



India RE Mezzanine Finance 2026: Last-Mile Capital for Solar, Storage and C&I

By Sudarshan Karweer · 28 August 2026 · growthifye.com

How mezzanine finance can bridge equity and senior debt gaps in India's 2026 renewable, storage and C&I projects.

India's renewable market in 2026 has a financing paradox. Utility-scale solar, hybrid and storage projects have deeper lender interest than they did three years ago, yet many otherwise viable deals still stall between awarded capacity and financial close. The reason is usually not technology risk. It is capital-stack mismatch: promoters want to preserve equity, senior lenders want tighter conditions precedent, disbursement milestones are more granular, and project cash flows often need a bridge before stabilisation. This is where mezzanine finance is becoming a practical instrument in India's renewable-energy market.

For developers, C&I platform owners, storage integrators and even certain transmission-linked renewable SPVs, mezzanine capital is increasingly the difference between a delayed deal and a closed deal. It is not cheap money, and it is not a substitute for weak fundamentals. But when used carefully, it can fill the last-mile funding gap between sponsor equity and senior project debt, especially in projects facing delayed receivables, phased construction, conservative lender gearing, or portfolio-level capex timing mismatches.

This article examines how mezzanine finance is being structured in India's 2026 renewable market, where it fits, what lenders underwrite, what pricing looks like, and what developers should avoid if they want bankable outcomes.

Why mezzanine finance matters in India RE in 2026

India's project-finance market remains active in 2026, but underwriting standards are firmer. Senior lenders including IREDA, PFC, REC, leading NBFCs and select banks are generally comfortable with contracted renewable assets, yet they continue to focus on:

- DSCR resilience under generation downside
- Counterparty and payment-security quality
- Evacuation readiness and curtailment assumptions
- Module, inverter and BESS supplier bankability
- Construction-completion certainty and liquidated damages
- Sponsor support and equity visibility

In practical terms, that means many projects are seeing senior debt sized at 65:35 or 70:30 rather than more aggressive leverage, particularly for merchant-exposed C&I portfolios, storage-heavy hybrids, or first-time platforms. A developer expecting 75:25 may therefore face an unplanned equity gap of 5-10% of total project cost.

On a 100 MW AC open-access solar project with total capex of Rs 3.6-3.9 crore/MW, that gap can easily be Rs 18-35 crore. On a solar-plus-storage C&I portfolio, where blended capex may range from Rs 4.8-6.5 crore/MW equivalent depending on storage duration and interconnection, the shortfall can be larger. Promoters may not want to dilute equity at holdco level for a gap that is temporary or linked to lender conservatism rather than project weakness. Mezzanine finance sits exactly in that zone.



Where mezzanine capital fits in the capital stack

Mezzanine finance is subordinated or quasi-subordinated capital that sits between common equity and senior debt. In India RE, it is usually structured as one of the following:

- Subordinated debt at SPV or intermediate holdco level
- Structured promoter funding with cash sweep protections
- Convertible or quasi-convertible instruments at platform level
- Revenue-linked instruments with minimum coupon and upside features
- Bridge capital to financial close, COD or refinancing

Unlike plain project debt, mezzanine investors are underwriting not just base-case cash flow but also sponsor quality, refinancing pathways, portfolio strategy and downside recoveries. Their return expectations are therefore higher than senior debt but lower than pure equity.

In 2026, indicative all-in return expectations in Indian RE mezzanine deals often fall in these broad ranges, depending on security package and risk:

- Senior project debt for strong contracted utility-scale assets: roughly 9.0-11.25%
- Senior debt for C&I or storage-heavy assets: roughly 10.5-13.5%
- Mezzanine or subordinated capital: roughly 14-20% target IRR or structured yield equivalent
- Pure sponsor equity return expectations: often 17-24%+ depending on asset class and platform strategy

These are not market-wide fixed rates, but they illustrate why mezzanine works only when it unlocks something valuable: time, leverage, portfolio scale or refinancing optionality.

Use cases: when mezzanine works and when it does not

The strongest use cases in India's 2026 market are not distressed projects. They are good assets with temporary structural gaps.

1. Equity-gap bridging at financial close

A project has an LOA or PPA, land control, interconnection progress, and lender interest, but senior debt is sized more conservatively than expected. Rather than delay procurement and lose execution season, mezzanine funding can bridge the gap until COD or initial stabilisation.

This is especially relevant where tariff levels remain tight. For instance:

- Utility-scale solar tariffs in recent bids have broadly stayed around the low-to-mid Rs 2s/kWh in many cases, keeping margins disciplined.
- C&I open-access delivered tariffs vary by state and structure, but many sponsors still need careful leverage because customer concentration and banking charges affect debt sizing.
- Standalone or co-located storage economics depend heavily on use case, cycling profile and offtake design, making lenders more conservative on base-case assumptions.

2. Portfolio build-out across multiple SPVs

A developer building 150-300 MW across several state-level SPVs may face staggered capex calls. Equity tied up in one under-construction SPV can constrain bid participation or land and transmission advances in another. Mezzanine at holdco level can smooth timing mismatches without forcing an early platform-level equity raise at an unattractive valuation.



3. C&I portfolios with ramp-up curves

In C&I solar and storage, customer onboarding does not always align perfectly with capex deployment. A portfolio may begin with anchor offtakers and then add contracted loads over 6-12 months. Senior lenders may haircut early revenue assumptions. Mezzanine can support the ramp period if the offtaker pipeline is real and attrition risk is underwritten credibly.

4. Hybrid and storage projects with conservative debt treatment

Even where the long-term value proposition is strong, BESS assumptions in India are still scrutinised closely by lenders in 2026. Degradation, augmentation planning, warranty alignment, dispatch control and revenue volatility all affect debt sizing. If sponsors have strong EPC and O&M counterparts and bankable dispatch logic, mezzanine can bridge the period until operational data supports refinancing into cheaper senior debt.

Mezzanine is usually a poor fit when:

- The project lacks clear land or evacuation visibility
- Tariff assumptions are optimistic relative to market evidence
- The offtaker book is weak or concentrated without fallback protections
- Sponsor equity is not genuinely committed
- There is no realistic path to takeout, cash sweep or repayment

How mezzanine deals are structured in Indian renewable projects

There is no single template, but successful structures tend to follow a few principles.

First, senior lender primacy is non-negotiable. Inter-creditor terms, permitted payments, cure rights and enforcement mechanics must be clear. If a mezzanine instrument is drafted aggressively enough to unsettle senior debt providers, it may solve one problem and create another.

Second, repayment must link to an identifiable event. In most 2026 Indian RE transactions, mezzanine repayment is tied to one or more of these:

- COD-linked release and operating cash sweeps
- Partial takeout through refinancing after 6-18 months of operations
- Asset sale or portfolio monetisation
- Sponsor equity infusion from a subsequent raise
- Distribution lockbox after senior covenants are met

Third, security packages need realism. Mezzanine investors may ask for pledge over sponsor shares, subordinated charge over project accounts, assignment of intercompany receivables, or holdco-level cash trap triggers. The art is balancing enforceability with project-bankability.

Common commercial features include:

- Cash coupon plus payment-in-kind component during construction
- Minimum project milestones before full drawdown
- DSCR or revenue triggers for restricted payments
- Mandatory prepayment on change of control or refinancing
- Equity cure undertakings by sponsor
- Step-up return if agreed timelines slip



Developers often underestimate the importance of downside modelling here. A strong base case is not enough. Mezzanine providers will want lender-grade downside scenarios on irradiation or CUF, commissioning delay, capex overrun, receivables stretch, customer churn for C&I portfolios, and refinancing delay. This is where robust [Lender-grade financial modelling](/coreservices/greenfinancing/lendergradefinancialmodelling) materially improves execution.

What investors and lenders underwrite in 2026

The mezzanine market in India RE is still selective. Capital is available, but only for projects that can pass a practical institutional screen. The underwriting questions are usually sharper than sponsors expect.

Project fundamentals

- Is the tariff bankable after all open-access, wheeling, banking and loss assumptions?
- Is there meaningful buffer between P90 and debt-service assumptions?
- Are EPC wrap, performance guarantees and O&M obligations credible?
- Are transmission and evacuation milestones on critical path or off critical path?

Sponsor quality

- Has the promoter delivered similar assets on time?
- Does the sponsor have balance-sheet support if there is a cost overrun of 5-8%?
- Is there governance discipline at SPV and holdco levels?
- Are related-party contracts defensible on arm's-length terms?

Exit visibility

- Can the asset refinance into lower-cost debt after stabilisation?
- Is there a realistic operating history threshold for takeout?
- Is the project part of a portfolio attractive to infrastructure investors or strategic buyers?

Documentation readiness

Sponsors who approach flexible capital providers with incomplete data rooms, unresolved title risks or weak sensitivity analysis usually lose time and pricing. In contrast, projects supported by clear [Green financing frameworks](/coreservices/greenfinancing/greenfinancingframeworks), coherent drawdown logic, realistic term-sheet asks and strong MRV discipline tend to command more constructive conversations.

Sector-specific opportunities in 2026

Open-access C&I solar

This remains one of the clearest use cases for mezzanine because state-level charge structures and customer mix can compress senior debt appetite. Where developers have diversified offtakers in sectors such as auto components, data centres, chemicals, food processing or textiles, mezzanine can fund aggregation until portfolio scale improves leverage.

Solar-plus-storage for commercial consumers

As diesel displacement, demand-charge management and round-the-clock reliability gain value, storage-linked C&I propositions are attracting more interest. But many lenders still require conservative dispatch assumptions. Structured subordinate capital can support early portfolios until operating evidence supports better debt terms.



RTC and hybrid renewable projects

Hybrid projects combining solar, wind and storage can produce stronger contracted value but also more modelling complexity. Mezzanine providers willing to understand profile value, curtailment risk and augmentation strategy can play a useful role where plain senior debt is too rigid.

Repowering and operational enhancement

A smaller but growing theme is capex for revamp, augmentation or storage add-on at operating renewable sites. If senior lenders are cautious about incremental debt against legacy assets, mezzanine can finance performance-uplift capex that is repaid from improved cash flows or subsequent refinancing.

Execution mistakes developers should avoid

The first mistake is using mezzanine to paper over poor project preparation. Flexible capital does not cure weak contracts, unresolved permits or speculative tariffs.

The second is overleveraging a low-margin project. If post-mezzanine cash flow leaves no room for monsoon variability, module underperformance, receivable lag or customer churn, the structure is fragile.

The third is treating mezzanine as generic debt. It is negotiated capital with bespoke economics, covenants and control rights. Sponsors must model every sweep, reserve, distribution lock and prepayment trigger.

The fourth is failing to align reporting and monitoring. Investors increasingly expect disciplined operational data, KPI tracking and covenant visibility. Projects with credible [Impact quantification & MRV]/(coreservices/greenfinancing/impactquantificationandmrv) processes and regular reporting discipline are easier to finance and refinance.

The fifth is ignoring the future takeout story. The best mezzanine deals are designed backwards from the refinance or monetisation event. If there is no believable takeout pathway, the cost of capital can become punitive.

The 2026 outlook: disciplined growth, not easy money

Mezzanine finance will not replace sponsor equity or mainstream project debt in India's renewable market. But in 2026 it is becoming an important tool for projects that are fundamentally sound yet constrained by timing, leverage or structuring gaps. This is particularly true in C&I solar, storage-linked portfolios, hybrid assets and multi-SPV development platforms where conventional debt sizing can lag commercial opportunity.

The practical takeaway is simple: mezzanine works best when the underlying asset is already close to bankable, the use of funds is specific, and the repayment path is visible. Developers who prepare robust sensitivities, negotiate realistic senior-lender interfaces and build a clean data room can use this capital to preserve momentum without compromising long-term project economics.

For Indian renewable sponsors, lenders and energy consumers, the financing conversation in 2026 is no longer only about cheapest debt. It is about fit-for-purpose capital across the full project lifecycle. Mezzanine, used carefully, is now part of that toolkit.

If you are evaluating a last-mile funding gap, a holdco bridge, or a structured capital solution for solar, storage or C&I assets, contact Growthifye's advisory desk. We help clients shape bankable funding strategies, investor materials and financing structures that can reach closure faster.

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