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A Study on Growth of Reliance Industries Limited: Strategies and Acquisitions of Previous 20 Years

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ABSTRACT

Reliance's growth since 2001 has been remarkable and a very important case study for financial analysts. It became the first Indian company to cross the 10,000 crore mark in terms of total turnover. The company's journey began in 1977 with a Rs 50 crore investment and about 60,000 shareholders, and has effectively given shape to the equity cult in India and as of today the company has a whopping 26 lakh shareholders. The major contributor to this scenario has been the wisely calculated financial decisions taken by Reliance Industries Limited in terms of market acquisition and consolidation. This paper discusses some of the major financial takeaways from RILs decisions; both success and failure.

I. INTRODUCTION

Over the recent years if there has been one company which managed to grab eyeballs and newspaper headlines every year it is undeniably Reliance Industries Limited. Reliance has been making rounds in the newspaper almost every quarter for some new acquisition or expansion or new launch. The buzz that it creates is almost incomparable with any other company in the Indian market. After all, Reliance is the top contributor in India's GDP, owner of Jio which is the largest telecom company in India, owner of the number 1 petrochemical and polyester business in India, owns the largest physical retail chain Reliance Retail, no. 1 in terms of market capitalisation in the country and of course it's CEO Mukesh Ambani is the largest single taxpayer in India and has been a part of the top 5 richest persons in the world for 11 years.

The journey of Reliance has been remarkable and the one thing they have taught everyone is that "Dream and Deliver". The company never shied away from taking risks or doing something new or a completely new marketing strategy or some highly unpredictable financial move. Over the last 10 years reliance has created many successful new launches – the most popular one being Jio; has taken many smart financial decisions such as buying 23 firms in the last 3 years and cashing all of them into profits.

Reliance started on a small scale when Dhirubhai Ambani set up a cloth mill in Maharashtra which spun cotton. Soon as the profits started accumulating that one mill sprung into many mills all over Maharashtra and Gujarat. Yet, the most significant turn of events happened when RIL discovered the oil well in the Arabic Sea. Today, the company's oil and gas assets include KG D6, Panna- Mukta, Tapti and two CBM blocks. RIL also has two joint ventures in North American oil and gas share plays – Pioneer Natural Resources and Chevron. It made Reliance the most profitable company in India and Mukesh Ambani the 3rd richest person in the world.

Here we also take a look at the formation of Anil Ambani's Reliance group which happened due to a split among the two brothers over control in Reliance Industries Limited. It is necessary to assess Reliance Group's financial decisions because they not only got Anil Ambani into huge debts but also potentially strong businesses failed in RG. Therefore, this paper strives to look into the financial decisions made by RIL which made it the most profitable company and try to learn from the company's highly calculated decisions.

II. LITERATURE REVIEW

It would seem that the growth of Reliance was a specific reflection of the fact that in Indian capitalism, business success has heavily relied upon securing means—technology, financing and state support—from the outside rather than on creating managerial and technological capabilities within firms that would be proprietary in nature. Reliance's success and the way that it was achieved, however, serves to establish that the degree of influence commanded by a business firm

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did not have a simple relationship with its past business success, as the causality also operated in the other direction. The growth of Reliance and the survival among the elite of those it joined thus had common roots—highlighting in the process the persistence of the mercantile element in Indian capitalism. (Mazumdar, 2017, #)

Reliance Industries Limited strongly believes in the concept 'growth through innovation'. It is believed that this concept will act as a point of differentiation and will provide the company with a huge competitive advantage. RIL intends to make long term profits by implementing effective talent management, sustainable solutions, and R & D facilities. (Roy &Mutum, 2017, 169)

Reliance Industries' Media Unit Network18 is in talks with the Video Streaming Service Netflix, about a multi-year partnership to source content. Under the partnership, Viacom18 would create shows for Netflix to help the U.S company expand its audience and offerings in India, where it competes with video streaming services Disney+ Hotstar and Amazon Prime. (Reuters Agency, 2020)

Research Objectives

1. The main objective of this paper is to study the pattern of market acquisition done by Reliance Industries Limited in the past 20 years and to infer major financial decision taking from their key success stories.
2. The paper analyses the performance of major subsidiaries of RIL before and after their acquisition. This enables us in developing a better understanding of how RIL converts its acquisitions into successful businesses.

Relevance

Reliance Industries is the top performing company in India which can be understood by the fact that RIL reported a consolidated turnover of over 6.5 trillion Indian rupees in fiscal year 2020. This was a 5.4 percent growth compared to the previous fiscal year. The conglomerate giant made most of its revenues from its refining, petrochemicals and retail businesses.

Therefore, it becomes necessary to study about such a company which is reviewed as widely as the FAANG (Facebook, Amazon, Apple, Netflix, Google) companies because of its diversification in product range and product line. Also, studying about RIL teaches about making smart financial decisions which is useful for many businesses whether large or small, and even on a personal level too.

Research Methodology

Reliance Industries Limited made many acquisitions in the past 3 years to boost up the product offerings and the subsidiaries. RIL put in $566 million in media and education, $194 million in retail, $1.2 billion in telecom and internet firms, $100 million in digital and $391 in the chemicals and energy space. Within 2 years, Reliance acquired companies like:

Balaji Telefilms (TV Content): RIL has invested in the entertainment industry. They acquired a 25% stake in film and television production house Balaji Telefilms Ltd also known as ALTBalaji in a deal worth Rs 413.28 crore.

Embibe (EdTech Content): In April 2018, Reliance Industries invested over $180 million in the edtechstartupEmbibe over the period of three years. The investment helped acquire a stake of 72.69 % from Embibe's existing investors. In April 2020, Bengaluru-based startupEmbibe received a funding of Rs 500 crore from Reliance. Reliance is aiming to connect 1.9 million schools and 58,000 universities across India.

Saavn (Music Content): On March 23, 2018, RIL announced a strategic merger of its digital music service JioMusic with music over-the-top platform Saavn with RIL acquiring a 75-80 % stake in the entity that was merged. The company said that the entity combined is valued over $1 billion, with JioMusic's implied valuation at $670 Million and Saavn with a valuation of $330 Million.

Radsys (5G Architecture): RIL acquired open telecom solution provider Radisys, in June last year for $74 million (Rs. 511 crores). That deal was majorly focused towards enhancing Reliance Jio's presence in the areas of 5G, Internet of Things (IoT), and open-source architecture adoption.

Eros (TV content): RIL acquired 5% of stake in film entertainment company Eros International for $48.75 million, as video content becomes a key driver to drive data consumption for its telecom venture Reliance Jio.

DEN Cables and HathwayNetworks: Reliance Jio bought a majority stake in Den Networks and Hathway Cable and Datacom in October, 2018. Jio acquired a 66 % stake in Den Networks with a primary investment of Rs. 2,045 crores and a 51.3 % stake in Hathway Cable and Datacom with an initial investment of Rs. 2,940 crores.

Haptik (customer engagement): On April 3, 2019, RIL announced that Reliance Jio Digital Services Limited has acquired artificial intelligence firm Haptik for Rs 700 crore, with Rs 230 crore as the consideration for the initial business transfer which could compete against Google Assistant and Amazon's Alexa. Thus, Reliance will hold about 87% of the business with the rest being held by Haptik founders and employees through stock option grants. Reliance said that the investment is to focus on the enhancement and expansion of the platform, with an addressable market opportunity of over 1 billion users in India.

Reverie (language processing): In April 2019, RIL acquired Reverie with majority stake for Rs 190 crores ($27.3 Mn) and will invest Rs 77 crores (almost $10 million) by March 2021. As part of the acquisition, Reliance will hold 83.3 % equity capital in Reverie on a fully diluted basis, with the total investment of Rs 267 crore likely to be completed by March 2021.

Fynd (online shopping): RIL acquired a majority stake in Shopsense Retail Technologies Pvt.Ltd. which runs fashion portal Fynd for Rs 295.25 crore ($41.9 million). RIL also has an option to further invest Rs 100 crore in Shopsense Retail Technologies, which runs Fynd, by December 2021. The investment in total will translate into an 87.6% stake in Fynd.

Tesseract (AR/VR): In August, 2019, Reliance acquired a stake of 80-85% in Tesseract post the deal that would be valued between INR 150 Crore and INR 500 Crore, the source added. Reliance also announced its mixed reality (MR) platform Holoboard that combines augmented reality and virtual reality. Holoboard would be the first made-in-India AR headset and works with smartphones. Interestingly, the device is developed by Tesseract.

Grab (logistics): In February 2019, RIL's wholly-owned subsidiary Reliance Industrial Investments and Holdings Limited (RIIHL) will acquire equity shares of Grab A Grub Services Private Limited (Grab) in a cash deal worth $14.9 Million or Rs. 106 Crore. At a later stage, the company will also invest up to $5.63 Million (INR 40 Crore) to complete the acquisition deal by March 2021. RIL will control 83% equity of Grab on a fully diluted basis with this investment.

- **Reliance and its subsidiaries (major associate companies)**

1. Jio platforms limited:
A technological company that is a majority owned subsidiary of RIL. This new subsidiary holds all the digital business assets including Reliance Jio Infocomm Ltd, which in turn holds the Jio connectivity business - Mobile, broadband and enterprise and also the other digital assets.

2. Reliance Retail:
Is the retail business wing of Reliance industries. It is the largest retailer in India. Many brands like Reliance fresh, Reliance market etc. come under this brand.

3. Reliance Life sciences:
It mostly specializes in manufacturing, branding, and marketing Reliance Industries' products in bio-pharmaceuticals, pharmaceuticals, clinical research services etc.

4. Reliance Institute of Life Sciences (RILS):
It is an institution that offers higher education in fields of life sciences and related technologies.

5. Reliance Logistics:
It is an asset-based company that offers logistics services like transportation, warehousing to Reliance group companies and outsiders.

6. Reliance clinical Research services (RCRS):
A subsidiary of Reliance Life sciences that specializes in clinical research service industries.

7. Reliance Solar:
Established by reliance to produce and retail solar energy systems mostly in rural areas. Their products include solar lanterns, home lighting systems etc.

8. Relicord:
A cord blood banking service established in 2002 owned by Reliance life sciences.

9. Reliance Jio Infocomm Limited:
A broadband service provider that gained 4G Licenses for operating across India.

10. Reliance Industrial Infrastructure Limited (RIIL):
An associate company of RIL that mainly engaged in the business of setting up and operating the industrial infrastructure. RIIL also does related activities like leasing and providing services which are connected to computer software and data processing.

11. Reliance LYF:
It is a 4G enabled VoLTE (Voice over long-term evolution) device brand from Reliance Retail.

12. Network 18:
It is a mass media company that operates two joint ventures namely Viacom18 and History TV 18. It has also acquired the ETV network and from then renamed its channels under the Colors TV brand.

13. Reliance Eros Productions LLP:
It is a Joint venture with Eros international to produce the film content in India.

III. DATA ANALYSIS AND INTERPRETATION

Reliance Industries Limited has expanded their business in each and every sector.

In the Education sector, Embibe, a Reliance Industries-backed educational technology firm acquired a 90.5% stake for rs 71.64 crore in e-learning products and service provider Funtoot, and plans to invest rs 10 crore more by December 2021, following which the shareholding will increase to 100%. In February 2020, Embibe acquired the rival platform OnlineTyari.

In the Entertainment sector, Reliance acquired Balaji Telefilms and Eros International. It increased its share from 50% to 51% in Viacom18 and entered into a strategic merger with Saavn. All the actions taken by Reliance in the entertainment sector provided benefits to its subsidiary Jio Platform Limited.

In the Telecommunications sector, it acquired telecom solutions provider Radisys Corp. This acquisition accelerated Reliance Jio's technology leadership and global innovation in areas of Internet of things, 5G and open-source architecture adoption through its telecom arm, Reliance Jio Infocomm.

In another swift move, RIL acquired majority interest in Hathway Cable & Datacom, and DEN Cables, India's two largest cable TV and broadband companies. With this acquisition, Jio got control of almost 27,000 local cable operators of the two multi-system operators.

Corporate Restructuring leads to shareholder wealth maximization in quest of growth in terms of synergy, economies of scale, enhanced financial and marketing benefits, diversification and concentrated earnings instability, superior inventory organization, boost in domestic market share and also to attain rapidly increasing global markets.

Using this strategy, Reliance reaped the benefits. By investing in start-ups and firms in the majority of sectors, and slowly gaining control and increasing its share to gain control on the former, Reliance has put down its roots in each and every place. As the company's name suggests, Reliance has in its literal sense, made us reliant on its various businesses.

Major market consolidation and acquisition strategies by RIL

Acquisition of Kishore Biyani's Future group

When RIL announced the acquisition of the retail & wholesale business, and the logistics & warehousing business from Future Group in a mega transaction for Rs 24,713 crore, its share price jumped 2.6% to Rs 2172 per share and Future Group's share went 20% to Rs 162.3. Future Enterprises will subsequently sell by way of a slump sale the retail and wholesale business such as Big Bazaar, fbb, Foodhall, Easyday, Nilgiris, Central and Brand Factory to Reliance Retail and Fashion Lifestyle Limited.

This acquisition is negative for their competitor Avenue Supermarts (DMart), as among the three main players in the grocery market, Avenue and Reliance were having a tight competition. The major takeaway was that the weak competitor being acquired by a stronger one was negative for Avenue which became a distant No. 2 in a largely two-player market. This move highlights the importance of acquiring a weaker competitor to fight against the major rival even if the former one has been incurring losses for quite some time. The business deal should be seen with confidence and in a longer span of time instead of only seeing the current financial statements of the company.

Pradeep Dhadha'sNetmeds acquisition by RIL

Reliance Retail's acquisition of a majority stake in digital pharma marketplace Netmeds formerly known as Vitalic Health Private Limited, for □ 620 crore in cash is significant for a few reasons. With this acquisition, the Mukesh Ambani-led company has got the 100% equity ownership of Netmeds subsidiaries — Tresara Health Pvt Ltd, Netmeds Marketplace Ltd and Dadha Pharma Distribution Private Limited.

1. Reliance has acquired 100% equity ownership of all Netmeds' subsidiaries.
2. All these subsidiaries have recorded losses in the last three financial years.
3. Amazon recently launched its epharmacy venture named Amazon Pharmacy looking at strong growth.

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The addition of Netmeds enhances Reliance Retail's ability to provide good quality and affordable health care products and services, and also broadens its digital commerce proposition to include most daily essential needs of consumers. This gives RIL a direct face off with Amazon in the epharmacy sector, and as of now RIL is trying to make its base in the Indian ecommerce sector. Therefore, these varied acquisitions will help in strengthening its position in the coming years.

Again, RIL has acquired a company which has been running into losses yet they see the potential in the epharmacy sector due to the unprecedented Covid-19 times where online delivery of every commodity is becoming a regular thing to do. It shows how RIL is truly foresighted and ready to venture into unknown territories even if those companies have been reporting losses.

Other significant acquisitions

Within 2 years, Reliance acquired companies like Balaji Telefilms (TV content), EdCast (learning enabler), Embibe (edtech content), Saavn (music content), Radsys (5G architecture), Eros (TV content), Hathway (broadband), DEN (cable), Haptik (customer engagement), Reverie (language processing), Fynd (online shopping), Tesseract (AR/VR) and Grab (logistics). The companies acquired by Reliance, are working on various technologies; be it artificial intelligence (AI), internet of things (IoT), blockchain, online multiplayer gaming, multi-party videoconferencing, augmented reality (AR), virtual reality (VR) and mixed reality (MR).

1. Embibe

In April 2018, Reliance Industries had invested **$180 million** in the edtechstartupEmbibe over a period of three years. Embibe is an education platform that uses data analytics to deliver personalised learning outcomes for students. With Embibe's technology, Reliance aims to connect over **1.9 Mn schools and 58,000 universities** across India.

2. Fynd

RIL acquired a majority stake in Shopsense Retail Technologies Pvt.Ltd which runs fashion portal Fynd for Rs 295.25 crore ($41.9 million). The investment would enable the group's digital and new commerce initiatives. Reliance has been strengthening investments and acquisitions in the tech and Internet space as it prepares to launch services like e-commerce with the help of its huge reach through Reliance Jio Infocomm.

3. Grab

RIL's wholly-owned subsidiary Reliance Industrial Investments and Holdings Limited (RIIHL) acquired equity shares of Grab A Grub Services Private Limited (Grab) in a cash deal worth $14.9 Mn or Rs. 106 Cr.

The investment will support Reliance Group's digital commerce initiatives and strengthen its logistics services, catering to both B2B (business-to-business) and B2C (Business-to-consumer) segments. The deal would help the company boost its e-commerce model to take on its rival Amazon India and Flipkart in the country.

4. Haptik

On April 3, 2019, Reliance Jio Digital Services Limited acquired artificial intelligence (AI) firm Haptik for Rs 700 crore, with Rs 230 crore as the consideration for the initial business transfer that could compete against Google Assistant and Amazon's Alexa.

With this Reliance Jio is looking to leverage Haptik's capabilities across various devices and touchpoints in the consumer's journey. Reliance said that the investment is to focus on the enhancement and expansion of the platform, with a market opportunity of over 1 Bn users in India.

5. Saavn

On March 23, 2018, RIL announced the merger of its digital music service JioMusic with music over-the-top platform Saavn with RIL acquiring a 75-80 % stake in the merged entity.

RIL stated that the integrated business will be developed into a media platform of the future with global reach, cross-border original content, an independent artist marketplace, consolidated data and one of the largest mobile advertising mediums in India.

6. Hamleys

Reliance Industries completed the acquisition of British toy retailer Hamleys for about Rs 620 crore in an all-cash deal in July 2019. This acquisition will help Reliance Brands to become a dominant player in the global toy retail industry.

7. Balaji Telefilms

RIL also invested in the entertainment industry by acquiring a 25% stake in film and television production house Balaji Telefilms Ltd aka ALTBalaji in a deal worth Rs413.28 crore. The stake purchase will give Reliance Jio Infocomm Ltd. access to content generated by Balaji Telefilms.

These acquisitions will help RIL in creating a stronghold in the retail sector mainly because a few years back, prior to JIO's launch Reliance was seen as a B2B sector mainly because of its functioning in the upper sectors of the market rather than interacting at the ground level with consumers directly. With the strategic and historic launch of Jio, RIL was able to improve its image in the consumer's mindset and garner a spirit of

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confidence. Currently, Facebook owns a 9% stake in RIL and are looking forward to entering the Indian e commerce sector on a grand scale. The acquisitions made by RIL in the recent years will form a strong base for the company in competing with e-commerce rivals Flipkart and Amazon. This shows how RIL had envisioned their ten-year plan and broke it down step by step. It highlights the powerful foresight of Reliance's management.

Limitation of our research

1. Due to the constraint of time, the quality and quantity of research is low, making the research repetitive.
2. Because of the ongoing pandemic, no sources of primary data were available for the research. Hence, the research is based solely on secondary data.
3. Reliance Companies started in 1973, but the information was only available for the past 20 years. For the time period before that, very less or nil information could be found.

IV. CONCLUSION

In the coming future, Reliance Jio and other Reliance Industries' subsidiaries are likely to continue their acquisition trend to retain their leadership in the market. But the results of the acquisitions are yet to be majorly seen from the user perspective. While the results are yet to be seen, one fact is clear that Mukesh Ambani's Reliance is on a spree to capture it's position in the top 10 companies in the world. With a large potential customer base as in India which doesn't yet have the exposure to the finest offerings by other companies; RIL is looking forward to tap all the potential. It keeps the consumers aware about the latest developments and how it is going to benefit the consumers.

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