StaG TIMES

AUGUST 2025 | SENORA ASSET MANAGEMENT | EDITION NO. XIII

An India focused Large Cap AIF CAT III

MONTHLY PERFORMANCE OF INDICES

Nifty : 24,768.35 (-2.93%)

Sensex : 81,185.58 (-2.89%)

Mridul Jalan
Co-Founder & CIO

Stock	Returns
GAINERS	
Bharti Airtel	2.14%
Indigo	1.93%
ETERNAL	1.76%
ICICI Bank	1.45%
Jubilant Food	0.59%
Hindustan Unilever	0.49%
Maruti	0.48%
Chola Finance	0.22%
United Spirits	0.15%
Jio Finance	0.10%
LOSERS	
SBI	-0.21%
Reliance	-0.26%
ABB	-0.28%
Tata Power	-0.37%
Bank of Baroda	-0.39%
Ambuja Cement	-0.40%
Axis Bank	-0.65%
Tata Motors	-1.36%

CONTRIBUTION TABLE

Dear Investors,

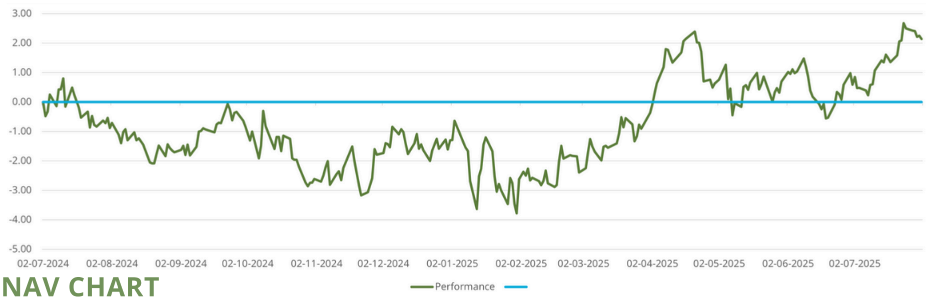
The month of July has been an interesting one. While results were broadly in line to good, barring a couple of sectors like IT and Pharma, the markets remained muted as FIIs continued to be sellers in the cash market and added shorts in futures ahead of the Trump tariff deadline. As a result, the overall texture of the market remained tepid.

Incidentally, markets are now trading with negative returns on a 1-year basis, making India one of the most underperforming markets globally. What is driving this underperformance? In our view, it is not a single factor but a combination of several:

1. Moderation in earnings growth:
Between 2018 and 2024, the Indian economy saw strong growth that translated into robust corporate earnings. The Nifty EPS CAGR during this period was over 15%, and markets rewarded quality companies accordingly, Nifty more than doubled during these years. However, in the past year, earnings growth has been muted due to a lack of demand, inflationary pressures, and liquidity issues delaying private capex.

2. Geo-political uncertainty:
After the correction between October and February, the market was recovering before the Indo-Pak conflict hit momentum and dented investor confidence. While the immediate market reaction was limited, the constant overhang, even post-ceasefire, created a mood of consolidation. This was followed by the Trump tariff issue, where constant delays in announcements and negotiations kept the market on tenterhooks. The recent remarks by him on India’s oil imports have added to the uncertainty. This has led to a correction in fundamentally weak stocks and consolidation in those with stronger earnings.

3. Constant supply of paper:
When market momentum is weak, any additional supply of paper, whether in the form of IPOs, block deals, or news flow, tends to have a greater negative impact. Over the past 3–4 months, supply has been lower than what we saw in the Oct–Dec period, but it remains significant enough to absorb liquidity. In the last three months alone, we have seen IPOs worth $5 billion, with NSDL and HDB Financials being the larger ones. Even more capital has been raised in the secondary market through block deals and QIPs, with SBI, Bharti, Kotak, Asian Paints, and Paytm among the recent examples. In such a market environment, this constant supply caps the near-term upside.



NAV CHART

JULY 2025
FUND PERFORMANCE

StaG's strategy of constructing an earnings-driven, quality portfolio is delivering results. The portfolio has remained resilient in falling markets while participating in every upside. In July, the portfolio declined 1.5% on a gross basis compared to the Nifty's 3% fall.

This outperformance was primarily due to our zero exposure to IT and the superior earnings performance of our portfolio companies.

We will release a detailed earnings note later this month for deeper analysis.

On the stock performance front, Eternal and HUL were standout gainers, while Axis Bank, ABB, Chola, and Reliance were the key draggers. Among major indices, only the FMCG index closed in positive territory, driven by HUL, while the Nifty IT index was the worst performer.

We believe that in this consolidation phase, a strategy focused on stock-specific opportunities will continue to yield better results.

STOCK DISCUSSION

Starting this month, we will share our detailed perspective on one portfolio stock each month.

We begin with Axis Bank, a name that often sparks questions such as:

- Why Axis when ICICI Bank is already in the portfolio?
- Why not HDFC Bank or Bajaj Finance instead?
- Given its inconsistent earnings, why are we still holding?
- Hasn't management execution been patchy?
- What are our earnings and valuation expectations?

Our View on Axis Bank

Axis Bank is India's third-largest private sector bank. While business models across large banks may seem similar, their competitive strengths differ. Axis stands out in the following ways:

- **Diversified income streams: ~33%** of Axis's income comes from non-banking activities such as asset management (Axis Mutual Fund), broking, and wealth management (Axis Capital). ICICI and HDFC derive ~25% from such segments. This diversification adds resilience and stability.
- **Corporate & SME lending strength:** Axis has historically had a strong presence in SME and corporate credit. While growth here was muted in recent years, the ongoing corporate capex revival positions Axis to benefit meaningfully, making it a thematic fit for our portfolio.

Why Not HDFC Bank or Bajaj Finance?

- **HDFC Bank:** Primarily retail-focused with heavy emphasis on deposit mobilisation.
- **Bajaj Finance:** A leading consumer lender, but as an NBFC, structurally different from banks and not directly comparable.

Income Statement				
YEAR TO	FY24A	FY25A	FY26E	FY27E
Net interest income	4,98,945	5,43,478	5,58,117	6,40,118
Non interest income	2,24,420	2,52,571	3,16,388	3,21,785
Fee and forex income	1,82,564	2,27,079	2,51,841	2,85,056
Misc. income	8,854	12,649	14,547	16,729
Investment profits	13,647	12,843	50,000	20,000
Net revenues	7,23,364	7,96,049	8,74,505	9,61,903
Operating expense	3,52,133	3,74,999	3,93,749	4,33,318
Employee exp	1,09,331	1,21,928	1,28,024	1,35,706
Other opex	2,42,802	2,53,072	2,65,725	2,97,612
Preprovision profit	3,71,232	4,21,049	4,80,756	5,28,585
Provisions	40,631	77,584	1,30,000	1,42,352
PBT	3,30,601	3,43,466	3,50,756	3,86,233
Taxes	81,986	79,731	89,443	98,489
PAT	2,48,614	2,63,735	2,61,313	2,87,744
Extraordinaries	0	0	0	0
Reported PAT	2,48,614	2,63,735	2,61,313	2,87,744
Diluted EPS (INR)	80.5	85.1	84.4	92.9

Key Financial Ratios				
YEAR TO	FY24A	FY25A	FY26E	FY27E
Net interest margins	3.8	3.7	3.5	3.6
Cost-income	48.7	47.1	45	45
Price/BV (x)	2.3	1.9	1.7	1.5
RoA	1.8	1.7	1.5	1.5
RoAE	18	15.9	13.6	13.1

Balance Sheet				
YEAR TO MARCH	FY24A	FY25A	FY26E	FY27E
Equity capital	6173	6195	6,195	6,195
Reserves	1504443	17,91,057	20,48,775	23,32,634
Net worth	1510616	17,97,251	20,54,969	23,38,828
Deposits	10686414	1,17,29,520	1,29,37,661	1,47,48,933
Borrowings	19,68,118	18,41,465	18,96,709	20,29,479
Other liabilities	6,06,939	7,31,062	8,04,168	9,24,794
Total	1,47,72,086	1,60,99,299	1,76,93,508	2,00,42,034
Assets				
Loans	96,50,684	1,04,08,113	1,16,05,046	1,32,29,753
Investments	33,15,272	39,61,418	41,34,464	46,20,129
Cash & equi	11,44,544	9,97,321	11,51,452	13,12,655
Fixed assets	56846	62917	66063	69366
Other assets	6,04,739	6,69,529	7,36,482	8,10,130
Total	1,47,72,086	1,60,99,299	1,76,93,508	2,00,42,034

Performance & Management Context

Yes, Axis has underperformed peers under Amitabh Chaudhry's leadership. However, his tenure coincided with:

- The pandemic, which disrupted credit growth.
- The acquisition of Citi's wealth business.
- Two rounds of capital raising, temporarily diluting ROEs/ROAs.

With these transitions behind, Axis is better positioned to deliver as the corporate credit cycle strengthens.

Our Investment Thesis

Axis Bank adds three strategic exposures to our portfolio:

1. Corporate credit growth
2. Asset & wealth management businesses
3. Value stock potential with scope for valuation re-rating

Key drivers for improved valuations:

- Stabilised NPLs
- Favourable business mix
- Faster credit growth from corporate recovery

Our View

Axis Bank remains a conviction holding. We expect medium- to long-term performance to outpace peers as earnings normalise, ROEs improve, and its diversified business model delivers on potential.

MARKET VIEW

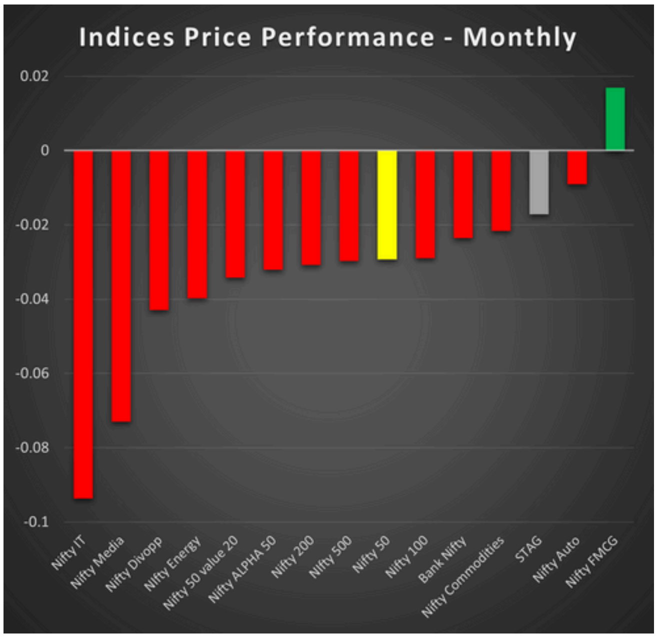
For an economy like India, the fastest-growing among its peers despite global economic and geopolitical headwinds, a prolonged phase of negligible market returns is unsustainable. With corporate earnings showing a clear uptrend, it is only a matter of time before markets reward this growth.

Currently, the 1-year return profile has flattened to **0%,** suggesting that the absolute downside is **limited**. Once market sentiment shifts, **quality large caps** with strong earnings **momentum** are poised to lead the upside.

From a technical standpoint, the **25,500–25,800 zone** corresponding to recent and September 2024 highs may act as resistance. However, given the sizeable FII short positions, any bout of short covering could propel the market toward these levels.

Monthly	
GAINERS	
Stock	Returns
ETERNAL	16.52%
HINDUNILVR	9.88%
AMBUJACEM	2.64%
ICICIBANK	2.46%
MARUTI	1.68%
JIOFIN	0.77%
LOSERS	
CHOLAFIN	-11.35%
AXISBANK	-10.91%
ABB	-9.38%
RELIANCE	-7.36%
BHARTIARTL	-4.74%
BANKBARODA	-4.39%
TATAMOTORS	-3.20%
SBIN	-2.90%
TATAPOWER	-1.90%
INDIGO	-1.10%

Since Inception	
GAINERS	
Stock	Returns
ETERNAL	56.05%
INDIGO	39.86%
BHARTIARTL	31.16%
ICICIBANK	21.63%
HINDUNILVR	11.61%
MARUTI	3.36%
CHOLAFIN	0.91%
LOSERS	
Stock	Returns
TATAMOTORS	-30.04%
AXISBANK	-16.88%
BANKBARODA	-15.33%
AMBUJACEM	-9.79%
RELIANCE	-8.63%
TATAPOWER	-7.97%
JIOFIN	-7.58%
ABB	-6.59%
SBIN	-5.77%



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Start your journey with us today and invest in India's growth story.

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