



DATA CENTRES

Overview of Indian data centre industry

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Rajeshwar Burla
Group Head
rajeshwar.burla@icraindia.com

Anupama Reddy
Co Group Head
anupama.reddy@icraindia.com

Abhishek Lahoti
Sector Head
abhishek.lahoti@icraindia.com

Hemanth Vasishta Attaluri
Senior Analyst
vasishta.attaluri@icraindia.com

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List of Abbreviations

Abbreviation	Definition
AI	Artificial Intelligence
BFSI	Banking, financial services and insurance
CAGR	Compound annual growth rate
DC	Data Centre
DSCR	Debt Service Coverage Ratio
ESG	Environmental, Social, and Governance
HVAC	Heating, Ventilation, and Air Conditioning
IoT	Internet of Things
IT/ITES	Information Technology/Information Technology enabled Services
JV	Joint Venture
MeitY	Ministry of Electronics and Information Technology
NCR	National Capital Region
O&M	Operations and Maintenance
OI	Operating Income
OPBIDTA	Operating profit before interest, depreciation, taxes and amortization
OPM	Operating Margin
PDP/DPDP	Personal Data Protection/Digital Personal Data Protection
PUE	Power usage effectiveness
RoCE	Return on capital employed
SGST	State Goods and Services Tax
SME	Small and Midsize Enterprise
TIA	Telecommunications Industry Association
UPI	United Payments Interface
UPS	Uninterruptible Power Supply

OVERVIEW

- **The global data centre (DC) 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 exponential increase in data consumption and favourable regulatory policy initiatives.
- **Digitisation drivers like adoption of new technologies** (Cloud, IoT, generative AI, Big Data and 5G roll-out), 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, special incentives from Central and state governments are expected to boost DC investments in the country.
- **DC players derive revenues primarily from two sources – co-location and managed services.** The co-location services refer to offering racks to customers, wherein the customers purchase their own server hardware and software licences and place them in a data centre. The managed services are one in which the client leases an entire server without sharing with anyone else. For the incumbent players, co-location accounts for 67-69% of revenues compared to the managed services, which account for 26-28% and others like internet bandwidth and sale of services contribute to 4-6%.
- **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 the BFSI and IT/ITES.
- **The revenues for ICRA's sample are expected to increase at a CAGR of 19-20% during FY2024-FY2025,** supported by an 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%. However, the RoCE is expected to be modest as the DC players are in continuous capex mode. The intense competition 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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Business Contacts

L Shivakumar

Chief Business Officer
E-mail: shivakumar@icraindia.com
022-61693304

Neha Agarwal

Head – Research Sales
E-mail: neha.agarwal@icraindia.com
022-61693338

Rohit Gupta

Head Business Development – Infrastructure Sector
E-mail: rohitg@icraindia.com
0124-4545340

Vivek Bhalla

Head Business Development – Financial Sector
E-mail: vivek.bhalla@icraindia.com
022-61693372

Vipin Saboo

Head Business Development
Corporate Sector – West & East
E-mail: vipin.saboo@icraindia.com
022-61693348

Shivam Bhatia

Head Business Development
Corporate Sector – North & South
E-mail: shivam.bhatia@icraindia.com
0124-4545803

Media and Public Relations

Naznin Prodhani

Head – Media & Communications
E-mail: communications@icraindia.com
0124-4545860

Registered Office

B-710, Statesman House 148,
Barakhamba Road
New Delhi-110001
Tel: +91 11 23357940-45

Corporate Office

Building No. 8, 2nd Floor,
Tower A, DLF Cyber City, Phase II,
Gurgaon - 122 002
Tel: +91-124-4545300

Ahmedabad

1809-1811, Shapath V,
Opp: Karnavati Club,
S.G.Highway, Ahmedabad - 380015
Tel: +91 79 4027 1500/501

Bengaluru 1

'The Millenia', Tower B Unit No. 1004,
10th Floor, 1 & 2 Murphy Road,
Bengaluru - 560 008
Tel: +91 80 4332 6400

Bengaluru 2

2nd Floor, Vayudooth Chamber
15-16, Trinity Circle, M.G. Road,
Bengaluru - 560 001
Tel: +91 80 4922 5500

Chennai

5th Floor, Karumuttu Centre
634, Anna Salai, Nandanam
Chennai - 600 035
Tel: +91 44 4596 4300

Hyderabad

Unit No 1006, 10th Floor, Gowra
Fountain Head, Patrika Nagar,
Madhapur, High-Tech City,
Hyderabad, Telangana – 500081
Tel: +91 040-45474829

Kolkata

A-10 & 11, 3rd Floor,
FMC Fortuna 234/3A,
A.J.C. Bose Road,
Kolkata - 700 020
Tel: +91 33 7150 1100/01

Mumbai

3rd Floor, Electric Mansion
Appasaheb Marathe Marg,
Prabhadevi,
Mumbai - 400 025
Tel: +91 22 6169 3300

Pune

5A, 5th Floor, Symphony, S. No. 210
CTS 3202 Range Hills Road,
Shivajinagar, Pune - 411 020
Tel: +91 20 2556 1194

Email: Info@icraindia.com

Helpdesk: 9354738909

Website: www.icra.in/ www.lcrareserach.in