

Green Financing for C&I Solar and Storage in India: 2026 Debt Playbook

By Sudarshan Karweer · 25 August 2026 · growthifye.com

A 2026 guide to SLLs, blended finance, project debt, refinancing and equity raises for India's C&I solar and storage market.

India's commercial and industrial renewable market has moved beyond a simple capex-versus-opex decision. In 2026, the bigger differentiator is access to structured capital: lower-cost project debt, sustainability-linked loans, blended finance, refinancing windows, and sponsor equity that matches the risk profile of rooftop solar, open access solar, wind-solar hybrid and battery storage. For C&I offtakers, developers and lenders, financing design now directly affects delivered tariff, debt service coverage, project IRR and contract bankability.

This matters because the spread between winning and losing projects has narrowed. In several states, open access solar tariffs for strong C&I buyers are being quoted in the broad range of Rs 3.10-4.30/kWh depending on state charges, scheduling complexity, banking rules, curtailment risk, CUF assumptions and tenor. Rooftop solar economics remain attractive, but debt terms, shadow on receivables, rooftop concentration risk and O&M guarantees increasingly determine whether a project clears the investment committee. Battery energy storage is entering the conversation as peak-power costs rise, TOD structures evolve and distribution constraints become more visible, but storage financing still requires careful underwriting.

For sponsors and borrowers, the question is no longer whether capital is available. The real question is how to package the project so that lenders such as IREDA, PFC, REC, banks, NBFCs and private credit funds can underwrite risk efficiently and at scale.

Why financing structure matters more in 2026

Three market shifts are changing renewable project finance in India.

First, the cost stack for C&I renewable projects has become more policy-sensitive. Transmission charges, wheeling, banking rules, cross-subsidy surcharge, additional surcharge and grid support charges vary widely by state and can change project cash flows more than module prices do. A loan model that looked comfortable at sanction can tighten quickly if assumptions are generic instead of state-specific.

Second, lenders are drawing sharper distinctions between asset classes. A behind-the-meter rooftop portfolio for investment-grade manufacturing clients is not underwritten the same way as a single-site captive open access project in a state with volatile banking regulations. Hybrid projects with storage require yet another lens: dispatch profile, replacement reserve, degradation curve and capacity payment certainty.

Third, 2026 is a refinancing year for many earlier-vintage assets. Projects commissioned in the 2020-2023 period often carry debt sized on conservative assumptions or priced at spreads that can now be improved if operations are stable, receivables are disciplined and legal documentation is clean. Refinancing can release sponsor capital, lower tariff pressure, or fund portfolio expansion.

In short, financing is not a back-end activity. It should shape project design from day one.

The 2026 debt menu: what Indian RE borrowers should actually use

The financing toolkit for renewable projects is broader than standard term loans, but each instrument fits a specific need.

Sustainability-linked loans, or SLLs, are useful where the borrower has measurable sustainability KPIs beyond simply building a renewable asset. For example:

- Reducing group-level emissions intensity
- Increasing renewable share in electricity consumption
- Improving plant energy productivity
- Meeting verified ESG performance thresholds

In India, SLLs can work well for large C&I borrowers, diversified developers and energy-intensive corporates with credible reporting systems. They are less suitable if KPI measurement is weak or if the borrower is trying to use an SLL as a substitute for robust project-level cash flow underwriting. Lenders will still expect repayment visibility.

Traditional project finance remains the core instrument for open access solar, wind-solar hybrid, RTC-linked renewable portfolios and larger rooftop SPVs. Typical underwriting in 2026 focuses on:

- DSCR profile, often targeting minimum 1.15-1.25x and average 1.20-1.35x depending on asset and counterparty quality
- Debt tenor usually in the 10-18 year range depending on asset class, useful life and lender appetite
- Moratorium linked to construction and stabilization period
- Escrow, charge over receivables and cash waterfall discipline
- Counterparty concentration caps
- State policy and curtailment exposure

Blended finance is becoming relevant where commercial debt alone prices the project out or where certain risks are developmental rather than purely commercial. This is especially useful for:

- Distributed solar for MSME clusters
- Agricultural feeder-linked distributed renewables
- Storage pilots with strategic grid value but limited historical track record
- Municipal or utility-linked projects requiring risk mitigation support

In practice, blended structures may combine concessional capital, first-loss support, guarantee backstops or viability support with senior debt from mainstream lenders. The objective is not subsidy for its own sake. It is to reallocate risk so commercially viable projects can actually close.

Refinancing is a separate lever. If your project has completed 12-24 months of stable operations, has no material legal defects, and demonstrates predictable collections, you may be able to improve debt pricing, extend tenor, optimize reserve requirements or refinance construction-period assumptions that are no longer relevant.

Equity raises remain important because many lenders are now stricter on sponsor support quality. They do not only ask for the quantum of equity. They also ask whether equity is timely, ring-fenced and sufficient to absorb delays in commissioning, evacuation or receivables.

How lenders in India assess renewable projects now

Borrowers often focus too much on headline interest rate and too little on credit narrative. In 2026, lenders are evaluating a renewable proposal across five dimensions.

One, offtaker quality. A C&I project with a highly rated auto, pharma, cement, data centre or metals offtaker can attract stronger terms than a project with fragmented MSME demand, even if the nominal tariff looks better in the latter case. Payment track record, group strength, plant criticality and PPA enforceability matter.

Two, state-level regulatory risk. Open access projects in states with frequent changes to banking or surcharge frameworks face a different credit lens than states with more stable implementation. Lenders now expect detailed policy mapping rather than generic sensitivity cases.

Three, technical design and execution. Module selection, inverter bankability, evacuation readiness, land title, transmission connectivity and SCADA visibility are central to sanction. For storage, augmentation strategy and round-trip efficiency assumptions require close scrutiny.

Four, sponsor capability. Lenders want to see evidence that the developer can manage permitting, EPC, O&M, receivables follow-up and compliance across a growing portfolio. Weak execution history can widen pricing or reduce leverage.

Five, document quality. Many debt delays are caused not by economics but by incomplete title diligence, weak PPA clauses, missing consents, poorly drafted security packages or inconsistent assumptions between IM, financial model and term sheet.

This is where an advisory-led financing process makes a measurable difference. A clean lender pack shortens diligence cycles and improves negotiating position.

IREDA, PFC, REC and other lenders: where they fit

For Indian renewable financing, IREDA, PFC and REC continue to be important institutions, but borrowers should approach them with a clear fit-for-purpose strategy.

IREDA is often relevant for renewable generation, energy efficiency, storage-adjacent opportunities and structured clean energy lending where technical understanding of the asset class matters. Sponsors approaching IREDA should prepare for detailed techno-commercial review and should ensure that assumptions on generation, degradation, PLF/CUF and policy benefits are consistent and defensible.

PFC and REC are highly relevant where the project has utility interface, transmission or distribution linkages, larger infrastructure scale, or where sector context matters alongside project cash flow. For certain developer and utility-led transactions, these institutions can provide depth, sector familiarity and longer-term engagement beyond a single loan.

Banks remain critical, especially for established sponsors, operating portfolios, refinancing and borrowers with strong corporate relationships. However, many banks are selective on merchant risk, emerging storage-only models and smaller fragmented assets. Private credit and NBFCs can step in where speed, structure or bridge needs are more important, though pricing may be higher.

A practical financing strategy in 2026 often layers capital sources:

- Construction debt from one lender with a takeout or refinance path later
- Portfolio-level debt secured against multiple SPVs
- Working capital or DSRA support through separate facilities
- Sponsor equity combined with co-invest equity or strategic capital

- Concessional or guarantee support where blended finance is feasible

The right answer depends on whether the borrower wants lowest coupon, fastest closure, highest leverage, flexibility for acquisitions, or a platform that can scale across states.

Tariff, debt and DSCR: the numbers that change project viability

Renewable financing is ultimately a cash flow problem. Small changes in assumptions can move a project from bankable to unbankable.

Consider a stylized 25 MW open access solar project serving a strong industrial offtaker. If the all-in delivered tariff is contracted around Rs 3.45-3.75/kWh, annual generation assumptions are based on a CUF of around 24-26 percent depending on location and design, and state-level charges remain stable, the project may support healthy debt sizing. But a lower-than-expected banking benefit, a rise in open access charges, or recurring curtailment can erode DSCR quickly.

Similarly, a rooftop portfolio with tariffs around Rs 3.20-4.80/kWh equivalent savings against discom supply may still struggle to obtain efficient debt if:

- Rooftop rights are weak or revocable
- Site access clauses are unclear
- Customer concentration is high
- O&M performance guarantees are absent
- Metering and savings verification are inconsistent

Storage-linked economics are even more sensitive. A battery paired with solar may improve demand charge management or shift output into high-value evening periods, but financing depends on whether the monetization route is contractually secured. Lenders will ask:

- Is there a firm capacity payment?
- Is the energy arbitrage value proven at the site level?
- Who bears augmentation cost?
- How are degradation and replacement reserves funded?
- Is the offtaker willing to sign a long-term dispatch framework?

For all these assets, the financial model must include realistic assumptions on module degradation, inverter replacement, O&M escalation, insurance, working capital cycle, payment delays and tax treatment. Over-optimistic models do not survive diligence in 2026.

Common mistakes in term sheets, refinancing and equity raises

Many otherwise attractive projects lose time or pricing because the financing process starts too late or with incomplete preparation.

The first mistake is treating the term sheet as a formality. It is not. Seemingly small clauses on prepayment, cure rights, distribution lock-up, change in law treatment, cash sweep, security perfection and sponsor support can materially change project returns.

The second mistake is seeking refinance before the asset has a clean operating history. Lenders prefer evidence: generation versus P90 assumptions, invoicing discipline, collection track record, O&M performance and absence of unresolved legal claims. If this evidence is available, refinancing can be

powerful. Sponsors may reduce coupon, rebalance tenor and unlock capital for new deployments.

The third mistake is raising equity without a clear use-of-funds narrative. Equity investors in 2026 are selective. They want to know whether capital is for development expenditure, construction equity, acquisition of operating assets, storage integration, or balance sheet strengthening for future debt. They also expect state-wise pipeline visibility and clarity on exit routes.

The fourth mistake is ignoring utility and policy interfaces. Even in a C&I-led transaction, lender comfort improves when open access approvals, grid connectivity, metering arrangements and regulatory pathways are clearly mapped. Projects fail in documentation long before they fail in sunlight.

The fifth mistake is using a one-size-fits-all debt package across asset types. A rooftop aggregation strategy, a single large captive project, and a hybrid portfolio with storage require different covenant packages and reserve structures.

A practical financing roadmap for developers and C&I buyers

If you are a developer, EPCC platform or C&I buyer planning renewable procurement in 2026, the most effective financing roadmap is sequential and evidence-driven.

Start with the commercial structure:

- Captive, group captive, third-party open access or behind-the-meter
- Single site versus multi-site aggregation
- Solar only versus hybrid or storage-linked

Then stress-test state economics:

- Open access charges
- Banking treatment
- Curtailment history
- Metering and settlement process
- Utility payment behavior where relevant

Next, prepare the lender pack before launching the debt process:

- Detailed financial model with sensitivities
- PPA or energy services agreement
- Land and title documents
- Evacuation and interconnection status
- EPC and O&M framework
- Insurance and risk allocation summary
- Sponsor financials and track record

After that, run a competitive but targeted outreach. Not every lender is right for every asset. Match the project profile to the lender's sector appetite, ticket size, diligence style and closure timeline.

Finally, negotiate documentation with the end-state in mind. If portfolio refinancing, securitized cash flows, secondary equity sale or strategic consolidation is likely in 24-36 months, the initial debt package should not block that path.

For C&I buyers, one additional point is crucial: financing quality influences tariff quality. A developer with cheaper and more flexible debt can often offer a more competitive PPA while still preserving service standards. Buyers should therefore evaluate not only tariff but also financing resilience of the supplier.

India's renewable market in 2026 is not constrained by ambition. It is constrained by how intelligently projects are structured, underwritten and capitalized. Developers who align policy, engineering, contracts and financing early will close faster and scale cheaper. C&I consumers who understand financing mechanics will procure better power and reduce long-term contract risk. Lenders that differentiate between superficial ESG positioning and real project discipline will build stronger portfolios.

If you are evaluating project debt, sustainability-linked loans, blended finance, refinancing or an equity raise for a renewable or storage project in India, contact Growthifye's advisory desk for a transaction-focused assessment and lender-ready financing strategy.

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