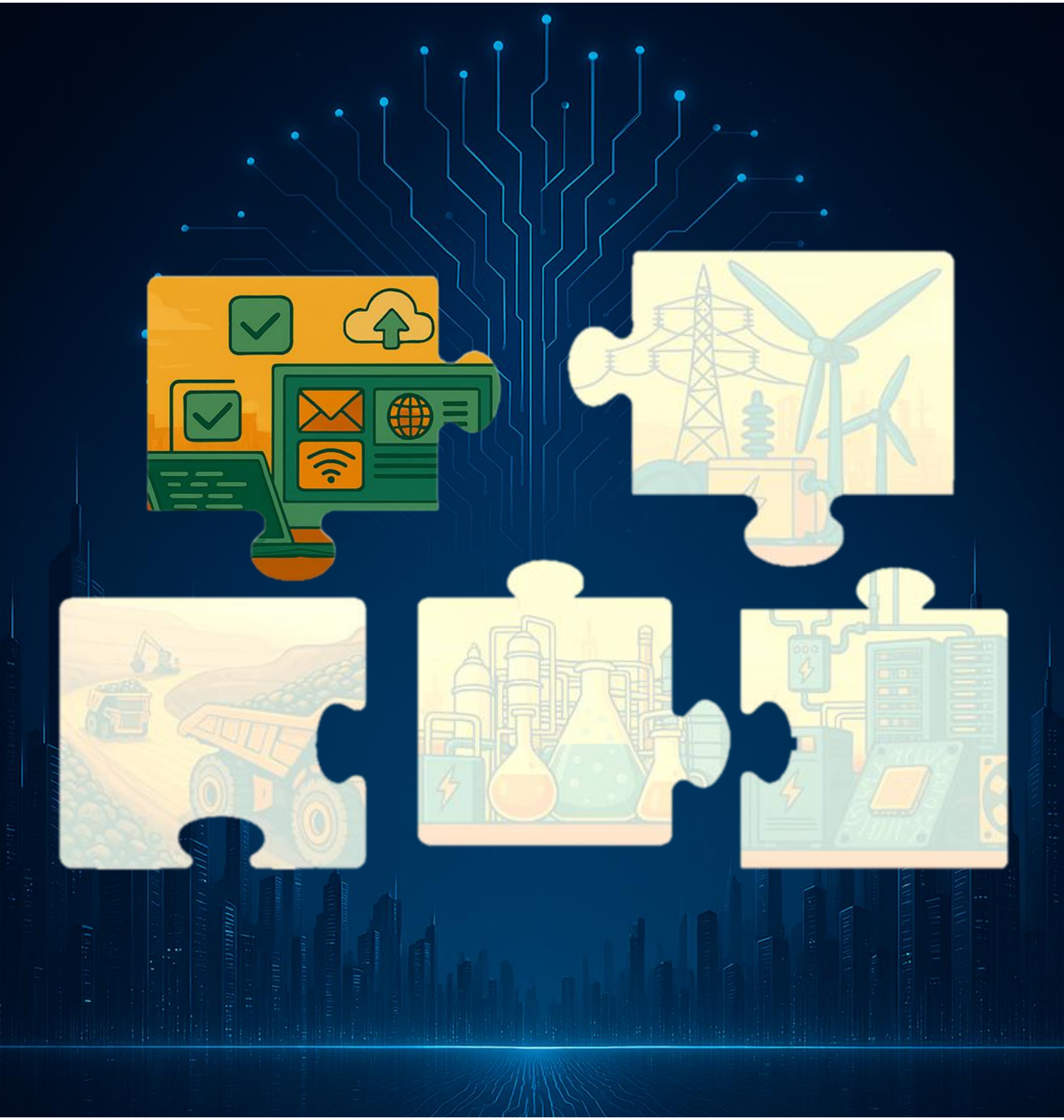
PL Capital
PRABHUDAS LILLADHER

Artificial Intelligence

Cross Sector Thematic



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June 02, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
Coforge	BUY	1,421	2,020
Cyient	BUY	906	950
Fractal Analytics	Hold	1,008	1,040
HCL Technologies	Reduce	1,179	1,300
Infosys	BUY	1,223	1,570
KPIT Technologies	BUY	774	880
L&T Technology Services	Hold	3,299	3,610
Latent View Analytics	Buy	314	450
LTM	HOLD	4,053	4,560
Mphasis	BUY	2,288	3,000
Persistent Systems	Buy	5,098	6,400
Tata Consultancy Services	BUY	2,242	3,450
Tata Elxsi	HOLD	4,347	4,800
Tata Technologies	HOLD	731	560
Tech Mahindra	Buy	1,472	1,660
Wipro	HOLD	204	200

MW to Managed Services, DC downstream opportunity

Quick Pointers

- DC investment of US$ 20-25 bn expected in next 5-6 years
- Indian Cloud Managed Services market to grow at a CAGR of 14.3% between CY25 to CY34E

India is one of the world's fastest-growing data center (DC) markets, with domestic installed capacity likely to expand from ~1,350MW in 2025 to ~4,500MW by 2030, implying a strong multi-year infra expansion cycle (27.2% CAGR over 5 years). The sector is expected to attract US$20–25bn of investments over the next 5–6 years, supported by rising hyperscaler participation, whose share in the Indian DC market is projected to increase to ~66% by CY30 from ~33% in CY25.

India's DC expansion extends well beyond colocation and infrastructure deployment, as the rapid buildout of localized cloud and compute infrastructure is creating a significantly larger downstream opportunity across cloud migration, managed services, cybersecurity, AI, sovereign digital architecture, and enterprise modernization. With cloud penetration projected to jump to ~75% by 2030 from ~44% in 2024 as enterprises increasingly shift workloads from on-premise to cloud-based architectures. With this exponential increase in cloud adoption for Indian enterprises, the addressable market (TAM) for Indian IT service providers is poised for commensurate growth. IT vendors with higher India exposure and stronger positioning across telecom, cloud, cybersecurity, enterprise migration/modernization, and government digital infrastructure, would be direct beneficiaries of growing TAM. As cloud migration activity gains momentum, Indian IT vendors are likely to see a multi-fold increase in opportunities across government-led projects before they secure deals or engage with private enterprises.

Indian cloud market opportunity: India's DC sector is expected to attract US$20–25 bn of investments over the next 5–6 years, driven by strong hyperscaler participation, while cumulative capex commitments over the next decade are estimated at US$130–145 bn. Hyperscaler capacity is projected to expand from 437 MW in CY25 to 2.9 GW by CY30, implying a CAGR of ~46%.

Managed services: Driven by the rapid DC expansion in the country, the Indian cloud managed services market is projected to reach ~US$7.3bn by CY34E, at 14.3% CAGR over CY25-34. As India's DC capacity potentially scales 2–3x over the next 5 years, the addressable market for infrastructure management, cloud operations, and AI-enabled managed services is expected to expand proportionally.

Software services: India's SaaS market is projected to reach US$ 50 bn ARR. India's digital infrastructure and enterprise technology ecosystem is expected to witness strong multi-year growth, with domestic SaaS, PaaS and IaaS markets projected to grow at 25%, 28% and 23% CAGR, respectively, over the next 5 years.

Cybersecurity: Led by the strong growth in cloud security, SOC monitoring, zero trust architecture, and AI-led threat management, the Indian cybersecurity market is projected to grow from ~US$11.3bn in CY25 to ~US$44bn by CY34, at 16.3% CAGR.

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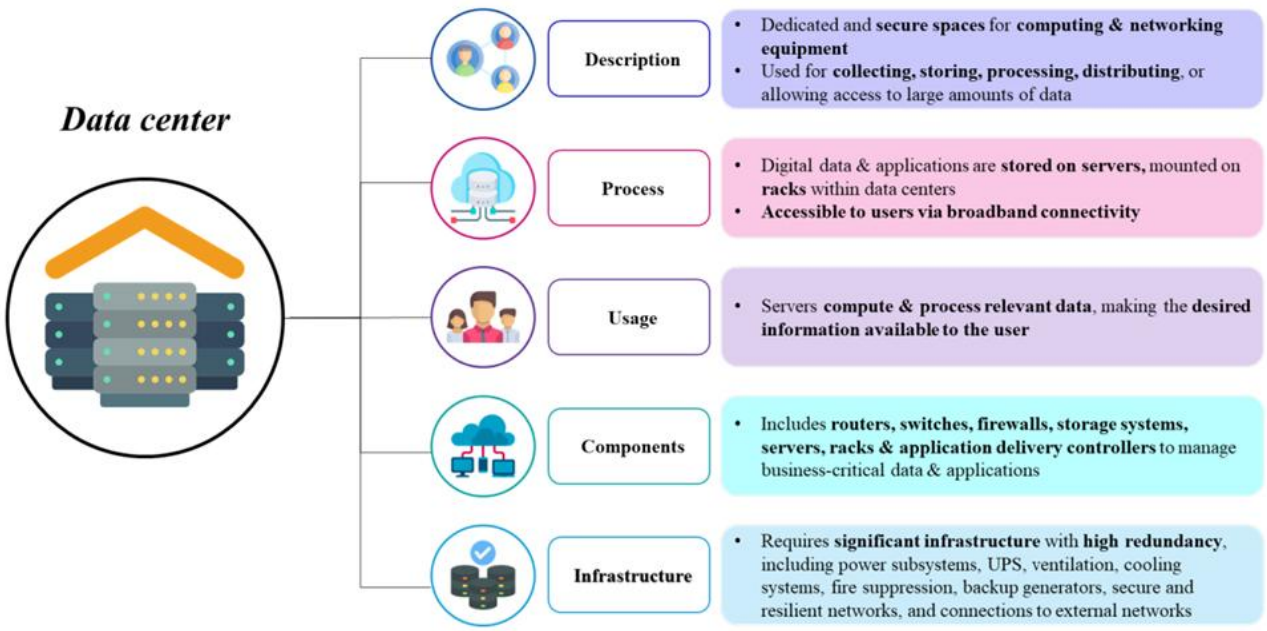
Overview of India's DC ecosystem

India is fast emerging as a global DC and AI hub supported by its strategic geographic positioning, rapidly expanding internet ecosystem, and increasing data generation. But the country is yet to come up with a binding national policy framework for DC development. State governments have taken the lead in shaping the sector's growth, with 15 states having already notified dedicated DC policies or used IT/ industrial policies to attract DC investment. The Union Budget 2026-27 announced of a long-term tax holiday extending to 2047 for foreign cloud providers operating from India-based DCs to attract investments.

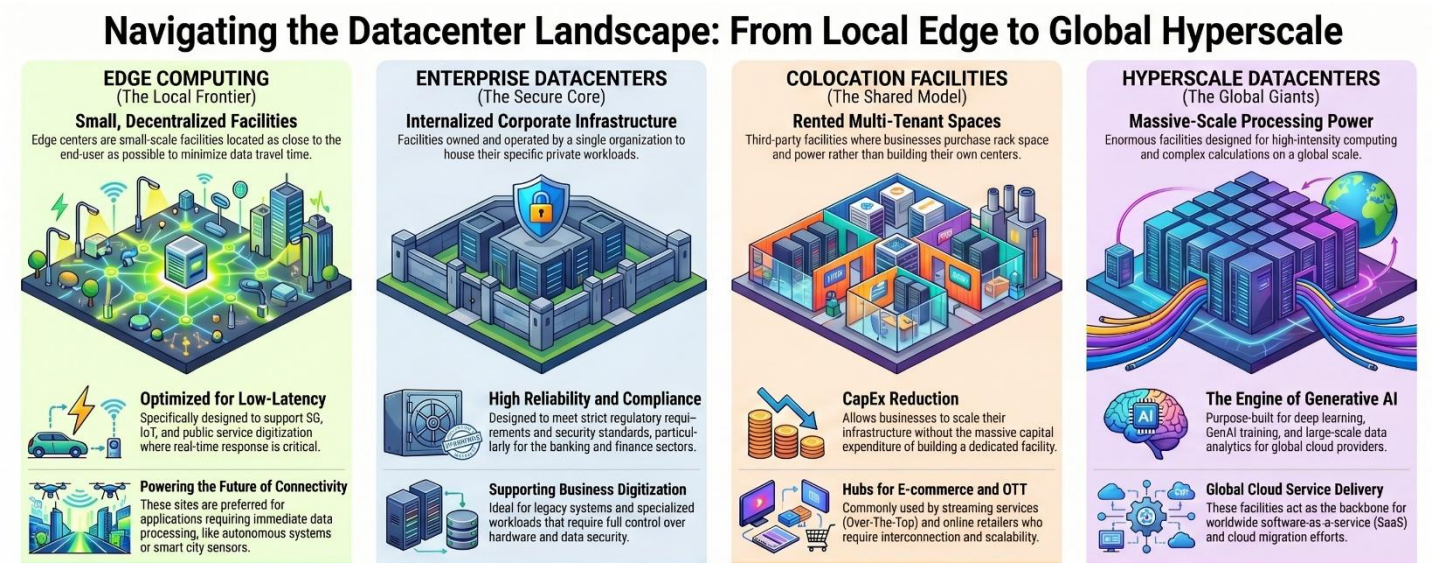
India has seen massive digital transformation under the Digital India initiative. The internet subscriber base has increased by ~30% over the last 5 years, from ~0.8bn in CY20 to ~1.02bn in CY25. Average mobile data consumption in the country reached ~31GB per user per month in 2025, significantly above the global average of ~23GB, and is projected to nearly double by CY30. By CY30, the digital economy is expected to contribute 20% of national income, compared to ~12% in FY23.

Exhibit 1 : Components of a DC



Source: Sify Infinity Spaces DRHP, industry, PL

Exhibit 2 : Types of DCs



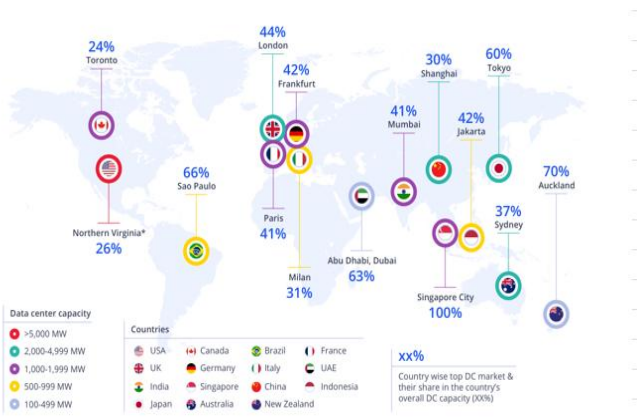
Source: NotebookLM, Industry, PL

Exhibit 3 : Number of DCs by country - 2025

Country	No. of DCs
US	5,427
Germany	529
UK	523
China	449
Canada	337
France	322
Australia	314
Netherlands	298
Russia	251
Japan	222
India	153

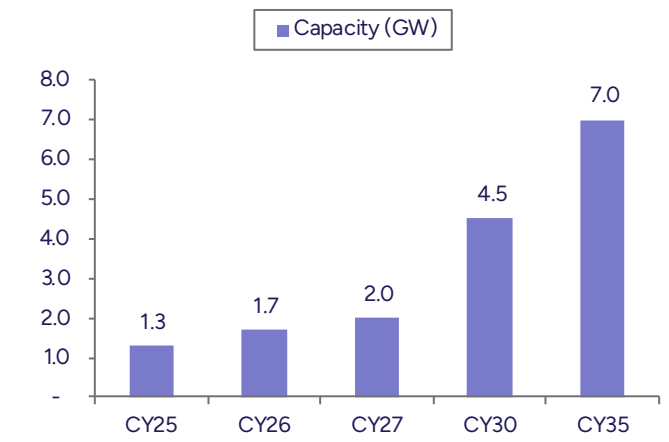
Source: Cargoson, industry, PL

Exhibit 4 : Major DC markets across the world – CY25



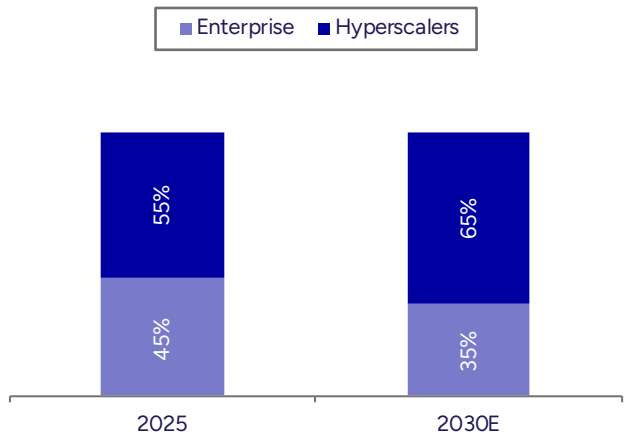
Source: Colliers, industry, PL

Exhibit 5 : Indian DC capacity to grow at 18.3% from CY26-35



Source: Industry, PL

Exhibit 6 : Hyperscaler DC demand rise from 55% to 65%



Source: Sify Infinity Spaces DRHP, Industry, PL

India's DC industry is undergoing large-scale capacity expansion, with more than ~3.7GW of power capacity under development or planned across major hubs such as Mumbai, Noida, Chennai and Hyderabad. These cities are evolving into strategic hyperscale and colocation clusters, while emerging markets such as Bengaluru and Kolkata are also witnessing rising investment activity. Growth is supported by the Digital India initiative, deployment of state DCs, and rising enterprise demand for scalable cloud infrastructure and digital services.

Further, the market is witnessing significant investments from both established operators and new entrants. Major domestic and global players, including NTT DATA, CtrlS, Nxtra, STT GDC, AdaniConneX, Yotta, Equinix, and Princeton Digital Group, are aggressively expanding capacity across India. At the same time, global hyperscalers such as AWS, Microsoft, Google, Oracle, Tencent Cloud, and Alibaba Cloud continue to expand their cloud regions and infrastructure footprint in the country.

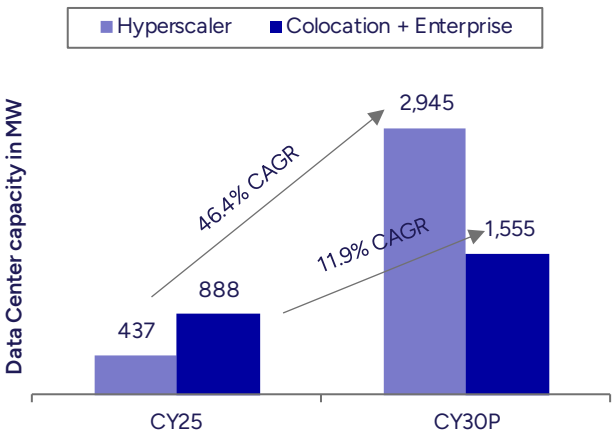
India is increasingly emerging as a strategic global hub for hyperscaler-led digital infrastructure investments, driven by a combination of structural demand growth, favorable economics, policy support, and rapidly expanding digital consumption. India has one of the world's largest and fastest-growing internet ecosystems, supported by rising cloud adoption, accelerating enterprise digital transformation, increasing AI workloads, rapid growth in SaaS consumption, and expanding digital payments infrastructure. Additionally, regulatory trends around data localization and digital sovereignty are encouraging global cloud providers to establish localized infrastructure capacity within India. Hyperscaler participation is expected to rise further to ~66% by 2030, reflecting growing long-term confidence in India's cloud and digital infrastructure opportunity.

Exhibit 7 : Indian companies with most number of DCs

	FY25	FY26
ST Telemedia GDC	27	30
CtrlS Datacenters	17	20
Nxtra Data	19	19
NTT Global Data Centers	18	18
Sify Infinity Spaces	11	14
AdaniConneX	6	6
ESDS Software Solution	5	5

Source: Industry, PL

Exhibit 8 : Hyperscalers & key investors to account for ~66% of DC capacity by 2030



Source: Industry, PL Assumption

**Key investors include Brookfield-Reliance, Adani Group, and TCS*

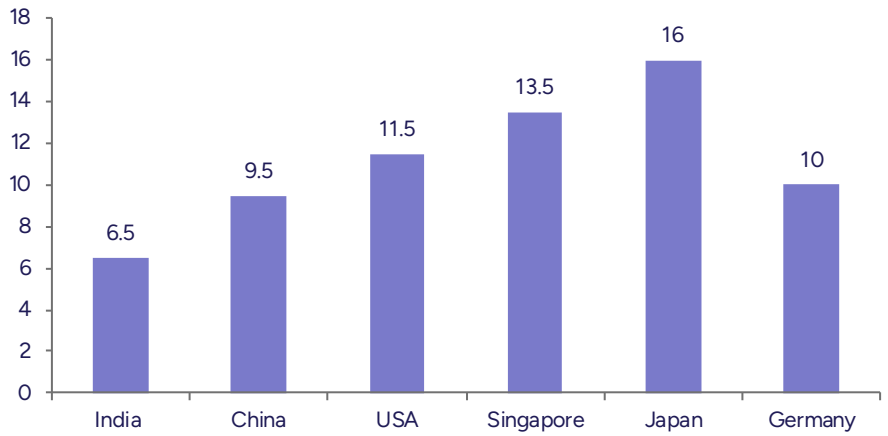
Indian DC industry has so far seen investments to the tune of US$14.7bn since the beginning of 2020. These investments have been largely focused on land acquisition, project construction & development, etc. Continuing the momentum, DCs are likely to attract investments to the tune of US$130-145bn in the next decade, amidst massive adoption of cloud computation and AI in the country.

Exhibit 9 : Capex commitments by hyperscalers & key investors toward India's digital infrastructure

	Capex (US$ bn)	Key locations	Timeline
Adani Group	100	Visakhapatnam, Noida	2035
Microsoft	17.5	Chennai, Hyderabad, Pune	2029
Google	15	Visakhapatnam	2030
Amazon	12.7	Mumbai, Hyderabad	2030
Brookfield-Reliance	11	Visakhapatnam	2030
TCS	6.5	Across India	2030-32

Source: Industry, PL

Exhibit 10 : Capex for DCs across countries (US$ mn/MW)



Source: Industry, PL

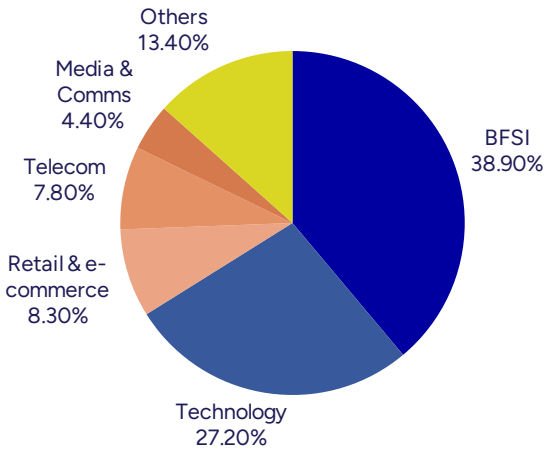
DC construction cost in India stands at ~US$6.5mn/MW, which is among the lowest globally. Lower labor costs, cost-efficient civil construction, improving power infrastructure, and expanding DC clusters across cities such as Mumbai, Chennai, Hyderabad, Vishakhapatnam and Noida, enable hyperscalers and colocation operators to deploy large-scale capacity at structurally lower capital intensity compared with regions such as Western Europe, Japan, and Singapore. This cost competitiveness materially improves long-term infrastructure economics and supports large-scale hyperscaler expansion strategies across cloud, AI, storage, and high-performance computing workloads. Consequently, India is increasingly being positioned as a long-term strategic destination for hyperscaler-led cloud and AI infrastructure deployment over the coming decade, with its DC capacity expected to grow at 18.3% CAGR.

Exhibit 11 : Major colocation hubs supporting hyperscaler deployment as on 1HFY25

City	Capacity (MW)	% of total capacity
Mumbai	610	46%
Chennai	199	15%
Hyderabad	146	11%
Delhi NCR	146	11%
Pune	119	9%
Bengaluru + others	106	8%

Source: Cushman & Wakefield, industry, PL

Exhibit 12 : DC demand by segment – 2025

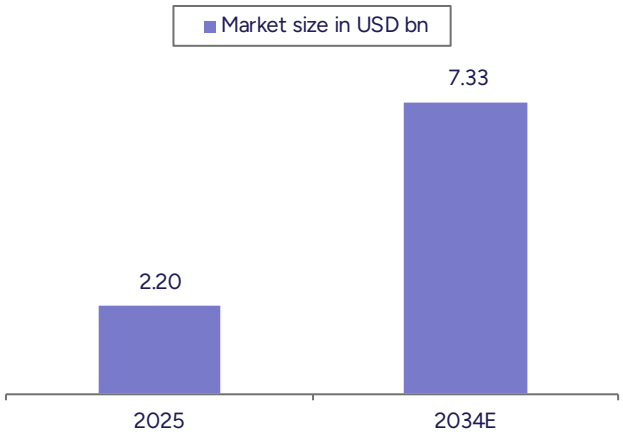


Source: Sify Infinity Spaces DRHP, Industry, PL

Cloud-led managed services opportunity for Indian companies

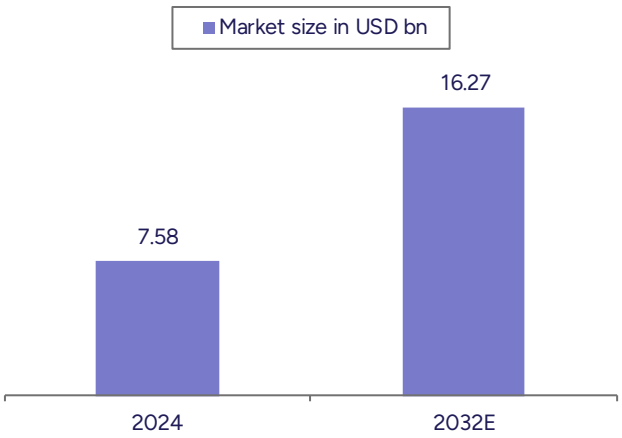
India's enterprise technology landscape is witnessing a structural shift from traditional on-premise infrastructure toward cloud-based environments. Historically, enterprises relied heavily on captive DCs and on-premise systems to manage applications, workloads, and data storage. However, increasing infrastructure complexity, rising cybersecurity requirements, growing compute intensity, and the need for operational agility are encouraging organizations across sectors to migrate toward hybrid and multi-cloud architectures. As a result, cloud computing is emerging as a foundational layer of India's digital economy, enabling enterprises to improve scalability, optimize IT spending, strengthen resilience, and accelerate innovation across business operations.

Exhibit 13 : Indian cloud-led managed services market to log 14.3% CAGR



Source: IMARC, industry, PL

Exhibit 14 : Indian managed services market to grow at 10% CAGR



Source: Credence, industry, PL

Exhibit 15 : On-premises vs. cloud – Cost comparison

Parameter	On-premises	Cloud
Initial setup	INR40 lakh	NIL
Monthly running cost	INR1 lakh (power, cooling)	INR60,000 (pay-as-you-go)
IT staff cost	INR10 lakh/year	INR2 lakh/year (remote monitoring only)
Maintenance + AMC	INR5 lakh/year	Included in package
3-year total cost	INR85–90 lakh	INR25–30 lakh

Source: Cyfuture, Industry, PL

Advantages of enterprise cloud adoption

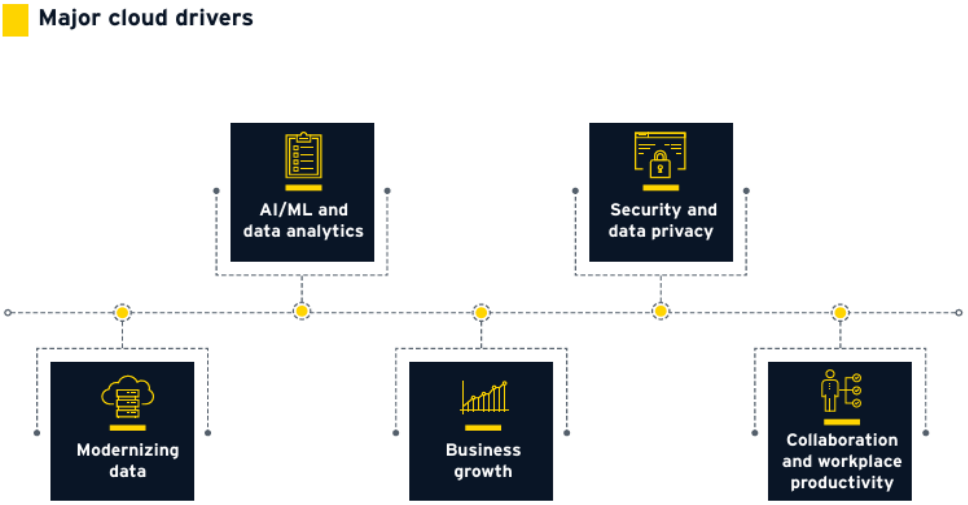
Cloud computing can materially enhance an enterprise's cybersecurity posture through enterprise-grade security architecture, continuous monitoring, automated patch management, and advanced threat detection capabilities. Leading cloud providers deploy technologies such as zero trust frameworks, AI/ML-driven threat analytics, encryption, and identity access management, often providing a level of security sophistication that is difficult and costly for enterprises to replicate within traditional on-premise environments.

Cloud environments improve business continuity and data resilience through integrated backup, redundancy, and disaster recovery capabilities. By storing workloads and data across distributed infrastructure environments, enterprises can reduce the risk of data loss arising from hardware failures, cyberattacks, system outages, or operational errors, while improving recovery timelines and overall operational resilience.

Cloud offers scalability and operational flexibility. Cloud infrastructure allows enterprises to dynamically scale compute, storage, and networking resources based on real-time demand without requiring large upfront investments in physical infrastructure. This enables organizations to respond more efficiently to changing business requirements while improving infrastructure utilization and deployment agility. Moreover, cloud supports real-time collaboration, remote accessibility, and seamless integration across departments, clients, and partners, thereby improving productivity and operational efficiency.

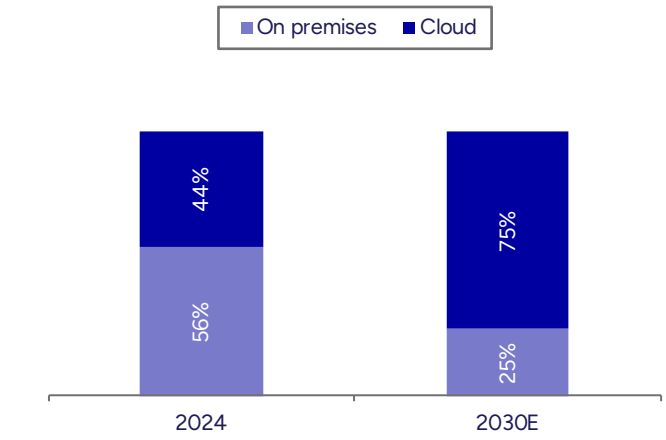
Cloud adoption helps improve cost efficiency by shifting enterprises from a fixed-capex infrastructure model toward a flexible, consumption-based operating model (Exhibit 15). Instead of investing heavily in servers, storage systems, cooling infrastructure, and maintenance, enterprises can consume IT resources on demand, reducing infrastructure ownership costs and minimizing inefficiencies associated with underutilized capacity.

Exhibit 16 : Drivers accelerating enterprise cloud adoption



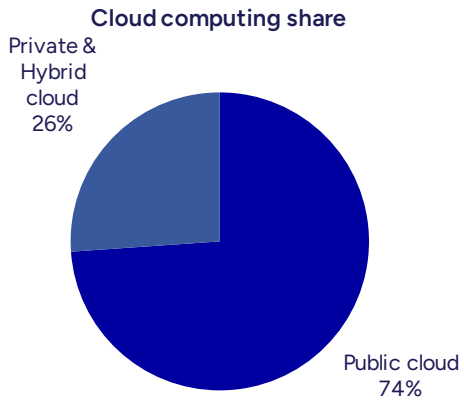
Source: EY-FICCI, Industry, PL

Exhibit 17 : Enterprises increasingly shifting toward cloud environments



Source: Industry, PL

Exhibit 18 : Public vs. private & hybrid cloud split



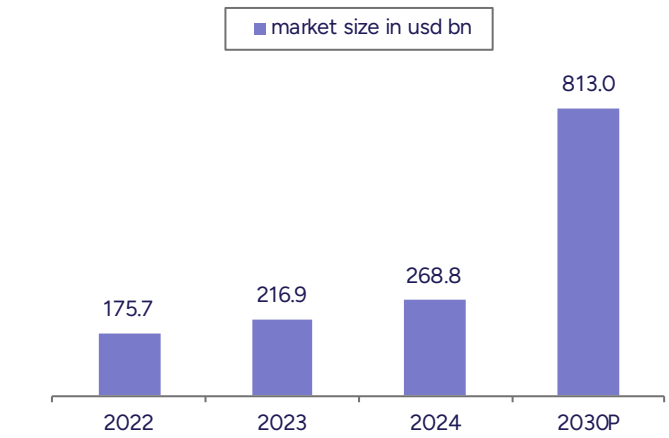
Source: Mordor Intelligence, industry, PL

With cloud penetration projected to jump from ~44% in 2024 to ~75% by 2030, enterprises are expected to require greater support in managing increasingly complex hybrid and multi-cloud ecosystems. This is likely to drive sustained demand for cloud consulting, workload modernization, automation, FinOps, AI-enabled infrastructure management, and managed cloud operations services. Indian IT and cloud service providers are well positioned to benefit from this structural transition given their global delivery capabilities, hyperscaler partnerships, and growing expertise across cloud transformation and digital infrastructure management.

Global cloud computing trends across developed markets

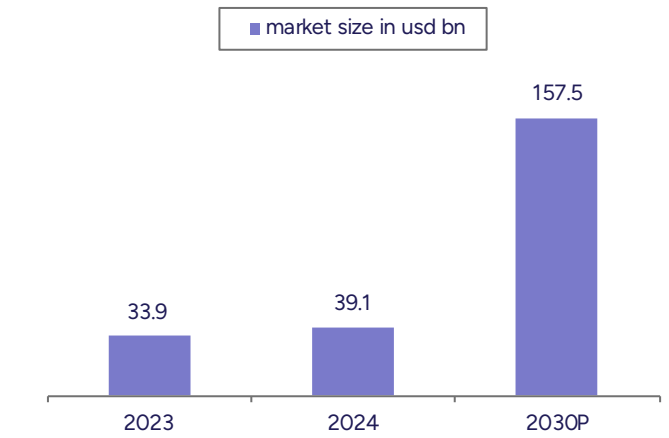
The strong growth witnessed across the cloud computing markets of the US and China demonstrates how large-scale digital infrastructure investments can support long-term cloud ecosystem expansion. The cloud computing market in the US is projected to reach ~US$813bn by 2030 from ~US$268.8bn in 2024, supported by aggressive hyperscaler investments, AI-led compute demand, enterprise cloud migration, and continued expansion of hyperscale DC capacity. Similarly, China's cloud computing is expected to scale to ~US$157.5bn by 2030 from ~US$39.1bn in 2023 as enterprises increasingly adopt cloud-based infrastructure and domestic cloud providers continue expanding localized compute infrastructure.

Exhibit 19 : US cloud computing market size



Source: Grandview, Industry, PL

Exhibit 20 : China cloud computing market size



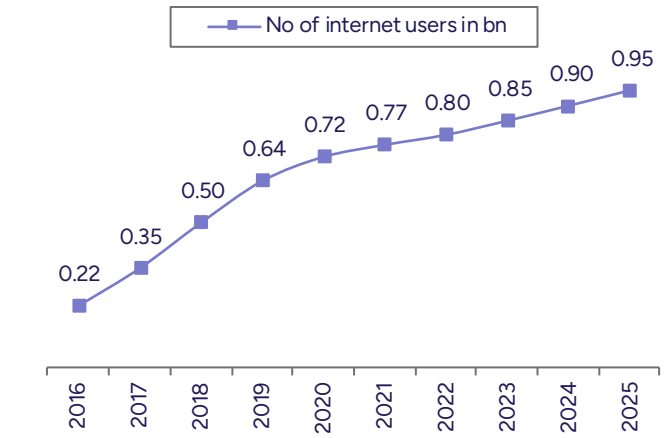
Source: Grandview, Industry, PL

India is showing similar structural characteristics that could support accelerated cloud computing growth over the coming decade. Higher capex commitments from hyperscalers and Indian DC companies, increasing enterprise digital transformation initiatives, growing AI adoption, and the gradual transition from traditional on-premise environments toward cloud-native architectures are expected to expand demand for scalable cloud infrastructure and services. Consequently, the ongoing buildout of India's DC ecosystem could act as a foundational enabler for the country's next phase of cloud computing growth. The structural drivers supporting higher cloud computing adoption appear aligned to that of US and China, suggesting meaningful long-term growth potential across India's cloud, hyperscaler, SaaS, managed services, and digital infrastructure ecosystems.

India's expanding digital economy fueling compute demand

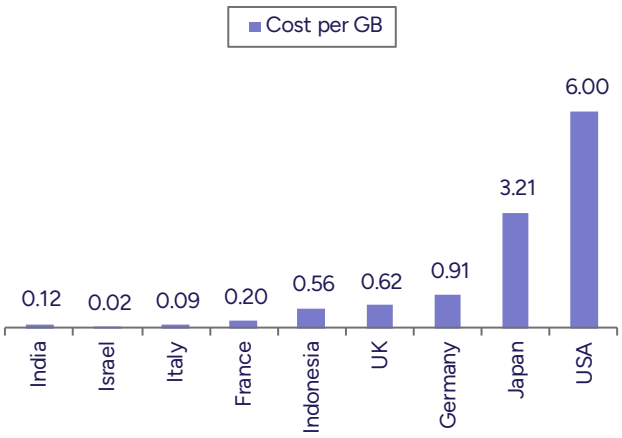
India's internet user base is rapidly expanding and is expected to approach nearly 1bn over the coming years. Further, average mobile data prices in the country are among the lowest globally, at ~US$0.12/GB. Affordable data pricing, widespread smartphone adoption, and increasing 4G/5G penetration have accelerated digital consumption across e-commerce, OTT platforms, digital payments, social media, healthcare, and enterprise SaaS applications.

Exhibit 21 : India's internet user base approaching 1bn



Source: Cushman & Wakefield, industry, PL

Exhibit 22 : Average mobile data pricing by country (US$/GB)



Source: Industry, PL

This rapid digitalization is resulting in exponential growth in data generation, storage requirements, cloud workloads, and real-time compute demand across the economy. As consumers and enterprises increasingly engage with digital platforms, applications, AI-enabled services, streaming content, and cloud-based ecosystems, the underlying demand for scalable compute, storage, networking, and low-latency infrastructure is rising materially. Consequently, hyperscalers and colocation operators are accelerating investments in localized DC infrastructure to support rising internet traffic, cloud adoption, and AI-driven workloads within India.

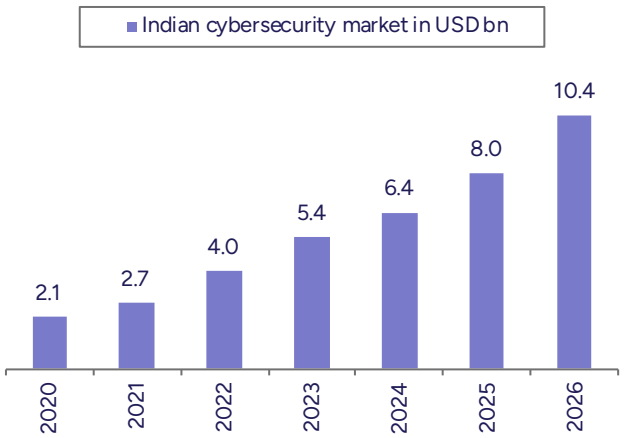
As India's digital economy continues to scale, DCs are increasingly becoming the foundational infrastructure layer enabling cloud computing, SaaS delivery, AI deployment, digital payments, streaming ecosystems, and enterprise digital transformation.

Additionally, the increasing localization of digital services, regulatory trends around data sovereignty, and the need for lower latency are further strengthening the case for domestic DC expansion. As a result, India's favorable digital consumption economics are expected to remain a long-term structural tailwind supporting hyperscaler investments, cloud infrastructure expansion, and sustained growth in the country's DC ecosystem over the coming decade.

Growing cost of data breach in India

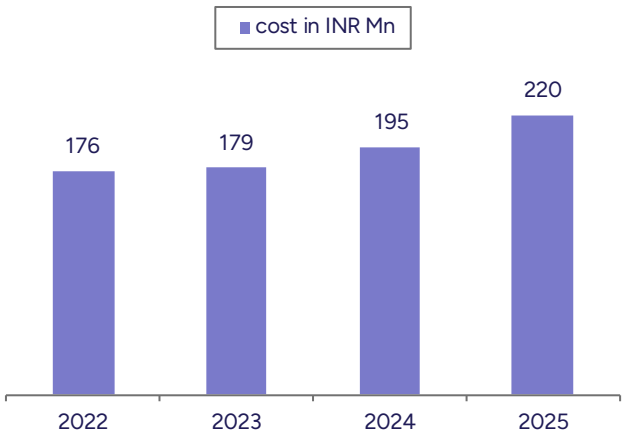
Growing adoption of hybrid and multi-cloud environments is increasing enterprise exposure to cyber risks, thereby strengthening the need for continuous monitoring, compliance management, zero trust architecture, and managed security services. The average cost of a data breach stood at INR220mn in 2025. Additionally, sectors that manage highly sensitive and regulated data, are expected to increase investments in cybersecurity frameworks as localized DC infrastructure expands within India. Consequently, the ongoing buildout of DCs and cloud infrastructure is expected to create a structurally larger addressable market for cybersecurity vendors and digital infrastructure security ecosystems across the country.

Exhibit 23 : Indian cybersecurity market



Source: Kratikal Tech DRHP, industry, PL

Exhibit 24 : Avg cost of a data breach in India at INR220mn



Source: IBM, industry, PL

Exhibit 25 : Avg global cost of a data breach (US$ mn)

Country	2024	2025
US	9.36	10.22
Middle East	8.75	7.29
UK	4.53	4.14
Germany	5.31	4.03
Latin America	4.16	3.81
ASEAN	3.23	3.67
Japan	4.19	3.65
India	2.35	2.51

Source: IBM, industry, PL

Exhibit 26 : Cisco Cybersecurity Readiness Index - India

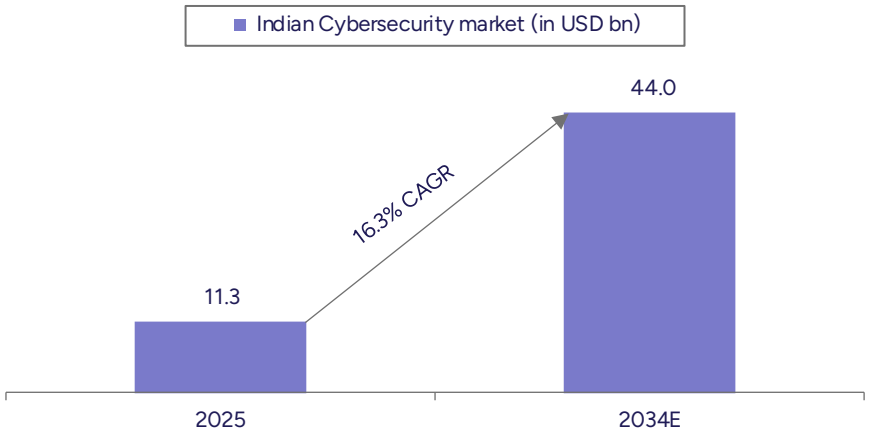
Cybersecurity Readiness	2024	2025
Beginner	7%	5%
Formative	52%	51%
Progressive	37%	37%
Mature	4%	7%
Total	**100%**	**100%**

Source: Cisco, industry, PL

Opportunities in cybersecurity

India's accelerating DC expansion is expected to become a major structural driver for the domestic cybersecurity industry, creating a significant downstream opportunity for Indian IT services companies. As hyperscalers, enterprises, government agencies, and AI workloads increasingly migrate toward cloud and colocation infrastructure, the attack surface across networks, applications, endpoints, APIs, and sovereign data environments expands materially. Every incremental MW of commissioned DC capacity requires layered cybersecurity capabilities including identity and access management, zero trust architecture, SOC monitoring, threat detection, ransomware protection, cloud security, compliance governance, disaster recovery, and AI-driven security operations.

Exhibit 27 : **Indian cybersecurity market to grow at 16.3% CAGR from CY25-34E**

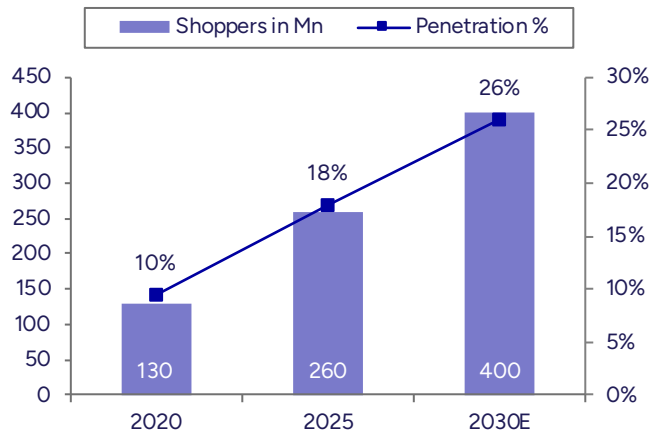


Source: IMARC, industry, PL

This is expected to materially expand the addressable market for Indian IT services and managed security providers, particularly across cloud security, cybersecurity consulting, managed SOC services, digital risk management, and AI-enabled threat intelligence. Reflecting this structural shift, the Indian cybersecurity market is estimated to grow from ~US$11.3bn in CY25 to ~US$44bn by CY34, implying a strong multi-year growth runway for IT services companies with capabilities across cloud, infrastructure, AI and security transformation.

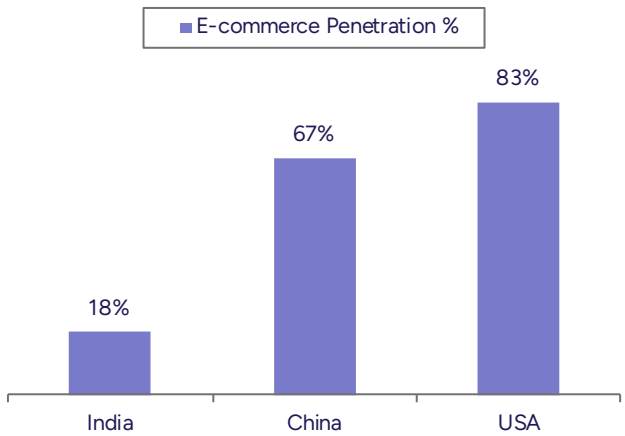
India's e-commerce adoption momentum to sustain

Exhibit 28 : **E-commerce penetration on track to reach 26% by 2030**



Source: Meesho DRHP, industry, PL

Exhibit 29 : **Comparison of e-commerce penetration – CY25**



Source: Meesho DRHP, industry, PL

India's e-commerce penetration, at ~18%, remains significantly lower than developed digital economies (US: ~67%, China: ~83%). This gap highlights the large untapped headroom for future growth in India's digital commerce ecosystem. As e-commerce adoption scales further across urban and rural markets, digital platforms are expected to generate exponentially higher volumes of transaction data, customer analytics, digital payments traffic, logistics coordination, and AI-driven workload requirements, thereby increasing demand for scalable cloud infrastructure and localized compute capacity, materially accelerating cloud adoption across the country over the coming years.

At the same time, increasing regulatory emphasis on data localization and digital sovereignty is encouraging enterprises to store and process data within India through localized cloud and DC infrastructure. Sectors such as e-commerce, BFSI, telecom, healthcare, and digital payments are increasingly required to maintain sensitive consumer and transaction data within domestic infrastructure environments to comply with evolving regulatory frameworks. This is driving hyperscalers and cloud providers to expand local cloud regions and DC capacity across India, thereby accelerating enterprise migration toward localized cloud ecosystems.

Exhibit 30 : Segment wise statutory regulations for data storage

Sector	Regulator	Regulation for data storage
Banking	RBI	All data relating to payment systems operated by the Banks is to be stored in a system only in India
Insurance	IRDAI	All records, including those maintained in electronic form, on policies issued and claims made in India, must be stored in DCs located and maintained in India
Government companies	MeitY	All government companies in India have to adopt cloud services only through empaneled providers under the GI Cloud (MeghRaj) initiative, ensuring compliance with data localization, security, and procurement guidelines
Defense	MoD	Defense companies are required to localize all sensitive data within India

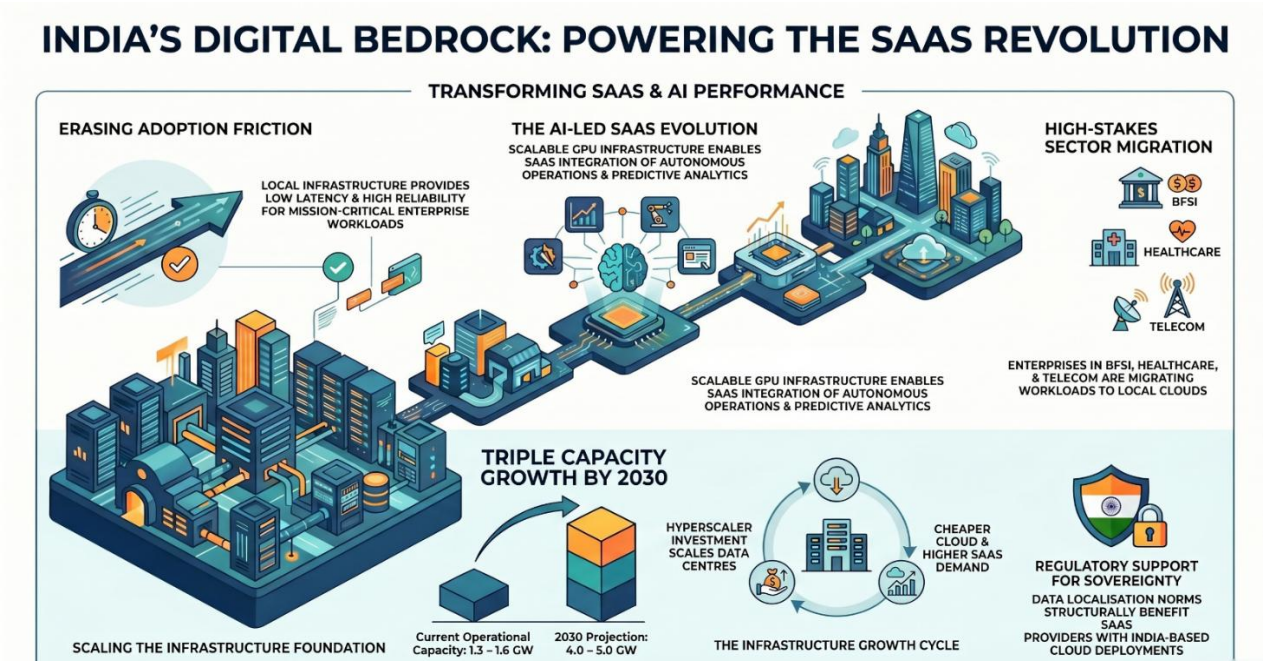
Source: Industry, PL

Software services ecosystem continues to offer significant headroom for growth

With investments in DCs across India seeing a surge, capacity is set to reach 4,500MW by 2030, significantly higher than the current ~1,350MW, as DC hubs in Mumbai, Chennai, Hyderabad, Bengaluru, Pune and Vishakhapatnam continue to receive planned capex by hyperscalers and domestic players.

India's SaaS ecosystem is favorably positioned to be a structural beneficiary of the accelerating DC buildout over the next decade. This expanding digital infrastructure layer materially lowers latency, improves uptime reliability, enhances data localization compliance, and increases enterprise confidence in cloud-native software adoption across workloads. As enterprise workloads migrate from on-premise environments to hybrid and public cloud architectures, demand rises for cloud-delivered applications, cybersecurity, observability, analytics, and AI-enabled workflow automation. This opportunity is additionally supported by rising SME digitalization, GCC expansion, government-led digital public infrastructure initiatives, and increasing enterprise preference for subscription-based operating models over upfront software capex.

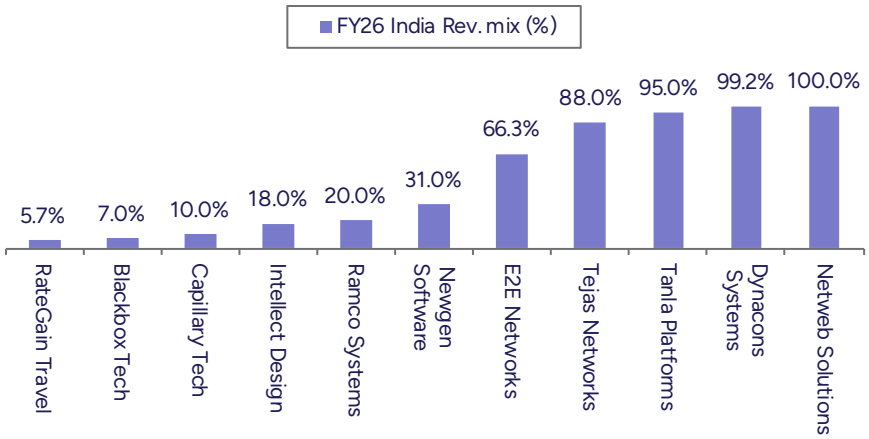
Exhibit 31 : Hyperscaler-led infrastructure growth unlocking SaaS monetization opportunities



Source: NotebookLM, Industry, PL

As hyperscalers expand regional cloud infrastructure and colocation operators scale DC capacity, enterprises are increasingly migrating workloads to cloud environments, enabling SaaS companies to deliver vertically specialized applications through recurring subscription-based models. AI adoption is expected to further accelerate SaaS consumption, as enterprises increasingly require cloud-native applications capable of integrating AI copilots, workflow automation, data intelligence, and real-time analytics capabilities that are compute-intensive and dependent on scalable cloud infrastructure.

Exhibit 32 : Indian software & infra services companies best positioned to benefit from DC scaling

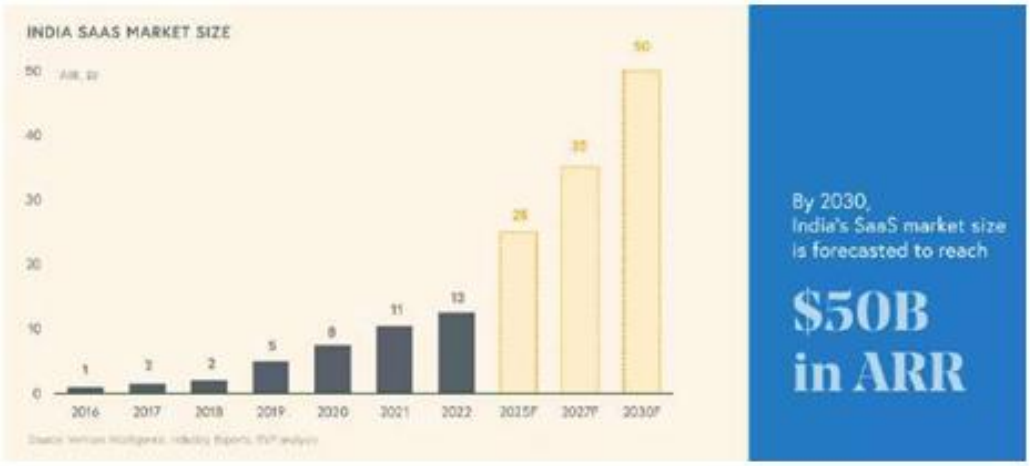


Source: Industry, PL

India's accelerating DC and AI infrastructure buildout is expected to create a multi-layer digital ecosystem opportunity for companies such as RateGain Travel Technologies, Capillary Technologies, Intellect Design Arena, Newgen Software Technologies and Ramco Systems, as enterprises increasingly migrate core workloads, analytics, AI applications and workflow systems onto cloud-native architectures hosted within India. Simultaneously, infrastructure-led players such as E2E Networks, Netweb Technologies, Tejas Networks, Black Box and Dynacons Systems & Solutions are positioned to benefit from growing demand for AI compute, high-speed networking, edge deployments, cybersecurity, enterprise-grade digital infrastructure and rising investments in GPU clusters, as revenue share from India scales steadily.

India has already established itself as a leading global SaaS innovation hub, with companies such as Zoho, Freshworks, Chargebee, BrowserStack, and Druva successfully building globally competitive software platforms. As enterprises continue their digital transformation journeys and cloud penetration rises, these companies are well positioned to benefit from increasing demand for subscription-based software solutions. These companies collectively span key enterprise software segments including CRM, IT service management, subscription billing, software testing, collaboration, and cloud data protection, reinforcing India's position within the global SaaS ecosystem. Their success highlights India's increasing ability to develop globally relevant software products rather than purely providing IT services.

Exhibit 33 : India's SaaS market is projected to reach USD50b ARR



Source: Treelife, PL

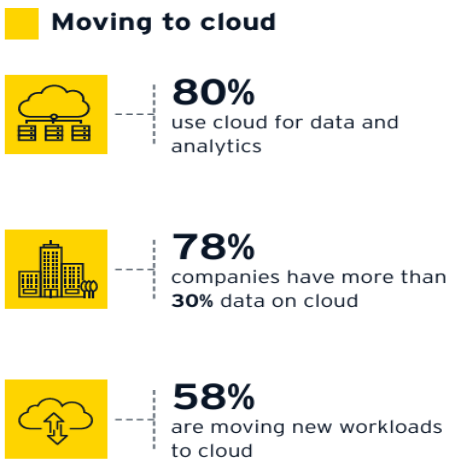
India's digital infrastructure and enterprise technology ecosystem is expected to witness strong multi-year growth, with domestic SaaS, PaaS and IaaS markets projected to grow at 25%, 28% and 23% CAGR, respectively, over the next 5 years (Refer Exhibit 34), creating a significant long-term growth pathway for Indian software and digital technology companies. Indian software companies are well positioned to participate across multiple layers of the digital stack through scalable products, AI-enabled platforms, cloud-native applications and enterprise transformation capabilities, further expanding the addressable market over the coming years, supporting stronger revenue visibility, operating leverage and global competitiveness for the broader Indian software ecosystem

Exhibit 34 : Indian cloud computing industries market size (US$ bn)

	2024	2030E
SaaS	13.1	50.0
PaaS	4.5	20.1
IaaS	8.5	28.7

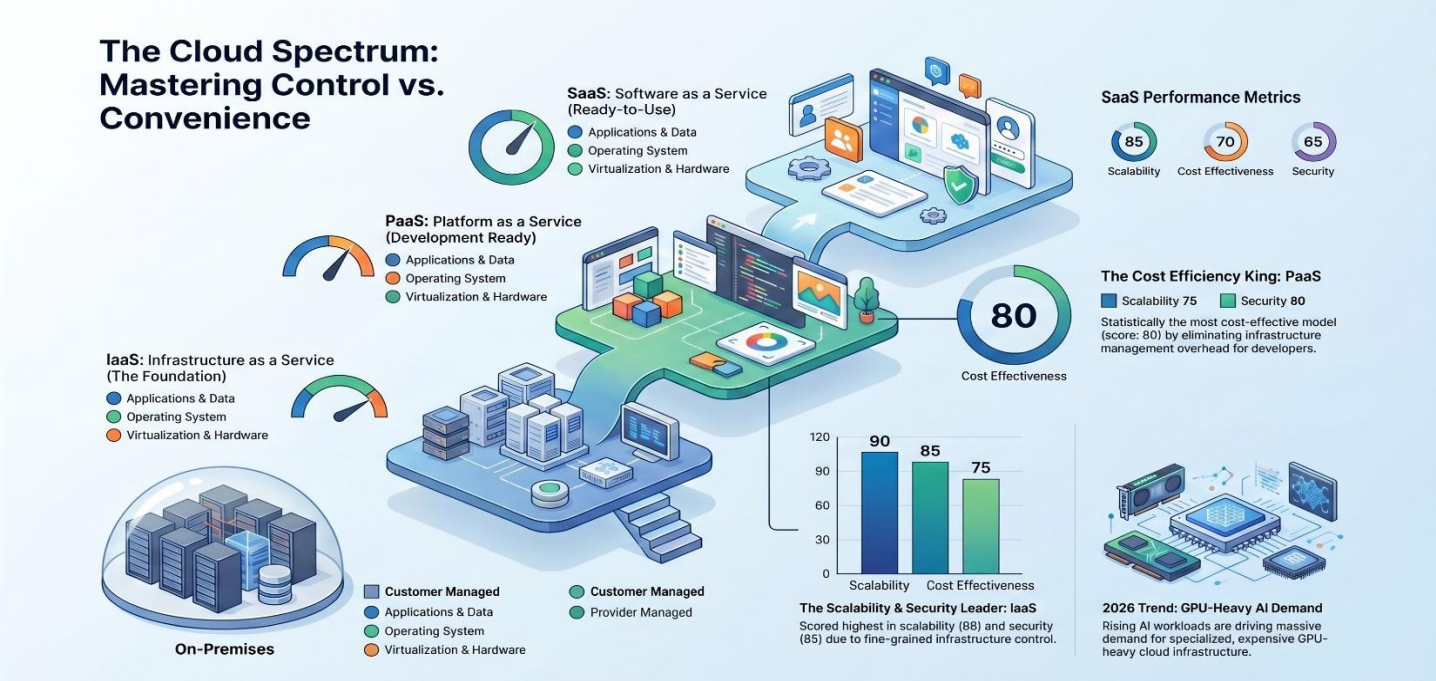
Source: Industry, PL

Exhibit 35 : Indian companies increasingly switching to cloud



Source: EY-FICCI, Industry, PL

Exhibit 36 : Growing scalability of cloud services platforms



Source: NotebookLM, Industry, PL

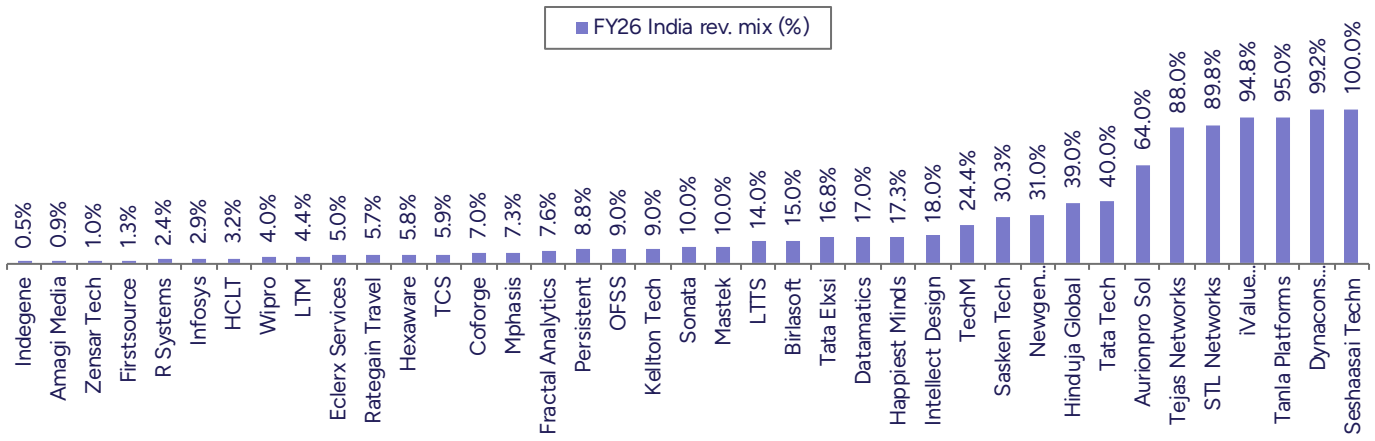
Key beneficiaries among Indian managed services providers

Indian IT services earnings were predominantly linked to global outsourcing demand and discretionary technology spending cycles in the US and Europe. However, rapid expansion of the domestic digital infrastructure ecosystem is creating a new multi-year structural growth vector driven by hyperscaler investments, sovereign cloud initiatives, AI adoption, telecom modernization, cybersecurity requirements, and government-led digitalization.

India's DC opportunity beneficiary matrix highlights that companies with higher domestic revenue exposure and stronger capabilities across telecom infrastructure, cloud, cybersecurity, AI and enterprise modernization are likely to demonstrate greater sensitivity to India's digital infrastructure capex cycle. Firms such as Tejas Networks, STL Networks, Tech Mahindra, LTTS, Tata Elxsi, and Newgen Software appear relatively well positioned due to their exposure to telecom networks, enterprise platforms, cybersecurity, AI engineering, and government digital infrastructure programs. Similarly, India-centric digital platform and communications companies, including Tanla Platforms, could benefit from structurally rising domestic data traffic and digital engagement intensity.

At the same time, large-cap IT services firms, including TCS, Infosys, HCLTech and Wipro, remain strategically important participants, despite their relatively lower India revenue contribution. Their deep hyperscaler partnerships, sovereign cloud initiatives, AI orchestration capabilities, cybersecurity offerings, and large-scale managed services platforms position them as critical execution partners within India's emerging AI and cloud ecosystem. Recent collaborations with Google Cloud, AWS, Microsoft and Nvidia indicate that these companies are increasingly moving beyond traditional outsourcing toward becoming orchestration and infrastructure management partners for enterprise AI adoption and cloud-native transformation.

Exhibit 37 : Indian MSPs most leveraged to domestic market growth



Source: Industry, PL

India's DC buildout should not be viewed solely as an infrastructure or colocation opportunity. Instead, it represents the foundation layer for a significantly larger downstream market across cloud migration, AI deployment, cybersecurity, observability, infrastructure operations, sovereign digital architecture, and managed services. As India's DC capacity potentially scales multiple times over the coming decade, the addressable market for Indian technology and IT services companies is expected to expand proportionally, creating a long-duration domestic digital infrastructure growth cycle.

A key trend emerging across the sector is the deepening collaboration between Indian IT firms and hyperscalers, including Google Cloud, AWS, Microsoft and Nvidia, to accelerate enterprise adoption of agentic AI, autonomous operations, AI-enabled cybersecurity, and cloud-native infrastructure. Companies across the industry have launched AI factories, sovereign cloud platforms, AI SOC solutions, AI-powered network operations, and industry-specific AI business units leveraging hyperscaler compute infrastructure, Gemini models, Microsoft Copilot, Amazon Q, and NVIDIA AI Enterprise capabilities.

Exhibit 38: Key hyperscaler collaborations announced by Indian IT companies in recent years

Company	Partnership
TCS/ Google Cloud	TCS expanded its strategic partnership with Google Cloud to help enterprises adopt AI-native autonomous models to enable faster decision making across complex business & IT functions. TCS also launched 4 offerings to help enterprises move from AI pilots to operational autonomy, including TCS Agentic AI Data Accelerator, TCS Physical AI Blueprint, TCS Smart Factory Blueprint, & TCS AI SOC enabled by Google SecOps. TCS expanded its partnership with Google Cloud by adopting Gemini Enterprise to accelerate development of agentic AI solutions and human + AI workflows for enterprises. The collaboration enables TCS to build and orchestrate custom AI agents at scale, while strengthening its broader tcsAI initiative through Google Cloud's AI infrastructure, Gemini models, and BigQuery capabilities.
Infosys/ Amazon	Infosys announced a strategic collaboration with AWS to accelerate enterprise adoption of GenAI by integrating Infosys Topaz with Amazon Q Developer. The partnership aims to improve Infosys' internal operations and deliver AI-led innovation, productivity, and automation solutions for clients across manufacturing, telecom, financial services, and consumer goods sectors.
Microsoft/ TCS/ Infosys/ Wipro/ Cognizant	Microsoft partnered with TCS, Infosys, Wipro & Cognizant to accelerate enterprise adoption of agentic AI through deployment of over 200,000 Microsoft 365 Copilot licenses collectively. The collaboration aims to embed AI-driven automation and human-agent workflows across core business functions, enhancing productivity, operational efficiency, and enterprise transformation, alongside Microsoft's planned US$17.5bn investment in India's cloud and AI ecosystem over CY26-29.
HCL Tech/ Google Cloud	HCLTech expanded its strategic collaboration with Google Cloud to accelerate enterprise adoption of agentic AI using Gemini Enterprise and Gemini models. The partnership will enable HCLTech to build custom AI agents for global clients, embed AI across workflows and decision-making, and enhance collaboration and security through Google Workspace, driving scalable AI-led transformation and operational efficiency.
HCL Tech/ Google Cloud	HCLTech announced the launch of a dedicated Gemini Enterprise Business Unit to accelerate enterprise adoption of industry-specific solutions built on Google Cloud's Gemini Enterprise platform. The company stated that the initiative will help enterprises scale generative and agentic AI adoption through automated decision-making workflows, improving operational efficiency, predictive maintenance, fraud mitigation, and diagnostic accuracy.
HCLT/ Microsoft	HCLTech announced its participation in Microsoft Discovery, an agentic AI platform aimed at accelerating scientific research and innovation across areas such as chemistry, materials science, drug discovery, and semiconductor design. The collaboration will enable HCLTech to leverage its domain expertise for enterprise-scale AI applications through joint innovation programs, collaborative proofs of concept, and industry-focused implementations.
Wipro/ Google Cloud	Wipro expanded its partnership with Google Cloud to deploy Gemini Enterprise across its internal operations and accelerate enterprise adoption of agentic AI solutions. The company stated that it will leverage its Wipro Intelligence™ platform and consulting expertise to help clients transition from fragmented AI pilots to secure, production-ready AI deployments at scale.

Company	Partnership
Wipro/ Nvidia	Wipro launched its AI-DC solution, a standardized and secure platform designed to accelerate enterprise-scale AI adoption while modernizing core DC environments. Integrated with NVIDIA AI Enterprise within Wipro Intelligence, the solution aims to help enterprises transition from AI pilot projects to production-scale deployments across business functions.
Tech Mahindra/ Nvidia	Tech Mahindra partnered with Nvidia to launch an AI-powered telco network operations reasoning agent aimed at helping telecom operators transition toward Level 4+ autonomous networks through intelligent, closed-loop operations. Delivered through Tech Mahindra's Orion platform, the solution combines AI engineering and domain expertise while ensuring enterprise-grade data privacy and governance.
Mphasis	Mphasis launched Mphasis.ai, a dedicated business unit focused on helping enterprises integrate AI capabilities into existing technology landscapes to enhance customer experience, operational efficiency, and business outcomes. The unit provides AI advisory services, access to patented AI assets and hyperscaler-hosted models, generative AI-powered conversational platforms, and a startup-led innovation ecosystem to accelerate enterprise AI adoption and co-innovation.
Persistent/ Nvidia	Persistent Systems partnered with Nvidia to accelerate development and deployment of AI-powered solutions for the healthcare and life sciences industry, focusing on computational drug discovery and advanced analytics. The collaboration combines Persistent's domain expertise with NVIDIA AI Enterprise to enable scalable molecular simulation, virtual screening, and real-world AI deployments in regulated research environments.

Source: Industry, PL

Meanwhile, Indian IT firms are winning large domestic transformation mandates spanning government digitalization, telecom infrastructure, cybersecurity, tax modernization, sovereign cloud, and enterprise modernization. These projects involve end-to-end digital architecture development, AI-led analytics, cloud-native platforms, cybersecurity operations, and infrastructure management, highlighting the expanding role of IT services providers in India's digital infrastructure buildout.

Exhibit 39: Recent technology modernization contracts announced by Indian IT providers in India region

Year	Company	Deal details	Deal size
2024	Infosys	LIC has appointed Infosys to develop its NextGen Digital Platform, a cloud-native, integrated digital insurance ecosystem aimed at enhancing customer services, business lifecycle management, and operational efficiency across sales and branch channels. The modular platform will support rapid adoption of emerging technologies and serve as the foundation for future digital applications including customer and sales super apps, portals, and digital branches.	N/A
2024	L&T Technology Services	LTTS has secured a cybersecurity program from the Maharashtra State Cyber Department to develop advanced cybercrime prevention and investigation infrastructure. The project includes building an AI-enabled cybersecurity and digital forensics center aimed at strengthening secure digital governance and smart city infrastructure across the state.	INR80bn
2025	LTM	LTM has secured the PAN 2.0 project from the Income Tax Department to lead the end-to-end development and deployment of India's next-generation PAN and TAN platforms. The initiative aims to enhance interconnectivity with government platforms, improve data accuracy, and significantly reduce processing and service turnaround times.	INR7.9bn
2025	TCS	TCS received an additional INR29bn advance purchase order from BSNL for the deployment and maintenance of its nationwide 4G mobile network across 18,685 sites. The order expands TCS-led consortium's role in BSNL's INR150bn+ indigenous 4G rollout program, covering network planning, engineering, installation, commissioning, and annual maintenance.	INR29bn
2025	TCS	TCS and RailTel have signed an MoU to launch RailTel Sovereign Cloud powered by TCS SovereignSecure Cloud, an indigenous AI-enabled sovereign cloud platform aimed at strengthening India's data and digital sovereignty. The partnership supports the next phase of the Digital India initiative by enabling secure, locally hosted digital infrastructure for government and enterprise applications.	N/A
2025	TCS	TCS has signed an MoU with the Centre for Development of Advanced Computing to accelerate the development of India's sovereign cloud ecosystem.	N/A
2026	LTM	LTM has secured a INR30bn, 7-year contract from CBDT to build an AI-driven national tax analytics platform aimed at transforming India's tax data processing and decision-making infrastructure. The platform will leverage AI, ML, and advanced digital architecture to enhance real-time analytics, data integration, transparency, and efficiency across the tax ecosystem.	INR30bn

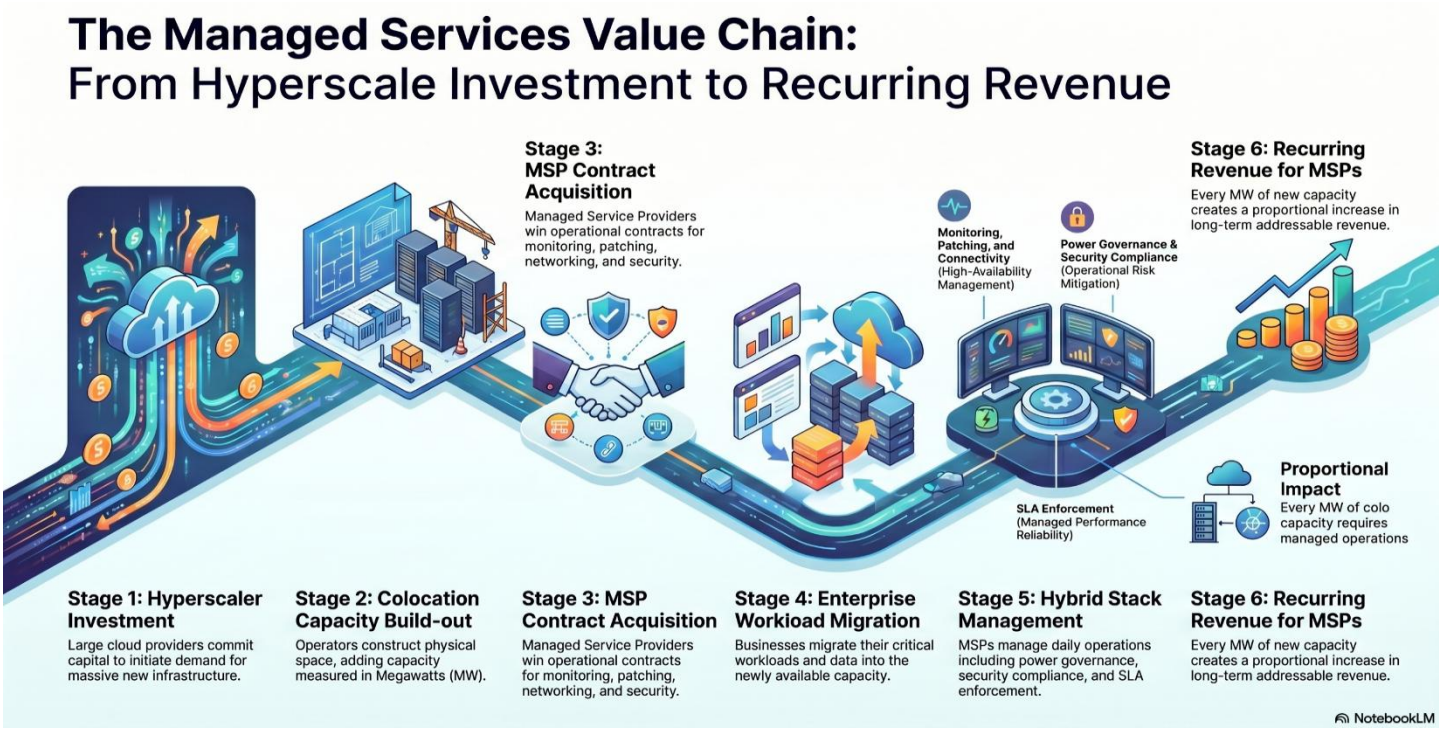
Source: Company, PL

The strategic significance of these developments lies in the long-duration downstream opportunity created by India's rapidly expanding DC ecosystem. As incremental DC capacity comes online, enterprises and government agencies will require ongoing cloud migration, cybersecurity, AI operations, observability, infrastructure management, compliance governance, and managed services capabilities. This creates a structurally expanding addressable market for Indian IT services companies across cloud transformation, AI orchestration, cybersecurity, and digital infrastructure management over the coming decade.

Opportunities in managed services

India's DC industry has evolved from a nascent ~350MW market in 2019 to ~1,350MW of installed capacity by 2025, with the next phase of expansion expected to accelerate materially through 2030. Growth is being driven by hyperscaler investments, enterprise cloud adoption, the IndiaAI Mission, rising AI workloads, data localization requirements, and India's emergence as one of the world's largest generators of digital data traffic.

Exhibit 40 : **Managed services providers positioned to benefit from cloud & AI adoption**



Source: NotebookLM, Industry, PL

The expansion of DC infrastructure is expected to create a multi-layered growth opportunity for Indian IT services providers across managed services, cloud transformation, cybersecurity, infrastructure operations, and AI-led modernization. Every incremental MW of capacity commissioned requires ongoing services spanning monitoring, network management, workload orchestration, security compliance, observability, power optimization, disaster recovery, and SLA governance. The data center value chain typically progresses from hyperscalers committing large-scale infrastructure capex, enabling colocation operators to expand capacity, which in turn encourages enterprises to migrate workloads to hybrid and multi-cloud environments, ultimately creating recurring annuity opportunities for IT service providers across cloud management, application modernization, cybersecurity, data engineering and AI operations.

As India's DC capacity potentially scales 2–3x over the next 5 years, the addressable market for infrastructure management, cloud operations, and AI-enabled managed services is expected to expand proportionally.

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Coforge	BUY	2020	1169
2	Cyient	BUY	950	780
3	Fractal Analytics	Hold	1040	1034
4	HCL Technologies	Reduce	1300	1441
5	Infosys	BUY	1570	1241
6	KPIT Technologies	BUY	880	723
7	L&T Technology Services	Hold	3610	3550
8	Latent View Analytics	Buy	450	309
9	LTM	HOLD	4560	4342
10	Mphasis	BUY	3000	2233
11	Persistent Systems	Buy	6400	5330
12	Tata Consultancy Services	BUY	3450	2589
13	Tata Elxsi	HOLD	4800	4651
14	Tata Technologies	HOLD	560	591
15	Tech Mahindra	Buy	1660	1463
16	Wipro	HOLD	200	210

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Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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