AIF FACTSHEET

JUNE 2025

Renaissance Investment Managers

RBI was all guns blazing in June

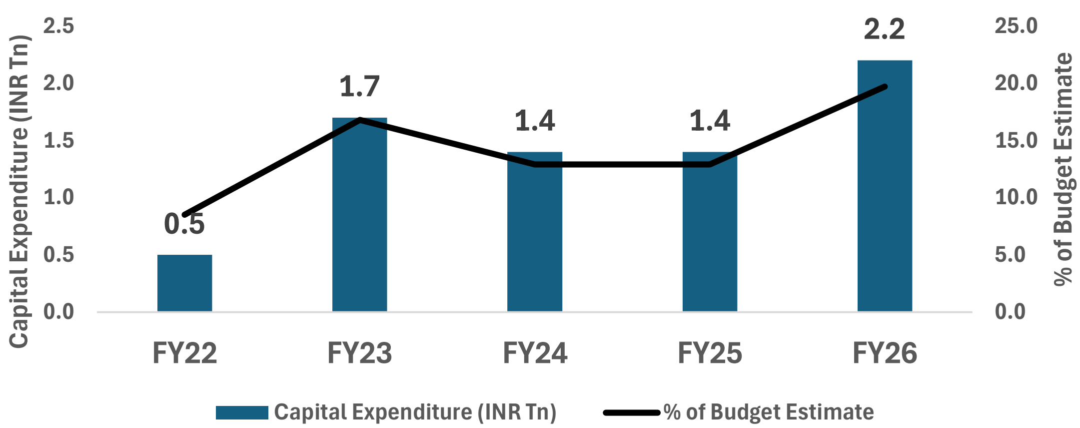
RBI reduced the Repo rate in early June by higher-than-expected 50bps to 5.5% and also slashed the CRR (cash reserve ratio) by 100bps to 3.00%; latter would be effective starting Sep'25, in four tranches of 25bps each. This front-ended monetary stimulus should boost banks' willingness to lend and also drive a pick-up in credit demand in the coming quarters. Credit growth in banking system has been weakening and touched a low of 9% yoy in May'25.

We expect credit growth to pick up in coming quarters and move back to low double digits (11-12% yoy) by end of FY26. Specifically, we believe these rate cuts could spur growth in home loans and consumer credit—thus driving household consumption in coming quarters and creating positive multiplier effects for the broader economy.

Capex picking up, consumption recovery is next

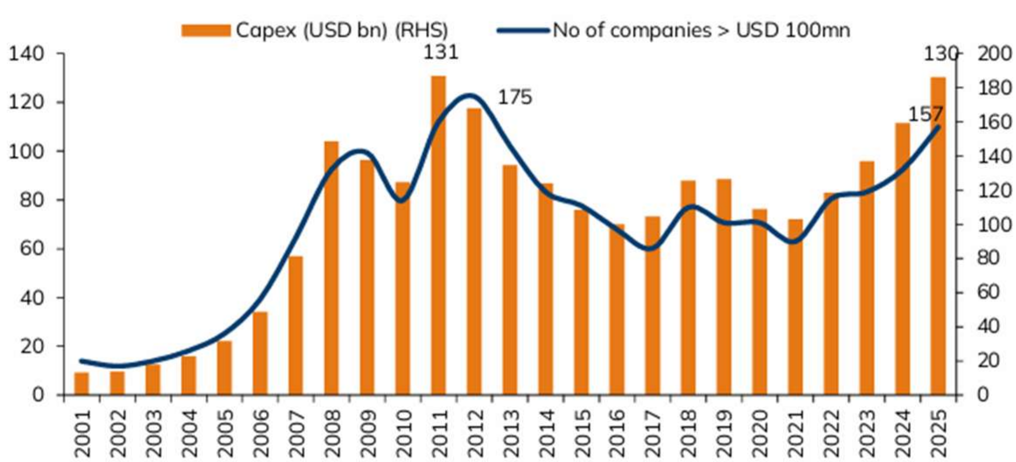
During Apr-May 2025, central government's capex was up 54% yoy and touched INR 2.2 trillion, which is nearly 20% of the INR 11.2tn capex-budget for FY26. Recent data indicates that aggregate capex by listed corporates (ex-financials) topped INR 11tn in FY25 and thus exceeded FY25 govt. capex of INR 10.5tn (provisional figure). More interestingly, capex in the listed-universe continues to become more and more broad based—number of companies with >US$100mn capex in a year has steadily increased from 120-125 pre-Covid (FY18/19) to 157 in FY25. Further, aggregate debt raised by listed non-financial corporates has begun to meaningfully exceed aggregate debt repayments (based on FY25 cash-flow statements). This re-leveraging of balance sheets augurs well for both credit growth as well as capex.

Exhibit 1 : Central government capex during April-May of fiscal year



Source: Broker Report

Exhibit 2: Capex turning more broad-based in the listed non-financial universe (capex in US$ bn)



Source: Broker Report

We continue to expect a broad-based recovery in household consumption in the coming quarters driven by: (1) interest rate cuts; (2) income tax cuts; (3) benign inflation; (4) rural recovery; (5) healthy crop sowing and monsoons so far—rainfall was 11% above normal till 2nd of July; and (6) pay commission for government employees from FY27.

Geopolitical volatility remains; China's silent 'choke' is the latest addition

Trump tariff suspension deadline ends 9th July. India should be able to navigate this phase with a mini trade deal or a BTA (as reported by the media), or further deferment with a status-quo on tariff rates.

An emerging concern is China's attempts to weaponise its control of critical inputs. Examples are:

1. Delays in shipment of specialized equipment meant for iPhone production in India from Chinese ports in January
2. Silent controls imposed on sale of rare earth magnets to India in April; these are used in EVs, electronics and defence equipment
3. Restrictions on supply of special fertilizers used for growing fruits and vegetables; India's Agri-exports topped US$50bn in FY25
4. China recalling its engineers from Foxconn's iPhone production units in Tamil Nadu and Karnataka
5. A German tunnel-boring machine bound for India is reportedly stuck in China, awaiting export clearance

While these Chinese actions further vindicate Indian government's mission of Make in India, these have the potential to slow down India's ongoing progress. Therefore, government needs to further double-down on its measures to boost domestic components manufacturing and assist the Industry in diversifying supply chains away from China. India imported nearly US$115bn worth of goods from China in FY25. Further, over 70% of APIs used by Indian drug manufacturers come from China.

Earlier this week the government approved INR 1 trillion of budget towards Employment Linked Incentive Scheme [ELIS] announced in the Union Budget. This should help boost employment, particularly in the manufacturing sector. The government has also approved a Research Development and Innovation Scheme [RDIS] with a corpus of INR 1 trillion.

Markets to consolidate near-term, after a good recovery; we remain constructive and selective

Indian equity markets have responded well to a better-than-expected 4Q earnings season, Trump tariff suspension and RBI's monetary stimulus. Furthermore, the USD DXY index had its worst 1H in over 50 years. **A weak US Dollar continues to aid FPI net inflows**, **which have turned positive in last 3 months.** In 2Q CY25 FPI's have invested $5.37bn into Indian equities as compared to outflows of $13.53bn in 1Q CY25. Nifty-50 was up 3.1% in June is and up 7.9% in 1H25. We expect a pick-up in corporate earnings growth in the coming quarters; however, at 25,400 index level (3% away from all-time-high), we believe Nifty-50 valuations are not inexpensive at more than 21x 12-month forward EPS, ahead of the last 10-year average multiple of 20x. We thus expect the markets to move sideways in the near-term, as they await a recovery in earnings growth.

In addition to turning more constructive on the Consumer sector in recent months, we have also raised the portfolio-weight of select financials, given the context of stable equity markets, declining interest rates and a likely pick up in credit growth. 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

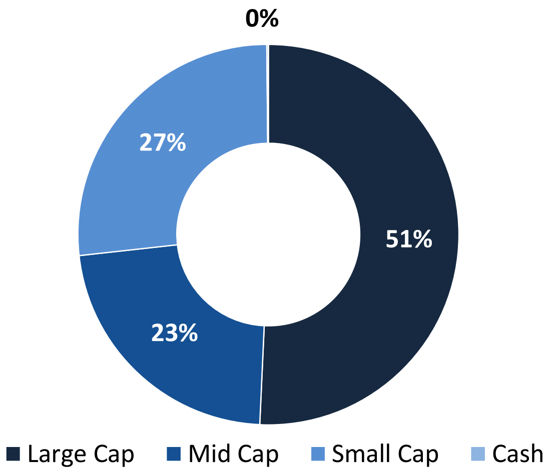
Pre-Tax Returns **(As on 30th SEPTEMBER 2024)**

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



Portfolio Highlights

Particulars	FY25	FY26E	FY27E
PAT Growth (%)	8.9	12.1	17.8
ROE (%)	13.0	13.2	13.9
P/E	26.6	23.8	20.2

Top Holdings

Company	Weight(%)
HDFC Bank Ltd	8.60%
Tech Mahindra Ltd	7.17%
One 97 Communications Ltd	6.14%
Info Edge (India) Ltd	4.88%
Reliance Industries Ltd	4.78%

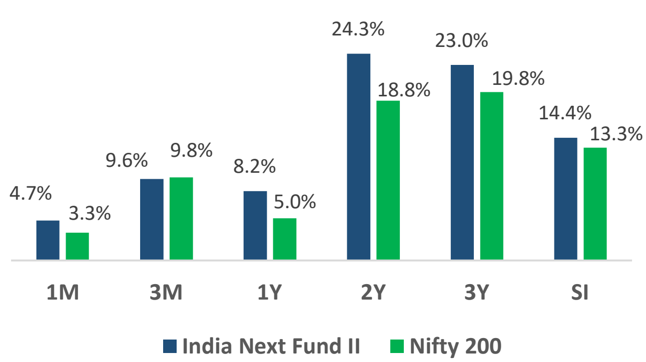
Renaissance India Next Fund II - Risk

Time Period: Last 3 Years
Calculation Benchmark: Nifty 200

	Portfolio	Nifty 200
Std Dev	26.38%	22.98%
Sharpe Ratio	0.66	0.62
Beta	1.01	1.00
Treynors Ratio	17.31%	--
Information Ratio	0.25	--

Returns

Calculation Benchmark: Nifty 200



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.

Sectoral Weights

Sector	Weight(%)
BFSI	32.20%
Consumer Discretionary	16.50%
Information Technology	16.15%
Internet	11.02%
Pharma & Chemicals	6.41%

Renaissance

THE SCIENCE OF INVESTING

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.