

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 Shafi'i 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 of 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 state 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 types of financing schemes that CGC offers. He said that the four schemes are Tabung Projek Usahawan Bumiputera-I (TPUB-i), BizMula-i, BizWanita-i and BizBina-i. He emphasized that the companies seek financing must be shariah-compliant.

Speaking on the beyond guarantee, Mr. Wong said under this pillar, CGC has developed an online platform (www.imsme.com.my) 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

The moderator, Mr. David khor took over the platform with thanks to Mr. Wong for the presentation. He announced that Q&A session will begin.

6.1 The moderator read the first question came from the company in 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 businesses. Due to the Covid-19

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

Mr. Hamdan suggested for the company to discuss with their existing banker in term of restructuring and rescheduling their financing. He also mentioned that most of the banks are keen to listen to the problems faced by the business owners.

- 6.2 The moderator thanks Mr. Hamdan and proceed with the second question. He stated that the company is from Penang and established in 2004. The company produce conveyer system, handles equipment for bulk materials, process plant and machinery. Due to the Covid-19, most of their business activities are on hold. The company would like to get some financial advice to keep their business operation. They applied for loan yet to get approved. Due to this, the company has to turndown the overseas projects due to the work permit and cash flow issues. The company mainly relies on their overseas projects. He then pass this question to Mr. Marazizi for his response.

Mr. Marazizi responded by mentioning that his suggestion would be alike as what Mr. Hamdan suggested earlier. He recommends for the company to discuss comprehensively about their business, business strategy and proposition with their existing bank. Therefore, the bank can come out with proper solutions whether through moratorium or deferment throughout this moment. He also suggests for the company to discuss with the bank as early as possible since overseas projects comprise of many areas. In addition, most financial institutions/banks may reluctant to provide financing in regard of the company assurance due to several issues such as law and logistic.

- 6.3 The moderator thanks Mr. Marazizi and proceed with the third question. He mentioned that the company is from Perak and established in 2017. The company produces power barrow and mini truck for the usage in

plantation industry. The company was doing well for the last three years. The company has intention to expand their business and currently looking for private or VC funding.

Mr. Wong response that the Equity Crowd Fund (ECF) might be the right platform to be engage by the company whom seeking for capital injection. First, the ECF would need to understand the business model and projection of the business. Then, they will try to source for investors for the company to expand their business and there will be some form of return to the investor as well. On the other hand, if the working capital is less than RM300,000.00, the company are welcomed to come to any CGC branches.

- 6.4 The moderator thanks Mr. Wong and proceed with the next question. He stated that the company's name is Pantai Selamat Energy Berhad. The company would like to know if there are any other banks that can provide loan/scheme for solar photovoltaic (PV) system besides CIMB Bank.

Mr. Hamdan responded that the SME Bank used to have previous exposure on Green Technology Financing Scheme (GTFS) for companies that involved with green technology. However, he cannot recall whether the scheme is still active or not.

Mr. Wong answered that the GTFS offered by CIMB Bank is still available and they added the Greentech financing which guaranteed by the Government, but the company must be certified by green certification before applying for this fund.

- 6.5 The moderator thanks to both speaker and proceed to another question came from Mr. Kelvin. Mr. Kelvin would like to know if there is any

financial supports or government grant that available for recycling industry.

Mr. Wong answered that the company can apply for GTFS if they involved in green technology. Basically, 60% guaranteed and 2% interest rebate will be given by the government, whereby the bank will issue the lending.

Mr. Marazizi on the other hand answered that EXIM Bank does not have specific scheme for this kind of business but encourage to do so as long that the element of the business is export oriented. However, the business owner needs to identify whether it is a consumer waste or industrial waste. They also look at the viability of the business.

Mr. Hamdan response that SME Bank does not have specific scheme for this industry. But 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 thanks to all panellists for their feedbacks. Due to time constraint, he invited one of the participants, Mr. Ariff Fadli to ask the last question directly to the panellists.

Mr. Ariff informed that his company has collaborate with MARDI in Agriculture Industry whereby his company is focusing on the technology and innovation in paddy production. He also mentioned that it is hard to get financial assistant in order to expand his business.

Mr. Hamdan answered that SME Bank does not have any experience in regarding Mr. Ariff situation, but he did love the spirit shows by Mr. Ariff

to improve the Agri based product. He also recommended the needs for government agencies or ministries to engage and discuss with Encik Ariff since Encik Ariff has greater knowledge for this Agri based product. In addition, he added that SME Bank could assist Mr. Ariff if he plan to move to downstream products.

Mr. Wong response that the involvement in technology to produce foods is one of the good things that the government is supporting. Recently, BNM has also announced Agrofood facility to support the Agri business.

Mr. Marazizi response that he aware of the challenges faced by Mr. Ariff. 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.

6.7 **Q:** What are the extra ordinary service that Exim bank able to offer during this pandemic critical period for exporter?

A:

6.8 **Q:** How about the Government Skimmed that giving out to Public? How can we get that facility?

A:

6.9 **Q:** What is the trade credit insurance rate offer by Exim bank?

A:

6.10 **Q:** SFR offer by commercial bank with very small amount but asking director guarantor beyond company asset. Is that normal?

A:

6.11 **Q:** If I get the loan approval from bank now, can I enjoying zero compounded interest during this deferment period from 1 April to 31 Sept?

A:

6.12 **Q:** This is atex worldwide dealing in digital inkjet printing machinery. on Exim bank, beside those ordinary products, is Exim bank offer any special package during this pandemic period? and on trade credit insurance, what kind of rate that offer by Exim bank and is this product extend to specific trade insurance?

A:

6.13 **Q:** Can any SME bank or Exim bank offer USD Bank guarantee, for a performance bond in a latest contract we have awarded. Customer required performance bond. the Bank guarantee have to be in USD, as our LOA is in USD. we have consulted few banks but all insist RM currency.

A:

6.14 **Q:** Hi Mr. Wong Keat Loong, I have went to IMSME, to register the account, but cannot. Can ask someone to help me.

A:

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 thanks 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.