

Rare earth magnets: India's automakers eye alternative strategies on China's snub

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India's automakers find themselves in a bind as Chinese authorities continue to refuse meetings to discuss the supply of critical rare earth magnets.

This deadlock is forcing original equipment manufacturers (OEMs) to look at alternatives, often more expensive; sourcing strategies and costs are likely to be passed on to the end consumer.

Despite an industry delegation securing Chinese visas last month, its effort to engage in direct discussions has been fruitless with no official appointment from the Chinese government forthcoming.

"The status remains the same, and nothing has happened after receiving the visas," an industry source told *businessline*, explaining

that the OEMs are now compelled to look at their own solutions for procuring rare earth magnets.

PLAN B

One such workaround involves importing parts in different forms.

For instance, instead of importing small components containing rare earths, companies are now considering importing fully built components, where restrictions apply specifically to the rare earth material itself, not the finished parts.

However, this comes at a significant cost.

The varied import duty structures, coupled with increased logistics cost and overall supply chain complexities, are making these alternative sourcing channels considerably more expensive for automakers.

The cost escalation is of serious concern as it will inevitably get reflected in

higher prices for new vehicles and products.

"Either the bigger part is getting assembled in China or some other country where the component is available, which means you have to import 10-20 times what you were importing earlier in value terms," another industry insider explained.

SUPPLY DISRUPTIONS

This ripple effect extends down the supply chain, impacting tier-II and -III suppliers who have imported these parts directly from China for supply to OEMs.

The entire network of suppliers is now working in tandem to navigate this crisis, with many OEMs holding stocks only until the end of the month, urgently needing to secure alternatives.

Industry experts attribute the impasse to "pure geopolitics," noting that while the Indian and Chinese governments are reportedly in com-

munication, nothing conclusive has emerged.

NUMERO UNO PLAYER

The situation is particularly critical, given that China controls over 90 per cent of the global processing capacity for the crucial magnets, which are indispensable for various sectors, including automobiles, home appliances and clean energy.

China's restrictions on rare earth magnet exports, which are in place since April, have hit automobile manufacturers hard, especially those making electric vehicles.

In response to this vulnerability, the auto industry has proactively suggested that India develop an ecosystem for rare earth magnets. This includes establishing capabilities for magnet assembly, recycling used magnets and basic processing to reduce reliance on external, unpredictable supply chains.