

# SITA

Supporting Indian Trade and Investment for Africa

## SHOES MADE IN UGANDA

### A CASE STUDY OF AN INDIAN SME INVESTING IN UGANDA'S LEATHER AND FOOTWEAR SECTOR



## INVESTMENT CONTEXT

Hurera Leather & Shoes Uganda Limited (Hurera) is the first foreign investor in Uganda's shoe manufacturing sector. The company's investment process has been closely accompanied and supported by the International Trade Centre's Supporting Indian Trade and Investment for Africa (SITA) project.

Hurera is a small and medium-sized enterprise (SME). Since Hurera's decision to invest in late 2016, the company has equipped a manufacturing facility, has trained around one hundred people in shoe making, and has permanently employed 40 people, most of whom are women. The company has produced different types of samples, and is doing local outreach and marketing to identify potential buyers.

Uganda's leather sector is underutilized. Like many of its neighbouring countries, despite owning good quality and quantities of livestock, Uganda mostly exports semi-processed leather. The production capacity for finished leather products remains low. Hence, limited economic benefits are derived from the sector.

Local footwear companies are mainly SMEs with limited access to finance, inputs and modern equipment. In addition, global import of second-hand and new synthetic low-cost footwear is affecting domestic manufacturers' competitiveness. Amid these challenges, the Government of Uganda has identified leather as a priority sector for economic growth, and offers a range of incentives to attract foreign investment.

**INVESTOR:** Hurera Leather Company, an SME founded in 1990, headquartered in Ambur, Tamil Nadu, India

**INVESTMENT CONTEXT:** Hurera is the first foreign investor in Uganda's leather shoe manufacturing sector

**MILESTONES:** 2016 - First exposure visit; 2017 – Company registration in Uganda; 2018 - Sample production

Apart from sourcing raw material internationally, setting up the shoe manufacturing unit in Uganda is Hurera's first business activity outside India. Before joining an investment mission to East Africa organized by SITA in November 2016, Mr. Sarvathullah Mathari, Hurera's Founder and Managing Director, already had the idea to invest in the region, but no concrete plans on location.

Limited potential for domestic expansion in India, decreasing international demand and an opportunity to cater for local retail markets in Africa were the key pull and push drivers for Hurera's vision to invest in Africa. The good availability of labour and competitive costs also played a role.

## HURERA'S INVESTMENT PLANS

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Following his visits to four countries in East Africa, Mr. Sarvathullah decided to set up a leather shoe manufacturing unit in Uganda. Once fully up and running, the facility is envisaged to produce 1,000 pairs per day and employ 500 people. Hurera's investment plans encompass different stages:

- Leather shoe manufacturing for domestic sales in Uganda;
- Finished leather manufacturing for local use and export; and
- Leather glove and apron manufacturing.

With limited international experience and as the first foreign investor in the sector, Hurera's investment process has not been without its challenges. One of Hurera's biggest challenges is around identifying buyers in a market dominated by cheaper non-leather footwear and second hand imports. Issues around selection of land, company registration and import of materials have also led to some delays. Despite these difficulties the company feels comfortable with its investment decision, confident about its future success, and content with the support received from the Government of Uganda and relevant investment authorities.

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*"I know others are watching us. I am confident we will succeed."*

**Mr. Sarvathullah Mathari,**  
Managing Director,  
Hurera Leather & Shoes Uganda Limited

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Uganda's government representatives and investment authorities are equally confident about Hurera's long-term success, supportive of the investment, and aware of its direct and indirect potential to support Uganda's economic development in line with the country's 'Buy Uganda, Build Uganda' policy that encourages local production.

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*"Hurera enjoys very high-level political support in Uganda, including support from H.E. the President of Uganda who has recommended that in line with the 'Buy Uganda, Build Uganda' policy, the armed forces – military, police and prison – should consider buying Hurera products when ready."*

**Hon. Michael Werihke Kafabusa,**  
Minister of State for Trade, Uganda

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## SECTOR OUTLOOK

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To date, the degree of internationalization in India's leather sector is limited. During the last few years, India's leather sector has faced some domestic and international issues affecting its performance and limiting international expansion. However, global expansion is critical for international competitiveness.

Sector insiders have a positive outlook on future sector growth. SITA's efforts to sensitize the sector about investment opportunities in East Africa are showing positive results beyond Hurera. For example, two of the largest Indian leather companies, are both considering investments in East Africa.

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*"Without SITA we probably would have taken another 10 years to go to Africa. I was reading articles and all that, but that was not enough to give us the confidence to go. The initial push we got through SITA."*

**Mukhtarul Amin,**  
Chairman and Managing Director,  
Superhouse Group

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## LESSONS LEARNED

SITA's engagement with more than 100 companies from all principal Indian leather clusters, as well as several sector associations, has generated unique insights into South-South trade and investment. Through its work with Hurera and other potential investors, the following lessons from facilitating investments into East Africa's leather sector have been identified:

**Attracting investment requires a different skill set than facilitating investment.** Uganda has a strategy for attracting foreign investors. It has also set up investment support and management institutions. Yet, facilitating investments is complex and – especially in sectors with limited investments – often requires management and decision-making beyond the basic rules and systems in place. First-time movers such as Hurera will offer valuable lessons for facilitating future investments.

**Clear upfront communication from both investors and host countries is needed.** Investment materials and presentations give introductory overviews about existing rules and requirements. Investors and host countries should clarify early on how such rules (e.g. import procedures and requirements) are implemented to avoid misunderstandings and delays later.

**Investment decision-making processes differ depending on the type and size of company.** Examples from SITA's work in the leather sector show that bigger companies with more comprehensive management and governance structures and a greater degree of existing international exposure evaluate investment opportunities more comprehensively than a smaller company, such as Hurera.

**Existing trade relationships impact decision-making.** Hurera's existing trade relationships sourcing leather from East Africa played a role in their investment decision. Similarly, one of India's largest leather companies has opted to start trading leather and shoes with the region partly to inform their future investment decision.

**Investors consider 'hard' and 'soft' factors.** Each investor is unique. However, some common issues matter for investor decision-making: available and reliable information, e.g. about incentives and costs; security of the investment, e.g. political, social and economic stability; presence of other investors, either similar types of businesses or investors from the same home country; as well as country context and operating environment, e.g. education and social services.

**SITA has been a catalyst for international investment and helps to speed up decision-making.** So far, India's leather sector has a fairly low level of internationalization. SITA has successfully sensitized India's leather sector to investment opportunities in East Africa. Hurera indicated that, without SITA's involvement, they would not have invested in Uganda. Other companies emphasized the value that SITA brings especially in quickly providing up-to-date market information, and overcoming information and perception asymmetries.

**SITA's support is flexible and context-specific, yet establishing boundaries of where support starts and ends remains important.** SITA has been the principal facilitator of Hurera's investment. This approach was taken based on the specific investment context in India and East Africa with limited international investments to date. One of SITA's strengths is the capacity to operate flexibly and adaptively. Yet, for a development project like SITA, establishing boundaries about its role remains important. This is sometimes difficult given that the project operates in complex and uncertain environments.



© ITC, His Excellency Yoweri K Museveni, President of the Republic of Uganda greets Mr. Saravathullah Mathari at the CII-EXIM Bank Regional Conclave on India and East Africa in November 2017

## ABOUT SITA

Supporting Indian Trade and Investment for Africa (SITA) is a project financed by the United Kingdoms' Foreign, Commonwealth & Development Office (FCDO) and runs from 2015-2022.

SITA's objectives is to improve the competitiveness of select value chains (textiles and apparel, pulses, spices, sunflower oil and leather) of five East African countries (the Federal Democratic Republic of Ethiopia, the Republic of Kenya, the Republic of Uganda, the Republic of Rwanda and the United Republic of Tanzania) through provision of partnerships with institutions and business from the Republic of India.

## FOR MORE INFORMATION

This case study is a summary version. The full report documenting learning and best practice for investment engagement and South-South linkages in the leather sector arising from SITA's interventions is available at: available upon request.

This case study is part of a series to document learning and best practice. Other sectors include chilli production in Rwanda, garment manufacturing in Ethiopia and Kenya, and institutional strengthening through peer-to-peer learning in the sunflower oil sector in the United Republic of Tanzania and Uganda. It is based on interviews with companies, sector associations, government representatives, investment authorities, members of SITA, as well as review of available secondary data.

The primary audience includes development partners working in South-South trade and investment, organizations that seek to support economic development, and institutional stakeholders, including East African government representatives and investment authorities.

To find out more visit <http://www.voicesofsita.com>

## ABOUT ITC



The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations and works towards creating 'trade impact for good'. ITC assists small and medium-sized enterprises in developing and transition economies to become more competitive in global markets, thereby contributing to sustainable economic development and achieving the United Nations Sustainable Development Goals.

## ABOUT FCDO



The Foreign, Commonwealth & Development Office (FCDO) pursues its national interests and projects the UK as a force for good in the world. FCDO promotes the interests of British citizens, safeguards the UK's security, defends its values, reduces poverty and tackles global challenges with its international partners.

FCDO is a ministerial department, supported by 12 agencies and public bodies.



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