



Pre-feasibility Study

BPO (BUSINESS PROCESS OUTSOURCING) OFFICE WITH 100 RESOURCES

November 2023

“The figures and financial projections are approximate due to fluctuations in exchange rates, energy costs, and fuel prices etc. Users are advised to focus on understanding essential elements such as production processes and capacities, space, machinery, human resources, and raw material etc. requirements. Project investment, operating costs, and revenues can change daily. For accurate financial calculations, utilize financial calculators on SMEDA’s website and consult financial experts to stay current with market conditions”

Small and Medium Enterprises Development Authority
Ministry of Industries and Production
Government of Pakistan

Table of Contents

1. DISCLAIMER	5
2. EXECUTIVE SUMMARY	6
3. INTRODUCTION TO SMEDA	7
4. PURPOSE OF THE DOCUMENT	8
5. BRIEF DESCRIPTION OF PROJECT & PRODUCTS	9
5.1. Key Benefits	10
5.2. Proposed Services	11
5.3. Process Flow for Medical Billing	13
5.4. Process Flow for Medical Transcription Services	16
5.5. Process Flow for Accounting BPO	17
5.6. Process Flow for Legal/Corporate BPO	19
5.7. Installed and Operational Capacities	20
6. CRITICAL FACTORS	23
7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT	23
8. POTENTIAL TARGET MARKETS/customers	23
9. PROJECT COST SUMMARY	25
9.1. Project Cost.....	25
9.1.1. Land.....	26
9.1.2. Building	26
9.1.3. IT Equipment and Machinery Requirement	27
9.1.4. Furniture & Fixtures Requirement	28
9.1.5. Office Equipment Requirement.....	28
9.1.6. Office Vehicle Requirement.....	29
9.1.7. Security against Building.....	30
9.1.8. Pre-Operating Cost	30
9.1.9. Incorporation and License Costs	30
9.2. Breakeven Analysis	31
9.3. Revenue Generation.....	31
9.4. Variable Cost Estimate.....	33
9.5. Fixed Cost Estimate.....	35
9.6. Financial Feasibility Analysis.....	36
9.7. Financial Feasibility Analysis with 50% Debt.....	36
9.8. Human Resource Requirement	37
10. CONTACT DETAILS.....	39

11. USEFUL LINKS	40
12. ANNEXURES	42
12.1. Income Statement	42
12.2. Balance Sheet	43
12.3. Cash Flow Statement	44
13. KEY ASSUMPTIONS	45
13.1. Operating Cost Assumptions	45
13.2. Revenue Assumptions	45
13.3. Financial Assumptions	45
13.4. Debt-Related Assumptions	45
13.5. Cash Flow Assumption	46

Table of Tables

Table 1: Legal/Corporate BPO Operational Capacity	21
Table 2: Medical Transcription Services Department Operational Capacity	21
Table 3: Medical Billing Services Department Operational Capacity	22
Table 4: Accounting Services Department (Freelancing) Operational Capacity.....	22
Table 5: Accounting Services Department (Local Clients) Operational Capacity.....	22
Table 6: Initial Project Cost.....	25
Table 7: Land Area Breakup.....	26
Table 8: Renovation Cost Details	27
Table 9: IT Equipment and Machinery Requirement.....	27
Table 10: Furniture and Fixtures Requirement.....	28
Table 11: Office Equipment Requirement	28
Table 12: Office Vehicle Requirement	29
Table 13: Advance against Building Rent	30
Table 14: Pre-Operating Cost Requirement	30
Table 15: Incorporation and License Costs	30
Table 16: Breakeven Analysis.....	31
Table 17: Revenue Generation of Legal Department	31
Table 18: Revenue Generation of Medical Transcription Services Department.....	32
Table 19: Revenue Generation of Medical Billing Services Department	32
Table 20: Revenue Generation of Accounting Services Department (Freelancing) ..	32
Table 21: Revenue Generation of Accounting Services Department (Local Clients)	32
Table 22: Variable Cost Estimate	33
Table 23: Direct Labor	33
Table 24: Maintenance Cost.....	34
Table 25: Variable Cost Assumptions.....	34
Table 26: Fixed Cost Estimate	35
Table 27: Fixed Cost Assumption-Management Staff Salary	35
Table 28: Fixed Cost Assumptions.....	36
Table 29: Financial Feasibility Analysis	36
Table 30: Financial Feasibility Analysis with 50% Debt.....	36
Table 31: Human Resource Requirement.....	37
Table 32: Contact Details.....	39
Table 33: Useful Links	40
Table 34: Operating Cost Assumptions.....	45
Table 35: Revenue Assumptions.....	45
Table 36: Financial Assumptions.....	45
Table 37: Debt-Related Assumptions	45
Table 38: Cash Flow Assumptions.....	46

Table of Figures

Figure 1 Process Flow for Medical Billing.	13
Figure 2: Process Flow for Medical Transcription Services	16
Figure 3: Process Flow for Accounting BPO	18
Figure 4: Process Flow for Legal/Corporate BPO	19
Figure 5 Growth in Pakistan Freelancers' Revenue	24

1. DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on as is where is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice to be obtained by the user. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision, including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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2. EXECUTIVE SUMMARY

Business process outsourcing (BPO) is a commercial activity in which external service providers perform essential business tasks/functions of other organizations/businesses. Companies are often drawn to BPO because it provides them better operational flexibility. By outsourcing non-core and administrative functions, companies can reallocate the available time and resources to their core competencies. This creates the demand for Business Process Outsourcing (BPO) service providers.

Business Process Outsourcing can be done for a wide variety of services. The proposed "Business Process Outsourcing" (herein after referred to as proposed business) unit provides legal (corporate), accounting, medical billing and medical transcription services to the client organizations desirable to outsource their work.

Legal services include those activities which are required to assist a person in exercising constitutional and legislatively enacted rights. The proposed BPO unit provides services of annual returns filing, shares transfers, submission of legal Form 28¹ and Form 45,² incorporation of company, business name change and litigation support.

Accounting Services includes the services related to the recording, processing and communication of financial information of the business entities. The proposed BPO unit covers bookkeeping services, payroll services, accounts receivables and payables reporting, financial projections and reconciliations.

Two types of medical services are covered by the proposed business unit; medical billing and medical transcription services. In medical billing services, a medical biller prepares claims for insurance companies and determines appropriate charge for the patients. Medical transcription services entail manual conversion of voice reports dictated by healthcare professionals into text format.

The potential target market for legal department of the proposed business is the growing number of local clients. According to Securities and Exchange Commission of Pakistan, 1949 new companies were registered in July 2021,³ raising the total number of registered companies to 147,842. Accounting services offer high potential in the local market and also in the foreign market where qualified accountants offer these services as freelancers. According to the report issued by Pakistan Software Export Board, the number of freelancers in Pakistan brought in a revenue of \$150 million in 2019-2020. Medical services will be offered only to the foreign clients because of a higher demand in foreign markets, like USA and UK.

This "Pre-feasibility Document" provides details for setting up a unit to provide Business Process Outsourcing (BPO) services. The unit will have 100 key resource persons. Geographical potential for establishment of Business Process Outsourcing units lies in large cities like Karachi, Lahore, Islamabad, Quetta, Peshawar, Multan,

¹ Consent to act as director or chief executive

² Declaration of compliance with the provisions of section 123A of the Companies Act, 2017

³ <https://www.thenews.com.pk/print/874384-secp-registers-1-949-new-companies-in-july-2021>

Faisalabad, Hyderabad, Rawalpindi, Sialkot, Bahawalpur, Mardan, Muzaffarabad, Gilgit, Gujranwala, Sukkur, Gujrat, etc. Presence of large number of business entities (the customers) and availability of IT infrastructure, like speedy internet, makes these locations suitable for investment. More importantly, skilled human resource required for providing the proposed services of legal, accounting, medical billing and medical transcription are easily available in such large to medium cities. According to a report by the Pakistan Software Export Board (PSEB), the exports by Pakistan's IT industry and its allied sectors, including Business Process Outsourcing (BPO), are estimated to exceed \$5 billion at present. Over the last 5 years, IT export remittances have increased by 137% at CAGR (compounded annual growth rate) of 18.85%.⁴

The proposed project will be set up in a rented building having an area of 7,320 sq. feet (33 Marla). The proposed project has a total investment of PKR 67.82 million. This includes capital investment of PKR 57.93 million and working capital of PKR 9.89 million. This project is financed through 100% equity. The Net Present Value (NPV) of project is PKR 420.49 million with an Internal Rate of Return (IRR) of 67% and a Payback period of 2.25 years. Further, the proposed project is expected to generate Gross Annual Revenues of PKR 171.68 million in 1st year after coming into operations, Gross Profit (GP) ratio ranging from of 49% to 72% and Net Profit (NP) ratio ranging from 9% to 34% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 28% (40,628 services) with breakeven revenue of PKR 119.07 million.

The proposed project may also be established using leveraged financing. At 50% financing at a cost of KIBOR+3%, the proposed unit provides Net Present Value (NPV) of PKR 294.35 million, Internal Rate of Return (IRR) of 66% and Payback period of 2.30 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 9% to 34% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 28% (41,638 services) with breakeven revenue of PKR 122.03 million.

The proposed project will generate employment opportunities for around 150 people. As evident from the above financial figures, the proposed project for 'Business Process Outsourcing' shows reasonable profitability and is economically and financially viable. The legal form of the proposed business will be a "Private Company" due to the corporate and regulatory requirements (banking requirements) of Pakistan. Moreover, the business will have to incur multiple banking transactions of huge amount, with local and foreign clients which requires a formal setup.

3. INTRODUCTION TO SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

⁴ <http://www.moit.gov.pk/SiteImage/Misc/files/Pakistan%27s%20IT%20Industry%20Report-Printer.pdf>

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectorial research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need-based capacity building programs of different types in addition to business guidance through help desk services.

National Business Development Program for SMEs (NBDP) is a project of SMEDA, funded through Public Sector Development Program of Government of Pakistan.

The NBDP envisages provision of handholding support / business development services to SMEs to promote business startup, improvement of efficiencies in existing SME value chains to make them globally competitive and provide conducive business environment through evidence-based policy-assistance to the Government of Pakistan. The Project is objectively designed to support SMEDA's capacity of providing an effective handholding to SMEs. The proposed program aimed at facilitating around 314,000 SME beneficiaries over a period of five years.

4. PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, start-up, and production, marketing, finance and business management.

The purpose of this document is to provide information to the potential investors about establishing a "Business Process Outsourcing (BPO)" unit with 100 key resource persons. The document provides a general understanding of the business to facilitate potential investors in crucial and effective investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business set-up and its successful management.

Apart from carefully studying the whole document one must consider critical aspects provided later on, which form the basis of any investment decision.

5. BRIEF DESCRIPTION OF PROJECT & PRODUCTS

This document provides details for setting up a business for providing Business Process Outsourcing (BPO) services. Business process outsourcing (BPO) is a commercial activity in which an organization contracts itself as an external service provider, to perform non-core and administrative functions for other business organizations.

Companies adopt BPO practices in the two main areas; back-office and front office operations:

- The back office BPO refers to cases when companies outsource their core business support operations such as accounting, payment processing, IT services, regulatory compliance and quality assurance to the outside professionals who carry out these operational activities for the client companies.
- The front office BPO tasks commonly include customer-related services such as call centers, tech support, sales and marketing, etc.

The proposed business will provide back-office services.⁵ Companies are often interested in back-office BPO services because it offers them greater operational flexibility. Businesses benefit by outsourcing back-office operations to the countries with cheaper labor force; as part of their cost reduction measures. It also offers companies the benefits of quick and accurate reporting, improved productivity and the ability to swiftly reassign its resources, when necessary.

Pakistan becomes a potential country for BPO industry due to its lower labor cost (lower salaries) compared to those in other countries in the region and a ready supply of a large number of graduates every year. These factors allow the local BPO industry to offer competitive service rates to their customers.

The proposed business will require certain licenses, permits and subscriptions to run its operations. The BPO Company has to register itself with Securities and Exchange Commission of Pakistan (SECP) and Pakistan Software Export Board (PSEB). Moreover, it has to purchase a domain name, get subscription of MS Office Business and Xero Accounting Software to carry out its operational activities.

During the first two years of operation, the proposed business has to put in extensive marketing efforts and allocate sufficient marketing resources to develop references and business relationships to bring in new business and customers.

This proposed business will provide back-office BPO services in the following areas:

- **Healthcare/Medical Services:** The proposed business provides medical transcription services which is the processing of voice reports, dictated by healthcare professionals, into text format. It also provides medical billing/coding

⁵ The back office is the portion of a company made up of administration and support personnel, who are not client-facing.

services in which a medical coder and biller prepares claim for insurance companies and determines appropriate charge for the patient.

- **Accounting Services:** Outsourced accounting is a service which provides a full accounting department professional expertise to the client businesses. An accounting department handles day-to-day transaction coding, accounts payables, accounts receivables, payroll, management of financial reporting and other similar services.
- **Legal/Corporate Services:** Legal/Corporate BPO is a business unit which undertakes legal work assigned by corporations. It assists the organizations to get the legal opinions of professional experts to save time, cut costs, and reduce the workload on internal workforce.

The proposed business is labor intensive since expertise of the skilled human resource provides the basic rationale to generate revenue for the proposed business. The proposed business is proposed to be set up in a rented building having covered area of 7,320 sq. ft. (33 Marla). It is assumed that the proposed project will operate at 40% of installed capacity for the 1st year of operation with service capacity of completing 80,546 assignments. The proposed business will create employment opportunities for around 150 persons.

5.1. Key Benefits

Some key benefits of BPOs are discussed in the following paragraphs:

Cost Efficiency

Outsourcing operations leads to cost saving when compared with the option of hiring own employees. Processes could be outsourced to countries with cost-effective labor. Furthermore, outsourced service providers can complete business processes at lower costs because of economies of scale and specialized processes etc.

Higher Flexibility

Outsourcing noncritical functions allows the business organizations to use their internal resources for their core competencies and essential business functions. BPO also enables businesses to react faster to changing market dynamics by adapting their processes to the changes taking place in the market.

Better Quality and Performance

Businesses can hire specialized BPO service providers for different processes. The quality of work completed by external service providers such as professional bookkeepers or medical transcriptionists is specialized and thus results in better quality compared to in-house execution.

More Competitive Advantages

By outsourcing non-core support functions and administration functions like accounting services or IT support, the companies can allocate more time and effort to the core processes which can give them an edge over their competitors.

Increased Diversity of Skills

Hiring outside of one's city or country often lends the opportunity for a more diverse set of skills and specializations. Outsourcing makes it easy to hire a specialized candidate perfect for the required job.

5.2. Proposed Services

Following three services will be provided by the proposed business BPO unit:

1. Healthcare/Medical BPO Services

Healthcare business process outsourcing (BPO) is an outsourced business activity or process that provides support to medical institutions, staff, and related organizations. Commonly outsourced activities include medical coding, medical billing services and medical transcription. However, the proposed business will only provide medical billing and medical transcription services.

Medical Billing

Medical Billing is the process of submitting health insurance claims on behalf of the patients to various health insurance payers/companies for the purpose of receiving payment for the services delivered in a medical facility.

Medical billing consists of two sub processes which are medical coding and medical billing. These sub-processes are explained as under:

- **Medical Coding:** This is taking the doctor's notes or operative report and accurately interpreting and assigning the correct CPT (Current Procedural Terminology) procedure code and ICD-10 (International Classification of Diseases) diagnosis code to go on to medical billing.
- **Medical Billing:** This is the process of taking the codes to prepare and create an insurance claim in a timely manner, which is then submitted to the insurance company. It is then followed by tracking the claim until the medical institute/physician receives reimbursement. Without medical billing, medical institutes/physicians suffer because they are not reimbursed for the medical procedures performed on their patients. A medical biller is an essential part of any medical practice. Skills required of a medical biller and coder include excellent communication ability, good customer service, computer knowledge, basic accounting and bookkeeping knowledge and fair knowledge of medical terminology.

The proposed business will charge USD 0.17 fee per minute for providing medical billing services.

- **Medical Transcription:** In western countries, healthcare requires detailed documentation of procedures and is strictly regulated. The detailed documentation process normally utilizes approximately 50% of doctor's time. Considering the fact that medical professionals are the highly paid professionals in the west, spending majority of their time on documentation is not financially feasible for the healthcare institutes and also for the patients. The impact of cost and wasting of precious time of doctors on documentation is reduced by using the services of medical transcriptionist. The cost of medical transcription is further reduced when these services are outsourced to countries like Pakistan, India, Sri Lanka and Bangladesh.

Medical Transcription (MT) is the manual processing of voice reports, dictated by physicians and other healthcare professionals to patients, into text format. Medical transcriptionists also use medical books and medical dictionaries, whenever they need any guidance during transcribing. There is no special education requirement for an MT job. Any person having reasonable command over English language and ability to understand different accent of English language can easily be trained to perform MT jobs. However, having any kind of medical background/experience or education is considered an added advantage for that employee.

The proposed business will charge USD 0.28 fee for the transcription on one minuet audio.

2. Legal BPO Services

As a company's business grows or expands beyond local shores, administrative functions and business obligations increase correspondingly. Regulations also vary across jurisdictions, thus adding to the complexity of managing a global business. Legal/Corporate BPO is a business unit, undertaking legal work assigned by the corporations. It assists the organizations to acquire the strength of other experts to save time, cut costs, and reduce workload. Proposed business will provide legal services which will include annual returns filing, share transfer services, filing of Form-28⁶ and Form-45⁷, incorporation of companies, change of company's name and litigation support. Minimum qualification required for the legal personnel is usually Bachelors in Accounting and Finance (specialization in Corporate Finance). Additionally, legal personnel must possess analytical skills and the ability to evaluate risks and opportunities that relate to corporate finance activities.

3. Accounting BPO Services

Accounting is needed to accurately track a business's transactions; covering its revenue and expense streams. Without maintaining proper records, a business might end up with confusing transactions which may lead to misleading business decisions. The Accounting BPO services includes bookkeeping services, payroll services,

⁶ Consent to act as director chief executive

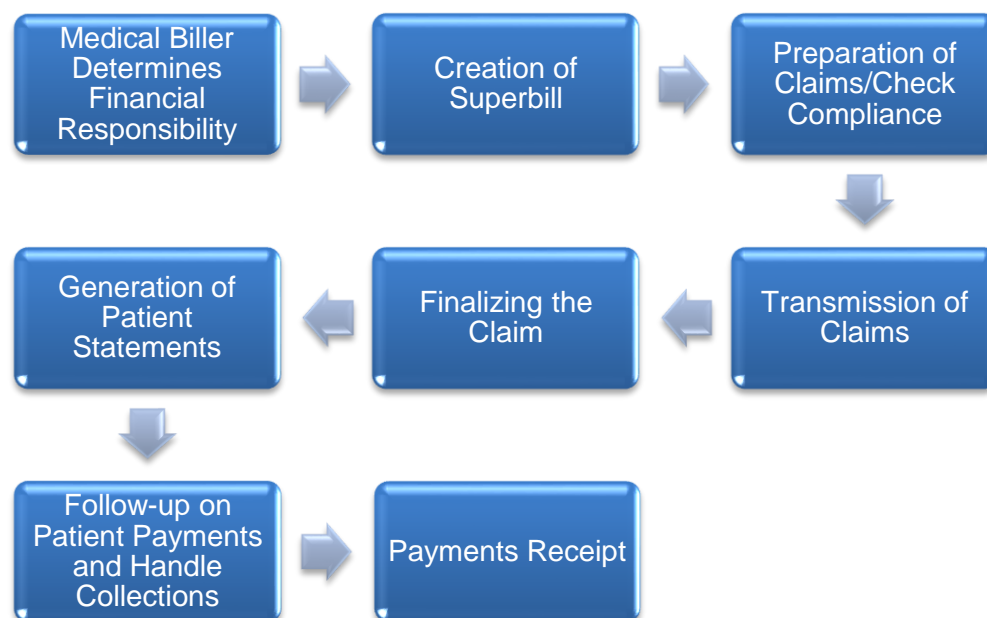
⁷ Declaration of compliance with the provisions of section 123A of the Companies Act, 2017

accounts receivable and payable reporting, financial projections, and bank reconciliations. Bookkeeping services are further bifurcated into specific services such as data entry, bank reconciliation, accounts receivable, accounts payable, payroll, etc. The proposed business will provide services to both local businesses and foreign clients. Foreign clients are charged in dollars for which the current average rate is \$7.50 per hour. A lump sum amount cannot be determined for foreign client projects, as done for local clients, because project rate changes drastically in international market. Pricing the services is often more difficult than pricing the products. This is especially more true for small firms or individual professional ventures. The difference in complexity lies in costs being harder to compute in services, unlike when one is selling tangible products. Performing a project under a fixed-price contract is more risky than other projects. For example, the cost of such a project, agreed with the buyer, typically is not subject to any adjustments based on the seller's subsequent costs incurred in performing the work. The rates vary from region to region and also depends on the experience of the resource persons. Minimum Qualification required for accounting personnel is Bachelors in Accounting, Finance, CA-inter or BBA. Additionally, accounting personnel should also possess mathematical and deductive reasoning, analytical ability and proficiency in IT.

5.3. Process Flow for Medical Billing

The flow chart for medical billing process is shown in Figure 1.

Figure 1 Process Flow for Medical Billing.



Brief description of the process flow is as follows:

Medical Biller Determines Financial Responsibility

When a patient visits a doctor/physician, the medical biller establishes the financial responsibility which means determining the amount owed by patient or insurance provider/company for a particular doctor's visit. Once the medical biller obtains the patient's insurance information, she can then determine the services covered under the patient's insurance plan. On the basis of this information, the medical biller generates the bill which shows co-payments⁸ to be paid by the patient at the time he or she visits the doctor/physician.

Creation of Superbill

When the patient arrives for a visit to a doctor, she is asked to provide some sort of official identification, like a driver's license or passport, in addition to a valid insurance card. The provider's (doctor, physician, etc.) office also collects copayments during patient check-in or check-out. Copayments are always collected at the point of service. Copayment is the amount which the patient pays in addition to insurance charges, which are fixed in many cases.

Once the patient checks out, the medical report from that patient's visit is sent to the medical coder, who abstracts and translates the information in the report into accurate, usable medical code. This report, is called the "superbill."

The superbill contains all the necessary information about the received medical service. This includes the name of the medical institute, the name of the physician, patient, the procedures performed, the codes for the diagnosis and other relevant medical information. This information is vital in the creation of the insurance claim.

Once complete, the superbill is then transferred, typically through a software program to the medical biller.

Prepare Claims/Check Compliance

The medical biller takes the superbill from the medical coder and puts it into a billing software provided by the client to produce a claim. Medical biller also includes the cost of the procedures in the claim which they expect the health insurance company to pay, as laid out in the insurance company's contract with the patient and the doctor/physician.

Once the medical biller has created the medical claim, the medical biller is responsible for ensuring that the claim meets the standards of compliance, both for coding and format, as laid out by the Health Insurance Portability and Accountability Act (HIPAA).

⁸ Co-payments: A co-payment is a fixed amount a patient pays for a healthcare service, usually when he receives the service. The amount can vary by the type of service received.

Each claim contains the patient information (their demographic info and medical history) and the procedures performed (in CPT⁹ codes). Each of these procedures is paired with a diagnosis code (an ICD¹⁰ code) that demonstrates the medical necessity. The price for these procedures is listed as well. Claims also have information about the doctor/physician, listed via a National Provider Index (NPI) number. Some claims also include a Place of Service code, which provides information about the type of facility where the medical services were performed.

Transmit Claims

Medical billers can submit the claim directly to the health insurance company. If, however, a biller is not submitting a claim directly to the insurance company, she will most likely go through a clearing house.¹¹

Finalizing the Claim

Once a medical claim reaches a payer (health insurance company), the payer evaluates the claim and decides whether the claim is valid/compliant. Moreover, it is also determined how much of the claim amount the payer will reimburse to the doctor/physician. It is at this stage that a claim may be accepted, denied, or rejected.

An accepted claim is processed within the rules of the arrangement they have with their subscriber (the patient).

A rejected claim is the one that the payer has found some error with. It is returned to the biller. In case of rejected claims, the biller may correct the claim and resubmit it.

Once the payer's evaluation of claim is complete, the payer sends a report to the doctor/physician and the biller, detailing what and how much of the claim amount they are willing to pay and why.

The biller reviews this report in order to make sure that all procedures listed on the initial claim are accounted for in the report. They also check to make sure that the codes listed on the payer's report match with those listed on the initial claim. Finally, the biller checks to make sure that the fees in the report are accurate with regard to the contract between the payer and the doctor/physician.

It's imperative that billers create accurate, "clean" claims on the first go.

Generate Patient Statements

Once the biller receives the report from the payer, it is time to make the statement for the patient. The statement is the bill for the procedures the doctor/physician performed on the patient. This statement or bill excludes the amount which is covered by the health insurance company.

⁹ CPT code: Current Procedural Terminology (CPT) is a medical code set that is used to report medical, surgical, and diagnostic procedures and services to entities such as physicians and health insurance companies.

¹⁰ ICD code: ICD stands for the International Classification of Disease. The ICD provides a method of classifying diseases, injuries, and causes of death.

¹¹ A clearing house is a third-party organization or company that receives and reformats claims from billers and then transmits them to insurance company

In certain cases, a medical biller may include an Explanation of Benefits (EOB) with the statement. An EOB describes the benefits and the kind of coverage, a patient receives under their plan. EOBs can be useful in explaining to patients why certain procedures were covered while others were not.

Follow-up on Patient Payments and Handling Collections

The final phase of the billing process is ensuring that those bills get paid by the patient. Billers are in charge of mailing out accurate medical bills in a timely manner, and then following up with patients whose bills are overdue. Once a bill is paid, that information is stored in the patient's file.

If a patient is overdue in their payment, it is the responsibility of the medical biller to ensure that the doctor/physician is properly reimbursed for their services. This may involve contacting the patient directly, sending follow-up bills, or, in worst-case scenarios, enlisting a collection agency.

Each doctor/physician has his own set of guidelines and timelines when it comes to bill payment, notifications, and collections, so medical biller will have to refer to the doctor/physician's billing standards before engaging in these activities.

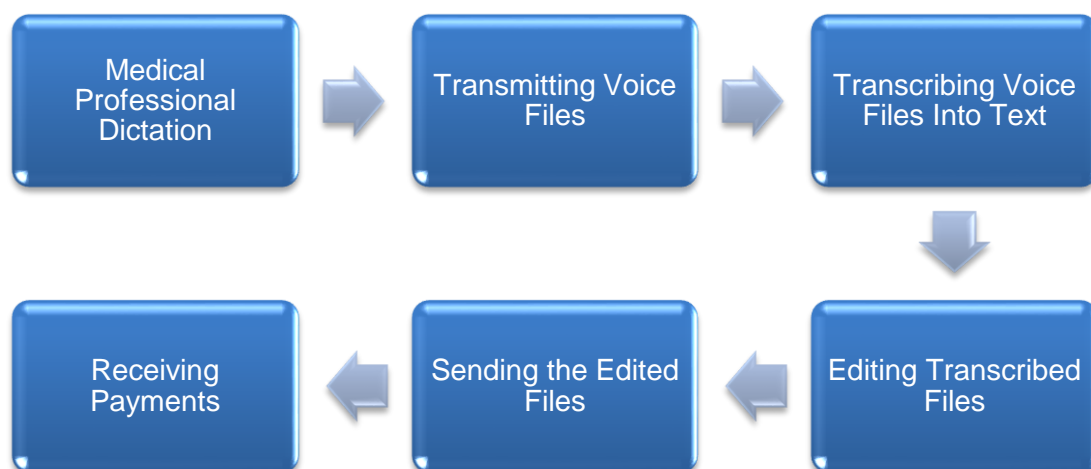
Receive Payments

When the work is approved, the client transfers money. As majority clientele is in foreign countries, therefore online money transfer solutions like Payoneer, SimSim are normally used by the proposed business.

5.4. Process Flow for Medical Transcription Services

The process flow chart for medical transcription services is shown in Figure 2.

Figure 2: Process Flow for Medical Transcription Services



Brief description of the process flow is as follows:

Medical Professional Dictation

The medical transcription process begins when a medical professional (doctor, physician, etc.) records/dictates patient related information. The doctor can dictate on a toll free-telephone line, dictation servers or other suitable mediums.

Transmitting Voice Files

The transcriptionist connects to this server through a high-speed data link (preferably internet) and downloads any fresh dictations left by the doctor/physician etc.

Transcribing Voice Files into Text

The transcriptionist can start to immediately retrieve messages and transcribe them. Using ear phones and a foot pedal for start-stop control, transcriptionists are able to hear and control the speed of audio messages. These messages can be transcribed with the help of a suitable word processing program / application. In the event of an unclear or incomplete voice file, the medical professional who recorded it will be contacted and asked to clarify.

Editing Transcribed Files

After the voice files have been transcribed, they will be thoroughly proof read and edited by the Quality Controller. Any errors or inconsistencies are removed.

Sending the Edited Files

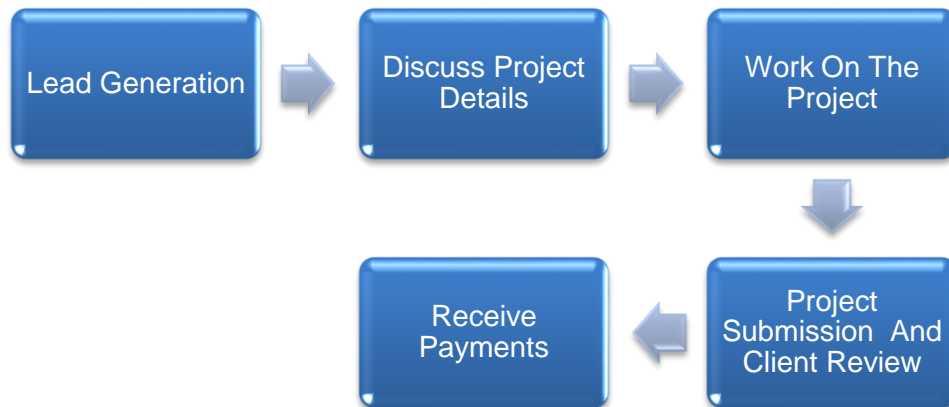
Once the voice files are edited, they are transferred to the medical professional through various sources such as FTP (file transfer protocol) server, internet file transfer or by uploading the file on the online portal of the medical professional.

Receive Payments

When the work is approved, the client transfers money. As majority clients are in foreign countries, therefore online money transfer solutions like Payoneer, SimSim would be used by the proposed business.

5.5. Process Flow for Accounting BPO

The process flow chart for Accounting BPO is shown in Figure 3.

Figure 3: Process Flow for Accounting BPO

Brief description of the process flow is as follows:

Lead Generation

The proposed business will target local and foreign clients. Some notable online marketplaces for reaching foreign clients which may be used by the proposed business are Fiverr, Up-work, Free-up, etc. The local customers will be contacted/reached by increasing networking, through marketing and paid advertisement. For foreign clients, proposed business will create an account on online platforms and describe the available services. Buyers can pick and choose from all that is offered according to their particular requirements. Buyer will sign a contract with the entity. The accounting services covered by the proposed BPO are data entry, bank reconciliation statements, payroll, receivable and payable recording and financial projections.

Discuss Project Details

Once the contract is signed, the client sends its job requirements by e-mail, including the budgeted hours and the completion date. Accounting BPO team reads and understands the requirements. Any ambiguity or further clarification at any point will be resolved through online meeting. Once the direction is clear, the team starts working on the job.

Work on the Project

The job is segregated into logical components among the team members. Project Manager uses effective project management techniques (CPM,¹² WBS,¹³ etc.) to ensure that work is done in compliance with the clients' requirements and as per agreed time lines. Some assignments may be of shorter durations while some others

¹²The critical path method (CPM) is a project management technique for process planning that defines critical and non-critical tasks with the goal of preventing time-frame problems and process bottlenecks.

¹³ A work breakdown structure (WBS), is a project management tool that takes a step-by-step approach to complete large projects by breaking down the project into smaller components.

may be spread over years. For long-term assignments, a lump sum fee is agreed at the inception of work. Once the project is completed, it is reviewed by the manager and the quality controller. Any mistakes identified are corrected before submitting it to the client.

Project Submission and Client Review

Once the project is finalized by the Accounting BPO team, it is submitted to the client for final review. Any alterations in working files required by the client are made accordingly and resubmitted to the client.

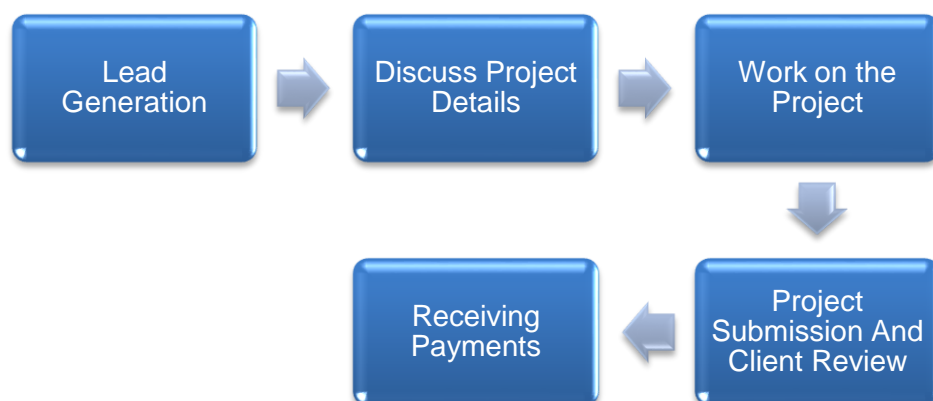
Receive Payments

When the client accepts the work, the client transfers the fee for the job. To receive payments from foreign clients, online money transfer solutions like Payoneer, SimSim are used. Transactions with local clients are done through local banking channels.

5.6. Process Flow for Legal/Corporate BPO

The process flow chart for Legal/Corporate BPO is shown in Figure 4.

Figure 4: Process Flow for Legal/Corporate BPO



Brief description of the process flow is as follows:

Lead Generation

Legal BPO Services Department publishes the offer of their services in newspapers and on online social media platforms to attract the customers. Moreover, business references and links may also be used.

Discuss Project Details

Once the client agrees to receive legal BPO services, it shares the details of the required services, put forth the requirements, outline the completion time and negotiate the fees.

Work on the Project

The legal job is segregated into logical components among the team members by the Supervisor/Manager. The Manager ensures that work is done in compliance with the clients' requirement and within the agreed timelines. Once the project is completed, it is reviewed by the manager and any mistakes identified are corrected before submitting it to the client.

Project Submission and Client Review

Once the project is finalized by the Legal BPO team, it is submitted to the client for final review. Any alterations in working files required by the client are made accordingly and submitted to the relevant regulatory authorities.

Raising Invoice and Receiving Payments

After completion of job, the accounts department raises invoice for payment of the delivered services. The invoice is shared with the client. As all clients are local, therefore payments are received through local banking instruments and channels.

5.7. Installed and Operational Capacities

The proposed BPO has a working capacity of 100 seats, providing medical billing, medical transcription, accounting and legal/corporate services. The proposed business will work in one shift of 8 hours for 276 days in a year for local clients and 258 days for foreign clients. It has been estimated that 67 seats (2 managers, 4 supervisors, 10 quality controllers, 25 medical billers and 26 medical transcriptionist) will be allocated to the medical transcription and billing services department, 27 seats (1 manager, 2 supervisors and 24 employees) will be allocated to the Accounts services department and 6 seats (1 manager, 1 supervisor, 1 support staff and 3 legal employees) will be allocated to the legal services department.

Revenue is generated by the accounts services department, legal services department and medical billing services department when the projects are successfully completed within the given timelines and are approved by the client. For Medical transcription department, revenue is earned when the medical transcriptionists successfully transcribe the recordings into text format.

The proposed business is related to service sector; therefore, the business will require time and effort to penetrate in the market and gather a reasonable number of customers. Therefore, the capacity in the 1st year of operation will be 40%.

Table 1 shows details of maximum annual capacity and operational capacity for Legal/Corporate BPO, based on a team of 6 members.

Table 1: Legal/Corporate BPO Operational Capacity

Services	Time Required (hours)	Services per Day	Services per Month	Services Ratio	100% capacity per year	40% capacity per year
Annual Returns	8	1.0	23	33%	276	110
Form 28 (After Three Days)	10	0.5	12	21%	144	58
Incorporation Of Companies	12	0.1	2	4%	24	10
Change of Company's Name	6	0.2	5	5%	60	24
Form 45	10	0.5	10	19%	120	48
Share Transfer	5	0.1	2	2%	24	10
Litigation Support	10	0.4	9	16%	108	43
Total			63		756	303

Table 2 depicts the installed and operational capacities of the Medical Transcription services department.

Table 2: Medical Transcription Services Department Operational Capacity

Services	Time Required to Transcribe 10 Minutes Audio (Hours)	Transcriptions /Day By One Person	Transcriptions Per Day by Whole Team	Transcriptions Per Month by whole Team	Services at 100% Capacity (Hours)	Services at 40% Capacity (Hours)
Medical Transcription	1.17	6.86	178	3,916	45,924	18,370

Table 3 depicts the installed and operational capacities of the Medical Billing services department.

Table 3: Medical Billing Services Department Operational Capacity

Services	Services/Day/ Person (Hours)	Services/Day By WholeTeam (Hrs)	Services Per Month	Services at 100% Capacity Per Year	Services at 40% Capacity
Medical Billing	8	200	4,400	51,600	20,640

Table 4 and Table 5 depicts the installed and operational capacities of the accounting services department.

Table 4: Accounting Services Department (Freelancing) Operational Capacity

Services	Man Hour per Day	Team Hours per Day	Team Hours per Month	Team Hours at 100% Capacity Per Year	Team Hours at 40% Capacity
Accounting (Freelancing)	7	84	1,932	21,672	8,669

Table 5: Accounting Services Department (Local Clients) Operational Capacity

Services	Man Hour per Day	Team Hours per Month	Services Ratio	Team Hours at 100% Capacity Per Year	Team Hours at 40% Capacity
Data Entry	8	442	20%	5,299	2,120
Payroll	8	442	20%	5,299	2,120
Financial	8	442	20%	5,299	2,120
Receivables and Payables	8	442	20%	5,299	2,120
Reconcilliation	8	442	20%	5,299	2,120
Total			100%	26,495	10,600

6. CRITICAL FACTORS

The following factors should be taken into account while making the investment decision:

- Provision and installation of internet & computing facilities with its backup plans
- Background knowledge and technical qualification of the entrepreneur and key staff
- Hiring of qualified personnel with proficient English language skills
- Availability of latest and modern IT equipment (latest equipment laptops/computer systems)
- Regular training and capacity building of the entrepreneur and key staff
- Effective linkages with organizations like PASHA, PITB, and PSEB
- Ability to build and maintain strong client relationships to promote client loyalty
- Maintaining good working environment
- Strict checks on quality standards and rigorous supervision of the process at every level

7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The demand for business process outsourcing will be higher in large cities. Majority of private and public business organizations (Profit/Non-profit) are present in the large cities of Pakistan. Therefore, the geographical potential for investment in this business is in the cities of Karachi, Lahore, Islamabad, Peshawar Quetta, Hyderabad, Rawalpindi, Multan, Faisalabad, Sialkot, Gujranwala, Sukkur, or any other major city. In these cities, availability of employees and other technical staff is easy. Major cities are also preferable because of availability of high-quality IT infrastructure; including good internet connections.¹⁴ Strong internet connection is required as BPO works as an external service provider and works from a remote place. BPO also provides services to foreign clients, continuous communication with clients is required in the process i.e., exchange of data and emails.

The proposed business may also be established in smaller cities because of more than 50% of services are online. But availability of good internet service remains a key requirement.

8. POTENTIAL TARGET MARKETS/CUSTOMERS

The proposed business will provide three types of services legal, accounting and medical services (billing and transcription). For legal BPO, the potential target markets are the companies, present in large numbers in major cities. Legal BPO will target

¹⁴ <https://goodluckpakistan.com/top-10/top-10-cities-of-pakistan-for-business/>

these markets for providing services to meet the legal requirements of different government departments. The Securities and Exchange Commission of Pakistan (SECP) has registered 1,949 new companies in July 2021, raising the total number of registered companies to 147,842. With the increasing number of companies, demand for legal BPO is also expected to increase.

The potential target market for accounting BPO department for its freelancing services is Fiverr, Upwork and Free up, where the proposed business can get clients in need of these services. Fee on such freelancing services to foreign countries is charged in US (United States) Dollars (US \$). For local accounting BPO services, the proposed customers are the local businesses, large education institutions, hospitals, trusts, AOPs (Associations of Persons) and other large companies which have a lot of accounting work.

As explained earlier in the report, medical billing and transcription is more commonly demanded service in the developed countries because of their health insurance policy. Majority of the health institutions outsource the work of transcription and billing to South Asian Countries. These institutes want quality work at low cost. Quality work is provided mainly by two countries, Pakistan and India. Due to weak currency as compared to US dollar, Pakistani transcriptionists are able to provide quality work at the lowest possible fee. That is one of the key factors for the western medical institutes preferring Pakistan for these services.

The Pakistan Software Export Board (PSEB) has issued a detailed report reviewing the IT Industry and highlighting key facts and figures regarding its achievements. A section of the report titled “Freelancer, A Workforce in Acceleration” reveals that an exponential growth in the number of freelancers in Pakistan has resulted in revenue of \$150 million earned by freelancers in 2019-20. Potential target market for medical billing, transcription and accounting services is freelancing; there is high demand for these jobs and high earnings in US dollars.

Figure 5 shows growth in Pakistan freelancers’ revenue for 2020.

Figure 5 Growth in Pakistan Freelancers’ Revenue



9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of the Business Processing Outsourcing. Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

The projected Income Statement, Cash Flow Statement and Balance Sheet are attached as annexure of this document.

All the figures in this financial model have been calculated after carefully considering the relevant assumptions and target market.

9.1. Project Cost

The details of initial project cost calculated for the Business Process Outsourcing is shown in Table 6.

Table 6: Initial Project Cost

Cost Item	Cost (PKR)
Land	-
Building / Infrastructure	2,729,115
IT Equipment and Machinery	21,523,500
Furniture & fixtures	7,207,500
Office equipment	10,376,000
Office vehicles	12,505,220
Security against building	1,650,000
Pre-operating costs	1,847,054
Incorporation and License costs	90,000
Total Capital Costs (PKR)	57,928,389
Equipment spare part inventory	44,841
First Month Salaries*	7,843,500
Cash	2,000,000
Total Working Capital (PKR)	9,888,341
Total Project Cost (PKR)	67,816,730

*As the business will not generate revenues immediately in the first month of operation, the proposed business will include first month salaries of the employees in working capital. This will be important to overcome any liquidity problem in initial phase of the operations.

9.1.1. Land

The proposed business 'Business Process Outsourcing' will be established in a rented building to avoid the high cost of land. Suitable location for setting up an office like this can be easily found on rent. Therefore, no land cost has been added to the project cost. Total space requirement for the proposed manufacturing unit has been estimated as 7,320 sq. feet. The required space breakup is shown in Table 7.

Table 7: Land Area Breakup

Description	% Break-Up	Area (Sq. Ft.)
Executive Office	2%	150
Conference Room	14%	1,000
Legal BPO Office	5%	400
Accounts BPO Office	13%	960
Medical BPO Office	33%	2,400
Business Development Office	2%	180
Accounts Department	2%	180
HR Department	2%	180
Admin Office	2%	180
IT Department	5%	360
Reception Area	2%	150
Dining Hall	7%	500
Washrooms	8%	560
Kitchen	2%	120
Total	100%	7,320

9.1.2. Building

There will be no cost of construction of building since the proposed business will be started in the rented building. However, there will be a renovation cost required to make the building ready to use for the business. The proposed BPO office requires an estimated electricity load of around 9 KW for which an electricity connection under the Commercial Supply Tariff will be required. Cost of electricity connection has not been included in the Project Cost, since electricity connection is generally available in those buildings, which are offered for rent. Building rent of PKR 550,000 per month has been included in the operating cost. Building renovation cost is shown in Table 8.

Table 8: Renovation Cost Details

Cost Item	Unit of Measurement	Total Units	Cost/Unit	Total Cost (PKR)
Paint Cost	Liter	171	750	128,205
Labour Cost- Paint	Sq. Feet	17,094	15	256,410
Tiles Cost	Sq. Feet	5,780	150	867,000
Labour Cost- Tiles	Sq. Feet	5,780	50	289,000
Glass Cabins for Manager & Supervisor	Sq. Feet	396	750	297,000
False Ceiling Cost	Sq. Feet	7,320	75	549,000
Wall Decorations				150,000
Curtains	No.	15	7,500	112,500
Blinds	No.	16	5,000	80,000
Total (PKR)				2,729,115

9.1.3. IT Equipment and Machinery Requirement

Table 9 provides details of IT equipment and machinery required for the project.

Table 9: IT Equipment and Machinery Requirement

Cost Item	Unit	Unit Cost (PKR)	Total Cost (PKR)
Laptops	100	125,000	12,500,000
Headphones	110	5,000	550,000
Telco Dept TD-3000 (VoIP - PRI Based Server)	5	750,000	3,750,000
Trancription Foot Pedal	33	2,000	66,000
Cisco Catalyst Switch 2960	1	750,000	750,000
Computer Server (LAN)	1	1,000,000	1,000,000
Cisco C891F-K9 router SFP	1	12,500	12,500
Manageable Network Switch (Ports 24)	1	50,000	50,000
LAN Equipment	1	50,000	50,000
Voice Interface Card	1	135,000	135,000
VSAT Equipment	1	1,000,000	1,000,000
Misc. Network Equipment	1	100,000	100,000
Installation Charges			500,000

Generator (30 KW) Diesel	1	400,000	400,000
UPS 2000 watt	4	75,000	300,000
UPS Batteries	8	45,000	360,000
Total			21,523,500

9.1.4. Furniture & Fixtures Requirement

Table 10 gives details of the furniture and fixture required for the project.

Table 10: Furniture and Fixtures Requirement

Cost Item	Units	Unit Cost (PKR)	Total Cost (PKR)
Owner Tables	1	50,000	50,000
Owner Chairs	1	20,000	20,000
Executive Tables	3	35,000	105,000
Executive Chairs	5	15,000	75,000
Office Tables	19	25,000	475,000
Office Chairs	177	12,500	2,212,500
Conference Room Chairs	30	12,500	375,000
Conference Room Table	1	150,000	150,000
Staff Chairs	12	10,000	120,000
Dining Table	10	20,000	200,000
Sofa Sets	6	50,000	300,000
Wall Racks	39	15,000	585,000
Reception Counter	1	40,000	40,000
Work stations	100	25,000	2,500,000
Total (PKR)			7,207,500

9.1.5. Office Equipment Requirement

Table 11 presents office equipment requirement for the proposed unit.

Table 11: Office Equipment Requirement

Cost Item	Units	Unit Cost (PKR)	Total Cost (PKR)
Laptop (Office)	26	125,000	3,250,000
Printer	10	50,000	500,000
Scanner	5	35,000	175,000
LED/LCD (Surveillance)	5	40,000	200,000

Water Dispenser	4	40,000	160,000
Ceiling Fan	48	10,500	504,000
Wi-Fi / Internet Routers	10	10,000	100,000
Exhaust Fan	30	6,500	195,000
1.5 ton Air Conditioner	22	200,000	4,400,000
Security Cameras - 2MP	22	3,500	77,000
Digital Video Recorder (DVR)	3	15,000	45,000
USBs	110	1,500	165,000
Telephone sets	20	2,000	40,000
Dustbins	15	2,000	30,000
Paper Tray	120	2,000	240,000
Projector	2	35,000	70,000
Dictionary Books for Transcriptions	10	5,000	50,000
Microwave Oven	2	35,000	70,000
Refrigerator	1	105,000	105,000
Total (PKR)			10,376,000

9.1.6. Office Vehicle Requirement

Details of vehicles required for the project is given in Table 12.

Table 12: Office Vehicle Requirement

Cost Item	Unit	Unit Cost (PKR)	Registration fee @ 1%	Total Cost (PKR)
Car 1000cc (for senior management)	2	4,084,000	81,680	8,249,680
Carry Van	2	1,852,000	37,040	3,741,040
Motorcycle	3	170,000	4,500	514,500
Total (PKR)	7			12,505,220

9.1.7. Security against Building

Details of advance security against building rent for the project is given in Table 13.

Table 13: Advance against Building Rent

Cost Item	Months	Unit Cost (PKR)	Total Cost (PKR)
Advance Security	3	550,000	1,650,000
Total Cost			1,650,000

9.1.8. Pre-Operating Cost

Details of pre operating cost required for the project is given in Table 14.

Table 14: Pre-Operating Cost Requirement

Particulars	No. of Persons	Hiring Before Year 0 (Months)	Unit Cost (PKR)	Total (PKR)
IT Department Manager	1	1	100,000	100,000
IT Technition	2	1	50,000	100,000
Admin Manager	1	1	100,000	100,000
Human Resource Manager	1	1	100,000	100,000
Legal Services Manager	1	1	100,000	100,000
Accounts Services Manager	1	1	100,000	100,000
Medical Seviles Manager	2	1	100,000	200,000
Office Boy	1	1	35,000	35,000
Security	1	1	35,000	35,000
Utilities Cost for One month			977,054	977,054
Total Cost				1,847,054

9.1.9. Incorporation and License Costs

Incorporation and license costs are presented in Table 15.

Table 15: Incorporation and License Costs

Cost Item	Total Cost (PKR)
Company Registration Cost	75,000
Domain Name	15,000
Total	90,000

9.2. Breakeven Analysis

Table 16 shows calculation of breakeven analysis.

Table 16: Breakeven Analysis

Description	Amount First Year (PKR)	Percentage
Sales (PKR)	171,678,086	100%
Variable Cost (PKR)	94,684,132	55%
Contribution (PKR)	76,993,955	45%
Fixed Cost (PKR)	53,399,197	31%
Contribution Margin	45%	
Breakeven		
Breakeven Revenue (PKR)	119,067,426	
Breakeven (Services)	40,628	
Breakeven Capacity	28%	

9.3. Revenue Generation

Based on 40% capacity utilization, sales revenue during the first year of operations is shown in Table 17.

Table 17: Revenue Generation of Legal Department

Services	Service Capacity for the year (No. of Cases)	Capacity Utilization @ 40%	Charges (PKR)	Total Revenue (PKR)
Annual Returns	276	110	17,500	1,932,000
Form 28 (after 3 days)	144	58	16,000	921,600
Incorporation Of Companies	24	10	75,000	720,000
Change of Company's Name	60	24	15,000	360,000
Form 45	120	48	16,000	768,000
Share Transfer	24	10	20,000	192,000
Litigation Support	108	43	16,000	691,200
Total	756	303		5,584,800

Table 18: Revenue Generation of Medical Transcription Services Department

Services	Service Capacity for the year (Transcriptions)	Capacity Utilization @ 40%	Fee Per Transcription of One Hour Audio (PKR)	Total Revenue (PKR)
Medical Transcription	45,924	18,370	4,704	86,410,598
Total				86,410,598

Table 19: Revenue Generation of Medical Billing Services Department

Services	Service Capacity for the year (100%) (Service hours)	Capacity Utilization @ 40%	Service Fee Per Hour (PKR)	Total Revenue (PKR)
Medical Billing	51,600	20,640	2,856	58,947,840
Total				58,947,840

Table 20: Revenue Generation of Accounting Services Department (Freelancing)

Services	Team Hours at 100% Capacity Per Year	Team Hours at 40% Capacity	Service Fee Per Hour (PKR)	Total Revenue (PKR)
Accounting (Freelancing)	21,672	8,669	1,960	16,990,848
Total				16,990,848

Table 21: Revenue Generation of Accounting Services Department (Local Clients)

Services	Team Hours at 100% Capacity Per Year	Team Hours at 40% Capacity	Service Fee Per Hour (PKR)	Total Revenue (PKR)
Data Entry	5,299	2,120	353	748,800
Payroll	5,299	2,120	353	748,800
Financial	5,299	2,120	353	748,800
Receivables and Payables	5,299	2,120	353	748,800
Reconcilliation	5,299	2,120	353	748,800
Total	26,495	10,600		3,744,000

9.4. Variable Cost Estimate

Variable costs of the project have been provided in Table 22.

Table 22: Variable Cost Estimate

Description of Costs	Amount (PKR)
Direct Utilities Cost	8,181,501
Direct Labor	70,062,000
Machinery Maintenance – Cost	1,076,175
Office Consumables	8,428,880
Office vehicles running expense	4,288,976
Communications expense (phone,mail, internet, etc.)	2,406,000
Water Expense	240,600
Total	94,684,132

Table 23: Direct Labor

Post	No. of Employees	Monthly Salary (PKR)	Total Monthly Salary (PKR)	Annual Salary (PKR)
Legal Business development Officers	2	50,000	100,000	1,200,000
Medical Business Development Officers	2	50,000	100,000	1,200,000
Accounts Business Development Team	2	50,000	100,000	1,200,000
Legal Services Manager	1	100,000	100,000	1,200,000
Supervisor (Legal BPO)	1	78,500	78,500	942,000
Legal Department Employees	3	50,000	150,000	1,800,000
Accounts Services Manager	1	100,000	100,000	1,200,000
Supervisor	2	75,000	150,000	1,800,000
Accountants (Freelancing)	12	60,000	720,000	8,640,000
Accountants (local)	12	45,000	420,000	6,480,000
Medical Services Manager	2	100,000	200,000	2,400,000
Supervisor	4	75,000	300,000	3,600,000

Quality Controller for Medical Department	10	65,000	650,000	7,800,000
Medical Department Transcriptionist	26	50,000	1,300,000	15,600,000
Medical Billing Employees	25	50,000	1,250,000	15,000,000
Total			5,718,500	70,062,000

Table 24: Maintenance Cost

Particulars	Maintenance cost (PKR)
Car upto 1000 cc (for senior management)	7,500
Carry Van	7,500
Motorcycle	1,500
Total	16,500

Table 25: Variable Cost Assumptions

Description of Costs	Details
Communications expense (phone, mail, internet, etc.)	10% of Managerial staff expense
Water Expense	1% of Managerial staff expense

9.5. Fixed Cost Estimate

Table 26 shows the estimated fixed cost of the project.

Table 26: Fixed Cost Estimate

Description of Costs	Amount (PKR)
Management Staff	24,060,000
Administration benefits expense	3,764,880
Building rental expense	6,600,000
Marketing and Promotional expense	3,433,562
Depreciation expense	11,204,695
Indirect Utilities	3,543,150
Amortization of pre-operating costs	369,411
Amortization of legal, licensing, and training costs	18,000
License, Permits, etc.	405,500
Total	53,399,198

Table 27: Fixed Cost Assumption-Management Staff Salary

Post	No.	Monthly Salary (PKR)	Annual Salary (PKR)
Account and Finance Manager	1	125,000	1,500,000
Accounts Assistant	2	50,000	1,200,000
Receptionist	1	40,000	480,000
IT Department Manager	1	100,000	1,200,000
IT Department Assistant	2	50,000	1,200,000
IT Technician	2	50,000	1,200,000
IT Team for MT uploading	4	50,000	2,400,000
Admin Manager	1	100,000	1,200,000
Admin Officer(s)	2	50,000	1,200,000
Human Resource Manager	1	100,000	1,200,000
HR Associate	2	50,000	1,200,000
Driver	4	35,000	1,680,000
Office Boy	6	35,000	2,520,000
Security	9	35,000	3,780,000
Sweeper	3	35,000	1,260,000

Kitchen Staff	2	35,000	840,000
Total			24,060,000

Table 28: Fixed Cost Assumptions

Description of Costs	Details
Administration benefits expense	4% of administration expense
Promotional expense	2.0% of Revenue
Depreciation expense	
Building	10% of Cost
IT Equipment and Machinery	25% of Cost
Office equipment	25% of Cost
Furniture & fixtures/ Office Vehicle	15% of Cost

9.6. Financial Feasibility Analysis

The financial feasibility analysis provides the information regarding projected Internal Rate of Return (IRR), Net Present Value (NPV) and Payback period of the study, which is shown in

Table 29.

Table 29: Financial Feasibility Analysis

Description	Project
IRR	67%
NPV (PKR)	420,493,610
Payback Period (years)	2.25
Projection Years	10
Discount rate used for NPV	15%

9.7. Financial Feasibility Analysis with 50% Debt

The financial feasibility analysis provides the information regarding projected IRR, NPV and payback period of the study on the basis of Debt: Equity Model (50:50) with the interest rate of KIBOR+3%, which is shown in Table 30.

Table 30: Financial Feasibility Analysis with 50% Debt

Description	Project
IRR	66%
NPV (PKR)	294,352,426

Payback Period (years)	2.30
Projection Years	10
Discount rate used for NPV	13%

9.8. Human Resource Requirement

For the 1st year of operations, the Business Process Outsourcing shall require the workforce at a salary cost shown in Table 31.

Table 31: Human Resource Requirement

Post	No. of Employees	Monthly Salary (PKR)	Annual Salary (PKR)
Account and Finance Manager	1	125,000	1,500,000
Accounts Assistant	2	50,000	1,200,000
Receptionist	1	40,000	480,000
IT Department Manager	1	100,000	1,200,000
IT Department Assistant	2	50,000	1,200,000
IT Technician	2	50,000	1,200,000
IT Team for MT uploading	4	50,000	2,400,000
Admin Manager	1	100,000	1,200,000
Admin Officer(s)	2	50,000	1,200,000
Human Resource Manager	1	100,000	1,200,000
HR Associate	2	50,000	1,200,000
Legal Business development Officers	2	50,000	1,200,000
Medical Business Development Officers	2	50,000	1,200,000
Accounts Business Development Team	2	50,000	1,200,000
Legal Services Manager	1	100,000	1,200,000
Supervisor (Legal BPO)	1	78,500	942,000
Legal Department Employees	3	50,000	1,800,000
Accounts Services Manager	1	100,000	1,200,000
Supervisor	2	75,000	1,800,000

Accountants (Freelancing)	12	60,000	8,640,000
Accountants (local)	12	45,000	6,480,000
Medical Services Manager	2	100,000	2,400,000
Supervisor	4	75,000	3,600,000
Quality Controller for Medical Department	10	65,000	7,800,000
Medical Department Transcriptionist	26	50,000	15,600,000
Medical Billing Employees	25	50,000	15,000,000
Driver	4	35,000	1,680,000
Office Boy	6	35,000	2,520,000
Security	9	35,000	3,780,000
Sweeper	3	35,000	1,260,000
Kitchen Staff	2	35,000	840,000
Total	148		94,122,000

10. CONTACT DETAILS

In order to facilitate the potential investors, contact details of some relevant vendors of the proposed project is given in Table 32.

Table 32: Contact Details

Name of Supplier	Address	Contact
Dany Technologies	Overall Pakistan	92-021-111000170
Bloom softt Technologies,	P-137 Nawaz Street Bombino Cinema Road, Faisalabad	92-41-2614804
Vision Telecom Private Limited,	101-Ibrahim Trade Centre, 1-Aibak Block, Garden Town Lahore.	92-42-32507000
SNM Group of Companies,	405, 4 th Floor, Royal Centre, Blue Area, Islamabad	92-51-2806098
National Wireless,	P-93 National Colony, Jaranwala Road, Faisalabad	92-0300-9668453
Chase Trading & Technology Co.	Unit 5, Hamza Plaza, 2nd Floor, F-11, Markaz, Islamabad	0321 5098017
MicroTech Industries (Pvt.), Limited	Shimla Tower, 5 Davis Road, Lahore	42-35990015
Rastek Technologies, Karachi	C-15, Classic Centre, Block-16, Gulshan-e-Iqbal Main University Road	(021) 111 727 835
Uconnect Technologies Pvt Ltd.	ZS Plaza Gilgit	0345 5927001
Softnat Technologies Quetta	http://softnat.com	321-8197593
Itec Experts Pvt Ltd, Peshawar	FF-906 Deans Trade Center	92 315 9805915

11. USEFUL LINKS

Table 33: Useful Links

Name of Organization	Website
Small and Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
National Business Development Program	www.nbdp.org.pk
Government of Pakistan	www.pakistan.gov.pk
Security and Exchange Commission of Pakistan	www.secp.gov.pk
Trade Development Authority of Pakistan	www.tdap.gov.pk
Ministry of Information Technology & Telecom	www.moitt.gov.pk
State Bank of Pakistan	www.sbp.gov.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Khyber Pakhtunkhwa	www.kp.gov.pk
Government of Balochistan	www.balochistan.gov.pk
Government of Gilgit-Baltistan	www.gilgitbaltistan.gov.pk
Government of Azad Jammu and Kashmir	www.ajk.gov.pk
Federal Board of Revenue	www.fbr.gov.pk
Pakistan Software Export Board	www.pseb.org.pk
Pakistan Software Houses Association for IT and IteS	www.pasha.org.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.pk
Pakistan Medical Council	www.pmc.gov.pk
Institute of Chartered Accountants of Pakistan	www.icap.org.pk
Association of Chartered Certified Accountants	www.accaglobal.com/pk/en.html
Institute of Cost and Management Accountants of Pakistan	www.icmainternational.com
Punjab Information Technology Board	www.pitb.gov.pk
Information, Science & Technology Department of Sindh	www.istd.sindh.gov.pk
Information Technology Board of Khyber Pakhtunkhwa	www.kpitb.gov.pk

Science and Information Technology Board of
Balochistan

www.balochistan.gov.pk/departments/science-and-information-technology

12. ANNEXURES

12.1. Income Statement

Income Statement										SMEDA
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue										
Medical Transcription	86,410,598	106,933,116	130,696,030	158,142,196	189,770,636	226,143,341	267,892,881	294,682,169	324,150,386	356,565,424
Medical Billing	58,947,840	72,947,952	89,158,608	107,881,916	129,458,299	154,271,139	182,751,965	201,027,162	221,129,878	243,242,866
Foreign Accounting Revenue	16,990,848	21,026,174	25,698,658	31,095,376	37,314,451	44,466,387	52,675,566	57,943,123	63,737,435	70,111,179
Local Accounting Revenue	3,744,000	4,633,200	5,662,800	6,851,988	8,222,386	9,798,343	11,607,268	12,767,994	14,044,794	15,449,273
Legal department	5,584,800	6,911,190	8,447,010	10,220,882	12,265,059	14,615,861	17,314,174	19,045,592	20,950,151	23,045,166
Total Revenue (PKR)	171,678,086	212,451,632	259,663,106	314,192,358	377,030,829	449,295,072	532,241,854	585,466,040	644,012,644	708,413,908
Cost of sales										
Direct Utilities Cost	8,181,501	8,920,836	9,726,982	10,605,977	11,564,404	12,609,441	13,748,914	14,991,357	16,346,076	17,823,217
Direct Labor	70,062,000	76,858,014	84,313,241	92,491,626	101,463,313	111,305,255	122,101,865	133,945,745	146,938,483	161,191,516
Machinery Maintenance - Cost	1,076,175	1,184,510	1,303,751	1,434,995	1,579,451	1,738,449	1,913,453	2,106,074	2,318,085	2,551,439
Office Consumables	8,428,880	9,277,387	10,211,311	11,239,250	12,370,667	13,615,981	14,986,657	16,495,313	18,155,842	19,983,530
Total cost of sales	87,748,556	96,240,747	105,555,285	115,771,847	126,977,836	139,269,126	152,750,888	167,538,490	183,758,486	201,549,701
Gross Profit	83,929,530	116,210,885	154,107,820	198,420,510	250,052,994	310,025,946	379,490,966	417,927,550	460,254,158	506,864,207
General administration & selling expenses										
Management Staff	24,060,000	26,393,820	28,954,021	31,762,561	34,843,529	38,223,351	41,931,016	45,998,325	50,460,162	55,354,798
Administration benefits expense	3,764,880	4,130,073	4,530,690	4,970,167	5,452,274	5,981,144	6,561,315	7,197,763	7,895,946	8,661,853
Building rental expense	6,600,000	7,260,000	7,986,000	8,784,600	9,663,060	10,629,366	11,692,303	12,861,533	14,147,686	15,562,455
Indirect Utilities	3,543,150	3,863,333	4,212,449	4,593,114	5,008,179	5,460,751	5,954,221	6,492,284	7,078,970	7,718,673
License,Permits,etc.	405,500	446,320	491,250	540,702	595,133	655,043	720,984	793,563	873,449	961,376
Communications expense (phone,mail, internet, etc.)	2,406,000	2,639,382	2,895,402	3,176,256	3,484,353	3,822,335	4,193,102	4,599,832	5,046,016	5,535,480
Office vehicles running expense	4,288,976	4,676,556	5,099,161	5,559,955	6,062,389	6,610,227	7,207,572	7,858,896	8,569,078	9,343,437
Marketing and Promotional expense	3,433,562	4,249,033	5,193,262	6,283,847	7,540,617	8,985,901	10,644,837	11,709,321	12,880,253	14,168,278
Water Expense	240,600	263,938	289,540	317,626	348,435	382,234	419,310	459,983	504,602	553,548
Depreciation expense	11,204,695	11,204,695	11,204,695	11,204,695	14,722,933	14,722,933	13,737,297	16,673,364	21,743,727	21,743,727
Amortization of pre-operating costs	369,411	369,411	369,411	369,411	369,411	-	-	-	-	-
Amortization of legal, licensing, and training costs	18,000	18,000	18,000	18,000	18,000	28,423	28,423	28,423	28,423	28,423
Subtotal	60,334,773	65,514,561	71,243,881	77,580,934	88,108,312	95,501,708	103,090,379	114,673,287	129,228,311	139,632,047
Operating Income	23,594,758	50,696,324	82,863,940	120,839,577	161,944,682	214,524,238	276,400,587	303,254,263	331,025,846	367,232,160
Gain / (loss) on sale of machinery & equipment	-	-	-	10,761,750	-	-	-	19,814,161	-	-
Gain / (loss) on sale of office equipment	-	-	-	5,188,000	-	-	-	9,551,966	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	3,126,305	-	-	-
Earnings Before Interest & Taxes	23,594,758	50,696,324	82,863,940	136,789,327	161,944,682	214,524,238	279,526,892	332,620,389	331,025,846	367,232,160
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	23,594,758	50,696,324	82,863,940	136,789,327	161,944,682	214,524,238	279,526,892	332,620,389	331,025,846	367,232,160
Tax	7,623,165	17,108,713	28,367,379	47,241,264	56,045,638	74,448,483	97,199,412	115,782,136	115,224,046	127,896,256
NET PROFIT/(LOSS) AFTER TAX	15,971,593	33,587,611	54,496,561	89,548,063	105,899,043	140,075,755	182,327,480	216,838,253	215,801,801	239,335,904

12.2. Balance Sheet

Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	9,843,500	12,957,153	33,404,747	57,281,788	107,169,355	221,949,848	369,774,841	525,112,581	687,235,550	919,126,225	1,196,368,610
Accounts receivable	-	16,635,473	20,586,398	25,161,154	30,444,996	36,533,995	43,536,344	51,573,823	56,731,205	62,404,326	46,315,978
Equipment spare part inventory	44,841	54,076	65,214	78,646	94,844	114,378	137,936	166,346	200,607	241,925	-
Total Current Assets	9,888,341	29,646,703	54,056,359	82,521,587	137,709,195	258,598,221	413,449,121	576,852,750	744,167,362	981,772,476	1,242,684,588
<i>Fixed assets</i>											
Building/Infrastructure	2,729,115	2,456,204	2,183,292	1,910,381	1,637,469	1,364,558	1,091,646	818,735	545,823	272,912	-
Machinery & equipment	21,523,500	16,142,625	10,761,750	5,380,875	31,018,921	23,264,191	15,509,461	7,754,730	44,703,393	33,527,545	22,351,697
Furniture & fixtures	7,207,500	6,126,375	5,045,250	3,964,125	2,883,000	1,801,875	720,750	13,662,614	11,613,222	9,563,830	7,514,438
Office vehicles	12,505,220	10,629,437	8,753,654	6,877,871	5,002,088	3,126,305	1,250,522	19,052,982	16,195,035	13,337,087	10,479,140
Office equipment	10,376,000	7,782,000	5,188,000	2,594,000	14,953,531	11,215,148	7,476,766	3,738,383	21,550,510	16,162,883	10,775,255
Total Fixed Assets	55,991,335	44,786,641	33,581,946	22,377,252	57,145,010	42,422,077	27,699,144	46,677,443	96,257,983	74,514,256	52,770,529
<i>Intangible assets</i>											
Pre-operation costs	1,847,054	1,477,643	1,108,233	738,822	369,411	-	-	-	-	-	-
Legal, licensing, & training costs	90,000	72,000	54,000	36,000	18,000	142,113	113,691	85,268	56,845	28,423	224,402
Total Intangible Assets	1,937,054	1,549,643	1,162,233	774,822	387,411	142,113	113,691	85,268	56,845	28,423	224,402
TOTAL ASSETS	67,816,730	75,982,987	88,800,537	105,673,660	195,241,615	301,162,411	441,261,956	623,615,462	840,482,190	1,056,315,154	1,295,679,519
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	180,460	197,104	215,298	235,190	256,943	280,733	306,758	335,233	366,397	394,858
Total Current Liabilities	-	180,460	197,104	215,298	235,190	256,943	280,733	306,758	335,233	366,397	394,858
<i>Other liabilities</i>											
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	67,816,730	67,816,730	67,816,730	67,816,730	67,816,730	67,816,730	67,816,730	67,816,730	67,816,730	67,816,730	67,816,730
Retained earnings	-	7,985,796	20,786,704	37,641,633	127,189,695	233,088,739	373,164,493	555,491,974	772,330,227	988,132,027	1,227,467,932
Total Equity	67,816,730	75,802,526	88,603,434	105,458,362	195,006,425	300,905,469	440,981,223	623,308,704	840,146,957	1,055,948,757	1,295,284,662
TOTAL CAPITAL AND LIABILITIES	67,816,730	75,982,987	88,800,537	105,673,660	195,241,615	301,162,411	441,261,956	623,615,462	840,482,190	1,056,315,154	1,295,679,519

12.3. Cash Flow Statement

Cash Flow Statement											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit		15,971,593	33,587,611	54,496,561	89,548,063	105,899,043	140,075,755	182,327,480	216,838,253	215,801,801	239,335,904
Add: depreciation expense		11,204,695	11,204,695	11,204,695	11,204,695	14,722,933	14,722,933	13,737,297	16,673,364	21,743,727	21,743,727
amortization of pre-operating costs		369,411	369,411	369,411	369,411	369,411	-	-	-	-	-
amortization of License Cost		18,000	18,000	18,000	18,000	18,000	28,423	28,423	28,423	28,423	28,423
Deferred income tax		-	-	-	-	-	-	-	-	-	-
Accounts receivable		(16,635,473)	(3,950,925)	(4,574,755)	(5,283,842)	(6,088,999)	(7,002,349)	(8,037,479)	(5,157,382)	(5,673,121)	16,088,348
Cash provided by operations	(44,841)	11,099,449	41,234,297	61,518,674	95,860,020	114,922,606	147,824,994	188,053,336	228,376,872	231,890,675	277,466,787
<i>Financing activities</i>											
Issuance of shares	67,816,730	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	67,816,730	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(57,928,389)	-	-	-	(45,972,453)	(142,113)	-	(32,715,596)	(66,253,903)	-	(224,402)
Cash (used for) / provided by investing activities	(57,928,389)	-	-	-	(45,972,453)	(142,113)	-	(32,715,596)	(66,253,903)	-	(224,402)
NET CASH	9,843,500	11,099,449	41,234,297	61,518,674	49,887,567	114,780,492	147,824,994	155,337,740	162,122,968	231,890,675	277,242,385

13. KEY ASSUMPTIONS

13.1. Operating Cost Assumptions

Table 34: Operating Cost Assumptions

Description	Details
Furniture and fixture depreciation	15%
Vehicle depreciation	15%
Office equipment depreciation	15%
Inflation rate	10.1%
Wage growth rate	9.7%
Gas price growth rate	9.0%
Electricity price growth rate	9.0%
Office equipment price growth rate	9.6%
Office vehicle price growth rate	6.2%

13.2. Revenue Assumptions

Table 35: Revenue Assumptions

Description	Details
Sale price growth rate	10%
Initial capacity utilization	40%
Capacity growth rate	5%
Maximum capacity utilization	70%

13.3. Financial Assumptions

Table 36: Financial Assumptions

Description	Details
Project life (Years)	10
Debt: Equity	0:100
Discount Rate used for NPV (100% Equity)	15%

13.4. Debt-Related Assumptions

Table 37: Debt-Related Assumptions

Description of Cost	Details
Project Life (Years)	10

Debt: Equity	50:50
Discount Rate	13%
Debt Tenure	5 years
Grace Period	1 Year
Interest Rate (KIBOR+3%)	26%

13.5. Cash Flow Assumption

Table 38: Cash Flow Assumptions

Description	Days
Accounts receivable cycle (in days)	25
Accounts payable cycle (in days)	5

Small and Medium Enterprises Development Authority

HEAD OFFICE

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore

Tel: (92 42) 111 111 456, Fax: (92 42) 36304926-7

www.smeda.org.pk, helpdesk@smeda.org.pk

REGIONAL OFFICE PUNJAB	REGIONAL OFFICE SINDH	REGIONAL OFFICE KPK	REGIONAL OFFICE BALOCHISTAN
3 rd Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road Lahore, Tel: (042) 111-111-456 Fax: (042) 36304926-7 helpdesk.punjab@smeda.org.pk	5 TH Floor, Bahria Complex II, M.T. Khan Road, Karachi. Tel: (021) 111-111-456 Fax: (021) 5610572 helpdesk-khi@smeda.org.pk	Ground Floor State Life Building The Mall, Peshawar. Tel: (091) 9213046-47 Fax: (091) 286908 helpdesk-pew@smeda.org.pk	Bungalow No. 15-A Chaman Housing Scheme Airport Road, Quetta. Tel: (081) 831623, 831702 Fax: (081) 831922 helpdesk-qta@smeda.org.pk