



BUSINESS PROPOSAL GUIDELINES



BUSINESS PROPOSAL
GUIDELINES AND INFORMATION
CHECKLIST

PLEASE NOTE THAT THIS SECTION ONLY PROVIDES YOU WITH GUIDELINES TO ASSIST YOU WITH COMPILING A BUSINESS PROPOSAL THAT MEETS ECDC'S MINIMUM REQUIREMENTS.

Provide a brief description of the **INVESTMENT OPPORTUNITY**, the **BACKGROUND** to the investment opportunity, The size of the opportunity, The background on the owners both new and current, Background and experience of key management, Economic Merits, overview of the market, Key Technical aspects and key financial aspects and an overview of the socio economic benefits of the venture or the project.

1. EXECUTIVE SUMMARY

15. Development Impact

- Job creation / saving
- Empowerment
- Value addition
- Rural development
- Export Income Generation
- Township Development
- Urban renewal

Regulatory impact

- Property Zoning needed?
- Required Licensing
- Building Plan Approval
- Rehabilitation
- Waste Treatment

Environmental Impact assessment

- Obtained
- Outstanding
- Pollution
 - Ground - Atmosphere
 - Water - Noise

Intellectual Property

- Patents
- Trademarks
- Royalties
- New Technology

invaba

16. Financial Management

Accounting

- What accounting package will be used
- Who will be responsible for day to day accounting?
- What will their duties be?
- Who will prepare Management Accounts?
- Qualifications of accounting personnel
- Describe systems for receiving money
- Describe your system for disbursing money
- What system is in place to pay salaries/wages
- Accountant/Auditor

Full Financial Details and Modeling

- Legal entity/ structure
- Sources and Uses of Funds
- How much and for what are you requesting finance from ECDC
- What funds will you provide
- Funding terms
- Provide Income Statement (3 year historic plus 3 years Projected)
- Balance Sheet
- Cash flow
- Ratio Analysis
- Break Even Analysis
- Sensitivity analysis if products/purchases sensitive to price/interest/foreign exchange fluctuations

Annexures

- Agreements
- Contracts
- Market Research

2. Purpose of the required funding

- Quantify the investment opportunity ("The Deal")
- Establish details of the asset to be acquired or improved
- Provide details of the cost of acquisition and the breakdown of costs
- Provide details of the proposed financing of this investment opportunity

3. Ownership and Management of the investment opportunity

Ownership

- Both New and Existing
- Age
- Interest (E.G % Shareholding)
- Qualifications
- Experience
- Level of involvement

strength in numbers

4. Management
(Include all management disciplines)

- General management (Name, Age, Qualifications, Experience)
- Financial management (Name, Age, Qualifications, Experience)
- Marketing and Sales (Name, Age, Qualifications, Experience)
- Production and Operations (Name, Age, Qualifications, Experience)

meeting of the minds

invaba

For more information contact us on:

086 ECDC FIN
086 3232 346

Website: www.deda.gov.za
or www.ecdc.co.za



5. Economic Merits of the investment opportunity

Income Statement (3 Year Abridged)

- Historical (Existing Investment)
- Projected (New Investment)

Balance Sheet (3 Year)

- Historical (Existing)
- Projected (New Investment)

Financial Ratios (Historical and Projected)

- Turnover Growth %
- Gross Profit Margin %
- Net Profit Margin %
- Return on Sales (Net Profit/Turnover)
- Asset Turnover (turnover/Total assets)
- Return on assets % (Net Profit/Total Equity)
- Return on Equity % (Net Profit/Total Assets)
- Current Ratio (current assets/current liability)
- Acid Ratio (Current assets-inventory/Current Liability)
- Equity Ratio (Equity/Total Capital Employed)
- Gearing Ratio (Debt/Total Capital)
- Interest Cover (Operating Profit/Interest Expense)

6. The Basis for Financial Projections

6.1 Market Analysis

Target Customer information. Describe your addressable market

Customer Profile

- Current
- Future
- Number of Customers
- Geographic Spread

List Major Customers

- % Sales to each
- Volume
- Value
- Off-take agreements, Letters of intent, contracts and orders on hand

Customer Value Proposition

- Describe in precise terms the customer need you have identified
- Describe your product or service offering by including the following
 - Benefits to the user
 - Specification of products/Services
 - Unique Selling proposition
 - Price?
 - Quality?
 - Availability?
 - Service
 - Relationships?
 - Technology
 - Or Combination of all
 - Product Mix
 - Potential and proposed new product developments

7. Industry Analysis

Provide Information on the Industry by including the following

Key Barriers to Entry (High/Low)

- Capital requirements
- Access to inputs
- Access to distribution Channels
- Cost advantages/ Economies of scale
- Brand Identity
- Patents and Proprietary Products
- Switching Costs
- NB low barriers to entry can signal a highly competitive market, where profit potential is low

Supplier Power (Strong/Weak)

- Number of Suppliers (few or Many)
- Importance of Volume to supplier
- Differentiation of inputs
- Impact of inputs on cost differentiation
- Switching costs of firms in the Industry
- Presence of substitute inputs
- Threat of forward intergration
- Cost relative to total purchases in the Industry

Buyer Power (Strong or Weak)

- Price sensitivity of Buyers
- Buyer Volumes
- Buyer Information on prices
- Brand Loyalty
- Availability of Substitute Products
- Product differentiation

Threat of Substitutes (Significant or Insignificant)

- Switching costs
- Buyer inclination to substitute
- Price vs Performance trade offs of substitutes

In the End the Degree of Rivalry in the Industry will be determined by

- Exit Barriers (ease or difficulty of leaving the industry)
- Industry Concentration
- Fixed costs / Value added
- Industry Growth rates
- Intermittent overcapacity
- Product Differences
- Switching costs
- Brand Identity
- Diversity of rivals

8. Competitor Analysis

- List Competitors
- Describe Market Shares of Each (Volume & Rand)
- List Competitive advantages of each
- Barriers to Entry and new entrants
- Substitute Products
- Why will they purchase your product (product differentiating in terms of other competitors)
- Your pricing strategy – Prices/Volumes per product, discounts etc

9. Supplier Analysis

- Number of Suppliers
- Availability of Inputs/Raw Materials
- Materials availability locally/import (imported materials state % of total materials)
- Trading Terms
- Lead times of major category of supply
- Identify and describe major cost drivers to your business
- For these major suppliers describe pricing structures and pricing escalations and when payment will be due

10. Key Processes

Describe your Production or Service Process

- Current
- Proposed

Flow Diagram of Processes

- Current
- Proposed
- Identify Bottlenecks in the processes

11. Key Resources/ Infrastructure

Land and Buildings

- Owned
- Leased
- Plant and Equipment Required
- Vehicles
- Plant capacity and Utilization
- Production costs
- New technology requirements
- Raw Materials Required
- If it is a manufacturer more information is needed regarding cost of sales

12. Profit Formula

Revenue Model

- Units/Volumes to be sold (Manufacturing +Retail)
- Number of Clients (Financial services)
- Traffic Count (Fuel Stations)
- Number of Rooms and occupancy% (B&B, Hotels)
- Number of New Subscribers (Telcom)
- Advertising space (Magazines, Newspaper)
- Hours/Minutes/Seconds Sold (TV advert, Radio)
- Number of New distribution Outlets (Consumer Goods)
- Number of Sales People (Professional Services)

Pricing Model

- Rands/Unit
- Fee per Transaction
- Daily rate per Room
- Membership Subscription rates
- Advertising rates
- Rental rates
- Service fees
- Leasing rates
- Commission rates
- Licensing fee

Pricing Strategy

- Pricing Objective
 - Creaming the market (Premium Price/Low Volume)
 - Market penetration (High Volume/Low Price)
 - Markups and Margins
 - Compare to competitors

13. Selling Strategy/ Customer Acquisition

Sales Budget

Historic Sales per product

Motivate the Projected Sales

- Expected market growth?
- Expected Market Share?
- Price levels
- Based on Off take agreements
- Customer Profile

Marketing and Selling Expense Budget

- Advertising and Promotions
- Travel
- Samples
- Discounts
- Commissions etc

14. Human Resource Plan

- Work Force
- Existing Head Count
- New Jobs to be created
- No of salaried
- Waged
- Skilled
- Unskilled
- Temporary
- Seasonal
- Benefit to BBBEE
- Training Skills development
- Use of Sub contractors