GREEN FINANCING & DEBT SYNDICATION · STEP 02 · STRUCTURE · MEMO

Capital Structure & Instrument Selection Memo

Comparative assessment of candidate instruments against the project's cash-flow profile, recommending an optimal blended structure with rationale and risk flags.

Worked example (anonymised): Standalone BESS Capital Structuring · 300 MW / 600 MWh · Western India. DISCOM-awarded capacity contract with availability-based payments; sponsor evaluating blended senior + green mezzanine structure to fund EPC and 15-year O&M; reserve.

Illustrative sample image

Sample excerpt · Instrument Comparison Summary

Instrument	Indicative Tenor	Indicative Pricing	Security	Suitability
Senior non-recourse project debt	14 yrs	10.4-10.8% p.a.	First charge on assets, DSRA 6mo	Base layer, availability-linked cash flows
Sustainability-Linked Loan (SLL)	10 yrs	10.1% (ratchet ±15bps on KPI)	Pari-passu with senior	If KPI reporting capability exists
Green bond (INR, listed)	7-10 yrs	9.9-10.3%	Debenture trustee security	If issuance scale >INR 300 Cr
Mezzanine/subordinated debt	7 yrs (bullet)	14-16% + equity kicker	Second charge / structural sub	Bridges equity gap, higher cost
ECB (foreign currency)	10 yrs	SOFR+2.5-3.0%	Hedged, RBI compliant	If natural/synthetic hedge available

Notes

- Pricing bands illustrative, subject to lender credit view
- KPI ratchets require independent verifier appointment

What happens in this step

1. Review project cash-flow model, revenue contracts and risk allocation to determine debt capacity and optimal tenor bands
2. Screen eligible instruments — SLLs, green/climate bonds, ECB, non-recourse project finance, mezzanine/subordinated debt — against RBI/FEMA and green-taxonomy criteria
3. Model blended tranche structures (senior + mezzanine + green tranche) to test DSCR, leverage and pricing outcomes under multiple scenarios
4. Define KPI/SPT frameworks for sustainability-linked pricing ratchets and align with target certifications (e.g. CBI, LMA/APLMA Green Loan Principles)
5. Assess security package, cash-waterfall and covenant package for each instrument option, including DSRA, MMRA and step-in rights
6. Prepare comparative term-sheet framework and recommend the instrument mix, with rationale, to the client's investment committee
7. Finalise financing structure memo and hand over to Market & Negotiate phase with lender long-list and pitch materials

Outcomes

- A financing structure with instrument mix matched to project risk, tenor and cost-of-capital objectives
- Quantified debt capacity and sculpted repayment profile validated against downside scenarios
- A defensible, lender-ready term sheet comparison to accelerate the negotiation phase
- Reduced blended cost of capital through appropriate use of green/SLL pricing incentives

Want this for your project? Write to info@growthifye.com or use the Contact page — we will scope the real deliverable set for your capacity, state and lender requirements.