

DATA CENTRES

Massive five-fold increase in capacity in Indian Data Centres with investments of Rs. 1.05 to 1.20 lakh crore in pipeline

May 2022



A large and growing internet userbase, the explosion of data via the Government's Digital India mission and the favourable regulatory support has transformed India into a fast-growing data centre (DC) market.



- The favourable regulatory support, rapidly growing cloud computing, increasing internet penetration, Government's push towards digital economy, adoption of new technologies (IoT, 5G etc), growing needs of hyperscalers are some of the major factors driving the demand for data centres in the country.



- The Government of India accorded infrastructure status to the data centres in the Union Budget 2022-2023. This will enable the data centres to get access to longer tenured debt at competitive rates. The status will provide the data centre access to foreign funding through the external commercial borrowing route. Also, some of the state governments are providing special incentives like exemption on stamp and electricity duty, power subsidies, land at subsidised cost among others to attract DC investments.



- The existing capacity of the third-party Indian data center market is estimated to be around 900-1100 MW. To cater to the increasing demand, Indian corporates like the Hiranandani Group, Adani Group; foreign investors viz. Amazon, EdgeConnex, Microsoft, CapitaLand, Mantra Group have started investing in Indian Data Centres. Along with them, existing players like NTT, CtrlS, Nxtra, STT India are also expanding their capacities. Overall, 3900-4100 MW of capacity involving investments of Rs. 1.05 – 1.20 lakh crore are likely to get added in the next five years.



- Based on ICRA's analysis, the industry revenues are expected to increase at a CAGR of around 18-19% during FY2022-FY2024, supported by increase in rack capacity utilisation and ramp-up of new DCs. With increase in revenues and better absorption of fixed costs, operating margins are expected to remain in the range of 40%-42%. The RoCE is expected to be modest as the DC players are in continuous capex mode. The increasing competitive intensity is expected to exert pressure on margins for incremental business and large-debt funded capex plans would exert pressure on credit metrics of the players.



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