

# AI puts a stop to data centres in non-metros

These smaller data centres, less than 10MW, serve local data demand

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**E**dge data centres, which were expected three years ago to boost India's cloud services market with proliferation in smaller cities, have remained a pipe dream as applications requiring high connection speeds have failed to take off as predicted.

These smaller data centres, designated to be less than 10 megawatt (MW) in capacity as against a hyperscaler facility's 50MW-plus size, serve local data demand within districts. They provide high connectivity speeds, or low latency in technical parlance, by reducing the physical distance to the end user. They were planned to come up in Tier II cities such as Guwahati, Patna, Lucknow, Jaipur, Nagpur, Pune and others to serve applications like smart cars, augmented reality headsets, automated traffic management and more.

However, these applications have not scaled as predicted by analysts, resulting in edge data centres falling out of favour after initial growth spurts. Operators are pouring money into expanding large facilities in hubs like Mumbai and Chennai, where enterprise and big-tech demand is deep and revenue visibility stronger.

Icra Ltd estimates India's edge capacity will rise from 70MW in 2024 to about 200MW by end-2027, or just 8% of the projected 2.5GW total. Anupama Reddy, vice president and co-group head of corporate ratings at Icra, noted the barriers for edge: security risks from remote deployments, rapid tech shifts and obsolescence risk, talent scarcity, and interoperability challenges with core data centres. She added that rentals are higher for edge.

Meanwhile, hyperscale—or large—data centres—have been cutting down on latency, eating into the key selling point for edge data centres, said Sanchit Vir Gogia, CEO of tech advisory firm Grey-



Hyperscale—or large—data centres—have been cutting down on latency.

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hound Research. "The industry miscalculated how quickly core network improvements and submarine cable projects would help hyperscale data centres close much of the latency gap," he said.

As of today, only a fifth of chief information officers at enterprises report active

looking to build large data centres—instead of edge facilities. Sunil Gupta, CEO of Yotta, said that while the company "already has the land in various cities for edge expansion, the client demand isn't at a scale that warrants us to invest in edge data centres right away."

Bharti Airtel-owned Nxtra, meanwhile, is different from the rest. Ashish Arora, CEO of Nxtra, said that the company currently has 150 edge data centres in 65 locations, with plans to add 10 more in the next two years. Even then, Arora said that edge data centres

are not a mainstay of the company's data centre growth plan.

As a result, industry stakeholders believe there are little to no business benefits for edge data centres for now.

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## STUNTED GROWTH

**SMALL** data centres were planned in tier II cities, including Pune, Jaipur, Nagpur, Patna and Lucknow

**THEY** were to serve augmented reality headsets, smart cars, and automated traffic management

**HOWEVER**, these applications didn't scaled as predicted, resulting in centres falling out of favour

investment in edge data centres beyond primary metros, as per Greyhound.

Reddy and Gogia's projections are backed by the data centre firms, too. Operators such as Singapore-headquartered Princeton Data Group, Hiranandani-backed Yotta, Bharti Airtel's Nxtra and US-based Equinix, among others, are all