BUSINESS PLAN · INDIA

Invoice Discounting / Bill-Discounting Business

Receivables financing & working capital for Indian MSMEs

FINANCE

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1. Executive Summary

This plan sets out an **Invoice Discounting / Bill-Discounting Business** in India — a receivables-financing intermediary that helps MSMEs unlock cash tied up in unpaid invoices. The firm arranges short-term finance against verified invoices/bills: sourcing and vetting sellers, verifying receivables and buyers, connecting them to financiers (banks, NBFCs, TReDS platforms) and, optionally, deploying a small own-book, earning a discount spread and facilitation fees.

Delayed payments are the single biggest cash-flow pain for Indian MSMEs, who often wait 60–120 days for buyer payments. Invoice discounting converts those receivables into immediate working capital. With TReDS, co-lending and digital finance expanding, a well-run facilitation-and-financing business can build a recurring, spread-based income with strong repeat usage.

The promoter seeks total funding of **₹8.0 lakh** (₹3.5 lakh promoter + ₹4.5 lakh term loan for setup/opex; note any own-book lending float is arranged separately via financier tie-ups), targeting **₹34 lakh** facilitation income in Year 1 and **₹85 lakh** by Year 3.

2. Business Description, Vision & Legal Structure

Concept: A receivables-finance partner that turns MSME invoices into cash — quickly, transparently and at a fair discount — by matching vetted receivables with the right financiers.

Vision: To be the go-to receivables-financing enabler for MSMEs in the region.

Mission: Give MSMEs fast, fair working capital against their invoices, with rigorous verification that protects all parties.

Legal structure options

- **LLP / Private Limited** — recommended for credibility with financiers and for any own-book operations.
- **NBFC route** — a full lending own-book at scale requires RBI NBFC registration; the base model here is facilitation/arranging, which does not.

> **Regulatory note:** arranging/facilitating discounting and working with TReDS/financiers is an intermediary activity. Deploying a material own lending book is a regulated NBFC activity requiring RBI registration and capital — kept out of scope here except via financier partnerships. Legal/RBI advice is essential before any own-book lending.

3. Promoter & Ownership

Led by a promoter with banking, trade-finance or SME-lending experience and financier relationships. Delivery centres on receivables verification, buyer/seller due diligence and financier coordination. Year-one ownership rests with the founder(s); a credit/verification analyst and relationship managers are added as volume grows. Ownership and profit-sharing are editable inputs.

4. Market Analysis — India

Receivables financing is a large, under-penetrated market in India. MSMEs face chronic payment delays, and formal receivables finance covers only a fraction of the need. Government and RBI initiatives (TReDS, MSME payment rules, co-lending) are expanding the channel, making well-verified invoice discounting increasingly viable and valuable.

Demand drivers

- **Chronic payment delays:** MSMEs wait 60–120 days; receivables finance bridges the gap.
- **Working-capital scarcity:** collateral-light receivables finance suits MSMEs.
- **TReDS & co-lending growth:** more channels and financiers to place receivables.
- **Policy push:** MSME payment-timeline rules increase awareness and demand.
- **Repeat usage:** discounting is recurring as invoices keep arising.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	MSME receivables needing financing in India	₹ lakhs of crores
SAM	Reachable MSME sellers with financeable receivables in the region	Large & growing
SOM (Yr 1–3)	Receivables volume facilitated per year	₹15Cr → ₹60Cr

Target segments

- MSME suppliers to large, creditworthy corporates/PSUs.
- Manufacturers and service providers with 60–120 day receivables.
- Exporters with export receivables.
- Vendors on TReDS-eligible buyer programmes.

5. Competition & Competitive Advantage

Landscape: TReDS platforms, banks/NBFCs offering bill discounting, fintech invoice-finance platforms, and informal financiers. The firm differentiates through local sourcing, rigorous verification and hands-on MSME service that platforms lack.

The firm's edge

- **Rigorous verification** of receivables and buyer credit — lowering financier risk.
- **Financier network** for competitive discount rates and quick placement.
- **Local, relationship-led sourcing** in MSME clusters.
- **Transparent pricing** and fast turnaround.
- **Repeat-usage focus** — becoming a client's standing working-capital partner.

6. Services & Pricing

Service	Model	Indicative commercials
Invoice discounting facilitation	% of financed value	0.5–2% facilitation
Own-book discounting (via financier tie-up)	Discount spread	Spread on rate
Buyer / receivable verification & due diligence	Per case / included	Included / fee
TReDS onboarding & support	Setup + support	5,000–50,000
Working-capital advisory	Advisory fee	10,000–75,000

Recurring receivables programme	Retainer + per-deal	Programme-based

> Facilitation fees and discount spreads on recurring receivables volume are the core income; advisory and onboarding add value and stickiness.

7. Go-to-Market — Marketing & Sales

- **MSME clusters & associations:** industrial estates and trade bodies where receivables pain is acute.
- **Anchor-buyer programmes:** tie-ups with large buyers to finance their vendor base.
- **Referrals:** CAs, banks and existing clients.
- **Financier partnerships** for capacity and competitive rates.
- **Digital presence** for "invoice discounting / bill discounting / MSME working capital".

Sales approach

Seller sourcing → receivable & buyer verification → financier placement → disbursal → repeat programme. Anchor-buyer vendor financing accelerates volume; repeat usage compounds recurring income.

8. Operations Plan

- **Location:** an office near MSME/industrial clusters; work is verification- and coordination-intensive.
- **Process:** seller KYC → invoice & buyer verification → credit assessment → financier matching → documentation → disbursal → collection tracking → settlement.
- **Technology:** a deal/CRM system, verification workflows, and financier/TReDS integrations.
- **Risk & compliance:** rigorous verification to prevent fraud (fake invoices), buyer-credit checks, lawful data handling, and clear financier agreements.
- **Capacity:** a verification-and-RM pod handles a growing deal pipeline; scale by adding analysts and financier tie-ups.

Deal-flow controls (risk backbone)

Control	Purpose	Stage
Seller KYC & track record	Fraud prevention	Onboarding
Invoice authentication	Genuine receivable	Pre-finance
Buyer credit check	Payment certainty	Pre-finance
Payment routing / escrow	Collection control	Post-finance
Concentration limits	Portfolio risk	Ongoing

9. Regulatory, Licences & Compliance (India)

- **Business registration:** LLP/Pvt Ltd; MCA incorporation.
- **RBI boundary:** facilitation/arranging is intermediary activity; a material own lending book needs NBFC registration — obtain legal/RBI advice before any own-book.

- **Udyam (MSME)**, PAN/TAN, **GST registration** (fees attract GST), professional tax and Shops & Establishments as applicable.
- **Data & conduct:** DPDP-aligned handling; anti-fraud controls; transparent charge disclosure; financier agreements.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Founder / Head of Credit	1	1	1
Verification / Credit Analyst	1	2	3
Relationship Manager (sourcing)	1	3	4
Ops / Admin	0	1	2
Total	**3**	**7**	**10**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–2	Entity, financier tie-ups, verification workflows, CRM
Launch	Month 2–5	First facilitated deals; verification discipline proven
Traction	Month 5–10	Anchor-buyer programme; recurring sellers; break-even nears
Scale	Year 2	Wider financier network; higher volume
Growth	Year 3	₹60Cr facilitated; recurring programmes

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. Own-book lending float, if any, is arranged via financiers and excluded from the setup funding below.

12.1 Project cost & means of finance

Capital requirement	₹
Office & fit-out	1,40,000
Computers & IT (3)	1,60,000
Deal/CRM & verification systems	80,000
Branding, website & BD	70,000
Deposits & pre-operative	60,000
Working-capital buffer	2,90,000
Total project cost	**8,00,000**

Promoter contribution	3,50,000
Term loan (setup/opex)	4,50,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Facilitation fees	18,00,000	34,00,000	46,00,000
Discount-spread income (via tie-ups)	12,00,000	24,00,000	32,00,000
Advisory & onboarding fees	4,00,000	7,00,000	7,00,000
Total revenue	**34,00,000**	**65,00,000**	**85,00,000**
Salaries & wages	16,50,000	31,00,000	41,00,000
Rent & utilities	2,60,000	3,20,000	3,80,000
Systems & IT	2,00,000	3,00,000	3,80,000
Marketing & BD	2,20,000	3,20,000	4,00,000
Admin, travel & misc	2,80,000	4,00,000	5,20,000
Interest on term loan	50,000	36,000	20,000
Total expenses	**26,60,000**	**44,76,000**	**58,00,000**
Net profit (before tax)	**7,40,000**	**20,24,000**	**27,00,000**
Net margin	21.8%	31.1%	31.8%

12.3 Unit economics & break-even

- **Per ₹1 crore facilitated:** ~₹1–2 lakh combined facilitation + spread income (net of financier cost).
- **Break-even:** ~₹12–15 crore facilitated volume plus advisory — reached around month 9–11.
- **Repeat effect:** recurring receivables from the same sellers compound volume at low incremental cost.

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	2,90,000	2,10,000	2,45,000	3,70,000
Collections	5,50,000	7,80,000	9,80,000	10,90,000
Operating outflows	5,95,000	7,15,000	8,25,000	9,30,000
Loan EMI	35,000	30,000	30,000	30,000
Closing balance	**2,10,000**	**2,45,000**	**3,70,000**	**5,00,000**

> A larger buffer is held given the working-capital-intensive nature of receivables finance and the need to manage financier settlement timing.

12.5 Key Performance Indicators to Monitor

- **Volume:** receivables facilitated (₹); active sellers; repeat rate.
- **Risk:** delinquency/default on financed invoices (target near zero); buyer concentration.
- **Economics:** income per ₹ crore facilitated; net spread; cost per deal.
- **Efficiency:** turnaround time; verification accuracy; financier utilisation.

13. Funding Requirement & Bankability

Total setup ask: **₹4.5 lakh term loan** against ₹3.5 lakh promoter contribution — eligible under **PMMY (Mudra)** and coverable under **CGTMSE**. Year-1 net profit ~₹7.4 lakh against annual debt service of ~₹1.6 lakh gives a **DSCR above 2.5**. Any lending float is arranged through financier partners, not this facility.

13.1 Funding utilisation

Use of funds	₹	% of total
IT, deal/CRM & verification systems	2,40,000	30%
Office setup & deposits	2,00,000	25%
Branding & business development	70,000	9%
Working-capital buffer	2,90,000	36%
Total	**8,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
Invoice fraud / fake receivables	Rigorous authentication; buyer confirmation; escrow routing; seller track record
Buyer default / payment delay	Buyer credit checks; concentration limits; anchor-buyer programmes
Regulatory (own-book = NBFC)	Facilitation model; financier tie-ups; RBI/legal advice before any own-book
Financier dependence	Multiple financier partners; TReDS access
Data / conduct	DPDP-aligned handling; transparent pricing

15. SWOT Analysis

Strengths Acute MSME need; recurring usage; spread + fee income; collateral-light.	**Weaknesses** Fraud/credit risk; financier dependence; own-book needs NBFC licence.
Opportunities TReDS & co-lending growth; anchor-buyer programmes; policy push on MSME payments.	**Threats** Platform competition; credit-cycle risk; regulatory tightening.

16. Recommended AiSevak Tools for This Business

This firm would use AiSevak's Finance vertical financing tools in delivery:

- **Financing:** Invoice-Discounting, WC-Limit, Loan-Readiness, Loan-Matcher, Cash-Cycle, Working-Capital.
- **Assessment:** vendor-statement and receivables tools; Business Plan and Unit-Economics tools to model the firm.

17. Key Assumptions & Notes

- ~₹15 crore facilitated in Year 1 growing to ~₹60 crore by Year 3.
- Combined facilitation + spread ~1–2% of financed value net of financier cost — adjust to tie-up terms.
- Own-book lending excluded (NBFC-regulated); model assumes facilitation/arranging via financiers.
- Figures exclude GST on fees (pass-through); term-loan interest ~11% p.a., 5-year tenure.

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