

# Auto sector faces slowdown due to rare earth magnet shortage: Crisil

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India's automotive industry is staring at potential slowdown due to shortage of rare earth magnets, a critical component for electric vehicles (EVs) and hybrids, ratings agency CRISIL has said.

China's recently imposed export restrictions and prolonged shipment delays are disrupting the supply chain, which could impact production and the sector's growth trajectory.

Rare earth magnets are integral to the permanent magnet synchronous motors (PMSMs) utilised in EVs, valued for their high torque, energy efficiency, and compact design. Hybrids also rely on these magnets for efficient propulsion. In internal combustion engine (ICE) vehicles, their use is primarily confined to

electric power steering and other motorised systems.

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Anuj Sethi, Senior Director at CRISIL Ratings, said, "The supply squeeze coincides with the auto sector's preparations for aggressive EV rollouts. Over a dozen new electric models are scheduled for launch, primarily on PMSM platforms."

He added, "While most automakers currently possess 4-6 weeks of inventory, sustained delays could begin to affect vehicle production, with EV models potentially facing deferrals or re-scheduling from July 2025. A broader impact on two-wheelers and ICE passenger vehicles may occur if supply bottlenecks persist for an extended period."

## **The Chinese wall**

In April 2025, China, the primary global exporter of rare earth magnets, implemented new export restrictions on seven rare earth elements and finished magnets. This revised framework necessitates export licences, demanding detailed end-use disclosures and client declarations, including assurances that the products will not be used for defence or re-exported to the US. The clearance process now takes a minimum of 45 days, causing significant approval delays and exacerbating global supply chain tightness.

India, which imported over 80 per cent of its approximately 540 tonnes of magnets from China in the last financial year, is experiencing the effects.

By the end of May 2025, while the Indian government endorsed nearly 30 import requests from domestic companies, Chinese authorities had not approved any, resulting in no shipments reaching India.