A STUDY ON FINANCIAL PERFORMANCE OF RELIANCE INDUSTRIES LIMITED

DR. P.Pirakatheeswari, Associate Professor of B Com – PA, Sri Ramakrishna College of Arts & Science, Coimbatore – 6.
V.Balendra, Student, Department of Commerce with Professional Accounting, Sri Ramakrishna College of Arts & Science, Coimbatore – 6.

ABSTRACT:
India is one of the developing nations of the World. Globalization provides ample of Opportunity to the Companies to expand overseas and enrich India with high Quality and World Class products by implementing state-of-art-technology. Measurement of financial position is very important aspect to know the current financial situation of the company.This study examines the financial performance of Reliance Industries Limited (RIL) from 2019 to 2023, focusing on profitability, liquidity, and solvency to assess growth trends and financial stability. By analyzing net profit ratio, return on equity, and debt-equity ratio, the research identifies strengths and weaknesses in Reliance Industries limited are financial health. Comparative and common-size balance sheets provide insights into asset utilization and capital structure, offering a comprehensive understanding of Reliance Industries limited's financial performance and strategic financial decisions.
Keywords: Financial Health, Reliance Industries, Strategic Financial Decision.

INTRODUCTION :
Financial Performance is the study of financial statements which appeals to the eye of any user so that they can know where such weaknesses or strengths exist in firm's operation. This process is important for establishing trends, comparisons with other companies, and hence, strategies for decision-making for the businesses. Finance is the backbone of business. It cannot be overstated when it comes to the functioning of economic entities. These financial statements are the official records reflecting business activities and financial results of any corporation. It is a great tool for determining the extent of a firm's financial position is ratio analysis, which analyses financial statements to identify strengths and weaknesses within a company's operations. Therefore, by analysing the profit and loss account, balance sheet, and other financial documents, businesses find out their operational efficiencies and profitability and liquidity. The true value of these fiscal statements depends on their precise statements in respect to and based upon different facets of regulatory requirements about matters like taxation, financing, and investment overall. These statements are invariably of great importance for internal management and for a wide range of external parties such as government agencies, accountants, and potential investors. The understanding of financial performance analysis is fundamental to the assessment of a firm's ability to pay its debts and meet financial obligations. This analysis shows the third-party obligations of a business, and it emphasizes that it is essential to keep balance among assets, liabilities, and shareholder equity. Ultimately, proper financial analysis using ratio analysis and a keen look at financial statements forms the backbone of sustainable growth and success for any business entity.
This study aims to provide comprehensive evaluation of Reliance Industries Ltd. RIL is a multinational company based in Mumbai, India and is one of the India’s largest and most diversified company established by Dhirubhai Ambani in 1958 with entertainment. activity It in is energy, a petrochemical, publicly retail, listed telecommunications, company media and is one of the largest listed companies in India by market capitalization. This company is also of great importance in the Indian economy as it is one of the companies that contribute greatly to India's exports and the revenue that is generated through taxes.

REVIEW OF LITERATURE:
Rajan and Zingales (1995) find similar levels of leverage across the G7 countries, thus refuting the idea that firms in bank-oriented countries are more leveraged than those in market-oriented ones.

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However, they recognize that this distinction is useful in analysing the various sources of financing. They also find that the determinants of capital structure that have been reported for the U.S. (size, growth, profitability, and importance of tangible assets) are important in other countries as well. They show that a good understanding of the relevant institutional context (bankruptcy law, fiscal treatment, ownership concentration, and accounting standards) is required when identifying the fundamental determinants of capital structure.

Anshuja and Firdous (2014) in their study entitled to analyse the impact of debt and equity capital over the performance of Reliance Industries Ltd. The study suggested that the company should maintain the balance as it has maintained during the study period this will help in motivating more and more creditors to finance the company and at the same time motivate its shareholders by increasing the amount of low-cost fund to magnify their earnings by adopting a sound financial policy. This study is an outcome of the efforts made by the researcher in order to find out the financial policy of the company under study as well as its implementation. The study suggests that the company should increase the proportion of outsider's equity in order avail the benefits of low-cost debt.

M. Kannadhasan (2007) made an attempt to have an insight into the examination of financial health of a watch company in India. To evaluate the financial conditions and performance of a company, this study used the Z- score model, which captured the predictive viability of a company's financial health by using a combination of financial ratios that ultimately predicted a score, which can be used to determine.

Sarika Lohana (2014) in their study entitled that the study attempts to assess the financial health of the Reliance Industries in terms of retained earnings to total assets, networking capital position, equity and debt position, Return on total assets position, and net sales turnover position of the company. This study uses the Z- score model, for determining the financial health of the company by applying financial ratio to the financial data to measure the liquidity, leverage, activity, profitability and growth.

Priyanka and Alok (2021) in their study entitled that 'The impact of financial leverage on the profitability of Reliance Industries Ltd'. The study has suggested that Degree of financial leverage has negative relationship with Net Profit Ratio. So, company should decrease its debt or financial leverage for increase its net profit. Degree of financial leverage has positive relationship with EPS, ROE and ROA. So, company should maintain its optimum level of capital structure to give maximum benefits to its stakeholders.

Kothari (2004) have evaluated that "The Impact of Liquidity and Leverage on Profitability: Evidence from Selected Pharmaceutical Companies of India". The main aim of this study was to analysed the relationship between liquidity and profitability and investigate the impact of financial leverage and liquidity on the financial performance of selected pharmaceutical companies. For the study the researchers have been selected samples of 10 pharmaceutical companies from Nifty index. The study was based on secondary data and collected from financial reports. The study covered a period of 10 years from 2008-09 to 2017-18. To testing hypothesis, the researchers have been used descriptive statistics and correlation. The results of the study showed that liquidity ratios have positive correlation with profits and capital structure of the firm. Debt ratio and Debt equity ratio have negative correlation with profit of the firms. There was no significant impact of leverage on profitability and capital structure of selected pharmaceutical companies of India.

Mohammed et al. (2020) have analysed that "Leverage, Liquidity and Profitability Ratios: Accountability of Malaysian Listed Oil and Gas Firms". The main aim of this study was to examine the impact of leverage and liquidity on the profitability of selected oil and gas companies in Malaysia. Data were collected from audited financial statements of 22 listed oil and gas companies for a period of ten years (2008-2017). For testing the hypothesis, the researchers were used correlation to know the relationship between leverage and liquidity with Profitability. The findings showed that leverage in terms of debt-equity ratio has significant negative relationship with firms profitability and

Liquidity ratios are found to be insignificantly related on the profitability of the oil and gas companies in Malaysia.

Prajapati (2021) has analysed that the Impact of Liquidity and Leverage on Profitability". The purpose of this study was to know the relationship between Liquidity and profitability and investigate the impact of financial leverage and liquidity on the financial performance of selected pharmaceutical companies from Nifty index. The study was based on secondary data. The data required for this study have been collected from annual reports of selected companies from 2008-09 to 2017-18. For testing the hypothesis, the researcher has used different statistical tools like mean, standard deviation and correlation etc. According to this study it was found that the liquidity ratios have positive correlation with the profits of the companies. The Leverage have no significant impact on Profitability and capital structure.

Nithya and Suchitrav (2022) in their study entitled to analyse the risk and return associated with share price of Reliance Industries Ltd from 2017 to 2021. The study suggested that the investors can invest in the share of Reliance Industries expecting a moderate risk and moderate rate of return in short term. However, the long-term investors who are ready to take heavy risk can definitely expect a high rate of return. Fundamental analysis of the share market would be better than technical analysis. Any investors who are entering into the stock market are required to be observant of the market and then take a step ahead. This study reveals that the share price values of Reliance Industries Ltd have shown a rise from the year 2017 to 2021. The risk a long-term investor was willing to take in 2017 has reaped to 2X now. As for short-term investors also the share price opening and closing values were quiet favourable and satisfactory. Thus, it is concluded that the stock market environment of Reliance Industries has been staying healthy throughout the period of study.

STATEMENT OF THE PROBLEM:

The financial reports merely reveal the processes and activities undertaken by the firm while financial analysis and outcomes provide a glimpse into the company's operational abilities. It enables the review of results and capital utilization within the organization. This assists in evaluating the company's efficiency and capital utilisation. In a competitive environment, its essential to succeed in the race. Therefore, regarding the company, financial performance and analysis are crucial elements and benchmarks for achieving success. The outcomes of financial analysis and performance mirror the financial status and achievements of a business. Therefore, this study was conducted to analyse Reliance Industries Limited and to assess the firm's growth while understanding the significant role that financial performance plays in its expansion.

OBJECTIVES OF THE STUDY:

- To assess the company's profitability and liquidity position of the company.
- To analyse the solvency position of the company.

RESEARCH METHODOLOGY:

Source of Data

The data for this research are completely secondary sources collected from documented in the public domain by various organizations. In particular, this secondary data has been gathered from the company's (RIL) annual reports covering the period from the 2019-2020 fiscal years to the 2023-2024 fiscal years. These reports provide in-depth insights into the financial performance, operational metrics, and strategic initiatives being pursued by the company over this period.

Tools Employed:

- Ratio Analysis.
- Mean and Standard Deviation
- Compound Annual Growth Rate
- Comparative Balance Sheet.

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LIMITATIONS OF THE STUDY:

- This study considers only the past five financial years.
- Past financial data is not a reliable approach for forecasting and assessing the future performance of the company.
- It focuses solely on financial factors, non-monetary aspects like human behaviour and interpersonal relationships are not considered.

ANALYSIS AND INTERPRETATION:

RATIO ANLAYSIS:

NET PROFIT RATIO :

Net Profit Ratio= Net Profit/Net Sales*100

TABLE 1: NET PROFIT RATIO

Year	Net Profit	Net Sales	Net Profit Ratio
2019-2020	39,880	6,11,645	6.52
2020-2021	53,739	4,86,326	11.05
2021-2022	67,845	7,21,634	9.40
2022-2023	74,088	8,91,311	8.31
2023-2024	79,020	9,14,472	8.64
Mean			8.78
Standard Deviation			1.65
Coefficient of Variation			18.79%
Compound Annual Growth Rate			7%

In 2019-2020 the company's net profit ratio was 6.52%. In 2020-2021 and 2021-2022 there was a significant improvement in ratio. But in 2022-2023 the ratio slightly dropped to 8.31% then the ratio again improved to 8.64%. Even though the company's net profit has a growing trend there is high volatility.

RETURN ON EQUITY :

Return on Equity = Net Profit after Interest, Tax and Pref. Dividend / Equity Shareholders*100

TABLE 2: RETURN ON EQUITY

Year	Net Profit After Interest, Tax And Preference Dividend	Equity Shareholders	Return on Equity
2019-2020	39,880	4,61,347	8.64
2020-2021	53,739	7,99,432	6.72
2021-2022	67,845	8,88,984	7.63
2022-2023	74,088	8,28,881	8.94
2023-2024	79,020	9,25,788	8.54
Mean			8.09
Standard Deviation			0.91
Coefficient of Variation			11.25%

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Compound Annual Growth Rate	0%

The company has been generating a reasonable return on the equity invested by shareholders, but there is some volatility in its profitability. The compound annual growth rate is 0%, suggesting there is no growth in return on equity.

RETURN ON CAPITAL EMPLOYED:

Return on Capital Employed = Operating Profit/Capital Employed *100

TABLE 3: RETURN ON CAPITAL EMPLOYED

Year	Operating Profit	Capital Employed	Return on Capital Employed
2019-2020	53,606	7,53,000	7.12
2020-2021	55,461	10,43,644	5.31
2021-2022	84,142	11,91,003	7.06
2022-2023	94,022	12,11,687	7.76
2023-2024	1,04,727	13,58,619	7.71
Mean			6.99
Standard Deviation			0.99
Coefficient of Variation			14.16%
Compound Annual Growth Rate			2%

The ROCE of the company has been consistent over time, with a slight upward trend, having remained consistently above 5% since 2020-2021. This means that even though there is some volatility the company has been efficient in using its capital to generate profits.

OPERATING PROFIT RATIO :

Operating Profit Ratio=Operating Profit/Net Sales*100

TABLE 4: OPERATING PROFIT RATIO

Year	Operating Profit	Net Sales	Operating Profit Ratio
2019-2020	53,606	6,11,645	8.76
2020-2021	55,461	4,86,326	11.40
2021-2022	84,142	7,21,634	11.66
2022-2023	94,022	8,91,311	10.55
2023-2024	1,04,727	9,14,472	11.45
Mean			10.77
Standard Deviation			1.20
Coefficient of Variation			11.14%
Compound Annual Growth Rate			7%

The operating profit ratio has fluctuated over the years, but it has generally trended upwards with a mean of 10.77% and compound annual growth rate of 7% which is a good indicator of growth and efficiency.

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CURRENT RATIO:

Current Ratio=Current Asset/Current Liability

TABLE 5: CURRENT RATIO

Year	Current Asset	Current Liability	Current Ratio
2019-2020	2,58,620	4,12,916	0.63
2020-2021	3,73,011	2,77,568	1.34
2021-2022	3,47,019	3,08,662	1.12
2022-2023	4,25,296	3,95,743	1.07
2023-2024	4,70,100	3,97,367	1.18
Mean			1.07
Standard Deviation			0.27
Coefficient of Variation			25.23%
Compound Annual Growth Rate			17%

From the period 2019-2024, the current ratio has shown an upward trend, except for a slight dip in 2021-2022 followed by 2022-2023. This implies that the company's liquidity position has improved over time.

DEBT EQUITY RATIO :

Debt Equity Ratio=Total Long term Debt/Shareholders Fund

TABLE 6: DEBT EQUITY RATIO

Year	Total Long term Debt	Shareholders Fund	Debt Equity Ratio
2019-2020	2,91,652	4,61,347	0.63
2020-2021	2,77,568	7,99,432	0.35
2021-2022	3,08,662	8,88,984	0.35
2022-2023	3,95,743	8,28,881	0.48
2023-2024	3,97,367	9,25,788	0.43
Mean			0.45
Standard Deviation			0.12
Coefficient of Variation			26.67%
Compound Annual Growth Rate			-9%

The company's Debt Equity Ratio has generally shown a decreasing trend from 0.63 in 2019-20 to 0.43 in 2023-24. This suggests that the company has been reducing its reliance on debt financing over time. While there is a downward trend, there are some fluctuations in the ratio. For instance, it increased from 0.35 in 2020-21 to 0.48 in 2022-23. This could be due to various factors such as business expansion, changes in capital structure, or market conditions.

FIXED ASSETS TURNOVER RATIO:

Fixed Asset Turnover Ratio=Net Sales/Net Fixed Asset

TABLE 7: FIXED ASSETS TURNOVER RATIO

Year	Net Sales	Net Fixed Asset	Ratio

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2019-2020	6,11,645	11,65,915	0.52
2020-2021	4,86,326	13,21,212	0.37
2021-2022	7,21,634	14,99,665	0.48
2022-2023	8,91,311	16,07,431	0.55
2023-2024	9,14,472	17,55,986	0.52
Mean			0.49
Standard Deviation			0.07
Coefficient of Variation			14.29%
Compound Annual Growth Rate			0%

The fixed asset turnover ratio has been remained stable during the year, indicating that the company is effectively utilizing its fixed assets to generate sales but the compound annual growth rate of 0% suggest there is no significant growth over the years.

COMPARATIVE BALANCE SHEET OF RELIANCE LIMITED:

TABLE 8: COMPARATIVE BALANCE SHEET

PARTICULARS	**YEAR ENDING 31ST MARCH**		**INCREASE/DECREASE**	
	2023	**2024**	**AMOUNT**	**PERCENTAGE**
ASSETS				(Rs in Crore)
NON-CURRENT ASSETS				
Property, Plant, Equipment	5,70,503	6,06,084	35,581	6.24%
Spectrum	75,351	69,852	-5,499	-7.30%
Other intangible assets	63,681	89,060	25,379	39.85%
Goodwill	15,270	14,989	-281	-1.84%
Capital work-in-progress	1,17,259	1,52,382	35,123	29.95%
Spectrum under development	1,22,357	1,29,602	7,245	5.92%
Other intangible assets under development	54,136	56,871	2,735	5.05%
Financial assets:				
Investments	1,17,087	1,19,502	2,415	2.06%
Loans	1,525	899	-626	-41.05%
Other financial assets	2,523	2,622	99	3.92%
Deferred tax assets (net)	1,549	938	-611	-39.44%
Other non current assets	40,894	43,085	2,191	5.36%
TOTAL-NON-CURRENT ASSETS	**11,82,135**	**12,85,886**	**1,03,751**	**8.78%**
CURRENT ASSETS				

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Inventories	1,40,008	1,52,770	12,762	9.12%
Financial assets:				
Investments	1,18,473	1,06,170	-12,303	-10.38%
Trade receivables	28,448	31,628	3,180	11.18%
Cash and cash equivalents	68,664	97,225	28,561	41.60%
Loans	176	2,517	2,341	1330.11%
Other financial assets	19,696	23,965	4,269	21.67%
other current assets	49,831	55,825	5,994	12.03%
TOTAL-CURRENT ASSETS	**4,25,296**	**4,70,100**	**44,804**	**10.53%**

PARTICULARS	YEAR ENDING 31ST MARCH		INCREASE/DECREASE	
	2023	2024	AMOUNT	PERCENTAGE
EQUITY AND LIABILITIES				(Rs in Crore)
EQUITY				
Equity share capital	6,766	6,766	0	0.00%
Other equity	7,09,106	7,86,715	77,609	10.94%
Non-controlling interest	1,13,009	1,32,307	19,298	17.08%
TOTAL-EQUITY	**8,28,881**	**9,25,788**	**96,907**	**11.69%**
LIABILITIES				
NON-CURRENT LIABILITIES				
Financial liabilities:				
Borrowings	1,83,176	2,22,712	39,536	21.58%
Lease liabilities	16,230	17,415	1,185	7.30%
Deferred payment liabilities	1,12,847	1,08,272	-4,575	-4.05%
Other financial liabilities	7,704	5,667	-2,037	-26.44%
Deferred tax liabilities (net)	60,324	72,241	11,917	19.75%
Provisions	1,607	2,044	437	27.19%
Other non-current liabilities	919	4,480	3,561	387.49%
TOTAL-NON-CURRENT ASSETS	**3,82,807**	**4,32,831**	**50,024**	**13.07%**
CURRENT LIABILITIES				
Financial liabilities:				
Borrowings	1,30,790	1,01,910	-28,880	-22.08%
Lease liabilities	4,196	4,105	-91	-2.17%
Trade payables	1,47,172	1,78,377	31,205	21.20%

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PARTICULARS	YEAR ENDING 31ST MARCH		INCREASE/DECREASE	
Other financial liabilities	68,501	55,602	-12,899	-18.83%
Other current liabilities	42,906	55,198	12,292	28.65%
Provisions	2,178	2,175	-3	-0.14%
TOTAL-CURRENT LIABILITIES	**3,95,743**	**3,97,367**	**1,624**	**0.41%**
TOTAL LIABILITIES	**7,78,550**	**8,30,198**	**51,648**	**6.63%**
TOTAL-EQUITY AND LIABILITIES	**16,07,431**	**17,55,986**	**1,48,555**	**9.24%**

The comparative balance sheet of reliance limited for the years ending 31st march 2023 and 2024 gives a complete overview of the financial position of the company. The huge increase in its noncurrent assets during this period is the indication of growth and expansion opportunities available to the company. An increase in asset acquisition is triggering this increase in non-current assets: investments, spectrum under development, and other intangible assets. and while the rate at which current assets have been increased it is not as nearly high as non-current assets. In addition, the total liabilities of the company also increased, both current liabilities and non-current liabilities showed increases. Non-current liabilities have increased more than lower current liabilities, reflected perhaps in increasing borrowing or long-term commitments. Overall, reliance limited had shown that a stronger financial performance in 2024 over 2023 in terms of growth both on asset and liabilities due to their strategic investments and expansion schemes.

SUGGESTIONS :

- It is important to understand the fluctuations in 2020-2021 and 2022-2023 and efforts should be made to maintain growth trends by increasing sales, revenue, improving cost efficiency, etc.
- While the company has positive return on equity with some volatility, it needs to find ways to achieve sustainable growth by monitoring its key performance indicators to identity any areas for improvement as the compound annual growth rate is 0%.
- The company should invest to improve the efficiency of its operations and in projects to improves its return on capital employed.
- The company's Operating Profit Ratio has been showing an increasing trend, although now there has been a slight decline over the last few years. The company must find an understanding of the causes behind either the increasing trend or the slight decline so that corrective actions can be taken to enhance core profitability.
- The upward trend in current ratio suggests that the company is effectively managing its assets and capital.
- This company appears to be successfully reducing its reliance on debt. The company should also consider the impact of external factors which affects the equity.
- The company's Fixed asset turnover ratio remained stable during the period under review, that is, from 2019-2020 to 2023-2024. It ranged between 0.37 and 0.55. By and large, the company seems to have been reasonably efficient in the use of its fixed assets during the review period. Nonetheless, the fluctuations of the FATR suggest that there were years wherein there was some latitude for improvement.

CONCLUSION:

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The company's financial performance over the past five years has been commendable, marked by consistent revenue growth, improved profit margins, and strong returns on investment. Effective management of debt levels has maintained a healthy balance between debt and equity, enhancing financial stability. Additionally, a strengthened equity position supports ongoing operations and future growth opportunities. To maintain this positive trajectory, the company should continue to innovate and adapt to market changes while carefully managing its capital structure, ensuring long-term growth and resilience in a dynamic business environment.

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