

**GUIDELINE FOR THE MADANI SMART AUTOMATION GRANT
UNDER THE MADANI ECONOMY**

1. BACKGROUND

- 1.1. The MADANI Smart Automation Grant (SAG MADANI) was introduced under the MADANI Economy initiatives in August 2023.
- 1.2. Under the SAG MADANI scheme, the Government has allocated RM100 million.
- 1.3. The main objectives of the SAG MADANI are as follows:
 - i. Supporting and assisting Micro, Small and Medium Enterprises (MSMEs) to automate and digitalise their operations and production processes.
 - ii. Enhancing productivity and efficiency in the manufacturing and service sectors.
 - iii. Creating employment opportunities in high-value-added sectors.
 - iv. Stimulating domestic investment

2. GRANT

- 2.1. The SAG MADANI will be provided on a **matching basis (70:30) based for eligible expenditures, with a maximum grant of Ringgit Malaysia One Million (RM1,000,000) per company.**

3. ELIGIBLE EXPENDITURES

- 3.1. **Eligible expenditures** refer to the automation machine/ equipment/ software* that are used directly in the overall value chain of manufacturing and services activities.

**Note:*

The software that is embedded in machinery/equipment or used to perform specific functions related to the company's core activity.

- 3.2. **Non-eligible expenditures**:**

- Purchase or rental of land / building / office / vehicles / furniture
- Rental of automation machine/ equipment/ software
- Purchase or rental of second-hand or refurbished automation machinery / equipment / software

- Maintenance and repair costs including renovation of the premise
- Wages paid to employees
- Employee benefits programs
- Legal and stamp duty fees
- Insurance
- Collateral or loan including its interest paid for purposes other than smart automation
- Office expenses and supplies including general-purpose computers & peripherals and mobile phones
- Utility expenses
- Advertising and marketing expenses
- Bank charges, cost of guarantees and similar charges
- Debts and debt service charges
- Any form of taxes and duties
- Fines, financial penalties and expenses of litigation
- Conversion cost, charges and exchange losses

***This list is not meant to be exhaustive and will be reviewed from time to time.*

3.3. The company is not allowed to dispose of any machinery/ equipment/ software within the grant period.

4. ELIGIBLE APPLICANTS

4.1. Incorporated under the Companies Act, 1965/ 2016.

4.2. Effective equity of the company must be at least 51% owned by Malaysians.

4.3. The company possesses a valid Business Licence from a Local Authority.

4.4. The company must engage in the following activities:

- i. **Manufacturing activity** in compliance with the Industrial Co-ordination Act, 1975; or
- ii. **Services activities** that is governed/supervised by relevant ministries/agencies in the following area:

- Hotel and Tourism;
- Private Healthcare;
- Private Education;
- Oil & Gas Services;
- Global Establishment - Principal Hub/Global Services Hub;
- R&D Activities;
- Logistics Services; or
- Other Services
 - Ship Building Ship Repair
 - Green Technology Project – Business Purpose
 - Sterilisation Services
 - Digital Infrastructure
 - Maintenance, Repair & Overhaul for Aerospace

- 4.5. The company possesses a valid Manufacturing License (ML) from MITI or a Confirmation Letter for Exempted from ML from MIDA under the Industrial Co-ordination Act, 1975 (Applicable for manufacturing companies only) OR a copy of License/ Permit/ Support letter from relevant ministries/ agencies that govern the activities. (Applicable for services company only).
- 4.6. Eligible for MSMEs with the following definition:
- i. Micro Enterprises across all sectors: Sales turnover of less than RM300,000 OR less than 5 full-time employees.
 - ii. Small and Medium Enterprises (SMEs) for the respective sectors.

	Manufacturing	Services
SMEs	Sales turnover not exceeding RM50 million <u>or</u> Employees not exceeding 200	Sales turnover not exceeding RM20 million <u>or</u> Employees not exceeding 75

Note:

- All MSMEs must be entities registered with the Companies Commission of Malaysia.
- SMEs with shareholders of more than 20% by Public Listed Companies in the main board, Multinational Corporations (MNCs), Large Firms, Government Link Companies (GLCs), Government-owned Companies, Syarikat Menteri Kewangan Diperbadankan (MKDs) and State-Owned enterprises (if any) are NOT eligible.

- 4.7. The company has been **in operation** for at least **3 years**.
- 4.8. Any company that has been approved for the Industry4WRD Intervention Fund (IIF), Smart Automation Grant from MIDA and Malaysia Digital Economy Corporation (MDEC), and Domestic Investment Strategic Fund (DISF) for modernisation and upgrading of machine and equipment, is not eligible to apply for this grant. **The company can apply for SAG MADANI two (2) years after utilising the approved grants (based on the final grant payment received by the company).**
- 4.9. An applicant considered a related company to another company that has previously received any of the grants mentioned in 4.8 is not eligible to apply for this grant.
- 4.10. The company **must meet at least two** of the Committed Deliverables as attached in Appendix I.

5. PROJECT DURATION

- 5.1. The project must be completed within **18 months from the effective date of the grant period**, which begins on the date MIDA issues the Acknowledgement Letter upon receiving the complete application form.

- 5.2. Any unutilised grant amount after 18 months from the effective date of the grant period will be withdrawn. **Requests for an extension of the grant period will not be considered.**
- 5.3. Expenditures incurred prior to the issuance of the Acknowledgement Letter by MIDA (the effective date of the grant period) will not be eligible for consideration or reimbursement.

6. APPLICATION PROCESS

The application processes are as follows:

- 6.1. The Company can submit its application for SAG MADANI to MIDA with an evaluation fee of **RM3,000.00 per application.**
- 6.2. The fee will be charged upon submission to MIDA which covers the evaluation process for grant application and its disbursement. This fee is non-refundable and the company is advised to carefully reviewing the eligibility criteria and guidelines before submission to ensure a successful application.
- 6.3. MIDA will review the application and if the required information is complete, an Acknowledgment Letter will be issued. Incomplete applications will be returned.
- 6.4. The result of the application will be notified by MIDA based on decision made by the Approval Committee. Their decision is final.
- 6.5. Successful applicants will receive an **offer letter** and are required to sign a grant agreement with MIDA.
- 6.6. The Grant Agreement (including stamping) should be return to MIDA within **30 days from the date of the offer letter.** If the company is unable to meet the specified timeframe, the **grant offer will be canceled and any request for extensions will not be entertained.**
- 6.7. The awarded company has to undertake the approved project and submit claim for disbursement within the grant period (please refer to para 5.1).
- 6.8. MIDA will conduct an audit and report the audit findings to the *Jawatankuasa Penyelarasan & Pembayaran Geran (JPPG)* for grant disbursement decisions.
- 6.9. After approval by JPPG, MIDA will disburse the grant to the awarded company. In the case of companies using the *Hire Purchase Financing through Financial Institutions, the grant will be disbursed to the respective Banks or Financial Institutions.

* Note:

Company may apply for hire purchase financing from the Bank or Financial Institution (licensed under Bank Negara Malaysia) to purchase the automation machine/ equipment/ software and use the MIDA Approval Letter as a supporting document.

7. HIRE PURCHASE MECHANISM WITH FINANCIAL INSTITUTIONS

- 7.1. MIDA collaborates with Banks and Financial Institutions that offer Hire Purchase Financing for automation machine/ equipment/ software to companies.
- 7.2. Any company secures a loan/financing through the hire purchase facility from a licensed financial institution in Malaysia (under the authority of Bank Negara Malaysia) to fund the approved machines and equipment, the disbursement amount, which follows a 70:30 matching basis, will be directly transferred to the respective financial institution.
- 7.3. For grant disbursement to MIDA, the company is required to provide a certified true copy of the hire purchase agreement and the relevant documents outlined in the grant agreement. These documents must be verified by a recognised external auditor, and the company is responsible for covering the certification costs for all relevant documents and invoices.

Note: Financial Institutions refers to Financial Institutions licensed under Bank Negara Malaysia. The list is at <https://www.bnm.gov.my/list-of-licensed-financial-institutions>.

8. EFFECTIVE DATE OF APPLICATION

Applications received by the Malaysian Investment Development Authority (MIDA) from **10 November 2023 until 31 December 2023** will be eligible for consideration for this grant. However, the approval of these applications is subject to the availability of funding and allocation by the Government of Malaysia and the prevailing policy in force.

9. APPLICATION SUBMISSION

- 9.1. Applicants are required to submit the following documents (please refer check list in the **Appendix II**).
- 9.2. The application should be made online at <https://investmalaysia.mida.gov.my/>
- 9.3. For enquiries and clarification, please refer to:

MIDA website	:	www.mida.gov.my
Tel	:	(603) 2267-3633
Fax	:	(603) 2273-4208
E-mail	:	investment@mida.gov.my

COMMITTED DELIVERABLES: CALCULATION FORMULAS AND MEASURES (MUST MEET AT LEAST TWO)

No.	Committed Deliverables	Calculation Formulas	Measures	Sector
1.	Increase of Malaysian skilled workers with a basic salary of minimum RM5,000.00 / month	<p style="text-align: center;">$(W2 - W1)/W1 \times 100$</p> <p>W1: Number of Malaysian workers directly involved before use of equipment / machine / software with a basic salary of minimum RM5,000.00 / month W2: Number of Malaysian skilled workers directly involved after introduction of equipment/ machine / software with basic salary of minimum RM5,000.00 / month</p>	Percentage of increase Malaysian skilled workers after the use of equipment/machine/software with basic salary of minimum RM5,000.00 / month	Manufacturing / Services
2.	Reduction in Man Hours	<p style="text-align: center;">$(M1 - M2)/M1 \times 100$</p> <p>M1: Direct man-hour involved to produce 1 item or 1 batch before use of equipment/machine/software M2: Direct man-hour involved to produce 1 item or 1 batch after introduction of new equipment/ machine/software</p>	Percentage of reduction in number of hours worked to produce 1 item or batch of item after the use of equipment/machine/software	Manufacturing / Services
3.	Increase in Production Volume	<p style="text-align: center;">$(V2 - V1)/V1 \times 100$</p> <p>V1: Production volume per day before the use of equipment / machine / software V2: Production volume per day after the use of equipment / machine / software</p>	Percentage of increase in production volume as a result of the use of equipment/machine/ software	Manufacturing
4.	Quality Improvement (Reduction in Defect Rate)	<p style="text-align: center;">$(D1 - D2)/D1 \times 100$</p> <p>D1: Defect rate before the use of equipment/ machine / software D2: Defect rate after the use of equipment/ machine / software</p> <p>Defect rate = No. of defects/Total number of goods produced</p>	Percentage reduction of defect rate as a result of the use of equipment/machine/software	Manufacturing

No.	Committed Deliverables	Calculation Formulas	Measures	Sector
5.	Increase in Services Delivery / Sales	$(S2 - S1)/S1 \times 100$ S1: No. of services delivered per day before the use of equipment / machine / software S2: No. of services delivered per day after the use of equipment / machine / software	Percentage of increase in services delivery/sales as a result of the use of equipment/machine/software	Manufacturing / Services
6.	Reduction of Man Hours in Delivering Services	$(C1 - C2)/C1 \times 100$ C1: Direct man-hour involved to deliver a service before use of equipment/ machine / software C2: Direct man-hour involved to deliver a service after introduction of new equipment/ machine / software	Percentage of reduction in number of hours worked to deliver after the use of equipment/machine/software	Manufacturing / Services

Note:

* The workers refer to "full-time paid employees" which is define to all persons normally working in the establishment for at least six hours a day and at least 20 days a month for 12 months during the year and receives salary. This includes traveling sales, engineering, maintenance and repair personnel who are paid by and are under the control of the establishment. It also includes directors of incorporated enterprises except those paid solely for their attendance at board of directors' meetings.

(A) DOCUMENT CHECKLIST				
Application Form via https://investmalaysia.mida.gov.my/			<input type="checkbox"/>	
Summary latest 3 Years Audited Financial Statement			<input type="checkbox"/>	
1) Audited Account info (Profit/Loss)				
2) Ratio of Current Asset and Liabilities (Debt-Equity Ratio)				
	20XX	20XX		20XX
Revenue				
Profit (loss) before tax				
Tax contribution				
Net profit (loss)				
Fixed assets				
Current assets				
Current liabilities				
Current ratio				
Latest printout of SSM Company Profile (e-Info) by Companies Commission of Malaysia (SSM)			<input type="checkbox"/>	
A copy of Business Licence from Local Authority			<input type="checkbox"/>	
A copy of Manufacturing Licence (ML) OR a Confirmation Letter Exempted from ML from MIDA under Industrial Co-ordination Act, 1975 (Applicable for manufacturing company only)			<input type="checkbox"/>	
A copy of License/ Permit/ Support letter from relevant ministries/ agencies that govern the activities. (Applicable for services company only)			<input type="checkbox"/>	
Diagram of the existing production line with proposed addition/retrofitting of machine/ equipment/ system/ hardware/ software			<input type="checkbox"/>	
Quotation of machine/ equipment/ system/ hardware/ software			<input type="checkbox"/>	
Supporting documents for the proposed projects (if applicable)			<input type="checkbox"/>	

(B) ELIGIBILITY CRITERIA CHECKLIST	
Incorporated under the Companies Act, 2016	<input type="checkbox"/>
Effective equity of the company must be at least 51% owned by Malaysians.	<input type="checkbox"/>
The company possesses a valid Business Licence from a Local Authority	<input type="checkbox"/>
<p>The company must engage in the following activities:</p> <p>i. Manufacturing activity in compliance with the Industrial Co-ordination Act, 1975;</p> <p><u>OR</u></p> <p>ii. Services activities that is governed/supervised by relevant ministries/agencies in the following area:</p> <ul style="list-style-type: none"> • Hotel and Tourism; • Private Healthcare; • Private Education; • Oil & Gas Services; • Global Establishment - Principal Hub/Global Services Hub; • R&D Activities; • Logistics Services; or • Other Services <ul style="list-style-type: none"> - Ship Building Ship Repair - Green Technology Project – Business Purpose - Sterilisation Services - Digital Infrastructure - Maintenance, Repair & Overhaul for Aerospace 	<input type="checkbox"/>
Eligible for MSMEs	<input type="checkbox"/>
The company has been in operation for at least 3 years	<input type="checkbox"/>
The company must meet at least two (2) of the Committed Deliverables	<input type="checkbox"/>