BUSINESS PLAN · INDIA

Cement and Steel Dealership

He sets neither the price nor the collection

BUILD MATERIALS

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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1. Executive Summary

This plan sets out a **Cement & Steel Dealership** in India — an authorised trading business stocking and supplying cement, TMT reinforcement steel, structural steel and allied construction materials to builders, contractors, individual house-builders and government-project executors from an owned yard and godown.

> **This plan opens the build-materials vertical, and it should begin with the two facts that govern it and that a dealer controls neither of. The first is that he does not set his price. Cement and steel prices are announced by manufacturers and move with input, freight and demand cycles; the dealer's earning is a fixed margin per bag or per tonne, or a thin spread the manufacturer defines. He is a margin-taker, not a margin-maker. The second is that he does not control his collection. He sells on credit to builders whose ability to pay depends on their own project completing, their own flats selling, their own client releasing a running-account bill and their own approvals arriving. The dealer's money is therefore two or three steps removed from anything he can influence. Both of the numbers that decide whether this business survives are set by other people**, and everything in this plan is consequently about the two things he does control: **credit discipline and customer mix.**

> **The second point places this business against one already modelled in this library, and the comparison is instructive. The FMCG general-trade distributor earns a similar thin spread — 5.7% against this dealer's 5.0% — and reaches a return on capital employed of 25.1%. This dealer, on a comparable margin, reaches 15.6%. The entire difference is the receivable: the kirana pays in fourteen to twenty-one days and the builder pays in fifty-eight to seventy-four. Same trade, same margin, four times the money tied up — and the FMCG plan's central finding applies here with more force: margin is not return, and a dealer who measures his business in per-bag margin is reading the only number the manufacturer has already fixed for him.**

> **The third is that credit is simultaneously how this business is won and how it dies, and a plan that recommends avoiding it is not describing the trade. Every competitor offers credit; a dealer who insists on cash will simply have no customers, because the builder's own cash cycle makes cash purchase impossible for him. The discipline is therefore not refusing credit but pricing it, limiting it and enforcing the limit before dispatch rather than after.** This plan takes **customers with a written, enforced credit limit from 38% to 96%** and **dispatches to over-limit accounts from 14% to 1%** — **and the second number matters more, because a limit that is exceeded whenever a lorry is loaded is not a limit, it is a note in a file.**

> **And the fourth is the strategic choice every dealer faces and most drift through without making: the mix between retail and project business. Retail — the individual building a house — pays cash or short credit at 7.4% margin. Project business — the builder — is large volume at 4.3% margin on seventy-day credit. Project sales look like growth, arrive in satisfying quantities and make the turnover figure impressive, which is why dealers gravitate toward them. They also consume nearly all the capital and produce nearly all the bad debt.** This plan moves retail from **22% to 41% of turnover** — **a deliberate reduction in growth rate in exchange for a business that is not lending its entire balance sheet to the construction industry.**

This plan models a dealership requiring **₹4.72 crore** (₹1.42 crore promoter + ₹50 lakh term loan + ₹2.80 crore cash-credit limit), moving from **₹24.00 crore turnover and an ₹11.5 lakh loss** to **₹54.00 crore turnover and ₹84 lakh profit** by Year 3, *with return on capital employed rising from 4.8% to 15.6% — the figure to judge it by. (Authorised cement and steel dealership — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A construction-materials dealership run on return on capital and collection discipline rather than on turnover, with credit limits enforced before dispatch and a deliberately rising share of retail business.

Vision: To be the dealer whose lorries go out because the account is clear, not because the order was large.

Mission: Know what every customer owes before the vehicle loads; price project credit for what it actually costs; never carry cement past its life; hold no unpriced position against a quoted project rate; and grow retail faster than project.

Legal structure options

- **Private Limited** — recommended at this scale: manufacturer dealership agreements, large cash-credit facilities and government-project supply all sit better in a company.
- **Partnership / LLP** — common where families pool the substantial working capital required.
- **Proprietorship** — traditional in this trade and genuinely risky here, since it exposes personal assets to ₹2.80 crore of borrowing lent onward to builders.

> **Regulatory anchor:** lighter than manufacturing, with the weight on tax documentation and product standards. **GST with a large input-credit chain, and — specific to this trade — e-way bills on essentially every movement, since cement and steel move in vehicle loads above threshold almost by definition**; **a lapsed or incorrect e-way bill on a loaded lorry is a detention and penalty event at the roadside, not a filing correction. BIS standards on the products handled — cement grades and TMT bar specifications are BIS-marked, and a dealer selling non-conforming or mis-graded material carries liability that follows the material into a structure. Legal Metrology on packaged cement, where bag weight declarations are enforced and short-weight bags are a genuine and recurring issue in the trade.** Then: **shops and establishment registration, trade licence, fire safety for a yard storing combustible packaging and handling equipment, weights-and-measures verification for weighbridges — which are a specific audit point in steel trading** — **EPF and ESI for a substantial loading workforce that is routinely under-documented, and commercial vehicle permits and driver compliance for the delivery fleet. Where government or PSU projects are supplied, GeM registration and the associated documentation regime apply, along with payment terms the dealer cannot negotiate.**

3. Promoter & Ownership

Led by a promoter with construction-materials trading, contracting or manufacturer-channel background. Three competences decide outcomes: *credit judgement*, because the business is a lending operation with a warehouse attached and the decision to extend is made dozens of times a week by people under pressure to sell; *collection persistence*, since in this trade the money is not refused, it is simply postponed, and the dealer who is easiest to postpone is the one who gets paid last; and *price discipline on quoted projects*, because a rate committed for a six-month supply against steel bought at spot is a position, whether or not the promoter thinks of it as one. Ownership, equity & investor terms are editable inputs.

4. Market Analysis — India

Indian construction demand is large, structurally growing and cyclical — driven by housing, infrastructure, commercial development and individual home construction, which together make cement and steel among the most consistently demanded industrial goods in the country.

Demand drivers

- **Individual house construction** — the retail base, resilient, cash-paying and less cyclical than developer activity.

- **Housing and real-estate development**, the volume driver and the source of the credit risk.
- **Infrastructure and government projects**, large and reliable in payment but slow and documentation-heavy.
- **Rural and semi-urban construction**, growing with incomes and largely retail in character.
- **Renovation and extension work**, small-ticket, frequent and almost entirely cash.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Cement and steel consumption in the served district	Construction-activity defined
SAM	**Volume the dealership can fund at acceptable credit terms**	**Working-capital bounded, not demand bounded**
SOM (Yr 1–3)	Turnover × margin, weighted by retail/project mix	₹24cr → ₹54cr; retail 22% → 41%

> **The most important thing to understand about this market is that demand is almost never the constraint — funding is — and a dealer who does not internalise that will grow himself into insolvency while his order book looks excellent. There is always more construction material to be sold in a district than a dealer can finance, because every additional tonne supplied on seventy days of credit consumes capital that does not return until the builder's own money arrives. So the question is never "can we sell more" — it is "which sales are worth the capital", and that question has a numerical answer most dealers never compute.** The calculation mirrors the one the FMCG distributor plan set out for brands in a van: **margin earned on an account, divided by the average capital tied up in that account across the year. A builder taking ₹40 lakh a month at 4.3% margin on ninety-day terms returns materially less on capital than a retail counter taking ₹6 lakh a month at 7.4% on fifteen days — and the first is the one the sales team celebrates.** Three consequences shape this plan. **First, growth is paced against the cash-credit limit rather than against demand, and turnover targets that exceed fundable capacity are declined rather than met by stretching terms. Second, the retail share is grown deliberately — 22% to 41% — because retail is where the return on capital actually is. Third, account-level return is computed and reviewed, so a large customer who consumes a quarter of the limit at a thin margin is visible as what he is: a use of capital that must justify itself against alternatives, rather than a relationship that is assumed to be valuable because it is big.**

5. Competition & Competitive Advantage

Landscape: other authorised dealers of the same and competing brands in the district, sub-dealers and retailers buying from larger dealers, manufacturers supplying very large projects directly and bypassing the channel entirely, and — at the margin — traders operating on thin capital and looser credit discipline who win volume until they cannot collect. **Since the product is identical and the price is fixed by the manufacturer, competition is almost entirely on credit terms, delivery reliability and relationship.**

The business's edge

- **Credit limits enforced before dispatch**, which most competitors treat as advisory.
- **Account-level return on capital computed**, so the customer mix is chosen rather than accepted.
- **Delivery reliability**, which on a live site is worth more than a small price difference.
- **Retail share grown deliberately**, where margin is higher and money returns in days.
- **Stock discipline** on a product that degrades and a metal that rusts.

Since the price is set by the manufacturer and the product is physically identical whoever supplies it, competition in this trade collapses onto credit — and that has an uncomfortable implication a dealer should confront before he opens. The competitor who wins a large builder's business is usually the one who offered ninety days where the incumbent offered sixty, or who did not stop supply when the account went past due. Competing on credit is therefore competing on how much money you are willing to lend to somebody else's business, at a spread of four to six per cent, without security, to a counterparty whose own solvency you cannot verify. Described that way it is obviously a poor way to compete, and it is nonetheless how most of the volume in this industry moves. Three defensible alternatives exist and this plan uses all three. **Delivery reliability, which is genuinely valued: a site with fifty labourers waiting on cement loses more in a day than the price difference across a year, so a dealer who delivers when he says he will can hold an account without matching terms. Range and availability, since a builder who can take cement, TMT, structural steel and allied material from one source with one set of paperwork saves real coordination effort. And technical and documentation support — BIS conformity records, test certificates, correct grade supply and clean e-way documentation — which matters increasingly as projects face third-party quality audits and as a mis-graded consignment becomes the builder's problem long after it was the dealer's sale. None of these wins the customer who is simply looking for the longest credit; that customer is best lost to a competitor, and this plan says so.**

6. Product Mix, Price Risk & the Retail Question

Segment / element	Character	Economics
Retail (individual house-builders)	Cash or 15-day credit	**7.4% → 8.1% margin; money returns in days**
Project (builders & contractors)	60–90 day credit, large volume	**4.3% → 4.6% margin; consumes the capital**
Government & PSU supply	Documented, slow, reliable	Payment certain, timing not negotiable
Sub-dealer / retailer supply	Volume, thinnest spread	Useful only if terms are short
Cement (shelf life ~3 months, humidity-sensitive)	Degrades in storage	**Not a hold-for-price-rise product**
Steel (price-volatile, rusts)	Spot-priced, storage-sensitive	**Carries genuine price risk both ways**
Dispatch to an account over its credit limit	**Reduced to 1% by Year 3**	**A limit that yields to a lorry is not a limit**
Unpriced stock against a quoted project rate	**₹68L → ₹22L**	**A position, whether or not it is called one**

Price risk in this trade is genuine, runs in both directions, and is carried by a party who has no influence over the price — which makes it worth stating precisely, because dealers routinely take positions without recognising them as positions. Steel prices move sharply and without much warning. If the dealer holds inventory and the price falls, the stock is worth less than he paid and the loss is his — the manufacturer does not compensate a dealer for a market movement. If he has quoted a builder a fixed rate for a six-month project supply and the price rises, he must honour the rate against material he now buys more expensively, and that loss is also his. The two risks are not offsetting; they are two separate ways for the same dealer to lose money on a product whose price he does not set. Compounding this, **cement is not a commodity that can be held for a price rise at all — it has a shelf life of roughly three months and degrades faster in humid storage,**

> **so a dealer who buys ahead of an expected increase may find the material has lost strength before it sells.** Three disciplines follow. **Inventory sized to expected offtake rather than to a price view — this plan runs 17 to 21 stock turns and holds cement beyond forty-five days on only 3% of stock by Year 3. Project rate commitments either kept short, or matched with a corresponding purchase commitment so the position is closed rather than open** — unpriced exposure falls from ₹68 lakh to ₹22 lakh. **And an explicit acknowledgement in the pricing conversation that a long fixed-rate commitment carries a cost, which should be reflected in the rate rather than absorbed silently as a favour to a large customer.**

7. Go-to-Market — Retail, Reliability and the Site

Acquisition

- **Retail counter and yard visibility**, which draws individual builders and small contractors directly.
- **Mason, engineer and architect relationships**, who influence brand and dealer choice on individual houses more than the owner does.
- **Project relationships built on delivery record**, not on being the cheapest or the most lenient.
- **Sub-dealer network** in surrounding areas, on short terms only.

Retention

- **Delivery when promised**, because a stalled site costs the builder more than any price difference.
- **Correct grade and documentation**, which becomes critical when the project is audited.
- **Consistent credit behaviour** — a limit that is predictable is easier to work with than one that is generous but arbitrary.
- **Range in one place**, saving the builder coordination across suppliers.

The mason and site engineer deserve specific attention because they are the actual decision-makers on a large share of retail volume, and the homeowner frequently is not. An individual building a house typically does not know one cement brand from another, defers to the mason on material, and defers to the engineer on steel grade. A dealer with those relationships receives the order without competing on price at all — which is the closest thing to pricing power available in a trade where the manufacturer sets the rate.

8. Operations Plan (buy, store, limit, deliver, collect)

- **Purchasing:** ordered against expected offtake rather than against a price view, **with cement in particular bought to sell rather than bought to hold.**
- **Storage:** cement stacked off the floor, covered and rotated on FIFO; **steel stored to limit rusting and segregated by grade, because mixed grades in a yard become mis-supply on a site.**
- **Credit control: written limits per account, checked at order entry, and the dispatch blocked rather than the limit waived — enforcement before the lorry loads, not a call afterwards.**
- **Documentation: e-way bills, BIS conformity and test certificates issued with every consignment, since a detention at a checkpoint stops a delivery and a missing test certificate stops a project audit.**
- **Delivery:** scheduled against site requirement with confirmed unloading arrangements, **because a lorry waiting at a site is the dealer's cost, not the builder's.**
- **Collection:** ageing reviewed weekly by account and by salesperson; **escalation on a fixed calendar rather than on frustration.**

- **Account review: return on capital computed per major account quarterly, with terms renegotiated or volume reduced where it falls below the cost of funds.**
- **Weighbridge integrity:** calibration verified and weighments recorded, **which is both a compliance point and a common source of disputes in steel.**

Control points

Area	Activity	Control point
The real return	**ROCE (vs the FMCG distributor's 25.1% on similar margin)**	**4.8% → 10.6% → 15.6%**
The thing he does not control	**Receivable days**	**74 → 66 → 58**
Enforcement, not intention	**Dispatches to accounts over their credit limit**	**14% → 5% → 1%**
The strategic choice	**Retail share of turnover**	**22% → 31% → 41%**
Read against margin, not turnover	**Bad debt as % of gross margin**	**10.0% → 6.7% → 4.9%**
Position risk	**Unpriced stock against quoted project rates**	**₹68L → ₹42L → ₹22L**
Stock discipline	Turns / cement held beyond 45 days	17.3 → 21.5 / 11% → 3%

> **Bad debt should be read against gross margin rather than against turnover, and the difference between the two framings is the difference between a rounding error and a crisis. Bad debt at 0.50% of turnover sounds negligible — half a per cent, well within tolerance for a trading business. Against a gross margin of 5.0%, it consumes one rupee in every ten the dealership earns. A single builder failing with ₹40 lakh outstanding wipes out the margin on roughly ₹8 crore of sales — a third of this dealership's Year-1 turnover — and that arithmetic is why construction-materials dealers who look prosperous can be destroyed by two bad accounts in a soft year.** The failure mode is well established and rarely sudden. **A builder's project stalls — an approval, a funding gap, a slow sales season — and he begins paying a little later each month. The dealer continues supplying, partly because the account is large and partly because stopping supply guarantees he will never be paid for what is already outstanding. The exposure grows precisely because it is already large, which is the logic that turns a recoverable position into an unrecoverable one.** Four controls, applied in the order they matter. **Written limits enforced at order entry so exposure cannot grow unnoticed. Ageing reviewed weekly with escalation on a calendar, since in this trade money is postponed rather than refused and the dealer who is easiest to postpone is paid last. Supply stopped on breach as a rule applied consistently — a rule applied to small accounts and waived for large ones is not a rule, and the large ones are where the loss will come from. And post-dated instruments, personal guarantees or security taken on large project accounts where the relationship permits**, recognising honestly that **the dealer's negotiating position on security is weakest with exactly the customers who most warrant it.**

9. GST, BIS & Trade Compliance (India)

- **GST with a large input-credit chain, and e-way bills on essentially every movement** — **a lapsed or incorrect e-way bill on a loaded lorry is a roadside detention and penalty, not a filing correction.**
- **BIS standards on cement grades and TMT bar specifications**, with **conformity and test certificates passed on to the customer — a dealer supplying non-conforming or mis-graded material carries liability that follows the material into a structure.**

- **Legal Metrology on packaged cement**, where **bag-weight declarations are enforced and short-weight bags are a genuine and recurring issue in the trade.**
- **Weighbridge calibration and verification** — **a specific audit point in steel trading and a common source of customer dispute.**
- Shops & Establishment registration, trade licence, professional tax; fire safety for the yard and godown.
- **EPF and ESI for the loading and handling workforce**, **routinely under-documented in this trade and a real contingent liability.**
- Commercial vehicle permits, fitness and driver compliance for the delivery fleet.
- **GeM registration and documentation where government or PSU projects are supplied**, with payment terms the dealer cannot negotiate.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / proprietor	1	1	2
Godown, yard & loading	10	14	20
Sales & project officers	**8**	**12**	**17**
Billing & accounts	4	5	7
Delivery coordination	3	4	6
Credit control & collection	**3**	**4**	**6**
Total	**29**	**40**	**58**

A three-person credit control and collection function in a twenty-nine-person business is the plan's most defensible allocation, and it must report independently of sales. The person who decides whether an account may take another lorry cannot be the person whose month depends on the sale — the same structural principle the adventure-tourism plan applied to cancellation authority and the visa plan applied to filing decisions, **and for the identical reason: a control that reports to the party it constrains is not a control. On a ₹24 crore turnover with ₹4.86 crore of receivables, this team is managing an asset larger than everything else the business owns combined.**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–3	Yard and godown leased with storage and drainage suitable for cement, dealership agreements signed with security deposits, weighbridge installed and calibrated, credit policy written, billing and credit-control systems live
Launch	Month 3–12	₹24.00cr turnover, ₹11.5L loss; retail 22%; receivables 74 days; over-limit dispatches 14%; ROCE 4.8%
Build	Year 2	Retail 31%; receivables 66 days; limits enforced on 74% of accounts; bad debt down to 6.7% of gross margin; ₹38.00cr turnover, ₹30L profit; ROCE 10.6%

Scale	Year 3	**₹54.00cr turnover, ₹84L profit; ROCE 15.6%; retail 41%; receivables 58 days; over-limit dispatches 1%; unpriced exposure down to ₹22L; concentration 28%**

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. ***Receivable days, mix and credit enforcement are the levers; the margin is not one, because the manufacturer sets it.***

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (inventory + receivables)	**3,60,00,000**
Yard & godown deposit, racking, weighbridge & handling equipment	34,00,000
Delivery vehicles	28,00,000
Security deposits with manufacturers	**22,00,000**
Launch & initial operating losses	18,00,000
Technology (billing, inventory, credit control)	6,00,000
Legal, licences & registrations	4,00,000
Total project cost	**4,72,00,000**
Promoter contribution	1,42,00,000
Term loan (yard setup & vehicles)	50,00,000
Cash-credit / working-capital limit	2,80,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
TURNOVER (net of GST)	**24,00,00,000**	**38,00,00,000**	**54,00,00,000**
— Retail (individual house-builders, cash/short credit)	**5,28,00,000**	**11,78,00,000**	**22,14,00,000**
— Project (builders & contractors, 60–90 day credit)	18,72,00,000	26,22,00,000	31,86,00,000
Cost of goods (purchases from manufacturers)	22,80,00,000	35,90,00,000	50,76,00,000
Gross margin	**1,20,00,000**	**2,10,00,000**	**3,24,00,000**
Gross margin %	**5.0%**	**5.5%**	**6.0%**
— on retail business / on project business	**7.4% / 4.3%**	**7.8% / 4.5%**	**8.1% / 4.6%**
Finance cost (cash-credit interest on receivables)	**38,00,000**	**52,00,000**	**68,00,000**
Salaries (sales, godown, accounts, credit control)	**34,00,000**	**48,00,000**	**66,00,000**
Freight & delivery	16,00,000	24,00,000	34,00,000
Godown & yard rent, handling, security	14,00,000	18,00,000	24,00,000

Bad debt & write-offs	**12,00,000**	**14,00,000**	**16,00,000**
Admin, compliance & insurance	7,00,000	10,00,000	14,00,000
Damages, breakage & shelf-life loss	**5,00,000**	**7,00,000**	**9,00,000**
Depreciation	4,00,000	5,00,000	6,00,000
Technology & subscriptions	1,50,000	2,00,000	3,00,000
Total expenses	**1,31,50,000**	**1,80,00,000**	**2,40,00,000**
Net profit / (loss) before tax	**(11,50,000)**	**30,00,000**	**84,00,000**
Net margin (on turnover)	(0.48%)	0.79%	1.56%
AVERAGE CAPITAL EMPLOYED	**5,56,00,000**	**7,76,00,000**	**9,76,00,000**
RETURN ON CAPITAL EMPLOYED (the figure to judge this by)	**4.8%**	**10.6%**	**15.6%**
— the FMCG general-trade distributor, on a similar margin	**10.6% → 18.3% → 25.1% — the entire difference is receivable days**		
RECEIVABLE DAYS	**74**	**66**	**58**
RETAIL SHARE OF TURNOVER (the strategic choice)	**22%**	**31%**	**41%**
BAD DEBT AS % OF TURNOVER / OF GROSS MARGIN	**0.50% / 10.0%**	**0.37% / 6.7%**	**0.30% / 4.9%**
Customers with a written credit limit enforced before dispatch	**38%**	**74%**	**96%**
DISPATCHES TO ACCOUNTS OVER THEIR LIMIT	**14%**	**5%**	**1%**
Unpriced stock held against quoted project rates	**68,00,000**	**42,00,000**	**22,00,000**
Stock turns / cement held beyond 45 days	17.3 / 11%	20.3 / 6%	21.5 / 3%
Top-3 customer share of turnover	**44%**	**36%**	**28%**

12.3 Unit economics & break-even

- **The comparison with the FMCG general-trade distributor is the most useful figure in this plan. Similar margin, same trading model, and 15.6% return against that plan's 25.1% — the entire difference being that a kirana pays in fourteen days and a builder pays in fifty-eight.**
- **Bad debt at 0.50% of turnover consumes 10.0% of gross margin**, and **a single builder failing with ₹40 lakh outstanding wipes out the margin on ₹8 crore of sales — a third of Year-1 turnover.**
- **Retail carries 7.4% margin on fifteen-day money against project's 4.3% on seventy — so on return-on-capital terms retail is worth several times project business, and the mix shift from 22% to 41% is the single most valuable strategic movement in the plan.**
- **Finance cost exceeds salaries in Year 1**, which is the clearest possible statement of what this business actually is: **a lending operation with a warehouse attached.**
- **Break-even: Year 2. The binding constraint is the cash-credit limit, not demand — there is always more material to sell than the dealership can fund.**

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

Particulars (₹)	Q1	Q2	Q3 monsoon	Q4
Opening balance	42,00,000	30,00,000	20,00,000	12,00,000
Collections from customers	5,68,00,000	5,94,00,000	6,12,00,000	6,26,00,000
Payments to manufacturers, salaries, freight, interest & overheads	5,80,00,000	6,04,00,000	6,20,00,000	6,32,00,000
Closing balance	**30,00,000**	**20,00,000**	**12,00,000**	**6,00,000**

> **The cash position in this trade has a feature that distinguishes it from every distribution business modelled in the FMCG vertical: the dealer is lending to a counterparty whose own solvency depends on a third party he has never met. The kirana who owes the FMCG distributor money has already sold the goods — his ability to pay depends on foot traffic that has happened. The builder who owes this dealer money has poured the concrete into a structure that is not finished, will be paid when flats sell or when a client releases a running-account bill, and may be waiting on an approval nobody can date. So the dealer's receivable is not merely long; it is contingent on events several steps removed from his own transaction.** Three consequences deserve stating. **First, growth consumes cash with unusual violence — every additional crore of turnover at fifty-eight days requires roughly ₹16 lakh of permanent additional working capital, so a dealership winning project business faster than it can fund will hit its limit while its order book looks excellent. Second, the monsoon quarter suppresses site activity across most of India, so collections slow at precisely the point when the builder's own receipts have stopped — a correlated slowdown rather than an independent one. Third, a construction downturn does not arrive as a gradual softening of demand; it arrives as several builders simultaneously extending payment, which is why concentration matters more here than the turnover figure suggests.** The controls: **the limit sized against the full receivable cycle rather than an average; growth paced against funded capacity rather than demand; top-three concentration reduced from 44% to 28%; and account-level return reviewed quarterly so a large customer consuming a quarter of the limit at 4.3% is visible as a capital allocation decision rather than as a relationship.**

12.5 Key Performance Indicators to Monitor

- **The real return: ROCE overall and per major account; receivable days by customer; capital employed per crore of turnover; stock turns.**
- **Credit discipline: limits written and enforced; dispatches to over-limit accounts; ageing beyond terms; collections against billing by salesperson.**
- **Mix: retail versus project share; margin by segment; concentration; mason and engineer-influenced retail volume.**
- **Position & stock:** unpriced exposure against quoted rates; cement held beyond 45 days; damages and shelf-life loss; weighbridge dispute incidence.

13. Funding Requirement & Bankability

Total ask: **₹50 lakh term loan plus a ₹2.80 crore cash-credit limit** against ₹1.42 crore promoter contribution. Four points. **First, the limit is the business and the term loan is incidental — 76% of project cost is working capital, and the facility determines what turnover is even possible. Second, the security position needs to be read carefully rather than favourably**: **stock is standard, BIS-marked and readily saleable, which is genuinely good; but receivables are concentrated in construction counterparties whose own realisation is contingent, frequently unsecured, and correlated — in a construction downturn several accounts deteriorate together**

rather than independently, so a drawing-power calculation treating them as diversified will overstate cover. Third, and the most useful diagnostic available in this trade: ask for return on capital employed and receivable days, not turnover and margin. Two dealers reporting identical 5% margins on identical turnover can differ by a factor of three in return, and the difference is entirely in collection — a dealer who quotes per-bag margin and cannot state his receivable days is not measuring the business he is in. Fourth, treat credit-limit enforcement and customer concentration as covenants: bad debt at 0.50% of turnover is 10% of gross margin, one failed builder can remove the margin on a third of a year's sales, and a dealership dispatching to over-limit accounts 14% of the time does not have a credit policy — it has a document.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (inventory + receivables)	3,60,00,000	76.3%
Yard & godown deposit, racking, weighbridge & handling equipment	34,00,000	7.2%
Delivery vehicles	28,00,000	5.9%
Security deposits with manufacturers	22,00,000	4.7%
Launch & initial operating losses	18,00,000	3.8%
Technology (billing, inventory, credit control)	6,00,000	1.3%
Legal, licences & registrations	4,00,000	0.8%
Total	**4,72,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
He sets neither the price nor the collection	**OPENS THE BUILD-MATERIALS VERTICAL AND SETS ITS ANCHOR CONVENTION: CEMENT AND STEEL PRICES ARE ANNOUNCED BY MANUFACTURERS AND MOVE WITH INPUT, FREIGHT AND DEMAND CYCLES, SO THE DEALER EARNS A FIXED MARGIN PER BAG OR TONNE — HE IS A MARGIN-TAKER, NOT A MARGIN-MAKER. AND HE SELLS ON CREDIT TO BUILDERS WHOSE ABILITY TO PAY DEPENDS ON THEIR PROJECT COMPLETING, THEIR FLATS SELLING, THEIR CLIENT RELEASING A RUNNING-ACCOUNT BILL AND THEIR APPROVALS ARRIVING — SO HIS MONEY IS TWO OR THREE STEPS REMOVED FROM ANYTHING HE CAN INFLUENCE. BOTH NUMBERS THAT DECIDE WHETHER THIS BUSINESS SURVIVES ARE SET BY OTHER PEOPLE** → everything reduces to the two things he does control: credit discipline and customer mix
Same margin, a quarter less return	**THE FMCG GENERAL-TRADE DISTRIBUTOR EARNS 5.7% AND REACHES 25.1% ROCE; THIS DEALER EARNS 5.0% AND REACHES 15.6%. THE ENTIRE DIFFERENCE IS THE RECEIVABLE — THE KIRANA PAYS IN FOURTEEN TO TWENTY-ONE DAYS AND THE BUILDER PAYS IN FIFTY-EIGHT TO SEVENTY-FOUR. SAME TRADE, SAME MARGIN, FOUR TIMES THE MONEY TIED UP, AND THE FMCG PLAN'S FINDING APPLIES WITH MORE FORCE: MARGIN IS NOT RETURN, AND A DEALER WHO MEASURES HIS BUSINESS IN PER-BAG MARGIN IS READING THE ONLY NUMBER THE MANUFACTURER HAS ALREADY FIXED FOR HIM** → ROCE computed overall and per account (4.8%→10.6%→15.6%); receivables 74→58 days; stock turns 17.3→21.5

Credit is how you win and how you die	**A PLAN RECOMMENDING THAT THE DEALER AVOID CREDIT IS NOT DESCRIBING THE TRADE — EVERY COMPETITOR OFFERS IT, AND A DEALER INSISTING ON CASH WILL SIMPLY HAVE NO CUSTOMERS BECAUSE THE BUILDER'S OWN CASH CYCLE MAKES CASH PURCHASE IMPOSSIBLE FOR HIM. THE DISCIPLINE IS NOT REFUSING CREDIT BUT PRICING IT, LIMITING IT AND ENFORCING THE LIMIT BEFORE DISPATCH RATHER THAN AFTER** → written limits checked at order entry with dispatch BLOCKED rather than the limit waived (limits enforced 38%→96%; over-limit dispatches 14%→1%), because **A LIMIT THAT IS EXCEEDED WHENEVER A LORRY IS LOADED IS NOT A LIMIT, IT IS A NOTE IN A FILE**; and credit control reporting independently of sales, since **THE PERSON WHO DECIDES WHETHER AN ACCOUNT MAY TAKE ANOTHER LORRY CANNOT BE THE PERSON WHOSE MONTH DEPENDS ON THE SALE**
Bad debt read against margin, not turnover	**0.50% OF TURNOVER SOUNDS NEGLIGIBLE AND CONSUMES ONE RUPEE IN EVERY TEN THE DEALERSHIP EARNS. A SINGLE BUILDER FAILING WITH ₹40 LAKH OUTSTANDING WIPES OUT THE MARGIN ON ROUGHLY ₹8 CRORE OF SALES — A THIRD OF YEAR-1 TURNOVER — WHICH IS WHY DEALERS WHO LOOK PROSPEROUS CAN BE DESTROYED BY TWO BAD ACCOUNTS IN A SOFT YEAR. THE FAILURE IS RARELY SUDDEN: A PROJECT STALLS, THE BUILDER PAYS A LITTLE LATER EACH MONTH, AND THE DEALER CONTINUES SUPPLYING PARTLY BECAUSE THE ACCOUNT IS LARGE AND PARTLY BECAUSE STOPPING GUARANTEES HE WILL NEVER BE PAID FOR WHAT IS ALREADY OUTSTANDING — SO THE EXPOSURE GROWS PRECISELY BECAUSE IT IS ALREADY LARGE, WHICH IS THE LOGIC THAT TURNS A RECOVERABLE POSITION INTO AN UNRECOVERABLE ONE** → weekly ageing with calendar escalation, since **IN THIS TRADE MONEY IS POSTPONED RATHER THAN REFUSED AND THE DEALER WHO IS EASIEST TO POSTPONE IS PAID LAST**; supply stopped on breach consistently, because **A RULE APPLIED TO SMALL ACCOUNTS AND WAIVED FOR LARGE ONES IS NOT A RULE, AND THE LARGE ONES ARE WHERE THE LOSS WILL COME FROM**; security on large project accounts where possible, acknowledging that **THE DEALER'S NEGOTIATING POSITION ON SECURITY IS WEAKEST WITH EXACTLY THE CUSTOMERS WHO MOST WARRANT IT** (bad debt 10.0%→4.9% of gross margin)
The retail/project mix is the strategic choice nobody makes	**RETAIL PAYS CASH OR SHORT CREDIT AT 7.4% MARGIN; PROJECT IS LARGE VOLUME AT 4.3% ON SEVENTY-DAY CREDIT. PROJECT SALES LOOK LIKE GROWTH, ARRIVE IN SATISFYING QUANTITIES AND MAKE THE TURNOVER FIGURE IMPRESSIVE, WHICH IS WHY DEALERS GRAVITATE TOWARD THEM — AND THEY CONSUME NEARLY ALL THE CAPITAL AND PRODUCE NEARLY ALL THE BAD DEBT** → retail share 22%→31%→41%, **A DELIBERATE REDUCTION IN GROWTH RATE IN EXCHANGE FOR A BUSINESS THAT IS NOT LENDING ITS ENTIRE BALANCE SHEET TO THE CONSTRUCTION INDUSTRY**; account-level return computed so a large thin-margin customer is visible as a capital allocation rather than a relationship; mason, engineer and architect relationships cultivated because **THEY ARE THE ACTUAL DECISION-MAKERS ON RETAIL VOLUME AND THE HOMEOWNER FREQUENTLY IS NOT — WHICH IS THE CLOSEST THING TO PRICING POWER AVAILABLE IN A TRADE WHERE THE MANUFACTURER SETS THE RATE**
Price risk runs both ways on a price he does not set	**IF HE HOLDS INVENTORY AND STEEL FALLS, THE STOCK IS WORTH LESS THAN HE PAID AND THE MANUFACTURER DOES NOT COMPENSATE HIM FOR A MARKET MOVEMENT; IF HE HAS QUOTED A BUILDER A FIXED RATE FOR A SIX-MONTH SUPPLY AND THE PRICE RISES, HE HONOURS THE RATE AGAINST MATERIAL HE NOW BUYS MORE EXPENSIVELY. THE TWO ARE NOT OFFSETTING — THEY ARE TWO SEPARATE WAYS TO LOSE MONEY ON THE SAME PRODUCT. AND CEMENT CANNOT BE HELD FOR A PRICE RISE AT ALL, SINCE IT HAS ROUGHLY A THREE-MONTH SHELF LIFE AND DEGRADES FASTER IN HUMID STORAGE** → inventory sized to offtake rather than to a price view (cement beyond 45 days 11%→3%); project rate commitments kept short or matched with a purchase commitment so the position is closed (unpriced exposure ₹68L→₹22L); and **THE COST OF A LONG FIXED-RATE COMMITMENT REFLECTED IN THE RATE RATHER THAN ABSORBED SILENTLY AS A FAVOUR TO A LARGE CUSTOMER**

Competing on credit is competing on how much you will lend	**SINCE THE PRICE IS FIXED AND THE PRODUCT IDENTICAL, THE COMPETITOR WHO WINS A LARGE BUILDER IS USUALLY THE ONE WHO OFFERED NINETY DAYS WHERE THE INCUMBENT OFFERED SIXTY, OR WHO DID NOT STOP SUPPLY WHEN THE ACCOUNT WENT PAST DUE — SO COMPETING ON CREDIT IS COMPETING ON HOW MUCH MONEY YOU WILL LEND TO SOMEBODY ELSE'S BUSINESS, AT A FOUR-TO-SIX PER CENT SPREAD, WITHOUT SECURITY, TO A COUNTERPARTY WHOSE SOLVENCY YOU CANNOT VERIFY. DESCRIBED THAT WAY IT IS OBVIOUSLY A POOR WAY TO COMPETE, AND IT IS NONETHELESS HOW MOST OF THE VOLUME IN THIS INDUSTRY MOVES** → three defensible alternatives used instead: delivery reliability (**A SITE WITH FIFTY LABOURERS WAITING ON CEMENT LOSES MORE IN A DAY THAN THE PRICE DIFFERENCE ACROSS A YEAR**), range and single-source convenience, and BIS/test-certificate documentation support as projects face quality audits. **NONE OF THESE WINS THE CUSTOMER SIMPLY LOOKING FOR THE LONGEST CREDIT — THAT CUSTOMER IS BEST LOST TO A COMPETITOR**
Cyclicality, correlation & compliance	**A CONSTRUCTION DOWNTURN DOES NOT ARRIVE AS A GRADUAL SOFTENING OF DEMAND; IT ARRIVES AS SEVERAL BUILDERS SIMULTANEOUSLY EXTENDING PAYMENT — A CORRELATED DETERIORATION RATHER THAN AN INDEPENDENT ONE — AND THE MONSOON QUARTER SLOWS COLLECTIONS AT PRECISELY THE POINT THE BUILDER'S OWN RECEIPTS HAVE STOPPED** → concentration 44%→28%; growth paced against funded capacity. **E-WAY BILLS ON ESSENTIALLY EVERY MOVEMENT, WHERE A LAPSE ON A LOADED LORRY IS A ROADSIDE DETENTION RATHER THAN A FILING CORRECTION**; BIS conformity and test certificates passed on, since **MIS-GRADED MATERIAL CARRIES LIABILITY THAT FOLLOWS IT INTO A STRUCTURE**; Legal Metrology on bag weights; weighbridge calibration; EPF/ESI for a loading workforce routinely under-documented

15. SWOT Analysis

Strengths **Credit limits enforced before dispatch, which most competitors treat as advisory**; account-level return on capital computed so mix is chosen rather than accepted; **retail share grown deliberately to 41% where margin is double and money returns in days**; delivery reliability as a defensible position; standard BIS-marked stock with real resale value.	**Weaknesses** **Sets neither price nor collection terms**; ROCE materially below an equivalent FMCG distributorship on the same margin; **finance cost exceeds salaries — a lending operation with a warehouse attached**; bad debt at 10% of gross margin in Year 1; capped by the cash-credit limit rather than by demand.
Opportunities Individual house construction — resilient, cash-paying, higher margin; **mason and engineer relationships that decide retail brand and dealer choice**; rural and semi-urban construction growth; **documentation and quality support as projects face third-party audits**; range consolidation saving builders coordination.	**Threats** **A single builder failing with a large outstanding removing a third of a year's margin**; correlated deterioration across accounts in a downturn; **competitors winning volume by lending longer**; manufacturers supplying very large projects directly and bypassing the channel; steel price movement against held stock or quoted rates.

16. Recommended AiSevak Tools for This Business

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

- **The real return: account-level ROCE calculator (margin earned ÷ average capital tied up), receivable days by customer, capital employed per crore of turnover, stock-turn tracking by product.**
- **Credit discipline: written credit limits enforced at order entry with dispatch block, ageing report with fixed-calendar escalation, collections-against-billing by salesperson, security and guarantee register for**

project accounts.

- **Mix:** retail-versus-project share and margin by segment, mason and engineer influence tracking, concentration monitor, account review prompts for sub-threshold returns.
- **Position & stock:** unpriced-exposure register against quoted project rates, cement ageing with 45-day flag, damages and shelf-life loss, weighbridge dispute log.
- **Compliance:** e-way bill validity checks before dispatch, BIS conformity and test-certificate issuance with consignments, Legal Metrology bag-weight verification, GeM documentation for government supply.

17. Key Assumptions & Notes

- Cement and steel dealership: authorised trading business stocking and supplying cement, TMT reinforcement steel, structural steel and allied construction materials to builders, contractors, individual house-builders and government-project executors from an owned yard and godown. ▯ **ANCHOR PLAN — OPENS THE BUILD-MATERIALS VERTICAL AND SETS ITS CONVENTION.**
- **⚠ GOVERNING CONVENTION FOR THE WHOLE BUILD-MATERIALS VERTICAL, SET HERE: (a) THE DEALER SETS NEITHER THE PRICE NOR THE COLLECTION — MANUFACTURERS FIX THE MARGIN AND BUILDERS PAY WHEN THEIR OWN MONEY ARRIVES, SO BOTH DECIDING NUMBERS BELONG TO OTHER PEOPLE. (b) MARGIN IS NOT RETURN AND THE RECEIVABLE IS THE BUSINESS: SAME MARGIN AS AN FMCG DISTRIBUTOR, 15.6% ROCE AGAINST 25.1%, THE ENTIRE DIFFERENCE BEING FOURTEEN DAYS VERSUS FIFTY-EIGHT. (c) CREDIT IS HOW YOU WIN AND HOW YOU DIE — THE DISCIPLINE IS NOT REFUSING IT BUT ENFORCING THE LIMIT BEFORE DISPATCH. (d) BAD DEBT MUST BE READ AGAINST GROSS MARGIN, WHERE 0.50% OF TURNOVER IS 10% OF EVERYTHING EARNED. (e) THE RETAIL/PROJECT MIX IS THE STRATEGIC CHOICE EVERY DEALER FACES AND MOST DRIFT THROUGH WITHOUT MAKING.**
- **ON WHY DEMAND IS NEVER THE CONSTRAINT: THERE IS ALWAYS MORE CONSTRUCTION MATERIAL TO BE SOLD IN A DISTRICT THAN A DEALER CAN FINANCE, BECAUSE EVERY ADDITIONAL TONNE ON SEVENTY DAYS OF CREDIT CONSUMES CAPITAL THAT DOES NOT RETURN UNTIL THE BUILDER'S OWN MONEY ARRIVES — SO THE QUESTION IS NEVER "CAN WE SELL MORE" BUT "WHICH SALES ARE WORTH THE CAPITAL", AND THAT QUESTION HAS A NUMERICAL ANSWER MOST DEALERS NEVER COMPUTE** → the FMCG distributor plan's brand-level ROI calculation applied to accounts: margin earned divided by average capital tied up, **WHERE A BUILDER TAKING ₹40 LAKH A MONTH AT 4.3% ON NINETY DAYS RETURNS MATERIALLY LESS THAN A RETAIL COUNTER TAKING ₹6 LAKH AT 7.4% ON FIFTEEN — AND THE FIRST IS THE ONE THE SALES TEAM CELEBRATES.**
- **ON THE COLLECTION BEING CONTINGENT: THE KIRANA WHO OWES THE FMCG DISTRIBUTOR HAS ALREADY SOLD THE GOODS AND HIS ABILITY TO PAY DEPENDS ON FOOT TRAFFIC THAT HAS HAPPENED; THE BUILDER WHO OWES THIS DEALER HAS POURED THE CONCRETE INTO A STRUCTURE THAT IS NOT FINISHED, WILL BE PAID WHEN FLATS SELL OR A RUNNING-ACCOUNT BILL IS RELEASED, AND MAY BE WAITING ON AN APPROVAL NOBODY CAN DATE — SO THE RECEIVABLE IS NOT MERELY LONG, IT IS CONTINGENT ON EVENTS SEVERAL STEPS REMOVED FROM THE TRANSACTION** → every additional crore of turnover at 58 days needs ~₹16 lakh of permanent working capital; the monsoon quarter slows collections when the builder's own receipts have stopped; and a downturn arrives as correlated deterioration rather than independent defaults.
- Economics & cash — **FINANCE COST EXCEEDS SALARIES IN YEAR 1, WHICH IS THE CLEAREST POSSIBLE STATEMENT OF WHAT THIS BUSINESS ACTUALLY IS: A LENDING OPERATION WITH A WAREHOUSE ATTACHED** (Y1 −₹11.5L → Y3 ₹84L; net margin −0.48%→1.56% of turnover; gross margin 5.0%→6.0% with retail at 7.4%→8.1% against project 4.3%→4.6%; **ROCE 4.8%→10.6%→15.6%, THE FIGURE TO JUDGE THIS PLAN BY**; receivables 74→58 days; break-even Year 2; **THE BINDING CONSTRAINT IS THE CASH-CREDIT LIMIT, NOT DEMAND**). Regulatory: GST with large input credits and **E-WAY BILLS ON ESSENTIALLY EVERY MOVEMENT,**

WHERE A LAPSE ON A LOADED LORRY IS A ROADSIDE DETENTION AND PENALTY RATHER THAN A FILING CORRECTION; **BIS STANDARDS ON CEMENT GRADES AND TMT SPECIFICATIONS WITH CONFORMITY AND TEST CERTIFICATES PASSED ON, SINCE MIS-GRADED MATERIAL CARRIES LIABILITY THAT FOLLOWS IT INTO A STRUCTURE**; Legal Metrology on packaged cement, **WHERE SHORT-WEIGHT BAGS ARE A GENUINE AND RECURRING ISSUE IN THE TRADE**; weighbridge calibration as a steel-trading audit point; fire safety for the yard; EPF/ESI for the loading workforce; commercial vehicle permits; GeM registration where government projects are supplied. Lender note: **THE LIMIT IS THE BUSINESS AND THE TERM LOAN IS INCIDENTAL — 76% OF PROJECT COST IS WORKING CAPITAL**; **STOCK IS STANDARD, BIS-MARKED AND READILY SALEABLE WHICH IS GENUINELY GOOD SECURITY, BUT RECEIVABLES ARE CONCENTRATED IN CONSTRUCTION COUNTERPARTIES WHOSE OWN REALISATION IS CONTINGENT, FREQUENTLY UNSECURED AND CORRELATED — IN A DOWNTURN SEVERAL ACCOUNTS DETERIORATE TOGETHER, SO A DRAWING-POWER CALCULATION TREATING THEM AS DIVERSIFIED WILL OVERSTATE COVER**; **ASK FOR ROCE AND RECEIVABLE DAYS, NOT TURNOVER AND MARGIN — TWO DEALERS REPORTING IDENTICAL 5% MARGINS ON IDENTICAL TURNOVER CAN DIFFER BY A FACTOR OF THREE IN RETURN, AND A DEALER WHO QUOTES PER-BAG MARGIN AND CANNOT STATE HIS RECEIVABLE DAYS IS NOT MEASURING THE BUSINESS HE IS IN**; and **TREAT CREDIT-LIMIT ENFORCEMENT AND CONCENTRATION AS COVENANTS, SINCE A DEALERSHIP DISPATCHING TO OVER-LIMIT ACCOUNTS 14% OF THE TIME DOES NOT HAVE A CREDIT POLICY — IT HAS A DOCUMENT.** ₹4.72cr, turnover 24.00→54.00cr, 29→58 staff, retail 22%→41%, ROCE 4.8%→15.6%. Figures illustrative, exclude GST.

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