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FINANCIAL STATEMENT ANALYSIS OF RELIANCE INDUSTRIES LIMITED

R MUBARAK BASHA¹, Dr. M. Subramanyam²

23104E010015

Sree Sainath Nagar, Tirupati, Chittoor (District), AP - 517102.

Mohan Babu University

ABSTRACT :

This study evaluates Reliance Industries Limited's (RIL) financial health, profitability, liquidity, and operational efficiency by looking at its financial statements over a given time period. One of India's biggest companies, RIL is involved in a variety of industries, including retail, telecommunications, petrochemicals, and refining. Through the examination of important financial indicators such debt ratios, return on equity (ROE), profit margins, and revenue growth, the study seeks to offer a thorough grasp of the business's financial status.

Consistent revenue growth is revealed by the analysis, which is mostly due to its varied commercial operations. RIL's profitability is still high, as evidenced by its growing net profit and operating margins, which show advantages in size and efficient cost control. The company has a strong liquidity position, as seen by its adequate quick and current ratios, which show that it can meet short-term obligations.

Its financial structure is heavily reliant on debt, though, which could be problematic in an environment when interest rates are rising.

Important ratios such as Return on Equity (ROE), Return on Assets (ROA), and Earnings Per Share (EPS) are assessed in order to comprehend the overall performance of the business and the creation of value for shareholders. RIL's competitive edge and strategic efforts are particularly highlighted by its capacity to create greater returns when compared to its industry peers.

Reliance Industries Limited is a financially sound and diverse company, according to the financial analysis; nonetheless, it is important to keep an eye on its leverage and the state of the world economy, as these factors may have an impact on its business operations. In order to position itself for future growth, the corporation keeps investing in innovation and new business sectors, like its telecom endeavor (Jio).

Keywords: Ratio Analysis, Cash Flow Analysis, Financial Position Analysis

INTRODUCTION:

One of the biggest and most varied corporations in India, Reliance Industries Limited (RIL) has holdings in petrochemicals, refining, technology, retail, oil and gas exploration, and digital services. The enterprise, which was founded in 1966 by Dhirubhai Ambani, has grown to be a major player in the Indian economy. RIL has grown throughout the years both domestically and abroad, becoming a significant force on the world scene.

Examining a company's financial reports in order to evaluate its stability, performance, and financial health is known as financial statement analysis. It aids management, stakeholders, and investors in comprehending the company's advantages, disadvantages, and growth prospects. This study is essential for a big company like RIL to comprehend the larger industry and economic trends that affect its business operations as well as for making decisions.

This study examines Reliance Industries Limited's financial statements during a chosen time period, with an emphasis on the balance sheet, income statement, and cash flow statement. The aim is to assess the profitability, liquidity, solvency, and efficiency of the business. In this examination, we will examine important financial ratios including earnings per share (EPS), debt-to-equity ratio, current ratio, return on equity (ROE), and return on assets (ROA). RIL's financial plans, risk management, and market position in comparison to its competitors will also be revealed by the analysis.

Strategic investments, a creative business plan, and sound financial management have all contributed to Reliance Industries' remarkable rise. But like any major corporation, it has to contend with issues including shifting commodity costs, legal restrictions, and rivalry from international firms. The objective of this analysis is to provide a thorough grasp of RIL's present and future possibilities while revealing trends in its financial performance.

We will examine RIL's financial data in further detail in the parts that follow, pinpoint the main factors influencing its financial results, and evaluate its capacity to maintain long-term development and profitability.

LITERATURE REVIEW :

Zhang (2021) examines the research on financial statement analysis and highlights its significance in evaluating a company's financial health and performance. The study highlights the significance of incorporating financial statement analysis with other data sources to improve decision-making.

Nguyen et al. (2023) highlight significant factors impacting the quality of financial statements from the perspective of an audit. The study found that state ownership, profitability, and profit after taxes on total assets all significantly affect the quality of financial reports. These results show how crucial it is to have strong auditing procedures to guarantee the accuracy of financial data.

Kotsiantis et al. (2022) claim that there has been a recent surge in interest in identifying financial statement fraud. He provided a framework for analyzing the research on financial statement fraud using machine learning. According to the study, machine learning methods can improve the identification and avoidance of false financial reporting, resulting in financial statements that are more reliable.

Rahman and Wang (2022) examined the role that financial reporting plays in the sustainability of businesses in an exploratory study. The findings demonstrate that maintaining and growing corporate operations, which in turn supports long-term firm sustainability, depend on clear and accurate financial accounts.

Objective of Study:

The study's goal is to comprehend the organization's financial situation. Ratio analysis will be used to determine the organization's strengths and weaknesses and to aid in decision-making.

The financial statements shall be prepared in the following manner:

- a) Give a true and fair view of the state of affairs of the company
- b) Comply with the accounting standards notified under section 133 and
- c) It is in the form of schedule III

Reliance Industries Limited (RIL) Research Gap Report for FY 2023–2024

Even though Reliance Industries Limited's (RIL) financial reports for FY 2023–2024 offer a thorough summary of the business's financial situation, strategic goals, and market performance, there are still a number of unanswered questions that may be investigated further. These gaps indicate areas in which more thorough investigation may provide more understanding of RIL's business practices, difficulties, and prospects for expansion. For a more sophisticated understanding of the business and its place in the global market, it is imperative to identify and fill these research gaps.

Effects of the Digital Transformation Gap Over Time: Although RIL's digital initiatives—especially Jio and its entry into 5G—are emphasized, it is yet unknown how these investments will affect the company's overall revenue and profitability in the long run.

Research Focus: Studies that assess how these digital transformation initiatives will alter RIL's revenue sources and how it will respond to competition from both domestic and international telecom firms are needed. In particular, how Jio's digital services and 5G expansion will affect RIL's financial results over the next five to ten years.

RESEARCH METHODOLOGY :

Data sources: The websites and annual reports of the companies were used to get the secondary data. The information gathered on various topics was examined.

Method of data collection: secondary

Study nature: The research is descriptive and analytical in character.

Data type: Secondary data served as the foundation for this investigation. The term "company strength and weakness" refers to information that was first collected with a specific goal in mind.

Data sources: The company's annual report is used to gather secondary data.

Limitations of the study:

1. Historical in nature: The foundation of financial accounts is historical. It entails entering data according to actual transactions.
2. Non-monetary data is left out: Employee morale, customer happiness, and market reputation are examples of non-monetary aspects that are left out.
3. Estimates: Estimates for contingencies, provisions, and depreciation form the basis of financial statements.
4. Alternative accounting methods: Different organizations and businesses use different approaches to accounting for the statements. For instance, if one company uses the FIFO method for inventory valuation while another uses the LIFO method, the results for one aspect, such as inventory, will differ.

Scope for further research:

A solid basis for evaluating Reliance Industries Limited's (RIL) performance and strategic orientations is provided by the company's financial reports for FY 2023–2024. Nonetheless, there are still a number of unknown or underexplored locations that offer room for more study. To improve knowledge of RIL's operations, difficulties, and potential for future expansion, these fields provide a wealth of opportunities for in-depth scholarly and professional research. The following are some important research topics based on the FY 2023–24 reports.

Possible Research Questions:

What effects will Jio's 5G network have on revenue per user and subscriber growth?

How possible is it to cross-sell digital services (like JioFiber and JioMart) with other RIL products?

How can RIL continue to dominate its industry and what are the competitive obstacles it faces in the digital and telecom sectors?

RELIANCE INDUSTRIES. 2023-24 Annual Report Analysis :**RELIANCE INDUSTRIES. Income & Expenditure Statement 2023 -24**

No. of months Year ending	Rupees	12-mar-2023	12-mar-2024	% change
Net sales	Rs m	7,808,060.00	4,941,120.00	-36.7%
Other income	Rs m	130,360.00	121,280.00	-7.0%
Total revenue	Rs m	7,938,420.00	5,062,400.00	-36.2%
Gross profit	Rs m	1,408,840.00	742,650.00	-47.3%
Depreciation	Rs m	403,030.00	176,900.00	-56.1%
Interest	Rs m	195,710.00	134,300.00	-31.4%
Profit before tax	Rs m	940,460.00	552,730.00	-41.2%
Tax	Rs m	203,760.00	132,310.00	-35.1%
Profit after tax	Rs m	736,700.00	420,420.00	-42.9%
Gross profit margin	%	18.0	15.0	
Net profit margin	%	9.4	8.5	

RELIANCE INDUSTRIES. Income & Expenditure statement Analysis

Operating income decreased 36.7% year over year (YoY) throughout the year.

During the fiscal year, the operating profit of the corporation fell 47.3% year over year. From 18.0% in FY23 to 15.0% in FY24, operating profit margins saw a decline.

Both finance expenses and depreciation charges saw YoY decreases of 31.4% and 56.1%, respectively.

Other income decreased by 7.0% year over year.

The net profit for the year decreased 42.9% year over year.

During FY24, net profit margins decreased from 9.4% in FY23 to 8.5%.

RELIANCE INDUSTRIES. Balance Sheet as on 31st March 2024

No. of months Year ending	Rupees	12-mar-2023	12-mar-2024	% change
Net worth	Rs m	7,152,260.00	5,150,430.00	-28.0
Current liabilities	Rs m	3,957,430.00	2,400,140.00	-39.4
Long term debt	Rs m	1,831,760.00	1,610,590.00	-12.1
Total liabilities	Rs m	16,058,820.00	9,705,650.00	-39.6
Current assets	Rs m	4,252,960.00	2,626,250.00	-38.2
Fixed assets	Rs m	11,805,860.00	7,079,400.00	-40.0
Total assets	Rs m	16,058,820.00	9,705,650.00	-39.6

RELIANCE INDUSTRIES. Balance Sheet Analysis

During FY24, the company's current liabilities decreased by -39.4% to Rs 2,400 billion from Rs 3,957 billion in FY23.

In FY23, long-term debt was Rs 1,832 billion; now, it is Rs 1,611 billion, a 12.1% decrease.

In FY24, fixed assets dropped 40% to Rs 7,079 billion, while current assets plummeted 38% to Rs 2,626 billion.

Overall, the overall assets and liabilities for FY24 were Rs 9,706 billion, a 40% decrease from FY23's sum of Rs 16,059 billion.

RELIANCE INDUSTRIES. Cash Flow Statement 2023-24

Particulars	Year ending	12-mar-2023	12-mar-2024	% change
Cash flow from operating activities	Rs m	1,150,320.00	739,980.00	-35.7
Cash flow from investment activities	Rs m	(912,350.00)	(382,920.00)	-
Cash flow from financial activities	Rs m	104,550.00	(274,650.00)	-
Net cash flow	Rs m	324,860.00	82,410.00	-74.6

RELIANCE INDUSTRIES. Cash Flow Statement Analysis

In FY24, RELIANCE IND.'s cash flow from operating activities (CFO) was Rs 740 billion on a year-over-year basis.

During FY24, the cash flow from investing activities (CFI) was Rs -383 billion, YoY.

Out of the net cash flows of Rs 325 billion in FY23, the cash flow from financial activities (CFF) for FY24 was Rs 82 billion.

Key Ratio Analysis

Year ending		31-mar-2023	31-mar-2024
Current ratio	X	1.1	1.1
Debtors days	days	1	1
Interest coverage	x	5.8	5.1
Debt-Equity ratio	x	0.3	0.3
Return on assets	%	5.8	5.7
Return on Equity	%	10.3	8.2

Return on capital employed	%	12.6	10.2
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Key findings:**For example****Which company is better company in terms of liquidity****A ltd 2:1****B ltd 3:1****C ltd 10:1**

As we assume that higher ratio of C ltd indicates good position of the company and higher liquidity. Hence this assumptions is stupid thing why because that higher ratio determines inefficiency in collecting receivables and slow mobility of inventory and non utilization of cash properly. So there is always proves an ideal liquidity ratio is 2:1 as standard that i noticed.

Therefore:

- High current ratio is better liquidity
- Very high current ratio is inefficiency in investment of cash, collection of debtors and selling of stock.

Impact on Revenue and Business

By FY 2023–2024, Jio's 5G services will begin to make a bigger contribution to revenue growth as more customers switch to 5G-enabled plans, which offer higher Average Revenue Per User (ARPU).

RIL would probably highlight financial success in the annual report or quarterly disclosures for FY 2023–2024, specifically mentioning the cost of deployment, new income streams from 5G-based services, and 5G revenue contributions.

Collaborations & Partnerships

RIL may announce new strategic partnerships in the 5G arena, particularly with businesses in big data, cloud computing, and artificial intelligence. Innovative solutions for a range of industries, including smart manufacturing, healthcare, education, and agriculture, would be made possible by these partnerships.

Prioritize innovation and sustainability.

Additionally, RIL might align its 5G initiatives with environmental objectives by concentrating on cutting carbon emissions, enhancing network infrastructure energy efficiency, and utilizing 5G for intelligent energy solutions.

In order to highlight India's independence in technological growth, they would keep pushing for domestic 5G technology.

Plans for Individuals and Businesses

Jio is expected to introduce 5G-specific plans aimed at both enterprises and individuals. These would include bundles for cloud-based services, enterprise solutions, and high-speed internet that make use of 5G's capabilities.

Updates and KPIs (Key Performance Indicators)

RIL's quarterly results and yearly report would include information on KPIs like:

Quantity of 5G users and 5G coverage regions

Uptime and performance indicators for networks

The advantages of 5G over 4G in terms of latency and speed

Enhanced Infrastructure Investment

Additional expenditures would be made in the construction of strong telecom infrastructure, such as data centers, tiny cells, and 5G towers, during the fiscal year 2023–2024. In order to manage increased data traffic from 5G-enabled devices and applications, Jio would probably also make investments in network densification.

Emphasis would be placed on large investments in key 5G technologies and alliances with telecom equipment suppliers like Samsung, Nokia, and Ericsson.

The Function of Jio in Digital Transformation

RIL's vision of Digital India would revolve around Jio 5G, and the company will probably highlight how it has helped millions of people and small companies become digital.

The emphasis on reasonably priced 5G cellphones and other gadgets will not waver, guaranteeing that a sizable section of India's populace can utilize the technology.

SUGGESTION & RECOMMENDATION :**Improve Debt Management and Optimize Leverage**

Suggestion: Because of its substantial investments in new businesses like Jio and retail, RIL has a sizable amount of debt financing its capital structure. Leverage can spur growth, but too much debt can raise financial risk, particularly when interest rates are rising.

Recommendation: By concentrating on cutting expensive debt and raising equity capital, RIL should investigate methods to maximize its debt-to-equity ratio. Selective asset sales, debt refinance, or luring in strategic investors are some ways to do this. RIL will be better equipped to withstand market turbulence and economic downturns if it maintains a balanced leverage.

In order to stay ahead of the competition, RIL must keep investing in innovation given the speed at which technology is developing and the shifting needs of its customers.

RIL ought to devote a greater percentage of its funds to research and development, especially in fields pertaining to digital transformation, telecom infrastructure (such as 5G), and renewable energy. RIL can maintain its competitiveness in a rapidly changing business environment by fortifying its innovation ecosystem, whether through internal R&D or collaborations with academic institutions and research centers.

Jio Telecommunications: Dependability With the expansion of its 4G and 5G services, Jio has continued to dominate the Indian telecom market. Additionally, they are working to improve their digital ecosystem through collaborations and advancements in India's 5G deployment. Retail (Reliance Retail): RIL's retail division is still growing, particularly in the leisure, fashion, and grocery industries. They have experienced growth and are increasingly utilizing the e-commerce industry, particularly during the holidays. Additionally, they have invested heavily in growing its digital offerings and footprint.

CONCLUSION :

According to the FY 2023–24 projections, Reliance Industries Limited is experiencing strong growth, which is bolstered by its varied business strategy and ongoing emphasis on sustainability and digital transformation. The business has proven its flexibility in responding to shifting market conditions, and its investment approach seems to be in line with potential future expansion, especially in the fields of digital services and green energy.

RIL is still financially sound, but in order to keep its financial stability, it needs to carefully manage its continued reliance on debt as well as its exposure to external economic and regulatory risks. RIL is in a strong position to drive change in India's corporate environment and successfully compete globally by maintaining its emphasis on innovation, operational effectiveness, and sustainable practices.

REFERENCE :

1. Annual Reports of Reliance Industries Limited 2023-2024.

WEBSITES

1. www.moneycontrol.com