

REPORT REPRINT

India's datacenter markets soar to the clouds

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India is undergoing an impressive growth spurt. The country is growing at 23% CAGR (2017-2022) due to increased demand from global cloud providers and a proposed data sovereignty law by the Indian government, as well as less-than-ideal market conditions that have been playing elsewhere in the Asia-Pacific region.

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Introduction

India's datacenter market is undergoing major growth, fueled in part by increased demand from global cloud providers and a proposed data sovereignty law by the Indian government. The market is examined in detail in a new Technology & Business Insight report, India: Leased Datacenter Market, which examines the overall size, scope and growth of the multi-tenant datacenter (MTDC) markets in India. This report represents our second in-depth look at the country, which has seen interesting investment activity in the last 24 months. Additionally, the report provides an overview of the competitive dynamics in the various Indian markets, a 451 Research Market Map of the competitors in the Mumbai market, market share of the dominant providers, supply-demand and utilization trends, and a discussion of planned MTDC builds.

451 TAKE

When speaking to providers throughout the country, it is easy to come away with the impression that there is more than enough business to go around, and indeed there may well be. That said, there may be reason for some concern however, particularly in Mumbai. Based purely on announced projects and projects currently underway, the Mumbai market is set to double in size by the end of 2021 (assuming all those projects come through on time – something that the Indian market has admittedly struggled with in the past). As many as five new providers are set to enter the Mumbai market during that same time frame, all building large-scale facilities, and all targeting the hyperscale segment with some or all of their sales efforts. This, of course, isn't the first time we've witnessed a market go through a dramatic growth swing. In 2016, the Singapore market grew by over 400,000 square feet, and the result was a price war that lasted more than two years, along with a fair amount of consolidation. What is being proposed for Mumbai is nearly identical to that of Singapore's 2016 growth spurt, and so it is at least reasonable to believe that Mumbai may be headed for similar growing pains.

Context

India is currently undergoing an exciting and impressive growth spurt. The global datacenter industry generally grows at a compound annual growth rate (CAGR) of 7%. The Asia-Pacific region is growing at 10% (CAGR 2017-2022), the fastest in the world. India is growing at 23% for that same time frame, matching China's growth, and there are a few reasons for this. For some years now, there has been wide expectation in India that Parliament will pass some form of a data localization law. While that hasn't come to fruition yet, companies have been entering the market due to the combination of push-and-pull factors, such as increased digital initiatives from the government and enterprises alike.

Meanwhile, less-than-ideal market conditions have been playing elsewhere in the Asia-Pacific region, particularly in markets where service providers would have previously located a good portion of their IT stack meant to service India. Many global enterprises and service providers seem to have accepted that they have to scale India-focused operations within the country, not only to comply with the anticipated data localization law, but also to simply better serve end users. Additionally, due to time-to-market considerations and bureaucratic challenges (especially with permits, land and power), hyperscalers have opted – so far – to partner with established colocation providers in the Indian market instead of building their own datacenters. All that has led to an acceleration of datacenter infrastructure development, and the international hyperscale cloud, IT services and online content that the providers are all buying.

REPORT REPRINT

The new 451 long-format report provides current supply-demand and utilization trends in India, as well as market-specific analysis. It also highlights prominent MTDC providers in India and provides a market outlook for each. Our intended audience includes:

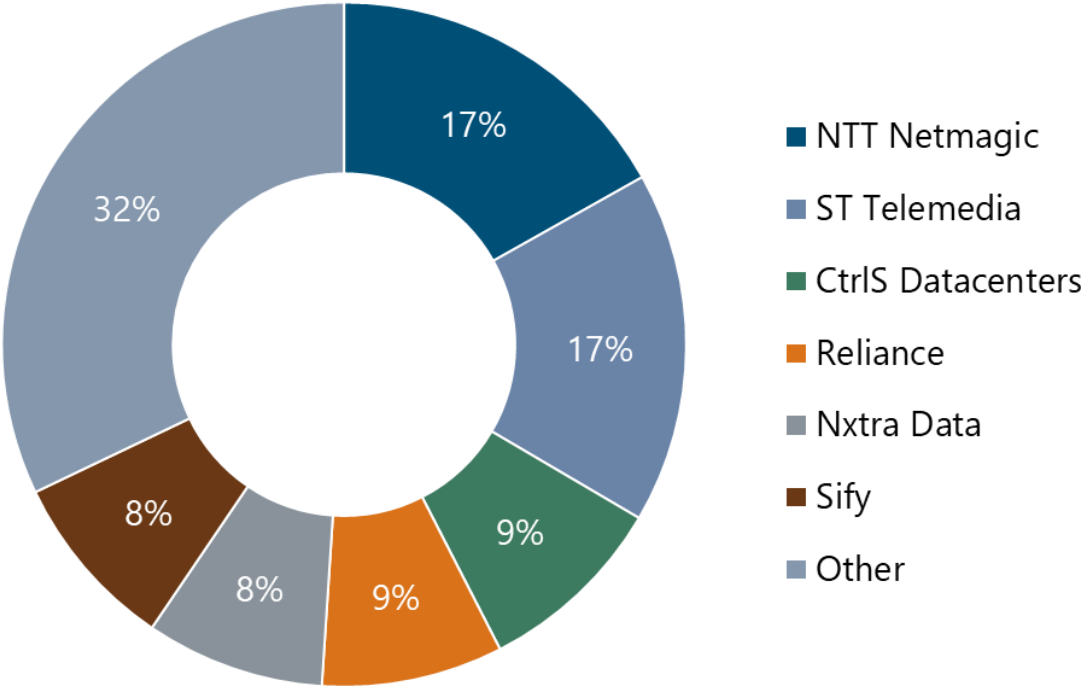
- Datacenter providers assessing market share, market positions and expansion opportunities.
- Datacenter providers and telecommunications companies in other regions considering expanding to, or in, India.
- Hosting and cloud providers considering datacenter leasing decisions and expanding to, or in, India.
- Financial professionals considering investments in datacenter properties and companies.
- Real estate and planning professionals interested in an Indian datacenter market analysis and provider-by-provider analysis of the MTDC space.

Some of the report's key findings are:

- The Indian datacenter market is currently witnessing aggressive growth due to increased interest from both local and international enterprises and service providers. Much of the growth is being fueled by impending data sovereignty laws, but also by several government-backed initiatives and incentives, as well as regional influences.
- Mumbai has the lion's share of new datacenter space in India. We estimate the city's datacenter market to have a CAGR of 22% for the period 2017-2023. As the country's financial capital, Mumbai continues to enjoy lots of demand, even as providers move further inland through Navi Mumbai and beyond in search of bigger land parcels at lower prices.
- Bengaluru, known locally as the 'Silicon Valley of India,' is currently projected to grow at a CAGR of 16% between 2017 and 2023, a trajectory that has now moved the city just ahead of the National Capital Region (NCR). While the cloud providers have yet to build out capacity in the city in a meaningful way, IT service providers and various other tech companies have slowly started embracing colocation, giving the city a much-needed demand boost.
- Though somewhat overlooked in years past, India's NCR is seeing renewed interest from some providers as the various cloud providers prospect the market (Google announced in May that it plans to expand its cloud platform to the market). Though growing modestly compared to some of India's other markets, the area surrounding New Delhi (CAGR 10%, 2017-2023) is one to keep an eye on as interest continues to deepen from the government and other local sectors.
- While Google has chosen the NCR as its second cloud region in India, Microsoft and Amazon have chosen Chennai for their second. Although still well behind Bengaluru and New Delhi, Chennai is growing at an impressive CAGR of 19%, particularly due to its proximity to the country's eastern cable landing stations and the city's favorable posture toward datacenter providers and the tech sector in general.

India Datacenter Market Share Leaders (by Net Operational Square Feet)

Source: 451 Research's Datacenter KnowledgeBase, 2020



For the whole of India, NTT Netmagic currently is the market leader in terms of operational square feet. NTT Netmagic is followed by ST Telemedia and CTRLs, and all three providers have been very active in multiple markets throughout the country, building a substantial part of the country's current built-out capacity.