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Financial Performance of Reliance Industry

Mrs. K. Satya Bhama[1], S. Sasikala[2]
[1]Assistant Professor, Department of Commerce, [2]Mphil Research Scholar, Navarasam Arts and Science College for Women, Arachalur, Erode.

Abstract: Reliance India Limited (popularly known as RIL), be the largest private sector company in India with its head office at Mumbai in Maharashtra .It is a large industry in India which construct and sell different types of goods that are not related to each other. Dhirubhai. H. Ambani is the originator Chairman of Reliance Group. Reliance industry deals with products such as oil and gas, petroleum, Petrochemicals, Polyester, Textiles, Retail, Insurance, SEZ and Telecom. Reliance contribute to 13.4% of India's total exports, 6.9% of India's tax revenues, 4.8% of total market capitalisation, weightage of 11.9% in the BSE sensex and weightage of 10.1% the S and P CNX Nifty Index. Reliance is one industry which be rising weight all around the world by being largest producer of polyester fibre and yarn. The Company expanded into textiles in 1975. Since its initial public offering in 1977, the Company has prolonged in haste and integrated backwards into other industry sectors, most notably the manufacture of petrochemicals also the taming of crude oil.

I. INTRODUCTION

The role of the private industries in a country with democratic step up is very significant because the government policy encourage full-fledge development of private industries provides necessary help for the full nourishment and stimulation of private industries because these industries through their products and margin of benefit help to faster national income. These industries do help ever the consumers by providing to them items of daily consumption so that the life of citizen consumer became smooth, these industries also have rather indirectly to raise the standard of life of the people.

A. Financial Performance

The main aim of financial performance I better understanding of a firm's position and performance. In other words, it is intended to have an assessment of financial health of the firm. Financial analysis refers to the process of determining financial strength and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data.

According to L.M.PANDEY "financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the item of the balance sheet and profit and loss account".

According to MET CALE FITARD "analyzing financial statement is the process of evaluating the relationship between component parts of financial statement to obtain a better understanding of firm's positions and performance".

A financial statement is organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspect of business firms.Among the various problem faced by foundries, finance is the primary problem, which must be right to improve the performance of every concern. Insufficiency of capital, non-availability of loans and term finance from financial institution, shortage of funds to meet the sufficient level etc., make the unit perform poorly.

B. Statement Of The Problem

In the reliance industry occupies very important position in our world. This industry as a vital role to play and supply of essential commodity for entire population. Its progress and development is a greater one. Even though there is many modernization and up gradation program implemented by the government. It is necessary to the4 every concern to manage its financial needs, inflows and outflows to get profit.

C. Objectives Of The Study

The study attempts to assess the financial health of the reliance industries in terms of retained earnings to fixed assets, share capital position, and net profit position, investment position and net sales turnover position of the company.

1) To know the profile of reliance industry.
2) To offer suitable suggestion to the performance of the reliance industry.

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D. Scope Of The Study

The study is confined to the analysis of finding the financial performance of reliance industries. It also concentrates to identify the financial area which needs managerial attention.

The study covers a period of 5 years from 2012-2016. The performance of reliance industries has been analysis with reference to the following aspects

II. RESEARCH METHODOLOGY

The methodology is adopted in the present study is regarding .

A. Period of Study

The study covers 5 years from the year 2011-2012 to the year 2015-2016 to draw the trends in the accounting year commenced from 1st April to 31st march.

B. Data Analysis

The collected data are classified rearranged to suit the need for the study in order to analysis the financial performance of the reliance industry, ratio analysis and trend analysis has been used.

C. Area of Study

The study is to analyse the financial performance of reliance industry.**4.Tools**

The following are the tools used in this study.

1) *short-Term solvency:* These are ratios which measures the short term solvency or financial position of a firm. These ratios are calculated to comment upon the short-term paying of a concern or the firms ability to meet its current obligations.
2) *Profitability Ratio:* These ratios measures the results of business operations or overall performance and effectiveness of the firm. E.g. gross profit ratio, net profit ratio.
3) *Trend Analysis:* The ratio analysis will reveal the financial position of the firm. Ratios at a point of time may lead the analyst to make decision. Because they may be high or low for some exceptional circumstances. present financial position may be improving at a rapid rate over time. thus the trend analysis of the ratios adds considerable significance to the financial analysis.

D. Limitation Of The Study

The study is only for the last 5 years from 2012 to 2016.
The data are mainly collected from the secondary data i.e., annual reports.
The study is for the period of 6 month only.

III. REVIEW OF LITERATURE

Kakani, Saha& Reddy (2003)[1]have studied about an empirical validation of the widely held existing theories on the determinants of firm performance inthe Indian context. In their study they have used financial statements and capital market data of 566 large Indian firms over a time frame of eight years divided into two sub-periods (1992-96 and 1996-2000) and to analyses Indian firm's financial performance across various dimensions viz., shareholder value, accounting profitability and its components, growth and risk of the sample firms.

Petia (2004)[2] discussed in his study about performance of India's non-financial corporate sector since 1989, by using firm level data and evaluated its financial vulnerabilities. He has found that promising trends in liquidity, profitability and leverage of the sector emerged in the early 1990s; he has experienced a reversal after 1996. Nevertheless, most indicators were still at comfortable levels, and there was evidence of improvement in 2002.

[1].kakani, saha & reddy (2003)faclty of business university of culctta "working capital and turnover ration and cash management"p.22.

[2]petia(2004) "telecom service: measurement of level of satisfaction", the Icfacianjounal of management research, v(10):34.

Weill (2004)[3]discussed in his paper about comparison of leverage and corporate performance-a frontier efficiency analysis provides new empirical evidence on a major corporate governance issue and also the relationship between leverage and corporate performance. To analyses the leverage and corporate performance, he has applied frontier efficiency techniques to obtain performance measures for companies from several countries (France, Germany and Italy).

Alovsat Muslumov (2005)[4]analyzed that the privatization was associated with a declining value added and shareholders' profitability in Turkish cement industry. A decline in the value added and shareholders' profitability were mainly caused by the decrease in return on assets. The decline in the return on asset was traced to declining asset productivity. These results are not consistent with previous cross-sectional privatization studies and number of country studies.

Patra (2005)[5]has studied about the impact of liquidity on profitability by using current ratio, acid test ratio. Using mean, standard deviation, co-efficient variation, correlation and co-efficient of relation. Whereas The remaining three ratios namely working capital turnover ratio, receivable turnover ratio and cash turnover ratio have shown positive association with the profit ability ratio, all of which are statistically significant at 5% level of significance. He found that the impact of liquidity ratios on profitability showed both negative and positive association.

IV. PROFILE OF THE COMPANY

A. Company Perspectives

Reliance believes that any business conduct can be ethical only when it rests on the nine core values of Honesty, Integrity, Respect, Fairness, Purposefulness, Trust, Responsibility, Citizenship and Caring. The essence of these commitments is that each employee conducts the company's business with integrity, in compliance with applicable laws, and in a manner that excludes considerations of personal advantage. We do not lose sight of these values under any circumstances, regardless of the goals we have to achieve. To us, the means are as important as the ends.

Reliance Industries Ltd. is India's largest private-sector company, generating revenues of $19.97 billion, or more than 3 percent of India's total gross domestic product. Founded as a textiles company, Reliance has successfully completed a backward integration strategy that has transformed it into India's largest private-sector petrochemicals company, and number two overall (behind state-owned India Oil). integrated and includes exploration and production; refining (the company has built one of the world's largest and most modern refinery complexes at Jamnagar in Gujarat); marketing, through a chain of more than 1,000 service stations; and the production of petrochemicals, including polymers, polyester, polyester intermediates, and others. These chemicals are used to support Reliance's continued textile operations, which focus particularly on the production of polyester fabrics. Following the 2004acquisition of Trevor the company has become the world's leading polyester manufacturer, with production levels topping 25 million meters per year. The company's textile range includes other fabrics, such as acrylics, and finished garments.

Reliance Industries represents the continuation of India's greatest corporate success story since the country's independence. Founded by Dhirubhai H. Ambani in 1958, Reliance grew to include holdings in energy production and distribution, telecommunications, and capital finance. After a public feud between Mukesh D. Ambani and younger brother Anil, these operations were split off into a new company controlled by Anil Ambani. Reliance Industries is listed on the Mumbai Stock Exchange. MukeshAmbani is company chairman and managing director.

V. DATA ANALYSIS AND INTERPRETATION

A. Introduction

Financial statement is prepared primarily for decision making. They play a dominant role in setting the framework of managerial decision. But the information provided in the financial statement is not an end in itself as a meaningful conclusion and be drawn from these statement of immense use of decision making. Financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the item of the balance sheet and profit and loss a/c. these are various methods and techniques used in analysing financial statement, such as trend analysis and ratio analysis. The ratio analysis is the most powerful tool of financial statement

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1) *Current Ratio:* Current ratio is used to measure the liquidity position and it shows the short term solvency position of the firm. The ratio explains the relationship between the current asset and current liabilities. The desirable ratio of the firm is more liquidity and ability to meet its current liabilities. A low current ratio indicates that the firm in difficult to pay its current obligation.

$$\text{Current ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

Current Ratio

Year	Currentassets (RS.in crores)	Current liabilities (RS.in crores)	Ratio
2011-2012	119,655	70,417	1.70
2012-2013	137,138	83,968	1.63
2013-2014	130,399	85,011	1.53
2014-2015	94,896	92,468	1.03
2015-2016	67,372	125,180	0.54

Source: Annual report of the Reliance industry

The table 4.1.1 shows that the current ratio for the period 2011-2012 to 2015-2016. An decrease in the current ratio represent the liquidity position of reliance industry. The ratio in 2015-2016 is lower than the accepted norms 2:1.
Hence ,it is concluded that the current ratio was not satisfied form.

2) *Profitabillity Ratio*

a) *Net Profit Ratio*

It shows the earing capacity left for shareholders determining the efficiency with which the affairs at the business are being managed. It measures the relationship between net profit and sales of the firm. It indicate management activity to earn sufficient profit on sales not only to cover all operational expenses of business but also for shareholders.

$$\text{Net profit ratio} = \frac{\text{net profit}}{\text{sales}} \times 100$$

Net Profit Ratio

Year	Net profit (RS.in cores)	Sales (RS. In crores)	Ratio
2011-2012	20,040	329,904	6.07
2012-2013	21,033	360,297	5.83
2013-2014	21,984	390,117	5.64
2014-2015	22,719	329,076	6.90
2015-2016	27,417	233,158	11.76

Source : Annual report of the reliance industry

The table 4.1.2 shows that the net profit ratio of the industry for the period of 2011-2012 to 2015-2016. It was found from the net profit that there was wide fluctuating in the ratio. The ratio has varying from 6.07% to 11.76%.
Hence the net profit ratio of the industry was fluctuating through the study period.

3) *Operating Profit Ratio*

Operating profit ratio is better measure of management's performance than the profit margin ratio because unlike the profit margin, it consider only operating expenses. That are generally controllable by management. The non-operating expenses such as interest, tax, etc. are beyond the direct control of the management and not considered for calculating operating profit of the industry.

$$\text{Operating profit ratio} = \frac{\text{operating profit}}{\text{Sales}} \times 100$$

Operating Profit Ratio

Year	Operating profit (rs.in crores)	Net sales (rs.in crores)	Ratio
2011-2012	33,619	329,904	10.19
2012-2013	30,787	360,297	8.54
2013-2014	30,877	390,117	7.92
2014-2015	31,602	329,076	9.60
2015-2016	40,139	233,158	17.21

Source : Annual report of the reliance industry

The table 4.1.3 shows that the operating profit ratio was fluctuated from 2011-2012 to 2015-2016. It was increased from 10.19% in 2011-2012 to 17.21% in 2015-2016. These fluctuation is increase the operating profit activity.
Hence it is concluded that the industry's operating profit ratio was fluctuating in profitability position.

B. *Trened Analysis*

The ratio analysis will reveal the financial condition of the firm more reliable when trends in ratios over time are an analyzed. Ratios at a point of time can mislead the analyst, because they may be high or low for some exceptional circumstances at that point of time. improving at a rapid rate over time. Thus, the trend analysis of the ratios adds considerable significance to the financial analysis.
The information for five years is taken up, first year generally the base year, the figure of base year is taken as 100 and trend ratios for other years are calculated on the basis of base year.
The financial analysis the direction of changes over a period of years is of crucial importance time series or trend analysis of ratios indicates the direction of change.

$$\text{Trend Analysis} = \frac{\text{current year}}{\text{Basic year}} \times 100$$

1) *Trend In Equity Share*

The equity share they, however, afford greater advantages then both the other securities and in the capital market enjoy a better position as far as the investor's attraction is concerned.

Equity Share

Year	Equity share (RS.in crores)	Trend (RS. In crores)
2011-2012	3,271	100
2012-2013	3,229	98.72
2013-2014	3,232	98.81
2014-2015	3,236	98.93
2015-2016	3,240	99.05

Source: Annual report of the reliance industry

The above table 4.2.1 shows that the equity shares of the industry has increasing trend during the study period. The trend ratio was increased from 98.72 in 2011-2012 to 99.05 in 2015-2016.
Hence it is concluded that the equity share capital trend rate position was satisfactory.

2) Reserves And Surplus

Any sum which is appropriated out of profit and loss appropriation account and is not meant to cover up liability, contingency, commitment, or reduction in the value of an asset is a reserve. Reserve and undistributed, accumulated profits.

Reserves And Surpls

Year	Reserves and surplus (RS. In crores)	Trend rate
2011-2012	159,698	100.00
2012-2013	175,711	110.03
2013-2014	193,842	121.38
2014-2015	212,923	133.33
2015-2016	236,936	148.37

Source : Annual report of the reliance industry

The above table 4.2.2 it is clear that the reserves and surplus of the industry ltd starts from 159,698 crores in the year 2011-2012 to 236,936 crores during the year 2015-2016.
Hence it is concluded that the trend rate of the industry reserves and surplus position was good.

3) Fixed Asset

The fixed asset acquired for income generation, but not for resale are called fixed assets. The benefit from them is derived for a longer period than one year.

FIXED ASSET

Year	Fixed asset (RS.in crores)	Ratio
2011-2012	110,596	100.00
2012-2013	108,693	98.28
2013-2014	109,406	98.92
2014-2015	114,563	103.59
2015-2016	131,410	118.82

Source : Annual report of the reliance industry

The above table 4.2.3 shows that the fixed assets of the reliance industry. In the year 2015-2016 was higher than the year 2011-2012.
Hence the fixed asset position of the industry satisfactory level during the study period 2015-2016.

VI. CHAPTER V

A. Summary Of Findings, Suggestions And Conclusion

In the present study the financial position of RELIANCE INDUSTRY was analysed. Different ratios are calculated to find out over all financial efficiency of the concern. Based on the analysis produced the following findings, suggestion and conclusion is given.
FINDINGS

1) Profitability analysis
a) The current ratio of the industry was satisfactory.
b) The net profit ratio of the industry was fluctuating throughout the study period.

2) Trend Analysis
a) The equity share capital trend rate position was satisfactory.
b) The trend rate of the industry reserves and surplus position was good.
c) The fixed asset trend rate position was satisfactory the study period.

B. Suggestions

1) Cost of sales position of the industry was not achieved satisfactory level. So the industry should advertise its product through different media to increase the cost of sales.
2) The industry should increase its current asset in order to meet its current obligations.

VII. CONCLUSION

The reliance industry is gaining more importance in the world market due to its standard and new designs. To compete with the world market traders, the industry should take necessary steps to improve its quality and standard of production. The financial performance of the industry determines the standard of the industry. Hence, this has enabled the researcher to give certain suggestion to the industry to improve its financial performance. The overall performance and effectiveness of the industry is satisfactory. But some of the minor drawbacks are there. The industry should remove the above drawbacks for improving its efficiency.

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