

**GUIDELINE FOR SMART AUTOMATION GRANT
UNDER THE NATIONAL ECONOMIC RECOVERY PLAN (PENJANA)**

1. BACKGROUND

- 1.1. The Smart Automation Grant was introduced in the National Economic Recovery Plan or *Pelan Jana Semula Ekonomi Negara* (PENJANA) in June 2020.
- 1.2. Under the Smart Automation Grant scheme, the Government has allocated RM100 million, capped at up to RM1 million per company.
- 1.3. The main objectives of the Smart Automation Grant are:
 - i. To assist as well as incentivise Small and Medium Enterprises (SMEs) and Mid-Tier Companies (MTCs) to automise and digitalise operations, production and trade channels
 - ii. To improve efficiency in the manufacturing and services sector
 - iii. To reduce reliance on low-skilled foreign workers
 - iv. To provide job opportunities in high value-added sectors
 - v. To enhance SME competitiveness on an international level
 - vi. To be aligned with the National Policy on Industry 4.0
 - vii. To boost domestic investment

2. GRANT

- 2.1. The Smart Automation Grant will be given on a matching basis (1:1) based on eligible expenditures, up to a maximum grant of Ringgit Malaysia One Million (RM1,000,000) per company.

3. ELIGIBLE APPLICANTS

- 3.1. Incorporated under the Companies Act, 1965/ 2016.
- 3.2. Effective equity of the company must be at least 51% owned by Malaysians.
- 3.3. The company possesses a valid Business Licence from a Local Authority.
- 3.4. The company must engage in the following activities:
 - i. **Manufacturing activity** in compliance with the Industrial Co-ordination Act, 1975; or
 - ii. **Services activities** which must be regulated by specific acts/ regulations or governed by relevant ministries/ agencies
- 3.5. Eligible for SMEs and MTCs only.
 - Definition of SME and MTC:

	Manufacturing	Services
SME	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
MTC	Sales turnover from RM50 million to RM500 million	Sales turnover from RM20 million to RM500 million

Note:

- All SMEs and MTCs must be entities registered with the Companies Commission of Malaysia.
 - SMEs and MTCs with shareholder 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.
- 3.6. The company has been in operation for at least 12 months.
 - 3.7. Company which has been approved the Industry4WRD Intervention Fund (IF) or Smart Automation Grant from Malaysia Digital Economy Corporation (MDEC) is not eligible to apply for this grant.
 - 3.8. A company related to another company which has been granted any of the grants mentioned in 3.7, is not eligible to apply for this grant. Related company is defined under Section 7 of the Companies Act 2016.
 - 3.9. The company **must meet at least one** of the Committed Deliverables as attached in Appendix I.

4. ELIGIBLE EXPENDITURES

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

**Note:*

Software which is embedded in a machinery/equipment or used to perform specific function related to company's core activity.

- 4.2. **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 refurbish automation machinery / equipment / software
- Maintenance and repair costs including renovation of premise
- Wages paid to employees
- Employee benefits programs
- Legal and stamp duty fees
- Insurance
- Collateral or loan including its interest paid for purpose other than smart automation
- Office expenses and supplies including general purpose computers & peripherals and mobile phones
- Utility expenses
- Research & development expenses
- Advertising and marketing expenses
- Mobile apps and Enterprise Resource Planning (ERP) software

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

- 4.3. Company is not allowed to dispose any machinery/ equipment/ software within the grant period.

5. PROJECT DURATION

- 5.1. The project must be completed within 12 months from the date of the Approval Letter issued by MIDA.
- 5.2. Any unutilised grant amount after 12 months will be withdrawn by MIDA.
- 5.3. Any request for extension is required to be made before end of the 6 months claim period and is subjected to the approval of the Committee.

6. APPLICATION PROCESS

The application processes are as follows:

- i. Application for Smart Automation Grant is submitted to MIDA.
- ii. MIDA will then:
 - a) Screen and receive the application with complete information. MIDA will evaluate the application and invite the eligible applicant to present their proposal at a pitching session in MIDA. Application with incomplete information will be closed and returned to company;
 - b) Screen the application whether the expenditures applied are covered within MIDA's guidelines. Non-eligible expenditures will not be considered, and company will be informed accordingly.
- iii. Eligible applicant will present (pitching session) their proposal to the Smart Automation Grant Approval Committee (SAGAC) at MIDA.
- iv. Once approved, the company will receive the approval letter and sign a grant agreement with MIDA.
- v. Approved companies are required to attend post pitching session in MIDA.
- vi. Awarded company has to purchase*** and install the automation machine/ equipment/ software.
- vii. Awarded company will need to apply to MIDA for the disbursement of grant within 6 months from approval date.
- viii. MIDA will conduct an audit visit and report the audit findings to the Committee on Coordination & Disbursement of Grants (JPPG).
- ix. Once approved by JPPG, MIDA will disburse the grant to the awarded company. For companies using Panel Banks, the grant will be disbursed to the selected Panel Banks.

*** Note:

Company may apply for hire purchase financing from the Panel Bank to purchase the automation machine/ equipment/ software, and use the MIDA Approval Letter as a supporting document.

7. ACCELERATION PROGRAMME

Recognising the need to create awareness and provide knowledge to companies on automation and digitalisation, MIDA in collaboration with selected Panel Banks will organise a special Acceleration Programme.

Under this programme, companies will go through a series of session which will help them refine their knowledge on automation and digitalisation through simulation trainings and evaluations. Subsequently, the company will share their plans to start developing or adopting new technologies to automate their production process or to digitalise their business operations.

Successful companies under this programme may submit their application to MIDA and present their application to the SAGAC at MIDA for approval.

8. EFFECTIVE DATE OF APPLICATION

Applications received by the Malaysian Investment Development Authority (MIDA) from 4 December 2020 to 31 December 2021 are eligible to be considered for this grant. However, consideration of such application is subject to the availability of funding and allocation by the Government of Malaysia and current policy in force.

9. APPLICATION SUBMISSION

9.1. Applicants are required to submit the following documents:

- i. Latest Financial Statement (audited) **(3 Years Requirement Except For Companies Less Than 3 Years In Operation)**
- ii. Latest SSM Company Profile (e-Info) by Companies Commission of Malaysia (SSM)
- iii. A copy of Business Licence from Local Authority
- iv. 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)
- v. A copy of License / Permit / Support Letter/ Registration Certificate from relevant ministries / agencies that govern the activities. (Applicable for services company only)
- vi. Company's Roadmap on Compliance of 80% Malaysian Employment (For company employing more than 20% foreign workers)
- vii. Internship programme with Local Universities (If Applicable)

9.2. The application should be made online at <https://e-sag.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
Email	:	investmalaysia@mida.gov.my

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

No.	Committed Deliverables	Calculation Formulas	Measures
1.	<p>*Reduction of Unskilled Foreign Workers</p> <p>Number of reduction of unskilled foreign workers:_____</p> <p>*This committed deliverable is compulsory for a company having 50% and more foreign workers.</p>	<p>$(W1 - W2)/W1 \times 100$</p> <p>W1: Number of workers directly involved before use of equipment/ machine W2: Number of workers directly involved after introduction of equipment/ machine</p>	<p>Percentage of reduction of unskilled foreign workers after the use of equipment/machine</p>
2.	<p>Reduction of Unskilled Workers</p> <p>Number of reduction for unskilled: (i) Malaysian : __ (ii) Foreign Workers: __ _</p>	<p>$(W1 - W2)/W1 \times 100$</p> <p>W1: Number of workers directly involved before use of equipment/ machine W2: Number of workers directly involved after introduction of equipment/ machine</p>	<p>Percentage of reduction of unskilled workers after the use of equipment/machine</p>
3.	<p>Reduction in Man Hours</p>	<p>$(M1 - M2)/M1 \times 100$</p> <p>M1: Direct man-hour involved to produce 1 item or 1 batch before use of equipment/machine M2: Direct man-hour involved to produce 1 item or 1 batch after introduction of new equipment/ machine</p>	<p>Percentage of reduction in number of hours worked to produce 1 item or batch of item after the use of equipment/machine</p>

No.	Committed Deliverables	Calculation Formulas	Measures
4.	Increase in Production Volume	$(V2 - V1)/V1 \times 100$ <p>V1: Production volume per day before the use of equipment/ machine V2: Production volume per day after the use of equipment/ machine</p>	Percentage of increase in production volume as a result of the use of equipment/machine
5.	Quality Improvement – Reduction in Defect Rate	$(D1 - D2)/D1 \times 100$ <p>D1: Defect rate before the use of equipment/ machine D2: Defect rate after the use of equipment/ machine</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
6.	Increase in Number of Services Delivery	$(S2 - S1)/S1 \times 100$ <p>S1: No. of services delivered per day before the use of equipment/ machine S2: No. of services delivered per day after the use of equipment/ machine</p>	Percentage of increase in services delivery as a result of the use of equipment/machine
7.	Reduction of Man Hours in Delivering Services	$(M1 - M2)/M1 \times 100$ <p>M1: Direct man-hour involved to deliver a service before use of equipment/machine M2: Direct man-hour involved to deliver a service after introduction of new equipment/ machine</p>	Percentage of reduction in number of hours worked to deliver after the use of equipment/machine