



ELECTRIC VEHICLE INDUSTRY

**Wheels of Change: India's Gradual
Acceleration Towards Electric
Mobility**

OCTOBER 2025



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Penetration across segments has been gradually ramping up; a material decline in battery prices helped lower the upfront cost and offset a gradual reduction in the subsidies offered.

Significant investments incurred towards development of electric vehicle platforms. As funding environment for start-ups cooled off a bit, investors remain bullish on the growth prospects for the EV sector.



India's electric vehicle (EV) sector has seen a notable improvement in prospects since FY2022, supported by Government subsidies, rising consumer awareness, and a steady stream of new product launches. While the pace of growth has moderated over the recent past, the underlying momentum remains intact. A combination of factors — expanding product portfolio, improving charging infrastructure and financing options, and a gradual decline in battery costs — is expected to aid a steady and broad-based growth in EV penetration across segments over the medium term.



China remains the dominant force in the global rare earth supply chain, accounting for around 70% of production and 90% of processing capacity—especially for complex elements like neodymium magnets, which are critical to EV traction motors and sensors. While countries like Vietnam and Malaysia offer limited alternatives, China's scale gives it significant control over pricing and availability. Although ferrite magnets can act as a substitute in some applications, China's recent restrictions on rare earth magnet exports pose a significant risk to industry growth prospects.



As electrification gains momentum, entities across the EV value chain are making significant investments in ground-up platform development. While the funding environment has cooled compared to the peak in CY2022 (around \$2 billion raised by start-ups), investor sentiment remains positive. Despite the slowdown, players across the EV ecosystem continue to attract healthy interest, reflecting sustained confidence in the sector's long-term growth potential.



The industry continues to prioritise domestic value addition, with a strong focus on capability-building—especially in battery cell manufacturing, which remains central to achieving India's electrification goals. As the path to profitability remains long, timely fund-raising will be critical to support the capital structure and sustainability of emerging players in the EV ecosystem.



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