

RENAISSANCE INVESTMENT MANAGERS

Big, Bold, Beautiful GST Reforms

The government's latest GST reforms (rate changes and rationalization) will provide yet another boost to private consumption, estimated to be around INR 1.8tn annual basis (0.5% of GDP). These reforms have been in the works for over two years; nonetheless, the final announcement could not have come at a better time; at an aggregate (GDP) level, this stimulus will soften the blow from recently imposed 50% tariffs by the US on 60-65% of the merchandise imports from India.

Government has announced moving from a GST regime of five different rates (0%, 5%, 12%, 18%, 28%) and a compensation-cess to four GST rates (0%, 5%, 18%, 40%). Thus, two rates (12% and 28%) have been eliminated, and GST on vast majority of items (goods or services) has been cut. Majority of items at 12% rate have been moved to 5% or 0%, while items at the 28% GST rate have been moved to 18%. A significant number of 'Sin/Luxury' items at the 28% rate, have been moved to 40%.

The **most significant GST cuts are in categories such as FMCG, Autos, Durables and Insurance**. Further, these revised rates would largely eliminate the inverted duty structure, i.e. items for which GST rate on inputs was more than the GST rate on output. However, items with GST rate of 0% or 5% continue to be ineligible for any input tax credit (ITC); this may manifest as a short-term issue for profit margins (especially in Insurance) and may require some price hikes later as an offset.

For FY26 and FY27, we estimate the aggregate stimulus amount at a staggering INR 6.1tn (US\$70bn), or 1.7% of GDP, comprising: (1) INR 1tn savings from income tax cuts; (2) INR 1.8tn from GST cuts; (3) INR 1.5tn reduction in EMI expenses from RBI interest rate cuts; and (4) INR 1.8tn of expected income boost from the upcoming 8th Pay Commission for central government employees.

Stimulus	Amount (Rs lac cr)
Income Tax cut in Union Budget (Feb'25)	1.0
Latest GST rate cuts	1.8
RBI's repo rate cuts (by 100 bps)	1.5 [a]
8th Pay Commission (expected)	1.8
Total stimulus amount	6.1

Source: Renaissance Research, PIB GOI, RBI. [a] Estimated savings on EMI

Strong fiscal position is a gift that keeps on giving

The fiscal cost of GST cuts at 50bps of GDP appears manageable, as the Centre's share would be roughly 50% or 25bps of GDP. Furthermore: (1) impact on current fiscal FY26 would be roughly half, as GST changes become effective from 22nd September; (2) pass-through of GST cuts by firms will unlock demand elasticity, driving higher volume/sales growth and thus higher incremental GST collections; (3) government has the option to reduce some of the discretionary capex, and/or collect a share of oil surplus from PSU OMCs through higher excise duties; and (4) govt. can fast-track PSU divestments and generate higher than budgeted resources this fiscal. Net-net, government is likely to broadly maintain its fiscal deficit target at around 4.4% of GDP in FY26.

India's macros remain strong.

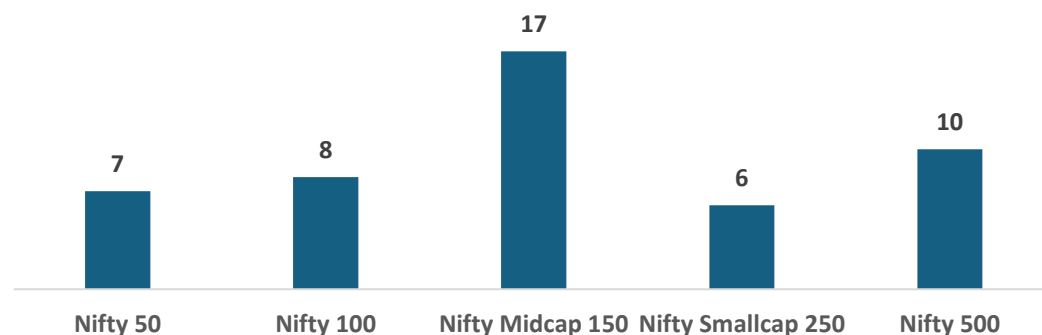
- 1Q real GDP growth was robust at 7.8% yoy, and FY26 outlook is steady at about 6.5%
- Inflation is benign, and July CPI inflation hit 8-year low at 1.55%; GST cuts, if fully passed on, would bring the CPI inflation down further by about 50bps annualized as per various estimates
- S&P upgraded India's long-term sovereign credit rating to 'BBB' from 'BBB-' for the first time since 2007

If not for the risks from US tariffs to exports, the GST cut could have boosted the case for a revival in private corporate capex. Nonetheless, further softening of India CPI inflation and recent dovish comments of US Fed Chair Powell, raise the prospects of additional RBI interest rate cuts in FY26.

Corporate profit growth picking up; awaiting pick up in credit growth

1QFY26 saw a handsome recovery in the aggregate profit growth of both Nifty-50 and the more broad-based Nifty-500 companies. Nifty-500 PAT growth of 10% was higher than 7% growth of Nifty-50, thanks to robust 17% PAT growth Nifty Midcap-150 index.

1Q FY26 PAT growth YoY (%)



Source: Broker Reports.

However, partly because of low-inflation and thus low nominal GDP growth, bank credit growth continues to be sluggish at 10% yoy in the fortnight ending 22nd August, as retail loan growth continues to soften (+11.9%). Real interest rates remain on the higher side (3-4%). 10-yr G-Sec yield rose by 21bps in August ending at 6.59% but came off from the peak of 6.63% during the month. Further, INR has depreciated sharply against the USD, and is trading at all-time lows of INR 88.2, driven by tariff uncertainties and FPI outflows.

Market up-move to be gradual as tariff headwinds remain

Nifty-50 declined by 1.4% in August after a 2.9% decline in July, weighed down by weakening FPI sentiment due to geopolitical and trade uncertainties. Nifty midcap-100 and Nifty smallcap-100 indices were also down, by 3.9% and 5.6% respectively in August. S&P 500 was up 1.9% in August, after a 2.2% uptick in July. August FPI outflows were INR 469bn (US\$5.4bn).

GST reforms and the growing likelihood of a US Fed rate cut in September, have given markets reasons to be optimistic, but with some caution, given likely slowdown in exports growth (US import tariffs) and rising fresh equity supply in the Indian market. At Nifty-50 index value of 24740, valuation at 20.5x 1-yr forward EPS is broadly in line with the 10-yr average multiple.

Our portfolios are skewed towards credit growth (including consumer proxies), select consumer plays (across staples, durables and discretionary), and export/outourcing. 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, Internet, Pharma, Telecoms, select IT). We continue to maintain our disciplined stock selection process to ensure long term, sustainable returns for our investors.

Happy Investing

Pankaj Murarka
Founder & CIO

Renaissance Opportunities Portfolio

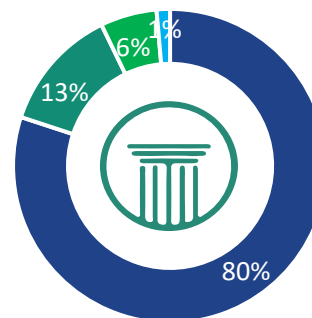
Inception Date: 1st January 2018

Data as on 31st August 2025

Investment Strategy

- ❖ Large cap strategy
- ❖ Blend of growth & quality
- ❖ Diversified portfolio of 25 - 30 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	11.47%
ICICI Bank Ltd	7.90%
Reliance Industries Ltd	7.06%
State Bank of India	6.64%
Tech Mahindra Ltd	6.35%

Top Sectors

Sector	Weight (%)
BFSI	38.21%
Consumer Discretionary	13.92%
Information Technology	13.84%
Diversified	7.06%
Internet	6.95%

Portfolio – Fundamental Attributes

Particular	FY25	FY26E	FY27E
PAT Growth (%)	11.3	8.9	18.3
ROE (%)	13.7	13.4	14.2
P/E	21.8	20.0	16.9
PEG	1.94	2.24	0.93

Portfolio – Risk Attributes*

Particular	ROP	Nifty 50 TRI
Standard Deviation (%)	22.68	21.41
Sharpe Ratio	0.43	0.32
Beta	0.95	1.00
Treynors Ratio (%)	10.16	-
Information Ratio	0.28	-
Up/Down Capture (%)	107/91	-

Periodic Returns

Period	ROP	Nifty 50 TRI
1M	-2.67%	-1.21%
3M	-3.29%	-0.71%
6M	8.52%	11.33%
1Y	-6.60%	-2.01%
3Y CAGR	15.36%	12.49%
5Y CAGR	22.42%	17.91%

Financial Year Returns

*3 years data

Financial Year	ROP	Nifty 50 TRI
FY25-26 YTD	1.64%	4.72%
FY24-25	9.93%	6.65%
FY23-24	38.02%	30.08%
FY22-23	3.80%	0.59%
FY21-22	30.77%	20.26%
FY20-21	83.53%	72.54%

The performance related information provided herein is not verified by SEBI.
Returns are for all clients on TWRR basis

Sustainable Quality Growth At Reasonable Price (SQGARP)TM



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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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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