BUSINESS PLAN · INDIA

Gold-Loan Business

Secured gold-backed lending

BFSI

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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1. Executive Summary

This plan sets out a **Gold-Loan Business (NBFC)** in India — an RBI-registered NBFC that lends against gold jewellery as collateral, giving borrowers quick, secured, short-tenor loans, and earning the **spread (NIM) between lending yield & cost of funds** net of (low) credit losses. Unlike unsecured lending, gold loans are **secured** by liquid collateral at a regulated **Loan-to-Value (LTV) cap of 75%**, giving lower credit risk — but the business carries distinctive **gold-price, auction & operational-security** risks & a branch-heavy, gold-handling operating model. It is a **regulated, leveraged balance-sheet secured lender**: RBI registration, minimum Net Owned Funds & capital adequacy (CRAR) apply.

Gold is India's most trusted, widely-held & liquid household asset, and gold loans meet urgent, short-term credit needs (working capital, emergencies, farm/business) with speed & minimal documentation — a large, resilient, largely counter-cyclical market. A gold-loan NBFC is a **secured, branch-based lending business**: it deploys owned + borrowed capital as gold-backed loans, earns a healthy spread, & keeps credit risk low via liquid collateral & the 75% LTV cap — but must manage **gold-price volatility (LTV/auction), accurate valuation, secure gold custody/vault, auction discipline & branch operations**. Economics rest on **NIM (yield − cost of funds), gold AUM, LTV/auction discipline, branch productivity, cost of funds & leverage**; success rests on valuation/security, LTV/auction discipline, branch reach, cost of funds & compliance — it is spread-, gold-price-, operational- & capital-driven (lower credit risk than unsecured).

This is a regulated, capital-intensive secured-lending business — funded by substantial promoter/equity capital (NOF/CRAR) plus debt/borrowings for on-lending. This plan models a gold-loan NBFC with **₹15 crore capital** (₹12 crore equity/NOF + borrowings), building a gold-loan book toward **₹45 crore AUM** by Year 1 and **₹140 crore** by Year 3. *(Gold-loan NBFC; NOF/CRAR/NIM/LTV-driven, RBI-regulated, secured, branch-heavy balance-sheet — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: An RBI-registered NBFC lending against gold jewellery (secured, LTV-capped ≤75%), funded by equity + borrowings, earning the spread net of low credit costs via a branch-based, gold-handling model.

Vision: To provide fast, fair, secure credit against India's most trusted asset.

Mission: Deliver quick gold-backed loans with accurate valuation, secure custody, transparent terms & disciplined LTV/auction management.

Legal structure

- **Company + RBI NBFC registration (CoR)** — mandatory; minimum Net Owned Funds (₹10 crore for most new NBFCs); higher for CRAR comfort.
- **Gold-loan NBFC:** RBI norms on LTV (≤75%), valuation, auction & custody apply.

> **Regulatory anchor:** a gold-loan NBFC is RBI-regulated — Certificate of Registration, minimum NOF, CRAR (≥15%), **LTV cap of 75%** on gold loans, standardised valuation, transparent auction procedures (notice/transparency), secure custody/audit, fair-practices, KYC/AML, IRACP provisioning & reporting. Valuation/security, LTV/auction discipline, branch reach, cost of funds, capital & compliance determine success; it is spread-, gold-price-, operational- & capital-driven — a secured balance-sheet lender with lower credit risk but distinctive gold-price/operational risk.

3. Promoter & Ownership

Led by promoters with gold-loan, secured-lending, banking or financial-services expertise & the capital to meet NOF/CRAR (RBI fit-and-proper). The team includes branch operations, gold valuation/appraisal, custody/security, credit/auction, treasury/funding, risk & compliance. Valuation/security, LTV/auction discipline, branch productivity & cost of funds are the differentiators. Ownership & capital are editable inputs; RBI norms apply.

4. Market Analysis — India

India holds one of the world's largest private gold stocks, and gold loans are a large, resilient, fast-growing formal-credit market — valued for speed, minimal documentation & secured nature, often counter-cyclical (demand rises in downturns). Demand is liquidity-/emergency-/working-capital-driven & gold-holding-backed. The market rewards valuation/security, LTV/auction discipline, branch reach, service speed, cost of funds & compliance; it is gold-price-, competition-, funding- & regulation-sensitive, met with valuation, discipline, reach & efficiency.

Demand drivers

- **Huge private gold holdings.**
- **Fast, secured, low-doc credit** need.
- **Working-capital/emergency/farm** demand.
- **Formalisation** (from pawnbrokers to NBFCs).
- **Counter-cyclical resilience.**

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Gold loans in India	Very large & resilient
SAM	Region/state & segment	Substantial
SOM (Yr 1–3)	Gold-loan book (AUM)	Scaling

Target segments

- Small businesses & self-employed (WC).
- Households (emergencies/needs).
- Farmers & rural (seasonal).
- Formalising pawnbroker customers.

5. Competition & Competitive Advantage

Landscape: large gold-loan NBFCs (Muthoot/Manappuram etc.), banks' gold loans, co-operatives & informal pawnbrokers. The NBFC competes on speed/service, valuation accuracy, LTV/rates, branch reach, security/trust & cost of funds.

The business's edge

- **Speed & service (quick disbursal).**
- **Accurate valuation & secure custody (trust).**
- **LTV/auction discipline (low losses).**

- **Branch reach & productivity.**
- **Cost of funds & spread.**

6. Products & Revenue Model

Stream	Model	Basis
Gold loans (secured, ≤75% LTV)	Interest yield (spread)	Core AUM
Short-tenor / bullet & EMI schemes	Interest yield	Product mix
Processing / valuation fees	Fee income	Non-interest
Auction recovery (on default)	Collateral realisation	Risk mitigation
Cross-sell (insurance/other)	Fee/commission	Non-interest

> Revenue is primarily **net interest income = lending yield − cost of funds** on secured gold AUM (funded equity + borrowings), plus fees; the 75% LTV cap & liquid collateral keep credit losses low, with auction as backstop. Profit = NIM × AUM − (low) credit costs − branch/opex, geared by leverage. Valuation/security, LTV/auction discipline, branch productivity, cost of funds & leverage drive it — the decisive gold-loan levers (secured, branch-heavy).

7. Go-to-Market — Branch & Growth

- **Branch network** (accessible, high-footfall locations).
- **Speed & service** (quick disbursal, repeat).
- **Local marketing & trust** (security/valuation).
- **Competitive LTV/rates & schemes.**
- **Repeat & referral** (relationship).

Growth approach

Open branches in accessible locations → value gold accurately & disburse fast (within 75% LTV) → secure custody & manage tenor/LTV → recover via auction if needed (rare, disciplined) → build repeat/referral & branch productivity → fund competitively & grow AUM within CRAR/ALM. Speed, valuation/security, LTV/auction discipline & branch reach build a resilient secured book.

8. Operations Plan (branch + gold custody, regulated)

- **Branch operations:** gold appraisal/valuation, KYC, sanction/disbursal (fast), repayment/renewal — the customer core.
- **Valuation & custody:** standardised purity/weight valuation, secure vault/custody, insurance, audit — critical for trust & loss-prevention.
- **LTV & auction discipline:** ≤75% LTV, tenor/LTV monitoring vs. gold price, transparent auction on default (notice/procedure) — keeps losses low.
- **Treasury & ALM:** borrowings (banks/NCDs), cost of funds, liquidity & asset-liability matching (short-tenor assets).
- **Risk & compliance:** CRAR, provisioning, RBI gold-loan norms, security/fraud controls, reporting.

Gold-loan workflow

Stage	Activity	Metric
Value	Appraise gold/KYC	Valuation accuracy
Disburse	Sanction (≤75% LTV)	AUM/yield/LTV
Custody	Secure vault/insure	Security/audit
Monitor	Tenor/LTV vs. price	LTV breach/NPA
Recover	Repay/renew/auction	Recovery/loss

9. Regulatory, Licences & Compliance (India)

- **RBI:** NBFC CoR; minimum NOF; CRAR ≥15%; **gold-loan LTV cap 75%**.
- **Gold-loan norms:** standardised valuation; transparent auction (notice/procedure); custody/security & audit.
- **Prudential:** IRACP provisioning; ALM; exposure norms.
- **Conduct:** fair-practices; KYC/AML; RBI reporting; fraud/security controls.

10. Organisation & Manpower Plan (branch-heavy)

Role	Yr 1	Yr 2	Yr 3
Promoter / leadership	2	3	4
Branch staff (appraisers/officers)	30	65	120
Valuation, custody & security	6	13	24
Credit, auction & collections	4	8	14
Treasury, risk, compliance & ops	5	10	17
Total	**47**	**99**	**179**

Branches: ~12 (Yr1) → ~35 (Yr3).

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–6	Company, capital/NOF, RBI CoR, branches, vault/security, valuation systems
Launch	Month 6–12	First loans, ₹45cr AUM, borrowings, LTV/auction discipline
Build	Year 2	More branches/AUM, diversify funding, productivity
Scale	Year 3	₹140cr AUM; NIM & low losses within CRAR/ALM

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. A gold-loan NBFC is a leveraged, regulated, branch-heavy SECURED lender — credit losses are low (75% LTV, liquid collateral, auction), but gold-price, valuation, custody-security & operational risks are distinctive. Capital must meet RBI NOF & CRAR.

12.1 Capital structure & means of finance (initial)

Requirement	₹
Equity capital (Net Owned Funds — RBI minimum met)	12,00,00,000
Initial borrowings (banks/NCDs) for on-lending	3,00,00,000
Total initial capital deployed	**15,00,00,000**
Of which: branches, vault/security, tech & opex reserve	2,50,00,000
Of which: lendable funds (initial gold book)	12,50,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Average gold-loan AUM	28,00,00,000	80,00,00,000	115,00,00,000
Interest income (yield ~20%)	5,60,00,000	16,00,00,000	23,00,00,000
Fee & other income	35,00,000	1,00,00,000	1,40,00,000
Finance cost (borrowings ~11.5%)	1,55,00,000	5,80,00,000	8,40,00,000
Net interest + fee income	**4,40,00,000**	**11,20,00,000**	**16,00,00,000**
Branch & operating expenses	3,00,00,000	6,60,00,000	9,20,00,000
Credit costs / provisions (LOW — secured)	15,00,000	45,00,000	65,00,000
Profit before tax	**1,25,00,000**	**4,15,00,000**	**6,15,00,000**
Net interest margin (spread)	~14% (net)	~13%	~13%

12.3 Unit economics & key ratios

- **NIM & low credit cost:** yield (~18–24%) minus cost of funds (~10–12%) gives a healthy spread; because loans are secured at ≤75% LTV by liquid collateral with auction backstop, **credit losses are very low** — the key differentiator vs. unsecured lending.
- **Gold-price & operational risk:** gold-price falls can pressure LTV (mitigated by the 75% cap & auction); the distinctive risks are valuation accuracy, custody/security (theft/fraud/spurious gold) & branch operations — managed by valuation discipline, secure vaults, insurance & audit.
- **Branch productivity & capital:** AUM/branch & opex/AUM drive returns (branch-heavy); CRAR (≥15%) & NOF bound lending; short-tenor assets ease ALM.

12.4 Illustrative asset-quality & capital metrics

Metric	Year 1	Year 2	Year 3

Closing AUM	45cr	100cr	140cr
GNPA / net loss (low — secured)	<1%	<1.5%	<1.5%
CRAR (must stay ≥15%)	>30%	~22%	~18%
Average LTV (cap 75%)	~68%	~68%	~68%

> A gold-loan NBFC is a leveraged, secured, branch-heavy balance-sheet lender: profit is NIM × AUM minus (low) credit costs & branch opex, geared by borrowings, constrained by CRAR/ALM & the 75% LTV cap. Low credit risk is the strength; gold-price, valuation, custody-security & operational risks are the distinctive watch-items — met with LTV/auction discipline, accurate valuation, secure vaults/insurance, audit & capital buffers.

12.5 Key Performance Indicators to Monitor

- **Book:** gold AUM; AUM/branch; average LTV; tenor.
- **Asset quality:** GNPA/loss (low); auction recovery; LTV breaches.
- **Margins:** yield; cost of funds; NIM; ROA/ROE.
- **Ops & capital:** valuation accuracy; custody/security incidents; CRAR; opex/AUM.

13. Funding Requirement & Bankability

This gold-loan NBFC is **capital-intensive**: it requires substantial **equity (₹12 crore NOF)** to meet RBI minimums & support CRAR, plus **debt/borrowings** (banks, NCDs) to fund the gold-loan book. Bankability (for its own borrowings) rests on the **secured, low-loss nature** of gold loans, capital adequacy, valuation/custody controls, branch productivity & promoter strength — lenders view secured gold books favourably (liquid collateral, low NPAs). Growth is bounded by capital & regulation (75% LTV); returns are geared but with lower credit risk than unsecured. Year-1 PBT ~₹1.25 crore growing to ₹6.15 crore reflects a fast-yielding, low-loss secured book. *(Business model, not investment advice; RBI registration & gold-loan norms are prerequisites.)*

13.1 Funding utilisation (initial ₹15 crore)

Use of funds	₹	% of total
Lendable funds (initial gold-loan book)	12,50,00,000	83.3%
Branches, vault/security & technology	1,70,00,000	11.3%
Opex reserve, compliance & pre-operative	80,00,000	5.3%
Total	**15,00,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
Gold-price fall / LTV pressure	75% LTV cap, short tenor, LTV monitoring, timely auction
Valuation error / spurious gold	Standardised valuation, trained appraisers, purity testing, audit
Custody / theft / fraud (operational)	Secure vaults, insurance, dual-control, CCTV/audit, controls

Funding / cost of funds / ALM	Diversified borrowings, ALM (short assets), liquidity buffers
Capital / regulation	Capital planning, CRAR, RBI gold-loan norms, compliance

15. SWOT Analysis

Strengths Secured/low credit-loss; liquid collateral & auction backstop; large resilient/counter-cyclical market; healthy spread; fast/repeat.	**Weaknesses** Capital-intensive (NOF/CRAR); branch-heavy opex; gold-price/valuation/custody-security risk; leveraged & funding-dependent.
Opportunities Huge gold holdings; formalisation from pawnbrokers; branch/geographic expansion; digital/doorstep gold loans; cross-sell.	**Threats** Gold-price volatility; competition (large NBFCs/banks); custody-fraud; funding/rate cycles; regulatory (LTV/auction) changes.

16. Recommended AiSevak Tools for This Business

This gold-loan NBFC would use AiSevak's BFSI vertical tools in delivery:

- **Lending ops:** gold-valuation/KYC & LTV/auction-management, branch/AUM & custody-security, loan-management & recovery tools.
- **Finance & compliance:** treasury/ALM & cost-of-funds, CRAR/NOF & IRACP-provisioning, RBI-gold-loan-norms & audit tools (with Legal & Finance verticals).
- **Practice:** Business Plan, NIM/LTV/branch-productivity and capital-adequacy modelling tools to plan & monitor the NBFC.

17. Key Assumptions & Notes

- Gold-loan NBFC is a REGULATED, LEVERAGED, BRANCH-HEAVY SECURED lender: RBI CoR, minimum NOF, CRAR ≥15%, gold-loan LTV cap 75%, standardised valuation, transparent auction & secure custody apply.
- Profit = NIM (yield − cost of funds) × secured gold AUM − LOW credit costs (75% LTV/liquid collateral/auction) − branch opex, geared by leverage; low credit risk is the strength.
- Distinctive risks are gold-price (LTV), valuation accuracy, custody/security & branch operations — not unsecured credit risk; requires substantial equity (NOF) + borrowings.
- Valuation/security, LTV/auction discipline, branch productivity, cost of funds, capital & compliance drive economics; figures illustrative; RBI registration & gold-loan norms are prerequisites; business model, not investment advice.

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