FACTSHEET
AUGUST 2023

Renaissance
THE SCIENCE OF INVESTING

Renaissance Investment Managers

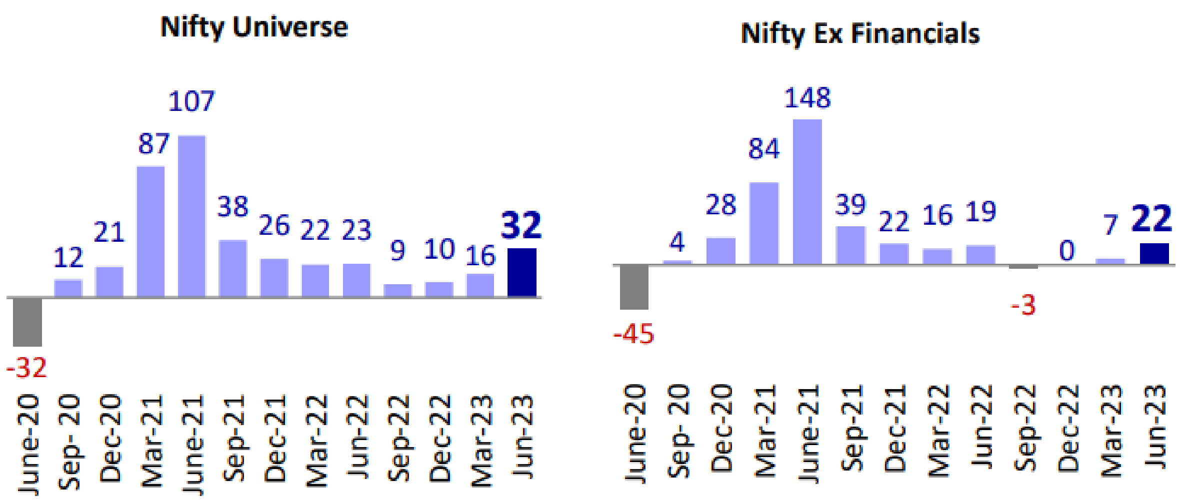
Dear investors,

Better days ahead!

Another quarterly result season ended in the month of Aug-23. At an aggregate basis, corporate earnings were strong with Nifty50 Revenue/ EBITDA/ PAT growth of +5%/+22%/32%. As expected, companies continued to benefit from fall in commodity prices, which led to EBITDA growth being faster than revenue growth. On an overall basis, there were marginally more upgrades than downgrades, which led to 2-3% increase in estimated EPS for Nifty50.

On the positive side, Banks and NBFCs continued their dream run while being growth leaders in Q1FY24 again. Additionally, Q1FY24 results also benefited from muted expectation from several segments like IT services and rural consumer demand. Auto sector also joined the party with moderate revenue growth but sharp margin expansion led strong PAT growth. Over the next 2-3 quarters, we expect earnings growth to moderate for BFSI sector, but the same should be compensated with improved performance from other sectors like IT services, Auto, Pharma and Consumer discretionary amongst others. Overall, we believe earnings momentum would continue going ahead, with expected NIFTY EPS growth 22-25% for FY24.

Nifty PAT Growth



Source: Broker Reports

India GDP growth for Q1FY24 at 7.8% was in line with expectation of most economists. It must be noted that the headline growth numbers look high because of soft base and hence over the coming quarters the growth would moderate. There were two key observations – (a) revival in private consumption and (b) sustained momentum on gross capital formation, implying continued focus on capital expenditure. On the negative side, rural income/ expenditure growth continues to remain a bit subdued. Consequently, the growth is not broad based so far and it is more skewed in favour of urban economy. As inflation has moderated, we expect to see revival in rural economy over the next 3-6 months.

Over the last 3 years, Indian government has been able to pull the right strings as far as manufacturing sector is concerned. This has been done across multiple sectors like electronics manufacturing, defence, chemicals and host of other sectors. In a recent development, India has struck a deal with US for technology transfer and manufacturing of F414 fighter jet engines. This technology transfer is aimed to enhance the operational performance of the Light Combat Aircraft (LCA) MKII. The deal is estimated to be valued at USD 1bn and GE will transfer 80% of its technology to India. This is a big milestone as India wouldn't just do manufacturing but it would get access to new technologies which can indigenised as well. This would go a long way in making India atmanirbhar as far as defence in concerned.

Apart from manufacturing, real estate also continues to be good stead. It is important to note that Real estate/ Infrastructure is one of the largest employment generator for semi-skilled and unskilled labour, which is very important for Indian economy. Property registrations in Mumbai crossed 10,000 units for the third month running in August. Importantly, housing demand held on strong despite headwinds such as a rise in property prices and higher mortgage rates. According to the government data, this is the best sales recorded in August over the last 10 years. Mumbai is one of the largest real estate market in the country and a similar trend is visible across other key cities as well.

We continue to remain optimistic on the growth prospects of the Indian economy. India is and will continue to remain the fastest growing economy over many years to come. In this backdrop, we expect India to attract a significant share of global money flow in future. This comes at a time when financial penetration in the country is also on the rise. A consequence of strong growth and high money flows, is likely to keep markets buoyant. However, we note that it is important to be placed in the right sectors, in the absence of which returns could be sub-par. Our portfolios are positioned in sectors/ stocks which we believe will be the growth leaders over the next 3-5 years. Our performance has been resilient, and we expect the same to continue going ahead as well.

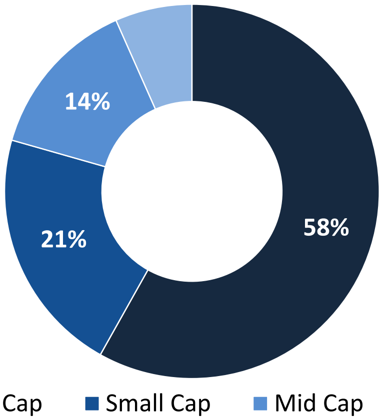
Happy Investing!

Pawan Parakh
Portfolio Manager

Returns **(As on 30th 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

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24E	FY25E
PAT growth (%)	16.6	13.7
ROE (%)	18.6%	18.7%
P/E	25.2	16.4

Top Holdings

Company	Weight (%)
Sun Pharmaceuticals	6.90%
One 97 Communications	6.52%
ICICI Bank	6.17%
NTPC	6.05%
Infosys	5.48%

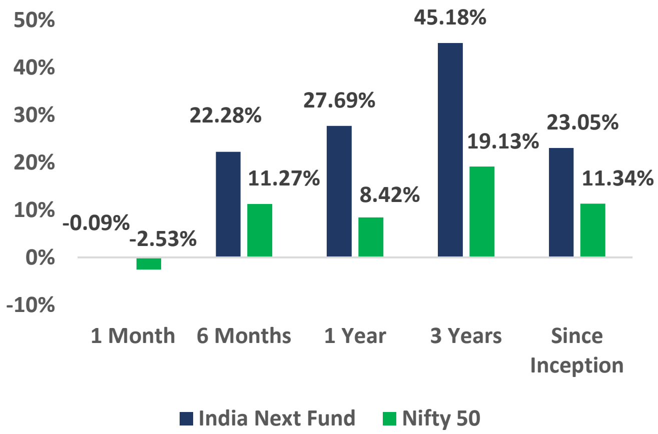
Renaissance India Next Fund - Risk

Time Period: 13/08/2018 to 31/08/2023
Calculation Benchmark: IISL Nifty 50

	Portfolio	Index
Std Dev (Annualized)	27.58	18.83
Excess Return (Annualized)	6.80	0.00
Sharpe Ratio	0.75	0.63
R2	0.66	1.00
Beta	1.19	1.00

Returns

Calculation Benchmark: IISL Nifty 50



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

*To the extent profit booked

Source: Kotak Mahindra Bank Ltd

Sectoral Weights

Sector	Weight (%)
BFSI	22.26%
IT & Tech	15.81%
Auto & Logistics	15.80%
Pharma & Chemicals	13.65%
Power	6.05%

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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.

<u>**Statutory Details**</u>: 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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