



Renaissance Investment Managers

Dear Investors,

Coalition government and politics returns; however, policy and macro direction unlikely to change

Markets are digesting the negative surprise of BJP retaining power without a simple majority on its own this time. As long as Mr. Modi remains at the helm and coalition/alliance partners remain supportive, we expect policy-continuity in a directional sense, be it Capex (Infra, Defense spending) or Manufacturing (PLI schemes, Make in India initiatives).

Some increase in populist/welfare spending seems likely, depending on the lessons learnt from the election setback, and given that a few major States are scheduled to go for Assembly Elections this year (Maharashtra, Haryana). However, this need not be at the expense of government's infra/capex spending budgets in our view, which points to a slower-than-expected fiscal-consolidation path in future.

India growth story is broadly intact—more and more stars continue to align

1. **GDP growth momentum continues to surprise positively.** 4QFY24 GDP growth was 7.8%, and the full-year FY24 growth came in at 8.2%, led by 9.0% growth in GFCF, even as Private Consumption growth was muted at 4.0%. Looking at the supply side, real GVA growth was 7.2% in FY24, led by Manufacturing/Construction growth of 9.9%/9.9%, while Services grew by 7.6%. Growth outlook for FY25 has now been raised to near 7% by most analysts, as well as by IMF/WB/ADB/S&P.

2. **Domestic CPI inflation is under control** at 4.8%, while core-CPI remains even lower at 3.2% as of April 2024. Outlook for average CPI inflation in FY25 is 4.5%.

3. **Brent Crude Oil prices** have now fallen below US\$80/bbl, on concerns of demand slowdown.

4. **US 10-year Treasury yields have softened** from their recent peak of 4.70% in April to now below 4.35%, on prospects of a slowing US economy amid continued dis-inflationary trends.

5. **India 10-year G-Sec yield** hovering around 7.0%, down from 7.4% around six-months ago.

6. **Prospects of 25-50 bps of repo rate cut in 2HFY25 by RBI** remain intact, as inflation has been coming under control, and USD-INR remains fairly stable in the 83-84 band.

7. **Green shoots of rural recovery** are being spotted—consumer companies such as Dabur, Emami, Pidilite and even Crompton, have highlighted good rural growth in their 4QFY24 results. Monsoons have been predicted by IMD to be good, at 106% of LPA (long period average).

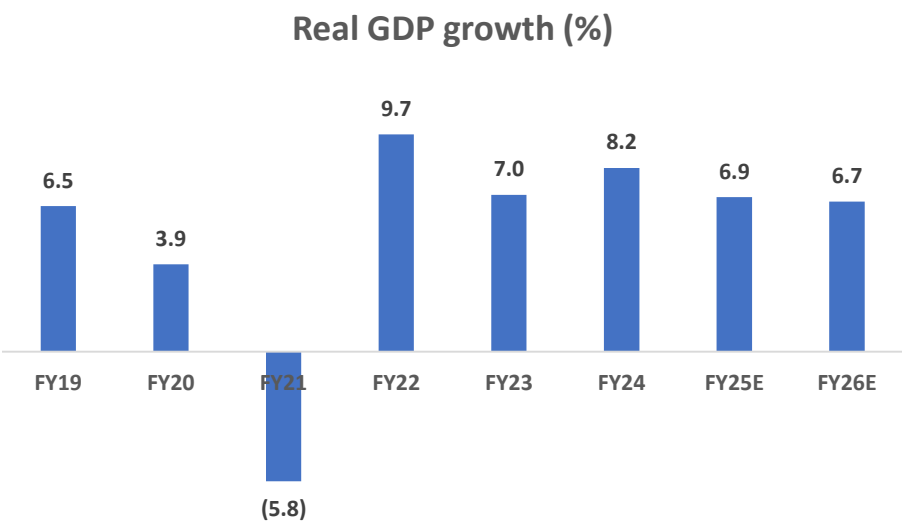
8. **Corporate earnings growth:** Nifty-50 profits rose 12% in 4QFY24, driving upgrades to FY25/26 EPS forecasts. The FY24 profit growth was 20%, boosted by accounting/abnormal profit growth of Coal India, and BPCL/HPCL; excluding these three, Nifty-50 profit growth was 13% in FY24.

9. **Domestic MF equity inflows** remain supportive, even as FPI outflows have been around US\$3bn CYTD. Domestic monthly equity flows have been in the range of INR 190-270bn.

10. **Geopolitical conditions have been stable** and do not seem to be worsening at the margin.

Any adverse tax changes (including taxes on capital gains) in the Union Budget in July could cause short-term volatility in the market.

Exhibit 1: Real GDP growth is expected at 6.5-7.0% in the next two years



Source: Broker Report

Portfolio & Market Outlook

We expect Nifty-50 earnings outlook to remain intact at about mid-teen CAGR in the medium-term. Post recent earnings upgrades, Nifty index [21,900 on 4th June] is trading at just under 17x on FY26 estimates, which is marginally below its last 10-year average of 17.5x (forward P/E multiple).

We see the much-needed correction and near-term volatility as opportunities to put incremental capital to work as the medium-term growth outlook for Indian economy continues to remain healthy on back of continuity in economic policies. Engineering and Capital Goods sector has done very well in the last 12 months; our portfolios were fairly exposed to the sector with investment in good quality companies like ABB, Cummins, Siemens, Larsen & Toubro. We have done partial profit booking in the sector due to stretched valuations, though the medium-term outlook for the sector continues to remain healthy. We have increased our exposure to the IT sector in the last few months as we believe IT sector should witness healthy recovery from 2H FY25. Our portfolios are well balanced across sectors with focus on good quality, high growth companies.

Happy Investing

Pankaj Murarka
Founder & CIO

Pre-Tax Returns

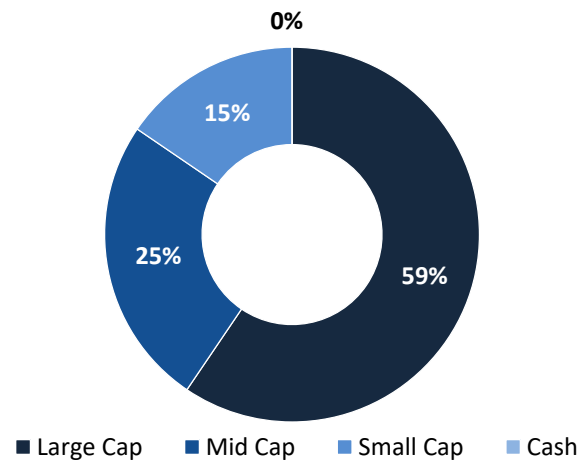
(As on 30th September 2023)

Fund / Index	1 Year	2 Years	3 Years	5 Years
CRISIL AIF Index – CAT III (INR)	15.5%	7.0%	20.6%	13.5%
INDIA NEXT FUND II	15.1%	N/A	N/A	N/A
INDIA NEXT FUND III	N/A	N/A	N/A	N/A

N/A – As the respective fund has not completed 1yr, 2yr, 3yr and 5yr as on 30th September 2023. Returns for more than one year are annualized.

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

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E
PAT growth (%)	33.8	20.1	19.7
ROE (%)	15.4	15.8	17.5
P/E	55.3	42.7	33.5

Top Holdings

Company	Weight(%)
Tech Mahindra Ltd	6.96%
Info Edge (India) Ltd	6.46%
ABB India Ltd	5.66%
Motilal Oswal Financial Services Ltd	5.66%
Varroc Engineering Ltd	4.21%

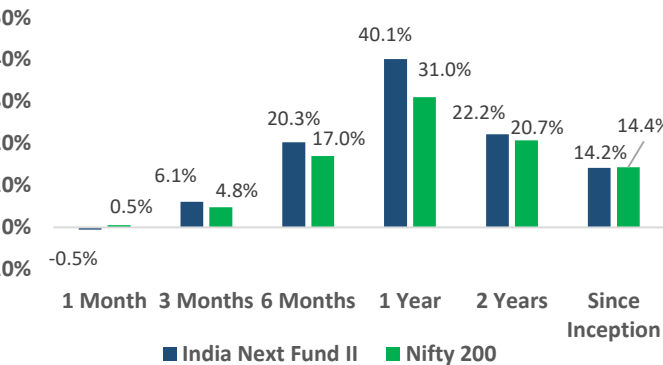
Renaissance India Next Fund II - Risk

Time Period: Last 12 Months
Calculation Benchmark: IISL Nifty 200

	Portfolio	Index
Std Dev	13.18%	10.41%
Sharpe Ratio	2.51	2.31
Beta	1.03	1.00
Treynors Ratio	0.32	0.00
Information Ratio	1.17	0.00

Returns

Calculation Benchmark: IISL Nifty 200



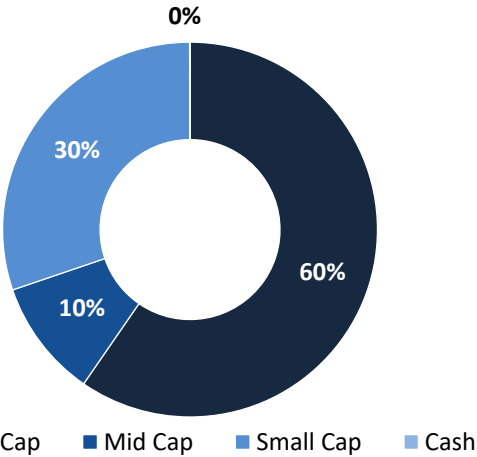
Sectoral Weights

Sector	Weight(%)
IT & Tech	28.48%
BFSI	18.90%
Pharma & Chemicals	14.18%
Industrials	12.32%
Auto & Logistics	10.70%

Fund and Benchmarks returns are Pre-tax

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E
PAT growth (%)	25.5	20.1	19.6
ROE (%)	14.0	15.0	16.0
P/E	31.4	29.4	26.4

Top Holdings

Company	Weight(%)
Larsen & Toubro Ltd	8.31%
State Bank of India	8.13%
Tech Mahindra Ltd	7.21%
ICICI Bank Ltd	5.50%
Info Edge (India) Ltd	4.80%

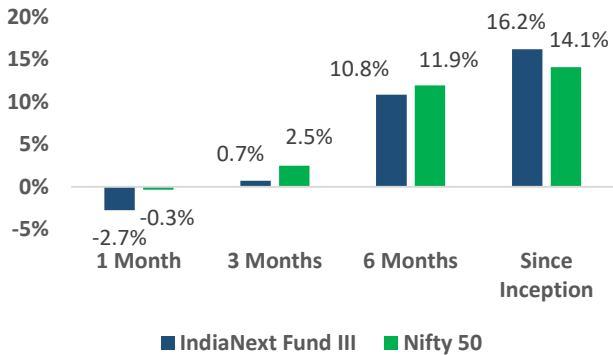
Renaissance India Next Fund III - Risk

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



Sectoral Weights

Sector	Weight(%)
BFSI	29.32%
IT & Tech	22.95%
Industrials	13.96%
Pharma & Chemicals	13.71%
Real Estate & Building Materials	5.63%

Fund and Benchmarks returns are Pre-tax

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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