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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

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Highlights

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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.

Analytical Contact Details

Rajeshwar Burla	**Mathew Kurian Eranat**	**Anupama Reddy**	**Abhishek Lahoti**
Group Head	*Co-Group Head*	*Sector Head*	*Senior Analyst*
rajeshwar.burla@icraindia.com	mathew.eranat@icraindia.com	anupama.reddy@icraindia.com	abhishek.lahoti@icraindia.com
040- 4067 6527	080- 4332 6415	040- 4067 6516	040- 4067 6534

ICRA Business Development/Media Contact Details

	L. Shivakumar	Jayanta Chatterjee	Naznin Prodhani
	Executive Vice-President	*Executive Vice-President*	*Head Media & Communications*
Email	shivakumar@icraindia.com	jayantac@icraindia.com	communications@icraindia.com
Phone	022- 6169 3304	080- 4332 6401	0124- 4545 860

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Thank You!