Royal Enfield thumps up the volume, finally

With an all-new plant that can go up to 500,000 units capacity and enhanced quality levels, the iconic 112-year-old brand gets ready to ride the retro wave in India and overseas. Page 32

Comstar sets up subsidiary in the US
To make starter motors for supply to major client – Ford Page 12

Alten eyes demand for R&D services
French tech consultancy plans R&D lab in Chennai Page 24

Will OEMs change spares strategy?
Competition Commission sets July deadline Page 26
Royal Enfield all fired up with growth plan

With a brand-new plant at Oragadam that ramps up its capacity to 150,000 units, Royal Enfield has its work cut out — cater to burgeoning local demand for its motorcycles and also establish a base for a global role. Brian de Souza reports.

T’s undoubtedly one of the Indian automotive sector’s trail-blazing turnaround stories, of a brand that could have been lost had it not been for a decision taken a decade ago that saw the Royal Enfield nameplate make a comeback. And adding a significant milestone in that amazing journey, indeed capping all the hard work that went in, was the opening of Royal Enfield’s new Rs 150-crore facility at Oragadam, near Chennai, on April 30.

The first motorcycle from the new facility — a 500cc Desert Storm — has now rolled out and for Royal Enfield, this heralded more than just a product rollout. While the new plant is state-of-the-art, built over a 50-acre plot, it will test the company’s well-laid out strategy to transition to a new phase of growth. The inauguration was just the first step.

Future sense
As part of the transition, the assembly and painting of the product range will be moved to the Oragadam facility. However, the Thiruvottiyur unit will take on a new role that can be described as being akin to that of a supplier. So engines will continue to be made at the old facility as well as the company’s unique chrome-plating operations which, in the words of chief operating officer B Govindrajan, is a key part of the product aesthetics and branding. The plant also provides scope for Enfield’s spare parts and could well be roped in at a later stage for the export strategy, given its proximity to the port but that is still some time away.

The new plant forms the bedrock of Royal Enfield’s plans for its second decade of the turnaround even as the company embarks on a game-changing transition from its old, legacy plant at Thiruvottiyur.

New Oragadam line should be able to roll out 800 units on a two-shift basis. Old Thiruvottiyur plant (right) will now be an engine hub dedicated to speedy supply chain management.

The company is thus setting up a platform with an emphasis on reducing costs and improving process efficiency, which is seen in the overall cost of ownership and the ability to scale up at lower cost. The company is also building up its dealer network, strengthening ties with its main distributor, TVS Motors, and setting in place a system to increase after-sales service and parts delivery. The plant also has been designed to cater to the needs of export markets in the future.

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The company has also set itself a target of selling 175,000 motorcycles in 2013 (Royal Enfield follows the calendar year), up from 75,000 units in 2011 and 113,000 units last year. The company is thus setting up a platform with an emphasis on reducing costs and improving process efficiency, which is seen in the overall cost of ownership and the ability to scale up at lower cost. The company is also building up its dealer network, strengthening ties with its main distributor, TVS Motors, and setting in place a system to increase after-sales service and parts delivery. The plant also has been designed to cater to the needs of export markets in the future.
**Flagship Classic series with 500cc Classic Chrome and Desert Storm has been a huge success and demand outstrips supply.**

Wind-in-the-hair motorcycling and adventure runs like the Royal Enfield Himalayan Odyssey are driving new sales.

**HAND-CRAFTED MOTORCYCLES** are a thing of the past. One doesn’t find workshops where steel sheets are beaten into submission with a wooden mallet to take the shape of a petrol tank. Long hollow steel tubes aren’t bent on jigs anymore; and CNC cutting machines and hydraulic presses have replaced manual labour at Royal Enfield’s spanking new Oragadam factory.

Amidst the robotic tackle in the paint shop, one man still paints petrol tanks by hand. Jayakumar, an 18-year veteran of pinstriping at the bikemaker, beams with joy when told that he’s a sensation on Youtube.

The pinstriping wizard takes just a few seconds to hand paint the famous livery onto the petrol tank of the Bullet and Electra models. “I also pinstripe the toolbox and mudguard,” he says.

With a steady hand, which would be the envy of a neurosurgeon, Jayakumar hands this reporter even while painting a fresh petrol tank, saying that he learnt the art from his brother, who’s been working for 19 years at the Thiruvottiyur plant.

It almost looks as if it’s muscle memory for Jayakumar, as he twists the brush with his right hand and the tank with his left. Even as we stare in awe at the skill on display, Jayakumar has moved on to yet another tank. Quiz him about his new office at Oragadam and he says that he’s yet to get comfortable with all this extra space. Irrespective of such minor niggles, he keeps doing what he does best – classic stripes.

**KARTHIK H**

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**Starting afresh**

The inauguration of a new plant always gives its manufacturer the opportunity to have the best of manufacturing processes as well as equipment and this was clearly in evidence when we were given a tour of the facility as part of a group of journalists.

Here are some examples: the vehicle assembly line at Oragadam has an ergonomic workstations and torque-controlled tools with feedback advice. The state-of-the-art painting plant has a zero-liquid discharge, thus ensuring that no paint is wasted and with bike parts painted in the horizontal mode, the surfaces are more optimally painted. The painting capacity of the unit is 600 units per day. Overall, a robotic painting and powder coating system has been added. However, the pinstriping work will continue to be manually done as the company’s press release puts it “to lend a human touch to each motorcycle.”

“This new plant has been benchmarked to achieve the highest level of quality and productivity. We have retooled many of the parts that make up our motorcycles – so that they are of exacting accuracy and finish. The substrate quality of the sheet metal parts, for example, is now at par with the best in the world; when these parts undergo the world-leading CED and paint process here at Oragadam – they will have a surface finish and life of the highest quality,” said Lal.

With the new facility, Royal Enfield will endeavour to lower its waiting list. The Oragadam line should be able to roll out 800 units on a two-shift basis. And it will also look at making a solid international impact with its product range. It certainly pays to have such a top-notch facility when Royal Enfield puts into play its global strategy. At present, its bikes go to the UK (about 400 sold) and the US (600 units sold) among other destinations. For the local market, the focus is on widening its reach with the company setting up about five dealerships a month.

One would have to go quite far back in time to see how the Royal Enfield story unfolded in India. That began when an order was placed for the army in 1953 which led to a plant being set up in 1955. Even as the new facility begins its own journey, the old plant was stretched to achieve production of 12,000 bikes in March 2013, an achievement that the think-tank at Royal Enfield has every reason to be proud of.

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**2012-13 SALES**

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Royal Enfield has doubled sales in the past two years.

**Bullet Classic 350 best-seller in 6-model line-up.**

Bullet Classic 350 best-seller in 6-model line-up.
Siddhartha Lal

The managing director and CEO of Eicher Motors is a motorcycle aficionado. In a freewheeling tête-à-tête with Brian de Souza and Karthik H, he reveals how Royal Enfield plans to cater to growing demand and tap global opportunities.

What is the raison d'être behind this new plant?
The genesis came about because of growing demand for our products which began when we launched the Classic in 2008. But even before the launch, we had put a lot of work into our fit and finish, distribution, quality, aftermarket and overall retail experience. So this represents a culmination of all those efforts, all of which was built into the Classic with its new engine.

We were able to remove barriers that existed in customers' minds. Questions like is the bike too heavy, questions regarding reliability— all this got erased with the Classic. The Classic inaugurated a growth phase for us except for 2010 when things were down because of the change from cast-iron platform to our unit construction platform for all of our engines.

By February 2012, we had all permissions we required for this plant. We did consider other locations in other parts of India but finally zeroed in on this as our supplier base is here. So from a cost perspective, it made sense to be here, not develop a whole new base. This is quite a hub, we have suppliers here including Durr, our paint supplier.

We are now at a stage where suppliers want to be here, like the supplier of frames, for example. Phase one was planned some 18 months for 150,000 units when we were selling 60,000-70,000 units a year. We have now triggered off the second phase, which is to go up to 250,000. For this, we will make new investments for engine production and tools of course but the main ones are done, only incremental ones remain. Our ultimate aim is to make a bike per minute in a single shift.

You spoke about roadblocks in the customer's mind. Can you elaborate?
We invested time and money. We had anxious moments because the roadblocks were many. At the physical level, it's weight, finish and reliability. We tackled all this in a meaningful way. We made changes in the gearing shifting, for example. We did not want to compromise on safety. We tried to understand what the customer means by saying, "the bike is heavy," to take an example, was it to do with the weight or the bike, or the kind of stands? So we simply made an ergonomic centre stand.

This new plant should give an impetus to your export strategy which we presume is being put in place.
Our export strategy is a work in progress. Our desire is to export a lot. We have secured our medium term here. We are making more bikes, appointing new dealers and are looking at the global opportunity. We are building the same product in a more superior fashion. As far as exports go, there are price points, positioning, understanding the market and that is what we are looking at. So it may be an emerging market that has a strong base of commuting and are relatively better off. So Latin America is a good example. We wish to export, not assemble outside.

Our developmental work is in international for sure, which is market development and we wish to crack 3-4 big markets that are India-like with an emerging middle class market.

We want to become a significant player in these markets. In 8-10 years, we want to be No. 1 in mid-sized bikes, a segment that is under-served, we believe. We want to create a different style of motorcycling.

What would you identify as the growth drivers for Royal Enfield?
This is all about re-inventing the midsize market globally, investing in new markets and doing what it takes to establish a strong presence. We need to have a deep understanding of global markets. We will see volumes from India-like markets. We are setting ourselves up for the long term. We want to be key players in 15 markets in 5-7 years and then we can be global and believe that we can be among the most profitable players in the business.

We have to understand the markets we want to enter and for me, the distribution aspect is the most important. If we are targeting 175,000 units in India, there's no reason why we cannot do this in a global market. We will not
do tie-ups for products but we will not rule out anything as regards distribution. We may go alone in some markets and are open to experimentation.

In India, we had company-supported dealers 10 years ago as we wished to up scale. Some clicked, our own company stores clicked. One example is Hyderabad where we set up a company store. The dealer who was selling five bikes a month was invigorated and eventually the overall volume went up. In some cases, we failed but we learnt our lessons. Company-owned showrooms was what we did in strategic places where we were not able to get a good dealer. Now with the brand doing well, we get good quality inquiries – over 100 a month – for dealership from motorcycling, entrepreneurial guys because we want a dealer, who has fire in his belly, is dedicated to the business and has the money to invest in a dealer.

We are looking for a different kind of dealer, really, not the old, moneyed kind. We don’t want a guy who is making an investment but we want a guy who wants to be in the business.

Tell us about your own passion in the business?
From a work perspective, I do what I enjoy. At Royal Enfield, we took some real hard decisions and got rid of things that didn’t work. We have no boundaries here. I was able to devote time to the trucks business as well but we did consider doing it alone in trucks but determined that was highly risky, so we got a partner. It has played out well for us. Since we shed some of our businesses, we have entered just one business and that is the Polaris joint venture. In the last eight years. It’s a creative segment and we are excited about it.
Made like a gun, goes like a Bullet

They say a Royal Enfield chooses its owner. From its origin in 1898 at Redditch in the UK to Chennai in the 1950s, the company has come a long way. The new Oragadam plant will now drive the future. Karthik H captures some manufacturing moments.

1. Fully-built engines arrive from 57-year-old Thiruvottiyur plant which will become an engine and parts hub for Royal Enfield.

2. The engine and gearbox are bolted on to pre-fabricated frames. No fabrication takes place at the Oragadam plant.

3. The engine and gearbox are hoisted on to the frame using this four-armed jig that helps save space at the start of the line.

4. Bearings fitted into steering column with an air-gun before sub-assembled suspension column is attached.

5. Right: Cranes hoist the frame onto the assembly line where neatly laid-out tool kits await workers.

6. Left: Front suspension and fender are assembled by the side before being mated to the frame.
Wiring harnesses and chain are fitted with pre-torqued nut guns.

The famous circular speedometer cluster is then fixed before the handles and headlight casing are attached.

Rear fender attached to suspension with utmost precision; varies from twin-arm or twin gas-charged shock absorbers.

Meanwhile, fuel tanks are sandpapered, lacquered, baked in an oven and given a final coating by robots.

Final buffing done manually before the bikes are covered up and transported to dealers.

Wires are then connected and final checks are made before the vehicle is rolled out of the assembly line. Royal Enfield's ultimate goal is one motorcycle per minute in each shift.

Finished Royal Enfield bikes are sent to over 180 dealers in India and also exported to 20 countries across the world.