India's Rare Earth Element (REE) Opportunity

27th February, 2026

Detailed Note –

This note is in conjunction to our previous communication on the rare earth elements as an investment opportunity in the New Growth Frontier (NFG) bucket, due to its all-pervasive usage in manufacturing, China's dominance and supply constraints, and governments focus on promoting rare earth processing in India. We highlight investment opportunities in the Direct Equity Bucket to get an exposure to this theme – marking this as a **'New Growth Frontier'** allocation in portfolios.

Rare Earth Elements (REEs) are a group of 17 metallic elements comprising the 15 lanthanides plus scandium and yttrium. Despite the name, most REEs are **not geologically rare** — the challenge lies in concentration, extraction and processing. Their unique magnetic, luminescent, and electrochemical properties make them irreplaceable inputs across the technology stack of the modern economy.

Global Supply Chain — China's Stranglehold

The rare earth industry is characterised by extreme geographic concentration. China controls approximately 60% of global mining output, 85% of global separation and processing, and over 90% of rare earth magnet production. This dominance was cultivated through decades of state-subsidised investment in the entire value chain from ore to finished magnets, while the west focused on higher-margin end products.

In April 2025, China introduced formal export controls on seven rare earth elements and related magnets — including neodymium, samarium, and dysprosium — requiring exporters to obtain government licences with rigorous documentation. This move shocked global supply chains and accelerated the strategic response from India, the EU, the US, and Japan. For India, which imported 53,748 metric tonnes of rare earth magnets in FY25 alone, the urgency seems serious.

Country	Share of Global Mining	Share of Global Processing	Strategic Status
China	~60%	~85-90%	Dominant
USA	~14%	~5%	Rebuilding
Australia	~8%	Minimal	Explorer
Myanmar	~9%	Nil (ships to China)	Conflict-affected
India	<1%	Nil	Emerging — high potential
Rest of World	~8%	~5-10%	Fragmented

Sources: US Geological Survey (USGS) Mineral Commodity Summaries 2024; International Energy Agency (IEA) Critical Minerals Report 2024; CSIS Analysis on REE Processing Hubs, 2025

India's Rare Earth Endowment & Policy Response

India's geological endowment in rare earths is significantly underappreciated. It holds an estimated 6.9 million metric tonnes of REE reserves — the world's 5th largest. More importantly, India possesses approximately 35% of the world's total beach sand mineral deposits — the primary source of rare earths like monazite, which are naturally occurring alongside thorium and uranium deposits along the eastern and western coastlines.

India's REE production has remained effectively stagnant at below 2,900 metric tonnes annually — less than 1% of global output. This structural gap between geological potential and actual production represents the core of the investment opportunity.

- **Budget 2026 — A Policy Watershed**

Finance Minister Nirmala Sitharaman's Budget 2026-27, marked a **decisive policy pivot towards critical mineral self-sufficiency**. The headline announcement was the creation of dedicated Rare Earth Corridors spanning four mineral-rich states:

- Odisha — home to significant REE mineralisation and coal blocks
- Andhra Pradesh — beach sand mineral deposits along the eastern coast
- Tamil Nadu — significant monazite and heavy mineral sand reserves
- Kerala — Kerala Minerals & Metals Ltd. (KMML) already processing heavy mineral sands

This corridor approach **mirrors the defence corridors** established in Uttar Pradesh and Tamil Nadu — a model that has proven highly effective at catalysing industrial clustering and private investment.

- **The ₹7,280 Crore Magnet Manufacturing Scheme**

In a separate but equally significant development, the Union Cabinet in mid-2025 approved a ₹7,280 crore Production Linked Incentive (PLI) scheme specifically **targeting the manufacture of rare earth permanent magnets** — the highest-value downstream product in the REE value chain.

The scheme aims to develop 6,000 metric tonnes per annum of domestic magnet production capacity — a product category India currently imports entirely from China and Japan.

- **National Critical Mineral Mission (NCMM)**

Launched in November 2025, the NCMM establishes a comprehensive framework for India's critical mineral strategy with an **estimated outlay exceeding ₹15,000 crore over five years.** Key elements include –

  - **Accelerated auctioning** of identified critical mineral blocks (24 blocks auctioned by mid-FY26).
  - **Technology development** support through the Bhabha Atomic Research Centre (BARC) for indigenous processing.
  - **Overseas mineral asset acquisition support** via KABIL (Khanij Bidesh India Ltd.)
  - **Mandatory blending of domestically processed** REEs in government procurement for EVs and defence.
  - **A new REE recycling scheme** (approved ₹1,500 crore) targeting 270 KT/year of recycling capacity by FY31.

Disclaimer:

The information or material (including any attachment(s) hereto) (collectively, "Information") contained herein does not constitute an advice or an inducement to buy, sell or invest in any securities. Recipients of this information should not construe it to be investment advice unless and otherwise stated herein expressly and conduct their own investigation and analysis. Pravia Investment Advisors Private Limited ("Pravia") may not have conducted any suitability analysis prior to dissemination of such information and the recipient should therefore seek advice of their independent financial advisor prior to taking any investment decision based on Information. No representation or warranty, express, implied or statutory, is made as to accuracy, completeness or fairness of the contents and opinion contained herein. The information can be no assurance that future results or events will be consistent with this Information. Any decision or action taken by the recipient based on this Information shall be solely and entirely at the risk of the recipient. The distribution of this Information in some jurisdictions may be restricted and/or prohibited by law, and persons into whose possession this information comes should inform themselves about such restriction and/or prohibition. Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. Pravia will not treat the recipient/user as a customer by virtue of their receiving/using this report. Neither Pravia nor its affiliates, directors, employees, agents or representatives, shall be responsible or liable in any manner, directly or indirectly, for the contents or any errors or discrepancies herein or for any decisions or actions taken in reliance on the Information. The person accessing this information agrees to hold Pravia or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this Information. The Information contained herein is based on publicly available data or other sources believed to be reliable and for the exclusive purpose of transactions to be carried out within the territorial jurisdiction of India and all such transactions shall be governed by the laws in India. Pravia and/or its affiliates and/or employees may have interests/positions, financial or otherwise in securities mentioned here. Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Standard Warnings:

- Registration granted by SEBI, membership of BASL and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.
- The securities quoted are for illustration only and are not recommendatory.

Statutory Information:

- Pravia Investment Advisors Private Limited: CIN: U66309MH2025PTC451047; Regd Off Address: 801, A-Wing 215 Atrium, CTS No 215, Andheri-Kurla Road, Andheri East, Chakala MIDC, Mumbai - 400093; Contact: **+91 9004139937**
- Corporate Investment Adviser SEBI Registration no. INA000021322, Validity of Registration: Nov 04, 2025 – Perpetual. BSE Enlistment No.2375,
- Principal Officer: Ms. Vaibhavi Shah (E-mail: info@pravia.in), Contact: **+91 9004139937**
- Compliance Officer and Grievances Redressal Officer: Ms. Nishma Desai (E-mail: compliance@pravia.in) Contact: **+91 9004139937**

SEBI Regional Office: SEBI Bhavan, Plot No. C-4 A, G Block, Bandra Kurla Complex, Bandra East, Mumbai 400 051.