BUSINESS PLAN · INDIA

Tiles and Sanitaryware Showroom

The dead stock looks exactly like the live stock

BUILD MATERIALS

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 a **Tiles & Sanitaryware Showroom** in India — a display-led retail and project supply business stocking ceramic and vitrified tiles, bathroom sanitaryware, faucets, fittings and allied finishing materials, selling to individual homeowners, architects and interior designers, contractors and builders from a fitted showroom with an attached godown.

> **The dealership that opened this vertical could not set his price. This showroom can — and that turns out to be the harder problem, which is the first thing a promoter should understand about the retail sub-model. Cement has an announced rate; a tile has a printed list price that almost nobody pays, and the actual price is negotiated on the shop floor, dozens of times a day, by salespeople who are measured on whether the customer buys. The margin is therefore not fixed by a manufacturer — it is given away in small increments by employees, in conversations the owner never hears, on a product whose cost the customer cannot check.** This plan takes **average realised discount against list from 17.4% to 9.6%** and **orders discounted beyond the salesperson's authority from 34% to 3%** — **because a discount policy exceeded on a third of orders is not a policy, it is a starting position.**

> **The second fact is the one that quietly destroys showrooms, and it is a fact about what inventory looks like rather than what it costs. Cement announces its own death: it hardens, the dealer cannot sell it, and he writes it off because he has no choice in the matter. A tile does nothing of the sort. A range discontinued by the manufacturer three years ago sits in the godown looking exactly as it did the day it arrived — unbroken, unfaded, indistinguishable from stock that will sell next week — and it sits on the balance sheet at full cost, where the owner believes it. The dead stock looks exactly like the live stock, which is why a showroom can be simultaneously profitable on paper and unable to pay for its next container.** This plan ages inventory on a calendar and provides against it: **stock older than eighteen months falls from 31% to 9%, provision coverage rises from 24% to 100%, and discontinued ranges carried at full cost fall from ₹38 lakh to ₹2 lakh.**

> **The third is that this is the most showroomed category in Indian retail, and the business model has to survive that rather than resent it. A customer spends ninety minutes with a design consultant, walks the sample walls, settles on a range, photographs the model code — and buys from a trader operating out of a godown with no display, no consultant and no fit-out cost, at six per cent less. The cost of the display was borne entirely by the shop that lost the sale. So the number that decides whether this showroom is a business or a public service is not footfall and not turnover, but the share of walk-ins that convert to an order here** — taken from **21% to 38%** through measurement, site services the godown trader cannot offer, and a range the customer cannot buy elsewhere.

> **And the fourth is a structural absurdity that most operators in this trade live inside without naming: the showroom is built entirely for the retail customer, and most showrooms take most of their turnover from a customer who would never need one. The fit-out, the sample walls, the design consultants, the air-conditioning and the high-street rent exist to help a homeowner choose bathroom tiles. The builder does not choose — he specifies the cheapest range meeting the drawing, buys it in pallets and pays in seventy-eight days. Retail earns 31% and pays before delivery; project earns 12.5% and pays in eleven weeks.** This plan moves **retail from 38% to 61% of turnover**, and states plainly what that is worth: **of the ₹86 lakh Year-3 profit, ₹72 lakh is the mix shift and ₹14 lakh is the growth.**

This plan models a showroom requiring **₹3.40 crore** (₹1.30 crore promoter + ₹80 lakh term loan + ₹1.30 crore cash-credit limit), moving from **₹6.40 crore turnover and a ₹46.5 lakh loss** to **₹14.40 crore turnover and ₹86 lakh profit** by Year 3, *with return on capital employed rising from (12.8%) to 16.9%. (Tiles, sanitaryware and bath-fittings retail and project supply — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A finishing-materials showroom run on discount discipline, honest stock ageing and a deliberately rising retail share, rather than on turnover and display area.

Vision: To be the showroom where the price on the invoice is the price the owner authorised, and the stock on the shelf is worth what the books say it is.

Mission: Hold the discount; age the stock and provide against it before the auditor asks; sell the full requirement in one shade lot; disclose what the contractor is paid; and grow retail faster than project.

Legal structure options

- **Private Limited** — recommended where the showroom carries brand dealerships, seeks term finance against fit-out and supplies builders under contract.
- **Partnership / LLP** — common where family capital funds the fit-out and the opening inventory together.
- **Proprietorship** — traditional in the trade and risky at this scale, since it exposes personal assets to ₹1.30 crore of working-capital borrowing secured largely against stock whose realisable value is the central question of this plan.

> **Regulatory anchor:** lighter than manufacturing and heavier than a general trade counter, with the weight on product standards, consumer-facing pricing law and the paperwork that follows a physical good. **GST with a full input-credit chain and e-way bills on despatches above threshold**, which for pallet quantities of tiles is most project despatches. **BIS standards on the goods handled — ceramic and vitrified tiles, sanitary appliances and faucets carry Indian Standard specifications, and several categories fall under mandatory certification, so a showroom stocking uncertified imported material is exposed on a basis that has nothing to do with whether the customer complained. Legal Metrology and the packaged-commodity rules on declared box quantity, coverage area and MRP — and this deserves attention rather than a nod, because the entire discounting culture of the trade operates against a printed MRP, and a price that is never charged is a declaration that invites scrutiny.** Then: **Consumer Protection Act exposure on warranty claims for sanitaryware and faucets, where the manufacturer's warranty is what the customer relies on and the showroom is who the customer sues**; shops and establishment registration, trade licence, professional tax and fire safety for a public showroom with a stocked godown; **EPF and ESI for showroom and loading staff, the loading workforce being the routinely undocumented part**; commercial vehicle compliance for delivery; and **where imports are stocked, customs documentation, applicable anti-dumping duty and BIS conformity — a consignment cleared on incomplete conformity is a write-off waiting for an inspection.**

3. Promoter & Ownership

Led by a promoter with building-materials retail, interiors or brand-distribution background. Three competences decide outcomes here, and none of them is product knowledge, which is the one most promoters in this trade actually have. *Discount governance*, because the margin is lost on the shop floor by people who are not trying to lose it and who each believe their concession was the one that saved the sale. *Inventory honesty*, since the discipline required is to write down stock that is physically perfect, which is psychologically harder than writing off stock that has visibly failed and is the single most common accounting fiction in this trade. And *the willingness to price the retail customer properly rather than chase project volume*, because project orders are large, flattering and immediately available, and the showroom that fills its year with them has built a very expensive warehouse. Ownership, equity & investor terms are editable inputs.

4. Market Analysis — India

India is among the world's largest tile-producing and tile-consuming markets, with sanitaryware and bath fittings growing alongside it — driven by new housing completion, a large and less cyclical renovation market, rising bathroom specification standards and the steady migration of the category from unbranded to branded product.

Demand drivers

- **Individual house construction and completion**, the retail base and the margin base, where the homeowner chooses and pays.
- **Renovation and bathroom upgrade**, small-ticket, frequent, largely cash and structurally less cyclical than new construction.
- **Residential project supply**, the volume driver, the credit risk and the reason most showrooms grow their turnover without growing their profit.
- **Architect and interior-designer specification**, which decides range and therefore decides supplier on a growing share of premium work.
- **Commercial, hospitality and institutional fit-out**, specification-led and documentation-heavy.
- **Rising specification generally** — larger formats, premium finishes and branded fittings, which raises the value of the same square footage.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Tiles, sanitaryware and fittings consumed in the catchment	Construction & renovation defined
SAM	**Volume reachable from one showroom's drive-time catchment**	**Display-bounded, not demand-bounded**
SOM (Yr 1–3)	Turnover × margin, weighted by retail/project mix	₹6.40cr → ₹14.40cr; retail 38% → 61%

> **The most important structural feature of this market is that it is a range market with a very long tail, and the tail is where the money goes to die. A competitive showroom displays and lists four thousand or more SKUs across sizes, finishes, series and price points, because a customer who cannot find what she wants goes to the showroom that has it. But roughly four hundred of those SKUs produce most of the turnover, and the remaining three thousand seven hundred exist to be looked at. That is a legitimate cost of doing business — the range is the reason the customer walks in — but it becomes fatal the moment display range is confused with stocked range.** This plan separates them explicitly: **displayed range is broad and is a marketing cost, carried as sample boards written off on a schedule; stocked range is narrow and is an asset, and every SKU held in depth must earn its place; everything else is sold to order at a longer lead time honestly quoted, rather than held speculatively so the customer can have it tomorrow.** The consequences run through the plan — **top-400 SKUs move from 71% to 84% of turnover and stock older than eighteen months falls from 31% to 9%** — and the ordering discipline is that **the question is never "will this sell", since almost everything sells eventually, but "will this sell before the manufacturer discontinues the series", which is a different and much harder question that most showrooms never ask.**

5. Competition & Competitive Advantage

Landscape: other branded showrooms in the same catchment competing on display and range; **godown traders with no showroom, no consultant and no fit-out cost, who quote off a photograph and undercut on price**; large-format building-materials retail and organised chains; manufacturer-owned experience centres that build the brand and route the order to a dealer; online listing and marketplace supply for standardised fittings; and the unorganised local hardware and sanitary counter at the bottom of the market. **Unlike cement, the product is not identical across suppliers and the price is not fixed — so competition here is a mix of range, advice, service and discount, and the discount is the axis the customer opens with.**

The business's edge

- **Discount authority defined by role and enforced at billing**, not negotiated per customer.
- **Shade-lot control and full-requirement quoting**, which the godown trader structurally cannot offer.
- **Site measurement, quantity estimation and handover support**, converting advice into an order.
- **Honest inventory ageing**, so buying decisions are made on real availability rather than on a fictional asset.
- **Disclosed influencer commissions**, which is a differentiator precisely because the trade norm is silence.
- **Architect and designer relationships** built on specification support rather than on the size of the referral.

> **The showrooming problem deserves to be answered rather than complained about, because the complaint is usually a request for the customer to behave uneconomically. A customer who has spent ninety minutes being advised, and who then buys the same box elsewhere for six per cent less, has done nothing unreasonable — she has bought a commodity at the cheaper price after obtaining the advice free, because nobody told her the advice had a cost or gave her a reason it was worth paying for. The showroom's answer cannot be to match the godown trader, whose cost structure is genuinely lower and who will always be able to go lower still.** Four answers work and this plan uses all four: **sell what he cannot, in exclusive series, current-season ranges and brand authorisations he cannot source in quantity; sell the thing the tile does not include — measurement, quantity estimation with wastage, single-lot supply, scheduled delivery to the floor being laid, breakage replacement — because the customer who saves ₹9,000 on price and loses ₹40,000 to a shade mismatch across a living room has made a bad trade and can be shown the arithmetic before she makes it; quote the full requirement, so the comparison runs against a delivered price rather than a per-box rate; and measure conversion with a recorded reason on every walk-in that does not order. What the plan does not do is chase the price-only customer with a matching discount — that customer costs the showroom its margin and its display cost together, and is better lost.**

6. Range, Pricing & the Discount Question

Segment / element	Character	Economics
Retail (homeowner, renovation, self-build)	Pays on order or before delivery	**31.0% → 34.0% margin; cash returns immediately**
Project (builders & contractors)	60–90 day credit, pallet volume	**12.5% → 14.0% margin; 78 → 64 day receivable**
Architect / designer specified	Premium range, longer cycle	Highest margin; influenced, not chosen, by the payer
Commercial & institutional fit-out	Tendered, documented	Volume with specification and audit obligations

Displayed range (~4,100 SKUs) vs stocked range (top 400)	**A marketing cost, not an asset — and an asset, not a catalogue**	**Boards written off on schedule; top-400 71% → 84% of turnover**
Average realised discount against list	**Where the margin actually goes**	**17.4% → 9.6%; beyond authority 34% → 3%**
Stock older than 18 months	**Perfect-looking and unsellable**	**31% → 18% → 9% of inventory value**

> **Discount leakage is the defining financial problem of showroom retail and it is almost never presented as one, because every individual instance of it is defensible. The customer asks for a better rate — every customer asks — and the salesperson, who is measured on whether the sale closes and who is standing in front of a person about to leave, gives three per cent. Nobody records that the three per cent came out of a gross margin of twenty-six, which means it was eleven and a half per cent of everything the showroom earned on that order. Repeat that forty times a day and the difference between a showroom that makes money and one that does not has been created entirely by conversations the owner never heard.** The controls are structural rather than exhortative: **discount authority defined by role and value band with a hard block at billing rather than a reprimand afterwards — the same principle the cement dealership applied to credit limits, and for the same reason, that a limit enforced after the fact is not a limit; salespeople measured on gross margin earned rather than turnover written, which changes the incentive where the decision is made; realistic list prices, because an inflated MRP designed to make a discount look generous trains both customer and salesperson to treat the printed price as fiction; and a standing rule that a concession is exchanged for something — the full requirement, immediate payment, a second bathroom — rather than given as a reward for asking.**

7. Go-to-Market — Specification, Influence and Disclosure

Acquisition

- **Showroom location and display quality**, which is the primary acquisition asset and the primary fixed cost simultaneously.
- **Architect and interior-designer specification**, decisive on premium work and cultivated through sample libraries and technical support.
- **Plumber, mason and contractor influence**, decisive on standard work and discussed honestly below.
- **Digital catalogue, visualiser and local search**, where the category's research now begins.
- **Builder and project relationships**, pursued selectively and on terms rather than on volume.

Retention

- **Shade-lot integrity and full-requirement supply**, the service failure customers remember longest.
- **Delivery scheduled to the laying programme**, because tiles delivered early are tiles broken on site.
- **Warranty handling on fittings**, where the customer's expectation is that the showroom owns the problem.
- **Repeat and referral from completed homes**, the cheapest acquisition in the category.

> **This category runs on paid influence, the payer usually does not know it, and the plan should state its position rather than let the practice sit unexamined in the marketing budget. The plumber recommending a sanitaryware brand, the mason recommending a tile, the contractor who offers to "arrange the materials", and the interior designer who specifies a range are all, in the ordinary practice of this trade, receiving something from the party whose product is chosen. The homeowner believes she is receiving advice from her own professional. And the sharpest form of it is not a referral fee at all: the contractor buys the material on the**

> **homeowner's behalf, is invoiced at trade rates, presents her with a higher figure and keeps the difference — a margin she is paying and cannot see, on top of the margin the showroom has disclosed.** The framework this library applies to every intermediary paid by the party it recommends holds here without modification: **forgo the arrangement and price accordingly; accept it and disclose it in full, including the differential; or accept it silently, which is the trade norm and means the professional is the showroom's agent while presenting as the customer's.** This plan takes the second position. **Influencer commissions are recorded, disclosed on the customer's invoice where a commission has been paid on that order, and moved from 0% disclosed to 100% by Year 3. Homeowners are quoted the same rate whether they come alone or with a contractor, so the contractor's mark-up is his own transaction with his client rather than something the showroom conceals for him. This costs volume — some contractors will place their orders where the arrangement stays private, and the plan assumes that loss rather than pretending it away. What it buys is the only durable position available to a showroom whose competitor can always be cheaper: being the one place in the transaction where the customer can see what she is paying for.**

8. Operations Plan (display, stock, shade, deliver, provide)

- **Buying:** stocked range narrow and depth-tested; **the test is not "will this sell" but "will this sell before the series is discontinued", which is the question that separates live stock from the stock that will look live for the next four years.**
- **Display:** sample walls and boards treated as a marketing asset with a written-down life, **not as inventory — a showroom carrying its display at cost is overstating both its stock and its profit.**
- **Shade-lot control: batch and lot recorded at receipt, quoted at order, reserved for the full requirement and delivered from a single lot wherever the quantity allows** — with the customer told explicitly when it does not.
- **Quantity estimation:** site measurement with stated wastage allowance, **because under-ordering by three boxes is what forces the second lot and creates the mismatch.**
- **Storage & handling:** palletised, edge-protected and moved as little as possible; **breakage is a handling metric, not an act of God, and it is measured here as a percentage of despatched value.**
- **Delivery:** scheduled to the laying programme with confirmed unloading, **since material delivered ahead of the mason is material stacked in a corridor and stepped on.**
- **Stock ageing: every SKU aged monthly, provision applied on a fixed calendar irrespective of physical condition, and discontinued series identified from the manufacturer's own announcements rather than discovered when a customer asks for a repeat.**
- **Clearance:** aged stock moved deliberately through clearance pricing, builder placement and site-lot sales **while it still has a buyer, rather than held for the full price it will never again command.**
- **Warranty & service:** fittings claims logged and pursued with the manufacturer while the customer is dealt with by the showroom, **because the customer bought from a shop, not from a factory.**
- **Credit control:** project accounts on written limits enforced at despatch, **inheriting the dealership's discipline in full — the showroom's project business is a credit business wearing a retail shopfront.**

Control points

Area	Activity	Control point
The real return	**ROCE (vs the cement dealership's 15.6% on a fifth of the margin)**	**(12.8%) → 0.2% → 16.9%**
Where the margin goes	**Average realised discount against list**	**17.4% → 13.1% → 9.6%**

Enforcement, not intention	**Orders discounted beyond authority**	**34% → 11% → 3%**
The asset that is not one	**Stock older than 18 months / provision held / discontinued ranges at full cost**	**31% → 9% / 24% → 100% / ₹38L → ₹2L**
Business or public service	**Walk-in to order conversion**	**21% → 30% → 38%**
The strategic choice	**Retail share of turnover**	**38% → 49% → 61%**
Service integrity	**Single shade lot on full requirement / mismatch complaints per 100**	**58% → 94% / 7.2 → 0.8**
Disclosure	**Influencer commissions disclosed on the invoice / breakage on despatch**	**0% → 100% / 2.9% → 1.1%**

> **Shade-lot variation is the operational fact that most distinguishes this trade from every other retail category in this library, and it is worth stating in full because the failure it produces is expensive, entirely preventable and almost always the showroom's fault. Tiles are fired in batches, and colour varies measurably between production lots of the same product code. Within a lot the variation is invisible; across lots, laid on the same floor under the same light, it is obvious to anyone standing in the room. So a customer who buys four hundred square feet, finds she is thirty short, and returns three weeks later for one more box has an even chance of receiving a different lot — and the mismatch will not be discovered until it is grouted into her living room. At that point the remedy is not a box of tiles, it is a floor.** Three disciplines prevent it: **quote the measured full requirement with a stated wastage allowance, since the shortfall that forces the second lot is created at estimation rather than at delivery; reserve the whole order from one recorded lot even at a longer lead time; and where one lot cannot cover the quantity, say so before the order is confirmed and agree where the change will fall — because a customer told in advance is managing a constraint, and the same customer told afterwards has been sold a defect.**

9. GST, BIS & Trade Compliance (India)

- **GST with full input credit and e-way bills on despatches above threshold**, which covers most project movements and many retail deliveries.
- **BIS standards on tiles, sanitary appliances and faucets**, with **several categories under mandatory certification — a showroom stocking uncertified imported material is exposed regardless of whether any customer has complained.**
- **Legal Metrology and packaged-commodity rules** on declared box quantity, coverage and MRP — **and the discounting culture of the trade operates against that printed MRP, so an inflated list price is a compliance question as well as a commercial one.**
- **Consumer Protection Act exposure on warranty claims** for sanitaryware and fittings, where **the manufacturer gives the warranty and the showroom is who the customer holds responsible.**
- **Customs documentation, applicable anti-dumping duty and BIS conformity on imported consignments** — **a consignment cleared on incomplete conformity is a write-off waiting for an inspection.**
- Shops & Establishment registration, trade licence, professional tax; **fire safety and public-premises obligations for a customer-facing showroom with an attached stocked godown.**
- **EPF and ESI for showroom and loading staff**, with the loading workforce being the routinely undocumented part and a real contingent liability.

- Commercial vehicle permits, fitness and driver compliance for delivery; signage and municipal display permissions for the shopfront.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / proprietor	1	1	2
Showroom sales & design consultants	**6**	**9**	**13**
Godown, loading & delivery	5	7	10
Site measurement & handover	2	3	5
Billing & accounts	2	3	4
Inventory, shade-lot & ageing control	**1**	**2**	**3**
Project, architect & designer relations	2	3	4
Total	**19**	**28**	**41**

Two structural points about this team. First, the inventory and shade-lot function must not report to sales — the person who decides that a series is dead and must be provided against cannot be the person whose target depends on it still being worth full price, **the same principle this library has applied to cancellation authority in adventure tourism, filing decisions in visa services and credit limits in the cement dealership, and for the identical reason: a control that reports to the party it constrains is not a control. Second, showroom consultants are compensated on gross margin earned rather than on turnover written**, because a consultant paid on turnover has been given a direct financial reason to discount, and the plan's central margin discipline cannot survive an incentive pointing the other way.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–4	Showroom leased and fitted with sample walls and display systems, brand dealerships and authorisations signed, opening range selected with stocked range deliberately narrower than displayed range, shade-lot tracking and discount-authority controls live in billing before opening
Launch	Month 4–12	₹6.40cr turnover, ₹46.5L loss; retail 38%; discount 17.4%; conversion 21%; aged stock 31%; ROCE (12.8%)
Build	Year 2	Retail 49%; discount 13.1%; conversion 30%; aged stock 18% with 68% provided; commissions disclosed on 62% of applicable orders; ₹9.60cr turnover, break-even; ROCE 0.2%
Scale	Year 3	**₹14.40cr turnover, ₹86L profit; ROCE 16.9%; retail 61%; discount 9.6%; conversion 38%; aged stock 9% fully provided; single-lot supply 94%; disclosure 100%**

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. ***Discount realisation, mix and stock ageing are the levers. Turnover is not one — this business can be grown***

to any size at a loss simply by taking project orders.

12.1 Project cost & means of finance

Capital requirement	₹
Opening inventory (stocked range + project depth)	**1,42,00,000**
Showroom fit-out, display systems & sample walls	**88,00,000**
Launch & initial operating losses	38,00,000
Showroom & godown deposits	34,00,000
Delivery vehicles & handling equipment	16,00,000
Launch marketing, architect & designer engagement	12,00,000
Technology (billing, inventory, shade-lot & ageing)	7,00,000
Legal, licences & registrations	3,00,000
Total project cost	**3,40,00,000**
Promoter contribution	1,30,00,000
Term loan (fit-out & vehicles)	80,00,000
Cash-credit / working-capital limit	1,30,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
TURNOVER (net of GST)	**6,40,00,000**	**9,60,00,000**	**14,40,00,000**
— Retail (homeowner, renovation, designer-specified)	**2,43,00,000**	**4,70,00,000**	**8,78,00,000**
— Project (builders & contractors, 60–90 day credit)	3,97,00,000	4,90,00,000	5,62,00,000
Cost of goods (purchases from manufacturers & importers)	5,15,00,000	7,42,00,000	10,63,00,000
Gross margin	**1,25,00,000**	**2,18,00,000**	**3,77,00,000**
Gross margin %	**19.5%**	**22.7%**	**26.2%**
— on retail business / on project business	**31.0% / 12.5%**	**32.5% / 13.2%**	**34.0% / 14.0%**
Salaries (showroom, consultants, godown, control)	**46,00,000**	**62,00,000**	**84,00,000**
Showroom & godown rent, CAM, power	**38,00,000**	**44,00,000**	**58,00,000**
Finance cost (cash credit on stock & project receivables)	**16,00,000**	**21,00,000**	**27,00,000**
Dead-stock write-down & ageing provision	**14,00,000**	**16,00,000**	**20,00,000**
Freight, delivery & site handling	11,00,000	16,00,000	23,00,000

Depreciation (fit-out, display, vehicles)	12,00,000	12,00,000	14,00,000
Breakage, damage & shade-lot rejection	**8,00,000**	**11,00,000**	**15,00,000**
Display, samples & sample boards (written off)	**9,00,000**	**11,00,000**	**14,00,000**
Marketing, architect & designer engagement	7,00,000	10,00,000	17,00,000
Admin, compliance & insurance	5,00,000	7,00,000	10,00,000
Bad debt & write-offs (project accounts)	**4,00,000**	**5,00,000**	**6,00,000**
Technology & subscriptions	1,50,000	2,00,000	3,00,000
Total expenses	**1,71,50,000**	**2,17,00,000**	**2,91,00,000**
Net profit / (loss) before tax	**(46,50,000)**	**1,00,000**	**86,00,000**
Net margin (on turnover)	(7.27%)	0.10%	5.97%
AVERAGE CAPITAL EMPLOYED	**3,62,00,000**	**4,28,00,000**	**5,10,00,000**
RETURN ON CAPITAL EMPLOYED (the figure to judge this by)	**(12.8%)**	**0.2%**	**16.9%**
— the cement dealership, on a fifth of this gross margin	**4.8% → 10.6% → 15.6% — four times the margin, a quarter of the stock turns, the same place**		
GROSS MARGIN RETURN ON INVENTORY (margin % × stock turns)	**70%**	**100%**	**136%**
— the cement dealership's GMROI	**87% → 112% → 129% — the two businesses converge on the same number by opposite routes**		
Stock turns (cost basis)	3.6	4.4	5.2
AVERAGE REALISED DISCOUNT AGAINST LIST / orders beyond authority	**17.4% / 34%**	**13.1% / 11%**	**9.6% / 3%**
STOCK OLDER THAN 18 MONTHS / PROVISION HELD AGAINST IT	**31% / 24%**	**18% / 68%**	**9% / 100%**
Discontinued ranges still carried at full cost	**38,00,000**	**14,00,000**	**2,00,000**
WALK-IN TO ORDER CONVERSION / retail share of turnover	**21% / 38%**	**30% / 49%**	**38% / 61%**
RECEIVABLE DAYS — BLENDED / ON PROJECT BUSINESS ALONE	**41 / 78**	**34 / 71**	**26 / 64**
Single shade lot on full requirement / mismatch complaints per 100 orders	**58% / 7.2**	**79% / 3.1**	**94% / 0.8**
Influencer commissions disclosed on the invoice	**0%**	**62%**	**100%**
Breakage % of despatch / top-400 SKU share / top-3 project concentration	2.9% / 71% / 39%	1.8% / 78% / 29%	1.1% / 84% / 21%

12.3 Unit economics & break-even

- **The comparison with the cement dealership is the most instructive figure in this plan and the one that should govern how the whole vertical is read. That business earns 6.0% gross margin and turns its stock 21.5 times; this one earns 26.2% and turns 5.2 times. Four times the margin, a quarter of the turns — and they arrive at almost the same return on capital, 16.9% against 15.6%. Margin × turns is the number that matters, and the vertical's opening finding that margin is not return needs its second half: turns are not return either. The product of the two is.**
- **The mix shift, not the growth, is the business case. At Year-3 turnover with retail stuck at the Year-1 share of 38%, gross margin is 21.6% rather than 26.2% and the profit is ₹14 lakh rather than ₹86 lakh. ₹72 lakh of the Year-3 result is the change in who the customer is; ₹14 lakh is the ₹8 crore of additional turnover. A promoter who reads only the top line will conclude the opposite of what this plan actually says.**
- **A rupee of retail turnover earns 34 paise and is collected before the goods leave; a rupee of project turnover earns 14 paise and is collected in sixty-four days — on return-on-capital terms retail is worth roughly six times project, and the ₹93 lakh a year of showroom rent, consultants and display exists almost entirely for the retail customer, who provided 38% of Year-1 turnover.**
- **Discount is the largest single controllable item in the P&L and does not appear in it: closing realised discount from 17.4% to 9.6% is worth more to Year-3 profit than every cost line the plan reduces put together** — which is why it is a measured control point rather than an aspiration.
- **Break-even: Year 2, to within ₹1 lakh. The plan does not smooth that — a showroom carrying ₹88 lakh of fit-out and a full consultant team from day one has a genuinely heavy first year, and a projection showing Year-1 profit in this format should be read with suspicion.**

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

Particulars (₹)	Q1	Q2 monsoon	Q3 festive	Q4
Opening balance	46,00,000	34,00,000	18,00,000	26,00,000
Collections from customers	1,42,00,000	1,38,00,000	1,74,00,000	1,60,00,000
Payments to suppliers, salaries, rent, freight, interest & overheads	1,54,00,000	1,54,00,000	1,66,00,000	1,72,00,000
Closing balance	**34,00,000**	**18,00,000**	**26,00,000**	**14,00,000**

> **The blended receivable figure in this plan improves from forty-one days to twenty-six, and a reader should be told immediately that almost none of that is better collection. The project customer still pays in sixty-four days at the end of Year 3 against seventy-eight at the start — a real but modest improvement. The blended number falls much faster because there are proportionately fewer project customers and proportionately more retail customers who pay before the goods are loaded. The mix is doing the work and the collection function is not, and a plan reporting only the blended figure would be claiming credit for a discipline it had not exercised. This is precisely the trap the D2C and online-travel plans identified in blended customer-acquisition cost, where a falling average is produced by a changing denominator rather than by anything improving** — and the rule is the same in this new setting: **where a blended average moves because the mix moved, report the underlying figure alongside it, because the blended number describes the past composition of the business and says nothing about the next transaction.** Two further cash points: **the monsoon quarter is genuinely weak because interior finishing follows structural work, while the festive quarter is the year's strongest as households time completion to it — a seasonality to be funded through rather than surprised by; and inventory is the permanent claim on cash, since at 5.2 turns every additional crore of turnover requires roughly ₹15 lakh of stock that never comes back until the business shrinks.**

12.5 Key Performance Indicators to Monitor

- **The real return: ROCE; GMROI (margin % × turns) overall and by category; stock turns; capital employed per crore of turnover.**
- **Margin integrity: average realised discount against list, by consultant and by value band; orders beyond authority; gross margin per order; margin earned versus turnover written per consultant.**
- **Stock honesty: ageing profile; provision coverage of aged stock; discontinued series still at full cost; clearance realisation against carrying value; SKU concentration.**
- **Conversion & service: walk-in to order conversion with recorded loss reasons; single-shade-lot supply; mismatch complaints; breakage on despatched value; warranty claims closed.**
- **Mix & credit:** retail versus project share and margin; project receivable days reported separately from blended; concentration; commissions disclosed on invoice.

13. Funding Requirement & Bankability

Total ask: **₹80 lakh term loan plus a ₹1.30 crore cash-credit limit** against ₹1.30 crore promoter contribution. Four points, and the second is the one a lender should press hardest. **First, this is a mixed asset structure rather than a working-capital business: 26% of project cost is fit-out with limited realisable value on a forced sale, which is why the term component is substantial and why the promoter contribution is 38% of the total.** **Second — and this is the specific credit question in this trade — stock security here is not what it appears to be.** **A drawing-power calculation against tile and sanitaryware inventory is a calculation against goods that are physically perfect and may nonetheless be unsellable, because a discontinued series has no buyer at any price a lender would recognise. Cement stock at least tells the truth about itself. Tile stock does not, and a lender valuing it at book is lending against the borrower's optimism.** **The correct question is not "what is the stock worth" but "what proportion of it has moved in the last twelve months, and what has been provided against the rest". Third, ask for realised discount and gross margin per order, not list price and headline margin**, because **a showroom that cannot state its average realised discount does not know its own gross margin — it knows its supplier's price list. Fourth, treat stock ageing and provision coverage as covenants: aged stock above a stated proportion, or provision coverage below it, is the leading indicator of every showroom failure in this category, and it appears in the accounts long before the cash position does.**

13.1 Funding utilisation

Use of funds	₹	% of total
Opening inventory (stocked range + project depth)	1,42,00,000	41.8%
Showroom fit-out, display systems & sample walls	88,00,000	25.9%
Launch & initial operating losses	38,00,000	11.2%
Showroom & godown deposits	34,00,000	10.0%
Delivery vehicles & handling equipment	16,00,000	4.7%
Launch marketing, architect & designer engagement	12,00,000	3.5%
Technology (billing, inventory, shade-lot & ageing)	7,00,000	2.1%
Legal, licences & registrations	3,00,000	0.8%
Total	**3,40,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
He can set his price, and that is the harder problem	**THE DEALERSHIP THAT OPENED THIS VERTICAL COULD NOT SET HIS PRICE; THIS SHOWROOM CAN, AND THAT IS WORSE. A TILE HAS A PRINTED LIST PRICE ALMOST NOBODY PAYS, AND THE REAL PRICE IS NEGOTIATED ON THE SHOP FLOOR DOZENS OF TIMES A DAY BY SALESPEOPLE MEASURED ON WHETHER THE CUSTOMER BUYS — SO THE MARGIN IS NOT FIXED BY A MANUFACTURER, IT IS GIVEN AWAY IN SMALL INCREMENTS BY EMPLOYEES, IN CONVERSATIONS THE OWNER NEVER HEARS, ON A PRODUCT WHOSE COST THE CUSTOMER CANNOT CHECK. EVERY CONCESSION IS INDIVIDUALLY DEFENSIBLE: THREE PER CENT OFF A TWENTY-SIX PER CENT MARGIN IS ELEVEN AND A HALF PER CENT OF EVERYTHING EARNED ON THAT ORDER, AND NOBODY IN THE ROOM DOES THAT ARITHMETIC** → discount authority by role and value band with a HARD BLOCK AT BILLING rather than a reprimand afterwards (17.4%→9.6%; orders beyond authority 34%→3%); consultants paid on GROSS MARGIN EARNED, since **A CONSULTANT PAID ON TURNOVER HAS A DIRECT FINANCIAL REASON TO DISCOUNT**; realistic list prices, because **AN INFLATED MRP TRAINS EVERYONE TO TREAT THE PRINTED PRICE AS FICTION**; concessions exchanged for something rather than given for asking
The dead stock looks exactly like the live stock	**CEMENT ANNOUNCES ITS OWN DEATH — IT HARDENS, AND THE DEALER WRITES IT OFF BECAUSE HE HAS NO CHOICE. A TILE DOES NOTHING OF THE SORT. A RANGE DISCONTINUED THREE YEARS AGO SITS IN THE GODOWN UNBROKEN, UNFADED AND INDISTINGUISHABLE FROM STOCK THAT WILL SELL NEXT WEEK, CARRIED AT FULL COST WHERE THE OWNER BELIEVES IT — WHICH IS WHY A SHOWROOM CAN BE PROFITABLE ON PAPER AND UNABLE TO PAY FOR ITS NEXT CONTAINER. THE DISCIPLINE IS TO WRITE DOWN STOCK THAT IS PHYSICALLY PERFECT, HARDER THAN WRITING OFF STOCK THAT HAS VISIBLY FAILED AND THE MOST COMMON ACCOUNTING FICTION IN THIS TRADE** → every SKU aged monthly with provision ON A FIXED CALENDAR IRRESPECTIVE OF PHYSICAL CONDITION (aged stock 31%→9%; coverage 24%→100%; discontinued ranges at full cost ₹38L→₹2L); series identified from the manufacturer's announcements rather than discovered when a customer asks for a repeat; aged stock cleared WHILE IT STILL HAS A BUYER; the ageing function reporting independently of sales, because **THE PERSON WHO DECIDES A SERIES IS DEAD CANNOT BE THE PERSON WHOSE TARGET DEPENDS ON IT BEING WORTH FULL PRICE**. Upstream, the buying test is not "WILL THIS SELL" — almost everything sells eventually — but **"WILL THIS SELL BEFORE THE SERIES IS DISCONTINUED"**, with displayed range (~4,100 SKUs) carried as a MARKETING COST and stocked range narrow and depth-tested (top-400 share 71%→84%)
The most showroomed category in Indian retail	**A CUSTOMER SPENDS NINETY MINUTES WITH A CONSULTANT, SETTLES ON A RANGE, PHOTOGRAPHS THE MODEL CODE AND BUYS FROM A GODOWN TRADER WITH NO DISPLAY, NO CONSULTANT AND NO FIT-OUT COST AT SIX PER CENT LESS — THE COST OF THE DISPLAY BORNE ENTIRELY BY THE SHOP THAT LOST THE SALE. SHE HAS DONE NOTHING UNREASONABLE: SHE BOUGHT A COMMODITY CHEAPER AFTER OBTAINING THE ADVICE FREE, BECAUSE NOBODY TOLD HER THE ADVICE HAD A COST** → four answers, none of them matching his price: exclusive and current-season ranges he cannot source; the services the tile does not include, since **A CUSTOMER WHO SAVES ₹9,000 AND LOSES ₹40,000 TO A SHADE MISMATCH ACROSS A LIVING ROOM HAS MADE A BAD TRADE AND CAN BE SHOWN THE ARITHMETIC BEFORE SHE MAKES IT**; full-requirement quoting so the comparison is a delivered price; conversion measured with a recorded loss reason on every walk-in (21%→38%). **THE PRICE-ONLY CUSTOMER COSTS THE SHOWROOM ITS MARGIN AND ITS DISPLAY COST TOGETHER AND IS BETTER LOST**

Built for a customer who provides a minority of the turnover	**THE FIT-OUT, SAMPLE WALLS, CONSULTANTS AND HIGH-STREET RENT EXIST TO HELP A HOMEOWNER CHOOSE BATHROOM TILES. THE BUILDER DOES NOT CHOOSE — HE SPECIFIES THE CHEAPEST RANGE MEETING THE DRAWING, BUYS IT IN PALLETS AND PAYS IN SEVENTY-EIGHT DAYS. RETAIL EARNS 34% AND PAYS BEFORE DELIVERY; PROJECT EARNS 14% AND PAYS IN ELEVEN WEEKS; ₹93 LAKH A YEAR OF SHOWROOM, CONSULTANTS AND DISPLAY EXISTS ALMOST ENTIRELY FOR THE CUSTOMER WHO PROVIDED 38% OF YEAR-1 TURNOVER — AND MOST SHOWROOMS HAVE BUILT A VERY EXPENSIVE WAREHOUSE WITHOUT NOTICING** → retail share 38%→49%→61%, with the plan stating what that is worth rather than implying it: **AT YEAR-3 TURNOVER WITH RETAIL STUCK AT 38%, PROFIT IS ₹14 LAKH RATHER THAN ₹86 LAKH — ₹72 LAKH OF THE RESULT IS THE CHANGE IN WHO THE CUSTOMER IS AND ₹14 LAKH IS THE EXTRA ₹8 CRORE OF TURNOVER, SO A PROMOTER READING ONLY THE TOP LINE WILL CONCLUDE THE OPPOSITE OF WHAT THIS PLAN SAYS**
Shade-lot variation, and the floor that has to come up	**TILES ARE FIRED IN BATCHES AND COLOUR VARIES MEASURABLY BETWEEN LOTS OF THE SAME PRODUCT CODE — INVISIBLE WITHIN A LOT, OBVIOUS ACROSS LOTS TO ANYONE STANDING IN THE ROOM. A CUSTOMER WHO BUYS FOUR HUNDRED SQUARE FEET, FINDS SHE IS THIRTY SHORT AND RETURNS THREE WEEKS LATER HAS AN EVEN CHANCE OF RECEIVING A DIFFERENT LOT, AND THE MISMATCH WILL NOT BE DISCOVERED UNTIL IT IS GROUTED INTO HER LIVING ROOM — AT WHICH POINT THE REMEDY IS NOT A BOX OF TILES, IT IS A FLOOR** → measured full-requirement quoting with stated wastage, since **THE SHORTFALL THAT FORCES THE SECOND LOT IS CREATED AT ESTIMATION, NOT AT DELIVERY**; the whole order reserved from one recorded lot even at a longer lead time; and where one lot cannot cover it, disclosure BEFORE confirmation with an agreed break point, because **A CUSTOMER TOLD IN ADVANCE IS MANAGING A CONSTRAINT AND THE SAME CUSTOMER TOLD AFTERWARDS HAS BEEN SOLD A DEFECT** (single-lot supply 58%→94%; mismatch complaints 7.2→0.8)
The person who recommends is paid by the brand	**THE PLUMBER RECOMMENDING A SANITARYWARE BRAND, THE MASON RECOMMENDING A TILE, THE CONTRACTOR WHO OFFERS TO "ARRANGE THE MATERIALS" AND THE DESIGNER WHO SPECIFIES A RANGE ARE ALL, IN ORDINARY TRADE PRACTICE, RECEIVING SOMETHING FROM THE PARTY WHOSE PRODUCT IS CHOSEN — AND THE HOMEOWNER BELIEVES SHE IS RECEIVING ADVICE FROM HER OWN PROFESSIONAL. THE SHARPEST FORM IS NOT A REFERRAL FEE AT ALL: THE CONTRACTOR BUYS ON HER BEHALF AT TRADE RATES, PRESENTS A HIGHER FIGURE AND KEEPS THE DIFFERENCE — A MARGIN SHE IS PAYING AND CANNOT SEE, ON TOP OF THE MARGIN THE SHOWROOM HAS DISCLOSED** → the library's standing framework applied unmodified: FORGO AND PRICE ACCORDINGLY / ACCEPT AND DISCLOSE IN FULL / ACCEPT SILENTLY, WHICH IS THE TRADE NORM AND MEANS THE PROFESSIONAL IS THE SHOWROOM'S AGENT WHILE PRESENTING AS THE CUSTOMER'S. This plan takes the second (disclosure 0%→100%; homeowners quoted the same rate whether they come alone or with a contractor). **IT COSTS VOLUME — SOME CONTRACTORS WILL ORDER WHERE THE ARRANGEMENT STAYS PRIVATE — AND THE PLAN ASSUMES THAT LOSS RATHER THAN PRETENDING IT AWAY**
Cyclicality, credit, breakage & compliance	**THE PROJECT BUSINESS IS A CREDIT BUSINESS WEARING A RETAIL SHOPFRONT AND INHERITS THE DEALERSHIP'S DISCIPLINE IN FULL** — written limits enforced at despatch, weekly ageing, supply stopped on breach consistently (project receivables 78→64 days; concentration 39%→21%). **THE BLENDED RECEIVABLE FALLS 41→26 DAYS AND ALMOST NONE OF THAT IS BETTER COLLECTION — THE MIX IS DOING THE WORK, THE SAME TRAP AS BLENDED CAC, SO BOTH FIGURES ARE REPORTED SIDE BY SIDE**. Monsoon suppresses interior finishing and the festive quarter is the year's strongest, a seasonality to be funded through rather than surprised by. **BREAKAGE IS A HANDLING METRIC, NOT AN ACT OF GOD** (2.9%→1.1%), with delivery scheduled to the laying programme since material delivered ahead of the mason is material stacked in a corridor. Compliance: BIS certification including on imports, **WHERE CLEARANCE ON INCOMPLETE CONFORMITY IS A WRITE-OFF WAITING FOR AN INSPECTION**; Legal Metrology on declared quantity and MRP, **WHERE A LIST PRICE NEVER CHARGED IS A DECLARATION THAT INVITES SCRUTINY**; Consumer Protection exposure on fittings warranties, **WHERE THE MANUFACTURER GIVES THE WARRANTY AND THE SHOWROOM IS WHO THE CUSTOMER HOLDS RESPONSIBLE**; fire safety for public premises; EPF/ESI for loading staff

15. SWOT Analysis

Strengths	Weaknesses
Discount authority enforced at billing rather than negotiated per customer; **stock aged and provided against on a calendar, so the balance sheet says what it means**; shade-lot control and full-requirement quoting the godown trader structurally cannot offer; consultants paid on margin earned; **disclosed influencer commissions, differentiating precisely because the trade norm is silence**; 26.2% gross margin with a majority-retail customer base that pays before delivery.	**5.2 stock turns against the dealership's 21.5 — capital sits still in this business**; ₹88 lakh of fit-out with limited forced-sale value; a genuinely heavy Year 1 with break-even only in Year 2; **margin decided daily by employees rather than set centrally**; four thousand displayed SKUs whose cost is real and whose return is indirect; dependent on a catchment a single location can reach.
Opportunities	**Threats**
Renovation and bathroom upgrade — frequent, cash-paying and less cyclical than new construction; rising specification moving the same square footage to higher value; **architect and designer specification on premium work**; migration of the category from unbranded to branded; exclusive series and current-season ranges as a defence against price-only competition; site services as a chargeable and defensible product.	**Godown traders with a structurally lower cost base who will always be able to go lower**; **manufacturer discontinuation turning perfect stock into permanent dead stock overnight**; organised large-format retail and manufacturer experience centres; imported material with duty and conformity exposure; construction-cycle downturn hitting project volume and project collection together; loss of contractor volume where commissions are disclosed.

16. Recommended AiSevak Tools for This Business

This showroom would use AiSevak's Build Materials vertical tools in operations:

- **Margin integrity: discount-authority matrix by role and value band with a hard block at billing, realised-discount tracking by consultant, gross-margin-per-order reporting, margin-based incentive computation.**
- **Stock honesty: SKU ageing with calendar provisioning, discontinued-series alerts from manufacturer announcements, provision-coverage dashboard, clearance realisation against carrying value, GMROI by category.**
- **Shade & service: batch/lot capture at receipt, single-lot reservation against the full requirement, site measurement and wastage estimation, delivery scheduling to the laying programme, breakage and mismatch logs.**
- **Conversion:** walk-in register with recorded loss reasons, quotation-to-order tracking, architect and designer specification pipeline, digital catalogue and visualiser.
- **Mix, credit & disclosure:** retail-versus-project margin split, project credit limits enforced at despatch with ageing, blended-and-underlying receivable reporting, influencer commission register with invoice disclosure, warranty claim tracking.

17. Key Assumptions & Notes

- Tiles & sanitaryware showroom: display-led retail and project supply of ceramic and vitrified tiles, bathroom sanitaryware, faucets, fittings and allied finishing materials to homeowners, architects and designers, contractors and builders, from a fitted showroom with an attached godown. **Second plan in the build-materials vertical and the RETAIL/SHOWROOM sub-model anchor.**

- **⚠ SHOWROOM SUB-MODEL CONVENTION SET HERE: (a) HE CAN SET HIS PRICE, AND THAT IS THE HARDER PROBLEM — THE MARGIN IS NOT FIXED BY A MANUFACTURER BUT GIVEN AWAY IN SMALL INCREMENTS BY EMPLOYEES IN CONVERSATIONS THE OWNER NEVER HEARS. (b) THE DEAD STOCK LOOKS EXACTLY LIKE THE LIVE STOCK — CEMENT ANNOUNCES ITS OWN DEATH AND A TILE DOES NOT, SO THE WRITE-DOWN MUST BE MADE ON A CALENDAR AGAINST STOCK THAT IS PHYSICALLY PERFECT. (c) THE MOST SHOWROOMED CATEGORY IN INDIAN RETAIL — THE DISPLAY COST IS BORNE BY THE SHOP THAT LOSES THE SALE, SO CONVERSION IS THE NUMBER THAT DECIDES WHETHER THIS IS A BUSINESS OR A PUBLIC SERVICE. (d) THE SHOWROOM IS BUILT ENTIRELY FOR THE RETAIL CUSTOMER AND MOST SHOWROOMS TAKE MOST OF THEIR TURNOVER FROM A CUSTOMER WHO WOULD NEVER NEED ONE. (e) SHADE-LOT VARIATION MEANS THE REMEDY FOR A SHORTFALL IS NOT A BOX OF TILES BUT A FLOOR.**
- □ **THE VERTICAL'S GOVERNING ARITHMETIC, COMPLETED HERE: THE CEMENT DEALERSHIP EARNS 6.0% GROSS MARGIN AND TURNS ITS STOCK 21.5 TIMES; THIS SHOWROOM EARNS 26.2% AND TURNS 5.2 TIMES. FOUR TIMES THE MARGIN, A QUARTER OF THE TURNS — AND THEY ARRIVE AT ALMOST THE SAME RETURN ON CAPITAL, 16.9% AGAINST 15.6%, WITH GMROI CONVERGING AT 136% AND 129%. THE OPENING FINDING THAT MARGIN IS NOT RETURN NEEDS ITS SECOND HALF: TURNS ARE NOT RETURN EITHER. THE PRODUCT OF THE TWO IS, AND EVERY SUBSEQUENT PLAN IN THIS VERTICAL SHOULD REPORT GMROI ALONGSIDE MARGIN.**
- **ON THE MIX BEING THE BUSINESS CASE RATHER THAN THE GROWTH: AT YEAR-3 TURNOVER WITH RETAIL STUCK AT 38%, PROFIT IS ₹14 LAKH RATHER THAN ₹86 LAKH — SO A READER WHO FOLLOWS ONLY THE TOP LINE WILL DRAW THE OPPOSITE CONCLUSION TO THE ONE THE PLAN SUPPORTS** → retail 38%→61%; a rupee of retail earns 34 paise collected before despatch against project's 14 paise in sixty-four days, roughly six times the return on capital.
- **ON THE BLENDED RECEIVABLE, AND THE LIBRARY'S THIRD CROSS-CUTTING RULE IN A NEW SETTING: THE BLENDED FIGURE FALLS 41→26 DAYS AND ALMOST NONE OF THAT IS BETTER COLLECTION — THE PROJECT CUSTOMER STILL PAYS IN SIXTY-FOUR DAYS AND THERE ARE SIMPLY FEWER OF HIM. THIS IS THE BLENDED-CAC TRAP IN A NEW SETTING, AND THE RULE IS THE SAME: WHERE A BLENDED AVERAGE MOVES BECAUSE THE MIX MOVED, REPORT THE UNDERLYING FIGURE ALONGSIDE IT.**
- Economics & cash — **DISCOUNT IS THE LARGEST SINGLE CONTROLLABLE ITEM IN THE P&L AND DOES NOT APPEAR IN IT: CLOSING REALISED DISCOUNT FROM 17.4% TO 9.6% IS WORTH MORE TO YEAR-3 PROFIT THAN EVERY COST LINE THE PLAN REDUCES PUT TOGETHER** (Y1 −₹46.5L → Y3 ₹86L; net margin −7.27%→5.97%; gross margin 19.5%→26.2% with retail 31.0%→34.0% against project 12.5%→14.0%; **ROCE (12.8%)→0.2%→16.9%; GMROI 70%→136%**; stock turns 3.6→5.2; **break-even Year 2 to within ₹1 lakh, and a projection showing Year-1 profit for a showroom carrying ₹88 lakh of fit-out and a full consultant team from day one should be read with suspicion**; inventory at 5.2 turns requires ~₹15 lakh of permanent stock per additional crore of turnover). Regulatory: GST with full input credit and e-way bills on despatch; **BIS STANDARDS ON TILES, SANITARY APPLIANCES AND FAUCETS WITH SEVERAL CATEGORIES UNDER MANDATORY CERTIFICATION, WHERE A CONSIGNMENT CLEARED ON INCOMPLETE CONFORMITY IS A WRITE-OFF WAITING FOR AN INSPECTION**; **LEGAL METROLOGY ON DECLARED QUANTITY, COVERAGE AND MRP — AND THE DISCOUNTING CULTURE OF THE TRADE OPERATES AGAINST A PRINTED PRICE THAT IS NEVER CHARGED**; **CONSUMER PROTECTION EXPOSURE ON FITTINGS WARRANTIES, WHERE THE MANUFACTURER GIVES THE WARRANTY AND THE SHOWROOM IS WHO THE CUSTOMER SUES**; customs and anti-dumping duty on imports; fire safety for public premises; EPF/ESI for showroom and loading staff. Lender note: **STOCK SECURITY HERE IS NOT WHAT IT APPEARS TO BE — A DRAWING-POWER CALCULATION AGAINST TILE INVENTORY IS A CALCULATION AGAINST GOODS THAT ARE PHYSICALLY PERFECT AND MAY NONETHELESS BE UNSELLABLE, SINCE A DISCONTINUED SERIES HAS NO BUYER AT ANY PRICE A LENDER WOULD RECOGNISE. CEMENT STOCK TELLS THE TRUTH ABOUT ITSELF; TILE STOCK DOES NOT, AND A LENDER VALUING IT AT BOOK IS LENDING AGAINST THE**

BORROWER'S OPTIMISM — THE QUESTION IS NOT "WHAT IS THE STOCK WORTH" BUT "WHAT PROPORTION HAS MOVED IN TWELVE MONTHS AND WHAT HAS BEEN PROVIDED AGAINST THE REST"; **ASK FOR REALISED DISCOUNT AND GROSS MARGIN PER ORDER, NOT LIST PRICE AND HEADLINE MARGIN — A SHOWROOM THAT CANNOT STATE ITS AVERAGE REALISED DISCOUNT DOES NOT KNOW ITS OWN GROSS MARGIN, IT KNOWS ITS SUPPLIER'S PRICE LIST**; and **TREAT STOCK AGEING AND PROVISION COVERAGE AS COVENANTS, SINCE THEY ARE THE LEADING INDICATOR OF EVERY SHOWROOM FAILURE IN THIS CATEGORY AND APPEAR IN THE ACCOUNTS LONG BEFORE THE CASH POSITION DOES.** ₹3.40cr, turnover 6.40→14.40cr, 19→41 staff, retail 38%→61%, ROCE (12.8%)→16.9%. Figures illustrative, exclude GST.

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