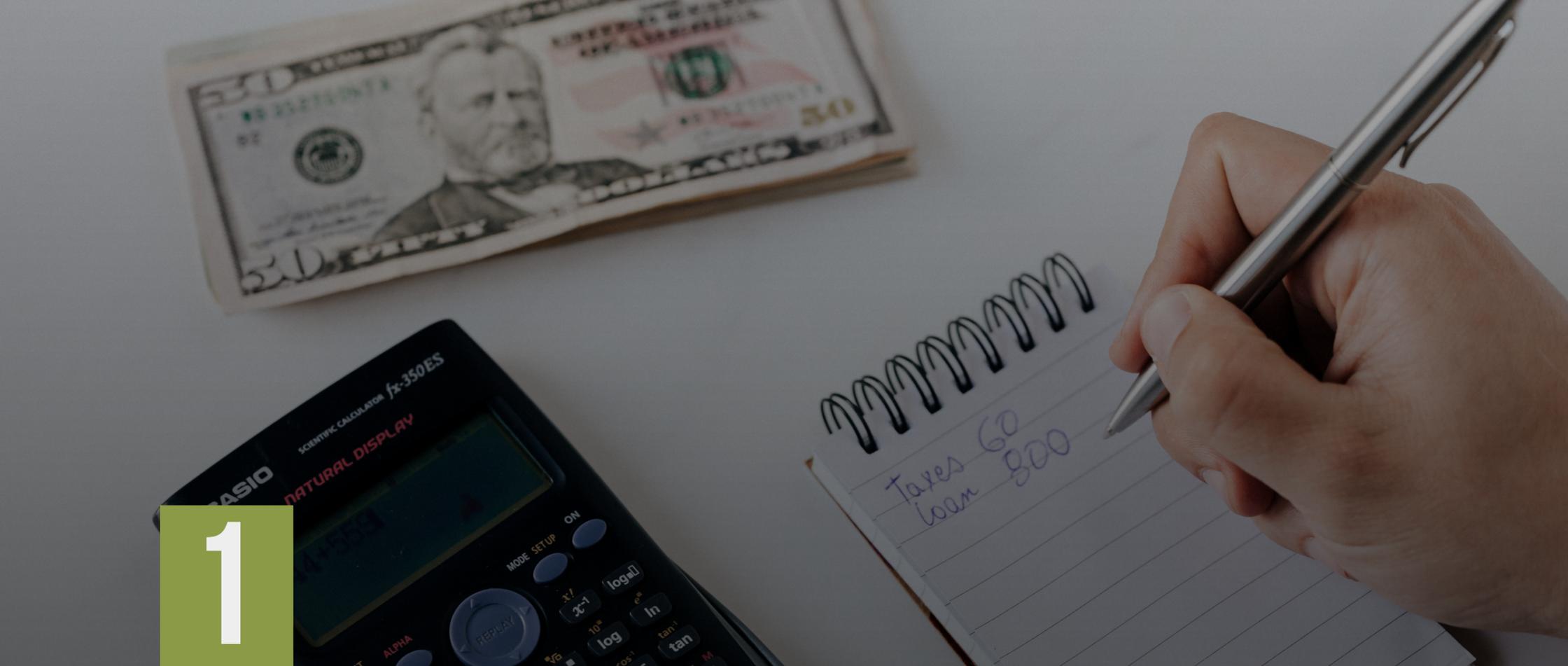




**5 KEY**

**FINANCIAL  
METRICS FOR  
STARTUP  
FOUNDERS**





1

# GROSS MARGIN

Revenue – COGS

The higher the GM, the higher is the capability to recover fixed costs. If GM is negative, every additional unit of sales is leading to a drain in the Cash

In other words, this is referred to as **Unit Economics** – Is it profitable to

- Add more customers
- Add more Geographies
- Add more volume
- Add more product categories

.to the current sales mix. A key indicator for this is Unit wise GM!!

*It's not gross, it's beautiful – if you're doing it right*





2

# CASHFLOW

What is your **Runway**? – How long can the current cash flow help in sustaining your monthly fixed costs?

What is your **Burn Rate**? – How much are you spending out of existing cash balance per month

Where is my money stuck? **DSO** and **DPO** will reveal these facts. Are you investing to fund Inventory pile up? Good to look at the **DIO**

*Cash flow is your business's heartbeat – skip a few, and you're in trouble*





3

# PAYBACK PERIOD

When Investing in a capital expenditure project – Always ask what is the **Payback Period**

In simple terms when are you getting your money back? How soon? If it is too long, it probably is not the right investment.

Ask if your project manager can cut down or redesign? Or can it wait? Can the volumes be more leading to quicker recovery?

*Payback period is that sweet moment when your investment looks you in the eye and says, 'We're even.'*



# 4

## CASH $\neq$ PROFITS

What are your **Provisions** kept aside in balance sheet?

This could be Trade payable provisions, Salary payables and all other short term liabilities which are ought to be paid in a normal trade cycle.

Its not only the P&L, after all there need to be a fine balance with the Balance Sheet as well.

*Provisions – because the future loves surprises, and accountants hate them*





5

# VARIANCES

What do they tell?

Variance with AOP could be a significant deviation from the plan

Variance with Last Month could be a new event

Variance with Same period Last year could reveal insights on the changes in the business

*Every variance has a story, the founder reads between the lines and the CFO rewrites how it ends.*



Want to know more...

Let's talk.

