CASE STUDY · LENDING · CREDIT · MID-MARKET TERM LENDING

A COVENANT BREAKS. THE CURE PERIOD RUNS.

Do you **waive**, **amend and reprice**, **take more security** — or **exit**? The financial spreads are automated. The early-warning dashboard flagged the borrower weeks ago. Portfolio exposure refreshes nightly. And the covenant breach that started a 30-day cure period has sat undecided for **twenty-five of them**, because credit, the relationship manager, legal and risk have each worked out a different answer. This is how that decision gets made today, and how it gets made overnight with Decisome.

ILLUSTRATIVE WALKTHROUGH · SCENARIO NUMBERS

01 · THE SITUATION

A COVENANT TRIPS. TWENTY-FIVE DAYS BEFORE ANYONE CAN PRICE THE OPTIONS.

A	B	C	D
Waive	Amend	Secure	Exit

01 · THE PROBLEM AUTO-COMPONENTS BORROWER · FACILITY F-3106 · STATUS OPEN · CURE PERIOD RUNNING

The spreads are automated. The early warning fired weeks ago. And the breach sits undecided for twenty-five days.

An auto-components borrower with an ₹85 Cr term loan files its half-year numbers. Debt service coverage comes in at 1.05 against a covenant of 1.25. The breach is real, the contract gives you a 30-day cure period, and the order book has actually recovered since the numbers were struck. The facility is **F-3106**, and the question is on the credit head's desk: **waive, amend, secure, or exit, and what does each one cost the bank?**

THE FACTS ON THE DESK

FACILITY	BORROWER	COVENANT	CURE PERIOD	OWNER
F-3106	**Auto-components**	**1.05 vs 1.25**	**30 days**	**Credit head**
₹85 Cr term loan · cover 1.15x	Order book recovered	Debt service coverage	Closes in 5 days	Status: open

02 · DECISION POINTS

FOUR WAYS FORWARD ON F-3106 — EACH COSTS THE BANK SOMETHING DIFFERENT.

A

Waive

Grant a one-time waiver for the test period and move on. Costs nothing today and keeps a performing account performing, but the waiver goes on record, and forty-odd facilities sit on the same covenant terms.

What does it cost you the next time one of them breaches?

B

Amend and reprice

Reset the covenant and price the risk you're now carrying. The yield goes up and the account stays yours, but documentation takes weeks and the borrower can refinance cheaper elsewhere while you negotiate.

Will they still be here at the end of it?

C

Take more security

Improve the cover instead of the pricing. It protects the exposure without touching the relationship's economics, but it needs unencumbered assets, a fresh valuation, and the consortium to consent.

Is there anything left to charge?

D

Exit

Accelerate, enforce, and recover what the security realises. It ends the exposure, but it crystallises the loss, and the cross-default clause pulls every other lender in the consortium in with you.

Is the cure period still open?

IN PRACTICE

On paper, a clean four-way choice. In practice you can't price it inside the cure period, because the facility agreement, the borrower's spreads, the security register and the consortium position are in four different places, and **nobody has put a number on any of them yet.**

03 · AS-IS PROCESS

HOW IT REACHES COMMITTEE TODAY: 25 DAYS, FOUR PEOPLE, NO AGREED NUMBER.

DECISION: FACILITY F-3106 — OWNER: CREDIT HEAD — STATUS: OPEN · CURE PERIOD RUNNING

Day 0
TRIGGER

Half-year financials are uploaded and spread. Coverage tests at 1.05 against 1.25. The breach is real and the cure period starts running. **The decision is now live, but nobody owns the number yet.**

Day 1-8
RECONCILE

The credit analyst rebuilds the coverage ratio to check what drove it. The relationship manager canvasses the borrower and comes back with a recovered order book. Legal reads the facility agreement for the cure period and the cross-default. Risk pulls the sector and group exposure. **Four people, four separate answers, no single agreed number.**

Day 9-20
DRIFT

The cure period runs down while the analysis is assembled. The borrower keeps drawing on the working capital line, so the uncovered exposure grows. The security valuation on file is fourteen months old, and nobody has modelled what an exit would actually realise.

Day 25
FORCED

It goes to committee on half-reconciled numbers, days before the cure period closes. The waiver carries, because it is the only option that needs no further work. **Not because it was priced against the other three.**

WHAT THOSE TWENTY-FIVE DAYS COST THE BANK

~25
DAYS OF A 30-DAY CURE PERIOD SPENT ASSEMBLING, NOT DECIDING

4
SEPARATE ANSWERS, NONE OF THEM AGREED

Growing
UNCOVERED EXPOSURE, WHILE THE BORROWER KEEPS DRAWING

1
OPTION PRICED, THREE TAKEN ON TRUST

04 · THE SAME BREACH, ASSISTED

THE ANALYSIS IS BUILT OVERNIGHT. THE COMMITTEE VOTES THIS WEEK.

Same facility, F-3106. Watch it run through the credit function now: the twenty-five days collapse, because the four separate manual jobs become one automatic one.

Day 0

IT WATCHES

Catches the breach as the numbers land

The same financials are uploaded. The system is already reading the spreads, the covenant schedule in the facility agreement, the security register and the consortium position, so it catches the breach the hour it exists, instead of waiting for a monthly exception report.

Hours later

IT THINKS AHEAD

Gives the decision an owner and a clock

It logs the breach as a live decision, starts the cure period counting, surfaces the cross-default clause and flags every other facility sitting on the same covenant terms, so the call has an owner and a deadline from hour one instead of drifting until the committee calendar comes round.

Overnight

IT PREPARES

Does the four jobs as one

The real difference: instead of credit, the relationship manager, legal and risk each working a separate file, it pulls all four together by morning, what drove the ratio, what a reprice would earn, what the security would cover at current market, and what an enforcement would realistically recover, then shows what each of the four options costs the bank on one agreed set of numbers.

Next morning

YOU DECIDE

One screen, four costed options

The credit head opens one view, sees all four options costed on the same basis, and takes a recommendation to committee inside the first week of the cure period, not the last. The system did the assembly. **The credit judgement is still the committee's.**

05 · THE OPTIONS, COSTED

THE FOUR OPTIONS, COSTED ON ONE SCREEN.

DECISOME · DECISION CONSOLE

● ANALYSIS READY

Facility F-3106 ₹85 CR TERM LOAN · COVERAGE 1.05 VS 1.25 · CURE PERIOD CLOSES IN 5 DAYS

✓ RECONCILED · ONE SOURCE OF TRUTH

OPTION A

Waive

EFFECT ON EXPOSURE	₹85 Cr, cover 1.15x unchanged
TIME TO CLOSE	this week
CONDITION	41 facilities on the same covenant terms; the waiver is on record for all of them.

OPTION B

Amend & reprice

EFFECT ON EXPOSURE	+ ₹1.4 Cr yield 75 bps over remaining tenor
TIME TO CLOSE	6–8 weeks
CONDITION	Two lenders are quoting this borrower 40 bps below your revised rate.

OPTION C

Take more security

EFFECT ON EXPOSURE	cover 1.15x → 1.48x ₹85 Cr unchanged
TIME TO CLOSE	10–12 weeks
CONDITION	Needs unencumbered assets, a fresh valuation and consortium consent.

OPTION D ● FLAGGED

Exit

EFFECT ON EXPOSURE	~₹61 Cr recovered of ₹85 Cr outstanding
TIME TO CLOSE	18–30 months
CONDITION	Cure period closes in 5 days, and the cross-default pulls in the consortium.

All four on one basis: exposure, time, and what has to hold true. The system built the analysis, the committee makes the call.

SEND TO COMMITTEE

Illustrative mockup of the analysis screen. Sample figures, not a live system or a real borrower. The screen never grades an asset or makes a credit decision; it assembles what the facility agreement, the spreads, the security register and your own closed cases already say.

06 · THE RULES & THE CALL

AMEND & REPRICE — THIS WEEK.

The four options were weighed against the judgment your best people already carry, written down. The recommendation shows its work, line by line.

RULES & JUDGMENT · WRITTEN DOWN — 4 APPLIED

R1	Waive only knowing what it costs the next time one of the 41 facilities on the same covenant terms breaches — the waiver goes on record for all of them.
R2	Amend and reprice only if the borrower will still be here at the end of it — documentation takes weeks and they can refinance cheaper while you negotiate.
R3	Take more security only where there is something left to charge — unencumbered assets, a fresh valuation, and the consortium's consent.
R4	Exit only while the cure period is still open — it crystallises the loss, and the cross-default pulls every other lender in the consortium in with you.

DECISOME · RECOMMENDATION — CONFIDENCE 81

01	Reprice at **75 bps**: coverage reset to 1.10, stepping back to 1.25 — **+ ₹1.4 Cr yield**.
02	The order book has recovered — but two lenders quote **40 bps below** the revised rate.
03	Committee note, amendment letter and covenant schedule **drafted overnight**.
04	Queued for the credit head and the committee — **cure period closes in five days**.

Challenge any line — it shows its work.

RECOMMENDED — AMEND & REPRICE

This is judgment your best people already carry. Written into the decision, it works on every breach — not just the ones they happen to see.

07 · AFTER THE CALL

TAKE A PATH AND THE WHOLE WORKSTREAM IS ALREADY STAGED.

DECISOME · DECISION CONSOLE

PATH: AMEND & REPRICE

F-3106 · Amendment package

ASSEMBLED THE MOMENT THE CREDIT HEAD CHOSE

✓ 5 OF 5 ITEMS READY

✓ **Credit committee note** — DRAFTED

The recommendation, all four options costed on the same basis, and the reasoning, laid out in the committee's own format.

✓ **Amendment & waiver letter** — DRAFTED

Drafted against the covenant clause in the facility agreement, dated, referencing the test period that failed.

✓ **Revised covenant schedule** — PRICED

Coverage reset to 1.10 for two test periods, stepping back to 1.25, priced at 75 bps over the existing margin.

✓ **Security & consortium position** — COMPILED

Charges, guarantees and the consortium's own testing dates pulled together. The valuation on file is flagged as fourteen months old.

! **Routing & cure deadline** — AWAITING YOU

Queued for the credit head to settle and the committee to approve. Cure period closes in five days, flagged.

Nothing has been sent to the borrower. The whole workstream is staged and waiting on the committee's approval.

REVIEW & APPROVE

ILLUSTRATIVE MOCKUP

Taking a path stages the workstream behind it and holds it ready; **the committee still approves it and a person still signs and sends.**

08 · AS-IS VS ASSISTED

SAME BREACH, F-3106 — TWO VERY DIFFERENT CREDIT FUNCTIONS.

	AS-IS MANUAL · TODAY	ASSISTED WITH DECISOME
TIME TO A RECOMMENDATION	~25 days of a 30-day cure period	By the next morning
BASIS FOR THE CALL	Four rival spreadsheets, no agreed number	One agreed set of numbers
OPTIONS PRICED	The waiver, because it needed no work	All four, costed on the same basis
SECURITY POSITION	Whatever valuation is on the file	Revalued at current market before you vote
CURE PERIOD	Runs down while the analysis is assembled	Counted from the hour the numbers land
EXPOSURE WHILE DECIDING	The borrower keeps drawing, unnoticed	Drawdowns flagged the moment the breach is live
PORTFOLIO VIEW	One facility at a time	Every facility on the same covenant terms, surfaced with it
PRECEDENT USED	Whoever remembers the last similar breach	Every breach the bank has resolved
ONCE THE COMMITTEE DECIDES	Documentation built by hand, later	Staged, routed, ready to execute
WHO DECIDES	A committee, late, on partial facts	A committee, on time, fully informed

F-3106 is an illustrative example built from how covenant breaches are commonly handled on mid-market term lending, not a client result. The twenty-five days, the four workstreams and the figures on this page describe the shape of the problem.

09 · WHAT HAPPENED NEXT

THE DECISION LEAVES THE ROOM.

DECISION: **FACILITY F-3106** PATH: **AMEND & REPRICE** STATUS: APPROVED

Day 1 CREDIT HEAD	Resets coverage to 1.10 for three test periods, not two — the order book is confirmed through March; repricing unchanged at 75 bps, committee note updated with the order-book support.
Day 1 CREDIT HEAD	Adds the promoter guarantee to the amendment and orders a fresh valuation before it goes to committee.
This week COMMITTEE	Approves. The amendment and waiver letter goes to the borrower; F-3106 recommended as amend and reprice.
Next CAPTURED	Saved to the bank knowledge base — what was decided, and why. **Learned: coverage breach on a recovered order book; repriced 75 bps, covenant stepped back over three periods.**

BANK KNOWLEDGE BASE · 3 BREACHES CAPTURED

F-3106 NEW

Amend

Coverage breach on recovered order book; repriced 75 bps, covenant stepped back over three periods.

F-3088

Waive

One-off breach from a receivables timing shift; cover intact, waived for a single test period.

F-3061

Exit

Third consecutive breach, security eroded, promoter unresponsive; accelerated inside the cure period.

> Every breach you close teaches the system. The next one starts from what your bank already knows, not from whoever happens to remember the last one.

IS THIS YOUR DECISION — OR CLOSE TO IT?

BRING US A DECISION

One decision is enough. Tell us the one that recurs, matters, and is harder than it should be.