

# Indian Renewable Energy Sector

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**Transmission infrastructure  
augmentation and evacuation readiness  
remain critical to sustain renewable  
energy capacity addition momentum**

**JUNE 2026**



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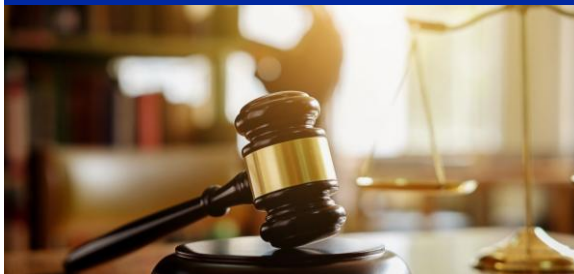
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## Highlights

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*RE capacity addition increased significantly to 50.9 GW in FY2026 from 28.7 GW in FY2025, driven by the rush to commission projects ahead of the expiry of full waiver on inter-state transmission charges.*

*The momentum has sustained in the current year, with 7.5 GW added in 2M FY2027. However, the overall 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 50.9 GW in FY2026, which was higher by 77% than the 28.7-GW added in FY2025** supported by favourable solar module prices and accelerated project commissioning ahead of the expiry of full waiver on inter-state transmission system (ISTS) charges effective June 30, 2025. **The capacity addition momentum continues in the current fiscal, with 7.5 GW added in 2M FY2027**, driven by a large project pipeline.



- **The RE capacity addition is expected to moderate to about 40 GW in FY2027 due to delays in augmentation of transmission infrastructure.** However, the addition will be supported by the healthy project pipeline, along with a favourable outlook on electricity demand growth.



- 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 moderated with about 14.7 GW auctioned in FY2026, alongside a noticeable slowdown in tendering in recent months** amid concerns over delays in signing power sale agreements (PSAs) by the bidding agencies with the state distribution companies (discoms), thus delaying the signing of PPAs with the winning developers.



- **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 certain states 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 is effective from June 2026 for ALMM-covered projects (excluding bids issued prior to September 1, 2025), with no blanket extension, and exemptions, if any, to be granted on a case-specific basis.*

*Proposed MNRE relief package aims to revive ~45 GW of stalled RE projects by incentivising PPA/PSA execution and providing regulatory, transmission and contractual flexibilities to developers.*



- **Prices of imported N-type modules increased from around 8–9 cents/watt in November 2025 to about 11–12 cents/watt in February 2026, primarily driven by higher silver prices.** Module prices in the domestic market have declined in recent months, reaching about 14–15 cents/watt for modules manufactured with imported cells, primarily driven by overcapacity in module manufacturing. Further, with the ALMM mandate extended to solar PV (Photovoltaic) cells effective June 2026, modules manufactured with domestic cells are currently priced at a premium, reflecting the limited domestic cell manufacturing capacity.
- With the reinstatement of the ALMM order for solar PV modules from April 1, 2024, **the import of solar modules dropped, while the import of solar cells rose in 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 have declined significantly since October 2025** due to imposition of US tariffs 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 Rs. 2.0-3.0 lakh/MW/month (with viability gap funding, or VGF) in the last six 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).
- **The MNRE has proposed a one-time relief package to revive around 45 GW of currently stalled renewable projects that were awarded but are awaiting PPA/PSA signing.** Key measures include ISTS charge waivers, deemed RPO/RCO, deemed tariff approvals, and incentives to accelerate PPA execution by discoms. The package also provides developers with flexible options to de-risk projects and facilitate timely implementation.
- **The ratio of upgrades to downgrades remains high** in the RE sector, led by solar power producers. In **FY2026, the sector saw 65 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. **In the first two months of FY2027, there have been two upgrades.**



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