



# **A STUDY ON FINANCIAL ANALYSIS OF RELIANCE INDUSTRIES COMAPANY**

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## **ABSTARCT :**

Reliance Industries Limited (RIL) stands as one of India's most prominent and diversified conglomerates, with a strong foothold in petrochemicals, refining, and oil & gas, along with significant ventures in telecommunications, retail, and digital services. The company has played a transformative role in reshaping multiple sectors of the Indian economy through strategic investments, innovation, and digital expansion. This study assesses the financial performance of RIL over a five-year span (2019–20 to 2023–24) using various financial analysis tools such as ratio analysis, comparative balance sheets, and trend evaluation. The analysis focuses on key aspects like liquidity, leverage, profitability, and operational efficiency, utilizing indicators such as the current ratio, debt-to-equity ratio, return on equity, net profit margin, and asset turnover ratio. Results highlight consistent revenue growth, healthy profitability, and effective capital management, alongside strong liquidity and manageable debt levels. While the telecom and retail divisions significantly contributed to diversified income streams, a rise in short-term borrowings was noted due to ongoing expansion. Comparative balance sheets reflect a steady rise in shareholder equity and total assets, while trend analysis points to sustained operational growth with minor fluctuations. Strategic recommendations include enhancing free cash flow, optimizing debt structure, and furthering digital integration to ensure long-term sustainability. In conclusion, Reliance Industries showcases financial robustness and strategic agility, reinforcing its position as a leader in India's industrial and digital transformation.

**Keywords:** Reliance Industries, Financial Performance, Ratio Analysis.

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## **INTRODUCTION**

Finance is essential for the smooth functioning of any enterprise and must be managed efficiently. Financial statements provide critical data, but require analysis to be truly useful for stakeholders. Financial statement analysis helps assess a company's liquidity, profitability, solvency, and efficiency through tools like ratio and trend analysis. It involves evaluating income statements, balance sheets, and cash flow statements. This process supports informed decision-making by investors, managers, and creditors. Beyond numbers, it also considers qualitative aspects such as industry trends and management effectiveness. Overall, financial analysis offers a comprehensive view of a company's financial health and strategic direction.

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## **STATEMENT OF PROBLEM**

Financial statement analysis is primarily used for decision-making purposes. It helps internal and external stakeholders evaluate business performance and value. Internal constituents use it as a monitoring tool for managing finances. External stakeholders, such as government, customers, investors and creditors, use it to understand the overall health of an organization, evaluate financial performance, and assess business value. It is also used to identify potential problem areas and troubleshoot those. Hence in this study, an attempt has been made to analyse the financial statements of **RELIANCE INDUSTRIES LIMITED** for a period of 5 years (2019-20 – 2023-24) by using various techniques of analysis.

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## **OBJECTIVE OF PROBLEM**

- To evaluate the financial performance and financial health 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.
- To make a forecast about the future prospects of the industry

## REVIEW OF LITERATURE:

- **Mrs. Priya Thenissery, Dr. Vidya Chandrashekar, and Ms. Suman Mishra (2023):** Their study, "*Financial Performance Analysis of Reliance Industries Ltd.*", analyzed RIL's financial performance from 2017–18 to 2021–22 using trend percentages and ratio analysis. The aim was to understand relationships among financial elements, identify strengths and weaknesses, and predict future prospects. Results showed significant sales growth in 2018 (29%), 2019 (87%), and 2022 (230%), with a notable 43% decline in 2021. Expenses followed a similar trend, peaking in 2022 (228%). The study emphasized the importance of financial statement analysis in evaluating company performance.
- **Nilutpal Narayan Konwar (2023):** This research, titled "Financial Performance Analysis of Reliance Industries Ltd. An Indian Conglomerate MNC", examined RIL's financial strengths and weaknesses over five years (2017–18 to 2021–22) using ratio and trend analysis. It used data from financial reports, the company's website, and published sources. The findings revealed several financial shortcomings, recommending improvements for better ratios. The study also acknowledged limitations, including reliance on secondary data, analytical tools, and the time frame of the analysis.

## COMPANY PROFILE:

Reliance Industries, India's largest private sector company, has grown from textiles to a diversified conglomerate in energy, petrochemicals, retail, and telecom. Headquartered in Mumbai and led by Mukesh Ambani, it operates world-class facilities nationwide. The company contributes over 5% to government revenues and 8% of India's merchandise exports. RIL was the first Indian firm to cross \$100 billion market cap in 2007 and ₹9 lakh crore in 2019.



Formerly	<b>Reliance Commercial Corporation (1958–1966)</b> <b>Reliance Textiles and Engineers (1966–1973)</b> <b>Reliance Textiles Industries Limited</b> <b>(1973–1985)</b> <b>Reliance Industries Limited (1985–present)</b>
Company type	Public
Traded As	• BSE: 500325
<ul style="list-style-type: none"> <li>• NSE: Reliance</li> <li>• BSE: SENSEX constituent</li> <li>• NSE: NIFTY 50 constituent</li> </ul>	

<b>ISIN</b>	<b>INE002A01018</b>
<b>Industry</b>	<b>Conglomerate (Energy, Petrochemicals, Retail, Telecommunication, Media, Entertainment, Textiles)</b>
<b>Predecessor</b>	<b>Dushyant Corporation (DC Group of Company)</b>
<b>Founded</b>	<b>1958 (67 years ago)</b>
<b>Headquarters</b>	<b>Mumbai, Maharashtra, India</b>
<b>Area Served</b>	<b>Worldwide</b>
<b>Key People</b>	<b>Mukesh Ambani</b>
<b>Revenue</b>	<b>₹9.6 lakh crore (approx. US\$115 billion) (FY2024)</b>
<b>Net Income</b>	<b>₹78,000 crore (approx. US\$9.4 billion) (FY2024)</b>
<b>Total Equity</b>	<b>₹5.9 lakh crore (approx. US\$70 billion) (FY2024)</b>
<b>Number of Employees</b>	<b>347,362 (2024)</b>

## HISTORY

- 1958 – Founded by Dhirubhai Ambani as Reliance Commercial Corporation, trading in spices and polyester yarn.
- 1966 – Became Reliance Textiles Industries Pvt. Ltd., setting up a synthetic fabric mill in Naroda, Gujarat.
- 1973 – Converted to a public company as Reliance Textiles Industries Ltd.
- 1975 – Launched textile brand "Vimal"; IPO in 1977 was oversubscribed 7 times.
- 1985 – Renamed to Reliance Industries Ltd.; expanded polyester yarn capacity significantly.
- 1993 – Raised international funds via global depository issue of Reliance Petroleum.
- 1996 – Entered telecom through a JV with NYNEX, forming Reliance Telecom Pvt. Ltd.
- 2001 – Merged Reliance Petroleum with Reliance Industries; became India's largest private sector company.
- 2005–06 – Restructured, demerging telecom, power, and finance into separate entities.
- 2006–2010 – Entered retail with Reliance Fresh and acquired pan-India 4G spectrum via Infotel.

## PRIMARY BUSINESS OPERATIONS

1. Hydrocarbon exploration and production
2. Petroleum refining and marketing

3. Petrochemicals
4. Retail
5. Telecommunications

### **RATIO ANALYSIS**

#### **CURRENT RATIO**

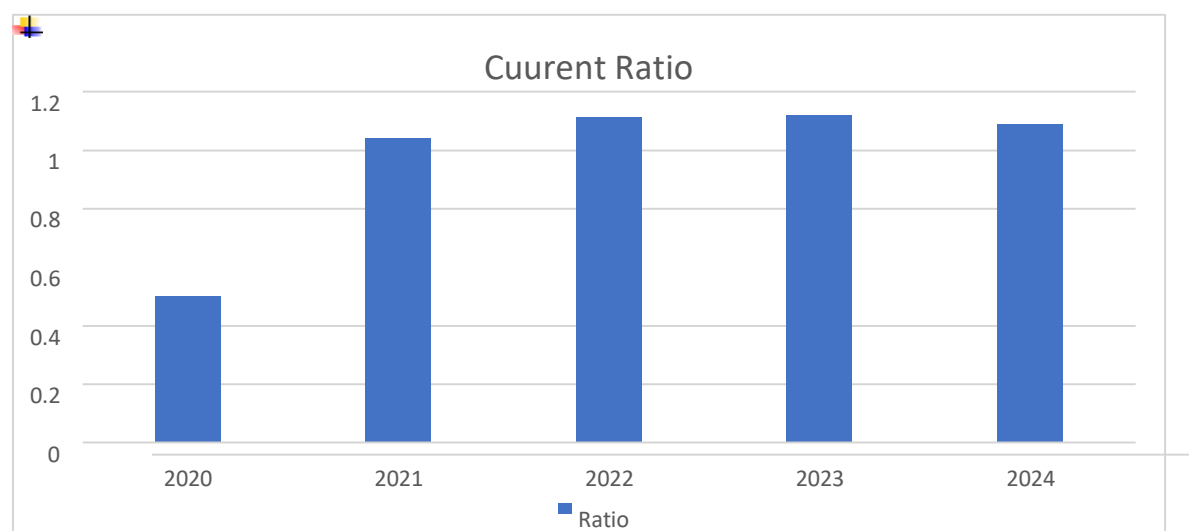
Current Ratio = Current Assets / Current Liabilities

TABLE SHOWING CURRENT RATIO

YEAR	CURRENT ASSET	CURRENT LIABILITY	RATIO
2020	166654.00	330682.00	0.50
2021	210719.00	201787.00	1.04
2022	222398.00	200982.00	1.11
2023	265932.00	237276.00	1.12
2024	262625.00	240014.00	1.09

### **INTERPREATION**

The above table shows the current ratio for 5 years and it was concluded that the ratio has been 0.50 in 2020 and 1.04 in 2021 which is not satisfactory and in 2022 it was 1.11 and in 2023 it was 1.12 and in the last year 2024 it was 1.09. In the four years from 2021 to 2024 is satisfactory but not ideal.



### **LIQUID RATIO**

Liquid Ratio = [Current Assets – Inventory – Prepaid expenses] / Current Liabilities

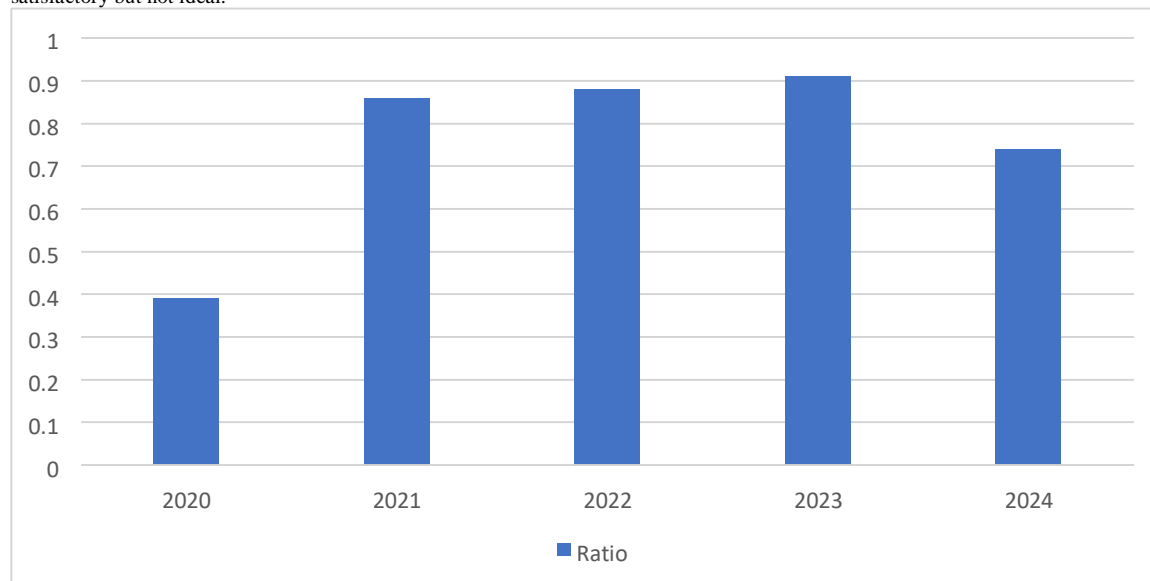
Table showing Liquid ratio

YEAR	QUICK ASSET	CURRENT LIABILITY	RATIO
2020	173282.00	330682.00	0.39
2021	173282.00	201787.00	0.86

<b>2022</b>	<b>176475.00</b>	<b>200982.00</b>	<b>0.88</b>
<b>2023</b>	<b>217006.00</b>	<b>237276.00</b>	<b>0.91</b>
<b>2024</b>	<b>177525.00</b>	<b>240014.00</b>	<b>0.74</b>

## INTERPRETATION

The above table shows that the liquid ratio for 5 years and it was concluded that the ratio has been 0.39 in 2020 and 0.86 in 2021 which is not satisfactory at all and in 2022 it was 0.88 and in 2023 it was 0.91 and in the last year i.e., 2024 it was 0.74. In the three years from 2021 to 2024 it is satisfactory but not ideal.



## DEBT-TO-EQUITY RATIO

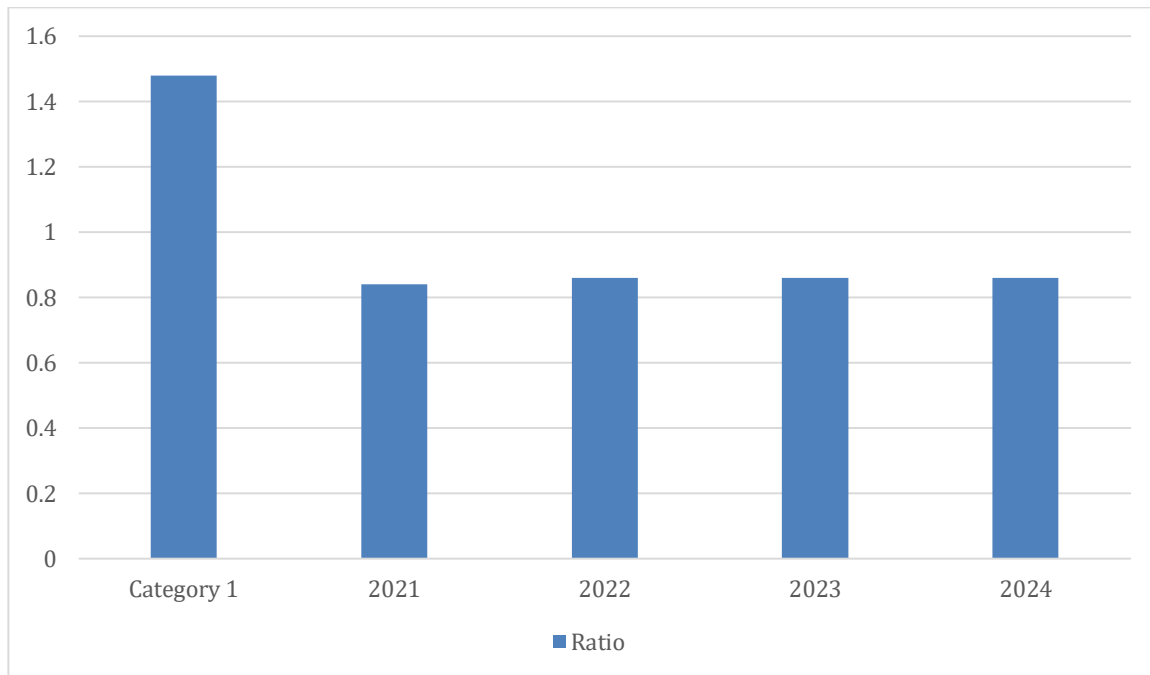
Debt to equity ratio = Total liabilities / Shareholders' equity

TABLE SHOWING DEBT TO EQUITY RATIO

<b>YEAR</b>	<b>TOTAL LIABILITIES</b>	<b>SHAREHOLDER'S FUND</b>	<b>RATIO</b>
<b>2020</b>	<b>580484.00</b>	<b>391214.00</b>	<b>1.48</b>
<b>2021</b>	<b>399190.00</b>	<b>474483.00</b>	<b>0.84</b>
<b>2022</b>	<b>407147.00</b>	<b>471527.00</b>	<b>0.86</b>
<b>2023</b>	<b>411471.00</b>	<b>479094.00</b>	<b>0.86</b>
<b>2024</b>	<b>444547.00</b>	<b>515096.00</b>	<b>0.86</b>

## INTERPRETATION

The above table shows that the debt-equity ratio for 5 years and it was concluded that the ratio has been 1.48 in 2020, 0.84 in 2021, in 2022 it was 0.86, in 2023 it was 0.86 and in the last year 2024 it was 0.86 again. In the four years from 2020 to 2024 except 2020 it is not ideal but considered as a relatively safe position. In the year 2020 there is a higher possibility of risk.



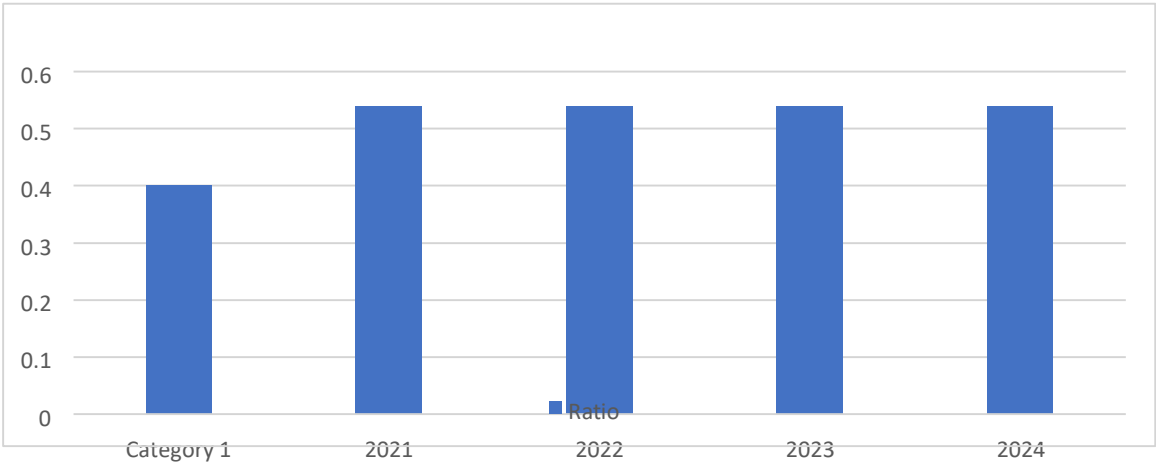
### ***EQUITY RATIO***

Equity ratio = Shareholder's funds / Total Assets

YEAR	TOTAL EQUITY	TOTAL ASSETS	RATIO
2020	391214.00	971699.00	0.40
2021	474483.00	873673.00	0.54
2022	471527.00	878674.00	0.54
2023	479094.00	890565.00	0.54
2024	515096.00	959643.00	0.54

### ***INTERPRETATION***

The above table shows the equity ratio for 5 years and it was concluded that the ratio has been 0.40 in 2020, and in the next four years from 2021 to 2024 it was 0.54. In the four years from 2020 to 2024 except 2020 it is satisfactory because the ratio is above 0.5 which indicates safety to creditors. But in the year 2020 it is an alarming indicator to the creditors



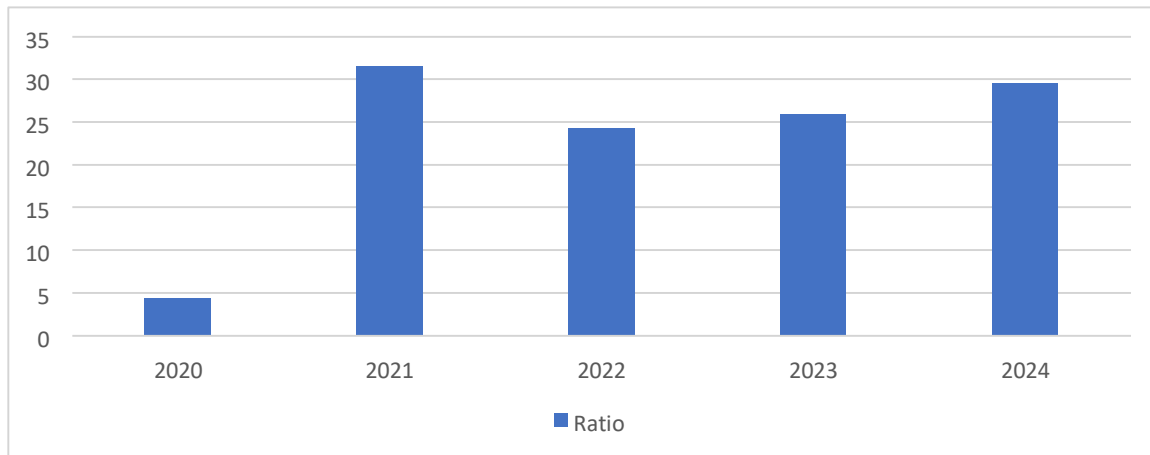
GROSS PROFIT RATIO

*Gross Profit Ratio = [Gross Profit / Net Sales] \* 100*

YEAR	GROSS PROFIT	NET SALES	RATIO
2020	99,611.00	3,36,953.00	29.56
2021	77,405.00	2,45,667.00	31.51
2022	1,02,851.00	4,23,703.00	24.27
2023	1,36,807.00	5,28,315.00	25.89
2024	1,58,116.00	5,34,534.00	29.58

INTERPRETATION

The Gross Profit Ratio fluctuated over the years, peaking at 31.51% in 2021 and dipping to 24.27% in 2022, likely due to increased costs. However, it showed a recovery, reaching 29.58% in 2024, indicating improved profitability. The trend suggests better cost management and a strong financial position.



## COMPARATIVE STATEMENT

TABLE SHOWING COMPARATIVE BALANCE SHEET OF Reliance Industries ON 2022-2023

PARTICULARS	2022	2023	INCREASE / DECREASE IN 2020 OVER 2021	
			AMOUNT	PERCENT
EQUITIES AND LIABILITIES				
Shareholder's funds				
Equity share capital	6765	6766	1	0.01
Total share capital	6765	6766	1	0.01
Reserves and Surplus	464762	472328	7566	1.63
Total Reserves and Surplus	464762	472328	7566	1.63
Total shareholders' funds	471527	479094	7567	1.60
Non-current liabilities				
Long term borrowings	167231	135561	-31670	-18.94
Deferred tax liabilities [net]	30832	33968	3136	10.17



<b>Other long term Liabilities</b>	<b>6504</b>	<b>3370</b>	<b>-3134</b>	<b>-48.19</b>
<b>Long term provisions</b>	<b>1598</b>	<b>1296</b>	<b>-302</b>	<b>-18.90</b>
<b>Total non-current liabilities</b>	<b>206165</b>	<b>174195</b>	<b>-31970</b>	<b>-15.51</b>
<b>Current liabilities</b>				
<b>Short term borrowings</b>	<b>27332</b>	<b>80262</b>	<b>52930</b>	<b>193.66</b>
<b>Trade payables</b>	<b>134005</b>	<b>110722</b>	<b>-23283</b>	<b>-17.37</b>
<b>Other current liabilities</b>	<b>38749</b>	<b>45366</b>	<b>6617</b>	<b>17.08</b>
<b>Short term provisions</b>	<b>896</b>	<b>926</b>	<b>30</b>	<b>3.35</b>
<b>Total current liabilities</b>	<b>200982</b>	<b>237276</b>	<b>36294</b>	<b>18.06</b>
<b>Total Capital and Liabilities</b>	<b>878674</b>	<b>890565</b>	<b>11891</b>	<b>1.35</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Tangible assets</b>	<b>223824</b>	<b>232238</b>	<b>8414</b>	<b>3.76</b>
<b>Intangible assets</b>	<b>15802</b>	<b>12926</b>	<b>-2876</b>	<b>-18.20</b>
<b>Capital work-in-progress</b>	<b>19267</b>	<b>30958</b>	<b>11691</b>	<b>60.68</b>
<b>Intangible assets under development</b>	<b>15395</b>	<b>17957</b>	<b>2562</b>	<b>16.64</b>
<b>Fixed assets</b>	<b>274288</b>	<b>294079</b>	<b>19791</b>	<b>7.22</b>

<b>Non-current investments</b>	330493	303558	-26935	-8.15
<b>Long Term Loans and Advances</b>	41951	22448	-19503	-46.49
<b>Other non-current assets</b>	9544	4548	-4996	-52.35
<b>Total non-current assets</b>	656276	624633	-31643	-4.82
<b>Current assets</b>				
<b>Current investments</b>	78304	86074	7770	9.92
<b>Inventories</b>	45923	48926	3003	6.54
<b>Trade receivables</b>	14394	16898	2504	17.40
<b>Cash and cash equivalents</b>	21714	56811	35097	161.63
<b>Short Term Loans and Advances</b>	161	595	434	269.57
<b>Other current assets</b>	61902	56628	-5274	-8.52
<b>Total current assets</b>	222398	265932	43534	19.57
<b>Total assets</b>	878674	890565	11891	1.35

### **INTERPRETATION**

The company's current assets increased by 19.57% in 2023, while current liabilities rose by 18.06%, suggesting minimal impact on liquidity. The cash and bank balance surged by 161.63%, reflecting a positive cash position. Long-term debt decreased by 15.51%, and owner's equity improved by only 1.60%. Fixed assets grew by 7.22%, and total assets and liabilities increased by 1.35%, from Rs. 878674 crores in 2022 to Rs. 890565 crores in 2023.

**COMPARATIVE STATEMENT OF RELIANCE INDUSTRIES FOR THE****YEARS 2022-23 AND 2023-24**

PARTICULARS	2023	2024	INCREASE / DECREASE IN 2020 OVER 2021	
			AMOUNT	PERCENT
EQUITIES AND LIABILITIES				
Shareholder's funds				
Equity share capital	6766	6766	0	0
Total share capital	6766	6766	0	0
Reserves and Surplus	472328	508330	36010	7.63
Total Reserves and Surplus	472328	508330	36010	7.63
Total shareholders' funds	479094	515096	36002	7.52
Non-current liabilities				
Long term borrowings	135561	161059	25498	18.81
Deferred tax liabilities [net]	33968	36259	2291	6.74
Other long term Liabilities	3370	5514	2144	63.63
Long term provisions	1296	1701	405	31.25
Total non-current liabilities	174195	204533	30338	17.42
Current liabilities				

<b>Short term borrowings</b>	80262	50731	29531	36.79
<b>Trade payables</b>	110722	129859	19128	17.27
<b>Other current liabilities</b>	45366	58452	13086	28.86
<b>Short term provisions</b>	926	972	46	4.97
<b>Total current liabilities</b>	237276	240014	2738	1.15
<b>Total Capital and Liabilities</b>	890565	959643	69078	7.76
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Tangible assets</b>	232238	258911	26673	11.49
<b>Intangible assets</b>	12926	40719	27793	215.11
<b>Capital work-in-progress</b>	30958	44294	13336	43.07
<b>Intangible assets under development</b>	17957	17338	619	3.45
<b>Fixed assets</b>	294079	361262	67183	22.84
<b>Non-current investments</b>	303558	301400	-2158	-0.71
<b>Long Term Loans and Advances</b>	22448	10051	-12397	-55.23

<b>Other non-current assets</b>	4548	7403	2855	62.78
<b>Total non-current assets</b>	624633	697018	72385	11.59
<b>Current assets</b>				
<b>Current investments</b>	86074	68663	-17411	-20.23
<b>Inventories</b>	48926	85100	36174	73.94
<b>Trade receivables</b>	16898	14740	-2158	-12.77
<b>Cash and cash equivalents</b>	56811	69248	12437	21.89
<b>Short Term Loans and Advances</b>	595	0	-595	-100.00
<b>Other current assets</b>	56628	24874	-31754	-56.07
<b>Total current assets</b>	265932	262625	-3307	-1.24
<b>Total assets</b>	890565	959643	69078	7.76

#### INTERPRETATION

Shareholder's funds rose by 7.52% in 2024, driven by a 7.62% increase in reserves and surplus. Non-current liabilities grew by 17.43%, mainly due to an 18.78% rise in long-term borrowings. Current liabilities saw a modest 1.15% increase, mainly from a 17.27% rise in trade payables. Total assets grew by 7.75%, with non-current assets up by 11.59%, largely from a 22.89% increase in fixed assets. Non-current investments fell by 0.71%, and long-term loans dropped by 55.14%..

#### FINDINGS

Between 2020 and 2024, the company exhibited consistent financial growth, driven primarily by increases in shareholder's funds and reserves and surplus. Non-current liabilities showed mixed trends, declining significantly in 2023 before rising again in 2024 due to higher long-term borrowings. Current liabilities dropped sharply in 2021 but rose steadily afterward, with notable increases in trade payables. Current assets generally increased, although there was a slight dip in 2024 due to reduced current investments and other assets. Non-current assets declined in 2022 and 2023 but rebounded in 2024, supported by growth in tangible assets and capital work-in-progress. Total assets followed a similar pattern, decreasing in 2021 but growing in the subsequent years, reaching Rs. 959,643 crores in 2024. Liquidity ratios improved steadily, with the current ratio rising from 0.50 in 2020 to 1.09 in 2024, indicating better short-term financial health. The company also strengthened its solvency, with the debt-equity ratio falling from 1.48 to 0.28, reflecting reduced reliance on debt. Profitability remained strong, as seen in the gross profit ratio rebounding to 29.89% in 2024, although the net profit ratio declined slightly after 2021. Return on assets peaked in 2023 at 4.96% before easing slightly in 2024. Overall, trend analysis highlighted a significant 158.64% growth from the 2020 base year, indicating strong and consistent performance throughout the period.

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## SUGGESTIONS

The company should maintain a current ratio above 1 to ensure it can meet short-term obligations comfortably. Enhancing liquid assets like cash and marketable securities will further strengthen liquidity. While the debt-equity ratio has improved, continuing to reduce long-term debt will support financial stability. The declining net profit ratio from 2021 to 2023 needs attention, with strategies for cost control and revenue growth. Improving asset utilization will help sustain return on assets and operational efficiency. Boosting retained earnings will strengthen shareholder's funds and support long-term growth. Lastly, better working capital and investment management will enhance financial health and mitigate risks.

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## CONCLUSION

The financial analysis of Reliance Industries Limited reflects efficient capital management and steady growth in assets and shareholders' funds. Liquidity and solvency have improved, with a notable decline in the debt-equity ratio, indicating reduced financial risk. Despite strong asset utilization, the declining net profit ratio signals a need for strategic action. Return on assets remains stable, showing operational efficiency. Trend analysis confirms consistent long-term growth, though rising liabilities and ratio volatility pose challenges. Moving forward, the company should enhance profitability, manage costs, and leverage its strengths for sustained growth.