



Rubrix 2.0

Business Finance Modeling For Early Stage Startups



WHAT DO WE COVER TODAY?

- Key Concepts in Accounting and Finance
- Key problems faced by startups in the product design and development stage
- How can the budgeting process add value?
- Creating a comprehensive project budget
- Getting your pricing right
- Managing Compliance Risk
- Approaching Investors for Raising Funds

KEY CONCEPTS IN ACCOUNTING AND FINANCE



Other			81	404
Acc			(43)	180
Other			(266)	(184)
Other			(599)	(1,413)
Net ca		283	276	843
		4,186	14,355	12,380
Financing				
Short-term de				
maturities of 9	0	(1,000)	0	(186)
Common stock issued	208	660	544	837
Common stock repurchased	(1,042)	(5,052)	(2,976)	(9,451)
Common stock cash dividends paid	(1,683)	(1,363)	(3,024)	(2,481)
Net cash used in financing	(2,513)	(6,751)	(5,382)	(7,390)
Equipment	(498)	(491)	(934)	(1,055)
of				
s of	(8,627)	(69)	(9,502)	(69)
	(10,047)	(5,896)	(21,346)	(13,313)
	6,061	1,836	8,886	2,706
	7,835	2,603	15,371	4,030
	(292)	447	(358)	1,174
Invest	(5,568)	(1,570)	(7,883)	(6,527)

FINANCE LANDSCAPE

- Bookkeeping
- Audit and
- Reporting

ACCOUNTING



COMPLIANCE



- Income Tax
- GST
- RoC/Fema

- Strategic Planning
- Business Modeling
- Business Plan

STRATEGY



FINANCE

- Budgeting and Forecasting
- Profitability Analysis
- Performance Management
- Sales process and funnel management



KEY PROBLEMS FACED BY STARTUPS IN THE PRODUCT DESIGN AND DEVELOPMENT STAGE



STARTUPS AT THE DESIGN STAGE

- The design stage for a startup is critical because this is where the entrepreneur brings their **solution to life**.
- This stage is one of the most important stage for a startup as the entrepreneur's **strategic mettle and foresight begin to get tested here**.
- Concerns at this stage include: **market need, robustness of the product**



PROBLEMS FACED BY STARTUPS AT THE DESIGN STAGE

Some key issues that startups face in the design stage are:

- **Limited resources:** Hinders the ability to carry out extensive research and development, and testing of the product
- **Time constraints:** The pressure to bring product to market quickly can lead to hasty decision making and design compromises.
- **Limited market knowledge:** Without understanding the target market, it is difficult to meet the user needs

Uncertainty: Fear of getting bested by the ever evolving startup environment, it is very difficult to achieve a well designed product.



USING STRATEGIC FINANCIAL PLANNING TO OVERCOME HURDLES AT THE DESIGN STAGE

STRATEGIC FINANCIAL PLANNING AND EXECUTION

- Strategic financial planning is a forward-looking tool that ensures that the company meets its short and long term goals, and it enables the maximization of organizational value.
- It provides a basis for performance metrics and management to the founders and management, so that they can course correct accordingly
- Moreover, it is an implicit risk management tool, that signals to financiers and other stakeholders of the company's potential.
- Some key tools used are:

Business
Strategy
Document

Detailed long
term business
plans

Budgets/Finan
cial Plan

Revenue
Planning

Cash Flow
Forecasts

Value Based
Pricing

BUSINESS STRATEGY DOCUMENT

- A business strategy document is a qualitative explanation of a company's present scenario, future plans and how they aim to achieving those goals.
- It incorporates economic, industry and market research to supplement the logic behind the strategy
- It is written keeping various intrinsic and extrinsic factors in mind such as:

Political and regulatory factors

Economic factors

Socioeconomic factors

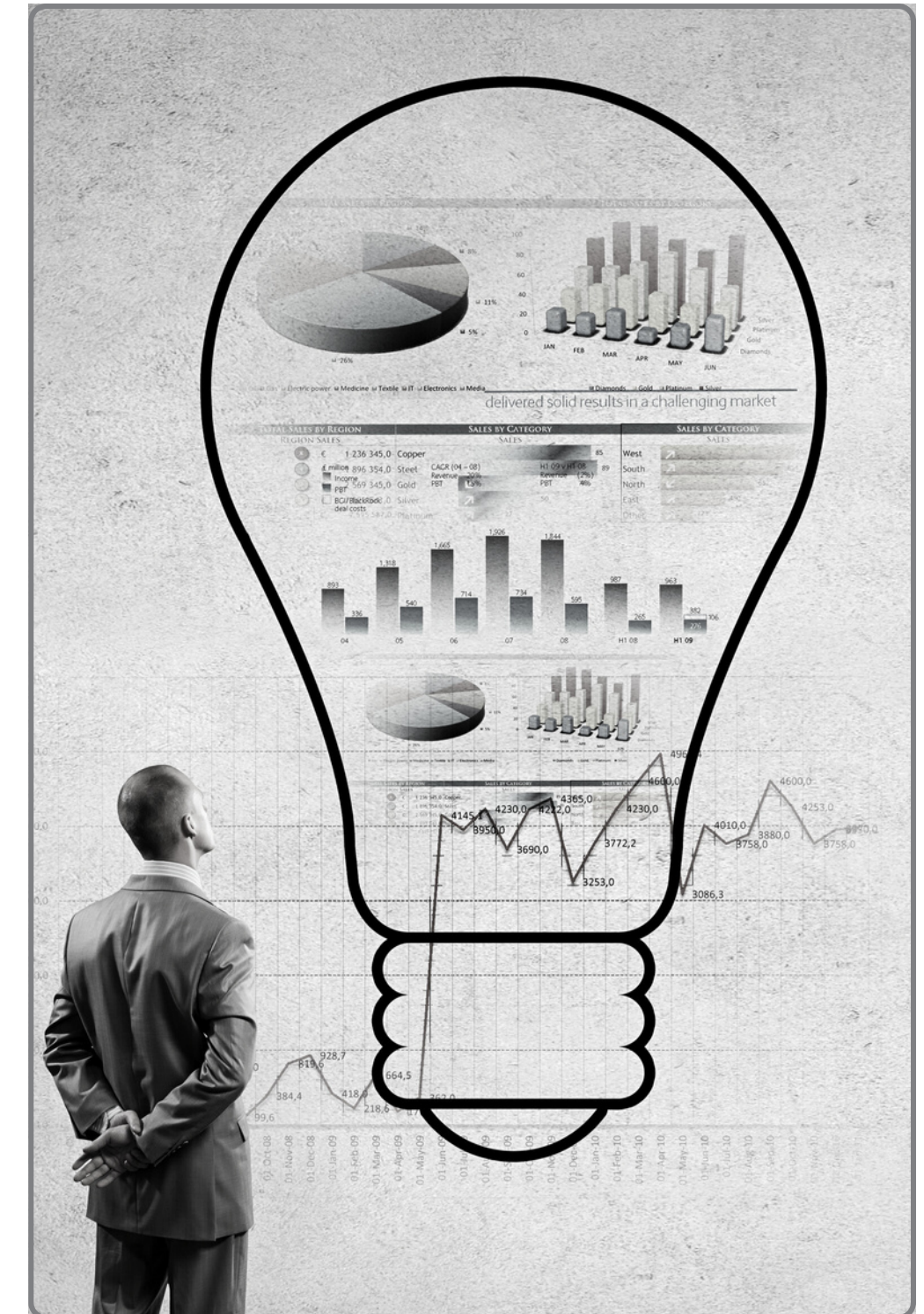
Technological disruption and comparison to existing players in the market.

- Strategy is an ever-evolving subject, hence, the strategy document must also evolve and reflect new conditioning information.



BUSINESS PLANS

- It provides a detailed framework of how startup navigate each stage and depicts vision of the entrepreneur
- It is a forecast of company performance over the course of 3 to 5 years
- The details of a business plan are dependent on the maturity of the product, the organization and the complexity of the environment it operates in.
- It provides granular information on the expected financial performance of the company, its assets, liabilities, working capital needs, CAPEX needs and cash requirements.
- Business plans can be taken as long term performance management tool that keeps founders and managers accountable.



HOW DO BUDGETS ADD VALUE?

It is very important to have a detailed financial plan (operational budgets) in place which explain how each variable in your business can impact your finances

Provides clarity on **Processes**

Provides clarity on **Resources** to be utilised

Provides clarity on the Expected **outcomes**

Identifies gaps in cost structure for elimination

Identifies resource gaps to meet the target, leading to effective resource allocation

Identifies cost, **profit and revenue centers** and also finds ways to optimize & drive performance

Helps to link **milestones** and the resources needed to meet them

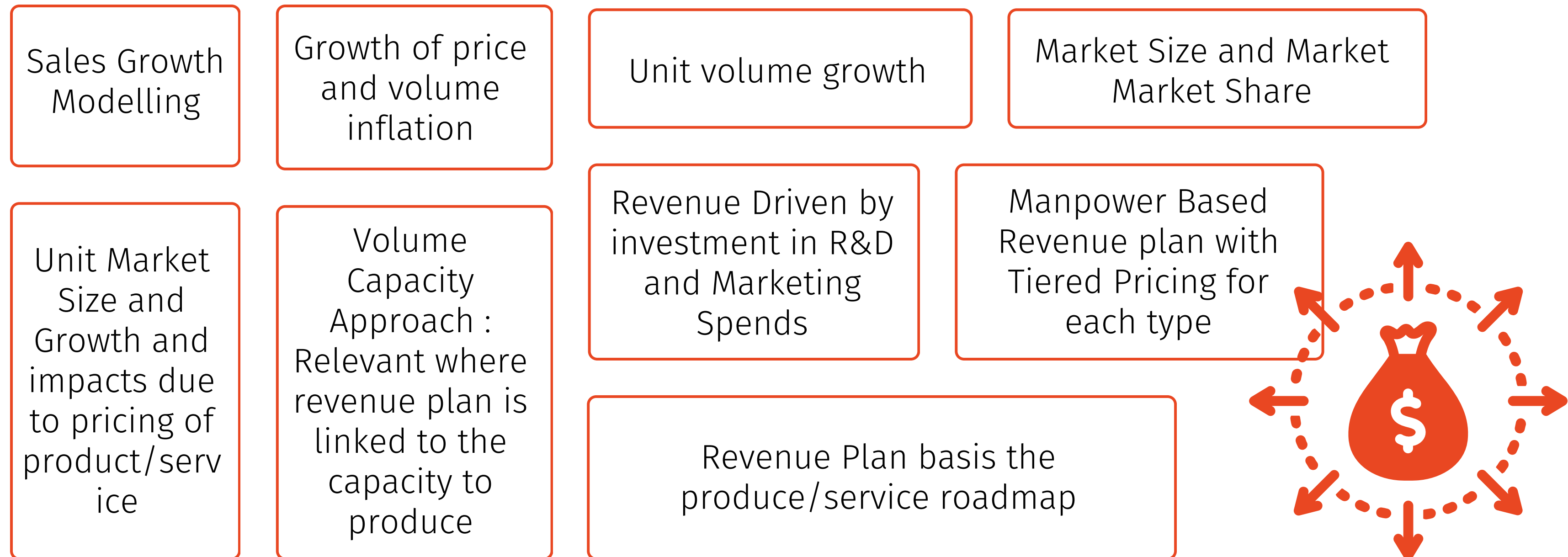
Tracks changes between actual and estimated resource allocations and costs

A **5 year Budget** will have monthly plan for 1st year, Quarterly plan for 2nd and 3rd year, Yearly plan there after



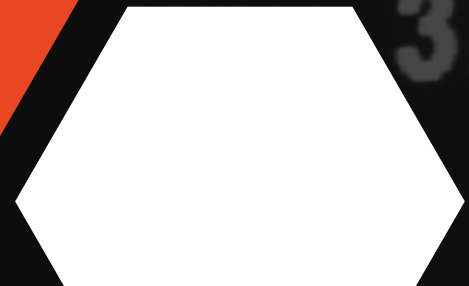
HOW TO CREATE REVENUE PLAN ?

Creating a revenue budget sets the foundation for your business planning process and will have impact on the entire funding strategy. Here are few ways of creating a revenue plan:



GETTING YOUR PRICING RIGHT!

2.86	2.88	354,500	2.88	+0.16
3.88	3.90	4,988,800	3.90	+0.04
162.50	163.00	322,100	163.00	+1.50
170.50	171.00	301,600	170.50	+4.50
33.00	33.25	6,456,600	33.00	+0.25
1.27	1.28	10,663,700	1.27	-0.05
92.75	93.00	296,300	92.75	+0.75
183.50	184.00	223,800	184.00	+4.00
9.40	9.45	29,000	9.45	+0.05
Vol./Value(K)	High/Low	Cell/Floor	Avg/C	
37,530,500	9.90	11.20		
351,766	8.75	6.10		



FACTORS TO CONSIDER

- Pricing is a fundamental aspect of a successful product, and it is also the function of various interconnected business factors and the overall company strategy.
- A good pricing strategy is a function of:

Costs of production, delivery and distribution

Market structure: do customers have more power or do you?

Revenue and **profit goals**- your price should earn you a profit

Feedback from early adopters.

- Pricing has to be an **iterative process** and evolve as the product evolves and with as market conditions evolve as new competitors come in or new regulatory requirements are introduced.



HOW YOUR STARTUP CAN WIN WITH RIGHT PRICING ?

Price to the value what customer perceive and not the cost

Your pricing determines acquisition strategy and sales cycle

Innovation pricing is always hard and ensure you focus on early adopters. Growth pricing is a different ball game

Understand the relation between cost, price and value

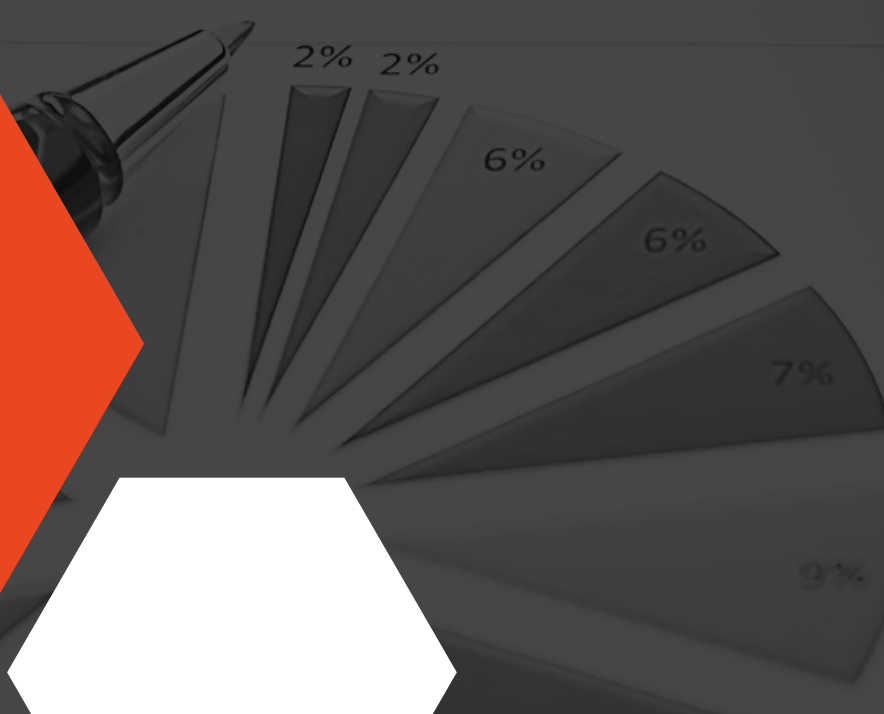
Your pricing will define your target customer

Dont press the volume button until you understand the optimal price

Keep increasing the price by 5% until you see a pushback in volume

Understand the pricing vs complexity of your product/Service

CREATING A COMPREHENSIVE PROJECT BUDGET



WHY SHOULD YOU MAKE A PROJECT BUDGET

- It is a project management tool that keeps track of the milestones in the most cost efficient manner.
- Helps mitigate problems that arise due to resource scarcity and time constraints, and allocate resources and concrete timelines for milestones to be achieved.
- Progress has to be monitored on the basis of the budget and resources have to be allocated and mobilised to break through bottlenecks.



HOW TO MAKE A PROJECT BUDGET/ FINANACIAL MODEL ?

Identify key members in-charge of the idea and project delivery

Identify Support members who support in execution

Identify Key resources that are needed for the project, example- software, hardware, and other technological resources

Identify Overheads associated with the project like, travelling, rent and so on

Set milestones and the phases of completion

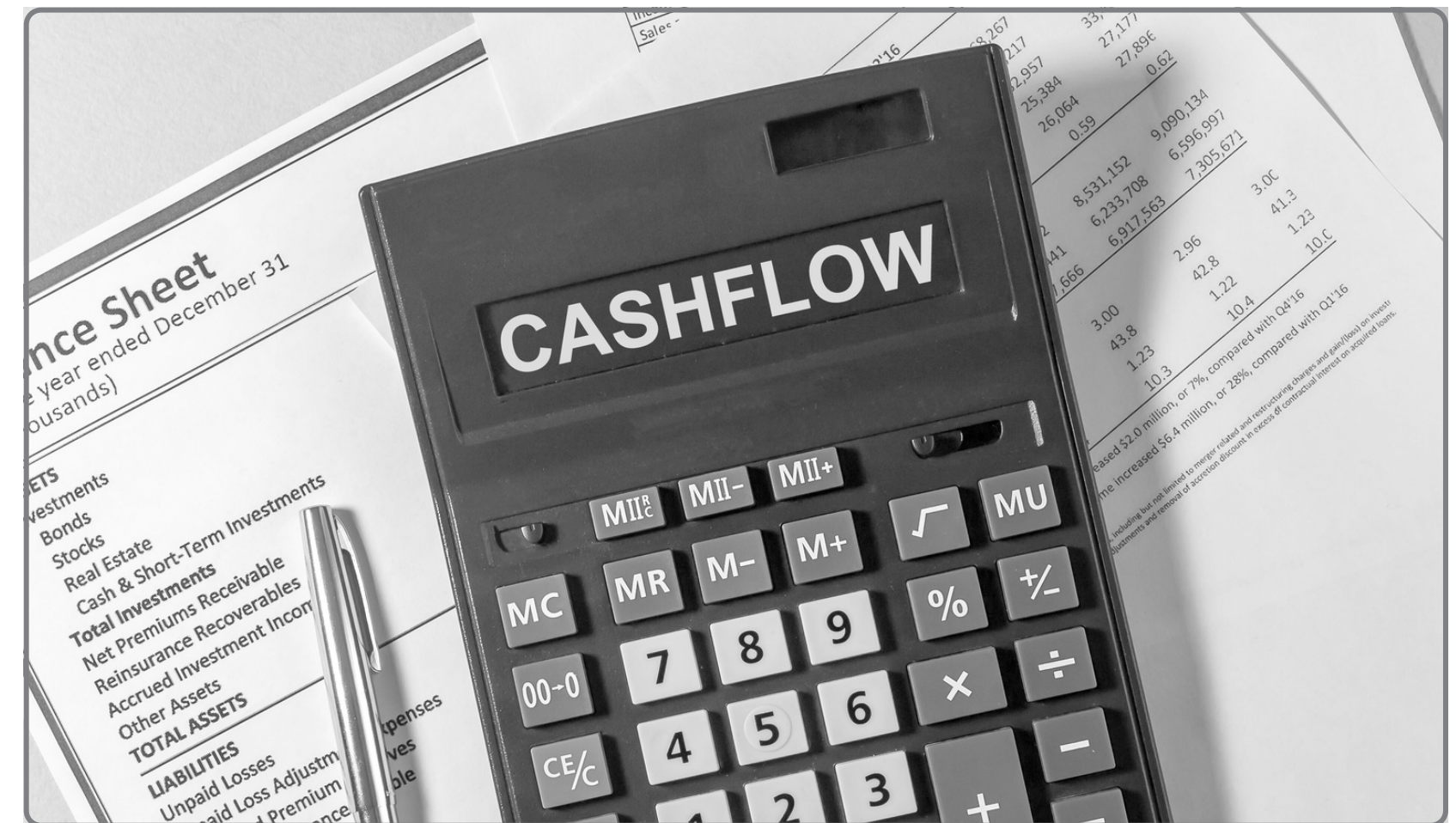
Allocate the members and costs for each milestone and phases of completion

Find the total budgeted costs and cost per phase and milestone

Track actual costs and progress against budget on a weekly basis

CASH FLOW FORECASTS

- Cashflow forecast interlinks all the operational variables in your organisation. Its not a financial exercise
- Understand how you collect your future revenues - whether milestone based or unit based, timing of collection should be clear.
- Understand key milestones you are planning to achieve and various costs to be incurred to achieve the same



All in all - cash flow forecast is a robust indicator of financial health!

MANAGING COMPLIANCE RISK



BASIC STEPS TO AVOID COMPLIANCE RISKS

Stay informed about relevant laws and regulations.

Implement internal policies and procedures to stay under control.

Regularly audit and review compliance measures.

Dedicate time in a week to review compliance

Educate employees on compliance requirements

Seek external/expert help when needed

COMPLIANCE CALENDAR

Date	Department	Summary
7/2/23	TDS/TCS	TDS/TCS Payment for Jan'2023
11/2/23	GST	Monthly Return of GSTR 1 for Jan'2023
13/2/2023	GST	GSTR-1 IFF for QRMP
14/2/2023	SEBI	Financial Results along with Limited review report/Auditor's report as per Regulation 32/33 (3) (a) (Within 45 days/60 days from the end of the quarter except last quarter)
14/2/2023	SEBI	Statement of deviations or variations as per Regulation 32 (1) (Within 45 days from the end of the quarter)
15/2/2023	TDS/TCS	Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending December 31, 2022
15/2/2023	PF & ESI	Monthly Payment for Jan'2023
20/2/2023	GST	Monthly GSTR 3B for Jan'2023
25/2/2023	GST	GST Challan Payment -Jan 2023 (QRMP Scheme filers)

APPROACHING INVESTORS FOR RAISING FUNDS



UNDERSTANDING THE FUNDRAISING PROCESS

Your fundraising process is dependent on the following factors:

The industry your business operates in



Certain industries demand premiums in valuations because they are future proof

The business model you have employed



If the business model is a world beater and backed by key people and resources- you can expect to raise a lot.

The amount of capital you are looking to raise



Your business plan, budgets and forecasts and cash flow forecasts should point out the requirements

Who are you raising capital from?



Angels, micro VCs and VCs can provide funding of varying ticket sizes

WHAT DO INVESTORS LOOK AT THE EARLY STAGE

Traction

Shows how much the market is willing to accept the new product

Financial Plan

Detailed financial plan with proper assumptions, business strategy and corroboration with the current reality of the startup

Prototype

Shows how far the product has come

Synergies with existing portfolios

Investors prefer early stage companies that can create a positive economic impact for their existing portfolio.

Pre-valuation revenues

Shows the economic effect

Distribution channels

This shows how efficient your commercialisation strategy is and affects valuation

Industry

Is it a blue ocean?

THE DUE DILIGENCE PROCESS

There are 3 stages to a diligence processes:

Business Due Diligence

This validates the business model, GTM strategy, and includes a SWOT analysis.

Financial Due Diligence

This validates the company's financial position and whether they have been compliant with all financial regulations applicable to them.

Legal Due Diligence

If the results of the business and financial due diligence are favourable, the investor's legal team will conduct a legal review of the deal.

Once these practices have concluded, and the results are favourable, you can expect to receive funds.



Thank you.

