

A Structural Analysis of Reliance Industries Limited

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ABSTRACT

Structural are related with a company's financial health. The fundamental indicates a company's financial status. A corporation has good fundamentals if it is growing at a healthy rate, making a profit, has few obligations, and has plenty of cash. The project work is a product of "A study on fundamental analysis of Reliance industries limited". The study was conducted over a five-year period (2014-2018) to examine the financial performance of the Reliance industries. Analysis tools include ratio analysis and trend analysis. The analysis's findings were thoroughly examined, and suggestions for corrective action, such as maintaining strong solvency in order to pay short- and long-term obligations, were made.

INTRODUCTION

Reliance Group is an Indian multinational holding firm with a vast range of business and the greatest taxpayer in the country. On all important financial metrics, Reliance Industries is India's largest private sector corporation. The company's other divisions include textile retail and special economic zone (SEZ) development. Shri Dhirubhai H. Ambani began RIL in 1966 as a modest textile manufacturing firm. In 1995-1996, the company joined the telecom market through a joint venture with NYNEX USA, establishing Reliance Telecom Private Limited in India. In 1996-97, Reliance became the first Asian corporation to issue bonds on the United States, investing USD 1250 million in the construction of two world-scale units at the Jamnagar refinery in Gujarat. Reliance Industries (RIL) was the first Indian private enterprise business to be named to the Fortune Global 500 list in 2004. Reliance Industries has expanded from a textiles and polyester company to an integrated participant in energy, petrochemicals, textiles, natural resources, retail, and telecommunications, with world-class production facilities located throughout the country.

Reliance's goods and services platform meets nearly all of people's daily demands across economic and social spectral bands. Reliance Industries Limited is headquartered in Mumbai and is led by Mukesh Ambani, the son of the late Dhirubhai Ambani and the elder brother of Anil Ambani following the division of the family firm between the two brothers.

Objective of the Study

Using trend analysis, discover the trend of the reliance industry.

Data Collection

The data for this is gathered from secondary sources such as magazines, archival media stories, and company's annual report. Reliance Industries' websites and prior projects, academic papers are also utilized as references.

THE METHODOLOGY OF RESEARCH

A research methods consists of specific strategies used in the research process to gather, arrange, and analyze information. It describes the techniques utilised to collect important information in a certain research investigation. It is the methodical analysis and study of materials and sources with the goal of establishing facts and reaching new conclusions.

Analytical instruments

1. Analysis of Trends

The study makes use of the above tool.

Restrictions of the Study

This research work, like all research work, has some limitations, which the researcher wishes to note here. One of the features of effective research is being open about its limits.

1. Companies' financial performance is examined over a specified time period.
2. Only secondary data has been included for analyzing financial performance.
3. Only quantitative aspects have been considered for analyzing financial performance of organizations, but qualitative aspects frequently play a significant role in terms of financial success of companies.
4. This research is confined to the fiscal years 2013 to 2018

REVIEW OF LITERATURE

According to Hunt, William and Donaldson (1971)

"Ratio is a mathematical expression representing the relationship of numbers from financial statements." According to the Oxford definition, ratio analysis is the mathematical relationship between two numbers. It is one of the most frequent and widely utilized financial analysis tools, albeit its role is occasionally misunderstood.

Davis (1976)

Outlined the uses and limitations of Ratio Analysis in an old article. He believes that Ratio Analysis can be used for investment decisions and performance analysis because a company's historical success provides signals for future performance. However, he cautioned that ratio analysis has the disadvantage of being dependent on the quality and quantity of data in published reports.

Paul Barnes (1987)

Financial ratios are virtually always utilised predicatively, either tacitly or explicitly, according to the study. They are good indicators of a company's financial position as well as its business performance and characteristics, and they can be used to forecast future performance and features. Previous research has not taken the chosen issue into account. The current study will concentrate on a comparison of the two companies' financial status and operational performance.

Lucey (1998)

Ratio analysis is the methodical product from internal and external financial records so as to describe essential relationship and results in order to analyse financial performance". A ratio is a financial analysis tool that can be used to predict business performance, indicate areas of a company's strengths and weaknesses, and is necessary for management control decisions, investment decisions, and credit control purposes.

SardeeshBabu(1999)

"A Study on Financial Performance of Fertilizers and Chemicals Travancore Limited" . Overhead costs can be reduced by thoroughly evaluating each item and employing cost-cutting measures. The company's profitability can be increased by eliminating expenses that do not contribute to productive use. By reviewing the material holding and stock holding technique and pattern, current assets can be managed efficiently. If the company grows its turnover while decreasing its costs, its profit will rise, resulting in an increase in the sales growth rate, profit before tax, and profit after tax.

Dr. Khatik SK and Ruadeep Kumar Singh (2003)

Mandideep Bhopal's case study on Eicher Ltd's liquidity management. The study's objectives were to I assess the relevance of the current ratio, acid test ratio, and (ii) review and evaluate the liquidity position from 1995-1996 to 1998-1999. The researchers discovered that the short-term liquidity position was not steady, but inventory and working capital management were good. To enhance their liquidity situation, it was proposed that the corporation focus on current asset management and debtor collection term.

Narware and Vivek Sharma (2004)

Hindustan Petroleum Corp. Ltd Liquidity Management analyses the liquidity management during 1995 - 1996 with the help of selected ratios and concludes that there was inadequacy of funds due to a large contribution of inventory in current assets.

Lesakova (2007)

ratios reveal much more about the company and its operation, even though it is only a mathematical calculation dividing one number by another number; however, it is cautioned that other related considerations must be taken into account to get the true picture of the concern; otherwise, the inferences may be misleading.

S.Suresh (2013)

"A research on fundamental and technical analysis," forecasts stock price fluctuations by evaluating forces at work in the overall economy as well as effects specific to industries and companies. This research aids in the selection of the appropriate time and securities for investment. It forecasts the national economy's direction since economic

activity influences corporate profits, investor attitudes, and security prices. The EIC (economy, industry, company) three-phase approach is used for fundamental analysis. Dow theory, charting, trends, moving average, relative strength, and break-out theory are used in technical analysis. According to the survey, the two most significant features of every investment are risk and return. According to the findings, the goals of the Hema and V.Ariram (2016) "businesses listed on the NSE," this study concentrates on the fundamental analysis of three pharmaceutical companies listed on the NSE that were chosen at random. The data for the analysis was gathered during a five-year period, from 2011 to 2015. The fundamental analysis is divided into three sections, the first of which is the EIC analysis. The instrument of ratio analysis (EPS, DPS, net profit margin, and debt to equity ratio) is employed to arrive at the study's conclusion. According to industrial analysis, the Indian pharmaceutical industry is growing rapidly. During the study period, Lupin and Torrent pharma were financially solid, according to company analyses. The economic analysis identifies the factors that have an impact on the security market.

Analysis and Interpretation

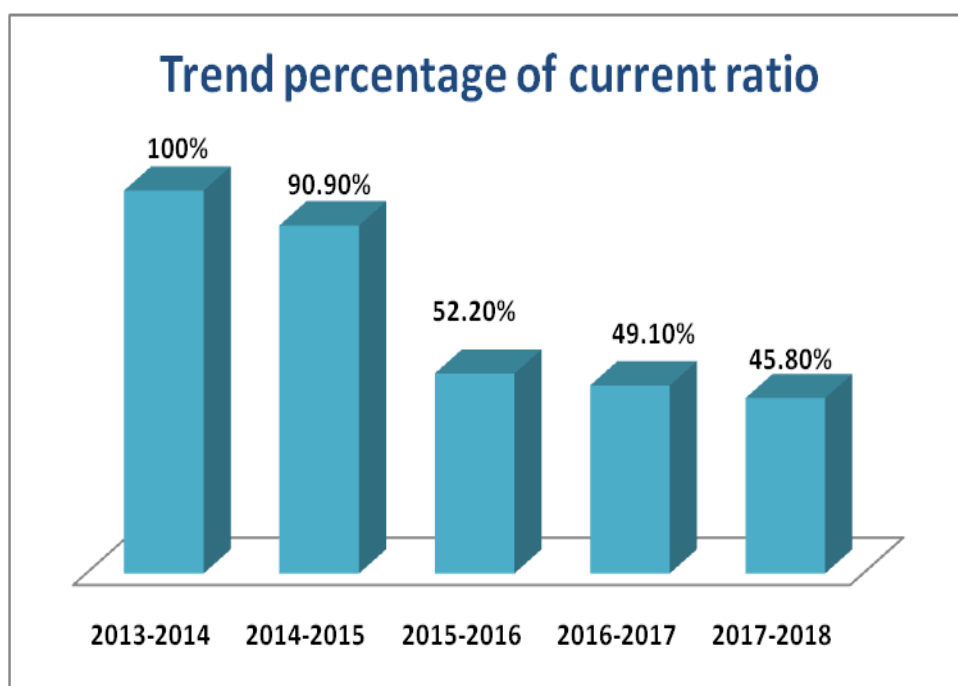
This paper provides a theoretical framework for further investigation. Data interpretation is the process of drawing conclusions from information gathered during an analytical and/or experimental research. It is, in fact, an attempt to assess the greater significance of study findings. The interpretation of obtained data is concerned with relationships that may or may not overlap.

Trend analysis

Trend Percentages of the current ratio of the Reliance Industries

Year	Current ratio	Trend percentage
2013 -2014	1.416	100%
2014-2015	1.288	90.9%
2015-2016	0.74	52.2%
2016-2017	0.695	49.1%
2017-2018	0.6499	45.8%

(Source - <https://www.moneycontrol.com>)



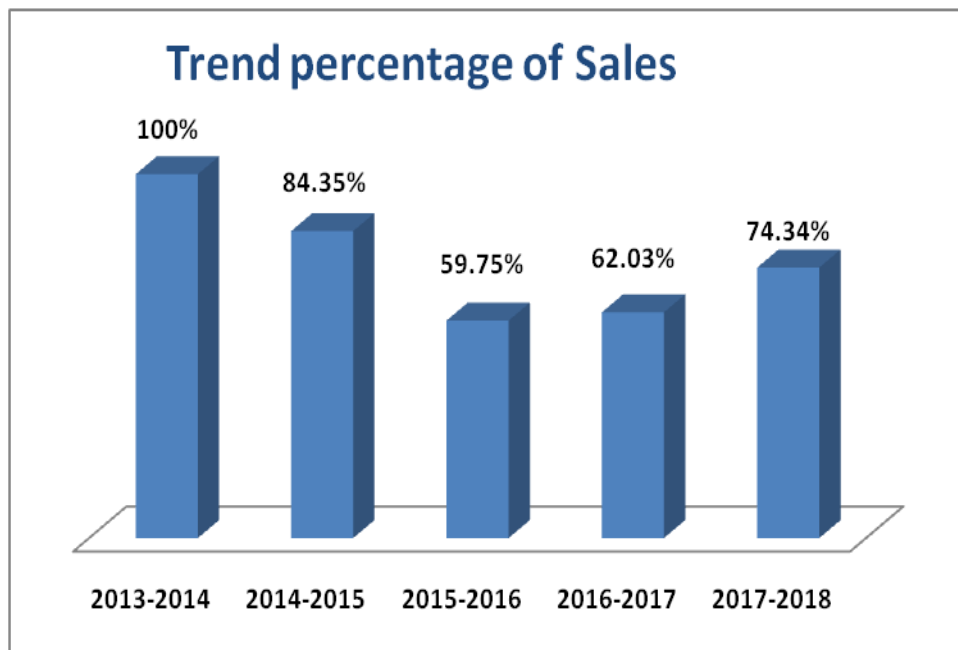
The reliance industries company's current ratio does not achieve the 2:1 ratio, which is considered to be a sound financial position. However, the reliance's current ratio has decreased from 1.416 to 0.6499 over the last five fiscal

years (2014 - 2018). As a result, the Reliance corporation is unable to repay the debt with its current assets. Over the last three years, the Reliance company's liabilities have grown faster than its assets.

Trend Percentages of the Sales of the Reliance Industries

Year	Sales(inCr)	Trend percentage
2013-2014	390117	100%
2014-2015	320976	84.35%
2015-2016	233158	59.75%
2016-2017	242025	62.03%
2017-2018	290042	74.34%

(Source - <https://www.moneycontrol.com>)

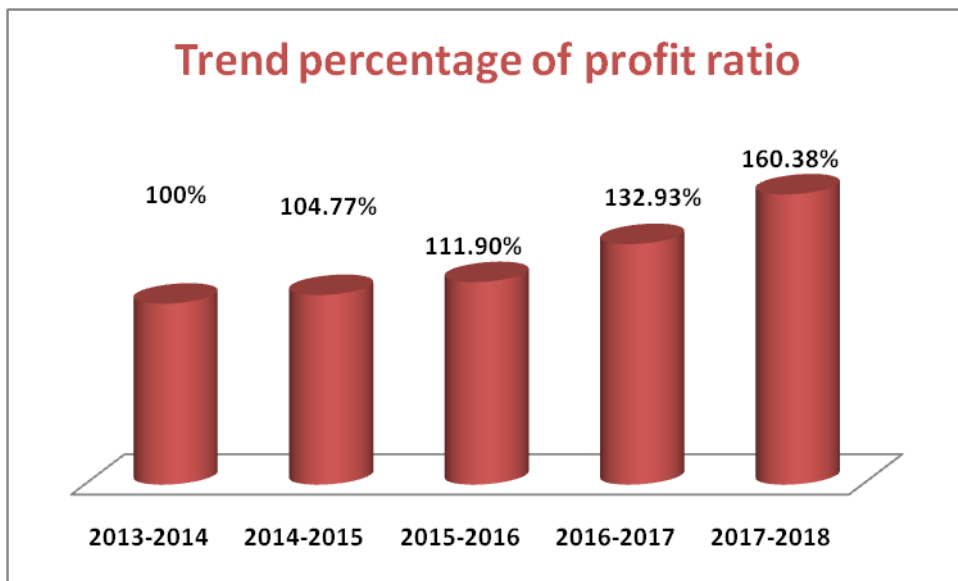


Using trend analysis, it was discovered that the sales of Reliance Industries Limited were on a downward trend from 2013-14 to 2015-2016, and then increased from the fiscal year 2016-17 to 2017-18.

Trend Percentages of the profit of Reliance Industries

Year	Profit(incr)	Trend percentage
2013-2014	22493	100%
2014-2015	23566	104.77%
2015-2016	25171	111.9%
2016-2017	29901	132.93%
2017-2018	36075	160.38%

(Source - <https://www.moneycontrol.com>)

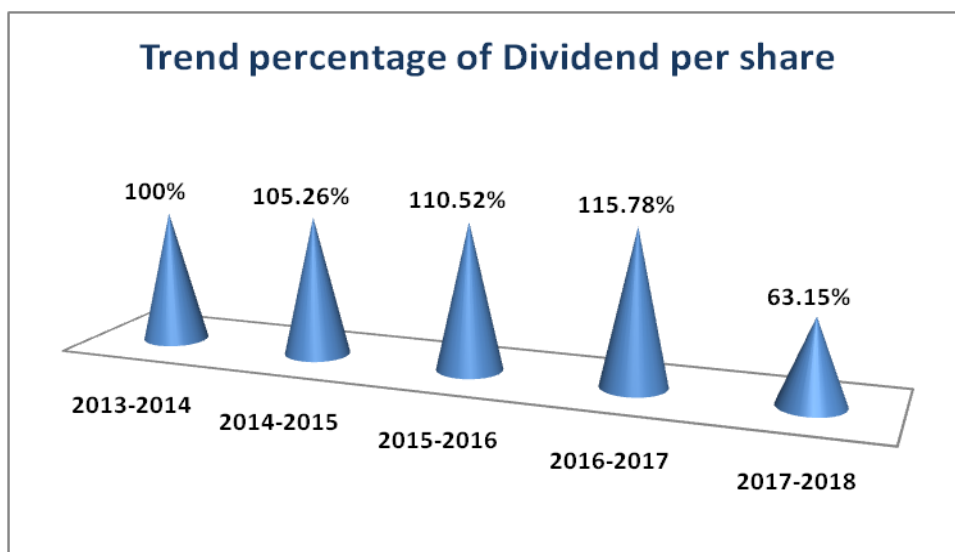


The profit after tax of reliance industries limited has been increasing during the last five fiscal years, indicating that the net profit of reliance industries limited is increasing.

Trend Percentages of the Dividend per share ratio of the Reliance Industries

Year	Dividend Per share ratio	Trend percentage
2013-2014	9.50	100%
2014-2015	10.00	105.26%
2015-2016	10.50	110.52%
2016-2017	11.00	115.78%
2017-2018	6.00	63.15%

(Source - <https://www.moneycontrol.com>)



According to the above table, reliance industries limited's dividend per share has an upward trend till 2017, then the trend in 2018 swings downwards since the payout has been reduced in the fiscal year.

FINDINGS

1 The reliance industries company's current ratio does not meet the 2:1 ratio, which is considered to be a sound financial position. However, the reliance's current ratio has decreased from 1.416 to 0.6499 over the last five fiscal years (2014 - 2018). As a result, Reliance is struggling to repay the loan with its current assets. Over the last three years, the Reliance company's liabilities have grown faster than its assets.

2 According to a sales trend research, Reliance Industries Limited's sales are declining between 2014 and 2016. (390117 – 242025 crores). It could be due to a lack of demand for dependence industries' products. As a result of the increase in demand in 2018, production has been raised in order to increase stockpiles. As a result, sales in 2018 are higher than in the prior two years. It has been discovered that the development of the Telecommunication industries in the year 2017 - 2018 may enhance demand.

3 The profit trend of Reliance Industries is increasing, indicating that the company is taking constructive action.

4 The implementation of dependency telecommunication services may have a significant impact on the firm's profit. According to the data, there is a significant gap between their profit and DPS. Despite a gain in net profit during the period 2017-2018, such profits were employed for other purposes, ignoring wealth maximisation. The DPS is thought to have a negative impact on the firm's stockholders. As a result, the net profit does not relate to the firm's dividend payment, resulting in a decline.

SUGGESTIONS

In order to enhance the company's liquidity position, they may consider selling unproductive assets that are sitting idle as fixed assets. When those assets are sold, the company's cash balance may increase, and depreciation expenses will be removed. This could assist the organization in increasing its cash and bank balances. Another approach could be to eliminate long-term debtors and convert them to short-term receivables, which would boost the company's immediate cash earning potential.

The Reliance corporation must priorities wealth creation over profit maximization. When the shareholders gain from wealth maximization, the company's share value rises in the market.

CONCLUSION

Fundamental analysis is the most widely accepted theory in the world. Some investors place a high value on the company's fundamentals, while others believe that technical factors play a significant part in investing. However, because the stock market is primarily determined by demand and supply for stocks, an attempt is made to educate investors on fundamental analysis through the use of financial data from the company. Reliance industries have had a negative impact on their solvency and dividend payout to shareholders. Reliance Industries' earnings is gradually improving, which is a plus for the company.

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