

Indian Renewable Energy Sector

Strong demand outlook for domestic solar PV OEMs aided by policy measures; import dependency for input sourcing to continue

February 2022



1 Outlook on solar capacity addition



2 Demand prospects for domestic solar OEMs



3 Key policy measures



4 Overview of the PLI scheme



5 Capex plans & challenges



6 Renewable Energy sector outlook



Demand prospects remain strong for domestic solar OEMs led by the large capacity addition in the solar power segment and supportive policy framework

However, import dependency to continue for domestic OEMs for sourcing wafers & cells in the near to medium term till the development of integrated units



- The outlook for the capacity addition in the solar power sector remains strong following the commitment to climate change goals announced by the Prime Minister at the recent COP26 summit. This provides for a strong demand prospect for the solar PV module manufacturers.

- The business prospects for the domestic solar manufacturers are further supported by the favourable policy measures including [a] Imposition of basic customs duty (BCD) on imported cells and modules from April 2022, [b] notification of Approved List of Models & Manufacturers (ALMM) comprising only domestic manufacturers and [c] Production-linked incentive (PLI) scheme for manufacturing of high efficiency PV modules.

- As per the ALMM order, only the models and manufacturers enlisted in the ALMM will be eligible for use in all the projects set up under the guidelines issued by the Government of India under Section 63 of Electricity Act and projects which apply for open access and net metering facility. However, the adequacy of domestic capacities to meet the demand remains a monitorable.

- The imposition of BCD on imported solar cells and modules is a positive for domestic solar manufacturers as it is expected to improve the competitiveness of domestic cell/module manufacturers. The extent of benefit would also depend on the imported PV module prices, especially from China. Based on the prevailing cell and module prices, the cost of module from domestic OEMs using imported cells is expected to be lower by 11-12% post April 2022.

- Given the strong response for the PLI scheme for solar modules, the scheme outlay has been increased to Rs. 240 billion from Rs. 45 billion earlier. This is expected to support the setting up of additional cell & module manufacturing capacity of up to 40 GW.

- However, the domestic OEMs would remain dependent on imports for sourcing wafers and cells in the near term. As a result, the OEMs will remain exposed to volatility in cell prices. The development of integrated facilities would reduce dependence over the next 3-5 years.



ICRA Analytical Contact Details



Sabyasachi Majumdar

Senior Vice-President

Girishkumar Kadam

Senior Vice-President

Vikram V

Vice-President



sabyasachi@icraindia.com

girishkumar@icraindia.com

vikram.v@icraindia.com



0124- 4545 304

022 – 6114 3441

040 – 4067 6518





ICRA

Business Development/Media Contact Details



L. Shivakumar

Executive Vice-President

Jayanta Chatterjee

Executive Vice-President

Naznin Prodhani

Head Media & Communications



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





© Copyright, 2022 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.



ICRA

Thank You!