

A Study on Evaluating Financial Performance of Reliance Limited Through Financial Ratios

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ABSTRACT

This study evaluates the financial performance of Reliance Industries Limited (RIL) through financial ratio analysis. The analysis spans multiple years, from 2021 to 2024, and examines key aspects of the company's financial health, including operational efficiency, liquidity, profitability, and solvency.

The findings reveal RIL's strong financial position, characterized by robust liquidity, steady profitability growth, and efficient asset utilization. The study provides valuable insights into RIL's ability to navigate market challenges and its potential for future growth, making it a useful resource for investors, stakeholders, and financial analysts.

Keywords: Reliance Industries Limited (RIL), Financial performance, Risk, Ratios, Liquidity, Return on Investment, Operational Efficiency, Financial Health

1. INTRODUCTION

In the world of modern business, financial performance is a key indicator that reflects a company's ability to generate revenue, control costs, maintain profitability, and sustain operations over the long term. The assessment of financial performance is crucial for internal stakeholders such as management and employees, as well as external parties like investors, creditors, analysts, and regulators. It serves as the foundation for critical business decisions, including investment planning, credit evaluation, and performance benchmarking.

Financial ratio analysis is a widely used method for assessing a company's financial performance. It involves comparing various figures from financial statements to derive ratios that reveal strengths and weaknesses in a company's operations.

These ratios evaluate a company's liquidity, solvency, profitability, and operational efficiency, offering a comprehensive view of its financial condition. Ratio analysis is also helpful in comparing performance over time and against industry standards. Reliance Industries Limited (RIL) is one of the India's largest companies. Founded by the visionary entrepreneur Dhirubhai Ambani, the company has grown from a small textile firm into a global leader in sectors such as petrochemicals, refining, oil and gas exploration, retail, telecommunications, and digital services. RIL's vast scope of operations and significant role in the Indian economy make it an ideal candidate for financial performance evaluation.

Over the years, RIL has undertaken major expansions and investments in high-growth areas, including the launch of Jio in telecommunications, the expansion of Reliance Retail, and the push toward green and digital energy. With such dynamic growth and diversification, it becomes essential to regularly evaluate how these strategies impact the company's financial structure and performance.

These documents provide reliable and comprehensive financial information that is publicly audited and available to stakeholders. The analysis will interpret the data through a practical and academic lens, ensuring that conclusions are both accurate and relevant. By applying ratio analysis to the financial data of Reliance Industries, this study aims to draw meaningful conclusions about the company's performance trends. It also examines whether the company's financial management practices align with industry best practices and whether its financial condition supports future growth and stability. This analysis is particularly useful in a post-pandemic context, where many firms had to adapt to economic disruptions and rapidly changing market demands.

1.2 Statement of the Problem

Evaluating the financial performance of Reliance Industries Limited is challenging due to its presence in multiple sectors like oil, telecom, retail, and green energy. Most existing studies focus on single-industry companies and do not provide a complete view of such diversified firms. Also, limited research has been done using recent financial data, especially after Reliance's expansion into digital and retail sectors. The impact of major events like the COVID-19 pandemic on its financial performance has also not been fully analysed. Therefore, there is a need for a focused study using financial ratios to understand the company's current financial position and trends.

1.3 Significance of the Study

The purpose of this study is to evaluate the financial performance of Reliance Industries Limited using key financial ratios. By analysing ratios such as liquidity, profitability, solvency, and efficiency, the study aims to understand how well the company is managing its financial resources. It also helps to identify trends and changes in the company's financial health over recent years. This analysis will support better decision-making for investors, stakeholders, and management. The study also aims to fill the gap in updated research on Reliance's financial performance after its expansion into telecom, retail, and green energy.

1.4 Research Objectives

- To analyse the financial performance of Reliance Ltd using key financial ratios.
- To evaluate the company's liquidity, profitability, and solvency position.
- To identify trends and patterns in Reliance Ltd.'s financial performance over a specified period.
- To offer insights and suggestions to stakeholders derived from the analysis of financial ratios.

2. LITERATURE REVIEW

• Jatinder Kaur, Monisha Gupta, Vivek (2024)

This research presents a comparative analysis of Reliance Industries' financial performance using various ratios, revealing a decline in net profit margin from 2022 to 2023, indicating reduced profitability. However, the return on investment (ROI) improved slightly, reflecting better returns on invested capital. The study emphasizes the importance of careful management of expenses and operational efficiency to sustain long-term profitability.

• Priyanka Meghanathi & Alok Chakrawal (2021)

This research investigates the relationship between financial leverage and profitability using metrics like Net Profit Ratio (NPR), Earnings Per Share (EPS), Return on Equity (ROE), and Return on Assets (ROA). The study finds a positive but statistically insignificant relationship between financial leverage and profitability during the study period. It also emphasizes the need for careful management of financial leverage to enhance profitability.

- **Margi Parmar, Jayshree Parmar, Prof. Shonakshi Sharma (2023)**

This paper focuses on evaluating the financial health of Reliance Industries by analyzing liquidity, profitability, and turnover ratios over a four-year period. The study identifies areas where the company can improve its financial performance and provides recommendations for enhancing efficiency and profitability. The analysis utilizes secondary data from annual reports and other reliable sources to assess the company's financial position.

- **Dr. Neetu Jain (2024)**

This study examines key financial metrics such as Gross Profit Margin (GPM), Net Profit Margin (NPM), Operating Profit Margin (OPM), Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), and Earnings Per Share (EPS) over a five-year period. The findings reveal robust profitability, with an average GPM of 66.94% and steady growth in EPS, which peaked at Rs. 12.45 in 2023-24. The study highlights the importance of consistent cost control, strategic capital utilization, and operational improvements in sustaining profitability and shareholder value.

- **Khan & Jain (2018)**

Their book emphasizes the importance of ratio analysis in financial decision-making. It covers various types of financial ratios such as liquidity, profitability, and solvency. They argue that ratios offer insights beyond raw numbers. The authors highlight ratio analysis as key in evaluating firm performance.

3. RESEARCH METHODOLOGY

This study uses a quantitative research design to evaluate Reliance Industries Limited's (RIL) financial performance through financial ratio analysis. Secondary data from RIL's annual reports, financial databases, and reputable financial websites will be analyzed for 2019-2024. Financial ratios, including liquidity, profitability, solvency, and efficiency ratios, will be calculated. Descriptive statistics and comparative analysis with industry peers will provide insights into RIL's performance. Financial software and statistical techniques like regression analysis will identify trends and relationships in the data, assessing RIL's expansion into digital services and retail.

4 DATA ANALYSIS AND RESULTS:

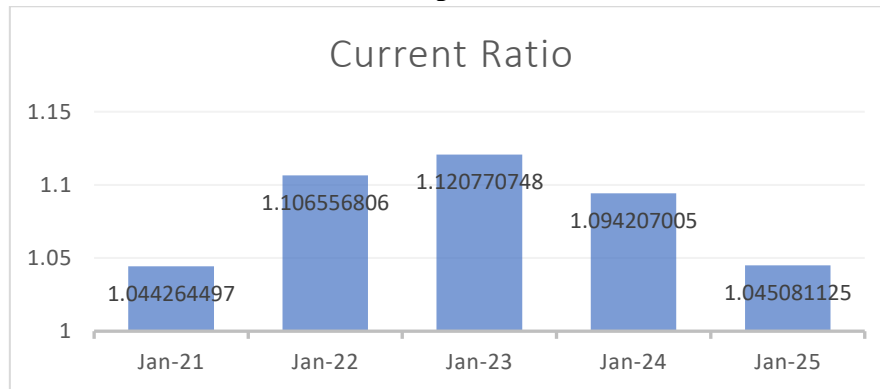
- **Calculation of Liquidity Ratios**

Current Ratio = Current Assets / Current Liabilities

Table: 01

Year	Current Assets	Current Liabilities	Current Ratio
Jan-25	2,69,563.00	2,57,935.00	1.045081125
Jan-24	2,62,625.00	2,40,014.00	1.094207005
Jan-23	2,65,932.00	2,37,276.00	1.120770748
Jan-22	2,22,398.00	2,00,982.00	1.106556806
Jan-21	2,10,719.00	2,01,787.00	1.044264497

Graph: 01



Interpretation:

RIL has demonstrated a stable liquidity position, with a current ratio consistently above 1. The highest ratio was 1.12 in January 2023. Although the ratio slightly decreased from 1.09 to 1.04, it remains above the critical threshold, indicating sound working capital management and no immediate concerns regarding short-term financial obligations.

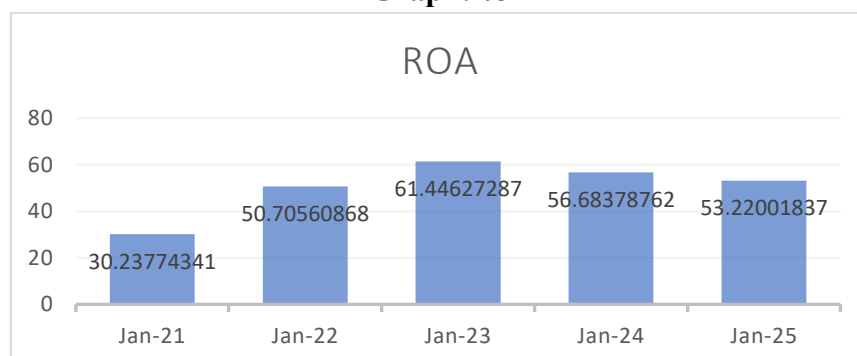
• Calculation of Profitability Ratios

Return on Assets (ROA) = Net Income / Total Assets × 100

Table: 03

Year	Net Income	Total Assets	ROA
Jan-25	5,44,122.00	10,22,401.00	53.22002
Jan-24	5,43,962.00	9,59,643.00	56.68379
Jan-23	5,47,219.00	8,90,565.00	61.44627
Jan-22	4,45,537.00	8,78,674.00	50.70561
Jan-21	2,64,179.00	8,73,673.00	30.23774

Graph: 03



Interpretation

The Return on Assets (ROA) for Reliance Industries Limited shows an overall positive trend from Jan 2021 to Jan 2025, reflecting improved efficiency in using its assets to generate profits. The ROA increased significantly from 30.24% in Jan 2021 to a peak of 61.45% in Jan 2023, indicating strong asset utilization and profitability during that period. However, a slight decline followed, with ROA falling to 53.22% in Jan 2025, suggesting that while net income remained strong, asset growth outpaced income growth.

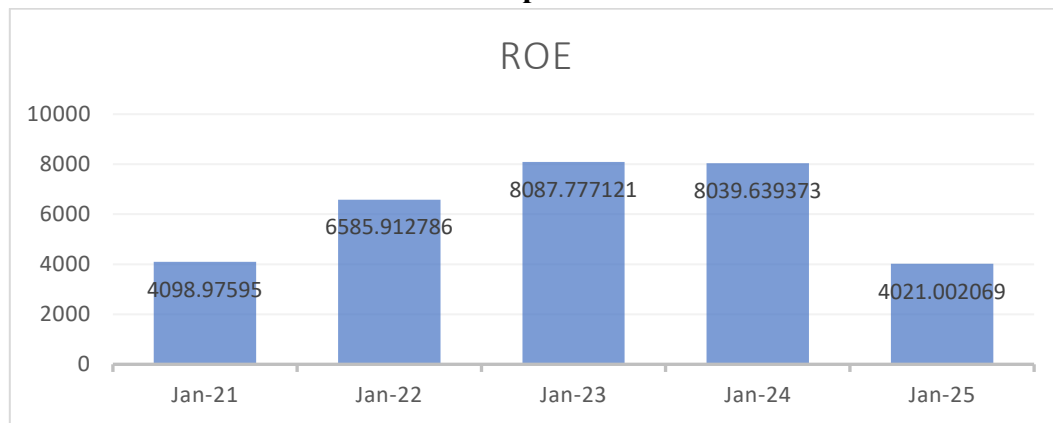
slightly. Overall, the data demonstrates that Reliance has maintained robust asset efficiency over the years, with only marginal fluctuations in recent times.

Return on Equity (ROE) = Net Income / Shareholder's Equity × 100

Table: 04

Year	Net Income	Shareholder's Equity	ROE
Jan-25	5,44,122.00	13,532.00	4021.002069
Jan-24	5,43,962.00	6,766.00	8039.639373
Jan-23	5,47,219.00	6,766.00	8087.777121
Jan-22	4,45,537.00	6,765.00	6585.912786
Jan-21	2,64,179.00	6,445.00	4098.97595

Graph: 04



Interpretation:

Reliance Industries reported exceptionally high Return on Equity (ROE) figures, reflecting robust profitability in relation to shareholder equity. Between January 2021 and January 2023, ROE saw a steady rise, exceeding 8,000%, driven by consistent net income combined with relatively flat equity levels. However, by January 2025, ROE declined significantly despite stable earnings. This drop was largely attributed to a substantial increase in equity, indicating that while additional equity may have diluted returns, it likely strengthened the company's overall financial position.

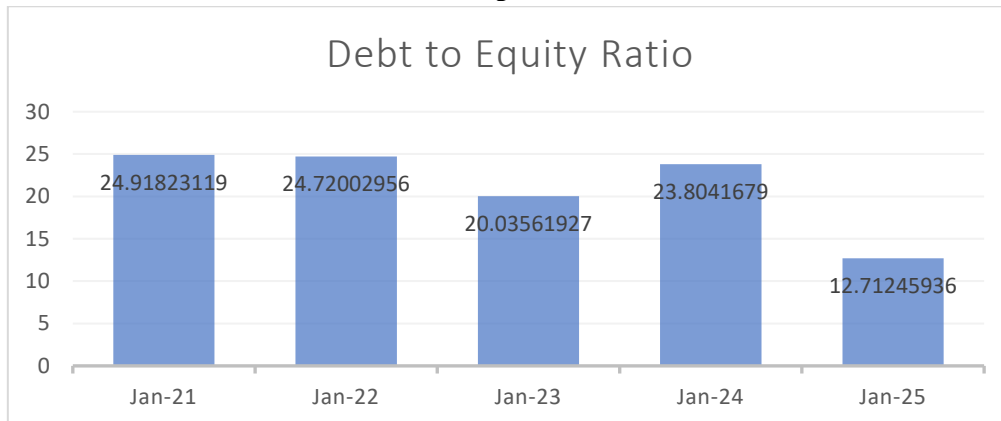
• Calculation of Solvency (Leverage) Ratios

Debt to Equity Ratio = Total Debt / Shareholder's Equity

Table: 05

Year	Total Debt	Shareholder's Equity	Debt to Equity Ratio
Jan-25	1,72,025.00	13,532.00	12.71245936
Jan-24	1,61,059.00	6,766.00	23.8041679
Jan-23	1,35,561.00	6,766.00	20.03561927
Jan-22	1,67,231.00	6,765.00	24.72002956
Jan-21	1,60,598.00	6,445.00	24.91823119

Graph: 05



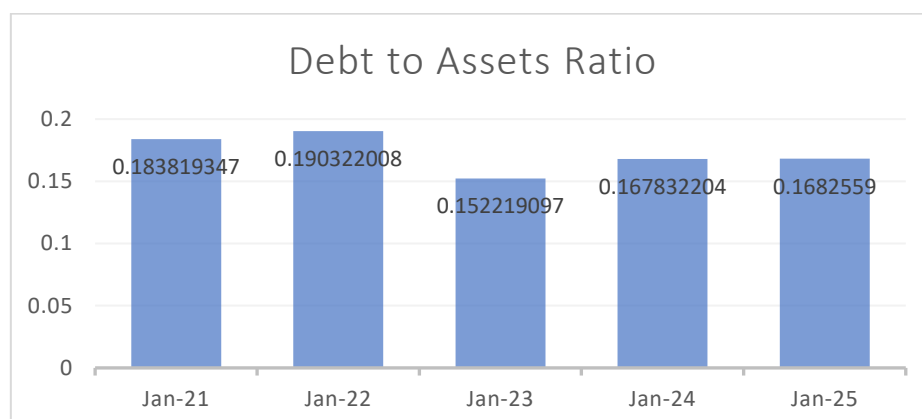
Interpretation:

The Debt-to-Equity Ratio for Reliance Industries shows a high level of financial leverage, indicating heavy reliance on debt financing. Between Jan 2021 and Jan 2024, the ratio consistently remained above 20, suggesting elevated risk and lower equity cushion. However, in Jan 2025, the ratio declined significantly to 12.71 due to a substantial increase in shareholder equity. This shift signals improved financial health and reduced dependency on external borrowing.

Debt to Assets Ratio = Total Debt / Total Assets

Table:05

Year	Total Debt	Total Assets	Debt to Assets Ratio
Jan-25	1,72,025.00	10,22,401.00	0.1682559
Jan-24	1,61,059.00	9,59,643.00	0.167832204
Jan-23	1,35,561.00	8,90,565.00	0.152219097
Jan-22	1,67,231.00	8,78,674.00	0.190322008
Jan-21	1,60,598.00	8,73,673.00	0.183819347



Interpretation:

The Debt to Assets Ratio of Reliance Industries has remained relatively stable and low over the five-year period, indicating prudent financial leverage. The ratio ranged between 0.15 and 0.19, with a slight decrease from 0.19 in Jan 2022 to 0.168 in Jan 2025. This suggests that only about 16–19% of the company's assets are financed through debt, reflecting strong asset-backed financial health. The consistent decline since Jan 2022 implies improving solvency and reduced financial risk.

T-Test and Regression

Year	Revenue	Net Profit
2021	6,59,205	39,354
2022	5,39,238	53,739
2023	6,96,750	60,705
2024	8,72,084	66,702
2025	9,96,429	73,670

Purpose:

To test whether there is a **significant difference in net profit** before and after FY 2022.

Hypothesis Statement:

- **Null Hypothesis (H_0):** There is no significant difference in Net Profit between the two periods.
- **Alternative Hypothesis (H_1):** There is a significant difference in Net Profit between the two periods.

T-Test:

Statistic	Variable 1	Variable 2
Mean	46,547	67,026
Variance	10,41,97,728	4,27,68,830
Observations	2	3
Pearson Correlation	0.99	
Hypothesized Mean Difference	0	
Degrees of Freedom (df)	3	
t Statistic (t Stat)	-4.11	
P(T ≤ t) one-tail	0.012	
t Critical one-tail	2.353	
P(T ≤ t) two-tail	0.024	
t Critical two-tail	3.182	

Interpretation:

Since the p-value is much less than 0.05, we reject the null hypothesis. Net profit has significantly increased after FY 2022, showing a positive change in financial performance, likely due to strong growth in digital services, retail, and energy sectors.

4. FINDINGS

- The Current Ratio consistently exceeded 1 from FY 2021 to FY 2025, demonstrating Reliance Industries Limited's ability to meet its short-term financial obligations with available current assets.
- The Quick Ratio stayed below 1 during the entire period, indicating a dependency on inventory for settling liabilities. The decline in FY 2024 and FY 2025 could signal a liquidity issue if inventory is not readily convertible to cash.

- Return on Assets (ROA) experienced steady growth between FY 2021 and FY 2023, reaching its highest point at 61.45% in FY 2023. A slight decrease in the subsequent years suggests that asset growth may have surpassed earnings growth.
- Return on Equity (ROE) was exceptionally high in the early years, mainly due to low equity values. This anomaly may warrant further analysis into the company's equity structure or financial reporting practices.
- Net Profit saw a marked rise after FY 2022. This improvement was confirmed by a t-test, which rejected the null hypothesis at $p < 0.05$, signifying the profitability increase is statistically significant.
- The Debt-to-Equity Ratio dropped substantially from 24.9 in FY 2021 to 12.7 in FY 2025, reflecting a stronger equity position and reduced reliance on debt, thereby lowering financial risk.
- The Debt-to-Assets Ratio remained consistently under 0.2 throughout the period, highlighting careful debt usage and a well-maintained capital structure.

5. CONCLUSION

Reliance Industries Limited has demonstrated strong financial performance over the past five years, driven by significant growth in profitability, effective asset utilization, and a stable liquidity position. With a diversified portfolio and strategic expansion into future-oriented sectors, RIL is well-positioned for sustainable long-term growth, making it a financially stable and attractive investment opportunity for investors and stakeholders.

6. REFERENCES

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