



Industrial Development Corporation

Your partner in development finance

Financing development in South Africa and Rest of African Continent

The IDC: Corporate profile

- Established in **1940**, the IDC is a self-financing, **State-owned development finance institution**
- The **vision** of the IDC is to be the primary source of **commercially sustainable industrial development** and innovation to the benefit of **South Africa and the rest of the African continent**
- Provides financing to **entrepreneurs** engaged in competitive industries and enterprises based on **sound business principles**
- **Pays income tax** at corporate rates and **dividends** to the shareholder
- **Aims to maximize developmental and financial returns** within an acceptable risk profile



The IDC's Head Office in Sandton (Johannesburg), Cnr. Fredman Drive and West Street

IDC Key Strategies

Industrial Development

- Sector focus
- Project development
- Industrial finance
- Sector development strategies
- Regional industrial integration

Contributing to an Enabling Environment

- Proactive role in shaping and influencing policy
- Factors impeding industry development
- Building capacity at other DFIs

Leveraging IDC's Portfolio for Maximum Impact

- Segmenting IDC's portfolio
 - Customised funding schemes as an enabler for development
 - IDC's business model

Customer Service and Environmental Impact

- Improved customer service
 - Improved efficiencies
- Reducing IDC's impact on the environment

Resource Requirement:

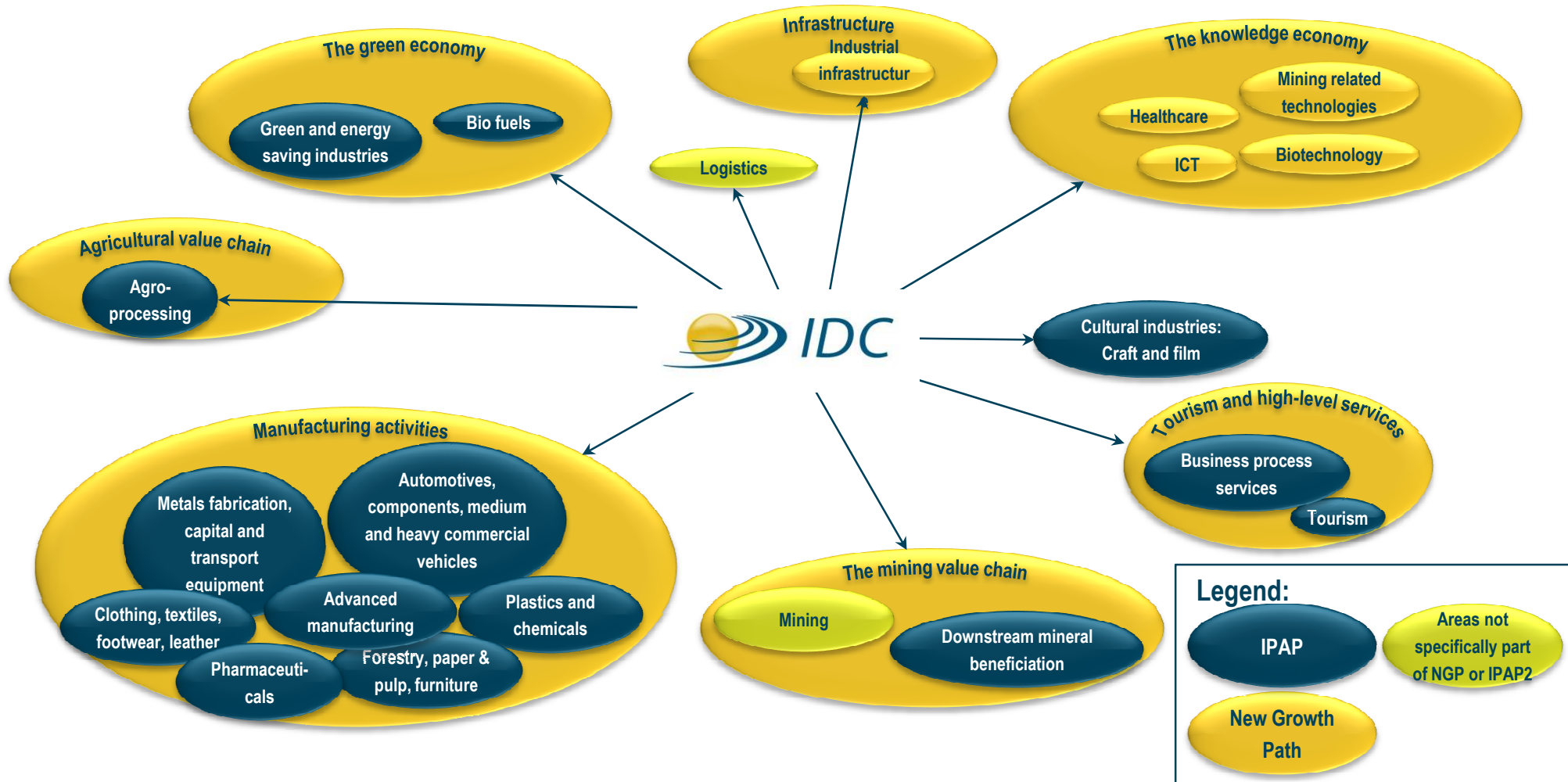
- Organisational Alignment
 - Operating Costs

Other Implications:

- Financial
- Risk Appetite
- Performance Indicators

The primary driving force of commercially sustainable industrial development and innovation to the benefit of South Africa and the rest of the African continent

Industrial Development Sector Focus



IDC Objectives and Outcomes

Vision

To be “the primary driving force of commercially sustainable industrial development and innovation to the benefit of South Africa and the rest of the African continent”

Mission

The IDC is a self-financing national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa and to the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

Objectives

Supporting industrial capacity development

Promoting entrepreneurship

Supporting industrial capacity development in line with industrial policy

Outcomes

Sustainable employment

Regional equity (including development of the rest of Africa)

Growing SME sector

Broad-based black economic empowerment

Environmentally sustainable growth

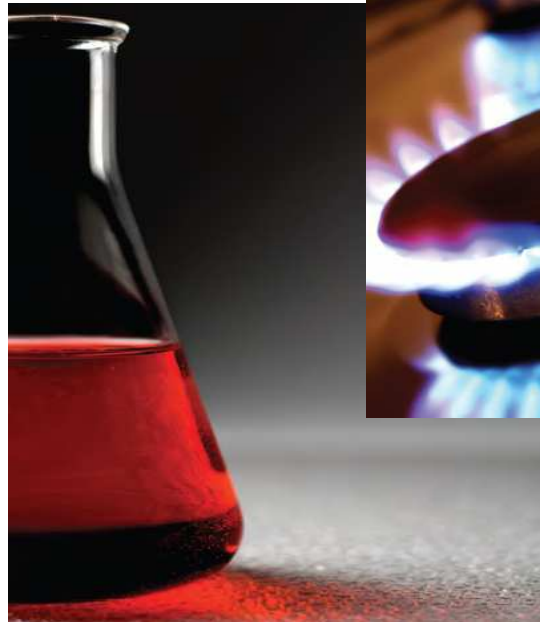
New entrepreneurs entering the economy

Growing sectoral diversity

Increased localisation

Chemicals SBU Strategic Focus Areas

- **Upstream and basic chemicals (excluding exploration activities);**
- **Ceramics, concrete and stone products;**
- **Cosmetics and detergents;**
- **Fine and specialty chemicals;**
- **Glass products; and**
- **Plastic and rubber products**



Financial instruments

- We offer a **wide array of financial instruments**, including :
 - Equity
 - Quasi-equity
 - Commercial debt
 - Wholesale & bridging finance
 - Share warehousing
 - Guarantees
 - Export/import finance
 - Short-term trade finance
 - Venture capital
- These may be provided singly or in combination



Flexible deal structuring



Financing criteria

- Financial assistance is provided for the development of **new projects, expansions or rehabilitation of existing projects**
- Projects must exhibit **economic merit** (i.e. sustainable profitability)
- IDC finances fixed assets and fixed portion of growth in working capital requirements
- Reasonable contribution expected from promoter/s
- R1 million minimum
- Security
- Environmental compliance



Role in project development

- Co-sponsors **feasibility studies**
- Identifies project **opportunities**
- **Provides and arranges funding** (e.g. export and import finance, equity and loan funding)
- Identifies suitable international and local DFIs, commercial and merchant banks and companies and export credit agencies as potential participants
- IDC acts as a **financial adviser** in partnership with other financial institutions
- **Shares project risk** with the sponsors and financial partners
- Identifies strong **operating partners**
- Off-take and supply agreements



IDC Evaluation Process (Business Plans)

Business Plan Submission (Pre-investment)

- Registered centrally and forwarded to relevant Strategic Business Unit for initial assessment (economic merit and mandate requirements)
- Request for information normal standard at this stage to complete assessment. Delays can impede on having successful outcome
- If outcome positive moves to next stage (Engagement letter and Term Sheet signed between parties)

Due Diligence (Investment Decision)

- IDC team conducts a due diligence mainly on the technical, marketing and financial aspects of the business.
- Availability of resources and clients have all the available information ready can determine length of due diligence in order to derive at an investment decision
- If team satisfied with outcome, an investment report is drafted to recommend investment to a Committee

Legal contracts and disbursement (Post Decision)

- After approval of investment, legal contracts are drafted and signed
- This phase could be delayed by registering of necessary securities and/or signing of agreement
- Client fulfils all conditions of contract before funds are disbursed

IDC Schemes - UIF FUND

- **A R2 billion unsecured 5-year listed private placement bond subscribed by the Unemployment Insurance Fund**
- **Objectives:**
 - to contribute towards sustainable job creation and retention by supporting job creating transactions while providing concessionary funding
- **Investment Criteria:**
 - Fall within the sectoral focus areas of IDC within South Africa
 - Permanent job creation/retention at maximum of R450k per job
 - interest rates between 7.0% - 10.0% fixed, based on the risk and developmental impact in the transaction
 - Minimum funding amount of R1million, Maximum R100 million
 - Financing instruments: debt
 - First drawdown by client within 7 months after approval

GRO – E – SCHEME

R10 billion, ring-fenced, on-balance sheet

Available for 5 years or until scheme is exhausted

- **Objective:**

- to encourage employment creation, thereby expanding South African production capacity

- **Qualifying Criteria:**

- the business must have economic merit, i.e. it must have prospects of acceptable profitability to service its obligations
 - for the duration of funding period cost per job created or saved must not exceed R500,000 relating to total funding required by the business.
 - BBBEE certification is required from an accredited verification agency, where applicable
 - only available to businesses operating in or expanding in South Africa.



IDC

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Thank you

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