

Moazzam M. Malik — leading with courage and conviction

by Mashaal Gauhar & Mariam Shah

BMA Capital's leading position in Pakistan's capital market and corporate sector has been achieved through hard work, integrity and exacting ethical and professional standards. Founding partner and CEO Moazzam M. Malik has gained a wealth of experience across the world, has weathered many storms and has taken brave risks. "If you don't take risks you'll never get anywhere, you will stay where you are and the rest of the world will move on. The greatest risk of all is not taking one." Just one example of his business prowess is when early on in his career as a commodities trader in Africa, he reaped manifest rewards in trading wheat in war-torn Mozambique where commercial flights and all other forms of transport had ceased operations. Undaunted by the risk, he flew to Mozambique in a private jet where he became the sole supplier of wheat. *Blue Chip* talks to Moazzam M. Malik about his fascinating career, his commitment to Pakistan and his vision for the future of BMA Capital

You have 22 years of experience in various regions, most recently in the Middle East. As the incoming CEO & Executive Vice Chairman of BMA Capital, what are your plans for the future?

Moazzam Malik: "I am delighted to be taking over this position as head of BMA Capital. This is a turbulent period in the financial markets, globally and in Pakistan — it presents a unique set of opportunities for those firms that are focused on capturing value and ultimately returns. BMA Capital is an organisation that represents the interests of our customers, employees and shareholders — it's the case in every company. It is when we are able to achieve an equilibrium where the interest of the customers, employees as well as the shareholders are evenly balanced that we start to make the journey towards creat-

ing value and can begin to call ourselves successful. Customers' needs are fulfilled by the services provided by the firm; we came into existence to cater to the needs of our customers, based on which we hope to make a return. Your customer is ultimately the person that gives you the ability to be able to generate revenue. Similarly, shareholders are satisfied if they get good returns from the business and are prepared to contribute whenever a need arises; and employees work with motivation. My purpose is to ensure the organisation functions with the right harmonious balance.

Employees obviously work with passion if they are motivated... I think if we somehow encourage that attitude within our organisation, within our people, then you have a completely different fervour with which you work on a day-to-day basis.

My aspiration is that BMA Capital is able to make serious profits for our customers, shareholders and have the best compensation structure for our employees. To achieve that we need to run the fastest and be the hungriest. If we have that inculcated in our psyche then BMA will be able to provide our customers with the kind of service that our customers are looking for.”

What are your views on Pakistan’s economy, particularly given the current state of affairs and the precarious economic situation?

MM: “Pakistan is a resilient nation with a population of close to 200 million people. We have seen difficult times and are going through a complicated period in which there are significant political and related economic challenges. Sometimes it is difficult to measure the impact of events, but my vote has always been that our problems are surmountable, in fact, in the words of Finance Minister Hafeez Shaikh, they should be looked upon as opportunities — we can get there through sincere leadership.

I am a believer in Pakistan. Pakistan is more economically stable than some European countries. If you look at the dollar returns that we have seen in international financial markets, Pakistan is one of the markets that comes out on top. Our banking regulation is robust, and we have not had to face the kind of defaults that have been seen in other jurisdictions, all in all in the bigger scheme of things, I take comfort in being in Pakistan. We have a growing agri-“culture” that is attracting new investment from Pakistanis and foreigners. A cross section of young and experienced entrepreneurs are setting up new ventures; so I think that if anybody wants to explore opportunities and get returns, Pakistan is a good place to invest. We have our unique set of problems, but the silver lining is that it is not in anyone’s interest for the system to completely breakdown.”

What do you see as the key drivers of growth and which sectors do you feel have the most potential in Pakistan?

MM: “We are an agrarian society and we forget that to our detriment. We can be a nation that feeds the world. Our agrarian base can sustain us and the rest of the world. We have to take pride in this fact and direct our demographic growth, infrastructure, financial resources and focus towards agricultural development. God has blessed us with varied climate, fertile soil; we can actually grow any crop in the world and have healthy output from our land. The government has done a lot of advertising for dairy farming, however there are distortions of tax in this sector that need to be addressed to create a level playing field between an individual and a corporate land holder — all will benefit if we can resolve such issues. By unlocking such distortions, we can let loose a huge potential in our economy.

Similarly, there is potential in real estate, where a combination of land valuations, financing and good large contractors can create developments that are much needed by our general public at all social levels. Infrastructural developments can be done in various strategic fields, one example of which could be a naphtha cracker built with the participation of some of our large conglomerates, like Engro, Fauji, ICI, etc. There is potential opportunity hidden in the resolution of every problem confronting us today.

We should remember that the largest irrigation project in the world was first launched in Pakistan by the name of the Indus Basin Project in the 60’s. Designed and built by Pakistanis for Pakistanis. Sadly, there is not a single Pakistani institution present today that can proudly lay claim to have worked on the Indus Basin Project. We awarded the project to foreign firms that hired Pakistani talent to achieve results. If we had Pakistani firms today that had the credentials of having worked on the project, we would have been exporting our services to other countries and earning revenue. We still have this opportunity of giving projects to Pakistani firms and by solving our own problems and using the experience learnt, then exporting services, products and solutions developed from our experience.

Pakistan has a natural resource of bankers and financiers which is not fully utilised. We have a well developed resource in the banking community. We have got people who have done very well in the financial sector and it would be great to see that grow regionally. For example, UBL has expanded into the Middle East, Habib Bank A.G. Zurich has gone to foreign markets and MCB has expanded to different parts of the world. I think this will be a very interesting development for us to be able to export this talent and create growth regionally in some of the emerging markets.

There is explosive growth taking place in the finance, telecoms and media and the confluence of these three industries will create jobs as well as provide solutions to some of our more complex problems stemming from poverty.

There are also opportunities in the power sector and in education. I think that anything that you touch in this country, if you do it with the intent to really provide a decent service to your community and the country, you can be successful beyond your dreams.”

You have spent a great deal of time abroad How has this affected your views on Pakistan?

MM: “I have grown up in England, Lebanon and other countries but spent very little of my childhood in Pakistan. As non-resident Pakistanis, our parents were very nationalistic — they instilled this feeling in us while we were growing up abroad. It is ironic in some ways that all of us, my brother and sister, are now settled in

Pakistan, while our parents live abroad. So, in essence, there was a great bias to return to Pakistan upon completing our education. Immediately after I graduated from MIT, I came back to Pakistan as I felt the desire to make a contribution to one's own nation. By the grace of God, we have been successful in what we set out to do. My brother Muddassar and I came back to Pakistan and with our father, the three of us, we contributed to majority of the shareholding to set up BMA Capital. In Farrukh, we found a good partner, which completed our team. We are proud of the contribution we have been able to make in the capital markets with our partners. Pakistan has been a gracious country and we owe much of our success to this great nation."

BMA Capital has been involved in landmark transactions. Can you elaborate on these?

MM: "By the grace of God, we have been blessed to work on some landmark transactions emanating out of Pakistan. We were involved in the first ever GDR issue out of Pakistan of PTCL in September 1994 which raised \$898m for the GoP; we then worked with one of the leading bulge bracket firms, CS First Boston, out of New York to privatise Kot Addu Power Plant (KAPCO), a 1,600 MW thermal power plant in June 1996 for a valuation of \$1.6b; advised Etisalat in their purchase of PTCL for a valuation of \$2.6b in 2005; then we worked with Goldman Sachs and Citibank to take the OGDCL GDR to market and raised \$811m in 2006 — some of these transactions had been done for the first time in Pakistan and we were able to set the template for privatisation in Pakistan after the privatisation of KAPCO and this transaction led to the development of the agreements that launched a successful Independent Power Policy, and also led to the development of an outline of a contract for effectively handling transition of labour and staff post-privatisation. The proof of the pudding is that there have been no labour strikes post privatisation at KAPCO — this is also largely due to the good infrastructure that National Power, UK was able to develop at the location.

Once we got the opportunity to work on a transaction that prevented Pakistan from going into default — when we raised \$898m against the PTCL GDR in a matter of three weeks. At that time, Pakistan's foreign exchange reserves were close to \$150 million and there was constant talk of default; there was a great deal of uncertainty and speculation. When the \$898 million came into the coffers of the country, it was like an injection into a sick patient and we were able to avert disaster.

The second time was when we started the privatisation of the KAPCO. At that time, our competitors were extremely critical of our efforts to attempt the first ever "big ticket" privatisation in Pakistan. We were asked, "What on earth are you guys doing? Why are you work-



Moazzam Malik with the BMA Polo Team at the National Open 2005 Quaid-e-Azam Gold Cup

ing with the government?' We worked non-stop for 22 months. During this period, as I said earlier, we negotiated post-privatisation packages with the WAPDA hydro-electric labour union which was beyond our mandate. We got the labour unions to agree to an increase of three times their salaries while we were able to negotiate a 10 times increase with the five bidders wishing to buy the plant. The privatisation process was very successful. That was the second time that we averted a possible default. It involved personal risk because some elements used non-parliamentary tactics to achieve desired objectives. It was a tremendous learning experience and an exciting stage in my life.

I would like to narrate one incident during the privatisation of KAPCO: when National Power had won the bid and were sending two wire transfers totalling over \$300m — involving Dr Yaqoob, the then State Bank Governor and Mr. V.A. Jafri, the advisor on finance to Prime Minister Benazir Bhutto at the time. I got a call from Dr. Yaqoob who said that the money had to be in the State Bank of Pakistan account of the Federal Reserve in the US, by the end of the working day on 30th June, 1996. He agreed to keep the State Bank of Pakistan open on my instructions till the end of the working day in the US and receipt of funds in the GoP account. The State Bank stayed open till about 2am and closed after receiving confirmation that the funds had been received. I subsequently got an official letter of acknowledgement from the deputy governor of the SBP of the receipt of the funds. Those were good days for Pakistan and we had dedicated individuals like Syed Naveed Qamar as the Chairman of the Privatisation Commission and Mr. Salman Farooqi as the Secretary of Water & Power and interestingly Abdul Hafeez Shaikh, our current Finance Minister, who was working as the World Bank invigilator on the transaction.

One never expects to be part of this experience but somehow God throws these opportunities at you which if

you fulfill them, they give one a great sense of satisfaction. It's something to be proud of — and it vindicates a lot of one's decisions. I'm completely satisfied that we came back to Pakistan and I think we've been able to make a good contribution."

You've been extremely successful as a family. What do you think has been the secret of your success?

MM: "*Alhamdulillah*, God has been kind, *Maa ki duaain lagi hoon gi*. I believe each one of us has worked hard, with focus and integrity towards what we do; one looks at success as a destination, but I've learnt it is actually a process and it's a process of joy and happiness that one has to be extremely thankful to God for. I'm extremely thankful for the good friends we have made.

I see a lot of people strive for the success that *Alhamdulillah* BMA has had — and it has not been easy. It has been a combination of the toil of all of the partners and we have all worked very hard to make sure that BMA is where it is today in our own individual and collective capacity. So we'll continue to work hard and strive to do things which add value."

How did BMA cope with the stock market crash in 2008?

MM: "Before the market started crashing in 2008, we had thousands of customers who had borrowed money from the market through CFS and invested in the market. I was very uncomfortable about the levels of CFS borrowing in the market and as a policy, started to reduce margins to our customers, which essentially reduced their ability to leverage their positions in the market. We eventually reduced margins from 5 times to 1, i.e. cash. A very difficult decision had to be taken to square-off customer positions. I faced a lot of difficult clients that one had to handle. Two or three days later, the market started declining precipitously. I didn't know the market was going to crash — and honestly, *Allah nai izzat rakh li* — if we hadn't squared-off those positions we wouldn't be sitting here. One had to follow one's instinct, the gut feeling and take extremely tough decisions — the decision proved to be a correct one. However, three days later, the same people who had been making life difficult were now thankful! Some of my traders and employees came into my room and asked how I knew the market was going to crash? I replied with a question that immediately came to mind: Please tell me how the pigeon sitting outside knows which way is north, if you can answer that question, I'll tell you how I knew which way the market was headed! I acted on an instinct."

What qualities do you feel are essential to be an effective leader?

MM: "To be an effective leader, you have to first know

BMA Capital Management is amongst the leading investment groups in Pakistan. A full service investment house, BMA provides world-class integrated financial services to clients locally and globally. BMA's areas of business consist of Capital Markets, Corporate Finance & Advisory, Asset Management, Financial Products Distribution, and Retail Brokerage. BMA Capital is the leader in privatisation advisory in Pakistan, and among Pakistan's leading capital markets brokers. BMA Funds is a pioneer in Pakistan's asset management industry, and the leader in discretionary portfolio management. BMA Financial is Pakistan's first independent financial products distribution company backed by a financial institution. BMA has a comprehensive research portal with up-to-date company news, investment strategies, and technical analysis available to customers at www.bmacapital.com. BMA's core values are integrity, innovation and above all, serving the interests of our clients.

where you're going and where the organisation has to go. You have to have vision, and then you need to lead by example. To get people to follow you, you need to have the moral authority to command following and that only comes with the attitude of doing the right thing and doing what you say and saying what you do. If you have a certain discipline, people will follow that discipline only if they know you apply it to yourself. There's nothing more effective than setting an example through your own actions.

A good leader creates good leaders within the organisation; at BMA, we are completely merit-based. We have high quality leaders in middle management who are motivated and leading dynamic teams. We were starting a business that I wasn't too familiar with and I wanted visibility and I said look, if I'm flying a plane at high altitude what are the things I need to know? I need to know the speed I am travelling at, see there's no object in front of me, there's no other plane coming towards me on the same route, my altitude and where I'm going and if I am actually getting closer to my destination. We created 'dashboards' to monitor our business growth, progress and achievements. These tools have been developed inhouse in one business and then been applied firmwide. This is what I was referring to earlier, that if we solve one small problem in the country, the solution can sometimes be applicable across other sectors and hence bring significant improvements nationwide.

Another important ability a leader needs to possess is to realise the unique strengths of your team both on a collective and individual level. You have to know your team

well and the team has to have confidence in you, they need to know that their leader will be able to take them through a difficult period. You have to bring out the best in your people and ultimately let them be the owners of success. You must encourage your team to take the lead. That's how you actually create new leaders within your organisation and that's how you actually progress."

Very few companies in Pakistan have understood this...

MM: "Yes that is true; the corporate culture is at times non-existent. Where companies have been able to achieve empowerment, there has been unprecedented success. I have always looked up to Engro and its leadership, past and present as a shining example of Pakistani success. Engro has done a fantastic job of empowering their employees and look at where they are today. They've had astronomical growth. Engro has diversified into fertilizer, food, energy and storage! One should learn from this example of Pakistani success. They haven't called any consultants from abroad!"

What do you feel about the negative publicity that Pakistan continuously attracts?

MM: "I guess it's partly our own fault, because we easily talk about doom and gloom about our own country; rather than approaching it from the perspective of being thankful for what we have and projecting the positives. We've got a lot to celebrate in this country — we have great diversity, natural beauty, resources, human resources and much more. This country is a diverse nation and in this diversity lays our resilience to exogenous and indigenous shocks; and we have lived through a lot of shocks and we have come through as a stronger nation. Our geopolitical status brings us in the limelight and will continue to do so. Unfortunately, we find ourselves in the cross hair far too often. We need to fix our shop before we can project a positive and progressive image."

Who are your role models?

MM: "I look up to my father, Mr. Mazhar Malik; he is someone I have learnt a lot from. He has been a serial and successful entrepreneur! He started his own firm, an engineering consultancy in London. We had an office in Claridges House, Mayfair, in London. The firm, The Engineering Consultanc (TEC), did large scale housing and when I say housing projects, I mean mini cities in which there are houses, schools, offices, hotels, stadiums — you cannot imagine the kind of construction that took place in Saudi Arabia with the oil boom in the late 70s; TEC was a huge success — all the Marriott hotels that you now see in Saudi Arabia today have been his firm's designs and projects."

Muddassar M. Malik is a co-founder of BMA Capital, the Chief Executive Officer and the Executive Vice Chairman of BMA Asset Management.

Mr. Farrukh H. Khan is the former CEO of BMA Capital and is presently the Executive Vice Chairman and a Director of BMA Capital.

BMA has gained renown for its superlative professionalism; how was this achieved?

MM: "We wanted to do things differently on the KSE. We went in wearing suits and ties and everybody laughed at us! We changed the culture. We were the first ones to do fundamental research. We interviewed finance directors and started putting balance sheets, profit loss and all the financial ratios on paper. As a consequence, a lot of foreign fund managers who had never looked at Pakistan before, suddenly started to look at Pakistan and by the grace of God, we were doing about 25-30% of the volumes that were coming in to the KSE from abroad.

Others started to follow BMA's example. We were used to a different style of doing work: we were not used to charging a spread. Instead we charged one declared commission. So people who used to be buyers in the market would get a cheaper price from us and people who were sellers would get a higher price. People would always ask BMA what the price is. They used to ask their own broker and us as well. So there was the 'KSE price' and the 'BMA price'!

BMA is committed to doing business the right way. We'll make money but we're going to make money the right way. We started in a 300 sq. ft. room and today we have 40,000 sq. ft. and over 250 employees all over the country.

BMA stands for *Bismillah* and we started this company in the name of God, we didn't start it in our own personal names. I think that we have benefitted from that enormously and we'll continue to benefit from that because we will always strive to keep a high level of ethical standards in whatever we do. We do business while keeping our customers interests primary.

It has been a positive journey and moving forward, we continue to hope to be able to contribute and add value to whoever we work with, whether as I said it's our shareholders, employees or customers but with a very clear focus on our customers because without them, we are nowhere.

So keeping a focus on customers, trying to shape the organisation based on what our customer requirements are, is really the challenge moving forward and any opportunity that comes our way...like a hungry lion, we will go for it!" □