

Liquidity Analysis of Reliance Industries Limited - A Study Based on Selected Liquidity Ratios

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Abstract:

The study is conducted purely based on secondary data. By using the liquidity ratios analysis tool, liquidity position of Reliance industries limited can easily find out. For this purpose, data from 2013 to 2017 of Reliance industries has been considered. From the analysis, it has been concluded that Reliance Industries Limited Ltd is performing better in 2016 and 2017.

Key Word: Financial Performance, Ratio

1. Introduction

A ratio or financial ratio is a relationship between two accounting figures, expressed mathematically. Ratio Analysis helps to qualitative judgment about the firm's financial performance. Ratio analysis is a tool used by management and fundamental investors to determine a company's financial position in an industry or sector in comparison to its peers. It involves methods of calculating and interpreting financial ratios to assess a firm's performance and status. This Analysis is prima Reliance Industries Limited designed to meet informational needs of investors, creditors and management.

Reliance is the most profitable company in India, The company is ranked 203th on the Fortune Global 500 list of the world's biggest corporations as of 2017. Reliance owns businesses across India engaged in energy, petrochemicals, textiles, natural resources, retail, and telecommunications. Reliance continues to be India's largest exporter accounting for 8% of India's total merchandise exports with a value of Rs 147,755 cr. and access to markets in 108 countries. Reliance is responsible for almost 5% of The Government of India's total revenues from customs and excise duty and is also the highest Income tax payer in the private sector in India.

The analysis of financial statements is a process of evaluation relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance In financial analysis, a ratio is compared against a benchmark for evaluating the financial position and performance of a firm. Financial ratios help to summaries large quantities of financial data.

2. Objectives of the Study

1. To study the liquidity position of Reliance Industries Limited.
2. To compare liquidity position of Reliance Industries Limited.

3. Research Methodology

This research is based on secondary data. The financial statements of Reliance Industry have been taken. The data has been considered for the last five years starting from 2013 to 2017. The data has been analyzed by using selected ratios like Current Ratio, Debt equity ratio., Inventory turnover ratio, Fixed asset turnover ratio, Net operating profit per share, Dividend payout ratio, Earnings per share etc.

4. Limitations

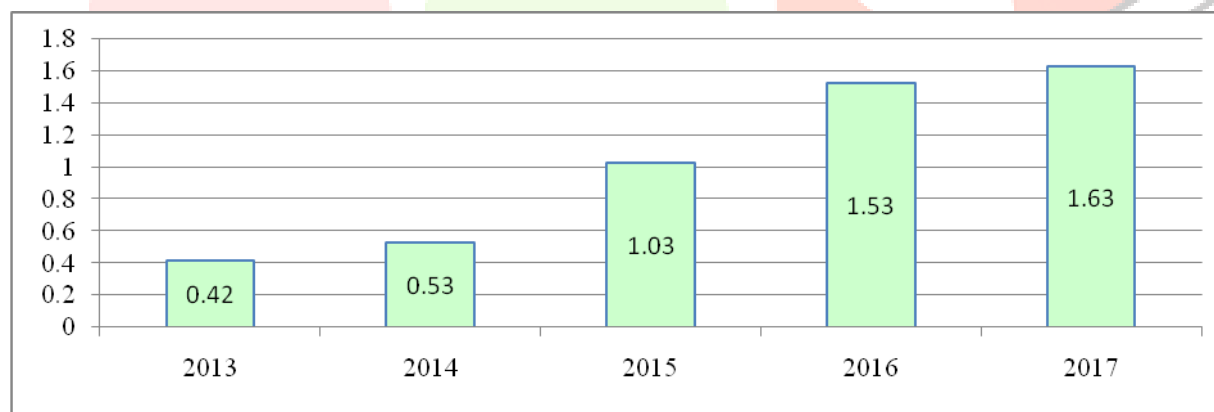
1. The study depends on the secondary data.
2. Accounting techniques used for the study like ratio analyses have its own limitations.

5. Data Analysis and Interpretation

1. Current Ratio

Table No. 1.1 Current Ratio

Year	2013	2014	2015	2016	2017
Current Ratio	0.42	0.53	1.03	1.53	1.63

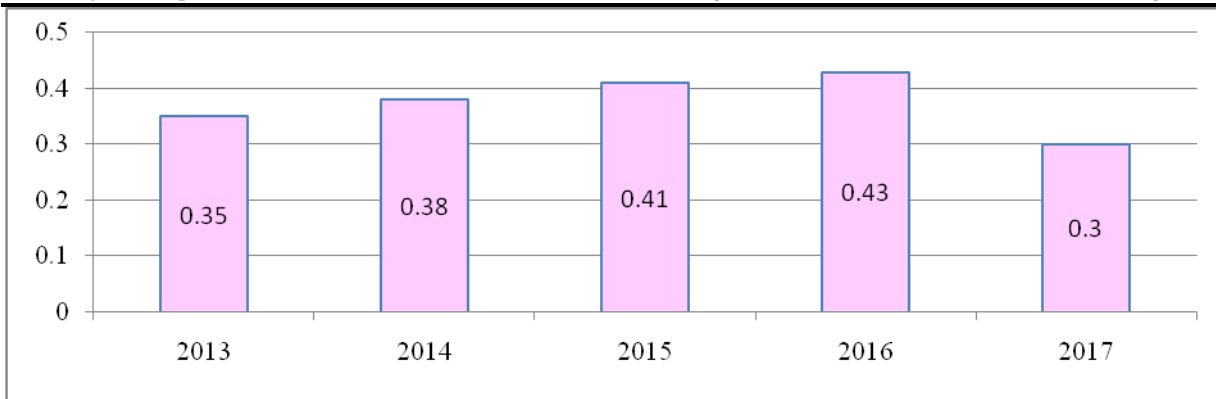


From the above table No.1.1, it is clear that Current ratio of Reliance Industries Limited is increased every year from 2013 to 2017. It is 0.42 in 2013 and 1.63 in 2017. It indicates the company's ability to meet the short term debts is better. this ratio also known as working capital ratio.RBI recommended 2:1 current ratio but chore committee recommended satisfactory ratio is 1.33:1.So, position of Reliance Industries Limited is good.

2. Debt equity Ratio

Table No. 1.2 Debt equity Ratio

Year	2013	2014	2015	2016	2017
Total Debt/Equity ratio	0.35	0.38	0.41	0.43	0.30

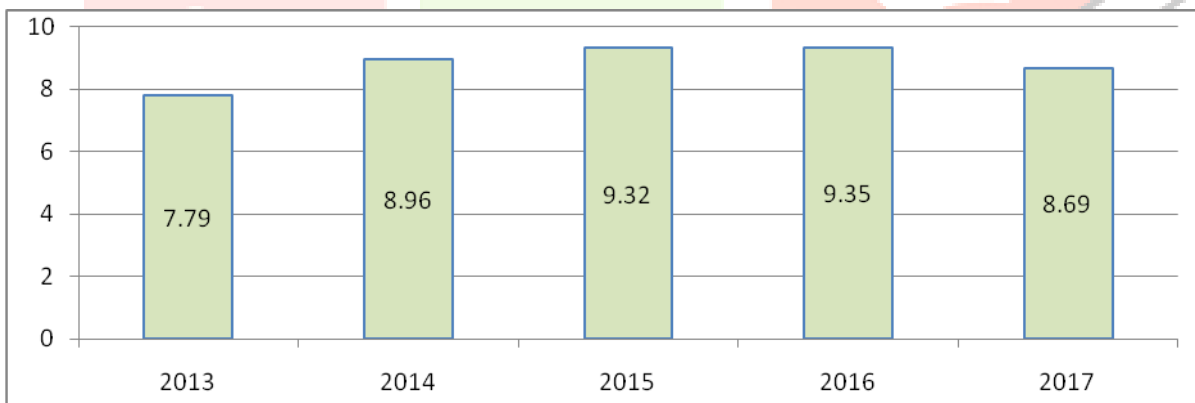


From the above table no. 1.2, it is clear that the debt equity ratio of Reliance Industries Limited is 0.35 in 2013 and 0.43 in 2017, it goes upward from 2013 to 2016, but it is decreased in 2017 and it is 0.3. The debt to equity ratio is a financial ratio indicating the relative proportion of equity and debt used to finance a company's assets which is an indicator of the financial leverage. This is a useful measure as it helps the investor see the way management has financial operations. A high debt / equity ratio generally means that a company has been aggressive in financing its growth with debt.

3. Inventory Turnover Ratio

Table No. 1.3 Inventory Turnover Ratio

Year	2013	2014	2015	2016	2017
Inventory Turnover Ratio	7.79	8.96	9.32	9.35	8.69

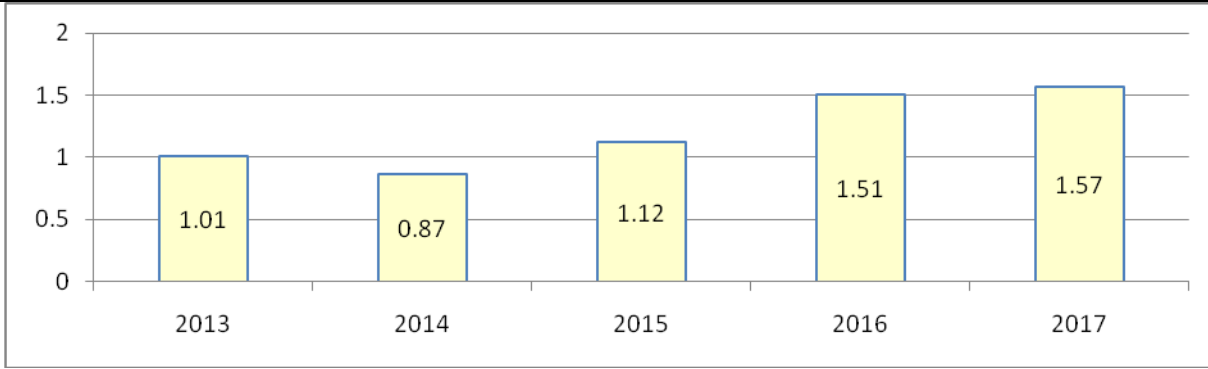


From the above table no. 1.3, it is clear that Inventory turnover ratio of Reliance Industries Limited is 7.79 in 2013 and 9.35 in 2016. It is high in 2016, but in 2017 it is 8.69. It shows the company's efficiency in turning its inventory into sales. A low turnover rate indicates poor liquidity. Higher ratio indicates more profitable business would be.

4. Fixed Asset Turnover Ratio

Table No. 1.4 Fixed Asset Turnover Ratio

Year	2013	2014	2015	2016	2017
Fixed Assets Turnover Ratio	1.01	0.87	1.12	1.51	1.57

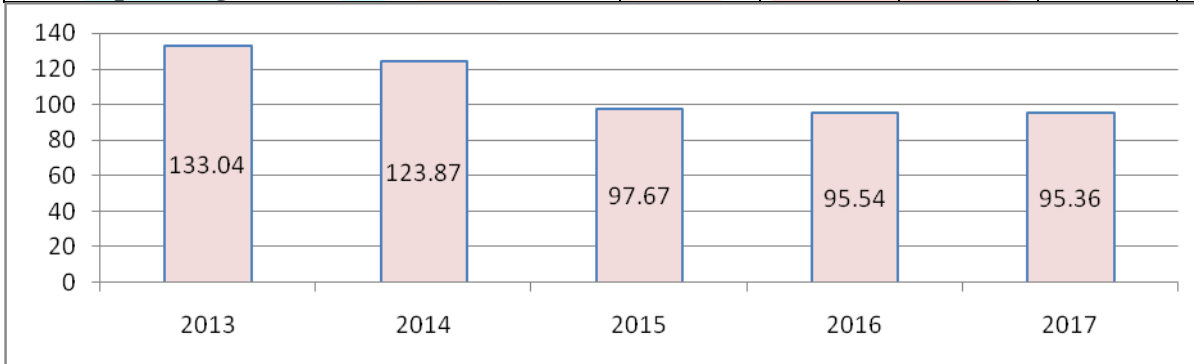


From the above table no. 1.4, it is clear that the ratio of Reliance Industries Limited is 1.01 in 2013, but decreased in the year 2014 by 0.87. Again it is increase in 2015 by 1.12 to 2017 by 1.57 the fixed asset turnover indicates the efficiency of the enterprise in utilization on fixed assets to generate income. For all assets turnover, the more the number of times turnover, the more efficient the enterprises will be deemed to be in the utilization of assets to generate income.

5. Net Operating Profit per Share

Table No. 1.5 Net Operating Profit per Share

Year	2013	2014	2015	2016	2017
Operating Profit Per Share (Rs.)	133.04	123.87	97.67	95.54	95.36

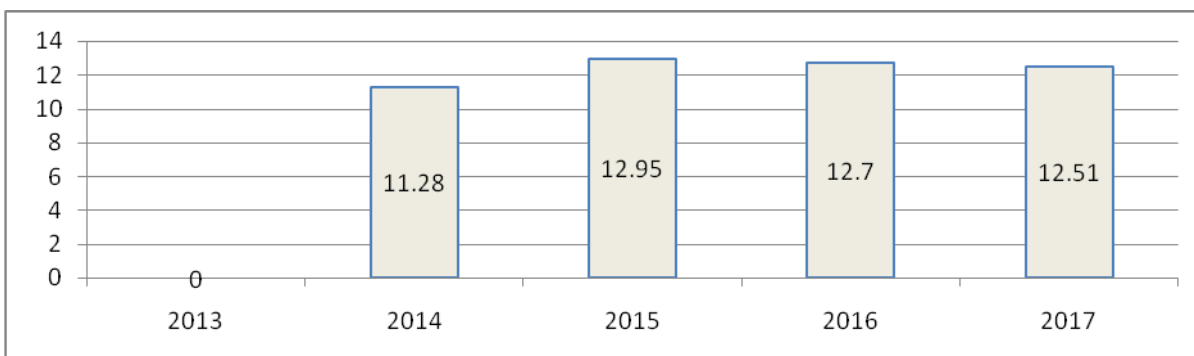


From the above table no. 1.5, it is clear that net operating profit per share of Reliance Industries Limited is highest in 2013, but after 2013 it was decreased. In 2017 it is 95.36. it shows how much profit is earned on the capital invested by ordinary shareholders.

6. Dividend Payout Ratio

Table No. 1.6 Dividend Payout Ratio

Year	2013	2014	2015	2016	2017
Dividend payout Ratio (Net Profit)	0.00	11.28	12.95	12.70	12.51

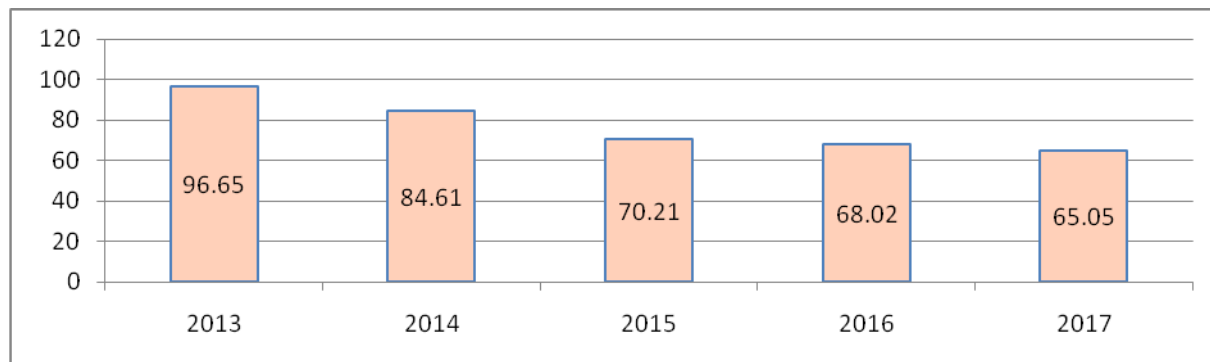


From the above table no. 1.6, it is clear that Dividend payout ratio of Reliance Industries Limited were high in 2015 and 2016, it is 12.95 and 12.7 respectively. In 2017 it is 12.51. it indicates amount of dividend paid to shareholders per share.

7. Earnings Per Share

Table No. 1.7 Earnings Per Share

Year	2013	2014	2015	2016	2017
Reported EPS (Rs.)	96.65	84.61	70.21	68.02	65.05



From the above table no. 1.7, it is clear that earnings per share of Reliance Industries Limited were better in 2013 is 96.65. After 2013 it is downward and in 2017 it is 65.05. This ratio shows the profitability of the firm from the owners point of view. It measures the profit available to equity shareholders on per share basis.

6. Conclusion

After analyzing the above ratio it is clear that the position of Reliance Industries Ltd is better in 2016 and 2017. In above 7 ratios which we see through graph and table it is shown that in 6 ratios of Reliance Industries Limited Ltd is performing better in 2016 and 2017 while in other years position according to the ratios was also good.

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