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Businesses not suitable for public markets

This post is a continuation of the July 2021 post “Businesses which have a lasting moat”

Usual things required for any listed business, especially ones declaring quarterly returns:

1. Recurring demand (people buy the product or service repeatedly).
2. Scalable operations (growth doesn't require proportional increases in capital or key individuals).
3. Predictable cash flows (earnings are reasonably stable and forecastable).
4. Management systems that matter more than individual projects or people (for example, Costco, Microsoft, Visa, NVR, or Berkshire Hathaway).

However, some popular business models in India don't have these inherent characteristics. Lack of those characteristics don't make them bad businesses- they simply make them harder for public equity investors to value using conventional metrics like earnings multiples. Some of the businesses that have a business model not suitable for public markets are as follows:

Sector	Reason for poor public market fit
Law Firms	A small group of rainmakers
Project Based Engineering Consultancies	Not scalable, Rainmakers make the firm
Strategy Consulting	A small group of rainmakers
Architecture Firms	A small group of rainmakers
Venture Capital	Long and uncertain development cycles.
Family Offices	Not scalable
Accounting Firms	Long and uncertain development cycles
Film Production Studios	One-off projects
Sports Teams	One-off wins/ losses- asset values difficult
Urban Real Estate Developers	One-off projects

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