



Financial performance analysis of reliance industries limited (RIL): A three-year study (2022–23 to 2024–25)

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Abstract

The purpose of this research is to analyze the financial performance of Reliance Industries Limited (RIL) over a period of three financial years, from 2022–23 to 2024–25. The study applies ratio analysis, trend analysis, and the DuPont three-step model to examine profitability, efficiency, leverage, and overall financial health. Data has been collected from consolidated annual reports of the company. The results indicate that while revenue has been increasing consistently, profitability indicators and return ratios such as ROA and ROE have shown a declining trend. The DuPont analysis reveals that the primary reason for the decline in ROE is the fall in asset turnover, caused by rapid asset expansion. This research provides insights into corporate financial performance and supports decision-making for investors, analysts, and stakeholders.

Keywords: Reliance Industries Limited (RIL), Financial Performance, Trend Analysis, DuPont Analysis, Profitability, Asset Turnover, ROE, ROA

Introduction

Financial performance analysis is a crucial tool for understanding the economic strength, profitability, and long-term sustainability of a business. Corporations regularly assess financial performance to evaluate growth, operational efficiency, and shareholder value creation. Reliability and accuracy in such analysis assist stakeholders in making informed decisions. Reliance Industries Limited (RIL), India's largest conglomerate, operates across energy, petrochemicals, telecommunications, retail, and digital services. Its enormous asset base and rapid expansion make it a suitable subject for financial performance evaluation. This paper examines the financial performance of RIL over the last three years using quantitative analytical tools.

Review of Literature

Pandey (2020) emphasized that ratio analysis helps assess the profitability and stability of a business by analyzing financial statements.

Gupta & Sharma (2021) found that trend analysis is useful in identifying long-term performance direction and structural improvements.

DuPont (2009) introduced the DuPont Model, which breaks down ROE into profitability, efficiency, and leverage components, enabling deeper insight into return generation. Most studies highlight the importance of integrated financial analysis but focus on single sectors. Limited research exists on multi-sector giants such as RIL.

Research Gap

1. Limited academic studies specifically examine RIL's multi-year consolidated financial performance.
2. Very few studies apply DuPont analysis along with trend analysis for advanced performance evaluation.
3. Existing research does not incorporate the post-pandemic expansion phase of RIL.

This paper fills these gaps by conducting a three-year advanced analysis.

Objectives of The Study

- To analyze the financial performance of RIL using key financial ratios.
- To examine the trend of profitability, return ratios, and asset efficiency.
- To apply the DuPont three-step model to interpret changes in ROE.
- To provide insights into the company's financial strengths and weaknesses.

Research Methodology

1. Type of Research

Quantitative, analytical, and descriptive research.

2. Data Sources

Secondary Data collected from

- RIL Annual Reports (2022–23, 2023–24, 2024–25)
- Consolidated financial statements
- Journals, books, and online resources

3. Tools and Techniques

- Ratio Analysis
- Trend Analysis
- DuPont Three-Step ROE Model
- Comparative Financial Analysis

4. Period of Study

Three financial years (2022–23 to 2024–25).

Company Profile: Reliance Industries Limited

Reliance Industries Limited, founded by Dhirubhai Ambani, is a Fortune Global 500 company and India's largest private-sector corporation. The company operates across key sectors: petroleum refining, petrochemicals, retail, telecommunications (Jio), media, and new energy. With continuous expansion and strategic investments, RIL remains a dominant force in India's industrial landscape.

Data Presentation

Table 1: Financial Data (Crore INR)

FY	Revenue (Cr)	Net Profit (Cr)	Total Assets (Cr)	Total Liabilities (Cr)	Equity (Cr)
2022-23	891,311	66,702	890,565	411,471	479,094
2023-24	914,472	69,621	1,607,431	778,550	828,881
2024-25	980,136	69,648	1,950,121	940,495	1,009,626

Source: Consolidated financial statements.

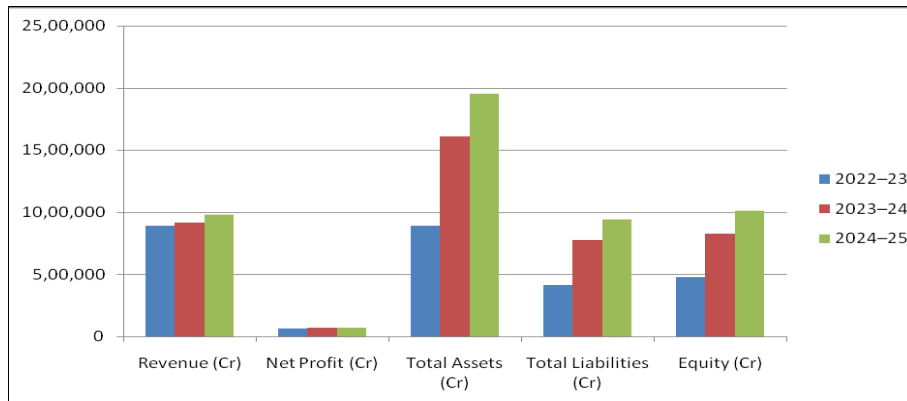


Fig 2: Financial Data (crore INR)

Table 2: Calculated Ratios and Analysis Table

FY	Profit Margin (%)	ROA (%)	ROE (%)	Asset Turnover (x)
2022-23	7.48	7.49	13.92	1.00
2023-24	7.61	4.33	8.40	0.57
2024-25	7.11	3.57	6.90	0.50

How ratios were computed:

- Profit Margin (%) = (Net Profit / Revenue) × 100
- ROA (%) = (Net Profit / Total Assets) × 100
- ROE (%) = (Net Profit / Equity) × 100
- Asset Turnover = Revenue / Total Assets

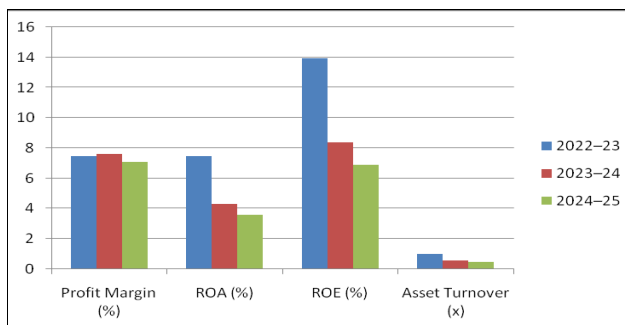


Fig 2: Calculated Ratios and Analysis Table

Trend Analysis

1. Profit Margin Trend

Profit margin remained moderately stable, increasing slightly from 7.48% in 2022-23 to 7.61% in 2023-24, but then reducing to 7.11% in 2024-25.

This pattern suggests that although revenue increased, net profit growth did not keep pace.

2. ROA Trend

ROA dropped significantly from 7.49% to 3.57% within three years.

The decline is due to massive asset expansion in telecom, retail, and energy segments.

Lower ROA indicates reduced efficiency in using assets to generate profits.

3. ROE Trend

ROE also declined from 13.92% to 6.90%, indicating falling returns to equity shareholders. Though profit margin remained stable, lower asset turnover reduced overall ROE.

4. Asset Turnover Trend

Asset turnover fell sharply from 1.00 to 0.50, indicating inefficiency in converting assets into revenue. This is typical during major infrastructure expansion phases.

Dupont Analysis

DuPont Formula

$$ROE = \text{Profit Margin} \times \text{Asset Turnover} \times \text{Equity Multiplier}$$

Table 3: Equity Multiplier Calculation

FY	Total Assets	Equity	Equity Multiplier
2022-23	890,565	479,094	1.86
2023-24	1,607,431	828,881	1.94
2024-25	1,950,121	1,009,626	1.93

The company uses moderate leverage, and it remains consistent.

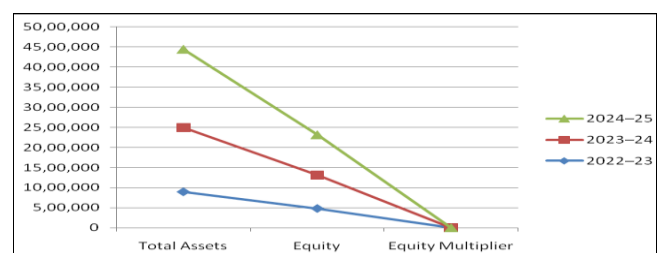


Fig 3: Equity Multiplier

Table 3: DuPont Breakdown of ROE

FY	PM (%)	AT (x)	EM	ROE (%)
2022–23	7.48	1.00	1.86	13.90
2023–24	7.61	0.57	1.94	8.40
2024–25	7.11	0.50	1.93	6.86

Interpretation

- Profit Margin mildly fluctuated and did not contribute significantly to ROE decline.
- Asset Turnover contributed the most to the fall in ROE.
- Equity Multiplier remained stable; therefore leverage did not impact ROE significantly.

Thus, declining efficiency (not profitability or leverage) is the primary reason for falling ROE.

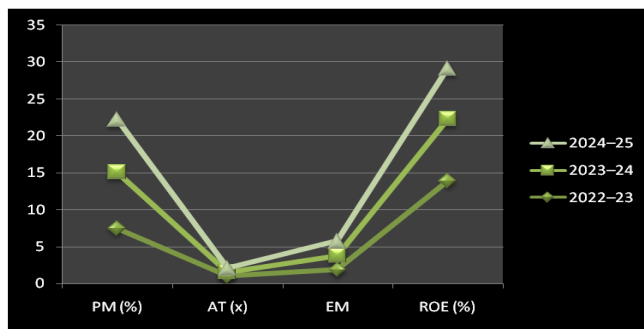


Fig 3: DuPont Breakdown of ROE

Findings

- Revenue increased every year but net profit remained almost stagnant.
- Profit margin remained stable, showing good operating cost management.
- ROA showed a continuous decline due to rapid asset build-up.
- ROE decreased significantly, reducing shareholder returns.
- Asset turnover witnessed the sharpest fall, indicating underutilization of new assets.
- The DuPont model confirms that declining ROE is mainly caused by lower asset efficiency.
- RIL is in an expansion phase; new assets may generate returns in future years.

Conclusion

The financial performance of RIL over the three-year period reflects strong revenue growth but declining profitability in terms of returns on assets and equity. The trend analysis shows a major drop in efficiency ratios, which are further confirmed by the DuPont breakdown. Falling asset turnover, due to heavy investments in capacity expansion, is the primary cause of reduced overall performance indicators.

While the company remains financially stable with a strong equity base and moderate leverage, improvement in asset utilization will be crucial for enhancing shareholder returns in future years. As newly developed assets begin to contribute to revenue, financial performance is expected to strengthen.

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