

Invest in Lesotho's Call Centres Sector

LESOTHO

South African call centre companies can drive down costs by locating operations in Lesotho, which enjoys good international connectivity.



Invest in Lesotho

Call Centres

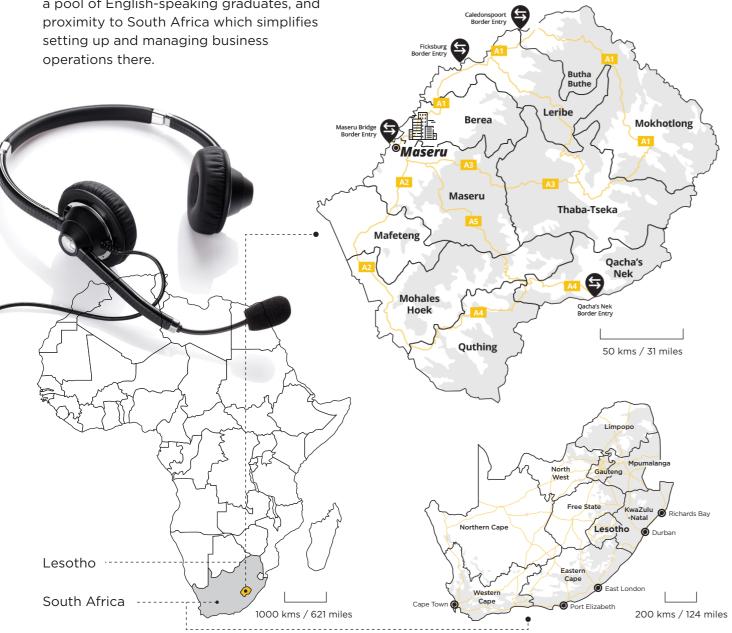


Introduction

Lesotho is an excellent location for South African call centre companies seeking to outsource their operations.

It has first class international connectivity, a pool of English-speaking graduates, and

Costs are highly competitive: LSL* 50 per call centre seat per hour. The best location for call centres is Maseru, home to 10% of Lesotho's population.



Strengths & Opportunities

Lesotho has important strengths as a location for outsourced South African call centre operations.

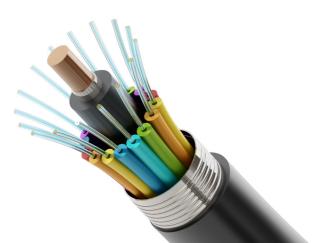
FAVOURABLE LOCATION

Despite being landlocked, Lesotho has true global connectivity - as good as most developing countries. It has excellent road access to South Africa's business centres and ports. There are regular flights between Maseru and Johannesburg. This makes setting up and maintaining South African business operations there straightforward.

EXCELLENT TELECOMS CONNECTIVITY

Lesotho has high levels of connectivity through three main submarine cables: Eastern Africa Submarine Cable System; Seacom and the West Africa Cable System. Within the country the Lesotho Communications Authority has deployed 46 base stations to remote areas via the Universal Service Fund, the most successful in Africa.

The emergence of skilled, English-speaking graduates provide a potential labour pool for call centre employers.



Invest in Lesotho

```
*115L = 17AR
```

- OUTSOURCE OPERATIONS
- INTERNATIONAL
- ENGLISH-SPEAKING

Labour costs compare well with other markets. A call centre cost modelling exercise indicated that Lesotho could achieve a globally competitive cost per call centre seat per hour

OF CIRCA



This compares favourably with the **Philippines** at LSL 242 and Eastern Europe at LSL 167. Lesotho's graduates speak English and are easily trained for call centre operations. Lesotho has a tradition of relatively harmonious labour relations.

Lesotho's geographical location in the same time zone as South Africa and Western Europe is a further operational advantage.



Lesotho can support call centre companies employing 100-300 per site. Lesotho's urban and business park environments could provide the infrastructure and connectivity for South Africa based call centre companies including Aegis, Capita, Excel, Teleperformance and Merchants.

Call centres will enjoy a reduce level of corporate income tax of 10%, with a 0% tax on dividends.

The project aligns with SDGs 8, 9 and 10.







Call Centres



Project Assumptions

The Maseru area accounts for 200,000 of the national population of 2.14m. The estimated labour market for innovation/ICT employment is potentially up to 5,000. This labour pool could however be extended through training and skills development.



Maseru's central business district.

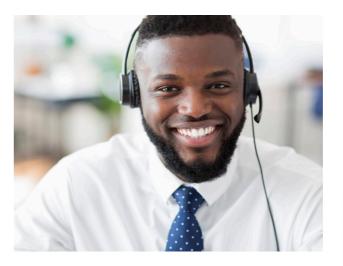
Financial Analysis

TOTAL INVESTMENT

A total investment of approximately:

LSL17.4m

comprising entirely of fixed assets will be required for the establishment of the Call Centre opportunity. The graphs below illustrate a financially viable operation with the opportunity expected to generate a profit throughout its operational life.



In addition to the positive NPV and IRR, the initial investment cost of the project is expected to be fully recovered in just under 7 years. The investment opportunity further responds favourably to the country's developmental objectives through its positive socio-economic impact in terms of employment creation, economic agglomeration and potential forex earning opportunities.

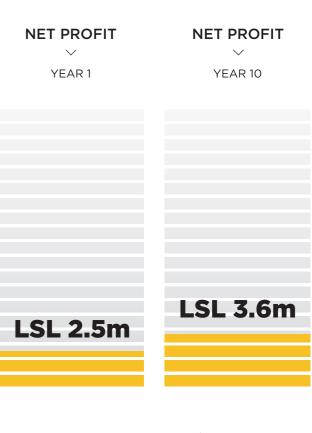
- OUTSOURCE OPERATIONS
- INTERNATIONAL
- ENGLISH-SPEAKING

NET PROFIT

The enterprise's annual net profit after tax increases from approximately



in year 10. Similarly, the projected cash flows of the envisaged project indicate that it will generate positive net cash flows throughout the 10-year operational period.





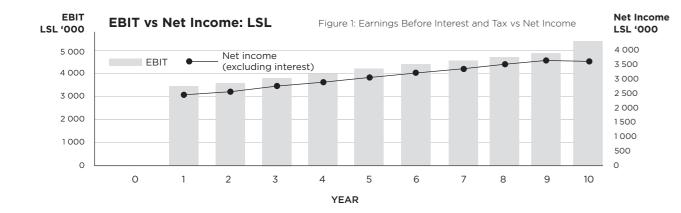




Call Centres



Financial Analysis



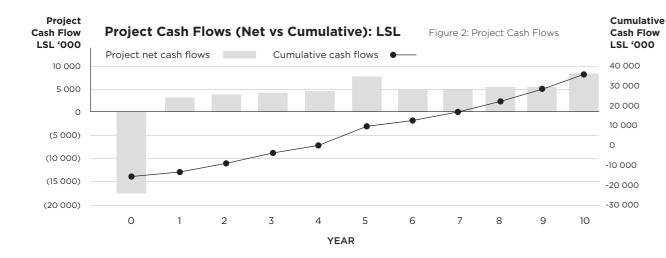


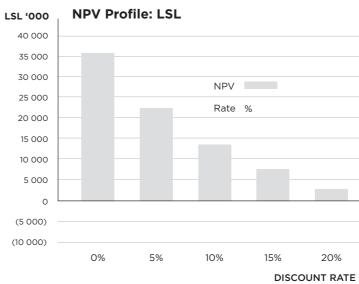
Table 1: Investment Indicators

The projected future cash flows generated by the enterprise are discounted at a rate of 10%. The outcome of the discounted cash flow analysis is summarized in Table 1.

Net present value (NPV)	LSL 13.82m
Discounted payback period	6.44 years
Internal rate of return (IRR)	24.63%
Profitability index (PI)	2

Financial Analysis

The positive NPV at a discount rate of 10% and corresponding IRR of 24.63% highlighting the financial viability of the Call Centre investment opportunity.





Note

The financial analysis of the Call Centre investment opportunity is computed over a ten-year period. Revenue and expenditure projections are in line with industry growth prospects and market potential and have been informed by and benchmarked against industry standards and norms. In addition, assumptions relating to inflation; depreciation and salvage value; and company tax have been worked out based on the existing laws and directives of the country. The figures above

- OUTSOURCE OPERATIONS
- INTERNATIONAL
- ENGLISH-SPEAKING

		Figure 3	Figure 3: Project Net Present Value Profile			
%	25%	30%	35%	40%		
.0	2070	5078	5570	-070		



Maseru's central business district.

represent high level estimates as of January 2021 and are not derived from a full feasibility study. Investors are advised to conduct their own due diligence.

For more information please contact:

General Manager: Investment & Trade Promotion Lesotho National Development Corporation Email: ip@Indc.org.ls









Invest in Lesotho's Call Centres Sector





Invest in Lesotho