

Indian Renewable Energy Sector

RE capacity addition reached a record high in FY2026, but likely to moderate owing to delays in the augmentation of transmission infrastructure

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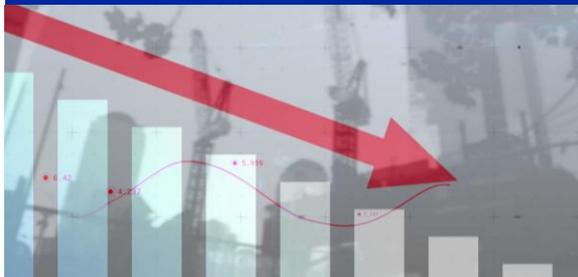
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Highlights



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RE capacity addition improved to 43.2 GW in 11M FY2026 from 24.1 GW in 11M FY2025, driven by a large project pipeline and the rush to commission projects ahead of the expiry of full waiver on inter-state transmission charges.

However, the capacity addition is expected to moderate to 40 GW in FY2027 due to transmission and grid connectivity challenges.



- **ICRA's outlook for the renewable energy (RE) sector remains Stable**, led by strong policy support, superior tariff competitiveness and the sustainability initiatives by large commercial and industrial (C&I) customers. However, challenges remain on the execution front, including land and transmission infrastructure, delays in signing power purchase agreements (PPAs), exposure to equipment prices and distribution utility finances.
- **The sector saw a capacity addition of 43.2 GW in 11M FY2026**, which was higher by 79% over the 24.1-GW added in the corresponding period of the previous year. Earlier in FY2025, the capacity addition increased to 28.7 GW compared to 18.5 GW added in FY2024, driven by a large project pipeline. This was supported by favourable solar photovoltaic (PV) cell and module prices and the expiry of full waiver on inter-state transmission charges with effect from June 30, 2025.
- **The tendering pipeline in the RE sector remained large** with 40.2-GW capacity auctioned in FY2025, following 47 GW auctioned in FY2024. **However, the bidding activity has slowed down in the last year with 14.7 GW auctioned in FY2026** amid concerns over delays in signing power sale agreements (PSAs) by the bidding agencies with the state distribution utilities, thus delaying the signing of PPAs with the winning developers.
- **The RE capacity addition is expected to moderate to about 40 GW in FY2027 from 47 GW in FY2026 (estimated) due to delays in augmentation of transmission infrastructure.** However, the addition will be supported by the large project pipeline, along with healthy module pricing and a favourable outlook on electricity demand growth.
- **There has been a decline in new project bids and delays in signing PPAs by Central nodal agencies, reflecting concerns related to the available transmission connectivity for the RE sector.** Further, reported grid curtailments in Rajasthan for renewable assets, particularly solar assets during the solar hours in a few time blocks, due to grid stability requirement, are also a concern. Hence, focus on the enhancement of both the storage capacity and grid strengthening within the state as well as at the inter-state level in a timebound manner remains extremely critical.

The ALMM mandate for solar PV cells will be effective from June 2026, for ALMM-covered projects (except for bids prior to September 1, 2025).

Further, the Government has announced the inclusion of solar wafers (and ingots) under the ALMM framework, with the requirement proposed to be effective from June 2028, thereby extending domestic sourcing norms further upstream.

The decline in global battery prices along with VGF support from the Government have made BESS increasingly cost competitive, driving momentum in standalone storage and solar-plus-storage tenders, and lowering the tariffs significantly.



- **Prices of imported N-type modules increased from around 8–9 cents/watt in November 2025 to about 10 cents/watt in February 2026, primarily driven by higher silver prices.** Prices in the Indian market remain high at 15-17 cents/watt owing to the imposition of the Approved List of Modules and Manufacturers (ALMM). Further, with the extension of the ALMM mandate to solar PV cells from June 2026, module prices are expected to rise in FY2027, which will likely be factored into recent and upcoming bids by developers.
- With the reinstatement of the ALMM order for solar PV modules from April 1, 2024, **the import of solar modules declined, while the import of solar cells increased in 10M FY2026 due to significant domestic module capacity addition and stockpiling by developers before the issuance of ALMM List-II for solar cells. Solar cell and module exports declined by 77.9% YoY in October 2025** due to imposition of tariff by the US on India, impacting the competitiveness of Indian manufactures and in turn the export volumes.
- **Quoted bid tariffs for battery energy storage systems (BESS) declined significantly,** with the cost reducing from Rs. 10.84 lakh/MW/month in the first Solar Energy Corporation of India Limited (SECI) tender in August 2022 to less than Rs. 2.0 lakh/MW/month (with viability gap funding, or VGF) in the recent months. **While this reflects improving cost competitiveness, the viability of such low tariffs remains to be seen. ICRA expects the energy storage capacity requirement to reach 50 GW by 2030** with 5-6 hours of storage, which will be met through a mix of BESS and pumped storage hydro projects (PSP).
- **Strong policy support is in place for wind turbines and turbine components to promote domestic wind turbine manufacturing, as evident through the ALMM.** The current order books of leading wind original equipment manufacturers (OEM) exceed their annual manufacturing capacities, translating into healthy demand visibility. This is expected to support healthy revenue growth and profitability for major OEMs over the near to medium term.
- **The ratio of upgrades to downgrades remains high** in the RE sector, led by solar power producers. In **11M FY2026, the sector saw 58 upgrades and 22 downgrades.** The upgrades were driven by a favourable change in ownership and improvement in the credit profile of the holding company, leading to a change in its rating and consequently in its subsidiaries.



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