India GPU Equipment Finance: Residual Values under Rapid Chip Cycles

An Evidence-Gated Framework for Advance Rates, Amortisation, Refresh Risk and Recovery

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Abstract

Artificial-intelligence infrastructure creates an equipment-finance problem that conventional server depreciation does not resolve. Accelerator performance, memory, interconnect, software support, power density and export status can change the economic value of a GPU cluster before accounting depreciation reaches the same conclusion. A lender may hold title or security over expensive equipment while the practical recovery depends on configuration, provenance, firmware access, support entitlement, removal cost, available buyers and continued workload relevance.

This paper develops an India GPU Equipment-Finance Framework. It separates accounting carrying value, continued-use value, orderly-market value and net enforcement recovery. It converts technical and commercial evidence into an advance-rate waterfall, a performance-adjusted amortisation schedule, borrowing-base controls and a recovery playbook. The framework uses observable cloud pricing, supported benchmark results, equipment identity, utilisation, maintenance history, customer contracts and verified secondary-market transactions. Vendor roadmaps and broker quotations provide context; neither substitutes for executable recovery evidence.

The worked case is wholly hypothetical. A borrower purchases 512 accelerators and supporting servers, network and storage for an eligible equipment cost of INR 4.80 billion. The proposed senior facility is INR 2.64 billion, equal to 55 percent of eligible cost, with 30-month straight-line principal amortisation after a three-month installation period. The central case assumes a 36-month useful economic period, an 18 percent gross orderly-sale value at month 30, 10 percent removal and remarketing cost and a 90 percent collection factor. Downside cases use lower utilisation, price compression, a delayed acceptance date and gross residual values of 8 percent and 3 percent. These figures do not describe an identified borrower, lender, supplier or transaction.

The analysis concludes that lender protection should come from early cash amortisation and evidence controls rather than a static percentage of invoice value. An eligible cluster should have verified serial numbers, title, location, import status, support entitlement, tested performance, insurance, security perfection and permitted use. Borrowing availability should fall when utilisation, realised compute pricing, benchmark relevance, customer concentration or sale evidence weakens. Recovery planning should begin before default and preserve a functioning cluster wherever possible because piecemeal removal can destroy configuration value. A lender should size exposure to stressed cash generation and net executable recovery, with the lower measure governing.

JEL Classification: G21, G28, G31, G32, L63, L86

Keywords: India GPU finance, accelerator residual value, equipment finance, AI compute, advance rate, amortisation, secondary market, technology refresh, collateral recovery, IndiaAI

1. Define the financed asset

The decision question is which accelerators, servers, network, storage, licences, spares and installation costs create eligible collateral. The evidence file should begin with purchase orders, invoices, bills of entry, serial records, title documents, configuration manifests and payment evidence. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [1][2]

The principal failure is that the credit memo describes a GPU cluster while the security schedule cannot identify the components, rights and dependencies required to operate it. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to establish a serial-level asset register and exclude non-transferable, unverified or unsupported value from eligibility. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

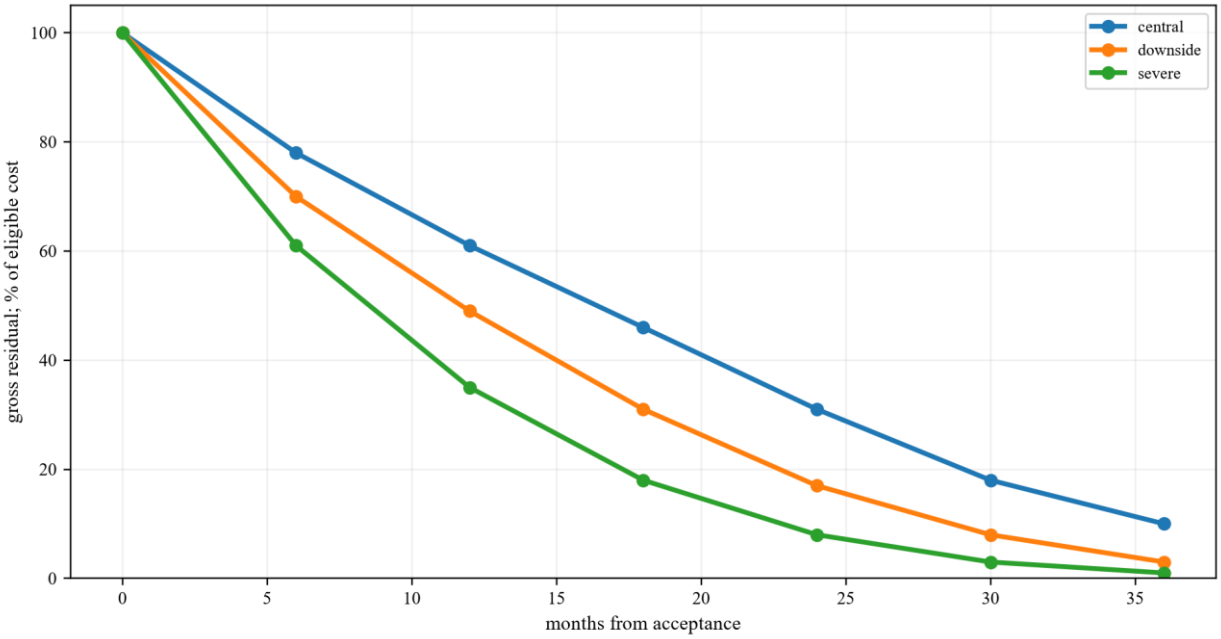
2. Map the technology cycle

The decision question is how architecture cadence, memory, interconnect, software and workload requirements alter economic usefulness. The evidence file should begin with vendor roadmaps, supported product documentation, benchmark releases, customer workload tests and service history. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [3][4]

The principal failure is that accounting life is treated as a forecast of competitiveness despite rapid platform transitions. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to refresh the technology map quarterly and link each change to workload fitness, revenue and recovery assumptions. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Figure 1. Hypothetical performance-adjusted residual curves



Wholly hypothetical; percentage of eligible cost before recovery expenses.

3. Separate four value concepts

The decision question is how carrying value, continued-use value, orderly-sale value and enforcement recovery differ. The evidence file should begin with Ind AS accounts, utilisation records, service contracts, market quotations, sale evidence and disposal costs. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [5][6]

The principal failure is that one residual percentage is used for accounting, covenant compliance and enforcement recovery. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to record each value purpose, valuation date, assumptions, market participant and cost deduction separately. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Table 1. Four lender value concepts

Value concept	Principal question	Required evidence
carrying value	what amount appears in the accounts?	cost, depreciation and impairment
continued-use value	what cash can this configuration still generate?	workload, utilisation, price and cost
orderly-sale value	what would a willing market participant pay?	comparable sales, bids and condition
net enforcement recovery	what cash reaches the lender after action?	rights, time, costs, taxes and collection

Proposed classification; accounting and transaction-specific standards control reported values.

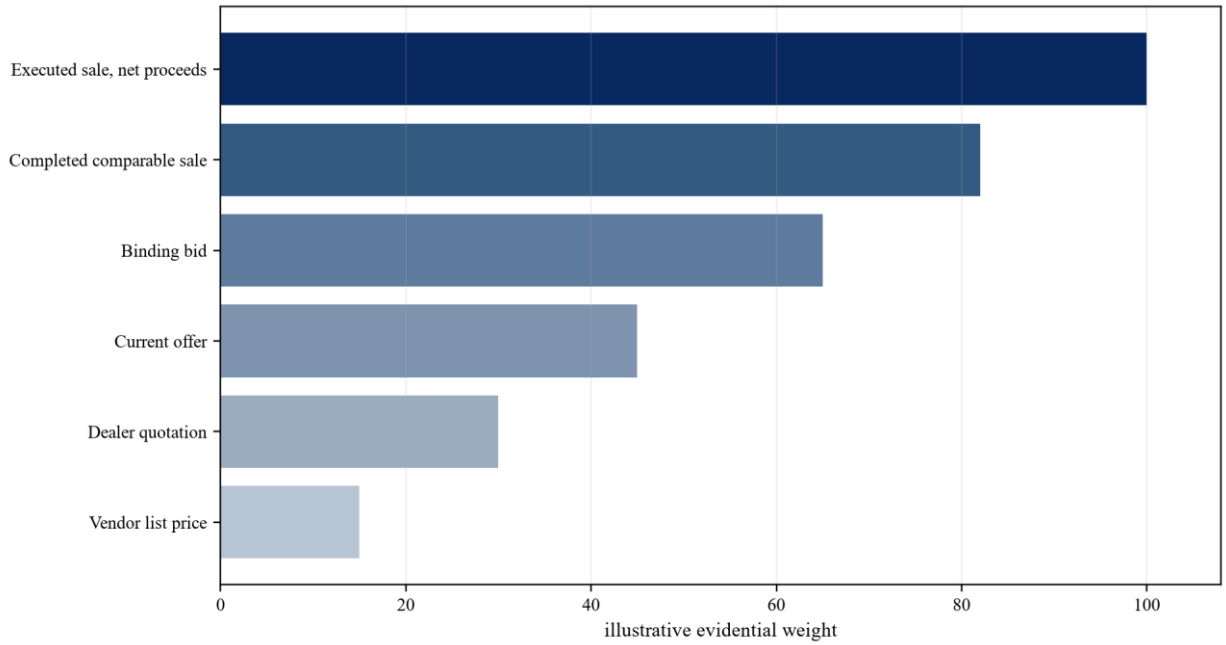
4. Create the residual-value evidence ladder

The decision question is which evidence deserves weight in a lender valuation. The evidence file should begin with completed sales, binding bids, current offers, dealer quotes, cloud pricing, benchmark results and vendor list prices. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [6][7]

The principal failure is that invoice cost or an unsupported broker opinion anchors value after market conditions change. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to weight executable and recent evidence above indicative evidence and apply explicit age, configuration and location adjustments. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Figure 2. Residual-value evidence ladder



Proposed hierarchy; transaction-specific evidence and valuation judgement remain necessary.

Table 2. Residual-value evidence controls

Evidence	Adjustment required	Control
completed sale	age, condition, configuration and location	verify invoice and settlement
binding bid	conditions, expiry and buyer capacity	confirm executable terms
dealer quote	margin, stock and warranty	seek multiple current quotes
cloud price	utilisation, operating cost and service scope	derive continued-use value only
benchmark	software version and workload relevance	reproduce independently

Evidence	Adjustment required	Control
vendor list price	discount, supply and generation	context only

Proposed lender schedule; the valuation date and market must be explicit.

5. Verify title and import status

The decision question is whether the borrower can grant enforceable security and a buyer can lawfully acquire and use the equipment. The evidence file should begin with contracts, invoices, customs records, end-user statements, security filings, licences and legal review. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [8][9]

The principal failure is that equipment is present in India while title, permitted use, transfer restrictions or security priority remain uncertain. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to complete ownership, import, use and transfer diligence before first draw and after any relocation or modification. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

6. Test export and re-export constraints

The decision question is whether a recovery or cross-border sale requires authorisation or faces end-user restrictions. The evidence file should begin with classification, destination, end user, supplier terms, licences, screening and legal advice. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [9][10]

The principal failure is that the recovery model assumes a global buyer pool that cannot lawfully receive the equipment. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to limit recovery value to buyers and routes supported by current legal and contractual evidence. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

7. Establish technical acceptance

The decision question is whether the delivered cluster performs as contracted under representative workloads. The evidence file should begin with factory records, installation reports, burn-in tests, benchmark results, network tests, defects and acceptance certificates. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [2][11]

The principal failure is that payment and debt draw occur before cluster-level performance and stability are demonstrated. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to make draw eligibility conditional on witnessed acceptance and a reconciled defect and warranty register. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Table 3. Cluster acceptance gate

Gate	Evidence	Failure response
identity	serial and configuration manifest	exclude asset
title	invoice, payment and customs evidence	stop draw
installation	site and network completion	retain funding
performance	witnessed workload and burn-in tests	cure or reject
support	warranty and entitlement	haircut or renew
security	filing, insurance and site acknowledgement	no eligibility

Proposed control; executed purchase and finance documents determine conditions.

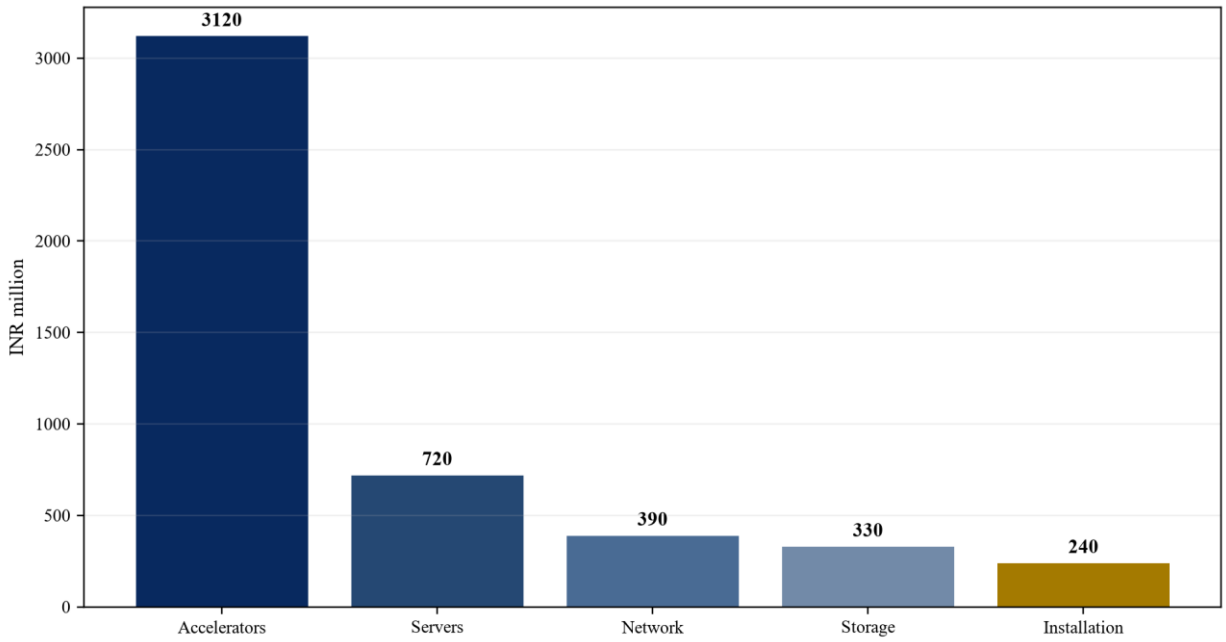
8. Rebuild eligible cost

The decision question is which equipment, taxes, logistics, installation, software and financing amounts qualify for funded value. The evidence file should begin with invoices, payment proof, tax treatment, contracts, cost ledger and independent verification. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [5][12]

The principal failure is that soft cost, refundable tax and non-transferable software are included in the collateral base. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to separate cash cost, eligible equipment cost and recoverable collateral value in the sources-and-uses schedule. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Figure 3. Hypothetical eligible equipment cost



Wholly hypothetical; INR million.

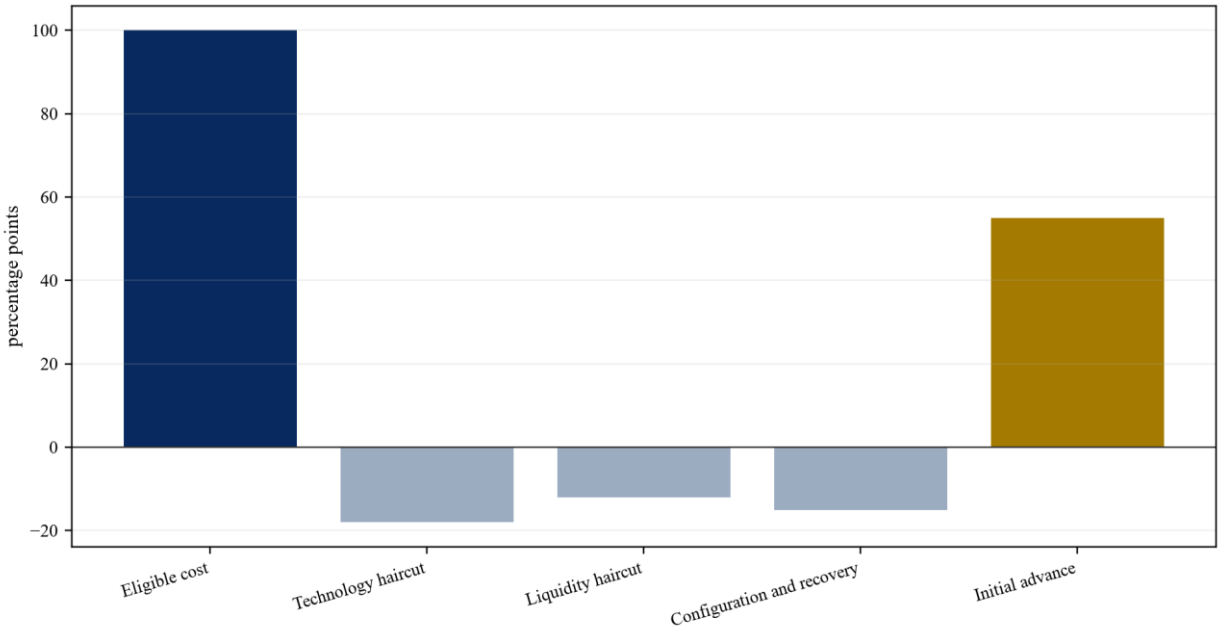
9. Design the advance-rate waterfall

The decision question is how cost, useful life, performance, liquidity, concentration and recovery cost determine debt availability. The evidence file should begin with eligible cost, tested configuration, comparable evidence, utilisation, contracts and recovery budget. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [6][13]

The principal failure is that a single loan-to-cost ratio overlooks the speed and asymmetry of technology value decline. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to apply sequential haircuts and cap debt at the lower of cash-flow capacity and stressed net recovery. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Figure 4. Hypothetical advance-rate waterfall



Wholly hypothetical; percentage of eligible cost.

Table 4. Proposed advance-rate waterfall

Step	Percentage of eligible cost	Rationale
verified eligible cost	100%	reconciled cash equipment cost
technology-cycle haircut	(18%)	performance and generation transition
market-liquidity haircut	(12%)	buyer depth and price dispersion
configuration and recovery haircut	(15%)	removal, support and execution
maximum initial advance	55%	before cash-flow cap

Wholly hypothetical; percentages do not describe market terms.

10. Set amortisation from value decay

The decision question is how principal decline should compare with expected net recovery and useful cash generation. The evidence file should begin with debt schedule, residual curves, revenue forecast, maintenance cost and downside scenarios. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [3][6]

The principal failure is that back-ended repayment leaves debt above recovery value during the fastest period of obsolescence. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to require principal to remain below a conservative recovery curve throughout the facility life. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

11. Build the borrowing base

The decision question is which assets remain eligible each reporting period and how availability adjusts. The evidence file should begin with serial register, location, performance, utilisation, contracts, insurance, support and valuation evidence. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [13][14]

The principal failure is that equipment remains in the borrowing base after failure, relocation, unsupported modification or loss of market relevance. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to recalculate eligibility monthly and require immediate prepayment for objective ineligibility events. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Table 5. Monthly borrowing-base tests

Test	Evidence	Ineligibility event
existence and location	serial API and inspection	missing or moved
tested operation	telemetry and incident log	material failure
support	active OEM entitlement	lapse or restriction
utilisation	metered productive hours	threshold breach
customer concentration	billed revenue by customer	limit breach
market evidence	current bids and comparables	value shortfall

Proposed framework; lender policy and documents determine thresholds.

12. Measure performance relevance

The decision question is whether benchmark and workload performance remain commercially useful. The evidence file should begin with MLPerf or comparable results, customer tests, throughput, latency, memory, power and software support. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [11][15]

The principal failure is that headline peak performance substitutes for the borrower workloads that generate cash. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to use a workload-specific performance score with version control and independent reproducibility. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

13. Track utilisation and realised pricing

The decision question is how productive hours and net realised compute price support debt service. The evidence file should begin with scheduler logs, metering, invoices, credits, customer contracts, collection records and IndiaAI pricing. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [1][16]

The principal failure is that booked capacity is treated as cash revenue despite idle time, discounts, credits and failed collection. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to reconcile physical usage to billed and collected revenue and test price compression each month. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

14. Control customer concentration

The decision question is how tenant, reseller and workload dependence affect cash and resale flexibility. The evidence file should begin with customer contracts, termination rights, usage history, concentration, portability and pipeline. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [16][17]

The principal failure is that a high utilisation rate hides dependence on one short-term customer or workload. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to apply concentration limits and maintain a substitution plan for both customers and workloads. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

15. Model operating cash generation

The decision question is whether compute revenue covers power, hosting, network, maintenance, tax and debt service. The evidence file should begin with contracts, invoices, energy bills, hosting terms, staffing, tax and collection evidence. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [1][18]

The principal failure is that gross GPU-hour revenue is presented as EBITDA without idle capacity and operating cost. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to build the cash model from available hours to collected contribution after every variable and fixed cost. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

16. Protect location and operating dependencies

The decision question is which data-centre services, power, cooling, network and access are required to preserve value. The evidence file should begin with colocation agreement, service levels, power allocation, access rights, insurance and step-in terms. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [18][19]

The principal failure is that security over equipment cannot be exercised without site access, shutdown coordination or safe removal. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to obtain acknowledgement, access, cure and removal arrangements from each essential site counterparty. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

17. Preserve warranty and support

The decision question is which warranties, service contracts, firmware rights and spare arrangements follow the asset. The evidence file should begin with OEM terms, serial status, support invoices, maintenance logs, entitlement transfer and defect records. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [2][3]

The principal failure is that hardware value assumes continuing support that terminates on transfer or after unauthorised modification. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to verify transferability and cost support renewal or haircut the recovery value accordingly. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

18. Govern refresh and substitution

The decision question is when new equipment, trade-in, upgrade or mixed clusters affect lender risk. The evidence file should begin with refresh plan, vendor offers, benchmark data, customer demand, cash budget and security documents. Each item should record source, date, owner, responsible reviewer, expiry

or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [3][14]

The principal failure is that the borrower replaces or mixes assets without releasing liens, updating registers or preserving cash. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to require consent, simultaneous security and a minimum value or cash sweep for every substitution. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

19. Control insurance and casualty

The decision question is whether physical damage, transit loss, cyber events and business interruption produce adequate proceeds. The evidence file should begin with policies, endorsements, insured values, exclusions, claims process and loss-payee evidence. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [14][19]

The principal failure is that invoice value is insured while consequential shutdown and reinstatement costs remain uncovered. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to align cover with current replacement, interruption and recovery exposures and verify it annually. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

20. Plan compliant end-of-life treatment

The decision question is how refurbishment, resale, parts recovery, data sanitisation and recycling affect net value. The evidence file should begin with asset condition, data-erasure evidence, environmental rules, recycler contracts and sale channels. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [20][21]

The principal failure is that gross component value ignores secure data handling, dismantling and regulated disposal cost. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to include compliant processing and evidence-chain costs in every recovery estimate. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market

evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

21. Apply the hypothetical financing case

The decision question is how INR 4.80 billion of eligible cost and INR 2.64 billion of debt behave through a rapid product cycle. The evidence file should begin with the stated hypothetical cost, advance rate, term, utilisation, pricing, residual and recovery assumptions. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [1][3]

The principal failure is that one base case conceals the point at which price compression and lower residual value break coverage. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to show monthly debt, cash contribution, gross residual, recovery cost and net collateral coverage. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Table 6. Hypothetical financing case

Metric	Central assumption	Downside range
accelerators	512	512
eligible equipment cost	INR 4,800m	INR 4,800m
initial senior debt	INR 2,640m	capped at INR 2,640m
initial advance rate	55%	lower after tests
principal amortisation	30 months	accelerated after triggers
gross residual at month 30	18%	3%-8%
recovery and remarketing cost	10%	15%-25%
collection factor	90%	70%-85%

Wholly hypothetical; figures do not describe an identified financing.

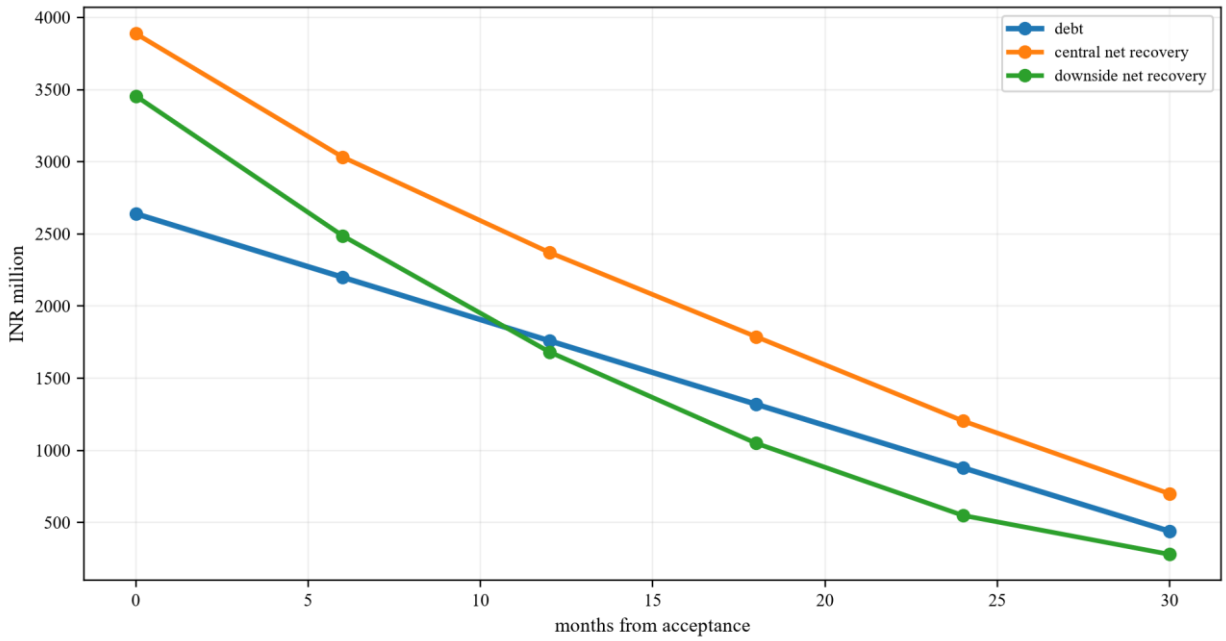
22. Stress the residual curve

The decision question is which age, architecture, utilisation, condition and liquidity combinations impair collateral coverage. The evidence file should begin with sale evidence, technology map, utilisation, condition, buyer depth and recovery cost. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [3][6]

The principal failure is that a single terminal residual assumption misses earlier value breaks and correlated market supply. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to run central, downside and severe curves at each quarterly measurement date. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Figure 5. Hypothetical debt and net recovery paths



Wholly hypothetical; INR million.

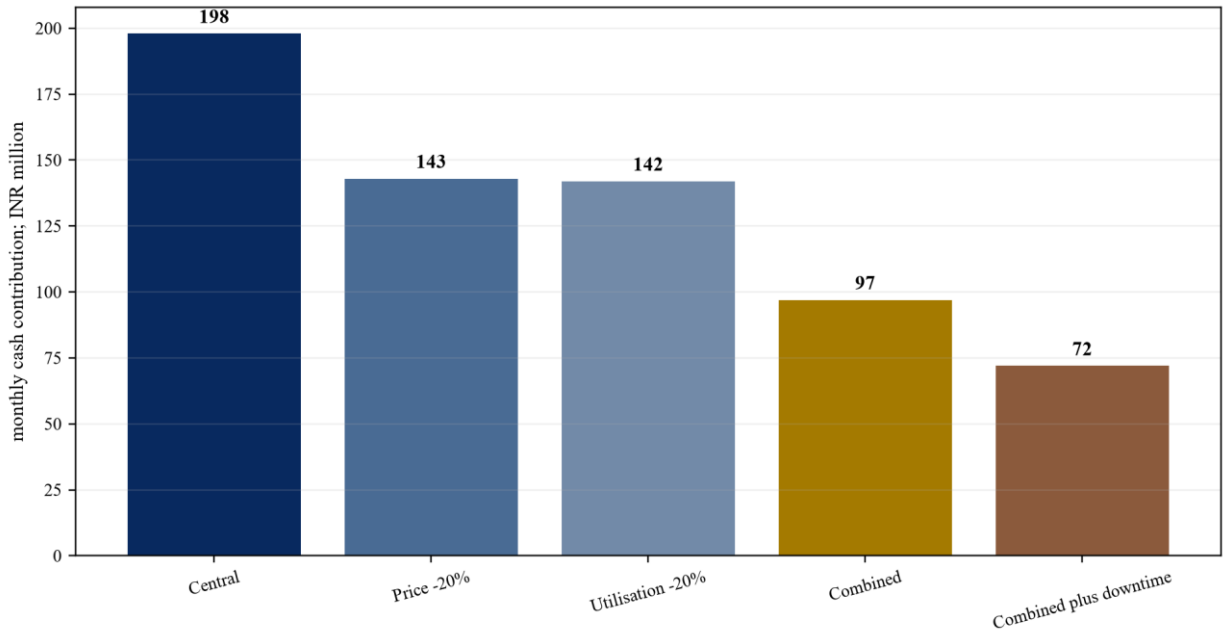
23. Stress revenue and utilisation together

The decision question is how lower realised price and productive hours compound cash-flow pressure. The evidence file should begin with metered usage, price schedules, discounts, customer terms, downtime and cost structure. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [1][16]

The principal failure is that independent sensitivities understate the effect of new supply, customer churn and technology transition. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to combine price, utilisation, downtime and collection shocks with stated management actions. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Figure 6. Hypothetical monthly contribution under price and utilisation stress



Wholly hypothetical; INR million before debt service.

24. Set triggers and cash controls

The decision question is which observable deterioration requires cash retention, prepayment, additional collateral or enforcement planning. The evidence file should begin with borrowing base, utilisation, realised price, coverage, support, concentration and valuation reports. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [13][14]

The principal failure is that action begins after payment default even though collateral and cash evidence deteriorated earlier. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to use staged triggers tied to forward coverage and verified collateral evidence. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

25. Design monitoring and audit

The decision question is who verifies the asset, performance, revenue, location, support and market evidence. The evidence file should begin with monthly certificates, API extracts, site inspections, independent tests, valuation reports and audit trails. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [13][15]

The principal failure is that borrower-generated spreadsheets remain the only evidence for both collateral and cash flow. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and

acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to combine system data, third-party evidence and periodic physical inspection with exception ownership. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

26. Prepare recovery before default

The decision question is which operating sale, portfolio sale, refinance, trade-in, removal or parts route maximises proceeds. The evidence file should begin with buyer list, site access, configuration, licences, support, removal plan, costs and timing. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [6][19]

The principal failure is that the first recovery work begins after default when support, customer continuity and buyer confidence have weakened. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to maintain a quarterly recovery dossier and executable contact and access plan. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

27. Compare operating and piecemeal recovery

The decision question is whether value is higher as a working cluster, reconfigured system or separate components. The evidence file should begin with cash contribution, customer transferability, site rights, buyer demand, removal cost and transaction time. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [6][20]

The principal failure is that component quotations are added together without recognising configuration loss and sale delay. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to compare net present proceeds under each route after all cure, operation, tax and disposal costs. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

28. Reach the credit decision

The decision question is whether verified cash generation, rapid amortisation and executable recovery support the proposed facility. The evidence file should begin with asset register, acceptance, technology map, borrowing base, downside model, security and recovery dossier. Each item should record source, date, owner, responsible reviewer, expiry or refresh date and the relevant serial numbers or cluster. Industry growth can explain why compute is being installed. It does not establish a lender's repayment source or recovery value. [1][13]

The principal failure is that strategic demand for AI displaces transaction-specific evidence on repayment and collateral. GPU finance converts supplier payments into credit exposure before the equipment has generated a stable collection record. The lender therefore needs a traceable chain from purchase and acceptance to productive use, billed revenue, collected cash, remaining useful service and an executable sale or redeployment route.

The recommended response is to approve only exposure that remains covered by stressed cash flow and conservative net recovery throughout the term. Management estimates may support a scenario when clearly identified and reconciled to observed data. The central case should use current contracts, measured performance and recent market evidence. Downside analysis should combine technology transition, price compression, lower utilisation, customer loss, operational interruption and sale friction.

Table 7. Credit-decision record

Decision	Minimum evidence	Possible action
commitment	cost, title, acceptance and downside	approve or resize
each draw	asset eligibility and remaining funds	fund or stop
monthly base	serial, utilisation, support and value	maintain or prepay
refresh	substitution and value preservation	consent or reject
deterioration	cash and recovery impact	sweep, cure or enforce
exit	operating and piecemeal bids	refinance, sell or recover

Proposed governance; transaction-specific approval remains necessary.

Frequently asked questions

Q: Can a lender use the supplier invoice as GPU collateral value? A: The invoice establishes cost and purchase evidence. Current collateral value requires adjustments for architecture, configuration, condition, support, market liquidity, location, transfer restrictions, recovery cost and sale timing.

Q: What should determine the initial advance rate? A: The advance rate should reflect verified eligible cost, technology-cycle risk, buyer depth, configuration, title, support, removal cost and stressed cash flow. The lower of cash-flow capacity and conservative net recovery should govern.

Q: Should principal amortisation follow accounting depreciation? A: Accounting depreciation serves financial reporting. Loan amortisation should keep outstanding debt below a conservative net recovery curve and within stressed cash generation throughout the facility term.

Q: How should rapid accelerator launches affect an existing loan? A: The lender should refresh workload performance, realised pricing, utilisation, comparable evidence and buyer depth. A launch becomes credit-relevant when it changes cash generation, support, customer demand or executable recovery.

Q: Can cloud GPU prices be used as residual-value evidence? A: Cloud prices can support continued-use economics after adjusting for utilisation, power, hosting, network, maintenance, credits and collection. They do not directly establish an equipment sale price.

Q: What should make an asset ineligible for the borrowing base? A: Examples include missing identity, disputed title, unauthorised relocation, failed performance, lapsed support, inadequate insurance, restricted transfer, material damage, unsupported modification or value below the required coverage threshold.

Q: Is a working-cluster sale preferable to component recovery? A: It can preserve configuration, software, customer and site value. The lender should compare net proceeds, time, consents, operating cost and buyer execution for a working sale, reconfiguration, removal and component sale.

Q: When should recovery planning begin? A: Recovery planning should begin before commitment and be refreshed quarterly. The dossier should contain buyers, configuration, access, support, transfer requirements, data-sanitisation steps, removal plans, costs and decision deadlines.

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