

**fundEX** 2017  
17 AUGUST 2017

  
**RIVERSANDS**  
INCUBATION HUB



**NIRMALA REDDY**



# NEDBANK PRESENTATION

Financing SMEs : An Insider View

Nirmala Reddy

Senior Manager: Enterprise Development

17 August 2017

see money differently

**NEDBANK**

**You need funding . . . . .**



**What next?**



# Business Finance

Financing Mechanisms		
Items Financed	Type of Financing Needed	Type of Product
<ul style="list-style-type: none"> <li>Debtors</li> <li>Stock</li> <li>Work in Progress</li> </ul>	Short term working capital (less than 1 year)	Overdraft
<ul style="list-style-type: none"> <li>Creditors</li> </ul>	Short term working capital (Less than 1 year)	Overdraft
<ul style="list-style-type: none"> <li>Vehicles &amp; equipment</li> <li>Plant &amp; machinery</li> <li>Setting up a business/franchise</li> <li>Renovation of premises</li> </ul>	Medium term finance (Typically 1 – 5 years)	<ul style="list-style-type: none"> <li>➤ Asset finance                             <ul style="list-style-type: none"> <li>• Instalment sale</li> <li>• Lease</li> <li>• Rental</li> </ul> </li> <li>➤ Medium term loan</li> </ul>
Land & buildings	Long-term (Typically 5 – 20 years)	➤ Commercial property finance

# Key elements of your submission

1. Business plan
2. Regulatory documentation
2. Financial projections
3. Historical financials
4. CVs
5. Personal Statement of Assets & Liabilities
6. Contracts

# Interpretation of your submission

- Comprehensive business plan highlighting business model, business strategy, financial projections
- Business experience & track record
- Operational, financial & organisational strength
- Acumen & expertise - competent & experienced staff
- Your plan must clearly demonstrate:
  - Business product/service relevance to current economic times
  - How much do you need and what will it be used for
  - Affordability

# Common weaknesses

- Lack of financial information
- Poorly compiled financial information
- Forecasts that bear no resemblance to current financial performance
- Lack of business and/or financial acumen – business owners do not know how to read the financials and are often unable to provide any explanations to variances or other issues highlighted
- Poorly capitalised/insolvent businesses
- Lack of financial substance of principals who are often not in a position to offer any contribution towards financing requirements
- Poor credit profile of business and/or business owners

# Projections

	September	October	*November	*December	January
	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>
<b>Store Turnover</b>	215 250.00	220 250.00	260 250.00	310 250.00	260 250.00
<b>Operating Expenses</b>					
Rent 100sqm x R50	5 500.00	5 500.00	5 500.00	5 500.00	5 500.00
Electricity and Water - Fixed	3 300.00	3 300.00	3 300.00	3 300.00	3 300.00
Members Salary (3)	21 000.00	21 000.00	21 000.00	21 000.00	23 000.00
Staff Wages (2+1)	3 500.00	3 500.00	3 500.00	3 500.00	3 850.00
Telephone / 3G	450.00	450.00	450.00	450.00	450.00
Fuel	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00
Accounting fees	600.00	600.00	600.00	600.00	700.00
Advertising, Stationary etc	2 000.00	2 000.00	2 000.00	2 000.00	2 000.00
Bank Charges	375.00	375.00	375.00	375.00	375.00
Insurance	850.00	850.00	850.00	850.00	850.00
Loan Repayment	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00
Monthly Stock Purchases for resale	120 750.00	115 750.00	135 750.00	165 750.00	135 750.00
Vat Returns - SARS					
Annual software License Fee	60.00	60.00	60.00	60.00	60.00
<b>Total Expenditure</b>	<b>166 385.00</b>	<b>161 385.00</b>	<b>181 385.00</b>	<b>211 385.00</b>	<b>183 835.00</b>
<b>Gross Profit</b>	48 865.00	58 865.00	78 865.00	98 865.00	76 415.00
Personal Expenses	28 500.00	28 500.00	28 500.00	28 500.00	25 500.00
<b>Net Profit less Personal expenses</b>	<b>20 365.00</b>	<b>30 365.00</b>	<b>50 365.00</b>	<b>70 365.00</b>	<b>50 915.00</b>



## Projected turnover stressed at 60%

<b>Cash Flow Projection 2014/2015</b>					
	September	October	November	December	January
	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>
<b>Store Turnover - stressed @ 60%</b>	133 250.00	136 250.00	160 250.00	190 250.00	160 250.00
<b>Operating Expenses</b>					
Rent 100sqm x R50	5 500.00	5 500.00	5 500.00	5 500.00	5 500.00
Electricity and Water - Fixed	3 300.00	3 300.00	3 300.00	3 300.00	3 300.00
Members Salary (3)	21 000.00	21 000.00	21 000.00	21 000.00	23 000.00
Staff Wages (2+1)	3 500.00	3 500.00	3 500.00	3 500.00	3 850.00
Telephone / 3G	450.00	450.00	450.00	450.00	450.00
Fuel	3 000.00	3 000.00	3 000.00	3 000.00	3 000.00
Accounting fees	600.00	600.00	600.00	600.00	700.00
Advertising, Stationary etc	2 000.00	2 000.00	2 000.00	2 000.00	2 000.00
Bank Charges	375.00	375.00	375.00	375.00	375.00
Insurance	850.00	850.00	850.00	850.00	850.00
Loan Repayment	5 000.00	5 000.00	5 000.00	5 000.00	5 000.00
Monthly Stock Purchases for resale	120 750.00	115 750.00	135 750.00	165 750.00	135 750.00
Vat Returns - SARS					
Annual software License Fee	60.00	60.00	60.00	60.00	60.00
<b>Total Expenditure</b>	<b>166 385.00</b>	<b>161 385.00</b>	<b>181 385.00</b>	<b>211 385.00</b>	<b>183 835.00</b>
<b>Gross Profit</b>	-33 135.00	-25 135.00	-21 135.00	-21 135.00	-23 585.00
Personal Expenses	28 500.00	28 500.00	28 500.00	28 500.00	25 500.00
<b>Net Profit less Personal expenses</b>	<b>-61 635.00</b>	<b>-53 635.00</b>	<b>-49 635.00</b>	<b>-49 635.00</b>	<b>-49 085.00</b>

# Business Financials

Statement of Financial Position as at 28 February 2014			
Figures in Rand	Note(s)	2014	2013
<b>Assets</b>			
Non-Current Assets			
Property, plant and equipment	2	99,258	254,378
Current Assets			
Inventories		256,761	341,495
Loans to members	3	189,948	177,650
Trade and other receivables	4	229,058	322,478
Cash and cash equivalents	5	15,000	15,000
		<b>690,767</b>	<b>856,623</b>
<b>Total Assets</b>		<b>790,025</b>	<b>1,111,001</b>
<b>Equity and Liabilities</b>			
<b>Member's interest and reserves</b>			
Member's contributions		100	100
Retained income		481,015	420,882
		<b>481,115</b>	<b>420,982</b>
<b>Liabilities</b>			
Non-Current Liabilities			
Finance lease obligation		11,679	31,645
Current Liabilities			
Current tax payable		135,732	-
Trade and other payables	6	151,304	631,724
Bank overdraft	5	10,195	26,650
		<b>297,231</b>	<b>658,374</b>
<b>Total Liabilities</b>		<b>308,910</b>	<b>690,019</b>
<b>Total Equity and Liabilities</b>		<b>790,025</b>	<b>1,111,001</b>

← *Large drop in PPE*

← *Increase in loans to members*

← *No own means from members*

← *Tax Liability now reflecting*

# The application process

1	2	3	4	5
APPLICATION RECEIVED	APPLICATION IS ASSESSED BY BANK	<b>ELEMENTS OF ASSESSEMENT</b> <ul style="list-style-type: none"><li>• Credit checks</li><li>• Financial analysis</li><li>• Business case</li><li>• Security offered</li><li>• Existing bank loans</li></ul>	VIABILITY OF PROPOSAL	APPLICATION APPROVAL / DECLINE

*The journey your application takes . . . .*

# Words of wisdom from the credit team

- Split personal and business finances
- Keep up to date management accounts
- Know your break-even point
- Be realistic in your projections and expectations
- Nothing for nothing – what are you risking?
- Know what is happening in your business (S.W.O.T.)
- Chase business, not funding
- Speak to your bank – in good times, and bad.





Thank you.