From Public Subsidies to Private Investment:

Financing India's Electric Bus Transition

ITDP INDIA



India's E-Bus Transition: From Pilots to Scale

How schemes and financing reforms helped grow the market

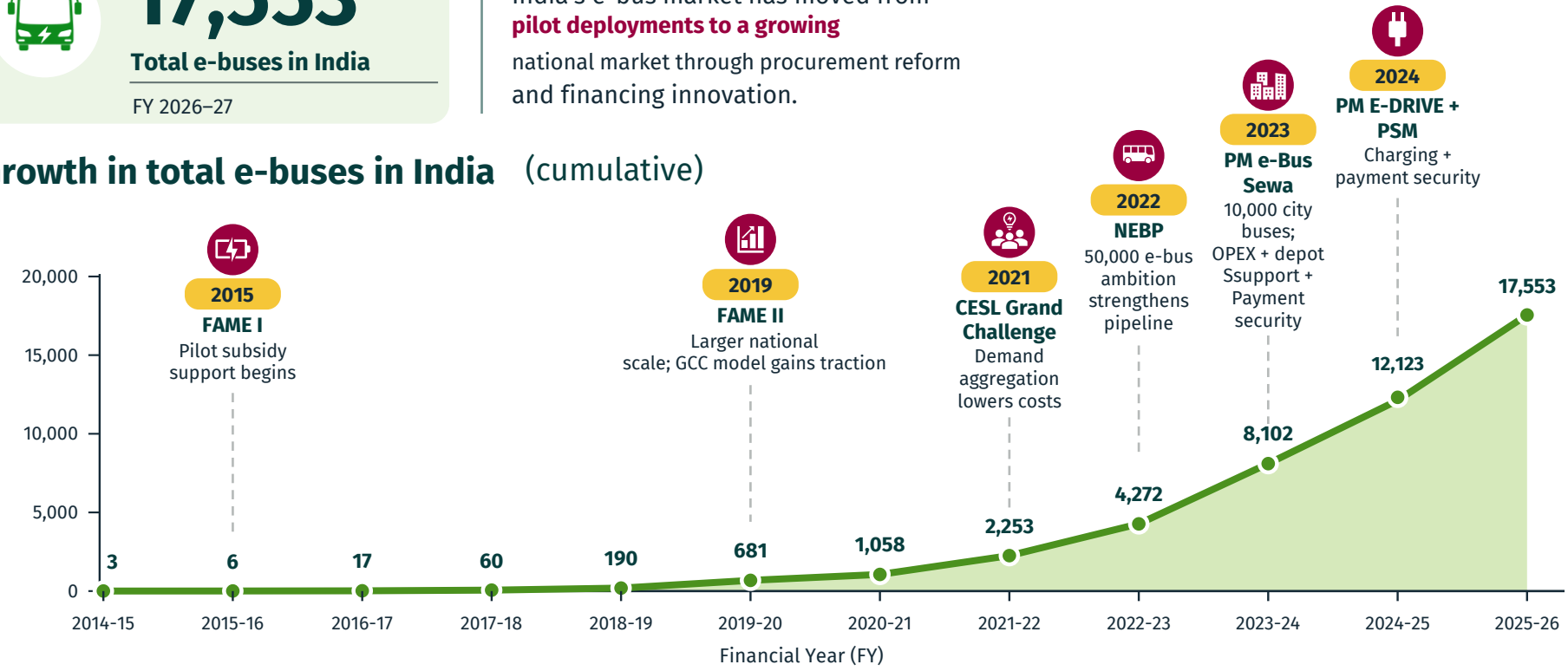
17,553

Total e-buses in India

FY 2026–27

India's e-bus market has moved from **pilot deployments to a growing** national market through procurement reform and financing innovation.

Growth in total e-buses in India (cumulative)



Sources: Latest SSR update / VAHAN; MHI; MoHUA; CESL / NITI Aayog.

How India's National Schemes Evolved to Finance Electric Bus Services



National schemes

₹44,073 crore
$4.76 billion

FAME I

2015–2019

₹895 crore
$96.6 million

Pilot scale; limited

Completed

FAME II

2019–2024

₹11,500 crore
$1.24 billion

6,300+ buses, 64 cities

Completed

PM e-Bus Sewa

2023–ongoing

₹20,000 crore (Central govt.)
$2.16 billion

10,000 buses, 169 cities

Active

PSM

Payment Security Mechanism

2024 onwards

₹3,2435 crore
$0.41 billion

38,000+ buses targeted for coverage

Under implementation

PM E-Drive

Oct 2024–Mar 2026

₹10,900 crore
$1.18 billion

14,028 buses, 9 metros

Active (extended)

Sources: MHI's August 2026 FAME II update; Press Information Bureau; PM e-Bus Sewa Cabinet approval Press Information Bureau; October 2026 PM E-DRIVE factsheet PIB and PSM approval

Vehicle Subsidies → Aggregated Procurement → Service-Based Financing → Infrastructure Investment → Payment Security

From Purchasing Buses to Purchasing Services: The GCC Model

Central support / VGF / policy support

Central / State Government

Public Transport Authority (PTA)

- Service planning
- Fare policy
- Fare revenue
- May provide depot / land /power depending on contract

Gross Cost Contract

Pays agreed ₹/km for bus service

Delivers bus service

Risk allocation differs across contracts

Private Operator /Project Company

- Finances buses
- Bus ownership / lease
- Operations & maintenance
- Staffing
- Charging / depot O&M as contracted



Debt finance

Lenders

- Commercial banks
- Development finance institutions (DFIs)
- Green finance

Equity

Investors

- Equity investors
- Infrastructure funds
- Strategic investors

Riders



Fare revenue

Service planning, routes, fares

What the GCC model changes

1. **Authority buys service, not buses**
2. **Private capital finances fleet**
3. **Public side retains planning and fare control**

Service-based contracts enable private investment without requiring transport authorities to purchase every bus upfront.

Source: World Bank, India E-Bus Procurement: International Lessons and Case Studies.

Demand Aggregation Has Reduced the Cost of Electric Bus Services

5,450
Buses tendered in CESL's first Grand Challenge

~37%
Lower than comparable earlier FAME II procurement prices



The 37% reduction is the World Bank comparison for the first Grand Challenge, not every CESL tender.

Five cities under one aggregated tender



Discovered bid rates in the first Grand Challenge



12m AC low-floor
₹47.99/km
~$0.64/km



9m AC
₹44.99/km
~$0.60/km

CESL-led aggregated tenders after the first Grand Challenge

1. **Grand Challenge 1 (FAME II remodel)** — 5,450 buses
2. **NEBP Phase-1 (GC-2)** — 5,690 buses
3. **PM e-Bus Sewa** — 6,228 buses

PM e-Bus Sewa: 6,228 tendered/concluded

4. **PM E-DRIVE** — 10,900 buses

PM E-DRIVE: 2,900 more under tender process (Mar 2026)

28,268 | **Buses across four major CESL-led tender packages**

Predictable scale, standardised contracts and competitive bidding can lower costs and improve bankability — without increasing the subsidy per vehicle.

Sources: World Bank, India E-Bus Procurement (2023); PIB/MHI (26 Apr 2022; 10 Mar 2026); CESL tender portal; MoHUA PM e-Bus Sewa.

PM e-Bus Sewa: Financial support beyond e-buses

10,000
Target e-buses

₹57,613 cr US$6.03 bn
Total estimated scheme cost

₹20,000 cr US$2.09 bn
Central Government support

THREE STREAMS OF CENTRAL SUPPORT

OPERATING SUPPORT
Central assistance for eligible bus service payments over 10 years

DEPOT & POWER INFRASTRUCTURE
Support for depot readiness and behind-the-meter electricity infrastructure

GREEN URBAN MOBILITY INITIATIVES
Support for better services, bus priority and multimodal integration

HIGH-QUALITY E-BUS SERVICES



ROLES AND RESPONSIBILITIES

CENTRAL GOVERNMENT / MoHUA
Provides central assistance for operations, depots and power infrastructure

STATE / CITY / PTA
Plans services, manages implementation and makes contractual payments

PRIVATE OPERATOR
Finances or leases buses, operates fleet and maintains vehicles under contract

IMPLEMENTATION PROGRESS
Against 10,000-bus programme target

AS OF 16 SEP 2026

880+ buses deployed

26 operational cities

Sources: PM e-Bus Sewa Cabinet approval (2023); MoHUA PM e-Bus Sewa dashboard (16 Sep 2026).

Payment Security: Making Long-Term E-Bus Contracts Bankable

₹3,435.33 crore
US$359.3 million | PSM scheme outlay

38,000+
E-buses targeted for payment-security coverage

PAYMENT SECURITY MECHANISM FLOW

Protects eligible payments when a public transport authority defaults

Public Transport Authority (PTA)
Owes contractual GCC dues

Payment default →

PSM FUND
Administered by CESL

PSM payout →

Private Operator
Receives eligible payment protection

PTA reimbursement to fund • 90-day framework →

✓ Lower payment risk for lenders

HOW THE MECHANISM WORKS

01 Eligible payment default triggers claim

02 CESL verifies claims and supports payment

03 Funds recovered via escrow / DDM

04 Coverage up to 12 years per deployed bus

WHY PAYMENT SECURITY MATTERS

1. Improves bankability of long-term GCC contracts
2. Reduces perceived payment risk for operators and lenders
3. Attracts private capital without removing public obligations

✓ **Payment security de-risks long-term e-bus contracts — but PTAs must still fund the services.**

Sources: MHI / PIB (PSM approval and implementation guidelines).

Private Capital Is Entering India's E-Bus Market

IFC = GreenCell and JBM ECOLIFE

Eversource Capital → Equity backing

IFC → US$37 million Mezzanine financing

IFC → US$100 million Senior financing

→ GreenCell Mobility

→ JBM ECOLIFE



NueGo — GreenCell's commercial intercity bus brand

Revenue model: Passenger ticket revenue on commercial intercity routes

GreenCell funding: equity backing + mezzanine finance.
JBM ECOLIFE funding: senior debt.

KKR = PMI Electro and Allfleet

KKR → Up to US$310 million announced → Allfleet; PMI ELECTRO (OEM partner)



Allfleet: fleet ownership and GCC operations

PMI Electro: OEM and O&M partner

KKR: majority in Allfleet; minority in PMI

Revenue: long-term GCC service contracts

Announced transaction; full funding not assumed disbursed.

" PSM is creating greater confidence among institutional investors and development finance institutions, as demonstrated by IFC's financing of GreenCell and JBM, and KKR's investment in Allfleet."

Equity, debt and bankable operating revenues are bringing private capital into India's e-bus sector.

Sources: IFC financing announcement (Sept 2025); KKR/PMI investment announcement (Mar 2026).

POLICY WINDOW OPENING SOON for Private Bus Sector



Private sector enters the e-bus policy mainstream

2 million buses are operated by private sector in India

Proposed ₹12,000 (US$1.26 billion) crore private e-bus scheme

Potential shift from STU-centric deployment to a bankable private bus transition

US$1.26 billion
proposed incentive package

50,000
private e-buses over 10 years

₹70k-80k cr (US$7.32–8.37 billion)
expected private investment unlock

Reported support instruments

The scheme is expected to move beyond upfront incentives by lowering financing risk for private fleet owners.

- **Interest subvention** — 3-5% lower finance cost
- **Partial credit guarantee** — de-risk bank lending
- **Capital subsidy** — reduce upfront cost gap
- **Toll + registration waivers** — lower ownership friction

Source: ETAuto, 27 Jun 2026. Reported proposal; final scheme contours awaited.

Four Lessons From India

01 Aggregate demand



Create scale and predictable procurement.

02 Finance services



Shift from bus ownership to reliable service delivery.

03 De-risk investment



Improve payment security and access to affordable capital.

04 Invest in the system



Align depots, power, charging and public transport operations.

The transition will not be delivered through vehicle subsidies alone. Governments must create financially sustainable bus services that attract private capital while ensuring high-quality public transport.

Thank you

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