BUSINESS PLAN · INDIA

Coal and Mineral Trading Business

Sourcing and distribution of minerals

MINING

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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1. Executive Summary

This plan sets out a **Coal / Mineral Trading Business** in India — a working-capital-intensive trading business that **sources coal & minerals** (via e-auction, linkage, import or mines) and **distributes them to industrial buyers** (power, cement, steel, brick, industry). It earns a thin margin/spread on high volume — a sourcing-, working-capital-, logistics-, spread- & credit-risk-driven business.

India's industry runs on coal & minerals — power plants, cement, steel, sponge-iron, brick kilns, textiles & process industries — much of it sourced through **e-auctions (Coal India), linkages, imports & regional mines**, then distributed by traders who aggregate, transport & supply to buyers on credit. A coal/mineral trader is a **working-capital-intensive trading business**: modest fixed assets, but heavy working capital tied in inventory, transit & receivables. It earns a **thin margin/spread × high volume**, managing sourcing (price/availability), logistics (rail/road/handling), quality (grade/GCV) & credit risk. Revenue = **volume × sale price**; profit = **spread × volume − financing/logistics/handling**; economics rest on sourcing, spread, volume, working-capital cost & credit management — it is sourcing-, WC-, spread- & credit-driven.

This is a working-capital-intensive trading business — funded by promoter capital plus a substantial working-capital line (cash-credit/LC). This plan models a coal/mineral trading business requiring **₹3 crore** (₹1 crore promoter + ₹2 crore WC/CC finance), targeting **₹18 crore** revenue in Year 1 and **₹35 crore** by Year 3 (high turnover, thin margin). *(Coal/mineral trading; volume × spread, sourcing/WC/spread/credit-driven — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A coal/mineral trading business - sourcing coal/minerals via e-auction/linkage/import/mines and distributing to industrial buyers on a margin/spread.

Vision: To be a reliable coal/mineral supply partner for industry - assured quality, quantity & logistics.

Mission: Source & deliver coal/minerals efficiently & on-spec - managing price, logistics & credit for buyers.

Legal structure options

- **Private Limited / LLP** — recommended for WC finance (CC/LC), contracts, credit & scale.
- **Proprietorship/Partnership** — possible but weak for large WC lines & credit.

> **Regulatory anchor:** coal/mineral trading is capital-light on assets but **WC-heavy & compliance-sensitive** — GST (coal attracts GST + compensation cess), coal-source compliance (e-auction/linkage/import documentation), transport/e-way bills, quality/GCV declaration, pollution (storage/dust) & contract/credit terms; import adds customs. Sourcing, spread, volume, working-capital cost & credit management determine success; it is sourcing-, WC-, spread- & credit-driven.

3. Promoter & Ownership

Led by a promoter with coal/mineral trading, commodity or logistics expertise. The team includes sourcing/procurement, logistics/handling, sales/credit, quality & accounts/finance. Sourcing relationships, spread management, logistics & credit discipline are the differentiators. Ownership, equity & any partner are editable inputs.

4. Market Analysis — India

India's coal & mineral demand is enormous & sustained — power, cement, steel/sponge-iron, brick, textiles & process industries — with a large trading/distribution layer between mines/auctions and dispersed buyers. Demand is industry-

/energy-driven. The market rewards sourcing access, price/spread, logistics reliability, quality & credit terms; it is commodity-price-, WC- & credit-sensitive.

Demand drivers

- **Power/captive-power** coal demand.
- **Cement, steel & sponge-iron.**
- **Brick kilns & process industry.**
- **Dispersed buyers** need aggregation/logistics.
- **E-auction/import** sourcing dynamics.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Coal/mineral trading in India	Very large
SAM	Regional buyers/industries	Substantial
SOM (Yr 1–3)	Trading volume	Scaling

Target segments

- Cement & process industries.
- Sponge-iron/steel & foundries.
- Brick kilns & SMEs.
- Captive-power & textiles.

5. Competition & Competitive Advantage

Landscape: other coal/mineral traders, importers, direct e-auction buyers & large distributors. The trader competes on sourcing access, price/spread, logistics reliability, quality assurance, credit terms & relationships.

The business's edge

- **Sourcing access** (e-auction/linkage/import/mines).
- **Spread & price management.**
- **Logistics reliability & aggregation.**
- **Quality/GCV assurance.**
- **Credit terms & relationships.**

6. Products & Revenue Model

Stream	Model	Basis
Domestic coal (e-auction/linkage)	Volume × spread	Core
Imported coal	Volume × spread	Volume
Minerals (limestone/dolomite etc.)	Volume × spread	Volume
Logistics / handling (add-on)	Service margin	Add-on

Screening/sizing (value-add)	Per-tonne	Uplift

> Revenue is **volume × sale price**; profit is **spread × volume − (financing + logistics + handling + losses)**. Economics = thin margin on high turnover, so working-capital cost, spread, volume, logistics & credit management drive it — the decisive trading levers (WC-intensive, margin-thin).

7. Go-to-Market — Sourcing & Sales

- **Sourcing** (e-auction/linkage/import/mines) access & timing.
- **Industrial-buyer** relationships & contracts.
- **Logistics/aggregation** reliability.
- **Quality/GCV** assurance.
- **Credit terms** (managed) & service.

Sales approach

Secure sourcing (e-auction/linkage/import) → aggregate & transport → supply industrial buyers on spread → manage credit & receivables → build repeat volume & relationships → optimise spread & WC cycle. Sourcing, spread, logistics, volume & credit discipline build a WC-intensive trading business; screening/value-add lifts margin.

8. Operations Plan (trading, WC-intensive)

- **Sourcing:** e-auction participation, linkage, import (customs), regional mines; price/timing.
- **Logistics:** rail/road transport, handling, stockyard, transit management, losses.
- **Quality:** grade/GCV testing, spec matching, screening/sizing (optional value-add).
- **Working capital:** inventory, transit, receivables; CC/LC utilisation, WC cycle.
- **Credit & risk:** buyer credit assessment, terms, collection, price-risk (hedge/back-to-back).

Workflow

Stage	Activity	Metric
Source	E-auction/linkage/import	Cost/availability
Move	Transport/handle/store	Logistics cost/loss
Sell	Supply buyers on spread	Spread/volume
Collect	Receivables/credit	WC days/DSO
Comply	GST/e-way/quality	Compliance

9. Regulatory, Licences & Compliance (India)

- **Tax:** GST + coal compensation cess; e-way bills; TDS/TCS.
- **Sourcing:** e-auction/linkage documentation; import (customs/BIS where applicable).
- **Transport/storage:** transport permits; storage/dust (pollution); weighment/quality.
- **General:** company; contracts/credit; trade licences.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / trading head	1	1	2
Sourcing / procurement	2	3	4
Logistics / handling / yard	3	5	7
Sales / credit & quality	3	5	7
Finance & accounts	2	3	4
Total	**11**	**17**	**24**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–3	Entity, WC line (CC/LC), sourcing access, yard, first buyers
Ramp	Month 3–12	Volume & buyer base, ₹18cr (ramp)
Grow	Year 2	Volume/sourcing/value-add, ₹27cr
Scale	Year 3	₹35cr turnover; spread & WC efficiency

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. Coal/mineral trading is a working-capital-intensive, thin-margin, high-turnover business; revenue = volume × price; profit = spread × volume − financing/logistics; working-capital cost, spread, volume & credit management are the levers.

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (inventory + transit + receivables)	2,30,00,000
Yard, weighbridge, handling & equipment	45,00,000
Office, IT & setup	15,00,000
Pre-operative & contingency	10,00,000
Total project cost	**3,00,00,000**
Promoter contribution	1,00,00,000
Bank WC (CC/LC) finance	2,00,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3

Coal trading (domestic/import)	15,00,00,000	22,00,00,000	28,50,00,000
Mineral trading	2,50,00,000	4,00,00,000	5,50,00,000
Logistics / handling / value-add	50,00,000	80,00,000	1,00,00,000
Total revenue (turnover)	**18,00,00,000**	**26,80,00,000**	**35,00,00,000**
Cost of goods (coal/mineral purchase)	15,90,00,000	23,60,00,000	30,70,00,000
Logistics, handling & losses	1,10,00,000	1,65,00,000	2,15,00,000
Salaries, overheads & other	45,00,000	65,00,000	85,00,000
Interest (WC) & finance	24,00,000	32,00,000	40,00,000
Total expenses	**17,69,00,000**	**26,22,00,000**	**34,10,00,000**
Net profit (before tax)	**31,00,000**	**58,00,000**	**90,00,000**
Net margin (on turnover)	1.7%	2.2%	2.6%

12.3 Unit economics & break-even

- **Spread × volume:** thin per-tonne spread (a few % gross) on high turnover; financing (WC interest), logistics & losses eat the spread — so WC cost & volume are decisive; net margin is low (1–3%) by nature.
- **Working-capital cycle:** inventory + transit + receivables days define WC need & interest; faster turns & disciplined credit (DSO) are the make-or-break; return-on-capital matters more than margin.
- **Break-even:** at a volume/spread covering COGS, logistics, WC interest & overheads; profit grows with volume, spread, WC efficiency & value-add (screening/logistics).

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	30,00,000	22,00,000	22,50,000	24,00,000
Sales collections	3,20,00,000	4,40,00,000	5,10,00,000	5,60,00,000
Purchases, logistics, WC-interest & operating	3,28,00,000	4,39,50,000	5,08,50,000	5,54,00,000
Closing balance	**22,00,000**	**22,50,000**	**24,00,000**	**30,00,000**

> Trading cash is dominated by the working-capital cycle — purchases go out before collections come in, so the CC/LC line & receivable discipline are everything. Volume, spread, WC-cycle & credit management manage cash; the key risks are commodity-price/spread volatility, working-capital/interest cost, buyer credit/default, sourcing availability & quality/GCV disputes — met with back-to-back deals, credit discipline, WC management & sourcing access.

12.5 Key Performance Indicators to Monitor

- **Trading:** volume; spread/tonne; turnover; gross margin.
- **Working capital:** inventory days; DSO/receivables; WC cycle; interest cost.
- **Credit:** overdue/default; credit exposure; back-to-back share.
- **Finance:** net margin; return on capital; sourcing cost.

13. Funding Requirement & Bankability

Total ask: **₹2 crore WC (CC/LC) finance** against ₹1 crore promoter contribution — dominated by working capital (inventory/transit/receivables), the defining need of a trading business. Fundability rests on turnover, spread, WC-cycle discipline, buyer quality & sourcing access; trading WC lines (CC/LC, stock/receivable-backed) are standard for lenders. Year-1 profit ₹31 lakh on ₹18 crore turnover (thin margin by nature) growing to ₹90 lakh; volume, spread & WC efficiency are key. Return-on-capital & WC discipline underpin the model — **credit & WC management are the make-or-break**.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (inventory + transit + receivables)	2,30,00,000	76.7%
Yard, weighbridge, handling & equipment	45,00,000	15%
Office, IT & setup	15,00,000	5%
Pre-operative & contingency	10,00,000	3.3%
Total	**3,00,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
Commodity-price / spread volatility	Back-to-back deals, quick turns, price discipline, limited open positions
Working-capital / interest cost	WC-cycle discipline, faster turns, adequate CC/LC line
Buyer credit / default	Credit checks, terms/advances/LC, collection discipline, insurance
Sourcing availability	Multiple sources (e-auction/linkage/import/mines), relationships
Quality / GCV disputes	Testing, spec matching, documentation, trusted sources

15. SWOT Analysis

Strengths Large/steady demand; asset-light (vs. mining); scalable volume; sourcing/logistics edge; value-add option.	**Weaknesses** Thin margin; WC-/interest-heavy; price/credit-risk-exposed; sourcing-dependent; quality-dispute risk.
Opportunities Industrial coal/mineral demand; import/e-auction dynamics; aggregation for SMEs; value-add (screening/logistics); regions.	**Threats** Price volatility; policy/sourcing changes (linkage/import duty); credit defaults; interest-rate; competition/disintermediation.

16. Recommended AiSevak Tools for This Business

This coal/mineral trading business would use AiSevak's Mining vertical tools in operations:

- **Trading & WC:** spread/volume & working-capital-cycle (inventory/DSO), turnover/return-on-capital & sourcing-cost tools.

- **Credit & compliance:** buyer-credit/exposure & GST/e-way/cess, back-to-back tools (with Finance & Legal verticals).
- **Practice:** Business Plan, WC-cycle and break-even tools to model the business.

17. Key Assumptions & Notes

- Coal/mineral trading: working-capital-intensive, thin-margin, high-turnover distribution — sources (e-auction/linkage/import/mines) & supplies industry; revenue = volume × price, profit = spread × volume − financing/logistics.
- Spread × volume − (WC-interest + logistics + losses) decisive; working-capital cost, spread, volume, WC-cycle & credit management are the levers; net margin low (1–3%), return-on-capital matters.
- Equity + WC (CC/LC) finance (stock/receivable-backed); GST + coal cess, e-way, sourcing/import documentation, quality/GCV.
- Volume, spread, WC-cycle & credit discipline drive economics; figures illustrative, exclude GST; commodity-price- & credit-sensitive.

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