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

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LESOTHO NATIONAL DEVELOPMENT CORPORATION
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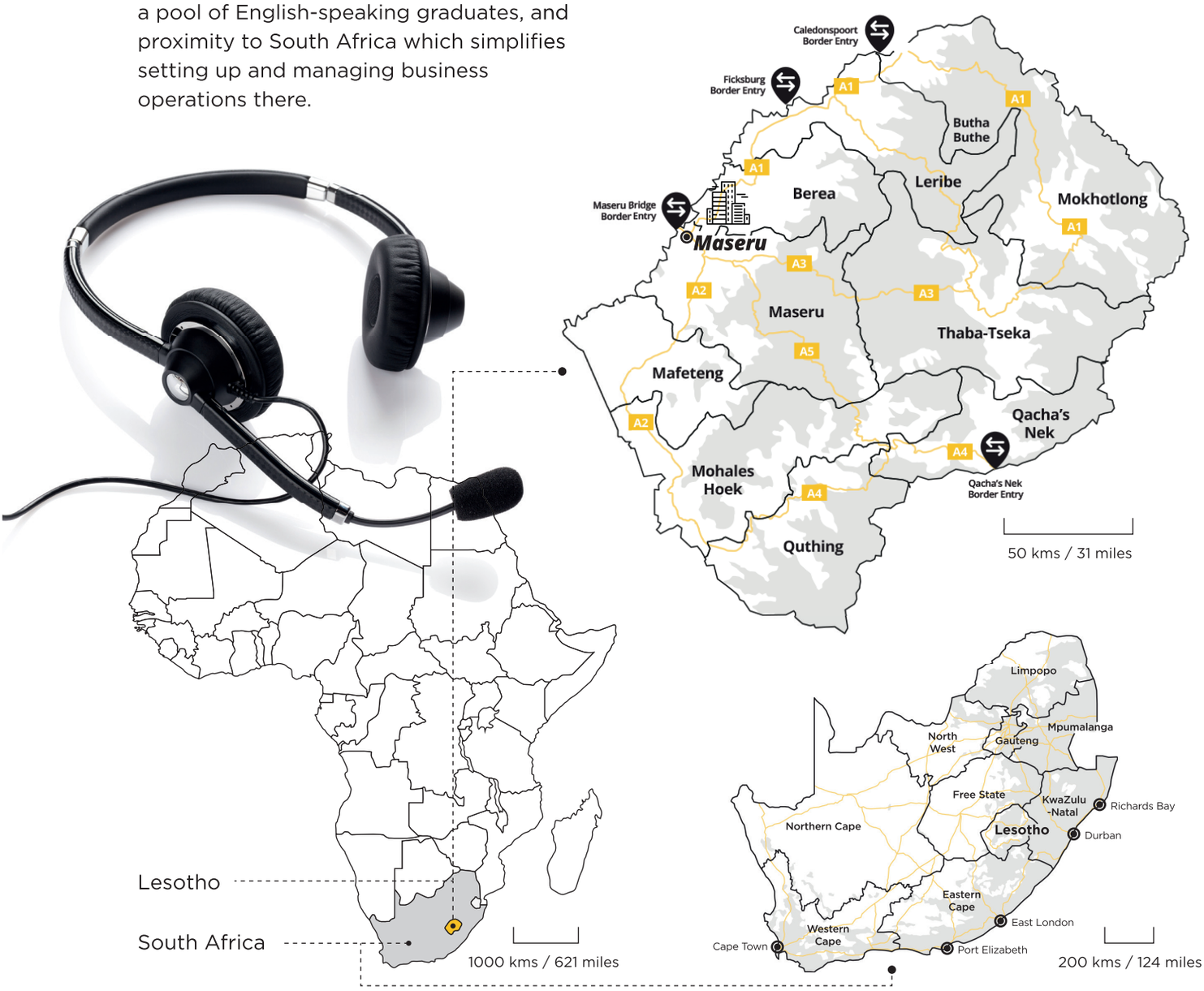
Call Centres

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 proximity to South Africa which simplifies setting up and managing business operations there.

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.



*1 LSL = 1 ZAR
15 LSL = 1 USD (as of April 2021)

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Strengths & Opportunities

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

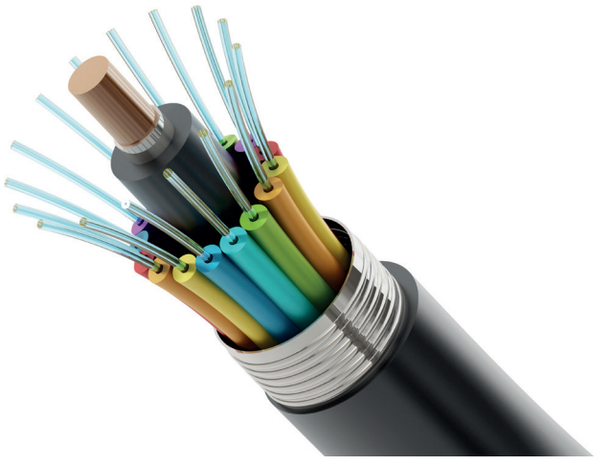
FAVOURABLE LOCATION

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.



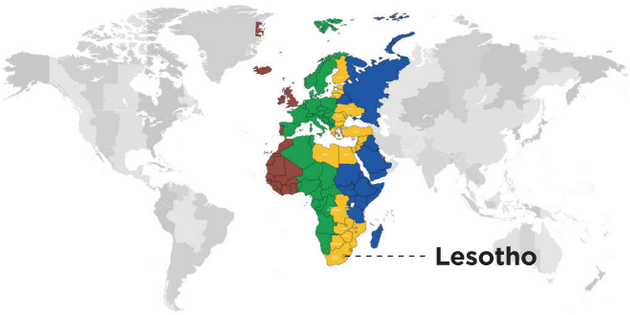
Labour costs compare well with other markets. A call centre cost modelling exercise indicated that Lesotho could achieve a globally competitive cost per call centre seat per hour

OF CIRCA

LSL 50

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.

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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.

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Financial Analysis

TOTAL INVESTMENT

A total investment of approximately:

LSL 17.4m

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.

NET PROFIT

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

LSL 2.5m

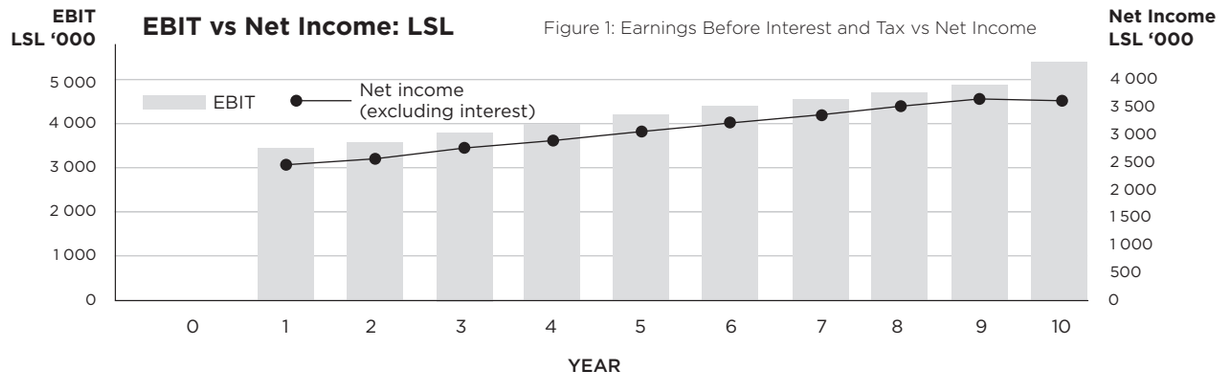
in year 1 to approximately:

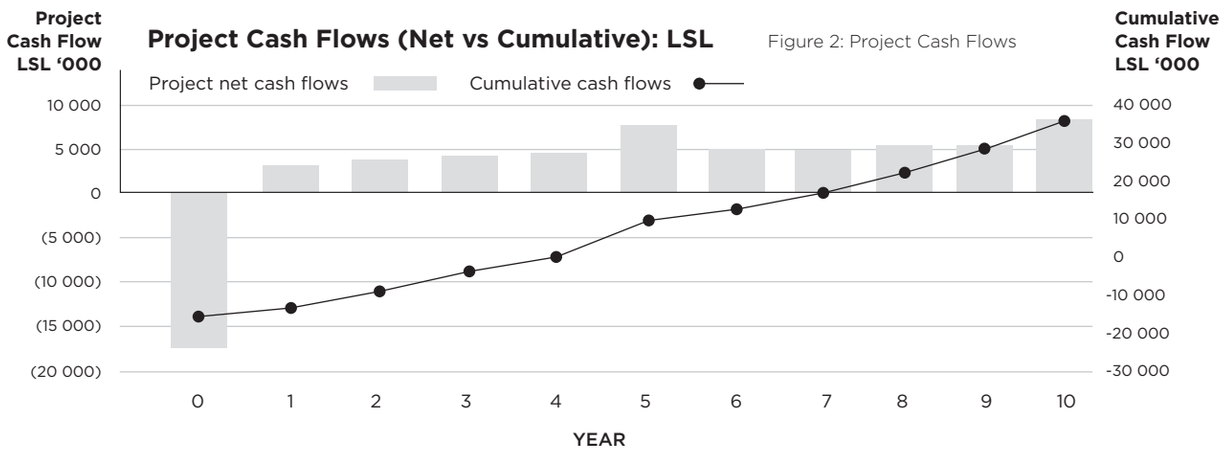
LSL 3.6m

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





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.

Table 1: Investment Indicators

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

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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.

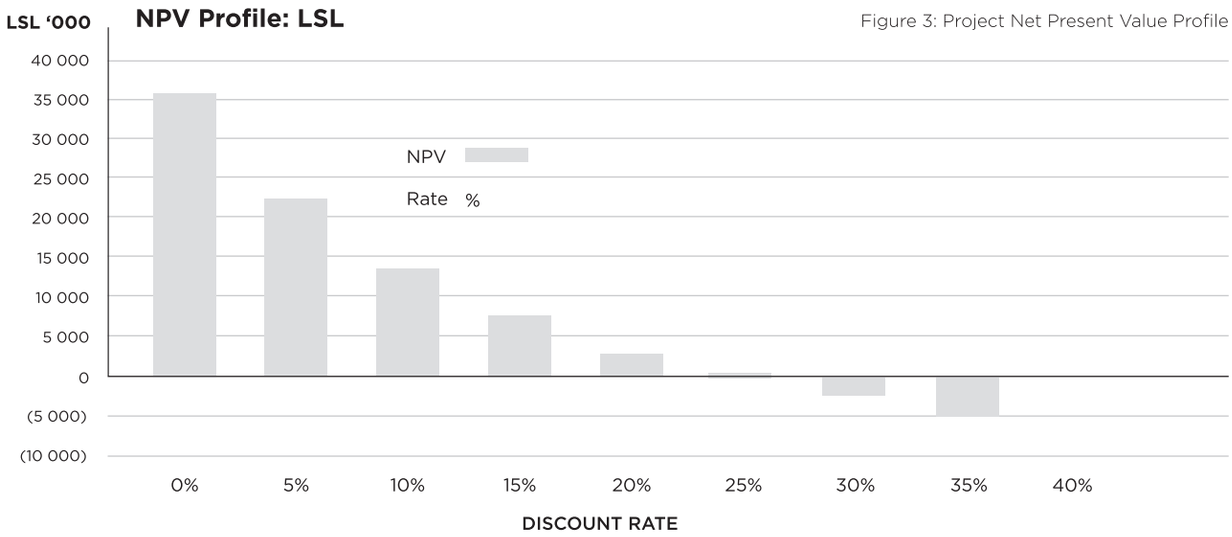

Figure 3: Project Net Present Value Profile

Maseru's central business district.

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 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:

Puseletso Makhakhe (Mrs)
General Manager: Investment and Trade Promotion Unit
Lesotho National Development Corporation
Email: makhakhe@lndc.org.ls

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