

Executive Investment Recommendation

Malaysia market entry for an Indian enterprise-software company | Board paper | 14 October 2026

Recommendation: CONDITIONAL GO on Option B+ (partner-led, stage-gated entry)
Approve entry through a local partnership and release **RM 1.6m** at Gate 0. Commit the balance only as each stage gate is passed. Total Base-case cash at risk is **RM 6.8m** (worst case RM 11.7m), inside the RM 12m placeholder envelope. **Do not approve a full-commitment entry:** as first drawn, no entry mode clears a 12% hurdle.

RM 5.7m Base-case NPV (INR 13.4 crore)	28.5% IRR (hurdle 12%)	RM 6.8m Peak cash at risk (Base case)	RM 6.3m Year-3 net ARR (349 customers)	70% Break-even volume vs plan
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Why enter

- **Real, growing demand.** 1.1 million MSMEs; GDP +5.2% in 2025 and +6.0% in 2Q26; e-invoicing (MyInvois) and SME digitalisation grants drive software adoption. Serviceable market RM 478m a year; about RM 57m a year genuinely contestable.
- **A gap in the middle.** Local dealer-led suites (AutoCount: >240,000 customers; SQL Account) own SMEs; SAP and Microsoft partners own the premium tier. Mid-market distributors and manufacturers (ACV ~RM65k) are under-served at 25-40% below premium pricing.
- **No regulatory show-stopper.** A 100%-foreign-owned Sdn Bhd is possible; 24% tax (no SME rate for foreign-owned firms); 10% withholding tax on royalties and fees; 8% service tax; MyInvois and the amended PDPA are product and operating requirements, budgeted at about RM0.6m.

Why only conditionally

- **The three-year cash view is negative for every option** (explicit 3-year NPV -RM 6.0m for B+). All positive value arises after Year 3, so Year-3 ARR is the number the Board is really buying.
- **As drawn, none of the options clears the hurdle.** Base NPV: A -RM 2.6m, B -RM 0.5m (IRR 10.5%), C -RM 3.9m. Partnership is clearly best, but only just break-even.
- **Zoho has just localised** (Kuala Lumpur office, January 2026) and the e-invoicing demand wave is already being absorbed by incumbents. The client scores 2.35/5 on Day 1 against AutoCount at 4.40.

Entry-mode comparison (Base case, RM m)

	A: Direct	B: Partnership	C: Distributor	B+: with conditions
Year-3 net ARR	6.24	4.96	2.88	6.25
Peak cash at risk (incl. Year 4-6)	15.81	11.31	8.90	6.84
NPV, Base case	(2.62)	(0.52)	(3.88)	5.70
IRR (hurdle 12%)	5.9%	10.5%	-5.9%	28.5%
Risk-adjusted NPV	(4.62)	(1.07)	(4.50)	5.01
Probability of negative NPV	85%	80%	100%	25%
Break-even volume vs plan	114%	103%	155%	70%
Weighted strategic score (of 5)	2.20	4.02	2.93	(variant of B)

Source: Strategy_Compare sheet of the financial model. Negative values in brackets. B+ = Option B with four conditions precedent secured.

Conditions, gates and risks

Four conditions precedent: what turns break-even into value

Condition	What it requires	Base NPV uplift
Reuse the core product	Build MyInvois and statutory payroll once as a reusable layer: India localisation team -30%	RM 0.86m
Partner co-selling	Anchor-partner co-selling, certification and a pre-sales bench: +20% deals per partner (tested at Gate 2)	RM 3.06m
Price discipline	Value-based packaging and price floors: +5% price realisation; no price war with AutoCount or SQL	RM 0.78m
Cost discipline	Board-approved opex cap per gate; partner-delivered implementation: -10% operating cost	RM 1.46m
All four together (with interaction)	Base NPV moves from -RM 0.52m to RM 5.70m	RM 6.22m

Partner co-selling is the lever that matters most and the least certain, which is why Gate 2 tests it directly.

Stage gates and capital release (RM m)

Gate	Timing	Capital released	Go criteria (abridged)
Gate 0	Q4-26	1.59	Board approves phase 1; Phase-0 interviews confirm assumptions; anchor-partner term sheet agreed
Gate 1	Q2-27	2.76	MyInvois-certified release; at least 4 partners incl. anchor; at least 5 design-partner customers; DPO appointed
Gate 2	Q1-28	2.10	Closing net ARR at least RM0.61m (70% of Base Y1); logo churn up to 12%; 3+ partners with 2+ deals. Otherwise stop-loss
Gate 3	Q1-29	0.39	Closing net ARR at least RM2.04m (70% of Base Y2); 9 active partners; CAC payback up to 24 months
Gate 4	Q1-30	n/a	Closing net ARR at least RM6.25m and EBITDA break-even within 12 months; otherwise hold or exit

Cumulative cash out is only RM 4.4m by the end of Year 1, the exposure at the first hard commercial gate.

Biggest risks and how they are managed

Risk	Inherent	Mitigation built into the plan
Incumbent lock-in and price response (AutoCount, SQL Account, SAP/Microsoft partners)	16 (Critical)	Avoid head-on SME accounting; lead with mid-market distribution/manufacturing where Tier-1 vertical scores are highest; value-based bundles; partner exclusivity by vertical.
Slow trust-building: no local references or brand	16 (Critical)	5-8 lighthouse customers via anchor partner with reference rights; in-country hosting; ISO 27001; MDEC/chamber endorsement.
Valuation depends heavily on value beyond Year 3	16 (Critical)	Gate on ARR milestones; present NPV with and without TV; 20% TV haircut; break-even volume analysis.
Partner under-performance or channel conflict	12 (High)	Tiered partner programme, minimum quota & certification, scorecards, 90-day activation test, vertical exclusivity swaps.

26 risks assessed: 3 Critical and 10 High before mitigation; none Critical or High after. Residual scores assume the mitigations are executed.

What would change this recommendation

- **No credible anchor partner signs co-selling terms by Gate 1:** do not launch.
- **Year-1 net ARR below RM0.61m or churn above 12%:** stop-loss at Gate 2 with about RM 4.4m spent.
- **Phase-0 shows ACV or win rates more than 20% below assumption:** re-run the model; if Base NPV turns negative, pause.

Next 30 days

- Approve Gate 0 and the cash-at-risk envelope; confirm client profile and risk appetite (RM12m is a placeholder).
- Start Phase-0 validation (25 customer and 10 partner interviews), open anchor-partner and MDEC talks, and instruct Malaysian counsel on items marked verify in the report.