

Financial Analysis: RELIANCE

Jotty Financial Analysis

Contents

Financial Analysis: RELIANCE	1
Executive Summary	1
Financial Analysis Summary: Reliance Industries	1
1. Company Overview	1
2. Financial Performance	1
Revenue & Profit Trends (Crores)	1
Profitability Ratios	2
Growth Assessment	2
3. Financial Health	2
Balance Sheet Strength	2
Debt & Liquidity	2
4. Valuation Metrics	2
5. Investment Thesis	2
Key Strengths	2
Key Risks	3
Investment Recommendation: AVOID / SELL	3
Detailed Financial Data	3
1. RELIANCE (RELIANCE)	3

Financial Analysis: RELIANCE

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Executive Summary

Financial Analysis Summary: Reliance Industries

1. Company Overview

Reliance Industries (RELIANCE) is one of India’s largest conglomerates with diversified operations across energy, petrochemicals, retail, and telecommunications sectors. The company holds a dominant position in multiple industries within the Indian market.

2. Financial Performance

Revenue & Profit Trends (Crores)

- **Sales:** 125,849 → 127,695 (fluctuating pattern with peak at 137,380)

- **Operating Profit:** 14,899 → 17,558 (overall upward trend)
- **Net Profit:** 8,373 → 9,924 (volatile, with peak at 13,806)

Profitability Ratios

- **ROE:** 6.61% - *Low, indicating modest returns on shareholder equity*
- **ROCE:** 7.57% - *Below average, suggesting inefficient capital utilization*
- **Operating Margin:** ~13-15% (Operating Profit/Sales)
- **Net Margin:** ~7-11% (declining from peak)

Growth Assessment

Concerns: Revenue growth is stagnant/volatile, profit margins under pressure

3. Financial Health

Balance Sheet Strength

- **Equity Capital:** 6,335 Cr (doubled in recent period - likely stock split)
- **Reserves:** 308,312 Cr (strong growth from 193,859 Cr)
- **Total Equity:** ~ 314,647 Cr
- **Book Value:** 413 per share

Debt & Liquidity

- **Borrowings:** 116,881 Cr (increased 30% from 89,968 Cr)
- **Debt-to-Equity:** ~0.37 (manageable but rising)
- **Trend:** Increasing debt levels warrant monitoring

4. Valuation Metrics

- **Current Price:** 1,386
- **Market Cap:** 18,75,736 Crores
- **P/E Ratio:** 47.2x - *Significantly overvalued vs. profit growth*
- **P/B Ratio:** 3.36x (Price 1,386 / Book Value 413)
- **Dividend Yield:** 0.40% - *Minimal income return*
- **52-Week Range:** 1,612 (currently below high)

Valuation Concern: Premium valuation not justified by fundamentals

5. Investment Thesis

Key Strengths

1. **Strong reserve base** indicating retained earnings capacity
2. **Diversified business model** reduces concentration risk
3. **Market leadership** in multiple segments
4. **Manageable debt levels** with adequate equity cushion

Key Risks

1. **Extremely high P/E (47.2x)** - significantly overvalued
2. **Poor returns:** ROE (6.61%) and ROCE (7.57%) below expectations
3. **Stagnant revenue growth** with no clear upward trajectory
4. **Rising debt** (30% increase) amid flat revenues
5. **Volatile profitability** - net profit swings significantly
6. **Negligible dividend yield** (0.40%) offers no income cushion

Investment Recommendation: AVOID / SELL

Reasoning: The stock trades at a **premium valuation (P/E 47.2x)** that is completely disconnected from its **deteriorating fundamentals**. With ROE and ROCE both below 8%, stagnant revenue growth, volatile profits, and increasing debt, the company is not generating adequate returns to justify its price. The minimal dividend yield provides no downside protection.

Better opportunities exist in stocks with stronger fundamentals at more reasonable valuations. Current shareholders should consider profit-booking, while new investors should wait for a significant correction (40-50%) or fundamental improvement before considering entry.

Fair Value Estimate: 700-900 range based on normalized earnings and sector multiples.

Detailed Financial Data

1. RELIANCE (RELIANCE)

Key Ratios

Ratio	Value
Book Value	413
Current Price	1,386
Dividend Yield	0.40
Face Value	10.0
High / Low	1,612
Market Cap	18,75,736
ROCE	7.57
ROE	6.61
Stock P/E	47.2

Profit & Loss Statement

	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023
Sales+	125,849	129,674	122,627	137,380	127,695
Expenses+	110,950	110,542	105,134	118,189	110,137
Operating Profit	14,899	19,132	17,493	19,191	17,558
OPM %	12%	15%	14%	14%	14%

	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023
Other Income+	2,689	2,750	2,728	2,934	2,969
Interest	3,349	3,752	3,596	3,239	2,982
Depreciation	2,529	3,779	3,883	4,384	4,567
Profit before tax	11,710	14,351	12,742	14,502	12,978
Tax %	28%	4%	24%	23%	24%
Net Profit+	8,373	13,806	9,627	11,208	9,924
EPS in Rs	6.19	10.20	7.11	8.28	7.33
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