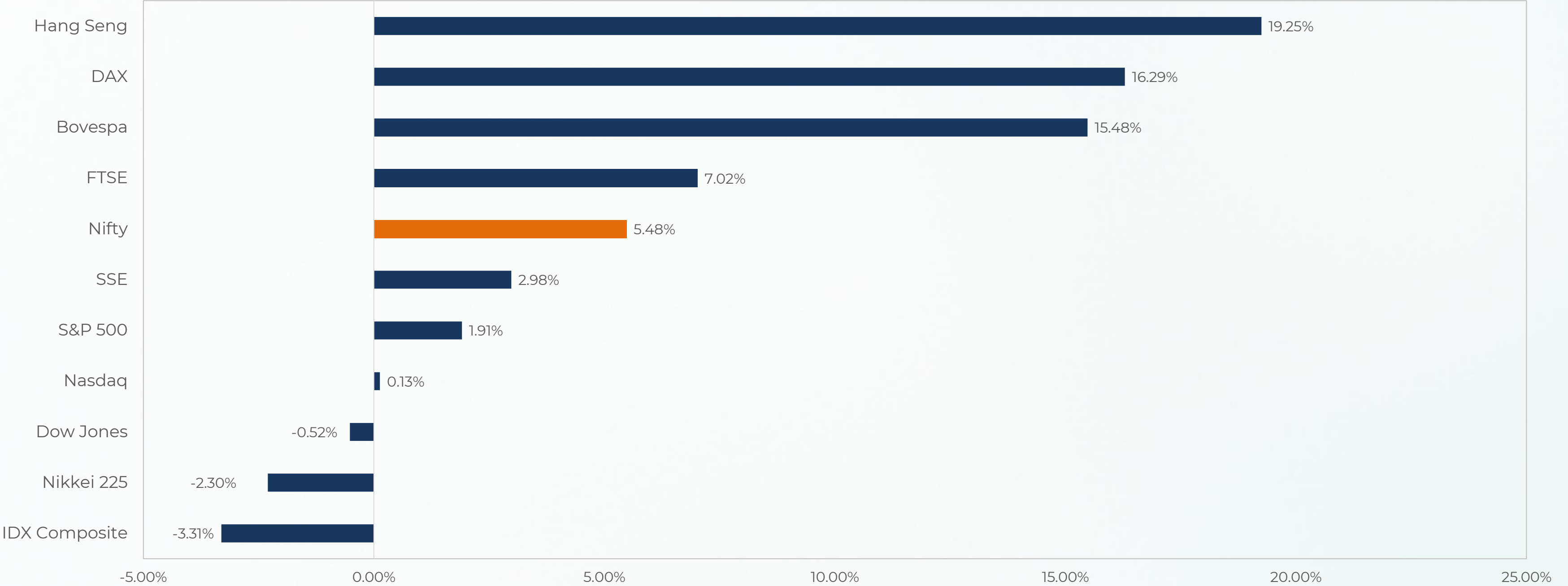


## Sector indices performance CY25 td



# In line with global markets

Global Markets (CY25td performance)



# After recent recovery, valuations

The PE of almost all countries have dipped below they're respective 10 year averages, Excluding India & USA

Country	1 yr Fwd PE	10Y avg PE	%premium/discount
USA	22.1	18.9	16.9%
India	22.5	19.6	14.6%
Taiwan	15.3	14.5	5.4%
Europe	14.9	14.2	4.7%
EM Asia	13.1	12.6	3.7%
Japan	15.1	14.8	2.0%
China	11.2	11.3	-1.1%
Hongkong	13.1	14.6	-9.9%
Mexico	12.2	13.5	-10.0%
Korea	8.9	10.0	-11.6%
Thailand	14.0	16.1	-13.1%
Malaysia	13.1	15.2	-13.7%
South Africa	10.0	11.7	-14.2%
Indonesia	11.8	14.5	-18.4%
Brazil	8.3	10.4	-20.1%
Philippines	10.4	15.5	-32.6%

India alongside USA remain the only major markets trading at a premium to its 10-year average PE (+15%) signaling sustained investor confidence and underlying growth resilience despite global valuation corrections.



# Q4 & FY25 Earnings snapshot : what is to come?

## Performance Summary

- **PAT Growth:** Weak at 10% YoY in Q4FY25 (vs 21% in FY24); driven by cost rationalization and low base, not revenue growth.
- **Topline Remains Soft:** Revenue growth stayed sluggish, sub-10% in FY25.
- **Sectoral Divergence:** Metals, telecom, chemicals, cement saw gains; PSU banks, industrials saw deceleration.

## Capex & Cash Flows

- **Capex Growth Slows:** H2FY25 capex rose just 6% (vs 20% in FY23/24), despite strong OCF.
- **Sign of Caution:** Governance-friendly, but signals demand weakness → earnings risk.

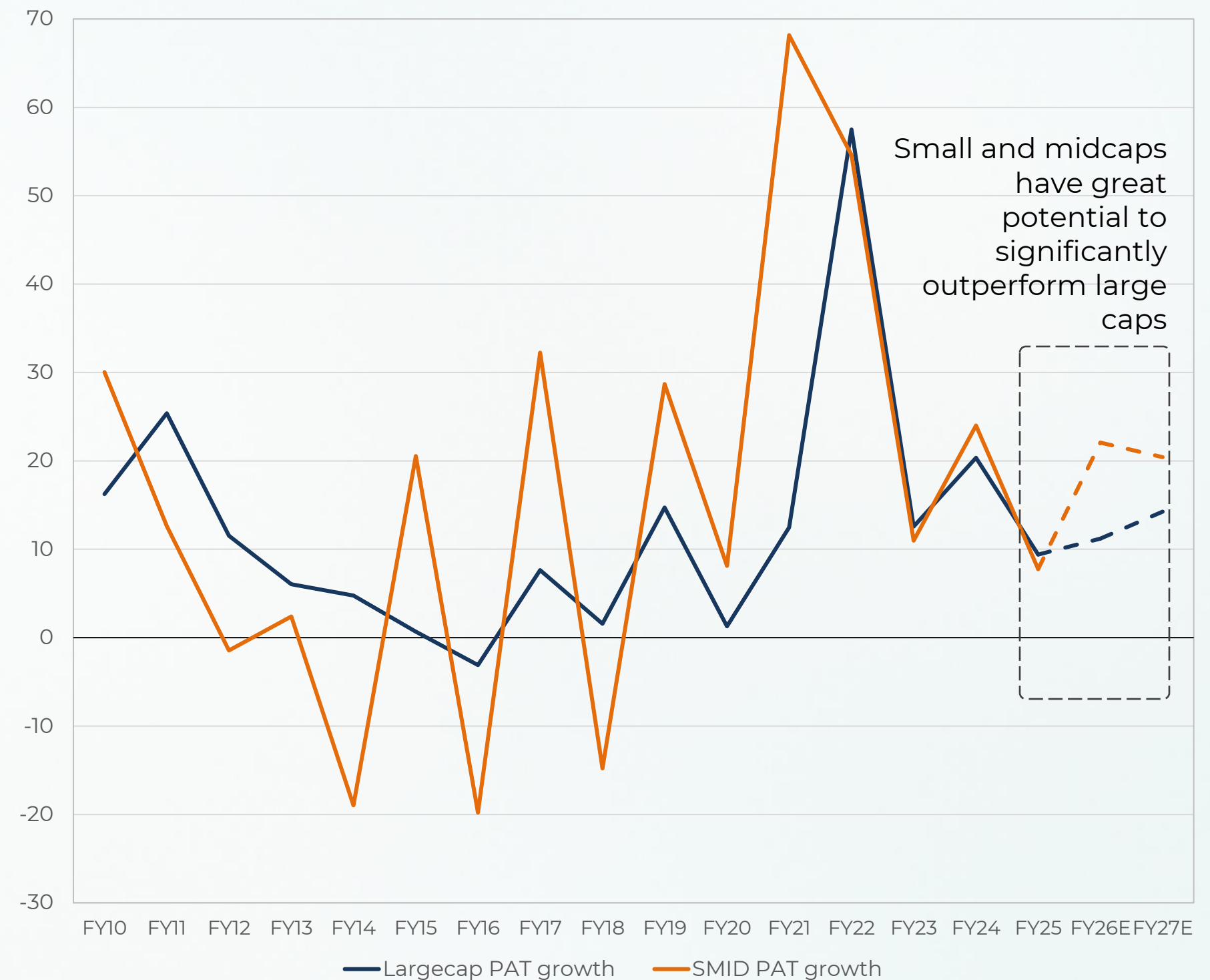
## SMID Stocks

- **SMIDs Rebound:** After underperforming in 9MFY25, SMIDs rebounded in Q4 due to cost cuts and low base.
- **FY25 Recap:** SMIDs underperformed large caps (reversal from FY24 outperformance).

## FY25 = Year of Reconciliation

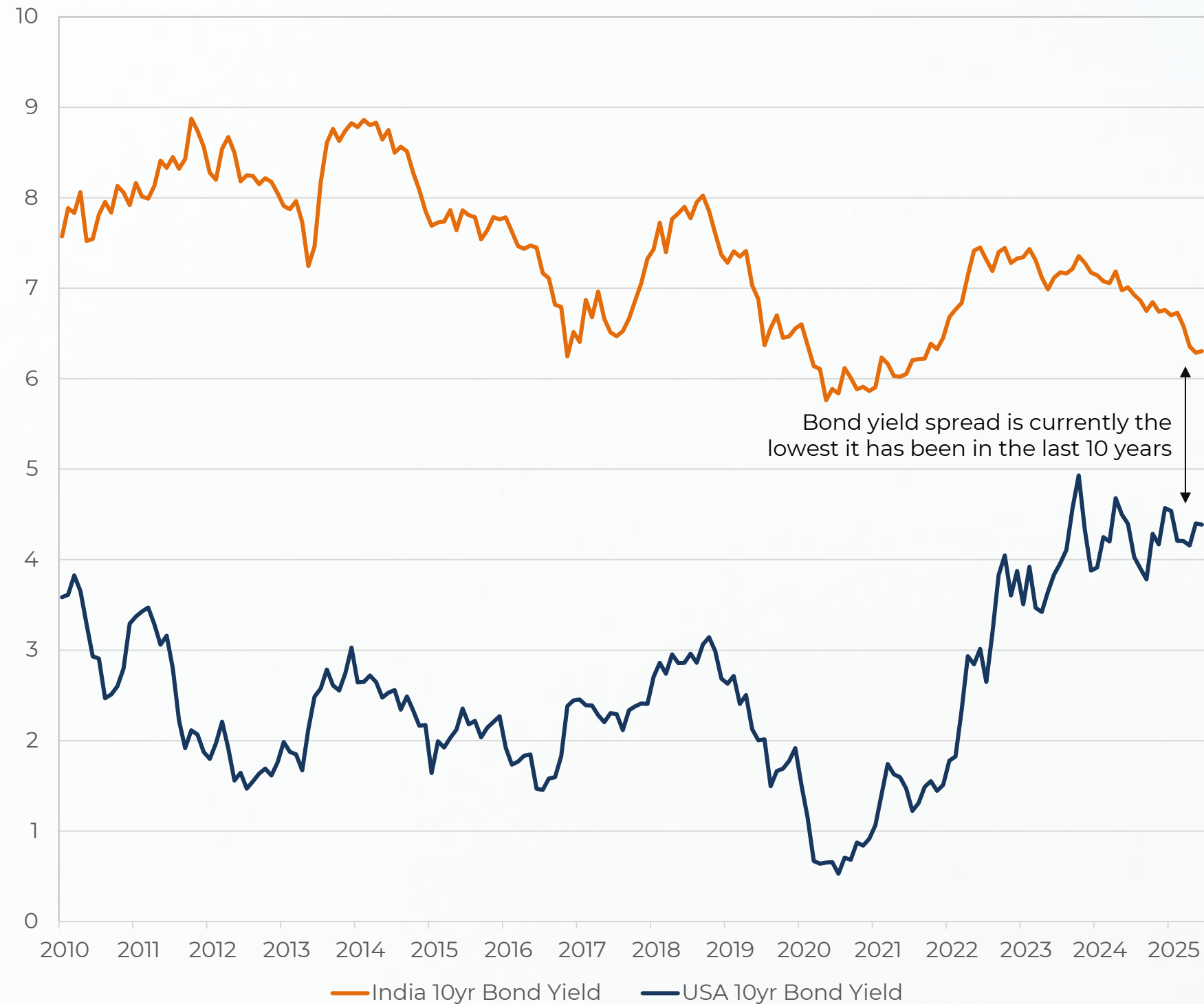
- All variables (profits, capex, top line) grew 8–10%, aligning with pre-COVID trends.
- Industrial and auto outperformance moderated; exporters/commodities caught up.

Largecap vs SMID Pat Growth



# Bond yields falling

India v USA 10yr Bond Yield



**Inflation Justification:** February CPI fell to 3.61% from 4.26%, below RBI's 4% target midpoint

**Bond Rally:** 10-year yield dropped to 6.23%, lowest since 2022, as markets anticipated easing

**Policy Move:** RBI cut repo rate 50 bps to 5.50% and reduced CRR 100 bps on June 6—third easing in 2025

**Equity Boost:** Lower rates support valuations; Sensex/Nifty gained ~1% on announcement day

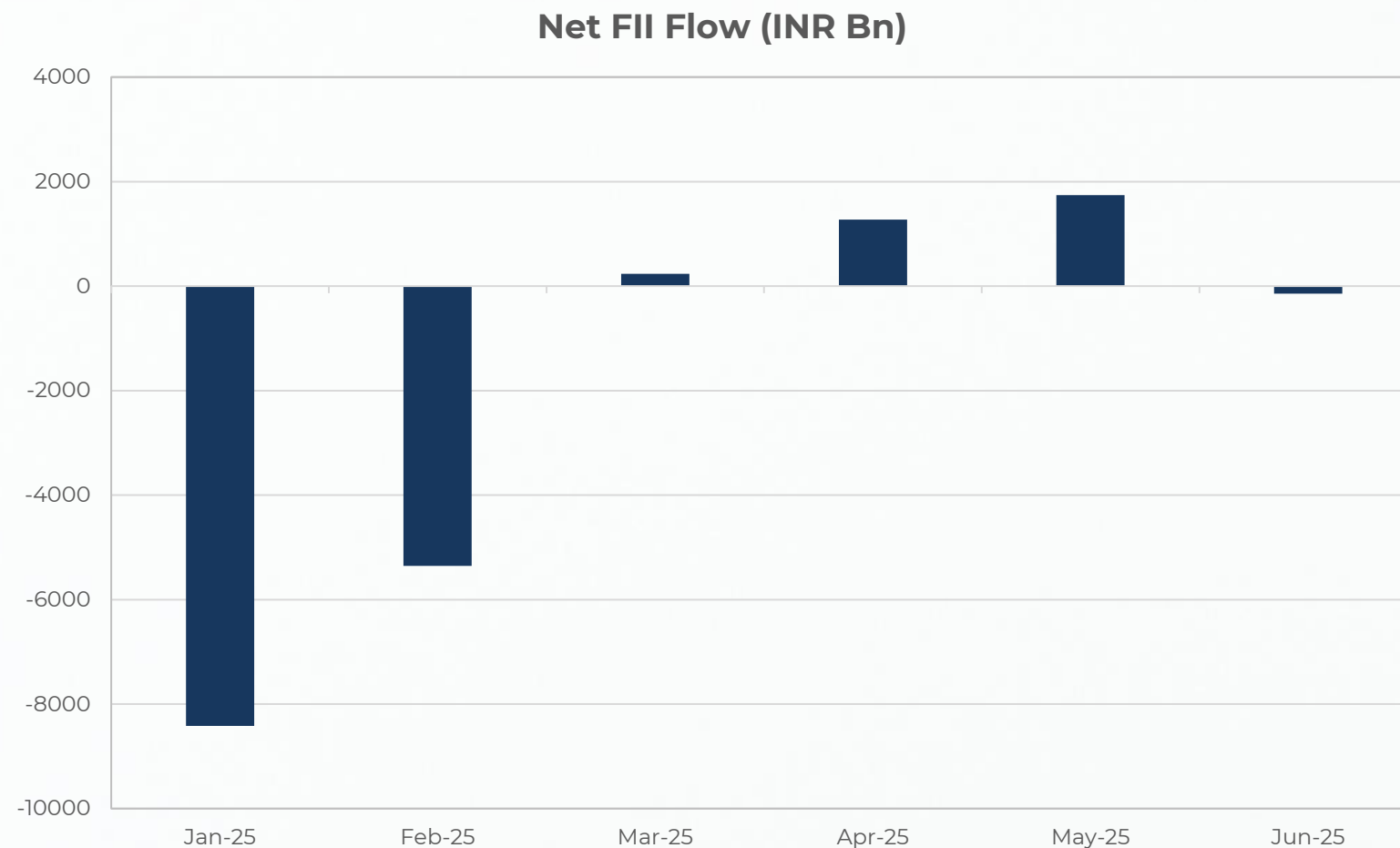
**Sector Winners:** Banks, NBFCs, real estate, autos benefit from cheaper funding and loan demand

**Historic Lows :** The gap between the US and Indian 10yr bond yield is at a historical low

# FII Flows & Weakening Dollar

Flows see an upward swing post march-lows

The biggest positive news for EMs



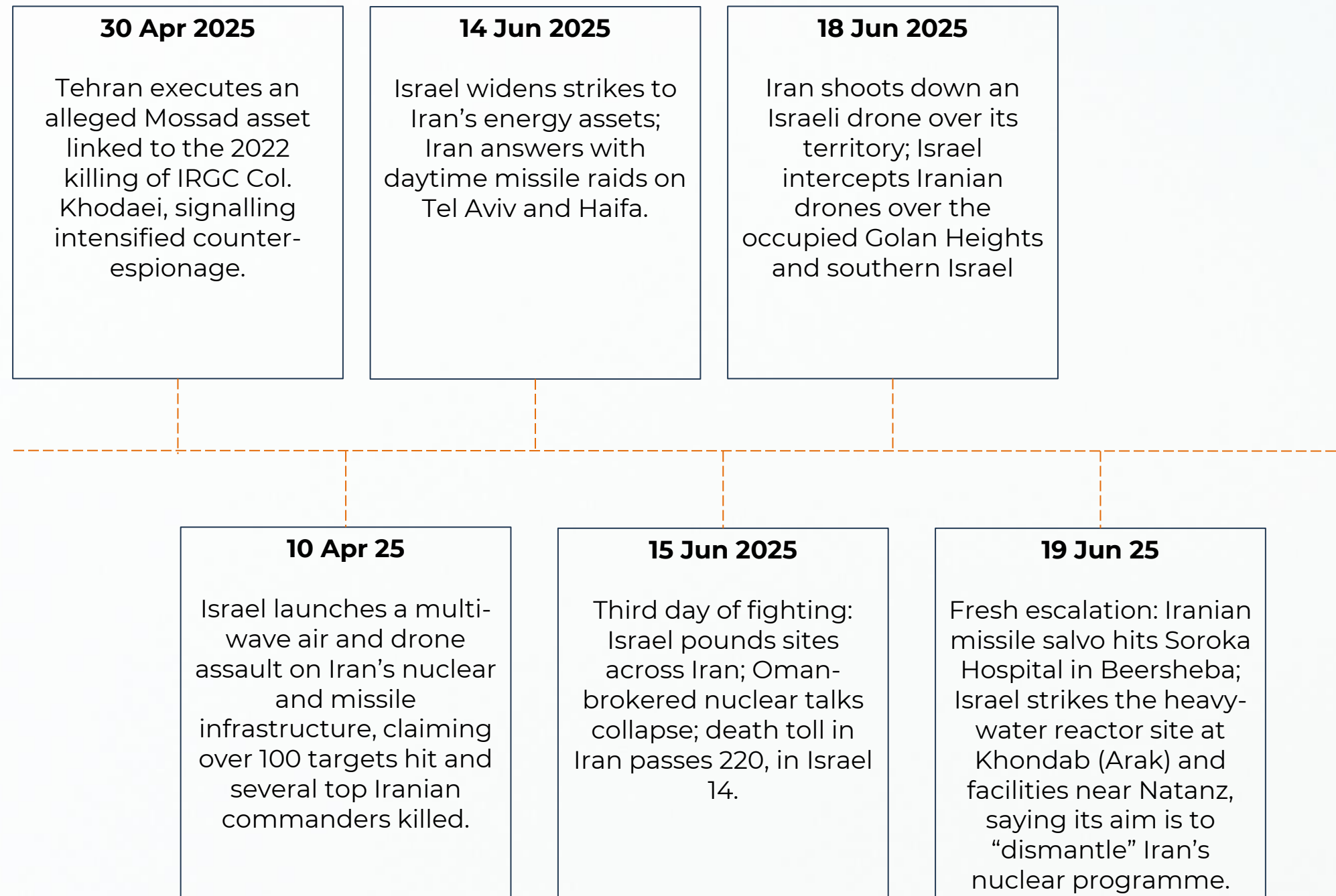
**Foreign Institutional Investment (FII)** allocation in Indian markets currently stands at a conservative 18.8%, which presents a notable contrast to the significantly higher 30% allocation typically observed in other emerging market economies. This disparity highlights a substantial opportunity for increased foreign capital inflows into India's financial markets.



# Geopolitical Tensions and its Implications



# Israel – Iran Conflict



## Oil prices surge on Middle East tensions.

- Brent crude jumped 12% to \$76.90 per barrel following Israeli strikes on Iran, marking the sharpest weekly increase since 2022. This oil price rise typically adds 0.3 percentage points to global inflation while reducing economic growth by 0.1 percentage points for every \$10 increase.

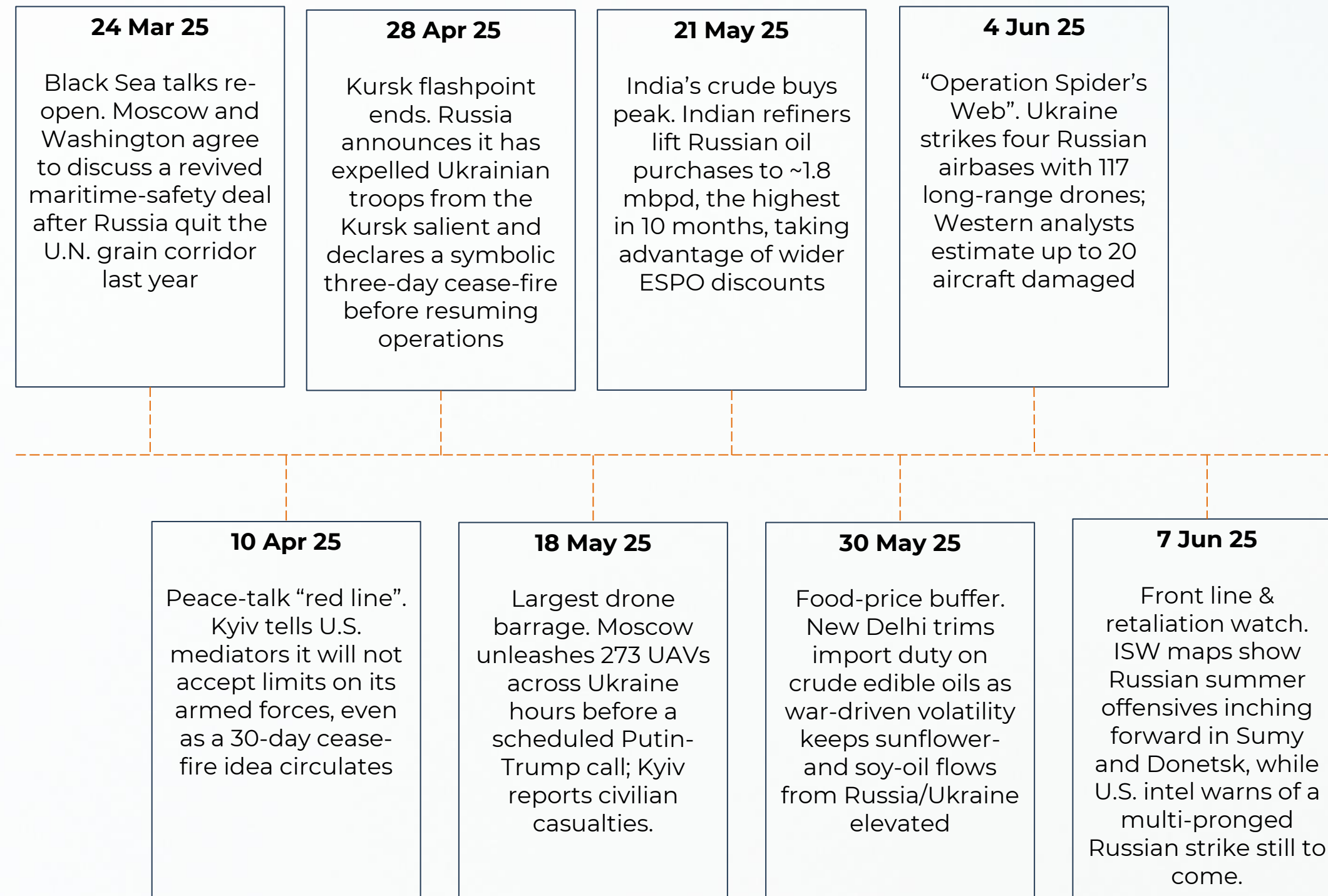
## Investors seek safe assets amid volatility.

- Gold reached record levels above \$3,400 per ounce as markets shifted from risk-taking to caution. The VIX volatility index climbed to 21.6, sitting 35% above its monthly average.

## Dollar strength pressures emerging markets.

- The dollar index rose to 99, gaining 0.9% for the week as investors favored US currency. The Indian rupee weakened to 86.7 per dollar, hitting a two-month low alongside other emerging market currencies.

# Russia-Ukraine War – update and how its affecting markets



## Volatility Surge

- India VIX and USD/INR implied volatilities at multi-month highs due to geopolitical tensions
- Risk-on/risk-off swings creating asset class instability

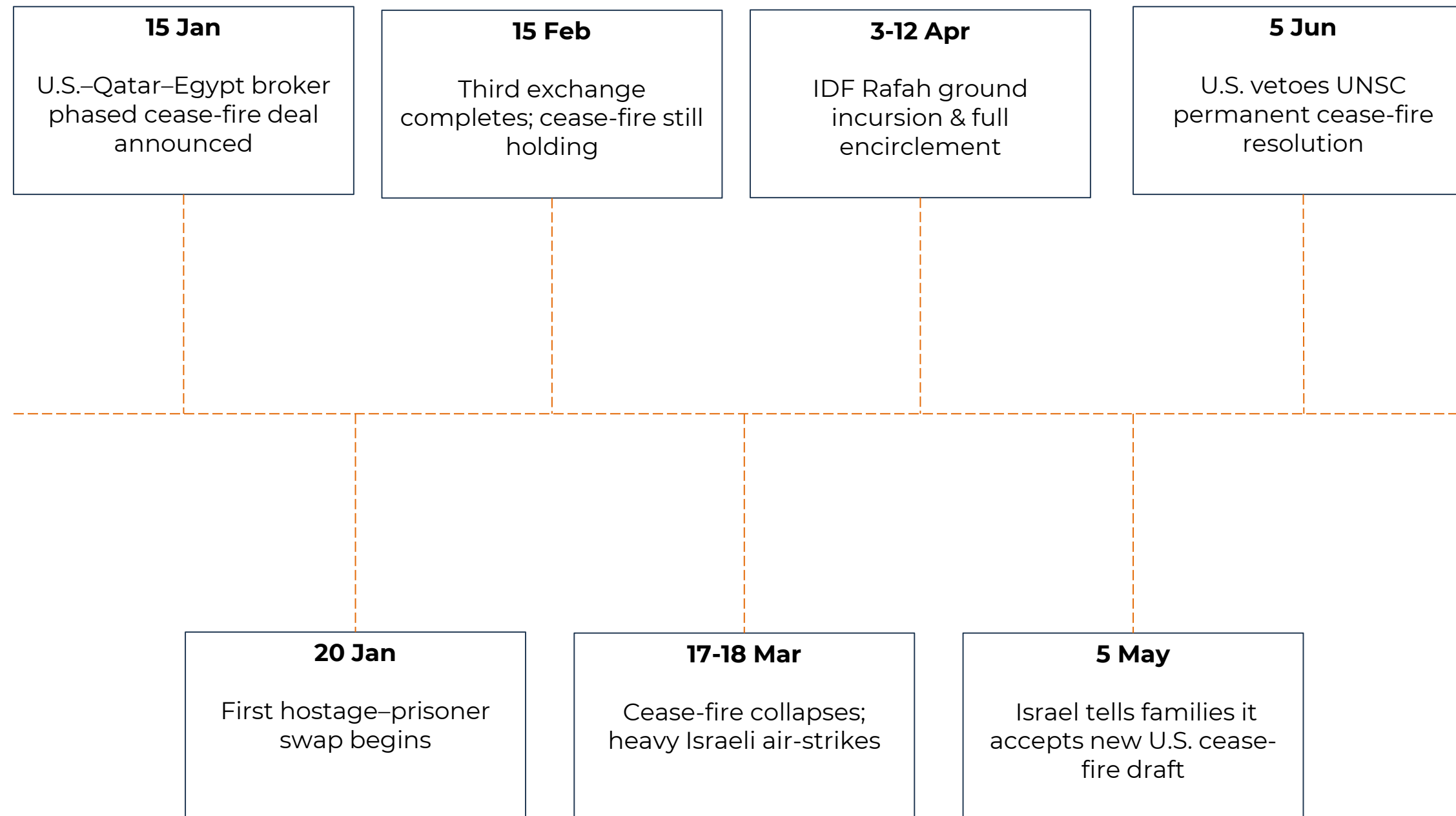
## Foreign Flows

- May equity inflows reversed in early June
- FPIs adopting tactical positioning amid rising conflict risk

## Energy Risks

- Russian oil imports continue supporting trade deficit and inflation control
- G-7 enforcement on shipping/insurance poses key tail risk

# Israel – Hamas escalation



- India VIX and USD/INR option volatility are both sitting at multi-month highs, highlighting the market's continued nervousness over the conflict.
- Gold has become the preferred “safe” asset, rising 18 % year-to-date and closing at a record USD 3,229 / oz.
- Foreign portfolio flows are swinging sharply: brief periods of buying often turn into outflows whenever tensions flare up.
- Until the conflict eases, wider price swings and cautious positioning are likely to remain the norm.

# India's edge

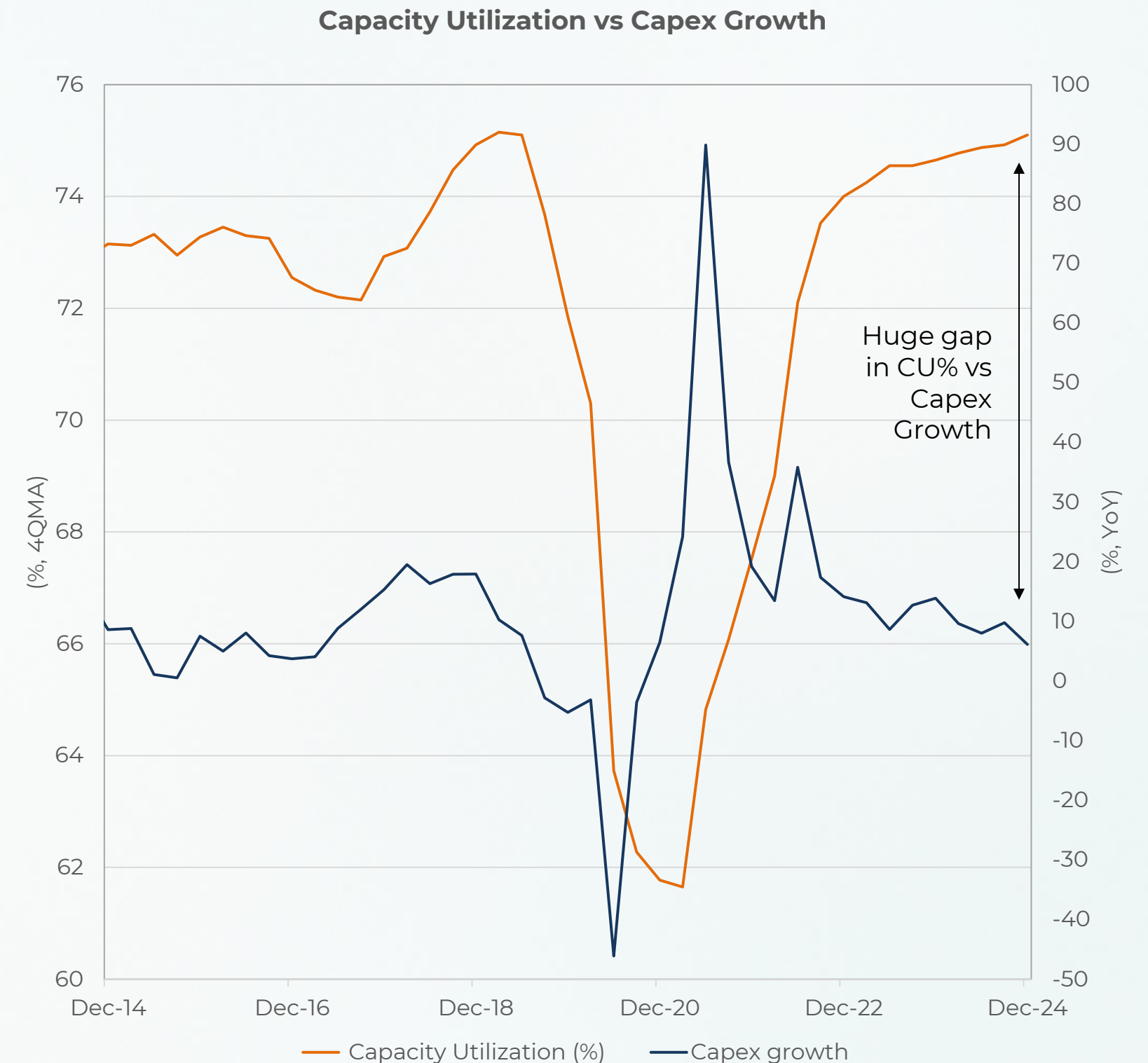
In the Global Economic Landscape



# Capacity Utilization Tightening → Capex Boom Incoming

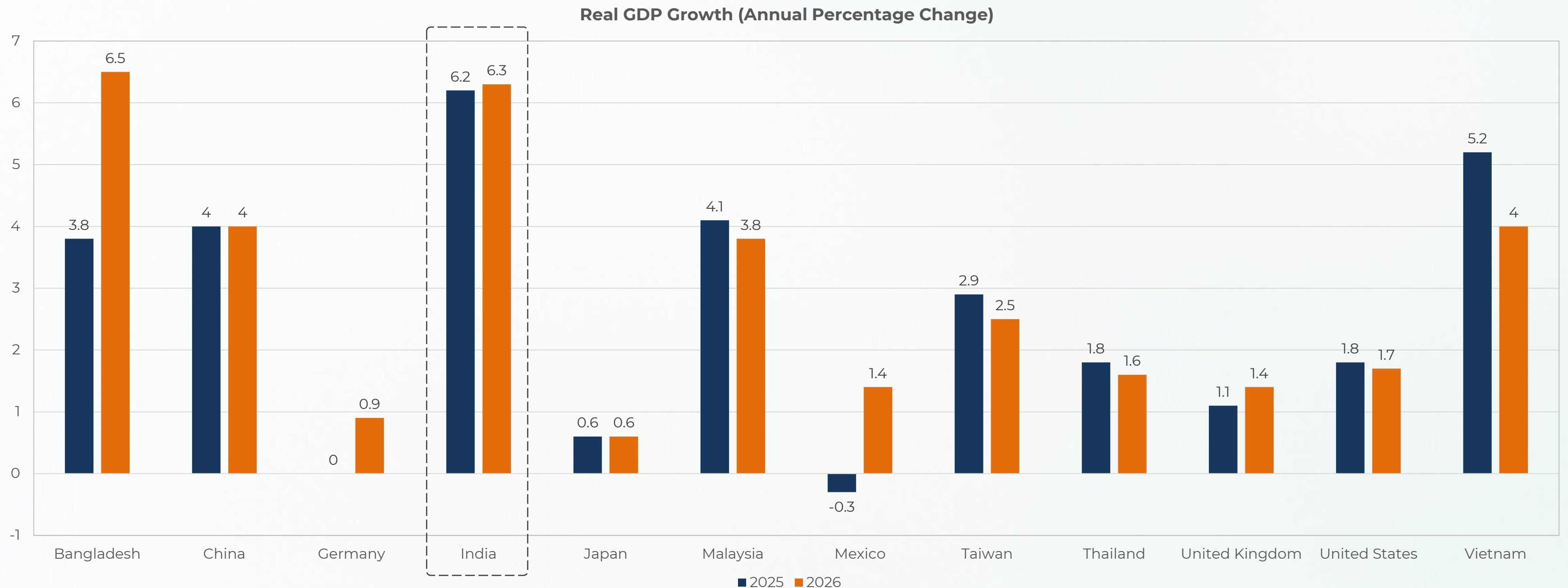
- Manufacturing CU at 75.4% in Q3 FY25, above long-run average.
- Historically, >75% CU precedes private capex cycles.
- S&P forecasts capex doubling to US\$850bn in FY26-30.
- Sector breakdown: power, airlines, heavy industries, green/tech.
- Strong corporate cashflow, low debt/EBITDA ratios, supportive markets.
- Positive implications for power equipment, capital goods, infrastructure.

Bucket	5-yr Outlay	Share of total	Key rationale / examples
Power & Transmission	~US \$300 bn	~35 %	500 GW renewables target by 2030; grid upgrades
Airlines	US \$75-100 bn	9-12 %	Fleet to triple by 2035; bulk via operating leases
Steel, cement, oil & gas, auto	~US \$250 bn	~30 %	Brown-field debottlenecking; steel +25 mt, cement +35 % capacity.
Emerging tech / green industries	US \$50-100 bn	6-12 %	Led by Adani Green, Tata Electronics; heavy initial capex, longer gestation.
Airports & ancillary infra	~US \$35 bn	<5 %	Green-field projects + privatization pipeline.



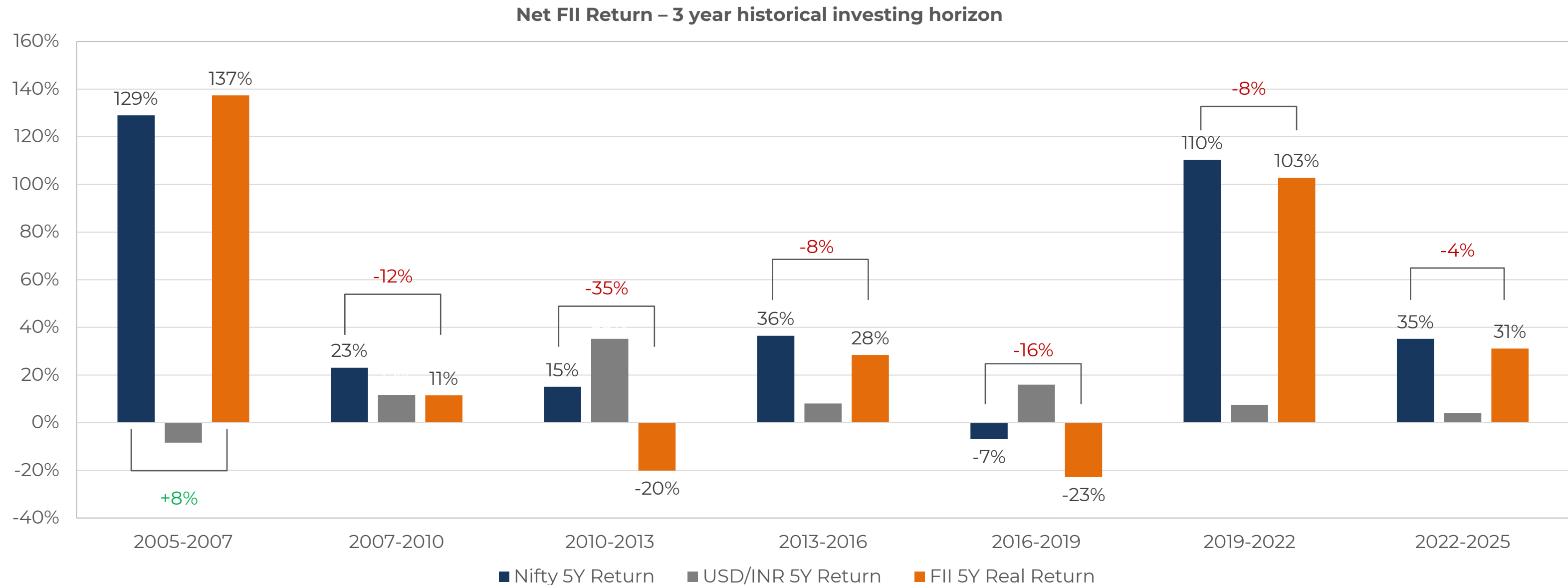
# India Leads Global Growth Pack

India stands out with consistent GDP growth forecasts above 6.5%, outpacing major economies including China, the US, and Germany



# Potential Rupee appreciation may bolster FII flows

Consistent rupee depreciation erodes returns for foreign investors



As the Rupee starts appreciating; this will reflect in FIIs real returns; boosting foreign investment sentiment and therefore making way for further FII inflow which remains under-penetrated.

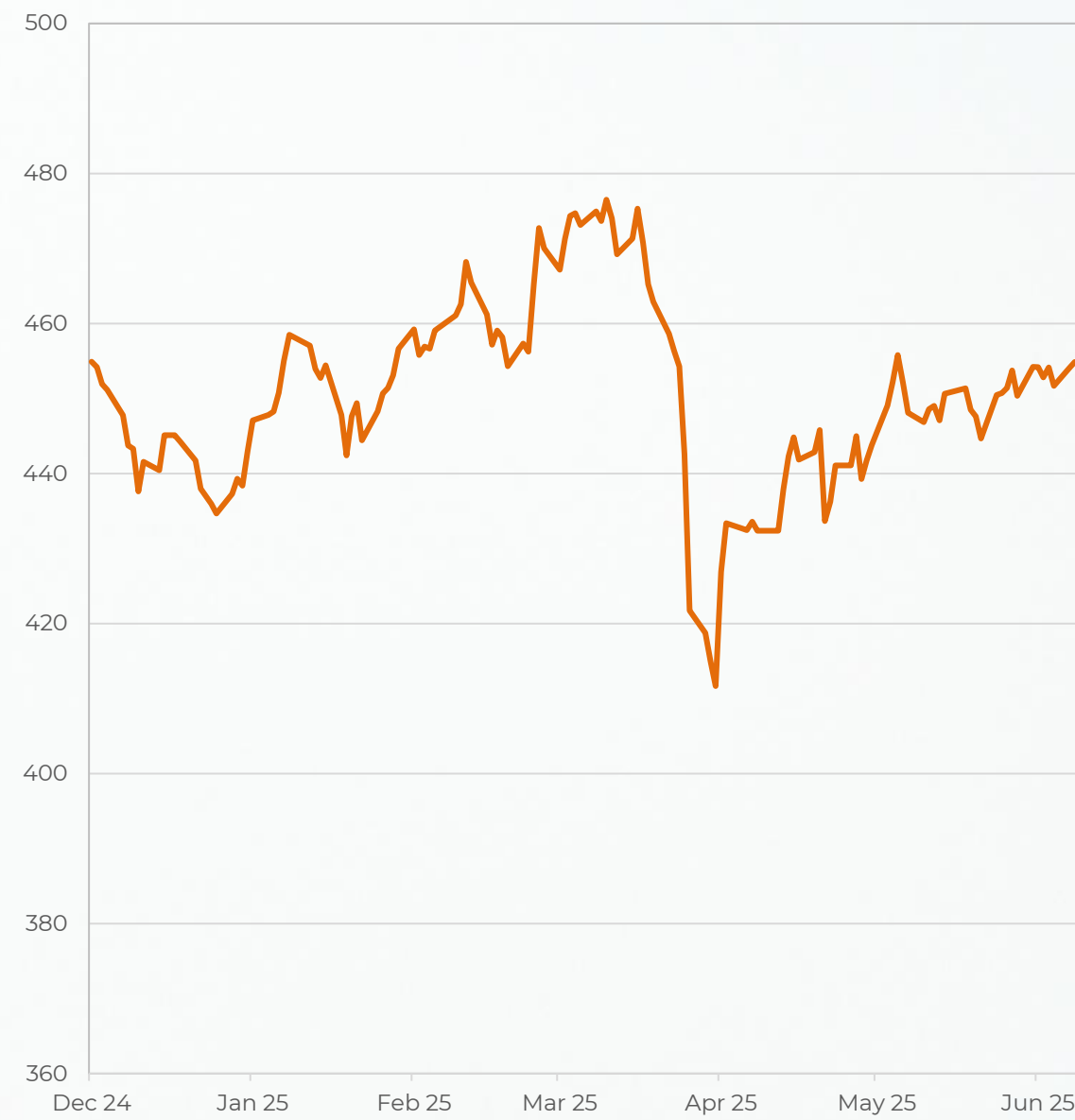
# Inflation is expected to remain benign

Muted inflation outlook given fall in commodities and expectation of good monsoon

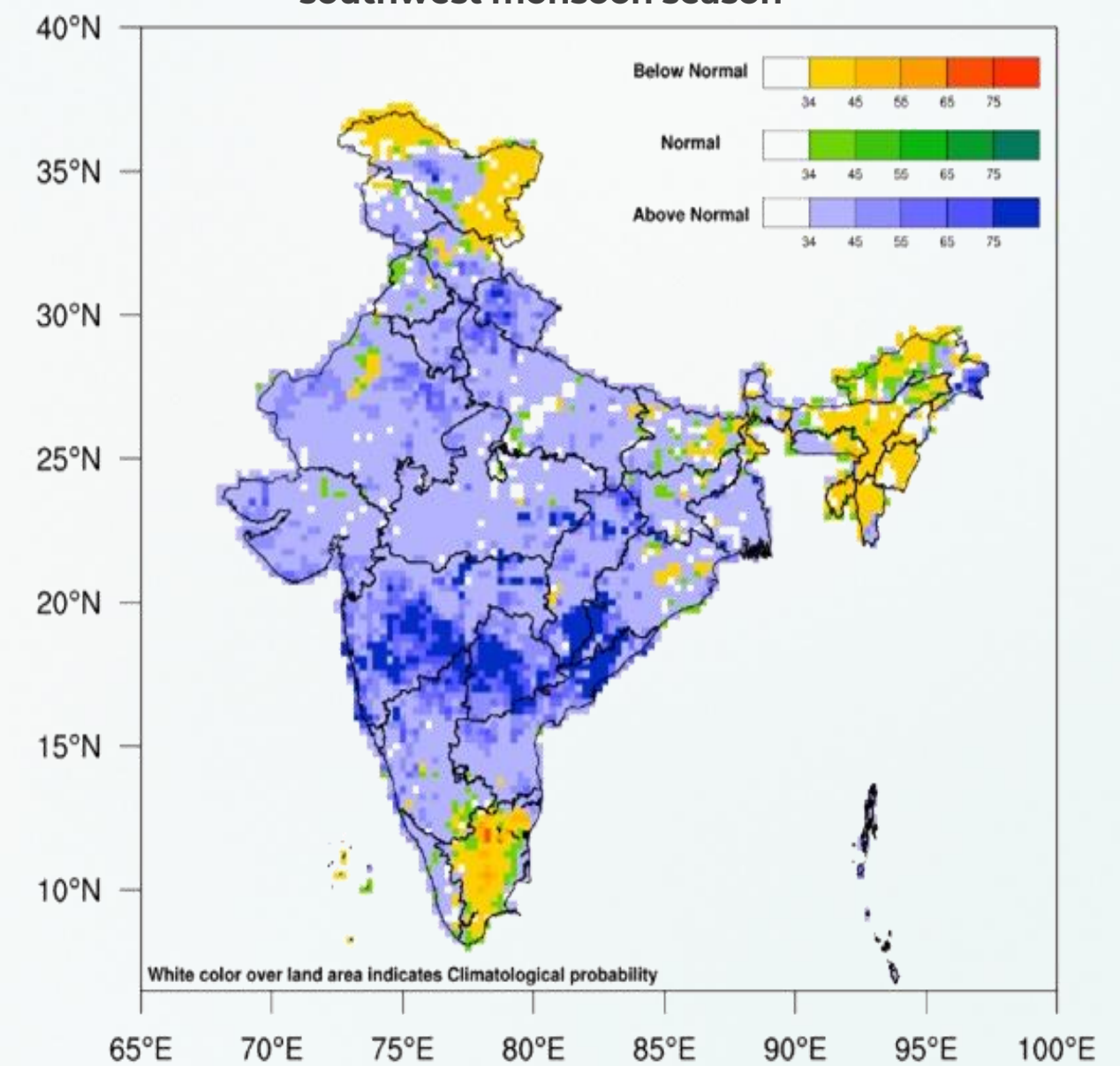
GSCI Agricultural Index



GSCI Industrial Metals (in USD)



Tercile probability rainfall forecast for 2025 southwest monsoon season



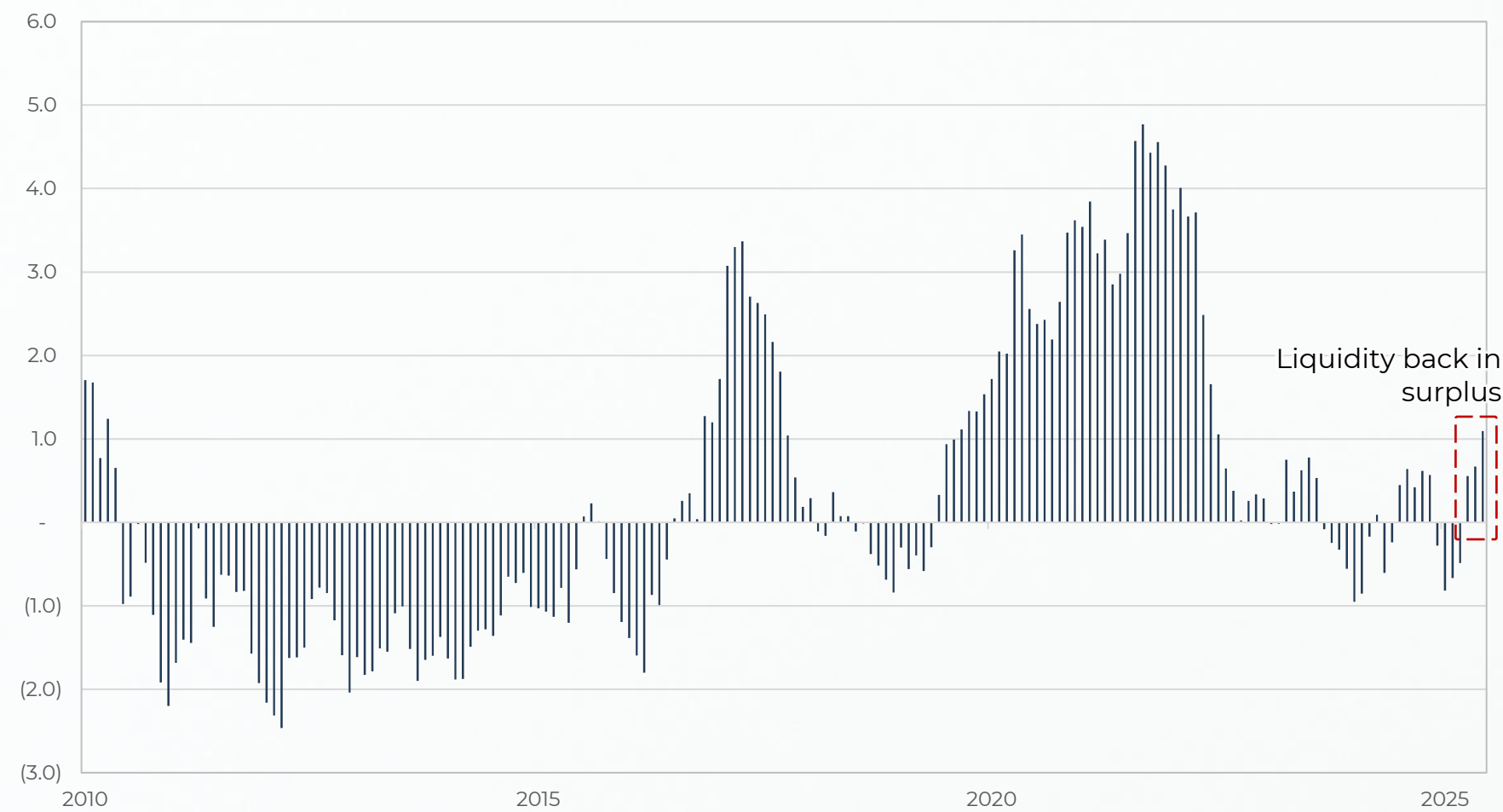


# Thereby letting RBI be more accommodative

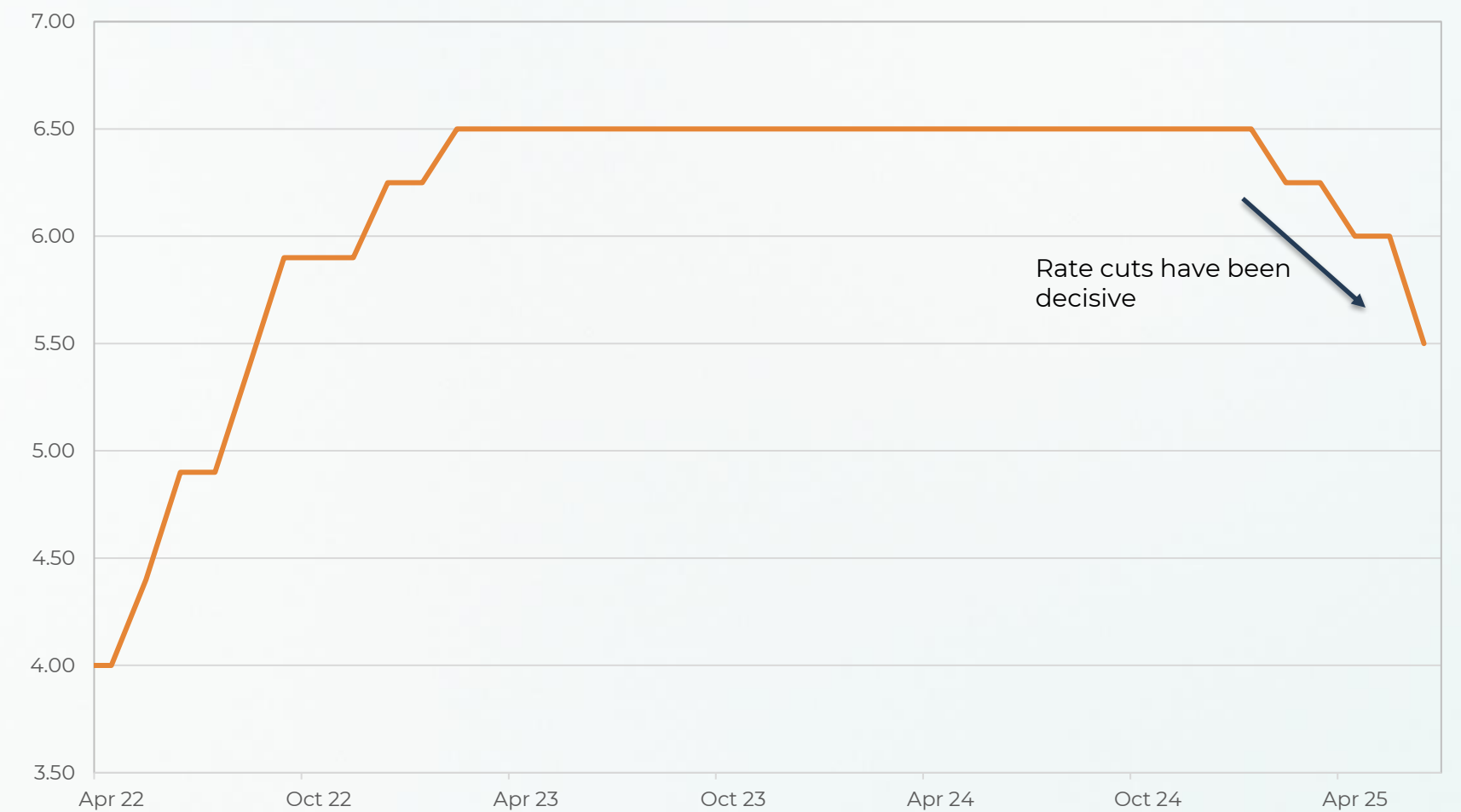
RBI is stepping-in to avoid liquidity deficit

RBI has embarked on rate easing cycle

LAF (as % of NDTL)



RBI repo rate (%)



# Sowilo's Strategy

Managing uncertainty and generating alpha

# Focus on bottom-up research ideas

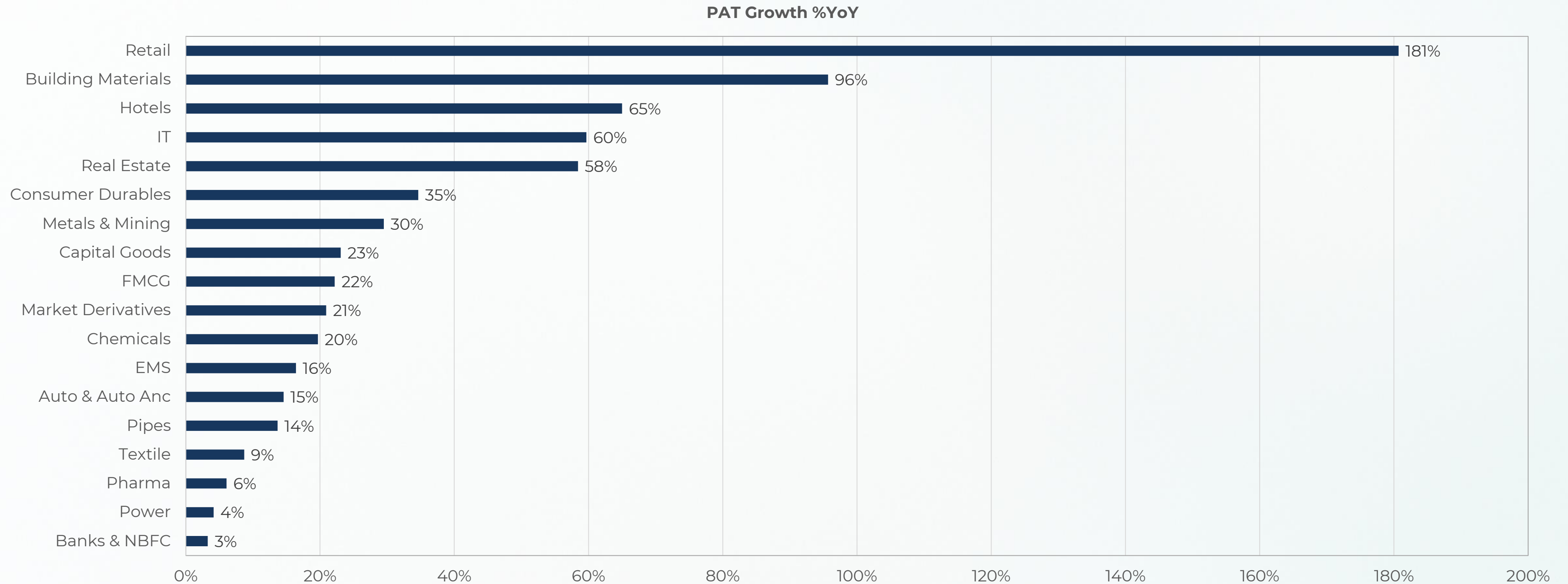
Volatility is here to stay – focus on Bottom-up research ideas



- India most favorably placed market globally
- India to benefit from weakening US dollar and fall in crude oil and other commodities

# Portfolio Insight – Sector Snapshot

PAT Growth for portfolio sectors based on FY26 PAT estimates





# Focus on bottom-up research ideas

## Bullish on BFSI

Liquidity boost & margins: The 50 bps repo and 100 bps CRR cuts flood the system with cheap funds, setting up a NIM rebound from H2 FY26.

## Bullish on Capital Goods

Capex cycle turning: Lower rates + faster clearances revive project starts; strong order books, rate-cuts and low export risk underpin FY26 growth.

## Bullish on Power

Demand-led up-cycle: 8-9 % electricity growth, rising PLFs, and policy incentives extend a generation-to-grid capex boom.

## Key Positive Indicators

- Funding cost ↓: CRR cut releases ~₹1 tn; repo cut cheapens wholesale borrowing.
- Margin cushion: Deposit-rate pass-through lags lending-rate resets, limiting near-term NIM hit.
- Reg-relief: Higher gold-loan LTV and broader MFI asset base widen addressable market.
- Early delinquency drop in unsecured loans/credit cards trims credit-cost drag.
- Loose stance: “Neutral” MPC tone implies easy liquidity for at least two more meetings.

## Key Positive Indicators

- Cheaper debt: Policy easing trims cost of capital by ~80-100 bps, lifting project IRRs.
- Public capex push: FY26 Union Budget ups center capex 21 % YoY and adds ₹1.5 lk cr 50-year infra loans.
- Utilization trigger: OBICUS shows 75.4 % (Dec-24), above the 75 % level that precedes new builds.
- Record inflows: EPC/cap-goods firms report all-time-high orders (e.g., L&T ₹4.5 lk cr, +22 % YoY).
- Rate stability: Neutral stance anchors funding costs, letting CFOs lock in multi-year spend plans.

## Key Positive Indicators

- Peak load: Headroom to ~260 GW in FY26; average PLF up to 67 % (+400 bps YoY).
- PLI tailwinds: ₹240 bn solar-module and ₹180 bn battery schemes spur domestic build-out.
- Market reforms: MBED and green-hydrogen mandates open new revenue streams.
- Capex pipeline: ~₹4.5 trn of generation-plus-grid projects slated for FY24-26, ensuring visibility.
- Leverage easing: Sector net-debt/EBITDA down to 4.2× (FY24) and tracking to <3.5× by FY26.

# THANK YOU

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