

# Unit Economics Guide for SaaS Startups

A comprehensive guide to calculating and improving key SaaS metrics with Indian startup benchmarks.

## CAC — Customer Acquisition Cost

$$\text{CAC} = \text{Total Sales \& Marketing Spend} / \text{New Customers Acquired}$$

CAC measures how much it costs to acquire one new customer. Include salaries, ad spend, tools, and events.

Stage	Good CAC (India SaaS)	Bad CAC
Pre-Seed	Rs. 500 - Rs. 2,000	Above Rs. 5,000
Seed	Rs. 2,000 - Rs. 8,000	Above Rs. 15,000
Series A	Rs. 8,000 - Rs. 25,000	Above Rs. 50,000

## LTV — Lifetime Value

$$\text{LTV} = \text{ARPU} \times \text{Gross Margin \%} / \text{Churn Rate}$$

LTV is the total revenue you expect from a customer over their lifetime. The golden rule: LTV should be at least 3x CAC.

Metric	Formula	Example
ARPU	MRR / Active Customers	Rs. 50,000 / 100 = Rs. 500
Gross Margin	(Revenue - COGS) / Revenue	(500 - 100) / 500 = 80%
LTV	ARPU x GM% / Churn	500 x 0.8 / 0.05 = Rs. 8,000

## Churn Rate

$$\text{Monthly Churn} = \text{Customers Lost} / \text{Customers at Start of Month}$$

Churn is the percentage of customers who cancel each month. World-class SaaS churn is below 2% monthly.

Churn Rate	Assessment	Action Needed
Below 1%	Excellent	Focus on growth
1% - 3%	Good	Minor product fixes
3% - 5%	Concerning	Immediate attention
Above 5%	Critical	Stop acquiring, fix retention

## MRR & ARR

$$\text{ARR} = \text{MRR} \times 12 \mid \text{MRR Growth Rate} = (\text{MRR This Month} - \text{MRR Last Month}) / \text{MRR Last Month}$$

Monthly Recurring Revenue is the lifeblood of SaaS. Track New MRR, Expansion MRR, Churned MRR separately.

MRR Component	Definition	Healthy Benchmark
New MRR	From new customers	15-20% of total MRR
Expansion MRR	Upsells/upgrades	20-30% of new MRR
Churned MRR	From cancellations	Below 5% of total MRR
Net New MRR	New + Expansion - Churned	Positive always

## NRR — Net Revenue Retention

$$\text{NRR} = (\text{Starting MRR} + \text{Expansion} - \text{Churn} - \text{Contraction}) / \text{Starting MRR} \times 100$$

NRR above 100% means you're growing revenue from existing customers alone. Best-in-class SaaS has 120%+ NRR.

NRR	Assessment	Interpretation
Above 120%	World-class	Customers pay more over time
100% - 120%	Strong	Expansion offsets churn
80% - 100%	Average	Churn eating expansion
Below 80%	Weak	Serious retention problem

## Payback Period

$$\text{Payback Period} = \text{CAC} / (\text{ARPU} \times \text{Gross Margin \%})$$

How many months to recover the cost of acquiring a customer. Under 12 months is ideal for SMB SaaS.

Payback Period	Assessment	Typical Segment
Under 6 months	Excellent	SMB / PLG products
6 - 12 months	Good	Mid-market SaaS
12 - 24 months	Acceptable	Enterprise deals
Above 24 months	Risky	Review pricing/CAC