



# India's Magnet Moment: Why The REPM Manufacturing Scheme is a Strategic Inflection Point

**India's clean energy ambitions, electric mobility push, and defence modernization plans share a common but often invisible dependency - Rare Earth Permanent Magnets (REPMs). These magnets quietly power electric vehicle motors, wind turbines, precision defence equipment, and advanced electronics. Yet, despite their centrality to India's growth narrative, the country remains almost entirely reliant on imports for high-performance REPMs, with global supply chains heavily concentrated in a single geography.**

This imbalance is more than a trade concern - it is a strategic vulnerability. India's REPM imports are estimated to run into hundreds of millions of dollars annually, exposing domestic manufacturers to currency risk, price volatility, and supply uncertainty at a time when demand is structurally rising.

Against this backdrop, the Government of India's approval of the Scheme to Promote Manufacturing of Sintered Rare Earth Permanent Magnets represents a decisive shift in industrial thinking. The policy is not merely about import substitution; it reflects a broader intent to embed India deeper into global clean-tech and advanced manufacturing value chains.

## From Dependency to Strategic Capability

Sintered Neodymium-Iron-Boron (NdFeB) magnets are among the most technologically complex components in modern manufacturing. Producing them at scale requires advanced metallurgical expertise, precision-controlled sintering processes, and rigorous quality assurance

standards. Globally, China's dominance in this space has long left other economies exposed to supply risks, pricing pressures, and geopolitical uncertainty.

India's dependence on imported REPMs has therefore stood in stark contrast to its aspirations in electric mobility, renewable energy, and defence indigenization. The newly approved scheme directly addresses this disconnect by laying the foundation for a domestic, integrated manufacturing ecosystem.

Approved by the Union Cabinet in November 2025, the scheme brings with it a total financial outlay of approximately ₹ 7280 crore over seven years. Importantly, the structure of the incentive reflects a calibrated approach, one that rewards outcomes, not just intent.

## Incentivizing Performance, Not Just Capacity

The scheme follows a two-phase implementation model. The first two years focus on the establishment and commissioning of integrated manufacturing facilities. This is followed by five years of sales-linked incentives, ensuring that government support is directly tied to commercial production and market performance.

Such a design marks a departure from traditional subsidy-led industrialization. By linking incentives to actual sales, the policy encourages manufacturers to focus on competitiveness, quality, and market integration rather than capacity creation alone.

At full scale, the scheme aims to develop 6,000 metric tons per annum (MTPA) of integrated REPM manufacturing capacity. At prevailing global prices for sintered NdFeB magnets, this capacity could translate into annual revenues running into ₹ 5000 - 7000 crore, depending on grade mix and end-use applications.

This capacity will be distributed across up to five selected

entities, each allocated between 600 and 1,200 MTPA through a global competitive bidding process. The structure allows participation from both domestic and international players while maintaining operational scale.

The scheme provides sales-linked incentives with a per-unit cap (up to ₹2,150 per kg) and an overall ceiling linked to net sales (capped at 40% of net sales, net of GST), aligning government support with actual market performance.

The scheme provides capital subsidy of 15% of eligible investment incurred post 1 April 2025, subject to per-beneficiary caps of up to ₹150 crore, improving project viability without diluting private capital discipline.

### Integration as a Strategic Differentiator

Perhaps the most consequential aspect of the scheme is its emphasis on end-to-end integration. Incentives are designed to support the entire manufacturing chain - from alloy production and metallurgical processing to sintering, finishing, and final magnet fabrication.

This integrated approach is critical. Fragmented manufacturing models often trap countries in low-value segments of the supply chain. By contrast, integrated facilities enable deeper value addition, better quality control, and stronger intellectual property capabilities.

The capital subsidy component, amounting to roughly ₹ 80 crore, further reinforces this approach. By partially offsetting the high upfront costs of specialized furnaces, sintering equipment, and metallurgical infrastructure, the scheme lowers entry barriers for technologically capable players while preserving performance discipline.

### Powering India's Energy Transition and Strategic Sectors

The relevance of domestic REPM manufacturing extends well beyond industrial metrics. India's clean energy roadmap, including large-scale wind power deployment and rapid electric vehicle adoption is inherently magnet intensive. Similarly, modern defence systems and aerospace technologies depend on precision-grade permanent magnets.

Financial projections suggest that EV-related demand alone could drive double-digit annual growth in REPM consumption over the next decade. Similarly, wind energy capacity expansion adds structurally to magnet demand, creating long-term revenue visibility for domestic producers.

As India works towards its Net Zero 2070 commitment, demand for REPMs is expected to rise sharply. Projections indicate that magnet demand could more than double by 2030, driven primarily by electric mobility and renewable energy expansion.

Localizing REPM manufacturing therefore strengthens not just supply security, but also India's ability to execute its energy transition at scale, without external bottlenecks.

### Economic Upside Beyond Import Substitution

The scheme's impact is not limited to meeting domestic demand. Globally, the REPM market is expanding rapidly, fueled by clean energy investments, advanced electronics, aerospace innovation, and defence modernization. A credible domestic manufacturing base positions India to serve both local requirements and export markets.

Equally significant are the technology and talent spillovers. Sintered magnet manufacturing sits at the convergence of materials science, advanced metallurgy, and precision engineering. Developing this capability domestically is likely to catalyze R&D investments, foster industry-academia collaboration, and generate high-skilled employment across the manufacturing ecosystem.

### Challenges on the Road Ahead

While the scheme sets a strong foundation, execution will be critical. Global competition - particularly from established producers, remains intense. Achieving cost efficiency, consistent quality, and technological parity will require sustained investment and continuous innovation. Additionally, long-term success will depend on coordination across the broader value chain, including upstream rare earth sourcing and downstream market integration. The manufacturing incentive is a necessary first step, but complementary progress across mining, processing, and demand aggregation will be essential.

### A Quiet but Defining Policy Shift

The Scheme to Promote Manufacturing of Sintered Rare Earth Permanent Magnets may not capture public attention in the way headline-grabbing reforms do, but its implications are far-reaching. It reflects a maturing policy mindset, one that prioritizes integration, competitiveness, and strategic resilience.

If implemented effectively, the scheme has the potential to redefine India's position in the global REPM landscape, strengthen supply chains critical to the energy transition, and anchor future-ready industries within the country.

In many ways, this is India's magnet moment, a chance to align industrial capability with strategic ambition and build resilience into the technologies that will shape the decades ahead.

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