



B U S I N E S S P L A N · I N D I A

Gemstone Trading Business

Coloured-stone sourcing, certification and trade in ruby, sapphire, emerald and semi-precious goods

GEMS, JEWELLERY & PRECIOUS GOODS

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

August 2026

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 **Gemstone Trading Business** in India — sourcing, certifying and trading **coloured stones: ruby, sapphire, emerald and the semi-precious range** — supplying **jewellery manufacturers with calibrated goods, retailers and designers with custom-sourced stones, and collectors with certified single pieces**, with cutting and re-cutting subcontracted.

This is the vertical's **pure-trading model — there is no factory and no processing**. And it carries a structural problem that neither of the preceding plans has.

There is no price list. That single fact governs everything in this business. Gold has a spot price published every second; polished diamonds have a widely referenced price list and a grading vocabulary the whole trade shares. **Coloured stones have neither.** Value depends on colour saturation and hue, clarity, cut, size, treatment status and geographic origin, combined in ways no formula captures — **so valuation is expert opinion, not a quotation, and the same parcel can honestly be worth materially different amounts to two competent dealers.** The consequence must be stated plainly rather than dressed up: **the entire margin in this business rests on knowing more about a stone than the counterparty does.** That is not in itself improper — expertise is a real service, and the trade has functioned on it for centuries — but it means **the business is one careless purchase away from a large loss, and one undisclosed treatment away from losing the reputation it trades on.**

Two specific hazards follow, and both are invisible to the naked eye. Treatment is near-universal and most buyers cannot detect it — the great majority of ruby and sapphire on the market is heated, most emerald is fracture-filled, and diffusion, irradiation and lead-glass filling are all in circulation. **An untreated stone can be worth several multiples of a visually identical treated one**, which makes disclosure the ethical core of the trade and non-disclosure straightforward misrepresentation. **And origin drives price by multiples** — Kashmir sapphire, Burmese ruby and Colombian emerald command large premiums over visually similar material from elsewhere — yet **origin is a laboratory opinion, and reputable laboratories sometimes disagree**, so a stone bought on one report may not be confirmed by another. **The only defensible foundation is therefore certification and disclosure discipline: certify what you buy before you pay for it, and disclose everything you know when you sell.** This plan builds the cost of that discipline into the numbers rather than treating it as optional.

This plan models a business requiring **₹3.2 crore** (₹1.3 crore promoter + ₹30 lakh term loan + ₹1.6 crore working-capital finance), moving from **₹6.5 crore revenue and a ₹6 lakh loss** in Year 1 to **₹14.55 crore revenue and ₹82 lakh profit** by Year 3. (*Gemstone trading; margin-driven rather than turns-driven — figures illustrative.*)

2. Business Description, Vision & Legal Structure

Concept: A coloured-stone trading house — sourcing rough and cut stones from mine countries and Indian cutting centres, certifying through independent laboratories, and supplying calibrated goods to jewellery manufacturers, custom-sourced stones to retailers and designers, certified single pieces to collectors, and commercial-grade parcels to the trade.

Vision: To be the dealer whose word on a stone is worth as much as the report that accompanies it.

Mission: Certify before we buy, disclose every treatment without being asked, and never let a stone leave this house described as something we could not prove.

Legal structure options

- **Private Limited** — recommended: import documentation, working-capital limits, export registration and institutional buyer relationships all favour an audited company.
- **LLP** — workable for a small partner-led dealing house.
- **Proprietorship** — traditional in Jaipur and still common, but limits access to formal working capital in a business that is almost entirely working capital.

Regulatory anchor: gemstone import and export run through **customs and RBI documentation with GJEP registration** as the practical requirement for trade. Dealers in precious stones are **PMLA reporting entities** above prescribed thresholds, with KYC and record-keeping duties, and **Section 269ST's ₹2 lakh cash-receipt cap** applies squarely to a trade with deep cash habits. **Treatment disclosure is a legal obligation under consumer-protection and trade-description law, not a courtesy** — selling a treated stone as untreated, or a synthetic as natural, is misrepresentation with civil and criminal consequence. **Sourcing from Myanmar raises sanctions and responsible-sourcing questions that must be checked before purchase, not after**, and several jurisdictions restrict Burmese ruby and jade; buyer-side compliance requirements increasingly extend down the chain. Shop, GST and establishment registrations apply as usual, and stock and transit insurance is essential given portable high-value inventory.

3. Promoter & Ownership

Led by a promoter with gemmology, coloured-stone trading or jewellery-sourcing background. One competence dominates: *stone judgement* — the ability to assess colour, clarity, cut quality, likely treatment and probable origin before committing money, because **in a market with no price list, buying well is the only durable source of margin**. Alongside it sit *sourcing relationships* in mine countries and cutting centres, and *market read* on what colours, sizes and qualities are actually moving. Formal gemmological qualification, disclosure integrity, sourcing network & inventory judgement are the differentiators. Ownership, equity & any partner are editable inputs.

4. Market Analysis — India

Demand is driven by coloured stones in bridal and high-end jewellery, astrological and traditional purchase which is substantial and steady in India, designer and bespoke jewellery growth, export demand for calibrated goods, and collector interest in certified fine stones. Jaipur remains the world's principal coloured-stone cutting and trading centre. The market rewards stone judgement, certification discipline & sourcing access; it is **opinion-priced, treatment-complicated and structurally illiquid**.

Demand drivers

- **Bridal and high-end jewellery** using rubies, emeralds and sapphires as centre and accent stones.
- **Astrological demand** — a large, distinctively Indian and remarkably stable segment with its own quality criteria, often prioritising natural and untreated material.
- **Designer and bespoke jewellery** requiring specific stones sourced to a brief.
- **Export demand** for calibrated coloured stones from international manufacturers.
- **Collector and investment interest** in certified fine stones of known origin.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
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TAM	Indian coloured-stone trade	Large; Jaipur is a global hub
SAM	Species, qualities & price bands the house can value confidently	Narrower than it appears
SOM (Yr 1-3)	Manufacturer accounts & certified stones traded	Scaling with expertise

The SAM line is a real constraint, not a formality. A dealer can value what they know and is gambling on everything else. **A house competent in Ceylon sapphire is not thereby competent in Colombian emerald** — different treatments, different origin questions, different price behaviour, different counterparties. **The addressable market is the set of species and quality bands the house can price with confidence**, and it widens with expertise, not with capital. A promoter who buys outside it because a parcel looked cheap has discovered why it was cheap.

Target segments

- **Jewellery manufacturers** needing calibrated stones in consistent colour and size — the steadiest, most repeatable demand.
- **Retail jewellers and chains** sourcing centre stones for bridal and high-value pieces.
- **Designers and bespoke houses** commissioning specific stones to brief.
- **Astrological and traditional buyers**, typically through jewellers, with strong preference for natural untreated material.
- **Collectors and export buyers** for certified fine stones of documented origin.

5. Competition & Competitive Advantage

Landscape: the large Jaipur dealing community, mine-country exporters selling direct, importers and trade-show dealers, online gemstone platforms, and integrated jewellers buying for their own use. **Competition is on stone access and judgement, not on price — because without a price list there is no common price to compete on.**

The business's edge

- **Certification before purchase on significant stones** — paying to know what you are buying, rather than hoping.
- **Full treatment disclosure as standing policy**, which converts into repeat institutional business precisely because most buyers cannot verify it themselves.
- **Calibrated-goods reliability** — matching colour and size consistently across repeat orders, which manufacturers value highly and few dealers deliver.
- **Documented sourcing**, including responsible-sourcing checks, increasingly demanded by export and brand buyers.
- **Defined species competence** — deep in chosen categories rather than shallow across all of them.

6. Products & Revenue Model

Line	Model	Basis
Certified coloured-stone sales (ruby, sapphire, emerald)	Trading margin on certified goods	~42% of revenue
Calibrated stone supply to manufacturers	Repeat supply contracts	Steadiest demand
Semi-precious & commercial-grade parcels	Parcel trading	Volume, faster-moving
Custom sourcing for retailers, designers, collectors	Sourcing fee / margin	Highest margin

Cutting, re-cutting & certification services	Subcontracted, charged on	Service adjacency
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This plan's economics run opposite to the two before it, and the contrast is worth stating explicitly. Jewellery manufacturing and diamond processing earn a thin ~22% gross margin and rescue it with high inventory turns — 4.2x and 4.4x — producing ROCE in the mid-twenties. **Gemstone trading cannot turn its stock like that.** There is no bourse-level liquidity in coloured stones; a fine stone waits for the right buyer, and **turns of 2.0-2.5x are normal rather than a warning sign.** The business therefore has to earn a much higher gross margin — **29.5% rising to 31.5%** — to reach a comparable ~22% ROCE. **Same destination, opposite route.** Two practical consequences: a promoter must not benchmark this business against a manufacturer's turn ratios and conclude the stock is dead, and equally must not accept a manufacturer's thin margins here, because at 2.2 turns those margins would not cover the cost of capital.

7. Go-to-Market — Sourcing Is Harder Than Selling

As with rough diamonds, the buying side is where this business is won or lost.

Sourcing

- **Mine-country buying** — Sri Lanka, Madagascar, Mozambique, Zambia, Tanzania, Brazil and Colombia, each with its own material, practices and risks.
- **Jaipur and Indian cutting centres** for cut goods and calibrated production.
- **Trade shows and auctions** for fine and certified stones.
- **Responsible-sourcing checks before purchase** — including sanctions screening on Burmese material, which must be resolved before money moves.

Selling

- **Manufacturer supply relationships** built on calibrated consistency and delivery — the base load of the business.
- **Designer and retail sourcing to brief**, where expertise commands the best margin.
- **Certified fine stones** to collectors and export buyers, sold on documentation.
- **Imaging and cataloguing**, since colour photography and video now sell stones remotely — but must represent colour honestly, as a flattering image is itself a form of misdescription.

Sales approach

Define the species and quality bands the house will trade → build certification and disclosure as visible policy → win manufacturer accounts with calibrated reliability for steady offtake → grow custom sourcing where judgement earns its highest return → hold certified fine stones as the margin book, accepting they move slowly → **and above all resist buying outside competence, because in this trade a bargain is usually a stone somebody more knowledgeable has already declined.**

8. Operations Plan (source, verify, catalogue, match, sell)

- **Sourcing & inspection:** field or trade-show assessment of colour, clarity, cut and probable treatment before purchase.
- **Verification:** in-house instruments — refractometer, spectroscope, microscope, UV and advanced screening — followed by **independent laboratory certification on significant stones.**
- **Treatment determination:** heat, fracture filling, diffusion, irradiation and composite identification, recorded per stone.
- **Origin:** laboratory origin opinion where it materially affects price, **with the understanding that laboratories can and do differ.**

- **Cataloguing:** weight, dimensions, colour grade, treatment status, origin, certificate reference and calibrated colour imaging.
- **Matching:** assembling calibrated sets and matched pairs to manufacturer specification — a genuine skill and a real source of value.
- **Cutting/re-cutting:** subcontracted to Jaipur cutters where recutting improves realisation.
- **Inventory management:** age, cost and realisable value tracked per stone, with disciplined markdown of stale material.

Trading cycle

Stage	Activity	Metric
Source	Inspect & assess before buying	Buy price vs. later realisation
Verify	Instruments then lab certification	Surprises found post-purchase
Catalogue	Record & image with honest colour	Catalogue completeness
Match	Calibrated sets to specification	Match-order fill rate
Sell	Manufacturer, designer, collector	Margin by category
Review	Ageing & markdown discipline	Stones held over 12 months

Verification is where the money is protected, and the sequencing matters more than the spend. Instruments and laboratory fees at ₹34–68 lakh look like a large overhead for a trading house until set against what they prevent: **a synthetic ruby costs a fraction of a natural one and has been manufactured for over a century; lead-glass-filled ruby and heavily oiled emerald can look excellent and be worth a small fraction of their apparent value; and a "Kashmir" sapphire without a report that supports it is simply a blue sapphire.** The rule this house works to is **verify before payment on anything significant, not after** — the trade's habit of buying on inspection and certifying later is exactly how dealers end up owning something they cannot sell for what they paid. The second discipline is **ageing honesty:** coloured-stone inventory moves slowly by nature, but there is a difference between a fine stone waiting for its buyer and a stone that will never fetch its cost, and **a house that refuses to mark down the second is carrying a loss it has simply not yet recognised.**

9. Regulatory, Licences & Compliance (India)

- **Import/export:** customs and RBI documentation, GJEPC registration, correct classification and valuation on both legs.
- **Treatment & identity disclosure:** mandatory under consumer-protection and trade-description law — **describing a treated stone as untreated, or a synthetic as natural, is misrepresentation with civil and criminal consequence**, and it is the fastest way for a dealer to lose a trade reputation permanently.
- **Responsible sourcing & sanctions:** **Burmese ruby and jade are restricted in several jurisdictions and raise sanctions and human-rights questions;** screening must happen *before* purchase, and export buyers increasingly require documented chain-of-custody.
- **PMLA:** reporting-entity obligations above thresholds; KYC on counterparties including field sellers.
- **Cash:** Section 269ST ₹2 lakh cap on cash receipts, in a trade where cash practice is entrenched; undocumented purchases create tax, PMLA and title problems at once.
- **Title & provenance:** documented purchase records — **stones are portable and stolen goods circulate**, and a dealer who cannot show how a stone was acquired has a problem beyond its value.

- **Insurance:** stock, transit and travel cover; buying trips carry substantial value in person and need specific cover.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / managing director	1	1	2
Gemmologists & valuers	6	10	15
Sourcing & buying team	5	8	12
Sales & client servicing	6	10	15
Cataloguing, imaging & inventory	4	7	10
Certification coordination & QC	3	5	8
Security	3	4	5
Admin & accounts	3	5	7
Total	31	50	74

This is the smallest headcount in the vertical and the highest average skill. **Gemmologists and buyers together are about a third of the team and effectively are the business** — in a trade with no price list, the firm's entire competitive position is the quality of judgement it can put in front of a parcel.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0-4	Entity, GJEPC, instruments, vault, sourcing relationships, opening inventory
Ramp	Month 4-12	~2,800 stones certified; ₹6.5cr revenue, ₹6L loss; first manufacturer accounts
Grow	Year 2	Calibrated supply base & custom sourcing; ₹9.95cr, ₹30L profit
Scale	Year 3	₹14.55cr revenue, ₹82L profit, ~22% ROCE at only 2.5 turns

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. Buying accuracy, gross margin, inventory ageing, certification cost & species mix are the levers. **Note that turns are structurally low here and margin is structurally high — the reverse of the manufacturing plans in this vertical.**

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (gemstone inventory & receivables)	2,33,00,000
Certification, testing & gemmological instruments	26,00,000

Office, showroom, security & vault	24,00,000
Sourcing travel, buying float & trade-show participation	18,00,000
IT, colour imaging & cataloguing systems	10,00,000
Legal, registrations, GJEPC & launch	5,00,000
Brand, catalogue & business development	4,00,000
Total project cost	3,20,00,000
Working-capital finance	1,60,00,000
Promoter contribution	1,30,00,000
Term loan	30,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Certified coloured-stone sales (ruby, sapphire, emerald)	2,80,00,000	4,20,00,000	6,10,00,000
Calibrated stone supply to jewellery manufacturers	1,65,00,000	2,55,00,000	3,80,00,000
Semi-precious & commercial-grade parcel trading	1,20,00,000	1,85,00,000	2,60,00,000
Custom sourcing for retailers, designers & collectors	55,00,000	90,00,000	1,40,00,000
Cutting, re-cutting & certification services	30,00,000	45,00,000	65,00,000
Total revenue	6,50,00,000	9,95,00,000	14,55,00,000
Gemstone purchase cost	4,58,00,000	6,91,00,000	9,97,00,000
Salaries (gemmologists, sourcing, sales, admin)	62,00,000	88,00,000	1,24,00,000
Sourcing travel, trade shows & buying costs	38,00,000	52,00,000	70,00,000
Certification, laboratory fees & testing	34,00,000	48,00,000	68,00,000
Office, showroom, security, insurance & overheads	28,00,000	38,00,000	52,00,000
Depreciation, interest & other	22,00,000	28,00,000	34,00,000
Selling, marketing & catalogue	14,00,000	20,00,000	28,00,000
Total expenses	6,56,00,000	9,65,00,000	13,73,00,000
Net profit / (loss) before tax	(6,00,000)	30,00,000	82,00,000
Net margin	(0.9%)	3.0%	5.6%
Gross margin — structurally high	29.5%	30.6%	31.5%
Inventory turns — structurally low	2.0×	2.3×	2.5×
Return on capital employed	—	~12%	~22%
Certification cost as % of revenue	5.2%	4.8%	4.7%
Stones certified (approx.)	~2,800	~4,200	~6,000

12.3 Unit economics & break-even

- **Margin does the work that turns do elsewhere:** at 2.0–2.5 turns, a 31.5% gross margin is required to reach ~22% ROCE. The manufacturing plans in this vertical reach a similar return from 22% margins at 4.2–4.4 turns. **Same destination, opposite route — and the two must never be benchmarked against each other on the wrong metric.**
- **Buying accuracy is the entire margin:** there is no processing step to add value, so **the difference between the buy price and the realisable value IS the business.** Realised-versus-buy tracking per parcel is the single most important management report.
- **Certification at ~5% of revenue is a cost of doing business honestly** — and it also protects margin, since an uncertified fine stone realises materially less than the same stone with a report.
- **Custom sourcing carries the best margin** because it monetises judgement directly, with the client's requirement defined before the stone is bought.
- **Break-even:** Year 2, as buying judgement matures and manufacturer accounts provide base offtake. **Year 1's small loss is deliberate** — a new house's buying accuracy improves with experience, and early parcels are tuition.

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	40,00,000	17,00,000	9,00,000	4,00,000
Collections	1,45,00,000	1,52,00,000	1,58,00,000	1,65,00,000
Stone purchase, sourcing, certification & overheads	1,68,00,000	1,60,00,000	1,63,00,000	1,55,00,000
Closing balance	17,00,000	9,00,000	4,00,000	14,00,000

Cash here behaves unlike either manufacturing plan, and the difference is worth understanding before borrowing. There is no production cycle and no seasonal build to plan around — **instead, cash leaves when an opportunity appears.** A good parcel becomes available at a trade show or in a mine country, and it must be bought then, in a currency the seller accepts, often with limited credit. **The commitment is opportunistic and the realisation is slow**, since the stone waits for its buyer. **Two disciplines follow.** Keep a genuine *buying float* — undeployed capacity to act when something worth owning appears — because **a dealer fully invested in slow stock cannot buy the parcel that would have made the year.** And treat the opposite temptation with equal suspicion: **never buy a parcel merely because the float is idle.** In a business where a bargain is usually a stone somebody better-informed has already declined, unused capital is a safer position than a hasty purchase.

12.5 Key Performance Indicators to Monitor

- **Buying: realised value vs. buy price per parcel;** post-purchase certification surprises (target zero); purchases outside declared competence bands (target zero).
- **Inventory: stones held over 12 months;** ageing by value; markdown taken vs. deferred; buying float available.
- **Integrity:** treatment disclosed on every sale; synthetic/simulant detections; sanctions and responsible-sourcing screening completed pre-purchase; provenance documentation completeness.
- **Commercial:** gross margin by category; manufacturer repeat-order rate; match-order fill rate; custom-sourcing share of profit.

13. Funding Requirement & Bankability

Total ask: **₹1.6 crore working-capital finance plus ₹30 lakh term loan** against ₹1.3 crore promoter contribution. Three points deserve candour with a lender. **First, 73% of the project cost is inventory whose value is expert opinion rather than a quoted price** — unlike gold, which can be assayed and valued against a published rate, **a coloured-stone portfolio can only be valued by a qualified appraiser, and two appraisers may differ**. Lenders should therefore expect independent periodic valuation, certificate-backed records, and conservative drawing power; a promoter should propose these rather than wait to be asked. **Second, low inventory turns are structural and must not be read as slow-moving stock in the ordinary sense** — the credit question is whether the *margin* is adequate for the turn rate, and 31.5% at 2.5 turns is a sound answer. **Third, the operational risk is concentrated in one place: buying judgement**. There is no factory to run well or badly; the business is a series of purchase decisions, so the promoter's gemmological qualification, the depth of the valuation team and the discipline of certifying before payment are the real credit factors — more so than any figure in the projections.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (gemstone inventory & receivables)	2,33,00,000	72.8%
Certification, testing & gemmological instruments	26,00,000	8.1%
Office, showroom, security & vault	24,00,000	7.5%
Sourcing travel, buying float & trade-show participation	18,00,000	5.6%
IT, colour imaging & cataloguing systems	10,00,000	3.1%
Legal, registrations, GJEPC & launch	5,00,000	1.6%
Brand, catalogue & business development	4,00,000	1.3%
Total	3,20,00,000	100%

14. Risk Analysis & Mitigation

Risk	Mitigation
Buying badly — the central risk	There is no processing step to recover value; buy price versus realisable value IS the margin. Trade only within declared species and quality competence; certify significant stones before payment; track realised-vs-buy per parcel; treat a bargain as a stone somebody better-informed has already declined
Undetected treatment, synthetic or composite	In-house instruments plus independent laboratory certification; screening on every significant purchase; lead-glass-filled ruby and heavily oiled emerald can look excellent and be worth a fraction; synthetic corundum has existed for over a century and is cheap
Non-disclosure of treatment (own or supplier)	Written disclosure policy applied without exception; treatment recorded per stone and stated on every invoice; describing a treated stone as untreated is misrepresentation with civil and criminal consequence and ends a trade reputation permanently
Origin opinion not confirmed by a second laboratory	Buy origin-premium stones only with a report from a laboratory the buyer market accepts; disclose which laboratory and that origin is an opinion ; price the risk into origin-premium purchases

Inventory ageing into an unrecognised loss	Ageing report by value; disciplined markdown of stones that will not fetch cost; distinguish a fine stone awaiting its buyer from a mistake being carried at cost
Illiquidity when cash is needed	Maintain a buying float and a faster-moving commercial-grade book alongside fine stones; avoid full deployment into slow inventory
Sanctions / responsible-sourcing exposure (Myanmar and others)	Screening before purchase, not after; documented chain of custody; decline material that cannot be evidenced, since export and brand buyers increasingly require it
Theft, travel risk & stolen-goods circulation	Vault, dual custody, insured transit and travel cover; documented purchase records — a dealer who cannot show how a stone was acquired has a problem beyond its value
Key-person dependence on the promoter's eye	Build a second and third qualified valuer; document valuation reasoning per parcel; formal gemmological training funded for the team
PMLA / cash non-compliance	KYC on all counterparties including field sellers; strict ₹2 lakh cash discipline; no undocumented purchases whatever the trade norm

15. SWOT Analysis

Strengths Smallest capital and headcount in the vertical with the highest skill density; structurally high gross margin (31.5%); no factory, no labour-intensive operations, no price-list transparency to compete away; astrological demand is large and stable; certification discipline converts into repeat institutional business; Jaipur ecosystem access.	Weaknesses No price list — valuation is opinion, so buying error is unrecoverable; structurally low turns (2.0–2.5×); 73% of capital in opinion-valued inventory; acute key-person dependence on gemmological judgement; treatment and origin risks invisible without instruments; illiquid stock when cash is needed.
Opportunities Designer and bespoke jewellery growth; certified-stone preference rising; export demand for calibrated goods; collectors seeking documented origin; responsible-sourcing documentation becoming a differentiator rather than a burden; online imaging widening reach beyond the local trade.	Threats A treatment or synthetic scandal touching the house; new treatments outpacing detection; origin-determination disputes between laboratories; sanctions tightening on major source countries; price opacity eroding as online platforms publish comparables; a fashion shift away from a species the house is heavily stocked in.

16. Recommended AiSevak Tools for This Business

This gemstone trading business would use AiSevak's Gems vertical tools in operations:

- **Buying discipline: realised-value-vs-buy-price tracker per parcel**, competence-band register, post-purchase certification-surprise log.
- **Stone records**: per-stone catalogue with weight, colour, **treatment status, origin and certificate reference**, calibrated colour imaging, provenance documentation.
- **Inventory: ageing report by value and stones-held-over-12-months alert**, markdown discipline log, buying-float availability.
- **Integrity**: treatment-disclosure checklist per sale, **sanctions and responsible-sourcing pre-purchase screening**, synthetic/simulant detection log, PMLA/KYC and cash-limit checks.

- **Commercial:** gross margin by category and species, manufacturer repeat-order and match-fill tracking, ROCE-at-low-turns dashboard.

17. Key Assumptions & Notes

- Gemstone trading: sourcing, certifying and trading coloured stones (ruby, sapphire, emerald, semi-precious) — calibrated supply to jewellery manufacturers, custom sourcing for retailers/designers, certified fine stones for collectors, commercial-grade parcel trading, cutting/re-cutting subcontracted. **THE PURE-TRADING MODEL OF THE VERTICAL — no factory and no processing at all.**
- **THERE IS NO PRICE LIST, AND THAT SINGLE FACT GOVERNS EVERYTHING.** Gold has a spot price published every second; polished diamonds have a widely referenced price list and a shared grading vocabulary. **Coloured stones have NEITHER** — value depends on colour saturation/hue, clarity, cut, size, treatment and origin combined in ways no formula captures, so **valuation is EXPERT OPINION not a quotation and the same parcel can honestly be worth materially different amounts to two competent dealers.** Stated plainly rather than dressed up: **THE ENTIRE MARGIN RESTS ON KNOWING MORE ABOUT A STONE THAN THE COUNTERPARTY DOES** — not improper in itself (expertise is a real service) but it means **the business is one careless purchase away from a large loss and one undisclosed treatment away from losing the reputation it trades on.**
- **TWO HAZARDS, BOTH INVISIBLE TO THE NAKED EYE.** (1) **TREATMENT IS NEAR-UNIVERSAL AND MOST BUYERS CANNOT DETECT IT** — most ruby/sapphire is heated, most emerald fracture-filled, with diffusion, irradiation and lead-glass filling also circulating, and **an UNTREATED stone can be worth several MULTIPLES of a visually identical treated one**, which makes disclosure the ethical core and non-disclosure straightforward misrepresentation. (2) **ORIGIN DRIVES PRICE BY MULTIPLES** (Kashmir sapphire, Burmese ruby, Colombian emerald) **yet origin is a LABORATORY OPINION and reputable labs sometimes DISAGREE** — a stone bought on one report may not be confirmed by another. → **The only defensible foundation is CERTIFY BEFORE YOU PAY and DISCLOSE EVERYTHING YOU KNOW;** the trade's habit of buying on inspection and certifying later is exactly how dealers end up owning something they cannot sell for what they paid. A "Kashmir" sapphire without a report that supports it is simply a blue sapphire.
- **△ THE ECONOMICS RUN OPPOSITE TO THE TWO MANUFACTURING PLANS IN THIS VERTICAL — DO NOT BENCHMARK THEM AGAINST EACH OTHER ON THE WRONG METRIC.** Jewellery-manufacturing and diamond-processing earn a thin ~22% gross margin rescued by HIGH turns (4.2x / 4.4x) → mid-20s ROCE. **Gemstone trading CANNOT turn its stock like that** — there is no bourse-level liquidity, a fine stone waits for the right buyer, and **turns of 2.0-2.5x are NORMAL not a warning sign** — so it must earn a much higher gross margin (**29.5%→31.5%**) to reach a comparable ~22% ROCE. **SAME DESTINATION, OPPOSITE ROUTE.** Consequences: don't read the stock as dead by manufacturing standards, and don't accept manufacturing margins here because at 2.2 turns they would not cover the cost of capital.
- **THE ADDRESSABLE MARKET IS THE SET OF SPECIES AND QUALITY BANDS THE HOUSE CAN PRICE WITH CONFIDENCE — IT WIDENS WITH EXPERTISE, NOT WITH CAPITAL.** A house competent in Ceylon sapphire is **NOT thereby competent in Colombian emerald** (different treatments, origin questions, price behaviour, counterparties). **A promoter who buys outside it because a parcel looked cheap has discovered why it was cheap** — and in this trade **a bargain is usually a stone somebody better-informed has already declined.**
- **CASH BEHAVES UNLIKE EITHER MANUFACTURING PLAN: there is no production cycle and no seasonal build — CASH LEAVES WHEN AN OPPORTUNITY APPEARS** (a parcel at a trade show or in a mine country, bought then, in the seller's currency, on limited credit), so **the commitment is OPPORTUNISTIC while the realisation is SLOW.** → Keep a genuine **BUYING FLOAT**, because **a dealer fully invested in slow stock cannot buy the parcel that would have made the year;** and treat the opposite temptation equally seriously — **never buy merely because the float is idle; unused capital is a safer position than a hasty purchase.** Also: **AGEING HONESTY** — distinguish a

fine stone awaiting its buyer from a mistake being carried at cost, because **a house that refuses to mark down the second is carrying a loss it has simply not yet recognised.**

- Lender framing: **73% of project cost is inventory whose value is EXPERT OPINION rather than a quoted price** — unlike gold, which can be assayed against a published rate, **a coloured-stone portfolio can only be valued by a qualified appraiser and two appraisers may differ** → propose independent periodic valuation, certificate-backed records and conservative drawing power rather than waiting to be asked; **low turns are STRUCTURAL, so the credit question is whether MARGIN is adequate for the turn rate; and the operational risk is concentrated in ONE place — buying judgement**, since there is no factory to run well or badly, making the promoter's gemmological qualification and the certify-before-payment discipline the real credit factors.
- Compliance: GJEPC + customs/RBI on both legs; **treatment and identity disclosure is MANDATORY under consumer-protection and trade-description law; Burmese ruby and jade are restricted in several jurisdictions and raise sanctions and human-rights questions — screening must happen BEFORE purchase, not after**; PMLA reporting-entity duties and \$269ST ₹2L cash cap in a trade with entrenched cash habits; **stones are portable and stolen goods circulate, so a dealer who cannot show how a stone was acquired has a problem beyond its value.** Smallest headcount in the vertical (31→74) at the highest skill density — **gemmologists and buyers are ~a third of the team and effectively ARE the business.** ₹3.2cr, ~2,800→6,000 stones certified, rev 6.5→14.55cr, Y1 →₹6L → Y3 ₹82L (~22% ROCE at only 2.5 turns). **Y1's small loss is deliberate — a new house's buying accuracy improves with experience and early parcels are tuition.** Figures illustrative, exclude GST.

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