



Renaissance Investment Managers

Global turmoil is not over despite suspension in Trump tariffs

Global equity markets recovered sharply last month after US President Trump suspended high ‘reciprocal’ tariffs on all countries except China. The 145% import tariff on Chinese goods is effectively an import embargo, to which China has retaliated with a 125% tariff on US goods, while also restricting export of certain rare earth elements and magnets used in the Defence, Energy and Auto sectors. Meanwhile, the 10% baseline import tariff continues to be levied by US on almost all other countries.

Global trade and economic uncertainties are primarily manifesting in reduced business investments, and reduced consumer confidence, leading to fears of a policy-induced global-recession led by the US. Uncertainty is also reflecting through heightened volatility in global bonds and currency markets, specifically seen in the rather counter-intuitive moves in US 10-year treasury yields and in the DXY ‘Dollar’ index. Thus, it may still be somewhat premature in our view, to assert that peak uncertainty is behind us.

India economy to be resilient in the face of global turmoil

US accounts for 19% of India’s goods exports; these in turn account for merely 2% of India’s GDP. Further, India can significantly dilute any impact of tariffs, by reaching a bilateral trade agreement (BTA) with the US, which is under discussion and could be announced in the coming months. More importantly, a lower tariff imposed on India vis-à-vis its major rivals exporting to the US, would place India at a relative advantage and open-up possibility of export market share gains. Thus, overall impact would be limited, as Indian economy is well diversified and is driven more by domestic demand.

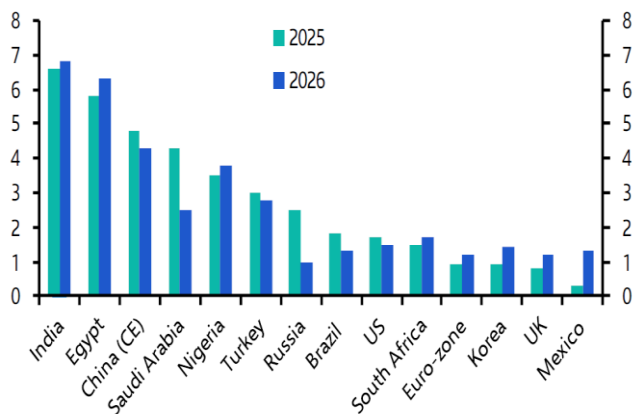
Worst is behind for India; outlook continues to improve

Recent data shows Indian economy is coming out of its soft patch and continues to gain momentum.

- 1.Record GST collections of INR 2.37 trillion in April, up 12.6% yoy
- 2.Manufacturing PMI of 58.2 is at a 10-month high, reflecting rising domestic demand and a surge in export orders
- 3.Forecast of an above-normal monsoon to further boost agricultural output, ease inflation, and create room for additional interest rate cuts, aiding both rural and urban consumption
- 4.Brent crude hovering at US\$60/bbl is a potential stimulus, although further crude collapse could herald a global recession and may cap the upside for India
- 5.RBI’s easing should drive a revival in credit growth through the course of FY26 in our view; so far, we have seen CRR cut, repo rate cuts, a boost to liquidity (now abundant), lower risk weights on certain loans, and easing of LCR regulations
- 6.FPI equity outflows appear to be reversing; after selling equities worth c.US\$3.95bn in the first half of April, FPIs purchased US\$4.46bn of equities on a net basis in the second-half of April [Source: NSDL]

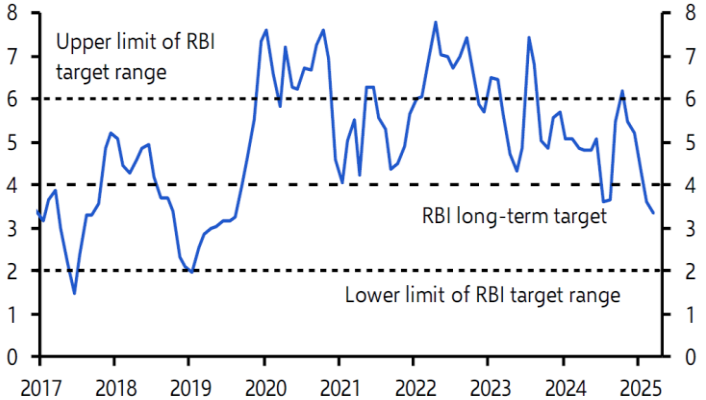
Nonetheless, in addition to global macro uncertainties, the global geopolitical environment remains volatile with hot wars continuing in the Middle East and in Ukraine amid emerging fears of a potential kinetic confrontation between India and Pakistan.

Exhibit 1: GDP growth rates (% , yoy)



Source: Capital Economics

Exhibit 2: Headline CPI change (% , yoy)



Recovery in earnings growth key to further performance

Nifty-50 index bottomed on 4th March 2025, after a 16% draw-down from the Sep'24 peak. The index saw a sharp 6.3% recovery in March, and a further 3.5% in April. Meanwhile, the broader market (Nifty-500) was up 7.3% in March and 3.2% in April.

We expect a pick-up in corporate earnings growth in the coming quarters; however, we believe Nifty-50 valuations are now fair at around 21x 12-month forward EPS, similar to the last 10-year average multiple of 20x. Even as the 10-yr G-Sec yield (risk free rate) is likely to decline further, we expect global uncertainties to keep the equity risk premium elevated, thus constraining further meaningful expansion in market multiples. For the Nifty-50 companies, FY25 EPS is projected to see 5-6% growth, while the FY26 EPS growth expectations remain healthy at around 14-15%.

According to CMIE, over 400+ listed companies have reported their 4QFY25 results so far. The combined revenues of these companies were up 5% yoy, while combined PAT was up 7%.

We remain constructive and selective

We expect the market to remain sideways here, a set-up that aligns favorably with our investment approach of building focused portfolios of quality companies that can deliver sustainable growth over the medium to long term.

We have turned constructive on the consumer sector after a gap of 5 years. While the economic rebound post covid was investment led with significant increase in public investments over the last 5 years, we believe from here on the economic growth would be more balanced and even between investment and consumption. The consumer sector has underperformed in the last 3 years due to expensive valuations and the slowdown in Private Final Consumption Expenditure. However, we believe that the aggregate consumption is near trough and we expect gradual recovery in overall consumer spending over the next 2 years.

As a result, we have added exposure to consumption-driven stories in the wake of: (1) declining rate of inflation and interest rate cuts from RBI; (2) improving rural consumption; (3) recent tax cuts for middle-and-upper income households; and (4) announcement of the 8th Pay Commission with expected incremental allocation of around INR 2 trillion in salaries and pensions from FY27.

Our portfolio is 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, housing 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, 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

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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