

URL: [home] [clear cookies]Options: Encode URL Encode Page Allow Cookies Remove Scripts Remove Objects

About time someone got **backup** right.

[Home](#) [News](#) [Events](#) [Archive](#) [Archive](#) [★](#) [Onhold](#) [Notify](#) [Stats](#) [Register](#) [Login](#)

E2-labs' project Ethan dissected. Anatomy of a franchise proposal | non-existing partnerships (UPDATED)

22/11/2009 [Written by Roberto Preatoni](#)In case you didn't understand, this is the solution of our *crypto* jeopardy game [posted in the last news](#).

We received a notice that on WikiLeaks somebody uploaded an interesting document. It's a PDF file, called Project Ethan (after Tom Cruise's Mission Imp and it refers to E2-labs very recent plans to open in India an educational and IT security franchise network. We downloaded the document and we found information in it, regarding E2-labs future plans and how the name of Zone-H (and a few others) was used to back up the whole plan to convince possible money in Mr. Zaki Qureshey expansion plans. Needless to say, Zone-H was never informed about such plans and never gave any consent to be included

The document is a financial investment proposal, made up by 28 pages. It seems to be written by Grant Thornton, a well-known financial advisor company that the document was originally produced by such company, it's too well structured, E2-labs and Zaki Qureshey definitely don't possess the business skills. Nevertheless, the document it's filled by improper statements. We don't think that Grant Thornton did it on purpose, we just imagine the situation where some statements and material by Zaki Qureshey and they granted it for real, without verifying it. And that is bad, after all, the entire business proposal can

The result is a well written document meant to attract possible investors, backed up by Grant Thornton name, which sounds to the ears of possible investors that it is referring to a serious proposal. This is probably the reason why E2-Labs Mr. Zaki Qureshey decided to invest some money to look for Grant Thornton another case to use somebody's name for his plans.



Project Ethan
Investment Proposal

Preliminary and confidential, for discussion purposes only

© Grant Thornton, India. All rights reserved.

In this article, we are going to show some excerpts from that document, followed by some of our comments. Why did we decide to make this document document is yet another example of Mr. Zaki Qureshey unethical business practices and because it's involving directly my an Zone-H name and because I have to make clear to the general public that **we have nothing to do with Mr. Zaki Qureshey bogus proposals**.

DEAL OVERVIEW	Market Overview	Company Overview	Management Overview	Financial Overview	Next steps
---------------	-----------------	------------------	---------------------	--------------------	------------

Opportunity to invest in franchise of E2 Labs Information Security Pvt Ltd ("E2Labs"), a leading Information Security company, with an R&D center at Hyderabad and security specialists spread across US, Asia and Europe.

Corporate Training Astalavista Zone H Snort PHPIIDS	Job /non-job oriented programmes	Security services	Current Focus ↕ Pipeline
Expand in India through Franchising	Middle East Joint Ventures	Global Information Security Summit	

- Pioneers in Information Security training, R&D, Consulting & Services in India
- Recognized as a leader in the Information Security space in India
- In-house technical capability and relationships with leading security experts across the world
- Exclusive tie-up with the world's premier digital security observatory & Czars.

© Grant Thornton, India. All rights reserved.

As you can see, this page to the document is referring to E2-Labs' partnerships with known security industry names around the globe and to the world's security observatory, which is Zone-H (we'll see the name in clear later on). Needless to say, E2-Labs doesn't have any exclusive tie-up with Zone-H. Act tie-up at all.

Deal Overview	MARKET OVERVIEW	Company Overview	Management Overview	Financial Overview	Next steps
---------------	-----------------	------------------	---------------------	--------------------	------------

Information security services

- The information security services segment grew by 73% to Rs 456 cr. While system integration and consulting services accounted for a major chunk of the services revenues, the segment witnessed incremental growth on account of demand generated in the areas of managed security, compliance audits and certification.
- The security services market has shown a definitive shift in addressing Web-based intrusions and attacks, primarily related to the financial sector. Managed security services is one of the fastest-growing segments in the security marketplace.
- Based on a 2008 survey McAfee conservatively estimates that the global damage from data loss Total was 1.6 Trillion Dollars. In a worldwide study "on the security of information economies", the companies surveyed estimated they lost a combined 4.6 billion dollars worth of intellectual property last year, and spent approximately 600 million dollars repairing damage from data breaches

IT Security Education

- Worldwide shortage of IS professionals are 10,00,000, presents an opportunity for the Indian IT Industry. India has a demand for 1,22,874 network security professionals by 2009 while only 57,562 professionals would be available, a shortfall of 65,312 professionals.(Source: IDC)
- Number of hackers are three times the security professionals.
- Lack of entry level courses and certifications in information security market.

© Grant Thornton, India. All rights reserved.

Here we have an interesting statement: "number of hackers are three times the security professionals". Interesting, I'd like to know the source of such in

Deal Overview | Market Overview | **COMPANY OVERVIEW** | Management Overview | Financial Overview | Next steps

E2-Labs - An introduction

- E2-Labs is India's fastest growing Information Security company with an R&D center at Hyderabad, India and access to security specialists spread across U.S, Asia, Europe and Israel.
- The three major service offerings of the Company are:
 - Security Training
 - Corporate Information Security Solutions and Services
 - Information Security Products and related Services
 - Research & Development.
- The Company started Asia's First School of Ethical Hacking in 2002 and has collaborated with the world's premier digital security Experts i.e. Astalavista, Snort, PHP-IDS, Zone-H in providing training in ethical hacking, wireless security, web application security & Reverse Engineering.
- As part of its India operations, E2 Labs imparts job oriented and short term courses in Information Security and also provides consulting and security audit solutions to corporate clients in India.
- E2 Labs has also entered into exclusive partnerships for the marketing of various Antivirus/ Anti malware products (including Buffer Zone and Sophos) and distribution of digital certificates and Signatures from (Verisign and Commodo).

© Grant Thornton, India. All rights reserved.

Here again, we have:

1) Zone-H name spent one more time.

2) reference to E2-Labs job oriented courses. Remember, E2-Labs was advertising such "job guaranteed" courses [illegally using my face](#) and we already [scheme behind such offer](#).

3) statements boasting E2-labs having exclusive partnerships with companies such Verisign. We found an interesting article on an Indian newspaper, in [named as a franchisee of the Verisign brand](#). It's interesting, we didn't know that Verisign's business model was to expand through a franchising model..

Deal Overview | Market Overview | **COMPANY OVERVIEW** | Management Overview | Financial Overview | Next steps

Security Training Solutions

- E2-Labs in association with Zone H has developed a world class training curriculum, first of its kind for information security which is being imparted through the training workshops being conducted at its training centres in Hyderabad with visiting faculty from India and overseas.






Training programs	Training partners	Subject areas
<ul style="list-style-type: none"> ✓ Corporate Trainings ✓ 6 months - Certified Security Specialist - Job oriented ✓ 4 months - Certified Security Specialist - Non-Job oriented ✓ 1 month - Certified Security Professional ✓ Certificate Courses 	<ul style="list-style-type: none"> ✓ Zone-H - corporate training sessions with expert overseas faculty ✓ Astalavista ✓ Milworm ✓ Snort ✓ PHP IDS 	<ul style="list-style-type: none"> ✓ International cyberlaws ✓ Open source solutions ✓ Penetration Testing and Vulnerability Assessment ✓ Computer Forensics Science & Investigation ✓ Enterprise Public Key Infrastructure ✓ Anti-Malware Solution ✓ Reverse engineering ✓ Malware Analysis ✓ Wireless security

© Grant Thornton, India. All rights reserved.

Here it's written: "E2-Labs in association with Zone-H has developed a world class training curriculum...". Let me make it clear: E2-Labs has developed **no** with Zone-H. [They are using](#) Zone-H's trademark "Hands on Hacking Unlimited" on the page CareerOrientedTraining.htm without our consent.

Deal Overview	Market Overview	COMPANY OVERVIEW	Management Overview	Financial Overview	Next steps
---------------	-----------------	------------------	---------------------	--------------------	------------

Key associations and partnerships

Zone H	Zone-H is an independent and open-source digital observatory, considered today as the most authoritative voice on cyber crime on the Internet. E 2 Labs -Zone H jointly conducting the corporate training Sessions in the field of information security.	
Nalsar University	NALSAR University of Law, Hyderabad, an institution of national eminence in the field of legal education and research where E 2 Labs conducts cyber laws training courses.	
I.A.E.S.T.E	Independent, international association that deals with the exchange of students for technical exchange training programs.	
CERT	Indian computer emergency response team (CERT-In) is a national initiative to tackle emerging challenges in the area of information security and country level security risks and vulnerabilities.	
Ministry of Home Affairs-India	E 2 Labs is in discussions with several state and central government authorities on various issues related to cyber security and forensic investigation.	

© Gore Thomson, India. All rights reserved. 10

Here again, Zone-H is named as a key partner into Ethan project, which is not true.

Deal Overview	Market Overview	COMPANY OVERVIEW	Management Overview	Financial Overview	Next steps
---------------	-----------------	------------------	---------------------	--------------------	------------

Technology partners

Partner	Domain	Nature of alliance
Zone H	Training and education	Training, Services and Consulting - SAARC
SNORT	Training and products	Training and consulting
ASTALAVISTA	Training and Education	Training and consulting
PHP IDS	Training and Education	Training and consulting
MILWRM	Digital certificates	Technical partnership
SOPHOS	Anti virus and spam solutions	Technical partnership
Buffer Zone	Anti-Malware Solutions	Technical partnership
COMODO	Digital certificates	Technical partnership

© Gore Thomson, India. All rights reserved. 11

Here Zone-H is labeled as such organization providing training, services and consulting on behalf of E2-labs in the SAARC region. This is not true. Zone-I service in such region in cooperation with E2-Labs.

Deal Overview	Market Overview	COMPANY OVERVIEW	Management Overview	Financial Overview	Next steps
---------------	-----------------	------------------	---------------------	--------------------	------------

Key projects executed – National Security

- ✓ E2 - Labs is coordinating with several state and central government authorities in various issues related to cyber security and forensic investigation. It has been appointed as principal consultant in setting up Computer Emergency Response Team (CERT) India. E2 - Labs is assisting Indian government has mandated E2 - Labs to setup similar CERT for MENA regions, of which CERT-Oman, CERT-Kuwait projects are under discussions.
- ✓ E2 - Labs is exclusively associated with Government Examiner of Questioned Documents (GEQD) of cyber forensics division, for employee skill enhancement and upgrading technology.
- ✓ E2 - Labs will be appointed as information security advisor for Indian Defense and Intelligence Agencies






© Gore Thomson, India. All rights reserved. 15

A funny statement: "E2-Labs will be appointed as information security advisor for Indian Defence and Intelligence Agencies". We have 2 questions here:

- 1) why "will be"? Is it yet a dream?
- 2) isn't it inappropriate to name such cooperation agreement, give the extremely confidential nature of it? If it ever was true...

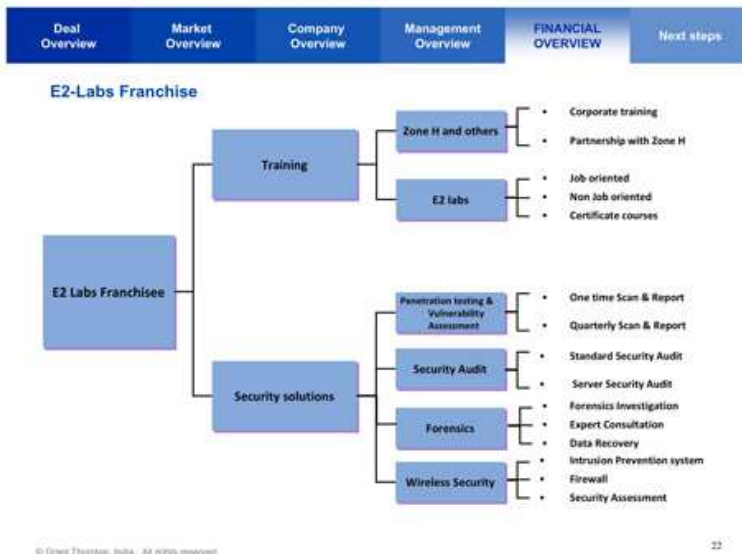
Deal Overview	Market Overview	Company Overview	MANAGEMENT OVERVIEW	Financial Overview	Next steps
---------------	-----------------	------------------	---------------------	--------------------	------------

Key Management and Technical Team

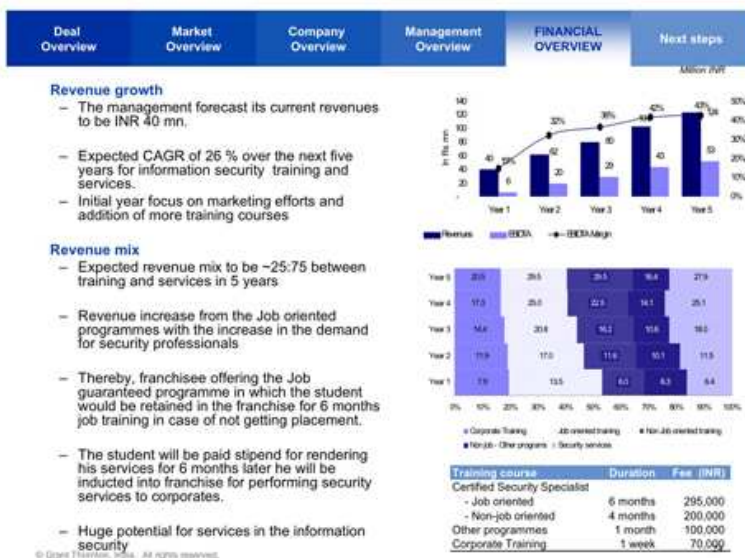
Dr. Zaki Qureshey, (Founder and MD E2-Labs)	A computer security and digital intelligence consultant with over 11 years experience and has been an avid E-hacker with significant experience in information systems and information security, having done extensive research on Network Security solutions.
Roberto Preatoni, (Founder and CEO of Zone-H)	Zone-H founder, he is involved in creating editorial contents, developing Hero-Z comics and tracks, representing Zone-H at the worldwide IT Security conferences and participating in the development as well as performance of Zone-H's Hands on Hacking training courses.
Khalid Khan (VP – European Union)	He has nearly 15 years of IS projects and service solutions and has been associated with various IS Companies and leading vendors across the industry including SAP, Oracle, BEA, IBM, Entrust, RSA, Neteegrity, Thor, Waveset, Radiant Logic, Maxware, Sun, Microsoft, iPlanet and Siemens.
Prof. Akella Murthy (VP, Research & Development)	He has served Indian Institute of Technology (IIT), Kharagpur during 1964 - 1999 and has also undertaken consultancy work for various industrial organisations and has chaired at international conferences sponsored by ASME, IEEE on CAD and Robotics.
Gerardo Di Giacomo (Head - Technology Services Group)	Zone-H co-founder, member of the board and main administrator, involved in the creation and performance of Zone-H seminar tracks. Member of the Ubuntu security team
Ghulam Mohammad (Advisor and Mentor)	He has been a part of the top management team at a leading Indian conglomerate Mahindra and Mahindra having served as a MD of Mahindra Exports Limited and involved in strategic planning, acquisitions, divestments & joint ventures. Currently on the boards of several companies in the I.T, financial services, infrastructure & energy sectors in India and the UAE.

© Gore Thomson, India. All rights reserved. 18

This is the slide which is causing me most of the anger. I am named as part of the key management and technical board, in the slide "Management Overview" **member of any E2-Labs management committee!**



Again, Zone-H dragged into the franchisor-franchisee scheme



Here it's made clear that the franchising scheme is based also on the guaranteed jobs scheme, involving the franchisee in it, with all the possible legal cor

Deal Overview	Market Overview	Company Overview	Management Overview	FINANCIAL OVERVIEW	Next steps
---------------	-----------------	------------------	---------------------	--------------------	------------

Financials Projections

Training and services form part of the current portfolio, these revenue streams will be the major contributors of revenue and EBITDA across the next few years through expansion in India and Middle East.

Profit & Loss account	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	40.1	62.0	85.1	104.0	123.9
Corporate Training	7.9	11.9	14.4	17.3	20.5
Job oriented training	13.5	17.0	20.8	25.0	29.5
Non Job oriented training	6.0	11.6	16.2	22.5	29.5
Non job - Other programs	6.3	10.1	10.6	14.1	16.4
Security services	6.4	11.5	18.0	25.1	27.9
COGS	21.5	26.4	32.9	41.5	46.5
Corp Training cost	6.1	9.0	12.5	16.2	20.7
Mumbai E2labs cost	6.2	7.3	7.4	7.5	7.6
Security Services cost	3.8	6.7	7.4	10.6	11.5
Royalty and goodwill to Franchisor	5.3	4.3	5.6	7.3	8.7
Gross profit	18.7	35.6	47.2	62.4	75.4
Gross Profit Margin	46.5%	57.5%	55.5%	60.1%	60.9%
SG&A	12.8	15.8	17.9	19.1	22.5
E2 labs Mumbai- Advertising	6.5	7.7	7.1	6.2	7.5
Placement cost cost	2.1	2.3	2.5	2.8	3.1
Management salaries	1.5	1.6	1.8	1.9	2.1
Other employee cost	1.2	1.7	2.5	3.0	3.5
Other operating expenses	1.6	2.5	4.0	5.2	6.2
EBITDA	5.9	19.9	29.3	43.4	52.9
EBITDA margin	14.7%	32.0%	36.5%	41.7%	42.7%
Depreciation	1.6	1.7	1.9	0.4	0.4
Interest	-	-	-	-	-
PBT	4.3	18.1	27.3	43.0	52.5
Tax	1.5	6.2	9.3	14.6	17.9
Net profit available to Franchisee	2.8	12.0	18.1	28.4	34.7
Net profit margin	7.1%	19.3%	22.6%	27.3%	28.0%

INR in Mn

© Grant Thornton, India. All rights reserved. 25

... as well as it's made clear in the financial forecasts, where the guaranteed job business line is the most important among the revenues items. A quick n Gross Profit Margin starting from 46% and topping 60% throughout the years seems very unreasonable. Grant Thornton's guys should have noticed t

Deal Overview	Market Overview	Company Overview	Management Overview	FINANCIAL OVERVIEW	Next steps
---------------	-----------------	------------------	---------------------	--------------------	------------

Immediate funding requirement for franchise

Funding requirement	In Rs mn
Goodwill consideration to Franchisor	2.5
Hardware and software	4.8
Furniture	0.5
Rental advance	4.0
Working capital (2 months)	5.8
Total	17.6

Revenue sharing model

- Goodwill consideration for using the E2labs brand and trademarks – Rs 2.5 mn
- 7% royalty on net revenues which includes training and services

© Grant Thornton, India. All rights reserved. 26

This is the interesting part of the Ethan plan. Giving the strong partnership between E2-Labs and some big foreign names and brands, the targeted fran hefty goodwill of 50,000 USD to benefit from it. The point is that in reality, the franchisee is paying this money for unexisting partnerships which he will ne from.

Deal Overview	Market Overview	Company Overview	Management Overview	Financial Overview	Next steps
---------------	-----------------	------------------	---------------------	--------------------	------------

The E2-Labs franchise advantage

- E2 Labs offers an opportunity for a potential investor to participate in one of the fast growing Information Security company and the first organized school for IS training and consultancy. Having collaborated with the world's premier digital security observatory, Zone-H, E2 Labs has access to a well researched R&D base and a network of security experts worldwide.
- With more and more digital attacks affecting corporate networks, the Indian Information Security Market (estimated at Rs 1,970 cr in FY09) is estimated to grow at 39%. E2labs is ideally positioned as a one-stop-shop to offer its range of IS products and services.
- The established training facilities, well developed curriculum and exclusive tie ups for training and services, ideally position E2 labs to capture the Indian and overseas markets.

Next steps...

- Preliminary discussions (financial and business)
- Signing of term sheet with initial non-binding offer
- Promoter meetings and discussions
- Definitive agreements

© Zone Thomson, India. All rights reserved. 28

Some more words about Zone-H in the ending slide of the document. Are you ready to invest now?

Some final considerations: E2-Labs plans to start an IT security college in India was indeed a good idea. Mr. Zaki Qureshey brilliantly forecasted India's fu security experts. Even this Ethan project franchising scheme could have been a good idea, if what stated in it was true. But unfortunately it is ruined by i conducted business in the last 7 years.

What Mr. Zaki Qureshey does not understand is that if his way of doing business was normal his company was probably at this time 100 times larger the considering how big is the Indian market. This means respecting contracts, respecting and pay people working for him, not selling courses luring student sustainable jobs, not abusing of somebody's else image and brands, not bullshitting about James Bondish partnerships, not screwing people, not threat All practices unknown to E2-Labs way of doing business. Business **never** means fucking the counterparts.

What a pity, what a waste and what a lost opportunity.

PS: shouts to littleyoda...

UPDATE: we received from Fyodor Yarochkin, the former SNORT developer this email (It was sent also to E2-labs):

From: Fyodor

Date: 27-11-2009 16:47

Subject: Recent zone-h publication

Hey Zaki and guys,

Today to my attention came the post at zone-h.org blog claiming to publish some business documentation, which was leaked from e2labs.

I am personally not interested at all to be involved in the whole scandal, but one thing I'd like to note, if the extracts from so called "proposal" are authentic, this may bring serious trouble to violator. Let me repeat it again:

- I am not affiliated with "snort" as brandname/organization/whatever. I am former developer of the snort software, I can professionally support and promote snort as opensource IDS, but I don't own rights to the name and I don't represent "snort" as organization, business partner in any possible way.
- I never ever gave anyone permission to use snort as brand name, not even that I am allowed to do such thing at all. (see #1). If snort name or logo've been used anywhere - this is serious violation of sourcefire and nowadays checkpoint copyright rights.
- Violating 2 may get violating party into serious trouble with sourcefire (which was recently aquired by even bigger monster - CheckPoint). and those guys have alot of money to spend on lawyers to make sure that violating party pays. Knowing how israeli companies work, I am sure they would do it, shall this info get public. I am not kidding!

Please keep this in mind
Thanks,
-Fyodor