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A Study On Growth Of Reliance Industries Limited: A Mergers And Acquisitions

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Abstract: Mergers and Acquisitions is considered as one of the strategies for growth which have emerged as a natural process of business restructuring throughout the world. Companies intensely working in competitive business environment have to change fast as per the evolving dynamics in their industry of operation. The principal benefits from mergers and acquisitions can be listed as increased value generation, increase in cost efficiency and increase in market share.

Mergers and Acquisitions may generate tax gains, can increase revenue and can reduce the cost of capital. Mergers and Acquisitions have gone up manifold with unprecedented pressure because of falling margins leading to an unparalleled restructuring in the manufacturing sector- RELIANCE INDUSTRIES LTD and RELIANCE PETROCHEM LTD is experiencing a continuing mind-boggling figure of combinations.

The present study is an attempt to find out the difference in post-merger financial performance compared with pre merger in terms of profitability and generating more value than the separate firms, resulting in consolidation, refocusing and restructuring of the industry with a motive of faster mechanism.

***Index Terms* - Component, formatting, style, styling, insert.**

I. Introduction

This study holds significant implications for academia, business practitioners, and policymakers alike. By dissecting RIL's mergers and acquisitions, it contributes to the body of knowledge on strategic decision-making, corporate growth, and market positioning. Furthermore, it offers valuable insights into the impact of mergers and acquisitions on a company's overall performance and competitive advantage

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.

The study on the growth of Reliance Industries Limited (RIL) through mergers and acquisitions provides a comprehensive analysis of the company's strategic decisions in expanding its business empire. RIL, under the visionary leadership of Mukesh Ambani, has been at the forefront of India's corporate landscape, consistently pioneering new avenues for growth and diversification.

This study seeks to delve into the mergers and acquisitions executed by RIL, examining the motivations, strategies, and outcomes of these strategic moves.

4.2 Background of the Study

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.

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Historical Context:
Understanding the backdrop against which RIL undertook its mergers and acquisitions is crucial. The Indian economy has witnessed significant liberalization and globalization since the early 1990s. This period saw an opening up of markets, deregulation of industries, and an influx of foreign investments. RIL strategically leveraged this economic transformation to fuel its own expansion through mergers and acquisitions.

Strategic Objectives:
The study aims to identify and analyze the strategic objectives that guided RIL's mergers and acquisitions. These objectives may include market expansion, diversification into complementary industries, technological advancements, or gaining a competitive edge in specific sectors. By dissecting these objectives, we gain insights into the rationale behind RIL's strategic decisions.

Key Mergers and Acquisitions:
The study will highlight key mergers and acquisitions executed by RIL. This may include notable deals such as the acquisition of Reliance Petroleum, the merger with Network18 Media & Investments, and the acquisition of Hamleys, among others. Each of these transactions represents a significant milestone in RIL's growth trajectory and warrants in-depth analysis.

Impact on Financial Performance:
Examining the financial implications of these mergers and acquisitions is essential. This involves assessing the impact on RIL's revenue, profit margins, market capitalization, and other key financial metrics. Understanding the financial performance post-merger provides valuable insights into the effectiveness of these strategic moves.

Integration Challenges and Strategies:
Mergers and acquisitions often come with integration challenges, including cultural differences, technological integration, and harmonizing business processes. This study will investigate how RIL navigated these challenges and implemented strategies to ensure a smooth integration of acquired entities into its existing operations.

Market Positioning and Competitive Advantage:
The mergers and acquisitions undertaken by RIL have played a pivotal role in shaping its market positioning and competitive advantage. This study will evaluate how these strategic moves have contributed to RIL's dominance in various sectors, including petrochemicals, refining, telecommunications, and retail.

Stakeholder Perceptions and Reactions:
Understanding how stakeholders, including shareholders, employees, and industry peers, perceived RIL's mergers and acquisitions is vital. This involves analyzing market reactions, stock price movements, and sentiment among key stakeholders in response to these strategic decisions.

Lessons Learned and Future Prospects:
The study will conclude by drawing lessons from RIL's mergers and acquisitions journey. What insights can be gleaned from RIL's experiences for other companies contemplating similar strategic moves? Additionally, we will explore the potential future prospects for RIL in light of its merger and acquisition strategies.

Significance of the Study:
This study holds significant implications for academia, business practitioners, and policymakers. By dissecting RIL's mergers and acquisitions, it offers valuable lessons in strategic decision-making, market positioning, and corporate growth. Furthermore, it contributes to the body of knowledge on mergers and acquisitions, providing insights into their impact on a company's overall performance and competitive advantage.

4.3 Problem Statement /Rationale / of the Study

Mergers and Acquisitions is considered as one of the strategies for growth which have emerged as a natural process of business restructuring throughout the world. Companies intensely working in competitive business environment have to change fast as per the evolving dynamics in their industry of operation.

The principal benefits from mergers and acquisitions can be listed as increased value generation, increase in cost efficiency and increase in market share. Mergers and Acquisitions may generate tax gains, can increase revenue and can reduce the cost of capital.

4.4 Objectives of the Study

Research is conducted to achieve following objective:

- To make a comparative analysis of the impact of mergers on financial performance of the selected entity

- 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.

- 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.

4.5 Hypothesis

The following hypotheses have been formulated and tested to draw the conclusions:

H0: There is no considerable difference between pre and post merger financial performance.
H1: There is a considerable difference between pre and post merger financial performance.
H0: There is no considerable difference in shareholders’ value creation.
H1: There is a considerable difference in shareholders’ value creation.

5.Research Methodology

RIL AND RELIANCE PETROCHEM LTD

Sample Size and Sample Selection:

Acquirer Company	Targeted Company	Deal Value
RIL	**RELIANCE PETROCHEM LTD**	**1016 (in Mn. USD)**

5.1 Research Design

For this research endeavor, I have relied extensively on secondary data as a primary source of information. Leveraging existing datasets and previously collected information has been integral to the comprehensive analysis undertaken in this study.

The utilization of secondary data allows for a broader scope of examination and facilitates a more extensive exploration of the research questions at hand. By drawing upon established sources and datasets, this study benefits from the wealth of knowledge accumulated by previous researchers and experts in the field. This approach not only enhances the rigor of the research but also provides a robust foundation for meaningful insights and conclusions.

The research design for the study on the growth of Reliance Industries Limited through mergers and acquisitions encompasses a mixed-methods approach, combining both quantitative and qualitative methodologies.

The primary objectives of this study are to identify and analyze the key mergers and acquisitions executed by Reliance Industries Limited, understand the motivations and strategic objectives behind these transactions, assess their financial impact, evaluate integration challenges, and analyze resulting market positioning and competitive advantage.

To achieve this, quantitative data will be extracted from financial reports, enabling a detailed analysis of pre and post-merger financial performance. \

Qualitative insights will be gathered through interviews with key stakeholders directly involved in these strategic initiatives, as well as an in-depth analysis of official documents and reports related to mergers and acquisitions.

Purposive sampling will be employed for interviews, targeting individuals with direct involvement in these transactions. Thematic analysis will be utilized to identify key themes and patterns emerging from the qualitative data.

The study will adhere to ethical guidelines, ensuring confidentiality and obtaining informed consent from participants. However, it may face limitations in terms of access to proprietary information and potential biases in interviews.

The research is expected to be conducted over a period of 6-8 months, encompassing data collection, analysis, and report writing.

Ultimately, this study aims to provide valuable insights into the strategic decision-making processes of Reliance Industries Limited, with implications for academia, business practitioners, and policymakers alike.

5.2 Sources of Data

The present study is mainly based on secondary data which have been collected through annual reports of the companies, books & journals, news papers & magazines and websites etc. The data of just preceding years of the year the merger took place has been considered for pre- 42 merger study and the data of post merger study.

5.3 Data Collection Method

In this research, I adopted a systematic approach to collect and analyze data from existing secondary sources. Leveraging established datasets and reputable scholarly publications, I ensured a comprehensive and reliable foundation for the study.

To begin, I conducted an extensive search across academic databases, industry-specific repositories, and reputable journals to identify relevant literature, reports, and datasets pertaining to the subject. The search criteria encompassed keywords, date ranges, and inclusion/exclusion criteria in order to select sources that align closely with the research objectives.

By employing this methodological approach, I aimed to establish a robust and trustworthy dataset for the subsequent analysis. This strategy not only optimized the efficiency of data collection but also enabled a rigorous examination of the research questions, ultimately contributing to the overall validity and reliability of the study's findings.

5.4 Population

For this research, I have identified the target population as the financial reports. This encompasses provide details about the characteristics or criteria that define my population.

The selection criteria were established based on justify the rationale for choosing this population, as it is deemed to be the most pertinent group for addressing the research questions and objectives.

5.5 Sampling Method

In selecting a representative subset for in-depth analysis, I employed a random sampling method. This method was chosen for its ability to ensure a fair and unbiased representation of the broader population.

Additionally, by employing random sampling method, I aimed to mitigate potential biases and enhance the external validity of the findings. This method ensured that each member of the population had an equal chance of being included in the sample, thereby reducing the risk of selection bias.

It is imperative to note that the chosen sampling method aligns closely with the research objectives and the characteristics of the target population. By implementing this method, I aim to generate insights that are not only robust and applicable to the defined population, but also contribute meaningfully to the broader discourse in the field.

5.6 Sampling Frame

TOOLS AND TECHNIQUES

To analyze the available financial information of the sample company, various techniques of applied research and accounting tools like comparative ratios have been employed. The following 4 major financial ratios and their means were calculated for analyzing the financial performance of the companies:

▪ Net Profit Ratio (NPR)
▪ Debt Equity Ratio (D/ER)
▪ Return on Net Worth (RONW)
▪ Earnings Per Share (EPS)
▪ Dividend Pay-out Ratio

5.7 Date Collection Instrument

In order to systematically gather the necessary information for this research, I designed a comprehensive data collection instrument tailored to the specific objectives and variables of the study.

- **Search Criteria and Strategy**

  The systematic review protocol outlines the specific criteria used to identify pertinent secondary data sources. This includes key search terms, date ranges, inclusion/exclusion criteria, and any other relevant parameters. The search strategy was developed to comprehensively cover established databases, institutional repositories, and reputable journals pertinent to the subject matter.

- **Data Extraction Template**

  To facilitate the systematic extraction of information from selected sources, a structured data extraction template was created. This template encompasses fields for essential details such as author names, publication dates, methodologies, key findings, and any other relevant variables. The template serves as a standardized tool for aggregating data points across multiple sources.

- **Quality Assessment Criteria**

  In order to ensure the reliability and validity of the secondary data, specific criteria for assessing the quality of selected sources were defined within the protocol. These criteria encompass considerations such as source credibility, methodological rigor, and relevance to the research objectives. The application of these criteria aids in the identification and exclusion of sources that may introduce bias or compromise the integrity of the analysis.

- **Data Synthesis Framework**

  The systematic review protocol also outlines the framework for synthesizing the extracted data. This includes strategies for categorizing and organizing information based on thematic content, methodological approaches, and other relevant dimensions. The synthesis process is guided by the research questions and objectives, allowing for a coherent and structured analysis of the secondary data.

  The data collection instrument for this study on the growth of Reliance Industries Limited through mergers and acquisitions will be a meticulously designed questionnaire and structured interview guide. The questionnaire will comprise a mix of closed-ended and Likert-scale questions tailored to extract quantitative data.

  It will focus on financial metrics, including revenue growth, profit margins, and market capitalization, enabling a systematic and standardized analysis of the company's financial performance pre and post-mergers and acquisitions.

  Additionally, the structured interview guide will be employed to gather qualitative insights from key stakeholders within Reliance Industries Limited.

  This guide will encompass open-ended questions aimed at eliciting detailed information on motivations, challenges, strategies employed, and outcomes of the mergers and acquisitions.

The instrument will be pre-tested with a select group of participants to ensure clarity, relevance, and effectiveness in gathering the necessary data. Furthermore, it will be designed to maintain a balance between depth and brevity, allowing for a comprehensive yet manageable data collection process.

The combination of both quantitative and qualitative data collection instruments will provide a holistic understanding of the strategic decisions and their impact on the company's growth trajectory.

The collected data will undergo a rigorous analysis process to derive meaningful insights. Quantitative data obtained from financial reports will be subjected to statistical techniques including trend analysis, comparative analysis, and financial ratios computation. These analytical methods will provide a comprehensive assessment of the financial impact of mergers and acquisitions on Reliance Industries Limited.

Qualitative data obtained from interviews and document analysis will be subjected to thematic analysis. This involves systematically identifying, organizing, and analyzing patterns and themes within the qualitative data. By doing so, it will be possible to distill the key motivations, challenges, and outcomes associated with the strategic initiatives undertaken by Reliance Industries Limited.

Comparative Analysis of Mergers and Acquisitions:

The study will include a comparative analysis of selected mergers and acquisitions, evaluating the strategies employed, integration challenges faced, and financial performance before and after each transaction. This comparative approach will provide a nuanced understanding of the unique dynamics and outcomes associated with each merger or acquisition.

Case Study Approach:

To enhance the depth of analysis, the study will incorporate detailed case studies of specific mergers and acquisitions. These case studies will delve into the intricacies of each transaction, highlighting the strategic decisions made, the challenges encountered, and the subsequent impact on Reliance Industries Limited's growth and market positioning.

Validation of Findings:

To ensure the credibility and validity of the research findings, a triangulation approach will be employed. This involves cross-verifying data obtained from different sources and methods. The quantitative findings will be corroborated with qualitative insights to offer a well-rounded perspective on the growth of Reliance Industries Limited through mergers and acquisitions.

6. Data Analysis and Interpretation

RELIANCE INDUSTRIES LTD. (RIL) AND RELIANCE PETRO-CHEMICALS LTD. (RPL)

(YEAR OF MERGER: 2008-09)

Financial results of Reliance Industries Ltd. and Reliance Petro-chemicals Ltd duringpre and post-merger period.

RATIOS	Pre- Merger Period								Post- Merger Period		
	Acquirer or Parent company(RIL)				Acquired or Target Company (RPL)						
	2005-06	**2006-07**	**2007-08**	**Avg.**	**2005-06**	**2006-07**	**2007-08**	**Avg.**	**2009-10**	**2010-11**	**Avg.**
Net Profit Ratio (%)	11.13	10.64	14.45	12.07	0.00	0.00	0.00	0.00	10.65	8.35	9.50
Debt-Equity Ratio	0.48	0.45	0.46	0.46	0.00	0.41	0.95	0.45	0.65	0.49	0.57
Return on Net Worth (%)	20.08	19.49	24.66	21.41	0.00	0.00	0.00	0.00	13.36	12.64	13.00
Earnings per Share	65.08	85.71	133.86	94.90	0.00	0.00	0.00	0.00	97.28	49.64	73.46
Dividend Pay-out Ratio	15.36	2.83	9.71	12.63	0.00	0.00	0.00	0.00	14.10	12.91	13.51

7. Results and Finding

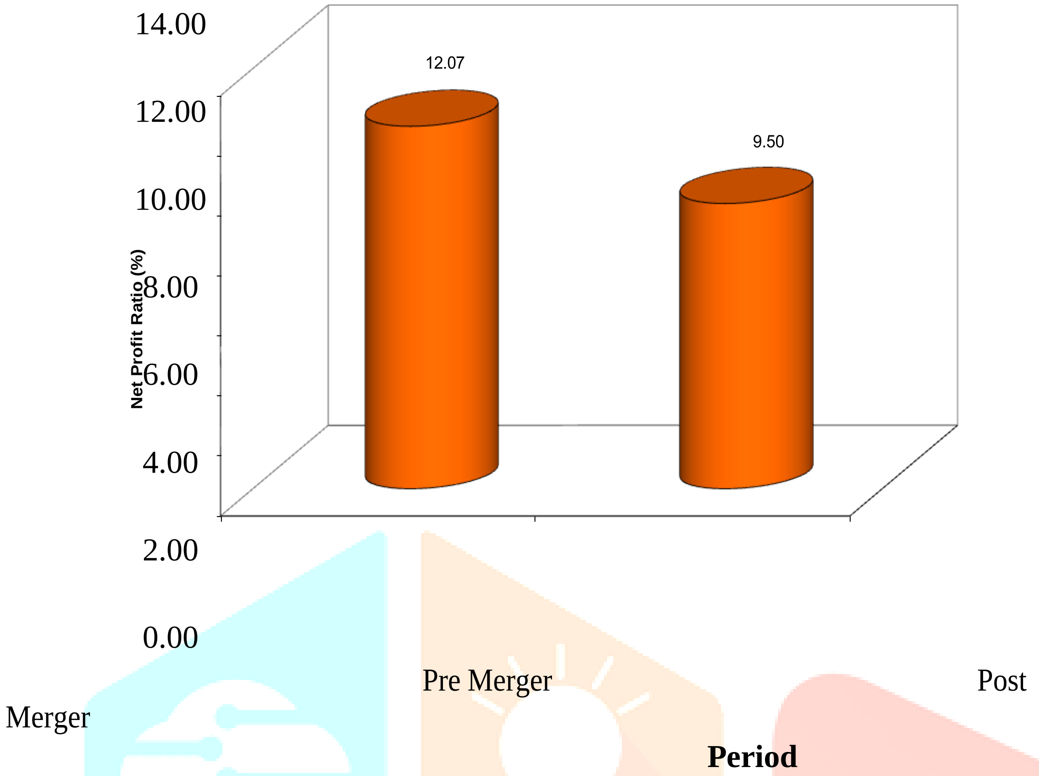
(A) *Net Profit Ratio of RIL*

Period	N	Mean	SD	T	df	Result
Pre Merger	3	12.073	2.073	1.456	3	NS
Post Merger	2	9.500	1.626			

Mean Net Profit Ratio (NPR) for RIL before merger was 12.073. After merging RPL in to it this ratio was decreased to 9.50. The test for difference of mean was applied to check whether the difference in the pre merger and post merger was significant or not. The test results show that the difference in the pre merger and post merger period was non-significant because of high variationin the pre merger period.

(H1) hypothesis taken- 'There **is a considerable difference between pre & post merger financial performance'** is rejected**.**

Pre and Post merger Net Profit position of RIL



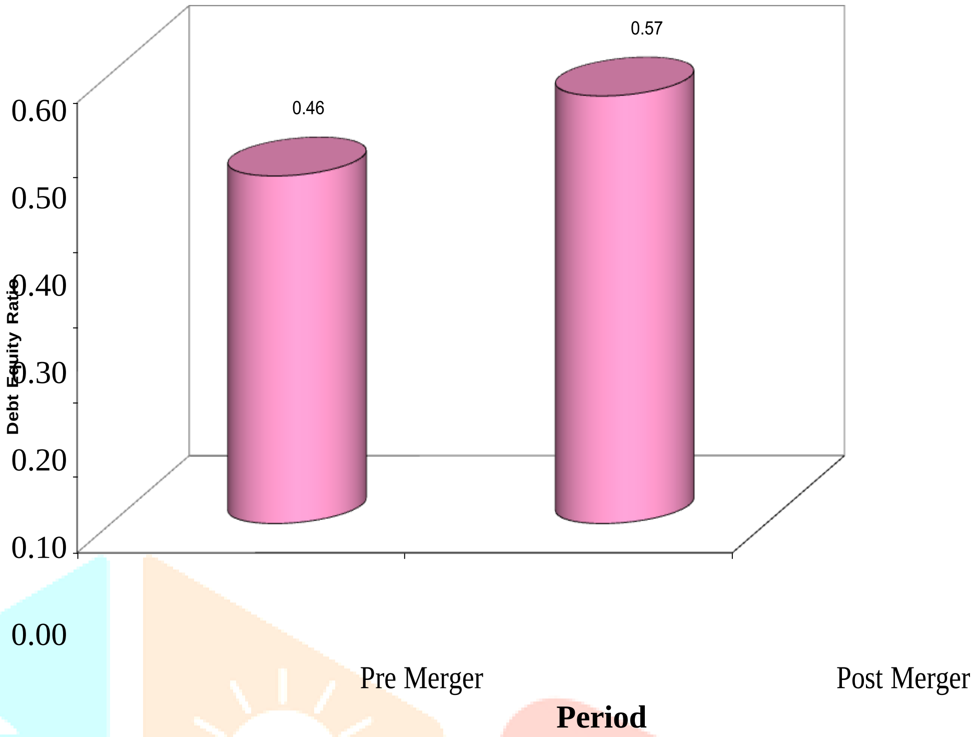
(B) *Debt Equity Ratio of RIL*

Period	N	Mean	SD	T	Df	Result
Pre Merger	3	0.463	0.015	-1.757	3	NS
Post Merger	2	0.570	0.113			

The debt equity ratio in the pre-merger period was 0.463 and in post merger period was 0.570. The test for difference of mean shows non significant difference in the debt equity ratio of two merger companies.

Hence, the (H1) hypothesis taken **'There is a considerable difference between pre & post merger financial performance'** is rejected**.**

Pre and Post Merger Debt Equity Ratio position of RIL



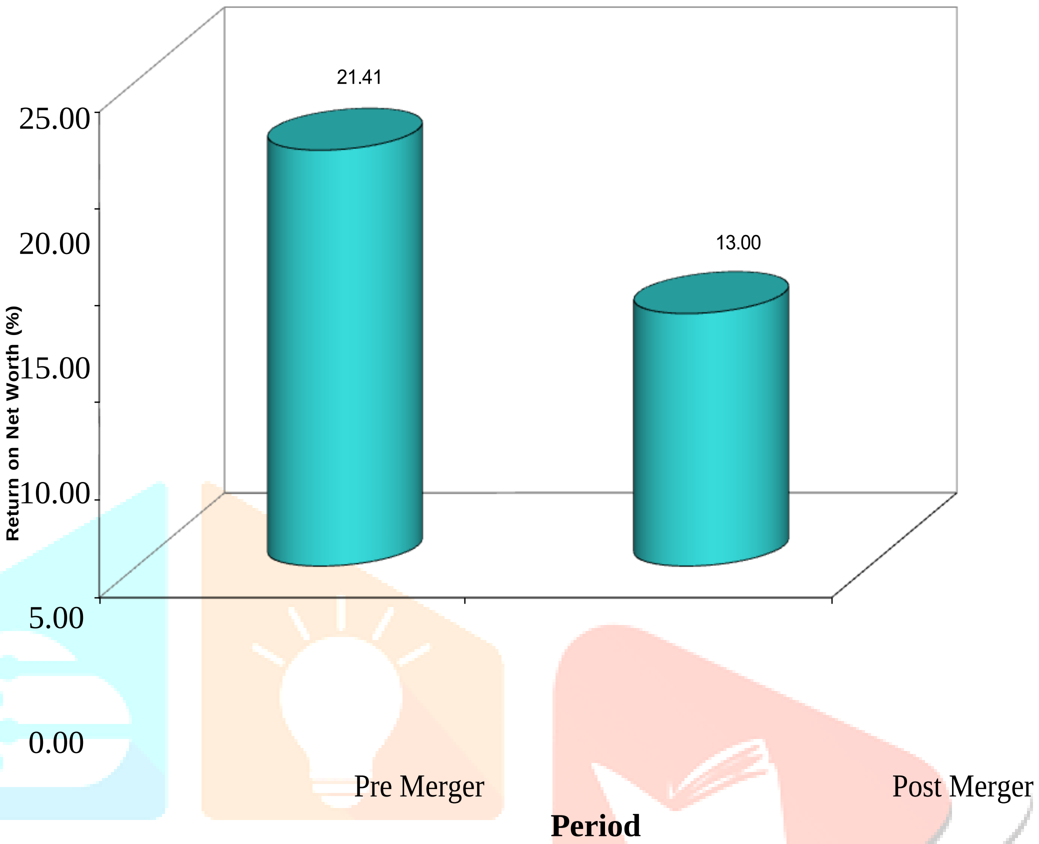
(C) *Return on Net Worth of RIL*

Period	N	Mean	SD	t	df	Result
Pre Merger	3	21.410	2.830	3.955	3	*
Post Merger	2	13.000	0.509			

Return on Net Worth for RIL-RPL merger in pre merger period was 21.410 and it can down to 13.000 in the post-merger period and the difference between pre merger and post merger was found to be significant.

(H1) hypothesis taken ' Mergers in Indian Corporate sector in general resulted invalue addition to shareholders' is rejected.

Pre and Post merger Return on Net Worth positionof RIL



(D) *Earnings Per Share of RIL*

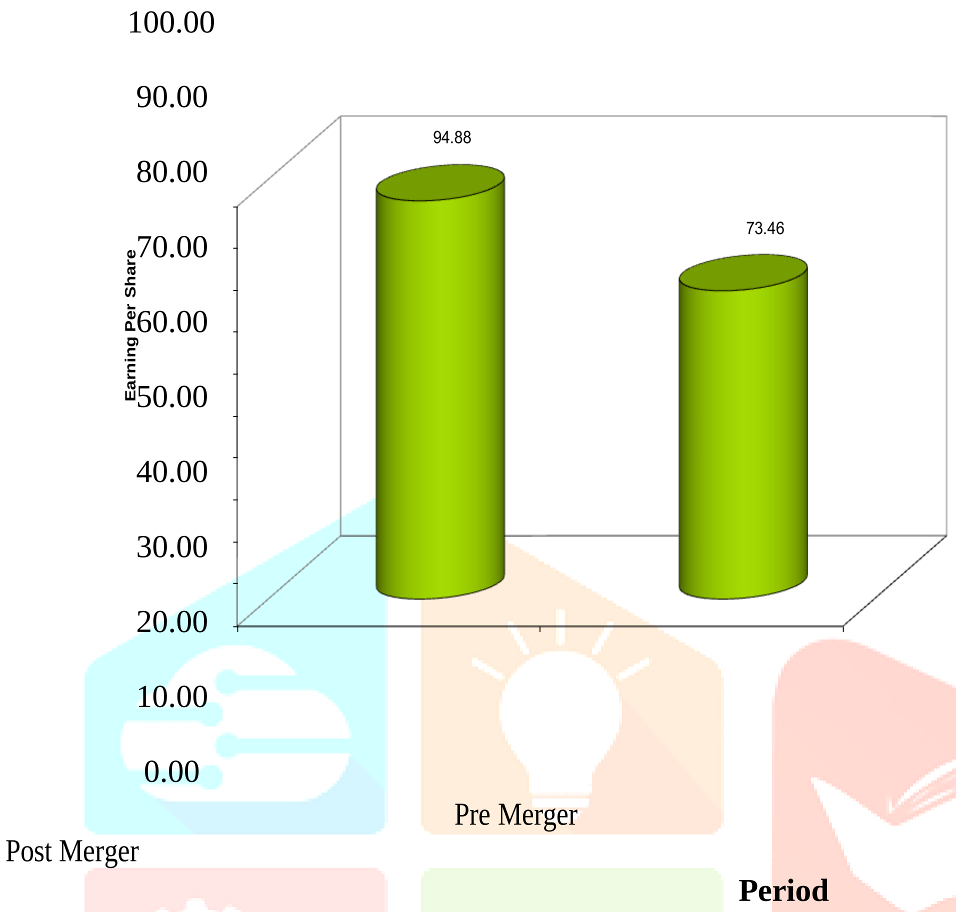
Period	N	Mean	SD	t	df	Result
Pre Merger	3	94.883	35.296	0.675	3	NS
Post Merger	2	73.460	33.687			

Earning per share for RIL before merger was 94.883. After merging RPL in to it in 2009 this figure was decreased to 73.460 in 2009-11. The test results show that the difference in the pre merger and post merger period was non-significant because of high variation in the pre merger period.

The declined mean EPS after the merger proves itself

that the (H1) -**'Mergers in Indian Corporate sector in general resulted in value addition to shareholders'** is rejected.

Pre & post merger Earnings per Share of RIL



(E) Dividend Payout Ratio of RIL

Period	N	Mean	SD	t	df	Result
Pre Merger	3	9.300	6.275	-0.895	3	NS
Post Merger	2	13.505	0.841			

Mean dividend pay out ratio was 9.30 in the RIL before merger for the period of 2005-08. After merging RPL in to it in 2009 this ratio was increased to 13.505. The test results show that the difference in the pre merger and post merger period was non-significant because of high variationin the pre merger period.

(H1) hypothesis taken ‘Mergers in Indian Corporate sector in general resulted in value addition to shareholders’ is rejected.

Pre and post merger Dividend Payout Ratio of RIL

8. Limitations of the Study

Though researchers have made a humble attempt to encompass the pre and post merger performance of the selected sample merger case, it is difficult to narrate all incidents and changes brought up due to mergers and acquisitions

the study is based purely on secondary data which are taken from the financial statements of the case through Internet only and therefore can't be denied for any ambiguity in data used for the analysis.

9. Conclusion/Suggestions

To analyze the financial performance of sample case during pre & post merger period, 4 major financial ratios were used as financial indicators. The average of these ratios for pre & post merger period was used for comparative analysis. To test the significance level in difference between pre and post merger period, statistical test‘t’ test at 5% level of significance has been applied. In other words, a confidence interval of 95% has been set for difference in means.

On the basis of analytical study of sample case completed, the following conclusions have been drawn which are perfectly in the line of objectives predetermined:

- The earnings growth after merger was found at the lower rate resulted in no value additionto shareholders
- Profitability of RIL declined after the merger of RPL. This clearly indicates that the Company has realized some losses of the target company which might be due to the costs incurred during the merger period or so.
- The debts of RIL as compare to its equity have been increased after the merger which may be caused because of taking over the debts of RPL.

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