

POLICY BRIEF

# RAJASTHAN DATA CENTER POLICY, 2025

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# INTRODUCTION

India is amidst an unprecedented surge in digital transformation, marked by its rapid adoption of cloud services, expanding mobile internet penetration, and a thriving digital economy. As per the International Data Corporation (IDC), the Indian public cloud services market is expected to grow at a compound annual growth rate (CAGR) of 24.3%, reaching USD 25.5 billion by 2028.<sup>1</sup>

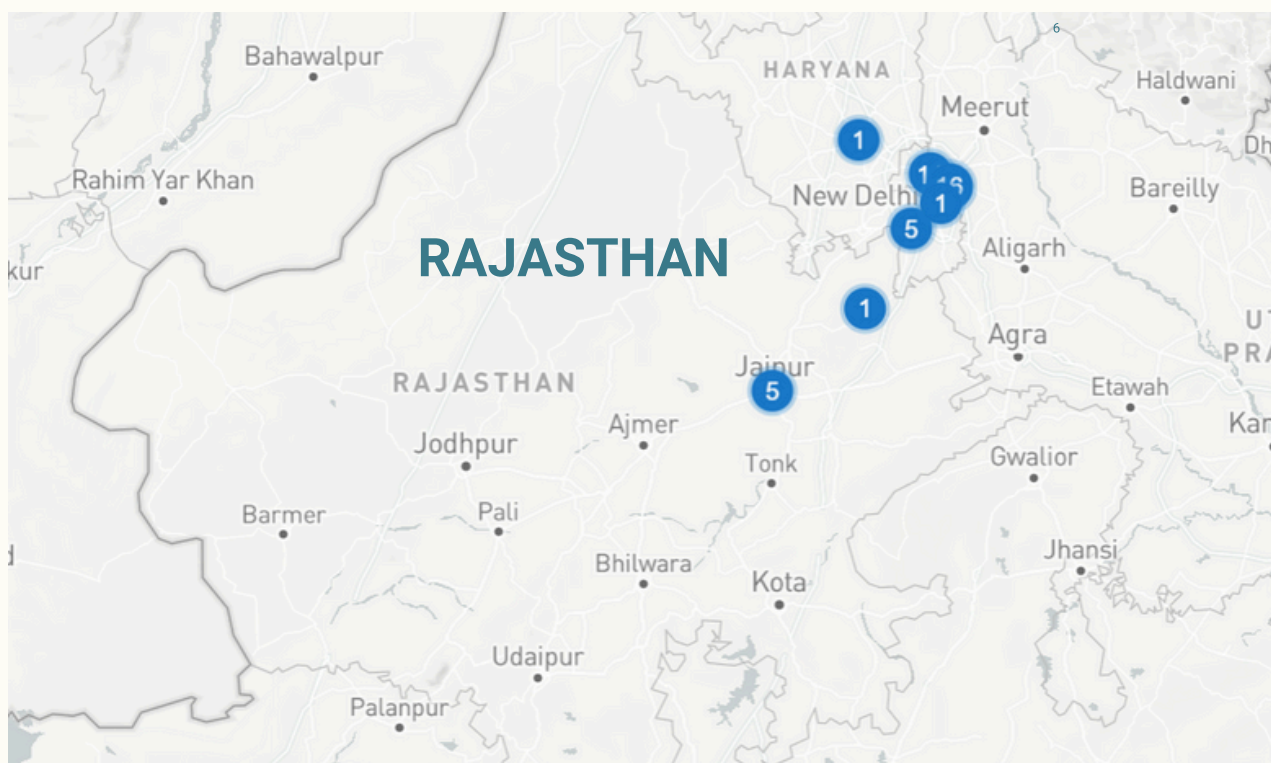
Concurrently, the Indian data center industry has witnessed remarkable growth. It crossed the 1 gigawatt (GW) capacity milestone in 2024 up from just 590 megawatts (MW) in 2019 growing at a CAGR of 24%.<sup>2,3</sup> This surge is being driven primarily by cloud service providers, artificial intelligence (AI) platforms and increasing regulatory requirements in data-intensive sectors such as banking, financial services, and insurance (BFSI).<sup>3</sup> The industry has been projected to add another 795 MW by 2027, requiring an estimated USD 5.8 billion in investment and over 9.3 million square feet in real estate development.<sup>3</sup> This would require significant investment by the private sector which needs to be facilitated by the existing government at both the Union and the state level. The current landscape of privately held data centers in India (Fig. 1) shows a nucleated presence in already established industrial hubs such as Noida (Uttar Pradesh), Bengaluru (Karnataka), Mumbai (Maharashtra), Chennai (Tamil Nadu), and Hyderabad (Telangana).<sup>4</sup> Mumbai, in particular, has seen an explosion of data centers largely driven by demand from the BFSI sector. Other cities like Noida, Hyderabad, Bengaluru, and Chennai benefit from an existing IT infrastructure that supports the growth of data centers. Until now this growth in data centers has been fueled by investments made in urban centers primarily meeting its demand for digital services.

However, there is now a growing recognition of the need for a decentralized network of data centers. This shift is spurred by the rising demand for low-latency digital services in Tier 2 and Tier 3 cities, where internet usage and digital engagement are rapidly growing.<sup>5</sup> Decentralization also offers a strategic solution to manage natural resources more efficiently and avoid overburdening urban centers that are already facing spatial constraints and dwindling water reserves. The inflated land costs in Tier 1 cities often lead to higher service prices passed on to consumers, making decentralization not only a logistical but also an economic necessity.



Industry leaders and policymakers alike have advocated for decentralization, emphasizing the opportunity for emerging IT hubs with a strong startup culture to play a pivotal role. In response, several Indian states such as Maharashtra, Tamil Nadu, Uttar Pradesh, and Karnataka have introduced state-specific data center policies aimed at attracting investment through land and power subsidies and creating investor-friendly environments. These efforts align with the enactment of the Digital Personal Data Protection Act, 2023, which imposes enhanced obligations on data fiduciaries and underscores the need for localized, compliant data infrastructure.

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Source: Data Center Map

In this context, the Government of Rajasthan has launched the Rajasthan Data Center Policy 2025, anchored in the vision that “Data is the New Oil & Data Centers the New Oil Wells.” The policy outlines a forward-looking roadmap to develop 300 MW of data center capacity over the next five years, establish five dedicated data center parks, and attract investments worth ₹20,000 crore into the state’s digital infrastructure ecosystem. Rajasthan is uniquely positioned to capitalize on this momentum, offering a compelling value proposition through ample land availability, an abundance of renewable energy and a strategic location that connects key regions in northern and western India.<sup>7</sup>

The state also benefits from an emerging technology landscape, with Jaipur and Jodhpur evolving as budding tech hubs, supported by growing startup ecosystems and academic institutions.<sup>8</sup> Furthermore, Rajasthan has already demonstrated its capability to host and sustain complex digital infrastructure, being home to India’s one of the largest state-operated data centers at the Bhamashah Technology Hub.<sup>9</sup> These inherent advantages, coupled with the state’s policy-driven intent to foster secure, resilient, and energy-efficient data centers, make Rajasthan a promising contender in India’s growing data economy.



# POLICY OVERVIEW

## OBJECTIVES OF THE POLICY

To position Rajasthan as a leading hub for digital infrastructure in India, the Rajasthan Data Center policy, 2025 lays down the objectives at the outset that the policy aims to achieve. With focus infrastructure being the data center parks and absorption rates, this includes:

- Achieve an installed data center capacity of **300 MW** within five years.
- Attract investments worth **INR 20,000 crore** in the data center sector.
- Develop **Five Dedicated Data Center** Parks.
- Promote data localization and position Rajasthan as a cost-effective destination for data centers.
- Establish Rajasthan as a cost effective data center destination.
- Support startups developing technologies for the data center sector.

## PROPOSED INCENTIVES

To meet these objectives the Rajasthan Data Center Policy 2025 proposes a comprehensive mix of financial and non-financial incentives aimed at facilitating the development and operation of data centers across the state.

### FINANCIAL INCENTIVE

The Data Center Policy 2025 outlines a robust financial incentive framework to encourage large-scale, long-term investments in data centers and associated infrastructure. These incentives aim to offset the high capital intensity of data center projects while supporting operational sustainability through targeted fiscal reliefs and subsidies.

- The policy categorizes eligible projects based on investment size and installed capacity. To qualify, a data center must have a minimum installed capacity of 2 MW. Based on investment thresholds, projects are classified as Large, Mega and Ultra Mega.

### Project Category and Eligible Fixed Capital Investment

LARGE	MEGA
₹25 crore to less than ₹100 crore	₹100 crore to less than ₹250 crore
ULTRA MEGA	
Above ₹250 crore	

- In addition, developers of Greenfield Data Center Industrial Parks must ensure a minimum cumulative installed capacity of 20 MW, distributed over at least three distinct data centre units to be eligible for policy benefits.
- A core concept in determining eligibility and benefit ceilings is the Eligible Fixed Capital Investment (EFCI), which includes costs incurred on land (up to 30% of the total project cost), civil structures that house data center equipment, infrastructure facilities, and the development of captive renewable energy power plants (51% of costs for captive, and 100% for group captive projects). Once a project is reviewed based on its Detailed Project Report (DPR), a Letter of Approval (LoA) will be issued by the Project Approval Committee (PAC), officially qualifying the project for financial support.
- To support asset creation, the policy offers three mutually exclusive incentive options, enabling developers to choose the most suitable model based on their financial strategy:
  - The **Investment Subsidy model** provides a 75% reimbursement of state tax for a duration of seven years, subject to annual ceilings of ₹10 crore for the first three years and ₹15 crore for the remaining four years.
  - Alternatively, the **Capital Subsidy model** offers a reimbursement of 10% to 20% of the EFCI, disbursed over ten years, with the exact percentage determined by the nature and location of the project. The subsidy is subject to annual limits, with a cap of ₹100 crore for each of the first three Mega or Ultra Mega projects.

Project Category	Area Category 1	Area Category 2	Area Category 3
Large	10% of EFCI	12% of EFCI	14% of EFCI
Mega	12% of EFCI	14% of EFCI	16% of EFCI
Ultra Mega	16% of EFCI	18% of EFCI	20% of EFCI

- The third option is a **Turnover-Linked Incentive**, which provides a reimbursement of 1.0% to 1.4% of the net sales turnover over a period of ten years, again subject to the project's category and regional classification.

Project Category	Area Category 1	Area Category 2	Area Category 3
Large	1.0% of Net Sales Turnover	1.1% of Net Sales Turnover	1.2% of Net Sales Turnover
Mega	1.1% of Net Sales Turnover	1.2% of Net Sales Turnover	1.3% of Net Sales Turnover
Ultra Mega	1.2% of Net Sales Turnover	1.3% of Net Sales Turnover	1.4% of Net Sales Turnover

**Note:** EFCI = Eligible Fixed Capital Investment. Capital Subsidy and Turnover Linked Incentive are disbursed in annual instalments over 10 years post-commencement of commercial production. Special Incentive applies only to the first 3 Mega or Ultra-Mega units selecting Capital Subsidy as the Asset Creation Incentive.

### Sunrise Incentive for First Three Data Center

In order to accelerate early investments and build investor confidence, the policy offers additional Sunrise Incentives for the first three Mega or Ultra Mega projects. These include a 25% booster on the selected asset creation incentive, a 5% interest subvention on term loans for five years (capped at 2.5% of EFCI), and complete waiver of banking, wheeling, and transmission charges for captive renewable energy use. Furthermore, to ease financial planning, the policy allows a flexible land payment structure, requiring only 25% upfront payment and the balance 75% spread across ten equal annual instalments, with an interest rate of 8%.

### Exemption & Reimbursement to Reduce Operational Costs

The policy also incorporates exemptions and reimbursements aimed at reducing operational costs. These include a 100% exemption from electricity duty for a period of seven years, applicable to both the primary data center and any associated captive renewable energy facilities. Additionally, there is a 75% exemption and 25% reimbursement on stamp duty and land conversion charges, thereby substantially lowering the cost of acquiring and preparing land for development.

## Future-Ready Workforce

Recognizing the need for a trained and future-ready workforce, the policy also promotes human capital development through a dedicated Skill and Training Incentive. Under this scheme, enterprises can avail 50% reimbursement of training costs, capped at ₹1 lakh per employee, for a maximum of 20 employees per enterprise.

The next section elaborates on the non-financial incentives available under the policy, which are crucial for catalyzing investment and ensuring the commercial attractiveness of data center projects.

## NON-FINANCIAL INCENTIVE

The Rajasthan Data Center Policy 2025 extends beyond financial support to offer a robust set of non-financial benefits that streamline operations, ensure infrastructure readiness, and ease regulatory compliance for data center projects.

### Relaxed Building Norms

Building norms have been significantly relaxed to suit data center requirements. These include eased restrictions on parking, boundary wall height, window installations, and floor-to-ceiling heights. The policy permits up to 70% ground coverage and allows the use of prefabricated or modular units, while also enabling partial completion certificates to facilitate early commercial operations.

### Electricity Related Incentives

On the electricity supply front, the policy guarantees 24/7 power with dedicated feeders, dual-grid connectivity (with cost reimbursement for one) and open access to competitively priced power. It also promises a gradual reduction in cross-subsidy surcharge over five years, allows energy banking, and provides deemed franchisee status for sub-metering.

### Data Centers as Essential Services

Operational facilitation is further strengthened by classifying data centers as essential services under the Essential Services Maintenance Act (1968), permitting 24/7 functioning, including women's employment in night shifts. A self-certification mechanism under labour laws simplifies compliance. Additionally, uninterrupted water supply for cooling is assured within the Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) industrial areas



## Data Center Park

The policy also encourages the development of Data Center Parks, which qualify for incentives under the Private Industrial Park Scheme 2025. Though it puts the onus on developers to ensure essential infrastructure such as safety systems, roads, drainage, and utility supply.

## Nodal Agencies

The Industries and Commerce Department will act as the nodal agency of administration. A two-tier committee system with Project Evaluation Committee (PEC) and Project Approval Committee (PAC), overseeing evaluation and approvals, with a defined 60-day turnaround via the RajNivesh portal or physical submission. Provisions for phased investments (minimum ₹25 Cr per phase, max three phases), transfer of business with benefit continuity, and expansion incentives such as stamp duty and electricity duty exemptions are also incorporated. Existing units under Rajasthan Investment Promotion Scheme, 2022 (RIPS) may opt into this new policy framework. Finally, enterprises have been prescribed to maintain digital records, comply with pollution norms, and return any undue benefits with 18% interest, ensuring transparency and accountability.

These non-financial provisions aim to establish a streamlined, investor-friendly environment, reinforcing Rajasthan's ambition to become a leading hub for data infrastructure in India.



# CHALLENGES AND CONSIDERATIONS

As Rajasthan positions itself to become a data center investment destination through its Data Center policy, it enters a competitive national landscape already dominated by states like Maharashtra, Karnataka, and Uttar Pradesh. These states have attracted substantial private investment through robust infrastructure, targeted incentives, and future-ready frameworks. While Rajasthan's policy presents a foundational approach with commendable intent, a closer examination reveals critical gaps that may hinder its ability to draw and retain long-term investments, especially from hyperscale operators and technology-driven players. In comparison with peer states and evolving national trends, the following challenges require consideration:

## 1. FINANCIAL INCENTIVES AND ECONOMIC VIABILITY

The 125% cap on EFCI under Rajasthan's policy imposes a ceiling on the benefits for large-scale investors, potentially deterring hyperscale players looking for high return thresholds. Uttar Pradesh, with more flexible and performance-linked incentives, offers a more compelling case for such investors. Additionally, Rajasthan's limitation of "sunrise incentive" benefits to just three units reduces investor diversity and scale. The skill development incentive through reimbursement of upto INR 1 lac spent per employee, is currently restricted to 20 individuals per enterprise and needs to be expanded. Moreover, there is a noticeable lack of any stimulus for domestic manufacturing of hardware and networking equipment areas that are actively promoted in the draft National Data Center Policy, 2020.

## 2. REGULATORY FRAMEWORK AND EASE OF DOING BUSINESS

Although Rajasthan has introduced the RajNivesh portal as a single-window system, it lacks the operational efficiency, transparency, and time-bound processing benchmarks as an evolved facilitation mechanism taking cues from UPs Nivesh Mitra portal.<sup>10</sup> Rajasthan also does not propose to provide any special exemptions or compliance reliefs under pollution control norms, an aspect wherein Telangana has carved out a niche by enabling fast-track clearances for green data centers.<sup>11</sup>

## 3. CONTEXT-SENSITIVE INTERVENTIONS AND SUSTAINABILITY ALIGNMENT

Given Rajasthan's distinct environmental and infrastructural conditions, the policy must adopt context-sensitive interventions that respond effectively to its unique challenges. The state is characterized by water scarcity, with per capita water availability at less than 1000 cubic meters, well below the national average of 1,486 cubic meters.

A significant portion of water supply in western Rajasthan depends on the Indira Gandhi Canal, which has known limitations in sustaining large-scale industrial expansion. Additionally, Rajasthan's extreme climatic condition characterised by high ambient temperatures pose significant challenges for efficient thermal management in data centre operations. These factors necessitate targeted policy solutions tailored to Rajasthan's terrain and ecological constraints. Thus, sustainability becomes not just an environmental imperative but a strategic necessity. The Rajasthan Data Centre Policy 2025, while visionary, lacks clear targets on renewable energy adoption, carbon neutrality, and water reuse goals. These metrics have increasingly become standard among industry leaders and institutional investors. For instance, Tamil Nadu has integrated aggressive renewable energy goals into its digital infrastructure strategy.<sup>14,15</sup> Being both water-scarce but mineral-rich, Rajasthan should actively incorporate circular economy principles, AI-driven energy optimization, and green cooling technologies. Doing so will not only safeguard local resources but also future-proof its infrastructure and enhance the state's appeal to ESG-conscious investors and global hyperscale operators.

## 4. TECHNOLOGY PROMOTION AND FUTURE-READINESS

Rajasthan's policy does not address the growing importance of 'Edge data centers', critical for supporting real-time data flows in emerging domains such as autonomous systems and 5G applications. Edge data centers are smaller, decentralized data centers strategically placed closer to end-users and devices, enabling edge computing and reducing latency.<sup>16</sup> In contrast, Karnataka has embedded low-latency edge computing into its policy, creating a favourable environment for tech startups and telecom operators. Furthermore, there are no institutional mechanisms in the current policy for supporting R&D in next-generation technologies like IoT, AI, or quantum computing areas that are increasingly being incentivized at the national level. Without these elements, Rajasthan risks becoming less attractive to future-focused enterprises.

## 5. MARKET POSITIONING AND GLOBAL OUTREACH

With a target of 300 MW in data center capacity, Rajasthan's target is a modest one considering both national projections (4,000 MW by 2029) and state leaders like Mumbai (~1400 MW).<sup>17</sup> While Rajasthan's focus on Tier 2 and Tier 3 cities can theoretically drive decentralization, these regions are under-marketed and lack the digital branding and connectivity appeal that cities like Noida and Bengaluru possess. Furthermore, Rajasthan's policy does not mention any partnerships or ongoing dialogues with global cloud providers or hyperscalers to anchor its digital ecosystem.

# RECOMMENDATIONS

Rajasthan's Data Centre Policy reflects a progressive vision to establish the state as a key contender in India's burgeoning data economy, which is expected to reach a national capacity of 4,000 MW by 2029. With a target of developing 300 MW of data center capacity, Rajasthan is clearly asserting its aspiration to capture a share of this growing market. However, achieving this goal will depend on strategic, context-sensitive interventions that effectively respond to the state's unique infrastructural and environmental challenges.

For instance, Rajasthan's extreme summer temperatures and its status as one of the most water-scarce states in the country necessitate a reorientation of the cooling infrastructure approach. With evaporative cooling consuming up to 3–5 million gallons of water daily in a typical hyperscale, the adoption and incentivization of alternative technologies such as closed-loop cooling systems can significantly reduce water wastage and address the persisting issue related to running data centers in a water scarce region.<sup>18</sup> Provisions for targeted policy intervention in this regard is imperative.

Moreover, while the policy provides financial support for skill development, the existing cap of 20 employees per unit falls short for hyperscale projects. India's data center sector is expected to create over 2 million direct and indirect jobs by 2030.<sup>19</sup> Thus, scaling the state's training incentives by partnering with technical institutions for specialized certifications can bridge the talent gap and prepare Rajasthan's workforce for this digital leap.

Currently, the policy's focus leans heavily on attracting data center operators, but greater strategic value lies in enabling local manufacturing of key infrastructure including networking equipment, cooling units, and storage systems. Rajasthan can leverage its abundant mineral reserves and industrial corridors to establish itself as a dominant player in the data center industry. This will help the state tap into the USD \$3.8 billion worth Indian data center equipment market, ensuring it benefits not just from hosting facilities but from participating in the entire value chain.<sup>20</sup>

By addressing these localized challenges with targeted and forward-thinking initiatives, Rajasthan can transform its geographical and infrastructural limitations into strategic advantages building a resilient, resource-efficient, and future-ready data infrastructure. This approach will not only enhance Rajasthan's competitiveness vis-à-vis states like Karnataka, Maharashtra, and Uttar Pradesh but also place it at the forefront of India's digital transformation journey.



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