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Bain-backed Japanese firm Proterial looks to India for rare earth magnet manufacturing

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Article Content:

Bain Capital-backed Japanese firm Proterial Ltd is looking to manufacture rare earth magnets in India at a time when the country is battling the restrictions imposed by China on the exports of the critical component required in automobiles and electronic products.

According to two people aware of the matter, the Japanese company wants to manufacture its flagship Neodymium Ferrite Boron (NdFeB) permanent magnets in the country as part of its NEOMAX brand, with multiple companies in India already looking for alternative supply chains.

“The company is exploring a plant in India where it can make the magnets. The rare earth oxides can be sourced from within India and outside," one of the persons aware of the matter said, adding that the Japanese leadership is currently discussing the proposal said

Currently, it has two plants in Japan and China, where it primarily manufactures rare earth magnets. While its Japan unit capacity details are not available publicly, the Chinese plant produces more than 2,000 tonnes of permanent magnets.

In response to *Mint*’s queries, Proterial said that its policy does not allow it to disclose investment considerations.

“Regardless of the project, Proterial, Ltd. has a policy of not disclosing the status of investment considerations, including whether or not there is a project," the company said in an email.

In the fiscal year ended 31 March 2025, Proterial posted revenue of ¥768.6 billion (about$5.2 billion).

While most of the processing of rare earth elements like neodymium takes place in China, India also holds reserves of neodymium, which it currently exports to Japan for processing. Being a light rare earth, neodymium’s presence is more diversified, with the US, Australia and Myanmar also holding some reserves.

Magnet attraction

NdFeB magnets are light rare earths which, when combined with heavy rare earth elements like dysprosium and terbium, can produce a powerful magnetic force which is good for high-powered motors used in cars and bikes. While China has not restricted exports of neodymium, it has put a restriction on exports of heavy rare earth elements.

Indian players have started working on solutions that can use light rare-earth magnets in the motors they use in their vehicles. Sona Comstar, the country's eighth largest component maker, said on Monday that it has started using light rare-earth magnets in the traction motors it makes, and the volume of production is back to the level in April, which was before the crisis started.

Two-wheeler player Ather Energy Ltd has also expressed willingness to use light rare-earth magnets in its vehicles.

The interest of the Japanese firm, a former unit of conglomerate Hitachi, also comes at a time when the government is finalising a ₹1,365 crore scheme to promote the manufacturing of rare earth magnets in India.

"A scheme has been circulated to give subsidies for manufacturers [magnet]. It is under inter-ministerial consultation," Union heavy industry minister H.D. Kumaraswamy said last month.

The Japanese firm's interest comes at a time when several mining players in the country, including Hindustan Zinc and Gujarat Mineral Development Corporation, have expressed interest in exploring and scaling up the extraction of rare earth elements.

While the interest of the Japanese players has accelerated in the past few months, investment decisions are being carefully mulled over as the firms also have exposure to China, which is a larger market than India.

Cautious approach

"Firms are cautious in proceeding with investment plans as they have exposure in China and they don't want to be seen taking away capacity from the country," an investment advisor to foreign firms said on the condition of anonymity.

Moreover, the first person cited above said that magnet manufacturers are also cautious about proceeding with their plans because they are afraid China will resume exports, which could make their magnets uncompetitive in terms of pricing.

"They will have to sign some captive deals before they fully invest because China can open the gates for exports at any time," the person said.

Proterial's India exploration comes a month after more than a dozen major Japanese players from the EV battery and critical mineral supply chain, including Panasonic, Mitsubishi Chemicals, Sumitomo Metals and Mining, Asahi Kasei and Nichia, among others, were in India to explore partnerships with Indian companies as part of a Japanese delegation.

All these companies are part of Japan's industry body, Battery Association of Supply Chain.

Experts suggest that India's low cost of production and local captive demand can boost international players' interest in manufacturing magnets there.

"Rising domestic demand from sectors like electric vehicles, renewable energy, electronics, and defence adds urgency and commercial viability to developing this ecosystem. Combined with a skilled technical workforce, lower manufacturing costs and proximity to key global markets, India presents a compelling case as the next centre for rare earth magnet production," Anurag Singh, advisor, Primus Partners.