

## Press Release

### CareEdge Ratings estimates India's data center capacity to double in three years

- Capex requirement of Rs 50,000 crore to support additional capacity supply
- Expects favourable demand supply dynamics and contractual arrangement assuring long term revenue visibility to attract investments

**Mumbai, 27<sup>th</sup> March 2024:** According to CareEdge Ratings, the data center industry has entered the growth stage, and the capacity is expected to double up in the next three years, from approx. 0.9 Gigawatts (GW) in 2023 to ~2 GW in 2026. This additional capacity built up has created substantial investment prospects due to the estimated capex requirement of INR 50,000 crore in the next three years.

CareEdge Ratings report highlights significant under penetration of data center capacity in India. As per the report, India has data center capacity share of only 3% globally despite generating 20% of the global data. While mobile data usage in India is highest globally when compared with exabytes usage per month.

	India	China	USA	EU
 Internet Users (%)	63	76	92	90
 Mobile Data (EB/Month)	26	26	10	17
 Data Centers (MW per Mn users)	1	4	51	12
 Data Center Capacity (MW)	877	3800	15,930	8300

Source: CareEdge Ratings and Industry Reports

EB: Exabyte MW: Megawatt

CareEdge Ratings expects Data localization to trigger compulsorily investment in Data Center, Tax SOPs, and cost-saving incentives by States to attract investments.

**Puja Jalan, Associate Director, CareEdge Ratings** said, *"The growth plans has also created substantial investment prospect and CARE Edge Ratings estimates a capex of Rs.50,000 crore in this space over the next three years till 2026. However, the project execution challenges, in terms of land and equipment availability and management of vendor ecosystem needs to be addressed for the fructification of the planned capacity addition planned"*

*Further, cost per MW of setting up Data Center has also been rising with costs escalating to levels of Rs.60-70 crore per MW from average per MW cost of Rs.40 – Rs.45 crore adds Puja Jalan*

The capacity growth has been complemented by the increased absorption. CareEdge Ratings in its report cited that the absorption levels have gone up from 82% in 2019 to 93% in 2023. As capacity was added, industry players' revenue increased by nearly 25% CAGR from FY17 to FY23. Over the next three to four years, revenue growth is anticipated to continue, with CareEdge Ratings projecting a 32% CAGR Growth during FY24–26. It is anticipated that the EBITDA margins are likely to remain stable in the next three years.

**Maulesh Desai, Director, CareEdge Ratings** said, “It is imperative to note that for large scale capacity addition, data center needs to look at mix use of renewable energy and low carbon technologies to ensure cost competitiveness, as a precursor for sustainability. We expect more entry of new players in the segment with multiple domain expertise which will help dilute the market share (capacity-wise) occupied by top 5 players from >90% to ~75%. The industry is expected to see 5 GW capacity addition announcements over 5-6 years. Long term revenue visibility with strong counterparty augur well from the credit perspective. Going forward, cost competencies, innovative designs to accommodate scalability and adoption of newer technologies to meet ever rising energy and cooling requirements are critical success factors for the industry.”

“India is making the shift from a developing to a developed market economy, and the digital revolution is spurring economic expansion and producing vast amounts of data. Some of the key drivers of this rapid digitization are e-commerce, internet payments, online streaming, and adoption of new technologies such as 5G, IoT, and AI. Share of Edge data center is also expected to increase for meeting growing demand from tier II and tier III cities for ensuring lower latency”, adds **Maulesh Desai**.

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