

An EV darling doubled in seven sessions. Then the rivals arrived

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Maxim: *Avoid hot stocks in hot industries* — Peter Lynch

A booming industry is not a buy signal. By the time a theme is on every screen, its best case is in the price and its profits are drawing in competitors with deeper pockets.

The most expensive words in investing are “everyone is buying it”.

The tip usually arrives on a Sunday. A friend forwards a chart of a sector that has doubled, or a new fund built around it, with one line: “Still early.” Everyone in the group seems to own it already, and you feel like the last to know.

This October the forwards are about defence. The Nifty India Defence index traded at close to 58 times earnings at the end of September, according to [NSE's index factsheet](#), against a five-year average in the mid-40s on [Trendlyne's data](#). The businesses may well be good. The question Peter Lynch would ask is what the price already assumes, and who else is on the way. India's most recent answer to that question came from electric scooters.

Seven sessions of glory

On 9 August 2024, Ola Electric, then the market leader in electric scooters, listed at exactly its issue price of ₹76. A flat debut. Then the story took over. The shares hit their upper circuit day after day, and on 20 August they touched ₹157.53, more than double the issue price, [Business Standard reported](#). It had taken seven trading sessions.

The price was paying for a future that was not yet visible. The company's offer document projected electric vehicles at 41–56% of two-wheeler sales by FY28; HSBC, the same week, put the figure nearer 20%. Only about a sixth of the shares were free to trade, so a thin float set the price for the whole company. Analysts called the valuation speculative. The buyers were not listening. They were buying India's EV moment.

The competition had never left. Bajaj, TVS and Ather had cash, dealer networks and service workshops, and each pushed harder as the market grew. Ola's service complaints mounted. On Vahan registration data, its share of electric two-wheeler sales fell from 24.8% in January 2025 to under 6% a year later, [Entrackr reported](#). Revenue in the December 2025 quarter fell by more than half from a year earlier, [Kotak Neo noted](#).

On 16 March 2026 the shares touched a record low of ₹22.25. They have since rebounded sharply on better registrations and the company's first quarter of positive operating cash flow, but in June they were still below the issue price, [Business Standard noted](#). The EV story itself was right; electric scooters kept selling. What the August buyers had paid for was a lead the industry was never going to let one company keep.

Why the hottest stock so often burns

Peter Lynch, who ran Fidelity's Magellan Fund from 1977 to 1990, wrote in *One Up on Wall Street* (1989) that if he could avoid a single stock, it would be the hottest stock in the hottest industry. Ola shows both of his reasons. The first is expectations: a hot price already assumes years of fast growth, so even decent results disappoint. The second is competition. High profits in a growing industry work like an advertisement, and the companies with the deepest pockets answer it.

Fund houses answer it too. In June 2024, sectoral and thematic funds drew ₹22,351 crore of net inflows, more than any other equity category, and nine new thematic schemes launched that month alone, according to AMFI data [reported by Outlook Money](#). By February 2025 those flows had dropped by about three-quarters from their peak, and nearly one in five such schemes was sitting on a loss of more than 10%, Elara Capital found in a study [cited by Business Standard](#). Much of the money had arrived late, as it usually does.

The pattern is older than either. In 2007 and early 2008, Indian fund houses launched nine new infrastructure funds into a boom that everyone could see. Five years later the category had lost about 4% a year while the Nifty gained 3.7% a year, Morningstar India calculated in 2013. India did build the roads. Investors who bought the theme at its most popular simply paid too much for them.

Five questions before you buy the theme

1. **Why is everyone talking about it?** Separate a better business from a fashionable story. A wave of sector IPOs on the NSE and BSE pages, new thematic funds in AMFI's monthly data and the theme in every tip group are signs of popularity, not of value.
2. **What does the price already assume?** Compare the sector's valuation with its own history; NSE publishes index valuations in its monthly factsheets. A valuation far above its usual range means the market expects years of strong growth. Treat that as a reason to dig deeper, not an automatic verdict.
3. **Who else is coming?** Read company presentations and the news for new plants, new entrants and large groups moving in. When incumbents with cash and distribution decide to compete, today's market share and margins are rarely tomorrow's.
4. **How much stock is actually trading?** For a new listing, the offer document shows how much is locked in. A small free float can push a price far beyond what the business supports, and lock-in expiries add supply later.
5. **Would you own it if it were boring?** Strip out the story and look at the business: steady cash flow, sensible debt, a price you would pay in a dull year. Lynch's favourites were often dull companies in dull industries that fund managers ignored.

The rule to keep: buy a business for what it will earn, not for how popular its industry is. If the main reason to buy is that the theme is everywhere, or that a fund has just been launched to ride it, wait. Let the story cool and the competition arrive, then judge the survivors on their numbers. If the theme is real, it will still be there, often at a better price.

The people who bought Ola in August 2024 were right about India's electric future. Two years on, millions of electric scooters are on the road, and shares bought near the peak were still worth well under half their price this June. A hot industry can change the country and still be a poor place for

your savings. Before the next forward lands, ask what the price already knows, and who is coming next.

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