

PAKISTAN A Rising Star

The Pakistan Monument just outside Islamabad was constructed to symbolize the unity of the Pakistani people.

These are exciting times for Pakistan. The World Bank predicts that by 2021 GDP growth in the country will have increased to 3% as external demand recovers, macroeconomic conditions improve, and the impact of Islamabad's package of structural reforms designed to improve competitiveness kicks in.

Prime Minister Imran Khan's visit to the White House this summer helped bolster Pakistan's international standing and appeal to potential overseas investors. Yet there is the growing conviction back home among Pakistan's entrepreneurs that their future prosperity lies firmly in their own hands. "We can't expect the government to do everything," says Choudhry Muhammad Israr Sharif, managing director of Genix Pharma. "People need to take responsibility for the things they can change for themselves."

Thanks to a combination of favorable demographics and the state's long-standing commitment to education, the human capital is available to transform the fortunes of the nation. According to Shahid Rashid Soorty, the founder and owner of Soorty Denim, "Pakistan has an enormous population, with around 60% under the age of 30, and most of them are capable and flexible people. Pretty much anything is possible here right now."

Ishfaq Nadeem Ahmad, CEO of Mari Petroleum, Pakistan's second-largest producer of natural gas, agrees: "The time is now for any company to come to Pakistan," he says. "In two years' time it will be too late, as there will be too much competition. We are seeing that Eastern European and Asian companies are more willing to come and start in Pakistan than companies from Western Europe or the U.S. There is a lot of potential here in Pakistan that has not even been touched yet."

GENIX - A Formula for Success

Forecast to be worth \$1.4 million this coming year and consistently growing at an average annual rate of 8%, the global pharmaceutical market is big business indeed. With an estimated value of \$3.1 billion, Pakistan's slice of that global market is relatively modest, but it is on the increase thanks to the efforts of companies like Genix Pharma. Founded in 2004, the company was the brainchild of the late Choudhry Muhammad Sharif Sahib, who made it his mission in life to provide top quality and affordable medicine for all those in need.

Since then, Genix has emerged as one of the fastest-growing companies in the Pakistani pharmaceutical arena and a rising force on the international market. In the past few years, it has achieved phenomenal export penetration in the markets of Southeast Asia, South and Central Asia, and several parts of Africa. Genix has a workforce of 2,000 employees through a combination of its own 1,500-strong sales force and its third-party distribution



Choudhry Muhammad Israr Sharif
Managing Director and CEO GENIX

infrastructure nationwide and in 20 countries.

Its success is also partly attributable to its current managing director and CEO Choudhry Muhammad Israr Sharif's belief in the power of marketing and his skill in its execution. "It has been a long but successful journey which owes a lot to teamwork and our focus on quality and branding from day one," he says. "We believe in selling brand rather than individual products. Those brands nevertheless rely on the quality of the basic product. And the staff at Genix Pharma's

hi-tech plants and advanced well-equipped quality labs are determined to establish the company as the benchmark for Pakistan's pharmaceutical industry."

With that goal in mind, Genix is regularly launching groundbreaking products. "The acquisition of Daneen Pharma has also enhanced our therapeutic classes, including cephalosporin," says Choudhry.

Genix also understands the importance of corporate social responsibility (CSR). The company contributes toward humanitarian and corporate social activities by such charitable giving as funding education, donating in the health sector and arranging food for poor and needy people. "Genix is dedicated to good health for all human beings by providing advanced quality medicines in different diversified therapeutic segments worldwide," says Choudhry. "We keep investing in our brands today, as we think tomorrow is too late."

Surely a mantra for continued growth and success.



SOORTY DENIM- A Force for Good

Accounting for 67% of exports, 40% of employment and more than 10% of GDP, it is almost impossible to overstate the importance of the textile and garment industry to Pakistan's economy. Its significance could well grow even further after U.S. President Donald Trump hosted Prime Minister Imran Khan in the White House this past summer and stated his desire to increase imports from Pakistan by as much as 20% in the coming years. Even if the reality turns out to be a quarter of that amount, the country's readymade garment (RMG) sector stands to benefit enormously.

Pakistan's textile industry has grown by leaps and bounds over the past decade, especially in the area of sustainability stewardship. Championed by industry captains like Shahid Soorty, managing director of Soorty Denim, the country's RMG sector has reinvented itself as a paragon of social and environmental responsibility. The industry has also acted as a spearhead in the national campaign to secure equal rights for the female members of its workforce.

Originally established in the early 1980s, Soorty's business began making inroads into the RMG export industry in 1983. But it took the best part of a decade and several years of meticulous research for Soorty to decide that his business should focus on denim, and so Soorty Denim was born. In 1995, he built one of Pakistan's most technically advanced denim wet processing facilities and was the first to install state-of-the-art Tonello washers.

Soorty Denim has been in the vanguard of the denim industry at home and abroad ever since. Although not publicly listed, its current annual net sales amount is believed to stand at around \$350 million. The company employs an estimated workforce of 25,000 in Pakistan and a further 5,000 in Bangladesh. "We are an integrated company, and we make our own yarn, fabric and garments," says Soorty. "We are responsible for every aspect of production from start to finish. This is increasingly important in today's environment when everybody wants to know exactly where products come from and how they are made. We are a sustainable company with a global presence whose products speak for themselves."

Its design houses in New York and the Netherlands, and a flagship product development facility in Turkey, guarantee that it remains at the cutting edge of the fashion industry.

Soorty Denim consistently shines a light that the rest of the RMG industry is happy to follow. The company's fabric mill and garment factory have both received LEED Platinum Certification from the U.S. Green Building Council, a testament to the high social and environmental standards that the company adheres to. The green garment factory recycles 450,000 gallons of water on a daily basis, while its Tonello and Jeanologia denim washing system significantly reduces the amount of water and chemicals required for processing.

Its staff, too, operate in working conditions that are about as remote from the traditional sweatshop as it is possible to get. It's newly air-conditioned building, subsidized meals, free transport and quarterly motivational ceremonies have made Soorty Pakistan one of the employers of choice for skilled labor in Karachi.

Soorty Denim has also championed the Cradle2Cradle (C2C) circular design philosophy as the way to go for the entire fashion sector, and launched a range of C2C Gold certified fabrics. "We wanted to show the world that this was possible, even in a developing country," says Soorty. "We urge the rest of the industry to follow us and move to circular fashion."

For the past 12 years, Soorty has also been collaborating with the UN Development Program, funded by the U.S. Agency for International Development, on helping Pakistan's female youth from vulnerable backgrounds



Shahid Rashid Soorty,
Founder Soorty Denim

acquire sewing skills. But Soorty wants to take this a step further. Its Soorty Enhancing Women's Service (SEWS) Project is specifically designed to bring about a paradigm shift in the involvement of females in the public sphere. Using street theatre directed at households, Soorty hopes to convince the male guardians of the benefits of female employment, and thus enable more women to fulfill their potential and to occupy appropriate positions at every level of the factory floor, right up to senior management. This represents a massive and important contribution to the modernization of Pakistani society.

Soorty Denim is proof that such a dedication to CSR can go hand in hand with commercial success. "2019 has been wonderful so far, and there is more to come," says Soorty. "We have had a lot of support from the government, and we are supremely confident that the next five to 10 years are going to be very fruitful for the textile and RMG sector."

Alongside Prime Minister Khan's visit to Washington, there are other indications that the company has further growth ahead of it. After Pakistan and China recently signed a duty-free agreement, Soorty is now planning to open an office in Guangzhou, across from Hong Kong. "We envision the Chinese market as one of the largest importers of apparel in the future," says Soorty. "We want to be there at the beginning and not miss the boat."

Given Soorty's position consistently at the vanguard of change, there's little chance of that.





Zarghun Gas Field, Balochistan, Pakistan

MARI PETROLEUM – Energizing Pakistan’s Economic Growth

Ever since the first hydrocarbon reserves were discovered in Baluchistan in the early 1950s, oil and gas have played a significant role in boosting Pakistan’s economic growth, and not just in terms of its energy security. Still a predominantly agricultural country, Pakistan’s farmers rely heavily on the urea fertilizer produced from natural gas to grow their crops.

More than 80% of the gas for that urea is supplied by Mari Petroleum (MPCL). Pakistan’s third-largest gas producer, with a cumulative daily production of over 100,000 barrels of oil equivalent, MPCL takes its name from the Mari gas field located in Pakistan’s southeast Sindh province, which holds the country’s largest remaining reservoir of gas. Listed on the Pakistan Stock Exchange and with a capitalization of just under \$1 billion, MPCL is widely regarded as a blue-chip company and a poster child for the exchange, thanks to its record of maintaining an uninterrupted gas supply to its customers for the past 50 years.

Along with providing Pakistan’s farming communities with one of its staple commodities, MPCL also supplies the country’s industrial communities and thousands of its private citizens with the gas they need for commercial and domestic consumption. Meanwhile its crude oil and condensate output simultaneously goes to refineries for further processing. By

providing 2D/3D seismic data acquisition and processing, drilling rigs and related services, it has gained a competitive edge over many other exploration and production (E&P) companies operating in the country’s oil and gas sector.

MPCL’s E&P assets are now spread across all four of Pakistan’s provinces. Its exploration success rate of 70% is more than double the national average and five times the global mean. At the same time, it is also the most cost-efficient E&P company in the country, with operational costs running under 10% of gross sales. In the last fiscal year, it recorded revenues of \$854 million.

Acutely aware that Pakistan’s current reserves of oil and gas are finite, MPCL is constantly on the lookout for new sources of energy. On average, the company has been drilling 10 to 12 new wells a year, although it has recently been ramping up that activity. “Most of the country’s fertilizer plants are located in Sindh, so it is easier for us to supply them with the gas they need from

the Mari gas field,” says Lt. Gen. (R) Ishfaq Nadeem Ahmad, CEO. “And because the production from Mari field was expected to start declining by the end of 2019, we carried out in-house analysis and commissioned independent research to see how we might be able to redress the situation,” he says.

“This was an important national issue. If the gas were to run out, the fertilizer industry would have to use imported LNG (liquefied natural gas), which is twice the price, or the government would have to spend billions of dollars importing conventional gas from abroad,” says Lt. Gen. (R) Ishfaq. “Ultimately, it is the farmers who would suffer because prices would go up, and then it would become a matter of food security.”

The solution, it was determined, was to drill a total of 19 new wells around the periphery of the field. This was a departure from MPCL’s standard practice of drilling in further towards the epicenter, but the project has proved to be beneficial as it has extended the expected plateau period of the field till 2023. The

gas pressures at delivery points have also improved, making it more cost effective for the fertilizer manufacturers, who would not need to install additional compressors at their ends. “Contributing to the country’s food security has been, by far, our biggest achievement over the past 12 months,” he says.

MPCL’s shareholders are happy as well, with profits rising four times in the space of three years. It is a remarkable performance that the CEO attributes to a combination of factors. While a rise in international oil prices has certainly helped the company’s bottom line and profit margins, so too has a change in strategy that has seen MPCL cutting the time between discovery of gas and oil and start of production. A third factor has been a tightening of fiscal discipline, particularly in terms of more energetic receivables collection and negotiated savings in procurement of goods and services.

Two years ago, its shares shot up after MPCL informed the Pakistan Stock Exchange that the joint venture that it operates with Pakistan Petroleum Limited had discovered significant deposits of crude oil in Baluchistan, where the story of Pakistan’s oil and gas industries all began what now seems like a lifetime ago.

Ranked Pakistan’s fastest-growing company three years in a row, MPCL is a serial award winner and is routinely recognized by various independent bodies not just for its operational and financial performance but also for its management, its human resources, its health, safety and environment standards, and its CSR practices. “CSR is an integral part of the company’s culture and reflects continuing commitment of our business to society,” says Lt. Gen. (R) Ishfaq. “It is anchored in a tripartite approach of development that involves the community, local government and MPCL management.”

The company’s CSR activities cover education, health, water supply projects, philanthropic donations and communication infrastructure. The company is building a school for children with special needs that will cater to between 200 and 300 pupils who will be offered free daily transport to and from home. Once completed, this will be the best school for special needs children in Pakistan. MPCL is also in talks with the government in Islamabad concerning the launch of a tree

plantation initiative. Meanwhile, it is installing solar panels in several villages, which has radically improved the quality of life for inhabitants.

On top of all this, MPCL is making an ever-growing contribution to Pakistan’s foreign direct investment numbers. In February, for instance, MPCL signed a memorandum of understanding with Poland’s PGNiG that will see the two companies work together on local and international upstream exploration and production projects, including possibly an investigation of Pakistan’s shale potential.

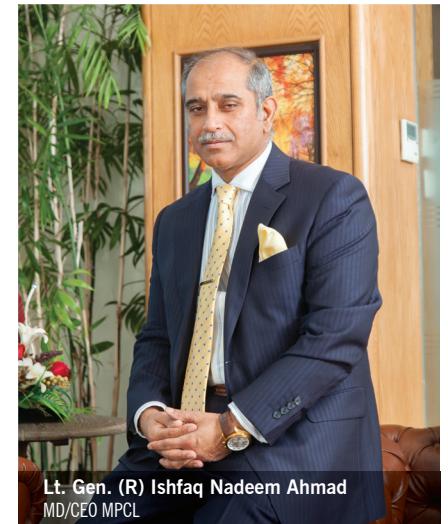
MPCL already had a successful track record in collaboration before it went into partnership with PGNiG. MPCL has worked with the likes of Eni Group, Premier Oil and OMV, among others. According to Lt. Gen. (R) Ishfaq, “not one had any complaints about our management practices or operational costs.” The possibility of further partnerships is something that the company’s CEO heartily welcomes.

“WE ARE INTERESTED IN DISCUSSING ANY KIND OF PARTNERSHIP, AND WE DO NOT HAVE A SET FORMULA THAT POTENTIAL ALLIES HAVE TO ADHERE TO,” SAYS

Lt. Gen. (R) Ishfaq. “We understand that some companies prefer a cautious approach and want to acquire, say, a 15% to 20% stake in a prospective block, because that strategy involves less money and less risk. On the other hand, if the overseas company in question has a solid and proven track record, we are quite happy to be the junior partner.”

MPCL is also looking for opportunities to work abroad, possibly in Iraq, Nigeria or North Africa. To the General’s way of thinking, the ideal model would be for the two partners to co-invest overseas and its partners to then invest in Pakistan. This, he believes, is a neat solution to the problem of the time that will surely come when the country runs out of gas – although MPCL is currently in a much stronger position than many of its competitors to cope with this eventuality.

“Addressing this issue is extremely important for us, because any company with less than a reserve replacement ratio of 100% is storing up trouble for itself,” he says. “Right now, our



Lt. Gen. (R) Ishfaq Nadeem Ahmad
MD/CEO MPCL

ratio of 60% is the highest in the country, and we plan to get that up to 100% within the next two to three years.”

There is nevertheless no escaping the fact that Pakistan is facing an energy security crisis within the next decade, and MPCL is determined to be part of the solution. While the immediate answer may be to import more LNG, General Ishfaq is not convinced that this is the optimum long-term strategy. “We have already suggested to the government that we need to invest in more exploration within the country,” he says, a fact which is recognized by the government as well.

Fundamentally committed to the future prosperity of the nation, MPCL is looking at the potential of alternative energy sources, including solar. Its roots may be in hydrocarbons, but in reality, its DNA is all about providing Pakistan with the fuel (fossil-based or otherwise) that can drive the country forward to a brighter, more prosperous future. Its CEO is convinced that MPCL should be the natural partner of choice for anyone who shares that dream. “We have a sense of urgency in what we do, for sure, but we never compromise on quality. We also have a long history of providing our shareholders with profits and dividends over and above their expectations.”

