

A Study on Financial Performance of Reliance Industries

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Abstract- This study thoroughly examines Reliance Industries' financial performance through an analysis of financial statements, performance ratios, and market dynamics. By scrutinizing key factors such as ratios, annual reports, and cash flow statements, it aims to provide insights into the company's financial health and stability. The analysis sheds light on strengths, weaknesses, and growth opportunities, benefiting stakeholders, investors, and industry observers. Beyond direct stakeholders, this research holds significance for investors, analysts, and policymakers, contributing to informed decision-making and fostering transparency within the industry. Through a meticulous examination of Reliance Industries' financial performance, this study aims to uncover trends and facilitate informed decision-making in a concise and informative manner.

Keywords- Trend Analysis, Fundamental Analysis, Companies Financial Position, Cash Flows

I. INTRODUCTION

In this context, this study delves into the financial performance of Reliance Industries by scrutinizing financial statements, performance ratios, and market dynamics. This study seeks to identify valuable insights into the company's financial health with an understanding of Reliance Industries financial position. This investigation seeks to find the overall financial stability by analyzing key factors such as ratios, companies annual report, profit & loss statement, cashflow statement and other metrics. By examining these facets, this study aims to provide a comprehensive evaluation of Reliance Industries' financial standing, shedding light on its strengths, weaknesses, and potential areas for improvement. Through this analysis, stakeholders, investors, and industry observers can gain a deeper understanding of Reliance Industries' performance and its impact on the broader economic landscape, this study aims to paint a holistic picture of Reliance Industries' financial standing. Such an analysis holds significance not only for stakeholders directly involved with the company but also for investors, industry analysts, and policymakers seeking a deeper understanding of the company's impact on the broader economic landscape.

Through a meticulous examination of Reliance Industries' financial performance, this study aims to uncover underlying trends, strengths, challenges, and growth opportunities, ultimately contributing to informed decision-making and fostering greater transparency within the industry.

STATEMENT OF THE PROBLEM

The financial performance of Reliance Industries is a critical aspect that demands comprehensive scrutiny and analysis. This study aims to delve into the financial intricacies of Reliance Industries, one of the leading conglomerates globally, to gain insights into its economic health, stability, and growth prospects. The primary focus will be on evaluating key financial indicators, such as revenue, profit margins, return on investment, and debt levels, over a specified period.

OBJECTIVES OF THE STUDY

- To understand the company's ability to generate profits by analyzing key profitability ratios.
- To Examine the company's stock-related metrics, including stock price trends, market capitalization.
- To Assess the sources and uses of cash by analyzing the operating, investing, and financing activities reflected in the cash flow statement.
- To Benchmark Reliance Industries against industry peers to assess its relative financial performance and competitive position.

II. REVIEW OF LITERATURE

Khushbu Jain (2018) in her study on a structural analysis of Reliance Industries Limited. The study finds out the trends of the reliance industry. The study analysed that ratio and faced declining in sales (2014-2016) due to low demand. The study suggested that the impact of macroeconomic factors in reliance industries. In conclusion, fundamental analysis is a widely embraced theory globally. Despite this, the stock market is mainly influenced by supply and demand. To help investors understand fundamental analysis, financial data from companies is used.

G. Lakshmi (2021) evaluated a study on the financial analysis of reliance industries limited. The study found that the liquidity, profitability and turnover rate of the company. The company displayed that the deficient liquidity with ratios below ideal benchmarks. The study suggested that the impact of external economic factors in the company. The study focused on analyzing its financial performance through comparative balance sheets and employing ratio analysis from 2015-2016 to 2019-2020. Using secondary data, the analysis provides a clear picture of the company's liquidity, profitability, and turnover.

Ajay Pratap Yadav and Manish Kumar (2018) in their study analysed that the empirical Investigation. The study examined that the association between risk and return relationship of Reliance industries. Analytical tools used here was skewness and kurtosis. The study found that a negative association across various risk and return indicators. This suggested that as risks increased, returns tended to decrease. However, the study also highlighted the need for further investigation to understand the underlying reasons for this association in the context of RIL.

Priyanka Meghanathi and Alok Chakrawal (2021) in their study analysed the Impact of financial leverage on profitability of reliance Industries LTD. The study examined about company’s financial leverage. Statistical tools and techniques like Ratio analysis have been used. The regression analysis indicates that the increase in debt doesn't significantly affect the profitability of Reliance Industries Ltd, the study found that increasing financial leverage (using more debt) doesn't have a significant negative impact on the Net Profit Ratio of Reliance Industries. In simple terms, it suggests that if the company takes on more debt, it doesn't necessarily harm its profitability

Monica Singhania (2021) made a study on the Systematic approach to environment, social and governance (ESG). The objective is to examine the financial performance of RIL in relation to its adoption of Environmental, Social, and Governance (ESG) practices. This analysis finds and evaluate the financial indicators and metrics associated with Reliance Industries Limited's (RIL) adoption of Environmental, Social, and Governance (ESG) practices. The research suggests ESG practice emerges as a key tool for boosting financial performance and ensuring long-term sustainability. The study emphasizes the importance of companies, like Reliance Industries Limited, not only prioritizing profit maximization but also considering their responsibilities toward society and the environment. The adoption of Environmental, Social, and Governance (ESG) practices.

III. RESEARCH METHODOLOGY

SOURCES OF DATA

This study utilizes secondary data, which includes financial metrics from the annual report during 2019 – 2023. Data collected from the official stock report of Reliance Industries.

TOOLS AND TECHNIQUES

- Fundamental Analysis
- Trend Analysis using Stock Price
- Ratios – Profitability & Leverage.

LIMITATIONS OF THE STUDY

This study on the financial performance of Reliance Industries is constrained by several factors. Firstly, it relies solely on secondary data sources, primarily the company's annual reports, which may vary in accuracy and completeness, potentially impacting the reliability of the analysis. The study's scope is also limited to evaluating key financial indicators over a specified period, potentially overlooking other significant aspects such as market dynamics and strategic initiatives. Findings may not be universally applicable due to the specific context of Reliance Industries, and external factors like macroeconomic conditions may not be fully accounted for. The timeframe is also limited, potentially overlooking long-term trends, and the study predominantly focuses on quantitative metrics, potentially neglecting qualitative factors. Addressing these limitations is crucial for ensuring the validity of the study's findings regarding Reliance Industries' financial performance and prospects.

TREND ANALYSIS USING STOCK PRICE

TABLE – 1

Year	Close Price	Change (%)
2019	1103	0
2020	1269	15%
2021	1672	31%
2022	2166	29%
2023	2136	-1.37%

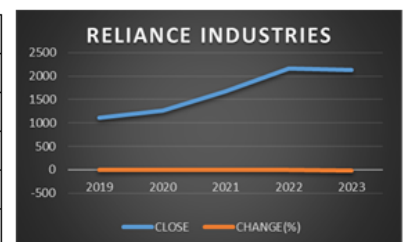


Table 1 shows that Reliance Industries' stock saw a stable change in 2019, followed by a robust 15% gain in 2020. The momentum continued with a notable 31% increase in 2021 and a substantial 29% rise in 2022. However, in 2023,

there was a marginal decline of -1.37%, signaling a potential shift or consolidation in the stock's performance.

FUNDAMENTAL ANALYSIS

TABLE – 2 : SHAREHOLDING PATTERN OF RELIANCE INDUSTRIES

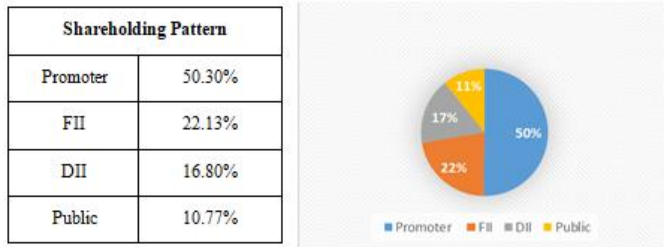


Table 2 reveals that the shareholding pattern reveals a significant promoter stake of 50.30%, indicating a substantial ownership interest by the company's founders. Foreign Institutional Investors (FII) hold 22.13%, reflecting international investor confidence. Domestic Institutional Investors (DII) account for 16.80%, showcasing local institutional interest. The remaining 10.77% held by the public signifies retail and individual investor participation in the company's ownership.

REVENUE ANALYSIS

TABLE – 3 : REVENUE ANALYSIS



Table 3 presents a detailed analysis of the revenue trend for the period spanning 2019 to 2023 within the context of Reliance Industries. The data reveals a consistent upward trajectory in revenue over the specified timeframe, indicating a steady increase in the company's earnings. Specifically, the revenue demonstrates a noteworthy climb from 2019, standing at 6,99,962, to 2022. However, a significant deviation is evident in 2021, wherein the revenue experienced a notable drop, plummeting to 4,66,924. This decline may be attributed to various external factors that adversely affected the company's operations and financial performance during that year. Nevertheless, the subsequent surge in revenue witnessed in 2023, soaring to 8,77,835, showcases a remarkable recovery and underscores the potential for substantial growth and resilience within Reliance Industries. This fluctuation in revenue underscores the dynamic nature of the company's

financial performance and its capacity to adapt and rebound amidst changing market conditions.

NET PROFIT ANALYSIS

TABLE – 4

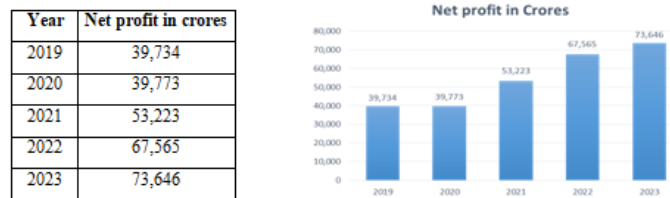


Table 4 evaluates that the net profit exhibits a consistent upward trend, rising from 39,734 in 2019 to 73,646 in 2023. The substantial increase each year suggests improving profitability and effective management strategies. The notable spike from 2021 to 2023 indicates sustained growth and positive financial performance.

RATIO ANALYSIS

TABLE – 5



Table 5 exhibits that the Book Value Per Share shows a steady rise from 2019 to 2022, reaching from 667 to 1314, indicating an increase in share intrinsic value. However, a slight dip to 1225 in 2023 suggests potential changes in asset valuation or financial structure. While the positive trend reflects effective management and financial strength, the 2023 decrease warrants further investigation into influencing factors.

EARNINGS PER SHARE

TABLE - 6



Table 6 clears that the Earnings Per Share (EPS) data indicates a decline from 2019 (66.82) to 2020 (63.07), followed by a significant increase in 2021 (76.37) and continued growth in 2022 (92) and 2023 (98.59). This suggests a recovery and substantial improvement in the company's earnings over the analyzed period, reflecting positive financial performance.

ability to generate substantial returns relative to its asset base, indicating a favorable outlook for sustained profitability and value creation. The positive trajectory observed in the ROA metric signifies the company's resilience and adaptability amidst evolving market dynamics, reinforcing its position as a robust player in the industry.

RETURN ON CAPITAL EMPLOYED

DEBT TO EQUITY

TABLE - 7

Year	ROCE
2019	10.45
2020	10.62
2021	6.75
2022	8.02
2023	9.37

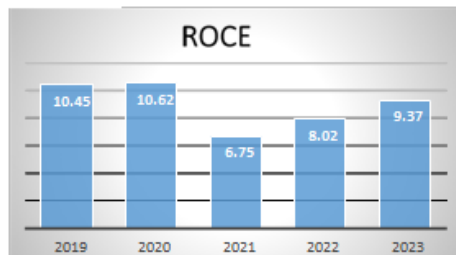


Table 7 shows the Return on Capital Employed (ROCE) fluctuated, with a decline to 6.75 in 2021 but a subsequent recovery to 9.37 in 2023, indicating improved capital efficiency and potentially more effective resource management. The positive trend in 2022 and 2023 suggests efforts to enhance profitability.

TABLE - 9

YEAR	DEBT /EQUITY
2019	0.7
2020	0.65
2021	0.32
2022	0.34
2023	0.44



Table 9 clears that Debt/Equity ratio decreased from 2019 to 2021, indicating reduced reliance on debt and a conservative financial structure. However, there's a slight increase in 2023 (0.44), suggesting a nuanced approach to debt utilization for a more balanced financial strategy.

RETURN ON ASSET

IV. FINDINGS

TABLE – 8

Year	ROA
2019	3.94
2020	3.37
2021	3.71
2022	4
2023	4.14



Table 8 provides a comprehensive overview of the Return on Assets (ROA) trend within the context of Reliance Industries, spanning the period from 2019 to 2023. The data depicted in the table unveils a consistent and positive trajectory in the ROA metric over the specified timeframe, signifying an upward trend in the company's efficiency in generating profits from its assets. Specifically, the ROA exhibits a notable increase from 3.94 in 2019 to 4.14 in 2023, showcasing a progressive enhancement in operational efficiency and financial performance. This uptrend in ROA underscores the effective utilization of company assets and underscores sound operational management practices within Reliance Industries. Furthermore, it highlights the company's

1. Ownership Structure: The company exhibits a robust ownership structure with a significant promoter stake (50.30%), foreign institutional investor confidence (22.13%), and domestic institutional interest (16.80%), showcasing a diverse investor base that includes retail and individual participation (10.77%).
2. Revenue Dynamics: Despite a revenue drop in 2021 (4,66,924), the company demonstrated resilience and potential for growth, evident in the subsequent surge to 8,77,835 in 2023, indicating adaptability to external factors and a strong recovery trajectory.
3. Profitability: The consistent upward trend in net profit, from 39,734 in 2019 to 73,646 in 2023, suggests effective management strategies and sustained growth. The notable spike from 2021 to 2023 underscores positive financial performance.
4. Earnings Per Share (EPS): The EPS data reflects a recovery and substantial improvement, with a decline in 2020 followed by significant increases in 2021, 2022, and 2023, indicating positive financial performance and enhanced earnings.
5. Per Share Ratios: Per share ratios demonstrate positive growth, with Book Value/Share increasing from 667 in 2019 to 1314 in 2022. PBT/Share rose from 93 in 2019 to 123 in 2022, reflecting improved pre-tax profitability,

while Net Profit/Share increased from 66 in 2019 to 109 in 2023, indicating enhanced net profitability.

6. Return on Capital Employed (ROCE): Despite a temporary decline in 2021, ROCE recovered to 9.37% in 2023, signalling improved capital efficiency and effective utilization of resources.
7. Return on Assets (ROA): The positive trend in ROA, reaching 4.14% in 2023, indicates efficient asset utilization, contributing to overall positive financial performance.
8. Debt/Equity Ratio: The conservative financial structure, with a gradual increase in the Debt/Equity ratio from 0.32 in 2021 to 0.44 in 2023, suggests prudent financial management and a balanced approach to capital structure.

V. SUGGESTIONS

1. Ownership Structure:
 - The company has a strong ownership base with significant promoter, foreign institutional, and domestic institutional stakes.
 - This diverse ownership includes participation from retail and individual investors, contributing to stability and support.
2. Revenue Dynamics:
 - Despite a setback in revenue in 2021, the company swiftly rebounded with a notable surge in 2023.
 - This demonstrates the company's resilience in facing challenges and its potential for sustained growth.
3. Profitability:
 - There has been a consistent upward trend in net profit over the years, indicating effective management strategies.
 - Notable spikes in profitability post-2021 underline the company's positive financial performance.
4. Earnings Per Share (EPS):
 - EPS data reflects a recovery and substantial improvement, especially after a decline in 2020.
 - This indicates enhanced earnings and positive financial performance.
5. Per Share Ratios:
 - Per share ratios, such as Book Value/Share and PBT/Share, have shown consistent growth, reflecting improved profitability.
 - These ratios signify enhanced net profitability and improved pre-tax profitability over the years.
6. Return on Capital Employed (ROCE):
 - Despite a temporary decline, ROCE recovered, indicating improved capital efficiency.
 - This suggests effective utilization of resources, contributing to overall financial health.
7. Return on Assets (ROA):

- A positive trend in ROA underscores efficient asset utilization and financial performance.
 - This indicates the company's ability to generate returns from its assets effectively.
8. Debt/Equity Ratio:
 - The gradual increase in the Debt/Equity ratio suggests prudent financial management.
 - It reflects a balanced approach to capital structure, ensuring stability and sustainability.

VI. CONCLUSION

In summary, Reliance Industries demonstrates a robust ownership structure with diversified investor participation. Despite a revenue drop in 2021, the company showcased resilience and potential for growth, followed by a significant surge in 2023. Consistent upward trends in net profit, earnings per share, and per share ratios underscore effective management strategies and sustained growth. Metrics such as Return on Capital Employed and Return on Assets indicate efficient resource utilization. While there's a slight increase in the Debt/Equity ratio, Reliance Industries maintains a conservative financial structure, reflecting prudent financial management. Overall, these findings suggest the company's strength, adaptability, and potential for future growth.

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