



BUSINESS PLAN · INDIA

NBFC / Lending Business

Retail and SME lending and credit products

BFSI

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 an **NBFC / Lending Business** in India — an RBI-registered Non-Banking Financial Company that lends to retail & MSME borrowers (personal, business, consumer-durable, secured & SME loans), funded by owned capital plus borrowings, and earning the **spread (net interest margin) between lending yield & cost of funds** net of credit losses. Unlike capital-light advisory, this is a **regulated, balance-sheet business**: it needs RBI registration & minimum Net Owned Funds, must maintain capital adequacy (CRAR), and lives or dies on credit underwriting, asset quality (NPAs), cost of funds, spread & collections.

India's credit gap — especially for retail & MSME borrowers under-served by banks — is vast, and NBFCs have become central to last-mile, specialised & digital lending. But an NBFC is fundamentally different from a consultancy: it deploys its own & borrowed capital as loans, carries **credit/NPA risk on its balance sheet**, is **RBI-regulated** (registration, minimum NOF of ₹10 crore for most new NBFCs, CRAR $\geq 15\%$, scale-based regulation, fair-practices, provisioning norms), and is leveraged (borrowings amplify both return & risk). Profitability rests on **net interest margin (yield – cost of funds)**, **credit costs (NPAs/provisions)**, **operating efficiency, leverage & collections**; success rests on underwriting discipline, cost of funds, asset quality, capital & compliance — it is credit-risk-, capital-, funding- & regulation-driven.

This is a regulated, capital-intensive financial business — funded by substantial promoter/equity capital (to meet NOF & CRAR) plus debt/borrowings for on-lending. This plan models an NBFC with **₹15 crore capital** (₹12 crore equity/NOF + initial borrowings), building a loan book toward **₹40 crore AUM** by Year 1 and **₹120 crore** by Year 3, targeting **net interest income & profitability** shown below. (NBFC lending; NOF/CRAR/cost-of-funds/NIM/NPA-driven, RBI-regulated, leveraged balance-sheet business — figures illustrative.)

2. Business Description, Vision & Legal Structure

Concept: An RBI-registered NBFC lending to retail & MSME borrowers, funded by equity + borrowings, earning the spread (NIM) net of credit costs on a regulated balance sheet.

Vision: To responsibly close the credit gap for under-served retail & MSME borrowers.

Mission: Lend prudently & inclusively - disciplined underwriting, fair practices, sound asset quality & sustainable returns.

Legal structure

- **Private/Public Limited Company + RBI NBFC registration (CoR)** — mandatory; NBFC must be a company with minimum Net Owned Funds (₹10 crore for most new NBFCs).
- **Category:** NBFC-ICC (Investment & Credit Company); scale-based regulation (Base/Middle layer) applies as it grows.

Regulatory anchor: an NBFC is heavily RBI-regulated — Certificate of Registration, minimum NOF (₹10 crore), capital adequacy (CRAR $\geq 15\%$, with Tier-I minimums), scale-based regulation, fair-practices code, KYC/AML, provisioning & income-recognition (IRACP) norms, exposure limits, statutory auditor/board governance & reporting. Underwriting discipline, cost of funds, asset quality (NPAs), capital & compliance determine success; it is credit-risk-, capital-, funding- & regulation-driven — a balance-sheet business, NOT capital-light.

3. Promoter & Ownership

Led by promoters with lending, banking, credit or financial-services expertise & the capital to meet NOF/CRAR (RBI assesses "fit and proper" promoters). The team includes credit/underwriting, collections/recovery, risk & compliance, treasury/funding, operations & technology. Underwriting discipline, cost of funds, asset quality & governance are the

differentiators. Ownership, capital & any equity investors are editable inputs; RBI fit-and-proper & capital norms apply.

4. Market Analysis — India

India's retail & MSME credit demand vastly exceeds bank supply, especially for thin-file, self-employed, small-business & last-mile borrowers — the space NBFCs specialise in (speed, reach, niche underwriting, digital). Demand is credit-gap-, consumption- & MSME-growth-driven & economy-/rate-linked. The market rewards underwriting discipline, cost of funds, asset quality, niche/segment focus & compliance; it is credit-cycle-, funding-, rate- & regulation-sensitive, met with prudent underwriting, diversified funding, collections & capital.

Demand drivers

- **Retail & MSME credit gap** (bank under-service).
- **Consumption & small-business** credit growth.
- **Digital lending & formalisation.**
- **Niche/specialised underwriting** (thin-file/self-employed).
- **Co-lending & partnerships** with banks.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Retail/MSME credit in India	Very large & under-served
SAM	Segment/product & geography	Substantial
SOM (Yr 1-3)	Loan book (AUM)	Scaling

Target segments

- MSME / small-business loans.
- Retail (personal/consumer-durable/two-wheeler).
- Secured (LAP / vehicle / gold-adjacent).
- Underserved/self-employed & co-lending.

5. Competition & Competitive Advantage

Landscape: banks, larger NBFCs, fintech lenders, microfinance & informal lenders. The NBFC competes on niche/segment underwriting, speed & reach, service, risk-based pricing, cost of funds & asset quality.

The business's edge

- **Niche/segment underwriting expertise.**
- **Speed, reach & service** (vs. banks).
- **Asset quality & collections discipline.**
- **Diversified, competitive funding.**
- **Capital, compliance & governance.**

6. Products & Revenue Model

Stream	Model	Basis
MSME / business loans	Interest yield (spread)	Core AUM
Retail / consumer loans	Interest yield (higher)	Yield
Secured loans (LAP/vehicle)	Interest (lower risk)	Asset quality
Processing / other fees	Fee income	Non-interest
Co-lending / assignment	Spread + fee (capital-light)	Scale/capital-efficiency

Revenue is primarily **net interest income = lending yield – cost of funds**, on AUM funded by equity + borrowings (leverage), plus fee income; co-lending/assignment adds capital-light scale. Profit = NIM × AUM – credit costs (NPAs/provisions) – opex, geared by leverage. Underwriting, cost of funds, asset quality, leverage & collections drive it — the decisive NBFC levers (regulated, balance-sheet).

7. Go-to-Market — Origination & Growth

- **Direct & DSA origination** (branches/feet-on-street/partners).
- **Digital origination & partnerships** (fintech/platforms).
- **Co-lending with banks** (capital-efficient scale).
- **Segment/niche focus** (underwriting edge).
- **Repeat & cross-sell** (good borrowers).

Growth approach

Originate quality loans (direct/DSA/digital/co-lending) in focused segments → underwrite prudently → build a seasoned, good-quality book → fund competitively (equity + diversified borrowings) → grow AUM within CRAR & ALM limits → compound NIM while protecting asset quality. Underwriting, funding, collections & capital build a sustainable book; growth is always balanced against risk & regulation.

8. Operations Plan (regulated lending)

- **Credit & underwriting:** credit policy, scoring/appraisal, KYC/AML, risk-based pricing, sanction/disbursal — the core discipline.
- **Collections & recovery:** monitoring, early-warning, collections, NPA management & recovery — protects asset quality.
- **Treasury & ALM:** raise & manage borrowings (banks/NCDs/lines), cost of funds, liquidity & asset-liability matching.
- **Risk & compliance:** CRAR, provisioning (IRACP), exposure limits, RBI reporting, fair-practices, audit & governance.
- **Technology:** loan-origination & management system (LOS/LMS), credit bureau, analytics, collections tech.

Lending workflow

Stage	Activity	Metric
Originate	Sourcing/KYC	Volume/cost
Underwrite	Credit/scoring	Approval/risk

Disburse	Sanction/fund	AUM/yield
Monitor	Collections	DPD/NPA
Fund/comply	Treasury/CRAR	Cost of funds/CRAR

9. Regulatory, Licences & Compliance (India)

- **RBI:** NBFC Certificate of Registration; minimum NOF (₹10 crore); CRAR $\geq 15\%$; scale-based regulation; fair-practices code.
- **Prudential:** IRACP (provisioning/income-recognition); exposure limits; ALM; statutory reserves.
- **KYC/AML:** KYC, PMLA/AML, credit-bureau reporting.
- **Governance:** fit-and-proper promoters/board; auditors; RBI returns/reporting; digital-lending guidelines (if applicable).

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / CEO & leadership	2	3	4
Credit & underwriting	6	12	20
Sales / origination & branches	10	22	40
Collections & recovery	6	14	26
Risk, compliance, treasury, ops & tech	6	11	18
Total	30	62	108

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–6	Company, capital/NOF, RBI CoR, credit policy, LOS/LMS, team
Launch	Month 6–12	First disbursements, borrowings, ₹40cr AUM, asset-quality systems
Build	Year 2	Scale AUM, diversify funding, co-lending, seasoning
Scale	Year 3	₹120cr AUM; NIM & asset quality 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. NBFC lending is a leveraged, regulated balance-sheet business — returns & risks are geared by leverage; credit costs (NPAs) are the key swing factor. Capital must meet RBI NOF & CRAR at all times.

12.1 Capital structure & means of finance (initial)

Requirement	₹
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Equity capital (Net Owned Funds — RBI minimum met)	12,00,00,000
Initial borrowings (banks/NCDs/lines) for on-lending	3,00,00,000
Total initial capital deployed	15,00,00,000
Of which: technology, setup & opex reserve	2,00,00,000
Of which: lendable funds (initial book)	13,00,00,000

Note: minimum Net Owned Funds for most new NBFCs is ₹10 crore (RBI). This plan assumes ₹12 crore NOF to comfortably exceed the floor & support CRAR as the book grows via borrowings.

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Average AUM (loan book)	25,00,00,000	75,00,00,000	1,00,00,00,000
Interest income (yield ~20%)	5,00,00,000	15,00,00,000	20,00,00,000
Fee & other income	40,00,000	1,20,00,000	1,60,00,000
Finance cost (borrowings ~12%)	1,50,00,000	5,60,00,000	8,00,00,000
Net interest + fee income	3,90,00,000	10,60,00,000	13,60,00,000
Operating expenses	2,20,00,000	5,00,00,000	6,60,00,000
Credit costs / provisions (NPAs)	50,00,000	1,90,00,000	2,60,00,000
Profit before tax	1,20,00,000	3,70,00,000	4,40,00,000
Net interest margin (NIM)	~14% (spread)	~12.6%	~12%

12.3 Unit economics & key ratios

- **NIM = yield – cost of funds:** lending yield (~18-22% retail/MSME) minus cost of funds (~11-13%) gives the gross spread; net of opex & credit costs it becomes the return — geared up by leverage (borrowings/equity).
- **Credit cost (NPAs) is the swing factor:** asset quality (GNPA/NNPA, provisioning per IRACP) can make or break profitability; disciplined underwriting & collections are the core levers; a rise in credit costs erodes NIM fast.
- **Capital & leverage:** CRAR ($\geq 15\%$) & NOF cap how much can be lent per rupee of capital; prudent leverage amplifies ROE but also risk; ALM matches asset-liability tenors/liquidity.

12.4 Illustrative asset-quality & capital metrics

Metric	Year 1	Year 2	Year 3
Closing AUM	40cr	90cr	120cr
GNPA (illustrative target)	<2.5%	<3%	<3%
CRAR (must stay $\geq 15\%$)	>30%	~22%	~18%
Return on assets (ROA)	~3%	~3.5%	~3.2%

An NBFC is a leveraged balance-sheet business: profit is $\text{NIM} \times \text{AUM}$ minus credit costs & opex, geared by borrowings, and always constrained by CRAR & ALM. Asset quality (NPAs), cost of funds & capital are the make-or-break variables; the key risks are credit/NPA shocks, funding/liquidity (ALM mismatch), rate cycles & regulatory change — met with underwriting discipline, diversified funding, collections, provisioning & capital buffers.

12.5 Key Performance Indicators to Monitor

- **Asset quality:** GNPA/NNPA; DPD buckets; provision coverage; credit cost.
- **Margins:** yield; cost of funds; NIM/spread; ROA/ROE.
- **Capital & funding:** CRAR; NOF; leverage; ALM/liquidity; funding mix.
- **Growth & efficiency:** AUM; disbursals; opex/AUM; collections efficiency.

13. Funding Requirement & Bankability

This NBFC is **capital-intensive**: it requires substantial **equity (₹12 crore NOF)** to meet RBI minimums & support CRAR, plus **debt/borrowings** (banks, NCDs, term loans, co-lending lines) to fund the on-lending book. Bankability (for the NBFC's own borrowings) rests on capital adequacy, asset quality, promoter strength, governance & a seasoned book — lenders & investors assess CRAR, GNPA, ROA & ALM. Unlike consulting, this is a leveraged, regulated financial institution: growth is bounded by capital & regulation, and returns are geared but risk-laden. Year-1 PBT ~₹1.2 crore growing to ₹4.4 crore reflects a seasoning book with controlled credit costs. *(This plan is a business model, not investment advice; RBI registration & compliance are prerequisites.)*

13.1 Funding utilisation (initial ₹15 crore)

Use of funds	₹	% of total
Lendable funds (initial loan book)	13,00,00,000	86.7%
Technology (LOS/LMS), setup & infrastructure	1,20,00,000	8%
Opex reserve, compliance & pre-operative	80,00,000	5.3%
Total	15,00,00,000	100%

14. Risk Analysis & Mitigation

Risk	Mitigation
Credit / NPA risk (asset quality)	Disciplined underwriting, scoring, diversification, collections, provisioning
Funding / liquidity (ALM mismatch)	Diversified borrowings, ALM matching, liquidity buffers, co-lending
Interest-rate / cost-of-funds cycle	Risk-based pricing, funding diversification, tenor management
Capital adequacy (CRAR breach)	Capital planning, equity raises, measured leverage, retained earnings
Regulatory / compliance	RBI compliance, governance, fair-practices, reporting, scale-based readiness

15. SWOT Analysis

Strengths Vast credit gap; niche underwriting; speed/reach vs. banks; geared returns; co-lending options.	Weaknesses Capital-intensive (NOF/CRAR); credit/NPA & funding risk; leveraged; heavily regulated; cost-of-funds-dependent.
Opportunities Retail/MSME credit gap; digital lending; co-lending with banks; specialised segments; formalisation.	Threats Credit cycles/NPAs; funding squeezes/liquidity; rate cycles; regulatory tightening; competition (banks/fintechs).

16. Recommended AiSevak Tools for This Business

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

- **Lending ops:** credit-scoring/underwriting & KYC/AML, loan-origination/management (LOS/LMS) & collections/NPA, portfolio/asset-quality analytics tools.
- **Finance & compliance:** treasury/ALM & cost-of-funds, CRAR/NOF & IRACP-provisioning, RBI-reporting & fair-practices tools (with Legal & Finance verticals).
- **Practice:** Business Plan, NIM/credit-cost and capital-adequacy modelling tools to plan & monitor the NBFC.

17. Key Assumptions & Notes

- NBFC lending is a REGULATED, LEVERAGED BALANCE-SHEET business (not capital-light): RBI CoR, minimum NOF (₹10cr), CRAR $\geq 15\%$, scale-based regulation, IRACP provisioning, ALM & fair-practices apply throughout.
- Profit = NIM (yield – cost of funds) $\times$ AUM – credit costs (NPAs/provisions) – opex, geared by leverage; asset quality & cost of funds are the make-or-break variables.
- Requires substantial equity (NOF) + diversified debt/borrowings; growth bounded by CRAR & capital; ALM manages liquidity/rate risk.
- Underwriting discipline, cost of funds, asset quality, collections, capital & compliance drive economics; figures illustrative; RBI registration & compliance are prerequisites; this is a business model, not investment advice.

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