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Indian Business Financial Model

The Complete Masterclass

Manufacturing · Trading · Services · Agency · SaaS

65 chapters · 21 model sheets · Indian tax, GST, TDS and payroll

English, with Hinglish terms explained

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Built for Indian founders, small business owners, students and first-time entrepreneurs.

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REFERENCE

- The model, sheet by sheet

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- Worked models: all five business types
- Glossary of 60+ finance terms
- Formula reference
- The monthly close checklist
- Investor update, board pack and data room templates

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How to use this manual

> This manual is the other half of the Excel model. The model gives you the numbers; this manual explains why each number is there, what it means for an Indian business, and what to do when it looks wrong.

You do not have to read it front to back. If you are about to raise money, go straight to Part 4. If you are setting up the model for the first time, read Chapter 1, then work through Part 2 while you fill the sheets. If you are a CA or an analyst, Part 3 is the Indian compliance layer you will want to check against your own files.

Every rupee figure in this manual is a round, checkable number. Where a calculation is shown, you can reproduce it on a phone calculator. Where a tax rate or a limit is quoted, it is the Indian rule as of 2026 — but rates change, so confirm with your CA before you file anything.

What you have bought

- **The Excel model** — 21 sheets covering assumptions, revenue, cost, the three statements, valuation, and the checks that prove it all ties.
- **This masterclass** — 21 chapters of explanation, worked examples, and the mistakes to avoid.
- **A monthly close checklist** — the 14 steps that keep the model honest once real money starts moving.
- **Twelve months of email support** — if a formula confuses you, write in.

The one rule

> Only the yellow cells are yours to type in. Everything grey is a formula. If you type over a grey cell you break the chain from the assumptions to the statements, and the model will stop agreeing with itself.

That single rule is what separates a model you can trust from a spreadsheet that merely looks impressive. The model is built so that the Balance Sheet balances by construction, and the Checks sheet proves it every month. If you overwrite a formula, you take that guarantee away.

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1. The model in ten minutes

> Before you type a single number, understand the shape of the model. It has one input sheet, a set of engine sheets, and three output statements that are forced to agree.

The flow of the model

Money enters the model in exactly two places: the Assumptions sheet, and the handful of yellow rows on the engine sheets where you type real quantities. Everything else is calculated. The flow is:

```
Assumptions → Revenue Build → P&L → Cash Flow → Balance Sheet → Checks
```

Read that chain backwards and you have the story of any business: the checks prove the balance sheet is real, the balance sheet is fed by cash, cash comes from profit adjusted for the timing of receipts and payments, profit comes from revenue less cost, and revenue comes from the assumptions you made.

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The sheets, in the order you meet them

Sheet	What it does	Do you type here?
START HERE	The ten-minute orientation.	No
Assumptions	Every driver in one place.	Yes — yellow
Revenue Build	Units, customers or hours, times price.	Yes — the driver row
Headcount	Roles, count and salary.	Yes — columns BK/BL
OpEx	Rent, marketing, tools, legal.	Yes — month 1
CapEx & Depreciation	Asset purchases and WDV depreciation.	Yes — the capex row
Working Capital	Debtors, stock, creditors.	No
Debt	Loan schedule and EMI.	Yes — drawdown
P&L	60 months of profit and loss.	No
Balance Sheet	60 months of assets, liabilities, equity.	No
Cash Flow	Indirect method.	Yes — equity raised
Checks	Three automatic tests.	No
Unit Economics	CAC, LTV, payback.	Yes — your CAC
Scenarios	Worst, base, best.	Yes — multipliers
Valuation	DCF and revenue multiple.	No
Investor Dashboard	One-page summary.	No
Fundraise Summary	Raise and use of funds.	Yes — the split
Partner Split	Ownership and profit share.	Yes — shares
GST & TDS	Tax timing.	No
Break-even	The revenue you must cross.	No
Monthly Close	The 14-step checklist.	Yes — ticks

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Setting up, step by step

1. Open **Assumptions**. Fill every yellow cell. Start with the start month and your business type.
2. Pick your **business type** from the dropdown: Manufacturing, Trading, Services, Agency or SaaS. This decides which driver the model uses.

3. Go to **Revenue Build**. Fill the yellow row that matches your type. Leave the other two at zero.
4. Fill **Headcount**: the count and monthly salary for each role, in columns BK and BL.
5. Fill **OpEx** month 1, then **CapEx** for any asset you buy.
6. Open **Checks**. Every month must read OK. If one says CHECK or NEGATIVE, an input is impossible — most often cash has gone below zero because you are growing faster than you can fund.
7. Read the **Investor Dashboard**. That single page is your story.

> **Avoid this.** The most common first-time error is filling all three revenue driver rows. The model does not add them up — the switch picks one — but a reader who opens the file will be confused by the two unused rows. Leave them at zero.

What 'good' looks like

Once the defaults are in place and the checks are green, you should see a business that starts with a real revenue line, keeps a positive cash balance, and ends the five years with equity built from retained profit. If your own numbers show negative cash for several months in a row, that is not a model error — it is the model telling you that you need more money or slower growth.

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2. The three statements, and why they tie

> A financial model is not three separate reports. It is one business described three ways. If the three do not agree, at least one of them is wrong.

What each statement answers

Statement	The question it answers	Period or point in time
Profit & Loss	Did we make money?	A period — a month, a year
Cash Flow	Did cash go up or down?	A period — a month, a year
Balance Sheet	What do we own and owe?	A single point — the last day

The distinction between the first two is the one that trips up most first-time founders. Profit is an opinion about timing; cash is a fact. You can be profitable and still run out of money, because a profitable sale on 90-day credit does not pay this month's salary.

The accounting equation

```
Assets = Liabilities + Equity
```

Everything in double-entry bookkeeping follows from that one line. In the model, assets are cash, receivables, inventory and net fixed assets. Liabilities are payables and the term loan. Equity is share capital plus retained earnings. The Checks sheet computes Assets minus (Liabilities + Equity) every month and asserts it is zero.

How the statements are wired in this model

- **P&L** reads revenue and cost from Revenue Build, salaries from Headcount, expenses from OpEx, depreciation from CapEx, and interest from Debt.
- **Cash Flow** starts from Profit after Tax, adds back depreciation, adjusts for the change in receivables, inventory and payables, then subtracts capex and adds or subtracts financing.
- **Balance Sheet** takes cash from Cash Flow row 19 and nothing else. That single link is why the sheet cannot drift.

> Cash appears on the Balance Sheet from one place only: the closing cash line on the Cash Flow sheet. If you ever hard-code a cash figure on the Balance Sheet, you have broken the model.

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Why retained earnings accumulate

Retained earnings are the profit the business has kept, added up month after month. In the model, month 1 is opening retained earnings plus opening reserves plus this month's Profit after Tax. Month 2 is month 1 plus month 2's profit, and so on. By month 60 you are looking at the cumulative profit the business has earned since it started.

A three-month illustration

Month 1: PAT ₹1,00,000. Retained earnings = 1,00,000.
Month 2: PAT ₹1,20,000. Retained earnings = 2,20,000.
Month 3: PAT ₹1,50,000. Retained earnings = 3,70,000.
Add opening capital of ₹8,00,000 and total equity at month 3 is ₹11,70,000.

The check that matters most

When you change anything in the model, glance at the Checks sheet. Three tests run every month:

1. **Balance sheet ties** — Assets minus Liabilities and Equity is within ₹1 of zero.
2. **Cash is not negative** — a negative bank balance is impossible in real life without an overdraft.
3. **Debt is not negative** — you cannot repay more than you borrowed.

If all three are green for all 60 months, the model is internally consistent. That does not mean your assumptions are right — only you can judge that — but it does mean the arithmetic is sound.

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3. Assumptions: top-down versus bottom-up

> An assumption is a belief about the future written as a number. The quality of your model is the quality of your assumptions, not the beauty of the spreadsheet.

Two ways to build revenue

	Top-down	Bottom-up
How it works	Start from the market size and take a share.	Start from capacity or customers and build up.
Example	India's bakery market is ₹10,000 crore; we will take 0.1%.	We can bake 500 loaves a day; each sells for ₹40.
Strength	Shows the size of the opportunity.	Shows what you can actually deliver.
Weakness	Investors distrust it; the share is a guess.	Can miss the market reality.

Serious investors want the bottom-up number. A top-down share is easy to write and impossible to defend. Use the bottom-up build in the model, and keep one top-down line in your pitch to show the market is big enough to matter.

The assumptions that move the model most

Not all inputs matter equally. In this model, sensitivity runs roughly in this order:

1. **Price** — a 10% price change moves gross profit almost one for one.
2. **Variable cost** — the other side of gross margin.
3. **Growth rate** — small changes compound enormously over 60 months.
4. **Fixed OpEx and salaries** — the cost base you cannot easily cut.
5. **Receivable days** — how much cash sits with customers.
6. **Inventory days** — how much cash sits on the shelf.

> Test each of these by hand. Change one, look at the Investor Dashboard, and change it back. You learn more from ten minutes of this than from an hour of reading.

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Realistic starting points for an Indian business

Assumption	Conservative	Typical	Aggressive
Monthly revenue growth	2%	5%	10%+
Gross margin — manufacturing	25%	35%	45%
Gross margin — trading	10%	18%	25%
Gross margin — services	45%	60%	75%
Receivable days	60	45	30
Inventory days	90	60	30
Annual salary hike	10%	8%	6%

> **Avoid this.** The single most common modelling mistake is a growth rate that is fine for one year and absurd for five. 5% a month is 79% a year, and compounded over five years it is a 18-fold increase. Ask yourself: can the operations really grow 18 times without a new factory, a new team and a lot of cash?

Writing an assumption you can defend

For every important number, be able to finish this sentence: 'We assume X because Y.' For example: 'We assume receivable days of 45 because our two largest customers pay on 60-day terms and the rest pay on 30, which averages out near 45.' That sentence is what turns a guess into an assumption.

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A sample from each part

The preview above shows the first three chapters. Here is one excerpt from each of the later parts, so you can see the range.

From Part 2 — Manufacturing

Cost	Where it sits in the model	Typical share of revenue
Raw material	Variable cost per unit	40–55%
Direct labour	Part of variable cost, or Headcount	10–20%
Factory rent and power	OpEx	5–10%
Machinery depreciation	CapEx & Depreciation	5–10%
Plant salaries	Headcount	5–10%

From Part 3 — GST

```
Net GST payable = Output GST on sales − Input credit on purchases
```

From Part 4 — Valuation

The WACC is the discount rate — the return an investor could get elsewhere for similar risk. Higher risk means a higher WACC, which means a lower valuation today. The terminal value captures everything beyond the forecast, usually with the Gordon growth formula.

From Part 5 — The case study

> A negative closing cash means the Checks sheet would flag it. In real life you would fund this with a working-capital limit. That is exactly the insight the model is designed to give you before you discover it the hard way.

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From Part 6 — Pricing

A 10% price rise, holding volume flat

Revenue ₹10,00,000, variable cost ₹6,00,000, fixed cost ₹3,00,000.
Profit = 10,00,000 − 6,00,000 − 3,00,000 = ₹1,00,000.
Raise price 10%: revenue ₹11,00,000, costs unchanged.
Profit = 11,00,000 − 6,00,000 − 3,00,000 = ₹2,00,000.
A 10% price rise doubled the profit.

From Part 7 — Sensitivity

Read that list and the message is clear: price and variable cost dominate. A founder who spends all their time worrying about office rent is worrying about the least important number on the sheet.

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What the full masterclass adds

This preview shows the first two chapters. The full manual continues with:

- Part 1 — assumptions, top-down versus bottom-up, and the three statements.
- Part 2 — one chapter each for manufacturing, trading, services, agency and SaaS.
- Part 3 — GST, TDS, payroll, depreciation and working capital.
- Part 4 — unit economics, break-even, valuation, fundraising and runway.
- Part 5 — a full case study.
- Part 6 — the model sheet by sheet, worked models for all five business types, a glossary, a formula reference, the monthly close checklist and four templates.

Buy the full masterclass at tankmetrics.in/digital-products.

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