

Royal Enfield re-invents itself, 2nd plant starts ops

At Peak Capacity, Factory Will Be Able To Make 5L Units A Year

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Chennai: It has bucked the economic slowdown to emerge India's fastest growing two-wheeler company. And now niche motorcycle maker Royal Enfield is looking to go full throttle for a larger share of the global 'mid-size motorcycle' market. A division of Eicher Motors, RE is targeting 55% growth this year armed with its new plant at Oragadam near Chennai which kicked off commercial production on Tuesday. The company, which has been clocking more than 50% growth year-on-year for the past two years, plans to produce and sell 1,75,000 units this year.

"The new plant – our first in 60 years – is a step in a new future for RE," said Siddhartha Lal, MD & CEO, Eicher Motors Ltd. "Our aim is to become the global leader in the mid-size motorcycle market which spans 250 cc-650 cc as it is seriously under-represented both in India and abroad. This plant



C Suresh Kumar

THUMPING AHEAD: Enfield's new plant at Oragadam near Chennai

is the starting point of our re-invention in terms of products, distribution, geographical spread and manufacturing."

The Oragadam plant has been set up with an investment of Rs 150 crore funded entirely by RE's internal accruals. With parent Eicher Motor sitting on over Rs 650 crore of surplus cash, the motorcycle business, nearly written off five years ago, is now among the most

profitable in India. At final peak capacity, the factory will be able to crank out over 5,00,000 units a year though for now, as part of the first phase, the production is 1,50,000 units. "We have already initiated the second phase so we will have 2,50,000 units at our disposal by 2014," said Lal.

The ramp up is critical. RE's Bullet, Classic and Thunderbird range of bikes in 350 cc and 500 cc displacements command

a following so fierce that the motorcycles have a waiting list of 8 months despite the slowdown. Lal reckoned the new capacity will help bring the wait down to 6 months though he admitted the company was taken aback by how sharply demand has grown in the past 24 months. RE has gone from around 20,000-25,000 units a year just five or six years ago to 1,13,000 units (including 3,500 exports) last fiscal. Its current monthly capacity of 12,000 units a month is far short of what the market wants and it needs to crank up engine supplies to 1,75,000 units this year and 2,50,000 next.

Apart from the local demand, Lal is looking to expand his geographical footprint. "There are interesting mid-size motorcycle markets in the middle-east, Africa, Latin America – countries which are a bit like India," he said. "We already export small numbers to 40 markets but we want to deepen our presence in the emerging world."