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A Study on Financial Analysis with Reference To Reliance Retail Industries

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Abstract:
This study takes a close look at the financials of Reliance Retail, a big player in the retail sector. The main objectives of the research are to clarify key performance indicators, assess the company's financial health, and provide market-based strategic judgments. Using both quantitative and qualitative evaluations, the study looks at market trends, liquidity measurements, profitability ratios, and financial statements across many years. Reviewing Reliance Retail's income statement, balance sheet, and cash flow statements allows one to assess the company's ability to generate revenue, control costs, and analyse cash flow dynamics. Liquidity ratios, ROI, and profit margins are some of the measurements used to evaluate operational efficiency and financial stability. We have provided market statistics and industry benchmarks to help put Reliance Retail's performance into context. The research goes even further into the ways in which macroeconomic factors, technological developments, and regulatory shifts impacted Reliance Retail's bottom line. Reliance Retail's financial status is the goal of this research, which aims to assist stakeholders, investors, and industry professionals in making informed choices..

Keywords — **Profitability ratio, Operating Ratio.**

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I. INTRODUCTION

Using financial data, financial analysts assess a company's performance and provide recommendations for future enhancements. Excel and similar spreadsheets are crucial in financial research because they enable analysts to rapidly go through massive amounts of data and create forecasts for their firms' futures. Before making an opinion or recommendation, financial analysts consider the company's performance in relation to its industry and the overall economy. Among the many decisions and recommendations that financial analysts often make when it comes to providing companies with capital are the following: whether to invest in the company's debt or equity instruments, and at what price. An investor in a debt instrument places paramount weight on the company's ability to repay the principal plus interest. Investors in equity securities, a kind of owner with a residual interest in the firm, are everyone concerned about dividend payments and share price increase.

A company's ability to turn a profit, expand its activities without incurring losses, meet its financial obligations, and seize opportunities are the overarching goals of financial analysis. Any basic study of a company's finances must begin with its financial reports. These financial reports include audited financial statements, any further disclosures required by regulatory agencies, and any additional comments from management that is not audited. In order to better understand research-based information beyond financial reports, this reading provides a foundation for fundamental financial statement examination.

Different Approaches to Financial Analysis
• Horizontal
• Vertical

Financial statements, notes, and management comments are just a few examples of the reports that a financial analyst may utilize to assess the well-being and performance of a business. There are a number of scenarios in which an analyst could be asked to do a financial analysis. These include valuing equity securities, assessing credit risk, performing due diligence on an acquisition, or comparing the performance of a subsidiary to other business units. When evaluating a company's creditworthiness or equity, analysts mainly consider its financial stability, its capacity to generate profits and cash flow, and its potential for future development in these areas. Financial reports primarily detail the state and performance of a company's finances, with a focus on its profitability and cash flows. Financial statements, notes, and management comments are all part of the reports that an analyst may use to assess the status and performance of a company's finances and any changes to those finances.

Principal financial statements include income statements, cash flow statements, statements of changes in equity, and the balance sheet, which also includes a statement of comprehensive income or two statements that include an income statement and a statement of comprehensive income. A company's assets and liabilities are documented on its balance sheet at any given moment. Owners' equity is the percentage of a company's net assets that remains after deducting its liabilities from its total assets. It is a measure of the company's financial health. The three parts of a balance sheet—assets, liabilities, and owners' equity—are represented by the following equation: Assets are the sum of owners' equity and liabilities. The revenue and expenses of a business during a certain period are broken out in its income statement. Revenue + other income minus expenditures = net income; this is the basic equation of an income statement. It explains the gains or losses that a company has during a certain time period, together with the income and costs that resulted from those gains or losses. The statement of comprehensive revenue includes all items that impact owners' equity, except transactions between owners. Other comprehensive income (OCI) or net income is the term used to describe these items. The statement of changes in equity may help an organization determine the growth or shrinkage of each component of owners' equity.

When evaluating a business's success over the long run, cash on hand and cash flow are as crucial as measures of income and the health of the balance sheet. Disclosures on cash flows are useful for creditors, investors, and anybody else who uses financial statements to evaluate a company's liquidity, solvency, and financial flexibility. Important information for understanding the financial statements is included in the notes, often called footnotes, that accompany the statements. Investors and analysts should read the notes thoroughly to understand the disclosures on alternative accounting methods, estimates, and assumptions.

By requesting and reviewing more than just financial statements, financial analysts get access to a wealth of useful information that businesses supply. With a special emphasis on the management commentary, operational and financial review, management's discussion and analysis, and management reporting, it is the responsibility of the financial analyst to study and assess this supplemental information.

Every year, companies that are listed on public exchanges must have their financial accounts audited by an impartial party. Auditor confidence in the financial statements and their accuracy in reflecting the company's financial position, performance, and cash flows shall be expressed in the report. In addition, US publicly traded companies must get an opinion from an auditor about the effectiveness of their internal control systems.

If investor want to know how well a business is doing financially and how it compares to others in its sector and the economy, investor need to go no further than its financial records. Information gathered from sources outside of the company is often crucial to an analyst's success in their role. The procedures outlined in the financial statement analysis framework may serve as a road map for any endeavor that requires an examination of financial statements.

The following steps are included in this process:

- stating the study's aims and background;
- gathering information;
- analyzing data;
- making meaning of processed data;
- formulating results and recommendations; and
- returning to the previous phase.

II. Research Gap

The first step in filling a research gap is reviewing the relevant literature and looking for unexplored or under-researched topics. There may be a lack of research on a more detailed examination of Reliance Retail Industries' financial performance, since previous studies may have concentrated on broad financial performance indicators like total revenue, profitability, and market share. To get a better picture of Reliance Retail's financial situation, it may be necessary to look at certain financial parameters including liquidity, solvency, efficiency, and profitability.

Objectives of the Study

- To comprehend the firm's financial status
- To determine what factors, contribute to profitability
- To assess the company's liquidity status
- To compare the financial ratios of the company

III. Research Methodology

Primary and secondary sources are often used by researchers while doing research. The choice between primary and secondary sources should be based on the research objectives, the resources at hand, and the level of control the researcher would want to have over the data collection process.

Source of Information

The information gathered from secondary sources, such as books, journals, websites, newspapers, etc., is already accessible to the public. Secondary sources of data were used in this investigation.

A Descriptive Approach to Research

Analytical instruments: Companies' financial ratios

IV. Limitations of the Study

- Time is a major constraint on the study, which means that:
- The data collected might not have been collected at the right time for analysis;
- The results of the analysis could not have been accurate enough to make decisions based on;
- The data might not have been collected from the most reliable secondary sources.

V. Literature Review

A Conceptual Research on Financial Statement Analysis by Dr. Idrish Allad (Feb 2017): Analyzing and interpreting financial statements are two sides of the same coin. The income statement, the position statement, and other financial statements are all enriched by the significant links it establishes. It shows the firm's financial strengths and weaknesses. Reviewing the financial records of a corporation is the best way to get a feel for its health in terms of profitability, liquidity, efficiency, and solvency. All stakeholders benefit from a thorough examination of financial statements. Financial statement analysis may aid in understanding and diagnosing a company's profitability and financial strengths. Financial statements analysis is the subject of this study, which explores its concept, types, uses, and limitations. This could be helpful for other parties who are interested in understanding how to analyze financial statements. Lastly, it outlines tools and techniques for examining financial records.

Analysis of Financial Statements by Petrit Shyt Hasanaj (June 2019): This study aims to find, anticipate, and evaluate the best future economic situations and company performance. Another objective of this project is to analyze financial statements so that financial managers have data to utilize when making strategic decisions. Various analytical tools, approaches, and methodologies are used in the financial statement for the purpose of doing business analysis. Management decisions, other company choices, financial and investment performance, and operational efficiency may all be assessed using this diagnostic tool. Analysis of financial statements helps all parties involved in making choices about a company's financial health, including shareholders, managers, and investors. In order for shareholders to gauge the soundness of their investments, managers use financial reports to gauge the state of the firm.

An Analysis of Financial Statements – Measurement of Performance and Profitability (with reference to BHEL, Haridwar) by Ms. Samridhi Kapoor (July 2019): The main role of the accounting department is to provide accurate financial accounts, which include income statements, balance sheets, and cash flow statements. This article aims to assess the financial records and evaluate performance based on asset utilization and profitability. Specifically, the study's methodology exemplifies exploratory research (Haridwar) by examining the past and present performance of Ranipur's Heavy Electrical Equipment Plant (HEEP). Data for efficient monthly analysis and the company's audited annual reports were the primary sources of secondary data used during the seven years of the study (2007-2013). The study's assumption was tested using five distinct financial ratios. Profitability, return on equity, leverage, and profit margin numbers. This study found that between June 2007 and June 2009, there was a correlation between HEEP's financial strength and weakness.

A Study on Financial Statement Analysis of Sriram Perfumes Trichy (July 2015): A financial statement may be any kind of legal document that details the monetary transactions of an organization, whether it's a personal or legal entity. All of the pertinent financial data is presented in a clear and concise manner. In most cases, management analysis and comments accompany standard financial statements. As of a certain date, a company's assets, liabilities, and ownership equity are detailed in a balance sheet, which is also known as a statement of financial condition. A company's income statement (also known as a comprehensive income statement, a statement of revenue and expenditures, or a report on profit and loss) breaks out the money coming in and going out of the company during a certain time period. In order to create the financial statements, certain accounting rules and procedures are followed. There are a number of standards that accountants have developed throughout the years that reflect the dynamic nature of the accounting profession.

A Study on Financial Analysis of BSNL by J Pavithra, Dilip Gurukrishnhnan (2018): A financial statement may be a personal or business record that details monetary transactions. The essential financial data is presented in an orderly and readily understandable way. Management analysis and comments are often provided with standard financial statements. The assets, liabilities, and ownership equity of a company are detailed in a balance sheet, which is also known as a statement of financial condition, as of a certain date. Revenue, expenses, and net profit or loss for a certain accounting period are detailed in income statements, which are sometimes known as comprehensive income statements, statements of revenue and expenditures, or profit and loss reports. The financial statements are prepared using certain accounting rules and procedures.Accountants' experiences have led to the development of several rules that govern the dynamic area of accounting.

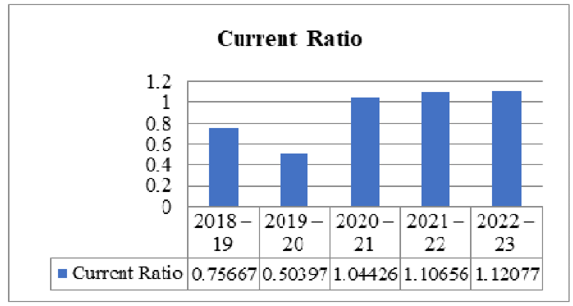
Financial Statement analysis with reference to TCS Ltd by Ms Archana kondguli, Prof. Pramod S G (2020): Financial ratios are an essential instrument for examining a company's finances.

The declared purpose of this article is to provide "A study on analysis of financial statement using ratio," as sound fiscal management is critical to a business's capacity to persevere over the long haul. There are certain sectors in which TCS Ltd. operates. Everything having to do with computers, networks, software, and hardware falls under the umbrella of the information technology industry. An Indian business solutions and information technology company, the Tata group has a global footprint spanning 46 countries. August 25, 2004, was the day TCS went public. The major objective of the study is to determine the company's liquidity and profitability by using ratio analysis. Take a look at the present financial status and use ratio analysis to assess the company's success in the last ten years. The research's overarching goal is to develop a model for better regulating Ratio analysis's many components by identifying key areas of control. The methodology for the study was based on secondary data collected from BSE's published Annual Report and several websites (e.g., www.bseindia.com, google.com, slideshare.com). The numerical relationship between two variables or entities is what the name "ratio" suggests. Ratio of equity to debt Profitability, activity, and leverage ratios. It is clear that TCS's liquidity is lacking and that its current assets are insufficient based on the fact that both the current ratio and the quick ratio are below the recommended limits. Consequently, TCS should increase its investment in current assets.

VI. Data Analysis and Interpretation

- **CURRENT RATIO**
  =Current Assets / Current Liabilities

Year	Current Assets	Current Liabilities	Current Ratio
2018 – 19	152864	202021	0.75667
2019 – 20	166654	330682	0.50397
2020 – 21	210719	201787	1.04426
2021 – 22	222398	200982	1.10656
2022 – 23	265932	237276	1.12077

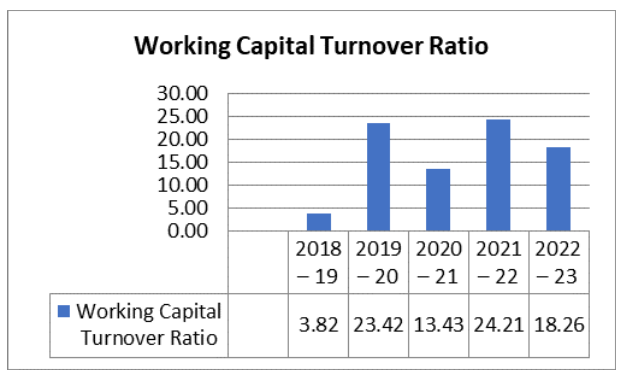


Interpretation

From the above data we can interpret that, current ratio for the period of five years showing less than the standard ratio which is 2:1, so companies liquidity position is weak

WORKING CAPITAL TURNOVER RATIO
= Sales / Working Captial

Year	Sales	Working Capital	Working Capital Turnover Ratio
2018 – 19	401583	105155	3.82
2019 – 20	366177	15638	23.42
2020 – 21	278940	20765	13.43
2021 – 22	466425	19267	24.21
2022 – 23	565347	30958	18.26

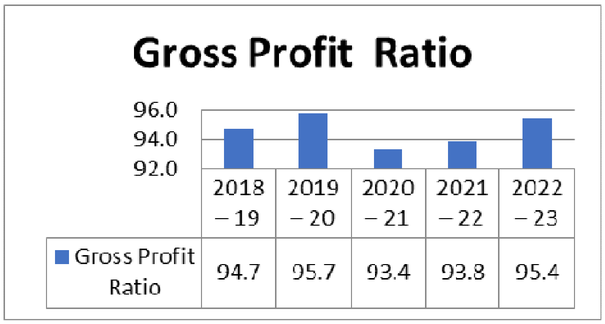


Interpretation

From the above data we can interpret that, Working captial turnover ratio is highest in the year 2021-2022 i.e.24.21 and lowest in the year 2018-19 i.e 3.82

GROSS PROFIT RATIO
= Gross Profit / Sales x 100

Year	Gross Profit	Sales	Gross Profit Ratio
2018 – 19	380438	401583	94.7
2019 – 20	350519	366177	95.7
2020 – 21	260485	278940	93.4
2021 – 22	437575	466425	93.8
2022 – 23	539544	565347	95.4

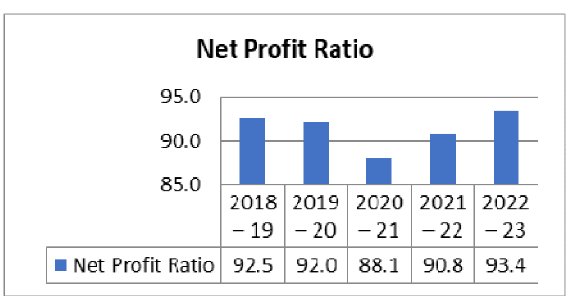


Interpretation
From the above data we can interpret that, Gross Profit Ratio is highest in the year 2019-20 i.e.,95.7 and the lowest in the year 2020-21 i.e., 93.4.

NET PROFIT RATIO

= **Net Profit / Sales x 100**

Year	Net Profit	Sales	Net Profit Ratio
2018 – 19	371616	401583	92.5
2019 – 20	336953	366177	92.0
2020 – 21	245667	278940	88.1
2021 – 22	423703	466425	90.8
2022 – 23	528315	565347	93.4

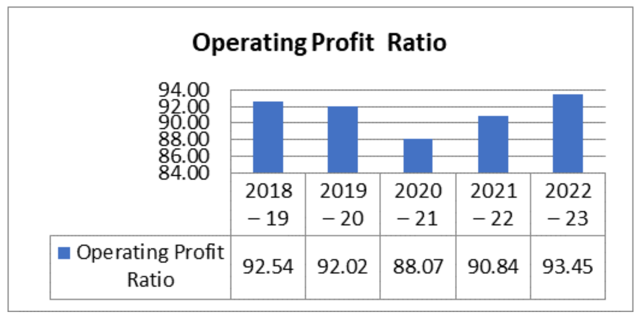


Interpretation
From the above data we can interpret that, Net Profit Ratio is highest in the year 2022-23 i.e., 93.4 and lowest in the year 2020-21 i.e., 88.1.

- **OPERATING PROFIT RATIO**

= Operating Profit / Net Sales x 100

Year	Operating Profit	Sales	Operating Profit Ratio
2018 – 19	371616	401583	92.54
2019 – 20	336953	366177	92.02
2020 – 21	245667	278940	88.07
2021 – 22	423703	466425	90.84
2022 – 23	528315	565347	93.45

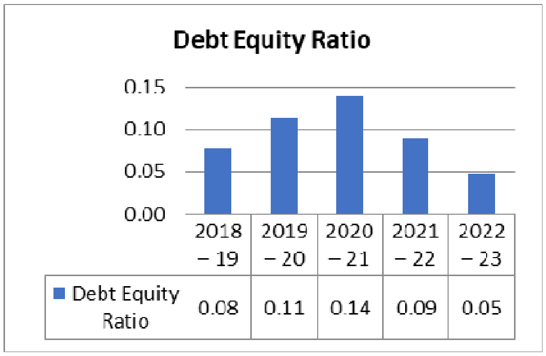


Interpretation
From the above data we can interpret that, Operating Profit Ratio is highest in the year 2022-2023 i.e., 93.45 and lowest in the year 2020-21 i.e., 88.07.

DEBT EQUITY RATIO

= **Long term Debt / Shareholders Fund**

Year	Long Term Debt	Share Holders Fund	Debt Equity Ratio
2018 – 19	31806	405322	0.08
2019 – 20	44348	391214	0.11
2020 – 21	65698	474483	0.14
2021 – 22	41951	471527	0.09
2022 – 23	22448	479094	0.05



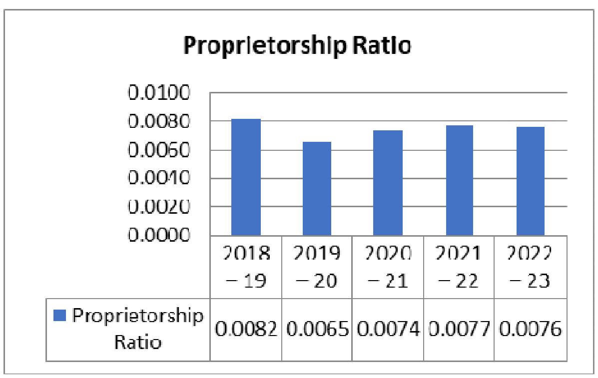
Interpretation

From the above data we can interpret that, Debt Equity Ratio for the last five year the highest ratio is in the year 2020-21 i.e 0.14 and lowest in the year 2022-23 i.e. 0.05.

PROPREITORSHIP RATIO

= Equity Share Capital / Total Assets

Year	Equity Share Capital	Total Assets	Proprietorship Ratio
2018 – 19	6339	775745	0.0082
2019 – 20	6339	971699	0.0065
2020 – 21	6445	873673	0.0074
2021 – 22	6765	878674	0.0077
2022 – 23	6766	890565	0.0076



Interpretation

From the above data we can interpret that, Proprietorship Ratio for the last five years shows the highest ratio in the year 2018-19 i.e. 0.0082 and lowest in the year 2019-20 i.e. 0.0066.

VII. Findings

- Current ratio for the period of five years showing less than the standard ratio which is 2:1, so companies liquidity position is weak
- Quick Ratio for the period of last five years showing less than the standard ratio i.e 1:1. So companies liquidity position is weak
- Absolute Quick Assets ratio for the last five years showing less than the standard value i.e 0.5:1. So companies liquity position is weak
- Working captial turnover ratio is highest in the year 2021-2022 i.e.24.21 and lowest in the year 2018-19 i.e 3.82
- Gross Profit Ratio is highest in the year 2019-20 i.e.,95.7 and the lowest in the year 2020-21 i.e., 93.4.
- Net Profit Ratio is highest in the year 2022-23 i.e., 93.4 and lowest in the year 2020-21 i.e., 88.1
- Operating Profit Ratio is highest in the year 2022-2023 i.e., 93.45 and lowest in the year 2020-21 i.e., 88.07.
- Debt Equity Ratio for the last five year the highest ratio is in the year 2020-21 i.e 0.14 and lowest in the year 2022-23 i.e. 0.05.
- Debt to Total Asset Ratio for the last five years shows the highest ratio in the year 2019-20 i.e. 0.26 and lowest in the year 2022-23 i.e. 0.20.
- Proprietorship Ratio for the last five years shows the highest ratio in the year 2018-19 i.e. 0.0082 and lowest in the year 2019-20 i.e. 0.0066.
- Fixed Asset Ratio for the last five shows the highest value in the year 2022-23 i.e. 1.92 and Lowest in the year 2020-21 i.e., 0.82.

VIII. Suggestions

- The liquidity situation of Reliance Retail Industries is insufficient. In order to satisfy immediate needs, the business should handle that.
- Investment in present assets should be enhanced by the organization. If the value results are compared using other methodologies, a more comprehensive research might be accomplished.
- Find out how the company's finances stack up against its rivals.
- Determine the strengths and weaknesses of your company and the reasons behind them.

- Conducting a sensitivity analysis can help you understand how changes in key variables, such as interest rates, currency exchange rates, and commodity prices, might impact your company's bottom line.
- Determine how effectively the company can weather external economic storms. Determine if there is a correlation between effective corporate governance and financial outcomes.
- Find out how well-established governance procedures affect financial stability, capital availability, and investor confidence.

IX. Conclusion

One way to make a substantial contribution to the current literature on financial analysis is to perform a research using Reliance Retail Industries as a case study. Investigating Reliance Retail's financial performance in depth allows academics to find useful information that stakeholders like managers, investors, and politicians may use. Experts may provide a more detailed picture of Reliance Retail's financial dynamics if they fill in any gaps in the literature about things like micro-level financial analysis, comparative analysis, the effects of strategic choices, risk analysis and longitudinal studies.

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