March 28, 2025

NTT Global Data Centers & Cloud Infrastructure India Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	2,372.8	3460.0	[ICRA]AA+ (Stable); reaffirmed and assigned for enhanced amount
Working capital facilities	855.0	855.0	[ICRA]A1+; reaffirmed
Non-fund based limits	22.0	22.0	[ICRA]A1+; reaffirmed
Commercial paper	1,000.0	1,000.0	[ICRA]A1+; reaffirmed
Commercial paper	500.0	0.0	[ICRA]A1+; reaffirmed and withdrawn
Proposed term loans	227.8	40.6	[ICRA]AA+ (Stable); reaffirmed
Total	**4,977.6**	**5,377.6**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation of NTT Global Data Centers & Cloud Infrastructure India Private Limited (NTT GDC India) factors in the expected healthy increase in consolidated operating income (OI) by 18-20% each in FY2025 and FY2026, driven by the ramp-up in the utilisation of new data centres (DC), backed by a healthy leasing pipeline. Its OI grew by 20.6% YoY to Rs. 2,722.8 crore in FY2024, aided by improved capacity utilisation of the existing and ramp up of the new DC. While its operating margin declined to 35.7% in FY2024 (PY: 39%) on account of a rise in management fee payable to NTT GDC India, they are expected to remain in the range of 35-37% for FY2025 and FY2026. The ratings factor in the strong parentage of NTT GDC India, a wholly-owned step-down subsidiary of Nippon Telegraph and Telephone Corporation (NTT), rated by Moody's at A2 (Stable). NTT is a leading integrated Japanese telecom operator with the Government of Japan holding about 35.1% (as on December 31, 2024) stake in the company. NTT GDC India has a long and established track record of funding support from NTT. NTT Limited (London), a wholly-owned step-down subsidiary of NTT, has extended corporate guarantee for NTT GDC India's borrowings from the Indian lenders. NTT GDC India's operations draw strong synergies from NTT's global DC and has senior representatives from NTT on its board of directors highlighting its importance for the Group's global operations.

The ratings draw comfort from the reputed clientele spread across different verticals, viz., communication, media, and technology, banking financial services and insurance (BFSI) etc., with top 10 customers contributing ~66% to the overall consolidated revenues in FY2024. The large investments made by customers and the downtime risks associated with switching result in high customer stickiness, evident from the Group's long-term relationship with clients. The company has a stable annuity stream of inflows, wherein the customers enter medium-to-long-term service contracts with defined escalations. The rating considers the strong long-term demand prospects for DCs, backed by digital data explosion in India and favourable regulatory support.

The strengths are, however, partially offset by the modest return on capital employed (RoCE) on account of continuous addition of DCs over the past few years. The company incurred a large capex (amounting to ~Rs. 6,800 crore) over the last three years (FY2022-FY2024) for setting up additional capacities, while the ramp-up in utilisation happens with a lag, resulting in subdued RoCE of ~8% in FY2024. ICRA expects the RoCE to remain modest in the medium term as the company is in the midst of a large capex programme.

NTT GDC India is estimated to incur a capex of ~Rs. 1,400-1,600 crore in FY2026, which will be primarily funded by a debt, which has already been tied up. The leverage, total debt (including lease liabilities)/OPBIDTA, is likely to remain high at around 7.0-7.3 times as of March 2025 compared to 8.0 times as of March 2024, consequently impacting the debt coverage metrics. While the debt tenure has increased for the recent sanctions, the overall tenure remains moderate. This, coupled with the longer ramp-up phase of the DC business may moderate coverage metrics in the near to medium term. However, ICRA derives strong comfort from the company's parentage, which provides exceptional financial flexibility and refinancing ability. The rating is constrained by the stiff competition from large DC additions with entry of many new players in the segment and expansion plans of the existing players. Nevertheless, long track record of operations, diversified presence across cities and the long-term relationship with reputed clients provide NTT GDC India a competitive advantage to some extent.

ICRA has withdrawn the rating assigned to Rs. 500 crore of commercial paper of the company, as the same is fully redeemed, and in accordance with ICRA's policy on withdrawal of ratings.

The Stable outlook on NTT GDC India's rating reflects ICRA's opinion that the company will maintain optimal capacity utilisation in the operational DCs, along with healthy ramp-up in upcoming DCs, resulting in an improvement in its earnings, debt protection metrics and liquidity position.

Key rating drivers and their description

Credit strengths

Reputed and diversified clientele with high customer stickiness and stable annuity stream of inflows – The company is expected to witness a healthy increase in consolidated OI by 18-20% each in FY2025 and FY2026, driven by the likely ramp-up in the utilisation of new DCs, backed by a healthy leasing pipeline. Its OI grew by 20.6% YoY to Rs. 2,722.8 crore in FY2024, aided by improved capacity utilisation of the existing and ramp up of new DC. While the operating margin declined to 35.7% in FY2024 (PY: 39%) on account of a rise in management fee payable to NTT GDC India, they are expected to remain in the range of 35-37% for FY2025 and FY2026. The Group has a reputed clientele spread across different verticals, viz., communication, media, and technology, banking financial services and insurance (BFSI) etc., with top 10 customers contributing ~66% to the overall consolidated revenues in FY2024. NTT GDC India is one of the major players in the Indian DC industry with a capacity market share of ~20%. The large investments made by customers and the downtime risks associated with switching result in high customer stickiness, evident from the healthy client retention. The company has a stable annuity stream of inflows, wherein the customers enter medium-to-long-term service contracts with defined escalations.

Strong parentage with demonstrated track record of funding support – NTT GDC India is a wholly-owned step-down subsidiary of Nippon Telegraph and Telephone Corporation (NTT), rated by Moody's at A2(Stable). NTT is a leading integrated Japanese telecom operator with the Government of Japan holding about 35.1% (as on December 31, 2024) stake in the company. NTT GDC India has a long and established track record of funding support from NTT. NTT Limited (London), a wholly-owned step-down subsidiary of NTT, has extended corporate guarantee for NTT GDC India's borrowings from the Indian lenders. NTT GDC India's operations draw strong synergies from NTT's global DC and has senior representatives from NTT on its board of directors highlighting its importance for the Group's global operations.

Favourable regulations support long-term prospects of DC – Data localisation and data explosion are paving the way for DC revolution in India. Digitisation drivers like adoption of new technologies (Cloud, IoT, generative AI, Big Data and 5G rollout), increase in digital penetration (internet usage, mobile penetration), e-commerce, Government focus on digital infrastructure and favourable regulatory policies like Digital Data Protection Bill, infrastructure status to data centres, special incentives from Central and state governments are expected to boost DC investments in the country and demand for the sector.

Credit challenges

Large debt-funded capex to moderate debt protection metrics – NTT GDC India is estimated to incur a capex of ~Rs. 1,400-1,600 crore in FY2026, which will be primarily funded by a debt, which has already been tied up. The leverage, total debt (including lease liabilities)/OPBIDTA, is likely to remain high around 7.0-7.3 times as of March 2025 compared to 8.0 times as of March 2024, consequently moderating the debt coverage metrics. While the debt tenure has increased for the recent sanctions, the overall tenure remains moderate. This, coupled with the longer ramp-up phase of the DC business may exert pressure on the coverage metrics in the near to medium term. However, ICRA derives strong comfort from the company's parentage, which provides exceptional financial flexibility and refinancing ability.

Continuous capex leading to modest return indicators – ICRA expects the RoCE to remain modest in the medium term as the company is in the midst of a large capex programme. NTT GDC India has continuously been adding DCs over the past few years. The company incurred a large capex (amounting to ~Rs. 6,800 crore) over the last three years (FY2022-FY2024) for setting up additional capacities, while the ramp-up in utilisation happens with a lag, resulting in subdued RoCE of ~8% in FY2024.

Stiff competition from other players – The company faces stiff competition from large DC additions with the entry of many new players in the segment and expansion plans of the existing players. However, the long track record of operations, diversified presence across cities and the long-term relationship with reputed clients provide NTT GDC India a competitive advantage to some extent.

Liquidity position: Adequate

The company's liquidity position is adequate with cash and bank balance of Rs. 137 crore as on December 31, 2024. It has sanctioned fund-based limits of Rs. 855.0 crore with average utilisation of 34% for the last 12 months until December 2024. The company has long-term debt repayment obligations of Rs. 97.5 crore in Q4 FY2025 and Rs. 661.4 crore in FY2026, which can be comfortably serviced through its estimated cash flow from operations. The capex for FY2026 is projected to be ~Rs. 1,400-1,600 crore and will be majorly debt funded, which is tied up. The company has undrawn debt of Rs. 1565 crore as on December 31, 2024, which will be utilised for the upcoming capex.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company achieves optimal capacity utilisation for the existing and new under-construction DCs resulting in sustainable improvement in earnings and liquidity position. Specific credit metrics that could lead to a rating upgrade include DSCR of more than 2.0 times on a sustained basis.

Negative factors – Negative pressure on the ratings may arise if there is a material deterioration in the credit profile or weakening of linkages with NTT. Further, higher-than-anticipated debt-funded capex and/or sustained lower utilisation levels of the new DCs resulting in weakening of NTT GDC's credit profile will be a negative factor.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Realty - Lease Rental Discounting (LRD)](#) [Policy On Withdrawal Of Credit Ratings](#)
Parent/Group support	Parent Company: NTT Limited (UK), Ultimate Parent Company: Nippon Telegraph and Telephone Corporation (NTT). The ratings assigned to NTT GDC India factors in the likelihood of its ultimate parent, NTT, extending financial support to NTT GDC India through NTT Limited (UK) because of close business linkages between them. ICRA expects NTT to be willing to extend financial support to NTT GDC out of its need to protect its reputation from the consequences of a Group entity's distress.

Consolidation/Standalone	Given the strong managerial, financial, and operational linkages between NTT GDC and Netmagic Solutions Private Limited, ICRA has considered the consolidated financials of Netmagic Solutions Private Limited and NTT GDC.

About the company

NTT GDC India (formerly known as Netmagic IT Services Private Limited) was incorporated in 2005 and is fully owned by Netmagic Solutions Private Limited, a wholly-owned subsidiary of NTT Ltd (UK), which is 100% held by NTT Data Inc (Japan). NTT Data Inc is ultimately owned by Japan's Nippon Telegraph and Telephone Corporation (NTT), which is a global provider of information and communications technology (ICT) solutions within the NTT Group.

NTT GDC India provides DC co-location services, cloud services and dedicated hosting or managed services to customers across India. At present, it has 16 operational DCs across five locations – Mumbai (8), Navi Mumbai (2), Noida (1), Chennai (2) and Bangalore (3).

Key financial indicators (audited)

NTT GDC India (Consolidated)	FY2023	FY2024
Operating income	2258.3	2722.8
PAT	174.7	43.2
OPBDIT/OI	39.0%	35.7%
PAT/OI	7.7%	1.6%
Total outside liabilities/Tangible net worth (times)	3.7	4.2
Total debt/OPBDIT (times)	7.9	8.0
Interest coverage (times)	2.9	1.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
		Type	Amount rated (Rs. crore)	Mar 28, 2025	Date & rating in FY2024			Date & rating in FY2023	Date & rating in FY2022	
					Mar 31, 2024	Aug 11, 2023	May 12, 2023	May 06, 2022	Mar 03, 2022	Apr 30, 2021
1	**Term loans**	Long Term	3,460.0	**[ICRA]AA+ (Stable)**	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
2	**Working capital facilities**	Short term	855.0	**[ICRA]A1+**	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3	**Non-fund based limit**	Short term	22.0	**[ICRA]A1+**	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	**Commercial paper**	Short term	1,000.0	**[ICRA]A1+**	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

5	**Commercial paper**	Short term	500.0	**[ICRA]A1+; withdrawn**	-	-	-	-	-	-
6	**Proposed term loans**	Long Term	40.6	**[ICRA]AA+ (Stable)**	[ICRA]AA+ (Stable)	-	-	-	-	-
7	**Unallocated limit**	Long Term	-	**-**	-	-	-	-	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Term loans	Simple
Working capital facilities	Simple
Non-fund based limit	Very Simple
Commercial paper	Very Simple
Proposed term loans	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	FY2019-FY2024	NA	FY2026-FY2036	3,460.0	[ICRA]AA+ (Stable)
NA	Working capital facilities	NA	NA	NA	855.0	[ICRA]A1+
NA	Non-fund based limits	NA	NA	NA	22.0	[ICRA]A1+
*	Commercial paper	NA	NA	NA	650.0	[ICRA]A1+
INE613R14191	Commercial paper	June 2024	NA	June 2025	350.0	[ICRA]A1+
NA	Commercial paper	NA	NA	NA	500.0	[ICRA]A1+; withdrawn
NA	Proposed term loans	NA	NA	NA	40.6	[ICRA]AA+ (Stable)

*Source: Company; *yet to be placed*

[Please click here to view details of lender-wise facilities rated by ICRA]

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Netmagic Solutions Private Limited (NSPL)	*	Full Consolidation

**NSPL holds 100% stake in NTT GDC India, ICRA Research*

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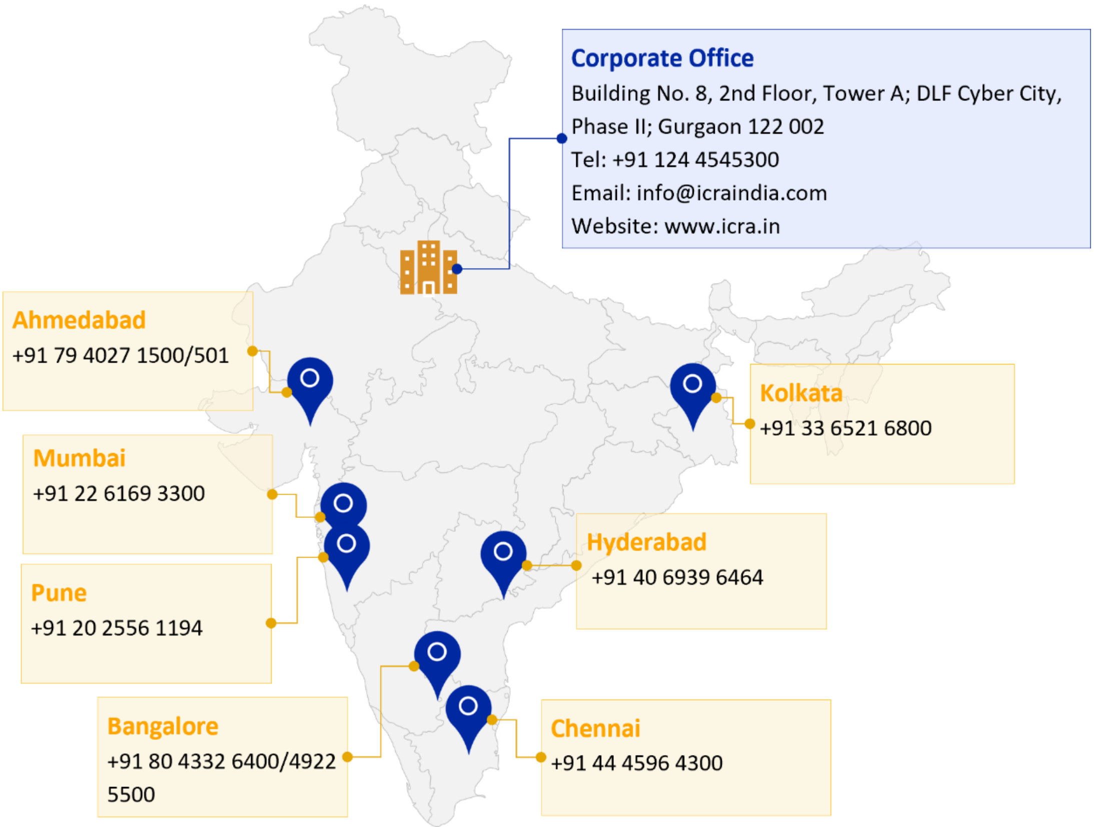

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