

Investor Webinar

Signals in the Noise: Slowdown, Stimulus & Strategic Shifts

Presented by:

SANDIP AGARWAL

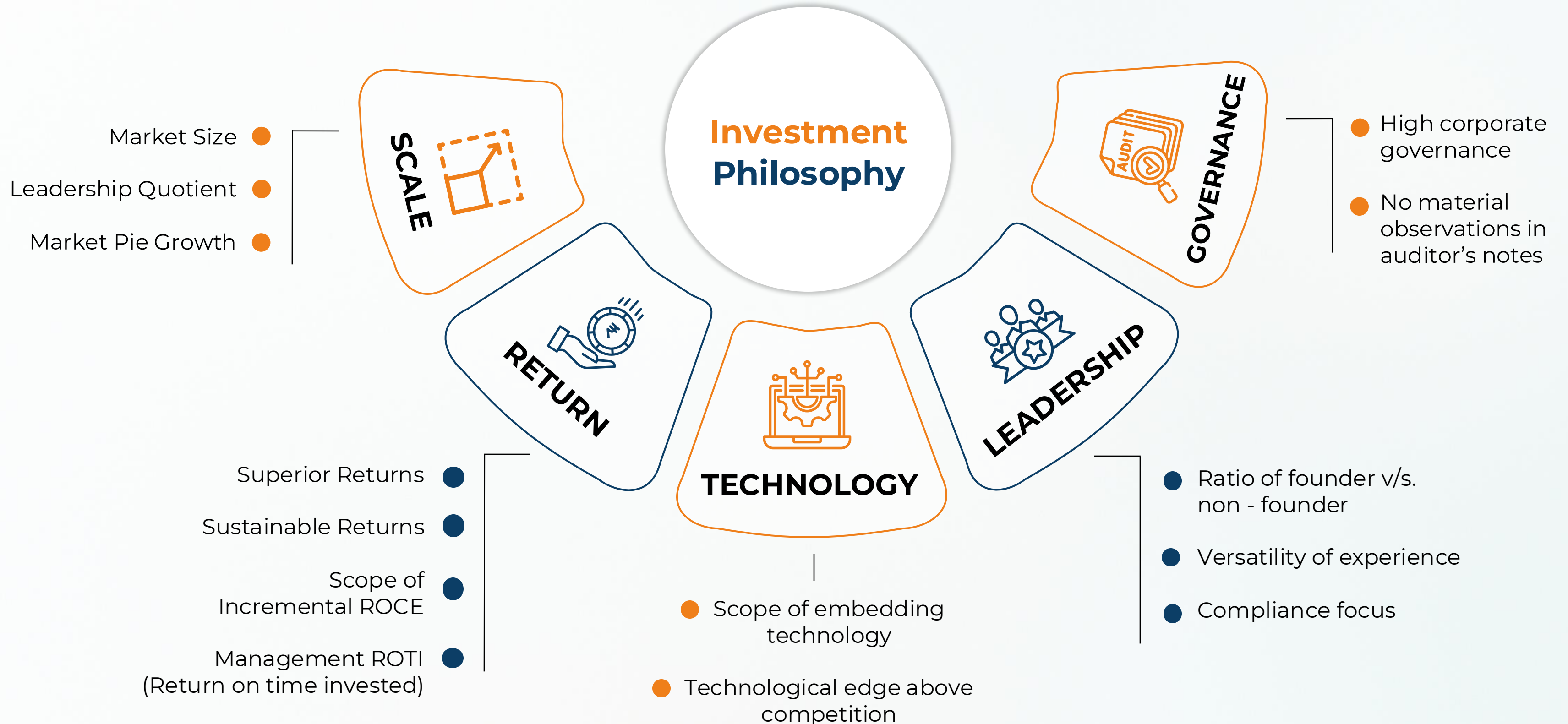
Co-Founder & Fund Manager

August 22, 2025 | Friday

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

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

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

PMS AIF WORLD											
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

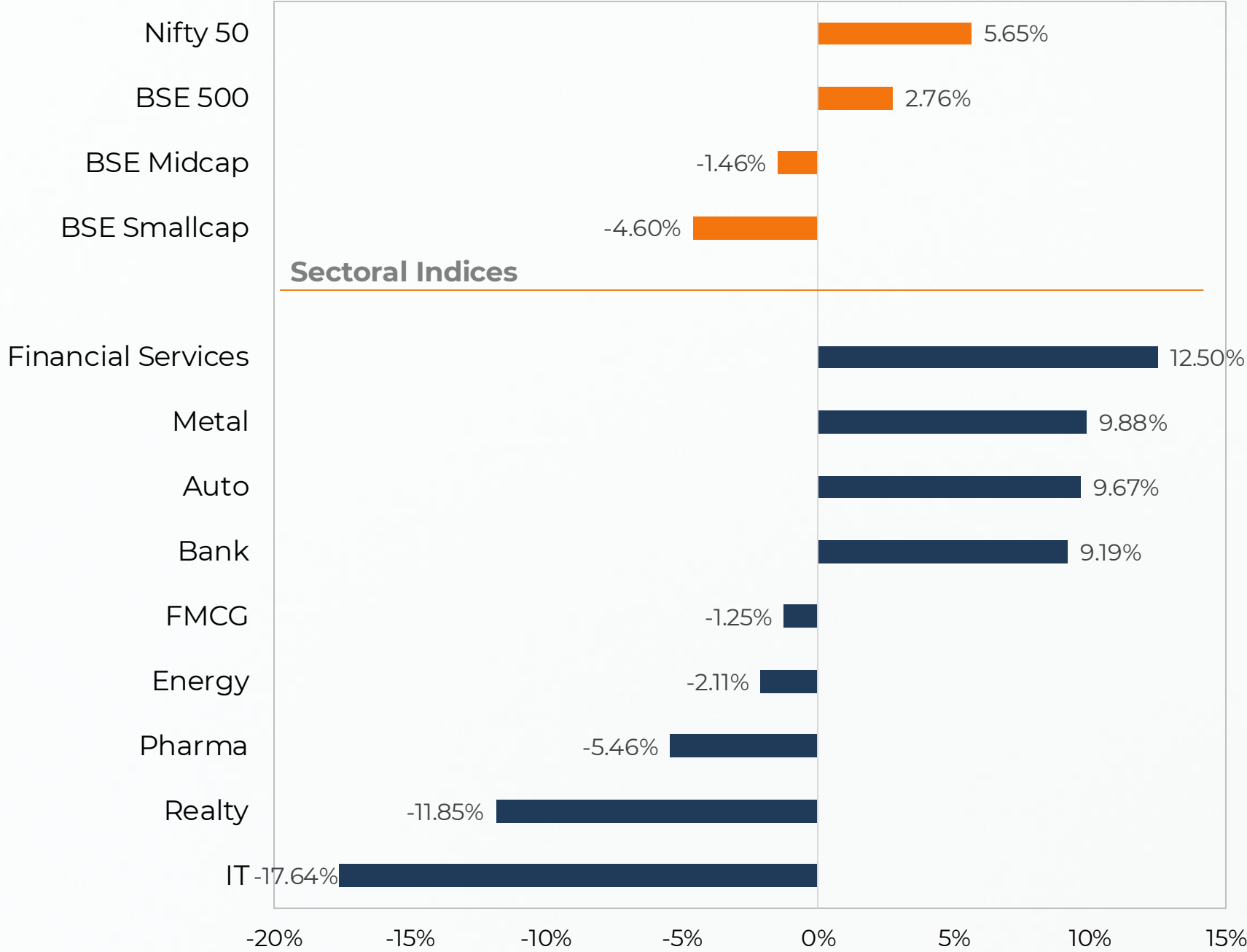
14 months of consistent recognition by PMS AIF World — from April 2024 to June 2025

Key Highlights

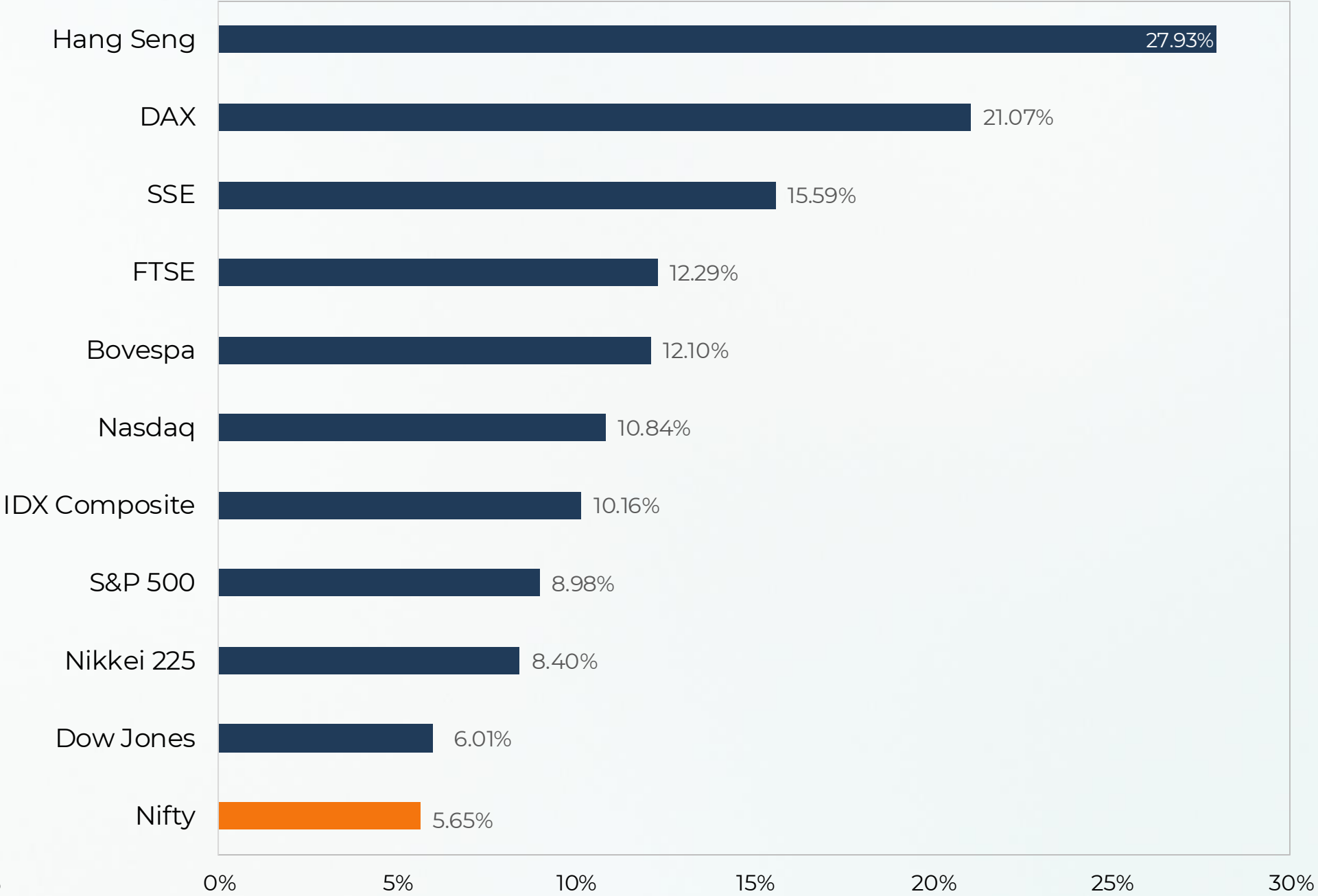
The Month Gone By

Indian Markets have been Tepid in CY25

Indian indices performance CY25td



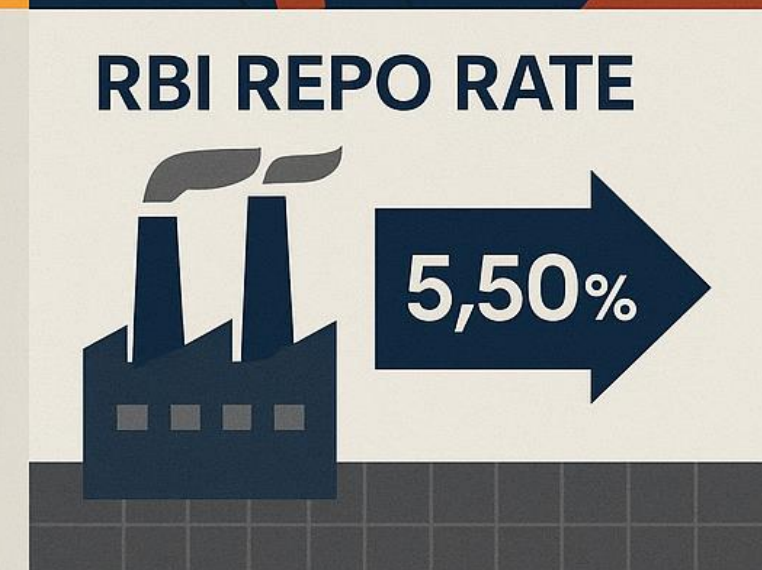
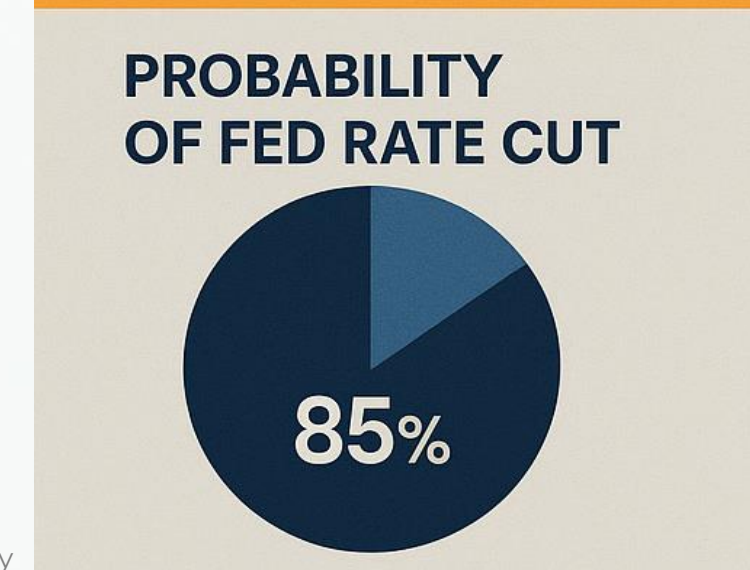
Global indices performance CY25td



Important Developments Since Last Webinar – 19th July

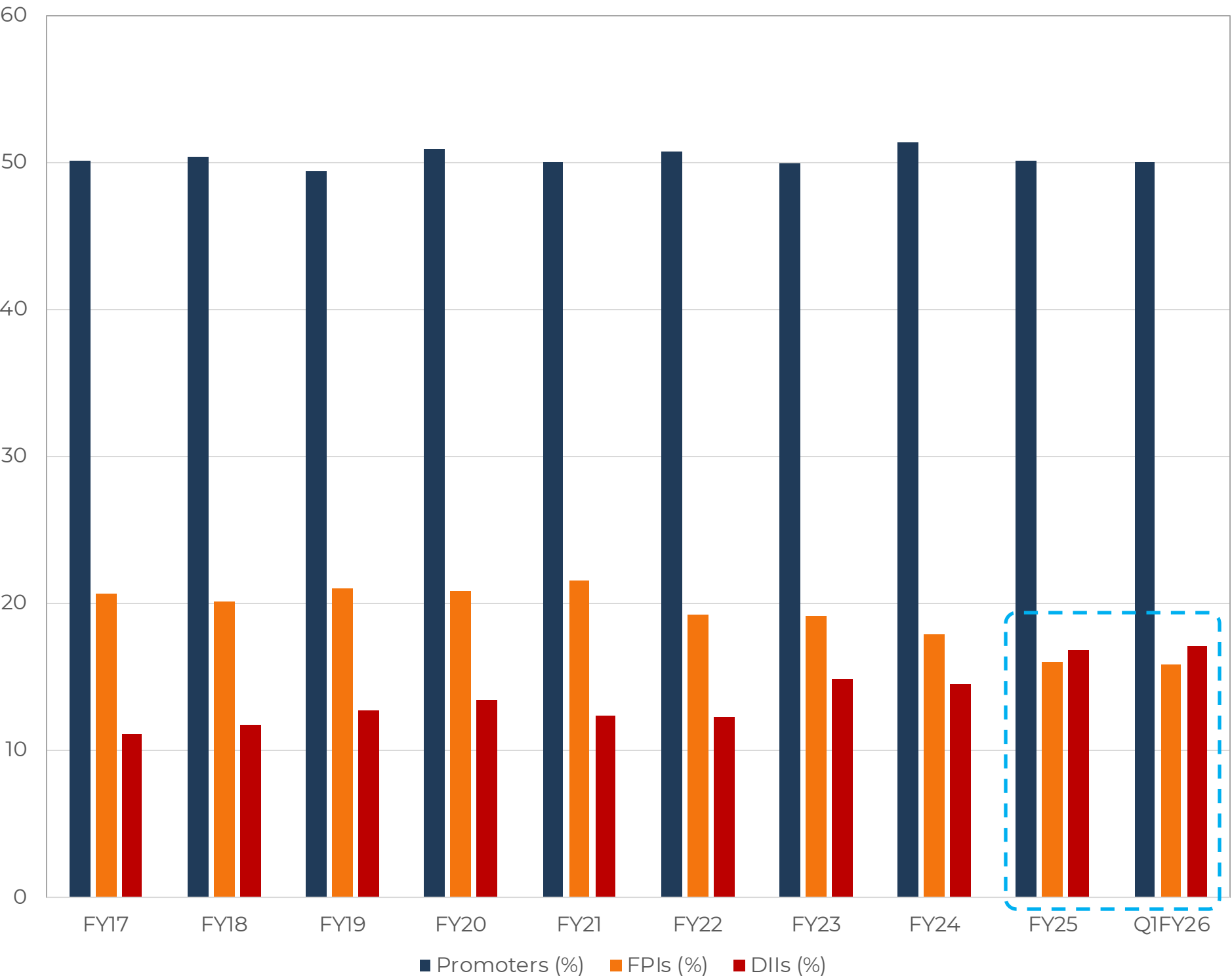
- PM Modi announced **GST 2.0 reforms** on **August 15th, 2025**, introducing a simplified structure with two main slabs (**5% and 18%**) plus a **40%** rate for **luxury and sin goods**, eliminating the current **12% and 28%** slabs to **reduce costs** on everyday items like **electronics, ACs, and mobiles**. Media Outlets hint at a cut in GST on small cars from 28% to 18% and lowering insurance premiums, with economists projecting a 0.5-0.7% boost to GDP growth, though states express concerns over near-term revenue losses.
- **S&P Global Ratings upgraded India's sovereign credit rating** to 'BBB' from 'BBB-' on August 14, 2025 - **the first upgrade in 18 years** - citing robust economic growth averaging 6.8% is possible in the next 3 years (highest in Asia-Pacific), improved monetary policy credibility, and sustained fiscal consolidation.
- Trump imposed a **50% tariff on Indian goods** starting August 7, 2025 (first 25% effective August 8, **additional 25%** set for August 27) as **penalty for Russian oil purchases**, among the highest on any US trading partner - threatening \$87 billion in Indian exports and putting bilateral relations at their worst point in years.
- **Probability of a Federal Reserve rate cut** is high at the September FOMC meeting following disappointing July jobs data (73,000 vs 100,000 expected) and major downward revisions to May-June employment figures, with two Fed governors dissenting at the July meeting in favor of immediate cuts.
- **RBI maintained repo rate unchanged** at 5.50% with neutral stance, **revised inflation forecast down to 3.1% from 3.7%** while keeping GDP growth at 6.5%, with CRR cuts starting September 6 to boost liquidity amid global trade uncertainties.

Economy



Changing Guard: DIIs Rise as FIIs Retreat

Share of ownership (in %) in NSE-listed companies



FII Outflows: Unprecedented Scale But Manageable Impact

Recent FII Selling Pressure (August 2025, NSE/BSE):

- Net FII outflow for August 2025: ₹24,128 crore (month-to-date up to August 20)
- Key recent trading days: FII net selling often exceeded ₹1,000–₹4,000 crore per day in the month of August
- Yearly FII holdings: Dropped to 17.22% of NSE-listed companies by March 31, 2025—a 12-year low
- Causes: Data indicates global factors (US dollar strength, higher US yields) as primary reasons for FII outflows

DII Dominance: The New Market Anchor

Historic Market Share Shift:

- DIIs now surpass FIIs: As of March 31, 2025, DIIs hold 17.62% stake in NSE-listed firms compared to FIIs' 17.22%
- DII holdings in rupee terms: ₹71.76 lakh crore, about 2% greater than FIIs
- March quarter net DII investment: ₹1.89 lakh crore, led by mutual funds (₹1.16 lakh crore), insurance (₹47,538 crore), strong SIP flows
- Mutual funds reach record: 10.35% market share in NSE companies for the first time

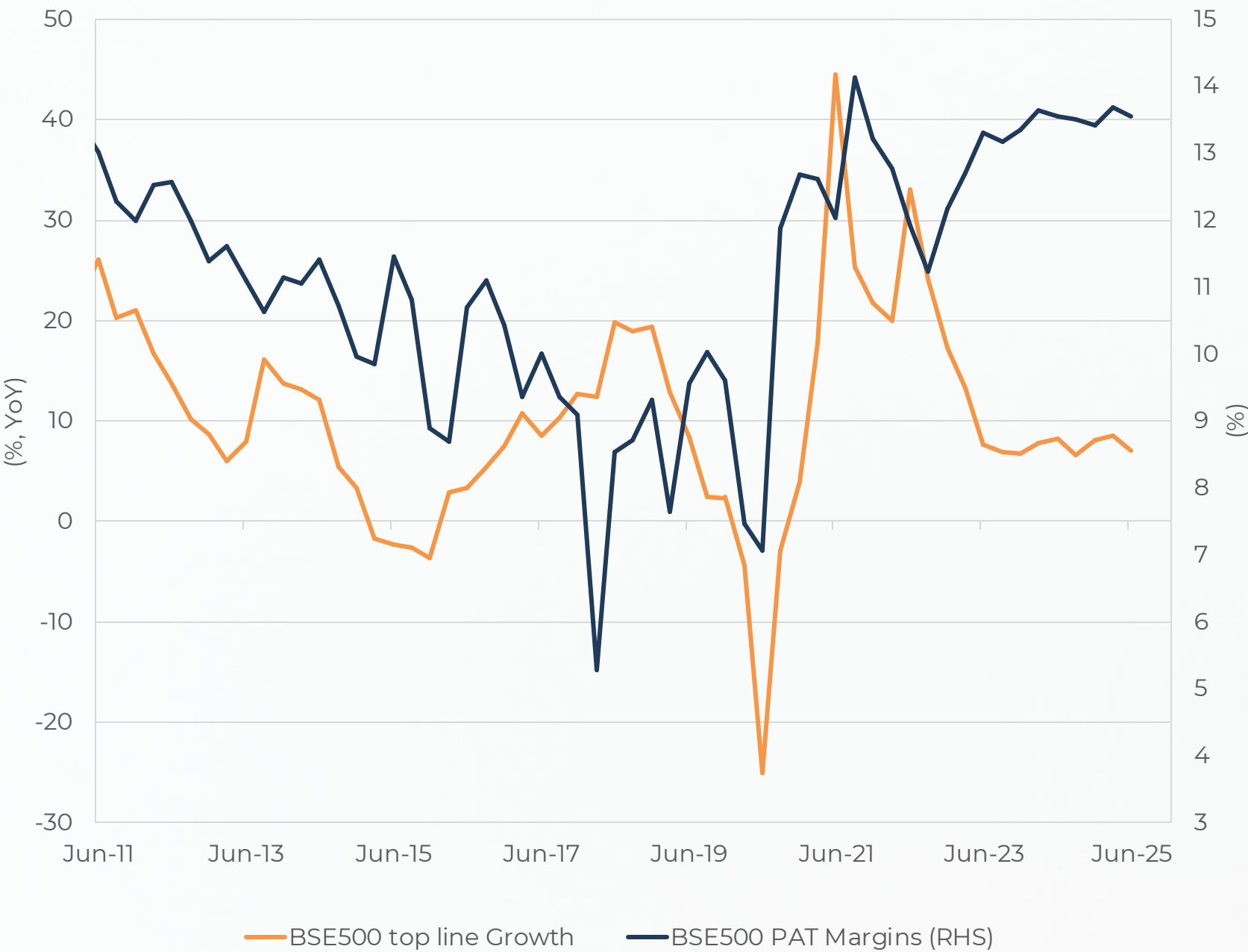
Q1 FY26 Earnings Snapshot

Performance at a Glance

Q1 FY26 Earnings Season Highlights: Midcaps shine!

Topline growth remains muted but margins stabilizing at higher levels

BSE500: Revenue Growth vs PAT Margins



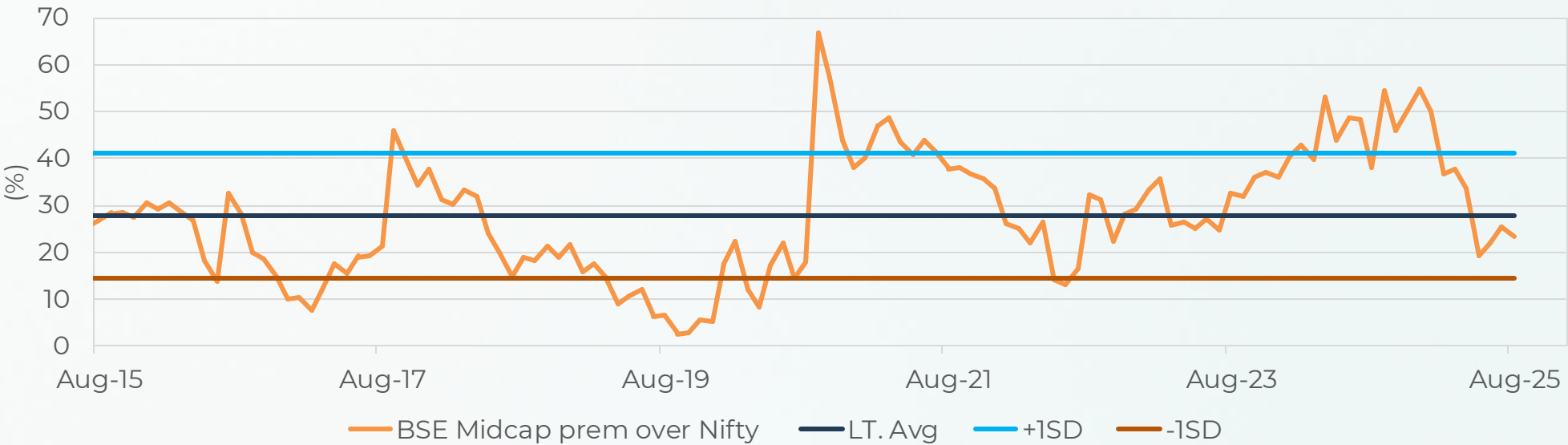
Midcaps shine in profit growth; B2B sectors like Energy and Materials outperformed, while consumer segments lagged on weak demand

Market cap wise earnings growth summary of BSE500

Adjusted PAT Growth			
	Q1 FY25	Q4 FY25	Q1 FY26
Large Cap	0.8%	7.8%	8.9%
Small Cap	8.9%	2.6%	1.5%
Mid Cap	11.2%	15.9%	18.3%
BSE500	3.0%	8.7%	9.9%

Despite higher earnings growth; midcaps valuation relative to large-caps has fallen to below long-term average

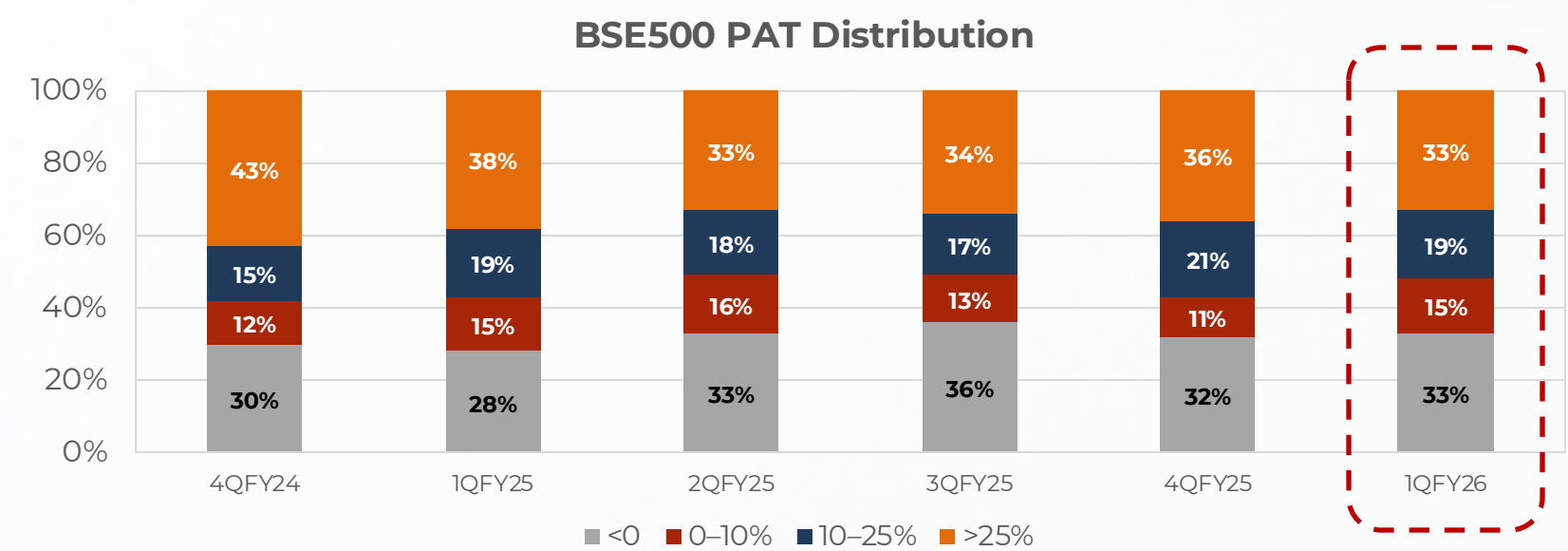
BSE Midcap vs Nifty Valuation Premium



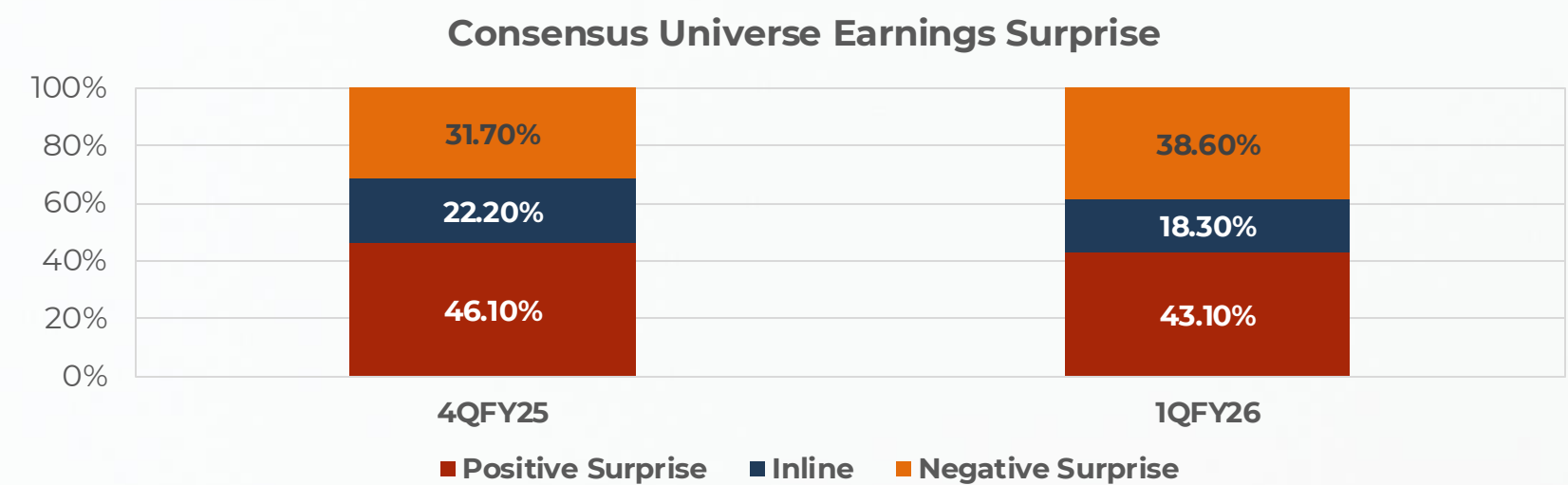
Note : Data excludes OMCs and BFSIs

Q1 FY26 : A Deep-Dive into The Details

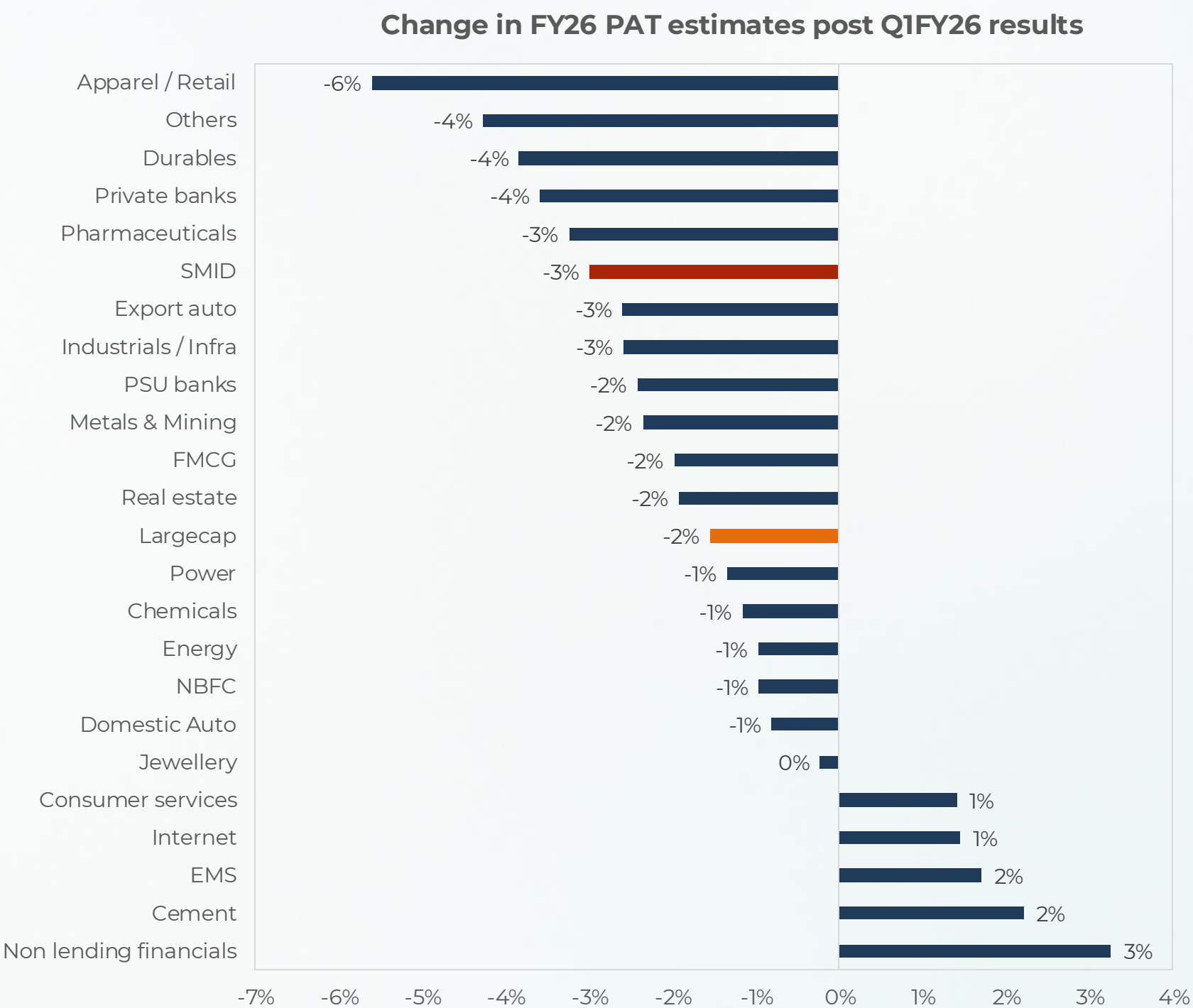
Share of BSE500 companies reporting PAT growth above 25% has declined



There are more negative surprises in this quarter versus the previous one



Sector wise change in Earnings estimates post Q1FY26 Results



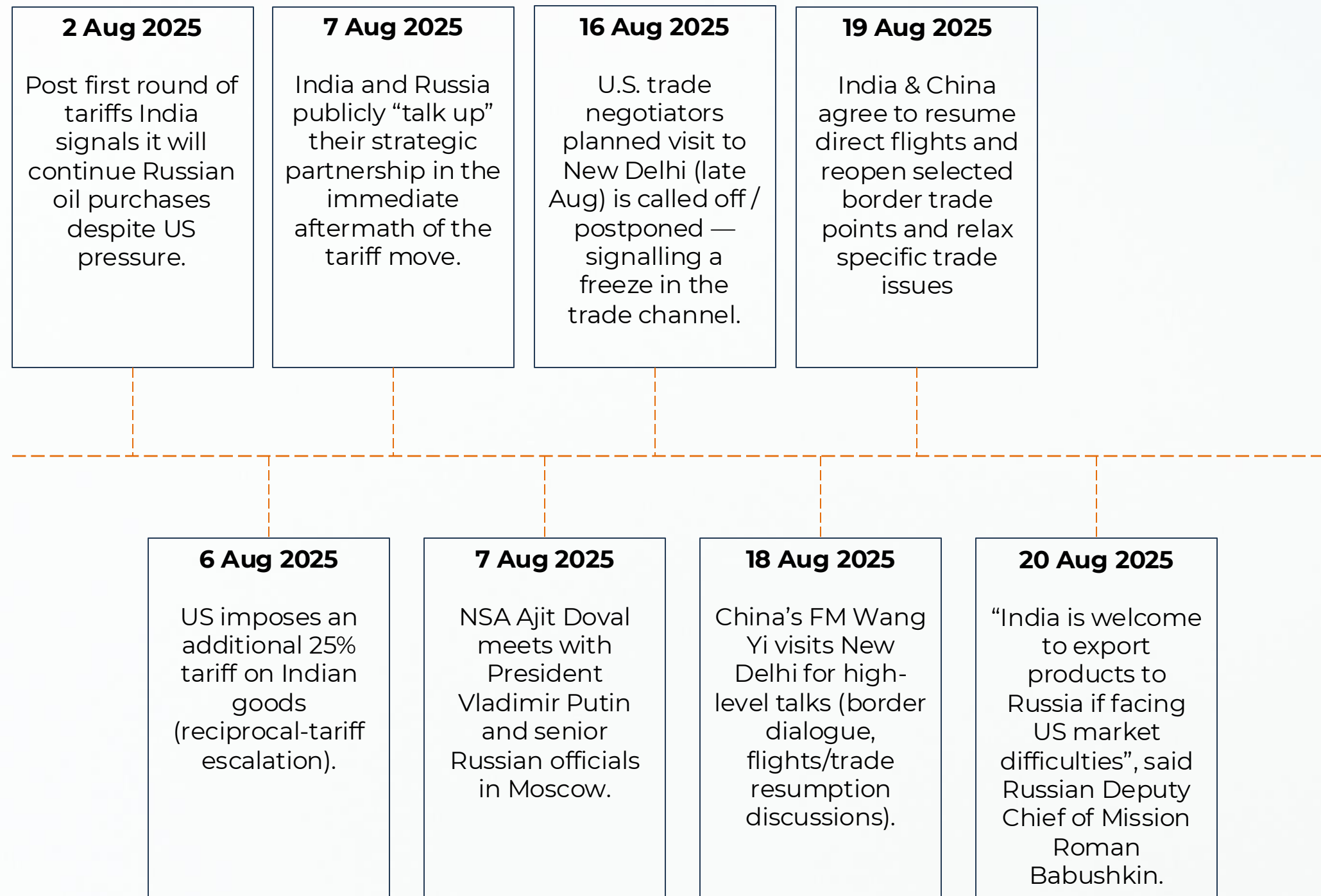
Sowilo Portfolio - Order books & Management Outlook

Water Treatment & Infrastructure <ul style="list-style-type: none"> Strong underlying demand with robust order books providing multi-quarter revenue visibility Challenges from delayed government fund flows affecting execution/working capital Positive outlook for urban centers and river cleaning initiatives 	Railways & Urban Infrastructure <ul style="list-style-type: none"> Strong performance in passenger and freight rail segments Significant growth expected in metro systems and propulsion Active pursuit of additional metro and suburban transport opportunities 	Banking & NBFC <ul style="list-style-type: none"> Pricing pressure in corporate/NBFC loans. Retail lending (housing, LAP, Tier 3/4) key driver. Credit costs rising, but still manageable.
Pipes <ul style="list-style-type: none"> Current expenditure slowdown impacting pipe ordering and sector performance Expected recovery with government allocation increases and strong demand for quality line pipes Multi-year business pipeline in international markets 	Power/Energy Sector <ul style="list-style-type: none"> Significant demand driver with robust inquiry pipelines Record order books in transmission business, particularly export-heavy Market volumes returning to pre-transition normalcy levels 	Retail <ul style="list-style-type: none"> Strong digital and B2C online growth; rural and Tier 2–4 markets driving expansion. Premiumization and rising incomes boosting higher-value product demand. Intense competition, supply chain/geopolitical risks, and regulatory shifts remain key challenges.
EPC (Engineering, Procurement, Construction) <ul style="list-style-type: none"> Robust consolidated order books with strong revenue visibility Growth driven by power, cement, and steel sectors Challenges from lumpy order inflows and geopolitical tensions 	Manufacturing <ul style="list-style-type: none"> Automotive: Mixed picture with subdued vehicle sales but growth in specific components Chemicals/Pharma: Stable performance with pricing pressures in some segments Industrial Products: Strong performance in pumps, mixed results in wire/rope segments 	Consumption/FMCG <ul style="list-style-type: none"> Growth via food, personal care & new-age brands. Contract manufacturing offers margin stability. Traditional distribution remains critical for scale.
Pharmaceuticals <ul style="list-style-type: none"> Sector recovery from stronger API demand and broad-based formulation growth. Input costs bottomed; new capacities in chemistries, oncology, biosimilars to lift margins. Tariffs and pricing pressure near-term risks, but long-term growth intact. 	Capital Markets <ul style="list-style-type: none"> F&O turnover down ~30% YoY in Q1 FY26, but market shares for portfolio Co's steady; volumes expected to expand. AMCs strong – SIP inflows, passive products, and advisory-led wealth driving growth. Rising competition, but organized players set to gain share from fragmented market. 	Consumer Durables <ul style="list-style-type: none"> Revenue growth steady in Q1FY26, aided by premiumization, rural demand, and housing cycle tailwinds. Margins showed divergence — better cost control/premium mix supported some, while RM volatility and higher A&P hurt others. FY26 guidance upbeat, but GST 2.0 could cause near term pressure in revenues

Geopolitics

Riding the waves of uncertainty

Tariff balancing



India-Russia Ties

Strategic Buffer: Energy & Defense

India–Russia ties are a multi-dimensional strategic partnership: energy (large, discounted oil flows + nuclear tails), defence (platforms, spares, co-production), growing trade & investment, and pragmatic financial mechanisms — all of which provide New Delhi hedging levers vs external shocks (including tariff pain), but bring sanctions, technology and reputational risks.

India–China Thaw

Pragmatic Normalization

Incremental diplomatic and trade reopening since the Galwan shock is restoring transactional channels (visits, trade restarts, visas) — helping ease immediate input shortages and offering India tactical flexibility amid US tariff uncertainty

Middle East Dynamics

Low-Tariff, Capital-Rich Alternative

GCC policy mix — low applied tariffs, cheap energy, sovereign capital and export-friendly free zones — is building a near-shore manufacturing & re-export hub that can help offset tariff pressure from Western markets.

Cost advantage: Very low/contracted gas and electricity costs, and investments in renewables lower operating costs for energy-intensive manufacturing.

Capital & incentives: Gulf sovereign funds (PIF, ADIA, QIA etc.) are actively financing industrial projects, logistics and green energy that anchor manufacturing

Generous direct incentives & capex support: Industrial incentive packages (e.g., Saudi programs that subsidise up to ~35% of project capex for eligible projects).

Trade mechanics: Dozens of free zones (UAE, KSA special zones) offer full foreign ownership, duty-free imports/exports, simplified customs and fast logistics — critical for export-oriented manufacturing.

Strategic use: Best for assembly/energy-intensive stages, regional hub for EU/Africa markets and tariff diversion strategies — not a one-to-one replacement for scale manufacturing in Asia.

Low applied tariff regimes: GCC members have low trade-weighted applied tariffs, making the region attractive as a low-tariff export base / re-export hub.

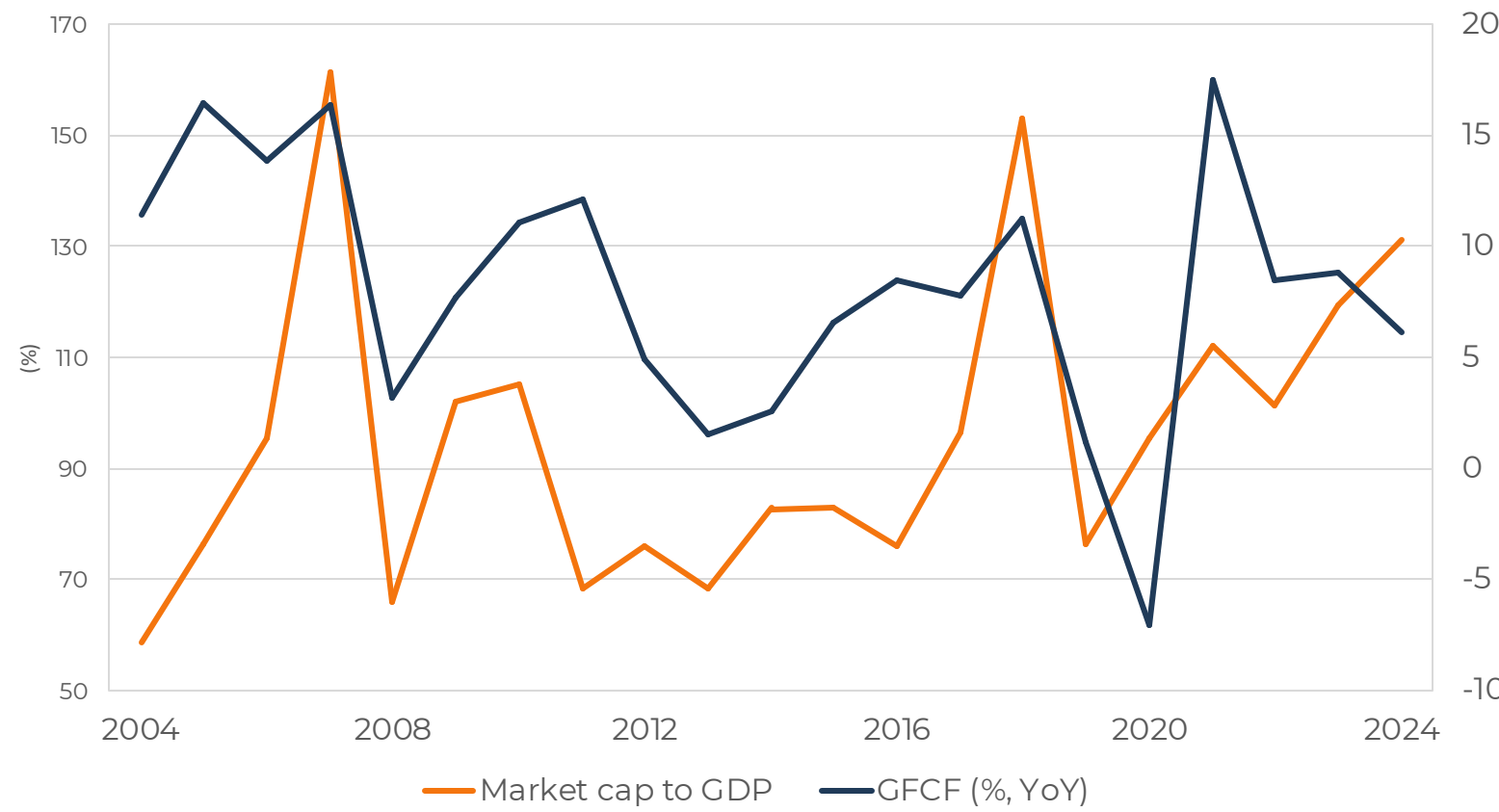


The Macro Lens

Dynamics moving the needle currently!

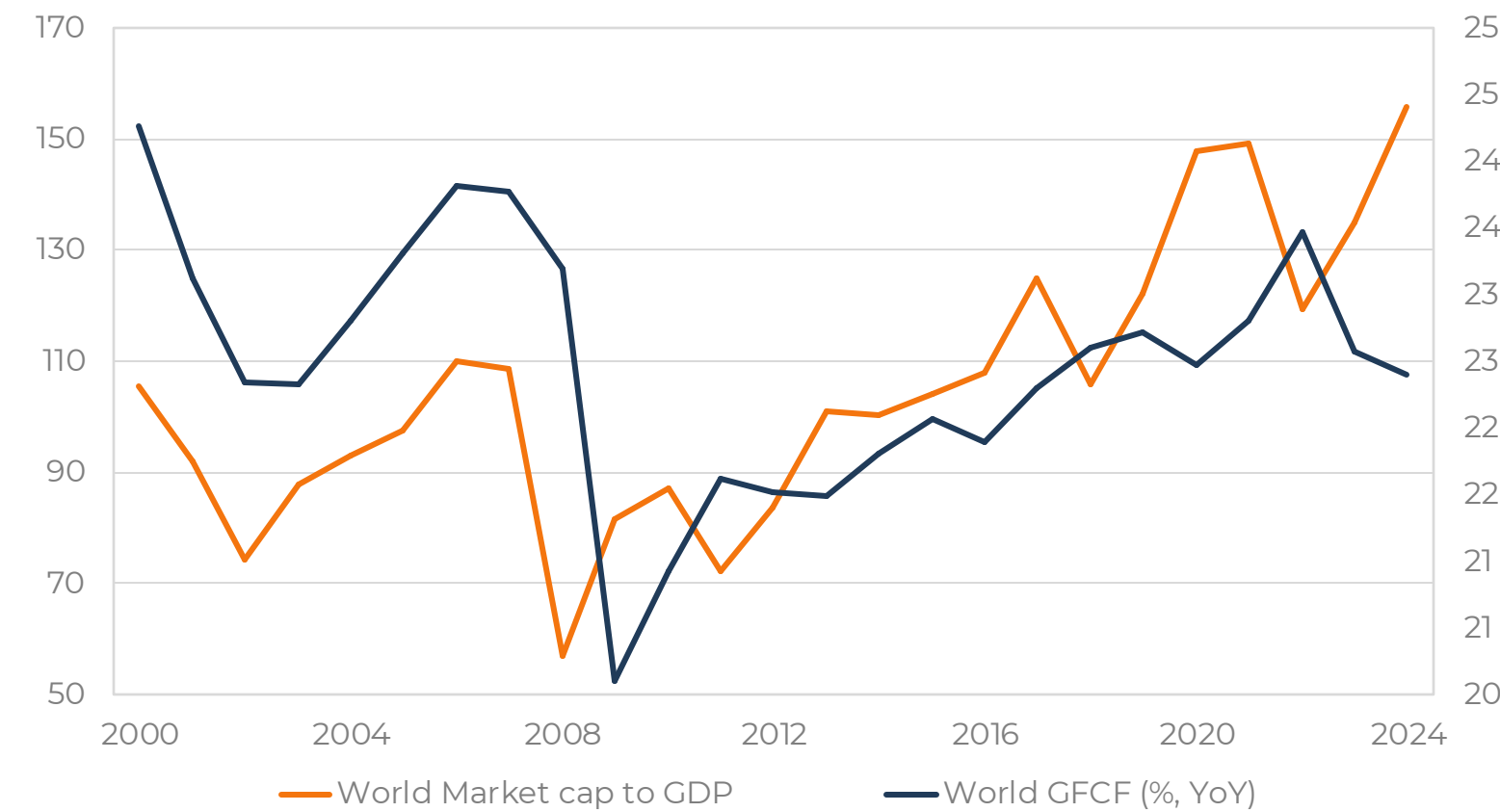
Financial sector exuberance is devoid of real capital formation!

India – Valuations over the roof but real capital formation has been weak



Same at world level too

VS



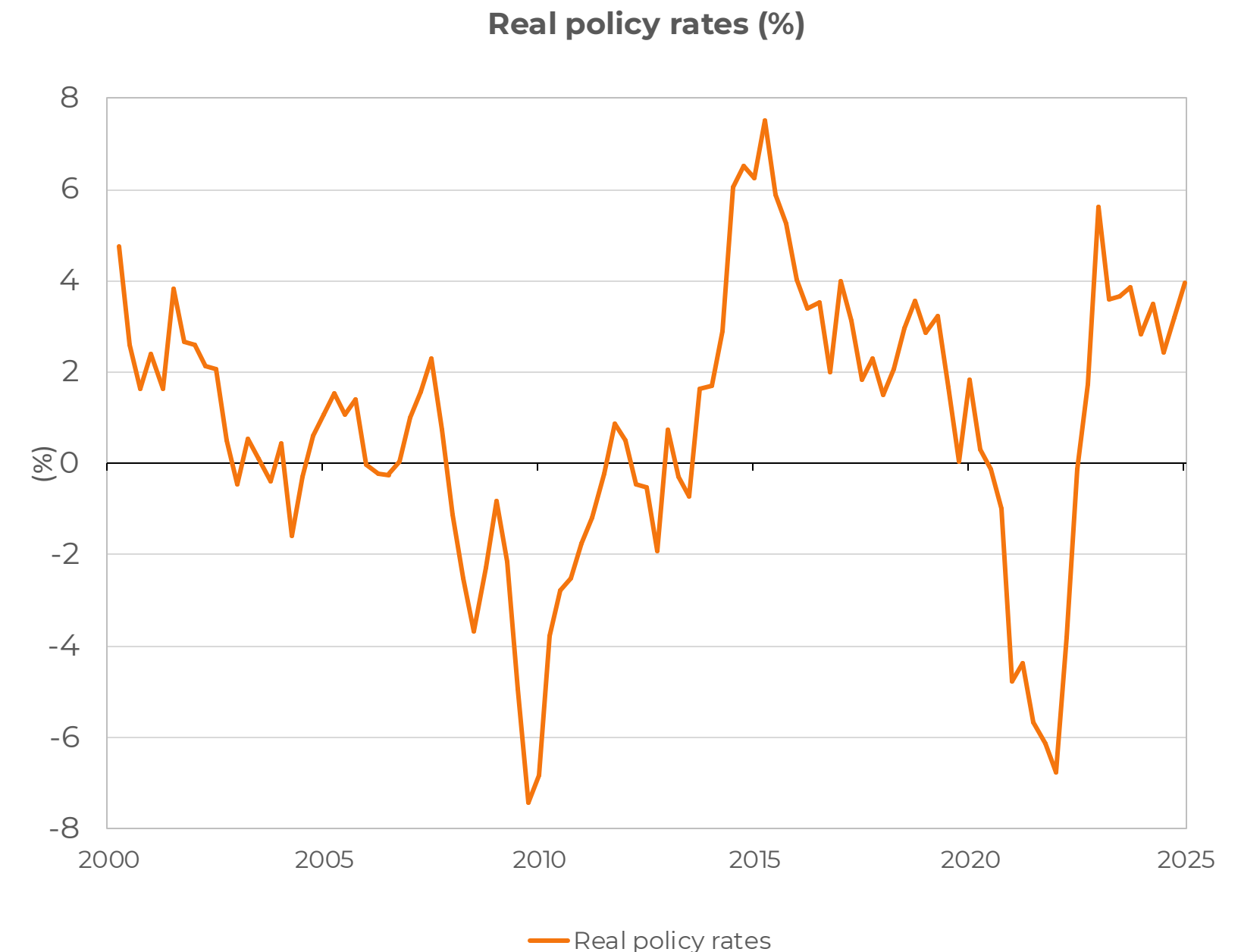
Note : Data is for OECD Countries which includes 38 Major Economies

When we consider these two figures together, a clear pattern emerges: both the Indian and global stock markets are operating at historically high valuations. This collective behavior signals a potential overextension of market enthusiasm relative to underlying economic size and fundamentals, prompting crucial questions about the sustainability of these high valuations and the risk of a future correction.

Real Rates Remain Elevated – Scope for Further RBI Easing

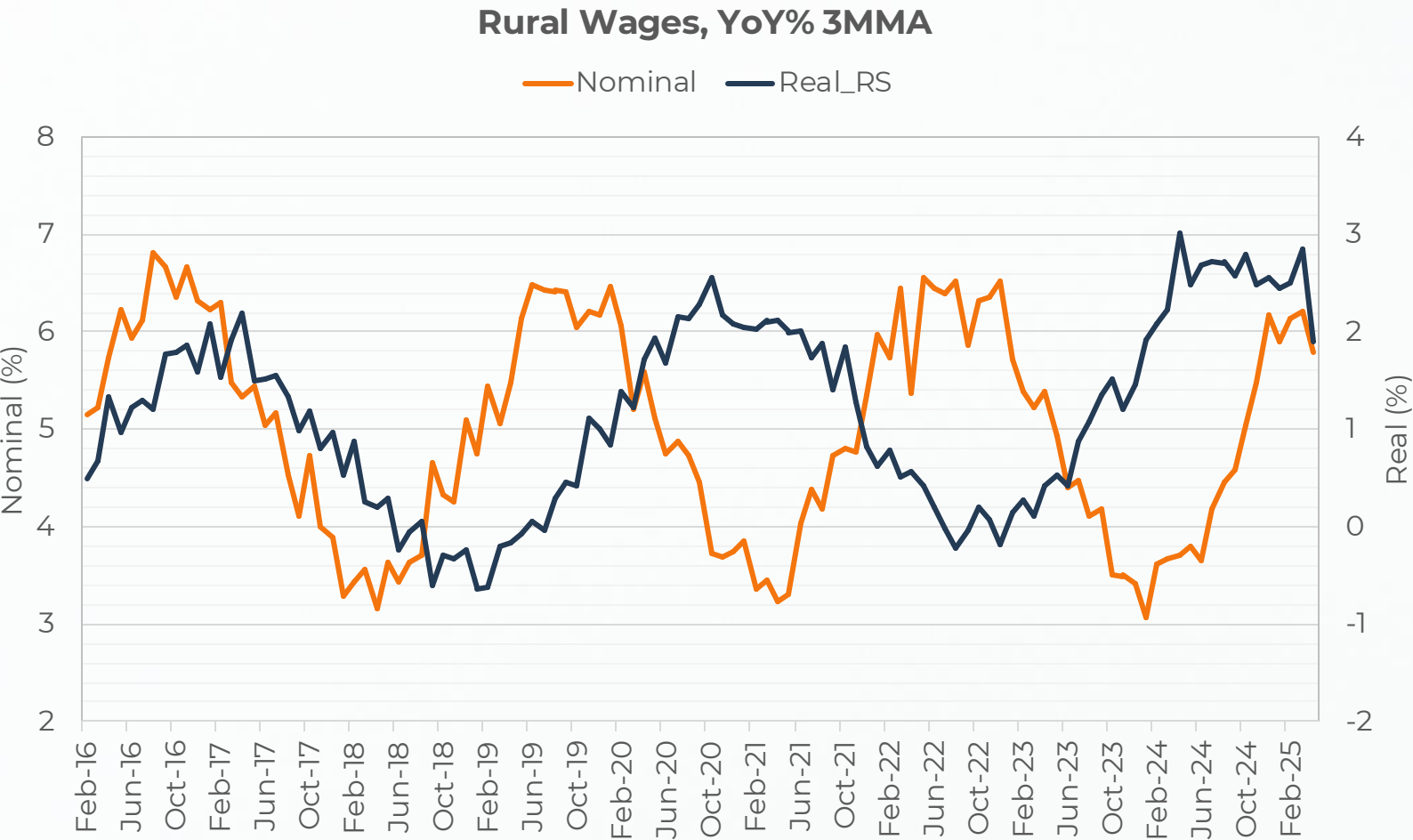
High Real Rates Signal Need for Further RBI Easing

- The chart highlights that India's real policy rates measured as the repo rate adjusted for the average of WPI and CPI inflation remain significantly positive as of mid-2025.
- Historically, the real policy rate has oscillated around the neutral zone (0%), with several extended periods of negative real rates, especially during high-inflation episodes (e.g., 2010–11 and 2020–21). However, current real rates are hovering near 2.5–3%, well above the long-term average.
- This persistent elevation in real rates, despite a stabilizing inflation environment, suggests that monetary conditions are restrictive, potentially impeding growth.
- Given the RBI's inflation targeting mandate and the current macro context of moderating core inflation, there is room—and possibly a need for further rate cuts to align real rates with neutral to mildly accommodative levels.



Employment Outlook

Rural wages are holding up quite well



Urban wages – IT sees risk of downturn while other sectors hold up steady

Sector	FY25 wage bill size (INR bn)	Share of Q1FY26 wage bill (%)	Wage bill growth YoY - Q1FY25 (%)	Wage bill growth YoY - Q4FY25 (%)	Wage bill growth YoY - Q1FY26 (%)
IT	3067	30	2	7	6
BFSI	3232	31	8	3	10
PSU Banks	1855	18	18	10	9
Private banks	735	7	15	4	4
NBFC	463	4	21	0	15
Commodities (total)	1392	13	5	6	4
Metals & Mining	820	8	6	-3	5
Energy	388	4	5	-6	11
OMCs	184	2	-7	-6	11
Domestic consumption (total)	1393	13	14	7	7
Domestic Auto	369	4	11	12	11
FMCG	166	2	12	7	12
Others	3054	31	120	92	59
BSE 500 wage bill growth (total)	10367	100	6	5	7

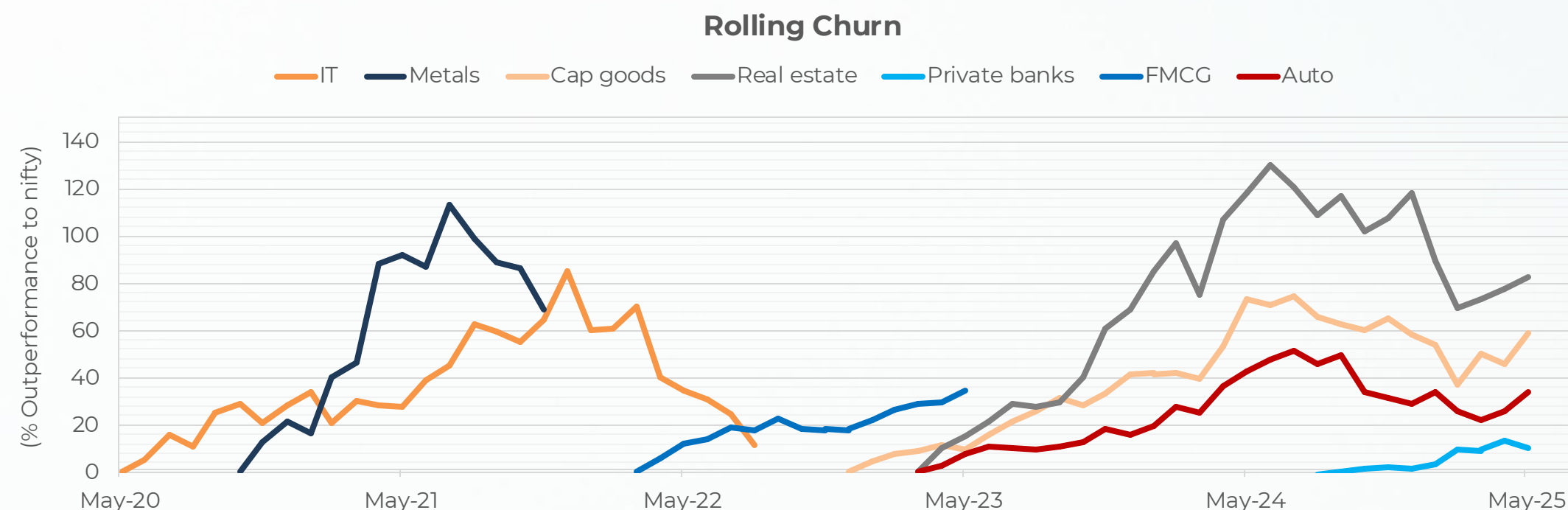
Despite early signs of recovery, the urban wage outlook faces headwinds. Layoffs and the ongoing slowdown in the IT sector; which accounts for a major share of urban employment and wage growth are expected to temper income momentum in the near term. This may weigh on discretionary consumption even as rural wages benefit from easing inflation.

Sowilo's Strategy

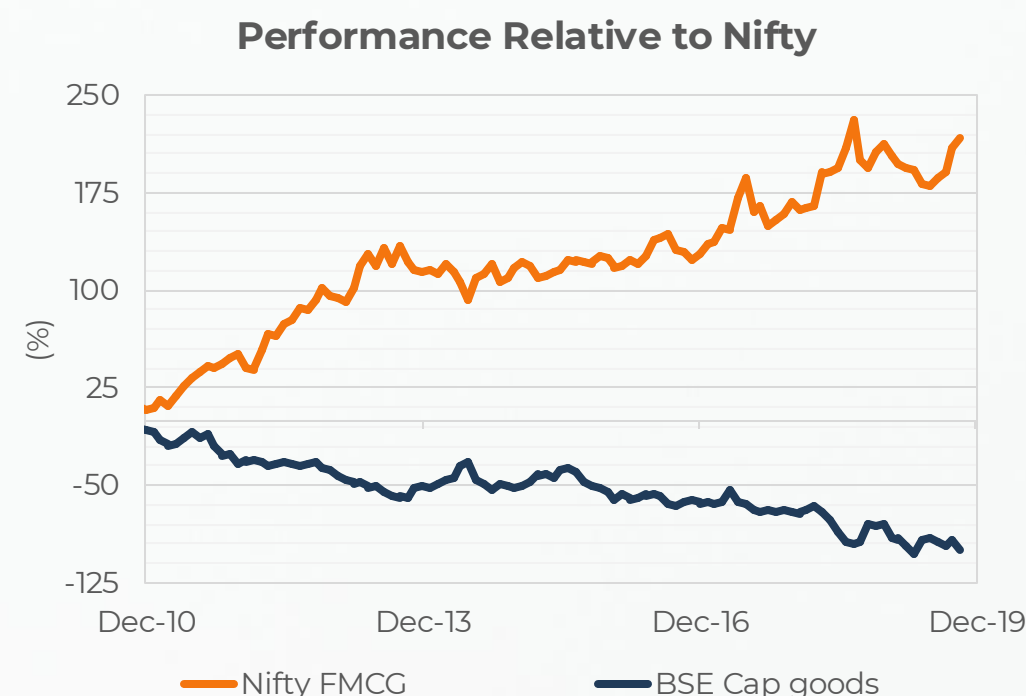
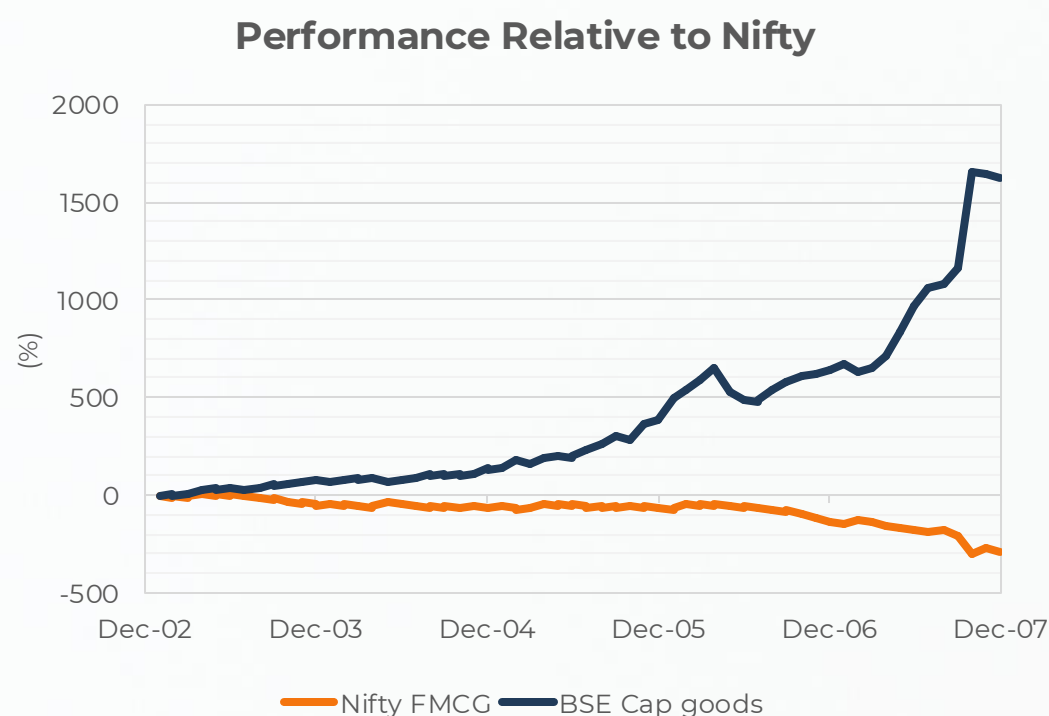
Managing uncertainty and generating alpha

Focus on bottom-up research ideas

Last 5 years – there has been a rolling churn of mega themes unlike past 2 decades



In 2000s – Capital goods drove the rally While Consumption took the front seat in 2010s



- The **diminishing impact of sector rotation** and the **reduced volatility in performance patterns** indicate that the market is **no longer responding** as strongly to **broad sector-based investment strategies** as it previously did.
- This trend supports adopting a **bottom-up investment approach** that emphasizes individual company characteristics: distinctive business models, solid fundamentals, effective leadership, innovation capabilities, and companies **gaining market share** within their **respective sectors**, rather than simply shifting investments between different sector themes.
- Investors now need to **focus on identifying superior companies** within each sector, as the traditional "**rising tide**" phenomenon that previously lifted or lowered entire sectors appears to be **weakening**.

Focus on bottom-up research ideas

Bullish on BFSI

Indian banks, after record post-Covid profits, are facing challenges with slower growth and rising MSME stress, though improvement in asset quality is expected from Q2 onwards. Meanwhile, the GST exemption proposal on retail life and health insurance should reduce customer costs and expand penetration.

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 Retail

India's retail sector targeting Rs 100-115 lakh crore by FY27 with organized retail doubling market share. GST 2.0, quick commerce scaling to Rs 82,000+ crore, and 60%+ rural digital adoption will drive transformation while creating 10 million jobs.

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

- GST 2.0 Implementation: Three-slab structure by FY26, moving mass items to 5% bracket, reducing prices 7-10% on apparel, footwear, and daily essentials
- Quick Commerce to Rs 82,000+ Crore: Growing from Rs 41,000 crore (FY25) at 40%+ CAGR, with 5000+ dark stores across 100+ cities for 10-minute delivery
- D2C Crossing Rs 8.2 Lakh Crore: Reaching Rs 12.3+ lakh crore by FY27, with 1500+ brands and 50%+ achieving profitability
- Rural E-commerce Boom: Rs 8.2+ lakh crore market by FY26, 60%+ digital penetration, ONDC enabling Kirana digitization
- Tier 2/3 Cities Leading: 25 million sq ft new retail space, contributing 70% of incremental growth with 25%+ annual expansion

THANK YOU

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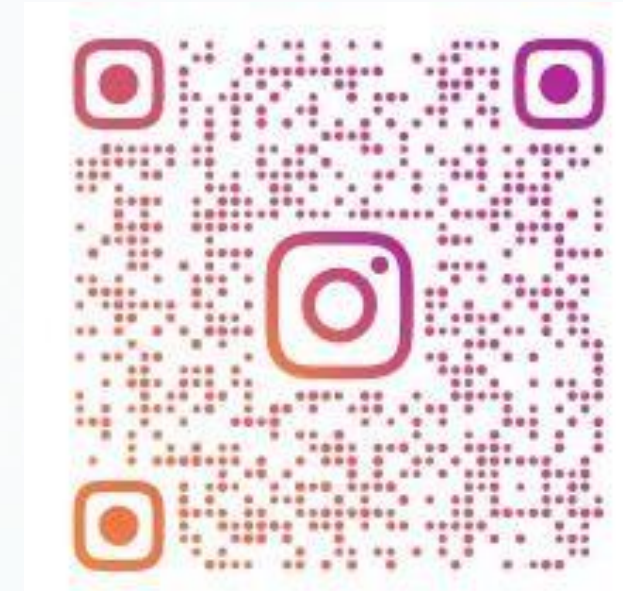


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