



India RE Debt Refinancing in 2026: DSCR, IREDA, PFC, REC and Term Sheet Strategy

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A 2026 guide to refinancing renewable projects in India: DSCR, lenders, pricing, covenants, term sheets and equity-release strategy.

India's renewable-energy buildout is no longer only about raising first-cycle project debt. In 2026, a large share of value creation sits in refinancing: lowering cost of capital after stabilisation, releasing trapped equity, extending tenor, resizing debt after CUF visibility improves, and cleaning up covenant packages that were negotiated under construction risk. For Indian C&I solar, open-access portfolios, utility-scale projects, hybrid plants and storage-linked assets, refinancing is now a strategic lever rather than a back-end treasury exercise.

This matters because the spread between construction-phase and post-commissioning risk has become more visible. Lenders are distinguishing far more sharply between a 9-month operating rooftop/C&I portfolio with payment seasoning and a newly commissioned merchant-exposed asset. Likewise, sponsors are increasingly comparing refinancing offers not just on coupon, but on DSCR sculpting, cash sweep design, cure rights, security package, waterfall flexibility and prepayment economics. In a market where project IRRs are under pressure from tariff competition, wheeling charges, module replacement reserves and curtailment risk, even a 50-125 basis point improvement in debt pricing can materially change equity outcomes.

This article looks at refinancing strategy for Indian renewable projects in 2026, with a practical focus on project finance, term sheet negotiation, lender fit and sponsor decision-making. The angle is deliberately different from general debt playbooks: the priority here is how to refinance well after commissioning, not how to raise first-money debt.

Why refinancing has become central in India RE in 2026

Several market conditions are pushing refinancing to the top of sponsor agendas.

First, the commissioned asset base is larger and more diverse. India now has a sizeable operating fleet across utility solar, wind-solar hybrid, C&I open access, captive structures, group captive SPVs, and behind-the-meter industrial systems. Many of these projects were financed in 2023-2025 under tighter liquidity, higher base rates and more conservative lender assumptions.

Second, operating data is improving lender comfort faster than before. Once a project has 6-12 months of generation records, invoice collections, scheduling data and O&M performance, lenders can revisit assumptions on CUF, degradation, availability and loss factors. A plant originally financed with a minimum DSCR of 1.20x to 1.25x may, after stabilisation, support resizing or better sculpting if actual cash flows are stronger.

Third, interest-rate and lender-competition dynamics matter. Even if absolute rupee borrowing costs remain elevated relative to the ultra-cheap era, operational assets with strong offtake and payment discipline can still secure meaningfully better all-in terms than construction debt. For sponsors, the gain is not only lower coupon. A refinancing can also:

- release sponsor equity for pipeline recycling
- reduce DSRA burden



- remove overly restrictive distribution lock-up triggers
- align tenor to useful project life
- consolidate fragmented lender exposures across SPVs
- create headroom for co-located storage or augmentation

Fourth, lenders such as IREDA, PFC and REC continue to be relevant in the 2026 financing stack, directly or alongside banks and NBFCs, particularly where scale, asset quality, promoter profile and policy alignment are strong. Operational projects with visible cash flows are often easier to place than construction-stage portfolios, especially if documentation is clean and receivables behaviour is defensible.

Which projects are refinancing well in the current market

Not all assets refinance equally. In practice, the strongest candidates in 2026 are those that combine predictable cash flows with contract enforceability and low operational noise.

The top refinancing candidates typically include:

- utility-scale solar and wind projects with 12+ months of operations and stable receivables
- C&I open-access portfolios with diversified offtakers and demonstrated payment collection discipline
- group captive and captive projects where shareholding, energy accounting and compliance have been maintained cleanly
- hybrid projects where actual generation complementarity is meeting or beating underwritten cases
- operating portfolios large enough to attract institutional lender attention, usually from Rs 150 crore upward, though smaller deals can also work with the right structure

Projects that face a harder refinancing path include those with unresolved change-in-law pass-throughs, persistent curtailment, weak metering reconciliation, chronic payment delays, weak land/title document trails, or heavily merchant revenue exposure without robust downside cases.

For C&I assets, offtaker quality now matters almost as much as plant performance. Lenders are paying close attention to customer concentration, sector concentration, replacement pipeline if a customer exits, and legal resilience of open-access arrangements under state-level policy changes. A portfolio selling to one AAA-rated industrial name can refinance well, but so can a diversified book across 10-20 mid-to-large consumers if churn risk is managed and collections are documented.

The numbers that drive refinancing credit decisions

Sponsors often focus first on interest rate. Lenders do not. In 2026, the real refinancing conversation begins with cash flow quality and credit metrics.

The key metrics usually include:

- minimum DSCR and average DSCR over loan life
- project life coverage ratio where relevant
- receivables days and historical collection pattern
- CUF or plant load factor versus P50 and lender case
- operating cost stability, including inverter replacement and module cleaning assumptions
- degradation trend and generation variability
- escrow discipline and waterfall performance



- debt-to-equity position after any proposed equity takeout

For seasoned utility-scale or contracted C&I assets, refinancing discussions often centre around minimum DSCR thresholds in the 1.15x to 1.25x range, depending on offtake quality, volatility and curtailment exposure. More conservative lenders may still seek stronger cushions for open-access portfolios or state-specific risk. Average DSCR expectations are naturally higher than minimums and can determine how much debt resizing is feasible.

All-in rupee pricing can vary meaningfully by borrower profile, asset class, tenure and lender type. In practice, sponsors should think in terms of a range rather than a single market number. A portfolio with strong performance, high-quality sponsors and clean documentation may see a noticeable pricing step-down from its original debt package. Conversely, a weaker operating profile may still refinance only modestly better, or not at all once transaction costs are included.

Receivables discipline is another decisive variable. For utility projects, state discom exposure is still under scrutiny despite payment-security improvements in some cases. For C&I, invoice ageing, payment escalation mechanisms, termination compensation and replacement rights matter. A project with 30-45 day collections is viewed very differently from one drifting regularly to 75-90 days, even if energy sales remain intact.

IREDA, PFC, REC and other lenders: where each can fit

Refinancing strategy in India works best when sponsors match lender appetite to asset characteristics instead of running a generic process.

IREDA often fits where renewable alignment is clear, project quality is strong and sponsors can support robust diligence. It can be relevant for refinancing utility projects, portfolios and certain newer technologies, subject to lender appetite, ticket size and underwriting conditions. The sponsor advantage is often familiarity with renewable operating risks, though process discipline and documentation standards remain high.

PFC and REC can be highly relevant where projects intersect with larger power-sector financing ecosystems, utility counterparties, transmission-linked contexts or sizeable portfolios. Their fit depends on project type, counterparty risk, structure and strategic alignment. For sponsors, one practical consideration is whether the refinancing case can be framed not merely as a rate reduction exercise but as a stability-and-scale proposition for operating infrastructure.

Commercial banks continue to be important, especially for seasoned projects with standard documentation and stronger cash flow visibility. Bank appetite can be compelling for relatively plain-vanilla operating assets, particularly when refinancing amounts, security creation and covenant packages fit internal thresholds. Some private lenders can move faster on term sheets; some public lenders may offer comfort on tenor or asset understanding.

NBFCs and specialised lenders can play a role where execution speed, structuring flexibility or portfolio aggregation is needed. They are particularly useful when sponsors need bridge refinancing before a larger institutional takeout, or when asset-level complexity discourages more vanilla lenders.

A sensible refinancing process usually compares lenders on the full term sheet rather than only coupon. Areas where differences materially affect sponsor value include:

- door-to-door tenor and repayment profile
- moratorium, if any, for augmentation or restructuring
- cash sweep triggers and percentage sweep



- distribution lock-up thresholds
- DSRA size and permitted form
- reserve requirements for major maintenance and inverter replacement
- change-of-control restrictions
- cure rights for covenant breaches
- prepayment premium and reset conditions
- security package across SPVs and cross-default clauses

Term sheet strategy: what sponsors should negotiate hard

The best refinancing deals are often won before diligence begins. A disciplined term sheet strategy can prevent months of value leakage.

Start with sculpting. Many projects were initially financed on conservative generation assumptions and front-loaded caution. Once a plant has demonstrated performance, repayment can often be re-sculpted to fit actual cash flow seasonality. This is particularly relevant for wind-solar hybrid profiles and C&I portfolios with invoice cycles that do not align neatly with monthly debt service.

Next, examine the interaction between DSCR and cash sweep. A lower headline coupon can be offset by an aggressive sweep that traps cash whenever actual performance exceeds base case. Sponsors should model multiple scenarios: base generation, P90 downside, delayed receivables and curtailment. The correct question is not whether a sweep exists, but when it activates, how much it captures, and whether trapped cash can later be released.

Distribution lock-up language is equally important. Some lenders propose lock-up triggers well above the minimum default threshold, effectively blocking sponsor distributions even when the project remains creditworthy. If the asset is operational and stable, sponsors should negotiate rational thresholds, cure periods and release tests.

Prepayment provisions deserve close attention in a declining-spread environment. If a sponsor expects to refinance again after portfolio aggregation or operating history extension, punitive prepayment penalties can erase the economics. Flexibility around partial prepayment, refinancing from identified lenders, and post-lock-in exit should be negotiated upfront.

For C&I and open-access projects, sponsors must also focus on substitution rights. If an offtaker defaults or exits, the financing should permit replacement within a realistic cure period without triggering disproportionate lender action, provided portfolio-level coverage remains intact.

Finally, avoid documentation overreach. Cross-defaults to unrelated sponsor entities, excessive information covenants, blanket restrictions on capex for augmentation, or ambiguous treatment of insurance proceeds can all create future friction. Refinancing is the right time to simplify.

How to prepare a refinance-ready data room

Execution failures are usually not about lender appetite alone. They are about messy evidence. A refinance-ready package should look like a credit case, not a marketing deck.

At minimum, sponsors should organise:

- 12-24 months of generation data, by plant and meter, with reconciliation notes
- receivables ageing and collection history



- signed PPAs, energy supply agreements, wheeling and banking approvals, and amendments
- land and title records, lease deeds and right-of-way support documents
- EPC, O&M, module and inverter warranties
- insurance records and claims history
- audited financials and management accounts for SPVs
- current lender documents, security perfection and charge records
- details of pending disputes, change-in-law claims and curtailment events
- tax, GST and regulatory compliance records

Model quality matters. A refinancing model should not simply recycle the original financial model with cosmetic updates. It should reflect actual operating data, revised auxiliary assumptions, reserve requirements, working-capital needs, payment timing and tax impacts. For open-access projects, state-specific assumptions on wheeling, banking, cross-subsidy surcharge and additional surcharge need to be explicit. Lenders will test whether tariff savings for offtakers remain compelling enough to sustain contract stickiness.

In 2026, many successful C&I solar structures still rely on delivering a visible discount to grid tariffs, often in the range of roughly 15% to 30% depending on state, consumer category, time block and charges. Where storage is added for peak-value optimisation, the refinancing case should show whether blended delivered power economics remain accretive after storage capex and cycling assumptions.

Common refinancing mistakes in Indian RE markets

Several avoidable errors continue to reduce refinancing outcomes.

One is starting the process too late. Sponsors often approach lenders only when existing debt milestones or covenant pressures force action. A better approach is to begin 4-6 months before the target closing date, especially if multiple SPVs, security releases or inter-creditor consents are involved.

Another mistake is pursuing maximum leverage without regard to resilience. Equity takeout is attractive, but over-resizing debt can create future stress if generation normalises downward, curtailment rises or offtaker churn appears. A disciplined refinancing should leave room for downside, not only optimise for immediate sponsor distributions.

A third mistake is ignoring transaction friction. Stamp duty, legal fees, valuation, technical due diligence, lender processing, satisfaction of existing charges and escrow migration can all affect net savings. Sponsors should compare present-value benefits, not just nominal coupon reduction.

A fourth is treating all lenders as interchangeable. They are not. Some are best for contracted utility assets, some for diversified C&I books, some for larger portfolio aggregation, and some for bridge-to-scale situations. Running a targeted process improves both speed and outcome.

Finally, sponsors sometimes undersell the strategic use of refinancing proceeds. Lenders respond better when the case includes balance-sheet strengthening, pipeline recycling, storage integration, debt rationalisation or portfolio consolidation, rather than appearing as a pure cash-out exercise.

A practical 2026 refinancing playbook for sponsors

For developers and asset owners, the most effective sequence in 2026 is straightforward.

- screen the portfolio asset by asset for refinanceability, not just desire to refinance



- update operating and collection data with lender-grade reconciliation
- build a fresh downside-tested model with realistic state-level charges and reserve assumptions
- define the refinancing objective clearly: pricing, tenor, equity release, covenant clean-up, portfolio consolidation, or all of these
- shortlist lenders by fit: IREDA, PFC, REC, banks, NBFCs, not by brand alone
- negotiate term sheet architecture before opening full diligence
- run legal, technical and insurance gap checks early
- quantify net savings after all transaction costs and prepayment obligations
- preserve enough DSCR cushion for policy and market volatility

Refinancing is now one of the most powerful financial tools in Indian renewable energy. Done well, it can lower WACC, improve project bankability, free capital for new development and de-risk sponsor cash flows. Done poorly, it can lock a good asset into a rigid structure for years. In a market shaped by tariff pressure, open-access complexity, counterparty differentiation and capital discipline, the sponsors who win in 2026 will be the ones who treat refinancing as a technical project-finance exercise, not a rate-shopping exercise.

If you are evaluating refinancing, debt resizing, term sheet negotiation, lender outreach or equity release for an operating renewable portfolio, contact Growthifye's advisory desk for a project-specific review.

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