



INDUSTRY SHEET TEMPLATE

Industry Sheet, Qualitatives and Conclusion

The 'Industry sheet' (Discussed in - Rich Ponds : The Complete Guide to Identifying Rich Industries to Invest In) along with 'Business sheet' and 'Management sheet' (which shall be introduced in other books) form what is called 'Qualitatives'. Just like how balance sheet, income statement and cash flow statement form the 'financials' of a company and together help understand the financial strength and performance of a company, similarly 'qualitatives' are designed to understand the fundamental strength and performance of industries and the companies operating in them.

The purpose of sheets

- Industry sheet: To identify the industries that are inherently more attractive than others. Industry Sheets compare various industries on common grounds and help identify the stronger or more attractive ones.
- Business sheet: To identify companies that are better placed than their competitors in the industry. It helps identify companies that have a 'right to win'. It discusses the business model of the companies, differentiation drivers and cost drivers. These together help identify the best-placed industry.
- Management sheet: Management sheet is inspired by what is called the 'VMI' model. It helps identify vision, motivation and integrity of the management. It deals with identifying the management's vision with the business. Motivation helps identify how motivated the management is and is its interest in line with the shareholders? Management sheet indicate the management's commitment to firm goals and thus integrity.

Like financials, qualitatives can also be used to compare. They can be used to compare factors across industries, companies and economies. They can also be used to compare different time frames – over years – to see how industries/companies have evolved and identify the changes that have occurred. Qualitatives can also help screen ideas.

Like financials, qualitatives also enhance 'understandability'. They provide information that is readily understandable to the users of qualitative statements. This means data is clearly presented, with additional information supplied as supporting footnotes, as needed, to assist in clarification. Thus, qualitatives give a snap view of the company and industry with detailed explanation in the footnotes.

However, qualitatives are different from Financials in one major aspect. Qualitatives are much more subjective than Financials. This is because financials only include numbers and quantitative expression. However, qualitatives can use both numbers as well as descriptions. Also, qualitatives do not have a system of double-entry to balance entries. Besides these, qualitatives stand true on all characteristics of financials.

These are 'at-a-point-in-time' applications and are not comparative as of now. As there is no database of such an industry sheet in the past, there is an absence of reference to compare with. Going ahead, the analyst must update the industry sheet every year to identify new developments. With a gap of few years, the industry sheet can be compared with past sheets to identify how the industry has changed.



Industry Sheet

For XYZ Industry

As on xx / xx/ xxxx

Factors	Note	Features
1. Value Proposition		
Customer segments		who, when, where, what, why
Customer gains		required, desired, unexpected gains
Customer pains		pains, risks
Products and services		features, pain relievers, gain creators
2. Activities and Participants		
Value chain		direct activities, support activities
Industry map		suppliers, external forces, middlemen, customers
Profit pool		segment-wise ROI, revenue
Demand-supply scenario		demand, supply, capacity utilization
3. Industry Characteristics		
Market size study		size, growth
Industry stability		market share
Pricing power		price, volume
Competitive life cycle		stage, characteristics
Disruptions threat		sustaining, low end, new market
Regulations		taxes and duties, legal acts, ownership-related, industry-specific
4. Profit Forces		
Supplier power		
Buyer power		
Threat of substitution		



Threat of entry		
Competitive rivalry in the industry		
5. Financial Health		
ROE and DuPont analysis		PAT margin, asset turnover, leverage
Growth		PAT growth, revenue growth
Investment needs		FCF, fixed investment, working capital investment
6. Outlook		
Trends in industry		same market, different markets
Industry-specific risks		
Growth factors		
Variables for success in industry		