



BUSINESS PLAN · INDIA

FMCG Distributor (General Trade)

He is paid on velocity, not on margin

FMCG

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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 an **FMCG Distributor (General Trade)** in India — a territory distribution business buying from brands and billing kirana, general-trade and semi-wholesale outlets through a managed beat, with delivery, credit, claims and stock risk carried by the distributor.

The plan that opened this vertical instructed brand owners to compute their distributor's return on capital and show it to him. This plan is written from the other chair, and its central finding is uncomfortable: most distributors could not compute that number themselves, and a significant proportion of them are earning a return below their cost of capital without being aware of it. The reason is a single, understandable error. **A distributor knows his margin — five per cent, six, eight on a good line — and treats that as his return. It is not his return. It is his gross spread, and between that spread and his actual earnings sit salaries, a delivery fleet, a godown, damaged and expired stock, unrecovered scheme claims, retailer credit that occasionally does not come back, and interest on the working capital funding all of it.** On this plan, **a 5.7% gross margin becomes a 0.5% net margin in Year 1** — and the business is nonetheless a sound one, for a reason that has nothing to do with margin.

The second convention, and the one that makes this a business rather than a job: the distributor is not paid on margin, he is paid on velocity. A 5.7% spread earned once a year is a poor business. **The same spread earned six times a year on the same rupee of capital is a respectable one, and earned nine times it is a good one.** Everything that matters in general-trade distribution is therefore a working-capital question wearing a sales costume: **stock turns, days of inventory, retailer credit days, and how quickly the brand settles a scheme claim.** This plan takes stock turns from **6.4 to 9.6** and return on capital employed from **10.6% to 25.1%** — **while the gross margin moves by only eight-tenths of a percentage point.** Nearly all of the improvement comes from the balance sheet and almost none from the price list.

The third is that this business is squeezed from both directions simultaneously, and it is the only participant in the chain that is. Upstream, **the brand wants payment on dispatch or in seven days, sets the scheme terms, and settles claims months later.** Downstream, **the retailer wants twenty-one days of credit, returns what did not sell, and will move to a competitor's line over a two-rupee difference.** The distributor finances both ends with his own money, carries the damages and expiry neither of them will accept, and is described by both as a **partner.** A plan that does not say this plainly is not describing the business.

And the fourth: not every brand in the van deserves to be there, and a distributor who measures only margin will keep the ones that are destroying him. A brand paying 8% that turns twice a year and settles claims in ninety days is worse than a brand paying 4.5% that turns ten times and settles in thirty. The first looks better on every rate card and is materially worse on the only measure that matters. **This plan computes return on capital brand by brand — 20% of the portfolio in Year 1 rising to 100% by Year 3 — and drops five brands over three years for failing the threshold, which is an act most distributors never perform because they have never had the number that would justify it.**

This plan models a distributorship requiring **₹1.26 crore** (₹46 lakh promoter + ₹24 lakh term loan + ₹56 lakh cash-credit limit), moving from **₹8.40 crore billing at ₹4 lakh profit** to **₹17.50 crore billing at ₹30 lakh profit** by Year 3 — *and the figure to judge it by is not either of those, but return on capital employed rising from 10.6% to 25.1%. (General-trade FMCG distributor — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A territory distribution business run on return on capital employed rather than on gross margin, with brand-level ROI computed before appointment and reviewed quarterly, and beat productivity managed as the operating discipline.

Vision: To be the distributor whose brands compete to be in his van, rather than the other way round.

Mission: Know the return on every rupee tied up in every brand; turn stock rather than negotiate margin; claim within the window and escalate on time; extend retailer credit as a commercial decision rather than a habit; and decline a line whose arithmetic does not work, however well-known its name.

Legal structure options

- **Private Limited** — recommended at this scale: cleaner brand contracting, better credit access, and separation of the family's assets from a working-capital-intensive trade.
- **Partnership / LLP** — common where two families pool capital for a territory.
- **Proprietorship** — the traditional structure and still workable, though it exposes personal assets to a business that runs on borrowed working capital.

Regulatory anchor: the compliance load here is lighter than a manufacturer's but has three sharp edges. **FSSAI registration or licence for storage and distribution of food products**, with the godown meeting storage, pest-control and temperature conditions appropriate to the categories carried. **GST, where the distributor sits in the middle of the input-credit chain and where the correct treatment of scheme credit notes is a recurring source of dispute** — a scheme passed on as a discount, as free goods, or as a post-sale credit note each carry different GST consequences, and getting this wrong creates a liability that surfaces at assessment rather than at dispatch. **Legal Metrology obligations on repacking or relabelling, which a distributor should simply not do**, since altering a declaration makes him the deemed packer. Alongside these: shops and establishment registration, trade licence, professional tax, EPF/ESI once headcount crosses threshold, commercial vehicle permits and fitness for the delivery fleet, and — **where the territory includes it — separate licensing for any tobacco or regulated line, which should be a conscious decision rather than an inherited one.**

3. Promoter & Ownership

Led by a promoter with FMCG sales, trade or family-distribution background. Three competences decide outcomes: *capital discipline*, because this is a financing business and the operator who cannot say what a brand returns on his money is guessing; *claims persistence*, since scheme money is earned at dispatch and collected only by someone who documents and chases it; and *the willingness to drop a brand*, which is difficult because the relationship is personal, the brand name is reassuring, and the arithmetic is invisible until someone computes it. Ownership, equity & investor terms are editable inputs.

4. Market Analysis — India

General trade still carries the majority of Indian FMCG volume, and the distributor is the only economically viable way for a brand to reach several million small outlets. The channel is under pressure from modern trade, quick commerce and brand-direct models — but the pressure is uneven, and the distributor's position is stronger in some categories and geographies than the commentary suggests.

Demand drivers

- **Outlet density** — millions of small stores that no brand can service directly at an economic cost.
- **Regional and challenger brands** expanding into new territories and needing distribution they cannot build themselves.
- **Rising rural and semi-urban consumption**, where general trade remains dominant.
- **Category proliferation**, increasing the number of lines a retailer must stock and the value of a distributor who consolidates them.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	FMCG consumption in the territory	Geography-defined
SAM	Outlets reachable on an economic beat	Beat- and vehicle-bounded
SOM (Yr 1-3)	Outlets billed × drop size × frequency	1,240 → 2,180 outlets billed monthly

The structural threat to this business is real but it is routinely described wrongly, and the misdescription leads distributors to defend the wrong ground. The common account is that quick commerce and modern trade will replace general trade, and that the distributor is therefore a declining asset. **The more accurate account is that the channel is not disappearing but being sorted, and the sorting is by category rather than by geography. Categories where the consumer plans the purchase, buys in bulk and is price-sensitive migrate to organised channels; categories bought on impulse, in small packs, in the moment, at the nearest counter, do not — and cannot, because the economics of delivering a ₹10 pack to a doorstep do not work for anybody.** The distributor's exposure therefore depends almost entirely on which lines are in his van. **A distributor carrying bulk staples in a metro is genuinely under threat; one carrying impulse, small-pack and rural-facing lines is not, and may be strengthened as brands retreat from direct servicing they discover to be uneconomic.** The strategic response in this plan is not to resist the shift but to read it: **brand-level ROI computed quarterly will show a structurally declining line before the distributor can feel it, and the correct action — dropping it and replacing it with a line that needs him — is available only to an operator who is measuring.** Top-brand concentration falls from 44% to 29% here, **which is not diversification for its own sake but insurance against a single head-office decision taken in a city he has never visited.**

5. Competition & Competitive Advantage

Landscape: other appointed distributors in adjacent territories, semi-wholesalers undercutting on price without servicing, brand-direct and B2B platforms attempting to disintermediate, and modern trade and quick commerce removing certain categories from the channel entirely. **Competition is rarely for the retailer's business; it is for the brand's appointment and the retailer's shelf.**

The business's edge

- **Return on capital computed brand by brand** — the analysis that lets him choose rather than accept.
- **Beat productivity managed** — lines per call and drop size, not just calls made.
- **Claims documented and chased inside the window**, converting scheme money from hope into cash.
- **Retailer credit priced as a commercial decision**, not extended by custom.
- **Damages and expiry controlled by FIFO and near-expiry action**, protecting the thin spread.

The single most valuable thing this business can build is not a bigger van or a wider beat — it is the ability to say no to a brand, and that ability is purchased entirely with information. A distributor without brand-level return figures negotiates from weakness on every occasion, because he cannot distinguish a line that is subsidising his overheads from one that is quietly consuming his capital, and so he treats all of them as valuable and accepts terms on all of them. Once the number exists the conversation inverts. He can tell a brand precisely what its line returns on his capital, show that it sits below his cost of funds, and specify what would fix it — a shorter claim-settlement cycle, a smaller minimum order, a higher order frequency, better near-expiry protection — rather than making the vague request for "more support" that brands have learned to deflect. Most brands will negotiate when presented with arithmetic, because a distributor who has done the calculation is more expensive to replace than one who has not: he knows what he is worth. This plan computes ROI on 20% of brands in Year 1 and 100% by Year 3, and drops five lines across three years — an act that looks like lost turnover on a sales report and is, on the capital that turnover was consuming, the most profitable decision the business makes.

6. Portfolio, Margin Structure & What a Line Must Earn

Line type	Typical spread	What actually decides its value
Fast-moving staples & impulse	4.0–5.5%	High turns — low spread, excellent return
Personal & home care	5.5–7.0%	Moderate turns, scheme-heavy, claim discipline critical
Premium & slow-moving lines	7.0–9.0%	Attractive rate, poor turns — frequently value-destroying
New / challenger brands	8.0–12.0%	High spread compensating for unproven offtake and expiry risk
Semi-wholesale / bulk billing	1.5–3.0%	Volume without servicing; useful only if it costs nothing to serve
Lines carried below cost of capital "for the relationship"	NIL — by policy	Reviewed quarterly, dropped on evidence
Repacking or relabelling of any kind	NIL — by policy	It makes the distributor the deemed packer

The most expensive habit in general-trade distribution is judging a brand by its margin percentage, and it is expensive precisely because the alternative calculation is simple enough that its absence is hard to explain. Take two lines. Brand A pays 8%, turns twice a year, requires a large minimum order and settles scheme claims in ninety days. Brand B pays 4.5%, turns ten times a year, orders weekly and settles in thirty. Every rate card, every conversation at a trade meeting, and every instinct says Brand A is the better line. On a rupee of working capital across a year, Brand A returns roughly sixteen per cent before costs and Brand B returns forty-five, and once the ninety-day claim lag is treated as what it is — an interest-free loan from the distributor to the brand — the gap widens further. The distributor who carries Brand A and declines Brand B has not made a small error of judgement; he has allocated his scarce capital to the worse asset while believing he did the opposite. The correction requires nothing more than dividing the annual spread earned by the average capital tied up, brand by brand, and the reason it is so rarely done is not difficulty but that nobody has ever asked the distributor for it — the brand computes his ROI to persuade him, and he takes their word for it.

7. Go-to-Market — the Beat

Coverage

- **Beat plans built on outlet potential**, not on geographic convenience or historic routes.
- **Frequency matched to offtake** — high-potential outlets twice weekly, tail outlets fortnightly.
- **New-outlet addition** tracked as a monthly target and audited against billing, not against claims.

Productivity — where the operating leverage is

- **Lines per call** — the single highest-leverage number in the business; the salesman is already standing there.
- **Drop size**, since the cost of a delivery is almost independent of its value.
- **Strike rate** — calls converting to bills, measured by salesman and reviewed weekly.

Sales approach

Plan the beat on potential → raise lines per call before adding outlets → raise drop size before adding vehicles → add coverage only where the existing beat is productive. **The mistake that keeps distributors small is treating expansion as the answer to thin returns: adding outlets to a beat that is already unproductive multiplies cost and adds almost no margin. A salesman making forty-four calls a day at 2.4 lines per call is running a business that cannot pay for him; the same salesman at 3.8 lines and a larger drop is running a profitable route — and nothing about the territory, the brands or the competition changed between those two sentences.**

8. Operations Plan (buy, store, bill, deliver, claim, collect)

- **Purchasing:** order frequency raised and order size reduced wherever the brand permits, **because every additional day of inventory is capital the business is renting.**
- **Godown:** FIFO enforced physically through racking and pick discipline, **near-expiry stock identified at 90 days and actioned at 60, not discovered at 15.**
- **Billing & van sales:** DMS and van-sales application, with **secondary sales and closing stock reported back to brands — which is a service the brand values and a lever in every negotiation.**
- **Delivery:** route-wise vehicle loading, delivery cost measured per drop rather than per kilometre.
- **Claims:** **every scheme documented at dispatch with its invoice reference, claimed within the window, aged weekly and escalated on a fixed calendar — because an undocumented scheme is not a receivable, it is a recollection.**
- **Retailer credit:** limits set per outlet, ageing reviewed weekly, **supply stopped on breach as a rule rather than as a confrontation.**
- **Damages & expiry:** claimed against brand policy promptly; **the unrecovered residue tracked openly as a cost of carrying that brand, and fed into its ROI.**
- **Portfolio review:** **brand-level return on capital computed quarterly, with dropping a line treated as portfolio management rather than as a failed relationship.**

Distributor control points

Area	Activity	Control point
The real return	ROCE, not gross margin	10.6% → 18.3% → 25.1%

Capital velocity	Stock turns and days of inventory	6.4 → 9.6 turns; 57 → 38 days
Claims	Documented at dispatch, aged weekly, escalated	Claims outstanding >45 days: 38% → 11%
Portfolio	Brand-level ROI computed and acted on	20% → 100% computed; 5 lines dropped
Beat productivity	Lines per call and drop size	2.4 → 3.8 lines; ₹1,180 → ₹1,650 drop
Leakage	Damages, expiry & unrecovered claims	0.62% → 0.31% of billing
Credit	Retailer credit days and bad debt	21 → 14 days; bad debt 1.8% → 0.7%

Scheme claims are the most under-managed asset on a distributor's balance sheet, and the reason is that they do not look like an asset at all — they look like an argument waiting to happen. A scheme is agreed at dispatch, often verbally or in a WhatsApp message from an area sales manager who may be transferred before it is settled; **the goods are sold to retailers at the scheme price immediately, so the discount is given away on day one; and the money comes back from the brand sixty or ninety days later, if the paperwork survives.** The distributor has therefore **funded the brand's promotion out of his own working capital and holds a receivable that is not recorded anywhere as a receivable.** Three disciplines convert it into cash. **Every scheme is recorded against its invoice number at dispatch, with the offer terms captured in writing before the goods leave — an undocumented scheme is not a claim, it is a recollection, and recollections lose to ledgers.** Claims are aged weekly on the same report as retailer receivables, because a claim outstanding ninety days is identical in cash terms to a retailer who has not paid. And **escalation runs on a fixed calendar rather than on frustration**, since a claim chased on schedule is administrative while the same claim chased at ninety days has become a dispute. This plan moves claims outstanding beyond 45 days from 38% to 11%, **and the released cash is worth more than a full percentage point of margin on the entire portfolio — earned without a single conversation about rates.**

9. Licences, GST & Compliance (India)

- **FSSAI registration or licence** for storage and distribution, with godown conditions, pest control and stacking appropriate to the categories carried.
- **GST registration and the input-credit chain**, with **scheme credit notes treated correctly — discount, free goods and post-sale credit note each carry different consequences, and errors surface at assessment rather than at dispatch.**
- **No repacking or relabelling**, since altering a declaration makes the distributor the deemed packer under Legal Metrology.
- Shops & Establishment registration, trade licence, professional tax.
- **EPF and ESI** once headcount crosses threshold — **relevant here because salesmen and loaders are the largest cost line and are frequently under-documented in this trade.**
- Commercial vehicle permits, fitness, insurance and driver licensing for the delivery fleet.
- Separate licensing for any tobacco or regulated line, **carried only as a conscious decision.**
- Weights and measures verification for any weighing equipment in the godown.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / proprietor	1	1	2

Sales officers / beat salesmen	8	12	16
Delivery drivers & loaders	6	9	12
Billing & accounts	3	4	5
Godown & stock control	2	3	4
Claims & scheme reconciliation	1	1	2
Total	21	30	41

A dedicated claims and reconciliation role from Year 1, in a business of twenty-one people, is the plan's most easily challenged decision and its most defensible one. The person occupying it recovers, in scheme money that would otherwise age past its window, several times their own cost — and in a business earning 0.5% net in Year 1, there is no other single hire whose return is as easy to demonstrate.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0-3	Godown leased and racked, FSSAI and GST in place, DMS live, first brand appointments signed with claim-settlement terms agreed in writing
Launch	Month 3-12	₹8.40cr billing, ₹4L profit; 1,240 outlets; 6.4 stock turns; ROCE 10.6%; ROI computed on 20% of brands
Build	Year 2	1,760 outlets, 8.1 turns, claims >45 days down to 22%; two brands dropped on ROI; ₹12.60cr billing, ₹14L profit; ROCE 18.3%
Scale	Year 3	2,180 outlets; ₹17.50cr billing, ₹30L profit; ROCE 25.1%; ROI computed on 100% of brands; concentration down to 29%

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. Turns, claim settlement and credit days are the levers; the margin percentage is not one, because it is set by somebody else.

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (inventory + retailer credit)	78,00,000
Delivery vehicles (3)	16,00,000
Godown deposit, racking & material handling	12,00,000
Security deposits with brands	8,00,000
Launch, onboarding & initial operating losses	6,00,000
Technology (DMS, billing, van-sales app)	4,00,000
Legal, licences & registrations	2,00,000

Total project cost	1,26,00,000
Promoter contribution	46,00,000
Term loan (vehicles & setup)	24,00,000
Cash-credit / working-capital limit	56,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
BILLING TO RETAILERS (net of GST)	8,40,00,000	12,60,00,000	17,50,00,000
Cost of goods (purchases from brands, net of schemes earned)	7,92,00,000	11,83,00,000	16,36,00,000
Gross margin	48,00,000	77,00,000	1,14,00,000
Gross margin %	5.7%	6.1%	6.5%
Salaries (salesmen, delivery, godown, accounts)	19,00,000	28,00,000	38,00,000
Vehicle running, freight & delivery cost	8,00,000	11,00,000	14,00,000
Finance cost (cash-credit interest)	6,80,000	8,60,000	10,60,000
Damages, expiry & unrecovered claims	5,20,000	5,70,000	5,40,000
Godown rent, utilities & maintenance	4,50,000	5,60,000	6,80,000
Bad debt / unrecovered retailer credit	1,50,000	1,50,000	1,20,000
Depreciation	1,80,000	2,20,000	2,60,000
Technology & subscriptions	60,000	80,000	1,00,000
Admin, compliance & other	2,60,000	3,60,000	4,40,000
Total expenses	50,00,000	67,00,000	84,00,000
Net profit / (loss) before tax	(2,00,000)	10,00,000	30,00,000
Net margin (on billing)	(0.24%)	0.79%	1.71%
AVERAGE CAPITAL EMPLOYED	1,02,00,000	1,28,00,000	1,64,00,000
RETURN ON CAPITAL EMPLOYED (the real number)	10.6%	18.3%	25.1%
STOCK TURNS PER YEAR / DAYS OF INVENTORY	6.4 / 57	8.1 / 45	9.6 / 38
Retailer credit days / bad debt as % of billing	21 / 1.8%	17 / 1.2%	14 / 0.7%
SCHEME CLAIMS OUTSTANDING BEYOND 45 DAYS	38%	22%	11%
Damages, expiry & unrecovered claims as % of billing	0.62%	0.45%	0.31%
BRANDS WITH ROI INDIVIDUALLY COMPUTED / DROPPED ON ROI	20% / 0	60% / 2	100% / 3
Lines per call / drop size	2.4 / ₹1,180	3.1 / ₹1,420	3.8 / ₹1,650
Outlets billed monthly / calls per salesman per day	1,240 / 38	1,760 / 44	2,180 / 48
Top-brand share of billing (concentration risk)	44%	36%	29%

Repacking or relabelling undertaken	NIL	NIL	NIL
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12.3 Unit economics & break-even

- **A 5.7% gross margin produces a small loss in Year 1, and that is the honest shape of a distributorship in its first year** — the fleet, the godown and the team are all sized for a beat that is not yet productive. **A first-year distributor showing a healthy net margin has almost certainly under-invested in coverage.**
- **Net margin is the wrong measure of this business and return on capital employed is the right one. 1.71% net margin sounds like a marginal trade; 25.1% return on capital is a good business — and both describe the same Year 3.**
- **Nearly all of the improvement comes from the balance sheet, not the price list.** Gross margin moves 0.8 points across three years; **stock turns move from 6.4 to 9.6, claims beyond 45 days from 38% to 11%, and credit days from 21 to 14 — and it is those three that carry ROCE from 10.6% to 25.1%.**
- **Lines per call is the operating-leverage number.** Moving from 2.4 to 3.8 raises billing per route by more than half against an almost unchanged cost of serving it — the salesman, the van and the fuel were already committed.
- **Break-even: Year 2. The binding constraint is the cash-credit limit rather than demand — this business can always sell more than it can fund, which is exactly why brand-level ROI decides how the limit gets allocated.**

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	14,00,000	9,00,000	6,00,000	4,00,000
Collections from retailers	1,78,00,000	2,04,00,000	2,22,00,000	2,36,00,000
Payments to brands, salaries, fleet & overheads	1,83,00,000	2,07,00,000	2,24,00,000	2,37,00,000
Closing balance	9,00,000	6,00,000	4,00,000	3,00,000

This business is a financing operation that has been mistaken for a sales operation by almost everyone involved in it, including, frequently, the person running it. Look at where the money sits. **Stock is bought from the brand on seven days or on advance; it sits in the godown for fifty-seven days; it is sold to a retailer who takes twenty-one more; and the scheme money that was given away on day one comes back from the brand ninety days later. The distributor is simultaneously the brand's lender and the retailer's lender, and he is paid a spread of five per cent for standing between two parties who both have more bargaining power than he does.** That arrangement is viable for exactly one reason — **velocity** — and it collapses the moment velocity falls, which is **why a slow-moving premium line with an attractive rate card is more dangerous to this business than a low-margin staple.** The four controls are all balance-sheet controls: **turns raised from 6.4 to 9.6, which is worth more than any margin negotiation available; claims aged and escalated on a calendar so the brand stops borrowing free money; retailer credit priced and enforced rather than extended by custom; and the cash-credit limit allocated to brands by measured return rather than by relationship.** Growth in billing without growth in turns is not growth at all in this business — it is simply a larger loan to the same two counterparties.

12.5 Key Performance Indicators to Monitor

- **The real return: ROCE overall and by brand; stock turns; days of inventory; capital tied up per brand.**

- **Cash discipline:** scheme claims aged beyond 45 days; retailer credit days and ageing; bad debt; cash-credit utilisation.
- **Beat productivity:** lines per call; drop size; strike rate; calls per salesman per day; new outlets billed.
- **Leakage & risk:** damages, expiry and unrecovered claims; near-expiry stock at 90 and 60 days; top-brand concentration.

13. Funding Requirement & Bankability

Total ask: **₹24 lakh term loan plus a ₹56 lakh cash-credit limit** against ₹46 lakh promoter contribution. Four points. **First, the cash-credit limit is the business, and the term loan is incidental — this is a working-capital trade in which the limit determines how much turnover is even possible, and a limit sized too tightly does not slow the business down, it caps it permanently. Second, the security position is genuinely reasonable:** stock is fast-moving branded goods with an established resale value, receivables are short and highly fragmented across hundreds of small retailers rather than concentrated, **and the drawing power calculation should recognise that fragmentation is a strength here, not a weakness. Third, and the most useful diagnostic a lender can apply: ask for return on capital employed and stock turns, not gross margin. A distributor who reports margin percentage and cannot state his turns is not measuring the business he is in, and the two distributors with identical margins in front of you may have returns that differ by a factor of three. Fourth, treat brand concentration as a covenant. A distributor deriving 44% of billing from one brand is one head-office decision away from a restructuring he had no part in — appointments are terminable, territories get split, and neither event comes with compensation;** this plan takes concentration to 29% deliberately.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (inventory + retailer credit)	78,00,000	61.9%
Delivery vehicles (3)	16,00,000	12.7%
Godown deposit, racking & material handling	12,00,000	9.5%
Security deposits with brands	8,00,000	6.3%
Launch, onboarding & initial operating losses	6,00,000	4.8%
Technology (DMS, billing, van-sales app)	4,00,000	3.2%
Legal, licences & registrations	2,00,000	1.6%
Total	1,26,00,000	100%

14. Risk Analysis & Mitigation

Risk	Mitigation
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Margin is not return	SETS THIS PLAN'S GOVERNING CONVENTION AND INVERTS THE ANCHOR PLAN'S: THAT PLAN TOLD BRANDS TO COMPUTE THEIR DISTRIBUTOR'S ROI AND SHOW IT TO HIM; THIS ONE FINDS THAT MOST DISTRIBUTORS COULD NOT COMPUTE IT THEMSELVES AND THAT MANY ARE EARNING BELOW THEIR COST OF CAPITAL WITHOUT KNOWING. A DISTRIBUTOR KNOWS HIS MARGIN AND TREATS IT AS HIS RETURN — IT IS NOT; IT IS HIS GROSS SPREAD, AND BETWEEN IT AND HIS EARNINGS SIT SALARIES, A FLEET, A GODOWN, DAMAGES, EXPIRY, UNRECOVERED CLAIMS, RETAILER CREDIT THAT SOMETIMES DOES NOT RETURN, AND INTEREST ON THE CAPITAL FUNDING ALL OF IT (5.7% gross → −0.24% net in Y1, yet ROCE 10.6%→25.1% and the business is sound)
Paid on velocity, not on margin	A 5.7% SPREAD EARNED ONCE A YEAR IS A POOR BUSINESS; THE SAME SPREAD EARNED SIX TIMES ON THE SAME RUPEE IS RESPECTABLE AND NINE TIMES IS GOOD — SO EVERYTHING THAT MATTERS IN GENERAL TRADE IS A WORKING-CAPITAL QUESTION WEARING A SALES COSTUME → turns 6.4→9.6, inventory 57→38 days, credit 21→14 days, claims >45 days 38%→11%. GROSS MARGIN MOVES 0.8 POINTS ACROSS THREE YEARS WHILE ROCE MORE THAN DOUBLES — NEARLY ALL THE IMPROVEMENT COMES FROM THE BALANCE SHEET AND ALMOST NONE FROM THE PRICE LIST
Squeezed from both ends	THE ONLY PARTICIPANT IN THE CHAIN THAT IS: UPSTREAM THE BRAND WANTS PAYMENT ON DISPATCH, SETS THE SCHEME TERMS AND SETTLES CLAIMS MONTHS LATER; DOWNSTREAM THE RETAILER WANTS 21 DAYS, RETURNS WHAT DID NOT SELL, AND MOVES FOR TWO RUPEES. THE DISTRIBUTOR FINANCES BOTH ENDS WITH HIS OWN MONEY, CARRIES THE DAMAGES AND EXPIRY NEITHER WILL ACCEPT, AND IS CALLED A PARTNER BY BOTH — A PLAN THAT DOES NOT SAY THIS PLAINLY IS NOT DESCRIBING THE BUSINESS → claims documented at dispatch and aged weekly on the same report as receivables; credit limits enforced; damages fed into each brand's ROI
The wrong brands in the van	A BRAND PAYING 8% THAT TURNS TWICE A YEAR AND SETTLES IN NINETY DAYS IS WORSE THAN ONE PAYING 4.5% THAT TURNS TEN TIMES AND SETTLES IN THIRTY — ROUGHLY SIXTEEN PER CENT AGAINST FORTY-FIVE ON A RUPEE OF CAPITAL, AND THE NINETY-DAY CLAIM LAG IS AN INTEREST-FREE LOAN FROM THE DISTRIBUTOR TO THE BRAND. THE DISTRIBUTOR WHO CARRIES THE FIRST AND DECLINES THE SECOND HAS ALLOCATED SCARCE CAPITAL TO THE WORSE ASSET WHILE BELIEVING HE DID THE OPPOSITE → brand-level ROI computed (20%→100%), five lines dropped over three years, AN ACT THAT LOOKS LIKE LOST TURNOVER ON A SALES REPORT AND IS THE MOST PROFITABLE DECISION THE BUSINESS MAKES
Scheme claims are an unrecorded receivable	AGREED AT DISPATCH, OFTEN VERBALLY OR BY MESSAGE FROM AN ASM WHO MAY BE TRANSFERRED BEFORE SETTLEMENT; THE DISCOUNT IS GIVEN TO RETAILERS ON DAY ONE AND THE MONEY RETURNS IN 60-90 DAYS IF THE PAPERWORK SURVIVES — SO THE DISTRIBUTOR HAS FUNDED THE BRAND'S PROMOTION FROM HIS OWN WORKING CAPITAL AND HOLDS A RECEIVABLE RECORDED NOWHERE AS ONE → written terms against invoice number BEFORE goods leave (AN UNDOCUMENTED SCHEME IS NOT A CLAIM, IT IS A RECOLLECTION, AND RECOLLECTIONS LOSE TO LEDGERS); aged weekly beside retailer receivables because A CLAIM OUTSTANDING NINETY DAYS IS IDENTICAL IN CASH TERMS TO A RETAILER WHO HAS NOT PAID; escalation on a fixed calendar, since A CLAIM CHASED ON SCHEDULE IS ADMINISTRATIVE WHILE THE SAME CLAIM AT NINETY DAYS HAS BECOME A DISPUTE (38%→11%; the released cash worth more than a full point of margin on the whole portfolio)
Channel shift, correctly read	The threat is real but usually misdescribed — THE CHANNEL IS NOT DISAPPEARING, IT IS BEING SORTED, AND THE SORTING IS BY CATEGORY RATHER THAN GEOGRAPHY: PLANNED, BULK, PRICE-SENSITIVE PURCHASES MIGRATE TO ORGANISED CHANNELS; IMPULSE, SMALL-PACK, AT-THE-NEAREST-COUNTER PURCHASES DO NOT AND CANNOT, BECAUSE THE ECONOMICS OF DELIVERING A ₹10 PACK TO A DOORSTEP DO NOT WORK FOR ANYBODY → exposure depends on which lines are in the van; quarterly brand ROI surfaces a structurally declining line before it can be felt

Appointment & concentration risk	THE DISTRIBUTOR OWNS NO BRAND AND HIS APPOINTMENT IS TERMINABLE — A TERRITORY CAN BE SPLIT OR A LINE WITHDRAWN BY A DECISION TAKEN IN A HEAD OFFICE HE HAS NEVER VISITED, AND NEITHER EVENT COMES WITH COMPENSATION → top-brand share deliberately reduced 44%→29%; secondary-sales data supplied to brands as a service that raises the cost of replacing him; written terms on claim settlement and near-expiry protection at appointment
Expansion without productivity	ADDING OUTLETS TO AN UNPRODUCTIVE BEAT MULTIPLIES COST AND ADDS ALMOST NO MARGIN: A SALESMAN MAKING FORTY-FOUR CALLS A DAY AT 2.4 LINES PER CALL IS RUNNING A BUSINESS THAT CANNOT PAY FOR HIM; THE SAME SALESMAN AT 3.8 LINES AND A LARGER DROP IS RUNNING A PROFITABLE ROUTE — AND NOTHING ABOUT THE TERRITORY, THE BRANDS OR THE COMPETITION CHANGED BETWEEN THOSE TWO SENTENCES → lines per call and drop size raised before coverage is widened
People & compliance	Salesmen and loaders are the largest cost line and the most under-documented in this trade → EPF/ESI APPLIED PROPERLY ONCE THRESHOLDS ARE CROSSED ; GST scheme credit notes treated correctly since ERRORS SURFACE AT ASSESSMENT RATHER THAN AT DISPATCH ; no repacking or relabelling, which would make the distributor the deemed packer

15. SWOT Analysis

Strengths Return on capital computed brand by brand — the analysis that converts acceptance into choice ; claims documented and escalated on a calendar; beat productivity managed on lines per call rather than calls made ; secondary-sales data supplied to brands, raising his replacement cost; short, highly fragmented receivables.	Weaknesses Thin spread with no pricing power — the margin is set by somebody else ; capped by the cash-credit limit rather than by demand; owns no brand and holds a terminable appointment ; squeezed by both brand and retailer; loss-making in Year 1.
Opportunities Regional and challenger brands needing distribution they cannot build; brands retreating from direct servicing they find uneconomic ; consolidation of adjacent territories; data services to brands as a differentiator ; rising rural and semi-urban consumption.	Threats Category migration to modern trade and quick commerce ; brand-direct and B2B platforms attempting disintermediation; territory splits and appointment withdrawal without compensation ; semi-wholesalers undercutting without servicing; retailer credit losses in a downturn.

16. Recommended AiSevak Tools for This Business

This general-trade distributor would use AiSevak's FMCG vertical tools in operations:

- **The real return: brand-level ROI calculator (spread earned ÷ average capital tied up), ROCE dashboard, stock-turn and days-of-inventory tracking by brand and SKU.**
- **Claims: scheme register capturing terms against invoice number at dispatch, claim ageing beside retailer receivables, fixed-calendar escalation, settlement-cycle scorecard by brand.**
- **Beat productivity:** lines per call, drop size, strike rate and calls per salesman; beat planning on outlet potential; new-outlet billing audit.
- **Credit & leakage:** retailer credit limits and ageing with automatic supply stop on breach; near-expiry alerts at 90 and 60 days; damages and unrecovered-claim tracking fed into brand ROI.

- **Cash:** cash-credit utilisation and drawing-power monitoring, capital allocation across brands by measured return, concentration tracking.

17. Key Assumptions & Notes

- General-trade FMCG distributor: territory distribution buying from brands and billing kirana, general-trade and semi-wholesale outlets through a managed beat, carrying delivery, credit, claims and stock risk. □ **THIRD PLAN IN THE FMCG VERTICAL — OPENS THE DISTRIBUTION SUB-MODEL AND WRITES THE ANCHOR PLAN'S COUNTERPARTY FROM HIS OWN CHAIR.**
- △ **GOVERNING CONVENTION FOR THE DISTRIBUTION SUB-MODEL, SET HERE: (a) MARGIN IS NOT RETURN — IT IS A GROSS SPREAD, AND BETWEEN IT AND EARNINGS SIT SALARIES, A FLEET, A GODOWN, DAMAGES, EXPIRY, UNRECOVERED CLAIMS, RETAILER CREDIT AND INTEREST ON THE CAPITAL FUNDING ALL OF IT. (b) THE DISTRIBUTOR IS PAID ON VELOCITY, NOT ON MARGIN: A 5.7% SPREAD EARNED ONCE A YEAR IS A POOR BUSINESS AND THE SAME SPREAD EARNED NINE TIMES IS A GOOD ONE, SO EVERYTHING THAT MATTERS IS A WORKING-CAPITAL QUESTION WEARING A SALES COSTUME. (c) HE IS SQUEEZED FROM BOTH ENDS AND IS THE ONLY PARTICIPANT IN THE CHAIN THAT IS — FINANCING THE BRAND UPSTREAM AND THE RETAILER DOWNSTREAM WITH HIS OWN MONEY WHILE CARRYING THE DAMAGES NEITHER WILL ACCEPT. (d) NOT EVERY BRAND IN THE VAN DESERVES TO BE THERE, AND A DISTRIBUTOR WHO MEASURES ONLY MARGIN WILL KEEP THE ONES DESTROYING HIM. (e) SCHEME CLAIMS ARE AN UNRECORDED RECEIVABLE AND THE MOST UNDER-MANAGED ASSET ON HIS BALANCE SHEET.**
- **ON THE ARITHMETIC THAT DECIDES A LINE: BRAND A PAYS 8%, TURNS TWICE A YEAR, DEMANDS A LARGE MINIMUM ORDER AND SETTLES CLAIMS IN NINETY DAYS; BRAND B PAYS 4.5%, TURNS TEN TIMES, ORDERS WEEKLY AND SETTLES IN THIRTY. EVERY RATE CARD AND EVERY INSTINCT SAYS A IS BETTER. ON A RUPEE OF WORKING CAPITAL ACROSS A YEAR, A RETURNS ROUGHLY SIXTEEN PER CENT BEFORE COSTS AND B RETURNS FORTY-FIVE — AND ONCE THE NINETY-DAY CLAIM LAG IS TREATED AS WHAT IT IS, AN INTEREST-FREE LOAN FROM THE DISTRIBUTOR TO THE BRAND, THE GAP WIDENS. THE CORRECTION REQUIRES NOTHING MORE THAN DIVIDING ANNUAL SPREAD BY AVERAGE CAPITAL TIED UP, BRAND BY BRAND, AND THE REASON IT IS SO RARELY DONE IS NOT DIFFICULTY BUT THAT NOBODY EVER ASKS THE DISTRIBUTOR FOR IT — THE BRAND COMPUTES HIS ROI TO PERSUADE HIM, AND HE TAKES THEIR WORD FOR IT → ROI computed on 20%→60%→100% of brands; 5 lines dropped; concentration 44%→29%.**
- **ON CLAIMS: WRITTEN TERMS AGAINST INVOICE NUMBER BEFORE THE GOODS LEAVE; AGED WEEKLY ON THE SAME REPORT AS RETAILER RECEIVABLES BECAUSE A CLAIM OUTSTANDING NINETY DAYS IS IDENTICAL IN CASH TERMS TO A RETAILER WHO HAS NOT PAID; ESCALATION ON A FIXED CALENDAR RATHER THAN ON FRUSTRATION, SINCE A CLAIM CHASED ON SCHEDULE IS ADMINISTRATIVE WHILE THE SAME CLAIM AT NINETY DAYS HAS BECOME A DISPUTE (outstanding >45 days 38%→22%→11%; THE RELEASED CASH IS WORTH MORE THAN A FULL PERCENTAGE POINT OF MARGIN ON THE ENTIRE PORTFOLIO, EARNED WITHOUT A SINGLE CONVERSATION ABOUT RATES).** A dedicated reconciliation role in a 21-person business **RECOVERS SEVERAL TIMES ITS OWN COST IN SCHEME MONEY THAT WOULD OTHERWISE AGE PAST ITS WINDOW.**
- **ON CHANNEL SHIFT, READ CORRECTLY: THE CHANNEL IS NOT DISAPPEARING BUT BEING SORTED, AND THE SORTING IS BY CATEGORY RATHER THAN GEOGRAPHY — PLANNED, BULK AND PRICE-SENSITIVE PURCHASES MIGRATE TO ORGANISED CHANNELS WHILE IMPULSE, SMALL-PACK, NEAREST-COUNTER PURCHASES DO NOT AND CANNOT, BECAUSE THE ECONOMICS OF DELIVERING A ₹10 PACK TO A DOORSTEP DO NOT WORK FOR ANYBODY. A DISTRIBUTOR CARRYING BULK STAPLES IN A METRO IS GENUINELY UNDER THREAT; ONE CARRYING IMPULSE AND RURAL-FACING LINES IS NOT, AND MAY BE STRENGTHENED AS BRANDS RETREAT FROM DIRECT SERVICING THEY DISCOVER TO BE UNECONOMIC → the response is to read the shift, not resist it; quarterly brand ROI surfaces a declining line before it can be felt.**

- Economics & cash — THIS IS A FINANCING OPERATION MISTAKEN FOR A SALES OPERATION BY ALMOST EVERYONE INVOLVED, INCLUDING FREQUENTLY THE PERSON RUNNING IT: STOCK IS BOUGHT ON SEVEN DAYS OR ADVANCE, SITS FIFTY-SEVEN DAYS, IS SOLD TO A RETAILER WHO TAKES TWENTY-ONE MORE, AND THE SCHEME MONEY GIVEN AWAY ON DAY ONE RETURNS NINETY DAYS LATER — THE DISTRIBUTOR IS SIMULTANEOUSLY THE BRAND'S LENDER AND THE RETAILER'S LENDER, PAID A FIVE PER CENT SPREAD FOR STANDING BETWEEN TWO PARTIES WHO BOTH HAVE MORE BARGAINING POWER THAN HE DOES; THE ARRANGEMENT IS VIABLE FOR EXACTLY ONE REASON, VELOCITY, AND COLLAPSES WHEN VELOCITY FALLS — WHICH IS WHY A SLOW PREMIUM LINE WITH AN ATTRACTIVE RATE CARD IS MORE DANGEROUS THAN A LOW-MARGIN STAPLE. GROWTH IN BILLING WITHOUT GROWTH IN TURNS IS NOT GROWTH AT ALL; IT IS SIMPLY A LARGER LOAN TO THE SAME TWO COUNTERPARTIES (Y1 — ₹2L → Y3 ₹30L; net margin —0.24%→1.71%; ROCE 10.6%→18.3%→25.1%, WHICH IS THE FIGURE TO JUDGE THIS PLAN BY; break-even Year 2; THE BINDING CONSTRAINT IS THE CASH-CREDIT LIMIT RATHER THAN DEMAND — THIS BUSINESS CAN ALWAYS SELL MORE THAN IT CAN FUND).** Regulatory: FSSAI storage/distribution registration; GST with correct scheme credit-note treatment since **ERRORS SURFACE AT ASSESSMENT RATHER THAN AT DISPATCH; NO REPACKING OR RELABELLING, WHICH WOULD MAKE HIM THE DEEMED PACKER UNDER LEGAL METROLOGY;** EPF/ESI applied properly to salesmen and loaders; commercial vehicle permits and fitness. Lender note: **THE CASH-CREDIT LIMIT IS THE BUSINESS AND THE TERM LOAN IS INCIDENTAL — A LIMIT SIZED TOO TIGHTLY DOES NOT SLOW THIS BUSINESS DOWN, IT CAPS IT PERMANENTLY;** security is sound because **STOCK IS FAST-MOVING BRANDED GOODS WITH ESTABLISHED RESALE VALUE AND RECEIVABLES ARE SHORT AND HIGHLY FRAGMENTED ACROSS HUNDREDS OF SMALL RETAILERS — FRAGMENTATION IS A STRENGTH HERE, NOT A WEAKNESS; ASK FOR ROCE AND STOCK TURNS, NOT GROSS MARGIN, BECAUSE A DISTRIBUTOR WHO REPORTS MARGIN AND CANNOT STATE HIS TURNS IS NOT MEASURING THE BUSINESS HE IS IN, AND TWO DISTRIBUTORS WITH IDENTICAL MARGINS MAY HAVE RETURNS DIFFERING BY A FACTOR OF THREE;** and **TREAT BRAND CONCENTRATION AS A COVENANT, BECAUSE A DISTRIBUTOR DERIVING 44% OF BILLING FROM ONE BRAND IS ONE HEAD-OFFICE DECISION AWAY FROM A RESTRUCTURING HE HAD NO PART IN.** ₹1.26cr, billing 8.40→17.50cr, 1,240→2,180 outlets, 21→41 staff, turns 6.4→9.6, ROCE 10.6%→25.1%. Figures illustrative, exclude GST.

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