Red Hat Acquires Bangalore Start-up Gluster for ₹667 crore

Cloud of Opportunities

- Cloud Computing in India is poised for a 10-fold growth to **$4.5 billion** up from $400 million today according to EMC-Zinnov India Study.

- Globally the cloud market will reach **$241 billion** in 2020 compared to $40.7 billion in 2010, according to Forrester Research.

- Gluster founded by Anand Babu Periasamy and Hitesh Chellani has over 150 customers, including UK defence major BAE Systems and research institutes such as Dana Farber Cancer Institute and National Heart Lung and Blood Institute

Co's open-source storage tech works with large data

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Red Hat, the world's leading provider of open source solutions, has acquired Bangalore-based cloud computing start-up Gluster for approximately ₹667 crore ($136 million) in an all-cash deal. The deal is expected to close this month, subject to customary conditions.

Gluster, founded in 2005 by Anand Babu Periasamy and Hitesh Chellani, sells open-source storage solutions to customers such as UK defence major BAE Systems, Stanford University, Deutsche Bank and the administrative office of US courts. Gluster, headquartered in Sunnyvale, California, has developed an open-source storage platform technology for working with large amounts of data (terabytes, all the way up to petabytes) that ties together everything from the operating system layer to the file system and management interface.

"The explosion of big data and the new paradigm of cloud computing are converging, forcing IT to rethink storage investments that are cost effective, manageable and scale for the future," Brian Stevens, CTO and vice-president, worldwide engineering, at Red Hat, told ET.

"It was a struggle, but the journey was fun. A lot of people told us what we were doing was impossible and we were crazy. But great ideas are always controversial in the beginning," said AB Periasamy, also the CTO of Gluster, who will now work along with Stevens. "With Red Hat's platform, we can now compete with the big boys."

Periasamy and Chellani were part of the California Digital team that built the 'Thunder' supercomputer for Lawrence Livermore National Lab. When 'Thunder' was put into production in 2004, it was the second-fastest supercomputer in the world. After the 'Thunder' project, Chellani and Periasamy left California Digital to start Gluster. The company has deployed its solutions in over 150 enterprises including top research institutes such as the US-based Dana Farber Cancer Institute and the National Heart Lung and Blood Institute.

Red Hat can Now Foray into Storage Solutions

For Red Hat, this is the second acquisition in the cloud space and will help them make their debut in storage solutions. It bought US-based cloud solutions firm Makara late last year. Red Hat will also make Gluster's Bangalore unit its first research and development centre in India.

Red Hat's customers, Stevens said, are looking for software-based storage solutions that manage their file-based data on-premise, in the cloud and will act as a bridge between the two. "We needed the right technology," said Stevens. "Now, we will be able to introduce this solution for our customers."

With over $1 billion in the bank, Stevens said the company is scouting for more such start-ups globally. The acquisition is expected to have no material impact on Red Hat's revenue this fiscal year, but should begin to grow next year based on a subscription-revenue model.

For India-based Nexus Venture Partners, who along with Index Ventures, has invested $12 million in Gluster since the 2008, it is a blockbuster exit. "We are very happy. We got very significant returns. But more importantly, Gluster is the first example where the technology and product was completely developed in India, which is a big achievement," said Jishnu Bhattacharjee from Nexus, who has invested in over seven cloud computing start-ups in India.

This is the second exit for Nexus in the cloud computing industry this year. In July, Nexus-backed Cloud.com was acquired by global technology firm Citrix Systems for $200-250 million. "The new acquisition is a great testament of how strong and mature the cloud ecosystem is becoming in India," said Ravi Gururaj, VP-products, in the cloud platforms group at Citrix. Gururaj's start-up, VMLogix, was acquired by Citrix last year.

M&A activity in India's cloud computing start-up ecosystem is gaining pace. Last month in Chennai, Vembu Technologies, which provides cloud-based data backup and retrieval solutions to small business owners, acquired another city-based firm, CloudNucleus, in a deal valued at around $10 million.

The global cloud computing market is expected to reach $241 billion in 2020 compared to $40.7 billion in 2010, according to Forrester Research. In India, the cloud market, which stands at $400 million today, is estimated to grow over 10 times to $4.5 billion by 2015, according to the EMC-Zinnov India Study released in July this year.

Cloud-based services, which cost just half of what traditional services do, are prompting entrepreneurs across telecom and networking, facilities and fabric, hardware, software, internal labour and external IT services to change track. In cloud computing, the information is stored and processed on computers 'in the cloud' or the web instead of local servers. This data can then be remotely accessed through a personal computer, cellphone or any other device.

Industry analysts estimate the total addressable market for unstructured data storage at approximately $4 billion and growing.

"This is an exciting new area of potential growth for Red Hat and one in which we intend to invest aggressively," said Charlie Peters, EVP and CFO of Red Hat.