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The world is converging towards mid-size motorcycles

Lal on the changes at Eicher and the target of becoming No. 1 globally in mid-size motorcycle segment

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Siddhartha Lal was 26 when he was put in charge of family-controlled Royal Enfield brand. In 2006, he was made managing director and chief executive of Eicher Motors Ltd (EML). Now 39, he can boast of two successes—the Volvo Eicher unit that's carved out a presence for itself in commercial vehicles and preserving the iconic Royal Enfield motorcycle marque and turning it into a viable business. Lal spoke in an interview about the companies he runs and how he sees them evolving. Edited excerpts:

How has Eicher changed over the last few years?

The business portfolio at Eicher has changed dramatically over the last 20 years. We took a call around 2004-05 to have a full portfolio reshuffle. What we narrowed down on were two businesses—commercial vehicle (CV) and motorcycles. In 2009, we signed a joint venture (with Volvo) and the entire CV business went into that and that is doing excellently well. Now in EML alone, the focus has been on Royal Enfield...for a long time.

The growth that happened in five years is a result of actions which have happened long before. Around 2000-01 is when we were really re-thinking about Royal Enfield, as in what do we want this brand to do? Do we want to get into the commuter bikes or do we want to get into a different space altogether? What it boiled down to was that we figured out that Royal Enfield has

to take a lot from what it means for customers, and what it meant was it was a real, authentic, emotional experience, which people connect to the motorcycle in ways that you don't connect with products and brands normally. So, the challenge was how do we make that more relevant to customers?

So, for many years we were just focusing on making better motorcycles. We had many different engines. We brought the model down to one platform—that is, unit construction platform. We had the fit, finish and the look of the bike improved. We had the new models such as Thunderbirds, Classics, which helped us in gaining a lot of traction.

Have there been changes in production processes?

There has been a world of change. From 15-20 years ago till now, nearly everything—how the bike is made—has changed. We have kept certain things intact. Firstly, earlier everything used to be done in-house, from frames to seats. That has changed tremendously and in multiple ways. On the one hand, we started working with big suppliers globally for certain aggregates and products so that we get the best support from our suppliers and they bring the technology and mass production techniques, which they already know of. On the other hand, what we did was we transformed our manufacturing insights.

On the sourcing side, the aluminium parts, which were sourced for the engines, they were earlier gravity die-cast, big bulky pieces. Now they are prop- er high pressure die-cast pieces,

which are really, really accurate. On the machining side, we have absolutely state-of-the-art Japanese CNC (computer numerical control) machines.

But, of course, the way we do some of our welding or the way we do our paintings on the tanks, we still preserve some of our handcrafted technique. It's the love for manual labour, which is very important in our factories.

The handcrafting part is something which is valued very much in the international markets such as the US, the UK, Japan and Australia. I don't think that the importance of that is going to wane. But I don't think you can do tacky handcrafting. It must be authentic and beautiful.

What are your export plans?

For us, the first most important thing was to become strong in India. We were not making much traction here. We figured out that if we can't do justice here, then there is no way that we will excel outside. Now, we are on a good upswing and have done justice to the brand and we are on the right trajectory.

So, with this trajectory, we can shift our minds to start thinking about international markets, which earlier was more an opportunistic play. We were quite happy with selling 300-500 units. But now we are thinking totally different and we believe there is enormous potential for mid-sized motorcycles globally.

So, for developing markets which have a lot of commuter bikes, we believe an India-like effect can certainly happen as people want to upgrade and want something provocative. That's where Royal Enfield comes in. We are creating busi-

ness models around the world where we can replicate the success that we have had in India. On the other hand, in developed markets, which are now slow-growth, aging, urbanized markets, we see that from very high-powered motorcycles, people are moving to mid-sized bikes, which are more accessible, affordable and evocative. In emerging and developed markets, we believe that the world is converging towards mid-size motorcycles, and a market only develops when there are outstanding products in that space and we believe we can do that and draw people to that segment.

What is your target?

We want to be number 1 globally in mid-size motorcycles.

What's the size of the mid-sized market globally?

We are estimating 700,000 motorcycles globally. The overall global two-wheeler market is around over 50 million, but the mid- to large-size market is just shy of 2 million. We believe the mid-size motorcycle will be, perhaps, half of that. We are already a reasonable player. We are already 100,000-plus in a 700,000 market.

What about the Indian market?

What potential do you see here?

Even the numbers we are doing right now was a pipedream earlier. I think what has happened is the Indian market has evolved tremendously. Earlier, it paid emotionally to be part of the pack. So, if you were a conformist, people looked at you with high regard because you are buying something that everyone else has. Now what has happened is that there is much more individualism.

You have owned a 100cc bike and got bored of it and now you want to move up and here is something that is very evocative, very interesting. So, we certainly see another few years of great growth coming with the expansion and distribution that we are doing in India. We are adding 60-80 dealers a year. With new products coming in with new platforms, we expect there is a lot more room in India to grow.

Some experts say people who buy Royal Enfield bikes may eventually graduate to a Harley Davidson or a Triumph in India. Does that worry you?

A Royal Enfield owner is who really enjoys this kind of motorcycling—unhurried, comfortable, long distance motorcycling. There will be other players who will be coming with bigger, more powerful motorcycles, but that is not our space. There will be a few people who will try those bikes and maybe even enjoy those bikes. There is nothing wrong in that particularly.

Are you working on a passenger vehicle with Polaris Industries Inc. (a company that makes off-road vehicles)?

Our idea is to create a vehicle in the personal vehicle category. Unfortunately, we are not talking more about it as it is a brand new idea and concept and a new segment that we are trying to create. It will be something very interesting. We are on track for 2015 start of production.

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Recognizing opportunity: Eicher Motors wants to replicate the success of the Royal Enfield motorcycle in other developing markets as well, says Lal.