

Motorcycle industry eyeing favourable growth

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The demand for motorcycle has remained between 4 lakhs to 5 lakhs units during the last few years due to the prolonged economic impact of Covid-19 in the last two years.

However, the market players are hoping to achieve 20 percent growth this year, compared to previous year, as the economy of the country recovers to normalcy.

According to data of Bangladesh Road Transport Authority (BRTA), a total of 20,088 units of motorcycles have been registered with the organisation in the first five months of 2022.

The market insiders are assuming the tally will cross 5 lakhs and another 50,000 units will remain unregistered.

Basically, the motorcycle market witnessed a slow pace in 2020 due to Covid-19, and saw an auspicious start in 2021, but the trend did not finally continue.

Abdul Matlub Ahmed, chairman of Nitol-Niloy Group, which assembles Hero motorcycles in

almost equivalent to the market size of four-wheelers.

According to him, the policy support of the government helped entrepreneurs to manufacture and assemble motorcycles locally, which reduced the price of the vehicle.

Ahmed said the government did not impose new tax on motorcycle industry but rather encouraged to reduce import of completely-built units of motorcycles.

Besides, the government also discouraged the import of luxurious motorcycles, which will help to strengthen the industry.

He said the market is highly competitive at this moment, so consumers are getting benefits from the industry as there is no scope to manipulate the market.

The government has recently granted permission to manufacturers to produce bikes up to 500cc engine capacity, a move that is expected to boost the motorcycle industry in Bangladesh and provide the scope for bike lovers to ride higher engine two-wheelers.

The development comes as demand for

published last April, the government stated motorcycle makers would be able to import machinery and spare parts required to manufacture 500cc bikes. It, however, banned the import of bikes above 165cc engine capacity.

Taskeen Ahmed, managing director of IFAD Motors Ltd. told The Daily Star in April, "This is a positive development. This will attract fresh investment and give a boost to the backward linkage industry and vendor development."

IFAD has already signed a memorandum of understanding with British-bred Royal Enfield to import the latter's famous two-wheelers.

Bajaj is the market leader with 42 percent share of the motorcycle segment in Bangladesh. It sells around 2.5 lakh units on average per year. It manufactures 12,000 units per day at its Zirani factory in Savar.

Dileep Banerjee, chief executive officer of Uttara Motors, the sole distributor of Bajaj motorbikes, said Bajaj's imported motorcycles occupied at best 4 percent of total market, which is very insignificant.

He said the government allowed to manufacture higher engine capacity motorcycles in Bangladesh, which will help imports to come down to zero. He added

that almost all models of Bajaj motorbikes are available in Bangladesh, either through manufacturing or assembly, and the quality is the same as in India.

However, Banerjee said the company is still far away from manufacturing components in Bangladesh as local

vendors are yet to develop.

He believes it is possible to manufacture majority components if the government takes initiatives providing incentives to the entrepreneurs.

Banerjee said that sale has already regained and crossed the pre-pandemic levels and higher segment motorcycle buyers will also create an impact as they will shift to 250cc from the now 165cc.

According to him, almost all brands are doing good in marketing of motorcycles in Bangladesh.

"I think the industry will achieve 20 percent growth in 2022 and 2023 due to economy coming back to pre-pandemic levels," he said.

MOTORCYCLE MANUFACTURING IN BANGLADESH

Back in 2000, Runner Automobiles, the pioneering motorcycle manufacturer and exporter, initiated its journey in Bangladesh. For 20 years, Runner Motorcycles has been continuously expanding its business all over the country, leading in the sub-100cc segment and as the first company to export motorcycles abroad successfully.

Carrying the badge "Made in Bangladesh" in 2000, Hafizur Rahman Khan, now chairman of Runner Group, chose to enter the thrilling yet risky world of entrepreneurship. The company assembled motorcycles by setting up facilities to cater to the national market. It also compiled motorcycles of Dayang brand by importing them in completely knocked-down condition from China.

Later, Runner opted to manufacture the components of two-wheelers. Within a short time, it established its brand title in the domestic industry as "Runner Motorcycles". Runner Motorcycles officially got approval as a bike manufacturer in 2011 and now has state-of-the-art manufacturing processes at its factory in Bhaluka, which produces 100,000 motorcycles annually with the help of over 300 agile factory personnel, and sells over 30,000 units yearly.

MARKET GROWTH

The market began to grow rapidly in fiscal year 2016-17 when the government slashed the supplementary duty, by 25 percentage points, on the import of the two-wheeler components to encourage domestic manufacture.

Right after the decision, the price of

motorcycles dropped by Tk 30,000 to Tk 50,000 within half a year, and distributors also introduced equal monthly instalments and offers for different festivals.

Besides, the government formulated the Motorcycle Industry Development Policy 2018 which aims to help the industry, although the industry faced numerous challenges due to Covid-19.

Due to effective policy of the government, the market became competitive and the price reduced significantly, rejuvenating the market.

According to industry insiders, the policy helped to develop the motorcycle industry rapidly and created skilled manpower for the sector.

MOTORCYCLE ASSEMBLING AND MANUFACTURING

Now, nine firms – Japanese brands Honda, Suzuki and Yamaha; India's Bajaj, TVS and Hero; and Runner Automobiles of Bangladesh, Atlas Bangladesh Limited, and Grameen Motor – have made the country almost self-sufficient in motorcycle manufacturing or assembly in the fast-growing market.

Of them, Runner, Honda and Hero mainly manufacture motorcycles.

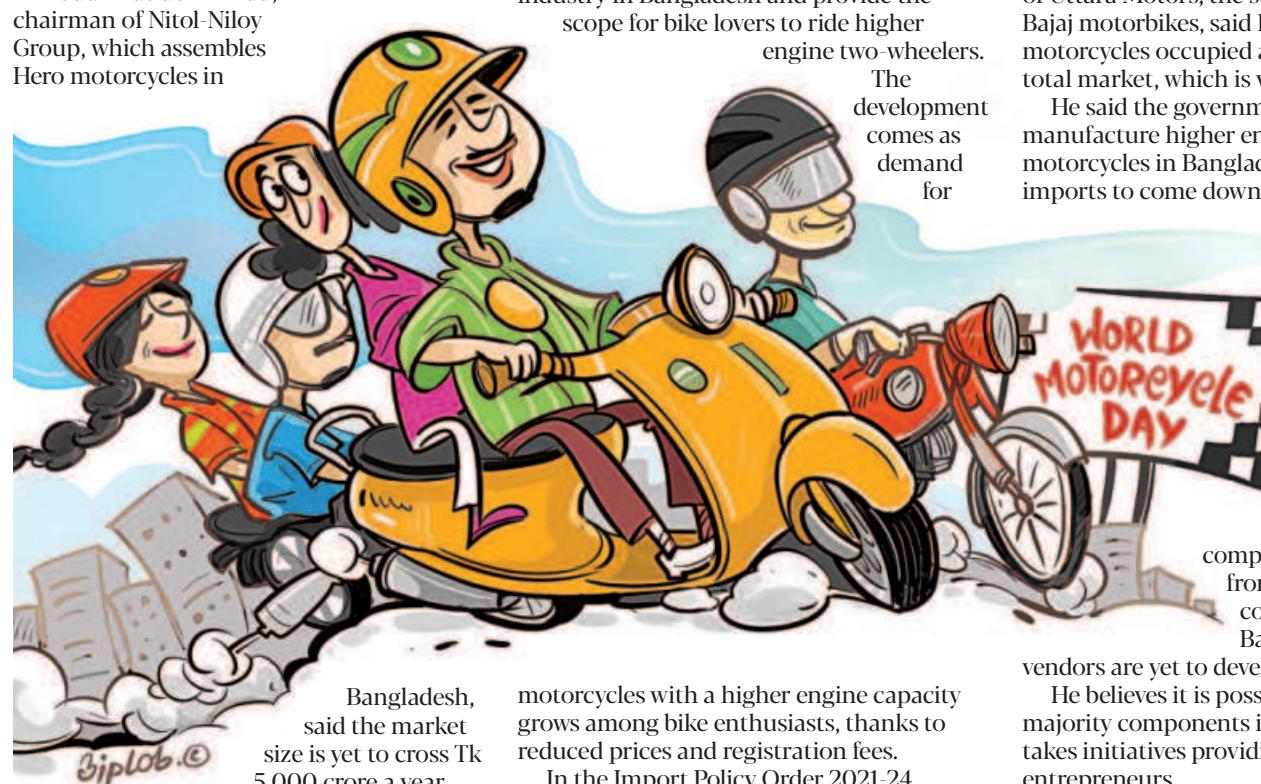
COMPONENT MAKERS STILL LIMITED

Local vendors for the industry are yet to develop despite government policies aimed to help the motorcycle industry. However, local companies are gradually making a foray into the component manufacturing segment with a view to cutting the country's reliance on imports.

A motorcycle manufacturer requires more than 700 components to produce a bike. The local light engineering industry can make four components, namely drive chain, seat, stand, and battery.

Presently, only four companies manufacture components in Bangladesh, and one of them is QVC Bangladesh. Located in Sundarban union in Dinajpur Sadar Upazila, the company produces around 2.5 lakh drive chains every year against the capacity of about 5 lakh.

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Bangladesh, said the market size is yet to cross Tk 5,000 crore a year,

motorcycles with a higher engine capacity grows among bike enthusiasts, thanks to reduced prices and registration fees.

In the Import Policy Order 2021-24,

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