

# Bangladeshi motorcycle industry revs toward record numbers

SOHEL PARVEZ

More than half a dozen of firms are establishing facilities to assemble and manufacture two-wheelers. Every day new buyers are visiting the sales centers in their quest for faster mobility, be that in traffic congested big cities, small towns or in rural areas. Emergence of ride sharing has given further impetus to the once slow growing sector. Now more than 1,000 bikes are sold daily, which was just half of daily sales five years ago, according to data collected

wheeler in the country. Runner makes the forecast betting on the economic growth prospects of the country that registers over 6 percent growth in GDP for more than a decade and a significant number of youth in the demography.

"Notably, in this growing economy, more than 75 percent of Bangladesh population is less than 40 years old, who aspire to have easy and independent mobility solution for their day to day needs. A motorcycle can be a very good solution to cater to this need of

ownership increases exponentially when the GDP per capita PPP (Purchasing Power Parity) of a country is crosses \$4000. This is a clear indicator of potential of growth in automobile sector for Bangladesh as its GDP per capita PPP currently is hovering around \$4,500, he added.

"We see huge prospect for motor cycle market," said Subrata Ranjan Das, executive director of ACI Motors, which markets two-wheelers by Yamaha and has plans to assemble Yamaha motorcycles here. He said total sales of bikes would exceed 10 lakh by 2021 if the existing import duty and manufacturing policy remains unchanged.

Industry operators said sales of bikes, which was below 2 lakh units in 2013, started soaring after the government cut supplementary duty (SD) on import of the two-wheeler's components. The duty on import of completely knocked down units of motorcycle was slashed by 25 percentage points to 20 percent in 2016-17 to encourage local assembly and subsequent manufacturing. As a result of the reduction, prices of bikes fell, encouraging customers to buy.

Sales of bikes shot up 44 percent year-on-year to 3.87 lakh units in 2017 from a year ago. This was the highest sales of bikes in a year, said Das of ACI Motors, a concern of ACI Ltd.

Ashikul Islam, regional sales manager of Rancon Motor Bikes Ltd, said the market will grow fast until the end of 2019. All the major players will start assembling in the next couple of years, said Islam. Rancon is setting up a plant to assemble Japanese Suzuki brand bikes in Gazipur, nearly kilometer north from Dhaka city.

Operators said the rapid popularity of ride sharing through apps has also

pulled up demand for two-wheelers in recent months. "New buyers are coming to buy motorcycle to earn through offering ride-sharing," said Islam.

Runner's Chairman Khan said ride-sharing apps have a good contribution to the recent increase of bike sales. Govt has framed the policy framework and many ride-sharing start-ups have started to mushroom. These app based mobility solutions are enticing the youth to earn some quick and reasonable cash out of commuting through sharing of resources, he said. "We expect this trend to continue considering a lot of young migrants in search of opportunity from rural lands to cities such as Dhaka, Chittagong and Sylhet. Many organisations have offered customised packages to various ride-sharing companies to attract this influx of demand arising out of shared mobility," said Khan.

ACI's Das said overall demand for motorcycles have increased in Dhaka because of popularity of ride-sharing. Sales of bikes in 110-125 cc segments have risen, he said. However, operators said the sector could not grow as expected in absence of finance from banks and financial institutions. At present, banks and financial institutions do not finance motorcycles in Bangladesh, although banks finance motorcycles in the neighbouring countries, according to Khan of Runner Automobiles. "And this has catalysed the growth in motorcycle industry," he said urging the government for encouraging banks to finance two-wheelers.

Das of ACI echoed Khan. There should be schemes like auto-loan for motorcycles, he said. Das also demanded policy continuity and consistency to help flourish the bike industry.

Last year, the government framed a policy to facilitate the development of motorcycle manufacturing industry in Bangladesh to meet the domestic demand for low-cost modes of transport as well as to expand the export basket. The policy has targeted to locally manufacture 5 lakh motorcycles a year by 2021 and double the number by 2027. Policies supporting the manufacturing ecosystem domestically would not only help create more jobs for the Bangladeshi people through automobile sector but can also help produce more affordable and qualitative motorcycles," said Khan. He said Runner Automobiles has plants in Bhaluka and Gazipur and produces frame body, fuel tank, swing arm, stand and other child parts at the facility.

The company, which got the President's award for Industrial Development, also promotes and encourages entrepreneurs to come up with component manufacturing, said Khan, adding that the company was taking components—motorcycle seats, drive chains, tyres, batteries and plastic components—from various local vendors in Bangladesh. Runner has also started exporting its two-wheeler to Nepal.

Islam of Rancon said some firms have started making components of two-wheelers to support domestic manufacturing here.

Das of ACI also suggested rationalisation of tariff structure for import of scooter. Duty structure between scooter and motorcycles should be separate. Reduced duty of scooters will encourage more women to use the two-wheeler, which is also linked to women's empowerment, he added.



*"There is huge opportunity to grow," said Hafizur Rahman Khan, chairman of Runner Automobiles Ltd, a pioneer in setting up plant to make two-wheeler in the country.*

from industry insiders.

Operators now predict that the market would grow many folds in the next two-three years because of rising incomes, steady growth of economy and favourable policy and tariff structure that encourages assembling, leading to the eventual manufacturing. This is expected to gradually end import of completely built bikes into the country.

"There is huge opportunity to grow," said Hafizur Rahman Khan, chairman of Runner Automobiles Ltd, a pioneer in setting up plant to make two-

the emerging middle class of Bangladesh," he said. Presently, only around 19 percent of households in Bangladesh have motorcycles, which is less than that of neighboring countries such as India where 47 percent of households have bikes. In China, 60 percent of households own two-wheelers. The percentage of households having bikes is 43 percent in Pakistan, 83 percent in Malaysia and 87 percent in Thailand, said Mukesh Sharma, managing director & chief executive of Runner Automobiles. Elasticity of vehi-









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