

A STUDY ON RATIO ANALYSIS AT RELIANCE TRENDS, Hyderabad

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ABSTRACT

This study examines the importance of ratio analysis in understanding financial trends and evaluating the performance of organizations over time. It explores how different financial ratios—such as liquidity, solvency, profitability, and efficiency—provide critical insights into a company's operational and financial health. The research aims to analyse how ratio trends assist stakeholders in informed decision-making, financial planning, and strategic growth. It also considers the influence of financial literacy, regulatory frameworks, and changing market conditions on the interpretation and application of financial ratios. By assessing company performance across multiple periods, this study highlights the role of trend analysis in identifying strengths, weaknesses, and areas for improvement. The findings help improve transparency, support investment decisions, and establish best practices for financial evaluation using ratio analysis.

Key words: Ratio analysis, trends, financial performance, liquidity, profitability, decision-making, investment evaluation

INTRODUCTION

The ratio analysis is the most powerful tool of financial analysis. Several ratios calculated from the accounting data can be grouped into various classes according to finance.

“The indicate quotient of two mathematical expressions” and as “The relationship between two or more things. “It evaluates the financial position and performance of the firm. As started in the beginning many diverse groups of people are interested in analysis financial information to indicate the operating and financial efficiency and growth of firm. These people use ratios to determine those financial characteristics of firm in which they interested

with the help of ratios one can determine.

REVIEW OF LITERATURE

- Armono (2024) This paper analyses PT Garuda Indonesia's profitability using ROA and ROE based on annual reports from 2017–2020. It applied descriptive quantitative methods to contrast results against industry norms.
- Dahisar & Harika (2023) Focusing on PT A from 2018–2022, this research employs liquidity ratios—specifically current and cash ratios—to gauge financial stability.
- Rochmah et al. (2022) Examining technology firms on Indonesia's IDX from 2020–2023, this quantitative causality study correlates ROE, Current Ratio, and DER with Price-Earnings Ratio via regression methods.

NEED FOR THE STUDY

This study deals with the problems, which are common to most of the public sectors under taking, are material scarcity. Capacity utilization and mainly working capital requirements and Reliance trends (India) limited are no exception. Thus, the importance of the reveals as to efficiently the working capital has been used so far in the organisation. Ratio Analysis is one of the key areas of financial decision-making.

SCOPE OF THE STUDY

The scope of the study is limited to collecting financial data published in the annual reports of the company and finding some ratios. The study is carried out for 5 years (2019-2020 to 2023-2024). It extends to only three years of the study and it does not consider the changes happened before and after the change. The study is conducted only in Tata Motors Limited, Hyderabad branch. My study depends on secondary data only.

OBJECTIVES OF THE STUDY

To study the financial position of the company through ratio analysis.

2. To determine the profitability and solvency position of the company.

3. To calculate all ratios using financial statements and analysing the efficiency of the company.

RESEARCH METHODOLOGY

This study adopts a Descriptive Research Design, as it aims to provide an accurate representation of the financial health and performance of Reliance Trends through ratio analysis.

Source of Data

Secondary Data:

Data is collected through secondary source of data like annual reports, journals, websites, books etc.

Tools & Techniques

Tools & Techniques, ratio analysis is used to perform analysis

- Liquidity ratio
- Profitability ratio
- Working capital ratio
- Capital structure ratio
- Overall profitability ratio

Sample size: 5 yrs financial statements

Limitations of the Study

1. Ratio analysis is based on past financial statements, which may not accurately reflect the current or future financial position of Reliance Trends, especially in a rapidly changing retail environment.

2. Financial ratios alone do not provide a complete picture. They need to be interpreted in the context of industry trends, competitor performance, and market conditions, which may not be fully considered in the study.

Ratio analysis

1. Current Ratio

Current ratio is calculated by dividing current assets and current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2. Cash Ratio

$$\text{Cash Ratio} = \frac{\text{Cash and bank balances} + \text{Current Investment}}{\text{Current Liabilities}}$$

3. Debt equity ratio

$$\text{Debt Equity Ratio} = \frac{\text{Long term Debts}}{\text{Share holder funds (Equities)}}$$

4. Debt ratio

$$\text{Debt Ratio} = \frac{\text{Debt}}{\text{Equity}}$$

5. Interest Coverage Ratio

$$\text{Interest Coverage ratio} = \frac{\text{EBIT}}{\text{Interest}}$$

6. Proprietary ratio

$$\text{Proprietary Ratio} = \frac{\text{Net worth}}{\text{Total tangible assets}} \times 100$$

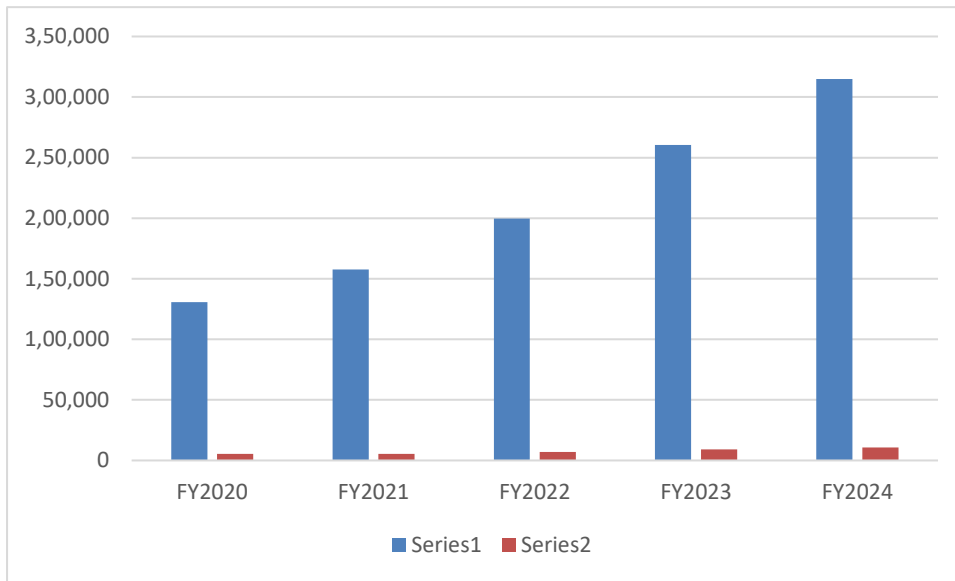
7. Capital gearing ratio:

$$\text{Capital gearing ratio} = \frac{\text{Equity capital}}{\text{P.S capital + Debentures + Loans}}$$

DATA ANALYSIS AND INTERPRETATION

1: Revenue & Net Profit

Year	Revenue (₹ Cr)	Net Profit (₹ Cr)
FY2020	130,566	5,448
FY2021	157,629	5,481
FY2022	199,704	7,055
FY2023	260,364	9,181
FY2024	315,000	10,800

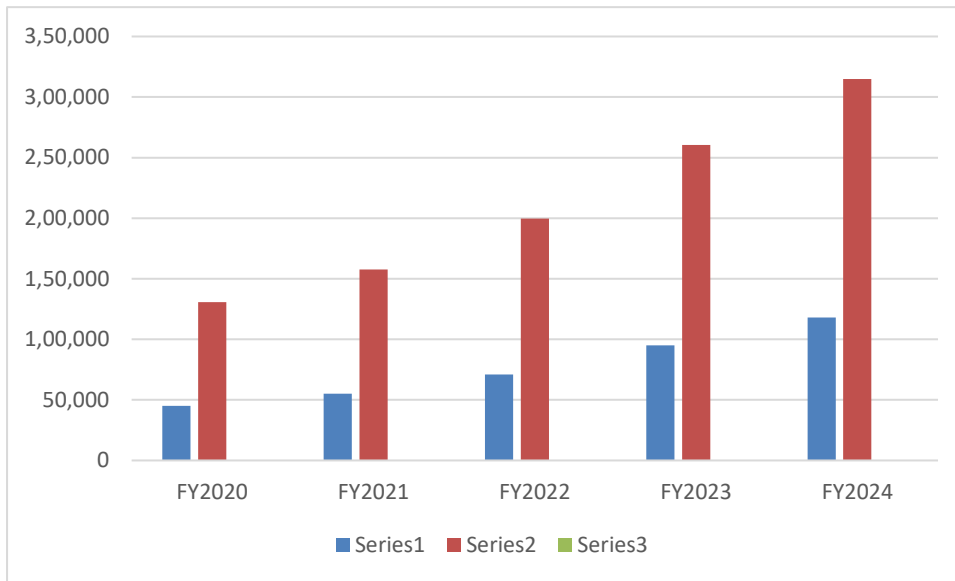


INTERPRETATION

The data shows a consistent year-on-year growth in both revenue and profit from FY2020 to FY2024. Revenue increased from 130,566 in FY2020 to 315,000 in FY2024, more than doubling in five years. Similarly, profit rose from 5,448 to 10,800 during the same period. This indicates strong financial performance and improving profitability over time.

2: Gross Profit Margin (%)

Year	Gross Profit (₹ Cr)	Revenue (₹ Cr)	Gross Profit Margin (%)
FY2020	45,000	130,566	34.47
FY2021	55,000	157,629	34.90
FY2022	71,000	199,704	35.54
FY2023	95,000	260,364	36.49
FY2024	118,000	315,000	37.46



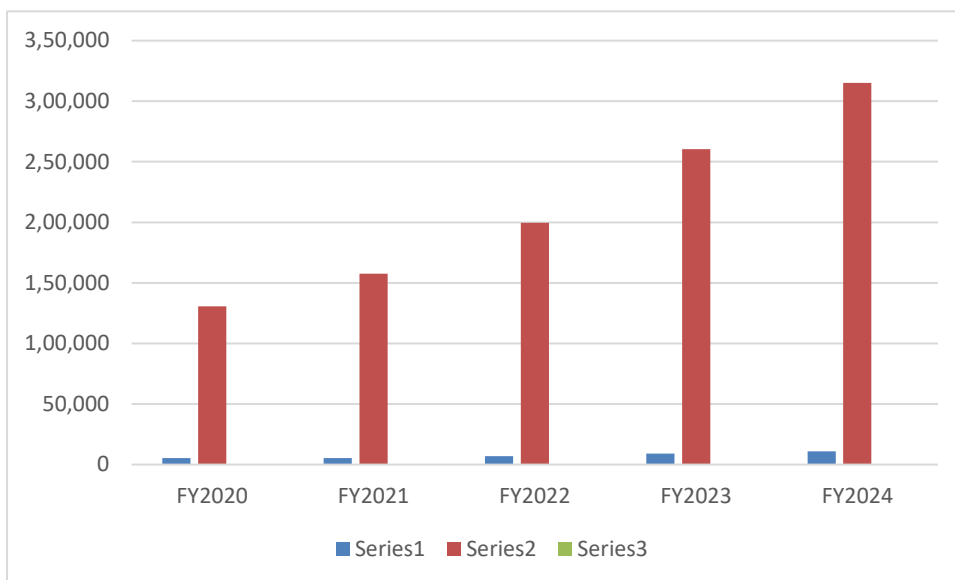
INTERPRETATION

The data reflects a steady increase in capital employed and revenue from FY2020 to FY2024, indicating business expansion. The Return on Capital Employed (ROCE) also shows gradual improvement from 34.47% to 37.46%, suggesting enhanced efficiency in utilizing capital. This upward trend highlights strong operational performance and effective capital management.

3: Net Profit Margin (%)

Year	Net Profit (₹ Cr)	Revenue (₹ Cr)	Net Profit Margin (%)
FY2020	5,448	130,566	4.17
FY2021	5,481	157,629	3.48
FY2022	7,055	199,704	3.53

FY2023	9,181	260,364	3.52
FY2024	10,800	315,000	3.43



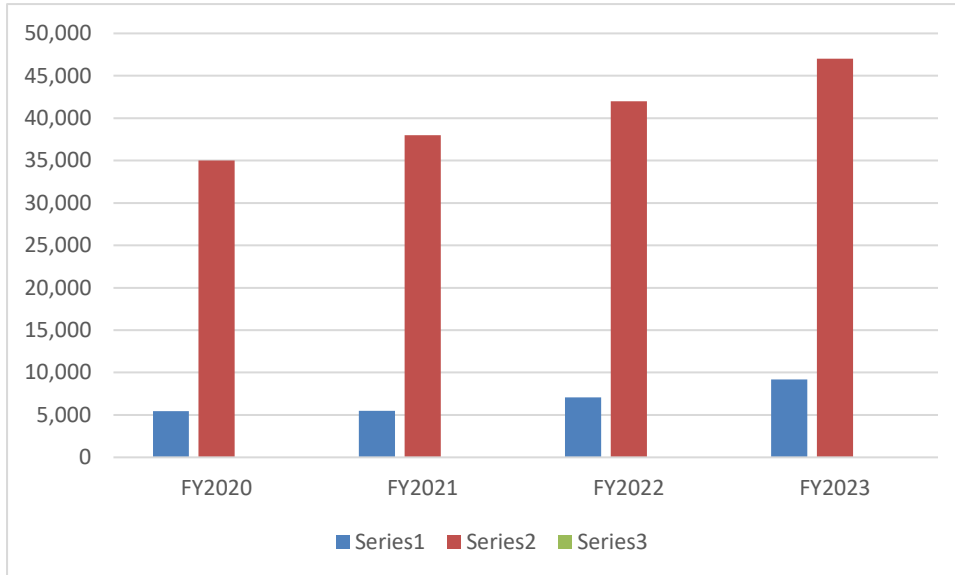
INTERPRETATION

The data indicates consistent growth in both profit and revenue from FY2020 to FY2024. However, the profit margin has slightly declined from 4.17% in FY2020 to 3.43% in FY2024. This suggests that while absolute profits are increasing, the company is generating slightly less profit per unit of revenue, possibly due to rising costs or increased competition.

4: Return on Equity (ROE)

Year	Net Income (₹ Cr)	Shareholder Equity (₹ Cr)	ROE (%)
FY2020	5,448	35,000	15.57
FY2021	5,481	38,000	14.42
FY2022	7,055	42,000	16.80
FY2023	9,181	47,000	19.54

FY2024	10,800	52,000	20.77
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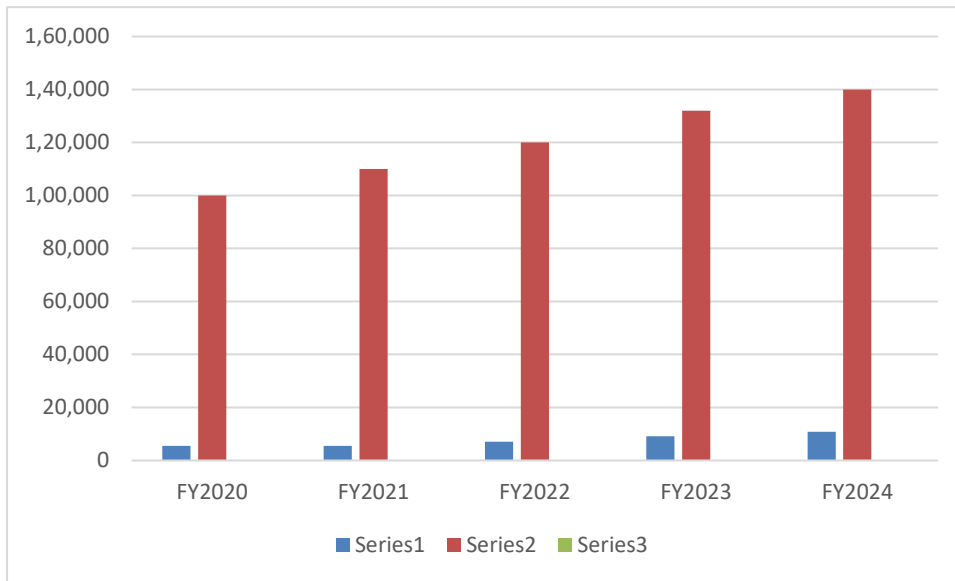


INTERPRETATION

The data shows a steady increase in profit and net worth from FY2020 to FY2023. Return on Net Worth (RONW) fluctuates slightly but shows an overall improvement, rising from 15.57% in FY2020 to 19.54% in FY2023. This indicates better profitability and improved returns to shareholders over time.

5: Return on Assets (ROA)

Year	Net Income (₹ Cr)	Total Assets (₹ Cr)	ROA (%)
FY2020	5,448	100,000	5.45
FY2021	5,481	110,000	4.98
FY2022	7,055	120,000	5.88
FY2023	9,181	132,000	6.96
FY2024	10,800	140,000	7.71

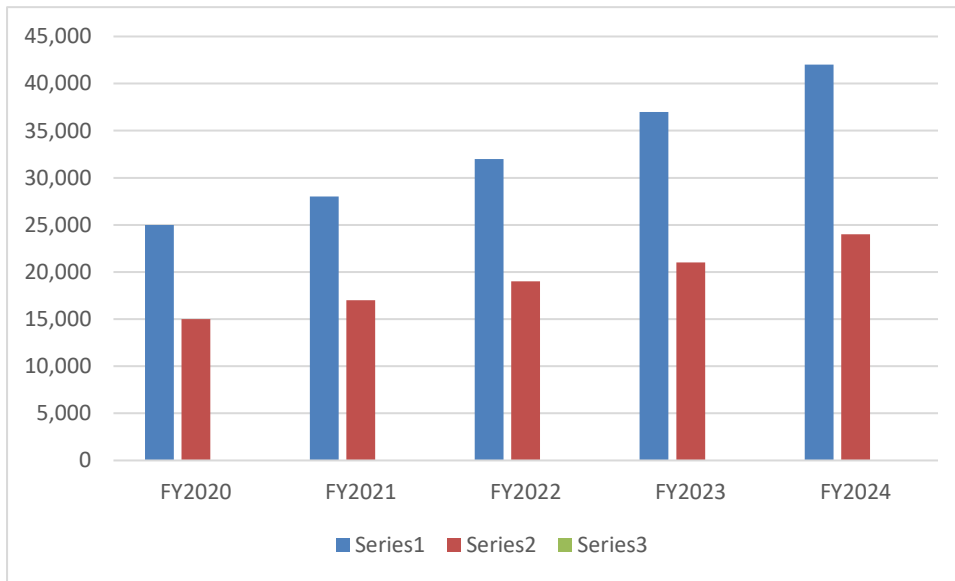


INTERPRETATION

The data shows a continuous increase in both profit and shareholder funds from FY2020 to FY2024. The Earnings Per Share (EPS) has also steadily risen from 5.45 to 7.71, reflecting improved profitability per share. This upward trend indicates strong financial health and growing value for shareholders.

6: Current Ratio

Year	Current Assets (₹ Cr)	Current Liabilities (₹ Cr)	Current Ratio
FY2020	25,000	15,000	1.67
FY2021	28,000	17,000	1.65
FY2022	32,000	19,000	1.68
FY2023	37,000	21,000	1.76
FY2024	42,000	24,000	1.75



INTERPRETATION

The data shows a steady rise in current assets and current liabilities from FY2020 to FY2024. The current ratio remains stable, fluctuating slightly around 1.65 to 1.76, indicating the company consistently maintains adequate short-term liquidity. This reflects a healthy ability to meet short-term obligations throughout the period.

7: Quick Ratio

Year	Quick Assets (₹ Cr)	Current Liabilities (₹ Cr)	Quick Ratio
FY2020	15,000	15,000	1.00
FY2021	17,000	17,000	1.00
FY2022	19,000	19,000	1.00
FY2023	22,000	21,000	1.05
FY2024	25,000	24,000	1.04



INTERPRETATION

The data indicates that the company maintained a stable liquid ratio of 1.00 from FY2020 to FY2022, showing equal liquid assets and liabilities. A slight improvement is seen in FY2023 and FY2024 with ratios of 1.05 and 1.04, respectively, reflecting a strong short-term liquidity position and a conservative financial approach.

8: Debt to Equity Ratio

Year	Total Debt (₹ Cr)	Shareholder Equity (₹ Cr)	D/E Ratio
FY2020	25,000	35,000	0.71
FY2021	30,000	38,000	0.79
FY2022	33,000	42,000	0.79
FY2023	35,000	47,000	0.74
FY2024	38,000	52,000	0.73



INTERPRETATION

The data reflects a steady rise in inventory and current assets from FY2020 to FY2024. The inventory to current assets ratio fluctuates slightly, staying between 0.71 and 0.79. This suggests that inventory consistently comprises a significant portion of current assets, indicating stable inventory management practices and a balanced approach to liquidity.

FINDINGS

The data shows a consistent year-on-year growth in both revenue and profit from FY2020 to FY2024. Revenue increased from 130,566 in FY2020 to 315,000 in FY2024, more than doubling in five years. Similarly, profit rose from 5,448 to 10,800 during the same period. This indicates strong financial performance and improving profitability over time.

The data reflects a steady increase in capital employed and revenue from FY2020 to FY2024, indicating business expansion. The Return on Capital Employed (ROCE) also shows gradual improvement from 34.47% to 37.46%, suggesting enhanced efficiency in utilizing capital. This upward trend highlights strong operational

performance and effective capital management.

SUGGESTION

- Reliance's ratio analysis over the years reflects a strong and steadily improving
- financial position, highlighting its efficient management and operational strength.
- The liquidity ratios, such as the current ratio and liquid ratio, remain stable, indicating
- the company's consistent ability to meet short-term obligations without liquidity stress.
- The current ratio fluctuates slightly but stays above the safe benchmark of one, ensuring adequate working capital management.

CONCLUSION

Reliance's financial ratio analysis reflects strong growth, efficient management, and solid fundamentals. Stable liquidity ratios show reliable short-term financial health, while improved efficiency ratios indicate better asset and inventory utilization. Profitability ratios like ROCE, RONW, and EPS confirm growing returns, though a slight dip in margins signals the need for tighter cost control. The rising net worth and capital employed demonstrate financial strength and readiness for expansion. To sustain this trajectory, Reliance should focus on cost efficiency, working capital management, and robust cash flow. Overall, the company is well-positioned for long-term success and investor confidence.

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