



India RE Mezzanine Finance Strategy 2026 for Solar, Wind, Storage and Hybrids

By Sudarshan Karweer · 18 September 2026 · growthifye.com

A practitioner guide to mezzanine finance in India renewables in 2026: use cases, pricing, structures, covenants and lender-readiness.

India's renewable-energy financing market in 2026 is no longer only a story of plain-vanilla project loans and sponsor equity. For many solar, wind, storage and hybrid projects, the capital stack now needs a middle layer: mezzanine finance. In the Indian context, this usually sits between senior secured debt and sponsor equity, and it is increasingly being used to solve timing gaps, leverage constraints, DSCR issues, collateral limitations and portfolio growth needs.

For developers, mezzanine capital can unlock projects that are otherwise delayed by equity bottlenecks or conservative lender gearing. For C&I platforms, it can help fund pipeline aggregation before long-tenor debt is fully available. For lenders and policymakers, it offers a route to mobilise additional capital without relying only on public-sector balance sheets. The key is structuring it carefully so that the extra flexibility does not create unbankable downside risk.

This article sets out how mezzanine finance is being used in India's renewable-energy market in 2026, where it fits, what it costs, how it is documented, and what sponsors must prepare before approaching capital providers.

Why mezzanine is gaining traction in India RE in 2026

Three market conditions are driving interest in mezzanine structures this year.

First, senior lenders remain selective even though the renewable sector is well established. Utility-scale solar and wind projects with strong offtake and proven sponsors can still secure competitive senior debt, including from IREDA, PFC, REC, select PSU banks and private lenders. But leverage is often disciplined. For many operating assumptions, senior debt is landing around 65:35 to 75:25 debt-equity, depending on technology, PPA profile, resource quality, curtailment risk, state exposure and sponsor strength. Storage-heavy and merchant-exposed structures may see lower gearing.

Second, sponsor equity has become more expensive. Many developers are managing multiple bids, land advances, connectivity deposits, equipment booking commitments and working-capital pressures simultaneously. Holding too much equity at project level can reduce IRR at platform level, especially if COD timelines stretch beyond plan.

Third, project structures are getting more complex. Hybrid, FDRE, RTC-like supply structures, storage augmentation, repowering-linked investments and C&I multi-site portfolios create cash-flow profiles that do not always fit standard credit templates. Mezzanine capital can help bridge these structuring gaps while preserving project momentum.

In practice, this means mezzanine finance is increasingly considered for:

- late-stage development to pre-construction bridge capital
- n- margin funding where senior lenders stop short of total funding need
- quasi-equity support for portfolio acquisitions



- top-up capital for storage add-ons or hybridisation
- bridge funding ahead of refinancing after stabilised operations
- sponsor-level capital where project SPV cash flows are visible but not yet fully debttable

What mezzanine finance means in Indian renewable projects

In India renewables, mezzanine finance is not one standard instrument. It can take several forms depending on risk appetite, project maturity and security package.

Common variants include:

- subordinated debt at SPV or holdco level
- unsecured or lightly secured sponsor loans linked to project cash flows
- structured redeemable instruments with fixed coupon plus upside
- shareholder-like capital with downside protection features
- last-mile construction bridge instruments that sit behind senior lenders

The economic objective is usually the same: provide capital that is more flexible than senior debt and less dilutive than straight equity.

Typical pricing in 2026 depends heavily on stage and structure, but market conversations broadly fall in these bands:

- senior secured operating-asset debt: often around 8.25% to 10.50% for strong assets, with project specifics driving spread
- construction-stage senior debt: often around 9.00% to 11.50%
- mezzanine or subordinated capital: often around 13% to 18% fixed-equivalent pricing, sometimes higher where development risk, merchant exposure or weak security exists
- preferred equity or deeply subordinated structured capital: frequently high teens or more, especially if exit timing is uncertain

These are not headline rates alone. Effective return may include upfront fees, commitment charges, redemption premium, cash sweep rights, exit fees, PIK components, warrants or IRR-linked step-ups. Sponsors should therefore focus on all-in cost, not coupon in isolation.

Where mezzanine works best across solar, wind, storage and C&I portfolios

Mezzanine is not appropriate for every project. It works best where there is a clear path to de-risking, monetisation or refinancing.

For utility-scale solar, a typical use case is where the project has LOA/PPA visibility, land and connectivity progress, module procurement planning and an identifiable senior-debt path, but the sponsor wants to avoid injecting full equity too early. A mezzanine tranche can bridge the period from advanced development to financial close or support the unfunded portion of project cost.

For wind projects, mezzanine may help manage timing mismatches because wind development often has more site-specific variability in land aggregation, evacuation readiness and resource validation. Where senior lenders haircut PLF assumptions or cap leverage conservatively, mezzanine can close the gap if the cash-flow downside remains manageable.



For BESS and hybrid projects, the use case is even stronger. In 2026, many battery-linked structures still face evolving lender comfort on degradation, augmentation reserves, dispatch assumptions and replacement capex. If a senior lender finances the base renewable asset more comfortably than the storage component, mezzanine can support that storage layer until operating performance is demonstrated.

For C&I open-access portfolios, mezzanine is often deployed at a platform or holdco level rather than a single SPV. This is because project cash flows are distributed across multiple clients, states and wheeling/banking regimes. A mezzanine provider may underwrite diversification and portfolio seasoning rather than one asset in isolation.

The best candidates usually share these characteristics:

- visible route to COD, stabilisation or refinance within 12 to 36 months
- contracted or near-contracted offtake with credible counterparties
- realistic capex and contingency estimates
- high-quality sponsor reporting and governance
- acceptable intercreditor framework with senior lenders
- downside case that still protects minimum debt service for senior lenders

Structuring issues that decide whether a deal closes

Most mezzanine discussions fail not on need, but on structure. Sponsors often underestimate how much discipline this capital requires.

The first issue is level in the structure. SPV-level mezzanine has stronger proximity to cash flow but usually faces tighter senior lender restrictions. Holdco-level mezzanine offers flexibility but may depend on upstreaming restrictions, dividend blocks and cross-collateral complexity. The right answer depends on where value is created and where control rights can legally and commercially sit.

The second issue is repayment source. Mezzanine should not rely on vague future upside. Repayment should be linked to one or more defined events:

- refinancing after COD and operational stabilisation
- sale of a portfolio stake or platform-level fund raise
- scheduled cash sweep from surplus project cash flows
- takeout through long-tenor senior debt once covenants are met

Without a clear takeout path, mezzanine simply becomes expensive permanent capital.

The third issue is covenant design. Providers usually seek tighter information rights and cure triggers than sponsors expect. Typical terms include:

- minimum DSCR or project life cover tests
- limits on additional indebtedness
- restrictions on related-party payments
- milestone-linked drawdown conditions
- mandatory prepayment on change in control, claim recoveries or major asset sale
- waterfall protections and reserve-account controls



The fourth issue is intercreditor alignment. Senior lenders will usually require standstill provisions, payment blockage mechanics, enforcement hierarchy and cure rights. If these are left late in the process, timelines slip significantly.

This is where [Lender-grade financial modelling](/coreservices/greenfinancing/lendergrade/financialmodelling) becomes non-negotiable. Sponsors need a model that can show base, downside and delayed-COD scenarios; construction draw schedules; IDC sensitivity; DSRA/major maintenance implications; and refinance economics. A simplistic equity case deck will not satisfy either senior or mezzanine capital providers.

Numbers that matter in 2026 underwriting

In the current market, credit committees are focusing on a specific set of operating and financing metrics.

For utility-scale solar, module prices have moderated from prior peaks, but capex assumptions still need to reflect technology choice, import exposure, transmission interface costs and contingency. For many projects, all-in capex remains highly location- and configuration-specific, and lenders are quick to challenge under-budgeted evacuation and BOP costs.

For wind, PLF underwriting remains central. A 1 to 2 percentage point haircut in assumed PLF can materially affect leverage and debt sizing. For storage and hybrid projects, dispatch profile assumptions and augmentation economics are under close review.

Across technologies, lenders are particularly focused on:

- DSCR under P90-style generation downside or equivalent conservative assumptions
- payment security under central, state or private offtake structures
- receivable cycles and working-capital drag
- termination compensation framework where applicable
- curtailment history and evacuation constraints
- GST, safeguard-style policy changes and claim treatment
- O&M robustness and availability guarantees

For mezzanine providers, three additional questions dominate:

- what specific event allows exit at target IRR?
- what blocks cash movement from project to the repayment point?
- what happens if COD is delayed by 3, 6 or 9 months?

If the sponsor cannot answer these with evidence, pricing rises sharply or the deal does not proceed.

How sponsors should prepare before approaching mezzanine capital

A successful process starts well before outreach. In 2026, providers expect institutional-quality preparation even for mid-sized portfolios.

Sponsors should assemble a lender-ready package covering:

- project status note with permits, land, connectivity and PPA milestones
- capex budget with vendor quotes and contingency rationale
- integrated financial model including construction, operations and takeout case



- debt-sizing analysis under senior-only and blended capital structures
- term-sheet ask with proposed instrument, tenor, security and exit path
- legal map of SPV/holdco ownership, share pledges and cash-flow waterfall
- sensitivity analysis for tariff, PLF, delay, cost overrun and receivables

It is also important to define what mezzanine is not being used for. If the capital is plugging an unresolved development problem rather than a timing or leverage issue, most sophisticated providers will step back. Mezzanine is best used to accelerate bankable value, not to mask fundamental project weakness.

Where projects include sustainability performance triggers or concessional overlays, sponsors should also think beyond plain leverage. In selected situations, combining mezzanine with [Blended & concessional finance]([/coreservices/greenfinancing/blendedandconcessionalfinance]) can reduce weighted cost of capital or unlock first-loss comfort elsewhere in the stack. Similarly, strong [Impact quantification & MRV]([/coreservices/greenfinancing/impactquantificationandmrv]) can help where climate-focused investors need robust evidence of avoided emissions, energy access, resilience or industrial decarbonisation outcomes.

Risks, red flags and when not to use mezzanine

Mezzanine finance can be powerful, but it can also destroy equity value if misused.

The main risks are straightforward:

- excessive all-in cost eroding sponsor returns
- refinance assumptions that prove too optimistic
- overleveraging projects with thin cash-flow buffers
- control-rights friction between sponsor, senior lender and mezzanine provider
- default risk if milestone delays trigger covenant breaches

The biggest red flags in the Indian market today include:

- relying on pending approvals with uncertain timelines
- assuming aggressive tariff pass-through or curtailment relief
- weak sponsor liquidity for equity overruns and DSRA support
- underestimating state-level payment delays in C&I or utility exposure
- using short-tenor expensive capital for assets with no near-term takeout

There are many situations where sponsors should avoid mezzanine entirely. If the project still lacks fundamental development certainty, straightforward sponsor equity is usually safer. If senior lenders are already comfortable at viable leverage and equity IRR is acceptable, adding mezzanine may simply overcomplicate the structure. If the platform has no credible refinance or monetisation pathway, deeply subordinated capital can become a long-term drag.

In short, mezzanine should solve a temporary mismatch, not create a permanent burden.

What this means for India's renewable financing market

As India continues scaling solar, wind, hybrid and storage capacity in 2026, mezzanine finance will likely remain a niche but important part of the funding toolkit. It is especially relevant for sponsors building multi-asset pipelines, integrating storage, acquiring operating portfolios or navigating the period between



advanced development and lower-cost long-tenor debt.

For lenders, this segment offers attractive risk-adjusted opportunities where underwriting is disciplined and intercreditor protections are clear. For policymakers and sector institutions, it signals that India's RE market is maturing beyond binary debt-versus-equity structures. More layered capital stacks can help mobilise private investment, provided transparency and prudence remain central.

For sponsors, the lesson is practical: mezzanine is not cheap money, but it can be smart money if it helps secure land, equipment, timelines, commissioning and eventual refinancing on terms that preserve platform value. The difference between success and stress usually lies in modelling quality, documentation discipline, covenant realism and a clearly defined exit route.

If you are evaluating subordinated capital, structured sponsor funding or a mixed capital stack for a solar, wind, storage or hybrid portfolio, contact Growthifye's advisory desk. We support developers, investors and lenders with capital-structure design, lender engagement, term-sheet strategy and bankable transaction preparation.

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This analysis connects directly to our advisory practice: [\[Green financing frameworks\]](/coreservices/greenfinancing/greenfinancingframeworks) · [\[Sustainability-linked loans\]](/coreservices/greenfinancing/sustainabilitylinkedloans) · [\[Blended & concessional finance\]](/coreservices/greenfinancing/blendedandconcessionalfinance) · [\[Impact quantification & MRV\]](/coreservices/greenfinancing/impactquantificationandmrv).

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