



Renaissance Investment Managers

Dear investors,

All stars aligned!

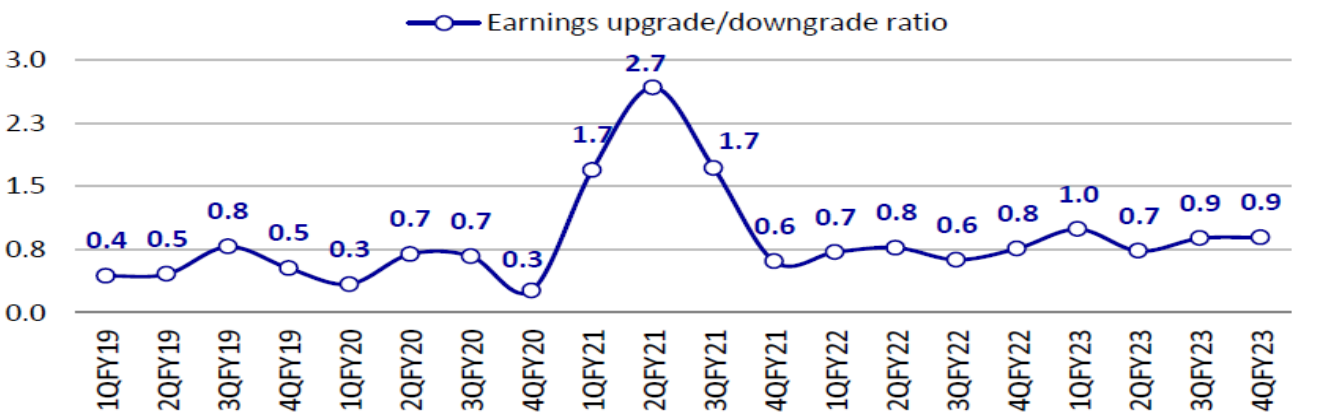
Corporate India ended FY22-23 on a sedate note, despite the global challenges. The financial year began with a hyper-inflationary scenario and rising interest rates, which led to a dent to operating margins across the board. As the commodity prices cooled-off during the course of the year, margins witnessed a rebound and we believe further improvement is in the offing, to be visible in FY23-24.

Nifty Index profit after tax (PAT) for Q4FY23/ FY23 increased by ~11%/ 15% respectively, which is quite healthy, more importantly when looked in the backdrop of the volatile circumstances that persisted throughout the year. Growth was led by BFSI space led by a confluence of robust loan growth, stable margins and steady asset quality. For most Banks/NBFCs, fresh NPA formation has been benign and recovery/upgrades from earlier NPAs have come as a positive surprise. Overall, we continue to maintain our positive stance on this sector given their strong balance sheet and promising growth outlook. FY23-24 could see some moderation in margins, but profit growth should be strong given the expected growth in the loan book.

On the misses, IT services led the pack as the sector witnessed moderation/compression in growth. Given the multiple global headwinds, we were expecting growth to moderate which was finally visible in Q4FY23. Shutdown of smaller banks in US further exacerbated the negative sentiment for the sector as BFSI is the largest end user customer for the Indian IT services companies. In the wake of near-term growth headwinds, IT companies focused on cost efficiency which led to a net reduction in headcount at the aggregate level. Despite the intermittent headwinds, we believe technology spends in the current era can't be held back for long. Spends on digital, cloud and business transformation are structural and essential for long term growth. Hence, we continue to remain sanguine on the global IT spending landscape which augurs well for IT services sector in the medium to long term.

On an aggregate basis, the earning season was very much on expected lines. The earnings upgrade to downgrade ratio was also in the balance (refer chart below). Most the downgrades were from either commodity related sectors (like Oil & gas and metals) or IT services. Outside of these 2 sectors, downgrades weren't noteworthy. We expect these two sectors also to largely bounce back in the coming financial year. Nifty EPS for FY22-23 stood at 803 and is expected to grow by ~20% in FY23-24 to 960.

Earnings upgrade/ downgrade ratio



The recent reading on GDP growth (+7.2% for FY22-23) has come up as a positive surprise. Growth was driven by higher government expenditure, while GFCF growth stayed robust (8.9% YoY) and net exports added positively to growth. Capex indicators appear to be healthy. On the back of strong underlying growth, capacity utilization is improving further and there are visible signs of rising new project announcements. Interest rates are at their peaks and with moderating inflation, we believe, interest rates in next one year should be lower than current levels. This should further aid capex and consumption demand.

To conclude, we feel quite confident on the growth fundamentals of our economy. Like always, there will always be some or another unknown risks which can keep the market jittery in the short term. However, the long-term outlook continues to be very promising, because of the sheer fact that India is attracting large investments which are not perturbed by short-term challenges. Our portfolios have done well as the portfolio companies have strong financials and are well placed to leverage on the impending growth opportunity going ahead. As the growth gets pronounced over the next 3-4 years, we believe our portfolios should continue to do well.

Happy investing!

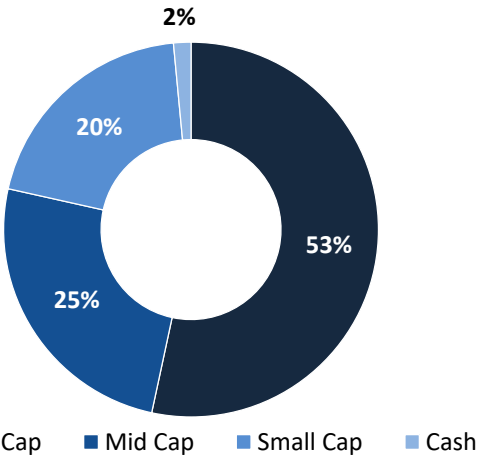
Pawan Parakh

Portfolio Manager

Returns	(As on 30 th September 2022)		
Fund / Index	1 Year	2 Years	3 Years
CRISIL AIF Index – CAT III (INR)	-1.53%	23.63%	16.04%
INDIA NEXT FUND	11.3%	48.77%	24.5%
INDIA NEXT FUND II	N/A	N/A	N/A

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

Portfolio Capitalization



Portfolio Highlights

Portfolio Date: 31/05/2023

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

Top Holdings

Portfolio Date: 31/05/2023

Company	Weight(%)
HDFC Bank	6.71%
Info Edge	6.70%
Aptech	6.54%
ONE97 Communications	6.30%
Syngene	5.46%

Renaissance India Next Fund II - Risk

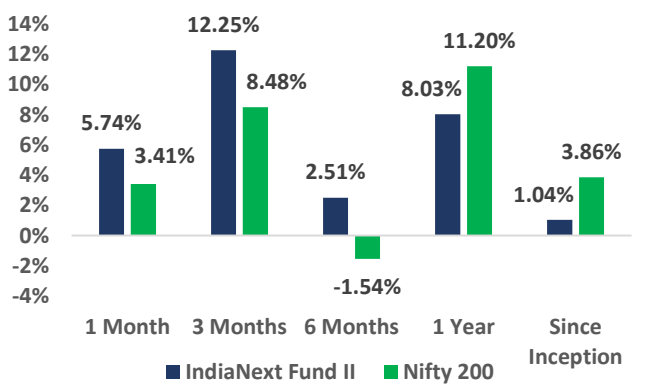
Time Period: 01/01/2022 to 31/05/2023

Calculation Benchmark: IISL Nifty 200

	Portfolio	Index
Std Dev	15.35	14.25
Excess Return (Annualized)	-5.05	0.00
Sharpe Ratio	0.00	0.34
R2	0.84	1.00
Beta	0.99	1.00

Returns

Calculation Benchmark: IISL Nifty 200



***Fund and Benchmarks returns are Pre-tax**

Sectoral Weights

Portfolio Date: 31/05/2023

Sector	Weight(%)
Banks & Finance	27.19%
IT Consulting & Software	21.18%
Pharmaceuticals	13.49%
Automobile & Logistics	12.14%
FMCG	8.93%

*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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