

A \$136-million Storage Idea



Anand Babu Periasamy (left) and Hitesh Chellani, founders, Gluster

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In 2005, when Hitesh Chellani and Anand Babu Periasamy decided to start their own cloud computing start-up, there weren't too many believers to cheer them. The duo planned to build technology that would store everything that's ever been filmed, taped, photographed, recorded, written or spoken – an idea so audacious that it was dismissed as a pipe dream.

After several meetings at the local Starbucks in Fremont California, the two entrepreneurs launched Gluster with an angel investment of \$200,000 from Silicon Valley entrepreneur and investor Anil Godhwani.

Despite the money, few people believed that the two friends could turn this investment into a business that generates many millions of dollars in less than five years.

Gluster was started inside Chellani's home, with his daughter's bedroom serving as the office and data centre occupied with noisy servers. So successful were they at chasing that dream that in just five years, Red Hat, the world's leading provider of open source solutions, acquired Gluster for approximately ₹667 crore (\$136 million) in an all-cash deal.

"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.

The acquisition by Red Hat came through because the start-up had built an open-source storage platform for working with large amounts of data (terabytes, all the way up to petabytes and brontobytes) that ties together everything from the operating system layer to the file system and management interface.

"We are offering this technology to our customers for the first time," said Brian Stevens, CTO and vice-president, worldwide engineering, Red Hat.

The story of Chellani and Periasamy might be common in the US. But in India, where the start-up set up its development centre, this was an uncommon tale of early-stage success. The two are first-generation entrepreneurs who did not come from a business family background.

A computer engineer graduate from Annamalai University, Periasamy hails from Tharamangalam, a town in Salem district of Tamil Nadu. His father passed away when he was still in school. Faced with financial constraints, his mother had to mortgage the house to help him finish studies.

Chellani, an electronics engineer, spent the first two decades of his life in Mumbai where his family of four lived in a 600 sqft apartment. His father had migrated from Pakistan during the parti-

tion and gone through a couple of unsuccessful businesses.

Beginning his career as a software engineer for Tata Unisys in India, Chellani worked for a while in Dubai to finance his way to a Master's Degree in the US.

Chellani met Periasamy there, while working together at California Digital and were part of the 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.

Once they joined forces to launch Gluster the duo battled disbelief until they landed their first customer order with Petróleos de Venezuela, the Venezuelan national oil company. Gluster soon expanded its services by selling open-source storage solutions to customers such as UK defence major BAE Systems, Stanford University, Deutsche Bank and the administrative office of the US courts. To become a significant storage player, Gluster needed serious funding. Just prior to securing first round of funding, the company had just \$25,000 in the bank and it had to pay salary to 13 people. "But we did not lose hope" said Chellani.

Gluster raised first round funding of \$4 million amidst the 2008 financial crisis, led by Nexus Venture Partners with participation from Index Ventures.

For Nexus Venture, who along with Index, have invested \$12 million in Gluster since 2008, the acquisition of the start-up by Red Hat has been a blockbuster event.

"We saw the passion, energy, vision of the Gluster team and realised the potential of the disruptive technology they had developed," said Jishnu Bhattacharjee from Nexus. Instead of IITs, IIMs and IISc, Gluster tapped tier-2 engineering colleges such as SJCE Mysore, NIT Trichy and RVCE Bangalore for talent.

It also has support from an open source community that has grown to over 8000-user developers. Most of them are college students. The company has till now 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.

The entrepreneurs said their goal was always to build a good company. They did not do it for the sake of getting acquired or good exits. "Gluster is still an unfinished game. Now at Red Hat we are aiming to build a billion-dollar business," said Periasamy.

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Few people believed that the two friends could turn this investment into a big business