

Eicher to expand capacity of Royal Enfield for ₹600 crore

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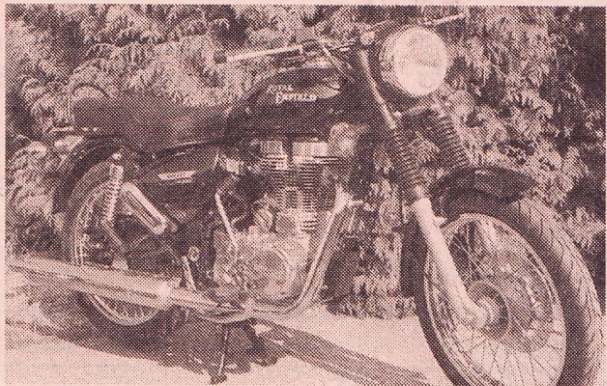
Eicher Motors, which owns Royal Enfield, said it has planned for a capex of around ₹600 crore in the motorcycle business over the next two years. The capex will be on product and manufacturing and other areas. The company also said that its two-wheeler business has grown around 85 per cent in terms of sales, and in production too it has approximately been the same over the last quarter.

Siddhartha Lal, MD and CEO of Eicher Motors Ltd, said that the investment is for 2014 and 2015 calendar years and is for both the Royal Enfield facilities at Oragadam, which commenced last year, and at Thiruvottiyur in Tamil Nadu.

He said, capacity addition about a year ago was a bit slow mainly because the company was operating out of its only plant (Thiruvottiyur in North Chennai) and it faced huge constraints there.

The new Oragadam facility is much larger and five times the size of the old plant and the company also has a roadmap to lean upon and it has enough land which was had been a constraint earlier.

The company crossed 10,000 units per month around



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and Q1 from the Oragadam plant and continuing to track upwards and will have increased production and capacity at the new plant, said Lal.

In Phase I the company built a paint shop and vehicle assembly, and now it is building the other phases, including product, manufacturing and other areas, said Lal, while addressing analysts recently.

Commenting on performance of the two-wheeler business, Lal said: "We have already seen that we have grown 85 per cent in sale and in production approximately is the same over last quarter. So the growth has been extremely

substantial over Q1 (company follows calendar year) of last year and we continue to add capacity at a very rapid pace."

During the first quarter of 2014 the company sold 64,268 units, up by 85 per cent over last year quarter.

Lal added, "we are over the hump as far as our capacity catching up with demand concerned. It is still obviously a few months out or may be six months or a year".

"For the first time we are seeing some waiting periods and orders even in other markets," said Lal, who said Royal Enfield's ambition is to globally become the largest player in mid-sized motorcycles.