



DATA CENTRES

Overview of Indian data centre industry

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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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