The marketing strategies of ongcand rli

Oil and Natural Gas Corporation Limited (ONGC) (incorporated on June 23, 1993) is an Indian public sector petroleum company. It is a Fortune Global 500 company ranked 335th, and contributes 77% of India’s crude oil production and 81% of India’s natural gas production. It is the highest profit making corporation in India. It was set up as a commission on August 14, 1956. Indian government holds 74. 14% equity stake in this company. Its Head quarter is in Dehradun. The chairman and MD of ONGC is Mr. Radhey S. Sharma. Its revenue was $24. 032 billion in the year 2008. Currently there are 34000 employees.

ONGC Group of Companies comprises of Oil and Natural Gas Corporation Limited (ONGC – The Parent Company); ONGC Videsh Limited (OVL – a wholly owned subsidiary of ONGC); ONGC Nile Ganga BV (ONG BV – a wholly owned subsidiary of OVL) and Mangalore Refinery and Petrochemicals Limited (MRPL – a subsidiary of ONGC). Oil and Natural Gas Corporation Limited (ONGC) is India’s Most Valuable Company, having a market share of above 80% in India’s Crude Oil and Natural Gas Exploration and Production.

ONGC registered the highest profit among all Indian companies at US $ 1. 92 billion (Rs. 8664. 4 Caror) in the year 2003-04. Its production of Crude Oil in 2003-04 was 26. 7 MMT and of Natural Gas 25. 70 Billion Cubic Meters. ONGC also produce Value-Added Products (VAP) like C2-C3; LPG; Naphtha and SKO.

ONGC Videsh Limited (OVL) is overseas arm of ONGC, engaged in Exploration & Production Activities. It trans-nationally operates E&P Business in 10 countries, making ONGC the biggest Indian Multinational Corporation. In recent years, it has laid footholds in hydrocarbon acreage in various countries including Ivory Cost and Australia. ONGC Nile Ganga BV is a wholly owned subsidiary of OVL and has equity in producing field in Sudan.

ONGC is the flagship company of India and making this possible is a dedicated team of nearly 40, 000 professionals who toil round the clock. It is this toil which amply reflects in the performance figures and aspirations of ONGC. The company has adapted progressive policies in scientific planning, acquisition, utilization, training and motivation of the team. At ONGC everybody matters, every soul counts. Over 18, 000 experienced and technically competent executives mostly scientists and engineers from distinguished Universities / Institutions of India and abroad form the core of our manpower. They include geologists, geophysicists, geochemists, drilling engineers, reservoir engineers, petroleum engineers, production engineers, engineering & technical service providers, financial and human resource experts, IT professionals and so on.

Vision To be a world-class Oil and Gas Company integrated in energy business with dominant Indian leadership and global presence.

SWOT ANALYSIS

Strengths

O. N. G. C LTD is perceived to be the leader in oil production industry

O. N. G. C has a very efficient and professional management team.

O. N. G. C being an international company has sufficient resources

and capital to invest.

All crudes are sweet and most (76%) are light, with sulphur percentage ranging from 0. 02-0. 10, API gravity range 26°-46° and hence attract a premium in the market.

Strong intellectual property base, information, knowledge, skills and experience

Maximum number of Exploration Licenses, including competitive NELP rounds. ONGC has bagged 85 of the 162 Blocks (more than 50%) awarded in the 6 rounds of bidding, under the New Exploration Licensing Policy (NELP) of the Indian Government.

ONGC owns and operates more than 15000 kilometers of pipelines in India, including nearly 3800 kilometers of sub-sea pipelines. No other company in India, operates even 50 per cent of this route length

2) Weakness

O. N. G. C facing difficulties to produce oil from aging reservoirs.

3) Opportunities

Energy utilization of buried coal resource (700 -1700M), estimated

63BT – Equivalent to 15000 BCM.

Company can enter into the production of solar energy and other sources of energy.

4) Threats

In some exploration Campaign Company involves high technology, high investment and high risk.

Use of solar energy, wind energy etc, which can emerge as a real alternative to the oil, can be a treat to the company.

The main threat to the company, are other global players. The largest competitors in this industry for ONGC are Exxon Mobile and Royal Dutch Shell. ONGC is currently operating in 14 different countries whereas Exxon Mobile is operating in 20 different countries.

Major strategic decisions taken by ONGC

ONGC changed from commission to a company.

ONGC appointed MC Kinsey as a consultant for complete revamping and restructuring of the organization.

ONGC expanded its global operation through its subsidiary OVL.

ONGC bought 71% stake in MRPL refinery.

ONGC decided to acquire equity oil abroad through the endeavors of the OVL.

Marketing strategies of ONGC

THE GROWTH PLAN IN FORGIEN COUNTRIES :

ONGC expended its global operation through its subsidiary OVL.

Countries where OVL has its producing assets:

OVL acquired 25% in Nile project in Sudan,

20% stake in Sakhalin Oil field and other major project in Myanmar.

45% stake in partnership with British Petroleum.

OVL Assets with discoveries & exploration

Having 100% interest in appraisal & development in Qatar.

Having 70 % interest in exploration & appraisal in Egypt.

15% interest in development phase in Brazil.

20% participation interest in Myanmar.

GROWTH PLAN IN INDIA :

Technology up gradation :- Technological obsolesce is the main factor that is faced by ONGC and to cope up with this problem it decided to employ advanced technology-enabled like Increased Oil Recovery (IOR) and Enhanced Oil Recovery(EOR). And another technology was Supervisory Control and Data Acquisition (SCADA). It also adopted modern technology called Virtual Reality Interpretation to enhanced the oil recovery.

Human resources development:- To increase the motivation of employees ONGC developed many in-built appraisal systems to identify employee potential and reward exceptional performance. It redesign is HR appraisal system and introduced new programs like Productivity Honorarium Scheme, Quarterly Incentive Scheme, Group Incentives for Cohesive Team Working and Reward and Recognition Scheme. For development of employees ONGC established the institute of Management Development " ONGC Academy".

Financial restructuring:- Its main aim to reduce its cost and improving operational efficiency. It uses its Idle cash reserves and pay out its outstanding foreign loan and make it a ZERO debt Company. Excess cash was invested to acquire better technology and assets in India and Abroad. This results in increasing production output, more efficient operations.

CONCEPT OF DEREGULATION:- GOI deregulated the Indian Oil Industry with effect from April 01, 2002, by doing away with APM (Administrative pricing Mechanism). It will give an edge to domestic players to take independent decision based on import parity and market forces. PSU lose state protection and has to face global competitive business.

In the year 2002-03 ONGC's profits increased by 70% due to deregulation coincided with steady rise in global oil prices. In 2003-04 profits decreased by 18% due to depreciation of rupees and government policies. Due to increase in the crude oil prices in the international market ONGC had to sell crude oil to distribution, marketing PSU at subsidized prices.

FUTURE PLANS OF ONGC:- In mid-2004, ONGC planned to set up major plant at Dahej in GUJARAT and another at Mangalore in Karnataka. An agreement was signed with Gujarat government for setting up a SEZ for this purpose. Government announced planned to merge major oil companies i. e. HPCL AND BPCL with ONGC. But both companies refused on the ground that they wanted freedom to enter the oil and gas E&P.

In sept. 2004, Petroleum ministry was reportedly drafting a formal order asking ONGC to stay focused exclusively on its E&P business (core Business). Refining should be left to down stream oil companies, as it was their core business. It act as a major setback for ONGC, which had ambitious diversification plans.

WHY ONGC OPT FOR VERTICAL INTEGRATION:

Its core business showing signs of Stagnation and want to develop its business in other sector. If they confined to one sector, then ONGC has to face the upstream or downstream of that sector. They want to diversify their risk by investing in other sector so that they can reduce the dependence on a particular sector.

In 2000-01 ONGC oil production come down to 25. 05 mn tonnes. ONGC is heavily relying on its core business, its mean that company is confined to bear ups and downs of a particular cycle. Its Technology has become obsolete. Facing the problem of Overstaffing and Procedural Delays. It was also weighed down by the heavy corporate tax and interest burden.

STEPS TAKEN BY ONGC :

In 2002 ONGC was granted rights for marketing transportation fuels, to fulfill this it acquired a 37. 39 % (297 million shares)equity stake in MRPL from AV Birla Group. Later on, ONGC purchased 356 million (Rs. 3. 9 billion) shares of MRPL from institutional investors and increased its stake in MRPL to 71. 5 %. It diversified in to the Downstream (Refining & Retailing). ONGC acquired MRPL for venturing in to Retail sector and possessed advanced technology.

By acquiring loss making company (MRPL) ONGC was entitled to huge Tax concessions. GOI permitted ONGC to set up 600 retail outlets for marketing products. In April 2004, ONGC announced plans to buy HPCL’s equity stake in MRPL for about Rs. 5. 5 billion. ONGC increased its share in MRPL up to 87. 95%. ONGC invested in IT, covering 3 major areas i. e. ERP, Control System and Communication networks.

About RIL

Reliance Industries Limited is India's largest private sector conglomerate , with an annual turnover of US$ 44. 6 billion and profit of US$ 3. 6 billion for the fiscal year ending in March 2010 making it one of India's private sector Fortune Global 500 companies, being ranked at 264th position (2009).

Reliance Industries (RIL) is a major player in the Indian petrochemicals sector with integrated operations ranging from the production of crude oil and gas to polyester and polymer products as well as the manufacture of textiles. Its petrochemical operations include olefins, aromatics, polyethylene (PE) , polypropylene (PP), polyvinyl chloride (PVC) , polyester intermediates and solvents. Reliance Industries (RIL) claims to be India's largest private sector enterprise. It is a major player in the Indian petrochemicals sector. Reliance's operations capture value addition at every stage from producing crude oil and gas to polyester and polymer products and are vertically integrated to the production of textiles.

On 5 September 2007, Reliance Industries Limited (RIL) and Indian Petrochemicals Corporation Limited (IPCL) merged together.

The merger proposal between RIL and IPCL was first announced on 10 March 2007.

Indian Petrochemicals Corporation Limited

Indian Petrochemicals Corporation Limited (IPCL) is a petrochemicals company located in India. It was established on 22 March 1969, with a view to promote and encourage the use of plastics in India. Its business comprises of polymers, synthetic fibre, fibre intermediaries, solvents, surfactants, industrial chemicals, catalysts, adsorbents and polyesters.

The company operates three petrochemical complexes, a naphtha based complex at Vadodara and gas based complex each at Nagothane near Mumbai and at Dahej on Narmada estuary in bay of Khambhat.

Polymers

RIL's polymer business is integrated with its cracker at Hazira as well as the refinery at Jamnagar, which ensures feedstock availability at all times. Within India, RIL says it is the largest producer of polypropylene, polyethylene and polyvinyl chloride (PVC) with a market share in these products of 52%.

Polyester

RIL claims to be the largest producer of polyester staple fibre (PSF) and polyester filament yarn (PSF) in the world. This sector also produces polyethylene terephthalate (PET). Within India, RIL has a market share of approximately 54% for these products.

Fiber intermediates

RIL says it is the largest producer of all fiber intermediates, in India. RIL says it is the 3rd largest paraxylene (PX) and 4th largest purified terephthalic acid (PTA) producer in the world. Within India, RIL is the largest producers of monoethylene glycol (MEG).

Cracker Products

RIL operates one of the world's largest multi-feed crackers at Hazira, with a capacity of around 750, 000 tonnes/year. Production of ethylene and propylene was captivity consumed to the extent of 97%. Benzene, toluene and other by-product production was consistent with feedstock characteristics. RIL held its 45% domestic benzene market position. RIL produces ultra pure toluene suitable for the manufacture of toluene di-isocyanate, benzoic acid, and chloro toluene.

LPG

RIL produces commercial grade butane from its cracker at Hazira. Packed LPG is marketed as “ Reliance Gas” in cylinders to domestic and commercial customers. Bulk product is sold directly to industrial users for use as fuel and to private bottlers.

Chemicals

Under the umbrella name of “ Chemicals”, RIL have grouped products belonging to the following four sectors:

Aromatics

Solvents

Linear alkyl benzene

Cracker products

RIL claims to be the country’s largest producer and exporter of linear alkyl benzene (LAB), a surfactant ingredient used in the manufacture of detergents. Most of the production was consumed captivity for the production of LAB.

Oil & Gas

RIL’s oil and gas interests form an operating division of RIL. It holds a 30% interest in an unincorporated joint venture with British Gas and ONGC to develop proven oil and gas fields at Panna, Mukta and Tapti. British Gas has a 30% share and ONGC the balance 40% share.

Textiles

RIL claims to be India’s largest synthetic textiles manufacturer with its textiles complex at Naroda, Ahmedabad, being one of Asia’s largest and most modern textile mills. The complex houses one of the largest and most modern design studios in Asia.

RIL’s textile products are sold under the brand names of Only Vimal, Harmony, Reance, Ruerel, and V2. Only Vimal, RIL’s flagship brand, is said to be India’s largest selling brand of premium textiles.

SWOT ANALYSIS

1) Strengths

Reliance is India’s largest exporter with export revenues of US$ 5. 8

Billion.

Share of exports increasing – now at 35% of turnover.

Exporting to 101 countries with refining contributing 80% and the balance coming through petrochemicals.

Significant cost advantages due to integration and location advantages.

World scale, and world class projects with state-of-the-art technologies.

Integration across the value chain.

Global competitiveness and leadership in chosen areas of business.

Highest standards for Health, Safety and Environment.

Financial conservatism.

Consistent overall shareholder value enhancement.

Weaknesses

Refining margins are critical to RIL's earnings, as benchmark margins declined to new lows in the past few months.

Resolution of its court cases with RNRL and NTPC, such cases have somewhere somehow, have made a negative image in people's mind. And such things made people to think twice before investing in the companies shares.

Opportunities

Rising demand of petcoke: Current demand in India exceeds overall production capacity despite the start-up of the coker at the new refinery at Jamnagar. During the year 2008-09, RIL sold a total of 3. 18 million tons of petcoke. With the commissioning of new capacities in the cement industry as well as the setting up of captive power plants by various industrial units, the demand for petcoke is expected to increase.

Gulf Africa Petroleum Corporation (GAPCO): RIL took majority control over GAPCO in 2007. GAPCO owns and operates large storage terminal facilities and a retail distribution network in several East African countries. This acquisition has enabled RIL to expand its footprint in the petroleum downstream sector. Significant reductions can be achieved in supply chain cost and the operations can integrated into the RIL system.

RIL aims to expand its global reach in order to ensure efficient product placement, maximize net backs and achieve premium for ultra-clean fuels. The continuing growth in India also presents an opportunity to enhance volumes.

RIL can leverage the benefits of combined refining operations that can result in unprecedented level of product flexibility and swing capabilities.

RIL can go for renewable energy, which would be just an extension of their conventional energy platforms, therefore would not incur much cost.

Threats

In some exploration Campaign Company involves high technology,

high investment and high risk.

Use of solar energy, wind energy etc, which can emerge as a real alternative to the oil, can be a treat to the company.

The main threat to the company, are other global players.

Marketing strategy of ril

Conglomerate Diversification Adding new, unrelated products or service. Diversification of RIL from polyester, Plastics, petrochemicals and Retail. Diversification of Bharti from Telecommunication, Insurance and Retail.

Building and sustaining leadership position across its product categories in the domestic markets.

Pursuing attractive export opportunities.

Implementing vertical integration.

Improving its technology.

Achieving economies of scale.

Focusing on prudent financial management.

Investing in high growth opportunities.

In the petrochemical and refining business, RIL's strategy is to:

Strive for global leadership and to be amongst the lowest cost producers worldwide.

Continue to invest in research, quality, safety and the environment.

Pursue inorganic growth opportunities, which are strategic to its intents and will have the potential to create greater value for its shareholders.

Looking ahead, RIL will make strategic decisions with regard to its " emerging" businesses, these include:

Identifying new businesses with high growth potential.

Investing in businesses that can scale rapidly and generate returns over an extendable period of time.

Aspire to be the lowest cost manufacturer/service provider, which it believes will result in RIL gaining “ dominant market leadership”.

Social initiatives are also the part of RIL’s growth strategy. Company focuses on rural transformation and setting up of reliance foundation in rural areas.