

ACHIEVING BREAKTHROUGHS IN PROFITS AND CASH FLOWS



**EACH ONE
PLANT ONE**

**Startup India
Standup India**



SAVE WATER

Course for Entrepreneurs

Financial Analysis & Decision Making
{Core of Business}

CMA Pankaj Jain
Live and Let Live
Director

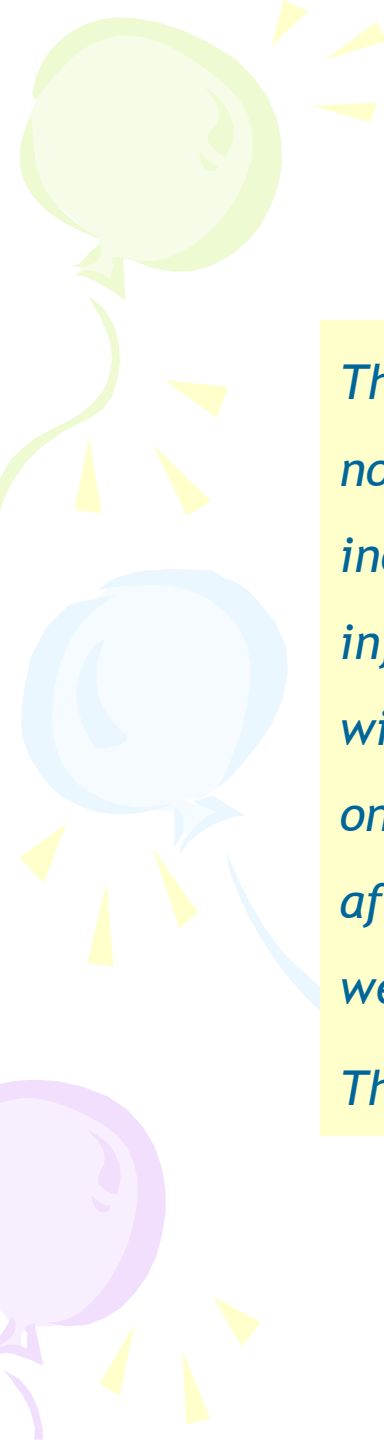
Logix Group
The life you deserve



Logix Developers Pvt. Ltd.
Founder, Advisor & President
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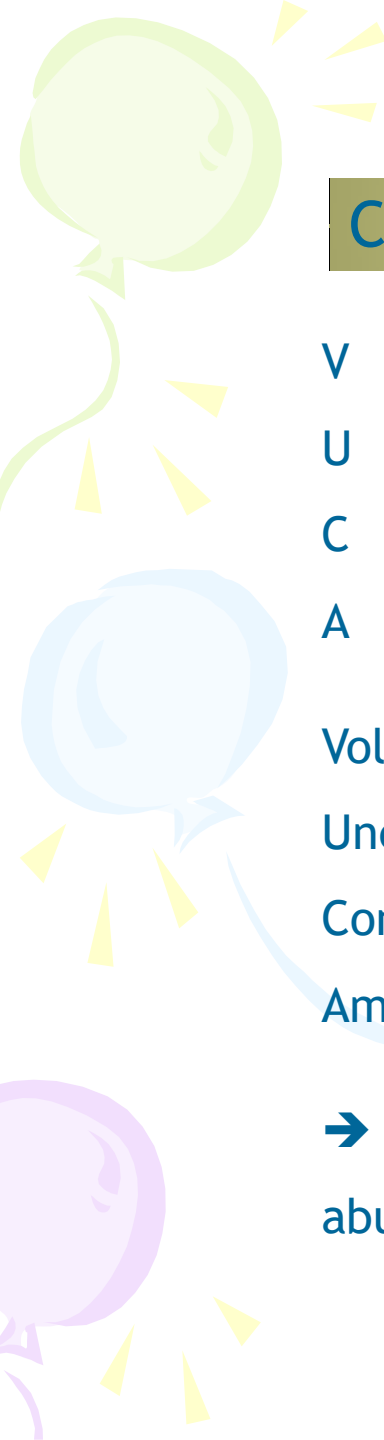
The image features three balloons on the left side: a green one at the top, a light blue one in the middle, and a purple one at the bottom. Each balloon is attached to a streamer and has several small yellow triangular shapes around it, resembling confetti or streamer ends. The text is centered in a yellow rectangular box.

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Discussion Points

- ❖ Context of Today's Business
- ❖ Key Value Drivers of Business
- ❖ Key Roles of Finance Function
- ❖ Legal Entity of Business
- ❖ Analyzing Financial Statements
- ❖ Cost Intelligence for Business
- ❖ Lets Raise Funds for Business
- ❖ Who takes care of Finance Function for Business Organizations?
- ❖ Some Linkages to Explore Further Thoughts.....



Context of Today's Business

V

U

C

A

Volatility

Uncertainty

Complexity

Ambiguity

→ In this context, one thing which is available to everyone, in abundance, is OPPORTUNITY...



Key Value Drivers of Business

C

Q

D

S

Cost

Quality

Delivery

Service

→ Despite stiff competition, there are many takers of products and services which add value to the customers, in terms of money as well as usage.



Key Roles of Finance Function

1. Business Analysis (includes business modeling and business planning)
2. Financial Modeling (includes financial planning and investors' related documents)
3. Funds Raising (from all sources)
4. Financial Control (includes accounts, taxation, compliances and risk management etc.)
5. Management Reporting (for financial as well as non-financial decision making)

➔ *How to run business with inadequate or no money?*



Legal Entity of Business

Business for Profit

1. Proprietorship Firm (Complete individual control)
2. Partnership Firm (Two or more persons, Unregistered or Registered)
3. Limited Liability Partnership (LLP) Firm (Incorporated entity)
4. Private Limited Company (One man company and Two or more men)
5. Public Limited Company (Unlisted and Listed)

Business for Not for Personal Profit

1. Trust
2. Society
3. Section 8 Company

➔ Your real experience is counted from the date of formation of legal entity irrespective of the form of legal entity

Analyzing Financial Statements

Profit and Loss Account (PL)

1. Ratio of Various Cost Components to Sales (Material, Employee Cost, Financial Cost, Overheads, Depreciation, Amortization, Tax etc.)
2. Profitability Vs. Cash Flow
3. EBIDTA
4. Earning Per Share

Balance Sheet (In isolation and also with combination of PL)

1. Return on Investment (ROI) and Fixed Assets
2. Working Capital Ratio and Evaluating Liquidity
3. Level of Leveraging
4. No. of Days Inventory
5. No. of Days Debtors
6. No. of Days Creditors

→ Keeping track on financial health of business



*Cost Intelligence® for Business DNA of Business

→ What is COST?

The Market Perception About Cost

Cost Breakup (Fixed Cost, Semi Variable Cost and Variable Cost)

Profit Dynamics

- A. Selling Price
- B. Cost
- C. Profit

Right Pricing Decisions - Marginal Costing, Basket Costing

→ *Cost is also one of the most important factor to create competitive advantage.*

**Cost Intelligence is registered trademark of Jain Ventures Consulting Pvt. Ltd.*



Sustainable Competitive Edge

- ✓ When we focus on competition, we have to target sustainable competitive edge i.e. competitive advantage over longer period of time.
 - ✓ Cost Intelligence plays significant role to attain this objective because price is now a very important factor.
 - ✓ Gone are the days when the price was fixed by cost plus profit approach.
 - ✓ Now, the prices are fixed by the market which means that after deducting targeted profit from the market determined price, one has to focus on costs.
- ➔ Globally all successful organizations work very hard to achieve sustainable competitive advantage of areas of their businesses



Sustainable Competitive Edge

In simple words

Earlier was

Selling Price Approach i.e. $\text{Sale Price} = \text{Cost} + \text{Profit}$

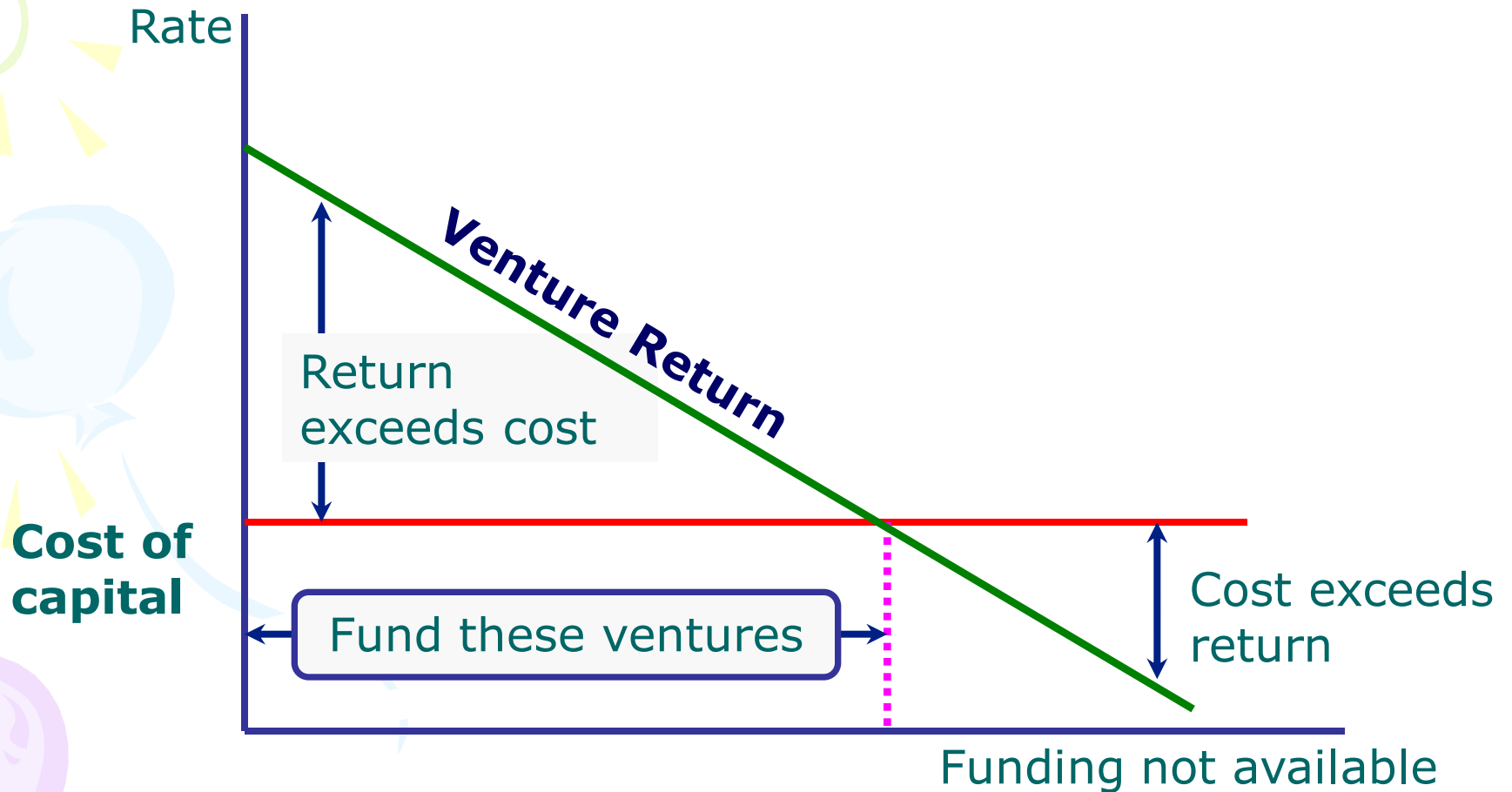
Now transformed into

Cost Approach i.e. $\text{Cost} = \text{Market Determined Sale Price} - \text{Targeted Profit}$

→ Optimize Cost to Increase Profit

Lets Raise Funds for Business

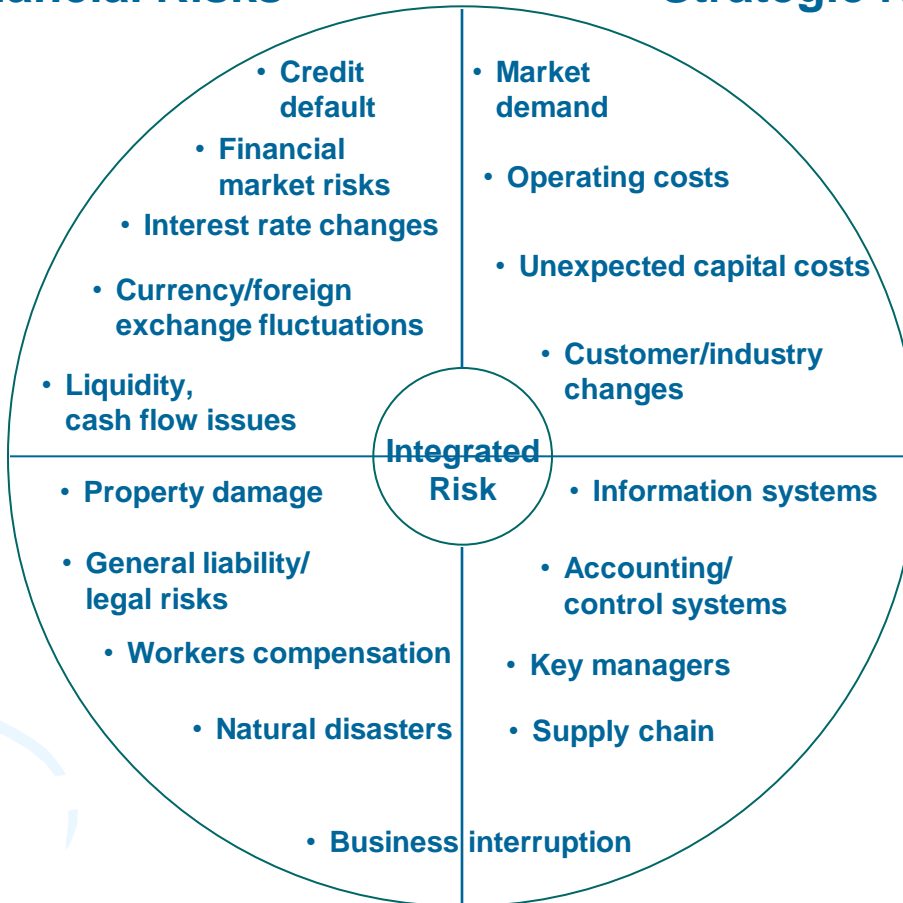
The Venture Viability Metrics



Venture Financing *Nature of Risk*

Financial Risks

Strategic Risks



Hazard Risks

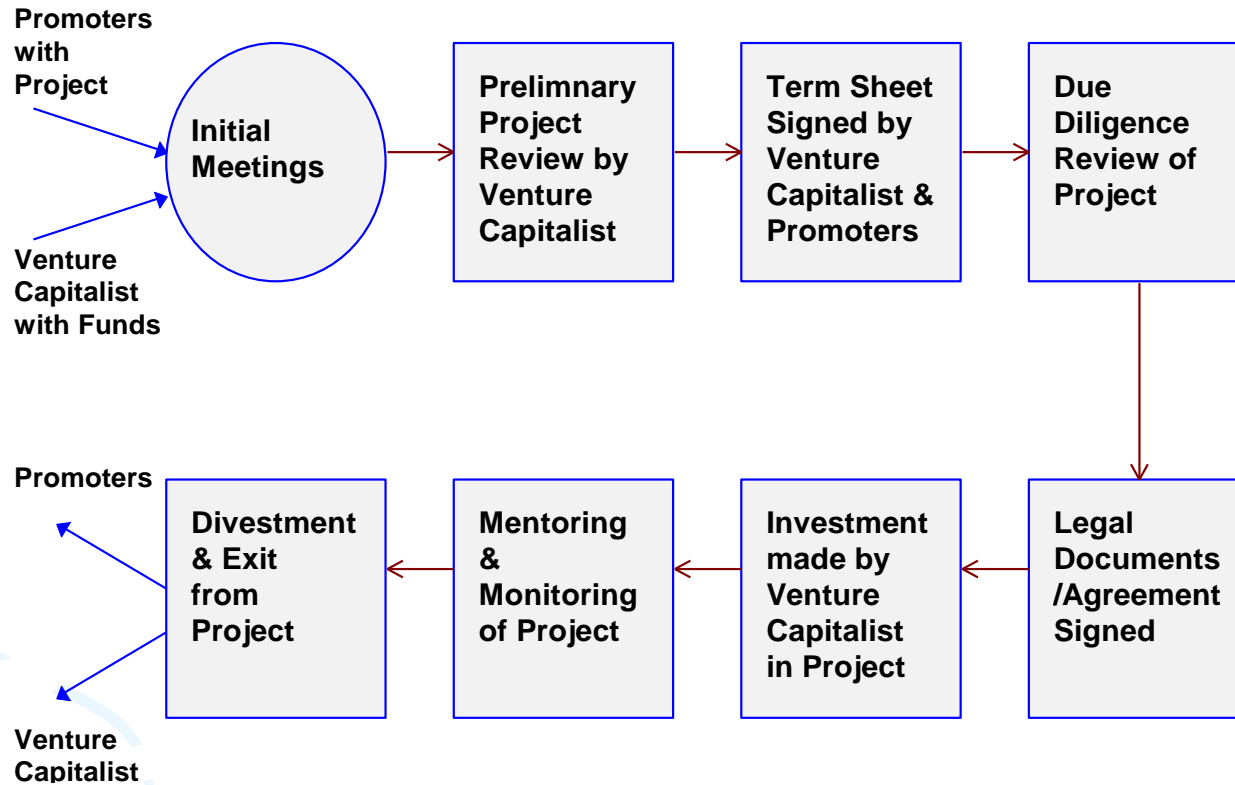
Operational Risks

- Well developed risk management practices and supporting industry
- Risk financing through derivatives
- Well-developed risk management practices and supporting industry
- Risk finance traditionally through insurance, but recently through captives and capital markets products as well

- Demand projections often have little credibility
- Operating costs often are underestimated
- Unforeseen capital costs can cause major problems
- No risk finance or other risk transfer methods
- Developing risk management field
- Some risk financing in business interruption insurance; risk transfer through PEOs; business interruption services

Lets Raise Funds for Business

The Venture Funding Process





Lets Raise Funds for Business

Sources

- A. Primary (Self, Family, Relatives, Friends, Crowd funding)
- B. Secondary (Equity, Debt, Mezzanine)

Preparedness

- A. Business Plan
- B. Financial Model
- C. Investors' Pitch
- D. Project Report for Debt Funding
- E. Credit Rating for Debt Funding

Credibility of Promoters and Business Entity

➔ Funds providers look more for Return of Capital than Return on Capital



Who takes care of Finance Function for Business Organizations?

Normally CFO's popularly known as Chief Financial Officers who are usually Management Accountants or other Professional Accountants in Business, having sound and diverse inside strategic as well as operational experience of handling various financial aspects of business organization.

Gravity of Money for Startups

More than any other sizeable business organizations

Need of CFO for Startups?

→ It is must for startups even more than big business organizations



Some Linkages to Explore Further Thoughts.....

1. <http://www.slideshare.net/pjainonline>
2. <https://cmapankajjain.wordpress.com/>
3. Financial Sense for Non finance executives by Prasanna Chandra
(Publication: Tata McGraw Hill)
4. http://study.com/articles/10_Great_Sources_for_Financial_Education_on_the_Web.html
5. http://www.edudemic.com/16-best-teaching-resources-of-2015/Social_sector
6. https://en.wikipedia.org/wiki/Financial_literacy
7. <https://www.financialeducatorsCouncil.org/>
8. http://www.practicalmoneyskills.com/resources/free_materials/
9. <http://www.investopedia.com/terms/f/financial-literacy.asp>



My Mantra!

- ✓ Think Positive!
- ✓ Act Proactive!
- ✓ Never be Complacent!

>We can do some changes, not wonders everyday



My Driving Force

*If anybody can do it..... We will do it faster, better
and at lowest possible cost.*



Thanks!

About Pankaj Jain

Seasoned CMA with spirit of entrepreneurship and having over 27 years of diversified experience across wide spectrum of industries while working at India and overseas with proven track record of aligning strategies with business and building trust based relationships globally.

Have managed numerous strategic business initiatives involving Venture Formation, Business Modelling, Strategic Financial Planning, Corporate Alliances, Demergers, Divestments, Cost Optimization, Business Restructuring, Capital Structuring, Corporate Governance and Corporate Financing for successful businesses with global foot prints and hold distinction of turning around the financial position of company through dynamic initiatives.

A post graduate in commerce from CCS University and has affiliations with leading professional bodies such as ICAI-CMA, ICSI, IIM Calcutta, IOD, AIMA, IIA, CSI and he is also founder of Young Entrepreneurs Network and Indian Society of Management Accountants. He has conducted number of programs on various forums and is associated with many socio-economic initiatives in various capacities. He is also mentor to many startups with the objective of helping them to achieve sustainability and scalability of their businesses.

If you want to know more about him, you may please search [CMA Pankaj Jain](#) on Google