Evaluating Strategic Performance and Financial Efficiency of TNPL, Karur, Tamil Nadu

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Abstract: *The present article gives a detailed analysis of the financial performance of one of the prominent publicly-run companies in the Indian paper mill industry, Tamil Nadu Newsprint and Papers Limited (TNPL). The analysis of financial efficiency, profitability, liquidity, and solvency of the company is reviewed in relation to the financial period of five years, 2018 to 2022, based on the secondary data, according to the official annual reports and the official financial portals. The performance trend has been analyzed using the ratio analysis to find out the financial stability of the firm. The findings reveal that the profitability and the amount of the working capital change significantly and, in general, are contingent on the instability of the market environment, the increase in expenses, and the changes in the economy following the pandemic. Despite these strains, TNPL is financially strong because of its strength in asset efficiencies and good utilization of debt. The paper highlights the strategic importance of enhancing liquidity, cost structural alignment and the adoption of sustainable operation practices. Moreover, the financial management of TNPL is placed in the wider framework of the Indian industrial competitiveness and environmental responsibility that underlines the fact that long-term development of the company will be based on the logistics of profitability and the sustainability of value creation and strategic reinvestment in eco-efficient technologies*

Keywords: Financial Performance, Profitability ratio, Debt coverage ratio, Sustainable Operation Practice

INTRODUCTION

Finance is the backbone of any enterprise because it identifies how it can continue with its business operations, gain profit, and generate long-term value. Financial management in the manufacturing industry does not end at liquidity within a short time; it also entails decisions that are long-term and provide the business with a balance among the aspects of solvency, profitability, and efficiency. The financial performance of a company indicates the managerial efficiency of the firm in the utilization of resources to gain stability, growth, and competitiveness in a dynamic market environment.

Tamil Nadu Newsprint and Papers Limited (TNPL), a leading organization among the Indian public sector firms, is one of the largest integrated paper manufacturing companies in the Asian region. As a government-supported institution, TNPL operates in an environment that requires commercial effectiveness and socio-environmental accountability. Therefore, the financial performance of the company reflects the two-fold dilemma of remaining profitable and engaging in sustainable production and being accountable to the people.

Past economic shocks, particularly the COVID-19 pandemic and its aftermath, have been particularly stressful for industrial companies, forcing them to reconsider their financial policies and capital spending. Analyzing TNPL's financial situation during the transition period is important for understanding how public sector manufacturing enterprises adjust to new economic and environmental circumstances. This study thus examines the financial performance of TNPL during the last five years to learn the interdependence between liquidity, solvency, and profitability, as well as to determine the strategies possible to enhance its financial stability and competitiveness in the changing industrial environment.

REVIEW OF LITERATURE

Financial performance analysis is a crucial field in terms of the efficiency of an organization's operations and strategy. Initial research like Altman and Eberhard (1994) has shown that financial ratios are useful in predicting corporate distress with the use of neural network models, and this means that quantitative indicators are still at the heart of understanding business sustainability. Altman (1968) first demonstrated the predictive power of profitability

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measures, such as *Return on Assets (ROA)* and *Net Profit Margin (NPM)*, in identifying corporate distress. Subsequent analyses by Goddard, Molyneux, and Wilson (2004) and Athanasoglou, Brissimis, and Delis (2008) confirmed that profitability is influenced not only by internal efficiency but also by scale, leverage, and macroeconomic conditions. Equally, Campbell (2008) has highlighted that firm size, profitability, and capital structure are significant determinants of financial reorganization or bankruptcy.

Bansal (2010) used the Indian scenario to examine the performance of public sector banks after the liberalization era and concluded that technological development, managers' competence, and strategic financial planning have a direct impact on banks' profitability. Rahman, Jahan, and Mahmud (2009) also noted that the quality of management, operational efficiency, which is determined by the ratio of asset utilization and the generation of income is decisive in the eruption of financial stability.

More recent literature incorporates external shocks and sustainability into financial analyses. Bieliaieva et al. focused on crisis management as a factor of financial resilience and noted that financial stocks tend to reveal vulnerabilities in the structure of companies (2020). Demirgüç-Kunt and Huizinga (1999) emphasized that maintaining sufficient liquidity safeguards firms against market shocks and ensures business continuity. Mullins (2020) proposed that the flexibility of liquidity and cash flows in uncertain times is the key to solvency in the long term. Al Dhaheri and Nobanee (2020) confirmed the relevance of ratio analysis in identifying the corporate strength and weaknesses, especially in the volatile market conditions. Capital-intensive manufacturing firms need to handle their inventory and receivable management effectively to achieve an optimal current ratio that supports both profitability and liquidity. TNPL needs to maintain robust liquidity because its raw material procurement and extended production periods require financial stability to avoid operational disruption and maintain business flexibility.

Solvency ratios evaluate long-term business stability by examining debt responsibilities, equity values, and earnings performance. Research conducted by Bourke (1989) and Beck, Demirgüç-Kunt, and Levine (2006) demonstrated that debt-to-equity ratios above average create financial risks but can lead to better investment returns when handled carefully. The Interest Coverage Ratio and Debt Service Coverage Ratio (DSCR) within the debt coverage ratios demonstrate the ability of earnings to fulfil financial obligation payments.

Pasiouras and Kosmidou (2007) demonstrated that organizations with stable capital composition achieve superior financial stability and market trust. The financial decisions of public manufacturing enterprises are influenced externally by government ownership, subsidized loans, and their role in national development (Bieliaieva et al., 2020). The evaluation of TNPL's financial stability and debt management capabilities reveals whether its funding model supports sustainable expansion and proper public-funding utilization.

The research by Campbell Hilscher and Szilagyi (2008) demonstrate that corporate distress risk develops when profitability levels do not match leverage amounts. Petria and Capraru and Ihnatov (2015) demonstrated that the combination of liquidity management with debt servicing ability produces better firm survival predictions than individual ratios. The financial performance of TNPL requires an integrated assessment because its results impact all stakeholders, including shareholders, suppliers, employees, and local economic entities. The evaluation of profitability, liquidity, and solvency needs to consider both operational and strategic performance indicators.

Although much research has been conducted on the financial performance of financial institutions and service industries, there is very little empirical data about the state of the public sector manufacturing industry in India, especially the paper industry. This study fills this gap by evaluating the financial efficiency of Tamil Nadu Newsprint and Papers Limited (TNPL), which uses ratio-based performance analysis and applies it to strategic financial interpretation to provide insights into profitability, solvency, and sustainability in the post-pandemic period.

OBJECTIVES OF THE STUDY

- To examine the liquidity and profitability position of Tamil Nadu Newsprint and Papers Limited (TNPL) to determine its short-term financial health and financial capacity to make a profit.
- To evaluate the efficiency of working capital management and its impact on the company's operational and financial performance.
- To examine and measure the overall financial performance of TNPL through key accounting ratios over the five-year period from 2018 to 2022.

To identify and interpret the financial strengths and weaknesses of TNPL and provide strategic insights for improving its financial stability and profitability

METHODOLOGY

The proposed research design is analytical and descriptive to assess the financial performance of Tamil Nadu Newsprint and Papers Limited (TNPL) within five years (2018-2022). The sources used for the analysis include only secondary data available in reputable financial databases, such as Money Control and the official annual reports of the company, which makes the data analyzed accurate and consistent.

Ratio analysis is the primary methodology used in this study. Financial ratios regarding profitability, liquidity, solvency, and efficiency were calculated to measure the performance of the company in both the operational and strategic aspects. The tabulated data were compared over the five-year span to establish the fluctuations, trends, and changes in the financial performance of TNPL. Past empirical findings are crucial in supporting the meanings and putting them into perspective in the context of the post-pandemic economic setting. This method will enable us to obtain a comprehensive picture of TNPL's financial health, its performance in management, and its capability against competitive pressure. Overall, such an approach offers a rigorous basis for extracting valuable information about the performance of TNPL in terms of its activities and where to consider strategic financial enhancements in accordance with the sustainability of industrial development.

RESULTS

PROFITABILITY RATIO

Profitability ratios are used to evaluate how a firm makes profits based on its sales, capital utilized, and equity held by shareholders. These ratios provide a clue on how effectively the firm utilizes its resources to make profit and indicate the state of the financial affairs in general.

Table 1 Source: Secondary Data

Ratio	2022	2021	2020	2019	2018
Operating Profit Margin %	8.91	9.4	17.51	15.9	13.06
Net Profit Margin %	0.35	-2.35	3.74	2.31	-1.36
Return On Capital Employed	4.68	1.95	11.86	14.51	6.08
Return On Net Worth %	0.9	-4.07	7.59	5.71	-2.62

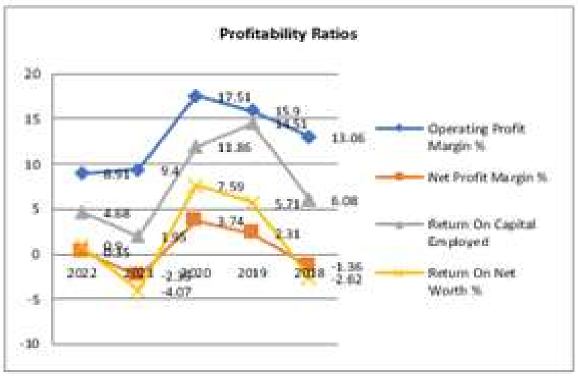

Figure 1: Profitability Ratios

TNPL's profitability ratios show a significant variation within the five years, showing internal operational changes and external market forces. Based on the operating Profit Margin, it has been decreasing since 2019, which can be attributed to increased production costs and price wars within the paper industry. The Net Profit Margin became slightly positive in 2022 after volatile years, suggesting a slight recovery in sales and cost control after the pandemic.

Return on Capital Employed (ROCE) peaked in 2019 but declined sharply in the following years, proving the ineffectiveness of capital use. Similarly, Return on Net Worth (RONW) decreased, implying that shareholder funds had not been maximally used to make profits. Overall, the company's profitability performance is mediocre, and it is already showing signs of recovery in 2022. However, long-term profitability will be determined by cost rationalization, product line diversification, and an increased ability to control the demand side.

LIQUIDITY AND SOLVENCY RATIOS

Liquidity and solvency ratios are used to assess a company's ability to fulfil its immediate and future financial obligations. Whereas liquidity ratios dwell on whether or not the firm has cash in hand and is able to settle its short-term debts, solvency ratios evaluate the overall financial leverage and sustainability of the firm.

Table 2 Source: Secondary Data

Ratio	2022	2021	2020	2019	2018
Current Ratio %	0.35	0.55	0.61	0.58	0.55
Quick Ratio %	0.34	0.4	0.44	0.32	0.48
Debt Equity Ratio %	1.4	1.43	1.04	0.93	1.22
Long Term Debt Equity Ratio %	1.01	1.22	0.71	0.75	0.9

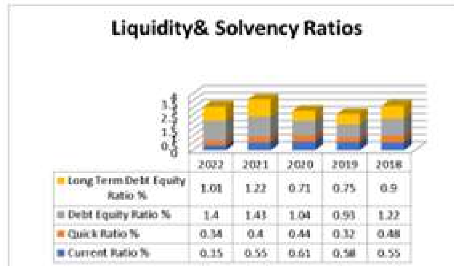

Figure 2: Liquidity and Solvency Ratios

TNPL's liquidity position is an indicator of reduced short-term solvency as the Current Ratio has consistently fallen below the traditionally accepted 2:1 ratio. This means that the current assets of the company are not enough to meet its current liabilities, possibly as a result of high inventory or slow collection of its receivables. The Quick Ratio is no exception and it also does not reach the best ratio of 1:1, indicating that cash flow is managed tightly.

Conversely, the Debt-Equity Ratio indicates a slow increase beyond 2019, reaching its highest point in 2021 at 1.43 and declining slightly to 1.40 in 2022. This means that there is a higher dependency on borrowed capital; however, the company has a sustainable capital structure. The Long-Term Debt-Equity Ratio shows an average financial leverage, but in recent years, the values have been consistent, implying that TNPL is slowly working towards the ability to balance its equity and debt requirements.

Generally speaking, liquidity ratios express the necessity of better working capital management, and solvency ratios imply that the long-term financial status of the company is stable but must be carefully observed in terms of debt servicing obligations.

DEBT COVERAGE RATIOS

Debt coverage ratios evaluate the capacity of a company to settle its fixed financial commitments in the form of interest payments and the repayment of the principal of the earnings. These ratios provide information on the financial stability, creditworthiness, and long-term sustainability of the firm.

Table 3 Source: Secondary Data

Ratio	2022	2021	2020	2019	2018
Interest Cover	1.14	0.39	1.86	1.98	0.89
Total Debt to Owners Fund	1.4	1.43	1.04	0.93	1.22

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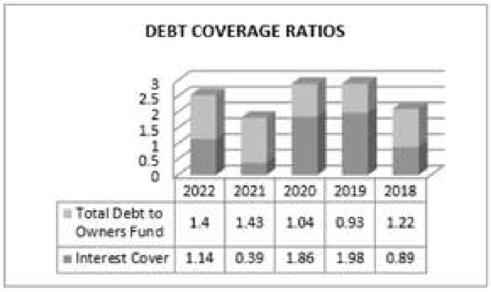

Figure 3: Debt Coverage Ratios

The Interest coverage ratio of TNPL predicts changes in the ability of the firm to cover the interests using operating earnings. The ratio stayed below 2.0 throughout the majority of the study, with the minimal point of 0.39 in 2021, implying that in the same year, the operating profits of the company were not enough to cover its interest payments without any strain. Nonetheless, the recovery in 2022, with a 1.14 ratio, is moderate and demonstrates the rise in earnings and stability of its operations.

The Total Debt to Owners Fund Ratio indicates that TNPL has operated on a fairly high margin of reliance on external debt funding, with the value regularly above 1.0 in the majority of years. Although this is a sign of moderate financial leverage, the continued use of borrowed money may subject the company to increased interest payments and liquidity concerns if not employed wisely.

Overall, the debt coverage performance of TNPL indicates that the company requires improved earnings and sound restructuring of debts. The operational efficiency and long-term financial planning can be reinforced to enhance the capacity of the company to service the debt and simultaneously maintain an optimal capital structure.

MANAGEMENT EFFICIENCY RATIOS

Management efficiency ratios evaluate the efficiency of a company in using its resources, such as assets, inventory, and receivables, to generate revenue. The ratios show how well the management operates to keep afloat, reduce expenses, and maximize the use of assets to increase profitability.

Table 4 Source: Secondary Data

Ratio	2022	2021	2020	2019	2018
Inventory Turnover Ratio	9.08	4.08	4.1	4.74	6.45
Debtors Turnover Ratio	12.66	6.12	7.16	7.85	5.47
Investments Turnover Ratio	1.05	0.71	0.99	1.28	6.45
Fixed Assets Turnover Ratio	0.86	0.79	0.73	0.88	0.67
Total Assets Turnover Ratio	1.05	0.71	1	1.29	0.88
Asset Turnover Ratio	1.05	0.75	1.04	1.21	0.81

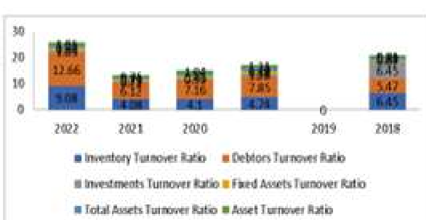

Figure 3: Debt Coverage Ratios

TNPL has a good upward trend, and its Inventory Turnover Ratio has increased by a very large percentage in 2022 to 9.08. This implies good inventory control and conversion of stock to sales, indicating good demand forecasting and production planning. The debtor turnover ratio also indicates consistent improvement, which is an indication of increased efficiency in collection and minimized exposure to the risk of credit.

The investment turnover ratio is changing drastically, indicating that the returns the company gets on non-operational investments or strategic investments are variable. Meanwhile, the fixed asset turnover and total asset turnover ratios are moderate in terms of efficiency and remain unchanged, but the value of 1.0 is not bad; however, efficiency might be enhanced through better use of capacity and modernization of technology.

Overall, the ratios of management efficiency of TNPL depict a favorable trend in its operational performance with regard to inventory and receivables management. Nevertheless, the company needs to persist in its attempts to maximize asset productivity and reduce idle capacity to remain profitable and operationally flexible in the competitive environment of paper manufacturing.

DISCUSSION

Considering the five-year financial analysis of Tamil Nadu Newsprint and Papers Limited (TNPL), several strategic suggestions can be offered to improve the company's financial stability and efficiency of its operations.

1.Improving liquidity management:

The current and quick ratios of TNPL show a tight liquidity status. More effective working capital policies, such as tight credit control and inventory rationalization, should be implemented by the company to enhance short-term solvency.

2.Optimizing cost structures:

The changes in profitability demonstrate the necessity of systematic cost reduction through process automation, energy efficiency, and supply chain optimization. Stable margins can also be achieved through strategic procurement and waste minimization.

3.Strengthening debt management:

Based on its moderate dependence on external financing, TNPL must gradually decrease its leverage with the help of internal accruals and restructuring of long-term debts to decrease the interest load and improve credit quality.

4.Retaliate in technology and modernization of assets:

There was a little stagnation in total assets that may indicate that the company may need technology upgradation to enhance its productivity. Sustainable manufacturing and digitalization can make investments help improve competitive challenges and operational flexibility.

5.Specialize and broaden the market.

To decrease the cyclical demand in the paper segments, TNPL should diversify into packaging, recycled paper, and eco-friendly products to capture an increasing market for sustainable materials.

CONCLUSION

The financial analysis of Tamil Nadu Newsprint and Papers Limited (TNPL) during the years 2018-2022 shows that its performance remains mixed but generally resilient. Although profitability and liquidity varied, the company has shown the ability to recover in the face of these changes in assets and moderate solvency. This decrease in 2020-2021 was accompanied by external interference, especially the pandemic's economic effects, whereas the recovery in 2022 highlights the firm's flexibility and management's responsiveness.

Generally, TNPL has a good financial standing in the long run in terms of stable assets and an increasing operating ratio. Nevertheless, the strategic measures required to achieve sustainable growth include cost control, financial restructuring, reinvestment in technology, and product diversification. Enhancing financial planning and ensuring the alignment of operations with sustainable development targets can also make TNPL a model in terms of resiliency and competitiveness among public sector manufacturing firms in India.

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