



INCENTIVES SA

Helping Your Business Grow

Machinery and Equipment (IDC)

Description:

The IDC's goal is to ensure globally and locally competitive downstream manufacturing of machinery and capital equipment. Ultimately, the IDC wish to see a competitive and diversified local machinery and capital equipment industry that satisfies a significant portion of demand locally and the rest of Africa, and is able to compete globally.

Accordingly, the Machinery and Equipment unit offers finance, and where relevant, technical assistance to a range of manufacturers of the following:

- Mining and power supply equipment
- Earthmoving and construction equipment
- Compressors
- Pumps
- Gas cylinders and tanks.

Outcomes:

The IDC envisage that through their funding and project development activities, the IDC can achieve the following outcomes:

- Expand and extend existing industries in order to create and/or preserve jobs and drive sustainable economic growth.
- Enable the local machinery and equipment industry to achieve its potential and become globally competitive.

Doing business with the unit:

The IDC focus on specific sectors:



INCENTIVES SA

Helping Your Business Grow

- Electricity generation and distribution – transformers, generators, electricity-supply components, switchgears and related measuring devices/apparatus.
- Mining, quarrying and construction – self-propelled off-road machinery and equipment for mining and construction sectors; equipment for sorting, screening, separating or washing, crushing and grinding for stones/ores and other minerals.
- Oil, gas and water storage and distribution – reservoirs and tanks, bunkers/bullets, distribution components such as ducts, vessels, heat exchangers, pumps, valves actuators, compressors and measuring equipment.
- Manufacture of lifting and handling equipment – cranes, lifts, elevators, conveyors, specialised parts for lifting and handling including buckets, shovels, grabs. Cargo/shipping containers carried by one or more modes of transport such as rail, water and air.

While each proposal submitted to the IDC for funding is considered on its particular merit, preference is given to:

- Financing fixed assets and the fixed portion of growth in working capital requirements; and
- New or existing projects or businesses that have a significant developmental impact, for example, rural development, empowerment, job creation, emerging entrepreneurs and black industrialists, and value addition.

Funding criteria:

- Our minimum funding requirements are:
- A minimum equity amount of R10-million;
- Security, the form and nature of which will relate to your specific circumstances;
- Compliance with international and local environmental standards;
- A reasonable financial contribution from the owners of the business along the following broad guidelines, although the circumstances of each business will be carefully evaluated to arrive at an acceptable contribution level:
- 33% of total assets for going concerns;



INCENTIVES SA

Helping Your Business Grow

- 40% for start-ups, depending on industry norms and risk profile;
- We prefer that our exposure does not exceed that of the owners of the business;
- Contribution of historically disadvantaged persons under special circumstances may be lowered, in which case the IDC will be prepared to extend finance in excess of the owner's contribution; and
- The project or business must exhibit economic merit in terms of profitability and sustainability.

For acquisitions, IDC BEE acquisition policy will apply.

In the case of take-overs and buy-ins by historically disadvantaged partners, the IDC require:

A signed Offer to Purchase agreement between the seller and the buyer or a signed Letter of Undertaking from the seller indicating the buyer's preferred bidder status.

- The Offer to Purchase should be valid for at least three months and give the IDC an exclusivity period of at least two months.
- Detailed information on the partners, such as the group structure and business activities.
- An independent valuation (including underlying assumptions) of the target company.
- Details of IDC funding and the application thereof.
- Details of the contribution by the purchaser.
- A signed draft plan explaining the involvement of historically disadvantaged persons in operational and/or executive management.
- Proof of limited scope of due diligence performed by historically disadvantaged persons on the seller's business.
- A business plan.
- The latest audited financials, management accounts and financial projections for the target company.
- A covering letter with details of the finance required from the IDC.



INCENTIVES SA

Helping Your Business Grow

In the case of expansions by existing businesses, the IDC require:

- Your latest audited and actual financials, signed by the finance director, MD or CEO;
- Your updated business plan, focusing on the proposed project/expansion; and
- A detailed description of the nature of expansion, its related costs and revenues.

In the case of small, medium and start-up businesses, the IDC require:

- A comprehensive business plan
- Latest management accounts and financial projections.
- A covering letter with details of the finance required from the IDC.

Applying for funding:

Application for funding should be in writing, including a funding request letter, an executive summary and a complete business plan.

Minimum Requirements:

- Compliance with international environmental standards.
- Shareholders/owners are expected to make a financial contribution:
 - The contribution of historically disadvantaged people under special circumstances may be lowered, in which case the IDC will be prepared to extend finance in excess of the owner's contribution.
- The project/business must exhibit economic merit in terms of profitability and sustainability.
- The IDC does not re-finance fixed assets since our aim is to expand the industrial base.



INCENTIVES SA

Helping Your Business Grow

For more information please contact Incentive SA on the following numbers.

Cape Town - 021 6714400

Gauteng - 012 0041819

KZN - 031 5357282