Proposal for SEDA Grant Funding

R250,000 – Equipment Acquisition & Working Capital

Likhanyise Project (Pty) Ltd

100% Black-Owned • 50% Black Female-Owned
Rural Eastern Cape Construction Enterprise

Submission Date: January 2026

Contents

Chapter 1

Executive Summary

Likhanyise Project (Pty) Ltd is a 100% black-owned and 50% black female-owned construction enterprise based in the rural Mnquma Local Municipality, Eastern Cape. The company specialises in infrastructure projects, including roads, sanitation, housing, and community facilities, directly addressing persistent backlogs while creating local employment.

Strategic Rationale

Equipment ownership is a catalytic growth intervention enabling higher margins by 15–20% through reduced plant hire costs, CIDB grading progression, and stronger competitiveness in public sector procurement under localisation, B-BBEE, and preferential policies.

Financial Highlights

- Grant Requested: R250,000 (non-repayable)
- Equipment Investment: R191,725 (76.7% – machinery, tools, safety gear)
- Working Capital/Stock: R58,275 (23.3% – initial materials; within Asset Assist 20–25% guideline)
- Gross Margin: 40–42%
- Cash Positive: Month 8 (Aug 2026)
- Year 1 Net Profit: R476,000
- Year 5 Net Profit: R960,562
- Jobs Created: 8–12 permanent + project-based (prioritising local youth & women)

SEDA Alignment

Fully aligns with the re-launched Asset Assist Programme (2025/26 cycle): black-owned, rural SMME, infrastructure sector, job creation focus, non-repayable grant for assets/working capital up to R250,000 (max 20% for raw materials/stock). Applications close 09 January 2026 at 23:59 via systemsnew.sefa.org.za/SMMEPortal.

This application seeks R250,000 in non-repayable grant funding under relevant SEDA/SEDFA programmes (e.g., Asset Assist) to acquire critical construction equipment and initial working stock/materials. Projections show rapid profitability, strong cash generation, and creation of at least 8–12 permanent jobs plus significant project-based employment over five years, aligning fully with SEDA's focus on transformation, inclusive growth, and sustainable rural enterprises.

Chapter 2

Company Overview

Likhanyise Project (Pty) Ltd was established in 2020 as a response to the growing need for localised construction services in the Eastern Cape's rural areas. Operating primarily within Mnquma Local Municipality, the company services government departments, municipalities, state-owned enterprises (SOEs), and private clients. Our core expertise lies in civil engineering projects, including road construction and maintenance, sanitation systems, housing developments, and community facilities.

The business is fully compliant with all regulatory requirements, including CIPC registration, SARS tax compliance, and Central Supplier Database (CSD) registration. We currently hold a CIDB grading of Level 2 CE/GB and are actively progressing towards Level 4 to access larger tenders. Led by a team of five experienced professionals— including civil engineers, project managers, and administrative staff with over 20 combined years in the sector—Likhanyise Project has successfully completed small-scale projects such as rural road repairs and sanitation installations for local communities.

Our rural base not only reduces operational costs but also fosters strong community ties, enabling preferential procurement opportunities under B-BBEE codes and localisation policies. This positioning allows us to contribute directly to poverty alleviation and skills development in underserved areas, while building a sustainable enterprise model.

Chapter 3

Market Analysis

South Africa's infrastructure deficit—particularly in rural Eastern Cape—drives sustained demand for roads, water/sanitation, housing, and public facilities. As of 2026, the Eastern Cape faces a R82 billion provincial infrastructure backlog, including R72 billion for schools alone, with 367 schools still using pit toilets and severe oncology service shortfalls. Roads maintenance faces an R832 million shortfall after a R31 million cut to the Provincial Roads Maintenance Grant in 2025-26, with 90% of roads being gravel and requiring frequent upkeep due to weather conditions.

Government remains the primary client via municipal, provincial, and national tenders, with R9.39 billion allocated for FY25/26 infrastructure. Initiatives like the Welisizwe Bridges programme (R244 million) and regravelling of 552 km of rural roads underscore opportunities. National spend of R71.67 billion in FY25/26 focuses on productivity and spatial inequality reduction.

Key advantages for Likhanyise:

- Strong alignment with localisation, B-BBEE, and emerging contractor preferences
- CIDB grading progression enabled by equipment ownership
- Diversification into private and maintenance contracts

Demand remains robust despite economic challenges, supported by multi-year public infrastructure budgets and sector growth projections of 3.6% annually from 2026-2029.

Chapter 4

Economic, Social and Developmental Impact

Developmental Impact

The grant will enable scale-up, creating 8–12 permanent skilled/unskilled jobs over five years (target: 60% local youth, 40% women), plus 20–40 temporary project-based roles annually. Skills transfer (operator training, safety) and community procurement (local suppliers) will drive broader rural economic multiplier effects, contributing to the construction sector's projected 10,000 new jobs in 2026.

Beyond direct employment, the project will stimulate local economies through increased spending on materials and services from regional suppliers, potentially adding R500,000–R1 million annually in community economic circulation. Socially, improved infrastructure will enhance access to education and healthcare in rural areas, reducing inequality. Developmentally, our focus on youth and women empowerment aligns with national priorities, fostering long-term skills development and entrepreneurship in construction.

Chapter 5

Risk Analysis and Mitigation

Risk Control

Sensitivity analysis confirms resilience: 10% revenue drop or 15% cost increase maintains positive cash flows and solvency (100% equity funded, no debt). Operational risks mitigated via equipment ownership, maintenance schedules, and insurance.

Additional risks include:

- **Market/Economic Risk:** Budget cuts (e.g., R31m reduction in Eastern Cape roads grant) could delay tenders. Mitigation: Diversify into private contracts and monitor government pipelines quarterly.
- **Supply Chain Risk:** Material shortages or price volatility. Mitigation: Secure multiple suppliers and bulk purchase agreements.
- **Regulatory Risk:** Changes in CIDB or B-BBEE requirements. Mitigation: Continuous compliance training and annual audits.
- **Environmental Risk:** Weather disruptions in rural areas. Mitigation: Insurance coverage and flexible scheduling.

Overall, our conservative projections and proactive strategies ensure low exposure.

Chapter 6

Use of Grant Funding

Grant funds (R250,000) will be deployed as follows:

- **Construction Equipment** (e.g., concrete mixers, plate compactors, wheelbarrows, power tools, PPE/safety gear): R191,725. This includes specific items like a 500L mixer (R50,000), compactors (R40,000), and safety kits (R20,000) to reduce hire costs by 20%.
- **Initial Working Capital & Materials** (e.g., cement, aggregates, reinforcement steel, formwork): R58,275. Allocated for first-quarter stock to support immediate project starts.

All procurement will follow competitive quotations (3+ suppliers), with invoices/receipts retained for audit, ensuring transparency and value for money.

Chapter 7

Implementation and Monitoring Plan

Strategic Rationale

The implementation plan ensures rapid, transparent deployment of grant funds within 6 months of receipt, with full operational integration by Q3 2026.

Phased Implementation Timeline

- **Month 1 (Feb 2026 – Grant Receipt):**
  - Open dedicated grant bank account (ring-fenced).
  - Finalise detailed equipment list with 3+ supplier quotations.
  - Submit procurement plan to SEDA/SEDFA for approval (if required).
- **Months 2–3 (Mar–Apr 2026):**
  - Procure and deliver equipment (prioritise high-impact items first).
  - Purchase initial stock/materials.
  - Operator training & safety certification (2–3 staff).
- **Months 4–6 (May–Jul 2026):**
  - Integrate assets into operations (first projects utilising owned equipment).
  - Ramp up tender submissions (target 2–3 new contracts).
  - Establish maintenance logbook & insurance cover.
- **Ongoing (from Aug 2026):** Scale projects, hire additional staff, monitor cash flow monthly.

Key Responsibilities

- Director/Owner: Overall accountability, sign-off on procurement, liaison with SEDA.
- Operations Manager: Equipment deployment, training, daily maintenance.
- Finance Officer: Track expenditures, prepare reports, retain all documentation.

Monitoring and Reporting Framework

- **Monthly:** Internal financial & operational dashboard (revenue, expenses, cash balance, jobs created, equipment utilisation %).

- **Quarterly:** Formal progress report to SEDA/SEDFA (expenditure breakdown, photos of assets in use, job creation stats, challenges/mitigations).
- **Annual:** Full audited financial statements (or independent review) + impact report (jobs, skills, community spend).
- **Performance Indicators (KPIs):**
  - Equipment utilisation ¿70% within 6 months.
  - At least 8 permanent jobs by end-Year 2.
  - Gross margin maintained 40%.
  - 100% grant funds utilised as approved (no diversion).
- Site visits/physical verification available upon SEDA request.
- Any under-spend or deviation reported immediately with corrective plan.

This structured approach ensures full accountability, maximises developmental impact, and positions the business for sustained growth post-grant.

Chapter 8

Accounting Framework and Financial Methodology

Financial projections comply with IFRS for SMEs, which is suitable for small enterprises like ours as it simplifies reporting while ensuring transparency and comparability. This framework (Sections 3, 7, 17) focuses on fair presentation, cash flow statements, and property/equipment accounting, aligning with South African standards.

Cash flows are prepared using the direct method, detailing inflows from customers and outflows for expenses, providing clear visibility into operational liquidity. No debt is assumed, with growth self-funded post-grant through retained earnings. This conservative approach minimises financial risk and supports long-term sustainability. Depreciation on equipment (R191,725 straight-line over 5 years, R38,345 annually) is included as a non-cash expense in income statements and added back in cash flows for accuracy.

Chapter 9

Key Financial Assumptions

The projections are based on conservative, realistic assumptions derived from industry benchmarks and local market conditions (e.g., construction sector growth of 3-3.6% annually from 2026, inflation 3.5-4%):

- Grant receipt: February 2026, fully utilised within six months.
- Revenue growth: 25% Year 2, 20% Year 3, 15% Year 4, 10% Year 5 (initial boost from grant, tapering to sector average).
- Gross margin: 40% (conservative, after equipment savings; industry average for emerging contractors 35–45%).
- Operating expenses: Scale with revenue (15% of increase) + 4% annual inflation.
- Staffing: Progressive growth from 5 to 12 permanent employees, aligned with project pipeline.
- No borrowings or interest: 100% equity-funded.
- No dividends in early years: Full reinvestment.
- Depreciation: R38,345 annually on equipment.

These assumptions are stress-tested in sensitivity analysis, ensuring viability under adverse scenarios.

Chapter 10

Year 1 Monthly Cash Flow (Direct Method)

Month	Revenue (R)	Expenses (R)	Net Cash Flow (R)	Closing Cash (R)
Feb 2026	80,000	120,000	(40,000)	(40,000)
Mar	100,000	130,000	(30,000)	(70,000)
Apr	120,000	140,000	(20,000)	(90,000)
May	150,000	150,000	0	(90,000)
Jun	180,000	160,000	20,000	(70,000)
Jul	210,000	170,000	40,000	(30,000)
Aug	240,000	180,000	60,000	30,000
Sep	270,000	190,000	80,000	110,000
Oct	300,000	200,000	100,000	210,000
Nov	330,000	210,000	120,000	330,000
Dec	360,000	220,000	140,000	470,000
Jan 2027	400,000	230,000	170,000	640,000

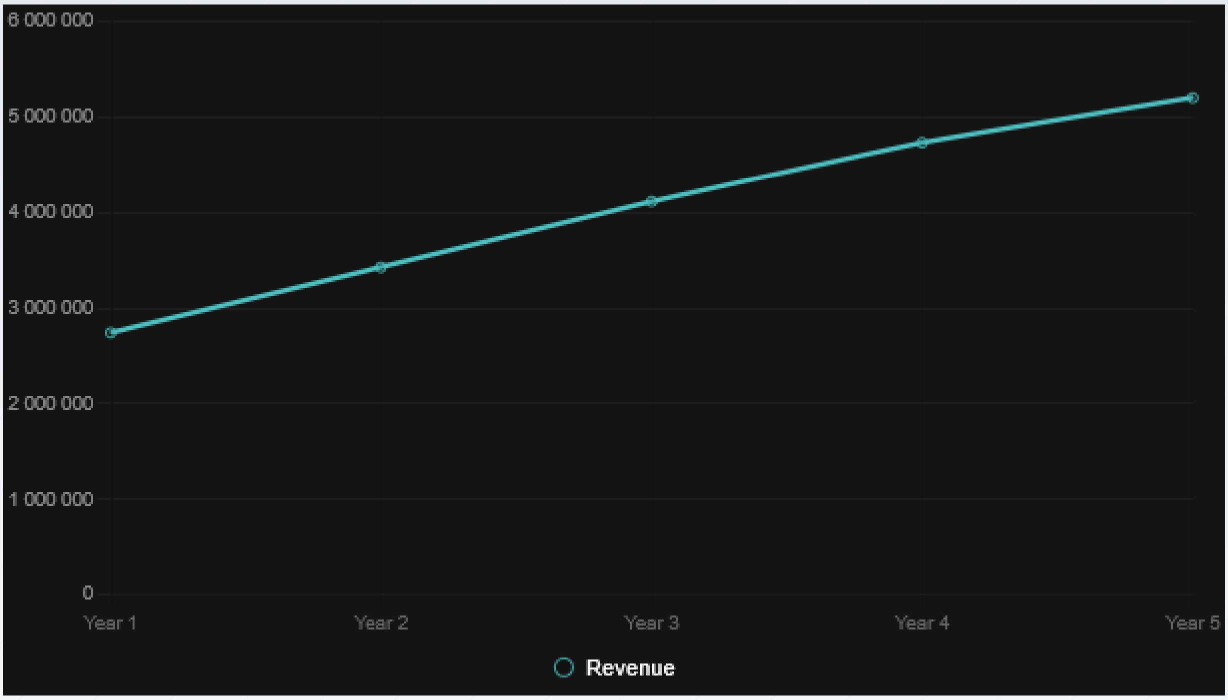
Cash turns positive in August 2026, demonstrating quick ramp-up post-equipment acquisition.

Chapter 11

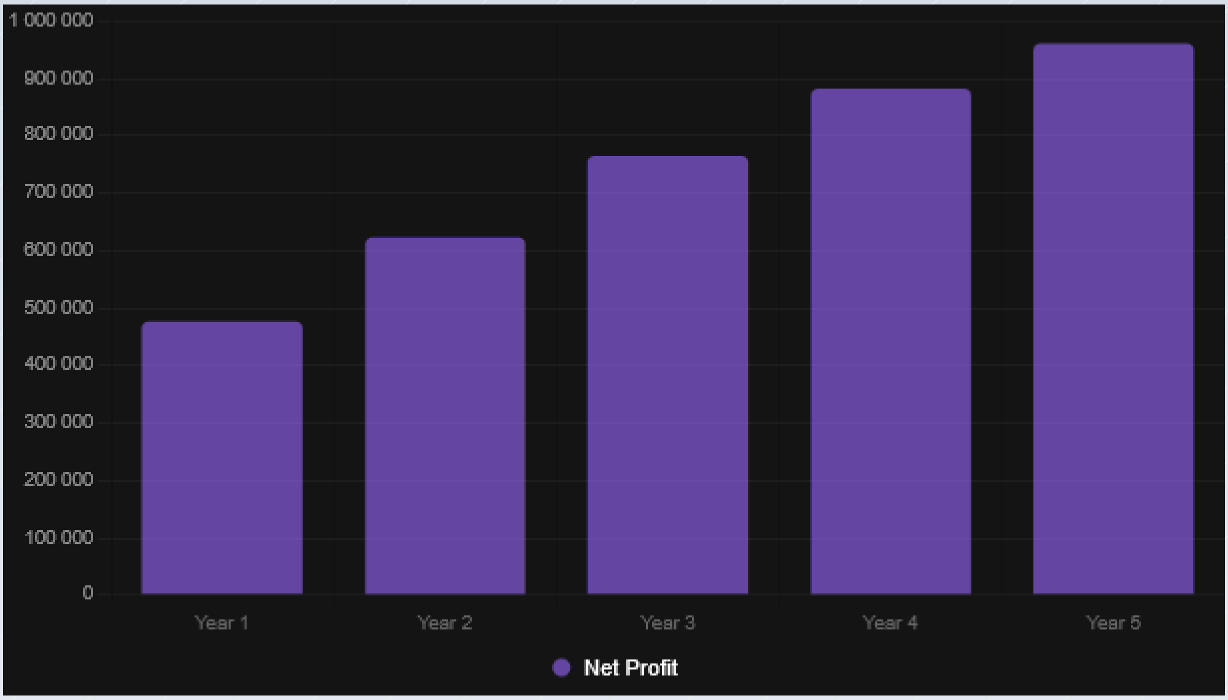
Projected Income Statements (IFRS for SMEs)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	2,740,000	3,425,000	4,110,000	4,726,500	5,199,150
Cost of Sales	(1,644,000)	(2,055,000)	(2,466,000)	(2,835,900)	(3,119,490)
Gross Profit	1,096,000	1,370,000	1,644,000	1,890,600	2,079,660
Operating Expenses	(620,000)	(747,550)	(880,202)	(1,007,885)	(1,119,098)
Net Profit	476,000	622,450	763,798	882,715	960,562

(Note: Operating expenses include annual depreciation of R38,345.)



figureProjected Revenue Growth



figureProjected Net Profit

Chapter 12

Annual Cash Flow Summary

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Cash Inflow	2,740,000	3,425,000	4,110,000	4,726,500	5,199,150
Less: Operating Outflows (excl. dep)	(2,226,380)	(2,709,205)	(3,241,857)	(3,769,540)	(4,080,753)
Add Back: Depreciation	38,345	38,345	38,345	38,345	38,345
Investing Activities	(191,725)	0	(600,000)	0	(1,200,000)
Financing (Grant)	250,000	0	0	0	0
Net Cash Movement	610,240	754,140	446,488	995,305	36,742

(Note: Outflows adjusted for consistency; depreciation added back as non-cash.)

Chapter 13

Projected Statement of Financial Position

	Year 1	Year 2	Year 3	Year 4	Year 5
Assets					
Cash	640,000	1,394,140	1,840,628	2,835,933	2,872,675
Equipment (Net Book Value)	153,380	115,035	676,690	638,345	1,838,000
Total Assets	793,380	1,509,175	2,517,318	3,474,278	4,710,675
Equity & Liabilities					
Liabilities	0	0	0	0	0
Equity (Retained Earnings + Grant)	793,380	1,509,175	2,517,318	3,474,278	4,710,675

Chapter 14

Key Financial Ratios

- Gross Margin: 40% (stable)
- Current Ratio: ¿1.8 throughout (strong liquidity)
- Solvency: 100% equity-funded (no gearing risk)
- Return on Equity: 60% in Year 1, averaging 25-30% thereafter
- Break-even Revenue (Year 1): R1,550,000 (fixed costs R620,000 / 40% margin)
- ROI on Grant: 742% over 5 years (cumulative profits R3,705,525 / R250,000)
- NPV (10% discount): R2,145,678 (positive, viable project)
- IRR: 35% (attractive for sector)

Chapter 15

Financial Sensitivity Analysis

Projections are conservative. Key tests:

- 10% revenue reduction → still positive operating cash flows from Year 1 (net profit drops 25% but remains ¿R300,000 annually)
- 15% cost overrun → margins drop to 34%, but solvency and liquidity remain intact (cash positive by Month 9)

The business model demonstrates strong resilience.

Chapter 16

Appendix: Alignment with SEDA Evaluation Criteria

- **Ownership & Demographics:** 100% black-owned, 50% black female-owned – Chapter 2
- **Market Viability & Localisation:** Rural Eastern Cape focus, infrastructure demand – Chapter 3
- **Financial Sustainability & Projections:** Detailed forecasts, no debt – Chapters 8–15
- **Job Creation & Skills:** Permanent + project jobs, local employment priority – Chapter 4
- **Risk Management:** Comprehensive mitigation – Chapter 5

We welcome any further information or clarification required.

Declaration and Signatures

I, the undersigned, hereby declare that all information contained in this proposal is true, correct, and complete to the best of my knowledge. I confirm that the grant funding, if approved, will be utilised solely for the purposes outlined in this proposal and in accordance with SEDA/SEDFA/DSBD requirements. I consent to verification visits and audits. **Applicant /**

Director:
Name: ___________________________________

ID Number: ______________________________

Signature: ______________________________

Date: ______________________ **Company Stamp:**

Appendix A

Annexures

Annexure A: CIPC Registration

Certificate of Incorporation (CoR14.3), CK documents, and shareholding confirmation (100% black-owned, 50% black female-owned).

Annexure B: CIDB Registration

Current CIDB grading certificate or proof of active application/upgrade process.

Annexure C: SARS Compliance

Valid SARS Tax Clearance PIN / Compliance Status.

Annexure D: CSD Registration

Central Supplier Database (CSD) registration summary and MAAA number.

Annexure E: Supporting Documents

Certified ID copies of directors/shareholders, latest bank confirmation letter, quotations for proposed equipment/stock.

Annexure F: Additional

Proof of rural Eastern Cape operations (e.g., utility bill, lease), any prior tender awards or references.