India data centre opportunity

From emerging demand hub to integrated data centre powerhouse

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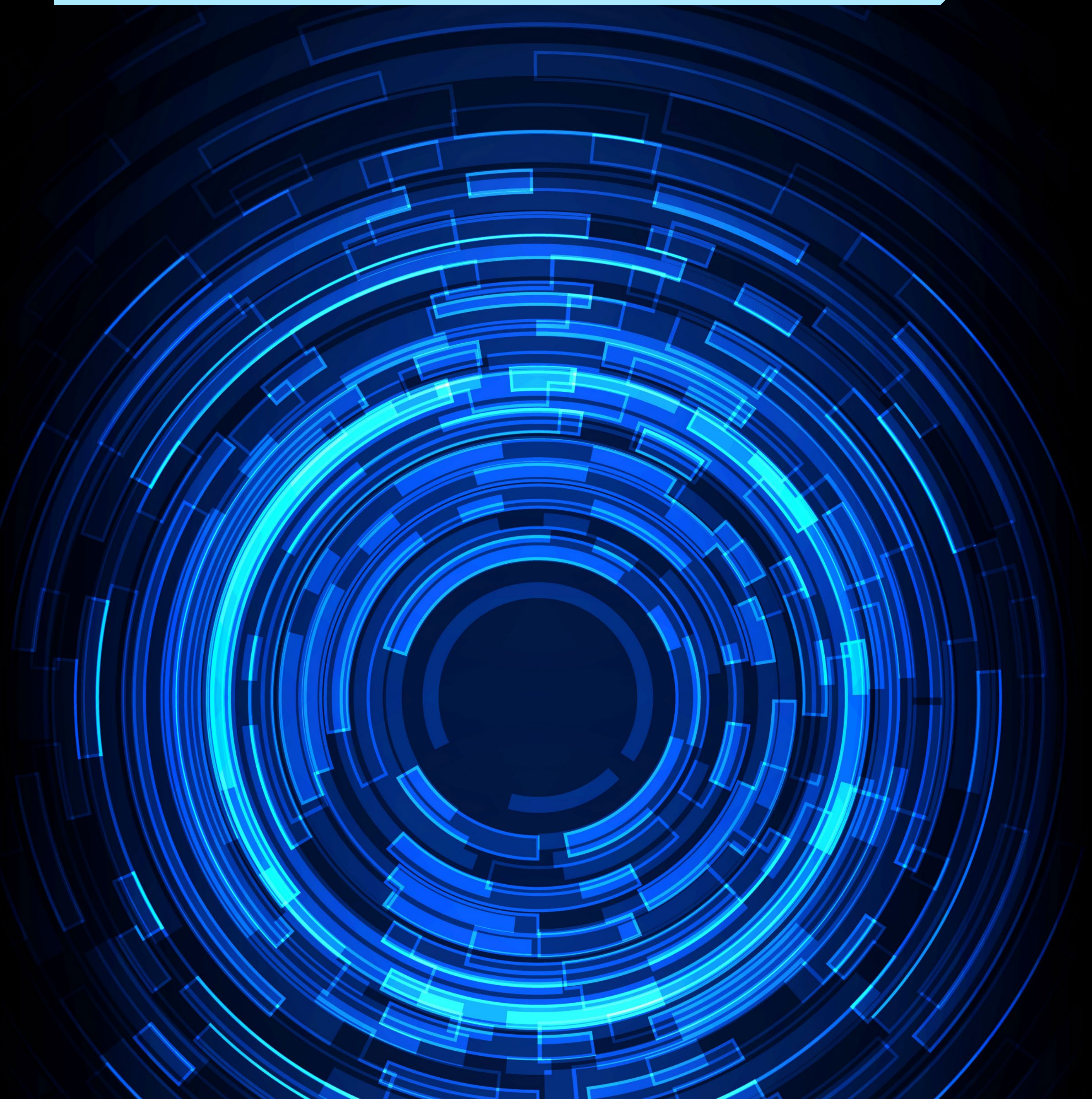
Table of contents

01	India data centre landscape	03
02	Opportunity for supplier ecosystem	13
03	Regulatory support	22



01

India data centre landscape

India is among the fastest growing data centre market globally

India's share of the global data centre market is projected to double from 2-3 per cent in FY26 to ~5 per cent by FY30[1]

The global data centre market is expanding rapidly as data demand from cloud, streaming and AI are reshaping the digital economy. The global data centre market is valued at ~USD160 billion in FY26 and is projected to reach ~USD300 billion by FY30.[1] In terms of capacity, the global capacity is expected to double its current levels of **90 – 100 GW in FY26 to reach 160 – 170 GW by FY30.**[1]

The U.S. and Europe remain large capacity hubs constituting 70–75 per cent of global capacities.[1] **Although India produces about one fifth of global data[2], it hosts only about 2-3 per cent of global data centre capacity, leading to significant dependence on external hosting and considerable headroom for domestic capacity expansion.**[1]

However, the investment momentum is shifting towards Asia Pacific. **India is emerging rapidly as a key growth market.** Its market size is projected to increase from **~USD1.7 billion in FY26 to ~USD6.8 billion by FY30,** more than double its **current market share of 2-3 per cent in FY26 to reach ~5 per cent by FY30.**[1]

Table 1: Global data centre market by region (USD billion)[1]:

Region	Market size, FY26 (USD billion)	Capacity share, FY26 (%)	Market size, FY30P (USD billion)	Capacity share, FY30 (%)
Americas	~71	~50%	~138	~49%
APAC (excl. India)	~50	~29%	~87	~28%
EMEA	~30	~19%	~58	~18%
India	~1.7 (INR14k crore)	~2%	~6.8 (INR61k crore)	~5%
Global total	~155	90-100 GW	~290	160-170 GW

India is widely recognised today as one of the fastest growing data centre markets globally. Its data centre capabilities have evolved significantly, emerging as a key pillar of the country's digital economy. **Over the last decade, the nature of data consumption in India has changed fundamentally, driven by the strong demand for affordable smartphones, low-cost data tariffs, and rapid digitisation across both consumer and enterprise segments.** The country's installed data centre capacity has more than tripled since FY19, reaching the ~1.9 GW mark in FY26, with a development pipeline expected to add ~4.5 GW over the next five years.[3]

India's data centre sector has been concentrated in metros - ~90 per cent of capacity is hosted in Bengaluru, Chennai, Delhi NCR and Mumbai.[4] While Hyderabad and Pune are also gaining momentum, **new projects are increasingly shifting to Tier II locations due to land availability, improving power access, and state level incentives.**

Sources: 1. KPMG in India's 2026 analysis. 2. From stability to new frontiers, India's services exports growth more than doubled from 7.6% in the pre-pandemic period (FY16 - FY20) to 14% during FY23 - FY25 - Ministry of Finance PIB press release dated 29 January 2026. 3. 2026 Global Data Center Market Outlook - Navigating AI demand, power constraints and global opportunities in 2026 - JLL report dated 5 January 2026 and KPMG in India's 2026 analysis. 4. India's Data Centre Market in a New Era - A 2025 YTD Market Update - CBRE report dated 12 November 2025.

The pace of data centre capacity addition in India has significantly accelerated in the past few years

Historically, the market was dominated by colocation facilities catering to domestic enterprises, BFSI institutions and telecom operators. While these segments remain important, **the current growth cycle is increasingly driven by hyperscale cloud providers, global content platforms and AI-first companies.**

Annual capacity additions have increased sharply, with ~2.4x increase in capacities from ~778 MW in FY23 to ~1,900 MW in FY26.[5] FY26 marked a notable milestone, with year-on-year capacity additions reaching levels that were previously forecasted for later in the decade. This surge reflects long-term capacity commitments made by hyperscalers with incremental capacity additions being made in phases.

Figure 1: Historical trend in installed DC capacity in India (MW)[6] :

Dotcom slowdown phase

- Post the 2000 dot-com correction, sector growth remained modest, with only **~75 MW added** over seven years
- Introduction of the national broadband policy helped establish a base for wider internet adoption in India.

2G expansion and early 3G rollout

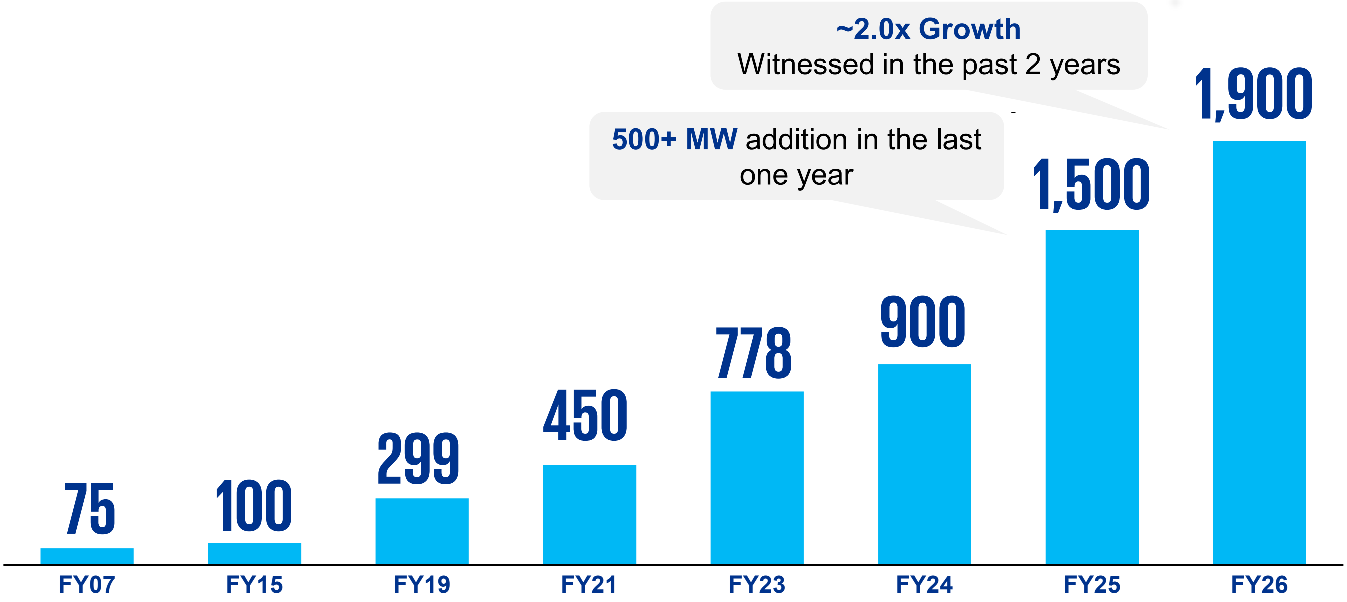
- Significant expansion with **~122 new 2G licences** issued to telecom operators
- Growth in online financial services began driving demand for data centre capacity
- Transition towards **3G began in 2008** with MTNL and BSNL launching mobile data services.

Private operators and smartphones

- Private telecom operators **rolled out 3G services**, increasing market competitiveness
- Rapid smartphone adoption led to a sharp **increase in data consumption**
- Introduction of **4G in 2012 enabled faster connectivity**, further accelerating usage trends.

Data consumption surge in India

- **Decline in data tariffs** significantly improved affordability
- Demonetisation **accelerated adoption of digital payments**, boosting data usage
- Launch of **low-cost 4G services by telecom giants in India in 2016** drove a step-change in data consumption.



India's data centre journey has progressed from its early digital foundations led by telecom and broadband surge in late 2000's to the rise of digital India, cloud and IoT. Emergence of AI and edge computing is driving the transition towards the age of AI centric data centres. This evolution reflects a market that has moved through successive phases of demand-led growth into a period defined by proactive and rapid development of large-scale infrastructure investments.

Sources: 5. India Alternate Sectors Outlook 2026 - CBRE report dated 18 March 2026 and KPMG in India's 2026 analysis. 6. KPMG in India's 2026 analysis.

Six converging forces are shaping the demand for data centres in the country

India's data centre sector is witnessing a structural shift due to expansion of digital needs and rise of data consumption across industries. Once an under-penetrated market, the sector has become a high growth infrastructure segment, supported by deeper enterprise digitisation, a larger hyperscaler footprint and steady capital inflows.

Demand is also becoming more complex due to the changing profile of workloads. Traditional enterprise applications are increasingly being replaced by compute intensive workloads such as AI model training, real time analytics, high frequency trading, video streaming and large-scale SaaS platforms. These workloads demand higher rack densities, more resilient power architectures and advanced cooling solutions, fundamentally redefining how data centres are designed and built in India. As capacity scales, the mix is shifting towards hyperscale deployments and higher density workloads, making the sector more technologically advanced.

Figure 2: Key developments driving the data centre sector in the country[7]:

Cloud migration

- India's cloud market to reach **~USD70 billion by 2032**, growing **20 per cent+ CAGR** (among fastest globally)
- **50 per cent+ enterprises[8]** to use industry cloud platforms by 2028; Government's digital push accelerating demand.

Data localisation

- DPDP Act, 2023 mandates **onshore storage** for personal data
- Expected to add **1,800–2,000 MW** DC demand by **2027.[13]**

BFSI compliance

- **Over 630 million+ UPI transactions per day[9]** need settlement and hosting in India with RBI mandate requiring localisation of data
- Additional demand from **AI-led fraud detection, credit scoring, compliance.**

AI and GPU workloads

- India's AI market to reach **USD18 billion– USD20 billion by 2027[7]**
- AI workloads need **400–600 MW** incremental DC capacity by 2027[14]
- **38,000+ GPUs** onboarded under India AI mission[15], providing GPU access at publicly subsidised rate of USD0.8 per GPU per hour.[16]

5G and edge computing

- India has **518k+ 5G towers** across nearly all districts[10]
- Per-capita data use **~31.1 GB per month**, growing **18–20 per cent** annually[11]
- Latency-heavy apps and 5G to drive **200+ MW of edge DC demand by 2027–28.**[12]

Digital India scale

- **950 million+ internet users[17]**, with **660 million+ smartphone users[18]**
- India has **20 per cent of global internet traffic**; growing **15 per cent CAGR**
- Platforms (Aadhaar, DigiLocker, ONDC, etc.) boosting demand.
- Digital economy to reach **20 per cent of GVA by FY30.[19]**

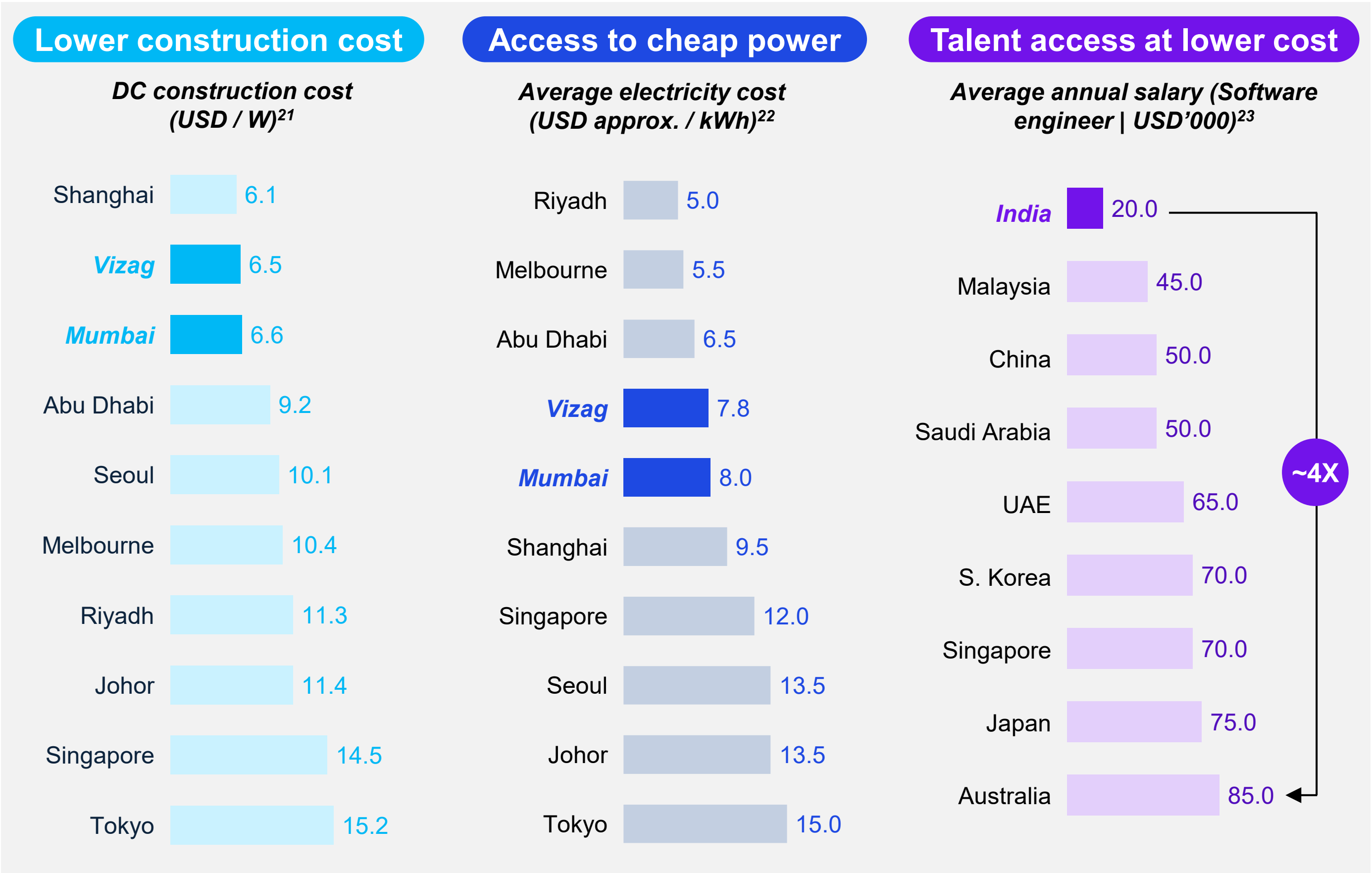
The market is increasingly converging on facilities capable of delivering higher power density, stronger interconnection, and more rigorous compliance standards, reflecting the growing strategic importance of the workloads they support.

Sources: 7. KPMG in India's 2026 analysis. 8. Gartner Says Cloud Will Become a Business Necessity by 2028 - Gartner press release dated 29 November 2023. 9. India's UPI Revolution - Over 18 billion Transactions Every Month, A Global Leader in Fast Payments - PIB press release dated 20 July 2025.10. Expansion and Status of 5G Services - Ministry of Communications PIB press release dated 5 February 2026. 11. India Mobile Broadband Index 2026 - report published by Nokia in 2026. 12. India's Edge Data Centre capacity projected to triple to 200-210 MW by 2027 - ICRA press release dated 24 July 2025. 13. India's digital future: Building on responsible data center practices - The Economic Times news article dated 13 January 2026 and KPMG in India's 2026 analysis. 14. KPMG in India's 2026 analysis. 15. Transforming India with AI - Over ₹10,300 crore investment & 38,000 Graphics Processing Unit (GPUs) powering inclusive innovation - PIB press release dated 30 December 2025. 16. Government supporting organisations and consortia to develop sovereign foundational model - Ministry of Electronics & IT PIB press release dated 25 March 2026.17. India's Internet User Base Crosses 950 Million In 2025: Report - NDTV news article dated 29 January 2026. 18. 660 million smartphone users, 16–17 billion monthly UPI transactions power Digital Bharat: Report - Storyboard 18 news article dated 16 February 2026. 19. Future Ready: India's Digital Economy to Contribute One-Fifth of National Income by 2029-30 - Ministry of Electronics & IT PIB press release dated 28 January 2025.

India's competitiveness is underpinned by structurally lower construction costs, access to cost-effective and abundant power, and a deep talent pool

India is rapidly emerging as a global data centre hub, overtaking many Asia Pacific markets. In addition to the growing demand, India possesses certain supply-side advantages that distinguish it from competing global destinations. Unlike other markets, India offers a unique combination of cost efficiency, availability of land and power at scale, and a rapidly improving infrastructure network that can support long-term capacity ramp-up.

Figure 3: Comparison of key DC input costs across regions[20] :



Key factors favouring India's emergence as a competitive market:

- **Low construction cost**

  Mumbai ranks as the world's second most cost-effective location for construction of data centres,[24] providing India a clear edge over other major commercial markets such as Singapore, and Tokyo where the costs are nearly double that of Mumbai.[21]

- **Access to low cost and renewable power sources**

  At an average electricity cost of USD7.5 – 8/kWh, India has one of the world's most affordable power tariffs. India achieved total installed capacity of 500 GW in mid-2025, with ~50 per cent capacity constituting renewable sources. With this milestone, India has already met its COP26 Panchamrit goals ahead of the targeted timeline of 2030. India has committed to achieving ~500 GW of total installed non-fossil fuel power capacity by 2030.[25] This provides data centre operators with a credible, long-term pathway to access sustainable power at scale.

- **Global talent hub**

  India has a large, cost-efficient IT and AI talent pool that supports data centre development and operations, with software engineer salaries at ~USD20k per annum – significantly lower than many global peers.[23]

  AI capability is expanding at pace, supported by approximately 33 per cent year-on-year growth in AI hiring, high levels of skill penetration, and a deep developer ecosystem, contributing nearly 20 per cent of global AI-related development activities in 2024. India's AI talent pool is forecast to more than double by 2027.[26]

Sources: 20. KPMG in India's 2026 analysis. 21. Data centre construction cost index 2025-2026 - Turner & Townsend report dated 5 November 2025 and KPMG in India's 2026 analysis. 22. and 23. KPMG in India's 2026 analysis. 24. Mumbai Ranks Second in Cost Efficiency for Data Centre Construction Globally - Realty Plus Magazine news article dated 11 November 2025. 25. India achieved Historic milestone in power sector: Surpasses 500 GW and Renewable Generation Exceeds 50% of demand - Ministry of Power PIB press release dated 29 October 2025. 26. India leading the world in AI talent acquisition, among top countries in AI skill penetration - Global assessments reflect India's growing strength in AI talent and infrastructure - Ministry of Electronics & IT PIB press release dated 19 December 2025.

Strong power and connectivity infrastructure, combined with a well-established supplier ecosystem, further enhance its attractiveness

India's data centre growth is supported by an increasing infrastructure network and supplier ecosystem. **The country has a well-established base of contractors, equipment suppliers, and service providers across power systems, cooling, construction, and network connectivity, enabling faster and more efficient project execution.** Availability of multiple subsea cable landing stations and expanding fibre networks is enabling strong domestic and international connectivity. In addition, improving reliability of power infrastructure and growth in renewable energy integration are strengthening operational stability.

Figure 4: Other key structural advantages for India[27] :

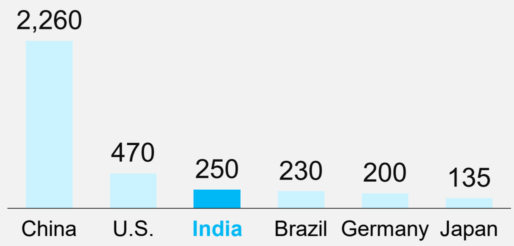
Established RE capacity

250+ GW Installed RE capacity, (~51 per cent of total capacity)[28]

3+ GW RE PPAs announced by DCOs (~15 per cent of total RE PPAs)

Lower tariffs + rebates offered by several states

Non-fossil fuel energy capacity (GW)[29]



Strong connectivity

14 Cable landing stations across 5 locations[30]

17+ International subsea cables[30] *(~1 per cent of global total)*

Upcoming cable landing stations to strengthen India's connectivity[31] :

Location	Connectivity
Gujarat coast	EMEA (2Africa)
Kolkata	South-east Asia
Puri	South-east Asia + EMEA
Vizag	East Asia + Pacific

Growing supplier ecosystem

Multiple global players investing in **India-based manufacturing** for racks, cooling and power systems

Incentives, duty-free special economic zone (SEZ) imports and local original equipment manufacturer (OEM)/original design manufacturer (ODM) supply base reduce lead times and costs.

Access to abundant land

Earmarked land parcels in dedicated industrial zones (e.g., MIDC, SIPCOT, etc.)

Plug and play DC parks, single-window clearances; reducing time-to-market

Subsidies: Key states like Maharashtra and Tamil Nadu offer 25-50 per cent land and stamp duty subsidies.

Such a comprehensive ecosystem reduces execution risks and supports scalable, long-term development of data centre capacity.

Sources: 27. KPMG in India's 2026 analysis. 28. India achieved Historic milestone in power sector: Surpasses 500 GW and Renewable Generation Exceeds 50% of demand - Ministry of Power PIB press release dated 29 October 2025. 29. Renewable capacity statistics 2026 - report published by International Renewable Energy Agency (IRENA) in March 2026. 30. International Advisory Body Formed to Strengthen the Resilience of Submarine Telecom Cables - Ministry of Communications PIB press release dated 5 December 2024. 31 KPMG in India's 2026 analysis

As a result, India can potentially emerge as a prominent data centre hub for the APAC region

India is emerging as a prominent data centre hub for the Asia Pacific region driven by the favourable structural factors. While markets such as Hong Kong (SAR), China, Singapore and Tokyo remain important, they face constraints related to land availability and power access. **Meanwhile, India offers scale, cost efficiency and a large domestic demand that can attract long term investments.**

Global operators are increasingly considering India as a strategic node in their regional infrastructure strategies. As subsea connectivity improves and regional traffic flows increase, India's role as a hub for South Asia, the Middle East and parts of Southeast Asia is likely to strengthen further.

Figure 5: Distribution of current and upcoming data centre hubs by regions[32] :

Current DC hubs *Emerging DC hubs*

Relatively **lower capex per MW** and **cheaper power** are key factors driving emergence of new DC hubs globally

Current DC hubs	Estimated cap.
Virgina (Ashburn)	~7 GW
Beijing	~2 GW
Phoenix	~1.5 GW
London	~1.5 GW
Dallas (DFW)	~1.4 GW
Frankfurt	~1 GW

Emerging DC hubs	Estimated cap.	Projected cap. (2030)
India	~1.9 GW	7 – 7.5 GW
South-East Asia	1.5 – 2 GW	5 - 6 GW
ME (UAE + Saudi)	~1 GW	3 – 4 GW

Emerging DC hubs	Strategic relevance on global landscape
India	Connecting ME and SEA markets
South-East Asia	Intl. transit node (APAC <> EU)
ME (UAE + Saudi)	Gateway b/w EU, Africa and Asia

Note: The values mentioned are indicative capacities. Emerging South-East Asian markets – Indonesia, Malaysia and Singapore

Sources: 32. KPMG in India's 2026 analysis.

Across markets, data centre operators are deploying targeted efficiency and decarbonisation levers to accelerate the shift toward green data centres

Global and Indian data centre operators are increasingly prioritising sustainability amid rising power intensity and stakeholder focus on environmental impact. Players are adopting green data centre practices such as renewable energy adoption, efficiency improvements, and advanced cooling technologies. These initiatives are aimed at reducing carbon footprints, meeting regulatory expectations, and aligning with long-term net-zero emissions commitments.

Table 2: Steps taken by Indian and global DCs to become 'Green'[33] :

Increasing reliance on renewable energy through PPAs, onsite solar/wind installations, and hybrid renewable sourcing to reduce grid-based emissions
Improving energy efficiency and PUE by optimising data centre design, airflow management, and power distribution systems
Adoption of advanced cooling technologies, including direct-to-chip liquid cooling, modular cooling, and next-generation cooling architectures to lower energy intensity
Use of green building standards and certifications such as LEED/Platinum/BREEAM to embed sustainability at the facility design level
Waste heat recovery and reuse initiatives, where feasible, to improve overall energy utilisation efficiency and reduce net emissions
Gradual shift toward data-driven sustainability tracking, including monitoring PUE, renewable share, and emissions intensity to support continuous improvement
Closer collaboration with utilities, governments, and ecosystem partners to enable renewable integration, grid upgrades, and long-term clean energy access.

Overall, both Indian and global data centre players are converging on similar sustainability levers: renewable energy adoption, energy-efficient design, advanced cooling, and responsible resource use. While global majors are further ahead in execution and scale, Indian operators have initiated clear pathways toward greener operations. Closing the gap will require sustained capex, ecosystem collaboration, and regulatory support to meaningfully progress toward net-zero ambitions.

Sources: 33. KPMG in India's 2026 analysis.

Investments of over USD120 billion[34] have been committed by hyperscalers and global and Indian data centre operators for the India market

Global hyperscalers, international data centre operators and Indian conglomerates have announced large investments, indicating strong conviction in India's role in the regional and global digital infrastructure landscape. **Capital allocation is shifting towards AI-ready data centres, with upcoming capacity optimised for GPU intensive workloads** and designed to be suited for general enterprise demand. This AI first and large-scale focused growth cycle signals a clear transition from earlier incremental expansion.

Table 3: Key investments in DC made by large players in the recent times[34]:

Hyperscalers	Large Indian conglomerates	Indian DC operators	Global DC operators	AI workloads redefining data centre builds
Hyperscalers have committed **over USD50 – 55 billion for Indian market** to position it as a core global AI/cloud hub within APAC	**USD40 – 50 billion planned;** rapid scale-up to capture domestic demand and partner with global cloud players	Pipeline of **USD10 – 11 billion** for expansion of existing clusters such as Bengaluru, Chennai, Hyderabad, Mumbai and NCR	Commitment of **USD19-20 billion** to scale India as part of the **global platform expansion**	 **AI-ready design as default** • Majority of the upcoming DC capacities are **being built to support AI workloads**, while retaining flexibility to host traditional enterprise applications • Facilities are expected to balance rising demand for GPU-intensive AI with **continued requirements for conventional compute and storage**, ensuring diversified utilisation. **Limited retrofit potential is expected** • Only **25–30 per cent of existing data centre capacity can be potentially upgraded to meet AI workload standards**, highlighting a structural constraint in legacy infrastructure.
Investments to largely focus on **AI-first infrastructure** (GPU-dense clusters) alongside scalable general-purpose cloud	Mix of hyperscaler hosting and enterprise colocation, with increasingly **AI-ready designs**	Focus on enterprise colocation and hybrid cloud, gradually **upgrading to AI compatible capacity**	Hyperscale-led demand coupled with large enterprise clients with **GPU workload enablement**	
Concentration to be largely in metro; however, **Vizag is expected to grow as an AI hub**	To focus on **multi-city platforms** across Chennai, Delhi NCR, Hyderabad, Mumbai, and extending into **emerging Tier-2 hubs such as Vizag**	Largely focused on building **DC parks and superclusters** with support from **global strategic and financial partnerships**	Standardised, high-efficiency build with global design benchmarks **and pan-India footprint build-out.**	
Large, self-built **hyperscale campuses** with high redundancy and designed for multi-region resilience and **low latency.**	Integrated DC ecosystems (power, land, fibre) with **GW-scale campus developments.**	**Modular expansion** to balance cost efficiency with incremental AI-readiness.		
USD50-55 billion	**USD40-50 billion**	**USD10-11 billion**	**USD19-20 billion**	

Note: The investments captured are till 31 March 2026

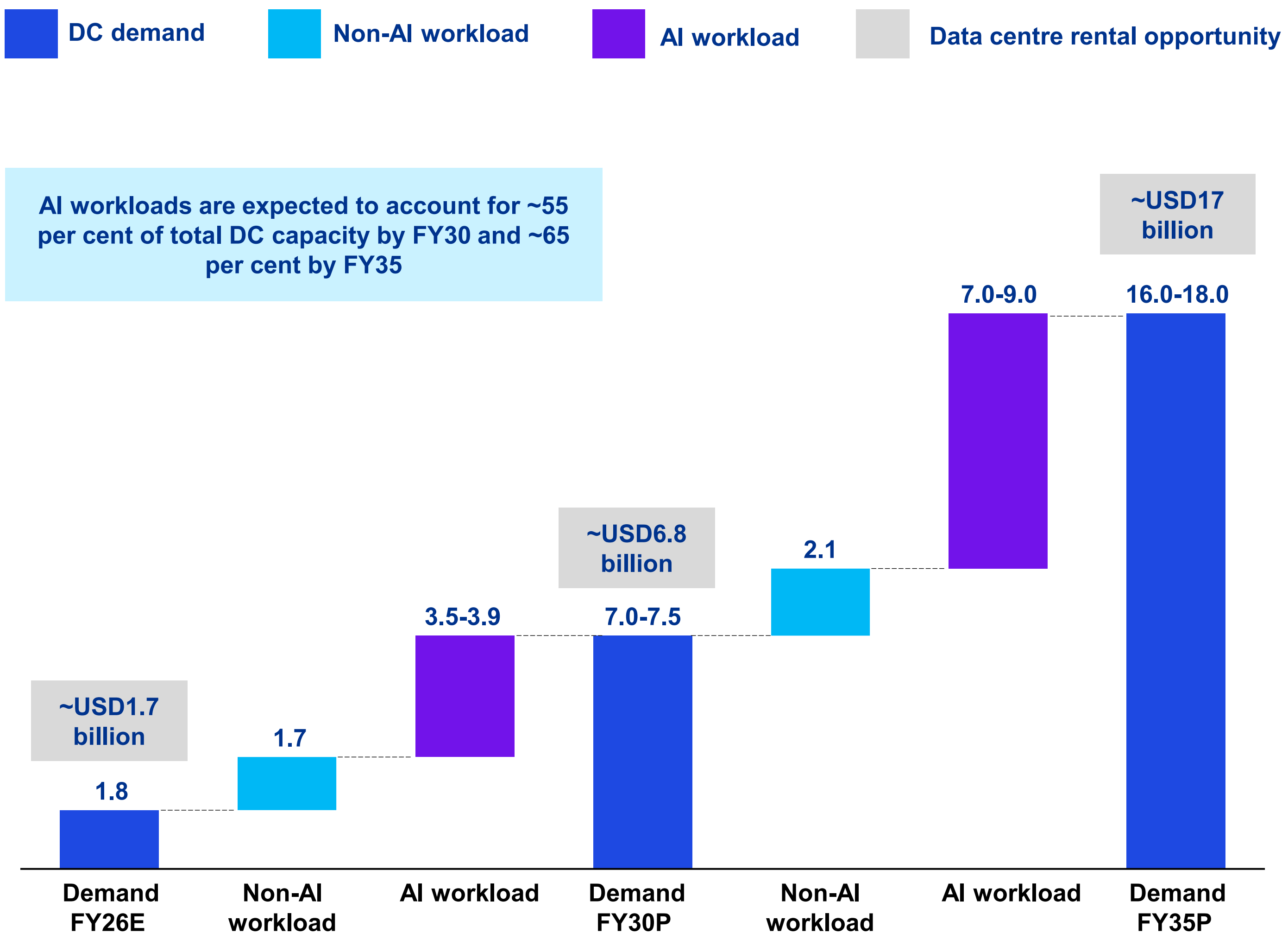
Sources: 34. KPMG in India's 2026 analysis.

Planned investments and underlying demand drivers are expected to grow India's data centre capacity by ~10X over the next decade

India's data centre market is at an inflection point where demand visibility, capital inflows, and technology shifts are aligning simultaneously, thus leading a transition from incremental growth to large-scale capacity creation. With installed capacity of ~1.9 GW and a pipeline that is already 2–3x of existing supply, the sector is moving into a ramp-up cycle typically seen in more mature APAC markets, however, with significantly stronger underlying demand momentum.

An exponential surge in AI and high-performance computing workloads, which are 5–10x more power-intensive than traditional cloud use cases are rapidly redefining rack density, energy consumption, and design standards.[34] This surge in demand is reducing timelines for capacity addition while materially increasing capital intensity per MW, thus redefining the economics of the industry.

Figure 6: AI driving the growth in demand for data centres (USD billion | GW)[35]:



With strong demand visibility and an expanding pipeline, India's data centre build-out is entering a rapid expansion phase, where AI's higher power intensity is reshaping both capacity needs and capital intensity per MW. Planned investments, a strong supply pipeline, and a step-change in AI/HPC workloads are expected to accelerate India's data centre capacity by ~10x over the next decade.

Sources: 35. KPMG in India's 2026 analysis.

02

Opportunity for the supplier ecosystem

AI is driving transformational impact on DC architecture, computational capabilities and infrastructure

Artificial intelligence has fundamentally altered the terms on which data centres are designed, built, and operated. The traditional infrastructure design, focused on efficiency and cost, is now being rebuilt to support large workloads and far more complex computations. **This shift is visible across the entire stack, as data centres move from centralised, CPU-led, air-cooled setups handling smaller workloads to distributed, GPU-driven, liquid-cooled architectures built for massive data scale.** The transition is visible in every layer of the stack:

- **Data storage:** From small, structured storage (GB) to massive, flexible storage (PE/EB) capable of handling large data;
- **Computation:** CPU-based systems with steady power transitioning to GPU-driven systems with high and variable power needs;
- **Fiber architectures:** From higher latency (seconds) to ultra-low-latency (milliseconds) with high-speed networks;
- **Rack densities:** Shift from low-power racks (8-12 kW) to high-density racks (50-60 kW); and
- **Cooling systems:** From air-based cooling to liquid and immersion cooling.

For DC operators and their supply chains, this is a full-scale redesign and not an incremental upgrade.

Figure 7: Evolution of DC architecture over time[36]:

	2000-08 Early digital foundation	2009-15 Telecom and broadband surge	2016-20 Rise of digital India, cloud and IoT	2021-25 Digital first businesses, AI emergence and edge computing	2030 Age of AI centric data centres
Data storage	**Gigabytes** to low terabytes (mostly on-premise)	Terabytes to low **petabytes**, early multi-PB	Petabytes scale, **object storage and data lakes growth**	**Multi-petabytes** with NVMe hot storage distributed object stores	**Exabytes scale** with tiered storage, AI-driven auto-tiering
Computation	**Single-core CPUs**, batch processing	**Multi-core CPUs** (4-16 cores), distributed compute emerges	**Multi-socket CPUs** + early GPUs for AI research	**GPU-dense clusters** with advanced high-performance GPUs	**Ultra-high-density GPUs/TPUs**, petaflop scale
Latency	**High latency tolerated** (seconds to minutes); low external connectivity	**Latency** improved to **seconds**, improved responsivenes	**Sub-second latency** for interactive apps and cloud, IoT and nascent use case for edge	**Ultra-low latency** (ms to sub-10 ms) demanded by AI inference, gaming, real-time analytics	**Extreme low latency (1-5 ms or less)** mandatory for real-time AI decisioning
Rack density	<2 kW racks	Up to 4 kW racks	Up to 8 kW racks	Up to 20 kW	60+ kW racks
Cooling	Basic air-conditioning	Improved air-cooling, cold aisle	Air + liquid cooling pilots	Liquid cooling mandate for GPUs, immersion pilot projects	Immersion and advanced liquid cooling

Sources: 36. KPMG in India's 2026 analysis.

Configuration for an AI-native data centre combines ultra-high compute density...

Data centres that are built basis traditional specifications are no longer sufficient for AI based workloads, which demand upgrades across structural capacity, power, cooling, and energy sourcing.

The configuration requirements of an AI-based facility are specific, demanding, and non-negotiable. These include higher structural load ratings, significantly higher power densities, advanced liquid cooling, and greater reliance on renewable energy than the sector has historically managed. The degree to which a facility is designed to meet these parameters will determine its operational viability and commercial competitiveness throughout the asset's life.

Table 4: Configuration of AI-native data centre[36]:

Key parameter		Configuration in an AI-native DC	Nature of suppliers
Physical layer	**Floor loading**	**>2,000 kg/sqm** to support heavy AI racks and liquid cooling gear	**Design and construction** – both Indian and global players
	Ceiling height	**~7 m slab-to-slab** for overhead busways, chilled water headers, and cable trays	
	Rack design	**42U–52U racks** with compute trays, high-bandwidth switch trays, and integrated power shelves	
	Rack count	**700–800 racks** for anchor halls (400 MW); **200–250 racks** for feeder halls (100 MW)	
Power infrastructure	**Power sources**	**>50 per cent of total energy from RE[1] sources** for sustainability	**Transformers and DGs/substations and UPS** – both Indian and global players
	Substation and DG sets	**On premise 220KV GIS[2] substations,** 48 hour on-site diesel reserve, power distribution with 1ph/3ph options	
	UPS[3] topology	**N+N redundant UPS[3] for IT load,** with additional Li Ion battery backup	
	PUE[4]	**PUE[4] target <1.3** via liquid cooling and high-efficiency power trains	
Cooling infrastructure	**Cooling type**	Advanced liquid cooling - **Direct-to-Chip (D2C)** for >50kWh racks and **immersion cooling** for ultra-high density (>150kWh racks)	**Chillers/cooling tower, AHU and BMS –** both Indian and global players
	WUE[5]	**WUE[5] target <1 L/MWh** with global best practices and leak detection systems	
	Heat rejection	**Hybrid cooling towers** and dry coolers; free cooling where ambient conditions allow.	
Storage and compute	**Chip for AI compute**	**Ultra-high-density GPUs[8]/TPUs[9]** delivering multi-kW per chip.	**Compute and storage** – both Indian and global players
	Rack density	**30–80 kW typical**; specialised racks **up to 120–150 kW** for AI/HPC[8] workloads	
	Storage	**NVMe[10]-based architecture**, exabyte-scale capacity for AI-driven workloads.	

Note – 1. RE – Renewable sources; 2. GIS – Geographic Information System; 3. UPS – Uninterrupted power supply; 4. PUE – Powerge Effectiveness; 5. WUE - Water Usage Effectiveness; 6. AHU - Air Handling Unit; 7. BMS – Building Management System; 8. GPUs – Graphic Processing Units; 9. TPU - Tensor Processing Unit; 10. NVMe - Non-Volatile Memory Express

Sources: 36. KPMG in India's 2026 analysis.

...with sustainable, resilient design for future scalability

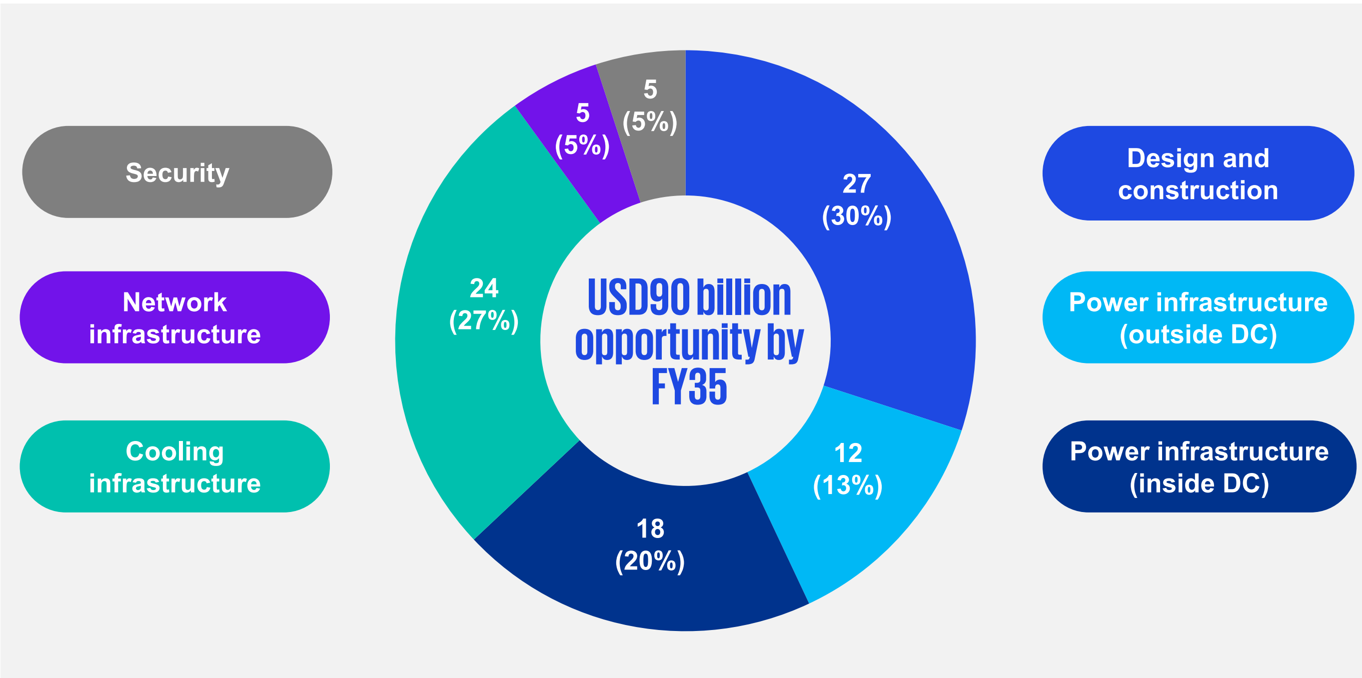
Key parameter		Configuration in an AI-native DC	Nature of suppliers
Networking equipment	**Carrier neutral**	Multiple fibre routes for redundancy and diversity.	**Network infra** – both Indian and global players
	Optical backbone	**400-800 G/s optical links** for scale-out GPU clusters, ultra-high density fibres	
	Latency (ms)	**Ultra-low round trip latency** *(<5ms intra-city, <30ms national, <50ms India-Singapore etc.)* for real-time AI decisioning	
	MMR design	2 MMR per floor; 4 diversified fibre entry points for resilience	
Security and certifications	**Access control**	**Multi-layer security** with biometric and digital authentication	**Security and certifications –** both Indian and global players
	Compliance	**Alignment of facility infrastructure** and processes with global standards (PCI-DSS, ISO 27001/22301/14001, SOC 1 etc)	
	Sustainability	**IGBC Net Zero Energy Platinum** certification target, LEED Gold certifications	
	AI readiness	**High performance GPU infrastructure certification** for GPU clusters	

AI-native facilities require a step-change in engineering standards, spanning heavier physical design, higher power redundancy, and next-generation cooling approaches.
Liquid cooling moves from optional to core, enabling higher compute density while supporting ambitious PUE and WUE targets.
Execution becomes ecosystem-led, where design, construction, electrical, cooling, and compute suppliers must integrate seamlessly to deliver resilient, future-scalable infrastructure.

Opportunity of ~USD30 billion by FY30 and ~USD90 billion by FY35...

The scale of capital flowing into India's data centre sector extends well beyond the facilities themselves, generating substantial downstream spend across the entire construction and infrastructure value chain. **As India's installed capacity is projected to reach 7.0–7.5 GW by 2030 and beyond, the cumulative construction-related opportunity is estimated at USD30 billion by FY30, scaling to USD90 billion by FY35.**[37]

Figure 8: Estimated market size of data centre construction value chain FY35[37] :



In addition, a growing opportunity is emerging in maintenance and lifecycle services, alongside increasing demand for software services such as cybersecurity and managed security solutions.

Design and construction **(~USD27 billion)**	▪ Involves **project management consultants (PMCs), design consultants and full EPC contractors** ▪ India market dominated by **international design consultant and Indian EPC contractor** ▪ Involves architectural and civil design, site selection advisory MEP design, commissioning, integration and testing, ongoing O&M advisory post commission.
Power infrastructure (outside DC) **(~USD12 billion)**	▪ Primarily the **grid and upstream infrastructure between the utility grid and DC campus** boundary ▪ Includes substation, transmission lines, transformers and power evacuation infrastructure for any on-site renewables ▪ Often DC operators also partially fund upstream grid augmentation for connectivity, thus, paying for the new substation, feeder lines, etc..
Power infrastructure (inside DC) **(~USD18 billion)**	▪ **Key equipment inside DC** – UPS, batteries, diesel generator sets, PDUs, busway systems, switchgears and DCIM software ▪ **Witnessing sharp growth with demand for higher specifications/load bearing equipment** growing with emergence of AI racks (50-60 kW/rack vs. 8-12 kW/rack for non-AI).

Sources: 37. KPMG in India's 2026 analysis.

…exists across the data centre infrastructure value chain

Cooling infrastructure **(~USD24 billion)**	▪ One of the **largest expenditure category** and rapidly evolving (shifting from pure air-cooled to water cooled and liquid cooled) ▪ Includes **CRAC[1] and CRAH[2], chiller plants, cooling towers** and condenser water systems, containment systems, etc. ▪ Liquid cooling – a **fast-growing opportunity** with demand coming from AI racks.
Network and connectivity **(~USD5 billion)**	▪ **Fiber optic cable network outside DC** – Evolving from 400G/s to 800 G/s fibres and hollow fibres to support higher data traffic; Copper Cat 6A/Cat8 fibres for inter-rack and interhall ▪ **Inside DC network equipment involves** primarily network switches, routing hardware, optical amplifiers, IXP infrastructure, network management software, etc.
Security **(~USD5 billion)**	▪ **Primarily includes physical security and includes** perimeter control, access control systems, CCTVs and monitoring, 24x7 security operations centre ▪ **Growing demand for autonomous monitoring** with emerging large DC campuses.

Note: 1: Computer room air conditioner; 2: Computer room air handler

A decade long, structural opportunity exists for the full engineering and infrastructure value chain as the sector scales capacity to meet demand. Capturing this opportunity will require coordinated execution across developers, EPCs, OEMs, utilities, and regulators to reduce construction timelines and de-risk time to power. Execution capability in electrical, mechanical and commissioning segments will be the primary differentiator as capacity expands.

The supplier ecosystem is entering an inflection point, presenting a strategic opportunity for domestic players to localise manufacturing and deploy AI-native DC capabilities

Each segment within the DC construction value chain has a distinct competitive structure and carrying its own degree of localisation potential. Some segments are already well-served by domestic players with established delivery capability, while others are largely served by global incumbents with deep technical specialisation and long-standing operator relationships. However, with rapid advancements in the DC architecture, there is a potential for domestic players to create whitespaces with investment in expanding their capabilities organically or through strategic partnerships.

Table 5: India's competitive landscape and opportunities by supplier segment[38]:

Segment	Competition dynamics and concentration	Opportunity for localisation	Potential differentiators
Design and construction	**Moderate** Dominated by 3 key EPC players; design is dominated by international players	**High** localisation already exists for **civil and construction**; however, few Indian design firms have **deep design capabilities** for large AI DCs, thus, creating an opportunity for Indian engineering firms to **invest in specialised capabilities**	• Speed of construction and commissioning; developing pre-fabricated structures • Proven ability to deliver tier 4 and AI-enabled DCs • Integrated MEP capabilities.
Power infrastructure (outside DC)	**Moderate** Multiple global and Indian players operating with specialisation across sub-segments	**High** degree of localisation exists for **transformers and moderate** for **switchgears**; however, **BESS** and advanced grid systems are highly **import dependent**; opportunity for local players to partner with global players for **joint solutions/GTM**	• Lead time and supply certainty; transformer shortages today a key constraint and risk on DC construction timelines • Integration of renewable energy at grid connection point.
Power infrastructure (inside DC)	**High** High levels of concentration globally and in India with top 3 players dominating the space (65-70 per cent share of UPS and critical power)	**Low** degree of localisation but **improving with manufacturing** of **UPS and DG sets** shifting to India; **LV switchgears and distribution boards highly localised** with multiple Indian players	• Modular UPS architecture • High quality of after-sales service with localised spare parts inventory.
Cooling infrastructure	**Very high** Highly concentrated globally and in India Liquid cooling technology is witnessing emergence of niche specialist globally, who are challenging the global incumbents	**High** level of localisation for **cooling towers**; however, precision cooling, CRAC/CRAH units and chillers have dependency on imports; **liquid cooling is almost entirely imported**, providing opportunity for India players to partner with **niche specialist players**	• Ability to offer systems operating at lower PUE • Modular, scalable architecture • Liquid cooling readiness • Localised after-sales service.
Network and connectivity	**High** High concentration in hardware; however, fibre optic cable manufacturing dominated by Indian players	**High** level of localisation for **fiber optic cable manufacturing**; active network hardware has high dependency on imports	• High speed/bandwidth cables and equipment for lower latency and higher workloads • Pre-terminated fibre assemblies and fast deploy solutions.
Security	**Moderate** Global and Indian players dominate this space	**Moderate to high** localisation across components exist; Potential to localise components like sensors, cameras, biometrics, etc.	• AI powered physical surveillance with real time anomaly detection • Integration with cybersecurity (very few players offer this).

Notably, a localisation opportunity of varying scale and form exists across the entirety of the value chain, making the development of a competitive domestic supply chain as integral to India's data centre ambitions as the attraction of operators and capital.

Sources: 38. KPMG in India's 2026 analysis.

Suppliers need to actively engage with stakeholders to secure contracts and deliver DC within expected timelines

Supplier success in the data centre market is increasingly dependent on early, targeted, and sustained engagement across a complex stakeholder ecosystem. This analysis examines the degree of involvement of key stakeholders across the value chain and identifies the stakeholder groups suppliers need to engage with to both secure contracts and deliver effectively. By highlighting where technical requirements are defined, vendor preferences are shaped, and delivery accountability sits, the analysis offers a structured view of how suppliers can sharpen their go-to-market approach, strengthen execution alignment, and capture greater value across critical infrastructure domains.

Table 6: Level of stakeholder engagement required across the DC construction value chain[38]:

Activity	Design consultants	Project management consultants	Hyperscalers	DC operators	System integrators
	←	*Level of engagement*		→	
Design and construction	✓✓✓ Define facility specs, MEP design, layout; key to vendor inclusion at design stage	✓✓✓ Drive timelines, coordinate stakeholders and ensure execution alignment	✓✓✓ Define global design standards, architecture and sustainability requirements	✓✓ Validate and approve designs, and ensure operational readiness	✓ Limited role unless part of turnkey delivery
Power infrastructure (outside DC)	✓ Provide grid and substation specifications	✓✓ Coordinate with utilities; delays impact project timelines	✓ Specify reliability and renewable sustainability requirements	✓✓✓ Lead investments and approvals for external power infrastructure	✓ Minimal involvement in procurement
Power infrastructure (inside DC)	✓✓ Specify UPS, generators, PDUs and internal architecture	✓✓✓ Manage procurement of long-lead equipment and execution timelines	✓✓✓ Define power density, redundancy and efficiency targets	✓✓ Approve vendors and oversee commissioning of systems	✓✓ Increasing role in integrated power solutions
Cooling infrastructure	✓✓✓ Design cooling systems (air/liquid) based on rack density	✓✓ Coordinate integration of cooling systems with civil and MEP execution	✓✓✓ Set heat load thresholds and cooling technology choices	✓✓ Validate system performance vs efficiency targets	✓✓ Relevant for integrated and advanced cooling solutions
Network and connectivity	✓ Define physical pathways and layout provisions	✓ Ensure fibre readiness and infra-alignment	✓ Define bandwidth, redundancy and latency requirements	✓✓ Lead carrier selection and network architecture decisions	✓✓ Deploy high-speed interconnects and networking systems
Security	✓ Define physical security design and zoning	✓ Coordinate security system deployment in line with timelines	✓ Set compliance and baseline standards	✓✓ Own procurement of physical and cyber security systems	✓✓ Implement integrated security and monitoring solutions

Tailored supplier engagement across project phases— from early design to long-term operations—can help create a competitive advantage

Sources: 38. KPMG in India's 2026 analysis.

✓✓✓	Critical ownership
✓✓	Active involvement
✓	Peripheral involvement

Supplier ecosystem globally has seen evolution with new solution offerings and partnerships being formed for providing turnkey solutions

The global data centre supplier landscape has evolved significantly in response to the operational demands of AI-led hyperscale infrastructure. **The complexity and pace of hyperscale deployment has made the traditional model of discrete, component-by-component procurement increasingly inadequate, prompting suppliers across the value chain to move toward integrated, turnkey solutions that reduce engineering complexity, accelerate deployment timelines, and offer operators greater performance certainty across power, cooling, and compute layers.**

This evolution has been accelerated by way of strategic partnerships and acquisitions across the ecosystem, as players seek to broaden their solution portfolios and meet the consolidated procurement preferences of hyperscale operators.

Table 7: Emerging trends in the global supplier ecosystem[38]:

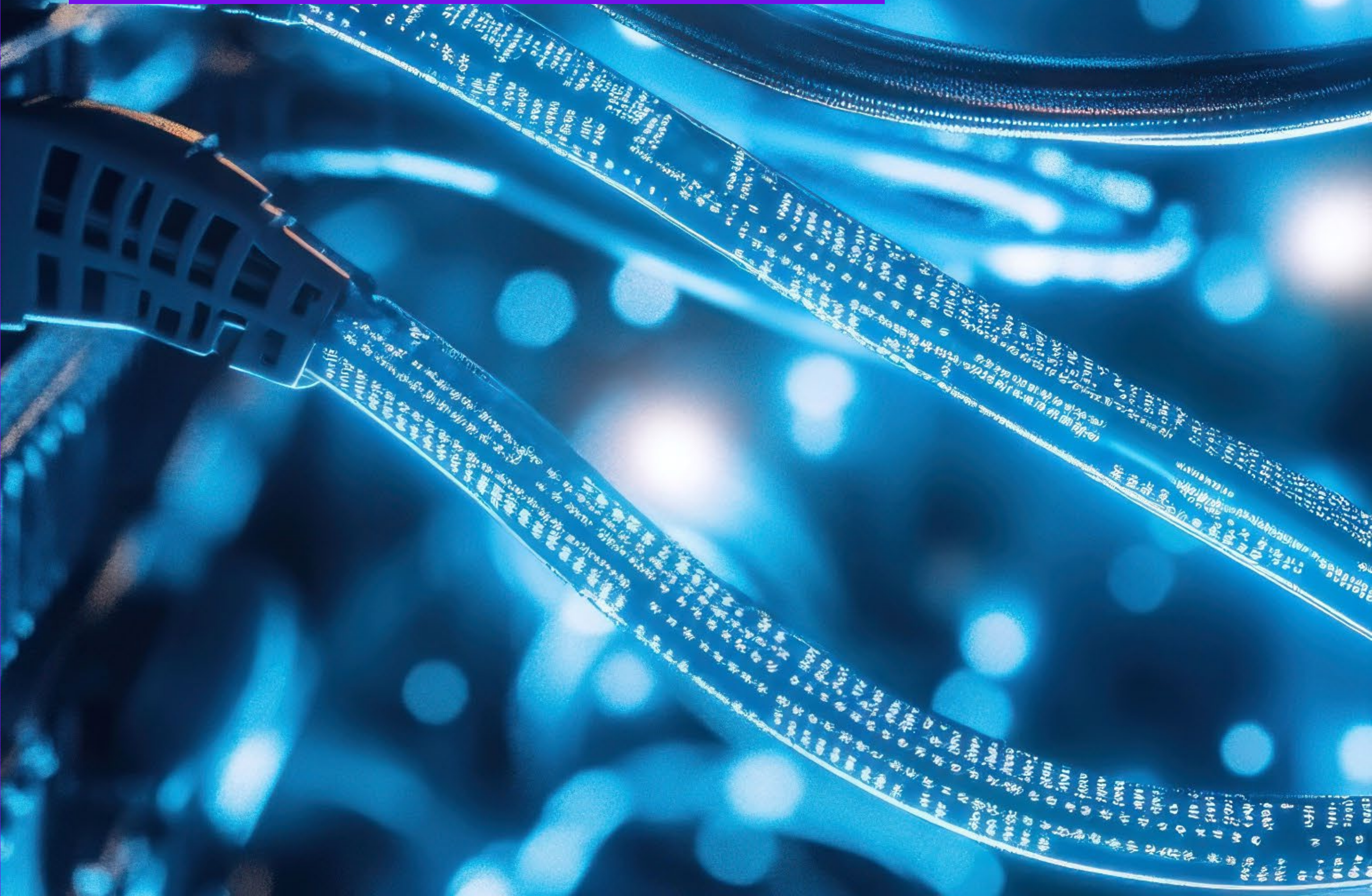
Emerging trends in the global supplier ecosystem..		..resulting in partnerships across the ecosystem
Modular turnkey solutions	• Prefab modules accelerate deployment by 30–50 per cent, critical for AI DCs scaling fast[39] • Enables repeatable AI pod designs, reducing engineering complexity and improving scalability and cost control • **Partnerships focus** - Standardisation across geographies reduces cost and complexity.	**Global infra major's 'Grid-to-Chip and Chip-to-Chiller integration'** • Global infra major acquired a controlling stake in a chip cooling specialist in 2025, embedding their chip-level liquid cooling and CDU tech into its DC infrastructure stack, offering turnkey facility integration, **30 per cent faster time to market**.
Power architecture (HV)	• Shift to higher voltage reduces conversion losses and supports GPU-intensive loads • 800 VDC architecture enables denser racks and more efficient distribution • **Partnerships focus -** Suppliers are co-developing GPU-aware power systems with AI hardware vendors.	**Leading GPU OEM partnerships:** • HVDC grid specialist supplies grid expertise; integrated infrastructure player provides power, thermal and liquid-cooling infrastructure; global infrastructure major supplies distribution, UPS and facility integration • **Leading GPU OEM validates GPU profiles** and system reference designs **to ensure compatibility** and enable repeatable, high-density AI deployments.
Cooling Infra upgradation	• Liquid cooling (direct-to-chip, immersion) is becoming mainstream for >50 kW/rack • Cooling is shifting from facility-level to rack-level precision systems • **Partnerships focus -** Validated, turnkey cooling ecosystems to de-risk adoption.	• **Immersion and precision liquid cooling solutions** – Immersion cooling player provides immersion tech, global infrastructure major adds facility integration to modular DCs • **Direct-to-chip cooling solutions** – HVAC major brings HVAC scale, Cooling Innovator delivers two-phase D2C liquid cooling.
Compute and racks	• AI workloads demand rack-scale integration of compute and optical fibre (Ethernet/InfiniBand) • Racks are evolving into thermal and power management systems, not just enclosures • **Partnerships focus -** Suppliers are bundling racks + PDUs + cooling into integrated micro-environments.	• **Validated AI rack-scale systems** – GPU OEM + AI Racks solutions player optimises for thermal and performance • Integrated compute networking player provides high-speed networking; AI racks solutions player integrates compute for AI-ready racks.

These shifts in the global supplier ecosystem are influencing how suppliers position and deliver in India, while raising entry and performance expectations to global standards. With the market moving from components to integrated and turnkey solutions, suppliers who can deliver reliable, repeatable deployments at scale are expected to be preferred, and competitive advantage will be determined basis execution at scale.

Sources: 38. KPMG in India's 2026 analysis. 39. The rise of prefabricated steel construction: Transforming India's infrastructure landscape - The Construction Times news article dated 21 April 2025.

03

Regulatory support



Data centres are a strategic national infrastructure asset, critical to national security...

1 Data sovereignty and national security

India's UPI payments → **~USD3.3 trillion**

India's UPI ecosystem's dependency on foreign servers poses high risk

- **India's financial and citizen data must be stored in the country** due to **high risk of exposure to foreign jurisdiction** when data **resides overseas**
- This is critical to establishing India as a strategic regional data-centre hub
- National Health Stack, NEP EdTech, ONDC, DigiLocker, Aadhaar (200 crore face-auth, August 2025) – all require sovereign, low-latency compute. **AI-powered governance** (tax processing, welfare, judicial queues) **is only feasible if the government controls its own DC capacity.**

Advantages of complete digital chain in India:

- **Cost control and margin capture across every layer -** Vertical integration enables margin capture across land, power, connectivity, and services
- **Faster deployment and project execution –** End-to-end control across land, power, connectivity, and project management eliminates inter-vendor coordination risk
- **Data sovereignty and regulatory advantage –** Full-stack ownership allows operators to reliably serve sovereign and regulated workloads beyond the reach of fragmented players.

2 Creates a multiplier effect of 2.5-3X

- **Long-term supplier ecosystem development creates a strong economic multiplier** – Today's data-centre ecosystem generates a 2.5-3.0× multiplier[42] effect through ancillary industries, services, and employment. As localisation deepens and domestic manufacturing, services, and IP scale, this multiplier can expand to 3-4×[42], materially amplifying long-term economic impact
- India's current import dependence for data-centre components stands at **USD2–3 billion**. [42] With demand growth, cumulative imports could exceed **USD17 billion over FY26–FY30**. This rising import intensity represents a significant opportunity for domestic players to expand capacity, **localise supply chains, and capture a larger share of incremental demand.**

Current multiplier effect → **2.5 – 3x**

Expected multiplier effect → **3 – 4x**

Employment generation across DC value chain
- **Current** → **1 million**
- **10 years outlook** → **9 million**

To grow across construction, supplier ecosystem, direct DC operations and downstream digital economy

Sources: 40. India emerges as a micro-payments economy, UPI hits 228 billion transactions in 2025: Worldline report - ANI news article dated 14 April 2026. 41. Aadhaar Face Authentication Sets New Benchmark, Doubling from 100 Crore to 200 Crore Transactions in Just 6 Months - Ministry of Electronics & IT PIB press release dated 11 August 2025. 42. KPMG in India's 2026 analysis.

....and a catalyst for digital economy growth through jobs, startups and ecosystem development

3 Development of Startups ecosystem and energy transition catalyst

India's rank for public Gen AI Projects[43] → #2

India's rank for AI hiring growth[43] → #1

IndiaAI Mission's GPU Access rate : USD0.76/hr[44] v/s International rate: USD3 -5/hr[45]

73+ AI unicorns, 1,000+ AI startups directly benefit from domestic compute access[46]

- **Data centres act as ecosystem catalysts,** spawning **startups** that **build, operate, and service DC infrastructure** while simultaneously **lowering compute costs** for consumer tech, fintech, telecom, and AI startups
- As these **digital start-ups scale,** they **generate exponentially higher data and compute demand**, **reinforcing DC utilisation and driving successive capacity build-outs**
- **Hyperscalers must also meet net-zero commitments, spurring 3–5 GW of new solar and wind PPAs in India**, additive to the 500 GW renewables target.[45] As a result, data-centre expansion and the energy transition are mutually reinforcing rather than competing.

4 Large export opportunity

India is among the top 3 producers of optical fiber cable in the world45

Annual production capacity for fibres[47] → 100 million Km+

DC components exports[45]:

USD0.5–1 billion → By 2035 → USD5–8 billion

- **Transformers**: **Global supply constraints, with 18–24 months lead times in the U.S. and EU[45], are forcing global DC developers to qualify Indian manufacturers** already exporting to 100+ countries[47]
- India currently imports 60–70 per cent of high-value DC components.[45] With the **domestic DC market projected to reach USD17–18 billion by 2030**,[45] the scale now exists to localise manufacturing competitively and further serve global demand
- **Hyperscale-trained Indian talent** across DC design, PMC, and commissioning is **directly exportable, delivering projects at a fraction of European or U.S. cost structures**
- **India's highest value DC export is AI services** with USD30–50 billion worth of AI service exports expected by 2030.[45]

Sources: 43. Seven Chakras of the India–AI Impact Summit 2026 - Driving Global Collaboration Across Seven Themes of AI Impact - PIB press release dated 8 February 2026. 44. Government supporting organisations and consortia to develop sovereign foundational model - Ministry of Electronics & IT PIB press release dated 25 March 2026. 45. KPMG in India's 2026 analysis. 46. India Adds 11 New Unicorns in 2025, Ai.tech Becomes Fastest to Hit USD 1.5 Bn: Report -. Entrepreneur India news article dated 12 September 2025 and KPMG in India's 2026 analysis. 47. Atmanirbhar India needs to nurture its infra-tech progress in optical fibre - The Economic Times news article dated 15 June 2022.

The Indian government has increasingly prioritised the growth of data centres and the adoption of AI, backed by favourable policy announcements in recent years

Policy has been an important catalyst in shaping India's data centre industry. The central government has, over recent years, introduced progressive set of measures covering data protection legislation, infrastructure status designation, and dedicated AI investment frameworks that together constitute a supportive and evolving enabling environment for the sector.

Figure 12: Summary of policy initiatives providing impetus to growth of DC and AI sectors[48]:

2008-2014

Phase 1 - Foundation

Laying foundation for digital governance through secure e-Governance hosting and accelerated cloud adoption across government departments

2008 - State data centre scheme (MeitY)

- One of the earliest coordinated initiatives to set up state data centres for hosting e-Governance applications and disaster recovery.

2014 - National cloud service project (MeitY)

- NIC launched 'Megh Raj' cloud, accelerated cloud adoption across govt departments; expanded NIC Tier-III and Tier-IV facilities.

2018 – 21

Phase 2 - Data sovereignty and national framework

Regulatory focus shift from data localisation to a national data infrastructure framework, moving from securing local data to attracting investment and reinforcing digital sovereignty

2018 – RBI data localisation mandate

- Required payment system operators to store transaction/user data exclusively in India.

2019 – *Draft* E-Commerce Policy (DPIIT)

- Proposed data protection, localisation, and e-commerce regulatory framework.

2020 – *Draft* National data centre policy (MeitY)

- Proposed infra status, single-window clearance, DCEZs.

2022 – 23

Phase 3 - Compliance mandates

Central mandates enforced domestic data storage and regulatory compliance.

Infrastructure status for DCs (Budget'22)

- Added DCs (≥5 MW IT load) to harmonised master list for infra projects.[49] ✓✓

2023 - DPDP Act (MeitY)

- Mandated domestic data storage and restricted cross-border transfers.

2023 - SEBI cloud framework

- Mandated SEBI-regulated entities to store data within India.

Note - ✓✓ indicates high impact policies

2024– 25

Phase 4 - AI and digital infrastructure push

National AI mission to accelerate HPC-ready data centre growth, positioning India as a global AI infrastructure hub

2024 – India AI Mission (MeitY) ✓✓

- USD1.2 billion programme[50] for AI compute grid (34k+ GPUs)[51], datasets, HPC-ready infrastructure.[50]

2025 – National Broadband Mission 2.0 (DoT)

- Expands fibre, 5G, satellite broadband; targets universal high-speed connectivity.

2025 – Draft National data centre policy

- 20-year tax holiday (upon meeting targets)
- States to earmark land with reliable energy supply
- Firms urged to set up AI hubs and GCCs near facilities.

2025 – Digital Personal Data Protection (DPDP)

- Define how personal data must be collected, protected, and governed in India.

Sources: 48. KPMG in India's 2026 analysis based on PIB press releases, and budget documents. 49. Data centre with over five megawatt capacity gets infra status - The New Indian Express news article dated 14 October 2022. 50. Cabinet Approves Ambitious IndiaAI Mission to Strengthen the AI Innovation Ecosystem - Ministry of Electronics & IT PIB press release dated 7 March 2024. 51. India's Common Compute Capacity Crosses 34,000 GPUs - Ministry of Electronics & IT PIB press release dated 30 May 2025.

Infrastructure status for data centres together with India AI mission have served as a significant boost for the industry

Table 8: Summary of key central government regulations[48] :

Regulation	Summary	Status	Impact
Infrastructure status for DCs - Budget 2022-23	• DCs with more than 5MW capacity of IT load were **accorded infrastructure status in union budget 2022-23.**[49]	• This will enable the data centres to get **access to longer tenured debt (15-20 years) at competitive rates (8.5-10.5 per cent vs. 11-13 per cent earlier)** • Access to **infrastructure debt funds (IDFs) and InVIT structures** • The status will provide the data centre **access to foreign funding through the external commercial borrowing route** • Faster approvals and clearances.	**Very high impact** • Capex economics of data centres transformed and faster speed to market.
India AI Mission (MeitY) - 2024	• The India AI Mission is a **national initiative by MeitY to build a robust AI ecosystem and data centre infrastructure** across India • It drives growth in data centres by **increasing demand for high-performance computing**, secure data storage, and scalable infrastructure • The IndiaAI compute pillar will build a **high-end scalable AI computing ecosystem** to cater to the increasing demands from India's rapidly expanding AI start-ups and research ecosystem • Subsidy on compute costs for selected firms developing foundational AI models within India	• **INR10,000 crore allocation** over five years for AI infrastructure under IndiaAI Mission[50] • **34k+ GPUs sanctioned**,[51] making it one of the largest publicly funded AI compute platforms globally; • **17k+ GPUs already installed**[52] across data centres • **Open GPU marketplace launched**, democratising access for startups and researchers, reducing dependency on global hyperscalers • Mission aims to **develop indigenous GPU capability within 3 - 5 years**, strengthening digital sovereignty.	**High impact** • GPU clusters, hyperscale DC growth • One of the beneficiaris has been allocated 3.5k+ GPUs and subsidy of INR90+ crore against project cost of INR200+ crore.

By reducing cost, improving access to capital for data centre developers, and scaling public AI compute and ecosystem programmes, the Government is accelerating both time-to-build and time-to-utilisation, thereby enabling faster scale-up of the sector. Further, the above policy framework provide a stable base for long-term capital commitments.

Sources: 48. KPMG in India's 2026 analysis based on PIB press releases, and budget documents 49. Data centre with over five megawatt capacity gets infra status - The New Indian Express news article dated 14 October 2022. 50. Cabinet Approves Ambitious IndiaAI Mission to Strengthen the AI Innovation Ecosystem - Ministry of Electronics & IT PIB press release dated 7 March 2024. 51. India's Common Compute Capacity Crosses 34,000 GPUs - Ministry of Electronics & IT PIB press release dated 30 May 2025. 52. IndiaAI plan moves forward with over 17,000 GPUs successfully installed - The Economic Times news article dated 24 June 2025.

DPDP[1] strengthens data governance and localisation requirements, making data centres central to compliance, security and sector-wide digital growth

Impact of DPDP policy on data centres

The Digital Personal Data Protection (DPDP) establishes how personal data is expected to be stored and managed in India. Beyond compliance, the rules set clear expectations on where data is stored, how securely it is managed, and how transparently it is governed

As organisations align their technology and operating models to these requirements, data centres become central to enabling compliance, rather than remaining a background infrastructure element.

Table 9: Role of DPDP in accelerating data centres growth in India

Growth Factor	Impact
Push towards domestic data storage and processing	DPDP tightens conditions on cross-border data transfers, encouraging enterprises and digital platforms to **store, process, and back up more personal data within India**, directly driving domestic data centre capacity demand
Higher standards drive demand for quality infrastructure	Mandatory monitoring, audit trails, breach detection, and retention rules shift demand toward **enterprise-grade, resilient, and compliance-ready data centres**
Longer data retention increases storage intensity	Minimum retention requirements for sectors like e-commerce, social media, and gaming **increase data stored per user**, leading to sustained growth in storage and compute demand
Compliance becomes a sourcing criterion	With privacy-by-design and audit readiness becoming critical, DPDP-aligned data centres **emerge as a strategic choice, strengthening their appeal to hyperscalers**, regulated enterprises, and government workloads

Sectoral impact of DPDP policy

IT and IT-enabled services	DPDP increases the need for secure domestic data hosting and auditable infrastructure due to large-scale processing of employee, client, and customer personal data
Banking, financial services and fintech	Stricter breach reporting timelines, audit requirements, and safeguards for sensitive customer data drive reliance on high-security, compliant data centres
E-commerce and marketplaces	Mandatory data retention, consent management, and user-level accountability significantly raise backend storage, monitoring, and processing requirements
Social media and digital platforms	Defined retention requirements for large user bases increase long-term demand for storage and processing capacity within India
Online gaming and digital entertainment	Handling of real-time user data, behavioural logs, and compliance monitoring drives demand for scalable compute and storage infrastructure
Healthcare and healthtech	While limited exemptions apply, higher data security expectations are driving adoption of certified, compliant domestic data centres
Government and public digital platforms	Data sovereignty, auditability, and consent-based service delivery reinforce the need for sovereign, regulation-ready data centre infrastructure

Note - Privacy-by-design means embedding privacy and data protection into systems from the outset, not adding it later to meet compliance
1: Digital Personal Data Protection Act (DPDP)

Sources: 53. KPMG in India's 2026 analysis based on PIB press releases and budget documents.

Recent budget measures offer strong incentives aimed at attracting investments from global players

The Union Budget 2026–27 has introduced an important policy framework to position India as a global centre for digital infrastructure. **A tax holiday until 2047 has been announced for qualifying foreign cloud service providers (CSP) operating via data centre infrastructure located in India.**[54] The framework aims to encourage global investments in India's digital infrastructure by providing a long-term policy certainty till 2047.

Figure 14: Key conditions to be complied by foreign companies[53]:

CSP notification

- Foreign CSP must be formally **notified by the central government** under the relevant provisions of the **Income Tax Act, 2025.**

Ownership

- Foreign CSP must **not own or operate any physical infrastructure** or resources of the specified data centre in India and **ownership must vest with an Indian entity.**

DC notification

- The data centre from which services are procured must be an Indian company, formally **notified by the Ministry of Electronics and Information Technology.**

Indian resellers

- All cloud services provided by the foreign company to Indian users must be **routed through an Indian reseller entity**, an Indian company registered under Indian law.

Domestic income taxation and safe harbour margins

- Income from domestic economic activities, including services provided by the resident Indian data centre to the global entity, and resale of cloud services to Indian customers, **are fully taxable in India as per domestic provisions**
- Where the Indian data centre operates as a related entity of the **foreign CSP on a cost-plus basis,** a safe harbour margin of **15 per cent on cost** applies for transfer pricing purposes.

These measures support a broader set of central government initiatives undertaken in previously, thus providing regulatory clarity. Collectively, these provisions reflect deliberate policy efforts to attract global cloud investment, reinforce data sovereignty, and transform India's data centre ecosystem within a structured and transparent governance framework.

Sources: 53. KPMG in India's 2026 analysis based on PIB press releases and budget documents. 54. Budget 2026–27 Sets the Stage for India as a Global Hub for Cloud and AI Infrastructure - PIB press release dated 14 February 2026.

Further targeted policy interventions can unlock the next phase of India's data-centre growth while strengthening ecosystem depth and attractiveness

India's data centre sector is at an inflection point, with both central and state governments already introducing policy support to catalyse growth. However, there remains scope to further streamline and harmonise these efforts to improve effectiveness. While market demand remains strong, targeted interventions can materially improve time-to-market, cost competitiveness and ecosystem depth.

Table 10: Targeted policy levers to unlock faster scale and strengthen ecosystem depth[53]:

Incentive	Details
DC parks with ready-to-use Infrastructure	By establishing four **pre-enabled data centre economic zones** outside metros, with power, fibre, and permits in place, the **revised National DC Policy** removes key entry barriers, accelerates go-live timelines, and expands the addressable capacity footprint beyond metro markets.
Research support for DC technologies	While **government-backed funding** is flowing into advanced cooling and energy-efficiency initiatives, the absence of a **dedicated data-centre R&D fund remains a gap**. Establishing a targeted grant programme for India-specific solutions would seed homegrown DC technologies and structurally reduce long-term import
National DC certification body	The **DC Certification Scheme drafted by MeitY and STQC** (now under stakeholder consultation) will institutionalise globally recognised standards at lower cost, improving operator credibility and reinforcing India's competitiveness as a preferred destination for global data-centre tenants
Easier fund management for foreign investors	Despite strong foreign capital inflows into India's data-centre sector, **unclear repatriation timelines** create residual investor friction. Establishing clear, **DC-specific capital transfer guidelines** would de-risk investments and reinforce India's positioning as a long-term DC destination.
Increased domestic GPU availability	Through the IndiaAI Mission, the government has provisioned more than **34,000 GPUs at discounts of up to 40 per cent.** Further expanding this shared compute pool would structurally reduce AI compute costs and enable faster scaling across data-centre operators and enterprise users.
Privatisation of government DC requirements	MeitY's **empanelment of 26 private cloud providers[55]** under MeghRaj, **already serving 2,170 government department**, demonstrates the state's role as a foundational demand anchor. Further expansion would institutionalise recurring workloads, de-risk capacity build-out, and crowd in long-term private DC investment.
Preferential loan rates	While data centres are increasingly recognised as infrastructure, project loans **continue to be priced at ~8.5–10 per cent,** materially higher than what global hyperscalers access through offshore capital. A dedicated **concessional DC lending product,** potentially anchored through dedicated institutions would reduce financing costs, unlock scale build-out, and level the competitive playing field for domestic operators.
Extended tax holidays	In Budget 2026, global hyperscalers operating from Indian data centres received a **20-year tax exemption**.[56] Extending this to Indian DC developers would help level the field and support **greater domestic infrastructure build-out.**

STQC: Standardisation Testing and Quality Certification

Sources: 53. KPMG in India's 2026 analysis based on PIB press releases and budget documents. 55. India building secure, scalable and AI-ready cloud infrastructure to support digital governance - Ministry of Electronics & IT PIB press release dated 12 December 2025. 56. Budget 2026–27 Sets the Stage for India as a Global Hub for Cloud and AI Infrastructure - PIB press release dated 14 February 2026.

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