

Eicher Motors eyes emerging markets for its mid-sized bikes

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Eicher Motors Ltd, the makers of Royal Enfield, plans to export the vehicles to South-East Asia and Latin America as it builds on record sales at home.

Eicher Motors Ltd is predicting more demand in emerging markets for mid-sized bikes with an engine capacity of 250 to 650 cc as people become more affluent, Managing Director Siddhartha Lal said in an interview.

Eicher, which acquired control of Enfield India in 1993 and revived the almost-bankrupt unit, is seeking to increase the share of revenue from two-wheelers from 16 per cent of the \$1.2-billion it reported in the year to December 31, 2012, he said.

Mid-sized bikes are ideal for these markets as they are reasonably fuel-efficient, manoeuvrable and not too expensive, Lal said in Gurgaon near New Delhi. There are markets that aren't conducive to big bikes and the mid-sized market is underserved.

The company is planning to



Looking at Latam: Royal Enfield Desert Storm motorcycle on display at the company's Royal Enfield flagship dealership in Gurgaon. — Bloomberg

expand the motorcycle business after reporting the best quarter at its Enfield unit, where sales rose 45 per cent in the three months ended March 31.

Eicher, which earns the remaining 84 per cent of its revenue from trucks it makes in partnership with Volvo AB, said a key gauge of its profitability beat all local rivals last year, amid the slowest pace of economic growth in a decade.

FLYING FLEA

Royal Enfield, which makes the 500cc Classic and the 350cc Thunderbird, saw sales jump 52 per cent last year fuelled by demand from a rising middle-class in India's biggest cities.

Exports, catering to custom orders from buyers seeking to own a piece of history in countries such as the US, the UK and Australia, accounted for 2.9 per cent of the motorcycle

makers 1,24,270 unit sales in the year ended March 31, according to data from the Society of Indian Automobile Manufacturers.

There's a gap in this segment as vehicles like BMW and Harley-Davidson are all above 600cc, said Mukesh Saraf, an analyst at Spark Capital Advisors in Chennai.

The bike maker will introduce a new model, a 535cc cafe racer called the Continental GT this year, while planning two more platforms for future variants, Lal said, without elaborating.

COMMERCIAL VEHICLES

Eicher depends on its commercial-vehicle business for its profitability.

Earnings before interest, tax, depreciation and amortisation was 8.7 per cent in 2012. Royal Enfield, says its master plan involves eventually building 5,00,000 motorcycles annually.

The company has its products planned for the next 10 years, Lal said without elaborating, as Eicher targets more customers beyond Delhi, Mumbai and Bangalore.