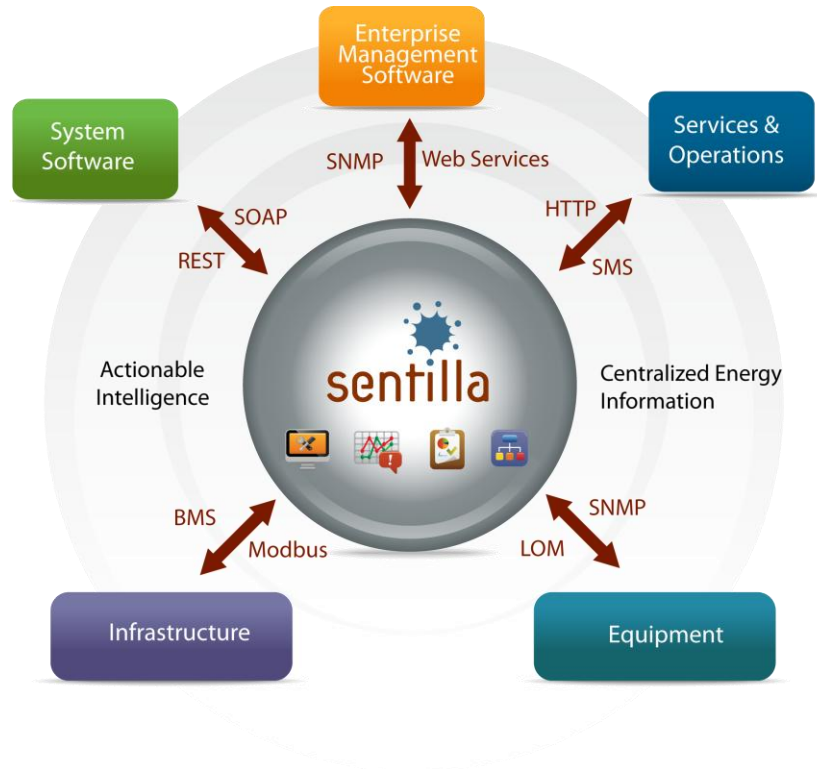# FEASIBILITY STUDY PROJECT PROPOSAL

"SETTING UP A SOFTWARE HOUSE"

Submitted to Mr. Usman Anwar

Submitted by Kamran Alam
SENTILLA Information Technology System (Pvt) Limited.

THE UNIVERSITY OF LAHORE

FEASIBILITY STUDY PROJECT PROPOSAL

"SETTING UP A SOFTWARE HOUSE"

Country: Pakistan

Project Title: Proposal of Feasibility Study of Setting up a "Software House"

Executing agency: SENTILLA Information Technology Systems (Pvt) Limited.

Bank: Industrial Development Bank of Pakistan

Estimated Duration: 1 year

Project Financing: Rs.16,244,670 (70% on Debt and 30% its own Equity/Capital)

Project Life: 10 years

INTRODUCTION TO SENTILLA

The SENTILLA Information Technology System was established with the objective to promote the software technology in Pakistan at a large scale.

SENTILLA Information Technology System was developed in 2005. Information Technology sector was selected to conduct a research in which an essential need of software house is recognized. The large scale software development strategy involved recommending changes in the regulatory environment by taking into consideration other important aspects including finance, marketing, technology and human resource development.

SENTILLA has so far successfully formulated strategies for industries such as government departments, hospitals, textiles, surgical instruments, transport, PIA etc. Whereas the task of software development at a broader scale still requires more coverage and enhanced reach in terms of I.K.A's areas of operation.

A broad spectrum of business development services is also offered by I.K.A. These services include identification of viable business opportunities for potential small medium enterprise investors. In order to facilitate these investors, SENTILLA provides business guidance through its help desk services as well as development of project specific documents. These documents consist of information required to make well-researched investment decisions. Pre-feasibility studies and business plan development are some of the services provided to enhance the capacity of individual to exploit viable business opportunities in a better way.

This document is in the continuation of this effort to enable potential investors to make well-informed investment decisions.

PURPOSE OF THE DOCUMENT

This particular pre-feasibility comes under the 'Information Technology' sector, a sub-sector of 'Information and Communication Technology' and is in regard to setting up a "Software House" in any big city of Pakistan.

The objective of this pre-feasibility study is primarily to provide an overview of the IT and IT Enabled Services (ITeS) business. This project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document covers various aspects of the business concept development, start-up, marketing, finance and business management.

OPPORTUNITY RATIONALE

Competing in a worldwide scale, Pakistan's IT industry has experienced massive growth in IT exports. With the fast paced industry growth rate and government's investor friendly policies, Pakistan has become a major player in the IT industry, not just on the South Asian but on a global scale as well.

One of the biggest reasons to invest in IT is the fact that the Government of Pakistan has allowed 100% ownership of equity and 100% repatriation of profits for foreign investors. Major tax incentives for companies have been allowed till 2016. Also, the Government has given tax exemption on the income from export of computer software and related services.

HUMAN RESOURCE DEVELOPMENT

The educated and highly skilled human resource is imperative for the growth of information technology. Pakistan has to equip not only its educational institutions at all levels with the information technology facilities but also it has to establish new vocational training centres throughout the country which focus on providing training to convert the latent human resource available into a highly skilled IT workforce that is competitive at the world level.

INFORMATION TECHNOLOGY INDUSTRY DEVELOPMENT

In order to strengthen the local information technology industry to compete in the international markets, following projects were executed during the year 2009-10:

- Purchase of Land in Karachi and Lahore for Establishment of IT Parks was approved for capacity building of IT industry. This project will boost the information technology infrastructure and facilitate more companies to establish their business in Pakistan.

- IT Parks Construction projects' consultancy for both Karachi and Lahore airports was launched during the year. These parks will facilitate more IT firms to establish their businesses in the country.

- Standardization of Pakistani Software Industry Program was initiated to obtain internationally recognized certifications by local companies. As a result, the number of Capability Maturity Model Integration (CMMI) assessed companies has increased. Currently CMMI certified companies according to their level include, two CMMI Level-5, three CMMI Level-3 and sixteen CMMI Level-2 companies. Also, now there are 110 ISO-9000 certified. ISO 27001 consultancy and audit of ten IT companies has been completed this year.

- Automation of Domestic Industry on Open Source Systems. This project was initiated to encourage the local companies to develop expertise in open source arena as well as to provide automation at low cost for domestic industry

CLASSIFICATION OF INDUSTRY

On the basis of reports and research software industry can be categorized as follow:

i) Product /Service Base

- Product Focused

- Services Focused

- Hybrid Operation

ii) Market Base

- Domestic-Focused Local Firms

- Export-Focused Foreign Firm

- Export-Focused Local Firms

- Export-Focused Foreign Firms

- Dedicated Development Centre

MARKET ANALYSIS

Market Demand
Foreign-based companies have entered the recovery phase and started outsourcing their multiple services to the IT and IT-enabled companies of various countries. Pakistan has potential to grab its share in IT-enabled services market although it is also competent in providing software applications to various developed countries, demand will be flourishing in the upcoming years.

There are quite a few hundreds of software houses in Pakistan and the count is increasing rapidly. These software houses are working to make Pakistan a bright mark in the world of IT. They are producing many useful products which have modernized the processes of traditional industries and also increased their productivity. As we see, computer has become a significant part of every walk of our lives and many processes have become automatic now. All the big shopping malls have computerized billing system now. Almost every organization keeps its data in computerized form. Computer and internet awareness is also increasing and the trend of e-commerce is emerging fast. People, whatever field they belong to, consult internet for any queries which come into mind.

MACHINERY & EQUIPMENT

IT EQUIPMENT

The IT equipment includes Computers, Laptop PCs, Servers, UPS for PCs and networking equipment. This IT equipment will be re-purchased after every three years.

INFRASTRUCTURE

The proposed location in Lahore is Gulberg or Defence Housing Authority, Lahore and in Islamabad highly maintained available infrastructure areas are Sector E, Sector F, Evacuee Trust Building, and Software Technology Park etc. An office can be rented out in any of these locations. The rent for an office in the proposed areas is estimated at Rs. 300,000 per month.

PROJECT DETAIL

Project Cost

The detail of the project cost is as follows. There is an initial licensing fee of US$ 1,900, which is a one time fee.

Table 12-1 Project Cost Rupees	
Capital Investment Requirement	9,520,000
Working Capital Requirements	6,724,670
Total Project Investment Requirement	**16,244,670**

Project Financing

Project financing will be done through 30% equity and 70% debt.

Table 12-4 Project Financing Rupees	
Debt @ 50 %	11,371,269
Equity @ 30 %	4,873,401
Total Project Investment Requirement	**16,244,670**