



Equity Outlook

We will be sharing our learning's today and our thoughts on the way forward. Stock Market is perceived to be a risky place, largely given the volatility it represents. The art is to master the volatility and use volatility as a slave rather than as a master. The majority gets driven by price movements and end up making wrong decisions. The key is to differentiate between price and value.

If a person is in employment – then to switch from one job to another it takes a notice period of 1 week, to 1 month and sometimes even 3-6 months. By being in employment majority can earn a livelihood. If a person is in business – then to wind up the venture the tenure ranges from 3-6 months to even 2-3 years. By being in business many can make money. However Equity investment is the only place, where one can call it quits in minutes, en-cash the investment in 3 days and move to other venture. Equity investment can help to build wealth or fortune.

Having set the platform on wealth creation, the question still remains unanswered on where lies the investment opportunity. Over the years, India as a country has grown from being an agriculture based economy to that of Industry and now services. We think companies in businesses of providing domestic services could be winners of the future. In services expansion cost is minimal and there is absence of tangible inputs. There is front end capital expenditure and processes are carved. Processes are not people/promoter dependent and thereby they provide a sustainable business model. Once scale is attained, there are tremendous benefits of both operating and financial leverage. Services have reasonable entry barriers and networking effects. Customer loyalty is directly linked to quality standards and thus prevents businesses from turning into a run of the mill commodity business. All of these results in high margin, high ROE business – the essential ingredient of a money multiplier portfolio.

To make things simple we will put across few spaces wherein the thought process is in sync with our views. First pocket is of Insurance business, capital expenditure is front ended and once the breakeven is breached – the “J” curve effect flows in. Other venture is of amusement park – a significant operating leverage play with reasonably sustainable business and not driven by people/promoter but by processes and innovation. Third opportunity lies in pathology tests. Again, once reach is established and processes carved – cash flow becomes a derivative. A similar analogy can be drawn in gas distribution business and micro-finance. There are also various apps like Make My Trip and Book my show which have tremendous impact on the customer for the services being rendered.

We will do the homework for you to decide where to invest, when to invest and for long to invest to generate wealth over the foreseeable future. A thought to share that the next 5X-10X idea could emerge from the above mentioned green pastures.

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