

## **Quick notes**

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# Meeting Sep 15, 2026 at 20:54 IST

Sep 15, 2026

Training module covered business fundamentals and financial modeling and research workflows via valuation strategies

## Investment Analysis Foundations

- Vatsal defined the primary objective as understanding business models and economics before initiating valuation or DCF modeling.
- Vatsal emphasized that margin percentages are context-dependent and cannot be assessed without understanding the specific business and scale.

## Valuation Concepts and Market Perception

- P/E multiples reflect market perception, illustrated by Costco's 58.7x versus Adobe's 20.3x multiple.
- High renewal rates and predictable cash flows positively influence market sentiment and valuation multiples.
- Conglomerate discounting applies when investors place a valuation discount on companies operating multiple, distinct business verticals.
- The "Dinner Table Alpha" research indicates potential for abnormal returns for managers with specific social or household industry linkages.

## Investment Thesis Construction

- Muneer noted that valuation models require physical sanity checks to ensure they reflect economic realities rather than just arithmetic accuracy.
- Analysts should identify 3-7 key business variables that explain the majority of a company's economics.
- Scenario modeling for bull, base, and bear cases requires assuming distinct market conditions rather than simple arithmetic adjustments.
- Investment reports must clearly delineate between objective facts, analyst interpretations, and research hypotheses.

## Research Methodology and Resources

- Vatsal outlined a 10-step analytical framework involving business understanding, historical analysis, and rigorous management transcript review.

- The SEC Edgar portal is the recommended tool for US equity research, enabling phrase-based searches of filings such as 10-K, 10-Q, and 8-K.

### **Research Methodology and Financial Frameworks**

- Muneer Ahmed Choudhary and Vatsal Jain recommended using triangulation across multiple document sources to identify discrepancies in company narratives.
- Vatsal Jain introduced the Business Model Canvas approach for investor analysis, emphasizing the linkage between revenue streams and cost structures.
- Vatsal Jain emphasized analyzing unit economics to assess business sustainability, defining it as the profitability per single unit of operation.
- Vatsal Jain identified industry structure and value chain analysis as critical frameworks for determining a company's competitive value retention.
- Vatsal Jain highlighted key competitive moats, including network effects, switching costs, intangible assets, and efficient scale.

### **Case Study Analysis: Zomato, Blinkit, and Ferrari**

- Muneer Ahmed Choudhary noted that Zomato and Blinkit require distinct unit economic analyses, with Zomato focusing on order volume and Blinkit prioritizing per-store performance.
- Muneer Ahmed Choudhary flagged that Blinkit's expansion to 3,000 stores by March 27 may lead to a temporary decrease in average sales per store.
- Vatsal Jain analyzed Ferrari's strategy of focusing on a limited customer cohort to maintain higher value service offerings and a richer mix.

### **AI Integration in Financial Research**

- Vatsal Jain noted that AI models can be utilized to read management commentary and detect window dressing or strategic narrative biases.
- Muneer Ahmed Choudhary and Vatsal Jain discussed using Sum of the Parts (SOTP) valuation models for diversified businesses.
- Ridhesh Sharma proposed creating custom GPTs or AI agents to standardize research workflows, which the group plans to explore after finishing current modules.

### **Team Operations and Administration**

- Vatsal Jain emphasized the fund's goal of simulating professional investment research workflows for student analysts.
- Muneer Ahmed Choudhary introduced new junior team members, including Keshav and Mayank.

## Next steps

- ☐ [The group] Explore Conglomerate Discounting: Search for the concept of conglomerate discounting using Google to understand why investors apply a discount to complex companies.
- ☐ [The group] Review Research Paper: Read the Dinner Table Alpha research paper via Google Scholar to analyze the relationship between household linkages and manager investment performance.
- ☐ [Muneer Ahmed Choudhary] Share Equity Report: Distribute the CFA Institute equity research report to all attendees for further study.
- ☐ [The group] Explore Edgar Portal: Navigate the Securities and Exchange Commission Edgar portal to practice searching for company filings and financial phrases.
- ☐ [Vatsal Jain] Share Document: Share the research presentation document with the team.
- ☐ [The group] Fill Information Sheet: Complete the research information sheet provided for future fund work.
- ☐ [The group] Develop Research Agent: Explore creating a custom Generative Pre-trained Transformer to assist with research after the current modules are finished.

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# Full notes

Sep 15, 2026

# Meeting Sep 15, 2026 at 20:54 IST

Meeting records  Transcript

## Summary

Training module covered business fundamentals and financial modeling and research workflows via valuation strategies

### **Business Fundamentals and Valuations**

Analysis of Costco and Adobe revenue models highlighted market perception and multiples. Conglomerate discounting concepts explained valuation complexities.

### **Financial Models and Reports**

DCF models required physical sanity checks. Equity research reports incorporated structural frameworks and SEC filing analysis.

### **Unit Economics and Workflows**

Quick commerce unit economics varied across subsidiaries. Research workflows integrated artificial intelligence tools and standardized working sheets.

## Next steps

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- ☐ [Muneer Ahmed Choudhary] Share Equity Report: Distribute the CFA Institute equity research report to all attendees for further study.
- ☐ [The group] Explore Edgar Portal: Navigate the Securities and Exchange Commission Edgar portal to practice searching for company filings and financial phrases.
- ☐ [Vatsal Jain] Share Document: Share the research presentation document with the team.
- ☐ [The group] Fill Information Sheet: Complete the research information sheet provided for future fund work.
- ☐ [The group] Develop Research Agent: Explore creating a custom Generative Pre-trained Transformer to assist with research after the current modules are finished.

## Details

- **Introduction to Training Module and Business Understanding:** Vatsal Jain introduced a new training module for Envia designed to give analysts foundational skills before building investment theses or financial models. Vatsal Jain emphasized that analysts should understand how a company makes money and sustains its revenue before examining spreadsheets or share prices ([00:00:00](#)). Vatsal Jain noted that the session's scope focuses exclusively on understanding business fundamentals rather than valuation, forecasting, or ratio analysis ([00:01:40](#)).

## What this session is, and what it deliberately is not

Anviksha's financial training vertical exists to produce investment theses. A thesis is a long argument with many moving parts, and the common failure is that students begin at the end of it. This module covers only the beginning, and covers it properly.

### This session covers

- What an investment thesis is and how the whole process fits together
- How to work out what a company sells, to whom, and why they buy
- Where that information physically lives in Indian and US disclosures
- Business model, revenue model, unit economics, value chain, moat
- How to separate what a document says from what you have inferred

### This session does not cover

- Building a DCF or any other valuation model
- Forecasting revenue, margins or cash flows
- Ratio analysis and earnings quality work
- Portfolio construction, sizing or risk management
- Anything that assumes you already understand the business

**Every one of those excluded topics takes the business as a given. This session is about not taking it as a given.**

The sequence is not an arbitrary teaching convenience. It is the order in which the information actually becomes available to you, and the order in which each step's output becomes the next step's input. You cannot forecast a revenue line until you know what mechanism generates it. You cannot judge whether a margin is good until you know what the business has to buy in order to sell.

- **Concept of Multiples and Market Perception:** Vatsal Jain introduced the concept of multiples using a comparison between Costco and Adobe based on US annual reports (Form 10-K) (00:03:31). Vatsal Jain pointed out that Costco's P/E ratio was approximately 58.7 times while Adobe's was 20.3 times, despite Adobe having higher earnings of 4.9 compared to Costco's 1.7. Radhav Kabra argued that expected growth rates drive these differences, which Vatsal Jain summarized as market perception (00:04:59).

## A price to earnings ratio, computed from nothing but the filing

Almost every valuation you will ever read ends in a multiple. Here are two of them, built entirely from documents you can download for free, with no market data and no terminal.

|                                              | COSTCO WHOLESALE      | ADOBE INC              |
|----------------------------------------------|-----------------------|------------------------|
| Market value of stock held by non affiliates | 475.2 billion dollars | 144.94 billion dollars |
| Stated in the filing as of                   | 16 February 2025      | 30 May 2025            |
| Net income, same fiscal year                 | 8,099 million dollars | 7,130 million dollars  |
| Fiscal year ended                            | 31 August 2025        | 28 November 2025       |
| Implied price to earnings                    | 58.7 times            | 20.3 times             |
| The same thing as an earnings yield          | 1.7 per cent          | 4.9 per cent           |

Sources: Costco Wholesale Corporation Form 10-K FY2025, cover page and consolidated statements of income; Adobe Inc Form 10-K FY2025, cover page and consolidated statements of income. Multiples and yields computed from the reported figures.

### Read the caveats, because they are half the lesson

The cover page counts only shares held outside the company, so both market values are slight understatements. The price is dated in the middle of the year while the earnings are for the whole of it. This is an approximation, not the number on a screen.

### And why the approximation is good enough

The gap is not 5 per cent, it is threefold. No caveat of this size changes the conclusion, and the discipline of writing the caveats down is what separates a defensible number from a confident one.

**Two profitable American subscription businesses, earning within fifteen per cent of each other. The market pays almost three times as much for one of them. Arithmetic cannot explain that. Only the business can.**

- **Costco and Adobe Revenue Models:** Vatsal Jain analyzed Costco's business model, noting that membership fees account for about half of their operating profit and that 92% of members in the US and Canada renew annually, providing predictable cash flow. Udit Yadav suggested that negative news or falling renewal rates and sales growth below expectations would negatively impact the high multiple (00:08:28). Vatsal Jain also highlighted Adobe's model, noting 96% contractual revenue and a 22.52 billion contract value, while discussing competitive pressures from artificial intelligence and selective data disclosures (00:10:29).

IDEA ONE, CONTINUED

## A multiple is a compressed forecast

The multiple is not a fact about the company. It is the market's summary of what it believes about the company's future, squeezed into one number. Here is what each of the two is summarising.

| Costco at 58.7 times                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Adobe at 20.3 times                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Membership fee income is 51 per cent of operating income and 1.9 per cent of revenue. The profit is a subscription, not a margin on groceries.</li> <li>• The member renewal rate was 92.3 per cent in the United States and Canada at the end of 2025. That is what turns an annual fee into an annuity.</li> <li>• Merchandise gross margin is 11.1 per cent; roughly half a conventional retailer's. Pricing hard is what makes renewing feel obvious.</li> <li>• So the market is paying for a renewal rate. What would break the multiple is not slower sales, it is a falling renewal rate.</li> </ul> | <ul style="list-style-type: none"> <li>• 96 per cent of revenue is subscription, and remaining performance obligations of 22.52 billion dollars are already contracted but not yet recognised.</li> <li>• Annualised recurring revenue in Digital Media reached 19.20 billion dollars, up 11.5 per cent. On the disclosed facts this looks like a very good business.</li> <li>• The unresolved question is generative artificial intelligence: does it deepen the switching cost, or lower the professional skill barrier the moat rests on?</li> <li>• Its newly listed competitor discloses net dollar retention of 136 per cent. Adobe discloses no equivalent figure at all.</li> </ul> |

**The point of putting them side by side**

The lower multiple is not a verdict that Adobe is the worse business. It is the market's price for an unresolved question about the business. Costco's future rests on a number it publishes every year and that has barely moved in a decade. Adobe's rests on a question nobody has answered yet. You cannot have a view on either multiple without a view on the underlying business fact, and neither fact is a financial one. That is the whole argument for today's session in one line: the multiple is where business understanding turns into money.

Sources: Costco Form 10-K FY2025, Item 1 Business (Membership) and Item 8; Adobe Form 10-K FY2025, Item 7 MD&A; Figma, Inc. Form 10-K for the year ended 31 December 2025.

OPENING · WHY BUSINESS UNDERSTANDING SHOWS UP IN THE PRICE

04

- **Conglomerate Discount and Zomato Eternal Example:** Vatsal Jain explained the concept of conglomerate discounting using Zomato's parent company, Eternal, which houses multiple verticals like capital-heavy retail Blinket under a single share price. Udit Yadav inquired about take rates and delivery verticals, which Radhav Kabra identified as actual delivery (00:13:44). Vatsal Jain explained that when a business combines multiple distinct segments, investors may apply a discount to its valuation due to the complexity of the whole entity (00:16:54).



## One price, four machines

When several different businesses sit inside one listed company, the market has to put a single number on the wrapper. That number is a blend, and a blend is always wrong about the parts. Eternal Limited is four businesses.

| BUSINESS INSIDE ETERNAL LIMITED | NET ORDER VALUE FY26 | TAKE RATE  | WHAT IT ACTUALLY IS, ECONOMICALLY                                        |
|---------------------------------|----------------------|------------|--------------------------------------------------------------------------|
| Zomato, food delivery           | 37,993 cr            | 30.8%      | A marketplace. Asset light, no inventory, cash generative                |
| Blinkit, quick commerce         | 48,567 cr            | 77.8%      | An inventory owning retailer. Capital hungry, store and warehouse heavy  |
| District, going out             | 9,399 cr             | 10.4%      | A ticketing platform. Thin take rate, almost no capital                  |
| Hyperpure, business to business | not on this basis    | not stated | A food distributor selling to restaurants. A different customer entirely |
| Eternal Limited, as priced      | 95,959 cr            | one number | One line on the exchange, covering all four                              |

### Why the market applies a discount

An investor who wants only quick commerce cannot buy only quick commerce. Management, not the shareholder, decides how capital moves between the four. Disclosure arrives blended at the group level. And a single multiple has to average take rates that run from 10 to 78 per cent and capital intensity that runs from almost none to very heavy.

### Why that is an opportunity rather than a complaint

The blend is a compromise, and a compromise can be beaten. If you can decompose the group into four businesses and value each on its own economics, you hold a view the single blended number cannot express. Decomposition is not a valuation technique. It is business understanding, applied.

Source: Eternal Limited, Annual Report 2025-26, financial year ended 31 March 2026, financial highlights by business. Take rates computed as adjusted revenue divided by net order value for each business.  
OPENING · WHY BUSINESS UNDERSTANDING SHOWS UP IN THE PRICE

05

- Dinner Table Alpha and Observational Investing:** Vatsal Jain introduced the "dinner table alpha" research paper, which explores how household linkages give fund managers an informational edge and abnormal returns by understanding industry structures through spouses or personal interactions. Vatsal Jain shared Peter Lynch's example of a consultant client noticing a drop in housing components, which served as an indicator for the housing market (00:19:47). Vatsal Jain stressed that casual observations must be followed by structured, methodical research rather than ending as isolated questions (00:23:13).

## The edge you already have, and exactly how far it goes

Peter Lynch's argument, stated fairly: an ordinary person often sees a business working, or failing, months before it appears in anybody's model. You order from these companies, you fly with them, you queue in their stores. That is real information, and a fund manager in another country does not have it.

### What you have already observed this week

- How fast a Blinkit order arrives, against an Instamart order, in your own postcode
- How many people you know fly IndiGo, and whether they would pay more for a different airline
- Whether your seniors design in Adobe or in Figma, and what made them switch
- Which restaurants near campus are on District, and which have quietly stopped being listed
- Whether anyone you know has cancelled a subscription this year, and why

### Why noticing is a hypothesis and not a thesis

- Popularity is not profitability. Everyone you know orders from Blinkit. Eternal's profit after tax fell to 366 crore rupees from 527 crore.
- Everyone you know flies IndiGo. In the quarter to June 2026 revenue per available seat kilometre rose 16.5 per cent and the airline still lost 2,380 million rupees.
- Your sample is your campus. It is not the market, and it is systematically unlike it in age, income and city.
- You see the product. You do not see the contract, the cost structure or the competitor's capacity plans.

**Noticing gives you the question, and the question is genuinely valuable. The filing tells you whether the answer is the one you assumed.**

The failure mode is specific and it is common in student research: an observation gets promoted to a conclusion without ever passing through a document. The correct sequence is to write the observation down as a question, take it to the annual report, the quarterly letter or the earnings call, and let the answer be different from what you expected. Most of the time it will be, and that difference is the most useful thing you will learn all week.

Sources: *Eternal Limited Annual Report 2025-26*; *InterGlobe Aviation Limited Q1 FY27 Earnings Presentation*, quarter ended 30 June 2026.  
OPENING · WHY BUSINESS UNDERSTANDING SHOWS UP IN THE PRICE

07

- **Avoiding Corporate Jargon and Transition to Financial Models:** Vatsal Jain advised analysts to avoid hiding behind complex consulting jargon and to explain business models in plain, layman language. Vatsal Jain summarized three core ideas: multiples as compressed forecasts, the information/insider gap in complex businesses, and the importance of structured observation (00:25:09). Muneer Ahmed Choudhary then took over to discuss DCF models and unit economics (00:27:13).

## Three ideas, one conclusion, and then the rest of the session



### The multiple is a compressed forecast

Costco at 58.7 times and Adobe at 20.3 times earn almost the same profit. The difference is a set of beliefs about renewal rates and about artificial intelligence, and neither belief is a financial statement item. To have a view on a multiple you must have a view on a business.



### The discount is what the market cannot see

Four businesses under one ticker get one number. A segment inside somebody else's filing gets no number at all. Wherever the parts are hard to see, there is room for somebody who has taken the trouble to see them.



### Your own observation is the start, never the finish

You already notice these businesses working. That gives you a question worth asking. The document decides the answer, and being able to say the answer in one plain sentence is how you check that you actually have one.

**Everything after this slide is one skill: reading a company's own disclosures well enough to hold a view the price does not already contain.**

OPENING · WHY BUSINESS UNDERSTANDING SHOWS UP IN THE PRICE

09

- **DCF Model Sanity Checks and Unit Economics:** Muneer Ahmed Choudhary cautioned that arithmetic accuracy in Discounted Cash Flow models does not guarantee truth, citing an example where a 20% growth assumption for five years requires physical sanity checks ([00:27:13](#)). Muneer Ahmed Choudhary emphasized that understanding business economics and unit economics is critical to capturing how key factors impact a business ([00:28:34](#)).
- **Investment Thesis Structure and Scenario Building:** Muneer Ahmed Choudhary outlined investment thesis components, noting that most businesses can be explained by three to seven key variables, which justifies the use of ratio analysis ([00:28:34](#)). Muneer Ahmed Choudhary stressed the importance of backing a thesis with data and providing conditions and assumptions under which the thesis can be defended ([00:29:56](#)). Muneer Ahmed Choudhary addressed scenario building for base, bull, and bear cases, advising against simply tweaking numbers by arbitrary percentages, and instead recommending that analysts envision "different worlds" and scenarios where a company outperforms competitors or enters new industries ([00:32:51](#)).

DEFINITIONS

## What an investment thesis actually is

Not "the reason I like the stock". An investment thesis is a structured, evidence based argument that answers a specific set of questions in a specific order, and that states in advance what would prove it wrong.

|    |                                                                                                                 |    |                                                                                                      |
|----|-----------------------------------------------------------------------------------------------------------------|----|------------------------------------------------------------------------------------------------------|
| 01 | <b>What does the business do?</b> The product, the customer, the problem being solved.                          | 06 | <b>What could improve or break them?</b> Catalysts on one side, structural risks on the other.       |
| 02 | <b>How does it make money?</b> The mechanism that converts activity into revenue and revenue into cash.         | 07 | <b>What do you expect to happen?</b> An explicit forecast, not a vague direction.                    |
| 03 | <b>Why might it create value?</b> Whether returns on capital exceed the cost of that capital, and for how long. | 08 | <b>Does the price already reflect it?</b> What the current valuation implies the market is assuming. |
| 04 | <b>What protects it?</b> The competitive advantage, and the evidence that it exists in the economics.           | 09 | <b>What would prove you wrong?</b> Named, observable, falsifiable conditions.                        |
| 05 | <b>What drives the economics?</b> The three to seven variables that actually move the outcome.                  |    |                                                                                                      |

**A thesis without the last question is not a thesis. It is an opinion with a spreadsheet attached.**

PART A - THE INVESTMENT THESIS IN FULL
11

- **Adjusting for Business Model Shifts:** Muneer Ahmed Choudhary and Vatsal Jain discussed how changes in business models, such as Blinket shifting to owning inventory rather than just taking orders, dramatically altered revenue figures (e.g., growing by around 140%), requiring analysts to adjust their financial interpretations accordingly ([00:34:26](#)). Muneer Ahmed Choudhary

reiterated that step one of evaluating a company is understanding its business model, noting that analyst intuition often flags complicated or weird company practices ([00:37:39](#)).

THE PROCESS

## The steps are ordered, but the work is iterative

Professional research loops. The numbering tells you what depends on what; it does not tell you that you will pass through each stage exactly once. Every loop below is a normal and healthy event, and a research process that never loops is usually one that is not looking hard enough.

**Business understanding raises a question you cannot answer**

You find that Blinkit moved to owning inventory. You go back to the annual report and the quarterly letters to work out when, why, and what it did to working capital.

Return to Step 01

**Financial analysis contradicts the management narrative**

Management describes pricing power. Gross margin has fallen for six quarters while volumes were flat. One of those two things is not what it appears to be.

Return to Steps 01 and 02

**Valuation forces you to revisit an assumption**

Your base case needs twenty per cent revenue growth for eight years to justify the price. You go back and ask what would physically have to be true for that to happen.

Return to Steps 04 and 05

**A new disclosure changes the picture**

A quarterly result, an exchange filing or an earnings call introduces a fact that was not available when you formed the view. The thesis is updated, not defended.

Return to whichever step it touches

*A research file that never loops back to the source documents is usually a research file that stopped asking questions.*

PART A - THE INVESTMENT THESIS IN FULL

14

- **Equity Research Report Structure and Core Theses:** Muneer Ahmed Choudhary presented a CFA Institute equity research report structure, explaining that an executive summary includes target prices, buy or hold recommendations, and a concise thesis covering industry overview, business overview, and investment summary. Muneer Ahmed Choudhary explained that a proper report boils down to three main reasons or core theses, such as insurmountable moats (like CargoJet's 90% air cargo contracts) or exploding incremental sales margins ([00:38:43](#)). Muneer Ahmed Choudhary mapped out a complete report framework comprising historical performance, key drivers, forecasts, valuations, risks, and scenario cases ([00:40:32](#)).

## Mapping the report back to the ten step framework

| STEP | THE FRAMEWORK                            | WHERE IT APPEARS IN THE REPORT   | WHAT IT CONTAINS                                                              |
|------|------------------------------------------|----------------------------------|-------------------------------------------------------------------------------|
| 01   | Understand the company and business      | Business Overview                | Segments, fleet, market position, contract structure                          |
| 02   | Understand the industry and competition  | Industry Overview                | Air freight market context and competitive structure                          |
| 03   | Analyse historical financial performance | Financial Analysis               | Post pandemic growth, margin normalisation, return on invested capital        |
| 04   | Identify the key drivers                 | Investment Summary, Thesis 2     | Eighty five per cent fixed cost base as the operating leverage driver         |
| 05   | Build forecasts                          | Valuation, DCF section           | Five year projection embedded in the discounted cash flow                     |
| 06   | Assess management and capital allocation | Thesis 3 and Appendices          | Capital expenditure reduction, dividend and buyback programme                 |
| 07   | Construct valuation                      | Valuation                        | DCF weighted eighty per cent, comparables twenty per cent, plus sensitivities |
| 08   | Identify catalysts and risks             | Investment Risks                 | Four named risks with customer concentration first                            |
| 09   | Develop bull, base and bear cases        | Financial Analysis and Valuation | Scenario ranges carried through to the target price                           |
| 10   | Form the investment thesis               | Executive Summary                | Buy, target price 150, with the argument stated up front                      |

- Sentence Classification in Reports and 10-Step Analysis Guide:** Muneer Ahmed Choudhary explained that every statement in a research report falls into one of five categories: facts, interpretations, hypotheses, evidence, or questions (00:40:32). Vatsal Jain then presented a 10-step guide for analyzing a company, where the first two steps identify what is sold and where it is disclosed, steps three through six cover revenue formulas and unit economics, and steps nine and ten connect drivers to numbers and test management stories (00:43:33).

## Five labels that should appear in every research note

The single most useful habit a student analyst can build is labelling their own sentences. Most weak research is not weak because the facts are wrong. It is weak because an inference has been written in the grammar of a fact.

|                       |                                           |                                                                                                                                                           |
|-----------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>FACT</b>           | <b>What the document explicitly says</b>  | Costco's fiscal 2025 Form 10-K reports membership fee revenue of 5,323 million dollars and a worldwide renewal rate of 89.8 per cent.                     |
| <b>INTERPRETATION</b> | <b>What you infer from the facts</b>      | Because membership fees are close to half of operating income, Costco's merchandise business is run close to break even and the fee is the profit engine. |
| <b>HYPOTHESIS</b>     | <b>What you believe may happen</b>        | If renewal rates hold above ninety per cent through the next fee increase, the fee mechanism is durable rather than cyclical.                             |
| <b>EVIDENCE</b>       | <b>What would support or undermine it</b> | Renewal rate disclosure by region across the last three fee increases, and the company's own explanation of any decline.                                  |
| <b>QUESTION</b>       | <b>What you still need to investigate</b> | Why did the reported renewal rate fall, and is the online sign up mix effect the company cites a one off or a structural change?                          |

If a sentence in your note cannot be labelled with one of these five, it probably should not be in the note.

- Translating Corporate Language and Information Sources:** Vatsal Jain advised analysts to translate ambitious corporate language into monetary terms to understand who pays for what, cautioning against over-reliance on artificial intelligence. Vatsal Jain outlined essential information sources, including quarterly results, investor relations pages, management discussion and analysis sections, shareholding patterns, and earnings call transcripts available within five working days ([00:46:08](#)). Udit Yadav asked for clarification on earnings call transcripts, which Vatsal Jain described as transcribed meetings where executives discuss business performance and provide guidance ([00:49:03](#)).

## The rest of the Indian disclosure set, and when it appears

### Quarterly financial results

*Within forty five days of quarter end*

Regulation 33. The numbers, usually with limited narrative. The first hard data point after a quarter closes.

### Annual audited results

*Within sixty days of financial year end*

Regulation 33. Arrives months before the full annual report, so it is the earliest audited view of the year.

### Investor presentation and shareholder letter

*Alongside results, if the company chooses*

Not universally required, but where it exists it is management's own framing of the quarter and often carries operating metrics that appear nowhere else.

### Earnings call transcript and recording

*Audio within twenty four hours, transcript within five working days*

Under Regulation 30 read with Schedule III. This is where analysts ask the questions management did not volunteer answers to.

### Material event disclosures to the exchanges

*Twelve to twenty four hours depending on the event*

Regulation 30. Acquisitions, defaults, fraud, resignations, regulatory action, insolvency. The Indian analogue of a Form 8-K.

### Shareholding pattern and governance filings

*Quarterly*

Promoter holding, pledges, institutional ownership and the quarterly corporate governance report.

Where to find all of it: the company's own investor relations page first, then the BSE and NSE websites, which host every filing a listed company makes. The exchange copy is the authoritative one and is time stamped, which matters when you are reconstructing what was known on a given date. Timelines above verified against SEBI LODR Regulations 30 and 33 and Schedule III Part A.

- SEC Edgar Portal and Filing Types:** Vatsal Jain detailed the US Securities and Exchange Commission Edgar portal as a superior federal regulator research platform introduced in 1993, allowing phrase-based searches across filings. Vatsal Jain and Siddhant Rathore discussed various US filing types, including Form 10-K for annual reports, 10-Q for quarterly reports, 8-K for major events, Form 20-F for foreign company annual reports, and proxy statements for mergers and acquisitions (00:52:24). Ridhesh Sharma expressed appreciation for the SEC portal, which Vatsal Jain noted is particularly useful for specialized research in fields like aerospace and defense (00:54:37).

## What the SEC is, and what EDGAR gives you

The United States Securities and Exchange Commission is the federal regulator of American securities markets. Its central mechanism is mandatory disclosure: a company that wants access to public capital must file specified documents, in a specified form, on a specified timetable, and must be legally liable for what those documents say.

For an analyst the consequence is simple. The most reliable description of a US listed business is written by the company itself, under legal liability, and is free.

### EDGAR

Electronic Data Gathering, Analysis and Retrieval is the SEC's filing database. Every document a registrant files is there, in full, from 1993 onward, at no cost and with no registration.

Two entry points matter. Company search retrieves everything one company has filed. Full text search finds a phrase across every filing by every company, which is how you find comparable disclosure across an industry.

### THE FILINGS THAT MATTER FIRST

#### Form 10-K Annual report

60 days after year end for large accelerated filers, 75 for accelerated, 90 for everyone else

#### Form 10-Q Quarterly report

40 days after quarter end for large accelerated and accelerated filers, 45 for everyone else

#### Form 8-K Current report on a material event

Generally four business days after the event

#### Form 20-F Annual report for a foreign private issuer

Four months after fiscal year end

#### DEF 14A Proxy statement

Ahead of the annual meeting

*Deadlines taken from the SEC's own General Instructions to Form 10-K, Form 10-Q and Form 20-F.*

- Financial Document Analysis and Triangulation:** Muneer Ahmed Choudhary addressed the importance of reviewing 10-K forms, proxy statements, and Item 1 documents, using Costco's wholesale membership business model as a primary case study. Muneer Ahmed Choudhary noted that while Edgar provides strong transparency, analysts should consult foreign exchange documents when management hides figures or provides conflicting statements under different regulatory frameworks (00:58:53). Additionally, Muneer Ahmed Choudhary emphasized the triangulation concept, advising participants to cross-reference multiple documents rather than relying solely on annual reports, because discrepancies often highlight hidden issues or key questions (01:01:06).

## Item 1, Business: the paragraph that contains the whole model

Financial Condition and Results of Operations' and in the consolidated financial statements and related notes in Item 8 of this report. Forward-looking statements speak only as of the date they are made, and we do not undertake to update these statements, except as required by law.

### PART I

#### Item 1—Business

Costco Wholesale Corporation and its subsidiaries (Costco or the Company) began operations in 1963, in Seattle, Washington. We are principally engaged in the operation of membership warehouses in the United States (U.S.) and Puerto Rico, Canada, Mexico, Japan, the United Kingdom (U.K.), Korea, Australia, Taiwan, China, Spain, France, Sweden, Iceland, and New Zealand. Costco operated 914, 890, and 861 warehouses worldwide at August 31, 2025, September 1, 2024, and September 3, 2023. The Company operates e-commerce sites in the U.S., Canada, Mexico, the U.K., Korea, Taiwan, Japan, and Australia. Our common stock trades on the NASDAQ Global Select Market, under the symbol "COST."

We report on a 52/53-week fiscal year, consisting of thirteen four-week periods and ending on the Sunday nearest the end of August. The first three quarters consist of three periods each, and the fourth quarter consists of four periods (five weeks in the thirteenth period in a 53-week year). The material seasonal impact in our operations is increased net sales and earnings during the winter holiday season. References to 2025 and 2024 relate to the 52-week fiscal years ended August 31, 2025, and September 1, 2024. References to 2023 relate to the 53-week fiscal year ended September 3, 2023.

#### General

We operate membership warehouses and e-commerce sites based on the concept that offering low prices on a limited selection of nationally-branded and private-label products in a wide range of categories will produce high sales volumes and rapid inventory turnover. When combined with the operating efficiencies achieved by volume purchasing, efficient distribution and reduced handling of merchandise in no-frills, self-service warehouse facilities, these volumes and turnover enable us to operate profitably at significantly lower gross margins (net sales less merchandise costs) than most other retailers. We often sell inventory before we are required to pay for it, even while taking advantage of early payment discounts.

Source: Costco Wholesale Corporation, Form 10-K for the fiscal year ended 31 August 2025, Item 1 Business, page 3, Filed 8 October 2025.

The highlighted sentence is the entire Costco business model in one line. Low prices on a limited selection produce high volumes and rapid inventory turnover; volume and turnover produce buying and handling efficiencies; those efficiencies allow the company to operate profitably at gross margins far below a normal retailer.

Notice what else the first paragraph gives you for free: the countries of operation, the warehouse count for three consecutive years, the exchange and ticker, and the fiscal calendar convention. That is the skeleton of a company profile, and it took one paragraph.

- Business Model Canvas and Revenue Stream Drivers:** Vatsal Jain introduced the Business Model Canvas approach, focusing on revenue streams and cost structures as primary income drivers. Vatsal Jain explained that revenue can be calculated by multiplying specific metrics, such as order value times take rate, and posed this equation as a question to the group. Udit Yadav, Ridhesh Sharma, and Siddhant Rathore correctly identified Zomato as the business matching this metric model. Vatsal Jain also touched on subscription businesses and bank loan margins ([01:02:44](#)).

# MOVE 04

## Revenue is not a number. It is the output of a mechanism.

Every revenue line can be decomposed into a small number of variables multiplied together. Until you can write that expression for a company, you cannot forecast it and you cannot say why it moved.

### Transaction or marketplace

**Gross order value × take rate**

Eternal food delivery: FY26 net order value of 37,993 crore rupees converting to adjusted revenue of 11,698 crore

### Subscription

**Paying customers × average revenue per customer**

Costco: 81.0 million paid members generating 5,323 million dollars of membership fee revenue in fiscal 2025

### Software as a service

**Customers × contracted annual value, tracked as annualised recurring revenue**

Adobe: 19.20 billion dollars of Digital Media annualised recurring revenue at the end of fiscal 2025

### Advertising

**Impressions or users × monetisation rate**

Typically disclosed as revenue per user or per thousand impressions rather than as the underlying auction

### Retail

**Units sold × average selling price, or footfall × conversion × basket**

Costco: 269,912 million dollars of net sales across 914 warehouses in fiscal 2025

### Lending

**Average interest earning assets × net interest margin, plus fee income**

HDFC Bank: advances of 29,37,166 crore rupees at a net interest margin of 3.34 per cent of average assets in FY26

### Capital equipment

**Systems shipped × average selling price, plus service on the installed base**

ASML: 24.5 billion euro of system sales plus 8.2 billion euro of service and field option sales in 2025

### Controlled volume luxury

**Units × price × personalisation attachment, plus brand licensing**

Ferrari: 13,640 cars shipped in 2025 producing 6,005 million euro of cars and spare parts revenue

All figures from the companies' own annual filings for their most recent completed financial year. Each is evidenced in the case study section.

PART B - HOW TO UNDERSTAND A BUSINESS

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- **Unit Economics in Startups:** Vatsal Jain explained unit economics, noting that businesses can lose money as they grow if each individual transaction operates at a loss. Vatsal Jain emphasized that understanding a business in terms of a single unit, such as an order value for Zomato, is critical because scaling a loss-making unit only magnifies total losses. Siddhant Rathore and Ridhesh Sharma participated briefly while Vatsal Jain reinforced the importance of remaining active during discussions ([01:05:24](#)).

# MOVE 05

## Unit economics: what happens when you sell one more?

A business can grow revenue quickly and destroy value at the same time, if each additional unit costs more than it brings in. Unit economics is the question of what the marginal order, customer, store or seat actually contributes.

| Food delivery                      | Quick commerce                        | Software as a service              | Airline                              |
|------------------------------------|---------------------------------------|------------------------------------|--------------------------------------|
| Order value                        | Basket value                          | Cost to acquire a customer         | Available seat kilometre             |
| Commission and delivery fee earned | Gross margin on goods sold            | Annual contract value              | Revenue per available seat kilometre |
| Delivery cost per order            | Store level operating cost            | Gross margin on delivery           | Cost per available seat kilometre    |
| Discounts and promotions           | Delivery and warehousing cost         | Retention and expansion rate       | Load factor                          |
| <b>Contribution per order</b>      | <b>Contribution per store per day</b> | <b>Lifetime value</b>              | <b>Spread per seat kilometre</b>     |
| Fixed costs to be covered          | Stores needed to cover central cost   | Payback period on acquisition cost | Seat kilometres needed to break even |

The highlighted row in each column is the number that decides whether growth is worth having. Everything above it is arithmetic; everything below it is scale. IndiGo's version of that number is the gap between revenue and cost per available seat kilometre, and we will watch it turn negative in the case study section.

PART B - HOW TO UNDERSTAND A BUSINESS

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- Value Chain and Industry Structure Analysis:** Vatsal Jain covered the value chain, explaining the relationships between different stages of production, assembly, distribution, and value capture. Vatsal Jain highlighted that industry structure determines how much value each company retains, prompting participants to analyze industry structures. Siddhant Rathore responded by identifying the threat of competitors and substitutes as part of the five forces affecting industry value ([01:08:26](#)).

**MOVE 07**

### Industry structure, in service of the company

Structure decides how much of the value created in an industry the participants get to keep. Two companies executing equally well in differently structured industries earn very different returns. Use the framework only as far as it explains this company's economics.

|                                           |                                                                                                                                                    |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Rivalry among existing competitors</b> | How many credible players, and do they compete on price or on something else? Where in the filings do they name each other?                        |
| <b>Bargaining power of buyers</b>         | Customer concentration is the measurable version of this. ASML disclosed that its largest customer was 23.9 per cent of 2025 net sales.            |
| <b>Bargaining power of suppliers</b>      | Single source dependencies, input concentration and long lead times. Airlines and engine makers are the standing example.                          |
| <b>Threat of new entrants</b>             | What would it cost, in money and time, to build a credible competitor? Capital, regulation, network density and technology are the usual barriers. |
| <b>Threat of substitutes</b>              | Not just competitors, but different ways of solving the same problem. The substitute for a food delivery order is cooking.                         |

What to actually collect: market size and how it was defined, market growth, the named competitors, each player's share and the source of that share estimate, customer and supplier concentration, and what a new entrant would have to spend.

What to avoid: writing five paragraphs of generic strategy that would be true of any company in any industry. If a sentence about rivalry does not change what you expect the company's margin to do, it does not belong in the note.

PART B - HOW TO UNDERSTAND A BUSINESS

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- Unique Selling Propositions and Business Traps:** Vatsal Jain explained Unique Selling Propositions (USPs) and moats, citing network effects, switching costs, intangible assets, and efficient scale as key competitive advantages. Vatsal Jain used payment solutions and social media platforms like Facebook and Instagram to illustrate network effects where both merchants and customers drive platform value. Furthermore, Vatsal Jain warned participants about common traps, such as misinterpreting retention and purchase frequency metrics in software-as-a-service businesses and bank lenders ([01:11:00](#)).

## Six kinds of moat, and the evidence each one leaves behind

A moat is a structural reason that competition has not eroded returns. A good business is not necessarily a business with a moat, and a moat is not an adjective. It leaves fingerprints in the economics.



### Network effects

*The product becomes more valuable to each user as more users join*

Visa: 4,000 million payment credentials usable at more than 175 million merchant locations. Neither side can be replicated without the other.



### Switching costs

*Leaving is expensive in money, time, data or risk*

Adobe: creative workflows, file formats and enterprise contracts embedded across a customer's whole organisation.



### Cost advantage

*A structurally lower cost to serve the same customer*

Costco: fewer than 4,000 stock keeping units per warehouse, producing buying power a broadline retailer cannot match.



### Intangible assets

*Patents, licences, brand or accumulated know how that cannot be bought*

ASML: extreme ultraviolet lithography, developed over decades, with no current alternative supplier at the leading edge.



### Efficient scale

*The market is only large enough to support a small number of players profitably*

Cargojet: over ninety per cent of Canadian overnight air cargo, in a market that will not profitably support a second network.



### Brand and distribution

*Willingness to pay, or reach, that a competitor cannot purchase*

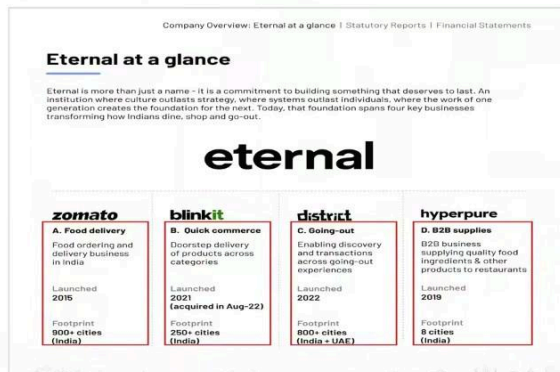
Ferrari: 2025 revenue up 7.0 per cent while unit shipments fell, on a deliberately controlled volume strategy.

Evidence lines drawn from Visa Form 10-K FY2025, Costco Form 10-K FY2025, ASML Annual Report 2025, Ferrari Form 20-F 2025 and the CFA Institute Research Challenge report on Cargojet.

## • Management Commentary Analysis and Sum-of-the-Parts Valuation:

Vatsal Jain discussed analyzing management stories, noting that management often window-dresses information, which can be evaluated using artificial intelligence models. Muneer Ahmed Choudhary then introduced the Sum-of-the-Parts (SOTP) valuation method for diversified businesses, explaining that subsidiaries like Zomato, Blinkit, and District operate under different segments and must be valued individually rather than through a consolidated figure. Muneer Ahmed Choudhary and Vatsal Jain noted that Zomato relies on a technology-based app, whereas Blinkit operates through warehouses and retail ([01:13:55](#)).

## Four businesses inside one listed company



Source: Eternal Limited, Annual Report 2025-26, "Eternal at a glance", page 1. Red boxes added.

Eternal Limited, formerly Zomato Limited, is listed on the NSE and BSE. The renaming in 2025 matters for research: a search for Zomato will miss the current filings, and the four businesses inside the entity have different customers, different cost structures and very different profitability.

|                  |                                                                                                        |
|------------------|--------------------------------------------------------------------------------------------------------|
| <b>Zomato</b>    | Food delivery. Launched 2015. 900 plus cities in India.                                                |
| <b>Blinkit</b>   | Quick commerce. Launched 2021, acquired August 2022. 250 plus cities.                                  |
| <b>District</b>  | Going out: dining, movies, events, ticketing. Launched 2022. 800 plus cities across India and the UAE. |
| <b>Hyperpure</b> | Business to business food supply to restaurants. Launched 2019. 8 cities.                              |

FY26 group result: net order value of 95,959 crore rupees across the consumer businesses, up 55 per cent, and profit after tax of 366 crore rupees.

- Divergent Unit Economics in Quick Commerce:** Muneer Ahmed Choudhary explained that unit economics differ significantly between Zomato and Blinkit. Muneer Ahmed Choudhary pointed out that while Zomato maximizes revenue by increasing order volume, Blinkit focuses on the store itself as the primary unit. Muneer Ahmed Choudhary noted that Blinkit plans to open approximately 3,000 stores by March 2027, which will cause average sales per store to fall. However, Muneer Ahmed Choudhary emphasized that this reduction should not automatically be viewed negatively, as quick commerce profitability relies on rent dynamics and maximizing goods sold per store (01:17:37).

## Unit economics: the quick commerce store as the unit

- Capex per store (including warehousing): INR 2.5 crore (vs 1 crore earlier), reflecting larger store sizes, assortment expansion, and technology investments in warehousing
- Net working capital: 12 days of NDV, or 3.3% (vs 18 days / 5% earlier)
- NDV per day per store: INR 11 lakh (vs INR 7 lakh earlier), driven by larger store sizes and more efficient warehousing
- EBIT margin: 4% of NDV (same as earlier); driven by 6% Adjusted EBITDA margin (higher end of our earlier guidance of 5-6%)

The math: INR 2.5 crore capex against INR 40 crore annual NDV per store (= INR 11 lakh \* 360) implies 6.3% of NDV in capex. Add 3.3% for net working capital, and total capital employed is 9.6% of NDV. At 4% EBIT margin, that implies pre-tax ROCE of 41.7% (= 4/9.6).

These numbers will evolve as the business evolves.

### Q6. It's been a year since the transition to the 1P model. What has been your experience with inventory losses (which are generally a big concern in 1P businesses)?

**Akhant:** Inventory losses for us are about 1.8% of NDV right now, which include losses on account of expiry, shrinkage, damage, loss in transit or pilferage. A large part of these losses are driven by perishable products (including fruits and vegetables) which is an important and large category for us in the quick commerce business.

We believe this is a great start and we will continue to optimize them with better replenishment planning and supply chain efficiencies.

The inventory losses are part of COGS (cost of goods sold) and hence the reported Gross Profit is net of inventory losses.

### Q7. Any impact of the fuel and raw material price inflation on the business? Any supply side challenges from brands that can impact growth in the near term?

**Akhant:** No, we are not seeing any visible impact as of now. Input costs across select raw materials are beginning to witness some inflationary pressure but that has not impacted production volumes or supply from brands so far.

### Q8. Any chance in how you are responding to competitive tactics?

Source: Eternal Limited, Shareholders' Letter for Q1 FY22 (quarter ended 30 June 2020), quick commerce section.

For a quick commerce business the meaningful unit is not the order, it is the store. A store is a fixed cost that has to be covered by the throughput it can generate, so the economics are decided by how much value flows through each store each day and how quickly a new store reaches that level.

2,243

Blinkit stores at March 2026, after 942 net additions during FY26

250+

cities, against a target of roughly 3,000 stores by March 2027

₹756k

average net order value per day per store in FY26, broadly stable while the store count more than doubled

8.5m

square feet of backend warehousing, of which 3.3 million square feet was added during FY26

917m

quick commerce orders in FY26, up 116 per cent, with average order value broadly flat

The most quietly important disclosure: net working capital fell to twelve days of net order value, or 3.3 per cent, from eighteen days and 5 per cent. An inventory owning business that is shortening its cash cycle while doubling its store count is telling you something real about operating discipline.

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- **Ferrari Case Study and Research Workflows:** Vatsal Jain presented the Ferrari case study to illustrate unconventional business strategies, noting that Ferrari achieves a richer mix and supports auxiliary services by intentionally selling fewer automobile units to a targeted cohort (01:19:11). Vatsal Jain transitioned into research workflows, sharing specific prompts for analyzing annual reports and 10-K statements using large language models. Vatsal Jain cautioned that data analyzed through large language models should not be trusted blindly and requested that participants fill out a standardized working sheet for the investment fund (01:21:39).

## A company that limits how much it is allowed to sell

### Ferrari N.V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. BACKGROUND AND BASIS OF PREPARATION

##### Background

Ferrari is among the world's leading luxury brands. The activities of Ferrari N.V. (herein referred to as "Ferrari" or the "Company" and together with its subsidiaries the "Group") are focused on the design, engineering, production and sale of luxury performance sports cars. The cars are designed, engineered and produced in Maranello and Modena, Italy and sold in approximately 60 markets worldwide through a network of 181 authorized dealers operating 195 points of sale. The Ferrari brand is licensed to a selected number of producers and retailers of luxury and lifestyle goods, with Ferrari branded merchandise also sold through a network of 16 Ferrari-owned directly operated stores and 2 franchised stores (as of December 31, 2025), as well as on Ferrari's website. To facilitate the sale of new and pre-owned cars, the Group provides various forms of financing to clients, as well as to dealers in certain territories, directly or through cooperation or other agreements with financial institutions. Ferrari also participates in the Formula 1 World Championship through its Scuderia Ferrari team and the World Endurance Championship through its Ferrari endurance teams. Ferrari's racing activities are a core element of Ferrari marketing and promotional activities, as well as an important source of innovation to support the technological advancement of Ferrari's product portfolio.

##### Basis of preparation

##### Authorization of consolidated financial statements and compliance with International Financial Reporting Standards

Source: Ferrari N.V., Form 20-F for the year ended 31 December 2025, Notes to the Consolidated Financial Statements, Background.

**13,640**

cars shipped in 2025, against 13,752 in 2024. Shipments were 7,255 in 2014, the year before the initial public offering

**181**

authorised dealers operating 195 points of sale, across approximately 60 markets

**46.5%**

of units shipped went to Europe, the Middle East and Africa, 28.9 per cent to the Americas

**29.5%**

operating margin in 2025, up from 28.3 per cent in 2024 and 27.1 per cent in 2023

- Student-Run Investment Fund Structure and Custom Artificial Intelligence Tools:** Vatsal Jain outlined the structure of the student-run investment fund, explaining that the current mock format simulates real-world analyst environments for future application. Ridhesh Sharma asked if the group could develop a custom GPT or specialized agent to assist with analysis (01:24:07). Vatsal Jain responded that while a custom tool could be explored as a group project, their immediate focus was completing the modules and onboarding executive committee members and general partners before experimenting with custom research tools and mock funds (01:25:32).

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# Transcript

Sep 15, 2026

# Meeting Sep 15, 2026 at 20:54

## IST - Transcript

00:00:00

**Vatsal Jain:** Uh we can just have people uh joining in

**Muneer Ahmed Choudhary:** Okay,

**Vatsal Jain:** joining.

**Muneer Ahmed Choudhary:** now let's start.

**Vatsal Jain:** All right. So okay, welcome everyone. Uh like this is the first session uh basically we'll be conducting in a training module that we've envisioned and planned uh for Envia. The reason why we are having this session is key uh you know uh the analysts that we have from the other colleges they also had this uh sort of ambiguity you know we just jumping into an investment thesis like that is like an insight we also feel is right investment thesis and you know exec committee give us a and you know you start pitching companies and giving us trade ideas even if like you you do not have the prerequisite knowledge that is kind of unfair. So we really want to you know impart certain skills as part of ania to you guys going forward fund actually run and you know whatever investment thesis we build models you know you at least have that background so for today's session we just have a simple idea key like before you open excel Okay, you look at a share price, you should be able to say company, how does it make money?

00:01:40

**Vatsal Jain:** And you know why does that money keep coming in to that business? And answer through the company's own documents. Okay. So today our goal is to understand a business before jumping into the numbers. You know if you create a DCF model is only as good as the assumptions. So it forecasted then you know jumping into numbers is pointless. So like before we continue uh I would just say uh activity company you have to think of that company in your mind just you feel you understand that company really well and we'll come back to it at the end I hope that is clear I can't see the screens I'll know let me

**Muneer Ahmed Choudhary:** Yeah. Yeah.

**Vatsal Jain:** So for today's session we have to understand the scope. Uh so today we are basically covering key what a business is. We're not doing valuation forecasting ratio analysis understand the business but we are assuming and that is the entire you know goal of this session what a business does I just have a question to you guys is the 10% margin good just uh open your mic and answer yeah you can raise your hand to answer

**00:03:31**

**Muneer Ahmed Choudhary:** Yeah.

**Vatsal Jain:** Yes.

**Muneer Ahmed Choudhary:** On the

**Vatsal Jain:** So the net

**Udit Yadav:** Is it gross margin or net margin?

**Vatsal Jain:** margin rightly

**Udit Yadav:** Uh it depends on the company and the scale I guess.

**Vatsal Jain:** so directly without understanding the company the business model particular percentage figure margin is it good or like is it bad I hope uh clear so margin because you usually have higher net margins in such a business. So basically you cannot you know judge the number until you know the business. So now that takes us to our first idea that is the concept of multiple. Now the senior analyst Ram because I've already conducted a session on comparable companies in the past comp analysis.

So you are well versed with the concept of a multiple but still I'll just you know repeat it uh so we have an example just we have cost wholesale and Adobe and uh you know these numbers are sourced from the US annual report. When I say annual report, this is the statement 10k which is equivalent to an annual report in India.

**00:04:59**

**Vatsal Jain:** cover page. You know they disclose the market value of shares that is held by outsiders roughly equal to the market capsiders held by insiders.

**Udit Yadav:** I am not sure about it but maybe Bod's

**Vatsal Jain:** Yeah. Come again.

**Udit Yadav:** board of directors and

**Vatsal Jain:** board of directors management is an example.

**Udit Yadav:** yeah we in.

**Vatsal Jain:** So I hope you understand those people and the reasons there is always a scope Market price intrinsic. build ais invest in that company and realize gains. So that is what we chasing ultimate goals I hope market income divide we'll get a rough approximation of P you can see Costco P is roughly about 58.7 times and Adobe is 20.3 profitable American businesses but if you look at the earnings 1.7 similar for Adobe 4.9. So even though Adobe is earning more earnings still.3 almost just raise your hands. is not just

**Muneer Ahmed Choudhary:** Oh yeah, you can see

**Radhav Kabra:** I guess expected growth rates market per

**Vatsal Jain:** one word to you know keep a focus on is market perception very rightly said market and when I say that the reason is P is a figure mean over time you'll notice it reverts means concept This is not the goal of the session.

**00:08:28**

**Vatsal Jain:** Just wanted to mention he's right in mentioning market perception like continuing our discussion. We have to understand about the future. You can see as mentioned in the slide membership fees about% but almost half of their operating profit is coming from this membership fees and you can also see 92% members US and Canada they renew each other each year so renewal rate so business if we see in actuality renewing feels like something you should obviously do. You know whenever a company has a predictable uh cash flow that is seen as something positive by the market. If I ask another question 58 times multiple Can someone answer? Basically,

**Udit Yadav:** Any negative news about the company?

**Vatsal Jain:** I'm looking for a metric. Come again.

**Udit Yadav:** Any negative news about the company or its future?

**Vatsal Jain:** Try to focus on left side renewal rate and sales growth words. options. This is renewal rate.

**Udit Yadav:** If the renewal like if the renewal rate in the sales falls or like are below what they the people are expecting.

**00:10:29**

**Vatsal Jain:** Yeah, the crux of the point I'm trying to make is sales on the renewal rate stating. I hope the point is clear.

**Rishabh Sethi:** But a drastic impact

**Vatsal Jain:** Come

**Rishabh Sethi:** membership

**Vatsal Jain:** renewal rate.

**Rishabh Sethi:** as compared to your

**Muneer Ahmed Choudhary:** You'll actually kind of answer Key side.

**Vatsal Jain:** We'll share but renewal rate is not they'll not be able to access that store. That is not what we are discussing here. I hope he

**Muneer Ahmed Choudhary:** Yep. But say you couldn't go

**Vatsal Jain:** Yeah. So, uh we'll also discuss the case of Adobe. You can see 96% of their revenue and contractual 25 22.52 billion contract and they have something. So even if it looks great, right? markets. So this could be due to an unanswered question or uh question at this point of time. It is something that you guys use daily. Reports canva it is a competitor but AI is the right answer. If you know anyone can design something by typing a promptaker or you know we can take the example of recently you know in this example they're not disclosing this number customers existing customers Just saying that also sends out a signal in the market.

**00:13:44**

**Vatsal Jain:** I hope you're understanding. This is also sending a signal. Try to find it.

**Muneer Ahmed Choudhary:** Yep.

**Vatsal Jain:** So it knows but they'll not disclose that particular information for further research. Now the next idea is conglomerate discount discount you know when we have a business multiple vertical in itself example we are taking zomato listed from peace eternal. And they have four businesses in actuality. simple assumption like the people from BCOM revenue. You should think of the answer.

**Udit Yadav:** May I have a doubt? What is take rate which is similar to PU stout also

**Vatsal Jain:** Uh take basically simple language

**Udit Yadav:** from a particular vertical.

**Vatsal Jain:** like

**Udit Yadav:** Okay.

**Vatsal Jain:** numbers.

**Udit Yadav:** Okay.

**Vatsal Jain:** blend, but we're talking about the individual businesses and order like just try to keep this

**Udit Yadav:** Yeah.

**Muneer Ahmed Choudhary:** But uh Radhav has answered chat mak.

**Vatsal Jain:** conversational. I can't really see the chat.

**Radhav Kabra:** Actual delivery.

**Vatsal Jain:** Exactly. This is the right answer. Okay.

**00:16:54**

**Vatsal Jain:** So, It is really great. You know, you're trying to think of the reasons please explore because that is the entire purpose of this session. blanket. It is a capital heavy retailer and that is how they're able to run their business and hyperl. So you see that all of these four verticals are sitting under one share price that eternal holds. blend. when you're buying the shares of eternal management it is something which will grow they'll put the cash in hyperpure but uh what if the market disagrees what if the market feels something it is just an example actual reasoning. This this is just to explain the concept in discount when you know you evaluate a business as a whole and single play company. So uh this is an activity after the session ends please do this Google because of the concept of conglomerate discounting I hope complex investor will place a discount on its valuation. Is it clear the concept of conglomerate discounting? Can I proceed? Am I audible?

**00:19:47**

**Siddhant Rathore:** Yeah, you can proceed.

**Muneer Ahmed Choudhary:** Yes. Yes. But you're audible.

**Vatsal Jain:** So no worries. Next thing is dinner table alpha. Uh interesting research paper that I want you guys to have a look at after the session ends. Uh dinner table alpha Google Scholar browser I guess. I'm not sure exactly tells you is key they've explored a relationship uh based on household linkages manag set of trades and compare with other managers. They realize they are earning more than the normal

return. They're earning abnormal So we are not saying that falls into the category of insider trading information. We're not discussing that but rather we discussing their earning a return that is outperforming other managers and again starting business understanding linkage they can understand the industry structure the competitors they'll have an edge table when they're interacting with their spouse you know like directly or indirectly they are going to learn certain things information over other mutual fund managers fund managers I hope dinner table alpha research paper and conclusion I'll just try to expedite Peter Lynch is another person like he's given an argumentary market they'll realize I'll give you an example basically there was this consultant client was a very large housing they realized components.

**00:23:13**

**Vatsal Jain:** What does that have to you know basically what does that imply on the housing market? Can anyone answer? Is there anyone answer?

**Muneer Ahmed Choudhary:** Not really

**Vatsal Jain:** So I'll just give the answer. It is an indicator housing market because you know so maybe they've stopped planning new projects it is just an example you know observation can lead to a question and then that question can be followed by methodical research and that research can basically provide you an edge in the market. I hope Things do not work like that. You have to be structured. You have to be critical. You have to understand a particular question. See the question up you know it it cannot be your end point. I hope you find a question and then you know uh follow that with research. uh just say you can explain that question in more depth and be underlying phenomenon. This is what we expecting from you going forward. Another important thing is they're not in the financial industry.

**00:25:09**

**Vatsal Jain:** Try to explain and fail right in explaining the model in terms of layman language. So you know you have to work on your skills. You have not understood the business model. That is the best to know they hide behind consulting industry. They'll use complex terms because this is a sad reality. Even in finance they hide behind going forward. You have to be you know just stop using jargon plain language. Okay. So now again basically business and then actually Costco you can see they sell you a card for \$65 a year then they sell you the goods at almost no profit so that renewing the card feels obvious. So simple lines will also explain more cases we'll explore business models to I hope you'll perform this activity. Uh now I would just like to conclude three ideas. First was multiple it is a compressed forecast. Second. is because it does not have the same amount of information insider and even when you know the business is complex.

**00:27:13**

**Vatsal Jain:** And the last one is that your observation is very important and observation just try to have a follow up on that research and story you'll find a lot of interesting things. So, over to you.

**Muneer Ahmed Choudhary:** Um hello am I audible? Uh Vatsal uh could you keep sharing it?

**Piyush Nayak:** Yes.

**Vatsal Jain:** Yeah, I'll keep it I'll just I'm just turning off

**Muneer Ahmed Choudhary:** Okay. So hm so again uh numbers key okay I'm pretty sure everyone here Keshav has kind of come across DCF uh we get through a value we know how we get to a value it's a very uh distinct process but it's very important to understand key sometimes numbers are just they may be arithmetically right and accurate but they might not reflect what's actually true. U this simple example a lot of times a lot of people when they do valuation and they get a specific value people don't ask this question to themselves but they should ask valuation for example my valuation is claiming company will grow for grow at the rate of 20% for the next 5 years.

**00:28:34**

**Muneer Ahmed Choudhary:** So you should think physically for the next 5 years sanity checks are very important and to think is way you must understand the business if you don't understand the business and specifically economics this is why economics important factor discussed without understanding unit economics you might fail to understand key factors business impact. So yeah, what's the next slide? Uh okay. So uh the next slide talks about key investment thesis actually. So obviously things uh everyone has seen an investment thesis. What does the business do? How it makes money and captures a value of it. uh but important thing uh if you look at the fifth point it talks about what drives the economics valuation or investment thesis so you'll understand most of the businesses have three to seven variables important most of the business affect and most of the business could actually be explained by those variables and this is the reason why ratio analysis be popular because it's basically a relationship that can tell you a lot about business.

**00:29:56**

**Muneer Ahmed Choudhary:** Similarly, you can sort out three to seven variables business important and uh these variables are a very important key to understanding a business. Uh also important thing people do not do in the thesis initially is that uh if you look at the last question uh obviously yes uh we talk about catalyst uh in the sixth seventh and eighth thing price already reflect we talk about uh how much times the how much times of the earnings is the price but uh the ninth uh pointer which is written over here uh it is a very important factor You must always include under which conditions assumptions. If you don't provide for such uh circumstances then you could be challenged. You have to be able to defend your thesis u with uh that's the point of the thesis. Uh that's the point of the valuation and the entire model that you're doing is you're backing your thesis with data. So it's very important key you also look uh look at your model under different conditions.

**00:31:11**

**Muneer Ahmed Choudhary:** Uh next slide. Okay. So the next slide uh talks about again the five steps uh in building an investment thesis. So first is obviously understanding the business. Financial analysis is the that part. Finances sort we export historical data. we format it and then forecasting I'm pretty sure you guys must know key we go through uh if it depends on which method of analysis you're following but simply fundamentally business so you might go and read earning uh calls and uh management transcripts to understand what does the management say about the business and then you build a valuation and then a thesis which also tells key you should act or you should not act on your uh reasoning. So uh that's the next slide. Okay. So here uh if you see again we have discussed this uh 10step uh format. A very important thing uh lot of people get wrong is uh the ninth part uh if how do you actually get a a base case a bull case and a bad case like when you're forecasting you usually take three cases you're taking a base case you'll take a case everything is a bit positive and a bit negative so does anyone want to answer

**00:32:51**

**Siddhant Rathore:** Like we can get the base case from know industry averages. Yeah. reports highly, you know, competitive industry. Report We can also use that number as our base that we use that we can use as base.

**Muneer Ahmed Choudhary:** Okay. Okay. Fine. So this is the problem to uh even until uh this is something which is very interesting actually which I think you all know is management case a lot of people consider that as the base case but management my company will grow at the rate of 10% for the next 3 years when you're preparing bull and the bear case you shouldn't like give a bad number directly or a good number directly. What's the actual right method of doing is doing this is when you're understanding scenarios you'll come across a lot of opportunities or threats related I'm saying so in the bull case instead of just doing plus 3 + 4 uh in your base case you

actually assume key we did much better than the competitor and we went into some new industry as well.

**00:34:26**

**Muneer Ahmed Choudhary:** So you look at scenarios and cases and assume better worlds. You don't assume uh a different multiple, you assume a different world. I hope I'm able to explain this. Do you guys understand what uh I said? So that's why cases building is important. You should know bearish case in a bearish case you could get market. So that could be a bearish case. So instead of doing  $\Delta$  you could actually see or how much so you can calculate such things. So this is how developing cases is not just arithmetic. It's actually very logical. Okay. What's the next step? Next slide. Uh yeah. So the steps are ordered. Uh again uh right now Vatsal discussed key blanket key example blanket went to owning the inventory uh take orders uh takeaway rates were way different than uh others. Also when we'll study the case later we'll see blanket revenue was uh uh sec next year the revenue grew to around 140%.

**00:35:53**

**Muneer Ahmed Choudhary:** Eternal the holding company. But when we looked so you'll understand for example if you order a pen from blanket of 100 blanket 20 but now what blanket is doing is it's owning the inventory so that's why revenue grew substantially to any person revenue he will have to adjust for that and that is why always we have to understand the business model we can never go directly to the numbers uh also if you see uh again I talked about uh physically justifying uh in the third point you see where your base case is assuming 20% growth rate for 8 years so you ask yourself what will have to be true. So you ask yourself and if it feels too much then obviously this it's a wrong assumption. So again that that's the point of this question. So that's the point. Next uh slide. Uh okay. And again what's next slide. Hello. Am I audible?

**Vatsal Jain:** Yes.

**00:37:39**

**Muneer Ahmed Choudhary:** Uh I think Wait,

**Vatsal Jain:** Uh is this line regarding uh

**Muneer Ahmed Choudhary:** you skipped a slide. I think what's a slide number 15?

**Vatsal Jain:** right? Sorry.

**Muneer Ahmed Choudhary:** I say it's okay. It's just a transition slide. Uh okay.

**Vatsal Jain:** All

**Muneer Ahmed Choudhary:** So 15th slide step one. Okay. Again session point is not key you have to value recommend or forecast anything. You have to understand a company uh draw its business model and know key variables. And whatever you don't understand you should always note down that as well. Usually it's it's your instinct. If if you find something a bit weird, it means that the company might be doing something to make it complicated. So a lot of times your intuition is right. So yeah, we should uh today our goal is just to understand the company. But next slide. Uh this is a CFA institute equity research report.

**00:38:43**

**Muneer Ahmed Choudhary:** uh thesis uh I'll talk thesis how do you uh write a thesis properly uh I'll share this report as well so you can see you know but I think you should go through it go to the next slide Okay. So, uh everyone knows the executive summary. Everyone must have seen key uh target buy hold recommendation or target price uh thesis three sentences. It's a thesis starts with industry overview, business overview uh and investment uh summary. Also, it ends with valuation, financial analysis, ESG analysis, appendicis. The major crux is the thesis part. Thsis 1 2 and three. If you open the thesis basically thesis these are the three main reasons of water. Basically first thesis was key competitors cannot touch this company which was cargo jet because

they had 90% of airgo orders or long-term contracts in that means they it's not easy for someone to enter their market and it was outlining the mode is basically company makes what is so different about the that is uh what advantage also say thesis one talked about key uh incremental sales margins explode.

**00:40:32**

**Muneer Ahmed Choudhary:** So that's the point. Uh whenever you prepare an entire investment thesis, you'll come down to three main reasons. Uh key investments because one of the would be your main so and one thesis could be opportunity look forward. So this is how you're supposed to prepare a proper report. Next slide. Again a report could be mapped down to this framework. Discuss key. We have to understand the company industry or historical performances key drivers important forecast valuation all the risk and the bullbear base cases. The risks or opportunities that are very important for the bull bear base cases scenarios assume. Okay. Next slide. Okay. And now another problem that people have is research report. So every statement that is written in a report could be one of these five things. It could be a fact. We'll see later Costco form 10 reports basically annual report membership fee rate. So this is a fact.

**00:41:55**

**Muneer Ahmed Choudhary:** So by giving any uh you uh to my report may a lot of portion of the report would be facts interpretation is basically what what you have uh inferred from your facts. So basically specific case \$5 billion membership fee or \$10 billion total revenue. So basically membership fee is half of operating income. So basically you could say that merchandise business break even or fee is the profit engine. So basically the thing with Costco was Costco is basically a retail store to enter the store you need subscription whats was talking about and uh that is the membership fees and you can buy anything you want at a much cheaper price than a normal store. So that's the reason why people take this membership fees understand

at the ends. So if you look at it from that perspective, it's more of a membership based model than actually a retail type of business. So interpretation is important. Then uh in reports whenever you're making any cases you are setting a hypothesis key next%.

**00:43:33**

**Muneer Ahmed Choudhary:** So you set a hypothesis and then you obviously will always attach an evidence. you went and you saw and lastly you still ask questions uh also in your thesis. So uh every sentence in a way is in form of such a thing. So yeah that's the thing. Next slide also.

**Vatsal Jain:** Just give me a minute to set up the screen. Yeah. Okay. So, I hope uh you understand what a thesis is. Uh now that has you know explained all the parts in detail. And then we've also attached a demo. The next thing is this is a basic question that we get every day. Right? So you can see we've listed 10 steps, 10 moves, right? Up again. If you look at the first two like you know what the company sells and you know where is that written down 3 to six it is like how is it making money business model revenue formula unit economics value chain etc etc to basically So 9 to 10 connect to the numbers drivers and you just check the management story how true is that story right 10 steps is something that you should uh have in your mind and you should know 10 steps per whenever I've been given a company I hope so we'll be discussing some of these steps in uh detail you

**00:46:08**

**Vatsal Jain:** know uh the first question that we should ask is you know pay so usually parents But as children, not saying that adults, but typically toys, right? So when you're putting up such questions, you can understand structure that I mentioned you should apply these questions to that company and think that will help you further understanding of that business. So another important skill that you should have is that whenever you're reading reports try to translate uh corporate language because

companies you know always describe themselves in a language of ambition translate that into monetary terms who pays for what simple language take the example eternal consumer but in reality to make money. I hope you understand the point. It is not relevant. I always suggest instead relying on AI. Try to read the stuff yourself, right? It will take that technology enabled consumer platform, you know, they operate a membership warehouse and then the point I hope you understand terms like platform ecosystem transforming you should ask next uh so like US statements I told you right sec statements security and exchange commission uh we're based out of India going forward it will operate in Indian equities.

**00:49:03**

**Vatsal Jain:** So it is important reports report. And if you have to read like what has changed so you should read the management discussion and analysis portion ratio mentioned like 25% not these are the rules you can look out for that explanation and consid numbers I hope report can proceed or also information we can't read everything document we share uh yeah So you know you have to read the quarterly results in presentations. You'll never find them anywhere else. earnings call transcripts like five working days earnings calls Q And then opening Q&A is at the end. Opening speech again. So you should look at the Q&A materolding pattern also you know on these websites. So shareholding. So you should look out for such things. I hope you understood source again investor relations page best source

**Muneer Ahmed Choudhary:** Yes. So that you can speak.

**Udit Yadav:** Uh we are it is a silly doubt I guess but what's earning called transcript?

**Vatsal Jain:** basically earning calls meeting Google meet just a reference that I'm giving you basically they talk about the business the meeting that we are having we transcribing it rightfen I

**00:52:24**

**Udit Yadav:** Yeah. Okay.

**Vatsal Jain:** earnings guidance provide. Okay. Uh so the next thing is SEC Securities Exchange Commission basically uh it is a federal regulator of American securities markets. So they've built this portal that is known as Edgar portal to research 1993 they had introduced this or it is you know way better than what we have in India but Edgar full search will also tell you about that. So if you search a phrase net retention figure if I go to Edgar portal and net retention I hope you're following the example. So US 10k it is equivalent to the Indian annual report. 10 quarterly report equivalent 8K is for big events. 20F is for foreign companies annual report form and proxy statements. If you are searching something related to M&A to proxy statements. Uh again form 10 I've covered report you can just go through all of this information just

**Siddhant Rathore:** I was just asking what is the Indian equivalent of you know proxy statement management discussion.

**Vatsal Jain:** but usually There are disclosures.

**00:54:37**

**Vatsal Jain:** You can pull out that information.

**Siddhant Rathore:** Okay.

**Muneer Ahmed Choudhary:** Haha.

**Ridhesh Sharma:** like SEC.

**Vatsal Jain:** question.

**Ridhesh Sharma:** Huh? I love SEC.

**Vatsal Jain:** So the reason specifically in the field of aerospace, defense project that is why we mentioning this I hope clear

**Ridhesh Sharma:** Yeah. Got it. Got it. God.

**Vatsal Jain:** to excuse me.

**Muneer Ahmed Choudhary:** Uh I'm audible now.

**Vatsal Jain:** Right.

**Muneer Ahmed Choudhary:** Uh okay h I'll start it. Uh okay what's talked about Edar portal uh benefits and yes it is way better than India exist I agree and the reason is you can search for phrases so for example could you repeat what was the phrase oh you're muted a uh regard starting the

**Vatsal Jain:** Okay.

**Muneer Ahmed Choudhary:** uh business so you'll know that they haven't mentioned this.

**Vatsal Jain:** Like example.

**Muneer Ahmed Choudhary:** It's okay. H Adobe, right?

**Vatsal Jain:** So like basically I told you.

**Muneer Ahmed Choudhary:** So

**Vatsal Jain:** So if you just simply search net dollar retention I hope.

**00:56:43**

**Vatsal Jain:** yet.

**Muneer Ahmed Choudhary:** similarly if you want to see so that was the point that I was giving. So two ways that you can use this. Uh so uh apart from this for example if You want to understand which companies like what specific business model for phrases related to that business model for comparable. So that is the reason that is also a way and Edgar thing is also all the filings. Uh so I would uh urge all of you explore uh also we'll talk about one case later slides. Huh? Next slide. Okay. Uh wait what cell? Exciting. You're on page number. Uh Vatsal you went to ahead? Oh, go back. Go back. Yeah, I was talking about uh HDFC thingy. Uh no uh but still go to slide 29, right? Also interesting classific further narrow down. So it's a good site to see uh a lot of things.

**00:58:53**

**Muneer Ahmed Choudhary:** Next slide. Uh again while multiple documents talked about 10k is the most important. uh what's proxy statements and stuff. So huh next slide again you'll see here examples may uh uh next slide item one yeah uh you'll see I'm study case of Costco's business model uh uh wholesale Costco membership uh so you'll find the entire model on item one is document so you don't have to outsource And it's the best language. If you see here, you see they operate membership warehouses and e-commerce sites based on offering low prices, low prices or membership. So you can find a lot of things on item one itself. So that is a must. Next slide itself. Uh again this is a equivalent comparison what was talking about. Next slide. again. Uh okay, this is an interesting use HDFC different ways disclosures as said Edgar is more transparent in a way or regulations. So whenever you see annual reports and the management is hiding a specific number but if you find not just Edgar but country listed you should always go there and see exchangers do they give contradicting statements somewhere maybe some strict regulations they have to they can't explain things in their own narrative they have to boil down to the actual narrative.

**01:01:06**

**Muneer Ahmed Choudhary:** So sometimes it's good that places so you can go through them. CFA level they will know American depository shares and all. Uh so yeah uh and even quicker CF level one yeah level two.

**Siddhant Rathore:** Yeah, I'm just in the initial phases of points.

**Muneer Ahmed Choudhary:** Yep. What? You're saying something?

**Vatsal Jain:** Make a clock. We're just

**Muneer Ahmed Choudhary:** All the rest screen share. Okay. Uh, slide number 34. Uh, yeah. Again, this is the thing triangulation concept. go through different documents and whenever you find any two things organization differently state so you'll find a question most of the time specific reason they are trying to hide something or they are specifically narrating something in a specific way so that is where you can find questions usually so always refer to multiple documents don't rely on specific just manage uh annual reports. Uh okay. So for the next slide, Vatsal will take you through business model canvas approach of analyzing a business

**01:02:44**

**Vatsal Jain:** Sorry, let me just set it up. So business model canvas I guess basically the two boxes as investors That is the revenue streams, income statement drive and the cost structure basically margins. I can comment on the revenue stream and the income position. I hope tool again is a mechanism practical slide. You know every uh revenue number is a few things that has been multiplied together. Marketplace it would be order value times the take rate. I hope I just want to check anyone answer

**Siddhant Rathore:** Can you repeat the questioning

**Vatsal Jain:** right basically vertical eternal vertical revenue line can be expressed as order value time take

**Siddhant Rathore:** Uh this can be just the quick commas vertical.

**Vatsal Jain:** Order value times take rate. Order value.

**Udit Yadav:** Zumato.

**Vatsal Jain:** Zumat.

**Siddhant Rathore:** Yeah,

**Vatsal Jain:** Yeah,

**Ridhesh Sharma:** No matter.

**Vatsal Jain:** Zumat.

**Siddhant Rathore:** matter.

**Ridhesh Sharma:** No matter.

**Vatsal Jain:** Zumat is the right answer. Subscription business customers what each customer is paying. bank of loans margin. I hope you have to understand value that I can use to drive the revenue.

**01:05:24**

**Vatsal Jain:** So I'll build a model gross order value predict and then I'll multiply it by the take rate and then get revenue clear to our revenue. I had also built a model national grid PLC. So equation build and then there is a numbered like legally and I got my revenue. I hope

**Muneer Ahmed Choudhary:** Yes, with semi.

**Vatsal Jain:** Now the next thing is unit economics to a business can also lose more money as it grows as we've seen with a lot of startups each order you know like each it will lose money, right? So, is you know it is very important you understand unit economics. Unit economics is basically understanding the business in terms of a single unit. So, Zumato and business I can boil down to the order value. I hope this point is clear.

**Ridhesh Sharma:** on.

**Vatsal Jain:** Hello. Multiply those numbers. Anyways,

**Siddhant Rathore:** I'm dead.

**Vatsal Jain:** 100 just try to be active. No one will judge you. So on each order I'm basically you know losing money and if I increase the number of orders I'm just making that loss bigger.

**01:08:26**

**Vatsal Jain:** economics. Okay, hope this is clear. Um, next is the value chain. Pretty basic thing. Different stages and different value. Years. distributor capture. This is a relationship that you have to understand when you are evaluating a company production or assembly business. But still it is important. I hope this is also clear. I'm just rushing. You can read. We'll share the document. The industry structure is very important. uh it decides how much of the value each company in the value chain gets to keep. So industry structure is very important. You can quickly analyze the industry quickly guys. You're studying for this year. So try to be interactive. We'll wrap this ji

**Siddhant Rathore:** I can tell it but like it is the threat of our competitors then for substitutes the combination of five things that you know affect our

**Vatsal Jain:** information. Basically, it is very important. business you'll understand easily.

**01:11:00**

**Vatsal Jain:** So please use this framework more try to use this interviews maybe you can use this framework to analyze an industry quickly. Okay. So USB is the selling proposition I hope so examples mentioned here network effect switching cost advantage intangible assets efficient scale I'll explain network effect So number of merchants accept card payment. Okay. And basically you know both the sides the customers also need the payment solution and even the merchant needs it earn a lot of money. Another example Instagram or social media is a great example. If you have a lot of people on your platform, Facebook, I hope the rest of the modes you can just quickly read. We'll just uh talk about you know something and this is a trap we usually fall into retention purchase frequency important right whenever you're analyzing a business I hope again reiterating the same example you can look out for such signals and we've told you and then maybe you can arrive at a question that you can explore. Okay. So, uh these are like software as a service uh and bank lender.

**01:13:55**

**Vatsal Jain:** You can see these are just you will find your own set of variables explain. So you should look at these drivers. Uh the next is management story. So management obviously there is truth to it but they'll also try to window test it. So you should uh basically understand AI models AI models have been successfully you know implemented in reading management commentary. So market market in the rear. market. So these are questions that you should follow through with whenever you're looking at the management discussion portion. Uh you can take this one

**Muneer Ahmed Choudhary:** Um yeah so okay so Al me and Vel were discussing about uh evaluation method SOTP some of the parts when there is a business diversified segments so some of the parts and eternal some in a in a way could fit is valuation model. If you look at their four subsidiaries, Zomato, Zomato is basically a technology based app which is a very big mode. Blinket on the other hand is completely different warehouses.

**01:16:09**

**Muneer Ahmed Choudhary:** Uh they own they are in a way a retailer. District is also very different. uh and is someone who is catering to uh the restaurants itself or in kind of uh suppliers interconnected which is a good mode but that's the thing when you're valuing uh as a business you have to value different segments under different conditions to know maybe if this is the value you might not know if you just take the consolidated thing. But if you uh go and analyze every single segment, the picture would be much better. What's the next line? Uh okay. Uh right.

**Vatsal Jain:** uh like we've discussed we can skip this business model

**Muneer Ahmed Choudhary:** Okay. Uh yeah.

**Vatsal Jain:** I think uh you've explained explain this

**Muneer Ahmed Choudhary:** Huh? Uh basically unit economics matter we discussed a lot to for example unit economics could be way different in uh Zomato and in blink uh blink blink you can say economics economics basically increase in a way.

**01:17:37**

**Muneer Ahmed Choudhary:** So um in Zomato you can say order and maximizing the number of orders they can maximize their revenue profits but it's a very different game for blinket blinket it's not goods uh blinket what matters is to per store so the store itself becomes the unit here to First, store that determines blink. So if you see blink,

you'll notice average orders. But you'll if you don't read it properly, you won't know. Key blanket is opening uh around 3 3,000 stores add 3,000 stores by March 27, which means obviously average the sales average sales per store will obviously fall because so despite that you need to know all these things. uh just don't look at a number and uh see key this uh is a bad thing. It might be a very good thing. So uh the reason why uh quick commerce may because rent and all the way they are earning money is maximizing the number of goods that they are selling. So that's the next slide.

**01:19:11**

**Vatsal Jain:** I think I would like to discuss Ferrari case. We can skip the rest of them.

**Muneer Ahmed Choudhary:** and two up.

**Vatsal Jain:** You can just go through the document. So Ferrari case is particularly interesting. You know what they did usually automobile one of the tractors and if you look at their model it By following the reason we get a richer mix by focusing on less number of people they cannot afford support the other services Ferrari offer alongside the car. So you know just focusing on selling less and focusing on the cohort that is buying these cars. It is a brilliant strategy for Ferrari. So again is not always true. It is something that is not typical and we'll observe certain things and models but when you dive deeper into the numbers you'll eventually understand. So I hope that is fine. You can read these numbers and all we are just giving you a workflow basically you can use AI. So you know AI can accelerate and you can read stuff but they're selling less a car company is selling lesser number of units.

**01:21:39**

**Vatsal Jain:** So just give me a strategy that they should follow. salesatures again context it is not right in this context I hope you understand can be useful as well as something that is harmful right so basically a slide

**Muneer Ahmed Choudhary:** Yes.

**Vatsal Jain:** uh workflow. Please go through this workflow that you can use for research. Uh this is the prompt that you can actually copy and use. Annual report 10 statement upload. Try using this prompt. You'll get better result. Again, this is the second prompt. And it is very important information invent now whenever you're analyzing data with LLM. So again form do not trust it at all. I hope that is fine again to understand the company quickly and this is the sheet I request in further working in the fund. You should fill this information practical understanding going forward I hope through this session in the other modules we'll cover the next set of steps just evaluation But I hope source often I've seen people they come up with numbers and then when we tell them It is very important for someone who's reading the report, right?

**01:24:07**

**Vatsal Jain:** If you're working as a team of analysts and you're recommending it to a panel of investors. So I hope you'll follow this structure. See, we are a student run investment fund. The reason why we want to inculcate this environment is that mock you replicate the same thing. Okay. So it is important simulating something that you can replicate in your life later. I hope everything is clear thesis. So if you have any questions so you can let us know. The session has basically ended. These are the primary sources that we use for this presentation. Uh bulh.

**Ridhesh Sharma:** I had a question like the use of AI.

**Vatsal Jain:** Yeah.

**Ridhesh Sharma:** So I was wondering like could we make something like a custom GPD or something especially for Univixia or something like that or custom GPD or something like an agent which could really help us like if we if we like uh yeah if we going to use AI then we should maybe like customize it completely maybe something like that.

**01:25:32**

**Vatsal Jain:** Custom. So,

**Ridhesh Sharma:** Yeah like we can make custom GPT like on open.

**Vatsal Jain:** right.

**Ridhesh Sharma:** Yeah.

**Vatsal Jain:** See this is something that we can work on as a group like instead of me making it and then giving it to you as a CE pointer also it is something that you can mention elsewhere okay so we can definitely explore that but right now our focus is

**Ridhesh Sharma:** Yeah. Works.

**Vatsal Jain:** on finishing the modules and then you know basically we'll use open UI terminal this we'll start with the mock fund and as we onboard more executive committee members and general partners.

**Ridhesh Sharma:** Okay.

**Vatsal Jain:** So we can explore research from there try to experiment with that we are building that I am working with but we'll do it eventually guys if you have any questions you can ask also I think this is the first meeting broader team is present with you guys uh soar I'll just tell Keshav Mayank Kab but uh they're not from our college they'll also be part of the junior team so we will interact with these guys or questions You can stop the transcript and you can leave the meeting particular

**Transcription ended after 01:27:24**

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