FACTSHEET

JANUARY 2024

Renaissance

THE SCIENCE OF INVESTING

Renaissance Investment Managers

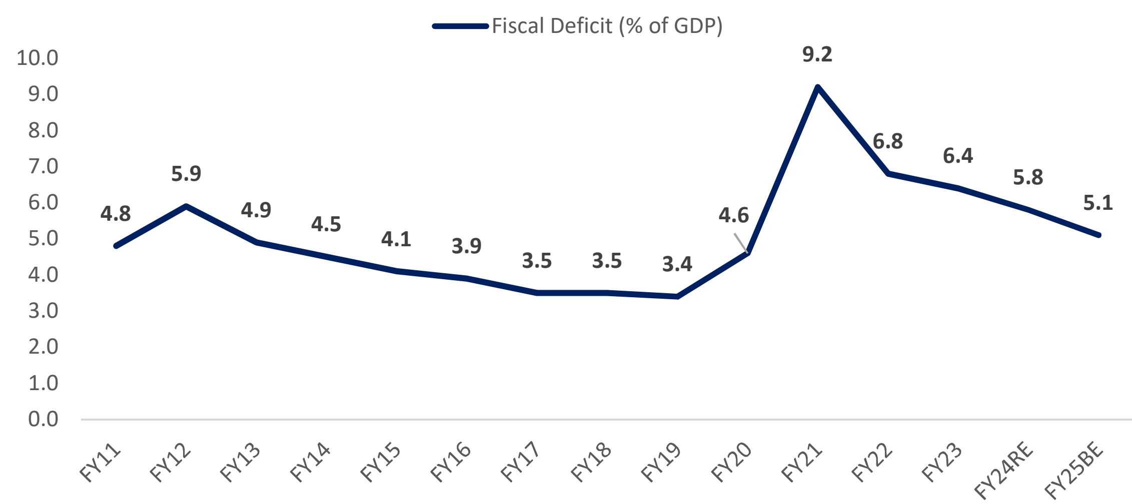
Dear Investors,

Thumbs up to Fiscal prudence

In the Interim budget 2024, the Finance Minister surprised the street with better than expected fiscal deficit target of 5.1% (consensus expectation of 5.3-5.4%). In fact, the fiscal deficit for FY23-24, in absolute terms, has also been revised downwards from Rs 17.35tn from the earlier budgeted number of Rs 17.87tn. In the last one year, India has surprised positively on the growth side (better than expected GDP growth), while keeping inflation and fiscal deficit under control. This makes a great recipe for a long and enduring bull market for Indian equities.

In the run-up to central elections, the government has abstained for announcing any populist budget. While most people observe that the budget had no big-bang announcements, we believe the contrary. Honestly, the current government hasn't been shy of making important announcements outside the budget. The intent of the government to drive growth capital expenditure (across infrastructure, renewables, R&D etc.) with fiscal consolidation itself is a big announcement, in our opinion. Importantly, these calculations are based out of a very conservative revenue estimates, which have a potential to surprise on the upside. The net market borrowing is targeted to be lower than last year. Post this announcement, 10yr GSEC yields corrected thereby implying an indirect rate cut. The fiscal consolidation will help the Indian government to make a stronger case for a higher sovereign credit rating in the future, which would further lower risk premiums/ interest rates for corporate India.

Gradual decline in fiscal deficit post covid



Source – NSE, BSE

In terms of quarterly earnings, Corporate India has generally done well. Lending businesses continue to witness strong growth and muted NPAs. There has been some challenge in terms of garnering CASA flows, but we believe the same should be addressed in next 2-3 quarters. IT services have surprised on the positive. While companies continue to witness decline in headcounts, most managements appear to be cautiously optimistic on the growth going ahead. Infrastructure companies continue to report strong order inflows. Consumer demand continues to be a mixed bag with Auto & Real estate performing well but several other categories remaining a little subdued. Overall, the earnings season has been in line with our expectations. Rural recovery is an elephant in the room for the India growth story. If the government can drive recovery in rural economy, we believe FY24-25 will be another year of better than expected GDP growth for the country.

From the fund perspective, we continue to remain optimistic about the growth in core sectors of the economy viz. Manufacturing, Infrastructure, Power and technology amongst others. These sectors have a long runway of growth. Overall, we believe Indian economy is in a good health and impending political outcomes are unlikely to surprise. A confluence of strong growth and stable political regime, sets the stage well for a promising CY25. Bull markets have a tendency to create bubble and we can some bubble forming up in select stocks/ sectors. Investors need to be resist the temptation in investing in those names. We continue to maintain our disciplined stock selection process to ensure long term sustained returns for investors.

Happy Investing.

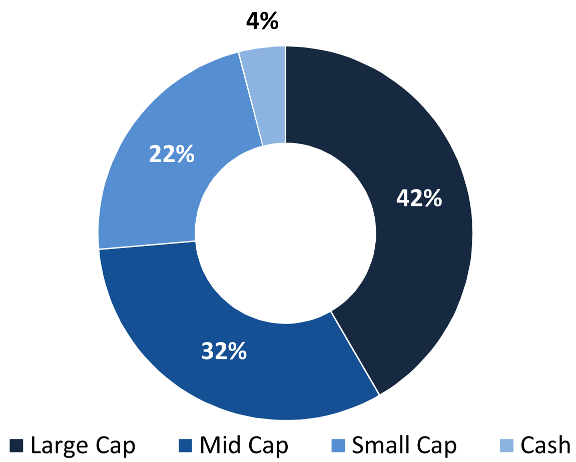
Pawan Parakh
Portfolio Manager

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

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24E	FY25E
PAT growth (%)	16.8%	28.2%
ROE (%)	14.8	16.7
P/E	29.3	22.7

Top Holdings

Company	Weight(%)
Tech Mahindra Ltd	8.40%
One 97 Communications Ltd	7.46%
State Bank of India	6.02%
Infosys Ltd	5.90%
Quess Corp Ltd	5.53%

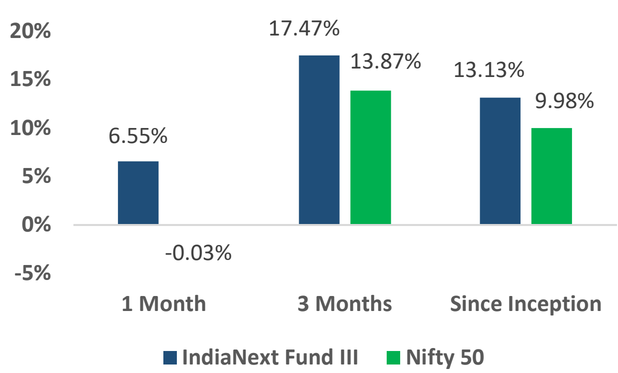
Renaissance India Next Fund III - Risk

Time Period: Last 12 Months
Calculation Benchmark: IISL Nifty 50

	Portfolio	Index
Std Dev	NA	NA
Sharpe Ratio	NA	NA
Beta	NA	NA
Treynors Ratio	NA	NA
Information Ratio	NA	NA

Returns

Calculation Benchmark: IISL Nifty 50



Fund and Benchmarks returns are Pre-tax

Sectoral Weights

Sector	Weight(%)
BFSI	29.06%
IT & Tech	27.44%
Pharma & Chemicals	9.89%
Real Estate & Building Materials	6.57%
Industrials	6.37%

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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.