

DEVELOP
ENTREPRENEURIAL
LEADERS.

WITH
IGNITEX.

**Module 9: Financial
Management for
Profitability**
Lesson 2: Get Started With Financial
Planning



Recap Quiz

Q. 1. What are startup costs primarily associated with

Initiating
a new
business
venture

Sustaining a
new business
venture

Expanding
existing
facilities

Rewarding
employee
performance

Recap Quiz

Q. 2. What distinguishes recurring costs from other expenses?

They occur
at regular
intervals

They are
one-time
investmen
ts

**They are one-
time
investments**

They
contribute
directly to
profit

Recap Quiz

Q. 3. How are Capex and Opex different?

Capex is for long-term assets, while Opex is for day-to-day expenses

Capex is tax-deductible, while Opex is not

03

Capex is used for marketing, while Opex is used for production

04

Capex is a short-term investment, while Opex is long-term

Recap Quiz

Q. 4. Startup costs include initial investments necessary for launching a new business.

True

False

Reflections

Startup Costs

It is important to distinguish between fixed and variable costs and to recognize direct, indirect, capital, and operational expenses

Cost Management

Understanding and managing costs help you stay competitive, and profitable, reduce costs while retaining quality

Unit Economics

Learnt how Unit Economics can predict break-even points and gross margins, and identify which products or services are profitable

Financial Tool

Saw an example of how financial management plays out in a startup using the tool and learnt how to leverage its various components to manage costs.

IGNITEX JOURNEY: Building Entrepreneurial Leaders



We are here!

LEARNING OBJECTIVES

By the end of the lesson, you will:



Understand

How Operational Breakeven is key for Startups



Financial Documents

Learn about important documents for analysis



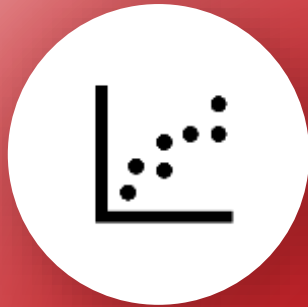
Financial Projections

Use the case study Simulation tool to understand how financial planning works

CORE CONCEPTS IN THIS MODULE

OPERATIONAL BREAK-EVEN

Understand why this is a 'Magic number' for startups



FINANCIAL DOCUMENTS

What are the documents for Financial Planning and analysis?



FINANCIAL PLANNING

How does a company do the planning?

CONCEPT INTRODUCTION

OPERATIONAL BREAK-EVEN



MyStyle



WEAR YOUR PER

What was your
experience while
using the Simulation
Case on Financial
Planning Tool?

A group of football players in dark jerseys are running on a field during sunset. The players are silhouetted against the bright, hazy sky. One player in the center is holding a football high in the air. Other players have their arms raised in celebration. A large, solid red arrow graphic points from the top-left corner towards the center of the image. The text "Team Challenge!" is overlaid in the center in a bold, red, sans-serif font.

Team Challenge!

Challenge

You are setting up a T-shirt stall in a fair. You need to figure out how much you need to sell to cover your costs.



Your fixed costs

Stall set-up, rental and labor cost for the day (Rs. 96,000/-)



What's the per unit cost?
(COGS)
The Cost Price for each T-shirt is Rs.280/-



Cover Costs

How many T-shirts should you sell to cover your costs if you sell at Rs. 399 per T-shirt?



T-SHIRTS FOR
SALE!



At no loss!

OPERATIONAL BREAKEVEN

A strategic tool for better profitability

01

What is it?

The point where a business's total revenue from sales exactly covers all its **operating expenses**

02

2 Key Costs

Understanding **fixed costs** and **variable costs** (is essential for calculating break-even).

03

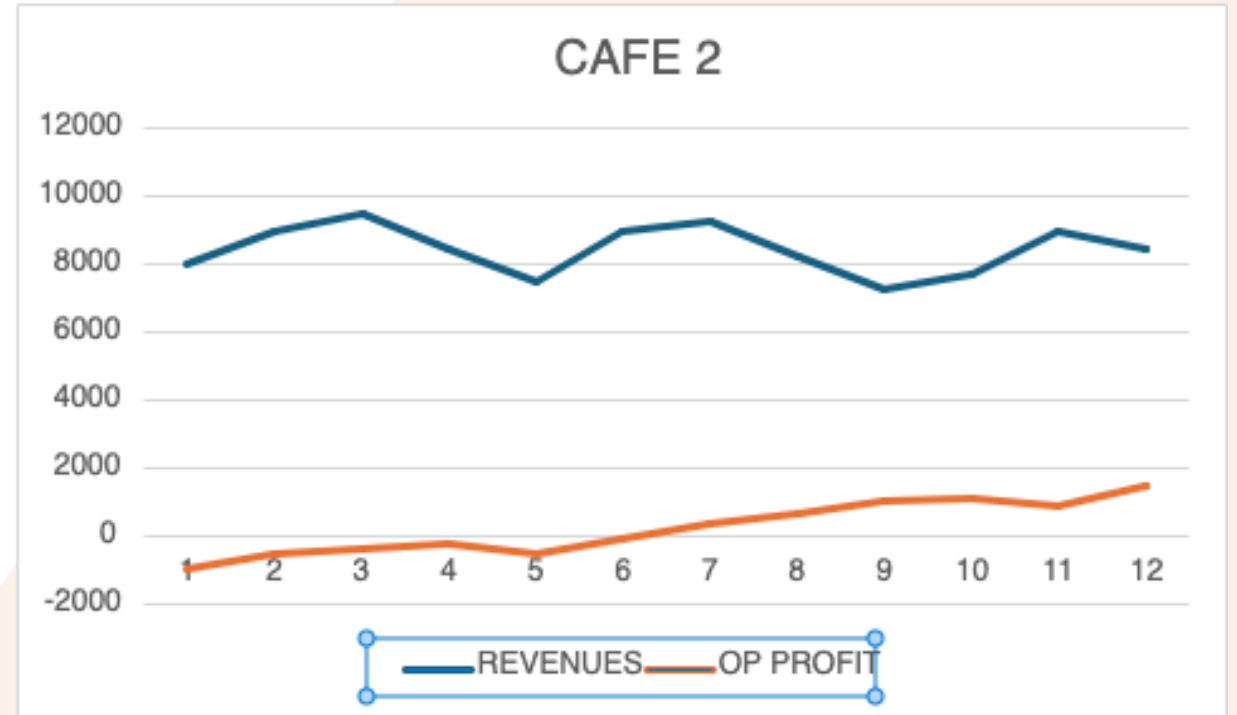
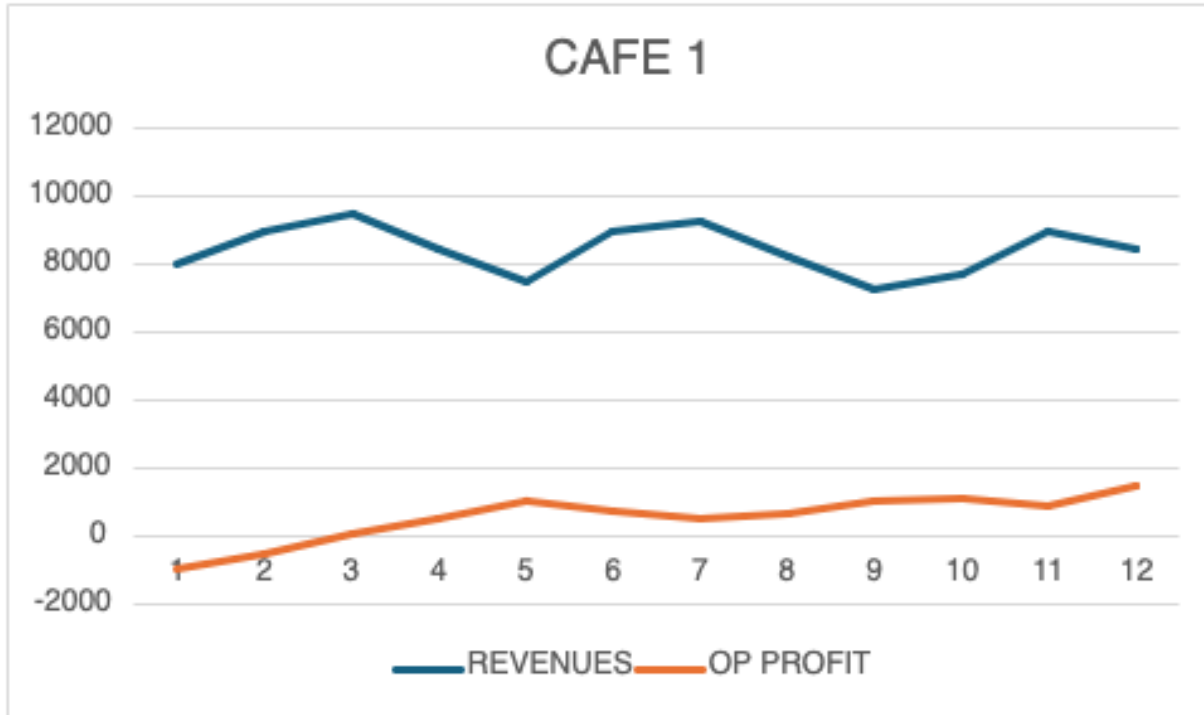
Magic number

The break-even point represents the number of units (products or services) a business needs to sell to cover its total costs.

Knowing the break-even point helps businesses set realistic sales targets, adjust pricing strategies, and manage costs for better profitability.

Explain the Difference

Observe the breakeven analysis of two coffee shops



Discuss:

Break-even in 2 months vs 6 months: implications on cash runway

CONCEPT DISCOVERY

DEMO OF CASE STUDY SIMULATION TOOL

Financial Planning and Analysis

Let's explore




FINANCIAL PLANNING AND ANALYSIS

Simulation Case Study
MyStyle

Get Started

The image shows a promotional banner for a simulation case study. It features a dark red background with a subtle pattern of overlapping rectangular shapes. At the top center, there is a white banner with the Wadhvani Foundation logo, which consists of a stylized orange and red flower-like symbol above the text 'WADHWANI FOUNDATION'. Below the logo, the main title 'FINANCIAL PLANNING AND ANALYSIS' is written in large, bold, white capital letters. Underneath the title, the text 'Simulation Case Study' is written in white, and 'MyStyle' is written in orange. At the bottom right, there is a white button with the text 'Get Started' in black.

Use the
Simulation
Case on
Financial
Planning



**MAXIMISE PROFITS
FOR THE YEAR**

Team Activity

How are we doing this?

Financial Planning and Analysis - Simulation Case Study - MyStyle

Context

You are one of the co-founders of MyStyle which has shown promising growth and innovation. Last year, the company grew by 70% (~5% per month), becoming profitable in the last six months, and selling 1700 units in the final month alone. The founders managed this without drawing salaries, but for the next year, you intend to make some strategic changes.

Planning considerations for the next year

- Founders to begin taking salaries.
- Reduce the cost of raw materials.
- Achieve better returns from their marketing spend.
- Retain their competitive edge through continual design innovations.
- May slightly reduce the sale price to increase market penetration yet maintain profitability.
- Grow at an even higher rate

Your Tasks

- Review the planning considerations, and make reasonable assumptions about the desired growth rate, founders' salaries, raw material costs, marketing investments, pricing, etc.
- Use the Simulation Tool to analyze the impact of each assumption on the startup's revenue growth, profitability, etc.
- Develop profit and loss projections for the next year based on a final set of assumptions.

Next: Review Planning Assumptions

Overview and Concept

- Gives you context

Plan for the next year

- Gives you some changes the co-founders are considering for the next year

Your Challenge

- Tells you what you need to achieve as a team

But wait! There is a challenge! You will be working with some constraints!

USE THE SIMULATION TOOL TO MAXIMISE PROFITS

Set 1 Constraints

- Max Selling Price per unit Rs. 700
- Per Month
 - Max Founder Salaries Rs. 50,000
 - Min Rent, Administration, Travel, and Others Rs. 25,000
 - Max Marketing & Advertising (incl. Sales/Marketing Salaries): Rs. 100,000
- Units Sold in Month #1 = 2000
- Max Monthly Sales Growth Rate 5%

Set 2 Constraints

- Max Selling Price per unit Rs. 500
- Per Month
 - Max Founder Salaries Rs. 100,000
 - Min Rent, Administration, Travel, and Others Rs. 50,000
 - Max Marketing & Advertising (incl. Sales/Marketing Salaries): Rs. 75,000
- Units Sold in Month #1 = 2000
- Max Monthly Sales Growth Rate 10%

Each team reports its annual revenues, operating break-even points, and operating profits. You need to share the challenges in balancing various numbers.

TEAM PRESENTATIONS

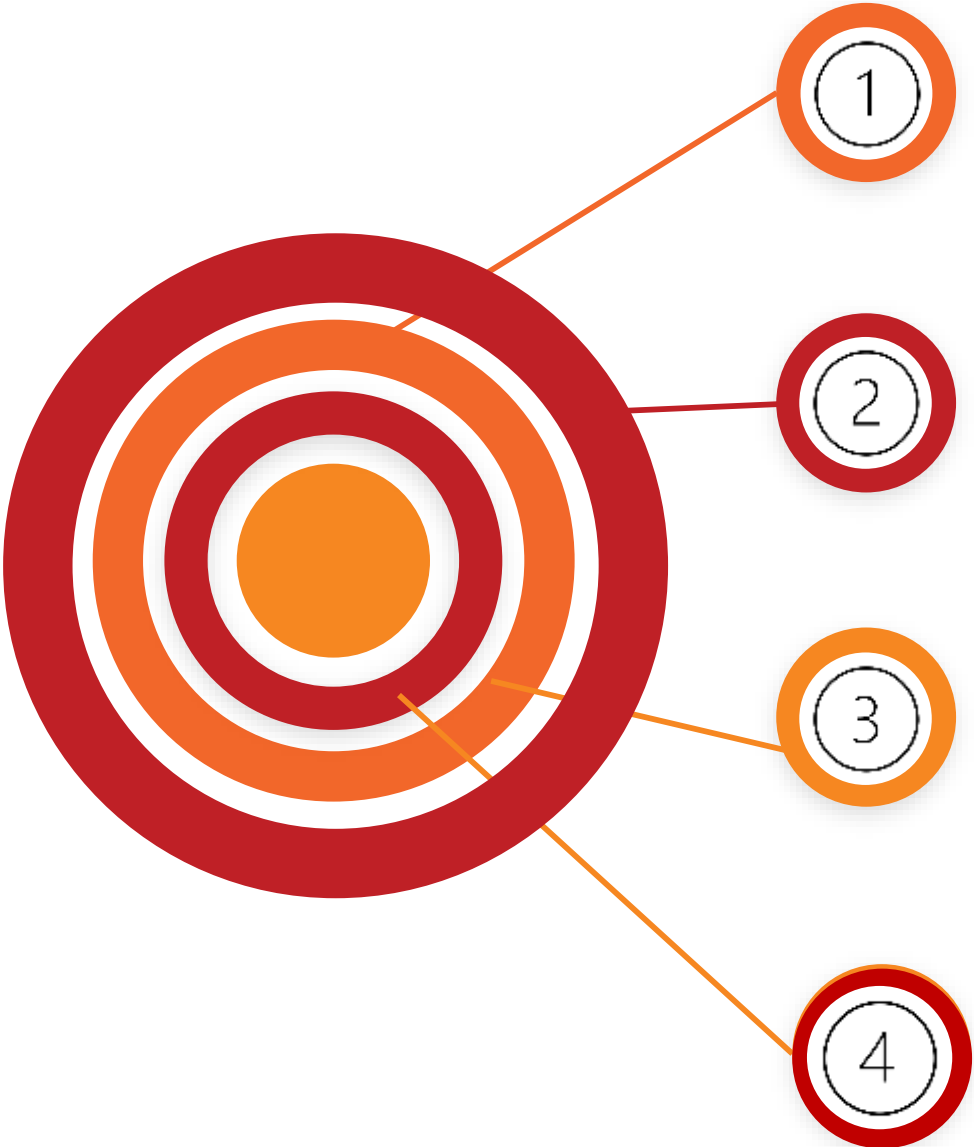
- TEAM #1: Revenues, Break-even month
- TEAM #2: Selling price, COGS
- TEAM #3: Selling price, Unit Economics
- TEAM #4: Break-even month, CAC
- TEAM #5: Monthly Sales Growth rate, Operating Profit
- TEAM #6: What were your learnings?
- TEAM #7: What were your challenges?





Overview of Financial Management

Benefits of Financial Management



1 Realistic Projections

For a startup's income, expenses (e.g. hiring, profitability)

2 Compliances

Stay compliant with tax regulations, reporting requirements, and other financial regulations

3 Financial Control

Avoid overspending and inefficient resource allocations

4 Investor Confidence

Investors prefer a strategic approach to achieving financial success

Overall Learning Objectives met today

Financial Planning

Financial planning requires a deep understanding of external (e.g., competitors) and internal (e.g., marketing) factors

Approach

Needs an iterative approach to find the right balance between growth and profitability.

Financial Projections

Detailed and realistic financial projections are crucial for attracting investors and securing funding

Growth Strategy

Financial Planning and projections is influenced by the growth Strategy

Q & A

If you have questions, ASK



! MANDATORY COURSEWORK

POST SESSION

PREP for NEXT SESSION

1. Exercise

INDIVIDUAL – Revisit the concepts in this lesson

2. Simulation Case on Financial Planning

TEAM- Try different assumptions to see how the breakeven point, revenues, profits and operating expenses change



Review the Financial Planner Tool in the next lesson- 'Financial Management for Profitability'.

Make a list of the **assumptions** you must make for your startup's financial projections.

THANK YOU

If you have questions, ASK

