

BUSINESS FINANCING DIALOGUE

9th JUNE 2020

*A web-based seminar organised by Machinery and Equipment Productivity Nexus,
Malaysia Productivity Corporation with the cooperation of SME Bank, Export-Import
Bank of Malaysia and Credit Guarantee Corporation*

Rapporteur's Report

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1. EXECUTIVE SUMMARY

Business Financial Dialogue was a series of dialogue under Machinery and Equipment Productivity Nexus (MEPN). Under MEVAC 1.0, MEPN had invited 42 companies to the clinic sessions. Through the clinic sessions, MEPN identified that the financial problem was one of the major issues faced by the companies in Machinery and Equipment industry.

MEPN took an initiative to collaborate with SME Bank, Export-Import Bank of Malaysia (EXIM Bank) and Credit Guarantee Corporation (CGC) to address the issue of financial problem as they were deemed having significant roles in helping M&E companies. MEPN invited three panellists to the dialogue. They were Mr. Hamdan Mohd Habibulloh (Head of Programme and Stakeholder Management, SME Bank), Mr. Marazizi (Chief Business Officer SME and Commercial Banking, EXIM Bank) and Mr. Wong Keet Loong (Senior Vice President Sales and Business Development, CGC).

Due to Covid-19 pandemic, the dialogue was held using a web-based seminar (Webinar) platform. Mr. David Khor, the Chairman of Malaysia Industry 4.0 System Integrator Association (MISI4.0) was the moderator during the dialogue. The dialogue was in a one-way communication. At the end of the dialogue, the audiences were allowed to ask question by dropping their questions in the drop box. The questions then picked up by moderator and the panellists answered the questions accordingly.

The dialogue started at 3 p.m. with opening session by Program Manager of MEPN, Dr. Mazlina Shafii and followed by presentation from SME Bank, EXIM Bank, CGC and the last part was Question & Answer Session. The dialogue ended at 4:45 p.m.

2. OPENING SESSION

The Programme Manager of MEPN, Dr. Mazlina Shafii started the dialogue at 3 p.m. After welcoming the audiences, she introduced herself, moderator and

panellists. She informed that the dialogue was the first series of financial dialog under MEPN. She provided a general overview of the dialogue. She emphasized that the objective of MEPN is making M&E business productive through business virtual advisory services due to the Movement Restriction Order (MCO) and the new normal post Covid-19 that affected business activities.

Taking his turn, the moderator Mr. David Khor expressed gratitude to all participants for their present to the webinar dialogue. He added that the webinar platform is a new normal in Recovering Movement Restriction Order (RMCO) period. He noted that the government of Malaysia has launched a series of stimulus package under National Economic Recovery Plan. He acknowledged that some companies are not well informed and really understand the stimulus package. He stressed that the dialogue was designed for SME companies to get the information. He drew attention to the panellists' profile and said that all panellists have been serving in banking industry more than 20 years. He added that the panellists had experienced battling the economic crises in 1985-1986, 1997-1998 and 2008-2009. He finally invited the panellists to start their presentation after he made housekeeping announcements.

3. SME BANK'S PRESENTATION

Mr. Hamdan Mohd Habibollah, Head of Program and Stakeholder Management, SME Bank, made the first presentation.

He started the presentation with quick facts of SME Bank and continued the presentation with SME Bank General Financing Criteria. He stressed that the SME Bank General Financing Criteria was designed only for SME companies to seek financial assistant. He added, the companies must meet the bank requirements and demonstrate a good financial health.

He said that the bank has a size of financing of minimum RM100,000 and maximum RM50 million; adding that the single customer limit for group company is RM100 million. Speaking on the SME classification, he said that

the companies' sales must not exceed 50 million (manufacturing companies) and RM20 million (services companies) to make them eligible to seek financial assistance as an SME company.

Speaking on the type of financing, he said that the SME Bank offers two types of financing; working capital and asset financing. He informed that applicant activities must comply with government regulation and limited to manufacturing, services and construction which do not contradict with shariah principles. He informed that currently the SME Bank is offering Special Fund for Tourism 3 in collaboration with Ministry of Tourism and Culture (MOTAC).

At the end of his presentation, Mr. Hamdan invited all participants to visit SME Bank's webpage and apply for suitable financing program with three simple steps. He thanked everyone for their participation.

4. EXIM BANK'S PRESENTATION

Mr. Marazizi Omar, Chief Business Officer SME & Commercial Banking, Export-Import Bank of Malaysia Berhad, made the second presentation.

He started the presentation with the financing reports and overseas ventures of EXIM Bank. He informed that EXIM Bank is one of six Development Financial Institutions (DFI) in Malaysia. Speaking on the EXIM international fraternity, he said that EXIM Bank is a part of Export Credit Agencies (ECA) and the bank works closely with the other nine EXIM banks in other countries. He added the EXIM Bank of Malaysia Berhad is able to offer financing program to SME companies that are registered both in Malaysia and overseas.

Speaking on the integrated solutions for international businesses, he drew attention to three solutions that the EXIM Bank offers; banking and financing; banking advisory; and trade credit protections. He added, EXIM Bank also supports international businesses in term of international law & regulation, technical requirement, economy & market condition, merger & acquisition, pitfalls & risks mitigation, G2G diplomatic support, security recruitment, equity

participation / credit participation, cross border issues & challenges and financial capacity & readiness. He informed that the bank provides three types of value proposition. The three types of value proposition are capital expenditure, operating expenditure and protection. He explained that machinery and equipment is under capital expenditure.

Speaking on the focused sectors, Mr. Marazizi said that the bank is focusing on six sectors. The six sectors are industrial products, technology, logistics and communications, engineering and maintenance, healthcare as well as food essentials. He added, the bank also focuses on high value-added business operations. He explained that the high value-added business operations are manufacturing, infrastructure development, plantations and commercial development. He emphasized that the bank also gives full support for companies to invest in overseas.

He expressed the thought of bank on the digital transformation. He said that the bank advises companies to look into solutions instead of products. He called this strategy as razor-blade business strategy and the bank is interested to look into this kind of strategy. He urged companies to expand business in overseas. At the end of the presentation, he noted the challenges in automation adoption and emphasized on the outcomes by adopting automation. He invited all participants to visit EXIM Bank's webpage. He thanked everyone for their participation.

5. CGC'S PRESENTATION

Mr. Wong Keet Loong, Senior Vice President, Sales & Business Development, Credit Guarantee Corporation made the last presentation.

He started the presentation with the introduction to CGC. He said that the CGC is one of Bank Negara Malaysia (BNM)'s subsidiaries. He added, CGC has three main pillars and providing the guarantee is the main business that CGC does. He explained that CGC works behind the banks.

Speaking on the direct financing, he said that the CGC started to do direct financing. CGC has its branch in every states in Malaysia with a total of 16 branches except in Perlis. He added that CGC has two branches in Johor, Sarawak and Sabah. These branches provide direct financing to companies. He informed that there are four contracts financing that CGC offers. He said that the four contracts financing are Tabung Projek Usahawan Bumiputera-I (TPUB-i), BizMula-i, BizWanita-i and BizBina-i. He emphasized that the projects that companies seek financing must be shariah-compliant.

Speaking on the beyond guarantee, Mr. Wong said under this pillar, CGC has developed a special platform for SME companies to seek financing / loan. He added that despite offering financing / loan, CGC does provide advisory for financial access and advisory for market access which are under CGC developmental programme. He said that CGC does support BNM through MyKNP programme.

Mr. Wong drew attention to imSME. He informed that there are four easy steps for SME companies to apply for a loan or financing. He explained that the first step is to give CGC some info and the second step is to tell CGC about their businesses. He added that after the companies completed the second step, it will lead to the third step, that is registration. He said that at the last step the companies will be able to compare and choose the relevant loan or financing. Mr. Wong invited all participants to visit CGC's webpage and he ended the presentation with explanation on the MyKNP.

6. QUESTION AND ANSWER SESSION

Moderator, Mr. David khor took over the platform. He thanked Mr. Wong for the presentation. He announced that Q&A session has begun.

6.1 The moderator stated the first question. He said that the company is from Wilayah Persekutuan Kuala Lumpur, established in 2002. The company involved in manufacturing of heavy-duty scaffold and crane. The company also involved in leasing and renting business. Due to the

Covid-19 pandemic, the business activities decrease by 40 - 60%. The company seeks advice from financial institution on how to move forward.

Mr. Hamdan answered that the company is suggested to sit down with their banker and discuss on what is the best way to restructure and reschedule their financing. He added, most of banks understand this issue and can give solutions.

- 6.2 The moderator thanked Mr. Hamdan and proceeded with question number two. He stated that the company is from Penang and established in 2004. The company produces conveyer system, handles equipment for bulk materials, process plant and machinery. Due to the Covid-19, most of their business activities are now on hold. The company would like to get some financial advices in order to keep their business in operation. The company has applied for a loan but the loan has not been approved yet. The company also has to turn down the projects in overseas due to the work permit and cash flow issues. The company previously relied on their projects in overseas. The moderator asked inputs from Mr. Marazizi.

Mr. Marazizi answered that his suggestion would be the same as what Mr. Hamdan suggested in the previous question. He recommended the company to discuss with the bank and share their business strategy. This is important for the bankers to understand their situation and would be able to come out with solutions. He suggested the company to discuss with the bank as soon as possible and provide sufficient information.

- 6.3 The moderator thanked Mr. Marazizi and proceeded with question number three. He stated that the company is from Perak and established in 2017. The company produces power barrow and mini truck for the usage in plantation industry. For the last three years, the company was

doing really well. The company has intended to expand their business. The company is looking for funding.

Mr. Wong answered that the equity crowd fund (ECF) might be the easiest fund that the company can apply. The company need to inform CGC about their business model and projection of the business in the next few years. CGC will source investors to the company. If the required amount is less than RM300,000, the company can go to any CGC's branches.

- 6.4 The moderator thanked Mr. Wong and proceeded with question number four. He stated that the company name is Pantai Selamat Energy Berhad. The company would like to know if there are other banks can provide financing scheme for solar photovoltaic (PV) system other than CIMB Bank.

Mr. Hamdan answered that the SME Bank used to provide Green Technology Financing Scheme (GTFS) for companies that involved in green technology. He said that he need to confirm whether the scheme is still available.

Mr. Wong answered that the GTFS program is still offered by CIMB Bank and CGC does provide the guarantee. The company need to specify the element that the company need to finance.

- 6.5 The moderator thanked Mr. Hamdan and Mr. Wong. He proceeded with question number five. He stated that the question came from Mr. Kelvin. Mr. Kelvin would like to know if there are any financial assistants from banks or government agencies for recycling industry.

Mr. Wong answered that if the company involved in green technology, the company can apply for GTFS scheme. Basically the government provide 60% guarantee, the bank issues the landing, 2% interest rebate will be given by the government.

Mr. Marazizi answered that EXIM Bank does not have specific scheme for this but previously has financed a number of companies in this industry. The element of business must be in the sense of export-oriented.

Mr. Hamdan answered that SME Bank does not have specific scheme for this industry. The company still has a chance to apply for the financial assistant but it depends on the viability of the project.

- 6.6 The moderator thanked Mr. Wong, Mr. Marazizi and Mr. Hamdan for the inputs. He invited one of the participants, Mr. Arif Fadzli to ask the question directly.

Mr. Arif Said that his company has collaborated with MARDI in Agriculture Industry. His company is focusing on the technology and innovation in paddy production. He said that it is hard to get financial assistant to expand his business.

Mr. Hamdan answered that at the moment SME Bank does not have experience in financing company that involved in primary sector. He suggested Mr. Arif to sit with any relevant government agencies to discuss on this matter. He added, if Mr. Arif plan to move to downstream products, SME Bank could assist him.

Mr. Wong answered that the involvement in technology to produce foods is one of the good things that the government should pay attention on. He added, recently BNM has announced some financial assistants to SMEs. He suggested Mr. Arif to check it out.

Mr. Marazizi answered that he aware of the challenges that Mr. Arif is facing. He said the bank will look at the conversion of the technology into return on investment (ROI) and the ability of the company to make the payment.

7. CLOSING REMARKS

The moderator thanked the panellists for their time. He expressed his gratitude to the Malaysia Productivity Corporation (MPC). He handed over the screen to Dr. Mazlina, Programme Manager, MEPN.

Dr. Mazlina thanked the panellists for their time. She emphasized that MEPN is always available to guide and assist SME companies. She hoped to see the companies in the next mentoring program.