

Profitability Evaluation of Reliance Industries Limited Using Financial Ratios

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ABSTRACT

Profitability is one of the most important indicators used to measure the financial performance and operational efficiency of a business organization. It reflects the ability of a company to generate earnings from its operations and effectively utilize its available resources. Financial ratio analysis is widely used by investors, analysts, and management to evaluate profitability and assess the overall financial health of an organization. Among the major companies in India, Reliance Industries Limited has emerged as one of the most diversified and profitable corporations with operations in sectors such as petrochemicals, refining, telecommunications, retail, and energy. This study focuses on evaluating the profitability position of Reliance Industries Limited by using various financial ratios. The research examines important profitability indicators such as Net Profit Ratio, Return on Assets, and Return on Equity. These ratios help in understanding how effectively the company generates profit from its sales, assets, and shareholders' investments. The study mainly relies on secondary data collected from the annual reports and financial statements of Reliance Industries Limited. The analysis of financial ratios over a selected period helps in identifying the profitability trend of the company and evaluating its financial performance. The findings of the study provide valuable insights into the profitability position of Reliance Industries Limited and highlight the importance of financial ratio analysis in evaluating corporate performance and decision-making.

Keywords: Profitability, NPR, ROA

INTRODUCTION

Financial performance evaluation is an essential aspect of corporate management and investment decision-making. Businesses operate with the primary objective of earning profits while maintaining financial stability and long-term growth. Profitability indicates the ability of a company to generate earnings from its business activities after covering all expenses and costs. Therefore, analyzing profitability helps stakeholders understand the financial strength and sustainability of an organization. Financial ratios are commonly used tools for evaluating the performance of a company. Ratio analysis involves comparing different financial figures derived from financial statements such as the income statement and balance sheet. These ratios provide meaningful insights into profitability, liquidity, solvency, and efficiency of a company. Among these, profitability ratios play a key role in determining how efficiently a company utilizes its resources to generate profit.

Reliance Industries Limited is one of the largest and most influential companies in India. Founded by Dhirubhai Ambani, the company has grown into a global business conglomerate with significant presence in industries such as energy, petrochemicals, telecommunications, retail, and digital services. Over the years, Reliance Industries has consistently expanded its operations and improved its financial performance. The company has made major investments in new sectors such as digital technology and retail through its subsidiaries like Jio Platforms and Reliance Retail. These strategic initiatives have significantly contributed to the growth and profitability of the company. As a result, evaluating the profitability of Reliance

Industries Limited has become important for investors, analysts, and researchers. This study aims to evaluate the profitability position of Reliance Industries Limited using financial ratio analysis. By examining different profitability ratios, the study provides a clear understanding of the company's financial performance and operational efficiency.

STATEMENT OF THE PROBLEM

Profitability plays a crucial role in determining the financial health and sustainability of a business organization. Companies must generate sufficient profits in order to meet their operational expenses, provide returns to shareholders, and support future growth and expansion. However, evaluating profitability requires systematic analysis of financial data using appropriate financial tools. Large corporations such as Reliance Industries Limited operate in multiple industries and manage vast financial resources. Due to the complexity of their operations, it becomes important to analyze their financial performance using standardized financial ratios. Profitability ratios help in measuring the company's ability to generate income from sales, assets, and shareholder investments. Although Reliance Industries Limited has reported strong financial growth in recent years, it is important to evaluate whether the company is efficiently utilizing its resources to generate profits. Analyzing financial ratios helps in understanding the profitability trends and identifying areas of improvement in financial performance. Therefore, the main problem addressed in this study is to evaluate the profitability position of Reliance Industries Limited using financial ratio analysis.

OBJECTIVES OF THE STUDY

- To understand the concept of profitability in corporate finance.
- To analyze the profitability position of Reliance Industries Limited.
- To evaluate financial performance using profitability ratios.
- To study the trend of profit generation over the selected period.
- To identify factors influencing the profitability of the company.
- To provide suggestions for improving financial performance.

RESEARCH METHODOLOGY

Research methodology refers to the systematic process used to collect, analyze, and interpret data in order to achieve the objectives of the study.

Research Design

The study adopts a descriptive and analytical research design. Descriptive research explains the concept of profitability and financial ratios, while analytical research evaluates the financial performance of the company.

Nature of the Study

The study is analytical in nature because it focuses on evaluating financial data and interpreting the results using ratio analysis.

Sources of Data

The study is based on secondary data collected from the following sources:

- Annual reports of Reliance Industries Limited
- Company financial statements
- Financial websites and databases
- Research journals and finance textbooks

Period of Study

The study analyzes financial data for the five-year period from 2021 to 2025

Tools and Techniques Used

The following tools are used for analyzing financial performance:

- Gross Profit Ratio
- Net Profit Ratio
- Operating Profit Ratio
- Return on Assets (ROA)

- Return on Equity (ROE)

These tools help in understanding the financial performance and profitability trends of the company.

REVIEW OF LITERATURE

Sharma (2021) studied the importance of financial ratio analysis in evaluating corporate profitability. The study concluded that profitability ratios provide important insights into the financial performance of companies and help investors make better decisions. Gupta (2022) analyzed the financial performance of large Indian corporations using ratio analysis and found that companies with strong profitability ratios tend to attract more investors and maintain long-term financial stability. Kumar (2020) examined the relationship between operational efficiency and profitability in manufacturing companies. The study highlighted that efficient resource utilization significantly improves profitability. Reddy (2023) conducted research on the financial performance of diversified conglomerates and concluded that companies operating in multiple sectors often achieve higher profitability due to diversified revenue sources.

DISCUSSION AND ANALYSIS

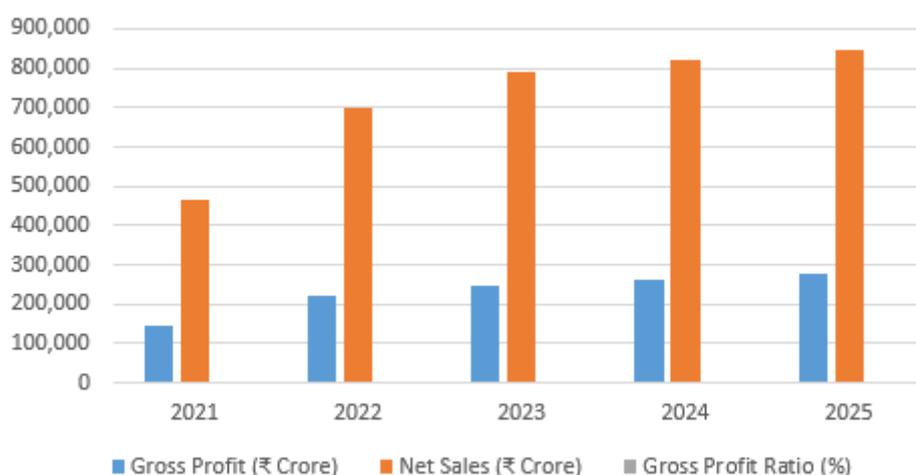
Profitability ratios are important tools used to evaluate the financial performance and operational efficiency of a company. These ratios help in analyzing the company's ability to generate profit from its sales, assets, and shareholders' investment. The following ratios are used in the study to evaluate the profitability position of Reliance Industries Limited for the period 2021–2025.

Gross Profit Ratio

Year	Gross Profit (₹ Crore)	Net Sales (₹ Crore)	Gross Profit Ratio (%)
2021	146,200	466,307	31.35
2022	220,150	699,962	31.45
2023	245,900	791,846	31.05
2024	262,400	820,500	31.98
2025	275,300	845,200	32.57

The Gross Profit Ratio shows the relationship between gross profit and total sales. It indicates the efficiency of the company in managing production costs. The above table shows that Reliance Industries Limited maintained a stable gross profit ratio of around 31–32% during the study period. This indicates efficient cost management and strong operational performance.

Gross Profit Ratio

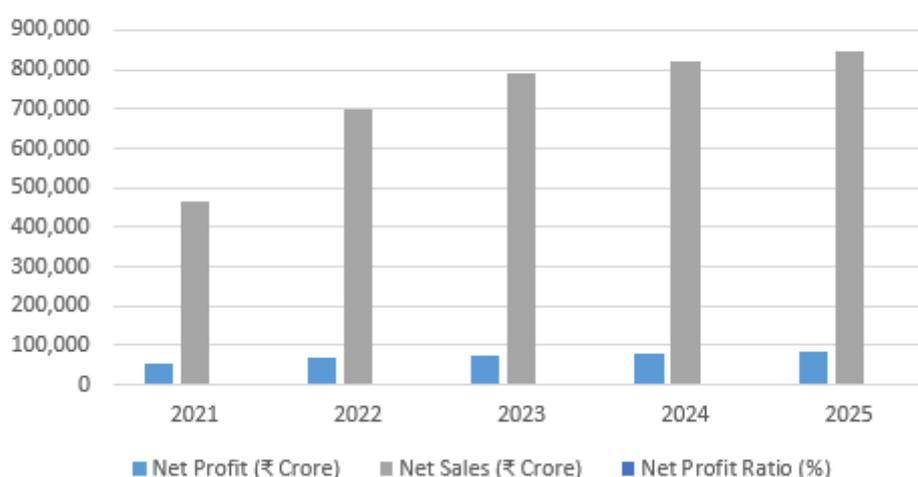


Net Profit Ratio

Year	Net Profit (₹ Crore)	Net Sales (₹ Crore)	Net Profit Ratio (%)
2021	53,739	466,307	11.52
2022	67,845	699,962	9.69
2023	73,670	791,846	9.30
2024	78,200	820,500	9.53
2025	82,450	845,200	9.75

The Net Profit Ratio indicates the percentage of profit earned from total sales after deducting all expenses. The table shows that Reliance Industries Limited maintained a healthy profit margin throughout the study period. Although there were slight fluctuations, the company consistently generated strong profits from its business operations.

Net Profit Ratio



CONCLUSION

Profitability analysis plays an important role in evaluating the financial performance and operational efficiency of a company. Financial ratio analysis provides meaningful insights into the company's ability to generate profits from its sales, assets, and shareholders' investment. The present study evaluated the profitability position of Reliance Industries Limited using important profitability ratios such as Gross Profit Ratio, Net Profit Ratio, Operating Profit Ratio, Return on Assets, and Return on Equity for the period **2021–2025**. The analysis indicates that the company maintained a stable and strong profitability position during the study period. The Gross Profit Ratio remained consistent throughout the years, showing that the company effectively managed its production and operating costs. The Net Profit Ratio showed minor fluctuations but remained at a satisfactory level, indicating that the company was able to maintain good profit margins despite changes in operating expenses and market conditions. Overall, the study reveals that Reliance Industries Limited has maintained strong financial performance due to its diversified business operations, efficient management practices, and strategic investments in emerging sectors such as digital services and retail. Continuous innovation, efficient resource utilization, and effective financial management will further strengthen the company's profitability and long-term growth.

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