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Project Report on



Fundamental Analysis of Reliance industries limited

**Prepared in Partial Fulfillment of B. Com (H) 6th
Semester Project Work**

[Paper Code: 6.4.2 CH; Category DSE - 4]

July, 2021

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Acknowledgement

I would like to express my special thanks of gratitude to my professors, **prof. Abhijit Roy** and **Prof. Subrajyoti Mondal** as well as our **HOD prof. Nirmala Rajak** who gave me the golden opportunity to do this wonderful project on the topic **fundamental analysis of Reliance Industries** , which also helped me in doing a lot of Research and I came to know about so many new things, I am really thankful to them.

Secondly I would also like to thank **Google** and my **friends** who helped me a lot in finalizing this project within the limited time frame.



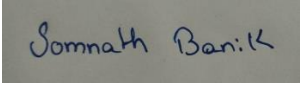
Declaration

I, the undersigned solemnly declare that the project report **Fundamental Analysis of Reliance Industries** is based on my own work carried out for partial fulfillment of B. Com (H) 6th Semester Project Work, Course Code 6.4.2 CH, DSE - 4. I further certify that the work contained in the report is original and I have followed the guidelines provided by the university in writing the report. Whenever I have used materials (data, theoretical analysis, and text) from other sources, I have given due credit to them in the text of the report and giving their details in the references.

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Signature:



Date :07/07/2021

Executive Summary

Write overall summary of the report here

Subject Matter: This project report provides an analysis and interpretation of the year from 2018 to 2021 profitability, Liquidity and Solvency ratio stability of Reliance Industries Limited.

Methods of Analysis: Methods of analysis include horizontal and vertical analysis as well as ratio such as current and liquid ratios. Other calculations include rate of return on shareholder's equity and Total Assets and earning per share. Many other calculation can be found in this project.

Findings: Results of data analysis shows that all ratios are below industry averages. In particular, comparative performance is poor in profitability and solvency management.



Content of the Report

(i)	Introduction	-----	page: 05-07
(ii)	An Overview of the Industry	-----	page: 08
(iii)	Company Overview	-----	page: 09
(iv)	Financial Analysis of the Company	-----	page: 10-18
(v)	Conclusion and Recommendations	-----	page: 19
(vi)	Referencecs	-----	page: 20



1. Introduction

1.1 Brief about the Report

I did financial analysis on Reliance Industries and for this firstly I have done many research on Indian economy, its industries and companies. After this I have collect all data to do analysis from company balance sheet and I did some ratio analysis on it. I have explained all thing point wise and made this report.

1.2 Theoretical Understanding of Fundamental Analysis

All stock analysis tries to determine whether a security is correctly valued within the broader market. Fundamental analysis is usually done from a macro to micro perspective in order to identify securities that are not correctly priced by the market.

Analysts typically study, in order, the overall state of the economy and then the strength of the specific industry before concentrating on individual company performance to arrive at a fair market value for the stock.

Fundamental analysis uses public data to evaluate the value of a stock or any other type of security. For example, an investor can perform fundamental analysis on a bond's value by looking at economic factors such as interest rates and the overall state of the economy, then studying information about the bond issuer, such as potential changes in its credit rating.

For stocks, fundamental analysis uses revenues, earnings, future growth, return on equity, profit margins, and other data to determine a company's underlying value and potential for future growth. All of this data is available in a company's financial statements.



1.3 Applicability of Fundamental Analysis for Present Report

For this portion I have divided it into three points, which is (i) **economy**, (ii) **industry**, (iii) **company**.

- **Economy**- The economy of India is characterized as a middle income developing market economy. It is the world's sixth-largest economy by nominal GDP and the third-largest by purchasing power parity. According to the International monetary fund (IMF), on a per capital income basis, India ranked 145th by GDP (nominal) and 122th by GDP (PPP). From independence in 1947 until 1999, successive governments promoted protectionist economic policies with extensive state intervention and economic regulation, which is characterized as dirigisme, in the form of License Raj. The end of the cold war and an acute balance of payments crisis in 1991 led to adoption of a board economic liberalization in India. Since the start of the 21st century, annual average GDP growth has been 6% to 7%, and from 2013 to 2018, India was world's fastest growing major economy, surpassing china. Historically, India was the largest economy in the world for most of the two millennia from the 1st until the 19th century.
- **Industry**- Growth in the industrial sector is one of the vital figures that affect the Gross Domestic Product (GDP) in India. This section provides information about the initiatives taken by the Union and state Governments to facilitate the industrial growth in the country. Details of industries like insurance, Micro, Small and Medium Enterprises, chemical, fertilizer, defense products, cottage, retail textile, pharmaceutical, manufacturing, etc. are provided for the users. The section also highlights schemes, documents, forms, acts, rules, policies, reports related to various industries and corporate governance.
- **Company**- India's corporate sector has grown steadily over the past two decades in terms of number of registered companies and amount of paid up capital. The corporate sector consists of closely held (private limited and publically held (public limited) companies, with approximately 619,000 registered companies as of June 2003, about 40 percent of which are in the manufacturing sector 4. Private limited companies comprise the majority of firms in the corporate sector, but account for less than one-third of total paid up capital. Government-owned enterprises (both public and private limited) are comparatively few in number but large in size, accounting for more than 25 percent of the paid up capital. The share of total output by government enterprises has been declining since the start of reforms, falling from 32 percent of gross industrial value added in 1991 to 25 percent in 2002.

2. An Overview of the Industry

Reliance Industries Limited (RIL) is an Indian multinational conglomerate, headquartered in Mumbai. RIL's diverse business include energy, petrochemicals, natural gas, retail, telecommunications, mass media, and textiles. Reliance is one of the most profitable companies in India, the largest company in India as measured by revenue after recently surpassing the government-controlled Indian Oil Corporation. It is also the eight largest employer in India with nearly 1,95,000 employees. On 10 September 2020, Reliance Industries became the first Indian company to cross \$200 billion in market capitalisation.

The company is ranked 96th on the Fortune Global 500 list of the world's biggest corporations as of 2020. It is ranked 8th among the top 250 Global Energy Companies by Platt's as of 2016. Reliance continues to be India's largest exporter, accounting for 8% of India's total merchandise exports with a value of rs. 1,47,755crore and access to markets in 108 countries. Reliance is responsible for almost 5% of government of India's total revenues from custom and excise duty. It is also the highest income tax payer in the private sector in India



3. Company Overview

India's largest private sector company, Reliance Industries has evolved from being a textiles and polyester company to an integrated player across **energy petrochemicals, textiles, natural resources, retails and telecommunications** and operates world-class manufacturing facilities across the country. Reliance's products and services portfolio touches almost all needs of people on a daily basis, across economic and social spectrums.

Reliance Industries Limited is headquartered in **Mumbai** and is growing under the leadership of **Mukesh Ambani**, the son of late Dhirubhai Ambani and elder brother of Anil Ambani after the division of the family business among the two brothers.

Reliance Group is a conglomerate holding company in India that has a wide portfolio of business and is the highest taxpayer in the Indian Private Sector. It accounts for over 5% of the Indian Government's revenues and almost 8% of the total merchandise exports from India. RIL was the first Indian company to breach \$100 billion market capitalization in 2007 and 2019 it has become the first Indian firm to cross Rs 9 lakh crore market valuation marks. The company has ranked **106th on the Fortune Global 500 list** of the world's biggest corporations as of 2019.



4. Financial Analysis of the Company

To analysis the company I have did this project on profitability ratio, Liquidity ratio, and Solvency ratio. I have discuss about these three ratios and analysis in follow:

A. What is profitability ratio ?

= **Profitability ratios** assess a company's ability to earn profits from its sales or operations, balance sheet assets, or shareholders' equity. **Profitability ratios** indicate how efficiently a company generates profit and value for shareholders.

I have chosen some ratios from profitability ratio, they are, (i) **Net profit to fixed asset ratio**, (ii) **Net profit to total asset ratio**, (iii) **Earning per share ratio**.

(i) **Net profit to fixed asset ratio-**

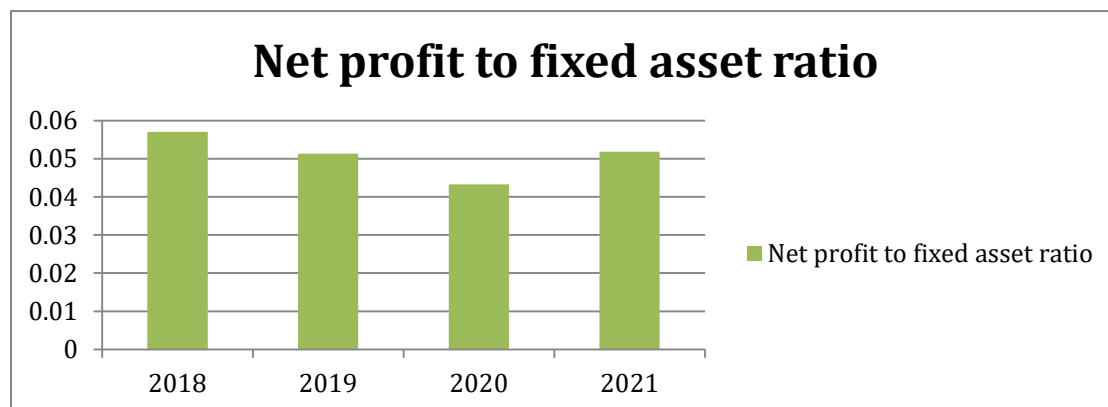
Formula= Net profit / Fixed assets

Statement showing the data needed for **Net profit to fixed asset ratio**:

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Net profit	36,07,50,000	39,58,80,000	39,35,40,000	49,12,80,00
Fixed assets	6,32,56,20,000	7,71,65,10,000	9,07,65,50,000	9,48,20,10,000

Statement showing calculation of **Net profit to fixed asset ratio**:

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Net profit to fixed asset ratio (Net profit / fixed asset)	0.0570	0.0513	0.0433	0.0518



(ii) Net profit to total asset ratio-

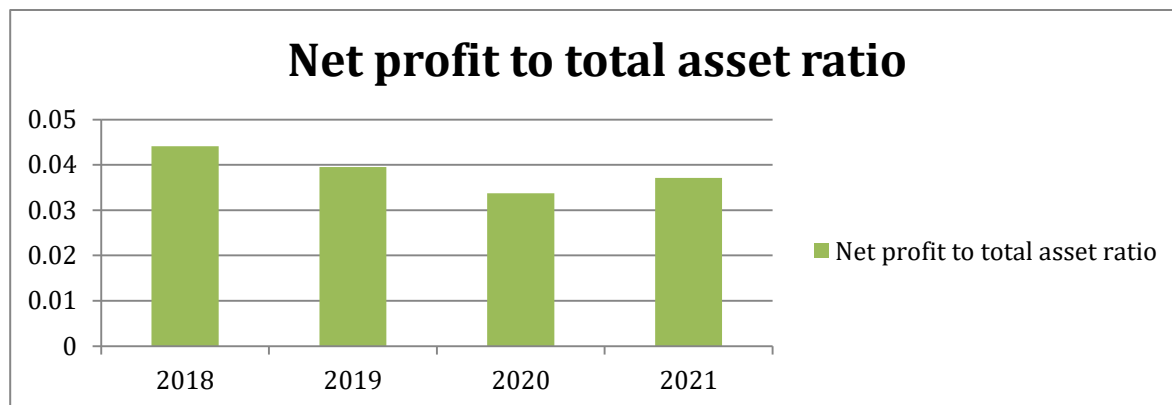
Formula=Net profit / Total assets

Statement showing the data needed for **Net profit to total asset ratio**:

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Net profit	36,07,50,000	39,58,80,000	39,35,40,000	49,12,80,000
Total assets	8,16,34,80,000	10,02,40,60,000	11,65,91,50,000	13,21,21,20,000

Statement showing calculation of **Net profit to total asset ratio**:

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Net profit to total asset ratio (Net profit / Total assets)	0.0441	0.0395	0.0337	0.0371

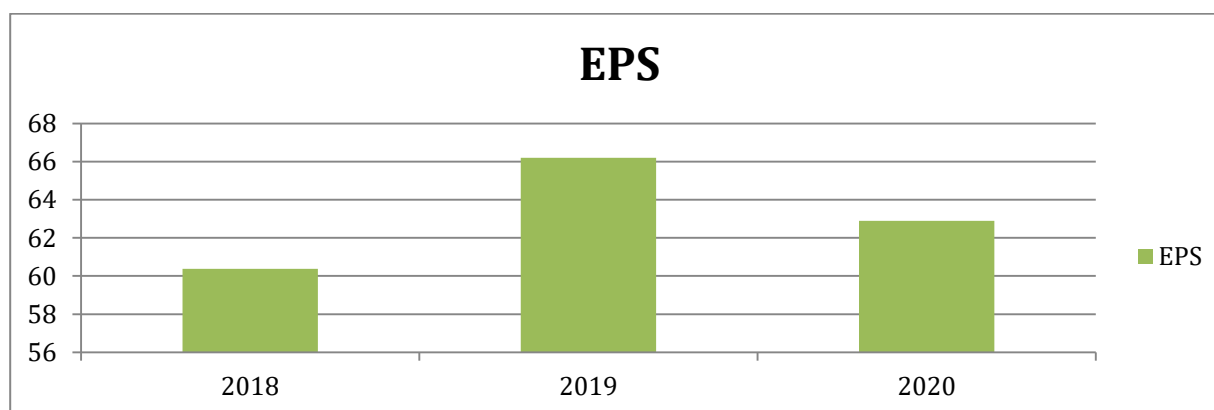


(iii) Earning per share ratio-

Formula= Net profit available to equity shareholders / Number of equity shareholders

Statement showing the data needed for **Earning per share ratio**:

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Earning Per Share	60.37	66.19	62.89	NA



B. What is Liquidity Ratio ?

= **Liquidity ratios** are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital. **Liquidity ratios** measure a company's ability to pay debt obligation and its margin of safety through the calculation of metrics including the current ration, quick ratio, and operating cash flow ratio.

I have chosen **Current Ratio** and **Liquid Ratio** from liquidity ratio to analysis.

(i) Current Ratio:

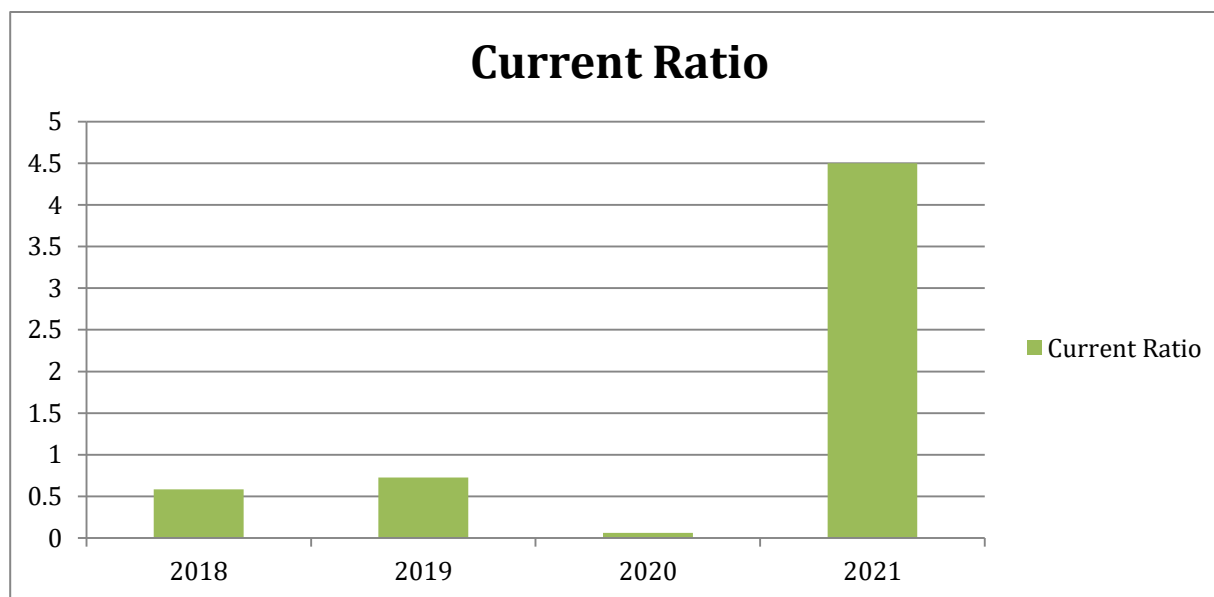
Formula= Current Assets / Current Liabilities

Statement showing the data needed for **Current Ratio-**

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Current Assets	1,83,78,60,000	2,30,75,50,000	2,58,26,00,000	3,73,01,10,000
Current Liabilities	3,13,85,20,000	3,17,32,20,000	4,12,91,60,000	2,77,56,80,000

Statement showing calculation of **Current Ratio-**

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Current Ratio	0.5856	0.7271	0.0625	1.344



(ii) Liquid Ratio or Acid Test Ratio:

Formula= (Current Assets - Inventory) / Current Liabilities

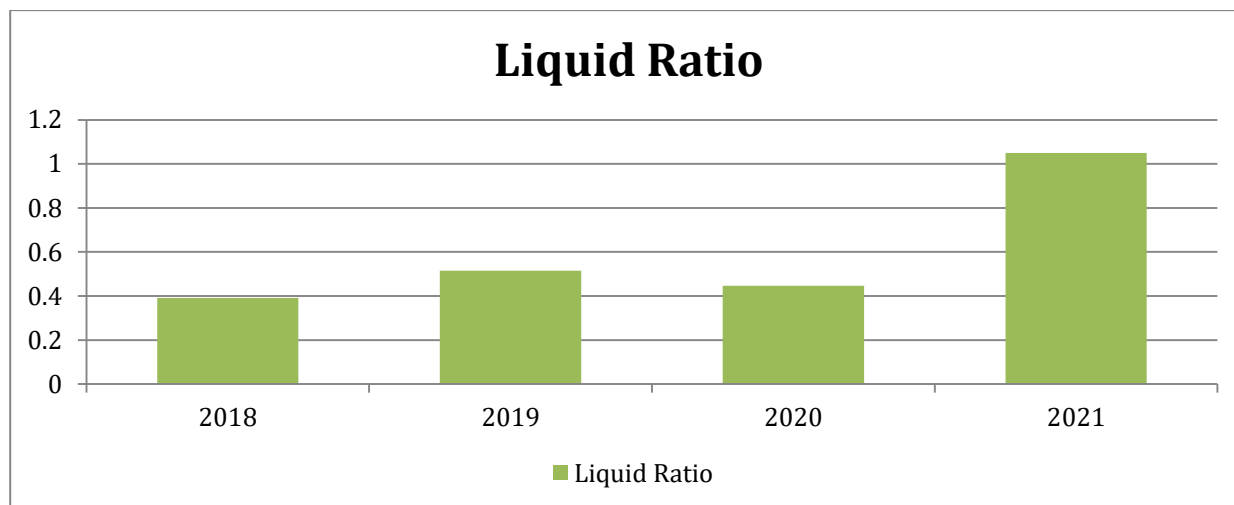
Statement showing calculation of (Current assets – Inventory)

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Current Assets	1,83,78,60,000	2,30,75,50,000	2,58,26,00,000	3,73,01,10,000
Inventory	60,83,70,000	67,56,10,000	73,90,30,000	81,67,20,000

Statement showing calculation for **Liquid Ratio or Acid Test Ratio-**

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Current Assets - Inventory	1,22,94,90,000	1,63,19,40,000	1,84,35,70,000	2,91,33,90,000
Current Liabilities	3,13,85,20,000	3,17,32,20,000	4,12,91,60,000	2,77,56,80,000

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Liquid Ratio or Acid Test Ratio	0.3917	0.5143	0.4465	1.05



C. What is Solvency Ratios ?

= A **solvency ratio** is a key metric used to measure an enterprise's ability to meet its long-term debt obligations and is used often by prospective business lenders. A solvency ratio indicates whether a company's cash flow is sufficient to meet its long-term liabilities and thus is a measure of its financial health. An unfavorable ratio can indicate some likelihood that a company will default on its debt obligations.

From solvency ratio, I have chosen **Proprietary Ratio** and **Fixed Asset to Proprietary Ratio** to analysis.

(i) Proprietary Ratio:

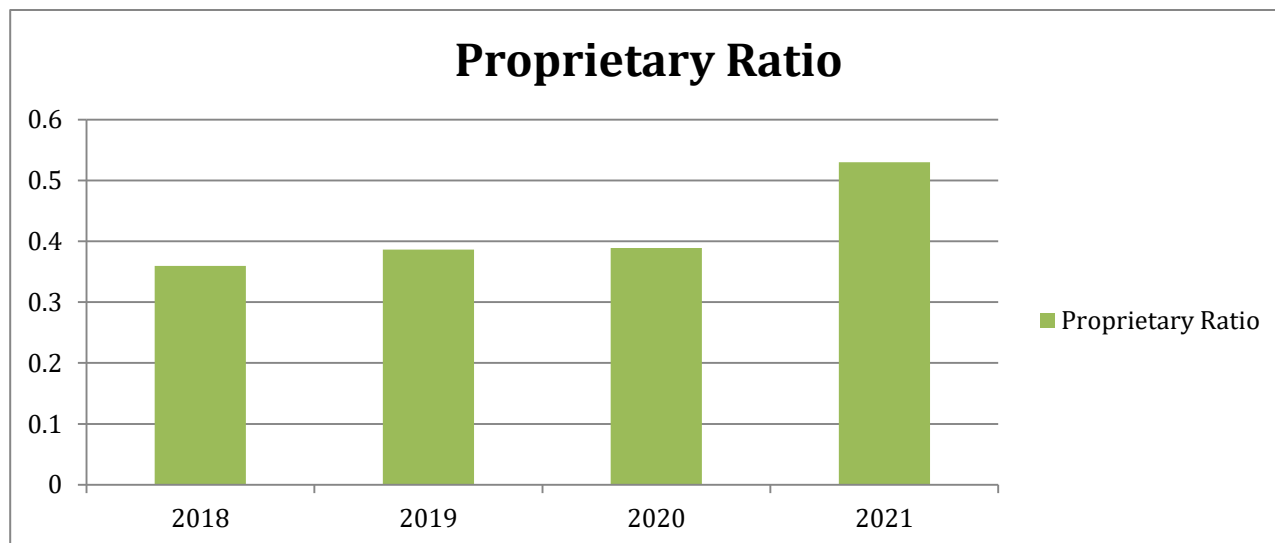
Formula= Proprietary Ratio / Total Assets

Statement showing the data needed for **Proprietary Ratio**

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Proprietary Fund	2,93,50,60,000	3,87,11,20,000	4,53,33,20,000	7,00,17,20,000
Total Assets	8,16,34,80,000	10,02,40,60,000	11,65,91,50,000	13,21,21,20,000

Statement showing calculation of **Proprietary Ratio**

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Proprietary ratio	0.3595	0.3862	0.3888	0.5299



(ii) Fixed asset to proprietary fund ratio:

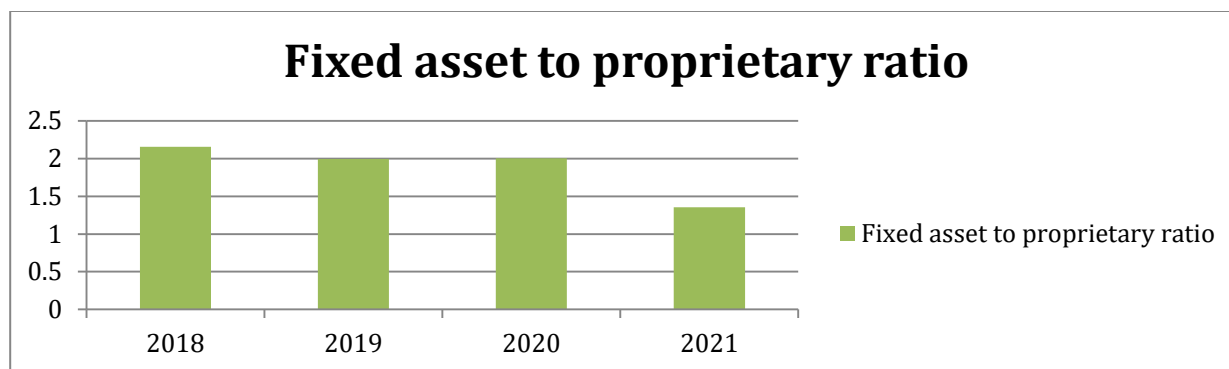
Formula= Fixed Asset / Proprietor's Fund

Statement showing the data needed for Fixed asset to proprietary fund ratio-

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Fixed Assets	6,32,56,20,000	7,71,65,10,000	9,07,65,50,000	9,48,20,10,000
Proprietors fund	2,93,50,60,000	3,87,11,20,000	4,53,33,20,000	7,00,17,20,000

Statement showing calculation of Fixed asset to proprietary fund ratio-

Particulars	30/03/2018	30/03/2019	30/03/2020	30/03/2021
Fixed asset to proprietary fund ratio	2.1552	1.9933	2.0022	1.3542



5. Conclusion and Recommendations

After analyzing the company we can see those things –

- (i) The **profitability ratio** report is not satisfying because **Net. profit to Fixed asset ratio**, **Net. profit to Total asset ratio** and **Earning per share** is not increase this year, it has decreased in 2021.
- (ii) In **liquidity ratio** we can see the positive side that the **Current ratio** and **Liquid ratio** has increased this year than previous years.
- (iii) **Solvency ratio** shows neutral side which means though **proprietary ratio** has increased by manner but **fixed ratio to proprietary ratio** has decreased this year.

So after that we can see that though **profitability ratio** and **solvency ratio** has not a great response this year but **liquidity ratio** shows a great side of the company. But we have to understand that for the global pandemic almost all companies of all over the world is highly impacted and comparing to the other companies Reliance Industries Limited has a better grow.

So I can say that Reliance Industries Limited is one of the best company of India after analyzing it. And I can say that it has a great future and I can easily suggests this company to any investor.

6. References

- **Websites –**
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<https://www.ril.com>
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- **Book –**
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