



Pakistan

Part V

▶▶▶ DEVELOPMENTS IN PAKISTAN'S INFORMATION TECHNOLOGY AND TELECOM INDUSTRIES ARE SENDING RIPPLES AROUND THE WORLD AND MAKING A KEY CONTRIBUTION TO GROWTH IN MANUFACTURING.

AN INTRODUCTION BY PRESIDENT MUSHARRAF

"We are witnessing tremendous growth in our telecom industry"

During the last few years, Pakistan has witnessed tremendous growth in the field of information technology and telecommunications. The policies of the government have made Pakistan an attractive place for telecom investment. This is evident from the launch of new fixed and cellular services. Foreign investment to the tune of three billion dollars has taken place during the last three years. A large number of domestic and international call centers are operational, providing thousands of skilled jobs. Combined, fixed and cellular teledensity has doubled from 4% to over 9% in the last three years. Internet has spread throughout the nation and has over 3 million users. International bandwidth capacity has also increased dramatically.

With the advent of new service providers, we are witnessing tremendous competition, increasing options for customers. At present, five mobile operators are offering services. The sixth was launched on May 12, 2005 and quality of service is improving.

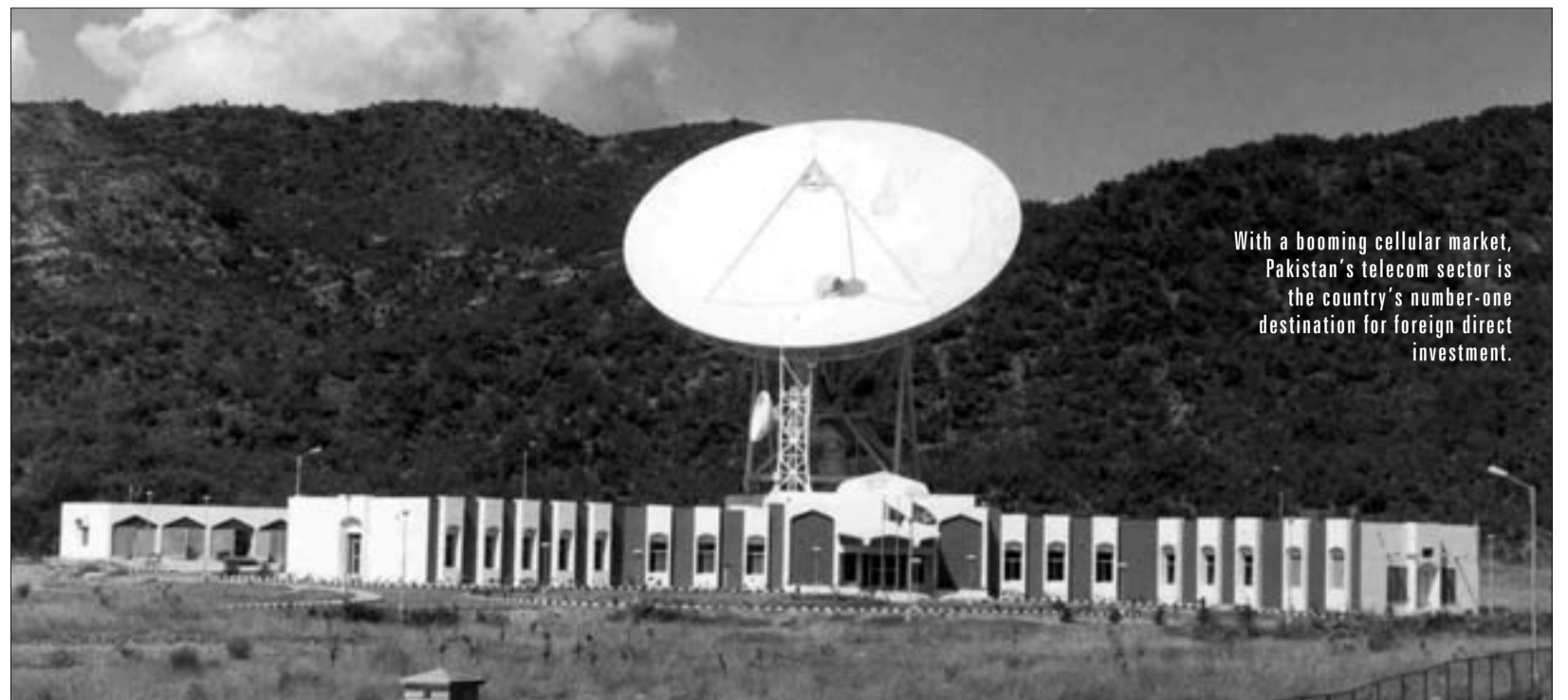
Software development has improved considerably, and current export levels are at about \$50 million per annum. New technology parks have been established at Karachi, Lahore, and Islamabad.

Software companies are winning international recognition for their achievements and the NCR is one of the major IT multinationals that has put Pakistan at the center of its global operations. From our nation they provide consultancy services to countries throughout the world.

Pakistan is keeping pace with international trends in banking, business and information technology through the increasing application of sophisticated equipment and software.



President of Pakistan Pervez Musharraf praises the progress made in high-tech industries.



With a booming cellular market, Pakistan's telecom sector is the country's number-one destination for foreign direct investment.

LIBERALIZATION HAS CREATED FOREIGN INVESTMENT OPPORTUNITIES IN TELECOMMUNICATIONS

Deregulation of the telecom sector paves the way for outstanding private sector performance

IN JULY of 2003 President Musharraf's administration announced the deregulation of Pakistan's telecom sector, including the abolishment of the fixed-line monopoly of state giant Pakistan Telecommunication Company Limited (PTCL). Since then a number of new operators have arrived on the scene and the sector is registering unprecedented growth and revenues. In the first year of deregulation, Pakistan's cellular sector grew by an astounding 173% and registered revenue growth of 55%. Since then airtime tariffs have been reduced by 48%. With the existing teledensity of fixed, mobile and wireless local loops hovering around 9% and expected to rise to 15% by 2007, opportunities for international investors are ripe. Chairman of Pakistan Telecommunications Authority Shahzada Alam Malik says: "There are tremendous opportunities here because we have a population of 150 million and the existing teledensity rate is still quite low. The government's policies are very friendly, allowing companies to expatriate their entire investment or capital and there are no stipulations that say they must have local partners. We have also reduced the taxes and duties on mobile phones."

With fixed telephony expected to grow by 12% over the next five years, and mobile growth predicted to grow between 35% and 40% over the same period, Pakistan's telecom sector is

set to become a major revenue generator for the government and to increase in its percentage of GDP to 3% by 2010 from its current 1.7%. In just 2005 alone, Major General Malik expects mobile subscribers to grow from the current level of 8 million users to 15 million. With the entrance of two new mobile operators this year, bringing the country's total to six, and the end of PTCL's monopoly, authorities are hoping that teledensity will rise to 15% by 2007.

Not surprisingly, Pakistan's telecoms sector is the country's number one destination for foreign direct investment. Between 2003 and 2004, telecoms accounted for 22% of the country's total FDI. Fueled by the sector's incentives-laden deregulation, the \$3 billion that has been invested to date in the sector is expected to rise to \$5 billion within the next five years. However, this is nothing compared to the country's potential, according to Minister for Information Technology and Telecommunications Awais Ahmad Khan Leghari. He observes: "In telecommunications a huge amount of investment has flowed into the country and the market has picked up"

"A huge amount of foreign investment has flowed into the country's telecommunications industry and the market has picked up"

potential, according to Minister for Information Technology and Telecommunications Awais Ahmad Khan Leghari. He observes: "In telecommunications a huge amount of investment has flowed into the country and the market has picked up tremendous momentum but the potential that exists far outstrips the infrastructure investment that has come in so far."

Pakistan's IT sector is also registering growth of 30% year on year.



AWAIS AHMAD KHAN LEGHARI
Minister for Information Technology and Telecommunications



AAMIR MATIN
Managing Director of Pakistan Software Export Board

The target for exports of IT enabled services is \$100 million for the fiscal year 2005-2006, and the government is intent on increasing Pakistan's share of the global IT market. The growth of both enabled services such as business process outsourcing and software development to become a priority focus for the government, which has begun to establish competitively priced high-tech parks in various locations in the country. Call centers in particular are already a flourishing business. Pakistan has the technology, English language skills, and infrastructure for the call center sector, and represents a competitive alternative to other regional bases. Pakistan also boasts a well-qualified pool of IT professionals and an ex-

isting software export business. The Pakistan Software Export Board (PSEB) currently has listed over 900 Pakistani IT companies, many of which work with clients from all over the globe. Managing Director of PSEB Aamir Matin comments: "We have a number of very good companies that provide services to some of the best known names in the global marketplace, such as General Electric and General Motors, which is an indication of how the rest of the world trusts the quality and capability of Pakistan's IT sector. It is a good idea for companies to look towards Pakistan as a potential outsourcing destination. They are guaranteed to get the best possible people at the best possible prices."

PRIVATIZATION PROVES COMMITMENT TO MARKET-ORIENTED POLICIES

Telecom giant enjoys rapid growth and spiraling share prices

PAKISTAN Telecommunication Company Limited (PTCL) is the nation's largest telephone company with roughly five million fixed phone lines and one of the country's most successful cellular operators, Ufone. It is also Pakistan's premier internet service provider. In June of this year, the long awaited privatization of 26% of the government's 88% share of the company was successfully carried out. The winning bid was made by Etisalat of the United Arab Emirates for \$2.5 billion. With net profits of \$489 million in 2004 and share values that have risen 56% in the past year, PTCL looks set to continue with the remarkable growth it has experienced throughout the past five years, with the new guidance and experience that Etisalat will bring to the table.

PTCL President Junaid I. Khan says that the government's decision to privatize the company is a show of its commitment to creating strong market-oriented policies in the country. "With this privatization, the government has put its money where its mouth is," he



JUNAID I. KHAN
President and CEO of Pakistan Telecommunication Company Limited

remarks. "The government decided to privatize a company like PTCL that has been extremely successful and profitable when the most commonly accepted wisdom is that you privatize companies that are not making money.

This move speaks volumes about this administration's willingness, support and encouragement of private investors from Pakistan, as well as foreign investors who come into this lucrative sector."

PTCL has an impressive infrastructure throughout Pakistan. Nearly all of its network is digital, with a strong fiber optic backbone, and it is the country's main international service provider. With fixed line density still only at 4% in a country of 150 million people and projected growth of fixed line telephony expected at 12% per year between 2005 and 2010, PTCL is set to expand substantially in the years to come. In order to combat increased competition from the deregulation of the country's telecom sector, PTCL plans to maximize volume growth and to continue to improve its operational efficiency and customer service. In the short term, the company is planning to expand its branches throughout the country, as well as the number of

Continued on the following page



A Mission Initiated – A Vision Realized

WARID Telecom is proud to have launched its cutting edge, diverse and solutions oriented GSM service in Pakistan.

Keeping in line with the high ideals of our Chairman Sheikh Nahayan Mubarak Al Nahayan, we stand committed to empower people for greater growth through efficient telecommunication and a vision to create the most consumer focused cellular service of the country. We are proud to spearhead the telecom revolution in Pakistan.



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Telecom giant enjoys rapid growth and spiraling share prices

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customer service centers it operates.

"I believe that privatization will transform PTCL into a more agile player that can be even more customer focused," observes the head of the company. "We are still leading the country in various technologies, and we are taking a very aggressive position in terms of our growth. This is especially true in the areas of rural telephony and internet expansion."

PTCL has been accessing rural areas through its wireless local loop

(WLL) network, V, the largest in the country, currently reaching nearly 150 Pakistani towns and cities. The company plans to reinforce this with another WLL project that will create an additional three million connections within the next two years. With this, PTCL will maximize its customer base and capture the potential of WLL in rural areas and villages on a larger scale.

PTCL's 100%-owned mobile subsidiary, Ufone, is making great strides in the nation's cellular telephony market. Launched in 2001, Ufone now has coverage in all Pakistani cities, as



BABAR KHAN
President and CEO of Ufone

well as in many rural areas of the country. Ufone also experienced incredible growth during 2004, increasing its customer base by one million subscribers in the last six months of the year as a result of a new aggressive marketing campaign, and upping its market share by 9% during the same period. "Primarily what we did was refocus our commercial approach," explains Babar Khan, President and CEO of Ufone. "We launched a campaign to reposition our brand in the market to make it more vibrant, fun and family-oriented. We went out determined to capture market share and we succeeded in doing so." Meanwhile, Ufone continues to emphasize its service quality, something it has been known for since day one. According to the head of the company, its connectivity is the best in the Pakistani market today.

Ufone has also developed a name for itself by providing innovative services and for being on the cutting edge of technology. It was the first Pakistani mobile services provider to offer six months of free incoming calls along with the lowest GSM pricing in the market. It was also the first to offer high-speed data transfer. Ufone boasts a WAP speed of up to 36kbps and is the only company in the market that offers multi-media messaging. Babar Khan states: "This is certainly something that plays a key role when it comes to corporate customers and people who need to use data on the move. It gives Ufone an image that not only is the company very competitively priced, but it also offers the most advanced technology."



PTCL is putting in place aggressive internet and rural telephony expansion strategies.



Warid Mobile has become the sixth provider of cellular services in the Pakistani market.

"We aim to build up a base of satisfied customers by focusing on quality"

ONE OF the most recent and dynamic entrants on Pakistan's cellular telephony scene is Warid Telecom, a subsidiary of the multi-interest Abu Dhabi Group. Awarded one of two new cellular licenses by the Pakistani government in April 2004 for \$291 million, Warid launched its mobile services in 28 Pakistani cities on May 23 this year. This included 12 customer service centers, which the company plans to increase to 33 within six months, reaching an additional 75 cities in the same time period. With a current capacity for 1.5 million subscribers, which will be expanded to 7 million by 2006, Warid is already capturing a substantial share of Pakistan's lucrative cellular market.

"In a competitive market with six operators, it is important that we deliver something that has not been delivered before," comments CEO Hamid Farooq. "Our proposition is to provide quality at competitive rates. We want to build



HAMID FAROOQ
Chief Executive Officer of Warid Telecom

up a base of satisfied customers that will help us expand."

Prepared to invest more than \$1 billion in total over the three initial phases of its start-up, Warid is determined to provide first-rate services. In addition to a state-of-the-art network, which it has developed in partnership with Ericsson, Warid has constructed the largest customer care call center in the business. Destined to offer after-sales services, it will house some 400 agents.

The company has set a sales ceiling that will always remain roughly 15% below capacity level, and has set up total price tariffs that guarantee users know what they are paying for. Mr. Farooq elaborates: "We aim to

be very simple, transparent, and fair with our customers. Customers need to know that the rates and packages they are choosing do not contain any hidden costs that they will discover months later."

Opportunities are never lost They are taken by others

PTCL the Key to Great Opportunities

Now Ready for Privatization



PTCL Performance (2003-2004)
Total Revenue:
Pak Rs. 74.124 billion
US\$ 1.25 billion
Profit After Tax:
Pak Rs. 29.170 billion
US\$ 492.07 million

Ufone Performance (2003-2004)
Total Revenue:
Pak Rs. 4.374 billion
US\$ 73.79 million

website: www.ufonegsm.com.pk

Pakistan Telecommunication Company Limited, a government backed organization keeping pace with the fast changing telecom world is serving its customers countrywide through sophisticated telecom solutions including:

- **PTCL**: The largest telecom network in Pakistan with over 5 million landline customers.
- **PTCL CALLING CARD**: The largest selling Prepaid Calling Card in Pakistan.
- **Paknet**: The largest ISP in Pakistan.
- **Ufone** (Wireless) CDMA based WLL service recently introduced throughout the country.
- **Ufone** (GSM Mobile Phone Service): A 100% owned subsidiary of PTCL with over 2 million customer base.

Helping you stay closer.

ORIENT McCANN ERICSSON



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Pakistan

GOVERNMENT AIMS TO BOOST INDUSTRY'S INTERNATIONAL COMPETITIVENESS

Manufacturing share of GDP to increase to 30% by 2015



JHANGIR KHAN TAREEN
Minister of Industry, Production and Special Initiatives

DETERMINED that Pakistan's industries will not be left out of the country's progress, President Musharraf's administration is implementing a number of measures aimed at increasing Pakistan's international competitiveness and maximizing job creation. A national company for industrial park development and management has been set up and a technology upgrading and skills development company has been formed in order to support budding industries. The President states: "The government is endeavoring to increase the share of manufacturing in GDP to 25% by 2010 and to 30% by 2015. In the manufacturing sector, we have a liberal investment policy that permits foreign investors to hold 100% of the equity in industrial projects without the permission of the government. Additionally, the small- and medium-sized enterprises sector has huge po-

tential for growth, both for the local market and for export."

The man in charge of bringing about this transformation in Pakistan's industry is Minister of Industry, Production and Special Initiatives Jhangir Khan Tareen. Drawing from his vast previous experience in rural empowerment projects, Mr. Tareen has developed a strategy to jumpstart the country's industrial sector and contribute to the growth of the nation's small- and medium-sized enterprises. Promoting the expansion of a public-private partnership formula, in which state companies are headed by private sector personnel, Mr. Tareen is working to create a chain of industrial parks

throughout the country to expand the nation's value-added industries. He adds, "If our strategy is correctly implemented, the benefits of industrialization and economic growth will spread across all sectors of the economy." Mr. Tareen says that Pakistan is ripe for these types of initiatives due to the macroeconomic stability and free market reforms that have been achieved under the present administration. "We are now in a position to talk about a quantum leap in Pakistan's industrialization. We really are at a turning point due to the opportunity that President Musharraf and Prime Minister Shaukat Aziz have created," he comments.



Macroeconomic stability and free market reforms make a quantum leap in Pakistan's industrialization a real possibility.

COTTON REMAINS STRONG, BUT THERE IS LARGE POTENTIAL FOR DIVERSIFICATION

Pakistan's cornerstone sector features business success stories

AGRICULTURE remains the cornerstone of the Pakistani economy, generating over 25% of GDP and employing 60% of the nation's workforce. Cotton and textiles account for the majority of the country's agro-industry exports, but given the scope of the nation's agriculture sector there is great potential for the growth of new industries. In addition to textiles, Pakistan also has active existing jute, fertilizer, and sugar industries.

Fauji Fertilizer Company Limited (FFC) operates three plants in the Punjab region that produce 2 million tons of urea fertilizer per year, covering roughly 50% of Pakistan's needs. The company's advanced process technologies have become a regional benchmark, attracting international visitors from throughout the region who are looking to upgrade their facilities. Its CEO and Managing Director, Lieutenant-General Mahmud Ahmed, says FFC's success stems from its homegrown human resources – FFC relies exclusively on Pakistani engineers, and work that cannot be done on site is always carried out elsewhere in Pakistan. He comments: "Fauji has an excellent track record in operations and maintenance, which is recognized internationally, and I believe that the basic reason for our success is the fact that we depend upon indigenously trained staff. Our philosophy has been self-reliance. This means working in Pakistan, for Pakistan, by Pakistanis."

In addition to its financial success, FFC has also contributed greatly to the growth of the Pakistani agriculture sector. Since 1982, the company has been providing agricultural advisory services to farmers, which has had a significant impact on efficiency, crop yield optimization, and the overall economic returns for the agricultural sector. Mr. Ahmed states, "One of our slogans is that Fauji feeds the land that feeds the people, and this is how we feel. We truly believe that what is good for the farmer is good for Pakistan, and is also what is beneficial for our company." Today, FCC operates five advisory services centers with the company's own agronomists and soil scientists.

FFC forms part of the Fauji Foundation's group of companies, which includes a number of agro industry ventures in Pakistan such as Fauji Sugar Mills, Fauji Cereals, Fauji Polypropylene Products and Fauji Corn Complex. The foundation, headed by Lieutenant-General Said Muhammad Amjad, its Managing Director, is a charitable trust dedicated to the benefit of active and retired military personnel and their dependents.

Another exceptional player in Pakistan's fertilizer industry is Engro Chemical Pakistan Limited. Originally an Exxon company, Engro became one of Pakistan's first ever employee-led buy-



MAHMUD AHMED
CEO and Managing Director of Fauji Fertilizer Company Limited



ASAD UMAR
President of Engro Chemical Pakistan Limited

outs when staff took over Exxon's equity in the company in 1991. Today, Engro has a 20% share of Pakistan's fertilizer market and is active in the marketing of imported hybrid and open pollinated seeds. The company is also involved in two joint ventures with international firms. It operates a liquid chemical jetty and storage facility in Port Qasim with Royal Vopak of the Netherlands, and has formed Engro Asahi Polymer & Chemicals with Japanese partners, which now boasts a majority share of Pakistan's PVC market.

In the past five years, Engro has increased its revenues by nearly 50%

and its profits by 40%, due in large part to investments made in the renovation of its plants in 1998, which increased production by 14%. Engro's President Asad Umar elaborates: "The main driver of the improvement in earnings was the investments and diversifications we made in the late 1990s. What we want to do from here onwards is based on a two-pronged strategy. The first is to continue our growth and diversification, and the second thing is to further improve the productivity of our ongoing operations. So our focus is to continue getting better and better at what we do, and to find new areas of growth and expansion."

Agriculture generates 25% of GDP and employs 60% of the nation's workforce, yet room for expansion still exists



Pakistan's agri-business companies are enjoying success through improved productivity and well-executed diversification strategies.



Fauji Fertilizer Company (FFC) has contributed greatly to the agricultural sector, always employing indigenously trained staff.

EDITOR'S NOTE:

On page 2 of the Pakistan part III report published June 25, in the article on Hub Power Company (Hubco), it was stated that they generated \$10 million in profits in 2004, when it was \$90 million. The article also said that they were looking into six hydropower projects, when they are actually looking into three gas-based projects.

FFC - A SUCCESS STORY IN PAKISTAN



FFC has created a distinct position for itself in Pakistan and plays a major role in the development of the agricultural economy. It achieved the landmark of establishing five fertilizer plants in a span of 20 years with a total investment of US\$1.25 billion.

FFC is the market leader holding a 60% share of the domestic urea market. With an extensive country wide marketing network it provides quality advisory services to farmers free of charge. For the last 10 years, FFC has been amongst the top 25 companies listed on the Karachi Stock Exchange and its net profit in 2004 was Rs. 4 billion (US\$67 million).

The company has received various international awards for safe plant operations and has also received ISO certifications for quality and environmental management systems. FFC's technical training center imparts training to local and foreign engineers and the company also provides engineering service to overseas chemical plants.

FFC is well placed for further joint ventures in and outside Pakistan. It has recently entered into a joint venture with Cherifien Des Phosphates (OCP) to manufacture phosphoric acid in Morocco at a total estimated cost of US\$200 million.



FFC FAUJI FERTILIZER COMPANY LIMITED



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ENGRO

What nature creates, we invest in

Engro's core business is the manufacturing and marketing of chemical fertilizers. We are a socially responsible company with an impressive track record of four decades of innovation and engineering excellence, and the distinction of receiving the top performing Karachi Stock Exchange award 22 times.

Energizing communities and caring for the environment