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Meeting India’s local-content rules for battery storage

India wants battery storage built with public money to be partly made in India. The bar was 20% of project cost from December 2025. On 4 November 2026 the Union Cabinet raised it to 40% for battery projects under a new funding scheme. This paper explains what that means for each part of a battery system, where Indian factories stand, and the routes for manufacturers and their technology partners.

Version 2.1 · General information, not legal, tax or investment advice

In brief

Who it is for

Battery storage manufacturers, integrators and developers bidding for publicly funded projects in India; technology companies outside India looking for Indian partners; and investors backing either.

What's in it

1. The rules
What the two rules say, Why the volumes matter

2. What 40% means
How the 40% is measured, Two ways the 40% could be measured, What each part of a battery system means for 40%, Where India's factories stand

3. The routes
Where software fits, Routes for Indian manufacturers and integrators, What it means for technology companies outside India

4. The outcome
What the 40% rule means for each type of business

5. The plan
What to do next

What changed

- Battery projects under the new funding scheme need 40% Indian content, up from 20%.
- The guidelines on how 40% is measured are not out yet.

What it means

- Measured on the whole project, 40% is mainly an assembly target.
- Measured on the battery alone, Indian cells become hard to avoid.

Who can gain

- Indian makers of packs, battery-management systems and cells.
- Technology companies outside India that make in India with a partner.

What to do now

- Work out your local content under both readings.
- Line up Indian suppliers and the evidence file before the first tender.

The rules

India has raised local content for funded battery storage from 20% to 40%

- **The 20% rule.** Since December 2025, battery projects that receive viability gap funding (VGF), a government grant towards their cost, must have at least 20% of their total cost made or done in India.
- **What counted.** The order named only one part: energy-management software developed in India.
- **The 40% rule.** On 4 November 2026 the Cabinet approved a ₹14,500 crore VGF scheme for 92 GWh of storage to 2030–31. Its 30 GWh of battery projects need at least 40% Indian content.
- **Still to come.** The guidelines on how the 40% is measured, and which parts count, had not been published as at 9 November 2026.

How the rule has moved

December 2025
20% Indian content for battery projects with VGF.

4 November 2026
The Cabinet approves 40% for the new scheme.

Next
Guidelines on how the 40% is measured.

2026–27 to 2030–31
Tenders under the new scheme.

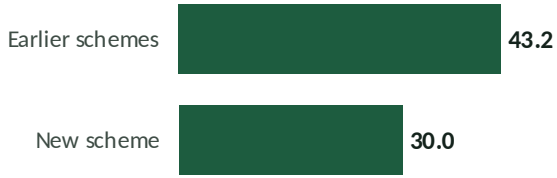
What it means
Battery projects bid under the new scheme will need twice the Indian content of today's funded projects.

What to do
Plan bids on 40%, not 20%, and read the guidelines with your lawyers as soon as they are out.

Funded battery storage is growing fast, so the rule reaches a large market

- **Earlier schemes.** Government funding already supports about 43 GWh of battery storage, and about 31.6 GWh has gone out to tender since 2024.
- **The new scheme.** It adds 30 GWh of batteries, 60 GWh of pumped hydro and 2 GWh of other storage, awarded to the lowest bidders.
- **The long-term need.** The government puts India's grid-scale storage need at 411 GWh by 2031–32, counting pumped hydro.
- **More may follow.** Draft rules from the Central Electricity Authority would add storage at new solar and wind projects from July 2027. They are not yet final.

Battery storage with government funding (GWh)



411 GWh

Grid-scale storage India needs by 2031–32, counting pumped hydro

Union Cabinet, 4 Nov 2026

What it means

Tens of gigawatt-hours of funded battery projects will need Indian content over the next five years.

What to do

Size factory capacity and supply contracts to the tender pipeline to 2030–31, not to single projects.

Three questions decide how hard the 40% will be

- **40% of what?** The 20% was a share of the whole project cost. The guidelines could keep that, measure only the battery system, or name parts.
- **How is value counted?** Indian procurement rules count the price minus imported content, including customs duty. Royalties paid abroad and rebranded imports do not count.
- **How is it proved?** Suppliers certify their own figure in the bid. Above ₹10 crore an auditor must confirm it, and a shortfall can cost up to 10% of the contract.
- **Why 40% is harder.** Battery systems are more than half the cost of a large project, and cells are a big part of that (Mercom).

How Indian public buyers measure local content

Local content = (price − imported content) ÷ price

Example. A battery container sold for ₹100, with ₹70 of imported cells and parts including duty, has 30% local content.

The price excludes domestic taxes. Source: Public Procurement (Preference to Make in India) Order.

What it means

The same factory could pass or fail 40% depending on the base and how value is counted.

What to do

Work out your local content now under each reading, using the procurement-rule method, so you know your gap.

On the battery alone, 40% makes Indian cells hard to avoid

	Measured on the whole project	Measured on the battery system
What counts	Everything: the battery, power conversion, software, civil works and installation.	Only the battery system: cells, packs, battery-management system and container.
Where Indian content can come from	Installation, civil works, software, power-conversion assembly, containers and Indian packs.	Indian packs, battery-management systems, containers and, most likely, cells.
Are Indian cells needed?	Possibly not, if most of the rest is made or done in India.	Hard to avoid, because cells are a large share of the battery's value.
Who it suits	Integrators that assemble and install in India.	Makers with Indian cell supply or a cell technology partner.

What it means

The base decides whether 40% is an assembly target or a cell target.

What to do

Prepare for both: an assembly plan for one reading and a cell-supply plan for the other.

What 40% means

Cells are the main part of a battery project India cannot yet make at scale

Part of the system	Made in India today	Under a 40% rule
Cells	Very little; most are imported.	The hardest part. Indian cells are expected to cost 25 to 40% more.
Modules and packs	Assembly capacity is growing fast.	Likely to be needed in India for most bids.
Battery-management system	Some Indian products; many imported.	An Indian-made system gains value.
Power conversion	Assembled in India; chips imported.	Local assembly helps; chips stay imported.
Energy-management software	Indian products exist.	Still counts, as the 2025 order named it.
Containers, cooling, fire safety, wiring	Mostly made in India.	The easiest share, already counted by most.
Civil works and installation	Done in India.	Counts if 40% is measured on the whole project.

What it means

Most of a battery project outside the cells can already be sourced in India. Cells are the gap.

What to do

Lock in Indian suppliers for packs, containers and battery-management systems now, and open talks with cell makers.

What 40% means

India can assemble battery systems today, but cells will take years

- **Assembly.** Mercom puts India's capacity for packs, containers and complete systems at about 86 GWh (October 2026).
- **Much still to come.** Only 21.6% of all the battery manufacturing capacity Mercom has identified is running. The rest is being built or announced.
- **Cells.** They are 8% of the capacity running. Wood Mackenzie counts 2 GWh. Mercom counts 6.4 GWh under the PLI scheme, with 28.6 GWh more being built.
- **Outlook.** Wood Mackenzie expects Indian packs, containers and control software within two to three years, and full self-sufficiency in cells in ten to fifteen.
- **Cost.** Indian cells may cost 25 to 40% more than imports. Fully Indian content would add about 30% to a 100 MW, two-hour project.

86 GWh

Capacity for packs, containers and complete systems in India
Mercom, Oct 2026

Under 1%

Indian cell capacity as a share of storage demand in 2026 tenders
Wood Mackenzie, Aug 2026

25–40%

Expected extra cost of Indian cells over imports
Wood Mackenzie, Aug 2026

What it means

Indian content beyond assembly will be scarce and more expensive for several years.

What to do

Build the extra cost into bids now, and secure assembly and cell supply before capacity is booked.

Indian software still counts, but it is no longer enough on its own

- **Why it counts.** The December 2025 order named energy-management software developed in India.
- **The opening.** The large plants built so far mostly run on foreign software, so Indian software with a track record has room to grow.
- **The test.** “Indigenously developed” still has no settled definition. A foreign product with an Indian logo is the most likely to fail a strict test.
- **What is likely to pass.** A licensed core with substantial development in India, with the software built on top owned in India and the code kept in India.

From our team’s earlier work

A storage maker had been advised to build its software programme around US standards, although India, not the US, was its target market. Moving the budget to India made the software the strongest point in its investor presentation.

What it means

Indian software helps, but it will not carry a 40% bid on its own.

What to do

Record where your software was developed and who owns it, before a tender asks.

Indian manufacturers have three routes to 40%

Route	What it takes	Where it can go wrong
Make the system in India around imported cells	Indian packs, containers, battery-management and energy-management systems, with power conversion assembled in India.	May fall short if the rule is measured on the battery or names cells.
Buy cells from Indian factories	Supply agreements with Indian cell makers as their plants start, with the extra cost built into bids.	Indian cells cost more, and many plants are still being built.
Make in India with a technology partner	Licensed designs for cells, battery-management systems or power electronics, made in India.	Technology ownership, quality control and exit terms must be agreed first.

What it means

Most bidders will combine routes: assemble in India now and add Indian cells as factories open.

What to do

Before choosing, settle what will count, who will own the technology and who controls quality.

Technology companies outside India should make in India with a partner

- **Why.** The 40% rule makes it harder to ship finished systems into funded projects, and more rewarding to make in India.
- **What Indian partners need.** Battery-management systems, power electronics, energy-management software, cell technology and production equipment.
- **What they bring.** Factories, relationships with tendering bodies, a presence in the states and service teams.
- **Timing.** Indian manufacturers are choosing technology partners now, while the guidelines are written and the first tenders prepared.

The usual arrangements

Licence. An Indian partner makes your design. Royalties paid abroad do not count as Indian content.

Supply agreement. You supply key parts or know-how, and the partner makes the system.

Joint venture. You share ownership of an Indian company that makes the product.

What it means

India becomes a place to make things with a partner, not just a market to ship to.

What to do

Shortlist Indian partners now, and agree technology ownership and quality control before the first bid.

The outcome

The 40% rule rewards companies that make more of the battery in India

Indian manufacturers and integrators

- Assembly alone may no longer be enough.
- Indian packs, battery-management systems and cell supply become what wins bids.

Developers bidding for funded projects

- Expect higher equipment costs and tighter supply of Indian parts.
- Build supplier commitments and the evidence file into every bid.

Technology companies outside India

- Selling finished systems into funded projects gets harder.
- Licences and joint ventures with Indian makers become the way in.

Investors

- Indian capacity for packs, battery-management systems and cells is likely to be in demand.
- The guidelines will show whether assembly or cells gain most.

The plan

Five steps for the next two quarters

1	**Map the bill of materials**	Every part of the system: where it is made, what it costs and who can certify it.
2	**Watch for the guidelines**	How the 40% is measured and which parts count. Brief your lawyers as soon as they are out.
3	**Choose what to make in India first**	Packs, battery-management systems, power-conversion assembly and software are the nearer steps. Cells take longer.
4	**Line up supply and partners**	Indian cells or a technology partner, with the cost built into your bids.
5	**Build the evidence file**	Certificates, origin records and cost audits, ready before the first bid.

Words used in this paper

Viability gap funding (VGF)
A government grant covering part of a project's cost, so it can be built at a price buyers will pay.

Domestic content
The share of a project's cost that is made or done in India.

Energy-management software
The program that decides when the battery charges and discharges, and runs the plant.

Battery-management system
The electronics that monitor the cells and keep them safe.

Power conversion
The equipment that turns the battery's direct current into grid alternating current, and back.

Production-linked incentive (PLI)
Government grants paid to factories according to how much they produce.

GWh
Gigawatt-hour, a measure of how much energy a battery can store.

Crore
Ten million. ₹14,500 crore is ₹145 billion.

Distribution company (discom)
The company that supplies electricity to homes and businesses in an Indian state.

Tariff-based competitive bidding
An auction in which capacity goes to the bidders offering the lowest price for the service.

Pumped hydro
Storage that pumps water uphill when power is cheap and lets it flow back through turbines when power is needed.

Bill of materials
The full list of parts in a product, with their sources and costs.

Central Electricity Authority (CEA)
The Indian government body that sets technical standards for the power system.

Statutory auditor
The auditor who signs a company's annual accounts.

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Figures and rules were checked on 9 November 2026. The guidelines for the 40% rule had not been published at that date. This is general information, not legal, tax or investment advice. Check the primary sources before you commit money.

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Talk to us

We can check your bill of materials against the rules and work out how to make more of your system in India.

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