

# **Project Dissertation on Reliance Industries – Business Model**

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## **CERTIFICATE**

This is to certify that the dissertation report titled “**Reliance Industries – Business Model**” is a bona fide work carried out by **Mr. Vivek Kumar Saini** of **EMBA 2017-20** and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfillment of the requirement for the award of the Degree of **Master of Business Administration**.

**Signature of Guide**

**Signature of Head (DSM)**

**Seal of Head**

**Place:**

**Date:**

## DECLARATION

I, **Vivek Kumar Saini**, student of **EMBA 2017-19** of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi – 42, hereby declare that the dissertation report “**Reliance Industries – Business Model**” submitted in partial fulfillment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.

This report is not being submitted to any other University, for award of any other Degree, Diploma or Fellowship.

**Place:**

**Vivek Kumar Saini**

**Date:**

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## **ABSTRACT**

Reliance completed 40 years of its IPO in 2017-18. They have shown the visionary entrepreneurship, global scale and all-encompassing value creation. The Reliance have evolved from being a textiles and polyester company to an integrated player across energy, material, retails, entertainment and digital services.

Reliance created the world's largest single location refinery at Jamnagar. This put India on the global energy map. For retails business Reliance accelerate the formalization of entire sector by maximizing supply chain efficiency. Reliance when entered the digital service through the Jio, they have transformed the Indian telecom space. Reliance Jio have created the benchmark in terms of subscriber acquisition, data consumption.

In this report I am analyzing how Reliance have achieved the exponential growth and how could it be able to sustain with almost same momentum in the current pandemic situation like Covid-19.

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## **1. Introduction (a)**

The Reliance Group which was founded by Dhirubhai H. Ambani , is India's one of the largest private sector enterprise, with businesses in the energy, Petroleum, Digital media and materials value chain. The flagship company, Reliance Industries Limited, is a Fortune Global 500 company and is the largest private sector company in India.

Dhirubhai Ambani founded Reliance as a textile company and led its evolution as a global leader in the materials and energy value chain businesses. It was in 1957 when he returned to India after a stint with A.Besse& Co., Aden he started yarn trading business from a small 600 sq.ft. office in Masjid Bunder, Mumbai.he set up his brand new mill in Naroda, Gujarat. In 1996 Reliance went on to become the biggest textile brand 'Only Vimal'. In 1977 the Reliance Textile Industries came with an IPO which was oversubscribed 7 times.

Reliance enjoys global leadership in its businesses, being the largest polyester yarn and fibre producer in the world and

among the top five to ten producers in the world in major petrochemical products, it is one of the best in its domain.

Starting as a small textile company, Reliance has in its long journey crossed several milestones to become a Fortune 500 company in less than few decades.

Reliance Industries Limited operates world-class manufacturing facilities across the country at Allahabad, Barabanki, Dahej, Dhenkanal, Hazira, Hoshiarpur, Jamnagar, Kurkumbh, Nagothane, Nagpur, Naroda, Patalganga, Silvassa and Vadodara.



## **1. Objective of Study (b)**

**The project is based on the study of Reliance Industries.**

**Objective of study are :**

- ❖ Objective is to know the business model of the Company**
- ❖ How the company plan for mitigate the risk in business**
- ❖ Future plan of the company**
- ❖ Investment opportunity for retail investor**

## **1. Research Methodology (c)**

- ❖ The main motive of the research to analyze the Reliance Industries model and understand their mode of business**
- ❖ Analyze the different financial ratios of company to make decision if one can go for Reliance shares and at what price one should take entry**
- ❖ Secondary data source available in the internet domain, Company portals and their Annual report are analyzed**
- ❖ Research are conducting in shares market prospective**
- ❖ Data analysis are done in excel to find the different financial ratio**

## **2. About Founder and company establishment**

“Whatever action a great man performs, common men follow. And whatever standards he sets by exemplary acts, all the world pursues  
: Bhagavad Gita 3:21”

D H Ambani, popularly known as Dhirubhai Ambani was an Indian business tycoon who founded Reliance Industries. Dhirubhai Ambani, in full Dhirajlal Hirachand Ambani, (born December 28, 1932, Chorwad, Gujarat, British India—died July 6, 2002, Mumbai, India), Indian industrialist who was the founder of Reliance Industries, a giant petrochemicals, communications, power, and textiles conglomerate that was the biggest exporter in India and the first privately owned Indian company in the Fortune 500.

Ambani was the third of five children born to a village schoolteacher and his wife, and he grew up in a middle class family. At the age of 17, he migrated to the British colony of Aden to join his brother. He started his career as a clerk at A.

Besse & Co., which in the 1950s was the largest transcontinental trading firm east of Suez. There he learned trading, accounting, and other business skills. In 1958 Ambani returned to India and settled in Bombay.

Ambani began a business trading in spices in the late 1950s. He soon expanded into other commodities, following a strategy of offering higher-quality products and accepting smaller profits than his competitors. His business grew quickly. After deciding that the corporation had gone as far as it could with commodities, Ambani turned his attention to synthetic textiles and other similar materials.

He made his first foray into backward integration with the opening of the first Reliance textile mill in 1966. With continuing a policy of backward integration and diversification, he gradually shaped Reliance into a petrochemicals behemoth and later added plastics and power generation to the company's businesses.

In 1977 Ambani took Reliance public after nationalized banks refused to finance him. His agility in navigating a stodgy economy and crippling government regulations and bureaucracy led to allegations of political manipulation, corruption, and engineered raids on competitors, but investor confidence in Reliance remained unshaken—owing in part to the

handsome dividends the company offered, as well as the founder's vision.

Ambani handed over the day-to-day running of the company to his sons, Mukesh Ambani and Anil Ambani, in the mid-1980s but continued to oversee the company until shortly before his death in 2002.

### **3. Mission, Vision and Objective**

*“Making Life Better.*

*For Everyone”*

*“Growth is Life”*

There motto:

*“Growth is Life: aptly captures the ever-evolving spirit of Reliance. All our businesses endeavor to deliver superior value to our stakeholders and make life better for everyone”*



**MODEST BEGINNINGS**

**MAMMOTH ASPIRATIONS**

Dhirubhai Ambani returns to India in 1957 after a stint with A. Besse & Co., Aden, Yemen. He starts a yarn trading business from a small 500 sq. ft. office in Masjid Bunder, Mumbai, but dreams of establishing India's largest company.

## **4. Business Model**

DRIVING INNOVATION

CONSISTENT GROWTH

DELIVERING VALUE

SUSTAINABLE TRANSFORMATION IN SOCIETY



## **FIVE ENABLERS**

### **SAFETY**

- Use of drones for safety

### **DIGITAL TECHNOLOGY**

- Omni-channel initiatives in Reliance Retail
- Future Ready 5G, 6G and beyond

### **CAPITAL PRODUCTIVITY**

- Considerable interest savings from successful refinancing of long-term loans aggregating to US\$2 .3 billion

### **OPERATIONAL EFFICIENCY AND EFFECTIVENESS**

- Fuel retail throughput well above industry average
- Uninterrupted and high-speed data access anywhere, anytime

### **ETHICS**

- Ethics and Compliance Task Force oversees and monitors implementation of ethical business practices

## **REFINING & MARKETING**

Largest single-site refinery with robust configuration

Strategic locational advantage with dedicated infrastructure

Among lowest cost producer globally with flexible product slate

Consistently maintaining high operating-rates

## **RETAIL**

Operates on multiple store concept model to serve different customer needs

Offers best shopping experience to Indian consumers with consistent choice, quality, value and convenience

Pan-India presence

State-of-the-art retail infrastructure and supply chain providing solid foundation for growth.

## **PETROCHEMICALS**

One of the most integrated petrochemicals producers globally

Wide product portfolio with leadership position across product categories

State-of-the-art production facilities with balanced cracker portfolio

Industry leading operating rates

Presence in one of the fastest growth markets

## **DIGITAL SERVICE**

Only ubiquitous 4G coverage in India with high speed and quality coverage

World's largest greenfield 4G LTE wireless broadband network

Fully digitized operations from onboarding through fulfillment

Transformative customer value propositions.

## **OIL and GAS**

High quality portfolio with presence in conventional and unconventional resources

Operating one of most complex and largest deep-water block

Partnership with BP in India provide significant technical expertise

Material position in US Shale

## **MEDIA**

Robust bouquet of channels across various genres – business, entertainment, infotainment, kids

Category leading digital properties in financial services, entertainment, news etc.

Significant local language content, tapping regional markets

## **VALUE CREATION**

### **SHARE-HOLDER**

Active portfolio management by investing in the Consumer and Energy & Materials businesses

Dividend Recommended -> 110%

Market Capitalization - 4,28,909 crore

Improved RONW (adj.) to 16.8% up 170 bps y-o-y (standalone)

## **EMPLOYEE:**

Continuous learning and structured career progression opportunities

Digitised learning – launch of Digital J3

R-University: Driving employee learning and training

Imparted >76 lakh man hours of training

## **CUSTOMER:**

110 million+ Jio subscribers in 170 days from launch

86% market share in CNBC TV 18 during the annual budget speech

Over 30 million members registered to Customer Loyalty Program of Reliance Retail

Launched 'Chemistry for Smiles' and 'Transforming Life into Quality Life'

## **SOCIETAL**

Society provides Reliance with a license to operate, and with this privilege comes a responsibility.

CSR activities in conformity with the Sustainable Development Goals (SDGs)

Created 50 lakh jobs indirectly & Indirectly.

## 5. Subsidiaries:

- Reliance Petroleum Limited
- Reliance Netherlands B.V.
- Reliance Retail Limited
- Reliance Jamnagar Infrastructure Limited
- Reliance Haryana SEZ Limited
- Reliance Industrial Investment and Holdings Limited
- Reliance Ventures Limited
- Reliance Strategic Investments Limited
- Reliance Exploration and Production DMCC
- Reliance Industries (Middle East) DMCC
- Reliance Global Management Services Limited
- Reliance Commercial Associates Limited
- RIL (Australia) Pty Ltd
- Recron (Malaysia) Sdn Bhd
- Gulf African Petroleum Corporation (Mauritius)
- GAPCO Tanzania Limited

- GAPCO Kenya Limited
- Transenergy Kenya Limited
- GAPCO Uganda Limited
- GAPCO Rwanda Sarl
- GAPOil (Zanzibar) Limited
- Reliance Fresh Limited
- Retail Concepts and Services (India) Limited
- Reliance Retail Insurance Broking Limited
- Reliance Dairy Foods Limited
- Reliance Retail Finance Limited
- RESQ Limited
- Reliancedigital Retail Limited
- Reliance Financial Distribution and Advisory Services Limited
- Reliance Hypermart Limited
- Reliance Retail Travel & Forex Services Limited
- Reliance Brands Limited
- Reliance Wellness Limited
- Reliance Footprint Limited
- Reliance Integrated Agri Solutions Limited













- Reliance Trends Limited
- Reliance Lifestyle Holdings Limited
- Reliance Universal Ventures Limited
- Reliance Autozone Limited
- Strategic Manpower Solutions Limited
- Reliance Gems and Jewels Limited
- Delight Proteins Limited
- Reliance F&B Services Limited
- Reliance Agri Products Distribution Limited
- Reliance Leisures Limited
- Reliance Retail Securities and Broking Company Limited
- Reliance Home Store Limited
- Reliance Trade Services Centre Limited
- Reliance Food Processing Solutions Limited
- Reliance Supply Chain Solutions Limited
- Reliance Loyalty and Analytics Limited

- Reliance Digital Media Limited
- Reliance–GrandOptical Private Limited
- Reliance Vantage Retail Limited
- Reliance People Serve Limited
- Reliance Infrastructure Management Services Limited
- Reliance International Exploration and Production, Inc
- Reliance Petroinvestments Limited
- Reliance Universal Commercial Limited
- Reliance Global Commercial Limited
- Wave Land Developers Limited
- Reliance Cyprus Limited
- Reliance Global Business B.V.
- Reliance Global Energy Services Limited
- Reliance Gas Corporation Limited
- Reliance Global Energy Services (Singapore) Pte. Ltd
- Reliance Polymers (India) Limited
- Reliance Polyolefins Private Limited
- Reliance Aromatics & Petrochemicals Private Limited
- Reliance Energy and Project Development Private Limited

- Reliance Chemicals Private Limited
- Reliance Universal Enterprises Private Limited
- Reliance One Enterprises Limited
- Reliance Personal Electronics Limited
- International Oil Trading Limited
- Reliance Review Cinema Private Limited
- Reliance Replay Gaming Private Limited
- Reliance Nutritional Food Processors Private Limited
- Reliance Commercial Land & Infrastructure Private Limited
- Reliance Eminent Trading & Commercial Private Limited
- Reliance Progressive Traders Private Limited
- Reliance Prolific Traders Private Limited
- Reliance Universal Traders Private Limited
- Reliance Prolific Commercial Private Limited
- Reliance Comtrade Private Limited
- Reliance Ambit Trade Private Limited
- Reliance Corporate IT Park Limited
- Reliance Petro Marketing Private Limited
- LPG Infrastructure (India) Private Limited

## 6. Product and Brands

**Polymers**

			
Polypropylene (PP)	Polyethylene (HDPE, LLDPE & LDPE)	Polyvinyl Chloride (PVC)	High Density Polyethylene (HDPE) Pipes
			
Polypropylene Random (PPR) Pipes	Reliance Elastomers	Poly Butadiene Rubber	Styrene Butadiene Rubber
			
Butyl & Halogenated Butyl Rubber	Looks & Feels Like Wood. Resistant to Fire, UV, Termite & Water	Advanced Material Composites	

**Chemicals**



Linear Alkyl Benzene (LAB)

Polyesters



Portfolio of Speciality New-age Fabrics

Recron

Staple Fibres, Filament Yarn, Texturised Yarn, Twisted / Dyed Yarn

Recron<sup>IDY</sup>

High Tenacity, Low Shrinkage

Recron<sup>SHT</sup>

Super high strength, Excellent brightness and low shrinkage

Recron<sup>FANCYY</sup>

Value-added creations, distinct weaves and easy usability

Recron<sup>Stretch</sup>

Stretch Yarns for comfortable fit and freedom of movement

Recron<sup>Cotluk</sup>

Cotton look, Cotton-feel Yarns

Recron<sup>Superblack</sup>

Dope dyed black with high consistency in shade

Recron<sup>Super Micro</sup>

Super fine fibres, Soft feel & touch

Recron<sup>Superdye</sup>

Bright, brilliant colours and soft-feel, low pill

Recron<sup>Kooltex</sup>

Moisture management, Fibres that keeps you cool, dry & fresh

Recron<sup>Fibrefill</sup>

Hollow Fibres with high bounce and resilience

Recron<sup>3D Conjugate</sup>

Recron<sup>3s</sup>



Recron<sup>FeelFresh</sup>

Recron<sup>Recobulk</sup>

Hi-bulk Fibres for Soft-feel & Warmth



Eco-friendly Fibres made from 100% post-consumer Polyester waste

Recron<sup>Recosilk</sup>

Yarns for a Silken Shimmer and Swathes of Colour

Recron<sup>FS</sup>

Providing Superior Fire Safety

Recron<sup>Exclk</sup>

Yarns for naturally Soft Silken hand-feel

Recron<sup>EcoD</sup>

Eco-friendly dyeing process



Polyethylene Terephthalate (PET)

## Petroleum Retail



Liquefied Petroleum Gas (LPG)



Transportation Fuels



Jet/Aviation Turbine Fuel



Auto LPG



Fleet Management Services



Highway Hospitality Services



Convenience store



Foods



Lubricants

## Textiles Owned Brands



Suits, Shirts, Readymade Garments, Sarees and Dress Material for Women



Ready-to-stitch, take away fabric in gift packs



Anti-Microbial Fabric Finish Technology



Anti-Dust, Anti-Microbial, Quick Stain Release & Anti-Pollen Fabric Finish Technology



Smooth and Wrinkle-free Fabric Finish Technology



Cool Moisture-absorb Fabric Finish Technology



Suiting & Shirting



Suits, Shirts, Readymade Garments

## Retail Owned Brands



Neighbourhood store



Supermarket



Cash & Carry store



Electronics speciality store



Speciality store for mobility & communication



Consumer electronics after sales service provider



Jewellery speciality store



Apparel speciality store



Women apparel store



Menswear focused apparel store



Kidswear apparel store



Footwear speciality store



Curated online fashion store



Women apparel store

### In-Store Brands



Ethnic Indianwear inspired by Indian ethos and art forms



Denim inspired casuals



Menswear Fashion Brand



Smart casuals for the free spirited



Activewear for sports and fitness



Smart casuals for kids inspired by California



Sport Inspired Casualwear



4G Mobile Handsets and Connectivity Devices



Exclusive Brand from Reliance Digital



Full range grocery brand



Mid-meal Snack solutions for anytime hunger



Matic Detergents



Healthy breakfast



Range of Teas

Partnerships with Reliance Retail



Casual Wear, Denims



Global brand ownership and marketing organisation



World's second oldest luxury brand



Men's Wear, Formal and Semi Formal



Luxury Bags, Shoes, Accessories



Iconic American brand



Luxury ready to wear and accessories



Men's Formal Wear



Bags & Accessories



American Sportswear brand



Iconic Italian lifestyle brand



Distinctive Fashion Footwear & Accessories



Luxury Men's Wear and Women's Wear



Denim, Casual Wear



The finest Toy shop in the World



Leading European Lingerie brand



Diversified portfolio of fashion and home brands



Women's Footwear and Accessories



Accessible Luxury for Women



British footwear and accessories brand



Iconic British lifestyle brand



Bags, Footwear and Accessories



British retail brand specialising in products for expecting mother and kids



Iconic Japanese lifestyle brand



Italian luxury & casual sportswear brand



Men's Formal Wear



Affordable footwear speciality store



Home Furnishings & Decor



## Digital Services



Jio Connected Intelligence



MyJio Manage your Jio Account



JioTV Live and Catch up TV on the move



JioCinema Entertainment at your fingertips



JioSaavn Music for you. Anytime, Anywhere



JioNews Complete Package for digital news and magazines



JioChat Free Chat, SMS, Voice & Video Call



JioCloud Store and Access your files from anywhere



JioCall Smart Landline Calling Services!



JioMoney & Jio Payments Bank Experience cash-free living



JioBrowser Fast, Safe & Light weight browser



JioGames Bringing Games to Everyone's Life



JioStore Install and Manage your apps on Jiodevices



HelloJio Your Personal Voice Assistant!



JioTV- Aggregating video content across OTT apps



JioAds Cross-device Marketing Technology Platform



JioSecurity Protect phone, secure data



JioSwitch Secure file transfer and share



JioNet Gateway to India's largest Wi-Fi network



JioHealthHub Your digital health vault



JioGST GST service provider



Jio Smart Security Security camera application which lets you connect and view multiple cameras



Jio Motive Make your car Wi-Fi enabled, check real time location and status, emergency contacts



Jio Home To control IoT devices, access media content, customize home automation and surveillance

Products and brands offered by the company:

- Crude oil and natural gas
- LPG
- Propylene
- Naphtha
- Gasoline
- Jet/Aviation Turbine Fuel
- Superior Kerosene Oil
- High Speed Diesel
- Sulphur
- Petroleum Coke|
- Polypropylene
- High Density Polyethylene
- Low Density Polyethylene
- Linear Low Density Polyethylene
- Polyvinyl Chloride
- Poly –Olefin
- Suitings ,Shirtings,Readymade Garments

- Furnishing fabrics
- Day curtains
- Automotive upholstery
- Suitings
- Ready-to-stitch
- Take away fabric
- Fleet management services
- Highway hospitality services
- Vehicle care services
- Linear Alkyl Benzene
- Paraxylene
- Purified Terephthalic Acid
- Mono Ethylene Glycol
- Staple Fibre
- Filament Yarn
- Texturised yarn
- Twisted yarn

- Moisture management yarn
- Quality certified sleep products
- Polyethylene terephthalate

## **7. Petrochemicals**

Reliance Industries Limited (RIL) and BP signed a definitive agreement relating to the formation of their new Indian fuels and mobility joint venture. The venture is expected to be formed during the first half of 2020, subject to regulatory and other customary approvals. The new venture, a further development of RIL and BP's longstanding partnership, will include an India-wide fuels retail service station network and aviation fuel marketing business. Building from RIL's existing businesses, the partners expect the venture to co-create a world class fuels partnership to grow rapidly and help meet India's fast-growing demands for energy and mobility.

The venture expects to expand from RIL's current fuel retailing network of over 1,400 retail sites and 30 aviation fuel stations across India to up to 5,500 retail sites and 45 aviation fuel stations over the next five years to become the most preferred provider of automotive and aviation fuels. The retail network will operate under the Jio-BP brand, signaling a new paradigm shift in fuels marketing and mobility solutions. It brings together Reliance's extensive access and connection to consumers through its Jio digital platform and BP's deep experience in fuel retailing around the world. The joint venture will seek to offer Indian consumers high-quality differentiated fuels, convenience and services. Castrol lubricants will also be available across the venture's network.

The partners intend to set up a new joint venture company, held 49% by BP and 51% by RIL, that will assume ownership of RIL's existing Indian fuel retail network and access its aviation business in fuel.

### **BP in India**

With its many investments in India and employing around 7,500 plus people in the natural gas, lubricants and petrochemicals businesses, BP is one of the largest international energy companies in India. In addition to its gas value chain alliance with Reliance Industries Ltd., BP's activities include Castrol lubricants; the licensing of competitive petrochemical technologies; oil and gas trading; clean energy projects through its investment in Lightsource BP; IT and procurement back office activities; staffing and training for BP's global marine fleet; and the recruitment of skilled Indian employees for its global businesses.

## 8. Oil and Gas

RIL's upstream business comprises the complete chain of activity starting from exploration, appraisal, development and production of hydrocarbons.

Reliance entered the Exploration and Production (E&P) business by becoming a 30% partner in an unincorporated joint venture with Shell and ONGC in the Panna Mukta, Mid and South Tapti blocks. As of Jan 1st, 2020, our domestic portfolio comprises of conventional oil and gas blocks in Krishna Godavari and Mahanadi basins and two Coal Bed Methane (CBM) blocks, Sohagpur (East) and Sohagpur (West) in Madhya Pradesh (MP).

Oil and Gas business continued to face headwinds owing to declining volume and soft price that improved at the later part of the last year. Domestic production were down 16.9% .

Reliance poised one of the largest non-conventional gas producer in India. Reliance and its partner announced plan to invest Rs. 40,000 crore to developed the already discovered deep water gas field in the KG-D6 block.

In US Shale Gas business, the natural gas price were firm during the last year and offtake from LNG and Mexican exports



## **9. Reliance Retails**

Retail comes from the French word retailer which refers to "cutting off, clip and divide" in terms of tailoring. It first was recorded as a noun with the meaning of a "sale in small quantities" in French. It's literal meaning for retail was to "cut off, shred, paring".

Business of selling products and services to the public as the ultimate consumer. Retailing involves selling many different products and services, either from a store location or in direct selling and in-home presentations, mail order, and so on.

First retailers in India include BATA, Pantaloon, Bombay Dyeing, Spencer's, and Nilgiris. The current Retail scenario is controlled by the likes of shoppers stop, Big Bazaars.

## 10. Jio Infocomm

Reliance Jio (simply JIO) is an Indian mobile network operator launched commercially on September 5, 2016. Owned by Reliance Industries, the entry of Jio revolutionized the telecommunication sector.

it operates a national Long-Term Evolution (LTE) network with coverage across all 22 telecom circles. Jio does not offer 2G or 3G service, and instead uses Voiceover LTE (VoLTE) to provide voice service on its network. The launch of Reliance Jio has caused a revolution in the telecom industry. Now, Jio claims to be the world's largest data network, based on mobile data consumption.

According to the Telecom Regulatory Authority of India (TRAI), as of February 2019, there are 1.17 billion mobile-phone subscriptions in India, an increase of roughly 140 million subscriptions since August 2016—the month before Jio launched. The growth is especially pronounced in rural areas, where there are now over 500 million wireless subscriptions, roughly 80 million more than there were before the company formally began its operations. As more Indians gain phone subscriptions, more are coming online.

The logo of Reliance Jio has a hidden symbolism in it. When you flip the Jio logo around, it is read 'oil'. The Jio logo seems to represent the past and future of Reliance. Oil is what had propelled Reliance to

become India's biggest company in the 20th century. When flipped over into the 21st, it's probably going to be Jio.



Jio High Speed Internet service is the fourth generation (4G) mobile technology that enables the delivery of high-speed internet services. It uses voice over LTE to provide voice service on its network. LTE refers to Long Term Evolution of telecom technology that enables High Definition voice and high-speed internet access.

Jio owns spectrum in 850 MHz and 1,800 MHz bands in India's 22 circles, and also owns pan-India licensed 2,300 MHz spectrum. The spectrum is valid until 2035. Jio shares the spectrum with Reliance Communications. The sharing deal is for 800 MHz band across seven circles other than the 10 circles for which Jio already owns. In September 2016, Jio signed a pact with BSNL for intra-circle roaming which would enable users of the operators to use each other's 4G and 2G spectrum in national roaming mode. In February

2017, Jio announced a partnership with Samsung to work on LTE - Advanced Pro and 5G.

Reliance Jio Infocomm Limited revolutionised the telecom sector. The scenario of Indian telecom market before JIO entered it was there were more than 1 billion mobile users in India, out of which only 34% were connected to the internet. Only 12% from these 1 billion used 3G data or above.

The Biggest difference between JIO and others is its Optical Fibre Network. An optical fibre is a wire that converts your data signal into light and transfers them at the speed of light. Reliance Jio has the longest fibre optic network in the country, ranging over 2,50,000 km and 90,000 eco-friendly 4G Towers to provide the greatest 4G Coverage in all of India's 22 telecom circles. Reliance Jio invested Rs150,000 crore to put this in perspective – this is more than two times the combined investment of Airtel, Idea, and Vodafone in the 4G Segment.

Success factor for Jio are :

1. Minimum tariff plan in the market by giving attractive discounts and free promotional Data.
2. Everyone change to Jio or at least buy a Jio sim to experience data for free for limited period

3. High speed data of fibre optic network to give super fast internet and make people think that 1GB data is not really much.
4. Increase subscriber base by having good customer care and best tariff plans.
5. Recover your investment using the large number of users accumulated

Once the fibre optic network is laid down, the cost of operating is not very massive. On the contrary, the network can be at minimal cost; therefore the only focus was to get more internet users. If 60% of the people in India use 1 GB internet per month then Jio can recover the initial investment in 3 years. The company also plans to rake in profits from its mobile apps which include a variety of services.

## **SWOT Analysis –**

SWOT Analysis is a tested technique for the audit and analysis of the overall strategic position of a business and its environment. Its key purpose is to identify the strategies that will create a specific business model that will best align an organization's resources and capabilities for the achievement of its objectives in the environment in which it operates.

## **Strengths of Reliance Jio –**

Strongest Customer Acquisition strategy

Strong backing by parent company

Innovative technology

Strong customer base

Market share -> “First mover advantage in making data cost more affordable”

Multiple plans and offers under a single name

## **Weaknesses of Reliance Jio -**

Late entry into the market

Activation Issues

High dependency on data

Pricing Controversies

Too many freebies

Poor data connection

## **Opportunities of Reliance Jio –**

Future driven technology

Applications

Competitive Pricing Strategies

Expansion to other countries

**Threats of Reliance Jio –**

Risk of loss of customers

Loyal customer base of existing players

Poor Code of ethics

Government policies

## **11. Sustainable Growth and Societal Responsibility**

Reliance reports apart from solving business problem, they also create societal value for all Indians. When they started working in textile business, they tried to provide best fabric to all Indians. Their petrochemical products have a role in every modern day life. When they entered the telecom, they enable every one to buy the mobile phone for every Indian at an affordable price. Through Reliance Retails, they have made the best in class global brand available to every section of society. With Jio, they have made available high speed data to every Indian at the most affordable rate.

They want to achieve their motto:-

“Making life better for everyone.”

Reliance integral part of philosophy is its commitment to empower and enhance the quality of lives of millions of people. Sustainability at Reliance embraces environmental and social responsibility while creating value for its stakeholders. On the operating side they are working to maximize the use of clean energy and minimize the



carbon foot print in collaboration with the best available technology holders. Reliance Foundation is involved in the “rural transformation, health, education, sports for development, disaster response.”

## 12. Plan for Debt Free

Reliance were debt free until 2012 but since then it has witnessed 438% increase in gross debt. As Reliance Industries ended FY'19 with net debt of Rs 1,54,478 crore, chairman Mukesh Ambani has been trying to assuage investor concerns over the group's rising debt levels.

In August 2019, he declared that RIL would be a zero-net-debt company in 18 months, announcing a number of asset sale plans, prompting analysts to call it everything from a 'debt-diet' plan to Reliance's 'great deleveraging'.

How did Reliance Industries get to that position though and why did it reach the point where it demanded critical attention?

The company has an accumulated gross debt of more than Rs 2.87 lakh crore, as it expanded rapidly into the consumer-focused businesses of retail, telecom and e-commerce over the past few years besides majorly upgrading the core refining and petrochemicals businesses. The rising debt level of Reliance demands critical attention as there has also been a consistent decline in revenue from oil, gas and petrochemical business.

Investments in acquisitions is another cause for the huge debt pile of Rs 2.87 lakh crore at the end of 2018-19. Over the past 24

months, RIL has acquired stakes in about 20 start-ups and in half-a-dozen small firms. The acquisitions have become a necessity, especially after Jio was launched. RIL's target is to create a bouquet of digital products, which can counter the likes of Google, Amazon and Netflix. RIL has Rs 1.33 lakh crore cash in hand and, as noted above, a net debt of Rs 1.54 lakh crore.

RIL's total liabilities, as disclosed in its annual report, include debt, higher crude payables, customer advances, capital expenditure creditors and spectrum payouts. For 2018-19, RIL's finance cost had more than doubled to Rs 16,495 crore from Rs 8,052 crore in the previous year. In its annual report, the company also states that the increase was primarily on account of commencement of its digital services business, petrochemical projects at Jamnagar and higher loan balances.

In August 2019, global brokerage Credit Suisse red-flagged RIL's total financial liabilities, pegging it at \$65 billion (Rs 4.6 lakh crore). It downgraded RIL's stock from 'neutral' to 'underperform' and slashed its target price from Rs 1,395 apiece to Rs 995 citing high liabilities, lower refining and petrochemical margins, and slow enterprise rollout and Jio's weak average revenue per user in the first quarter of FY20. RIL shares had taken a hit after Credit Suisse downgraded the share rating.

The brokerage's downgrading of RIL was also because the conglomerate has been free cash flow (FCF) negative for six years. As RIL's liabilities have dramatically gone up to \$65 billion in FY19 from \$19 billion in FY15, Credit Suisse predicted in its August 2019 report that the negative FCF trend is likely to continue in FY20-21 too, just as it has been for the last six years, given the margin pressure in refining and petrochemical.

By keeping this negative report and addressing investor concerns, Mukesh Ambani, chairman of RIL made several optimistic pronouncements about the future of the company at its 42nd annual general meeting (AGM) in Mumbai on August 12, 2019. Primarily, he focused on the plan to sell a 20% stake in its oil and petrochemicals business to Saudi Aramco for an enterprise value of \$75 billion or around Rs 5.3 lakh crore. Saudi Aramco will also supply 500,000 barrels per day of crude oil on a long-term basis to RIL's Jamnagar refinery. The 20% stake sale is likely to fetch RIL \$15 billion or around Rs 1 lakh crore.

Within days of Ambani's speech, Credit Suisse immediately upgraded its rating on Reliance Industries to 'neutral' while raising the price target from Rs 1,028 to Rs 1,210. It apparently factored in the stronger balance sheet with debt reduction of \$22 billion till FY21, and low capex intensity guidance and higher Jio valuation. The shareholders have been told by Mukesh Ambani that hitting zero net debt will come with higher

dividends, bonus issues and other goodies “at a more accelerated pace than any time in our history.” However, this may be overly optimistic, as with deepening economic slowdown investors may struggle to reinvest the cash returned by Reliance.

For RIL, the major concern stems from the recent underperformance of its refining business. Hit by volatile crude prices and trade wars, RIL’s refining margins have consistently been declining for the past seven quarters. The refining margin (Gross Refining Margin or GRM) of RIL has fallen to \$8.2 a barrel in Q4FY19, registering a slip for the sixth straight quarter. In this situation, RIL’s talks about selling 25% of its stake to Saudi Aramco fits in. In 2011, when production had depleted, RIL had sold 30% of its hydrocarbon assets to British giant BP Plc for \$7 billion (Rs 52,000 crore).

The new deal would help RIL secure its supplies while Aramco gets to enter a new market like India, even as the US cuts down its dependence on Saudi Arabia for oil. Just after the announcement of this deal, RIL’s stock rose by nearly 46%.

Although Aramco has had plans for over a year now to set up a refinery in Maharashtra's Ratnagiri in a tie-up with Indian PSU refiners, the project is yet to take off. There are concerns about how and whether Saudi Aramco will stay committed to the mega Ratnagiri refinery project, while simultaneously showing interest in Reliance Industries' refining and petrochemicals business.



### Recent Investment made to Reliance:

1. KKR – Private equity firm set to invest 11,367 crore for 2.32% stake. Largest in Asia.
2. General Atlantic – Private equity firm set to invest 6,598 crore in Jio platform for a 1.34% stake.
3. Vista Activity – Private equity firm set to invest 11,000 crore in Jio platform for a 2.32% stake.
4. Silvar Lake – Equity firm to invest about 5,000 crore for stake of 1.15%.
5. Facebook – The original investment setoff this cascade was Mark Zuckerberg’s social networking giant Facebook, the FB set to invest over 43,000 crores for 9.99% stake.

All these investment total a little in excess of 78,562 crore which goes to jio platform which house JioSaavan, Jio Cinema , Haaptik and Reliance main telecom venture Jio.

# 13. Fundamental Analysis of Reliance Industries Limited

Right valuation of company (Entry point for share market)

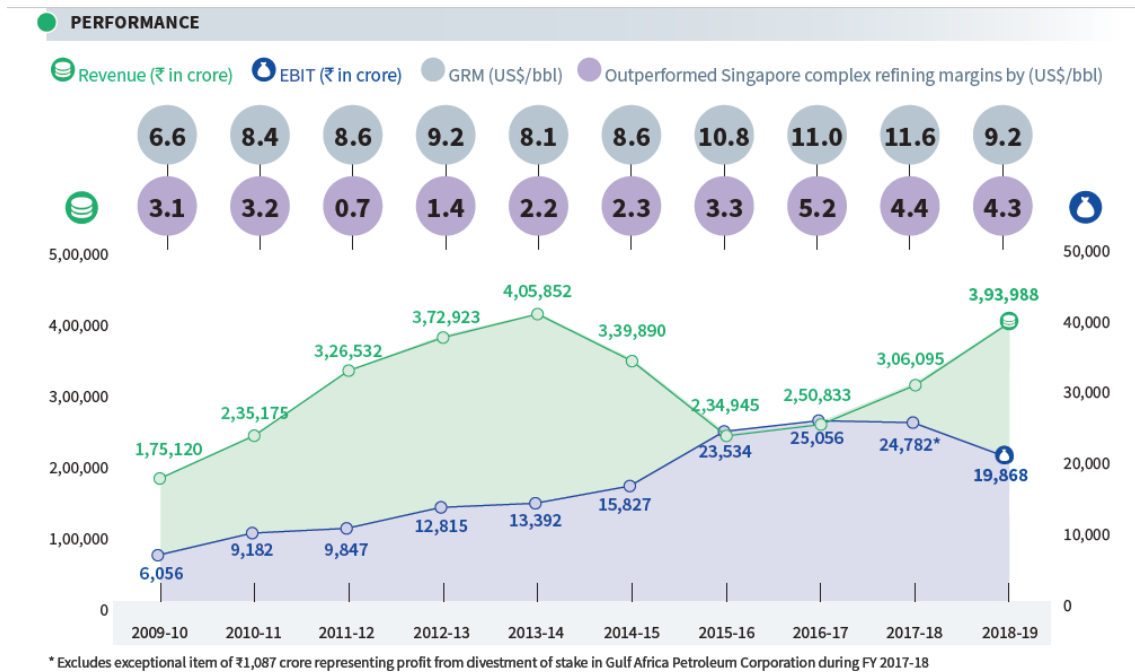
Entry price – when one should buy the share from market

Target Price – when the share should reach after the certain amount of time. Expected price after certain time.

Intrinsic value of the company =  $EV / EBITDA$

## Oil & Exploration:

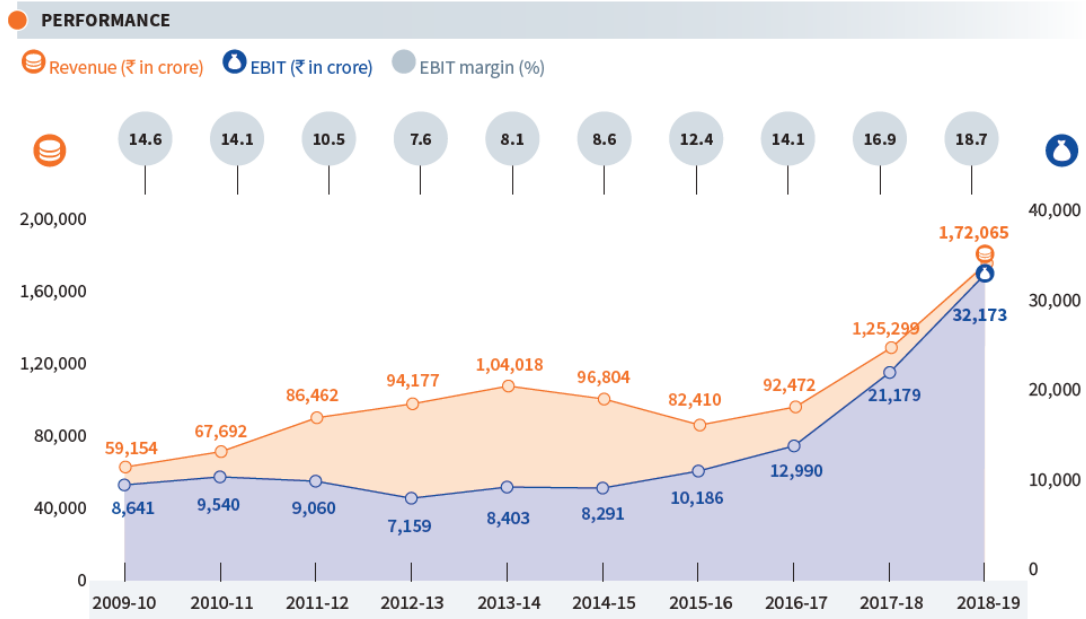
Revenue have increased, but EBIT a bit decreased.





## Petrochemical:

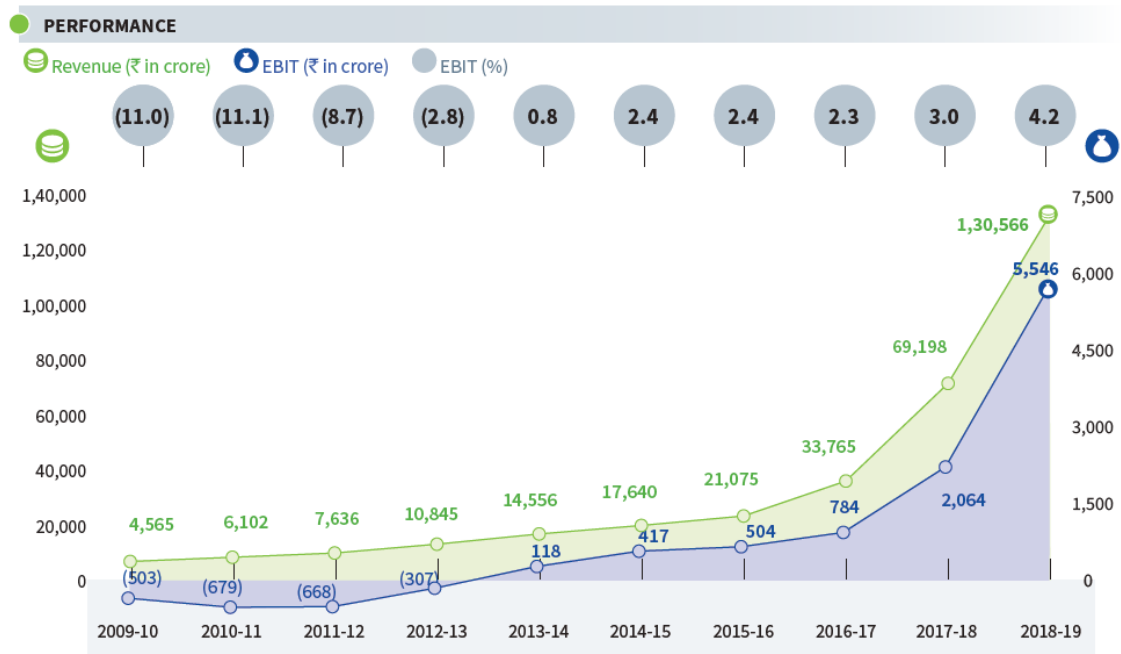
Revenue is increasing over the time, similarly EBIT are also increasing



## Petrochemical:

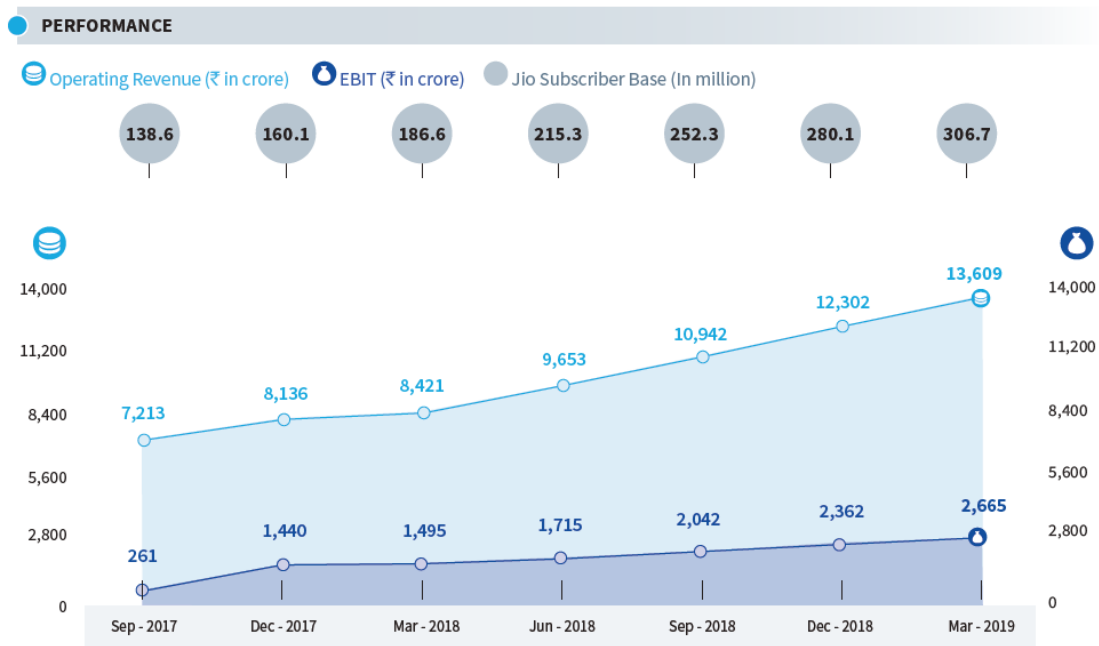
Revenue is increasing over the time, it is doubled from 2017-18 to 2018-19 similarly EBIT are also increasing but it has almost tripled.

So the profit is increased 3 times!!



## Digital Service (JIO):

Revenue is increasing over the time, similarly EBIT are also increasing



## **Balance Sheet of Reliance Industries :**

Total Revenue or Turnover is increasing over the time from 2016 to 2020

PROFIT & LOSS ACCOUNT OF RELIANCE INDUSTRIES (in Rs. Cr.)	MAR 20	MAR 19	MAR 18	MAR 17	MAR 16
	12 mths	12 mths	12 mths	12 mths	12 mths
<b>INCOME</b>					
REVENUE FROM OPERATIONS [GROSS]	611,645.00	622,809.00	430,731.00	330,180.00	293,298.00
Less: Excise/Service Tax/Other Levies	14,902.00	55,674.00	39,054.00	24,798.00	19,299.00
REVENUE FROM OPERATIONS [NET]	596,743.00	567,135.00	391,677.00	305,382.00	273,999.00
TOTAL OPERATING REVENUES	596,743.00	567,135.00	391,677.00	305,382.00	273,999.00
Other Income	13,956.00	8,635.00	9,949.00	9,443.00	12,053.00
TOTAL REVENUE	610,699.00	575,770.00	401,626.00	314,825.00	286,052.00

## **Profit and Loss of Reliance Industries:**

Profit are increased YOY

TOTAL EXPENSES	552,756.00	520,646.00	352,259.00	274,683.00	247,551.00
PROFIT/LOSS BEFORE EXCEPTIONAL, EXTRAORDINARY ITEMS AND TAX	57,943.00	55,124.00	49,367.00	40,142.00	38,501.00
Exceptional Items	-4,444.00	0.00	0.00	0.00	0.00
PROFIT/LOSS BEFORE TAX	53,499.00	55,124.00	49,367.00	40,142.00	38,501.00
<b>TAX EXPENSES-CONTINUED OPERATIONS</b>					
Current Tax	13,726.00	11,683.00	10,098.00	8,880.00	8,042.00
Less: MAT Credit Entitlement	0.00	0.00	0.00	0.00	0.00
Deferred Tax	0.00	3,707.00	3,248.00	1,321.00	834.00
Other Direct Taxes	0.00	0.00	0.00	0.00	0.00
TOTAL TAX EXPENSES	13,726.00	15,390.00	13,346.00	10,201.00	8,876.00
PROFIT/LOSS AFTER TAX AND BEFORE EXTRAORDINARY ITEMS	39,773.00	39,734.00	36,021.00	29,941.00	29,625.00
PROFIT/LOSS FROM CONTINUING OPERATIONS	39,773.00	39,734.00	36,021.00	29,941.00	29,625.00
PROFIT/LOSS FOR THE PERIOD	39,773.00	39,734.00	36,021.00	29,941.00	29,625.00

## **Balance Sheet of Reliance Industries:**

Reserve and surplus increased over the years. Share capital are also increased.

Long term borrowing are increased, which is big but are planned to pay from latest deals.

<b>Consolidated</b>		Standalone					
Income Statement		Balance Sheet		Cash Flows		Ratios	
							(Rs. Cr)
<b>Equities &amp; Liabilities</b>	<b>MAR 2020</b>	<b>MAR 2019</b>	<b>MAR 2018</b>	<b>MAR 2017</b>	<b>MAR 2016</b>		
Share Capital	6,339.00	5,926.00	5,922.00	2,959.00	2,948.00		
Reserves & Surplus	446,992.00	381,186.00	287,569.00	260,746.00	228,600.00		
Current Liabilities	412,916.00	317,322.00	313,852.00	235,315.00	185,154.00		
Other Liabilities	299,668.00	297,972.00	209,005.00	213,319.00	182,295.00		
<b>Total Liabilities</b>	<b>1,165,915.00</b>	<b>1,002,406.00</b>	<b>816,348.00</b>	<b>712,339.00</b>	<b>598,997.00</b>		
<b>Assets</b>							
Fixed Assets	631,505.00	565,840.00	585,094.00	518,471.00	409,353.00		
Current Assets	258,260.00	230,755.00	183,786.00	146,813.00	127,785.00		
Other Assets	276,150.00	205,811.00	47,468.00	47,055.00	61,859.00		
<b>Total Assets</b>	<b>1,165,915.00</b>	<b>1,002,406.00</b>	<b>816,348.00</b>	<b>712,339.00</b>	<b>598,997.00</b>		
<b>Other Info</b>							
Contingent Liabilities	0.00	79,781.00	60,997.00	76,941.00	71,110.00		

	A	B	C	D	E	F	G	H	I	J	K
1		<b>EV/ EBITDA Stock Valuation model</b>									
2		This ratio tells investors how many times EBITDA they have to pay, were they to acquire the entire business.									
3											
4		Enterprise Value	10,17,464.40	6,53,357.80	5,28,420.92	4,24,125.00	3,44,442.92				
5	1	(Cr.)									
6	2	EBITDA	67695.5689	59941.0826	51958.7925	47708.099	40332.895				
7	3	EV/EBITDA (X)	15.03	10.9	10.17	8.89	8.54				
8	4	Growth in EBITDA		12.93684725	15.36273199	8.909794416	18.28582958				
9	5	Average 3 yrs									
10	6	growth in EBITDA					12.40312455			100	112.403
11	7	Expected EBITDA					76091.93459			67695.6	76091.9
12	8	Forecasted EV					1143661.777				
13	9	Shares									
14	10	Outstanding					618.82				
15	11	Target price					1848.133184				

## 14. Conclusion

Over the last four decades, Reliance continue to grow and evolve, creating value by continued to grow and evolve, creating value by building competitive global scale business and delivering increasing share holders value. Over the past 3-4 years, they have made significant investment in new plants thus creating organic growth platform energy and material business. Reliance is piloting the use of virtual reality (VR) to increase safety and reliability through the virtual walk through plant for interactive training. Reliance is implementing a world class analytic plate form and a data lake using cutting edge technology for its Big Data initiative. Reliance become first Indian company to cross \$10 billion in EBITDA in FY 2017-18. The cash profit were Rs. 56,000 crore. PVC pipe line helping the farmers for irrigation, Recron Fibre fill – making the everyone life comfortable, Reliance retails creating the eco system for daily needs, Reliance foundation partnering for India development. Reliance is working on the plan to make it debt free by 2021, so that all the profits are shares among the shareholders. Reliance have touched Indians almost in every domains and creating the shareholder value. Reliance Share price are expected to increased from current value and can appreciate y 10-15 % in a year time.

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