

# **IDC Presentation (Industrial Development Corporation of South Africa)**

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# Overview of the IDC

- **Established:** 1940
- **Type of organisation:** Development Finance Institution (DFI)
- **Ownership:** State owned company, 100% owned by the SA government
- **Total assets:** R110 billion (31 March 2020 - group)
- **Total liabilities:** R49 billion (31 March 2020 - group)
- **Funding status:** Fund operations and growth from investments and borrowings, pay dividends and income tax
- **Main business area:** Providing funding for entrepreneurs and projects contributing to industrialisation
- **Geographic activities:** South Africa and the rest of Africa
- **Products:** Custom financial products between R1 million and R1.5 billion, to suit project/businesses' needs including debt, equity, guarantees or a combination of these
- **Stage of investment:** Project identification and development/start-ups, feasibility, commercialisation, expansion, modernisation
- **Number of employees:** 838 (March 2020)



## Operational Footprint:

- Head Office - Johannesburg
- 24 Regional and Satellite offices



# The primary mandate of the IDC is the development of industrial capacity - anchored in IDC founding Act, 1940



IDC's founding Act is as valid today as it was back in 1940:

*"...to facilitate, promote, guide and assist in the financing of new industries and industrial undertakings and schemes for the expansion, better organisation and modernisation of, and the more efficient carrying out of, operations in existing industries and industrial undertakings, to the end that the economic requirement of the Union (South Africa) may be met, and industrial development within the Union may be planned, expedited and conducted on sound principles."*



Achieved through identifying **sector development opportunities** aligned with policy objectives from the relevant government policies primarily the **NDP, NGP and IPAP**

While developing industrial capacity, IDC seek to achieve specific outcomes:



Facilitating sustainable direct and indirect **employment**



Improving **regional equity**, including the development of South African rural areas, underdeveloped provinces and economic development in the rest of Africa



Promoting **entrepreneurial development** and growing the **SME** sector



Promoting environmentally **sustainable** growth



Growing **sector diversity** and increased localised production



Supporting the **transformational impact** of communities and development of black industrialists, women and youth



## Where we play

### Priority Sectors



Metal beneficiation and mining



Agro-processing and agriculture



Energy



Clothing and textiles



Industrial Infrastructure



Tourism, ICT and media



Upstream and downstream chemicals



Healthcare services



Other manufacturing industries



New industries with potential to develop into significant opportunities for the country

# IDC's Funding Products – Structured to meet business' needs

## Business Cycle Stage



Project Development



Start-ups



Expansions



Expansionary acquisitions

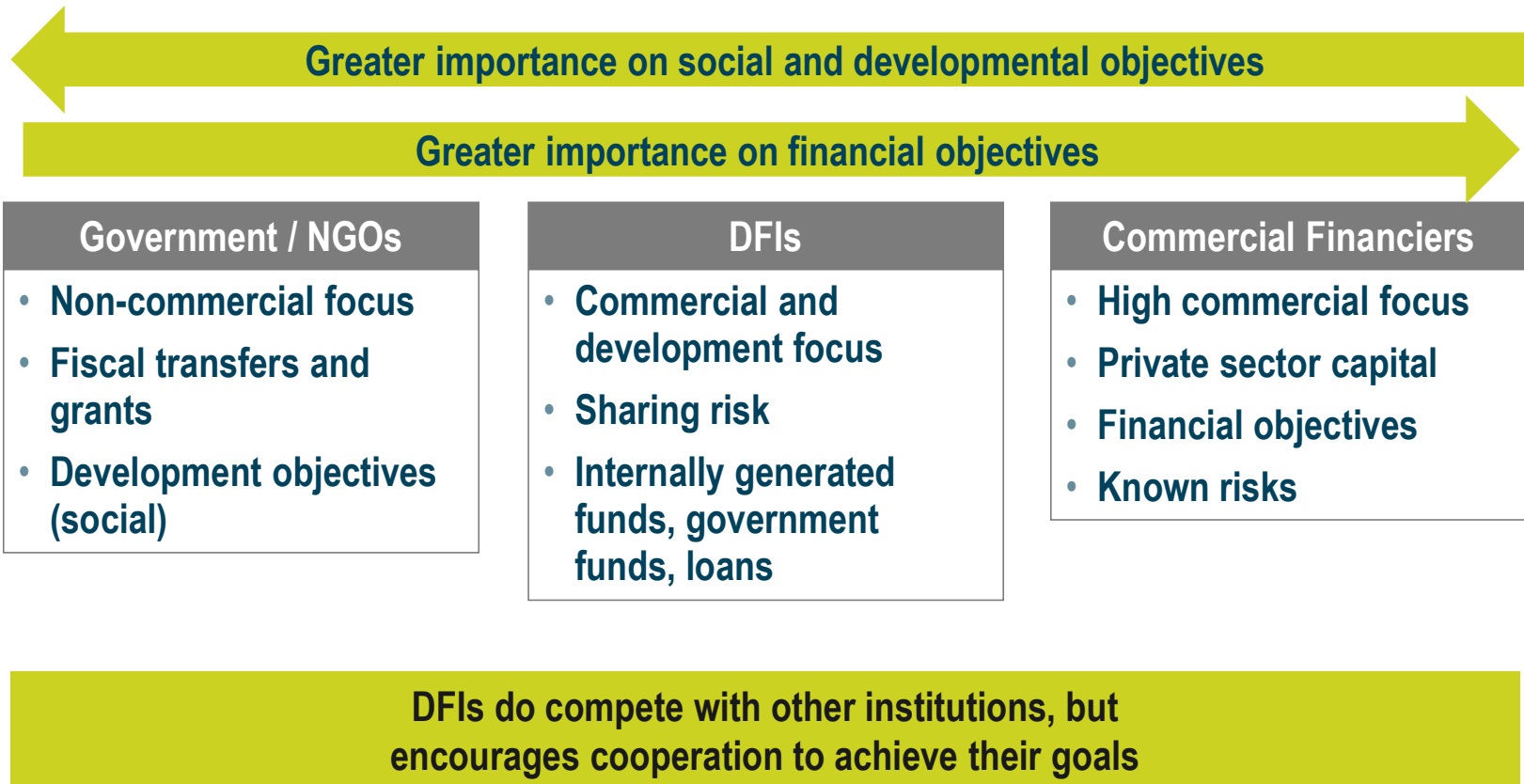


Distressed businesses

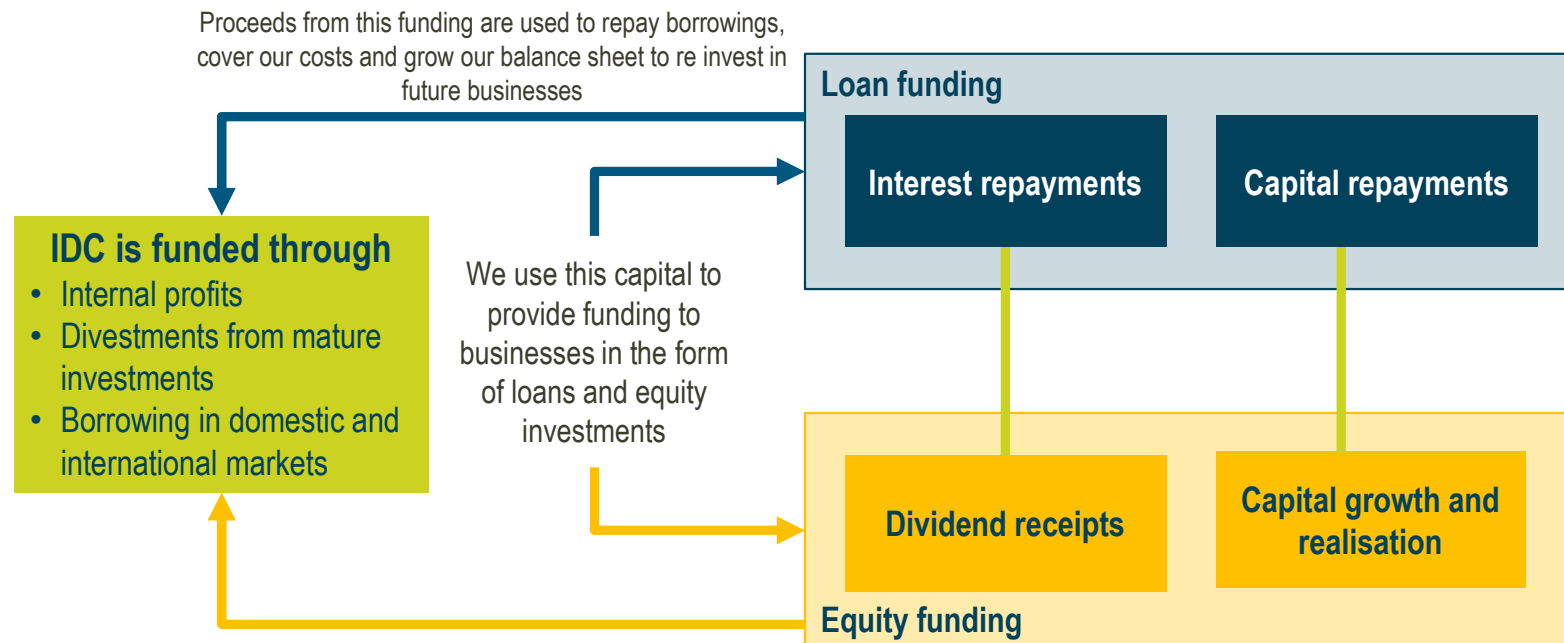
- Funding can be structured utilising a wide array of instruments including:
  - Debt;
  - Guarantees;
  - Trade finance;
  - Bridging finance;
  - Equity and quasi-equity, can be considered.
- Funding structured to suit the business' needs:
  - Term of the funding
  - Grace periods for repayment (principally in start ups)
- Concessionary pricing on targeted development impact funding schemes e.g. Jobs, targeted sector / region)
- IDC's business support programme addresses non-financial support to entrepreneurs.



# DFIs' Positioning within the South African Financial Landscape



# Financial model – IDC operates as a Bank

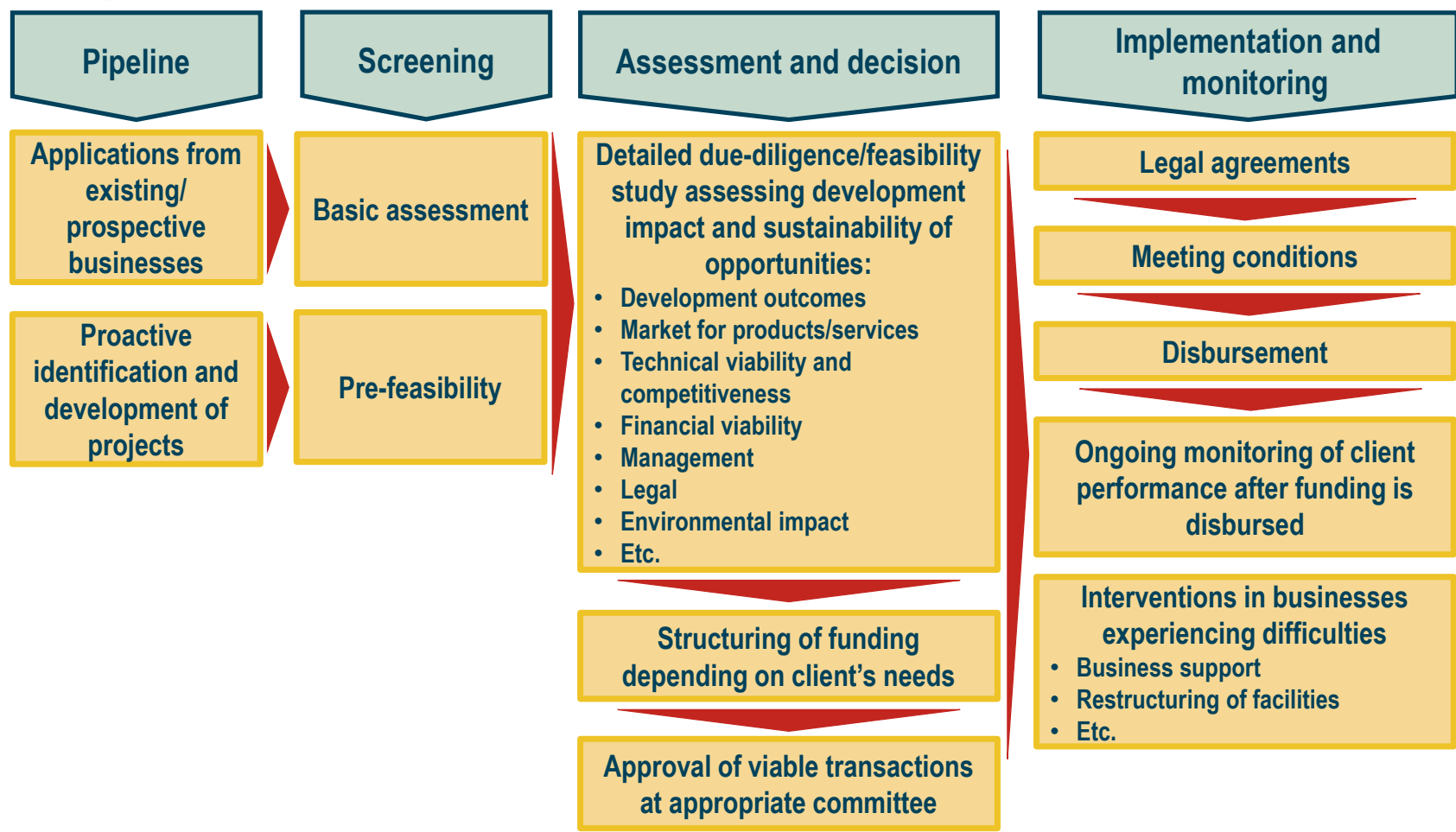


**IDC relies on borrowings, internal profitability, capital growth and exits from mature investments to maintain and expand its funding ability**

**There is a need for the companies funded by the IDC to demonstrate financial sustainability as IDC relies on repayments and dividends to repay funders in domestic and international markets**



# IDC's processes - Deal origination, assessment and post-investment



- IDC conducts a thorough due diligence to determine risk in a business and the ability of the business to deliver on projections
- This is particularly so with start-ups that have no trading history and for which IDC has no transactional history
- Based on experience, critical success factors need to be in place in order for a start up to be successful:
  - technical expertise
  - management expertise
  - market
  - skin in the game
- These are assessed at the various stages of the DD





# Summary of IDC's main activities

- IDC's main activity is the provision of industrial finance to businesses throughout the business lifecycle in various sectors aligned with industrial policy priorities as well as developing projects in these industries.
- In addition, it is involved in other activities such as research, policy inputs and fund management for government departments; non-financial support for business; and capacity building for other DFIs.

Activities	Clients	Business lifecycle	Sectoral involvement	Funding products	Regional involvement
<ul style="list-style-type: none"> <li>• Provision of development finance</li> <li>• Project development</li> <li>• Research and policy inputs</li> <li>• Development of an enabling environment and strategic partnerships</li> <li>• Fund management</li> <li>• Business Support</li> <li>• Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• Business segmented: Small, Medium, Large</li> <li>• Other DFIs</li> </ul>	<ul style="list-style-type: none"> <li>• Conceptual</li> <li>• Pre-feasibility</li> <li>• Feasibility</li> <li>• Product commercialisation</li> <li>• Establishment</li> <li>• Expansion</li> <li>• Mature</li> <li>• Distressed business</li> </ul>	<ul style="list-style-type: none"> <li>• Machinery, equipment and electronics</li> <li>• Automotive and transport equipment</li> <li>• Chemicals, medical and industrial mineral products</li> <li>• Textiles and wood products</li> <li>• Agro-processing and agriculture</li> <li>• Tourism and services</li> <li>• Media and audio-visual</li> <li>• Mining and metals</li> <li>• Energy</li> <li>• Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• General debt</li> <li>• Quasi-equity</li> <li>• Equity</li> <li>• Export/import finance</li> <li>• Short-term trade finance</li> <li>• Bridging finance</li> <li>• Guarantees</li> <li>• Lines of credit</li> <li>• Syndication and lead arranging</li> </ul>	<ul style="list-style-type: none"> <li>• South Africa</li> <li>• Rest of Africa</li> <li>• Global exports of South African goods</li> </ul>



# IDC programmes in support of economic reconstruction and recovery

**The Plan for Economic Recovery is premised on transformative, inclusive, green, digital & sustainable recovery i.e.:**

- achieve sufficient, secure and reliable energy supply within two years;
- create and support over 800,000 work opportunities in the immediate term to respond to job losses;
- unlock more than R1 trillion in infrastructure investment over the next 4 years;
- reduce data costs for every South African and expand broadband access to low-income households;
- reverse the decline of the local manufacturing sector and promote reindustrialisation through deeper levels of localisation and exports;
- resuscitate vulnerable sectors such as tourism, which have been hard hit by the pandemic

**To this end, the IDC in terms of its Mandate has very clear, distinct areas on which to make its contribution:**

- i. Industrialisation, especially localisation of manufacturing.
- ii. Energy security. We are already working on a substantive pipeline of projects.
- iii. Infrastructure development, especially economic infrastructure such as ICT, Transportation Logistics,
- iv. Agriculture, Agroprocessing and Food security.
- v. Regional / Continental development
- vi. Provincial and District development, focusing on the SME Sector and Special Industrial Zones.

**Underpinned by sustainable economic inclusion programme**

Thank you

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