



Financial Management



Agenda

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Financial Planning: Budgeting

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Profit Margin Calculation

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Cash Flow Management



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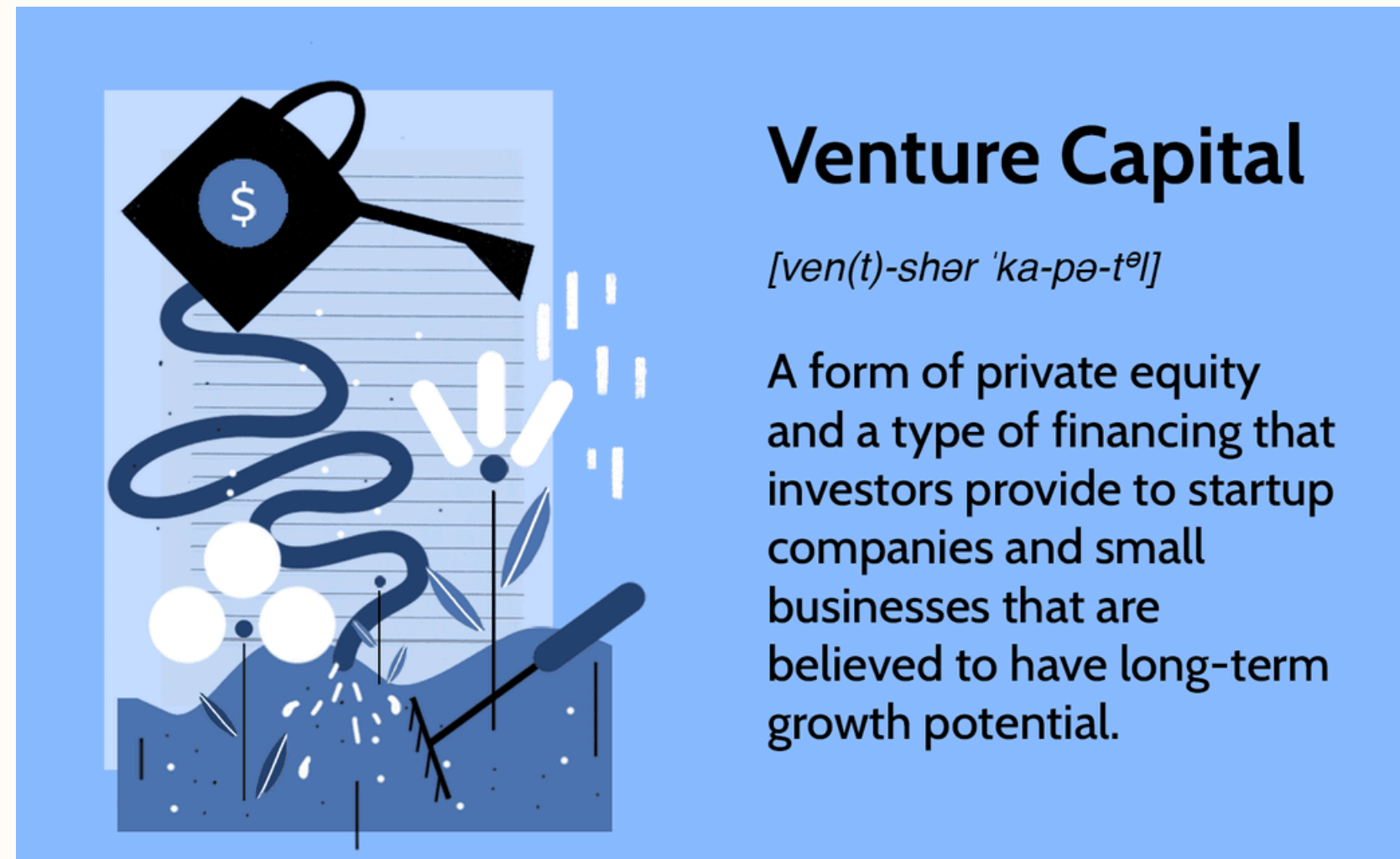
Start-up Capital: Securing Funding

There are three primary ways to secure funding for a fashion startup:

- Venture Capital (VC)
- Crowdfunding
- Private Investors (Angel Investors)

1.Venture Capital (VC):

Venture capitalists invest in exchange for equity. VCs typically target scalable, high-growth businesses. To attract VC, you need a compelling business plan, innovative product, and clear financial projections.



2.Crowdfunding:

Platforms like Kickstarter and Indiegogo allow you to raise funds from the public. Successful crowdfunding campaigns rely on strong marketing, community-building, and offering appealing rewards or products.



3.Private Investors (Angel Investors):

These individuals provide capital in exchange for equity or convertible debt. They typically invest smaller amounts compared to VCs and may offer mentorship in addition to funding.



Angel Investor

['ān-jəl in-'vest-or]

A high-net-worth individual who provides financial backing for small startups or entrepreneurs, typically in exchange for ownership equity in the company.



2

Financial Planning: Budgeting

Creating a budget is essential for maintaining financial health:

- **Marketing Budget:** Allocate funds for digital advertising, influencer collaborations, social media campaigns, and events.
- **Product Development Budget:** Consider the costs of materials, design, prototyping, and manufacturing.
- **Operational Expenses:** Include salaries, rent, utilities, software tools, and any fixed or variable expenses required to run the business.

Regularly monitor and adjust your budget to ensure resources are allocated effectively.

1. Marketing Budget

- Digital Advertising: Allocate funds for ads on platforms like Google, Facebook, Instagram, or LinkedIn to reach your target audience.
- Influencer Collaborations: Set aside money for partnerships with influencers or content creators to promote your product.
- Social Media Campaigns: Budget for content creation, design, and sponsored posts to increase visibility and engagement.
- Events: Include expenses for trade shows, webinars, conferences, or product launch events that promote your brand.

Example for budget planning

Budget category	Description	Monthly Cost	Annual Cost	Notes
Marketing Budget	Allocate funds for digital advertising, influencer collaborations, social media campaigns, and events			
- Digital Advertising	Ads on Google, Facebook, Instagram, etc.	1,29,718.50 Indian rupees	15,56,622.00 Indian rupees	Includes paid ads for brand awareness
- Influencer Collaborations	Partnering with influencers for promotions	86,479.00 Indian rupees	10,37,748.00 Indian rupees	Influencer fees, products for giveaways
- Social Media Campaigns	Content creation and sponsored posts	43,239.50 Indian rupees	5,18,874.00 Indian rupees	Social media management tools and posts
- Events	Trade shows, webinars, or launch events	1,72,958.00 Indian rupees	20,75,496.00 Indian rupees	Includes event organization and travel

2.Product Development Budget

- Materials: Consider the cost of raw materials or components needed to create your product.
- Design: Include costs for product design, graphic design, packaging, or any branding elements.
- Prototyping: Set aside funds for initial prototypes, testing, and iteration to refine the product before mass production.
- Manufacturing: Allocate for the production process, including labor costs, equipment, and any third-party manufacturing fees.

Example for budget planning

Budget category	Description	Monthly Cost	Annual Cost	Notes
Product Development Budget	Costs for materials, design, prototyping, and manufacturing			
- Materials	Raw materials or components needed for product creation	2,59,437.00 Indian rupees	31,13,244.00 Indian rupees	Supplies for manufacturing
- Design	Product design, packaging design, branding	86,479.00 Indian rupees	10,37,748.00 Indian rupees	Design tools, services, and consultations
- Prototyping	Development and testing of product prototypes	1,72,958.00 Indian rupees	20,75,496.00 Indian rupees	Costs of initial prototypes
- Manufacturing	Production costs, labor, and third-party manufacturing services	4,32,395.00 Indian rupees	51,88,740.00 Indian rupees	Fees for production and assembly

3.Operational Expenses

- Salaries: Account for employee compensation, including benefits and taxes.
- Rent: Include the cost of office space, warehouses, or any other physical locations you lease.
- Utilities: Budget for electricity, water, internet, and other necessary utilities.
- Software Tools: Factor in expenses for necessary software subscriptions (CRM systems, accounting tools, project management tools, etc.).
- Other Fixed/Variable Expenses: Include other routine costs like insurance, supplies, and maintenance.

Example for budget planning

Budget category	Description	Monthly Cost	Annual Cost	Notes
Operational Expenses	Salaries, rent, utilities, software tools, etc.			
- Salaries	Employee wages, bonuses, benefits, and taxes	8,64,790.00 Indian rupees	1,03,77,480.00 Indian rupees	Includes salaries for 5 employees
- Rent	Office space, warehouse lease, etc.	3,02,676.50 Indian rupees	36,32,118.00 Indian rupees	Office and warehouse rent
- Utilities	Electricity, water, internet, and phone bills	43,239.50 Indian rupees	5,18,874.00 Indian rupees	Essential utilities for operations
- Software Tools	Subscriptions for CRM, project management, and accounting tools	25,943.70 Indian rupees	3,11,324.40 Indian rupees	Software needed to run daily operations



3

Profit Margin Calculation

Understanding
profit margins is
critical to
ensuring your
business is
profitable:



Gross Profit Margin

Net Profit Margin

Break-even Point

Gross Profit Margin

Gross Profit Margin = $\frac{\text{Revenue} - \text{COGS}}{\text{Revenue}} \times 100$ Gross Profit

$$\text{Margin} = \frac{\text{Revenue} - \text{COGS}}{\text{Revenue}} \times 100$$

This tells you the percentage of sales revenue remaining after subtracting the cost of goods sold (COGS).

Net Profit Margin

Net Profit Margin = $\frac{\text{Net Income}}{\text{Revenue}} \times 100$ Net Profit

Margin = $\frac{\text{Revenue}}{\text{Net Income}} \times 100$

This shows how much profit remains after all expenses, taxes, and interest.

Break-even Point

Costs per Unit Break-even Point = Price per Unit - Variable Costs per Unit
Fixed Costs

Break-even Point = Fixed Costs / Price per Unit - Variable

This is the number of units you need to sell to cover all fixed and variable costs.

4

Cash Flow Management

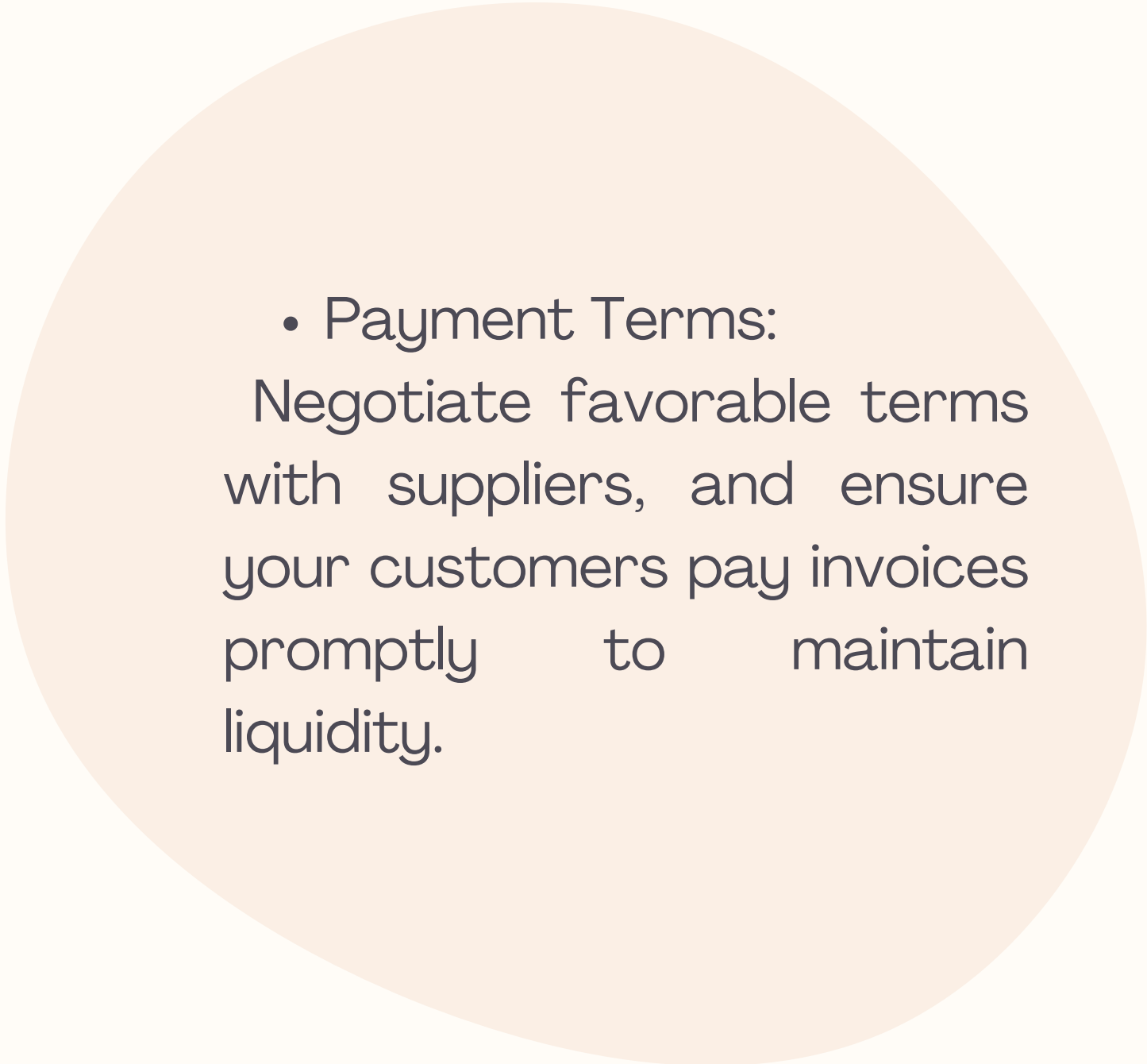
Effective cash flow management ensures you can pay bills, make investments, and grow:

- Track Cash Flow:

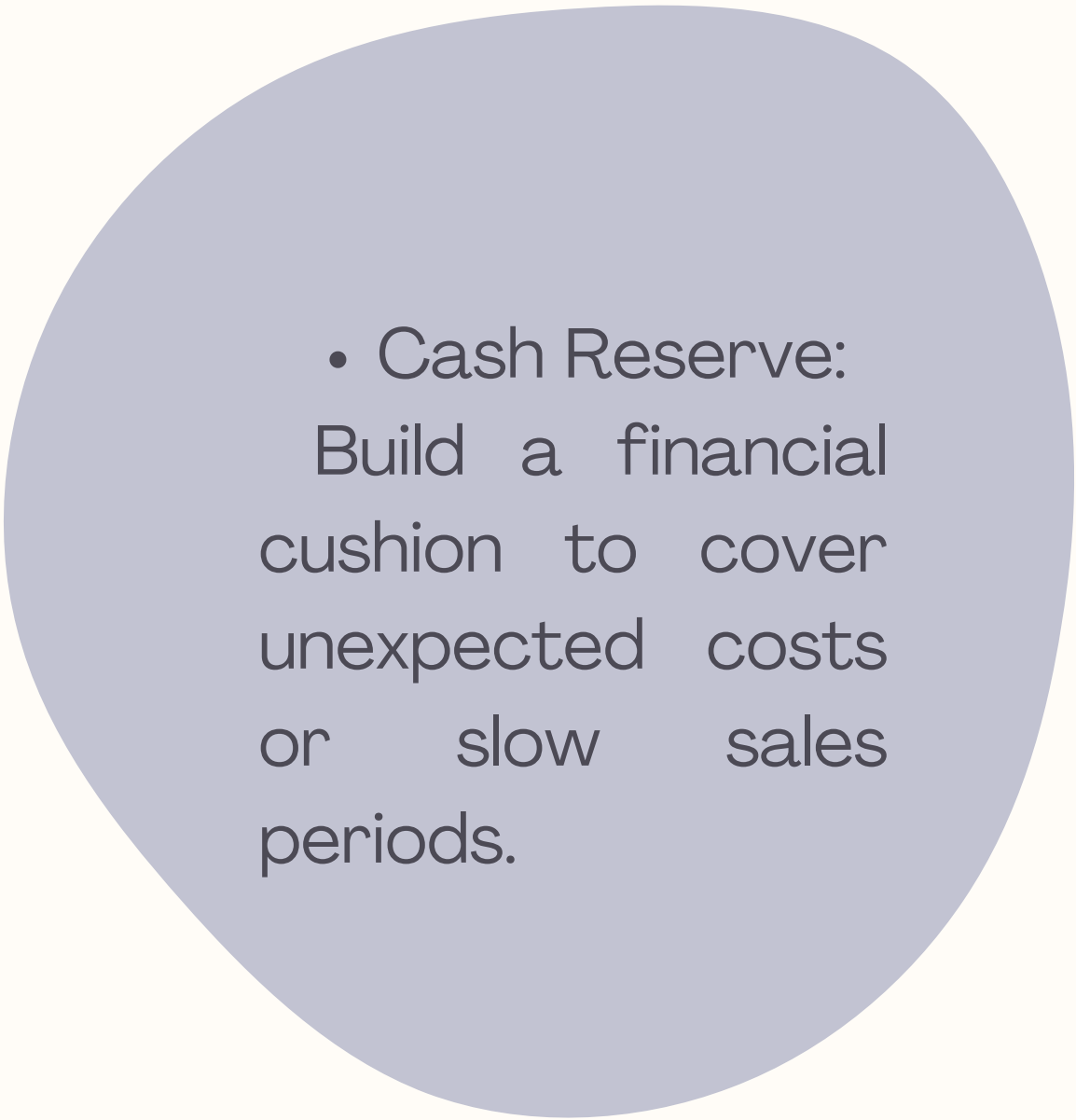
Regularly monitor income and expenses. Use tools like QuickBooks or Xero to maintain visibility over your cash flow.

- Inventory Control:

Avoid overstocking or understocking by analyzing demand and maintaining optimal inventory levels.

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- Payment Terms:
Negotiate favorable terms with suppliers, and ensure your customers pay invoices promptly to maintain liquidity.

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- Cash Reserve:
Build a financial cushion to cover unexpected costs or slow sales periods.



Thank you!