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India's EV Ambitions Will Meet Hard Reality Heading into 2026

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Article Content:

The year 2025 was expected to be a promising one for electric vehicles (EVs) in India. The market crossed a key milestone, with total EV registrations across segments surpassing 2.02 million units. Year-on-year sales hit record highs, new global brands entered the market, and investments in charging infrastructure increased. Yet the year also exposed how EV momentum, while advancing, remains contingent on multiple factors. Policy shifts reshaped consumer behaviour, hybrids gained favour, and EV adoption proved more price-sensitive than anticipated.

The coming year will test whether electric adoption in India can move beyond the early adopters.

The Big Picture

While year-on-year growth rates appear strong, they are partly flattered by a low base. In 2025, electric passenger vehicles ran into headwinds after GST cuts on internal-combustion models narrowed price gaps and diverted demand toward conventional cars, tempering India's electrification push. In absolute terms, electric two-wheeler sales also cooled on a month-on-month basis during the year.

Niti Aayog's roadmap targets EVs to make up 30% of private car sales and 80% of two- and three-wheelers by 2030. But analysis by International Council on Clean Transportation (ICCT) accessed by The Core shows that public targets from major automakers point to a more conservative outcome, with EVs expected to account for about 20% of fleet-average sales. It states that even the soon-to-be-finalised draft of Corporate Average Fuel Efficiency-III (CAFE) norms would translate into just 10–11% EV sales by the end of the decade—highlighting a growing disconnect over where the industry is headed.

"The draft CAFE-3 norms need a much stronger focus on electric vehicles if India is to reach its 30% electrification target by 2030," said Amit Bhatt, India managing director at ICCT, a nonprofit public policy think tank and research institute.

Passenger Vehicles: Growing But Fragile

Electric car retail volumes in FY26 reached 1.18 lakh units between April and November, surpassing the 1.07 lakh units in all of FY25. EV penetration climbed to 3.8%, up from 1.9% a year earlier, driven by demand boost for JSW MG Motor India and Mahindra & Mahindra, intensifying competition with the market leader, Tata Motors.

Kerala led EV adoption with penetration of 8.4%, supported by high consumer awareness and a relatively mature local ecosystem. Delhi, Maharashtra, Karnataka, Tamil Nadu, Odisha and West Bengal—each with penetration above 4%—are driving national momentum, aided by urban demand and supportive state policies, Deloitte's Wheelswatch report said.

After years of competition dominated by Japanese, South Korean and domestic automakers in the internal-combustion segment, India's EV market began to broaden in 2025 with the entry of new global players. US carmaker Tesla and Vietnam's VinFast launched models this year and are expected to see their first meaningful traction in 2026.

According to data from automotive intelligence firm JATO Dynamics, mid-size electric SUVs account for the largest share of the market at 60%, followed by entry-level SUV models at about 19%. The data includes both mass-market and luxury models.

The GST on electric vehicles was retained at 5%, a move that provided significant relief to the industry. However, the impact of GST cuts on internal-combustion vehicles is already showing up in softer EV demand.

Electric vehicle sales grew only until August. Even October—typically a peak festive month led by Dussehra, Diwali and Dhanteras—saw a sharp rebound in ICE sales, aided by lower taxes, festive demand and the wedding season. Despite steep discounts, EVs failed to generate comparable momentum.

Even the luxury car segment was not immune. Santosh Iyer, managing director and chief executive officer of Mercedes-Benz India, told The Core that despite operating majorly at the top-end of the market, the company has seen entry-level EV demand soften.

Meanwhile, hybrid vehicle sales continue to gain traction, sales data sourced from JATO Dynamics shows. As they gain momentum, manufacturers are increasingly pushing for additional incentives for hybrids to sustain growth.

"What the industry needs is regulatory clarity so companies can commit capital with a long-term view. Vehicles are big ticket purchases, and consumers will ultimately gravitate toward the most affordable technology. Scale will come only through firm regulation — without it, demand will keep oscillating around incentives," Bhatt pointed out.

He further stated, "There is no rationale in pivoting to interim technologies like hybrids when electric vehicles are the stated end goal.

" Even so, the industry remains split. Maruti Suzuki and Toyota Kirloskar have doubled down on hybrids, while Hyundai and Mahindra & Mahindra — earlier less inclined — are now warming to the technology, with Hyundai announcing hybrid launches and Mahindra saying it is exploring the option.

Tata Motors, which has said it does not support government incentives for hybrid technology, has confirmed plans to enter the premium EV segment under its Avinya brand, alongside the launch of

the Sierra EV and an updated Punch EV, with three more electric nameplates planned by FY2030.

An industry veteran said next year's wave of new EV models may lift consumer interest, but choice alone won't drive adoption. "Rising interest in hybrids is also set to play a key role as automakers look to balance demand while meeting CAFE norms, with range anxiety, charging access and on-ground feasibility remaining critical constraints."

What's Ahead?

While near-term hiccups remain, analysts say long-term investments are intact. Automaker spending points to a structural shift beyond BS-VI compliance toward electric mobility, with Deloitte estimating that about 80% of OEM capital expenditure in India over the next three years will be directed at EV expansion.

"The year 2026 will mark the advent of multiple gigafactories entering production, taking total capacity to 100 GWh from the current 60 GWh," Rajat Mahajan, partner and automotive sector leader, Deloitte India, told The Core.

Indian energy conglomerates are planning to expand capacity, while Indian conglomerates with automotive interests are partnering with global players or going solo. Foreign OEMs are also pursuing backward integration with traditional Indian battery manufacturers.

JSW Group is also set to enter the domestic car market in the second half of next year through its new arm, JSW Motors, focusing on hybrid and electric vehicles alongside its existing partnership with JSW MG Motor India.

To tackle range anxiety and charging concerns, automakers are also bundling EV launches with ecosystem investments. Tata Motors leveraged the Tata UniEVerse—covering Tata Power, Tata Chemicals, TCS and Tata AutoComp—to bolster charging, software, financing and supply chains. Rivals including Maruti Suzuki, Hyundai and VinFast are following suit, investing in battery localisation, charging networks and resale support.

Big Bets, Bumpy Road

Tata Motors entered India's electric passenger car market with the extended-range Tigor EV for personal buyers in October 2019, followed by the Nexon EV in January 2020 and the Tiago EV in September 2022, building its mass-market EV portfolio. Other OEMs soon followed.

Now, as early consumers look to upgrade, resale-value concerns are mounting. While JSW MG and Maruti Suzuki have recently announced buyback schemes, early adopters remain exposed, underscoring uncertainties in India's nascent used-EV market.

Even in motor claims, petrol (68%) & diesel (25%) vehicles dominate, jointly accounting for 93% of the total share. EVs, despite a minimal claim volume (1%), carry the highest claim frequency (29%) and steepest severity (repair cost at an average of Rs 39,021).

"Compact cars and SUVs continue to dominate with three-quarters of total claims, while electric vehicles—though still just 1% of volumes—show the sharpest frequency and the highest repair costs due to battery and electronics-related damage," Paras Pasricha, Head- Motor Insurance, Policybazaar, said.

Data from the Ministry of Power shows that India had 29,277 public electric vehicle charging stations nationwide as of August 2025. However, consumers report that many oil marketing companies (OMCs) installed points remain non-functional.

"In India, plans to install chargers at oil marketing company outlets raise practical questions around real estate and throughput, as long-duration charging could crowd forecourts and deter conventional fuel customers as well. Congestion from parked EVs could push motorists toward less crowded stations," said the industry veteran quoted above.

Global Playbook

Industry watchers say India can draw lessons from global peers that used policy to decisively tilt demand toward electric mobility. China's long-running new energy vehicle (NEV) push, backed by sustained state support, reshaped its domestic market before manufacturers expanded overseas. Norway accelerated adoption by heavily taxing ICE vehicles relative to EVs, while London's zero-emission vehicle (ZEV) framework shows how regulation can force demand shifts.

In contrast, recent shifts in US federal policy have slowed EV sales, pushing automakers to lean more heavily on hybrids. In Europe, underlying EV demand may be sufficient to meet the 2030 goals, though reaching 2035 targets will hinge on sustained industry momentum and continued policy support. Hybrids are emerging as a global sweet spot, requiring smaller battery packs while easing charging concerns.

As a result, lithium-ion battery pack prices have fallen 8% since 2024 to a record low of $108 per kilowatt-hour, according to BloombergNEF. The decline was driven by excess cell manufacturing capacity, fierce competition and a continued shift toward cheaper lithium iron phosphate batteries, offsetting higher battery metal costs, BNEF's 2025 Lithium-Ion Battery Price Survey showed.

Momentum Meets Limits

Driven by the cost of economics, electric two-wheelers recorded 16.4% year-on-year growth in the first half of FY26, with EV penetration now at 6.3%.

Kerala led the demand during April–October FY26 at 13.9%, more than double the national average, aided by higher awareness and improving infrastructure. Karnataka followed at 12.5%, maintaining steady growth backed by OEM presence and strong urban demand.

However, month-on-month demand momentum stalled through the year. Analysts flag deeper market challenges, citing persistent hurdles ranging from affordability and limited model availability to range anxiety, patchy charging infrastructure and constrained financing, all of which continue to slow mass adoption.

The July–September quarter was impacted by a global rare-earth supply crunch that hit most OEMs, with Bajaj Auto bearing the brunt, reflected in weaker sales in August.

Magnet shortages constrained industry growth, KN Radhakrishnan, chief executive officer of TVS Motor, said on the company's latest earnings call. With adequate availability, volumes would have been "much, much bigger," he said, noting that the sector managed only about 8% growth.

The market landscape has also shifted. Until last year, Ola Electric was the clear leader, with legacy automakers yet to gain traction in the nascent segment. After a spate of customer complaints, strategic missteps and after-sales challenges, Ola has been overtaken by incumbents such as TVS Motor and Bajaj Auto, which are now locked in a close fight for the top spot.

India's electric two-wheeler growth remains concentrated among a handful of manufacturers. For instance, Honda Motorcycle & Scooter India (HMSI), which entered the market earlier this year with

two models, has averaged sales of just 800 units a month.

Ather Energy, which has been steadily strengthening its market position, said festive-season demand was “very strong” for the company.

The April removal of subsidies is “no longer a big call-out or concern,” executive director and chief executive officer Tarun Mehta told investors, adding that the company is well positioned to absorb the impact.

Mehta said EV customers are now seeking social proof before buying electric vehicles. Prospective buyers, he said, are less worried about technology and more concerned about unknowns such as resale value and battery longevity, amid perceptions that replacement batteries can cost Rs 70,000–Rs 80,000 and fears that a failure within a few years could render the vehicle worthless.

For the next couple of quarters, he expects industry growth to be driven largely by demand from four to five states, with electric scooters growing at two to two-and-a-half times the pace of the broader scooter market.

TVS Motor said customers now have a clearer understanding of total cost of ownership of EVs, a shift expected to boost adoption and gradually push demand beyond cities into rural markets.

Electric Motorcycles– An Emerging Area

With EV offerings heavily skewed toward scooters—an urban staple rather than the preferred rural motorcycle—electric two-wheeler adoption has remained largely city-centric. Scooters account for about 98.5% of electric two-wheeler sales, while electric motorcycles, with under 2% share, are limited to a handful of OEMs and a niche set of urban riders.

“In rural areas, motorcycles are considered a viable alternative to scooters for long journeys on rugged roads, yet the limited range of electric motorcycles and inadequate charging infrastructure mean growth is slower than expected. However, in a motorcycle-driven country, the segment has potential—especially with legacy players entering to drive disruption,” Mahajan said.

Eicher Motors-owned Royal Enfield will be the first major OEM to enter India’s electric motorcycle market, launching its Flying Flea series by the end of FY26. India Yamaha Motor is also set to debut battery-powered models—the AEROX-E and EC-06—after completing network readiness in Q4 FY26. Currently, the segment is limited to a handful of startups, including Revolt, Ultraviolette, Oben Electric, Matter and River.

Ride is Rough

For FY2026, Rohan Kanwar Gupta, Vice President & Sector Head, Corporate Ratings at ICRA Limited, estimates EV penetration at 4–5% in passenger vehicles and 6–7% in two-wheelers.

Anurag Singh, advisor at Primus Partners, pointed out that challenges in sourcing rare-earth magnets and battery materials, supply constraints continue.

Meanwhile, the uncertainty created by regulations and the absence of cohesive long-term policies in certain states causes consumers to hesitate to invest in EVs. Disposing of and recycling of batteries are an upcoming issue that needs to be managed to minimise its environmental effects.

Awareness around EV safety is also limited, as consumers complain most residential welfare associations (RWAs) are reluctant to install chargers, citing the absence of government mandates or clear installation guidelines.

Battery architecture has also emerged as a key constraint for electric two-wheelers. Despite years

of debate around swapping and battery-as-a-service (BaaS), most electric two-wheelers in India still rely on fixed batteries, limiting use cases. Without dependable home or shared charging options, the segment remains largely urban-focused and inaccessible to wider markets.