Financial Markets and the Model of Investment

By Sathish Ramamoorthy, Vellore, India

Let us assume an entrepreneur or individual is starting a Public company to raise investment from public shareholders. There are percentage limits for which majority stakeholders, investment banks, private investors, and public shareholders would hold equity in a firm by market regulators.
A company should allow public shareholders to participate in line with company growth or goals.

A perfect model of investment should allow the value of the stock to be in a price range as per the ETF or Coin Model after being listed in the company. In the current model of the valuation, the stock of the company extrapolates as the company grows in the course of existence. ie., the Stock value of the company goes climbing higher from day one and brings the absence of investment from everyone in the society. In reality, a CEO should never neglect an investment coming towards a company., the current model makes it hard to attract investment as the share prices of the companies are going higher and higher, and not in a price range to be invested by everyone.

How can we fix the model of investment to apply to every economy of the society or investor?

A clever financial analyst would have found a way to keep the stock value of the company to be easily purchased or buyable at any course of the company in the stock market. There are two existing models that will be helpful to fix the reasonable pricing problem, 1. Pricing the equity as per the ETF model and 2. Coin Model (Weightage Model) to assign the price of the stock.

NYSE and NASDAQ MODEL:

NYSE or NASDAQ MODEL promotes the flow of funds outside of the balance sheet in case of options trading (speculative side). People are living in a world to make wealth in gambling or speculative options trading as most of the listed companies have options contracts traded every day in the market.
Options should be limited to the amount of equity portfolio of the investor would have been great.

Options Trading (Speculative Trading):

Lakhs of Crores or Billions of dollars are kept on the poker table rather than diverted into the Company Balance Sheet to create a value investment ecosystem.

ETF OR COIN MODEL INVESTMENT ALONG WITH EQUITY CATEGORIES:

To make the investment even more robust and with higher standards, the equity of the company should be split into multiple categories.

Let us consider an example of the Retail cum SuperMarket Business Model,

Name of the company: DailySuper Market
No of SuperMakets and Shops: 100
No of Equity: 100 Million Shares
Equity Price: 1. Rs 10 per unit in case of the ETF Model,
2. Weightage Model (Coin Model). Equity will be assigned to the price you hold in your account on a weightage basis.
Market Cap: 1 Billion Rupees

Equity Categories: The SuperMarket equity would be divided into 1. Infra Units, 2. Supply Units, and 3. Operations Units(People Management).

Infra Units: Registered and Non Registered Units of the Property or Land represented by the company on the Infrastructure side.

Infra (Non Registered) Units:
As per Infra Units is considered, there are instances of companies that may have rental or leasing properties or mortgages depending upon the ownership interest of the mortgage or property. Infra Units with rental or leasing property would be assigned as Infra Units (Rented) - for 5 to 10 years to investors in a business.

Infra (Registered) Units: The registered units would represent the real value of the land and infrastructure promoted with the investor's wealth raised in an IPO or FPO. Those units would be assigned as registered units to the users as Infra (Registered) Units. The common PoA representing all the stakeholders would be kept in a public bank or govt office as per exchange regulations. Example: These units represent the value of the Dubai to Newyork Skyscrapers, IT Parks in India, Silicon Valley Company infrastructures, SuperMarket infrastructures, and Datacenter Infrastructures.

Supply Units: Supply of goods inside the supermarket, a website or app would list all the available units of the products in the market to buy or sell. (Example - Detergent 250 gm- Surf Excel, Rice 1 Kg - India Gate, Toothpaste 100 gm - Closeup and Biscuit 100 gm - Milk Bikis). Users will be allotted units representing the products on a real-time basis inside the market. The model will also list the future demand for the products to investors on an exchange site at regular intervals.

Operations Units: The units would represent the Salary, Maintenance Cost, or spending towards the maintenance of the company on daily basis.

The exchange would allow the listed companies to list the requirements of different equity units in FPO mode regularly daily, monthly to quarterly. Example: In the case of SuperMarket Trading, the supply side of the market would be filled by investors on daily basis like a normal trading currently happening around the world, Instead of stocks the investors would buy products pertaining or concerned to the SuperMarket trading.

The proposed model would include a real-time reflection of the balance sheet and the operations of the company.

The total no of equity of the listed company would increase as per the demand of the units from the Board of the company and also the willingness of the public to invest in the company projects and the company as a whole.

Markets around the world should limit the individual investors' Options portfolios to represent the size of the equity portfolio that they hold in real-time to hedge the market risk.

Speculative Trading will never make the world great for investors. In analogy to everyone taking food everyday to grow healthy and lead a happy life, A public listed company should also regularly ask the investors to invest into the company, or into the balance sheet through the FPO route at regular intervals. The proposed model would bring transparency and more robustness to the market model.