

Visit may open funding doors for Indian companies

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The state visit to India of Saudi crown prince and prime minister Mohammed bin Salman could accelerate funding to Indian companies by the country's sovereign wealth fund, the Public Investment Fund or PIF.

The fund is the seven largest sovereign wealth fund in the world and is the kingdom's key investment vehicle.

The PIF is leveraging the energy boom and high global oil prices that have helped shore up Saudi Arabia's revenues. For India, it wants to formulate an investment strategy, especially in infrastructure which includes real estate and to this end has asked consultancy firm Bain & Co to devise a plan.

According to sources, PIF had said last year that it was looking at investing over \$4 billion in India over the next three years.

PIF is in preliminary talks with the Essar group to pick up equity in its proposed \$4.5 billion integrated steel plant in Saudi Arabia with a capacity of 4 million tonnes per annum.

The strategic project, for which raw material has already been tied up, is in the final stages of scrutiny by the government-backed Saudi Industrial Development Fund. Once this is cleared, the fund will also provide long term project financing to other strategic projects in the kingdom at low interest rates.

So far, though, the PIF has been far less aggressive in India than its west Asian or south east Asian sovereign wealth funds such as the Abu Dhabi Investment Authority (ADIA), the Emirati state-owned Mudabala

and the Singapore government's GIC.

With assets under management of \$700 billion, it is no surprise that it is headed by no other than the crown prince as its chairman. In the Middle East, it is the third largest sovereign wealth fund, behind ADIA and the Kuwait Investment Authority.

During the pandemic, the PIF surprised the global investment community by investing collectively over \$3.3 billion in three Reliance Industries companies: Reliance Jio Platforms, Reliance Retail Ventures and Digital Fibre Infrastructure.

According to a Bain-IVCA report on PE investments in India, this catapulted the PIF into the position of the biggest global private equity/sovereign wealth fund investor in India.

It put the PIF well ahead of KKR funds (\$ 3.0 billion) and ahead of competing sovereign wealth funds that included Mubadala, ADIA and GIC - all at \$2.1 billion. (GIC was the largest sovereign wealth fund in India in 2021).

Yet over the next two years, the PIF's investments in India dried up and it did not feature in the top 10 list of global PE investors in India, according to data based on the reports.

One reason might have been the setbacks

PAVING THE WAY

▶ PIF has roped in consultancy firm Bain & Co to formulate an India investment strategy

▶ PIF may invest over \$4 billion in the next three years in India

▶ There have been reports that PIF held talks with the Adanis on investing in their varied infrastructure projects

▶ In preliminary talks with Essar group to pick up equity in its proposed \$4.5 billion integrated steel plant in Saudi Arabia

▶ In 2020, PIF collectively invested over \$3.3 billion in three Reliance Industries companies



ILLUSTRATION: BINAY SINHA

faced by Saudi Arabia in these two years. For instance, Saudi oil company ARAMCO's deal to pick up a 20 per cent stake in Reliance Industries for \$15 billion was cancelled. ARAMCO's attempt to take part in the Ratnagiri refinery project also faltered.

But the Saudis are once again looking for investment opportunities and there have been reports of the PIF having talks with the Adani group on investing in their infrastruc-

ture projects or with Vedanta to take a 10 per cent stake in its Indian business.

The PIF is also believed to have been in talks with Tata Motors to invest in its electric vehicle company. However, there has been no official confirmation of any of these deals or talks.

The interest in India is understandable given that the PIF wants to correct the pro-US tilt of its investments.

There is also the fact that it has charted out an ambitious target of becoming the largest sovereign wealth fund in the world by 2030 with two objectives. One, to channelize oil money to build mega projects and industries in the kingdom so as to reduce its dependence on oil. Two, to balance out this dependence with complex international investments which will provide the kingdom with long term returns.

The PIF's annual report of 2022 lays out its key strategic investment goals and these include \$3.5 billion in Uber, \$45 billion in the Softbank Vision Fund, \$20 billion in the Blackstone Infrastructure Fund programme and, of course, the investments in Reliance Jio Platform as well as the retail venture.

