



“SIBUR’S CLIENTS ARE RESILIENT COMPANIES”

Interview with Alexander Braverman, RSMB Corporation’s CEO, on measures to support entrepreneurs in 2020.

– Mr Braverman, what does RSMB Corporation do?

– Created in 2015 under an Executive Order of the Russian President and a separate federal law, RSMB Corporation is an institution for development, performing a number of roles to support SMEs. This support primarily involves opening up access to major buyers’ procurement procedures. The Government has established a quota for more than 1,800 such companies, including Rosneft, Russian Railways and others to procure goods and services from SMEs. The Corporation provides SMEs with access to the ordering pipelines of such major customers. which helps them not only survive, but also grow in the current challenging situation.

Our vast experience, accumulated over five years, is something we are ready to bring to the table in our dealings with SIBUR. We have analysed their client base and found out that over 80% of them are SMEs, including suppliers to our biggest customers.

Further support from RSMB Corporation

The Corporation provides financial support for SMEs, acting as a guarantor and issuing guarantees and sureties to help them secure discounted loans.

The Corporation has also launched free-to-use digital information services for entrepreneurs, to lay out all the details of its support measures. For example, the SME Business Navigator Portal can be used to make business plan calculations or analyse competition or partnerships.

In partnership with regional and local authorities, the Corporation provides property-related support by letting SMEs know about premises up for lease at a discount.

Another service provides information support to SMEs across a wide range of areas, from licensing to one-to-one consultations.

– Is it safe to say that the relationship between RSMB Corporation and SIBUR has already produced tangible results for SMEs?

– Let me give you an example. SIBUR Holding needed suppliers of wooden pallets, beams and planks (including fumigated ones) for a procurement tender. Our Corporation selected information on SMEs who have signed contracts to supply pallets under the SME procurement quota. This information related to companies that have successfully performed under contracts for the supply of similar products to other major customers. The next phase involved us cooperating with regional executive authorities and potential suppliers to assess the SMEs' readiness to participate in SIBUR's procurement. We immediately started the meticulous task of shortlisting companies whose products met SIBUR's technical and qualification requirements, and who were willing to take part in the procurement process. Every company sends a commercial offer to SIBUR. All these suppliers successfully passed SIBUR's internal pre-qualification round and took part in their procurement procedure.

– How do you gauge the outcome of all these efforts?

– First of all, there were benefits for SIBUR. We were able to reduce their time and labour costs in sourcing potential suppliers of products that meet the company's requirements. Moreover, this supplier sourcing procedure helped to save on procurement costs through higher competition. These are the benefits for SIBUR. Meanwhile, our SME clients gained access to a new market for their products.

– RSMB Corporation provides information on opportunities to participate in major companies' procurement procedures, but you also select SMEs that are willing to participate and meet the customer's requirements. Could you expand on how this works?

– We provide buyers with a list of items available and inform suppliers about the relevant requirements for participation. We have built a database of SMEs supplying our major customers. We also have a database of proposals from SMEs, and after we receive procurement requirements from buyers, we shortlist suppliers from this database and inform any eligible companies about the opportunity, including the planned order size, place of delivery and other key details. I would particularly like to highlight that we have no influence on the results of the final selection whatsoever: our clients still need to pass the bidding, auction or other competitive procedures. In fact, we simply support SMEs, given that they often have no strong information capabilities and are unaware of the upcoming procedure.

IN ORDER TO GROW THE VOLUME OF PURCHASES FOR SIBUR PRODUCTS, RSMB CORPORATION NEEDS ABOVE ALL TO PROVIDE SIBUR'S CLIENTS WITH FINANCIAL SUPPORT, WHICH INCLUDES SECURING PREFERENTIAL LOANS

– How does this work in practice? E.g. when compiling a proposal database for SIBUR? Who carries out the selection and comparisons?

– Corporation employees do that. They start by looking through our registers. They find an entrepreneur manufacturing the products the customer needs, and from our records they can pull up information such as the year the business was established, supplied products, core and ancillary activities, and whether or not the business has participated in a procurement process before. We also look at the customer base the regional authorities give us: they have a more in-depth understanding of the profiles of the businesses that operate in their respective areas. But these are all just preliminary data, and the next step would be to communicate the requirements set by the customer, e.g. SIBUR, to the potential supplier. Secondly, we need to understand whether a particular SME meets the customer's requirements and is generally prepared to participate in the procurement process. So either way we need to contact the entrepreneur directly, ask them some clarifying questions, find out some further details and so on. It's a lot of work, which I would call "targeted engagement" with every SME.

– To go back to the financial support RSMB Corporation provides to SMEs: how is this done in the context of cooperation with SIBUR?

– It works like this: SIBUR has clients, most of whom are small and medium-sized businesses. In order to grow the volume of purchases for SIBUR products, we need above all to provide them with financial support, which includes securing preferential loans. With this in mind, we work with partner banks to make sure SIBUR's customers benefit from special rates, by issuing guarantees and

sureties. This gets the ball rolling on the lending process. In addition, we provide SMEs with access to procurement procedures, through which they can purchase SIBUR products and go on to supply them to our major customers. Recently, we also held a training seminar with the help of the Corporation for regional sales representatives to discuss support measures.

RSMB CORPORATION PROVIDES SMES WITH ACCESS TO PROCUREMENT PROCEDURES, THROUGH WHICH THEY CAN PURCHASE SIBUR PRODUCTS AND GO ON TO SUPPLY THEM TO OTHER MAJOR CUSTOMERS

– How does the corporation see the current business situation for entrepreneurs? After all, small businesses are said to be the hardest hit...

– This is not how we see the situation; in fact, we have noticed an emerging positive trend. On 10 November, the Federal Tax Service updated its unified register of small and medium-sized businesses. It revealed an interesting trend: in the past couple of months, namely October and November, the number of SMEs in the register increased by 60,000! Of course, if we talk about the service sector, it has suffered the most, and we are well aware of what it means to lend to restaurants today. However, SIBUR's clients are not engaged in the service sector, and we estimate that manufacturing companies were less affected. Sure, they asked employees to work from home and incurred some additional costs related to employee protection, but we can still see that these are different, more resilient companies. And on the other hand, a number of businesses do not need to raise capital at all – they just need information. Some entrepreneurs use their own funds to finance their operations and simply receive information from us about new tools to access procurement with our major customers. Overall, we can safely say that the manufacturing sector has proved to be made up of more stable and mature businesses, with developed production capabilities and qualified staff.

– How does the current situation affect RSMB Corporation's future plans? And what do these plans look like?

– We plan to increase the volume of procurement by major customers to RUB 5 trillion by 2024, and SIBUR's clients will be among those suppliers. We also intend to expand financial support under the national guarantee system. We also have plans to develop the services available from the SME Business Navigator Portal: it will focus on enabling small and medium-sized businesses to receive services in a digital format. This is generally a global trend, and in the current COVID-19 operating environment, it is becoming all the more important. Dedicated services will be developed to cover manufacturing companies as a whole, including in the petrochemical industry. We also have another task: we keep a register of small and medium-sized manufacturing businesses – these are entrepreneurs who receive the bulk of their revenue – more than 50% – from manufacturing. Currently, this register includes 31,000 SMEs, comprising a pool of sustainable businesses growing their purchasing volumes, but we plan to increase this number to 45,000 by 2021 and work with them in the future.

The growing amount of assistance

The amount of financial support provided to small and medium-sized businesses increased by 56.1% over the year, which includes RSMB Corporation's guarantees and sureties, sureties by regional guaranteeing organisations, guarantees and direct loans by SME Bank, as well as loans from other banks under the Interest-Rate Subsidy Programme run by Russia's Ministry of Economic Development with the Corporation's involvement in the "back office". As at 6 November 2020, it stood at RUB 1,042.6 billion vs RUB 667.9 billion as at 6 November 2019.