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A Financial Study on the Conglomerate – Reliance Industries Limited

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ABSTRACT

This project aims to conduct a comprehensive financial study on Reliance Industries Limited (RIL), one of India's largest private sector companies with a strong presence in rapidly expanding sectors such as telecommunications and retail. The study will analyse RIL's financial performance over a specific period, focusing on key financial statements including the Balance Sheet, Statement of Profit and Loss, Statement of Cash Flow, and Statement of Changes in Equity. The project will delve into various aspects of RIL's financial health, including its investments, assets, liabilities, revenue from operations, and other income. It will also examine the impact of global economic trends on RIL's financial performance. By the end of this study, a detailed understanding of RIL's financial standing and its implications for the company's future growth and stability will be achieved. This project will serve as a valuable resource for stakeholders, investors, and anyone interested in understanding the financial dynamics of a large conglomerate like RIL.

INTRODUCTION

Finance is vital for a company's operation and needs effective management. Financial statements, which record financial data, are analysed through financial statement analysis to provide useful insights to stakeholders. This analysis involves examining the income statement, balance sheet, and cash flow statement, using tools like cash flow analysis and trend analysis to evaluate a company's liquidity, profitability, solvency, and efficiency. It also considers qualitative factors like management competence and industry dynamics. This comprehensive analysis helps stakeholders make informed decisions, identify improvement areas, and plan for growth. In a broader financial study, financial statement analysis is a key component, but the study also includes market trends, economic conditions, regulatory compliance, and strategic considerations. Therefore, a financial study of a conglomerate requires interpreting financial statements, applying analytical procedures, and understanding the overall financial landscape considering various influencing factors.

OBJECTIVE OF THE STUDY

Here are the key objectives specific to the financial study performed:

- To evaluate the financial performance of the industry.
- To understand and diagnose the information contained in financial statement with a view to judge the profitability and financial soundness of the industry.

STATEMENT OF PROBLEM

Financial statement analysis is a decision-making tool used by both internal and external stakeholders to assess a company's performance and value. Internally, it's used for financial management, while externally, it's used by stakeholders like the government, customers, investors, and creditors to understand the company's health, performance, and value. It also helps identify and address potential issues. In this study, the financial statements of **Reliance Industries Limited** are analysed for a five-year period (2018-19 to 2022-23) using various analysis techniques.

TOOLS OF ANALYSIS

1. CASH FLOW ANALYSIS

Cash flow is the net cash and cash equivalents transferred in and out of a company. Cash received represents inflows, while money spent represents outflows. The cash flow statement acts as a corporate check book to reconcile a company's balance sheet and income statement.

Cash flow of reliance industries (in Rs. Cr.)	March 2023	March 2022	March 2021	March 2020	March 2019
Net profit/loss before extraordinary items and tax	55,572.00	46,786.00	27,212.00	40,316.00	47,367.00
Net Cash Flow from Operating Activities	48,050.00	67,491.00	-512	77,533.00	29,191.00
Net Cash Used in Investing Activities	-584	-45,315.00	74,257.00	-1,43,625	-53,949.00
Net Cash Used from Financing Activities	-7,369.00	-6,035.00	-76,657.00	70,767.00	25,795.00
Adjustments on amalgamation merger demerger others	-5,000.00	0	0	42	0
Net Inc/Dec in cash and cash equivalents	35,097.00	16,141.00	-2,912.00	4,717.00	1,037.00
Cash And Cash Equivalents Begin of Year	21,714.00	5,573.00	8,485.00	3,768.00	2,731.00
Cash and cash equivalents end of year	56,811.00	21,714.00	5,573.00	8,485.00	3,768.00

INTERPRETATION

The cash flow statement of the company for the five years shows that the company has good cash inflow and outflow. The opening balances of cash and its equivalents are tallied with the previous years' closing balances of cash and cash equivalents. As of present status, there is an increase in cash and cash equivalents by Rs.35097 in crores.

2. TREND ANALYSIS

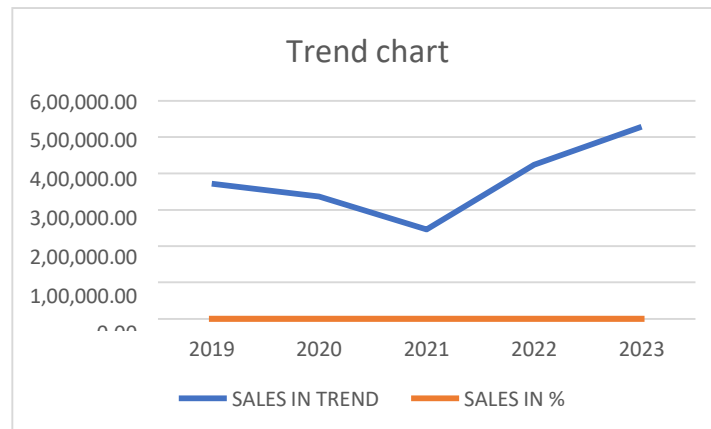
Trend analysis is a technique used in technical analysis that attempts to predict future stock price movements based on recently observed trend data. Trend analysis uses historical data, such as price movements and trade volume, to forecast the long- term direction of market sentiment.

YEAR	SALES IN TREND	SALES IN %
2019	3,71,616.00	100.00
2020	3,36,953.00	90.67
2021	2,45,667.00	66.11
2022	4,23,703.00	114.02
2023	5,28,315.00	142.17

INTERPRETATION

The trend analysis table depicts that 2019 is being placed as the base year where the sales percentage is 100. There is a decrease in the percentage of sales in the year 2020 i.e.,

90.67. The percentage of sales further decreased to 66.11 in 2021. There was an increase in the next two years of 114.02 in 2022 and to 142.17 in 2023.



FINDINGS

- In 2019, there was an increase on cash flow by Rs. 1,037 in crores. In 2020, there was again an increase in the cash flow by Rs. 4,717 in crores. In 2021, there was a negative cash flow of Rs. -2,912 in crores. In 2022, the cash flow again increased to Rs. 16,141 in crores. In 2023, there was again an increase in the cash flow by Rs. 35,097 in crores.
- The sales trend is analysed keeping the sales of 2019 as base year. The sales decreased to 90.67% in 2020. It again rapidly decreased to 66.11% in 2021. Then it increased to 114.02% in 2022 and again increased to 142.17 in 2023. Hence, the sale is on an increasing trend.

SUGGESTIONS

- It is important to understand the reasons behind the fluctuation in sales trend. If the increase is due to a particular product or service, it might be worth investing more in that area.
- It is essential to have a robust risk management strategy in place to anticipate and mitigate such situations in the future.
- It is crucial to identify the factors that led to the turnaround of the cash flows and ensure they are sustained.

CONCLUSION

The financial study on Reliance Industries Limited (RIL) from 2018-19 to 2022-23 revealed significant fluctuations in cash flow and sales trends. Despite a dip in 2021, cash flow showed a remarkable recovery, indicating effective financial management. Sales decreased in 2020 and 2021 but increased in 2022 and 2023, suggesting successful business strategies. The study highlights the importance of financial analysis for informed decision-making and planning for sustainable growth.

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