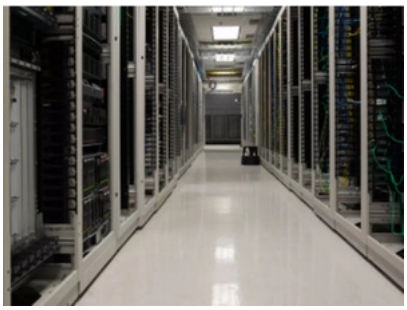
THE ECONOMIC TIMES | Industry
English Edition ▾ | 09 June, 2022, 10:54 AM IST | Print Edition

India's data centre capacity to double by fiscal 2025: Report

Synopsis
The launch of 5G services — likely by the end of fiscal 2023 — will further boost demand for data and storage capacities. Government norms on data localisation, seeking storage of sensitive data within the country, and digital initiatives would be another tailwind.



Data centre capacity in India is expected to double to 1,700-1,800 megawatt1 (MW) by fiscal 2025 from 870 MW last fiscal, powered by the troika of data boom, digital adoption and local data storage mandates. This will require investments of over Rs 40,000 crore, said CRISIL NSE 0.20 %, a rating and valuation agency.

The corporate embrace of advanced technologies and digital infrastructure, and the increasing use of smart devices by individuals have led to a massive spurt in data and cloud usage (wireless mobile data traffic grew 31% to 253 exabytes2 in 2021), creating huge demand for data centres.

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Nitesh Jain, Director, CRISIL Ratings said, "Indeed, data centres are emerging as an attractive infrastructure asset class in India. The industry is expected to add ~850-900 MW capacity during fiscals 2023-25. Mumbai, the financial capital of the country that accounts for around half of the existing capacity, is expected to add 300 MW. This growth would be supported by proximal access to sub-sea cables, optic fibre connectivity, uninterrupted power supply and availability of skilled manpower. Hyderabad, Chennai and Pune will follow suit, and likely to add ~400 MW capacity cumulatively."

Of the ~Rs 40,000 crore investments, a third will be to acquire land, a fifth for substations, and the balance for civil work, purchase of equipment and fit-outs. Capex will also be required for captive renewable energy sources, which are cheaper than grid energy.

Rakshit Kachhal, Associate Director, CRISIL Ratings said, "With electricity accounting for 45-50% of the operating expense of data centres, there is sharper focus on an optimum mix of grid power and renewables. The share of renewables in data centre power consumption is expected to increase to 35-40% by fiscal 2025 from less than 15% now. Renewable power being cheaper will improve the operating margins of the sector by 200-300 basis points by

fiscal 2025 and help sustain project's returns on capital employed at 13-15%."

That said, the final contours and timelines for the implementation of the Data Protection Bill and the Data Centre Policy, and the mass uptake of 5G services are upsides that can give a further fillip to demand for data centres in India.

However, the emerging sector still remains exposed to technological risks such as social engineering, cyber attack, data theft and leakages, despite high levels of security. Moreover, as the sector is still emerging in India, other vulnerabilities might unfold, so these will bear watching, mentioned CRISIL.