

# Handy Guide for Investment Opportunities in the Auto Industry Sector of Pakistan Particularly for Chinese Investors



By: Muhammad Yousuf Shaikh



## Muhammad Yousuf Shaikh

*The Founder & Chairman of Pakistan China Motorcycle Industry Council, offers his analysis of the motorcycle trade & industry trends from Pakistan & China. The Chairman PCMIC working with motorcycle trade & industry for over two decades, Yousuf believes that new projects with foreign investment particularly Chinese investment could help Pakistan to design and produce its own automobiles mainly motorcycles engines as Pakistan have strong brotherly & bilateral trade relation with the Chinese nation. Motorcycle Industry Require intensive investment & huge financial resources, PCMIC proposed projects in public private partnerships and mergers & acquisition of existing companies is the way forward for the Pakistan's Chinese motorcycle industry. The result of this development could have profound implications on the Pakistan's motorcycle industry over the next decade. To reach him, email: pakchina.mic@gmail.com .*

**Unsure about where to establish your new engine manufacturing facilities? Well, here is a handy guide that showcases some highlights of the benefits of investing in the automotive industry in Pakistan.**

### Invitation for Investment Opportunities:

PCMIC takes pleasure in portraying several investment opportunities pertaining to rehabilitation and modernizing its member's selected factories and establishment of new factories in the auto industrial sectors. This organization is a Pakistan & China Motorcycle trader & Industrial group network for Pakistanis, Chinese and their friends. In addition to being a Pakistan & China motorcycle trade & industry watcher, an investor, a business consultant and an avid follower of the Chinese Motorcycle Trade & Industry markets.

Specialized International/Chinese Companies, Businessmen, and Financiers are invited to participate in opportunities that may achieve economic viability and create rapid positive revenues. The concept is that the investors and their supporting teams would rehabilitate and manage the plant on their account against a share of production achieved; for a negotiated period of time.

The strong points of these opportunities are:

- ➔ • High local demand of the products.
- ➔ • Availability of trained and experienced manpower.
- ➔ • Availability of local raw materials.
- ➔ • Adequate investment legislations and favorable

terms for agreement.

- ➔ • Fast return on investment.

The PCMIC expresses its willingness to assist investors with all the necessary clarifications as well as facilitating essential visits to the factories (if required). Interested investors are kindly requested to submit their inquiries to chairman PCMIC at pakchina.mic@gmail.com at their earliest.

The PCMIC Handy Guide on Automotive Investment is the only consolidated collection of investment in the auto sector in the county which provides a timely and reliable source of information primarily for business (especially investors), and also for investment promotion agencies, government policy makers, academics, and regional and international organizations in Pakistan and other regions. The Guide will assist entrepreneurs in making sound investment decisions and policy makers in formulating consistent and coherent strategy decisions. This version is composed of information compiled by the PCMIC marketplace members by responding to the Council's questionnaires.

### Introduction to Investment Sectors:

PCMIC recommends to Chinese automobile manufacturers to investment in Pakistan's auto industrial sector as there are numerous investment opportunities in Pakistan. I would like to invite them to take part in the automotive sector. The avenues exist in setting up motorcycle engine manufacturing units and for their integral parts which are presently being imported, low priced small car units, manufacturing of car sub-assembly components which are also presently being imported and setting up of a tractor assembly plant. The PCMIC offers to assist Chinese manufacturers in finding local partners for them since the Government is interested in promoting competition in the auto sector.

Detailed information on the automobile sector of Pakistan and the separate investment opportunities can be provided to interested investors. Currently Japanese car manufacturers have 100 percent share in the local car market against 45 percent in the motorcycle sector, whereas the Chinese share in the latter is 55 percent. Notably, about 133,972 cars were manufactured during 2010-11, while motorcycle production was way beyond at 1,535,427 units. Any manufacturer can invest in Pakistan under the Auto Industry Development Programme (AIDP) or the Tariff Based System (TBS). ***The government intends to make the existing policy regime more flexible for new entrants in order to attract foreign investment. An amended policy is expected soon and it is emphasized that Chinese manufacturers would be persuaded to explore the Pakistani market.*** For any query with respect to this article or any other content requirement, please contact Editor-in-chief at pakchina.mic@gmail.com

PCMIC is pleased to provide the following services to foreign or local Investors in the Auto Industrial sector.

- ➔ • Undertake customized market research and statistical reports on the Pakistan Auto Industry market.
- ➔ • Identify automotive products; both vehicles and components for

import and export.

- ➔ • Help find distributors and suppliers of automotive products.
- ➔ • Identify and evaluate potential cooperative or joint venture partners.
- ➔ • Help setup dependable business networks in Pakistan.
- ➔ • Conduct legal, financial, human resources,
- ➔ • Technical management and feasibility studies.
- ➔ • Help negotiate automotive business deals.
- ➔ • Help with liaison and management of business ventures in Pakistan.
- ➔ • Help identify and locate local executives and employees.
- ➔ • Walk our customers through the Pakistani maze of bureaucracy.
- ➔ • Services on a retainer basis are available.

***The PCMIC Investment Handy Guide has a major two-fold objective. Firstly, The Pakistan/China Motorcycle Industry has an emerging investment opportunity in public/private partnerships to set up an inventive Research & Development Production Facility. Secondly, this is a much needed industrial project which is profitable and feasible due to a big demand in our local market.*** This prompts me to draw the kind and valuable attention of prospective investors towards what I mention below.

The Pakistan Auto Industry has been around for more than 60 years, and today is considered to be a source that is highly important to our country's economy. The motorcycle industry employs an estimated 100,000 people. Over 2 million motorcycles are manufactured annually. All auto assemblers-cum-manufacturers at present are Pakistani. The majority of the motorcycles being manufactured in Pakistan are of 70CC capacity. Most of the parts used in the frame, suspension, engine etc are interchangeable, or can be used with minor adjustments. But all Pakistani motorcycle manufacturers still depend on foreign technology and the country is still unable to design and produce its own motorcycle; especially the engine and key parts. This makes it difficult for the industry to develop and produce new models/designs to fulfill the demand of the market.

Pakistan's Chinese dominated motorcycle assembling continues to see a strong growth in terms of production and marketing and are forcing the industry and investors to explore alternative opportunities; including working with international partners and expanding into research and development (R&D) services. The Motorcycle production has increased from 100,000 units at the start of the century, to around two million units per year. Despite this fact, Pakistan still does not have any dedicated manufacturer of the key parts of motorcycles such as the Complete Engine, Carburetor, Drive Chain, Timing/Cam Chain, hundreds of separate engine components (Cylinder Head, Ring/Piston Set, Ball Bearings, Bushes, Timing Chain, Crankshaft, and many other components) and also the Handle Switches, Lock Sets, Wheels Hubs & Breaks, Complete Front and Rear Shock-absorbers in dismantled condition and Speedometer Movements; therefore these are 90% imported through different channels.

***Moreover, there was a time that motorcycle production was as low as 100,000 units per year whereas this figure now stands***





**at two million units per year. This fact makes it economically feasible to produce ancillary items; mainly the motorcycle engines.**

The engine is a core part of the motorcycle, and the demand for motorcycle engines is directly related to the demand for motorcycles. The motorcycle engine market has great potential as a result of the booming motorcycle demand. Better performance motorcycle engines are needed due to the demand of shifting from standard two-wheel motorcycles to more sophisticated and technically advanced models. Motorcycle engines are in the process of upgrading to low emission, low vibration, low noise and low heat load engines with displacements over 125cc.

Along with the sales of three-wheeled motorcycles (also known as tri-wheelers) in Pakistan, demands for their engines are also growing fast. The three-wheeled motorcycle manufacturers of Pakistan also do not have the ability to produce their required engines. Also, the technology to produce such engines is different from those of two-wheeled motorcycle engines due to their exclusive features. Hence, international market demands will be satisfied by those manufacturers that have the R & D and manufacturing capabilities for three-wheeled motorcycle engines as well.

Our motorcycle industry is divided into two markets. The mainstream market consists of manufacturers who are from overseas joint ventures. The other market is the niche market, consisting of SMEs producing Chinese motorcycles. ***These are Pakistani-owned companies that depend on design and production technology from abroad. In this market most of the companies are Pakistani and products are sold domestically, where there is little foreign competition.*** Most of the involved parties have not been utilizing enough technology in terms of design, manufacture and engineering.

Due to the importance of the Pakistan motorcycle industry, the Pakistan China Motorcycle Industry Council (PCMIC) has planned to invite foreign investors to set up a support programme for a Motorcycles and Parts Research and Development Institute & Production Facility under

the industrial and services cluster group. This will enable specialized industries to have the capability to design and produce motorcycle engines and other parts which are still not indigenized in Pakistan.

It will be a profitable and risk free investment for foreign investors which helps strengthen the niche market in the future and also provide technology for design, production and engineering for Pakistani parts-makers in order to raise their capabilities. The PCMIC seeks a strategic planning alliance in a public/private partnership that should be targeted at stand-alone parts design and manufacturing. The project is intended to create an automobile platform for Pakistan that would be relayed to the private sector.

The second phase of the project would address automobile and parts manufacturers, and the PCMIC would collaborate with various Government Departments like the Military Vehicles Research & Development Establishment (MVRDE), MoST, Engineering Development Board (EDB) etc. With such a coordinated approach it will be possible to include niche areas of interest to specialist Government Organizations in the development effort. four areas would be targetable:

- ➔ • Motorcycle Engine manufacturing units & their integrals parts presently imported
- ➔ • Multipurpose Larger Sized Engines (200 cc and above)
- ➔ • After Sales parts market
- ➔ • New models/designs of motorcycles

This latest expansion & development of Pakistan Chinese automobile manufacturers & keen requirements of localization of motorcycle engines up to 200cc plus a big demand of ancillary parts, prompted me to offer my services as Social entrepreneur and Chairman, PCMIC for Pakistan; as I feel my experience could make an enormous difference in the Pakistan Motorcycle Industry, and thus ensure the success of this effort.

As a pioneer of the Chinese Motorcycle Trade & Industry businesses in Pakistan, and my years of experience in the motorcycle trade & industry plus my contribution towards the flourishing development

and launching of several new motorcycles in Pakistan, my experience includes senior roles in product development, marketing and business management. I have more than 20 years of experience in the Motorcycle trade & industry. The PCMIC and their associates are committed to supporting foreign investors, especially Chinese & Pakistani entrepreneurs to develop emerging technologies that become the driving industries of the future. I am looking for an opportunity to set-up a facility for a Pakistan motorcycle industry with extensive experience of setting-up facilities for Pakistani companies on a global sourcing for motorcycles and engine manufacturing in Pakistan. These efforts are supposed to facilitate the creation of numerous companies and thousands of jobs.

Being a Founder & Chairman of the PCMIC, I am looking for investors, particularly Chinese investors for setting-up an inventive research & development, and production facility with us in Pakistan to Design & Manufacture Pakistan's own motorcycle engines in the public/private partnership. I am known to all top Chinese & Pakistani motorcycle manufacturers with all aspects of International sales & purchase, establishing new channels, selection of right design vehicles for specific markets, dealing with import/export regulations, developing new models, finding real manufacturers as well as making presentations at trade shows. ***It is with great optimism and interest that I take it upon myself to promote the Pakistan Motorcycle industry sector in China and to invite global Chinese manufacturers to establish joint ventures in Pakistan. I believe that there are several areas in which I could help Pakistan to strengthen the Pakistani motorcycle Industry and also help to export motorcycles made in Pakistan in the International market.***

The PCMIC proposed plan of inviting foreign investors to set up an inventive research & development facility and centre of excellence of motorcycle engines at Sunder Industrial Estate, Lahore, is meant to ensure that the council is able to provide a comprehensive development capability in these important and interlinked market sectors. Engineers at the centre would be able to deliver turn-key motorcycle projects including small engine program drawings and technology from across China.

The proposed project will be carried out by China based Chinese Manufactures and Pakistan's Chinese Motorcycle Assemblers through PCMIC, in cooperation with the MVRDE, Local parts Vendors and financial institutes. The project is expected to be co-financed by all the stakeholders and the Government. The Government is being requested to kindly provide interest free loans & allow a tax holiday for five years to this project. If this happens, it will be in the interests of all to design the cleanest possible engine within reasonable cost and performance constraints will require a "Team Approach" and ***the project will require intensive investment & huge financial resources. The support and guidance provided by the Government would be a great instrument for the phenomenal growth of this sector.***

Motorcycle and small engine projects are frequently characterized by

application-specific requirements. Volumes of production in particular can vary widely from niche applications, through to hand-held tool applications for which the quantities produced can often vastly exceed those of mainstream automotive products. Despite these differences, motorcycle and small engine projects tend to share many of the stringent design targets of larger power units such as optimized fuel consumption, regulated emissions, quality and, of course, lifetime cost. The existing capability in motorcycle production & marketing should further enhance the commissioning of a motorcycle research & development facility.

Underscoring the PCMIC's commitment to the growing two-wheeler sector – from luxury Chinese & Pakistani brands to the value-driven products popular in Asia – the PCMIC is pleased to assist them to establish the whole project business scope involving projects of manufacture, assembly and processing of motorcycle body parts and manufacturing of engines.

***PCMIC experts prepare expansion plans for an Engine Assembly Plant with a built-in Quality Assurance System consisting of the Longest Conveyor assisted Motorcycle Assembly Facilities integrated with "Quality Gates" and Test Equipment to meet ever increasing market requirements.***

Also, the exclusively negotiated and favorable agreements between the Pakistan government and Chinese manufacturers by PCMIC are in place for localization of components through establishment of in-house and vendors' facilities. Developed parts of 70CC, 125CC & 200CC to ensure to manufacture the motorcycle engines including backward integration for Forgings & Castings and use special steel materials from Pakistan Steel Mills (PSM). Preparation of Technical and Commercial Feasibility for the production of core technology of motorcycle engines and frame components along with project supervision by PCMIC experts.

***These efforts are supposed to facilitate numerous motorcycle companies and protect thousands of jobs in this automotive sector and to develop emerging technologies that become the driving industries of the future.*** If the government works together with PCMIC for manufacturing of these common parts; specially motorcycle engines, based on production figures the total OEM market for these parts can be determined. In addition the replacement market demand can also be estimated at various price options. For those parts where critical volumes are available, the Government & PCMIC should try and foster "embedded" linkages between the Government, the Services Cluster Group, Assemblers, Vendors, Importers and banks as a consortium that are willing to make the investment.

To do that, Pakistan's Chinese vehicle manufacturers need an ever more strategic, collaborative relationship with the Government and to be working with the supply chain and other stakeholders to achieve long term goals. I want the Council to help make that happen. The Motorcycle Industry Council will be an opportunity for the industry & the Government to work together on the long term strategic development of the sector. **MEGA**