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Study on Financial Risk Analysis and Prevention of BYD's New Energy Vehicle Business

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Abstract: In recent years, China's automobile industry has encountered a growth bottleneck and is in urgent need of transformation. New energy vehicles (NEVs) have become a key direction: they help lower oil dependence, ensure national energy security, and enable domestic firms to achieve competitive breakthroughs, as the technological gap with foreign companies is narrower than in traditional fuel vehicles. Supported by national policies, the NEV industry also advances environmental protection and improves global competitiveness. However, NEV projects feature large investment, long cycles, and uncertain returns, creating heavy financial pressure on enterprises. Thus, NEV companies must trengthen financial risk identification and control to enhance resilience and sustainable development. As a leading domestic NEV manufacturer, BYD demonstrates high technological maturity and strong representativeness. This study assesses BYD's financial risks through financial ratio analysis, trend analysis, and case comparisons. It aims to improve BYD's risk prevention awareness, reduce potential losses, and provide a reference risk assessment framework for peer enterprises to avoid bankruptcy risks.

Keywords: New Energy Vehicles; Financial Risks; BYD; Financing Risks; Debt-repayment Risks.

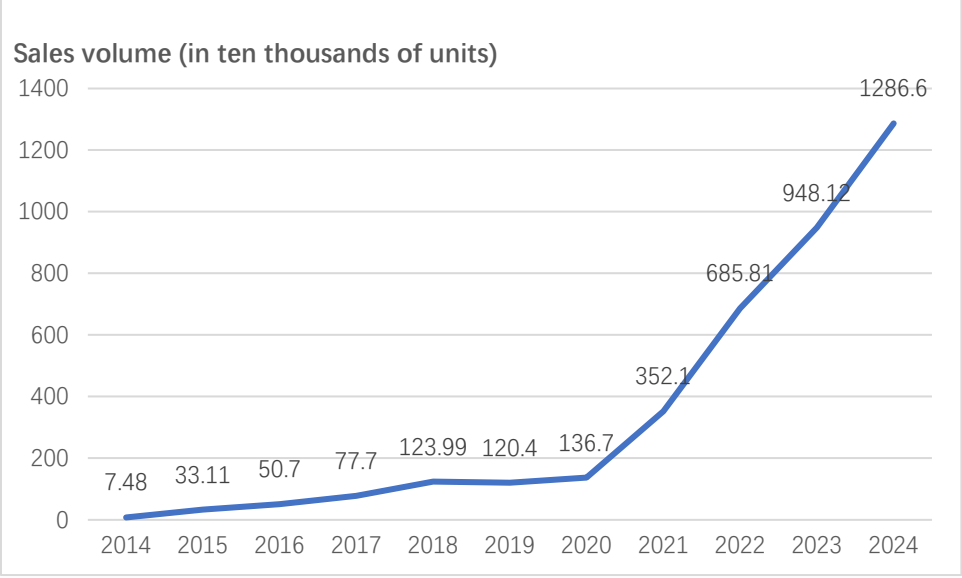
1. Introduction

With the development of China's economic transformation, in recent years, green travel and low-carbon economy have become the mainstream trends in global economic development. This has gradually elevated the position of new energy vehicles in the automotive industry and also increased the attention of investors and consumers. Therefore, new energy enterprises should pay greater attention to financial risks, ensure that risks can be identified in a timely and accurate manner, and effectively control them. In this way, they can enhance their risk resistance capabilities and competitive advantages in the market, thereby promoting the sustained and healthy development of the entire industry. This study selects BYD as a typical sample, and through in-depth excavation of the enterprise's financial data, systematically identifies the financial risk situation it faces. The purpose is to strengthen the enterprise's forward-looking awareness of financial risk prevention and control and reduce the risk of potential economic losses [1].

2. The Current Situation of the New Energy Vehicle Industry

After nearly a decade of progress and development, China's new energy vehicle (NEV) industry currently exhibits two prominent characteristics:

Table 1. Sales Volume of New Energy Vehicles in China



Data source: China Association of Automobile

First, NEV sales have shown a clear upward trend, with a consumer market of enormous potential. From 2014 to 2021, sales volume increased by approximately 46 times, achieving new breakthroughs in sales in 2015 and 2021 respectively. Specifically, in 2021, the production volume reached 3.545 million units and the sales volume hit 3.521 million units,

representing a year-on-year growth of about 157.57% in sales. Meanwhile, NEVs accounted for a groundbreaking 13.4% of the automotive market, a year-on-year increase of approximately 162.75%. From 2022 to 2024, NEV sales surged from 6.8584 million units to 12.866 million units, achieving another new breakthrough in sales volume. (Source: China Association of Automobile Manufacturers) See Table 1 for details[2].As shown in Table 1.

Second, market competition is fierce, and domestic brands are becoming increasingly strong. China has the largest NEV market globally, with a large number of products from both domestic and foreign brands. While foreign brands led by Tesla boast strong strength, domestic brands have gradually risen in recent years. In 2024, Chinese NEVs accounted for 70% of global sales, among which new energy passenger cars accounted for 69.6% - 76% (from January to November). In November alone, Chinese NEVs contributed 96% to the global sales growth, and their contribution to the global NEV sales increment throughout the year reached 95%. Brands such as BYD (4.272 million units sold, global sales champion), Li Auto (501,000 units), and Leapmotor (300,000 units) took the lead. Xiaomi, as a new dark horse in the industry, delivered 139,000 units throughout the year, ranking among the top 20 global NEV brands. The export of Chinese NEVs witnessed significant growth in the South American and Southeast Asian markets. In 2024, the export volume of Chinese NEVs was estimated to reach 1.8 million units (a year-on-year increase of 50%), and the overseas market share of domestic NEV brands rose from 1.8% in 2021 to 10.1% in 2024.

Manufacturers

Meanwhile, the development of new energy vehicles (NEVs) in China has not been without challenges. In 2016, a nationwide subsidy reduction mechanism was officially launched. In the same year, four ministries and commissions including the Ministry of Finance issued a notice, clarifying that from 2017 to 2020, except for fuel cell vehicles, the subsidy standards for other vehicle models would be reduced year by year. The core goal of this phase was to guide the industry to shift from "extensive expansion" to "technological upgrading" through dynamic adjustments to subsidies.From 2020 to 2024, the reduction of NEV subsidy policies was characterized by "increasingly larger annual reduction margins and continuously higher technical thresholds". The subsidy amount dropped from a maximum of 22,500 yuan in 2020 to regionally differentiated subsidies in 2024, driving the industry to shift from policy dependence to technological competition.In October 2025, three ministries and commissions—the Ministry of Industry and Information Technology, the Ministry of Finance, and the State Taxation Administration—jointly issued the Announcement on Technical Requirements for New Energy Vehicle Products Eligible for Vehicle Purchase Tax Reduction or Exemption (2026–2027). The new purchase tax rules clearly stated that starting from 2026, the purchase tax for NEVs would be halved (with a maximum reduction of 15,000 yuan per vehicle), and the minimum all-electric range requirement for plug-in hybrid electric vehicles (PHEVs) would be raised from 43 kilometers to 100 kilometers. This new policy marks the final phase of the continuation of policy dividends.

3. Financial Risk Analysis of BYD

3.1. Company Overview

BYD Group ("BYD") was founded in February 1995 in Shenzhen City, Guangdong Province. Its core business segments include rechargeable battery business, mobile phone components and assembly business, automotive industry (covering both traditional fuel-powered vehicles and new energy vehicles), and other new energy products such as solar power plants, energy storage power stations, LEDs, and electric forklifts. As a high-tech private enterprise, BYD owns three major industrial clusters: IT, automotive, and new energy. On July 31, 2002, BYD was listed on the Main Board of the Hong Kong Stock Exchange, with its headquarters located in Shenzhen, Guangdong, China. The total area of BYD's production bases is nearly 7 million square meters, distributed in Guangdong, Beijing, Shanghai, and other regions. The company has also established branches or offices in many locations, including the United States, European countries, as well as Taiwan region and Hong Kong region of China. Currently, BYD has a total of nearly 200,000 employees.

On June 30, 2011, BYD was listed on the A-share market (stock code: SZ.002594). In April 2016, BYD Shanwei Company secured the world's largest single order for pure electric buses, with a value of RMB 4.466 billion. In August 2016, BYD Company Limited ranked 26th in the "2025 China Top 500 Enterprises" list.BYD takes technological innovation, the goals of "carbon peaking" and "carbon neutrality", and "scientific and technological progress" as its responsibilities. In 2015, BYD won the "United Nations Special Award for Energy", which was the first major award presented to the new energy industry in 70 years. In 2016, BYD received the "Zayed Future Energy Prize".In Fortune magazine's 2017 "Most Admired Chinese Companies" list, BYD ranked 5th and topped the global automotive industry. In the 2020 "BrandZ Top 100 Most Valuable Chinese Brands" list, BYD was named a "Most Valuable Chinese Brand" for the sixth consecutive year.

Table 2. Revenue of BYD from 2020 to 2024 (in billions of yuan)

Item	2020	2021	2022	2023	2024
Total operating revenue	156.00	2, 161.42	4, 240.61	6, 023.15	7, 771.02
Operating profit	70.86	46.32	215.42	381.03	504.86
Profit before tax	68.83	45.18	210.80	372.69	496.81

The data is sourced from BYD's annual reports.

As shown in Table 2.In 2020, the total operating revenue increased by 22.59% year-on-year, mainly driven by the recovery of the new energy vehicle (NEV) business (boosted by new models such as Han and Tang DM). However, affected by cost pressures in the early stage of the pandemic, the year-on-year growth rates of operating profit and pre-tax profit were lower than that of operating revenue.In 2021, the operating revenue rose by 38.02% year-on-year, while the operating profit and pre-tax profit decreased by 34.6% and 34.3% respectively. The main reasons were the significant surge in upstream raw material prices (e.g., the price of lithium carbonate increased by 437% year-on-year) and rising costs caused by chip shortages.In 2022, the operating revenue soared by 96.2% year-on-year, with operating profit and pre-tax profit growing by 365.1% and 366.5% respectively. The

core drivers were the explosive growth in NEV sales (1.802 million units, up 149.9% year-on-year) and cost reduction through scale expansion.In 2023, the operating revenue exceeded RMB 600 billion. Operating profit and pre-tax profit increased by 76.9% and 76.8% respectively, and the gross profit margin rose to 20.21%. This reflected the optimization of product structure (high-end models accounted for over 40%) and the release of technological premium.In 2024, the operating revenue surpassed Tesla for the first time (RMB 777.1 billion vs. RMB 702.2 billion). Both operating profit and pre-tax profit hit new highs, with the gross profit margin reaching 22.31%. This was mainly due to the expansion of overseas markets (417,000 units exported, up 72% year-on-year) and technological iteration (Blade Battery, DM-i hybrid system). See Table 2 for details.

Overall, from 2020 to 2024, the compound annual growth rate (CAGR) of operating revenue reached 48.5%, and the CAGR of operating profit stood at 81.3%, indicating that BYD's leading position in the NEV sector continued to strengthen. Technological factors also drove profit growth: R&D investment increased from RMB 10.6 billion in 2020 to RMB 54.2 billion in 2024, with a cumulative total of over RMB 180 billion. Such high investment was converted into product competitiveness and higher gross profit margins. Driven by the synergy of policy and market, despite the phased reduction of subsidies (completely terminated in 2023), BYD actively adapted to policy changes. Through technological innovation and global layout, it achieved a smooth transition from policy-driven growth to market-driven growth.

3.2. Financial Risks Faced by the Company

This paper uses the financial ratio analysis method to conduct a research and analysis of the financial risks existing in BYD's new energy vehicles from three aspects: financing risk, debt - repayment risk, and capital recovery risk.

3.2.1. Financing Risks

The automotive manufacturing industry is a manufacturing sector that requires large-scale capital investment. However, the new energy vehicle (NEV) industry places greater emphasis on product design and innovation, which demands the integration of traditional manufacturing with intelligent systems. As a result, the scale of capital required by the NEV industry is even higher than that of the traditional automotive manufacturing industry. The financing pressure faced by NEV enterprises mainly stems from two aspects: First, in recent years, due to the weakening of government subsidies and scandals where some NEV enterprises declared bankruptcy shortly after raising funds, investors' enthusiasm for investing in the NEV industry has significantly declined. Second, due to the complexity and large demand of their capital activities, as well as the long cycle of R&D investment, NEV enterprises have long been plagued by issues such as a single financing channel, high financing costs, and weak sustainable financing capacity.

According to industry data, the debt ratio of most enterprises in China's NEV industry exceeds 50%. Taking BYD as an example, the proportion of debt financing in its total financing amount remained above 60% from 2020 to 2024. From the perspective of the industry as a whole, taking 2024 as an example, BYD's asset-liability ratio (74.64%) was lower than that of international automakers such as Ford (84%) and General Motors (75%), but higher than that of Geely (68%) and Great Wall Motors (65%).The dynamic adjustment of BYD's capital structure is highly aligned with its strategic expansion. The high debt ratio is essentially a "technology-driven leverage": short-term risks are controllable, and in the long run, the company will achieve continuous improvement in financial health through technological premiums and global dividends.

Table 3. Financial Indicators of BYD's Capital Structure from 2020 to 2024

Year	2020	2021	2022	2023	2024
Equity Multiplier	3.04	3.11	4.07	4.52	3.46
Industry Average	2.62	2.86	3.15	3.41	3.8
Asset - Liability Ratio	67.94%	64.75%	75.49%	77.87%	74.64%
Industry Average	61.8%	65.0%	68.3%	70.7%	73.6%

The data is sourced from BYD's annual reports.

As shown in Table 3.From 2020 to 2021, BYD was generally in a period of steady expansion. In 2020, affected by the pandemic, the asset-liability ratio decreased. Amid weak demand in the new energy vehicle (NEV) market, BYD adopted a conservative strategy, reducing interest-bearing liabilities (such as short-term borrowings). Meanwhile, government subsidies (e.g., NEV purchase subsidies) and tax incentives (e.g., additional deduction for R&D expenses) increased cash flow and reduced the need for liabilities. The equity multiplier remained stable, and the growth rate of assets (up 47.1% year-on-year in 2021) was basically in line with that of shareholders' equity (up 36.6%). However, the theoretically reasonable range of the equity multiplier should be around 2.0, indicating that the enterprise's assets were highly dependent on liabilities.

From 2022 to 2023, BYD entered a period of aggressive expansion. To cope with the explosive growth of NEV sales and expand production capacity, its asset-liability ratio climbed. BYD built over 30 new production bases worldwide, and its fixed asset investment increased from RMB 61.2 billion in 2021 to RMB 230.9 billion in 2023, leading to a rise in long-term liabilities. At the same time, R&D investment surged: R&D expenses reached RMB 39.92 billion in 2023 (up 97.4% year-on-year), mainly used for the R&D of core technologies such as Blade Battery and e-Platform 3.0, with part of the funds supported by debt financing. During this period, current liabilities amounted to RMB 390 billion, while long-term assets (workshops, equipment) stood at RMB 250 billion. The maturity mismatch of funds was highly likely to trigger refinancing pressure. Although the asset-liability ratio reached 77.87% in 2023, the proportion of interest-bearing liabilities was extremely low. Cash reserves (RMB 154.9 billion) were 5.6 times the interest-bearing liabilities, and the net operating cash flow (RMB 133.454 billion) fully covered fixed expenditures, so there was no concern about short-term debt-servicing capacity. During the same period, the equity multiplier jumped significantly: the growth rate of assets (up 37.6% year-on-year in 2023) far exceeded that of shareholders' equity (up 27.8%). This was mainly because the growth of retained earnings could not keep up with the pace of asset expansion, leading to a marked increase in financial leverage. The further rise of the equity multiplier also intensified potential risks[3].

In 2024, BYD entered a period of structural optimization. Due to the decline in interest-bearing liabilities, the asset-liability ratio fell. Interest-bearing liabilities decreased from

RMB 36.55 billion in 2023 to RMB 28.58 billion, accounting for 4.9% of total liabilities (the lowest in the industry). Interest expenses were negative (RMB -1.9 billion), and the interest coverage ratio reached 2,447 times, significantly alleviating debt-servicing pressure. The equity multiplier declined, and the growth rate of assets (up 15.3% year-on-year in 2024) was lower than that of shareholders' equity (up 26.5%). Financial leverage returned to a reasonable range, and potential risks decreased accordingly.

3.2.2. Debt - repayment Risks

Table 4. Financial Indicators of BYD's Short - term Debt - paying Ability from 2020 to 2024

Year	2020	2021	2022	2023	2024
Current Ratio	1.05	0.97	0.72	0.67	0.75
Quick Ratio	0.73	0.70	0.49	0.47	0.51
Cash Ratio	0.13	0.29	0.15	0.24	0.21

Table 5. Financial Indicators of BYD's Long - term Debt - paying Ability from 2020 to 2024

Year	2020	2021	2022	2023	2024
Long - term Capital Liability Ratio (%)	28.62	25.38	32.75	35.19	31.87
Interest Coverage Ratio (times)	18.25	22.63	35.71	48.92	2447.00
Cash Interest Coverage Ratio (times)	23.17	27.89	41.35	56.48	3125.00

The data is sourced from BYD's annual reports.

As shown in Table 4 and 5. From 2020 to 2021, affected by liquidity pressure in the early stage of expansion, demand recovered after the 2020 pandemic, and BYD launched production capacity expansion. The increase in fixed asset investment led to a decline in the proportion of current assets and a drop in the current ratio, which fell below the traditional safety value of 2. The proportion of inventory in current assets remained at around 30% (inventory reached RMB 87.68 billion in 2021), while monetary funds (RMB 49.82 billion) and accounts receivable (RMB 39.36 billion) supported quick assets, keeping the quick ratio stable. In 2021, BYD raised RMB 29.89 billion through a placing of shares on the Hong Kong Stock Exchange. Combined with government subsidies and tax incentives, monetary funds surged by 262% year-on-year, cash reserves increased significantly, and the cash ratio rose sharply.

From 2022 to 2023, hidden liquidity risks emerged amid aggressive expansion. The acceleration of production capacity expansion (with over 30 global bases by 2023) led to the growth rate of current assets (up 37.6% year-on-year in 2023) falling behind that of current liabilities (up 43.7%). Accounts payable increased to RMB 209.78 billion, accounting for 46.3% of current liabilities. Eventually, the current ratio dropped below 1; by the end of 2023, current assets could only cover 67% of current liabilities. Inventory rose from RMB 87.68 billion in 2021 to RMB 112.75 billion in 2023, with its proportion in current assets increasing to 37.8%, squeezing the space for quick assets and worsening the quick ratio. In 2022, cash flow was affected by supply chain disruptions (such as chip shortages), and monetary funds fell to RMB 51.3 billion. Although the cash ratio barely met the industry safety line (0.2), the ability of cash-like assets to cover current liabilities remained weak.

In 2024, structural optimization restored liquidity. BYD supplemented capital by raising HKD 43.38 billion through a placing of shares on the Hong Kong Stock Exchange. Current assets increased to RMB 370.57 billion, the growth rate of current liabilities slowed to 15.3%, and the current ratio rebounded. The inventory turnover rate decreased from 9.31 times in 2022 to 6.70 times in 2024, with inventory scale stabilizing at RMB 116.04 billion. The accounts receivable turnover rate rose to 10.69 times, improving collection efficiency and thus the quick ratio. However, due to the large-scale use of cash reserves (RMB 102.26 billion) in overseas factories (e.g., the Thailand base) and R&D investment, the ability of current assets to cover current liabilities weakened further. Overall, the current ratio dropped from 1.05 in 2020 to 0.75 in 2024, and the quick ratio fell from 0.75 to 0.51, indicating a year-by-year weakening of short-term debt-servicing capacity. In terms of liabilities, interest-bearing liabilities amounted to RMB 28.6 billion in 2024 (accounting for 4.9% of total liabilities), of which short-term borrowings of RMB 12.1 billion needed to be repaid within the year. Although the proportion of interest-bearing liabilities was low, the short-term repayment pressure became explicit.

3.2.3. Capital Recovery Risks

Table 6. Financial Indicators of BYD's Capital Structure from 2020 to 2024

Year	2020	2021	2022	2023	2024
All Assets Cash Recovery Rate	6.56%	3.91%	2.85%	3.10%	17.04%
Accounts ReceivableTurnover (times)	3.68	5.02	9.64	10.69	12.52
Net Cash Flow from Operating Activities per Share (yuan)	0.86	0.58	0.48	0.58	4.40
Net Cash Flow per Share (yuan)	0.21	0.07	-0.35	0.12	1.39

The data is sourced from BYD's annual reports.

As shown in Table 6. In 2020, the cash recovery rate on total assets stood at a high level. Driven by the continuation of new energy vehicle (NEV) subsidy policies (with a subsidy of approximately RMB 20,000 per vehicle) and the post-pandemic recovery in demand, the net operating cash flow reached RMB 26.24 billion, leading to a significant increase in the cash recovery rate on total assets.

From 2021 to 2022, as the acceleration of production capacity expansion pushed fixed asset investment up from RMB 19.83 billion in 2020 to RMB 63.57 billion in 2022, the growth in asset scale (total assets amounted to RMB 493.86 billion in 2022) far outpaced the growth in cash flow, resulting in a decline in the recovery rate.

In 2024, BYD supplemented its capital by raising HKD 43.38 billion through a placing of shares on the Hong Kong Stock Exchange. Combined with economies of scale and technological premiums, the net operating cash flow hit RMB 133.45 billion. Its ability to generate cash from assets was significantly enhanced, and the cash recovery rate surged.

The accounts receivable turnover rate showed an overall upward trend. In 2024, BYD issued RMB 11.9 billion in green Asset-Backed Notes (ABNs) to securitize its accounts receivable, optimizing supply chain finance. Consequently, the accounts receivable turnover days decreased from 97.88 days in 2020 to 28.76 days in 2024. Starting from 2023, BYD adjusted its sales policy and implemented a "cash-on-delivery" model for dealers, reducing the proportion of accounts receivable in operating revenue from 12.8% in 2020

to 5.3% in 2024.

In 2020, the net cash flow from operating activities per share was at a high level. Government subsidies (NEV subsidies exceeded RMB 10 billion in 2020) and tax incentives (additional deduction for R&D expenses) directly boosted cash flow. Coupled with the relatively small share capital (2.911 billion shares), the per-share indicator performed prominently.

From 2021 to 2022, affected by production capacity expansion, large amounts of cash flow were consumed by capacity investment and R&D spending. Meanwhile, the RMB 29.89 billion raised through the Hong Kong stock placement diluted earnings per share, leaving cash flow in a slump.

In 2024, after further share placement on the Hong Kong Stock Exchange, the share capital increased to 3.039 billion shares. Combined with the surge in net operating cash flow, the per-share indicator jumped to RMB 4.40, reaching a record high.

In 2022, affected by the construction of overseas factories, the net cash flow from investing activities reached -RMB 63.57 billion, far exceeding the net operating cash flow (RMB 14.08 billion), resulting in negative net cash flow per share.

In 2024, although the net cash flow from investing activities narrowed to -RMB 127.57 billion, the operating cash flow still generated a surplus after covering investment expenditures. Additionally, supported by the capital raised from the Hong Kong stock placement, the net cash flow per share rebounded to RMB 1.39.

Overall, BYD's capital recovery risks are controllable. In the short term, there is no need for excessive concern due to sufficient cash flow and high accounts receivable turnover. However, attention should be paid to the potential impact of inventory destocking and supply chain policy adjustments on the liability structure. If overseas sales exceed 800,000 units in 2025, high-margin models will further offset the pressure from domestic price wars and consolidate the company's capital recovery capability.

4. Analysis of Risk Response Measures

4.1. Optimize the Financing Strategy to Deal with Financing Risks

At present, new energy vehicle (NEV) enterprises are in a period of rapid growth and development. To gain an advantage in the fierce market competition, they still need substantial R&D funds to support the upgrading of new products. Therefore, it is essential to take measures to optimize the financing structure and reduce financial risks.

In this regard, on the one hand, NEV enterprises should determine the appropriate amount of financing. Specifically, they can adopt scientific methods—such as factor analysis, fund habit forecasting, and sales percentage method—to predict the capital demand for production and operation in a relatively scientific and accurate manner. On the other hand, NEV enterprises should learn to seize the right timing for financing. They should promptly monitor and analyze the development trends of domestic and foreign economic situations and financial markets, and combine these with the characteristics of their own operational capital needs to proactively seize the optimal financing opportunities with lower capital costs. Meanwhile, NEV enterprises should strive to develop diversified financing channels to meet the capital needs of technological development. Examples of such channels include equity financing (which involves lower financial leverage) and financial leasing, rather than being limited to commercial loans. Different financing methods and tenures have their own advantages and disadvantages; through diversified combinations, enterprises can reduce debt-servicing risks.As high-tech manufacturing entities, NEV enterprises have complex capital activities and slow capital turnover. It is recommended that they use short-term liabilities to fund current assets and long-term liabilities for fixed assets, while making efforts to attract venture capital funds, among other measures.

4.2. Optimize the Capital Structure to Control Debt - Repayment Risks

Equity financing refers to a method by which enterprises sell shares to external investors to secure capital support. This approach can increase the proportion of equity capital in enterprises, reduce debt ratios, and enhance the stability of their capital structure. Additionally, equity financing can bring in resources and experience from external investors, helping enterprises expand market share and improve competitiveness. BYD may appropriately increase the securities-to-debt ratio to lower the company's financial risk level. Meanwhile, BYD can freely choose to issue convertible bonds, which offer extremely high flexibility. Upon the maturity of investors' debts, BYD has the autonomy to decide whether to convert the bonds into company shares, thereby effectively alleviating the pressure of interest payments for debt servicing and avoiding the company's debt-servicing risks.Asset securitization is a method where enterprises convert their held assets into securities and sell them to the market to obtain capital support. This method can improve the liquidity of enterprises' assets, reduce their asset-liability ratios, and achieve optimal allocation of corporate assets. Asset securitization can also attract investors and resources from the capital market, providing additional support for enterprises' development. It can be divided into two forms: real estate securitization and accounts receivable securitization.As BYD is in a stage of rapid development, the company has a large amount of accounts receivable that cannot be recovered and converted into cash, which seriously hinders the further circulation of funds. Therefore, BYD can proactively promote the securitization of this part of accounts receivable. This not only enables effective recovery of accounts receivable but also improves the operational efficiency of working capital. In addition, BYD can attract more social investment to inject capital. By establishing a sound cooperative relationship with banks, BYD can build strategic partnerships with them, strengthen banks' trust in the company, secure more financial support for the enterprise, and help the company effectively avoid debt-servicing risks[4].

4.3. Strengthen Customer Evaluation to Control Capital Recovery Risks

Enterprises need to fully understand the credit status of their target customers and classify customers into different tiers based on this information. For a company, better credit status of a customer means faster recovery of accounts receivable, while poorer credit status indicates greater difficulty in collecting accounts receivable. Therefore, enterprises should adopt different credit policies for different customers: for high-risk customers, they may choose to conduct accounts receivable collection activities on a

quarterly basis; for low-risk customers with relatively close cooperative relationships, they may appropriately reduce the intensity of accounts receivable collection. Enterprises may also set up a dedicated internal department for customer credit assessment to conduct comprehensive, detailed, and professional customer credit evaluation. While implementing differentiated credit policies for customers of different tiers, new energy vehicle (NEV) companies should also appropriately reduce their dependence on key customers. They not only need target customers to provide high-quality product services but also actively expand both domestic and overseas markets, thereby lowering their reliance on key customers. At the same time, enterprises need to establish a scientific and reasonable customer credit file database, standardize the enterprise's credit evaluation standards, comprehensively assess the financial status and operating conditions of customer enterprises, and develop a sound evaluation model to accurately determine the credit tiers of corporate customers. This enables enterprises to provide different credit terms, methods, and tenures for customers at different credit tiers. NEV enterprises should conduct accounts receivable aging analysis, promptly pay attention to abnormal arrears within the enterprise, arrange dedicated personnel to visit customers regularly to assess their ability to repay arrears, and update and record customer information of NEV enterprises. While ensuring the timeliness of the customer credit file database, enterprises should also issue collection reminders to customers with poor credit evaluation results, ensuring that NEV enterprises can collect receivables on time.

5. Future Prospects

Chinese new energy vehicle (NEV) manufacturers have achieved rapid development with strong support from national policies. However, these enterprises should clearly recognize that policy-driven growth often plays a crucial catalytic role in the early stage of global expansion—such as tax incentives, vehicle purchase subsidies, and other policy measures. Nevertheless, excessive reliance on policies may lead to a lack of motivation for independent innovation among enterprises. Therefore, enterprises must enhance the core competitiveness of their products through continuous technological innovation: starting from reducing dependence on policy support, gradually breaking free from over-reliance on government policies, and ultimately strengthening their competitiveness in the global market. Meanwhile, against the backdrop of the low-carbon economy, financial risk management for NEV enterprises has entered a new phase that is both challenging and full of opportunities. As the green finance system becomes increasingly sophisticated, diversified financing channels continue to expand, and the carbon market mechanism is gradually improved, the financial risk management of NEV enterprises is shifting from passive response to proactive prevention. A transparent and efficient financial risk management and control system will become an important component of enterprises' core competitiveness, driving the survival of the fittest and the healthy development of the industry[5].

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