BUSINESS PLAN · INDIA

Modern-Trade Distribution Business

A deduction is not a dispute - it is an announcement

FMCG

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1. Executive Summary

This plan sets out a **Modern-Trade Distribution Business** in India — a key-account supply operation distributing FMCG brands into supermarket chains, hypermarkets, cash-and-carry and organised retail, delivering to chain distribution centres against purchase orders, service-level commitments and centrally negotiated terms.

> **The general-trade distributor described earlier in this vertical had a protection he almost certainly never recognised as one: fragmentation. He served several hundred small retailers, no single one of whom mattered — if a kirana refused to pay he stopped supplying it on Tuesday and the business barely noticed. This plan describes the same trade with that protection removed entirely.** A modern-trade distributor serves a handful of chains, **each of them many times larger than he is, each setting the terms centrally, and each accounting for a share of his billing that makes losing one an extinction event rather than a bad quarter. He finances a customer vastly bigger than himself, on that customer's terms, and — the point on which everything else turns — the amount he is owed is determined by the party that owes it.**

> **The second point is the operational reality that defines this business and has no equivalent in general trade: a deduction is not a dispute. It is an announcement.** In general trade, a claim is a conversation — **the distributor believes he is owed, the brand's records say otherwise, and the two negotiate.** In modern trade, **the chain simply pays less than the invoice.** Short shipment, a damaged case, a promotion the chain says was not executed, a barcode that failed at the gate, a delivery that missed its appointment window — **each becomes a debit note applied unilaterally against the next payment, and the distributor discovers it in a remittance advice rather than in a negotiation. The burden of proof is entirely his, the contest window is short, and the amounts are individually small enough that chasing each one costs more than most distributors are willing to spend.** On this plan deductions run at **1.9% of billing against a 4.25% gross margin** — **nearly forty-five per cent of everything earned — and the plan's central operational discipline is contesting them, taking recovery from 18% to 71%.**

> **The third is that the ultimate sanction available in every other distribution business is unavailable here: you cannot stop supply. A general-trade distributor facing an overdue retailer stops the van. A super-stockist can decline the next quarter-end push. A modern-trade distributor who withholds supply from a national chain over an overdue payment is not applying pressure — he is delisting himself, permanently, across every store in the country, and the chain will have replaced him before the month closes. The leverage runs entirely one way, and any plan pretending otherwise is describing a negotiation that does not exist.**

> **And the fourth is the honest punchline, which a promoter should read before signing anything: this business looks considerably more impressive than the general-trade distributorship and returns less than half as much. ₹33 crore of billing against that plan's ₹17.5 crore — and a return on capital employed of 10.4% against its 25.1%.** The reason is not execution. **It is that 54 days of receivables from three chains consumes vastly more capital than 14 days from two thousand kiranas, and a 4.97% margin on it is thinner than the 6.5% earned in general trade. Modern trade is a larger, more prestigious, lower-returning business, and the distributor who moves from one to the other because the numbers look bigger has misread which number matters.**

This plan models an MT distribution business requiring **₹3.07 crore** (₹92 lakh promoter + ₹35 lakh term loan + ₹1.80 crore cash-credit limit), moving from **₹16.00 crore billing at a ₹12 lakh loss** to **₹33.00 crore billing at ₹28 lakh profit** by Year 3. *(Modern-trade key-account distributor — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A modern-trade distribution business run on contested deductions, service-level performance and return on capital rather than on billing scale, with chain concentration deliberately reduced and every promotional cost recovered from the brand that authorised it.

Vision: To be the supplier whose invoices are paid in full because there is never anything to deduct.

Mission: Contest every deduction with evidence and inside the window; hit the delivery appointment; recover from the brand what the brand committed; measure return on capital rather than turnover; and never take a chain to more than a third of our billing.

Legal structure options

- **Private Limited** — effectively required: chains onboard corporate vendors, and EDI, compliance and audit expectations assume it.
- **LLP** — possible but frequently a barrier at vendor registration with larger chains.
- **Proprietorship** — unsuitable: this business runs ₹1.8 crore of borrowed limit against receivables from counterparties that set their own payment terms.

> **Regulatory anchor:** lighter than a manufacturer's, but with commercial-compliance obligations that function like regulation because non-conformity is penalised automatically. **FSSAI registration or licence for storage and distribution of food products**, with the warehouse meeting storage and pest-control conditions — **and, distinctively, subject to the chain's own vendor audit, which is frequently stricter than the statutory standard and is a condition of continued supply. GST, where this business sits mid-chain with very large input credits and where the treatment of promotional credit notes, listing fees and post-supply discounts is a recurring exposure** — at ₹33 crore of billing, a systematic error in how chain deductions are accounted for GST is not a small assessment matter. Then the quasi-regulatory layer: **barcode and GTIN accuracy, EDI/ASN transmission, case-marking and pallet standards, appointment-based delivery windows, and shelf-life-on-arrival rules — each enforced not by an inspector but by an automatic debit note.** Alongside these: Legal Metrology obligations if any repacking or bundling is undertaken **(which this plan prohibits, since it would make the distributor the deemed packer)**, shops and establishment registration, EPF and ESI for warehouse and in-store merchandising staff, and commercial vehicle compliance for the delivery fleet.

3. Promoter & Ownership

Led by a promoter with modern-trade, key-account or FMCG distribution background. Three competences decide outcomes: *documentary discipline*, because in a business where the customer decides what it owes, the only defence is evidence assembled before it is needed; *service-level obsession*, since fill rate and appointment adherence are measured automatically and penalised without discussion; and *the willingness to walk away from volume*, which is genuinely difficult when a chain offers a large listing that consumes capital at a return below the cost of funds. Ownership, equity & investor terms are editable inputs.

4. Market Analysis — India

Organised retail continues to grow its share of Indian FMCG, and brands need specialist partners to serve it — the operating model, systems and service expectations of a chain distribution centre have almost nothing in common with a kirana beat. The opportunity is real and the terms are hard.

Demand drivers

- **Organised retail expansion** into Tier-2 and Tier-3 cities, extending chain footprints.
- **Brands lacking MT capability** — regional and challenger brands that cannot service chains directly.
- **Cash-and-carry growth**, which serves both institutions and smaller retailers.
- **Category expansion in chains**, with private-label and branded assortments both widening.
- **Systems requirements** — EDI, ASN and appointment scheduling that most GT distributors cannot support.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	FMCG throughput of organised retail in the served region	Chain-footprint defined
SAM	Chains and categories the business is appointed for	Appointment-bounded
SOM (Yr 1–3)	**Chains served × SKUs listed × offtake**	3 → 11 chains

> **The structural asymmetry of this business is worth stating in the terms a promoter will actually encounter, because it is not obvious from the outside and it is never in the pitch. A modern-trade distributor is a small business supplying a very large one, and every mechanism of the relationship reflects that. Terms are set centrally and presented rather than negotiated. Payment periods of sixty to ninety days are standard and are the chain's working-capital strategy, not an oversight — the chain sells the goods to consumers for cash within a fortnight and pays the supplier two months later, which means the supplier is funding the retailer's inventory and, in effect, its expansion. Listing fees, slotting charges, promotional contributions and margin support are levied as conditions of doing business, frequently deducted at source rather than invoiced. Service-level failures generate automatic penalties.** And **the assortment can be reduced, the terms revised, or the vendor replaced at the chain's discretion, typically with notice measured in weeks.** None of this is bad faith; **it is simply what scale permits, and the chain applies the same terms to suppliers many times this business's size.** The practical conclusions are three. **First, price the terms rather than complaining about them — a listing whose payment period and deduction rate produce a return below the cost of funds should be declined, and the discipline to decline is the whole of the strategy. Second, recover from the brand what the brand committed**, since **most listing fees and promotional costs are the brand's marketing decisions being funded from the distributor's working capital**; recovery runs from 62% to 94% here. **Third, reduce concentration relentlessly** — top-three chain share falls from 78% to 57% — **because in a business where the counterparty sets the terms, the only real negotiating power available is not needing any one of them.**

5. Competition & Competitive Advantage

Landscape: other appointed MT distributors, brands servicing chains directly where their scale permits, national distribution companies bidding for multi-region mandates, and — increasingly — the chains' own private labels displacing branded assortment the distributor supplies. **Competition is for the brand's appointment and the chain's shelf, and the distributor is a participant in neither negotiation.**

The business's edge

- **Deductions contested with evidence and inside the window** — the single largest recoverable value in this trade.
- **OTIF performance managed**, because the penalty is automatic and the scorecard decides renewals.
- **Promotional and listing costs recovered from the brands that authorised them.**
- **Systems capability** — EDI, ASN and appointment compliance that most GT distributors cannot offer.

- **Concentration actively reduced**, which is the only source of leverage available.

> **Deductions are where this business is won or lost, and they deserve to be understood mechanically rather than resented, because resentment recovers nothing. A chain's payment is the invoice value less whatever the chain has decided to withhold, and the reasons are numerous, individually small and largely automated:** a short shipment recorded at the goods-receipt gate, a case damaged in transit, a barcode that failed to scan, a delivery that arrived outside its appointment window, product with insufficient shelf life remaining, a promotional discount the chain applied but says was agreed, a rate difference between the purchase order and the invoice. **Each generates a debit note, applied against the next remittance, and communicated as a line on a payment advice rather than as a request. The distributor's position is structurally weak in three specific ways. The burden of proof is on him — he must show the goods were delivered complete and undamaged, against the chain's own gate record. The contest window is short, often thirty days, after which the deduction is closed regardless of merit.** And **each amount is small enough that pursuing it costs more in effort than it recovers, which is precisely why the aggregate is so large — at 1.9% of billing it consumes nearly forty-five per cent of this plan's Year-1 gross margin.** The response is unglamorous and highly profitable. **Proof of delivery captured at the gate with signed and timestamped receipt, photographed at dispatch and at handover. A deduction register reconciling every debit note to its invoice within seven days of the remittance, because the clock starts whether or not anyone is watching. A dedicated claims function — five of thirty-three heads in Year 1, which looks disproportionate until it is read against what it recovers.** And **root-cause analysis, since a recurring deduction type is an operational defect rather than a commercial dispute — most short-shipment claims are fixed in the warehouse, not in the argument.** Recovery rises from 18% to 71% and the deduction rate itself falls from 1.9% to 0.9%, **and the second movement matters more than the first: contesting deductions recovers money, but preventing them recovers money and the cost of contesting.**

6. Terms, Margin Structure & What a Listing Must Return

Element	How it works in modern trade	Effect on the distributor
Payment terms	**60–90 days, set centrally**	**He funds the chain's inventory and expansion**
Deductions & debit notes	**Applied unilaterally at remittance**	**1.9% of billing — 45% of gross margin**
Listing & slotting fees	Condition of assortment; often deducted at source	Recoverable from the brand — if documented
Promotional contribution	Chain-run promotions, supplier-funded	The brand's marketing, the distributor's cash
OTIF / service-level penalties	**Automatic, measured at the DC**	**0.42% of billing in Yr 1**
Returns & near-expiry rejection	Shelf-life-on-arrival rules enforced at gate	Rejected stock returns to the distributor
Stopping supply for non-payment	**NIL — structurally unavailable**	**It is self-delisting, not leverage**
Repacking, bundling or relabelling	**NIL — by policy**	**It makes him the deemed packer**

> **The single most valuable calculation in this business is the return a listing generates on the capital it consumes, and it is a calculation almost no modern-trade distributor performs before accepting one.** The temptation runs the other way. **A chain offers a listing across two hundred stores; the billing number is large, the**

> **brand is pleased, the promoter feels the business has arrived — and nobody computes what it costs.** The arithmetic is straightforward once written down: **the inventory required to service the listing, plus the receivable it generates at that chain's payment terms, less the credit the brand extends, gives the capital employed. The margin earned, less the expected deduction rate, less promotional contribution not recoverable from the brand, less the OTIF penalty exposure, gives the return. Divide the second by the first and a great many listings turn out to earn less than the cost of the money funding them.** A listing at 4% margin on 90-day terms with a 2% deduction rate is not a business opportunity; **it is an interest-free loan to a large retailer with a small service fee attached. The GT distributor plan in this vertical made the same argument about brands in the van — that a distributor measuring only margin will keep the ones destroying him — and it applies with greater force here, because the sums are larger and the counterparty is not going to help him work it out.** The discipline this plan adopts is to **compute return on capital per chain and per listing before acceptance, to decline what falls below the cost of funds, and to treat the ability to decline as the only genuine negotiating position available to a business of this size.**

7. Go-to-Market — Appointments and Service

Winning mandates

- **Systems capability presented first** — EDI, ASN, appointment compliance and claims discipline are what brands cannot get from a GT distributor.
- **Chain diversification**, prioritising mandates that reduce rather than deepen concentration.
- **Written recovery terms with brands** covering listing fees, promotions and deduction pass-through, agreed at appointment.
- **Category selection** favouring faster-turning lines, since capital cost is the binding constraint.

Serving the chains

- **Appointment adherence** — a missed DC window is a penalty and a scorecard entry, not an inconvenience.
- **Fill rate**, measured line-by-line rather than in value, which is how the chain measures it.
- **Shelf life on arrival**, since stock rejected at the gate returns as the distributor's problem.
- **In-store merchandising**, which is where offtake is actually influenced and where most of this business's people work.

Twelve of thirty-three people in Year 1 are in-store merchandisers and promoters, and that ratio is the clearest structural difference between this business and the general-trade distributorship. The GT distributor's people are on a beat, selling into outlets. Here the purchase order arrives automatically from a replenishment system, so there is nothing to sell — the work is making the product move off the shelf once it is there, because offtake drives the next order and a slow-moving line is delisted without discussion.

8. Operations Plan (receive, deliver on appointment, prove, contest, recover)

- **Inbound:** stock received and verified against brand invoice with batch and shelf life recorded, **because shelf-life-on-arrival rules at the chain gate are absolute.**
- **Order processing:** EDI purchase orders received and acknowledged, ASN transmitted, **case and pallet standards met to the chain's specification rather than to the warehouse's convenience.**
- **Delivery: DC appointments booked and met — arrival outside the window is a penalty regardless of whether the goods are correct.**

- **Proof of delivery: signed, timestamped and photographed at dispatch and at gate handover — this is the evidence base on which every future deduction is contested.**
- **Deduction management: every debit note reconciled to its invoice within seven days of remittance, contested inside the window, and root-caused so recurring types are fixed operationally.**
- **Brand recovery:** listing fees, promotional contributions and agreed deductions **claimed from the brand under written terms agreed at appointment, not negotiated afterwards.**
- **Merchandising:** planogram compliance, availability at shelf, and offtake tracked store-by-store.
- **Capital control: return on capital computed per chain and per listing, reviewed quarterly, with sub-threshold listings declined or renegotiated.**

Control points

Area	Activity	Control point
The money the customer decides	**Deductions as % of billing**	**1.9% → 1.4% → 0.9%**
Contest discipline	**Deductions contested and recovered**	**18% → 44% → 71%**
Automatic penalties	**OTIF to chain DCs / penalty as % of billing**	**87% → 97% / 0.42% → 0.08%**
The real return	**ROCE (vs the GT distributor's 25.1%)**	**1.7% → 6.4% → 10.4%**
Existential risk	**Top-3 chain share of billing**	**78% → 68% → 57%**
Capital velocity	Receivable days / stock turns	72 → 54 days / 11.8 → 15.4
Cost recovery	Listing & promo cost recovered from brands	62% → 81% → 94%

> **On-time-in-full is treated in this plan as a financial control rather than an operational metric, because in modern trade that is exactly what it is. A chain measures every delivery automatically: did it arrive inside the booked appointment window, and did it contain every line ordered in the quantity ordered? A failure on either produces a penalty calculated by a system, applied without conversation, and recorded on a vendor scorecard that determines assortment decisions and renewal.** There is no equivalent in general trade, where a late delivery is an apology and a short one is a phone call. The consequences here compound in three directions. **The immediate cost is the penalty itself — 0.42% of billing in Year 1, which against a 4.25% gross margin is a tenth of everything earned. The second is lost sales: a line not delivered is a gap on the shelf, and a gap on the shelf for a fortnight is a delisting conversation. The third is the scorecard, which is cumulative and institutional — a vendor with a poor service record is the first considered when the chain rationalises its supplier base, and by then the record cannot be argued with because the chain generated it.** Getting from 87% to 97% is therefore worth far more than the penalty saving alone, and it is bought with unglamorous things: **appointment discipline, accurate stock visibility so that orders are not accepted against inventory that does not exist, line-level rather than value-level fill measurement (which is how the chain counts), and buffer stock on high-velocity SKUs even though it costs capital in a business already short of it.**

9. Licences, GST & Chain Compliance (India)

- **FSSAI registration or licence** for storage and distribution, **with the warehouse additionally meeting each chain's own vendor-audit standard, which is frequently stricter than the statutory one and is a condition of supply.**

- **GST with very large input credits**, and **correct treatment of listing fees, promotional credit notes, post-supply discounts and chain deductions — at ₹33 crore of billing a systematic error is not a small assessment matter.**
- **No repacking, bundling or relabelling**, which would make the distributor the deemed packer under Legal Metrology.
- **Barcode/GTIN accuracy, EDI and ASN transmission, case-marking and pallet standards** — **quasi-regulatory, because non-conformity is penalised automatically rather than inspected.**
- **Shelf-life-on-arrival compliance**, with rejected stock returning to the distributor at his cost.
- Shops & Establishment registration, trade licence, professional tax.
- **EPF and ESI for warehouse and in-store merchandising staff**, applied properly rather than through arrangements that transfer nothing in substance.
- Commercial vehicle permits, fitness and insurance; cold-chain compliance where chilled categories are carried.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / managing director	1	1	2
In-store merchandisers & promoters	**12**	**20**	**30**
Warehouse, picking & dispatch	8	12	17
Billing, claims & deduction reconciliation	**5**	**7**	**10**
Key-account management	5	8	12
Logistics & appointment coordination	2	3	4
Total	**33**	**51**	**75**

Five people in claims and deduction reconciliation out of thirty-three looks disproportionate and is the most defensible allocation in the plan. Deductions run at 1.9% of billing — ₹30 lakh in Year 1 against a gross margin of ₹68 lakh — so this team is working on nearly half of everything the business earns. The general-trade distributorship in this vertical justified one reconciliation head on the same logic; here the exposure is four times larger and the contest window is externally imposed, so the function is correspondingly bigger. Note equally that **there is no sales force: purchase orders arrive from replenishment systems, so the people are deployed at the shelf where offtake is decided rather than on a beat where orders are taken.**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–3	Warehouse leased and chain-audit compliant, FSSAI and GST in place, EDI/ASN integration live, first three chain vendor registrations completed, brand recovery terms agreed in writing
Launch	Month 3–12	₹16.00cr billing, ₹12L loss; 3 chains; OTIF 87%; deductions 1.9%, recovery 18%; ROCE 1.7%
Build	Year 2	6 chains; OTIF 93%; deduction recovery 44%; receivables down to 62 days; ₹24.00cr billing, ₹5.5L profit; ROCE 6.4%

Scale	Year 3	11 chains; **₹33.00cr billing, ₹28L profit; OTIF 97%; deductions 0.9% with 71% recovery; concentration 57%; ROCE 10.4%**

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. ***Deduction recovery, OTIF and receivable days are the levers; the margin is not one, because the chain sets it.***

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (inventory + chain receivables)	**2,30,00,000**
Warehouse deposit, racking & material handling	22,00,000
Security deposits with brands & chains	**18,00,000**
Delivery vehicles	14,00,000
Launch & initial operating losses	12,00,000
Technology (DMS, EDI/ASN integration, claims system)	**8,00,000**
Legal, licences & registrations	3,00,000
Total project cost	**3,07,00,000**
Promoter contribution	92,00,000
Term loan (warehouse setup & vehicles)	35,00,000
Cash-credit / working-capital limit	1,80,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
BILLING TO CHAINS (net of GST)	**16,00,00,000**	**24,00,00,000**	**33,00,00,000**
Cost of goods (purchases from brands, net of schemes earned)	15,32,00,000	22,89,00,000	31,36,00,000
Gross margin	**68,00,000**	**1,11,00,000**	**1,64,00,000**
Gross margin %	**4.25%**	**4.63%**	**4.97%**
Salaries (merchandising, warehouse, claims, key accounts)	**26,00,000**	**36,00,000**	**48,00,000**
Finance cost (cash-credit interest on 54–72 day receivables)	**18,00,000**	**23,00,000**	**28,00,000**
Freight & DC delivery	9,00,000	12,00,000	16,00,000
Warehouse rent, utilities & handling	8,00,000	10,00,000	13,00,000
Deductions & debit notes not recovered	**7,00,000**	**8,00,000**	**8,00,000**
In-store merchandising & promoter cost	6,00,000	9,00,000	13,00,000
Admin, compliance & other	3,50,000	4,50,000	6,00,000

Depreciation	1,50,000	1,80,000	2,20,000
Technology & EDI subscriptions	1,00,000	1,20,000	1,50,000
Total expenses	**80,00,000**	**1,05,50,000**	**1,35,70,000**
Net profit / (loss) before tax	**(12,00,000)**	**5,50,000**	**28,30,000**
Net margin (on billing)	(0.75%)	0.23%	0.86%
AVERAGE CAPITAL EMPLOYED	**3,49,00,000**	**4,44,00,000**	**5,39,00,000**
RETURN ON CAPITAL EMPLOYED	**1.7%**	**6.4%**	**10.4%**
— the GT distributor in this vertical, for comparison	**10.6%**	**18.3%**	**25.1%**
DEDUCTIONS & DEBIT NOTES AS % OF BILLING	**1.9%**	**1.4%**	**0.9%**
— the same figure as % of GROSS MARGIN	**44.7%**	**30.3%**	**18.1%**
Deductions contested and successfully recovered	**18%**	**44%**	**71%**
OTIF TO CHAIN DCs / OTIF PENALTY AS % OF BILLING	**87% / 0.42%**	**93% / 0.21%**	**97% / 0.08%**
RECEIVABLE DAYS FROM CHAINS	**72**	**62**	**54**
Stock turns per year	11.8	13.6	15.4
TOP-3 CHAIN SHARE OF BILLING / CHAINS SERVED	**78% / 3**	**68% / 6**	**57% / 11**
Listing & promotional cost recovered from brands	**62%**	**81%**	**94%**
Listings accepted below cost of funds / supply stopped for non-payment	**NIL / NIL**	**NIL / NIL**	**NIL / NIL**

12.3 Unit economics & break-even

- **The comparison with the general-trade distributor in this vertical is the most useful thing in this plan. ₹33 crore of billing against that plan's ₹17.5 crore, and 10.4% return on capital against its 25.1% — because 54 days of receivables from three chains consumes far more capital than 14 days from two thousand kiranas, at a thinner margin.**
- **Deductions at 1.9% of billing consume 44.7% of gross margin in Year 1. No other single item in this plan comes close, and it is the item most modern-trade distributors treat as an administrative nuisance.**
- **Preventing a deduction is worth more than recovering one.** Recovery rises 18%→71%, but the rate itself falls 1.9%→0.9% — **and the second movement saves the cost of the contest as well as the money.**
- **OTIF from 87% to 97% is worth more than the penalty saving alone**, because the scorecard is cumulative and decides assortment and renewal long after the individual penalty is forgotten.
- **Break-even: Year 2. The binding constraint is the cash-credit limit, and it is more binding here than in general trade because receivable days are four times longer.**

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	34,00,000	24,00,000	16,00,000	9,00,000
Collections from chains (net of deductions)	3,72,00,000	3,96,00,000	4,12,00,000	4,24,00,000
Payments to brands, salaries, freight, interest & overheads	3,82,00,000	4,04,00,000	4,19,00,000	4,29,00,000

Closing balance	**24,00,000**	**16,00,000**	**9,00,000**	**4,00,000**

> **The working-capital position here is the most exposed of the three distribution plans in this vertical, and the exposure is concentrated rather than spread — which is the crucial difference.** The general-trade distributor carried receivables too, **but they were fourteen to twenty-one days, spread across two thousand small retailers, none of whom could hurt him and any of whom he could stop supplying. This business carries fifty-four to seventy-two days concentrated in a handful of chains, each of which can hurt it badly, and none of which it can stop supplying. The receivable is simultaneously larger, longer, more concentrated and less enforceable.** Three consequences deserve stating plainly. **First, growth consumes cash disproportionately: every additional crore of billing requires roughly fifteen lakh of permanent additional working capital at these terms, so a business winning listings faster than it can fund them will hit its limit while its order book is still growing — and in modern trade, failing to supply a listing you have won is worse than never having won it. Second, the collection cannot be accelerated by effort. A GT distributor short of cash sends someone to collect; here the payment run is a system, the date is fixed, and nobody at the chain has authority to advance it. Third, the amount collected is not the amount invoiced** — deductions arrive inside the remittance, **so even the reduced figure is not known with certainty until the money lands.** The controls follow directly: **the cash-credit limit sized against the full concentrated receivable rather than an average; listings accepted only where the computed return exceeds the cost of funds; deductions reconciled within seven days so cash is not planned against amounts that will not arrive; and concentration reduced continuously, because the alternative is a business whose solvency depends on the payment calendar of three companies that have never heard of it.**

12.5 Key Performance Indicators to Monitor

- **The money the customer decides: deductions as % of billing and of gross margin; contest recovery rate; deduction types by root cause; days from remittance to reconciliation.**
- **Automatic penalties: OTIF line-level fill; appointment adherence; penalty value; vendor scorecard position by chain.**
- **The real return: ROCE overall, per chain and per listing; receivable days by chain; stock turns; capital employed per crore of billing.**
- **Structural risk:** top-3 chain concentration; chains served; listing and promotional recovery from brands; shelf-life rejections at gate.

13. Funding Requirement & Bankability

Total ask: **₹35 lakh term loan plus a ₹1.80 crore cash-credit limit** against ₹92 lakh promoter contribution. Four points. **First, the limit is overwhelmingly the facility here — three-quarters of the project cost is working capital, and the term loan is incidental. A limit sized on general-trade assumptions will be roughly half of what this business needs, because receivable days are four times longer. Second, the receivable quality is genuinely good and the concentration genuinely bad, and a lender should weigh both rather than only the first the counterparties are large, creditworthy organised retailers who do pay — but 78% of the book sits with three of them in Year 1, and none of them can be pressured, sued commercially or cut off without ending the relationship. Third, and the most useful diagnostic available in this trade: ask for deductions as a percentage of gross margin, not of billing. At 1.9% of billing the number looks trivial; at 44.7% of gross margin it is the largest single fact about the business, and a distributor who quotes only the first figure either does not understand his own economics or is hoping you will not. Fourth, treat chain concentration and OTIF as covenants**: **the first determines what happens to the loan if one relationship ends, and the second is the leading indicator of whether it will — the vendor scorecard deteriorates well before the delisting.**

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (inventory + chain receivables)	2,30,00,000	74.9%
Warehouse deposit, racking & material handling	22,00,000	7.2%
Security deposits with brands & chains	18,00,000	5.9%
Delivery vehicles	14,00,000	4.5%
Launch & initial operating losses	12,00,000	3.9%
Technology (DMS, EDI/ASN integration, claims system)	8,00,000	2.6%
Legal, licences & registrations	3,00,000	1.0%
Total	**3,07,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
Fragmentation was the protection, and it is gone	**SETS THIS PLAN'S GOVERNING CONVENTION BY INVERTING THE GT DISTRIBUTOR'S POSITION: HE SERVED SEVERAL HUNDRED SMALL RETAILERS, NO SINGLE ONE OF WHOM MATTERED — IF A KIRANA REFUSED TO PAY HE STOPPED SUPPLYING IT ON TUESDAY AND THE BUSINESS BARELY NOTICED. THIS PLAN IS THE SAME TRADE WITH THAT PROTECTION REMOVED: A HANDFUL OF CHAINS, EACH MANY TIMES LARGER, EACH SETTING TERMS CENTRALLY, EACH ACCOUNTING FOR A SHARE OF BILLING THAT MAKES LOSING ONE AN EXTINCTION EVENT RATHER THAN A BAD QUARTER — HE FINANCES A CUSTOMER VASTLY BIGGER THAN HIMSELF, ON THAT CUSTOMER'S TERMS, AND THE AMOUNT HE IS OWED IS DETERMINED BY THE PARTY THAT OWES IT** → top-3 concentration 78%→68%→57%, chains 3→11, **BECAUSE IN A BUSINESS WHERE THE COUNTERPARTY SETS THE TERMS, THE ONLY REAL NEGOTIATING POWER IS NOT NEEDING ANY ONE OF THEM**
A deduction is not a dispute — it is an announcement	**IN GENERAL TRADE A CLAIM IS A CONVERSATION; IN MODERN TRADE THE CHAIN SIMPLY PAYS LESS THAN THE INVOICE. SHORT SHIPMENT AT THE GATE, A DAMAGED CASE, A FAILED BARCODE SCAN, A MISSED APPOINTMENT WINDOW, INSUFFICIENT SHELF LIFE, A PROMOTIONAL DISCOUNT THE CHAIN SAYS WAS AGREED, A PO-VERSUS-INVOICE RATE DIFFERENCE — EACH BECOMES A DEBIT NOTE APPLIED UNILATERALLY AND COMMUNICATED AS A LINE ON A REMITTANCE ADVICE RATHER THAN AS A REQUEST. THE BURDEN OF PROOF IS ENTIRELY HIS, THE CONTEST WINDOW IS SHORT (OFTEN THIRTY DAYS, AFTER WHICH IT CLOSES REGARDLESS OF MERIT), AND EACH AMOUNT IS SMALL ENOUGH THAT PURSUING IT COSTS MORE THAN IT RECOVERS — WHICH IS PRECISELY WHY THE AGGREGATE IS SO LARGE: 1.9% OF BILLING CONSUMES 44.7% OF YEAR-1 GROSS MARGIN** → signed, timestamped, photographed proof of delivery at dispatch and gate; deduction register reconciling every debit note within seven days **BECAUSE THE CLOCK STARTS WHETHER OR NOT ANYONE IS WATCHING**; a dedicated five-person claims function; and root-cause analysis, since **A RECURRING DEDUCTION TYPE IS AN OPERATIONAL DEFECT RATHER THAN A COMMERCIAL DISPUTE — MOST SHORT-SHIPMENT CLAIMS ARE FIXED IN THE WAREHOUSE, NOT IN THE ARGUMENT** (recovery 18%→71%, rate 1.9%→0.9%; **THE SECOND MOVEMENT MATTERS MORE, BECAUSE PREVENTING A DEDUCTION SAVES THE COST OF CONTESTING IT AS WELL AS THE MONEY**)

You cannot stop supply	**THE ULTIMATE SANCTION AVAILABLE IN EVERY OTHER DISTRIBUTION BUSINESS IS UNAVAILABLE HERE: A GT DISTRIBUTOR FACING AN OVERDUE RETAILER STOPS THE VAN; A SUPER-STOCKIST CAN DECLINE THE NEXT QUARTER-END PUSH; AN MT DISTRIBUTOR WHO WITHHOLDS SUPPLY FROM A NATIONAL CHAIN OVER AN OVERDUE PAYMENT IS NOT APPLYING PRESSURE — HE IS DELISTING HIMSELF, PERMANENTLY, ACROSS EVERY STORE IN THE COUNTRY, AND THE CHAIN WILL HAVE REPLACED HIM BEFORE THE MONTH CLOSES. THE LEVERAGE RUNS ENTIRELY ONE WAY, AND ANY PLAN PRETENDING OTHERWISE IS DESCRIBING A NEGOTIATION THAT DOES NOT EXIST** → the only available protections are diversification, documentary discipline, and declining terms before accepting them rather than resisting them afterwards
Bigger business, lower return	**THE HONEST PUNCHLINE A PROMOTER SHOULD READ BEFORE SIGNING: ₹33 CRORE OF BILLING AGAINST THE GT PLAN'S ₹17.5 CRORE, AND ROCE OF 10.4% AGAINST ITS 25.1%. THE REASON IS NOT EXECUTION — 54 DAYS OF RECEIVABLES FROM THREE CHAINS CONSUMES VASTLY MORE CAPITAL THAN 14 DAYS FROM TWO THOUSAND KIRANAS, AT A THINNER MARGIN. MODERN TRADE IS A LARGER, MORE PRESTIGIOUS, LOWER-RETURNING BUSINESS, AND THE DISTRIBUTOR WHO MOVES FROM ONE TO THE OTHER BECAUSE THE NUMBERS LOOK BIGGER HAS MISREAD WHICH NUMBER MATTERS** → ROCE computed per chain and per listing before acceptance; **A LISTING AT 4% MARGIN ON 90-DAY TERMS WITH A 2% DEDUCTION RATE IS NOT A BUSINESS OPPORTUNITY — IT IS AN INTEREST-FREE LOAN TO A LARGE RETAILER WITH A SMALL SERVICE FEE ATTACHED** (listings accepted below cost of funds: NIL)
OTIF is a financial control, not an operational metric	**THE CHAIN MEASURES EVERY DELIVERY AUTOMATICALLY — DID IT ARRIVE INSIDE THE BOOKED WINDOW, AND DID IT CONTAIN EVERY LINE IN THE QUANTITY ORDERED — AND A FAILURE PRODUCES A PENALTY CALCULATED BY A SYSTEM, APPLIED WITHOUT CONVERSATION, AND RECORDED ON A VENDOR SCORECARD THAT DETERMINES ASSORTMENT AND RENEWAL. THERE IS NO EQUIVALENT IN GENERAL TRADE, WHERE A LATE DELIVERY IS AN APOLOGY AND A SHORT ONE IS A PHONE CALL. THE PENALTY IS A TENTH OF GROSS MARGIN; THE LOST SALE IS A SHELF GAP AND A FORTNIGHT'S GAP IS A DELISTING CONVERSATION; AND THE SCORECARD IS CUMULATIVE AND INSTITUTIONAL — BY THE TIME IT MATTERS IT CANNOT BE ARGUED WITH, BECAUSE THE CHAIN GENERATED IT** → appointment discipline, accurate stock visibility so orders are not accepted against inventory that does not exist, **LINE-LEVEL RATHER THAN VALUE-LEVEL FILL MEASUREMENT (WHICH IS HOW THE CHAIN COUNTS)**, and buffer stock on high-velocity SKUs despite the capital cost (OTIF 87%→97%; penalty 0.42%→0.08%)
Funding the brand's marketing from his own limit	**LISTING FEES, SLOTTING CHARGES AND PROMOTIONAL CONTRIBUTIONS ARE THE BRAND'S MARKETING DECISIONS BEING FUNDED FROM THE DISTRIBUTOR'S WORKING CAPITAL, FREQUENTLY DEDUCTED AT SOURCE RATHER THAN INVOICED — SO HE PAYS FIRST AND ASKS AFTERWARDS →** written recovery terms agreed with brands AT APPOINTMENT covering listing fees, promotions and deduction pass-through, not negotiated after the deduction lands (recovery 62%→81%→94%)
Concentrated, unenforceable receivables	**THE RECEIVABLE IS SIMULTANEOUSLY LARGER, LONGER, MORE CONCENTRATED AND LESS ENFORCEABLE THAN THE GT DISTRIBUTOR'S; COLLECTION CANNOT BE ACCELERATED BY EFFORT BECAUSE THE PAYMENT RUN IS A SYSTEM AND NOBODY AT THE CHAIN HAS AUTHORITY TO ADVANCE IT; AND THE AMOUNT COLLECTED IS NOT THE AMOUNT INVOICED, SO EVEN THE REDUCED FIGURE IS NOT KNOWN WITH CERTAINTY UNTIL THE MONEY LANDS** → limit sized against the full concentrated receivable rather than an average; **EVERY ADDITIONAL CRORE OF BILLING REQUIRES ROUGHLY ₹15 LAKH OF PERMANENT ADDITIONAL WORKING CAPITAL, SO A BUSINESS WINNING LISTINGS FASTER THAN IT CAN FUND THEM WILL HIT ITS LIMIT WHILE ITS ORDER BOOK IS STILL GROWING — AND FAILING TO SUPPLY A LISTING YOU HAVE WON IS WORSE THAN NEVER HAVING WON IT**

Private label & assortment risk	The chain is also a competitor — private label displaces the branded assortment this business supplies, and assortment decisions are the chain's alone → category selection favouring lines with genuine consumer pull; **NO REPACKING OR BUNDLING, WHICH WOULD MAKE HIM THE DEEMED PACKER**; warehouse held to each chain's vendor-audit standard, which is **FREQUENTLY STRICTER THAN THE STATUTORY ONE AND IS A CONDITION OF SUPPLY**

15. SWOT Analysis

Strengths **Deductions contested with evidence inside the window — the largest recoverable value in this trade**; OTIF managed as a financial control; **EDI/ASN and appointment capability most GT distributors cannot offer**; promotional costs recovered from the brands that authorised them; creditworthy counterparties who do actually pay.	**Weaknesses** **ROCE less than half the general-trade distributorship's on twice the billing**; 54–72 day receivables concentrated in a few chains; **no ability to stop supply, so no leverage at all**; 4–5% margin set by the counterparty; loss-making in Year 1.
Opportunities Organised retail expanding into Tier-2 and Tier-3 cities; **regional and challenger brands that cannot service chains directly**; cash-and-carry growth; **systems capability as a genuine barrier to competing GT distributors**; multi-chain mandates as concentration falls.	**Threats** **Loss of a single chain as an extinction event**; the chain's own private label displacing supplied assortment; **terms revised or vendor replaced at the chain's discretion with weeks of notice**; brands going direct as their scale grows; deduction rates rising faster than recovery.

16. Recommended AiSevak Tools for This Business

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

- **The money the customer decides: deduction register reconciling debit notes to invoices within seven days, contest-window clock with escalation, root-cause classification of deduction types, deductions expressed as % of gross margin rather than of billing.**
- **Evidence base: proof-of-delivery capture with signature, timestamp and photograph at dispatch and gate; shelf-life-on-arrival log; PO-versus-invoice rate reconciliation.**
- **Automatic penalties:** OTIF line-level fill tracking, appointment adherence monitor, vendor-scorecard position by chain, penalty accrual.
- **The real return: ROCE per chain and per listing computed before acceptance against cost of funds, receivable days by chain, capital employed per crore of billing, concentration tracker.**
- **Recovery:** brand recovery register for listing fees and promotional contributions against written appointment terms, with ageing and escalation.

17. Key Assumptions & Notes

- Modern-trade distribution business: key-account supply of FMCG brands into supermarket chains, hypermarkets, cash-and-carry and organised retail, delivering to chain distribution centres against EDI purchase orders, service-level commitments and centrally negotiated terms. **TENTH PLAN IN THE FMCG VERTICAL — DISTRIBUTION SUB-MODEL, INVERTING THE GENERAL-TRADE DISTRIBUTOR'S POSITION.**

- ⚠ **GOVERNING CONVENTION FOR THE MODERN-TRADE SUB-MODEL, SET HERE: (a) FRAGMENTATION WAS THE GT DISTRIBUTOR'S PROTECTION AND IT IS GONE — HE FINANCES A CUSTOMER VASTLY BIGGER THAN HIMSELF, ON THAT CUSTOMER'S TERMS, AND THE AMOUNT HE IS OWED IS DETERMINED BY THE PARTY THAT OWES IT. (b) A DEDUCTION IS NOT A DISPUTE, IT IS AN ANNOUNCEMENT — 1.9% OF BILLING CONSUMING 44.7% OF GROSS MARGIN, WITH THE BURDEN OF PROOF ON HIM AND A THIRTY-DAY WINDOW. (c) YOU CANNOT STOP SUPPLY — WITHHOLDING FROM A NATIONAL CHAIN IS SELF-DELISTING, NOT LEVERAGE. (d) BIGGER BUSINESS, LOWER RETURN: ₹33CR OF BILLING AT 10.4% ROCE AGAINST THE GT PLAN'S ₹17.5CR AT 25.1%. (e) OTIF IS A FINANCIAL CONTROL, NOT AN OPERATIONAL METRIC, BECAUSE THE PENALTY IS AUTOMATIC AND THE SCORECARD IS CUMULATIVE.**
- **ON DEDUCTIONS, WHICH DESERVE TO BE UNDERSTOOD MECHANICALLY RATHER THAN RESENTED BECAUSE RESENTMENT RECOVERS NOTHING: A CHAIN'S PAYMENT IS THE INVOICE VALUE LESS WHATEVER IT HAS DECIDED TO WITHHOLD, FOR REASONS NUMEROUS, INDIVIDUALLY SMALL AND LARGELY AUTOMATED. THE DISTRIBUTOR IS STRUCTURALLY WEAK IN THREE SPECIFIC WAYS — THE BURDEN OF PROOF IS ON HIM AGAINST THE CHAIN'S OWN GATE RECORD; THE CONTEST WINDOW IS SHORT AND CLOSES REGARDLESS OF MERIT; AND EACH AMOUNT IS SMALL ENOUGH THAT PURSUING IT COSTS MORE THAN IT RECOVERS, WHICH IS EXACTLY WHY THE AGGREGATE IS SO LARGE** → POD with signature, timestamp and photograph at dispatch and gate; seven-day reconciliation of every debit note; a dedicated claims function (5 of 33 heads in Year 1, working on nearly half of everything the business earns); and root-cause fixes in the warehouse rather than in the argument (recovery 18%→44%→71%; rate 1.9%→1.4%→0.9%; as % of gross margin 44.7%→18.1%).
- **ON WHAT A LISTING MUST RETURN: THE INVENTORY TO SERVICE IT, PLUS THE RECEIVABLE AT THAT CHAIN'S TERMS, LESS THE BRAND'S CREDIT, GIVES CAPITAL EMPLOYED; THE MARGIN LESS EXPECTED DEDUCTIONS, LESS UNRECOVERABLE PROMOTIONAL CONTRIBUTION, LESS OTIF PENALTY EXPOSURE, GIVES THE RETURN — AND A GREAT MANY LISTINGS TURN OUT TO EARN LESS THAN THE COST OF THE MONEY FUNDING THEM. THE GT PLAN MADE THE SAME ARGUMENT ABOUT BRANDS IN THE VAN; IT APPLIES WITH GREATER FORCE HERE BECAUSE THE SUMS ARE LARGER AND THE COUNTERPARTY IS NOT GOING TO HELP HIM WORK IT OUT** → ROCE per chain and per listing computed before acceptance; the ability to decline treated as **THE ONLY GENUINE NEGOTIATING POSITION AVAILABLE TO A BUSINESS OF THIS SIZE.**
- Economics & cash — **THE MOST EXPOSED WORKING-CAPITAL POSITION OF THE THREE DISTRIBUTION PLANS, AND CONCENTRATED RATHER THAN SPREAD: THE GT DISTRIBUTOR'S RECEIVABLES WERE 14–21 DAYS ACROSS TWO THOUSAND RETAILERS, NONE OF WHOM COULD HURT HIM AND ANY OF WHOM HE COULD STOP SUPPLYING; THIS BUSINESS CARRIES 54–72 DAYS CONCENTRATED IN A HANDFUL OF CHAINS, EACH OF WHICH CAN HURT IT BADLY AND NONE OF WHICH IT CAN STOP SUPPLYING — LARGER, LONGER, MORE CONCENTRATED AND LESS ENFORCEABLE AT ONCE. COLLECTION CANNOT BE ACCELERATED BY EFFORT BECAUSE THE PAYMENT RUN IS A SYSTEM AND NOBODY HAS AUTHORITY TO ADVANCE IT; AND THE AMOUNT COLLECTED IS NOT THE AMOUNT INVOICED** (Y1 −₹12L → Y3 ₹28L; net margin −0.75%→0.86% of billing; ROCE 1.7%→6.4%→10.4%; receivables 72→54 days; turns 11.8→15.4; break-even Year 2; **THE BINDING CONSTRAINT IS THE CASH-CREDIT LIMIT, MORE BINDING HERE THAN IN GENERAL TRADE BECAUSE RECEIVABLE DAYS ARE FOUR TIMES LONGER**). Regulatory: FSSAI storage/distribution **PLUS EACH CHAIN'S OWN VENDOR AUDIT, FREQUENTLY STRICTER THAN THE STATUTORY STANDARD AND A CONDITION OF SUPPLY**; GST with correct treatment of listing fees, promotional credit notes, post-supply discounts and chain deductions; no repacking or bundling under Legal Metrology; **BARCODE/GTIN ACCURACY, EDI/ASN, CASE AND PALLET STANDARDS, APPOINTMENT WINDOWS AND SHELF-LIFE-ON-ARRIVAL AS QUASI-REGULATORY OBLIGATIONS, BECAUSE NON-CONFORMITY IS PENALISED AUTOMATICALLY RATHER THAN INSPECTED**; EPF/ESI for warehouse and in-store merchandising staff. Lender note: **THE LIMIT IS OVERWHELMINGLY THE FACILITY — THREE-QUARTERS OF PROJECT COST IS WORKING CAPITAL, AND A LIMIT SIZED ON GENERAL-TRADE ASSUMPTIONS WILL BE ROUGHLY HALF OF WHAT THIS BUSINESS NEEDS**; **RECEIVABLE QUALITY IS GENUINELY GOOD AND**

CONCENTRATION GENUINELY BAD — THE COUNTERPARTIES ARE LARGE, CREDITWORTHY RETAILERS WHO DO PAY, BUT 78% OF THE BOOK SITS WITH THREE OF THEM AND NONE CAN BE PRESSURED, SUED COMMERCIALLY OR CUT OFF WITHOUT ENDING THE RELATIONSHIP; **ASK FOR DEDUCTIONS AS A PERCENTAGE OF GROSS MARGIN, NOT OF BILLING — AT 1.9% OF BILLING IT LOOKS TRIVIAL; AT 44.7% OF GROSS MARGIN IT IS THE LARGEST SINGLE FACT ABOUT THE BUSINESS, AND A DISTRIBUTOR QUOTING ONLY THE FIRST FIGURE EITHER DOES NOT UNDERSTAND HIS OWN ECONOMICS OR IS HOPING YOU WILL NOT**; and **TREAT CHAIN CONCENTRATION AND OTIF AS COVENANTS — THE FIRST DETERMINES WHAT HAPPENS TO THE LOAN IF ONE RELATIONSHIP ENDS, THE SECOND IS THE LEADING INDICATOR OF WHETHER IT WILL, BECAUSE THE VENDOR SCORECARD DETERIORATES WELL BEFORE THE DELISTING.** ₹3.07cr, billing 16.00→33.00cr, 3→11 chains, 33→75 staff, deductions 1.9%→0.9%, ROCE 1.7%→10.4%. Figures illustrative, exclude GST.

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