

MASTERING VERTICAL INTEGRATION & COST EFFECTIVE PROCUREMENT.

A game changing strategy that turned tables for
some oil & gas sector giants



INTRODUCTION



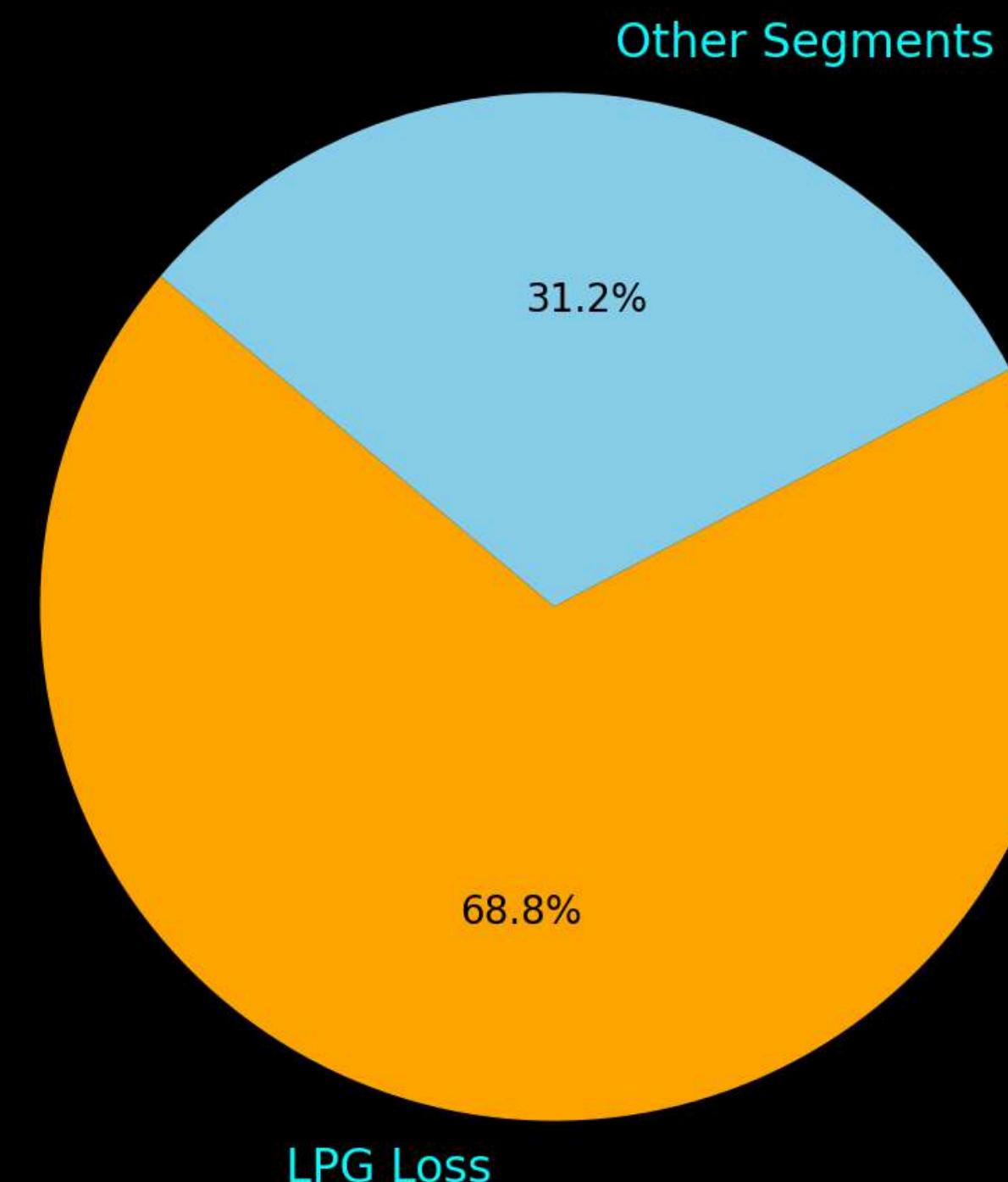
Cost Leadership Through Vertical Mastery

Discover how Reliance Industries and Adani Group harnessed the game-changing power of vertical integration and razor-sharp, cost-efficient procurement to dominate India's markets. This strategy rewired their entire supply chain, slashing costs and crushing competitors like HPCL. Today, we explore how this visionary approach fuels unmatched growth, sustainability, and competitive advantage.



SECTORAL LOSSES

HPCL Segment Loss Distribution



Financial stresses, especially in the LPG segment, forced HPCL to seek about ₹8,000 crore in government aid to cover losses and stabilize operations

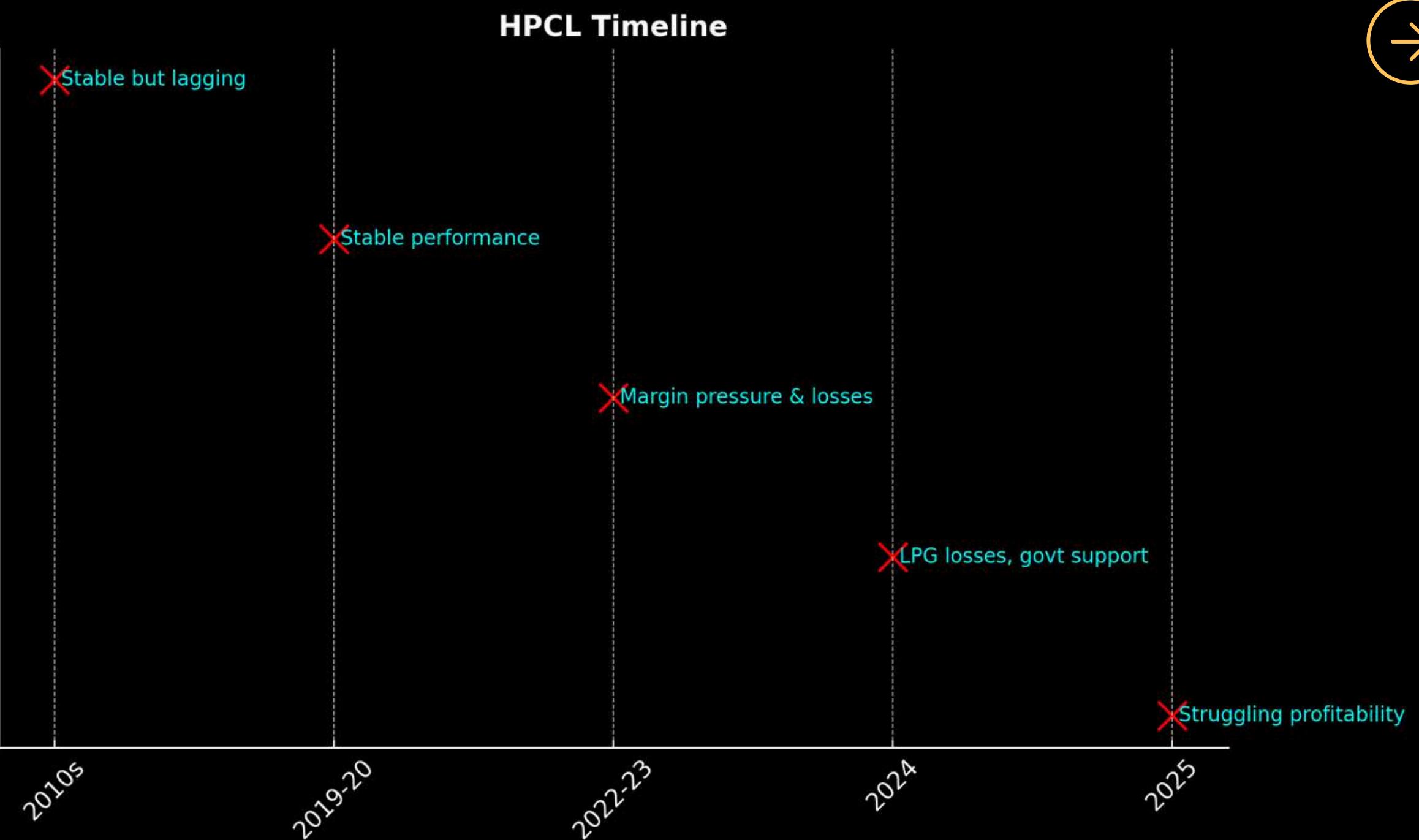
HPCL has had to diversify crude sourcing (including some Russian crude), but its procurement and supply chain remain fragmented relative to Reliance and Adani, limiting cost efficiency





CHALLENGES

Faced by Hindustan Petroleum Corporation Ltd (HPCL)



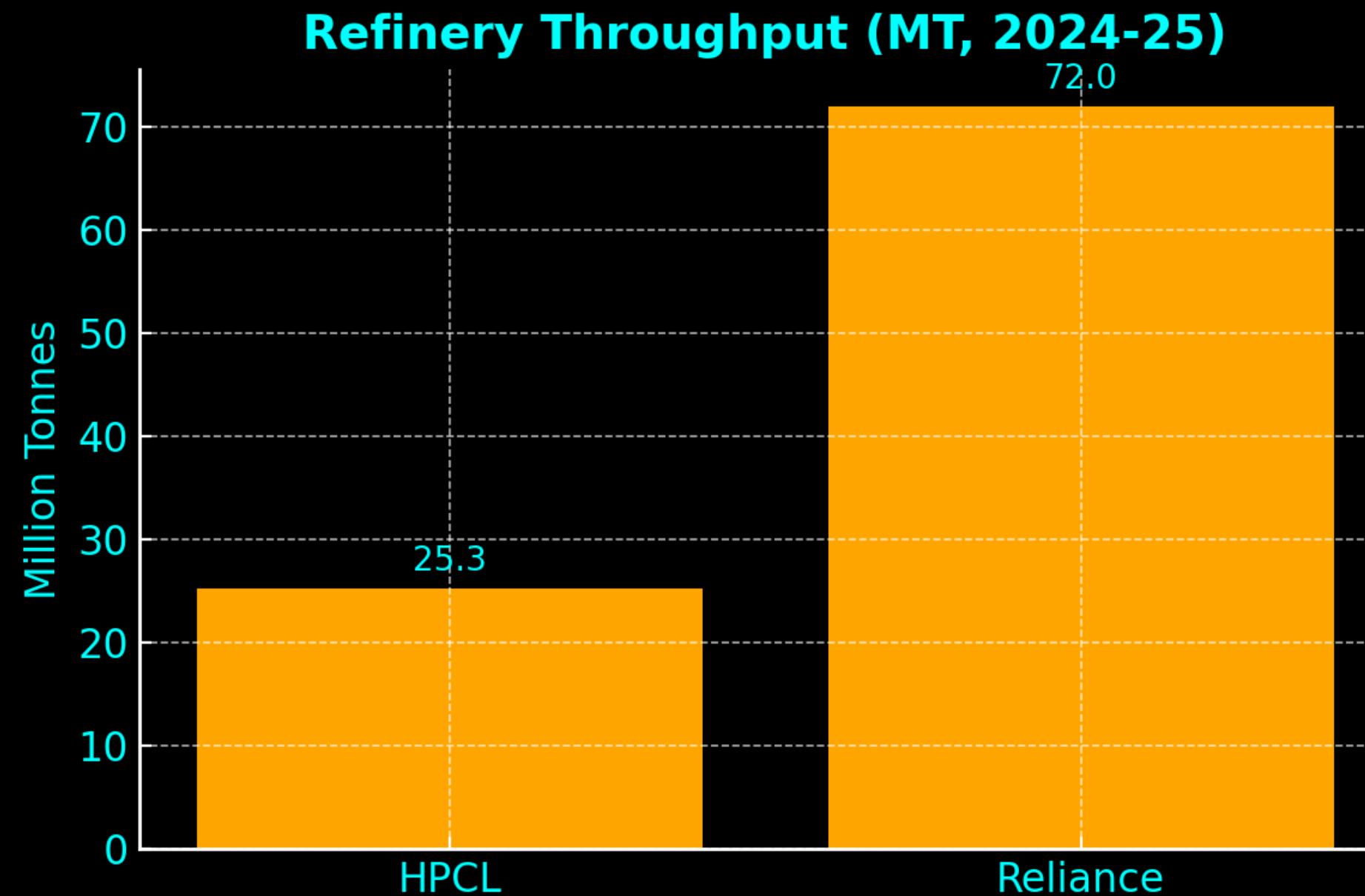
- HPCL, as a major rival in oil and energy to Reliance, struggled due to reliance on the open market for raw materials, less integration, and less bargaining power versus the globalized procurement scale of Reliance and Adani
- Q4 FY25 net profit dropped 25% year-on-year to ₹2,709 crores mainly due to decreasing gross refining margins (GRM dropped from \$8.50 to \$6.93 per barrel), even though sales volume and refinery throughput hit record highs

ROOT CAUSE



Barriers to Growth

- HPCL's procurement is fragmented, more exposed to price volatility, and slower to embrace digital, centralized supply chain management. As a result, its Bill of Materials costs are higher, eroding margins and market share versus Reliance, and it is no longer a front-runner in Indian petrochemicals or diversified energy
- Their lack of a centralized digital procurement system and vertical integration limits the ability to leverage scale for negotiating bulk discounts and securing supply chain efficiencies





TASK

*To do a detailed research about what went wrong with HPCL
and what were the competitive advantages of the rivals*



PROFIT FORMULA

That worked for rival oil and Gas companies

Vertical Integration

Control over raw materials = Lower costs

Supply chain ownership = Market leadership

Integration → Efficiency → Dominance



Vertical Integration & Procurement Strategy Overview

Vertical integration is a strategy where a company controls multiple stages of production or supply chain, from raw material sourcing to manufacturing and distribution. This integration reduces reliance on external suppliers, lowers transaction costs, ensures supply security, and increases margins. Global industrial giants historically pioneered this approach to secure a competitive advantage.

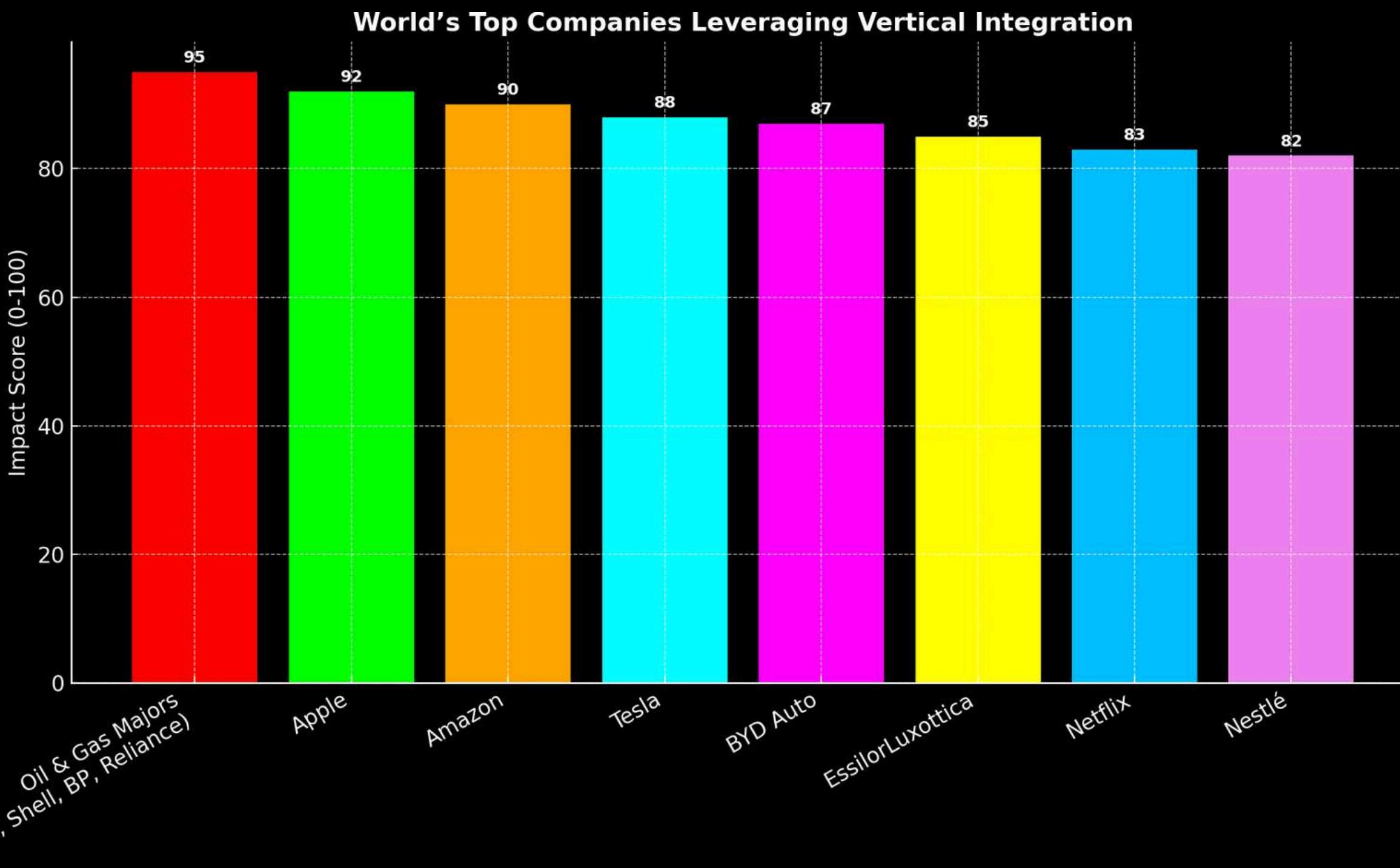
WINNING STRATEGIES



EVIDENCE OF VERTICAL INTEGRATION



Working out for worlds toppest organisations



- Oil & Gas Majors (Exxon, Shell, BP, Reliance)
→ Control exploration, refining, petrochemicals, and distribution, ensuring profits across the energy value chain
- BYD Auto → Manufactures 70%+ of EV components internally, securing supply and lowering costs
- Netflix → Produces in-house content, reducing reliance on studios and retaining subscription revenues



ADAPTATION & EXECUTION

Reliance and Adani adopted a profound version of vertical integration, complemented by advanced digital procurement capabilities. Their approach includes:

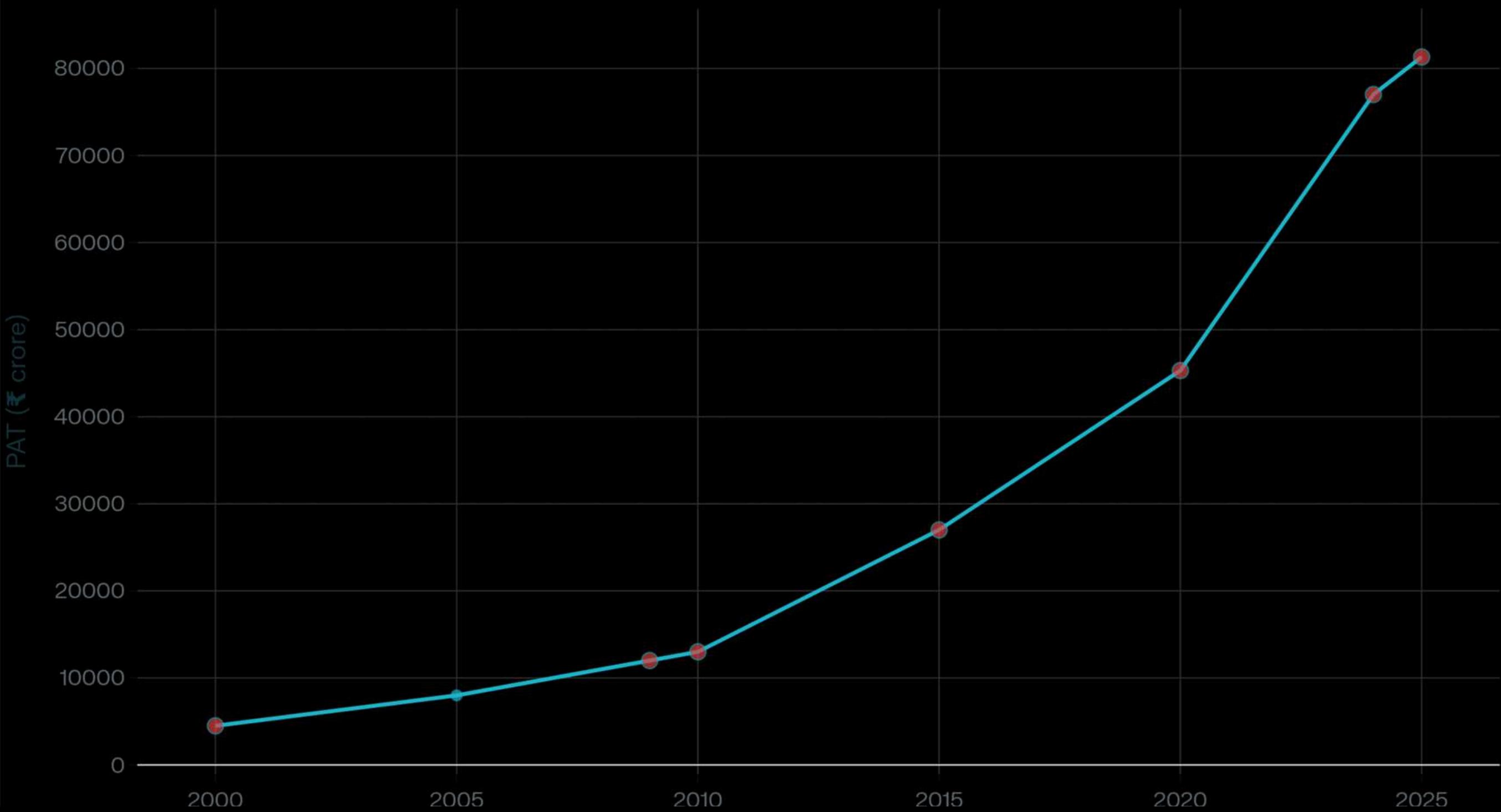
- Owning raw material sources such as oil fields, coal mines, ports, and renewable energy assets
- Integrating supply chain stages, significantly slashing costs by bypassing intermediaries.
- Employing AI and analytics in vendor selection and inventory management.
- Entering into long-term, global supplier contracts securing inputs at cheaper, stable prices.
- Deploying centralized procurement platforms for bulk buying power, reducing the Bill of Materials (BOM) drastically.



“Vision without execution is hallucination”
~Thomas Edison

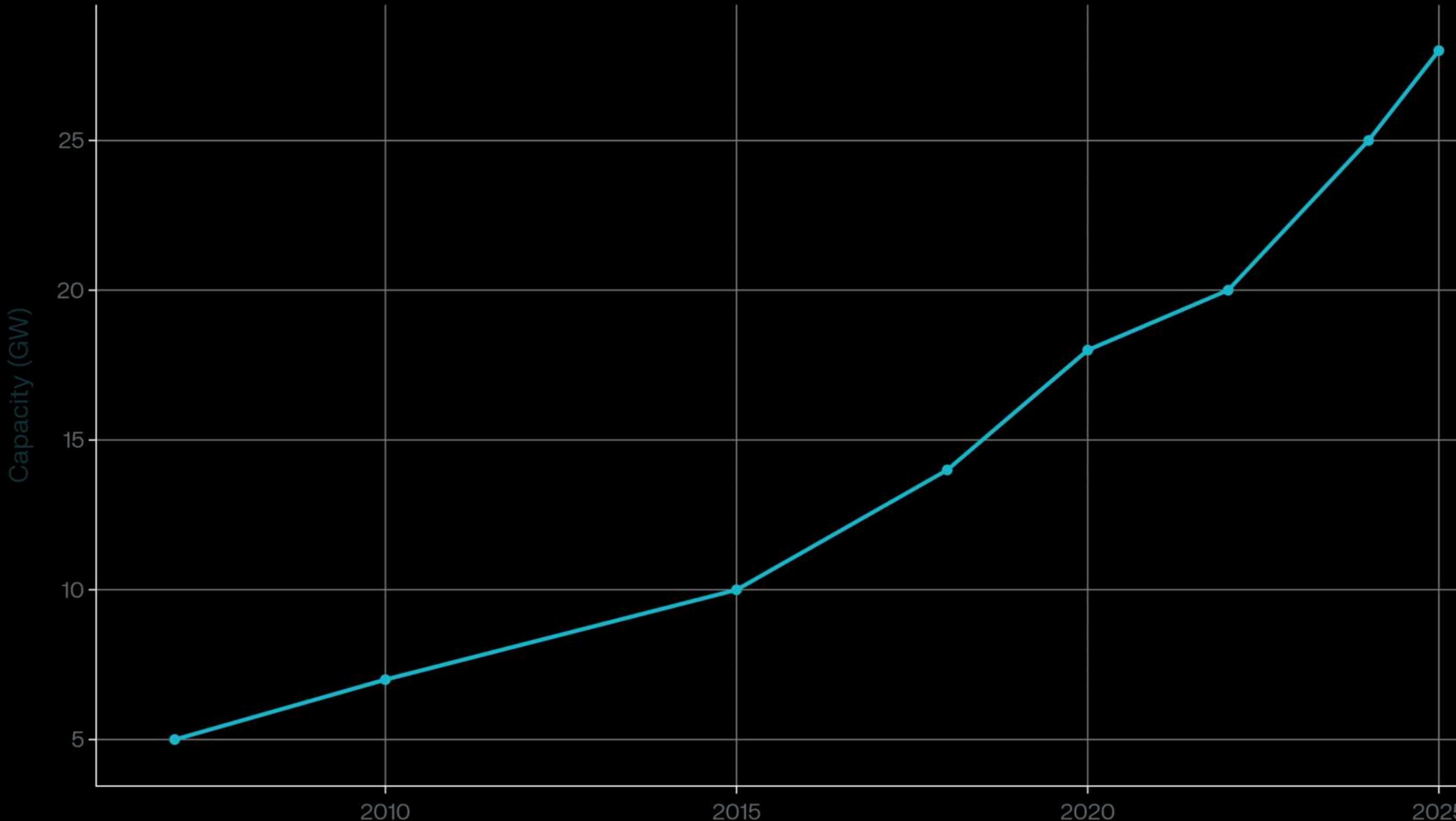
PROGRESSIVE RESULTS

Reliance O&G Segment Profit 2000-2025



- The line graph clearly depicts Reliance Industries' exceptional profit growth in the oil and gas segment following its adoption of vertical integration and advanced procurement strategies.
- Strategic milestones—like the Jamnagar refinery expansion, KG-D6 gas field operations, and supply chain digitization—triggered periods of sharply accelerating profits, propelling Reliance to industry leadership.
- By 2025, profits have reached record heights, underscoring how end-to-end integration and cost-effective sourcing have positioned Reliance as India's dominant oil and gas powerhouse

Adani Energy Capacity Growth



- The graph highlights Adani Group's rapid expansion in energy production capacity from 5 GW in 2007 to 28 GW in 2025, driven by strategic vertical integration into coal, renewables, and infrastructure.
- Key milestones include the launch of large-scale renewable projects and integrated supply chain structures that significantly accelerated capacity growth post-2018.
- This consistent scaling, particularly in renewables and thermal power, illustrates Adani's successful transformation into a dominant, diversified energy powerhouse in India.

**THANK
YOU**

