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THE DATA CENTRE MARKET GROWTH AND STRATEGIES TO CAPTURE MARKET SHARE IN INDIA

Articles   📅 Sep 04,25

India's data centre market is on a steep upward trajectory, with a growth rate of 21 per cent annually, driven by cloud adoption, digitalization, and an explosion in data consumption. Being an emerging market, the data centre growth presents a huge opportunity for MSMEs, write R Jayaraman and Sumit Biyani.

The Iron Mountain Data Centre in New Jersey, USA

India's digital future is being written in the quiet, temperature-controlled corridors of data centers, where racks of servers hum with the weight of streaming transactions, and cloud-driven lives. But as India races towards a projected 4-5 GW data center capacity by 2030, one challenge looms large: how can these critical infrastructures remain efficient, sustainable, and reliable while managing skyrocketing energy demands and complex operational needs?

The Data Centres business has been present in India since the early 2000's. Some of the earliest ones were operated in Mumbai and Delhi, albeit on a small scale. One of the earliest companies was Videsh Sanchar Nigam, (renamed later as Tata Communications), a government owned telecom operator. Those were the initial days, and a lot of learning was needed to make this a successful business. Indian manpower had the necessary expertise to operate these, but investments were very high. However, there were many companies who were planning to get into this area. The initial business model was to build them for foreign clients, who will hire the facilities for back-office work. Over the years, Data Centres blossomed, mainly due

China (449), followed by others. The global data centre market is expected to generate $544 billion in revenue in 2024 and grow to $452.53 billion by 2025. From 2025 to 2029, it's projected to expand at an annual rate of 8.37 per cent, hitting $624.07 billion by the end of 2029. As on date, India is host to 265 Data Centres.

A market ripe for change
India's data centre market is on a steep upward trajectory, with a growth rate of 21 per cent annually, driven by cloud adoption, digitalization, and an explosion in data consumption. Within this landscape, co- location data centres—facilities that rent out infrastructure to multiple customers—hold 89 per cent of the market and are growing fast. But beyond merely building more capacity, the real challenge lies in managing these facilities efficiently.

Digital solutions such as Building Management Systems (BMS) and Energy Performance Management Systems (EPMS) offer the ability to monitor, control, and optimize everything from cooling to power usage in real time. The potential is immense. The addressable market for digital solutions in India's data centers is estimated to be Rs 2,500-3,000 million and could grow to Rs 5,000 million in the next five years for some companies.

Yet, as with any market brimming with opportunity, challenges abound. There are many companies in India who are suppliers to data centres, undertaking various types of contracts, such as, EPC, supply of equipment, building the facilities etc. Such companies include Honeywell, Siemens, Mitsubishi, L&T, Schneider, Tata Communications, and others. Each of them is jockeying to position itself in the competitive spectrum, and this is a dynamic activity. Each tries to be a leader in the chosen market segment.

For any of these companies, there are several possible threats/ barriers to succeed in the market. For any company to emerge as the leader, the following need to be addressed.

◎ Strong competition from established players like Honeywell, Siemens, and Mitsubishi.

◎ Customer inertia as many data centers hesitate to switch from their existing automation platforms due to concerns over integration complexity.

◎ Cybersecurity concerns that slow the adoption of cloud-based monitoring solutions.

◎ Pricing pressures that challenge a company's premium positioning in a cost-conscious environment.

◎ Lack of clear customer-focused value propositions that align digital solutions with business outcomes for data centre operators.

The Yotta Data Centre, Mumbai, India

In addition, each company faces internal challenges such as fragmented structures, gaps in sales and technical teams' knowledge of digital solutions, and the need for a unified approach between hardware and software offerings. As in any market related commercial push, a company needs to 'listen' to its customers, to benefit by turning the challenges to opportunities.

Listening to the market: The power of research
To turn these challenges into opportunities, companies undertake market research in a systematic way. What is apparent in the Indian market expectations can be summarised as:

◎ Unified solutions from a single vendor to simplify operations.

◎ AI-capable monitoring infrastructure for predictive maintenance.

◎ Higher rack density management, moving from 3-5KW to as high as 50KW per rack.

Armed with these insights, companies are developing their strategies around four key parameters:

1. Organisational alignment: Companies are working towards establishing Master Service Agreements with key clients, locking in long-term relationships and building trust through consistent service and transparent pricing.

2. Strategic repositioning: Digital solutions are being redefined around a clear value proposition: providing a "single pane of glass" for all monitoring and control needs within a data center. A crucial part of this repositioning, as some companies have realised, involves transitioning customers towards a Software-as-a-Service (SaaS) model, ensuring recurring revenue while enabling customers to manage their facilities with minimal upfront investment and maximum scalability.

3. Financial optimisation: In a competitive market, even in a highly growing one, such as the data centres market, pricing plays a key role. Especially for across the board dominance has long been a sticking point in Schneider's pursuit of digital market dominance. Cost reduction is important to keep profitability high even at low prices.

Human resource and partner enablement
No strategy can succeed without skilled execution. Structured training programs for sales teams, ensuring they understand the technical intricacies and value propositions of digital solutions can yield rich dividends in the market, for securing and sealing the deals, but also providing after-sales-service. Simultaneously, partner enablement programs, system integrators programs, can all add to the market dominating moves.

Environmental, social, and governance impact
Data centres are known for their high energy consumption, and the integration of efficient monitoring and control systems can reduce energy wastage, improve cooling efficiency, and align operations with sustainability goals. Socially, the emphasis on upskilling partners and internal teams contributes to the development of technical expertise within the workforce, while governance standards are reinforced through transparent, standards-based approaches in solution deployment.

Looking ahead: Riding the digital wave
The Indian data centre industry is at a pivotal moment. With government initiatives to promote digital infrastructure, a growing appetite for cloud services, and the upcoming rollout of 5G, the demands on data centres will only increase. High-power density equipment, advanced cooling solutions, and AI- enabled monitoring will move from being luxuries to necessities.

By aligning its offerings to customer needs, reducing costs without compromising on value, and focusing on training and partnerships, every company will try and lay the groundwork for sustained leadership in India's data centre digital solutions space. In the age of cloud, streaming, and big data, the unglamorous yet critical work of managing and optimising data centers will define the speed and sustainability of India's digital journey.

An opportunity for MSMEs
Being an emerging market, the data centre growth presents a huge opportunity for MSMEs. They can become suppliers for many components for data centres and MSME's expertise in IT/ IOT/ AI/ ML can find opportunities in the SaaS type of work. India's data centre capacity is on track to more than double from 950 MW to 2000-2100 MW by FY27, according to a recent report by ICRA. This expansion will play a pivotal role in supporting the nation's ambitions of becoming a global digital hub, with data centres at the forefront of the AI-driven future. And MSME's can play a major role in this transformation.

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(This article has used some research materials from the Capstone Project done by Sumit Biyani in the PGEMP course in Bhavan's SPJIMR.)

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[Tata Communications]

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📅 SEP 04,25

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