



BUSINESS PLAN · INDIA

Building-Material E-commerce

Their problem is working capital, not discovery

BUILD MATERIALS

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This document is confidential and prepared for planning purposes. All financial figures are illustrative model assumptions for an Indian MSME context and must be validated against live quotes, local rates and professional advice before any investment or borrowing decision.

1. Executive Summary

This plan sets out a **Building-Material E-commerce Business** in India — a B2B platform supplying cement, steel, aggregates, blocks, tiles, sanitaryware, paints, plywood and MEP materials to builders, contractors, interior firms and small site owners, operating partly as a principal on its own account and partly as a marketplace for third-party dealers.

The question this plan has to answer before it spends a rupee is what a marketplace adds to a category whose buyers do not have the problem marketplaces solve. A builder knows which dealer sells cement in his district, knows the rate, and has known both for a decade. He does not need search, comparison or discovery — he needs sixty days of credit on an order larger than his dealer will fund, and material at the site gate at six in the morning because his labour starts at seven. A platform offering price discovery to that buyer is selling a search box into a market that never asked for one, which is why the honest reading of this category is that its problem is working capital and fulfilment rather than information. This plan is built on that reading: the share of GMV on which the platform itself extends credit rises from 18% to 62%, and the share of orders where it controls delivery from 24% to 78%. Both are expensive, and both are the product.

The second thing to state plainly is that this is a distributor that uses software, not a marketplace — and calling it a marketplace would misdescribe both its cost structure and its risk. An asset-light model that takes a commission and touches neither the credit, the delivery nor the specification adds almost nothing in this category, because those three are the entirety of what the incumbent dealer sells. The moment a platform solves them, it is buying stock, carrying receivables and running trucks — which is the cement dealership's business with a technology cost added on top. This plan therefore takes the principal position on most of its volume — managed, own-account GMV rising from 42% to 74% — and reports its economics the way a distributor's are reported rather than the way a platform's usually are. Gross booking value is not revenue, a rule this library set in its travel-agency plan and which matters more here than there: on ₹168 crore of Year-3 GMV, gross margin is ₹17.52 crore — 10.4% — and a plan that leads with the GMV figure is quoting a number nine-tenths of which belongs to somebody else.

The third is that in this category the supplier can disintermediate the platform with a phone call, and it is free. The online-travel plan found that hotels and airlines were trying to win customers back directly; they had to build booking engines and loyalty programmes to do it. Here the dealer whose stock is listed already has the buyer's mobile number, has had it for years, and needs only to answer when it rings. There is no technology to build and no campaign to fund — the leak is one call wide and permanently open. The platform's only durable defence is that it is the party carrying the credit and the delivery, because a dealer who takes the customer off-platform must then finance that customer himself and put a truck on the road at six in the morning — which is precisely what he was avoiding. The thing that costs this business money is the only thing that keeps its customers, and repeat orders retained on-platform rise from 31% to 68% on that basis.

And the fourth inverts the assumption on which consumer e-commerce was built: here, the return is not the safety net — it is nearly impossible. Twelve tonnes of cement unloaded at a site cannot go back, and on a material worth a few thousand rupees a tonne the freight on a return exceeds the margin on the sale several times over. So this platform cannot offer "try it and send it back"; it has to be right the first time, which makes specification accuracy the product rather than choice. And it inherits every verification problem this vertical has already identified — the tile shade lot, the plywood grade stamp, the paint tint, the coating batch — with fewer tools than a physical shop, because a photograph conveys none of them. This plan takes order-line

specification errors from 4.8% to 0.9% and the cost of returns and settlements from 34% of gross margin to 8%.

This plan models a business requiring **₹12.40 crore** (₹2.40 crore founder equity + ₹6.60 crore external equity + ₹2.80 crore working-capital facility + ₹60 lakh term loan), moving from **₹48 crore GMV and a ₹2.98 crore loss** to **₹168 crore GMV and ₹1.28 crore profit** by Year 3, with return on capital employed reaching 9.6%. **This is an equity proposition with a working-capital facility attached, not a debt proposition.** (B2B building-material commerce — figures illustrative.)

2. Business Description, Vision & Legal Structure

Concept: A managed B2B building-material distributor operating on software, competing on credit, fulfilment and specification accuracy rather than on price discovery.

Vision: To be the supplier a site can order from at eight in the evening and unload from at six in the morning.

Mission: Fund the buyer or admit we add nothing; control the delivery or admit the same; get the specification right the first time because there is no second; report GMV and revenue side by side; and stop paying for volume that leaves when the discount does.

Legal structure options

- **Private Limited** — required in practice: external equity, ESOPs, supply-chain finance facilities and enterprise buyer onboarding all presuppose it.
- **LLP** — unsuitable once external investors are involved.
- **Proprietorship / Partnership** — unsuitable at this capital intensity and inconsistent with a credit book.

Regulatory anchor: two obligations here are frequently fudged and both are structural rather than procedural. **The first is GST, where the principal and marketplace models are treated completely differently — own-account sales are ordinary supply with full value recognised and input credit taken, while third-party transactions make the platform an e-commerce operator with tax-collection-at-source obligations under Section 52 and only the commission as revenue. A business running both models simultaneously, as this one does, must keep them separated in its systems from day one, because reconstructing the split afterwards is where platforms in this category get into serious trouble with both their auditors and their sellers. The second is credit. Extending trade credit to a buyer on the platform's OWN sale is ordinary commerce and needs no licence. Financing a buyer's purchase from a THIRD-PARTY seller is a lending activity, and doing it at scale on the platform's own book without the appropriate registration is a regulatory problem rather than a product feature — so third-party credit is arranged through a licensed NBFC or bank partner with the platform originating rather than lending. Then: e-way bills on every movement and Legal Metrology declarations on packaged goods sold online; the Consumer Protection (E-Commerce) Rules on seller disclosure and grievance redressal, which apply to the platform's conduct even though the buyers are businesses; BIS marking claims on listed products, where the platform is the party making the representation and inherits the plywood plan's grade problem and the electrical trade's counterfeit problem in a form it can verify even less; shops and establishment registration, warehouse licensing and fire safety at hubs; commercial vehicle compliance; and EPF and ESI across a mixed office, field and warehouse workforce.**

3. Promoter & Ownership

Led by a founder team combining building-material distribution and technology or operations. Three competences decide outcomes, and the first is the one such teams usually lack. *Credit judgement on construction counterparties*, because the

moment this business funds a buyer it becomes a lender to an industry whose receivables are contingent on projects completing — the exact exposure the cement dealership plan set out, arriving here without the dealer's decades of local knowledge about who pays. *Fulfilment discipline on heavy, low-value, damage-prone goods*, where freight is a large fraction of value and a wrong delivery cannot be corrected by a courier. And *the willingness to report GMV and revenue together*, since this category's funding history rewards the first number and its survivors are decided by the second. Ownership, equity & investor terms are editable inputs.

4. Market Analysis — India

Indian building-material distribution is enormous, fragmented and almost entirely offline, which is the standard case for digitising it — and the same fragmentation that makes the opportunity large is what makes it hard, because it reflects a distribution structure built around local credit and local delivery rather than around inefficiency waiting to be removed.

Demand drivers

- **Small and mid-sized contractors**, the core buyer — chronically short of working capital and poorly served by dealers who reserve credit for larger accounts.
- **Individual house-builders and self-build owners**, who genuinely lack information and are the segment where discovery has real value.
- **Interior and fit-out firms**, buying many categories across many suppliers and valuing consolidation.
- **Mid-market developers**, seeking documented procurement and consolidated billing.
- **Digital payment and GST infrastructure**, which made B2B transaction records and credit assessment possible in a way they were not a decade ago.
- **Rising documentation expectations** on institutional and lender-financed projects, which favour a supplier that issues clean paperwork.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Building-material spend in the served cities	Construction-activity defined
SAM	Spend by buyers whose problem is CREDIT or FULFILMENT, not price	The only segment a platform can actually serve
SOM (Yr 1-3)	GMV × gross margin, weighted principal/marketplace	₹48cr → ₹168cr GMV; managed share 42% → 74%

The fragmentation argument for this business is usually stated backwards, and getting it the right way round determines whether the plan is investable. Indian building-material distribution is fragmented not because nobody has thought to consolidate it, but because the product being distributed is local credit and local delivery, and both are naturally local. A dealer extends credit because he knows which contractor pays and which one is three months from trouble, information that exists in a district and does not travel. He delivers at six in the morning because his lorry and his loaders are twenty minutes away. Neither of those advantages is an inefficiency; they are the business. A platform that assumes fragmentation equals waste will spend its capital discovering that the dealers were not badly run, merely local. Three consequences shape this plan. First, the platform must build the local capability rather than route around it — hubs, delivery assets and a credit function with real underwriting, which is why this reads as a distributor's balance sheet rather than a software

company's. Second, the addressable market is not total material spend but the far smaller share belonging to buyers whose binding constraint is credit or fulfilment — the contractor whose dealer has capped him, the fit-out firm buying eleven categories from nine suppliers, the site owner who genuinely does not know what to buy. Third, the buyer who is well served by his existing dealer is not a prospect at any price, and pursuing him with a discount buys volume that returns to the dealer the moment the discount stops.

5. Competition & Competitive Advantage

Landscape: the incumbent dealer, who is the real competitor and is better at credit and delivery in his own district than a platform will be for years; other B2B construction marketplaces, several funded and several discounted; manufacturer direct-to-site programmes on large projects; large-format retail and organised chains at the retail end; and the contractor's own procurement habit, which is the true default. **Because the material is identical and the price is broadly known, this business cannot compete on price discovery — and where it competes on discount it is buying volume from a competitor who can simply match it locally and knows the customer better.**

The business's edge

- **Credit underwritten on transaction data** rather than on relationship, reaching buyers dealers have capped.
- **Consolidated supply across categories**, which no single dealer offers.
- **Delivery the platform controls**, so a commitment is a commitment rather than a hope.
- **Specification accuracy**, since returns are impossible and getting it right first is the whole service.
- **Clean documentation** — GST-correct invoicing, e-way bills, test certificates — which matters increasingly to audited buyers.
- **One relationship across a project**, replacing nine.

The disintermediation exposure here is more severe than anything the travel plans described and deserves to be sized honestly rather than assumed away. In online travel, the supplier trying to win the customer back had to build a booking engine, run a loyalty programme and fund a member rate — real investments that took years. Here the dealer whose product is listed already has the buyer's number, knows his site, knows his payment history, and needs only to say "call me directly next time and I'll do better". The leak costs him nothing and there is no technology in the way. Any plan for this category that does not name that is describing a moat which does not exist. Three defences are available and only one of them is durable. **The weak defence is price, which the dealer can match locally and which trains the buyer to shop. The medium defence is consolidation — a fit-out firm buying eleven categories genuinely does not want nine relationships back — but it holds only for multi-category buyers. The durable defence is that the platform carries what the dealer was unwilling to carry: the credit line the dealer capped, and the delivery obligation the dealer would not commit to. A buyer taken off-platform must be funded and served by the dealer personally, which is exactly the thing he declined to do when he capped the account — so the customers most likely to leave are the ones the platform was least profitable on anyway, and the ones it funds are structurally sticky. This is why the plan's credit share and delivery-control share are strategic metrics rather than operational ones.**

6. The Model, the Take Rate & What GMV Is Not

Element	Character	Economics
MANAGED / PRINCIPAL (own account)	Platform buys and sells; full value recognised	42% → 74% of GMV; 8.5% → 11.2% gross margin

MARKETPLACE (agent, third-party dealer)	Only commission recognised; TCS applies	58% → 26% of GMV; 3.2% → 3.8% take rate
Credit & service fee income	The platform is a lender with an inventory problem	₹28L → ₹1.94cr
GMV vs GROSS MARGIN	GBV is not revenue — the travel-agency rule	₹168cr GMV → ₹17.52cr margin = 10.4%
Contractors & fit-out firms	Credit-constrained, multi-category	The core; where the model works
Individual house-builders	Genuinely lack information	The one segment where discovery has value
Buyers well served by their existing dealer	Not a prospect at any price	Volume that leaves when the discount stops
Funded discounts as % of gross margin	The discount was the product	33.3% → 11.5% → 4.5%

The take-rate arithmetic in this category is unforgiving and should be worked through before the model is chosen, because it explains why asset-light marketplaces here do not reach profitability. This library has already established what the underlying trade earns: a cement dealership makes 5.0% to 6.0% gross margin, a plywood trader 20% to 22% blended, a tiles showroom 26%. A marketplace charging a 3% commission on a cement transaction is asking for three-fifths of the dealer's entire gross margin, which the dealer will not pay for long; charge 1% and the platform earns ₹1 lakh on a crore of GMV, which does not cover the cost of the salesperson who wrote it. The commission model is therefore squeezed between what the seller can afford and what the platform needs, and no amount of scale changes the arithmetic — it multiplies it. The principal model escapes that squeeze by earning the distributor's margin rather than a slice of it, and pays for the escape with inventory risk, credit risk and working capital. This plan chooses the second and states the trade honestly. Managed GMV rises from 42% to 74%, gross margin as a share of GMV from 6.0% to 10.4%, and capital employed from ₹10.60 crore to ₹13.40 crore. The business becomes more profitable and more capital-hungry in the same movement, which is the correct description of what it is: not a marketplace that scales without capital, but a distributor whose scale is bounded by its balance sheet exactly as the cement dealership's was.

7. Go-to-Market — Credit, Fulfilment and the Cost of Buying Volume

Acquisition

- **Field sales to contractors and fit-out firms**, which in this category outperforms digital acquisition and is the reason the field team is the largest function.
- **Credit as the opening offer**, targeting buyers their existing dealer has capped.
- **Multi-category consolidation** pitched to firms buying across nine suppliers.
- **Digital acquisition for individual house-builders**, the segment that genuinely searches.
- **Referral from satisfied sites**, the cheapest channel and the slowest to build.

Retention

- **The credit line**, which is the single strongest retention mechanism available.
- **Delivery when promised**, since a site that stops costs the buyer more than any price difference.

- **Right specification first time**, because there is no return.
- **Order resolution that ends the problem** rather than routing it to a seller.

The discount trap in this category has a well-documented history and this plan states its position before rather than after falling into it. Indian B2B construction platforms have repeatedly bought GMV with funded discounts, reported the resulting volume as traction, and discovered that a large share of it was buying the discount rather than the platform. The online-travel plan named this exactly — the discount was the product — and the test it proposed applies unchanged here: not whether discounted buyers return, but whether they return **AT FULL PRICE**. This plan takes funded discounts from 33.3% of gross margin to 4.5% and measures the outcome that matters: **discount-acquired buyers returning at full price, from 22% to 54%**. It also reports paid and blended acquisition cost side by side, because the blended figure falls — from ₹2,600 to ₹1,700 — for reasons that have nothing to do with acquisition improving, while the paid figure **RISES** from ₹4,200 to ₹5,100 as the easiest buyers are exhausted. A platform reporting only the blended number is describing the past composition of its buyer base and saying nothing whatever about the cost of its next customer — the standing rule this library applies wherever a blended average moves because the mix moved, and which the tiles plan applied to receivable days in this same vertical.

8. Operations Plan (underwrite, source, specify, deliver, collect)

- **Credit underwriting:** limits set on GST filings, transaction history and site verification, **with the understanding that a construction receivable is contingent on the buyer's own project completing — the cement dealership's finding, inherited in full and without the dealer's local knowledge of who pays.**
- **Credit segregation:** trade credit on own-account sales carried on the platform's books; financing of third-party purchases originated for a licensed NBFC or bank partner rather than lent from the platform's own balance sheet.
- **Sourcing:** managed categories bought on contracted rates with volume commitments; **seller onboarding conditional on documentation, BIS marking and specification accuracy rather than on listing volume.**
- **Specification:** listings carry grade, size, shade lot or batch, and the specific verification the vertical has shown each category needs — because a photograph conveys none of it and there is no return to correct it.
- **Order acceptance:** site access, unloading arrangement and delivery window confirmed before acceptance, since a lorry that cannot unload is the platform's cost.
- **Fulfilment:** hub-and-spoke for fast-moving categories, direct-to-site from source for bulk; **delivery controlled rather than left to the seller wherever the platform has extended credit.**
- **Damage & shortage:** weighed or counted at despatch and at site with photographic record, **settled by the platform and pursued with the seller separately — the online-travel refund principle applied to a physical good.**
- **Collections:** ageing reviewed weekly with escalation on a calendar; **supply stopped on breach consistently, including for large accounts, since a rule waived for the largest is not a rule.**
- **Reconciliation:** principal and marketplace transactions separated in the system from day one, with TCS computed and seller settlements reconciled monthly.
- **Data discipline:** repeat behaviour, cohort revenue and full-price return measured by acquisition source.

Control points

Area	Activity	Control point
GBV is not revenue	GMV / gross margin / margin as % of GMV	₹48cr → ₹168cr / ₹2.88cr → ₹17.52cr / 6.0% → 10.4%

What the platform actually sells	GMV with platform-extended credit / orders with platform-controlled delivery	18% → 62% / 24% → 78%
The one-call leak	Repeat orders retained on-platform	31% → 49% → 68%
The discount was the product	Funded discounts as % of gross margin / discount-acquired buyers returning at FULL price	33.3% → 4.5% / 22% → 54%
Both figures, never one	Paid CAC / blended CAC	₹4,200 → ₹5,100 / ₹2,600 → ₹1,700
There is no return	Order-line specification errors / cost of returns as % of gross margin	4.8% → 0.9% / 34% → 8%
A lender to an industry that pays late	Credit loss as % of credit extended / as % of gross margin	3.4% → 1.4% / 8.3% → 7.8%
Model integrity	Managed share of GMV · contribution per order after fulfilment · receivable days	42% → 74% · (₹180) → ₹960 · 74 → 58

Credit loss must be read against gross margin rather than against GMV, and the difference between the two framings is the difference between a footnote and an existential number. Credit losses at 1.4% of credit extended sound modest, and against ₹168 crore of GMV they look negligible. Against ₹17.52 crore of gross margin they consume 7.8% of everything the business earns — and this is the cement dealership's rule arriving in a new setting, where it applies with more force because the platform is lending to counterparties it has never met, in districts where it has no history, on data rather than on knowledge. Three consequences run through the plan. **First**, underwriting is a real function with real people, growing from three to ten, rather than a scoring model bolted onto a signup flow — because the failure mode in construction credit is not a buyer who never intended to pay, it is a buyer whose own project stalled, which no application form reveals. **Second**, exposure is capped per buyer and per district, since a construction downturn produces correlated deterioration rather than independent defaults — the dealership plan's finding, and a platform with concentrated district exposure will discover it all at once. **Third**, the credit book is reported as what it is: at Year 3 this business has more capital in buyer receivables than in technology, hubs and vehicles combined, and any description of it as a technology company is a description of its org chart rather than its balance sheet.

9. GST, Lending & E-commerce Compliance (India)

- **GST treated separately for the two models** — own-account sales as ordinary supply with full value and input credit; third-party transactions making the platform an e-commerce operator with TCS obligations under Section 52 and only commission as revenue. The split must exist in the systems from day one, because reconstructing it afterwards is where platforms in this category get into serious trouble with auditors and sellers alike.
- **Credit**: trade credit on the platform's own sale is ordinary commerce and needs no licence; financing a buyer's purchase from a third-party seller is a lending activity — so third-party credit is originated for a licensed NBFC or bank partner rather than lent from the platform's own book.
- **e-way bills on every movement**; Legal Metrology declarations on packaged goods sold online.
- **Consumer Protection (E-Commerce) Rules on seller disclosure and grievance redressal**, which govern the platform's conduct even though its buyers are businesses.

- **BIS marking claims on listed products, where the platform is the party making the representation — inheriting the plywood plan's unverifiable-grade problem and the electrical trade's counterfeit problem in a form it can verify even less, because it does not hold the goods.**
- Shops & establishment registration, warehouse licensing and fire safety at hubs; commercial vehicle permits and driver compliance on owned last-mile assets.
- EPF and ESI across office, field and warehouse staff; contractor compliance where loading and delivery labour is engaged through agencies.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Founders / promoters	1	1	2
Field sales & buyer acquisition	8	14	22
Operations & fulfilment (hub, dispatch, last mile)	5	9	15
Technology (product & engineering)	6	9	13
Category management & sourcing	4	7	10
Credit underwriting & collections	3	6	10
Customer service & order resolution	3	5	8
Finance, accounts & admin	3	4	6
Total	33	55	86

The shape of this team is the plan's argument in staffing form and it is deliberately not the shape of a technology company. Field sales, fulfilment and credit together are sixteen of thirty-three people in Year 1 and forty-seven of eighty-six by Year 3, against thirteen in engineering — because in this category the product is credit, delivery and specification accuracy, and none of the three is built in a sprint. Credit underwriting and collections reports independently of sales, the rule this library has applied throughout: a control that reports to the party it constrains is not a control — and here the constrained party is the one whose GMV target is met by approving the limit.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–4	Platform built with principal and marketplace transactions SEPARATED in the ledger from the first order, TCS computation live, NBFC partnership signed before third-party credit is offered, first hub commissioned, credit policy written and underwriting team hired ahead of the credit book
Launch	Year 1	₹48cr GMV, ₹2.98cr loss; managed 42%; credit on 18% of GMV; delivery controlled on 24%; discounts 33.3% of gross margin; spec errors 4.8%; ROCE (25.5%)
Build	Year 2	₹96cr GMV; managed 58%; credit on 40%; delivery on 52%; discounts down to 11.5%; on-platform repeat 49%; loss narrowing to ₹2.18cr; ROCE (17.4%)

Scale	Year 3	₹168cr GMV, ₹17.52cr gross margin (10.4%), ₹1.28cr profit; ROCE 9.6%; managed 74%; credit on 62%; delivery on 78%; on-platform repeat 68%; discounts 4.5%; spec errors 0.9%; full-price return of discount-acquired buyers 54%
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12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. **Managed mix, credit share and discount reduction are the levers. GMV is not one — it can be bought at any level with a large enough discount, and this plan reports it beside gross margin for exactly that reason.**

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (buyer credit book + inventory)	4,20,00,000
Launch, market development & initial operating losses	3,80,00,000
Platform build, integrations & technology	1,40,00,000
Hub & warehouse fit-out, racking & handling equipment	96,00,000
Delivery vehicles & last-mile assets	74,00,000
Team build-out ahead of revenue	68,00,000
Hub & office deposits	46,00,000
Legal, licences, registrations & compliance setup	16,00,000
Total project cost	12,40,00,000
External equity (angel / seed)	6,60,00,000
Working-capital / supply-chain finance limit	2,80,00,000
Founder equity	2,40,00,000
Term loan (hubs, vehicles & equipment)	60,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
GROSS MERCHANDISE VALUE (GMV) — not revenue	48,00,00,000	96,00,00,000	1,68,00,00,000
— Managed / principal (own account)	20,16,00,000	55,68,00,000	1,24,32,00,000
— Marketplace (third-party sellers)	27,84,00,000	40,32,00,000	43,68,00,000
NET REVENUE RECOGNISED	21,05,00,000	57,09,00,000	1,25,98,00,000
Cost of goods (managed transactions)	18,45,00,000	50,33,00,000	1,10,40,00,000
Gross margin on managed (8.5% → 9.6% → 11.2%)	1,71,00,000	5,35,00,000	13,92,00,000

Marketplace commission (take rate 3.2% → 3.5% → 3.8%)	89,00,000	1,41,00,000	1,66,00,000
Credit & service fee income	28,00,000	86,00,000	1,94,00,000
TOTAL GROSS MARGIN	2,88,00,000	7,62,00,000	17,52,00,000
— as % of GMV (the number that matters)	6.0%	7.9%	10.4%
Fulfilment (freight, last mile, unloading, warehousing)	1,04,00,000	2,38,00,000	4,82,00,000
Salaries (field, ops, technology, category, credit, admin)	1,24,00,000	2,04,00,000	3,16,00,000
Funded discounts & buyer incentives	96,00,000	88,00,000	76,00,000
Marketing & paid buyer acquisition	54,00,000	74,00,000	96,00,000
Technology (hosting, integrations, tooling)	48,00,000	62,00,000	84,00,000
Finance cost (buyer credit book + inventory)	42,00,000	1,08,00,000	2,24,00,000
Returns, damage, wrong-specification & shortage settlement	32,00,000	44,00,000	58,00,000
Hub & warehouse rent, handling & security	28,00,000	48,00,000	78,00,000
Credit losses & bad debt	24,00,000	62,00,000	1,32,00,000
Depreciation (hubs, handling, vehicles, capitalised technology)	18,00,000	26,00,000	38,00,000
Insurance, admin & compliance	16,00,000	26,00,000	40,00,000
Total expenses	5,86,00,000	9,80,00,000	16,24,00,000
Net profit / (loss) before tax	(2,98,00,000)	(2,18,00,000)	1,28,00,000
Net margin on GMV / on net revenue	(6.21%) / (14.16%)	(2.27%) / (3.82%)	0.76% / 1.02%
AVERAGE CAPITAL EMPLOYED	10,60,00,000	12,50,00,000	13,40,00,000
RETURN ON CAPITAL EMPLOYED	(28.1%)	(17.4%)	9.6%
— the cement dealership, for comparison	15.6% on ₹54cr of turnover — a third of this GMV and a better return. The verdict on digitising this category.		
MANAGED SHARE OF GMV / credit extended on / delivery controlled on	42% / 18% / 24%	58% / 40% / 52%	74% / 62% / 78%
REPEAT ORDERS RETAINED ON-PLATFORM	31%	49%	68%
FUNDED DISCOUNTS as % of gross margin / discount-acquired buyers returning at FULL PRICE	33.3% / 22%	11.5% / 38%	4.5% / 54%
PAID CAC / BLENDED CAC — reported together, never alone	₹4,200 / ₹2,600	₹4,700 / ₹2,100	₹5,100 / ₹1,700
ORDER-LINE SPECIFICATION ERRORS / cost of returns as % of gross margin	4.8% / 34%	2.2% / 16%	0.9% / 8%

CREDIT LOSS as % of credit extended / as % of GROSS MARGIN	3.4% / 8.3%	2.1% / 8.1%	1.4% / 7.5%
Contribution per order after fulfilment · receivable days · top-10 buyer share	(₹180) · 74 · 38%	₹410 · 66 · 31%	₹960 · 58 · 24%

12.3 Unit economics & break-even

- The comparison that should govern how this plan is read: at ₹168 crore of GMV this business returns 9.6% on capital, while the cement dealership in this same library returns 15.6% on ₹54 crore of turnover. Three times the volume, two-thirds of the return. That is the honest verdict on digitising this category — value is created only where the platform does the distributor's job, and even then it does it less profitably than a good distributor does, because it also pays for technology, field acquisition and a credit book underwritten without local knowledge.
- Gross margin as a percentage of GMV — 6.0% rising to 10.4% — is the only meaningful headline in this business, and it moves almost entirely with the managed mix rather than with scale. A platform that grew GMV to ₹500 crore on a 3% commission would still be earning less in absolute rupees than this plan earns at ₹168 crore.
- Contribution per order after fulfilment moves from minus ₹180 to ₹960, which is where the business actually turns — and the first figure is stated rather than hidden, because a platform whose orders lose money at the contribution line does not fix that with volume.
- Credit loss at 1.4% of credit extended is 7.5% of gross margin, the cement dealership's read-against-margin rule applied to a lender with less local knowledge than a dealer has.
- Break-even: Year 3, and the two prior years lose ₹5.16 crore between them. That is what this category costs to enter and it is why this is an equity proposition — a debt-funded version of this plan would breach every covenant it signed in its first eighteen months.

12.4 Projected Cash Flow — Year 1 (quarterly, illustrative)

Particulars (₹)	Q1	Q2 monsoon	Q3	Q4
Opening balance	3,20,00,000	2,46,00,000	1,72,00,000	1,04,00,000
Collections from buyers	4,10,00,000	3,86,00,000	4,74,00,000	5,02,00,000
Payments to sellers, fulfilment, salaries, marketing & overheads	4,84,00,000	4,60,00,000	5,42,00,000	5,68,00,000
Closing balance	2,46,00,000	1,72,00,000	1,04,00,000	38,00,000

The cash structure here deserves one blunt observation: by Year 3 this business has more capital in buyer receivables than in technology, hubs and vehicles combined, and any description of it as a technology company describes its org chart rather than its balance sheet. Working capital is 33.9% of project cost at the outset and grows with every point of managed share, because a principal transaction means the platform pays its seller before its buyer pays it. The growth constraint is therefore the same one the cement dealership identified — the facility, not demand — and a platform that raises equity to buy GMV without funding the receivable it creates will find its limit before it finds its market. Three further points. First, seller payment terms are the quiet lever: every day of supplier credit funds a day of buyer credit, and negotiating it is worth more than any marketing rupee. Second, the monsoon quarter slows collections while fixed costs and the credit book continue, and it does so at the same moment the platform's construction buyers are themselves waiting to be paid — correlated, not independent. Third, the equity requirement should be sized for two full years of

losses and not for one — ₹5.16 crore is consumed before the business turns, and a round sized to the Year-1 plan will be raising again at exactly the point its metrics look worst.

12.5 Key Performance Indicators to Monitor

- **What the business actually earns:** gross margin as % of GMV; managed share; take rate; credit fee income; contribution per order after fulfilment — with GMV never reported alone.
- **What it actually sells:** GMV with platform-extended credit; orders with platform-controlled delivery; on-platform repeat retention; multi-category buyers.
- **Acquisition honesty:** paid AND blended CAC together; funded discounts as % of gross margin; discount-acquired buyers returning at full price; cohort revenue by acquisition month.
- **Because there is no return:** order-line specification errors; returns and settlements as % of gross margin; damage and shortage by category; on-time delivery against committed window.
- **Credit:** loss as % of credit extended and as % of gross margin; exposure per buyer and per district; ageing beyond terms; supply stopped on breach; underwriting approval rate by source.

13. Funding Requirement & Bankability

Total ask: ₹6.60 crore external equity plus a ₹2.80 crore working-capital facility and a ₹60 lakh term loan against ₹2.40 crore of founder equity. Four points, and the first is a warning rather than a pitch. **First, this is an equity proposition with a working-capital facility attached and not a debt proposition — ₹5.16 crore of losses are consumed before Year 3, and a lender funding that structure is funding a burn.** Second, the working-capital facility should be assessed as a construction-sector receivable book, not as e-commerce working capital: the buyers are contractors and builders whose ability to pay is contingent on their own projects completing, correlated across a district, and unsecured — the cement dealership's exposure without the dealer's decades of local knowledge about who pays. Third, the diagnostic question is gross margin as a percentage of GMV, and nothing else in the deck matters as much. A platform quoting GMV growth without that ratio is quoting a number it can buy at any level it likes; two businesses reporting identical GMV can differ by a factor of three in what they actually earn, and the difference is entirely the managed mix. Fourth, ask for full-price return of discount-acquired buyers. It is this category's equivalent of the concrete plant's cement reconciliation: the one figure that separates a business with customers from a business with a promotion, and it does not appear in a GMV chart at all.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (buyer credit book + inventory)	4,20,00,000	33.9%
Launch, market development & initial operating losses	3,80,00,000	30.6%
Platform build, integrations & technology	1,40,00,000	11.3%
Hub & warehouse fit-out, racking & handling equipment	96,00,000	7.7%
Delivery vehicles & last-mile assets	74,00,000	6.0%
Team build-out ahead of revenue	68,00,000	5.5%
Hub & office deposits	46,00,000	3.7%

Legal, licences, registrations & compliance setup	16,00,000	1.3%
Total	12,40,00,000	100%

14. Risk Analysis & Mitigation

Risk	Mitigation
The buyers do not have the problem marketplaces solve	A BUILDER KNOWS WHICH DEALER SELLS CEMENT IN HIS DISTRICT, KNOWS THE RATE, AND HAS KNOWN BOTH FOR A DECADE. HE DOES NOT NEED SEARCH, COMPARISON OR DISCOVERY — HE NEEDS SIXTY DAYS OF CREDIT ON AN ORDER LARGER THAN HIS DEALER WILL FUND, AND MATERIAL AT THE SITE GATE AT SIX IN THE MORNING BECAUSE HIS LABOUR STARTS AT SEVEN. A PLATFORM OFFERING PRICE DISCOVERY TO THAT BUYER IS SELLING A SEARCH BOX INTO A MARKET THAT NEVER ASKED FOR ONE. AND THE FRAGMENTATION ARGUMENT IS USUALLY STATED BACKWARDS: THIS TRADE IS FRAGMENTED NOT BECAUSE NOBODY THOUGHT TO CONSOLIDATE IT BUT BECAUSE THE PRODUCT BEING DISTRIBUTED IS LOCAL CREDIT AND LOCAL DELIVERY, AND BOTH ARE NATURALLY LOCAL — A DEALER EXTENDS CREDIT BECAUSE HE KNOWS WHICH CONTRACTOR PAYS, INFORMATION THAT EXISTS IN A DISTRICT AND DOES NOT TRAVEL. A PLATFORM ASSUMING FRAGMENTATION EQUALS WASTE WILL SPEND ITS CAPITAL DISCOVERING THAT THE DEALERS WERE NOT BADLY RUN, MERELY LOCAL → credit extended on 18%→62% of GMV and delivery controlled on 24%→78%, both expensive and both THE PRODUCT; the addressable market defined as buyers whose binding constraint is credit or fulfilment rather than total material spend; and THE BUYER WELL SERVED BY HIS EXISTING DEALER TREATED AS NOT A PROSPECT AT ANY PRICE, SINCE PURSUING HIM WITH A DISCOUNT BUYS VOLUME THAT RETURNS TO THE DEALER THE MOMENT THE DISCOUNT STOPS
This is a distributor that uses software, not a marketplace	AN ASSET-LIGHT MODEL TAKING A COMMISSION AND TOUCHING NEITHER THE CREDIT, THE DELIVERY NOR THE SPECIFICATION ADDS ALMOST NOTHING HERE, BECAUSE THOSE THREE ARE THE ENTIRETY OF WHAT THE INCUMBENT DEALER SELLS — AND THE MOMENT A PLATFORM SOLVES THEM IT IS BUYING STOCK, CARRYING RECEIVABLES AND RUNNING TRUCKS, WHICH IS THE CEMENT DEALERSHIP'S BUSINESS WITH A TECHNOLOGY COST ADDED ON TOP. THE TAKE-RATE ARITHMETIC IS UNFORGIVING: THIS LIBRARY HAS ESTABLISHED THAT A CEMENT DEALERSHIP EARNS 5-6% GROSS MARGIN, SO A MARKETPLACE CHARGING 3% COMMISSION IS ASKING FOR THREE-FIFTHS OF THE DEALER'S ENTIRE MARGIN, WHICH HE WILL NOT PAY FOR LONG — AND AT 1% THE PLATFORM EARNS ₹1 LAKH ON A CRORE OF GMV, WHICH DOES NOT COVER THE SALESPERSON WHO WROTE IT. NO AMOUNT OF SCALE CHANGES THAT ARITHMETIC; IT MULTIPLIES IT → the principal position taken on most volume (managed 42%→74%; gross margin on GMV 6.0%→10.4%) and the trade stated honestly: THE BUSINESS BECOMES MORE PROFITABLE AND MORE CAPITAL-HUNGRY IN THE SAME MOVEMENT, WHICH IS THE CORRECT DESCRIPTION OF WHAT IT IS — NOT A MARKETPLACE THAT SCALES WITHOUT CAPITAL BUT A DISTRIBUTOR WHOSE SCALE IS BOUNDED BY ITS BALANCE SHEET EXACTLY AS THE CEMENT DEALERSHIP'S WAS

The supplier can disintermediate with a phone call, and it is free	THE ONLINE-TRAVEL PLAN FOUND HOTELS AND AIRLINES TRYING TO WIN CUSTOMERS BACK DIRECTLY — BUT THEY HAD TO BUILD BOOKING ENGINES, RUN LOYALTY PROGRAMMES AND FUND MEMBER RATES, REAL INVESTMENTS THAT TOOK YEARS. HERE THE DEALER WHOSE PRODUCT IS LISTED ALREADY HAS THE BUYER'S NUMBER, KNOWS HIS SITE AND HIS PAYMENT HISTORY, AND NEEDS ONLY TO SAY "CALL ME DIRECTLY NEXT TIME AND I'LL DO BETTER". THE LEAK COSTS HIM NOTHING AND THERE IS NO TECHNOLOGY IN THE WAY — ANY PLAN THAT DOES NOT NAME THAT IS DESCRIBING A MOAT WHICH DOES NOT EXIST → the weak defence (price) rejected since the dealer matches it locally and it trains the buyer to shop; the medium defence (multi-category consolidation) used where it applies; and the durable one relied on — THE PLATFORM CARRIES WHAT THE DEALER WAS UNWILLING TO CARRY: THE CREDIT LINE HE CAPPED AND THE DELIVERY HE WOULD NOT COMMIT TO, SO A BUYER TAKEN OFF-PLATFORM MUST BE FUNDED AND SERVED BY THE DEALER PERSONALLY — EXACTLY WHAT HE DECLINED TO DO WHEN HE CAPPED THE ACCOUNT. THE CUSTOMERS MOST LIKELY TO LEAVE ARE THE ONES THE PLATFORM WAS LEAST PROFITABLE ON ANYWAY, AND THE ONES IT FUNDS ARE STRUCTURALLY STICKY — WHICH IS WHY THE THING THAT COSTS THIS BUSINESS MONEY IS THE ONLY THING THAT KEEPS ITS CUSTOMERS (on-platform repeat 31%→68%)
There is no return, which inverts the e-commerce assumption	IN CONSUMER E-COMMERCE THE RETURN IS THE SAFETY NET THAT MAKES BUYING ONLINE ACCEPTABLE. TWELVE TONNES OF CEMENT UNLOADED AT A SITE CANNOT GO BACK, AND ON A MATERIAL WORTH A FEW THOUSAND RUPEES A TONNE THE FREIGHT ON A RETURN EXCEEDS THE MARGIN ON THE SALE SEVERAL TIMES OVER — SO THIS PLATFORM CANNOT SELL "TRY IT AND SEND IT BACK", IT HAS TO BE RIGHT THE FIRST TIME, WHICH MAKES SPECIFICATION ACCURACY THE PRODUCT RATHER THAN CHOICE. AND IT INHERITS EVERY VERIFICATION PROBLEM THIS VERTICAL HAS IDENTIFIED — THE TILE SHADE LOT, THE PLYWOOD GRADE STAMP, THE PAINT TINT, THE COATING BATCH — WITH FEWER TOOLS THAN A PHYSICAL SHOP, BECAUSE A PHOTOGRAPH CONVEYS NONE OF THEM AND THE PLATFORM DOES NOT HOLD THE GOODS → listings carrying grade, size, shade lot or batch and the specific verification each category needs; site access, unloading arrangement and delivery window confirmed BEFORE order acceptance since a lorry that cannot unload is the platform's cost; damage and shortage weighed or counted at despatch AND at site with photographic record, SETTLED BY THE PLATFORM AND PURSUED WITH THE SELLER SEPARATELY — THE ONLINE-TRAVEL REFUND PRINCIPLE APPLIED TO A PHYSICAL GOOD (spec errors 4.8%→0.9%; cost of returns 34%→8% of gross margin)
The discount was the product	INDIAN B2B CONSTRUCTION PLATFORMS HAVE REPEATEDLY BOUGHT GMV WITH FUNDED DISCOUNTS, REPORTED THE RESULTING VOLUME AS TRACTION, AND DISCOVERED THAT A LARGE SHARE OF IT WAS BUYING THE DISCOUNT RATHER THAN THE PLATFORM. THE ONLINE-TRAVEL PLAN NAMED THIS EXACTLY AND THE TEST IT PROPOSED APPLIES UNCHANGED: NOT WHETHER DISCOUNTED BUYERS RETURN, BUT WHETHER THEY RETURN AT FULL PRICE → funded discounts 33.3%→4.5% of gross margin, with the outcome that matters measured (full-price return 22%→54%); AND PAID AND BLENDED CAC REPORTED SIDE BY SIDE, BECAUSE THE BLENDED FIGURE FALLS ₹2,600→₹1,700 FOR REASONS THAT HAVE NOTHING TO DO WITH ACQUISITION IMPROVING WHILE THE PAID FIGURE RISES ₹4,200→₹5,100 AS THE EASIEST BUYERS ARE EXHAUSTED — A PLATFORM REPORTING ONLY THE BLENDED NUMBER IS DESCRIBING THE PAST COMPOSITION OF ITS BUYER BASE AND SAYING NOTHING ABOUT THE COST OF ITS NEXT CUSTOMER, the standing rule this library applies wherever a blended average moves because the mix moved

A lender to an industry that pays late, without the dealer's knowledge of who pays	CREDIT LOSS AT 1.4% OF CREDIT EXTENDED SOUNDS MODEST AND AGAINST ₹168 CRORE OF GMV LOOKS NEGLIGIBLE; AGAINST ₹17.52 CRORE OF GROSS MARGIN IT CONSUMES 7.5% OF EVERYTHING THE BUSINESS EARNS — THE CEMENT DEALERSHIP'S READ-AGAINST-MARGIN RULE, APPLYING WITH MORE FORCE HERE BECAUSE THE PLATFORM LENDS TO COUNTERPARTIES IT HAS NEVER MET, IN DISTRICTS WHERE IT HAS NO HISTORY, ON DATA RATHER THAN ON KNOWLEDGE → underwriting as a REAL FUNCTION with real people (3→10) rather than a scoring model bolted onto a signup flow, BECAUSE THE FAILURE MODE IN CONSTRUCTION CREDIT IS NOT A BUYER WHO NEVER INTENDED TO PAY, IT IS A BUYER WHOSE OWN PROJECT STALLED, WHICH NO APPLICATION FORM REVEALS; exposure capped per buyer AND per district since A CONSTRUCTION DOWNTURN PRODUCES CORRELATED DETERIORATION RATHER THAN INDEPENDENT DEFAULTS AND A PLATFORM WITH CONCENTRATED DISTRICT EXPOSURE WILL DISCOVER IT ALL AT ONCE; supply stopped on breach consistently including for large accounts; credit and collections reporting independently of sales
Two models, two tax treatments, one ledger	OWN-ACCOUNT SALES ARE ORDINARY SUPPLY WITH FULL VALUE RECOGNISED AND INPUT CREDIT TAKEN; THIRD-PARTY TRANSACTIONS MAKE THE PLATFORM AN E-COMMERCE OPERATOR WITH TCS OBLIGATIONS UNDER SECTION 52 AND ONLY COMMISSION AS REVENUE. A BUSINESS RUNNING BOTH SIMULTANEOUSLY MUST KEEP THEM SEPARATED IN ITS SYSTEMS FROM DAY ONE, BECAUSE RECONSTRUCTING THE SPLIT AFTERWARDS IS WHERE PLATFORMS IN THIS CATEGORY GET INTO SERIOUS TROUBLE WITH BOTH THEIR AUDITORS AND THEIR SELLERS. AND ON CREDIT: EXTENDING TRADE CREDIT ON THE PLATFORM'S OWN SALE IS ORDINARY COMMERCE AND NEEDS NO LICENCE, WHILE FINANCING A BUYER'S PURCHASE FROM A THIRD-PARTY SELLER IS A LENDING ACTIVITY, AND DOING IT AT SCALE ON THE PLATFORM'S OWN BOOK WITHOUT REGISTRATION IS A REGULATORY PROBLEM RATHER THAN A PRODUCT FEATURE → principal and marketplace separated in the ledger from the first order with TCS computed and seller settlements reconciled monthly; third-party credit ORIGINATED for a licensed NBFC or bank partner rather than lent from the platform's own book; e-way bills on every movement; AND BIS MARKING CLAIMS TREATED CAREFULLY, SINCE THE PLATFORM IS THE PARTY MAKING THE REPRESENTATION AND INHERITS THE PLYWOOD GRADE PROBLEM AND THE ELECTRICAL COUNTERFEIT PROBLEM IN A FORM IT CAN VERIFY EVEN LESS
Capital structure, seasonality & the honest verdict	BY YEAR 3 THIS BUSINESS HAS MORE CAPITAL IN BUYER RECEIVABLES THAN IN TECHNOLOGY, HUBS AND VEHICLES COMBINED, AND ANY DESCRIPTION OF IT AS A TECHNOLOGY COMPANY DESCRIBES ITS ORG CHART RATHER THAN ITS BALANCE SHEET → the growth constraint is the facility rather than demand, exactly as the cement dealership found; SELLER PAYMENT TERMS ARE THE QUIET LEVER, SINCE EVERY DAY OF SUPPLIER CREDIT FUNDS A DAY OF BUYER CREDIT AND NEGOTIATING IT IS WORTH MORE THAN ANY MARKETING RUPEE; the monsoon slows collections while the credit book and fixed costs continue, CORRELATED with the buyers' own delayed receipts rather than independent; and THE EQUITY SIZED FOR TWO FULL YEARS OF LOSSES RATHER THAN ONE, SINCE ₹5.16 CRORE IS CONSUMED BEFORE THE BUSINESS TURNS AND A ROUND SIZED TO THE YEAR-1 PLAN WILL BE RAISING AGAIN AT EXACTLY THE POINT ITS METRICS LOOK WORST. AND THE VERDICT STATED PLAINLY: AT ₹168 CRORE OF GMV THIS RETURNS 9.6% ON CAPITAL WHILE THE CEMENT DEALERSHIP RETURNS 15.6% ON ₹54 CRORE OF TURNOVER — THREE TIMES THE VOLUME, TWO-THIRDS OF THE RETURN — SO VALUE IS CREATED ONLY WHERE THE PLATFORM DOES THE DISTRIBUTOR'S JOB, AND EVEN THEN LESS PROFITABLY THAN A GOOD DISTRIBUTOR DOES IT

15. SWOT Analysis

Strengths Credit underwritten on transaction data, reaching buyers their dealers have capped; consolidated multi-category supply no single dealer offers; delivery the platform controls, so a commitment is a commitment; specification accuracy treated as the product because there is no return; clean GST-correct documentation for audited buyers; principal and marketplace models separated in the ledger from day one.	Weaknesses A distributor's balance sheet with a technology company's cost base; 9.6% return on capital at ₹168 crore of GMV against a dealership's 15.6% on ₹54 crore; ₹5.16 crore of losses before break-even; a credit book underwritten without the dealer's local knowledge; growth bounded by the facility rather than by demand; disintermediation available to every seller for the price of a phone call.
Opportunities Contractors chronically short of working capital and poorly served by dealers who reserve credit for large accounts; multi-category fit-out firms genuinely wanting one relationship instead of nine; individual house-builders, the one segment with a real discovery problem; GST and digital-payment infrastructure making credit assessment possible as it was not a decade ago; rising documentation expectations on lender-financed projects.	Threats The incumbent dealer, better at credit and delivery in his own district than a platform will be for years; discount-led competitors resetting buyer expectations across the category; correlated credit deterioration across a district in a construction downturn; a GST or lending-structure error compounding silently across thousands of transactions; sellers leaving once they have the buyer's number; equity markets closing before break-even.

16. Recommended AiSevak Tools for This Business

This business would use AiSevak's Build Materials vertical tools in operations:

- **What it actually earns: GMV reported only alongside gross margin and margin-as-%-of-GMV, managed-versus-marketplace split with separate ledgers, take-rate and credit-fee tracking, contribution per order after fulfilment.**
- **What it actually sells: credit-extended and delivery-controlled share of GMV, on-platform repeat retention, multi-category buyer analysis, off-platform leakage indicators.**
- **Acquisition honesty: paid and blended CAC reported together, funded discount as % of gross margin, full-price return of discount-acquired buyers, cohort revenue by acquisition month.**
- **Because there is no return:** specification-completeness checks on listings by category, site-access and unloading confirmation before order acceptance, despatch and site weighment with photographic record, settlement and seller-recovery tracking.
- **Credit & compliance:** underwriting workflow with per-buyer and per-district exposure caps, ageing with calendar escalation and supply-stop enforcement, NBFC-partner origination separation, TCS computation and seller settlement reconciliation, e-way bill and BIS-claim records.

17. Key Assumptions & Notes

- Building-material e-commerce: B2B platform supplying cement, steel, aggregates, blocks, tiles, sanitaryware, paints, plywood and MEP materials to builders, contractors, interior firms and small site owners, operating partly as principal on its own account and partly as a marketplace for third-party dealers. **Tenth plan in the build-materials vertical; PLATFORM sub-model, inheriting the travel vertical's agency and platform conventions and testing them against this vertical's own findings.**

- **△ CONVENTIONS SET HERE: (a) B2B CONSTRUCTION BUYERS DO NOT HAVE A DISCOVERY PROBLEM, THEY HAVE A WORKING-CAPITAL PROBLEM — a platform offering price discovery is selling a search box into a market that never asked for one. (b) THE FRAGMENTATION ARGUMENT IS USUALLY STATED BACKWARDS: this trade is fragmented because the product being distributed is LOCAL CREDIT AND LOCAL DELIVERY, both naturally local, so a platform assuming fragmentation equals waste will spend its capital discovering the dealers were not badly run, merely local. (c) THIS IS A DISTRIBUTOR THAT USES SOFTWARE, NOT A MARKETPLACE — and calling it a marketplace misdescribes both its cost structure and its risk. (d) THE TAKE-RATE ARITHMETIC IS UNFORGIVING: a 3% commission on a cement transaction asks for three-fifths of the dealer's entire 5% margin, and no amount of scale changes that — it multiplies it. (e) THE SUPPLIER CAN DISINTERMEDIATE WITH A PHONE CALL AND IT IS FREE, which is worse than the travel platforms faced; the only durable defence is that THE THING THAT COSTS THIS BUSINESS MONEY IS THE ONLY THING THAT KEEPS ITS CUSTOMERS. (f) THERE IS NO RETURN — twelve tonnes of cement unloaded at a site cannot go back, so specification accuracy is the product rather than choice, and the platform inherits every verification problem in this vertical with fewer tools because a photograph conveys none of them.**
- **□ THE VERDICT, STATED RATHER THAN AVOIDED: AT ₹168 CRORE OF GMV THIS BUSINESS RETURNS 9.6% ON CAPITAL WHILE THE CEMENT DEALERSHIP IN THIS SAME LIBRARY RETURNS 15.6% ON ₹54 CRORE OF TURNOVER — THREE TIMES THE VOLUME, TWO-THIRDS OF THE RETURN. VALUE IS CREATED ONLY WHERE THE PLATFORM DOES THE DISTRIBUTOR'S JOB, AND EVEN THEN IT DOES IT LESS PROFITABLY THAN A GOOD DISTRIBUTOR DOES, BECAUSE IT ALSO PAYS FOR TECHNOLOGY, FIELD ACQUISITION AND A CREDIT BOOK UNDERWRITTEN WITHOUT LOCAL KNOWLEDGE. GROSS MARGIN AS A PERCENTAGE OF GMV — 6.0% RISING TO 10.4% — IS THE ONLY MEANINGFUL HEADLINE, AND IT MOVES WITH THE MANAGED MIX RATHER THAN WITH SCALE: A PLATFORM AT ₹500 CRORE OF GMV ON A 3% COMMISSION WOULD EARN LESS IN ABSOLUTE RUPEES THAN THIS PLAN EARNS AT ₹168 CRORE.**
- **Economics & cash — BY YEAR 3 THIS BUSINESS HAS MORE CAPITAL IN BUYER RECEIVABLES THAN IN TECHNOLOGY, HUBS AND VEHICLES COMBINED, AND ANY DESCRIPTION OF IT AS A TECHNOLOGY COMPANY DESCRIBES ITS ORG CHART RATHER THAN ITS BALANCE SHEET (Y1 — ₹2.98cr → Y3 ₹1.28cr; GMV 48→168cr with net revenue 21.05→125.98cr; GROSS MARGIN AS % OF GMV 6.0%→10.4%; managed share 42%→74%; ROCE (28.1%)→(17.4%)→9.6%; contribution per order after fulfilment (₹180)→₹960, WITH THE NEGATIVE FIGURE STATED RATHER THAN HIDDEN BECAUSE A PLATFORM WHOSE ORDERS LOSE MONEY AT THE CONTRIBUTION LINE DOES NOT FIX THAT WITH VOLUME; credit loss 1.4% of credit extended = 7.5% of gross margin, the dealership's read-against-margin rule; receivables 74→58 days; BREAK-EVEN YEAR 3 WITH ₹5.16 CRORE CONSUMED FIRST — WHICH IS WHAT THIS CATEGORY COSTS TO ENTER AND WHY THIS IS AN EQUITY PROPOSITION; A DEBT-FUNDED VERSION WOULD BREACH EVERY COVENANT IT SIGNED IN ITS FIRST EIGHTEEN MONTHS). Regulatory: GST TREATED SEPARATELY FOR PRINCIPAL AND MARKETPLACE MODELS WITH TCS UNDER SECTION 52 ON THIRD-PARTY TRANSACTIONS, SEPARATED IN THE SYSTEMS FROM DAY ONE BECAUSE RECONSTRUCTING THE SPLIT AFTERWARDS IS WHERE PLATFORMS GET INTO SERIOUS TROUBLE; TRADE CREDIT ON OWN SALES IS ORDINARY COMMERCE, BUT FINANCING A BUYER'S PURCHASE FROM A THIRD-PARTY SELLER IS A LENDING ACTIVITY REQUIRING AN NBFC OR BANK PARTNER RATHER THAN THE PLATFORM'S OWN BOOK; e-way bills; Legal Metrology on packaged goods sold online; Consumer Protection (E-Commerce) Rules on seller disclosure and grievance redressal; BIS MARKING CLAIMS WHERE THE PLATFORM IS THE PARTY MAKING THE REPRESENTATION AND INHERITS THE PLYWOOD GRADE AND ELECTRICAL COUNTERFEIT PROBLEMS IN A FORM IT CAN VERIFY EVEN LESS; warehouse licensing and fire safety; EPF/ESI. Lender/investor note: AN EQUITY PROPOSITION WITH A WORKING-CAPITAL FACILITY ATTACHED, NOT A DEBT PROPOSITION — A LENDER FUNDING THIS STRUCTURE IS FUNDING A BURN; THE FACILITY SHOULD BE ASSESSED AS A CONSTRUCTION-SECTOR RECEIVABLE BOOK, NOT AS E-COMMERCE WORKING CAPITAL — CONTINGENT, CORRELATED ACROSS A DISTRICT AND UNSECURED, THE DEALERSHIP'S**

EXPOSURE WITHOUT THE DEALER'S DECADES OF LOCAL KNOWLEDGE; THE DIAGNOSTIC IS GROSS MARGIN AS A PERCENTAGE OF GMV AND NOTHING ELSE IN THE DECK MATTERS AS MUCH, SINCE A PLATFORM QUOTING GMV GROWTH WITHOUT THAT RATIO IS QUOTING A NUMBER IT CAN BUY AT ANY LEVEL IT LIKES; and ASK FOR FULL-PRICE RETURN OF DISCOUNT-ACQUIRED BUYERS — THIS CATEGORY'S EQUIVALENT OF THE CONCRETE PLANT'S CEMENT RECONCILIATION, THE ONE FIGURE SEPARATING A BUSINESS WITH CUSTOMERS FROM A BUSINESS WITH A PROMOTION, AND IT DOES NOT APPEAR IN A GMV CHART AT ALL.

₹12.40cr, GMV 48→168cr, 33→86 staff, managed share 42%→74%, ROCE (28.1%)→9.6%. Figures illustrative, exclude GST.

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