

Facebook takes \$5.7 bn stake in India's Jio digital platforms

22 April 2020, by Ammu Kannampilly, With Bhuvan Bagga In Delhi



Jio's logo is seen on the front of the company's Jio World Centre in Navi, Mumbai, after Facebook said it had taken a \$5.7 billion stake in the company's digital platforms business

Facebook has taken a \$5.7 billion stake in the Jio digital platforms business of India's richest man, Mukesh Ambani, in one of the country's biggest foreign investments, the companies said Wednesday.

The deal will give the US social media giant a 10 percent stake in Jio Platforms, part of Ambani's oil-to-telecoms Reliance Industries empire.

Facebook, which has about 400 million users in India, said it wanted to connect the "power of WhatsApp", its messaging subsidiary, with the Indian platform, which has grown on the back of a massively successful telecom venture.

In four years Ambani has turned his Jio telecoms unit into the country's biggest mobile operator—with 388 million subscribers—clobbering competitors with aggressively low pricing.

Jio Platforms also provides internet and e-

commerce services that tap into the huge subscriber base.

Reliance said it wanted to boost income for farmers, micro-traders and other small businesses that are the cornerstone of the economy in the country of 1.3 billion.

The company is expected to roll out an e-commerce initiative this year and has been conducting trials with small stores to test its payment devices.

"Jio digital new commerce platform and WhatsApp will empower nearly 30 million small Indian Kirana (grocery) shops to digitally transact with every customer in their neighbourhood," Ambani said in a video statement.

The deal will boost "the ease of living for all Indians, especially common Indians and the ease of doing business for all entrepreneurs, especially for small ones", he added.

It will also help Jio expand its reach, analysts said, paving the way for similar partnerships with companies working in sectors including entertainment, education and finance.

The deal will be a wake-up call for US rivals Amazon and Walmart, which are currently engaged in a fierce battle with Reliance for a share of India's e-commerce market.

"This is an opportunity for Amazon and Walmart to go back to the drawing board and... perhaps consider joining hands with other Indian telecom firms," said Arvind Singhal, founder of management consultancy Technopak Advisors.

'Muscle and money'

Facebook has come under scrutiny over the spread of fake news in India, its biggest market, where the

proliferation of unverified information on WhatsApp led to mob violence in 2018.

Shares in Reliance ended around 10 percent higher in Mumbai following the announcement.

"Given Facebook's credibility issues in India, it makes a lot of sense for them to get into a strategic alliance with Jio, which has muscle and money," said Faisal Kawoosa, founder of digital consultancy techARC.

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The Silicon Valley giant has, however, faced regulatory hurdles in its push to pilot WhatsApp digital payments or launch its cryptocurrency Libra in India.

"Facebook will certainly try to bring payment services to India, but I am sceptical if this will work," Kawoosa told AFP.

"It has no first-mover advantage compared to apps like Paytm... and the Indian digital space is not mature enough for cryptocurrencies."

But, he added, the company was poised to make gains in India's digital advertising market through Jio, which could sell "bundled offerings" to businesses, encouraging them to sell products on Facebook.

The deal has raised some alarm bells.

The local Internet Freedom Foundation group cautioned that it risked contributing to the "concentration of market/network power".

"There is a level of nervousness around this deal," the foundation said, calling for greater regulatory scrutiny.

Ambani lost his crown as Asia's richest man last month after the coronavirus-fuelled rout across global markets wiped billions off his fortune, according to Bloomberg Billionaires Index.

This was only days after Reliance reported record net profits for the quarter ending December 2019.

Ambani, 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.

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