

Quote by Nikhil Dhaka, Vice-President , Primus Partners

Published in The Financial Express

July 29, 2025

Production cuts, weak demand may help automakers navigate rare earth crunch

EV output at risk but Motown keeps chin up for festive season

NITIN KUMAR
New Delhi, July 28

EVEN AS BAJAJ Auto managing director Rajiv Bajaj has sounded the alarm that the company may have to halt electric vehicle (EV) production entirely in the coming weeks due to depleting stocks of rare earth magnets (REM), not everyone in the industry shares his pessimism.

While the REM crunch, triggered by China's strict export controls, has certainly begun to squeeze auto production lines, most players believe that a slowdown in sales and a deliberate production cut could help stretch existing inventories through the critical festive season.

"We are deliberately scaling down production, especially for EVs, to conserve whatever REM stock we have. Demand is sluggish and channel inventory is high, so we aren't pushing new stock to dealers," said a senior executive from a leading carmaker. "Unless demand surges dramatically in August, we don't expect to run dry before Diwali," the executive added.

Production data supports this view. In June, total auto production dropped nearly 8% month-on-month to 2.36 million units. The passenger vehicle segment was the worst hit, down 16% from May, while two-wheeler output declined 8%. Industry insiders expect July numbers to fall

SHORTFALL BITES



further, with potential plant shutdowns in August if imports don't resume.

This may be why the broader sentiment isn't entirely bleak. "So far, this has helped reduce excess inven-

tory," Som Kapoor, partner at EY India Automotive, said. "However, if manufacturers show signs of strain, production could come to a halt for some players in the coming months," he added.

Automakers are hopeful that slower demand has bought them some breathing room. EVs still account for less than 10% of the annual 24.6 million vehicle sales.

"The impact of the REM

shortage extends beyond EVs to ICE vehicles as well," said Nikhil Dhaka, vice-president at Primus Partners and a member of the ministry of heavy industries' EV task force. "While EVs are more sensitive due to per-unit magnet requirements, ICE vehicle production will begin to feel the heat by August."

The country's largest passenger vehicle maker, Maruti Suzuki, has so far maintained that it hasn't faced disruptions due to the REM shortage. However, the company has quietly slashed its initial production target for its debut EV, the e-Vitara, by nearly

70%. Only 8,200 units will now be produced by September, down from a planned 26,500.

Among two-wheeler manufacturers, Hero Moto-Corp managed to buck the trend with a production uptick in June, while Honda Motorcycle and Scooter posted a sharp 15% fall. Most other players reported month-on-month decline, though executives across brands said they were pacing output to stretch parts inventories rather than being forced into emergency shutdowns.

Continued on Page 10

Motown keeps chin up for festive season

THE INDUSTRY HAS approached the ministry of heavy industries through the Society of Indian Automobile Manufacturers (SIAM), seeking temporary permission to import complete motors or sub-assemblies instead of just REMs.

However, no such relief has been granted yet. A query sent to most major automakers remained unanswered at the time of going to press.

For now, most companies are betting that by curbing production in the lean months and managing dealer inventory carefully, they can avoid supply chain chaos when demand picks up during the festive period. But all eyes remain on whether China will clear the pending REM shipments in time for that plan to succeed.

»INSIDE«
MORE & MORE
BUYERS GO
GREEN, CNG
TOP DRAW
PAGE 4

