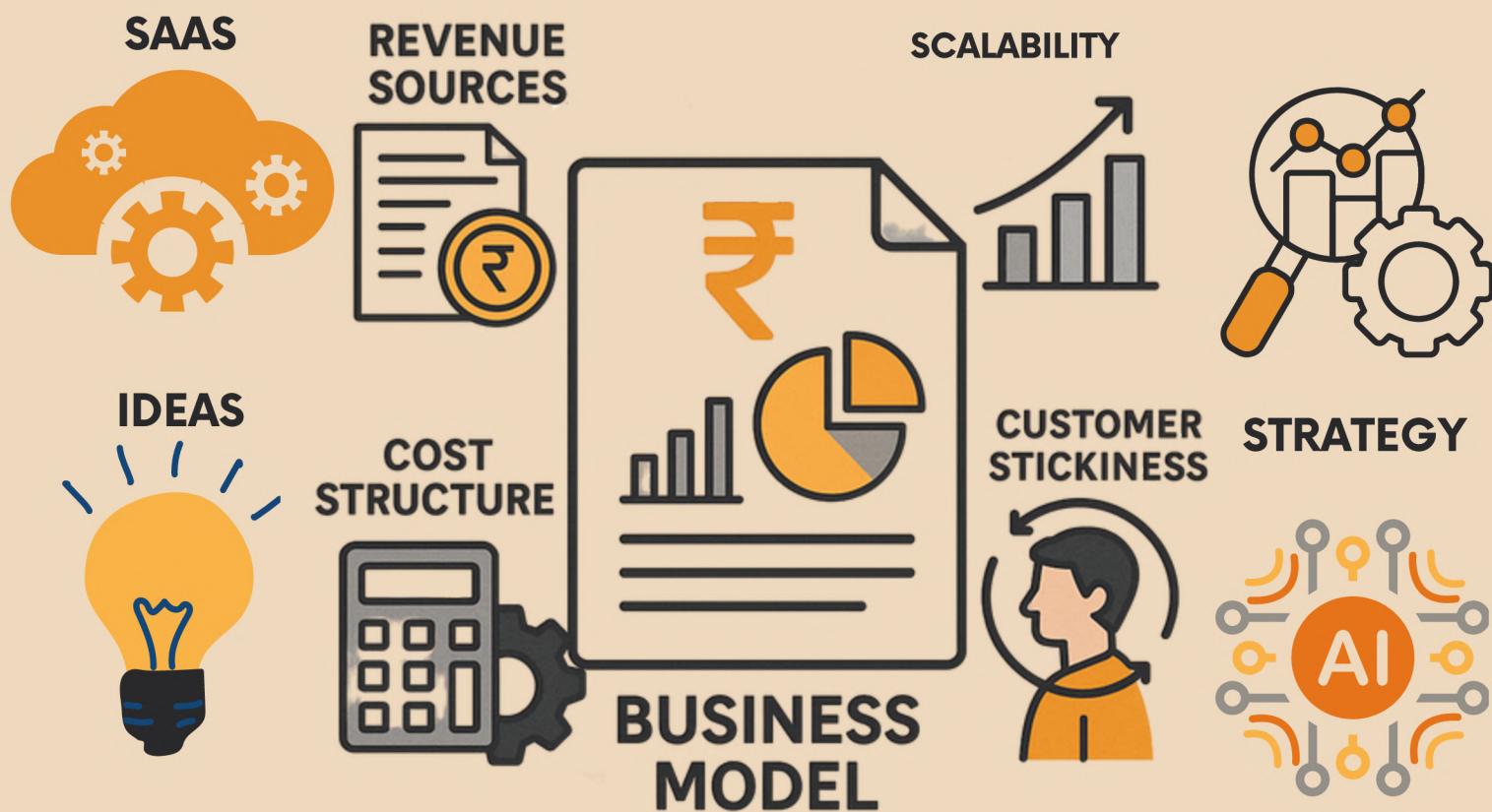


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Business Model: The Engine That Drives Growth



A few years ago, a startup emerged from an engineering institute's deep-tech incubator with a revolutionary idea—a handheld medical diagnostic device powered by proprietary biosensors and AI. The prototype worked impressively in lab conditions. Hospitals and clinics were curious, researchers were excited, and grants started flowing in.

But when the founders approached private healthcare providers with a sales pitch, they encountered unexpected resistance. Hospitals were unwilling to pay upfront for hardware, and smaller clinics couldn't justify the capital expense. Despite the innovation, there was no clear path to monetization.

The startup regrouped and spoke extensively to stakeholders. What they discovered was this: diagnostic accuracy wasn't enough—affordability, ease of access, and service continuity mattered more. So, they pivoted. Instead of selling the device, they adopted a "Diagnostics-as-a-Service" model, placing devices for free and charging clinics per test.

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Suddenly, adoption soared. Clinics liked the low-risk model, and recurring revenues began to build. In less than a year, the startup's unit economics turned positive.

This is the power of a well-thought-out business model—it doesn't just enable the startup to survive, it allows it to scale intelligently and sustainably.

What is a Business Model?

A business model answers two core questions:

- How does the startup make money?
- Can it make more money as it scales, without costs rising proportionally?

A brilliant technology without a monetization plan is just a research project. Investors must ensure that the business model is not only viable but aligned with customer willingness to pay, market dynamics, and operational feasibility.

Elements of a Strong Business Model

- Clear value delivery – The startup must solve a real, pressing problem in a way customers are happy to pay for.
- Favourable unit economics – Revenue from each transaction or customer should exceed direct costs over time.
- Scalability – Growth in revenues should not require linear increases in cost or personnel.
- Customer stickiness – Subscription, usage-based, or network models often lead to long-term retention.
- Capital efficiency – A model that doesn't require heavy ongoing cash burn is more investor-friendly.

Examples of Business Models That Work

Detect Technologies: Industrial AI Meets SaaS

Detect Technologies developed AI-based solutions to monitor safety and efficiency in industrial settings like oil, gas, and manufacturing plants.

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Instead of selling equipment, they bundled hardware, software, and analytics into a SaaS subscription.

By doing so, they converted a one-time capex sale into monthly recurring revenue, making their offering more attractive and scalable. Their B2B SaaS model allowed them to grow across geographies without a corresponding increase in cost, demonstrating both technical depth and business maturity.

Niramai: Affordable Breast Cancer Screening Through AI

Niramai built a non-invasive, portable breast cancer screening solution using AI and thermal imaging. Early in their journey, they realized that hospitals were hesitant to invest in new diagnostic hardware. Instead of selling the device, they adopted a hub-and-spoke service model—partnering with diagnostic centres and NGOs to provide screening as a service.

This pay-per-scan model, combined with social sector partnerships and pilot programs, allowed Niramai to scale in both urban and rural markets—balancing tech innovation with accessibility and recurring income.

Investor Red Flags in Business Models

- Weak margins – If the cost to deliver a product or service is too high, profitability will remain elusive.
- Heavy discounting dependence – If customer acquisition is fueled by unsustainable incentives, retention becomes unreliable.
- Overcomplicated models – If the revenue model is too complex for customers to understand or for the startup to execute, scaling becomes difficult.
- Linear cost structures – If growth requires proportionate increases in manpower, inventory, or physical assets, scalability is limited.

How Investors Should Evaluate Business Models

- Revenue sources – One-time sales vs. recurring income. Investors generally prefer annuity models.

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Business Model: The Engine That Drives Growth

- Cost structure – Understand fixed vs. variable costs and break-even points.
- Customer acquisition vs. lifetime value (CAC vs. CLTV) – Are customers profitable over their lifecycle?
- Cash flow intensity – Does the model require significant upfront investment to deliver value?

Strategic Insight

A startup can have great technology, a large market, and even a strong team—but if the business model is broken, the entire venture risks collapse.

As investors, our goal is to identify startups that not only solve important problems, but also know how to extract value for every unit of effort they put in. Startups like Detect Technologies and Niramai show how deep-tech innovation combined with strategic business models can unlock sustained growth.

At the end of the day, ideas attract attention—but business models build businesses.

