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# AMOUR TRADING LIMITED

**UNCTAD World Investment Forum 2016**  
Investing in Sustainable Development  
**PROJECT PROFILE**



**Company Name:** Amour Trading (U) Ltd.  
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**Sector/Type of Business:** Coffee Roasting  
**Year of Establishment:** June 15, 2012

## Company description:

Amour Trading Ltd is a coffee roasting and packaging start up company with a focus on specialty coffee. The company was set up in 2012 by three directors with extensive experience in Uganda's coffee sector. Its mission is to employ modern sustainable coffee production initiatives to support an export-oriented, value-addition profitable business that contributes to the growth and prosperity of the Ugandan economy as well as the coffee farmers.

Uganda produces high quality coffee through the effort of poor farmers operating small parcels of land but struggling to make ends meet. As a means to uplifting the livelihood of Ugandan coffee farmers, Amour's contribution has been to demonstrate the quality of their produce by presenting it as a finished product and to tap into specialty and other niche markets. The company's roast coffees are deliberately blended for strength and smoothness compared with many coffee brands in the world market for the targeted price segment.

Amour's customer base is primarily made up of coffee shops, tourists and the expatriate community living in Uganda. Sales to indigenous Ugandans are minimal as a majority of its citizens prefer tea. Amour does not sell its coffee in retail stores because of the weak demand and long credit terms one is expected to extend to the retailer (up to 180 days). Unlike many of Uganda's coffee roasting companies, Amour has chosen not to invest in a roaster but rather use the excess capacity within the industry to roast its coffee. It is keen to avoid the pitfalls that many roasting companies in Uganda are facing having invested heavily in roasting facilities prior to securing a market for their product. The company is therefore currently running its roast coffee operation from a third party provider and has unencumbered access to a sixty-kilo roaster. This gives the company a capacity in excess of 17MT per month - well above the 6MT (about 120kg) per month that it is currently marketing.

Amour's choice to market this lower amount is premised on two factors:

- i) The low demand for coffee in Uganda; and
- ii) The company's preference to minimize its tax burden by maintaining revenues below the VAT threshold. Coffee produced for export does not trigger the 18% VAT tax rate but is subject to a 1% levy. Therefore since the company is focussed on growing volumes for export, it does not intend to ramp up production until it secures supply contracts in foreign markets. Amour's marketing effort has so far been focused in Asia (Thailand), USA and the UK. Its strategy is to partner with importers and distributors in combination with a strong online presence that it is currently developing.



Amour defines its key success factors as:

- Sustainable supply of raw material (green coffee) to match capacity of the proposed factory for the entirety of the project.
- Comprehensive marketing strategy and distribution channels to get finished products to retailers and the final customer.
- Strict quality controls to ensure product consistency.
- Favourable tax regimes and incentives both locally and in target export markets.
- In-depth knowledge of Uganda's coffee industry and relevant experience in coffee sourcing, processing, roasting, blending and export.

## **Team:**

The company's proprietors have been involved in the coffee sector in various capacities for over 50 years including growing coffee, running pre-processing operations, roasting and packaging, and exporting. Below are highlights of their experience.

### *Paul Mugambwa, Chair*

Paul Mugambwa was the founding partner of Kyagalanyi Coffee Limited in the late 80's, prior to which he had held the position of Chief Quality Controller at the Coffee Market Board (CMB), the then sole coffee exporting entity operated by the government of Uganda. Paul has served as the Uganda Coffee Development Authority Board Chairman for two terms and served in several other coffee related organizations in various roles and capacities. He also co-founded the East African Fine Coffees Association EAFCA which later became African Fine Coffees Association (AFCA), a major player in the African coffee industry up to date.

### *David Mugambwa, Managing Director*

David Mugambwa is responsible for the day to day running of Amour Trading Ltd. Prior to this he ran a coffee processing plant called Nitubaasa Limited that he co-owned with a foreign investor. He was responsible for operations, running from cherry acquisition, processing, green coffee sourcing, and production supervision. David has been engaged in active coffee roasting since 2012 and has developed both of the blends that Amour will be producing and exporting.

### *Gerald Jjakira, Director*

Gerald is a shareholder and Managing Director of Platinum Commodities (JKR) Limited, a coffee processing and grading plant. He has been actively involved in coffee cultivation, primary processing, export grading and export for over 20 years. Platinum Commodities is Amour's supplier of export quality coffee for roasting.

## **Project description:**

Amour is actively looking to establish export markets for the entire production capacity of 17MT as it reorients the business towards export. The company is in discussions with potential export partners from Thailand, the U.S.A and U.K. with whom export can commence utilizing existing structures. Once the company secures markets for its coffee, it will set up an operation in Kampala with a capacity of 500kg/hr to add value to Uganda's coffee exports by June, 2017. To this end it has identified a location for the roastery at the Namanve Industrial Park in Kampala. The cost of setting up the 50MT roastery is estimated at USD2.55m. Amour will focus on producing two roast coffee products packed either as ground or whole bean, offered in two retail sizes (16.oz or 1 lb).

The project will also benefit Ugandan coffee farmers especially those producing a specialty grade of coffee. Such farmers are generally located in remote highland areas of the country and will receive premium prices for their coffee, as well as benefit from the company's planned social projects targeted mainly at health and education.



### Estimated Project Cost (USD):

Use of Funds	USD	Sources of Funds	USD
Land acquisition	120,000	Debt	500,000
New Construction	1,422,675	Equity	1,500,000
Equipment purchase	330,000	Company funds	253,457
Working capital	500,000		
Soft costs	180,782		
<b>Total Project Uses</b>	<b>2,553,457</b>	<b>Total Project Sources</b>	<b>2,553,457</b>

**Estimated Payback period:** 2 years

**Estimated GP margin:** 54%

**Current NP margin:** 30%

**Anticipated financial closing date:** Q4 2016

**Employment (FTE)**

Starting	Additional (Year 5)	Total
33	36	69

Special thanks to:



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