BUSINESS PLAN · INDIA

Automobile Dealership

Great sales, service and ownership experience - profitably and at scale

AUTOMOTIVE

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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1. Executive Summary

This plan sets out an **Automobile Dealership** in India — an authorised OEM car dealership (single brand) operating on the "3S" model: new-vehicle Sales, Service & Spares, plus used-car exchange, vehicle finance & insurance facilitation. It earns thin new-car margins plus higher-margin service, spares, finance/insurance commissions & used-car income, monetising volume, the recurring service annuity & ancillary streams — a high-turnover, working-capital-intensive, thin-new-car-margin but service-annuity-rich automotive business.

India's automobile market is large & growing, driven by rising incomes, aspiration, replacement/upgrade cycles, financing penetration & premiumisation, alongside a gradual EV shift. Dealerships earn very thin margins on new cars (heavily OEM-controlled), so profitability rests on the higher-margin **Service & Spares** annuity, finance & insurance commissions, used-car exchange & accessories/extended-warranty. It is capital- & working-capital-intensive (vehicle inventory via floor-plan financing, showroom & workshop) & OEM-dependent; success rests on volume, service retention, ancillary attach & cost/WC discipline.

This is a capital-intensive automotive business — funded by promoter equity plus bank finance (term loan for showroom/workshop + inventory floor-plan/channel financing + CC for working capital). This plan models a dealership requiring **₹3.5 crore** (₹1.2 crore promoter + ₹2.3 crore bank finance incl. floor-plan), targeting **₹40 crore** revenue in Year 1 and **₹65 crore** by Year 3. *(Car dealership; thin new-car margins, service/ancillary-annuity-rich, WC-/OEM-intensive.)*

2. Business Description, Vision & Legal Structure

Concept: An authorised OEM 3S dealership - new-car sales, service & spares - plus used-car exchange, finance & insurance - volume + service annuity + ancillary income.

Vision: To be a top-performing, trusted dealership in the OEM network & region.

Mission: Deliver great sales, service & ownership experience - profitably & at scale.

Legal structure options

- **Private Limited** — recommended (for OEM dealership, floor-plan finance & scale).
- **LLP** — possible, but OEM norms & finance favour a company.

> **Regulatory anchor:** a dealership is an OEM-authorised auto business — OEM dealership agreement (targets, standards, territory), Shops & Establishments, GST, trade licence, RTO/vehicle registration & dealer norms, motor-insurance & finance-agent (IRDAI/NBFC) tie-ups, fire/pollution (workshop) & hazardous/e-waste (oils/batteries), & consumer-protection/warranty. Volume, service & spares annuity, finance/insurance attach, used-car, cost & WC discipline & OEM relationship determine success; thin new-car margins but service-annuity-rich.

3. Promoter & Ownership

Led by a promoter with the capital, business acumen & (often) OEM relationship to secure the dealership. The team includes sales, service/workshop (advisors & technicians), spares, finance/insurance desk, used-car & a GM. Volume, service retention, ancillary attach & cost/WC discipline are the differentiators. Ownership & stakes are editable inputs.

4. Market Analysis — India

India's car market is large & growing, driven by rising incomes, aspiration, replacement/upgrade cycles, financing penetration (most cars are financed), premiumisation/SUV shift & a gradual EV transition. Dealerships are the OEM's retail & service network. The market rewards volume, service & spares retention, finance/insurance attach, used-car & customer experience; it is OEM-, volume- & WC-sensitive & cyclical, met with service annuity, ancillary attach, used-car & cost discipline.

Demand drivers

- **Rising incomes & aspiration.**
- **Replacement/upgrade & SUV/premium.**
- **Financing penetration.**
- **Growing car parc** (service/spares).
- **EV transition** (new segment).

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Car sales & service in India	Very large
SAM	Territory demand & car parc	Substantial
SOM (Yr 1–3)	Units, service throughput	Scaling

Target segments

- New-car buyers (retail & corporate).
- Service & spares customers (car parc).
- Used-car & exchange buyers.
- Finance & insurance customers.

5. Competition & Competitive Advantage

Landscape: other dealers of the same & rival OEMs, multi-brand workshops (service), used-car platforms & online. The dealership competes on experience, service quality/retention, price/finance, used-car & relationship — within OEM norms.

The dealership's edge

- **OEM brand & authorised network.**
- **Service & spares annuity/retention.**
- **Finance/insurance & used-car attach.**
- **Experience & relationship.**
- **Cost & WC discipline.**

6. Products & Revenue Model

Stream	Model	Basis

New-vehicle sales	Thin margin (2–5%) + incentives	Volume/turnover
Service & labour	High margin (annuity)	Profit driver
Spares & accessories	Good margin	Profit driver
Finance & insurance	Commission	High-margin attach
Used-car exchange	Trading margin	Volume/margin

> New cars are very thin-margin (2–5%, OEM-controlled) & a volume/turnover game; the profit comes from the higher-margin **Service & Spares annuity** (recurring from the growing car parc), finance/insurance commissions, accessories/extended-warranty & used-car. Volume, service retention, ancillary attach & WC/floor-plan discipline drive economics — the decisive dealership levers.

7. Go-to-Market — Marketing & Sales

- **OEM & local marketing** (launches, offers, events).
- **Digital leads & test-drives.**
- **Finance/insurance & exchange** attach.
- **Service retention & CRM** (annuity).
- **Referrals & corporate** sales.

Sales approach

Drive footfall & leads (OEM/local/digital, test-drives) → convert with experience, finance & exchange → attach finance/insurance/accessories → retain for service & spares (the annuity via CRM) → grow used-car & referrals. Volume + service annuity + ancillary attach, with cost/WC discipline, build profit despite thin new-car margins.

8. Operations Plan

- **Facility:** showroom (display), workshop (service bays, equipment), spares store, used-car & F&I desks; per OEM standards.
- **Process:** lead → sale (finance/insurance/exchange) → delivery & registration → service & spares (CRM/retention) → used-car & renewals.
- **Inventory & WC:** vehicle inventory via floor-plan financing, spares inventory; turns & interest management.
- **Tech:** DMS (dealer management), CRM, service & inventory, F&I & used-car systems.
- **Compliance:** OEM standards, RTO/registration, workshop pollution/e-waste (oils/batteries), IRDAI/NBFC (F&I), warranty.

Dealership workflow

Stage	Activity	Metric
Lead	Marketing/test-drive	Leads/conversion
Sell	+F&I/exchange	Units/attach
Deliver	Registration	Delivery/experience
Service	Workshop/spares	Retention/annuity

Retain	CRM/used-car	Repeat/referral

9. Regulatory, Licences & Compliance (India)

- **OEM & auto:** OEM dealership agreement (targets/standards/territory); RTO/vehicle registration & dealer norms.
- **F&I:** motor-insurance (IRDAI) & finance-agent/DSA (NBFC/bank) tie-ups & compliance.
- **Premises & environment:** Shops & Establishments; trade licence; fire; workshop pollution & hazardous/e-waste (used oil, batteries).
- **Business & tax:** Pvt Ltd; GST; PAN/TAN; Udyam; labour/ESI/PF; consumer-protection/warranty.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / GM & managers	3	4	6
Sales & F&I	12	18	26
Service advisors & technicians	18	28	40
Spares, used-car & support	8	12	18
Admin, accounts & CRM	5	7	10
Total	**46**	**69**	**100**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–4	OEM agreement, showroom/workshop, floor-plan, DMS, hiring, launch
Ramp	Month 4–9	Sales volume, service ramp, F&I/exchange attach
Traction	Month 9–12	Service annuity & ancillary; ₹40cr revenue
Optimise	Year 2	Service retention, used-car, cost/WC, EV
Scale	Year 3	₹65cr revenue; additional outlet/branch

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. They are not projections of guaranteed results. Car dealership; high turnover, thin new-car margins, service/ancillary-annuity-rich, WC-intensive.

12.1 Project cost & means of finance

Capital requirement	₹
Showroom & workshop (fit-out/equipment)	1,30,00,000

Vehicle inventory (via floor-plan)	1,40,00,000
Spares inventory & DMS/tech	40,00,000
Deposits, launch & pre-operative	20,00,000
Working-capital margin	20,00,000
Total project cost	**3,50,00,000**
Promoter contribution	1,20,00,000
Bank finance (term + floor-plan + CC)	2,30,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
New-vehicle sales	32,00,00,000	44,00,00,000	50,00,00,000
Service, spares & accessories	5,00,00,000	8,50,00,000	11,00,00,000
F&I commission & used-car	3,00,00,000	4,50,00,000	4,00,00,000
Total revenue	**40,00,00,000**	**57,00,00,000**	**65,00,00,000**
Cost of vehicles & spares sold	35,20,00,000	49,20,00,000	55,60,00,000
Salaries & staff	2,00,00,000	2,80,00,000	3,60,00,000
Rent, utilities & overheads	1,30,00,000	1,70,00,000	2,00,00,000
Floor-plan/interest & marketing	1,20,00,000	1,60,00,000	1,90,00,000
Total expenses	**39,70,00,000**	**55,30,00,000**	**63,10,00,000**
Net profit (before tax)	**30,00,000**	**1,70,00,000**	**1,90,00,000**
Net margin	0.8%	3.0%	2.9%

12.3 Unit economics & break-even

- **Thin new-car, rich service:** new cars ~2–5% margin (a volume/turnover game); Service & Spares (30–40%+ margin) & F&I commissions carry the profit — the service annuity is decisive.
- **Working capital & floor-plan:** vehicle inventory is funded by floor-plan (interest cost); turns & interest management are critical on thin margins.
- **Break-even:** at a volume + service throughput covering fixed costs + floor-plan interest; net margins stay low (turnover business) but absolute profit scales with service annuity.

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

Particulars (₹ cr)	Q1	Q2	Q3	Q4
Opening balance	0.20	0.21	0.23	0.26
Collections	9.00	9.80	10.50	11.20
Vehicle/spares cost, floor-plan & operating	8.99	9.78	10.47	11.15
Closing balance	**0.21**	**0.23**	**0.26**	**0.31**

> Retail collections are largely immediate (cash/finance-disbursal), but vehicle inventory ties up large floor-plan WC with interest; service collections are quick & high-margin. Inventory turns, floor-plan interest, service annuity, F&I attach & the WC margin manage cash; slow-moving vehicle stock & interest on thin margins are the key risks.

12.5 Key Performance Indicators to Monitor

- **Sales:** units; conversion; OEM target achievement; incentives.
- **Service:** throughput; service retention; labour & spares margin.
- **Ancillary:** F&I attach; insurance; used-car; accessories.
- **WC:** vehicle inventory turns/days; floor-plan interest; spares turns.

13. Funding Requirement & Bankability

Total ask: **₹2.3 crore bank finance** (term for showroom/workshop + **floor-plan/inventory financing** + CC) against ₹1.2 crore promoter contribution. Bankability rests on OEM tie-up, turnover, service & ancillary margins & inventory turns; floor-plan financing (inventory-secured) is a standard, well-understood dealership facility. Strong topline & service annuity support servicing though net margins are thin; OEM brand & service annuity de-risk lending; inventory turns & interest discipline are key.

13.1 Funding utilisation

Use of funds	₹	% of total
Vehicle inventory (via floor-plan)	1,40,00,000	40%
Showroom & workshop (fit-out/equipment)	1,30,00,000	37.1%
Spares inventory & DMS/tech	40,00,000	11.4%
Deposits, launch & pre-operative	20,00,000	5.7%
Working-capital margin	20,00,000	5.7%
Total	**3,50,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
Thin new-car margins	Service/spares annuity, F&I & used-car; volume & OEM incentives; cost discipline
Inventory & floor-plan interest	Turns; demand planning; interest management; model mix
OEM dependence & targets	Service annuity independence; strong OEM relationship; multi-outlet
Auto-cycle downturn / demand	Service (counter-cyclical), used-car, cost discipline; segments
EV transition	EV readiness; service-skill upgrade; OEM EV models

15. SWOT Analysis

Strengths OEM brand & network; high turnover; service & spares annuity; F&I/used-car; growing car parc.	**Weaknesses** Thin new-car margins; WC-/floor-plan-heavy; OEM-dependent & target-driven; cyclical; capital-intensive.
Opportunities Service annuity & retention; used-car & F&I; premium/SUV; EV; additional outlets.	**Threats** Auto-cycle downturns; OEM pressure & margins; floor-plan interest; EV-disruption & online.

16. Recommended AiSevak Tools for This Business

This dealership would use AiSevak's Automotive vertical tools in delivery:

- **Dealership ops:** DMS/CRM, service-retention & workshop, F&I/insurance-attach and used-car/inventory-turns tools.
- **Compliance:** OEM-agreement, RTO/registration, IRDAI/NBFC (F&I), workshop-pollution/e-waste and GST tools (with Legal & Finance verticals).
- **Practice:** Business Plan, service-annuity/floor-plan-economics and Break-even tools to model the dealership.

17. Key Assumptions & Notes

- Authorised OEM 3S dealership; new-car sales (thin 2–5% margin) + Service & Spares annuity (high margin) + F&I commissions + used-car.
- Profit comes from service/spares annuity, F&I & used-car — not new cars; volume, service retention, attach & WC/floor-plan discipline decisive.
- Term + floor-plan/inventory financing + CC; OEM agreement, RTO, IRDAI/NBFC (F&I), workshop pollution/e-waste, GST, warranty.
- Service annuity, ancillary attach, turns & cost discipline drive economics; figures illustrative, exclude GST.

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