Twitter Thread by Intrinsic Compounding



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Creating segments and classifications about what really works in a sector can help you massively.

EG:- IT is just not about IT, there are Product companies, SAAS Businesses, services companies, ER&D companies and Corporate Learning Companies.

Banking&Finance is just not about Large Private Banks ■■

There are regional banks, Small Finance Bank, Public Sector Banks, Regional NBFCs, Deposit taking NBFCs, Housing Finance companies, Microfinance companies, CV Financiers etc.

Chemicals are not just speciality chemicals ■■

There are Bulk Chemicals like Phenol, Speciality Chemical and different chemistry chains expert like Fluorine, Bromine, Phosgene etc. Then there are niche product manufacturers like SDA or ATBS.

Retail is just not about Retail ■■

There are various segments within retail too! Someone might be doing value retail, someone might be doing luxury retail, Some companies might go for a COCO model (Company owned+Company Operated). Some might go for FOFO model (Franchise owned)

Pharma Contract Manufacturing has various types too ■■

Some Like Windlas are just CMO's for generics (low margin), some are present throughout the value chain Like Syngene (Complete CRAMS), some are just in Contract Development and manufacturing of intermediates (Suven)

Key Learnings for the investor:-

1. Sub-segmentation of sectors is a practice that you must use in Funda analysis.

2. Getting an idea on return ratios and margins for each sub sector will help you identify the business strategy.

3. It will help you build ■■ of competence.