BACKGROUNDERS
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India's Rare Earth Strategy: Manufacturing, Corridors, and Global Integration

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Key Takeaways

- **Union Budget 2026–27** announces **Dedicated Rare Earth Corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu** for mining, processing, research, and manufacturing of **Rare Earth Permanent Magnets (REPMs)**.
- **₹7,280 crore** REPM Manufacturing Scheme approved in November 2025.
- **6,000 MTPA** integrated REPM capacity to be created.
- **₹6,450 crore** sales-linked incentives over five years.
- **₹750 crore** capital subsidy for advanced facilities.
- **Geological Survey of India (**GSI) has identified **482.6 million tonnes** of rare-earth ore resources.

Introduction

India is taking decisive steps toward **self-reliance in critical materials** by establishing a domestic ecosystem for **Rare Earth Permanent Magnets (REPMs)** - high-performance magnets essential for electric vehicles, wind turbines, electronics, aerospace, and defence. To support this goal, the government approved a **₹7,280 crore scheme** to develop **6,000 MTPA of integrated REPM manufacturing capacity** in November 2025, covering the full value chain from rare-earth oxides to finished magnets.

Complementing this, the **Union Budget 2026–27** has announced the creation of **Dedicated Rare Earth Corridors** in **Odisha, Kerala, Andhra Pradesh, and Tamil Nadu** to promote **mining, processing, research, and manufacturing**. These initiatives align with the national priorities of **Atmanirbhar Bharat**, **Net Zero 2070**, and **Viksit Bharat @2047**, while positioning India as a key player in global advanced-materials value chains.

Strategic Importance and Resource Potential of Rare Earth Permanent Magnets in India

Rare Earth Permanent Magnets (REPMs) are among the **strongest types of permanent magnets**, known for their high magnetic strength and stability. Their compact size and powerful performance make them indispensable for advanced engineering applications such as **electric vehicle motors, wind turbine generators, consumer and industrial electronics, aerospace systems, defence equipment, and precision sensors**.

As India expands its manufacturing footprint in clean energy, advanced mobility, and strategic sectors, a **reliable domestic supply of REPMs** is critical. It not only reduces import dependence but also strengthens India's competitiveness in global value chains for advanced materials.

❖ India's Resource Base

India possesses a **substantial reserve of rare-earth minerals**, providing a strong foundation for downstream industries like REPM manufacturing.

- **Monazite Deposits:** India holds **13.15 million tonnes of monazite**, containing an estimated **7.23 million tonnes of rare-earth oxides (REO)**.
- **Geographic Spread:** These deposits occur across **Odisha, Kerala, Andhra Pradesh, Tamil Nadu, West Bengal, Gujarat, Maharashtra, and Jharkhand**, primarily in coastal beach sands, teri/red sands, and inland alluvium.
- **Additional Resources:** In Gujarat and Rajasthan, **1.29 million tonnes of in-situ REO resources** have been identified in hard-rock areas.
- **Exploration Efforts:** The **Geological Survey of India (GSI)** has further augmented reserves, identifying **482.6 million tonnes of rare-earth ore resources** in 34 exploration projects.

Together, these reserves demonstrate India's strong raw material base to support the establishment of an integrated REPM manufacturing ecosystem.

Need to Explore and Invest in the Sector - Although India has a strong rare-earth resource base, domestic production of permanent magnets is still at a developing stage, with imports mainly from China, meeting most of the demand (nearly 60–80% by value and 85–90% by quantity between 2022–25). With the consumption of Rare Earth Permanent Magnets expected to **double by 2030** due to rapid growth in electric mobility, renewable energy, electronics, and defence applications, it is essential for India to expand domestic capability and invest in this sector to reduce import dependence and ensure long-term self-reliance.

Budget Push for Rare Earth Manufacturing and Corridors

The **Union Budget 2026–27** has placed strong emphasis on building India's self-reliance in critical materials by complementing the recently approved **Rare Earth Permanent Magnet (REPM) Manufacturing Scheme** with new corridor-based initiatives. Together, these measures create a

comprehensive framework for strengthening domestic capacity, reducing import dependence, and positioning India as a global leader in advanced materials.

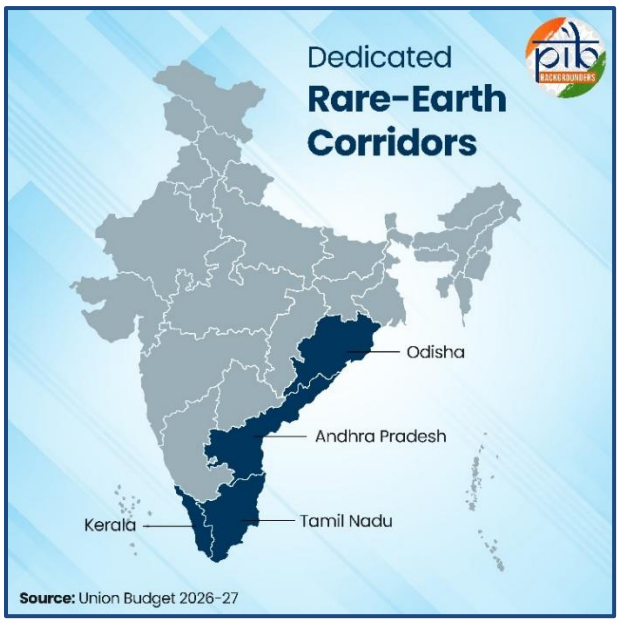
❖ REPM Manufacturing Scheme

To strengthen India's self-reliance in critical materials, the government on 26TH November, 2025, approved a major scheme for **Rare Earth Permanent Magnets (REPMs)**. This initiative provides financial support and incentives to build a fully integrated domestic manufacturing ecosystem.

- **Financial Outlay:** ₹7,280 crore
- **Capacity Creation:** 6,000 MTPA integrated manufacturing capacity of sintered REPMs, distributed among up to five beneficiaries through global competitive bidding
- **Incentives:** ₹6,450 crore in sales-linked incentives over five years
- **Capital Subsidy:** ₹750 crore to support advanced facilities
- **Timeline:** Two-year gestation for setup, followed by five years of incentive disbursement linked to production
- **Objective:** Establish an end-to-end ecosystem from rare-earth oxides to finished magnets, ensuring supply for sectors like electric mobility, renewable energy, electronics, aerospace, and defence.

❖ Union Budget 2026–27: Rare Earth Corridors

To complement the REPM scheme, the Union Budget 2026–27 announced **Dedicated Rare Earth Corridors** in **Odisha, Kerala, Andhra Pradesh, and Tamil Nadu**. These corridors will focus on **mining, processing, research, and manufacturing**, leveraging the mineral-rich base of these states. The initiative is expected to generate stronger local economies, enhance R&D capacity, and integrate India more deeply into global advanced-materials value chains.



These corridors directly complement the existing presence of **IREL (India) Limited** in Odisha and Kerala.

IREL (India) Limited, formerly Indian Rare Earths Limited, has been operating under the Department of Atomic Energy since 1963. With a processing capacity of **10 lakh tonnes per annum**, it produces strategic minerals such as ilmenite, rutile, zircon, sillimanite, and garnet. Importantly, IREL runs a **Rare Earth Extraction Plant in Odisha** and a **Rare Earth Refining Unit at Aluva in Kerala**, both of which align with the corridor initiative. By integrating IREL's established facilities with the new corridors, the government aims to expand domestic rare earth capacity, foster advanced manufacturing, and accelerate India's transition toward self-reliance and clean energy.

Rare Earth Development Aligned with National Goals

India's recent policy measures reflect how rare earth development is being aligned with broader national priorities. The focus is not only on industrial growth but also on clean energy, defence, and strategic resource security.

- **Self-Reliance (Atmanirbhar Bharat):** By reducing dependence on imports, where 60–80% of the value and 85–90% of quantity of permanent magnets were sourced from China between 2022–25, India aims to strengthen its domestic capability and secure critical supply chains.
- **Clean Energy Transition:** Rare earth magnets are essential for **electric vehicle motors** and **wind turbine generators**, both central to India's renewable energy expansion and its **Net Zero 2070 vision**. The corridors announced in the Union Budget will ensure that mineral-rich states directly contribute to this transition.
- **National Security and Defence:** Rare earth magnets are vital for **aerospace systems, defence equipment, and precision sensors**. Domestic corridors and manufacturing capacity ensure secure access for strategic applications, reducing vulnerability to global supply chain disruptions.
- **Policy and Institutional Reforms:** These initiatives complement reforms under the **Mines and Minerals (Development and Regulation) Act (MMDR Act, amended in 2023)**, which introduced a dedicated list of critical minerals and opened exploration and mining to private participation. They also align with the **National Critical Minerals Mission (NCMM, approved in January 2025)**, which aims to secure sustainable supply chains for rare earths and other strategic minerals.

Strengthening Global Mineral Partnerships

India's rare earth and critical minerals strategy is not limited to domestic reforms; it is closely tied to international cooperation to build resilient supply chains.

❖ Bilateral Agreements

- The **Ministry of Mines** has entered into agreements with mineral-rich countries such as **Australia, Argentina, Zambia, Mozambique, Peru, Zimbabwe, Malawi, and Côte D'Ivoire**.
- These partnerships aim to secure long-term access to rare earths and other critical minerals essential for clean energy, advanced mobility, and defence applications.

❖ Multilateral Platforms

- India participates in the **Minerals Security Partnership (MSP)**, a grouping of major economies focused on diversifying and securing global supply chains for critical minerals.
- India is also part of the **Indo-Pacific Economic Framework (IPEF)**, which includes cooperation on clean energy and critical mineral supply chains.
- These platforms provide India with opportunities to collaborate on technology, investment, and sustainable mining practices, reducing the risks of supply disruptions.

❖ Role of Khanij Bidesh India Limited (KABIL)

- **KABIL** is a joint venture of **National Aluminium Company Ltd. (NALCO), Hindustan Copper Ltd. (HCL), and Mineral Exploration & Consultancy Ltd. (MECL)** under the Ministry of Mines.
- Its mandate is to acquire and develop overseas mineral assets to strengthen India's domestic value chains.
- KABIL signed an agreement with **CAMYEN in Argentina** for the exploration and mining of five lithium brine blocks, marking a significant step in securing overseas critical mineral assets.

Conclusion:

India's rare earth strategy is moving decisively toward self-reliance by combining strong domestic resource potential with targeted policy and financial support. The **₹7,280 crore REPM Manufacturing Scheme** and the **Union Budget 2026–27 announcement of Dedicated Rare Earth Corridors** together create an integrated framework for mining, processing, research, and manufacturing. These measures reduce import dependence, strengthen clean energy and defence supply chains, and align with national priorities of Atmanirbhar Bharat, Net Zero 2070, and Viksit Bharat @2047. Complementary international partnerships and institutional reforms further ensure resilient access to critical minerals. With coordinated domestic and global initiatives, India is positioning itself as a reliable and competitive player in advanced materials value chains.

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