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Portfolio Valuation and Fund Advisory Services

India Infrastructure Series

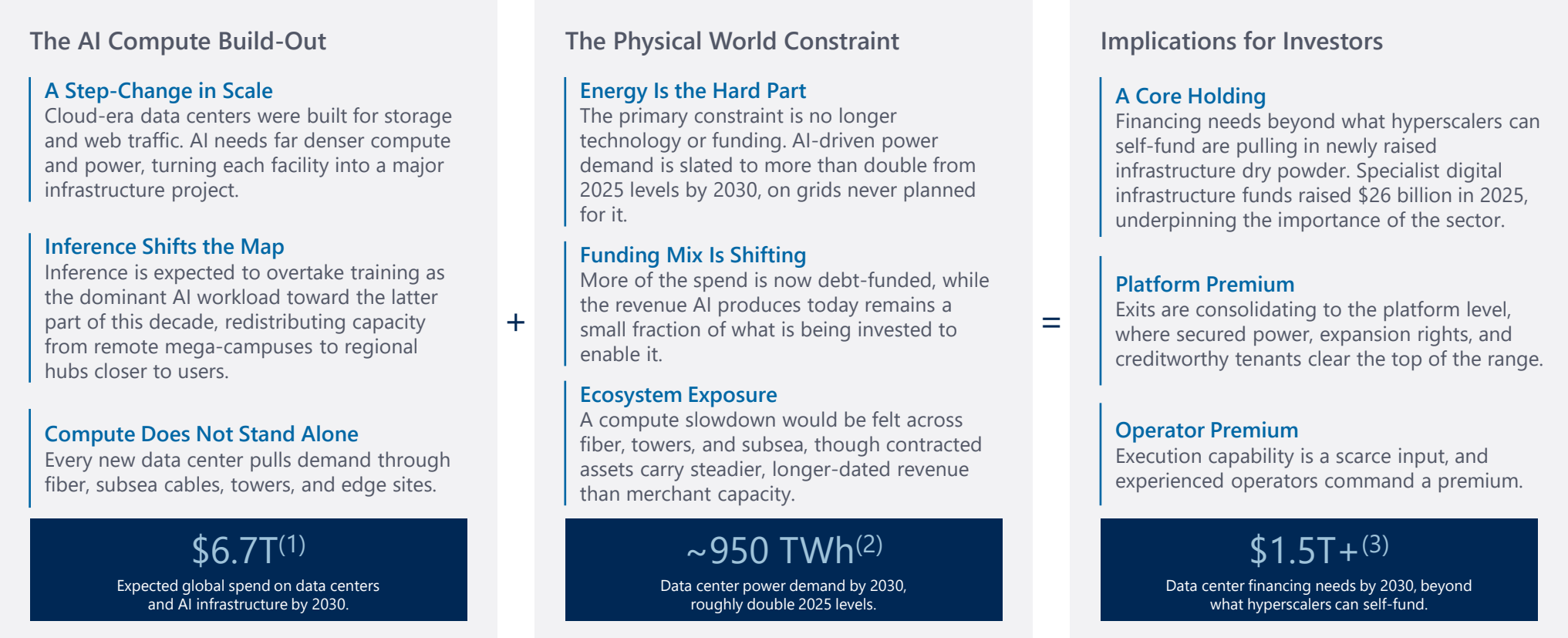
Digital and AI Infrastructure: From Connectivity to Compute

October 2026

From Connectivity to Compute

The Global Digital Infrastructure Setting

Digital infrastructure once meant connectivity. The focus of new investment is now shifting to computing, as hyperscalers race through an AI build-out at unprecedented scale. The ambition itself is not in doubt. The real question is whether the foundations beneath it, namely energy, capital, and industrial supply chains, can keep pace.



Takeaway

Not every market is equally positioned to capture the global AI build-out. With data center capacity per million internet users at roughly 6% of China’s level and just over 1% of that of the U.S., and construction costs at nearly half the U.S. average, India may be poised for a supercycle.



In the next phase of digital infrastructure development, access to power will increasingly determine the pace and viability of growth. As compute intensity rises, energy infrastructure moves from being a supporting utility to a core strategic asset. Investors and operators alike will increasingly evaluate opportunities through the lens of long-term power security and resilience.

Mukesh Soni—Chief Financial Officer, Digital Connexion

(1) McKinsey & Company, “The Cost of Compute: A \$7 Trillion Race to Scale Data Centers” (March, 2026).
(2) IEA, “Key Questions on Energy and AI” (2026).
(3) J.P. Morgan Research (November, 2025); Morgan Stanley Research (2025).



From Connectivity to Compute

India's Next Infrastructure Supercycle

A decade of connectivity infrastructure is now the foundation for India's compute supercycle. With more than \$180 billion in commitments expected by the end of 2026, construction costs well below the U.S. average, and sovereign AI policy in active deployment, India is arriving as a digital infrastructure market.



Data Centers

The compute layer: hyperscale and colocation halls hosting cloud and AI workloads, priced by the megawatt.
Mumbai holds ~50% of live capacity; 7 metros hold 98%⁽¹⁾



Telecom Towers

The wireless backbone: towers leased to carriers on long-term, annuity-like tenancy contracts.
~1.4x average tenancy; 560,000+ 5G base stations already loaded⁽²⁾⁽³⁾



Fiber Networks

The connective tissue: fiber linking towers, homes, and data centers, priced per route-kilometer.
Route-kilometer doubled since 2019; 1B+ broadband users⁽²⁾⁽⁴⁾



Edge and AI Compute

The next frontier: distributed edge sites and GPU clusters for low-latency 5G and AI workloads.
Edge set to triple to ~200 MW by 2027; 5G now ~47% of traffic⁽⁵⁾⁽⁶⁾

(1) *Avendus Capital (May, 2026).*

(2) *DoT, Year-End Review 2025 (data as of October, 2025) and draft National Telecom Policy 2025.*

(3) *CRISIL Ratings (June, 2026).*

(4) *TRAI (June, 2026).*

(5) *ICRA (July, 2025).*

(6) *Nokia Mobile Broadband Index 2026 (March, 2026).*

(7) *MeitY/PIB, Lok Sabha reply (Mar 2026).*

(8) *Vestian (Apr 2026); U.S. benchmark per industry estimates.*

(9) *Savills India (July, 2026).*

(10) *CBRE, India Alternate Sectors Outlook 2026 (April, 2026).*

(11) *IEEFA (2025).*

Why India, Why Now

Critical Fiberization Gap

India's tower fiberization stands at 46%, against a global benchmark of more than 70% and a domestic policy target of 80% by 2030. This gap represents the need for a sustained multi-year capex cycle.⁽²⁾

Rise of Edge Computing

To support low-latency applications for 5G and AI, telecom operators and data center providers are actively building a distributed network of edge computing sites.

Digital Public Infrastructure at Scale

India's Digital Public Infrastructure stack—UPI processing 17 billion transactions per month, 1.4 billion Aadhaar identities, and a fast-growing ONDC network—generates an ever-expanding base of sovereign compute demand.

The Structural Tailwinds

Under-Penetration

India operates just ~1.6 megawatts of data center (DC) capacity per million internet users—roughly 1/16 that of China (~25 MW) and 1/96 that of the U.S. (~154 MW), underscoring the scale of infrastructure under penetration.

Sovereign AI Push

The IndiaAI Mission has committed ~\$1.15 billion over five years to sovereign AI infrastructure, with more than 38,000 GPUs now live, offered to startups and researchers at a fraction of global cloud pricing.⁽⁷⁾

Energy and Cost Edge

Building a data center in India costs \$5–7M/MW—roughly half the U.S. average of \$10–12M/MW—making India one of the most cost-competitive build environments for digital infrastructure globally.⁽⁸⁾

“The next decade will be defined by compute, and India is uniquely positioned to lead this transition. With connectivity infrastructure now firmly established, accelerating the adoption of AI, cloud services, and digital technologies is driving unprecedented demand for digital infrastructure. The convergence of demand, policy support, and infrastructure readiness positions India not only as a major market, but as a strategic global hub for the next generation of digital infrastructure.

Pratap Mane, President and Country Head—India, Colt Data Centre Services

Key Numbers

1.8 GW⁽⁹⁾

Operational DC Capacity

\$180B+⁽¹⁰⁾

Cumulative commitments by 2026E

9.0 GW⁽¹¹⁾

Projected DC Capacity by 2030

1.3B⁽⁴⁾

No. of telecom subscribers

4.2M km⁽²⁾

OFC laid down

843K+⁽²⁾

Telecom towers



From Connectivity to Compute

Recent Industry Updates—Transactions and Regulations

Marquee Transactions⁽¹⁾

Date	Investor/Acquirer	Target	Value (\$B) ⁽²⁾
Jun 2026	CPPIB	CtrlS Datacenters	\$0.7
Apr 2026	AirTrunk (Blackstone/CPPIB-backed)	Lumina CloudInfra	Undisclosed
Nov 2025	TPG (Rise Climate/Asia Real Estate)	HyperVault AI Data Center	\$0.9
Sep 2024	Brookfield	ATC India (~77K towers)	\$2.2

Announced Commitments and Capex Programs⁽¹⁾

Date	Sponsor	Programme	Value (\$B) ⁽²⁾
Sep 2026	HyperVault (TCS)	Hyderabad AI campus, ~1 GW	\$7.3
Feb 2026	Adani Group	AI data centres; AdaniConneX 2 to 5 GW	\$100
Feb 2026	Yotta x NVIDIA	AI compute hub	\$2+
Jan 2026	Lodha Developers	Palava DC Park, ~2.5 GW (Maharashtra MoU)	\$14
Oct 2025	Google (with AdaniConneX, Airtel)	Vizag AI hub	\$15
Sep 2025	OpenAI	~1 GW DC platform	Undisclosed
Nov 2024	Colt DCS/RMZ (RDIP)	50:50 JV, ~250 MW (Mumbai, Chennai)	\$1.7

Regulatory Updates⁽¹⁾

01



Union Budget 2026–2027

- Foreign cloud entities are eligible for income tax holidays until 2047.
- Data centers are now classified as “essential infrastructure,” unlocking access to long-term funding for significantly lower costs.

02



TRAI Digital Connectivity Regulations

- TRAI introduced a more granular 9-level rating scale in 2026, adding half-stars to evaluate building digital connectivity and ensure high-quality indoor 4G and 5G coverage.

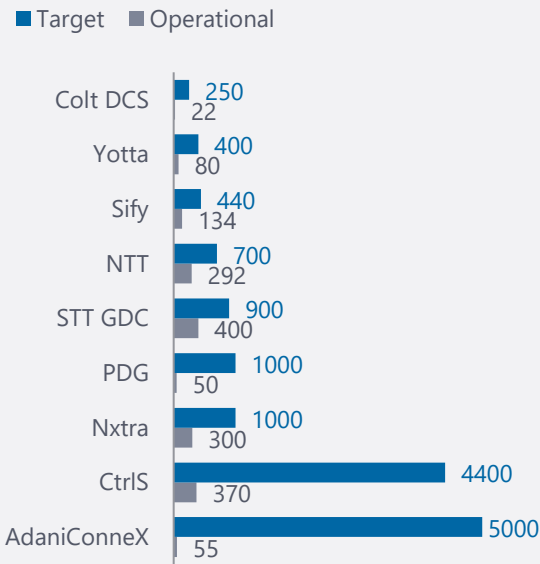
03



National Quantum Mission

- Supported by a ₹6,003 crore (~\$0.6 billion) budget allocated from 2023 to 2031.
- Aims to develop domestic quantum computers with a target of 1,000 qubits by 2031.

DC Operator Landscape⁽¹⁾



“Execution at scale is critical to addressing India’s data center opportunity. The combination of a best-in-class in-country team supported by a strong multi-national platform provides the best of both worlds—bringing together global standards and depth of delivery. The ability to deliver capacity responsibly, earn trust, and build enduring customer relationships will increasingly determine long-term value creation.

Varoon Raghavan, Chief Operating Officer and Co-Founder, Princeton Digital Group (PDG)

(1) Source: Public sources.
(2) All values disclosed in INR are converted to USD at an exchange rate of ₹95.88 as of September 30, 2026, sourced from S&P Capital IQ.



Valuation Considerations

Navigating Structural AI Changes and Current Macro Uncertainty

Across the digital infrastructure landscape, the discounted cash flow (DCF) approach emerges as a primary method for valuing infrastructure assets, underpinned by contracted revenue models and long-term cash flow visibility. Replacement cost can act as a soft floor for assets, offering some downside protection through hard collateral. Industry-specific multiples like EV/MW or EV/km could serve as corroborative tools.

A primary question that emerges for a valuer is “what is the right discount rate to apply to a long-dated cash flow stream, and how should we reflect risks that the cash flows themselves do not capture?” For digital infrastructure assets, the answer is complex due to:

- Constantly changing industry dynamics, driven by AI adoption and demand for cutting-edge AI infrastructure.
- Interest rate and inflation uncertainty, fueled by a conflict in the Middle East.
- Rupee depreciation creating unique investment challenges for foreign investors.



The Platform Value Conundrum

Valuing a platform is not just summing up its individual assets. A “platform premium” may be justified if the platform demonstrates a consistent ability to create value, but this requires evidence, not just a narrative.



Layered Discounting—Contracted vs. Speculative Build

Data center demand is surging due to AI, but it’s crucial to distinguish between contracted capacity (high certainty) and speculative capacity (lower certainty). Power availability is a key risk.



Useful Life in Flux

Hyperscalers in recent years have started increasing the useful lives of GPUs and expensive server equipment, taking lower depreciation costs on their books. But precedence suggests obsolescence is faster even for cutting-edge hardware, so the true replacement cycle and the capex it implies remain unresolved.



Adjusting for Power Density and Usage Efficiency

EV/MW is the primary market multiple for data centers. Facilities with AI-density workloads command a premium because of better space utilization. Similarly, for long tenured DCFs, usage efficiency compounds energy savings, which needs to be explicitly adjusted in multiples.



Passing a Home Is Not Connecting It

Value sits in the take-rate curve, not the route built—homes-passed is optionality, homes-connected is the value event. Conversion and ARPU drive the DCF, and 5G fixed-wireless and satellite substitution cap terminal penetration—so EV per route-kilometer on unmonetized fiber signals risk, not value.

Macro and Geopolitical Overlay

Foreign Exchange Modeling With Sustained Rupee Depreciation

With the continued depreciation of the rupee, valuation models can also be used to stress-test currency impacts on foreign capital returns.

Grid and Regulatory Overhang

State-level grid policy—DISCOM financial health, wheeling tariffs, and open access approval timelines—varies materially across states, introducing asset-specific execution risk that does not diversify at the portfolio level. Implementation of the DPDP Act localization provisions adds demand visibility risk for hyperscaler-anchored projects.

Power Availability—A Binding Constraint

Uncertainty over securing long-term power at commercial scale in Tier-1 data center markets is one of the most underpriced risks. Grid infrastructure constraints are a key risk to be accounted for, especially for speculative capacity expansions.

InvITs as a Benchmark

InvITs have evolved into the primary public valuation benchmarks for operational assets in the Indian market. However, their yields must be carefully calibrated for differences in asset mix, leverage, and sponsor quality rather than being applied as direct, unadjusted proxies.



Houlihan Lokey Energy and Infrastructure Capability

Our global energy and infrastructure industry expertise is organized as a cross-product team, resulting in a hand-in-glove coordination among advisory specialists.

Energy and Infrastructure Product Coverage



Valuation and Diligence

- No. 1 Global M&A Fairness Opinion Advisor over the past 25 years.⁽¹⁾
- More than 2,500 annual valuation engagements.
- Recurring security valuations for asset managers.
- Transaction advisory services, including the ability to bundle due diligence and QofE services.



Mergers and Acquisitions

- No.1 U.S. M&A Advisor.⁽²⁾
- Corporate M&A advisory, structuring, negotiation, and execution.
- Extensive reach in market trends and relationships.
- Specialize in tailored processes to maximize value for our clients.



Capital Markets

- We provide our clients equity and debt advisory services with access to financing in the private and public capital markets through the issuance of debt, equity, or hybrid securities.



Recapitalization/Restructuring

- Houlihan Lokey has been engaged in the most notable oil and gas and power recapitalizations/restructurings of the recent and prior commodity downturn cycles.



Technical/A&D

- More than \$50 billion in combined transactions
- Specialists in:
 - Technical advisory
 - Asset dispositions/swaps
 - Equity/working interest sales
 - JVs/spinoffs, etc.



Power, Utilities, and Renewables



Digital Infrastructure



Metals and Mining



Oil and Gas



Energy Transition



Transportation and Logistics



Water and Sanitation



Chemicals

Sub-Sectors

Awards

With Intelligence
S&P Global

Hedge Fund Services Awards | US 2026

Winner

Best valuations firm

Houlihan Lokey

with Intelligence
now a part of
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Hedge Fund Services Awards | Europe 2026

Winner

Best valuations firm for hard to value assets

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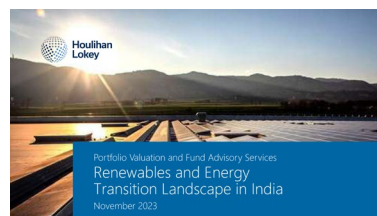
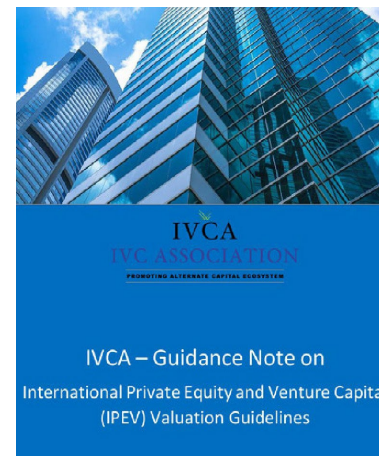
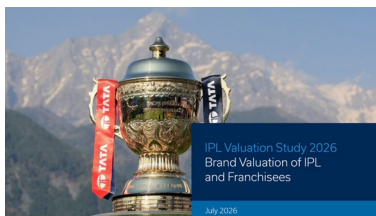
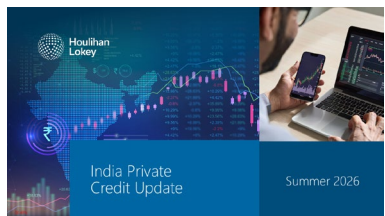
(1) 2001–2025 Global M&A Fairness Advisory Rankings. Source: LSEG. Announced or completed transactions.

(2) 2025 M&A Advisory Rankings–All U.S. Transactions. Source: LSEG.



Highlight

Houlihan Lokey's White Paper Series in India



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