

# Investor Webinar

## Tariff, Tesla, Jane, Inflation and more...

**Presented by:**

SANDIP AGARWAL

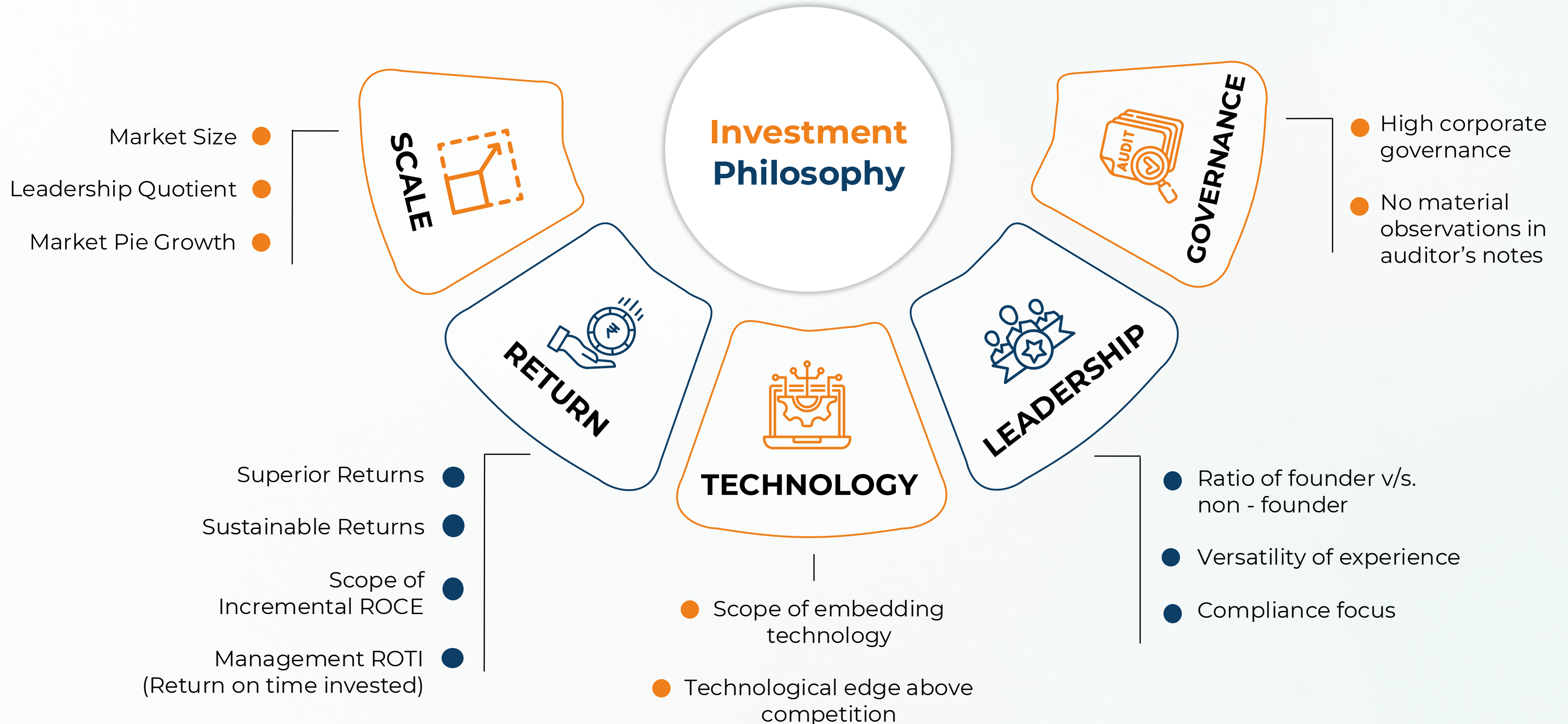
Co-Founder & Fund Manager

July 19, 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 - 14 months of consistent recognition by PMS AIF World

											
Top 10 Portfolios In Each Peer Group (Data as of 30th June 2025)											
Peer Group 4: Two Year Plus Peer Group											
Company	Strategy	AUM(Cr)	1M	3M	6M	1Y	2Y	3Y	5Y	SI	Category
Valcreate	IME Digital Disruption	-	5.94%	19.00%	-4.95%	27.39%	33.28%	-	-	38.34%	Thematic
Motilal Oswal	Founders	3009.87	1.47%	14.32%	-7.00%	10.66%	33.79%	-	-	38.06%	Flexi Cap
BugleRock	Special Situations	-	4.73%	19.26%	1.21%	0.33%	28.56%	-	-	35.54%	Small & Mid
Sowilo	Multicap	-	4.94%	17.32%	-0.32%	8.23%	27.55%	-	-	28.31%	Flexi Cap
Money Grow	Bespoke	122	6.93%	18.24%	14.54%	13.33%	22.01%	-	-	27.34%	Flexi Cap
Right Horizons	Super Value Aggressive	-	2.62%	10.58%	-14.02%	7.19%	22.76%	-	-	31.44%	Small Cap
Sowilo	Target Return Aggressive	-	5.99%	17.11%	-6.46%	6.79%	27.14%	-	-	27.26%	Small & Mid
Credent Asset	Aim Multicap	-	6.77%	17.91%	-0.43%	2.40%	24.93%	-	-	32.69%	Flexi Cap
Valtrust	Momentum	-	5.13%	12.27%	-9.59	-11.11%	27.73%	-	-	30.44%	Flexi Cap
MOAT	Emerging Moat	59.16	3.46%	15.82%	3.82%	0.18%	22.58%	-	-	20.32%	Flexi Cap

											
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

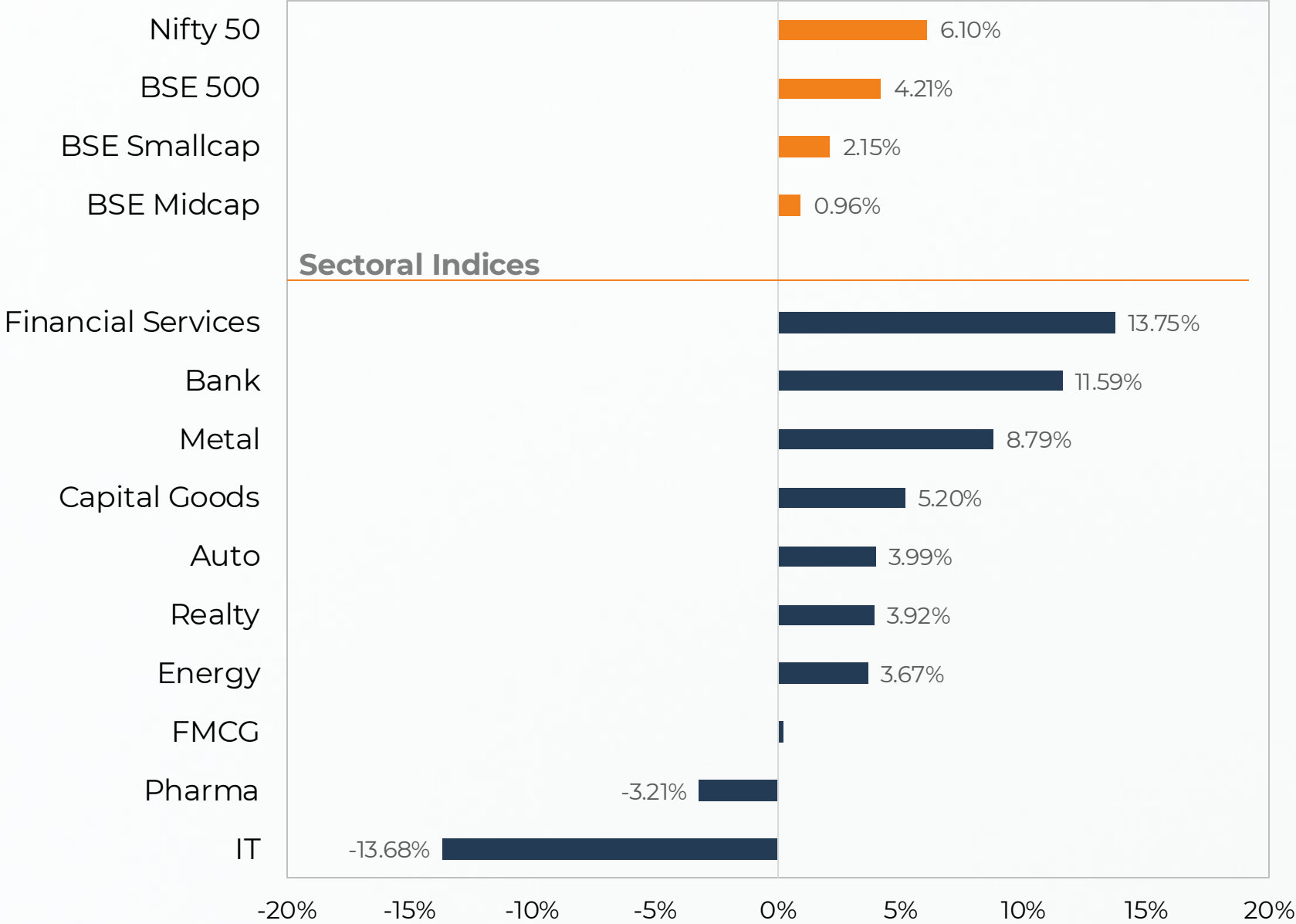
14 months of consistent recognition by PMS AIF World — from April 2024 to June 2025  
driven by process, discipline, performance, and trust.

# Key Highlights

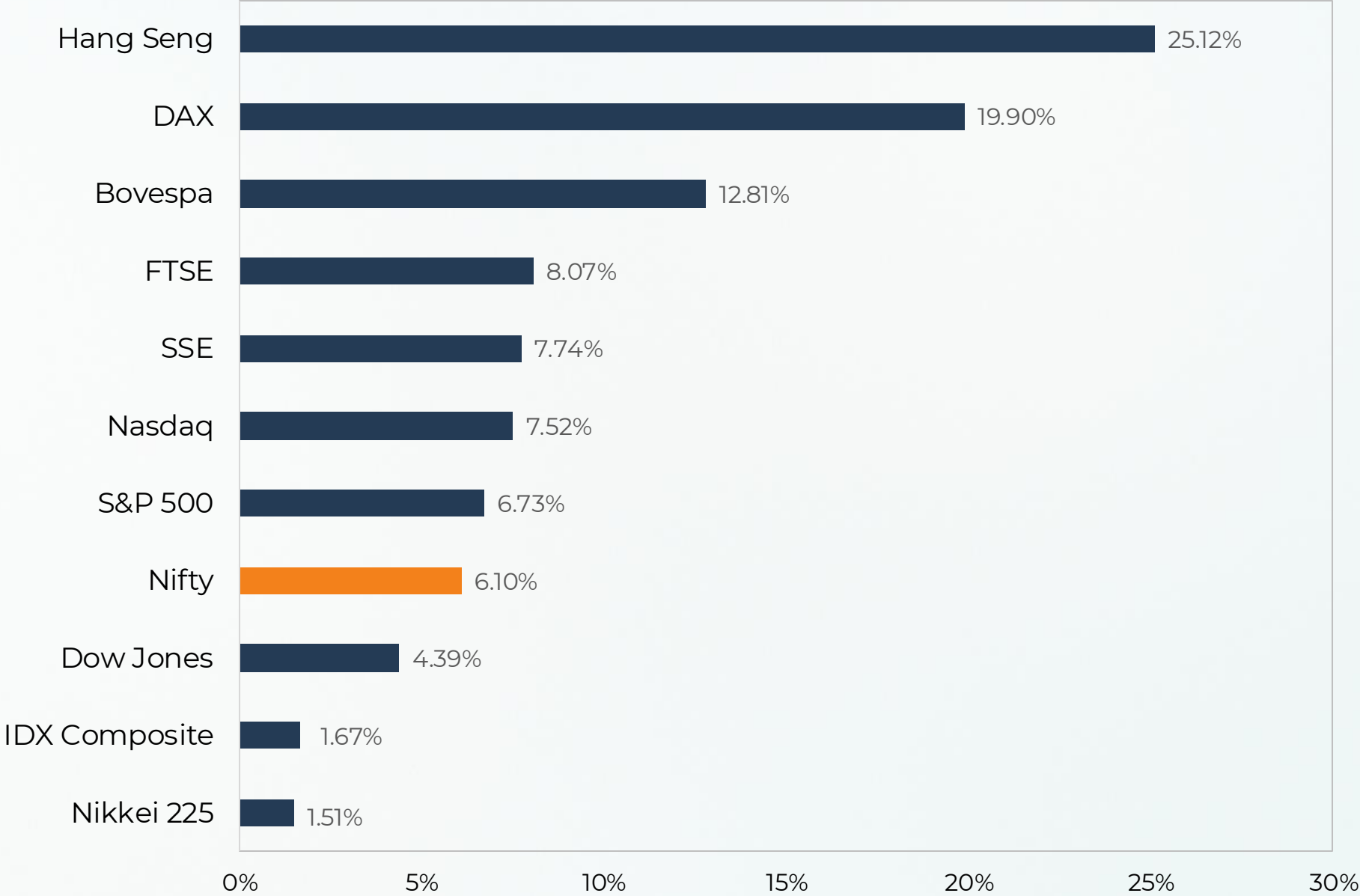
## The Month Gone By

# Indian Markets have been Tepid in CY25

Indian indices performance CY25td



Global indices performance CY25td



# Key macro indicators in India

Sharp slowdown in Consumption but Manufacturing holds up well

Particulars	Units	Last 12 months average	Jun-2025
Consumption indicators			
Diesel Consumption	YoY	2.1	1.6
Petrol Consumption	YoY	7.3	6.9
PV Sales	YoY	2.2	-6.3
2W Sales	YoY	3.8	-3.4
Tractor Sales	YoY	9.6	10.2
Fertilizer Consumption	YoY	-8.9	1.4
Monthly Gross GST collection	YoY	9.7	6.2

Particulars	Units	Last 12 months average	Jun-2025
Banking			
Bank Deposit growth	YoY	11.4	11
Non-food credit	YoY	13.1	11
Agri credit	YoY	13.3	10
Industry Credit	YoY	7.8	7
Services	YoY	12.7	12.5
Personal Credit	YoY	13.5	11.7
Surveys			
Manufacturing PMI	X	57.5	58.4
Services PMI	X	59	60.4
CMIE Consumer sentiment	X	110	115.1
CMIE Urban Sentiment	X	105.3	107.84
CMIE Rural Sentiment	X	112.4	118.4
Employment			
CMIE Unemployment	%	7.9	7.5
CMIE Urban Unemployment	%	8.5	7.6
CMIE Rural Unemployment	%	7.6	7.5

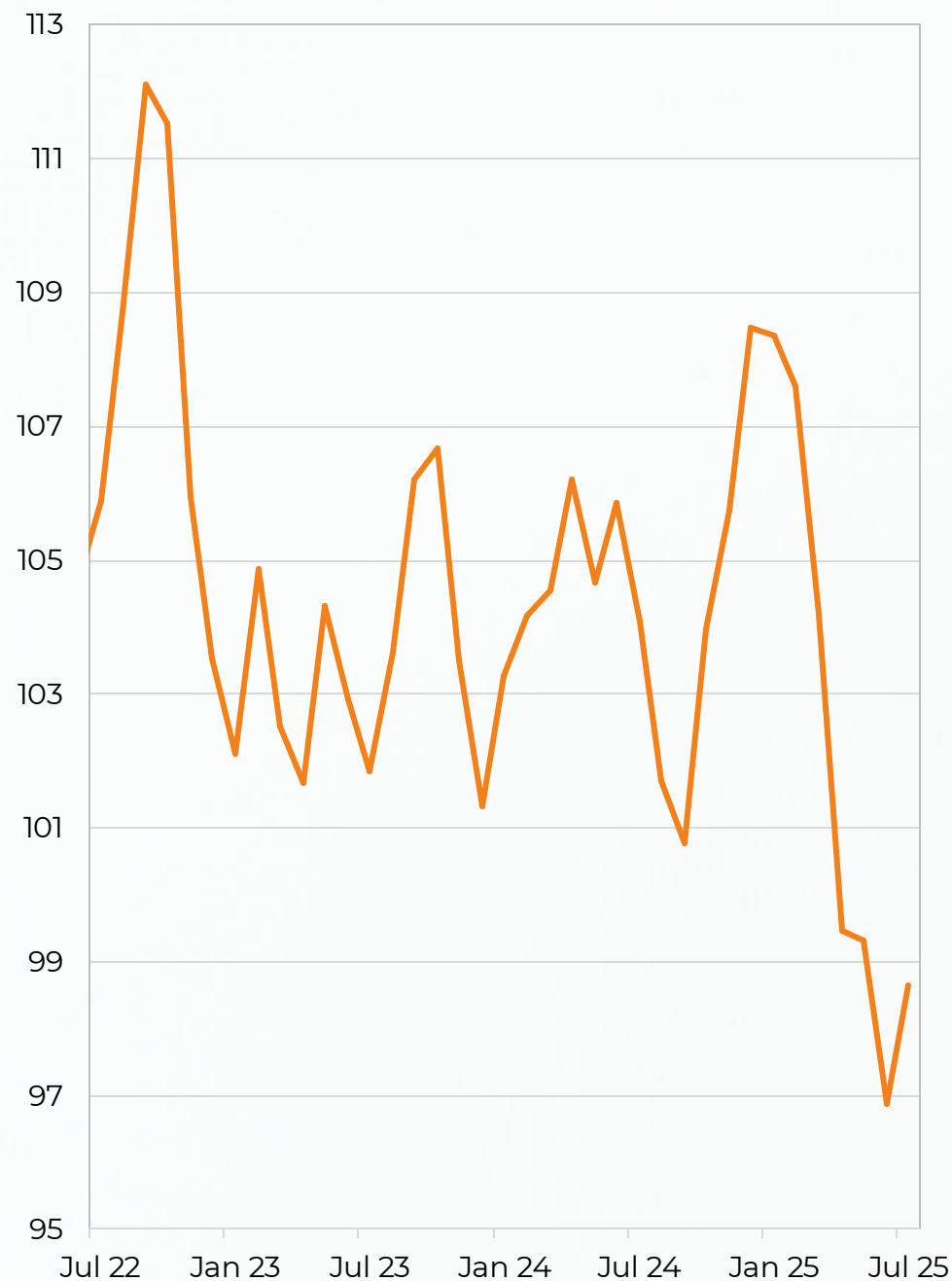
# USD Fall = Rise in Crypto and other Commodities!

US Dollar has fallen sharply

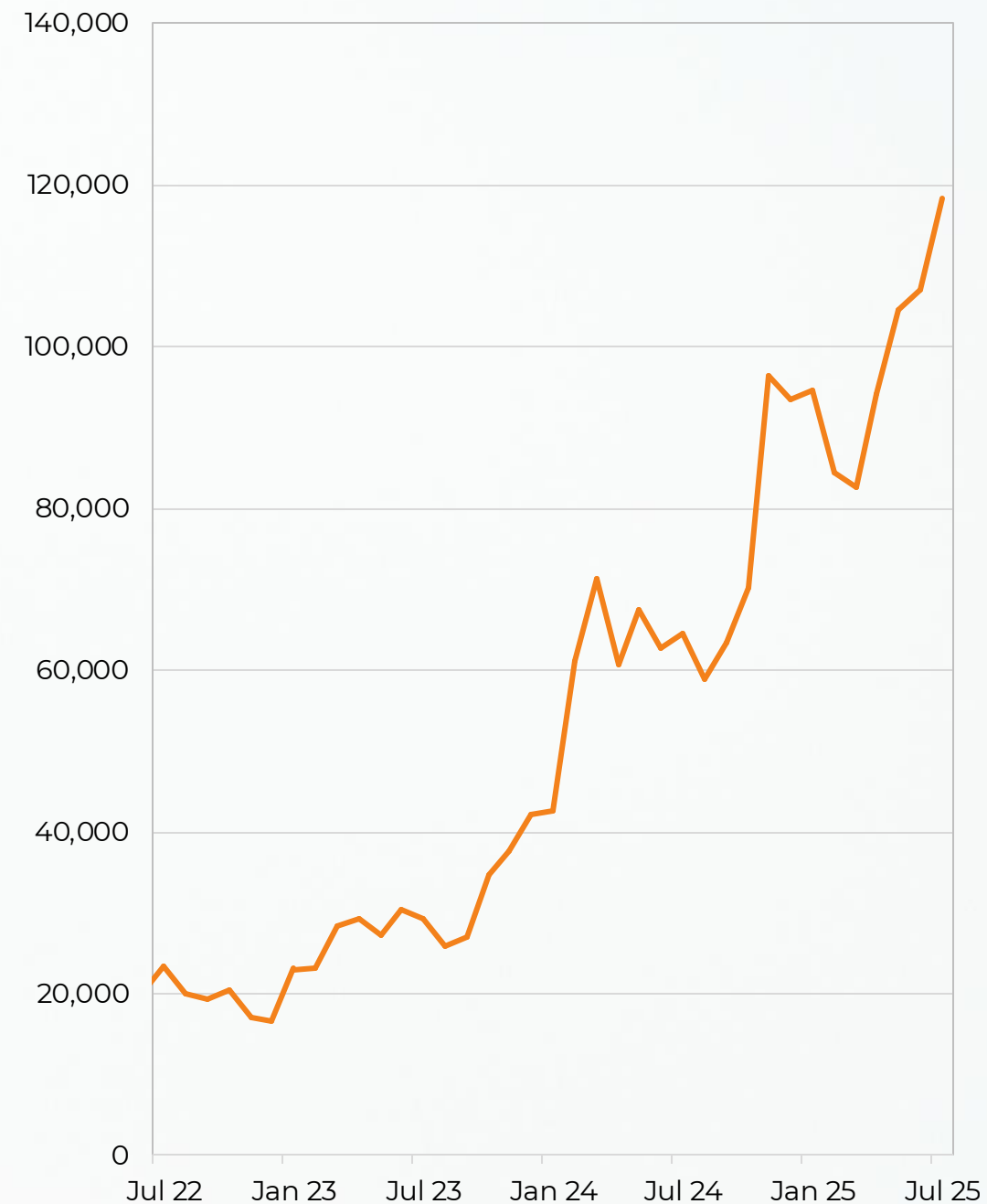
Leading to huge spike in crypto

And other commodities as well

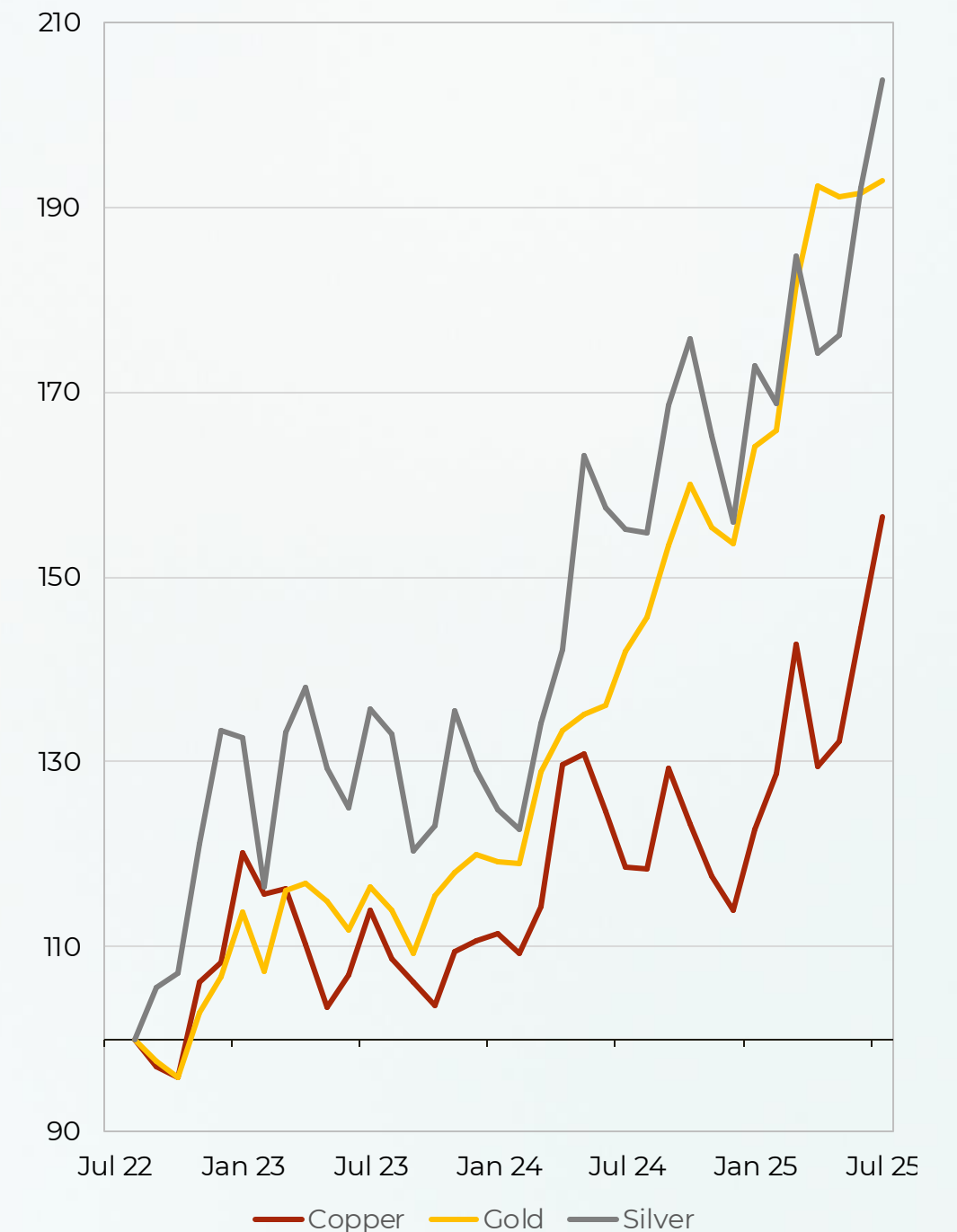
US Dollar Index (DXY)



Bitcoin(USD)



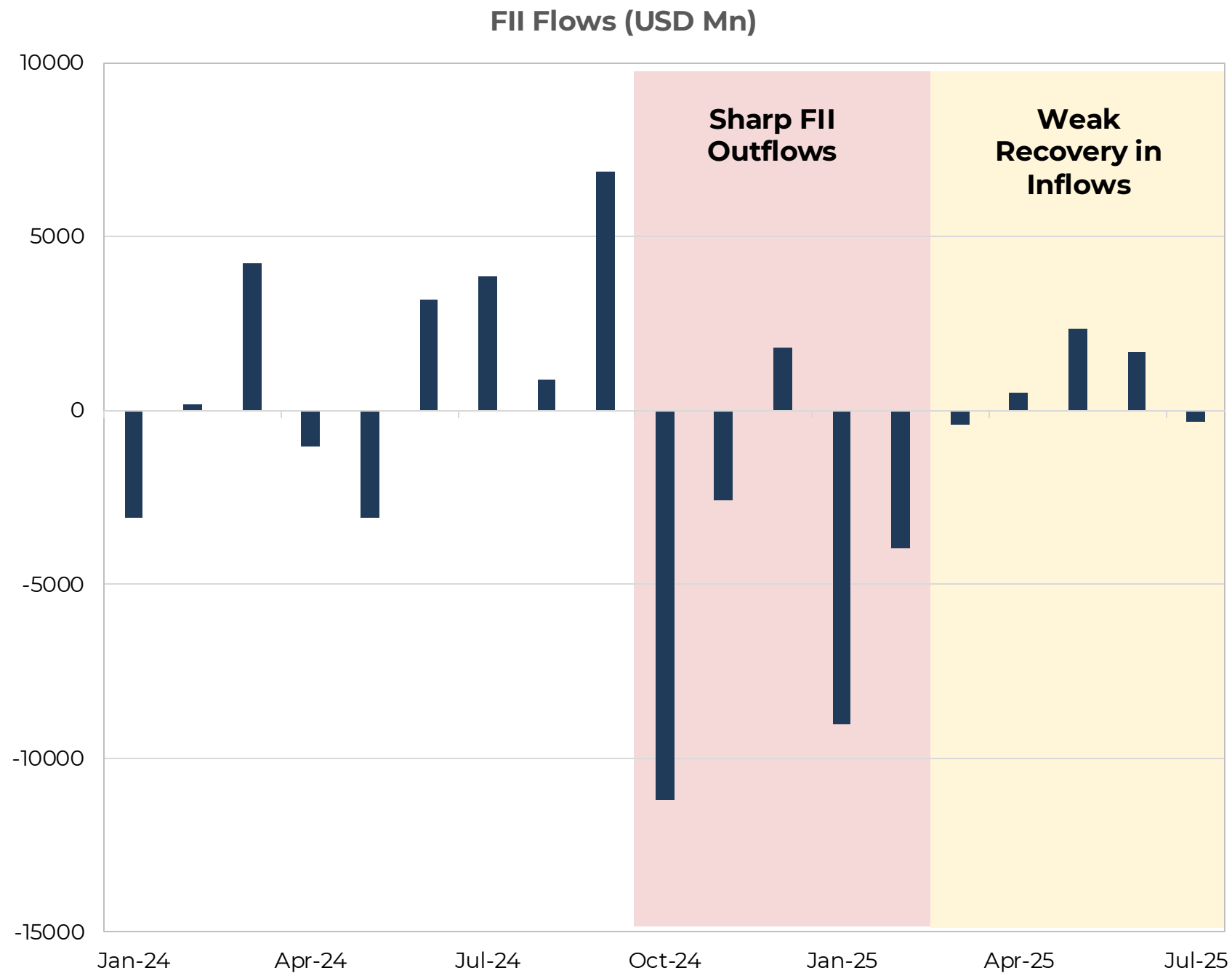
Gold, Silver and Copper Prices (USD)



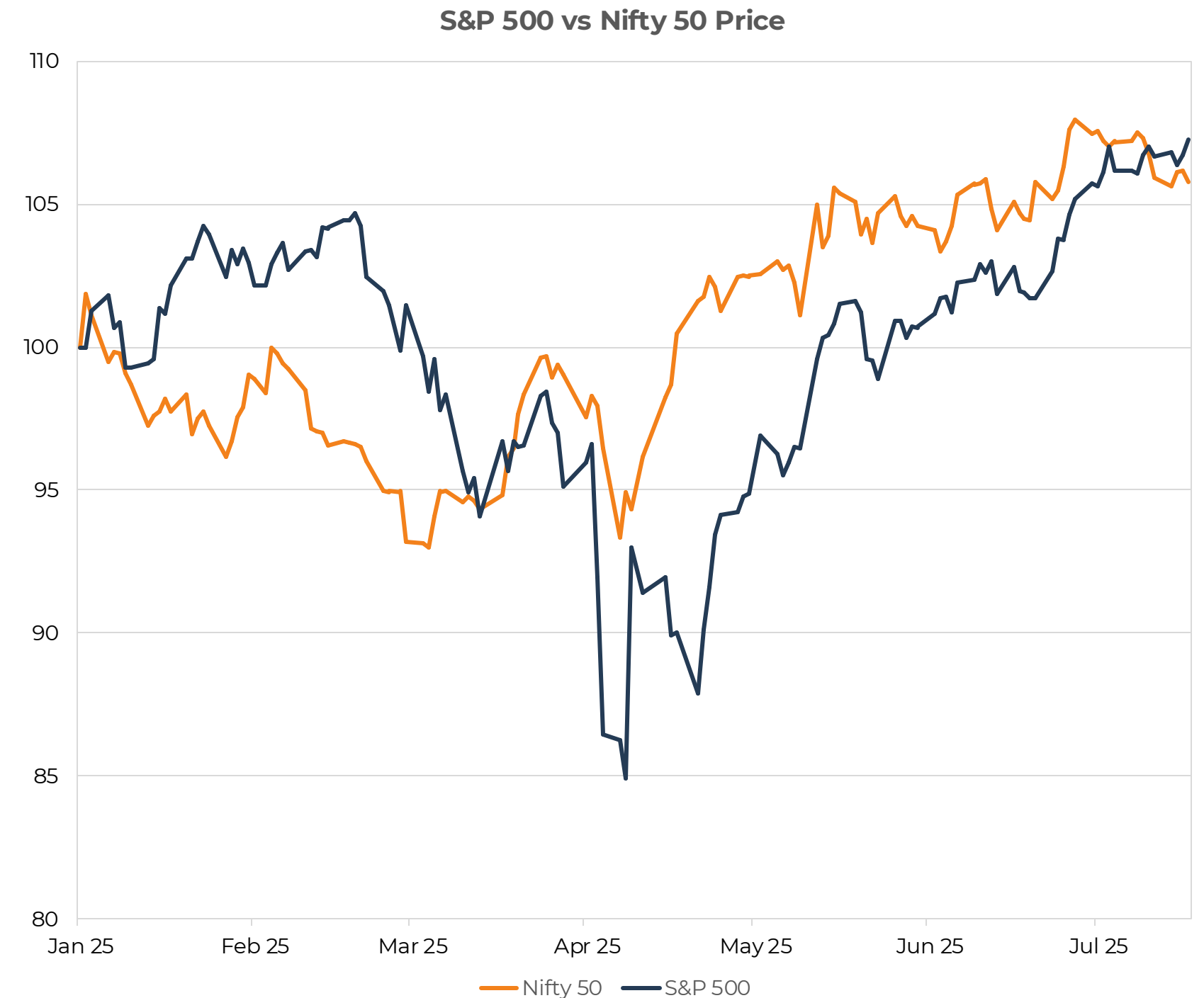


# But fall in DXY has not propelled FII inflows in India so far

FII flows have remained weak off late

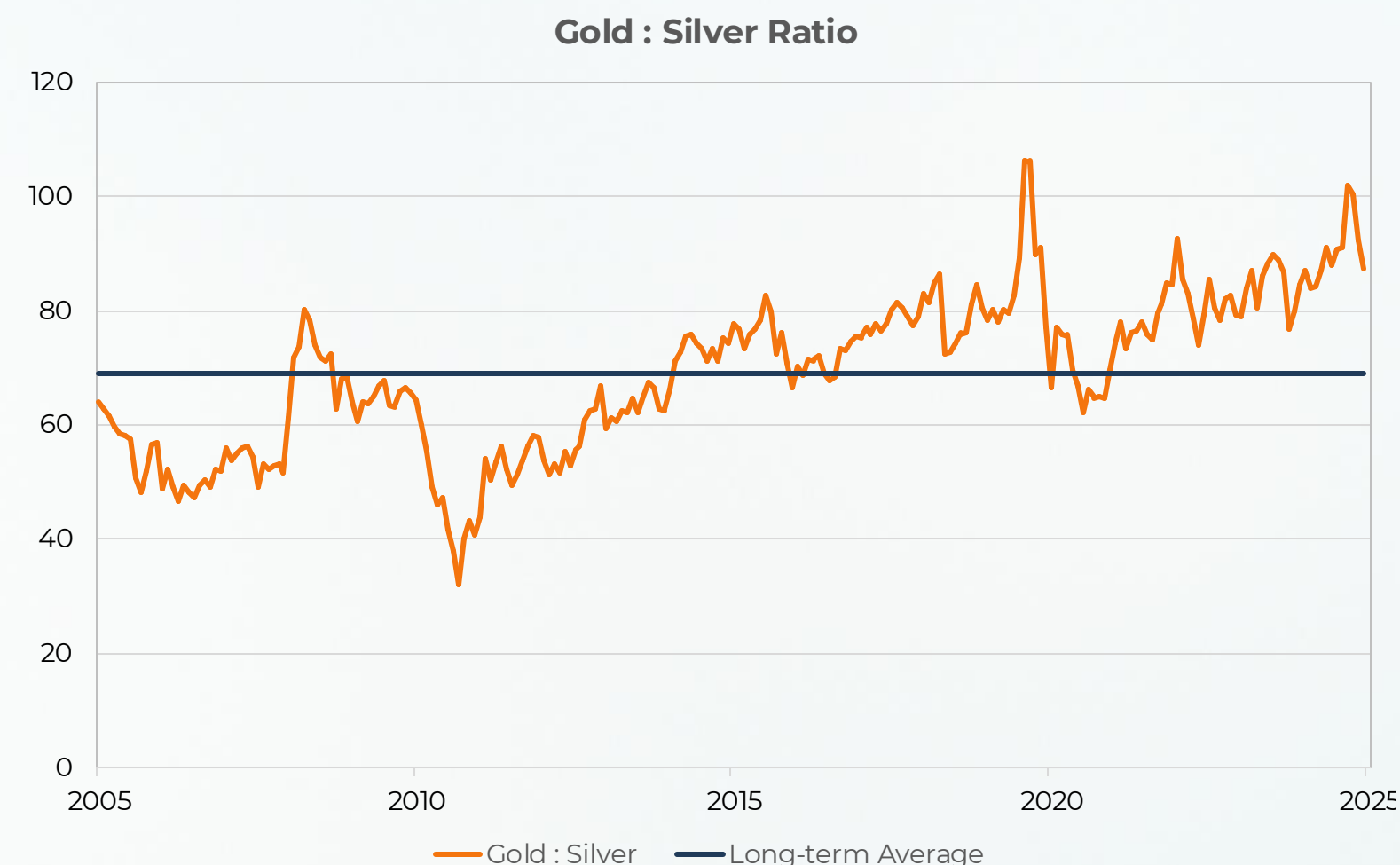
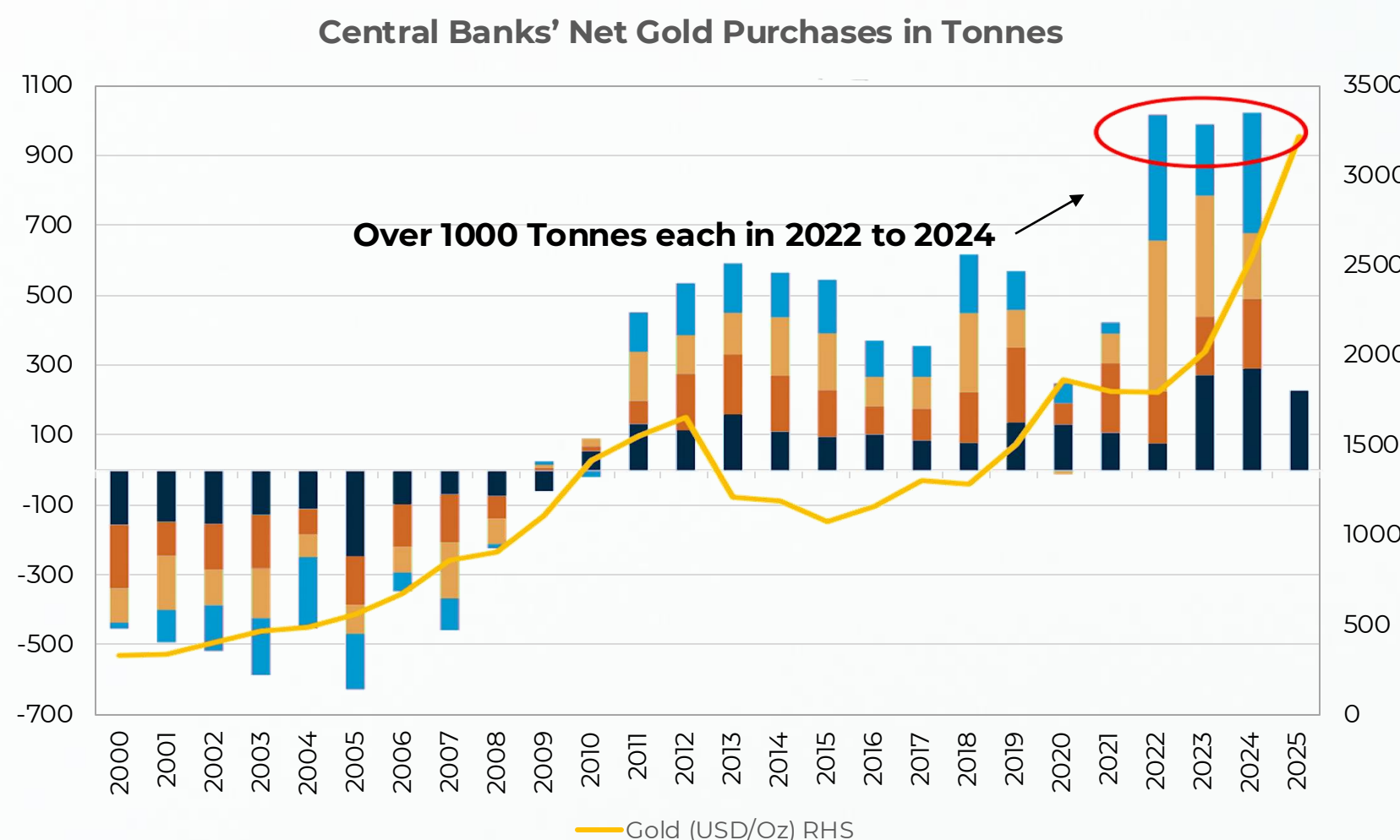


Indian market returns are in line with US – thus no incentive for FIIs to take risk beyond their home country



# A golden frenzy! Will silver join the party?

What's driving up gold prices? - Central banks' gold buying in last 3 years outpaces past 22 years



- Gold is currently trading within its estimated fair-value range; while some upside remains, gains may be limited unless there is a sharp increase in money supply or further decline in real interest rates.
- The gold-to-silver ratio appears elevated relative to historical norms, suggesting a likely mean reversion. This could happen either through gold prices declining or silver prices rising—or a combination of both—to move the ratio back toward its 60× anchor.
- On the macro front, central bank purchases, geopolitical factors, and demand from green technologies provide a support floor for gold. These same factors, together with silver's significant industrial usage, contribute to silver's greater potential for 'catch-up'—albeit with increased volatility compared to gold

# Big Beautiful Bill passed

## The Trump Tax Sequel

The **2025 "Big Beautiful Bill"** has been signed into law, **permanently enshrining** the lower individual tax rates and higher standard deductions from the **2017 TCJA**, while introducing **new incentives** for domestic manufacturing and fossil fuels.

### Scope and Scale

The 2025 bill makes **TCJA's individual tax cuts permanent** (vs. their 2025 expiration), locking in **lower rates (10–37%)** and **higher standard deductions**. This comprehensive reform is aided by **reductions in social program spending (12% reduction in Medicaid)** vs minimal spending cuts in TCJA.

### Fiscal Impact

The legislation carries significant budgetary implications:

- **Adds \$3.3T to national debt by 2034** (CBO estimate)
- **Exceeds TCJA's \$1.98T static cost**
- **Maintains TCJA's 21% corporate rate** but expands breaks for **domestic manufacturing and fossil fuels**
- Includes a **significant rise in funding** for **defence and border enforcement**

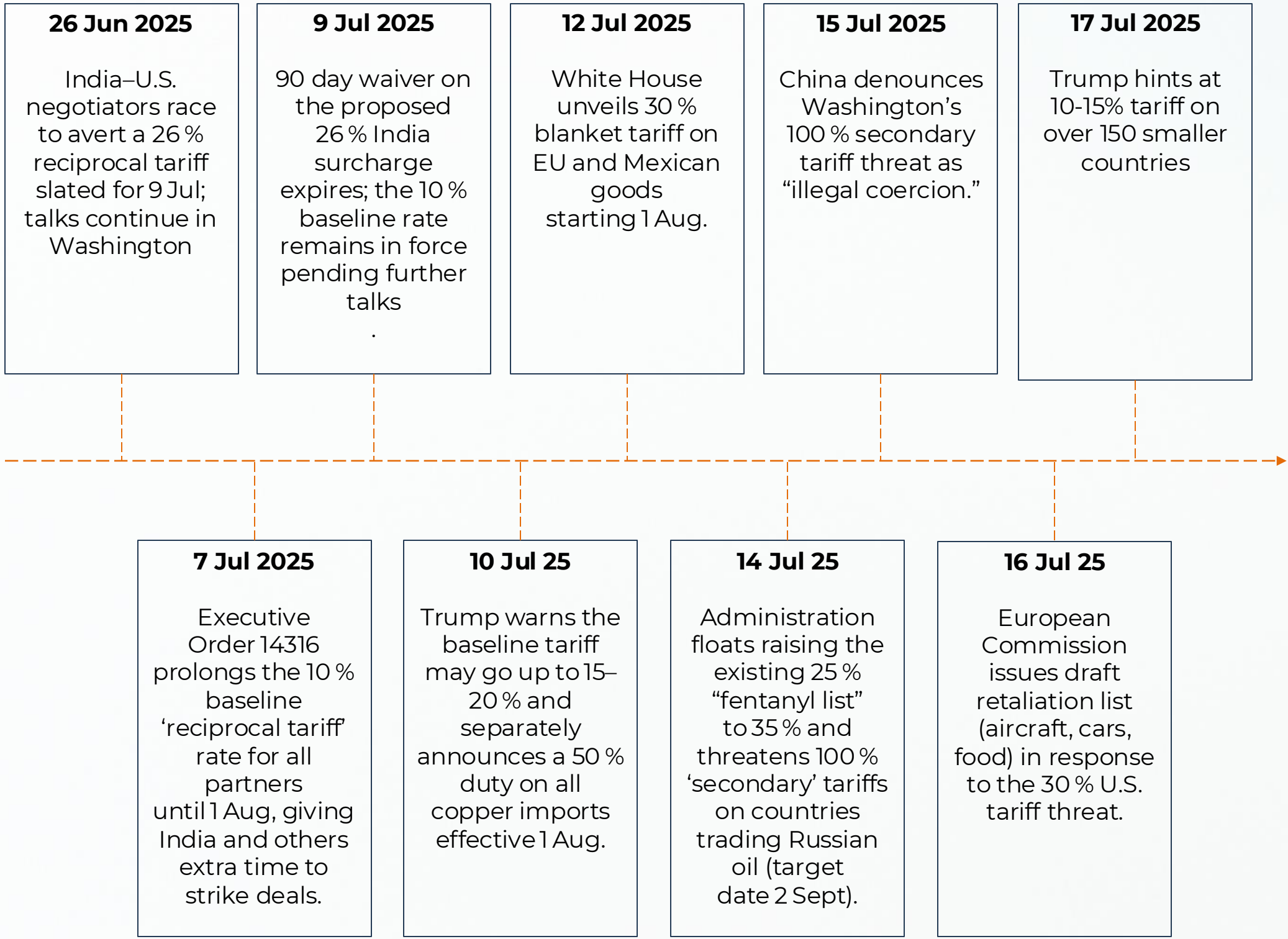
### Policy Watch: Federal Reserve's Critical Role

A **crucial factor** going forward will be the stance of the **Federal Reserve**. Only with an **accommodative Fed** — **cutting rates and maintaining easy liquidity** — will the US government be able to **service these elevated debt levels** without **destabilizing financial markets**.



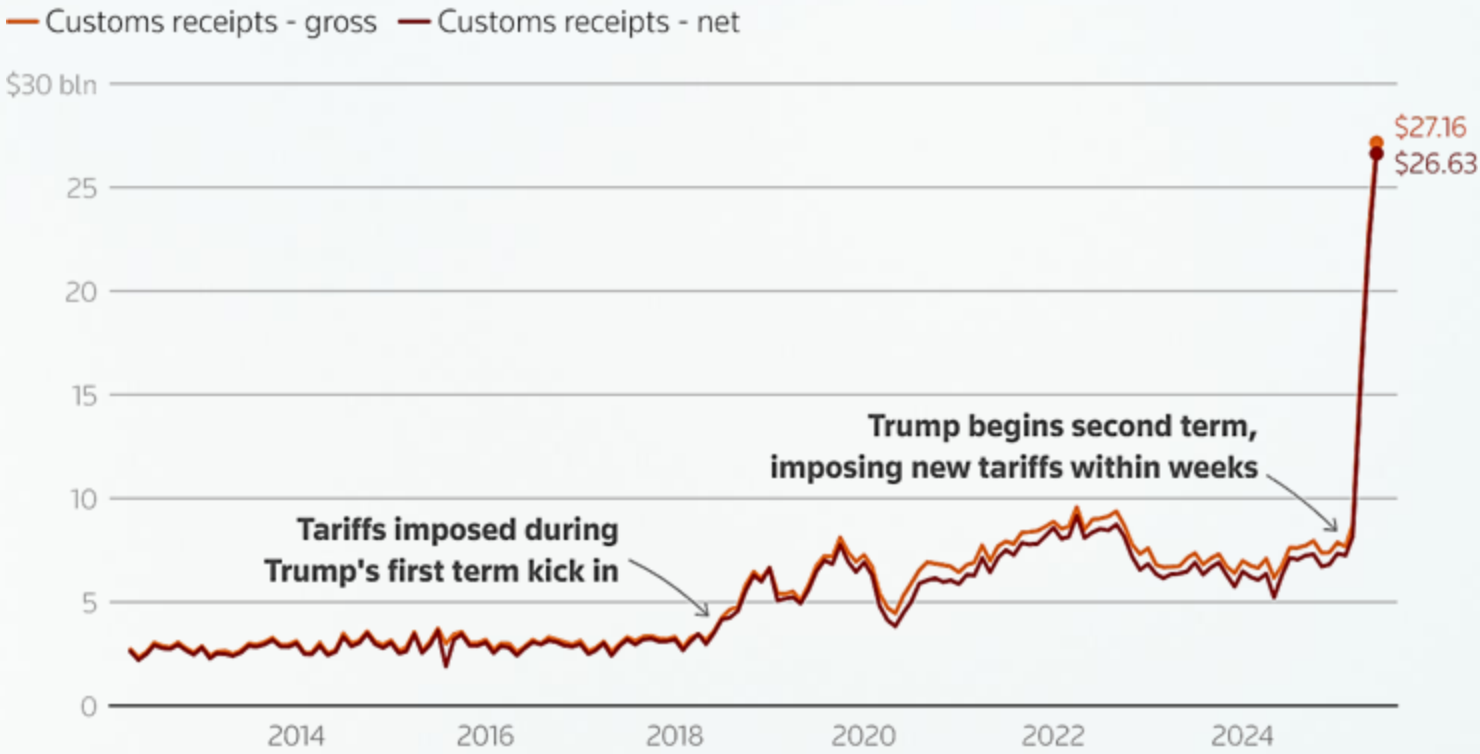


# Tariff saga continues....



## Monthly U.S. tariffs revenue

Federal revenue from tariffs has surged since President Donald Trump imposed a barrage of import taxes. Customs receipts set a record again in June.



Note: Monthly totals in billions of U.S. dollars; net receipts are after refunds.

- For the first nine months of fiscal 2025, **U.S. customs collections topped \$100 billion for the first time in history**, driven by President Trump's escalating tariffs.
- This helped produce an unexpected \$27 billion federal budget surplus in June 2025, with **tariffs** now representing around **5% of federal revenue compared to the historical 2%**.



# SEBI’s Crackdown: Jane Street Boxed ?

## What Happened?

- **Interim SEBI order | 3 July 2025** – Bars JaneStreet Group and four affiliates from **all Indian securities markets**, impounds **₹4,840 cr** of “unlawful gains,” and freezes linked bank accounts
- Allegation: a **high-volume cash-plus-options “index-marking” strategy** on weekly expiry days that **moved Bank Nifty/Nifty50 prices, then profited via options.**
- Scale: on 17 Jan 2024 alone, Jane Street traded **₹103 trn (\$1.2 trn) of options—353× the cash volume of underlying bank stocks.**
- **Retail impact:** SEBI links the tactic to growing retail F&O losses (-₹1.06 trn FY25 vs -₹0.75 trn FY24).
- **Current status (14 July 2025):** Firm has **deposited the full ₹4,843 cr into an escrow account** and asked SEBI to lift trading restrictions while it appeals

Date	Event	Key takeaway
Apr 2024	SEBI flags strategy after media coverage of Jane Street v. Millennium lawsuit	Start of 15-month probe
1st Oct 2024	SEBI circular tightening expiry-day rules	Early policy response
4th Feb 2025	Warning letter to Jane Street (PFUTP breach prima facie)	Firm continues trading
3rd Jul 2025	<b>Interim order</b> issued; market ban + impounding	Regulatory climax
4-10 Jul 2025	NSE F&O turnover drops <b>-20 % WoW</b> on first expiry day post-order	Liquidity shock
14th Jul 2025	Jane Street funds escrow, files for relief	Possible path to conditional re-entry

## Our take

### Core issue is market design, not just Jane Street.

- Ultra-low transaction costs, weekly expiries, and a 400× derivatives-to-cash turnover ratio make it economically rational for any well-capitalized desk to nudge the cash index and harvest far larger gains in options.
- As long as a few crores of cash flow can influence trillions in notional option value, some player will always step in.

### Regulatory path is shifting from “who” to “how.”

- SEBI’s interim ban is a high-profile signal, but the follow-through will target structural levers: higher intraday margins for index-linked baskets, order-to-trade caps, and near-real-time disclosure of large option books.

### Short-term pain, long-term gain.

- Likely scenario: F&O volumes stay 10-15 % lower and bid-ask spreads stay wider through Q3 FY26, denting exchange fee income and retail trading intensity.
- This might temporarily affect capital market derivatives such as Angel One and BSE

# Beyond Markets

Fascinating Forces at Play



# Tesla in India

Another spark in India's aspirational story!

## Tesla India Launch:

- Opened first showroom in Mumbai's BKC on 15th July, Delhi showroom coming soon
- Launching Model Y in two variants: RWD at \$70,000 (₹60 lacs) and Long Range at \$79,000 (₹67.8 lacs)
- Prices significantly higher than US (\$45,000) and China (\$36,700) due to import duties

## Market Context:

- Indian EV market size: ~150K vehicles annually
- Current leaders: Tata Motors (38%), MG Motor (32%), M&M (17%)
- Tesla expected to target wealthy urban customers, competing with BMW and Mercedes premium EVs
- Limited impact expected due to high pricing

## Policy Background:

- New SPMEPCI scheme reduces import duty to 15% for 8,000 vehicles/year
- Requires 25% localization by year 3, 50% by year 5
- Tesla hasn't opted for this scheme, indicating no immediate manufacturing plans in India





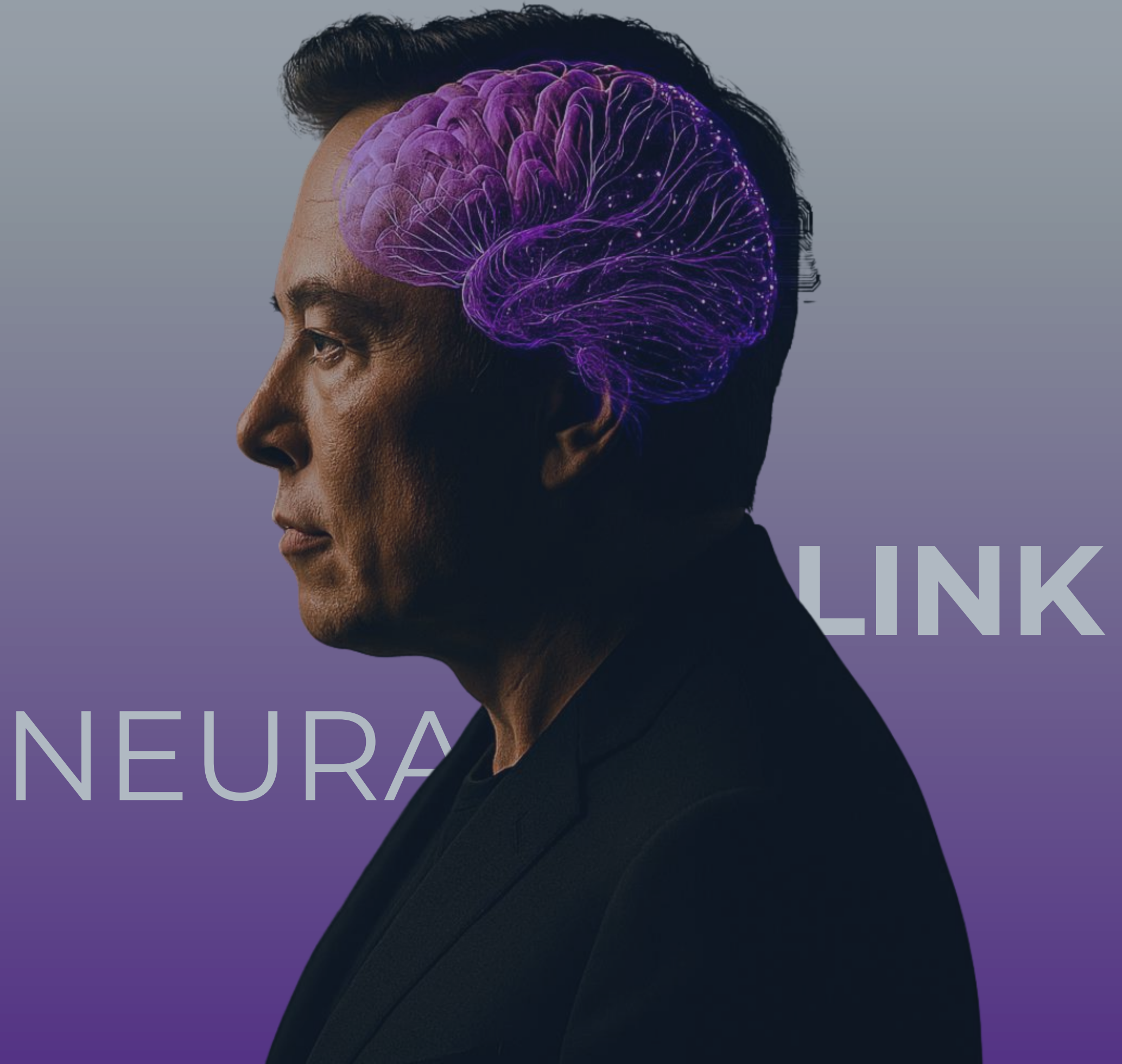
# Bleeding Edge Tech

## Neuralink Pioneering Biotech

- **Control a phone with pure thought** – In July, a paralyzed volunteer used Neuralink’s “Telepathy” brain chip to move a cursor and open apps just by thinking.
- **Restoring sight is next** – The FDA okayed Neuralink’s first vision-restoring implant (“BlindSight”), with the first human surgery targeted for late 2025.

## Agentic AI

- “If generative AI is the brain, agentic AI is the body that springs into action.”
- **Microsoft Copilot Studio agent builder** – Drag-and-drop tool lets anyone build an office bot that reads Outlook threads, dives into Teams chats, and spits out status reports or IT answers—no code required.
- **OpenAI Responses API + Agents SDK** – New March toolkit gives devs “web search, file search, computer use” buttons so chatbots can browse, download, and edit files like a real assistant.
- **Salesforce Agent force** – Fully autonomous service agents now live at 1,000+ firms, knocking out routine support tickets and updating CRM entries, cutting human workload by up to half.





<https://sowilo.co.in/ai-video/>



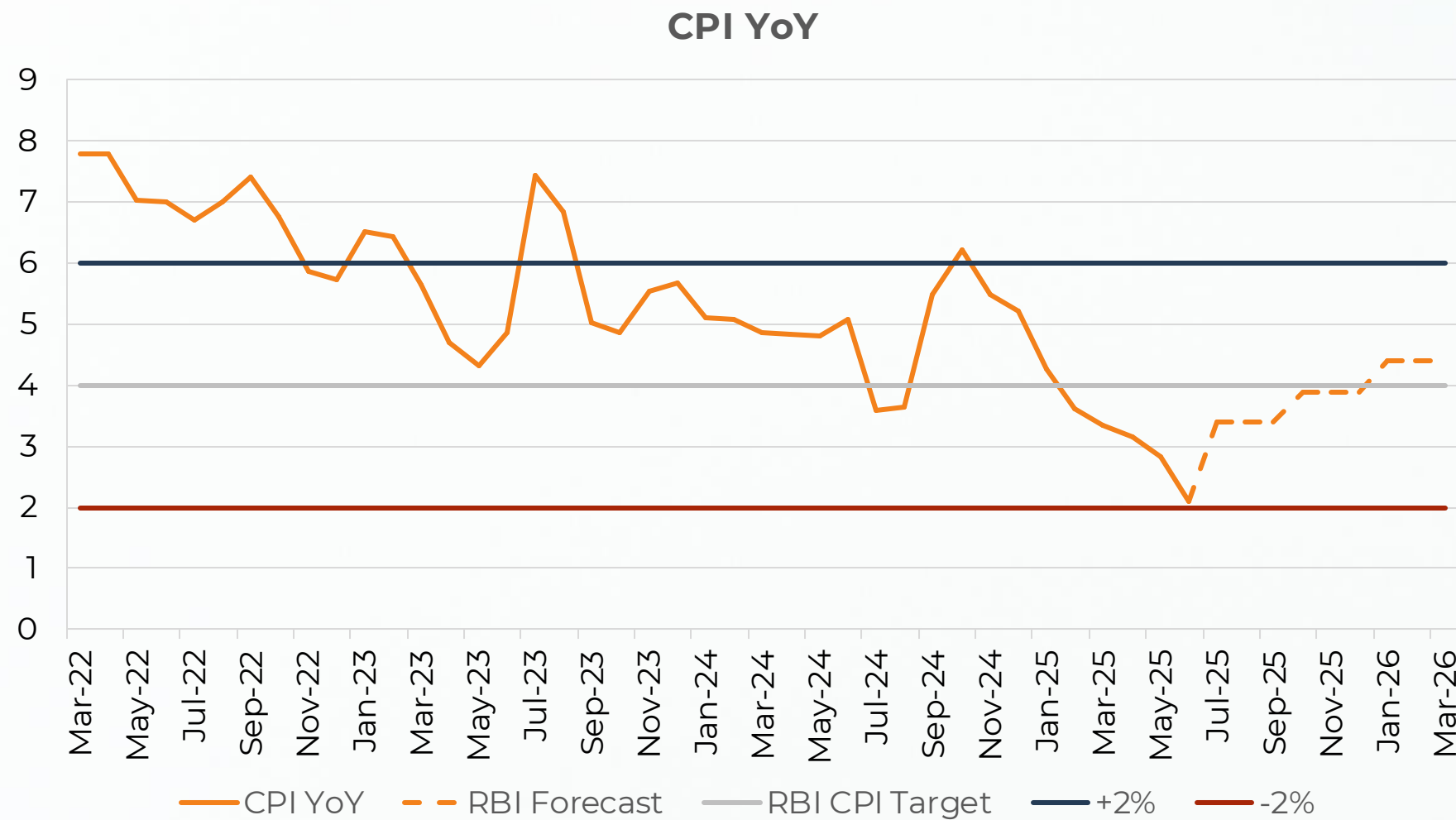
This **entirely AI-generated** video demonstrates the transformative capabilities of artificial intelligence and showcases how **Sowilo leverages agentic AI** in our research operations. By dramatically **reducing processing times** and **accelerating workflows**, we've created the capacity to focus on our research initiatives. Our commitment to **staying continuously updated** with the **latest AI tools** ensures we remain at the forefront of this rapidly evolving technology landscape.

# The Road Ahead

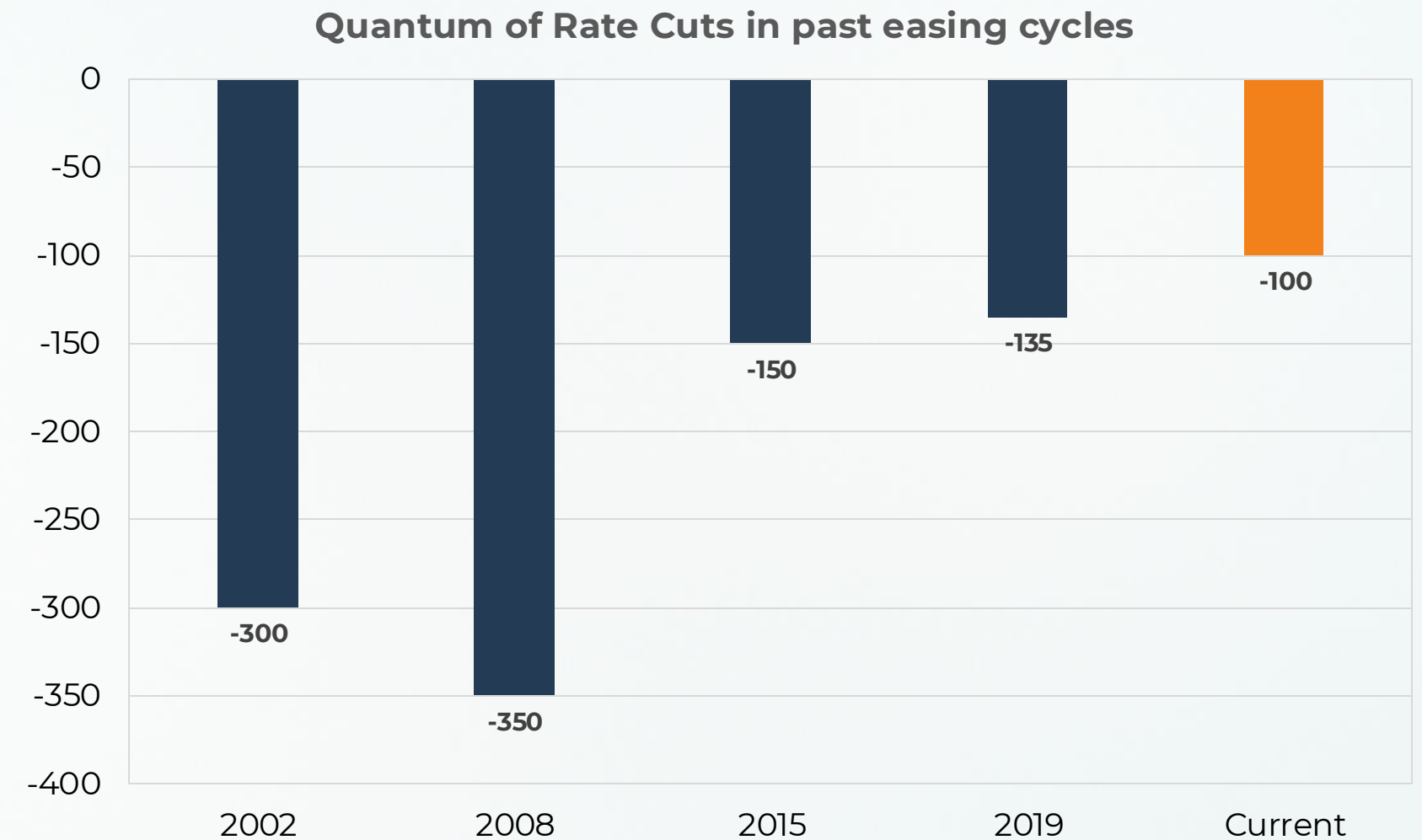
Key Things to Watch out for

# Inflation: What it means for RBI rate cuts?

Inflation at 6.5 year low – expected to rise from hereon but remain within RBI's comfort zone



Small rate cuts vs. past; benign inflation provides more room.



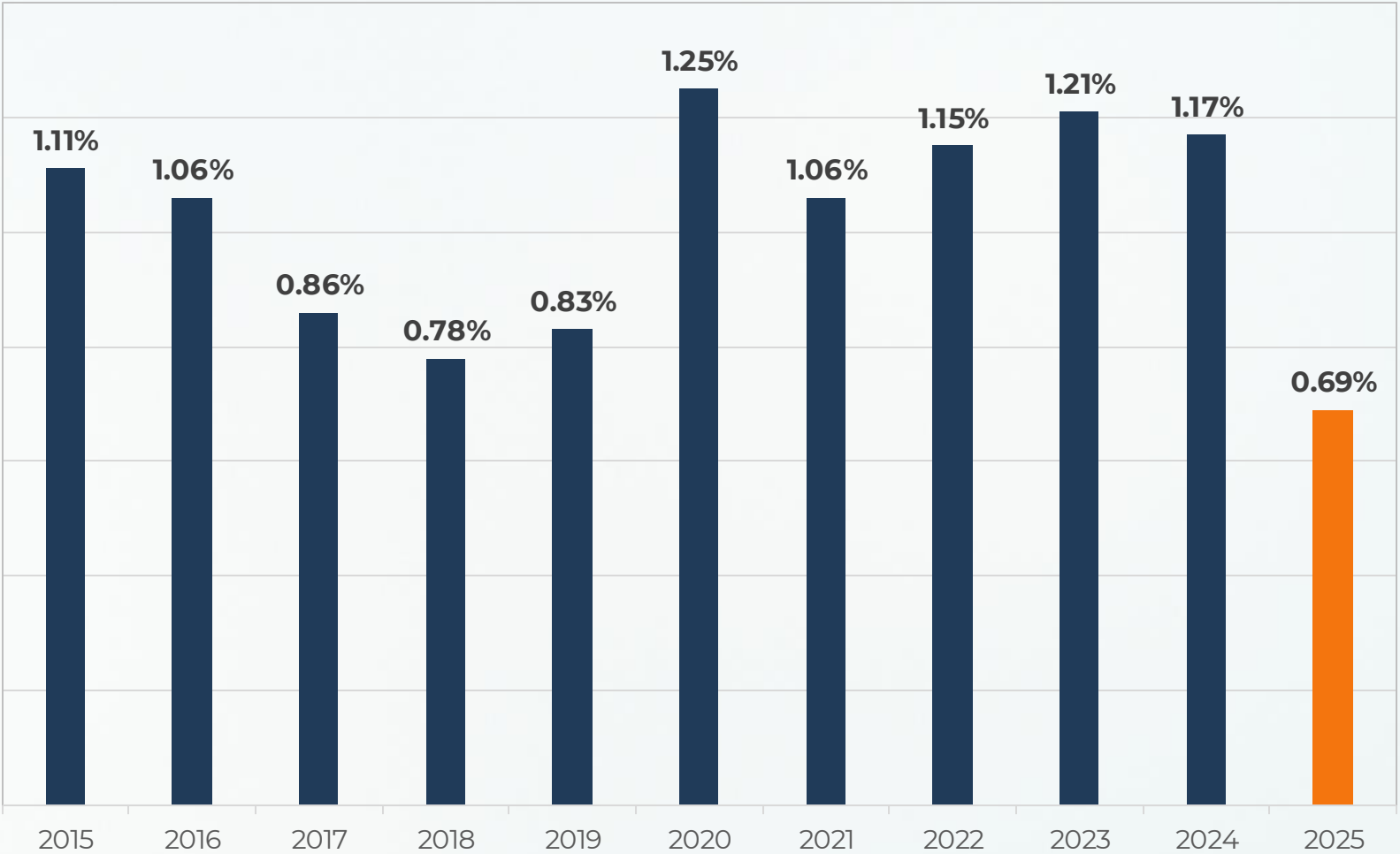
- **June CPI:** 2.1 % YoY (6.5 year low); Base effect + softer cereals/pulses offset tomato-led veg spike.
- **Core CPI:** 4.6 % YoY; ex-gold 3.7 %. Gold prices (+36 % YoY) drove the uptick.
- **Q1 FY26 average:** 2.7 % vs RBI's 2.9 % forecast; July tracking < 2 %.
- **FY26 outlook:** Headline CPI likely < 3 % (RBI still at 3.7 %); core seen 4.3-4.4 %.
- **WPI (Jun):** -0.1 % YoY; first negative print since Oct-23. Commodity softness should keep WPI subdued.
- **Policy read-through:** Real repo ~2.6 % (5.5 % nominal – 2.9 % projected CPI) vs neutral 1.65 %. Room for **25-50 bp RBI cuts** in H2 FY26 if external conditions allow.
- The white house has been putting persistent pressure on the US Fed for cutting rates; should this come into play, the headroom for RBI to cut rates becomes greater.

# India-US Trade Deal – How much does it matter?

Tariff rates after the trade deal are largely unchanged; expect similar thing for India too

Countries	US imports share	Liberation day tariffs (2nd April)	Tariffs post trade deal
EU	19%	20%	30%
Mexico	16%	25%	30%
China	13%	54%	55%
Canada	13%	25%	35%
Japan	5%	24%	25%
Vietnam	4%	46%	20%
Korea	4%	25%	25%
Thailand	2%	36%	36%
Malaysia	2%	24%	25%
Indonesia	<1%	32%	32%
Philippines	<1%	17%	20%
Bangladesh	<1%	37%	35%

Goods trade balance with US(% of GDP)



- India is **likely to face elevated tariffs** in line with existing trade agreements, but the country's relatively modest **goods trade balance of just 0.69% of GDP** would limit the economic impact. This low trade exposure provides a natural buffer against external trade disruptions compared to more trade-dependent economies.

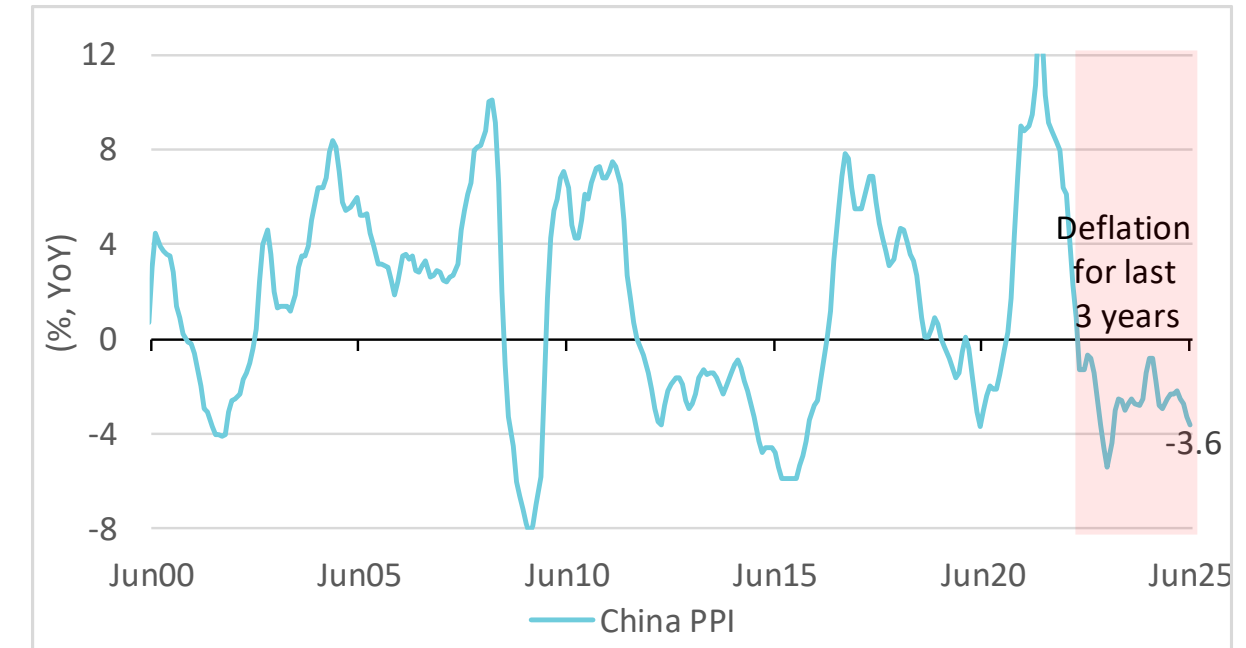


# China: Highly reliant on Exports; not able to boost Domestic Demand

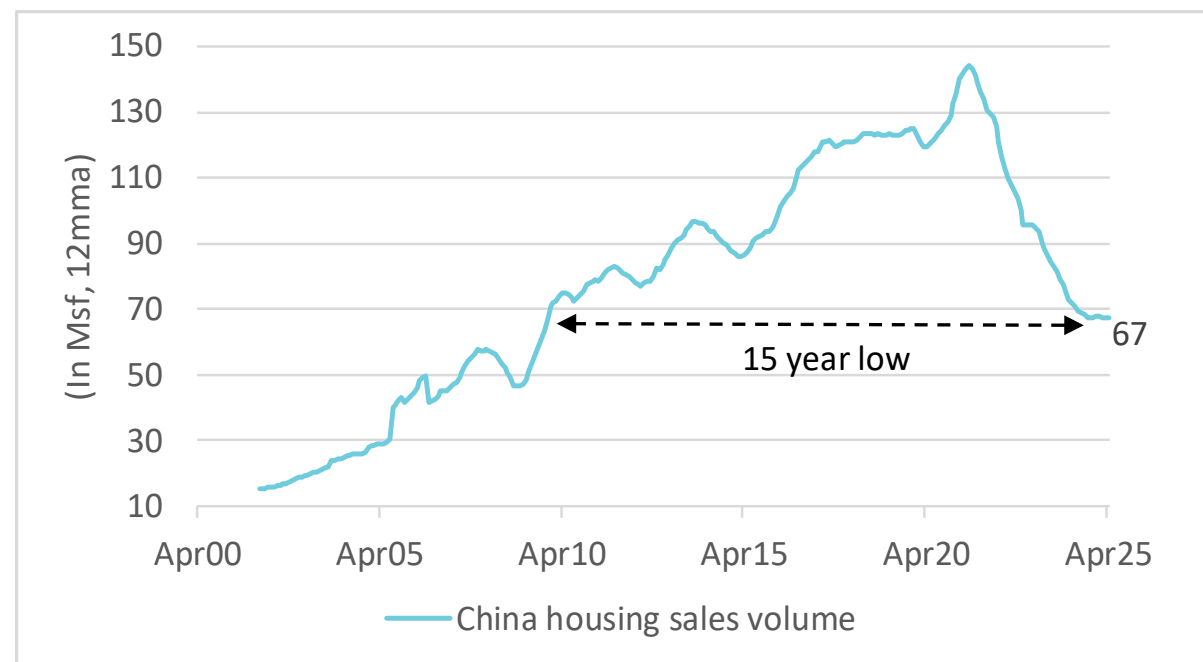
China's trade surplus has crossed the USD 1 trillion



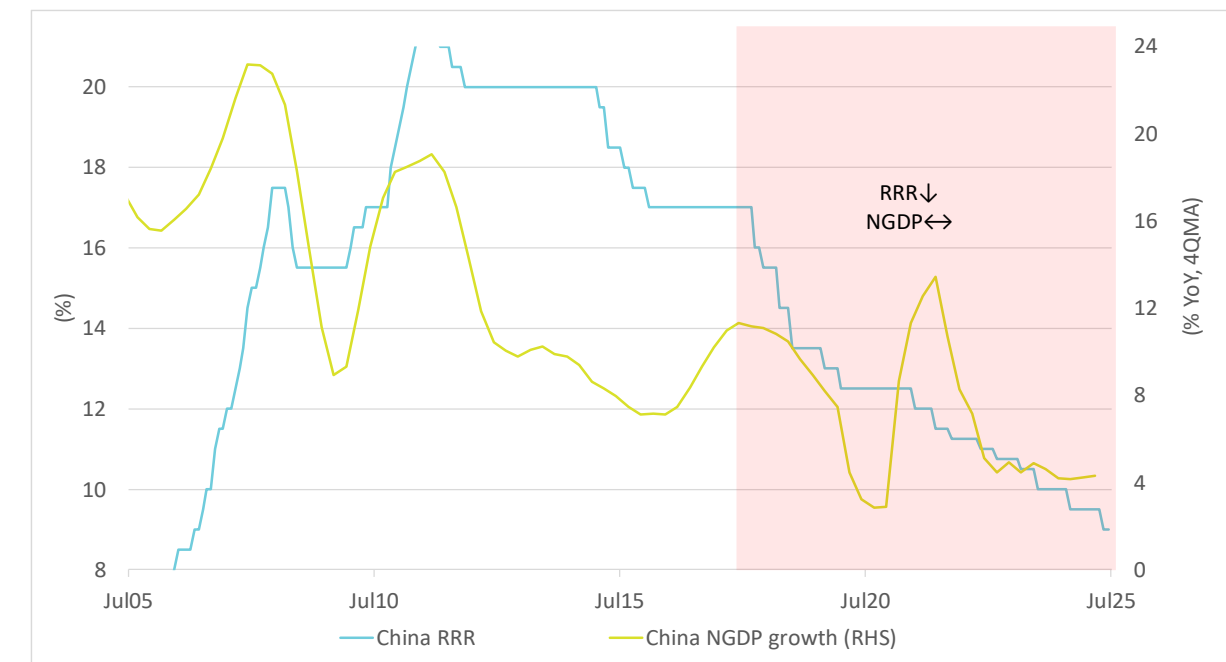
China PPI is also in deflation for three years now



China real estate sales at historic low levels

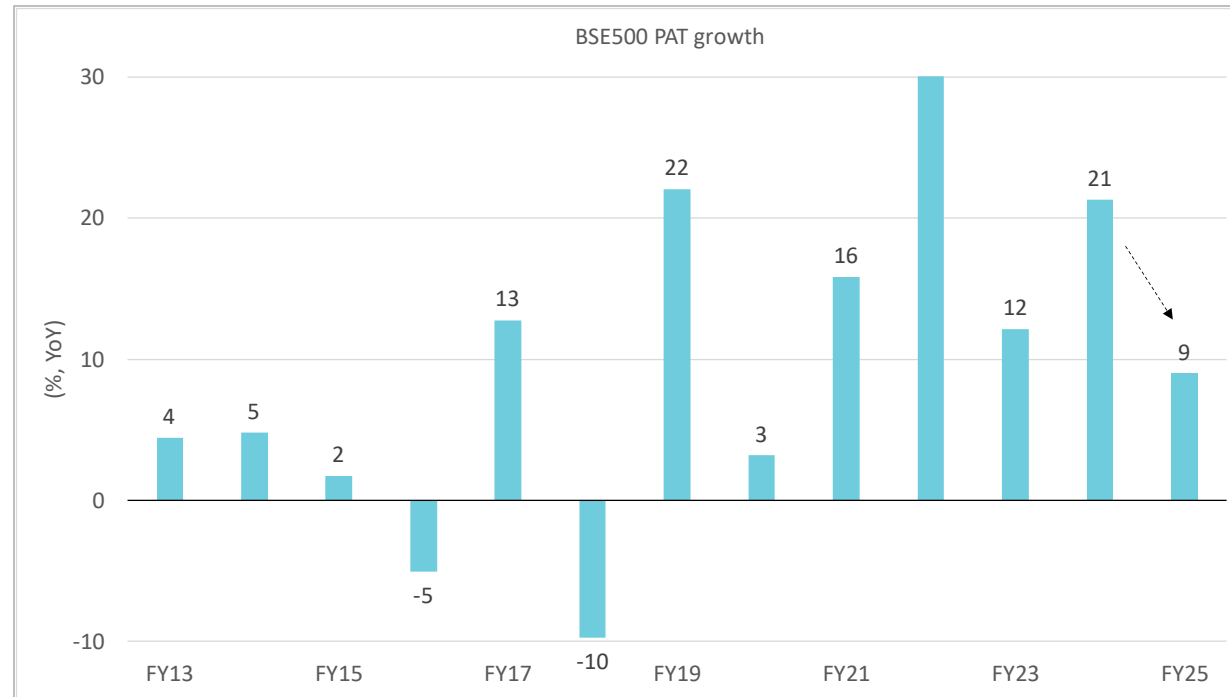


China GDP growth stays muted despite monetary stimulus

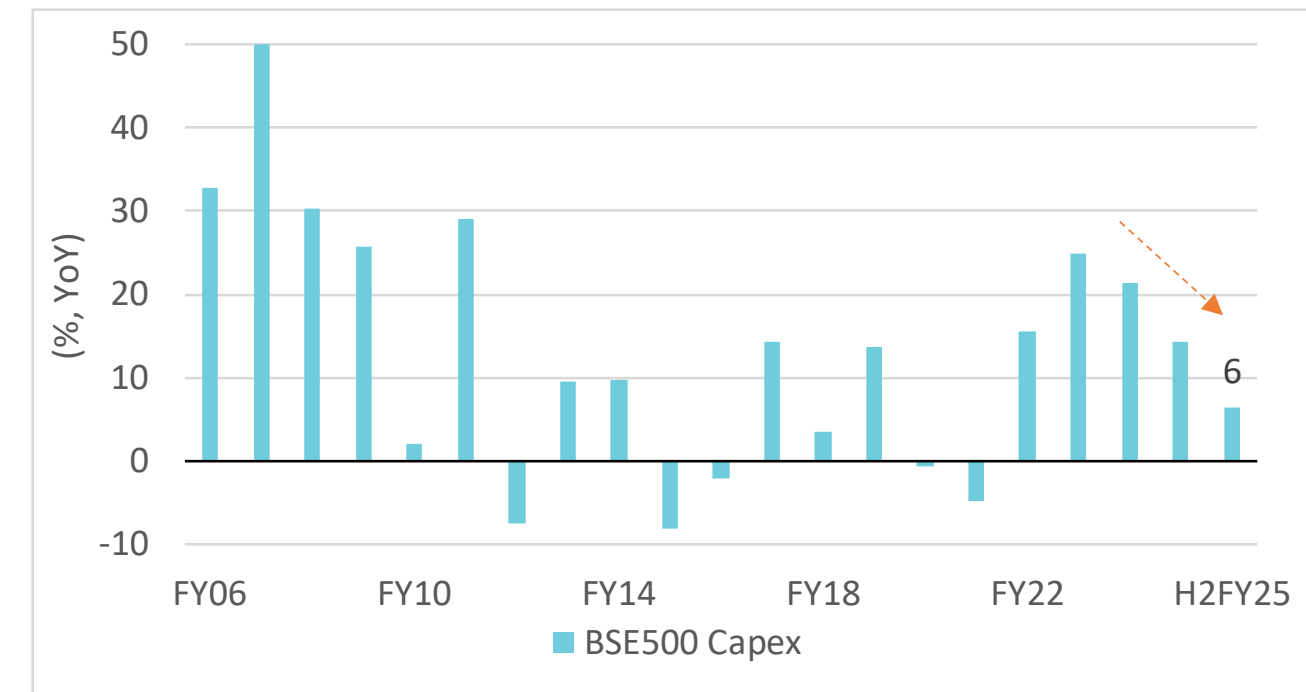


# India – faced struggles so far!

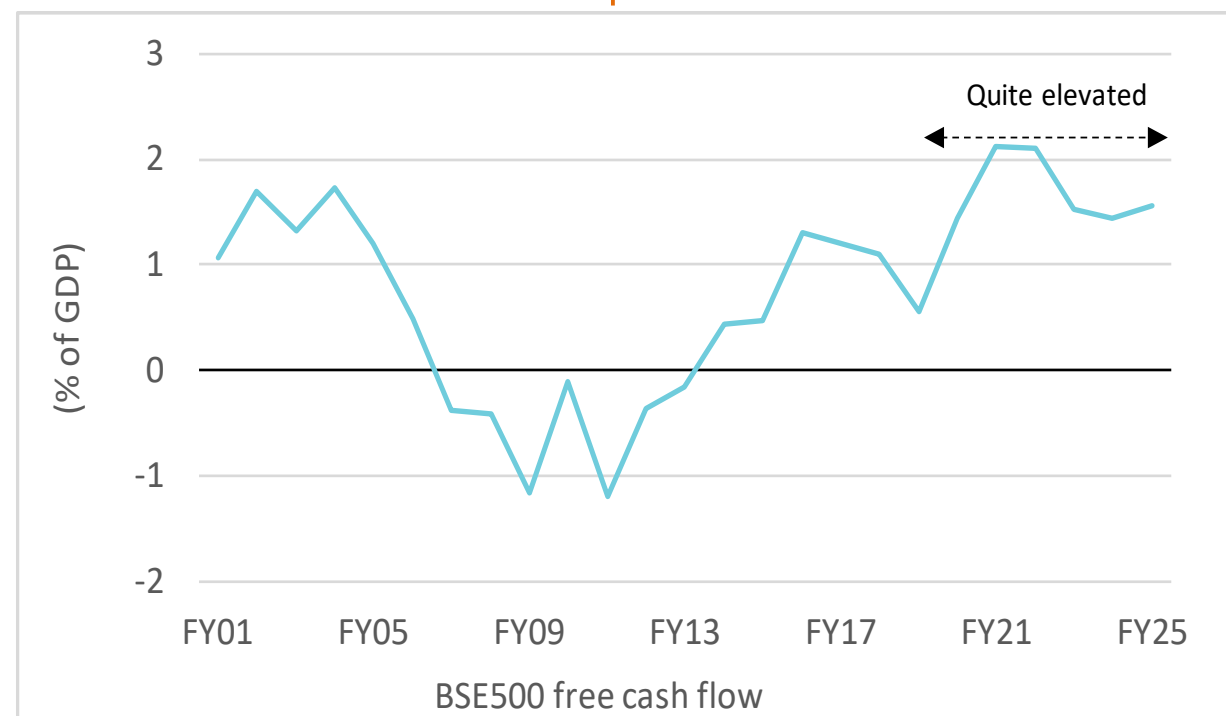
Corporates have slowed capex amid slowing profits...



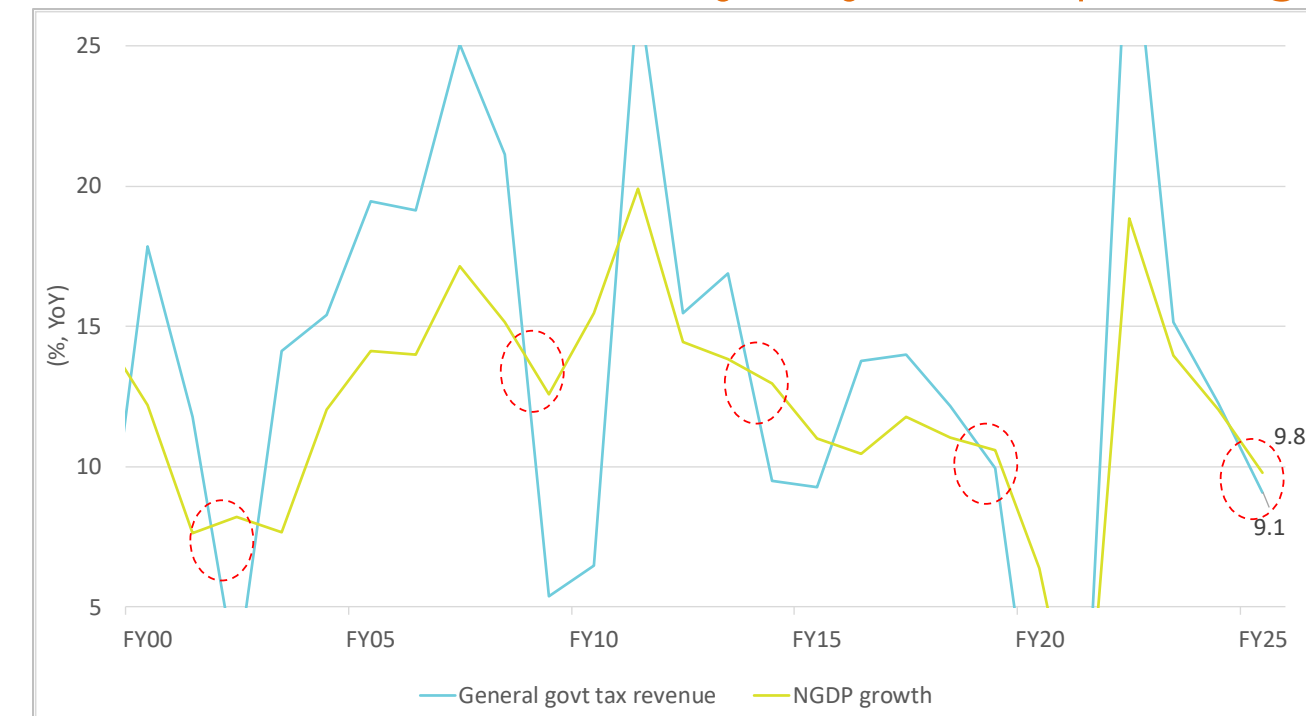
Corporates have slowed capex amid slowing profits...



...so as to keep FCF elevated

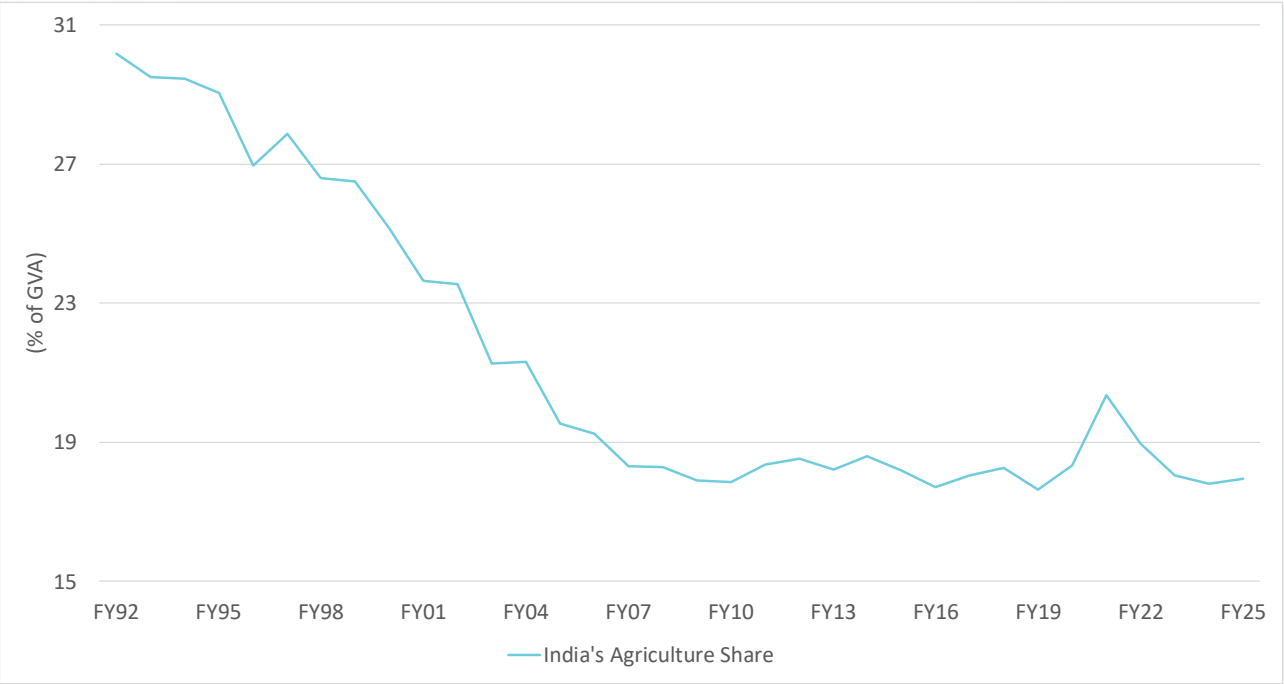


Government: Slower tax buoyancy limits spending room

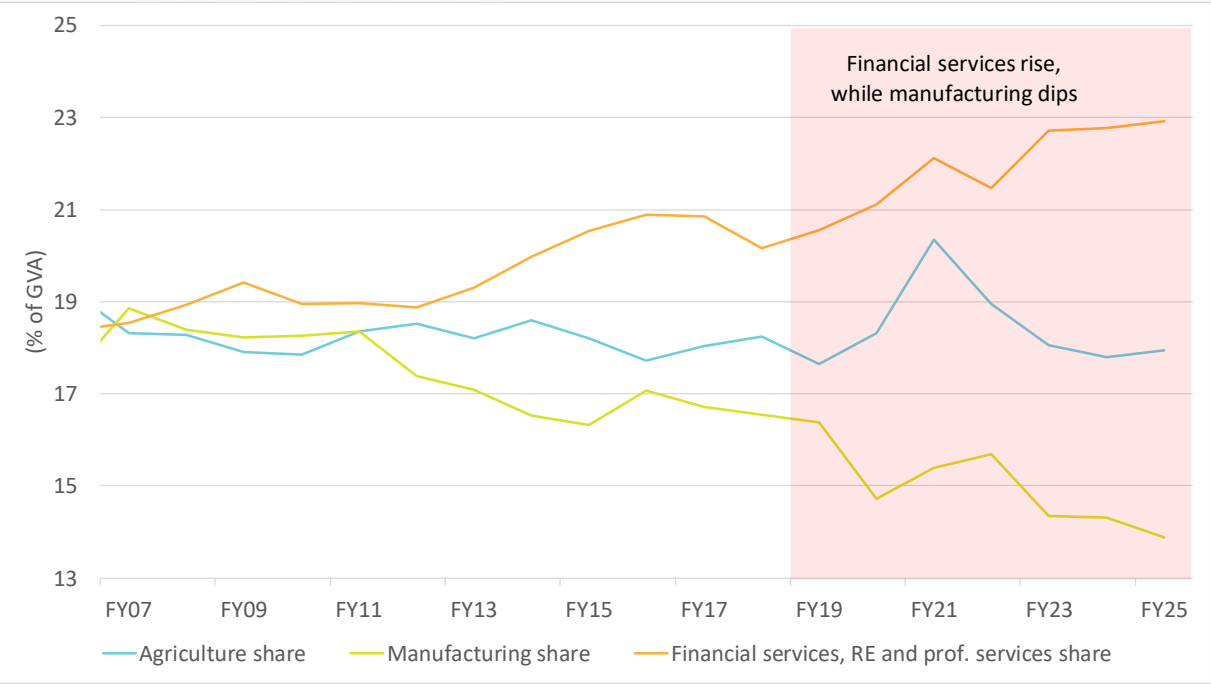


# India's next leg of growth will be driven by manufacturing sector

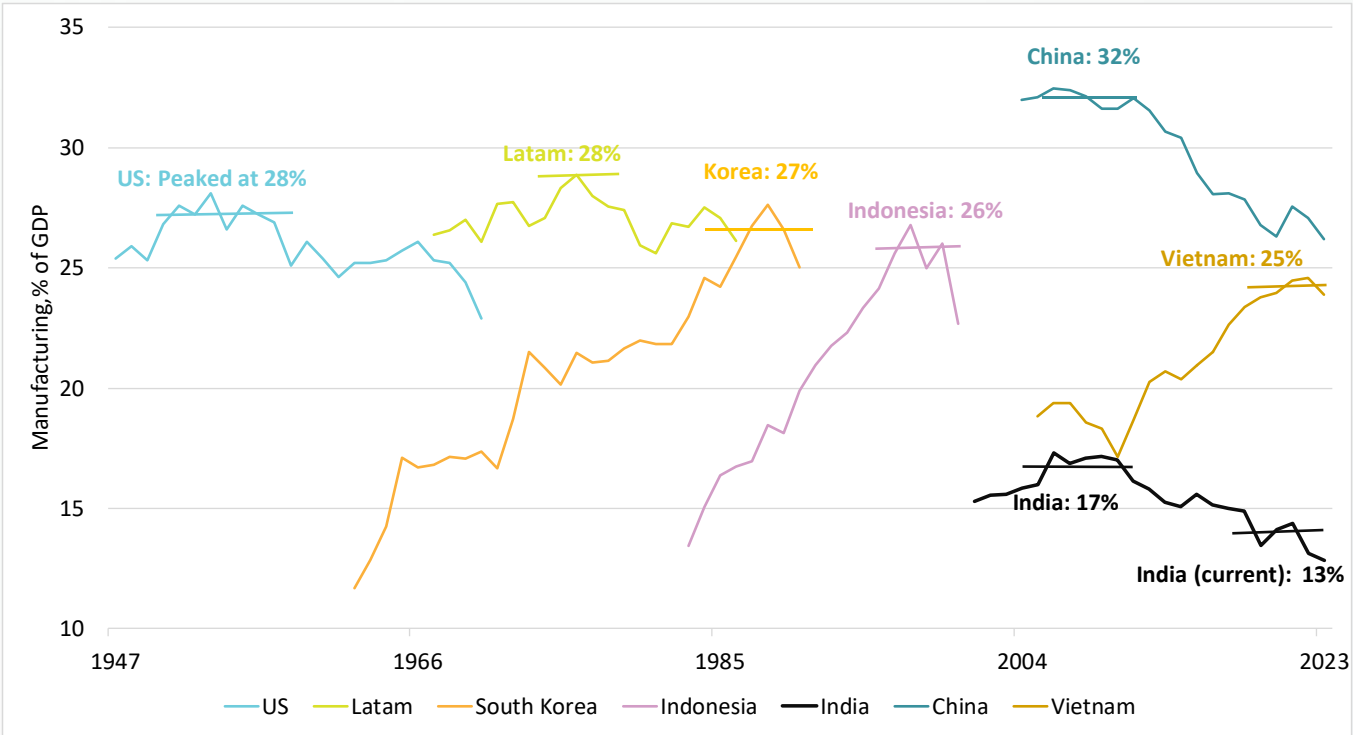
India's share of agriculture has been stable for a long time



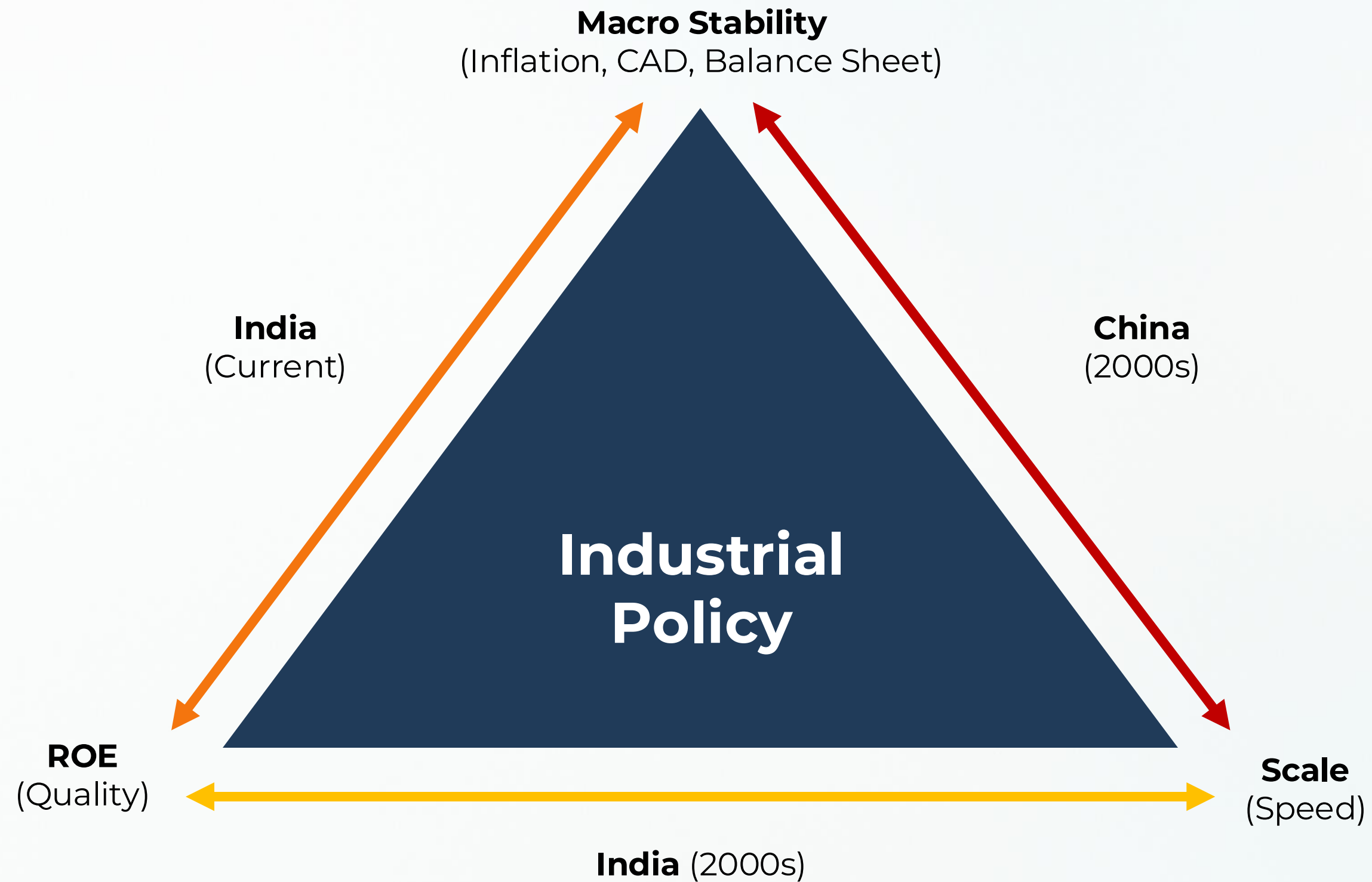
Last 5 years Financial services share has seen stellar increase



India's manufacturing share is much lower than other countries



# The Growth Trilemma: Pick any two



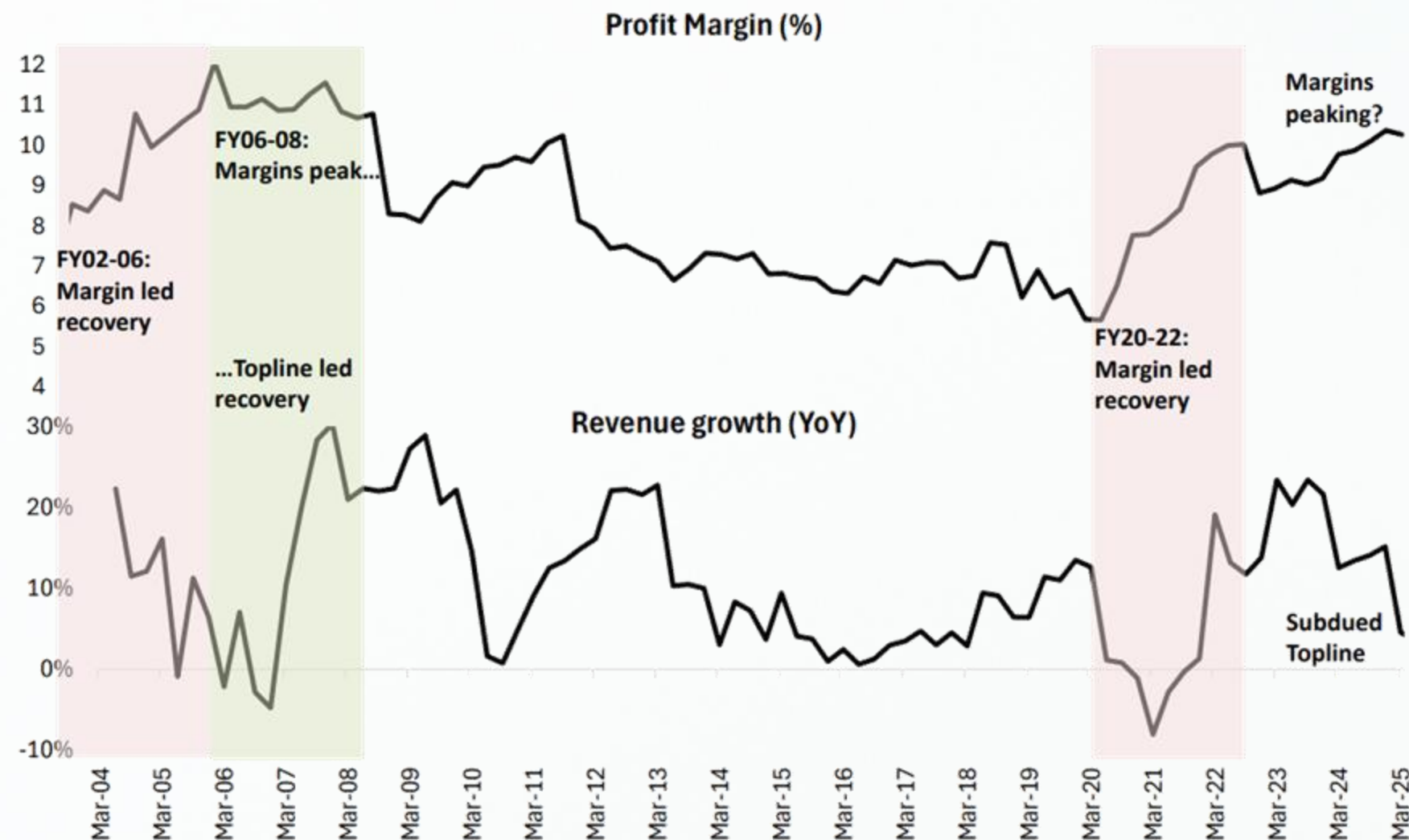


# Sowilo's Strategy

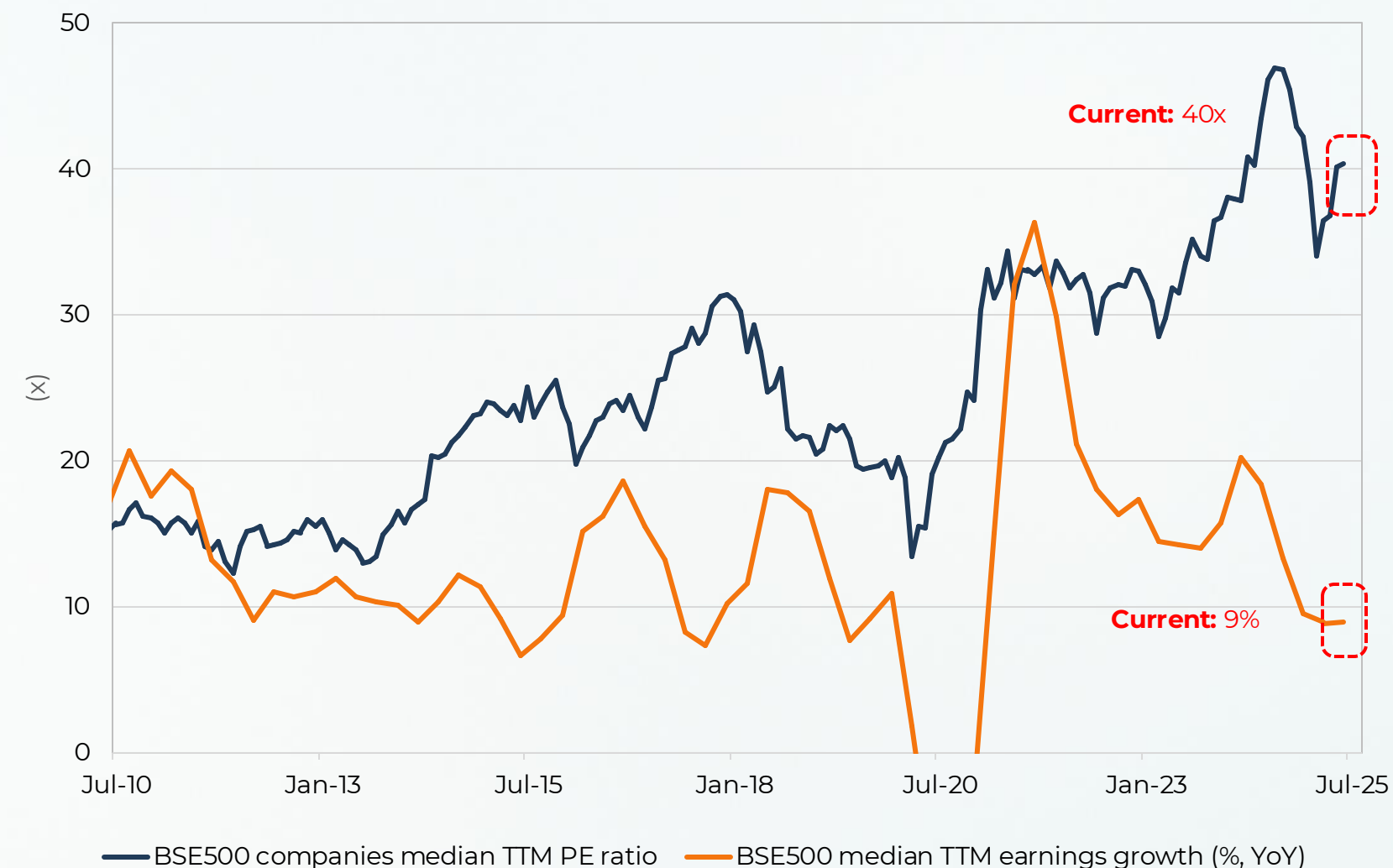
Managing uncertainty and generating alpha

# Focus on bottom-up research ideas

## Margins Hold Near Peak, So What Will Drive Profits?



## Large Gap between Valuation and Earnings Growth



- Based on the financial analysis charts, corporate profit margins are currently at cyclical peak levels following the FY20-22 margin-led recovery, similar to previous peaks in FY02-06 and FY06-08.
- However, there's a significant valuation-growth disconnect with BSE500 companies trading at elevated median PE ratios of 40x while earnings growth remains modest at just 9%

# Focus on bottom-up research ideas

## Bullish on Financial Services

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. Capital Market derivatives are also expected to do well following market recoveries

## 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 Pharma

Indian pharma companies are undergoing a strategic transformation through large-scale investments in biologics CDMO, biosimilars acquisitions, complex generics pivot, and PLI-backed capacity expansion to move up the global pharmaceutical value chain.

## Key Positive Indicators

- Funding cost ↓: CRR cut releases ~₹1 tn; repo cut cheapens wholesale borrowing.
- 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.
- Markets upswing since march lows provide a low base effect coming into Q1 for capital market derivatives

## 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

- CDMO Expansion: Large-scale capacity investments driving Indian companies into global biologics CDMO space for therapeutic proteins, antibodies, and viral vectors
- Biosimilars M&A: Strategic acquisitions targeting the growing biosimilars market to shift toward higher-value biologics segments
- Complex Generics Shift: Transition from commodity generics to high-barrier peptides, injectables, and respiratory systems for better margins
- PLI Investment Boost: Rs 29,268 crore deployed under PLI scheme to expand production capacities and build specialized manufacturing infrastructure

# THANK YOU

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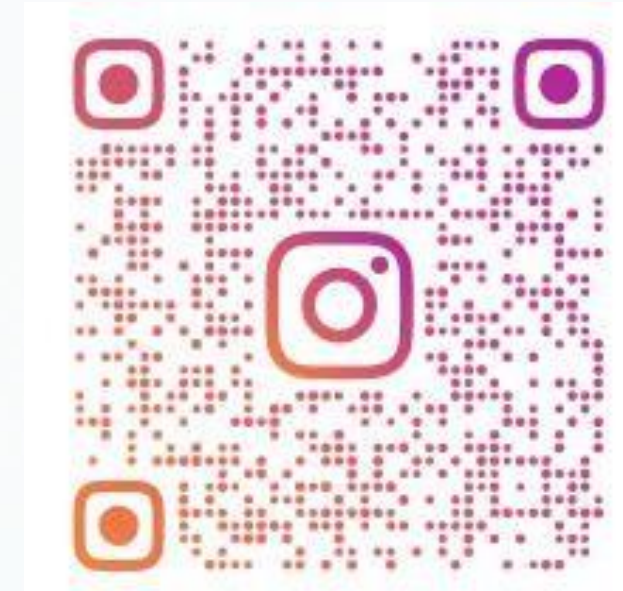
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