

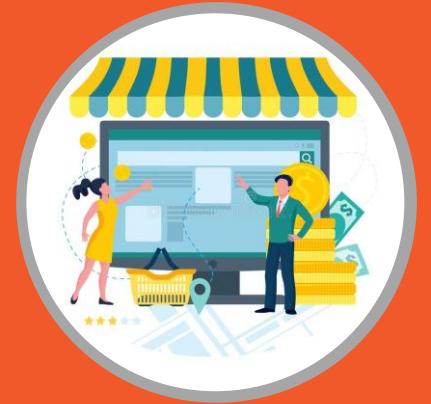


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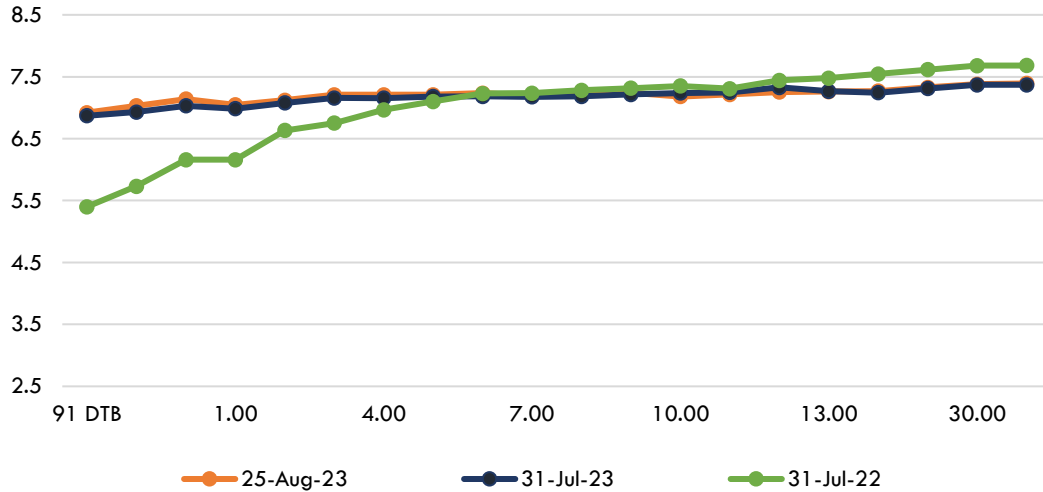
DELIVERING CAPITAL.
CHANGING LIVES.

*A tech-focused impact-first
investment bank*

Debt Newsletter for August 2023



Yield Curve



NBFC Bond spread over G-sec Benchmark indices

Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	56	47	49
AA	123	114	126
A	365	356	361
A-	390	381	386
BBB+	440	431	436
BBB	465	456	461
BBB-	515	506	511

Source: FIMMDA, RBI

Domestic Indicators

RBI projects Q2 retail inflation at 6.2%; Q3 at 5.7% and Q4 at 5.2% in FY 2023–24.



Total area sown - Kharif
Domestic air passenger traffic
Household credit
Tractor sales



Passenger vehicle sales
Merchandise exports
Non-Oil Non-Gold imports

Key market rates

Repo Rate
6.50%

Reverse Repo Rate
3.35%

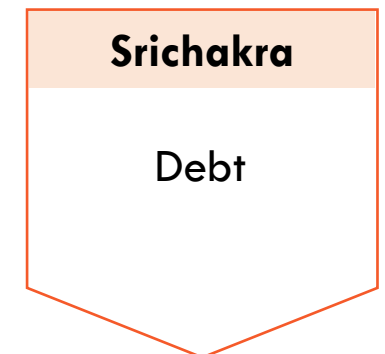
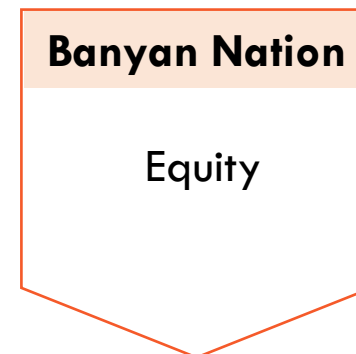
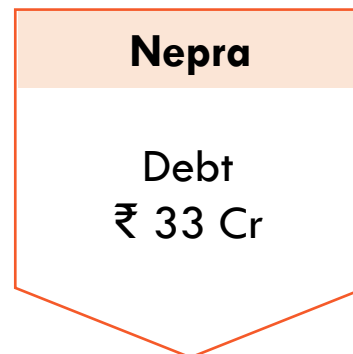
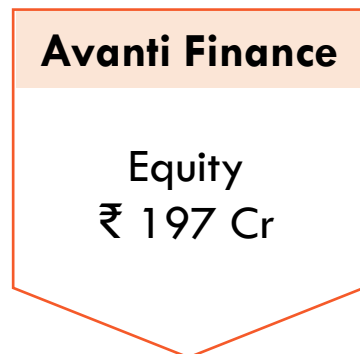
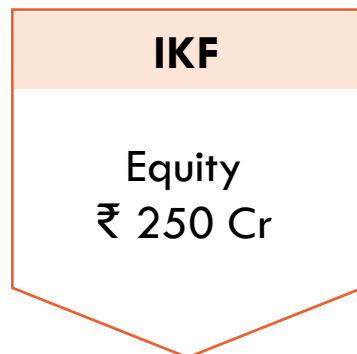
MSFR
6.75%

EURIBOR-6M
3.99%

SOFR-6M
5.48%

- ✓ Foreign portfolio investors (FPIs) have pumped Rs. 28,216 crore into the Indian debt market so far this year on a net basis, with inflows of Rs. 10,325 crore in June 2023, Rs. 3,113 crore in July 2023, and Rs. 6,067 crore in August 2023 respectively. (Ref: [Business Standard](#))
- ✓ SEBI has introduced the establishment of the 'Corporate Debt Market Development Fund' (CDMDF) as an institutional framework to enhance secondary market liquidity in the corporate bond market during stressed market situations and this will act as Back stop facility. (Ref: [Economic Times](#))
- ✓ The government in consultation with the Reserve Bank of India (RBI) is considering a proposal to include electric vehicles (EVs) in the priority-sector lending (PSL) category. (Ref: [Indian Express](#))
- ✓ Gross domestic product (GDP) grew by 7.8% in the quarter ended June 2023 as per Ministry of Statistics and Programme Implementation (MoSPI).

Recent Deals Closed



India has set a target of **30%** new vehicle sales to be electric by 2030. EVs would be a key contributor to meeting the country's goal of reducing carbon emissions by **1 billion tonnes** by 2030.

India's transition to electric vehicles has advanced rapidly over the past few years. This growth has been backed by supportive policies by the Indian Government including –

- FAME II Subsidies (INR 10,000 Cr)
- State Government Subsidies
- PLI Schemes (INR 18,100 crore) for battery manufacturing

India's Electric Mobility Dream by 2030

102 Mn
Electric Vehicles

158 GWh
Battery Demand

2.9 Mn
Public Charge Points

The cumulative capital cost of India's EV transition between 2020 and 2030 is INR 19.7 lakh crore (USD 266 billion) across vehicles, charging stations and batteries.

While challenges remain in scaling availability of capital for this technology transition, we see several positive developments that will catalyse capital flows to the sector.

Challenges

- Uncertainty around resale value of vehicles and batteries due to nascent secondary market
- Uncertainty around life of battery and performance
- FAME II Subsidies (~INR 1,000 Cr subsidies on hold)
- Limited Financing Options

Solutions

- Startups like OTO Capital and RevFin are developing secondary markets by offering guaranteed buyback
- Establish battery safety standards and performance certification framework
- Clarity on subsidies will emerge post investigations on localisation norms (50% of components to be locally sourced)
- Access to low-cost funds with risk-sharing mechanisms/FLDG

Type	Active Lenders	Initiatives/Schemes	Recent Funding	Comments
Banks	SBI, HDFC, PNB, Yes Bank, Axis Bank	<ul style="list-style-type: none"> - The government is considering inclusion of EVs in priority sector - Tie-up with EV startups for financing EVs 	<ul style="list-style-type: none"> - Omega Seiki Mobility has signed an MoU with PNB for EV financing 	<ul style="list-style-type: none"> - Including EVs in priority sector will incentivize banks to increase lending towards the EV sector. - Some banks have also set up dedicated startup financing teams to lend to EV startups, among others, based on assessment of free cash flows and equity potential.
NBFCs	Northern Arc, Oxyzo, Vivriti, Western Capital, UCIC, PFC, IREDA		<ul style="list-style-type: none"> - PFC approved INR 633 crore loan to BluSmart Mobility 	<ul style="list-style-type: none"> - NBFCs have played a significant role by offering innovative financing solutions. - NBFCs are also partnering with EV financing startups for lending to the EV sector.
DFIs/Impact Funds	DFC, ADB, BII, responsAbility		<ul style="list-style-type: none"> - RevFin raised \$5 Mn from DFC 	<p>DFIs and Impact Funds are evaluating various business models in the EV space to provide affordable funding to the EV sector in India.</p>
EV Financing Startups	RevFin, Mufin, Rupy, OTO, Greaves Finance	<ul style="list-style-type: none"> - Guaranteed buyback - Upgrade to newer model on same EMI 		<ul style="list-style-type: none"> - These startups have the capacity to underwrite high risk loans mainly because of their tech and use of alternative data. - 63% of EV 2W financing comes from these fintech startups.

Type	Active Lenders	Initiatives/Schemes	Comments
Multilateral and National Development Banks	SIDBI, World Bank	<ul style="list-style-type: none"> - NITI Aayog and World Bank (\$ 300 Mn) first-loss risk-sharing instrument - SIDBI, World Bank, ADB to create \$1 Bn fund for EV financing - SIDBI has tied up with the NITI Aayog, World Bank, Korea-World Bank to finance MSMEs in the EV space 	Setting up such low-cost funds facilitated by credit lines and risk covers from multiple multilateral banks will help financiers extend affordable loans to EVs.
Dedicated Climate Funds	Green Climate Fund (GCF), Global Environment Facility (GEF)	<ul style="list-style-type: none"> GCF (\$ 1.5 Bn) - Equity & Co-financing GEF (\$ 172 Mn) - Grant & Co-financing 	Setting up dedicated debt funds for EVs would help increase investment in the sector.
Green Bonds	Symbiotics	Green basket bond program by Symbiotics in partnership with BII (\$ 75 Mn)	<p>Green bonds can address some of the funding constraints in the EV sector by –</p> <ul style="list-style-type: none"> - refinancing primary bank/NBFC debt - diversifying the sources of capital - providing access to long-term fixed-rate debt - promoting greater transparency in the use of proceeds
Green Deposits	HSBC, Federal, IndusInd, Union Bank, DBS, HDFC	RBI has issued a framework for acceptance of green deposits	Banks and NBFCs are already offering green deposit schemes and this would help augment the flow of credit towards green activities.



Eric Savage
Co-Founder & CEO

25+ years of investment banking experience with strong relationships with domestic and foreign investors; serves on the boards of multiple companies, and other institutions.



Amit Kumar Rathi
Managing Director

20+ years of post-qualification experience which includes 15+ years in the broad PE / VC investing and M&A as either an Investment Banker, Diligence Advisor, and Investor.



Simmi Sareen
Director

25+ years in financial services with extensive experience in supporting access to capital for sustainable startups & social enterprises. Recognized as a thought leader for impact investing and climate finance in India.



Rima Agarwalla
Vice President

11+ years experience with Bank of Baroda in corporate credit, transaction Banking, in India and Middle East. Specialized in structuring deals.



Balaji Sridharan
Associate

3 years of experience across financial consulting, agricultural finance and ESG domains. Previously worked with Samunnati & PWC. He has done his MBA in Agri business management.



Harish Peddina
Associate

5+ years of experience in debt syndication. He previously worked at Indusind Bank covering sectors such as real estate, agri & manufacturing.



Ishita Jain
Analyst

Ishita covers financial inclusion and agriculture at Unitus Capital. She has 2+ years of experience with a boutique IB in Mumbai. She is a CA.



Naman Jain
Analyst

Naman covers climate and healthcare at Unitus Capital. He has 3+ years of experience in equity research and fintech. He is currently pursuing CFA.



Vidhi Sarawagi
Intern

Vidhi has previously interned with IIFL securities covering technical analysis and trading in stock market. She is currently pursuing CFA.

Thank You
