

PRESS RELEASE

March 11, 2025

Indian data centre players to invest Rs. 2.0-2.3 lakh crore in next 7-10 years: ICRA

- **Investment of Rs. 40,000 – 45,000 crore expected in data centre capacity during FY2026-FY2027**

ICRA expects India's data centre (DC) operational capacity to increase to 2,000-2,100 MW by March 2027 from around 1,150 MW as of December 2024, involving investment of Rs. 40,000-45,000 crore in FY2026-FY2027, supported by internet/data usage and data localisation initiatives. Further, established DC players and new players, which have entered this sector in the last 3-4 years, have a development pipeline of 3.0-3.5 GW to be delivered in the next 7-10 years, involving significant investments of Rs. 2.0-2.3 lakh crore.

Giving more insight, **Anupama Reddy, Vice President and Co-Group Head, Corporate Ratings, ICRA**, said: *"While cloud, 5G roll-out, machine learning and internet of things (IoT) are expected to generate enormous data and storage requirements, generative artificial intelligence (AI)-led high computing requirements present a new wave of demand for DC capacity and a significant opportunity for DC operators. Driven by AI requirements, the global DC market has already witnessed multiple large deals (>300 MW) signed by hyperscalers and India is expected to follow the trend. This, coupled with favourable regulatory policies and an infrastructure status for the DC sector will support strong growth prospects in India in the coming decade."*

As part of the Union Budget 2025-26, the Government's proposal to set up a centre of excellence in AI for education, the BharatNet project to provide broadband connectivity to all gram panchayats and start Deeptech Fund of Funds to provide access to skilled professionals in AI, cyber security and cloud computing, compliments the strong growth prospects for the DC sector in India.

The presence of landing stations, fibre connectivity, uninterrupted power supply, proximity to tenant's headquarters and high score on disaster proofing are some of the key parameters a DC operator would look for in a location. Mumbai and Chennai have maximum landing stations, with the former being the preferred location for a DC operator. Around 75% of the upcoming capacities in the next three years are concentrated in Mumbai, Chennai and the Hyderabad markets.

"Co-location services, backed by hyperscalers, contribute to the majority (80-85%) of the DC revenues for major developers. However, with the increase in the number of DC developers in India (from 5 in 2019 to 18 in 2025), servicing the same set of hyperscalers has led to moderation in rentals in the recent past as negotiation power has tilted more towards them. As a result, ICRA expects an increase in the payback period and an impact on return metrics for majority of the developers in the medium term," Reddy added.

ICRA estimates the revenues for top 5 DC players (which account for around 75-80% of overall industry revenues and operational capacities in India) to expand by a sharp 18-20% YoY in FY2026, supported by an increase in rack capacity utilisation and the ramp-up of new DCs. The operating margins are expected to remain healthy in the range of 40-41% in FY2026. The return on capital employed (RoCE) is likely to be modest as the DC players are in continuous capex mode and new DCs will ramp up over a period of time. As competition is heating up with the entry of new players, pricing flexibility is getting increasingly constrained, which will exert a drag on the profitability and return metrics for the incremental business. However, ICRA anticipates the leverage and coverage metrics of the players to remain comfortable in the medium term.

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