BUSINESS PLAN · INDIA

Mutual-Fund Distribution (MFD)

MF and investment product distribution

BFSI

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

August 2026

1. Executive Summary

This plan sets out a **Mutual-Fund Distribution (MFD) Business** in India — an AMFI-registered (ARN) distributor that helps retail & affluent investors invest in mutual funds & allied investment products, earning **trail commission on the assets it brings & keeps invested**. This is the **lightest-capital, purest-annuity model** in BFSI: no lending, no balance sheet, no credit risk — its entire value is a **compounding trail-income book** that grows with net inflows, SIP persistence & market appreciation. It monetises India's booming SIP/MF culture & the shift of household savings into financial assets.

India's mutual-fund industry & SIP book are growing rapidly, with tens of millions of investors & a long runway of financialisation — yet most investors still need help choosing, investing & staying invested. An MFD is a **distribution & trail-annuity business**: minimal capital, driven by the ability to acquire investors, build a persistent SIP/AUM book & earn recurring trail on it. Because trail commission recurs on live AUM, the book **compounds**: every new SIP & net inflow stacks on the existing trail, and market appreciation lifts AUM (and trail) over time. Revenue is almost entirely **trail commission (a small % of AUM annually)**; success rests on AUM/SIP-book growth, investor persistence/retention, low acquisition cost & service — it is AUM-, SIP-persistence- & retention-driven, extremely asset-light.

This is an ultra-asset-light, regulated distribution business — funded by minimal promoter equity (very low capex) & a small runway buffer. This plan models an MFD building toward **₹120 crore AUM** by Year 1 and **₹450 crore** by Year 3, on initial capital of **₹18 lakh**, with trail-driven revenue as shown. *(MFD; AMFI-ARN trail-commission, SIP-book/persistence-driven, ultra-asset-light annuity — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: An AMFI-registered mutual-fund distribution business - helping investors invest in MFs (SIP/lumpsum) & allied products, earning recurring trail commission on live AUM; ultra-asset-light.

Vision: To help every investor start & stay invested for long-term wealth.

Mission: Make investing simple, suitable & disciplined - grow a persistent SIP book & keep investors invested.

Legal structure & registration

- **Proprietorship/LLP/Company + AMFI ARN** (mandatory to distribute MFs & earn commission); NISM VA certification.
- **Optional:** allied registrations (insurance/other) for cross-sell; not RIA (that is fee-only advice — separate).

> **Regulatory anchor:** MF distribution is AMFI/SEBI-regulated (ARN via AMFI, NISM certification, commission disclosure, suitability, no assured returns/mis-selling; distribution is separate from SEBI RIA fee-advice). It is ultra-asset-light — no lending, no balance sheet, no capital-adequacy, no credit risk — so the entire economics are the **trail-commission annuity on live AUM**. AUM/SIP-book growth, persistence/retention, low acquisition cost & compliance determine success; it is AUM-, persistence- & retention-driven.

3. Promoter & Ownership

Led by a promoter/MFD with distribution, financial-planning or advisory aptitude & investor relationships (often scalable via sub-distributors/associates). The team includes acquisition/relationship associates, service/operations & support; the model scales with a network of associates & digital tools. AUM/SIP-book growth, persistence & low acquisition cost are the differentiators. Ownership & stakes are editable inputs.

4. Market Analysis — India

India's mutual-fund AUM & SIP book are growing strongly, with a rising investor base, deepening SIP culture & a long financialisation runway — yet penetration remains low vs. potential, and investors need help to start & persist. Demand is financialisation-/SIP-/wealth-driven & market-linked. The market rewards AUM/SIP-book growth, persistence/retention, low acquisition cost, service & trust; it is AUM-, persistence-, market- & competition-sensitive, met with acquisition, persistence, service & scale.

Demand drivers

- **SIP culture & MF-AUM growth.**
- **Financialisation of savings.**
- **Low penetration & long runway.**
- **Need for help to start/persist.**
- **Tier-2/3 & digital** investor growth.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	MF distribution in India	Very large & fast-growing
SAM	Region/segment & investor-tier	Substantial
SOM (Yr 1–3)	AUM / SIP book	Scaling

Target segments

- Retail SIP investors.
- Affluent & salaried professionals.
- First-time / tier-2/3 investors.
- Businesses/HUFs & families.

5. Competition & Competitive Advantage

Landscape: other MFDs/IFAs, bank & national distributors, direct plans, fintech/discount platforms & RIAs. The MFD competes on acquisition & service, persistence-building, trust, digital convenience & relationship (vs. direct/DIY).

The business's edge

- **Investor acquisition & low CAC.**
- **SIP-book building & persistence.**
- **Service, trust & hand-holding** (vs. direct/DIY).
- **Digital tools & associate network (scale).**
- **Retention & the compounding trail book.**

6. Products & Revenue Model

Stream	Model	Basis

MF trail commission (regular plans)	Trail % of live AUM (annual)	Core annuity (almost all)
SIP-book trail	Recurring on SIP AUM	Compounding
Allied products (insurance/bonds)	Commission	Cross-sell
Sub-distributor / associate share	Trail split (network scale)	Scale

> Almost the entire economics is **trail commission on live AUM** (a small annual %, ~0.5–1% on equity funds) — a pure, recurring annuity that **compounds** as net inflows & SIPs stack & markets appreciate; allied products add small cross-sell. Economics = AUM × trail yield − acquisition/opex; AUM/SIP-book growth, persistence & low CAC drive it — the decisive MFD levers (ultra-asset-light, book-compounding annuity).

7. Go-to-Market — Acquisition & Growth

- **Investor acquisition** (referrals, network, digital, community).
- **SIP-first onboarding** (persistence-building).
- **Associate/sub-distributor network** (scale).
- **Digital tools & content** (education, convenience).
- **Service & retention** (keep investors invested).

Growth approach

Acquire investors (referrals/network/digital) → onboard SIP-first → build a persistent SIP/AUM book → service & retain (keep invested) → compound trail as inflows & markets grow the book → scale via associates & digital. Acquisition, SIP-book, persistence & low CAC build a compounding, ultra-asset-light annuity.

8. Operations Plan (distribution + service)

- **Acquisition & onboarding:** investor sourcing, KYC, risk-profiling (suitability), SIP setup — digital-first where possible.
- **Service & persistence:** reviews, hand-holding through volatility (the key to persistence), portfolio tracking, top-ups.
- **Platform:** MFD transaction platform (BSE Star MF/NSE NMF/aggregators), reporting, SIP management, CRM.
- **Network:** associate/sub-distributor management & enablement for scale.
- **Compliance:** ARN, NISM, commission disclosure, suitability, no assured returns/mis-selling.

Investor workflow

Stage	Activity	Metric
Acquire	Source/KYC	New investors/CAC
Onboard	SIP/risk-profile	SIP book
Grow	Top-ups/inflows	Net AUM
Retain	Service/persistence	Persistence/retention
Scale	Associates/digital	Network AUM

9. Regulatory, Licences & Compliance (India)

- **AMFI ARN** (mandatory) + NISM VA certification.
- **Conduct:** commission disclosure; suitability; no assured returns/mis-selling; distribution ≠ RIA fee-advice.
- **KYC/AML:** investor KYC; platform compliance.
- **Tax:** GST on commission; PAN/TAN.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / lead MFD	1	1	2
Acquisition / relationship associates	4	9	16
Service & operations	2	4	7
Support & admin	1	2	3
Total (core; associates network extends)	**8**	**16**	**28**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–2	ARN/NISM, platform, associates, first investors
Ramp	Month 2–8	SIP book, AUM build, persistence, network
Traction	Month 8–12	AUM & SIP book; ₹120cr AUM
Expand	Year 2	More associates/investors, digital, ₹300cr
Scale	Year 3	₹450cr AUM; compounding trail book

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. MFD is ultra-asset-light (no balance sheet/credit risk); revenue is trail commission on live AUM; the book compounds with inflows, SIP persistence & market appreciation; markets affect AUM & income.

12.1 Project cost & means of finance

Capital requirement	₹
Setup, platform, IT & ARN/NISM	5,00,000
Working capital (associate/salary + build-up runway)	9,00,000
Acquisition, digital & content	3,00,000
Pre-operative & buffer	1,00,000

Total project cost	18,00,000
Promoter contribution	13,00,000
Bank / WC finance (services)	5,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Average AUM (live book)	70,00,00,000	220,00,00,000	360,00,00,000
Trail commission income (~0.85% blended)	60,00,000	1,87,00,000	3,06,00,000
Allied / cross-sell commission	8,00,000	18,00,000	24,00,000
Total revenue	**68,00,000**	**2,05,00,000**	**3,30,00,000**
Associate / staff cost	36,00,000	92,00,000	1,40,00,000
Platform, acquisition & digital	14,00,000	32,00,000	48,00,000
Office & overheads	12,00,000	24,00,000	34,00,000
Interest & other	2,00,000	3,00,000	4,00,000
Total expenses	**64,00,000**	**1,51,00,000**	**2,26,00,000**
Net profit (before tax)	**4,00,000**	**54,00,000**	**1,04,00,000**
Net margin	5.9%	26.3%	31.5%

12.3 Unit economics & key ratios

- **AUM × trail yield:** trail (~0.5–1% on equity, less on debt) on live AUM is a pure recurring annuity; the book **compounds** as net inflows & SIPs stack & markets appreciate — new AUM adds trail with almost no incremental cost once acquired.
- **Persistence & CAC:** SIP persistence/retention (keeping investors invested through volatility) & low acquisition cost are the make-or-break levers; the annuity's power is in longevity of AUM.
- **Operating leverage:** costs are largely fixed (associates/platform); as the trail book compounds over them, margins expand dramatically (5.9% → 31.5%) — the classic MFD annuity effect.

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	1,00,000	90,000	95,000	1,10,000
Trail & commission collections	11,00,000	15,00,000	19,00,000	23,00,000
Associate, platform & operating	11,10,000	14,95,000	18,85,000	22,80,000
Closing balance	**90,000**	**95,000**	**1,10,000**	**1,30,000**

> Ultra-asset-light & no credit risk, but a build-up period before the trail book covers cost — the early cash gap is the main risk (a small runway buffer bridges it). Persistence, low CAC, the compounding annuity & operating leverage manage cash; the key risks are AUM-build-up lag, market downturns (AUM/trail dip), redemptions/low persistence & commission/regulatory

changes — met with SIP-first, persistence, diversification & scale.

12.5 Key Performance Indicators to Monitor

- **AUM:** total AUM; net inflows; SIP book; SIP persistence (%).
- **Income:** trail yield; recurring share; revenue/associate.
- **Acquisition:** new investors; CAC; associate network.
- **Finance:** net margin; cost-to-income; operating leverage.

13. Funding Requirement & Bankability

Total ask: **₹5 lakh bank/WC finance** against ₹13 lakh promoter contribution — a very small runway buffer on an ultra-low-capex base. This is the **lightest-capital model in BFSI**: no lending capital, no NOF/CRAR, no balance sheet, no credit risk — the entire value is the compounding trail-commission annuity. Bankability/fundability rests on AUM/SIP-book growth, persistence & the recurring trail; margins expand dramatically as the book compounds over fixed cost (the annuity effect). Year-1 profit is thin (build-up) growing to ₹1.04 crore by Year 3. AUM/SIP-book growth, persistence, low CAC & compliance underpin the model.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (associate/salary + build-up runway)	9,00,000	50%
Setup, platform, IT & ARN/NISM	5,00,000	27.8%
Acquisition, digital & content	3,00,000	16.7%
Pre-operative & buffer	1,00,000	5.6%
Total	**18,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
AUM build-up lag / early cash gap	SIP-first, referrals/network, low CAC, runway buffer
Market downturn (AUM/trail dip)	SIP persistence, diversification, hand-holding, retention
Low persistence / redemptions	Service, education, SIP discipline, relationship
Commission / regulatory changes	Diversify products, service value, associate scale, compliance
Direct-plan / fintech competition	Service, hand-holding, trust, digital convenience

15. SWOT Analysis

Strengths Ultra-asset-light, no credit risk; pure compounding trail annuity; huge operating leverage; SIP/MF tailwind; scalable via associates.	**Weaknesses** AUM-build-up lag; market-linked income; persistence-dependent; commission-regulation-sensitive.
Opportunities SIP/MF growth; financialisation; tier-2/3; digital; associate networks; cross-sell.	**Threats** Market downturns; direct-plan/fintech competition; commission/regulatory changes; redemption waves.

16. Recommended AiSevak Tools for This Business

This MFD would use AiSevak's BFSI vertical tools in delivery:

- **Distribution ops:** investor-onboarding/KYC & SIP-management, AUM/trail-book & persistence-tracking, acquisition/CAC & associate-network tools.
- **Products & compliance:** MF-platform & suitability/disclosure, AMFI/ARN-compliance & GST tools (with Legal & Finance verticals).
- **Practice:** Business Plan, AUM/trail-yield/persistence and Break-even tools to model the trail-book annuity.

17. Key Assumptions & Notes

- MFD is ULTRA-ASSET-LIGHT & regulated (AMFI/SEBI) — NO lending/balance-sheet/credit/capital risk; the entire value is the trail-commission annuity on live AUM.
- Revenue = AUM × trail yield (+ small cross-sell); the book compounds with net inflows, SIP persistence & market appreciation; huge operating leverage as trail stacks over fixed cost.
- Minimal capital (ARN/NISM + small runway buffer); distribution ≠ RIA fee-advice; suitability & no assured-returns/mis-selling.
- AUM/SIP-book growth, persistence, low CAC & market conditions drive economics; figures illustrative; regulated, not investment advice.

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