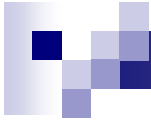


Software Development and Business
Process Outsourcing in Pakistan

Strategic Systems International
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Agenda

- Introduction to Strategic Systems International
- SSI Experience In Offshore Software Development
- Overview of Pakistan & Its Technology Sector
- Opportunities & Challenges
- Some Do's & Don'ts

About Strategic Systems

- SSI provides solutions for:
 - Supply Chain Optimization
 - Human Capital Optimization
 - Quantitative Analysis & BI
- Industries served:
 - Manufacturing
 - Healthcare
 - Financial Services
- Offices Evanston, IL & Lahore, PK
- Representative Clients:
 - Newsweek Magazine
 - US Steel
 - Weyerhaeuser
 - Spiegel Catalogs
 - Kraft Foods
 - JB Hunt Logistics
 - Elkay Companies
 - Bear Stearns
 - Montgomery Securities
 - Arthur Andersen
 - & Several hospital systems

SSI's Human Capital Optimization™ Solution

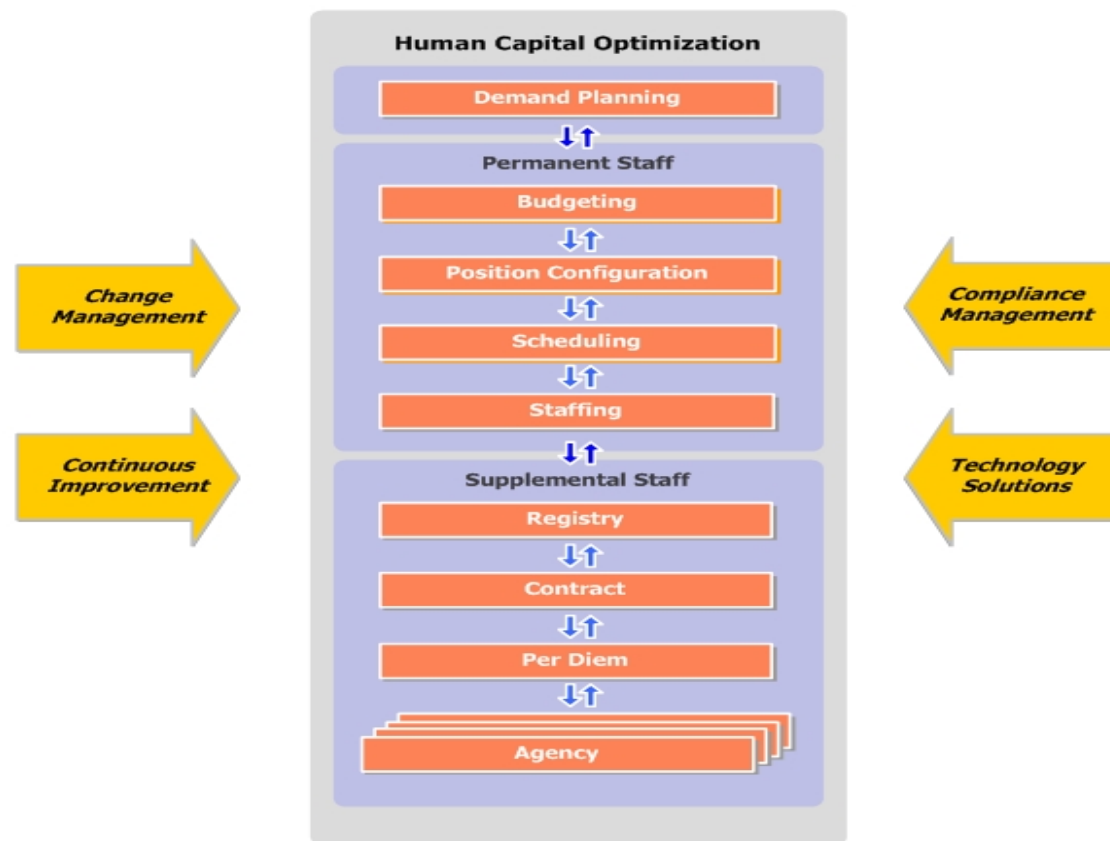
We deliver a holistic Human Capital Optimization solution to address the staffing challenges of the healthcare industry.

Our sustainable solution, based on best practices and technologies from supply chain management and logistics, combines:

- **People:** who consistently focus on the problem, and enforce compliance
- **Process:** for looking at all pieces as a part of an integrated whole
- **Technology:** for enabling people to establish and optimize processes

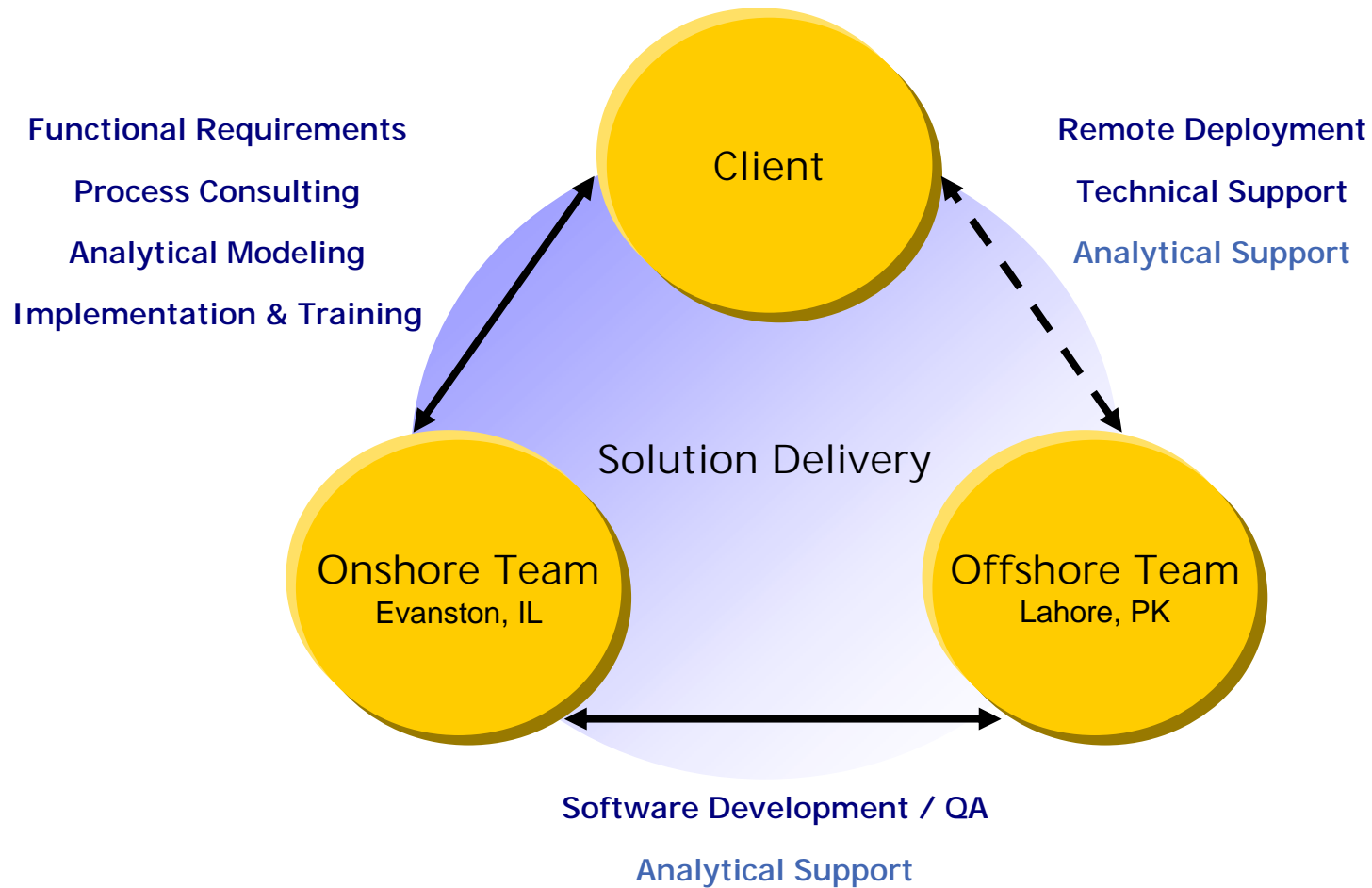
What is Human Capital Optimization™?

An integrated approach for optimally deploying human resources to fill demand, reduce costs, and increase staff satisfaction!





How we deliver our solutions





Offshore Development Experience



Launching SSI's Pakistan Office

■ Objectives

- Cost-effectively speed up product development
- Provide expanded scope of services to clients

■ Options considered

- Sub-contract
- Partnership
- Dedicated subsidiary



Launching SSI's Pakistan Office

- Sub-contracting and Partnerships
 - Pakistani software industry in 1999
 - About 100 software companies
 - About 2,500 IT professionals
 - \$25 million exports, \$25 million domestic
 - We talked with 4 software companies
 - Average size: about 20 professionals
 - Less than 1 year in business
 - Mostly "seth" funded

Launching SSI's Pakistan Office

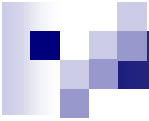
- Dedicated subsidiary
 - More "control"
 - Getting the right attention
 - Focus on technology
 - Adherence to standards, etc.
 - More cost effective in the long run

- Lahore office launch
 - Q1 99
 - Hired two key senior managers
 - Q2 99
 - Hired two additional middle managers, four developers
 - Found the office and setup all infrastructure
 - Hired professional firms
 - Commenced operations on July 1, 1999

Launching SSI's Pakistan Office

- Experience to date
 - Moved all development to Lahore
 - Delivered multi-million dollar projects with the offshore team
 - Extremely pleased with the team we've put together
 - Looking to grow significantly over the next 3 years
- Launched 2nd office in Karachi in 2005

Overview of Pakistan



So where in the world is  ?

Political Map of the World, April 2005

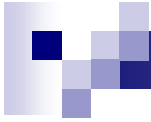


Next to India, China, Iran, Afghanistan

So where in the world is  ? and Lahore?



Lahore



Pakistan: Demographics

- Population: 162 million
- Age Distribution:

0 - 14 years	39.6%	64 million
15 - 64 years	56.3%	92 million
65 years +	4.1%	6 million
- Median Age: 19.58 years
- Life Expectancy: 63 years
- Population Growth: 2.03%
- Literacy: 52% (over age 15 that can read and write)
- Comparison to US: 8% of US area; 55% of US population

Pakistan: Economy

- GDP: \$ 347 billion (purchasing power parity)
- GDP Per Capita: \$ 2,200 (purchasing power parity)
- GDP Growth: 6.1%
- Inflation: 4.8%
- Unemployment: 7.7%
- Exports: \$ 14.4 billion
- Imports: \$ 20.6 billion

Pakistan's Technology & BPO Sector

Pakistan's Technology Industry

- Industry started in mid-1990's
- Slow growth and exports before 2003
- Since 2003, growth sparked by recovery in the US technology sector, diversification to other regions, and local business
 - Previously, exports were 100% to the US; now 35% to EU and Middle East
- Fiscal 2004-2005, software and IT enabled services revenue was \$300 million
 - Exports and outsourcing = US \$48.5 million
 - Call centers and BPO roughly one fourth of exports
- Forecasted growth of 45% plus annually for next five years
 - Most growth will come from call centers and business process outsourcing
- 120 call centers set up over the last two years; employ 3,500 people
 - Call centers expected to grow about 60% a year

Key Players in Tech / BPO

- **Netsol Technologies** (www.netsoltek.com)
 - Software development firm; founded 1995, 350 people in US, UK, Australia, and Pakistan
 - Listed on Nasdaq & Karachi Stock Exchange; raised Rs. 550 million (\$9 million) in Pakistan
 - Opened a 55,000 square foot software development facility in Lahore
 - \$12.4 million revenues in 2005

- **TRG Pakistan** (www.resgrp.com)
 - Established 2002, focused on call center operations; 400 people
 - Raised Rs. 600 million (\$10 million) in Pakistan; IFC invested \$5 million in TRG
 - Acquired 14 US, Canada, UK call center companies and moved operations to Lahore

- **Techlogix** (www.techlogix.com)
 - Software development firm; founded in 1996
 - 200 people in Beijing, Boston, Dubai, Houston, Karachi and Lahore (100 in Beijing)
 - \$8.2 million revenues in 2004; 18 clients; 95% of revenue from US clients
 - Raised \$2.3 Million to finance growth over the next eighteen months
 - Teaming with Tata Consulting to offer software engineering courses in Pakistan



Opportunities & Challenges

Market Opportunity / Pakistan's Share

- BPO expected to grow from \$405 billion in 2004 to \$682.5 billion in 2008 (IDC)
- 1 in 9 US IT jobs will move overseas by 2010 (Forrester Research)
- Up to 40% cost reduction through outsourcing back office operations
- Typical offshore BPO services:
 - Call centre operation
 - Software development
 - Computer graphics, animation
 - Accounting
 - Legal research
 - Medical transcription
 - Financial analysis, etc.
- India firms' revenue last year: \$3.5 billion (offshore)
 - 300,000 'knowledge workers' are servicing this industry
 - Million more expected to get hired by 2008 according
- Pakistan's share from the global BPO business: US \$50 million

Pakistan IT Industry – Positives & Negatives

■ Positive

- 17 million English speakers; large 'educable' young population
- Low wages
 - Call center workers earn about \$12 per day
 - Starting software engineers pull in \$5,000 or so annually
- Tax holiday till 2016
- Improving infrastructure – telecom; travel

■ Negative

- Country image - perceived as a troubled destination
- Shortage of trained IT professionals
 - An additional 7,000 high-end professionals needed annually (current base = 75,000)
 - Approx. 50 IT institutes produce 5,500 graduates a year - but only one-fifth are competitive and well trained

Opportunities within Pakistan

■ Education

- Need 1,000 – 2,000 K-12 schools – Quality is key!
 - People will pay for quality
 - Multiple tier levels
- Need workforce with broad skill sets to outsource complete processes
- Communication skills are essential

■ Logistics

Some Do's & Don'ts

If you want to be in the offshore BPO business ...

■ Some Do's

- Hire “professional” management & staff
- Plan on extensive training: process & technology
- Build good communications protocols
- Invest in infrastructure, grow at a manageable pace
- Partner with onshore firms for sales – keep cost of selling low
- Focus – industry, functional, technology, scope
- Be creative in staffing

■ Some Don'ts

- Expect immediate payback – invest for the long run
- Don't make it a “friends-and-family” program



For further information

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