

FOCUS



NAG MUNAGAPATI WEALTH ADVISORS

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Hi All,

This month let's talk a bit more about different market capitalization categories and how the risk and rewards are tagged to them. Large caps are more a proven companies with good track record of scaled revenues and earnings. Large caps are less risky and more certain in rewarding the shareholders for the reasons of large market share, established systems and ability to withstand the bad times. We can see large caps as the matured old companies. Mid-caps are almost alike large caps with a bit lesser with the merit at the above specified metrics. Small caps are small companies which have the potential to give multifold returns for the reasons of ability to capture the scale, innovative products. But the certainty of rewarding the investors is a bit low with high volatility and high-risk and high reward features.

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We have another category called micro-cap companies which are less than small caps in terms of merit at the above-mentioned metrics, but they come with huge potential to become big with the same high-risk and high-reward ratios. As we understand the gambit of markets, we try to maximize our returns by ensuring our exposures participate at all levels ensuring a solid risk management framework in place. Allocation of exposure to different caps depend on the anticipated output with respect to returns keeping in mind the risk appetites.



MACRO TALK



GST Collections are at 1.65 lakh crores in July with an 11% upside year on year for the same period and this is the fifth we are achieving this record collection of 1.65 lakh crores, and this is no more a record.

We reiterate that GST collections are a definite indicator of consumption in the economy resulting into revenues to the corporates in turn which will up the valuations given the sustainability of margins.

Retail inflation raises to 4.81% in June from 4.25% in May which is a slight bad news for us. Any hike in inflation will trigger RBI to control the same using interest rates.

A hawkish approach is not a good deal for the markets as the hike or prospective hike in interest rates will dim the hope of investors with respect to performance metrics of the corporate sector which may impact the valuations.

Hope this will get softened going ahead. But as we see a not so good monsoon at the door, we may have to see a harsh response from inflation and let's hope that shouldn't be the case.



India's GDP is expected to grow to 6.7 trillion USD from 3.4 trillion USD. This is almost double the current quantum. It implies that India as an economy will go through a growth phase that this world has ever seen.

If the GDP doubles with a growth rate of 8.5%, this implies a strong consumption coming ahead which must get translated into corporate revenues as an imperative. If this big picture logic works, organized corporates are going to grow at 15% CAGR at revenue levels and this may give alluring valuations for them in the coming days. Let's see how this will unfold! And we got to see how the slowdown in the west going to grim this picture.



OUR FOCUS



As we see the big picture, the best option left with us is to be consistent with our approach. We haven't seen many guys making so much wealth with active money management.

We trust the consumption story of India and position our bets in the quality assets which can capture the growth that's coming from all the angles. As the growth can be captured in terms of revenues and profitability, sequential valuation upscale happens with no respect to time. And so, we love to stay invested with all the conviction to ensure we get valuation upscale in the assets we choose. So, let's focus on following our philosophy with all the guts.

Hope we do much better forward.



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OPERATIONAL CONTACT



"We serve our clients alike with the passion we have for the markets".

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