BACKGROUNDERS
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Government of India

# CAPEX Support Scheme to Promote Critical Mineral Processing

## *A ₹2,814-Crore Push for Lithium and Nickel Domestic Processing*

05 November 2026

*The **CAPEX Support Scheme to Promote Critical Mineral Processing** has been recently approved with an outlay of ₹2,814 crore. The scheme will run from **FY 2026-27 to FY 2030-31**. It offers a **30% capital subsidy** to set up two Lithium and two Nickel processing plants. Beneficiaries will be chosen through a competitive two-stage process, with support released against project milestones. The scheme is expected to anchor about **₹10,000 crore of investment**. It will reduce import dependence, strengthen supply chain resilience and support electric mobility, battery storage, electronics, defence and speciality steel.*

## Building India's Critical Mineral Processing Capabilities

Critical minerals are essential to economic development and national security. They contribute to clean energy technologies, high-tech electronics, transport, telecommunications and defence. Their availability is also vital to the global transition towards a low-carbon economy. Processing of these minerals remains geographically concentrated in a few countries. This exposes global supply chains to geopolitical disruptions, price volatility and potential supply restrictions. Consequently, countries identify minerals according to national priorities and take measures to secure their supply chains.

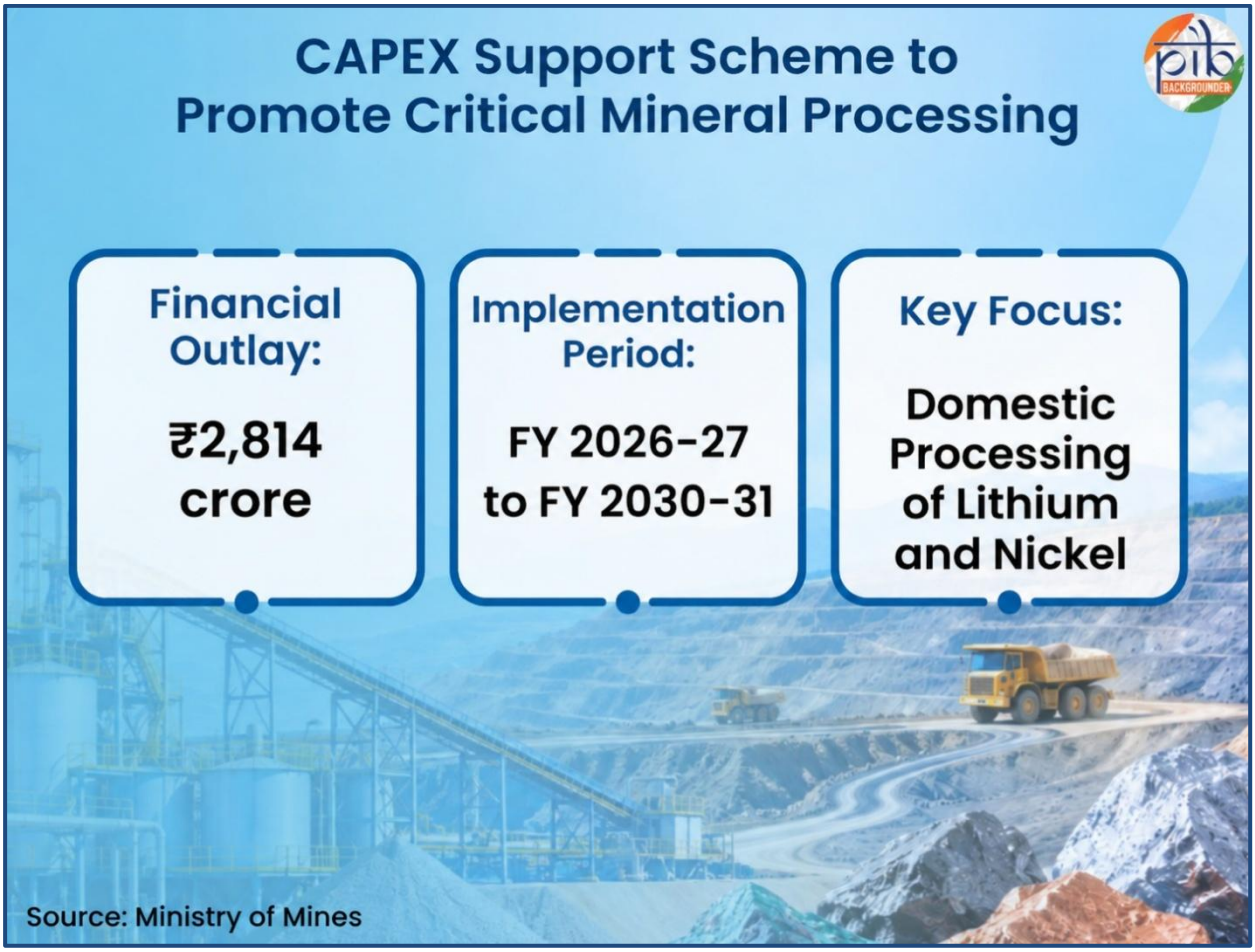
India has identified **24 critical minerals**, including lithium, nickel, cobalt, graphite and rare earth elements. The country's commitment to achieving net-zero emissions by 2070 further underscores their importance. However, India's requirements for refined intermediates and high-purity materials of key minerals are met largely through imports. To strengthen India's capabilities in domestic processing and reduce external

dependence, the **CAPEX Support Scheme to Promote Critical Mineral Processing** has been approved by the Union Cabinet on 04 November 2026.

## CAPEX Support Scheme to Promote Critical Mineral Processing

The scheme provides targeted capital expenditure (CAPEX) support for establishing domestic critical mineral processing facilities. Its primary objectives are:

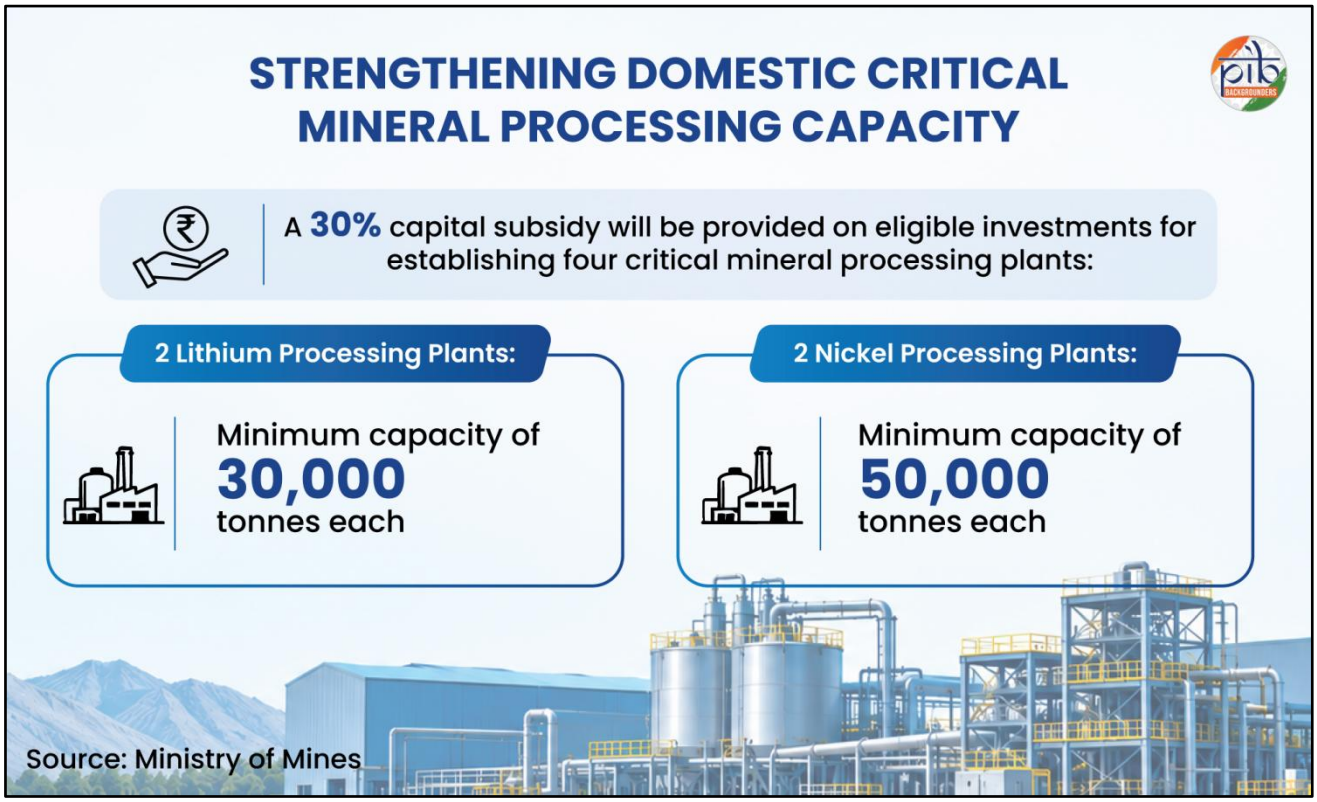
- **Promote domestic processing capacity:** Help set up high-purity Lithium and Nickel processing plants. Lithium plants will process ores and concentrates (excluding brines) into battery-grade products, while nickel plants will produce Class-1 nickel or battery-grade nickel sulphate, with cobalt recovery. CAPEX support will offset high upfront costs and improve project viability.
- **Build a resilient value chain:** Strengthen the Lithium and Nickel value chain by filling the missing link in processing.



## Financial Outlay and Support

The scheme has a total outlay of **₹2,814 crore**. It will run for five years, from **FY 2026-27 to FY 2030-31**. The scheme offers a **capital subsidy of 30%** of eligible investment for setting up **four processing plants**. These include two Lithium plants of at least **30 kt** capacity each and two Nickel plants of at least **50 kt** capacity each.

Support is capped at **₹500 crore** per Lithium beneficiary and **₹900 crore** per Nickel beneficiary. This amounts to ₹1,000 crore for Lithium and ₹1,800 crore for Nickel, totalling ₹2,800 crore. A further **₹14 crore**, or 0.5% of the outlay, is set aside for administrative expenses. The scheme will be fully funded through budgetary support from the Government of India.




## Selection of Beneficiaries and Disbursement of Incentives

The scheme follows a competitive selection process. Support is then released in stages, linked to clear project milestones.

### Two-Stage Selection Process

- **Stage 1 – Technical qualification:** All applications will be assessed on technical criteria. Only qualified applicants will move to the next stage.

- **Stage 2 – Financial bidding:** Qualified applicants will submit financial bids. Selection will follow the **least-cost criterion**, that is, the lowest CAPEX support sought.

**Two beneficiaries** will be selected for each mineral, making four in total.

### Milestone-Linked Disbursement

Incentives will be released in **three tranches**. Each tranche is linked to specific investment and equity milestones.

| Tranche | Milestone | Cumulative Subsidy Released (% of Quoted Bid Amount) |
|---|---|---|
| 1 | 25% of committed CAPEX spent, with at least 15% of minimum required equity contributed | 25% |
| 2 | 50% of committed CAPEX spent, with at least 50% of minimum required equity contributed | 50% |
| 3 | Plant commissioned, with 100% of minimum required equity contributed | 100% |

## Timeline for Commissioning

Beneficiaries must commission the plant within **three years** of the Letter of Award (LoA). In any case, commissioning must be completed within **five years** of the LoA. If commissioning is delayed beyond three years, the remaining undisbursed CAPEX support will be subject to a tapering mechanism until the fifth year.

## Governance Framework

A **three-tier governance structure** will oversee the scheme. It will ensure effective execution, monitoring and guidance.

| Tier | Body | Key Role |
|---|---|---|
| Apex | Governing Council (GC), chaired by the Secretary, Ministry of Mines | Provides strategic guidance and reviews progress. Makes final selection of beneficiaries and sanctions CAPEX support. It is also empowered to approve amendments to scheme guidelines, subject to the approval of the Union Minister of Mines. |
| Evaluation | Techno-Financial Committee (TFC) | Evaluates applications on technical and financial grounds. Recommends beneficiaries to the GC. Includes technical and financial experts from R&D bodies, technical institutions and PSUs. |
| Implementation | Project Management Agency (PMA) | Provides secretarial, managerial and implementation support. Carries out other tasks assigned by the Ministry of Mines. |

## Why Domestic Processing Matters

Domestic processing capacity is central to India's critical mineral security and self-reliance. The key reasons for building this capacity are outlined below:

- **Strategic Importance:** Resilient domestic value chains are vital for energy transition technologies, defence, aerospace and speciality steel. Domestic processing can reduce external supply risks and support self-reliance. It also addresses India's limited access to cost-effective technologies, intermediate compounds and technical expertise.
- **Strong Domestic Demand:** Demand projections show a clear need to build local processing capacity. Developing domestic capacity is essential for maximising value addition and achieving import substitution.
- **Barriers to Investment:** Domestic processing is currently not viable under prevailing market conditions. Projects need advanced equipment, multi-stage conversion systems and strict environmental safeguards, which raise capital costs. Access to raw materials and suitable technologies is also limited. Without targeted support, industries find it hard to set up such plants.

## Expected Outcomes

The scheme is expected to deliver economic and strategic benefits:

- **Investment and Capacity:** The scheme is expected to attract about **₹10,000 crore** in processing investment. It will support the creation of **60 kt of Lithium** and **100 kt of Nickel** processing capacity to meet projected demand by 2030.

- **Domestic Value Addition:** Ores, concentrates and intermediates will be processed into high-purity products within India. This will help capture a larger share of the value chain domestically.
- **Supply Security:** The scheme is expected to reduce India's exposure to geographically concentrated processing and potential export restrictions.
- **Lower Import Bill:** Domestic production of high-purity intermediates is expected to substitute imports, reducing the import bill and foreign exchange outgo.
- **Support for Downstream Manufacturing:** Refined outputs will support battery material, battery cell and speciality steel manufacturing, strengthening existing downstream schemes.
- **Employment Generation:** The scheme is expected to generate direct and indirect employment in critical mineral processing. Increased manufacturing of end-use products could create further employment opportunities.

## Strengthening India's Critical Mineral Ecosystem

The scheme complements several initiatives already underway across the critical mineral value chain. Together, they now cover exploration, mining, recycling and processing.

- **National Critical Mineral Mission (NCMM):** Launched in January 2025, NCMM secures a long-term supply of critical minerals and strengthens the entire value chain. Under the Mission, a ₹1,500 crore recycling scheme approved by the Union Cabinet on 3rd September 2025 promotes the recovery of critical minerals from secondary sources. These include e-waste, spent lithium-ion batteries and other scrap.
- **Exploration and Mining:** Auctions of mineral blocks have gained steady momentum. So far, 64 critical and strategic mineral blocks and 11 Exploration Licence blocks were auctioned by the Central Government.

## Way Forward

The **CAPEX Support Scheme to Promote Critical Mineral Processing** fills a crucial gap in India's critical mineral value chain. By supporting Lithium and Nickel processing, it will reduce import dependence and strengthen supply chain resilience. Alongside the National Critical Mineral Mission, it marks an important step towards the vision of **Atmanirbhar Bharat**.

## References

**Cabinet**

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