

# “How to look at a Market Entry Investment”



Weekly Learnings 50 / 2024

I meet a number of people - entrepreneurs, VCs, PE firms, etc who all are looking for insight into market entry/investment.

I give them a simple framework - S P F

S for Size of Formal and Informal market value in Rs crores

P for profitability of the formal market, EBITDA%

F is the fragmentation of the formal market. It is true that in most markets, the No. 3 does not have a market share of more than 10%

I would allocate 33 points for each of the variables S, P, and F.

I have given the possible scoring in the attached 5 slides. See what's the cutoff for entry! Of course, there will always be entrepreneurs and investors who buck this logic, but that's rare and not the general rule!!

Shiv

[www.shivshivakumar.com](http://www.shivshivakumar.com)

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## SPF

### Size, Profitability and Fragmentation of Market

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**Size**  
Take Formal + Informal market

If Total more than Rs 25,000 Crs,  
take 33 points

If size between 15,000 crs to  
25,000 crs, take 25 points

If size below Rs 15,000 crs take 10  
points



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## Profitability

If formal market EBITDA is >15 %, take 33 points

If formal mkt EBITDA is 10 -15 %, take 25 points

If formal mkt EBITDA is 5 – 10 %, take 10 points

If its below 5 %, take zero points



## Fragmentation

If top 3 brands in formal market have more than 70 % market share, take 0 points

If top 3 brands in formal market have between 50 and 70 share, take 15 points

If top three brands have between 30 and 50 market share, take 25 points

If top 3 have less than 30 % mkt share , take 33 points

If the sum total of SPF is

> 75 Definitely Enter

> 50 = 75 Can enter , but think hard

Below 50 , you need god's help

