BUSINESS PLAN · INDIA

Stock-Broking / Sub-Broker (AP)

Authorised person and broking services

BFSI

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1. Executive Summary

This plan sets out a **Stock-Broking / Sub-Broker (Authorised Person) Business** in India — a SEBI/exchange-regulated broking business that enables clients to trade equities, F&O, currency & commodities and invest via demat accounts, operating either as an **exchange trading member (broker)** or as an **Authorised Person (AP/sub-broker) under a broker**, earning **brokerage per trade (or an AP revenue-share)** plus allied income. Economics rest on **active clients, trades/volume, ARPU & brokerage yield**; it is a tech- & compliance-heavy business, largely asset-light (the AP route especially), with optional margin-funding (MTF) turning it into a balance-sheet activity. It monetises India's surging retail-investor & demat participation.

India's retail participation in markets has exploded (demat accounts, F&O, SIPs into equities), and clients need reliable, low-cost, well-serviced broking & demat access. A broking/AP business is a **client-acquisition, volume & tech business**: as an **AP/sub-broker under an established broker** it is asset-light (share of brokerage, no membership capital); as a **full trading member** it needs exchange membership, deposits, tech & compliance. Revenue is **brokerage per trade (full-service) or flat/discount fees, plus AP revenue-share, DP/demat charges, MTF interest (optional) & distribution**; success rests on active-client acquisition, trading volume/ARPU, reliability/tech, service & compliance — it is client-, volume- & ARPU-driven (asset-light as AP; capital & risk rise with membership/MTF).

This plan models the **AP/sub-broker route** (asset-lighter, faster) with a full-member note — funded by modest promoter equity (tech, acquisition & deposits). It requires **₹45 lakh** (₹32 lakh promoter + ₹13 lakh WC/deposit), building toward **4,000 active clients** by Year 1 and **15,000** by Year 3, with revenue as shown. *(Stock-broking/AP; brokerage/revenue-share, active-client/volume/ARPU-driven, asset-light-ish (AP) — figures illustrative; membership/MTF add capital & risk.)*

2. Business Description, Vision & Legal Structure

Concept: A stock-broking / Authorised-Person business - client trading & demat access across equities/F&O/currency/commodity, earning brokerage/revenue-share + allied income; AP-route asset-light, full-member route capital-heavier.

Vision: To give investors reliable, well-priced, well-serviced market access.

Mission: Enable clients to trade & invest securely - reliable tech, fair pricing, good service & full compliance.

Legal structure options

- **Authorised Person (AP/sub-broker) under a SEBI-registered broker** — asset-light; revenue-share; broker provides membership/tech/compliance backbone.
- **Exchange trading member (broker)** — SEBI registration + exchange membership, deposits/net-worth, tech & compliance (capital-heavier).

> **Regulatory anchor:** broking is SEBI/exchange-regulated — SEBI registration & exchange membership (for a broker) or AP registration under a broker, net-worth/deposits (member), demat/DP norms, KYC/AML, margin & settlement rules, risk-management, grievance & compliance; MTF (margin-funding) is a regulated balance-sheet activity. Active-client acquisition, trading volume/ARPU, reliability/tech, service & compliance determine success; it is client-, volume- & ARPU-driven (asset-light as AP).

3. Promoter & Ownership

Led by a promoter with broking, markets, financial-distribution or fintech expertise & client-acquisition capability. The team includes client acquisition/sales, dealing/support, tech, risk & compliance, and (member route) settlement/operations. Active-client acquisition, volume/ARPU, reliability & service are the differentiators. Ownership & stakes are editable inputs; SEBI/exchange norms apply.

4. Market Analysis — India

India's retail-investor base & demat accounts have surged, with strong growth in equity, F&O, SIP-into-equity & young investors — driving demand for reliable, low-cost, well-serviced broking. Demand is participation-/market-/financialisation-driven & market-cycle-linked. The market rewards active-client acquisition, volume/ARPU, reliability/tech, pricing (discount vs. full-service), service & compliance; it is client-, volume-, market-cycle- & competition-sensitive, met with acquisition, tech, pricing & service.

Demand drivers

- **Surging retail participation & demat** accounts.
- **Equity/F&O & SIP-into-equity** growth.
- **Young/first-time investors** & digital.
- **Financialisation & market awareness.**
- **Discount & full-service** segments.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Retail broking in India	Very large & growing
SAM	Segment/geography & product	Substantial
SOM (Yr 1–3)	Active clients / volume	Scaling

Target segments

- Retail traders & investors.
- F&O/active traders (higher ARPU).
- First-time/young investors.
- Tier-2/3 & local relationship clients.

5. Competition & Competitive Advantage

Landscape: discount brokers (Zerodha/Groww/Upstox etc.), full-service brokers, bank brokers & other APs. The business competes on pricing, tech/reliability, service/advice, acquisition & local relationships (AP edge).

The business's edge

- **Client acquisition & local relationships (AP).**
- **Service/advice or competitive pricing.**
- **Reliability & tech (via broker backbone).**

- **ARPU & active-client focus.**
- **Compliance & trust.**

6. Products & Revenue Model

Stream	Model	Basis
Brokerage (equity/F&O/etc.)	Per trade / AP revenue-share	Core
DP / demat & account charges	Fees	Recurring/AMC
Margin funding (MTF, optional)	Interest (balance-sheet)	Spread (capital/risk)
Distribution (MF/IPO/insurance)	Commission	Cross-sell
Value-added (research/tools/API)	Subscription/fee	ARPU uplift

> Core revenue is **brokerage per trade** (full-service) or flat/discount fees — as an AP, a revenue-share of it; plus DP/demat charges, optional MTF interest (which uses capital & adds balance-sheet risk), distribution & VAS. Economics = active clients × trades × brokerage yield (× AP share) + allied − tech/acquisition/opex; active clients, volume, ARPU & acquisition drive it — the decisive broking levers.

7. Go-to-Market — Acquisition & Growth

- **Client acquisition** (digital, referrals, local network — AP edge).
- **Pricing/tech or service/advice** positioning.
- **Activation & engagement** (active clients, ARPU).
- **Cross-sell & VAS** (MF/IPO/research).
- **Retention** (reliability, service, trust).

Sales approach

Acquire clients (digital/referrals/local) → activate & engage (trading/investing) → grow volume/ARPU & cross-sell → retain via reliability & service → scale active-client base. Active-client acquisition, volume/ARPU, reliability & service build the broking book; the AP route keeps it asset-light (share of brokerage).

8. Operations Plan

- **Platform & dealing:** trading/demat platform (own or broker's), dealing/support, order execution, reliability/uptime.
- **Onboarding:** KYC, demat/trading account opening, activation.
- **Risk & settlement:** margin, risk-management, settlement (member route), MTF risk (if offered).
- **Compliance:** SEBI/exchange, KYC/AML, margin/settlement rules, grievance, audit.
- **Tech & service:** app/platform, research/tools, support, engagement.

Broking workflow

Stage	Activity	Metric
Acquire	KYC/account	Clients/CAC

Activate	First trade/fund	Active clients
Trade	Execution/dealing	Volume/brokerage
Monetise	ARPU/cross-sell/MTF	ARPU
Retain	Service/reliability	Retention

9. Regulatory, Licences & Compliance (India)

- **SEBI/exchange:** SEBI registration & exchange membership (broker) OR AP registration under a broker; net-worth/deposits (member).
- **Demat/DP:** depository (NSDL/CDSL) norms; KYC/AML.
- **Margin & settlement:** margin rules, settlement, risk-management; MTF norms (if offered).
- **Conduct:** grievance redressal, audit, disclosures; GST on brokerage.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / leadership	1	2	3
Client acquisition & sales	6	14	26
Dealing, support & service	4	9	16
Tech, risk & compliance	3	6	11
Total	**14**	**31**	**56**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–3	AP registration/broker tie-up, platform, team, first clients
Ramp	Month 3–8	Client acquisition, activation, volume/ARPU
Traction	Month 8–12	~4,000 active clients; ₹1.5cr revenue
Expand	Year 2	More clients/ARPU, cross-sell/VAS, ₹3.2cr
Scale	Year 3	~15,000 active clients; ₹5cr revenue

12. Financial Plan (Illustrative — AP route)

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. The AP route is asset-lighter (revenue-share, no membership capital); a full trading member needs deposits/net-worth/tech; MTF (if offered) uses capital & adds balance-sheet/credit risk. Volumes are market-cycle-linked.

12.1 Project cost & means of finance

Capital requirement	₹
Technology/platform, office & setup	15,00,000
Working capital (salaries + acquisition runway)	18,00,000
Broker deposit / AP onboarding & compliance	8,00,000
Brand, marketing & pre-operative	4,00,000
Total project cost	**45,00,000**
Promoter contribution	32,00,000
Bank / WC finance (services)	13,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Active clients (avg)	3,000	8,000	13,000
Brokerage / revenue-share income	1,15,00,000	2,45,00,000	3,80,00,000
DP/demat, distribution & VAS	35,00,000	75,00,000	1,20,00,000
Total revenue	**1,50,00,000**	**3,20,00,000**	**5,00,00,000**
Salaries & dealing/support	70,00,000	1,45,00,000	2,20,00,000
Technology, platform & acquisition	40,00,000	80,00,000	1,20,00,000
Office, compliance & overheads	28,00,000	55,00,000	80,00,000
Interest & other	4,00,000	6,00,000	8,00,000
Total expenses	**1,42,00,000**	**2,86,00,000**	**4,28,00,000**
Net profit (before tax)	**8,00,000**	**34,00,000**	**72,00,000**
Net margin	5.3%	10.6%	14.4%

12.3 Unit economics & key ratios

- **Active clients × trades × brokerage yield:** revenue is driven by active-client count, trading frequency/volume & brokerage yield (× AP revenue-share); F&O/active traders lift ARPU; DP/VAS/distribution add recurring income.
- **Acquisition & activation:** CAC, activation rate & retention are the make-or-break levers; the AP route is asset-light (share of brokerage, no membership capital), so acquisition efficiency & ARPU drive margin.
- **Market-cycle & MTF:** volumes swing with markets; MTF (optional) adds interest income but uses capital & adds balance-sheet/credit risk — only with proper risk-management & capital.

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	4,00,000	3,60,000	3,70,000	4,00,000
Brokerage & allied collections	28,00,000	36,00,000	42,00,000	44,00,000

Salaries, tech, acquisition & operating	28,40,000	35,90,000	41,70,000	43,60,000
Closing balance	**3,60,000**	**3,70,000**	**4,00,000**	**4,40,000**

> The AP route is asset-light with acquisition- & tech-cost-led early spend; volumes are market-cycle-linked. Active-client growth, ARPU, acquisition efficiency, DP/VAS recurring income & a WC line manage cash; the key risks are market-cycle volume swings, CAC/acquisition, retention/activation & compliance (and MTF risk if offered) — met with acquisition, ARPU, cross-sell & risk-management.

12.5 Key Performance Indicators to Monitor

- **Clients:** active clients; activation; retention/churn; CAC.
- **Volume & ARPU:** trades/volume; brokerage yield; ARPU; F&O mix.
- **Income:** brokerage vs. DP/VAS/distribution; recurring share.
- **Finance & risk:** net margin; CAC payback; MTF/margin risk (if any); compliance.

13. Funding Requirement & Bankability

Total ask: **₹13 lakh bank/WC finance** against ₹32 lakh promoter contribution — for technology, client acquisition, broker deposit & working capital on an **asset-light AP base** (revenue-share, no membership capital; loans/margin not on own book unless MTF is offered). Bankability/fundability rests on active-client growth, ARPU, acquisition efficiency & retention; margins expand as the active base scales over tech/fixed cost. A full trading membership or MTF would need materially more capital & add balance-sheet/credit risk. Year-1 profit ~₹8 lakh growing to ₹72 lakh. Active-client acquisition, volume/ARPU, reliability & service underpin the model.

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital (salaries + acquisition runway)	18,00,000	40%
Technology/platform, office & setup	15,00,000	33.3%
Broker deposit / AP onboarding & compliance	8,00,000	17.8%
Brand, marketing & pre-operative	4,00,000	8.9%
Total	**45,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
Market-cycle volume swings	Diversify (investing/SIP/VAS), recurring DP/distribution, retention
CAC / acquisition & activation	Referrals/local network (AP), digital, activation, ARPU focus
Retention / churn	Reliability, service, advice, engagement, tools
Compliance / settlement / margin	SEBI/exchange compliance, risk-management, audit
MTF / margin-funding risk (if offered)	Capital, risk-management, exposure limits, or avoid initially

15. SWOT Analysis

Strengths Surging retail participation; asset-light AP route; recurring DP/VAS; scalable; local-relationship edge.	**Weaknesses** Market-cycle-dependent volumes; CAC/acquisition-heavy; competition/price pressure; compliance-heavy.
Opportunities Retail/demat growth; F&O/investing; cross-sell/VAS; tier-2/3; MTF (with capital); tech/advice differentiation.	**Threats** Discount-broker price war; market downturns; regulatory (F&O/margin) tightening; big-broker competition.

16. Recommended AiSevak Tools for This Business

This broking/AP business would use AiSevak's BFSI vertical tools in delivery:

- **Broking ops:** client-acquisition/KYC & activation, trading/DP & ARPU/volume analytics, retention/engagement tools.
- **Compliance & risk:** SEBI/exchange & margin/settlement, MTF-risk (if offered) & GST tools (with Legal & Finance verticals).
- **Practice:** Business Plan, active-client/ARPU and Break-even tools to model the broking book.

17. Key Assumptions & Notes

- Broking is SEBI/exchange-regulated: AP/sub-broker under a broker (asset-light, revenue-share, no membership capital) OR full trading member (deposits/net-worth/tech, capital-heavier); MTF is a regulated balance-sheet activity.
- Revenue = active clients × trades × brokerage yield (× AP share) + DP/demat + distribution/VAS (+ MTF interest if offered); active clients, volume, ARPU & acquisition drive it.
- This plan models the AP route (asset-light); volumes are market-cycle-linked; MTF/membership add capital & risk.
- Active-client acquisition, volume/ARPU, reliability, service & compliance drive economics; figures illustrative; regulated, not investment advice.

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