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## Realising the potential of Bangladesh automotive industry

JAGARAN CHAKMA

Even though the affluent middle-class in Bangladesh is growing rapidly and increasing its purchasing power, the demand for passenger cars are still low compared to India and Thailand.

According to a LightCastle study, the size of the country's automobile industry, in particular the passenger vehicle segment, remains modest compared to other Asian peers with only 2.5 cars per 1,000 population.

The market has grown multifold over the years and has become an industry worth USD 1 billion.

However, the industry experts believe that the market size of passenger cars is not bigger than Tk 5000 crore.

According to the Bangladesh Road Transport Authority (BRTA), only 20,093 passenger vehicles were registered in 2020, covering a mere 5.3 percent of the automobile industry volume.

Passenger vehicles include sedans or private cars, sport utility vehicles (SUVs) or jeep, and microbus or multi-purpose vehicles (MPVs). Within the passenger vehicle segment, sedans (also referred to as private cars) accounted for almost 55 percent of vehicles, with 12,403 units registered in 2020.

The remainder of the passenger vehicles segment was captured by SUVs and minibuses with 4,911 units and 2,779 units respectively.

These numbers have also changed over the last few years, where SUVs and MPVs have mostly recorded a gradual increase in demand, while the registration of sedans have at times been stagnant or even decreased.

The automobile market in Bangladesh has seen significant growth in the last decade, especially between 2015 and 2017. At the peak of its trajectory, BRTA had reported 32,942 registered passenger vehicles in 2017 that has since been in decline. Between 2018 and 2020, the

TOTAL REGISTERED CARS  
**20,093** IN **2020**

TOTAL PASSENGER  
CARS IN BANGLADESH  
**539,079** UNITS

AVERAGE ANNUAL  
GROWTH **8%**

MARKET SIZE TK **5000**  
CRORE



TOTAL **12,403** UNITS OF SEDAN  
CARS REGISTERED IN **2020**

TOTAL **4,911** UNITS OF SPORTS UTILITY  
CARS REGISTERED IN **2020**



TOTAL **2,779** MICROBUSES  
REGISTERED IN **2020**

Major customers – higher middle  
class, mid-level government officials,  
corporate house and government  
project

Expenditure to run a car—  
fuel, driver salary, repairs and  
maintenance, insurance, road  
tax, fitness fee

number of registered passenger vehicles  
has declined by almost 39 percent.

Moreover, the automobile industry is  
still heavily import dependent.

Currently, Pragoti locally assembles  
cars made by Japan's Mitsubishi Motors  
while PHP Motors, a sister concern of  
the PHP Family based in Chattogram,  
assembles cars designed by Malaysia's  
Proton Holdings Berhad.

Besides, Indian automotive giants  
Tata Motors and Mahindra & Mahindra  
recently showed interest in setting  
up similar partnerships with local  
manufacturers to grab a bigger slice of  
the growing Bangladesh automobile  
market.

At present, about 60 to 65 vehicles are  
sold across the country each day.

When the market had just started to  
take off in 2012, the daily figure was 29,  
indicating a 117 percent increase in the  
last eight years according to Bangladesh  
Reconditioned Vehicles Importers and  
Dealers Association (BARVIDA).

In 2019, car sales amounted to Tk  
5,000 crore, which was more or less the  
same the year before.

Bangladesh's thriving automobile  
sector has grown 8 percent on average  
annually since 2012, according to  
industry insiders.

According to the Automobile Industry  
Development Policy 2021, the local

automobile industry has been considered  
a potentially major industrial sector for  
the last two decades as it has registered  
impressive annual compound growth  
and contributes greatly to the national  
economy.

Bangladesh will cut its over-reliance  
on imported vehicles, switch to  
electric modes of transportation and  
become a regional hub for automobile  
manufacturing by 2030 as the  
government unveiled the country's first-  
ever policy to develop the sector.

The policy promises to offer tax  
and export incentives to encourage  
entrepreneurs to establish automobile  
plants in the country.

Opportunities for four-wheeler

The market is growing annually at a  
rate of 8 percent with an increasing  
purchasing capacity of the growing  
middle class of the country. The middle  
class are the main customers for  
passenger cars.

As per the policy, investors will get the  
opportunity to import capital machinery  
and equipment to make cars at zero duty.

Besides, commercial vehicle  
manufacturers will get duty-free access for  
the import of auto parts for four years.

Investors will get concessional loans to  
market locally manufactured commercial  
vehicles, according to the policy issued by  
the industry's ministry on Tuesday.

A 15 percent cash incentive will be  
given for the exports of locally assembled  
or CKD (completely knocked down) cars.

The local automobile industry  
is nearing critical mass thanks to its  
ability to adopt new technologies and  
increased efficiency in human resource  
management.

"Bangladesh's automobile industry  
could even become a part of the global  
supply chain in the future," the policy  
states.

Growing demand for cars and  
motorcycles is a result of the rise in  
purchasing power among the general  
public, it added.

The policy aims to provide a clear  
roadmap on how to take the country's  
evolving automotive ecosystem forward.

On the other hand, the policy  
discourages the import of completely  
built-up units of used vehicles as locally  
assembled cars are more affordable than  
the imported ones.

The government will attract both local  
and foreign investment, the policy said.  
The authorities will set standards for  
locally manufactured vehicles in keeping  
with global benchmarks, and help local  
manufacturers to enter new markets.

SEE PAGE J2



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# Family cars: The other name of convenience

ARFIN KAZI

With time, the number of vehicles getting registered in Bangladesh is on the rise. According to 2019 statistics from BRTA, about 500,000 motor vehicles were registered in 2019 alone and among these, 150,000 were passenger cars, in addition to buses and motorbikes.

Family cars in general are manufactured with convenience in mind, and in Dhaka, the number of sedans and mid-sized SUVs

commute; firstly, the personal space and privacy that is achieved from the cabin, and secondly, exposure to dust, grime and pollution is minimal compared to motorcycles and public transport.

Cars are safe and can be used to commute with less exposure to pollution, however, it occupies a larger footprint on the road, which means a large chunk of time is spent in traffic jams. From a Bangladeshi point of view, people usually complain about how they have to push through thick traffic congestions.

to school with their chauffeur.

Abdul Mannan, a professional chauffeur who, by design of his profession, spends most of his day on the road, thinks that people who are driving on the road should enjoy their convenience responsibly.

"Sometimes it feels like I am on a race track when driving, everybody thinks they are the only ones in a hurry. People should understand that cars allow us to travel comfortably and with air conditioning during the summer," he shared.

Although the second hand car market is becoming saturated, prices are still competitive. Usually, one manages to get a good deal only if they buy a car from direct parties, otherwise they are redirected to second hand car showrooms, through brokers or third-parties.

Zaheen Chowdhury, owner of a car sales showroom in Dhaka, shares how people's buying habits have changed over time.

"If you ask me about how the reconditioned market is moving in general, people are mostly moving towards buying hybrid vehicles and SUVs that are cheaper to buy in general, as hybrid taxes are lower," he shared.

Cars are a great investment for movement. If you want to commute fast while still having a car, hatchbacks are great options to look at. Even though commuting will not be faster than a bike, it won't be slower than a bus. It's a common middle ground which is more popular.

Newer brands of cars are coming through to meet demands, and in my opinion, this is the best time to get your hands behind the wheel. There are many options to choose from – big or small –and at the end of the day, commuting will be more comfortable.

Araf Afzal, a local businessman said, "When we bought our SUV, it was primarily so we could regularly go on family trips during the weekend. Without a large vehicle, coordinating the commute can become quite tedious, as we have a big family. Our SUV also allows us to go on random drives whenever we feel like it, and this was particularly useful during the lockdown when everything was closed and we could not go anywhere."

A car that gets driven daily can be compared to a moving house. And manufacturing companies are now focusing on comfort, drivability and efficiency even more to ensure that more families consider the option of getting a family car.

# Realising the potential of Bangladesh automotive industry

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"Progressive leasing policy will be pursued to help locally-made automobiles expand their markets," said the policy.

Abdul Matlub Ahmad, chairman of Nitol-Niloy Group, said the policy would help Bangladesh become an automobile manufacturing nation.

"Customers will benefit as they will get vehicles at affordable prices," he said.

Thanks to the policy, local manufacturers will be able to sell a sedan car within Tk 10 lakh as customers would not have to pay import duties, according to the entrepreneur.

The government will draw up a reconditioned car management guideline to support the firms involved in running reconditioned car businesses and local manufacturers.

An automobile scrapping policy will also be formulated. The government will impose anti-dumping taxes to prevent dumping and unfair trade practices.

A one-time 100 percent duty and tax waiver will be extended for the imports of machinery to set up CKD factories.

The total tax incidence will be 25 to 35 percent for CKD level manufacturers for imports of parts. It will not be more than 10 percent if parts are sourced locally, the policy mentioned.

Factories will be entitled to a 1 percent tax rebate if they spend 1 percent of their annual income on research and development.

The policy will look to transform a majority of the vehicles, particularly passenger cars, buses, trucks and three-wheelers, into electric vehicles (EVs) by 2030.

A 10-year tax holiday will be provided to EV assemblers or manufacturers.

In order to ensure higher production of EVs and keep the emission levels to a minimum level, the government will offer financial incentives, waiver of road tax and reduced registration fee for a certain period.

**Challenges of automobile sector in Bangladesh**

According to the market players, the market size of passenger cars is still infant.

Mannan Khan, chairman of Bangladesh Auto Industries Ltd (BAIL), said, "In our country, the lower-middle and middle class dream of buying vehicles but they cannot afford it as the prices are excessive."

Industry insiders said the government imposed the duty on import of car in early nineties when only the rich would buy cars for their own use or commercial purposes.

However, after 30 years, the economy of the country has changed a lot –so now the car has become necessary for the urban-middle and higher-middle class.

Due to high tax, the price of a car is very costly in Bangladesh, and for this reason, the market for four wheelers is yet to boom like India and Thailand.

According to car importers, when a car is imported at USD 5,000 from Japan, the retail price becomes around Tk 22 lakh in Bangladesh due to high tax.

The middle-class citizen cannot afford a car of his own due to the high price of car. And the market size will not increase without reducing tax on local manufacture.



are on the rise as prices have become more affordable and monetary funds, such as bank loans, have become more accessible.

Second hand cars meant to push traffic as of now, have been getting more affordable to the point it can be said used, cheap cars are getting better in terms of the Bangladeshi standard where there are cars in any budget, from the bare minimum to high end cars meant to push traffic.

There are reasons as to why family cars are considered a more convenient way to

Even though driving around local buses and rush hour traffic can be a bit cumbersome, but in the end, it is a small price to pay for private commuting.

Additionally, cars provide an easier way to accommodate a larger number of people. Family vehicles can seat up to eight people on average. As a result, families can travel together more easily as opposed to using public transport, bikes, rickshaws, etc. They are also a safer way to send kids to school, as working parents can just send their children



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