



Motorcycle & Parts Industries



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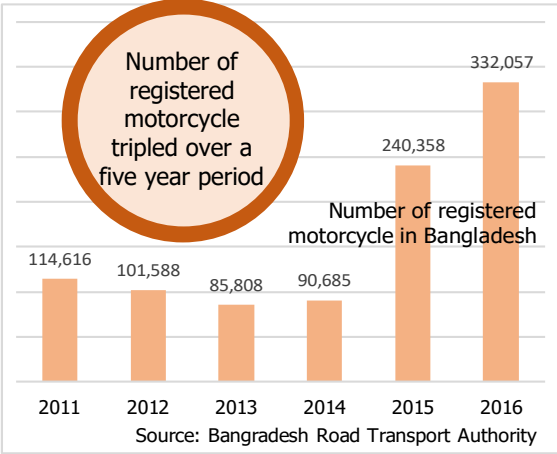
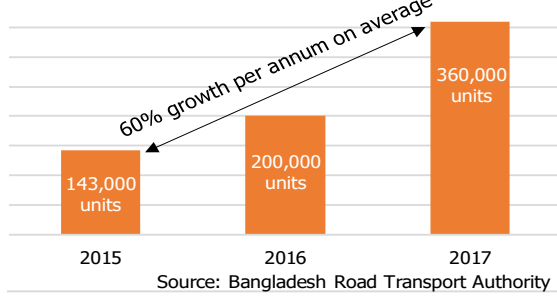


Market

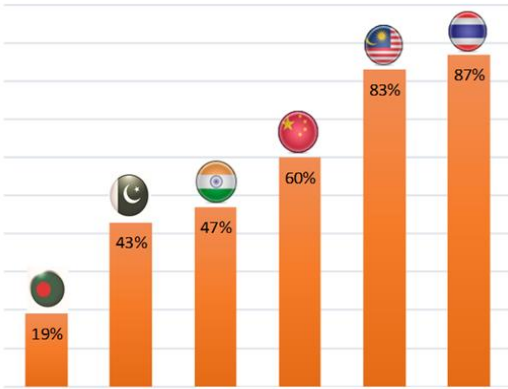
Motorcycle in Bangladesh offers an alternative mode of transportation to the citizens, who increase purchasing power. As a result, the market of motorcycles in Bangladesh has been expanding steadily. Today more than 1,000 units of motorcycle are sold daily, which is almost double compared to five years ago.

Annual local sales of motorcycle stood at almost 360,000 units in 2017, growing at the rate of 60.0% per annum during the last three years. This is also evidenced by the number of motorcycle registration. The number of registered units in 2016 tripled over a five year period.

Trend of Motorcycle Sales



Bike ownership ratio in population



Motorcycle market is forecasted to grow continuously, owing to a sizeable population (motorcycle ownership ratio is still low in comparison with other Asian countries), their ever-increasing purchasing power backed by steadily growing economy, and increasing popularity of ride-sharing services.



Motorcycle is a time and cost efficient mode of transportation in traffic-congested city like Dhaka. Furthermore, around 75% of population is less than 40 years old, who would prefer to have convenient mobility solution for their day to day needs. Motorcycle can be one of cater to this need. Annually held BIKE SHOW attracts a number of youth from all over the country.



Assembling Industry

Motorcycle assembling industry is flourishing in recent years, supported by untapped but growing domestic market, and the government policy. This industry is expected to play a leading role in development of Bangladeshi supporting industries through the creation of local supply-chain and technology transfer.

Several brands both international and local are currently active in motorcycle assembling in Bangladesh, while a few are undertaking operations of import-sales or Complete Built Unit (CBU). Motorcycles up to 165cc displacement is currently saleable in domestic market, though the 150cc displacement class is most selling.

The existing motorcycle assemblers can be categorized into two groups; "Knock Down (KD) Operator", and "Manufacturer" which commences local parts production as stipulated by the government regulation. There are nine KD operators and four manufacturers in Bangladesh (January 2018). Definition of "Manufacturer" is specific to Bangladesh, and is to serve as an inducing regime for motorcycle assemblers to gradually enhance localization of parts production.



Major Motorcycle brands in Bangladesh

Definition of Manufacturer for motorcycles was introduced by the government through a series of Statutory Regulatory Order in 2016, 2017, 2019 respectively. Motorcycle manufacturers, categorized into two groups in Bangladesh, are entitled to duty reduction or exemption on their imported parts and materials, if satisfying the required conditions set in SROs. Duty benefits can be also availed by the parts suppliers to those manufacturers on their imported materials.

To qualify for the manufacturer status, motorcycle producers shall locally manufacture at least one of the designated key parts (swing-arm, wheel, fuel-tank, handle-bar and muffler) as well as manufacture or assemble chassis.

Manufacturers in Bangladesh are still relying on import for sourcing a majority of parts (and materials, dies and molds for limited kinds of locally produced parts). Imported parts largely come from India and China where the brand headquarters or subsidiaries are located.

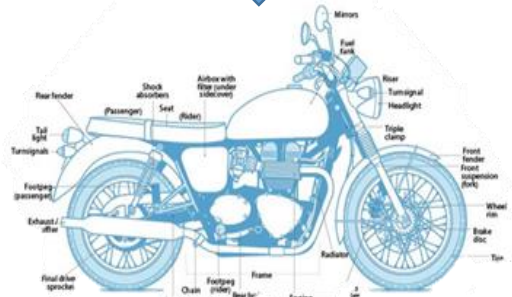


Parts Supply Industry

Local industries belonging to light-engineering and plastic sectors could be potential sources of motorcycle parts supply, however, these industries in general face challenges in terms of production/ quality/ delivery management, cost competitiveness, accessibility to quality materials, molds/ dies and services (such as painting, finishing, testing, inspection), to become reliable suppliers to the manufacturers.



**1,000 ~ 1,500 Parts
for producing motorcycle**



BikePartsBD.Com

Automobiles Components & Accessories Manufacturers Association (ACAMA)

is an interest body of 13 parts suppliers to motorcycle (and automobile) assemblers in Bangladesh. According to a survey (JICA 2018), the number of local industries which currently supply parts to motorcycle assemblers is estimated to be around 10 including ACAMA members.

Backward linkage is a key interest of the Motorcycle Industry Policy

Motorcycle assemblers in Bangladesh rely largely on import for sourcing the parts for assembling, but they generally show their willingness to source as many parts as possible from local suppliers in view of minimizing cost and delivery time. Backward linkage development of Bangladeshi motorcycle industry is a key interest expressed in the National Motorcycle Industry Development Policy 2018.

In partnership with overseas parts suppliers, a few interviewed motorcycle assemblers in Bangladesh have a plan to establish joint venture with foreign suppliers, both in view of producing necessary parts requiring relatively higher skills for their own consumption and supplying these parts for consumption by other assemblers.



Investment Opportunity

Motorcycle manufacturing oriented for local parts sourcing: Needless to say, motorcycle manufacturers oriented for local parts sourcing is a prime-mover of Bangladeshi industry development. Bangladesh welcomes such manufactures as contributive to local supporting industry development through industrial linkage formation, that is a key spill-over effects of investment.

Parts production and supply: In view of comprehensive development of Bangladeshi motorcycle industry, it is essential to enhance the capability of supporting industry such as light-engineering and plastic industries. The National Motorcycle Industry Development Policy 2018 sets its vision to develop the basis of local parts production and supply, either through attraction of foreign parts suppliers or capacity development of the existing local supporting industries. Internationally recognized brands such as HONDA, BAJAJ, TVS (registered as Manufacturer) are seeking for possibility of local parts sourcing.

Referring to the neighboring Asian countries, foreign parts suppliers play a critical role in leading local supporting industry development. This can be achieved through establishment of parts production base, partnership with the existing local industries covering technical guidance.

Plastic parts: Motorcycle assemblers in Bangladesh in general intend to commence local parts sourcing with plastic parts since this is deemed as more accessible by the existing local industries as long as adequate machines, materials and molds are available. According to a survey (JICA 2018), potential needs for local sourcing exist for parts including head-/ back-light, cowl, side-/ tail-cover, chain/ battery case, indicator, mad-guard, etc.



Materials & services for parts production: Foreign investment can play a vital role in strengthening the basis of material (for metal-working and plastic processing) and service provision necessary for parts production. Quality service providers of dies/ molds, heat treatment, painting, and material/ product testing are in need for helping motorcycle assemblers to locally source more value-added parts.



National Motorcycle Industry Development Policy 2018

The Government of Bangladesh has formulated the Motorcycle Industry Development Policy 2018, which aims to achieve the following goals:

- to raise motorcycle production up to one million units by 2027,
- to raise local procurement ratio from the current 10% to 50% by 2027, and,
- to supply quality motorcycle to domestic and overseas markets at competitive prices.

Accordingly, the policy assigns the government to commit to the following particulars:

- enhancement of technical skills of workforce by public training institutions,
- attainment of scale of economy in view of reducing production cost,
- removal of investment and business barriers,
- acceleration of local production (localization)

Regulations related to Motorcycle and Parts Industries

- Statutory Regulatory Order (SRO 155/2016/17) which defines the progressive manufacturers and allows duty reduction on their imported parts/ materials
- SRO (155/2017/41) which defines the local (category-1) manufacturers and allow duty reduction or exemption on their imported parts/ materials (also to the parts suppliers)
- SRO (207/2018/810) which allows VAT exemption to local manufacturers and parts suppliers on their imported parts/ materials
- SRO (69/2019/05) which redefines the progressive (termed as category-2) manufacturers and duty exemption on their imported parts

Sector-specific Investment Incentive and Restriction

Incentive:	No sector-specific regime is available yet (as of March 2019), but may be formulated both for assemblers and parts suppliers as proposed by the National Motorcycle Industry Development Policy 2018.
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Restriction:	No specific restriction exist upon the entry of foreign investors.
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Supporting Institutions

Bangladesh Industrial Technical Assistance Center (BITAC)	Public-run training, R&D and testing institute for metal-working industries
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Pilot Plant Process Development Center (PP&PDC)	Testing and R&D institute under the science ministry, being able to service testing, material development
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Training Institute of Engineering Industry Owners Association	Technical and business training institute owned by the association for light-engineering industries
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Existing Assemblers of Motorcycle in Bangladesh

Name	Main shareholders (Brands)
ACI Motors Ltd.	ACI Ltd. (Yamaha, Japan)
Aftab Automobiles Ltd.	Navana Group (Mahindra, India, and Zhejiang Qianjiang Motorcyccke, China)
Bangladesh Honda Private Ltd.	Honda Motor, and Bangladesh Steel & Engineering Corp. (Honda, Japan)
Karnaphuli Industries Ltd.	Karnaphuli Group (Haojue Motorcycle, China)
Menoka Motors Ltd.	Uttara Group (Bajaj, India)
New Grameen Motors Ltd.	(Loncin Motor, China)
Niloy Motors Ltd.	Hero Motocorp, Nitol Niloy Group (Hero, India)
Rancon Motorbikes Ltd.	Rangs Group (Suzuki, Japan)
Rasel Industries Ltd.	Rasel Industries (Lifan Industry, China)
Roadmaster Motors Ltd.	Update Group (own brand, and Guangzhou Dayun Motorcycle, China)
Runner Automobiles Ltd.	Runner Group (own brand, and Dayang Motorcycle, China)
Speedoz Ltd.	(Zhejiang Qianjiang Motorcycle, China)
TVS Auto Bangladesh Ltd.	TVS & Sons, Rian Motors (TVS, India)
Uttara Motors Corp. Ltd.	Uttara Group (Bajaj, India)

As of June 2019, including those ready to start assembling on KD basis.

Industry Associations

Bangladesh Motorcycle Assemblers & Manufacturers Association (BMAMA)	Association for KD assemblers
Motorcycle Manufacturers & Exporters Association (MMEA)	Association for manufacturers
Automobiles Components & Accessories Manufacturers Association (ACAMA)	Association of parts suppliers to motorcycle (and automobile) assemblers
Bangladesh Engineering Industry Owners Association (BEIOA)	Association for light-engineering industries, owning a technical and business training institute
Bangladesh Plastic Goods Manufacturer & Exporters Association (BPGMEA)	Association for plastic industries, covering small, medium and large-sized ones

Bangladesh Investment Development Authority "BIDA is Your Gateway to Investment in Bangladesh"



BIDA undertakes the functions of investment promotion and facilitation, and policy advocacy in accordance to the Industry Policy and provides inquiry/ consultation/ licensing facilitation services to the investors outside the jurisdiction of other investment authorities (BEZA, BEPZA, High-tech Park Authority). Those investors registering with BIDA for their investment projects are able to benefit from the following key incentives and privileges:

Category	Notes
Tax holiday	<ul style="list-style-type: none"> - Phased Corporate Income Tax (CIT) exemption for 26 designated sectors/ products (effective since July 2019), depending on location of factories - Phased CIT exemption for private IPPs (which construct powerhouse after June 2016) and full CIT/ capital gain tax exemption for PPP projects - Full CIT exemption for ICT/ software industry
Tax rebate	Applicable for manufacturing industries of which factories i) are located, ii) move, iii) have already operated, outside Dhaka City
Import duty exemption	<ul style="list-style-type: none"> - On capital machinery/ spares - VAT exemption for imported capital machinery/ spares
Other tax exemption	<ul style="list-style-type: none"> - On interest payable on foreign loans - On royalty/ technical license fees obtained from foreign company/ expert - On personal income tax for foreign technician - One capital gain from the transfer of shares of listed public companies
Non-tax incentives	- Accelerated depreciation for newly established industries in lieu of tax holiday on their factory, machinery and plant

* The above may be subject to revision upon annually enacted Finance Act and individual regulations. Export-oriented industries regardless of their locations can benefit from additional privileges and facilities.

Bangladesh Economic Zones Authority "BEZA is a smart way for business in Bangladesh"



BEZA develops and manages economic zones in view of generating more spillover effects of investment for industrialization of Bangladesh. Currently a number of economic zones are being developed throughout nation to cater for investment needs of both foreign and local investors, utilizing a variety of development schemes including BEZA's own initiative, private initiative, public-private-partnership and bilateral agreement with foreign government. The investors tenanted in economic zones are able to benefit from the following key incentives and privileges:

Fiscal incentive	<ul style="list-style-type: none"> - Phased Corporate Income Tax (CIT) exemption for 10 years - VAT exemption for imported machinery/ construction material, and utility expense - Duty exemption for imported vehicle - Duty exemption for import/ export of goods/ materials with bonded warehouse facility - Personal Income Tax exemption for expatriate salary - Tax exemption for dividend/ royalty and technical license fees, etc. - Exemption of local government tax/ land development tax - Exemption from registration fee on land transfer/ loan document, stamp duty on loan document/ lease of land and space
Non-fiscal incentive	A variety of privileges and facilities are available. (see the website of BEZA: http://www.beza.gov.bd/)

* The above may be subject to revision upon annually enacted Finance Act and individual regulations.