



BUSINESS PLAN · INDIA

Diamond Cutting & Polishing Unit

Rough-to-polished processing with 3D planning, certification, job work and lab-grown capability

GEMS, JEWELLERY & PRECIOUS GOODS

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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This document is confidential and prepared for planning purposes. All financial figures are illustrative model assumptions for an Indian MSME context and must be validated against live quotes, local rates and professional advice before any investment or borrowing decision.

1. Executive Summary

This plan sets out a **Diamond Cutting & Polishing Unit** in India — converting **rough diamonds into polished stones** through assortment, 3D planning and inclusion mapping, laser sawing, bruting and brilliantteering, with **certification coordination, job-work processing on client rough, lab-grown diamond processing, and domestic and export sales**.

India cuts and polishes the overwhelming majority of the world's diamonds by piece count, concentrated in Surat, and the trade is genuinely world-class at the craft. The financial structure, however, is unforgiving in ways that a plan built on throughput assumptions will completely miss.

Three things govern this business, and none of them is polishing speed.

First, value is created or destroyed at the moment a stone is PLANNED — not on the polishing wheel. The decision of how to cut a rough stone determines yield, colour retention, clarity outcome and therefore price; **the planner is the most valuable person in the factory, and a bad plan cannot be undone.**

Second, and unlike gold, YIELD LOSS IS PERMANENT. The jewellery unit next door recovers its filings and sweeps by refining; here **roughly 65% of the rough carat weight is removed as dust worth a small fraction of the stone.** What is cut away does not come back, which makes assortment and planning skill the difference between profit and loss on the same parcel.

Third, the operator is exposed to a rough-versus-polished price spread it does not control. Rough is bought from a highly concentrated supply side; polished sells into a fragmented, price-transparent market. **When rough prices rise faster than polished — which has happened repeatedly — the cutter's margin is compressed from both ends at once and there is nothing operational to do about it.** This plan states that plainly rather than assuming a stable spread.

And one structural change that a current plan cannot honestly omit: lab-grown diamonds now bear directly on natural polished realisations. Lab-grown prices have fallen very sharply, and the effect is concentrated in **smaller sizes and commercial qualities — which is precisely the segment most Indian cutting units work in.** A plan projecting stable natural realisations in that band is describing a market that no longer exists. The response taken here is deliberate and twofold: **move the natural book up in size and quality where substitution pressure is weaker, and process lab-grown as a business line in its own right** — the planning and polishing equipment is substantially the same — growing it from **8.6% of revenue to 16.0%.** That is not hedging for its own sake; it is the only response available that uses the assets already owned.

This plan models a business requiring **₹6.5 crore** (₹2 crore promoter + ₹1.1 crore term loan + ₹3.4 crore working-capital finance), moving from **₹18.7 crore revenue and a ₹5 lakh loss** in Year 1 to **₹38.82 crore revenue and ₹1.47 crore profit** by Year 3, processing roughly 92,000 carats of rough annually. (*Diamond processing; yield- and spread-driven, ROCE read via turns — figures illustrative.*)

2. Business Description, Vision & Legal Structure

Concept: A diamond cutting and polishing unit — rough procurement and assortment, 3D scanning and planning, laser sawing, bruting, blocking and brilliantteering, grading and certification coordination, plus job-work processing on client rough, lab-grown processing, by-product recovery and domestic/export polished sales.

Vision: To make the plan on every stone the best plan available for that stone — because everything after it is execution.

Mission: Buy rough we have assorted ourselves, plan before we cut, account for every carat in and out, and disclose lab-grown as lab-grown, always and without exception.

Legal structure options

- **Private Limited** — effectively required: bank working-capital limits, export documentation, GJEPC membership and the governance that lenders now demand of this sector all presume an audited company.
- **LLP** — workable for a job-work-only unit processing client rough with minimal inventory.
- **Proprietorship** — common historically, but will struggle to raise the working capital this business requires.

Regulatory anchor: rough procurement runs through **import channels, tender purchases and the Bharat Diamond Bourse / Special Notified Zone route**, with customs and RBI documentation on both import of rough and export of polished. **The Kimberley Process Certification Scheme governs rough diamond trade** and KP certificates must accompany rough consignments — a compliance step, not a formality. **Lab-grown diamonds must be disclosed as lab-grown at every point of sale**, with distinct HS classification, and **undisclosed mixing of lab-grown into natural parcels is fraud, not a labelling lapse** — it is the single fastest way to destroy a processing business. Dealers in precious stones are **PMLA reporting entities** above prescribed thresholds, and **Section 269ST's ₹2 lakh cash-receipt cap** applies. GJEPC registration is the practical requirement for export. Factory, labour and contract-labour law apply, along with occupational-health measures for dust exposure in polishing operations.

3. Promoter & Ownership

Led by a promoter with diamond trade, manufacturing or assortment background. One competence dominates all others: *rough assortment judgement* — the ability to value a parcel correctly before buying it, because **no amount of polishing skill recovers a badly bought parcel**. Alongside it sit *planning capability*, increasingly technology-assisted but still expert-dependent, and *market read* on where polished demand and lab-grown substitution are moving. Assortment skill, planning quality, stone accountability & disclosure integrity are the differentiators. Ownership, equity & any partner are editable inputs.

4. Market Analysis — India

Demand is driven by global polished consumption led by the US and China, India's dominance of cutting capacity, jewellery manufacturing demand at home, growing certified-stone preference, and rapidly expanding lab-grown volumes. Demand is genuinely global and genuinely cyclical. The market rewards assortment skill, planning technology & yield; it is **spread-dependent, cycle-exposed and currently undergoing structural substitution**.

Demand drivers

- **Global polished demand**, concentrated in a few large consuming markets and therefore sensitive to their economic cycles.
- **India's cutting dominance** — the ecosystem, skill base and cost structure remain very hard to replicate elsewhere.
- **Domestic jewellery manufacturing** demand for calibrated and certified stones.
- **Certification preference** growing in both domestic and export markets, favouring units with grading discipline.
- **Lab-grown volume growth** — a threat to natural realisations and simultaneously a processing opportunity on the same equipment.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Indian diamond cutting & polishing output	Very large, globally dominant

SAM	Size/quality bands processable with owned capacity	Segment-specific
SOM (Yr 1-3)	Rough carats processed & retained buyer accounts	Scaling with planning capacity

Target segments

- **Export polished buyers** — the primary market, realisation-driven and certification-conscious.
- **Domestic jewellery manufacturers** requiring calibrated goods in consistent quality bands.
- **Job-work clients supplying rough** — no inventory exposure, no price risk, pure processing margin.
- **Lab-grown brands and manufacturers** needing cutting capacity, a segment growing fast in volume terms.
- **Diamond bourse trade counterparties** for assorted-parcel trading.

5. Competition & Competitive Advantage

Landscape: the very large Surat cutting ecosystem from major exporters down to small karkhanas, integrated players with sightholder access to rough, job-work units with no inventory, and emerging lab-grown processors. **Competition is not on polishing quality, which is broadly excellent across the cluster — it is on rough access, assortment skill, planning yield and cost per carat.**

The business's edge

- **Assortment discipline** — buying only parcels valued in-house, never on a seller's assortment.
- **Planning technology plus expert judgement** — 3D scanning and inclusion mapping used to raise yield, with experienced planners making the final call.
- **Stone-level accountability** — carat in, carat out, per operator per stone, verifiable at any point.
- **Dual-stream capability** — natural and lab-grown processed on the same assets with **strictly segregated handling and unambiguous disclosure.**
- **Job-work mix** — processing income without inventory or price exposure, which stabilises the business through the cycle.

6. Products & Revenue Model

Line	Model	Basis
Polished natural diamond sales	Own rough, polished & sold	Volume (~66%), full price exposure
Job-work cutting & polishing (client rough)	Processing charge per carat	No inventory, no price risk
Lab-grown diamond processing	Processing + own goods	8.6% → 16.0% by design
Certified-stone sales & assortment trading	Premium on graded goods	Realisation uplift
Diamond powder & by-product recovery	Abrasive-grade recovery	Small but real

The job-work line deserves more attention than its size suggests, and for a different reason than in jewellery manufacturing. There, job work was primarily a working-capital lever. **Here it is a cycle defence.** When the rough-polished spread compresses — and it does, without warning and without reference to how well the factory is run — **the own-goods book loses money on every parcel while the job-work book keeps earning its processing charge unchanged**, because the client owns the stones and carries the price risk. A unit with 10% job work has a thin cushion; one with 25% can survive a bad year that closes its neighbours. Growing this line is therefore a deliberate risk decision, not a

7. Go-to-Market — Rough In, Polished Out

This is a two-sided business, and the buying side is harder than the selling side.

Rough procurement

- **Assort before bidding, always** — value the parcel with your own people; a seller's assortment is a sales document.
- **Multiple channels** — tenders, secondary market, bourse trade and, at scale, direct supply arrangements.
- **Buy to the factory's proven bands** — rough outside the sizes and qualities the planners handle well is a bet, not a purchase.
- **Kimberley Process documentation** verified on every consignment.

Polished sales

- **Export buyer relationships** and bourse trade, with consistency of assortment as the retention factor.
- **Certification** on stones where the grading premium exceeds the fee and the lab turnaround.
- **Domestic manufacturer supply** of calibrated goods — steadier and less realisation-volatile than export.
- **Lab-grown sold openly as lab-grown**, into buyers who want it, at its own price.

Sales approach

Build assortment capability first and buy conservatively → establish planning yield on known bands before widening → grow job work to a meaningful share as cycle protection → develop two or three anchor export buyers plus domestic manufacturers for steadiness → build the lab-grown line on existing equipment → **certify selectively, because a grading fee plus several weeks of lab queue is a real working-capital cost that only pays on stones where the premium justifies it.**

8. Operations Plan (assort, plan, saw, polish, grade)

- **Assortment & sorting:** rough graded by size, shape, colour and clarity indications — the step that determines what the parcel is actually worth.
- **Planning:** 3D scanning and inclusion mapping to model cutting options, with the planner selecting between maximum-yield and maximum-value outcomes. **These are frequently different choices, and choosing correctly is the whole skill.**
- **Marking & sawing:** laser sawing or cleaving along the planned lines.
- **Bruting:** shaping the girdle to round or fancy outline.
- **Blocking & brillianteering:** facet cutting and polishing to final proportions and symmetry.
- **Grading & certification:** in-house grading, then submission to an independent laboratory where the premium warrants it.
- **Stone accounting: carat in, carat out, per stone per operator, reconciled at every stage.**
- **By-product recovery:** diamond dust and bort collected for abrasive-grade sale.

Processing cycle

Stage	Activity	Metric
Assort	Value the parcel before purchase	Realised vs. assorted value

Plan	3D scan, map, choose the cut	Yield % vs. planned
Saw	Laser sawing to plan	Breakage incidents
Polish	Bruting, blocking, brilliantteering	Cost per carat; rework
Grade	In-house then lab certification	Grade achieved vs. expected
Sell	Export / domestic / bourse	Realisation vs. price list

Yield is the whole economics of this factory, and it is decided before a wheel turns. Roughly **34-35% of rough carat weight survives as polished** in this model, and the difference between a good planner and an average one is worth more than any conceivable saving in polishing labour. Two specific points matter. **Maximum yield and maximum value are often different cuts** — a heavier stone with a visible inclusion can be worth less than a lighter, cleaner one from the same rough, so the planner is making a commercial judgement, not a geometric one, and must know current price behaviour to make it well. And **the loss is irreversible in a way gold's is not**: the jewellery unit refines its sweeps and recovers most of its process loss, whereas here the removed material becomes abrasive-grade powder worth a tiny fraction of gem value. That asymmetry is why **stone-level accounting must be per stone and per operator rather than per batch** — a batch reconciliation cannot distinguish a difficult rough from a poorly executed cut, and in a business where a single stone can carry meaningful value, that distinction is the control.

9. Regulatory, Licences & Compliance (India)

- **Kimberley Process:** KP certificates accompanying rough consignments, verified and retained — **a compliance obligation, not paperwork.**
- **Import/export:** customs and RBI documentation for rough import and polished export; GJEPC registration; SNZ and bourse routes where used; realisation and repatriation timelines observed.
- **Lab-grown disclosure:** **lab-grown must be disclosed as lab-grown at every point, with separate HS classification and physically segregated handling. Undisclosed mixing into natural parcels is fraud with criminal and trade-body consequences — and it would end the business, not merely cost it.** Screening instruments are a capital line item for exactly this reason.
- **PMLA:** reporting-entity obligations for dealers in precious stones above thresholds; KYC on counterparties.
- **Cash:** Section 269ST ₹2 lakh cap on cash receipts; no undocumented parcel purchases.
- **Trade-credit discipline:** the sector's history of over-invoicing and circular trading means **documentation of every transaction's commercial substance matters more here than in almost any other industry.**
- **Factory & occupational health:** factory licence, labour compliance, and **dust extraction and respiratory protection in polishing halls**, which is a genuine long-term health issue in the cluster.
- **Insurance:** stock and transit cover, fidelity cover, and vault standards to insurer specification.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / managing director	1	1	2
Cutters, polishers & bruters	118	168	230
Planners & marking specialists	12	18	26

Assortment & rough sorting	8	12	17
QC, grading & certification coordination	6	10	14
Stores, weighing & stone accounting	5	8	11
Sales, export & client servicing	5	8	12
Security	5	7	9
Admin & accounts	4	6	9
Total	164	238	330

Planners and sorters are 12% of headcount and command the highest compensation in the factory — correctly, because they determine what the parcel is worth and what the stone becomes. A unit that economises on these two functions to fund more polishing capacity has bought throughput on material it valued badly and cut badly, which is the most expensive saving available in this trade.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–6	Factory, vault, planning & laser systems, GJEPC, screening instruments, team
Ramp	Month 6–12	~48,000 ct rough processed; ₹18.7cr revenue, ₹5L loss; job work established
Grow	Year 2	Yield to 34.5%, turns 3.9x; ₹27.55cr, ₹59L profit; lab-grown to 12%
Scale	Year 3	₹38.82cr revenue, ₹1.47cr profit, ~ 24% ROCE ; ~92,000 ct rough

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. Rough price, polished realisation, **yield %**, job-work mix, lab-grown share & certification cost are the levers. **The rough-polished spread is assumed stable for modelling; §14 addresses what happens when it is not, which is the principal risk in this business.***

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (rough & polished inventory, WIP, receivables)	4,60,00,000
Planning & 3D scanning technology	72,00,000
Laser sawing, bruting & polishing machinery	68,00,000
Factory setup, security, strong room & vault	28,00,000
Grading, testing & lab-grown screening instruments	12,00,000
IT, ERP & stone-tracking systems	6,00,000
Legal, registrations, GJEPC & launch	4,00,000
Total project cost	6,50,00,000

Working-capital finance	3,40,00,000
Promoter contribution	2,00,00,000
Term loan	1,10,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Polished natural diamond sales	13,80,00,000	19,20,00,000	25,50,00,000
Job-work cutting & polishing (client rough)	1,95,00,000	2,80,00,000	3,90,00,000
Lab-grown diamond cutting & polishing	1,60,00,000	3,40,00,000	6,20,00,000
Certified-stone sales & assortment trading	1,05,00,000	1,70,00,000	2,60,00,000
Diamond powder & by-product recovery	30,00,000	45,00,000	62,00,000
Total revenue	18,70,00,000	27,55,00,000	38,82,00,000
Rough diamond & material cost	14,95,00,000	21,71,00,000	30,24,00,000
Cutting, polishing & planning labour	1,42,00,000	2,05,00,000	2,85,00,000
Salaries (planning, assortment, QC, sales, admin)	68,00,000	92,00,000	1,26,00,000
Factory, power, security, insurance & overheads	52,00,000	70,00,000	94,00,000
Depreciation, interest & other	48,00,000	58,00,000	68,00,000
Certification, grading & laboratory fees	46,00,000	66,00,000	92,00,000
Selling, export, travel & exhibitions	24,00,000	34,00,000	46,00,000
Total expenses	18,75,00,000	26,96,00,000	37,35,00,000
Net profit / (loss) before tax	(5,00,000)	59,00,000	1,47,00,000
Net margin — <i>the misleading number</i>	(0.3%)	2.1%	3.8%
Rough/material as % of revenue	79.9%	78.8%	77.9%
Gross value added (revenue – material)	3,75,00,000	5,84,00,000	8,58,00,000
Inventory turns	3.2×	3.9×	4.4×
Return on capital employed — <i>the real number</i>	—	~13%	~24%
Polished yield (% of rough carat weight)	34.0%	34.5%	35.0%
Rough processed (carats approx.)	~48,000	~68,000	~92,000
Lab-grown as % of revenue	8.6%	12.3%	16.0%

12.3 Unit economics & break-even

- **Yield is the dominant variable:** a one-percentage-point improvement in yield across 92,000 carats of rough is worth more than several months of polishing-cost reduction. **This is why planning technology and planner quality are funded ahead of extra polishing capacity.**

- **Read return as ROCE, not net margin:** as with jewellery manufacturing, material is a ~78% pass-through. Year 3's 3.8% net margin is roughly **24% ROCE** at 4.4 turns. Gross value added — ₹3.75cr rising to ₹8.58cr — is the meaningful revenue line.
- **Job work is cycle insurance** at 10% of revenue, earning unchanged when own-goods margins compress.
- **Certification pays selectively:** the grading fee plus weeks of lab queue is a working-capital cost; it is worth incurring only where the premium clearly exceeds both.
- **Break-even:** reached in Year 2 as yield improves and lab-grown volume builds. **Note that Year 1 shows a small loss deliberately** — a new unit's assortment and planning judgement takes time to develop, and a plan that shows a profit from month one on rough it has not yet learned to buy is not credible.

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	60,00,000	32,00,000	14,00,000	7,00,000
Collections	4,00,00,000	4,20,00,000	4,45,00,000	4,65,00,000
Rough purchase, labour, certification & overheads	4,28,00,000	4,38,00,000	4,52,00,000	4,52,00,000
Closing balance	32,00,000	14,00,000	7,00,000	20,00,000

The cash cycle here is long and structurally awkward, and it is the reason well-run units still fail. Rough is bought for cash or on short credit — the supply side has the pricing power and does not fund the cutter — while the pipeline from purchase through assortment, planning, sawing, polishing, certification and sale runs for months, and **the polished then sells on export credit of 60-120 days**. The business therefore funds the full value of the stones for the whole of that period. **Two disciplines follow, and the second is the one that gets ignored**. Size working capital to the pipeline length, not to monthly turnover. And **resist the temptation to hold polished inventory waiting for a better price** — it looks like patience and is actually an unfunded price bet on stones already paid for, financed by borrowing. **In a compressing market it is the specific behaviour that converts a bad quarter into insolvency**, because the inventory ages exactly as its value falls.

12.5 Key Performance Indicators to Monitor

- **Yield & planning: polished yield % vs. planned;** realised value vs. assorted value per parcel; grade achieved vs. expected; breakage incidents.
- **Capital:** inventory turns; ROCE; **polished days on hand (rising = a price bet forming);** pipeline days from rough purchase to collection.
- **Resilience: job-work share of revenue;** lab-grown share; buyer concentration; rough-polished spread tracked as an external indicator.
- **Integrity:** carat-in/carat-out reconciliation per stone per operator; **screening results on incoming and outgoing parcels;** KP documentation completeness; zero mixing incidents.

13. Funding Requirement & Bankability

Total ask: **₹3.4 crore working-capital finance plus ₹1.1 crore term loan** against ₹2 crore promoter contribution. Four points must be stated candidly, and the last is uncomfortable but unavoidable. **First, 71% of project cost is working capital** funding a months-long pipeline, so the credit is an inventory-and-cycle assessment rather than a plant one. **Second, the headline margin is thin by construction** — material is a ~78% pass-through, and the assessment belongs on gross value added, yield and turns. **Third, the principal risk is a price spread the borrower does not control**,

which argues for reading the job-work and lab-grown shares as measures of resilience rather than as low-margin lines. **Fourth — and a promoter should prepare for this rather than be surprised by it — lender scrutiny of gems and jewellery exposure is unusually sharp because of the sector's own credit history.** Over-invoicing, circular trading and several very large frauds have made banks cautious about the whole industry, with the consequence that **a clean borrower faces harder diligence, lower drawing power and more documentation than its numbers alone would justify.** The correct response is not to resent it but to meet it: transparent stone-level records, verifiable KP and export documentation, independent stock audit, and a promoter willing to show the commercial substance of every transaction. **In this sector, documentation quality is a financing advantage, not an overhead.**

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (rough & polished inventory, WIP, receivables)	4,60,00,000	70.8%
Planning & 3D scanning technology	72,00,000	11.1%
Laser sawing, bruting & polishing machinery	68,00,000	10.5%
Factory setup, security, strong room & vault	28,00,000	4.3%
Grading, testing & lab-grown screening instruments	12,00,000	1.8%
IT, ERP & stone-tracking systems	6,00,000	0.9%
Legal, registrations, GJEPC & launch	4,00,000	0.6%
Total	6,50,00,000	100%

14. Risk Analysis & Mitigation

Risk	Mitigation
Rough-polished spread compression	The principal risk and largely unmanageable operationally — buy rough only against assessed polished realisation; refuse parcels that do not work at current polished prices; grow job work and lab-grown, which earn regardless of the spread ; keep pipeline short so exposure to a moving market is minimised; never buy rough on the expectation that polished will rise
Lab-grown substitution eroding natural realisations	Move the natural book up in size and quality where substitution pressure is weaker ; process lab-grown as a deliberate line on the same equipment (8.6% → 16.0%); a plan projecting stable natural realisations in small commercial goods is describing a market that no longer exists
Poor assortment — buying a parcel badly	No amount of polishing skill recovers a badly bought parcel ; assort in-house before bidding, never on the seller's assortment; buy only into bands the planners handle well; track realised vs. assorted value per parcel as a standing KPI
Yield shortfall against plan	3D scanning and inclusion mapping; experienced planners paid accordingly; per-stone per-operator reconciliation; yield loss is permanent and unrecoverable unlike gold's sweeps
Undisclosed lab-grown mixing (own or supplier)	Screening instruments on incoming and outgoing parcels; physically segregated handling and separate storage; documented disclosure on every sale — this is fraud, not a labelling lapse, and it would end the business rather than cost it

Polished inventory ageing as a disguised price bet	Sell to plan, not to hope; monitor polished days on hand as a leading indicator; hard limits on holding period
Demand cycle downturn in consuming markets	Job-work cushion; domestic manufacturer base alongside export; variable piece-rate labour structure; conservative gearing
Sector-wide financing tightening	Impeccable documentation and stone-level traceability; independent stock audit; transparent related-party position; expect harder diligence than the numbers justify and meet it rather than resent it
Skilled planner attrition	Retention through compensation and progression; documented planning standards; more than one senior planner so the capability is not one person
Theft, transit loss & occupational dust exposure	Vault to insurer standard, dual custody, insured transit, fidelity cover; dust extraction and respiratory protection in polishing halls, a real long-term health issue in the cluster

15. SWOT Analysis

Strengths India's cutting ecosystem, skill base and cost structure are very hard to replicate; planning technology raises yield measurably; job-work line earns through the cycle; lab-grown processes on the same assets; by-product recovery is real; stone-level accountability is a genuine differentiator with buyers and lenders.	Weaknesses 71% of project cost is working capital funding a months-long pipeline; margin depends on a spread the business does not control; yield loss is permanent; thin net margin easily misread; dependent on scarce planner and assorter talent; sector financing conditions are tight regardless of individual quality.
Opportunities Lab-grown processing volume growing rapidly on existing equipment; certified-stone preference favouring disciplined units; domestic jewellery demand for calibrated goods; consolidation as weaker karkhanas exit; technology-led yield improvement still under-exploited in smaller units.	Threats Sustained rough-polished spread compression; lab-grown price collapse spilling further into natural commercial goods; consuming-market recession; rough supply concentration and allocation risk; bank reluctance toward the sector; a disclosure or mixing scandal touching the unit or its counterparties.

16. Recommended AiSevak Tools for This Business

This diamond processing unit would use AiSevak's Gems vertical tools in operations:

- **Yield & planning: parcel assortment-vs-realisation tracker**, planned-vs-actual yield by stone and planner, grade-achieved-vs-expected log.
- **Stone control: carat-in/carat-out reconciliation per stone per operator**, stage-wise WIP tracking, by-product recovery register.
- **Integrity: lab-grown screening log for incoming and outgoing parcels**, segregation and disclosure checklist, KP documentation register.
- **Capital:** inventory turns and ROCE dashboard, **polished days-on-hand alert**, pipeline-days from purchase to collection, job-work and lab-grown share monitoring.
- **Finance:** export receivable and realisation tracking, Business Plan and break-even tools (with Finance vertical).

17. Key Assumptions & Notes

- Diamond cutting & polishing: rough procurement and assortment, 3D scanning/planning, laser sawing, bruting, blocking and brillianteering, grading and certification, plus job work on client rough, lab-grown processing, by-product recovery and domestic/export polished sales.
- **THE PROCESSING/YIELD BUSINESS OF THE VERTICAL — AND NONE OF ITS THREE GOVERNING FACTS IS POLISHING SPEED.** (1) **VALUE IS CREATED OR DESTROYED AT THE MOMENT A STONE IS PLANNED, NOT ON THE WHEEL — the planner is the most valuable person in the factory and a bad plan cannot be undone;** (2) **UNLIKE GOLD, YIELD LOSS IS PERMANENT —** the jewellery unit refines its sweeps and recovers most process loss, whereas here **~65% of rough carat weight is removed as dust worth a tiny fraction**, so assortment and planning skill are the difference between profit and loss on the SAME parcel; (3) **THE OPERATOR IS EXPOSED TO A ROUGH-VS-POLISHED SPREAD IT DOES NOT CONTROL —** rough comes from a highly CONCENTRATED supply side, polished sells into a FRAGMENTED price-transparent market, and **when rough rises faster than polished the cutter is compressed from both ends at once with nothing operational to do about it.**
- **MAXIMUM YIELD AND MAXIMUM VALUE ARE OFTEN DIFFERENT CUTS —** a heavier stone with a visible inclusion can be worth less than a lighter cleaner one from the same rough, so **the planner is making a COMMERCIAL judgement not a geometric one** and must know current price behaviour. Yield 34→35%; **a one-point yield gain across 92,000 ct is worth more than months of polishing-cost reduction**, which is why planning technology and planner quality are funded AHEAD of extra polishing capacity. **Stone accounting must be PER STONE PER OPERATOR, not per batch —** a batch reconciliation cannot distinguish a difficult rough from a poorly executed cut.
- **LAB-GROWN SUBSTITUTION BEARS DIRECTLY ON NATURAL POLISHED REALISATIONS AND A CURRENT PLAN CANNOT OMIT IT —** prices have fallen very sharply and the effect concentrates in **smaller sizes and commercial qualities, precisely the segment most Indian cutting units work in; a plan projecting stable natural realisations in that band is describing a market that no longer exists.** Response is twofold and deliberate: **move the natural book UP in size/quality where substitution pressure is weaker, AND process lab-grown as a line in its own right on substantially the same equipment (8.6%→16.0% of revenue) —** the only response available that uses assets already owned.
- **UNDISCLOSED MIXING OF LAB-GROWN INTO NATURAL PARCELS IS FRAUD, NOT A LABELLING LAPSE — IT WOULD END THE BUSINESS RATHER THAN COST IT.** Screening instruments on incoming AND outgoing parcels, physically segregated handling and storage, documented disclosure on every sale, separate HS classification.
- **JOB WORK IS CYCLE INSURANCE HERE, NOT MERELY A WC LEVER (the difference from jewellery-manufacturing) —** when the spread compresses **the own-goods book loses money on every parcel while the job-work book keeps earning its processing charge unchanged** because the client owns the stones and carries the price risk; **a unit with 10% job work has a thin cushion, one with 25% can survive a year that closes its neighbours. NO AMOUNT OF POLISHING SKILL RECOVERS A BADLY BOUGHT PARCEL —** assort in-house before bidding, never on the seller's assortment.
- **THE CASH CYCLE IS LONG AND STRUCTURALLY AWKWARD AND IT IS WHY WELL-RUN UNITS STILL FAIL —** rough is bought for cash or short credit (the supply side has pricing power and does not fund the cutter) while assortment→planning→sawing→polishing→certification→sale runs months, and **polished then sells on 60-120 day export credit.** Size WC to PIPELINE LENGTH not monthly turnover, and **RESIST HOLDING POLISHED INVENTORY WAITING FOR A BETTER PRICE — it looks like patience and is actually an unfunded price bet on stones already paid for, financed by borrowing; in a compressing market it is the specific behaviour that converts a bad quarter into insolvency** because the inventory ages exactly as its value falls (watch polished days-on-hand as the leading indicator).
- **LENDER SCRUTINY OF THIS SECTOR IS UNUSUALLY SHARP BECAUSE OF ITS OWN CREDIT HISTORY — a promoter should PREPARE for this rather than be surprised.** Over-invoicing, circular trading and several very

large frauds have made banks cautious about the whole industry, so **a clean borrower faces harder diligence, lower drawing power and more documentation than its numbers alone justify**. Correct response: meet it, don't resent it — stone-level records, verifiable KP and export documentation, independent stock audit, willingness to show the commercial substance of every transaction. **In this sector documentation quality is a FINANCING ADVANTAGE, not an overhead.**

- Read return as ROCE not net margin (material ~78% pass-through; Y3 3.8% margin = ~**24% ROCE** at 4.4 turns; GVA ₹3.75→8.58cr). **Y1 shows a small loss deliberately — a new unit's assortment and planning judgement takes time to develop, and a plan showing profit from month one on rough it has not yet learned to buy is not credible**. Planners and assorters are 12% of headcount at the highest pay in the factory; **economising on them to fund more polishing capacity is the most expensive saving available in this trade**. Also: KP certificates on every rough consignment; PMLA and §269ST apply; **dust extraction and respiratory protection in polishing halls is a genuine long-term health issue in the cluster**. ₹6.5cr, ~48,000→92,000 ct rough, rev 18.7→38.82cr, Y1 —₹5L → Y3 ₹1.47cr. Spread assumed stable for modelling; §14 addresses what happens when it is not. Figures illustrative, exclude GST.

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