BUSINESS PLAN · INDIA

Bullion Trading Business

Physical gold and silver trading with metal loan intermediation, leasing and hedging services

GEMS, JEWELLERY & PRECIOUS GOODS

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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1. Executive Summary

This plan sets out a **Bullion Trading Business** in India — buying and selling **gold and silver bars and coins**, supplying jewellery manufacturers and retailers, distributing retail investment bullion, trading with institutions and inter-dealer counterparties, and providing **gold metal loan intermediation, leasing and hedging services**.

This closes the gems vertical, and it is the purest form of what the whole vertical has been about. **There is no manufacturing, no design, no processing and no value addition of any kind — only metal bought and sold.** Everything that made the earlier plans complicated has been stripped away, leaving the single economic fact that governed all of them, now completely exposed.

> **The margin here is the thinnest in the entire library: a trading spread of 0.62%, rising to 0.70%.** Against ₹420 crore of Year 1 turnover, that spread is ₹2.6 crore, and the net profit is **0.16% of turnover.** This makes bullion the terminal case of the lens this vertical opened with: **return is a function of TURNS and nothing else.** Stock is held for about four and a half days by design and turns roughly **82 times a year**. **Turnover in this business is a volume statistic, not a measure of the business** — a ₹420 crore trading house is a ₹6.5 crore enterprise, and any bullion plan quoting turnover as though it were achievement has told you nothing.

> **And the rule that decides whether this is a business or a bet: the trader is not paid to hold a view on the gold price.** The spread is earned by **intermediation** — matching buyers and sellers, providing immediacy, carrying delivery and settlement risk — **not by direction.** The arithmetic makes this absolute rather than prudential: **the margin on a rupee of gold is 0.62%, while a 1% price move is larger than the entire margin on that same rupee. One adverse day on an unhedged position destroys more than the profit from selling it** — meaning the *position*, not the trade, decides the outcome. **A bullion trader that runs an open book has stopped being a trading business and become a speculator with a customer list**, and the customer list will not save it. Every position flat or hedged at the close, without exception.

> **Two further honest points.** With price risk hedged, **the losses that actually happen in bullion are counterparty and delivery losses** — metal delivered and not paid for, or paid for and not delivered. **Delivery-versus-payment discipline is the entire risk framework**, and it is where trust-based trade custom is most dangerous. And **PMLA exposure is at its most acute in this business of any in the library**: bullion is a classic laundering channel, the trade has historically run on cash and personal trust, and **Section 269ST's ₹2 lakh cash cap directly targets exactly how this market used to work.**

This plan models a business requiring **₹6.5 crore** (₹2.2 crore promoter + ₹50 lakh term loan + ₹3.8 crore working-capital/metal finance), moving from **₹420 crore turnover with a ₹13 lakh loss** in Year 1 to **₹1,020 crore turnover and ₹2.68 crore profit** by Year 3. *(Bullion trading; spread- and turns-driven, hedged by policy — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A bullion trading house — physical gold and silver bars and coins bought from nominated agencies, banks, IIBX and the inter-dealer market and sold to jewellery manufacturers, retailers and investors; plus institutional trading, retail investment bullion distribution, and gold metal loan intermediation, leasing and hedging services.

Vision: To be the counterparty whose metal is always what it says it is and whose settlement never has to be chased.

Mission: Earn the spread, never the direction; close every day flat or hedged; deliver against payment; and know exactly who we are dealing with.

Legal structure options

- **Private Limited** — required in practice: bank and nominated-agency relationships, metal loan facilities, exchange memberships and AML governance all presume an audited company.
- **LLP / Proprietorship** — traditional in the trade and still common, but neither obtains institutional counterparty status or competitive metal finance, which in a 0.62%-margin business is decisive.

> **Regulatory anchor:** gold enters India through **nominated agencies and banks under RBI and DGFT frameworks, and through the India International Bullion Exchange at GIFT City**, with customs duty forming a large part of landed cost — **so the domestic price carries a premium or discount to the international price, and that basis is itself a significant part of where trading opportunity lives.** Hedging is available on **MCX and, for eligible participants, international venues**. Bullion dealers are **PMLA reporting entities** above prescribed thresholds with KYC, record-keeping and reporting duties, and **Section 269ST caps cash receipts at ₹2 lakh** — a provision aimed squarely at this trade's historical practice. GST applies to bullion sales, and **the input-credit position on a thin-margin, high-turnover book requires careful management because a GST mismatch can exceed a month's profit.** Vault, transit and stock insurance are essential, and BIS hallmarking applies to any coin or ornament sold to consumers.

3. Promoter & Ownership

Led by a promoter with bullion, banking-treasury or commodity-trading background. Three competences decide outcomes: *risk discipline* — the temperament to close flat every day when an open position would have been profitable, which is harder than it sounds and is the single trait that separates surviving bullion houses from failed ones; *counterparty judgement*, since the real losses come from settlement rather than price; and *funding access*, because at a 0.62% spread the cost of money is a first-order determinant of profitability. Risk governance, counterparty quality, funding cost & AML rigour are the differentiators. Ownership, equity & any partner are editable inputs.

4. Market Analysis — India

Demand is driven by India's very large physical gold consumption, jewellery manufacturers' continuous metal requirement, retail investment demand for coins and bars, festival and wedding cycles, and institutional hedging and leasing needs. Demand is structural, enormous and price-inelastic in volume terms. The market rewards funding cost, execution and settlement reliability; it is **spread-compressed, hedging-dependent and compliance-exposed** .

Demand drivers

- **Jewellery manufacturing demand** — continuous, high-volume, and the base load of any bullion book.
- **Retail investment** in coins and small bars, strongly seasonal around festivals.
- **Gold metal loan demand** from jewellers wanting metal-denominated funding rather than rupee borrowing.
- **Import channel evolution** — IIBX and nominated agencies changing how metal reaches the domestic market.
- **Silver industrial and investment demand**, more volatile and often better-spread than gold.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Indian bullion consumption	Hundreds of tonnes annually
SAM	Counterparties servable within funding capacity	**Bounded by working capital**
SOM (Yr 1–3)	Tonnes traded & spread captured	~6 → ~14 tonnes

> **The SAM constraint here is unusually literal and worth stating plainly.** Demand for bullion is effectively unlimited at the right price — **this business is never short of willing counterparties; it is short of funded balance sheet.** Every additional crore of turnover requires metal to be financed for the days it is held, so **growth is bounded by working capital and the cost of it, not by market opportunity.** That is why turns matter so much: **a house turning stock 128 times a year does four times the business of one turning it 32 times, on identical capital.** In a 0.62%-margin trade, the operational skill is not finding buyers — it is not holding metal.

Target segments

- **Jewellery manufacturers and wholesalers** — the volume base, requiring metal continuously and reliably.
- **Retail jewellers** buying for exchange and manufacture.
- **Retail investors** through coin and small-bar distribution, often via jeweller channels.
- **Institutional and inter-dealer counterparties** for volume and inventory balancing.
- **GML and leasing clients** — jewellers seeking metal-denominated funding, a fee business with no price exposure.

5. Competition & Competitive Advantage

Landscape: banks and nominated agencies at the top of the chain, large established bullion houses, regional dealers, and a substantial informal segment. **There is no product differentiation whatsoever — gold is gold — so competition is entirely on price, funding cost, execution speed and settlement reliability.**

The business's edge

- **Funding cost** — the most direct lever on a 0.62% spread; cheaper money is competitive advantage in a way it is in almost no other business.
- **Turns** — holding metal for four days instead of twelve triples the return on identical capital.
- **Settlement reliability** — being the counterparty whose delivery and payment never need chasing, which in a trust-based market is genuine commercial value.
- **Verification discipline** — every bar checked, so customers never inherit a purity problem.
- **Compliance standing** — clean AML and documentation opening institutional and bank counterparties that informal dealers cannot access.

6. Products & Revenue Model

Line	Model	Basis
Physical bullion to jewellers & manufacturers	Spread on principal trade	~68% of turnover
Institutional & inter-dealer trading	Spread, fast turns	Volume & balancing
Retail investment bars & coins	Wider spread, smaller lots	Seasonal, better margin
Silver bullion trading	Spread	Wider spread, more volatile
GML intermediation, leasing & hedging fees	**Fee — no price exposure**	**33% of total income by Yr 3**

> **The fee line deserves far more attention than its turnover share suggests, and it is the strategic answer to a 0.62% spread.** Metal loan intermediation, leasing and hedging services earn **₹1.28 crore in Year 1 rising to ₹3.10 crore** — which is **33% of total income by Year 3 while consuming almost no balance sheet and carrying no price**

exposure at all. Compare that with the trading book, where ₹5.1 crore of working capital must be financed continuously to earn ₹2.6 crore of spread. **Fee income is the only part of this business where earnings are not rationed by funded capital**, which makes growing it the single most valuable strategic move available — and one that most bullion houses under-develop because the trading desk is what they think of as the business.

7. Go-to-Market — Reliability Is the Product

Building the book

- **Jeweller relationships** in the catchment, won on price, availability and speed of settlement.
- **Supply access** — nominated agencies, banks, IIBX and inter-dealer lines, since **reliable sourcing is what lets you quote confidently.**
- **Institutional counterparty status**, which requires the compliance and audit standing informal dealers lack.
- **Retail distribution** through jeweller channels for coins and small bars.

Keeping it

- **Never failing on delivery**, particularly around festivals when everyone is short and reliability is worth most.
- **Tight, consistent quoting** rather than opportunistic widening when a customer is stuck — the trade remembers.
- **Verified metal** every time, so no customer ever discovers a purity issue downstream.
- **Fee services** that make you the jeweller's funding partner rather than only their supplier.

Sales approach

Secure supply lines and funding first, because neither can be improvised → build a jeweller base on reliability rather than on the sharpest quote → add institutional and inter-dealer lines for volume and inventory balancing → **develop GML, leasing and hedging fee services deliberately, since they are the only income not rationed by balance sheet** → grow silver, where spreads are wider. **The temptation to resist is the one that ends bullion houses: widening the book to chase volume by extending credit.** Every unsecured rupee of receivable in this trade earns 0.62% and risks 100%, which is a ratio no amount of relationship justifies.

8. Operations Plan (source, verify, trade, hedge, settle)

- **Sourcing:** purchase from nominated agencies, banks, IIBX and inter-dealer counterparties, with landed cost and basis tracked continuously.
- **Verification: every bar checked on receipt — XRF, ultrasonic and weight — irrespective of origin**; accredited-refiner bars preferred and unknown-origin metal treated with corresponding caution.
- **Quoting & dealing:** two-way prices to customers against live reference and basis.
- **Hedging: position marked and hedged intraday on MCX or an eligible venue; the book closes flat or covered, every day, without discretion.**
- **Settlement: delivery versus payment as standing policy** — metal released against cleared funds or against approved secured credit only.
- **Custody & logistics:** vaulted storage, insured transit, dual custody and reconciliation.
- **AML:** KYC on every counterparty, transaction monitoring, threshold reporting, and cash discipline.
- **Risk reporting: daily net position, counterparty exposure against limits, and days-of-stock, reported to the promoter independently of the dealing desk.**

Trading cycle

Stage	Activity	Metric
Source	Buy from agency/bank/IIBX/dealer	Landed cost vs. basis
Verify	XRF, ultrasonic, weight — every bar	Purity exceptions (target zero)
Quote	Two-way pricing to customers	Spread captured vs. quoted
Hedge	Cover intraday	**Overnight open position (target nil)**
Settle	Delivery against payment	**Settlement failures; overdue exposure**
Turn	Clear the stock	**Days of stock; turns per year**

> **Two operational rules carry almost the entire risk of this business, and both are the kind that get relaxed in good conditions and prove fatal in bad ones.** The first is the **daily flat-or-hedged close**. It will frequently look like an unnecessary cost — the market drifts up, the hedge loses, and a dealer observes that carrying the position overnight would have paid. **That observation is correct and irrelevant: the business earns 0.62% for intermediating and would be risking a multiple of that for a directional view it has no edge in.** The discipline exists precisely for the day it is not obvious. The second is **delivery versus payment**. Bullion is uniquely exposed here — **the goods are portable, instantly fungible and worth their full value the moment they leave your custody** — so a failed settlement is not a receivable to be collected but metal that is simply gone. **The trade's tradition of dealing on relationship and settling later is exactly the practice that produces the losses everyone in bullion has heard about**, and the correct answer is unsentimental: **secured limits, cleared funds, and metal released against payment or against approved collateral only.**

9. Regulatory, Licences & Compliance (India)

- **Import channel:** nominated agencies and banks under RBI/DGFT frameworks, and IIBX at GIFT City; customs duty forms a large share of landed cost.
- **PMLA: reporting-entity obligations with KYC, monitoring and threshold reporting. Bullion is a classic laundering channel and this is the most acute AML exposure in the whole vertical** — the compliance function must be independent and adequately staffed.
- **Cash: Section 269ST's ₹2 lakh cap on cash receipts is aimed squarely at how this market historically worked;** there is no safe accommodation of legacy practice.
- **GST:** applicable on bullion sales, **with input-credit management critical because on a thin-margin, high-turnover book a mismatch can exceed a month's profit.**
- **Hedging:** exchange membership or broker arrangements, margin management, and — for international venues — eligibility and FEMA considerations.
- **BIS hallmarking** on coins and ornaments sold to consumers.
- **Insurance & custody:** vault, transit and all-risks cover at full metal value; dual custody and daily reconciliation.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / managing director	1	1	2

Vault, custody & logistics	10	16	23
Dealers & trading desk	8	13	19
Security	8	11	15
Client servicing & sales	6	10	15
Finance, treasury & admin	6	9	13
Compliance, AML & KYC (independent)	**5**	**8**	**12**
Risk management & hedging (independent)	**4**	**7**	**11**
Assaying & verification	4	6	9
Total	**52**	**81**	**119**

Risk and compliance both report independently of the dealing desk, and that structure is not a formality. In a business where a single unhedged overnight position can cost more than a quarter's profit, **the function that measures the position cannot be the function that takes it.**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–4	Entity, vault, supply lines, metal finance, hedging access, AML systems
Ramp	Month 4–12	~6 t traded; ₹420cr turnover, ₹13L loss; spread 0.62%
Grow	Year 2	Turns 105×, fee income building; ₹680cr, ₹95L profit
Scale	Year 3	₹1,020cr turnover, ₹2.68cr profit; **turns 128×, fees 33% of income**

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. ***Turnover is reported gross because this is a principal trade — but the meaningful figures are the trading SPREAD, total INCOME and TURNS. Spread, funding cost, turns, fee-income share & settlement losses are the levers.***

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (bullion stock & receivables)	**5,10,00,000**
Vault, strong room, security systems & transit infrastructure	62,00,000
Assaying & verification instruments (XRF, ultrasonic)	28,00,000
Trading, risk & hedging systems, exchange memberships	**22,00,000**
Office, IT & setup	15,00,000
Legal, registrations, compliance & AML systems	8,00,000

Brand & business development	5,00,000
Total project cost	**6,50,00,000**
Working-capital / metal finance	3,80,00,000
Promoter contribution	2,20,00,000
Term loan	50,00,000

Working capital is 78.5% of project cost — the highest in this vertical, which is exactly what a business with no plant, no design and no processing should look like.

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Gross turnover (volume statistic, not a measure of the business)	*4,20,00,00,000*	*6,80,00,00,000*	*10,20,00,00,000*
Less: cost of bullion purchased	4,17,40,00,000	6,75,52,00,000	10,12,86,00,000
Gross trading margin (spread)	**2,60,00,000**	**4,48,00,000**	**7,14,00,000**
GML intermediation, leasing & hedging fees	**1,28,00,000**	**2,05,00,000**	**3,10,00,000**
Total income	**3,88,00,000**	**6,53,00,000**	**10,24,00,000**
Salaries (dealers, risk, ops, compliance, admin)	1,32,00,000	1,82,00,000	2,52,00,000
Interest & finance cost on metal/WC lines	**1,28,00,000**	**1,75,00,000**	**2,32,00,000**
Vault, security, insurance & transit	45,00,000	62,00,000	84,00,000
Office, IT, systems & overheads	30,00,000	42,00,000	56,00,000
Hedging cost, exchange & clearing charges	28,00,000	42,00,000	60,00,000
Compliance, AML, audit & legal	16,00,000	24,00,000	32,00,000
Depreciation & other	12,00,000	16,00,000	20,00,000
Assaying, verification & QC	10,00,000	15,00,000	20,00,000
Total expenses	**4,01,00,000**	**5,58,00,000**	**7,56,00,000**
Net profit / (loss) before tax	**(13,00,000)**	**95,00,000**	**2,68,00,000**
Trading spread	**0.62%**	**0.66%**	**0.70%**
Net margin on total income	(3.4%)	14.5%	26.2%
Net margin on gross turnover	**(0.003%)**	**0.014%**	**0.026%**
Inventory turns per year	**~82×**	**~105×**	**~128×**
Days of stock held	~4.5	~3.5	~2.9
Fee income as % of total income	**33.0%**	**31.4%**	**30.3%**
Volume traded (tonnes gold-equivalent)	~6	~9.5	~14
Return on capital employed	—	**~36%**	**~55%**

12.3 Unit economics — and how this vertical's arc closes

Across the nine plans in this vertical, the same capital returns are reached by completely different routes. Reading them together is the clearest possible statement of the lens the vertical opened with:

Business	Gross margin	Inventory turns	Route to return
Jewellery manufacturing	22%	4.2×	Balanced
Diamond processing	22%	4.4×	Balanced
Gemstone trading	31%	2.5×	Margin-led
Fashion jewellery	66%	3.4×	Margin-led
Bullion trading	**0.62%**	**82×**	**Turns, entirely**

- **Funding cost is a first-order competitive variable** — interest at ₹1.28–2.32 crore is comparable to the entire trading spread. **A house borrowing 150 basis points cheaper than its competitor has a quarter of the spread as pure advantage.**
- **Fee income is the escape from balance-sheet rationing** at ~31% of total income, earned on almost no capital and with no price exposure.
- **Days of stock is the operating metric.** Cutting holding from 4.5 days to 2.9 raises turns by 56% on unchanged capital — worth more than any plausible improvement in spread.
- **Break-even:** Year 2. **Year 1's loss is deliberate: a new entrant gets worse spreads and pays more for money than an established house**, and both improve only with track record.

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

Shown on the income basis. Gross bullion flows exceeding ₹100 crore a quarter would swamp the statement and convey nothing.

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	55,00,000	35,00,000	17,00,000	8,00,000
Income collections (spread + fees)	88,00,000	92,00,000	96,00,000	1,00,00,000
Salaries, interest, vault, hedging & overheads	1,08,00,000	1,10,00,000	1,05,00,000	90,00,000
Closing balance	**35,00,000**	**17,00,000**	**8,00,000**	**18,00,000**

> **The cash characteristic that defines bullion is that the metal position and the cash position move violently while the business earns almost nothing either way.** A single day's trading may move ₹4–5 crore of value across the desk to earn perhaps ₹2 lakh of spread — **so the treasury function is managing quantities enormously larger than the profit they generate, and a small operational error is proportionally catastrophic.** Three disciplines follow. **Reconcile metal and cash daily, not monthly**, because at 82 turns a year a monthly reconciliation is reviewing thirty separate opportunities for error at once. **Manage hedge margin as a distinct liquidity line** — a sharp price move calls margin on the hedge before the physical position has settled, and **a solvent trader can still fail on a margin call.** And **keep the festival peak funded in advance**: demand concentrates around Dhanteras and the wedding season, when everyone needs metal simultaneously, spreads are best, and **the house that cannot fund inventory in that window misses the most profitable weeks of its year.**

12.5 Key Performance Indicators to Monitor

- **Risk: overnight open position (target nil)**; hedge effectiveness; **counterparty exposure vs. limit**; settlement failures and overdue metal.
- **Capital: days of stock and turns per year**; funding cost vs. benchmark; ROCE; working capital utilised at festival peak.
- **Trading:** spread captured vs. quoted; basis vs. international price; volume by segment; fee income share.
- **Integrity:** purity exceptions on receipt (target zero); **KYC completeness and AML alerts cleared**; cash-limit adherence; GST reconciliation status.

13. Funding Requirement & Bankability

Total ask: **₹3.8 crore working-capital/metal finance plus ₹50 lakh term loan** against ₹2.2 crore promoter contribution. Four points frame this credit, and the first is unusual. **First, do not read the turnover.** A lender shown ₹420 crore against a ₹6.5 crore balance sheet may reach entirely the wrong conclusion in either direction; **the assessable business is ₹3.88 crore of total income on ₹6.5 crore of capital, and the turnover is simply how many times that capital went round. Second, the security is excellent** — bullion is assayable, liquid at a published price, and stored in a vault, which makes it among the best collateral any lender encounters. **Third, and decisively, the credit hinges on RISK GOVERNANCE rather than on financials:** the difference between a sound bullion house and a failed one is whether the book closes hedged, so **a lender should test the independence of the risk function, the overnight-position record and the hedging arrangements before looking at any ratio. Fourth, funding cost is itself the competitive variable** — at a 0.62% spread, the interest rate is not a financing detail but a determinant of whether the business can quote competitively at all, which means a well-governed borrower deserves and should negotiate for finer pricing than the sector's reputation might suggest.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (bullion stock & receivables)	5,10,00,000	78.5%
Vault, strong room, security systems & transit infrastructure	62,00,000	9.5%
Assaying & verification instruments (XRF, ultrasonic)	28,00,000	4.3%
Trading, risk & hedging systems, exchange memberships	22,00,000	3.4%
Office, IT & setup	15,00,000	2.3%
Legal, registrations, compliance & AML systems	8,00,000	1.2%
Brand & business development	5,00,000	0.8%
Total	**6,50,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation

Unhedged price exposure	**The existential risk: the margin on a rupee of gold is 0.62% while a 1% price move is larger than the entire margin on that same rupee — one adverse day on an open position destroys more than the profit from selling it.** Book closes flat or hedged daily without discretion; risk function independent of the desk; hard overnight-position limit; **a trader that runs an open book has become a speculator with a customer list**
Counterparty & settlement failure	**With price hedged, this is where the losses actually happen.** Delivery versus payment as standing policy; secured limits; cleared funds or approved collateral only — **the goods are portable, fungible and worth full value the moment they leave custody, so a failed settlement is not a receivable, it is metal that is gone**
PMLA / cash exposure	**The most acute AML exposure in the vertical — bullion is a classic laundering channel and the trade historically ran on cash and personal trust.** Independent compliance function; KYC on every counterparty; transaction monitoring; **strict ₹2 lakh cash discipline with no accommodation of legacy practice**
Purity / fake bar risk on purchase	**Every bar verified on receipt — XRF, ultrasonic, weight — regardless of origin**; accredited-refiner bars preferred; unknown-origin metal treated with corresponding caution
Funding cost rising or lines withdrawn	Multiple lenders; metal-denominated funding where available; **at a 0.62% spread, interest is comparable to the entire trading margin, so funding is a competitive variable not a financing detail**
Hedge margin call liquidity	Margin managed as a distinct liquidity line with headroom — **a solvent trader can still fail on a margin call**
Spread compression	Grow **fee income (GML, leasing, hedging) which is not rationed by balance sheet**; improve turns rather than chase volume; silver where spreads are wider
Credit extended to win volume	**Every unsecured rupee of receivable earns 0.62% and risks 100% — a ratio no relationship justifies.** Secured limits reviewed continuously
Theft, transit loss & vault risk	All-risks cover at full metal value, dual custody, insured transit with approved carriers, daily reconciliation, no predictable movement patterns
Import policy or duty change altering basis	Track basis continuously; avoid positions premised on a policy differential persisting; keep the book short-dated

15. SWOT Analysis

Strengths **Excellent collateral — assayable, liquid, published price**; enormous structural demand; **fee income earns without consuming balance sheet**; no design, trend, obsolescence or technology risk of any kind; very high ROCE (~55%) from turns; compliance standing opens institutional counterparties informal dealers cannot reach.	**Weaknesses** **Thinnest margin in the library (0.62%) with no product differentiation whatsoever**; 78.5% of capital in stock; **interest cost comparable to the entire trading spread**; growth strictly bounded by funded balance sheet; a single governance lapse on hedging or settlement can exceed a year's profit.

Opportunities	Threats
IIBX and evolving import channels; GML and leasing demand from jewellers preferring metal-denominated funding; silver's wider spreads; retail investment bullion growth; formalisation pushing volume from informal dealers to compliant houses; hedging services as fee income.	Spread compression from competition and transparency; funding cost increases; import policy and duty changes altering basis; **a counterparty default or AML incident, either of which is existential rather than costly**; banks and large houses competing directly for the same customers.

16. Recommended AiSevak Tools for This Business

This bullion trading business would use AiSevak's Gems and Finance vertical tools in operations:

- **Risk: daily net-position and overnight-exposure monitor**, hedge-effectiveness tracking, **counterparty exposure vs. limit dashboard**, settlement-failure register.
- **Capital: days-of-stock and turns tracker**, funding-cost-vs-spread analysis, ROCE dashboard, festival-peak working-capital planner.
- **Trading:** spread-captured-vs-quoted analysis, basis vs. international price, segment volume and fee-income share.
- **Integrity: bar verification log with purity exceptions**, KYC and AML alert workflow, cash-limit adherence, GST reconciliation.
- **Custody:** daily metal-and-cash reconciliation, vault and transit register, insurance coverage vs. holdings.

17. Key Assumptions & Notes

- Bullion trading: physical gold and silver bars and coins bought from nominated agencies, banks, IIBX and inter-dealer counterparties and sold to jewellery manufacturers, retailers and investors; plus institutional/inter-dealer trading, retail investment bullion, and GML intermediation, leasing and hedging services.
- **⚠ CLOSES THE GEMS VERTICAL AND IS THE PUREST FORM OF WHAT THE WHOLE VERTICAL HAS BEEN ABOUT — no manufacturing, no design, no processing, NO VALUE ADDITION OF ANY KIND, only metal bought and sold.** Everything that made the earlier plans complicated is stripped away, leaving the single economic fact that governed all of them fully exposed.
- **THE THINNEST MARGIN IN THE ENTIRE LIBRARY — a trading spread of 0.62% rising to 0.70%**, so ₹420cr of turnover earns ₹2.6cr of spread and net profit is **0.16% of turnover**. This is the TERMINAL CASE of the lens the vertical opened with: **RETURN IS A FUNCTION OF TURNS AND NOTHING ELSE** — stock held ~4.5 days by design, turning ~82×/yr (→128× by Y3). **TURNOVER IN THIS BUSINESS IS A VOLUME STATISTIC, NOT A MEASURE OF THE BUSINESS: a ₹420cr trading house is a ₹6.5cr enterprise, and any bullion plan quoting turnover as though it were achievement has told you nothing. THE VERTICAL'S ARC CLOSES with the comparison table in §12.3: jewellery-mfg 22%×4.2, diamond 22%×4.4, gemstone 31%×2.5, fashion 66%×3.4, BULLION 0.62%×82 — the same returns reached by completely different routes.**
- **THE RULE THAT DECIDES WHETHER THIS IS A BUSINESS OR A BET: THE TRADER IS NOT PAID TO HOLD A VIEW ON THE GOLD PRICE.** The spread is earned by INTERMEDIATION — matching buyers and sellers, providing immediacy, carrying delivery and settlement risk — **not by direction**. The arithmetic makes this absolute rather than prudential: **the margin on a rupee of gold is 0.62% while a 1% price move is LARGER THAN THE ENTIRE MARGIN ON THAT SAME RUPEE, so one adverse day on an unhedged position destroys more than the profit from selling it — the POSITION, not the TRADE, decides the outcome. A bullion trader that runs an open book has stopped being a trading business and become A SPECULATOR WITH A CUSTOMER LIST, and the customer list will not save it.** Book closes flat or hedged EVERY day; risk function independent of the desk. **The**

discipline will frequently look like an unnecessary cost — the market drifts up, the hedge loses, and a dealer observes that carrying overnight would have paid. That observation is CORRECT AND IRRELEVANT, and the discipline exists precisely for the day it is not obvious.

- **WITH PRICE HEDGED, THE LOSSES THAT ACTUALLY HAPPEN IN BULLION ARE COUNTERPARTY AND DELIVERY LOSSES** — metal delivered and not paid for, or paid for and not delivered. **DELIVERY-VERSUS-PAYMENT IS THE ENTIRE RISK FRAMEWORK**, and bullion is uniquely exposed because **the goods are portable, instantly fungible and worth full value the moment they leave custody — so a failed settlement is not a receivable to be collected, it is metal that is simply GONE**. **The trade's tradition of dealing on relationship and settling later is exactly the practice that produces the losses everyone in bullion has heard about.** Also: **every unsecured rupee of receivable earns 0.62% and risks 100% — a ratio no relationship justifies.**
- **PMLA EXPOSURE IS AT ITS MOST ACUTE HERE OF ANY PLAN IN THE LIBRARY** — bullion is a classic laundering channel, the trade historically ran on cash and personal trust, and **§269ST's ₹2 lakh cash cap targets exactly how this market used to work, so there is NO safe accommodation of legacy practice.** Independent compliance function. Also **GST input-credit management is critical because on a thin-margin high-turnover book a mismatch can EXCEED A MONTH'S PROFIT.**
- **THE FEE LINE IS THE STRATEGIC ANSWER TO A 0.62% SPREAD AND IS UNDER-DEVELOPED BY MOST BULLION HOUSES** — GML intermediation, leasing and hedging earn ₹1.28→3.10cr, **~31% of total income while consuming almost NO balance sheet and carrying NO price exposure**, against a trading book where ₹5.1cr must be financed continuously to earn ₹2.6cr. **Fee income is the only part of this business where earnings are NOT RATIONED BY FUNDED CAPITAL**, which makes growing it the most valuable strategic move available.
- **GROWTH IS BOUNDED BY WORKING CAPITAL, NOT BY MARKET OPPORTUNITY — this business is never short of willing counterparties, it is short of funded balance sheet.** Hence turns matter enormously: **a house turning stock 128×/yr does FOUR TIMES the business of one turning it 32×, on identical capital.** In a 0.62%-margin trade **the operational skill is not finding buyers — it is NOT HOLDING METAL.** And **FUNDING COST IS A FIRST-ORDER COMPETITIVE VARIABLE**: interest (₹1.28-2.32cr) is comparable to the ENTIRE trading spread, so **a house borrowing 150bps cheaper than its competitor has a quarter of the spread as pure advantage.**
- Cash: **the metal and cash positions move violently while the business earns almost nothing either way** — a single day may move ₹4-5cr across the desk to earn ~₹2L of spread, so **treasury manages quantities enormously larger than the profit they generate and a small operational error is proportionally catastrophic** → **reconcile metal and cash DAILY not monthly (at 82 turns a monthly reconciliation reviews thirty separate opportunities for error at once)**, **manage hedge margin as a distinct liquidity line because A SOLVENT TRADER CAN STILL FAIL ON A MARGIN CALL**, and **fund the festival peak in advance since the house that cannot fund inventory in that window misses the most profitable weeks of its year.** Lender framing: **DO NOT READ THE TURNOVER** — the assessable business is ₹3.88cr of income on ₹6.5cr of capital; security is excellent (assayable, liquid, published price); **the credit hinges on RISK GOVERNANCE not financials, so test the independence of the risk function, the overnight-position record and the hedging arrangements BEFORE any ratio**; and funding cost is itself the competitive variable. WC is **78.5% of project cost, the highest in the vertical** — exactly what a business with no plant, design or processing should look like. ₹6.5cr, ~6→14 t traded, turnover 420→1,020cr, Y1 −₹13L → Y3 ₹2.68cr (~55% ROCE). **Y1 loss deliberate — a new entrant gets worse spreads and pays more for money than an established house, and both improve only with track record.** Figures illustrative, exclude GST.

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