FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

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Shri Suman Bery,
Vice-Chairperson,
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Respected Sir,

SUB: CHALLENGES AND WAY FORWARD FOR EV FINANCES IN INDIA

Finance Industry Development Council (FIDC), a representative body of Non-Banking Financial Companies (NBFCs) registered with the Reserve Bank of India, with a legacy of 21 years, is the recognized face of the NBFC sector, representing almost all leading NBFCs and a large number of small and medium-sized NBFCs. Further, FIDC has also submitted its application for recognition as Self-Regulatory Organization (SRO) for NBFC which is under consideration of RBI.

Kindly refer to the Consultation Meeting to discuss the challenges and way forward for accelerating E V financing in the country on February 28, 2025 under the leadership of Shri Sudhendu J. Sinha, Adviser (Infrastructure Connectivity – Transport & Electric Mobility), Niti Aayog at the office of Niti Aayog, New Delhi.

We are giving hereinbelow our observations, comments and suggestions in the matter.

Executive Summary

The electric vehicle (EV) sector in India is pivotal to achieving decarbonization goals, but financing remains a critical bottleneck. NBFCs have taken the lead when it comes to financing EVs and are today the key players in this space. What needs to be appreciated is that this being a new avenue, the risks involved are lesser known. At the outset, just as the Government supported and incentivized manufacturing of EVs through FAME and PLI schemes, a similar initiative for the financiers is the need of the hour.

We at FIDC would like to outline key challenges faced by EV financiers and propose actionable recommendations to accelerate India's EV adoption through collaborative policy interventions, financial incentives, and regulatory reforms.

Key Challenges in EV Financing

1. **Lack of Adequate Policy and Regulatory Support**
    - EV financing is treated similar to IC vehicle financing
    - No special incentive available to financiers
2. **Uncertain Residual Value & Secondary Market**
    - Lack of standardized battery life assessment and resale mechanisms.
    - Depreciation fears due to evolving battery technology and unclear warranties.
3. **Battery Risks & Technology Obsolescence**
    - Rapid advancements in battery tech (e.g., solid-state, sodium-ion) increase asset risks.
    - Limited data on battery degradation in Indian conditions (temperature, usage patterns).
4. **Inadequate Charging Infrastructure**
    - Range anxiety due to sparse charging stations, especially in Tier 2/3 cities.
    - High collateral risks for financiers if EVs remain underutilized.
5. **High Cost of Capital**
    - Green Finance options from Government of India for the lending institutions should be part of such discussions and also facilitate the lenders discussion with such agencies.

6. **Insurance issues**
    - Lack of clarity on insurance, mainly on retrofit cases
7. **Low Consumer Awareness**
    - Misconceptions about EV performance, maintenance costs, and financing schemes.

Recommendations to the Government of India

1. Financial Incentives & Risk Mitigation

- **Setup a Dedicated Fund with SIDBI / NABARD:** Exclusively for funding NBFCs for on lending to Environment friendly assets like EVs
- **Subsidized Interest Rates**: Extend interest subvention schemes (e.g., 2-3% reduction) for EV loans under ₹10 lakh.
- **EV segment to be treated under priority lending segment**
- **Government-Backed Guarantee Fund**: Create a ₹5,000-crore default guarantee fund to cover 50-70% of defaults for lenders.
- **Reduction of Risk Weights on EVs as an asset class**

2. Strengthening Secondary Markets

- Collaborative effort of OEMs and financiers to bring in standardization of used EVs
- Past initiatives like Maruti True Value and Mahindra First Choice played a key role in standardization of used vehicles. A similar effort is the need.
- **Battery Certification & Standardization**: Establish a national agency to certify battery health and residual value.
- **EV Buyback Schemes**: Partner with OEMs to launch assured buyback programs (e.g., 40% residual value after 3 years).

3. Infrastructure Development

- **Fast-Track Charging Infrastructure** - rural/urban charging hubs.

4. Regulatory Reforms

- Just as asset financing was given a special treatment sometime back, there is a need to treat EV / Green financing differently
- Case for some regulatory forbearance in prudential norms
- Allow onetime restructuring of EV loans
- **Insurance –** On retrofit kits
- **Registration of the vehicles** – With minimal intervention, alternative mechanism, so that financers can keep track.
- Battery number updation in Registration certificate issued by Regional Transport Office for Electric vehicle.

5. Legislative Reforms

- Amendments to be made in The Motor Vehicles Act and Motor Vehicle Rules to identify Batteries of EVs as a separate asset class
- This may give boost to financing/leasing of batteries of EVs
- In case of fixed batteries, the battery number should be mandatorily registered in the vehicle RC to check fraudulent sale of batteries
- EVs do not have any engine number and the same should not be mentioned in the RC

6. Technology & Data Solutions

- **Battery Health Monitoring**: Develop a national telematics platform for real-time battery tracking which can be shared across platform.

7. Awareness & Capacity Building

- **National EV Awareness Campaign**: Partner with OEMs and financiers to educate consumers.

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FIDC urges the Government of India to adopt a holistic approach, combining fiscal incentives, regulatory clarity, and infrastructure development to unlock $50 billion in EV financing by 2030. Collaborative action is critical to achieving India's net-zero targets and positioning the EV sector as a global leader.

Thanking you,

Yours Faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR
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