



Renaissance Investment Managers

4Q GDP was a positive surprise

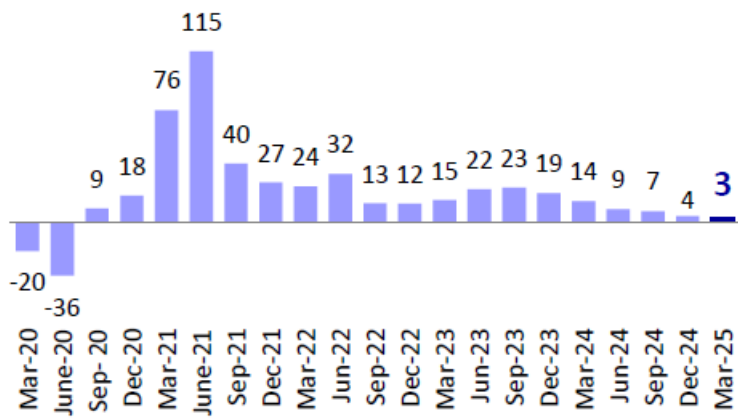
4QFY25 Real GDP growth came ahead of expectations at 7.4% yoy, reflecting continued acceleration from 6.4% in 3Q and 5.6% in 2Q. However, full year FY25 GDP growth was 6.5%, a sharp moderation from 9.2% in FY24—a result of slower growth in both Investment (GFCF +7.1% vs 8.8% in FY24) and Government-spending (2.3% vs 8.1%), even as Private Consumption grew 7.2% vs 5.6% in FY24. Looking at the supply side, Real GVA growth was 6.8% in 4Q vs 6.5% in 3Q, thanks to a broad-based pick up in Industrial-output growth, notably Manufacturing (+4.8% yoy) and Construction (+10.8%).

Based on various headwinds at the current juncture, market expects real GDP growth of 6.0-6.5% in FY26, but we see scope to be more positive. Recent moderation in inflation augurs well for sharper interest rate cuts by the RBI, which should drive a pick-up in credit growth from current muted level of 10%. Further, savings from income-tax cuts in the Union budget should provide impetus to urban consumption in the coming quarters.

4Q earnings performance—better versus expectations; forward revisions marginally negative

As per CMIE data, the 4QFY25 combined revenues of ~3700 listed-companies rose 5.7% yoy, while PAT was up 8.2%. For non-financial companies, aggregate topline/profits grew by 4.7%/10.3%. For Nifty-50 companies, aggregate 4Q profit growth was around 3% yoy, and excluding Financials sector, the PAT growth was 7%.

Exhibit 1: Nifty aggregate PAT up 3% YoY in 4QFY25



Source: Broker Report

EPS needs to grow in double digits in FY26 for reasonable index returns

On full-year basis in FY25, Nifty-50 EPS growth rate was around 6% yoy, down from ~21% in FY24. Earnings forecasts for FY26/27 saw further marginal cuts over the last few weeks. Expectations are now for a 12-13% EPS growth in FY26 and 15% in FY27 for the Nifty-50 index.

Thanks to recovery in GDP growth rates, earnings stability, and pick up in FPI inflows driven by a weak dollar, equity markets have seen handsome recovery from their recent lows. Nifty-50 and Nifty-500 indices are up 12% and 13% from their respective lows in early April. In May’25, Nifty-50 was up 1.7%, while the broader market as represented by Nifty-500 index was up 3.5%. FPI inflows moved up further in May to US\$2.3bn (INR 198bn) from US\$0.53bn in April.

Exhibit 2: Headwinds and Tailwinds appear balanced, as markets await earnings growth recovery

	TAILWINDS	HEADWINDS
GLOBAL	Lower crude and commodity prices	Trade, Tariff and Geopolitical uncertainties
	Weak US dollar (good for FPI inflows)	Slowdown in global growth and exports
DOMESTIC	Benign inflation	Muted consumption and private investment demand
	More interest rate cuts by the RBI	Nifty-50 index valuation at 21x forward EPS
	Income tax cuts	Increasing equity supply from IPOs, QIPs, and Promoter / PE sell-downs

Markets to consolidate after a handsome recovery; we remain constructive and selective

We expect a pick-up in corporate earnings growth in the coming quarters; however, at 24,700 index level, we believe Nifty-50 valuations are fair at around 21x 12-month forward EPS, slightly ahead of the last 10-year average multiple of 20x. Even as the 10-yr G-Sec yield (risk free rate) is likely to decline further, we expect global uncertainties to keep the equity-risk-premium elevated, thus constraining further meaningful expansion in market multiples. We expect the markets to move sideways in the near-term, as they await recovery in earnings growth.

We have turned constructive on the Consumer sector after five years. We believe aggregate consumption in near trough, and we expect a gradual recovery in overall consumer spending over the next two years. We have added exposure to consumption-driven stories, based on: (1) declining rate of inflation and interest rate cuts from RBI; (2) improving rural consumption; (3) recent tax cuts for middle-and-upper income households; and (4) announcement of the 8th Pay Commission with expected incremental allocation of around INR 2 trillion in salaries and pensions from FY27.

Further, given the context of stable equity markets, declining interest rates and a likely pick up in credit growth, we have raised the portfolio-weight of select financials. Our portfolio is skewed towards credit growth (including consumer proxies), select consumer plays (across staples, durables and discretionary), and export/outsourcing. We are invested in pockets having attractive valuations (e.g. private sector financials, housing NBFCs), as well as in pockets that we expect would deliver a higher amount and/or longevity of earnings growth at reasonable prices (such as Consumer, Pharma, Telecoms, IT etc.). We continue to maintain our disciplined stock selection process to ensure long term, sustainable returns for our investors.

Happy Investing

Pankaj Murarka
Founder & CIO

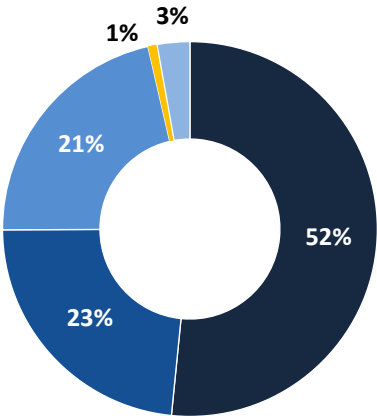
Pre-Tax Returns (As on 30th SEPTEMBER 2024)

Fund / Index	1 Year	2 Years	3 Years	5 Years
CRISIL AIF Index – CAT III (INR)	31.6%	23.3%	14.6%	18.9%
RENAISSANCE INDIA NEXT FUND II	51.1%	31.9%	NA	NA
RENAISSANCE INDIA NEXT FUND III	38.6%	NA	NA	NA

N/A – As the respective fund has not completed 2yr, 3yr and 5yr as on 30th September 2024. Returns for more than one year are annualized.

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

Portfolio Capitalization



■ Large Cap ■ Mid Cap ■ Small Cap ■ Others ■ Cash

Portfolio Highlights

Particulars	FY24	FY25	FY26E	FY27E
PAT Growth (%)	23.5	8.8	12.1	17.8
ROE (%)	14.2	13.0	13.2	13.9
P/E	28.2	25.9	23.1	19.6

Top Holdings

Company	Weight(%)
HDFC Bank Ltd	8.60%
Tech Mahindra Ltd	6.96%
One 97 Communications Ltd	5.99%
Info Edge (India) Ltd	4.86%
Reliance Industries Ltd	4.71%

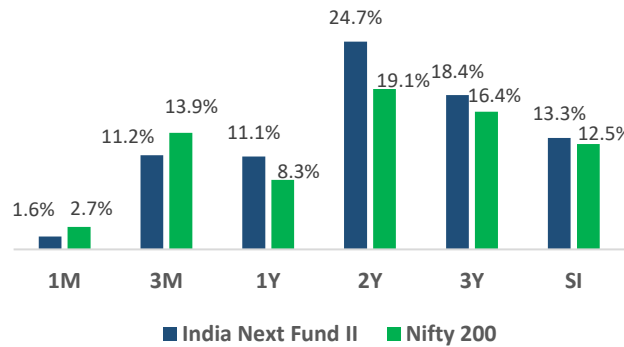
Renaissance India Next Fund II - Risk

Time Period: Last 3 Years
Calculation Benchmark: Nifty 200

	Portfolio	Nifty 200
Std Dev	26.84%	23.37%
Sharpe Ratio	0.48	0.46
Beta	1.01	1.00
Treynors Ratio	12.71%	--
Information Ratio	0.16	--

Returns

Calculation Benchmark: Nifty 200



Sectoral Weights

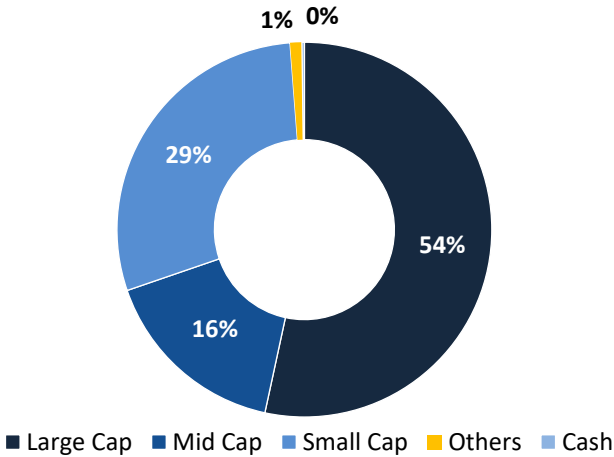
Sector	Weight(%)
BFSI	29.02%
Consumer Discretionary	15.28%
Information Technology	14.47%
Internet	10.85%
Pharma & Chemicals	9.89%

Fund and Benchmarks returns are Pre-tax

Returns for more than one year are annualized
The performance related information provided herein is not verified by SEBI.

Theme: India Growth 2.0

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25	FY26E	FY27E
PAT Growth (%)	18.9	9.9	11.5	17.3
ROE (%)	14.3	13.4	13.4	14.1
P/E	24.4	22.2	19.9	17.0

Top Holdings

Company	Weight(%)
HDFC Bank Ltd	8.50%
Tech Mahindra Ltd	5.54%
Reliance Industries Ltd	5.42%
ICICI Bank Ltd	5.05%
Infosys Ltd	4.72%

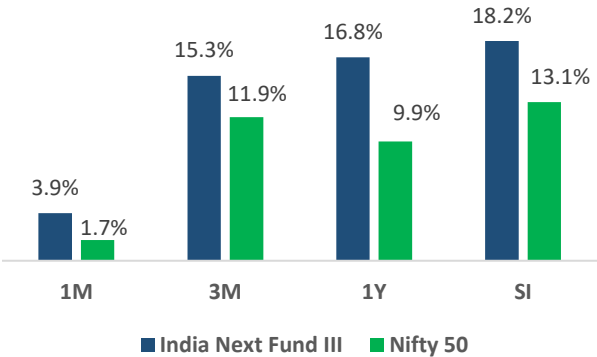
Renaissance India Next Fund III - Risk

Time Period: Since Inception
Calculation Benchmark: Nifty 50

	Portfolio	Nifty 50
Std Dev	21.10%	18.09%
Sharpe Ratio	0.60	0.42
Beta	0.98	1.00
Treynors Ratio	12.85%	--
Information Ratio	0.45	--

Returns

Calculation Benchmark: Nifty 50



Sectoral Weights

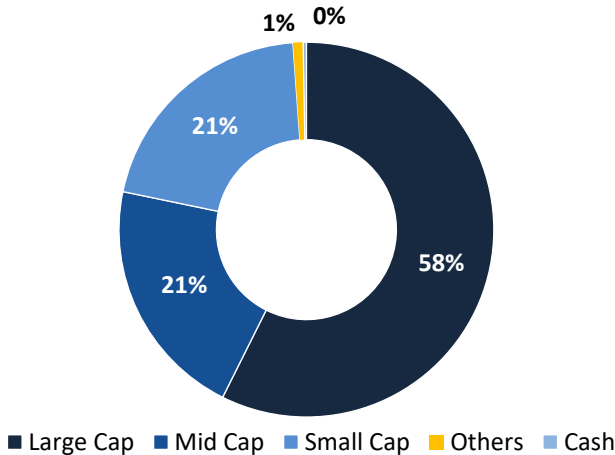
Sector	Weight(%)
BFSI	35.31%
Information Technology	13.11%
Consumer Discretionary	12.06%
Pharma & Chemicals	10.68%
Internet	7.45%

Fund and Benchmarks returns are Pre-tax

Returns for more than one year are annualized
The performance related information provided herein is not verified by SEBI.

Theme: India Next

Portfolio Capitalization



Portfolio Highlights

Particulars	FY24	FY25	FY26E	FY27E
PAT Growth (%)	27.7	9.5	11.7	18.2
ROE (%)	15.2	14.1	14.0	14.8
P/E	25.8	23.6	21.1	17.9

Top Holdings

Company	Weight(%)
HDFC Bank Ltd	8.60%
Infosys Ltd	5.24%
Reliance Industries Ltd	4.61%
Tech Mahindra Ltd	4.37%
HDFC AMC Ltd	4.26%

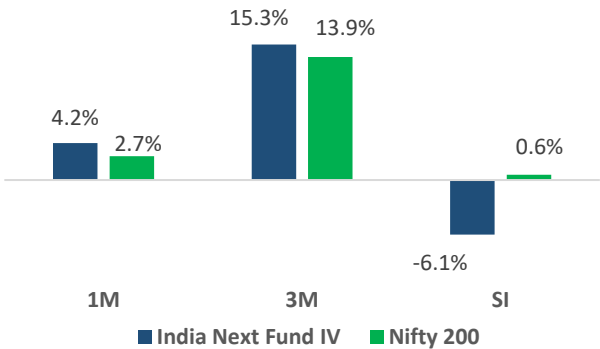
Renaissance India Next Fund IV - Risk

Time Period: Last 12 Months
Calculation Benchmark: Nifty 200

	Portfolio	Nifty 200
Std Dev	NA	NA
Sharpe Ratio	NA	NA
Beta	NA	NA
Treynors Ratio	NA	NA
Information Ratio	NA	NA

Returns

Calculation Benchmark: Nifty 200



Sectoral Weights

Sector	Weight(%)
BFSI	36.98%
Consumer Discretionary	12.03%
Information Technology	11.37%
Pharma & Chemicals	7.65%
Industrials	6.31%

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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