It was early June, and the world was reeling from the pandemic. India had just lifted its lockdown restrictions and people were venturing out with caution. Anubhav had recently joined a financial services and advisory firm after attending a reputed business school in India. His current assignment was assisting Vikram Bhardwaj, a senior partner in the firm. The firm regularly sent out reports on the Indian and global financial markets. These usually contained predictions and reports of companies and their stocks. Anubhav was working on decoding Reliance Industries Limited (RIL) and make sense of the various business moves it had made off late. He would have to make a convincing pitch to Vikram. RIL stock suffered a fall in late March of 2020 falling to a low of Rs.875.72 from over Rs.1500 a month back. The stock since then had picked up with a slew of investors looking to invest in Jio Platforms and Reliance Retail. This was received well by investors and the stock kept rising, however there was speculation amongst investors on how long RIL could carry on with the rise. The sentiment was that the rise so far seemed to be driven by some high-profile investors, but how far was this growth sustainable was a question. To answer this question and also provide a whole round view of RIL's current businesses, Anubhav had decided to trace back the steps and form a clear picture of what RIL was up to. He was to walk Vikram through the report he had prepared regarding RIL and make his case. He began reviewing his report before sending off a copy. The news of Facebook looking to invest $5.7 billion USD in Jio Platforms a few days back got Anubhav rethinking. He was keen to join the dots. Making sense of the machinations was going to be crucial in making a convincing pitch to his boss!

**THE RELIANCE GROUP**

Unlike the Tata and the Birlas which are a household name in India for centuries, Reliance saw its roots in post independent India in the late 60s. Reliance started as a fledgling establishment dealing in textiles with gradual diversification in the next decades.

**The Early Years**

Dhirajlal Hirachand Ambani more popularly known as Dhirubhai Ambani formed the Reliance Commercial Corporation in 1966 trading in textiles. They popularized the brand "Vimal" and made a household name through its extensive marketing by the company. The company was renamed Reliance Industries in 1973 and eventually taken public in 1977. The corporation gradually moved into petrochemicals, media, telecommunications and other industries eventually becoming a US 15$ billion company at the time of Dhirubhai Ambani's death in 2002. Following his death, the two sons of Dhirubhai Ambani Mukesh and Anil Ambani split the company into Reliance Industries Limited (RIL) headed by Mukesh Ambani and Reliance Anil Dhirubhai Amabani Group (RADAG) headed by Anil Ambani. RIL currently operates in the petrochemicals, petroleum and natural gas, textiles, retail, telecommunications and media industries offering a slew of products and services. RADAG currently operates in the financial services, construction, entertainment, power, health care, aviation and defense industries. Reliance Communications which is owned by RADAG filed for bankruptcy in 2019 following accumulation of debts to the tune of Rs.50, 000 crores (over US 8$ billion).

**Reliance Industries Limited**

Following the split of Reliance Industries in 2006, the Mukesh Ambani led RIL's core business was in the petroleum, natural and petrochemicals sector. RIL was quick to realize the potential of the then untapped Indian retail sector which currently is worth over US $600 billion. Reliance retail began operations in 2006 with its first store Reliance Fresh in Hyderabad, India. Since then, Reliance Retail (a wholly owned subsidiary of RIL) has expanded exponentially and currently is the largest retailer in India operating over 10,000 stores across India with the Future Retail following at a distant second with over 3,000 stores. Revenue from Reliance Retail stood at US $19.32 billion as of 2018-19. Reliance Industries from its very beginning in 1966, was a manufacturing and infrastructure driven organization with its earliest footprints being in textile and then expanding to petroleum sector. Its first foray to the services sector came in 2002 with the launch of Reliance Communications on 27th December. Following the split, RIL led by Mukesh Ambani made a strong push to reinvent itself as a service and experience driven company using the revenues from petrochemicals to finance this expansion. Reliance made pushes in three sectors in particular: Retail (with Reliance Retail), Telecommunications (Jio Infocomm Limited and LYF which is a handset manufacturer), and Media (Network 18, JioSaavan, DEN Networks). Reliance had begun positioning itself as an experience company operating from oil to retail.

**Mukesh Ambani**

Mukesh Dhirubhai Ambani is currently the chairman and managing director of Reliance Industries Limited. He received his Bachelor of Engineering degree in Chemical Engineering from Institute of Chemical Technology, Mumbai. He enrolled for MBA at Stanford Business School but later withdrew to help his father Dhirubhai Ambani run the business. Mukesh Ambani gradually began playing a significant role in the company and in the nineties spear headed the building of the Jamnagar crude oil refinery currently having a capacity of 1.24 million barrels of oil per day. He has been instrumental in developing Reliance Industries over the years and making it today a company which touches the Indian consumers in some way.

**THE DIVERSIFICATION**

Reliance was gradually pivoting to a more consumer facing business, trying to shed its oil and textiles past. The foray into telecom with Jio was a testament to that. The retail space was another one Reliance was making strides in. It had a large retail business spanning groceries, fashion, footwear and electronics. The pivot was visible in RIL's annual reports with an emphatic statement "The Jio Revolution". The financials also showed to the shifting priorities (See Exhibit 1). Profits were being reaped from the business with figures showing significant improvements. Growth was also significant with revenues from operations rising and related operational expenses showing increases. Similar financial performance was noticeable in its retail business as well. It reported having 10,415 stores under its belt adding 2,829 stores in FY 2018-19. The company clearly wanted to be synonymous with consumption and, towards this goal, it even started Project Eve which was a niche salon chain! Private labels had grown significantly with the company citing advance use of its digital abilities. Another tale-tell sign which Anubhav had notices was the significant increase in the number of subsidiaries and jointventures under RIL relating to media, communication and retailing. The Indian economy was booming despite the 2008 crisis, and a burgeoning middle class with a considerable disposable income (See Exhibit 2). Consumption patterns were changing and India was turning into one of the biggest consumption-driven economy. Retail was poised to grow in India. IBEF (Indian Brand Equity Forum) had put a figure of USD 950 billion with a CAGR of 13% for brick & mortar retail as per early 2020 estimates. The online retailing space was following at USD 32.8 billion with a y-o-y growth rate of 31%. Of this $950 billion, organized retail held only 19%, and e-commerce held 6% (See Exhibit 3 and Exhibit 4). The fruit was ripe for picking and a number of players had jumped like Amazon, Walmart, Big Basket and others. However, navigating the Indian retail waters was not easy. Most reported losses for the past quarters or barely breaking even (See Exhibit 5). The Indian retail market had its own nuances and the large number of players off late didn't make it easy. A number of disruptions were a foot and Anubhav needed to make sense of these and how well was RIL equipped.

**Reliance Retail**

Reliance Retail began operations in 2006 and currently operates over 10,644 stores across 6700 cities and towns of India (as of July, 2019). Revenue from Reliance Retail stood at Rs.130,556 crore (18.9$ billion). Reliance Retail has a number of brands under its umbrella with the prominent ones being Reliance Fresh (a chain of grocery stores), Reliance Smart (a supermarket chain), Reliance Trends (apparel retail chain) and others (See Exhibit 6) Reliance Retail is the largest retailer in India in terms of number of stores and revenue. It currently owns over 22 million sq.ft of store space across India. Reliance Retail also owns a number of private labels under various categories like Best Farms, Good Life, Kaffee, DNMX and others. Reliance Retail's ecommerce arms Smart.in and AJIO operate in the grocery and fashion and lifestyle sectors respectively. AJIO has grown steadily since its launch in 2016 and provides fresh and trending fashion goods. Reliance Retail has strategically built a distribution network spanning all over India especially with its over 7800 Jio Stores which lie in the nooks and corners of villages of India. With Reliance Retail looking to make headway into ecommerce (relying on an online-offline hybrid model), it's quite evident that these stores and Reliance Retail's nation-wide distribution network will be a great advantage. Reliance Retail recently in 2019 started its pilot project of catalogued sale of electronic appliances in some of its Jio Stores in tier 2 and tier 3 cities which proved to be successful.

**Reliance Jio**

Reliance Jio Infocomm Limited was founded in 2007. Jio's foray into broadband and consequently into telecom came after its acquisition of Infotel Broadband Services Limited (IBSL) for Rs.4800 crores (US$690 million) in June, 2010. It was strategic move on part of Jio since IBSL was the only company which had won broadband spectrum in all 22 telecom circles of India in the 4G auction. IBSL was later renamed as Reliance Jio Infocomm Limited continuing as its telecom and broadband subsidiary in 2013. Jio announced its launch of Jio telephone network in June, 2015 with its pilot launch on 27th December, 2015. Commercial launch of Jio took place on 5th September, 2016. Recently in June, 2019 it became the largest mobile carrier with 331 million subscribers surpassing Bharati Airtel. It also posted revenues of Rs.11,269.9 crore in the June quarter of 2019. Reliance Jio adopted a three pronged approach to get the numbers: provide fast 4G LTE services, provide affordable 4G enabled phones through LYF owned by Jio, and provide rich media and content delivery. Jio laid out 250,000 kilometers of fiber optic cable spanning 18,000 cities and towns and over 100,000 villages by 2018. Jio through its My Jio App provided a wide range of media and services like Jio Saavan (earlier Jio Music), Jio Cinema, Jio Wallet and others. These offerings coupled with competitively priced subscription plans helped Jio garner subscribers. Cell phone data rates dropped to $0.26 per GB since Jio's entry and disruption of the Indian telecom sector. To cater to low earning sections, Jio introduced its affordable smart feature phone Jio Phone which could be availed at affordable costs and subscription plans. Since its launch in late, 2017 Jio has sold over 50 million Jio Phones over the last two years. With Jio launching its own LYF brand of smart phones offering attractive Jio subscriptions offers along with the purchase. In 2018, Jio announced plans to launch high speed broadband services with speeds up to 100 Mbps. Jio also is entering the DTH (Direct to Home) space with Jio DTH set to launch in 2019 competing with the likes of Tata Sky, Videocon DTH and others. Jio's entry into the telecom and broadband sector, and its subsequent entry into smartphone and feature phones, media services (acquisition of Saavan, DEN networks) caused a huge disruption and reshaped the prevalent business models. With Reliance's foray into retail, telecom and media services, it is clear how Reliance wishes to reinvent itself as a services company. This was well founded and reflected in the recent 42nd Annual General Meeting of RIL on 12th August, 2019. Mukesh Ambani had laid out a vision for RIL to transform itself into a global conglomerate with footprints in heavy industry and manufacturing, as well as digital consumer facing technologies. The global interest in the moves was also visible as the Saudi Aramco was vying to buy 20% stake in Reliance's oil business at $15 billion! The fact that Jio was pivoting towards a services company was evident when Mr. Ambani announced plans for connectivity and cloud services directed at establishments as well as consumers piggybacking on its Jio networks. A slew of other launches like Jio Fiber, and over-the-top services were also announced. RIL had poised itself in an enviable position looking to be the de-facto communications and services provider in India. The recent Facebook deal worth $5.75 billion for 9.99% stake in Jio Platforms was significant boost for its communication and media business. For Anubhav looking into these two emerging businesses for RIL pointed to the diversification a company had undergone in a decade moving to more consumer facing businesses while also keeping its innate hold on industrial and SME (Small & Medium Enterprises) clients it had built relationships with. The largely integrative approach too was evident with Jio Platforms having technical capabilities to service most of Reliance Retail's technological needs. The fundamentals seemed strong but there were other significant players both in the brick & mortar space as well as e-tailers who were actively vying for a piece of the pie.

**The Indian Retail Scenario**

India's economic growth in the new millennium led to a burgeoning middle class. Anubhav could trace this to his own family fortunes which took a turn with improvements in their family business. With an increased disposable income, the retail sector witnessed rapid growth. The Indian retail space was largely unorganized with the organized sector occupying a tiny portion (See Exhibit 7). Kirana stores or mom-and-pop stores were the main stay in India characterized by their relatively small size, averaging 550 sq. ft, with large amount of inventory, 1000 SKUs on average, and transacting anywhere between Rs.5000-Rs.15000 a day. Usually these were family run businesses and often catered to the needs of the residents of a particular locality. In terms of revenue per sq. ft, Kiranas did comparatively better than the many big brand retailers. In addition, there was a patronage that these stores enjoyed. Anubhav recalled the scores of loyal customers who got their groceries from his family store, despite the slightly higher prices. The organized retail sector in India took off post 2000 with brands like Big Bazaar, D-Mart, Pantaloons, Reliance Retail to name a few. Since then these have grown steadily in terms of revenue and market share (See Exhibit 8). Metro cities and tier-1 cities saw initial growth of these players, it was only recently that a number of these shifted their focus to tier-2 and tier-3 cities. Reliance Retail for instance through Reliance Fresh, it's grocery retailing division, began focusing on tier-2 cities in early 2018. The reason for this shift was in response to the saturation in metro and tier-1 cities and also to the increasing rent/cost of quality retail spaces. Annual grocery spending for an average Indian household was at Rs.21,491 per capita (Ministry of Statistics & Program Implementation, Govt. of India). Though this sector had been witnessing some sluggish growth it was nonetheless a significant proportion of a household's budget. Usually groceries in India was brought through local markets with a fairly unorganized setup. Grocery focused start-ups started early with significant players like Big Basket emerging in 2011 followed by other players. Reliance Fresh was early to catch on to this and focused on expanding its grocery business. Mukesh Ambani reportedly wished that a Reliance Fresh store be available every 5km radius, describing its stores as "a one-stop-shop for fresh shopping, fresh savings and fresh happiness". Its ambitions had yielded results with 798 stores in 93 cities in India with a de-facto distribution network in place. With millions of people shopping every day, it also had a significant information on their consumption habits. Private labels soon made appearances on the shelves, with items like noodles, soups, washing powder, snack items. Private labels usually commanded higher margins compared to regular brands and were usually for items for which consumers had lower brand stickiness. With India reeling under the pandemic and a nation-wide lockdown in place, retailers took to reaching out to consumers. Swiggy, a food delivery start-up, for instance launched grocery deliveries to people stuck in their homes. Reliance too adopted a similar strategy with a stores offering home delivery services in most of their locations. The recent acquisition of Grab, a hyper delivery start-up, in early March proved to be a boon with Grab expanding its services rapidly. The recent Jio Mart launch in some 200 cities saw the relationship in action. Other players like Pantaloons, Future Retail, were expanding their services aggressively as well. Pantaloons offered shopping over their online store and also ordering over WhatsApp. Future Retail through its Big Bazaar chain tried its hand at home deliveries and online shopping though with limited success. For online retailer like Big Basket, Amazon, Flipkart, the onus lay on keeping their vast distribution and logistics networks afloat while also managing inventory and keeping prices reasonable. Recent advances and push for cashless payments had borne fruit with digital payments growing at 55% since 2016 in India. UPI (Unified Payments Interface) was a great enabler in this space with easy and safe features providing confidence to consumers. Reliance with its Jio Wallet had some advantage in this area though its reception and growth had been slow. Anubhav could get a drift of the shifting trends amongst these organized retailers. The trend was to adopt a more local approach while increasing their foot print in the Indian retail landscape. Increasing competition from online retailers like Amazon, Flipkart was a factor in such an expansion strategy, and technology was proving to be a great enabler in this space. Reliance had its hands deep in both, with an extensive digital infrastructure and technological expertise on one hand, and an expansive physical distribution network. This was absent amongst the other players who lacked or were far from developing at the scale RIL had developed. From Anubhav's point of view the arguments were in favour of RIL with strong fundamentals and what seemed like a future proof plan, all he had to convince Vi was now that the recent spell of bad fortune on the RIL stock was a temporary issue.

**Navigating the Retail Sector & Reliance Retail's Intervention**

Retail in India is broadly divided into organized and unorganized sector with a the later occupying the lion's share. Organized retailers operate in the space of luxury items, groceries, apparel, and electronics. These organized retailers often own or rent large retail spaces at expensive locations, and carry a large number of SKUs depending on their category. Kirana stores or the unorganized retailers operate on a much efficient use of space with better knowledge of the local taste. There were a number of challenges associated with the heterogeneity of players. Following 2010, e-commerce in India had a boom with a number of players entering the scene like Flipkart, SnapDeal, and Amazon. Though players like Future Retail, IndiaMart had experimented in the past with e-commerce in India, they didn't take off. Anubhav could see the striking growth in numbers for this sector following 2010. The amount of investments flowing into this space from marque investors was astounding as well. In his mind, such activities signalled a sector with a rich growth potential which it eventually did, though with significant losses for the entities. The traditional brick and mortar retailers faced the brunt of the deep discounting offered by these players. In response a number of these traditional big retailers launched their own online offerings like Aditya Birla group launching abof.com (All About Fashion) in 2015 which didn't last long shutting down in 2017. This was a testament to the cut throat competition in this space. Margins were already razor thin in the retail space averaging a little over 5%. The saturation of the space in the metro and tier-1 cities was also of little relief. These players therefore had to look outside this space in other cities with significantly different spending habits while taking on a larger operating costs. Managing this expansion responsibly would be a challenge for these organized players. Competition from the unorganized sector was another problem for these players. These Kiranas commanded a loyal customer base with knowledge of the needs. They stocked their shops accordingly and also ran much more efficient operations. Personalized service was another area they exceled in which was unfeasible for the unorganized players. Resistance from local bodies against expansion by them was another issue. The Confederation of All Indian Traders for instance had repeatedly in the past put up protests against online retailers alleging price competition and flouting rules. The organized retail sector too faced such resistance in the early days. Reliance for instance shuttered its stores in West Bengal in the early days due to resistance from local trader bodies. Though the pie was a large one, the resistance was substantial. Navigating this would require tact and sufficient foresight, Anubhav thought. These players extended their cooperation to the unorganized sector in the form of the Kirana stores. This was intended to gain valuable information on local consumption habits and also to push their own online schemes aimed at an omni-channel setup. Reliance through Jio had offered Jio MPoS payment machines to Kirana stores aimed at helping them receive mobile payments. Though this started in early 2019, it was met with limited success with some reports suggesting suspicion on part of the traders. Also competition from other mobile payment players like PayTM, MobiKwik, Amazon Pay provided resistance which were substantially easier to use. In Anubhav's eyes Reliance had stumbled on a few road blocks along the way but yet maintained a steady path of growth. Decoding this growth was a key to convincing Vikram of Reliance's bet as a reliable stock. Anubhav looked closer on RIL's transformation since the announcement of Jio. Was the launch just a step in the grand scheme of events that would follow? Prior to formally launching Jio in 2015, RIL had been building it since 2007. While launching Jio they adopted a three pronged approach, providing a fast 4G LTE connectivity, providing affordable handsets through its LYF brand of phones, and providing a rich suite of applications and media to hook people up. The mantra worked given that it hit 331 million subscribers in 2019. Anubhav also noticed something interesting in the way Jio approached the roll out. It had established over 7800 Jio Stores across India in the process of launching Jio. This had significantly enhanced its distribution prowess. For Anubhav this pointed to the early signs of a company looking to enter the e-retail space. Technology was the stronger arm for RIL which had the potential to disrupt. Anubhav now was getting the playbook RIL was using. Reports of Jio Mart were also coming in with a major launch making news. It was evident for Anubhav that Reliance was approaching their retail disruption as a digital company and not a brick and mortar establishment. Technology was the great enabler in this which wasn't necessarily limited to Reliance. Players like Flipkart, WalMart, Future Retail had invested heavily in offering their technical expertise to Kiranas, hoping to tap into their rich user data. For online players the rationale for such a collaboration was for cheaper last mile delivery options especially in remote areas. As Anubhav saw it, Reliance had the leverage of over 300 million Jio customers which it used to sell its MPoS offering to the Kiranas. Mobile payments technology was a boon for these players who finally used to make some headway into the unorganized sector, offering such payment services. In addition, some players like WalMart offered to refurbish Kirana stores to help them better compete. With Jio's entry as a mobile service provider it was able to drive down costs of mobile data. Incidentally India has one of the world's lowest data tariffs (See Exhibit 9 and Exhibit 10). This was a great proponent in driving smart phone adoption amongst the people with over 100 million phones being sold in 2015. Thanks to cheaper phones and more affordable tariffs. Around the same time e-commerce was taking off in India, with a rich source of consumer shopping data available they were able to compete better. For brick and mortar retailers they used their treasure trove of data and using advanced analytics to better understanding their customers. More personalized offerings to their customers had seen a rise through means of SMS. For Anubhav all these seemed to be a story falling into place with RIL being there at the right time, capturing over 300 million people with its suite of mobile services. With a vast network of Jio Stores and other retail stores, it was well placed to take a large chunk of the retail pie. Adding to this disruption WhatsApp launched its WhatsApp for Business in January of 2018, aimed at small businesses. With over 300 million users it was an easy to use instant messaging application. Exhibit 11 shows the popularity and the extent of use of

WhatsApp in India. Facebook's recent investment announcement in Reliance and the launch of a Jio Mart's WhatsApp number couldn't be a coincidence! Consumer facing technologies was a strong suite of RIL. Through Jio it had successfully gained a substantial user count and through its brick and mortar offerings it had an efficient distribution channel. The recent acquisition of Grab, a logistic start-up, along with a slew of other similar start-ups was pointing to a company looking seriously to disrupt the retail sector.