

mint

THURSDAY, APRIL 23, 2020

LIVEMINT.COM

OYO FURLONGS STAFF, ANNOUNCES PAY CUTS

Hospitality unicorn Oyo on Wednesday said the fixed compensation of its employees in India will reduce by 25%. The firm is also furloughing some staff for up to four months to save cash after its revenues plunged because of the covid-19 pandemic.

See Page 7

FACEBOOK'S SECOND COMING WITH \$5.7 BILLION JIO DEAL

• Social media firm will buy a little less than a 10% stake in RIL arm • The investment values RIL's digital assets at around \$66 billion • The deal will help the conglomerate cut its spiralling debt pile

Kalpna Patil & Deborshi Chaki

MUMBAI

Facebook Inc. bet a massive \$5.7 billion on the digital assets of Reliance Industries Ltd, aimed at leveraging the reach of the Indian company's telecom assets and WhatsApp's 400 million local users to connect small businesses and consumers in Asia's third largest economy. The social media giant will purchase a little less than 10% of Jio Platforms, which houses its telecom and digital businesses, becoming the largest minority shareholder. Reliance Industries Ltd said in a statement on Wednesday.

The investment, which values Jio Platforms at around \$66 billion, will help Reliance Industries cut its spiralling debt pile.

Facebook's decision to press ahead with the investment at a time the global economy has been savaged by the coronavirus pandemic signals its confidence that Indians will continue to embrace digitization and take to online shopping and payments.

At the core of their partnership lies millions of offline

small businesses, whom both Jio and Facebook have been courting to integrate into their digital ecosystems.

"With communities...in lockdown, many (small firms) need digital tools...to...grow their businesses."

MARK ZUCKERBERG
Chief executive officer, Facebook Inc.

2016 after the telecom regulator ruled that the programme infringes on the principles of net neutrality.

The valuation of Jio Platforms puts the Reliance Industries' unit in the league of India's largest household goods maker Hindustan Unilever Ltd and the nation's largest private lender HDFC Bank Ltd, and almost on a par with its parent's



The synergy between Jio and Facebook will help realize PM Modi's Digital India Mission.

MUKESH AMBANI
Chairman, Reliance Industries Ltd

Facebook's attempt to introduce: Free Basics, a free but restricted internet service, was banned in India in

oil and gas business. Jio Platforms combines RIL's digital apps and its mobile phone services unit Reliance Jio

Infocomm Ltd.

The transaction, the biggest non-control minority investment by any technology company, also sets the stage for future fund-raising rounds for Jio.

The RIL stock jumped by as much as 12% in intraday trading following the announcement and closed 10.3% higher on Wednesday.

Facebook will get a board seat on Jio Platforms. Plummeting oil prices have put a question mark on a potential \$15 billion invest-

TURN TO PAGE 3

See full coverage on Pages 3, 4 & 5

JIO GETS ON A NEW PAGE WITH FACEBOOK

A look at how the Reliance Jio-Facebook deal will affect RIL, rivals and the economy

IMPACT ON COMPETITION
• **AMAZON** and Flipkart will face a challenge in retail
• **WHATSAPP** will take on GPay, Paytm in online payments
• **AIRTEL**, Vodafone will have to accelerate digital expansion
• **JIO** will bolster its position with a strong balance sheet

IMPACT ON ECONOMY
• **THIS** will be the single-largest foreign investment in telecom
• **30 MILLION** small merchants will get a wider market
• **NEW JOB OPPORTUNITIES** are likely in the tech sector
• **DEAL** will connect 120 million farmers to the retail sector

IMPACT ON RELIANCE
• **INVESTMENT** will help cut the company's huge debt
• **DEAL** will boost its fledgling e-commerce business
• **THE** firm will gain access to cutting-edge technology
• **WHATSAPP'S** 400 million user base will be at its fingertips

TOP INVESTMENTS IN 2020



STOCK SURGES OVER 10%



SARVESH KUMAR SHARMA/MINT

WHAT THEY SAID

Facebook will get a huge use case in terms of penetrating the payment ecosystem and the grocery, retail ecosystem in India. Also, a tech-tech partnership maybe the new playbook for Facebook, and we'll have to watch how this unfolds across other geographies.

PAREEKH JAIN
FOUNDER AND LEAD ANALYST, EIR TREND AND PAREEKH CONSULTING

This deal is a landmark transaction bridging the gap between oil and data for both RIL and Facebook. For WhatsApp, it finally will be able to roll out its payments to a billion Indians while for RIL it would leverage on Facebook's entire digital real estate.

MOHIT GULATI
MANAGING GENERAL PARTNER, ITI GROWTH OPPORTUNITIES VENTURE FUND

Ambani is already the 800 pound gorilla of India's tech scene, and this deal only magnifies his power. A deal with Facebook brings closer to reality his vision of dominating the whole tech spectrum, from broadband and e-commerce to social media.

JAMES CRABTREE
ASSOCIATE PROFESSOR IN PRACTICE, LKY SCHOOL OF PUBLIC POLICY

Partnering with one of the largest digital companies in India, Facebook has now ensured its long term distinct position in the Indian market. At the same time, the deal is lucrative for Reliance Group, as it will help in deleveraging the Group.

RAJESH SHAH
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, RBSA ADVISORS

THE TIMES OF INDIA

INDIA'S LARGEST ENGLISH NEWSPAPER



Australian PM **Scott Morrison** calls US, German and French leaders and seeks support for an international investigation into the origin of the pandemic

Volunteers at Oxford University set to be given first dose of a **potential vaccine** today. German regulator also clears country's first vaccine trials on human volunteers

Worldwide Covid-19 toll crosses **182,000**, close to two-thirds of such casualties in Europe. The US has over 835,000 cases and more than 45,000 deaths

South Korea health authorities say that patients who tested positive for coronavirus after recovering from their first bout of illness appeared to be far **less infectious the second time**

Missouri becomes the first US state to file a **lawsuit against China**, seeks damages for 'the enormous loss of life, human suffering and economic turmoil'



FB deal may aid RIL's zero-debt plan

Saudi Aramco Equity Sale, Other Moves To Monetise Assets Have Made Slow Progress

Reeba.Zachariah @timesgroup.com

Mumbai: The \$5.7-billion (Rs 43,574-crore) investment by Facebook in Jio Platforms will help Mukesh Ambani de-leverage the balance sheet of Reliance Industries (RIL) even as oil market and other uncertainties have cast a shadow on a potential multi-billion-dollar investment by Saudi Aramco in its refining-to-chemicals business.

RIL's debt has ballooned to \$43 billion, or over Rs 3 lakh crore of which net debt is Rs 1.53 lakh crore, or \$90 billion, following its aggressive entry into the telecom sector four years ago. It has invested more than Rs 3.50 lakh crore in building a digital infrastructure, which includes acquisition spends. In the recent past, concerns have been voi-

REPAYING ALL BY MARCH '21

Current net debt for RIL as a group is about ₹1,531 cr

The Facebook deal and closure of the ₹7,000cr stake sale to BP in the oil marketing JV should imply a cash infusion of over ₹50,000cr

This is expected to bring down net debt by about 20%, possibly by the end of the current quarter

Deal	Size (in ₹ cr)
20% of RIL refinery biz to Saudi Aramco	100,000
100% of Rel Jio Tele Infra to Brookfield	25,125
49% in RIL retail fuel biz to BP	7,000

Analysts project that the latest deal will help RIL become net debt-free by March 2021

ced about RIL's mounting liabilities, but it has dismissed them by saying it has a clear road map for debt reduction. At the annual shareholder meet last year, Ambani announced plans to make RIL a "zero net debt" company by March 31, 2021. But legal roadblocks, among other factors, have hindered his asset-monetisation deals. Last August, RIL announced it would close a \$15-billion investment by Saudi Aramco by March, but that is still to happen. Analysts believe that RIL is on track to reduce its net debt this fiscal after Jio Platforms' deal with Facebook

and its fuel retail joint venture (JV) with BP got the European Union regulator's approval on Monday. RIL will receive Rs 7,000 crore from BP in lieu of the 49% stake in the JV and the deal is expected to be closed within this quarter (see graphic).

"The two transactions will accelerate RIL's deleveraging story and give the company more time to work in closing other deals involving Aramco and Brookfield (in telecom towers)," said Narendra Solanki, head (equity research), Anand Rathi Shares and Brokers.

RIL is also looking to unlock value in its entertainment channel business and has held talks with Sony Corporation for the same.

According to foreign brokerage firm CLSA, the company's Rs 1.53-lakh-crore net

debt will come down by 20% in this quarter. "Leverage is getting more manageable and concerns around this should diminish," wrote CLSA in its report after the Facebook-Jio Platforms announcement.

Of the total \$5.7-billion investment by Facebook, Jio Platforms will retain \$2.14 billion (Rs 16,500 crore), while the remaining \$4.08 billion (Rs 28,574 crore) will be used to retire debt it owes to RIL. "The Facebook deal will be a major cash boost for RIL since the current uncertainties in the crude oil market may cast a shadow on its deal with Aramco," said Rajeev Shah, MD, RBSA Advisors.

Ambani had said last year that there is a strong investor interest in the retail business and will induct a partner before taking the unit public.

Competition panel needs to clear deal

Second Coming Of Facebook And An Ambani

Pankaj.Doyal@timesgroup.com

New Delhi: For Facebook, Wednesday's announcement marks its second try with an Ambani. It had first tied up with Anil Ambani's now defunct RCom, which got mired in controversy over the issue of net neutrality after the American social media giant's Free Basics platform was not allowed by the Telecom Regulatory Authority of India (Trai).

Given the size of the transaction, pegged at Rs 43,574 crore, Facebook's deal with Mukesh Ambani's Reliance Jio will need to be cleared by anti-trust watchdog Competition Commission of India (CCI), which will assess if the partnership will adversely impact the market — both in the telecom and retail spheres. Apart from helping Ambani deleverage, Reliance's aggressive pitch in the retail space, through a link-up with kirana stores, is seen to be a critical element of the partnership.

Sources told TOI that papers for CCI filing are ready and may be submitted in less than a week. A section of analysts, however, said that the massive data that the two companies will jointly hold — both trade as well as consumer — could be something that regulators would want to keep an eye on. Whether CCI has the powers to look at

that the Facebook-Jio combination creates.

"After telecom, retail and payments will be the target. Many startups in this space need to watch out. Between the popularity of WhatsApp and Reliance Jio's subscriber base, they can leverage the existing infrastructure and get into any business that they want," said Mohan Kumar, managing partner at venture firm Avataar, which has a \$300-million fund backing software startups.

As part of an anti-trust probe, Facebook's acquisitions (eg, WhatsApp) have been the subject of an investigation by the US Federal Trade Commission seeking to determine if the acquisition of potential rivals was aimed at heading off competitive threats.

created a massive outrage against Facebook, which finally culminated in the CBI probe. Investigations are still on.

WhatsApp has also been accused of being a platform that has increasingly been used to spread hate messaging and fake news in India, leading to a series of lynching episodes across the country. The messaging platform has been prodded time and again by the government to provide the identities of those spreading such messages.

Facebook is expected to use this partnership to possibly kick-start its long-stalled, ambitious WhatsApp Pay digital payment platform, which has been stuck due to the requirement of data localisation, which was initially being re-

Falling rupee makes it a sweeter deal for Facebook

Madhav.Chanchani @timesgroup.com

Bengaluru: The falling value of rupee against the dollar made the mega \$5.7-billion investment in Jio Platforms a sweeter deal for Facebook. The rupee, which has fallen by

FACEBOOK GETS JIO CONNECTION

(All figures in \$ bn)

Facebook	RIL
MCap* 96	Revenue 86
Revenue 86	Ebitda 12

The RIL-Facebook deal will enable the 3.5-year-old Jio Platforms, which has about 388m users, to accelerate the rollout of a 'New Commerce' strategy

Buy's 9.99%

CMO Mukesh Ambani CEO Mark Zuckerberg

Oil to chemicals	Oil & gas	Media & distribution	Reliance Retail	Jio Platforms
71.4	7.4	0.5	0.1	1.1
		0.1	0.1	21.1
				1.2
				6.7
				2.6

Connectivity	Digital Apps
<ul style="list-style-type: none"> Wireless broadband Home broadband Enterprise & SMB broadband 	<ul style="list-style-type: none"> MyJio Jio TV JioTV+ Jio News Jio Call Jio Chat Jio Security Jio Health Hub Jio Browser Jio Prime Jio Games Jio

(Basis: Earnings before interest, taxes, depreciation and amortisation; Revenue & Ebitda for calendar)

Sensex gains 743 pts riding on RIL rally to end at 31,380

TIMES NEWS NETWORK

Mumbai: A 10% rally in the Reliance Industries shares sent the sensex zipping 743 points on Wednesday with the energy-to-telecom major's stock contributing over half of the BSE benchmark's gain, which clo-

SCOPE FOR WHATSAPP PAY

Facebook is expected to use the partnership to possibly kick-start long-stalled, but ambitious WhatsApp Pay digital payment platform

WhatsApp Pay platform is stuck due to requirement of data localisation, which was initially being resisted by the US internet giant

With the company now agreeing to localise data, there are indications that WhatsApp Pay, which had been running a beta test with around 1 million subscribers, could be rolled out through Jio Mart that will digitise and link all local kiranas and merchants on one e-commerce platform



DECCAN Chronicle

THE LARGEST CIRCULATED ENGLISH DAILY IN SOUTH INDIA

HYDERABAD | WEDNESDAY | 22 APRIL 2020

Facebook logs into Jio by investing ₹43,574 cr

Takes 9.99% stake to help Ambani create e-com giant

ASHWIN J. PUNNEN | FC
MUMBAI, APRIL 22

Social media giant Facebook has bought 9.99 per cent stake in Reliance Industries wholly-owned arm Jio Platforms for ₹43,574 crore, giving Indian petrochemical-to-retail conglomerate a major windfall from its diversification into telecom and digital space.

Mukesh Ambani-led RIL had invested ₹1.8 lakh crore for setting up the venture.

But its valuation has seen its investment gaining 2.5 times as the deal gives the mobile communications, entertainment and e-commerce platform a pre-enterprise value of ₹4.62 lakh crore, assuming a conversion rate of ₹70 per dollar.

Reliance Jio Infocomm Ltd, which was launched in September 2016, has



become India's largest mobile services company by subscriber base. Facebook will become the largest minority shareholder of Jio after the deal has got its regulatory approvals.

The deal helped Mukesh Ambani's fortune rise by about \$4 billion to \$49 billion on Wednesday making him the Asia's richest man ahead of China's Jack Ma.

This is the largest invest-

ment for a minority stake by a technology company anywhere in the world and the largest FDI in the technology sector in India. The investment values Jio Platforms amongst the top 5 listed companies in India by market capitalisation.

The deal secures Facebook's foothold in India, said Rajeev Shah, the managing director of RBSA Advisors.

"At 21 times operating profit, Facebook has paid a

rich valuation, and rightly so, in order to secure a strong foothold in one of the largest digital ecosystems outside of the US and excluding China (since Facebook doesn't have a prominence in China). Partnering with one of the largest digital companies in India, Facebook has now ensured its long term distinct position in the Indian Market," said Mr Shah.

The deal would help RIL to reduce its debt as its \$15-billion deal with Saudi Aramco for a 20 per cent stake in RIL's oil-to-chemicals business is yet to be materialised.

Apart from the debt reduction, Jio Platforms also gets access to Facebook's technological expertise in developing products such as JioMart and reach through platforms such as WhatsApp, analysts said.