

# FACTSHEET

FEBRUARY 2023



## Renaissance Investment Managers

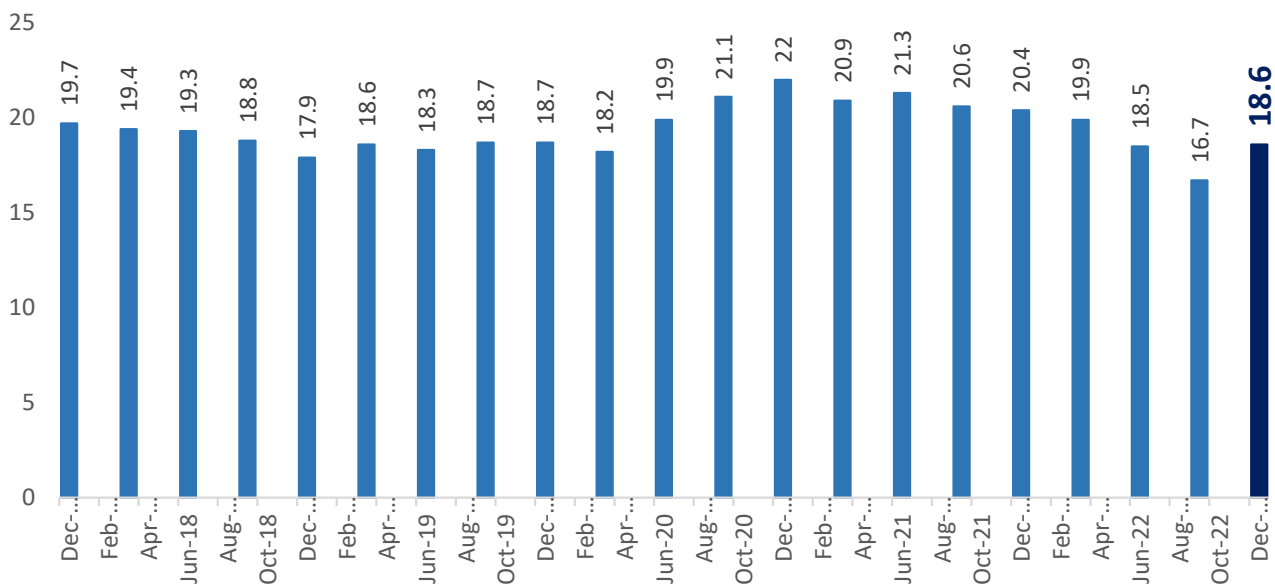
Dear investors,

### Sedate quarterly performance + Global uncertainty

Corporate earnings for Dec-22 quarter was broadly in line with consensus estimates. Nifty50 Index reported a revenue growth of ~19% YoY (~1% QoQ growth), largely driven by strong performance from domestic oriented businesses. On the positive side, Financials continue to remain the bright spot while commodities (Metals, Oil & Gas) were a drag on overall earnings. A common theme across the earning season was the demand slowdown post the festive season. While rural demand was anyways subdued, urban demand also witnessed some sluggishness. Consequently, there has been marginal cut of ~1% in NIFTY EPS estimates over the last 2-3 months.

Post the breakout of Russian Ukraine conflict, commodity prices across the board had spiked up, thereby negatively impacting EBITDA margins of Corporate India. With the cool off in commodity prices, EBITDA margins improved in the Dec-22 quarter (refer chart below). We believe, only part of the benefit was evident in Dec-22 quarter and there are further tailwinds to EBITDA margins that should be visible in Mar-23E quarter.

### Nifty EBITDA margin (excluding Financials) contracts 180bp to 18.6% YoY

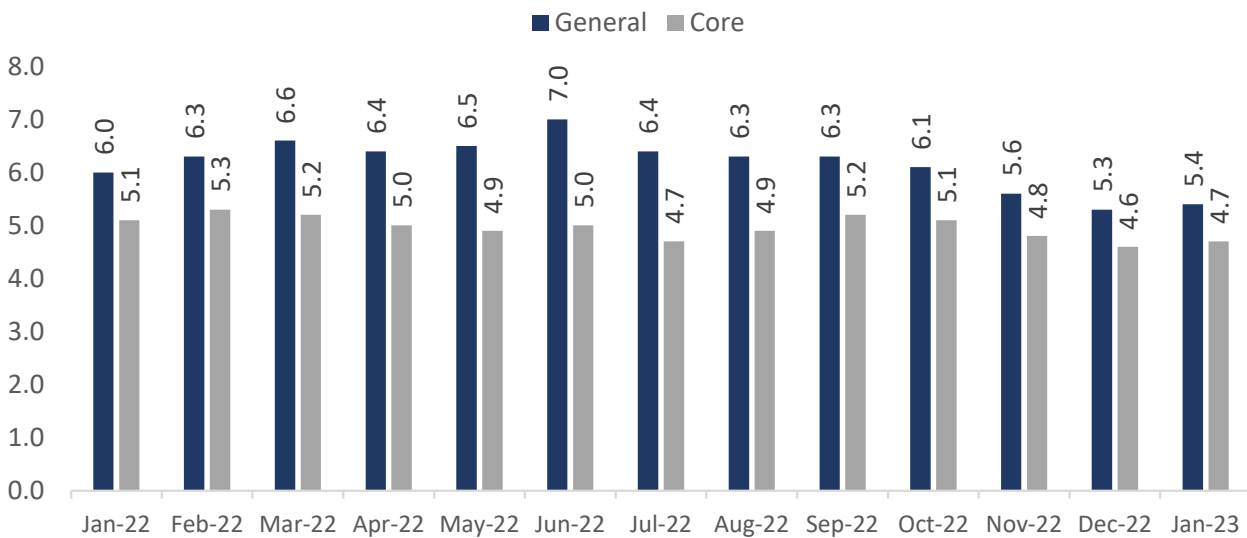


Source: Broker notes

From the global macro standpoint, the recent reading on personal consumption expenditures (PCE) price index has really threw a spanner in the works. While the recent reading of 4.7% is well below the Jun-22 highs, it has been stubbornly stuck at around these levels. Importantly, there has been a month on month increase of ~0.6%. US Fed relies highly on the PCE data. Given US Fed's commitment to price stability and getting inflation back down to 2%, it has no choice but to raise interest rates further. This increases the risk of the so called "hard landing" and hence the markets have been jittery over the last 1 month.

Increase in interest rates in US could potentially mean higher interest rates in India as widening interest rate differential could cause havoc in the currency markets. RBI being cognizant of this fact, had already proactively increased repo rate in 2022. In this backdrop, it is likely that markets would remain choppy in over the next 2-3 months until greater clarity emerges on the inflation trajectory going ahead.

## US PCE (personal consumption expenditure) Price Inflation (%)



Despite the short-term challenges, we feel very confident on the long term growth outlook of our economy. As we have highlighted earlier, we see a recovery in capex cycle led by multiple factors like government infra spend, China+1, and PLI scheme amongst others. The initial green shoots of this are visible in the quarterly results of leading capital goods companies like L&T, Cummins, ABB and Siemens. A manufacturing driven economic recovery is far more secular in nature, as it generates employment opportunities not only for skilled labour but also for semi-skilled/ unskilled labour. This is similar to what we witnessed over the 2003-07 period. Consequently we continue to position our portfolios towards growth oriented businesses and more importantly towards companies which have strong balance sheets and cash flows. During the course of 2023, as inflation concerns abate gradually, we believe growth would be far more pronounced. In this backdrop, we believe our portfolios are well positioned to deliver superior adjusted returns.

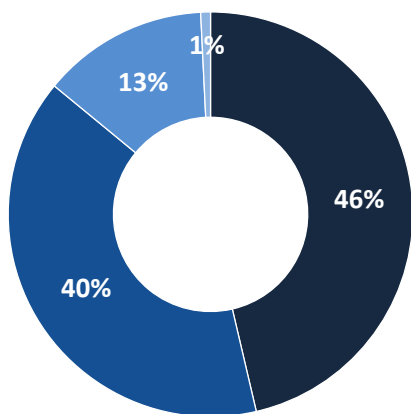
Happy investing!

**Pawan Parakh**

**Portfolio Manager**

**Theme: Brand, Internet, Technology & Science (BITS)**

**Portfolio Capitalization**



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

**Portfolio Highlights**

Portfolio Date: 28/02/2023

Particulars	FY23E	FY24E
PAT growth (%)	26.30%	20.80%
ROE (%)	10.70%	13.60%
P/E	39.7	28.7

**Top Holdings**

Portfolio Date: 28/02/2023

Company	Weight(%)
HDFC Bank	9.28%
Info Edge	7.15%
One 97 Communications	6.72%
Infosys	5.58%
Zydus Lifesciences	5.18%

**Renaissance India Next Fund - Risk**

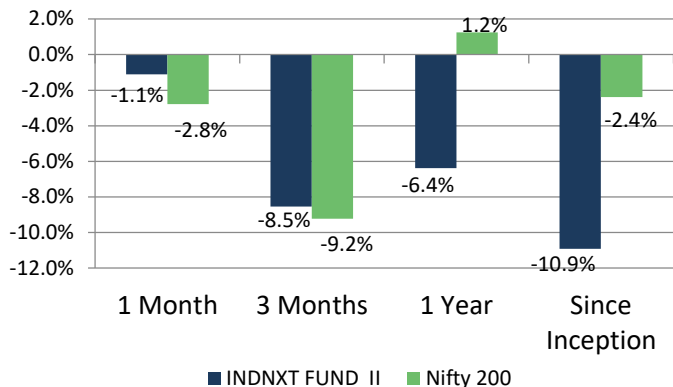
Time Period: 01/01/2022 to 28/02/2023

Calculation Benchmark: IISL Nifty 200

	Portfolio	Index
Return	-10.92	-2.38
Std Dev	15.08	14.90
Excess Return	-8.54	0.0
Sharpe Ratio	-0.68	-0.09
R2	0.84	1.0
Beta	0.93	1.0

**Returns**

Calculation Benchmark: IISL Nifty 200



**Sectoral Weights**

Portfolio Date: 28/02/2023

Sector	Weight(%)
Banks & Finance	29.30%
IT Consulting & Software	20.42%
Pharmaceuticals	15.80%
FMCG	9.42%
Capital Goods & Engineering	9.40%

**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.

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