



INDIAN MINING INDUSTRY

Logistics and technological
advancements remain key to unlock
the potential of India's mining sector

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Complex regulatory processes, delays in obtaining environmental clearances, and land acquisition issues continue to impede the swift operationalisation of mining projects in India. Expediting project approvals and optimising logistics infrastructure will be critical to improve the overall efficiency of the mining sector.



▪ **The mining sector generated a modest 2.2% of India's GDP in FY2024, significantly lagging behind other major mining economies.** Persistent challenges such as logistics bottlenecks and limited investments in exploration and technology continue to hinder the industry's operating efficiency and growth potential.



▪ **After four years of contraction, the mining sector rebounded in FY2022 but recorded a modest 2% growth in FY2023.** Although growth improved to 7% in FY2024, it remained below the targets set under the National Mineral Policy – 2019, reflecting lingering challenges to the industry's credit profile.



▪ **The foremost challenge remains logistical inefficiency, with heavy reliance on road transport for bulk materials.** In 2024, around 33% of India's coal and iron ore were transported by road, which drove up costs and hampered supply chain efficiency. In addition, the rake supply grew at just 6.4% CAGR (FY2021-FY2024), lagging behind the 11-12% CAGR in coal production, highlighting a critical logistical bottleneck.



▪ **In addition, India accounts for just 1.3% of global mineral exploration spending, far behind Canada (24%) and Australia (20%), who prioritise discovering new resources.** This underinvestment results in a low resource-to-reserve conversion ratio for most minerals. Moreover, the slow regulatory approval process compared to global standards, heightens the risk of capital blockages.



▪ **Key reforms under initiatives like Atmanirbhar Bharat and the recent amendments to the Mines and Minerals (Development and Regulation) Act** have paved the way for a more transparent and efficient mining ecosystem. Nonetheless, foreign direct investment (FDI) inflows into mining form a paltry 0.5% of India's overall FDI inflows, reflecting low interest from global mining giants. Consequently, more initiatives towards easing regulatory hurdles and improving logistical efficiency would be crucial for increasing private sector participation in exploration and mining.



▪ **Additionally, sustainability in mining is no longer optional but essential for the industry's long-term viability.** There is a pressing need for the widespread adoption of sustainable mining practices, such as zero liquid discharge systems, circular economy initiatives, and responsible mine closures, to reduce the environmental impact of mining activities.



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