

News monitored for: Royal Enfield

COMPANYWATCH

# RE is a strong fortress, not easy for robbers to break in, says Lal

Siddhartha Lal, MD and CEO of Eicher Motors is confident that Royal Enfield as an established motorcycle brand is strong enough to fend off any competition, write Ketan Thakkar and Shruti Mishra.

The bugle has been sounded and it is the beginning of a fierce war in the premium mid-sized Two wheeler segment in India that started a few weeks ago with the almost back-to-back launches of Bajaj Auto-Triumph and Hero MotoCorp-Harley-Davidson motorcycles. The king of the segment, Royal Enfield has been watching the market developments closely.

During the Triumph motorcycle launch, Bajaj Auto's Rajiv Bajaj had referred to an anecdote about the famous American bank robber Willie Sutton. Bajaj had remarked, "When Sutton was asked why he kept robbing banks, his reply was: That is where the money is! Similarly, the money is in the Royal Enfield (segment), hence, there is no other choice but to rob them (mid-size bike segment)."

Responding to media queries about this comment, Siddhartha Lal, the Managing Director and CEO of Eicher Motors says Royal Enfield has built a fortress and it won't be easy for robbers to penetrate the fortress. Lal said, "We don't worry about rivals, we don't obsess about competition, unlike our competitors. We obsess about the consumer, and we are many steps ahead of our competitors." He recalled how Royal Enfield has single handedly grown the mid-size motorcycle segment from 50,000 units to 1 million units and the company is well prepared with its portfolio of products and a network of over 2,000 stores in the country. According to him, the manufacturing scale of 70,000 to 80,000 units a month, gives the brand a significant economy of scale and cost advantage.

Lal believes the entry of new brands will further expand the mid-size motorcycle from 1 million to 2 million units in the coming decade, and "We will certainly be able to hold on to the 80 percent market share by the mid to long term," he added. "We believe more competition should help grow the market. The outcome of this (the Triumph and Harley launches) will be that the size of the mid-size market will grow at an even higher pace. We will continue to hold enormous shares, and we are not going to cede any market share," explained Lal. There have been multiple waves of competition aimed at Royal Enfield's turf and this is yet another wave, he said.

When asked how different the competition is this time around, Lal said competitors have attempted to penetrate Enfield's share over the last decade and a half.

"I hope, they have learned a little bit from the last 15 years, and have some new ideas and new thoughts. We are in the middle of a fanfare period, then there will be a bit of swell in the market, then things cool down, that is when the reality will be seen in terms of products, services, quality. That is life," explained Lal and added that both competitors (Triumph and Harley-Davidson) are entering through a



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contract manufacturing route which is different from that of Royal Enfield which manages its overall ecosystem. "A lot of them are not able to do it on their own; hence they are partnering Indian companies, and I wonder what the Indian partners are getting in return. We are not concerned about competitors, our focus is on customers," he added.

Despite new competition from Harley-Davidson and Triumph, Lal is confident of holding on to 80 percent market share in the mid to long term. In the Q1 earnings call, Lal said, "We are continuing to build an extremely strong company. We are many steps ahead of the competition. We believe that we will hold on to the 80 percent share in the medium to long term. We are not going to cede any market share willingly, even if we are 80-85 percent of market share in the 1.5 to 2 million market, we are okay with that." ■