

**fundEX** 2017  
17 AUGUST 2017

  
**RIVERSANDS**  
INCUBATION HUB



**NADIA RAWJEE**



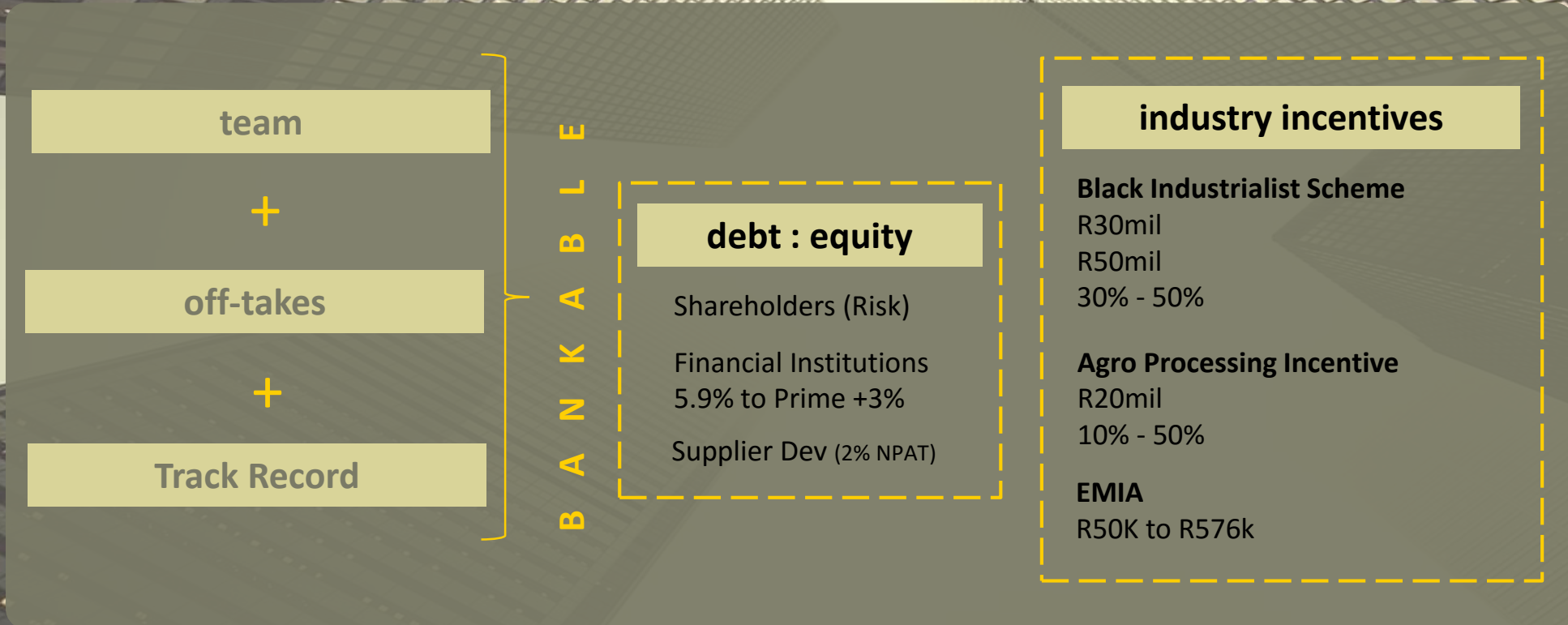
**FUNDEX 2017**  
**Johannesburg**  
**August 2017**

**TOPIC: GOVERNMENT INCENTIVES UNPACKED**





# Viability & Bankability







# Sources of Finance



## LOANS / DEBT

- Debt-based funding arrangements between a business and a financial institution, typically a Bank
- Generally used to fund major capital expenditures and/or cover operational costs that the company may otherwise be unable to afford
- Can assist with short or long term funding requirements

### Developmental Loans

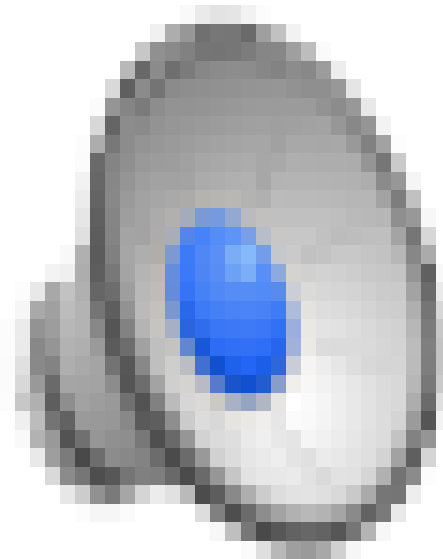
- ✧ The mandate is DEVELOPMENT – Jobs, Marginalised Groups, Rural vs. Urban etc.
- ✧ The incentive is usually either through interest rate, moratorium and/or reduced security requirements
- ✧ Will lend to businesses with the aim of stimulating the economy
- ✧ Interest earned goes towards more investment and more economic stimulation



# Sources of Finance

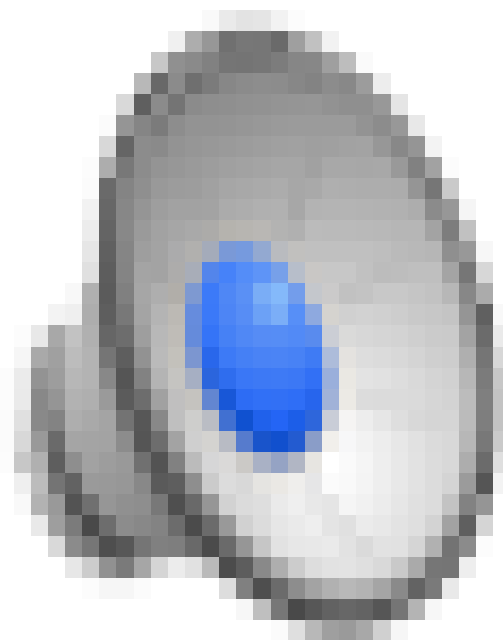


GOVERNMENT GRANTS/ INCENTIVES



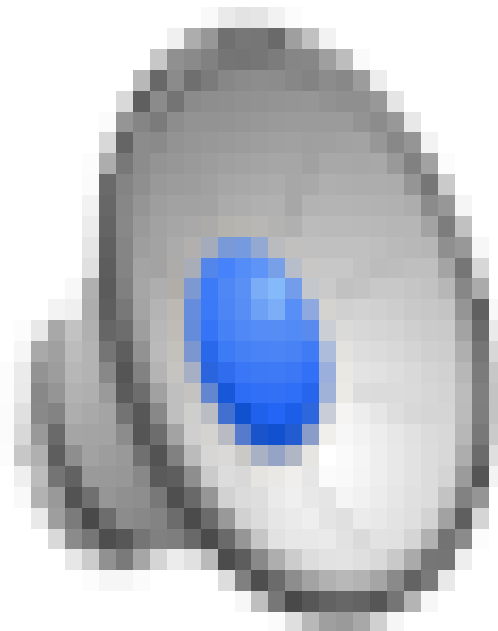


# Black Industrialist





# Black Industrialist





# Black Industrialist Case Study



<b>Sector</b>	FMCG Manufacturing (Personal Care)
<b>Markets</b>	Local (Blue Chip) Export
<b>Business Viability</b>	Strong
<b>Black Industrialist</b>	Yes Operationally Involved Black Industrialist
<b>Compliance</b>	New BEE Certificate required – graduated from QSE to Large Other Compliance in order
<b>BEE Ownership</b>	90% plus
<b>BIS Score</b>	8 out of 8
<b>Qualifying cost Sharing</b>	50% max R50mil

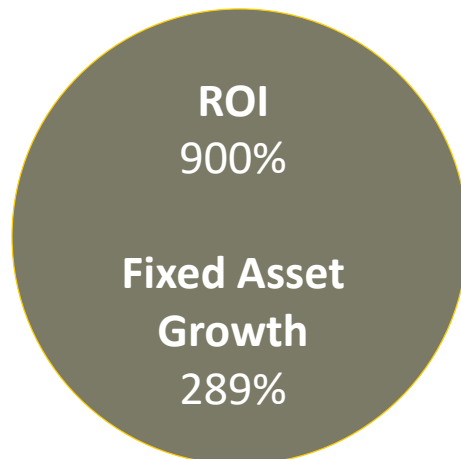




# Black Industrialist Case Study



Total Project			R62,4mil	PROJECT COST
Allowable Activities	Machinery & Equipment	R45,5mil	R56,5mil	
	Owned & Leased Buildings	R5,9mil		
	Commercial Vehicles	R4,9mil		
	Procurement Process Improvement	R102k		
Non Allowable Activities	Salaries & wages, other working capital requirements		R5,9mil	



## CAPITAL STRUCTURE

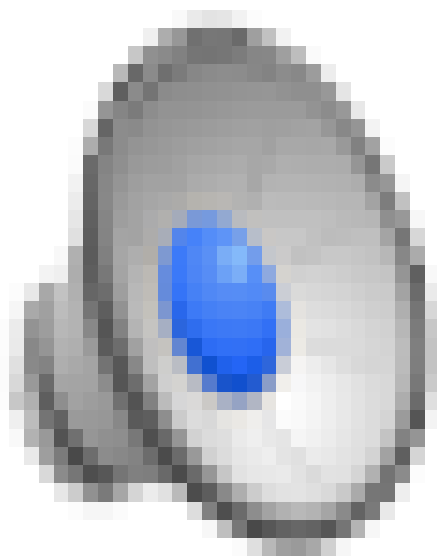
<b>DTI Incentive</b>	R 28,2mil	45%	<b>Equity</b>
<b>Client</b>	R 14,1 mil	23%	
<b>Bank</b>	R 20 mil	32%	<b>Debt</b>



# Agro Processing



R 1 billion allocated for 200 applicants





# Agro Processing Case Study



<b>Sector</b>	Food Packaging Plant
<b>Markets</b>	Local (Blue Chip) Export
<b>Business Viability</b>	Strong (profitable, existing entity)
<b>Qualifying Investment Cost</b>	Greater than R10mil
<b>Historical Cost of Assets</b>	Greater than R10mil
<b>Compliance</b>	Compliance in order
<b>Qualifying cost Sharing</b>	20% Max R20mil



# Agro Processing Case Study



<b>Total Project</b>			<b>R60,4mil</b>
<b>Allowable Activities</b>	Machinery & Equipment	R38,4mil	<b>R38,4mil</b>
	Owned & Leased Buildings	R2mil	
	Commercial Vehicles	R2mil	
	Procurement Process Improvement	R2mil	
<b>Non Allowable Activities</b>	Salaries & wages, other working capital requirements		<b>R15,9mil</b>

**PROJECT COST**



**CAPITAL STRUCTURE**

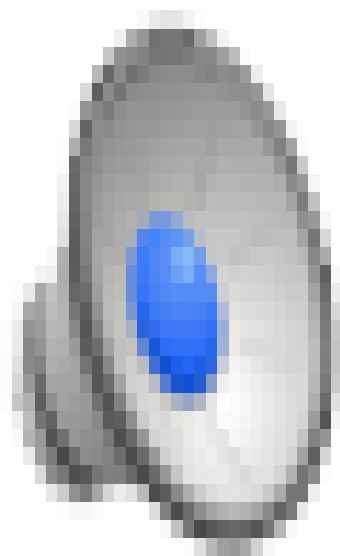
<b>DTI Incentive</b>	R 8,9 mil	15%	<b>Equity</b>
<b>Client</b>	R 9,2 mil	15%	
<b>Bank</b>	R 42,2 mil	70%	<b>Debt</b>



# EMIA



Up to R576,000 rebated per annum in marketing costs





# EMIA Case Study



<b>Sector</b>	Trader of at least 3 SA manufacturers
<b>Markets</b>	Local (Blue Chip)   Export Ready
<b>Business Viability</b>	Strong (profitable, existing entity)
<b>SME</b>	Turnover Under R40mil Fixed Assets Under R15mil Employees under 200
<b>Black Ownership</b>	51% plus
<b>Compliance</b>	All in order Export Certification - customs
<b>Exhibition</b>	FACIM National Pavilion in Mozambique

<b>Exhibition</b>	R75k
<b>Airfare</b>	R17k
<b>Subsistence</b>	R12k
<b>Sample Transport</b>	R17,5k

EMIA REBATE \*

\* Rebates vary based on client demographic and exhibition







# Tips for Success



1. Know your audience and their mandate, approach the correct fund for your industry and needs  
(CAPEX vs OPEX)
  - ✓ SEFA has over 5,000 enquiries per month
  - ✓ only 4% of IDC applications make it past first phase of Due Diligence
2. Read the guidelines of the funds, keep up to date with changes to rules, availability of funds and seasonality
3. Have strong letters of intent or off-takes with credible clients
4. Show the strength of your team (sales, technical & management ability within the sector)
5. Optimize the opportunity you have – clients who undershot their incentives (should have received 50% but awarded 45%)



# Compliance



No Matter which source of funding you choose, always meet the compliance requirements

1. Business Plan
2. Application Forms
3. Company Documents (CIPC)
4. Tax Clearance Certificate
5. Annual Financial Statements
6. B-BBEE Certificate/Affidavit
7. Other Compliance Documents
8. Letters of Intent/Offtake Agreements
9. Quotations





# Process



fund investigation, deliberation with fund managers, preparation of funding application/business plan, follow-up with the specified fund, draw down of funds and reporting.



Thank You

