

Competitive analysis
about reliance
industries limited
business essay



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In order to give an introduction on Reliance industries limited, I must first speak about the back born of reliance the legendary man Dhirubhai Ambani. His full name is Dhirajlal Hirachand Ambani who was born on 8 December 1932 in a small village in north India. His father was a school teacher with a very little income. Dhirubhai was the second son in the family and intelligent among all. Even while he is schooling during weekends he opened small stall in village where you can buy potato chips and some other kind of snacks. And when he was 16 years old he moved to Aden in Yemen. He worked there and also in Dubai for few years. He got earned a bank balance of 50000 Indian rupees. He planned to come back to India and open his own business. In 1960's he started his own business.

On the way of his legendary journey in late 80's he planned open a private sector company and named it as reliance industries limited and started its journey by 1982. At first the company mainly focused in production of polyester textile. Later on they expand their firm to fibre intermediates, plastics, petrochemicals and petroleum refining and oil and gas exploration. The unique feature we can see in reliance compared to other companies it that their backward integration. Even though the industry opened as a small scale industry in late 1970's now it has become one of the top ten world's largest producer of petrochemicals. And also considering the polyester production reliance is the largest now in globally. So in this report I will focus on how they have achieved this position and how they maintaining their market position.

Major Milestones (History)

In 1982 Reliance group started reliance industries with a small polyester plant at Patalganga. In the year 1986 also Reliance started PTA plant and Polyester Staple Fibre plant at Patalganga. In the year 1988 company opened a new polyester plant at Patalganga again. In 1995 company net profit crossed Rs. 1000 crore (US\$ 338 million). In the year 1996 company issued a 50 and 100 year bond with US debt market. And also company rated by international credit rating agency. Following Years Company expanded their Hazira petro plant by introducing new plants like PET plant and MEG plant. During the same period Dhirubhai Ambani got the Dean's medal for setting an outstanding leadership. In the mid of 1999 and 2000 company became the 5th largest commercial producer of refinery in the world. After 2000 company realised the importance of international facilities and company brought world class product handling, storage and despatch facilities. In 2001 RIL achieved the position as the largest company in terms all major financial parameters. And also the legend Dhirubhai Ambani got the corporate award for the excellence for lifetime achievement. In 2002 RIL gained the position of having India's biggest gas discovery. They found a volume of natural gas 7 trillion cubic feet. This is considered as one of the ever discover by an Indian private sector company. Company awarded as the second largest petrochemical company. In 2003 RIL opened a new research and technology centre for their further develop in their polyester products at their Patalganga complex. Company opened oil refinery in the onshore of country Yemen. And also RIL became the first private sector company in India to record a net profit of US dollar of over 1 billion. In the year 2005 company was awarded as the international Refiner of the Year 2005. And <https://assignbuster.com/competitive-analysis-about-reliance-industries-limited-business-essay/>

also wins two National Energy Conservation awards. In 2007 company formed a tie up with a Malaysia company named Mammoth with a 0 million joint venture. With the help of this company they established their polyester business in Malaysia also. And in the same year company raised their asset by selling the equity about 15 million. In 2010 RIL merged with Brazilian company Petro bras and as an initial tie up they bought 3 million barrels of crude oil.

Major subsidiaries and associates

This part shows some subsidiaries and associates of reliance industries and what kind of business they do. While we looking through the major associates we can see that some of them are supporting the industry directly this allows the company to reduce the operation cost. We can see that reliance infrastructure offers IT services for the industry. Reliance institute offers students a good quality education and intelligent students from this institute is placed to the company upon graduation. Reliance logistics provider of transportation, distribution, warehousing of their products allows in reduces the cost in all these areas. And also reliance solar provides energy for the industry. From all these we can see that the industry's associates play a very important role in the company's survival.

Reliance Petroleum Limited one of India's largest private sector companies based in Mumbai. Company mainly focus on downstream oil business. RPL currently holds a 5% equity stake in the Company.

Reliance Life Sciences is a company driven through research in the fields of biotechnology and life sciences organization that participates in medical, plant and industrial biotechnology opportunities.

Reliance Industrial Infrastructure Limited is a company which sets up industrial infrastructure. It leases equipment and offers computer software and data processing services.

Reliance Institute of Life Sciences is an institution of higher education in various fields of life sciences and related technologies.

Reliance Logistics is a provider of transportation, distribution, warehousing, logistics, and supply chain services.

Reliance Clinical Research Services deals with contract based research and this is totally owned by Reliance Life Sciences. They have set up this subsidiary to provide clinical research services to pharmaceutical, biotechnology and medical device companies.

Reliance Solar The solar energy initiative of Reliance aims to bring solar energy systems and solutions primarily to remote and rural areas and bring about a transformation in the quality of life.

SWOT Analysis

6. 1. Strength

Reliance industries having a leading market position and market share in India which considered as their best strength. They possess the stand as the largest petroleum company in India which has their business outlets even in

rural areas. They have many associates and subsidiaries for the funding to the industry. Reliance business network is not just in India they have business over five continents. Considering the Indian market they have only very few competitors to compete.

6. 2. Weaknesses

Before four years the reliance was just one group. After the death of Dhirubhai Ambani Reliance group split in between reliance brothers Anil and Mukesh. Before they split reliance group was the second richest family in the world. This splitting affects much in their business. Their business is mainly focused in India by about 80%. It seems like they failed to establish their industry worldwide. For every business international market is a very good opportunity to increase their asset.

6. 3. Opportunities

In the domestic market reliance industry have business even in villages. This under penetration gives the company more opportunity to spread their business. All the products of reliance have a very high demand in international market, For example their petroleum products and polyester. The opportunity they have is that we can recognise they have put their hands on all major industries in India which makes the industry as an inevitable factor to the Indian market. Most of all the products having a trend of increasing demand.

6. 4. Threats

The main threat of the company is that their existing competitors in the current market. The economic depression that the world faced during past

few years has affected a lot in the business. India have been witnessed a lot of natural disasters like earth quake and tsunami. During the past few years the tsunami at Vishakapattanam harbour destroyed the company's wealth a lot. And also earthquake happened in Gujarat destroyed polyester plant.

Marketing strategy

The industry has a very good marketing strategy to compete in the market and to maintain their top position in the market. They have about 7100 retail sales outlet all over India and 1000 direct sales agents. And also under these direct sales agents they have other 4800 independant sale agents. In total there are 195 major distributors covering 50000 merchants over the major cities of India. While they establish their industry wide they haven't forget about customer welfare. In order to give a better service and to ensure customer satisfaction they have trained 4800 well experienced customer care executive over different zones of their network. They have an innovative pricing to drive penetration to the market. They have a trend of giving pricing offers and promotion in their products. Comparing to the other major petroleum companies in India reliance has always a variation in their price and also they have tried their best to keep the quality of their products. They have modern technologies at their outlets to give a good experience for their customers. They always try to have a minimum logistics cost to gain competitive edge. All these factors help in them achieving their goals and maintain their market status.

Competitors in market

The below table shows how Reliance industries Limited is different from other competitors in market in terms of financial parameters. (All the values stated in the table is in Indian rupees crore)

Market capital

Sales turnover

Nett profit

Total asset

Reliance

353, 982. 69

192, 461. 00

16, 236. 00

199, 665. 30

IOC

103, 940. 65

269, 136. 03

10, 220. 55

95, 119. 08

BPCL

26, 012. 96

135, 331. 48

735. 90

35, 281. 91

Essar Oil

20, 444. 04

37, 652. 00

514. 00

15, 027. 38

HPCL

16, 933. 06

124, 752. 42

574. 98

32, 860. 34

MRPL

14, 511. 52

32, 287. 94

1, 112. 38

7, 292. 97

Chennai Petro

3, 719. 06

24, 927. 26

603. 22

7, 539. 97

Discussion

From the above competitors table we can see that reliance industries have been compared with other major six companies in India. From the table is clear that in all the areas like market capital, sales turnover, net profit and also total asset, reliance have a very high position with a remarkable difference in their respective values. While we analyse the competition we can determine that the company posses a dominancy over the market. It is very difficult for the competitors to come over the reliance position.

Considering the fact that the company profit is from the market it is important for reliance to maintain this status with more marketing strategies.

Conclusion

After writing this report I have understood how reliance industries have came up in such a highly competitive market like in India and also they were able to establish their name in international market also. Form this report we can see that the company is not just focusing on one industry whereas it have

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many subsidiaries and associates which helping them to be stable when the economy is down.

Appendix

As part of the report preparation I visited my dad's friend who is working in Reliance and I had an interview with him. I went through many magazines who wrote articles about reliance and Ambani group's success. I have talked with some of my friends who got chance to work in their firms.

10. 1. Questionnaire

What do you think in the achievements of reliance group?

What makes the company to grow faster than any other company?

What was the basic business strategy that Dhirubhai put in when he started as a small scale industry?

How you evaluate the journey of reliance from a small scale polyester industry to the leading industry now in India?

How the company managed to stand stable when the whole world faces economy crises during past few years?

What do you think about risk taking of Dhirubhai?

Glossary

IOC - Inter Oil Corporation

BPCL - Bharat Petroleum Corporation Limited

MRPL - Mangalore Refinery & Petrochemicals Ltd

VLCC - very-large crude carriers

Suezmax - naval architecture term for the largest ships

GDR - Global Design Resources

VCM - Vinyl chloride monomer