



India Renewable Energy Project Finance 2026: Term Sheets, Debt Sizing and Lender Strategy

By Sudarshan Karweer · 03 September 2026 · growthifye.com

A 2026 practitioner guide to term sheets, debt sizing, covenants and lender strategy for India solar, wind, hybrid and storage projects.

India's renewable-energy financing market in 2026 is deeper than it was two years ago, but it is also far less forgiving. Lenders are still active across utility-scale solar, wind, hybrid, storage and C&I portfolios, yet term-sheet discipline has tightened. Projects with weak offtake structures, aggressive generation assumptions, land-stage uncertainty or underpriced evacuation risk are finding that nominally available debt does not always translate into bankable debt.

For developers, C&I sponsors, utilities and lenders, the key question is not whether capital exists. It does. The real question is how to structure a financing package that survives credit scrutiny, reaches timely financial close and preserves equity returns after accounting for covenant lock-ins, reserve requirements, hedging costs and merchant-risk haircuts.

This article looks at India renewable project finance in 2026 through a practical lens: what lenders are underwriting, how debt sizing is changing, what terms are becoming standard, and where sponsors can improve bankability before circulating a term sheet.

Why project finance discipline has tightened in 2026

Three shifts explain the current market.

First, tariff discovery has become sharper across both utility and C&I segments. For plain-vanilla ISTS-connected solar and hybrid tenders, bid tariffs remain competitive, but low tariffs are no longer automatically financeable unless module strategy, degradation assumptions, curtailment provisions and commissioning schedule are robust. In many tenders, lenders are stress-testing whether the winning tariff leaves enough room for cost escalation, generation volatility and delayed payment cycles.

Second, payment-risk differentiation has widened. Central offtake and well-structured SECI-backed arrangements still receive the strongest lender appetite, but not all state utility exposures are being treated equally. DISCOM reform progress remains uneven across states. Lenders are now drawing sharper lines between projects backed by stronger payment security mechanisms and those relying on thin LC coverage or historically delayed receivables.

Third, storage and hybrid structures have moved from niche to mainstream, but underwriting frameworks are still evolving. Battery replacement assumptions, augmentation capex, dispatch profile guarantees and contract-linked availability metrics are becoming central to debt sizing. A storage project can no longer rely on a generic solar-style project-finance template.

The result is a market where the difference between a 75:25 and 65:35 debt-equity structure often comes down to details that were previously handled late in diligence.

What lenders are looking for before issuing a serious term sheet

In 2026, a credible renewable-energy term sheet in India is built on evidence, not sponsor optimism. Lenders want to see the following before moving beyond headline pricing discussions:



- Executed or near-final project agreements, especially PPA, land documents, EPC framework, O&M structure and evacuation approvals
- Technology clarity, including module class, inverter selection, wind-turbine OEM, BESS chemistry and warranty package
- Independent resource assessment with realistic P50, P75 and in some cases P90 treatment
- Grid connectivity pathway, including bay allocation, pooling arrangement, transmission dependency and expected commissioning interface
- Counterparty credit analysis, receivables history and payment security package
- Detailed capex breakdown with taxes, contingencies, IDC and transmission-related costs clearly separated
- Base-case and downside-case financial model with lender-consistent sensitivities

This is where Lender-grade financial modelling matters. Many projects still enter debt discussions with sponsor models that are directionally correct but not lender-ready. Common problems include flat auxiliary consumption assumptions, overstated CUF stabilisation, insufficient inverter replacement reserves, incomplete GST timing treatment and weak debt-service sculpting logic.

For utility-scale solar in 2026, lenders typically examine whether DC oversizing assumptions are justified by land layout, clipping economics and degradation profile. For wind and hybrid deals, they are closely reviewing wake-loss assumptions, seasonal variability and machine availability guarantees. For storage-linked assets, they are asking whether augmentation has been included at the right year and cost level, whether round-trip efficiency decline is captured, and whether degradation affects contracted dispatch obligations.

Debt sizing in 2026: DSCR is only one part of the story

A recurring market misconception is that debt sizing depends mainly on minimum DSCR. In practice, Indian renewable lenders are using a broader matrix.

For operational or near-construction utility projects with strong offtake and standard technology, debt sizing is still commonly anchored to:

- Minimum DSCR, often around 1.20x to 1.30x depending on technology and counterparty
- Average DSCR, often around 1.30x to 1.45x
- Project life coverage and tail requirements where relevant
- Maximum debt as a share of project cost after contingency and IDC review

But headline DSCR does not tell the full story. Lenders are increasingly adjusting debt capacity for these risk drivers:

- Curtailment exposure not fully compensated under the PPA
- Merchant or quasi-merchant exposure after contract expiry
- Back-ended generation profile assumptions
- Weak receivables cycle, especially where days sales outstanding can exceed 120 to 180 days
- Incomplete change-in-law pass-through visibility
- Technology replacement uncertainty in storage projects



For context, plain-vanilla utility solar with strong central offtake may still support debt tenors in the 16 to 18 year range including construction, with all-in pricing varying by lender type, relationship depth and credit structure. For state-distribution-backed projects, pricing can widen meaningfully, while covenant requirements and reserves also become tighter.

In C&I open-access projects, debt sizing is usually more conservative than many first-time sponsors expect. Even where contracted tariffs offer healthy spreads versus grid tariffs, lenders are factoring in open-access charge volatility, customer concentration, contract enforceability, termination compensation and state-level regulatory change. If a portfolio has only two or three offtakers contributing most of revenue, debt leverage will often be moderated unless those counterparties have strong balance sheets and long operating histories.

Hybrid and storage projects face even more differentiated treatment. A solar-plus-storage asset with a fixed-capacity payment and clear dispatch obligations may obtain stronger debt support than a project with partial merchant arbitrage assumptions. Capacity-backed cash flows are being viewed more favourably than speculative spread capture.

Key term-sheet clauses that now deserve front-end negotiation

Sponsors often spend disproportionate time on interest margin and too little time on structural clauses that affect real equity returns. In 2026, the following term-sheet points deserve early negotiation.

1. Conditions precedent

Long CP lists are delaying drawdowns across the market. Land conversion, transmission approvals, insurer confirmations, direct agreements and environmental consents should be mapped before debt launch. If a project depends on post-sanction regulatory actions, the financing timeline should explicitly reflect that risk.

2. Cost overrun support

Lenders are less willing than before to tolerate soft capex uncertainty. They typically expect committed sponsor support for cost overruns and time overruns. On storage projects, this includes replacement or augmentation capex if not fully covered in the base case.

3. Equity funding schedule

Many term sheets now require a meaningful proportion of equity to come in before or alongside early debt disbursement. This is especially true for projects with execution complexity. Sponsors should model the true IRR effect of front-loaded equity rather than focusing only on final debt quantum.

4. Receivables and cash-waterfall controls

Trust and retention account structures remain standard, but lenders are tightening permitted outflows. Trapped cash triggers linked to overdue receivables, DSCR breaches or reserve shortfalls are increasingly common. Developers should negotiate cure rights and release mechanics with precision.

5. Financial covenants

Minimum DSCR, fixed reserve requirements, restricted payments and lock-up triggers need careful calibration. A superficially attractive coupon can be outweighed by tight cash sweep or distribution lock-up conditions.

6. Change in project documents

PPA amendments, EPC variations, O&M scope changes and insurance deviations may require lender consent. In a dynamic regulatory environment, sponsors should ensure the consent framework is practical and not overly restrictive.



Technology-specific lender strategy: solar, wind, hybrid and storage

A single debt narrative does not work across technologies.

For solar, lenders remain focused on execution predictability. They want comfort on module sourcing, degradation curve, DC sizing, spare strategy and weather-linked downside. Many are also examining the implications of domestic content choices, import dependence and delivery scheduling on commissioning certainty.

For wind, independent yield studies are carrying significant weight because generation variability can materially affect debt-service resilience. Machine availability guarantees, OEM service capability and site wind history are under far more scrutiny than in earlier financing cycles.

For hybrid projects, the central challenge is profile risk. Debt committees want to understand not just annual energy but delivery shape, complementarity assumptions between wind and solar, curtailment interaction and scheduling obligations. If the project economics rely on an idealised hybridisation benefit that is not evidenced by site data and contract terms, leverage will be cut.

For BESS projects, lenders are moving toward more nuanced underwriting frameworks. They are asking:

- Is revenue fixed, availability-based, dispatch-linked or partially merchant?
- What degradation warranty backs the usable capacity profile?
- Has augmentation been built into the model at realistic cell-cost assumptions?
- Are liquidated damages and performance guarantees sufficient to protect debt cash flow?
- How are auxiliary load, HVAC, fire-safety systems and replacement downtime treated?

This is also where [Impact quantification & MRV](/coreservices/greenfinancing/impactquantificationandmrv) can support financing discussions, especially when concessional windows, climate-aligned lenders or sustainability performance overlays are in play. While pure project finance remains cash-flow driven, strong measurement discipline improves lender confidence in performance-linked structures and institutional capital conversations.

Bankability gaps that still derail otherwise good projects

Across India's 2026 deal pipeline, a few avoidable issues continue to delay or kill financing.

The first is optimistic base-case modelling. If your case assumes flawless commissioning, high first-year CUF, low auxiliary consumption, zero curtailment friction and smooth receivables, lenders will rebuild the model and haircut debt.

The second is underestimating non-generation risks. Land title defects, right-of-way issues, transmission dependency, substation readiness and SCOD-linked LD exposure remain common failure points.

The third is weak documentation sequencing. Developers sometimes seek debt on the basis of draft commercial understandings that have not yet crystallised into lender-acceptable contracts.

The fourth is poor alignment between commercial and financing terms. A PPA may appear attractive commercially but create financing friction because of inadequate payment security, unclear deemed generation treatment, ambiguous termination compensation or weak change-in-law language.

The fifth is presenting financing as a late-stage fundraising exercise rather than a design input. Debt strategy should begin at bid stage or, for C&I, at customer-contract structuring stage. Financing assumptions can materially influence tariff, project sizing, reserve requirements and equity needs.



This is why [\[Green financing frameworks\]](/coreservices/greenfinancing/greenfinancingframeworks) are becoming more relevant even outside capital-raising optics. A structured financing framework helps sponsors align project documentation, KPI logic, reporting commitments and lender expectations early, reducing execution slippage later.

How sponsors can improve financing outcomes in 2026

Sponsors seeking faster and better debt outcomes should focus on six practical steps.

- Build the financial model to lender standards from the start, including downside cases and covenant testing
- Match tariff strategy to realistic debt capacity rather than maximum headline leverage assumptions
- Lock key project contracts and approvals in a financing sequence, not in isolated workstreams
- Prepare a counterparty and payment-security memo alongside the technical pack
- Distinguish negotiable term-sheet asks from non-negotiable bankability issues before lender outreach
- Run sensitivity analysis on CUF, capex overrun, delay, receivables and curtailment before committing equity

For larger platforms and repeat developers, it is also worth evaluating whether [\[Sustainability-linked loans\]](/coreservices/greenfinancing/sustainabilitylinkedloans) can complement project-level facilities at holdco or portfolio level where KPI design is credible and pricing benefit justifies reporting discipline. But these structures work best when the underlying asset financing is already robust; they are not substitutes for basic project bankability.

In the current market, the winners are not necessarily those with the lowest bid or most aggressive leverage ask. They are the sponsors who present a coherent risk allocation, realistic model, financeable contracts and a clear path from sanction to disbursement.

India's renewable buildout in 2026 still offers strong opportunities across utility-scale generation, C&I decarbonisation, hybrids and storage. But capital is increasingly selective. The difference between a delayed project and a funded one often lies in term-sheet preparation, downside discipline and lender communication quality rather than project concept alone.

If you are structuring debt for a solar, wind, hybrid or storage project, contact Growthifye's advisory desk for support on financing strategy, lender engagement, term-sheet review and bankable documentation.

Explore Growthifye's related capabilities

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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