

# FACTSHEET

JANUARY 2023



## Renaissance Investment Managers

Dear investors,

## India Budget 2023 – Progressive & Prudent

Union Budget 2023 can be summed up as a Progressive and Prudent budget. The finance minister continued its focus on higher capital expenditure, support to rural economy and digitalisation of Indian economy. Key budget estimates like growth in tax collections and disinvestment targets amongst others appear reasonable and the roadmap towards fiscal consolidation is well articulated. Continuity in policy direction and realistic estimate provides much appreciated stable environment for long term investing in the country.

The budget recognises and acknowledges the emergence of Indian economy as an oasis in the economically challenged global economic environment and the world is looking upon India to step up its role of the fastest growing major economy in the world. The government has taken a pragmatic approach towards this ambitious pursuit.

The finance minister has focussed on reinvigorating economic growth; yet done that with long term sustainable approach avoiding falling prey to short term impulses, given that it was supposedly an election budget. The government has laid major emphasis on significantly accelerating capital expenditure as the corner stone for driving growth. As result, the aggregate central government capital expenditure has been increased by 33% to 10.5 trillion. Within infrastructure, the capital outlay on railways is slated to increase by 50% to Rs 2.4tn and 9x when compared to the outlay for FY14. Apart from railways, allocation has increased across sectors like defence, rural housing, other transportation (roads & ports) and urban infrastructure. The capex now stands at an all-time high of 3.3% of GDP. **The budget is focused towards increasing productivity and efficiency by ensuring quality spending.**

To drive the rural & agri economy, the FM made a slew of announcements. Foremost, the food subsidy program has been continued for another financial year. Importantly, the target for agriculture credit has been further increased to Rs 20tn (vs. Rs 18tn last year). In addition to improved availability of credit, the budget proposes a fund to encourage agri-startups by young entrepreneurs. With the view to improve the agri productivity, there have been plenty of announcements to facilitate better quality of seeds, investments in digital infrastructure and skill development. Allocation under Pradhan Mantri Awas Yojana (PMAY) have increased to Rs790bn, which is 66% higher than the Rs 275bn budget allocation made in FY22. This will continue to boost affordable housing segment.

In the post covid era, Digitisation has been at the heart of all new initiatives taken by the government. India's Digital Public Infrastructure is the most advanced globally and even superior to the developed world. The budget further emphasises on harnessing the power of technology by initiatives like (a) use of PAN as the common identifier for all digital systems (b) setting up 100 labs for developing applications for 5G services (c) expanding the scope of documents that can be shared through Digilocker and many more initiatives so as to make digitisation all pervasive in business and governance.

Given the buoyancy in tax collections, GST revenues for FY23 has been revised upwards by 9.5% to Rs 8.6tn. Similar has been the case for personal and corporate tax collections. In the last budget, government chose to build conservative and realistic estimates to ensure that the fiscal deficit targets also appear credible. The same approach continues for FY24 as well. Total tax revenues are budgeted to increase by 11.7% on back of expected nominal GDP growth of 10.5%. To delight the middle class and offset the impact of rising inflation, personal tax rebates have been increased and there has been reduction in effective personal tax rates. The government has demonstrated fiscal discipline by adhering to Fy2022-23 BE target of 6.4% fiscal deficit and continued the path of fiscal consolidation with a projected fiscal deficit of 5.9% for Fy2023-24.

In the absence of any exogenous shocks, the budget maths is conservative and credible. **Despite being the last budget before central elections, the government has resisted the temptation to be populist and focussed on fiscal prudence.** The continuing structural reforms like PLI to facilitate India's emergence as global manufacturing hub, revival of private sector capex cycle and healthy consumer spending will continue to provide growth impetus to the economy.

On the global front, we are most likely reaching towards the end of the rate hike cycle. The US fed chair has acknowledged that the series of rate hikes have started to have the desired disinflationary impact on the economy. While there could be further minor rate hikes going ahead, we believe the bigger question now is how long the high interest rate scenario would continue. The jury is out on when the cycle would reverse. I believe greater clarity would emerge on the same over the next 2 quarters which would then set the tone for rate cuts in India as well.

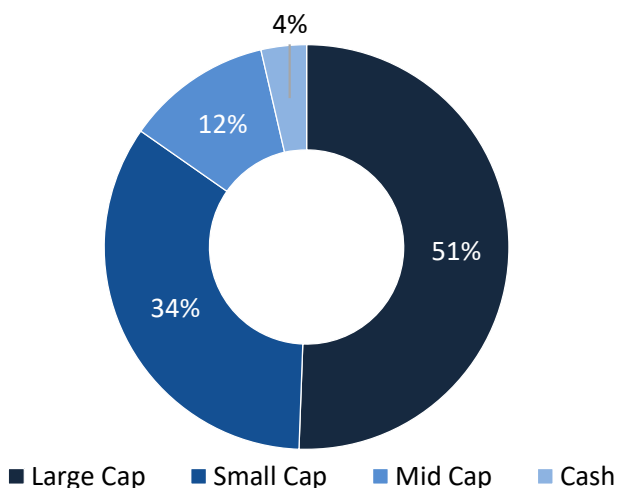
Equity markets are a volatile beast and volatility could emerge from different corners, sometimes anticipated and most of the time unanticipated. We are going one such volatile times. But India has taken several structural initiatives which are unlikely to be perturbed by short term volatility. A combination of thrust to manufacturing and focus on infrastructure to support manufacturing will go a long way in improving India's global competitiveness. We believe the stage is set for change in long term growth drivers of the economy. We have reconciled with this fundamental shift couple of quarters back. Consequently, our portfolios have done extremely well and we continue to remain sanguine on the inherent strengths of our portfolio companies to deliver superior risk adjusted growth.

Happy investing!

**Pawan Parakh**

**Portfolio Manager**

**Portfolio Capitalization**



**Portfolio Highlights**

Portfolio Date: 31/01/2023

Particulars	FY23E	FY24E
PAT growth (%)	28.8%	30.5%
ROE (%)	14.4%	15.20%
P/E	20.5	19.6

**Top Holdings**

Portfolio Date: 31/01/2023

Company	Weight(%)
ITC	9.04%
Aptech	8.39%
ICICI Bank	7.91%
City Union Bank	6.10%
Sun Pharmaceuticals	5.97%

**Renaissance India Next Fund - Risk**

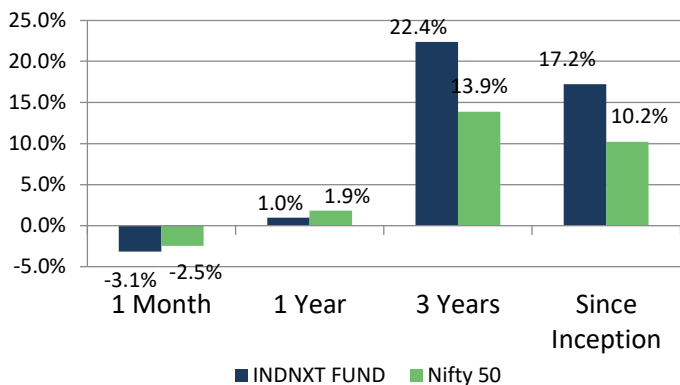
Time Period: 13/08/2018 to 31/01/2023

Calculation Benchmark: IISL Nifty 50

	Portfolio	Index
Return (Annualised)	17.20	10.22
Std Dev (Annualised)	28.80	19.79
Excess Return (Annualised)	6.98	0.0
Sharpe Ratio	0.71	0.58
R2	0.65	1.0
Beta	1.18	1.0

**Returns**

Calculation Benchmark: IISL Nifty 50



**Sectoral Weights**

Portfolio Date: 31/01/2023

Sector	Weight(%)
Banks & Finance	29.45%
FMCG	11.36%
Automobiles & Logistics	10.60%
Pharmaceuticals	10.39%
IT Consulting & Software	8.39%

**Funds Returns are after tax\*. And Benchmarks Returns are Pre Tax**

\*To the extent profit booked.

## Investment Philosophy

### Sustainable Quality Growth At Reasonable Price (SQGARP)



#### Sustainability

Companies with sustainable and durable business models.



#### Quality

Superior quality businesses as demonstrated by Competitive edge, Pricing power, ROE, FCF.  
Good quality and competent management teams.



#### Growth

Business that can deliver superior growth over medium term to long term.



#### Price

Ability to invest at reasonable valuations. Fair value approach to valuations.  
Focus on economic value of business.

**Statutory Details:** Renaissance Investment Mangers Private Limited ("RIMPL") is registered under SEBI (Portfolio Managers) Regulations, 1993 as a Portfolio Manager vide Registration No. INP000005455. RIMPL is also an Investment Manager to Renaissance Alternate Investment Fund – Category III which is registered with SEBI as Alternate Investment Fund under SEBI (Alternative Investment Funds) Regulations, 2012 vide Registration No: IN/AIF3/18-19/0549.

**Disclaimer:** The Fund/strategy returns are of a Model Client. The performance related information provided herein is not verified by SEBI. The performance of the stock across individual portfolios may vary significantly from the data depicted above. Returns of individual client may differ depending on timing of entry and exit, timing of additional flows and redemptions, individual client mandates, specific portfolio construction characteristics or structural parameters which may have a bearing on individual portfolio performance. No claims may be made or entertained for any variances between the above performance depictions and that of the stock within individual client portfolios. Neither RIMPL, nor the Fund/Asset Management Company, its Directors, employees or Sponsors shall in any way be liable for any variation noticed in the returns of individual portfolios.

Performance of RIMPL shall have no bearing on the expected performance of the fund/strategy. Past performance of the financial products, instruments and the portfolio may or may not be sustained in future and should not be used as a basis for comparison with other investments. Fund/Strategy returns shown above are post fees & expenses. Clients are not being offered any guaranteed/assured returns. The stocks / sectors mentioned hereinabove should not be construed as an investment advice or a forecast of their expected future performance. These stocks / sectors may or may not form part of the portfolio in future.

**Risk Factors:** Investing in securities involves certain risks and considerations associated generally with making investments in securities. The value of the portfolio investments may be affected generally by factors affecting financial markets, such as price and volume, volatility in interest rates, currency exchange rates, changes in regulatory and administrative policies of the Government or any other appropriate authority (including tax laws) or other political and economic developments. Consequently, there can be no assurance that the objective of the Portfolio would be achieved. Prospective investors are advised to review the Disclosure Document, PPM and/or, Client Agreement, and other related documents carefully and in its entirety and consult their legal, tax and financial advisors to determine possible legal, tax and financial or any other consequences of investing under this Portfolio, before making an investment decision. RIMPL is not liable or responsible for any loss or shortfall resulting from the operation of the scheme. This document represents the views of Renaissance Investment Mangers Private Limited and must not be taken as the basis for an investment decision. Neither Renaissance Investment Mangers Private Limited nor its affiliates, its Directors or associates shall be liable for any damages including lost revenue or lost profits that may arise from the use of the information contained herein. No representation or warranty is made as to the accuracy, completeness or fairness of the information and opinions contained herein. RIMPL reserves the right to make modifications and alterations to this statement as may be required from time to time.