



Invest in Lesotho's **Business Precinct**

LESOTHO

An opportunity to invest in a PPP project for a mixed-use business precinct in Maseru servicing the agriculture, mining, manufacturing and tourism sectors.



Invest in Lesotho



Business Precinct



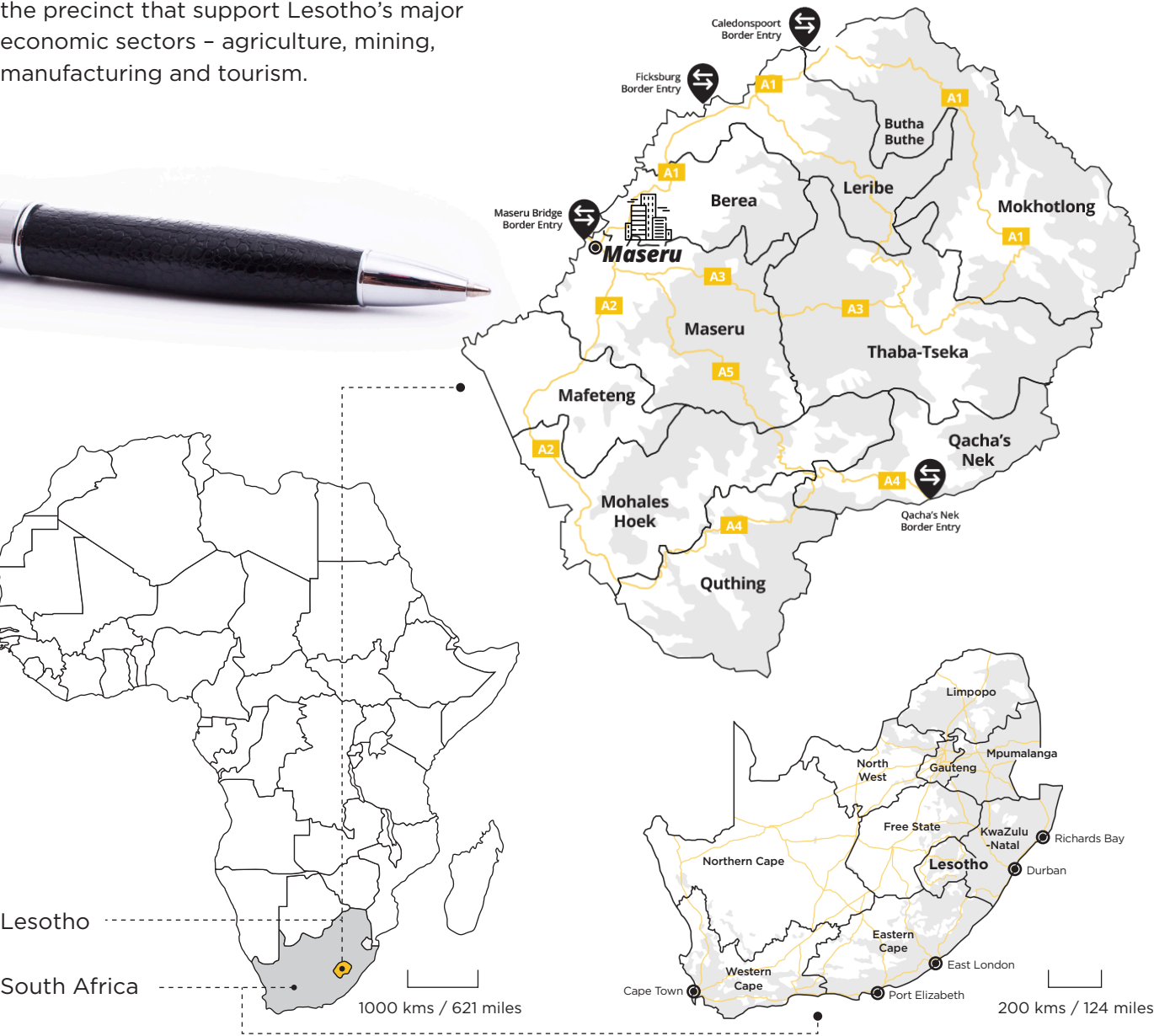
- AGRICULTURE
- MINING
- MANUFACTURING
- TOURISM

Introduction

The Lesotho National Development Corporation is looking for an investor to develop a business precinct on a government-owned site as a PPP project.

The intention is to attract companies to the precinct that support Lesotho’s major economic sectors – agriculture, mining, manufacturing and tourism.

Some government ministries may also move to the site. The project is located at the Maseru Racecourse site, 3kms from the city centre along the Maseru bypass road.



Strengths & Opportunities

The Lesotho National Development Corporation (LNDC) is promoting a business precinct that will provide support services for existing business sectors including agriculture, mining, manufacturing and tourism support services.

Customers are expected to include multinational companies with business operations in Lesotho. The precinct would be the first of its kind in the country.

The proposed location of the project is the former Racecourse. It is a spacious site connected by road from the city centre and the south part of Maseru, providing convenient access for the city’s labour force.

Telecommunications in the area are excellent and the South African mobile signal can be received there.

The land will remain in government ownership. The LNDC is looking for an investor to construct buildings, and provide telecommunications, power, roads, lighting, water, storm drains, sewerage and security, and potentially to manage the site once it is open. This is likely to be a PPP project, with the terms subject to negotiation between the parties.

There is scope to include sporting facilities, an education centre and apartment blocks making the precinct a mixed-use development.

The project aligns with SDGs 8, 9, 10 and 11.

THE AVAILABLE LAND IS

170 000

SQUARE METERS

Some government ministries may relocate to the site to act as anchor tenants, while leaving space for commercial tenants.

ROAD ACCESS

Lesotho has excellent road access to South Africa’s business centres and ports. There are regular flights between Maseru and Johannesburg. The business precinct could therefore provide opportunities for South African companies seeking to drive down costs by outsourcing back office operations. This would take advantage of Lesotho’s educated workforce and the widespread use of English which is taught in school.

Lesotho has high levels of connectivity via three main submarine cables: the 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.



Business Precinct



Proposed site for Business Precinct project.

Photo Credit Google.

Financial Analysis

TOTAL INVESTMENT

A total investment of approximately:

LSL* 261m

comprising fixed assets of LSL 244m and pre-production expenditure of approximately LSL 16.8m will be required for the establishment of the Business Precinct investment opportunity. The graphs below illustrate a financially viable operation with the opportunity generating profits when structured as a PPP project.

At a discount rate of 10%, the Business Precinct does not generate the minimum required rate of return from an NPV and IRR perspective. Similarly, the profitability index and payback period are also not feasible. This initiative, however, becomes financially viable if structured as a Public Private Partnership (PPP) with the State making available a financial grant and/or land to enable the development of the Business Precinct.

Once structured as a PPP, the initiative is not only financially viable but also responds favourably to the country's developmental objectives through its positive socio-economic impact in terms of employment creation, clustering and potential forex earning opportunities.

*1 LSL = 1 ZAR

- AGRICULTURE
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NET PROFIT

The positive cash flows of approximately

LSL 27.5m

in year 1 to approximately:

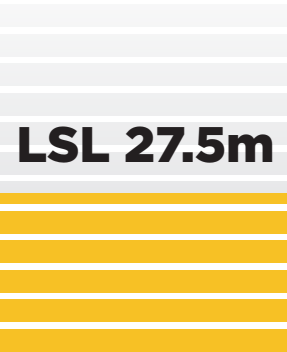
LSL 35m

in year 10, the opportunity does not generate positive investment returns, unless structured as a PPP project.

NET PROFIT



YEAR 1



NET PROFIT



YEAR 10



Financial Analysis

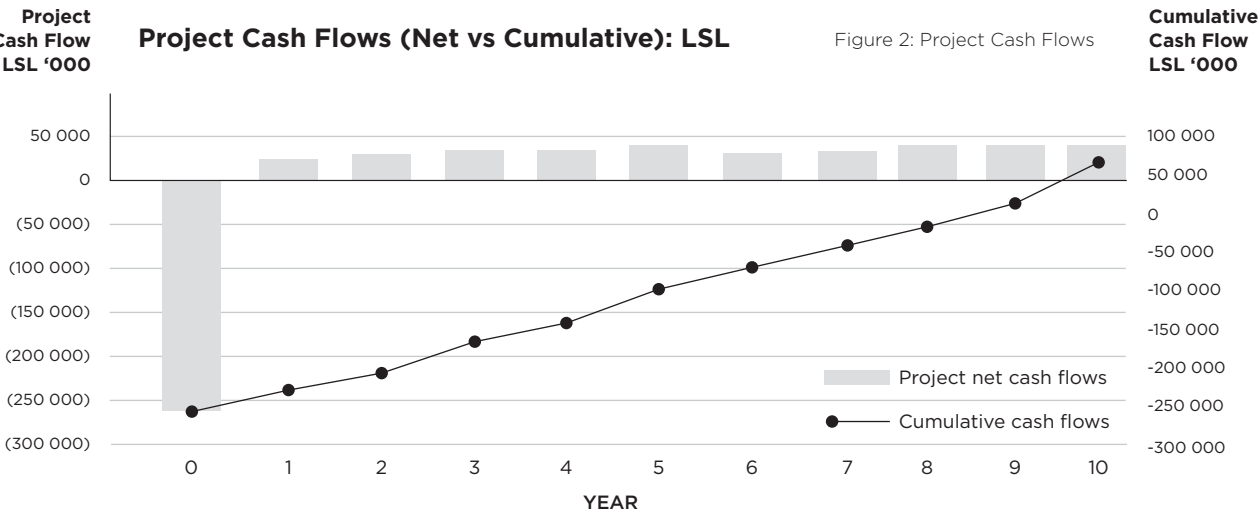
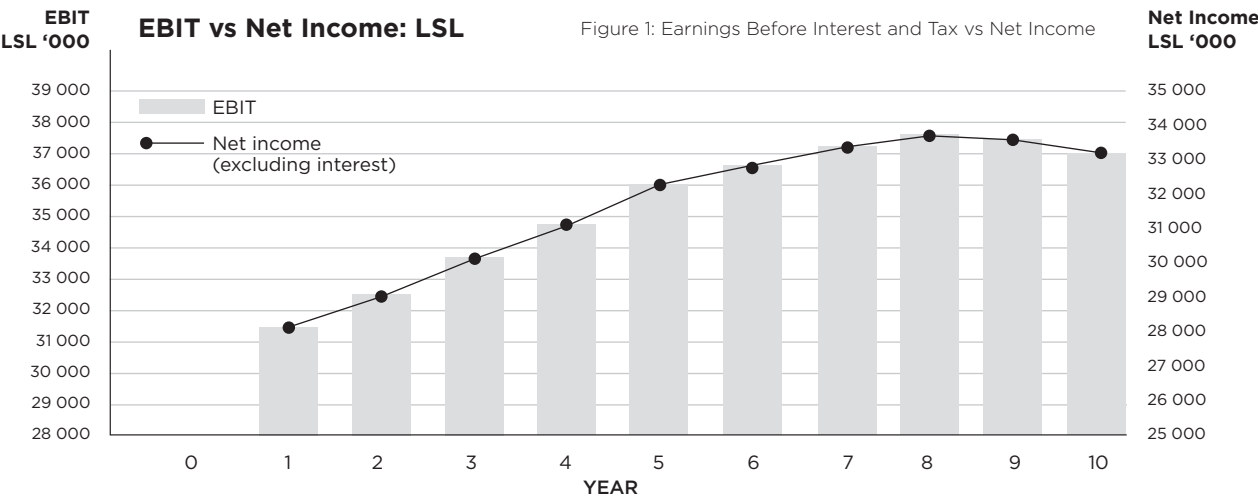


Table 1: Investment Indicators

Net present value (NPV)	LSL -65.35m
Discounted payback period	13.71 years
Internal rate of return (IRR)	4.00%
Profitability index (PI)	1

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.

Financial Analysis

At a discount rate of 10% and corresponding IRR of 4%, the Business Precinct does not generate the minimum required rate of return from an NPV and IRR perspective, unless structured as a PPP project.



LNDC headquarters, Maseru.



Central business district, Maseru.

Note

The financial analysis of the business precinct 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

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
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