

FACTSHEET

MARCH 2023



Renaissance Investment Managers

Dear investors,

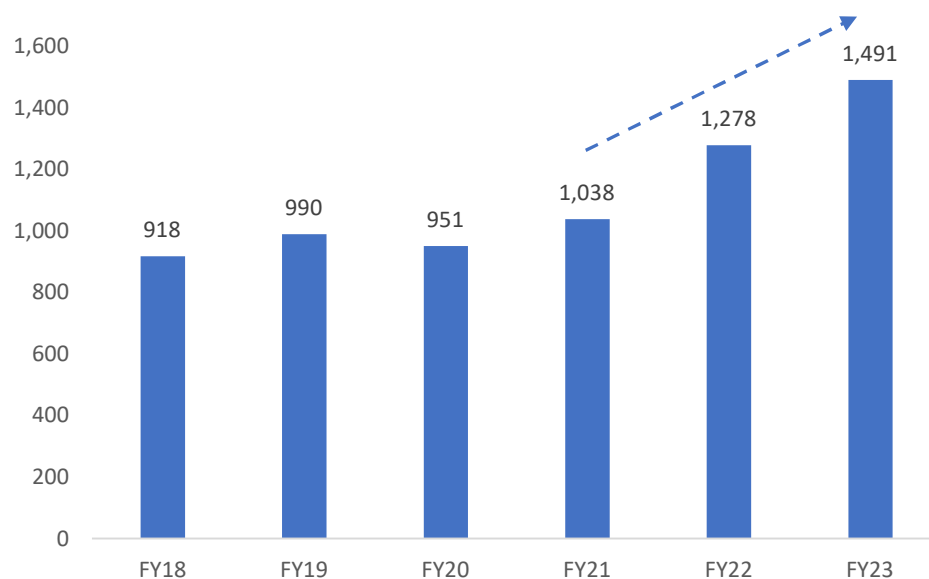
Another volatile JFM quarter

Over the last 3-4 years, JFM (Jan-Feb-Mar) quarter has turned out to be a bad omen for the equity markets. After Covid (multiple waves) and Russia-Ukraine war, JFM in 2023 was jolted by an unexpected banking crisis in the western world. While the world was still fighting a battle against stubborn inflationary pressures, SVB Bank followed by Credit Suisse fallouts drove further uncertainty for the equity markets across the globe. However, the weird part of this story is the 360 degree reversal in the US FED's policy which has moved from quantitative tightening to quantitative easing. After a doom's day scenario getting built in JFM quarter, the rest of the calendar year has been marked by a smart recovery for equity markets in the last 3 years. While we hate to blindly extrapolate historical trends, but a move from quantitative tightening to quantitative easing could potentially be a good reason for equity markets to rally from hereon.

Global banking crisis is unlikely to have any meaningful impact on Indian banking system or the economy. Foreign banks account for less than 1% of the country's total branch network and in terms of banking assets the contribution is ~7%. More importantly, for all foreign banks, contribution from Indian operations is inconsequential in their overall scheme of things. On the other hand, Indian banks have a paltry presence in international geographies and have no dependence on foreign banks for raising deposits/ borrowings. Whichever way one looks, Indian banks are largely immune from the global turmoil. On the contrary, Indian banking system is going through its strongest phase ever in multiple decades. We have spoken about this multiple times in our notes earlier.

The Indian economy is not completely immune global upheaval; however, it certainly remains in a far better position than the world. Gross GST collection for the FY22-23 stood at Rs 18tn, which implies a very strong 22% YoY growth. While the high growth is also partly due to inflation and higher compliance, but ex of these two factors also, the collections are quite robust and reassuring.

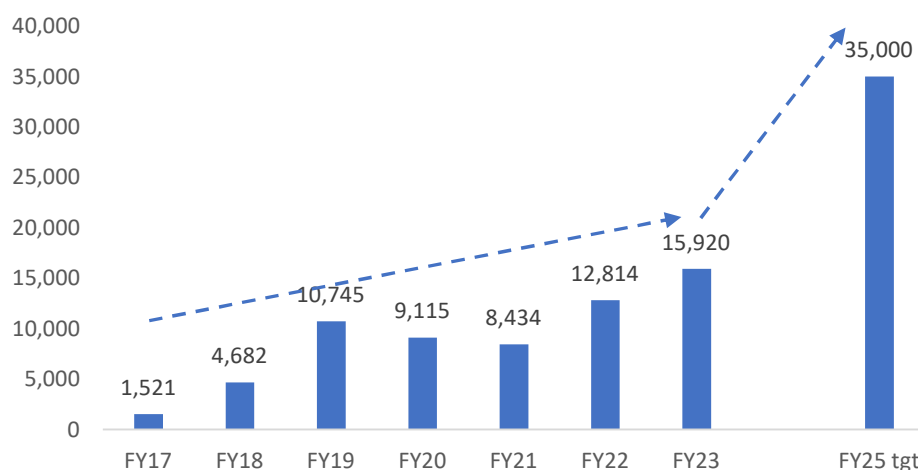
Average monthly GST collections (Rs bn)



Source: Broker notes

Despite the initial setback to the Make in India programme, the Govt of India persisted with its drive to increase the manufacturing footprint in the Indian economy. PLI scheme has undoubtedly been a success. Another green shoot is also visible in the defence manufacturing and exports of the country. Since FY16-17, defense exports have increased 10 times (chart below) to Rs 15,920crs in FY22-23. Given our historical track record, this is massive and really encouraging. More importantly, the Govt has set a target of Rs 35,000cr of defence exports for FY25. This implies more than doubling of exports in just two years. If India can pull this off, this will certainly be a game changing moment for defence industry. Its noteworthy to highlight that defence orders to the tune of Rs 45,000cr were placed in the last week of Mar23. This clearly shows the intent of the government to drive defence manufacturing/ exports in a big way.

India Defence Exports (Rs crs)



Equity markets are amidst a tug-of-war with global uncertainties on one side and domestic opportunities on the other. We believe there are structural tailwinds for the Indian economy emanating from PLI scheme, Make in India, China+1 and capex cycle recovery amongst others. These are structural drivers for the economy which are unlikely to be bogged down by intermittent slowdown in demand or EL-Nino kind of events. Consequently, we continue to remain sanguine on the long-term growth prospects of the Indian economy.

Happy investing!

Pawan Parakh

Portfolio Manager

Portfolio – Returns Attributes

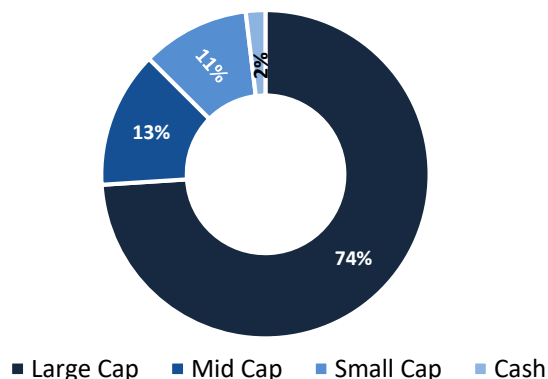
(As on 31st March 2022)

Fund / Index	1 Year	2 Years	3 Years
CRISIL AIF Index – Long Only Equity Funds (INR)	24.5%	46.1%	17.2%
INDIA NEXT FUND	16.8%	61.8%	18.8%
INDIA NEXT FUND II	N/A	N/A	N/A

Investment Strategy

- Focused portfolio of 20 - 25 stocks
- High Conviction Ideas
- Investing across businesses which are at different states of their business lifecycle
- Capable of delivering sustainable, market-leading growth
- Reasonable Valuation

Portfolio Capitalization



Top Holdings

Company	Weight(%)
ICICI Bank	8.07%
HDFC Bank	7.86%
Sun Pharmaceuticals	6.26%
ITC	6.10%
Bharti Airtel	5.80%

Top Sectorial Weights

Sector	Weight(%)
Banks & Finance	32.20%
Capital Goods & Engineering	16.84%
FMCG	13.56%
Pharmaceuticals	12.79%
IT Consulting & Software	7.12%

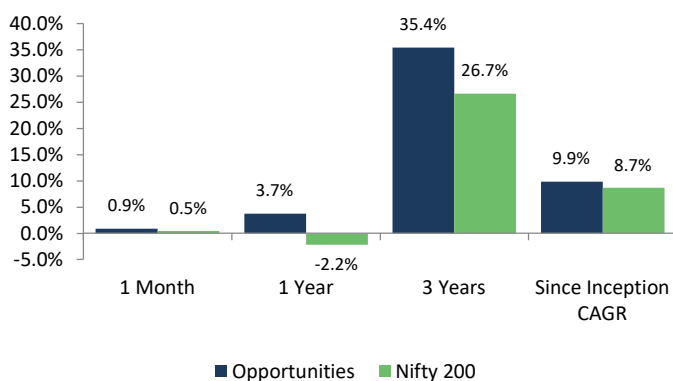
Portfolio – Fundamental Attributes

Particulars	FY23E	FY24E
PAT growth (%)	34.1%	25.8%
ROE (%)	17.6%	17.6%
P/E	38.4	28.0

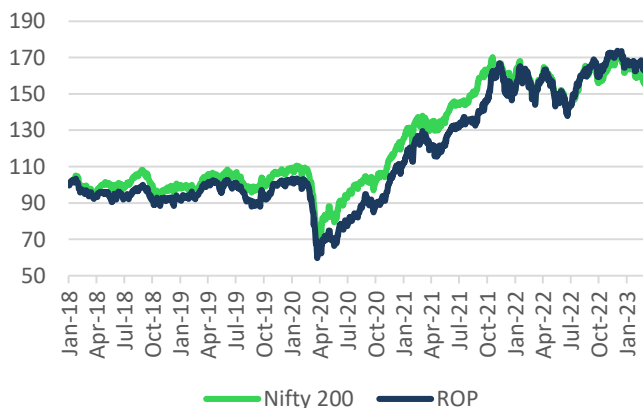
Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	14.47	14.75
Information Ratio	1.08	0.0
Sharpe Ratio	-0.22	-0.63
Beta	0.91	1.0
Treynors Ratio	-0.03	0.0

Returns



Returns

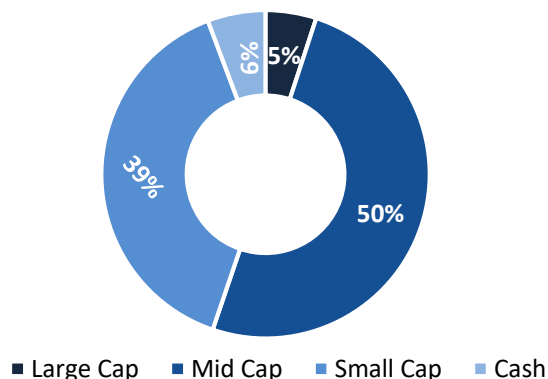


* Returns are for all clients on TWRR basis

Investment Strategy

- High growth business at early stage
- Focused approach – Around 25 stocks
- Midcaps which can grow sustainability to become tomorrow's Large Caps
- Long term approach to realise the full potential
- Flexibility to take exposure in Small caps which can be mid caps of tomorrow

Portfolio Capitalization



Top Holdings

Company	Weight(%)
Cummins India	7.45%
Aptech	5.70%
IDFC First bank	5.56%
Bharat Electronics	5.00%
Cera Sanitaryware	4.68%

Top Sectorial Weights

Sector	Weight(%)
Banks & Finance	19.20%
FMCG	17.01%
Pharmaceuticals	11.58%
Capital Goods & Engineering	11.52%
Automobiles & Logistics	6.28%

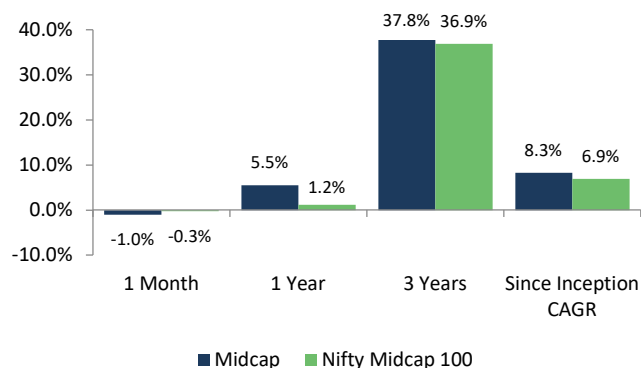
Portfolio – Fundamental Attributes

Particulars	FY23E	FY24E
PAT growth (%)	15.2%	43.2%
ROE (%)	16.7%	18.0%
P/E	28.0	19.2

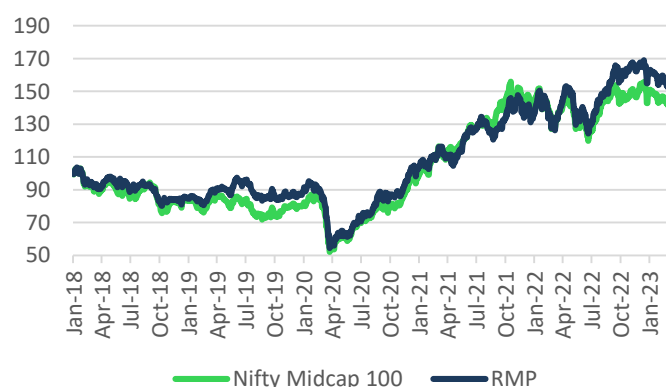
Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	17.20	17.36
Information Ratio	0.57	0.0
Sharpe Ratio	-0.08	-0.33
Beta	0.90	1.0
Treynors Ratio	-0.02	0.0

Returns



Returns

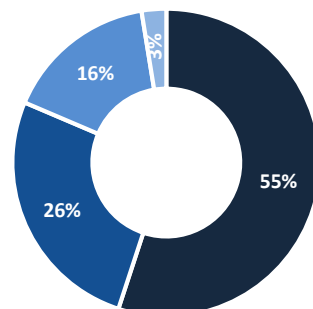


* Returns are for all clients on TWRR basis

Investment Strategy

- Concentrated portfolio of 20-25 stocks.
- Focus on generating absolute returns over a 3 year period
- Market cap of more than INR 3000 Cr
- Capitalization Agnostic
- Additional layers apart from our SQGARP frame of low leverage (less than 0.5) and ROE>15%

Portfolio Capitalization



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

Top Holdings

Company	Weight(%)
ICICI Bank	7.83%
HDFC Bank	7.64%
Larsen & Toubro	7.64%
Reliance Industries	5.68%
Cummins India	5.27%

Top Sectorial Weights

Sector	Weight(%)
Banks & Finance	31.14%
FMCG	17.66%
Capital Goods & Engineering	12.91%
IT Consulting & Software	12.26%
Oil & Gas	5.68%

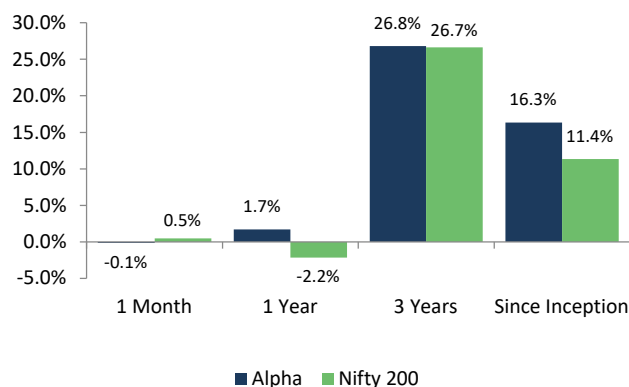
Portfolio – Fundamental Attributes

Particulars	FY23E	FY24E
PAT growth (%)	16.8%	25.9%
ROE (%)	20.0%	21.5%
P/E	31.2	24.7

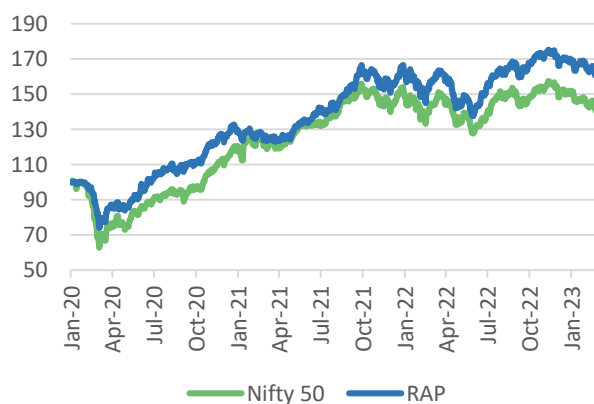
Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	14.20	14.73
Information Ratio	0.72	0.0
Sharpe Ratio	-0.37	-0.61
Beta	0.90	0.08
Treynors Ratio	-0.06	0.0

Returns



Returns



* Returns are for all clients on TWRR basis

Investment Strategy

Dynamic Thematic Portfolio

Theme 1

India Economic Recovery (19th April 2018 to 15th June 2022)

Theme 2 (Current Theme)

Growth & Income

Growth



Income

SUSTAINABLE QUALITY GROWTH AT REASONABLE PRICE

- Indian GDP growth of 7% in next 3 years
- Focus on investing in growth sectors
 - ✓ Consumer Discretionary
 - ✓ Capital Goods
 - ✓ Financials
 - ✓ IT & Retail

INFLATION HEDGE

- Focus on Income Yields
- Business with strong pricing power
 - ✓ Utilities
 - ✓ Telecom
 - ✓ Pharmaceuticals
 - ✓ Real Estate

Portfolio Capitalization

67%

14%

15%

4%

■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

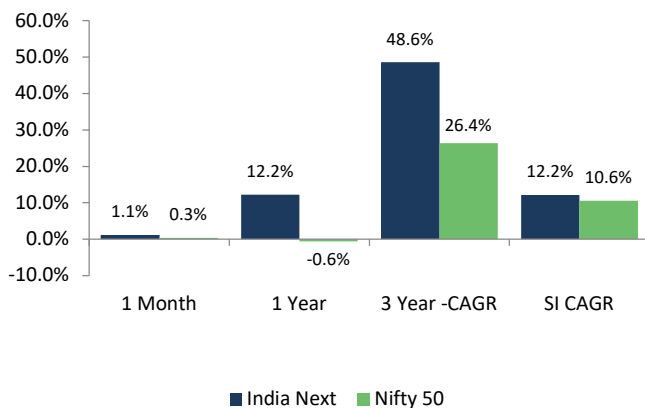
Top Holdings

Company	Weight(%)
ICICI Bank	7.38%
ITC	7.35%
State Bank of India	7.29%
HDFC Bank	6.13%
Sun Pharmaceuticals	5.56%

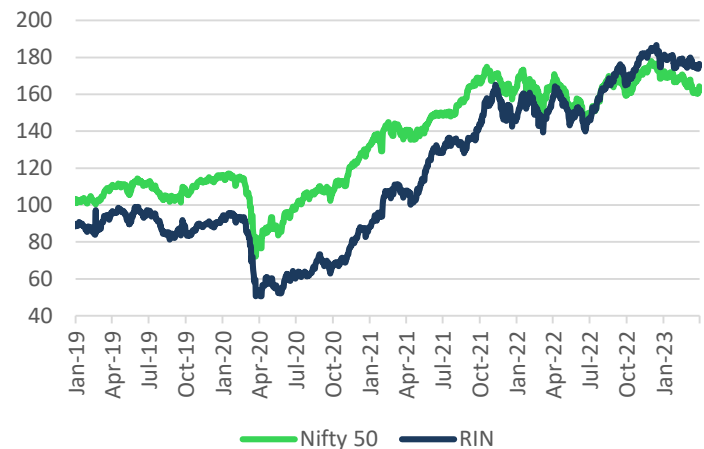
Sectoral Weights

Sector	Weight(%)
Banks & Finance	27.16%
Capital Goods & Engineering	20.06%
IT Consulting & Software	13.21%
Pharmaceuticals	11.38%
FMCG	7.35%

Returns







Returns



* Returns are for all clients on TWRR basis

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.

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