SaaS Metrics Cheat Sheet

MRR, ARR, NRR, LTV, CAC and other letters investors actually care about.

REVENUE METRICS

MRR — Monthly Recurring Revenue

What it is	Total predictable revenue generated every month from active subscriptions.
Formula	MRR = Number of paying customers × Average revenue per customer per month
Note	New MRR + Expansion MRR - Churned MRR = Net New MRR
Benchmark	Good: Growing 10-15% MoM at early stage. Benchmark varies by segment.
Watch out for	*Common mistake: Including one-time payments or setup fees in MRR. They are not recurring.*

ARR — Annual Recurring Revenue

What it is	Annualised version of MRR. The number most investors ask for.
Formula	ARR = MRR × 12
Note	Or sum of all annual contract values (ACV) for active customers.
Benchmark	Good: $1M ARR is often considered the threshold for a "real" SaaS business in India.
Watch out for	*Common mistake: Projecting ARR based on pipeline, not actual contracted revenue.*

NRR — Net Revenue Retention (also called NDR)

What it is	How much revenue you retain from existing customers including expansions and contractions.
Formula	NRR = (Starting MRR + Expansion MRR - Contraction MRR - Churned MRR) / Starting MRR × 100
Note	Measures in % over a 12-month period.
Benchmark	Good: >100% means you grow from existing customers alone without any new sales. Elite SaaS has 120%+ NRR.
Watch out for	*Why it matters: NRR tells investors if your product creates enough value that customers spend more over time.*

GRR — Gross Revenue Retention

What it is	Like NRR but WITHOUT expansions. Measures pure retention before upsells.
Formula	GRR = (Starting MRR - Contraction MRR - Churned MRR) / Starting MRR × 100
Note	Always lower than or equal to NRR.
Benchmark	Good: >85% for SMB SaaS, >90% for Enterprise SaaS.
Watch out for	*Investors use GRR to understand baseline retention independent of your upsell motion.*

CUSTOMER METRICS

CAC — Customer Acquisition Cost

What it is	Total cost to acquire one new paying customer.
Formula	CAC = Total Sales & Marketing Spend / Number of New Customers Acquired
Note	Measure over the same period (e.g., monthly or quarterly).
Benchmark	Good: CAC Payback Period under 12 months for SMB, 18 months for Enterprise.
Watch out for	*Include fully loaded costs: salaries, tools, ads, events, everything.*

LTV — Customer Lifetime Value

What it is	Total revenue you expect to earn from a customer over their entire relationship with you.
Formula	LTV = Average Revenue Per Customer / Monthly Churn Rate
Note	Or: LTV = MRR per customer × Average customer lifetime in months
Benchmark	Good: LTV:CAC ratio of 3:1 or higher is the standard benchmark.
Watch out for	*LTV is an estimate, not a fact. Be honest about your assumptions.*

Churn Rate

What it is	Percentage of customers or revenue lost in a given period.
Formula	Customer Churn = Customers Lost / Starting Customers × 100 Revenue Churn = MRR Lost / Starting MRR × 100
Note	Measure monthly or annually. Revenue churn is more important than customer churn.
Benchmark	Good: <2% monthly for SMB, <1% monthly for Enterprise.
Watch out for	*Negative churn (from expansion) means your NRR is above 100%. Very good.*

ACV — Annual Contract Value

What it is	Average annual value of a customer contract.
Formula	ACV = Total Contract Value / Contract Length in Years
Note	For a 3-year ■30L contract, ACV = ■10L per year.
Benchmark	Investors use ACV to understand your deal size and sales cycle.
Watch out for	*Higher ACV usually means longer sales cycle but better retention.*

UNIT ECONOMICS

CAC Payback Period

What it is	How many months to recover the cost of acquiring a customer.
Formula	CAC Payback = CAC / (MRR per customer × Gross Margin %)

Note	Tells you how long your money is tied up before a customer becomes profitable.
Benchmark	Good: Under 12 months for SMB, under 18 months for Enterprise, under 6 months is excellent.
Watch out for	*This is the metric that drives fundraising urgency — long payback = need more capital.*

Burn Multiple

What it is	How much you burn to generate each rupee of new ARR.
Formula	Burn Multiple = Net Burn / Net New ARR
Note	If you burn ■2Cr to add ■1Cr ARR, your burn multiple is 2x.
Benchmark	Good: Under 1x is excellent. 1-1.5x is good. Above 2x investors start asking questions.
Watch out for	*Introduced by David Sacks. Increasingly used by Indian VCs to assess capital efficiency.*

Rule of 40

What it is	Revenue growth rate + profit margin should be 40% or higher.
Formula	Rule of 40 = Revenue Growth Rate % + Profit Margin %
Note	A company growing 60% YoY with -20% margins scores 40. Passes. A company growing 20% YoY with 15% margins scores 35. Borderline.
Benchmark	Good: 40+ is passing. 50+ is strong. 60+ is excellent.
Watch out for	*More relevant for Series B and beyond. Early stage growth rate matters more.*