BUSINESS PLAN · INDIA

Consumer-Durables Dealership

Multi-brand white-goods distribution - warehouse, sub-dealers, installation

ELECTRONICS

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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1. Executive Summary

This plan sets out a **Consumer-Durables Dealership** in India — a multi-brand white-goods distributor covering one district with a central warehouse, a delivery and installation fleet, and a sub-dealer network across refrigeration, washing, air conditioning, television and small appliances.

> The electronics vertical's conventions are set in the consumer-electronics-store anchor and cross-referenced rather than re-derived: **the margin is set by somebody else; electronics depreciates while it sits, so the ageing report is a valuation document; price protection is forfeited rather than withheld; and ROCE belongs beside net margin. This is the vertical's first distribution plan, so GMROI is the operating metric — but it is reported twice, and the reason is the whole plan.**

> **THE SCHEME THAT IS NOT MARGIN. Consumer-durables distribution runs on brand schemes: quantity discounts, display incentives, quarterly target payouts, year-end settlements. The dealer's invoice margin is five per cent; a third of his gross profit arrives as scheme income that is ANNOUNCED RETROSPECTIVELY, CONDITIONAL ON TARGETS HE MAY NOT HIT, and settled as credit notes months late or disputed away entirely. And he books it as he sells, because everyone does. This is the exact mirror of the pest-control plan's finding: where that operator booked an UNEARNED LIABILITY as income, this one books an UNEARNED ASSET as income — and it is how durables dealers discover in March that a profitable year was not one.**

> **So this plan recognises scheme income only when the condition is met AND confirmed by the brand in writing (0% to 100%), ages the scheme receivable like any other debt (over-90-day balance from 41% to 11%), reports what was written off, and — the discipline that makes the rest legible — REPORTS MARGIN BEFORE AND AFTER SCHEMES AS TWO SEPARATE NUMBERS. Gross margin before scheme runs 5.0% to 5.5%; after scheme 7.6% to 8.5%. GMROI is reported the same way: 39% to 56% before schemes, 59% to 86% after. A dealer who knows only the blended figure cannot tell whether he is trading profitably or being paid to hold inventory — and those are entirely different businesses with entirely different risks.**

> **The second finding follows directly: THE TARGET THAT FORCES OVERSTOCKING. A quarter-end scheme threshold makes a dealer buy stock he cannot sell in order to earn the payout — and that stock then depreciates on his shelf under the anchor's rule. The brand has transferred its inventory risk to him and paid him a scheme to accept it. Two numbers make the transfer visible and almost nobody publishes either: the quarter-end purchase spike, measured as the last ten days against the quarterly daily average, falling from 4.6× to 1.8×; and the ageing at ninety days of stock bought in that window, from 38% to 12%. Alongside it, the sub-dealer credit book is named for what it is — ₹9.8% of revenue lent unsecured to retailers, which makes this dealer an unlicensed lender whose principal asset is a receivable from people poorer than he is.**

This plan models a distributor requiring **₹8.20 crore** (₹2.40 crore promoter + ₹4.60 crore working-capital facility + ₹80 lakh term loan + ₹40 lakh investor), moving from **₹64.00 crore revenue and a ₹52 lakh loss** to **₹138.00 crore revenue and ₹3.45 crore profit** by Year 3 — *a 2.5% net margin, the thinnest in this vertical, against a 27.8% return on capital. (Consumer-durables distribution — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A distributor who reports his margin before the scheme as well as after it.

Vision: To be the dealer whose quarter-end purchase looks like his quarterly average.

Mission: Book scheme income when the brand confirms it and not when we hope for it; age the scheme receivable like any other debt; publish what the quarter-end target made us buy; cap what we lend to a sub-dealer; file every price-protection claim; and know which half of our gross profit came from trading.

Legal structure

- **Private Limited** — recommended. Brand distribution agreements, inventory and channel financing, sub-dealer credit exposure and outside capital all point the same way.
- **Proprietorship or partnership** — the trade's traditional form and the reason so much of it is undercapitalised: **a distributor carrying ₹3.80 crore of stock and a ₹13 crore credit book on a personal balance sheet has no separation between the business's risk and the family's.**
- **Employed sales, warehouse and delivery staff**, with credit control held separately from sales — **because the person whose target depends on a sub-dealer's order is not the person to set his credit limit.**

> **Regulatory anchor:** a business whose real exposures are contractual and financial rather than licensed, with two statutory obligations it routinely overlooks. **The first is E-Waste and Extended Producer Responsibility: a distributor sits inside the producer's EPR chain, is expected to channel end-of-life goods, and in practice handles exchange units and packaging waste at volumes far exceeding any single retailer's — while treating both as somebody else's problem. The second is the sub-dealer credit book, which sits in an uncomfortable place: extending trade credit to retailers is ordinary commerce, but a distributor who charges interest, rolls balances and effectively finances his channel is performing a lending function without any of the prudential discipline that would attend it — and the Income Tax Act's disallowance provisions, MSME payment timelines under the MSMED Act, and the practical impossibility of unsecured recovery all bear on it.** Then: **brand distribution agreements governing territory, price protection, scheme mechanics, returns and termination — the single most consequential document in this business and the one most often unread**; BIS compulsory registration on covered categories, which a distributor must verify rather than assume; Legal Metrology on declarations and MRP; GST with correct treatment of credit notes and scheme settlements, which is where most durables disputes originate; consumer protection on installation and warranty representations; shops-and-establishment, warehouse fire and storage compliance; and EPF/ESI and POSH across warehouse and delivery staff.

3. Promoter & Ownership

Led by a promoter with durables distribution, channel sales or white-goods background. Three competences decide outcomes. *Scheme literacy*, because a distributor who cannot model a brand's scheme structure before the quarter is negotiating blind and will buy what the scheme wants rather than what the market wants. *Credit judgement on people he sees socially*, since sub-dealer credit is extended across relationships built over years and refusing a limit is a personal act, which is exactly why it must be a policy rather than a decision. And *the discipline to miss a target* — to decline the quarter-end load-in that would earn a payout and leave sixty days of dead stock — which is the hardest thing in this trade because the scheme is certain and the ageing is not yet visible. Ownership, equity & investor terms are editable inputs; **scheme reconciliation and credit control report to finance and the promoter, never to sales, whose targets and relationships they constrain.**

4. Market Analysis — India

Indian consumer-durables distribution is a large, consolidating channel business being squeezed simultaneously by brands selling direct and by e-commerce reaching the same retailers.

Demand drivers

- **Air-conditioner penetration rising steeply from a low base**, with a sharp March-to-June concentration that dominates this book's seasonality.
- **Replacement demand in refrigeration and washing**, which is steadier, less seasonal and better for warehouse planning than new-category sales.
- **Semi-urban and rural retail expansion**, where the sub-dealer network reaches customers no brand serves directly and no platform delivers to reliably.
- **Consumer finance at the retail counter**, which raises affordable ticket size and pulls volume through the whole chain.
- **Festival and wedding-season concentration**, which makes two quarters of the year carry a disproportionate share of the book.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Durables sold through trade channels in the district	Large; brand-controlled pricing
SAM	**Volume this distributor can fund — stock plus sub-dealer credit**	**Bounded by WORKING CAPITAL, not demand**
SOM (Yr 1–3)	Billed volume across brands and sub-dealers	₹64cr → ₹138cr; sub-dealer credit 14.2% → 9.8% of revenue

> **The sizing constraint in durables distribution is not demand or territory — it is how much the distributor can fund, and that is the sentence most plans in this trade never write. Every additional rupee of billing requires stock in the warehouse and credit at the sub-dealer, and both are financed by the distributor at a five per cent invoice margin. A distributor offered a larger territory or an additional brand is being offered a working-capital requirement dressed as an opportunity, and the brand offering it bears none of the funding. This is why so many durables distributorships grow revenue for three years and then fail suddenly: the growth was real, the margin was real, and the cash never existed.** Three consequences shape the plan. **Growth is planned against funded capacity rather than against brand expectation, and an additional brand is taken only where its working-capital demand can be met without cutting the credit already extended. Category mix is managed for cash as well as margin — air conditioning delivers volume but concentrates ₹41 crore of it into two quarters, which is a funding profile rather than a sales one. And the sub-dealer credit book is treated as an investment decision with a return rather than as a sales tool — because ₹13.5 crore lent unsecured at Year-3 scale is larger than the promoter's entire equity, and no plan should describe that as a receivable without saying what it is.**

5. Competition & Position

Landscape: other multi-brand distributors competing for the same sub-dealers with credit rather than service; brands' own direct-to-retail arms, which increasingly bypass the distributor in larger towns; e-commerce platforms selling to the same end customers and, increasingly, to the same retailers; large-format retail chains buying direct; and modern trade. **Because brands set the price and the scheme structure, distributors compete almost entirely on the credit they extend — which means the winner of any given sub-dealer is frequently whoever is willing to lend most.**

The distributor's position

- **Margin reported before and after scheme, as two numbers.**
- **Scheme income recognised only on written brand confirmation.**
- **Scheme receivable aged like any other debt, with write-offs published.**
- **The quarter-end purchase spike reported, and the ageing of what it bought.**
- **Sub-dealer credit capped by counterparty and priced into the discount.**
- **Every price-protection claim filed, with recovery reported as a percentage of eligible.**
- **Service, delivery and installation as the reason to buy from us rather than a larger line of credit.**

> **The competitive difficulty is that this distributor's central discipline — capping credit — is the one thing his sub-dealers value least and his competitors offer most. A retailer choosing between two distributors of the same brand at the same brand-set price is choosing on credit days and nothing else, because the product, the price and the warranty are identical. The distributor willing to fund him for ninety days wins the account, and does so right up until the retailer fails, at which point the receivable is unsecured, the stock has been sold, and the recovery mechanism is a conversation. Competing on credit is therefore a strategy that works perfectly until it does not, and the loss arrives in a single lump rather than gradually.** Three answers work. **Compete on service the credit cannot buy: same-day delivery, installation done properly, warranty escalation that actually reaches the brand, and stock availability during the season when everybody is short — all of which a retailer values in the quarter he is busy. Price credit explicitly into the discount structure, so a sub-dealer who wants sixty days pays for sixty days and the choice becomes his rather than a concession. And accept a smaller book deliberately — the credit book falls from 14.2% of revenue to 9.8% while revenue more than doubles, which means real accounts were declined, and a distributor whose credit book grows in line with sales has simply not been choosing.**

6. The Scheme That Is Not Margin

Element	Character	Economics
Gross margin BEFORE scheme	**What trading actually earns**	**5.0% → 5.5%**
Gross margin AFTER scheme / scheme share of gross profit	**A third of the earnings arrive retrospectively and conditionally**	**7.6% → 8.5% / 34.2% → 35.4%**
Scheme income recognised ONLY on written brand confirmation	**An unearned asset booked as income — the mirror of the AMC**	**0% → 100%**
Scheme receivable over 90 days / written off in the year	**Aged like any other debt, because it is one**	**41% → 11% / ₹10L → ₹14L**
QUARTER-END PURCHASE SPIKE (last 10 days vs quarterly daily average)	**The brand's inventory risk, transferred and paid for**	**4.6× → 1.8×**
Ageing at 90 days of stock bought in that window	**What the payout actually cost**	**38% → 12%**
GMROI before scheme / after scheme	**Trading return versus total return**	**39% → 56% / 59% → 86%**
Sub-dealer credit as % of revenue · price protection recovered	An unsecured book larger than the promoter's equity	14.2% → 9.8% · 44% → 91%

> **Reporting margin before and after scheme deserves its own paragraph because the single blended number that this industry uses hides which business the distributor is actually in. A dealer earning 5.0% on invoice and 2.6 points from schemes is running two quite different operations stapled together: a trading business that buys and sells at a spread, and an arrangement in which a brand pays him to hold inventory, occupy shelf space and hit targets. The first is his; the second is the brand's, granted at the brand's discretion, on terms the brand writes and can change. When a brand restructures its scheme — which happens without notice and frequently — a distributor who never separated the two discovers that a third of his gross profit was somebody else's policy decision. The blended figure conceals exactly that, which is why this library's rule that blended averages must carry the underlying figure applies here more sharply than anywhere.** Three practices follow. **The two margins are reported side by side monthly, by brand, so a scheme change is visible as a movement in one number rather than as a vague deterioration in the total. Scheme income is recognised only on written confirmation — not on announcement, not on achievement, and not on the sales team's expectation — which makes the first two years look worse and the business real. And the scheme receivable is aged in the debtors report rather than sitting in a separate schedule — because a balance owed by a large brand feels safe, ages quietly at 41% over ninety days, and is settled by negotiation rather than by payment.**

7. The Target, the Stock and the Sub-Dealer Credit Book

What the quarter-end target buys

- **A scheme threshold at quarter end makes a distributor buy stock he cannot sell, to earn a payout he can** — and the stock then depreciates on his shelf.
- **The brand has transferred its inventory risk to him and paid him a scheme to accept it**, which is a rational trade for the brand and frequently a poor one for him.
- **Quarter-end purchase spike 4.6× → 1.8×; ageing at 90 days of stock bought in that window 38% → 12%.**
- **Both numbers published, because a distributor who reports only his total ageing cannot see which of it he chose.**

The credit book

- **Sub-dealer credit is 14.2% of revenue in Year 1 — ₹9.1 crore lent unsecured, against ₹2.40 crore of promoter equity.**
- **Distributors compete on credit days because brands set everything else**, so the winner of an account is often whoever lends most.
- **Capped by counterparty, priced into the discount structure, and driven down to 9.8% of revenue while revenue more than doubles.**
- **Over-90-day balance 31% → 12%, with bad debt provided for rather than discovered.**

> **Price protection is worth restating at distribution scale because the sums are large enough to decide the year, and the industry forfeits them for the same clerical reason the retail anchor identified. When a brand cuts the price of a model, every unit in this warehouse and every unit already invoiced to sub-dealers instantly loses value — and at ₹3.80 crore of stock, a single air-conditioner price correction before the season can move more money than a quarter's net profit. The brand's scheme exists to compensate exactly that, and it requires a claim supported by dated stock counts, invoice references and sub-dealer confirmations, filed inside a window. A distributor whose stock records are approximate, or whose sub-dealer stock is unknown, cannot substantiate the claim — so the money is not withheld, it is abandoned.** Three practices convert it. **Stock is tracked at model and dated-cost level in the warehouse AND at sub-dealer level through secondary-sales**

> **reporting, because a claim covering only the distributor's own godown recovers a fraction of the eligible amount. The claim calendar has a named owner in finance rather than sitting with the sales team who negotiated the scheme, on this library's control-independence rule. And recovery is reported as a percentage of eligible claims — 44% rising to 91% — because a rupee figure grows with turnover and tells nobody how much is still being left behind.**

8. Operations Plan (buy, hold, place, collect, claim, reconcile)

- **Buy to demand, not to threshold: quarter-end purchase spike reported as a ratio (4.6× → 1.8×) and the ageing of stock bought in that window tracked separately (38% → 12%); a scheme payout is modelled against the carrying cost and depreciation of the stock required to earn it, before the order is placed.**
- **Recognise honestly: scheme income booked only on WRITTEN BRAND CONFIRMATION (0% → 100%) — not on announcement, achievement or expectation; scheme receivable AGED IN THE DEBTORS REPORT (over-90-day 41% → 11%) with write-offs published.**
- **Report two margins: gross margin before and after scheme, monthly and by brand, so a scheme restructure is visible as a movement in one number.**
- **Cap the lending: sub-dealer credit limits set by CREDIT CONTROL rather than sales, priced into the discount structure so days are chosen and paid for; book driven from 14.2% to 9.8% of revenue with over-90-day balances 31% → 12%.**
- **File what is owed: price-protection claims built from model-level dated-cost stock in the warehouse AND sub-dealer stock through secondary-sales reporting; recovery reported as a percentage of eligible (44% → 91%) with a NAMED OWNER IN FINANCE.**
- **Age everything:** inventory over 90 days 27% → 11%, with obsolescence provided for rather than discovered, on the anchor's rule that this stock depreciates while it sits.
- **Deliver and install properly:** same-day dispatch in season, installation done to specification, warranty escalation that reaches the brand — **the service a line of credit cannot buy.**
- **Know the secondary:** sub-dealer sell-through captured rather than assumed, **because a distributor who knows only his primary billing is measuring his own load-in and calling it demand.**
- **Season deliberately:** air-conditioning concentration planned as a funding profile — **₹41 crore into two quarters is a working-capital event before it is a sales one.**
- **Take back what the rules require:** EPR obligations on exchange units and packaging handled rather than passed down the chain.

Control points

Area	Activity	Control point
The unearned asset	Scheme income recognised only on written brand confirmation	0% → 100%
Which business are we in	Gross margin before scheme / after scheme	5.0% → 5.5% / 7.6% → 8.5%
A balance from a large brand feels safe	Scheme receivable over 90 days / written off	41% → 11% / ₹14L
Inventory risk transferred and paid for	Quarter-end purchase spike / ageing of that stock at 90 days	4.6× → 1.8× / 38% → 12%
Lending without a licence	Sub-dealer credit as % of revenue / over 90 days	14.2% → 9.8% / 31% → 12%

Money abandoned, not withheld	**Price-protection claims recovered as % of eligible**	**44% → 91%**
Stock that loses value while it sits	**GMROI before scheme / inventory over 90 days**	**39% → 56% / 27% → 11%**
Demand truth & waste	Sub-dealer sell-through captured · EPR obligations handled	31% → 88% · passed down → handled

9. Distribution Agreements, EPR & Operating Compliance (India)

- **The brand distribution agreement is the single most consequential document in this business and the one most often unread — governing territory, price protection, scheme mechanics, returns, stock-transfer rights and termination, and determining whether a scheme is an entitlement or a discretion.**
- **E-Waste Rules and Extended Producer Responsibility — a distributor sits inside the producer's EPR chain and handles exchange units and packaging waste at volumes exceeding any single retailer's, while the trade treats both as somebody else's problem.**
- **The sub-dealer credit book sits in an uncomfortable place — trade credit is ordinary commerce, but a distributor who charges interest, rolls balances and finances his channel is performing a lending function without prudential discipline, and MSMED payment timelines, tax disallowance provisions and the practical impossibility of unsecured recovery all bear on it.**
- **GST treatment of credit notes and scheme settlements**, which is where most durables disputes originate and where retrospective scheme adjustment creates real exposure.
- BIS compulsory registration on covered categories, verified rather than assumed across a multi-brand range; Legal Metrology on declarations and MRP.
- Consumer protection on installation and warranty representations made at the point of sale by sub-dealers acting on this distributor's stock.
- Shops-and-establishment, warehouse fire and storage compliance; EPF/ESI and POSH across warehouse and delivery staff.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Sales & sub-dealer management	**26**	**38**	**54**
Warehouse, stores & dispatch	22	33	48
Delivery & installation crew	18	28	42
Finance, accounts & CREDIT CONTROL (limits set here, not by sales)	**8**	**12**	**18**
Service coordination & warranty liaison	4	6	9
SCHEME RECONCILIATION & PRICE-PROTECTION CLAIM RECOVERY (independent of sales)	**3**	**5**	**8**
Head office, HR & admin · technology (DMS, ageing, scheme tracking)	4 · 2	6 · 3	8 · 4
Leadership	3	3	4
Total	**90**	**134**	**195**

Two placements carry this plan and both are deliberate separations rather than headcount. Scheme reconciliation and price-protection claim recovery is small, independent, and reports to finance and the promoter rather than to sales — which matters because the sales team negotiated the scheme, is measured on the target it attaches to, and has every reason to treat an announced scheme as earned. The function that must say "the brand has not confirmed this in writing, so it is not income" cannot sit under the people whose numbers that statement reduces. Credit control is separated for the same reason and it is harder: sub-dealer limits are set against relationships built over years, in a district where the distributor and the retailer see each other socially, and refusing a limit is a personal act. Making it a policy administered by finance converts a refusal from an insult into a rule, which is the only way it survives a slow quarter — and it is why the credit book can fall from 14.2% of revenue to 9.8% while revenue more than doubles.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–4	Brand agreements read and scheme mechanics modelled before the first order — entitlement versus discretion identified per brand; distribution management system live with model-level dated cost, scheme tracking and sub-dealer credit limits from day one; scheme income recognition policy set to written-confirmation-only before the first quarter closes; credit control constituted in finance with limits by counterparty; price-protection claim calendar with a named owner
Year 1	Year 1	₹64.00cr revenue, ₹52L loss; margin 5.0% before scheme and 7.6% after, with 34.2% of gross profit from schemes recognised on expectation — the baseline this plan exists to end; quarter-end purchase spike 4.6× and 38% of that stock aged at 90 days; sub-dealer credit 14.2% of revenue with 31% over 90 days; price protection recovered 44%; scheme receivable 41% over 90 days
Year 2	Year 2	₹96.00cr revenue, ₹78L profit; scheme income on written confirmation 100% and scheme receivable over 90 days down to 22%; quarter-end spike 2.9×; credit book 11.9% of revenue with 19% over 90 days; price protection 74%; inventory over 90 days 17%; GMROI 47% before scheme; ROCE 8.5%
Year 3	Year 3	**₹138.00cr revenue, ₹3.45cr profit; ROCE 27.8%; margin 5.5% before scheme and 8.5% after, both reported monthly by brand; scheme income 100% on written confirmation with receivable over 90 days at 11%; QUARTER-END SPIKE 1.8× and that stock aged at 12%; sub-dealer credit 9.8% of revenue with 12% over 90 days; price protection recovered 91% of eligible; GMROI 56% before scheme and 86% after; sub-dealer sell-through captured on 88%**

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. ***GMROI before scheme and the credit book are the levers. Billed revenue is not one — it is the number brands measure a distributor on, and it grows fastest exactly when he is funding it himself.***

12.1 Project cost & means of finance

Capital requirement	₹
OPENING INVENTORY (warehouse, display & in-transit)	**3,80,00,000**
Working capital (SUB-DEALER CREDIT BOOK & scheme receivable)	**2,20,00,000**
Launch & initial operating losses	62,00,000

Warehouse & godown fit-out, racking & material handling	58,00,000
Delivery fleet & installation kit	46,00,000
Technology (DMS, ageing, SCHEME TRACKING, credit control)	**28,00,000**
Brand onboarding & security deposits	18,00,000
Insurance, legal, licences & registrations	8,00,000
Total project cost	**8,20,00,000**
Working-capital facility (inventory & channel funding)	**4,60,00,000**
Promoter contribution	2,40,00,000
Term loan (fleet, fit-out, technology)	80,00,000
Investor / angel contribution	40,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Refrigeration & washing	24,32,00,000	36,48,00,000	52,44,00,000
Air conditioning (₹41cr concentrated into two quarters)	**19,20,00,000**	**28,80,00,000**	**41,40,00,000**
Television & audio-visual · small appliances & kitchen	12,80,00,000 · 6,40,00,000	19,20,00,000 · 9,60,00,000	27,60,00,000 · 13,80,00,000
Logistics, installation & service recovery	1,28,00,000	1,92,00,000	2,76,00,000
TOTAL REVENUE	**64,00,00,000**	**96,00,00,000**	**1,38,00,00,000**
Cost of goods sold	60,80,00,000	91,00,00,000	1,30,44,00,000
GROSS PROFIT BEFORE SCHEME / margin	**3,20,00,000 / 5.0%**	**5,00,00,000 / 5.2%**	**7,56,00,000 / 5.5%**
SCHEME INCOME (recognised only on written brand confirmation)	**1,66,00,000**	**2,64,00,000**	**4,14,00,000**
GROSS PROFIT AFTER SCHEME / margin / scheme share	**4,86,00,000 / 7.6% / 34.2%**	**7,64,00,000 / 8.0% / 34.6%**	**11,70,00,000 / 8.5% / 35.4%**
Salaries (sales, warehouse, admin)	1,28,00,000	1,68,00,000	2,08,00,000
Delivery, installation & logistics	96,00,000	1,30,00,000	1,68,00,000
Finance cost (INVENTORY + SUB-DEALER CREDIT FUNDING)	**92,00,000**	**1,08,00,000**	**1,18,00,000**
Warehouse, godown & yard rent	84,00,000	1,08,00,000	1,24,00,000
SUB-DEALER BAD DEBT & provision	**34,00,000**	**42,00,000**	**45,00,000**
Marketing, display & channel activation	28,00,000	34,00,000	36,00,000
INVENTORY OBSOLESCENCE & PRICE-PROTECTION SHORTFALL	**26,00,000**	**32,00,000**	**42,00,000**

Technology (DMS, ageing, scheme tracking) · depreciation	14,00,000 · 14,00,000	18,00,000 · 18,00,000	24,00,000 · 24,00,000
Insurance, legal, statutory & audit · **SCHEME RECEIVABLE WRITTEN OFF**	12,00,000 · **10,00,000**	16,00,000 · **12,00,000**	22,00,000 · **14,00,000**
Total operating expenses	**5,38,00,000**	**6,86,00,000**	**8,25,00,000**
Net profit / (loss) before tax	**(52,00,000)**	**78,00,000**	**3,45,00,000**
Net margin	(0.8%)	0.8%	2.5%
AVERAGE CAPITAL EMPLOYED / RETURN ON CAPITAL EMPLOYED	**₹7.80cr / (6.7%)**	**₹9.20cr / 8.5%**	**₹12.40cr / 27.8%**
SCHEME INCOME ON WRITTEN CONFIRMATION / scheme receivable >90 days / written off	**0% / 41% / ₹10L**	**100% / 22% / ₹12L**	**100% / 11% / ₹14L**
QUARTER-END PURCHASE SPIKE / ageing at 90 days of stock bought in that window	**4.6× / 38%**	**2.9× / 24%**	**1.8× / 12%**
GMROI BEFORE SCHEME / AFTER SCHEME / inventory over 90 days	**39% / 59% / 27%**	**47% / 72% / 17%**	**56% / 86% / 11%**
SUB-DEALER CREDIT as % of revenue / over 90 days / bad debt as % of the book	**14.2% / 31% / 3.7%**	**11.9% / 19% / 3.7%**	**9.8% / 12% / 3.3%**
Price protection recovered (% of eligible) · sub-dealer sell-through captured · median staff tenure	44% · 31% · 14.2 mo	74% · 62% · 18.4 mo	91% · 88% · 21.6 mo

12.3 Unit economics & break-even

- **Two margins, two businesses. Trading earns 5.5% on invoice; schemes add 3.0 points and are 35.4% of gross profit — granted at a brand's discretion on terms it writes and can change without notice. A distributor who reports only 8.5% does not know which half is his.**
- **GMROI is reported the same way for the same reason. 56% before scheme and 86% after: the first measures whether buying and selling works, the second measures whether the arrangement with the brand does — and only the first survives a scheme restructure.**
- **The credit book is an investment, not a receivable. ₹13.5 crore lent unsecured at Year-3 scale against ₹2.40 crore of promoter equity, at a 3.3% bad-debt rate — which is tolerable only because it is capped, priced and aged, and is catastrophic when it is none of those.**
- **Price protection recovery is worth more than the entire Year-2 profit. Moving from 44% to 91% of eligible claims costs nothing but records and a named owner, and it is the single highest-return administrative action available in this trade.**
- **Break-even: Year 2, at 0.8%. A 2.5% net margin at 11.1× capital turnover produces 27.8% ROCE — the pattern this vertical keeps producing, and the reason net margin alone would make this business look uninvestable.**

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

Particulars (₹)	Q1	Q2 (AC season)	Q3 (festival)	Q4
Opening balance	2,60,00,000	1,96,00,000	1,48,00,000	1,04,00,000

Collections (sub-dealer on terms, retail counter cash, scheme credit notes)	15,60,00,000	15,84,00,000	16,12,00,000	16,48,00,000
Brand payments, salaries, logistics, rent, interest & overheads	16,24,00,000	16,32,00,000	16,56,00,000	17,06,00,000
Closing balance	**1,96,00,000**	**1,48,00,000**	**1,04,00,000**	**46,00,000**

> **This is a working-capital business that looks like a trading one, and the distinction is the difference between the plans that survive and the ones that grow into failure. Every rupee of billing requires stock in the godown and credit at the sub-dealer, both funded by the distributor at a 5.5% invoice margin — so growth consumes cash rather than generating it, and the faster the growth the wider the hole. The seasonality compounds it: ₹41 crore of air conditioning concentrates into two quarters, which means the stock build happens in February and March against collections that arrive in May and June, at exactly the moment the sub-dealer book is also at its peak. A distributor reading a strong season as strength discovers that his best quarter is his tightest.** Three disciplines apply. **The facility is sized against the seasonal peak of inventory plus credit book together — ₹4.60 crore against ₹64 crore of Year-1 revenue — rather than against average working capital, which understates the requirement by roughly half. Scheme credit notes are treated as collections only when received, never when announced, since a receivable that settles by negotiation is not a cash-flow input. And the pre-season build is planned to a defined sell-down date — because air-conditioning stock unsold in July is not slow-moving, it is a full season of carrying cost and depreciation ahead of it, which is the anchor's rule applied at its most expensive.**

12.5 Key Performance Indicators to Monitor

- **Scheme integrity: margin before AND after scheme, monthly and by brand; scheme income recognised only on written confirmation; scheme receivable ageing and write-offs; entitlement-versus-discretion classification per brand.**
- **The target trap: quarter-end purchase spike as a ratio to the quarterly daily average; ageing at 90 days of stock bought in that window; scheme payout modelled against carrying cost before the order.**
- **Credit: sub-dealer book as a share of revenue; ageing by counterparty; limits set by credit control; bad debt against provision; credit days priced into the discount structure.**
- **Stock:** GMROI before and after scheme; inventory ageing; obsolescence provision against actual markdown; price-protection recovery as a percentage of eligible.
- **Demand truth:** sub-dealer sell-through captured versus primary billing; secondary-sales reporting coverage.
- **Service:** delivery turnaround in season; installation defect rate; warranty escalation resolution.
- **Compliance:** EPR obligations on exchange units and packaging; BIS registration verified by SKU; GST treatment of credit notes and scheme settlements.

13. Funding Requirement & Bankability

Total ask: **a ₹4.60 crore working-capital facility plus an ₹80 lakh term loan** against ₹2.40 crore promoter contribution and ₹40 lakh of investor money. Four points. **First, the shape says everything: the facility is nearly six times the term loan because there is almost nothing to buy — this business is stock and a credit book, and the facility should be drawn against a stock statement carrying AGEING plus a debtor statement carrying counterparty limits, not against billing. Second, ask for margin before scheme separately from margin after. A distributor who can only produce the blended 8.5% does not know whether his trading works, and a scheme restructure — which happens without notice — would remove 35% of his gross profit before he had reported a bad month. Third, examine the quarter-end purchase pattern. A 4.6× spike in the last ten days of a quarter is**

a distributor buying to a threshold rather than to demand, and the ageing of exactly that stock is the cost of the payout he earned; a lender funding the load-in is funding the brand's inventory risk at the dealer's margin. Fourth, treat the sub-dealer book as lending and diligence it accordingly. ₹13.5 crore unsecured against ₹2.40 crore of promoter equity is the real credit exposure in this proposal, and the questions are whether limits are set by finance or by sales, whether ageing is by counterparty, and whether anybody has ever been refused.

13.1 Funding utilisation

Use of funds	₹	% of total
Opening inventory (warehouse, display & in-transit)	3,80,00,000	46.3%
Working capital (sub-dealer credit book & scheme receivable)	2,20,00,000	26.8%
Launch & initial operating losses	62,00,000	7.6%
Warehouse & godown fit-out, racking & material handling	58,00,000	7.1%
Delivery fleet & installation kit	46,00,000	5.6%
Technology (DMS, ageing, scheme tracking, credit control)	28,00,000	3.4%
Brand onboarding & security deposits	18,00,000	2.2%
Insurance, legal, licences & registrations	8,00,000	1.0%
Total	**8,20,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
THE SCHEME THAT IS NOT MARGIN — AN UNEARNED ASSET BOOKED AS INCOME	**CONSUMER-DURABLES DISTRIBUTION RUNS ON BRAND SCHEMES: QUANTITY DISCOUNTS, DISPLAY INCENTIVES, QUARTERLY TARGET PAYOUTS, YEAR-END SETTLEMENTS. THE INVOICE MARGIN IS 5%; A THIRD OF GROSS PROFIT ARRIVES AS SCHEME INCOME THAT IS ANNOUNCED RETROSPECTIVELY, CONDITIONAL ON TARGETS HE MAY NOT HIT, AND SETTLED AS CREDIT NOTES MONTHS LATE OR DISPUTED AWAY — AND HE BOOKS IT AS HE SELLS, BECAUSE EVERYONE DOES. THIS IS THE EXACT MIRROR OF THE PEST-CONTROL AMC: WHERE THAT OPERATOR BOOKED AN UNEARNED LIABILITY AS INCOME, THIS ONE BOOKS AN UNEARNED ASSET AS INCOME — AND IT IS HOW DURABLES DEALERS DISCOVER IN MARCH THAT A PROFITABLE YEAR WAS NOT ONE → SCHEME INCOME RECOGNISED ONLY WHEN THE CONDITION IS MET **AND** CONFIRMED BY THE BRAND IN WRITING (0%→100%) — NOT ON ANNOUNCEMENT, NOT ON ACHIEVEMENT, AND NOT ON THE SALES TEAM'S EXPECTATION, WHICH MAKES THE FIRST TWO YEARS LOOK WORSE AND THE BUSINESS REAL**; **THE SCHEME RECEIVABLE AGED IN THE DEBTORS REPORT RATHER THAN A SEPARATE SCHEDULE (over-90-day 41%→11%) WITH WRITE-OFFS PUBLISHED, BECAUSE A BALANCE OWED BY A LARGE BRAND FEELS SAFE, AGES QUIETLY AND IS SETTLED BY NEGOTIATION RATHER THAN BY PAYMENT**; and **MARGIN REPORTED BEFORE AND AFTER SCHEME AS TWO NUMBERS, MONTHLY AND BY BRAND — BECAUSE A DEALER EARNING 5.0% ON INVOICE AND 2.6 POINTS FROM SCHEMES IS RUNNING TWO DIFFERENT OPERATIONS STAPLED TOGETHER: A TRADING BUSINESS THAT IS HIS, AND AN ARRANGEMENT IN WHICH A BRAND PAYS HIM TO HOLD INVENTORY, WHICH IS THE BRAND'S AND CAN BE CHANGED WITHOUT NOTICE**

THE TARGET THAT FORCES OVERSTOCKING — INVENTORY RISK TRANSFERRED AND PAID FOR	**A QUARTER-END SCHEME THRESHOLD MAKES A DISTRIBUTOR BUY STOCK HE CANNOT SELL IN ORDER TO EARN A PAYOUT HE CAN — AND THAT STOCK THEN DEPRECIATES ON HIS SHELF UNDER THE VERTICAL'S RULE. THE BRAND HAS TRANSFERRED ITS INVENTORY RISK TO HIM AND PAID HIM A SCHEME TO ACCEPT IT, WHICH IS A RATIONAL TRADE FOR THE BRAND AND FREQUENTLY A POOR ONE FOR HIM — AND THE PAYOUT IS CERTAIN AND IMMEDIATE WHILE THE AGEING IS NOT YET VISIBLE, WHICH IS WHY THE DECISION ALWAYS LOOKS RIGHT ON THE DAY** → THE QUARTER-END PURCHASE SPIKE REPORTED AS A RATIO OF THE LAST TEN DAYS TO THE QUARTERLY DAILY AVERAGE (4.6×→1.8×) AND **THE AGEING AT 90 DAYS OF STOCK BOUGHT IN THAT WINDOW TRACKED SEPARATELY (38%→12%) — THE TWO NUMBERS THAT MAKE THE TRANSFER VISIBLE, AND WHICH ALMOST NOBODY PUBLISHES, BECAUSE A DISTRIBUTOR REPORTING ONLY HIS TOTAL AGEING CANNOT SEE WHICH OF IT HE CHOSE**; and every scheme payout MODELLED AGAINST THE CARRYING COST AND DEPRECIATION OF THE STOCK REQUIRED TO EARN IT, BEFORE THE ORDER IS PLACED
THE SUB-DEALER CREDIT BOOK — LENDING WITHOUT A LICENCE OR A RECOVERY MECHANISM	**A DISTRIBUTOR EXTENDS CREDIT DOWN THE CHAIN TO RETAILERS WITH NO SECURITY AND NO PRACTICAL RECOVERY ROUTE, WHICH MAKES HIM AN UNLICENSED LENDER WHOSE PRINCIPAL ASSET IS AN UNSECURED RECEIVABLE FROM PEOPLE POORER THAN HE IS — ₹13.5 CRORE AT YEAR-3 SCALE AGAINST ₹2.40 CRORE OF PROMOTER EQUITY. AND BECAUSE BRANDS SET PRICE, PRODUCT AND WARRANTY, DISTRIBUTORS COMPETE ALMOST ENTIRELY ON CREDIT DAYS, SO THE WINNER OF ANY GIVEN SUB-DEALER IS FREQUENTLY WHOEVER IS WILLING TO LEND MOST — A STRATEGY THAT WORKS PERFECTLY UNTIL IT DOES NOT, AND THE LOSS ARRIVES IN A SINGLE LUMP RATHER THAN GRADUALLY** → LIMITS SET BY CREDIT CONTROL IN FINANCE RATHER THAN BY SALES, **BECAUSE THE PERSON WHOSE TARGET DEPENDS ON A SUB-DEALER'S ORDER IS NOT THE PERSON TO SET HIS LIMIT — AND IN A DISTRICT WHERE THE TWO SEE EACH OTHER SOCIALLY, MAKING IT A POLICY CONVERTS A REFUSAL FROM AN INSULT INTO A RULE**; credit days PRICED INTO THE DISCOUNT STRUCTURE so the choice is the retailer's and paid for; the book driven 14.2%→9.8% of revenue WHILE REVENUE MORE THAN DOUBLES, **WHICH MEANS REAL ACCOUNTS WERE DECLINED — A DISTRIBUTOR WHOSE CREDIT BOOK GROWS IN LINE WITH SALES HAS SIMPLY NOT BEEN CHOOSING**; ageing by counterparty (over-90-day 31%→12%) and bad debt PROVIDED FOR rather than discovered
PRICE PROTECTION AT DISTRIBUTION SCALE — MONEY ABANDONED RATHER THAN WITHHELD	**WHEN A BRAND CUTS A MODEL'S PRICE, EVERY UNIT IN THE WAREHOUSE AND EVERY UNIT ALREADY INVOICED TO SUB-DEALERS INSTANTLY LOSES VALUE — AND AT ₹3.80 CRORE OF STOCK, A SINGLE AIR-CONDITIONER CORRECTION BEFORE THE SEASON CAN MOVE MORE MONEY THAN A QUARTER'S NET PROFIT. THE COMPENSATION SCHEME EXISTS, BUT THE CLAIM NEEDS DATED STOCK COUNTS, INVOICE REFERENCES AND SUB-DEALER CONFIRMATIONS INSIDE A WINDOW, AND A DISTRIBUTOR WHOSE RECORDS ARE APPROXIMATE — OR WHOSE SUB-DEALER STOCK IS SIMPLY UNKNOWN — CANNOT SUBSTANTIATE IT. THE MONEY IS NOT WITHHELD BY THE BRAND; IT IS ABANDONED BY THE DEALER** → stock tracked at MODEL AND DATED-COST LEVEL IN THE WAREHOUSE **AND** AT SUB-DEALER LEVEL THROUGH SECONDARY-SALES REPORTING (31%→88% captured), **BECAUSE A CLAIM COVERING ONLY THE DISTRIBUTOR'S OWN GODOWN RECOVERS A FRACTION OF THE ELIGIBLE AMOUNT**; the claim calendar owned by A NAMED PERSON IN FINANCE rather than the sales team who negotiated the scheme; and **RECOVERY REPORTED AS A PERCENTAGE OF ELIGIBLE CLAIMS (44%→91%) RATHER THAN AS A RUPEE FIGURE, SINCE A RUPEE FIGURE GROWS WITH TURNOVER AND TELLS NOBODY HOW MUCH IS STILL BEING LEFT BEHIND**

THE PRIMARY BILLING THAT IS NOT DEMAND	**A DISTRIBUTOR MEASURED BY BRANDS ON PRIMARY BILLING, AND MEASURING HIMSELF THE SAME WAY, IS MEASURING HIS OWN LOAD-IN AND CALLING IT DEMAND. STOCK PUSHED TO A SUB-DEALER IS BILLED, SCHEMED AND COUNTED — AND MAY SIT ON THE RETAILER'S FLOOR FOR A SEASON, RETURNING AS A CREDIT REQUEST, A PRICE-PROTECTION PROBLEM OR A BAD DEBT. THE ENTIRE CHANNEL HAS AN INCENTIVE TO CONFUSE THE TWO, AND THE CONFUSION IS WHAT MAKES A CHANNEL LOOK HEALTHY RIGHT UP TO THE QUARTER IT DOES NOT** → SUB-DEALER SELL-THROUGH CAPTURED RATHER THAN ASSUMED (31%→88%) with secondary-sales reporting as a condition of credit terms; scheme and target performance assessed against SECONDARY rather than primary movement; stock at sub-dealer level VISIBLE for price-protection and ageing purposes; and **THE DISCIPLINE THAT FOLLOWS — DECLINING A LOAD-IN THAT WOULD HIT A TARGET BUT SIT ON A RETAILER'S FLOOR, WHICH IS THE SAME DECISION AS THE QUARTER-END SPIKE AND IS MADE BY THE SAME PEOPLE UNDER THE SAME PRESSURE**
A working-capital business that looks like a trading one	**EVERY RUPEE OF BILLING REQUIRES STOCK IN THE GODOWN AND CREDIT AT THE SUB-DEALER, BOTH FUNDED BY THE DISTRIBUTOR AT A 5.5% INVOICE MARGIN — SO GROWTH CONSUMES CASH RATHER THAN GENERATING IT, AND THE FASTER THE GROWTH THE WIDER THE HOLE. THIS IS WHY SO MANY DURABLES DISTRIBUTORSHIPS GROW REVENUE FOR THREE YEARS AND THEN FAIL SUDDENLY: THE GROWTH WAS REAL, THE MARGIN WAS REAL, AND THE CASH NEVER EXISTED. SEASONALITY COMPOUNDS IT — ₹41 CRORE OF AIR CONDITIONING CONCENTRATES INTO TWO QUARTERS, SO THE STOCK BUILD HAPPENS IN FEBRUARY AGAINST COLLECTIONS ARRIVING IN MAY, AT EXACTLY THE MOMENT THE CREDIT BOOK PEAKS, AND A DISTRIBUTOR READING A STRONG SEASON AS STRENGTH DISCOVERS HIS BEST QUARTER IS HIS TIGHTEST →** growth PLANNED AGAINST FUNDED CAPACITY rather than brand expectation, and an additional brand taken ONLY WHERE ITS WORKING-CAPITAL DEMAND CAN BE MET WITHOUT CUTTING EXISTING CREDIT, **SINCE A LARGER TERRITORY IS A WORKING-CAPITAL REQUIREMENT DRESSED AS AN OPPORTUNITY AND THE BRAND OFFERING IT BEARS NONE OF THE FUNDING**; the facility SIZED AGAINST THE SEASONAL PEAK OF INVENTORY PLUS CREDIT BOOK TOGETHER, **SINCE AVERAGE WORKING CAPITAL UNDERSTATES THE REQUIREMENT BY ROUGHLY HALF**; scheme credit notes treated as collections ONLY WHEN RECEIVED; and the pre-season build planned to A DEFINED SELL-DOWN DATE
Brands going direct, and the agreement nobody read	**THE DISTRIBUTOR'S POSITION EXISTS AT A BRAND'S DISCRETION. BRANDS INCREASINGLY SERVE LARGER TOWNS DIRECT, LARGE-FORMAT RETAIL BUYS WITHOUT AN INTERMEDIARY, AND E-COMMERCE REACHES BOTH THE END CUSTOMER AND THE SAME RETAILERS — WHILE THE DISTRIBUTION AGREEMENT GOVERNING TERRITORY, PRICE PROTECTION, SCHEME MECHANICS, RETURNS AND TERMINATION IS THE SINGLE MOST CONSEQUENTIAL DOCUMENT IN THIS BUSINESS AND THE ONE MOST OFTEN UNREAD. A DEALER WHO CANNOT SAY WHETHER A SCHEME IS AN ENTITLEMENT OR A DISCRETION HAS NOT READ IT** → agreements READ AND SCHEME MECHANICS MODELLED BEFORE THE FIRST ORDER, with ENTITLEMENT-VERSUS-DISCRETION CLASSIFIED PER BRAND and revisited at each renewal; brand concentration monitored and reduced where the agreement permits; compete on SERVICE THE CREDIT CANNOT BUY — same-day dispatch in season, installation to specification, warranty escalation that reaches the brand, and availability when everybody is short; and EPR obligations on exchange units and packaging HANDLED RATHER THAN PASSED DOWN THE CHAIN, with GST treatment of credit notes and scheme settlements — **WHERE MOST DURABLES DISPUTES ORIGINATE** — handled correctly from the first quarter

Vertical-inherited (see the electronics-retail-store anchor)	**THE GROSS MARGIN IS SET BY SOMEBODY ELSE** → here absolutely, since the brand sets price, scheme and territory; the response is to earn on service, availability and administrative rigour rather than on the spread. **ELECTRONICS DEPRECIATES ON THE SHELF AND THE AGEING REPORT IS A VALUATION DOCUMENT** → inventory over 90 days 27%→11% with obsolescence provisioned, and the point bites hardest here BECAUSE THE DISTRIBUTOR HOLDS THE DEEPEST INVENTORY IN THE CHAIN. **PRICE PROTECTION IS FORFEITED, NOT WITHHELD** → 44%→91% of eligible. **GMROI IS THE TRADING METRIC (MARGIN × TURNS)** → reported BEFORE AND AFTER SCHEME, since only the first tells you whether trading works. **REPORT ROCE BESIDE NET MARGIN** → 2.5% net at 27.8% ROCE on 11.1× capital turnover, THE THINNEST MARGIN IN THIS VERTICAL AND A PERFECTLY ACCEPTABLE RETURN. Plus BIS registration verified by SKU across a multi-brand range; Legal Metrology on declarations and MRP; consumer protection on installation and warranty representations made by sub-dealers on this distributor's stock; and EPF/ESI and POSH across warehouse and delivery staff

15. SWOT Analysis

Strengths **Margin reported before and after scheme, so the dealer knows which half is his**; **scheme income recognised only on written brand confirmation and aged like any other debt**; the quarter-end purchase spike and its ageing published; sub-dealer credit capped by finance and priced into the discount; price protection recovered at 91% of eligible; secondary sell-through captured at 88%; 27.8% return on capital.	**Weaknesses** **A 2.5% net margin with price, scheme and territory all set by brands**; **35% of gross profit from schemes that can be restructured without notice**; ₹13.5 crore lent unsecured against ₹2.40 crore of equity; growth that consumes cash; ₹41 crore of air conditioning concentrated into two quarters; and a competitive position where capping credit is what customers value least.
Opportunities **Air-conditioner penetration rising steeply from a low base**; **semi-urban and rural retail that no brand serves directly and no platform delivers to reliably**; price protection and claim recovery the trade systematically abandons; consumer finance pulling volume through the chain; and consolidation as undercapitalised distributors exit.	**Threats** **Brands going direct in larger towns and large-format retail buying without an intermediary**; **a scheme restructure removing a third of gross profit**; a single large sub-dealer failure against an unsecured book; e-commerce reaching the same retailers; a pre-season price correction on unclaimed stock; and competitors buying accounts with credit this distributor will not extend.

16. Recommended AiSevak Tools for This Business

This distributor would use AiSevak's Electronics vertical tools in operations:

- **Scheme integrity: scheme register with entitlement-versus-discretion classification per brand, written-confirmation gate before income recognition, scheme receivable ageing inside the debtors report, and margin-before-versus-after-scheme reporting monthly by brand.**
- **The target trap: quarter-end purchase spike ratio, cohort ageing of stock bought in the last ten days of a quarter, and a payout-versus-carrying-cost model run before the order is placed.**
- **Credit control: sub-dealer limits administered by finance, ageing by counterparty, credit-days pricing built into the discount structure, bad-debt provisioning against actuals.**
- **Claims:** model-level dated-cost stock in the warehouse and at sub-dealer level, price-protection claim builder with a calendar and a named owner, recovery reported as a percentage of eligible.

- **Demand truth:** secondary sell-through capture as a condition of credit terms, primary-versus-secondary reporting, sub-dealer stock visibility.
- **Stock & compliance:** GMROI before and after scheme, inventory ageing buckets, EPR register for exchange units and packaging, BIS verification by SKU.

17. Key Assumptions & Notes

- Consumer-durables dealership: multi-brand white-goods distributor covering one district with a central warehouse, a delivery and installation fleet and a sub-dealer network across refrigeration, washing, air conditioning, television and small appliances. **Fifth plan in the electronics vertical (44) and its FIRST DISTRIBUTION PLAN, so it carries GMROI. The electronics-retail-store anchor's conventions are INHERITED AND CROSS-REFERENCED in one paragraph in §1 and one risk row rather than re-derived.**
- **⚠ CONVENTIONS SET HERE: (a) THE SCHEME THAT IS NOT MARGIN — AN UNEARNED ASSET BOOKED AS INCOME, THE EXACT MIRROR OF THE PEST-CONTROL AMC'S UNEARNED LIABILITY. Scheme income is announced retrospectively, conditional on targets, settled late or disputed away — and booked as sold, because everyone does it. GENERALISE: WHEREVER INCOME DEPENDS ON A COUNTERPARTY'S LATER DISCRETION, RECOGNISE IT ON WRITTEN CONFIRMATION AND AGE THE RECEIVABLE LIKE ANY OTHER DEBT. (b) REPORT MARGIN BEFORE AND AFTER THE THIRD-PARTY CONTRIBUTION AS TWO SEPARATE NUMBERS — a dealer earning 5.0% on invoice and 2.6 points from schemes IS RUNNING TWO DIFFERENT OPERATIONS STAPLED TOGETHER: A TRADING BUSINESS THAT IS HIS, AND AN ARRANGEMENT THAT IS THE BRAND'S AND CAN BE CHANGED WITHOUT NOTICE. Apply the same split to GMROI. This extends the library's blended-averages rule to the income statement itself. (c) THE TARGET THAT FORCES OVERSTOCKING — a quarter-end threshold transfers the brand's inventory risk to the dealer AND PAYS HIM A SCHEME TO ACCEPT IT; the payout is certain and immediate while the ageing is not yet visible, WHICH IS WHY THE DECISION ALWAYS LOOKS RIGHT ON THE DAY. Publish the QUARTER-END PURCHASE SPIKE and THE AGEING OF STOCK BOUGHT IN THAT WINDOW, because A DISTRIBUTOR REPORTING ONLY HIS TOTAL AGEING CANNOT SEE WHICH OF IT HE CHOSE. (d) WHERE COMPETITORS COMPETE ON CREDIT, A CREDIT BOOK THAT GROWS IN LINE WITH SALES MEANS NOBODY HAS BEEN CHOOSING — cap by counterparty, price the days into the discount, and let the book FALL as a share of revenue. (e) PRIMARY BILLING IS NOT DEMAND — a distributor measured on load-in is measuring himself; capture SECONDARY SELL-THROUGH as a condition of credit terms. (f) A CLAIM RECOVERY RATE MUST BE REPORTED AS A PERCENTAGE OF ELIGIBLE, NOT AS A RUPEE FIGURE, SINCE A RUPEE FIGURE GROWS WITH TURNOVER AND HIDES WHAT IS STILL BEING LEFT BEHIND. (g) A WORKING-CAPITAL BUSINESS THAT LOOKS LIKE A TRADING ONE — growth consumes cash at a 5.5% invoice margin, WHICH IS WHY DURABLES DISTRIBUTORSHIPS GROW REVENUE FOR THREE YEARS AND THEN FAIL SUDDENLY: THE GROWTH WAS REAL, THE MARGIN WAS REAL, AND THE CASH NEVER EXISTED.**
- Economics & cash — **TWO MARGINS, TWO BUSINESSES: TRADING EARNS 5.5% ON INVOICE WHILE SCHEMES ADD 3.0 POINTS AND ARE 35.4% OF GROSS PROFIT, GRANTED AT A BRAND'S DISCRETION ON TERMS IT WRITES AND CAN CHANGE — AND GMROI IS REPORTED THE SAME WAY (56% BEFORE SCHEME, 86% AFTER), BECAUSE ONLY THE FIRST SURVIVES A SCHEME RESTRUCTURE** (Y1 −₹52L → Y2 +₹78L → Y3 +₹3.45cr; revenue ₹64cr→₹138cr; scheme income recognised on written confirmation 0%→100% with scheme receivable over 90 days 41%→11% and ₹14L written off; QUARTER-END PURCHASE SPIKE 4.6×→1.8× with the ageing of that stock at 90 days 38%→12%; sub-dealer credit 14.2%→9.8% of revenue — ₹13.5cr AT Y3 SCALE AGAINST ₹2.40cr OF PROMOTER EQUITY — with over-90-day balances 31%→12% and bad debt 3.3% of the book; price protection recovered 44%→91% OF ELIGIBLE, worth more than the entire Y2 profit and costing nothing but records and a named owner; inventory over 90 days 27%→11%; secondary sell-through captured 31%→88%; staff tenure 14.2→21.6 months; ROCE (6.7%)→27.8% at

11.1× CAPITAL TURNOVER; **BREAK-EVEN YEAR 2 AT 0.8%**; **AND THE SEASONALITY IS A FUNDING PROFILE BEFORE IT IS A SALES ONE — ₹41cr OF AIR CONDITIONING INTO TWO QUARTERS MEANS THE STOCK BUILD HAPPENS IN FEBRUARY AGAINST COLLECTIONS ARRIVING IN MAY, AT EXACTLY THE MOMENT THE CREDIT BOOK PEAKS, SO A DISTRIBUTOR READING A STRONG SEASON AS STRENGTH DISCOVERS HIS BEST QUARTER IS HIS TIGHTEST**). Regulatory (section 9): **THE BRAND DISTRIBUTION AGREEMENT AS THE MOST CONSEQUENTIAL AND LEAST-READ DOCUMENT IN THE BUSINESS — GOVERNING TERRITORY, PRICE PROTECTION, SCHEME MECHANICS, RETURNS AND TERMINATION, AND DETERMINING WHETHER A SCHEME IS AN ENTITLEMENT OR A DISCRETION**; E-WASTE AND EPR, WHERE A DISTRIBUTOR HANDLES EXCHANGE UNITS AND PACKAGING AT VOLUMES EXCEEDING ANY RETAILER'S WHILE TREATING BOTH AS SOMEBODY ELSE'S PROBLEM; **THE SUB-DEALER CREDIT BOOK SITTING UNCOMFORTABLY BETWEEN TRADE CREDIT AND UNLICENSED LENDING, WITH MSMED TIMELINES, TAX DISALLOWANCE AND THE IMPOSSIBILITY OF UNSECURED RECOVERY ALL BEARING ON IT**; GST treatment of credit notes and scheme settlements, WHERE MOST DURABLES DISPUTES ORIGINATE; BIS verification by SKU; Legal Metrology; consumer protection on installation and warranty representations made by sub-dealers on this distributor's stock; EPF/ESI and POSH. Lender note (section 13): **THE FACILITY IS NEARLY SIX TIMES THE TERM LOAN BECAUSE THERE IS ALMOST NOTHING TO BUY — DRAW IT AGAINST A STOCK STATEMENT CARRYING AGEING PLUS A DEBTOR STATEMENT CARRYING COUNTERPARTY LIMITS, NOT AGAINST BILLING**; **ASK FOR MARGIN BEFORE SCHEME SEPARATELY, SINCE A DEALER WHO CAN ONLY PRODUCE THE BLENDED 8.5% DOES NOT KNOW WHETHER HIS TRADING WORKS**; **EXAMINE THE QUARTER-END PURCHASE PATTERN, BECAUSE A LENDER FUNDING A 4.6× LOAD-IN IS FUNDING THE BRAND'S INVENTORY RISK AT THE DEALER'S MARGIN**; and **TREAT THE SUB-DEALER BOOK AS LENDING AND DILIGENCE IT ACCORDINGLY — THE QUESTIONS ARE WHETHER LIMITS ARE SET BY FINANCE OR BY SALES, WHETHER AGEING IS BY COUNTERPARTY, AND WHETHER ANYBODY HAS EVER BEEN REFUSED.** ₹8.20cr; revenue ₹64→138cr; 90→195 staff; ROCE (6.7%)→27.8%. Figures illustrative, exclude GST.

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