



**Renaissance Investment Managers**

Dear Investors,

**Strong 1QFY25 GDP data, despite short-term headwinds**

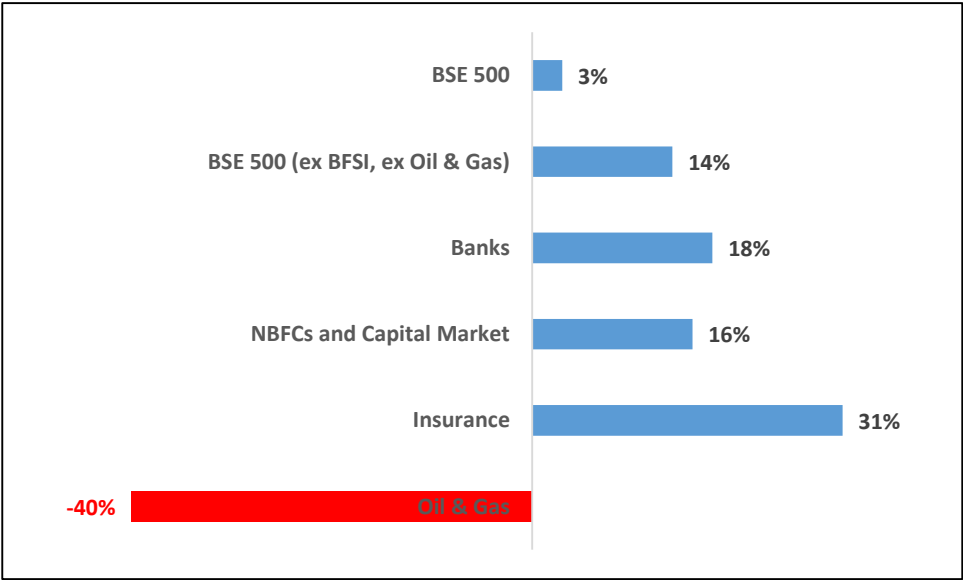
India’s 1Q Real GDP growth was 6.7% yoy, slightly below the RBI’s estimate. We believe 1Q GDP growth is commendable, in the context of: (1) Weak monsoons initially—cumulative rainfall was 11% below long-period-average till June 30, 2024; and (2) Election-related slowdown in government capex and consumption. Further, it is heartening to see Private Consumption growth reviving to 7.4% (highest in seven quarters), despite heatwaves amid surging summer temperatures. Growth in Investment or GFCF [Gross Fixed Capital Formation] was steady at 7.5%. India remains on track to achieve 7% or higher GDP growth rate in FY25.

Looking at the output or supply side, 1Q Real GVA (gross value added) growth at 6.8% was ahead of expectations, driven by a solid 8.3% growth in the Industrial sector output, thanks to: (1) Manufacturing—up 7.0% yoy vs 5.0% in the base quarter i.e. 1QFY24; (2) Electricity production—10.4% vs. 3.2%; and (3) Construction—10.5% vs 8.6%. Service sector growth was strong too, at 7.2%.

**Corporate profit growth to pick up momentum in coming quarters**

In 1QFY25, the combined Revenue of BSE-500 companies was up 8% yoy, while PAT growth was 3%. Aggregate PAT growth was impacted by a steep 40% profit decline in the Oil & Gas sector. Excluding BFSI and Oil & Gas, PAT growth was respectable at 14% in 1Q. Banks/NBFC/Insurance companies saw aggregate profit growth of 18%/16%/31%.

**BSE-500 companies: 1Q FY25 PAT growth (yoy)**



Source: Broker Report

We expect corporate profit growth to pick up in the coming quarters:

- (1) Good monsoons: 4% rainfall surplus till 21st August.
- (2) Pick up in government-spending: capex is likely to come back with a vengeance through the remainder of FY25.
- (3) Signs of revival in private consumption, likely aided by RBI rate cuts expected by 4QFY25.
- (4) Early green shoots of revival seen in private corporate capex.

## Market valuations, outlook and portfolio positioning

At the 25,300 level, Nifty-50 is priced at 1-year forward P/E of 22x on consensus earnings estimates, which is about 10% ahead of the last 10-years average valuations (20x). We believe current market valuations are reasonable and well-supported by:

(1) Robust earnings growth outlook—low-teens growth for FY25 and mid-teens growth for FY26; this factors a modest cut of around 1% in FY25 consensus earnings post 1Q results.

(2) Expected further decline in the cost of capital in India, based on: (a) decline in risk free rate or the 10-yr G-sec yield from 7% level recently; and (b) decline in equity risk premium thanks to strong macro-stability amid a continued torrent of domestic equity flows; the latter have reduced market's dependence on FPI inflows and have mitigated the adverse impact of FPI outflows in recent years.

(3) Potential for pick up in FPI inflows, based on continued weakness in the USD based on expectations of FED rate-cuts in coming months.

Markets now offer primarily a compounding opportunity driven by earnings growth, for medium-to-long term investors.

We remain invested in quality companies, which enjoy significant growth-tailwinds and have high earnings certainty in sectors such as: industrial and 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

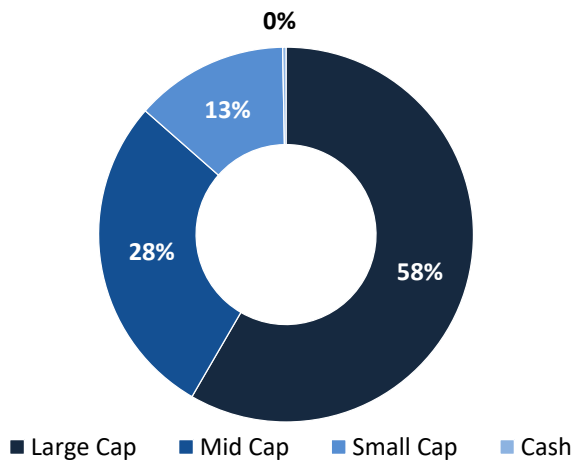
(As on 30<sup>th</sup> September 2023)

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 30<sup>th</sup> 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 (%)	49.3	32.0	26.5
ROE (%)	15.0	14.7	16.4
P/E	50.7	46.5	35.4

### Top Holdings

Company	Weight(%)
Tech Mahindra Ltd	7.89%
Info Edge (India) Ltd	7.42%
Motilal Oswal Financial Services Ltd	6.25%
Infosys Ltd	4.69%
United Spirits Ltd	4.19%

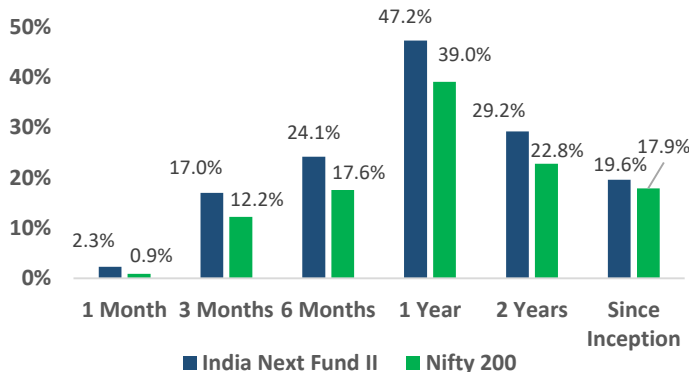
### Renaissance India Next Fund II - Risk

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

	Portfolio	Index
Std Dev	16.62%	14.05%
Sharpe Ratio	2.48	2.30
Beta	1.04	1.00
Treynors Ratio	0.40	-
Information Ratio	1.14	-

### Returns

Calculation Benchmark: IISL Nifty 200



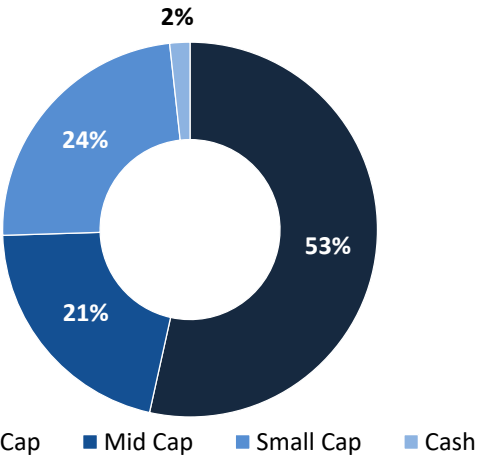
### Sectoral Weights

Sector	Weight(%)
IT & Tech	30.03%
BFSI	22.32%
Consumer Discretionary	12.84%
Pharma & Chemicals	11.76%
Industrials	8.55%

Fund and Benchmarks returns are Pre-tax

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25E	FY26E
PAT growth (%)	22.2	20.6	21.4
ROE (%)	15.4	14.6	16.5
P/E	43.0	34.0	29.2

Top Holdings

Company	Weight(%)
HDFC Bank Ltd	6.75%
Larsen & Toubro Ltd	6.11%
Tech Mahindra Ltd	5.67%
Infosys Ltd	5.49%
ICICI Bank Ltd	5.11%

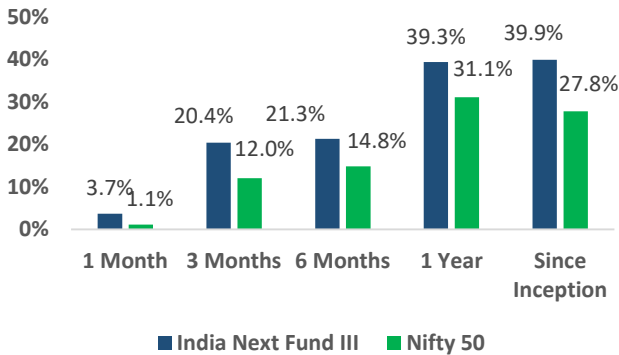
Renaissance India Next Fund III - Risk

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

	Portfolio	Index
Std Dev	15.28%	13.09%
Sharpe Ratio	2.14	1.86
Beta	0.98	1.00
Treynors Ratio	0.34	-
Information Ratio	1.00	-

Returns

Calculation Benchmark: IISL Nifty 50



Sectoral Weights

Sector	Weight(%)
BFSI	34.26%
IT & Tech	22.36%
Pharma & Chemicals	12.38%
Industrials	9.28%
Consumer Discretionary	8.95%

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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