April 30, 2024

NTT Global Data Centers Del2 Private Limited: [ICRA]A+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan**	978.00	[ICRA]A+ (Stable); assigned
Total	**978.00**	

**Instrument details are provided in Annexure I*

***Including Sub limit of Bank Guarantee of Rs. 30 crore*

Rationale

The assigned rating for NTT Global Data Centers Del2 Private Limited (NTT GDC Del2) factors in the strong parentage, being a wholly owned subsidiary of NTT Global Data Centers Holding Asia Pte limited which is a step-down subsidiary of Nippon Telegraph and Telephone Corporation (NTT), rated by Moody's at A1 (Negative). NTT is a leading integrated Japanese telecom operator with the Government of Japan holding about 34.7% (as on December 31, 2023) stake in the company. NTT Limited (UK), a wholly owned step-down subsidiary of NTT, is expected to extend corporate guarantee for NTT GDC Del2's borrowings by May 2024. ICRA expects NTT Limited (UK) to provide timely funding support to NTT GDC Del2, given the close business linkages and NTT's reputation sensitivity to default.

NTT GDC Del 2's data center campus in Greater Noida is spread across 6 acres with expected capacity of 52.8 MW across two phases – DC 1 with capacity of 22.4 MW and DC 2 with capacity of 30.4 MW. Earlier, the DC 1 was being developed under NTT Global Data Centers & Cloud Infrastructure India Private Limited (NTT GDC India, rated at [ICRA]AA+(Stable)/[ICRA]A1+), under which the building structure was completed and subsequently transferred to NTT GDC Del2 in February 2024 for a consideration of Rs. 700 crore. The total project cost of Phase 1 for NTT GDC Del2 stands at Rs. 1,470 crore (including the consideration paid to NTT GDC India) which is funded through debt-to-equity ratio of 70:30. As of April 2024, ~44% of equity has been infused and ~51% of the project cost has been incurred. NTT Del2 has leased ~20% of area in DC 1 as of April 2024. The ratings also consider 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 Del2 to residual execution risks. The project remains exposed to market risks, given leasing is in nascent stages. Any delay in tying-up of leases at adequate rates would adversely impact the debt protection metrics and would remain a key monitorable. However, comfort can be drawn from the sponsors' operational track record and commitment to infuse additional contribution to support any funding requirements. ICRA derives strong comfort from the company's parentage, which provides high financial flexibility and refinancing ability. Further, phase 2 of data center park is planned to add capacity of 30.4 MW (DC 2) post completion of leasing for DC 1, with additional capex starting from H1 CY2027 funded by debt-to-equity ratio of 70:30. NTT GDC Del 2 also faces stiff competition from large DC additions from established players. The competition is likely to further intensify with entry of new players in the segment.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company would be able to achieve adequate leasing progress by FY2026 benefitting from the healthy demand prospects for the sector and strong sponsor profile who are expected to provide operational and financial support.

Key rating drivers and their description

Credit strengths

Strong parentage – NTT GDC Del 2 is a wholly-owned subsidiary of NTT Global Data Centers Holding Asia Pte limited, which is a step-down subsidiary of NTT, rated by Moody's at A1(Negative). NTT is a leading integrated Japanese telecom operator with the Government of Japan holding about 34.7% (as on December 31, 2023) stake in the company. NTT Limited (UK), a wholly owned step-down subsidiary of NTT, is expected to extend corporate guarantee for NTT GDC Del2's borrowings by May 2024. ICRA expects NTT Limited (UK) to provide timely funding support to NTT GDC Del2, given the close business linkages and NTT's reputation sensitivity to default.

Low funding risk for first phase of the campus – NTT GDC Del 2's data center campus in Greater Noida is spread across 6 acres with expected capacity of 52.8 MW across two data centers – DC 1 with capacity of 22.4 MW and DC 2 with capacity of 30.4 MW, which will be completed in two phases. Earlier, DC 1 was being developed under NTT GDC India, under which the building structure was completed and subsequently transferred to NTT GDC Del2 in February 2024 for a consideration of Rs. 700 crore. The total project cost of Phase 1 for NTT GDC Del2 stands at Rs. 1,470 crore (including the consideration paid to NTT GDC India) which is funded through debt-to-equity ratio of 70:30. As of April 2024, ~44%% of equity has been infused and ~51% of the project cost has been incurred.

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

Exposure to project execution and market risk – The first phase of NTT GDC Del2 is exposed to residual execution risk. The project remains exposed to market risks, given leasing is in nascent stages. Any delay in tying-up of leases at adequate rates would adversely impact the debt protection metrics and would remain key monitorable. However, comfort can be drawn from the sponsors' operational track record and commitment to infuse additional contribution to support any funding requirements. ICRA derives strong comfort from the company's parentage, which provides high financial flexibility and refinancing ability.

Large medium-term capex plans – The Data center park is planned to add remaining capacity of 30.4 MW (DC 2) post completion of leasing for DC 1, with additional capex starting from H1 CY2027 funded by debt-to-equity ratio of 70:30.

Stiff competition from other players – The ratings are constrained by the intense competition from large DC additions with entry of many new players in the segment and expansion plans from the existing players. However, the long-term relationship with reputed clients, competitive pricing and strong technology support from NTT provide the NTT GDC Del2 a competitive advantage to some extent.

Liquidity position: Adequate

The company's liquidity position is adequate. The project cost of the first phase of the DC 1 is estimated to be funded by debt-to-equity ratio of 70:30. The debt has been sanctioned and the company has drawn ~Rs. 335 crore in its first tranche. Around Rs. 215 crore of equity has been infused till April 2024 and the balance is expected to be infused as per the capex phasing. The repayment of loan is expected to start from Q4 FY2027.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is significant ramp up in leasing at adequate rates resulting in healthy debt coverage and leverage metrics on a sustained basis. In addition, leasing occupancy of more than 85% for phase 1 and visibility on leasing pipeline for phase 2 will be a credit positive.

Negative factors – Negative pressure on the rating could arise if there are considerable delay in leasing leading to subdued revenues resulting in weakening of debt protection metrics, on a sustained basis. Any material cost or time overruns in project completion would be negative factor. Also, a material deterioration in the credit profile or weakening of linkages with NTT will result in rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty- Lease Rental Discounting (LRD)
Parent/Group support	Ultimate Parent Company: Nippon Telegraph and Telephone Corporation (NTT). The rating assigned to NTT Global Data Centers Del2 Private Limited (NTT GDC Del2) factors in the likelihood of its ultimate parent, NTT, extending financial support to NTT GDC Del2 due to close business linkages and its need to protect its reputation from the consequences of a Group entity's distress
Consolidation/Standalone	Standalone

About the company

NTT Global Data Center Del2 Private Limited (NTT GDC Del2) is a private limited company incorporated on 23rd November 2022. It is a 100% subsidiary of NTT Global Data Centers Holding Asia DEL2 Pte. Ltd. which is ultimately held by Japan's Nippon Telegraph and Telephone Corporation (NTT) rated by Moody's at A1 (Negative)). NTT GDC Del2 provides Data Centre services to domestic and global enterprises across verticals. The data center campus is spread over six acres and will support 52.8 MW capacity across two Phases. DC 1 will support 22.4 MW while DC 2 will support 30.4 MW. Currently company is undertaking phase 1 construction of 22.4 MW and another 30.4 MW will be taken up in phase 2 in FY2027.

Key financial indicators

Not applicable being a project-stage company.

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)	Amount outstanding as on April 15, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					April 30, 2024	-	-	-
1	**Term loan**	Long term	978	335	**[ICRA]A+ (Stable)**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	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**	FY2024	NA	FY2036	978	[ICRA]A+ (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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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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