

# Google to buy \$4.5 bn stake in digital unit of India's Reliance

July 15 2020, by Vishal Manve



Google is among the global tech giants vying for a share of India's massive market

Google will buy a \$4.5 billion stake in Reliance's digital unit and jointly develop an entry-level smartphone with the Indian conglomerate, the two

companies said Wednesday as global tech giants race to grab a share of the country's massive market.

"We are delighted to welcome a household name in India and worldwide, Google, and have signed a binding partnership and investment agreement," Reliance chairman Mukesh Ambani told shareholders at the oil-to-telecom behemoth's annual meeting.

He said it would give the US firm a 7.7 percent stake in Jio Platforms.

The two firms will also develop "an Android-based smartphone operating system", Ambani said, adding: "India is at the doorstep of (the) 5G era."

"We believe we can design (an) entry-level 4G, or even 5G smartphone, for a fraction of its current cost," he said, vowing to "make India free of 2G".

"With cheap smartphones and data, millions of Indians came online and Jio had a big role in it," Google's chief executive Sundar Pichai said in a pre-recorded video message released at the meeting.

"Our goal is to bring a billion Indians online."

Major players including Facebook, Intel and others have already ploughed some \$15 billion into Jio Platforms this year, as Ambani—India's richest man—seeks to take on US giants Amazon and Walmart in India's growing online retail sector.

The tycoon, who upended India's telecom sector after launching the Jio mobile service in 2016, is looking to roll out an e-commerce initiative that will tap into its huge 388 million-strong subscriber base.

Jio's mobile offering clobbered the competition, offering huge discounts on its services and forcing rival firms to crash out after they were unable to keep up.

## **Chinese competition**

Reliance is locked in a fierce battle with Amazon and Walmart for a share of India's e-commerce market, while Ambani's plan to launch an affordable smartphone will see him compete with Chinese manufacturers who already have a strong foothold in the South Asian nation.

"The target is Chinese smartphone makers," Forrester Research senior forecast analyst Satish Meena told AFP.

"Reliance wants to give tough competition to the Chinese companies in the smartphone category and that is something they will build towards."

Prime Minister Narendra Modi—seen as an ally of Ambani—has long pushed a "Make in India" strategy and urged foreign businesses to manufacture goods locally.

He has also asked domestic consumers to "go vocal for local".

Ambani also announced plans to launch 5G services in India next year, and said the company would look to export the technology once it had been deployed across the country.

"This is made in India and home-grown technology and will be available as soon as 5G spectrum is available," he said.

In recent months Ambani has raised more than \$22 billion in a rights issue and through selling stakes in Jio Platforms, and he announced last

month that Reliance was now net debt-free.

The 63-year-old businessman, whose wealth ballooned on the back of India's telecoms boom, lives with his family in a 27-storey luxury Mumbai skyscraper reputed to have cost more than \$1 billion.

The deal followed Google's announcement on Monday that it would invest \$10 billion in India over the next five to seven years.

Foreign firms have spent tens of billions of dollars in India in recent years as they fight for a piece of the Asian giant's burgeoning digital economy.

© 2020 AFP

Citation: Google to buy \$4.5 bn stake in digital unit of India's Reliance (2020, July 15) retrieved 11 August 2024 from <https://techxplore.com/news/2020-07-google-bn-stake-digital-india.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.