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Capital Goods

The Data Center Renaissance

In the span of a few months, India has gone from *digital potential* to *digital powerhouse* - and data centers are the linchpin of that transformation. At the recent India AI Impact Summit, global tech majors including Microsoft, Google, and Amazon collectively pledged tens of billions of dollars toward AI infrastructure, while domestic giants like Reliance Industries and the Adani Group announced multi-billion-dollar plans to build **AI-ready, renewable-powered data center campuses** across the country.

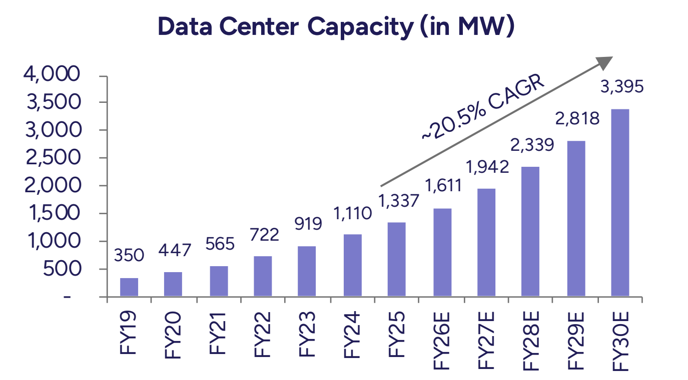
Complementing this investment momentum, the **Union Budget 2026–27 introduced a landmark tax holiday for data center operators**, extending exemption from Indian income tax until 2047 for eligible foreign cloud service providers using India-based data center infrastructure to serve global workloads - a move designed to anchor high-value compute capacity domestically and provide decades of investment certainty.

This policy pivot comes at a time when India is already asserting itself as a strategic node in the global data infrastructure ecosystem. With **rapid adoption of AI, IoT and 5G**, demand for scalable compute and storage has sharply accelerated - so much so that data centers are no longer just support facilities but **structural drivers of power demand and economic growth**.

India currently hosts ~**1,337 MW of data-center capacity in FY25**, making it the **largest in the Asia-Pacific region (excluding China)**; this is expected to surge by around **2,000 MW by FY30 to roughly 3,395 MW**. With data center set-up costs approaching **Rs600-700mn per MW**, the **cumulative capital expenditure through FY25-30 is estimated at about Rs1.3trn** - underlining sustained demand for high-reliability power, transmission infrastructure, and ancillary services.

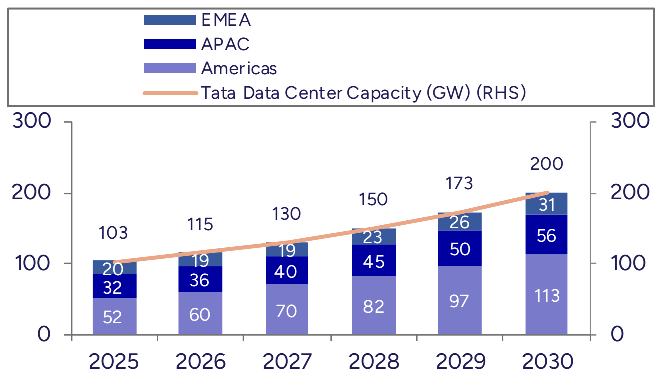
On the global stage, a similar expansion narrative is unfolding: total data center capacity is projected to nearly **double from the current ~103 GW to 200 GW by 2030**, propelled by a ~17% CAGR in the Americas - where the United States accounts for around **90% of installed capacity** - and continued growth in APAC led by China. These vast capacity additions are not just about digital storage; they create **export opportunities for Indian equipment manufacturers and service providers** integrated into global supply chains.

Exhibit 1: Indian data center capacity to reach ~4GW by FY30



Source: Industry

Exhibit 2: Global data center capacity to double by 2030



Source: Industry

Together, policy support, corporate capital flows, and structural technology adoption are repositioning India's data center story: from a back-office digital ecosystem to a **core competitive advantage in the age of AI and digital services**. While the macro narrative is anchored in megawatts and capex, the real earnings inflection lies with the equipment suppliers, an ecosystem where our capital goods universe is meaningfully positioned.

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Key Equipment Applications and Beneficiaries:

- **Transformers and Switchgear:** Core components of the T&D value chain supporting grid expansion, renewable integration and high-reliability power supply for data centers. Transformers account for ~10% of total data-center set-up costs, while switchgear contributes ~20%, underscoring their materiality. Key beneficiaries include **Hitachi Energy India, Siemens Energy India, GE Vernova T&D, CG Power, TARIL, Voltamp etc.**

- **Cooling Solutions:** Higher compute density and faster processing increase thermal loads in data centers, making efficient cooling solutions mission-critical. Companies such as **Thermax and Praj Industries** are expanding their cooling portfolios to address this emerging demand.

- **Cables and Conductors:** Expansion of transmission lines and rising interconnection needs for renewables and data centers are driving demand for high-quality cables and premium conductors, benefiting players such as **Apar Industries**.

- **Backup Power and Captive Power Generation:** Uninterrupted power is critical for data centers, creating demand for gensets and backup power systems from **Cummins India and Kirloskar Oil Engines**. Additionally, increasing scale and energy intensity are supporting captive power generation deployments, positioning **Triveni Turbine, Siemens Energy**, **TD Power Systems** as key beneficiaries.

Exhibit 3: Capital Goods companies with offered products and services for data centers and their recent commentary

Company	Products Supplied to Data Centers	Data Center contribution	Comments
Transformers & Switchgear			
Hitachi Energy India	GIS substations, transformers	High-single digit of order book	~15% addressable market of the total data center cost. Executing export orders in SEA.
Siemens Energy	Substations, grid integration solutions, industrial steam turbines	NA	Participation expected to rise as power intensity and grid complexity increase.
CG Power	Power transformers (domestic & exports)	NA	Secured $99mn export order for USA data center. Data center identified as high growth vertical.
GE Vernova T&D India	Grid integration and substations (220–765 kV)	NA	Data centres currently contribute a small share of overall order intake, with U.S. being a larger established market.
Atlanta Electricals	Transformers for data centre developers	NA	Continuously quoting for DC projects; longer finalisation timelines noted. Engaged with large private developers for transformer supply to upcoming DC parks in western and southern India.
ABB India	Electrification and automation solutions, LV & MV switchgear	NA	Views data centres as a long-term structural opportunity aligned with its electrification and automation portfolio, with expectations of continued capacity build-up.
Siemens India	Distribution, Automation, Software, Switchgear, GIS, Vacuum interrupters	NA	Data centres, along with T&D and commercial buildings, contribute ~40–50% of the SI business. Investing Rs3.3bn in the Goa facility to expand vacuum interrupter and GIS manufacturing.
Backup Power Generators			
Cummins	High-horsepower backup gensets (≥2,500 kVA)	~25% of Powergen sales and ~10% of total sales in 9MFY26	Primarily supplies HHP gensets for data centers. Business described as lumpy.
Kirloskar Oil Engines	Diesel gensets for backup power	Revenue from data centers grew by 235% YoY in Q3FY26 and 132% YoY in 9MFY26.	Primarily supplies HHP gensets for data centers. Technical and specification driven (eg. Optiprime).
TDPS	Generator solutions	NA	Expanded capacity with a third plant (Dec 2025) and prioritised the generator vertical to meet strong data centre demand. Expect ~Rs5.5-6.0bn AI led data center investment related orders per quarter.

Company	Products Supplied to Data Centers	Data Center contribution	Comments
Captive Power Generation (Turbines)			
Triveni Turbine	Steam turbines for combined-cycle applications	NA	Enquiry size of 20-70 MW data centers. Significant increase in data center enquiries from USA. Data center is not expected to exceed ~20% of total order book
Cooling Solutions			
Kirloskar Brothers	Pumps, cooling and firefighting systems	NA	Executed 25-30 data center projects till date. Typically 4-6 data center projects are active on the USA shop.
Thermax	Industrial cooling and boiler systems	NA	Secured two major data centre wins in Q3 FY26 — one in India and one for a marquee U.S. data centre client.
Praj Industries	Cooling and thermal management solutions	NA	Currently in early stages of developing the data centre vertical. Plans to supply cooling solutions for Domestic and USA data centers.
Cables and Conductors			
Apar Industries	Conductors and power cables	NA	Estimated wallet share per data center project is 3-4%. Data center is driving demand in USA.

Source: Company, PL

Exhibit 4: Valuation for Capital Goods companies having data center exposure

Company	CMP	Sales (Rs mn)			EBITDA Margin (%)			ROE (%)			PE (x)			EV/EBITDA (x)		
		FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
ABB	5,705	131,078	143,616	162,187	15.5%	15.8%	16.2%	22.2%	21.9%	22.0%	72.5x	64.7x	55.7x	46.9x	41.6x	35.4x
SIEM	3,104	163,846	188,817	219,048	12.9%	12.2%	12.6%	12.3%	13.9%	15.1%	54.7x	60.6x	57.0x	50.5x	46.8x	38.4x
APR	10,014	235,875	274,783	311,631	8.2%	7.8%	8.1%	22.0%	20.9%	21.4%	37.5x	33.9x	28.6x	16.0x	14.3x	12.0x
KKC	4,631	118,349	134,247	151,967	21.8%	20.8%	20.7%	30.4%	28.4%	28.7%	54.7x	50.8x	44.8x	44.8x	41.2x	36.3x
KOEL	1,421	61,631	71,286	77,486	12.4%	15.6%	14.1%	15.4%	16.7%	17.7%	40.3x	32.9x	28.3x	26.5x	18.2x	18.5x
ENRIN	2,760	78,267	97,355	120,313	12.6%	15.5%	16.6%	28.9%	29.4%	29.2%	92.9x	67.1x	54.2x	62.5x	46.5x	36.5x
POWERIND	22,790	77,978	114,793	156,643	14.6%	15.5%	16.4%	20.1%	23.2%	25.5%	107.7x	75.0x	53.1x	86.0x	54.9x	38.2x
GVTD	3,535	63,285	82,261	101,997	26.7%	24.0%	23.5%	56.6%	45.7%	40.9%	72.3x	62.8x	51.8x	43.7x	37.0x	30.1x
CGPOWER	694	124,292	157,835	196,852	12.9%	13.9%	14.4%	21.7%	20.4%	22.3%	90.1x	68.7x	53.0x	68.3x	50.1x	38.7x
TRIV	487	21,969	25,349	29,213	21.4%	22.4%	22.5%	28.4%	28.8%	27.8%	40.7x	33.3x	28.7x	32.8x	26.8x	22.7x
TDPS	889	17,606	21,760	25,861	17.8%	18.2%	18.2%	23.3%	23.3%	22.7%	59.4x	47.8x	39.4x	43.0x	34.0x	28.6x
TARIL	303	25,902	36,106	44,149	16.0%	16.1%	15.9%	19.6%	21.3%	21.0%	33.3x	24.8x	20.9x	22.3x	15.9x	13.3x
VAMP	8,249	20,691	24,476	28,856	17.8%	16.8%	16.5%	20.0%	19.2%	18.8%	24.4x	22.1x	19.6x	21.4x	19.1x	16.5x
TMX	2,997	106,064	123,547	142,430	9.0%	9.3%	9.5%	11.5%	14.1%	14.5%	60.2x	44.5x	38.9x	35.0x	29.0x	24.6x
PRJ	317	32,097	35,914	41,090	5.8%	8.9%	9.9%	5.5%	14.3%	17.1%	117.7x	28.3x	21.1x	28.8x	16.2x	12.4x

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	4,695
2	Apar Industries	BUY	9,629	7,695
3	BEML	Accumulate	1,922	1,740
4	Bharat Electronics	Reduce	411	453
5	BHEL	Hold	245	263
6	Carborundum Universal	Hold	825	788
7	Cummins India	Hold	4,182	4,391
8	Elgi Equipments	Accumulate	565	512
9	Engineers India	BUY	261	202
10	GE Vernova T&D India	BUY	4,050	2,911
11	Grindwell Norton	Hold	1,731	1,635
12	Harsha Engineers International	Hold	408	396
13	Hindustan Aeronautics	BUY	5,338	4,159
14	Ingersoll-Rand (India)	BUY	4,589	3,540
15	Kalpataru Projects International	BUY	1,489	1,100
16	KEC International	Accumulate	748	669
17	Kirloskar Pneumatic Company	BUY	1,557	1,068
18	Larsen & Toubro	BUY	4,806	3,794
19	Praj Industries	Accumulate	340	308
20	Siemens	Accumulate	3,409	3,176
21	Siemens Energy India	Accumulate	3,145	2,740
22	Thermax	Accumulate	3,374	2,916
23	Triveni Turbine	Accumulate	585	509
24	Voltamp Transformers	BUY	10,312	7,978

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Buy : > 15%
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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