



## **Renaissance Investment Managers**

Dear Investors,

## A look back at 2024

Indian equity markets saw returns moderating in CY24, after solid performance in the previous few year. Nifty-50 returned a moderate ~9% in 2024 (3-yr trailing: 11%), but the mid and small cap indices outperformed Nifty-50 significantly for the second consecutive year, with returns of 24% each. Returns from major indices were front-loaded in 2024 with flattish returns in the second-half, as markets grappled with the weakening domestic macro indicators and a slowdown in corporate earnings growth; both these factors contributed to significant FPI outflows (US\$12bn in 4Q24), which were also fueled by the Chinese stimulus, soaring Dollar (DXY index) and the Trump-election rally in US equity markets. Nonetheless, domestic net inflows into equity MFs remain quite robust (US\$46bn annualized for 2024 vs US\$19bn in 2023) compared to net FPI inflows (<US\$ 100mn) and new equity supply (~US\$38bn from IPOs + QIPs).

## Performance of Indian equity indices in recent years

CY Returns (%)	2021	2022	2023	2024	1H 2024	2H 2024
Nifty 50	24.1	4.3	20.0	8.8	10.5	-1.5
Nifty Midcap 100	46.1	3.5	46.6	23.9	20.7	2.6
Nifty Smallcap 100	59.3	-13.8	55.6	23.9	21.0	2.5
Nifty 500	30.2	3.0	25.8	15.2	16.1	-0.8

Source: Index Prices taken from NSE Website.

## Recovery in macros and earnings likely to be gradual

After a weak GDP print in 2QFY25, Indian macros are starting to show improvement albeit in pockets. Pick up in government capex, PMI measures, rural indicators are positive; furthermore, bank credit growth improved to 11.5% yoy in mid-December from 10.6% end-November. However, urban consumption, private corporate capex and industrial credit (+8% yoy) continue to remain subdued. We believe government capex at both Central and State levels is likely to undershoot their FY25 budgets, because of: (1) inability to spend/execute in time; and (2) emerging constraints from election-related freebies. Nonetheless, we expect govt. capex to spill over into CY25 / FY26, and expect the capex cycle to continue, even as private corporate capex is yet to see a strong revival.

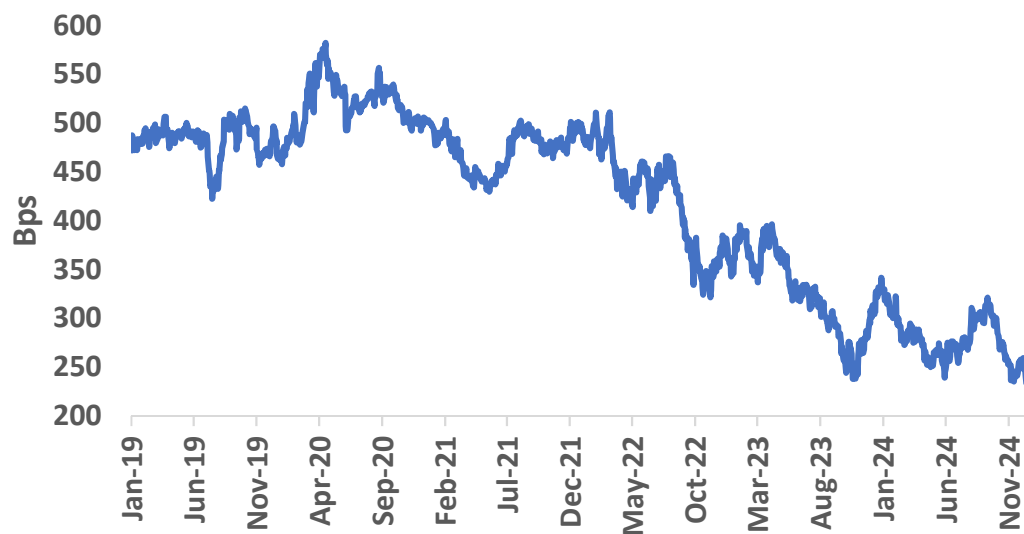
## New challenges await the new RBI governor in the New Year

Recently appointed RBI Governor Mr. Malhotra faces a trinity of challenges in our view: (1) slowing economic growth amid somewhat stubborn food inflation; (2) elevated external imbalances such as rising CAD and continuing capital outflows; and (3) Trump/Geopolitics and fewer rate cuts by the US Fed.

The Indian Rupee depreciated by ~3% against the USD in 2024, much below the depreciation seen in other major EM currencies amid a 6.1% increase in the Dollar index (DXY index). We believe the RBI may have to allow a sharper INR depreciation in 1H 2025 to maintain export competitiveness, and to conserve FX reserves that have declined to US\$640bn as of last week from Sep'24 peak of US\$705bn.

Thus, we expect repo-rate cut cycle to begin in 1Q25 that should provide additional impetus to GDP growth, albeit at the cost of INR depreciation. However, how much the Indian long-term interest rates (e.g. 10-yr GSec) come down over time, significantly depends on the global cost of capital set by the US 10-yr bond yield, which has risen by 100bps since Sep'24 despite a 100bps cut in overnight rates by the US Fed. Thus, equity valuations may face constraint from a higher cost of capital, especially if US GDP growth and US inflation turn out higher versus market expectations.

### Spread of India 10-yr G-Sec yield over the US 10-yr treasury yield (bps)



Source: Data from investing.com.

### Expect markets to consolidate in the near term; we remain constructive and selective

Markets also await Trump's inauguration, India's Union Budget and a fresh outlook by the RBI MPC in February. At roughly 23,600 level currently, Nifty-50 index is priced at a 1-year forward P/E of 20x on consensus earnings estimates, which is similar to the last 10-year average valuation (20x).

While India's long term structural growth outlook remains intact, the economy is in midst of a cyclical slowdown and the economic slowdown has transitioned into moderation in earnings growth for corporate India. The Nifty 50 companies are expected to deliver 9% earnings growth in Fy25 as compared to 16% growth in Fy24. We expect Nifty Index returns to be measured in the near term.

A largely side-ways market with narrowing breadth, aligns favorably with our investment approach of building focused portfolios of quality companies that can deliver sustainable growth over the medium to long term. Our portfolio is skewed towards credit growth, capex and export/outourcing plays. We are invested in pockets having attractive valuations (e.g. private sector financials, housing NBFCs, select PSUs), as well as in pockets that we expect would deliver a higher amount and/or longevity of earnings growth at reasonable prices (such as IT, Pharma, Industrials & Capital Goods, Telecoms etc.). We continue to maintain our disciplined stock selection process to ensure long term, sustainable returns for our investors.

**Corporate Action:** Our investee company Strides Pharma has undergone a demerger of its CRAMS business – One Source Specialty Pharma. Since One Source stock has not been listed as yet, as per the valuation policy it has been valued at assigned cost and that has adversely impacted the monthly performance of some of our funds. We expect the same to normalise after One Source gets listed. We expect meaningful value to accrue to Shareholders on listing of One Source Specialty Pharma.

### Happy Investing

**Pankaj Murarka**  
Founder & CIO

# Renaissance Opportunities Portfolio (Large Cap PMS)

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

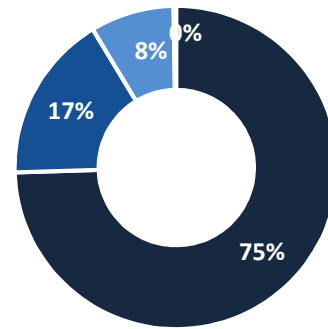
Data as on 31<sup>st</sup> DECEMBER, 2024



## Investment Strategy

- **Large Cap Strategy**
- **Blend of Growth & Quality**
- **Focused portfolio of 20 - 25 stocks**
- **High Conviction Ideas**
- **Investing across businesses which are at different stages of their business lifecycle**

## Portfolio Capitalization



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

## Top Holdings

Company	Weight (%)
HDFC Bank Ltd	10.20%
Tech Mahindra Ltd	6.92%
State Bank of India	6.28%
Infosys Ltd	5.90%
Info Edge (India) Ltd	5.75%

## Top Sectorial Weights

Sector	Weight (%)
BFSI	33.93%
IT & Tech	22.38%
Consumer Discretionary	10.95%
Pharma & Chemicals	10.16%
Industrials	9.05%

## Portfolio – Fundamental Attributes

Particular	FY24	FY25E	FY26E
PAT Growth (%)	22.3	15.3	17.6
ROE (%)	16.5	15.9	16.4
P/E	25.4	22.0	18.7

## Portfolio – Risk Attributes\*

Particular	Portfolio	Nifty 50 TRI
Std Dev	25.29%	24.05%
Sharpe Ratio	2.67	1.43
Beta	0.94	1.00
Treynors Ratio	0.72	-
Information Ratio	2.91	-
Up/Down Capture	109%/60%	

## Periodic Returns

Period	ROP	Nifty 50 TRI
1M	-0.35%	-2.02%
3M	-2.50%	-8.25%
6M	4.67%	-1.08%
1Y	24.55%	10.09%
3Y CAGR	20.33%	12.17%
5Y CAGR	20.95%	15.54%

## Rolling Returns\*

Particular	ROP	Nifty 50 TRI
Maximum	39.51%	32.05%
Average	20.37%	16.93%
Minimum	3.59%	8.36%

Returns are for all clients on TWRR basis.

The performance related information provided herein is not verified by SEBI.

\*3 years data

## Investment Philosophy

### Sustainable Quality Growth At Reasonable Price (SQGARP)

 <b>Sustainability</b>	Companies with sustainable and durable business models.
 <b>Quality</b>	Superior quality businesses as demonstrated by Competitive edge, Pricing power, ROE, FCF. Good quality and competent management teams.
 <b>Growth</b>	Business that can deliver superior growth over medium term to long term.
 <b>Price</b>	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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**Risk Factors:** Investing in securities involves certain risks and considerations associated generally with making investments in securities. The value of the portfolio investments may be affected generally by factors affecting financial markets, such as price and volume, volatility in interest rates, currency exchange rates, changes in regulatory and administrative policies of the Government or any other appropriate authority (including tax laws) or other political and economic developments. Consequently, there can be no assurance that the objective of the Portfolio would be achieved. Prospective investors are advised to review the Disclosure Document, PPM and/or, Client Agreement, and other related documents carefully and in its entirety and consult their legal, tax and financial advisors to determine possible legal, tax and financial or any other consequences of investing under this Portfolio, before making an investment decision. RIMPL is not liable or responsible for any loss or shortfall resulting from the operation of the investment approach. This document represents the views of Renaissance Investment Mangers Private Limited and must not be taken as the basis for an investment decision. Neither Renaissance Investment Mangers Private Limited nor its affiliates, its Directors or associates shall be liable for any damages including lost revenue or lost profits that may arise from the use of the information contained herein. No representation or warranty is made as to the accuracy, completeness or fairness of the information and opinions contained herein. RIMPL reserves the right to make modifications and alterations to this statement as may be required from time to time.