

# Startup Financial Model Guide

A step-by-step guide to building your 3-year financial model for fundraising.

## Why You Need a Financial Model

A financial model is not a crystal ball — it's a tool to demonstrate your understanding of the business. Investors don't expect your projections to be accurate. They want to see that you understand your unit economics, your growth drivers, and how capital will be deployed. A well-built model shows maturity and operational thinking.

## The 5 Sheets Every Startup Model Needs

### Sheet 1: Assumptions

This is the foundation of your entire model. All inputs go here.

Assumption	Example Value	Notes
Monthly Growth Rate (MoM)	15%	Be conservative — 8-12% is realistic
Average Contract Value (ACV)	Rs. 60,000/yr	Validate with early deals
Sales Cycle (days)	30 days	SMB is faster than enterprise
Gross Margin %	70%	SaaS typically 60-80%
Monthly Churn Rate	3%	Target under 2%
CAC (blended)	Rs. 8,000	All channels combined
Headcount Growth	2 hires/quarter	Tied to revenue milestones

### Sheet 2: Revenue Model

Build revenue bottom-up from customers, not top-down from market size.

Month	New Customers	Churned	Total Customers	MRR	ARR
Month 1	5	0	5	Rs. 25,000	Rs. 3,00,000
Month 2	7	0	12	Rs. 60,000	Rs. 7,20,000
Month 3	9	1	20	Rs. 1,00,000	Rs. 12,00,000
Month 6	18	3	65	Rs. 3,25,000	Rs. 39,00,000
Month 12	35	8	180	Rs. 9,00,000	Rs. 1,08,00,000

### Sheet 3: Expense Model

Track expenses by department. Separate fixed vs variable costs.

Expense Category	Month 1	Month 6	Month 12	Type
Founder Salaries	Rs. 1,50,000	Rs. 1,50,000	Rs. 2,00,000	Fixed
Engineering (2 devs)	Rs. 2,00,000	Rs. 2,00,000	Rs. 4,00,000	Fixed
Marketing/Ads	Rs. 50,000	Rs. 1,50,000	Rs. 3,00,000	Variable
Cloud/Infrastructure	Rs. 20,000	Rs. 60,000	Rs. 1,50,000	Variable
Office & Admin	Rs. 30,000	Rs. 30,000	Rs. 50,000	Fixed
Total Burn	Rs. 4,50,000	Rs. 5,90,000	Rs. 11,00,000	

## Sheet 4: Cash Flow & Runway

Track cash in and cash out every month.

Month	Opening Balance	Revenue	Expenses	Net Burn	Closing Balance
Month 1	Rs. 50,00,000	Rs. 25,000	Rs. 4,50,000	-Rs. 4,25,000	Rs. 45,75,000
Month 3	Rs. 37,25,000	Rs. 1,00,000	Rs. 5,00,000	-Rs. 4,00,000	Rs. 33,25,000
Month 6	Rs. 21,75,000	Rs. 3,25,000	Rs. 5,90,000	-Rs. 2,65,000	Rs. 19,10,000
Month 12	Rs. 5,10,000	Rs. 9,00,000	Rs. 11,00,000	-Rs. 2,00,000	Rs. 3,10,000

## Key Rules for Your Financial Model

- Be conservative on revenue** Cut your best-case by 30%. Investors expect optimism — show you're realistic.
- Be realistic on hiring** Each hire costs 2-3x salary when you factor in recruiting, equipment, and management overhead.
- Show the inflection point** Mark when you hit break-even or when growth accelerates. Every model should have a "hockey stick" moment — but justify it.
- Stress test your assumptions** What happens if growth is 50% of your projections? Show you can still survive 18 months.
- Match your ask to your runway** Raise enough for 18-24 months of runway plus a buffer. Never raise for less than 12 months.