

**REPORT**  
**On**  
**FINANCIAL STATEMENT ANALYSIS & VALUATION**  
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## **FINANCIAL STATEMENT ANALYSIS & VALUATION**

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### **1. INTRODUCTION**

Financial statement analysis helps evaluate the financial performance, stability, and long-term value creation capabilities of an organisation. It allows analysts, investors, and management to examine profitability, liquidity, solvency, and operational efficiency.

This report presents a comprehensive financial statement analysis and valuation of **Reliance Industries Ltd. (RIL)** for the three-year period **2023–2025**, using ratio analysis, trend analysis, DCF valuation, and market-multiple valuation (P/E, P/B, EV/EBITDA). The analysis aims to determine the financial health of the company and estimate whether the current market price reflects its intrinsic value.

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### **2. DATA COLLECTION & METHODOLOGY**

**All financial data was extracted from the company's official statements available on NSE Website:**

- **Balance Sheet**
- **Income Statement**
- **Cash Flow Statement**

**The data was loaded into Python using Pandas, cleaned, and indexed as:**

```
balance_sheet = pd.read_excel("balance_sheet_reliance_Ltd.xlsx")
income_statement = pd.read_excel("Financial_statement_-_P&L_Reliance_Ltd.xlsx")
cash_flow = pd.read_excel("cash_flow_reliancee_Ltd.xlsx")
```

To ensure accuracy, consistency, and analytical depth, the data was processed using **Python** along with widely used analytical libraries such as **Pandas**, **NumPy**, and **Matplotlib**. These tools were employed to clean, format, and analyze the raw data. Since the statements contained inconsistent date formats, especially in the balance sheet and cash flow data, column names were standardized to **“Mar ’23”, “Mar ’24”, and “Mar ’25”** for uniformity across all datasets.

Ratio formulas for profitability, liquidity, solvency, and efficiency were coded programmatically to eliminate manual errors and enhance precision. Visualization tools were used to generate trend charts that clearly illustrated three-year performance movements. For valuation, the study applied both **Discounted Cash Flow (DCF)** analysis using Free Cash Flow projections, discount rate, and terminal growth assumptions and **market multiple valuation** based on **P/E, P/B, and EV/EBITDA** metrics. This systematic approach ensures a comprehensive and data-driven financial assessment of **Reliance Industries Ltd. (RIL)**.

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### **3. FINANCIAL RATIO'S**

Financial ratios are calculations that compare two or more figures from a company's financial statements to measure performance and financial health. They are important for analysis because they simplify complex data, provide a way to compare a company's financial

performance over a period of time or against competitors, and help assess key areas like profitability, liquidity, solvency and efficiency.

- PROFITABILITY RATIO

Ratio	Mar '23	Mar '24	Mar '25
Gross Profit Margin	<b>15.60%</b>	<b>19.58%</b>	<b>14.39%</b>
Net Profit Margin	<b>8.37%</b>	<b>7.86%</b>	<b>6.82%</b>
Return on Equity (ROE)	<b>9.23%</b>	<b>8.16%</b>	<b>6.49%</b>
Return on Assets (ROA)	<b>6.36%</b>	<b>5.78%</b>	<b>4.75%</b>

## INTERPRETATION

Profitability ratios assess Reliance Industries' ability to generate earnings from its sales, equity base, and total assets.

- Gross Profit Margin increased from 15.60% in 2023 to 19.58% in 2024, indicating improved cost efficiency and stronger manufacturing margins. However, it dropped to 14.39% in 2025, reflecting higher input and operating costs.
- Net Profit Margin declined steadily from 8.37% → 7.86% → 6.82%, suggesting that expenses, finance costs, or other charges grew faster than revenue.
- Return on Equity (ROE) decreased from 9.23% in 2023 to 6.49% in 2025, indicating weaker earnings generation per unit of shareholder equity.
- Return on Assets (ROA) mirrored this decline (6.36% → 4.75%), reflecting reduced efficiency in converting assets into profits.

Overall: Profitability softened over time, mainly due to rising costs and slower earnings growth, despite stable revenue generation.

- LIQUIDITY RATIOS

Ratio	Mar '23	Mar '24	Mar '25
Current Ratio	<b>0.63</b>	<b>0.73</b>	<b>0.67</b>
Quick Ratio	<b>0.38</b>	<b>0.36</b>	<b>0.35</b>

## INTERPRETATION

Liquidity ratios reflect Reliance's ability to meet short-term obligations.

- Current Ratio improved from 0.63 in 2023 to 0.73 in 2024, indicating stronger short-term solvency. It slightly dipped to 0.67 in 2025, but remained relatively stable.
- Quick Ratio stayed low and gradually declined (0.38 → 0.36 → 0.35). This is typical for capital-intensive conglomerates with large inventory cycles.

Overall: Liquidity is stable but below the ideal benchmark of 1, reflecting Reliance's heavy investment structure and high working capital requirement.

- SOLVENCY RATIOS

Ratio	Mar '23	Mar '24	Mar '25
Debt-to-Equity	<b>0.45</b>	<b>0.41</b>	<b>0.37</b>
Interest Coverage	<b>5.20</b>	<b>5.53</b>	<b>5.78</b>

### INTERPRETATION

Solvency ratios measure long-term financial risk and debt-related pressure.

- Debt-to-Equity Ratio steadily declined from 0.45 to 0.37, showing a strengthening capital structure and reduced reliance on external borrowing.
- Interest Coverage Ratio improved noticeably (5.20 → 5.53 → 5.78), indicating stronger earnings relative to interest obligations.

Overall: Solvency has improved over the three years, showcasing reduced leverage and enhanced capability to service long-term debt a positive signal for financial stability.

- EFFICIENCY RATIOS

Ratio	Mar '23	Mar '24	Mar '25
Inventory Turnover	<b>9.11</b>	<b>6.42</b>	<b>5.08</b>
Receivables Turnover	<b>31.26</b>	<b>33.79</b>	<b>34.11</b>
Total Asset Turnover	<b>0.76</b>	<b>0.75</b>	<b>0.70</b>

### INTERPRETATION

Efficiency ratios evaluate how effectively Reliance uses its assets and manages its operating cycle.

- Inventory Turnover Ratio fell from 9.11 to 5.08, suggesting slower inventory movement and longer holding periods, likely due to expansion or higher working capital cycles.
- Receivables Turnover Ratio improved steadily (31.26 → 34.11), indicating faster collection from customers and efficient credit management.
- Total Asset Turnover declined slightly from 0.76 to 0.70, showing that asset growth outpaced revenue growth.

Overall: While receivable efficiency strengthened, inventory and asset utilisation weakened, reflecting capital-intensive expansion and slower conversion of assets into sales.

## 4. TREND ANALYSIS

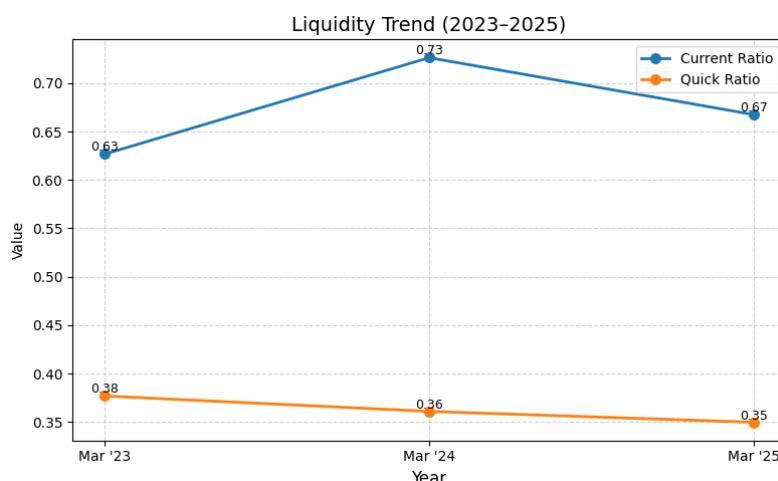
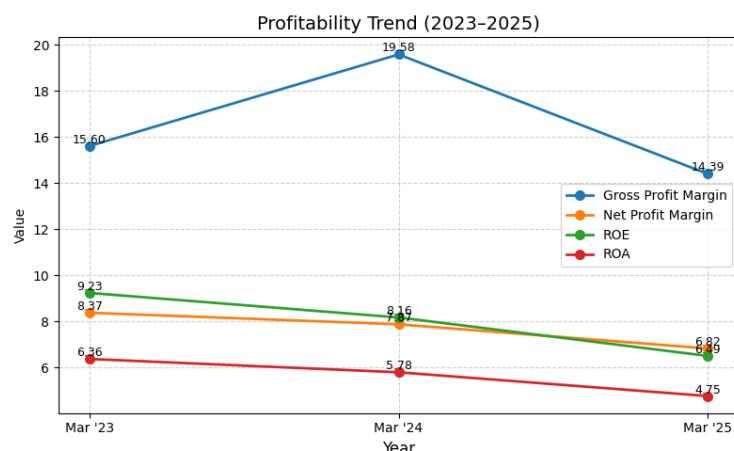
The overall trend for Reliance Industries between 2023 and 2025 shows a combination of improvement in some areas and weakening performance in others.

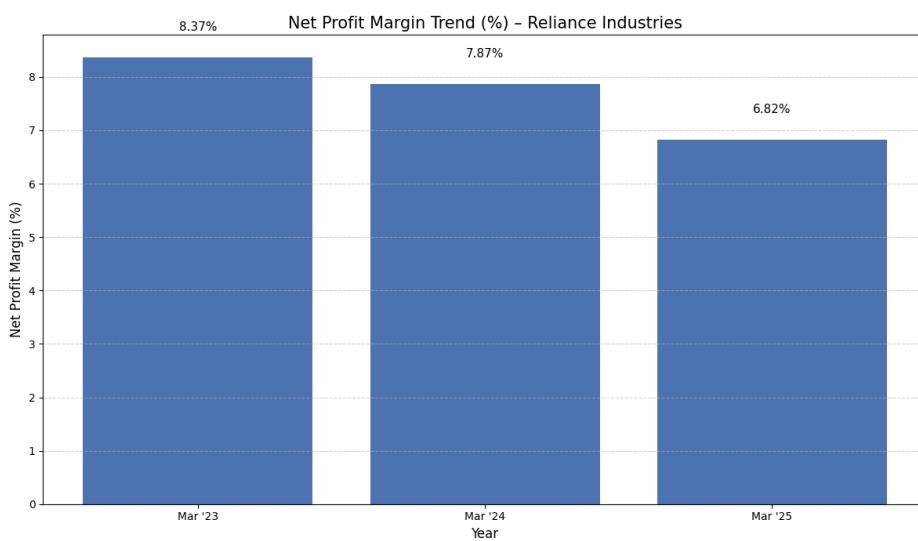
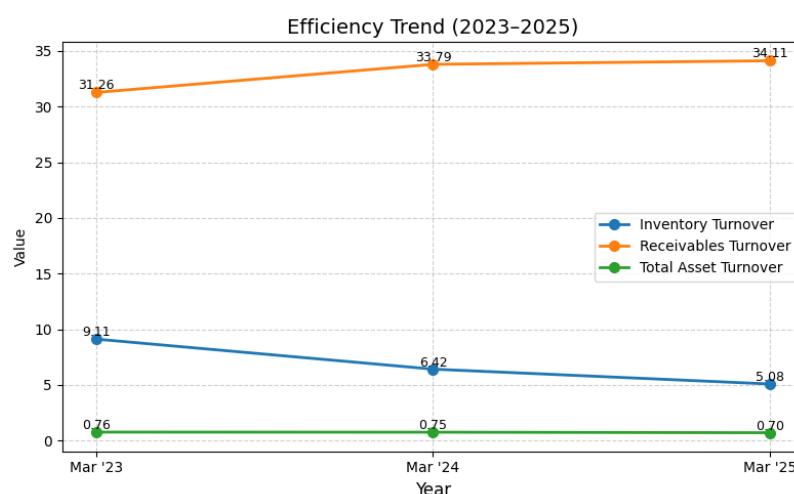
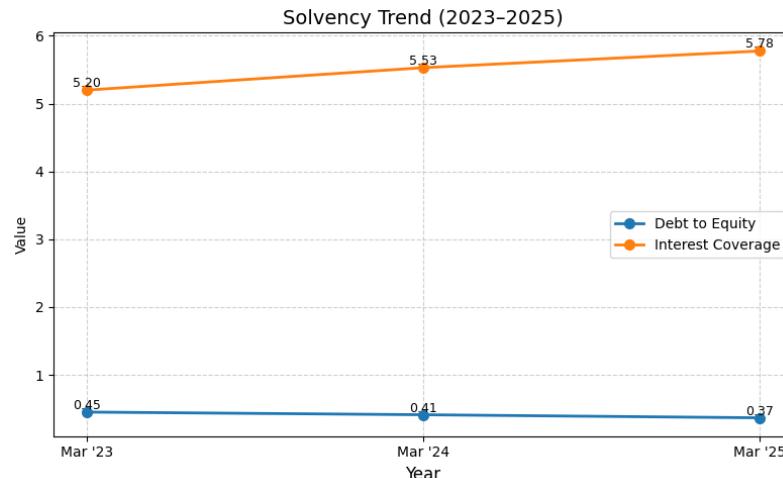
- Profitability trends show fluctuations rather than consistent growth. Gross Profit Margin rose from 15.60% in 2023 to 19.58% in 2024, indicating improved cost efficiency, but dropped again to 14.39% in 2025, reflecting rising

production and operating costs. Net Profit Margin, ROE, and ROA all declined gradually, showing weakening bottom-line profitability and reduced asset and equity efficiency over the years.

- Liquidity ratios remained relatively stable, with the Current Ratio increasing from 0.63 to 0.73 in 2024 before falling slightly to 0.67 in 2025. Quick Ratio remained consistently low (0.38 → 0.35), typical for a capital-intensive conglomerate.
- Solvency ratios improved overall. Debt-to-Equity reduced steadily (0.45 → 0.41 → 0.37), indicating strengthening capital structure. Interest Coverage improved consistently from 5.20 to 5.78, reflecting better ability to service debt.
- Efficiency ratios showed mixed performance. Inventory Turnover dropped sharply (9.11 → 5.08), indicating slower movement of inventory. Receivables Turnover improved each year (31.26 → 34.11), showing faster cash collection. Total Asset Turnover slightly declined (0.76 → 0.70), signalling slower revenue generation relative to assets.

Overall, the trends indicate strengthening solvency and receivable efficiency, but weakening profitability, slowing asset utilisation, and increasing inventory holding.





## 5. VALUATION ANALYSIS

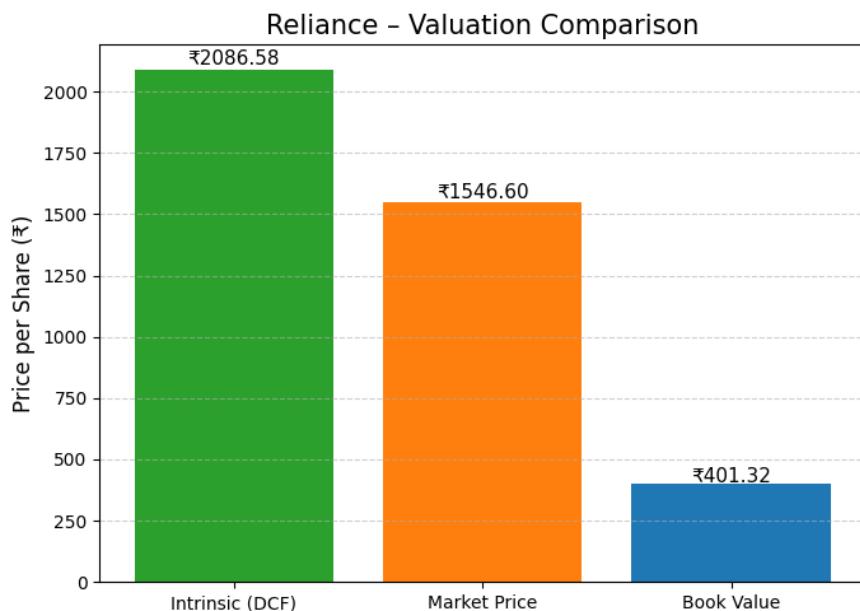
The valuation assessment for Reliance Industries uses two major approaches: Discounted Cash Flow (DCF) and Market Multiples.

Together, these give a comprehensive view of whether the current share price reflects Reliance's true intrinsic value based on cash flows, profitability, and capital structure.

### Discounted Cash Flow (DCF) Valuation

DCF estimates the present value of Reliance's future free cash flows. For an industrial conglomerate like Reliance, **Net Cash From Operating Activities (₹178,703 crore)** is used as a proxy for Free Cash Flow (FCF).

DCF Metric	Value
Base-Year FCF	₹178,703 crore
5-Year Net Profit CAGR (FCF Growth Rate)	12%
Terminal Growth Rate (IMF/World Bank – India long-term)	5%
Beta (Reliance vs NIFTY 50)	1.11
Discount Rate / Cost of Equity (CAPM)	13.78%
Projected Year-5 FCF	₹314,443.76 crore
PV of 5-Year FCFs (sum)	₹851,653 crore (approx.)
PV of Terminal Value	₹1,972,005.46 crore
DCF Enterprise Value	₹28,23,659.16 crore
Intrinsic Value per Share	₹2,086.58
Current Market Price	₹1,546.60



### INTERPRETATION

The intrinsic value per share (₹2,086.58) is ~35% higher than the current market price of ₹1,546.60.

This indicates that the stock is undervalued, largely driven by:

- Strong and expanding operating cash flows
- Consistent long-term growth prospects in retail, digital, and petrochemical segments

- **High stability of cash generation and scaling capacity across business verticals**

**The DCF valuation clearly signals upside potential from current price levels.**

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## MULTIPLES VALUATION

Market multiples evaluate Reliance's valuation relative to its earnings, book value, and operating performance.

Valuation Metric	Value
P/E (Price / EPS)	<b>59.35</b>
P/B (Price / Book Value)	<b>3.85</b>
EV/EBITDA	<b>32.6</b>
Trailing P/E (Yahoo Finance)	<b>25.14</b>
Price-to-Book (Yahoo Finance)	<b>2.38</b>

## INTERPRETATION

- P/E of 59.35 indicates Reliance trades at a premium based on earnings, reflecting its diversified business model and strong market dominance.
- P/B of 3.85 suggests Reliance carries a high premium to its book value, which is typical for large-scale conglomerates with multiple high-growth businesses.
- EV/EBITDA of 32.6 indicates Reliance is valued richly relative to its operating profits, driven by strong capex, digital initiatives, and reinvestment cycles.

Compared to sector averages, Reliance appears expensive on multiples, but this is justified by its strong growth runway, multi-sector leadership, and long-term cash flow potential.

Together, the multiples paint Reliance as a growth-premium stock, where valuation is driven more by future prospects than current earnings.

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## 6. CONCLUSION & INVESTMENT RECOMMENDATION

Reliance Industries shows mixed financial trends between FY 2023 and FY 2025. While profitability margins and asset returns have softened slightly, the company remains financially strong, operationally diverse, and strategically positioned in energy, retail, and digital ecosystems.

From a valuation standpoint:

- The DCF intrinsic value (₹2,086.58) is significantly above the current market price (₹1,546.60).
- Multiples valuation shows Reliance trades at a premium, typical for a diversified market leader with large-scale reinvestment and expansions.
- Beta (1.11) and discount rate (13.78%) indicate a moderate risk profile, consistent with large-cap conglomerates.

Final Recommendation

Reliance Industries appears to be a fundamentally strong company with attractive long-term potential. While the stock is premium-priced on multiples, the DCF-based intrinsic value suggests meaningful upside, driven by:

- Strong operating cash flows
- Expansion of retail and telecom verticals
- Diversified revenue streams
- Long-term growth sustainability

Reliance offers a compelling investment opportunity with solid fundamentals, high cash flow stability, and favorable long-term valuation upside.