



Renaissance Investment Managers

Dear Investors,

Modi 3.0

Indian elections never fail to surprise. Though the consensus expectation from this election was for a clean verdict to BJP with 300+ seats, there was some surprise with BJP losing some ground, yet being able to form what appears to be a stable coalition government. There was some nervousness in stock markets as the initial election results came in, but eventually markets drew comfort from the stable BJP led coalition government and made a new all time high. The bar of expectations is high from the upcoming union budget as it is the third successive term of the government in office.

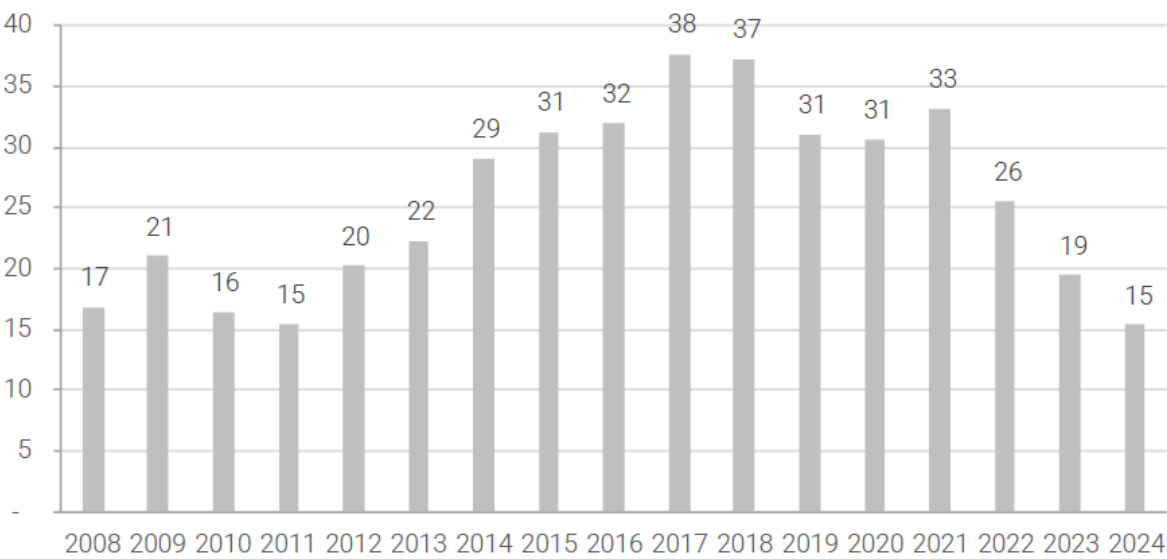
More tailwinds emerging for the capex cycle

Inclusion of Indian Government Bonds [IGBs] in JPM-GBI EM index from end-June is expected to generate potential inflows of US\$25-30bn in a year. Inclusion in other such indices (Bloomberg, Bloomberg-Barclays, FTSE-Russell) is also likely over time. The expected FPI bond inflows this year will also help ease the banking-liquidity situation, which is a positive for Private Sector Financials grappling with high LDRs and shrinking LCR buffers.

These developments, combined with a benign medium-term CPI inflation outlook (4.0-4.5%), should help bring down the risk-free rate, and thus the overall cost of capital in India. Further, with a coalition government taking charge after a minor-setback in general elections, an increase in welfare and more consumption-oriented spends is likely, though not necessarily at the cost of government capex, in our view. All these factors augur well for a further pick up in the private corporate capex.

Additionally, we see scope for a significant enhancement in government-driven, big-ticket PSU capex in areas of electrification, energy security, energy-transition, Railways etc. We also see continued strength in the real estate cycle, which will drive cement and building material sectors, as residential inventories continue to normalize from their cyclical highs.

Exhibit 1: Residential housing inventory levels at 15 months are at their lowest since FY 2011



Source: Broker Report

The much-awaited telecom tariff hikes came through post-elections, led by Reliance Jio this time. The roughly 20% tariff hike is likely to generate INR400bn of incremental telecoms revenues, thus improving RoICs and supporting a 3-player market structure.

Market outlook and portfolio positioning

At the 24,100 level, Nifty is now at 18.6x FY26E consensus earnings estimate, which is in line with the last 10-years mean valuations. Nonetheless, India’s GDP growth forecasts have been revised up, from 7.0% to 7.2% by the RBI for FY25E after the blow-out 4QFY24 GDP numbers (+7.8% yoy), and India’s medium-term story is unchanged.

We expect the government to sustain the path of fiscal consolidation in the upcoming budget with focus on investments, exports and domestic manufacturing. The RBI dividend of 2 lakhs crores in addition to healthy tax buoyancy will give the government some elbow room for consumer welfare measures for revival of sluggish rural consumption without compromising its fiscal goals. On balance, we expect a growth-oriented budget which shall give further impetus to India’s growth and accelerate investments in the economy.

We remain invested in quality companies, which enjoy significant growth-tailwinds and have high earnings certainty in sectors such as: capital goods, information technology, private sector financials, telecoms, select PSUs and select real estate stocks. This should protect our portfolio in the events of any intermittent corrections. We continue to maintain our disciplined stock selection process to ensure long term, sustainable returns for our investors.

Happy Investing

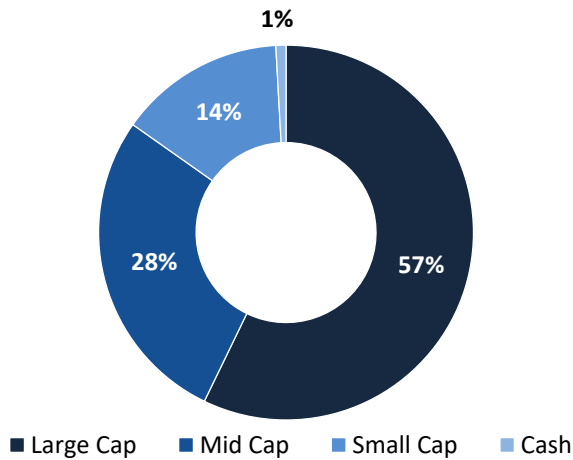
Pankaj Murarka
Founder & CIO

Pre-Tax Returns		(As on 30 th 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 (%)	30.9	21.0	19.9
ROE (%)	15.1	15.6	17.3
P/E	43.9	36.3	29.8

Top Holdings

Company	Weight(%)
Tech Mahindra Ltd	7.54%
Info Edge (India) Ltd	7.16%
Motilal Oswal Financial Services Ltd	5.83%
Varroc Engineering Ltd	4.58%
ABB India Ltd	4.48%

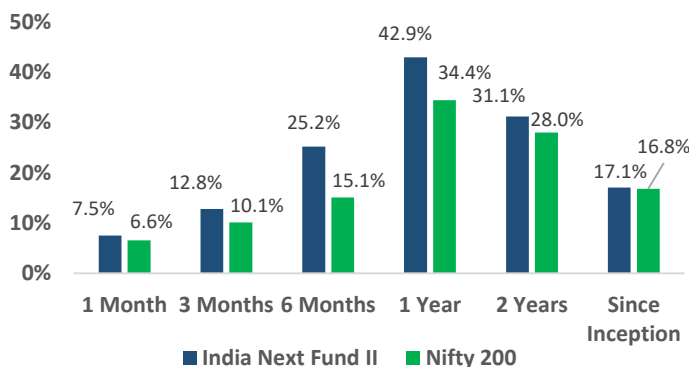
Renaissance India Next Fund II - Risk

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

	Portfolio	Index
Std Dev	16.00%	13.45%
Sharpe Ratio	2.27	2.04
Beta	1.03	1.00
Treynors Ratio	0.35	-
Information Ratio	1.10	-

Returns

Calculation Benchmark: IISL Nifty 200



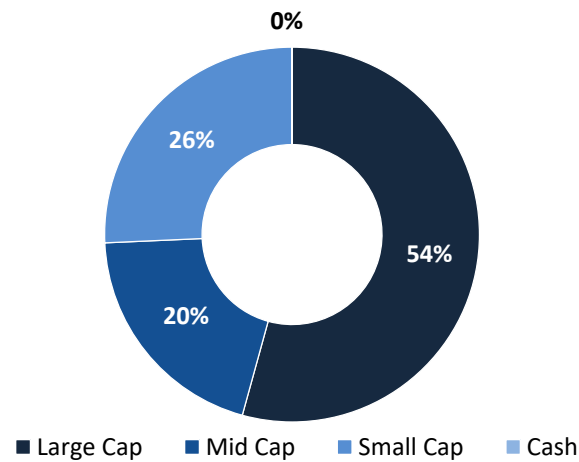
Sectoral Weights

Sector	Weight(%)
IT & Tech	28.98%
BFSI	18.39%
Pharma & Chemicals	12.19%
Industrials	11.37%
Auto & Logistics	10.86%

Fund and Benchmarks returns are Pre-tax

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E
PAT growth (%)	20.1	23.7	20.0
ROE (%)	13.8	15.1	16.1
P/E	38.4	29.6	24.6

Top Holdings

Company	Weight(%)
Tech Mahindra Ltd	6.56%
State Bank of India	6.39%
ICICI Bank Ltd	6.37%
Larsen & Toubro Ltd	6.33%
Crompton Greaves Consumer Electrical Ltd	5.98%

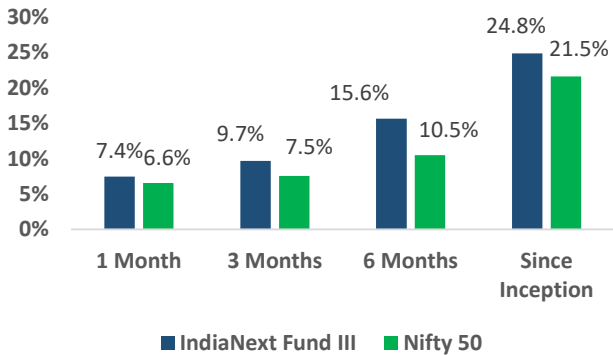
Renaissance India Next Fund III - Risk

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	28.14%
IT & Tech	21.67%
Pharma & Chemicals	13.05%
Industrials	11.23%
Consumer Discretionary	10.97%

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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