



Royal Enfield's Siddhartha Lal is unperturbed by the incoming competition in its stomping ground of 350-500cc motorcycles in India. Photo: AFP

'Royal Enfield has taken the game to 650cc from 350cc'

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Royal Enfield's Siddhartha Lal is banking on the [Interceptor 650](#) and [Continental GT 650](#) to do internationally what the [Classic 350](#) did in India

New Delhi: Royal Enfield, the motorcycle unit of Eicher Motors Ltd, has dominated the middleweight motorcycle segment for almost two decades in India, but it is set to face a flurry of challenges from domestic and international companies such as Bajaj Auto Ltd, Triumph Motorcycles, BMW, Harley-Davidson and the recently relaunched [Jawa Motorcycles](#) over the next two years.

Classic Legends, a subsidiary of Mahindra and Mahindra Ltd, relaunched on Thursday [Jawa Motorcycles](#) in India in three variants—the [Jawa](#), [Jawa Forty Two](#) and the [Jawa Perak bobber](#)—at prices that [pitch them directly](#) in the territory dominated by the Royal Enfield [Classic 350](#).

Siddhartha Lal, chief executive officer of Eicher Motors, is unperturbed.

In an interview with Mint after the [launch of Interceptor 650 and Continental GT 650](#) in Goa last week, Lal said the competitive cost structure and scale of operations set up in India will allow Royal Enfield to grow international operations by selling motorcycles at prices that will fetch good margins.

While the next range of Royal Enfield motorcycles will hit the roads only from 2021 as stricter emission norms are scheduled from April 2020 in India, each of those products will be developed with an eye on global markets. Royal Enfield will also replicate its international strategy for domestic dealers, expecting them to recover operating costs from selling apparels, accessories and servicing while returns from motorcycle sales shall be counted as profit.

Edited excerpts from the interview:

What is the strategy behind launching 650cc motorcycles in India?

In India, above 500cc motorcycles are very expensive and normally imported. In a market of 20 million motorcycles, just 10,000 to 15,000 units are in the 500cc and above segment because the market is not served well. Our objective is, the way we catered to the entry of midsize motorcycles with the 350cc offerings, we want to replicate the same with the upper midsize. That's the direction we are going in.

We have around 3.5 million customers riding Royal Enfields today, and most of them have upgraded from 150cc or 200cc motorcycles to 350cc ones. With the new 650 Twins (Interceptor 650 and Continental GT 650), we wish to give similar jump in sophistication, refinement and speed but with only one step jump in affordability. Our objective is to expand the mid-size motorcycle cycle segment in every market we will enter.

Will the 650 Twins play a crucial role in expanding brand Royal Enfield globally?

For us, it is not only about India now. So, when we were considering the 650 Twins, we had a global concept in mind. We are already present in markets outside India and knew what people wanted. The customers outside love the modern classic concept of Royal Enfield products but with bit more power, refinement and highway worthy.

So the market there usually starts at 850cc, and we are coming at a notch below at 650cc but it has similar attributes. So we have a home market, which is giant in terms of scale, and it gives us the right cost structure and we also price our products to get the scale. And with lower cost structures then we can get some cracking (read, extremely competitive) prices for the international markets.

Customers are delighted about our prices in US, UK and Europe. To establish the brand, we have expanded our distribution network a lot and are giving a lot of support and service even beyond the distribution network. It's a long-term strategy. It took us almost 15-20 years in India to get to this point and may be in the next couple of decades, we can get the same success in other markets.

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What about protecting your turf in India from the competitors who will enter the market in the next couple of years?

That's how most companies operate. They see someone doing well in a particular segment and earnings high margins and they try to get a share of the pie. It is not that easy because there is a reason behind the success of an incumbent in a competitive market, and it's not that companies have not tried to enter our market before. Honestly till now, there have been many failures.

In a competitive market, incumbent has advantages like critical mass, distribution network, deep knowledge of consumers and we have an entire ecosystem around our motorcycles.

Also, we are not sitting still on our new developments. We have new motorcycles under development for the existing segments that we are in. Also, we have pushed the game. Since everybody is looking at our 350-500cc segments, we have taken the game to 650cc now which will take another 3-4 years for others and there are no shortcuts.

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Also, people value the Royal Enfield brand along with the product and our products have great resale value, it's like a liquid asset which is hard for others to replicate.

(The) positive thing is the market will grow with others coming in.

When are the new products expected and what is your expectation on volume growth in India?

Anything that is entirely different from our existing portfolio like the Twins will be launched by 2021 because 2019 and 2020 will go into renovating our existing product portfolio because of the new emission norms. Every product for Royal Enfield in the future will be done with a global lens.

I think the insulation has come down for us in terms of having a deep order book, and therefore the curve for us is not a straight linear upward curve...now the curve will have some ups and downs.

So, the days of 50-60% growth compounded over the last 6-8 years is quite unheard of and we have been through that. Now, we have settled down in normal growth. Now if the Indian commuter market targets a growth of 6%, then, we will target 12%.

Is there a new dealer strategy in India along with the global expansion?

Already our apparel and accessories are becoming strong businesses in their own right, though they will always be dwarfed by motorcycle sales because it's such an enormous number.

For our dealers in India, and especially outside, having a range of clothing and accessories are imperative for their profitability since they make more money from these than motorcycle sales – especially in outside markets. Overtime in India also, we want profit from apparels, accessories, service and parts to be the major share and not motorcycle sales. They should be able to cover their cost from these and the proceeds from motorcycle sales should be profit for them.
