

# No relief for EV firms as govt takes hard line on localisation

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The Ministry of Heavy Industries, through its vehicle-testing agencies, on Thursday instructed electric two- and three-wheeler manufacturers to formally declare they have adequate rare earth magnet inventories and are producing key components — traction motors and electronic throttles — locally, as required under the PM E-DRIVE scheme, *Business Standard* has learnt.

The directive came amid growing industry concern over supply chain constraints following China's April 4 move to restrict exports of rare earth magnets —

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**VEHICLE-TESTING AGENCIES ISSUED A COMMUNICATION REQUIRING FIRMS TO CERTIFY THAT THEY HOLD SUFFICIENT STOCK OF RARE EARTH MAGNETS**

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critical inputs in traction motors. Automakers had been anticipating temporary relief from localisation rules, arguing indigenisation of certain auto parts in the current scenario was unviable.

The Automotive Research Association of India (ARAI), one of the key testing agencies under the ministry, issued a communication on Thursday requiring companies to sign a declaration affirming that they hold sufficient stock of rare earth magnets and are adhering to the scheme's phased manufacturing programme (PMP) norms. A March 3 notification laid out localisation milestones for two- and three-wheeler manufacturers seeking financial incentives under the PM E-DRIVE scheme.

The PMP norms mandate domestic manufacturing of multiple components, including traction motors and electronic throttles, for claiming subsidies. For traction motors, this includes coil winding, magnet fitment, rotor and stator assembly, shaft and bearing installation, enclosure fitment, and wiring — all of which must be done in India.

# No relief: EV makers face govt hard line on localisation

But industry representatives argued that those targets have become increasingly difficult to meet. Traction motors typically require neodymium and dysprosium magnets — rare earth materials almost exclusively imported from China. With Beijing now restricting exports of raw magnets but not finished motors, domestic automobile makers claimed it had become unfeasible to continue assembling traction motors locally.

Manufacturers had urged the ministry to allow temporary imports of fully assembled motors without disqualifying them from incentives. Instead, manufacturers were asked to return a signed statement declaring: “We hereby declare that we have sufficient inventory of rare earth magnets, which is required for manufacturing of traction motor and electronic throttle.”

The declaration — reviewed by *Business Standard* — also includes a commitment to adhere to PMP guidelines and a waiver of claims if any deviation is later discovered. “We assure that we will follow motor and electronic throttle manufacturing process as per PMP requirements mentioned in the notification, and we will

not claim any demand incentive... in case we deviate,” it mentioned.

Companies must notify the relevant testing agency and the ministry of any change in their localisation status, the letter said. It also warned that any violation of PMP requirements would render financial claims ineligible.

“It is difficult to understand the expectation of local magnet fitment when the primary raw material — rare earth magnets — is currently inaccessible,” said a senior executive at an EV manufacturer. “This is not a question of willingness to localise, but rather a matter of practical feasibility under current circumstances.”

Both traction motors and electronic throttles are critical to electric vehicle functionality and are particularly vulnerable to supply chain disruptions linked to the rare earth crunch.

*Business Standard* sent queries to 12 major two- and three-wheeler makers participating in the scheme, including Mahindra Last Mile Mobility, Hero MotoCorp, TVS Motor, Ather Energy, and Bajaj Auto. None responded by press time. The Ministry of Heavy Industries also did not reply to requests for comment.