

RENAISSANCE INVESTMENT MANAGERS

Geopolitical volatility—Trump announces 25% import tariff plus 25% ‘Russian oil penalty’ on India

Trump announced a 25% import tariff on India, as the two countries failed to reach a bilateral trade agreement (BTA) before the July deadline. Further, on 6th August, the US President announced additional 25% tariff as ‘penalty’ for buying Russian crude oil; this appears to have been done to put indirect pressure on Russia, since US has been unable to stop Russia-Ukraine war. Interestingly, India’s export of refined products (gasoline, diesel) to the US would be exempted from entire 50% tariff.

These tariffs are not final; a BTA may still be secured as talks would resume late August. However, a 50% tariff rate places India at a significant disadvantage versus major export competitors like Vietnam, Cambodia, Philippines and Bangladesh who have tariff rates of 19-20%. The industrial sectors that could see **negative impact are textiles, auto components, engineering goods, gems & jewelry and metals**. Pharma and mobile phone exports, though currently exempted, may see relatively lower impact eventually, as these items tend to have relatively inelastic demand. India’s total goods exports to the US were US\$86bn in FY25 (\$55-60bn excluding exempted sectors), and economists have estimated that overall impact of tariffs on India’s GDP growth is unlikely to be more than 40-50bps.

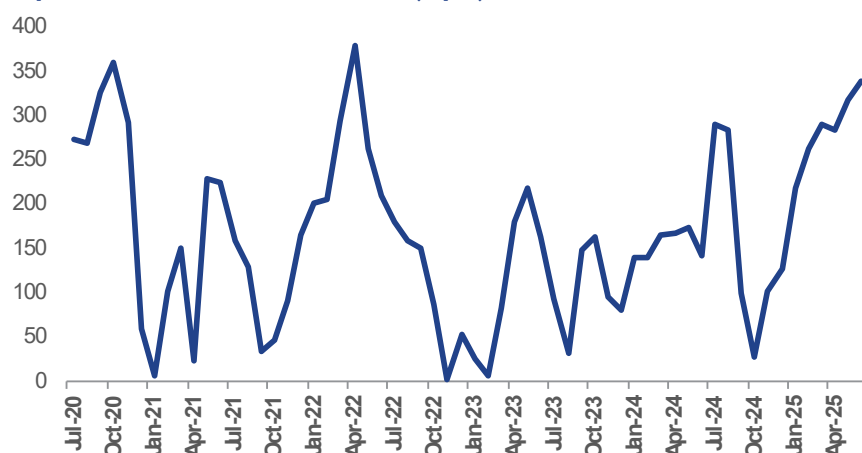
Additionally, we note that EU has announced a ban on sale of refined products from Russian crude oil, starting January 2026. Such developments are not only incrementally negative for India’s trade deficit but would also be negative for the global economy in terms of higher inflation. The rising geopolitical uncertainty is already reflecting in a weaker INR, FPI outflows and in equity market volatility.

India’s macros broadly stable; credit growth pick up awaited

India’s macro fundamentals remain in good health, even as some of the recent high-frequency indicators are showing mixed trends. Stimulus from income tax cuts and interest rate cuts, has started to flow into the economy. Government capex is seeing resurgence and is on track to reach budgeted target of INR 11.2tn for FY26. Thanks to lower crude oil prices and good monsoons, headline CPI inflation remains benign at 2.1% in Jun’25; this is the lowest since Jan’19, and well below RBI’s 4% target. Banking system liquidity is plentiful (INR 3tn+ surplus) and 10-yr G-Sec yields remain steady around 6.3%. However, INR has sharply depreciated against the USD, and is trading close to all-time lows around 87.8, driven by tariff uncertainties, FPI outflows and a mildly-appreciating US dollar.

On the consumption side, volume growth of FMCG companies remained weak in 1Q, driven by weak urban demand and rising competitive intensity. Further, Vahan data indicates muted trends in auto volume; 2-wheeler retail sales were up 5% yoy in June (+5% in 1Q), while PV sales were up merely 2% in June (2.5% in 1Q). Most importantly, bank credit growth continues to be sluggish, at 9.5% in June (similar to nominal-GDP growth), driven by weakness in large corporates and NBFC segments. Real interest rates continue to be on the higher side (3%+). We therefore don’t rule out further rate cuts by RBI in the coming months, and continue to expect a gradual revival in credit growth driven by: (1) bottoming out of interest rates; (2) rate cut transmission; and (3) festive demand.

Repo rate less CPI inflation (bps)



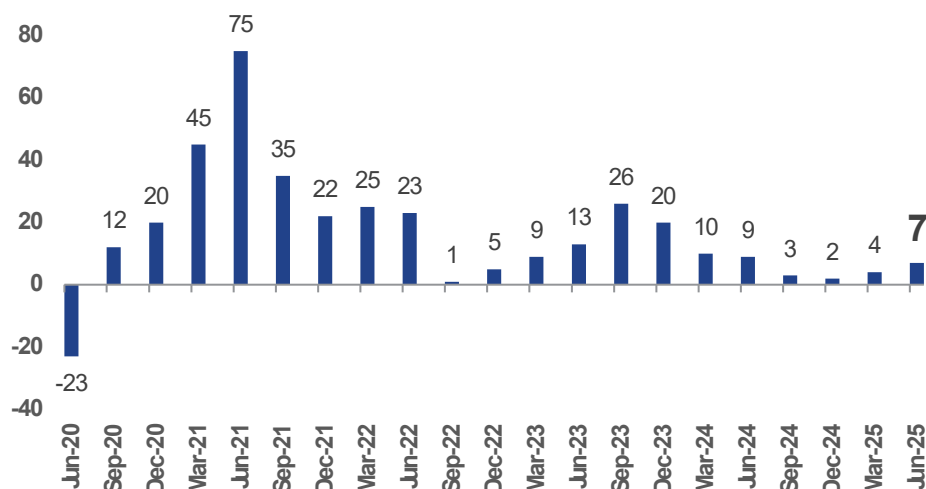
Source: NGEN Markets

1Q earnings performance—growth picked up but forward earnings revisions still negative

As per the CMIE, 1QFY26 combined revenues of 1250 listed-companies rose 7.5% yoy, while their aggregate PAT was up 11.3%. For Nifty-50 companies (38 have reported so far), aggregate 1Q revenue was up 5.7%, while PAT was up 7.5%. Thus, mid-cap companies have delivered higher growth (in low-teens) in 1Q, driven by sectors such as IT, Cap Goods, PSU Banks, Healthcare and Cement.

For Nifty-50 companies (that have reported so far), there is a clear pick up in aggregate profit growth to 7.5% in 1QFY26 from 3-4% in 4QFY25. However, even as overall 1Q profits were ahead of forecasts, there is a marginal 1% cut in Nifty-50 EPS for both FY26E and for FY27E, driven by two key factors: (1) muted near-term outlook and guidance, in view of trade/tariff uncertainties and weak credit growth; and (2) a cut in profit forecasts of higher weightage stocks, belonging to IT, Banking and Energy sectors.

Growth in aggregate quarterly PAT of Nifty-50 companies (% , YoY)



Source: Broker Report. Note: Jun'25 figure is for 38 companies that have reported so far.

Markets seeing consolidation; profit cycle favourable—debate is around growth trajectory

Indian equity markets have recovered well from their March-lows, but are now facing some headwinds on account of modest earnings cuts, and weakening FPI sentiment due to geopolitical and trade uncertainties. Strong DM performance especially US equity markets (S&P 500 up 2.2% in July) and a mildly appreciating USD (DXY index 3.2%) also appear to have contributed to July FPI net outflows of INR 247bn (US\$ 2.9bn) in July vs net inflows of INR 204bn in June.

Nifty-50 declined 2.9% in July, but CYTD the index is up 4.7%. At 24,600 level (6.2% below all-time-high), Nifty-50 valuation at 20x 1yr forward EPS is in line with its 10-yr average multiple. Even as profit growth is showing early signs of revival, tariff and geopolitical uncertainties would keep a lid on the markets in the near term.

Our portfolios are 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, select 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, select 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.

Renaissance India Next Fund – II (Closed Ended Cat III AIF)

Inception Date 1st January 2022 Data as on 31st July 2025

Investment Strategy

- Theme : Brand, Internet, Technology & Science (BITS)
- A Flexi cap strategy focused to deliver Sustainable High Returns
- Optimal portfolio construction which strike balance between risk and reward
- Diversified Portfolio with No Sector Bias
- High quality diversified portfolio of 25-30 stocks

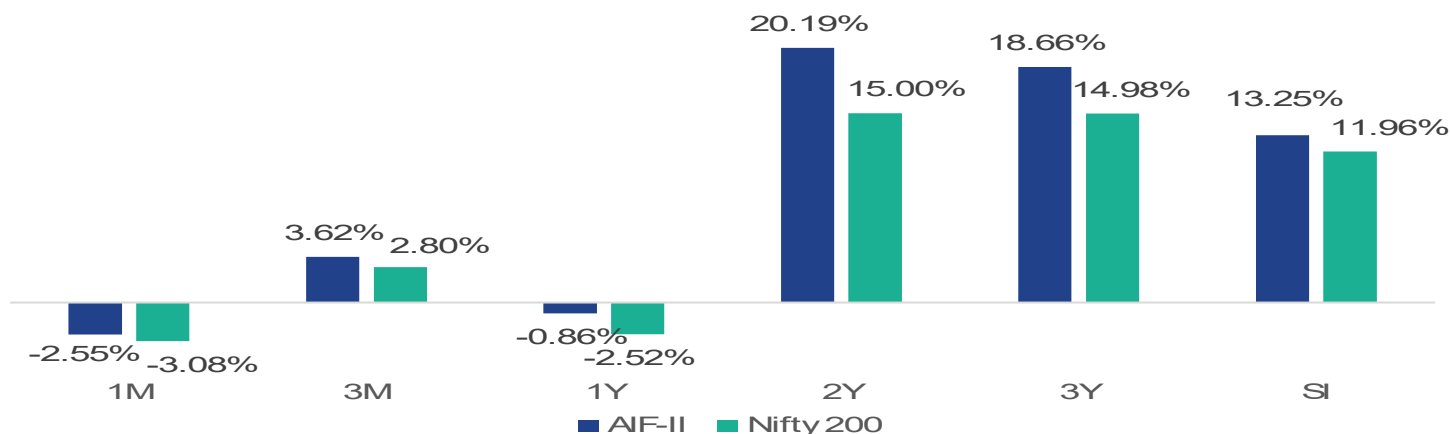
Top Stocks

Company	Weight (%)
HDFC Bank Ltd	9.05%
ONE 97 Communications Ltd	7.83%
Tech Mahindra Ltd	6.61%
HDFC AMC Ltd	5.31%
Motilal Oswal Financial Services Ltd	5.04%

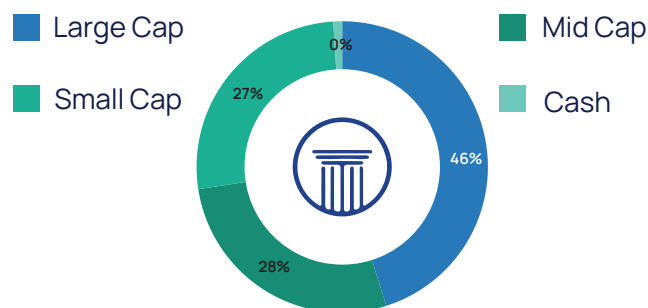
Portfolio - Fundamental Attributes

Particular	FY25	FY26E	FY27E
PAT Growth (%)	7.9	10.9	17.5
ROE (%)	12.9	13.0	13.7
P/E	24.9	22.4	19.1
PEG	3.16	2.07	1.09

Periodic Returns (Pre-Tax)



Portfolio Capitalization



Top Sectors

Sector	Weight (%)
BFSI	32.98%
Internet	16.80%
Consumer Discretionary	15.14%
Information Technology	14.27%
Auto & Logistics	5.58%

Portfolio -Risk Attributes*

Particular	AIF II	Nifty 200
Std Dev (%)	26.24	22.81
Sharpe Ratio	0.48	0.41
Beta	1.01	1.00
Treynors Ratio (%)	12.40	-
Information Ratio	0.25	-

*3 years data

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 valuation, focus on economic value of business.
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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.

Disclaimer

The Fund/strategy returns are of a Model Client. The performance related information provided herein is not verified by SEBI. The performance of the stock across Individual portfolios may vary significantly from the data depicted above. Returns of individual client may differ depending on timing of entry and exit, timing of additional flows and redemptions, individual client mandates, specific portfolio construction characteristics or structural parameters which may have a bearing on individual portfolio performance. No claims may be made or entertained for any variances between the above performance depictions and that of the stock within individual client portfolios. Neither RIMPL, nor the Fund/Asset Management Company, its Directors, employees or Sponsors shall in any way be liable for any variation noticed in the returns of individual portfolios. Performance related information provided herein is not verified by SEBI.

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Risk Factors

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