

Data Centre Market Watch



INDIAN ECONOMY 2024

2024: A POLL-DRIVEN WORLD

2024 was an unusual year. Never before in human history had 70-odd democracies seen national elections in a single year. Beginning with Bangladesh in the first week of the year, marked by the world biggest general elections in India from April to June, and peaking with the most-awaited US elections in November 2024 presented a complete theatre.

The anti-incumbent wave was in evidence in many parts, notably in the US, UK, Japan, etc.; whereas in India, the ruling party returned, albeit with reduced strength.

However, India's economic performance in 2024 remained strong, further establishing it as an emerging economic force. With approximately USD 3.9 tn (nominal) GDP and a growth rate of 6.6%, it remains the world's fifth-largest and fastest growing major economy.

It is powered by robust foreign direct investment (FDI) inflows, an expanding export sector and significant advancements in infrastructure and financial regulation.

GROWTH AMIDST ECONOMIC SLOWDOWN

In FY24, India's GDP growth was a robust 8.2%, fueled by strong domestic demand and structural reforms. However, the economy experienced a slowdown in Q2 FY25 (July-September), with growth declining to 5.4%, the lowest rate in seven quarters. In light of this downturn, the Reserve Bank of India (RBI) revised its real GDP growth projection for FY25 to 6.6%, down from the earlier estimate of 7.2%.

In October 2024, India's headline inflation increased to 6.21%, reaching its highest level in over a year. Consequently, the MPC (Monetary Policy Committee) of RBI opted to maintain its repo rate at 6.5% for the eleventh consecutive time.

Despite uneven and less than favourable inflation in several months, growth was in evidence. We illustrate the current growth landscape with two key indicators: manufacturing sector performance and GST collections.

The Manufacturing Purchasing Managers' Index (PMI) has mostly shown resilience,

reaching a 16-year high of 59.1 in March 2024 and consistently remaining above 55 throughout the calendar year. Furthermore, the Index of Industrial Production (IIP) demonstrated a robust performance with a growth rate of 5.9% in May 2024.

Additionally, record GST collections reflect strong domestic consumption, with total collections growing by 9% year-on-year to reach INR 21.4 lakh crore in CY 2024. Monthly GST collections averaged approximately INR 1.7 lakh crore, indicating steady growth.

Equity Markets Navigate Volatility

Equity markets experienced a dynamic year in 2024, culminating in positive returns despite significant volatility. The NIFTY and SENSEX indices recorded annual gains of 8.8% and 8.17%, respectively, marking the ninth consecutive year of growth. The first half of the year saw the SENSEX hit a record high of 85,978.25, whereas the NIFTY reached an all-time high of 26,277.35 in September, driven by robust corporate earnings and strong domestic fund inflows. However, the latter part of the year was characterised by corrections, primarily due to aggressive selling by Foreign Institutional Investors (FIIs) amid global economic uncertainties and geopolitical tensions. Real Estate Investment Trusts (REITs) gained traction among retail investors, further diversifying investment opportunities in the market.

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POLICY FRAMEWORK

In 2024, the RBI adopted a cautious yet adaptive monetary policy, maintaining the repo rate at 6.5% to balance inflation and economic growth. Despite a projected slowdown in GDP growth to 6.6% for FY25, this stability reinforced investor and consumer confidence, particularly within the real estate sector.

Budgetary Announcements

The Union Budget 2024-25 emphasised sustainable economic growth, focusing on education, employment, and infrastructure development as part of the vision for a developed India by 2047. Key measures included an allocation of INR 10 lakh crore under the Pradhan Mantri Awas Yojana (PMAY) to construct three crore homes, supporting the goal of 'Housing for All'. A key pronouncement for real estate was the change in long-term capital gains tax rate from 20% to 12.5% along with removal of indexation benefits.

Infrastructure and Urban Regeneration

Several infrastructure investment announcements in FY25 have been pivotal in boosting economic growth and the real estate sector, including the road infrastructure outlay of INR 26,000 crore to boost connectivity. Key projects include the development of critical road connectivity initiatives such as the Patna-Purnea Expressway, Buxar-Bhagalpur Expressway, Bodhgaya, Rajgir, Vaishali, and Darbhanga spurs, along with an additional two-lane bridge over the river Ganga at Buxar. A comprehensive development plan for tourism to enhance tourism infrastructure, while private investments in infrastructure are being encouraged through viability gap funding mechanisms. Urban redevelopment

is a priority, with a focus on brownfield redevelopment of cities and the development of 'Cities as Growth Hubs' through economic and transit planning and orderly peri-urban development using town-planning schemes. Transit-oriented development plans for 14 large cities with populations above 30 lakh are also underway to improve urban mobility and land use efficiency. The Purvodaya Plan emphasises all-round development of the Eastern region, further strengthening regional growth. Collectively, these initiatives aim at creating a robust infrastructure framework, stimulating economic activity, and enhancing the quality of urban living.

2025: THE GEN-BETA YEAR

The first quarter of the 21st century will attain completion in 2025. Emerging economies reportedly comprise almost 60% of global growth at this time. The Indian economy, a key constituent of this set, is likely to grow at 6.5%-6.6%, on the back of strong domestic consumption, increased public and private investment, and a rebound in capital expenditure, particularly in infrastructure.

While geopolitical tensions and fluctuating external demand may pose challenges, India's strategic positioning within global supply chains could offer opportunities for export growth, especially as companies seek alternatives to traditional markets. Growth areas like AI, electronic manufacturing, semiconductors, etc., are likely to be in high focus, as would be urban housing and infrastructure.

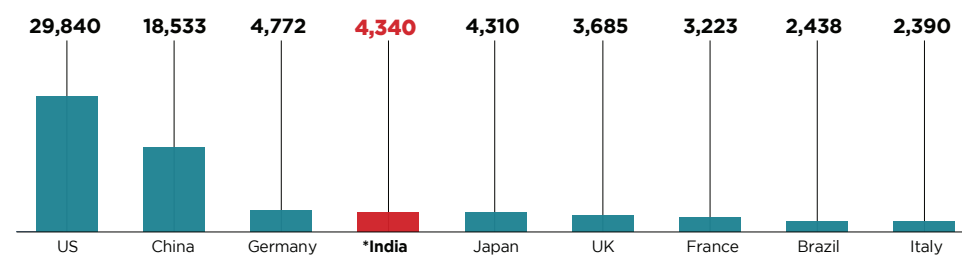
Among other things, 2024 marks the last birthyear of Gen-Alpha. Gen-Beta starts its journey now.



India expanded its renewable energy portfolio through significant investments in solar, wind, and hydropower projects, aligning with its goal to achieve net-zero emissions by 2070 and developing multiple green hydrogen hubs to establish itself as a global leader in renewable energy.

INDIA CONTINUES AS FASTEST GROWING ECONOMY

Chart 1: GDP Projections for 2025 (USD Bn)



Source: IMF
*FY refers Fiscal year basis

Note:
FY refers Fiscal Year (Apr-Mar)
CY refers Calendar Year (Jan-Dec)
This section contains figures in Indian system of lakhs and crores (refer Appendix for international conversions)
1 USD = Approx. 85.55 INR on December-29 2024

Chart-2: India: Purchasing Manager's Index (PMI) Performance

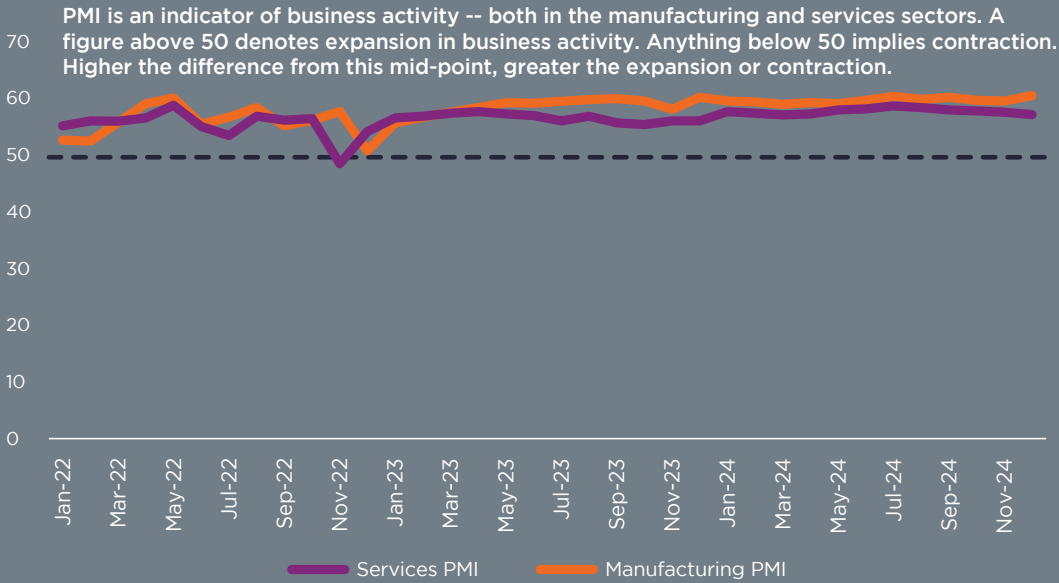
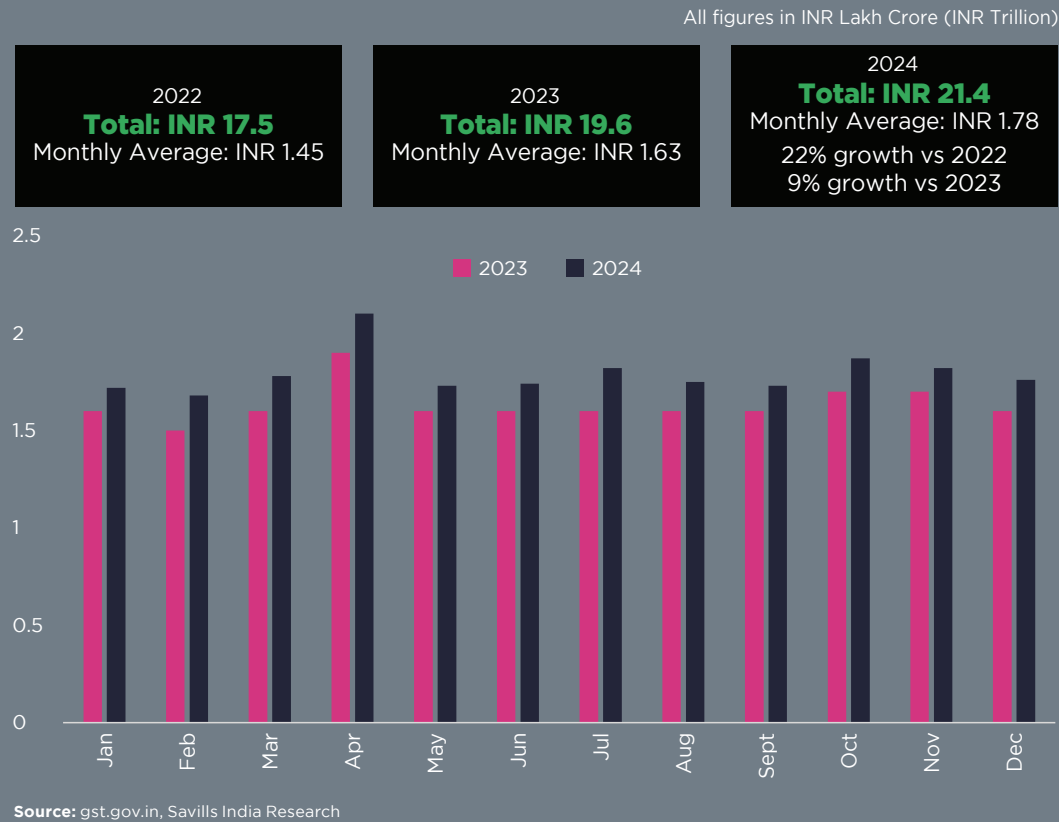


Chart-3: GST Collections



The IMF has projected that India will become the world's third-largest economy by 2027, surpassing Germany, a testimony to India's rising stature.

INDIA DATA CENTRE HIGHLIGHTS IN 2024

- In 2024, around 191 MW IT capacity was added across cities
- The market witnessed absorption of around 407 MW IT capacity across cities, primarily driven by hyperscalers
- The total operational capacity reached 1,110 MW IT capacity as of end 2024
- Growing demand for Edge Data Centres
- Emerging Tier-II & III cities

KEY STATS 2024

Supply	191
Stock	1,110
Absorption	407

MW IT Capacity

DATA CENTRE SUPPLY AND DEMAND DYNAMICS IN 2024

Data centres in India are primarily concentrated in Mumbai, Chennai, Bengaluru, Hyderabad, Pune and Delhi-NCR due to their connectivity, infrastructure, power availability, and demand from enterprises and cloud service providers. Mumbai is often regarded as the data centre capital of India due to its robust infrastructure,

proximity to undersea data cable landing stations and financial hub status. It is followed by Chennai, a key location for data centres, complimented by multiple submarine data cable landing stations, which make it ideal for data center establishments and global connectivity.

In 2024, absorption of 407 MW IT capacity and supply addition of 191 MW of IT capacity was witnessed across cities. This demand was driven by hyperscalers, BFSI (Banking, Financial Services, and Insurance), IT & ITeS, and service sectors, all relying heavily on data centre operators for colocation and related services.

DATA CENTRE SUPPLY AND ABSORPTION IN 2024

City	Supply (MW IT & % Contribution)	Absorption (MW IT % Contribution)
Ahmedabad	1(1%)	10(2%)
Bengaluru	-	4(1%)
Chennai	105(55%)	41(10%)
Delhi-NCR	-	6(2%)
Hyderabad	13(7%)	55(14%)
Mumbai	54(28%)	216(53%)
Pune	18(9%)	41(10%)
Other Tier-II & III Cities	-	34(8%)
Overall	191	407

Source: Savills India Research

In 2024, Mumbai maintained its lead, contributing 53% to total absorption, followed by Hyderabad at 14%, Chennai and Pune at 10% each. The overall operational capacity stood at 1,110 MW IT as of 2024, reflecting a compounded annual growth rate (CAGR) of 22% since 2014. Hyperscalers accounted for 22% of the total stock, while enterprises held 10%. The remaining 68% was utilised by a combination of hyperscalers and enterprises, showcasing a diverse utilisation pattern within the data centre industry.

KEY TRANSACTIONS IN 2024

Key Data Centre Transactions in 2024

Occupier	City	MW IT Capacity
Hyperscalers	Mumbai	50
Hyperscalers	Hyderabad	48
Hyperscalers	Pune	33
Hyperscalers	Chennai	33
Hyperscalers	Mumbai	30
BFSI	Mumbai	19

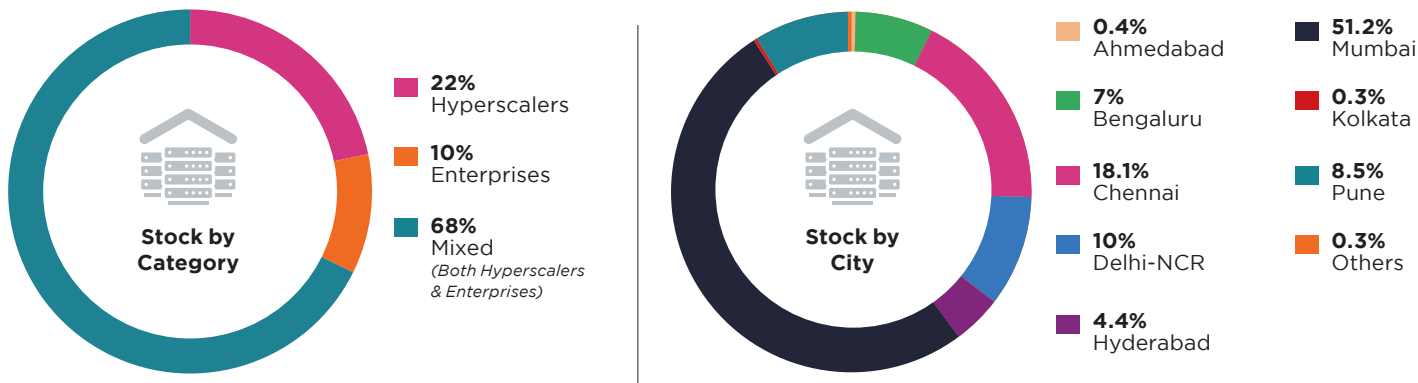
Source: Savills India Research

Key Data Centre Land Acquisitions in 2024

City	Location	Acres
Hyderabad	Chandanvelly	50
Mumbai	Bhiwandi	40
Pune	Pimpri Chinchwad	24
Mumbai	Mahape	23
Bengaluru	North Bangalore	10
Chennai	Ponneri	10

India is experiencing a surge in data centre land transactions, driven by expansions by data centre operators and hyperscalers acquiring land across key cities. In 2024, over 200 acres of land were acquired mainly in cities like Mumbai, Hyderabad, Pune, Chennai and Bengaluru.

DATA CENTRE STOCK DISTRIBUTION BY CATEGORY AND CITY AS OF 2024



Source: Savills India Research

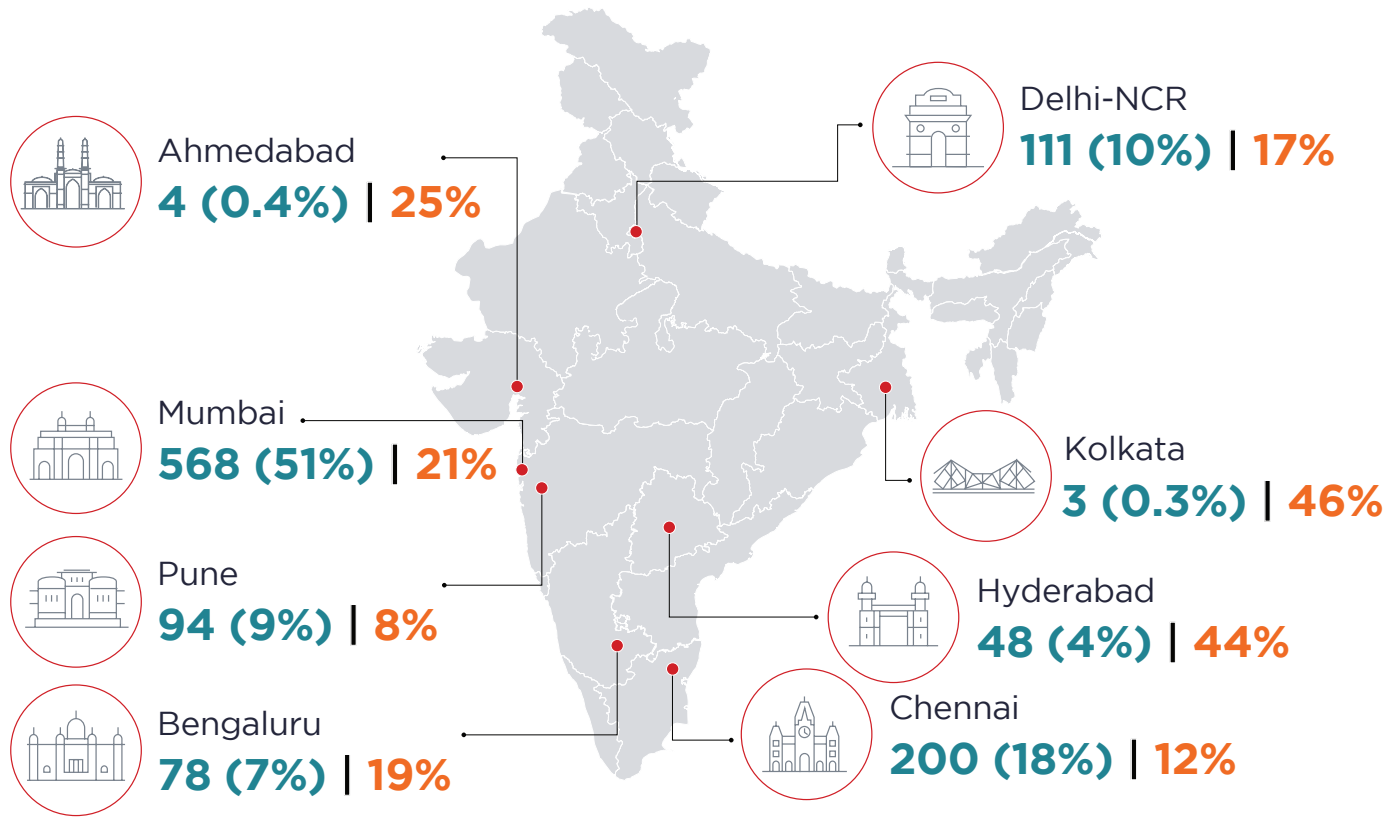
Although major absorption has been from hyperscalers across cities, enterprise colocation is witnessing significant growth. Factors such as high CAPEX and OPEX, along with

ambiguity in predicting future demand and scalability, are driving the demand for enterprise colocation. Other aspects such as the high cost of security systems and high-

performance GPUs, and high real estate costs are making it more appealing for enterprises and in turn for operators.

CITY-WISE STOCK AS OF 2024 AND GROWTH IN UPCOMING SUPPLY (2024-2030)

City | 2024 Stock MW IT & % share | 2024-30 Annual Growth



Source: Savills India Research

Data centre stock is expected to grow at a CAGR of 21% between 2024 and 2030 to reach 3,400 MW IT by 2030. The annual growth in capacity varies from 8% to 46% across different cities. Higher annual growth is likely to be

witnessed in emerging cities such as Kolkata (46%) and Hyderabad (44%). Kolkata is gaining traction as it serves as a gateway to Eastern and Northeastern India, with proximity to a planned undersea cable landing station

expected to be operational by 2026, while Hyderabad and Ahmedabad are benefitting from growing IT & ITes and manufacturing industries.

INDIA'S DATA CENTRE MARKET: GOVERNMENT SUPPORT AND POLICY LANDSCAPE

Considering the proliferation of internet usage and the advent of 5G, India's data centre market was already primed for rapid expansion. Realising the growth potential, the government has granted 'Infrastructure' status to the data centre industry, resulting in easier access to financing and investment incentives, while the proposed National Data Centre Policy aims to enable ease of doing business, simplify clearances for setting up data centres, and implement a Data Centre Incentivisation Scheme (DCIS) to foster a favourable ecosystem for data centre operations.

Additionally, many states are providing various incentives and subsidies to attract investments. The extent of incentives and subsidies vary from state to state. The state offerings include land cost subsidies for government land up to 50% of land cost, and capital subsidy up to 25% of the capital expenditure (CAPEX) with a ceiling limit, which varies from state to state. Some states offer 100% exemption on stamp duty and electricity duty, lease rental subsidies available for up to six months of the annual rent, 100% SGST reimbursement, and full reimbursement

of land conversion charges for converting from other zones to building data centres. In addition, infrastructure development subsidies are available for the development of necessary infrastructure like road, power, connectivity and water. Some states also provide patent-related assistance, dual power grids for uninterrupted power supply, internet bandwidth subsidies, reimbursement of transmission and wheeling charges, clean and green incentives, recruitment assistance and R&D grants.

State	Land Cost Subsidy	Capital Subsidy	Interest Subsidy	Subsidy on Lease Rentals	Stamp Duty Exemption	Electricity Duty Exemption	Infrastructure Subsidy	Land Conversion charges - Reimbursement	GST Incentive
Gujarat	✓	✓			✓	✓		✓	
Haryana					✓	✓			✓
Himachal Pradesh		✓	✓	✓	✓	✓		✓	✓
Jharkhand	✓		✓		✓	✓			
Karnataka	✓	✓			✓	✓		✓	
Madhya Pradesh	✓	✓			✓	✓			
Maharashtra				✓	✓	✓	✓		
Odisha	✓	✓	✓		✓	✓	✓	✓	✓
Punjab		✓				✓			✓
Rajasthan	✓	✓			✓	✓		✓	✓
Tamil Nadu	✓				✓	✓			
Telangana	✓			✓		✓			
Uttar Pradesh	✓	✓	✓		✓	✓			
West Bengal					✓	✓			

Source: Policy documents of various states
Note: Land cost subsidy is available for government lands. The quantum of subsidies and incentives varies from state to state.

India is on its path to achieve 3,400 MW Data Centre capacity by 2030



Outlook

The current momentum positions India as a promising global data centre hub. We project a strong demand for data centres in India in 2025, with an estimated demand of over 450 MW IT across major cities, while supply addition is expected to reach 600 MW IT during the same period.

Given the country's rich network connectivity, cost advantages, availability of skilled labour, low climate risk and strong data protection laws, India is well positioned to serve as a leading global data centre hub. We expect data centre stock to increase to 3,400 MW IT by 2030 across major cities.

There has been a surge in demand for edge data centre set-ups in Tier II and Tier III cities due to increased 5G penetration and mobile application usage and increasing demand on the same. Tier-II & III cities such as Bhubaneswar, Patna, Lucknow, Jaipur, Kochi, Vizag, Coimbatore, Madurai, Raipur and Hubli are expected to witness higher activity with growing demand for data centres.

Although the major take-up has been from hyperscalers across cities, enterprise colocation is witnessing significant growth. Factors such as high CAPEX and OPEX and other aspects such as the high cost of security systems

and high-performance GPUs, and high real estate costs are making it more appealing for enterprises.

Apart from colocation services, data centre operators are increasing their service offerings to networking, private and public cloud, GPU-powered solutions and other managed services.

Edge data centres are a big opportunity in India. Edge data centres are smaller and closer to customers, and away from submarine cable networks. Smart City and Digital India initiatives will also create demand for Edge data centres.



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