



India RE Refinancing 2026: Lower Cost Debt, Covenant Reset and Yield Optimisation

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A practitioner guide to refinancing renewable projects in India in 2026: rates, lenders, covenants, DSCR, tenor and execution strategy.

India's renewable-energy funding conversation in 2026 is no longer only about raising fresh debt. For operating solar, wind, hybrid and storage-linked assets, refinancing has become one of the most practical levers to improve project IRR, release trapped cash, reset restrictive covenants and create headroom for growth. As policy support, lender familiarity and operating track records have matured, many projects financed between 2020 and 2024 are now entering the window where refinancing can materially reduce weighted average cost of capital.

For Indian developers, C&I platform owners, utilities and lenders, the key question is no longer whether refinance is possible. It is whether the refinance is genuinely value-accretive after prepayment costs, revised reserve requirements, DSCR tests, lender fees and future merchant or curtailment risks are properly modelled.

This article looks at refinancing strategy for India renewable energy projects in 2026, with specific focus on lower cost debt, covenant reset, tenor extension, portfolio aggregation and lender expectations across IREDA, PFC, REC, banks and NBFC lenders.

Why refinancing is active again in 2026

Three conditions have made refinancing more relevant in India's renewable market this year.

First, operating data quality has improved. Projects commissioned in the last three to five years now have enough irradiation, wind resource, machine availability, grid availability and payment collection history to support sharper lender underwriting. A solar asset that was underwritten at a P90 CUF assumption of 20.5% to 21.5% can now present actuals, degradation curves and seasonality trends. Wind portfolios with two or three completed windy seasons can better demonstrate generation volatility and outage behaviour.

Second, debt markets are differentiating more clearly between construction risk and operating risk. Construction-period pricing for renewable projects in 2026 can still remain elevated when module price volatility, evacuation delays, land title complexity, battery augmentation uncertainty or offtaker concentration are present. But once a project has achieved COD, stabilised generation and six to twelve months of collections, lenders are often willing to reprice.

Third, developers are under pressure to recycle equity. Large developers want to redeploy sponsor capital into storage, RTC, hybrid, FDRE and C&I expansion. Refinancing can extract value from seasoned assets without waiting for a platform sale.

In practice, refinance demand is strongest in:

- Utility-scale solar commissioned in 2021-2024 with fully stabilised DISCOM or SECI payment cycles
- Wind projects where initial debt carried conservative generation assumptions or tighter reserve structures
- Solar-wind hybrid projects that have de-risked scheduling and forecasting performance



- C&I open access portfolios where customer churn has stayed below underwritten levels and collections are stable
- Portfolio platforms seeking to consolidate multiple SPVs under a common lender pool

What actually creates value in a refinance

Many sponsors focus too narrowly on interest-rate reduction. Coupon reduction matters, but in 2026 it is only one component of refinance value.

A refinancing creates economic value when one or more of the following are achieved:

- Lower all-in cost of debt, typically by 50 to 175 basis points depending on asset class, lender and credit quality
- Longer residual tenor, improving annual debt service coverage and permitting upstreaming of cash
- Recalibrated amortisation profile, including sculpting aligned to seasonal generation
- Release or reduction of excessive cash collateral, reserve balances or over-conservative DSRA sizing
- Relaxation of restrictive covenants that block distributions, capex flexibility or portfolio reorganisation
- Consolidation of fragmented facility documentation across multiple SPVs
- Top-up debt against demonstrated operating performance where leverage was initially conservative

For example, a 250 MW interstate transmission system-connected solar portfolio financed at 10.25% to 10.75% during a higher-risk phase may now be refinanceable closer to 8.75% to 9.40%, depending on offtake profile, receivables cycle, module performance and security package. On a residual debt book of INR 1,200 crore, even a 100-basis-point reduction can produce meaningful annual savings. But the larger gain may come from extending tenor by three to five years, reducing annual debt service outflow and freeing distribution capacity.

Similarly, a C&I open access portfolio may only secure a 50 to 100 basis point coupon reduction, but if the refinance also shifts lender treatment of customer concentration, permits holdco cash traps to ease after DSCR thresholds, and aligns amortisation with contracted customer tenors, equity value can improve materially.

This is why refinancing must be tested using lender-grade cash flow analysis rather than a simple interest-comparison table. Growth-oriented sponsors increasingly rely on [Lender-grade financial modelling](/coreservices/greenfinancing/lendergradefinancialmodelling) to determine whether refinance gains survive downside scenarios such as lower-than-expected generation, delayed receivables or partial customer replacement.

Which lenders are active and what they want to see

In 2026, refinance appetite is not uniform across lender classes.

IREDA remains relevant for renewable operating assets, especially where borrowers can present disciplined compliance, robust technical performance and clean documentation. PFC and REC continue to be important where the asset profile, sponsor quality and offtake structure fit their portfolio strategy, particularly in larger utility-scale and infrastructure-oriented deals. Commercial banks remain selective, with stronger appetite for seasoned assets backed by high-quality sponsors, central offtakers, strong escrow structures or diversified C&I books. NBFC infrastructure lenders can be active where structuring flexibility is needed, although pricing may vary depending on concentration and tenor.



Across lender categories, refinancing approvals tend to depend on six core screens:

- Stable generation performance against base case and downside case assumptions
- Collection track record and receivable ageing, especially for state DISCOM exposure
- Absence of major technical defects, recurring inverter failures, transformer outages or evacuation constraints
- Compliance history under the existing financing documents
- Sponsor support quality, including O&M discipline and response to operational events
- Clear legal title, charge perfection and absence of unresolved claims

For utility-scale projects selling to SECI, NTPC or stronger state counterparties, refinance underwriting can move relatively quickly if payment history is visible and curtailment is not structurally high. For state DISCOM PPAs where receivables extend materially beyond 90 to 120 days, refinance remains possible but lenders may respond by preserving tighter reserve structures or reducing leverage headroom.

For C&I and open-access assets, lender scrutiny is more granular. They want customer-wise exposure mapping, renewal probability, consumption volatility, contractual pass-throughs, change-in-law treatment, banking assumptions and demonstrated replacement pipeline. In some states, open-access charge uncertainty still weighs on refinance terms.

Refinancing by asset type: solar, wind, hybrid, storage and C&I

Refinance strategy should not be standardised across technologies.

Solar

Operating utility-scale solar remains the most straightforward refinance segment. Lenders focus on CUF trend, degradation, module mismatch behaviour, inverter uptime, pooling substation availability and receivables cycle. In 2026, operating solar assets with CUF broadly in the 21% to 24% range, depending on location and technology configuration, remain refinance-friendly when payment discipline is acceptable.

Wind

Wind requires more care because inter-annual variation matters. Lenders usually prefer at least two complete operational cycles and close review of turbine availability, wake losses, site-specific wind trend, and OEM dependency. A refinance can still be attractive if the original debt sizing used a conservative P90 generation case and actual performance has beaten that base.

Hybrid

Hybrid projects are gaining lender comfort, but refinancing still requires evidence that the scheduling strategy, contractual design and evacuation arrangement are functioning as intended. If the project has reduced variability and strengthened offtake confidence relative to a standalone asset, refinancing can improve terms materially.

Storage-linked projects

Pure storage refinancing is still relatively early-stage in India, but storage-linked renewable projects can secure better terms once dispatch behaviour, degradation assumptions, augmentation capex planning and revenue-stack predictability are evidenced. Lenders remain cautious where revenue depends heavily on still-evolving ancillary or merchant frameworks.



C&I open access

This is where refinance can unlock large sponsor value, but only if contract and customer quality are strong. Lenders want to see low churn, diversified sectors, customer credit screens, security deposits or letters of credit where available, and a realistic merchant replacement plan. Tariff savings to the customer should remain meaningful. In many markets, a delivered power discount of roughly 10% to 25% versus prevailing industrial grid tariff still supports customer stickiness, but state-level charge changes can compress that margin quickly.

Covenant reset matters as much as coupon reset

Some of the least visible but most important refinance gains come through documentation.

Projects closed in a risk-averse lending environment often carry heavy covenant packages: strict distribution lock-ups, oversized DSRA, broad cash-sweep triggers, inflexible major-maintenance reserves, sponsor undertaking burdens and cumbersome consent rights for routine corporate actions. These terms may have made sense pre-COD, but they can remain inefficient once the asset is demonstrably stable.

In 2026, sponsors should evaluate whether refinancing can reset:

- Distribution lock-up thresholds linked to historic DSCR and projected DSCR
- Cash sweep percentages triggered at more realistic performance levels
- DSRA quantum, form and replenishment timeline
- Permitted indebtedness for capex, augmentation or portfolio reorganisation
- Cure rights for technical defaults and reporting delays
- Consent requirements for intercompany transfers and security sharing

A practical example: a project carrying a 12-month DSRA equivalent through a combination of funded reserve and bank guarantee may be able to shift to a lighter structure if collections and generation have stabilised. That does not merely reduce dead capital; it also improves deployable liquidity at the platform level.

Sponsors should also review whether the refinance can harmonise covenants across multiple SPVs. Fragmented debt documents create hidden costs in treasury management, reporting and restricted cash. A portfolio refinance can simplify all three.

How to test refinance viability before approaching lenders

A disciplined refinance process starts well before term sheets are requested.

Sponsors should first build a bottom-up refinancing model that compares existing and proposed facilities on a fully loaded basis. That means including not just headline interest rates, but:

- Prepayment premium or break cost under the existing loan
- Front-end fees, legal costs, valuation fees, security perfection and stamp implications
- Revised reserve funding requirements
- Updated insurance, O&M or compliance undertakings required by the new lender
- Revised amortisation and balloon profile
- Tax and accounting implications of debt restructuring



Then test downside sensitivity. A refinance that looks compelling at base case may fail under modest stress if one of the following occurs:

- Generation falls 4% to 7% below expected levels
- Receivable days increase by 30 to 60 days
- Curtailment rises in a high-generation season
- Open-access charges reduce customer savings in a C&I portfolio
- Battery augmentation capex arrives earlier than expected in storage-linked assets

This is where [Green financing frameworks](/coreservices/greenfinancing/greenfinancingframeworks) and [Impact quantification & MRV](/coreservices/greenfinancing/impactquantificationandmrv) can also support the refinance story for lenders that increasingly want asset-level reporting discipline, portfolio transparency and clear use-of-proceeds style monitoring even in plain-vanilla term debt contexts. Strong reporting does not replace cash flow quality, but it can improve lender confidence and execution speed.

Execution pitfalls that derail otherwise good refinancings

In the Indian market, many refinancing processes fail not because the asset is weak, but because execution preparation is incomplete.

Common issues include:

- Security perfection gaps under existing loans
- Inconsistent project data between information memorandum, lender model and management presentations
- Unresolved EPC or O&M claims
- Ambiguous curtailment classification in operating reports
- Incomplete land and transmission documentation
- Customer concentration not properly disclosed in C&I portfolios
- Existing lender consent mechanics underestimated by the borrower

Timing also matters. Sponsors should avoid launching refinance processes in the middle of unresolved operational disputes or immediately after an anomalously weak generation quarter unless the issue is clearly explainable. Lenders underwrite confidence as much as numbers.

Another frequent mistake is treating refinancing as a treasury exercise rather than a strategic capital exercise. The best outcomes usually come when sponsor, finance team, legal counsel, technical adviser and lender-facing adviser work from one integrated plan.

What Indian market participants should do in 2026

For developers, the refinancing window in 2026 is real, but selective. Operating assets with proven performance, clean contracts and disciplined compliance can often secure better debt outcomes than their original financing allowed. The biggest winners will be sponsors who treat refinancing as a lever for portfolio optimisation, not just rate shopping.

For C&I energy consumers evaluating long-term renewable supply partners, a developer's refinanceability is also a signal. It indicates whether the portfolio is operationally stable, contractually robust and capable of attracting lower-cost capital that can ultimately support tariff competitiveness.



For lenders, refinancing is a chance to build exposure to seasoned renewable cash flows rather than only competing for greenfield volume. But prudent underwriting still requires realistic assumptions on receivables, curtailment, state-level regulatory shifts and merchant fallback.

For policymakers and utilities, smoother refinancing pathways for performing renewable assets can lower system-wide capital costs and improve reinvestment into new capacity. Faster contracting discipline, payment reliability and transmission readiness will directly influence how much debt pricing improves across the sector.

The core point is simple: in 2026, renewable refinancing in India is not only about cheaper money. It is about redesigning debt around actual operating risk instead of assumed risk. Sponsors that can demonstrate performance, transparency and bankable structure will have the strongest hand in negotiations.

If you are assessing whether an operating solar, wind, hybrid, storage or C&I portfolio is ready for refinancing, contact Growthifye's advisory desk. We help sponsors and lenders evaluate refinance value, prepare lender materials, optimise covenants and run lender-facing execution with bankable precision.

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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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