



India Data Centres: Deployable Infrastructure vs Narrative Growth

1. Context and Framing

India's data centre sector is widely positioned as a high-growth infrastructure opportunity, supported by structural drivers including data localisation mandates, rapid digitisation, and the emergence of AI-driven workloads.

However, a persistent gap remains between project pipeline and capital deployment.

While capacity announcements continue to expand, the proportion of projects that reach financial close remains materially lower than implied by market narratives.

This briefing examines the underlying cause of this disconnect, and the conditions under which data centre developments transition from concept to investable infrastructure.

"The constraint is not demand, it is deployable infrastructure"

2. Market Expansion vs Capital Deployment

India's installed data centre capacity remains modest relative to global benchmarks, despite significant growth in data consumption and regulatory-driven demand.

At a structural level, this suggests an undersupplied market.

However, capacity growth is shaped by infrastructure readiness, power availability, tenant demand, and capital alignment.

Market expansion should therefore be understood as selective deployment of bankable assets.

3. The Anchor Led Investment Model

Institutional investors typically require visibility of contracted revenue, long-term tenancy, and utilisation stability.

Development therefore follows:

Demand → Anchor Tenant → Capital → Construction.

Without an anchor tenant, projects remain unfinanceable regardless of technical strength.

4. Scale and Capital Alignment

Institutional capital typically seeks deployment sizes above €50 million with stable revenue profiles.

Early-stage projects often fall below this threshold, while full-scale developments remain too early-stage.

This creates a funding gap requiring careful phasing and capital alignment.

5. Capital Structuring Considerations

Investors favour simple, equity-led early-stage structures with clear use of funds and defined milestones.

Complex structures and unclear capital allocation reduce investor confidence.



6. Location as a Structural Differentiator

Constraints in major metros are driving interest toward alternative locations with integrated infrastructure and regulatory alignment.

Purpose-built financial zones offer advantages in compliance, infrastructure, and demand concentration.

7. AI and High-Density Compute

AI workloads are increasing density and compute value per MW.

However, they introduce risks including hardware obsolescence and utilization dependency.

AI should be positioned as upside, not core investment case.

8. Execution Risk and Delivery Capability

Execution remains critical, including supply chain, infrastructure integration, and operational capability.

Strong local execution and phased development are key success factors.

9. Strategic Implications

Successful projects align demand, capital, and execution.

Anchor-led deployment, simplified capital structures, and strong location strategy improve outcomes.

10. Conclusion

India's data centre opportunity is defined by execution discipline rather than narrative growth.

Projects that align demand, capital, and exit pathways will succeed in attracting institutional investment.

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