

September 25, 2024

## NTT Global Data Centers NAV2 Private Limited: [ICRA]AA-(Stable) assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	3,129.00	
Long-term – Fund-based – Working capital	6.10	[ICRA]AA-(Stable); assigned
Long-term – Unallocated limits	0.90	
<b>Total</b>	<b>3,136.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The assigned rating for NTT Global Data Centers NAV2 Private Limited (NTT GDC NAV2) factors in the strong parentage, being a wholly-owned subsidiary of NTT Global Data Centers Holding Asia NAV2 Pte. Ltd, which is 70% held by NTT Global Data Centers Holding Asia Pte. Ltd., with the ultimate parent being Nippon Telegraph and Telephone Corporation (NTT), rated by Moody's at A1 (Negative), and the remaining 30% held by Japan ICT Fund (JICT). NTT is a leading integrated Japanese telecom operator with the Government of Japan holding about 34.7% (as on June 30, 2024) stake in the company. NTT GDC NAV2 has an established track record of funding support from NTT and has strong synergies with NTT's global data centre (DC) business and has senior representatives from NTT on its board of directors highlighting its importance for the Group. ICRA expects NTT to continue to provide timely funding support to NTT GDC NAV2, given the close business linkages and NTT's reputation.

NTT GDC NAV2's DC campus in Navi Mumbai is coming up with a capacity of 107 MW in phase 1. The total project cost for phase 1 stands at ~Rs. 5,500 crore, which is to be funded through debt-to-equity ratio of 55:45. The debt is fully tied up and as of June 2024, ~58% of equity has been infused and ~52% of the project cost has been incurred. NTT GDC NAV2 has leased ~78% of phase 1 capacity as of June 2024. Of the 83-MW leased capacity, 21 MW is operational and the balance area is expected to generate revenues in a phased manner over the next 12-18 months. The rating considers the strong long-term demand prospects for DCs, backed by digital data explosion in India and favourable regulatory support.

The rating, however, is constrained by the exposure of the first phase of NTT GDC NAV2 to moderate execution risk and market risk as 24 MW under-construction project is yet to be tied up. However, comfort can be drawn from the NTT operational track record and commitment to infuse additional contribution to support any funding requirements. While NTT GDC NAV2 could reach an ultimate capacity of ~315 MW to be developed over the next seven to ten years in multiple phases, the company's ability to ramp-up utilisation of DCs for the upcoming phases, along with healthy profitability and RoCE remains to be key factors to be considered.

NTT GDC NAV2 is estimated to incur a capex of ~Rs. 2,600 – 2,700 crore during FY2025-FY2026, which will be funded by undrawn debt of Rs. 1,630 crore and the balance through equity infusion. The interest during construction is funded through equity contribution from the parent and internal accruals. While its DSCR remains comfortable in FY2025-FY2027 as there are no principal repayments, the coverage metrics are expected to moderate from FY2028 due to high principal repayments. However, ICRA derives strong comfort from the company's parentage, which provides high financial flexibility and refinancing ability. The rating is constrained by the 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-term relationship with reputed clients provides the NTT GDC Group a competitive advantage to some extent.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company would be able to improve its leasing and result in an improvement in debt protection metrics and also benefit from the strong sponsor profile, who are expected to provide operational and financial support.

## Key rating drivers and their description

### Credit strengths

**Strong parentage with demonstrated track record of funding support** – NTT GDC NAV2 is a wholly-owned subsidiary of NTT Global Data Centers Holding Asia NAV2 Pte. Ltd, which is 70% held by NTT Global Data Centers Holding Asia Pte. Ltd., with the ultimate parent being Nippon Telegraph and Telephone Corporation (NTT), rated by Moody's at A1 (Negative), and remaining 30% held by Japan ICT Fund (JICT). NTT is a leading integrated Japanese telecom operator with the Government of Japan holding about 34.7% (as on June 30, 2024) stake in the company. NTT GDC NAV2 has an established track record of funding support from NTT and has strong synergies with NTT's global data centre (DC) business and has senior representatives from NTT on its board of directors highlighting its importance for the Group. ICRA expects NTT to continue to provide timely funding support to NTT GDC NAV2, given the close business linkages and NTT's reputation.

**Low funding risk; healthy leasing leading to growth in revenues and operating profits in near term** – NTT GDC NAV2's DC campus in Navi Mumbai is coming up with a capacity of 107 MW in phase 1. The total project cost for phase 1 stands at ~Rs. 5,500 crore, which is funded through debt-to-equity ratio of 55:45. The debt is fully tied up and as of June 2024, ~58% of equity has been infused and ~52% of the project cost has been incurred. NTT GDC NAV2 has leased ~78% of phase 1 capacity as of June 2024. Of the 83-MW leased capacity, 21 MW is operational and the balance area is expected to generate revenues in a phased manner over the next 12-18 months.

**Digitisation and favourable regulations support long-term prospects of datacentres** – 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 datacentres, special incentives from Central and state governments are expected to boost DC investments in the country and demand for the sector.

### Credit challenges

**Moderate execution and market risks** – The first phase of NTT GDC NAV2 is exposed to moderate execution risk and market risk as the 24-MW under-construction project is yet to be tied up. However, comfort can be drawn from the NTT operational track record and commitment to infuse additional contribution to support any funding requirements.

**Large medium-term capex plans** – NTT GDC NAV2 is estimated to incur a capex of ~Rs. 2,600 – 2,700 crore during FY2025-FY2026, which will be funded by an undrawn debt of Rs. 1,630 crore and the balance through equity infusion. The interest during construction is funded through equity contribution from parent and internal accruals. While its DSCR remains comfortable during FY2025-FY2027, as there are no principal repayments, the coverage metrics are expected to moderate from FY2028 due to high principal repayments. However, ICRA derives strong comfort from the company's parentage, which provides high financial flexibility and refinancing ability.

**Stiff competition from other players** – The company faces stiff competition from large DC additions with entry of many new players in the segment and expansion plans of the existing players. However, the long-term relationship with reputed clients provides the NTT GDC Group a competitive advantage to some extent.

### Liquidity position: Adequate

The company's liquidity position is adequate with cash and bank balance of Rs. 231.7 crore as on June 30, 2024. The project cost is estimated to be funded by debt-to-equity ratio of 55:45 and the funding has been tied up. Around Rs. 1,350 crore of

equity has been infused till June 2024 and the balance is expected to be infused as per the capex phasing. The repayment of loan will start from FY2028.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the rating if there is a significant ramp up in revenues and operating profits resulting in improvement in debt coverage and leverage metrics. Specific credit metrics that could lead to a rating upgrade include DSCR of more than 1.75 times on a sustained basis.

**Negative factors** – Negative pressure on the rating could arise if there is a large speculative capex and/or significant increase in indebtedness resulting in weakening of debt protection metrics, on a sustained basis. Also, a material deterioration in the credit profile or weakening of linkages with NTT will result in a rating downgrade.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty - Lease Rental Discounting (LRD)</a>
Parent/Group support	Parent Company: NTT Global Data Centers Holding Asia NAV2 Pte. Ltd, Ultimate Parent Company: Nippon Telegraph and Telephone Corporation (NTT) The rating assigned to NTT Global Data Centers NAV2 Private Limited (NTT GDC NAV2) factors in the likelihood of its ultimate parent, NTT, extending financial support to NTT GDC NAV2 through NTT Global Data Centers Holding Asia NAV2 Pte. Ltd because of close business linkages between the entities. ICRA expects NTT to continue to extend financial support to NTT GDC NAV2 out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	Standalone

### About the company

NTT Global Data Centers NAV2 Private Limited (NTT GDC NAV2) was incorporated in India on February 10, 2021. It is a 100% subsidiary of NTT Global Data Centers Holding Asia NAV2 Pte. Ltd., which is 70% held by NTT Global Data Centers Holding Asia Pte. Ltd. and 30% by Japan ICT Fund (JICT). JICT was established in 2015 by the Japanese Government to support overseas operations of the Japanese companies in telecommunications, broadcasting, and postal services.

NTT Global Data Centers Holding Asia Pte. Ltd. is ultimately held by Japan's Nippon Telegraph and Telephone Corporation (NTT rated by Moody's at A1 (Negative)). The company is in the business of providing data centre services to domestic and global enterprise customers from across verticals.

Spread over 54 acres in Navi Mumbai, the company will support 107-MW capacity across four data centres in phase 1. Overall, its proposed capacity of 315 MW is to be developed in multiple phases in the medium to long term.

### Key financial indicators

NTT GDC NAV2	FY2024*
Operating income	100.8
PAT	-52.2
OPBDIT/OI	39.6%
PAT/OI	-51.8%
Total outside liabilities/Tangible net worth (times)	1.6
Total debt/OPBDIT (times)	37.5
Interest coverage (times)	0.6

Source: Company, ICRA Research; \* Provisional numbers; 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 (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Sep 25, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Long-term – Fund-based – Term loans	Long Term	3,129.00	[ICRA]AA-(Stable)	-	-	-	-	-	-
Long-term – Fund-based – Working capital	Long Term	6.10	[ICRA]AA-(Stable)	-	-	-	-	-	-
Long-term – Unallocated limits	Long Term	0.90	[ICRA]AA-(Stable)	-	-	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loans	Simple
Long-term – Fund-based – Working capital	Simple
Long-term – Unallocated limits	NA

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 Loans	FY2022 FY2023	NA	FY2033 FY2038	3,129.00	[ICRA]AA-(Stable)
NA	Working capital	NA	NA	NA	6.10	[ICRA]AA-(Stable)
NA	Unallocated limits	NA	NA	NA	0.90	[ICRA]AA-(Stable)

Source: Company

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

**Annexure II: List of entities considered for consolidated analysis – Not applicable**

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