Czech University of Life Sciences Prague

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Diploma Thesis

Fundamental Analysis of Reliance Industries

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DIPLOMA THESIS ASSIGNMENT

Bc. Viraj Sanjaykumar Soni

Economics and Management

Thesis title

fundamental analysis on The Reliance Industries Limited.

Objectives of thesis

The main objective is to perform a fundamental analysis of Reliance Industries Limited by using different analyses such as Product& service, financial statement analysis, management analysis, and valuation of the company. The study also aims the extracting more information about the fundamental analysis practices of the organization that had to lead the business in performing their activities more successfully. The study will also focus on the analysis of the value obtained from the annual report of Reliance Industries Limited from 2015 to 2021.

The sub-objective of the current thesis is to understand the fundamental position of the company, and the factors affecting the growth of the company in retail industries.

Methodology

The study of research will be statistical as well as quantifiable in nature. The Review Will Be Based on The Secondary data method. The data for the thesis will be collected from Reliance Industries Limited's annual report financial statement general meetings, magazines, and publications. furthermore, additional information will be collected from the literature already published to highlight the significance of the fundamental analysis of this company. the researcher has focused on the past trend to perform the analysis to understand the company's fundamental position, including the period from 2015 to 2021.

The data is collected from Reliance Industries, Bombay Stock Exchange, Fortune 500 companies, and diverse industries of India. The data will be used in the research to evaluate the company's fundamental position, including 4 primary analyses product & Services analysis, Financial statement analysis, management analysis &valuation analysis. Using These methods, the company's fundamental performance will be evaluated and it will also help the investors to determine investment possibilities.

The Various Methods approach will be used for the current study for the fundamental analysis of Reliance Industries Limited As Below.

- ration analysis

- cash flow statement

- income statement

- profit&loss statement

- balance sheet of company

- cost approach in valuation

- EBITDA

- Discounted Cash Flow(DCF)
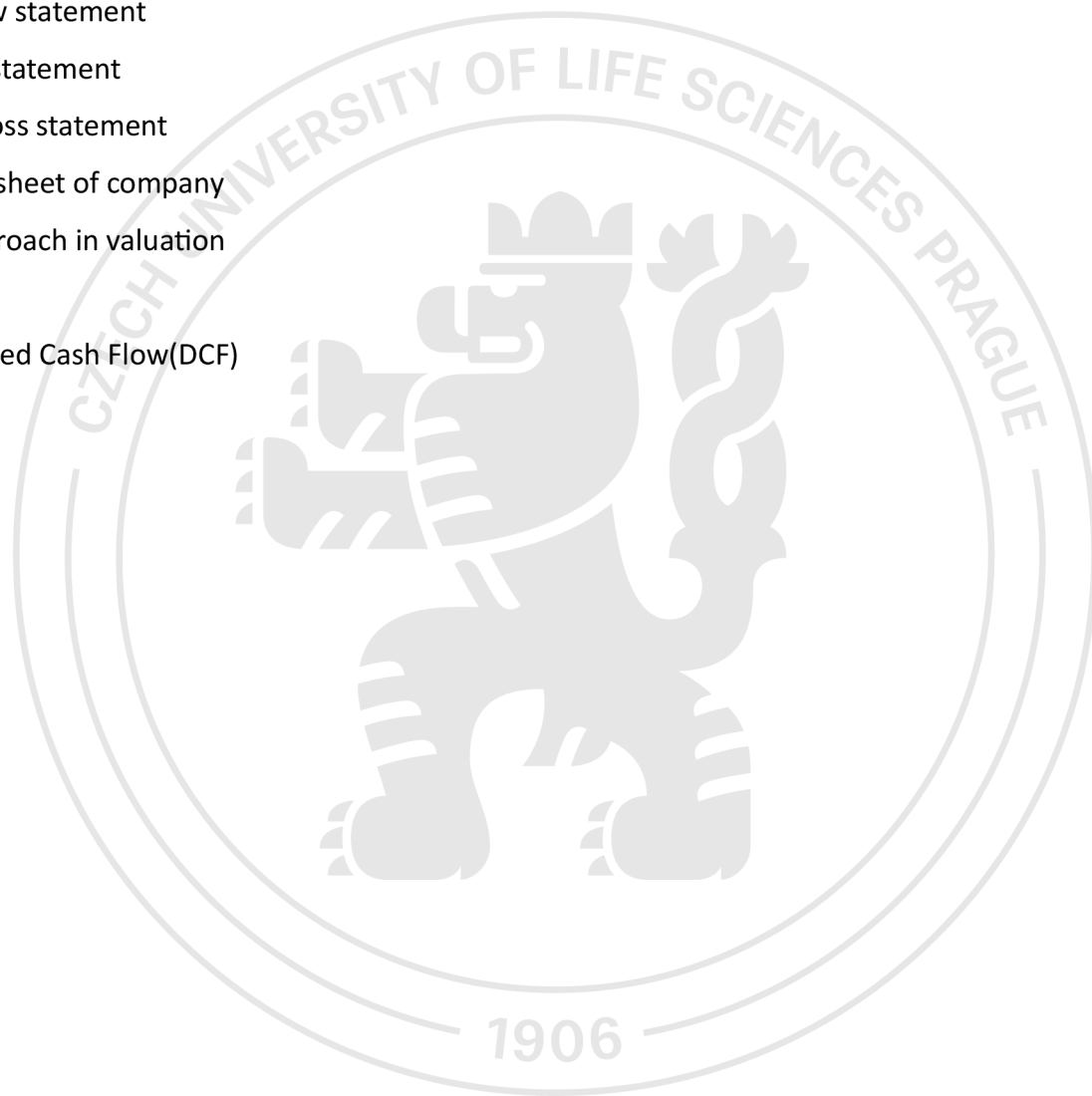
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Keywords

fundamental analysis,Internal & External Analysis, Horizontal & vertical analysis, Intra-firm &Inter-firm Analysis, Cross sectional analysis, Reliance Industries Ltd.

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Prague on 28. 03. 2023

Declaration

I declare that I have worked on my diploma thesis titled " Fundamental Analysis of Reliance Industries " by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master thesis, I declare that the thesis does not break any copyrights.

In Prague on   _____28-03-2023_____

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I would like to thank acknowledge the efforts of my supervisor **Ing. Karel Malec, Ph.D,** for his assistance, recommendations and comments. Which Contributed to improve My Diploma Thesis.

Fundamental Analysis of Reliance Industries

Abstract

Reliance Industries Ltd. Headquarters situated in Mumbai. Reliance Industries Limited is a Global Conglomerate corporation in India. Utility, Petrochemical products, retailing, telecommunications, Mass media, natural gas, & textiles are among its numerous activities. Reliance is one amongst the lucrative businesses as well as it is also the country's biggest publicly listed business in terms of market capitalization and also by earnings. With approximately 236,000 employees worldwide, it also serves as one of the leading employers in India. As of 2022, the firm is listed as the 100th largest organisation in the world on the Fortune Global 500 list. With 7% of all Indian product exports and exposure to markets in more than 100 nations, Reliance is still India's top exporter. Reliance accounts for over 5% of the Indian government's customs, excise, and other tax revenue. Furthermore, it is India's top private sector income tax payer. RIL has around 644.51 billion shares outstanding (6.44 billion). Its promoters, the Ambani family, owns 50.00% of the shares, with the remaining 50.00% held via public shareholders also comprising FII as well as corporate entities. The present research aims to perform fundamental analysis of Reliance Industries Limited. In order to fulfil the main objective of the study secondary data is used in performing Financial Statement analysis wherein Horizontal & Vertical analysis of Balance Sheet, Income Statement and Cashflow Statement along with financial ratio analysis i.e. calculating important ratios relating to Liquidity, Profitability, Valuation of the company. The study also focuses on the management as well as product and service analysis of the Reliance Industries Ltd. The secondary data for the study will be collected from various sources like Websites, Journals, Magazines, Research papers, Articles, Blogs, Etc. The duration of the present study is from the year 2015-2021. The data collected will be analysed with the help of Microsoft Excel along with graphs and charts This study will help the investors in making sound decisions about investment in the organisation in the future date. As well as it will also help to know the financial position of the company.

Keywords: Fundamental Analysis, Internal and External Analysis, Horizontal and Vertical Analysis, Intra-Firm and Inter-Firm Analysis, Cross-sectional analysis, Reliance Industries Ltd.

Fundamentální analýza Reliance Industries

Abstrakt

Společnost Reliance Industries Ltd. se sídlem v Bombaji je korporací globálního konglomerátu v Indii. Mezi její četné aktivity patří elektřina, petrochemické produkty, zemní plyn, maloobchod, telekomunikace, masmédia a textil. Reliance, jeden z nejlukrativnějších indických podniků, je také největší veřejně obchodovanou společností v zemi z hlediska tržní kapitalizace a také podle výdělků. S přibližně 236 000 zaměstnanci po celém světě slouží také jako jeden z předních zaměstnavatelů v Indii. Od roku 2022 je firma uvedena jako 100. největší organizace na světě na seznamu Fortune Global 500. Se 7 % veškerého indického exportu produktů a expozicí na trzích ve více než 100 zemích je Reliance stále největším indickým exportérem. Téměř 5 % příjmů ze spotřebních a celních daní obdržených indickou vládou pochází od společnosti Reliance. Kromě toho je největším indickým plátcem daně z příjmu v soukromém sektoru. Je vydáno přibližně 644,51 miliardy akcií RIL (6,44 miliardy). Celkem 50,00 % podílu vlastní promotérská skupina, rodina Ambani, zatímco zbývajících 50,00 % vlastní veřejní akcionáři, mezi něž patří FII i právnické osoby. Cílem tohoto výzkumu je provést základní analýzu společnosti Reliance Industries Limited. Pro naplnění hlavního cíle studie jsou sekundární data využívána při provádění analýzy účetní závěrky, kdy horizontální a vertikální analýza rozvahy, výkazu zisku a ztráty a výkazu peněžních toků spolu s finanční poměrovou analýzou, tj. výpočtem důležitých poměrových ukazatelů týkajících se likvidity, ziskovosti, ocenění společnost. Studie se také zaměřuje na analýzu řízení a produktů a služeb společnosti Reliance Industries Ltd. Sekundární data pro studii budou shromažďována z různých zdrojů, jako jsou webové stránky, časopisy, časopisy, výzkumné články, články, blogy atd. Doba trvání této studie je od roku 2015-2021. Shromážděná data budou analyzována pomocí Microsoft Excel spolu s grafy a tabulkami. Tato studie pomůže investorům při rozhodování o investicích do organizace v budoucnosti. Stejně tak pomůže znát finanční situaci společnosti.

Klíčová slova: Fundamentální analýza, Vnitřní a vnější analýza, Horizontální a vertikální analýza, Intra-Firm and Inter-Firm Analysis, Průřezová analýza, Společnost Reliance Industries Ltd.

Table of content

1 Introduction

Reliance Industries Ltd is a global multinational firm that engages in a wide range of sectors spanning retail, textile, telecom, petrochemical goods, power, and natural resources. It is one of the country's major private-sector companies. Dhirubhai Ambani created Reliance, whereas his son Mukesh Ambani is currently the business's chairman as well as managing director. RIL is renowned for both its goods and services. Additionally, RIL owns a variety of globally traded, well-known trademarks (Lakshmi et al., 2021). Therefore, the aim of the thesis is to undertake the fundamental analysis of Reliance Industries Limited. The study also aims to understand the financial position of the company and to identify the factors affecting the financial growth. The study will help the investors to take informed decisions about their investments in Reliance Industries Limited as well as guide them for their future investment.

1.1 About Reliance Industries Limited

Reliance Industries India is one of the country's largest private-sector company. The Reliance Industries Limited was created by the great Late Dhirubhai H. Ambani. After a modest beginning as a textile firm in the late 1970s, its success has risen and it now encompasses practically all industrial sectors. In 1975, the business branched out into textiles. The Company has swiftly grown and reverse-integrated into various industrial areas since its first public offering in 1977, particularly the manufacture of petrochemicals and the processing of crude oil. The company presently does business in a variety of areas, including the exploration and production of oil and gas as well as the creation of synthetic textiles and fabrics, plastics, chemicals, and petroleum products. Oil and gas to textiles—all key products and brands of the company—benefit from internal synergies and are well linked. The Company's vertical backward integration approach is essential to its activities; raw ingredients including PTA, MEG, ethylene, propylene, as well as normal paraffin that were once imported at a greater cost & subject to import tariffs are now supplied from within its own Company (Nayak, 2011).

Because of disagreements between both the two successors, RIL separated in June 2005. In addition to being a battle of titans, the RIL issue included a significant amount of money—roughly Rs. 1000 billion—that was difficult to divide. An innovative trade and investing period came to an end on January 17, 2006. By March 2006, five listed firms had

surfaced as possible investment options for stakeholders. Reliance Energy as well as Reliance Capital are two of RIL's group firms that are already listed on markets. By the end of March 2006, the final four businesses had gone public (Dhingra & Aggarwal, 2014).

Through a stand-alone organisation under RIL together with IPCL, Mukesh was given complete autonomous management over the operations of oil exploration, refinery, petrochemical products, and textiles under the new RIL structure. He also owned stakes in the biotech business Reliance Life Sciences and also the European polyester fibre producer Trevira. Though the four firms that were a part of the Reliance group and were under the umbrella of Anil Dhirubhai Ambani Enterprise (ADAE), Anil gained influence over the electricity, communication, and banking industries. Reliance Communication Ventures Ltd., Reliance Capital Ventures Ltd., Reliance Energy Ventures Ltd., and Reliance Natural Resources Ltd. are the names of these four businesses (Dhingra & Aggarwal, 2014).

RIL has grown tremendously, becoming India's largest private firm in only roughly five decades from nothing. Its assets were around Rs. 2510 billion, market capitalization was approximately Rs 3513 billion, sales revenue was approximately Rs. 2004 billion, and profit after tax was approximately Rs 162 billion as of March 2010. The Reliance Group sells goods to around 108 nations throughout the world for about $20 billion USD. The firm has expanded to the point that it has created Reliance Telecom, another powerful economic empire. After the Indian government, Mukesh Ambani, as well as the Tatas, the Reliance Group's telecom sector has developed significantly since it first entered the telecommunications industry in 2002, or around six years. The market capitalisation of the two Reliance groups under Mukesh Ambani's leadership was Rs. 3799.79 billion, while that under Anil Ambani's leadership was Rs. 1897.16 billion. As of January 2008, Mukesh Ambani's personal wealth was Rs. 2429 billion, while Anil Ambani's was Rs. 1663 billion, making the two sons of the family the richest and second-richest people in India (Nayak, 2011).

1.2 Background of the Study

To assess a company's position in a cutthroat market, the organizational progress is often measured. The goal of the current study is to analyse the various financial strategies used by Reliance Industries Limited to determine its financial situation. Reliance industries limited is the largest private sector company diversified in multiples business areas. It has its interests in retail sector, petrochemicals, entertainment, textiles, materials as well as

telecom sector. The present research will perform a fundamental examination of Reliance Industries Limited by performing product analysis, management analysis and valuation analysis using ratios and company's financials that influence the performance of the chosen organisation.

1.3 Significance of the Study

Each firm is driven by the desire to turn a profit as well as by the need to have a strong sense of sustainability. Only after a thorough analysis of the company' finances can profitability be realised. As a result, the effectiveness of financial statement analysis becomes crucial for several firms. The importance of the present study can thus be seen in the fact that it will be utilized to analyse Reliance Industries Limited's financial data. The financial analysis created may assist the company in determining their precise position in the marketplace and in discovering opportunities in the market that can be beneficial for the company's development. Also the research will be helpful for the investors in making decision about their investments pertaining to Reliance Industries Limited.

1.4 Limitation of the Study

There are certain limitations with the current research which are as follows.

- In this research only Reliance Industries limited is taken into consideration which may not reflect the exact scenario about the other company's prevailing in the same industry.
- The fundamental analysis of the research is based on the management analysis, financial analysis of the company for which the data is gathered from the secondary sources which is from the period of 2015-2021, as it may not give the current picture of the company to the investors.
- Only few ratios have been taken into consideration for the financial analysis of the company, that doesn't give the clear picture of the company performance.
- The research doesn't provide solution to the problems faced by the company.

2 Objectives and Methodology

The present research aims to perform the fundamental analysis of Reliance Industries Limited. For Analysis purpose various financial techniques are used like Horizontal & Vertical analysis of Balance Sheet, Income statement, Cashflow Statement. Also ratio analysis techniques have been used to determine the Liquidity position, Profitability position and Valuation of the Company.

2.1 Research Objectives

The primary objective of the present research is Evolution Financial Performance and situation of the Reliance Industries Limited. Along with the primary objective the sub-objectives of the research are as follows:

- The research aims to collect more information about the fundamental practices adopted by the organization leading to success.
- It aims to understand the financial position of the company and the factors of its growth.

2.2 Research Questions

The research aims to find the answers to the following questions:

- What is the financial performance trend of Reliance Industries Limited?
- What are the factors affecting the growth of the company?
- Why should investors invest their money in Reliance Industries Limited?

To get answers to the above-mentioned research questions and to achieve the objectives of the research the following methodology have been framed.

2.3 Methodology

The present study is quantitative as well as qualitative in nature. The research is divided into two segments. The first segments comprise of the theoretical part and the second segment comprises of the practical part. For the theoretical overview of the literature, secondary data will be collected from the company's website, journals, magazines, blogs, articles, etc. to give a comprehensive overview of the financial concepts and techniques utilized in the research.

For the practical part, the data will be collected from the company's annual report published on the websites. The annual reports of the company ranging from the year 2015-2021 will be collected and analysed for the fundamental analysis of the company and financial ratios will be calculated to identify the liquidity position, profitability position and valuation of the company. Microsoft Office Excel is used for the analysis of the data as well as for the graphical and tabulation presentation of the same. To perform the management analysis of the company secondary data regarding promotor's background check, future goals of the company, actions taken for challenges faced have been taken into consideration. In order to better understand the financial position of the company vertical and horizontal analysis of the Balance sheet, income statement and cashflow statement will be performed so as to derive at the true and fair view about the company's so that it helps the investors in making informed decision regarding their investment relating to Reliance Industries Limited.

2.4 Ratio Analysis

The following ratios have been calculated in order to access the Liquidity, Profitability, Solvency, Turnover and Earnings of Reliance Industries Limited. The formulas for the ratios are as under:

1. **Liquidity Ratios :** These ratios are calculated to measure the liquidity position of a firm.

$$1. \ Current \ Ratio = \frac{Current \ Assets}{Current \ Liabilities} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \ (1)$$

$$2. \ Quick \ Ratio = \frac{Quick \ Assets}{Current \ Liabilities} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \ (2)$$

$$Quick \ Assets = Current \ Assets - Prepaid \ Expenses - Inventories$$

2. **Profitability Ratios:** These ratios are calculated to measure the profitability of the firm

$$1. \ Operating \ Margin = \frac{Operating \ Profit}{Sales} \times 100 \dots\dots\dots\dots\dots \ (3)$$

2. $Net\ Profit\ Margin\ =\ \dfrac{Net\ Profit}{Sales} \times 100$ .... (4)

3. $Return\ on\ Capital\ Employed\ =\ \dfrac{EBIT}{Capital\ Employed}$ .... (5)

3. **Solvency Ratio:** These ratios are calculated to measure the Solvency of a firm

1. $Debt-Equity\ Ratio\ =\ \dfrac{Total\ Liabilities}{Total\ Shareholders\ Equity}$ .... (6)

2. $Interest\ Coverage\ Ratio\ =\ \dfrac{EBIT}{Interest\ Expense}$ .... (7)

4. **Turnover Ratio:** These ratios are calculated to measure the Turnover rate of Assets, Inventory and Debtors in a firm

1. $Asset\ Turnover\ Ratio\ =\ \dfrac{Net\ Sales}{Avg.Total\ Assets}$ ....…... (8)

2. $Inventory\ Turnover\ Ratio\ =\ \dfrac{Cost\ of\ Goods\ Sold}{Avg.Inventory}$ .... (9)

3. $Debtors\ Turnover\ Ratio\ =\ \dfrac{Credit\ Sales}{Avg.Account\ Receivables}$ ....…... (10)

5. **Earnings Ratio:** These ratios are calculated to measure the earning efficiency of a firm.

1. $Return\ on\ Net\ Worth\ =\ \dfrac{Net\ Income}{Shareholder's\ Equity} \times 100$ .... (11)

2. $Earnings\ Per\ Share\ =\ \dfrac{Net\ Income-Preferred\ Dividend}{Avg.No.of\ Shares\ Outstanding}$ ..... (12)

3. $P/E\ Ratio = \dfrac{Price\ Per\ Share}{Earning\ Per\ Share}$ .... (13)

6. **Discounted Cashflow** is calculated for estimating the value of investment in an organisation utilising its expected future cashflows.

$$DCF = \frac{Cf_t}{(1+r)t} \quad \text{.. (14)}$$

7. **Intrinsic Value** is calculated to assess the value of assets depending on future cashflows.

$$Intrinsic\ Value = \frac{Stock\ Price}{Projected\ FCF} \quad \text{.. (15)}$$

3 Literature Review

Literature review serves as a background of the study; it gives an overall picture of the topic under study. The literature review provides insights into the study conducted by the researchers in the past and their results along with the suggestions. It helps the researcher to understand the problem thoroughly and define a gap to conduct research. The present research aims to perform the fundamental analysis of Reliance Industries Limited, where it becomes necessary to understand the different aspects related to the study topic.

3.1 Fundamental Analysis

A detailed evaluation of a country's economic, industry, and company's fundamentals forms the basis of a fundamental analysis, an established, value-based strategy. The basic analysis looks at the overall state of the economy, evaluates an industry, and then conducts a thorough financial and non-financial examination of the firm (Lev & Thiagarajan, 1993). In the fundamental analysis, many fundamentals or basic aspects that influence the risk-return of the stocks are attempted to be analysed.

To arrive at an intrinsic value for the business's stocks, the security analyst or potential investor largely focuses on analysing aspects such as economic effects, industry factors, and essential corporate information, such as product demand, profits, dividends, and management. A security's intrinsic worth and the current market price are compared before the investor makes a purchase (Segal, 2022).

The current value of anticipated capital gains and dividends determined at a suitable discount rate to account for the share's risk, constitutes the intrinsic value. The fundamental value is another name for the intrinsic value. By contrasting the market prices of the shares, the investor will decide whether to purchase or sell a share depending upon the fundamental value. If a share's intrinsic worth exceeds its market price, it should be purchased before the market raises the security's price to make up for its error. Sell such security, however, if the market price exceeds its inherent worth. This is due to the possibility of a price reduction if investors realise and begin to sell such shares (Segal, 2022).

In fundamental analysis the financial analyst makes predictions for Economy then for the industry and at last for the company. Here the forecast for the industry are based on the predictions of the economy and forecast for the company is based on the predictions of the economy as well as of the industry to which the company belongs to. The fundamental

analysis is also known as top-down approach which is a 3 phase framework including Economic Analysis, Industry Analysis and Company Analysis (S, 2013).

3.1.1 Economic Analysis

In order to make better judgments for the future, specialists use economic analysis to determine how important economic elements impact the operation of a company, industry, area, or any other specific demographic group. It is a general phrase that can refer to the identification, investigation, and projection of economic factors in a straightforward or sophisticated and complicated manner (Kumar & Vashishtha, 2012).

Corporate planning procedures are often carried out by organisations over one to two years, as well as they frequently identify 2 to 3 potential short - term and medium-term economic situations. Analysts then assess how each scenario might impact corporate choices and goal-setting. When assessing certain projects, economic analysis is also performed in order to take financial and economic viability into account (Quain, 2018).

A company's performance is affected by the status of the economy. Companies will do poorly if the economy is in a slump. If the economy is thriving, salaries are rising, and demand is going up, the firm's performance level may be favourable (Kumar & Vashishtha, 2012).

As a result, it is critical for assessing and forecasting industrial performance. The overall state of business effects the demand for products and the industry's success. Based on the condition of the economy, business cycles in the economy may produce volatility. The efficiency of the agricultural sector, the availability of electricity and other infrastructural outputs, imported inputs, and other variables all have an impact on the business sector's expenses and profitability (Kumar & Vashishtha, 2012).

3.1.2 Industry Analysis

The second stage of fundamental analysis is a thorough examination of a particular industry, including an examination of its traits, track record, status at the moment, and prospects for the future. The goal of the industry research is to pinpoint the sectors that have room for future expansion and to invest in equity shares of businesses from these sectors (Kumar & Vashishtha, 2012).

A commercial organisation, or more particularly an entrepreneur, does an industry study to determine the variables driving the area they are currently investing in or

considering investing in. An industry's operation is directly impacted by possible new entrants, the state of the rivals, and the customer and suppliers. The idea of industry analysis provides the corporate organisation with the knowledge they need to build strategies to effectively address them (Bhasin, 2019).

The progress of a country is influenced by its industrial progress. Industries must be viewed as having a communal interest. industry with a focus on process-oriented units and products. Many different industries exist. The types of the various industries' functions allow for division. For instance, the auto industry, the steel industry, etc (Kumar & Vashishtha, 2012).

3.1.3   Company Analysis

In contrast to industry research, company analysis offers more in-depth, concentrated insight into a firm and its operations in terms of possibilities and obstacles.

An understanding of a firm's historical performance and struggles, as well as its development, success, or failure, as well as its current business situations and strategic initiatives based on internal and external prospects and obstacles, is provided by company analysis. It includes forecasts for prospective business and economic performance depending on how well the company is able to manage its stakeholders' expectations, variations in the competitive situation, technological advancements either externally or internally via the firm's research & development efforts, and changes in people's perceptions of high-quality goods and services (Aithal, 2017).

The company analysis helps to get insight into the following things:

- Analysing the business both inside and outside in relation of its goods and services.
- Being familiar with rivals' offerings and characteristics.
- Being aware of the external and internal elements impacting the business.
- Being aware of corporate tactics.
- Research on technology adoption.
- The ability to estimate the company's possible future revenue.
- Examining the organization's intentions and efforts to preserve the clean and green environment.
- Being aware of the business' performance and capability in sustaining sustainability.

- Analysing how well a company is equipped to handle both commercial and environmental calamities.
- Analysing stakeholder engagement and expectations in the operation of the business.
- The current management' continued problem-solving, and decision-making is dependent on a critical study of the overall performance of the business based on how various challenges (both positive and negative) were handled.
- Knowledge of the firm's business operations.
- Help to provide counter plan for competitiveness.
- Aids in understanding the company's financial situation.
- Will offer fresh perspective on the business's performance and help it to perform better.
- Acquiring new skills, if any.
- Being aware of the advantages of automation and IT adoption.
- Investors may become more interested in a firm if they are aware of its future revenue potential, which might increase the stock value.

3.2 Financial Statements

A financial statement displays the accounting value of a company as of a specific date. It describes a company's performance throughout the course of a given amount of time. A statement may refer to a time frame that is only one week long or one-year long. Financial data for a year is included in a company's annual financial statement. Interim Financial Statements are those that have been prepared for one, three, or more months (Bhattacharyya, 2007).

Analysing financial statements gives crucial information about managerial effectiveness and business efficiency. The study of income statement and balance sheet linkages, how they evolve over time, and how a given company performs towards other businesses in its industry are all components of financial statement analysis (Al Awawdeh et al., 2020).

Finding a commercial enterprise's key strengths and shortcomings is aided by doing a financial analysis. It reveals if a company has sufficient cash on hand to pay commitments, a fair duration for collecting accounts receivable, an effective inventory management

strategy, adequate plant, property, and equipment's, and a suitable capital structure (Moyer et al., 2015).

3.2.1 Cash Flow Statement

A financial document called the cash flow statement outlines the inflow as well as outflow of cash and cash equivalents for an organisation. The Cash Flow Statement gauges how well a business manages its cash position, or how successfully it produces cash to cover its debt payments and finance its operational costs. The balance sheet as well as the income statement are two of the three primary financial statements, and the CFS is the third. The cash flow statement provides information on a firm's operations, sources of funding, and financial transactions.

Since it is difficult for a company to control its financial condition, the statement of cash flow is crucial. Aggressive accountants may easily falsify earnings, but it's difficult to create bogus money in the bank. The cash flow statement is a more cautious indicator of a company's success, according to some stakeholders (Segal, 2022).

The Cash Flow Statement, aids creditors in determining how much liquidity is available with the firm to pay-off debts and cover operating costs. Investors value the Cash Flow Statement significantly, since it lets them know whether a firm is financially stable. They might utilise the statement as a result to decide on their investments in a better and more knowledgeable manner (Murphy, 2022).

3.2.2 Income Statement

Every firm keeps three different sorts of accounting results or statements which provide an overview of the business's performance. One of a company's three most important financial reports is the income statement. It is a component of the financial statements created by all businesses along with the balance sheet & cash flow statement. The income statement's function is to reveal financial details about a company's performance over the course of a fiscal year to users of financial statements which comprises of readers, creditors, investors, etc. (Tripathi, 2021).

An income statement is periodically examined by accountants, investors, and business owners to determine whether it is on pace to meet expectations. To find the flaws in a certain approach and steer it in the appropriate direction, an income statement is analysed (Tripathi, 2021).

The income statement assists the promoters in making quick and informed choices on the expenditures of the company. It makes the financial health of the business known. It acts as a crucial report for compliance, or for understanding the tax liability. Important choices may be made based on an income statement, like boosting sales, expanding the target market, closing one department and starting another (Tripathi, 2021).

The income statement comprises of the revenues from the company's sales or services, cost of goods sold which shows the direct cost associated with the goods sold by the company, gross profit derived by subtracting cost of goods sold from the revenue earned from sales. It also includes the expenses related to marketing, promotion and selling. Indirect expenses such as salaries, wages, office expenses, insurance, travel, etc. Some of the incomes statements do represent EBITDA which is Earning before interest, tax, depreciation and amortization. Non-cash Expenses allocated for capital asset as depreciation and amortization are spread out by the accountant. Operating income also known as EBIT (Earnings Before Interest and Tax) by the regular business operations is also shown here. Interest expenses and other tax expenses are also accounted in and the net income is calculated.

3.2.3 Balance Sheet

A business's assets, liabilities, & equity at a specific moment are shown on the balance sheet. These three parts which is assets, liabilities, as well as shareholders' equity—must equalize using the below formula, which is why it is termed a balance sheet (Segal, 2022).

$$Assets\ =\ Liabilities + Shareholders\ Equity$$

The resources that the company currently controls or possesses are represented by its assets. This covers things like money, stock, equipment, and structures. The entire financing value that the business utilised to purchase such assets is shown on the opposite side of the equation (Segal, 2022).

It is a report card that displays a company's book worth at the conclusion of a certain year. Assets, liabilities (debt), plus shareholder's equity make up its three components. The simplest easy method for determining book value or shareholder's equity is to deduct debt from assets. The book value is a crucial performance indicator that changes according to the firm's expanding or contracting financial activities (Must, 2022).

Liabilities (Debt Obligations) or equity are the sources of financing. Liabilities are commitments or debts that need to be repaid. Contrarily, equity is the sum of all the capital which the investors have invested in the company, comprising retained earnings, or the income that remains after settling all current liabilities, dividends, as well as taxes (Segal, 2022).

3.3 Users of Financial Analysis

Different types of people and corporations utilise the financial statements that the Businesses have created in ways that are appropriate for them. These users can be internal users and the external users of financial statements. The following is a list of who often uses financial statements:

Figure 3-1 Users of Financial Analysis
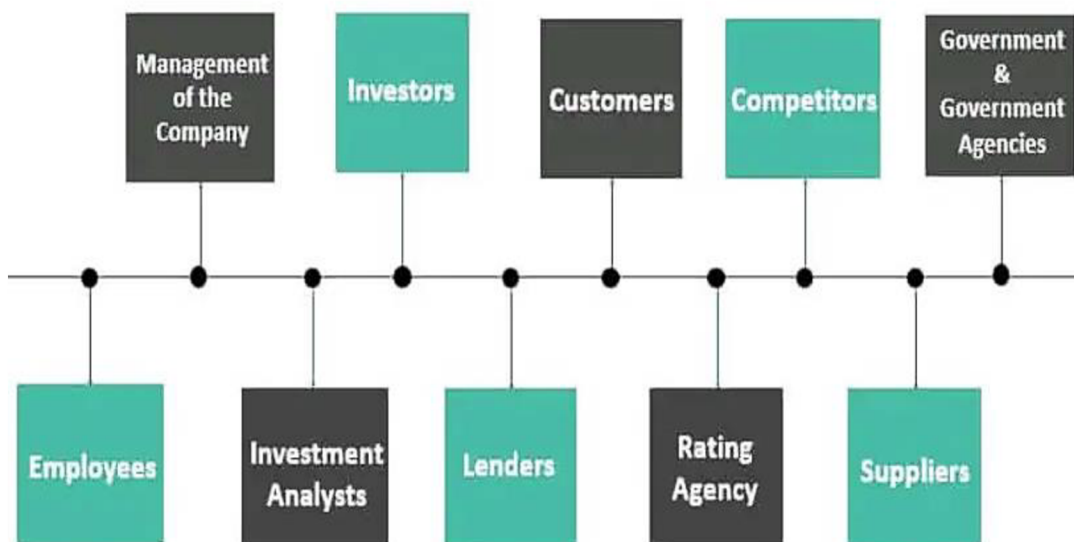
Source: (Srivastav, 2022)

- **Management of the company:** The financial statements are primarily used by the management of the company. Even though the financial statements are created by them, the board and management must consult, when assessing the development and expansion of the business. The management of the firm examines the financial statements in light of the company's financial performance, profitability, cash flows inflows and outflows, assets, and liabilities, cash balances, fund requirements, outstanding debt, project finance, and several other ongoing operational tasks. Simply said, financial statements are necessary for management to make corporate choices (Srivastav, 2022).

- **Investors:** The company's owners are its investors. They are interested in knowing and staying current on the business's financial performance. They want to determine, depending on the financial statement, if they should remain invested or leave the firm based on its financial performance (Agarwal, 2015).

- **Customers:** Customers should check out the financial accounts of the business they are buying goods or services from. In addition, large clients want to engage with financially secure businesses since they want to establish a long-term relationship or contract with them. Additionally, a financially sound business may offer credit to its clients and supply goods and services at a lower cost than the (Thakur, 2022).

- **Competitors:** Competitors are curious about the company's financial situation. They also want to keep a competitive advantage over their rivals, therefore they want to know how well-off the rival business is. Furthermore, by examining the assertions, people may alter their course of action (Thakur, 2022).

- **Government & Government Agencies:** The financial accounts of the firm will be examined by government organisations like the income tax department and also the sales tax department, to see if the business pays the proper taxes (Agarwal, 2015). Additionally, they would like to forecast future taxes based on business success and industry standards (Srivastav, 2022).

- **Employees:** Different viewpoints are taken by employees while examining the company's financial statement. Since employee rewards and advancements are based on the business's financial performance, they want to know how the business is performing. Additionally, they would seek to have a thorough grasp of the company and the health of the market, which would be shown by the financial statements. The business would like its employees to be aware of and understand its financials since it may decide to include them in decision-making (Srivastav, 2022).

- **Investment Analysts:** Financial analysts closely monitor the company's financial accounts. They do this because they are knowledgeable about the industry and up to speed on the state of the business. The investment analysts determine whether or not they will suggest the shares of the firm to its clients depending on their assessment of the company's financial statements (Thakur, 2022).

- **Lenders:** Lenders such as commercial bank, financial institutions, & creditors want to make sure the business can afford the debt. Suppliers want the financial statements as well as expected financials from any firm prior issuing credit so that they may

assess whether or not their loans are safe as well as the likelihood of them becoming bad is extremely low or non-existent (Thakur, 2022). They therefore review the business's financial statements to determine whether or not to offer a loan (Srivastav, 2022).

- **Rating Agency:** To assign a credit rating to the firm's debt instruments, rating agencies examines the financial statements of the business. To receive a rating on the securities it is offering to raise money, the issuing business must give all the facts it has. Once a rating agency has established a score based on the firm's financial statements, the investors in such securities can make a well-informed decision (Srivastav, 2022).

- **Suppliers:** Suppliers are the providers who provide raw materials or other products to a business that it requires for day-to-day functioning. Very much like lenders, suppliers too need to assess the corporation to which they are selling their wares' ability to pay back their debts, albeit they are more focused on doing so because their lending duration is measured in months (Thakur, 2022). Customers and suppliers alike prefer doing business with financially stable organisations. As a result, they use financial records and decide whether to extend the firm credit (Srivastav, 2022).

3.4 Techniques of Financial Analysis

In order to make decisions, financial statement analysis involves examining a company's financial statements. In order to assess an organization's general health as well as its financial results and commercial worth, different parties need this information. It serves as a financial management instrument for internal stakeholders to monitor.

Important financial information on every facet of a business's operations is documented in the financial statements of a corporation. They may therefore be assessed based on their past, present, and anticipated performance.

Figure 3-2 Types of Financial Analysis
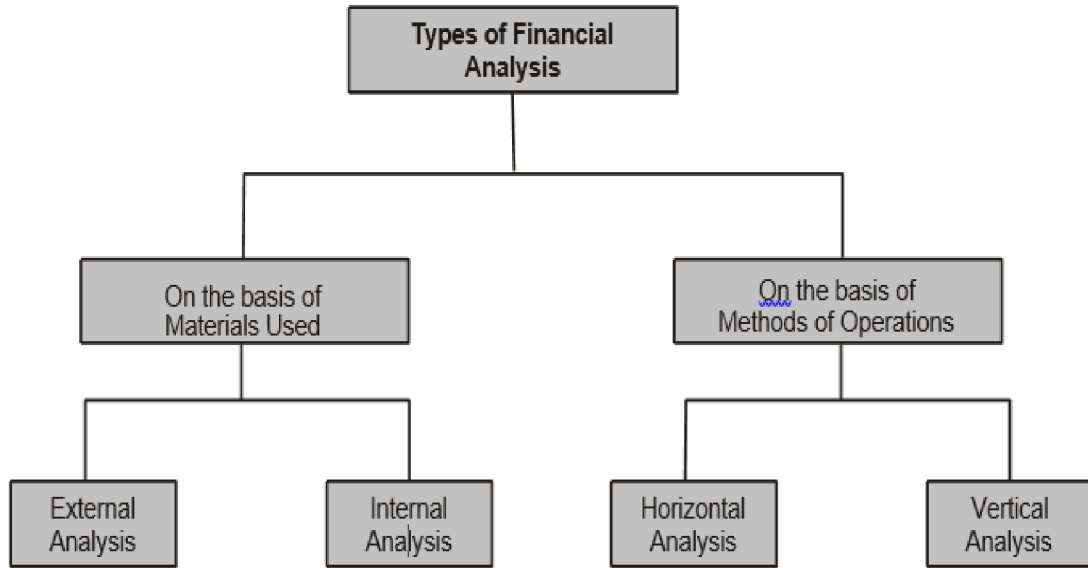
Source: (qureshi, 2022)

3.4.1 External Analysis

Normally, those who are not directly engaged in the company concern—such as investors, creditors, governmental bodies, and other credit agencies—perform external evaluations. Understanding the company's financial and operational situation greatly benefits from external study. The concern's published financial statement serves as the primary input for the external analysis. This study only gives a limited amount of information about the business issue (qureshi, 2022).

3.4.2 Internal Analysis

Due to their access to the company's accounting records as well as other pertinent business data, executives and workers of the company engage in internal analysis. As a result, management may now rely on this analysis more (Maharana, 2011).

3.4.3 Horizontal Analysis

When analysing financial statements, horizontal analysis is used to analyse historical data from several accounting periods, such as ratios or line items. In horizontal analysis, comparisons can be made using either absolute comparisons or percent comparisons, where each subsequent period's figures are stated as a share of the baseline year's total, with 100% as the baseline value. The base-year analysis is another name for this (Tuovila et al., 2023).

3.4.4 Vertical Analysis

Vertical analysis is a technique for analysing financial statements when every line item is reported as a percentage of a base amount. As a result, line items on an income statement and balance sheet may both be expressed as a percentage of gross sales, whereas line items on a cash flow statement can be expressed as a percentage of total cash inflows or outflows, respectively, when analysed vertically (Grant et al., 2022).

3.4.5 Ratio Analysis

Ratio analysis makes it possible to compare the many components of a financial statement meaningfully and may be used to identify a broad upward moving or declining trend. It's a simple way to get a broad understanding of a firm 's financial position, while it also reveals more specific linkages amongst data, such as those between both equity and debt as well as price and earnings, along with vulnerability areas like employee turnover. Establishing performance goals requires comparison of a ratio to the preceding period once it has been computed (Diaz, 2022).

3.4.6 Trend Analysis

A long-term direction of market sentiment may be predicted using trend analysis, which makes use of previous data (such as price changes and transaction volume). It is predicated on the notion that previous events will repeat themselves in the future, assisting a corporation in better anticipating and preparing for rising trends and downward reversals within certain market sectors. An investor will make money if they follow trends rather than going against them, hence trend analysis is a beneficial strategy (Diaz, 2022).

3.4.7 Cost Volume Profit Analysis

Businesses may better comprehend how sales, expenses, and business profit are related with this analysis approach. To aid company executives in more effectively forecasting profit, it looks at fixed costs and variable costs and develops the link between sales as well as variable costs (Diaz, 2022).

Financial statements include a wealth of data that is distilled into statistics. On the surface, they don't seem to offer enough details on the reporting entity's sustainability. In order to uncover the wealth of information concealed in them and to improve decision-making, they must be examined using financial ratios (Nuhu, 2014).

3.5 Ratios Analysis

Financial ratios enable comparisons, which is why they are closely related to benchmarking—the act of contrasting individual's business to other businesses or of the same organisation at a different period.

Ratios are a useful management means of obtaining the knowledge and statistics required for planning as well as assessing management effectiveness for a certain time period. In the financial accounts, ratios are often employed to establish relationships and patterns (Adedeji, 2014).
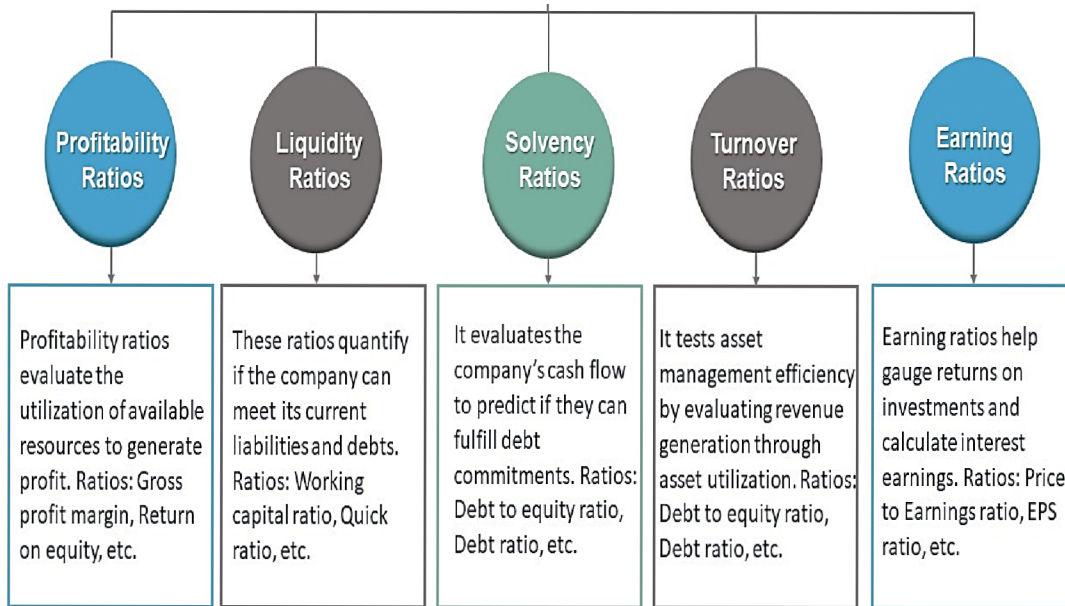
Ratio analysis is described as the systematic production of ratios from both internal as well as external reporting in order to highlight significant connections and outcomes and assess financial health (Lucey, 2003).

According to (Carter & Garbutt, 1972), ratios can be used as a general indicator of profitability, liquidity, or asset usage solvency. According to the financial activity is a second, more appropriate approach of classifying ratios (functions). This approach aids in the analysis and provides a summary of the data that different parties interested in the company's financial reports need. For instance, creditors are concerned with a company's liquidity condition, thus they take the liquidity ratios into account. Investors care about the company's net worth and profitability, thus they keep an eye on the profitability ratios.

Using ratio analysis for industry comparison provides valuable insight that indicates which sectors in the industry are doing well and, hence, is considered to be valuable businesses (Babalola & Abiola, 2013). A substantial competitive advantage that enables it to record much better profit margins than its competitors in the sector will be indicated by a firm's substantial deviation ratio study for any one of the companies. Alternatively, it may be a signal of a company that is potentially suffering a problem that is eroding its operating efficiency, profitability, as well as liquidity (Nuhu, 2014).

Ratio analysis has shown to be an effective tool for tracking, evaluating, and raising performance levels inside a company. Financial ratios emphasise the significance of an organization's good management, and the study found a substantial association between ratio analysis and organisational performance. According to the study's conclusions, it was advised that financial ratios be calculated often to identify strengths and areas of improvement and also that ratio analysis be utilised to gauge the success in terms of profitability (Adedeji, 2014). The classification of the various ratios is given in the below figure.

Figure 3-3 Classification of Ratio Analysis

Profitability Ratios	Liquidity Ratios	Solvency Ratios	Turnover Ratios	Earning Ratios
Profitability ratios evaluate the utilization of available resources to generate profit. Ratios: Gross profit margin, Return on equity, etc.	These ratios quantify if the company can meet its current liabilities and debts. Ratios: Working capital ratio, Quick ratio, etc.	It evaluates the company's cash flow to predict if they can fulfill debt commitments. Ratios: Debt to equity ratio, Debt ratio, etc.	It tests asset management efficiency by evaluating revenue generation through asset utilization. Ratios: Debt to equity ratio, Debt ratio, etc.	Earning ratios help gauge returns on investments and calculate interest earnings. Ratios: Price to Earnings ratio, EPS ratio, etc.

Source: (Thakur, 2023)

From the above figure it can be seen that there are five types of Financial Ratios, i.e. Profitability Ratios, Liquidity Ratios, Solvency Ratios, Turnover Ratios and Earning Ratios. The further bifurcation of these ratios is given in the below figure.

Figure 3-4 Types of Ratio Analysis

Source: (Thakur, 2023)

30
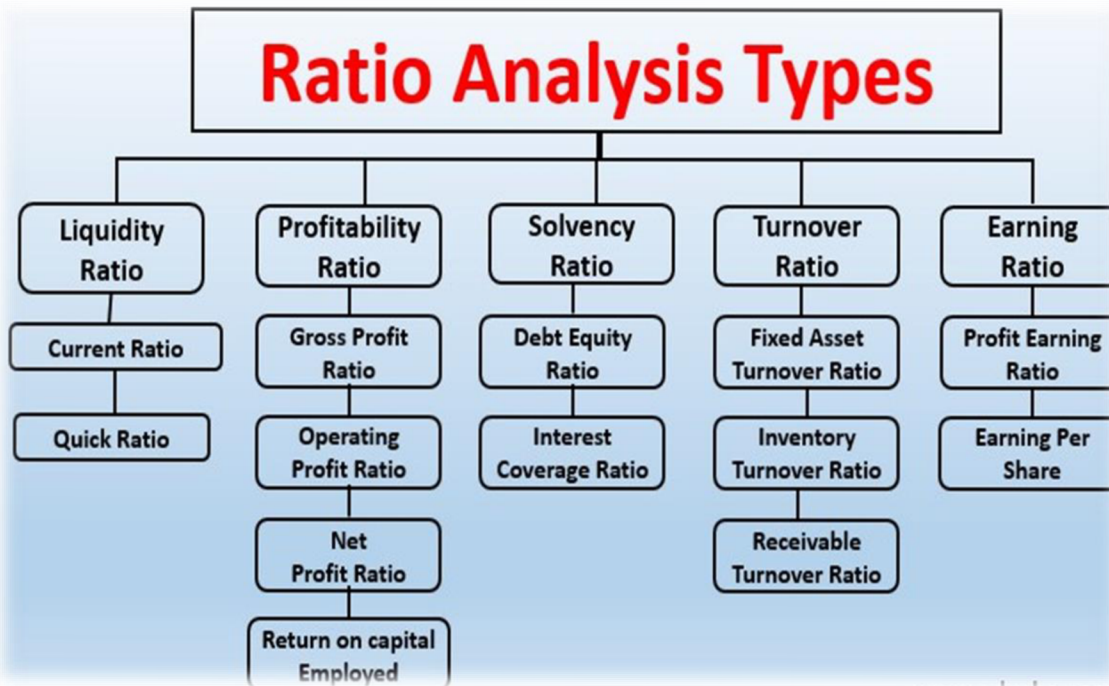
Each of them have been discussed as below along with their formulas to calculate them:

3.5.1 Liquidity Ratios

When contrasting the cash as well as near-cash with that of the payment commitments, liquidity ratios gauge a company's capacity to satisfy its commitments. If the former's coverage of the latter is inadequate, it suggests that the company may have trouble covering its short-term financial commitments. This may therefore have an impact on the profitability and overall operations of the firm (Saleem & Rehman, 2011).

Current Ratio:

This shows how well a company is able to use its current assets to satisfy or fulfill its short-term financial commitments and otherwise current liabilities. As a result, it is sometimes referred to as the current asset to current liability ratio. It serves as the main indicator of a company's liquidity. The formula for calculating current ratio is as under:

$$\text{Formula (1).} \quad Current\ Ratio\ = \frac{Current\ Assets}{Current\ Liabilities}$$

A low current ratio can be a sign that a company won't be able to meet its financial commitments in the upcoming days, whereas a high current ratio might be a sign that management isn't making the best use of its assets or that there are too many current assets. Current ratios are assessed using the 2 to 1 standard as a benchmark (2:1). This indicates that there should be at least of N2 current assets to support every N1 current liabilities. Lending organisations and credit bureaus frequently adopt this benchmark, which is usually regarded as good (Nuhu, 2014).

Quick Ratio:

The only current assets and liabilities included in this ratio are those that are the most liquid. This ratio's increasing value indicates that the firm has considerable liquidity. Prepaid costs and inventories, which have a difficult time being converted into cash, are not included in this ratio (Sinha, 2012). The formula for calculating quick ratio is given as below:

$$\text{Formula (2):} \quad Quick\ Ratio\ = \frac{Quick\ Assets}{Current\ Liabilities}$$

The quick ratio gauges a company's ability to cover its short-term obligations without having to liquidate goods or seek for further funding. Compared to the current ratio, which counts all current assets as covers for current obligations, the quick ratio is seen as a more cautious metric. A company's most liquid assets, such as cash, cash equivalents, securities, as well as receivables, are divided by all of its current obligations to arrive at the quick ratio. A score of 1 is regarded as the standard quick ratio. It means that the business has exactly the right amount of assets on hand to cover all of its immediate obligations. A firm with a quick ratio below 1 might not be able to pay off all of its current liabilities in the near future, whereas a company with a fast ratio over 1 can pay off all of its current liabilities at once (Seth, 2023).

3.5.2 Profitability Ratios

Profitability relates to a business's capacity to make revenues as a return on its investment. profitability ratios represent the business's competitiveness in as well as quality management. It indicates the business's successes or failures. (Robinson et al., 2020)

The profitability ratios are as follows:

Gross Profit Ratio

The gross profit margin ratio represents or depicts the gross profit which may be realised on sales, or if this ratio is deducted from 100%, it will reveal the balance left over to pay operational costs as well as net profit. If contrasted to the standard ratio, the statistics on the gross profit margin ratio from many time periods will be capable of providing information about the trend of the gross profit margin ratio attained, allowing one to determine whether the margins attained by the firm are already significant or not (Mahdi & Khaddafi, 2020). The formula to calculate gross profit margin is as below:

$$\text{Formula (3): } Gross\ Profit\ Margin = \frac{Gross\ Profit}{Sales} \times 100$$

The gross profit margin (GPM) is the proportion between the company's gross profit as well as the sales volume realised over the same time frame. Sales prices have a significant impact on gross profit margin; the more profitable a firm is, the better. To determine how much gross profit business receives from their sales through good and services, business must calculate the gross profit margin. There is always a difference between the gross and net profit margins (Mahdi & Khaddafi, 2020).

Operating Profit Ratio

By subtracting operational expenses from gross profit, operating profit may be calculated. This ratio is crucial since it illustrates the company's capacity to make a profit from regular business activities. This ratio's decrease is a sign of poor operating expense management (Gibson, 2009).

$$\text{Formula (4):} \quad Operating\ Margin\ =\ \frac{Operating\ Profit}{Sales} \times 100$$

A business's operating profit margin, often known as a profitability or the performance ratio, it shows the percentage of income that may be used to cover non-operating costs like interest and taxes as well as to generate a net profit for the shareholders. The higher it is for the company, the greater the operational profit margin value (Javaid, 2022).

Net Profit Ratio

One of the most crucial measures of a firm's financial well-being is its net profit margin. A business may determine if its existing procedures are effective and estimate earnings based on revenues by monitoring growth and reductions in its net profit margin. It is easy to compare the profitability of two or more firms regardless of size since organisations represent net profit margin as a percentage instead of a monetary value. This measure takes into account all aspect of a business' operations, such as: total income, Other revenue sources, COGS, and other operating costs, the cost of interest paid on debt commitments, Income from investments and secondary operations one-off payments for unanticipated circumstances like litigation and taxes (Murphy et al., 2023). The formula to calculate net profit margin is given as below:

$$\text{Formula (5):} \quad Net\ Profit\ Margin\ =\ \frac{Net\ Profit}{Sales} \times 100$$

The profit and loss account of a corporation or firm, which records the total revenue and expenses of the business under several headings, is where net profit margin is determined. The proportion of total revenue left over after all business expenses, including as operational costs, interest and tax payments, and preferred stock dividends, is referred to as the net profit margin (Thakur, 2023).

Return on Capital Employed

A profitability statistic called return on capital employed (ROCE) gauges how well a business uses its capital to produce profits. Investors frequently utilise return on capital employed statistic to decide if a particular firm is a good investment. It is regarded as one of the top profitability ratios (Schmidt, 2023).

$$\text{Formula (6):} \quad Return\ on\ Capital\ Employed\ = \frac{EBIT}{Capital\ Employed}$$

The company's profit, which includes all costs less interest and tax payments, is known as earnings before interest and tax (EBIT) (Schmidt, 2023).

The entire value of equity engaged in a firm is its capital employed. Total assets less current liabilities or fixed assets + working capital are two popular methods for calculating capital used (Schmidt, 2023).

3.5.3 Solvency Ratios

The term "solvency" describes a business's capacity to fulfil its long-term financial commitments. In other words, a business's solvency measures its capacity to pay down long-term debt, such as principal and interest, as well as benefits (Robinson et al., 2020). The solvency ratios are as follows:

Debt Equity Ratio

The debt-to-equity ratio reflects a firm 's total liabilities towards its shareholder equity as well as it may be utilized to determine the amount to which it is reliant on debt. D/E ratios differ by sector and thus are usually used to contrast direct rivals or to track changes in a firm's dependence on borrowings over time (Fernando, 2022). A higher D/E ratio among comparable firms indicates greater risk, whereas a very low one could signify that a company is not using borrowed funding to expand. Because long-term debt entails higher risk compared to short-term commitments, investors sometimes adjust the D/E ratio to include solely long-term debt (Fernando, 2022). The formula for Debt-Equity ratio is given as below:

$$\text{Formula (7):} \ Debt-Equity\ Ratio = \frac{Total\ Liabilities}{Total\ Shareholder's\ Equity}$$

Interest Coverage Ratio

The interest coverage ratio evaluates a firm's ability to pay off its debts. It constitutes one of several debt ratios which can be utilized to assess the financial health of a business. Both industry analysts as well as investors value a solid interest coverage ratio because a business cannot develop – and it might not even exist – if it is unable to make interest payments on its existing debts to creditors. In layman's words, it reflects number of times the business's revenues may be used to satisfy its commitments (Maverick, 2022). A corporation with extremely big current earnings over the amount needed to cover debt interest payments does have a stronger financial cushion against a temporary drop in revenues. A firm that can barely cover its interest commitments with current profits is in an extremely hazardous financial situation, since even a minor, temporary drop in sales may leave it bankrupt (Maverick, 2022). A minimally acceptable rate of interest coverage with at least two is generally deemed for a corporation with strong, continuous revenues. Analysts favour a coverage ratio of three or higher. A coverage ratio less than one implies that a corporation cannot satisfy its present interest payment commitments and, as a result, does not have good financial health (Maverick, 2022). The formula for Interest Coverage Ratio is as below:

$$\text{Formula (8): } Interest\ Coverage\ Ratio\ = EBIT\ \frac{EBIT}{Interest\ Expense}$$

3.5.4 Turnover Ratios

The proportion of a mutual fund as well as other portfolio assets which have been changed throughout the duration of a year is known as a turnover ratio in the investment world. Some funds have turnover ratios that are higher than 100% because they keep their stock investments for fewer than 12 months. This does not imply that all holdings have been changed. The ratio displays the percentage of shares which have changed over the course of a year (Segal, 2023). The turnover ratios are as follows:

Fixed Assets Turnover Ratio

The fixed asset turnover ratio demonstrates how effective a business seems to be at creating profits out of its current fixed assets. This ratio is computed by dividing net sales from the average amount in fixed assets. A greater ratio indicates that management is making

better use of fixed assets. A high FAT ratio says little about a business's capacity to create stable returns as well as cash flows. This ratio is comparable with that of other turnover ratios like the asset's turnover ratio, but this ratio compares a business toward a subcategory of assets. A higher turnover ratio indicates more effectiveness in handling fixed-asset investments, although there is no particular amount or gamut that should be used (Kenton, 2023).

Manufacturing firms frequently prefer using fixed asset turnover ratio over through the asset turnover ratio as they seek to gain the most accurate picture about how its capital investments are doing. Businesses with less fixed assets, like as retailers, may be less concerned about FAT as relative to the way additional assets, like as inventory, are used (Kenton, 2023). The formula for Fixed Asset Turnover ratio is given here under:

$$\text{Formula (9): } Fixed\ Assets\ Turnover\ Ratio\ = \frac{Net\ Sales}{Avg.Fixed\ Assets}$$

Inventory Turnover Ratio

All products—whether raw or finished—that a business keeps on hand with the intention of selling are considered inventory. The pace at which inventories are sold, used up, and replaced is known as inventory turnover. By dividing the cost of items by the average inventory over a particular time period, the ratio of inventory turnover is derived (Jenkins, 2022).

A greater ratio often denotes good sales while a lower ratio generally denotes dismal sales. In contrast, a greater ratio might signify having too little inventory on hand, while a lower one would signify having too much (Jenkins, 2022). The formula for deriving Inventory Turnover is as below:

$$\text{Formula (10): } Inventory\ Turnover\ Ratio\ = \frac{Cost\ of\ Goods\ Sold}{Average\ Inventory}$$

Receivables Turnover Ratio

The turnover ratio of accounts receivable is a financial indicator that shows how effectively a business collects receivables from its customers. The ratio counts the amount of times throughout a particular time frame when receivables get transformed into cash. A

high ratio could be a sign that a company's debt collection strategies are effective and that its customers are trustworthy and prompt with their payments (Murphy, 2023).

A low ratio could be brought about by ineffective credit rules, ineffective collection practises, or unreliable or not creditworthy consumers. Investors should be aware that certain businesses compute their ratios using total sales instead of net sales, which might lead to inflated numbers (Murphy, 2023). The ratio for calculating Receivables Turnover is as below:

$$\text{Formula (11): } Receivables\ Turnover\ Ratio\ =\ \frac{Net\ Credit\ Sales}{Average\ Accounts\ Receivables}$$

3.5.5 Earnings Ratios

The earnings ratio is a means of evaluating a company's ability to provide investors with a profit. Market value ratios is another name for these ratios. Financial measurements called market value ratios are employed to assess how a business's stock price relates to its market value. These statistics shed light on how the market perceives the business's worth as well as prospects for expansion. The Earnings ratios are given as Under:

Profit Earning Ratio

The price-to-earnings (P/E) ratio compares the stock value towards the profit per share of a business. The significant P/E ratio may indicate where a company's stock is overpriced or even that shareholders anticipate rapid growth in the years to come (Fernando, 2022).

Since there isn't anything to place in the denominator, businesses with no earnings or losses cannot calculate a P/E ratio. In practise, forward as well following P/E ratios are also employed. When contrasted to other firms within a given sector or against a particular business over time, a P/E ratio has the greatest value to an analyst. Among the most popular methods for investors as well as analysts to estimate a share's relative value is the price-to-earnings ratio (P/E). A stock's P/E ratio may be used to assess whether it is overpriced or undervalued. The P/E ratio of a firm may also be compared to other companies in the same sector or to the whole market, like the S&P 500 Index (Fernando, 2022). The formula for calculating P/E ratio is given as under:

$$\text{Formula (12): } Profit\ Earning\ Ratio\ = \frac{Market\ Value\ Per\ Share}{Earning\ Per\ Share}$$

Earnings Per Share

Earnings per share (EPS) is calculated by dividing a business's net profit through the total amount of common shares issued. EPS is a frequently used indicator for measuring corporate value since it shows how much money a firm produces for every stock that it owns. It is a key profitability metric that is used to link a stock's price to a business's real earnings. Higher EPS is generally preferable, however one needs to examine total number of outstanding shares, the possibility of share dilution, and profit patterns over time. A higher EPS suggests more value since investors would spend greater prices for a company's equity if they believe the company's revenue are larger than its stock price (Fernando, 2022). The Formula for calculation of EPS is as under:

$$\text{Formula (13): } Earnings\ Per\ Share\ = \frac{Net\ Income - Preferred\ Dividend}{Avg.No.of\ Shares\ Outstanding}$$

Return on Net Worth

It is a measure in terms of percentage which reveals the efficiency of a company on shareholder's equity in generating profit. This measure helps us to determine the profitability of a business. It is generally interpreted that there has been a prudence use of shareholder's funds when the Return on net worth is high. While when the return on net worth is low then it is believed that company isn't successful in making efficient use or there is reinvestment of capital in unproductive assets. Normally a return above 20% is considered as a good return investment. The formula for calculating Return on Net worth is given as below:

$$\text{Formula (14): } Return\ on\ Net\ Worth = \frac{Net\ Income}{Shareholder's\ Equity}$$

4 Practical Part

The practical part of the research focuses on the data analysis and data interpretation of the collected data. For the present research Financial Ratios data is gathered from the secondary sources. For the study purpose the data is collected for the duration of the year ranging from 2015-2021 of Reliance Industries Limited. The collected data is then presented in the form of tables and figures to get meaningful insights which is as follows:

4.1 Company Profile

Dhirubhai Ambani founded the international corporation Reliance Industries in 1973. Its headquarters are in Mumbai, India. Reliance Industries Ltd. has expanded into a number of industries, including textiles, petrochemicals, natural gas, retail, and telecommunications. The most lucrative business in India is Reliance Industries, which is also the biggest publicly traded business in terms of market value and revenue. Oil to chemical businesses contribute 60% of total income, followed by retail (28%), digital services (5%), and miscellaneous streams (7%). Mukesh Ambani serves as the CEO of Reliance Industries. Its slogan, "Growth in life," is evident in how it has expanded from the textile industry to a variety of industries, including media, retailing, petrochemical products, digital products, gas and oil extraction as well as refinery and advertising. One of India's major employers, Reliance Industries Ltd, is hiring even as it considers launching new businesses in a variety of industries. Reliance Foundation invests around 1022 crores in Corporate Social Responsibility programs that enhance lives. It gets involved in a variety of charitable endeavours, including those related to sports, education, & healthcare (Shastri, 2022).

The biggest retailer as well as pioneer in the mass marketplace in the nation is Reliance Industries Ltd. There are around 6.44 billion of its shares outstanding, from which the Ambani family owns 49% and the remainder stockholders in general. Reliance has recorded a 5.4% growth in its retail business's combined revenue in the 2019–2020 fiscal year. The customer base has greatly increased, and as a result, income has increased overall, particularly in the digital industry. It seems sense that Reliance Industries Limited has many rivals in every industry given how big and diverse the firm is. It is among the biggest businesses in India and benefits from a well-known brand that gives customers confidence in the company. The brand has received several awards, is in outstanding financial standing, is profitable, is strongly focused on holistic expansion, and is involved in CSR programmes,

all of which contribute to its positive reputation among investors and numerous stakeholders. As a behemoth with a hand in every industry in the country, notably the key ones, Reliance Industries is in competition with numerous of brands and businesses on several fronts (Shastri, 2022).

4.1.1 Management of Reliance Industries Limited

The management team of the Reliance Industries Limited is as follows:

- Mr. Mukesh D. Ambani graduated from the Institute of Chemical Technology in Bombay as a chemical engineer. He started Reliance's journey towards backward integration as well as serving on the board of the company since 1977. He is the chairman and managing director. He built several brand-new, top-notch manufacturing plants and combined them with relevant infrastructure, such as petrochemicals, electricity generation, and ports. Moreover, he oversaw the establishment of Reliance's infrastructural facilities and a pan-Indian organised retail network. With Jio, Reliance's digital services effort, he has broken world records in user acquisition. He also founded and oversaw one of the largest 4G broadband wireless networks worldwide. He is a representative on the World Economic Forum's Foundation Board as well as an appointed Foreign Member of the esteemed National Academy of Engineering of the United States (Reliance).

- Nita M. Ambani is a well-known supporter of sports, a philanthropist, an arts patron, a promoter of women's and children's rights, and an advocate for education. She's been honoured with several accolades (Reliance).

- In the US, Mr. Hital R. Meswani graduated from the University of Pennsylvania with a degree in management and technology. He has served on the company's board of directors as the Executive Director during its formative years and is involved in nearly all of the organization's important endeavours. He has an honorary fellowship from IChemE and serves on the University of Pennsylvania's engineering board of overseers (Reliance).

- Mrs. Arundhati Bhattacharya has more than 40 years of broad and diversified experience, a postgraduate degree in English, and membership as an affiliate in the Indian Institute of Bankers. She has made her presence on the Indian financial landscape and gained attention on a worldwide scale because to her extensive grasp of the banking industry and the technologies it employs. She is a well-known banker

who has won various awards from all around the world. She is included in Fortune's list of the World's 100 Most Powerful Women as well as Fortune's list of the World's Greatest Leaders (Reliance).

- Mr. K.V. Chowdary, a graduate in mathematics from Loyola college and post-graduate from IIT, Chennai. He retired as a Chairman of CBDT and have held several positions (Reliance).

- Yasir Othman H. Al Rumayyan served as a governor of Public Investment Fund of Saudi Arabia, has a 25 years of work experience in prominent financial institution. He has served as a CEO and board member of Saudi Fransi Capital. He holds a degree in accounting from King Faisal University and has graduated from Harvard Business School (Reliance).

- Mr. K.V. Kamath was CEO and Managing Director of ICICI Bank, he has also served as a chairman of Infosys. He has been awarded with Padma Bhushan in 2008. He is a mechanical engineer and a post-graduate in Business Administration from IIM, Ahmedabad (Reliance).

Thus, from the above it can be concluded that the management team of Reliance Industries Limited comprises of the experts who have made significant achievements in their respective fields and have accomplished a position with great success and achievement. When an organisation is led by such a team of experts there are sure chances of its growth and expansions in the upcoming future giving better scope of returns for its investors as well as taking company to new heights.

4.1.2   Product Portfolio

The business's offerings include everything from the discovery as well as extraction of natural gas and oil to the creation of synthetic textiles and fabrics, plastics, chemicals, polyester goods, and polyester intermediates. A service, item, or invention that a business sells is a product. Reliance Industries Ltd provides an array of goods in many areas and under various names through its approximately 94 subsidiaries (Shastri, 2022).

Reliance Industries as a brand meets the needs of a diverse spectrum of customer categories by offering a wide variety of goods in its retail locations as well as services like telecommunications & petrol stations. The business employs a mix of demographics, geographic, as well as psycho - graphic categorization factors, including, among several others, region, economic background, gender, as well as age plus factors related to

employment and behaviour. The brand has a distinct, focused, and aggressive price approach to reach its target demographic (Shastri, 2022).

Because of the effectiveness and high level of excellence of its goods, Reliance Industries is the industry leader in the petroleum, oil, & gas industry. With its offerings, dependable network, goods, and services, Reliance Jio has taken over the telecommunications, media, and entertainment sectors and is continuing to expand its user base.

4.1.3 Awards

The following table depicts the awards given to Reliance Industries Limited for their outstanding achievements and contribution in diverse sectors:

Table 4-1 Showing the awards of Relaince Industries Ltd.

Year	Award
2010	Ranks second among the top ten worldwide 'Sustainable Value Creators' according to BCG.
2010	The Marico Innovation Foundation awarded Reliance E&P's KG-D6 the Innovation for India Award for the combined synthesis of advanced technologies, rigorous engineering, and inventive execution, generating unparalleled outcomes and influence on India's energy security.
2012	The Discovery Channel selected Jamnagar Refinery as one of the top five factories worldwide.
2012	The American Chemical Council has awarded it "Responsible Care Company" certification.
2013	25th out of the top 100 chemical companies according to ICIS.
2013	107th out of 500 according to Fortune.
2015	Platts Global Energy Award for undertaking Corporate Social Responsibility.
2016	Recipient of the "Sustainable Plus Platinum Award" given by the Confederation of Indian Industry
2018	According to Fast Company, Reliance Jio is the world's 17th most innovative company and the number one in India.
2019	RIL was placed #1 in the Fortune India 500 ranking and 106 in the Fortune Global 500.
2019	RIL was placed 71 on the Forbes Global 2000 list, holding the title of No. 1 Indian Business.

Source: Researcher's own compilation from Reliance Industries Limited Website

Thus, it can be inferred that Reliance Industries Limited have stayed to be an innovative business and has been performing well and able to deliver quality products and services to its customers.

4.1.4 Challenges or Failures of Reliance Industries Limited

The Following are the challenges which the company has faced in different industries in which they have their businesses involved.

- Refining's EBIT decreased 18% to Rs 5,055 crore. The most significant reason is the increased fluctuation of the oil price.
- RIL has committed Rs 40,000 crore alongside its associate BP Plc in its Krishna Godavari blocks to resurrect E&P activities, but it has been unable to convince investors (Puneyani, 2022).
- The largest retailer in India, Reliance Retail, may give up on the jewellery market. Mukesh Ambani's company is facing intense rivalry from competitors in the sector, which could compel it to close its jewellery retail division. With over 50 stores nationwide, it currently operates its retail jewellery business under the "Reliance Jewels" name. Around 10 Reliance Jewellery stores have been shuttered by Reliance Retail (Puneyani, 2022).
- Unfortunately, there is a lot of competition in the industry that Reliance Trends wants to penetrate. Mid-market value goods are sold by retailers like Max from Landmark Group as well as hypermarkets like Big Bazaar and Also more (Puneyani, 2022).
- It is difficult for stores that sell books, music CDs, plus stationery to think up with innovative concepts as online shopping grows in popularity. Reliance TimeOut, had to discontinue services and close due to severe competition against e-commerce platforms and a decline in customer base (Puneyani, 2022).
- The Insurance Regulatory and Development Authority (Irdai) of India had directed Reliance Health Insurance, a distinct health insurance division of Reliance Capital, to handover their existing portfolio to Reliance General Insurance and it has also prohibited it from offering any new products (Puneyani, 2022).

Hazards arise when events in the outside world endanger the organization's capacity to do profitable operations. The performance of the firm might be significantly impacted by these outside factors. Yet, Reliance has had an effect on the economy, and it is possible that it may lose customers given the current circumstances and Reliance's trajectory. Nonetheless,

Reliance is noted for attracting clients mostly as a result of the low prices it provides (Puneyani, 2022).

4.2 Balance Sheet

4.2.1 Vertical Analysis of Balance Sheet

The following table gives the vertical analysis of the balance sheets assets from the year 2015-2021. It includes the vertical analysis of the changes in the value of assets from the year 2015-2021. The vertical analysis of the balance sheet will help the investors to understand the stability in the assets of Reliance Industries Limited.

Table 4-2 Showing Vertical Analysis of Balance Sheet-Assets of Reliance Industries Limited (%)

Years	2021	2020	2019	2018	2017	2016	2015
Tangible Assets	33.43	30.65	25.12	31.07	26.61	19.99	20.06
Intangible Assets	1.69	0.89	1.07	1.47	1.66	8.72	8.74
Capital Work-In-Progress	2.38	1.61	13.56	14.99	23.46	21.26	16.39
Fixed Assets	38.88	34.42	40.57	48.65	52.55	52.06	47.84
Non-Current Investments	28.91	43.41	35.07	27.84	25.71	24.61	15.60
Long Term Loans And Advances	7.52	4.56	4.10	2.87	1.91	3.55	7.36
Other Non-Current Assets	0.57	0.46	0.55	0.57	0.40	0.00	0.00
Total Non-Current Assets	75.88	82.85	80.29	79.93	80.56	80.21	70.80
Current Investments	10.84	7.21	7.69	8.63	9.49	8.61	12.70
Inventories	4.29	3.99	5.69	6.41	6.22	6.12	9.19
Trade Receivables	0.48	0.77	1.56	1.69	1.00	0.76	1.17
Cash And Cash Equivalents	0.64	0.87	0.49	0.44	0.32	1.51	2.91
Short Term Loans And Advances	0.11	1.55	0.63	0.57	0.90	2.61	3.09
Other Current Assets	7.77	2.76	3.65	2.32	1.51	0.17	0.14
Total Current Assets	24.12	17.15	19.71	20.07	19.44	19.79	29.20
Total Assets	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Researcher's own Compilation from Money Control, 2015-2021

From the above Vertical analysis of Balance Sheet-Assets of Reliance industries limited, all figure are presented in percentages; it can be inferred that the tangible assets were

19.99% in the year 2016 which was the lowest and in the year 2021 they were 33.43% which means the company has gained more tangible assets. Whereas, the intangible assets were i.e. 8.74% the highest in the year 2015 and in the year 2020it was the lowest which is 0.89%. Fixed assets with the company were highest in the year 2017 i.e. 52.55% and the lowest i.e. 34.42% in the year 2020, which increased to 38.88% in the year 2021. The inventories were 9.19% the highest in the year 2015 and lowest in the year 2020 i.e. 3.99%. In 2021 the inventories increased to 4.29%. The total non-current assets were the lowest in the year 2015 i.e 70.80% while it increased to highest in the year 2020 i.e. 82.85% and decreased to 75.88% in the year 2021. The total current assets were the lowest in the year 2020 i.e. 17.15% and was the highest in the year 2015 i.e. 29.20% and in 2021 it is 24.12%.

Vertical Analysis of Balance Sheet-Liabilities

The following table gives the vertical analysis of the balance sheets liabilities from the year 2015-2021. It includes the vertical analysis of the changes in the value of liabilities from the year 2015-2021. The vertical analysis of the balance sheet will help the investors to understand the stability in the liabilities of Reliance Industries Limited.

Table 4-3 Showing Vertical Analysis of Balance Sheet-Liabilities of Reliance Industries Limited (%)

Years	2021	2020	2019	2018	2017	2016	2015
Equity Share Capital	0.74	0.65	0.82	1.03	0.59	0.71	0.81
Total Share Capital	0.74	0.65	0.82	1.03	0.59	0.71	0.81
Reserves And Surplus	53.57	39.61	51.43	49.92	52.14	51.76	53.53
Total Reserves And Surplus	53.57	39.61	51.43	49.92	52.14	51.76	53.53
Total Shareholders Funds	54.31	40.26	52.25	50.95	52.73	52.47	54.34
Long Term Borrowings	18.38	20.01	15.22	13.21	14.40	17.01	19.16
Deferred Tax Liabilities [Net]	3.52	5.20	6.10	4.52	4.53	2.87	3.19
Other Long Term Liabilities	0.52	0.35	0.06	0.08	0.00	0.00	0.00
Long Term Provisions	0.17	0.15	0.32	0.36	0.39	0.33	0.35
Total Non-Current Liabilities	22.59	25.71	21.71	18.17	19.32	20.21	22.70
Short Term Borrowings	3.79	6.16	5.04	2.47	4.13	3.17	3.25
Trade Payables	9.96	7.31	11.38	14.36	12.47	11.91	13.69
Other Current Liabilities	9.24	20.44	9.53	13.90	11.12	11.98	4.79
Short Term Provisions	0.10	0.11	0.10	0.15	0.23	0.26	1.22
Total Current Liabilities	23.10	34.03	26.04	30.87	27.95	27.31	22.95
Total Capital And Liabilities	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Researcher's own Compilation from Money Control, 2015-2021

From the above table it can be inferred that the Equity share capital in the year 2015 was 0.81% which reduced to 0.59% in 2017 and was the lowest. In 2018 it was 1.03% which was the highest and it reduced to 0.74% in the year 2021. The lowest reserves and surplus with the company was in the year 2020 i.e. 39.61. While the highest reserves and surplus with the company was in the year 2021 which is 53.57%. The long term borrowings of the company were highest in the year 2020 i.e. 20.01% whereas, for the year 2021 it decreased to 18.38%. Total non-current liabilities were highest in the year 2020 i.e. 25.71% while it

decreased to 22.58% in the year 2021 and the lowest 18.17% in the year 2018. Trade payables were 7.31% the lowest in the year 2020 and were the highest 14.36% in the year 2018. For the year 2021 it was 9.96%. The total current liabilities were the highest i.e. 34.03% in the year 2020 and the lowest were in the year 2015 which is 22.95%. In the year 2021 the total current liabilities are 23.10%.

4.2.2 Horizontal Analysis of Balance Sheet

The following table gives the Horizontal analysis of the balance sheets assets from the year 2015-2021. It includes the Horizontal analysis of the changes in the value of assets from the year 2015-2021. The Horizontal analysis of the balance sheet will help the investors to understand the stability in the assets of Reliance Industries Limited.

Table 4-4 Showing Horizontal Analysis of Balance Sheet- Assets of Reliance Industries Limited

Years	2021	2020	2019	2018	2017	2016	2015
Tangible Assets	-23.37%	-1.93%	52.83%	1.57%	31.89%	59.04%	14.66%
Intangible Assets	7.20%	70.93%	3.99%	-8.72%	-0.08%	-77.23%	14.80%
Capital Work-In-Progress	-7.21%	32.79%	-85.13%	13.58%	-27.83%	31.85%	49.28%
Fixed Assets	-19.25%	1.56%	6.26%	4.76%	4.57%	20.58%	25.21%
Non-Current Investments	30.83%	-40.11%	55.05%	58.22%	22.34%	24.78%	81.49%
Long Term Loans And Advances	-36.15%	48.14%	39.43%	79.71%	69.89%	-35.84%	-44.51%
Other Non-Current Assets	92.11%	11.37%	4.06%	21.72%	61.26%	30.37%	21.26%
Total Non-Current Assets	-1.01%	-17.65%	29.25%	26.19%	12.07%	19.97%	30.37%
Current Investments	-17.28%	35.18%	17.42%	11.94%	2.64%	31.64%	-21.95%
Inventories	22.67%	-3.52%	-12.10%	11.56%	16.31%	21.35%	-23.30%
Trade Receivables	246.09%	-44.42%	-38.21%	15.77%	91.15%	56.57%	-25.02%
Cash And Cash Equivalents	289.63%	-34.32%	125.19%	37.97%	55.70%	-74.55%	-40.44%
Short Term Loans And Advances	-83.79%	-93.39%	208.20%	38.01%	-27.90%	-58.95%	-3.00%
Othercurrentassets	-8.82%	153.08%	-5.30%	97.49%	74.26%	960.70%	41.86%
Total Current Assets	5.54%	26.44%	9.02%	23.36%	16.59%	17.35%	-22.03%
Total Assets	0.57%	-10.09%	25.26%	25.62%	12.95%	19.45%	15.07%

Source: Researcher's own Compilation from Money Control, 2015-2021

From the above table it can be inferred that the tangible assets increased by 14.66% in the year 2016 there was an increase by 59.04% which decreased by 1.57% in the year 2018. There was a greater change in the year 2021 were it decreased by -23.37%. There was a significant change in Intangible assets as well which reduced by -77.23% in the year 2016 and then in the year 2020 the increase was the highest by 70.93%. There was a change in fixed assets in the year 2015 by 25.21% and then it decreased by -19.25% in the year 2021. In 2015 there was a significant change in the non-current assets by an increase of 30.37% which decreased to a greater extent by -17.65% in the year 2020. The inventories went down by -23.30% in the year 2015 while it increased by the highest 22.67% in the year 2021. Trade receivables were decreased by -44.42% in the year 2020 and there was a drastic change in the receivables by an increase of 246.09% in the year 2021. Cash and cash equivalents decreased by -74.55% in the year 2016 and which changed and increased almost to double by 125.19% in the year 2019 and it again increased by more than double times in the year 2021 by 289.63%. The total current assets decreased by -22.03% in the year 2015 and increased by 26.44% in the year 2020 and again reduced by 5.54% in the year 2021.

Horizontal Analysis of Balance Sheet-Liabilities

The following table gives the Horizontal analysis of the balance sheets liabilities from the year 2015-2021. It includes the Horizontal analysis of the changes in the value of liabilities from the year 2015-2021. The Horizontal analysis of the balance sheet will help the investors to understand the stability in the liabilities of Reliance Industries Limited.

Table 4-5 Showing Horizontal Analysis of Balance Sheet-Liabilities of Reliance Industries Limited

Years	2021	2020	2019	2018	2017	2016	2015
Equity Share Capital	1.67%	0.00%	0.06%	94.86%	0.34%	0.12%	0.12%
Total Share Capital	1.67%	0.00%	0.06%	94.86%	0.34%	0.12%	0.12%
Reserves And Surplus	21.61%	-3.54%	29.42%	8.15%	20.31%	11.28%	9.84%
Total Reserves And Surplus	21.61%	-3.54%	29.42%	8.15%	20.31%	11.28%	9.84%
Total Shareholders Funds	21.28%	-3.48%	28.82%	9.13%	20.04%	11.11%	9.68%
Long Term Borrowings	-17.39%	64.61%	44.74%	3.65%	1.10%	2.15%	21.55%
Deferred Tax Liabilities [Net]	-39.10%	6.85%	69.44%	12.76%	88.21%	3.80%	3.78%
Other Long Term Liabilities	31.57%	581.35%	0.00%	0.00%	0.00%	0.00%	0.00%
Long Term Provisions	6.31%	-43.21%	12.61%	4.11%	42.24%	6.05%	0.00%
Total Non-Current Liabilities	-20.98%	48.34%	50.05%	6.27%	14.15%	2.44%	20.53%
Short Term Borrowings	-44.65%	53.21%	156.56%	-32.51%	55.83%	12.20%	-43.29%
Trade Payables	22.45%	-19.48%	-0.49%	30.10%	25.02%	0.09%	-5.86%
Other Current Liabilities	-59.36%	168.83%	-13.88%	41.10%	10.90%	187.68%	77.05%
Short Term Provisions	-16.03%	37.04%	-14.71%	-27.60%	8.38%	-75.90%	16.49%
Total Current Liabilities	-38.98%	63.69%	5.97%	24.75%	22.24%	36.93%	-4.46%
Total Capital And Liabilities	-10.09%	25.26%	25.62%	12.95%	19.45%	15.07%	8.22%

Source: Researcher's own Compilation from Money Control, 2015-2021

From the above table it can be inferred that the increase in total share capital was by 0.12% in the year 2015 which remained constant for the year 2016. There was a significant increase in the year 2018 by 94.86% and then in the year 2019 it increased by 0.06% while stability can be observed for the year 2020 and then it increased by 1.67% in the year 2021.The total shareholders fund decreased by -3.48% in the year 2020 and then it increased by 21.28% in the year 2021. There is a significant change in the long-term borrowings which

increased by 64.61% in the year 2020 and then it decreased by -17.39% in the year 2021. Other long-term assets and liabilities sowed a major change in the year 2020 which increased by 581.35% and then there was an increase by 31.57% in the year 2021. The total non-current liabilities increased by 50.05% in the year 2019 and then it decreased significantly by -20.98% in the year 2021. Trade payables decreased by -19.48% in the year 2020 which increased significantly by 22.45% in the year 2021. Other current liabilities increased to a greater extent by 187.68% in the year 2016 and decreased by -13.88% in the year 2019 and again it increased by 168.83% in the year 2020 which then decreased by -59.36% in the year 2021. The highest increase in the total current liabilities was in the year 63.69% which significantly decreased by -38.98% in the year 2021.

4.3 Income Statement

The following table gives the vertical analysis of the Income statement from the year 2015-2021. It includes the vertical analysis of the changes in the value of Income generated from the year 2015-2021. The vertical analysis of the Income statement will help the investors to understand the profitability performance of Reliance Industries Limited.

Table 4-6 Showing Vertical Analysis of the Income Statement of Reliance Industries Ltd.(%)

INCOME	2021	2020	2019	2018	2017	2016	2015
REVENUE FROM OPERATIONS [GROSS]	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Less: Excise/Sevice Tax/Other Levies	11.93	7.98	7.46	8.03	8.68	7.20	3.44
TOTAL OPERATING REVENUES	88.07	92.02	92.54	91.97	91.32	92.80	96.56
Other Income	5.31	3.70	2.20	2.61	3.29	3.02	2.56
TOTAL REVENUE	93.38	95.72	94.73	94.58	94.60	95.82	99.11
Cost Of Materials Consumed	60.32	64.82	66.06	62.80	61.97	60.81	75.11
Purchase Of Stock-In Trade	2.62	1.99	2.06	2.30	1.95	1.69	2.09
Operating And Direct Expenses	6.59	5.85	6.19	0.00	0.00	6.90	5.78
Changes In Inventories Of FG,WIP And Stock-In Trade	0.22	0.02	-0.82	-1.02	-1.83	1.66	0.57
Employee Benefit Expenses	1.80	1.66	1.45	1.50	1.67	1.70	1.08
Finance Costs	5.81	3.31	2.43	1.48	1.03	0.98	0.69
Depreciation And Amortisation Expenses	3.30	2.66	2.63	3.04	3.19	3.81	2.49
Other Expenses	4.86	3.91	3.55	9.99	11.23	5.08	3.11
TOTAL EXPENSES	85.17	83.55	82.94	80.08	79.22	81.61	90.47
PBIT	8.21	12.17	11.80	14.50	15.39	14.21	8.65
Exceptional Items	1.54	-1.16	0.00	0.00	0.00	0.00	0.00
PROFIT/LOSS BEFORE TAX	9.76	11.01	11.80	14.50	15.39	14.21	8.65
Current Tax	0.00	1.97	2.35	2.84	3.14	3.11	1.80
Deferred Tax	-1.70	0.60	0.69	1.00	0.38	0.19	0.18
TOTAL TAX EXPENSES	-1.70	2.57	3.04	3.84	3.53	3.30	1.98
PROFIT/LOSS FOR THE PERIOD	11.45	8.44	8.76	10.66	11.86	10.91	6.67

Source: Researcher's own Compilation from Money Control, 2015-2021

From the above table it can be inferred that majority of the share in expenses is consumed by the cost of materials consumed i.e. 75.11% share in the year 2015 which reduced to 60.32% in the year 2021. The second major share in expense is occupied by the operating and direct expenses which was 5.78% in the year 2015 and increased to 6.90% in the year 2016 while there was no change in the year 2017 and 2018 and the expense reduced to 6.19% in the year 2021 it increased to 6.59%. The cost of acquiring finance also increased

from 0.69% which was the lowest in the year 2015 and increased to 5.81% in the year 2021 which increased more than 5 times the cost of 2015. The total expenses incurred by the company were highest in the year 2015 i.e. 90.47% and it decreased to 85.17% in the year 2021. The company recorded highest profit before tax during the year 2017 i.e. 15.39% and it reduced to 9.76% in the year 2021. The net profit recorded by the company was 6.67% which was the lowest compared to all the years and in the year 2017 the company recorded the highest net profit i.e. 11.86% which then reduced to 11.45% in the year 2021.

The following table gives the Horizontal analysis of the Income statement from the year 2015-2021. It includes the horizontal analysis of the changes in the value of Income generated from the year 2015-2021. The horizontal analysis of the Income statement will help the investors to understand the profitability performance of Reliance Industries Limited.

Table 4-7 Showing Horizontal Analysis of Income Statement of Reliance Industries Limited (in %)

Income	2021	2020	2019	2018	2017	2016	2015
Revenue From Operations [Gross]	-23.82	-8.82	27.34	18.98	5.49	-26.28	-15.07
Total Operating Revenues	-27.09	-9.33	28.12	19.84	3.80	-29.15	-15.65
Other Income	9.23	53.77	7.32	-5.61	14.86	-13.06	-2.41
Total Revenue	-25.69	-7.86	27.55	18.96	4.15	-28.73	-15.35
Cost Of Materials Consumed	-29.11	-10.53	33.96	20.57	7.52	-40.32	-22.26
Purchase Of Stock-In Trade	0.12	-12.03	14.05	40.83	21.69	-40.55	1261.45
Operating & Direct Expenses	-14.23	-13.75	0.00	0.00	-100.00	-12.01	18.75
Changes In Inventories	692.21	-102.34	1.92	-33.21	-2.16	114.67	371.60
Employee Benefit Expenses	-17.19	3.99	23.08	6.90	4.08	15.57	9.38
Finance Costs	33.92	24.14	109.43	70.99	10.96	3.68	-26.17
Depreciation & Amortisation Expenses	-5.44	-7.86	10.21	13.17	-11.51	12.70	-3.42
Other Expenses	-5.18	0.38	-54.75	5.82	133.31	20.43	17.22
Total Expenses	-22.35	-8.14	31.89	20.28	2.40	-33.50	-16.95
PBIT	-48.59	-5.92	3.59	12.13	14.22	21.15	5.93
Profit/Loss Before Tax	-32.50	-14.89	3.59	12.13	14.22	21.15	5.93
Current Tax	-100.00	-23.73	5.44	7.44	6.81	27.40	5.37
Deferred Tax	-313.83	-19.93	-12.53	210.11	111.41	-22.88	2740.91
Total Tax Expenses	-150.27	-22.87	0.75	29.52	12.89	22.74	15.68
Profit/Loss For The Period	3.37	-12.12	4.61	6.96	14.62	20.68	3.34

Source: Researcher's own Compilation from Money Control, 2015-2021

From the above table it can be inferred that the operating revenue of Reliance industries limited decreased by -15.65% in the year 2015 and it was the lowest in the year 2016 that is by -29.15%. The highest increase in the operating revenue generated by the company is in the year 2019 i.e. 28.12%. In the same year it can be observed that the increase in total revenue generated by the company was the highest i.e. 27.55% and it decreased by -28.73% in the year 2016. For the year 2021 it decreased by -25.69%. The cost of material consumed decreased by -40.32% in the year 2016 and then it increased by 7.52% in the year 2017 which further increased significantly by 33.96% in the year 2019 and decreased by -29.11% in the year 2021. The finance cost decreased by -26.17% in the year 2015 and it

increased to a greater extent in the year 2019 by 109.43% which was the highest. In the year 2021 the finance costs increased by 33.92%. The total expenses decreased by -33.50% in the year 2016 which was the highest decrease in the expense and then the expense increased by the highest in the year 2019 by 31.89%. The total tax expense increased the highest in the year 2018 by 29.52% while it decreased to a greater extent by -150.27% in the year 2021. The profit for the year 2016 increased highest by 20.68% and decreased to a significant extent in the year 2020 by -12.12% which increased by 3.37% in the year 2021.

4.4 Cashflow Statement

The following table gives the Vertical analysis of the Cashflow statement from the year 2015-2021. It includes the Vertical analysis of the changes in the value of Cash inflows and outflows generated from the year 2015-2021. The Vertical analysis of the Cashflow statement will help the investors to understand the flow of cash inside and outside of Reliance Industries Limited.

Table 4-8 Vertical Analysis of Cashflow Statement of Reliance Industries Limited (in %)

Cash Flow Of Reliance Industries	2021	2020	2019	2018	2017	2016	2015
Net Profit/Loss Before Extraordinary Items And Tax	-934.48	854.70	4567.70	4680.14	-793.64	- 763.00	- 136.09
Net Cashflow From Operating Activities	17.58	1643.69	2814.95	6345.96	- 1001.36	- 942.12	- 162.96
Net Cash Used In Investing Activities	-2550.03	- 3044.84	- 5202.41	- 6050.05	1069.46	904.66	258.62
Net Cash Used From Financing Activities	2632.45	1500.25	2487.46	-195.91	31.90	137.47	4.34
Net Inc/Dec In Cash And Cash Equivalents	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Cash And Cash Equivalents Begin Of Year	-291.38	79.88	263.36	179.53	-134.14	- 247.30	- 153.44

Source: Researcher's own Compilation from Money Control, 2015-2021

From the above table it can be seen that the net cashflow from the operating activities for the year stood at 17.58% which was the lowest and the highest was in the year 2018 i.e. 6345.96%. The net cash used in Investing activities was -2550.03% in the year 2021 while it was 6050.05% in the year 2018. The net cash used in the financing activity was 4.34% in the year 2015 which decreased significantly in the year 2018 by -195.91%. and the highest

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was 2632.45% in the year 2021. Cash and cash equivalents in the year 2019 stood at 263.36% which was the highest and the lowest was in the year -291.38% in the year 2021.

Horizontal Analysis of Cashflow Statement

The following table gives the Horizontal analysis of the Cashflow statement from the year 2015-2021. It includes the Horizontal analysis of the changes in the value of Cash inflows and outflows generated from the year 2015-2021. The Horizontal analysis of the Cashflow statement will help the investors to understand the flow of cash inside and outside of Reliance Industries Limited.

Table 4-9 Horizontal Analysis of Cashflow Statement of Reliance Industries Limited (in %)

Cash Flow Of Reliance Industries	2021	2020	2019	2018	2017	2016	2015
Net Profit/Loss Before Extraordinary Items And Tax	-32.50	-14.89	3.59	12.13	14.22	21.15	5.93
Net Cashflow From Operating Activities	-193.58	102.06	-71.75	25.87	20.64	29.85	-24.71
Net Cash Used In Investing Activities	540.44	-189.32	11.28	-10.20	-35.35	46.39	28.81
Net Cash Used From Financing Activities	-365.67	94.94	60.60	-0.67	13.43	-18.64	-23.26
Net Inc/Dec In Cash And Cash Equivalents	-18.92	7.77	0.13	15.00	-1.29	57.60	-19.16
Cash And Cash Equivalents Begin Of Year	11.70	2.19	2.14	-12.60	-13.11	-73.48	-58.68

Source: Researcher's own Compilation from Money Control, 2015-2021

From the above table it can be inferred that the cash and cash equivalents were decreased by -73.48% in the year 2016 and there was a significant change in the year 2021 which increased by 11.70% which was the highest. The net cashflow from operating activity decreased by -193.58% and was increased by 102.06% in the year 2020. Net cash used in the investing activities was increased by 540.44% in the year 2021 and is was decreased by -189.32% in the year 2020. The net cash used from financing activities decreased by -365.67% and the highest increase was in the year 2020 i.e. 94.94%. The net cash and cash equivalents were decreased by -19.16% in the year 2015 and were the lowest, while it increased by 57.60% in the year 2016. It decreased by -18.92% in the year 2021.

4.5 Ratio Analysis

In order to get insights into profitability, liquidity, operational effectiveness, and solvency, ratio analysis examines line-item statistics out of a business's financial reports. (Bloomenthal et al., 2022)

4.5.1 Liquidity Ratios

The liquidity ratio represents whether the company has sufficient current liquidity to meet its short-term obligations. The below table shows the liquidity ratio of Reliance Industries Limited.

Table 4-10 Showing Liquidity Ratios of Reliance Industries Limited

Year	2021	2020	2019	2018	2017	2016	2015
Current Ratio (X)	1.04	0.5	0.76	0.65	0.7	0.72	1.27
Quick Ratio (X)	0.86	0.39	0.54	0.44	0.47	0.5	0.87

Source: Researcher's own compilation from Business Standard, 2015-2021

The graphical representation of the above table is given as below for the better comparison of year wise liquidity ratios.

Figure 4-1 Liquidity Ratios
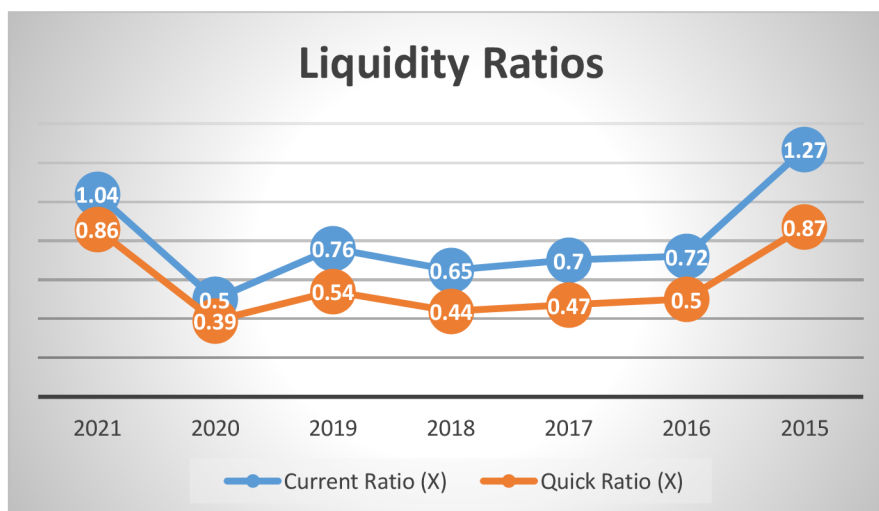
Source: Researcher's Own Compilation

From the above figure it can be seen that:

- The current ratio of Reliance Industries Limited was 1.27 times in the year 2015 which went to 0.72 times in the year 2016 & 2017, while it was 0.65 times in the year 2018 and increased to 0.76 times in the year 2019 and in 2020 it was 0.5 times which increased to 1.04 times in the year 2021. The ideal current ratio is 2:1 which means that the business should have 2 times the current assets of the current liabilities to

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fulfil its debt obligations. It can be seen from the above graph that in the year 2015 the current ratio was highest i.e. 1.27 times and in the year 2021 it is 1.04 times; thus it can be inferred that comparing it with the lowest which was in the year 2020 i.e. 0.5 times the company's financial position has become strong and it has sufficient liquid assets to cover its current liabilities.

- The quick ratio of Reliance Industries Limited was 0.87 times in the year 2015 which went to 0.5 times in the year 2016 & 0.47 times in the year 2017, while it was 0.44 times in the year 2018 and increased to 0.54 times in the year 2019 and in 2020 it was 0.39 times which increased to 0.86 times in the year 2021. The ideal quick ratio is 1:1, which shows that the company has enough of liquid assets to fulfill its current liabilities. Here in the case of Reliance industries limited it can be observed that since 2015-2021 none of the times the ratio has been 1, the highest ratio is in the year 2015 & 2021 which is 0.87 times and 0.86 times. It shows that during these two years the company has been somewhat efficient enough compared to its remaining year in fulfilling it liquid liabilities from its liquid assets. Though the ratio remains lower than 1 both these years which shows company's inefficiency and has to work to achieve the ideal ratio.

4.5.2 Profitability Ratios

The profitability ratios represent the financial performance of the business at the end of the financial year of the business. It represents, that how well a business it able to generate profits from the activities carried out in business. The below table shows the profitability ratio of Reliance Industries Limited:

Table 4-11 Showing Profitability Ratios of Reliance Industries Limited

Year	2021	2020	2019	2018	2017	2016	2015
Operating Margin (%)	17.32	18.19	17.56	19.64	19.61	18.77	11.83
Net Profit Margin (%)	9.91	9.37	9.12	11.01	11.86	10.9	6.67
Return On Capital Employed (%)	5.6	8.99	11.38	12.11	11.45	11.39	10.57

Source: Researcher's own compilation from Business Standard, 2015-2021

The graphical representation of the above table is given as below for the better comparison of year wise profitability ratios.

Figure 4-2 Profitability Ratios
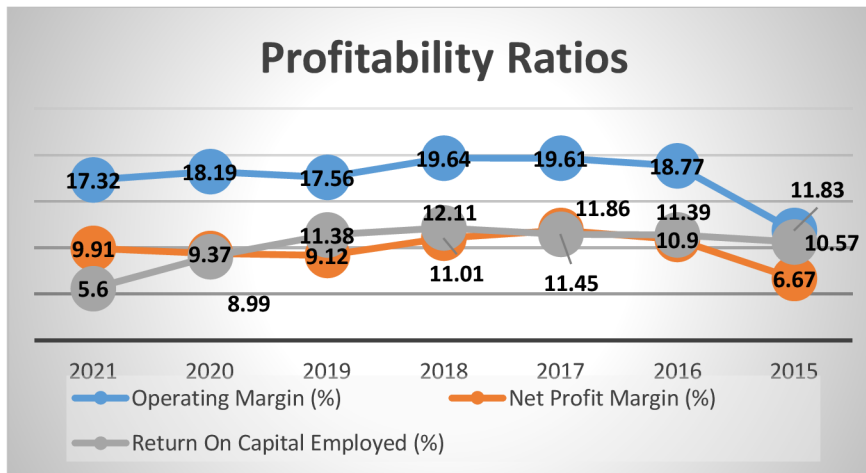
Source: *Researcher's Own Compilation*

From the above figure it can be seen that:

- The operating margin of the Reliance Industries Limited is 11.83% which is low and later on shows an increasing trend from the year 2016-2018. In the year 2019 it came down to 17.56% and in 2020 it was 18.19%. Thus, it can be observed that in the year 2015 it was the lowest and in the year 2018 it was the highest. In 2021 it is 17.32% which shows that company is earning efficient profits for the owners compared to the year 2015.

- The Net profit margin of Reliance Industries Limited is 6.67% in the year 2015 which is the lowest and the highest i.e. 11.86% is in the year 2017. For the year 2021 the net profit margin ratio is 9.91. It can be seen that there is a decline in ratio after the year 2018 and it increased from the year 2016-2018. In 2017 the net profit margin was the highest i.e. 11.86. It shows that the company was more efficient enough to convert sales into actual profit in this year compared to current year 2021.

- The return on capital employed of Reliance Industries Limited is 10.57% in the year 2015, it was 11.39% in the year 2016, which increased to 11.45% in the year 2017 and it became 12.11% in the year 2018. There was a decrease in the return on capital employed from the year 2019 which is 11.38% and then it decreased to 8.99% in the year 2020 and to 5.6 in the year 2021. Thus from the above it can be seen that company is able to generate more returns from the year 2015-2019 and is efficient enough in utilizing capital employed. Whereas, for the year 2020 and 2021, it indicates that company has not been efficient enough compared to previous year in generating operating income from the capital employed.

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4.5.3 Solvency Ratio

The Solvency ratio of the company represents whether the company is has sufficient cashflow to fulfil it long term debt obligations. The below table shows the solvency ratios of Reliance Industries Limited.

Table 4-12 Showing the Solvency Ratios of Reliance Industries Limited

Year	2021	2020	2019	2018	2017	2016	2015
Debt-Equity Ratio	0.6	0.58	0.39	0.37	0.4	0.44	0.45
Interest Coverage Ratio	2.41	4.7	5.86	10.82	15.98	11.39	10.57

Source: Researcher's own compilation from Business Standard, 2015-2021

The graphical presentation for the same is given in the below figure for the better understanding and comparison:

Figure 4-3 Solvency Ratios
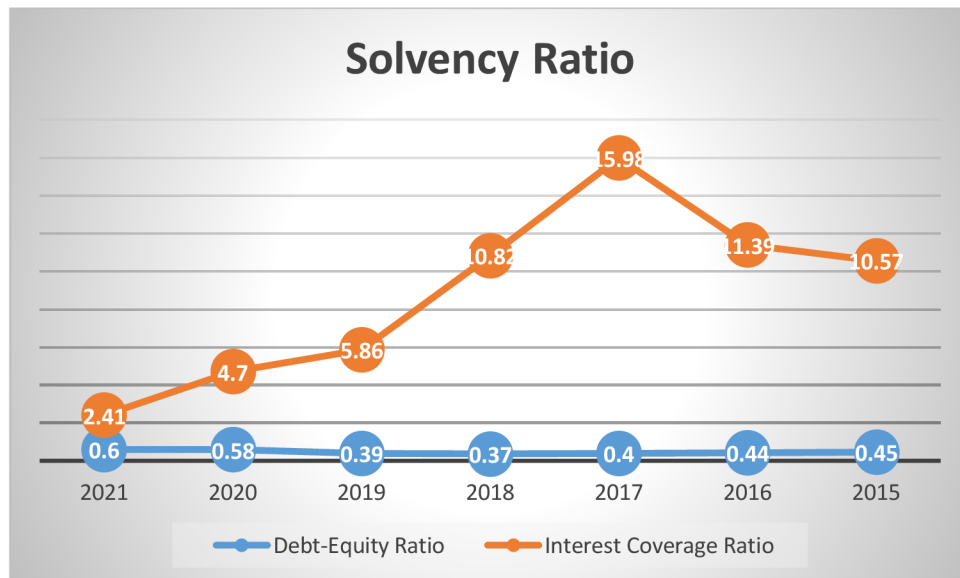
Source: Researcher's Own Compilation

From the above figure it can be seen that:

- The debt-to-equity ratio of Reliance Industries Limited is 0.45 in the year 2015 which increased to 0.44 in the year 2016 and then decreased to 0.4 in the year 2017. In the year 2018 it was the lowest i.e. 0.37 and increased to 0.39 in the year 2019. In the year 2020 it was 5.8 which increased to 0.6 in the year 2021, which was the highest compared to previous years. Generally, a low ratio indicates the company is at low risk and is not taking advantage of debt financing which can be seen in the year 2018

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and a high ratio indicates the company is at risk while taking advantage of debt financing can be observed in the year 2021.

• The interest coverage ratio of Reliance Industries Limited is 10.57 in the year 2015 which increased to 11.39 in the year 2016 and further it went to 15.98 which was the highest in the year 2017. The ratio decreased to 10.82 in the year 2018 and further decreased to 5.86 in the year 2019. In 2020 it was 4.7 and in the year 2021 it was 2.71 which stood at the lowest. It can be inferred that since 2018 the ratio kept on reducing which shows that the company has low amount to profit available to fulfil its interest expenses on debts compared to the previous years.

4.5.4 Turnover Ratio

The turnover ratio of the company shows the amount of assets, inventory or debtors the company replaces in relation to its sales. The below table shows the turnover ratio of Reliance Industries Limited.

Table 4-13 Showing Turnover Ratios of Reliance Industries Limited

Year	2021	2020	2019	2018	2017	2016	2015
Asset Turnover Ratio	0.59	0.88	1.07	0.94	0.91	0.97	1.49
Inventory Turnover Ratio	7.32	8.83	9.21	8.3	8.54	7.78	8.58
Debtors Turnover Ratio	47.92	37.38	34.16	38.33	59.11	61.61	44.48

Source: Researcher's own compilation from Business Standard, 2015-2021

The graphical representation of the same have been given in the below Figure in the form of Bar Graph.

Figure 4-4 Turnover Ratios

Source: Researcher's Own Compilation

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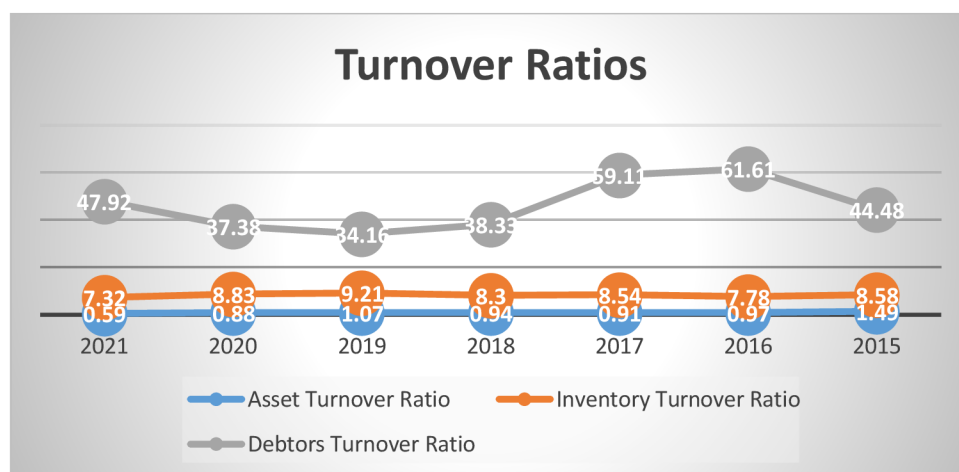
From the above figure it can be seen that:

- The assets turnover ratio of Reliance industries limited is 1.49 in the year 2015 which was 0.97 in the year 2016 and 0.91 in the year 2017. In 2018 it was 0.94 while in 2019 it was 1.07 and in 2020 it decreased to 0.88 and it was the lowest in the year 2021 compared to previous years i.e. 0.59. Thus, it can be inferred that company may have poor utilisation of fixed assets, or poor inventory management or collection methods which indicates poor efficiency compared to previous years.

- The inventory turnover ratio of Reliance Industries Limited was 8.58 in the year 2015 which then decreased to 7.78 in the year 2016, in the year 2017 it increased to 8.54 and in 2018 it reduced to 8.3. In 2019 the ratio was highest i.e. 9.21 and for the year 2020 it decreased to 8.83 and further reduced to 7.32 in the year 2021 which was the lowest compared to previous years. Thus it can be inferred that the company has low inventory turnover ratio may be because of the weak sales by the company or excess of inventory stocking.

- The debtors turnover ratio of reliance industries limited is 44.48 in the year 2015 which increased to 61.61 for the year 2016 and reduced to 59.11 for the year 2017. It was 38.33 for the year 2018 and further reduced to 34.16 in the year 2019 and increased to 37.38 in the year 2020 and increased to 47.92 for the year 2021. Thus from the above it can be inferred that company is efficient enough and has quality customer in the year 2021 as it collects it receivables in 47.92 days compared to the year 2016 and 2017 it has inefficient collection process or extends credit easily to the customers.

4.5.5 Earnings Ratio

The Earning ratios of the company shows that how much earnings will the investors or shareholders get. While calculating the Earning Ratios for Reliance Industries Limited, earning per share by the shareholders, return on Net worth and P/E ratio have been calculated which have been depicted in the following table.

Table 4-14 Earnings Ratios of Reliance Industries Limited

Year	2021	2020	2019	2018	2017	2016	2015
EPS	49.66	48.42	55.48	53.08	96.9	84.66	70.25
Return on Net Worth	6.73	7.89	8.67	10.68	10.89	11.41	10.51
P/E Ratio	30.5	15.2	20.9	14.6	14.6	11.6	10.5

Source: Researcher's own compilation from Business Standard, 2015-2021

The graphical representation of the same have been given in the below Figure in the form of Bar Graph.

Figure 4-5 Earnings Ratios
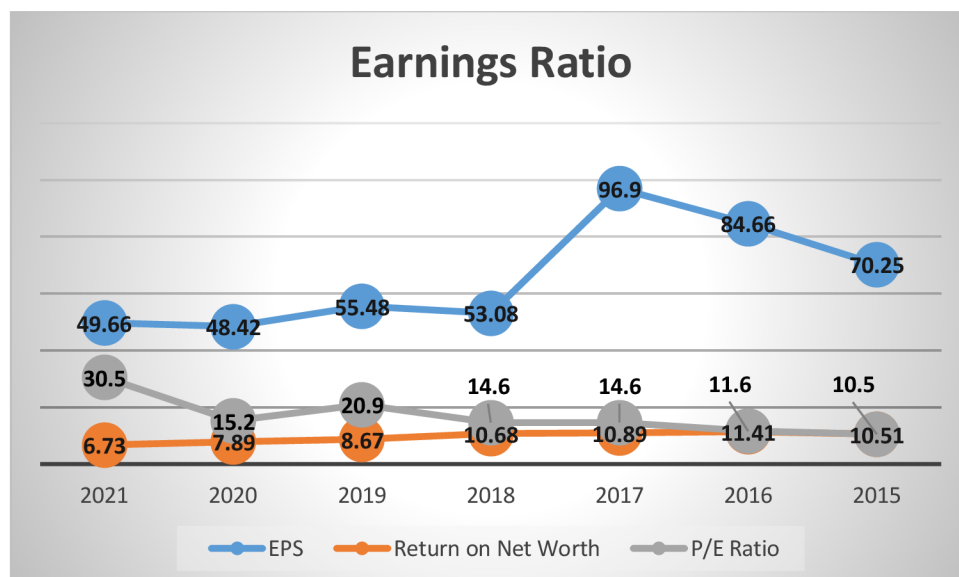
Source: Researcher's Own Compilation

From the above figure it can be observed that:

- The Earnings per share of Reliance Industries Limited was 70.25 in the year 2015 which then later on increased to 96.9 in the year 2017 which was the highest and it went down to 48.42. Whereas, in 2021 it rose to 49.66. It can be seen from the figure that it increased till 2017 and then decreased till 2020. It indicates that the company's earnings per share has reduced compared to previous years.

- The return on net worth of Reliance Industries Ltd was 10.51% in the year 2015 which increased to 11.41% in the year 2016 and was the highest, it was 8.67% in the year 2020 which shows a downward moving trend comparing to previous years. In 2021 the return on net worth is 6.73% which is the lowest. It can be concluded that the company earns lowest returns on the capital.

- The P/E ratio of Reliance Industries Ltd was 10.5 in the year 2015 which then increased to 14.6 for the year 2017 and 2018. It reduced to 15.2 in the year 2020. While it was 30.5 for the year 2021. Thus, it can be concluded that the stock is overvalued which may lead to fall in the price of the stock in the future.

4.5.6   Analysis of Discounted Cashflow from 2015-2021

For determining the current valuation of a business's cash flows in the future, the discounted cash flow (DCF) analysis approach may be used to determine the intrinsic value of a business. Using DCF, we will assess Reliance Industries Limited's value from 2015 to 2021 in this research. Reliance Industries' financial statements are going to be utilized to project its cash flows over the following five years. After that, we'll expect that the business will expand consistently at a rate of 5% each year. Determining the discount rate comprises step two in the DCF analysis. The rate of return an investor needs to make an investment in the firm is known as the discount rate. To calculate the discount rate, we shall utilise the Weighted Average Cost of Capital (WACC). Reliance Industries has a 9.4% WACC. Calculating the present value of the anticipated cash flows is the third phase of the DCF analysis. This will be accomplished by applying the discount rate to the cash flow for each year, summing the present values, as well as calculating the total present value of the cash flows. The terminal value is included as the last step in the DCF analysis. The present value of all future cash flows that occur beyond the projection period is the terminal value. We'll make the 5% per year constant growth assumption for the company's future growth in order to get the terminal value. The terminal multiple of 10, which represents the market's assessment of the company's value, will also be used. Terminal Value equals Cash Flow for 2021 times (1 plus growth rate) divided by (discount rate - growth rate) equals 52,104.80 times (1 plus 0.05) divided by (0.094 - 0.05) equals 1,227,206.14. Terminal Value equals Cash Flow for 2021 times (1 plus growth rate) divided by (discount rate - growth rate) equals 52,104.80 times (1 plus 0.05) divided by (0.094 - 0.05) equals 1,227,206.14.

4.5.7   Intrinsic Value Calculation

Our DCF analysis determined that Reliance Industries' intrinsic value is around 1,432,315.89 crore Indian rupees. Yet it's vital to remember that accuracy plays a big part in DCF analysis the discount rate and future cash flow assumptions that were developed. Moreover, market trends, competition analyses, or variations in industry dynamics that may

have a substantial influence on a company's value are not taken into consideration by DCF analysis.

Per Share Intrinsic Value

The projected FCF of Reliance Industries on 14-03-2023 is Rs.484.98, which represents intrinsic value. Reliance Industries' shares is trading at 2284.90. The Price-to-Intrinsic-Value-Projected-FCF of Reliance Industries as of the present is thus 4.7.

5 Results and Discussions

The Results and Discussions form an important part of the research. Through results the findings of the study are revealed and with the help of the discussions the suggestions and recommendations are given as to the topic of the research problem. The results and discussions of the study are as follows:

5.1 Results

It is found from the study that RIL is having business in diverse sectors and is giving tough competition to its rivals by its product polio which is diversified consisiting of varied range of products and services.

It is also found that the refinery sector and technological sector have receieved awards for their significant contribution in the respective areas, moreover the company has recieved awards for its fast expansion and for CSR ativities.

Management of the company is sound in generating profits for the company and for undertaking expansion and growth.

Looking at the vertical analysis of balance sheet (Assets) there was a significant change in the tangible assets i.e. it was 19.99% in the year 2016 which was the lowest and in the year 2021 they were 33.43% which means the company has gained more tangible assets. Whereas, the intangible assets were i.e. 8.74% the highest in the year 2015 and in the year 2020it was the lowest which is 0.89%. Fixed assets with the company were highest in the year 2017 i.e. 52.55% and the lowest i.e. 34.42% in the year 2020, which increased to 38.88% in the year 2021. While the horizontal analysis of balance sheet (Assets) showed that the inventories went down by -23.30% in the year 2015 while it increased by the highest 22.67% in the year 2021. Trade receivables were decreased by -44.42% in the year 2020 and there was a drastic change in the receivables by an increase of 246.09% in the year 2021. Cash and cash equivalents decreased by -74.55% in the year 2016 and which changed and increased almost to double by 125.19% in the year 2019 and it again increased by more than double times in the year 2021 by 289.63%.

Looking at the Vertical analysis of Balance Sheet (Liabilities) it can be found that the lowest reserves and surplus with the company was in the year 2020 i.e. 39.61. While the highest reserves and surplus with the company was in the year 2021 which is 53.57%. The long term borrowings of the company were highest in the year 2020 i.e. 20.01%

whereas, for the year 2021 it decreased to 18.38%. While the horizontal analysis of Balance Sheet (Liabilities) there was a decrease in shareholders fund by -3.48% in the year 2020 and then it increased by 21.28% in the year 2021. There is a significant change in the long term borrowings which increased by 64.61% in the year 2020 and then it decreased by -17.39% in the year 2021. The highest increase in the total current liabilities was in the year 63.69% which significantly decreased by -38.98% in the year 2021.

It is found from the Vertical analysis of the income statement that majority of the share in expenses is consumed by the cost of materials consumed i.e. 75.11% share in the year 2015 which reduced to 60.32% in the year 2021. The second major share in expense is occupied by the operating and direct expenses which was 5.78% in the year 2015 and increased to 6.90% in the year 2016 while there was no change in the year 2017 and 2018 and the expense reduced 52 to 6.19% in the year 2021 it increased to 6.59%. From the horizontal analysis it is found that the highest increase in the operating revenue generated by the company is in the year 2019 i.e. 28.12%. In the same year it can be observed that the increase in total revenue generated by the company was the highest i.e. 27.55% and it decreased by - 28.73% in the year 2016. For the year 2021 it decreased by -25.69%.

It is found from the Vertical analysis of the Cashflow Statement that The net cash used in the financing activity was 4.34% in the year 2015 which decreased significantly in the year 2018 by -195.91%. and the highest was 2632.45% in the year 2021. Cash and cash equivalents in the year 2019 stood at 263.36% which was the highest and the lowest was in the year -291.38% in the year 2021. While from the horizontal analysis it is found that the net cash used from financing activities decreased by - 365.67% and the highest increase was in the year 2020 i.e. 94.94%. It can be seen that the current ratio of RIL for the year 2021 is 1.04 times which shows that the company is less risky from the point of creditors as it has sufficient assets to fulfill its current debt obligations. It can be observed from the liquid ratio that Reliance industries limited is following low liquidity position in order to achieve maximum profitability. It indicates that the company is more dependent upon its creditors as well as its long term liabilities.

The company has adopted an aggressive working capital policy. It is observed from the study that operating profit margin for the year 2021 has increased comparing to the year 2015. Though the highest margin is in the year 2018 i.e. 19.64%.

It is found from the research that the net profit margin of the company has reduced in the year 2021 compared to previous years. It is found from the research that the company

has not been efficient enough in generating operating income from the capital employed in the year 2021 compared to the previous years as the return on capital employed is 5.6% only which is the lowest since 2015.

It is found debt to equity ratio is 0.37 it indicates the company is at low risk and is not taking advantage of debt financing which can be seen in the year 2018 whereas, in the year 2021 the company is at risk taking advantage of debt financing as the debt to equity ratio increased to 0.6. From the study it is observed that the interest coverage ratio of the company has reduced comparing to previous though it stands to be above 2 in the year 2021 (i.e. 2.71) which shows that the company has enough profits to service its debt. It is found from the study that the company has been efficient enough in the year 2015 and 2019 in utilizing its fixed assets, while for the year 2021 it had the lowest efficiency.

It is found from the study that the inventory turnover ratio in the year 2019 was the highest i.e. 9.21 which indicates strong sales compared to the year 2021 where it was 7.32 which shows weak sales during the year. It is found from the study that the company is efficient enough in collecting receivables in the year 2018-20 and had quality customers, while it extended credit or has inefficient collection process in the year 2021 as the no. of days are 47.92. It is found from the study that the earning per share has gone down from 96.9 in the year 2017 to 49.66 in the year 2021 which shows that the business makes less earnings per share. In 2021 the return on net worth is 6.73% which is the lowest. It can be found from the study that the company earns lowest returns on the capital.

It is found from the study by calculating the P/E ratio that the stock of Reliance Industries Limited is overvalued which may lead to fall in the price of the stock in the future.

5.1.1 Discussions

The company should try to increase its net profit margin by managing its expenses and working on sales so that it can declare dividend, offer better pricing for its products and can plan for market expansion. It is suggested that Reliance Industries limited should effectively use the shareholder's cash and increase returns to shareholders, it must reduce its obligations as quickly as feasible.To maintain proper Inventory turnover ratio the company should take utmost care in their purchasing behavior and keep a check on their inventory management to avoid overselling, underselling and stockouts. The company

should make the customers pay on time or to revise their credit terms on consistent basis and discourage late payments to improve their debtors turnover ratio.

It is recommeded to reliance to continue to invest in innovation and implement more digitalization as it has challenges from its rivals to face in the retail sector against Jiomart and in Telecom sector against jio. Focusing on sustainable dovelopment benefiting both the planet earth as well the image of the company amongst its investors and customers. For the continued success and growth of the company it is recommended for the company to maitain strong corporate governance by continuing to implement transparency as well as accountability. Looking at the financial performance and its growth from the finanical ratios as well as the changing figures in financial statements, it is recommended to the investors that they can invest their funds in the company for getting stable returns.

6 Conclusion

Reliance Industries Ltd. is a global level firm having presence in multiple nations. The business engages in wide range of sectors ranging from retail, refinery, power, etc. The company is well known for offering goods and services at an affordable range and it owns variety of trademarks. Therefore, the main aim of the present research was to perform the fundamental analysis of Reliance Industries Limited from the year 2015-2021. The thesis focuses on the fundamental analysis which includes the product portfolio of Reliance Industries Limited, management team and their awards and achievements, the challenges and failure of the company as well as the financial analysis of the company comprising of the Vertical Analysis and Horizontal Analysis of the Financial Statements such as Balance Sheet, Income Statement and CashFlow Statement. Moreover, ratio analysis is also performed comprising of Liquidity Ratios, Profitability Ratios, Solvency Ratios, Turnover Ratio and Earnings Ratio where different ratios have been calculated and compared from the year 2015-2021 to showcase the financial performance of the company. Also, the Discounted cashflow and Intrinsic Value of the company has been found out, which at present is 4.7 per share.

The primary objective of the present study was to perform the fundamental analysis of the Reliance Industries limited where secondary data from the published literature on websites and reports of the company have been taken into consideration and it is concluded that the fundamental practices adopted by the company which leads the company towards growth is the company's diversified presence in varied sectors like oil and chemical, retail, telecommunications, etc. When the company is having presence in diverse industries it is able to capture a wider market thus enhancing its customer base leading towards growth and success due to increased income.

The management of the company is also in the hands of experts having expertise in their specialised fields and have been awarded for their successful contribution and development in their respective fields. Thus, when a company is led by such a group of experts it is obvious that in near future the company will be setting new milestones for their investors and customers offering them with better services and products, enhancing its own success and growth. Moreover, the company has also achieved awards for their outstanding financial

profitable, for their CSR activities conducted, for being the most innovative company in technology and being number one in India for fast expansion.

Talking about the product portfolio company's presence in varied sectors enables the company to offer wider range of products at an affordable range to its customers thus enabling them to choose amongst the variety of its products and services as per their needs and requirements which helps to achieve customer satisfaction. Thus, looking at the above several aspects it can be concluded that Reliance Industries Limited is having a promising future were it will be able to achieve new milestones for its investors as well as its customers to offer better returns to investors and better products and services to its wide customer base.

The second objective of the study was to understand the financial position of the company and its growth factors, for which the vertical and horizontal analysis of financial statement is carried out along with the help of financial ratio analysis. It has been concluded from the balance sheet study that there has been an increase in tangible assets compared to past years, the company's non-current investments have increased, there is also an increase in current assets and current liabilities. Looking at the income statement it can be concluded that the other expenses as well as employees benefits expenses have been reduced compared to previous year i.e. 2020 & 2019. Company earned maximum profit in the year 2019 and then it reduced with a slight decrease, still maintaining its stability in earning profit. Looking at the cashflow statement it can be concluded that there was a constant increase in net profit and loss from the year 2015 to 2019 and then there was a slight reduction in it in the year 2020 and it further reduced in the year 2021.

From the financial ratio analysis it can be observed that there is improvement in current ratios and quick ratios compared to previous years which shows that the liquidity positon of the company has been improved, the profitability ratios like net profit margin shows improvement but looking at the turnover ratios of RIL it can be concluded that, the company is able to generate adequate returns on the assets, capital and receivables but they have been reduced in the year 2021 compared to the past years performance. Looking at the EPS of the company it is found gradually to be moving downwards one of the main reason for it maybe because of new shares issued by the company which maybe affecting the earnings per share.

Finally, it can be concluded that purchasing RIL entails placing a bet concerning the double-digit performance of the Retail plus JIO sectors. Retail, JIO, and Petrochemicals are the business's three most appealing business areas, as well as the shares itself doesn't seem overpriced if the development pace is maintained. Yet, there are several variations seen in this. Significant growth from this category is not seen. Regarding the company's core business to be its refineries since it provides the majority of the raw materials for petrochemicals. Strengthen its balance sheet by concentrating on retailing as well as higher margin refinery products like jet fuel. The analysis suggests that Reliance Industries Limited is a very secure and smart investment that will yield healthy profits in the upcoming years.

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8 List of pictures, tables, graphs and abbreviations

8.1 List of pictures

8.2 List of tables

8.3 List of abbreviations

CFS- Cashflow Statement

CSR- Corporate Social Responsibility

DCF-Discounted Cashflow

EBIT-Earnings Before Interest and Tax

FCF- Free Cashflow

ICIS- Independent Commodity Intelligence Services

IPCL- Indian Oil Petroleum Corporation Limited

RIL- Reliance Industries Limited

ROCE-Return On Capital Employed

RONW- Return On Net Worth

8.4 List of Formulas

Current Ratio	Formula (1)
Quick Ratio	Formula (2)
Operating Margin	Formula (3)
Net Profit Margin	Formula (4)
Return on Capital Employed	Formula (5)
Debt-Equity Ratio	Formula (6)
Interest Coverage Ratio	Formula (7)
Asset Turnover Ratio	Formula (8)
Inventory Turnover Ratio	Formula (9)
Debtor's Turnover Ratio	Formula (10)

Return on Net Worth   Formula (11)

Earnings Per Share   Formula (12)

P/E Ratio   Formula (13)

Discounted Cashflow   Formula (14)

Intrinsic Value   Formula (15)

Appendix

Table 8-1 Showing Reliance Industries Ltd. Balance Sheet (Assets)

Years	2021	2020	2019	2018	2017	2016	2015
Tangible Assets	292,092.00	297,854.00	194,895.00	191,879.00	145,486.00	91,477.00	79,778.00
Intangible Assets	14,741.00	8,624.00	8,293.00	9,085.00	9,092.00	39,933.00	34,785.00
Capital Work-In-Progress	20,765.00	15,638.00	105,155.00	92,581.00	128,283.00	97,296.00	65,178.00
FIXED ASSETS	**339,668.00**	**334,443.00**	**314,745.00**	**300,447.00**	**287,319.00**	**238,289.00**	**190,316.00**
Non-Current Investments	252,620.00	421,793.00	272,043.00	171,945.00	140,544.00	112,630.00	62,058.00
Long Term Loans And Advances	65,698.00	44,348.00	31,806.00	17,699.00	10,418.00	16,237.00	29,259.00
Other Non-Current Assets	4,968.00	4,461.00	4,287.00	3,522.00	2,184.00	0	0
TOTAL NON-CURRENT ASSETS	**662,954.00**	**805,045.00**	**622,881.00**	**493,613.00**	**440,465.00**	**367,156.00**	**281,633.00**
Current Investments	94,665.00	70,030.00	59,640.00	53,277.00	51,906.00	39,429.00	50,515.00
Inventories	37,437.00	38,802.00	44,144.00	39,568.00	34,018.00	28,034.00	36,551.00
Trade Receivables	4,159.00	7,483.00	12,110.00	10,460.00	5,472.00	3,495.00	4,661.00
Cash And Cash Equivalents	5,573.00	8,485.00	3,768.00	2,731.00	1,754.00	6,892.00	11,571.00
Short Term Loans And Advances	993	15,028.00	4,876.00	3,533.00	4,900.00	11,938.00	12,307.00
OtherCurrentAssets	67,892.00	26,826.00	28,326.00	14,343.00	8,231.00	776	547
TOTAL CURRENT ASSETS	**210,719.00**	**166,654.00**	**152,864.00**	**123,912.00**	**106,281.00**	**90,564.00**	**116,152.00**
TOTAL ASSETS	**873,673.00**	**971,699.00**	**775,745.00**	**617,525.00**	**546,746.00**	**457,720.00**	**397,785.00**

Source: Researcher's Compilation from Money Control, 2015-2021

Table 8-2 Showing Reliance Industries Ltd. Balance Sheet (Liabilities)

Years	2021	2020	2019	2018	2017	2016	2015
Equity Share Capital	6,445.00	6,339.00	6,339.00	6,335.00	3,251.00	3,240.00	3,236.00
TOTAL SHARE CAPITAL	**6,445.00**	**6,339.00**	**6,339.00**	**6,335.00**	**3,251.00**	**3,240.00**	**3,236.00**
Reserves and Surplus	468,038.00	384,875.00	398,983.00	308,297.00	285,058.00	236,936.00	212,923.00
TOTAL RESERVES AND SURPLUS	**468,038.00**	**384,875.00**	**398,983.00**	**308,297.00**	**285,058.00**	**236,936.00**	**212,923.00**
TOTAL SHAREHOLDE RS FUNDS	**474,483.00**	**391,214.00**	**405,322.00**	**314,632.00**	**288,309.00**	**240,176.00**	**216,159.00**
Long Term Borrowings	160,598.00	194,402.00	118,098.00	81,596.00	78,723.00	77,866.00	76,227.00
Deferred Tax Liabilities [Net]	30,788.00	50,556.00	47,317.00	27,926.00	24,766.00	13,159.00	12,677.00
Other Long Term Liabilities	4,518.00	3,434.00	504	504	0	0	0
Long Term Provisions	1,499.00	1,410.00	2,483.00	2,205.00	2,118.00	1,489.00	1,404.00
TOTAL NON-CURRENT LIABILITIES	**197,403.00**	**249,802.00**	**168,402.00**	**112,231.00**	**105,607.00**	**92,514.00**	**90,308.00**
Short Term Borrowings	33,152.00	59,899.00	39,097.00	15,239.00	22,580.00	14,490.00	12,914.00
Trade Payables	86,999.00	71,048.00	88,241.00	88,675.00	68,161.00	54,521.00	54,470.00
Other Current Liabilities	80,735.00	198,662.00	73,900.00	85,815.00	60,817.00	54,841.00	19,063.00
Short Term Provisions	901	1,073.00	783	918	1,268.00	1,170.00	4,854.00
TOTAL CURRENT LIABILITIES	**201,787.00**	**330,682.00**	**202,021.00**	**190,647.00**	**152,826.00**	**125,022.00**	**91,301.00**
TOTAL CAPITAL AND LIABILITIES	**873,673.00**	**971,699.00**	**775,745.00**	**617,525.00**	**546,746.00**	**457,720.00**	**397,785.00**

Source: Researcher's Compilation from Money Control, 2015-2021

Table 8-3 Showing Income Statement of Reliance Industries Ltd.

Income	2021	2020	2019	2018	2017	2016	2015
Revenue From Operations [Gross]	278,940.00	366,177.00	401,583.00	315,357.00	265,041.00	251,241.00	340,814.00
Less: Excise/Sevice Tax/Other Levies	33,273.00	29,224.00	29,967.00	25,315.00	23,016.00	18,083.00	11,738.00
Total Operating Revenues	245,667.00	336,953.00	371,616.00	290,042.00	242,025.00	233,158.00	329,076.00
Other Income	14,818.00	13,566.00	8,822.00	8,220.00	8,709.00	7,582.00	8,721.00
Total Revenue	260,485.00	350,519.00	380,438.00	298,262.00	250,734.00	240,740.00	337,797.00
Cost Of Materials Consumed	168,262.00	237,342.00	265,288.00	198,029.00	164,250.00	152,769.00	255,998.00
Purchase Of Stock-In Trade	7,301.00	7,292.00	8,289.00	7,268.00	5,161.00	4,241.00	7,134.00
Operating And Direct Expenses	18,375.00	21,424.00	24,839.00	0	0	17,328.00	19,693.00
Changes In Inventories Of Fg,Wip And Stock-In Trade	610	77	-3,294.00	-3,232.00	-4,839.00	4,171.00	1,943.00
Employee Benefit Expenses	5,024.00	6,067.00	5,834.00	4,740.00	4,434.00	4,260.00	3,686.00
Finance Costs	16,211.00	12,105.00	9,751.00	4,656.00	2,723.00	2,454.00	2,367.00
Depreciation And Amortisation Expenses	9,199.00	9,728.00	10,558.00	9,580.00	8,465.00	9,566.00	8,488.00
Other Expenses	13,565.00	14,306.00	14,252.00	31,496.00	29,763.00	12,757.00	10,593.00
Total Expenses	237,577.00	305,958.00	333,071.00	252,537.00	209,957.00	205,039.00	308,329.00
Profit/Loss Before Exceptional, Extraordinary Items And Tax	22,908.00	44,561.00	47,367.00	45,725.00	40,777.00	35,701.00	29,468.00
Exceptional Items	4,304.00	-4,245.00	0	0	0	0	0
Profit/Loss Before Tax	27,212.00	40,316.00	47,367.00	45,725.00	40,777.00	35,701.00	29,468.00
Current Tax	0	7,200.00	9,440.00	8,953.00	8,333.00	7,802.00	6,124.00
Deferred Tax	-4,732.00	2,213.00	2,764.00	3,160.00	1,019.00	482	625
Total Tax Expenses	-4,732.00	9,413.00	12,204.00	12,113.00	9,352.00	8,284.00	6,749.00
Profit/Loss For The Period	31,944.00	30,903.00	35,163.00	33,612.00	31,425.00	27,417.00	22,719.00

Source: Researcher's Compilation from Money Control, 2015-2021

Table 8-4 Showing Cashflow Statement of Reliance Industries Ltd.

Cash And Cash Equivalents Begin Of Year	2021	2020	2019	2018	2017	2016	2015
Net Profit/Loss Before Extraordinary Items And Tax	**27,212.00**	**40,316.00**	**47,367.00**	**45,725.00**	**40,777.00**	**35,701.00**	**29,468.00**
Net Cashflow From Operating Activities	-512	77,533.00	29,191.00	62,000.00	51,450.00	44,082.00	35,285.00
Net Cash Used In Investing Activities	74,257.00	-143,625.00	-53,949.00	-59,109.00	-54,949.00	-42,329.00	-55,998.00
Net Cash Used From Financing Activities	-76,657.00	70,767.00	25,795.00	-1,914.00	-1,639.00	-6,432.00	-940
Net Inc/Dec In Cash And Cash Equivalents	**-2,912.00**	**4,717.00**	**1,037.00**	**977**	**-5,138.00**	**-4,679.00**	**-21,653.00**
Cash And Cash Equivalents Begin Of Year	8,485.00	3,768.00	2,731.00	1,754.00	6,892.00	11,571.00	33,224.00

Source: Researcher's Compilation from Money Control, 2015-2021