

Financial Ratios Report: Reliance Industries Ltd. (March 2016 - March 2025)

1. Introduction

This report analyzes key financial ratios for Reliance Industries Ltd. (RIL) from March 2016 to March 2025. These ratios provide insights into the company's liquidity, efficiency, and overall financial health.

2. Executive Summary

Reliance Industries Ltd. generally maintains a stable liquidity position, as indicated by its Current and Quick Ratios, though there are fluctuations. The company shows varying levels of efficiency in managing its inventory and working capital. The Operating Cash Flow Ratio highlights the company's ability to generate cash from its operations to cover short-term liabilities.

3. Liquidity Ratios

3.1. Current Ratio (Current Assets / Current Liabilities)

- **Trend:** The Current Ratio has fluctuated over the years. It started at 0.32 in March 2016, peaked at 0.62 in March 2024, and stands at 0.80 in March 2025.
- **Interpretation:** A ratio greater than 1 generally indicates that a company has more current assets than current liabilities, suggesting good short-term liquidity. While RIL's ratio is often below 1, it shows an improving trend towards the end of the period, indicating a better ability to cover short-term obligations.

3.2. Quick Ratio (Quick Assets / Current Liabilities)

- **Quick Assets:** These are Current Assets minus Inventory.
- **Trend:** Similar to the Current Ratio, the Quick Ratio has also varied, starting at 0.08 in March 2016 and reaching 0.40 in March 2025.
- **Interpretation:** The Quick Ratio is a more conservative measure of liquidity as it excludes inventory. RIL's Quick Ratio, while generally low, shows a positive trend, suggesting an improving ability to meet immediate obligations without relying on selling inventory.

3.3. Cash Ratio (Cash & Bank / Current Liabilities)

- **Trend:** The Cash Ratio has been relatively low but shows an increasing trend, from 0.06 in March 2016 to 0.29 in March 2025.
- **Interpretation:** This ratio indicates the company's ability to pay off current liabilities using only cash and cash equivalents. The upward trend suggests RIL is holding more liquid assets relative to its short-term debt.

3.4. Defensive Interval Ratio (Defensive Assets / Average Daily Operating Expenses)

- **Defensive Assets:** Quick Assets.

- **Trend:** This ratio has shown significant fluctuations, ranging from 95.27 days in March 2017 to 351.38 days in March 2024, settling at 319.93 days in March 2025.
- **Interpretation:** This ratio indicates how many days a company can operate using its most liquid assets without resorting to its revenue-generating activities. The variability suggests that RIL's ability to cover its daily operating expenses from liquid assets has changed considerably over time.

4. Efficiency Ratios

4.1. Working Capital (Current Assets - Current Liabilities)

- **Trend:** Working Capital has generally been negative throughout the period, but shows a trend of becoming less negative, moving from -₹1,32,735.00 million in March 2016 to -₹74,890.00 million in March 2025.
- **Interpretation:** Negative working capital can sometimes indicate efficient use of assets or strong supplier relationships, but consistently negative values might also signal potential liquidity issues if not managed carefully. The trend towards less negative working capital suggests an improvement in managing current assets and liabilities.

4.2. Operating Cash Flow Ratio (Operating Cash Flow / Current Liabilities)

- **Trend:** This ratio has fluctuated, ranging from 0.10 in March 2021 to 0.48 in March 2025.
- **Interpretation:** This ratio measures how well a company's operations generate enough cash to cover its current liabilities. The increasing trend towards March 2025 indicates an improved ability to generate cash from core operations to meet short-term obligations.

4.3. Inventory Turnover Ratio (COGS / Average Inventory)

- **Trend:** This ratio has varied, from 4.89 in March 2017 to 12.33 in March 2024, and is 4.16 in March 2025.
- **Interpretation:** A higher inventory turnover ratio generally indicates that inventory is being sold quickly, which is efficient. The fluctuations suggest varying efficiency in inventory management over the years. A lower ratio in March 2025 could imply slower sales or higher inventory levels.

5. Conclusion

Reliance Industries Ltd. exhibits a dynamic financial profile. While its liquidity ratios have historically been below the traditional ideal of 1, they show an improving trend, particularly in recent years. The company's ability to generate cash from operations to cover short-term debt has also strengthened. Working capital remains negative but is improving. Inventory management efficiency has varied, suggesting areas for potential optimization. Overall, RIL appears to be managing its short-term financial position with a focus on operational cash flow and strategic asset management.