BUSINESS PLAN · INDIA

HR SaaS / HRMS Product Startup

Cloud HRMS/payroll subscription software for Indian SMEs

HR-TECH

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1. Executive Summary

This plan sets out an **HR SaaS / HRMS Product Startup** in India — a subscription software company building a cloud HR platform (HRMS/ATS/engagement) for SMEs and mid-market employers: core HR, payroll, leave & attendance, onboarding, performance, and self-service, sold on a per-employee-per-month (PEPM) SaaS model. Revenue is recurring subscription (MRR/ARR) with high gross margins and scalability.

India's employers increasingly digitise HR, yet many SMEs still run on spreadsheets or clunky tools. A focused, affordable, easy-to-use HR SaaS captures this shift — building a recurring, compounding subscription business with strong retention and expansion (more employees, more modules) as clients grow.

The promoter — a product/tech founder with HR-domain insight — seeks total funding of **₹12.0 lakh** (₹5.0 lakh promoter + ₹7.0 lakh term loan for build/opex; note SaaS scaling typically needs equity — this plan bootstraps an MVP to early revenue), targeting **₹24 lakh** ARR-equivalent revenue in Year 1 and **₹90 lakh** by Year 3 as MRR compounds.

2. Business Description, Vision & Legal Structure

Concept: An affordable, easy HR platform that lets SMEs run core HR, payroll and people processes digitally — replacing spreadsheets and fragmented tools.

Vision: To be the go-to HR software for India's SMEs.

Mission: Make great HR software simple and affordable for every growing business.

Legal structure

- **Private Limited** — standard for a fundable SaaS startup; enables ESOPs and investment.

> **Model note:** SaaS economics hinge on MRR growth, retention (low churn) and LTV/CAC. Early years are build- and acquisition-heavy with thin profit; the compounding subscription base drives later profitability. Scaling typically requires equity funding beyond this bootstrap plan.

3. Promoter & Ownership

Led by a founder with product/engineering and HR-domain understanding. Delivery uses engineering, product, and customer-success teams. Year-one ownership rests with the founder(s); ESOPs and investor equity are anticipated as the startup scales. Ownership/cap-table are editable inputs.

4. Market Analysis — India

India has millions of employers, a rising share digitising HR, and strong SaaS tailwinds (cloud adoption, affordability, remote work). The SME segment is large and under-served by enterprise-priced tools. HR SaaS is competitive but expanding fast, with room for focused, affordable, well-executed products and niches.

Demand drivers

- **HR digitisation** among SMEs replacing spreadsheets.
- **Cloud & affordability** enabling SME adoption.
- **Compliance & payroll** needs driving software use.

- **Remote/hybrid work** needing digital HR.
- **Expansion revenue** as clients grow headcount/modules.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Employers digitising HR in India	Very large
SAM	Reachable SMEs in target segments	Large
SOM (Yr 1–3)	Paying clients / employees on platform	Growing MRR

Target segments

- SMEs (20–500 employees) digitising HR.
- Startups needing affordable HRMS.
- Multi-location firms standardising HR.
- Niches (e.g. specific industries) for focused GTM.

5. Competition & Competitive Advantage

Landscape: established HR SaaS players, payroll tools, and spreadsheets/point solutions. The firm competes on affordability, ease-of-use, focused features, support, and niche/segment fit (competing broadly with incumbents is capital-intensive).

The firm's edge

- **SME-focused simplicity & affordability.**
- **Fast onboarding & support.**
- **India-compliance built in** (payroll, statutory).
- **Focused, high-value features** (not bloated).
- **Land-and-expand** via modules & headcount.

6. Services & Pricing (SaaS)

Plan	Model	Indicative price
Core HR (HRMS)	PEPM subscription	₹30–80/emp/mo
HR + Payroll	PEPM subscription	₹60–150/emp/mo
Add-on modules (perf, ATS, engagement)	PEPM / add-on	Per module
Setup / onboarding	One-time	Fee (often waived)
Annual plan	Prepaid	Discounted
Enterprise/custom	Contract	Negotiated

> PEPM subscription (MRR) is the core; expansion (modules + headcount) grows revenue per account; annual prepay improves cash and retention.

7. Go-to-Market — Marketing & Sales

- **Digital marketing & SEO** for "HR software / HRMS / payroll software for SMEs".
- **Product-led growth:** free trial/freemium, self-serve onboarding.
- **Inside sales** for larger SMEs.
- **Partnerships** with CAs, HR consultants and accountants.
- **Content & community** for awareness and trust.

Growth model

Acquire via digital + PLG → onboard & activate → retain (low churn) → expand (modules/headcount). MRR compounds; NRR >100% via expansion. Manage CAC vs LTV carefully.

8. Operations Plan

- **Location:** a lean office or remote-first team.
- **Product:** cloud HRMS/payroll platform, self-service, integrations, and a compliance engine.
- **Technology:** secure cloud infra, CI/CD, analytics, and a support/CRM stack.
- **Customer success:** onboarding, support, and retention/expansion motions.
- **Security:** data security, DPDP alignment, and reliability (uptime SLAs).

SaaS metrics that matter

Metric	Meaning	Target
MRR/ARR	Recurring revenue	Growth
Churn	Lost revenue	Low
NRR	Net revenue retention	>100%
LTV/CAC	Unit economics	>3x
Activation	Onboarding success	High

9. Regulatory, Licences & Compliance (India)

- **Company incorporation**; PAN/TAN; GST (SaaS attracts GST; export of services may be zero-rated with LUT); professional tax and Shops & Establishments as applicable.
- **Product compliance:** payroll/statutory calculations must be accurate and updated; terms of service & SLAs.
- **Data protection:** DPDP-aligned handling of employee/employer data; strong security; ISO 27001-style controls as scale grows.
- **IP:** protect the software IP; clear customer-data ownership terms.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Founder / Product	1	1	1

Engineering	2	4	6
Sales / Marketing	1	3	5
Customer Success / Support	1	3	4
Total	**5**	**11**	**16**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Build	Month 0–4	MVP (core HR + payroll), security, onboarding
Launch	Month 4–7	First paying clients; PLG funnel; feedback
Traction	Month 7–12	MRR growth; retention; add-on modules
Scale	Year 2	GTM scale; NRR >100%; (equity raise likely)
Growth	Year 3	Strong ARR; expansion; segment leadership

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the founder can replace them with live rates. SaaS revenue is recurring (MRR); shown as annual. They are not projections of guaranteed results.

12.1 Project cost & means of finance (build/opex)

Capital requirement	₹
Product build (MVP) & design	4,50,000
Computers & IT (5)	2,20,000
Cloud, security & tools (initial)	1,40,000
Branding, website & launch marketing	1,50,000
Deposits & pre-operative	80,000
Working-capital buffer	1,60,000
Total build/opex cost	**12,00,000**
Promoter contribution	5,00,000
Term loan (build/opex)	7,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Subscription revenue (MRR annualised)	20,00,000	48,00,000	78,00,000
Add-on modules & setup	4,00,000	9,00,000	12,00,000
Total revenue	**24,00,000**	**57,00,000**	**90,00,000**

Salaries & team	16,00,000	34,00,000	48,00,000
Cloud, infra & security	2,60,000	4,20,000	5,80,000
Marketing & acquisition	4,00,000	7,00,000	10,00,000
Rent, admin & misc	2,60,000	3,60,000	4,80,000
Interest on term loan	77,000	56,000	30,000
Total expenses	**25,97,000**	**49,36,000**	**68,90,000**
Net profit (before tax)	**(1,97,000)**	**7,64,000**	**21,10,000**
Net margin	(8.2%)	13.4%	23.4%

12.3 Unit economics & break-even

- **SaaS gross margin** is high; the cost is upfront build + acquisition — profit follows MRR scale.
- **LTV/CAC >3x and NRR >100%** are the targets that make the model work.
- **Break-even:** Year 1 typically loss-making (investment phase); profitability from Year 2 as MRR compounds — around month 15–20.

12.4 Projected Cash Flow — Year 1 (quarterly, illustrative)

Particulars (₹)	Q1 (build)	Q2	Q3	Q4
Opening balance	1,60,000	75,000	60,000	1,05,000
Collections (MRR)	2,00,000	5,00,000	7,50,000	9,50,000
Operating outflows	2,65,000	5,00,000	6,75,000	8,20,000
Loan EMI	20,000	15,000	30,000	30,000
Closing balance	**75,000**	**60,000**	**1,05,000**	**2,05,000**

> Year 1 is investment-heavy (build + acquisition); MRR builds through the year. The buffer and, realistically, an equity raise fund the scale-up beyond this bootstrap plan.

12.5 Key Performance Indicators to Monitor

- **Growth:** MRR/ARR; new clients; employees on platform.
- **Retention:** churn; NRR; activation rate.
- **Economics:** LTV/CAC; gross margin; payback period.
- **Product:** uptime; support satisfaction; feature adoption.

13. Funding Requirement & Bankability

Build/opex ask: **₹7.0 lakh term loan** against ₹5.0 lakh promoter contribution — eligible under **PMMY (Mudra)** and coverable under **CGTMSE** for the bootstrap phase. Year 1 is investment-heavy (small loss); the recurring model turns profitable from Year 2. SaaS scale-up typically requires **equity funding** beyond this facility — plan a raise for GTM acceleration.

13.1 Funding utilisation (build/opex)

Use of funds	₹	% of total
Product build, IT, cloud & security	8,10,000	68%
Branding & launch marketing	1,50,000	12%
Deposits & setup	80,000	7%
Working-capital buffer	1,60,000	13%
Total	**12,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
High CAC / competition	PLG, niche focus, retention & expansion; disciplined spend
Churn	Onboarding, support, product value; annual plans
Runway / funding	Bootstrap to traction; plan equity raise; cost discipline
Compliance accuracy (payroll)	Robust compliance engine; testing; updates
Data security	Strong security; DPDP alignment; uptime SLAs

15. SWOT Analysis

Strengths Recurring high-margin MRR; scalable; expansion revenue; SME-focused.	**Weaknesses** Upfront build & acquisition cost; CAC; funding needs; competition.
Opportunities HR digitisation; SME under-served; PLG; niche verticals; expansion.	**Threats** Incumbents; price competition; funding-market cycles.

16. Recommended AiSevak Tools for This Business

This startup would use AiSevak's HR-Tech and Finance tools for its own build and GTM:

- **Product context:** payroll/compliance and HR-policy tools to inform features.
- **GTM & finance:** Unit-Economics, Burn & Runway, CAC/LTV, Cap-Table and Fundraising-Readiness tools.
- **Practice:** Business Plan and Break-even tools to model the SaaS.

17. Key Assumptions & Notes

- Subscription (PEPM) is the core; expansion (modules + headcount) grows revenue per account.
- Year 1 investment-heavy (small loss); profitability from Year 2 as MRR compounds.
- Scale-up typically needs equity beyond this bootstrap facility; term-loan interest ~11% p.a.

- Figures exclude GST where applicable; export of SaaS may be zero-rated under LUT.

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Every tool referenced in this plan is available on **aisevak.in**. Open the **HR-Tech toolkit** to browse and use them all at **https://aisevak.in/verticals/hrtech** — or go straight to any specific tool at **https://aisevak.in/service/<tool-name>**. No signup needed to explore; each tool guides you step by step.
