

Troubled SMEs encouraged to enter rehab

SUCHEERA PINIJPARAKARN
THE NATION

SMEs that are unable to carry on their businesses should not be shy about entering a rehabilitation process, according to the Office of Small and Medium Enterprise Promotion.

Speaking at a seminar to promote the newly amended Bankruptcy Act to small and medium-sized enterprises, OSMEP director-general Salinee Wangtal said they must acknowledge that rehabilitation is an acceptable option.

SMEs should know that even if they are in rehabilitation, they can run their businesses without worrying about additional legal action by creditors thanks to the amended act, which came into force on May 25.

"We have found that troubled enterprises relied on fixed costs too much. In the new normal, SMEs must adjust their scale in line with their actual sales. OSMEP and their partners could help them seek new business models," she said.

OSMEP has joined forces with the Legal Execution Department (LED) and the Small and Medium Development Bank of Thailand (SME Bank) to promote the Bankruptcy Act to SMEs, including at the seminar in Bangkok yesterday.

Salinee said OSMEP would pro-

mote the Bankruptcy Act to SMEs in 25 provinces as it hopes to encourage affected enterprises that want to turn around to go into the rehabilitation process.

The previous bankruptcy law allowed only limited companies or public companies to enter a rehabilitation process, but under the amended law, small businesses or the self-employed with debt of no more than Bt10 million can negotiate with the banks for rehabilitation.

Under the act, enterprises in rehabilitation can get additional credit from their existing creditors and other creditors cannot file legal actions against them until their businesses can turn around.

The benefit of the act is that it gives time to SMEs in rehabilitation to recover without worrying about another legal action from other creditors, Salinee said. According to a survey OSMEP conducted on 420,000 SMEs in 2014, around 70 per cent had debt of less than Bt3 million, and around 12 per cent had debt of Bt3 million to Bt10 million.

During the past three years, SMEs have witnessed falling sales revenue, and OSMEP estimates that about 7,400 enterprises should seek benefits from the Bankruptcy Act.

SMEs that join rehabilitation under the act are able to apply for a

credit line of Bt1 million from SME Bank, on which the bank will waive interest for five to seven years.

An SME seeking rehabilitation has to register with OSMEP, after which Rajamangala University of Technology Thanyaburi will send a team to examine the enterprise, which has to demonstrate that it is able to run a business. OSMEP will contact the creditor of the affected SMEs before submitting a rehabilitation request to the LED. After that, the LED, the creditor and the borrower agree on the rehabilitation process.

OSMEP plans to seek cooperation from the Commerce Ministry to find auditors to help SMEs that don't have enough money to hire anyone to audit their financial accounts, Salinee said.

Sadhida Garment Co is a small enterprise that entered rehabilitation with the SME Bank early this year because of a lack of cash flow. Suprang Kaewcham, founder of the company, said small businesses should not be afraid to talk with banks when they are facing a trouble.

In her case, the company was unable to make its debt payments of Bt100,000 a month to SME Bank after her customers delayed their own payments. The bank suggested that she enter rehabilitation and also recommended that she apply for OSMEP's turnaround scheme.