

JORDENSKY

PREMIUM CFO SOLUTIONS FOR GROWTH-STAGE BUSINESSES

THE DEFINITIVE GUIDE

CFO Budgeting Playbook

Annual Budget Framework for
Businesses Doing 10 Cr+ Revenue

A step-by-step, implementation-ready guide to building professional budgets that drive profitability, cash flow control, and sustainable business growth.

FOR FOUNDERS | CEOs | FINANCE MANAGERS | CFOs | MSME OWNERS

www.jordensky.com

Premium CFO Solutions for Growth-Stage Businesses

TABLE OF CONTENTS

01 Why Most Businesses Fail at Budgeting

The Real Cost of Flying Blind | Revenue vs. Budget Disconnect | The Reactive Spending Trap

02 Budgeting Mindset for 10 Cr+ Businesses

From Accounting to Strategy | Budgets as Growth Engines | The CFO Thinking Framework

03 Pre-Budget Preparation Checklist

Data Collection Requirements | Stakeholder Alignment | 12-Point Readiness Checklist

04 Step-by-Step Budget Building Process

Revenue Budget | COGS Budget | Payroll Budget | Operating Expenses | EBITDA Targets | Working Capital | Cash Flow Projections | Capital Expenditure | Tax Planning | Final Review & Sign-Off

05 Department-wise Budgeting

Sales & Marketing | Operations | HR & People | Technology | Admin & Facilities

06 Monthly Review & Variance System

MIS Dashboard Design | Variance Analysis Framework | Corrective Action Protocol

07 Common Budgeting Mistakes

Top 12 Mistakes That Destroy Budgets | How to Avoid Each One

08 Real Example: A 25 Cr Company

Company Profile & Context | Complete Budget Walkthrough | Key Lessons

09 30-Day Implementation Plan

Week-by-Week Action Items | Templates & Tools | Success Metrics

BONUS: Excel Budget Model Included

Includes: Companion Excel Budget Model with 15 tabs, formulas, dashboards, and variance tracker.

CHAPTER 01

Why Most Businesses Fail at Budgeting

Understanding the gap between intention and execution

Every year, thousands of Indian businesses with revenues exceeding 10 Crores operate without a proper annual budget. They may track their P&L; monthly, file their GST returns on time, and maintain clean books. But when it comes to proactive financial planning through a structured budget, most fall short. The consequences are severe and often invisible until it is too late.

The Real Cost of Flying Blind

Without a budget, businesses make decisions based on gut feeling rather than data. A company doing 15 Cr in revenue might approve a 40 Lakh marketing campaign without understanding its impact on quarterly cash flow. They might hire 12 new employees without modeling the payroll burden. They might commit to a new warehouse lease without factoring in capex requirements.



Five Core Reasons Budgets Fail

- **Treating the Budget as an Accounting Exercise:** Most businesses approach budgeting as a compliance task rather than a strategic planning tool. The budget is created by the accountant, filed away, and forgotten until year-end.
- **No Ownership Beyond Finance:** When only the finance team owns the budget, department heads have no skin in the game. Sales promises revenue they cannot deliver, marketing spends without accountability, and operations runs without cost targets.
- **Static Annual Plans in a Dynamic World:** A budget created in March becomes irrelevant by June if it does not include monthly review mechanisms, variance tracking, and revision protocols.

- **Revenue Optimism Without Expense Realism:** Founders project aggressive top-line growth but underestimate the cost of achieving it. The result is a budget that shows impressive EBITDA on paper but delivers negative cash flow in practice.
- **Missing the Cash Flow Dimension:** Even profitable companies go bankrupt due to poor cash flow management. A budget that only tracks P&L; without modeling working capital, receivables, and payment cycles is fundamentally incomplete.

CFO INSIGHT

A budget is not a prediction. It is a decision-making framework. It tells you what to say yes to, what to say no to, and when to change course. Companies that budget effectively grow 2-3x faster than those that do not.

The Revenue vs. Budget Disconnect

Consider this common scenario in a 20 Cr revenue company. The founder projects 30% growth and sets a 26 Cr revenue target. But the budget does not answer critical questions:

Question	Without Budget	With Budget
How much do we need to spend on marketing to hit 26 Cr?	Guess: Maybe 2 Cr	Calculated: 3.2 Cr based on CAC analysis
How many salespeople do we need to add?	Let us hire 5 and see	8 reps needed based on quota coverage model
Will we have enough cash in Q3?	Should be fine	Cash gap of 1.8 Cr identified in September
What happens if we miss Q1 targets?	Panic	Pre-defined scenario: shift 60 L from Q1 capex to Q2
Can we afford the new office lease?	Probably	Not without reducing payroll by 15 L/month

The Reactive Spending Trap

Without a budget, every spending decision becomes an isolated judgment call. Should we attend this conference? Can we upgrade our software? Should we give that senior hire a joining bonus? Each answer is made in a vacuum, without understanding the cumulative impact on profitability and cash flow.

The result is what we call the Reactive Spending Trap, where the business lurches from one fire to the next, approving expenses based on urgency rather than strategy. By the time leadership realizes they have overspent, it is Q3 and the damage is done.

CHAPTER SUMMARY

Key Takeaway 1: A budget is your single most powerful management tool. It translates strategy into numbers.

Key Takeaway 2: Budget failure is a process failure, not a math failure. Fix the process first.

Key Takeaway 3: The goal is not accuracy. It is to create a framework for better decisions every single month.

CHAPTER 02

Budgeting Mindset for 10 Cr+ Businesses

Shifting from bookkeeping to strategic finance

The transition from a 5 Cr company to a 10 Cr+ company is not just about revenue. It is about complexity. At 10 Crores, you have multiple departments, dozens of employees, perhaps multiple product lines or service verticals, GST compliance requirements, vendor relationships, and working capital pressures that demand a fundamentally different approach to financial planning.

From Accounting to Strategy

At the early stage, accounting is primarily backward-looking. You track what happened. But at 10 Cr+, you need forward-looking finance: what should happen, what could happen, and what you will do when reality deviates from the plan.

Dimension	Accounting Mindset	CFO Budgeting Mindset
Time Horizon	Historical (last quarter)	Forward 12-18 months
Primary Question	What did we spend?	What should we spend?
Revenue View	Record actual sales	Model revenue by channel, product, geography
Cost View	Categorize expenses	Set cost targets by department
Cash Flow	Check bank balance	Project 13-week rolling cash flow
Decision Approach	Approve/reject ad hoc	Pre-approved within budget framework
Review Cycle	Quarterly compliance	Monthly variance review with actions
Team Involvement	Finance team only	All department heads own their budgets

The CFO Thinking Framework

Whether or not you have a CFO, you need to think like one. The CFO Thinking Framework has four pillars that every 10 Cr+ business must adopt:

- **Pillar 1 - Revenue Architecture:** Do not just project total revenue. Break it down by product, customer segment, channel, and geography. Understand your revenue concentration risk. If 40% of revenue comes from 3 clients, your budget needs a contingency plan for client loss.
- **Pillar 2 - Cost Structure Clarity:** Classify every rupee as fixed, variable, or semi-variable. Understand your operating leverage. Know your break-even point. A 15 Cr business should know exactly at what revenue level it becomes unprofitable.
- **Pillar 3 - Cash Flow Primacy:** Profit is an opinion; cash is a fact. Your budget must include a detailed cash flow projection that accounts for receivable days, payable days, inventory cycles, tax outflows, and loan repayments. Many profitable businesses fail because they run out of cash.
- **Pillar 4 - Scenario Readiness:** Build three scenarios into your budget: Base Case (what you expect), Upside Case (if things go well), and Downside Case (if revenue falls 20%). Pre-decide your responses. This is not pessimism; it is preparation.

Budget as a Growth Engine

The best budgets are not constraints. They are growth engines. Here is how:

When you know your customer acquisition cost (CAC) by channel and your lifetime value (LTV) by segment, your budget becomes a growth calculator. You can model exactly how much to invest in marketing to hit 25 Cr next year, what the payback period will be, and when you will see the ROI.

When you know your gross margin by product line, you can redirect resources from low-margin products to high-margin ones. A 20 Cr company that shifts 30% of revenue from a 25% margin product to a 45% margin product adds 4 Cr to its bottom line without growing the top line at all.

GROWTH INSIGHT

The difference between a 10 Cr company and a 100 Cr company is not just revenue. It is financial maturity. Build the budgeting muscle now, and you build the foundation for exponential growth.

CHAPTER 03

Pre-Budget Preparation Checklist

Get ready before you start building

Before you open a spreadsheet, you need to prepare. The quality of your budget is directly proportional to the quality of your inputs. Companies that skip this step produce budgets that are fiction, not forecasts.

Data Collection Requirements

Gather the following data before starting your budget process:

Category	Data Required	Source	Priority
Historical Financials	Last 3 years P&L, Balance Sheet, Cash Flow	Tally / Accounting Software	Critical
Revenue Details	Monthly revenue by product, customer, channel	CRM / Sales Reports	Critical
Employee Data	Headcount, CTC, increments, open positions	HR / Payroll System	Critical
Vendor Costs	Top 20 vendor contracts, renewal dates, terms	Procurement / AP Team	High
Receivables	Customer-wise ageing, average collection days	Accounts Receivable	High
Payables	Vendor-wise payment terms, outstanding amounts	Accounts Payable	High
Tax Data	GST liability, advance tax paid, TDS status	Tax Returns / CA	High
Loan Details	Outstanding principal, EMI schedule, interest rates	Bank Statements	Medium
Capex Plans	Asset purchase plans, maintenance schedules	Operations / IT	Medium
Market Intelligence	Industry growth rates, competitor benchmarks	Industry Reports	Medium

Stakeholder Alignment

Before building the budget, align on strategic priorities with key stakeholders. Schedule a 2-hour strategy session with:

- **Founder / CEO:** Revenue targets, growth priorities, market expansion plans, hiring philosophy
- **Sales Head:** Pipeline status, deal conversion rates, pricing strategy, new market opportunities
- **Operations Head:** Capacity utilization, efficiency targets, vendor renegotiation potential
- **HR Head:** Headcount plan, salary benchmarks, retention initiatives, training needs
- **Technology Head:** Infrastructure needs, tool subscriptions, development roadmap costs

12-Point Pre-Budget Readiness Checklist

No.	Checklist Item
1	Last 3 years audited financials collected and reviewed
2	Monthly revenue data by product/service line available
3	Current headcount and CTC data confirmed with HR
4	All vendor contracts reviewed with renewal dates
5	Receivable and payable ageing reports generated
6	Loan EMI schedules documented with interest breakdowns
7	Tax calendar prepared (advance tax, GST, TDS dates)
8	CEO/Founder strategic priorities documented in writing
9	Department heads briefed on budget process and timelines
10	Industry benchmark data collected (margins, growth rates)
11	Excel budget model template selected and customized
12	Budget review calendar finalized (monthly MIS dates set)

PRACTICAL TIP

Allow 2-3 weeks for data collection before starting the budget build. Rushing this phase guarantees a weak budget. Assign one person as the Budget Coordinator to chase data and maintain the timeline.

CHAPTER 04

Step-by-Step Budget Building Process

The complete 10-step framework

This is the core of the playbook. Each of the following 10 steps builds upon the previous one, creating a comprehensive annual budget that covers every dimension of your business. Follow this sequence exactly.

Step 1: Revenue Budget

The revenue budget is the foundation of everything. Every other budget line depends on your revenue assumptions. Get this wrong, and the entire budget becomes unreliable.

Revenue Projection Methodology

Use a bottom-up approach rather than top-down. Instead of saying "we want to grow 30%", build revenue from its components:

- **Product/Service Line Approach:** Project revenue for each product or service separately. A company selling both SaaS subscriptions and consulting services should model each stream independently because they have different growth patterns and margins.
- **Customer Segment Approach:** Model revenue by customer type. Enterprise clients behave differently from SMBs. Existing customer retention and upsell revenue is more predictable than new customer acquisition revenue.
- **Channel Approach:** If you sell through multiple channels (direct sales, partnerships, online), project each channel separately. A channel that did 4 Cr last year may not linearly scale to 6 Cr without additional investment.
- **Seasonality Adjustment:** Spread annual revenue across months based on historical patterns. If Q4 typically accounts for 35% of annual revenue due to year-end buying, your monthly budget should reflect this, not assume equal 8.33% per month.

Revenue Budget Template

Revenue Line	FY24 Actual	Growth %	FY25 Budget	Key Assumption
Product A - Enterprise	8.5 Cr	25%	10.6 Cr	12 new enterprise deals at 8.8 L each
Product A - SMB	3.2 Cr	15%	3.7 Cr	Improve retention to 85% plus upsell
Product B - New Launch	0	New	1.5 Cr	Launch Q2, 50 customers by year-end
Consulting Services	4.8 Cr	10%	5.3 Cr	Add 2 senior consultants in Q1
Annual Maintenance	2.5 Cr	20%	3.0 Cr	Price increase 10% plus new contracts
Total Revenue	19.0 Cr	27%	24.1 Cr	

CFO INSIGHT

Always document the assumptions behind every revenue line. When you review the budget monthly, you are not just checking whether revenue hit the target. You are checking whether the assumptions held true. If you assumed 12 enterprise deals and closed only 4 by Q2, you know exactly why revenue is behind.

Step 2: Cost of Goods Sold (COGS) Budget

COGS directly impacts your gross margin, which is the single most important profitability metric for a growth-stage business. Your COGS budget should be linked to revenue, not set independently.

- **Direct Material Costs:** Raw materials, components, packaging. Model as a percentage of revenue and adjust for anticipated price changes.
- **Direct Labor:** Salaries of production or delivery staff directly tied to revenue generation.
- **Subcontracting/Outsourcing:** Third-party costs for delivery. Include freelancers, contract manufacturers, cloud hosting for SaaS.
- **Freight and Logistics:** Shipping, warehousing, and distribution costs that scale with volume.

- **Manufacturing Overhead:** Factory rent, utilities, equipment depreciation directly tied to production.

COGS Component	FY24 Actual	% of Revenue	FY25 Budget	FY25 % Target
Direct Materials	5.7 Cr	30.0%	6.5 Cr	27.0%
Direct Labor	2.3 Cr	12.1%	2.6 Cr	10.8%
Cloud/Hosting	0.8 Cr	4.2%	1.1 Cr	4.6%
Subcontracting	1.2 Cr	6.3%	1.4 Cr	5.8%
Logistics	0.5 Cr	2.6%	0.6 Cr	2.5%
Total COGS	10.5 Cr	55.3%	12.2 Cr	50.6%
Gross Profit	8.5 Cr	44.7%	11.9 Cr	49.4%

Step 3: Payroll Budget

Payroll is typically the largest single expense for service businesses and the second largest for product businesses. It deserves its own detailed budget with headcount planning, CTC analysis, and increment projections.

Department	Current HC	New Hires	FY25 HC	Avg CTC (L)	Annual Cost (Cr)
Sales	15	8	23	8.5	1.96
Engineering	22	6	28	12.0	3.36
Operations	18	3	21	6.0	1.26
Marketing	6	2	8	9.0	0.72
Finance	5	1	6	7.5	0.45
HR & Admin	4	1	5	6.5	0.33
Leadership	4	0	4	25.0	1.00
Total	74	21	95		9.08

PAYROLL PLANNING TIPS

Include in payroll budget: Basic salary, PF (12% employer), ESI (if applicable), gratuity provision (4.81%), performance bonuses (model at 10-15% of CTC), joining bonuses for critical hires, notice period buyouts.

Timing matters: Do not assume all 21 hires join on April 1. Stagger hiring across quarters. A hire joining in Q3 costs only 50% of annualized CTC in the budget year.

Step 4: Operating Expenses (Opex) Budget

Opex covers everything that is not COGS and not payroll. This is where most budget leakage happens because these costs are spread across many small line items that individually seem insignificant but collectively can destroy profitability.

Opex Category	Monthly Est. (L)	Annual (Cr)	Notes
Office Rent & Maintenance	4.5	0.54	Including CAM charges, parking
Technology & SaaS	3.0	0.36	CRM, ERP, cloud tools, licenses
Marketing & Advertising	8.0	0.96	Digital ads, events, collateral
Travel & Entertainment	3.5	0.42	Sales travel, client entertainment
Professional Fees	2.5	0.30	CA, Legal, Consultants
Insurance	0.8	0.10	Key-man, WC, property, cyber
Utilities & Communication	1.0	0.12	Internet, phones, electricity
Training & Development	1.2	0.14	Employee training, certifications
Miscellaneous	1.5	0.18	Office supplies, subscriptions, misc
Total Opex	26.0	3.12	

Step 5: EBITDA Target

EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) is your operating profitability measure. It tells you how efficiently your core business generates cash. For a 10 Cr+ company, target EBITDA margins based on your industry:

Industry	Typical EBITDA Margin	Best-in-Class
IT Services	18-22%	25-30%
SaaS	15-25% (at scale)	30-40%
Manufacturing	12-18%	20-25%
Trading/Distribution	4-8%	10-12%
Professional Services	20-30%	35-40%
E-commerce	5-10%	12-15%

Your EBITDA build-up should reconcile clearly. For our example 24.1 Cr revenue company:

Line Item	Amount (Cr)	% of Revenue
Revenue	24.10	100.0%
Less: COGS	(12.20)	50.6%
Gross Profit	11.90	49.4%
Less: Payroll	(9.08)	37.7%
Less: Opex	(3.12)	12.9%
EBITDA	(0.30)	(1.2%)

IMPORTANT NOTE

This example shows a negative EBITDA, which is common for high-growth companies investing heavily in hiring. The key is to be deliberate about it. If you are choosing to be EBITDA-negative, define when you expect to reach breakeven. For this company, if FY25 revenue grows as planned and FY26 payroll growth moderates, EBITDA should turn positive by Q2 FY26.

Step 6: Working Capital Budget

Working capital is the blood supply of your business. It is the cash needed to fund day-to-day operations between when you pay your suppliers and when your customers pay you.

Working Capital Cycle Calculation

Component	Current Days	Target Days	Impact on Cash (L)
Receivable Days (DSO)	65 days	50 days	+99 L freed
Inventory Days (DIO)	45 days	35 days	+66 L freed
Payable Days (DPO)	30 days	40 days	+66 L freed
Net Working Capital Cycle	80 days	45 days	+231 L freed

For a 24 Cr revenue company, reducing the working capital cycle from 80 days to 45 days frees up approximately 2.3 Crores in cash. This is real money that can be used for growth instead of sitting locked in receivables and inventory.

Step 7: Cash Flow Projections

Your cash flow projection should be monthly and should reconcile with your P&L; and balance sheet. Use this format:

Cash Flow Line	Q1 (Cr)	Q2 (Cr)	Q3 (Cr)	Q4 (Cr)	Full Year
Opening Cash Balance	1.50	0.85	0.42	1.10	1.50
Cash from Operations (EBITDA adj.)	0.15	0.28	0.95	0.68	2.06
Working Capital Changes	(0.40)	(0.15)	0.20	0.10	(0.25)
Tax Payments (Advance Tax)	(0.20)	(0.20)	(0.20)	(0.20)	(0.80)
Capex	(0.10)	(0.30)	(0.15)	(0.10)	(0.65)
Loan Repayments	(0.10)	(0.06)	(0.12)	(0.12)	(0.40)
Closing Cash Balance	0.85	0.42	1.10	1.46	1.46

CASH FLOW WARNING SIGNAL

If your closing cash balance drops below 1 month of operating expenses at any point, that is a red flag. You need a contingency plan: either a credit line, accelerated collections, or deferred capex. Build this into your budget as a minimum cash floor.

Step 8: Capital Expenditure (Capex) Budget

Capex includes all investments in long-term assets: equipment, technology, office fit-outs, vehicles, and intellectual property. Each capex item should be evaluated for ROI and timing.

Capex Item	Amount (L)	Quarter	Useful Life	ROI Justification
ERP Implementation	25	Q1-Q2	5 years	Reduce manual processes by 60%
Office Expansion	15	Q2	10 years	Accommodate 21 new hires
Server Infrastructure	8	Q1	3 years	Support 40% user growth
Delivery Vehicles (2)	12	Q3	8 years	Reduce logistics outsourcing by 30%
Quality Lab Equipment	5	Q4	7 years	Required for new product line
Total Capex	65			

Step 9: Tax Planning

Tax planning is an integral part of budgeting, not an afterthought. Build your tax calendar into the budget to avoid surprises and optimize your tax position.

- **Advance Tax:** Estimate quarterly advance tax liability (15% by Jun 15, 45% by Sep 15, 75% by Dec 15, 100% by Mar 15)
- **GST Planning:** Monthly GST payment dates, input tax credit optimization, and reconciliation
- **TDS Compliance:** TDS on salaries, contractor payments, rent, and professional fees

- **Tax-Saving Investments:** Section 80C, 80D, 80G deductions. Depreciation claims on capex.
- **New Regime vs Old Regime:** Evaluate which tax regime is more beneficial based on your deduction profile

Step 10: Final Review and Sign-Off

Before finalizing the budget, run it through these validation checks:

- Does the revenue projection have bottom-up support, or is it a top-down aspiration?
- Are hiring timelines realistic? Can HR actually recruit 21 people across the year?
- Is the cash flow positive in every month? If not, is there a credit facility in place?
- Have department heads reviewed and signed off on their respective budgets?
- Are the assumptions documented so they can be tracked monthly?
- Is there a downside scenario with pre-defined action triggers?
- Does the budget align with the strategic priorities set by the CEO/Founder?
- Has the board or advisory team reviewed the budget for reasonableness?

CHAPTER 05

Department-wise Budgeting

Making every department accountable

A budget is only as effective as the accountability it creates. When departments own their budgets, spending becomes deliberate. Each department head should build their own budget within guidelines, submit it for review, and be held accountable for variance.

Sales & Marketing Budget

The sales and marketing budget should be tied directly to revenue targets. Use the CAC (Customer Acquisition Cost) framework to determine the right investment level.

Marketing Channel	Monthly Budget (L)	Expected Leads	CAC (INR)	Revenue Target (L)
Google Ads	3.0	150	20,000	30.0
Social Media	1.5	80	18,750	15.0
Content Marketing	1.0	40	25,000	10.0
Events & Conferences	1.5	25	60,000	15.0
Referral Program	0.5	20	25,000	5.0
Sales Team Costs	16.3	-	-	-
Total S&M;	23.8	315		75.0

Operations Budget

Operations budgets should focus on efficiency metrics. Every rupee should be tied to a throughput or quality outcome.

- **Cost per Unit Produced:** Track and target reduction by 5-10% annually
- **Capacity Utilization:** Budget should assume 75-85% utilization, not 100%

- **Quality Costs:** Include rework, returns, and warranty costs in the operations budget
- **Vendor Concentration Risk:** Budget contingency for top 3 vendor failures

Technology Budget

Tech Category	Annual Budget (L)	Justification
Cloud Infrastructure (AWS/Azure)	18	Hosting, compute, storage for production systems
SaaS Subscriptions	12	CRM, project management, analytics, communication tools
Development Tools & Licenses	6	IDE, testing tools, CI/CD pipeline, code repos
Cybersecurity	8	Firewall, endpoint protection, SOC monitoring, audits
IT Support & Maintenance	4	Hardware maintenance, helpdesk, peripherals
New Development Projects	15	Product roadmap initiatives, tech debt reduction
Total Technology	63	

HR & People Budget

Beyond payroll, the HR budget covers recruitment costs, training, employee engagement, and compliance:

- **Recruitment Costs:** Job portals (Naukri, LinkedIn), referral bonuses, recruitment agency fees (typically 8-12% of CTC)
- **Training & Development:** Technical training, leadership development, certifications (budget 1-2% of payroll)
- **Employee Engagement:** Team outings, celebrations, wellness programs, office amenities
- **Compliance:** PF administration, ESI, gratuity provision, labor law compliance audits

CHAPTER 06

Monthly Review & Variance System

The budget is alive only if you review it

A budget without monthly reviews is just a spreadsheet. The real value of budgeting comes from the discipline of comparing actual performance against plan, understanding why variances occurred, and taking corrective action before it is too late.

MIS Dashboard Design

Every month, by the 10th, your finance team should produce a Management Information System (MIS) report that covers:

MIS Component	What to Track	Frequency	Audience
Revenue Dashboard	Actual vs Budget by product, channel, customer	Monthly	CEO, Sales Head
Expense Tracker	Actual vs Budget by department, category	Monthly	All Dept Heads
Cash Flow Status	Opening balance, inflows, outflows, closing	Weekly	CEO, CFO
Receivable Ageing	Customer-wise outstanding, overdue amounts	Monthly	Finance, Sales
Headcount Report	Actual vs Plan, open positions, attrition	Monthly	CEO, HR Head
Key Ratios	Gross margin, EBITDA margin, cash runway	Monthly	Board/Advisors

Variance Analysis Framework

Variances are not just numbers. They are stories. For every significant variance (above 10%), answer these questions:

- **What happened?** Describe the variance in plain language. "Marketing spend was 15 L over budget in July."

- **Why did it happen?** Root cause. "We ran an unplanned campaign for a product launch that was moved up from Q3."
- **Is it a one-time event or a trend?** "One-time. The launch is complete. August spending will be within budget."
- **What is the full-year impact?** "If we do not offset this, full-year marketing will be 15 L over. We can absorb from Q4 events budget."
- **What corrective action is needed?** "No additional action needed. Offset will come from cancelling the December trade show (12 L)."

Variance Classification

Variance Level	Threshold	Action Required
Green	Within 5% of budget	No action. Continue as planned.
Yellow	5-15% variance	Department head must explain. Include in MIS.
Red	Above 15% variance	Immediate review with CEO. Corrective action plan within 48 hours.

Monthly Review Meeting Agenda

- Review actual vs budget P&L; (15 minutes)
- Deep-dive into red variances (20 minutes)
- Cash flow status and 4-week outlook (10 minutes)
- Receivable recovery update (5 minutes)
- Hiring status vs headcount plan (5 minutes)
- Key decisions needed (5 minutes)

MEETING PROTOCOL

Schedule the Monthly Budget Review meeting on a fixed date (e.g., 12th of every month). Make it non-negotiable. Attendees: CEO, Finance Head, all Department Heads. Duration: 60 minutes maximum. Circulate the MIS report 24 hours before the meeting so everyone comes prepared.

Common Budgeting Mistakes

And how to avoid every single one

Mistake 1: Revenue Over-Optimism

Founders project 40-50% growth because they want it, not because the data supports it. Always build revenue from bottom-up assumptions (number of deals, average deal size, conversion rate) rather than top-down aspiration.

Mistake 2: Ignoring Seasonality

Spreading revenue equally across 12 months when your business is seasonal. Analyze 3 years of monthly data and build seasonality curves into your projection.

Mistake 3: Forgetting the Cash Impact

A budget that shows profit but does not model cash flow is incomplete. Especially for businesses with long receivable cycles (60-90 days), the cash reality can be very different from the P&L; reality.

Mistake 4: No Department Ownership

When only finance builds the budget, department heads do not feel accountable. Each department head should submit their own budget within given guardrails.

Mistake 5: Static Budget Without Reviews

Creating a budget in March and not looking at it until the next year. Monthly reviews are mandatory.

Mistake 6: Underbudgeting Payroll

Not accounting for increments, bonuses, PF, gratuity, and the full loaded cost of new hires. Always budget for fully loaded CTC, not just basic salary.

Mistake 7: Missing Contingency

Not building a contingency buffer (typically 5-10% of opex) for unplanned expenses.

Mistake 8: Ignoring Working Capital

Not modeling the cash locked in receivables and inventory. A growing business needs more working capital, and this needs to be planned and funded.

Mistake 9: Budget in Isolation

Not connecting the budget to strategic priorities. Every budget line should trace back to a business objective.

Mistake 10: Overcomplicating the Model

Building an Excel model so complex that nobody can maintain it. Start simple, iterate. A usable 80% accurate model is better than a perfect model that nobody updates.

Mistake 11: No Downside Scenario

Only planning for the best case. Build at least one downside scenario with pre-decided cost-cutting triggers.

Mistake 12: Not Budgeting for Tax

Advance tax, GST cash flow impact, TDS compliance, and year-end tax provision are frequently underbudgeted.

CHAPTER 08

Real Example: 25 Cr Company Budget

A complete budget walkthrough

Company Profile

Let us walk through a complete budget for a real-world scenario. Company: TechServe Solutions (name changed). Industry: IT Services and SaaS. FY24 Revenue: 25 Crores. Employees: 120. Products: Enterprise SaaS platform and implementation consulting. Founded: 2018. Headquarters: Pune, India.

Parameter	FY24 Actual	FY25 Target
Revenue	25.0 Cr	33.0 Cr (32% growth)
Gross Margin	52%	55% (target improvement)
EBITDA	2.1 Cr (8.4%)	3.3 Cr (10.0%)
Headcount	120	155 (+35 hires)
Key Clients	45	60 (+15 new)
Receivable Days	72 days	55 days (target)
Cash Balance	1.8 Cr	2.5 Cr (target)

Complete FY25 Budget Summary

Line Item	FY24 (Cr)	FY25 Budget (Cr)	Growth	Key Driver
SaaS Revenue	15.0	20.5	37%	30 new SaaS clients at 3.5 L ARR each
Consulting Revenue	8.5	10.5	24%	4 large implementations + upsell
AMC Revenue	1.5	2.0	33%	SaaS base growing, 90% renewal rate

Line Item	FY24 (Cr)	FY25 Budget (Cr)	Growt h	Key Driver
Total Revenue	25.0	33.0	32%	
COGS (Services)	12.0	14.9	24%	Margin improvement on SaaS delivery
Gross Profit	13.0	18.1	39%	GP margin: 52% to 55%
Payroll	8.2	11.4	39%	35 new hires, 12% avg increment
Opex	2.7	3.4	26%	New office, SaaS tools, marketing
EBITDA	2.1	3.3	57%	EBITDA margin: 8.4% to 10.0%
Interest	0.4	0.3	-25%	Loan repayment reducing principal
Depreciation	0.5	0.7	40%	Capex additions in FY25
PBT	1.2	2.3	92%	
Tax (25%)	0.3	0.6		New tax regime
PAT	0.9	1.7	89%	PAT margin: 3.6% to 5.2%

Cash Flow Projection

The cash flow projection for TechServe shows a critical cash crunch in Q2 due to heavy hiring and a large capex investment in their new office space. The company plans to draw down an existing OD facility to bridge this gap.

Cash Flow Item	Q1	Q2	Q3	Q4	Full Year
Operating Cash Flow	0.45	0.28	0.92	1.15	2.80
Working Capital Change	(0.60)	(0.30)	0.15	0.25	(0.50)
Capex	(0.20)	(0.45)	(0.10)	(0.10)	(0.85)
Loan Repayment	(0.10)	(0.10)	(0.10)	(0.10)	(0.40)
Tax Payments	(0.15)	(0.15)	(0.15)	(0.15)	(0.60)
Net Cash Flow	(0.60)	(0.72)	0.72	1.05	0.45

Cash Flow Item	Q1	Q2	Q3	Q4	Full Year
Closing Balance	1.20	0.48	1.20	2.25	2.25

CASH FLOW RED FLAG

Notice the Q2 closing balance of only 48 Lakhs. This is below the 1.5 Cr minimum cash threshold. Action: Negotiate a 1 Cr OD facility with the bank before Q2, and accelerate receivable collection in Q1 to build buffer. Also consider deferring 20 L of Q2 capex to Q3.

Key Lessons from TechServe

- Bottom-up revenue projection was essential. The SaaS pipeline analysis showed 30 new clients was achievable based on current deal flow.
- Hiring 35 people requires staggered planning. They planned 10 in Q1, 12 in Q2, 8 in Q3, 5 in Q4 to manage cash flow impact.
- The Q2 cash crunch was identified 6 months in advance, giving time to arrange an OD facility.
- Department heads initially resisted budget ownership but after 3 months of monthly reviews, engagement improved dramatically.
- The downside scenario (20% revenue miss) was used to pre-approve a hiring freeze trigger, avoiding panic decisions later.

CHAPTER 09

30-Day Implementation Plan

From reading to doing in 4 weeks

This is your action plan. Follow it week by week and you will have a complete, professional budget in 30 days.

Week 1: Foundation (Days 1-7)

Day	Action Item	Owner	Output
Day 1-2	Collect last 3 years P&L, BS, and Cash Flow from Tally/ERP	Finance Head	Historical data file
Day 2-3	Pull monthly revenue data by product and customer for last 24 months	Sales + Finance	Revenue analysis sheet
Day 3-4	Document current headcount, CTC, and open positions from HR	HR Head	Headcount master
Day 4-5	Compile all vendor contracts with amounts and renewal dates	Procurement	Vendor contract list
Day 5-7	Hold strategy session with CEO on FY25 priorities and targets	CEO + Finance	Strategy brief (1 page)

Week 2: Budget Building (Days 8-14)

Day	Action Item	Owner	Output
Day 8-9	Build revenue budget: product-wise, monthly, with assumptions	Finance + Sales	Revenue budget tab
Day 9-10	Build COGS budget linked to revenue assumptions	Finance + Ops	COGS budget tab
Day 10-11	Build payroll budget with hiring timeline and loaded CTC	Finance + HR	Payroll budget tab
Day 11-12	Build operating expense budget by department	All Dept Heads	Opex budget tab

Day	Action Item	Owner	Output
Day 13-14	Build capex budget with ROI justification for each item	Finance + Ops	Capex budget tab

Week 3: Integration & Review (Days 15-21)

Day	Action Item	Owner	Output
Day 15-16	Integrate all budgets into consolidated P&L; and balance sheet	Finance Head	Consolidated model
Day 16-17	Build monthly cash flow projection from the integrated budget	Finance Head	Cash flow tab
Day 17-18	Build working capital model with DSO, DIO, DPO assumptions	Finance Head	Working capital tab
Day 18-19	Create downside scenario (20% revenue miss) with action triggers	CEO + Finance	Scenario analysis
Day 20-21	Department head review sessions (30 min each)	Finance Head	Feedback incorporated

Week 4: Finalization (Days 22-30)

Day	Action Item	Owner	Output
Day 22-23	Incorporate feedback and finalize all tabs	Finance Head	Final budget model
Day 24-25	Build variance tracking template and dashboard	Finance Head	Variance tracker tab
Day 26	CEO/Board presentation of final budget	Finance Head	Budget presentation deck
Day 27-28	Set up monthly MIS review calendar and meeting invites	Finance Head	Calendar set
Day 29-30	Distribute approved budgets to all department heads	Finance Head	Budget communicated

IMPLEMENTATION CHECKLIST

Success Metrics After 30 Days:

1. Complete Excel budget model with all 15 tabs populated and formulas working
2. Monthly MIS review meetings scheduled for the entire year
3. All department heads have received and acknowledged their budgets
4. Downside scenario documented with pre-approved action triggers
5. Variance tracking template ready for Month 1 actual vs budget comparison

ABOUT JORDENSKY

Jordensky is a Premium CFO Solutions partner for growth-stage businesses in India. We help companies move beyond basic bookkeeping to CFO-grade financial management through our Virtual and Fractional CFO Services, comprehensive MIS Services, budgeting frameworks, and strategic finance advisory.

If you found this playbook valuable and want help implementing a professional budget for your business, our team of experienced finance professionals can guide you through the process.

GET IN TOUCH

Website: www.jordensky.com

Email: akash@jordensky.com

Services: Virtual and Fractional CFO Services, MIS Services

This playbook is provided for educational and informational purposes. For specific financial advice tailored to your business, please consult a qualified chartered accountant or financial advisor.