

NxtGen Datacenter and Cloud Technologies Private Limited

Instrument	Amount In Rs. Crore [^]	Rating Action
Working Capital Limit	5.00	[ICRA]BBB- (Stable); assigned
Term Loan	49.00	[ICRA]BBB- (Stable); assigned
Bank Guarantee	6.00	[ICRA]A3; assigned

ICRA has assigned a long-term rating of **[ICRA]BBB-** (pronounced ICRA triple B minus) to the Rs. 5.00 crore working capital facility and Rs. 49.00 crore term loan of NxtGen Datacenter and Cloud Technologies Private Limited ('NDCTPL' or 'the company').[†] ICRA has also assigned a short-term rating of **[ICRA]A3** (pronounced ICRA A three) to the Rs. 6.00 crore non-fund based facility of NDCTPL. The outlook assigned on the long term rating is '**Stable**'.

The assigned ratings favourably take note of the investment by Intel Capital, International Finance Corporation and Axon Partners in NDCTPL's holding company- NxtGen Technologies Pte Limited, which in turn has been routed to NDCTPL in the form of equity (a part of which was earlier in the form of compulsory convertible debentures and was converted to equity during FY2016). The ratings draw comfort from the commissioning of the company's data centre (DC) facility in December 2015 and the strong existing and potential customer base which are likely to aid in achieving healthy occupancies leading to better absorption of the high fixed costs. The acquisition of six DCs from Dimension Data in the current fiscal, which has a 80:20 revenue sharing partnership arrangement with BSNL, is expected to further support the company's revenue growth. The ratings draw comfort from the longstanding experience of the company's promoter group and the management team in the telecom / data center industry and the company's ability to competitively price its solutions in comparison to peers through more storage due to high density racks and savings in the power cost on account of low power utilization effectiveness. Positive demand outlook for data center industry is also likely to support growth prospects for the company in the medium to long run.

ICRA, however, takes note of the limited track record of operations of the company, its modest financial profile characterized by cash losses by virtue of its nascent stage of operations and high competitive intensity in the industry. The ratings also take into account the risks associated with breach of data security and technical break-downs impacting the reputation of the data center, though the implementation of multi-level security measures and adequate redundancies mitigate the risk to a large extent. Going forward, the company's ability to achieve break-even and generate positive cash accruals would be critical, given the high debt repayment obligations for the company. ICRA notes that any high debt funded capital expenditure going forward, might lead to deterioration in the credit profile of the company, hence, continued funding support from the parent by way of equity infusion would remain crucial. The company's ability to acquire new customers and achieve the desired occupancy, the funding pattern of future capex plans and the quantum of investment from the existing and potential investors remain key rating monitorables.

Company Profile

Initially incorporated as PVRR Data City Private Limited on March 21, 2012, NDCTPL is engaged in providing DC and cloud services. The company has set up a high efficiency and high density DC in Bidadi near Bangalore. The 2,000 racks, 28MW DC is being set up in four phases with about 500 racks being fitted in each phase. The building in Phase I, however has been constructed for accommodating entire 2,000 racks. The capital outlay for Phase I is Rs.107.38 crore (funded through a mix of equity (Rs.56.98 crore) and debt (Rs.50.40 crore)). The said DC got commissioned in December 2015. In addition to co-location and dedicated hosting services at the DC, the Company also offers Enterprise Cloud Services (ECS).

[^] 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Recent Results

During FY 2016, NDCTPL reported net loss of Rs. 9.19 crore on an operating income of Rs. 52.14 crore as against net loss of Rs. 12.63 crore on an operating income of Rs. 20.84 crore in FY 2015.

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