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ET Energyworld Answers

- 1. You had earlier said that the company's business grew by 13 per cent while the gross profit rose 25 per cent in 2019-20. What was the reason for that impressive growth in the last financial year? Secondly, to what extent, that growth number or growth momentum has been hit in the current financial year due to pandemic?**

The biggest reason for this growth is our business fundamentals. We have more than 250 dealer networks all over India, and in every state we have a zonal Terra unit team which includes sales and service functions so that we can monitor and support dealers and customers more quickly and efficiently. This stayed intact in 2020 too, and that maintained our sales growth.

For the second part of the question, due to COVID , the government announced a moratorium for loan, which approved that from April to September 2020, there is no need to pay the EMI to the Financer as pandemic is there. Because of that, most of finance's loan portfolio was damaged badly, NPA, more than 3 month delay customer account for more than 50 % averagely. Therefore, they focused on recovering their portfolio , and suspended the new loan generation. This impacts the sales because automotive sector sales always come with finance.

- 1. Since Terra Motors has shown interest in expanding its footprint in the north-Indian states especially Assam. What is the company actually planning to do there? Will there be a new product launch, tie-up with the state government for a subsidy, or launch of low-priced exclusive variants in the state?**

Assam is one of the important markets for our E3Ws, in near future we consider Assam as a production base as it geographically can cover the East India part, so we are planning to have a production base which specializes for the east India market. We are now searching the scheme from the government or actual cost of investment for this.

- 1. As per reports, Tripura, which is also a north-eastern Indian state, will witness the fastest growing e-rickshaw sales in the coming years. Does the company have any plans chalked out to tap on to this opportunity?**

Yes we do. And we have more than 80% of our business in east India, so we understand the actual demand in east part of India such as price range, product design, etc. which can be utilized for north-eastern part of our business. In addition to this, eastern part India are facing lack of transportation infrastructure especially in rural areas, so we will put more focus on expanding those areas.

4. The company stresses on Make in India initiative to reduce dependability for spare parts but it also imports 50 per cent of the components including the motor from China. If it is to switch to self-dependent or Make in India, how is the company going to do so? Will there be a compromise on the quality of products?

We have started procuring the main components such as motor, controller, battery, rear axel in India, and other parts come from overseas. So now we are discussing with several partners to do the joint production facility establishment in India for more stable logistics and production which can enhance business efficiency in India.

5. Terra Motors launched its EV bike in Nepal sometime back. Is it planning to launch E-bikes in India in the near future?

Yes we are seriously planning to replace all petrol bikes to EV to make a better society in India. Therefore we are targeting MRP around 90,000 INR with the spec of 80-100 km range per charge, and max speed of 60-80 km/h we plan to introduce both e-bike and e-scooter.

6. Does the company have any suggestions for the Indian government in regards to the implementation of the green vehicles policy. Are there any business hurdles the company has faced ever since 2014?

There are two things,

(1) Incentive scheme (FAME II) has so many condition to get it , such as range cut 140 km , top speed must be more than 70km/h, price cut off is also 1.5 lakh , so most of the model will be out of the scope for fame II scheme, we strongly request ease those criteria to make incentive available for more number of bike.

1. Regarding GST, it is quite tough to manage the cash flow as so many GST will be blocked by the current system, now most of the OEM pays 28% GST when importing the goods , but sales GST is 5% only, so this unbalance structure creates a huge cash block at OEM.

So we strongly suggest improving this policy to be fair for input and output GST,so that many companies are coming into this sector to grow the EV industry.

7. There has been a significant and rather unprecedented jump in the prices of commodities/ raw materials/metals like steel, copper, aluminium and zinc, and plastics in the past one month. How has that impacted, your capital expenditure and the larger growth plans, and what is your strategy to deal with that issue?

Yes there is the impact, so we try to add more value to our service to make increased price look more reasonable. We don't have such a large plan for capital expenditure as of now, but focus more on RD to develop our product that can create good brand value in the market. For the long run, make in India production can solve many issues , so we are planning how we shift all production to India.