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DATA CENTRES

India – A hotspot for data centre investments

October 2023

Agenda

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2 Global and India DC capacity

3 Types of services

4 Key parameters for a DC location

5 Operating cost structure

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Highlights

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Six-fold increase in data centre (DC) capacities expected in the next six years. Investment outlay of ~Rs. 1.60 lakh crore in the pipeline.

Mumbai, Hyderabad, NCR and Chennai to account for 85% of the installed DC capacity by 2028.

The global data centre capacity is estimated to be around 19 GW with the top 10 cities contributing to around 57% of the capacity. Mumbai is the only Indian city which is in the list of the top 50 cities in terms of DC capacity and is ranked at the 18th position. Further, India now accounts for 4% of the global installed capacity. However, this is expected to sharply increase in the medium term, supported by data explosion and favourable regulatory policy initiatives.

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.

To cater to the strong demand prospects for DCs, Indian corporates, foreign investors and existing DC players have started investing massively in Indian DCs. Overall, 5,100-5,200 MW of capacity involving investments of ~Rs. 1.60 lakh crore are likely to be added in the next six years. Majority of the upcoming investments are geared towards meeting high demand in co-location services. This will continue to be driven by hyperscalers and verticals such as BFSI, IT/ITES, which require strict data confidentiality and complete management control of their operations.

The revenues for ICRA's sample are expected to increase at a CAGR of 19-20% during FY2024-FY2025 (CAGR of 24% for FY2019-FY2023), supported by increase in rack capacity utilisation and ramp-up of new DCs. With the increase in revenues and better absorption of fixed costs, the operating margins are expected to remain in the range of 43-44%. The RoCE is expected to be modest as the DC players are in continuous capex mode. The increasing competitive intensity is likely to constrain the margins for incremental business and large-debt funded capex plans would exert pressure on the credit metrics of the players.

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Thank You!