

SUMMER INTERNSHIP REPORT

**DIAGNOSTIC REVIEW OF FINANCIAL POTENCY
AND
COMPARATIVE ANALYSIS WITH OTHER
INFRASTRUCTURE FIRMS**

UNDER THE GUIDANCE OF

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&
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AT
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(Under the Ministry of Power, Govt. of India)

Affiliated to



MAHARSHI DAYANAND UNIVERSITY, ROHTAK

AUGUST 2012

DECLARATION

I, Sudhanshu Mishra, Roll No.1120812283), student of MBA - Power Management (2011-2013),of National Power Training Institute, Faridabad, hereby declare that the summer training report entitled

“DIAGNOSTIC REVIEW OF FINANCIAL POTENCY”

AND

“COMPARATIVE ANALYSIS WITH OTHER INFRASTRUCTURE FIRMS”

Is an original work and the same has not been submitted to any other institute for the award of any other degree.

A seminar presentation of the Training report was made on 31st July 2012 and the suggestions as approved by the faculty were duly incorporated.

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Sudhanshu Mishra

MBA – Power Management (2011-2013)

National Power Training Institute, Faridabad

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EXECUTIVE SUMMARY

The project “Diagnostic review of financial potency” and “comparative analysis with other infrastructure firms” aims at learning the financial strength and weaknesses of Reliance Infrastructure Limited by properly establishing the relationship between the items of the balance sheet, profit and loss account and cash flow statement of the firm at its EPC division which mainly deals in power projects.

The project starts with the analysis and interpretation of financial statements which is useful in achieving several objectives:

1. The evaluation of past performance
2. The assessment of current status
3. The prediction of future potential
4. Taking the right decisions to maximize profits and resources

Being historical in nature the financial statements are more convenient for the first two purposes. However most readers of the financial statements are interested in the future, i.e. Company’s ability to grow and prosper and its adaptability to varying conditions. Financial statements if properly used can provide a basis for projecting future and gives clues about how the firm will respond to these future situations.

There are various methods or techniques that are used in analyzing financial statements, such as:

1. Horizontal Analysis
2. Vertical Analysis
3. Ratio Analysis

The project uses Ratio Analysis as a tool of Financial Analysis which uses the basic study of the term “Ratio” and is defined as “The relationship between two or more things” and as “ The indicated quotient of two mathematical expressions”. In financial analysis the ratio is used as a benchmark for evaluating the financial position and performance of Reliance Infrastructure. The parties interested in financial analysis can be short and long term creditors, owners and management. Short term creditors main interest is in the liquidity position or short term solvency of the firm. Long term creditors are interested in the long term solvency and profitability of the

firm. Owner concentrates on the firm's profitability and financial condition. Management is interested in evaluating every aspect of the firm's performance to see that the firm grows profitably. Hence depending on the requirement of the various users, the ratios can be classified into four categories:

1. Liquidity Ratio
2. Leverage Ratio
3. Activity Ratio
4. Profitability Ratio

The main feature of the ratio analysis involves the comparison for a useful interpretation of the financial statements. In this project the ratio are compared with some standards that consist of:

1. Past Ratios- The ratios are calculated and comparison is made from the past financial statement of the Reliance Infrastructure, the calculation is done to establish the quantitative relationship that helps to form a qualitative judgment.
2. Competitor's Ratios- The ratios of some selected firms like GMR Infrastructure, L&T and Lanco Infratech are calculated and compared with the Reliance Infrastructure's ratios to find out the latter's standing in the market.

Another aspect of this project is to study the cash flow statement of the Reliance Infrastructure that provides the information about the cash inflows and outflows for a period of one year. Cash flow is the important indicator of profitability to a company as it summarizes the cause of changes in the cash position of the firm.

CHAPTER 1

1.1 SCOPE OF THE STUDY

The scope of the project is to perform the diagnostic review of financial strength of the firm by analyzing financial statements using “Ratios” which is used as a benchmark for evaluating the financial position and performance of Reliance Infrastructure and based on the study cash flow statement of the firm has been analyzed.

Following techniques has been used for precise results:

- Time Series / Trend Analysis
- Cross-sectional / Inter-Firm Analysis

The Analysis is done to understand the fundamentals of information available in the financial and cash flow statements so that one can interpret the strengths, weakness and profitability of the firm.

1.2 COMPANY PROFILE

RELIANCE INFRASTRUCTURE

Reliance Infrastructure, formerly known as Reliance Energy Ltd, with a market cap of more than \$3 billion, was incorporated in 1929 and ranks amongst top performing Indian private sector companies in the country. The company operates in three business segments:

- Infrastructure
- Engineering Procurement and Construction
- Energy

The company is the largest private sector infrastructure developer on ownership basis and is having presence in all high growth sectors viz. Roads, Metro, Sea Link, Cement and Airports. The company is having 11 road projects worth Rs 120 billion under its portfolio. Further, it is also having 3 Metro projects worth Rs 170 billion, 1 sea link project of Rs 46 billion, 2 cement projects in Maharashtra and Madhya Pradesh worth Rs 47 billion and 5 airports projects worth Rs 5 billion.

Reliance Infrastructure has also emerged as the leading player in India in the Engineering, Procurement and Construction (EPC) segment of the power sector. Reliance Infrastructure is having a healthy EPC order book of Rs 212 billion as on April 2012 spread across power, roads and transmission projects.

Reliance Infrastructure has also emerged as the largest private sector player in the utility sector. Currently it is having power generation capacity of 941 MW and 37,000 MW through Reliance Power. It is having the power distribution license in Mumbai and Delhi serving over 5.4 million customers and distributes over 5,000 MW of power. Under its Transmission segment, Reliance Infrastructure is having 5 projects worth Rs 66 billion.

Reliance Infrastructure also owns 38% stake in Reliance Power with an aggregate investment of Rs 17.2 billion. Reliance Power is likely to develop all future power generation assets in India and overseas with having 600 MW of operational capacity and over 20,000MW under execution. Further, the company is targeting 5000 MW of operating capacity by the end of 2012.

Reliance Power is also having largest coal resources of 4 billion tones.

1.2.1 THE VISION

To be amongst the most admired and most trusted integrated utility companies in the world, delivering reliable and quality products and services to all customers at competitive costs, with international standards of customer care – thereby creating superior value for all stakeholders.

“To set new benchmarks in standards of corporate performance and governance through the pursuit of operational and financial excellence, responsible citizenship, and profitable growth.”

1.2.2 THE MISSION – EXCELLENCE IN INFRASTRUCTURE

- To attain global best practices and become a world – class utility.
- To provide uninterrupted, affordable, quality, reliable and clean power to million of customers.
- To achieve excellence in service, quality, reliability, safety and customer care
- To earn the trust and confidence of all customers and stakeholders and by exceeding their expectations, make the company a respected household name.
- To work with vigor, dedication and innovation, towards achieving the ultimate goal of total customer satisfaction.
- To consistently achieve high growth with the highest levels of productivity.
- To be a technology driven, efficient and financially sound organization.
- To be a technology driven, efficient and financially sound organization.
- To be a responsible corporate citizen, nurturing human values and concern for society, the environment and above all, people.
- To contribute towards community development and nation building.
- To promote a work culture that fosters individual growth, team spirit and creativity to overcome challenges and attain goals.
- To encourage ideas, talent and value systems.
- To uphold the guiding principles of trust, integrity and transparency in all aspects of interactions and dealings.

Statement Of Values

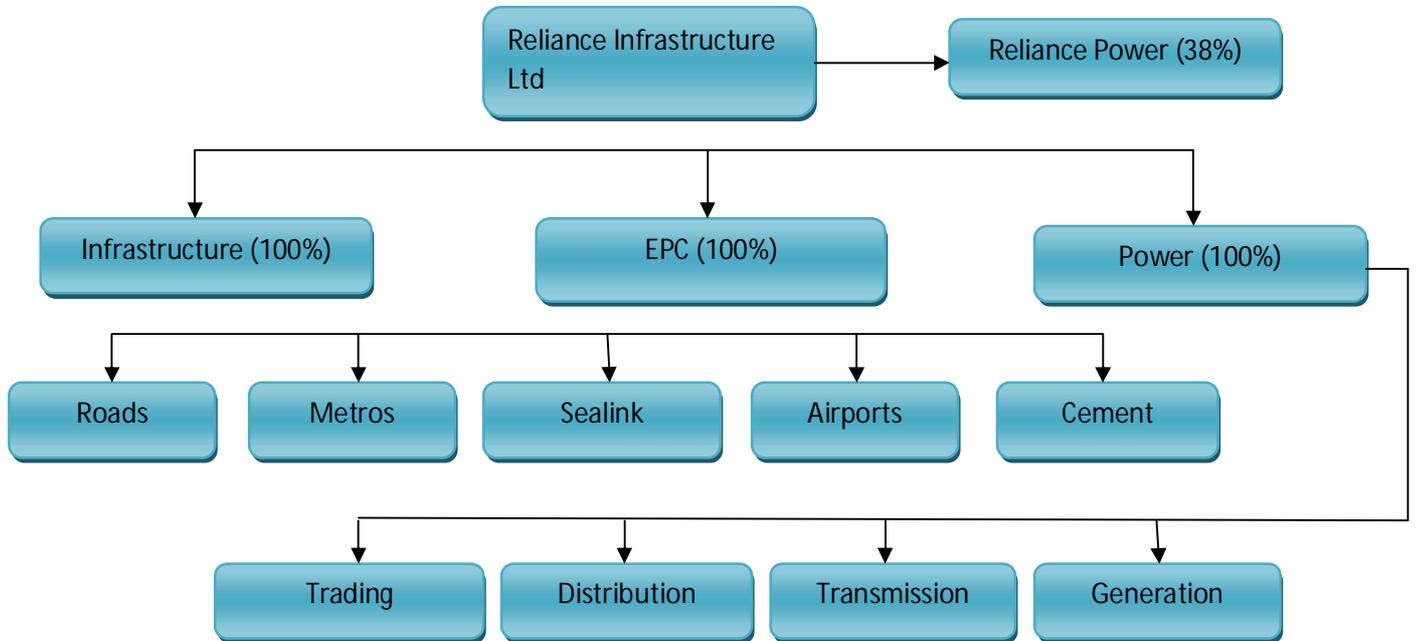
Reliance Infrastructure Ltd. Believes that any business conduct can be ethical only when it rests on the

Nine core values of

- Honesty
- Integrity
- Respect
- Fairness
- Purposefulness
- Trust
- Responsibility
- Citizenship
- Caring

These values are not to be lost sight of by anyone at RELIANCE INFRASTRUCTURE LIMITED under any circumstances irrespective of goals that are intended to be achieved. To them, means are as important as the ends.

1.2.3 COMPANY STRUCTURE

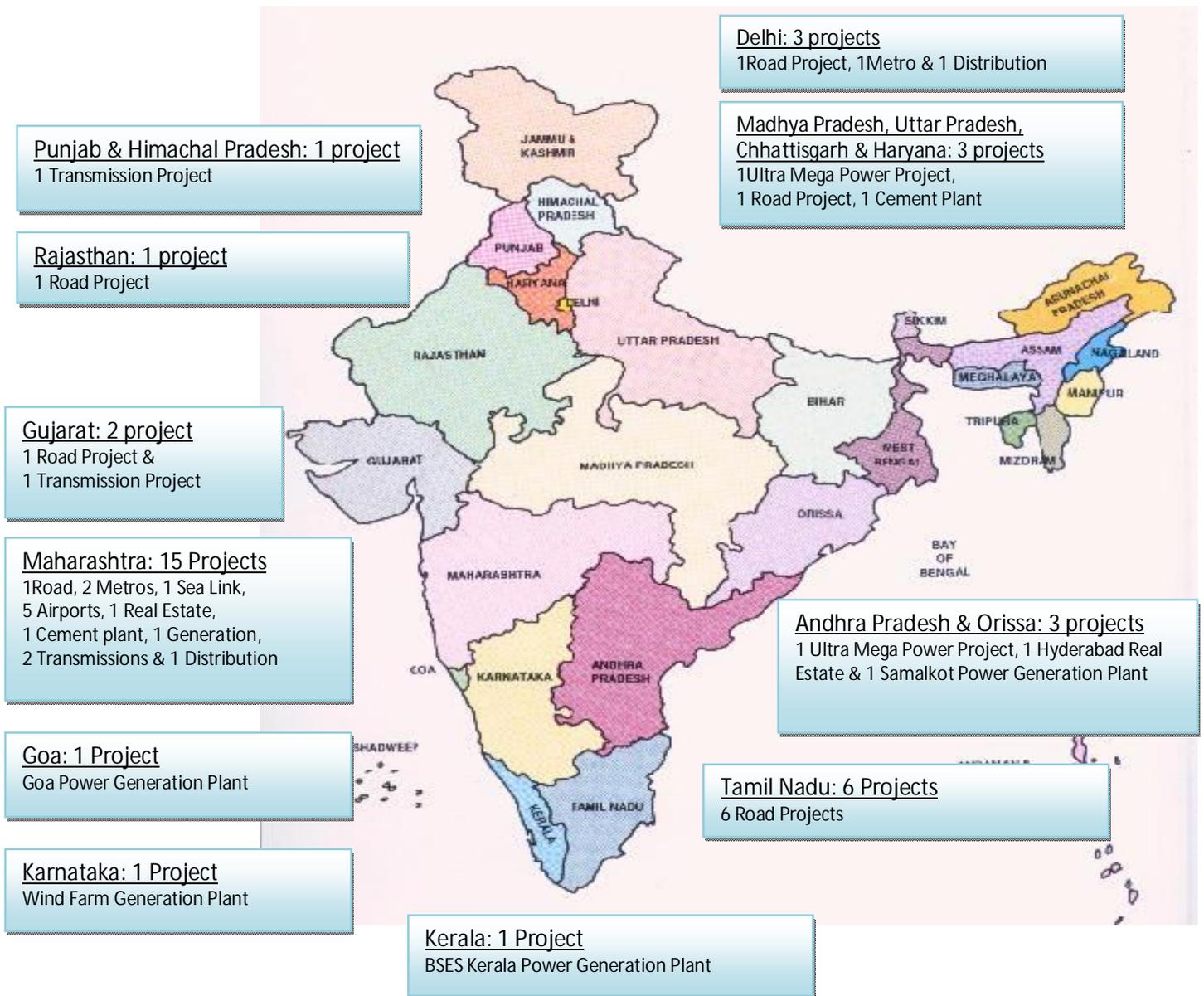


Promoters

Board Of Directors

Shri Anil D Ambani	-	Chairman
Shri Satish Seth	-	Vice Chairman
Shri S C Gupta	-	Director (Operation)
Shri Lalit Jain	-	Whole-time Director
Shri Ramesh Shenoy	-	Company Secretary
Gen V P Malik		
Shri S L Rao		

1.2.4 PAN INDIA PRESENCE



1.2.5 EPC DIVISION (ENGINEERING, PROCUREMENT AND CONSTRUCTION DIVISION)



- Order Book of Rs 212 Billion as on April,2012
 - R Power & Internal Power Projects
 - 3,960 MW Sasan UMPP
 - 600 Butibori TPP
 - 2,400MW Samalkot Power Project
 - Western Region Strengthening Project
 - External Power Projects
 - 1,200 MW Raghunathpur TPP
 - 1,200 MW Rajiv Gandhi TPP at Hisar
 - 500 MW Parichha TPP BOP package
 - Road Projects
 - Gurgaon Faridabad Toll Road
 - Jaipur Reengus Toll Road
 - Pune Satara Toll Road
 - Hosur Krishnagiri Toll Road
 - Delhi Agra Toll Road

1.2.6 POWER GENERATION



Parameter	Capacity	Type	Off-Take Arrangements
Dahanu Power Station	500 MW	Thermal	Mumbai Discom
Samalkot Power Station	220 MW	Combined Cycle	Andhra Pradesh Grid
Goa Power Station	48 MW	Combined Cycle	Goa Grid
Kerala Power Station	165 MW	Naptha	Kerala State Electricity Board
Wind Farm Karnataka	8 MW	Wind	Karnataka Power Transmission Corp.Ltd.

Dahanu Station running at PLF of 100% from last 7 years



Outperformance of norms leading to high ROEs

Note: Dahanu Power Station is “ISO 50001:2011” certified for Energy Management System- Only plant in the world to receive this certification.

1.2.7 POWER TRANSMISSION – PROJECT STATUS

1. Western Region Strengthening Scheme (WRSS)
 - First 100% privately owned transmission line commissioned in India
 - More than half of the lines commissioned in Maharashtra & Gujrat
 - i. Solapur Karad, Parli Solapur, Lonikhand Kalwa line in Maharashtra-253kms
 - ii. Limdi Vadavi & Vadavi Kansari line in Gujrat – 252kms
 - Project to be commissioned in 2012
2. Parbati Koldam
 - Signed financing agreement with PFC & REC for debt amount of Rs. 7.7 Bn.
 - Obtained approval from MOP for commencement of work.
 - Construction activities in full swing at project site
3. Mumbai Transmission
 - 7 EHV station charged till date – 4 new EHV stations charges in FY 12 saves 90% of land space compared to conventional one.
 - Enable additional flow of 300 MW of power to Mumbai suburbs.
 - Registered all time high availability of 99.8% v/s regulatory target of 98%
4. North Karanpura
 - Acquisition process completed
 - Applied for force majeure
5. Talcher II
 - Acquisition process completed
 - Applied for force majeure

1.2.8 POWER DISTRIBUTION

Salient Features

- Serves 2 out of 3 homes in Mumbai & Delhi
- Serves over 5.7 million customers
- Distributes over 5,000 MW of power
- Largest private sector distributor of power

1.2.8.1 MUMBAI DISTRIBUTION



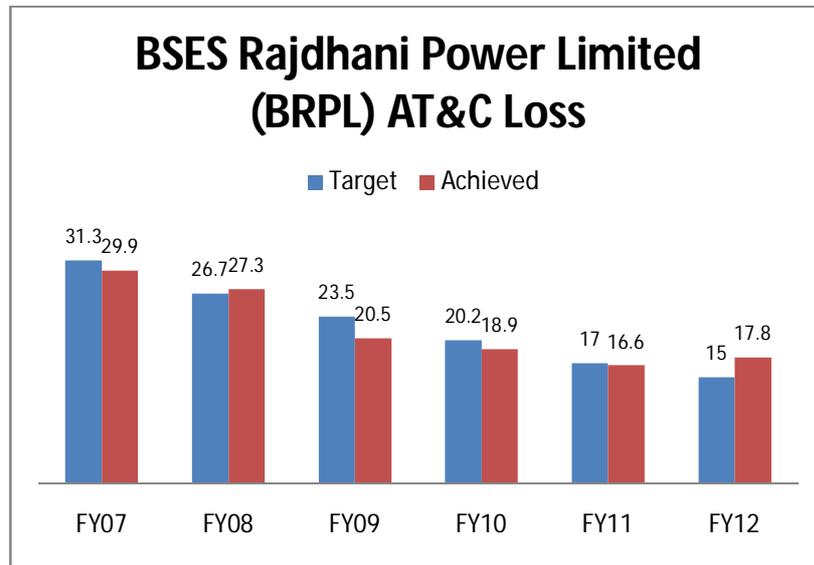
- Distributing power to over 2.8 million customers
 - Added 78,000 consumers in FY 12
- Among the lowest AT&C loss levels in the country
 - AT&C losses of <11%
 - Reliability of 99.98%
- Continuous upgradation and modernization undertaken
 - Yearly investment of 3-4 Bn.

Recent Developments

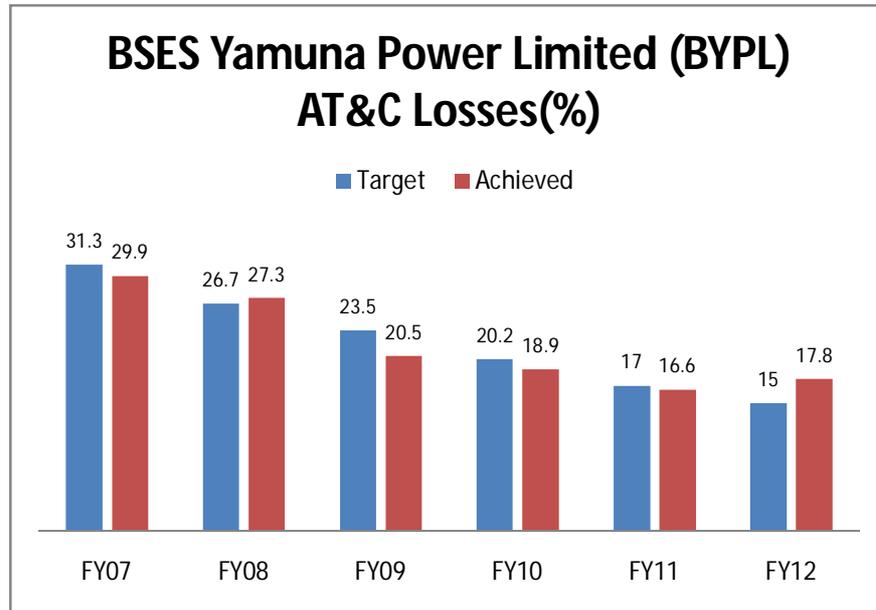
- Plan to recover Regulatory Assets of 23.2 Bn submitted to MERC- Approval expected shortly
 - Recovery includes carrying cost at the rate of SBI PLR
- Cross Subsidy Surcharge levied on all migrated consumers

- Earned CSS of Rs.50 crore in FY12

1.2.8.2 DELHI DISTRIBUTION



- RInfra owns 49% in two Discoms since privatization in 2002.
- Distributing power to over 2.9 million customers
 - 3,255 MW of peak demand
- AT&C loss reduction of 35% - 40 % since takeover.
- Yearly investment of Rs 3 – 4 Bn. For upgradation, strengthening and modernization of distribution network.



- Fuel Price Adjustment surcharge of 6% and 7% for BRPL and BYPL approved by DERC and already implemented.
- Implemented tariff hike of 22% tariff for both discoms.
- Promoters invested Rs.10.2 Bn i.e. Rs.5.2Bn by RInfra (52% stake) & Rs 5.0 Bn. (49% stake) by Delhi Government.
 - Financial package prepared by IDBI bank – Rs 51Bn.
- Tariff revision is underway by DERC – Approval expected shortly.

LITERATURE SURVEY AND RESEARCH METHODOLOGY

2.1 LITERATURE REVIEW

Ball and Brown (1968) were the first to highlight the relationship between stock prices and information disclosed in the financial statements. Empirical research on the value relevance has its roots in the theoretical framework on equity valuation models.

Ohlson(1995) depicted in his work that the value of a firm can be expressed as a linear function of book value, earnings and other value relevant information.

Gregory Mostyn (2008) explains the essentials of financial statement and cash flow statement analysis in which he described the balance using basic accounting equation: $A = L + OE$, ('A' means assets, 'L' means liabilities, and 'OE' means owner's equity.) The purpose of the balance is to show the wealth of a business (assets) and the two possible claims on that wealth, which are the creditor's claims (liabilities) and the owner's claim (owner's equity). He has also stated about the income statement which is a "change statement" that shows the change in the equity as a result of operating a business during a specific period of time. Similarly he has explained about the cash flow statement and the ratios for evaluating the financial strength of the firm.

Martin Fridson et.al made a persuasive case that in the real world, accepting financial reporting at face value is both naïve and dangerous and that the best analysis requires "the relentless pursuit of accurate financial profiles of the entities being analyzed. The book is divided into four parts (1) Reading between the lines, (2) The basic financial statements, (3) A closer look at profits and (4) Forecasts and Security analysis. The first three parts focus on the limitations of financial statements, and the fourth is a survey of techniques for forecasting and analyzing.

Leopold Bernstein et al. emphasize understanding business activities planning, financing, investing and operating. They describe strategies underlying business activities and their effects on financial statements, and they discuss the objectives of analysis. They demonstrate popular tools and techniques in analyzing and interpreting financial statements. Their attention is directed at users of financial statements whose well being depends on the

reliable and relevant analysis. They have used annual report as a means to instill both relevant and interesting nature of analysis.

Stephen Penman's primary focus is on equity (share) valuation. When buying a share in a firm, the investor wants to know what a reasonable price is to pay: What is the firm worth? He explains how one answers that question by analyzing information. As financial statements contain considerable information about firms, his study involves financial statement analysis. The methods of fundamental analysis has been covered in detail and applied in cases and projects involving listed companies. Topics include models of shareholder value, a comparison of accrual accounting and discounted cash flow approaches to valuation, reverse engineering methods of stock selection, the analysis of profitability, growth and valuation generation in a firm, diagnosing accounting quality, forecasting earnings and cash flows, pro-forma analysis for strategy and planning, and the determination of price/earnings and market-to-book ratios.

Jane A.OU et al. performs a financial statement analysis that combines a large set of financial statement items into one summary measure which indicates the direction of one year ahead earnings changes. Positions are taken in stocks on the basis of this measure during the period 1973 – 1983 which involve cancelling long and short positons with zero net investment.

2.2 METHODOLOGY

The methodology is followed to carry out this project i.e. the universe, locale of our study, data collection and data analysis.

As in Reliance Infrastructure for financial statement and cash flow statement analysis, a thorough study of consolidated balance sheet, profit & loss account and cash flow statement has been done and based on their relationship the financial strength and weakness of the firm has been established.

Universe of study: The universe of study is power sector.

Locale of study: Locale of study is Reliance Infrastructure Ltd. EPC division which mainly deals in power projects.

Data Collection:

- The secondary data used is collected from the company's annual reports and various websites.
- The secondary data is collected from the employees working in Reliance Infrastructure's Finance department.

Analysis of data

The study is qualitative in nature and not much primary data is available. Therefore no analytical tools have been used in the preparation. The report has been prepared after doing a qualitative analysis of the data collected. Some bar charts, graphs are used to make the data more understandable to the reader.

Limitations

The analysis is based on the figures available in the annual report of the organization as current figures of the particular project were not revealed by the finance department due to its confidential nature.

Comparison of one company with another can provide valuable clues about the financial health of an organization. Unfortunately, differences in accounting methods between companies sometimes make it difficult to compare the company's financial data. E.g. If one firm values its inventories by LIFO method and another firm by the average cost method, then direct comparison of financial data such as inventory valuations and cost of good sold between the two forms may be misleading. Even with this limitations in mind, comparisons of key ratios with other companies and with industry average often suggest avenues for further investigation.

Ratios are not sufficient in themselves as a basis for judgment about the future. Conclusions made from the ratio analysis must be regarded as tentative. Ratios should not be viewed as an end, but rather they should be viewed as starting point, as indicators of what to pursue in greater depth. They raise many questions, but rarely answer any question by themselves.

In addition to ratios, other sources of data should be analyzed in order to make judgment about the future of the organization. The analyst should look e.g. the industry trends, technological changes, changes in broad economic factors and changes within the firm itself.

2.3 PORTERS FIVE FORCES MODEL FOR THE POWER INDUSTRY

Competition: Number of players present in the industry is not large, thereby reducing the Intensity of rivalry. Further, switching costs are even high which hinders competition. Thus it can be said that the competition is not high currently except in the Ultra Mega Power Projects which are allotted through competitive bidding process.

Threat of Entry: Barriers to entry are high, especially in the trans-mission and distribution segments, which are largely, state monopolies. Also, entering the power generation business requires heavy investment initially. The other barriers are fuel linkages, payment guarantees from state governments that buy power and retail distribution license.

Bargaining Power of Suppliers: The raw material for the power industry is mainly coal, suppliers of which cannot negotiate much as the price is regularized by government. Other raw materials are water and nuclear which are even regularized by government. Thus, suppliers don't have bargaining power.

Bargaining Power of Buyers: Bargaining power of retail customers is low, as power is in short supply both for industrial and domestic customers. However, government is a big buyer and payment by government can be erratic, as has been seen in the past. Further price of power is fixed by government bodies because of which buyers cannot exert pressure.

Substitute Products: Electricity does not have clear cut substitute except batteries which are used significantly nowadays but cannot violate the immense importance of power.

2.4 RELIANCE INFRASTRUCTURE CRITICAL ASSESSMENT AND EVALUATION OF THE ORGANIZATION

(SWOT ANALYSIS)

Strengths:

Leadership

- Enormous amount of civic pride
- One of the most successful Private Power Utility in the Country
- Responsive Governance (Across the Board: Cooperation across management).
- Maintains good relation with high profile people in the country.

Infrastructure

- High Capital sustenance
- Sound and state of the art Physical infrastructure

Human Recourse

- Human resource is among the best in the industry.
- Numerous training courses for the employees

Others

- Long experience in creation of world class assets at competitive schedules and cost s.
- Transparent Management System

Weaknesses:

Human Resource

- High employee turnover

Sharing Information

- Still some departments work in isolation

Financial

- Increase in debt to cover operating expenses
- Decreases in number of full paying client.

Opportunities:

Economic Opportunities

- To compete economically with anybody in the country in the country as well as in the world.
- Optimizing size and strong enough base of wealth for quality of life.

- Competitive advantage and bringing money into our county.
- Take advantage of technological revolution.

Others

- Ultra Mega Power Projects
- Mergers and Acquisitions
- Open Access implementation
- Parallel distribution for distribution companies
- Opportunity of power trading.

Threats:

Non Sustainable Energy

- Escalating Energy and fuel costs.

Labour

- Inability to plan to manage growth: Erosion of high tech highly skilled labour force.
- Deteriorating work ethic.
- High competition from other companies.
- Change in Govt. policies.

CHAPTER 3

FINANCIAL STATEMENT AND CROSS- SECTIONAL ANALYSIS

3.1 FINANCIAL STATEMENT ANALYSIS

3.1.1 DEFINITION

It is the process of identifying the financial strengths and weaknesses of firm by properly establishing relationships between the items of the balance sheet and the profit and loss account.

Financial statements are prepared to meet external reporting obligations and also for decision making purposes. They play a dominant role in setting the frame work of managerial decisions.

The nature of analysis differs depending on the purpose of the analyst:

- Trade Creditors evaluates the firm's liquidity position as they are more interested in firm's ability to meet their claims over a very short period of time.
- Suppliers of long term debt are concerned with firm's long – term solvency and survival. They analyze the firm's profitability over time, its ability to generate cash to be able to pay interest and repay principal and the relationship between various sources of funds.
- Investors are concerned about the firm's earnings as they have invested money in the firm's shares. They restore more confidence in those firms that show steady growth in earnings, hence they concentrate on the analysis of the firm's present and future profitability. They are also interested in the firm's financial structure to the extent it influences the firm's earnings ability and risk.
- Management of the firm would be interested in every aspect of the financial analysis. It is their overall responsibility to see that the resources of the firm are used most effectively and efficiently and that the firm's financial condition is sound.

3.1.2 IMPORTANCE

- In planning the short and long term, when choosing between alternatives, objectives, policies, procedures and programs.

- In an organization, to coordinate the actions of people who work in an organization with the goal of better preservation of the tangible assets, technical and human resources, allowing them to detect possible deficiencies in the operations of different areas of a business.
- In the integration, in seeking to articulate the elements and human elements and materials that show planning and organization as necessary for the proper functioning of the entity.
- In the address, to ensure obtaining the results or objectives through the administrator's authority exercised directly or by delegating to other factors, to organize, guide and supervise their subordinates, providing a firm basis for directing the efforts towards the aims of the entity.
- In the control, to measure and compare the results with those expected, i.e. if there is a balance between planning and execution.

Note: From an external perspective the analysis allows presenting the situation and possible evolution of the entity to all external users such as credit institutions, shareholders, suppliers, employees, customers, auditors, analysts, government agencies, competitors, investors etc.

Tools and Techniques

There are various methods or techniques that are used in analyzing financial statements, such as comparative statements, schedule of changes in working capital, common size percentages, fund analysis, trend analysis and ratio analysis.

Following are the most important methods or techniques of financial statement analysis:

1. Horizontal Analysis
2. Vertical Analysis
3. Ratio Analysis

3.1.3 HORIZONTAL ANALYSIS

Comparison of two or more year's financial data is known as horizontal analysis, or trend analysis. Horizontal analysis is facilitated by showing changes between years in both rupees and percentage form.

Trend Percentage:

Horizontal analysis of financial statements can also be carried out by computing trend percentages. Trend percentage states several years financial data in terms of a base year. The base year equals 100%, with all other years stated in some percentage of this base.

3.1.4 VERTICAL ANALYSIS

Vertical analysis is the procedure of preparing and presenting common size standards. Common size statement is one that shows the items appearing on it in percentage form as well as in rupees form. Each item is stated as a percentage of some total which that item is a part. Key financial changes and trends can be highlighted by the use of common size statements.

3.1.5 RATIO ANALYSIS

The ratio analysis is the important tool of financial statement analysis. Ratio simply means one number expressed in terms of another. A ratio is a yardstick by means of which relationship between two or more figures can be compared and measured. Ratios can be found out by dividing one number by another number. Ratios show how one number is related to another.

3.2 TYPES OF RATIOS

The ratios can be classified on the basis of requirement of its users i.e. short and long term creditors, owners and management:

1. Liquidity Ratio
2. Leverage Ratio
3. Activity Ratio
4. Profitability Ratio

3.2.1 LIQUIDITY RATIO:

Liquidity ratios measure the short term solvency of financial position of a firm. These ratios are calculated to comment upon the short term paying capacity of a firm's ability to meet its current obligations.

A firm should ensure that it does not suffer from lack of liquidity, and also that it does not have excess liquidity. The failure of a company to meet its current obligations due to lack of sufficient, will result in a poor credit worthiness, loss of creditor's confidence, or even in legal tangles resulting in the closure of the company.

A very high liquidity is also bad for the company as idle assets earn nothing. The firm's funds will be unnecessarily tied up in current assets. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity.

The liquidity ratio is classified as:

1. Current Ratio
2. Quick Ratio / Acid-Test Ratio
3. Cash Ratio
4. Interval Ratio

Current Ratio:

Current ratio is calculated by dividing current assets by current liabilities:

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

Current assets include cash and those assets that can be converted into cash within a year, such as marketable securities, debtors and inventories.

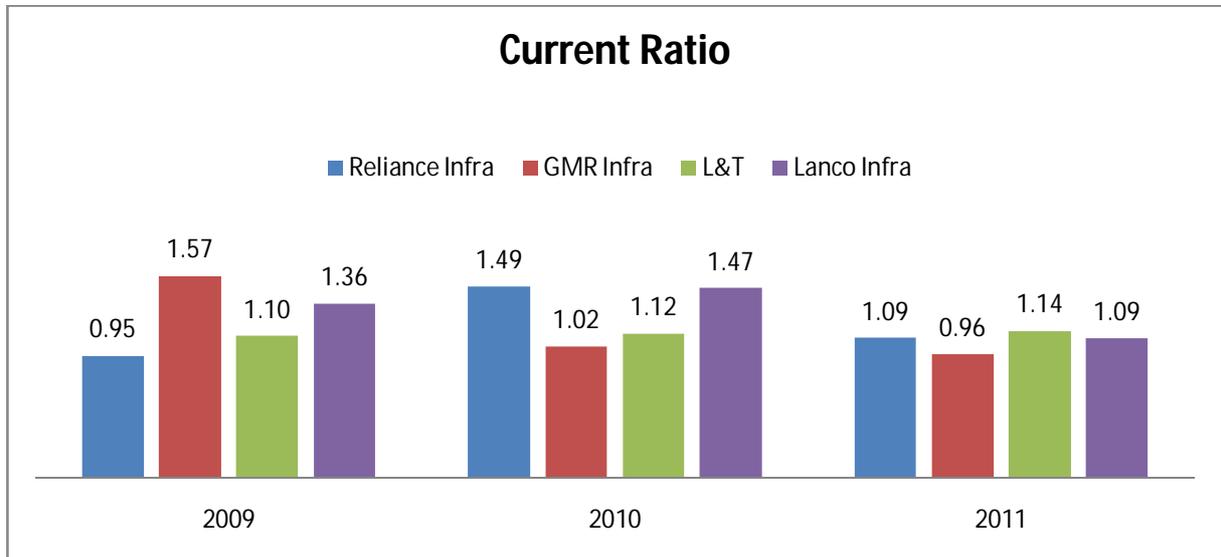
All the obligations maturing within a year are included in current liabilities.

Current liabilities include creditors, bills payable, accrued expenses, short term bank loan, income tax liability and long-term debt maturing in the current year.

Significance

- It indicates the availability of current assets in rupees for every one rupee of current liability. A ratio of greater than one means that the firm has more current assets than current claims against them. A conventional rule states that a ratio of 2 to 1 or more is considered satisfactory.
- The current ratio represents the margin of safety for the creditors. The higher the current ratio, the greater the margin of safety; the larger the amount of current assets in relation to current liabilities, the more the firm's ability to meet its current obligations.

Analysis



1. Reliance Infra have average ratio (from the year 2009 – 2011) of 1.18 which shows that the firm can comfortably meet its current obligations but as compare to previous years trend the ratio of the firm goes on decreasing which is not a healthy sign as in longer run the firm can found themselves in a difficult situation to clear their current liabilities.
2. Except L&T (average current ratio of 1.12(2009 – 2011)) shows the increasing trend of almost 2% and all the respective firms shows the decreasing trend:

S.No.	Company's Name	Percentage Decrease in Current Ratio
1	Reliance Infrastructure	26.8%
2	GMR Infra	5.88%
3	Lanco Infratech	25.85%

However an analyst should not give too much emphasis on Current Ratio as it is a test of quantity not quality. The current ratio measures only total rupees worth of current assets and current liabilities. It does not measure the quality of assets. Liabilities are not subject to any fall in value, they just have to be paid. But current assets can decline in value, if the firm's current assets consist of doubtful and slow moving debtors or slow moving and obsolete stock of goods, then the firm's ability to pay bills is impaired, its short term solvency is threatened. Hence too much stress should not be given to current ratio.

Acid Ratio Test (Liquid/Quick Ratio)

This ratio establishes the relationship between quick or liquid assets and current liabilities.

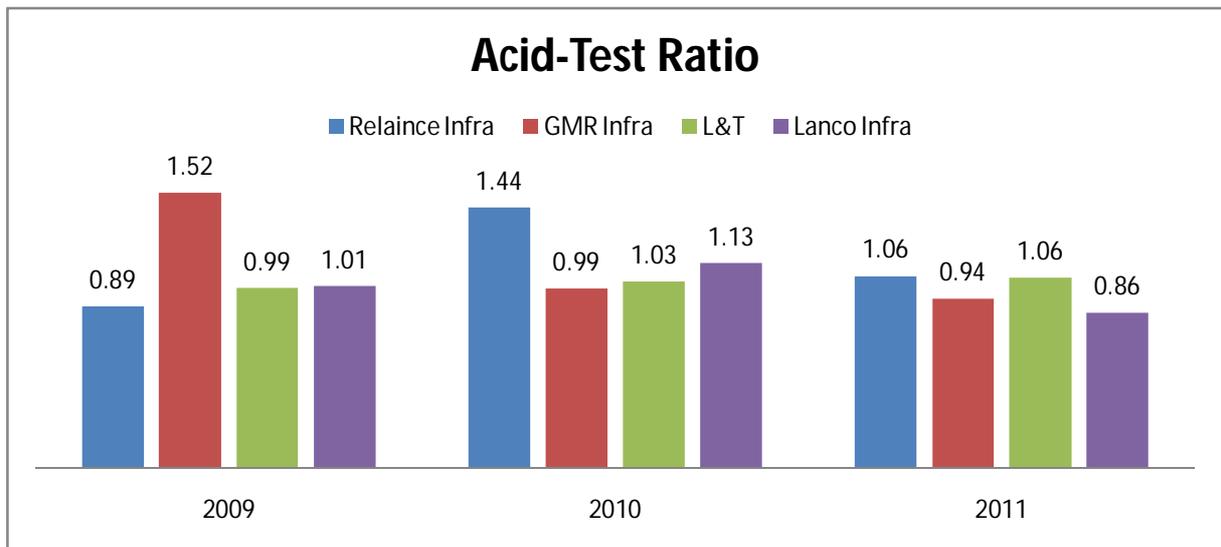
$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$$

An asset is liquid if it can be converted into cash immediately without a loss of value. e.g. Cash, Debtors, Bills receivable and marketable securities. Inventories are considered to be less liquid as it requires time for realizing into cash, their value also has tendency to fluctuate.

Significance

Generally a quick ratio of 1 to 1 is considered to represent a satisfactory current financial condition. This test is more significant as compare to current ratio to fulfill the firm's obligations.

Analysis



1. Reliance Infra has a quick ratio of 1.13 approx. (average from the year 2009-2011) which signifies that the firm can comfortably pay all its current liabilities; but with reference to the year 2010, the 2011 quick ratio has been decreased from 1.44 to 1.06 which shows that the firm will just be able to meet its current obligations.
2. Inter-firm Analysis gives the following observation of percentage increase or decrease in quick ratios of the respective firms and about the Reliance Infra Standings:

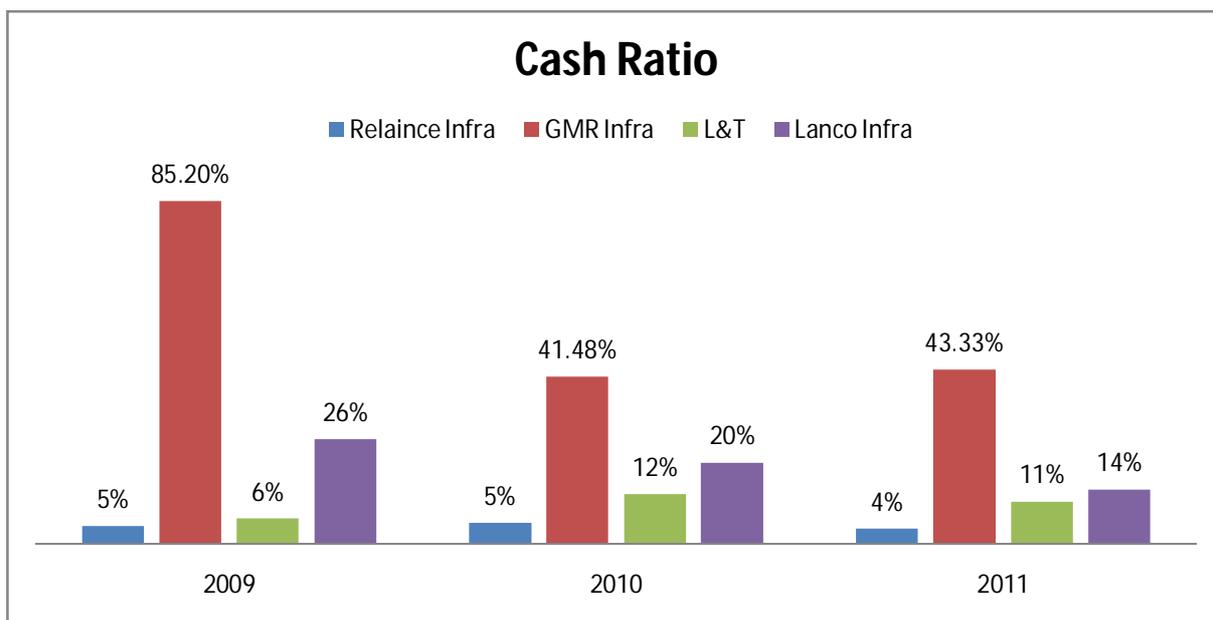
S.No.	Company's Name	Percentage Increase/ Decrease in Quick Ratio
1	Reliance Infrastructure	-26.39%
2	GMR Infra	-5.05%
3	L&T	2.91%
4	Lanco Infratech	-23.89%

A quick ratio of 1:1 or more does not necessarily imply sound liquidity position. It should be remembered that all debtors may not be liquid, and cash may be immediately needed to pay operating expenses. It should also be noted that inventories are not absolutely non-liquid. To a measurable extent, inventories are available to meet current obligations. Thus a company with a high value of quick ratio can suffer from shortage of funds if it has slow paying, doubtful and long duration outstanding debtors. On the other hand, a company with a low value of quick ratio may really be prospering and paying its current obligation in time if it has high inventory turnover ratio which is being analyzed in the further part of the report.

Cash Ratio

The analysis is being done to establish the relationship between cash available with the firm and current liabilities.

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Marketable Securities}}{\text{Current Liabilities}}$$



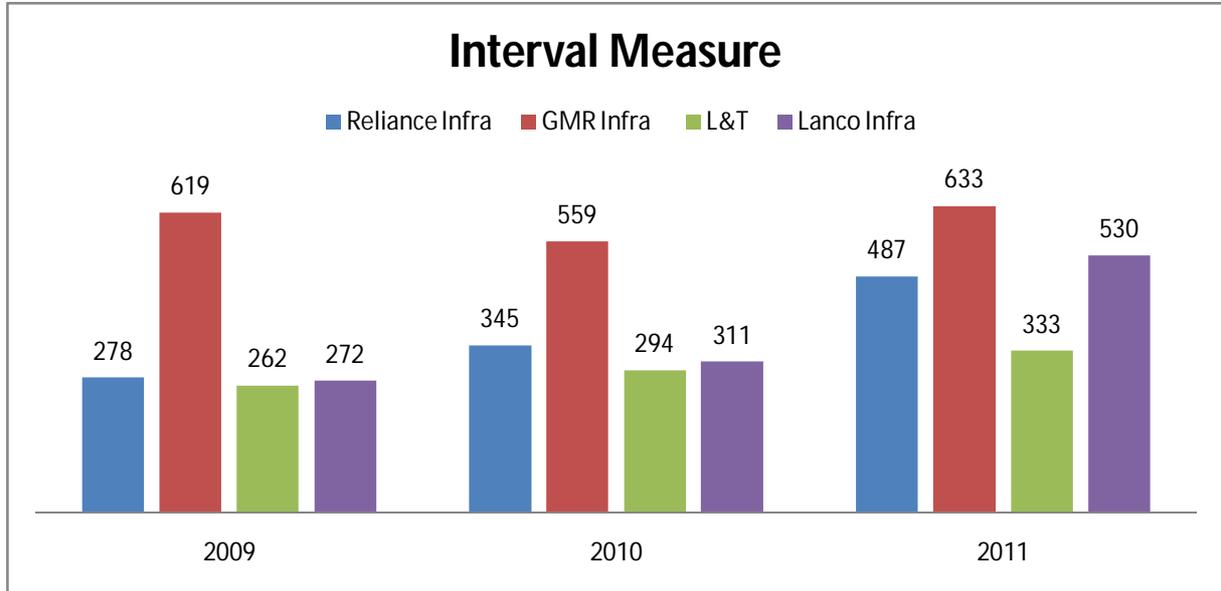
1. The Cash Ratio of Reliance infrastructure is constant over the years as compare to its peers. There is nothing to be concerned of low cash ratio since Reliance Infra has reserve borrowing power and they are having credit limit sanctioned from various banks and they can easily draw cash.
2. The observation from cross-sectional analysis shows that GMR Infra is maintaining high percentage of cash with respect to its current liabilities in comparison with other respective firms.

Interval Measure

Interval measure relates liquid assets to average daily operating cash outflows. The daily operating expenses will be equal to cost of goods sold plus selling, administrative and general expenses less depreciation divided by number of days in the year (say 360).

$$\text{Interval Measure} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Average daily operating expenses}}$$

Analysis



1. Interval measurement of Reliance Infrastructure in 2011 indicates that it has sufficient liquid assets to finance its operations from 487 days, even it does not receive any cash and over the years the interval measure of Reliance Infra has shown the increasing trend.
2. Cross- sectional analysis from the above graph indicates that GMR Infra is having the more liquid assets to finance its operations than any other firm.
3. Lanco Infratech from year 2010 to 2011 have 70.42% increase in its liquid assets as per the interval measure and Reliance infra and L&T have uniform growth in comparison with Lanco Infratech.

Net Working Capital Ratio

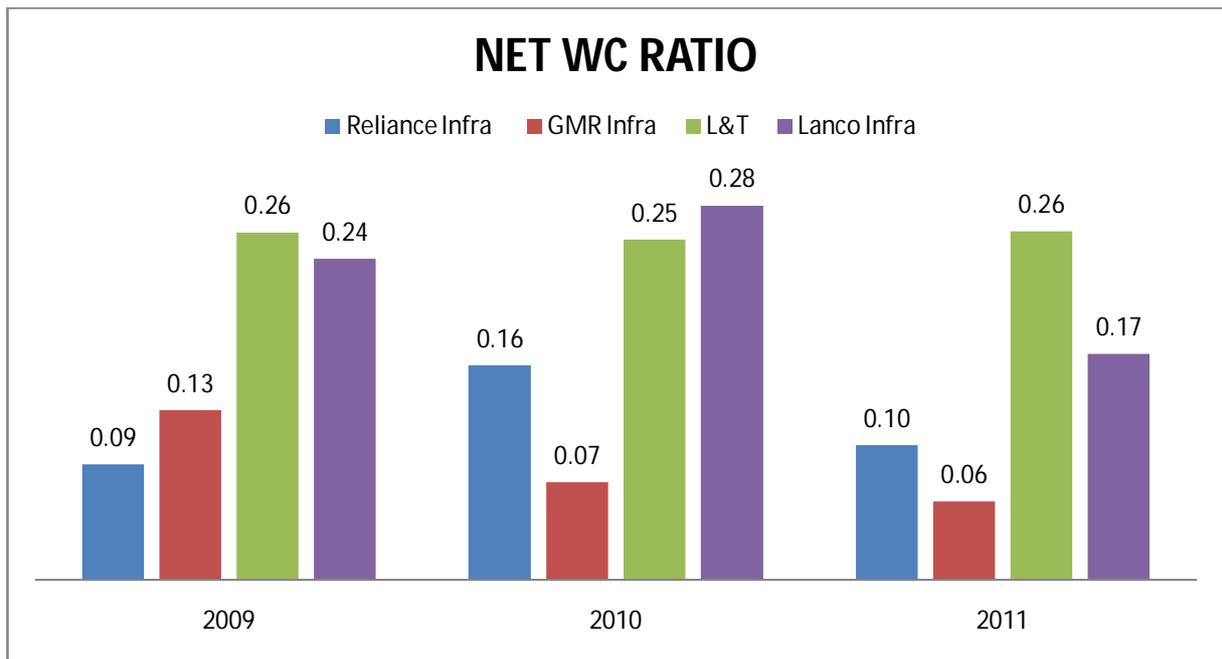
The difference between current assets and current liabilities excluding short term bank borrowing is called Net Working Capital and its relationship with Net Assets is known as Net Working Capital Ratio.

$$\text{Net Working Capital Ratio} = \frac{\text{Net Working Capital}}{\text{Net Assets}}$$

Significance:

Net working capital is also used as a tool to measure firm’s liquidity. It is considered that between the two firms the one having the larger Net Working Capital has greater ability to meet its current obligations but rather this ratio measures the firm’s potential reservoir of funds.

Analysis



1. The average net working capital ratio of Reliance Infra is coming out to be 0.12 and from 2009 to 2011 even though there is uneven change in working capital ratio but it has able to maintain positive which implies that company is in a comfortable position to ppay its short term liabilities.
2. Reliance Infra have to work on increasing their current assets so that it can come at par with the L&T which is quiet consistent in maintain their working capital ratio.

Reliance Infrastructure Limited Liquidity Ratios

Liquidity Ratios	2009	2010	2011
Current Ratio	0.95	1.49	1.09
Quick Ratio	0.89	1.44	1.06

Cash Ratio	5%	5%	4%
Interval Measure	278days	345days	487days
Net Working Capital Ratio	0.09	0.16	0.10

Ratios in the above table indicate that RInfra's liquidity is deteriorating and proper corrective measures are required for the future growth.

3.2.2 LEVERAGE RATIOS

Leverage ratios or long term solvency ratios convey a firm's ability to meet the interest costs and payment schedules of its long term obligations.

These ratios indicate the mix of funds provided by owners and bankers. There should be an appropriate mix of debt and owner's equity in financing the firm's assets.

Salient Features

- Between debt and equity, debt is more risky from the firm's point of view.
- The firm has a legal obligation to pay interest to debt holders, irrespective of the profits made or losses incurred by the firm.
- If the firm fails to pay to debt holders in time, they can take legal action against it to get payments and in extreme cases can force the firm into liquidation.
- Use of debt is advantageous for shareholders in two ways:
 - They can retain control of the firm with a limited stake.
 - Their earning will be magnified, when the firm earns a rate of return on the total capital employed higher than the interest rate on the borrowed funds.
 - The process of magnifying shareholder's return through the use of debt is called financial leverage.
- Limitations of debt
 - If the cost of debt is higher than the firm's overall rate of return, the earnings of shareholders will be reduced.
 - If the firm is liquidated for non payment of dues, the worst sufferers will be shareholders- the residual owners.

- The use of debt magnifies the shareholder's earnings as well as increases their risk.
- A highly debt burdened firm will find difficulty in raising funds from creditors and owners in future.
- Creditors treat the owner's equity as a margin of safety, if the equity base is thin the creditor risk will be high.

The Leverage ratio is classified as :

1. Debt Ratio
2. Debt-Equity Ratio
3. Equity Ratio
4. Total Liabilities Ratio
5. Long Term Debt Ratio

Debt Ratio

If the firm is interested in knowing the proportion of the interest-bearing debt, in the capital structure then debt ratio is calculated.

$$Debt Ratio = \frac{Total Debt}{Total Debt + Net Worth}$$

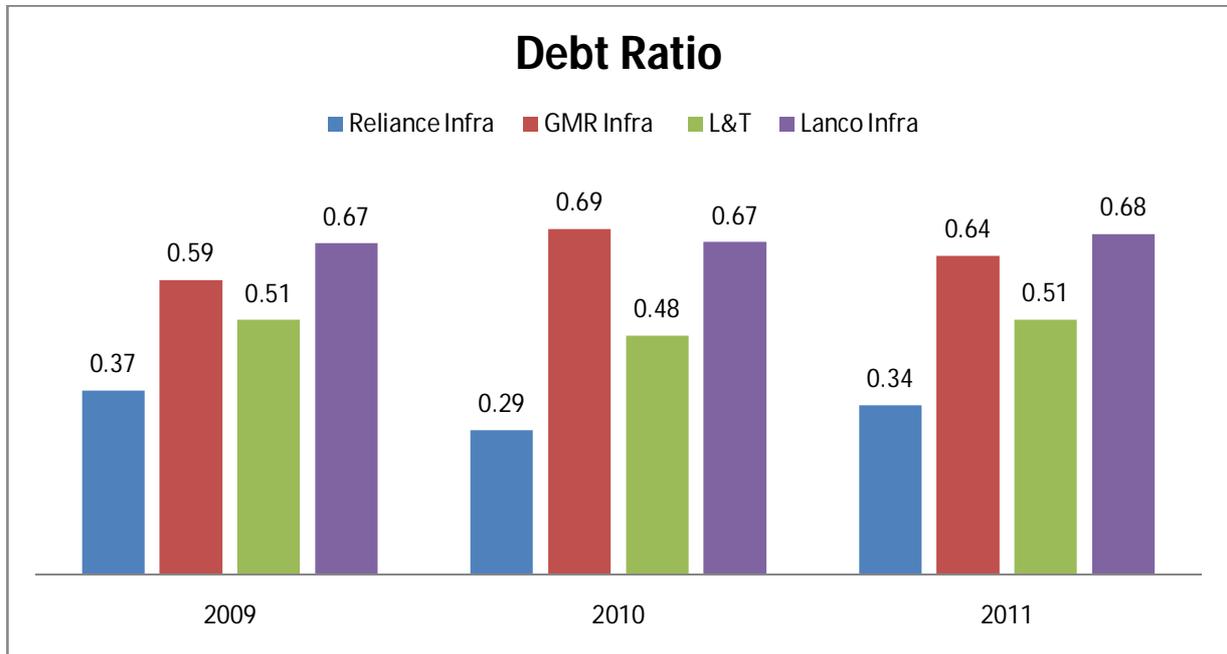
Or

$$Debt Ratio = \frac{Total Debt}{Capital Employed}$$

Total debt include short and long term borrowings from financial institutions, debenture/bonds, deferred payment arrangements for buying capital equipments, bank borrowings, public deposits and any other interest bearing loan.

Capital employed will include total debt and net worth (NW).

Analysis



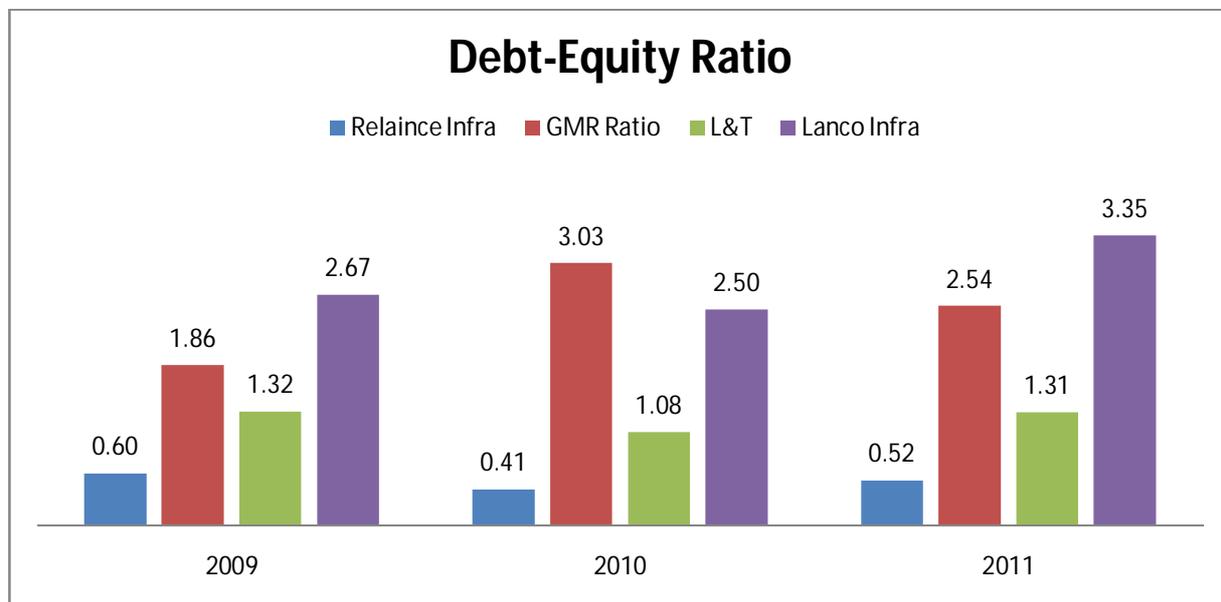
1. Reliance Infrastructure's Average Debt Ratio is of 0.33 means that lenders have financed 33.4% or one-third of Reliance Infrastructure's net assets(capital employed) and it is obviously implies that owners have provided the majority finance. They have financed: 66.6% or about two-third of net assets.
2. Observations from the Inter-firm analysis over the years from 2009 to 2011 shows that L&T have maintained average debt ratio of about 50% which means that lenders and owners have financed both 50% of its net assets, and average debt ratio of GMR and Lanco Infratech are 0.64 and 0.67 respectively which means that lenders have financed almost two-third of the both the firms net assets.

Debt Equity Ratio

The relationship describing the lender's contribution for each rupee of the owner's contribution is called debt – equity ratio.

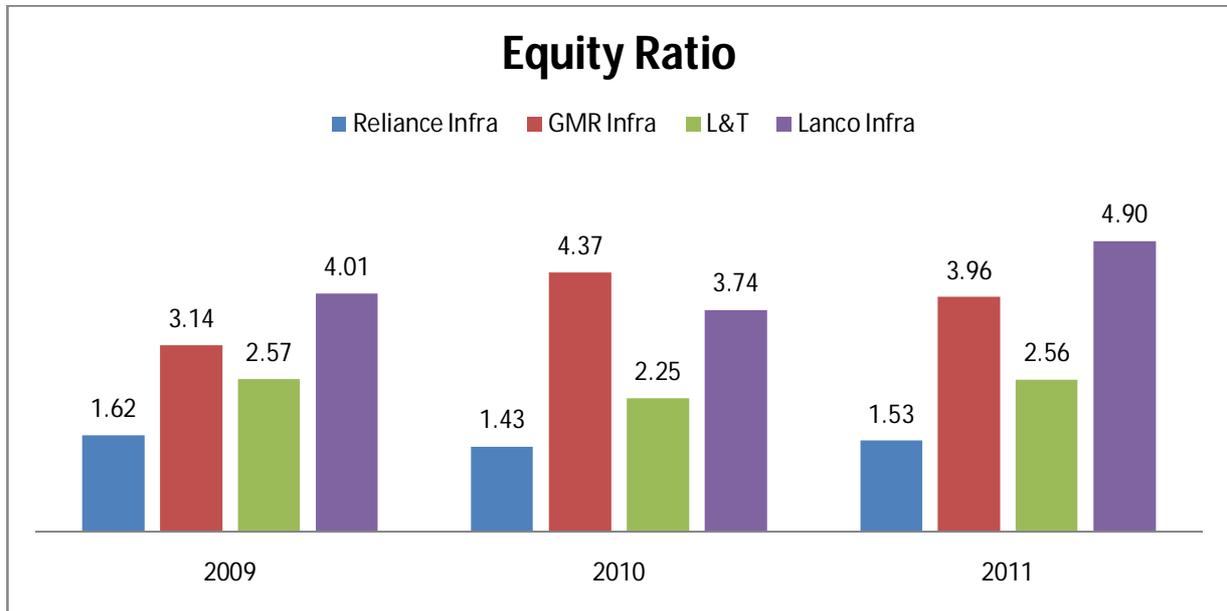
$$\text{Debt – Equity Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

Analysis



1. Reliance infrastructure's debt ratio and debt equity ratio shows that owners have contributed more funds than lenders, owner's contribution is 1.96 times of lender's contribution.
2. Observation from the cross-sectional analysis shows that the average debt-equity ratio of L&T is 1.24 which implies that lender's contribution is 1.24 times of owner's contribution but from debt ratio it is clear that in L&T owner and lender both are contributing 50 : 50% and rest all other the companies like GMR Infra & Lanco Infratech got majority contributions from Lenders.

Equity Ratio (Capital employed to the net worth ratio)



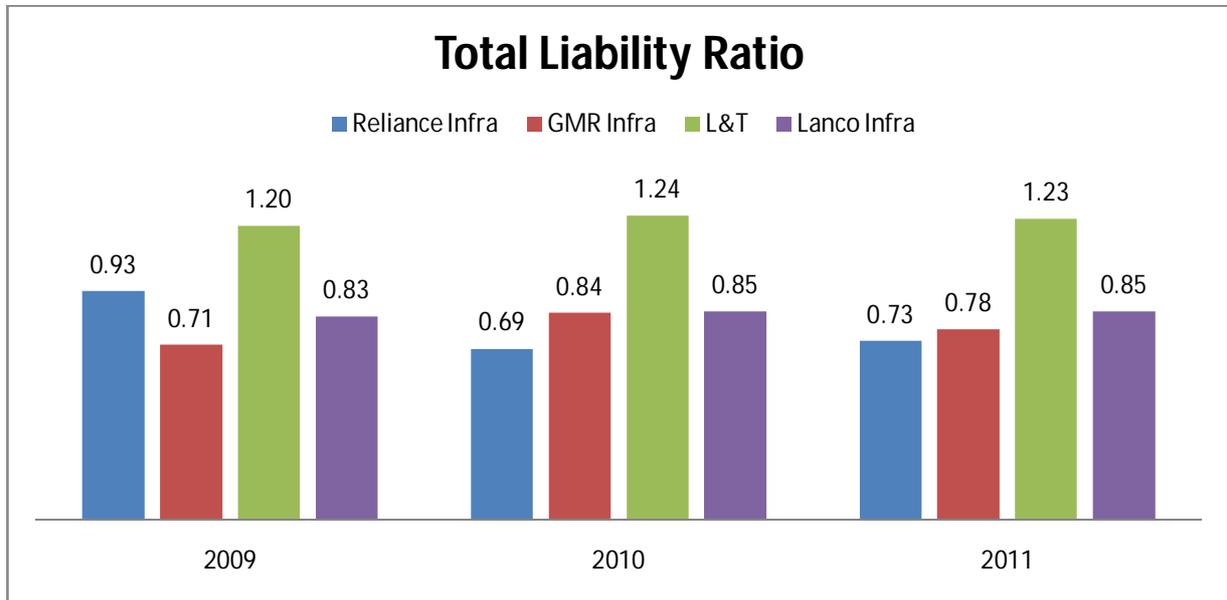
$$\text{Equity Ratio} = \frac{\text{Capital Employed}}{\text{Net Worth}}$$

Equity Ratio is another way of expressing the basic relationship between debt and equity. This ratio shows how much funds are being contributed together by lenders and owners for each rupee of the owner's contribution.

1. From the above graph it has been observed that Reliance Infrastructure average equity ratio from 2009-2011 is 1.53 which implies that for each owner's rupee the funds contributed together by lenders and owners are Rs.1.53.
2. Equity Ratio of other firms are:

S.No.	Company's Name	Average Equity Ratio (2009-2011)
1	GMR Infra	3.82
2	L&T	2.46
3	Lanco Infratech	4.22

Total Liabilities Ratio



$$\text{Total Liability Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

This ratio is calculated to assess the proportion of total funds short and long term provided by outsiders to finance total assets

The comparative average total liability ratio of Reliance Infra and the other competitive firms displayed in the graph are mentioned in the following table:

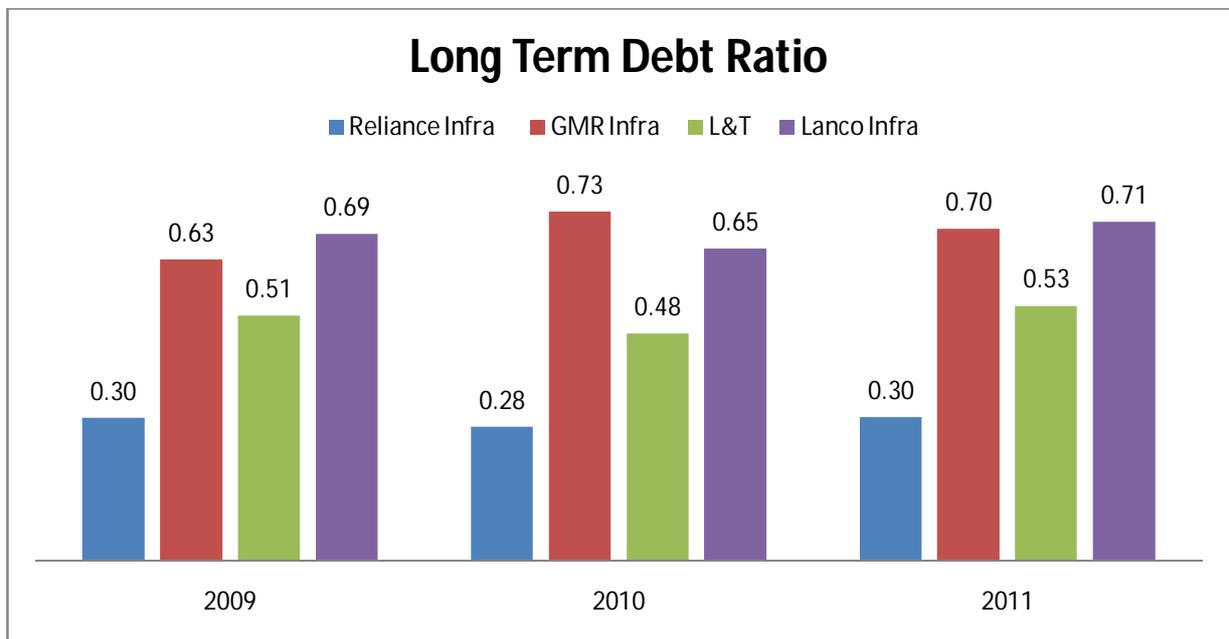
S.No.	Company's Name	Average Total Liability Ratio (2009-2011)
1	Reliance Infrastructure	0.78
2	GMR Infra	0.78
3	L&T	1.22
4	Lanco Infratech	0.84

Long Term Debt Ratio

A firm may wish to calculate the leverage ratio in terms of long term capitalization or funds alone. Long term funds or capitalization will include long term debt and net worth.

$$\text{Long Term Debt Ratio} = \frac{\text{Long Term Debt}}{\text{Long Term Debt} + \text{Net Worth}}$$

Analysis



A high long term debt ratio is unfavorable because it indicates possible difficulty in meeting long term debt obligations.

Reliance Infra has average long term debt ratio of 0.30 which is steady from past three years this shows the stability of the firm.

As compare to its competitors Reliance Infra have less and uniform long term debt ratios.

Reliance Infrastructure Limited Leverage Ratios

Leverage Ratios	2009	2010	2011
Total Debt Ratio	0.37	0.29	0.34
Debt-Equity Ratio	0.60	0.41	0.52
Equity Ratio	1.62	1.43	1.53
Total Liabilities Ratio	0.93	0.69	0.73
Long Term Debt Ratio	0.30	0.28	0.30

Reliance Infrastructure seems to be having funds suitable enough to finance its operations. The level of long term debt is not very excessive, and the proportions of other liabilities are also uniform. There is a balance between lender's and owner's contributions. The stake of owner is quiet high in total capital employed by the company.

From the creditor's point of view the trend is desirable for future investments.

Coverage Ratio

Debt ratios are static in nature and they does not indicate the firm's ability to meet interest and other fixed charges obligations. The coverage ratio is used to test the firm's debt servicing capacity.

This ratio indicates that the extent to which earnings may fall without causing any embarrassment to the firm regarding the payment of the interest charges.

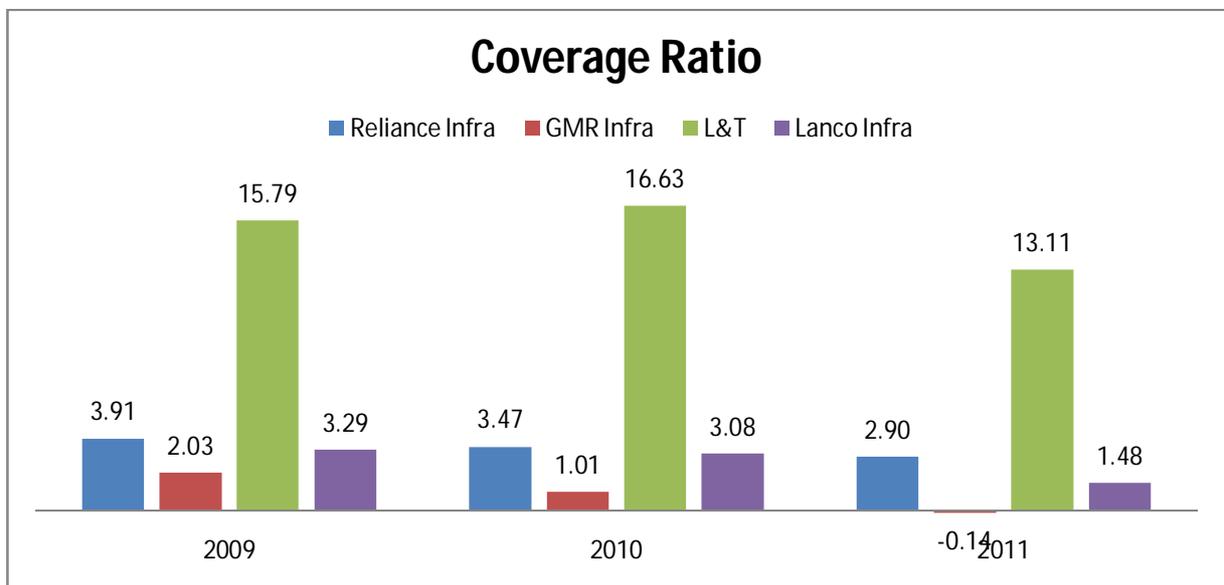
The coverage ratio is computed by dividing earnings before interest taxes, depreciation and amortization (EBITDA) divided by interest charges.

$$\text{Coverage Ratio} = \frac{\text{EBITDA}}{\text{Interest}}$$

Significance:

1. A higher ratio is desirable but too high ratio indicates that the firm is very conservative in using debt, and that it is not using credit to the best advantage of shareholders.
2. A lower ratio indicates the excessive use of debt or inefficient operations.
3. The firm should make efforts to improve the operating efficiency, or to retire debt to have a comfortable coverage ratio.

Analysis



- From the above graph it has been clear that except L&T all the other firms have low coverage ratio.
- The GMR Infra is having decreasing trend of coverage ratio from 2009 to 2011 which shows their inefficient operations and excessive use of debt.
- As compare to Reliance Infra's 2010 ratio there has been 16.43% decrease in the year 2011 hence it should make efforts to improve the operating efficiency or retire debt to have comfortable coverage ratio.

3.2.3 ACTIVITY RATIO

Activity ratios are calculated to measure the efficiency with which the resources of a firm have been employed. These ratios are also called turnover ratios because they indicate the speed with which assets are being turned over in sales.

Activity ratios thus involve a relationship between sales and assets. A proper balance between sales and assets generally reflects that assets are managed well.

Types of Activity Ratios

1. Inventory Turnover Ratio
2. Debtors Turnover Ratio
3. Collection Period
4. Creditors Turnover Ratio
5. Payment Period
6. Net Assets Turnover
7. Total Assets Turnover
8. Fixed Assets Turnover
9. Current Assets Turnover
10. Working Capital Turnover

Inventory Turnover Ratio

This ratio indicates the efficiency of the firm in producing and selling its product. It is calculated by dividing the cost of goods sold by the average inventory

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Good Sold}}{\text{Average Inventory}}$$

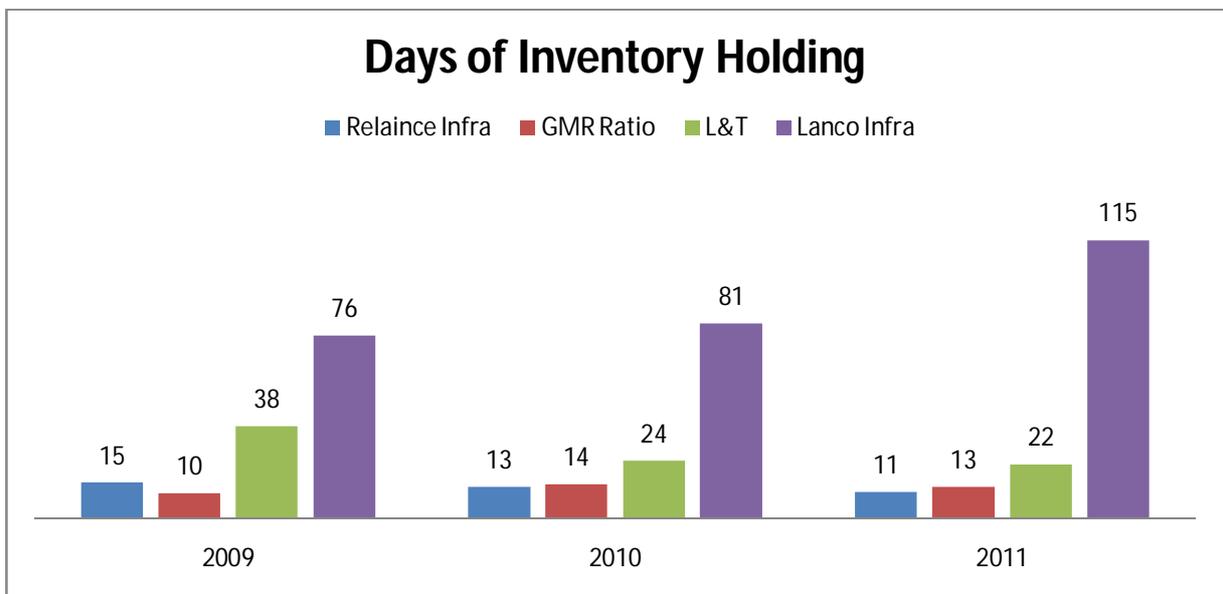
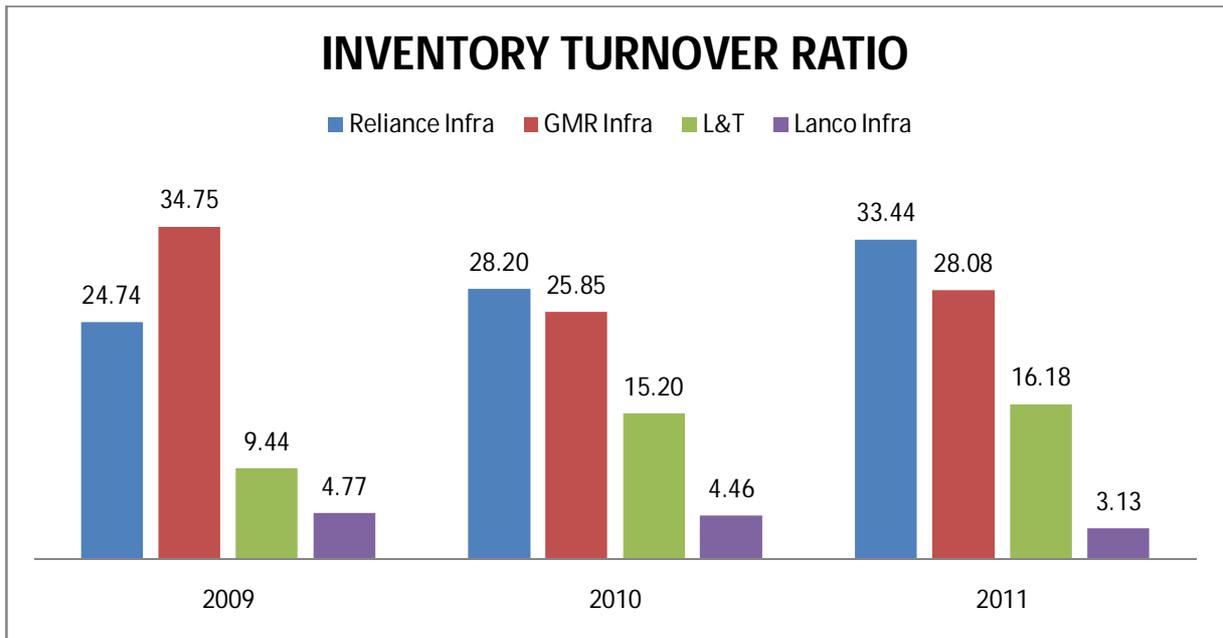
The average inventory is the average of closing and opening balances of the inventory.

Significance:

The inventory turnover shows how rapidly the inventory is turning into receivable through sales. Hence, a high inventory turnover is indicator of good inventory management. A low inventory turnover implies excessive inventory levels than warranted by production and sales activities, or

a slow moving or obsolete inventory. The computation of inventory turnovers for individual components of inventory may help to detect the imbalanced investments in the various inventory components.

Analysis



1. The above graph shows that Reliance Infra's inventory turnover is showing the decreasing trend which indicates its effective inventory management in comparison with its competitors. Inventory Holding in Reliance Infra in the year shows that it requires 11 days to convert its inventory into receivables through sales.
2. L&T and GMR Infra are also having low inventory holding days but Lanco Infratech is showing low inventory turnover ratios from the year 2009 to 2011. There is being 41.98% surge in Lanco's inventory holding days from year 2010, it can be due to slow moving or obsolete inventory.

Note: Inventory turnover ratio should be carefully analyzed. A higher inventory turnover may be due to the result of a very low level of inventory, which results in frequent stock outs, the firm may be living from hand to mouth. The turnover will also be high if the firm replenishes its inventory in too many small lot sizes. The situations of frequent stock outs and too many small inventory replacements are costly for the firm. Thus the ratios should be investigated thoroughly before making any judgment.

Debtors Turnover Ratio

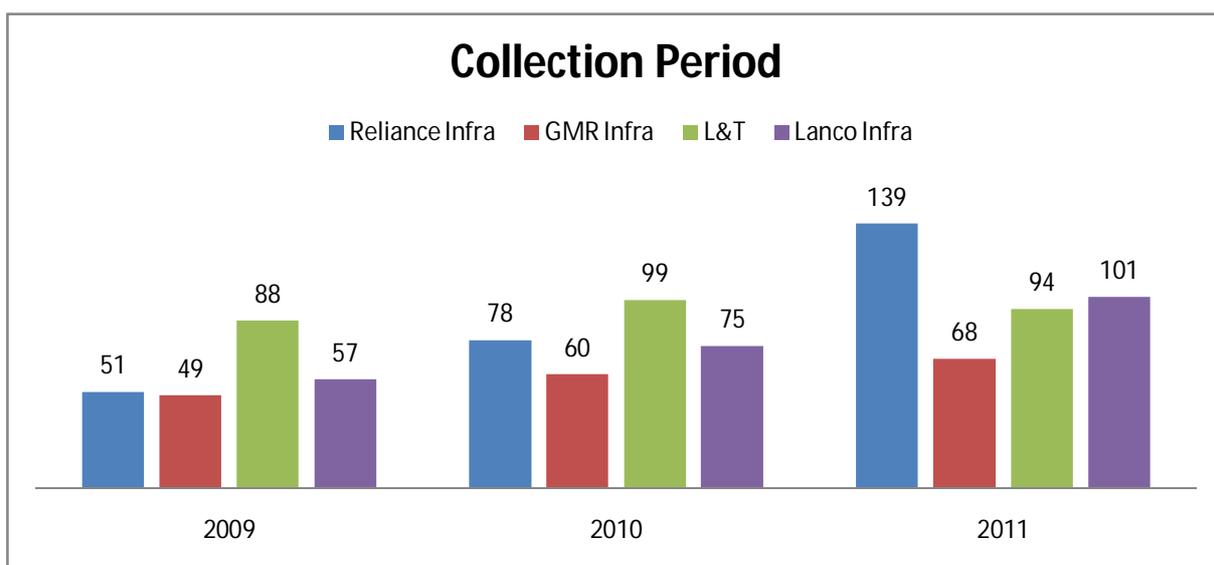
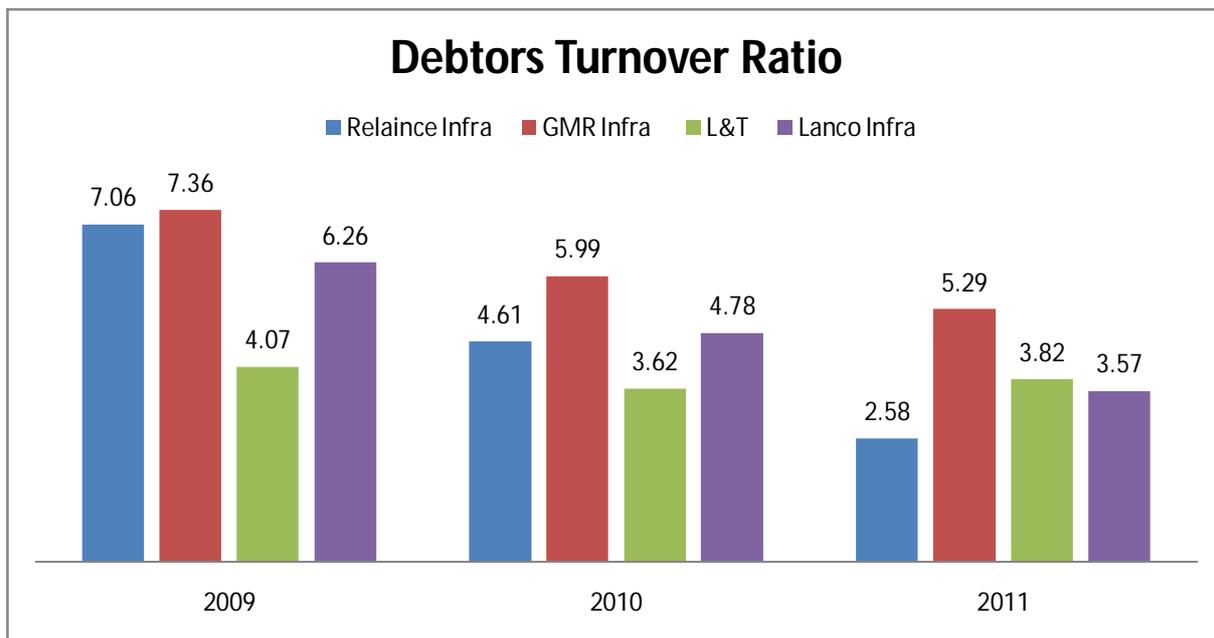
The Debtors turnover is found out by dividing credit sales by average debtors:

$$\text{Debtors Turnover} = \frac{\text{Credit Sales}}{\text{Average Debtors}}$$

A firm sells goods for cash and credit. Credit is used as a marketing tool by number of companies. When the firm extends credits to its customers, debtors (account receivables) are created in the firm's accounts. Debtors are convertible into cash over a short period and therefore are included in current assets. The liquidity position of the firm depends on the quality of debtors to a great extent.

Significance:

Debtors turnover indicates the number of times debtors are converted into cash each year, hence the higher the value of debtors turnover the more efficient is the management of credit.



Observations from the Debtors turnover graph shows that from 2009 till 2011 the debtors turnover of Reliance Infra is decreasing which implies that its debtors are taking more time pay their dues which has been shown in their collection period.

The collection period is the average number of days for which debtors remain outstanding and it can be calculated as:

$$Collection\ Period = \frac{360}{Debtors\ Turnover}$$

It can be noted that in year 2011 Reliance Infra's debtors were almost 39 % of its sales which shows that the payment is not been done by debtors in time and because of which the collection period is increasing year on year. This can affect the liquidity position of the firm.

In Reliance Infra's competitors except L&T which is showing quiet steady collection period over the years all other firms are showing the increasing trend of collection period which is matter of concern for the infrastructure industry.

Reliance Infrastructure's Credit Policy

A firm's investment in accounts receivables depends on the volume of credit sales and collection period. Once the goods are sold and the customer is invoiced, he become debtor or receivables for an organization.

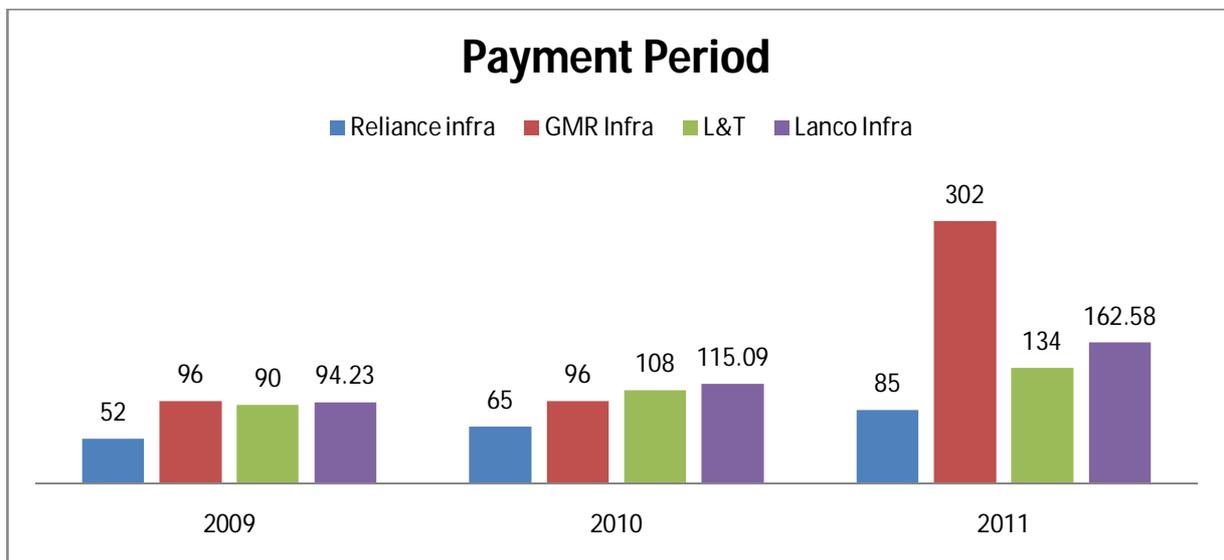
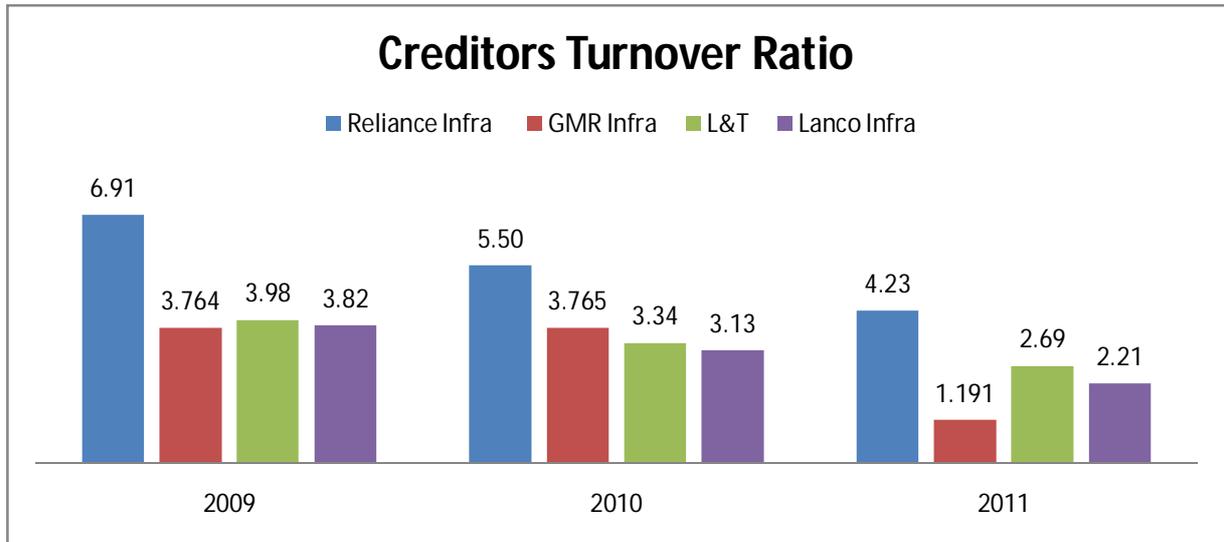
Reliance Infrastructure has a credit policy of 30 days from the date of invoicing. Invoices exceeding 30 days become due, beyond 60 days require managerial attention, and beyond 90 days are an alarming situation for the organization. Hence, ageing analysis comes into effect. This brings the need for management to gear up for the recoverable amount. We worked on this part to accomplish the said objective.

Reliance infrastructure follows a lenient credit policy in their few projects as they have to deal with the government body and thus they have to endure various said formalities before the invoice gets rewarded. It has all terms and conditions predefined with the central or state government and so there is very little possibility of invoice not getting paid. Management gets the assurance from the government that no matter few invoices gets delayed but they will be received after required formalities

Process Of Receivable Management

- Obtain the Aging of all Debtors
- Review of contractual norms with the debtors for the payment schedule
- Identify the overdue payments
- Obtain the reasons for the overdue and the follow up actions taken.
- Recovery mechanism followed
- Recognition of bad debts
- Review the difference arising out of escalation and negotiation.

Since the Reliance infra's debtors turnover is increasing then naturally the creditor's turnover will also decrease with decrease in payment period as shown in the below graph.



Creditors's Turnover Ratio

It is the ratio of net credit purchases to average trade creditors. It is also known as payables turnover ratio.

It is on the pattern of debtors turnover ratio. It indicates the speed with which the payments are made to the creditors. It establishes the relationship between net credit annual purchases and average accounts payables.

$$\text{Creditor's Turnover Ratio} = \frac{\text{Credit Purchases}}{\text{Average Creditors}}$$

Payment period can also be calculated with the following formulae.

$$\text{Payment Period} = \frac{360 \text{ days}}{\text{Creditors Turnover}}$$

Interpretation:

Shorter average payment period or higher creditor turnover ratio may indicate less period of credit enjoyed by the business it may be due to the fact that either business has better liquidity position, believe in availing cash discount and consequently enjoys better credit standing in the market or business credit rating among the supplier is not good and therefore they donot allow reasonable period of credit.

Reliance Infrastructure’s Ratio

	2011	2010	2009
Debtors	7,299.95	4,415.96	1,927.78
Sales	15139.39	14628.62	12632.01
Creditors	3,786.28	2,527.84	2,246.93

Note: Figures are in crores.

	2011	2010	2009
Debtors Turnover Ratio	2.58	4.61	7.06
Creditors Turnover Ratio	4.23	5.50	6.91
Average Collection Period	139days	78days	51days
Average Payable Period	85days	65days	52days

The ratio shows the decreasing trend and average collection period has also increased. This implies that the inefficiency in credit management is increasing in the company and in future this can affect the liquidity of the firm hence corrective action is necessary to be taken for improving the efficiency in management of credit.

The company uses the ageing method to collect the amount from debtors. Since the project have long gestation period, company has to arrange money from somewhere, and its their policy to collect money from the client after regular interval after collection of a certain stage of work. In lieu of this policies we can see that the company has brought its current ratio and quick ratio to the industry standard.

Assets Turnover Ratio

Assets are used to generate sales. A firm should manage its assets efficiently to maximize sales. The relationship between sales and assets is called assets turnover.

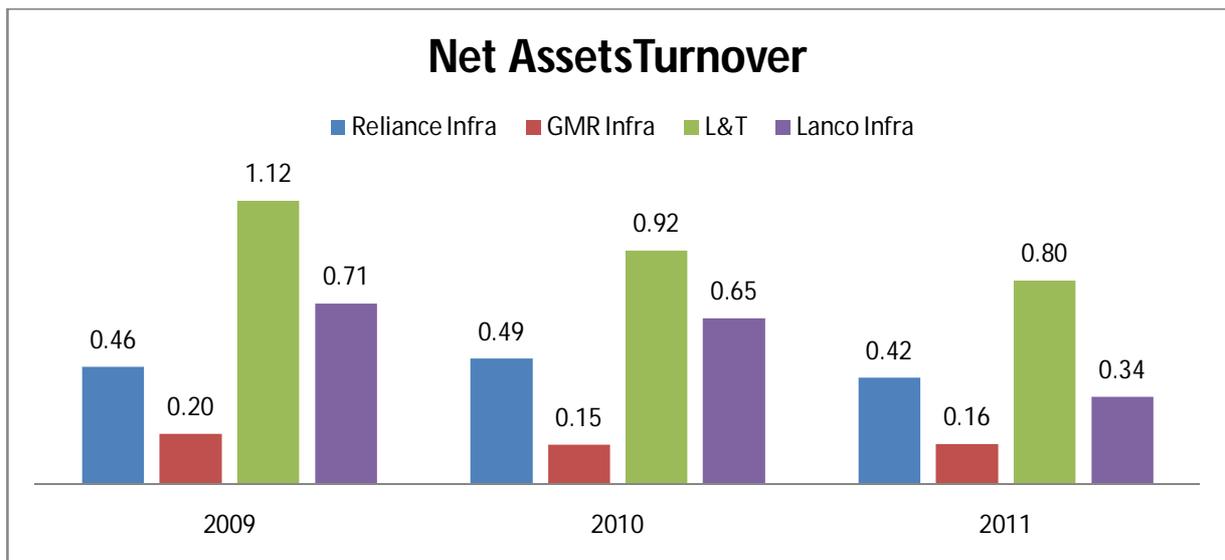
Types of Assets Turnover Ratio:

- Net assets turnover
- Total assets turnover
- Fixed assets turnover
- Current assets turnover
- Working capital turnover

Net assets turnover

The firm can compute net assets turnover by dividing sales by net assets (NA).

$$\text{Net assets turnover} = \frac{\text{Sales}}{\text{Net Assets}}$$



The Reliance Infra's average net turnover ratio is 0.46 this implies that Reliance Infra is producing Rs 0.46 of sales for one rupee of capital employed in net assets.

Interpretation

A firm's ability to produce a large volume of sales for a given amount of net assets is the most important aspect of its operating performance. Unused or underutilized assets increase the firm's need for costly financing as well as expenses for maintenance and upkeep.

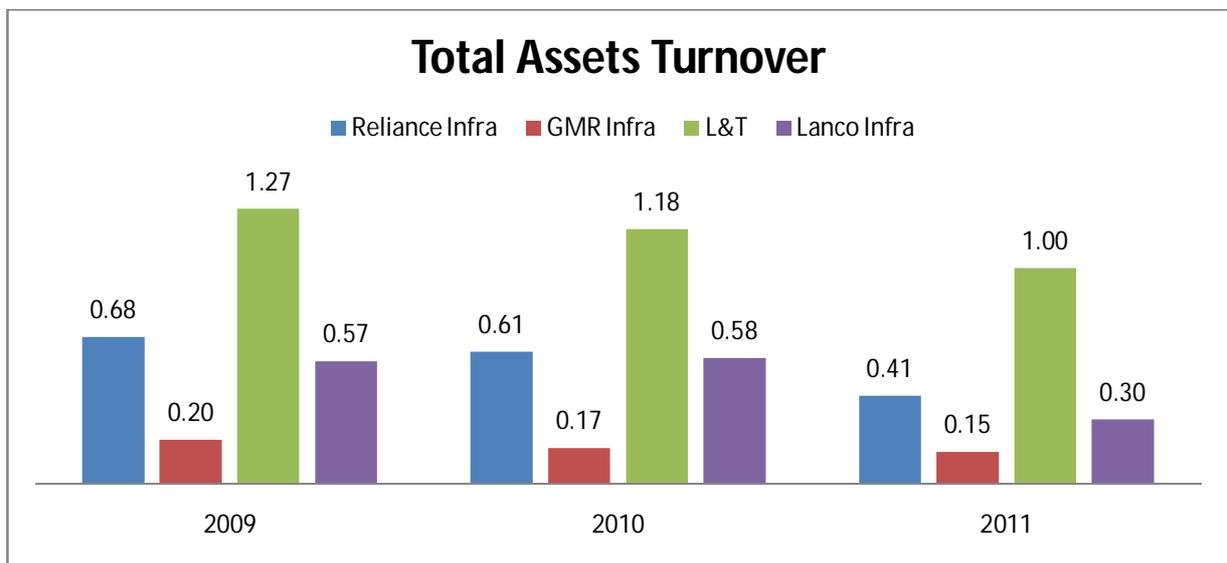
Similarly some analyst like to compute the Total Assets Turnover in addition to Net assets turnover .

$$\text{Total Assets Turnover} = \frac{\text{Sales}}{\text{Total Assets}}$$

This ratio shows the firm's ability in generating sales from all the financial resources committed to total assets.

Total assets include Net Fixed Assets and Current Assets.

Analysis



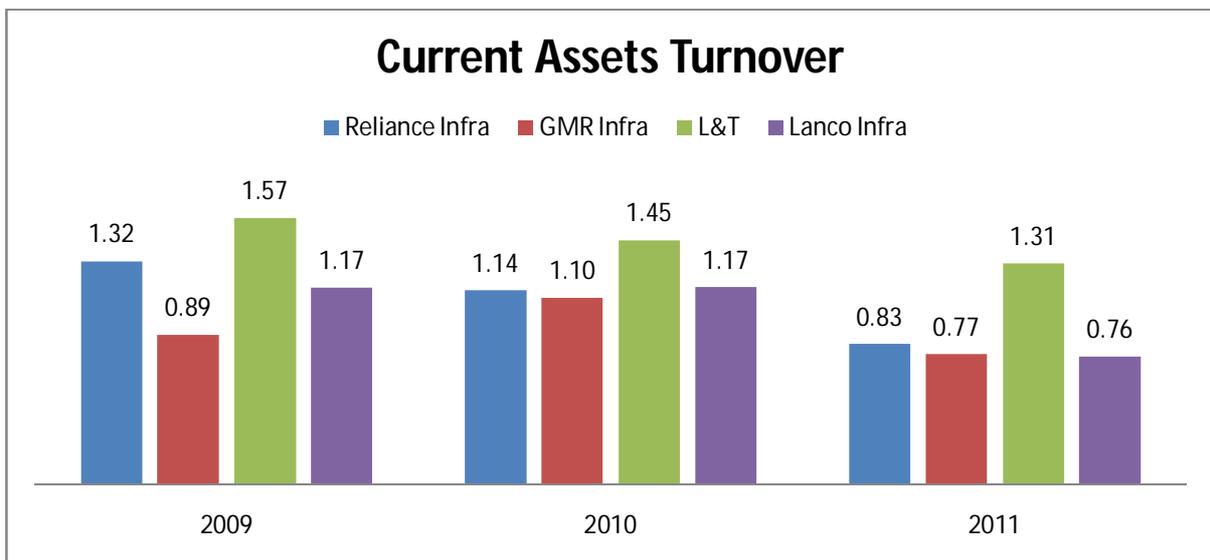
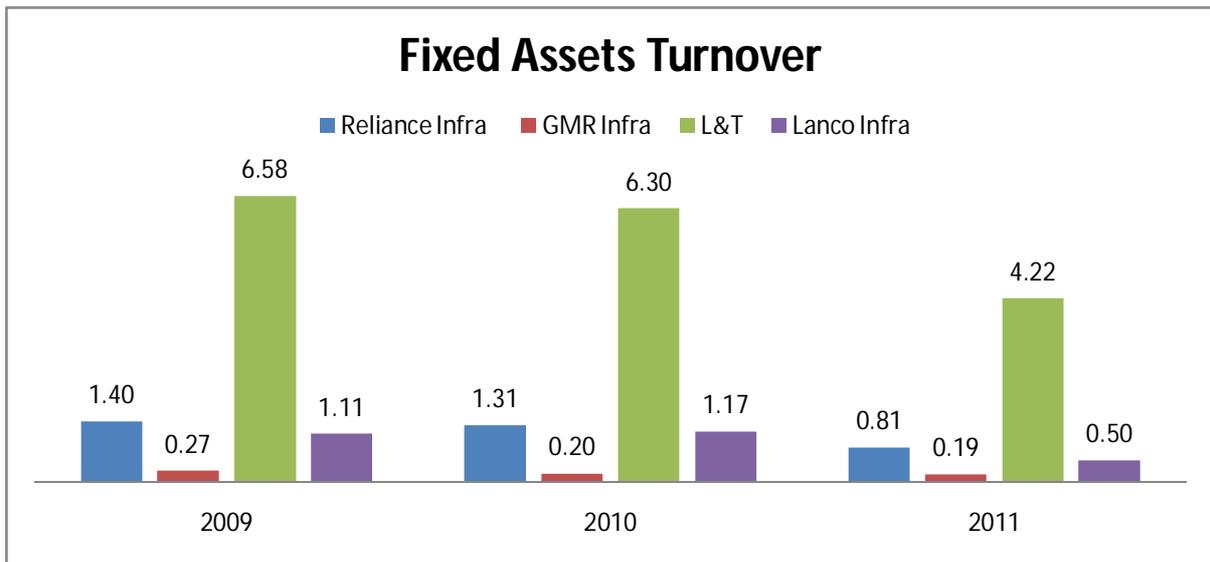
- Reliance Infra's average total assets turnover ratio(from 2009-2011) is coming to be 0.57. this implies that Reliance Infra generates a sale of Rs 0.52 for one rupee investment in fixed and current assets together.
- In the above graph out of Reliance Infra Competitors L&T is the one who has better average total assets turnover of 1.15.

Fixed and Current Assets Turnover

If a firm may wish to know its efficiency of utilizing fixed assets and current assets separately the Fixed assets and Current assets turnover are calculated separately.

$$\text{Fixed Assets Turnover} = \frac{\text{Sales}}{\text{Net Fixed Assets}}$$

$$\text{Current Assets Turnover} = \frac{\text{Sales}}{\text{Current Assets}}$$



1. Reliance Infra's average fixed assets turnover (from 2009-2011) is 1.17 and its average current assets turnover is 1.097, this implies that Reliance Infra's turnover its fixed

assets almost equal to its current assets. Interpreting the reciprocals of this ratios it can be said that for generating a sale of one rupee the firm needs respectively Rs. 0.85 investment in fixed assets and Rs. 0.91 investment in current assets. The current assets and fixed assets turnover is declining.

2. Among the Reliance Infra's competitors L&T has better Fixed Assets and Current Assets turnover and all other firms are giving close competition to Reliance Infra in terms of turnover.

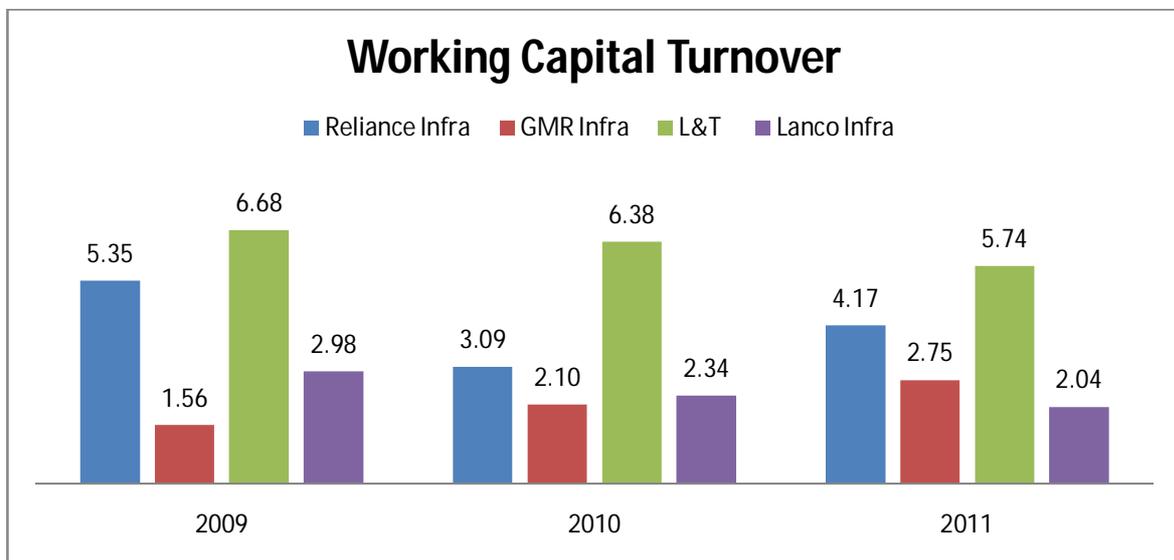
Working Capital Turnover

Working capital turnover ratio indicates the velocity of the utilization of net working capital

This ratio represents the number of times the working capital is turned over in the course of year and is calculated as follows:

$$\text{Working Capital Turnover} = \frac{\text{Sales}}{\text{Net Working Capital}}$$

The net working capital is found by difference between current assets and current liabilities.



1. Reliance Infra's average working capital ratio over the years from 2009 to 2011 is coming out to be 4.20times; the reciprocal of this ratio is 0.24. Thus it is indicated

that for one rupee of sales, the company needs Rs 0.24 of net working capital. This gap may be met from bank borrowings and long term sources of funds.

2. Among the Reliance Infra's competitors the average working capital turnover of L&T is coming out to be 6.27 which is better than any other firm in the industry.

3.2.4 PROFITABILITY RATIO

Every firm is most concerned with its profitability. One of the most frequently used tools of financial ratio analysis is profitability ratios which are used to determine the company's bottom line. Profitability measures are important to company managers and owners alike. If a business has outside investors who have put their own money into the company, the primary owner certainly has to show profitability to those equity investors.

Profitability ratios show a company's overall efficiency and performance. The profitability ratios can be divided into two types: Margins and Returns.

Ratios that show margins represent the firm's ability to translate sales rupees into profits at various stages of measurement.

Ratios that show returns represent the firm's ability to measure the overall efficiency of the firm in generating returns of its shareholders.

Reliance Infra's Profitability Ratios

Profitability Ratios	Mar'11	Mar'10	Mar'09	Mar'08	Mar'07
Gross Profit Margin	0.10	0.08	0.05	0.07	0.08
Net Profit Margin	0.10	0.10	0.11	0.14	0.12
Operating Expense Ratio	0.90	0.92	0.95	0.93	0.93
ROTA	4%	6%	7%	8%	6%
RONA	4%	5%	5%	5%	5%
Return On Equity	11%	11%	12%	10%	12%
Earning Per Share					
Basic	62.05	67.43	58.75	50.89	38.74
Diluted	58.16	66.39	57.68	49.62	37.13

Margin Ratios

Gross Profit Margin

Gross Profit Margin looks at cost of goods sold as a percentage of sales. This ratio looks at how well a company controls the cost of its inventory and the manufacturing of its products and subsequently passes on the costs to its customers. The larger the gross profit margin, the better for the company.

$$\begin{aligned} \text{Gross Profit Margin} &= \frac{\text{Sales} - \text{Cost Of Goods Sold}}{\text{Sales}} \\ &= \frac{\text{Gross Profit}}{\text{Sales}} \end{aligned}$$

From the above table it has been seen observed that Reliance Infra's Gross profit is increasing steadily over the years.

Net Profit margin

Net profit is obtained when operating expenses, interest and taxes are subtracted from the gross profit. The net profit margin ratio is measured by dividing profit after tax by sales:

$$\text{Net Profit Margin} = \frac{\text{Profit after tax}}{\text{Sales}}$$

From the above table the average Reliance Infra's Net profit margin is coming out to be 0.11, it implies that 11paise of every rupee is profit.

Operating Expense Ratio

This ratio explains the changes in the profit margin (EBIT to sales) ratio. This ratio is computed by dividing operating expenses viz. cost of goods sold plus selling expenses and general and administrative expenses (excluding interest) by sales:

$$\text{Operating Expenses Ratio} = \frac{\text{Operating Expenses}}{\text{Sales}}$$

From the above table the average operating expense ratio is almost 93% of sales that have been consumed together by the cost goods sold and other operating expenses and rest 7% of sales is left to cover interest, taxes, and earnings to owners.

Returns Ratios

Return on Investment (ROI)

The Return on Assets ratio is an important profitability ratio because it measures the efficiency with which the company is managing its investment in assets and using them to generate profit. It measures the amount of profit earned relative to the firm's level of investment in total assets. The return on assets ratio is related to the asset management category of financial ratios

$$ROI = ROTA = \frac{EBIT}{\text{Total Assets}}$$
$$ROI = RONA = \frac{EBIT}{\text{Net Assets}}$$

From the above table Reliance Infra's average ROTA and RONA is coming out to be 6.2% and 4.8% respectively. The higher the percentage, the better, because that means the company is doing a good job using its assets to generate sales but as compare to 2010 the ROTA and RONA is decreasing which is a matter of concern.

Return On Equity (ROE)

The Return on Equity ratio is perhaps the most important of all the financial ratios to investors in the company. It measures the return on the money the investors have put into the company. This is the ratio potential investors look at when deciding whether or not to invest in the company.

$$ROE = \frac{\text{Profit after taxes}}{\text{Net worth (Equity)}}$$

In general, the higher the percentage, the better, with some exceptions, as it shows that the company is doing a good job using the investors' money.

From the above table the Reliance Infra average Return on Equity is coming out to be almost 11%.

Earnings Per Share (EPS)

Earning per share is calculated by dividing the profit after taxes by total number of ordinary shares outstanding.

$$EPS = \frac{\textit{Profit after taxes}}{\textit{Number of shares outstanding}}$$

Earnings per share indicate whether or not the firm's earnings power on per share basis has changed over that period or not.

Cash Flow Statement Analysis

Definition: A statement of changes in financial position on cash basis commonly known as the cash flow statement.

Significance:

- Cash flow statement summarizes the causes of changes in cash position between dates of two balance sheets.
- It indicates the sources and uses of cash
- Cash flow statement is similar to funds flow statement except it focuses attention on cash (immediate liquidity or near term liquidity) instead of working capital or funds (potential or medium term liquidity).
- This analyzes changes in non-current accounts as well as current accounts to determine the flow of cash.

Sources of Cash

- Profitable operation of firm.
- Decrease in Assets (Except cash)

- Increase in liabilities (including debentures or bonds)
- Sale proceeds from an ordinary or preference share issue.

Use Of Cash

- The loss from operations.
- Increase in assets (except cash)
- Decrease in liabilities (including redemption of debentures or bonds)
- Redemption of redeemable preference shares
- Cash dividends

Methodology

For preparing a statement of changes in cash position is to record inflows and outflows of cash and find out the net change during a given period. i.e. The rupee received – The rupee paid during a period is the cash balance at the end of that period.

If the net change in the cash position is to determined from the income statement and balance sheet adjustments for the non cash items are made.

- e.g. Cash from operation can be found out by adding depreciation to net profit
- Gain on sale of a non current asset should be deducted while loss should be added to net profit.

Changes in Current Assets

Increase in current assets reduces the cash flow from operations while decrease in current assets increases the cash flow.

1. Increase in debtors implies that cash collections are less than sales figure. Decrease in debtors implies that cash collections are more than sales figure.
2. Increase in inventory implies that cash outflow is greater than cost of goods sold. Decrease in inventory implies that cash outflow is less than cost of goods sold.

3. Increase in prepaid expenses implies that cash outflow is more than amount of actual expenses. Decrease in prepaid expenses increases that cash outflow is less than the amount of actual expenses.

Changes in Current Liabilities

Increase in current liabilities increases cash flow from operation while decrease in current liabilities reduces it. E.g.

1. Increase in creditors implies that cash payments to creditors are less than purchase figure. Decrease in creditors implies that cash payments to creditors are greater than purchase figure.
2. Increase in 'income in advance' implies greater cash inflow than shown on P&L statement as income. Decrease in 'income in advance' implies less cash inflow than shown as income.

Thus cash flow from operation should be arrived by adding decrease in current assets and increase in current liabilities to net profit and subtracting increase in current assets and decrease in current liabilities from net profit.

CHAPTER 4

CASH FLOW STATEMENT ANALYSIS

4.1 CASH FLOW STATEMENT OF RELIANCE INFRASTRUCTURE

A	Cash Flow from Operating Activities:	Mar'2011 (Rs in crore)	Mar'2010 (Rs in crore)	Mar'2009 (Rs in crore)
a	Profit before taxation	1,355.84	1,347.59	1,337.46
	Adjustments for:			
	Depreciation (Net of transfer from reserves)	482.47	472.44	330.38
	Interest and finance charges	634.96	525.13	439.42
	(Profit)/Loss on sale/ disposal of fixed assets (Net)	10.18	4.62	5.17
	Provision for/(write back of) diminution in value of investments	0.49	0.41	(45.05)
	Provision for doubtful debts, advances, deposits	61.97	50.32	80.71
	Provision for leave encashment	15.31	(8.06)	(3.14)
	Interest income	(390.26)	(292.25)	(371.51)
	Dividend Income	(109.80)	(55.69)	(20.94)
	Premium on Redeemable Preference Shares	(87.60)	(283.12)	(412.24)
	Unrealised (Gain) / Loss on exchange fluctuation (net)	(2.81)	(9.93)	186.79
	Unrealised (Gain) / Loss on derivative Instruments (net)	39.32	(81.08)	170.18
	(Profit) / Loss on sale / redemption of investments (net)	(57.44)	(135.09)	(319.08)
b	Total	596.79	187.70	40.69
	Operating Profit before Working Capital Changes (a+b)	1,952.63	1,535.29	1378.15
	Adjustments for:			
	Trade and other receivables	(7,391.66)	(2,569.67)	(2,312.43)
	Inventories	(35.68)	170.86	(95.71)
	Trade Payables	6,087.25	1,072.28	2,155.10
	Total	(1,340.09)	(1,326.53)	(253.04)
c	A+B+C	612.54	208.76	1,125.11
	Income Taxes paid (net of refund)	32.64	(40.39)	(207.21)
	Net Cash generated from Operating Activities	645.18	168.37	917.90
B	Cash Flow from Investing Activities:			
	Purchase/acquisition of fixed assets	(7,391.66)	(2,210.77)	(2,445.32)
	Sale of fixed assets	6.57	6.05	9.51
	Purchase Of Investments	(38,007.38)	(31,477.03)	(43,767.19)
	Acquisition of subsidiaries	-	(53.78)	(12.92)
	Purchase of interest in joint ventures / associates	-	(10.03)	(132.28)

	Advance against investments in associates	(99.10)	-	
	Sale / redemption of investments	38,378.89	33,948.81	40,436.46
	Inter corporate deposits	1,972.45	(1,186.10)	3,707.94
	Dividend income	109.80	55.69	20.94
	Premium on redeemable preference shares	115.50	36.20	162.95
	Interest income	389.77	280.72	362.09
	Net Cash used in Investing Activities	(5,010.12)	(610.24)	(1,657.82)
C	Cash Flow from Financing Activities:			
	Proceeds from issue of Shares / Share warrants	1,570.99	2,361.70	-
	Proceeds of share capital from minority shareholders (including share application money)	66.45	3.26	60.33
	Buy back of Equity shares (including buy back expenses)	-	(43.15)	(759.28)
	Proceeds from issue of debentures		-	850.00
	Proceeds / (repayments)of secured loans (net)	3,720.49	1,127.48	590.79
	Proceeds / (repayments)of unsecured loans (net)	15.79	(2,336.92)	874.72
	Proceeds from Grants / Capital Contribution	294.10	159.90	110.90
	Realised Gain / (Loss) on derivative Instruments (net)	(98.85)	22.82	(21.28)
	Interest and Finance charges	(832.93)	(663.04)	(467.50)
	Dividends paid on equity shares including tax	(184.93)	(200.50)	(170.14)
	Net Cash generated from / (used in) Financing Activities	4,551.11	431.55	1,068.54
	Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	186.17	(10.32)	328.62
	Cash and cash equivalents as at the commencement of the year (opening balance)	360.84	435.55	102.82
	Add: Share in Joint Ventures	88.59	22.64	12.57
	Add: Share on increase in shareholding in joint ventures		-	9.78
	Add: Cash taken over on acquisition of subsidiaries	0.15	1.48	4.48
	Cash and cash equivalents as at the end of the year (closing balance)	536.31	360.84	435.63
	Add: Share in Joint Ventures	99.44	88.59	22.64
	Total	635.75	449.43	458.27
	Net Increase / (Decrease) as disclosed Above	186.17	(10.32)	328.62

Analysis

1. Reliance Infra utilized Rs.7,876.66crore in acquiring fixed assets. After adjusting for investment income and sale of assets, the net outflow on account of investment activities was Rs.5,010.12crore.
2. Reliance Infra generated Rs. 645.18crore cash flow from its operating activities.

3. Reliance Infra raised Rs. 1,570.99crore from issue of share warrants and it raised Rs. 3,720.49 from secured loans. Its repayments were less than this amount resulting in positive financing flow of Rs.4,551.11crore.
4. Reliance Infra's net cash flow from its operating, investment and financing activities was a positive figure of Rs. 186.17crore.Hence, the company cash balance was by this amount. The previous year had a negative cash flow of Rs.12.21crore.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

With reference to the analysis and as per the current scenario the following conclusions can be made:

- Healthy balance sheet to capitalize on growth opportunities.

Particulars	Standalone	Consolidated
Networth	Rs. 185 Bn	Rs. 241Bn
Book Value Per Share	Rs. 714	Rs. 918
Debt	Rs. 91Bn	Rs. 181Bn

Data is as on March 31, 2012

- Conservatively financed with Debt : Equity of 0.74 at consolidated basis
- Bought back 44.3 lakh shares worth Rs 2.3 Bn till Feb 14,2012
- Credit Rating: AA+ from CRISIL & AA from FITCH
- Expanding footprint in all high growth sectors

Roads	11 projects	Rs. 120 Bn
Metro	3 projects	Rs. 170 Bn
Sea Link	1 project	Rs. 46 Bn
Cement	2 projects	Rs. 47 Bn
Airports	5 projects	Rs. 5 Bn

- Healthy EPC order book of Rs.173 Bn.

Power	6 projects	9,900 MW
Roads	6 projects	570 Kms
Transmission	1 project	1,500 Kms

- Largest private sector player in the utility sector
 - Generation 941 MW & 37,000 MW through R Power

- Distribution Licensee in Mumbai & Delhi
- Transmission 5 projects worth Rs.66 Bn
- Trading Amongst top 5 trading licensee in the country.

5.2 RECOMMENDATIONS

- There should be thorough study of contract between the Reliance Infrastructure and the Client before the execution of the work.
- Each project is should be compared to the previous one so that the mistakes are not repeated again and the key point should be discussed with the same client for proper clarity.

Receivables

- Reliance Infrastructure is facing stiff roadblock for executing Reliance Power projects as due to scarcity of resources like imported coal, oil and gas the Reliance Power projects are unable to be get commissioned and Reliance Infrastructure has 38% of stake in it as the debtor's turnover ratio is showing the decreasing trend. Hence it has been recommended that if the days past due is 30 days, the situation is serious but still may not be out of control. Past payment records can be examined. If it is a regular feature, the company may decide that no further than a mild warning letter will do. If, however, the delay is occurring for the first time, a direct contact with the customer is required to know the reasons behind the unusual delay.
- If the days past due is more than 60 days, the situation is pretty serious. Further shipment should be stopped for the time being. It is time to contact people at the top. The customer may be suffering temporarily from serious cash flow problems. If that be so, the credit manager should hold patience and try to work out a satisfactory paying arrangement and link it with release of further despatches. But if the cash problem is going to stay owing to some adverse development in the customer's business, then further despatches should be totally stopped. A workable payment arrangement should be made to liquidate the debt. The account should be closely monitored.
- If the payment is due for more than 90 days, all deliveries should be stopped. The account may be on the brink of becoming bad debt. It has to be closely monitored with a view to collecting as much payment as possible. Days past due means the no of days the bill remains outstanding over the contracting credit period.

Cash

- The goal must be that all priority outflows be met fully out of operating cash flows while all discretionary outflows be met with the balance in conjunction with the financial flows.

- Mismatch between the current receipts and current payments should be reduced as much as possible.
- Some actions to avoid illiquidity can be:
 - Utilise unavailed credit limits
 - Sell marketable securities
 - Negotiate spacing of repayment schedules of term liabilities.
 - Negotiate for enhancement of short term credit facilities with the bank
 - Defer payment of suppliers' bills
 - Advance buyers' payments
 - Reduce cash outflows
 - Sell assets

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ANNEXURES

RATIO ANALYSIS OF RELIANCE INFRASTRUCTURE				
		2011	2010	2009
Liquidity Ratio				
Current Ratio		1.09	1.49	0.95
Acid - Test Ratio		1.06	1.44	0.89
Cash Ratio		4%	5%	5%
Interval Measure (in days)		487	345	278
Net Working Capital Ratio		0.10	0.16	0.09
Leverage Ratio				
Debt Ratio		0.34	0.29	0.37
Debt - Equity Ratio		0.52	0.41	0.60
Equity Ratio		1.53	1.43	1.62
Total Liability Ratio		0.73	0.69	0.93
Long Term Debt Ratio		0.30	0.28	0.30
Coverage Ratio		2.90	3.47	3.91
Activity Ratio				
Inventory Turnover Ratio		33.44	28.20	24.74
Days of Inventory Holding (Days)		11	13	15
Debtors Turnover		2.58	4.61	7.06
Collection Period (Days)		139	78	51
CREDITORS TURNOVER		4.23	5.50	6.91
Payment Period(days)		85	65	52
Assets Turnover Ratios				
Net Assets Turnover		0.42	0.49	0.46
Total Assets Turnover		0.41	0.61	0.68
Fixed Assets Turnover		0.81	1.31	1.40
Current Assets Turnover		0.83	1.14	1.32
Working Capital Turnover		4.17	3.09	5.35

Profitability Ratios				
Gross Profit Margin		0.10	0.08	0.05
Net Profit margin		0.10	0.10	0.11
Operating Expense Ratio		0.90	0.92	0.95
ROTA		4%	6%	7%
RONA/ROCE		4%	5%	5%
Return On Equity		11%	11%	12%
Earning Per Share				
a)Basic		62.05	67.43	58.75
b)Diluted		58.16	66.39	57.68
Dividend Per Share		7.18	7.73	6.85
Dividend Payout Ratio		0.12	0.12	0.12
NOTE: Both ROTA & RONA are calculated on before tax basis Deferred Tax Liability is not included in Net Worth No. of working days in a year=360				

RATIO ANALYSIS OF GMR INFRASTRUCTURE			
	2011	2010	2009
Liquidity Ratio			
Current Ratio	0.96	1.02	1.57
Acid - Test Ratio	0.94	0.99	1.52
Cash Ratio	43.33%	41.48%	85.20%
Interval Measure (in days)	633	559	619
Net Working Capital Ratio	0.06	0.07	0.13
Leverage Ratio			

Debt Ratio	0.64	0.69	0.59
Debt - Equity Ratio	2.54	3.03	1.86
Equity Ratio	3.96	4.37	3.14
Total Liabilities Ratio	0.78	0.84	0.71
Long Term Debt Ratio	0.70	0.73	0.63
Coverage Ratio	-0.14	1.01	2.03
Activity Ratio			
Inventory Turnover Ratio	28.08	25.85	34.75
Days Of Inventory Holdings(in Days)	13	14	10
Debtors Turnover	5.29	5.99	7.36
Collection Period(inDays)	68	60	49
PAYMENT PERIOD	302	96	96
CREDITORS TURNOVER	1.191	3.765	3.764
Assets Turnover Ratios			
Net Assets Turnover	0.16	0.15	0.20
Total Assets Turnover	0.15	0.17	0.20
Fixed Assets Turnover	0.19	0.20	0.27
Current Assets Turnover	0.77	1.10	0.89
Working Capital Turnover	2.75	2.10	1.56
Profitability Ratios			
Gross Profit Margin	-0.03	0.18	0.18
Net Profit margin	-0.16	0.03	0.07

Operating Expense Ratio	-0.18	0.04	0.08
ROTA	-3%	1%	2%
RONA/ROCE	-3%	1%	2%
Return On Equity	-10%	2%	4%
Earning Per Share	-2.4	0.43	0.77

RATIO ANALYSIS OF L&T			
	2011	2010	2009
Liquidity Ratio			
Current Ratio	1.14	1.12	1.10
Acid - Test Ratio	1.06	1.03	0.99
Cash Ratio	11%	12%	6%
Interval Measure (in days)	333	294	262
Net Working Capital Ratio	0.26	0.25	0.26
Leverage Ratio			
Debt Ratio	0.51	0.48	0.51
Debt - Equity Ratio	1.31	1.08	1.32
Equity Ratio	2.56	2.25	2.57
Total Liability Ratio	1.23	1.24	1.20
Long Term Debt Ratio	0.53	0.48	0.51
Coverage Ratio	13.11	16.63	15.79
Activity Ratio			
Inventory Turnover Ratio	16.18	15.20	9.44
Days of Inventory Holding (Days)	22	24	38
Debtors Turnover	3.82	3.62	4.07
Collection Period (Days)	94	99	88
Payment Period(days)	134	108	90
CREDITORS TURNOVER	2.69	3.34	3.98
Assets Turnover Ratios			
Net Assets Turnover	0.80	0.92	1.12

Total Assets Turnover	1.00	1.18	1.27
Fixed Assets Turnover	4.22	6.30	6.58
Current Assets Turnover	1.31	1.45	1.57
Working Capital Turnover	5.74	6.38	6.68
Profitability Ratios			
Gross Profit Margin	0.22	0.21	0.19
Net Profit margin	0.09	0.12	0.07
Operating Expense Ratio	0.87	0.87	0.89
ROTA	13%	20%	14%
RONA	11%	16%	12%
Return On Equity	18%	26%	27%
Earning Per Share			
a)Basic	73.56	91.90	64.76
b)Diluted	72.45	89.86	63.89
Dividend Per Share	14.6	12.7	10.5
Dividend Payout Ratio	20%	14%	16%

RATIO ANALYSIS OF LANCO INFRA TECH				
		2011	2010	2009
Liquidity Ratio				
Current Ratio		1.09	1.47	1.36
Acid - Test Ratio		0.86	1.13	1.01
Cash Ratio		14%	20%	26%
Interval Measure (in days)		530	311	272
Net Working Capital Ratio		0.17	0.28	0.24
Leverage Ratio				

Debt Ratio		0.68	0.67	0.67
Debt - Equity Ratio		3.35	2.50	2.67
Equity Ratio		4.90	3.74	4.01
Total Liability Ratio		0.85	0.85	0.83
Long Term Debt Ratio		0.71	0.65	0.69
Coverage Ratio		1.48	3.08	3.29
Activity Ratio				
Inventory Turnover Ratio		3.13	4.46	4.77
Days of Inventory Holding (Days)		115	81	76
Debtors Turnover		3.57	4.78	6.26
Collection Period (Days)		101	75	57
Creditors Turnover		2.21	3.13	3.82
Payment Period		162.58	115.09	94.23
Assets Turnover Ratios				
Net Assets Turnover		0.34	0.65	0.71
Total Assets Turnover		0.30	0.58	0.57
Fixed Assets Turnover		0.50	1.17	1.11
Current Assets Turnover		0.76	1.17	1.17
Working Capital Turnover		2.04	2.34	2.98
Profitability Ratios				
Gross Profit Margin		0.24	0.20	0.14

Net Profit margin		0.06	0.06	0.05
Operating Expense Ratio		0.76	0.81	0.87
ROTA		4%	7%	5%
RONA		5%	8%	7%
Return On Equity		35%	37%	38%
Earning Per Share				
a)Basic		1.92	2.05	1.33
b)Diluted		1.90	2.02	1.31

CASH FLOW STATEMENT OF RELIANCE INFRASTRUCTURE

A	Cash Flow from Operating Activities:	Mar'2011 (Rs in crore)	Mar'2010 (Rs in crore)	Mar'2009 (Rs in crore)
a	Profit before taxation	1,355.84	1,347.59	1,337.46
	Adjustments for:			
	Depreciation (Net of transfer from reserves)	482.47	472.44	330.38
	Interest and finance charges	634.96	525.13	439.42
	(Profit)/Loss on sale/ disposal of fixed assets (Net)	10.18	4.62	5.17
	Provision for/(write back of) diminution in value of investments	0.49	0.41	(45.05)
	Provision for doubtful debts, advances, deposits	61.97	50.32	80.71
	Provision for leave encashment	15.31	(8.06)	(3.14)
	Interest income	(390.26)	(292.25)	(371.51)
	Dividend Income	(109.80)	(55.69)	(20.94)
	Premium on Redeemable Preference Shares	(87.60)	(283.12)	(412.24)
	Unrealised (Gain) / Loss on exchange fluctuation (net)	(2.81)	(9.93)	186.79
	Unrealised (Gain) / Loss on derivative Instruments (net)	39.32	(81.08)	170.18
	(Profit) / Loss on sale / redemption of investments (net)	(57.44)	(135.09)	(319.08)
b	Total	596.79	187.70	40.69
	Operating Profit before Working Capital Changes (a+b)	1,952.63	1,535.29	1378.15
	Adjustments for:			
	Trade and other receivables	(7,391.66)	(2,569.67)	(2,312.43)
	Inventories	(35.68)	170.86	(95.71)
	Trade Payables	6,087.25	1,072.28	2,155.10
c	Total	(1,340.09)	(1,326.53)	(253.04)
	A+B+C	612.54	208.76	1,125.11

	Income Taxes paid (net of refund)	32.64	(40.39)	(207.21)
	Net Cash generated from Operating Activities	645.18	168.37	917.90
B	Cash Flow from Investing Activities:			
	Purchase/acquisition of fixed assets	(7,391.66)	(2,210.77)	(2,445.32)
	Sale of fixed assets	6.57	6.05	9.51
	Purchase Of Investments	(38,007.38)	(31,477.03)	(43,767.19)
	Acquisition of subsidiaries	-	(53.78)	(12.92)
	Purchase of interest in joint ventures / associates	-	(10.03)	(132.28)
	Advance against investments in associates	(99.10)	-	
	Sale / redemption of investments	38,378.89	33,948.81	40,436.46
	Inter corporate deposits	1,972.45	(1,186.10)	3,707.94
	Dividend income	109.80	55.69	20.94
	Premium on redeemable preference shares	115.50	36.20	162.95
	Interest income	389.77	280.72	362.09
	Net Cash used in Investing Activities	(5,010.12)	(610.24)	(1,657.82)
C	Cash Flow from Financing Activities:			
	Proceeds from issue of Shares / Share warrants	1,570.99	2,361.70	-
	Proceeds of share capital from minority shareholders (including share application money)	66.45	3.26	60.33
	Buy back of Equity shares (including buy back expenses)	-	(43.15)	(759.28)
	Proceeds from issue of debentures		-	850.00
	Proceeds / (repayments)of secured loans (net)	3,720.49	1,127.48	590.79
	Proceeds / (repayments)of unsecured loans (net)	15.79	(2,336.92)	874.72
	Proceeds from Grants / Capital Contribution	294.10	159.90	110.90
	Realised Gain / (Loss) on derivative Instruments (net)	(98.85)	22.82	(21.28)
	Interest and Finance charges	(832.93)	(663.04)	(467.50)
	Dividends paid on equity shares including tax	(184.93)	(200.50)	(170.14)
	Net Cash generated from / (used in) Financing Activities	4,551.11	431.55	1,068.54
	Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	186.17	(10.32)	328.62
	Cash and cash equivalents as at the commencement of the year (opening balance)	360.84	435.55	102.82
	Add: Share in Joint Ventures	88.59	22.64	12.57
	Add: Share on increase in shareholding in joint ventures		-	9.78
	Add: Cash taken over on acquisition of subsidiaries	0.15	1.48	4.48
	Cash and cash equivalents as at the end of the year (closing balance)	536.31	360.84	435.63
	Add: Share in Joint Ventures	99.44	88.59	22.64
	Total	635.75	449.43	458.27
	Net Increase / (Decrease) as disclosed Above	186.17	(10.32)	328.62

