

Why has India become a safe destination for data centres?¹

As conflicts redraw the map of digital infrastructure, India emerges as the world's most compelling safe destination

Modern warfare has acquired a new front: digital infrastructure. Conflicts across the Middle East and Europe have exposed a brutal truth — data centres, undersea cables, and satellites are now legitimate targets in hybrid warfare. Ukraine offered the starkest proof: as Russian missiles struck power grids, entire outsourcing and technology operations evacuated westward overnight. Enterprises that once anchored capacity in the Gulf or Eastern Europe are now scrambling to relocate to stable, democratic, rule-of-law jurisdictions. As Dr Arvind Gupta concluded at the NDTV Profit panel, "Wars Force Data Centre Relocations: Can India Become the Hub?" — no nation is better positioned to absorb this shift. The question is no longer if, but how fast.

Friend-Shoring: Geopolitical Safety as the New Competitive Moat

The concept of "Friend-shoring" of routing critical infrastructure through geopolitically aligned and trustworthy partners has moved from defence doctrine to capital allocation reality. India's unique posture as a credible partner to the United States, Europe, Russia, Israel, Iran, and the Indo-Pacific simultaneously makes it the rare neutral-but-stable haven that no other large economy can replicate. Democratic governance, an independent judiciary, and a massive English-speaking technical talent pool reinforce the case. For hyperscalers designing facilities with 25-year depreciation horizons, political stability is not a soft benefit — it is the primary underwrite. The \$250 billion in data centre investments committed at and after India's AI Summit of 2025 is the market's definitive verdict.

AI Demand & the Connectivity Explosion

AI workloads consume 10–100 times the compute of conventional applications. India holds nearly 20% of the world's data yet commands less than 3% of global capacity — a structural gap that is now closing at speed. Installed capacity of 1.4–1.6 GW is projected to reach 10.5 GW by 2030, with the market doubling to \$22 billion. The foundation is India's connectivity revolution: near-universal 4G coverage and a rapid 5G rollout have detonated data consumption among a young, digitally native population. Critically, greater data processing proximity also means reduced network latency — a decisive advantage for real-time UPI payments, AI inference, streaming, and enterprise applications that cannot tolerate round-trips to distant foreign infrastructure.

Hyperscalers, Energy & a Sustainable Infrastructure Stack

Global cloud majors have responded with landmark commitments: Microsoft (\$17.5 billion), Amazon (\$35 billion), and Google (\$15 billion, including AI-focused partnerships with Adani in Visakhapatnam), executed through joint ventures with Reliance, Adani, and Tata. The energy story is equally compelling. India's data centres today consume approximately 1.5 GW — under 1% of national power generation. Even at the projected 10.5 GW by 2030, they will draw only 1.2% of an 800 GW grid that is already 52% green. Unlike water-stressed

¹ Source: NDTV Profit Live Panel: "Wars Force Data Centre Relocations: Can India Become the Hub?" hosted by Vikram Oza · April 2026, <https://www.youtube.com/watch?v=kWiZGIUbwGg>

hubs in Singapore or the American Southwest, India is pioneering air-cooled and immersion-cooling architectures that eliminate water dependency — a structural advantage as climate risk reprices global infrastructure. Semiconductor manufacturing ambitions, backed by the India Semiconductor Mission, are building the upstream supply chain to ensure that the chips powering these facilities are increasingly made domestically.

Infrastructure Status and Zero Tax Policy

Data centres have been granted formal infrastructure status, unlocking streamlined land acquisition, accelerated grid connectivity, and single-window regulatory approvals that compress project timelines dramatically. The defining move is the zero-tax holiday in the Union Budget 2026–27: foreign cloud providers that use Indian data centres to serve global clients enjoy a complete exemption from overseas revenues until 2047. This eliminates litigation risk and delivers a structural edge over Singapore, Ireland, and the UAE. A 15% safe harbour for related-party transactions provides further clarity, while states compete with discounted land and electricity duty waivers.

The New Factor of Production

As Dr Arvind Gupta underscored, data centres are no longer IT assets — they are as foundational to the digital economy as electricity, highways, or ports were to the industrial one. India's convergence of geopolitical safety, AI-driven demand, sovereign latency advantages, hyperscaler capital, water-free cooling innovation, a greening energy grid, and a zero-tax policy horizon has not merely made it a data centre destination. It has made it a leader in the global AI economy whose capacity is set to triple within this decade.