

# Sunrise industries still heavily import-dependent, need policy push

## THE SWADESHI FACTOR PART-IV

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**THE PLEDGE TO REVISIT** the “Swadeshi” development paradigm might appear well-timed, given that only a fifth of India’s economic output is driven by external demand, and the high level of food security achieved by the nation.

During most periods, the country has been able to foot its energy import bill, without incurring a big current account deficit. Forex reserves continue to pile up.

However, the crescendo for an inward-looking approach to growth should not blind the policymakers to the fact that the country continues to have a large import dependency for assorted intermediate goods and raw materials.

More important, many of these are critical to catapulting the economy to the next level, and for sunrise technology sectors, including electric vehicles, semiconductors and AI.

For instance, India remains over 90% dependent on imports for its semiconductor and rare-earth requirements, with China accounting for nearly half of these supplies. The renewable energy sector is fast turning local, but would still rely signifi-

cantly on imported equipment in the medium term. The country also has an overwhelming dependency on China when it comes to meeting the requirement of active pharmaceutical ingredients (APIs) for its globally competent drug-makers.

“Thanks to Trump tariffs, we are witnessing an added momentum in India Inc’s strategic diversification plans. Companies are de-risking global exposures by shifting focus toward domestic and alternative overseas markets,” said a spokesperson from minerals-and-energy major Vedanta. “However, as India moves toward a ‘Produce in India, Consume in India’ model, it is imperative to strengthen the regulatory and statutory framework supporting this transition,” the person added.

To be sure, the government has rolled out several initiatives, including the ₹76,000-crore India Semiconductor Mission, the ₹34,300-crore National Critical Minerals Mission, a ₹24,000-crore production-linked initiative scheme for high-efficiency solar PV modules, and the ₹18,000-crore PLI scheme for advanced chemistry cell batteries.

It has also mandated an approved list of models and manufacturers for solar cells and modules that could be used in projects, in a move to give an impetus to local manufacturing.

Currently, India’s solar cell capacity stands at 27 giga watt (GW), while module capacity is at 100 GW. For perspective, the installed solar capacity is 119

## INDIA'S IMPORT DEPENDENCE



### Rare earth material (Quantity in tonnes)



Domestic demand will be  
**\$7 billion**  
by 2040

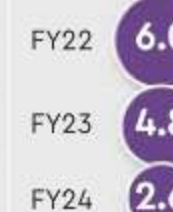
### Petroleum (\$ bn) ▲ % share of total



### Fertiliser (\$ bn) ▲ % share of total



### Import of urea (\$ bn)



### Edible oil (\$ bn)



Oil year (Oct -Sept),  
**57%** of domestic consumption is met through imports

Source: PIB, Economic Outlook

GW, and the ambitious plan is to raise this to 280 GW by 2030.

A scheme to promote the manufacturing of heavy rare-earth magnets is in the works. India has also started aggressively pursuing tie-ups with resource-rich countries and exploring overseas investments to secure long-term supply of assorted critical minerals.

While experts commend the intent of these measures, they also note that the steps have come a bit too late, and cite the limited success so far. India’s dependence on foreign countries is not just for raw

materials but also for the skilled hands when it comes to machinery installation and maintenance in sunrise sectors. With China holding a clear lead in critical technologies and value chains, achieving self-reliance remains challenging.

Experts call for diversified supply sources, deeper partnerships with mineral-rich nations, greater private-sector participation, and further easing of policies for domestic mining and talent development.

They also stress that PLI beneficiaries should be encouraged to procure raw materials

from domestic suppliers to reduce dependence on cheap Chinese imports.

Vikram Handa, managing director of Epsilon Advanced Materials, said domestic suppliers will invest only if assured of demand. While Epsilon is being qualified by global players, many Indian manufacturers still prefer cheaper imports and avoid on-boarding of local firms. Handa warned that China’s dumping poses two risks: fostering a substandard product ecosystem and triggering future price spikes or export restrictions.

The Vedanta official said that key sectors such as oil & gas, metals & mining, power and technology would stand to benefit from policy enablers like self-certification, single-window clearances, and enhanced ease of doing business. “To accelerate the shift, the government must prioritise deregulation, simplified taxation, and usage of Indian commodities in key infrastructure and defence projects,” the person said. Industry executives also see the need for timely use of safeguard duties wherever required.

Simarpreet Singh, execu-

tive director & CEO, Hartek Group, advocated for simplified policies, and expansion of the PLI schemes, besides promoting start-ups in these sectors, and investing in R&D for critical minerals.

“To navigate such trade uncertainties, we must expand our network of trade partners, the India-UK free trade pact is a step in the right direction. In the solar sector, we’ve made significant progress in building cell manufacturing capacity, but the next big leap lies in establishing polysilicon production units,” Ashish Agarwal, head-solar & storage, BluPine Energy, said.

Despite the launch of a bulk drugs PLI scheme in 2020, India is still heavily reliant on foreign active pharmaceutical ingredients (APIs) and intermediates from China. In fact, Chinese companies have recently reduced prices of some popular categories of APIs below their cost of production just to beat the domestic API manufacturers, who have benefitted from the PLI scheme.

Parag Bhatia, director at Laborate Pharmaceuticals said that to reduce the import dependence, India needs a multi-pronged approach that includes investing in technology and green chemistry. “It will take sustained collaboration between the government and the industry over the next 5-7 years,” he said.

In the agriculture sector, out of the total annual consumption of over 60 million tonne (MT) of fertilisers — urea, di-ammonia phosphate (DAP), and muriate of potash (MOP) — roughly 10 MT is imported. In many cases,

supplies get impacted by geopolitical factors. The dependence on imports of DAP is quite significant.

Sources said even for the production of urea, the country imports a significant volume of natural gas, key raw material for urea. Just 15% of the domestic urea units are based on domestic gas, while the balance capacity is driven by imported LNG.

“We import over 60% of the DAP requirement, and this will likely continue for the next many years because of constraints in raw materials supplies,” a government official said. A leading manufacturer of fertilisers said, “there are several factors, including the Red Sea crisis and China’s unpredictable exports control that impacted global supplies leading to the recent spike in prices of DAP.”

Recently, a long-term agreement was reached between Saudi Arabia’s Maaden and Indian’s IPL, KRIBHCO and CIL to supply 3.1 MT of DAP annually for the next five years. In addition, domestic manufacturing of DAP also depends on key raw materials ‘rock phosphate’ mostly imported from Senegal, Jordan, South Africa and Morocco. The country is entirely dependent on imports for potash, majorly used in horticultural crops for which a long-term agreement has been entered for supply of about 2 MT of fertiliser annually from Russia, Israel, Belarus and Jordan. Cutting imports of fertilisers and natural gas, the key feedstock, will have positive fiscal spin-offs.

The series concludes