

Automakers brace for PLI benefits hit as RE magnet curbs continue

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EVEN AS INDIA and China have signalled a relaxation in ties, Beijing continues its stranglehold over exports of rare earth (RE) magnets, with applications made by Indian automakers to source the key minerals from that country continuing to hang fire. This has forced them to procure entirely built motor parts and components from China and Vietnam, which could adversely impact automobile prices and end up reducing the manufacturers' domestic value addition percentages.

"None of the Indian automobile companies are receiving rare earth magnets from their suppliers in China. Instead of fitting the magnets in India, Indian companies are forced to source entire components from China and Vietnam, which is more expensive. Several such stopgap arrangements are being figured out by the automobile industry. There was an expectation that after the SCO summit, the supply would be restarted, but that has not materialised on the ground. Producing rare earth magnets in India will take 3-4 years, and it cannot happen immediately. There are several parts of the supply chain. India has some of it; but not the entire process to produce rare earth magnets," a source said.

A senior auto industry source said that carmakers have already started purchasing complete parts and components from China, which could drive prices up. This, the source said, has another downside — for automakers who have qualified under India's Production Linked Incentive (PLI) scheme for automobiles and auto components, this could bring down their domestic value addition, which is a key requisite to be eligible for incentives. The PLI scheme has mandated a target of 50 per



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cent local value addition.

It was widely anticipated that after Prime Minister Narendra Modi's visit to China for the Shanghai Cooperation Organisation (SCO) summit, which signalled a thaw in the relations between the two countries, there could be some easing from Beijing's side on the stranglehold it has maintained over exporting critical minerals. So far, however, there has not been any worthwhile progress on that front.

Last month, Prime Minister Modi said that the government was aware of the rare earth shortage issue and was trying to address it with the ₹16,300 crore critical minerals mission, which would entail more than 1,200 explorations for critical minerals across various locations in India. Earlier this month, the Union Cabinet also cleared a ₹1,500 crore scheme to promote recycling of battery waste and e-waste for the extraction of key minerals.

The Indian Express had earlier reported that automakers are cutting down on certain equipment in their vehicles to reduce the usage of rare earth materials as uncertainty over China's green light to export the key materials looms large. Royal Enfield, for instance, has

implemented a temporary hack for its gear position sensor due to the "ongoing global shortage of rare-earth materials, which are key to manufacturing the magnets in gear position sensors".

A large Indian carmaker is learnt to have tweaked its central console to do away with the gear position indicator in its automatic models as a stopgap measure to rationalise rare earth magnet supplies for more essential applications, including automatic transmissions, throttle bodies, sensors, seat belts, power steering, power windows and cameras.

It is learnt that in June 2025, the Indian arms of a European automaker had their application for rare earth magnet shipments from China rejected, while applications made by the European headquarters received approvals. While the Chinese government has not imposed an outright ban on the export of rare earth magnets — a crucial element in making electric vehicles — the process has been made very difficult, which could take a long time and pose a risk of shortage in the meantime.

Some applications were

routed through the Ministry of Commerce (DGFT), but then Beijing insisted that they be forwarded by India's Ministry of External Affairs, with end-use certifications being insisted upon in most cases by the Chinese side. The back-and-forth has led to sharply increased sourcing timelines and uncertainty over supplies.

As per a report by Research and Information System for Developing Countries (RIS), India is almost 100 per cent import-dependent for 13 critical minerals identified as most critical for its manufacturing sector by 2030, including beryllium, chromium, germanium, graphite, lithium, silicon, strontium, limestone, rhenium, tantalum, zirconium, niobium, and rare earth elements.

The report said that China has gained access to African minerals through a multi-faceted strategy that combines significant financial investments and infrastructure development.

The African continent is home to around 30 per cent of the world's mineral reserves, having about 90 per cent of chromium and platinum, along with the largest reserves of cobalt in the world.