

NTT takes driver's seat in India's datacenter boom

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Publication date: Wednesday, April 27 2022

Introduction

NTT Global Data Centers is riding an extended boom in India, as hyperscalers and payment gateway companies keep demand flowing in the South Asian market. The provider now operates three campuses across Mumbai, with its newly launched Mahape campus in Navi Mumbai, India, alongside its Chandivali and Vikhroli sites. Further expansions are underway in Mumbai, Chennai and the Delhi National Capital Region (NCR).

Business is flourishing in the wider Mumbai area, where four out of the six NTT facilities under construction are located. Hyperscaler activity is driving much of the growth in Mumbai, while other cities such as Delhi NCR and Bengaluru remain central to NTT's retail enterprise business. An expansion to tier 2 cities is on the horizon, as NTT explores sites to develop edge datacenters for latency-sensitive workloads.

The Take

NTT had a lengthy head start in India before competitors flooded in on the heels of hyperscaler expansion in the market. One of the advantages of being the first mover is not having to be concerned with oversupply. NTT's large portfolio in Mumbai is unmatched. Competitors are forced to build in other locations – if their facilities can be delivered in a timely fashion, given the challenges operators face in India. We believe NTT will continue to edge ahead with operational innovation, and its broad portfolio of managed services are a nice complement to its colocation services.

Context

Few have the heft to take on NTT, but arguably, the Indian market has room for many players. The momentum seen in the country's hyperscale-driven wholesale market has not slowed, despite the pullout of Chinese tech companies amid the military standoff at the India-China borders. Internet penetration has barely reached half of India's 1.4 billion population, which is the appeal driving the

global tech giants. Also, the ongoing data localization drive will ensure sustained demand to keep pace with India's burgeoning digital economy.

NTT entered India in 2012 through acquiring a 74% stake in Netmagic Solutions, and it subsequently completed a full buyout in 2016. Netmagic had a pan-India presence, with operations spanning Mumbai, Bengaluru, Noida (Delhi NCR) and Chennai. The Indian operation continued to be known as Netmagic, and was only later rebranded as NTT during the global restructuring undertaken by the company. The consolidation of the Indian entities was completed in early 2021, when NTT Communications India and Netmagic were merged to form NTT India.

NTT's footprint in India has grown from seven datacenters, when it acquired Netmagic, to 12 facilities nationwide operating at a combined 142 MW of IT load. India is a stand-alone region, in a testament to its pace of growth and the ambition NTT has for its datacenter business in this market. In March 2021, NTT announced a \$2 billion investment plan for India, with \$400 million set aside for solar plants. Part of the funding exercise involves a tie up with Tokyo Century, a financial services firm that provides leasing and installment services for equipment and machinery.

Two facilities are involved in the transaction, including Mumbai 8, which was launched in April 2022. Located at the Chandivali campus, the nine-story Mumbai 8 was built with 24 MW of IT load for a single tenant. The other facility is the NAV2 campus in Arioli, Navi Mumbai, where NTT has a land bank of 55 acres. Construction of the NAV2 has begun, with the first of its three buildings expected to be completed by the end of 2022.

Strategy

Hyperscalers currently account for about 60%-70% of NTT's business, and they are very much the driving force behind the company's growth strategy in India, especially in Mumbai and Chennai. Mumbai is the first landing ground for cloud providers to set up cloud regions in India, which, to date, include all major hyperscalers: AWS, Microsoft Azure, Google Cloud and Oracle Cloud.

NTT has strategically dispersed its assets across the financial hub – from Vikroli, in the northeast of Mumbai to Chandivali in the west, and further afield to Navi Mumbai, southeast of central Mumbai. The latter has seen more datacenter development due to scarce resources and rising cost in Mumbai. Aside from Mahape and Arioli, NTT is adding another facility at Chandivali, DC9, which will be a considerably larger, with 41.6 MW of IT load spread over eight floors. Construction has begun, with delivery expected in August 2023.

Meanwhile, Chennai, a coastal city in the Tamil Nadu state, has been a key hyperscaler hub after Mumbai, due to the cable landing points. NTT's existing facility has only 2.8 MW of IT load, but its new campus, under construction, will be able to accommodate hyperscalers. Its first building will host the MIST subsea cable, and it is expected to be delivered by the end of 2022, with 17.6 MW of IT load. (NTT is part of the consortium that invested in the MIST subsea cable that will land at Mumbai, Chennai, Myanmar, Thailand, Malaysia and Singapore.)

Southern Indian city Hyderabad in the Telegana state is also emerging as a hyperscale location, but NTT is pausing its plans because AWS and Microsoft Azure will be building their own facilities there. Additionally, an expansion to tier 2 cities is on the horizon, as NTT explores sites to develop edge datacenters for latency-sensitive workloads.

However, a more scaled-down plan is in store for both Delhi NCR and Bengaluru, which are mostly retail enterprise-focused, with customers from the banking, financial services and insurance sectors, as well as IT firms for Bengaluru. NTT is adding 9.6 MW of IT load to its Bengaluru facility. It is building a new campus in Delhi NCR, and the first building of this campus is expected to be ready for service by April 2023, with 22.4 MW of IT load.

Retail enterprise is expected to see sustained growth, because the data localization drive in India will be a long-term demand driver. The Reserve Bank of India has come down hard on the localization of payment data. American Express, Diners Club and Mastercard were each barred from issuing new cards in 2021 for failing to comply with local data storage regulations introduced in 2018. Similarly, the telco sector is required to store and process subscriber data onshore, although enforcement of the Data Protection Bill that mandates data localization of the broader digital economy has been delayed.

Competition

NTT has been ahead of the curve in delivering facilities for customers, launching two new facilities over the past two years, with a few more under construction. In contrast, some of its rivals, local and foreign players alike, struggled with delayed projects, possibly because of pandemic-related disruptions.

The new foreign entrants have been slow to act under the challenging environment in India, which is encumbered by their local partners' lack of expertise in the datacenter business. However, competition is imminent, including from players such as STT GDC and Equinix. The latter is intensifying its plans in the market following its acquisition of GPX in 2020, and is shifting its attention to Chennai, a less crowded market than Mumbai. Equinix has spent \$9 million for a 5.5-acre land parcel in Chennai, signaling its intention to move into the hyperscale space.

Meanwhile, local providers such as Sify, CtrlS and Yotta are playing catch-up, but they lack the global presence and track record sought by multinational clients. NTT's comfortable lead in the game allows it to focus on improving the efficiency of its new facilities, as performance efficiency becomes a differentiator among the more sophisticated customers.

Some of the technologies NTT is exploring are cutting-edge in the Indian market, such as automation and lithium-ion batteries to replace generators for hyperscaler customers. NTT has also tapped into using a combined approach of direct liquid cooling, liquid immersion cooling and air cooling to deliver a PUE of 1.2 at its new campus in Mahape for a payment gateway customer. NTT arguably has the deep pockets and technical expertise to be innovative, and such effort will help maintain a lead over its competitors.

SWOT Analysis

Strengths	Weaknesses
NTT's land-banking initiative allows it to scale quickly in key locations to meet expanding demand from customers.	Investment into renewable energy is likely to raise the capex for NTT, while a few other competitors such as STT GDC and AdaniConneX are backed by conglomerates with substantial business in renewable energy.
Opportunities	Threats
NTT's expansion in Delhi NCR and Bengaluru demonstrates it is not losing sight of the retail enterprise business, which is expected to see continuous growth in a nascent market like India.	India remains a price-sensitive market, and NTT's services are on the premium range. Its retail enterprise business will be more exposed to price undercutting with growing competition.

Source: 451 Research