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Press Release

Moody's Ratings & ICRA: Robust infrastructure demand to propel investment growth

- **Moody's: Massive investment required to achieve net zero pledge; private sector will be vital**
- **ICRA: India's data center and ports will benefit from strong policy support, increased capital outlays and a sizable pipeline of projects**

Mumbai, June 4, 2025: Moody's Ratings (Moody's) says that India will need massive investment to achieve its 2070 net-zero pledge as it balances the trilemma of energy security, affordability and transition.

Achieving this pledge will necessitate substantial investment, particularly in the power sector, which is a material contributor to the nation's carbon emissions.

Over the next decade, these investments are projected to constitute 2% of real GDP for the electricity value chain, encompassing power generation, storage, transmission and distribution.

Meanwhile, Moody's Indian affiliate ICRA forecasts slowdown in road construction activity in near term, whereas other segments like ports and data center will continue to witness significant investments, benefiting from solid government support, healthy capital outlays and a large pipeline of projects.

According to Moody's, the government's plan to reach net-zero emissions by 2070 will be contingent upon a shift in the fuel mix from the current predominantly coal-fired power toward clean and renewable energy.

However, strong economic growth implies India will also expand its coal-based power generation capacity by 32%-35% (or around 70GW-75GW) over the next 10 years, even as it adds around 450GW of renewable energy over the same period.

"We expect the private sector to remain active in India's renewable energy sector, while government-owned companies will also increase their role," says Abhishek Tyagi, a Moody's Vice President and Senior Credit Officer.

"Solar and wind power will dominate new generation capacity additions over the next 20-25 years, with smaller nuclear and hydropower additions," adds Tyagi.

Securing diverse sources of capital, including foreign investments (both debt and equity), will be crucial to bridge the funding gap for energy transition-related infrastructure.

Significant investments planned in data center and ports; road project awarding slows down, says ICRA

The budgetary outlay towards Ministry of Roads, Transport and Highways' (MoRTH) has remained flattish albeit healthy at INR2.72 trillion in FY2026 BE.

The project awarding in road segment has slowed down in the last 6-8 quarters, as the focus is gradually shifting towards improving share of private investment through BOT-Toll mode.

"With road awarding projected to improve only in second half of FY2026, the revenue growth of road developers is likely to remain subdued over the next 12-15 months, as it takes 6-9 months from project awarding to on-ground execution (first billing milestone)," says Ashish Modani, ICRA's Senior Vice President and Group Head, Corporate Ratings.

"Road developers are expected to bid aggressively for central government roads projects to build the shrinking order book, which will keep their operating profitability under pressure," adds Modani.

The GoI has planned sizeable capex under its Maritime India Vision 2030 to augment port capacity and infrastructure over the course of next few years. Given that capacity additions will be lumpy while the cargo growth is expected to lag the same, few port clusters may face pressure on pricing and capacity utilization levels.

ICRA expects cargo volumes to rise by 3%-5% in FY2026 driven largely by the growth in the container, petroleum products and the fertilizer segment. The ongoing uncertainty related to tariffs impacting trade and global economic output remain key risks for cargo volumes.

Apart from the traditional segments like transportation and energy within infrastructure space, data center is emerging as a new hotspot for infrastructure investment. ICRA expects significant investment pipeline of INR 1.6-1.8 trillion in data center (DC) capacity addition over next 5-6 years in India, supported by rapid digitalization along with favorable policy measures.

The competitive intensity has increased with the presence of about 18 DC operators in 2025 (as compared to 9 in 2019), which has resulted in moderation in rentals and increase in payback period; however, the coverage metrics are expected to remain comfortable because of elongated debt tenure (12-15 years).

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