GREEN FINANCING & DEBT SYNDICATION · STEP 03 · MARKET & NEGOTIATE · SCHEDULE

Covenant & Security Package Redline Summary

Clause-by-clause tracked changes across successive drafts of the term sheet and security documents, maintained through final negotiation rounds.

Worked example (anonymised): Standalone Battery Energy Storage System, DISCOM-anchored capacity contract · 150 MW / 300 MWh · Western India. A special purpose vehicle seeking INR 620 Cr senior debt for a standalone BESS project with a 12-year capacity contract; process targeted a mix of infrastructure-focused NBFCs, a multilateral DFI and two private banks.

Sample excerpt · Term Sheet Redline Summary – Draft 3 vs Draft 4

Document Section	Draft 3 Position	Draft 4 Position	Net Impact
Security Package	First charge on all assets + DSRA	First charge on assets only; DSRA released post-COD	Improved liquidity
Financial Covenants	Debt/EBITDA < 5.5x	Debt/EBITDA < 6.0x for first 2 years	Increased headroom
Distribution Lock	Post 1.20x DSCR for 2 quarters	Post 1.15x DSCR for 2 quarters	Earlier dividend access
Insurance Requirements	Sponsor-arranged	Lender-approved panel, sponsor cost	Neutral, cost only

Notes

- Legal counsel co-reviews all redlines before sponsor sign-off
- Tracked version control avoids re-litigating agreed points in later drafts

What happens in this step

1. Finalise lender long-list (10–15 institutions) matched to ticket size, tenor appetite and sector comfort
2. Circulate Information Memorandum and open a controlled virtual data room with tracked access logs
3. Host management presentations and site visits; manage structured Q&A; across all lenders simultaneously
4. Solicit indicative term sheets within a fixed 2–3 week window to preserve competitive tension
5. Build a side-by-side benchmarking matrix across pricing, DSCR, tenor, fees, security and covenants
6. Run parallel negotiation rounds — playing lenders off each other on the toughest 4–5 terms
7. Down-select to 2–3 final lenders for binding term sheet and definitive documentation negotiation

Outcomes

- 3–5 competitive term sheets benchmarked, converting a single-source quote into genuine price discovery
- Typical reduction of 40–70 bps in all-in cost of debt versus first-round offers
- Improved covenant headroom (DSCR, leverage, distribution locks) through parallel negotiation leverage
- Clear, board-ready recommendation with documented rationale for lender selection

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