

CEO Interview: How PDG built 18 datacentre assets in three years

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In less than three years, internet infrastructure operator Princeton Digital Group (PDG) has built a portfolio of 18 datacentre assets, with nine in operation and nine in development. Executing on an ambitious growth plan the company is on the path to building a multibillion-dollar, pan-Asian datacentre business. They currently have operations in key Asian markets, China, Singapore, Indonesia, and India.

Carrying out an impressive growth plan via a 'three-pronged investment' approach – telco datacentre carve outs; datacentre company acquisitions; and greenfield datacentre projects – **PDG CEO and co-founder, Rangu Salgame**, talks to **Yedda Wang, Asia Editor, TMT Finance**, about what the next phase of growth looks like and why the APAC region is fast becoming the most strategic growth market globally for datacentres.

1) How has the "three-pronged investment strategies" approach been developing and adapting in response to the current environment?

When we started off three years ago, we had a strong sense of how we're going to build our presence across the APAC region, with the three-pronged strategy a core part of that, and a unique approach in the market.

Building a multi-country datacentre business at scale is hard. Most companies approach this from a limited perspective: a focus on developing greenfield projects; an attempt to find acquisition targets; or a single country specific approach. None of these approaches on their own can lead to scale fast. We were able to execute our three-pronged approach in such a short period of time because of our strategy, capability, and right kind of capital.

We announced a few of our projects in October last year [2019]. We acquired a datacentre in Singapore; we executed a telco carve-out of five datacentres in Indonesia; and in Shanghai we announced the construction of a 40MW datacentre campus – demonstrating our ability to deliver on the three-pronged approach. We continue to execute on this strategy as we go deeper in the markets that we are already in as well as expanding into new markets throughout Asia.

2) How has PDG's datacentre portfolio been developing in your existing markets of Indonesia, Singapore, and China?

We are a hyperscaler-led operator and we are focused on servicing the needs of global and regional hyperscalers.

In both Indonesia and Singapore, our approach has been to transform the facilities to serve the needs of the hyperscalers, which we have achieved in a short period of time since acquiring the assets. This transformation consists of investing to build out the full capacity, enhancing the facilities to meet hyperscaler standards and deepening the operational capabilities for these sites. The success of this transformation lies in the fact that we have been able to attract top customers.

In both these markets, and in China, we have also expanded our presence through greenfield developments. For instance, in greater Jakarta, we have commenced the development of a datacentre campus.

In China, we have three fully-utilised datacentres in operation through a JV. Independent of the JV, PDG is developing new datacentres across the country, three of which were announced late last year. One of these, is a 40 MW datacentre campus in Shanghai which is a brownfield conversion of a manufacturing site, focused on hyperscaler requirements. This facility will be ready for service later this year. The other two are greenfield datacentre developments in Nanjing and Nantong.

We continue to be very engaged in terms of strategically working with our customers who give us good visibility of where they would like us to go, and where we can meet their gaps in the market. The opportunity continues to be in Tier 1 markets, such as Shanghai, Beijing and Guangzhou with other specific cities being of interest to specific customers based on their existing presence. While we are fortunate to have our presence in some of the key locations, we are actively looking at other cities and regions within the China market.

3) What are the main trends in the datacentre space from a customer demand perspective, for Southeast Asia and China?

We see two key trends – one that is relevant to the large, growing markets in Asia, and the other that pertains to markets which are poised for significant growth as a result of hyperscaler interest.

In the large, growing markets like China and India – most hyperscalers have built a significant presence already and are looking for even more capacity. This requirement for large scale capacity is in the Tier 1 and Tier 1.5 cities in China and in cities like Mumbai and Chennai in India.

In Southeast Asia, Singapore is the digital hub for the region, and we expect that it will continue of critical importance for hyperscalers for their core infrastructure.

When you look at the rest of the markets in Southeast Asia – and Indonesia is a perfect example of this – we first saw hyperscalers set up edge locations. These are usually highly connected, but relatively small in capacity, and herald the initial entry by hyperscalers. But now, we are seeing these hyperscalers wanting to grow beyond the edge and set up core locations in country as well. We saw this in India about five years ago, and in China about a decade ago, that as the hyperscalers start to set up core infrastructure, this creates a tremendous opportunity for datacentre providers to build capacity at a large scale to serve these customers. These hyperscalers like to partner with operators who can provide global quality standards combined with a roadmap to scale, as well as carrier neutrality.

We are extremely well positioned across both these sets of markets. We have an integrated model, where we work across the platform and within each country to deliver consistent, global standards to our customers in each and every datacentre. This provides our customers with a partner whom they can trust be that in a developed market like Singapore or an emerging one like Indonesia. Our customers are growing fast to cater to the explosion in the digital economy – and we are working hard to ensure that we enable this growth across the region.

4) What is PDG's expansion plan in the Indian market?

India is one market that all our hyperscaler customers, be they Chinese or American, are investing in massively. Our three-pronged approach applies well to India too – with our initial focus being on greenfield development. To lead our India business, we brought in a seasoned leader who has over a

decade of experience in the internet infrastructure sector in India. We are led by our customers and while there's demand across the country, we are starting off with Mumbai. I will share more with you in the coming few months.

5) How do you view the investments made into RIL's digital arm Jio Platforms, by Facebook, and several private equity funds? From an internet infrastructure operator's perspective, would it signal opportunities for datacentre growth in the market?

These are all part of a larger trends in India, which has a 1.3 billion population with 700 million mobile subscribers. India is where China was five to seven years ago. You have seen the amount of digitalisation, ecommerce, electronic payments, and platforms that have emerged and the users that have grown dramatically. There is immense level of activity in India driving service options by consumers.

Indian enterprises have been always tech savvy in terms of the IT investments. They are going quite aggressively towards cloud. They are migrating their IT workloads to cloud and that drives a lot of cloud demand in India, from business consumption of cloud, migration to cloud, and new IT technologies directly moving to cloud by businesses. And given India's economic scale and growth, that is driving a massive growth in infrastructure, particularly in the datacentre space.

For the Indian market, the Tier 1 cities are Mumbai, Chennai, and New Delhi, which continue to be important locations for datacentres. Chennai is very critical, and so is Mumbai. There are two reasons for that. As the business capitals of India, there is good reason for hyperscalers to be there and close to the large consumers and enterprises. But what Mumbai and Chennai also offer is that both cities have very large submarine cables networks that land there – one on the west coast and the other on the east coast and these are very important for the market. We see these two cities continue to be two important markets in India that will grow.

6) Datacentre operators are one of the few industries that may have seen an uplift in demand because of Covid-19. What's PDG's view on the opportunities presented by the shift in how we are living and working?

Even before this year, there has clearly been a big shift going on towards the cloud in every way. That is why workplaces have been able to react so quickly to do video conferencing, going online, working at home, etc. So much work has been done because things have already been happening.

If we step back, we think the growth of cloud is still in such early stages with massive digitalisation that is yet to happen in Asia. We have so much untapped potential to shift to the cloud that is still to happen. We see that trend continuing to happen. This pandemic is a small period in a large market shift that is happening: a massive market shift that I believe is independent of the pandemic. It is an unstoppable cloud shift and datacentre is going to benefit from it a lot. We have seen it from last 20 years from US and Europe, and I think we are going to see that in the next 10-20 years in Asia.

If you step back a bit, if you're not just looking at the stock market for the last few months, which may show that datacentre is benefiting from the Covid-19, but more importantly, but if you look at the last few years, datacentres have been one of the best performing asset classes. From investment perspective in both public markets and private markets, we believe it will continue for a long time that it is going to be the one of the best performing asset classes for investors.

Second, from a customer and market perspectives, we believe APAC is going to be the most strategic growth market globally. Probably in the next 18 months, all data indicates that Asia is going to become bigger than US for the datacentre market. That is a huge trend. And each individual country

in Asia – China, India, Indonesia, Japan, South Korea, etc. – each one of them will become a big market in its own size. We see datacentre is a great space to be in and that Asia is the right place to be, and we think the demand for shifting to cloud will continue. Asia provides one third of the world's population and with the economic growth continuing, we are going to see massive growth in datacentres.

7) What's in the pipeline in terms of new financing, acquisition or partnership plans for PDG?

Our acquisition and partnership plans are driven by our three-pronged approach, and informed by where our customers want us to go. We continue to look at deepening our market presence while expanding into new markets.

This is a sector that is highly capital intensive – and an extremely attractive asset class for investors. We're fortunate to be backed by Warburg Pincus, one of the largest private equity firms across the world, with a strong track record of investing in multi-country businesses. Of course, we are always engaged in discussions on debt and equity and on how to deploy capital more effectively.

Rangu Salgame, CEO and co-founder, Princeton Digital Group, is joining TMT Finance's new digital platform, **TMT Connect**, on **June 18th** for a CEO Fireside Chat, to discuss: future growth, M&A and financing plans, plus the outlook and drivers in global datacentres and cloud.

[Register now to attend.](#)

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