From buyouts to growth: Ekuinas doubles down on enterprise development in Malaysia

Aliff Omar, CEO, Ekuinas

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21 October, 2025

Malaysian state investor Ekuiti Nasional Bhd (Ekuinas), which has been focused on private equity buyout and growth sectors, is launching a strategy aimed at helping smaller local companies grow and ultimately access capital.

This 'capacity building' programme will sit alongside the firm's existing PE and recently-started private credit strategies, Chief Executive Officer Aliff Omar Mohamad Omar told DealStreetAsia in an interview.

"[It] is effectively an accelerator programme that we have in-house, where we effectively help companies within the lower-middle-market space, companies that arguably would not be a target for investment [from bigger funds]," Aliff said.

The firm expects to select two to three companies to work with over three years. "We will identify projects and work with the entrepreneur with the idea that, after three years, the company will reach a scale … of 50 million ringgit in revenue," he explained.

"[Then] they will land on the orbit of most funds, including Ekuinas', or they can raise from banks or private credit funds, [which] would then take them to the next level."

The capacity building scheme will look at the companies' leadership and strategy planning, as well as operations, compliance, marketing, and talent acquisition.

"It's not just capital that they need to solve for because capital would come the moment the enterprise is at a c[illegible] level. It's more value creation that one needs to focus on," Aliff said.

The first announcements are set to come before the end of this year, though Aliff declined to detail how much the firm is allocating to the programme. "We want to work on the details, and then we decide on the funding. "

He added: "It's not [just about] returns, but more in terms of the number of companies we can incubate and accelerate to take them to the next level. We have our internal measure of that, and it's also important for us to frame our mind that way as well."

Local private sector development

Aliff, who joined Ekuinas in 2017, was appointed to the top post in May this year, after serving as senior investment director at the firm.

Ekuinas was established by the Malaysian government in September 2009 as a private capital firm focused on driving sustainable Bumiputera wealth creation and economic participation. Initial capital was provided by the government, and subsequently it deployed from the investment returns that were generated. Earlier this year, it was consolidated into the Malaysian state-owned investment management company Permodalan Nasional Bhd (PNB) as the domestic private capital arm.

From its first two funds, or Tranche I and Tranche II, Ekuinas also invested as limited partners in private equity managers, including Navis Capital Partners, COPE Private Equity, and TAEL Partners, as part of Malaysian government efforts to kickstart the domestic PE sector.

Overall, it has committed about 5 billion ringgit ($1.18 billion) in some 48 investments — 30 direct — and is now deploying from Tranche IV. According to Aliff, there is about half-a-billion ringgit ($118 million) left for allocations until early 2026.

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Thereafter, in the second half of 2026, the firm will launch its fifth fund, which is expected to have a corpus of about 1-1.5 billion ringgit.

Ekuinas is also taking this opportunity to streamline its strategies and funds. In 2023 it launched a 100 million ringgit mid-market growth equity programme Dana Asas, which is now fully deployed. Investments include cybersecurity company Bluesify Solutions; and Mizuo Holdings, which develops industrial machinery for oil palm plantations.

Ekuinas will now focus on deploying from its main fund, the capacity-building strategy, and the **private credit strategy** started earlier this year.

Said Aliff: "We want to be very judicious with our resources."

From its initial target sectors that included **oil and gas**, **education**, and services, the firm will now focus on its investments in three main sectors: Healthcare, which could range from administrators to **pharmaceuticals**; advanced manufacturing, including semiconductor and precision engineering segments; and fast moving consumer goods.

In March, Ekuinas divested its 75% stake in local pharmaceutical distributor Medispec in a strategic sale that it said yielded a net internal rate of return of nearly 37%, and a multiple of 3.5x.

And after a few years in the market, Ekuinas is now anticipating the initial public offering of portfolio company, oil and gas tanker business Orkim, which has filed to list on the Malaysian stock exchange, though a date and price has yet to be fixed.

Private credit to grow

Ekuinas has made its first deployment from its 800 million ringgit private credit fund in the industrial space, though Aliff declined to reveal details. But, he asserted, Ekuinas is looking to grow the private credit business fast, and the pipeline of deals is looking firmer

Indeed, private credit globally has expanded rapidly over the past few years, driven in part by tighter bank lending on the one hand, as well as liquidity challenges in the private equity industry that has investors looking for strategies offering more downside protection. By some estimates, the global private credit market is set to grow from about $1 trillion in 2020, to $4.5 trillion by 2030.

Ekuinas is looking to grow its private credit business fast

Still, Asia only accounts for about 6% of total global assets under management held in private credit. As Aliff noted, the asset class is still in its infancy in Asia, and particularly in Malaysia, which in turn indicates significant opportunity for growth. “There’s a lot of education that we need to do with our partners and clients.”

Ekuinas is in a position to structure credit facilities that are flexible and bespoke to the businesses’ needs, he said. That, and coupled with the firm’s significant experience in the country and assessing the quality of the company to which it is extending the financing will help in mitigating risks, Aliff added.

“The moment we tap out the first fund, [we can] quickly launch the subsequent credit fund so that [we] can develop a stronger private credit scene in Malaysia, [similar to] how we first started developing the private equity sector.”

Edited by: **Pramod Mathew**

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