



**Renaissance Investment Managers**

Dear investors,

All stars aligned!

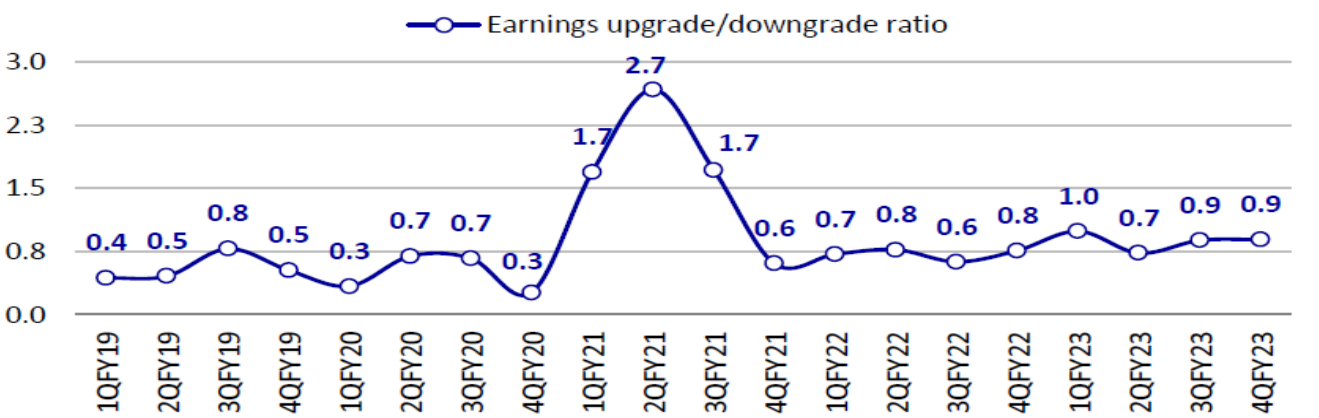
Corporate India ended FY22-23 on a sedate note, despite the global challenges. The financial year began with a hyper-inflationary scenario and rising interest rates, which led to a dent to operating margins across the board. As the commodity prices cooled-off during the course of the year, margins witnessed a rebound and we believe further improvement is in the offing, to be visible in FY23-24.

Nifty Index profit after tax (PAT) for Q4FY23/ FY23 increased by ~11%/ 15% respectively, which is quite healthy, more importantly when looked in the backdrop of the volatile circumstances that persisted throughout the year. Growth was led by BFSI space led by a confluence of robust loan growth, stable margins and steady asset quality. For most Banks/NBFCs, fresh NPA formation has been benign and recovery/upgrades from earlier NPAs have come as a positive surprise. Overall, we continue to maintain our positive stance on this sector given their strong balance sheet and promising growth outlook. FY23-24 could see some moderation in margins, but profit growth should be strong given the expected growth in the loan book.

On the misses, IT services led the pack as the sector witnessed moderation/compression in growth. Given the multiple global headwinds, we were expecting growth to moderate which was finally visible in Q4FY23. Shutdown of smaller banks in US further exacerbated the negative sentiment for the sector as BFSI is the largest end user customer for the Indian IT services companies. In the wake of near-term growth headwinds, IT companies focused on cost efficiency which led to a net reduction in headcount at the aggregate level. Despite the intermittent headwinds, we believe technology spends in the current era can't be held back for long. Spends on digital, cloud and business transformation are structural and essential for long term growth. Hence, we continue to remain sanguine on the global IT spending landscape which augurs well for IT services sector in the medium to long term.

On an aggregate basis, the earning season was very much on expected lines. The earnings upgrade to downgrade ratio was also in the balance (refer chart below). Most the downgrades were from either commodity related sectors (like Oil & gas and metals) or IT services. Outside of these 2 sectors, downgrades weren't noteworthy. We expect these two sectors also to largely bounce back in the coming financial year. Nifty EPS for FY22-23 stood at 803 and is expected to grow by ~20% in FY23-24 to 960.

Earnings upgrade/ downgrade ratio



Source: Govt of India

The recent reading on GDP growth (+7.2% for FY22-23) has come up as a positive surprise. Growth was driven by higher government expenditure, while GFCF growth stayed robust (8.9% YoY) and net exports added positively to growth. Capex indicators appear to be healthy. On the back of strong underlying growth, capacity utilization is improving further and there are visible signs of rising new project announcements. Interest rates are at their peaks and with moderating inflation, we believe, interest rates in next one year should be lower than current levels. This should further aid capex and consumption demand.

To conclude, we feel quite confident on the growth fundamentals of our economy. Like always, there will always be some or another unknown risks which can keep the market jittery in the short term. However, the long-term outlook continues to be very promising, because of the sheer fact that India is attracting large investments which are not perturbed by short-term challenges. Our portfolios have done well as the portfolio companies have strong financials and are well placed to leverage on the impending growth opportunity going ahead. As the growth gets pronounced over the next 3-4 years, we believe our portfolios should continue to do well.

Happy investing!

**Pawan Parakh**

**Portfolio Manager**

Renaissance Opportunities Portfolio

Inception Date: 1<sup>st</sup> January, 2018

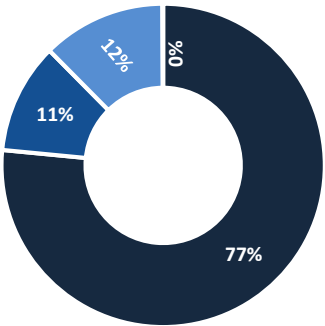
Data as on 31<sup>st</sup> MAY 2023



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



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

Top Holdings

Company	Weight (%)
ICICI Bank	7.87%
HDFC Bank	7.08%
ITC	6.39%
Bharti Airtel	5.93%
Sun Pharmaceutical	5.60%

Top Sectorial Weights

Sector	Weight (%)
Banks & Finance	34.04%
Capital Goods & Engineering	15.78%
FMCG	13.65%
Pharmaceuticals	12.18%
IT Consulting and Software	8.16%

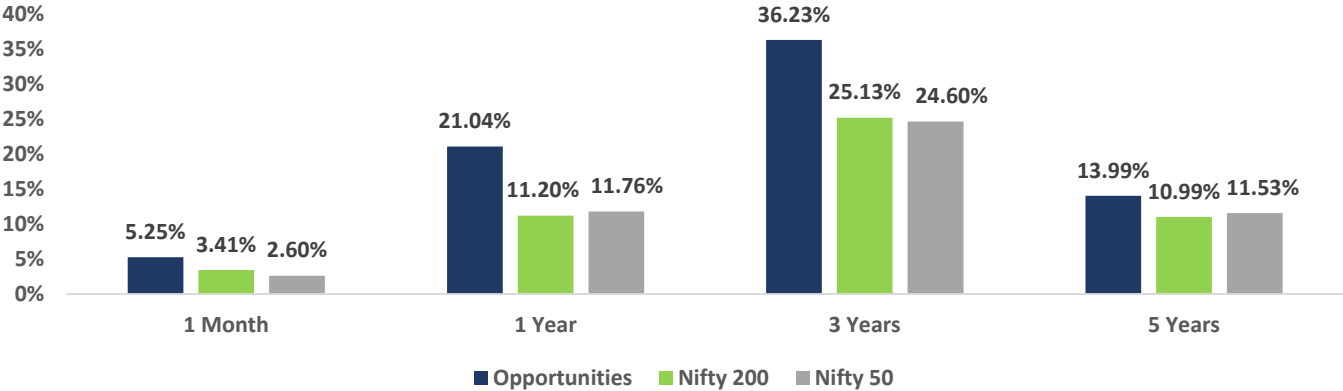
Portfolio – Fundamental Attributes

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	12.06	12.50
Information Ratio	1.98	0.00
Sharpe Ratio	1.17	0.35
Beta	0.89	1.00
Treynors Ratio	0.16	0.00

Returns



\* Returns are for all clients on TWRR basis

# Renaissance Mid Cap Portfolio

Inception Date: 1<sup>st</sup> January, 2018

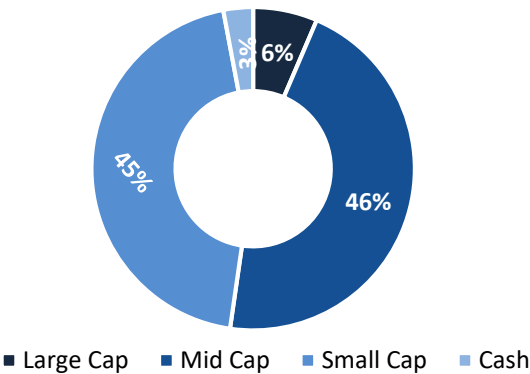
Data as on 31<sup>st</sup> MAY 2023



## 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	7.09%
IDFC First Bank	6.38%
Aptech	5.11%
Shoppers Stop	4.61%
DCB Bank	4.53%

## Top Sectorial Weights

Sector	Weight (%)
Banks & Finance	26.92%
FMCG	15.44%
Automobiles & Logistics	9.98%
IT Consulting & Software	8.63%
Capital Goods & Engineering	7.09%

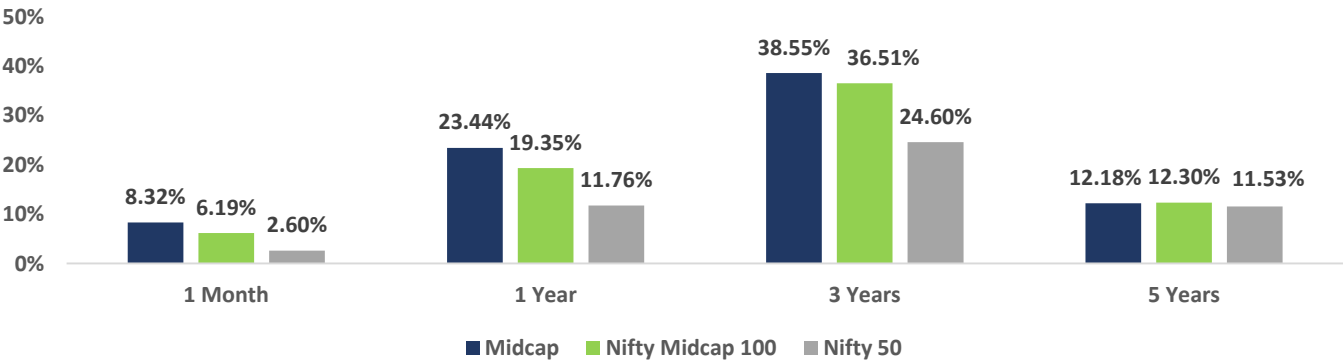
## Portfolio – Fundamental Attributes

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	14.84	14.95
Information Ratio	0.58	0.00
Sharpe Ratio	1.12	0.83
Beta	0.88	1.00
Treynors Ratio	0.19	0.00

## Returns



\* Returns are for all clients on TWRR basis

# Renaissance Alpha Portfolio

Inception Date: 20<sup>th</sup> January, 2020

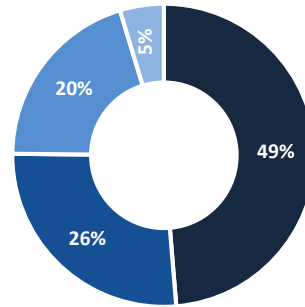
Data as on 31<sup>st</sup> MAY 2023



## Investment Strategy

- Focused 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	6.67%
HDFC Bank	5.98%
Reliance Industries	5.42%
Larsen & Toubro	5.23%
Titan	5.18%

## Top Sectorial Weights

Company	Weight (%)
Banks & Finance	33.61%
FMCG	17.50%
IT Consulting & Software	11.13%
Capital Goods & Engineering	10.35%
Oil & Gas	5.42%

## Portfolio – Fundamental Attributes

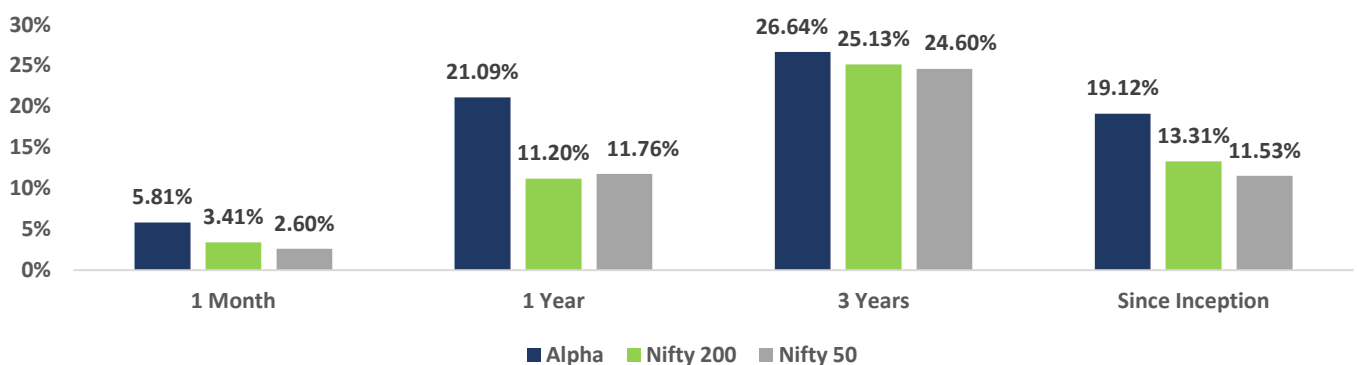
Particulars	FY23E	FY24E
PAT growth (%)	16.8%	25.9%
ROE (%)	20.0%	21.5%
P/E	31.2	24.7

## Portfolio – Risk Attributes

(Last 12 Months)

	Portfolio	Index
Std Dev	12.15	12.48
Information Ratio	1.88	0.00
Sharpe Ratio	1.17	0.35
Beta	0.89	1.00
Treynors Ratio	0.16	0.00

## Returns



\* Returns are for all clients on TWRR basis

Investment Strategy

PAST THEME

Theme 1  
INDIA  
ECONOMIC  
RECOVERY

TENURE: April '18 to June '22

Dynamic Thematic Portfolio

Every theme has  
finite life cycle

“India Next Portfolio  
will change themes  
with changes in  
Economic cycle”

CURRENT THEME

Theme 2  
GROWTH  
&  
INCOME

TENURE: June '22 onwards

Portfolio Capitalization

70.27%

20.25%

9.52%

■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

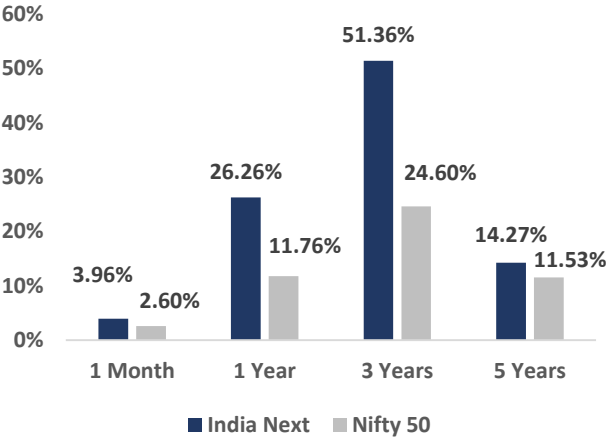
Top Holdings

Company	Weight (%)
ITC	7.83%
State Bank of India	7.40%
ICICI Bank	7.31%
HDFC Bank	5.64%
Sun Pharmaceuticals	5.06%

Sectoral Weights

Sector	Weight (%)
Banks & Finance	32.34%
Capital Goods & Engineering	15.69%
IT Consulting & Software	13.81%
Pharmaceuticals	11.08%
FMCG	7.83%

Returns



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Portfolio – Risk Attributes (Last 12 Months)

	Portfolio	Index
Std Dev	12.51	12.45
Information Ratio	2.39	0.00
Sharpe Ratio	1.55	0.39
Beta	0.89	1.00
Treynors Ratio	0.22	0.00

## 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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