

Financial Modeling & Unit Economics



KNOW YOUR EXPERT



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Education

CGMA from CIMA, UK Fellow Certified Management Accountant from the ICWAI Qualified Company Secretary from the ICSI EGMP from IIM-Bangalore

Experience

- Founder and CEO at Srf Capital Studio
- VP Finance at E4E, a US based IT/ITeS multinational
- Head of finance at MAS Holdings, UK

Relevant Professional Expertise

- Managed various Boards during the corporate and consulting career
- Working currently with more than 50 companies managing their finance function, doing monthly reporting, reviewing with management, giving strategic advisory
- Mentor with more than 20 startup Incubators

WHY SHOULD YOU CHOOSE US?



Strategy

- Business Model Design
- Go-to-Market Strategy
- Financial Forecasting & Growth Planning
- Competitive & Market Intelligence
- Founder Clarity Sessions



Capital

- Investor-Readiness Assessment
- Pitch Deck & Investor Collateral
- Valuation & Financial Modeling
- Investor Network Access
- Capital Strategy & Structuring



Execution

- MIS & Performance Reporting
- Profitability & Cost Analysis
- Scenario Planning & Sensitivity Analysis
- Budgeting & Financial Control Systems
- Process Optimization & Efficiency Tracking

Key Takeaways

- Financial Frameworks
- Building Strategy Playbook
- Financial Blueprint and how to implement
 - Financial Blueprint across various Business Models
- Pricing Frameworks
- Unit Economics

Components of a Startup

Business Models

- Manufacturing
- Service
- SaaS
- E-Commerce
- Marketplace

Customer Segment

- B2B
- B2C
- B2G
- B2B & B2C

Industry

AI, Big Data & Analytics Healthtech & Wellness
CleanTech **E-Commerce**
IT & Communication Fintech Agritech & New Food
SpaceTech **Fashion & Beauty**
EdTech Food & Beverage
Media & Entertainment Real Estate and Housing

The CFO Office Pyramid

STRATEGY & LEADERSHIP

- Building Strategy Playbook with Milestones & Roadmap
- Business Strategy & Funding Strategy
- Strategic Research, Review & Benchmarking
- Envisioning Organization Structure & Market Expansion

FINANCIAL PLANNING & ANALYSIS

- Business Plan, Business Model
- Unit Economics & Working Capital Modeling
- Business Plan Reviews
- Dashboards & Performance Management
- Financial Projections & Cashflow Forecast
- Pricing, Sensitivity & Scenario Analysis

ACCOUNTING, COMPLIANCE & CONTROLLERSHIP

- Ensuring Compliances
- Book Keeping, Month Close & Reporting
- AR & AP Management
- Clean Audit Report
- Inventory control, Policies & Procedures
- Chart of Accounts, Cost Structure

Key Differences

Business Strategy

Business Plan

A business strategy sets out the purpose of your business, who it serves and what is the long term vision and mission. A strategy assesses and prioritizes options and then select the most advantageous. A business plan sets out how you will achieve your goals in detail, including the financial results.



What is your business?
What is your purpose?
Who is your customer?
Analysis of business environment
Competition and market gaps
How can you compete?



What business are you in?
What are your goals?
How will you achieve them?
What will be the financial benefit?
What investment do you need?

Building a Strategic Playbook for your Startup

Components of a Startup Strategic Playbook

- Vision and Mission
- Market Opportunity
- Value Proposition
- Business Model and Revenue Strategy
- Product and Technology Roadmap
- Go-to-Market Strategy
- Team and Organization Structure
- Financial Plan and Metrics
- Operational Excellence
- Risk Management and Compliance
- Fundraising Strategy
- Exit Strategy

Revenue Buildup - Platform

Steps to build Revenue:

1. **Grow the User Base:** Attract both supply-side (providers) and demand-side (consumers) users.
2. **Enable Transactions:** Facilitate seamless interactions and monetization opportunities.
3. **Introduce Revenue Channels:** Transaction fees, Subscription plans for advanced features, Advertising options for visibility.
4. **Focus on Engagement:** Ensure users frequently interact on the platform.
5. **Leverage Network Effects:** Make the platform more valuable as the user base grows.
6. **Monetize Data:** Provide anonymized insights to businesses for additional revenue.

Revenue Drivers:

- Transaction Fees
- Subscription Fees (for users or vendors)
- Advertising Revenue

Steps to build Revenue sheet:

- Identify Users and Vendors
- Estimate Transaction Volume
- Define Fee Structures
- Add Advertising Revenue
- Upsell Features

Revenue Buildup - SaaS

Steps to build Revenue:

1. **Develop Core Product Features:** Build software that solves a clear problem for a specific audience.
2. **Define Subscription Tiers:** Offer free (freemium), basic, and premium plans.
3. **Establish Recurring Billing:** Focus on monthly or annual subscription payments.
4. **Focus on Customer Retention:** Reduce churn through customer success initiatives.
5. **Upsell Add-Ons:** Offer integrations, advanced features, or additional users at extra cost.
6. **Track Metrics:** Monitor ARR (Annual Recurring Revenue), MRR (Monthly Recurring Revenue), and CLTV (Customer Lifetime Value).

Revenue Drivers:

- Monthly/Annual Subscription Fees
- User Tier or Feature-Based Pricing
- Add-ons (e.g., integrations, support)

Steps to build Revenue sheet:

- Start with Customer Segments
- Define Pricing Models
- Include Churn Rate
- Account for New Acquisitions
- Upselling and Cross-Selling

Revenue Buildup - Product

Steps to build Revenue:

1. **Identify Target Products:** Select high-demand products to launch or sell.
2. **Build Sales Channels:** Retail stores, E-commerce platforms, Direct-to-consumer online stores.
3. **Implement Pricing Strategies:** Use bundling, seasonal discounts, or competitive pricing.
4. **Establish Subscriptions:** Offer consumables or product refills on a subscription basis.
5. **Enhance Customer Experience:** Provide easy returns, warranties, and stellar support.
6. **Analyze Performance:** Use sales data to refine inventory and marketing strategies.

Revenue Drivers:

- Units Sold
- Price per Product
- Variants or Bundles

Steps to build Revenue sheet:

- Segment Products
- Consider Market Demand
- Estimate Returns and Refunds
- Include Promotions
- Add Revenue from Bundles

Cost to focus on when making a financial blueprint

SaaS

Direct Costs	Operational Overheads	Sales & Marketing	R&D Expenses	G&A Expenses
• Cloud hosting • Software licenses • Third-party integrations • Data storage • Customer support costs	• Office rent, utilities • Employee benefits • Subscription costs (tools and services)	• Sales commissions • Digital advertising • CRM software costs • Content marketing	• Software development • Testing • Tools and technologies for development	• Accounting • Legal fees • Office expenses • HR management • Executive salaries

Platform

Direct Costs	Operational Overheads	Sales & Marketing	R&D Expenses	G&A Expenses
• Cloud hosting • Payment processing fees • Data storage • Transaction fees	• Platform hosting • Server maintenance • Data storage • Cloud infrastructure	• Advertising campaigns • Referral programs • Influencer partnerships • Community management	• Platform feature development • Usability testing • New functionality rollouts • Beta testing	• Administrative salaries • Insurance • Finance and legal services

Key Steps to Build a Financial Blueprint

Define Objectives

- **Purpose:** Fundraising, operational planning, or scaling decisions.
- **Time Horizon:** Short-term (12-24 months) or long-term (3-5 years).

Understand Revenue Streams

- Identify primary and secondary revenue sources.
- Determine pricing strategies and customer acquisition channels.

Estimate Costs

- Break down fixed, variable, and semi-variable costs.
- Include costs related to people, technology, and operations.

Project Cash Flow

- Build monthly projections for inflows and outflows.
- Plan for working capital needs and liquidity buffers.

Identify Key Metrics and KPIs

- Metrics vary by business model but typically include profitability, growth rate, burn rate, and runway.

Scenario Planning

- Create base, optimistic, and pessimistic scenarios.
- Stress-test assumptions for market conditions or unexpected disruptions.

Iterate Regularly

- Update the model quarterly to incorporate real-world data and pivoting decisions.

Best Practices by Business Model - Platform

Start with a Narrow, High-Value Use Case

- Focus on a specific problem for a well-defined user group.
- Ensure strong initial adoption before expanding features and audiences.

Design for Network Effects Early

- Enable interactions that grow in value as more users join.
- Consider mechanisms like referrals, virality, and user-generated content.

Prioritize Liquidity and Matching

- Ensure enough supply meets demand to keep transactions smooth.
- Reduce friction through smart algorithms, incentives, or guarantees.

Monetization Should Follow Engagement

- Focus first on building engagement and retention before heavy monetization.
- Experiment with multiple revenue streams

Build Governance and Trust Mechanisms

- Create safeguards like reviews, ratings, and dispute resolution.
- Invest in security, compliance, and transparency to foster long-term loyalty.

Best Practices by Business Model - SaaS

Solve a Pain Point with a Strong Product-Market Fit

- Focus on a core problem and validate it with early adopters.
- Start with an MVP (Minimum Viable Product) and iterate based on feedback.

Adopt a Scalable Subscription Model

- Choose the right pricing (freemium, tiered, per-user, usage-based).
- Optimize customer lifetime value (LTV) vs. acquisition cost (CAC).

Prioritize Retention & Customer Success

- Minimize churn with proactive onboarding and engagement strategies.
- Use in-app nudges, customer support, and community-building.

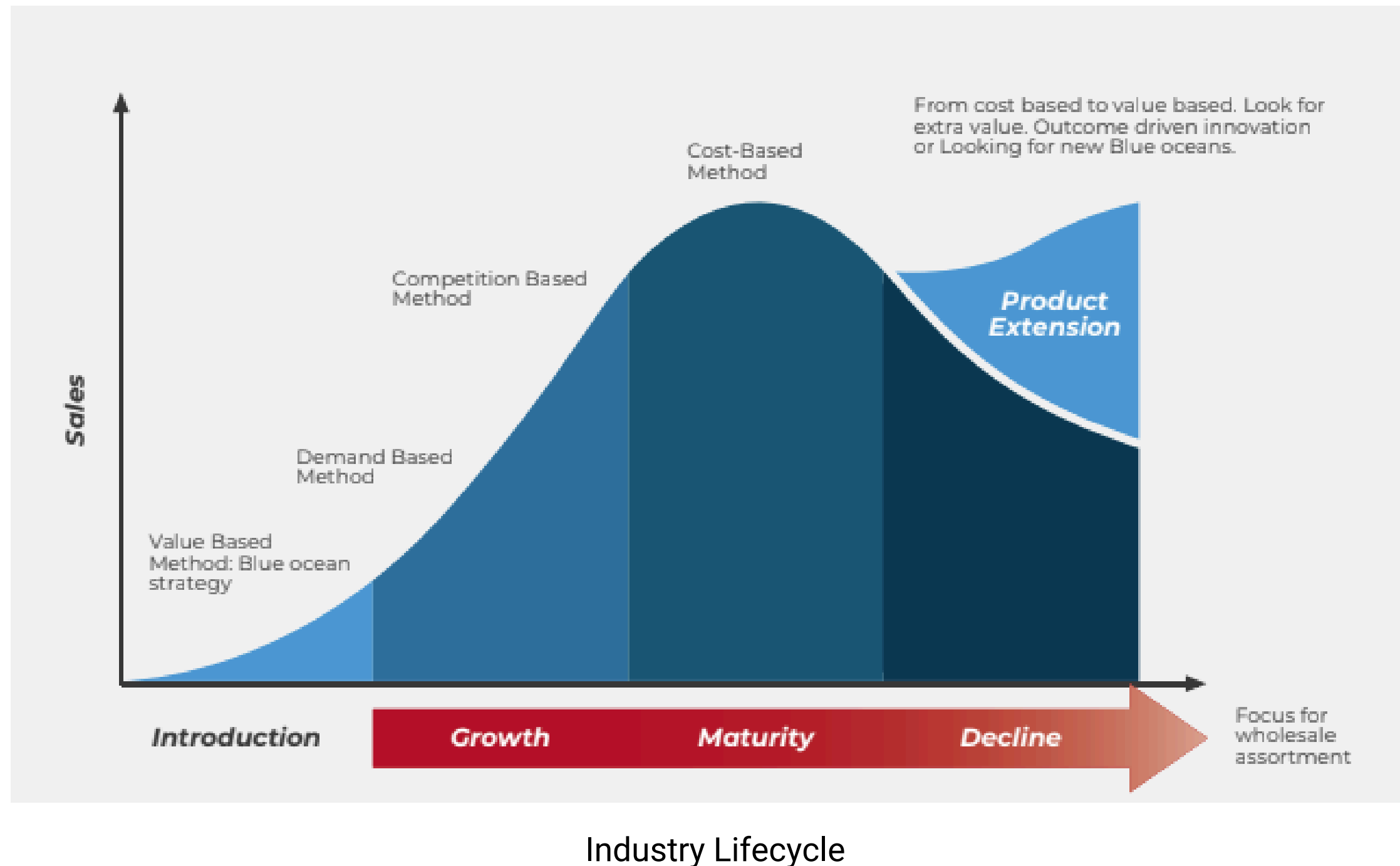
Build a Strong GTM (Go-to-Market) Strategy

- Experiment with inbound (content, SEO) and outbound (sales, partnerships).
- Align marketing and sales efforts for efficient lead conversion.

Leverage Automation & Analytics

- Use AI, automation, and data insights for user behavior analysis.
- Optimize marketing, support, and upselling through recommendations.

Pricing Frameworks



- It is important to have an effective mechanism for discovering the appropriate pricing for your products and services.
- In the early stages, price is determined by the value perceived by the customer.
- In the growth stages, price is determined by external factors like demand and competition
- In the late stages, once the product has reached maturity, pricing can become cost based.

Key Differences

Price Discovery



Price Discovery is the process of determining the optimal price for a product or service based on the supply and demand in the market

Price discovery is crucial for startups, impacting profitability, customer satisfaction, and competitive advantage, requiring ongoing adjustments.

Pricing Model



Pricing Model is the way you format your price and present it to the customer pricing models.

Ex:

- Hourly Pricing Model
- Tiered Subscription
- Subscription Model
- Milestone based Pricing
- Result based Pricing

Pricing Strategy



A pricing strategy is the way your company determines the best price for your product in your market.

Ex:

- Dynamic Pricing
- High Low Pricing
- Skimming Pricing
- Penetration Pricing
- Premium Pricing

Key Indicators for pivoting a Business Model

Key Indicators

- Stagnant or Declining Revenue
- Poor Product-Market Fit
- Market Saturation or Decline
- Customer Behavior Shifts
- Unprofitable Unit Economics
- Difficulty Scaling the Business
- Competitive Pressure
- Technological Advancements
- Resource Constraints
- Regulatory or Environmental Changes
- Lack of Engagement or Growth in Key Metrics
- Founder's or Team's Vision Misalignment
- External Feedback
- Burnout or Resource Drain

Types of Pivots to Consider

Zoom-In Pivot

Focus on a single feature or product that resonates most with customers

Zoom-Out Pivot

Expand the offering to include complementary products or services

Customer Segment Pivot

Target a different group of customers than originally planned

Problem-Solution Pivot

Tackle a completely different problem identified in the market

Revenue Model Pivot

Shift from one revenue model to another, such as moving from a subscription to a freemium model.

Technology Pivot

Leverage new or existing technology to create a different value proposition.

UNIT ECONOMICS

Why Unit Economics Profitability Matters



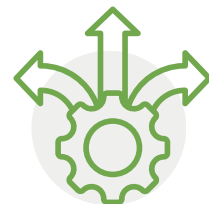
Sustainable Growth



Attracting Investors



Reduced Dependency on
Funding



Flexibility and Adaptability

Why Unit Economics Matters (Especially for AI)

- AI ≠ automatic SaaS margins
- Usage can destroy margins faster than growth saves them
- Unit economics = business design, not finance hygiene
- Pre-revenue is the *best* time to fix broken models
- Scale only helps if your unit gets healthier

Not All AI Startups Are the Same (Your Cohort)

Vertical AI SaaS

PolicyIndex, AssureAI, Trios AI, JLMUSH Med Triangle, AI Parikshak, SkillBrew.AI, ARIN, Pheonix

Creative / Productivity AI Tools

Kreatr AI, Zuve Studio, Wizzki

Platform / Marketplace + AI

BharatGodam Solutions, HELPSTiR

DeepTech / Product + AI

Bertlabs, Neu Organics & Wellness

Your unit economics logic depends on which bucket you're in.

The "True Unit" by Business Model

Vertical AI SaaS

Unit: per seat / per org / per workflow / per case

Value: decisions automated, compliance, outcomes

Cost: per workflow run, per case processed, per active user

Creative / Productivity AI Tools

Unit: per user / per project / per asset / per usage

Value: content, productivity, time saved

Cost: per generation, per edit, per heavy-user session

Platform / Marketplace + AI

Unit: per transaction / per match / per workflow / per listing

Value: successful transaction or match

Cost: per transaction processed, per match created

DeepTech / Product + AI

Unit: per deployment / per device / per contract

Value: installed system, live customer

Cost: per deployment, per customisation, per supported customer

🚩 **Red flag:** If value unit $\neq$ cost unit $\rightarrow$ margins will leak at scale.

Cost Stack by Business Model



Vertical AI SaaS

- Model / inference per workflow or case
- Infra & data pipelines
- Product & engineering
- Onboarding, customisation, support
- Sales & account success

Risk: each new customer increases complexity + support cost

Creative / Productivity AI Tools

- Model / inference per generation
- Infra for usage spikes
- Product & engineering
- Support & moderation
- Growth & distribution

Risk: power users + free tiers blow up compute costs

Platform / Marketplace + AI

- Model / inference for matching, scoring, workflows
- Infra + integrations
- Ops, moderation, human-in-loop
- Support & partner management
- Sales / ecosystem growth

Risk: thin contribution margin per transaction + high ops overhead

DeepTech / Product + AI

- Model / software stack
- Hardware / infra (if any)
- Engineering & product
- Deployment, field support, customisation
- Sales, partnerships, AMC

Risk: delivery & support dominates → looks like services before product

Revenue Model $\neq$ Pricing Metric



Revenue model = how money flows



Pricing metric = what you charge on.



Unit economics = what remains after variable cost

Bucket intuition:

- **Vertical SaaS:** seat + usage / modules
- **Tools:** tiers + caps + usage
- **Platform:** take-rate / transaction fee
- **DeepTech:** contract + AMC + expansion

You're not choosing a price. You're choosing customer behaviour.

Model the Future, Not Today

Don't ask:

"Are we profitable now?"

Ask:

- What do unit economics look like at 100 customers?
- 1,000 customers?
- 10,000 customers?

Track per unit:

Revenue

Variable cost

Contribution margin

What breaks at scale?

Bucket-wise Failure Modes



Vertical AI SaaS

customisation + support kills margins



Creative Tools

usage explodes, ARPU stays flat



Platform + AI

thin contribution per transaction



DeepTech

services disguised as product

Scale amplifies structure — good or bad.

How Investors Will Read Your Model

They're asking:

☐

Is this SaaS or services in disguise?

☐

Is AI margin-accretive or margin-destructive?

☐

If revenue 10x's, does complexity go up 2x or 8x?

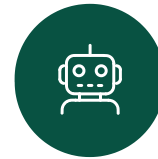
☐

Where is operating leverage supposed to come from?

The Takeaways



**Unit economics =
business architecture**



**AI doesn't magically
give you great margins**



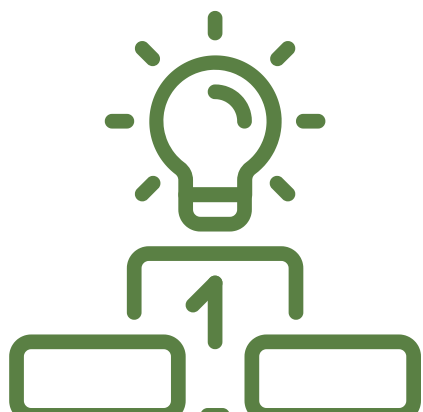
**Fix the unit before you
scale the company**



**Scale only helps if the
unit gets healthier**

UNDERSTANDING DEAL STRUCTURING

Modes of Funding

					
Instrument	Convertible Notes and Convertible Debentures	Equity	Grant	Debt	Revenue Based Financing
Use Case	Ideation, Testing, Market Study, Initial traction, MVP	For strategic scaling, early working capital and team buildup, PMF	For new product development, Pilot, Proof of concept, Prototype	For working capital, Bridge funding	Increase your runway during the scale up phase.

Understanding the stages of funding

	Startup Stages of Evolution	Source of Capital	Typical Funding Size	Typical Valuation Range	Funding Basis
Art ↑	Idea Only	Bootstrap, F&F, Angel/Seed Funds	\$50-100K	\$500k-1.5M	Idea attractiveness & market size
	+ Strong team	Bootstrap, F&F, Angel/Seed Funds	\$100-250K	\$500k-1.5M	Execution capability of founders
	+ Demo prototype	Angel/Seed Funds	\$250-500K	\$2-5M	A successful working model of product/service
	+ Validated product MVP	Angel/Seed Funds, VC	\$1-5M	\$5-20M	Customer adoption and early visibility into cash flows
	+ Rapid customer adoption	Typical series A Angels, Seed-funds exit, VCs increase	\$5-20M	>\$50M	Strongly based on growth, market share and revenue growth estimates
Science ↓	Growth Capital for viral growth over a long period	Multiple rounds (B, C, D, E...) VCs will start taking partial exits. PE enters in a big way	\$20-100M	>\$250M	Supported by ongoing rapid growth and expected market share leading to revenues/profitability
	Stable growth	Stable growth	>\$100M	>\$500M	Profitability/Cash flows based

Preparing for fundraise

Ensure that all the documents related to the registrations are in place.

Ensure that all the compliances are in place and filed within the due date.

Due Diligence preparedness such as data room preparation which includes collation of information.

Ensure all the compliances such as paperwork, secretariat and statutory compliances related to the earlier fundraise are in place.

Ensure that financial projections including the utilization of the fundraise to be done.

Ensure that there is a Formal business plan in place.

Prepare on the data room collation 6 months prior to fund raise journey

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.

Key Takeaways

- Financial Frameworks
- Building Strategy Playbook
- Financial Blueprint and how to implement
 - Financial Blueprint across various Business Models
- Pricing Frameworks
- Unit Economics
- Metrics and its importance
- Understanding Deal Structuring
- Term Sheets, SHA

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