

FINANCIAL PERFORMANCE ANALYSIS OF RELIANCE INDUSTRIES LTD.

* *Asst. Prof. Bhautik S. Ruparel*

* *PES's Bhausaheb Nene ASC College, Pen-Raigad 402107*

Abstract:

Financial statements provide crucial information about a company's operations and financial performance, which is analyzed through financial statement analysis. This analysis aims to understand the connections between various financial elements, identify strengths and weaknesses, and forecast future prospects. Financial statements consist of two important statements – the income statement and the balance sheet, along with other useful statements for internal purposes.

Trend percentages are a tool for horizontal analysis used to understand changes in financial condition and operational effectiveness over a selected time period. The study of financial statements also involves calculating ratios to assess financial performance.

For the purpose of the study, the data collected from secondary sources from the company's annual reports as well as financial statement analysis journals and books. The collected data is analyzed by using trend percentages and ratio analysis.

Key words: *Financial Statements, Financial Statement Analysis, Trend Percentages, Ratio Analysis, Horizontal Analysis, Operational Effectiveness.*

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Introduction:

Financial statements are documents that outline a company's operations and financial performance for management and other interested parties. Its goal is to impart a grasp of certain of a business firm's financial elements. As in the case of a balance sheet, it reveals a financial position at a specific point in time, or as in the case of an income statement, it can reveal a series of transactions over a specific time period normally a year.

The process of examining a company's financial statements in order to make decisions is known as financial statement analysis. The detailed accounting information provided in the financial statement is critically examined in financial statement analysis. Financial Statement Analysis is primarily a study of the connections between the various financial elements in a firm as disclosed by one set of financial statements and a study of the trends of these factors as indicated in a number of financial statements. The goal of financial statement analysis and interpretation is to comprehend the relevance and meaning of financial statement data in order to identify a business undertaking's strengths and weaknesses so that a forecast of the business undertaking's future prospects can be produced. Financial statements generally consist of two important statements:

(A) The income statement or Profit & Loss Account.

(B) Balance Sheet.

Apart from these two statements, the business concern also prepares some of the other parts of statements, which are very useful to the internal purpose such as:

(C) Statement of Changes in Owner's Equity.

(D) Statement of Changes in Financial Position.

Trend Percentages:

It is tool of analysis that helps in understanding how the financial condition and operational effectiveness have changed throughout the selected time period. This approach is useful for comparing the financial statements of various years. Trend analysis moves in one direction – either upward or downward – progression or regression. This method involves the calculation of percentage relationship that each statement bears to the same item in the base year. They may be shown in a horizontal or vertical manner. Trend Percentages were employed as a technique for the study's objectives in order to comprehend the industry's trend throughout a five-year period between 2021 & 2025 and the expected for the year 2026. Some of the ratios are calculates to access the financial performance of the industry.

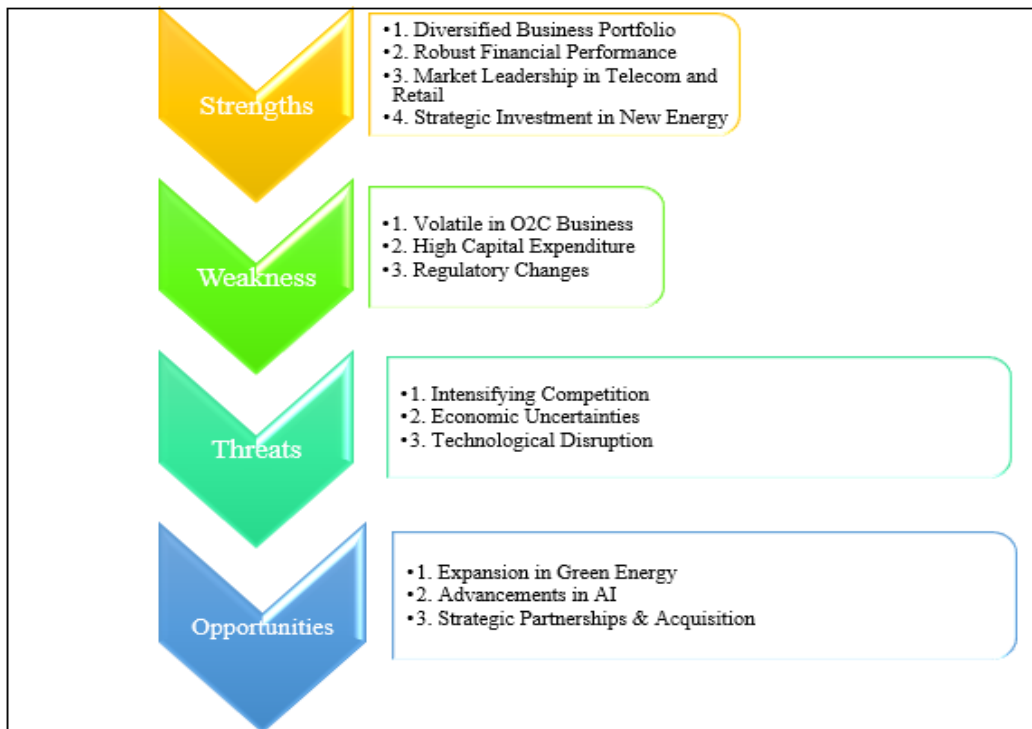
About the Industry:

Founded by Late Shri Dhirubhai Ambani and now promoted and managed by his elder son, Shri Mukesh Ambani, Reliance Industries Ltd. is an Indian multinational conglomerate with its headquarters in Mumbai. Its business includes petrochemical, energy, natural gas, retail, entertainment, telecommunication, mass media and textiles. Reliance Industries Ltd. is the largest private sector company in India by market capitalization and revenue. With more than 4,03,303 people worldwide, it is also one of the biggest employers in India.

As of 2025, the company is listed as the 88th largest organisation in the world on the Fortune Global 500 list. With 8.2% of all Indian merchandise exports and access to market in more than 100 nations, Reliance is still India's top exporter. Almost 5% of the customs and excise duty revenue received by the government of India comes from Reliance. Moreover, it is the private sector taxpayer in India with the largest income. The business has a low level of corporate debt and relatively less free cash flow.

Reliance Industries Ltd. one of the biggest private sector businesses employing more than 4,03,303 employees worldwide, it is also one of the biggest employers in India. The value chain for energy and material is of particular relevance to the organisation. Backward vertical integration is a special aspect of the sector. It began its operation with fabric in late 1970s and gradually expanded into plastics, fiber intermediaries, polyester fibers, oil and gas exploration, and chemical manufacturing. Reliance Industries is the first Indian firm to have a market capitalization of more than ₹ 19,53,000 Cr. and consolidated revenue of more than ₹ 10,71,000 Cr.

SWOT Analysis of Reliance Industries Ltd.



Review of Literature: Fajar, (2021) The author made an effort to ascertain the changes in the financial report and the development of the company’s profitability with the aid of horizontal financial statement analysis and profitability ratios. The goal of data collection was to leverage secondary data. The operational income ratio is bigger than the net profit margin, which indicates that the amount of money spent on interest and taxes needs to be thoroughly scrutinized, according to the analysis of the profitability ratio at PT Indofood Sukses Makmur Tbk. Due to the company's ability to lower operating costs on sales, the operating ratio drops from 2017 to 2019 resulted in an increase in the operating income ratio, indicating that the company's performance is improving. The study of the income statement reveals that there has been a rise in cost-effectiveness, which raises sales levels and raises the value of gross profit as a result of a fall in the cost of products sold.

Ruhaya Atan, (2010) The purpose of the author's study was to evaluate the financial performance of Malaysia's local governments. Fiscal-year balance, short-term liquidity, and long-term solvency are the three categories that have been used to study financial performance. Using these three categories, the study looked at the financial performance of city councils, municipal councils, and district councils. 12 LAs from one of Malaysia's developed states were included in the sample, which was collected from 2000 to 2006 over a seven-year period. It was found that the LAs had fared poorly in all three categories based on the results, which demonstrate unfavourable trends for the majority of the metrics used the city councils are discovered to be the top performers out of everyone. The poor performance seen in these three categories of data clearly demonstrates that there is some

kind of sizable financial system leakage in the LAs. The study's conclusions might be effectively applied as a roadmap to help the council members, senior staff, and other stakeholders—including the federal and state governments—assess their effectiveness and direct the organization's financial performance and sustainability. Singh, (2016) A business's financial statements are its lifeblood. Individuals rely on these financial statements to understand the state, performance, and capacity of a certain business to effectively sustain past and future activities. The aforementioned subject clarifies the qualifications of financial statement analysis in both atheoretical and practical manner. In order to more accurately extrapolate and estimate the future of a business concern, the author makes an attempt to highlight the strategies, methods, and techniques for analysing financial statements in order to assess a company's position, profitability, future earnings, ability to pay interest, etc.

Research Design:

Objectives:

1. To know the financial performance of Reliance Industries Ltd. by using ratio analysis and trend percentages.
2. To evaluate the profitability position of the company.

Scope of the Study: Just trend percentages and ratio analysis were employed by the researcher among the many financial statement analysis tools and techniques to examine the financial performance and profitability of Reliance Industries Ltd.

Limitations of the Study: The study may not produce accurate results because it is based on secondary data. Only financial data from the previous five years (2021 – 2025) was used in the analysis. Accurate conclusions were not made because of the company’s need for concealment. The calculations could differ by a small fraction.

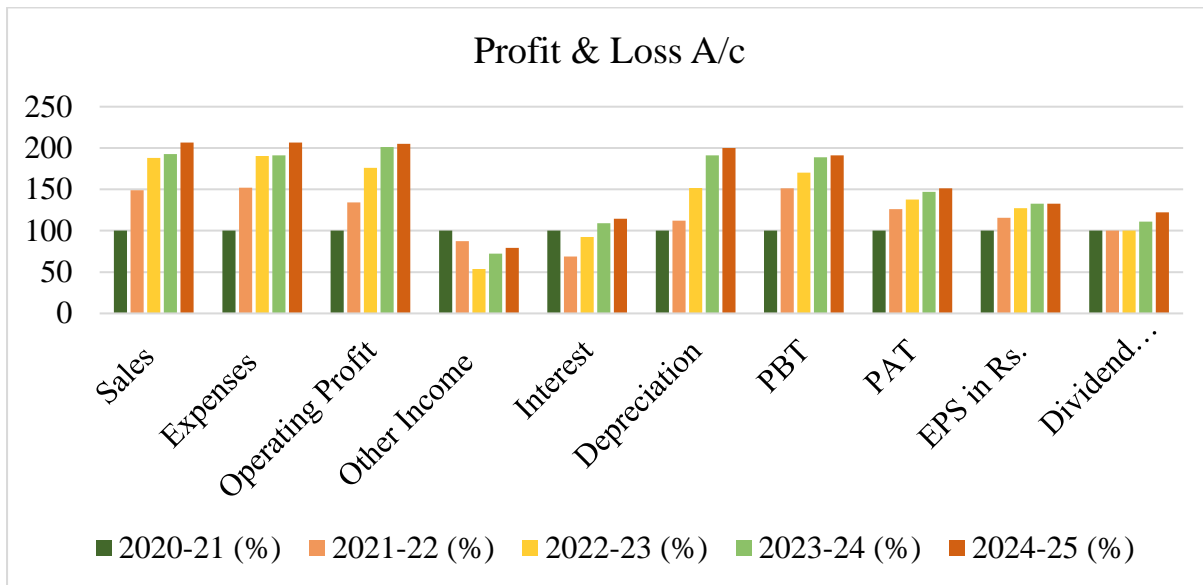
Collection of Data: Secondary data are used to collect data. The secondary data was gathered from the company’s annual reports as well as financial statement analysis journals and books.

Discussions and Findings:

Profit & Loss A/c of Reliance Industries Ltd.

Trend Percentages

Particulars	2020-21 (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)	2024-25 (%)
Sales	100	148.97	187.94	192.80	206.48
Expenses	100	152.03	190.41	191.05	206.79
Operating Profit	100	134.40	176.16	201.14	204.97
Other Income	100	87.38	53.58	72.12	79.46
Interest	100	68.83	92.36	109.10	114.54
Depreciation	100	112.08	151.67	191.30	199.97
PBT	100	151.12	170.33	188.83	191.16
PAT	100	126.25	137.87	147.04	151.30
EPS in Rs.	100	115.79	127.20	132.77	132.83
Dividend Payout %	100	100.00	100.00	111.11	122.22



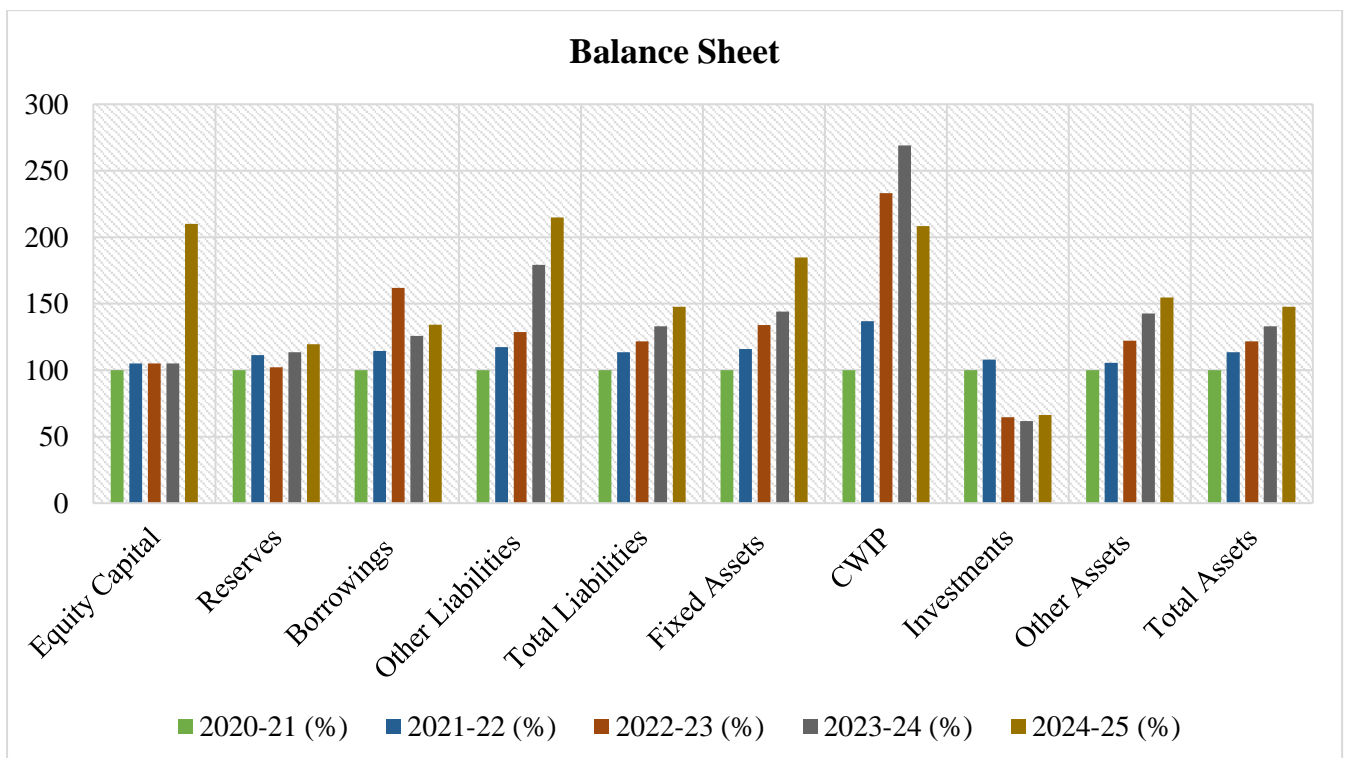
The table provides information about the Profit & Loss Statements of Reliance Industries Ltd. for the F.Y. 2021 to 2025.

- The company's sales increased by 48.97% in 2022 but later increased by 87.94% in 2023 and by 92.80% in 2024 which further rose and got more than doubled at 206.48% in 2025 as compared to the base year 2021.
- The company's expenses increased by 52.03% in 2022 and further rose by 90.41% in 2023 and marginal increased by 91.05% in 2024 and peaked at 206.79% in 2025 as compared to the base year 2021.
- The company's operating profit increased by 34.40% in 2022 and rose by 76.16% in 2023, doubled in 2024 at 101.14% and 104.97% in 2025.
- The Operating Margin of the company remained relatively stable between 16% to 18% during the same period.
- The company's other income has decreased considerably to 87.38% in 2022, 53.58% in 2023 later slight increase to 72.12% in 2024 and 79.46% in 2025.
- The company's interest expense decreased in 2022 to 68.83% but later shows a rising trend. 92.36% in 2023 and further rise to 109.10% in 2024 and 114.54% in 2025 as compared to base year 2021.
- The company's depreciation expenses showed an increasing trend throughout the period of study. It almost got doubled to 199.97% in 2025 as compared to 2021.
- The company's PBT showed an increasing trend over the years. It increased by 51.12% in 2022 to 91.16% in 2025. Even though there is an increase in expenses, the operating profit and the net profit of the industry showed an increasing trend which shows that the industry is able to maintain its profitability at a good steady pace.
- The company's dividend payout ratio remained relatively stable at 100% between 2021 to 2023, with a slight increase to 111.11% in 2024 and 122.22% in 2025.

Balance Sheet of Reliance Industries Ltd.

Trend Percentages

Particulars	2020-21 (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)	2024-25 (%)
Equity Capital	100	104.97	104.98	104.98	209.96
Reserves	100	111.39	102.22	113.40	119.60
Borrowings	100	114.41	161.91	125.72	134.18
Other Liabilities	100	117.32	128.57	179.17	214.76
Total Liabilities	100	113.53	121.65	132.95	147.70
Fixed Assets	100	115.99	133.91	144.11	184.64
CWIP	100	136.96	233.22	269.03	208.30
Investments	100	108.07	64.57	61.86	66.44
Other Assets	100	105.56	122.13	142.53	154.70
Total Assets	100	113.53	121.65	132.95	147.70



This table represents the balance sheet trends percentages of Reliance Industries Ltd. for the years 2021 to 2025.

➤ The share capital of the company increased marginally to 104.98% in 2022 due to issue of Right Shares in the ratio of 1:15. Later capital structure remained constant till 2024. In FY 2024-25 company has declared

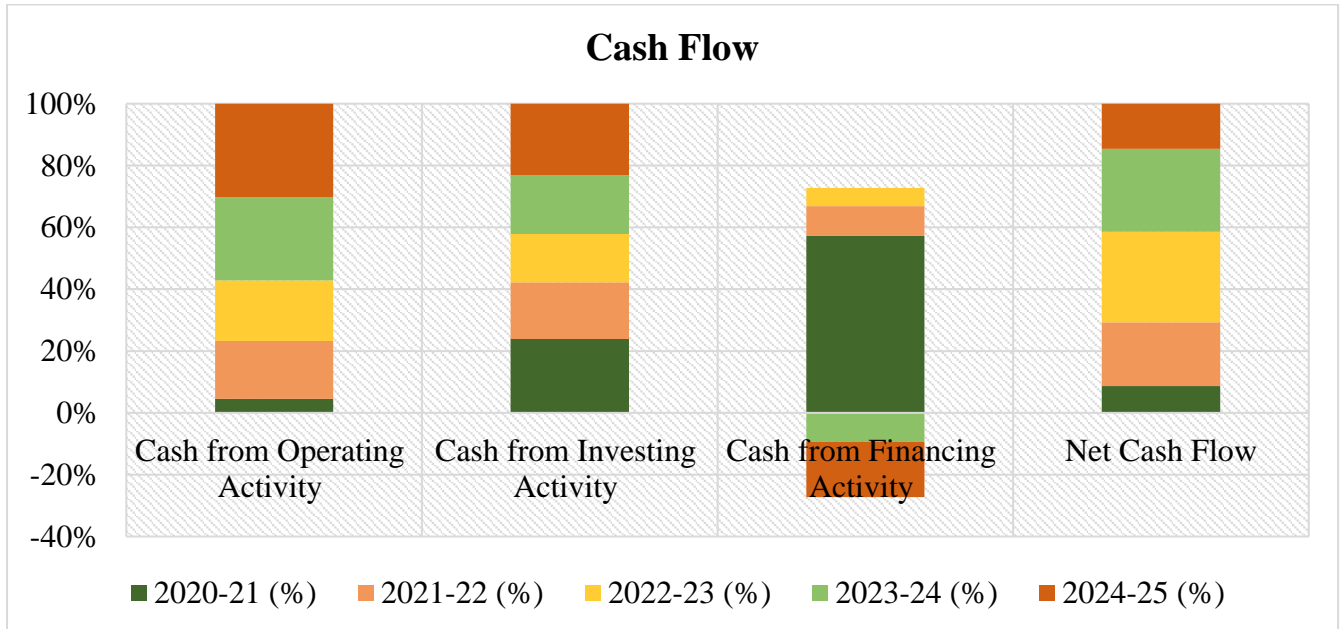
the Bonus Shares in the ratio of 1:1 and the effect of that can be seen in share capital which got double to 209.96% in 2025.

- The reserves of the company increased steadily from 100% in 2021 to 119.60% in 2025, indicating that the company has been retaining enough profits over the years.
- The borrowings of the company increased to 114.41% in 2022 and to 161.91% in 2023, 125.72% in 2024 and 134.18% in 2025. This indicates that the company has been borrowing funds over the years to finance its operations.
- Other liabilities of the company increased marginally from 100% in 2021 to 117.32% in 2022, 128.57% in 2023, 179.17% in 2024 but further increased sharply to 214.76% in 2025.
- The total liabilities of the company increased consistently over the period from 100% in 2021 to 147.70% in 2025. This indicates that the company's liabilities have been increasing over the years, which may be due to increased borrowings and increased liabilities from operations.
- The fixed assets of the company increased over the period from 100% in 2021 to 184.64% in 2025. This indicates that the company has been investing in fixed assets such as property, plant and equipment's, and has been increasing its production capacity over the years.
- The Capital Work-in-Progress (CWIP) of the company increased sharply from 100% in 2021 to 208.30% in 2025 more than 2 times in period of 5 years. This indicates that company has been undertaking new capital projects, which lead to improvement in overall working of the organisation.
- The investments of the company increased from 100% in 2021 to 108.07% in 2022, after which it decreased to 64.57% in 2023 and further declined to 61.86% in 2024. In FY 2024-25 also the investments of the company were 66.44% as compared to base year.
- The other assets of the company increased steadily from 100% in 2021 to 154.70% in 2025. This indicates that the company has been increasing its other assets, such as intangible assets, investments in subsidiaries, and advanced to suppliers, over the years.
- The total assets of the company increased consistently from 100% in 2021 to 147.70% in 2025. This indicates that the company's assets have been increasing over the years, which may be due to increased investment in fixed assets and CWIP.

Cash Flow

Trend Percentages

Particulars	2020-21 (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)	2024-25 (%)
Cash from Operating Activity	100	410.47	426.71	589.02	662.89
Cash from Investing Activity	100	76.67	65.32	79.77	96.59
Cash from Financing Activity	100	16.97	10.26	-16.33	-31.30
Net Cash Flow	100	238.88	340.23	311.20	168.60

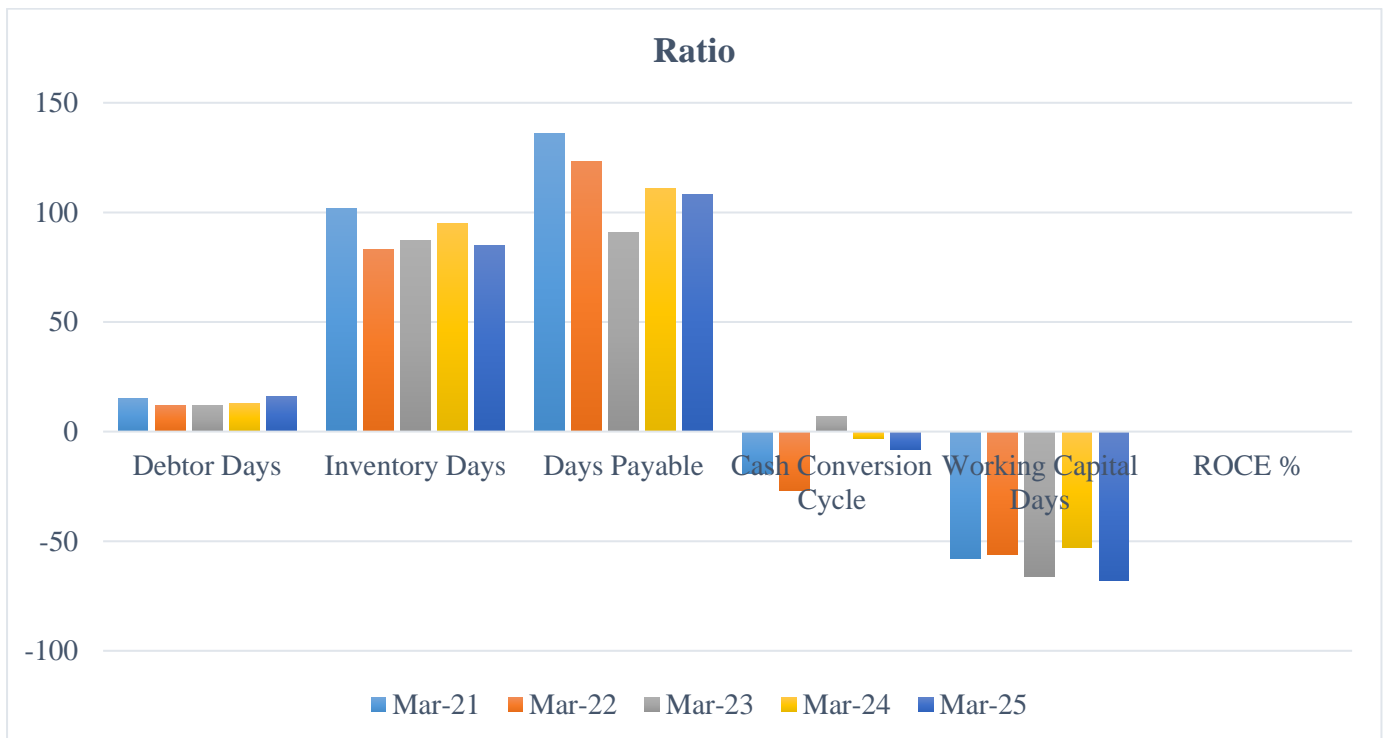


This table represents the cash flow trend percentages of Reliance Industries Ltd. for the years 2021 to 2025. The trend percentages show the year-on-year change in the different items of the cash flow statement, compared to the base year of 2021, which is set as 100%.

- The cash from operating activity of the company increased significantly to 410.47% in 2022 as compared to 100% in 2021. Later it again increased to 426.71% in 2023 and 589.02% in 2024 & 662.89% in 2025.
- This indicates that the company has been generating cash from its operations, but reason for such high increase because FY 2021 was impacted due to COVID 19 due to which the cash from operating activities were very low. As the situation improved company’s performance also showed a positive trend.
- The cash from investing activity of the company decreased from 100% in 2021 to 76.67% in 2022, after which further reduced to 65.32% in 2023 and then improved to 79.77% in 2024 and 96.59% in 2025.
- The cash from financing activity of the company decreased sharply from 100% in 2021 to 16.97% in 2022, indicating that the company was repaying debt or raising less debt during that period. In 2023 it reduced to 10.26% in 2023 and then negative to -16.33% in 2024 and -31.30% in 2025. The fall is particularly due to repayment of borrowings, interest payments, payment of financial liabilities & dividend during this study period.
- The Net cash flow of the company increased considerably from 100% in 2021 to 238.88% in 2022, further increase to 340.23% in 2023, 311.20% in 2024 and reduced in FY 2025 to 168.60%

Ratios

Particulars	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Debtor Days	15	12	12	13	16
Inventory Days	102	83	87	95	85
Days Payable	136	123	91	111	108
Cash Conversion Cycle	-19	-27	7	-3	-8
Working Capital Days	-58	-56	-66	-53	-68
ROCE %	8%	8%	9%	10%	10%



- The above table shows that the company has been able to collect payments from its customers faster in recent years, as the debtors' days have remained stable between 12 to 16 days in the recorded period.
- The company has seen fluctuations in its inventory days, with a peak in 2021 at 102 days, but it is improved to 83 days in 2022, further it increased to 87 days in 2023 and 95 days in 2024 and 85 days in 2025.
- The company has been taking longer to pay its suppliers, with 136 days in 2021 slightly reduced to 123 days in 2022 and further decreased to 91 days in 2023. In 2024 the suppliers' days has increased to 111 days and 108 days in 2025.
- The company's cash conversion cycle has been negative, indicating that it has been able to convert its assets into cash quickly. However, it has bit improved in recent years with a decrease from -19 in 2021 which reduced to -27 in 2022 later it improved to 7 in 2023 and again later decreased to -3 in 2024 and -8 in 2025.

- The company has bit narrow fluctuation in its working capital days, from -58 in 2021, -56 in 2022, -66 in 2023 declined to -53 in 2024, and further rose to -68 in 2025.
- The company's return on capital employed has fluctuated between 8% & 10% in recent years, but it has remained relatively stable overall. However, the ROCE increased from 8% in 2021 and 2022 to 9% in 2023 and further improved to 10% in 2024 and 2025.

Findings:

1. Although there have been swings over the years, the corporation has been generating cash from its operations which can be observed from consistent sales growth, improved operating profit, stable operating margin which indicates strong market demand, expansion, operational efficiency, good liquidity.
2. The company's profitability displayed a healthy upward trend. Net profits have grown consistently, which signals strong financial performance and effective management strategies.
3. Earning per share has also increased from ₹ 38.75 to above ₹ 51, enhancing shareholder value.
4. Dividend payout ratio increased gradually, issue of right shares, bonus shares shows that the company rewards its investors regularly.
5. Reserves have increased over the years, strengthening the financial position and providing funds for future expansion.
6. Borrowings rose initially but later declined, suggesting improved debt management.
7. Throughout time, the company's assets have increased and investment in CWIP has also increased over a period of time.
8. The business has made major investments in growth prospects, which have produced impressive returns.

Suggestions:

1. Though profits are rising, expenses are also increasing. Better cost management can further improve margins.
2. Exploring new markets or product lines can sustain the strong sales growth.
3. Investing in automation and digital tools can reduce operational costs in the long run.
4. To maintain growth and profitability, the company should continue to put emphasis on increasing operating effectiveness, controlling costs, diversifying its sources of income, maximizing its tax plan, and assessing its dividend policy.
5. The company should consider retaining more profits to build its reserves and strengthen its financial position.
6. The company should maintain an optimal debt-equity ratio to avoid financial risk.
7. The company has been investing heavily in fixed assets and CWIP, which have shown significant growth over the years. It should continue to invest in areas that have high growth potential and align with its long-term strategy.

8. Investments appear to fluctuates; funds should be allocated towards high-return projects. The company should continue to explore new investment opportunities to diversify its portfolio and maximize returns on its investments.
9. The company should ensure that its capital projects are completed on time and within budget to minimize delays and cost overruns.
10. Despite positive cash flow, better planning can ensure sufficient liquidity during economic slowdowns. The company should monitor external factors that can impact its cash flow and take appropriate measures to manage its cash flow effectively.

Conclusion :

The financial analysis of the company reveals a strong and steadily improving financial position over the observed period. Sales have shown consistent growth, indicating increasing demand and effective market penetration. Alongside revenue growth, operating profit and net profit have also risen, demonstrating the company's ability to manage costs and maintain profitability. The stable operating profit margin suggests that the company has developed an efficient operational structure capable of sustaining earnings even as expenses increase.

The balance sheet reflects financial stability, with growing reserves contributing to a stronger net worth. Investments in fixed assets highlight the company's expansion strategy and long-term vision. Although borrowings increased at certain points, the subsequent decline indicates prudent financial management and a focus on reducing leverage. Furthermore, positive cash flow from operating activities ensures that the company can comfortably meet its short-term obligations and reinvest in business growth.

However, the company should continue focusing on cost control, efficient asset utilization, and strategic investment decisions to maintain its competitive position. Balancing dividend distribution with retained earnings will help support future expansion without excessive dependence on external financing.

Although the company's financial ratios have fluctuated over time, it has been able to quickly transform its assets into cash and collect payments from customers while paying suppliers more slowly.

Overall, the company appears financially sound, profitable, and growth-oriented. If it continues to adopt effective financial and operational strategies, it is well positioned to achieve sustainable growth and enhance shareholder value in the long run.

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Consolidated Profit & Loss A/c of Reliance Industries Ltd.

(Figures ₹ in Crores)

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Sales	4,66,307	6,94,673	8,76,396	8,99,041	9,62,820
Expenses	3,85,517	5,86,092	7,34,078	7,36,543	7,97,222
Operating Profit	80,790	1,08,581	1,42,318	1,62,498	1,65,598
OPM %	17%	16%	16%	18%	17%
Other Income	22,432	19,600	12,020	16,179	17,824
Interest	21,189	14,584	19,571	23,118	24,269
Depreciation	26,572	29,782	40,303	50,832	53,136
Profit before tax	55,461	83,815	94,464	1,04,727	1,06,017
Tax %	3%	19%	22%	25%	24%
Net Profit	53,739	67,845	74,088	79,020	81,309
EPS in Rs.	38.75	44.87	49.29	51.45	51.47
Dividend Payout %	9%	9%	9%	10%	11%

Consolidated Balance Sheet

(Figures ₹ in Crores)

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Equity Capital	6,445	6,765	6,766	6,766	13,532
Reserves	6,93,727	7,72,720	7,09,106	7,86,715	8,29,668
Borrowings	2,78,962	3,19,158	4,51,664	3,50,719	3,74,313
Other Liabilities	3,40,931	3,99,979	4,38,346	6,10,848	7,32,200
Total Liabilities	13,20,065	14,98,622	16,05,882	17,55,048	19,49,713
Fixed Assets	5,41,258	6,27,798	7,24,805	7,79,985	9,99,393
CWIP	1,25,953	1,72,506	2,93,752	3,38,855	2,62,358
Investments	3,64,828	3,94,264	2,35,560	2,25,672	2,42,381
Other Assets	2,88,026	3,04,054	3,51,765	4,10,536	4,45,581
Total Assets	13,20,065	14,98,622	16,05,882	17,55,048	19,49,713

Consolidated Cash Flow

(Figures ₹ in Crores)

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Cash from Operating Activity	26,958	1,10,654	1,15,032	1,58,788	1,78,703
Cash from Investing Activity	-1,42,385	-1,09,162	-93,001	-1,13,581	-1,37,535
Cash from Financing Activity	1,01,904	17,289	10,455	-16,646	-31,891
Net Cash Flow	-13,523	18,781	32,486	28,561	9,277

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