Try. Manage. Triumph.

That is How

TMT Ventures Limited

Wrote History

Case Study and Report By:

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Disclaimer:
The case has been written with a view to facilitating discussion and learning by readers. It does not constitute an opinion on or an evaluation of the management, its practices or the organization itself.

For more information, refer to the website of TMT Ventures Limited: ***www.tmtventures.net***

Preface

The documentation of the last six years of TMT Ventures' venture capital experience in Pakistan is an attempt to achieve several objectives.

First, to create an institutional memory within the organization that should serve as a guiding light for its employees, present and future, even after the current management is long gone. We firmly believe that it is important to reflect and revisit organizations, just like nations and individuals, how they started, where they came from and what the vision was, without getting trapped in their past.

Second, TMT Ventures is the pioneering venture capital company in Pakistan. It has single-handedly created the industry. From a purely experimental beginning and when no rules existed, it has not only survived but also proven the business model by achieving a first-ever exit. Its experience is therefore unique in many ways and worthy of sharing with venture students and industry practitioners.

Third, TMT's management strongly believes that an ecosystem needs to exist for the VC industry to develop in Pakistan, for which other institutions must launch their own VC practice. Hence, it is in our own interest to spread our learning, which we believe, would be crucial for other interested institutions while planning their initiatives.

Fourth, it is an effort to provide a real life case study to the academic circles in the business schools of Pakistan. It is unfortunate that business practice and academia in Pakistan seldom engage meaningfully to have a two-way flow of information, knowledge and learning. It is our hope that this case study will find some readers among the faculty and students of business schools in Pakistan and their critical analysis will flow back to us.

We were acutely aware of the responsibilities that came with our mission – to give birth to the venture capital industry in Pakistan. In the first few years when it was particularly tough and the future direction was not clear, it did not make much financial sense, both as an organization and on a personal level, to continue to tread this path. If motivations were purely commercial, TMT Ventures would not have survived. However, the sponsors, founders and the senior management strongly believed in the concept, which gave us the resolve to go on even in the most trying of circumstances.

Personally, it has been a great entrepreneurial experience. From PRs25m of proprietary AKD capital invested in three companies when I joined, to raise a PRs250m institutional fund, a first of its kind in Pakistan, has been wonderful experience. I have seen the portfolio grow from three to eight companies while the number of people employed by them grew from 50 to 300. Serving on the boards of all these investments and engaging in intensive discussions on business strategy, opportunities and challenges have been an immense learning exercise for me. I feel enriched, fulfilled and happy than I ever did in my life.

As CEO of TMT Ventures, I am particularly indebted to four people.

Ali Ansari, TMT's ex-Chairman, gave me the opportunity to head the company in 2002. He is also the main person behind the idea and I have profoundly benefited from his intellect in the early days of the company. Aqeel Karim Dhedhi for the trust he posed in me and the patience he has shown as a long-term risk capital investor. He is quite an extraordinary man in Pakistan's financial sector, known for his unconventional approach and a magnanimous heart. Zulfiqar Alam, my colleague at TMT, who stood by me as a trustworthy team member. My wife, Naima, is a woman of gifted intellect. While she is happy to see me following my heart, she refers to the portfolio companies as my other children (in addition to our three daughters).

Lastly, let me admit that my personal shortcomings were just too many to result in any kind of success. As I have felt before countless times, Allah's blessings have been the real cause of any success from our humble efforts. In a risky business like venture capital, I believe a strong faith in Allah is a must for continuity of efforts and sanity of mind. And we at TMT Ventures live it everyday.

Shadab Fariduddin, on behalf of Frontline Consultants, has done an excellent job of documenting the TMT story. Now the readers have to judge whether the story was worth telling.

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7 June 2007

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List of Abbreviations and Acronyms

2BT	To-Be Technologies
ADCB	Abu Dhabi Commercial Bank
AKD	Aqeel Karim Dhedhi
AppXS	Application Access, a TMT portfolio company
AKN	AKN Messaging Technologies, a TMT portfolio company
CA	Chartered Accountant
CFA	Chartered Financial Analyst
CLA	Corporate Law Authority
CRM	Customer Relationship Management
CSP	Computer Society of Pakistan
EMV	Euro Master Visa
GP	General Partner (an individual manager or a fund management company that manages LPs' money)
HBL	Habib Bank Limited
HEC	Higher Education Commission
IC	Investment Committee
IPO	Initial Public Offering
IRR	Internal Rate of Return
ISPAK	Internet Service Provider Association of Pakistan
ISPs	Internet Service Providers
IT	Information Technology
ITeS	IT enabled Services
KSE	Karachi Stock Exchange
LP	Limited Partner (in a VC or PE fund; an investor)
MoST	Ministry of Science and Technology
NBFI	Non-Banking Financial Institutions
NIT	National Investment Trust
PASHA	Pakistan Software Houses Association
PE	Private Equity
PKIC	Pak-Kuwait Investment Company
PSEB	Pakistan Software Export Board
PTCL	Pakistan Telecommunication Company Limited

RFM	Recency/Frequency/Monetary
SBP	State Bank of Pakistan
SEAF	Small Enterprise Assistance Funds
SECP	Securities and Exchange Commission of Pakistan
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprise Development Authority
SRO	Statutory Regulatory Order
STEDEC	Scientific and Technological Development Corporation
TiE	The Indus Entrepreneurs
TII	The International Investor
TMT	Technology, Media, Telecommunication and signifies the focus of TMT Ventures' investment strategy
TRG	The Resource Group
UBL	United Bank Limited
VC	Venture Capital

Executive Summary

The late 1990s Dotcom fever in Pakistan created a rush for H1 visa and an IT job in the US. A desire to emulate old-rival India and economic liberalization of the 90s created a most conducive environment for Pakistan's fledgling IT sector, which was characterized by small and medium enterprises mostly started by technopreneurs. However, unlike the US, Pakistan's IT sector remained devoid of any formal linkage with venture or risk capital until 1999-2000.

TMT Ventures is Pakistan's first licensed venture capital firm. It is also the only one that despite its challenges has survived – and grown – remarkably well since its creation in 2000.

This case history traces the evolution of TMT Ventures as an organization. Drawing upon this first-ever successful VC experience in Pakistan, the case narrates TMT's life and documents lessons learned for a wider public audience.

The study examines various issues faced by TMT Ventures in the implementation of a new concept – venture capital – in Pakistan. The study uses information gained from interviews with key actors, desk reviews of internal documents and public domain information.

This case history describes how TMT Ventures began operations as a proprietary investment division of AKD Securities in 2000 and grew to become a public limited, unlisted company managing a Rs. 250-million Incubation Fund backed by respected financial institutions of the country. In its struggle, TMT faced many gaps and problems such as a lack of understanding on how venture capital works in Pakistan, dearth of managerial capabilities among the entrepreneurs and communication gaps with the investees. The case captures them all, and more.

TMT stands for Technology, Media, Telecommunication, and signifies the focus of investment strategy. It was mandated to provide risk capital to startups in these sectors. Though commercial considerations and high expected returns justifiably went into the launch of TMT Ventures, its strong foundation was laid on the rocks of a long-run vision and the team's commitment to achieve a high set of objectives, i.e., to pioneer a venture capital industry and nurture entrepreneurship in Pakistan.

The three "A's" (Azam, Ali, and Aqeel) virtually created the venture capital industry from scratch. TMT Ventures slowly transitioned from "technology as product" to "technology as service" business model. It found out that technology (software) product model was generally not workable in Pakistan (minus a few exceptions) for a number of reasons, which are elaborated in the study. TMT also gradually discovered the most obvious VC truth: Bet on management teams instead of just the ideas. With no other VC firm in Pakistan to learn from, TMT adopted the tricks of venture capital

from the US and adapted them to suit the local environment based on their own experience.

Between 2002 and 2005, TMT's portfolio swelled to eight companies, many of which had something unique about them from market and funding perspectives. The deliberate diversity of experimenting deepened TMT expertise in managing the VC process. Over 75% of the funds had been disbursed. No further investment took place in 2006.

Pressure on the TMT Incubation Fund to perform was mounting as the TMT team was learning valuable lessons in managing entrepreneurs and investing partners. The former lacked financial discipline and sound management capabilities while the latter lacked a deeper understanding of the VC business and institutional buy-in of the VC philosophy. By its very nature, venture capital demands patience and a long-term horizon. As accumulated losses crossed Rs. 57 million in 2005, institutional partners NIT and Pak Kuwait Investment Company kissed goodbye to venture capital and incubation. Mr. Aqeel Karim bought back their below-par investment at face value. The founding chairperson and a key team member also left the firm – and by their own account TMT Ventures hit "rock bottom" in 2005.

However, 2006 proved to be a turn-around year. TMT Ventures made its first exit – at an IRR of 41% – thus writing history. It was Pakistan's first-ever harvest under the venture capital mode of finance. Later in the year, TMT formed a joint venture with a US-based global private equity firm Small Enterprise Assistance Funds (SEAF) to launch a US$100 million private equity (PE) fund in Pakistan. TMT-SEAF Pakistan Growth Fund is the only SME-focused, Shariah-based private-equity fund in Pakistan. It aims to provide capital and other resources to medium sized companies in high-growth sectors of the economy.

TMT's experience is best captured in three words: TRY. MANAGE. TRIUMPH.

The main conclusions from this case study are:

- Vision and commitment to the cause carried TMT through difficult times.
- Overly restrictive funding process retards entrepreneurial efforts.
- Rewards to entrepreneurs must be tied to achieving well defined performance indicators.
- Alignment of interests between the investees and the investors increases the likelihood of success and reduces frictions.
- Technology as a product cannot work in Pakistan (rare exceptions aside), and
- A venture capitalist must bet on the team behind an idea, rather than the idea itself, howsoever promising it may be.

Section I: Body of the Case Report

IT Boom Spills Over to Pakistan

Early 1990s saw an unprecedented information technology (IT) boom in the US. It was the period when dotcom bubble started blowing up. It was the best of times for the New Economy; the media teemed with stories on: Virtual Reality, E-Commerce, Silicon Valley, IT Entrepreneurs, Wall Street Romance with dotcoms, Crazy Valuations, Young Billionaires, Bill Gates becoming the richest man on earth, Web replacing Walls and Brick-n-Mortar giving way to Click and Startups. The IT boom and its commercial frenzy, which originated in the US, soon spread across the world.

Shortly after the mid 90s, the dotcom fever caught on in Pakistan. Various factors contributed to the phenomenon. Private universities had mushroomed due to liberalization of higher education starting in the 1980s. In addition to intimidating subjects like Computer Science and Computer Engineering, they started offering qualifications in Information Technology (IT), which was less daunting and required no prerequisite background in Maths, Physics etc. America's seemingly insatiable appetite for a qualified IT workforce fueled the rush for IT education in Pakistan. Qualifications in Software Engineering, Networking and Programming became popular. The Internet enabled young students to earn IT certifications from Microsoft, Oracle and Cisco in programming, database administration and networking. Majority of the IT qualification holders hoped to ultimately land in the US with an H1 visa and a rewarding job in the booming technology sector. These young, ambitious Pakistanis were dreaming their version of the American dream.

Neighbouring India figured prominently in the first wave of IT boom in the US. The news of Indians heading Fortune 500 companies was received in Pakistan with awe, as well as envy and frustration. The fact that Indian professionals had raced ahead created a flurry of discussions in the media and on the Internet. Sabeer Bhatia, an Indian American, founded hotmail and then sold it to Microsoft for 400 million US dollars.[1] The event caught fancy of educated Pakistanis across the world. Where was our Sabeer Bhatia? Soon enough, we found one in Safi Qureshey, who, in 1997, had made it big in the US by co-founding AST computers, growing it to a multinational level as its president and then selling the company to Samsung Electronics for over 370 million US dollars.

At the macro level, comparisons between export earnings of Pakistan as a country (Around 8 billion US$ in 1995) and that of the Indian IT sector alone (1.2 billion US$:1995, growing at 45% annually)[2] became commonplace in the press and at the

[1] http://www.scripting.com/davenet/1998/05/12/theNextHotmail.html
[2] http://indiaonestop.com/export-computersoftware.htm

policy level. The Bangalore bang reverberated loud and clear across the country.

Economic reforms initiated by the Nawaz Sharif government in the 1990s continued. However, the focus of export development remained on the traditional sectors of the economy such as textiles, surgical and sports goods, rice and cotton. The foreign exchange regime was liberalized: movement of foreign currency became easy and swift. State Bank of Pakistan was given more autonomy to administer the monetary policy. Privatization program was speeded up. Foreign ownership of businesses with ease of profit repatriation was allowed. In short, the government was becoming more business-friendly. Buoyed by the sentiments, individuals and organizations were busy building business relationships with their foreign counterparts. Perhaps no other sector witnessed a greater exchange of contacts than the fledgling yet vibrant IT sector of Pakistan.

One important ingredient of reforms was policy emphasis on small and medium enterprises in Pakistan. They were, for the first time in the country's history, becoming dear to the policy makers. Small and Medium Enterprise Development Authority (SMEDA) came into existence. Its mandate was to promote SMEs and increase their share in the export earnings of Pakistan. In 1998, SMEDA announced its first strategic plan in which it initially identified four priority sectors. IT was one of them, which was not surprising since Pakistan's IT sector typically comprised of small and medium enterprises across its entire spectrum: training and skill development institutes, software design and development, networking, hardware suppliers, internet service providers (ISPs). In the same year, Pakistan Software Export Board (PSEB), which had been operating on a small scale since 1995, was given more autonomy as an independent institution to tap opportunities in the nascent IT sector[3]. PSEB quickly moved on to promoting IT industry. IT parks sprang up, human resource development plans were made and marketing outreach established.

After almost a decade since then, Pakistan's IT sector remains characterized by SMEs even in 2007. Out of 950 IT companies[4] working in Pakistan only two are listed as public companies (TRG Pakistan listed on the Karachi Stock Exchange in 2003 and Netsol Technologies in 2005).[5] It is estimated that less than 100 of these are private limited companies.

It was a sense of shared destiny that gave birth to Pakistan Software Houses Association (PASHA) in 1992 and Internet Service Provider Association of Pakistan (ISPAK) in 1997. An older and influential Computer Society of Pakistan (CSP) was in existence since 1973. These associations were to play an increasingly important role in the near future. Although an overall supportive environment was emerging, any major impetus to growth was missing which did not take place until 2000.

[3] www.pseb.org.pk/aboutus
[4] www.pseb.org.pk/industryoverview
[5] www.kse.com.pk

Pakistan Attempts to Become MoST Wanted

The October-1999 coup brought to power General Musharaf and his government of technocrats. Dr Ata-ur-Rahman, an internationally renowned scientist, was inducted into the cabinet to head the Ministry of Science and Technology (MoST). Pakistan's telecom state monopoly, Pakistan Telecommunication Company Limited (PTCL), was taken out of the Ministry of Communications and placed under MoST. Dr Ata-ur-Rahman is generally perceived to be a no-nonsense, goal-oriented and dynamic person who believes in results. His stature as a scientist is unquestioned and he commands global respect. A workaholic dynamo, Dr Ata-ur-Rahman cut through the impregnable walls of bureaucracy and provided just the right impetus that Pakistan's IT sector needed at the time. Science and technology became the buzz and IT came under the spotlight. Under Dr Ata-ur-Rahman, PTCL had to slash Internet bandwidth rates from US$36,000 per E-1 (2 Mbps) to ~US$10,000 in one year to make Pakistan competitive in the region. These rates have now come down to US$1,700 and are expected to fall further. He launched large-scale government sponsored training programs on crash basis in Java programming, medical and legal transcription, basic IT literacy and many others. Pakistan Software Export Board (PSEB) was converted into an autonomous body. It was mandated to increase the market access for Pakistan's small and medium scale software houses and attract investments in the IT sector of Pakistan. Being geographically and ethnographically similar to India, Pakistan aimed to become the next best destination for outsourced IT enabled Services (ITeS).

Dr Ata has his critics accusing him of trying to achieve too much too soon. Yet the energy – and positive sentiments – created by Dr Ata's initiatives have been unprecedented. His personal credibility attracted expatriate Pakistanis, especially from the US, to look favorably towards Pakistan. A sense of rivalry with fellow Indians definitely played a role in looking back home. "If Indians could do it, so could we" and "Why not us?" were common remarks hurled in private conversations, in public debates and in policy dialogues.

Meanwhile, a few Pakistanis had also created some news ripples in the IT sector in the US. Safi Qureshey co-founded AST Research Inc in 1981 to manufacture personal computers under the brand name of AST (which comes from the initials of the first names of the founders, Albert Wong, Safi Qureshey and Thomas Yuen). From a garage-based company AST progressed to become a member of *Fortune Magazine's* prestigious list of America's Largest Industrial and Service Companies, with more than US$2.5 billion in annual revenue. This 1991-inclusion in the Fortune 500 list was a remarkable feat at that time, which was likened to earlier yet similar garage-to-greatness story of Apple Inc. Safi Qureshey as the president of the company oversaw AST's multi-million dollar strategic investment into mainland China to set up a manufacturing plant ahead of its rivals in the early to mid 1990s. In August 1997, Samsung Electronics paid over 370 million US dollars to acquire AST Research Inc. With this successful sell-out, a Pakistani American and AST's founding CEO made it big in the US. Back in Pakistan, Safi Qureshey became a celebrity in the educated circles, computer industry and business schools of Pakistan.

Two other stories of success, though not as popular as of Safi Qureshey's, also gave confidence to IT professionals in Pakistan and added fuel to their fancy. Atiq Raza, an Aitchisonian from Lahore, had worked in the R&D labs of the Telephone Industries of Pakistan for six years, after getting his Bachelors in electronics from London University. Seeing barely any prospect for himself as a technologist in a government-run telecom monopoly, he went to the Stanford University, did his Masters there and took up a job in the technology hotbed called the Silicon Valley, where he befriended the legendary Indian venture capitalist Vinod Khosla. As CEO of a startup, NexGen, Raza took on the colossal task of taking on the total dominance of Intel Corporation in the microprocessor area. He went on to sell NexGen for US$800 million to AMD Corporation. In 1999, as CEO, he led AMD to successfully produce and market the K-6 processors, thereby breaking Intel's monopoly of the microprocessor market in the world.[6]

Hasan Ahmed, a PhD in electrical engineering from Stanford, founded WaveAccess, which was a pioneer in high-speed wireless network products. He is now president and CEO of Sonus Networks. Prior to joining Sonus in 1998, Dr. Ahmed was Executive Vice President and General Manager of Ascend Communications' Core Systems Division, which grew under his direction to a US$1 billion business. Reportedly, he created wealth to the tune of one billion dollars in 2000.[7]

Both Safi Qureshey and Atiq Raza are typical Silicon Valley success stories, in which a technopreneur joins hands with a venture capitalist and takes huge risks in commercializing a technological solution. Hasan Ahmed's story, though less well known, is no different. In many ways, history of technology in the US is inexorably entwined with that of venture capital (VC). In the case of Pakistan, however, IT was devoid of any formal linkage with venture or risk capital until 1999-2000.

During 1998-2000, two companies with their back offices in Pakistan created headlines. Netsol Technologies and Align Technology were listed on NASDAQ in the US. The news was received with enthusiasm, euphoria and a sense of pride; creating lots of excitement in the IT sector of Pakistan.

Immaculate Connections

It is curious to see how fate plays a hand in people's lives. Especially in this instance where the lives of three men converge at one certain point, and coincidentally all three names begin with the letter "A". Their fate brought them together to the idea of venture capital in Pakistan.

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[6] http://www.the-south-asian.com
[7] ibid

Azam Ali was studying in the US. He was intrigued by the IT boom there and the role venture capital firms were playing in promoting technology. Aliuddin Ansari, his distant cousin, was working for AKD Securities, a brokerage firm owned by an investor par excellence, Aqeel Karim Dhedhi a.k.a. Aqeel Bhai. Ali Ansari had lived and breathed the world of global finance for over twenty years. He was well known for his expertise in brokerage and asset management and was instinctively inclined to try out new things. He was immediately hooked up to the topic of "IT boom, India and venture capital", which Azam discussed with him. Ali gives Azam the credit for introducing the concept of venture capital in Pakistan, "When I met Azam, we immediately connected. Whenever he was in Pakistan, from the US where he was studying, he would talk nonstop about venture capital, technology and what was happening in the US. Remember this was 1999. From there, the idea quickly developed. His enthusiasm caught on me…As CEO (of AKD Securities) I enjoyed full autonomy. I agreed to the concept but was not sure how technology startups could be founded in Pakistan…Azam then brought to me the first deal as well…And from there the idea took off".[8]

Aqeel Karim Dhedhi, better known as AKD to the public and referred to, out of respect, tradition and affection, as Aqeel Bhai by his colleagues and employees, is currently one of the richest men in Pakistan. He made his fortune in the stock market and now his empire, AKD Group, spans over securities, investment banking, real estate and construction, asset management, oil and gas exploration, telecom, and port operations and management. Aqeel Karim Dhedhi has a penchant for risk taking. As a result, a spirit of enterprise and risk-taking characterizes the entire AKD Group. It was only natural that the notion of venture capital would fit well with the culture of AKD Group and the personality of Aqeel Karim Dhedhi, a glimpse of which he provides in a cover story interview to the Blue Chip, The Business People's Magazine. "The thinking should be such that if you bring in good people your business will grow. I delegate – I do not abdicate. So, I give people responsibility…At every post there is an expert…I don't interfere unless there is a problem".[9] He further elaborates his business philosophy, "Whatever business you are in, you have to know it inside out…You can do it yourself or you can know it through credible advice...Because a person cannot do everything on (Sic) their own…The other secret of success in the business is to be patient and calm. In fact, patience is a recipe for success in any business. Yes, take risk, but then don't panic. Just be calm. The moment you panic then there is no turning back and you can't think properly".[10]

Azam originated the idea. Ali championed it to Aqeel Dhedhi who became the patron and financier. Among themselves, all three connected well to pioneering the concept of venture capital in Pakistan. Ali recalls, "As my Chairman (of AKD Securities), he

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[8] Interview with Ali Ansari: March 21, 2007
[9] Big Dhedhi: The Man Behind the Myth, Cover Story by Sanniya Gauhar: Blue Chip, The Business People Magazine, October 2005, Vol. 2, Issue 17, pp 22-23
[10] ibid

really liked the idea, but cautioned me to know more about how venture capital works---and have a long-term vision. I attribute the success (of TMT Ventures) particularly to the second bit of advice”.[11] Ali and Azam, having made two small investments, realized that they needed to learn more in order to navigate well in the uncharted waters of venture capital. Their international connections came in handy and soon another “**A**” added up; off they went to **A**merica as self-styled venture capitalists from Pakistan.

The Cradle Years of the Toddler

Initially TMT Ventures was a division within AKD Securities. TMT stands for Technology, Media, and Telecommunication and signifies the focus of investment strategy. It was mandated to provide risk capital to startups in these sectors. Following the discussions of launching a formal VC fund in Pakistan, Azam introduced his friend Salman Banatwala to Ali Ansari, CEO of AKD Securities. In this way, Azam not only germinated the concept but also brought in the first deal to the table, Y-Evolve, which, at that time was a small web development company. Founded and headed by Salman Banatwala, Y-Evolve was about to be shut down as it was not doing well commercially. In 2000, the first-ever VC funding commitment was made which entailed payments of salaries for one year and purchase of assets worth Pak Rs. 400,000 just to keep Y-Evolve afloat and surviving. Ali recounts, “It (Y-Evolve) was really a very small and insignificant investment. More like an experiment. Around that time, another gentleman by the name of Owais Zaidi was in search of funding. So, we made an investment commitment of three million rupees (US$ 50,000) into To-Be Technologies (2BT). Again, it was just like an experiment and…really a small foray into the unknown.”[12]

Meanwhile Azam resumed his studies in the US but Ali Ansari stayed in touch with him on the Internet and phone. The two kept their discussions on technology and venture capital alive. A few months later Ali made a trip to the US and joined Azam to learn more about the art and craft of venture capital. Together they visited the Silicon Valley, attended meetings of The Indus Entrepreneurs (TiE) and met with Pakistanis who had made it big in the Valley. They introduced themselves as the venture capitalists from Pakistan and were greeted with surprise, appreciation and offers of help. Ali in fact propositioned to technology companies that “we could help you set up low cost back offices in Pakistan, which generated a lot of interest amongst the people we spoke to”.[13] Meeting with the movers and shakers of the Silicon Valley and Wall Street gave Ali an immense amount of insight on how venture capital works. Indeed, there was a “lot of learning along the road”[14] on how to best execute the idea in Pakistan.

[11] Interview with Ali Ansari: March 21, 2007
[12] ibid
[13] ibid
[14] ibid

Ali, a finance wizard, was now in a much better position to structure the entire local VC initiative as an architect. He returned home with contours of a local incubation model suitable for Pakistan. Back home, another company, Application Access (AppXS), was added to the portfolio in 2001. As a division of AKD Securities, the venture capital arm was trying to manage these three fledgling companies. From these intense efforts to incubate them successfully emerged the TMT business model. Ali soon realized that he was pioneering a concept in the financial landscape of the country. There was a need to focus and the entire initiative called for a long haul vision if it were to succeed. So far, TMT had taken just the first few steps, very much like a toddler learning to walk. Ali describes the formative years with fondness of a doting father, "Within six months we realized how difficult the (terrain) was. We were in a long haul journey. There were no quick battles…only a long drawn out war…So we planned accordingly. I set about looking out for a structure for the business. There was no company at that moment. TMT was just a brand. I hired Salman (Banatwala) to help run the affairs of TMT. And so it all rolled on."[15]

AKD Securities had chosen a three-pronged focus for the venture capital initiative: Technology, Media and Telecommunications. These sectors were being deregulated and it was expected that pent-up growth would be unleashed. AKD Securities created and nurtured TMT Ventures as a proprietary investment brand under which all three investments made thus far in 2000-2001 were 100 per cent funded by AKD Securities alone. As its architect, Ali Ansari kept TMT Ventures broad-based in design to allow others to join in if and when they wanted. Aqeel Dhedhi, the Chairman of AKD Securities, wanted to keep TMT Ventures proprietary but Ali persisted in persuading his boss to keep TMT broad-based, which he allowed. Ali recalls with a smile, "The Chairman offered me all the funds I would ever need for TMT…I, however, wanted the ownership structure to be flexible enough, so that other investors or institutions could be invited to join. I was convinced that broad-basing the design was crucial (for sustainability). My Chairman gave into my requests…In a way that was the only point of disagreement in my entire professional association with AKD."[16]

TMT was positioned as a product-based model, wherein the incubated companies were expected to conceive, design, develop and commercialize technology products. Ali and Salman then decided on the ownership structure for the entrepreneurs in the funded companies. They came up with selection parameters for sifting business ideas. They decided on the performance criteria for startups and rounds of funding that the companies would go through. They broadly thought about exit strategies, and…they dreamed about creating "millionaires who would roam on our floor".[17] Thus began their hunt for deals, entrepreneurs and investible ideas.

[15] ibid
[16] ibid
[17] ibid

The Incubator Incubates Itself

Though commercial considerations of high expected returns justifiably went into the launch of TMT Ventures, its strong foundation was laid on the rocks of a long-run vision and the team's commitment to a higher set of objectives: to pioneer a venture capital industry in Pakistan, and to nurture entrepreneurship in Pakistan.

In 2000, when TMT had already invested in three companies, there were no rules in the books of the country's regulators to deal with VC investment. Tax laws did not recognize venture capital as a valid means of investment, and this was the biggest hurdle due to high risk nature of VC investment. There was no mention of venture capital in the regulations of the Securities and Exchange Commission of Pakistan (SECP). Commercial and investment banks and development finance institutions were governed by a well-defined and elaborate set of SBP rules of business and prudential regulations. Leasing companies, modarabas[18], brokerage houses and mutual funds were characterized as Non-Banking Finance Institutions (NBFIs) and entrusted to SECP for regulation. Unlike leasing and modaraba companies, no separate rules existed for venture capital funds and companies, which was lumped somewhere within NBFIs. Operating without a proper regulatory framework was very risky. Lack of VC-specific rules also meant that an industry would not emerge. TMT Ventures, in its earnest desire, did not want to be alone in the arena: It wanted more venture capitalists to come forth so that a new segment of investment mode could emerge.

Khalid Mirza, a dynamic professional of high integrity and sound reputation, headed SECP when it replaced the erstwhile and archaic Corporate Law Authority (CLA) in 2000. He was sympathetic to the genuine concerns of the business community he regulated. When made to realize the lacuna, he immediately moved to frame regulations for VC industry. In February 2001, SECP finally issued a Statutory Regulatory Order (SRO) that laid out a regulatory framework called the Venture Capital Companies and Venture Capital Funds Rules 2001.[19] In addition, the Government of Pakistan also offered a 7-year tax holiday to promote venture capital and thus deepen the financial services industry. Under the tax holiday, both VC fund investors (LP) as well as fund management company (GP) were declared tax exempt. (The first 7-year tax holiday has now been extended until 2014). In fact, AKD

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[18] Participation or trust financing. This arrangement involves two parties, the managing trustee (Mudarib) and the beneficial owner (Rabb ul Maal). Where Mudaraba is used as a method of financing, the financial institution will provide funds to the customer who then acts as Mudarib. The Mudarib will retain a fixed percentage of the profits; the Islamic financial institution's reward is a fixed share in the balance of the revenue generated by the investments. There is no guarantee that the Islamic financial institution's investment will be returned or that a profit will be generated.
Source: www.exchange-handbook.co.uk/glossary.cfm

(In practice, modarabas are mainly involved in leasing business in Pakistan)

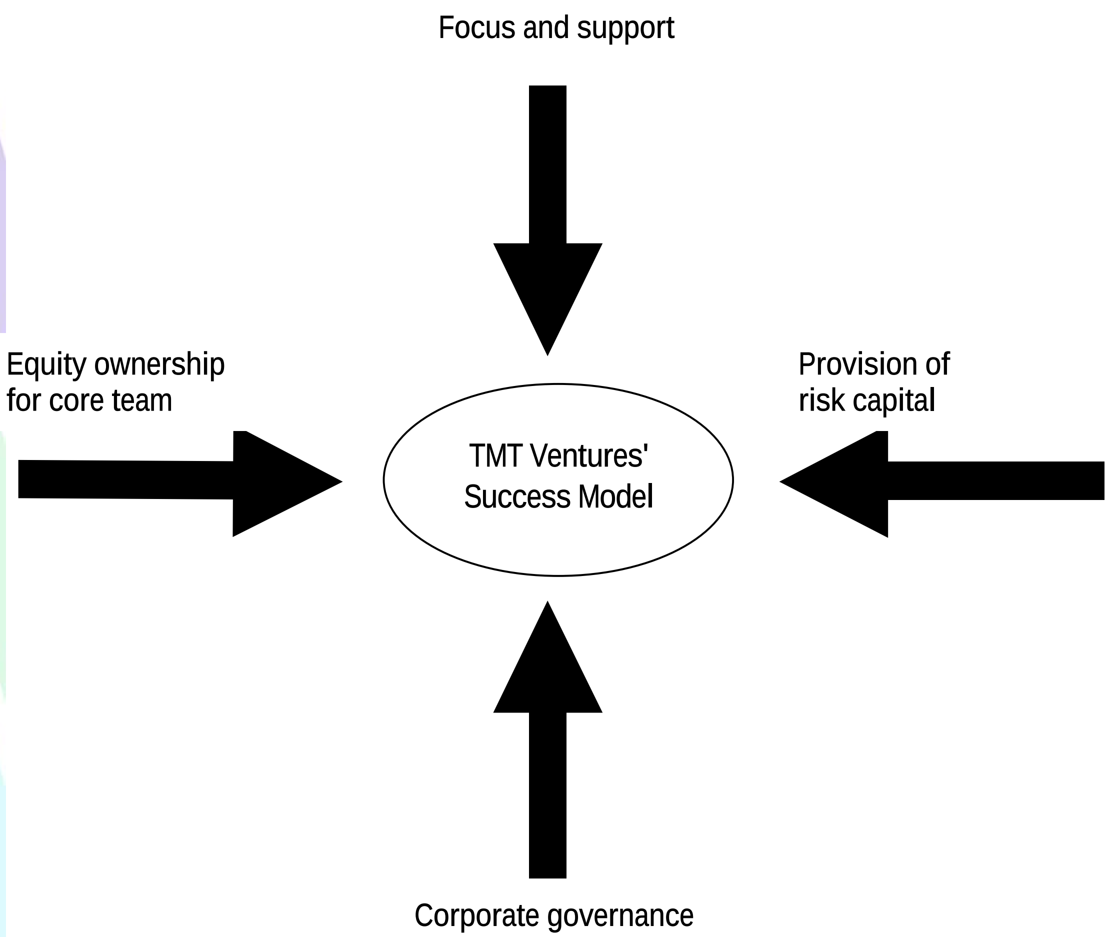
[19] SECP Notification 131(I)/2001 dated February 27, 2001 available online, www.secp.org

Securities and TMT Ventures were instrumental in helping the SECP frame the VC rules. TMT Ventures was issued the first license under the VC Company Rules of 2001. The company could now operate as a separate legal entity. Accordingly, it was incorporated as a public limited unlisted company dedicated to raising and managing VC funds.

TMT Ventures learned lessons about funding startups, as it tried to manage the three struggling companies in its portfolio. With no other VC firm In Pakistan to learn from, TMT tried to learn, adopt and adapt the tricks of venture capital from other countries, especially from the US. In trying to enhance its know-how of finding and teaming with entrepreneurs, TMT tied up with The Indus Entrepreneurs (TiE), a non-profit association of successful businessmen of Indus Valley[20] origin in the US. TiE is dedicated to promoting entrepreneurship globally. When knowledge from global linkages were pitted against local realities, an indigenously unique incubation model emerged.

TMT Ventures' Incubation Model

TMT Ventures based its incubation model on four key components, as the figure below illustrates.



TMT Ventures served as a channel between providers of institutional risk capital and young entrepreneurs. Additionally, the company initiated, led and monitored the process of investment deployment, growth and exit. This involved business plan evaluation, equity financing (for start-ups), growth funding or expansion capital when start-ups reach the next stage, focus and support through better corporate governance, monitoring and financial reporting.

TMT Ventures provided the following services to its portfolio companies:

- Marketing network
- Business strategy consultation
- Help in hiring key management employees
- Provision of infrastructure at Cyberport
- Centralized administrative, accounts, tax and legal support
- Corporate governance framework and systems

In order to manage risk, TMT Ventures tried to put in place a system of screening investible ideas. In this early stage, TMT managed to survive and grow by way of trial and error. It imposed restrictive rules for rounds of funding to the portfolio companies. Under the rules, investment would take place in bits and pieces – and that too irregularly. The startups remained uncertain about the funding, which added to the entrepreneur's anxiety and resulted in occasional rifts with the TMT management, which, on its part tried its best to achieve a balance between technopreneurs' urge for rapid growth and investor's need for financial discipline.

In this period of trying, doing, testing and discovering, TMT Ventures soon learned its bitterest lesson yet: Its product-based model was flawed, and no amount of money could have helped the technology product model simply because the basic ingredients were missing on both the demand and the supply side. Ali Ansari mused over these causes of failure, "There is no local market for software products. People do not pay for software. They associate a product with tangibility, which intellectual products such as software, graphic design, artwork etc naturally lack. For the international markets, the depth of product features, quality and product support are critical requirements, which local startup companies cannot afford. More so, conceiving a product, developing a prototype, piloting and test marketing, scaling up and commercializing it successfully require immense managerial abilities particularly project management skills and lots of patience. Our entrepreneurs and technology professionals generally lack all of these qualities. Even with ten times more

[20] Indus Valley refers to the Sub Continental landmass comprising India, Pakistan and Bangladesh

investment, the product-model of incubation would not have succeeded”.[21] It is no wonder that the three portfolio companies were struggling.

This early period of trial faced further unexpected turbulence when Salman Banatwala, the then CEO and one of the co-founders, resigned in late 2001. Ali Ansari immediately started out the search for a new CEO. In the interim, for over four months, he managed the existing—and struggling—TMT portfolio in addition to looking after the ever-expanding operations of the AKD Securities. Had it not been for the passion of pioneering a VC industry, TMT Ventures would not have survived: its own troubles in 2001 were enough to kill the baby in its cradle.

An important element of the TMT business model was its reliance on the US market for the technology products its companies were developing. It was not uncommon at that time, since almost the entire IT sector in Pakistan was linked to the US as if with an umbilical cord. After all, we were trying to emulate India’s achievement in selling IT-enabled services (ITeS) to the US. Because the capital market in Pakistan was not mature, over the counter (OTC) market for smaller companies, mergers and acquisitions, exit-IPOs (Initial Public Offerings) and other sophisticated means of VC harvest did not exist. This was another reason for TMT Ventures to look towards the financial services industry in the US with the hope that the companies it was incubating may some day attract US buyers.

Then the tragedy of September 11 happened in 2001.

The Windfall of Nine-Eleven, 9/11

Nuclear blast by Pakistan in May 1998 had made her a near-pariah state in the comity of nations. The country reeled under economic sanctions imposed by the US. Pakistani companies, especially those associated with technology, were outside of the radar of the rest of the world. Pakistan was rated a high-risk country for business and investment.

However, the September 11 attacks in the US and the subsequent shift in Pakistan’s diplomatic stance changed the world for the better for Pakistan. Pakistan’s support to the international community in the fight against terrorism brought in several economic benefits. Reduction in country risk increased prospects of rapid economic growth through higher local and foreign investment. Bilateral and multilateral donors, development agencies and governments rescheduled Pakistan’s burgeoning external debt. The fiscal space thus created allowed the government to initiate large-scale development projects, invite foreign investment and accelerate reform program (reduced import tariffs, better tax collection, more incentives for export industries). As business sentiment picked up, IT spending increased. After an agonizing slump, IT companies, including those on TMT’s lap, began to smell profitable opportunities.

[21] Interview with Ali Ansari, Founding Chairman, TMT Ventures and Ex-CEO, AKD Securities, March 21, 2007

Fearing persecution, Pakistani expatriates in the US and in Europe began working out their back-up plans. The country, so long a victim of brain drain, now experienced brain gain. For TMT Ventures, 9/11 brought multiple boons: its deal flow increased, better managerial talent became available to it, and much needed high-quality skill-sets in the technology sector presented themselves for recruitment. The momentum continued for the next three years, from early 2002 through 2004.

TMT's first life stage of "TRY" and survive was over and the heavens were beginning to conspire for the next phase: MANAGED growth and stability. The environment was becoming better. A new set of exciting opportunities lay before it. Ready to tread on the new path, TMT waited for a new CEO.

Sohaib Umar, an MBA major in Finance and a CFA, having eight years of research and analysis experience in local and international brokerage houses, joined as the new CEO of the TMT Ventures in February 2002.

Managing Growth and Institutionalization

Sohaib inherited a troubled portfolio of three companies in a proprietary investment framework. Ali's dream of broad-basing the initiative had not been achieved so far. Sohaib realized as well that the higher goal of pioneering an industry would remain elusive, until and unless other heavyweights of the finance industry lend support to the idea of venture capital. While TMT Ventures was showcasing an "incubation model", there was a need for institutionalizing the entire initiative. More "spokesmen" for venture capital and incubation were needed in the influential circles of the society.

From the portfolio viewpoint, Sohaib faced an unenviable situation. His financial acumen indicated that the portfolio was too small and was not well diversified. On top of it, it was based on a flawed "product model" – the realization of which did not come immediately. When asked to recall his top priorities he set for himself after becoming the CEO, he said, "Scaling-up existing companies, finding new deals and streamlining management processes were my top priorities".[22]

Within nine months of joining, Sohaib and his TMT team launched a 200-million-rupee fund called TMT-PKIC Incubation Fund. Pak-Kuwait Investment Company (PKIC), a joint venture between the governments of Kuwait and Pakistan, came in as a partner acquiring a 25% stake in TMT Ventures, the management company. Three other respected institutions joined in as investors in the Incubation Fund: Habib Bank Limited (HBL), the country's second largest commercial bank, SME Bank, a recently created commercial bank for the small and medium enterprise (SME) sector, and National Investment Trust (NIT), the country's largest mutual fund company. The

[22] Interview with Sohaib Umar, CEO, TMT Ventures, March 9, 2007

Partners' investment commitments and percentage holdings in TMT-PKIC Incubation Fund stood as follows:

Incubation Fund Partners/Investors	Investment in Rupees (million)	Percentage Holdings	Directors on the Board
AKD Securities	75	37.5	3
PKIC	60	30.0	2
HBL	25	12.5	1
SME Bank	20	10.0	1
NIT	20	10.0	1
Total	200	100	8

TMT's Board and the Investment Committee (IC) were accordingly reconstituted. PKIC nominated two directors on TMT Venture's Board: Zaigham Mahmood Rizvi and Abdur Rahman. They were members of the Investment Committee as well.

Shaukat Aziz, the then Finance Minister, inaugurated the Fund in early 2003. A 25-year veteran of global investment banking, Shaukat Aziz understood the significance of a venture capital industry for the economy. He complimented the AKD Group and other investing institutions for taking the VC initiative. Taking cure from him, the media hailed the event as "historic" and "groundbreaking". Big institutions had joined the bandwagon of venture capital and incubation, which were then "cool and chic" and signified the "cutting-edge" of finance. There were now quite a few influential spokesmen for VC. Prominent institutions, by joining hands in an incubation fund, had made a statement of confidence in the twin concepts of venture capital and incubating entrepreneurship.

Sohaib had earlier expanded TMT's team in mid 2002 and added two more qualified finance professionals. Umar Khalid (MBA in Finance and CFA) came in as Sohaib's right hand man as did Zulfiqar Alam (CA) as Chief Finance Officer. With 200 million rupees in the kitty, TMT aimed for an accelerated yet cautiously managed growth, intelligently choosing their deals to have a wider and richer experience in technology, media and telecommunication.

A Proud Portfolio of Firsts

Between 2002 and 2005, TMT's portfolio swelled to eight companies. Most of the investments had something unique about them; each was a first of its kind in some sense. The following table presents this story of "firsts" in TMT's portfolio:

Company Name & Year Added	***Funding Uniqueness***	***Market Uniqueness***
Y-Evolve (2000)	First VC investment	• First hand-held applications company providing CRM solutions

AppXS (2001)		• First online trading applications company
Post Amazers (2002)	First media-related investment of the fund; it also represents the largest single investment in the portfolio	• First large-scale animation and post-production company in Pakistan • First Pakistani company to work on Hollywood movies and international animation assignments • First Pakistani company to be counted among Red Herring's top 200 Asian companies in 2005.
RFM[23] Loyalty (2003)	First company in the portfolio that was outside the original "technology product model" and based on the service model	• First chip-based loyalty services company in Pakistan, which owns and operates Smart Link, Pakistan's first smart card EMV-enabled[24] cutting-edge point-of-sale (POS) terminal network
Anilogix (2003)	First funding on an experimental basis to fresh IT graduates from a local university to create computer games	• Amongst the first few Pakistani companies in computer games development business
Voxel Communications (2004)	First investment outside Karachi into an existing call center service provider in Islamabad	
AKN MTech[25] (2005)	First-ever partnership outside Pakistan with a Malaysian company, in which TMT took a first-time minority stake of 40%.	• Among the first few companies focused on mobile content development, aggregation and marketing

[23] Derives its name from "recency/frequency/monetary value" – the key features of the card-based loyalty solution the company offers to its banking, corporate and retail clients. The application lets direct marketers know the recency and frequency of purchasing, and the amount of money spent by the people in their database. Source: www.1printingsource.com/glossary.html

[24] Europay MasterCard Visa Integrated Chip Card Standard. As an acronym, EMV, is referred to mean the specifications issued by EMVCo, LLC covering the operation of Smart card payment cards. Europay International, MasterCard International and Visa International formed EMVCo, LLC ("EMVCo") in February 1999 to manage, maintain and enhance the EMV Integrated Circuit Card Specifications for Payment Systems as technology advances and the implementation of chip card programs become more prevalent. Source: http://www.emvco.com

[25] Full name: Ahmed Kabeer Nagoor Messaging Technologies

Total funding in all eight companies reached Rs. 197 million in at the end of the financial year 2004-2005, which was 78.8 % of the total funds available to the tune of Rs. 250 million. The book value of the fund stood at Rs. 135.7 million at the end of 2004-5. No further investment took place in 2006. Year-wise (2000-2006) dynamics of Fund's value and shareholding patterns appear in annex I.

Managing such a diverse portfolio, with most of the companies struggling, posed its own challenges. Even the initial three year-2000 investments (Y-Evolve, 2BT and AppXS) are still in the red as of year-end 2006 (of these, 2BT and AppXS turned positive in one year but came in the red again the next year). A team of six at TMT was working their hearts out to make the idea work. Pressure on the fund to perform was mounting as the TMT team was learning valuable lessons in managing entrepreneurs and investing partners.

Tie-ups Break up

By its very nature, venture capital demands patience and a long-term horizon. Falling in the high-risk, high-return category of investment modes, venture capital also has a high mortality rate. Nine in ten VC investments typically perform sub-optimally: some go sour and end in a loss; a few earn average returns and a couple above-average. However, the one that succeeds more than pays for the other nine investments as it brings in fabulous, multi-fold returns.

Historically, the financial sector in Pakistan has preferred a short-term approach to investing, both equity and debt. The reason partly is the lack of economic stability in the country on account of frequently changing policies by various governments. Additionally, even those institutions that have some appetite for equity investments are driven by returns in the form of dividends. The companies listed on the Karachi Stock Exchange have historically generated some of the best dividend yields in the region – in high single digit or even in double digits for some selected companies. Long-term equity investment in illiquid assets in the expectation of a capital gain after several years has not been a popular form of investment in Pakistan's financial sector.

It appears that a combination of these two factors resulted in growing concern among two Fund investors – NIT and PKIC – about the future of their venture investment. In addition, the novelty of the venture capital concept meant that broader level understanding and buy-in from these institutions was not there..

Sohaib reflected on the tie-ups, "It was *a* CEO's decision to join the incubation fund. When senior management changed at both these institutions it became difficult for the successors to continue to justify a long term equity investment in a risky venture at a time when both the stock and the debt markets were booming."[26]

[26] Interview with Sohaib Umar, CEO, TMT Ventures, March 9, 2007

NIT was the first to decide to cash out their investment in TMT-PKIC Incubation Fund in 2004. Aqeel Karim Dhedhi (AKD) bought back their shares at par, although the value of NIT's investment was slightly below par at that time because of accumulated losses. The Fund's Agreement of Partnership required all the investors to lock up their capital for at least eight years with no provision of buy-back.

PKIC, the original partner in the Incubation Fund and in the management company, ejected itself out of venture capital in 2005. Again, Mr. AKD bought back below-par investment of PKIC at face value. This gesture of magnanimity by Mr. AKD is typical of his character.

The Team is more Important Than the Idea: Knowing the Known

The investors were not the only ones teaching TMT Ventures some valuable lessons. The entrepreneurs whom TMT Ventures had funded did not lag behind either.

Initially, TMT remained on the look out for "investible ideas". It actually funded some brilliant ones. For example, Y-Evolve set out to develop a software application for palm-tops and handhelds back in 2000, when the devices were not so common in Pakistan and mobile connectivity was costly and erratic. In fact, the ideas behind most of the investments were rather exotic and as Sohaib put it "a little ahead of time".[27] By design, TMT companies were operating on relatively difficult technological terrain. The fact that the local market was not yet ready for such ideas also compounded the issue. Nevertheless, the biggest challenge came from the personality traits and management capabilities of the entrepreneurs, rather than the advanced technological nature of their ideas.

Business literature on how to successfully manage a VC company or a start-up venture is replete with advice on the importance of the team behind an idea. TMT learned this lesson the hard way. Sohaib was emphatic in saying that "…our individual (entrepreneur) is too self-centered to operate in a team. It is fear of losing control or too much faith in one's own self, or perhaps both. The bottom-line is that a coherent, productive team is quite difficult to assemble…In Pakistan, people do not really know how to work in a team".[28] (Ali Ansari, the founding chairperson also aired similar comments about the lack of teamwork amongst Pakistanis). Sohaib would like to see a combination of "entrepreneurial spirit, managerial capabilities and financial discipline at the top of the organization".[29] He conceded that it was a rare combination and "management development would be an answer"[30], which the "current fiscal space does not allow."[31]

[27] ibid
[28] ibid
[29] ibid
[30] ibid
[31] ibid

Another critical issue that emerged was the lack of a common understanding between the investees and TMT Ventures about the objectives and the processes of venture capital. “The start-up owners did not understand the language of finance and we could not communicate to them well…It is of utmost importance that both the parties speak the same language…In companies where the team understood what we were saying and vice versa, the relationships remained smooth.”[32]

Hitting Rock-Bottom

The positive windfalls of the 9/11 lasted into the year 2004. Managing the impatient investors and the inexperienced entrepreneurs started taking its toll. By 2005, TMT was fully bogged down in managing various operational issues of the portfolio companies. Little before Ali Ansari left AKD Securities, he shared with the Board his note on lessons learned so far. A weak marketing outreach was one of the problems addressed in the note. Zaigham Rizvi, PKIC’s nominee director, had earlier proposed setting up of a “centralized marketing company”. The companies were finding it difficult to market their products and services. With over 87% committed, accumulated losses plunged to Rs. 57.7 million in 2005 from Rs. 4.7 million in 2004. All the companies were making losses; they could not be harvested at a decent price. One of the companies, Anilogix, had to be shut down in 2005: The 3-million-rupee experiment of investing on fresh university graduates failed. PKIC, the original partner in the incubation fund, left after earning no returns on its investment. Ali Ansari, the founding chairman of TMT Ventures, decided to move on and left the AKD Group to become an entrepreneur himself. Umar Khalid, one of the key TMT team members also announced his intention to leave soon after. In the words of Zulfiqar Alam, TMT’s CFO, “We hit rock-bottom in 2005.”[33]

Faced with pressure to augment its income, TMT ended up doing an assignment for the Higher Education Commission (HEC) of Pakistan in 2004/5. In collaboration with ByteART, a UAE-based firm, and STEDEC, a technology commercialization company of the government of Pakistan, TMT charted out locations of high quality and commercializable scientific research in Pakistan. TMT earned a modest Rs. 1.3 million as its share of the assignment fee. A one-billion-rupee public sector VC fund to set up two incubators in agriculture and herbal/pharmaceutical sectors, proposed on the basis of research, was summarily killed by the Planning Commission of Pakistan. Sohaib recollects his feelings after the presentation to the Planning Commission, “This was a sad and disappointing experience for all of us. We had put in a lot of hard work to put together a comprehensive proposal, which, if implemented properly, could have truly revolutionized the R&D culture in the universities. We felt that our arguments were not heard with an open mind. We could not convince the Commission members that bridging the gap between academia and research through a disciplined process of research commercialization was higher priority for Pakistan and had far reaching positive benefits than building roads, bridges and sewerage

[32] ibid
[33] Comments made by Zuliqar Alam during the reflective exercise, Case Clinic, on March 7, 2007

facilities".[34] As far as the achievement of objective (incubation fund for indigenous technology) is concerned, nothing fruitful came out of the HEC assignment.

The addition of AKN MTech as the ninth portfolio company was the only solace of the year 2005. The next year, though, had the most unexpected stored for TMT; it was about to write history in the annals of financial services industry of Pakistan.

The Year of Triumph

In 2006, TMT Ventures made its first exit – at an IRR of 41% – from TMT's investment in RFM Loyalty of Rs. 53 million. Iqbal Mahmood was the founding CEO of the first harvested company; his equity share stood at 23.9 % against an investment of Rs. 1.4 million. He earned Rs. 48 million (US$ 800,000) at a personal IRR of a whopping 297%. RFM Loyalty was sold to a listed entity based out of Kuwait for US$ 3 million (Rs. 180 million). It was the fifth investment of the fund and the first to be harvested. From its incubation to harvest, it took no more than three years!

RFM Loyalty's harvest is a case of living true to the definition of luck: It is when preparedness meets opportunity.

RFM Loyalty Pvt. Ltd. is a smart card-based loyalty services provider, and is engaged in the provision of Smart Card loyalty services for Banks, Corporate and Retail sectors. RFM also owns and operates Smart Link, Pakistan's first smart card EMV enabled POS terminal network. RFM bought this technology from Welcome RealTime (WRT), a French company whose application is unique and the only one in the world to be recommended by both VISA & MasterCard as their preferred solution for Smart cards.

The microprocessor chip on the smart card is capable of capturing all of one's transactional details, rewarding instantly based on one's buying behavior. The microprocessor chip is a much more advanced and secure technology when compared to the magnetic strip used in various swipe cards, credit or debit, issued by the banks. An estimated 3 million users in Pakistan use a magnetic strip based credit or debit card of any of the leading brands, VISA, Master, American Express and Diners Club. United Bank Limited (UBL) became RFM's first client as it issued Pakistan's first chip-based VISA credit card in 2005. RFM provided UBL with the technology and related services. Encouraged by UBL's success (highest number of VISA customers made in a year), Iqbal went to UAE, "literally knocking at the banks' doors to test the regional market in UAE".[35]

Europe and North America are heading the race to migrate to Smart Card technology. Euro Master Visa (EMV), which provides the payment processing backbone to millions of VISA and Master card users globally, had set a deadline for the UAE

[34] Interview with Sohaib Umar, CEO, TMT Ventures, March 9, 2007
[35] ibid

banks after which no re-imbursements for credit/debit cards' frauds were to be entertained. EMV's unflinching stance forced all banks to graduate to a secure technology. There was a sense of urgency bordering on desperation on the part of all UAE banks. They wanted all magnetic-strip plastic money to be converted to more secure chip-based cards in order to better-prevent online fraud and identity thefts. Mashreq Bank had already converted to chip cards and Abu Dhabi Commercial Bank (ADCB) was on the look out. It had invited international tenders for Smart card technology solution. RFM Loyalty responded to the call and won it.

Winning the tender was not as easy as it may appear. RFM faced tough competition in the bidding race. However, somebody's persistence paid off. Sohaib gives credit to the salesmanship of Iqbal Mahmood, the founding CEO of RFM Loyalty, "He has an extraordinary ability to sell; he is humble and has a never-say-quit attitude. All credit goes to him for his persistence and business sense." [36]

Among those RFM beat was The International Investor (TII), a financial and business mini-conglomerate based in Kuwait. Once beaten, the company decided to buy out the victor. TII sounded off Iqbal, who immediately consulted Sohaib. With a floor price in mind, Sohaib asked Iqbal to enter into formal negotiations with TII. Initial parlays quickly snowballed into a serious sell-off opportunity. For a moment, Iqbal dithered and advised Sohaib to hold back. But the offer price was handsome. As a finance veteran and an eager venture capitalist, Sohaib knew it was a not-to-be-missed opportunity since it could prove the VC model's success in Pakistan. Time was of the essence in closing the deal. Therefore, they acted fast and prepared themselves to clinch the historical exit. Zulfiqar spent endless hours with TII's consultants appointed to conduct comprehensive due diligence on the company. The circle of luck was thus completed. TMT and Iqbal Mahmood became lucky: their preparedness had met the market opportunity.

The exit created the first (near) millionaire out of the incubation fund; Ali Ansari's dream came true. It also vindicated Mr. AKD's stance of having patience and a long-term vision. It was Pakistan's first-ever harvest under the venture capital mode of finance. TII, the new owner, retained Iqbal Mahmood as CEO of RFM's subsidiary in Dubai. He has since moved to the Desert City where he lives in a villa, drives a Mercedes and is earning five times the salary he was drawing in Pakistan. On top of this, he still owns 40% of the Dubai subsidiary.

While the sale of RFM Loyalty was being negotiated, TMT Ventures also made another big move towards securing a long term, prosperous future for itself. TMT formed a joint venture with Small Enterprise Assistance Funds (SEAF), a US-based global private equity management company, to launch a US$100 million private equity (PE) fund. A year ago, Sohaib had floated the idea of private equity to the Investment Committee, which asked him to present a plan. He did that, and the IC

[36] Sohaib Umar's comments during the reflective exercise, Case Clinic, March 7, 2007

approved it in principle, throwing the ball back in Sohaib's court. He took up the challenge and found a worthy new partner in SEAF. Together, the two entities are about to close the PE fund with investments from leading international financial institutions.

As the name implies, SEAF invests in the equities of high potential small and medium enterprises across various sectors in emerging economies around the globe. SEAF has US$ 400 million worth of assets under management in its various country funds in Latin America, Eastern Europe and Asia (including China and India). In its strategic intent and investment philosophy, SEAF is a long-term institutional investor. Having learned his lessons well, Sohaib was careful in choosing another investment partner this time. A deeper due diligence took place at both ends, TMT Ventures as well as SEAF. In the end, they both made their vows of association in June 2006 and announced it at a press conference in Karachi.

TMT-SEAF Pakistan Growth Fund is the only SME-focused, Shariah-based private-equity fund in Pakistan. It aims to provide capital and other resources to medium sized companies in high-growth sectors of the economy.

"There were many things that we wanted to do but could not because of the budgetary constraints of a small fund (reference to TMT's current size of investment). No such constraints are there in our second fund. With a bigger investment, an expanded team and a wider potential of deals (not just technology), we are ready to take the plunge…into changing the business practices and economic landscape of Pakistan."[37] Sohaib Umar says softly. One can actually feel the steely resolve behind his words.

Meanwhile, the "jury on TMT's existing portfolio is still out…We have not yet decided whether to go for another round of incubation and venture capital once all exits have been made, or to graduate it (TMT Ventures) to private equity."[38]

As Sohaib and his core team transition from venture capital to private equity, he is looking to hire a replacement for himself at TMT Ventures. Raising another VC fund is also a possibility, and a natural next step in light of the successful first fund experience. However, nothing has been finalized yet.

The year 2007 unfolds with all such exciting possibilities in its womb.

[37] Interview with Sohaib Umar, March 9, 2007
[38] Interview with Nadeem Naqvi, Chairman TMT Ventures and CEO, AKD Securities, March 29, 2007

Additional Information

Annex I: Shareholding Pattern and Value of the Fund

All amounts are in Pak rupee (Rs.) except where mentioned and are based on year-end financial statements.

	2003	2004	2005	2006
Percentage Holding				
AKD Securities	37.5	50	80	80
Pak Kuwait Investment Company	30.0	30.0	0.0	0.0
National Investment Trust	12.5	0.0	0.0	0.0
SME Bank	10.0	10.0	10.0	10.0
Habib Bank Limited	10.0	10.0	10.0	10.0
Size of the Fund (million)	100	200	200	250*
Par Value of Shares	10	10	10	10
Accumulated Gain/(Loss) (million)	0.04	(4.7)	(57.7)	3.2
Value of the Fund (million)	64.4	140.9	135.8	165.1
Funds Committed and Disbursed (million)	64.4	144.7	173.2	214.6
Management Fee Earned (million)	1.68	4.4	6.0	7.2
Exits Made				1 (one)
Exit Price (million)				Rs. 180 US$ 3
Exit Mode				Trade Sale
Gain/Loss on Exit (million)				66

* Includes one-time loan from Mr. AKD

Annex II: TMT Ventures Through the Years

2000

1. TMT begins operation as a division of AKD Securities.
2. Adds first company to portfolio, y-Evolve.
3. One more company is funded, called 2B Technologies (2BT).
4. TMT Ventures Limited gets its founding CEO, Salman Banatwala.
5. Total funding at year-end stands at little less than Rs. 5 million.

2001

1. In early 2001, the first-ever sale of a small software component to Mobilink, a cellular operator, leads to market acceptance of 2BT.
2. Application Access (AppXS), an online trading solution company, comes in as the third portfolio company.
3. TMT Ventures Limited is spun off as a separate entity but remains as a proprietary investment of the AKD Securities.
4. TMT Ventures holds its first statutory meeting and constitutes Board of Directors.
5. Post Amazers, an animation and graphic design company, comes in as an important addition to TMT's portfolio. Coming at number four on the investment list, PA was, and remains, the largest single investment.
6. Salman Banatwala resigns as CEO, TMT Ventures.
7. Committed funding at year-end totals Rs. 17.1 million, the whole of which is proprietary investment of AKD Securities.

2002

1. Sohaib Umar joins TMT Ventures in Feb. 2002 as CEO.
2. SECP issues the first-ever license for a VC company to TMT Ventures under Venture Capital Company and Fund Rules 2001.
3. TMT launches and closes its Incubation Fund of Rs. 200 million, nine months after the new CEO. All the four proprietary investments are transferred into the Fund at cost. Pak-Kuwait Investment Company (PKIC) joins in as a partner of AKD Securities; Habib Bank Limited (HBL), National Investment Trust (NIT) and SME Bank come in as investors in the TMT-PKIC Incubation Fund.
4. Total investment at the year-end stands at Rs. 54 million.

2003

1. TMT Ventures draws its first-ever fund management fee at the rate of 3% of the deployed funds amounting to Rs. 3 million.
2. An Investment Committee (IC) is formed to put in place a formal system of investment approval. The IC is a part of the corporate governance structure.
3. The first investment from TMT-PKIC Incubation Fund goes to RFM Loyalty in August 2003, which becomes TMT's 5th investment.

4. Investment model changes to 10% stake straightaway to the entrepreneur with provision to enhance it up to 30%, subject to achieving performance-based benchmarks.
5. TMT changes its investment model from technology product to technology services orientation. RFM Loyalty was the first services based company in which intellectual property did not belong to RFM Loyalty (although the change was not intentional).
6. Post Amazers develops initial links with a Hollywood animation studio.
7. The year-end investment stands at Rs. 64.4 million

2004

1. Investment in Anilogix takes place to make it the 6th portfolio company run by fresh, out-of-school IT graduates who wanted to develop their own game on a proprietary gaming engine.
2. Attempts are made to scale up Post Amazers in anticipation of work coming from the US (as a result of their informal alliance with a Hollywood animation studio). Post Amazers develops content for two Hollywood movies in partnership with the US studio. PA also makes a major breakthrough in the local market by selling to Proctor & Gamble (P&G), Pakistan the Commander Safeguard campaign for their hygiene soap.
3. NIT, a Fund investor, leaves the Incubation Fund. AKD acquires its below-par shares at face value.
4. 7th investment goes into Voxel Communications, an existing call center which was in operation for about one year prior to the Fund's investment.
5. Pro-vision emerges as the 8th portfolio investment to take advantage of inter-company synergy: 2BT, which makes call centre technology solutions and Voxel, which provides call centre services are brought under Pro-vision, created as a shell company to function as a synergizing umbrella for selling both technology and services from one platform.
6. TMT, in collaboration with ByteART and STEDEC, bids and wins an assignment by the Higher Education Commission (HEC) of Pakistan to map out the science and technology landscape in the country's educational institutions in order to recommend the strategy and business model for commercialization of public sector R&D in Pakistan.
7. Portfolio investment grows to the tune of Rs. 144 million.

2005

1. TMT team calls 2005 as the most challenging year. It is remembered as the year in which TMT Ventures hit rock bottom.
2. The experiment of investing in fresh graduates fails. Anilogix is shut down; Three million rupees are written off.
3. Pak-Kuwait leaves the Incubation Fund and divests out of TMT Ventures as well. AKD buys back all below-par shares held by it at original investment price.

4. The HEC assignment concludes. The tripartite team earns Rs. 4.7 million and nets Rs. 3.9 million, which is split among the three companies. As a result of doing this assignment, TMT Ventures discovers the sources of scientific research and the intellectual property landscape in Pakistan.
5. TMT as the Lead Manager proposes a public sector Incubator of Rs. 500 million in agriculture and another of the same amount in herbal/pharmaceutical. It presents its report to HEC in which it lays out a mechanism for deal assessment and a business model for the incubators. The recommendations are shot down and the idea rejected by the Planning Commission, Ministry of Finance.
6. 9th company, AKNMTech is added to the portfolio; first ever deal in which TMT owns a minority stake of 40%, whereas the majority stake is owned by AKNMTech, Malaysia. This makes it the first-ever partnership outside Pakistan and, as the next two years prove, the most successful company so far TMT has on the books (besides RFM Loyalty).
7. TMT Ventures finds its best entrepreneur, Arshad Ashraf, founding CEO of AKNMTech, who is later on invited by Sohaib to join TMT-SEAF team.
8. Ali Ansari leaves TMT Ventures after 5 years of Chairmanship. Nadeem Naqvi is appointed as the new CEO of AKD Securities and the Chairman of TMT Ventures Limited.
9. Sohiab Umar floats the idea of “Private Equity”; the Investment Committee (IC) approves it.
10. Cumulative investments now reach Rs. 173 million and accumulated losses amount to Rs. 57.7 million.

<u>2006</u>

1. Umar Khalid, a key member of the team leaves TMT.
2. The first success story is written. TMT Ventures achieves its first exit as RFM Loyalty is sold to a Kuwait-based investor at an IRR of 41% for the Fund and ~300% for the entrepreneur and founding CEO, Iqbal Mahmood.
3. The Private Equity (PE) idea comes close to fruition. Small Enterprise Assistance Funds (SEAF) accepts TMT’s proposal to join hands and launch a US$100m PE fund together.
4. TMT team expands with the induction of Jibran Hashmey, a veteran technology sales and marketing expert, and Dr. Jafar Nazir Usmani, a PhD in natural chemistry having nearly 40 years of research and research commercialization experience.
5. Year-end portfolio investment stands at Rs. 214.6 million.

Annex III: Contact Information of Portfolio Companies

1. http://www.yevolve.com/main/index.htm
2. http://www.appxs.net/about_us.htm
3. www.**2b**t.com.pk
4. http://www.postamazers.com/
5. http://www.rfmloyalty.com/
6. http://voxelnet.com/
7. http://www.aknmtech.com/ and http://www.aknmtech.com.pk/
8. Anilogix has been shut down

Section II: Lessons Learned by TMT Ventures Limited

TMT Ventures learned its lessons well in this ground-breaking experience. The reflective exercise in the Case Clinic helped TMT's top team come up with 10-12 nuggets of learning, which have been elaborated in five categories as below:

Vision and Commitment to the Cause

TMT Ventures benefited from having certain higher NON-FINANCIAL OBJECTIVES. This commitment carried the TMT team through hard times and guided their decisions. TMT in the very formative stages had decided to establish entrepreneurship as a career choice among professionals from a concept to reality in Pakistan by providing capital and non-capital resources, thereby creating and sustaining a vibrant VC industry in Pakistan.

TMT was fortunate to "have the power of faith" in what it set out to do. Besides their desire to make money, the team had consciously decided to make meaning. From an outsider's perspective, one can say that TMT Ventures has been extremely fortunate to have experienced the impact of having a long term vision and of being committed to a cause. This stands out particularly when one looks at the short-sightedness of our family-run business owners and their opportunistic, self-serving business philosophies. The strengths gained by living a meaningful organizational life are likely to prove valuable in all future missions and ventures the team may undertake together.

Funding Process and Incubation Management

An ultra-cautious approach towards initial funding led to severe-underinvestment in the portfolio companies in their early years. TMT invested small bits of amounts and later learned from this approach. As a result companies could not perform well due to strict funding rules. TMT has now realized that it must avoid under-funding the portfolio companies. However, release of bulk tranches without proper forecasting and financial controls could also be disastrous. It is incumbent upon the management company to create financial discipline and capacity in the portfolio companies.

TMT Ventures realized the importance of setting rules and key performance indicators (KPIs) in advance of any funding commitment. Such rules and KPIs must also be different at every life-cycle stage of the incubated company; they must also be flexible to account for different size of investment.

The initial model consisted of 70% shares for the investor who would put up nearly 100% of the investment, and 30% for the management team against little or no cash contribution into the business. Experience demonstrated that this model was inefficient due to various reasons. If the founding team made no cash investment, they were likely to not feel the pain if things were to go bad, and won't be as desperate to set the course right. Also, the constant demand from the management to put more money into the company with little or no dilution for themselves was distortional.

Over time, the sharing mechanism changed to 10% straightaway as equity against some cash (discounted equity), and 20% subject to entrepreneur's achieving performance based benchmarks. In cases where the entrepreneur put in hard cash at the same price as the fund, he earned more equity for himself.

This earn-out model gives incentive to the entrepreneurs to work their way up in the shareholding, while the initial cash investment aligns their interest with that of the investor from the beginning. It also allows better control over the performance of the team running the investee company. RFM Loyalty was the first company that was funded on this revised model.

A crucial operational implication of having a long-term vision is the ability to be patient about growth and exit as a premature scale-up could be disastrous without a realistic assessment of future revenues. Planning with an end in mind helps chart out business strategies for each life-cycle stage of the organization. TMT rightly learned that a clearly thought-out exit strategy should be part of formation planning. Any rush in scaling-up or exit runs the risk of having to deal with financial and marketing intermediaries, who may have their own agendas. Playing into their hands dissipates energy, resources and focus.

Esprit de Goal: Commonality of Purpose

Esprit de corps a French phrase was first used by Henri Fayol in his famous fourteen principles of good management. Esprit de corps translates into "a feeling of devotion and pride in the group one belongs to."[39] By extension, esprit de goal refers to a feeling of devotion and pride in the goal or purpose towards one's work. For TMT Ventures esprit de goal has two facets and both of which have resulted into useful lessons.

An internal aspect of operating on common grounds relates to TMT Ventures and the portfolio companies. On both sides of the table, differences in backgrounds and perspectives of each other's business needs create uncalled for management headaches: a technopreneur grapples with financial discipline whereas the finance savvy management company finds it hard to appreciate the vicissitudes of technology business. TMT learned that being able to get into another's shoes creates a commonality of goal; extensive communication and training may reduce friction and tendency to operate on cross-purposes.

External partnerships also come under the axiom of esprit de goal: Institutional mindset and investment philosophy must match with TMT's own. After PKIC and NIT pulled out, TMT resolved not to collaborate with those having different philosophy and values. As the senior management from these institutions moved on, TMT found that there was little to no support to the cause of VC in the next tier of

[39] The Concise Oxford dictionary of current English, 8th /edited by R. E. Allen , pp 399, Oxford University Press, 1990

people. A widespread institutional buy-in is a must for the partnership to succeed and personality-driven decisions are most likely to become a sore source of regret later on. Sohaib Umar succinctly summarizes the lesson learned on partnerships, "Having a common vision and understanding among partners are essential pre-requisites for the partnership to work. This is true for personal relationships as well as professional ones."

Difference in background and perspectives must be overcome through extensive communication before going into partnership or making investment decisions. Having learned its lessons, TMT is now focusing on making a comprehensive due-diligence mechanism to assess potential partners towards achieving the right partnership that pays off.

Business Model for Technology Incubation

TMT started with a technology product model. Overtime, its view changed from technology as a product to technology as a service being the right investment model for Pakistan. It found out that technology (software) product model is generally not workable in Pakistan (barring a few exceptionally good product companies) for a number of reasons:

- Dearth of project management skills that are critical for all stages of product development
- Absence of a technologically sound and demanding market (customers don't pay for software)
- Lack of organizational depth in skills and finances to sustain through conception to commercialization
- Near-absence of marketing capabilities for technology products
- Inadequate size and scale of an embryonic IT industry
- Limited market size in which established foreign brands dominate
- Intellectual property violations and lack of regulatory enforcement

The market dictated TMT to change its model to technology as a service, since customers were willing to pay for the benefits received. As TMT drifted into IT enabled services (ITeS) segment it also gained insights into offshore outsourcing model and came to learn how to work in onshore and offshore structures.

Bet on the Team not the Idea

TMT discovered the most obvious VC truth: Bet on management teams instead of just the ideas. It made initial investment in brilliant ideas -- and individuals -- only to find that the obvious key to business success is the strength of the executing team. However, finding or forging such a team is arduous in Pakistan's environment where people, especially professionals and entrepreneurs, are prone to heroism and individual mastery. Working in teams does not come naturally to them. The brilliant entrepreneur needs to surround himself or herself with capable people, identify their relative strengths and capitalize on complementary skills each team member brings. Nurturing such a team and infusing it with esprit de corps is the single most important criterion for the business success of an idea. TMT now rightly believes that, “A management team that is competent, honest and speaks the same language is crucial to the success of VC investment.”[40]

[40] Interview with Sohaib Umar, CEO, TMT Ventures, March 9, 2007

Section III: The Do's and Don'ts of Venture Capital in Pakistan

Lessons from the unique TMT experience can also be distilled into a set of advice comprising of do's and don'ts of venture capital in Pakistan. All those who wish to tread the VC path in the future may like to read the list below:

The Do's of Venture Capital in Pakistan:

1. Have faith in what you do: don't just make money; make meaning.
2. Set high goals and have a long-term vision.
3. Bet on people, not just the idea; and bet on team, not just the CEO.
4. Make sure the market opportunity is large enough and the timing is right; if you are too early or too late, failure will be unavoidable.
5. Set rules and key performance indicators relevant for every stage of the company's life-cycle and various investment sizes. One set of KPIs for a stage may not be relevant or even counter productive for another stage of organizational life-cycle.
6. Be flexible in equity splits to allow for individual considerations; an earn-out model works best.
7. Insist on cash investment at the outset by the entrepreneur / founding team that should be a significant portion of their net-worth/savings. Do not invest on 'your money, my idea/labor' mantra.
8. Start out with a clearly thought-out exit strategy, even if it changes in due course; plan with an end in mind.
9. Educate partners and investors about venture capital so that they also develop a VC mindset.

The Don'ts of Venture Capital in Pakistan:

1. As a rule, do not invest in a technological product model. There may be, however, rare exceptions to this rule.
2. Offshore outsourcing model is complex and requires some pre-requisites (e.g. local presence of a core team member, strong project management skills, emphasis on training of the local talent including foreign training, etc). Don't invest in such a company unless these pre-requisites are there.
3. Avoid under-funding the portfolio companies; keep a 30% buffer for contingencies and be ready for a second round of financing, especially if the delays are due to market forces and not due to internal weaknesses.
4. Do not scale-up prematurely, if business is not in hand. Premature scale-up could be the fastest way to bankruptcy without a realistic assessment of future revenues.
5. Do not partner with those having a different set of values, vision or business philosophy. Partners' mindset must match yours.
6. Do not force portfolio companies to collaborate with each other even if there is a sound business case for it, unless the drive comes from within themselves. However, act as a catalyst by providing them incentives and avenues to interact with each other at various platforms.

7. Do not bet on ideas alone. Instead, bet on the management team behind the ideas who should possess the integrity, competence, experience and a track record of accomplishments to execute the idea.

Section IV: Background of the Assignment and Methodology

Background of the Assignment

Since its existence in 2000, TMT Ventures Limited has mainly focused on doing its business of venture capital. After operating for over six years, it felt the need for documenting the experience and learning thus gained. Frontline Consultants undertook this assignment in the month of March 2007 to meet the following objectives and deliverables:

- To document TMT Ventures' case history and derive lessons from it
- To prepare a case study
- To submit a Lessons Learned Report (The do's and don'ts of VC in Pakistan)

Methodology and Approach Adopted

I opted for an eclectic approach to gathering information for the deliverables. Accordingly, the methodology comprised of the following:

- Desk review of internal documents such as minutes of Board meetings, minutes of Investment Committee meetings, financial statements, which provided a fact sheet and cue questions for interviewing.
- A Case Clinic, which the author conducted and facilitated. It was a day-long reflective exercise with TMT's CEO and CFO in order to record all the key events in the life of the organization, to reflect on them and learn from them. Each year in TMT's life was chronologically depicted, events and decisions recorded on flip charts, which were then transcribed at the same time to serve as basic data source for the assignment.
- Interviews of key stakeholders were conducted in an open-ended framework (derived from the desk review and case clinic) to know individual perspective on events as they unfolded, how key people responded, why certain decisions were and were not taken, and finally the professional insights gained from the process.
- Public domain information such as news items, magazines, public policy documents, and the Internet.
- Personal diary of information on venture capital phenomenon in Pakistan.

The sources of information have been referenced in the main body of the case.

Limitations of the Research

There are some important key players in this venture capital story from Pakistan, such as founding CEOs of some of the portfolio companies who left the companies they founded, institutional investors who joined hands with but later left TMT and existing CEOs of portfolio companies. Interviews with these key players would have added more perspectives and contrasts to the VC story. Similarly, a wider industry perspective from other VC companies of the past and present has not been extensively included as primary information. Non-availability of key informants (experts and clients) and constraints of time led to such omissions of information, which, if captured would have made the case more insightful. However, the design of case is flexible enough for it to be expanded into a book, if need be, in the future.

Despite these limitations, I believe that TMT has learnt its lessons well, which would not have changed drastically even if more information had been included.

Key Words for Referencing

Venture Capital; Entrepreneurship; Incubation Fund Management; Strategy and Vision; Managing and Growing Start-ups; Enterprise Development

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Zulfiqar Alam, CFO, TMT Ventures, took pains to dig out relevant financial data and was most helpful in providing whatever information I asked of him. As the Company Secretary, he is the custodian of minutes of meetings of the Board and the Investment Committee. He made records available and supplied clarifications whenever I needed them.

Ali Ansari, TMT's founding Chairman, played host at his house for a lengthy interview that shed light on the evolution and early days of TMT Ventures. I thank him for his hospitality and frank discussions.

Nadeem Naqvi, TMT's current Chairman, is a very busy person as he looks after the rapidly expanding affairs of AKD Securities. Suffering from flu, he spared time for me and talked at length about venture capital in financial services industry of Pakistan and TMT's strengths, weaknesses and future direction.

I profusely thank Syed Baber and Faryal Memon, two very able young MBA students from Mohammad Ali Jinnah University, who helped me out in setting up the Case Clinic, a one-day reflective exercise with TMT's top team. Their notes and on-the-spot transcription proved vital in the writing of this case.

Salman Abedin, my partner, gave the case its presentable looks and found out the editor Saleha Harianawala. She took great care of the punctuations, spellings and style.

Without assistance from these lovely people, this piece would not have been possible in its current form. I thank them all. Any errors that remain are solely mine.

About the Author

Shadab Fariduddin holds degrees of MBA from Institute of Business Administration (IBA) and MS in Management Science from Shaheed Zulifiqar Ali Bhutto Institute of Science & Technology (SZABIST). He has served as management consultant to the Asian Development Bank, Aga Khan Foundation, Axact IT Solutions Inc., United Mobile, IntuIT Solutions, USA and Biovista Pakistan Limited, among many others. He also serves as Research Advisor to MS/MPhil students at SZABIST, Karachi, and Kinniard College for Women, Lahore.

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