



India Renewable Energy Refinancing Strategy 2026: Lower Cost of Debt After COD

By Sudarshan Karwee · 14 September 2026 · growthifye.com

A 2026 practitioner guide to refinancing solar, wind and storage projects in India after COD to cut interest cost and release equity.

India Renewable Energy Refinancing Strategy 2026: Lower Cost of Debt After COD

India's renewable-energy financing market in 2026 is no longer only about achieving first debt closure. For operating solar, wind and storage assets, refinancing after commercial operation date is now a major value-creation lever. Sponsors are using refinancing to reduce borrowing cost, lengthen amortisation, free trapped cash, resize reserve accounts and recycle equity into new projects.

This is especially relevant in a market where utility-scale solar tariffs in many bids have remained around the low-to-mid INR 2s per kWh, hybrid and RTC structures require tighter cash management, and storage-linked projects are still negotiating risk allocation around availability, augmentation and dispatch. With such compressed project returns, even a 75-150 basis point reduction in cost of debt can materially improve project equity IRR.

For Indian developers, C&I platform owners, lenders, utilities and policymakers, the key question is not whether refinancing is possible, but when it is bankable, what structure maximises value, and which lenders will underwrite the revised risk profile. This article lays out a practical 2026 refinancing playbook for Indian renewable assets, excluding the primary construction-finance lens and focusing instead on post-COD optimisation.

Why refinancing matters more in 2026

Three market conditions are making refinancing increasingly attractive in 2026.

First, a large cohort of projects commissioned during 2022-2025 now has operating history. Assets with 12-24 months of generation data, stable O&M records and demonstrated payment cycles are materially easier to underwrite than under-construction projects.

Second, lenders are differentiating more sharply between construction risk and operating-asset risk. During construction, spreads reflect module delivery risk, evacuation delays, counterparty uncertainty, cost overrun exposure and completion risk. After COD, many of these risks reduce sharply, especially for projects with:

- achieved performance tests

n- no major claims with EPC or key equipment suppliers

- stable grid availability
- predictable CUF or PLF trendline
- payment discipline from the offtaker or a visible LC/payment security mechanism

Third, sponsor strategy has changed. Developers are under pressure to keep bidding, but equity is scarce and expensive. If refinancing can release sponsor cash through lower DSRA requirements, dividend unlocks, inter-creditor simplification or replacement of higher-cost debt, it can effectively fund pipeline growth without



immediate fresh equity dilution.

For projects financed initially at all-in rates that reflected peak construction-stage risk, a transition to lower-cost operations debt can improve annual cash flow resilience. In a tariff environment with limited room for upside, this matters.

Which renewable projects are best suited for refinancing

Not every operating asset is refinance-ready. In 2026, the most refinanceable projects in India tend to share six features.

- At least 2 full quarters, and preferably 4-6 quarters, of stable operating data after COD
- No unresolved land, change-in-law, evacuation or major insurance disputes
- Actual generation close to or above P90-based lender assumptions, or a clearly explainable deviation
- PPA counterparties with acceptable payment record, such as central agency-backed structures, strong state discoms, captive/C&I portfolios with diversified customer mix, or contracted industrial buyers with robust credit
- Clean security perfection and compliance history under financing documents
- No stress flags on GST, safeguard/customs pass-through, O&M invoices, inverter performance, turbine availability or battery warranty obligations

The strongest refinancing candidates in the current market are:

- utility-scale solar parks with SECI, NTPC or similarly strong payment structures
- operating wind projects with stable machine availability and settled forecasting/ scheduling processes
- solar-wind hybrid projects where generation diversity has already been demonstrated
- C&I open-access portfolios with diversified offtaker concentration and acceptable receivables discipline
- storage-linked projects only after performance stabilisation, especially where dispatch and availability measurement disputes are fully resolved

By contrast, assets with chronic curtailment, unresolved transmission connectivity issues, weak DSCR track record, or stretched receivable cycles beyond financing assumptions will struggle to attract materially better terms.

What refinancing can actually achieve

Refinancing is often misunderstood as a simple interest-rate reset. In practice, a well-executed refinancing in 2026 can deliver value across multiple dimensions.

1. Lower cost of debt

For operational projects that originally closed with elevated construction-stage pricing, sponsors may seek a 75-150 bps reduction, sometimes more depending on asset quality, offtaker profile and leverage. Even a 100 bps reduction on a project with INR 500 crore outstanding debt can reduce annual interest cost by roughly INR 5 crore before amortisation effects.

2. Tenor optimisation

If the original debt was sculpted conservatively during a volatile rate cycle, refinancing may extend residual tenor and smooth debt service. This is especially useful where early-year amortisation is suppressing distributions.



3. DSRA and covenant recalibration

Some projects close with tighter reserve requirements than ultimately needed. Once operations stabilise, lenders may accept revised DSRA design, lower cash trapping thresholds or more practical lock-up triggers, provided the base-case and downside case remain robust.

4. Equity recycling

Where asset performance is strong and lenders are comfortable with revised leverage, sponsors may create room for upstreaming cash or replacing expensive quasi-equity layers. This can support redeployment into under-construction projects or development-stage pipelines.

5. Portfolio consolidation

Sponsors with multiple SPVs may refinance into a cleaner platform structure, improving administrative efficiency and lender coordination. This can be useful for C&I portfolios spread across states and customer segments.

The key credit metrics lenders will test in 2026

Refinancing is approved on demonstrated operating quality, not sponsor narrative. Lenders in 2026 are focusing on a tight set of metrics and documentary evidence.

DSCR and cash-flow stability

For operating solar and wind assets, lenders typically expect minimum and average DSCR levels that remain comfortable under downside generation and payment-delay cases. Exact thresholds vary by lender and offtaker, but sponsors should assume scrutiny of:

- historical DSCR since COD
- forward-looking base-case DSCR
- downside DSCR under P90 or stressed generation assumptions
- receivables stretch scenarios, especially for state discom exposure

Projects that look acceptable only on aggressive CUF assumptions or very low O&M escalation will be challenged.

Generation performance versus assumptions

Lenders will compare actual CUF/PLF against original financial model assumptions, seasonality trends and independent engineer expectations. For solar, degradation assumptions and curtailment attribution matter. For wind, machine availability, wake effects and seasonal variability matter. For storage-linked projects, availability guarantees, round-trip efficiency trend and augmentation assumptions are critical.

Receivables and payment security

In utility-scale projects, receivable days remain one of the biggest differentiators in refinance pricing. A project with 45-75 day collections will receive very different lender treatment than one operating at 150-210 days, even if tariff and generation are identical.

Lenders will review:

- average receivable days since COD
- LC utilisation patterns
- delay-payment surcharge enforceability in practice



- state discom payment behaviour versus PPA terms
- concentration risk in C&I portfolios

O&M and technical reliability

Refinancing committees increasingly want granular O&M evidence, not just top-line generation. Key items include inverter outages, module failure rates, transformer events, turbine availability, SCADA integrity, battery degradation trajectory and spare-part provisioning.

Compliance hygiene

Even strong assets lose refinance momentum if documentation is messy. Missing charge filings, incomplete insurance endorsements, unsettled EPC claims, deviations from approved waterfall mechanics or unapproved related-party arrangements can delay closing materially.

How to structure a refinance process for best results

A common mistake is approaching lenders before the project is data-room ready. In 2026, successful refinancings are run like a mini-transaction with lender-grade preparation.

Step 1: Build the refinance thesis

The sponsor should first quantify what it wants to achieve.

- lower coupon by how many basis points
- increase residual tenor by how many years
- resize DSRA or reserve mechanics by how much
- release how much sponsor cash, if any
- refinance only senior debt or also subordinate layers

Without this thesis, lender discussions become generic and pricing power is lost.

Step 2: Update the operating model

A fresh, auditable operating model is non-negotiable. It should reflect actual generation, actual receivables cycle, current O&M costs, insurance, land lease payments, inverter/turbine warranty profile and tax assumptions.

This is where [Lender-grade financial modelling](/coreservices/greenfinancing/lendergradefinancialmodelling) becomes central. A refinance model should clearly show base, downside and severe downside cases; revised amortisation; covenant headroom; and distribution sensitivity. Lenders want consistency between historical actuals and projected assumptions.

Step 3: Curate the lender universe

The refinancing lender pool is not identical to the construction lender pool. Depending on asset type and scale, relevant institutions may include public-sector lenders, specialised infrastructure financiers, NBFCs, multilateral-linked lines through intermediaries, and sector-focused institutions such as IREDA, PFC and REC where the asset profile fits.

In practice, sponsors should compare:

- spread over benchmark
- reset frequency and base-rate linkage
- residual tenor appetite



- prepayment flexibility
- DSRA requirement
- cash sweep expectations
- hedging requirements, if any
- documentation and approval timeline

Step 4: Run focused diligence

Refinancing diligence is narrower than full greenfield diligence but still substantial. Expect review of:

- PPA and amendment history
- invoicing and receivables record
- generation and curtailment logs
- O&M agreements and performance reports
- insurance claims history
- statutory approvals and land documents
- existing financing compliance record
- security perfection status

Step 5: Negotiate term-sheet details that affect value

Sponsors often focus excessively on headline interest rate and ignore structural terms that may matter just as much.

High-impact term-sheet items include:

- reset frequency and benchmark definition
- minimum prepayment penalties or lock-in
- distribution lock-up triggers
- DSRA form: cash, bank guarantee or hybrid
- waterfall sequencing
- cure rights for covenant breaches
- major maintenance reserve expectations for storage or wind
- permitted dividend conditions
- change-in-control flexibility for future equity transactions

Sector-specific refinancing issues in solar, wind, hybrids and storage

Different technologies need different refinance logic.

Solar

For solar assets, the main issues remain curtailment attribution, module degradation versus original assumptions, inverter replacement planning and payment-cycle evidence. A project with actual CUF in line with model and receivables under 90 days is significantly better placed than one depending on optimistic back-calculations that exclude repeated evacuation constraints.

Wind



Wind refinancings require careful handling of seasonality. Lenders will not rely on a few good windy months. They want multi-season evidence, machine availability consistency and realistic assumptions on wake losses and grid outages. Older turbine fleets may face sharper reserve or maintenance scrutiny.

Hybrid projects

For solar-wind hybrids, the refinance story is strongest where the diversity benefit is visible in actual monthly generation and where scheduling penalties have remained controlled. If hybrid output has materially improved cash-flow smoothness versus standalone assets, lenders may support better structuring outcomes.

Battery energy storage and storage-linked projects

Storage financing is still evolving. Refinancing appetite improves after the project demonstrates measurable availability, acceptable degradation trajectory, robust EMS performance and clear settlement mechanics under the contract. Lenders remain sensitive to augmentation CAPEX timing and warranty enforceability. Sponsors should not expect plain-vanilla refinancing terms until operational history is credible.

Common pitfalls that destroy refinance value

Even good projects can lose refinancing value through avoidable mistakes.

- Approaching lenders before 6-12 months of clean operating data are available
- Using outdated financial models that do not reconcile with actual invoicing and collections
- Ignoring consent requirements under existing debt documents
- Underestimating foreclosure, swap breakage or prepayment costs
- Failing to resolve technical claims before lender diligence starts
- Seeking aggressive cash extraction without sufficient DSCR headroom
- Presenting portfolio-level averages instead of SPV-specific asset performance

Another common issue is weak reporting architecture. Projects that can present auditable generation, emissions avoidance and operating-performance evidence tend to command better lender confidence. For sponsors building repeat refinancing pipelines, capabilities such as [Impact quantification & MRV](/coreservices/greenfinancing/impactquantificationandmrv) can strengthen data credibility, especially where lenders want consistent ESG-linked operating disclosures alongside financial performance.

What sponsors should do in the next 90 days

For developers and C&I platform owners evaluating refinancing in 2026, the next steps are practical.

- Screen all operating assets for refinance readiness based on generation history, receivables, DSCR and documentation status
- Identify projects where current debt pricing materially exceeds achievable operations-stage pricing
- Update SPV-level financial models using actual post-COD data
- Quantify prepayment costs and consent requirements under existing facilities
- Prepare a lender pack with technical, commercial and legal data-room discipline
- Test lender appetite across IREDA, PFC, REC and other relevant institutions rather than relying on a single incumbent lender
- Align refinance timing with distribution goals, equity recycling plans and portfolio expansion strategy



The headline takeaway is simple: in India's 2026 renewable market, refinancing is no longer a back-office treasury exercise. It is a strategic lever that can improve project resilience, support competitive bidding, and unlock capital for the next wave of solar, wind, hybrid and storage deployment. The winners will be sponsors who treat refinancing as a lender-facing transaction grounded in real operating evidence, disciplined structuring and bankable downside cases.

If you are evaluating post-COD refinancing, term-sheet options or lender strategy for renewable assets in India, contact Growthifye's advisory desk. We support developers, asset owners and investors with transaction preparation, lender engagement and execution-focused financing advice.

Explore Growthifye's related capabilities

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

ABOUT THE AUTHOR

Sudarshan Karweer — Chief Executive Officer, Growthifye

Over 23 years in management consulting — concept to scale — building and scaling new-age digital and energy businesses. An EY alumnus, Sudarshan leads Growthifye's renewable energy & storage advisory, EPC, transmission engineering and green-financing practices for developers, utilities and C&I consumers across India.
Contact: info@growthifye.com · +91 84510 99371 · growthifye.com

This article is for general information only and does not constitute engineering, financial or legal advice. © Growthifye. Sharing with attribution is welcome.