FOCUS

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Hi All,

Its an excitement for us to touch upon some interesting topics and ink them down to you and so we wait for the first sunday of every month to ensure our connection with the audience. Before a month or so, some of our mates discussed at length about valuations vs unit economics in one of our business networking forums. This topic enthused us to write on the same in our FOCUS.

Coming to the topic, Some are bothered about new age tech companies compromising on the unit economics to bring in scale for the sake of valuation. Valuation is a function of scalability, profitability and sustainability. Scalability here is the quantum of revenues that we can make and profitability implies the margin we make on the quantum of revenues.

Sustainability is the ability of any company to sustain or improve the revenue base and margins. So, then why companies like Flipkarts, Amazons, Zomatos compromise or compromised on unit economics or profitability? Usually these business models are tech and cost intensive and so these models need scale initially to fix their profitability model. Now valuations here are something that has nothing to do with the operating model as the latter focuses more on how to run the business efficiently.

Valuations are based on perceptive thought processes than unit economics because any investor comes with a thought that how scalable the company can become with a hope that these companies will make some margin in the future.

Thats why we see a lot of interest from the PE firms and Venture capitalists to fund these companies which has all the potential to scale and these investors always wish for a thin PAT margin on the so called huge scale built at the expense of burnt funds in the name of compromised unit economics.

So, in short, a compromise on unit economics is the conscious decision of operating model to achieve the scale whereas valuations are the hope of investors that one day the brought in scale will fix the unit economics positively to achieve a better profitability model consequently helping the valuations north side.

MACRO TALK

LOWER INFLATION

Inflation sharply down from 5.7% in April to 4.7% in May. This can be seen as a good news for sure when it comes to the interest rate pause in the coming Monitory policy committee meetings.

This is a good sign for many companies for which raw material overheads have become painful in the last few months but which couldn't fix their selling prices. This shall be translated in to valuations as well going ahead

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GLOBAL RECESSION

Recession is taking off globally as many central banks couldn’t control inflation to the pre pandemic levels and their attempts to use interest rates to control inflation has become much intense.

This is clearly evident when the central bank of UK decided to have a new interest rate hike. This situation is a bit worrisome and the impact of the same on India will be restricted to certain IT and allied export entity revenues. We are already seeing some heat in our IT belt because of the budget cuts on IT spending

NIFTY AS AN INDICATOR

Nifty as an indicator is in a bull trend. We are bullish on the markets in the short term and as we see some inflation cooling in india, this trend may reign for some more while and lead us to the next cycle of wealth creation

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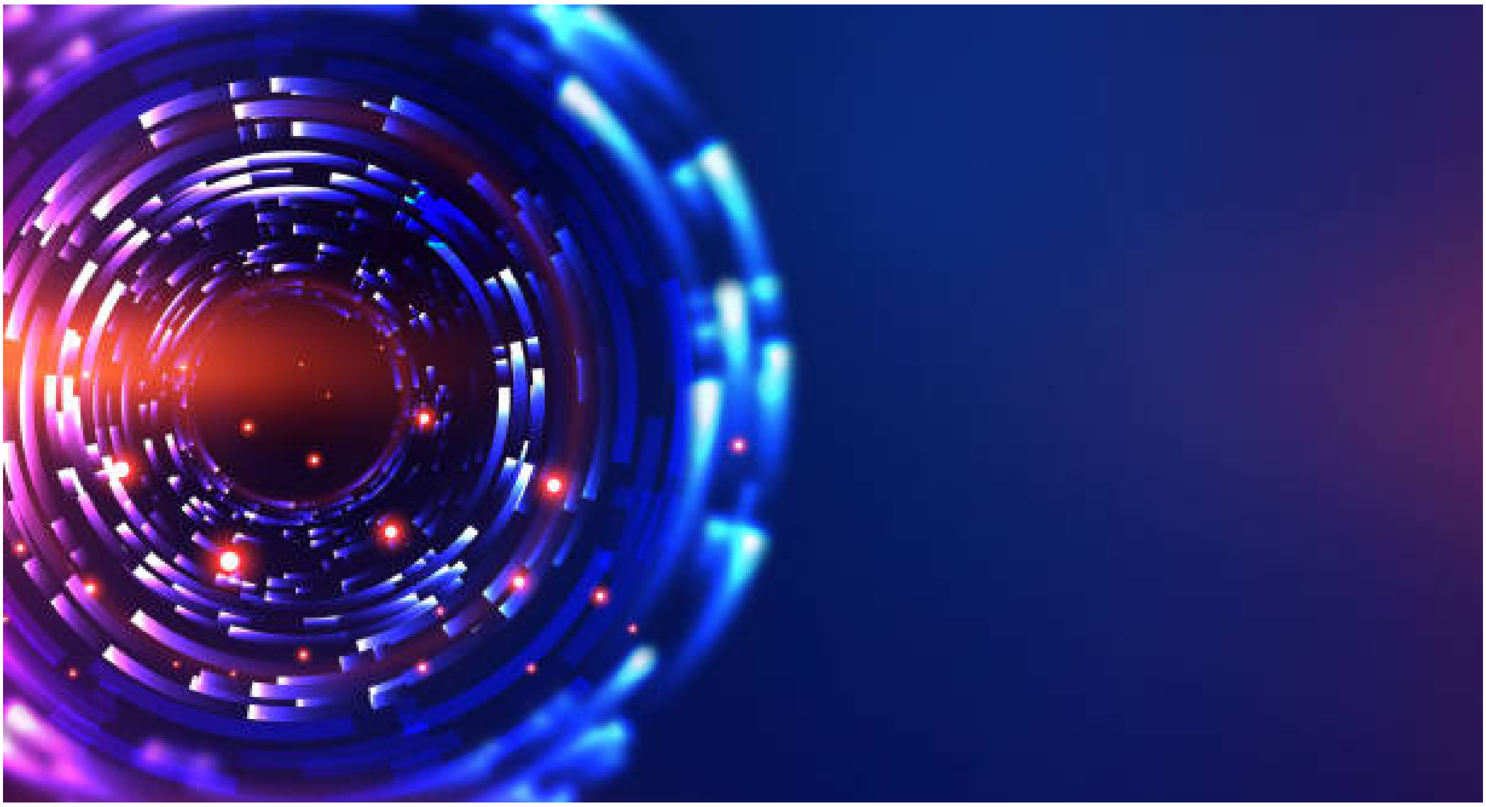
OUR FOCUS



Our diversified portfolio is always positioned to capture the trends that markets go through as a part of value creation. Factors like inflation, Global recession may hault our journey towards value for a while but its imperative for the economy as a whole to go forward specifically in India with the advantages of demography and living aspirations. All sectors are doing good except IT pack.

we have to see that as a temporary hault for IT pack for a while before good days pitch in for them. Otherwise all our stocks doing great and the stocks under review also took a curve for growth. So as usual lets hold the good assets and try to part away with the unfocussed and unproductive ones. And So, lets stay invested to our objective

NAG MUNAGAPATI WEALTH ADVISORS

We Nag Munagapati Wealth Advisors aspires to be a personalised wealth advisor with a strong competency in the wealth management domain.

We respect the aspirations of our clients in their competent domains and want to help them achieve their aspirations by taking care of their wealth prospects by arriving at a common plan with them after multiple interactions on the topic of their wealth management.

We would love to be their wealth doctor and contribute to the rationale for all the financials decisions they make

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OUR CHARGES AND OPERATIONAL CONTACT

We charge 1% per annum on the Asset under management or 5000/- per annum whichever is higher

Clients with investment value of less than 2 lakh will be charged 2000/- fixed per annum

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

Please contact our Business development and Operations lead Mr. Manindhar vsv

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Visit us at **www.nagmunagapati.com**

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