PRESS RELEASE
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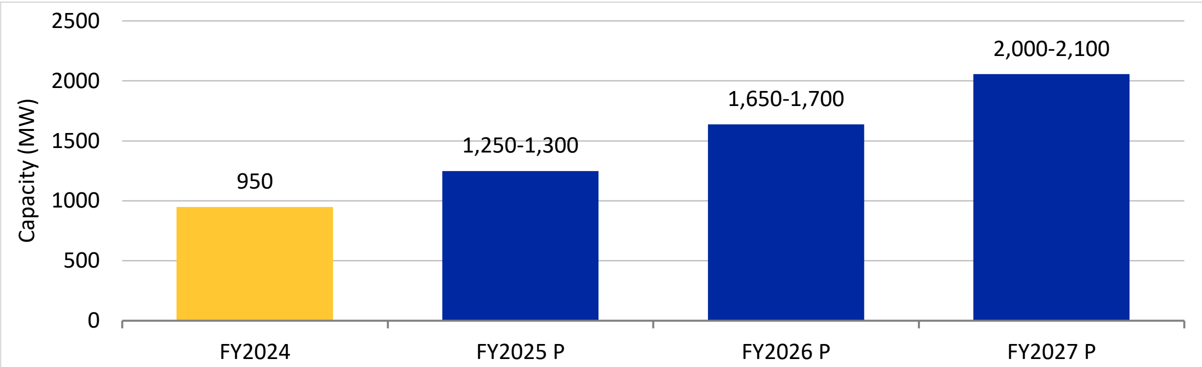
India's data centre operational capacity to double in next 30 months to 2,000-2,100 MW by FY2027: ICRA

- ***Investment of Rs. 50,000-55,000 crore expected during FY2025-FY2027***

ICRA expects India's data centre (DC) operational capacity to more than double to 2,000-2,100 MW by FY2027 from 950 MW in FY2024, involving investment of Rs. 50,000-55,000 crore, supported by digital explosion and data localisation initiatives. The DC capacity in India is dominated by a few players like NTT Global Data Centers, STT Global Data Centers, CtrlS Data Centres, Sify Technologies and Nxtra Data Limited, which had a share of 85% in the operational capacity as of March 2024. However, considering the strong demand for data centres in the country, many new developers like Yotta, Digital Connexion, Lumina CloudInfra, CapitaLand, Digital Edge, etc., have entered the industry with massive investments.

Giving more insight, **Anupama Reddy, Vice President and Co-Group Head - Corporate Ratings, ICRA**, said: *"Data explosion and data localisation are paving the way for a DC revolution in India. The low data tariff plans, access to affordable smartphones, adoption of new technologies and growing user base of social media, e-commerce, gaming and OTT platforms are some of the key triggers for data explosion. Also, artificial intelligence (AI) led demand, which is expected to increase multi-fold in the next 3-5 years, presents significant opportunities. This, coupled with favourable regulatory policies from the Central and state governments, the draft Digital Personal Data Protection Bill, and the infrastructure status are supporting the DC growth prospects."*

EXHIBIT 1: YEARLY TRENDS IN DC OPERATIONAL CAPACITY

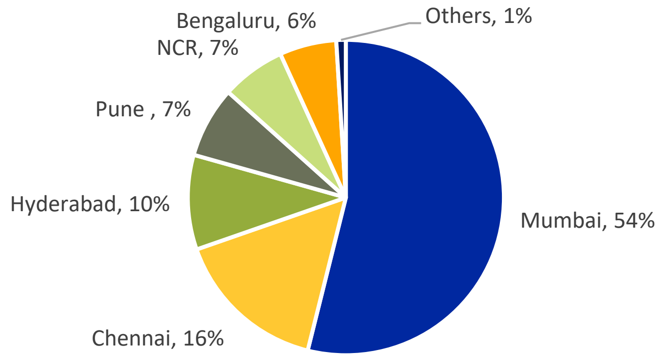


Source: ICRA Research; P – Projected

Co-location services, backed by hyperscalers, contribute to the majority (80-85%) of the DC revenues in the country. Most of the upcoming investments are geared towards meeting the high demand for these services. This continues to be driven by hyperscalers (large cloud service providers) and verticals, such as banking, financial services, and insurance (BFSI) and information technology/IT-enabled services (IT/ITES), which require strict data confidentiality and complete management control of their operations.

Around 95% of the existing capacity is in six cities in India with Mumbai and Chennai leading the race due to their inherent advantage in the form of the dense wet cable ecosystem, which offers best latencies (amount of time it takes for a data to travel from one place to another). Mumbai has been the front runner due to its central location, reliable power and cable landing stations. Mumbai contributes more than 50% to the current capacity and is expected to remain the key location for the upcoming DC capacity in India.

EXHIBIT 2: REGION-WISE DC CAPACITY (MW) BY 2027



Source: ICRA Research

Given the ESG considerations for most of the key tenants, DC players are also expected to invest in green power to meet their power requirements. Green power, as a percentage of total power consumption, is around 75% for the top three global DC operators. However, as a percentage of total power consumption, it is currently below 5% for Indian DC players, though this is projected to increase to 20-25% by 2028.

"The revenues for ICRA's sample[1] set are estimated to expand by a sharp 23-25% YoY in FY2025, supported by an increase in rack capacity utilisation and the ramp-up of new DCs. With the growth in revenues and better absorption of fixed costs, the operating margins may improve by 150-200 bps to 42.5-43.0% in FY2025. The return on capital employed (RoCE) is likely to be modest as the DC players are in continuous capex mode and new DCs will ramp up over a period of time. As competition is heating up with the entry of new players, pricing flexibility may get constrained, which will be a drag on the profitability and return metrics for the incremental business. However, the debt credit metrics of the players are anticipated to remain comfortable over the tenor of the loan," **Reddy added**.

~ Ends ~

[1] *Sample set includes top 5 operational DC companies*

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