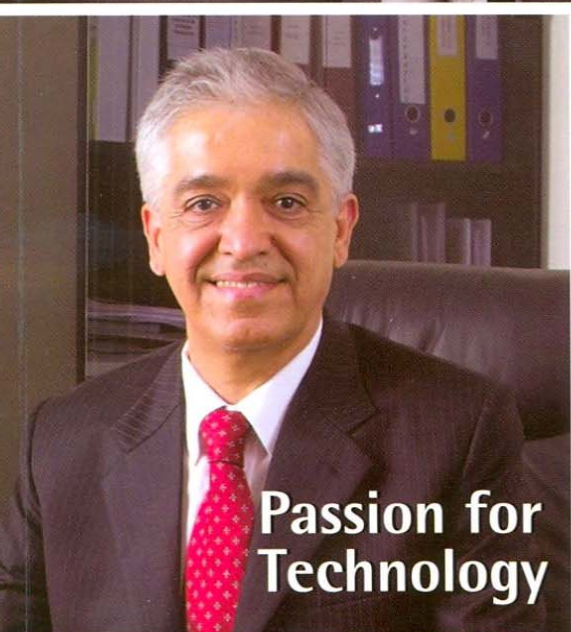


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**SMALL IS
VERY
BIG**
SPECIAL REPORT ON SME SECTOR



**Passion for
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Opportunities abound for SMEs

Citibank's Small & Mid Market Enterprises business will be the growth engine for the next few years

It must be made mandatory for all banks to participate in the Credit Bureau, Citibank spokesmen told BBR in response to a question on the issues that needed to be addressed to enhance credit flow to the SME sector. Such a move will strengthen the overall financial services industry, they pointed out.

Even before we went to the press with the bank's response came the announcement from the Media Office of the Dubai Ruler's Court that HH Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE, in his capacity as Ruler of Dubai, has issued a decree designating Emirates Credit Information Company (Emcredit) as the official credit information agency of Dubai and making it mandatory for all Dubai-based banks and financial institutions to join its database.

The development shows how keenly are the authorities tuned in to suggestions from the banking industry for improving the conditions for the growth of credit flow to the small and

medium business sector.

"Access to reliable financial statements is a concern not just for Citi but all banks. There should be mandatory filing of financial statements for companies and this could be started with companies where lending is more than Dh250,000. This data is any way reported by banks to Central Bank and this will help banks make better risk decisions," said Sanjoy Sen, Consumer Bank Head - Middle East.

"There is a dearth of data on the commercial sector overall - if an independent body can provide credible information, banks will be well positioned to cater to their requirements," he said.

Asked about how the moves to redefine the small and medium enterprise have helped in creating favourable conditions for the SME units, Satyajit Roy, Local Commercial Bank Head, said Citi globally has a well-defined SME and MME (Mid-market enterprises) target market definition. "The SME definition falls broadly within the recent announcement and we believe

that this initiative will definitely help the banking community to address the needs of SME's in a structured way".

According to Citibank, the post-financial crisis environment has seen the bank adopt a cautious approach to the SME/MME businesses and the lend-



Sanjoy Sen

ing business overall. "Increasingly, we are witnessing banks offering lending

facilities linked to clients 'trade-cycle' rather than facilities where there was limited end-use monitoring," Satyajeet Roy said.

Citibank believes that with competition within the segment increasing, finances have become more accessible to small and medium units. But at the same time, given that all banks are operating in the same playing field (governed to some extent by the common external environment), lending across both retail and commercial bank space has been cautious. "However, Citi is looking at innovative lending solutions for companies by mitigating risk through a combination of factors including credit insurance".

Citi's commercial banking unit offers a comprehensive range of cash management, lending, trade and treasury products for SME's. This offering is on the strong foundation of a best-in-class service with each client managed by a dedicated Relationship Manager.

Specifically for MME's, the award-winning internet banking platform (CitiDirect), the cash management/treasury solutions available coupled with the global network makes Citi a natural choice for entities with businesses in multiple geographies, the bank said.

Citi recently introduced Investment & Insurance solutions for companies – bringing its on-shore and off-shore Wealth Management expertise and global product range to its commercial clients.

Despite the events of the last 18 months or so, the bank's commercial banking arm posted higher revenues in 2009 vs. 2008 and is slated to contribute 20 per cent to the bank's bottom line in UAE, Citi said.

Citibank says it is committed to the Small & Mid-market Enterprises segment in the Middle East Region with specific focus in UAE and Bahrain where this business has shown substantial growth in the last 4 years. According to the bank, this forms a part of the

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Satyajeet Roy

Local Commercial Bank business under the umbrella of Consumer Bank where the bank enjoys an eminent position on the foundation of a dominant Cards and Wealth Management business.

The bank says its SME and MME proposition is clearly articulated in terms of client needs. The SME segment looks at entities up to \$50million

annual turnover with a full suite of cash management and lending products with a strong service delivery support. The MME segment caters to large local and global entities with a \$50-250 million annual turnover that require Citi's geographical spread and connectivity through its transaction services, Trade and Forex platforms.

"We continue to view the UAE as a regional hub serving the Gulf and Levant region, not to mention the local market, which is fast expanding and becoming more sophisticated. We realize that the Small & Mid Market segment is one of the most under-served segments; therefore, and in line with our stated objective, it was only natural to add the Cheque/Bill Discounting & Trade Finance products. Apart from the introduction of these products, we also offer 'value-added' benefits like an online platform for salary payments through the Wage Protection System, mandated by the Ministry of Labour. Such bundled offering will help build stronger partnerships with our clients," Roy added.



Spectrum: Dominant player in IT, network security

Dubai-based Spectrum Group has grown into one of the leading IT Network and Security training centres in the region offering SMB and large enterprises with training, consultancy and infrastructure support to make best use of technology.

Spectrum Group is a dominant player in the IT & network security space – and given the level of specialisation required for the work and the sensitivity involved working with various clients (including Govt investigative agencies), there are only a few names offering such solutions in the UAE today. The group says its USP is clearly the ability to deliver solutions for the most complex issue through a high-performing team. The group won the Your Business SME Award for Best Use of Technology, for 2008.

The group was founded by Ajay Singh Chauhan, an alumnus of one of India's leading engineering institute IIT, Mumbai, who worked with a leading IT company in the Middle East". Having gained experience and expertise over a number of years, he saw that the region had tremendous potential for specialised businesses and decided to become an entrepreneur.

The group started as a training and technology solution provider in 2004 and today has four companies under it. The group provides training to organizations such as Microsoft, Juniper, Guidance software etc. Spectrum has partnerships with Juniper Networks & Foundry Networks as their authorized education partners and has a state-of-the-art Lab facility in a new premise of the Knowledge Village.

It was very challenging to establish credibility quickly and to make



Ajay Singh Chauhan

“It would be only fair to say that a part of growth of the Group can be attributed to Citibank’s help”

prospective clients (and banks) believe that the company could deliver even the most complex IT security issue, says Chauhan. But he says he was lucky: having hired a set of highly competent and committed individuals, the group has grown consistently over the past 5 years.

Over the last 5 years, the group has had a CAGR of 35 per cent. The growth has continued despite the global financial crisis and the group is confident of maintaining the growth trajectory for next 24-36 months.

According to Chauhan, the group is looking at Asia and India in particular for expansion. Similarly, it sees scope for expansion into the Middle East through the UAE operations. The nature of the services provided does not need a brick-and-mortar presence for

expansion, he points out. “Organic expansion is the way forward. We could look at some JVs in the Middle East. The vision is to clearly add value for the customers and thereby to the group,” he said.

Asked about how his bank helped the company grow, he said the natural fallback was to go to Citibank where a personal account existed for the past so many years. “The bank’s commercial banking arm was quick to move and offered something initially, which was not completely as per requirement but sufficient to make a start. Since then, the relationship has strengthened and facilities have grown as well. It would be only fair to say that a part of growth of the Group can be attributed to Citibank’s help,” Chauhan said.

Safe and low-cost healthcare

'Relationship with bank based on credible Trust'

Dawit Gebreegziabher, founder of Medica Pharma Enterprises, has always been fascinated by the power of medicine in prevention of diseases. He has been in the UAE for the past two decades.

Coming from Ethiopia, a country which aspires for improved Human Development Indicators, he works with Ministry of Health in Ethiopia as part of the ministry's initiative to provide safe and low-cost healthcare services for the people. Gebreegziabher was keen to give something back to society and do something for the people of Ethiopia.

The origin of Medica Pharma Enterprises can be traced to this thought. The company has since established itself as a leading supplier to the Ministry of Health in Ethiopia. Having had long-lasting successful relationships with leading suppliers around the world, the company is now looking at geographic expansion within Africa.

The company has been growing at a rate of 50 per cent year-on-year for the last few years. "Even in 2009, when there was serious recession all around, our business grew at the same pace. The trend is expected to continue well into the next decade," says Gebreegziabher, who is immensely pleased with the achievements of his small venture.



Dawit Gebreegziabher

He attributes the success of the company to its unique business model. "The company chose to do business in areas which offered huge latent opportunity. The competitive landscape is very different to what you see in the Middle

East or for that matter in any other developed market. The opportunity in healthcare is unlimited," he explains.

According to Gebreegziabher, the company is looking at two more countries in Africa where it wants to explore similar business opportunities. However, this is at an early stage yet, he says.

The Medica Pharma founder says Citibank understands the company's need in terms of the specific requirement for Trade Finance facilities. Citibank's global profile has ensured that the company is able to seamlessly link the various points involved for such trade transactions end-to-end, he said.

"Our relationship with the bank is based on credible trust, mutual respect and enthusiasm. Also, I would like to specifically mention the round-the-clock service that the company has received from Citibank staff," Gebreegziabher said.

The Medica Pharma Enterprises founder says Citibank understands the company's need in terms of the specific requirements