BUSINESS PLAN · INDIA

Jewellery Manufacturing Unit

Gold and diamond jewellery production for wholesale, job work and export with in-house design and hallmarking

GEMS, JEWELLERY & PRECIOUS GOODS

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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1. Executive Summary

This plan sets out a **Jewellery Manufacturing Unit** in India — producing **gold and diamond jewellery** through casting, CNC and handcrafted karigar work, supplying **retail chains and family jewellers on a wholesale basis, executing job-work manufacturing on client-supplied metal, and taking export orders** , with in-house design, CAD/CAM, quality control and BIS hallmarking coordination.

> **How this plan measures profitability — read this first.** A jewellery manufacturer's headline net margin looks alarming: **1.0% loss in Year 1 rising to 3.4% by Year 3**. That is not a weak business — it is the correct arithmetic of the trade, and misreading it is the commonest error made about this sector. **Gold and diamond material is roughly 77% of revenue and it is essentially a pass-through**: the manufacturer buys metal, adds labour and design, and sells metal-plus-making. **The business earns on MAKING CHARGES and value addition, not on the metal.** Two consequences run through every table in this plan. First, **gross value added (revenue less material) is the meaningful revenue figure — ₹2.6 crore in Year 1 rising to ₹6.49 crore**, and margins should be read against that. Second, and decisively, **return must be read as ROCE driven by INVENTORY TURNS, never as net margin**: Year 3's 3.4% net margin corresponds to roughly **26% return on capital employed**, because the capital turns over. A plan in this vertical that boasts a double-digit net margin is either mis-stating the metal or not actually manufacturing.

> **And a second warning that belongs at the front: gold price risk is a separate business from jewellery manufacturing, and an unhedged manufacturer is running both at once.** With ₹3.2 crore of metal inventory, **a 5% move in the gold price is ₹16 lakh of profit or loss — more than the entire first year's result — arising from nothing the business did well or badly.** The discipline that resolves this is the **Gold Metal Loan: borrow gold, manufacture, and repay in gold**, so the liability moves with the asset and the price exposure largely cancels. This is not an advanced technique to adopt later; it is the difference between a manufacturing business and a leveraged commodity position with a workshop attached. This plan finances ₹2.4 crore on that basis deliberately.

This plan models a business requiring **₹4.5 crore** (₹1.3 crore promoter + ₹80 lakh term loan + ₹2.4 crore gold metal loan / working-capital finance), moving from **₹11.75 crore revenue and a ₹12 lakh loss** in Year 1 to **₹27.6 crore revenue and ₹95 lakh profit** by Year 3, processing roughly 310 kg of gold annually. *(Jewellery manufacturing; making-charge margin on a large metal base, turns-driven — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A jewellery manufacturing unit producing gold and diamond jewellery through casting, CNC/laser and handcrafted karigar work — supplying retailers on wholesale, executing job work on client metal, taking export orders, and running in-house design, CAD/CAM, metal accounting, QC and hallmarking coordination, plus refining recovery from sweeps and scrap.

Vision: To be the manufacturing partner a retailer trusts with their gold — because every gram is accounted for and every piece is what the stamp says it is.

Mission: Weigh in, weigh out, account per karigar per job; hedge the metal, not the customer; and never let a piece leave that could not be re-assayed.

Legal structure options

- **Private Limited** — recommended: gold metal loan facilities, retail-chain vendor registration, export documentation and the governance a high-value-inventory business needs all presume an audited company.

- **LLP** — workable for a smaller job-work-only unit where the client supplies metal.
- **Proprietorship** — traditional in the trade and still common, but it will not obtain a metal loan on reasonable terms and creates unlimited personal exposure against a very large inventory.

> **Regulatory anchor: BIS hallmarking is mandatory for gold jewellery in notified districts, with a six-digit HUID on each article and registration of the jeweller with BIS**; assaying is done at recognised Assaying & Hallmarking Centres. **Selling jewellery below the stamped purity is an offence under the BIS Act, not a quality complaint**, and attracts penalty and prosecution. Dealers in precious metals and stones are **reporting entities under the PMLA above prescribed transaction thresholds**, with KYC and record-keeping duties. **Section 269ST caps cash receipts at ₹2 lakh** and the trade's historic cash practices are precisely what it targets. Export routes involve customs, and gold procurement may run through nominated agencies, GML, or an SEZ/EOU structure. Factory, labour, contract-labour, GST and pollution-consent requirements apply as for any manufacturing unit — **and jewellery manufacturing uses acids, cyanide-bearing plating baths and casting furnaces, so effluent and occupational-health compliance are real, not nominal**.

3. Promoter & Ownership

Led by a promoter with jewellery manufacturing, retail or bullion-trade background. Three competences decide outcomes: *metal accounting discipline* — the ability to reconcile issue, return, wastage and recovery to the gram, which in this trade is simultaneously the cost system and the security system; *karigar management*, since skilled craftsmen are scarce, migratory and relationship-driven; and *treasury judgement*, because deciding how much unhedged metal to carry is a decision the promoter cannot delegate. Metal accountability, design capability, karigar retention & hallmarking integrity are the differentiators. Ownership, equity & any partner are editable inputs.

4. Market Analysis — India

Demand is driven by India's structural gold affinity, wedding and festival purchase cycles, the shift from unorganised to branded and hallmarked retail, retail-chain expansion into smaller cities requiring vendor manufacturing capacity, lightweight and daily-wear design growth, and export demand. Demand is culturally anchored and remarkably resilient in volume terms, though value fluctuates with price. The market rewards design, delivery reliability & metal integrity; it is **working-capital-dominated, seasonally concentrated and labour-scarce** .

Demand drivers

- **Wedding and festival cycles** — Akshaya Tritiya, Dhanteras/Diwali and the wedding season, which concentrate a large share of annual offtake.
- **Formalisation** — mandatory hallmarking and HUID pushing volume toward organised, compliant manufacturers.
- **Retail chain expansion** into tier-2 and tier-3 cities, requiring reliable vendor manufacturing at scale.
- **Lightweight and daily-wear designs** broadening the buyer base beyond occasion purchase.
- **Export demand** from markets with Indian diaspora populations and from international brands sourcing craftsmanship.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Indian gold & diamond jewellery manufacturing	Very large
SAM	Wholesale + job work + export within reachable design categories	Serviceable

SOM (Yr 1–3)	Gold processed & retained retail/export accounts	Scaling with turns

Target segments

- **Regional and national retail chains** — volume, design programmes, reliable payment, demanding on delivery.
- **Family jewellers** — the traditional base; relationship-driven, often job-work-oriented.
- **Job-work clients supplying their own metal** — lower revenue per order but **dramatically lower working capital**.
- **Exporters and overseas buyers** — order-based, documentation-heavy, better realisation.
- **D2C and online jewellery brands** needing small-batch manufacturing with fast turnaround.

5. Competition & Competitive Advantage

Landscape: large organised manufacturers in Mumbai, Surat, Coimbatore, Kolkata and Rajkot; the traditional karigar workshop ecosystem operating informally; retail chains with captive in-house manufacturing; and imported machine-made chain and casting. Competition is on design, delivery and wastage terms — **and, in the unorganised segment, on practices a compliant manufacturer cannot and should not match**.

The business's edge

- **Metal accountability** — issue-to-return reconciliation per karigar per job, which retailers value because it is exactly what they cannot verify at an informal supplier.
- **Competitive wastage terms** — measured and controlled loss allows tighter contracted wastage than a workshop that does not measure.
- **Design and CAD capability** — turning a retailer's concept into a manufacturable, costed piece quickly.
- **Hallmarking integrity** — full HUID compliance and re-assay confidence, increasingly a condition of retail-chain vendor status.
- **Delivery reliability into the season** — the single thing retail buyers complain about most.

6. Products & Revenue Model

Line	Model	Basis
Wholesale jewellery manufacturing	Metal + making charges	Volume (~72%), **WC-heavy**
Job-work manufacturing (client metal)	Making charges only	**Low WC, high ROCE**
Export order manufacturing	Metal + making, order-based	Better realisation
Refining recovery from sweeps & scrap	Recovered metal value	**Real, not incidental**
Design, CAD & prototyping services	Per design / per project	Relationship anchor

> **The wholesale-versus-job-work choice is the most consequential structural decision in this business, and it is a capital decision disguised as a sales decision. Wholesale** books the metal as revenue and requires the manufacturer to fund it — large turnover, large inventory, large borrowing, and full gold-price exposure. **Job work** books only the making charge on metal the client supplies — turnover looks a fraction of the size, **but the working capital collapses and the price risk belongs to someone else**. Measured on return per rupee of capital employed, job work is frequently the better business; measured on revenue, it looks trivial. This plan runs both deliberately — job work grows from 12% to 13% of revenue but consumes almost none of the capital — and a promoter under working-capital pressure should **shift the mix**

> **toward job work rather than borrow more**. That option is the flexibility this vertical offers and the reason the two lines are reported separately.

7. Go-to-Market — Retail Accounts & Season Discipline

Manufacturing is sold on samples, wastage terms and delivery dates — in that order of first impression, and in reverse order of what determines whether the account is retained.

Winning accounts

- **Sample-led selling** — a design library and rapid prototyping capability is the entry credential with any chain buyer.
- **Wastage and making-charge terms** — commercially decisive, and only defensible if actual wastage is measured.
- **Trade exhibitions** — the sector's primary order-generating venue, both domestic and export.
- **Vendor registration with chains** — compliance documentation, capacity audit and hallmarking track record.

Retaining them

- **Season delivery performance** — the season is not extendable, and a late delivery is a lost retail sale that cannot be recovered.
- **Consistent purity and finish**, verified by the client's own assay without dispute.
- **Design refresh cadence**, since retail buyers need new selection each season.

Sales approach

Build a design library and prototype fast → enter chains through vendor registration and a first trial order → compete on measured wastage terms rather than on making charge alone → use job work to grow volume with clients whose metal funding you do not want to carry → develop export accounts for realisation → **plan production backwards from the festival calendar, because in this trade capacity must be committed months before the demand appears and the peak is fixed by the almanac, not by the sales team**.

8. Operations Plan (design, cast, craft, assay, account)

- **Design & CAD/CAM:** concept to 3D model, resin printing, master creation and rubber moulding.
- **Casting:** investment casting, tree-building, burnout and metal pouring; alloying to karatage under controlled records.
- **Karigar work:** filing, assembly, setting, engraving and finishing — the handcrafted stage where skill determines quality and where most metal loss occurs.
- **Stone setting:** diamond and coloured-stone setting, with separate accountability for stone issue and return.
- **Polishing & finishing:** including rhodium and plating operations with their own effluent handling.
- **Assay & hallmarking:** in-house XRF checking, then submission to the AHC with HUID marking per article.
- **Metal accounting: issue, return, wastage and recovery reconciled per karigar per job, daily**.
- **Refining recovery:** collection of sweeps, filings, polishing dust and floor waste for refining — recovering a meaningful share of process loss.

Production cycle

Stage	Activity	Metric
Design	CAD, master, mould	Concept-to-sample days

Cast	Alloying & casting to karat	Casting yield
Craft	Karigar assembly, setting, finish	**Wastage % per karigar**
Assay	XRF check & AHC hallmarking	**Purity failures (target zero)**
Recover	Sweeps & scrap refining	Recovery % of gross loss
Deliver	Dispatch to season deadline	On-time delivery in peak

> **Two operational realities define this factory, and both are usually treated too lightly in proposals.** The first: **metal accounting is not a cost system, it is the security system.** Gold is the most stealable substance in commerce — high value, small volume, untraceable once melted — and **unmeasured wastage is indistinguishable from theft**. A workshop that books a blanket "2–5% wastage" without per-karigar, per-job reconciliation has no way to tell a difficult casting from a dishonest employee, and will discover the difference only when the annual physical stock does not tie. Daily weigh-in/weigh-out, gram-level reconciliation and disciplined sweeps recovery are therefore the core control, and the refining line at ₹42–88 lakh exists because that recovered metal is real money. The second: **karigar capacity disappears exactly when it is most needed.** Skilled craftsmen are concentrated in specific communities and clusters — Bengali artisans for lightweight and filigree work, Rajasthani for kundan and meenakari — and **they migrate home for their own festivals and family obligations at precisely the moment the festival production peak demands maximum output**. This is not an HR inconvenience; it is a capacity constraint written into the calendar, and it must be managed with advance scheduling, retention advances, welfare and housing, and a production plan that builds stock ahead of the exodus rather than assuming full attendance through it.

9. Regulatory, Licences & Compliance (India)

- **BIS hallmarking:** mandatory in notified districts, **HUID on each article**, jeweller registration with BIS, and assaying at recognised AHCs. **Under-karatage is an offence under the BIS Act with penalty and prosecution, not a returns issue.**
- **PMLA:** dealers in precious metals and stones are reporting entities above prescribed thresholds — KYC, record retention and reporting obligations.
- **Cash: Section 269ST limits cash receipts to ₹2 lakh**; the trade's historic practices are exactly what the provision addresses, and undocumented purchases create both tax and PMLA exposure.
- **Gold procurement:** nominated agencies, gold metal loan arrangements, import routes, and SEZ/EOU structures for export manufacturing, each with its own conditions.
- **Export:** customs procedures, GJEPC membership in practice, and re-import/replenishment rules for export production.
- **Factory & environment:** factory licence, labour and contract-labour compliance, and — because the process uses **acids, cyanide-bearing plating baths and casting furnaces** — effluent treatment, hazardous-waste authorisation, ventilation and occupational-health measures. **Cyanide handling in particular is a fatal hazard and demands a documented protocol, not workshop custom.**
- **Insurance:** stock, transit and fidelity cover sized to actual holdings, with vault and security standards the insurer will inspect.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / managing director	1	1	2

Karigars & manufacturing craftsmen	**62**	**98**	**140**
Designers & CAD/CAM	6	10	15
Stores, weighing & metal accounting	**6**	**9**	**13**
QC, assaying & hallmarking coordination	5	8	12
Sales & client servicing	5	8	12
Security	6	8	10
Admin & accounts	4	6	9
Total	**95**	**148**	**213**

The **metal accounting team is staffed independently of production** and reports to the promoter, not to the factory manager. In a business where the raw material is portable, fungible and worth more than the building, a stores function answerable to the people it counts is not a control at all.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–6	Factory, vault & security, equipment, BIS registration, GML facility, karigar recruitment
Ramp	Month 6–12	~145 kg processed; ₹11.75cr revenue, ₹12L loss; first chain accounts
Grow	Year 2	Turns improve to 3.7; ₹19.2cr, ₹38L profit; export accounts open
Scale	Year 3	₹27.6cr revenue, ₹95L profit, **~26% ROCE**; ~310 kg processed

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. Gold price, making-charge realisation, wastage %, inventory turns, job-work mix & karigar cost are the levers. ***Gold price is assumed stable for modelling; §14 addresses what happens when it is not.***

12.1 Project cost & means of finance

Capital requirement	₹
Working capital (gold & stone inventory, WIP, receivables)	**3,20,00,000**
Manufacturing equipment (casting, CNC, laser, rolling, polishing)	68,00,000
Factory setup, security systems, strong room & vault	32,00,000
Assaying, XRF, testing & precision weighing instruments	12,00,000
Design studio, CAD/CAM & IT	10,00,000
Legal, BIS registration, certifications & launch	5,00,000
Brand, catalogue & business development	3,00,000

Total project cost	**4,50,00,000**
Gold metal loan / working-capital finance	**2,40,00,000**
Promoter contribution	1,30,00,000
Term loan	80,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Wholesale jewellery manufacturing (metal + making)	8,50,00,000	13,80,00,000	19,50,00,000
Job-work manufacturing (making charges, client metal)	**1,45,00,000**	**2,40,00,000**	**3,60,00,000**
Export order manufacturing	1,20,00,000	2,10,00,000	3,20,00,000
Refining recovery from sweeps & scrap	**42,00,000**	**62,00,000**	**88,00,000**
Design, CAD & prototyping services	18,00,000	28,00,000	42,00,000
Total revenue	**11,75,00,000**	**19,20,00,000**	**27,60,00,000**
Gold, diamond & material cost (pass-through)	**9,15,00,000**	**14,82,00,000**	**21,11,00,000**
Karigar wages & manufacturing labour	1,08,00,000	1,68,00,000	2,40,00,000
Salaries (design, QC, stores, sales, admin)	62,00,000	88,00,000	1,22,00,000
Factory, power, security, insurance & overheads	38,00,000	52,00,000	70,00,000
Depreciation, interest & other	26,00,000	34,00,000	40,00,000
Hallmarking, assaying, certification & testing	22,00,000	34,00,000	48,00,000
Selling, marketing, exhibitions & travel	16,00,000	24,00,000	34,00,000
Total expenses	**11,87,00,000**	**18,82,00,000**	**26,65,00,000**
Net profit / (loss) before tax	**(12,00,000)**	**38,00,000**	**95,00,000**
Net margin — *the misleading number*	(1.0%)	2.0%	3.4%
Material as % of revenue (pass-through)	77.9%	77.2%	76.5%
Gross value added (revenue − material)	**2,60,00,000**	**4,38,00,000**	**6,49,00,000**
Inventory turns (material cost ÷ avg inventory)	**2.9×**	**3.7×**	**4.2×**
Return on capital employed — *the real number*	—	**~14%**	**~26%**
Gold processed (kg approx.)	~145	~225	~310

12.3 Unit economics & break-even

- **Turns, not margin, are the engine:** inventory turns rising 2.9× → 4.2× is what converts a 3.4% net margin into roughly **26% ROCE**. Every extra turn is worth more than any plausible improvement in making charge.
- **Job work is the highest-return line and the smallest-looking one:** it earns making charges on someone else's metal, so it consumes almost no capital and carries no price exposure. Judged on revenue it is 13%; judged on return per rupee employed it is the best business in the factory.

- **Wastage is a direct margin item:** at ~2.5% gross loss on 310 kg, each 0.1% of wastage controlled or recovered is material money — which is why refining recovery is reported as revenue rather than netted quietly into cost.
- **Karigar cost is ~9% of revenue but ~37% of value added** — read against gross value added rather than turnover, labour is the dominant controllable cost, and wage inflation matters far more than the headline suggests.
- **Break-even:** reached in Year 2 as turns improve and the season is planned properly. **Growth in this business is growth in capital employed** — every additional crore of revenue needs metal behind it, which is why mix (job work vs wholesale) is a strategic lever and not a sales accident.

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	45,00,000	27,00,000	15,00,000	9,00,000
Collections	2,50,00,000	2,70,00,000	2,90,00,000	3,05,00,000
Metal purchase, karigar wages, overheads & finance cost	2,68,00,000	2,82,00,000	2,96,00,000	2,92,00,000
Closing balance	**27,00,000**	**15,00,000**	**9,00,000**	**22,00,000**

> **The cash pattern is dominated by a seasonal build the calendar fixes and the business cannot move.** Retail buys for Dhanteras, Diwali and the wedding season, which means **the factory must buy metal and pay karigars two to three months BEFORE the season, and collects afterwards** — the single largest working-capital swing in the year, and the reason a facility sized to average requirement will fail in the one quarter that matters. **Three disciplines follow.** Size the metal-loan limit to the *peak* build, not the annual average. **Take metal on gold metal loan rather than buying outright wherever possible**, so the seasonal build does not simultaneously become a seasonal price bet. And watch receivables closely after the season: a retailer whose season sold poorly stretches payment, and **in this trade the manufacturer is financing gold — the most expensive receivable in any industry — so credit discipline is worth more than the incremental order.**

12.5 Key Performance Indicators to Monitor

- **Metal integrity: wastage % per karigar per job**; refining recovery as % of gross loss; physical stock vs. book reconciliation (target zero variance); **purity/hallmarking failures — target zero, treated as a governance event, not a rework**.
- **Capital: inventory turns**; ROCE; gold days on hand; **unhedged metal position vs. policy limit**; job-work share of revenue.
- **Delivery:** on-time delivery into the season peak; concept-to-sample days; casting yield; rejection and rework rates.
- **Commercial:** gross value added per karigar; making-charge realisation vs. quoted; client concentration; receivable days post-season.

13. Funding Requirement & Bankability

Total ask: **₹2.4 crore gold metal loan / working-capital finance plus ₹80 lakh term loan** against ₹1.3 crore promoter contribution. Three points a lender should weigh, because this credit reads differently from ordinary manufacturing. **First, 71% of the project cost is working capital** — the lender is substantially funding inventory, not plant, and the security is metal that can be verified by weight and assay but is also highly portable, which places unusual weight on vault standards, insurance adequacy and the independence of the stores function. **Second, the headline margin will look thin and should not be read as weakness**: material is a 77% pass-through, so the assessment belongs on *gross value added, inventory turns and ROCE* — 3.4% net margin at 4.2 turns is a materially better credit than a higher margin turning twice.

Third, and most important, the gold metal loan is a risk-reduction instrument, not merely cheaper funding: because the borrowing is denominated in metal and repaid in metal, it hedges the price exposure that would otherwise sit unmanaged on the borrower's balance sheet. **A lender should be more comfortable with a GML-funded jeweller than with one who borrowed rupees and bought gold** — the second has taken a commodity position with the bank's money, whatever the sanction letter says it was for.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (gold & stone inventory, WIP, receivables)	3,20,00,000	71.1%
Manufacturing equipment (casting, CNC, laser, rolling, polishing)	68,00,000	15.1%
Factory setup, security systems, strong room & vault	32,00,000	7.1%
Assaying, XRF, testing & precision weighing instruments	12,00,000	2.7%
Design studio, CAD/CAM & IT	10,00,000	2.2%
Legal, BIS registration, certifications & launch	5,00,000	1.1%
Brand, catalogue & business development	3,00,000	0.7%
Total	**4,50,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
Gold price movement wiping out the year's profit	**Gold metal loan so the liability moves with the asset**; a written unhedged-position limit approved by the promoter and monitored weekly; price-linked customer contracts where possible — **on ₹3.2cr of metal a 5% move is ₹16 lakh, more than Year 1's entire result, and it arises from nothing the business did well or badly**
Metal loss / pilferage disguised as wastage	Daily weigh-in/weigh-out and **gram-level reconciliation per karigar per job**; stores function independent of production, reporting to the promoter; sweeps and dust recovery discipline; fidelity insurance; CCTV and access control — **unmeasured wastage is indistinguishable from theft**
Under-karatage or hallmarking failure	In-house XRF verification before AHC submission; alloying under controlled records; batch traceability to HUID; **treated as a prosecutable offence and a governance event, never as rework**
Karigar migration at the seasonal peak	Advance production scheduling and stock build before festival departures; retention advances, welfare, housing and timely payment; multi-cluster sourcing; cross-training so a single skill is not single-sourced
Seasonal working-capital squeeze	Metal-loan limit sized to peak build not average; production planned backwards from the festival calendar; disciplined post-season receivable follow-up
Retail client concentration & post-season payment stretch	Cap single-client share; credit limits reviewed each season; shift weaker payers to job work so their metal is their own
Design imitation & commoditisation	Continuous design refresh; exclusive designs contracted per client; compete on delivery and wastage terms as well as design

Cyanide, acid & furnace hazards	Documented handling protocol, trained operators, ventilation, PPE, effluent treatment and hazardous-waste authorisation — **cyanide is a fatal hazard and workshop custom is not a procedure**
PMLA / cash-transaction non-compliance	KYC and record-keeping for prescribed transactions; strict adherence to the ₹2 lakh cash limit; no undocumented metal purchase, whatever the trade norm
Robbery or transit loss	Vault to insurer standard, armed security, dual custody, insured transit with approved carriers, and no predictable movement pattern

15. SWOT Analysis

Strengths Culturally anchored, resilient demand; formalisation via hallmarking favours compliant manufacturers; job-work line gives a low-capital, high-ROCE option and a lever against WC pressure; refining recovery is real income; metal accountability is a genuine differentiator with retail chains; design capability compounds.	**Weaknesses** **71% of project cost is working capital and growth needs metal behind it**; net margin structurally thin and easily misread; **gold price exposure unrelated to operating performance**; karigar scarcity and migration; high theft exposure by the nature of the material; heavy compliance with criminal consequences.
Opportunities Retail chain expansion into smaller cities needing vendor capacity; export and diaspora demand; lightweight daily-wear categories broadening the buyer base; unorganised workshops losing ground to hallmarking compliance; D2C brands needing small-batch manufacturing; contract manufacturing for international brands.	**Threats** Sharp gold price moves compressing volumes and inflating working capital simultaneously; import duty and policy changes; lab-grown diamonds altering the studded-jewellery value equation; machine-made import competition; karigar wage inflation; a compliance or purity incident, which in this trade is existential rather than costly.

16. Recommended AiSevak Tools for This Business

This jewellery manufacturing unit would use AiSevak's Gems vertical tools in operations:

- **Metal control: issue-return-wastage register per karigar per job**, gram-level stock reconciliation, sweeps & refining recovery tracker, physical-vs-book variance log.
- **Treasury: unhedged metal position vs. policy limit**, gold metal loan utilisation, price-sensitivity calculator on inventory.
- **Capital: inventory turns and ROCE dashboard**, gross-value-added reporting, job-work vs. wholesale mix analysis.
- **Compliance:** HUID and hallmarking batch traceability, purity-failure register, PMLA/KYC and cash-limit checks.
- **Production:** season-backward production planner, karigar attendance and capacity forecast, on-time-delivery tracking.

17. Key Assumptions & Notes

- Jewellery manufacturing: gold & diamond jewellery via casting, CNC/laser and handcrafted karigar work; wholesale to retail chains and family jewellers, job work on client metal, export orders, plus in-house design/CAD, QC, BIS hallmarking coordination and refining recovery from sweeps.
- ⚠ **OPENS THE GEMS VERTICAL AND SETS ITS GOVERNING CONVENTION — THE INVENTORY IS THE BUSINESS.** Gold/stone stock exceeds every fixed asset combined (WC = **71% of project cost**), which changes what a lender is actually funding and how every number must be read.

- **MARGINS LOOK ABSURDLY THIN AND THAT IS CORRECT — MISREADING THIS IS THE COMMONEST ERROR ABOUT THE SECTOR. Material is ~77% of revenue and is essentially a PASS-THROUGH**; the business earns on **MAKING CHARGES and value addition, NOT on the metal**. So: (a) the meaningful revenue figure is **GROSS VALUE ADDED = revenue − material (₹2.6cr → ₹6.49cr)**, and margins are read against that; (b) **RETURN MUST BE READ AS ROCE VIA INVENTORY TURNS, NEVER AS NET MARGIN** — Y3's 3.4% net margin = **~26% ROCE** because capital turns 4.2×. **A plan in this vertical boasting a double-digit net margin is either mis-stating the metal or not actually manufacturing.** Turns 2.9→4.2 are the engine: **every extra turn is worth more than any plausible improvement in making charge**. Same lens as industrial-chemicals-trading but far more extreme.
- **GOLD PRICE RISK IS A SEPARATE BUSINESS FROM JEWELLERY MANUFACTURING AND AN UNHEDGED MANUFACTURER IS RUNNING BOTH AT ONCE** — on ₹3.2cr of metal **a 5% price move is ₹16L, MORE THAN THE ENTIRE FIRST YEAR'S RESULT, arising from nothing the business did well or badly**. The instrument is the **GOLD METAL LOAN — borrow gold, manufacture, repay in gold — so the liability moves with the asset and the exposure largely cancels.** Not an advanced technique for later: **it is the difference between a manufacturing business and a leveraged commodity position with a workshop attached.** A lender should be MORE comfortable with a GML-funded jeweller than one who borrowed rupees and bought gold — the second took a commodity position with the bank's money whatever the sanction letter says.
- **METAL ACCOUNTING IS NOT A COST SYSTEM, IT IS THE SECURITY SYSTEM.** Gold is the most stealable substance in commerce (high value, small volume, untraceable once melted) and **UNMEASURED WASTAGE IS INDISTINGUISHABLE FROM THEFT** — a workshop booking a blanket 2-5% wastage without per-karigar/per-job reconciliation cannot tell a difficult casting from a dishonest employee and finds out only when the annual physical stock won't tie. → daily weigh-in/weigh-out, gram-level reconciliation, disciplined sweeps recovery (refining line ₹42-88L is real money), and **a STORES FUNCTION INDEPENDENT OF PRODUCTION reporting to the promoter — a stores team answerable to the people it counts is not a control at all.**
- **KARIGAR CAPACITY DISAPPEARS EXACTLY WHEN IT IS MOST NEEDED** — craftsmen are concentrated in specific communities/clusters (Bengali for lightweight & filigree, Rajasthani for kundan & meenakari) and **migrate home for their own festivals and family obligations at precisely the moment the festival production peak demands maximum output**. Not an HR inconvenience — **a capacity constraint written into the calendar**: advance scheduling, stock build BEFORE the exodus, retention advances, welfare/housing, cross-training. Karigar cost is ~9% of revenue but **~37% of VALUE ADDED**, so wage inflation matters far more than the headline suggests.
- **WHOLESALE vs JOB WORK IS THE MOST CONSEQUENTIAL STRUCTURAL DECISION — A CAPITAL DECISION DISGUISED AS A SALES DECISION.** Wholesale books the metal as revenue and the manufacturer funds it (big turnover, big inventory, big borrowing, full price exposure); **JOB WORK books only the making charge on the CLIENT's metal — turnover looks trivial but working capital collapses and the price risk belongs to someone else**. On return per rupee employed job work is frequently the better business. **A promoter under WC pressure should SHIFT THE MIX TOWARD JOB WORK RATHER THAN BORROW MORE** — that option is the flexibility this vertical offers, hence the two lines reported separately.
- **Cash is dominated by a seasonal build the calendar fixes and the business cannot move**: the factory buys metal and pays karigars **2-3 months BEFORE Dhanteras/Diwali/wedding season and collects afterwards** → size the metal-loan limit to the **PEAK** build not the average, take metal on GML so the seasonal build is not simultaneously a seasonal price bet, and watch post-season receivables since **the manufacturer is financing GOLD — the most expensive receivable in any industry.**
- Compliance is unusually heavy and **criminally exposed, not administrative**: **BIS hallmarking with HUID per article is mandatory and UNDER-KARATAGE IS AN OFFENCE under the BIS Act** (penalty + prosecution, not a returns issue); **PMLA reporting-entity duties** for dealers in precious metals/stones; **§269ST ₹2 lakh cash-receipt cap**, aimed squarely at this trade's historic practices; and the process uses **acids, CYANIDE-bearing plating baths and casting furnaces — cyanide is a FATAL hazard and workshop custom is not a procedure.** ₹4.5cr,

~145→310 kg gold processed, rev 11.75→27.6cr, Y1 −₹12L → Y3 ₹95L (~26% ROCE). Gold price assumed stable for modelling; §14 addresses what happens when it is not. Figures illustrative, exclude GST.

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