

INVEST IN SRI LANKA

Auto Component Sector



BOARD OF INVESTMENT OF SRI LANKA

Overview

The component manufacturing sector has been recognized as key sectors with the potential to be developed and promoted in the international market by linking with the Global Value Chains. The auto component manufacturing industry at present has around 50 companies engaged in the manufacturing of high-quality auto components focused on both export market and local market.

Sri Lankan inventors and entrepreneurs have over decades been engaged in designing, developing, and producing components for the automotive industry. The growing list of components that are manufactured by outsourced entities is increasing in diversity based on the fundamental changes in the automotive industry including, Electrical Vehicles and Autonomous driving among many others.

Sri Lanka is also home to one of the world's best impact sensor switches for seat belts and airbags manufacturers that work with the world's most renowned brands. The auto component manufacturing industry is currently manufacturing sensors for the world-renowned automobile brands such as Toyota, Honda, Aston Martin, Volvo, Opel and BMW. A significant level of investment in the domestically value-added automobile manufacturing/assembly industry is an important factor to cater to the demand required by the components manufacturing industry to become competitive in the export market.

Sector Vision

"To provide a long-term, stable and consistent policy regime and to have a clear roadmap for the automotive industry, making Sri Lanka a globally competitive auto R&D and manufacturing hub and achieving the targeted objectives of green mobility."

Key Facts

Around 50 Companies

- Domestically Value-Added Automobile Assembling Industries - 15
- Locally Assembled World-Renowned Brand - 06
- Registered Domestically Value-Added Auto Mobile Components Manufactures - 25

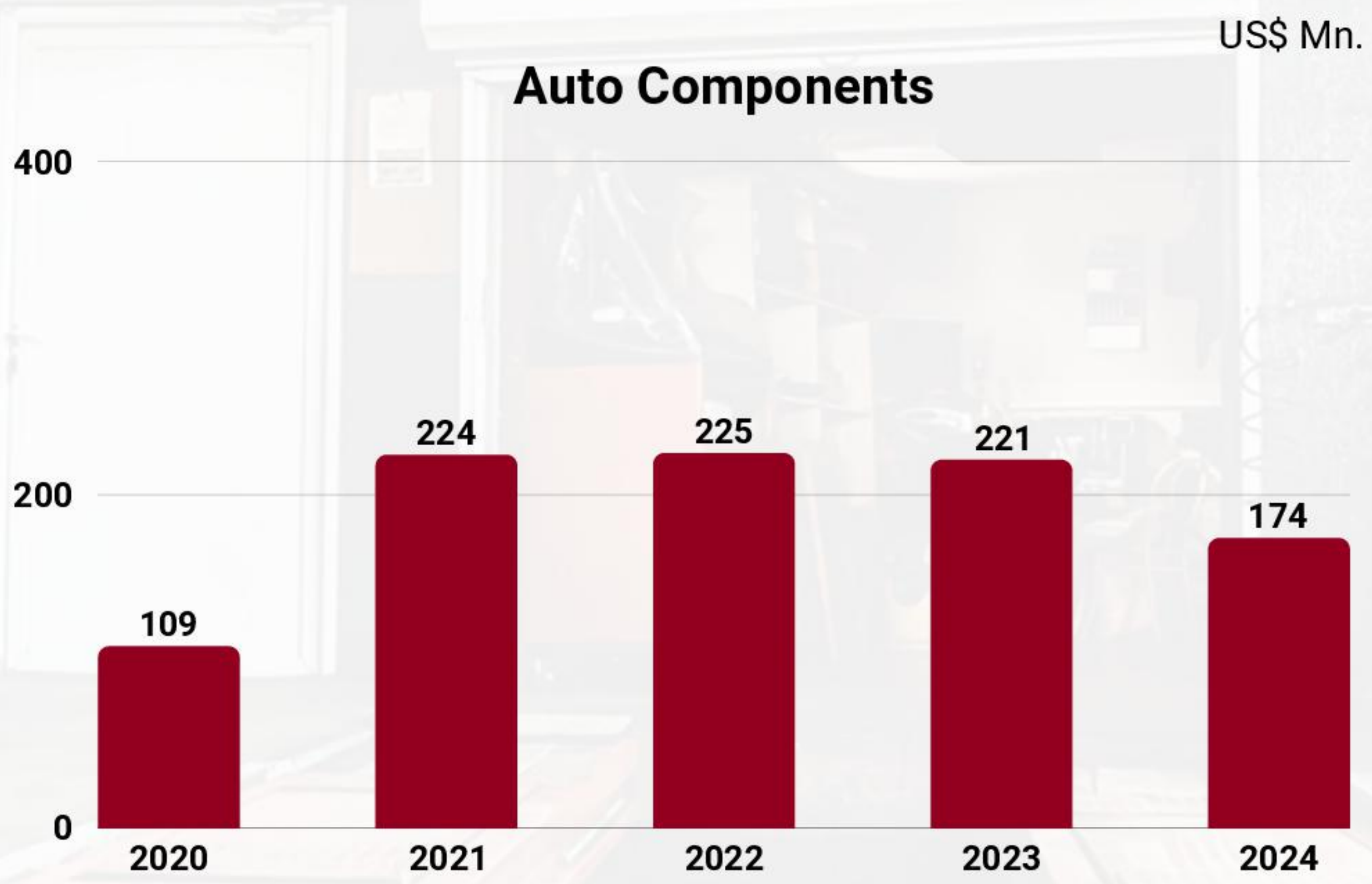
Exports over US\$ 200 Mn.

Workforce over 20,000 including technical skills persons 5,000+

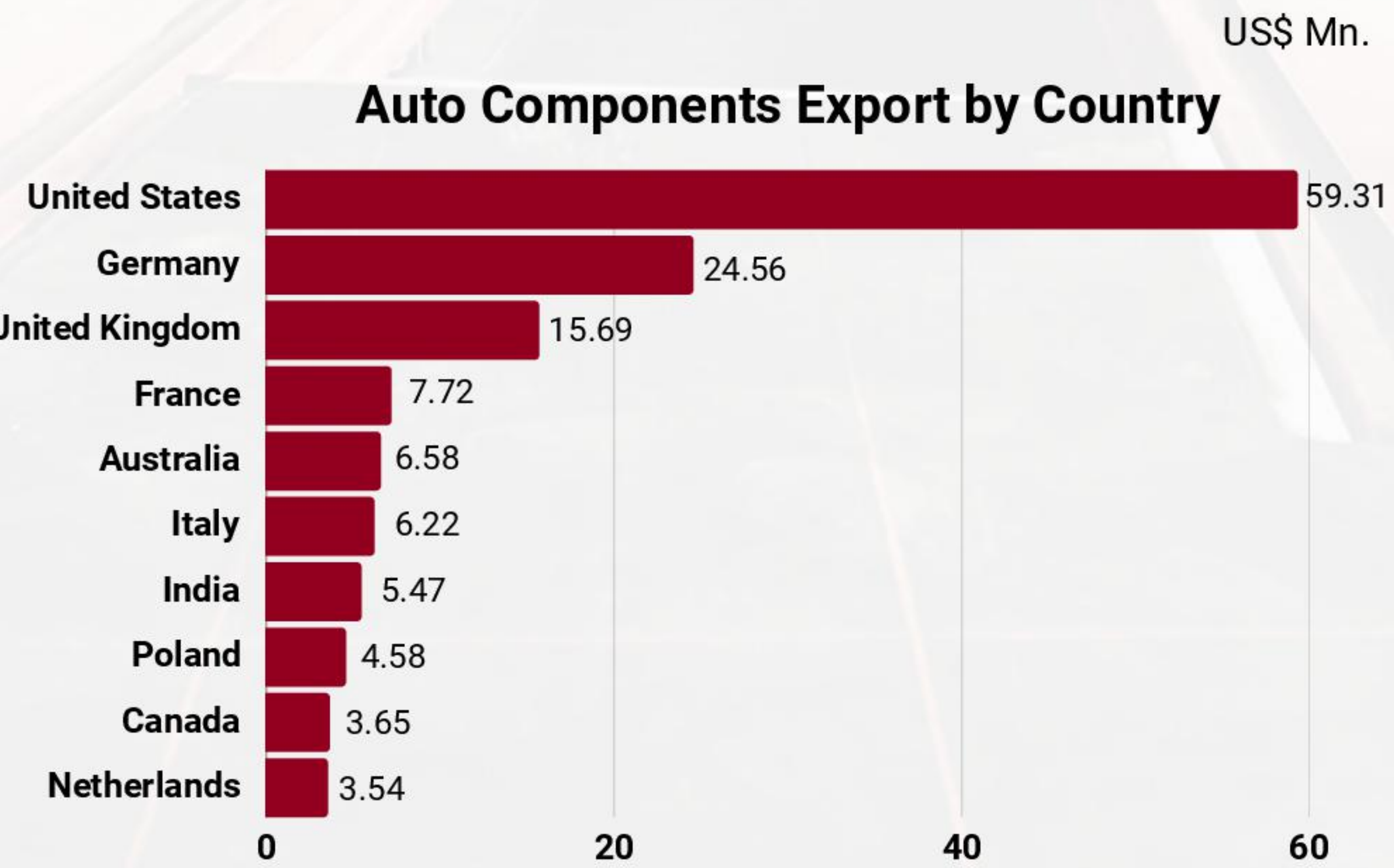
Auto Components Manufacturing in Sri Lanka

Batteries	Radiators	Cables	Seats
Sensors	Airbags	Seat Belts	Wire Harness
Clutch Systems	Suspension Components	HVAC Systems	Center Consoles
Exhausts Systems	Oil Filters	Air Filters	Head Lights
Truck Trailers	Truck Bodies	Bowzers	Tractor Trailers
Dash Board Systems	Bumpers	Body Interior Panels	Precision Moulds
Steering Racks including		Head lights	
Complete dashboard systems		Centre consoles	
Rubber Components; Seals, bushes, exhausts systems,			

Sri Lanka’s Auto Components Exports (2020 - 2024)



Source: Sri Lanka Export Development Board



Source: Sri Lanka Export Development Board

Global Recognition

- Manufacturing sensors for the world-renowned automobile brands such as Toyota, Honda,
- Aston Martin, Volvo, Opel and BMW.
- Sri Lankan Auto Component Manufacturing has entered the Global Supply Chain by the
- technical collaboration between Ideal Auto Seating and MSKH India, a joint venture of
- Magna Worldwide which is one of the largest automotive component manufacturers in the world.

Strength

Strategic Location

Sri Lanka is situated strategically at the crossroads of major shipping routes to South Asia, the Far East and the continents of Europe and America, making the country a convenient port of call for shipping lines and airfreight services for proper Supply Chain Management.

- Skilled Labour
- Over 1,500 Engineering graduates from state universities per annum.
- University of Vocational Technology (UNIVOTEC) records an output of over 800
- graduates per annum in the field of Technology.
- Vocational Training institutions generate over 10,000 skilled labours per annum.
- Supportive ICT sector for new age automobile integration

Availability of Raw Materials

Mineral Resources - Graphite

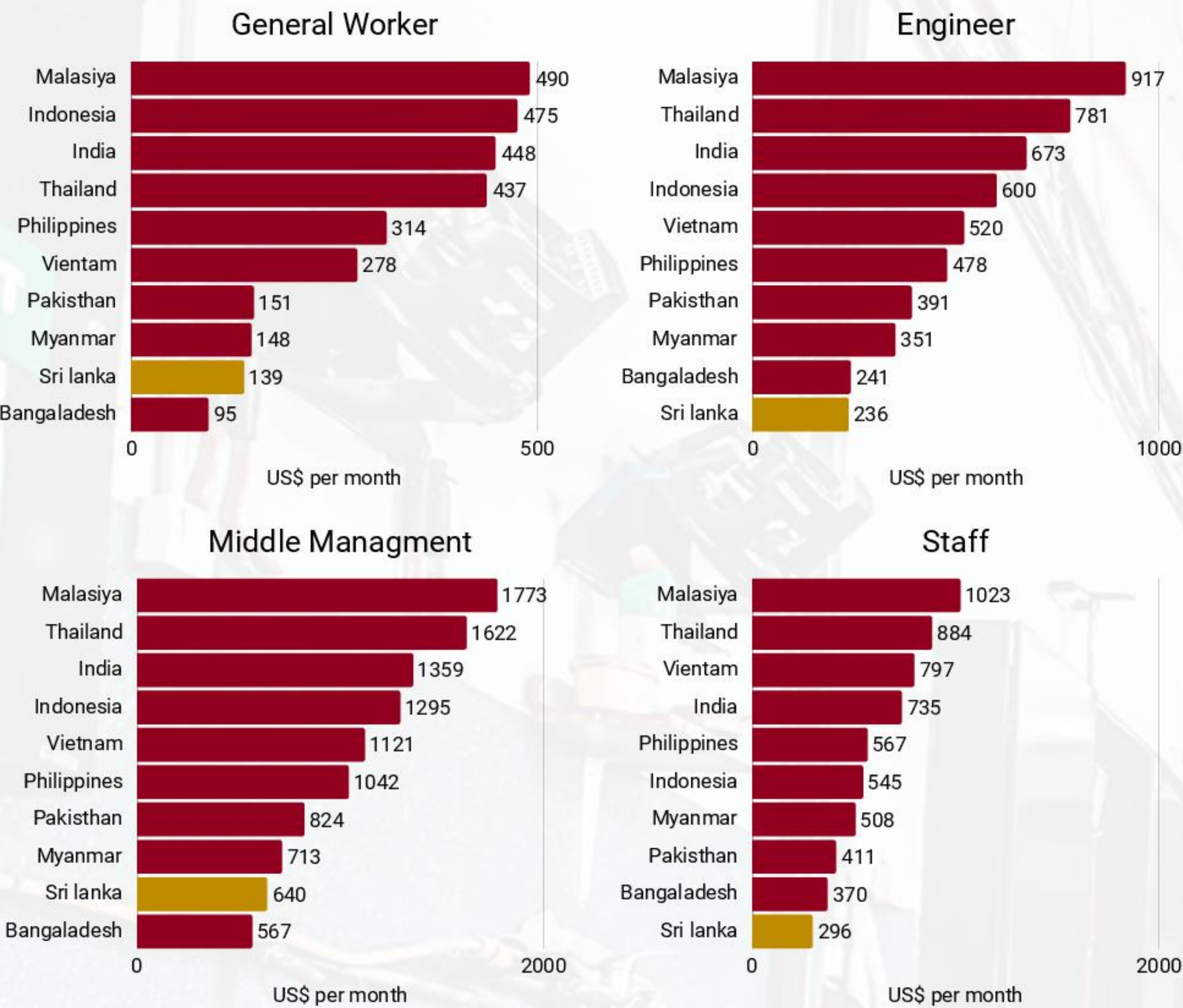
The highest quality graphite in the world (both vein and flake varieties) with carbon ranging from 97% - 99.9%. The total estimated reserve 5 million MT. in Sri Lanka.

Market Access under Trade Agreements

Indo-Lanka FTA (ISFTA) *	100% duty free for all auto components
Pakistan-Sri Lanka FTA (PSFTA) **	100% duty free market access for 60% of the total auto components
EU GSP+	100% duty free for all auto components
UK Developing Countries Trading System (UK DCTS)	100% duty free for all auto components

*Except HS Codes 4001, 4003, 4004, 4005, 4006, 4007, 4008, 4012, 4016 & 4017
** Tyres for motorcycles & bicycles, tubes for agricultural tractors & bicycles and inflatable articles

Competitive Wage Rates (US\$/Month) - Manufacturing Sector



Source: JETRO Survey 2024

Benefits to Investors

Enhanced Capital Allowance (ECA)

Total Invesment Made (US\$ Mn)	Enhanced Capital Allowance		Period for Deducting Unrelieved Losses (Years)
	Northen Province	Other than Northern Province	
> 3 and ≤ 100	200%	100%	10
> 100 and ≤ 1000	200%	150%	10
> 1,000	200%	150%	25

Depreciable Assets:

Class 1: computers and data handling equipment together with peripheral devices.

Class 2: buses and minibuses, goods vehicles, construction and earthmoving equipment, heavy general purpose or specialised trucks, trailers and trailer-mounted containers, plant and machinery used in manufacturing.

Class 3: railroad cars, locomotives, and equipment, vessels, barges, tugs, and similar water transportation equipment, aircraft, specialised public utility plant, equipment, and machinery, office furniture, fixtures and equipment, any depreciable asset not included in another class.

Class 4: buildings, structures and similar works of a permanent nature.

Class 5: intangible assets, excluding goodwill.

Exemption of Income Tax on Employment Income of Expatriates During the ECA

During the period covered by the ECA, the employment income of the company’s expatriate employees is entitled to a 0% rate, if:

- the company has incurred more than US\$ 250 Mn on depreciable assets in Sri Lanka, and for the period in which the payment is made, out of profits sheltered by ECA allowance, or, for 5 years from the commencement of commercial operations, whichever is higher.
- the number of expatriate employees at any time during that period does not exceed twenty.

Exemption from Import Taxes & Levies

Exemption	Export oriented				Non-Export oriented			
	Customs Duty	VAT	PAL	CESS	Customs Duty	VAT	PAL	CESS
Importation of construction related items during project implementation (PI) period	✓	✓	✓	✓	✓	✓	✓	✓
Importation of capital items (plant, machinery, equipment)	✓ Lifetime	✓ Exempted / Deferred for a Lifetime	During PI (for Inv > US\$ 50 Mn)	During PI (for Inv > US\$ 50 Mn)	✓ During PI period	✓ During PI period	During PI (for Inv > US\$ 50 Mn)	During PI (for Inv > US\$ 50 Mn)
Importation of raw materials and production /related consumables	✓ Lifetime	✓ Exempted / Deferred for a Lifetime	✓ Lifetime	✓ Lifetime	X	X	X	X

Investment Opportunities

Priority Areas of Investment in Auto Components Sector

- Wiper blades
- Suspension systems (Including shock absorbers)
- Electrical lighting or signal equipment
- Clutches and parts
- Safety airbags with inflator system
- Steering wheels
- Gear boxes
- Safety seat belts
- Drive-axles with differential

Global Presence in Sri Lanka



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