

Know Your Numbers



- How to create KPIs
- Business Performance Dashboards
- Cash Flow Projections and startups

Expert

Kshitij Jain, FCA

Co- Founder

Mindspace Outsourcing Services Pvt. Ltd.



Agenda

- **Understanding Financial statements**
- **Business Ratios**
- **What is KPI**
- **Building Business Dashboards**
- **Creating Projections Based on Cash Flows**

Understanding Financial statements

- **Profit and Loss Account**
- **Balance Sheet**
- **Cash Flows**

Business Activity Ratios

- **Accounts Receivable Turnover :-** This ratio is calculated by dividing Sales on Credit by Accounts Receivable. This is a measure of how well your business collects its debts. Lesser the Better
- **Inventory Turnover :-** This ratio is calculated by dividing the Cost of Goods Sold by the average Inventory balance. Higher the Better.
- **Accounts Payable Turnover :-** This ratio is a measure of how quickly the business pays its bills. It divides the total new Accounts Payable for the year by the average Accounts Payable balance. Lesser the Better.
- **Gross Margins %**
- **Net Profit %**

What is KPI ?

- **Specific**

There should be a specific objective to be goaled upon.

- **Measurable**

You need to be able to measure the progress over time.

- **Attainable**

The business metric can't be outrageously out of reach.

- **Relevant**

Results need to be relevant to the goals.

- **Time-based**

The business metric needs to be measured in a time box.

Financial KPI

- **Gross Margin % to Sales**
- **Variable Cost % to Sales - Helps in Creating Break Evens**
- **Net Margins % to Sales**
- **Inventory Turnover Ratio**
- **Accounts Receivables Days**
- **Accounts Payables in Days**
- **Cash Generated / Burnt as a % to Sales**

Sales & Marketing KPI

- **Quarterly Sales Vs Last Year Quarter**
- **Product 1 sales against Total Sales**
- **Refunds % against Total Sales**
- **% of Sales & Marketing to Net Sales**
- **% of Google PPC**
- **% Spent Social Media Spent**
- **% Spent in Amazon Platforms**

Building Business Dashboards

- **Sales Growth**
- **Product wise Growth**
- **Inventory Turnover Analysis**
- **Accounts Payable Analysis**
- **Bank Balance Trending**
- **Accounts Receivable Analysis**
- **% of Variable Expenses to Sales**
- **% of Fixed Expenses to Sales**
- **KPI Comparisons**

Business Activity Ratios

- **Accounts Receivable Turnover :-** This ratio is calculated by dividing Sales on Credit by Accounts Receivable. This is a measure of how well your business collects its debts. Lesser the Better
- **Inventory Turnover :-** This ratio is calculated by dividing the Cost of Goods Sold by the average Inventory balance. Higher the Better.
- **Accounts Payable Turnover :-** This ratio is a measure of how quickly the business pays its bills. It divides the total new Accounts Payable for the year by the average Accounts Payable balance. Lesser the Better.
- **Gross Margins %**
- **Net Profit %**

Projection with Cash Flows

- **Why Financial Projections**
- **Assumptions**
- **Market Size**
- **Serviceable Market Size**

Merchandise & Administration KPI

- **Delivery of Goods vs. Order Backlog**
- **Clearance % of Sales**
- **Email Responsiveness-No Replies**
- **Stock Write off from Cycle count**
- **Unreconciled Lodgments**
- **Churn of Team**

Projection with Cash Flows

- **Sales Projections**
- **Use of Unit Economics**
- **Variable and Fixed Costs**
- **Investments in Assets**
- **Cash Generation/ Burn Rate**

Valuations of Start Up Methods

- **Multiple of EBITA**
- **Multiples of Revenue**
- **Discounted Cash Flow Method (Popular in India)**
- **Gross Merchandise Value**

Thank You

