We will enter countries where we can lead the market and grow it.

In a market where mass motorcycle makers are struggling to cut costs amidst a macroeconomic downturn, Royal Enfield has posted a growth of 5.5% in sales volumes for the nine months ended March 2023. Profit margins have improved to 16.5% from 15% in the same period last year. The growth has been driven by robust volume growth in the domestic market and strong performance in export markets.

Royal Enfield has been a success story for Eicher – one which has attracted many others, including Triumph and Bajaj, to consider entering a segment (mid-size motorcycles) once fading in the motorcycle market. What does the competition look like?

We took our long ago. Our focus and intention is to create and grow the midsize motorcycle market in India. We were very clear that we did not want to be in the commuter segment. We wanted to have a growth-ground and created a market for premium motorcycles over a decade. We own that market, with a share of over 50% per cent. The growth and profitability in this segment has clearly attracted a lot of players.

Royal Enfield has stated that they aim to be a global leader in the midsize segment. How much progress has taken place in those plans?

Our international thought process has largely been twofold. We have some presence and strong focus in developed markets, in the UK, US, Japan and Australia. Britain is the nerve centre and in our thinking, it is important for the brand to be strong there. We are at a planning stage for entering into emerging markets. The midsize motorcycle segment is extremely underserved with good products. We will enter countries where we can lead the market and grow it, like we have done in India. We have the product and are trying to work out the rest of the pieces. Our ambition is to make a deep impact.

Sales in the commercial vehicle (CV) industry have been registering a decline for nearly two years. What are the measures you have taken at Eicher which helped in improving Ebit (earnings before interest and taxes) margins (up to 8.9% per cent from 7.9% per cent in Jan-Sept 2023) despite the slowdown?

As soon as we see a slowdown, we cut production. We monitor our dealers’ stocks as closely as our own inventory. We look at the entire ecosystem and take action quickly. Long-term, we expect Eicher cv and eicher tv to stay at 30-35%. Over the years, we have opted not to get into too many adjacencies, into backward integration and plant environment and not added facilities in different parts of the country. We have invested capital but concentrated on one location, both in CVs and motorcycles, to keep fixed costs low. It is a way of thinking about our business.

Through the past two years, we have continued to invest in long-term assets. On the industrial side, we have invested in the plant, in the engine manufacturing facility, in products. On the front-end, we have developed our distribution and servicing network. The Indian trucking industry till now has been an amateur; the ‘Eicher Pro’ range which we unveiled earlier this year is the top line. When we started the joint venture (with Volvo) five years earlier, we knew we would be going through an enormous investment cycle and that the market would be cyclical. We have the strongest balance sheet and business model in the CV industry and that helped us fund investments, despite the slowdown. I have a strong belief that whenever we come out of the slow season, we have said it in 2024, we will be far bigger than the CV business which is going to outgrow in market share and profitability.

Now that Eicher has unveiled 11 new CVs in the Eicher Pro range, would it be right to assume all major investments have been accomplished on the industrial side for now by the company?

Broadly, there are three major areas of investments. Most of the investments in industrial areas in plant and machinery will be operational in 2024 and be scale up gradually. The new products we unveiled would be launched over next two to three years. Now in the product investment cycle, we are halfway through. In the retail and after-market side, we are growing our network. Since 2008, we have invested 11,800 crores in the joint venture (VECV). We will be investing an additional 7,000 crore over the next 12-18 months.

VECV can scale up to producing 100,000 units annually at Pithampur (MP). Given the available capacity, would it not be wise to consider exploring your footprint abroad?

The Pithampur investments are complete in the paint shop. We have not invested any additional capital (in the machine shop) to make operational the entire capacity. This can be done as and when the demand requires it for the required volumes. It would allow us to scale up with a very short time lag, of three to six months. Our ambition is to be seen in India as a disruptive player in the heavy-duty truck market.

Now, let us return to working closely with Volvo to figure out our international plans. In a five-year timeframe, how do you see yourselves to be in emerging markets, in South Asia, Africa, West Asia and Southeast Asia. We are working with the partners with the distribution network. The Eicher Pro range has been developed keeping international markets in mind. Eicher cv and eicher tv products and does not compete directly with Volvo brands.

The potential in emerging markets is enormous. We are very deliberate company now. A lot of Indian and Chinese companies enter new markets and after trying a bit, they get a weak reputation because of poor aftermarket support systems. We have spent a lot of time and dollars in setting up the structure. It might seem lengthy but we are in it for the long haul. We want to be a significant player in the market. We will have market share of at least 25 per cent in those countries.