Computing growth trajectory

SANJAY BORADEA

Sanghi: tapping the opportunities

NTT-Netmagic has emerged as a leading player in the Indian ICT market

NTT-Netmagic, a leading managed hosting and multi-cloud hybrid IT solutions provider, has witnessed a big surge in demand for its services in the Covid-19 hit market, where enterprises across sectors have increasingly adopted remote working processes. Clients all over the world have made the transition to `work-from-home' system during this crisis. Hence, there has been an increase in demand for security technologies such as 'zero-trust' which provides users access to applications without a Virtual Private Network (VPN) which is normally required for remote access connectivity. There is also an increased usage of cloud infrastructure, since sectors like banking and finance are promoting the use of digital channels such as online banking through apps.

The ongoing lockdown has led to a rise of about 25 per cent to 30 per cent in demand for bandwidth in the past few months. The Mumbai-based company (formerly Netmagic), now a wholly-owned subsidiary of NTT Ltd – one of the largest ICT companies in the world with a revenue of over $11 billion and a part of $107-billion NTT group (a Fortune 50 company) of Japan – has also seen a rise in demand for virtual desktop infrastructure (VDI, needed to facilitate secure and convenient remote access), disaster recovery and business continuity plan services.

"We have enabled a lot of work-from-home solutions for our clients. Businesses are also looking for security solutions where their employees can login using secured VPN from their homes. This is also an opportunity for organisations to become more flexible and integrate cutting edge technologies into their processes. It is time for businesses to adopt practices such as remote working, integrate technology into processes and increase automation," says Sharad Sanghi, 53, MD and CEO, NTT-Netmagic.

Digital tools and automation have enabled clients to continue operating during the Covid-19 outbreak. Web video conferencing solutions as well as automation for calling and routing calls to remote employees have been in demand.

"Digitisation and automation has been a saviour for organisations enabling them to continue operating during the Covid-19 outbreak. Organisations higher on the ladder of digital automation have moved more seamlessly into serving customers. During these times, security technologies like zero trust that provide secured user access to applications without VPN and cloud infrastructure service, have gained traction," says Nitin Mishra, senior executive vice-president and chief product officer, NTT-Netmagic.

DATA CENTER, MUMBAI

DATA CENTER, BENGALURU

"We expect that after the restrictions are lifted, our customers will re-architect their IT and networks. This will enable their human resources to work flexibly from any location and minimise the requirement of physical movement in a crisis situation," says Sanghi, who has been instrumental in transforming the company into one of the leading names in the Indian ICT services market, growing at a brisk rate of over 34 per cent (CAGR) in the past five years. The company with a revenue of around ₹2,000 crore is all set to maintain its momentum going forward as the demand for data centres in India will continue to be robust.

In fact, India, Asia's third-largest market for data centre services, after Japan and China, is currently the fastest growing data centre markets in the world. According to industry estimates, the data centre outsourcing market in India, currently pegged at close to $2 billion, is projected to grow at a CAGR of 25 per cent to reach $5 billion by FY24. With the advent of digital technologies, businesses across India – large to small and mid-sized enterprises – are undertaking rapid digitisation and transitioning to cloud-based solutions. According to a Gartner report, 80 per cent of enterprises are expected to migrate away from on-premises data centres to cloud by 2025.

Giant public cloud players such as Amazon Web Services, Google Cloud, Alibaba Cloud, Microsoft Azure and Oracle are already geared up, and as these large internet giants look for hosting their data at third party locations, the demand for data centres are spiralling. According to BCG, the public cloud market in India is expected to grow at a CAGR of 25 per cent to $8 billion by 2023 from worth $2.6 billion in 2018. The consulting firm reports that India is on its way to becoming a global leader in the cloud domain. The Covid-19 crisis has accelerated the whole process in a considerable manner. The government's Digital India mission has already been propelling this growth trajectory for some time now and lending the much-needed support to create a robust digital ecosystem in the country. Fuelling part of this demand are recent changes in the regulatory environment.

The RBI in April 2018 mandated that all data of financial transactions should be stored on servers located in the country. This means that banks and fintech firms will have to house their data in India, hence increasing demand for data centres and cloud facilities in the country. The Securities and Exchange Board of India has also announced its intention to come up with guidelines that will mandate foreign entities to store data pertaining to India locally. And now with the government recently approving the Personal Data Protection Bill and paving way for the enactment of the much-talked-about legislation, localisation of data will further gain momentum.

Experts are of the view that India is going to be a big hub for co-location and cloud computing activities and that will fuel the demand for data centres and related infrastructure. All stakeholders across the value chain will have to scale up their capabilities in a big way to meet the exponential demand in the overall data market.

"In terms of growth in data, India is outpacing even the developed world. More data means more data centres, which are growing at almost 25 per cent CAGR. To meet this growing need, existing and new providers are building new capacities across India," says Sumit Mukhija, CEO, STT GDC India, a joint venture between Singapore's STT and Tata Communications. One of the major data centre players, STT GDC India has recently opened its 15th data centre in the country as part of its multi-megawatt capacity expansion plan. The 18-MW facility, the third in Bengaluru, is spread over 400,000 sq ft area. The company is looking to put up two more centres in Pune and Chennai.

Along with STT GDC, other data centre (co-location) players like CtrlS, Sify and Nextra Data (BhartiAirtel) are also ramping up their capacities, while foreign players like Capital Land and Colt DCS have already announced their intent to invest and create co-location spaces in India. As per sources, even world's no 1 player, Equinix of the US is also exploring options to enter the Indian market.

NTT-Netmagic – also a pioneer in cloud services in the country – is almost doubling its data centre capacity in the next couple of years with an estimated investment of around $300 million. The company's high density and hyperscale data centre, Mumbai DC-7 (capacity: 5,000 racks; 350,000 sq ft, investment around $100 million) in Mumbai is almost ready and likely to be made operational soon,

while two more – one in Navi Mumbai and another one in Chennai – are in the pipeline. Even before its launch, Mumbai DC-7 is fully sold out.

In 2018, the company, which has shown its aggressive intent in the past few years, had put up two high-density and hyperscale data centres in Mumbai – (DC 6) – capacity: 4,000 racks, 300,000 sq ft, and in Bengaluru – (DC 3) – 2,500 racks, 250,000 sq ft; for a total investment of around $160 million.

"The Indian market is moving in the right direction. Huge surge in data demand coupled with favourable policy framework has transformed the market and we as one of the prominent players in the business is all geared up to leverage these opportunities with our services and solutions," says Sanghi, an electrical engineer from IIT-Mumbai and Master's degree holder from Columbia University.

With NTT reposing full faith in the Indian operation, NTT-Netmagic has made big strides in the past few years in the capital-intensive ICT infrastructure services business. With nine carrier-neutral, state-of-the-art data centres spanning over 1.2 million sq ft of space

Mishra: digitalisation is a saviour

(capacity: 115 MW), the company serves more than 2,000 enterprises globally. Apart from organic expansion, it is also evaluating inorganic options. The company with three R&D centres, has altogether 11 offices in cities including Mumbai, Bengaluru, Chennai, Noida, Ahmedabad, Okhla, Gurugram and Neemrana (Rajasthan). Its data centres

are located in Mumbai (five centres), Bengaluru (two), Noida (one) and Chennai (one).

Started its journey way back in 1998 as Netmagic (co-founded by Sanghi with three patners), by setting up its first data centre of 6,000 sq ft in Mumbai in 2000 amidst the dotcom boom, the company has come a long way ever since. In fact, the last decade has been quite eventful for the company. By 2012 when the company had scaled up its combined data centre capacity to over 200,000 sq ft, NTT picked up a 74 per cent stake in the company and subsequently the Japanese major raised its stake to 100 per cent. Though ownership changed what has not changed is Sanghi who has continued to be at the helm of affairs.

In fact, in January this year, when NTT Ltd which is also one of the largest data centre services providers in the world with over 160 data centres spanning over 20 countries and regions, consolidated these operations under one umbrella – global data centers division, consisting of four major regions that covers the Americas, APAC, EMEA and India, it decided to keep the Indian operation i.e. NTT-Netmagic, a separate

A journey of a leader

Sharad Sanghi, 53, an electrical engineer from IIT-Mumbai and holder of a Master's degree from Columbia University, co-founded the company (then Netmagic now NTT-Netmagic) in 1998. He is one of the few Indians to have worked as a backbone engineer of the first major backbone of the Internet – NSF Net – in the US. In 1990, after graduating, he was recruited by ANS (Advanced Network Services), New York, which was entrusted by the National Science Foundation (NSF), USA, to upgrade NSFNet.

Sanghi worked for this world's largest networking project for three years and this is where he got to know about the nuances of networking. For the next three years, he

worked as an independent consultant, providing networking consultancy to Wall Street companies, including Merrill Lynch and Bankers Trust, in designing and deploying their wide area networks.

In 1995, when the Indian government decided to commercialise Internet (till then ERNet would run net services for education and research purposes) and entrusted the job to VSNL (then a government agency that became part of the Tata group in early 2000s), he returned to India, sensing big opportunities emerging in the field of networking. He worked with VSNL as a consultant till 1998, to help it set up a large network and formulate the security and routing policies. Even as he was working as

a consultant for VSNL, he was putting in place the necessary groundwork to start his own venture. He founded Netmagic in 1998 amidst the dotcom boom, along with three other co-founders (all of them are no more with the company now).

Netmagic, which initially provided consultancy to Internet service providers like Sify, Hathway and others, set up its first data centre (6,000 sq ft of space) in Goregaon, Mumbai, in November 2000, with the support of its first round of fund raising ($4 million) in June 2000. Led by $2.5 million from eVenture India (which was later acquired by Nexus India Capital), the company raised the funds from Global Technology Venture ($400,000) and angel investors led by B.V. Jagadeesh ($900,000).

Sanghi, who also chipped in $200,000 in this round,

believes that Jagadeesh (who was also the chairman of Netmagic between 2000 and 2012) played a role of mentor and guided him all through his entrepreneurial journey, after having met him first at a TiE event in New Delhi in 1999. Jagadeesh was the co-founder & CTO of Exodus Communications which, in 1994, pioneered the concept of Internet data centres in the US. He was instrumental in the successful IPO of Exodus in 1998 when it was valued at $25 billion. Based out of Silicon Valley, he left Exodus in 1999 and became a venture capitalist.

While Netmagic started its first data centre with a bang with dotcom companies jostling for space (over 70 per cent customer were dotcoms; there were only two other competitors VSNL and Sify), it had to face a big jolt in less than 12

entity, not a part of any region. This time round also the global management reposed full faith in the Indian leadership. Global data centers division of NTT has earmarked over $7.2 billion investment to expand its data centre business in the world. In fact, NTT which is today the third largest data centre player in the world after Equinix and Digital Realty (both from the US), is aiming to become No. 2 in the next 2-3 years and No. 1 in the next 4-5 years.

"This is a great honour for us as this gives an added advantage to our data centres – becoming the new benchmark for the industry in India which has received a greater attention from our global leadership due to the kind of opportunities the country presents. Besides, this reinforces our commitment to our hyperscalers and enterprise customers with an integrated approach to hosted infrastructure, connectivity, security and managed support – helping them derive greater value while delivering business outcomes," says Sanghi.

Apart from co-location services, NTT-Netmagic offers a host of value-added services including cloud services (hybrid cloud, public, private (VPC) and hybrid), managed security, managed services, disaster recovery and networking services. In fact, over 50 per cent of its revenue comes from value-added services, even as 70 per cent of its services are managed ones. The company is now also providing managed private threat intelligence service to all its customers. As part of the service, customers can avail private and public commercial threat intelligence, supported by 24X7 security operations centre based in Mumbai.

Backed by 1,500-odd employees, it is NTT-Netmagic's pioneering services on cloud that have differentiated its offering and helped it emerge as a significant player in the overall ICT services space. The company is offering cloud services, where it offers data centre services, virtualising the physical infrastructure, and providing private, public and hybrid hosting on cloud. Currently, cloud services account for almost 30 per cent of its revenue from around 15 per cent a few years ago. The company is among the few players in the Indian data centre space that started offering cloud services as early as 2009.

Today, it has over 750 customers in the cloud space, having come out with several innovative products, including public and hybrid cloud. It was the first company to build public cloud grids (currently it has five public cloud grids) in India. The company was among the few to launch services such as disaster recovery-as-a-service (DRaaS) and software-defined storage. The company also delivers remote infrastructure management services to NTT group's customers across the Americas, Europe and the Asia-Pacific region.

NTT-Netmagic is the first cloud services provider in India. Recipient of several accolades, the company was recognised by DCD at the Best in India Awards 2019 with – Multi-Tenant Data Center Award and Operations Team of the Year. DCD or Datacenter Dynamics tracks the growth of the data center industry. NTT-Netmagic was recognised by the CIO Community across Data Centre and Cloud Service categories at CIO Choice 2019 Honour & Recognition. The company was chosen by Frost & Sullivan as Managed Hybrid Cloud Service Provider of the Year at

months of its data centre operation when in 2001-02 the dotcom boom crashed. Many of its customers defaulted on their payments. All sources of funding dried up. VCs were scouting for cover. The company found itself in doldrums. Left with just ₹19 lakh in the bank, the company was in a dire situation. One of the co-founders had left. It was that point that Jagadeesh played a big role and motivated him to be in the groove.

The next few years were quite challenging for the company, which tried to focus on innovations and managed services to derive optimal value out of its existing data centre, without adding any new space. By 2006, the company had created a good mix of 300-odd customers with a 90 per cent capacity utilisation. The domestic data centre market was gradually gaining some kind of maturity, as companies looked for outsourcing the IT infrastructure services in order to put focus on the core activities. The flood in Mumbai in July 2006 also acted as a trigger as businesses realised the importance of outsourcing services to third party data centres, which were much better placed in terms of security and disaster management.

In 2007, the company not only added one more centre (10,000 sq ft) in Mumbai, but also expanded its footprint to Bengaluru with a 12,000 sq ft data centre. The following year saw the company successfully going for a second round of fund raising ($15 million) with Nexus Venture Partners and Fidelity. With this capital infusion, the company put up a large data centre (64,000 sq ft) in Vikroli, Mumbai, followed by another one of 35,000 sq ft in Chennai. By 2009, the company had taken its total data centre space to about 127,000 sq ft, with a client base of about 700 customers and revenue of over ₹100 crore. It also entered an interesting phase of its journey, with the launch of cloud services, which provided robustness to its customer acquisition process. As a result, the whole business started gaining real momentum. In 2010, the company went for its third round of fund raising $12 million, with Nokia Growth Partners, Cisco Systems, Nexus and Fidelity participating in the round. This helped the company increase its capacity further.

By 2012, Netmagic had raised its capacity to 205,000 sq ft, with a foray into Noida with a 48,000 sq ft data centre. The market was growing quite rapidly and, to keep pace with it, the company needed to invest sizeable capital in building up its capacity. It explored all options, including going public. Across the globe, the ICT market was seeing consolidation amidst big deals. The company also mandated Credit Suisse to gauge the market. Its business model and assets generated tremendous response. There were 10 suitors, which was narrowed down to three including NTT, a global PE fund and a US data centre major. However, it was NTT that emerged as the winner, picking up a 74 per cent stake in 2012. The company got a valuation of about ₹1,000 crore then. NTT subsequently raised its stake to 100 per cent in the company which today has emerged as the top two data centre players (along with STT GDC) in India. ◆

the 2018 India ICT Awards.

While its data centres are highly rated with a higher level of redundancy and uptime across its functions, the company also believes in sustainability and sources its energy (which accounts for a significant part (over 40 per cent) of its operational cost) from green sources. Currently, over 40 per cent of its power requirement is met through renewable energy and it looks to take the share of green energy in its total power consumption to as high as 80 per cent in the next two-three years. Importantly, this will also help the company bring down its power cost.

NTT-Netmagic has recently partnered with Tata Power to build its first 50 MW solar photovoltaic (PV) power plant (estimated cost: ₹250 crore) in Solapur, Maharashtra. The company is investing to the tune of ₹30 crore in this project, even as the total cost will be met through a combination of debt and equity. The project, to be made operational in a phased manner, is expected to be partly commissioned in the next couple of months.

Experts are of the view that now being a part of the NTT group, the company is well-resourced to continue its growth trajectory in the capital-incentive data centre business. NTT group's recent move to consolidate its data centre businesses under one umbrella will provide its overall data centre business an integrated approach and thereby immensely benefit to its operation in India which is turning out to be a big market.

"NTT's launch of its newly consolidated global data centers division will provide a competitive boost to it in the business of data centres. NTT also has expertise in cutting edge cooling and customisable data center technologies. Most importantly, it brings a unique blend of end-to-end full stack capabilities, including networking and carrier network interconnection, hybrid cloud capabilities and lifecycle management services. NTT is ideally positioned to serve global hyperscale entities, as well as enterprises seeking a comprehensive one-stop solution," says Courtney Munroe, group vice-president of global telecommunications research at IDC.

Roy: customer-centric approach

"We understand the core challenges our clients grapple with today as they move along the road of digital transformation. Having one data center partner covering their global requirements makes it easier for clients to reach their business objectives, in a time when huge growth in cloud and data usage is creating a growing demand for data center capacity. So, we are bringing together our global data centre businesses into one entity, offering a comprehensive end-to-end stack of data centre solutions and services to support our clients' demands," says Ryuichi Matsuo, executive vice-president, NTT's global data centers division.

NTT-Netmagic is currently serving over 2,000 enterprises from across sectors including BFSI, telecom, media, entertainment, manufacturing and e-commerce, and importantly most of its clients have remained with it for a longer duration.

"We have been running Elektron for over a year-and-a-half at BSE. NTT-Netmagic's service levels have not dropped; the team is accessible and their turn-around time to any operational situation is fast. It is easy to reach their senior management team, which has helped build confidence in Netmagic's abilities to handle hosting of Elektron efficiently," says Paresh Hede, chief technology officer, Thomson Reuters.

"Response time from support teams, solution teams and senior management at Netmagic has been a 'wow' factor.

Support and responsiveness from the company has been prompt and highly involving," says Viraj Patel, vice-president, technology, Bookmyshow.com.

"It is our agility and our customer-centric approach to deal with our customers' issues that have helped us build our long-lasting relationship with them. We have always paid great attention to the feedback we receive from the market as well as the response/demand for our products and services. Further, we have been running thematic marketing campaigns focusing on relevant and contextual themes that find sync internally and externally," says Prasenjit Roy, senior executive vice-president & chief marketing officer, NTT-Netmagic.

With all these developments in place, NTT-Netmagic is all ready to not only maintain its leadership position in the Indian ICT services market but also expand its business in a more effective manner. Since the company has become a part of NTT, it has shown its aggressive intent to tap the opportunities emerging in the market, and added significant capacity to its co-location space with high density hyperscale data centres. In fact, it is now doubling its capacity to around 3 million sq ft with three more large greenfield capacities.

Moreover, the company has diversified its offering in a big way, and currently, over 50 per cent of its revenue comes from valued-added services including cloud services where the company has created a pole position for itself. In fact, it is a pioneer in launching cloud services in the country. Diversification has not only added to its topline but also boosted its bottom line in a big way, making its growth trajectory profitable and sustainable one.

The company, in the past few years, has grown at an impressive rate of around 34 per cent which is much above the industry rate and thus made a mark for itself in the fast-growing Indian market which is one of the fastest growing markets in the world. With all this, NTT-Netmagic is certainly all geared up to start its next growth phase as also increase its pie further in the Indian market which no doubt presents a whole lot of opportunities.

◆ ARBIND GUPTA

arbind.gupta@businessindiagroup.com