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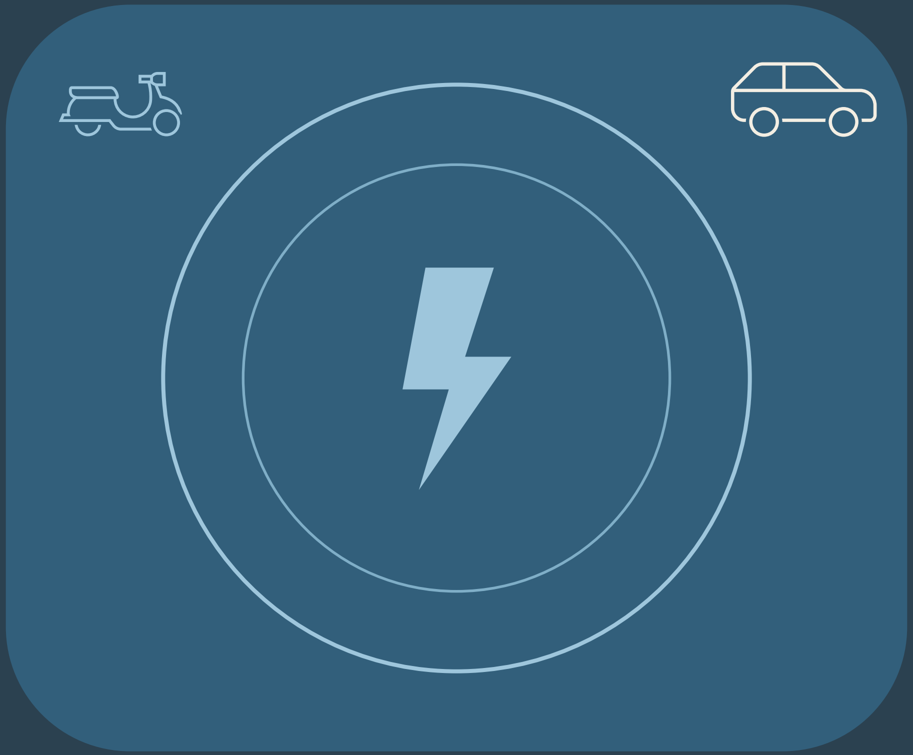
INDUSTRY NOTE

India EV: The Adoption Curve Is Steepening, Profitability Is Next

Demand, policy, capital and the upstream constraint



Roughly 1 in 8 new vehicles sold in India is now electric

12.7%

Retail EV penetration, July ’26, an all time high

Demand is compounding faster than the base · Margin is the next re-rating driver

The Market Is Bigger Than the Headline Number Suggests

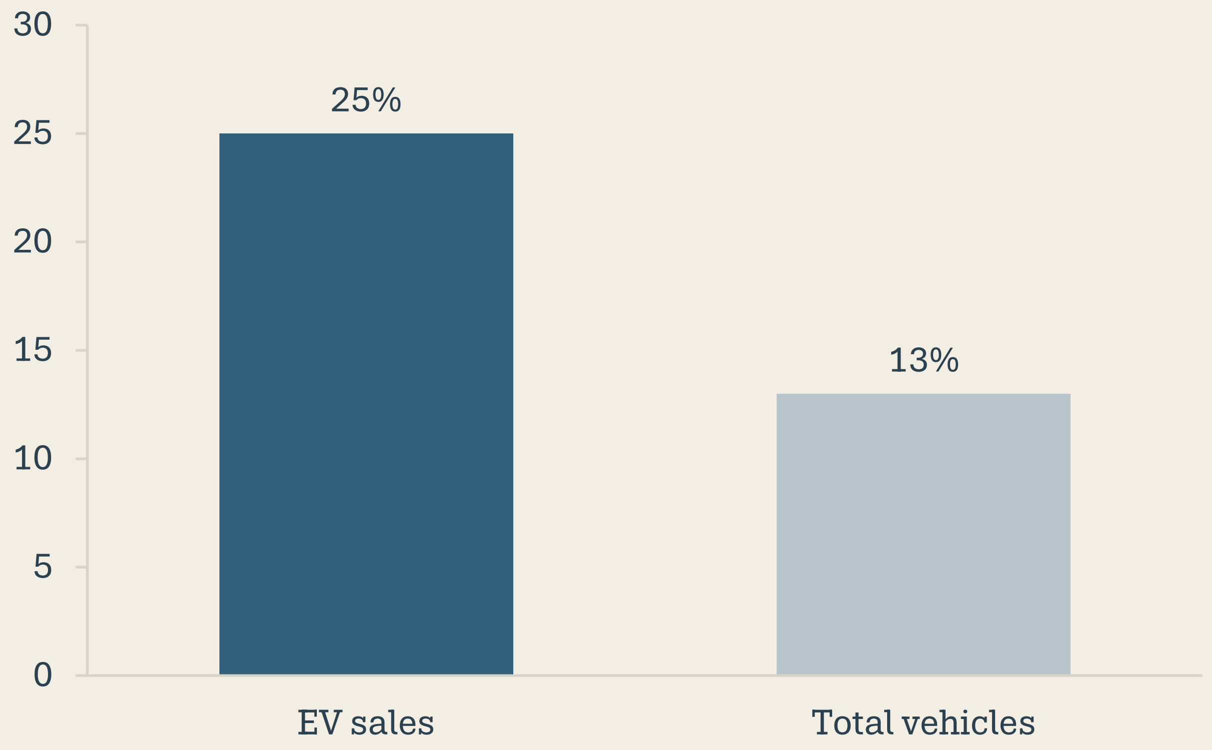
12.7%

retail EV penetration, July 2026
all-time high - from 9.6% a year ago

25 lakh+ units
FY26 EV sales, +25% YoY

+13% only
total vehicle sales growth, FY26

FY26 GROWTH: EV vs TOTAL VEHICLE MARKET



EV is outgrowing the base it sits on, not riding it

Growth Is Real, But the Target Gap Is Wider

WHERE WE ARE

8.5%

EV penetration FY26 on NITI Aayog's own read

22

POINT GAP

to close in five years

WHERE THE TARGET IS

30%

national penetration target by 2030

19% CAGR expected

Demand is not the constraint - the trajectory is intact, the slope is the issue

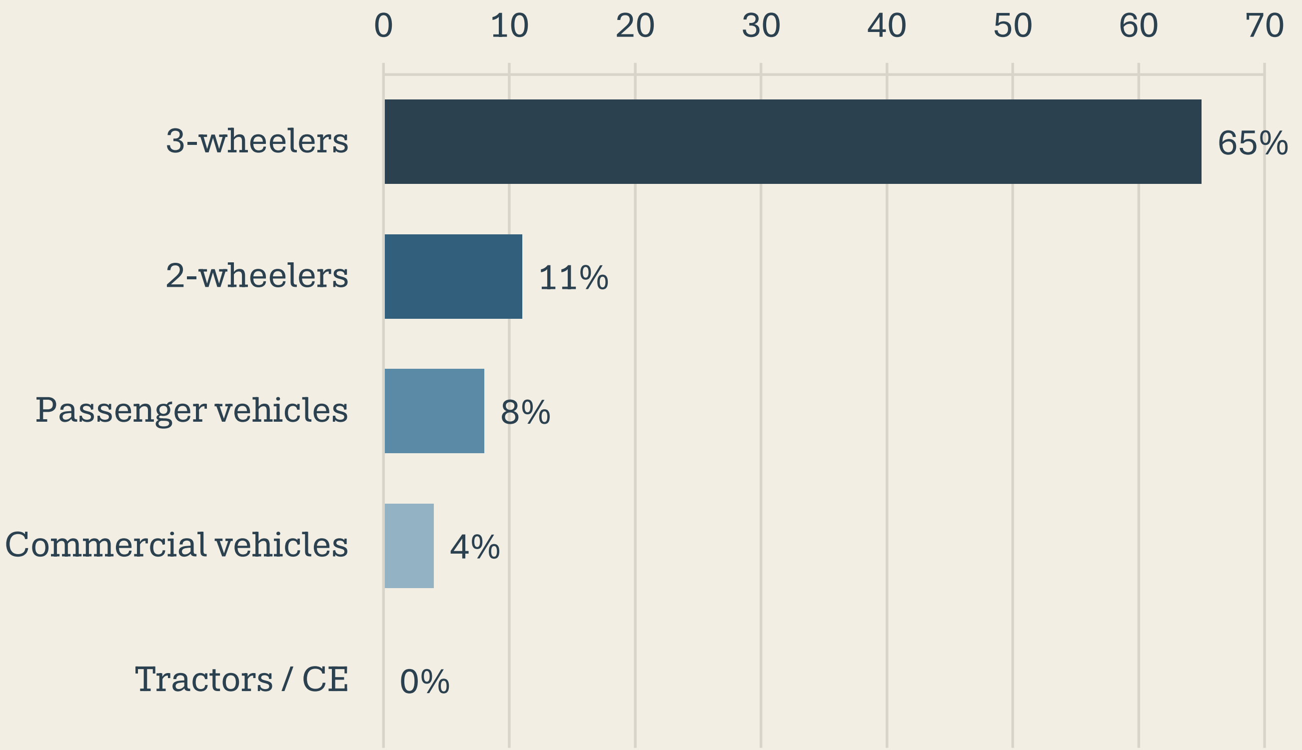
New supply-side friction

China's rare earth magnet export curbs complicate closing the gap on schedule

The demand curve is not the problem - closing a 22-point gap in five years is

Adoption Is Not Uniform - Three Very Different Markets

EV SHARE OF SEGMENT SALES (%)



DEFAULT
3-wheelers - 65%
Electric is the base case

MID-TRANSITION
2-wheelers - 11%
Record high, still climbing

EARLY INNINGS
PV 8% · CV 4%
Volume upside still ahead

NOT STARTED
Tractors, construction
No meaningful electrification yet

One national number hides four separate adoption clocks

POLICY · SUBSIDY ERA TO MANDATE ERA

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Policy Has Shifted From Subsidy to Structural Support

SUBSIDY-LED · THROUGH FY28	MANDATE-LED · FY28 ONWARD

PM E-DRIVE
2W subsidy extended through FY28, outlay raised

WIDER REACH
Eligible units nearly doubled under the scheme

DELHI MANDATE
EV-only registration for new 2W/3W from 2027-28 - first Indian metro

THE SHIFT
From “buy an EV, get money” to “the market will require it”

Policy risk is moving from “will the subsidy continue?” to “can supply meet a mandate?”

Demand support is now durable and multi-layered - centre, state and tax

GST 2.0 Locked In a Structural Tax Gap, With One Catch

GST RATE AFTER REFORM

5% EVs
Unchanged - the structural advantage holds

18% Small ICE cars & bikes
Cut from 28% - EV's edge here narrowed

18-40% Large ICE / SUVs
EV's relative advantage widened at the top end

THE CATCH
The gap did not widen everywhere
Small ICE got cheaper too, so the EV case weakened exactly where volumes are largest

STATE LAYER
₹1,993 crore
Maharashtra EV policy stacked on top of central support

An extra demand cushion in India's largest EV market

A durable tax wedge versus ICE - but thinner than the headline suggests in the small-vehicle mass market

2025 Was a Shakeout, Not Just a Growth Year

WHAT BROKE DOWN	WHAT HELD UP
BluSmart Collapsed on promoter fraud - a governance failure, not a demand failure	**Mahindra** Gained share on execution, product cadence and dealer reach
Ola Electric Lost over half its scooter market share on service and governance failures	**TVS & Bajaj** Converted distribution strength into durable 2W share
EV funding Down 77% YoY through July 2026 - category bets are out of favour	**Ather** Held ground on product focus and service depth
After-sales neglect Thin service networks turned early adopters into churn and warranty cost	**Omega Seiki Mobility** The only new-age EV OEM delivering profitable growth, not share-chasing volume

Capital is rotating toward operators and away from category bets

Execution and distribution - not narrative - now decide who gets funded

An Emerging Challenger in EV Three-Wheelers

WHERE OSM STANDS TODAY

Pure play EV 3W OEM
Founded 2018 (Anglian Omega); full L5 cargo and passenger range, plus utility variants

Balanced revenue mix
3W cargo 53% of revenue, passenger 37%, 2W 3%, cargo base now funding passenger push

Proven regional strongholds
Delhi and Tamil Nadu validate product market fit; 15,000 3W and 24,000 2W annual capacity in place

WHY IT IS EMERGING

EV penetration tailwind
3W EV share hit 32% in FY26 and could cross 60% by 2030; passenger adoption leading at 34%

Over 40% FY26-30e unit CAGR
Growth led by deeper throughput from existing dealers and a passenger-weighted mix shift

New segments and fresh capital
Electric LCVs (1-7t) and 2Ws in the pipeline; Capital raised in Jul 26 and Aug 26, listing targeted in 12-18 months

A challenger scaling on execution, not narrative

Management is prioritising profitable growth over chasing share, capacity and distribution are already in place

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Capital Is Starting to Price an Operating Leverage Inflection

Fixed costs - plants, dealer networks, R&D - are now spreading across a much larger volume base
Several OEMs are posting 60-85% YoY volume growth against a largely built-out cost base

MLMML
₹322 crore
First unicorn valuation at ₹10,822 crore, backed by 85% YoY volume growth

Euler Motors
₹437.5 crore
Series E closed - scaling commercial EV production

TI Clean Mobility
₹3,000 crore
Cumulative raise, funding the path to breakeven

The next re-rating driver is margin, not volume
Capital is already underwriting the shift from share gain to unit economics

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The Headwind That Doesn't Go Away: Battery Import Dependence

1.4 / 40 GWh

PLI-ACC cell capacity commissioned against capacity awarded - all of it from a single company

The policy response
Rules relaxed and retendered for grid storage - not a push on EV cell localisation

The exposure
Close to 100% import dependence on cells - a cost and supply-security risk

Demand-side incentives do not touch this - the unresolved risk sits upstream

WHAT MATTERS FROM HERE

Bottom Line

01

Demand-side policy is now durable and multi-layered

Centre, state and tax support all pull in the same direction

02

The next re-rating driver is margin, not volume

Capital is already pricing the operating leverage shift

03

The unresolved risk sits upstream, not in demand

Cell manufacturing and import dependence remain unaddressed

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