



India RE Project Finance 2026: Term Sheets, Lender Strategy and Debt Closure

By Sudarshan Karweer · 03 September 2026 · growthifye.com

A practical 2026 guide to term sheets, lender appetite, debt sizing and financial close for India solar, wind and storage.

India's renewable-energy financing market in 2026 is not short of liquidity; it is short of lender comfort. That distinction matters. For utility-scale solar, wind, hybrids and storage, debt is flowing from IREDA, PFC, REC, public-sector banks, private banks, NBFCs and select offshore lenders. But credit committees are far more selective than they were during the build-at-any-cost years. Deals now clear faster when developers treat financing as an engineering and risk-allocation exercise, not as a last-stage treasury activity.

For Indian renewable developers and C&I energy consumers, the practical question is no longer whether debt exists. The question is how to secure a bankable term sheet, align covenants with project realities, and reach financial close without value leakage through higher spreads, oversized reserves or delayed disbursement conditions. In 2026, this is especially relevant as tariff pressure, grid-curtailment concerns, ALMM-linked procurement planning, storage integration and merchant exposure continue to shape lender behaviour.

This article explains what project finance lenders in India are looking for now, how term sheets are being negotiated, where pricing is landing, and how sponsors can improve debt outcomes on real projects.

Why project finance looks different in 2026

The 2026 lending environment reflects three realities.

First, tariffs remain tight in mainstream utility-scale solar and wind. Central and state agency auctions continue to reward aggressive bids, even though module, BOS, evacuation and IDC assumptions have become harder to underwrite. Many commissioned solar assets still show acceptable operating performance, but lenders have become more cautious about underwriting future portfolios purely on sponsor optimism.

Second, project structures are more complex. Plain vanilla fixed-tariff solar is no longer the only bankable format. Lenders are now evaluating RTC-linked supply, FDRE structures, solar-plus-storage, wind-solar hybrids and C&I portfolios with group-captive or open-access exposure. Each structure changes debt sizing logic, reserve requirements, cure rights and covenant calibration.

Third, lenders now place much greater emphasis on execution readiness. The best pricing does not go to the loudest sponsor pitch. It goes to projects that are permit-clean, land-secured, evacuation-ready, contractually coherent and supported by lender-grade assumptions. This is where disciplined preparation, including [Lender-grade financial modelling](/coreservices/greenfinancing/lendergradefinancialmodelling), makes a visible difference to debt outcomes.

Where lender appetite is strongest

In broad terms, 2026 lender appetite is deepest in four buckets.

- Utility-scale solar with central-agency or top-tier state offtake and completed land and evacuation readiness



- Wind and hybrid projects backed by experienced sponsors with strong generation studies and realistic CUF assumptions
- Storage-linked projects with capacity-payment visibility, clear dispatch frameworks or strong C&I offtake economics
- Operating portfolios seeking construction debt takeout, covenant cleanup or debt consolidation under established cash-flow performance

IREDA remains highly relevant for renewable developers because of sector familiarity and flexibility across technologies. PFC and REC continue to matter where projects intersect utility counterparties, transmission interfaces or public-sector ecosystems. Public-sector and private banks are active, but they are generally more disciplined on documentation, security perfection and precedent conditions. NBFC participation is often useful for speed, structuring flexibility or bridge support, although pricing may be higher.

For senior secured rupee debt in 2026, all-in pricing can vary materially by technology, sponsor strength, offtake quality, leverage and tenor. For stronger utility-scale projects, borrowers may see broad ranges around 8.25% to 10.50%. More complex structures, smaller portfolios, weaker counterparties or construction-stage uncertainty can push cost higher. These are not uniform market quotes; they are working bands shaped by project specifics, hedging choices, fee load and repayment profiles.

What lenders now focus on before issuing a serious term sheet

Developers often ask why an indicative proposal looks attractive but becomes tighter in credit processing. The reason is simple: initial interest is not commitment. A serious term sheet in 2026 is built on a sharper risk screen.

Lenders usually drill into the following:

- Offtake quality: SECI, NTPC, NHPC-linked or stronger state utility risk is viewed differently from weaker discom exposure. For C&I projects, counterparty credit strength, lock-in, termination compensation and payment security are central.
- Land and title: Lease tenure, conversion status, right of way and litigation exposure still derail deals. Even where title insurance is discussed, lenders want primary comfort from documents.
- Evacuation and interconnection: Bay allocation, substation readiness, transmission access and curtailment history in the region can influence debt sizing.
- EPC and technology package: Sponsors using proven OEMs and tighter performance guarantees usually receive better credit treatment than those chasing lowest capex with fragmented contracting.
- Resource assumptions: P50/P75 frameworks, degradation, availability, wake losses for wind, clipping assumptions for DC oversizing and storage dispatch logic all affect lender cases.
- Regulatory stability: Open-access charges, banking rules, CSS/AS treatment, group-captive compliance and state-level volatility are material for C&I assets.
- Sponsor support: Completion guarantees, cost-overflow support, DSRA funding commitment and equity infusion discipline still matter in construction-stage deals.

A practical benchmark in 2026 is that many lenders are increasingly underwriting to downside cases with more discipline than sponsors expect. For solar, net CUF assumptions are often tested conservatively relative to base-case generation reports. For wind, independent resource validation and machine suitability carry significant weight. For storage, debt providers are still differentiating sharply between contracted revenue streams and spread-based merchant assumptions.



Term sheet clauses that deserve real negotiation

Many sponsors over-negotiate price and under-negotiate structure. That is a mistake. A 25 to 50 basis-point saving can be offset by restrictive reserve requirements, distribution lock-ups or unworkable CPs.

In 2026, the most important term sheet points usually include:

- Debt quantum and leverage basis: Is leverage sized to total project cost, enterprise value, contracted receivables profile or lender-case CFADS?
- Repayment profile: Structured amortisation aligned to generation curves is often more efficient than flat quarterly repayment.
- Moratorium: Construction plus stabilisation cushion can materially reduce early stress, especially for wind, hybrid and storage-linked projects.
- Minimum DSCR and lock-up DSCR: Typical minimum DSCR tests may sit around 1.15x to 1.25x for stronger contracted assets, with higher expectations on more complex structures.
- DSRA format: Cash-funded DSRA is still common, but bank guarantee-backed or phased build-up structures may be negotiable.
- Cash sweep: Partial cash sweep above threshold DSCRs can be manageable; indiscriminate sweep triggers can hurt sponsor returns and portfolio flexibility.
- Prepayment terms: Refinance optionality matters if rates soften or operational seasoning improves.
- Conditions precedent: Overloaded CP lists are a major source of delay and cost escalation.
- Security package: Pledge levels, charge creation, escrow waterfall and assignment rights must match project and sponsor realities.
- Cure rights and reserve mechanics: Lenders want control, but sponsors need practical room to manage temporary underperformance.

For example, if a solar-plus-storage project is financed on the assumption of evening peak value, the repayment schedule should reflect the actual revenue profile and storage cycling strategy. If the loan instead uses a generic flat amortisation pattern, apparent coverage can deteriorate in seasonal troughs, inviting unnecessary covenant stress.

Utility-scale vs C&I project finance: very different bankability tests

It is a mistake to assume that utility-scale and C&I renewable projects finance the same way. In 2026, lenders separate them clearly.

Utility-scale assets benefit from standardised contracts, stronger payment track records in many central programmes and greater comfort with scale. But they still face execution and receivable issues depending on procurer quality and state exposure. Delays in COD, change-in-law recovery timing and transmission readiness remain finance-critical.

C&I assets can deliver superior realised tariffs and stronger economics, but they carry a different risk set.

- Counterparty concentration can be high if one anchor consumer drives most revenue.
- Open-access policy risk remains state-specific and dynamic.
- Billing disputes, scheduling complexity and contract enforceability matter more than many first-time sponsors assume.
- Group-captive compliance must be continuously defensible, not just structured on paper at signing.



Lenders typically prefer diversified C&I portfolios over single-buyer exposure unless the offtaker is top-tier, investment-grade and contract terms are robust. In practice, a diversified 50 MW to 150 MW operating or near-COD C&I portfolio can often attract stronger debt interest than a smaller single-site exposure, even if the nominal tariff is attractive.

For these portfolios, sponsors benefit from clear [Green financing frameworks][coreservices/greenfinancing/greenfinancingframeworks) and well-documented [Impact quantification & MRV][coreservices/greenfinancing/impactquantificationandmrv), especially where lenders want consistency across environmental claims, use-of-proceeds logic, operating data and compliance evidence. While these tools do not replace credit fundamentals, they improve diligence quality and can expand lender comfort with portfolio aggregation.

Debt closure mistakes that still cost developers time and money

Despite a maturing market, several avoidable mistakes continue to weaken financing outcomes.

The first is launching debt syndication too late. If lenders are approached after major commercial commitments are fixed, sponsors lose negotiating leverage. Financing assumptions should shape PPA terms, EPC risk allocation, DSRA strategy and drawdown planning from the start.

The second is presenting an equity story instead of a debt story. Lenders are not persuaded by TAM narratives or platform ambition. They want contracted cash flow visibility, downside resilience and enforceable security.

The third is weak model discipline. A financing model that cannot trace tariff escalation, degradation, curtailment sensitivity, GST timing, IDC drawdown, working-capital buffers and covenant tests will not survive serious credit review. Small modelling errors regularly translate into large spread or leverage penalties.

The fourth is underestimating documentation time. Even after commercial sanction, intercreditor terms, account waterfall language, assignment documentation, land due diligence, insurance reviews and opinion work can stretch timelines. Sponsors targeting aggressive auction or PPA milestones should build in realistic buffers.

The fifth is using unrealistic merchant assumptions. Some hybrid and storage deals still rely on optimistic spread capture or ancillary-service upside with limited historical proof. Lenders may allow a portion of such income in upside cases, but senior debt usually gets sized to contracted or highly defensible revenue streams.

A practical financing playbook for developers in 2026

Developers who want faster and cheaper debt closure in India should work through a disciplined sequence.

- Start lender engagement before finalising all commercial contracts.
- Prepare a financing case by technology, offtake structure and state exposure rather than a generic company deck.
- Align land, permits, evacuation and EPC package to lender diligence requirements early.
- Build base, downside and delay scenarios with transparent assumptions.
- Negotiate structure, not just spread: amortisation, DSRA, sweeps, CPs and prepayment rights all affect IRR.
- Match lender type to project profile: not every project belongs with the cheapest headline lender if process fit is poor.



- Keep sponsor support obligations realistic and time-bound.
- Preserve refinancing flexibility through sensible prepayment language and covenant design.

For larger pipelines, a dual-track strategy can be effective: secure a lead lender with sector depth, then broaden syndication once documentation and diligence are de-risked. This often works better than running a wide process too early with inconsistent lender asks and term-sheet drift.

For lenders and policymakers, the message is equally clear. Standardisation helps. Cleaner state-level open-access rules, stronger payment security, predictable change-in-law administration and faster transmission readiness all lower financing friction and ultimately reduce end-user energy cost.

India's renewable buildout in 2026 is increasingly a capital-structure challenge, not just a capacity-addition challenge. The projects that win debt on the best terms are not always the ones with the lowest quoted tariff or the largest announced pipeline. They are the ones that convert operational, contractual and regulatory complexity into a structure lenders can underwrite with confidence.

That is why successful sponsors now treat project finance as part of development itself. Bankability is designed upstream, not repaired at sanction stage.

If you are evaluating debt raise options for solar, wind, hybrid, storage or C&I portfolios, contact Growthifye's advisory desk. We support term-sheet strategy, lender engagement, financial modelling and end-to-end debt syndication for bankable renewable-energy transactions in India.

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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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