



# Wadhvani Ignite CONCEPT BOOKLET

## Module 4

### Lesson 3: Introduction to Financial Planning

#### Context:

You've spent the last few weeks identifying the problem you want to solve, understanding your customer, checking out global and local competitors, and exploring how trends and industry shifts create new opportunities for your idea. You even mapped your Total Addressable Market (TAM) – a big-picture estimate of how many people could benefit from your solution.

Now comes the big question:

#### **Is your idea financially worth pursuing?**

Before you go further – into prototypes, marketing, or business models – it's important to get a basic sense of the numbers behind your idea.

This isn't about becoming a finance expert. It's about building financial intuition— a gut sense of whether your idea can sustain and grow.

That's where Back-of-the-Envelope (BOE) Financial Planning comes in. It's a simple way to test your idea using rough numbers. You'll learn to ask:

- Will I make money doing this?
- What will it cost me to run this idea for a year?
- If I grow, will I grow profitably?

This concept booklet will help you understand key terms, apply them to your venture, and start planning smart — even before you start building.

# Program overview, and your **Venture Journey** over 14 weeks

<b>1. Problem Identification</b>	<b>2. Customer Identification &amp; Needs Validation</b>	<b>3. Solution Idea Generation</b>
Week 1-2	Weeks 2-4	Week 4
<ul style="list-style-type: none"> <li>■ Orientation</li> <li>■ Develop Macro Industry-Problem view</li> <li>■ Assemble “Real-World” Problems</li> <li>■ Examine Chosen Problems</li> <li>■ Analyze Problems</li> </ul>	<ul style="list-style-type: none"> <li>■ Identify customer segments</li> <li>■ Assess ‘jobs-to-be-done’</li> <li>■ Develop Customer Personas</li> <li>■ Understand Customer Validation</li> <li>■ Validate Customer-Problem fit</li> <li>■ Pivot/Refine Customer-Problem Fit for Feasibility</li> </ul>	<ul style="list-style-type: none"> <li>■ Understand Ideation techniques</li> <li>■ Generate Solution Idea</li> </ul>
<b>4. Opportunity &amp; Competition Mapping</b>	<b>5. Prototype Development &amp; MVP</b>	<b>6. Opportunity Feasibility Assessment &amp; Sizing</b>
Week 5	Week 6	Week 7-8
<div style="border: 2px solid red; border-radius: 15px; padding: 5px;"> <ul style="list-style-type: none"> <li>■ Identify Global competitors</li> <li>■ Review Industry Trends and Estimate Market Size (TAM)</li> <li>■ Introduction to Financial Planning</li> </ul> </div>	<ul style="list-style-type: none"> <li>■ Overview of Prototypes &amp; MVP</li> <li>■ Build an Initial Prototype</li> <li>■ Prototype for Early Validation</li> </ul>	<ul style="list-style-type: none"> <li>■ Map your Relative Position in the Market</li> <li>■ Estimate Opportunity Size</li> </ul>
<b>7. Business Modelling</b>	<b>8. Marketing &amp; Sales Strategy</b>	<b>9. Financial Management for Profitability</b>
Week 8-9	Week 9-10	Week 11-12
<ul style="list-style-type: none"> <li>■ Examine Revenue Model</li> <li>■ Revenue Models continued</li> <li>■ Review and Organize the Lean Canvas</li> <li>■ Build the LC for your Startup</li> </ul>	<ul style="list-style-type: none"> <li>■ Understand Marketing &amp; Sales</li> <li>■ Recommend a Go-To-Market (GTM) Approach</li> <li>■ Map a Sales Process</li> </ul>	<ul style="list-style-type: none"> <li>■ Deep Dive into Financial Planning</li> <li>■ Analyze the Path to Profitability</li> <li>■ Understand Bootstrapping and Funding Options</li> </ul>
<b>10. Team &amp; Talent Requirement</b>	<b>11. Orientation for Scale</b>	<b>12. Venture Idea Feasibility Presentation</b>
Week 12	Week 13	Week 14
<ul style="list-style-type: none"> <li>■ Finding Co-founders and Mentors</li> <li>■ Building an Initial Team</li> </ul>	<ul style="list-style-type: none"> <li>■ Thinking Beyond the Prototype - Scale Opportunity &amp; Orientation</li> <li>■ Persuasive Story-Telling for a Viable Venture Idea</li> <li>■ Pitch preparation</li> </ul>	<ul style="list-style-type: none"> <li>■ Practice Pitch</li> <li>■ Final Pitches</li> </ul>

## Concepts Covered in this Lesson

<b>Financial Planning</b> <ul style="list-style-type: none"><li>• Back of the Envelope Financial Planning</li></ul>	<b>The \$10 Million Revenue Litmus test</b> <ul style="list-style-type: none"><li>• What does it tell you and why is it important</li></ul>
<b>Financial Terms</b> <ul style="list-style-type: none"><li>• Revenues</li><li>• Costs</li><li>• Profits and more</li></ul>	

### After completing this lesson, you will be able to:

- Understand what Back-of-the-Envelope financial planning is and why it is important
- Learn key financial terms and types of costs involved in running a venture
- Create a simple 3-year financial projection to assess the viability of your idea

### Steps for you to take:

- Identify the setup, fixed, and variable costs you expect to incur
- Estimate your price per unit and monthly sale
- Use this to create a simple one-year financial projection
- Think ahead to Year 2 and Year 3 – what may change in sales, pricing, or costs?
- Use the Back-of-the-Envelope Financial Planning Tool to test different assumptions and plan ahead

## What is Back-of-the-Envelope Financial Planning?

Financial planning is the process of estimating how much money your business will earn, spend, and need over time. It helps you figure out whether your idea is financially realistic. Are you likely to make a profit? Can you cover your costs each month? Will you need funding – and if so, how much and when? A good financial plan gives you direction and helps you make smarter decisions as your startup grows.

But when you're just starting out, you don't need a detailed spreadsheet or complex accounting. You need a simple way to check if your numbers make sense.

That's where **Back-of-the-Envelope (BOE) Financial Planning** comes in.

BOE is a quick and rough method to sketch out your venture's financial picture. Think of it like doing a napkin calculation – just enough to know whether the idea holds up. You look at a few basic numbers:

- how much you'll charge for your product or service,
- what it will cost you to run the business,
- how many customers or sales you expect, and
- how all this plays out over the next one to three years.

The goal of BOE planning is not precision – it's clarity. Even a rough plan can help you understand if your idea is viable and how it might grow. It can show you whether you'll make a profit, how much you'll spend each month, and what might change if your sales increase, your costs drop, or your prices need to shift.

Starting with BOE planning gives you a clear, early picture of your startup's financial health. It helps you avoid surprises, allocate your money wisely, and show potential partners or investors that you're

thinking ahead. For any founder, even this simple level of financial clarity is a real superpower.

## Key Financial Terms

When you're building a new venture, it's easy to focus only on your idea, product, or customer. But even the best ideas need to make financial sense. That's where knowing a few **basic financial terms** becomes essential.

Financial planning – even in its simplest form – involves numbers. To understand what those numbers mean and how they affect your startup, you need to know the language. Terms like **revenue, costs, profit, fixed and variable costs**, or **COGS** (Cost of Goods Sold) aren't just technical jargon – they tell the real story of your business.

These are the basic terms that all financial planning commences with.

### Revenue

All the money you bring in from sales.

Example: If you sell 500 T-shirts at ₹600 each, Revenue =  $500 \times 600$   
= ₹3,00,000/month

### Costs

All the money you spend to run your business.

This includes raw materials, rent, marketing, salaries, etc.

Formula: Total Cost = Fixed Costs + Variable Costs (+ Setup, if one-time)

### Profit

What's left after you subtract all your costs from your revenue.

Formula: Profit = Revenue – Cost

### Fixed Costs

These stay the same every month, no matter how many units you

sell.

Examples: Rent, salaries, internet

### **Variable Costs**

These change depending on how much you sell.

Examples: Raw material, printing cost, shipping, influencer ads

### **Setup Costs (One-Time)**

Money spent before launch – think of it as your entry fee.

Examples: Buying a laptop, building a website, getting licenses

### **COGS (Cost of Goods Sold)**

The total cost to produce and deliver one unit of your product.

Includes: Fabric, packaging, printing, delivery charges

If one T-shirt costs ₹250 to make and you sell 100, COGS = ₹25,000

### **CAPEX (Capital Expenditure)**

Larger, one-time purchases that last a long time.

## **The \$10 Million Litmus Test**

Once you've created your basic Back of the Envelope Financial Plan, it's time to zoom out and ask:

### ***Could this idea scale big over time?***

That's where the \$10million revenue crore revenue test comes in.

This is not about setting unrealistic expectations.

It's a thinking tool — to push you beyond the comfort of “just surviving” and into the mindset of building something truly scalable.

Why this number?

Because many investors, incubators, and successful founders use it as a marker of serious potential. Startups that can grow to \$10 million in annual revenue within 3 to 5 years often stand out as:

- Having strong market demand
- Achieving product-market fit
- Operating with a scalable business model
- Backed by a capable, growth-oriented team

In fact, a 2023 report by **Bain & Company and Blume Ventures** highlights that **fewer than 5% of startups in India** manage to cross the \$10 million revenue mark – **but those that do go on to create over 80% of the total valuation in the ecosystem.**<sup>1</sup> It's a tipping point where investors start to see not just a business – but a growth engine worth betting on.

**Source:** *India Venture Capital Report 2023* – Bain & Company and Blume Ventures.

 [Link to report](#)

Let's unpack the test.

1. Is the market big enough?

If your Total Addressable Market (TAM) is \$5 Million, it's mathematically impossible to reach \$10 Million unless you expand your offering.

But if your TAM is \$500 million and more, you've got room to grow.

Think about:

- How many people need this solution?
- How often will they buy or use it?
- Is this a one-time product, or can it become recurring?

2. Can your business model scale?

Some models require a lot more resources to grow. Others grow without adding too much cost.

Think about:

- If you double your sales, do your costs double too?

- Or do you start to make more profit because your processes are efficient?
3. Will investors believe in this potential?  
Even if you don't want funding now, it helps to think like an investor.  
Think about:
- Can you show that this is a business, not just a project?
  - Would someone invest \$1 Million today and believe they could get \$10 million back later?
4. Will your team be able to handle that growth?  
It's not just about ideas – it's about execution.  
Think about:
- Do you and your co-founders bring in complementary skills?
  - Can you attract mentors, advisors, or early employees?
  - Will your team evolve as the company grows?

Asking these questions now will make your venture stronger, leaner, and smarter – right from the start.

### **Call-To-Action**

1. Review your venture idea
  - What problem are you solving?
  - What is your solution – product or service?
2. Think through your costs- Use the Back-of-the Envelope Financial Calculator
  - Setup: What will you spend before launch?

- Fixed: What will you spend each month regardless of sales?
- Variable: What increases as sales increase?

### 3. Decide your price and sales

- Price per unit?
- How many units/customers per month?

### 4. Create a Year 1 Plan

- Revenue – Costs = Profit
- Will you make money? Break even? Run a loss?

### 5. Think ahead to Year 2 and 3

- Will sales grow?
- Will costs come down?
- Will you need to invest more in team or marketing?
- What are you basing your assumptions on?

### 6. Complete Venture Activity 4.4: Prepare Broad Financial Projections

- Use the data from the Back-of-the Envelope Calculator.