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PRESS RELEASE

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India's digital backbone to strengthen with Rs. 90,000-crore data centre push during FY2026-FY2028: ICRA

- Indian third-party data centre operational capacity is expected to double by FY2028

Rating agency ICRA expects India's third-party data centre (DC) operational capacity to double to 2,400–2,500 MW by FY2028, up from 1,250 MW in FY2025. This expansion will be supported by a robust investment pipeline of Rs. 90,000 crore over the next three years, reflecting the sector's pivotal role in India's digital transformation. Both established and new players have announced a development pipeline of 3.0-3.5 GW to be delivered over the next 7–10 years, with total investments estimated at Rs. 2.3–2.5 lakh crore.

Mumbai continues to dominate the Indian DC landscape, contributing to over 50% of the current operational capacity and ranking 21st globally among top cities for DC capacity. Its strategic location, reliable power infrastructure, and proximity to the cable landing stations make it a preferred destination for data centre operators.

India currently accounts for approximately 3% of the global DC capacity of 42 GW, with the United States contributing around 50%. This share is expected to rise, driven by increasing data consumption and favourable policy initiatives. The emergence of edge DCs (smaller, decentralised DCs located closer to end-users and devices) is also gaining traction, propelled by low latency (the delay between a user action and the corresponding system response) and high-speed requirements, particularly in sectors such as banking, healthcare, agriculture, and Defence.

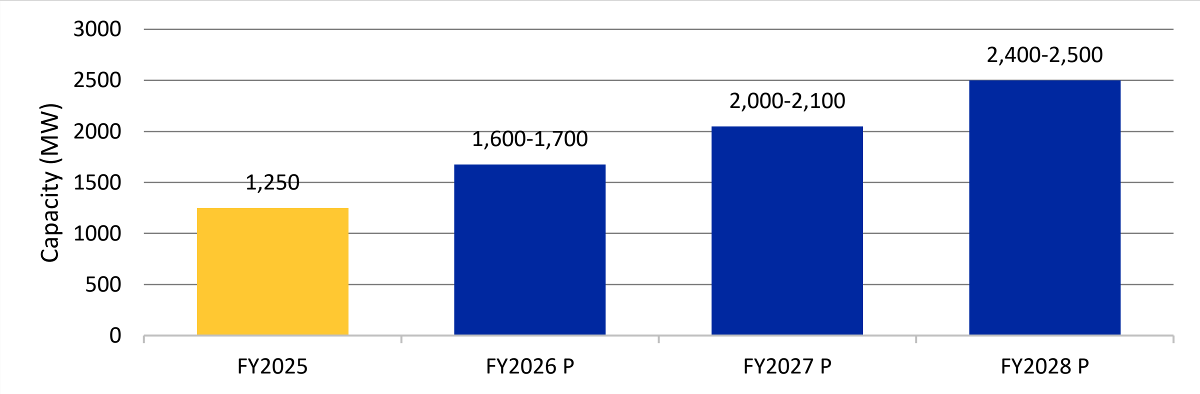
Indian DC operators are also focusing on renewable energy, with green power currently meeting 15–20% of their overall power requirements. ICRA expects this share to increase to 30-35% by FY2028 in response to ESG mandates and the need to diversify power sources.

The policy environment remains supportive, with the Digital Personal Data Protection Bill, infrastructure status for DCs, and special incentives from Central and state governments facilitating long-term scalability. States such as Maharashtra, Telangana, Odisha, and Tamil Nadu are actively attracting DC investments through targeted subsidies and exemptions.

Giving more insight, **Anupama Reddy, Vice President and Co-Group Head, Corporate Ratings, ICRA,** said: *"The recent draft proposal of the Ministry of Electronics and Information Technology (MeitY) to provide 20-year tax exemption policy, if implemented, could be a game-changer for India's data centre growth prospects. By offering input tax credits on capital investments like construction and electrical systems, the policy aims to lower upfront costs and improve project viability. This long-term incentive is expected to attract significant domestic and global investments, enabling developers to scale operations with greater confidence. With coordinated efforts to ensure reliable power supply and strategic land allocation, the initiative aligns with India's vision of becoming a global digital leader and achieving its trillion-dollar digital economy goal."*

As competition is heating up with the entry of new players, pricing flexibility is getting increasingly constrained, which will exert a drag on the profitability and return metrics for the incremental business. ICRA's analysis suggested that data centre operators in recent years have tapped long-tenured funding (12-18 years), which has helped them maintain a comfortable credit profile, offsetting some pressure on their pricing flexibility. Given the sizeable investment plans, the leverage metric measured by total debt/OPBDIT could remain elevated in the medium term at 4.5-5.0 times. However, supported by long-tenured debts, ICRA anticipates the coverage metric of the players to remain comfortable with debt service coverage ratio in the range of 1.5-1.7 times in the medium term.

EXHIBIT 1: YEARLY TRENDS IN DC OPERATIONAL CAPACITY IN INDIA



Source: ICRA Research; P – Projected

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