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BUSINESS

Inside Facebook and Private Equity's \$8.8 Billion Bet on India's Richest Man

Mukesh Ambani's plan to bring his nation's shoppers online—and a search for investment—draws big backers



Mukesh Ambani, shown in August, sees a pivot to digital commerce as the legacy he will leave for his grown children, according to people familiar with his thinking.

PHOTO: RAJANISH KAKADE/ASSOCIATED PRESS

By [Newley Purnell](#)

May 20, 2020 7:00 am ET

[Facebook Inc.](#) [FB 0.62%](#) ▲ and a trio of U.S. private-equity firms have in the past month poured billions of dollars into an upstart mobile operator controlled by India's richest man.

The stakes, which add up to \$8.8 billion, amount to a bet that Jio Platforms Ltd. and Mukesh Ambani, the chairman and largest shareholder of its parent company, [Reliance](#)

Industries Ltd., [500325 -0.59%](#) ▼ are the players best positioned to bring legions of Indian consumers fully online and into e-commerce.

Facebook's April announcement that it would invest \$5.7 billion for a stake in Mumbai-based Jio was quickly followed by \$750 million from Silver Lake and \$1.5 billion from Vista Equity Partners. On Sunday, Jio said it was raising \$870 million from another private-equity powerhouse, General Atlantic.

The deals help Reliance, which had a net debt of about \$21 billion as of the end of March, replenish its war chest as it expands into new digital offerings.

Mr. Ambani, known for his ambitious projects, ability to negotiate India's red tape and savvy deal making, is focused on executing a digital vision for the country's consumers.

Jio Platforms' subsidiary, mobile operator Reliance Jio Infocomm Ltd., has brought fast, cheap internet to hundreds of millions of poor and underserved Indians, becoming the country's top mobile data provider in the process.

Mr. Ambani, who is 63 years old, and his family are revered among many Indians. In a country where the average income is about \$150 a month, Mr. Ambani has an estimated net worth of about \$37 billion—a fortune about one-third less than Facebook chief Mark Zuckerberg's but more than Tesla Inc.'s Elon Musk. The Ambani home in Mumbai is a 27-story mansion that towers above the city's sprawling slums and overlooks the Arabian Sea.

Having inherited control of the Mumbai-based oil and gas conglomerate Reliance when his father died in 2002, Mr. Ambani sees a pivot from physical to digital commerce as the legacy he will leave for his grown children, according to people familiar with his thinking.

Mr. Ambani and Reliance executives entertained the idea of taking a major investment in Jio, the first of its kind, from a foreign firm for about a year, those people said.

The company held talks with Alphabet Inc.'s Google about an investment, say people with knowledge of the talks, but discussions with Facebook executives at the company's headquarters in Menlo Park, Calif., began gaining traction last summer. A Google spokesman declined to comment.

Mr. Ambani and Manoj Modi, a longtime aide, drove the deal. Mr. Ambani's eldest children, 28-year-old twins Isha and Akash, were also involved in discussions, according to others familiar with the talks.

The agreement, which was hammered out early this year and announced last month, gives Facebook a 9.99% stake in Jio Platforms, its largest overseas investment. In a post on his Facebook page, Mr. Zuckerberg said the companies will “work together on some major projects that will open up commerce opportunities for people across India.”

INVESTING IN AMBANI

- [Heard on the Street: Facebook Adds India's Richest Man as a Friend](#) (April 22)
- [Silver Lake to Invest \\$750 Million in Indian Tech, Telecom Firm Jio Platforms](#) (May 3)
- [Vista Follows Facebook Into India's Jio With \\$1.5 Billion Digital Bet](#) (May 8)
- [Two Years Ago, India Lacked Fast, Cheap Internet—One Billionaire Changed All That](#) (Sept. 5, 2018)

Reliance
has been
pushing
since
last year
to sign
up
India's

ubiquitous mom-and-pop stores to its online shopping business, JioMart, and Facebook's WhatsApp will connect those stores to customers. WhatsApp has more than 400 million users in India, more than any other country, and plans to roll out a digital payments feature.

The partnership will enable nearly 30 million small shops to transact "with every customer in their neighborhood," Mr. Ambani said in announcing the deal.

With only about half of India's 1.3 billion people online so far, e-commerce sales are projected to more than double to \$68.4 billion by 2022 from \$26.9 billion in 2018, according to [Forrester Research Inc.](#)

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Reliance has revealed few specifics on how the tie-up will work in practice. Information reviewed by The Wall Street Journal regarding one small shop participating in a trial shows how Reliance's vision—and willingness to spend now to reap future gains—is taking shape.

The roughly 10-foot by 25-foot store, about the size of a one-car garage in the U.S., does about \$60 of sales daily. Reliance last year paid about 350,000 rupees (\$4,600) to overhaul the space, according to a person familiar with the matter. The shop owner will pay Reliance back in installments over six years.


Once a jumbled shop, it now resembles an organized ministore, complete with red and blue JioMart branding. Customers can place orders for items such as salt and lentils via a JioMart WhatsApp account. The orders come to the shop and the items are then delivered and paid for in cash. Reliance is also providing a manager and free deliveries.

The owner of the shop has connected with customers from areas beyond the immediate neighborhood, a rarity for such tiny establishments. JioMart's main competitors, [Amazon.com Inc.](#) and [Walmart Inc.](#)'s Flipkart, are central destinations for ordering

goods



Facebook Sets Its Sights on E-Commerce - and India

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online; Reliance's e-commerce strategy runs through India's millions of tiny neighborhood shops.

The arrangement positions Reliance to make money in the future by selling goods to these shops at a massive scale across the country, getting a piece of e-commerce by tapping those who have yet to transition to online shopping, analysts say.

The Facebook investment in Reliance “makes for a natural coalition,” said Arpan Sheth, an India-based executive at consulting firm Bain & Co, because Mr. Zuckerberg can join with a homegrown champion making inroads into e-commerce, while Mr. Ambani benefits from WhatsApp's reach to connect buyers and sellers. More broadly, U.S. private equity and venture players in Jio get a piece of a growing platform in the world's biggest untapped digital economy, one likely to generate at least a handful of new tech behemoths.

Mr. Ambani has said privately that his vision for Jio is to create a company that encompasses a telecommunications firm like [Verizon Communications Inc.](#), a service like Google, a digital payments company like [PayPal Holdings Inc.](#) and a digital content provider such as [Netflix Inc.](#), according to one of the people familiar with the executive's thinking.

Reliance spent more than \$30 billion to create its new mobile operator, building a 4G network from scratch. The new investments have helped trim some of the debt that was generated and Reliance has said it is on track to be debt-free by next year.

Write to Newley Purnell at newley.purnell@wsj.com

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