

# INDIAN POWER SECTOR

---

**Electricity demand growth to rebound in FY2027; tariff hikes remain nil**

**MAY 2026**



## 1 Executive Summary



## 2 Outlook



## 3 Electricity Demand



## 4 Capacity Addition and Thermal PLF



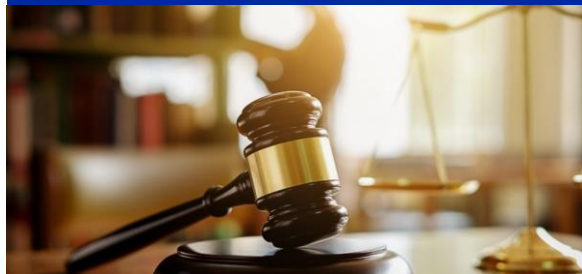
## 5 Coal Supply, Stock Levels and Import Dependence



## 6 Tariff Trends



## 7 Key Policy & Regulatory Updates



## 8 Update on Power Transmission Segment



## 9 Update on Power Distribution Segment



## 10 Performance Update on GENCOs & IPPs



## 11 Overview of Key Utilities & IPPs



## 12 Rating Trends in Power Sector





# Executive Summary

---



[Click to see full report](#)

*Electricity demand growth remained subdued in FY2026; growth estimated at 5% for FY2027 as seen by increasing demand in summer. Thermal PLF projected to hover at 65-66% for FY2027 amid rising renewable generation*

*Led by renewables, gross installed capacity addition surged to 61.6 GW in FY2026, with likely total addition of 50 GW for FY2027*



- **All-India electricity demand remained subdued in FY2026**, with marginal growth of 0.8% YoY due to prolonged Southwest Monsoons led by heavy rainfall in several regions of the country and an unfavourable base of last year. In FY2027, demand growth is likely to rebound to 5% and as already seen in April and May 2026. The growth is supported by expectations of normalised weather conditions, probable El Nino conditions, a lower base, and continued growth in industrial and commercial activity. This outlook is underpinned by structurally healthy fundamentals, as evident from the strong demand growth during FY2022–FY2024, driven by favourable base effect, weather-related demand spikes, and steady economic momentum.
- **The all-India average thermal plant load factor (PLF) stood at 65.2% in FY2026, reflecting subdued demand growth and rising generation from non-thermal sources.** However, a rebound in demand growth in FY2027, coupled with increased renewable and thermal capacity in FY2026 and FY2027, the PLF is expected to remain at 65-66%.
- **The gross capacity addition stood at 61.6 GW in FY2026, primarily driven by the RE segment, reaching higher than 34.1 GW added in FY2025.** The capacity addition in the RE segment was the highest, followed by thermal segment in FY2026. The full-year gross capacity addition in FY2027 is estimated to reach ~50 GW against 61.6 GW in FY2026, mainly led by the scale-up in RE capacity addition.
- **Coal stock at power plants saw a decline and remained below normative level at 17.7 days as on May 6, 2026 compared to 19.2 days as on March 31, 2026.** The downward trend in the inventory level began in FY2027, with inventories slipping below normative levels amid demand resurgence. The coal imports by power utilities declined by 27.5% on a YoY basis in FY2026. Further, the share of coal import is estimated to remain about 6-7% in FY2027, driven by the expected growth in electricity demand as well as modest growth in domestic coal production.
- **Average spot power tariffs in the day-ahead market (DAM) of the Indian Energy Exchange (IEX) moderated to Rs. 3.8 per unit in FY2026 from Rs. 4.4 per unit and Rs. 5.2 per unit in FY2025 and FY2024, respectively,** following moderation in demand growth, decline in open market coal prices and improved supply from non-thermal sources. Nonetheless, the prices remain higher than the long-term average. The spot power tariffs are likely to remain at Rs. 3.5-4.0 per unit in FY2027, with demand growth remaining at 5%.

*Median tariff hikes remains nil across the states issuing tariff order for FY2027*

*Transmission line and substation capacity addition in FY2026 remains below the target although it remained higher than FY2025. The transmission sector continues to face execution challenges due to RoW issues and prolonged monsoons; further, with CEA outlining a plan to evacuate over 900 GW of non-fossil capacity by FY2036, a significant scale-up in transmission infrastructure remains critical to support renewable integration*



- **Expectations of healthy demand growth is driving activity in awarding long-term power purchase agreements (PPAs) by state distribution companies (discoms) after a lull of 9-10 years.** Many state discoms have awarded projects through long-term PPA bids aggregating to 22-23 GW. The tariffs discovered in these bids remain close to Rs. 6.0 per unit, owing to rise in the capital cost of new coal-based power projects, which stands at over Rs. 12 crore/MW.
- **Capacity addition in FY2026 for power transmission segment has remained lower than targeted capacity additions but improved compared to FY2025.** Transmission line additions continue to face delays due to RoW and land acquisition issues, prolonged monsoons, and procedural bottlenecks in approvals, supply, and contracting. With Central Electricity Authority (CEA) outlining a plan to evacuate over 900 GW of non-fossil capacity by FY2036, accelerating execution in the transmission segment remains critical for renewable integration into the grid.
- **The progress in issuing tariff orders for the state discoms for FY2027 remains moderate with only 18 out of 28 states' electricity regulatory commissions approving the tariff orders as on May 20, 2026,** following the requirement for all discoms to file the petition by November 30, 2025 and tariff order by March 31, 2026. Moreover, 10 out of 18 states, whose discoms have filed petitions so far, have not proposed any tariff hikes or reduced the tariffs despite the gap between the tariffs realised and the cost of supply.
- **State-owned discoms reported reduced book losses at Rs. 94 billion in FY2025,** from Rs. 572 billion in FY2023 and Rs. 256 billion in FY2024. Consequently, the cash gap also decreased to 13 paise in FY2025 from 32 paise in FY2024. This was primarily due to the rise in subsidy and revenue grants, moderate increase in billing rate, coupled with drop in average power purchase cost. The gross debt for discoms at the all-India level fell slightly to Rs. 7.3 trillion in March 2025 from Rs. 7.6 trillion in March 2024. The debt remains high owing to the debt availed for generators, working capital funds and capex amid continued losses. Such high debt is unsustainable for discoms, given their current revenues and profitability.
- **Upgrades continue to outpace the downgrades in the sector led by the RE segment, with 85 upgrades and 21 downgrades in FY2026.** Upgrades were driven by successful commissioning and strong performance in RE independent power producers (IPPs), equity infusion, and favourable ownership changes. Moreover, thermal and transmission segments improved due to operational stability, financial strength, and debt reduction, while Gujarat discoms benefited from sustained operational gains. Conversely, FY2026 recorded 21 downgrades, mainly due to weak generation, higher leverage, and flood-related disruptions at a hydro plant.



# ICRA Analytical Contact Details

| Name              | Designation                            | Email  | Contact Number  |
|-------------------|--|--|-----------------|
| Girishkumar Kadam | Senior Vice-President & Group Head     | <a href="mailto:girishkumar@icraindia.com">girishkumar@icraindia.com</a>           | 022 – 6114 3441 |
| Ankit Jain        | Vice-President & Co-Group Head         | <a href="mailto:ankit.jain@icraindia.com">ankit.jain@icraindia.com</a>             | 0124 – 4545 865 |
| Asmita Pant       | Assistant Vice-President & Sector Head | <a href="mailto:asmita.pant@icraindia.com">asmita.pant@icraindia.com</a>           | 0124 – 4545 856 |
| Venkatesh Joshi   | Senior Analyst                         | <a href="mailto:venkatesh.joshi@icraindia.com">venkatesh.joshi@icraindia.com</a>   | 022 – 6169 3353 |
| Rohit Shahu       | Senior Analyst                         | <a href="mailto:rohit.shahu@icraindia.com">rohit.shahu@icraindia.com</a>           | 022 – 6169 3300 |
| Soumya Satapathy  | Senior Analyst                         | <a href="mailto:soumya.satapathy@icraindia.com">soumya.satapathy@icraindia.com</a> | 033 – 6521 6809 |





ICRA

# Business Development/Media Contact Details

| Name            | Designation  | Email  | Contact Number |
|-----------------|--|--|----------------|
| L Shivakumar    | Chief Business Officer                                       | <a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>           | 022-61693304   |
| Sai Krishna     | Head - Research Sales and Investor Connect                   | <a href="mailto:sai.krishna1@icraindia.com">sai.krishna1@icraindia.com</a>       | 9840774883     |
| Rohit Gupta     | Head Business Development – Infrastructure Sector            | <a href="mailto:rohigt@icraindia.com">rohigt@icraindia.com</a>                   | 0124-4545340   |
| Vivek Bhalla    | Head Business Development – Financial Sector                 | <a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>       | 022-61693372   |
| Vinita Baid     | Head Business Development – East                             | <a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>         | 033-65216801   |
| Shivam Bhatia   | Head Business Development – Corporate Sector – North & South | <a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>     | 0124-4545803   |
| Sanket Kulkarni | Head Business Development – Corporate Sector – West          | <a href="mailto:sanket.kulkarni@icraindia.com">sanket.kulkarni@icraindia.com</a> | 022-6169 3365  |
| Naznin Prodhani | Head - Group Corporate Communications & Media Relations      | <a href="mailto:communications@icraindia.com">communications@icraindia.com</a>   | 0124-4545860   |





***© Copyright, 2026 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**#35YearsofUnwaveringCredibility**



ICRA

35  
Years of  
Unwavering  
Credibility

# Thank You!

#35YearsofUnwaveringCredibility

Sensitivity Label : Public