



BUSINESS PLAN · INDIA

Interior Materials & Hardware Supply

*Laminates, plywood, hardware and surfaces distribution to contractors, modular units
and designers*

INTERIOR DESIGN & FURNISHING

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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

1. Executive Summary

This plan sets out an **Interior Materials & Hardware Supply** business in India — distributing **laminates and decorative surfaces, plywood and panel products, hardware and fittings, adhesives and consumables, and tiles and sanitaryware** — to interior contractors, carpenters, modular units, fit-out firms and designers, through dealership arrangements with brand manufacturers.

The single most important thing to understand about this business: it is a credit business wearing a distribution badge. The dealer's visible product is material; its actual product is **30-60 days of unsecured credit extended to small, thinly capitalised contractors** — advanced without a lending licence, without a credit bureau, without collateral and without any practical recovery mechanism beyond persuasion. **At an 18% gross margin, a single ₹5 lakh bad debt erases the entire margin on ₹28 lakh of sales.** Stated in those terms, the priorities of the business reorder themselves: **debtor quality, not gross margin, decides the year.** This plan therefore carries bad debts as an explicit line and reports them against gross profit rather than against revenue, where the number is honest — **16.7% of gross profit in Year 1, falling to 10.7%.**

Second, a structural oddity that shapes both selling and collection: the person who chooses the brand is not the person who owes you money. An interior designer or architect specifies a particular laminate, in a particular shade, from a particular brand; the contractor then buys it and carries the debt. **So the dealer must market to people who will never pay it, and extend credit to people who never chose it.** These are two different activities with two different cost structures, and conflating them — as most dealers do — produces a sales effort aimed at whoever walks in rather than at the two distinct audiences that actually determine revenue and risk.

Third, a dealership is partly a financing arrangement in the manufacturer's favour, and should be read that way before it is signed. Territory rights arrive with **sales targets, minimum inventory obligations, display commitments and often a security deposit** — all of which transfer working capital from the manufacturer's balance sheet to the dealer's. The specific trap is quarterly targets: **a dealer who buys stock in the last week of a quarter to earn an incentive has purchased inventory it did not need, with money it does not have, to obtain a discount smaller than the cost of carrying it.** The incentive is real; so is the interest on the stock, and only one of them appears in the manufacturer's presentation.

This plan models a business requiring **₹2.6 crore** (₹85 lakh promoter + ₹35 lakh term loan + ₹1.4 crore working-capital finance), moving from **₹18 crore revenue and a ₹32 lakh loss** in Year 1 to **₹38.8 crore revenue and ₹84 lakh profit** by Year 3. (*Materials distribution; credit- and turns-driven, thin-margin — figures illustrative.*)

2. Business Description, Vision & Legal Structure

Concept: An interior materials distributor — brand dealerships in laminates, plywood, hardware, adhesives and surfaces, serving contractors, carpenters, modular manufacturers, fit-out firms and designers, with a display area for specifiers, warehousing, delivery fleet and a formal credit-control function.

Vision: To be the dealer whose material is genuine, whose delivery is on the day promised, and whose ledger is clean.

Mission: Price credit openly rather than hiding it; sell to the specifier and lend to the contractor knowing they are different jobs; never stock a target we did not need; and never sell a board as something it is not.

Legal structure options

- **Private Limited** — recommended: dealership agreements, working-capital limits and project supply to corporates all favour a company with audited accounts.
- **LLP** — workable for a smaller single-category dealership.
- **Proprietorship** — the traditional form in this trade, still common, but limits bank funding in a business that is almost entirely funded working capital.

Regulatory anchor: product standards are the compliance core here, because **this trade has a genuine counterfeit and misgrading problem. Plywood is graded under BIS specifications (MR, BWR, BWP) and is required to carry ISI marking for specified grades — and falsely marked or misdescribed board is widely available. Selling a lower grade as a higher one is misdescription with consumer-protection and, where a mark is falsified, more serious consequences.** Adhesives, sealants and some finishes are flammable and, in quantity, bring **storage, fire-safety and hazardous-goods obligations**; a warehouse holding drums of solvent-based adhesive alongside stacked timber board is a substantial fire load and is treated as such by insurers. Otherwise: GST with correct HSN classification and input-credit discipline, e-way bills on movement, **Legal Metrology declarations on pre-packed goods**, shop and establishment registration, dealership contract terms, and stock and transit insurance sized to actual holdings.

3. Promoter & Ownership

Led by a promoter with building-materials distribution, hardware trade or contracting background. Three competences decide outcomes: *credit judgement*, because this is fundamentally a lending business and the decision to extend or refuse is made dozens of times a week; *inventory discipline*, since thousands of shades and grades will otherwise absorb every rupee the business has; and *specifier relationships*, because the brand and shade are chosen upstream of the buyer. Credit control, stock turns, specifier reach & product authenticity are the differentiators. Ownership, equity & any partner are editable inputs.

4. Market Analysis — India

Demand is driven by residential and commercial interior activity, the shift from site-made to factory-made joinery, modular kitchen and wardrobe growth, apartment handovers, and renovation cycles. Demand tracks the fit-out market and is broad, fragmented and continuous. The market rewards availability, credit and authenticity; it is **thin-margin, credit-intensive and relationship-bound**.

Demand drivers

- **Interior fit-out volume** across residential, commercial and retail — every project consumes these categories.
- **Modular manufacturing growth**, which consumes board, laminate and hardware in industrial quantities and pays better than site contractors.
- **Brand and shade specification** by designers, pulling demand toward dealers who carry the specified ranges.
- **Renovation and replacement** cycles, which are steadier than new construction.
- **Hardware premiumisation** — soft-close, lift-up and organiser systems commanding better margins than commodity board.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
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TAM	Indian interior materials & hardware distribution	Very large, highly fragmented
SAM	Catchment served by delivery reach & dealerships held	Territory-bounded
SOM (Yr 1–3)	Customers the business can safely extend credit to	Credit-bounded, not demand-bounded

That SOM definition is deliberate and is the honest constraint. There is no shortage of contractors who want material; **there is a permanent shortage of contractors who will reliably pay for it.** A dealer can grow revenue almost at will by loosening credit — and this is precisely how dealers in this trade fail, because **the revenue arrives immediately and the bad debt arrives ten months later, by which time the growth has been celebrated and the stock has been reordered.** Growth here is therefore not a sales problem but a *credit-assessment capacity* problem: **the business can only expand as fast as it can evaluate and monitor the people it is lending to.**

Target segments

- **Interior contractors and fit-out firms** — the volume base, variable credit quality, project-driven demand.
- **Carpenters and small workshops** — high frequency, small tickets, the weakest credit and often the best margins.
- **Modular kitchen and furniture manufacturers** — industrial volumes, better payment discipline, tighter pricing.
- **Designers and architects** — they specify but do not buy; the marketing audience.
- **Project supply** to large fit-outs — big tickets, **concentrated credit risk.**

5. Competition & Competitive Advantage

Landscape: a very large number of local dealers and hardware shops, brand-exclusive showrooms, online B2B material platforms, direct manufacturer supply to large accounts, and unorganised suppliers of unbranded or misgraded material.

Price is transparent and margins are thin, so competition happens on availability, credit terms and trust in what is being sold.

The business's edge

- **Authenticity** — genuine, correctly graded material, which matters more in this trade than in most because the alternative is widely available and visually identical.
- **Availability** of specified shades and grades, since a contractor whose shade is out of stock loses days.
- **Disciplined credit** — clear limits and terms, which paradoxically makes the dealer a *better* partner than one who lends freely and then stops abruptly.
- **Specifier engagement**, so the brand and shade specified are ones this dealer carries.
- **Delivery reliability** to site, which is worth real money to a contractor paying idle crews.

Authenticity deserves emphasis because it is the one thing a dealer sells that cannot be verified by the buyer. A contractor buying "BWP grade" plywood or a branded laminate **cannot test the board, cannot audit the mark, and will not discover a substitution until the kitchen swells two monsoons later — by which time the modular manufacturer, not the dealer, is being blamed.** That places the dealer in the same position as the refiner and the assayer elsewhere in this library: **what is actually being sold is the dealer's word, and the material is merely how it is delivered.** A dealer who buys cheaper stock from an uncertain source captures the difference immediately and transfers a defect to a customer who will attribute it to someone else — which is exactly why the practice persists, and exactly why refusing it is a durable commercial position rather than a moral one.

6. Products & Revenue Model

Category	Model	Basis
Laminates, veneers & decorative surfaces	Dealership, shade-driven	~34% — specifier-led
Plywood, boards & panel products	Dealership, grade-driven	Volume, thinnest margin
Hardware, fittings & accessories	Dealership + assortment	Best margin
Tiles, sanitaryware & surfaces	Dealership / project supply	Breakage-exposed
Adhesives, sealants & consumables	Repeat consumable	High frequency, sticky

The pricing decision most dealers avoid making explicitly is the one between a cash price and a credit price — and making it explicit is both more honest and more profitable. Credit costs money: at 60 debtor days and prevailing working-capital rates, roughly **2% of the invoice value is consumed simply by financing it**, before any allowance for the risk that it is never paid. Most dealers bury this in a single price, which means **the cash-paying customer subsidises the credit-taking one, and the dealer never learns what its credit book actually costs.** Quoting two prices — a lower one for immediate payment, a standard one for terms — does three useful things: **it prices the risk, it rewards the customers worth keeping, and it converts a portion of the book to cash without anyone feeling refused.** This plan grows cash sales from 22% to 30% of revenue on precisely that basis.

7. Go-to-Market — Two Audiences, One Ledger

The specifier (who decides)

- **Designer and architect engagement** — shade libraries, sample folders, new-range presentations and display space.
- **Being the dealer whose ranges get specified**, which converts into contractor demand automatically.
- **No commission arrangements that the paying customer does not know about** — a position consistent with the design-studio plan earlier in this vertical, and one that some designers will value and others will not.

The contractor (who owes)

- **Credit assessment before the first supply**, not after the first default.
- **Delivery reliability**, which is what a contractor genuinely values day to day.
- **Clear, consistent limits** — a customer who knows their limit plans around it; one who discovers it mid-project resents it.

Sales approach

Build specifier relationships so the ranges carried are the ranges specified → assess credit before supplying and monitor it continuously → serve modular manufacturers and organised fit-out firms for better payment discipline → grow cash sales through explicit two-price quoting → and **accept that some revenue must be declined.** This is the hardest discipline in the trade, because **the salesperson is rewarded for the order and the consequence lands on the ledger months later, in a different part of the business, where nobody connects the two.** Aligning sales incentives to *collected* revenue rather than billed revenue is the structural fix, and it is worth more than any pricing improvement.

8. Operations Plan (stock, sell, deliver, collect)

- **Purchase & dealership management:** ordering against demonstrated offtake, **resisting target-driven overbuying**, and negotiating credit terms with principals.
- **Inventory:** shade and grade management across thousands of SKUs, with **ageing and discontinued-shade tracking**.
- **Authenticity control:** purchase only from authorised channels; verify marking and documentation on receipt.
- **Counter & field sales:** quotation, availability confirmation and substitution advice where a shade is discontinued.
- **Credit assessment:** limits set on evidence, reviewed on behaviour, and **enforced by a function that does not report to sales**.
- **Delivery:** site delivery scheduling, with damage-aware handling for laminate sheets, glass and tiles.
- **Collections:** structured follow-up by ageing bucket, with escalation points defined in advance.
- **Returns & damage:** handling loss, cracked sheets and broken tiles recorded by cause.

Trading cycle

Stage	Activity	Control point
Buy	Order against offtake	Target-driven overbuy (target: nil)
Stock	Shade & grade management	Turns; ageing; discontinued shades
Assess	Credit limit before supply	Supplies beyond limit (target: nil)
Sell	Cash price or credit price	Cash-sale share
Deliver	Site delivery, damage-aware	On-time delivery; handling damage
Collect	Follow-up by ageing bucket	Debtor days; overdue >90 days

The credit-control function must sit outside sales, and the reason is structural rather than a matter of trust. A salesperson's incentive is the order; the consequence of a bad order appears months later as a receivable that ages quietly. **When the same person both makes the sale and decides the limit, the limit will always lose** — not through dishonesty but because the two outcomes arrive at different times to different degrees of visibility. This plan therefore staffs credit control as an independent function reporting to the promoter, and pairs it with **sales incentives paid on collection rather than on billing**. It is the same principle applied to the assay laboratory in the refining plan and to quantity surveying in the contracting plans: **the person who measures must not be the person rewarded by the measurement**. Alongside it sits the second discipline — **overdue over 90 days is the leading indicator that matters**, falling here from 22% to 10% of debtors, because **a receivable that has passed ninety days rarely improves on its own and never does so quietly**.

9. Regulatory, Licences & Compliance (India)

- **Product standards:** plywood grading under **BIS (MR, BWR, BWP)** with ISI marking for specified grades — and **falsely marked or misgraded board is widely available in this trade. Selling a lower grade as a higher one is misdescription; dealing in falsely marked goods is materially more serious.**
- **Fire & storage:** **solvent-based adhesives and sealants stored in quantity alongside stacked board make a warehouse a substantial fire load**; storage limits, segregation, ventilation, fire detection and suppression, and insurer requirements apply.

- **GST:** correct HSN classification across a wide product range, input-credit discipline, and e-way bills on movement — **classification errors across thousands of SKUs are a genuine and recurring exposure in this trade.**
- **Legal Metrology** declarations on pre-packed goods.
- **Dealership agreements:** territory, targets, minimum stock, deposits, and termination terms — **read as a financing arrangement, not only as a commercial one.**
- **Formaldehyde and emission grades** where specified by project clients (E1/E0), with documentation retained.
- Shop and establishment registration, labour compliance, and stock, transit and fire insurance sized to actual holdings.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / managing director	1	1	2
Sales & counter staff	18	28	42
Warehouse, loading & material handling	16	26	38
Delivery drivers & logistics	12	19	28
Credit control & collections (independent)	5	9	14
Admin, accounts & billing	5	8	12
Designer & specifier engagement	4	7	11
Purchase & inventory	4	7	10
Total	65	105	157

Two teams exist because of the split described in §1: **specifier engagement markets to people who never pay, and credit control manages people who never chose.** Most dealers have neither as a distinct function and wonder why both revenue and recovery are unpredictable.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0-3	Dealerships, warehouse, display, fleet, credit policy & systems
Ramp	Month 3-12	₹18cr revenue, ₹32L loss; debtor days 68, bad debts 3.0%
Grow	Year 2	Debtor days 61, cash sales 26%; ₹27cr, ₹12L profit
Scale	Year 3	₹38.8cr revenue, ₹84L profit; bad debts 10.7% of gross profit, turns 10.2×

12. Financial Plan (Illustrative)

*All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. **Bad debts, debtor days, inventory turns, cash-sale share and dead stock are the levers — and bad debts are reported against GROSS PROFIT, not revenue, because that is where the number is honest.***

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (inventory + debtors)	1,72,00,000
Warehouse, racking, material handling & display	38,00,000
Delivery vehicles & logistics	22,00,000
Dealership security deposits & brand obligations	14,00,000
IT, ERP, inventory & credit-control systems	8,00,000
Office setup	4,00,000
Legal, registrations & launch	2,00,000
Total project cost	2,60,00,000
Working-capital finance / cash credit	1,40,00,000
Promoter contribution	85,00,000
Term loan	35,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Laminates, veneers & decorative surfaces	6,20,00,000	9,20,00,000	13,20,00,000
Plywood, boards & panel products	5,40,00,000	8,10,00,000	11,50,00,000
Hardware, fittings & accessories	3,10,00,000	4,80,00,000	7,20,00,000
Tiles, sanitaryware & surfaces	1,85,00,000	2,70,00,000	3,80,00,000
Adhesives, sealants & consumables	1,45,00,000	2,20,00,000	3,10,00,000
Total revenue	18,00,00,000	27,00,00,000	38,80,00,000
Cost of goods	14,76,00,000	22,09,00,000	31,54,00,000
Salaries (sales, credit control, warehouse, admin)	78,00,000	1,08,00,000	1,52,00,000
Interest & finance cost	62,00,000	82,00,000	1,05,00,000
Bad debts & credit losses	54,00,000	62,00,000	78,00,000
Warehouse, rent, handling & overheads	46,00,000	62,00,000	85,00,000
Delivery, logistics & freight	42,00,000	62,00,000	85,00,000
Dead stock, discontinued shades & handling damage	32,00,000	45,00,000	58,00,000
Selling, designer engagement & BD	28,00,000	40,00,000	55,00,000
Depreciation & other	14,00,000	18,00,000	24,00,000
Total expenses	18,32,00,000	26,88,00,000	37,96,00,000
Net profit / (loss) before tax	(32,00,000)	12,00,000	84,00,000

Net margin	(1.8%)	0.4%	2.2%
Gross margin	18.0%	18.2%	18.7%
Bad debts as % of revenue	3.0%	2.3%	2.0%
Bad debts as % of GROSS PROFIT — <i>the honest number</i>	16.7%	12.6%	10.7%
Debtor days	68	61	54
Overdue >90 days as % of debtors	22%	15%	10%
Cash sales as % of revenue	22%	26%	30%
Inventory turns	8.6×	9.2×	10.2×
Return on capital employed	—	~28%	~42%
Active SKUs / Designers specifying	~4,200 / 85	~5,500 / 165	~6,800 / 280

12.3 Unit economics & break-even

- **Report bad debts against gross profit, not revenue.** "3% of revenue" sounds tolerable; **"16.7% of gross profit" is the same number stated so that management can see it is consuming a sixth of everything the business earns.** Reducing it to 10.7% contributes more to Year 3 profit than the entire gross-margin improvement.
- **Read return as ROCE, not net margin** — as in the gems vertical, a 2.2% net margin on 10.2 inventory turns is roughly **42% ROCE**. Distribution is a turns business, and net margin in isolation says almost nothing about it.
- **Debtor days and turns are the same lever seen twice:** every day removed from collection releases capital that funds stock, and every extra turn reduces the capital needed to support the same revenue.
- **Hardware carries the best margin and the least dead-stock risk** — it does not go out of fashion the way a laminate shade does — which is why growing it faster than board is worth doing deliberately.
- **Break-even:** Year 2, marginally. **Year 1's loss reflects an unseasoned debtor book, a stock assortment still being learned, and the bad debts that a new dealer necessarily discovers by making them.**

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	55,00,000	17,00,000	7,00,000	12,00,000
Collections	4,00,00,000	4,25,00,000	4,40,00,000	4,55,00,000
Purchases, salaries, logistics, interest & overheads	4,38,00,000	4,35,00,000	4,35,00,000	4,42,00,000
Closing balance	17,00,000	7,00,000	12,00,000	25,00,000

Cash in this business is the difference between two credit periods, and the whole enterprise lives inside that gap. The dealer receives roughly **30-45 days from its principals** and grants **54-68 days to its customers** — so **every rupee of credit sales funds a gap of two to four weeks, permanently, on a growing base.** That single fact explains why growth in distribution consumes cash rather than producing it: **a dealer growing 50% is not generating more cash, it is funding a larger gap, and profitable growth here can be indistinguishable from a liquidity crisis on the way to becoming one.** Three disciplines follow. **Negotiate principal credit as hard as customer credit** — an extra ten days from a supplier is worth exactly as much as ten days off debtor days and is usually easier to obtain. **Grow cash sales deliberately through explicit two-price quoting**, which converts part of the book to same-day money without refusing anyone. And **never fund a quarterly target purchase from the collections account**: the incentive is a one-off

percentage, the stock is a permanent commitment, and **a dealer who does this repeatedly will find its shelves full and its cash gone in a business where those two conditions are the same condition.**

12.5 Key Performance Indicators to Monitor

- **Credit: bad debts as % of gross profit;** debtor days; **overdue >90 days as % of debtors;** supplies made beyond sanctioned limit (target nil); collection-linked sales incentive adherence.
- **Stock:** inventory turns; ageing and discontinued-shade value; **target-driven purchases (target nil);** handling damage by category.
- **Commercial:** gross margin by category; **cash-sale share;** hardware share of revenue; designers actively specifying the ranges carried.
- **Integrity & service:** authenticity verification on receipt; grade-vs-invoice audits; on-time delivery; GST classification accuracy.

13. Funding Requirement & Bankability

Total ask: **₹1.4 crore working-capital finance plus ₹35 lakh term loan** against ₹85 lakh promoter contribution. Four points frame the credit. **First, 66% of project cost is inventory and debtors, so this is a working-capital facility with a small equipment tail** — the assessment is a stock-and-receivables assessment, and drawing power should be set against them directly. **Second, the receivable book is the risk and should be examined rather than accepted: a lender funding a materials dealer is, at one remove, funding unsecured credit to small contractors**, so debtor ageing, concentration and the independence of the credit-control function matter more than the P&L. **Third, inventory is decent security but unevenly so** — board and hardware retain value and are liquid; **discontinued laminate shades are close to worthless and should be discounted heavily**, exactly as aged stock was in the decor plan. **Fourth, growth consumes cash here**, which is counter-intuitive to a lender used to reading revenue growth as strength: **a dealer growing quickly will need a larger facility precisely when its P&L looks best**, and a limit sized to last year's turnover will constrain it at the moment it is doing well.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (inventory + debtors)	1,72,00,000	66.2%
Warehouse, racking, material handling & display	38,00,000	14.5%
Delivery vehicles & logistics	22,00,000	8.5%
Dealership security deposits & brand obligations	14,00,000	5.4%
IT, ERP, inventory & credit-control systems	8,00,000	3.1%
Office setup	4,00,000	1.5%
Legal, registrations & launch	2,00,000	0.8%
Total	2,60,00,000	100%

14. Risk Analysis & Mitigation

Risk	Mitigation
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Bad debts — the business's defining risk	This is unsecured lending to thinly capitalised contractors without licence, bureau or collateral; at 18% gross margin a ₹5L default erases the margin on ₹28L of sales. Credit assessed before first supply; limits enforced by a function outside sales; report bad debts against GROSS PROFIT (16.7% → 10.7%) so management sees what they actually consume
Sales incentives rewarding uncollectable orders	The salesperson is rewarded for the order and the consequence lands on the ledger months later, in a different part of the business, where nobody connects the two. Pay incentives on <i>collected</i> revenue; the person who measures must not be the person rewarded by the measurement
Growth outrunning credit-assessment capacity	Revenue can be grown almost at will by loosening credit — and the revenue arrives immediately while the bad debt arrives ten months later, after the growth has been celebrated and the stock reordered. Expand only as fast as customers can be evaluated and monitored
Target-driven overstocking	A dealer buying stock in the last week of a quarter for an incentive has purchased inventory it did not need, with money it does not have, for a discount smaller than the cost of carrying it. Order against demonstrated offtake; never fund a target purchase from collections
Counterfeit or misgraded material	The buyer cannot test the board and will not discover a substitution until the kitchen swells two monsoons later — by which time the modular manufacturer, not the dealer, is blamed. Purchase only through authorised channels; verify marking on receipt; what is actually being sold is the dealer's word, and the material is merely how it is delivered
Dead stock in discontinued shades	Ageing tracked by shade; markdown on evidence; substitution advice to customers; grow hardware, which does not go out of fashion the way a laminate shade does
The credit-period gap widening	30–45 days received, 54–68 days granted; negotiate principal credit as hard as customer credit — ten extra supplier days is worth exactly as much as ten days off debtor days and is usually easier to obtain; grow cash sales through two-price quoting
Project-supply concentration	Large fit-out supply concentrates credit risk in one contractor; cap single-party exposure; secure part payment or direct-to-client arrangements on large orders
Fire in the warehouse	Solvent adhesives stored beside stacked board is a substantial fire load; segregation, storage limits, detection, suppression and insurer-compliant practice
GST classification error across thousands of SKUs	HSN mapping maintained systematically; periodic review; input-credit reconciliation — a recurring and genuine exposure in a wide-range trade

15. SWOT Analysis

Strengths Continuous demand tracking all interior activity; strong ROCE (~42%) from high turns despite thin margin; hardware provides better margin and lower fashion risk; authenticity is a defensible position competitors cannot easily copy; specifier relationships create pull-through demand; dealership territory offers some protection.	Weaknesses It is unsecured lending in a distribution wrapper — bad debts consume a sixth of gross profit; 66% of capital in stock and debtors; growth consumes cash rather than producing it; thousands of SKUs with obsolescence risk; dealership targets transfer the manufacturer's working capital onto the dealer; 2.2% net margin leaves no room for error.
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Opportunities	Threats
Modular manufacturing growth consuming board and hardware industrially and paying better; hardware premiumisation; organised fit-out firms as better-credit customers; specifier engagement pulling brand demand; B2B digital ordering improving efficiency; project supply to corporate fit-outs.	Manufacturer direct-supply to large accounts bypassing dealers; online B2B platforms compressing margins; a single large contractor default; interior-market slowdown transmitting immediately to both sales and collections; counterfeit material competing on price; principal changing territory or terms.

16. Recommended AiSevak Tools for This Business

This interior materials distributor would use AiSevak's Interior and Retail vertical tools in operations:

- **Credit: customer credit-limit register with pre-supply assessment**, debtor ageing by bucket, **bad-debts-as-%-of-gross-profit dashboard**, overdue >90-day alert, supplies-beyond-limit log.
- **Stock: SKU and shade ageing with discontinued flagging**, inventory turns by category, **target-driven-purchase register**, handling damage by cause.
- **Cash: supplier-credit-days vs. debtor-days gap monitor**, cash-sale share tracker, two-price quoting calculator, ROCE dashboard.
- **Integrity: authenticity verification on receipt**, grade-vs-invoice audit log, GST/HSN classification register.
- **Commercial: specifier engagement and range-specification tracking**, gross margin by category, delivery reliability.

17. Key Assumptions & Notes

- Interior materials & hardware supply: laminates/veneers/decorative surfaces, plywood and panel products, hardware and fittings, adhesives and consumables, tiles and sanitaryware; distributed under brand dealerships to interior contractors, carpenters, modular manufacturers, fit-out firms and designers, with display, warehousing, delivery fleet and formal credit control.
- **⚠ THE SINGLE MOST IMPORTANT THING ABOUT THIS BUSINESS: IT IS A CREDIT BUSINESS WEARING A DISTRIBUTION BADGE.** The visible product is material; the actual product is **30-60 days of UNSECURED credit extended to small, thinly capitalised contractors — advanced without a lending licence, without a credit bureau, without collateral and without any practical recovery mechanism beyond persuasion. At 18% gross margin a single ₹5L bad debt erases the entire margin on ₹28L of sales → DEBTOR QUALITY, NOT GROSS MARGIN, DECIDES THE YEAR**, and bad debts are reported against **GROSS PROFIT rather than revenue because that is where the number is HONEST: "3% of revenue" sounds tolerable, "16.7% of gross profit" is the same number stated so management can see it consumes A SIXTH OF EVERYTHING THE BUSINESS EARNS** (16.7%→10.7%, contributing more to Y3 profit than the entire gross-margin improvement).
- **A STRUCTURAL ODDITY THAT SHAPES BOTH SELLING AND COLLECTION: THE PERSON WHO CHOOSES THE BRAND IS NOT THE PERSON WHO OWES YOU MONEY.** The designer/architect specifies the laminate, shade and brand; the CONTRACTOR buys it and carries the debt → **the dealer must MARKET to people who will NEVER PAY IT and extend CREDIT to people who NEVER CHOSE IT** — two different activities with two different cost structures, and **conflating them (as most dealers do) produces a sales effort aimed at whoever walks in rather than at the two distinct audiences that actually determine revenue and risk**. Hence two separate teams: specifier engagement and credit control.
- **A DEALERSHIP IS PARTLY A FINANCING ARRANGEMENT IN THE MANUFACTURER'S FAVOUR AND SHOULD BE READ THAT WAY BEFORE IT IS SIGNED** — territory rights arrive with **sales targets, minimum inventory obligations, display commitments and security deposits, all transferring working capital from the**

manufacturer's balance sheet to the dealer's. Specific trap: a dealer who buys stock in the last week of a quarter to earn an incentive has purchased inventory it did not need, with money it does not have, for a discount **SMALLER THAN THE COST OF CARRYING IT** — the incentive is real, so is the interest on the stock, and only one of them appears in the manufacturer's presentation.

- **THE SOM CONSTRAINT IS CREDIT, NOT DEMAND:** there is no shortage of contractors who want material, there is a **PERMANENT SHORTAGE OF CONTRACTORS WHO WILL RELIABLY PAY FOR IT**. A dealer can grow revenue almost at will by loosening credit — and this is precisely how dealers in this trade fail, because **THE REVENUE ARRIVES IMMEDIATELY AND THE BAD DEBT ARRIVES TEN MONTHS LATER**, by which time the growth has been celebrated and the stock reordered → growth is a **CREDIT-ASSESSMENT CAPACITY** problem, not a sales problem. Related structural fix: **CREDIT CONTROL MUST SIT OUTSIDE SALES** — not from distrust but because a salesperson's incentive is the order while the consequence appears months later as a receivable ageing quietly, so when the same person makes the sale **AND** decides the limit, **THE LIMIT WILL ALWAYS LOSE** — paired with sales incentives paid on **COLLECTED** revenue, not billed. Same principle as the assay lab in gold-refining and QS in the contracting plans: **the person who measures must not be the person rewarded by the measurement**. Leading indicator: **overdue >90 days (22%→10%)**, because a receivable past ninety days rarely improves on its own and **NEVER** does so quietly.
- **MAKE THE CASH-PRICE vs CREDIT-PRICE DECISION EXPLICIT** — most dealers avoid it and it is both more honest and more profitable to state. At 60 debtor days, ~2% of invoice value is consumed simply financing it, before any allowance for default; burying that in one price means **the cash-paying customer SUBSIDISES the credit-taking one, and the dealer never learns what its credit book actually costs**. Two prices **prices the risk, rewards the customers worth keeping, and converts part of the book to cash WITHOUT ANYONE FEELING REFUSED** (cash sales 22%→30%).
- **AUTHENTICITY IS THE ONE THING A DEALER SELLS THAT THE BUYER CANNOT VERIFY.** A contractor buying "BWP grade" ply or a branded laminate **cannot test the board, cannot audit the mark, and will not discover a substitution until the kitchen swells TWO MONSOONS LATER** — by which time **THE MODULAR MANUFACTURER, NOT THE DEALER, IS BEING BLAMED**. Same position as the refiner and assayer elsewhere in this library: **WHAT IS ACTUALLY BEING SOLD IS THE DEALER'S WORD, AND THE MATERIAL IS MERELY HOW IT IS DELIVERED**. A dealer buying cheaper stock from an uncertain source **captures the difference immediately and transfers a defect to a customer who will attribute it to someone else** — which is exactly why the practice persists, and exactly why refusing it is a **DURABLE COMMERCIAL POSITION** rather than a moral one. Compliance: **BIS plywood grades (MR/BWR/BWP) with ISI marking**, where falsely marked board is widely available and **SELLING A LOWER GRADE AS A HIGHER ONE IS MISDESCRIPTION** while dealing in falsely marked goods is materially more serious.
- **CASH IS THE DIFFERENCE BETWEEN TWO CREDIT PERIODS AND THE WHOLE ENTERPRISE LIVES INSIDE THAT GAP** — ~30-45 days received from principals against 54-68 days granted to customers, so **every rupee of credit sales funds a two-to-four-week gap PERMANENTLY, on a GROWING base**. That explains why **GROWTH IN DISTRIBUTION CONSUMES CASH RATHER THAN PRODUCING IT: a dealer growing 50% is not generating more cash, it is FUNDING A LARGER GAP**, and profitable growth here can be **INDISTINGUISHABLE FROM A LIQUIDITY CRISIS ON THE WAY TO BECOMING ONE** → negotiate **PRINCIPAL** credit as hard as **CUSTOMER** credit (ten extra supplier days is worth exactly as much as ten days off debtor days and is usually easier to obtain), grow cash sales, and **never fund a quarterly target purchase from the collections account** — the incentive is a one-off percentage, the stock a permanent commitment, and a dealer doing this repeatedly finds its shelves full and its cash gone, in a business where those two conditions are **THE SAME CONDITION**. Read return as **ROCE not net margin (2.2% at 10.2 turns ≈ 42% ROCE)**, the same lens as the gems vertical. Lender note: **funding a materials dealer is, at one remove, FUNDING UNSECURED CREDIT TO SMALL CONTRACTORS**, so debtor ageing/concentration and credit-control independence matter more than the P&L;

discontinued laminate shades are close to worthless as security; and a dealer growing quickly needs a LARGER facility precisely when its P&L looks BEST. ₹2.6cr, rev 18→38.8cr, Y1 –₹32L → Y3 ₹84L. Figures illustrative, exclude GST.

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