Indian Economy · GS - III

Assess the role of data-centre infrastructure in creating opportunities for diversification in India's manufacturing sector.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 24/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Data economy, digital infrastructure, electrical equipment, domestic manufacturing, supply-chain diversification, investment, technological capabilities

Model Answer

Introduction

The expansion of cloud computing, artificial intelligence and digital services is increasing demand for data-centre infrastructure. This creates opportunities for Indian manufacturers to diversify their products and customer base.

Opportunities for Manufacturing Diversification

1. **Growing Demand for Electrical Equipment:** Data centres require specialised cables, transformers, power distribution systems and backup infrastructure, creating new markets for domestic manufacturers.

2. **Industrial Upgradation:** Demand for advanced copper cables and specialised electrical products can encourage investment in modern production facilities and improved manufacturing capabilities.

3. **Customer Base Diversification:** Entry into data-centre supply chains enables manufacturers to reduce dependence on a limited number of large institutional buyers.

4. **Domestic Value Addition:** Expanding domestic production of electrical components can strengthen industrial capabilities and reduce dependence on imported equipment.

5. **Employment and Investment:** New manufacturing lines, infrastructure projects and technology-intensive operations can generate skilled employment and attract private investment.

Challenges

1. **Input Cost Volatility:** Fluctuations in copper prices can affect manufacturing costs and profit margins.

2. **Technological Requirements:** Manufacturers must meet stringent quality, safety and reliability standards.

3. **Market Concentration:** Dependence on a few large data-centre developers can create new forms of customer concentration.

4. **Execution Risks:** Large order books do not guarantee revenue or profitability because of delivery delays, competition and cost overruns.

Way Forward

1. Promote research, product innovation and advanced manufacturing technologies.
2. Strengthen domestic supply chains for copper and other critical industrial inputs.
3. Encourage quality certification and skill development.
4. Expand access to finance for industrial modernisation and capacity creation.

Conclusion

Data-centre expansion can become an important driver of manufacturing diversification. However, sustainable gains require technological competitiveness, efficient execution and a broad-based customer portfolio.

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