



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## A Study On Financial Stability And Business Growth In Tnpl

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### ABSTRACT

This study examines the financial stability and business growth of Tamil Nadu Newsprint and Papers Limited (TNPL) over the five-year period from 2019-20 to 2023-24. Employing the seven-dimension analytical framework of Sarbapriya Ray (2011), the study evaluates financial indicators across profitability, financial structure, operating efficiency, profit appropriation, fixed asset age, current asset efficiency, and liquidity. Data are sourced entirely from TNPL's published audited annual reports. The analysis integrates ratio analysis with Compound Annual Growth Rate (CAGR) computation and three-year moving average trend analysis. The study finds a V-shaped profitability recovery following the 2020-21 pandemic-impacted loss year, with ROE reaching 19.95% and ROCE at 22.28% in 2022-23. The debt-equity ratio declined consistently from 1.43 to 0.86. CAGR analysis confirms positive growth across all five parameters: revenue at 7.83%, net profit at 12.48%, total assets at 2.04%, shareholders' equity at 5.10%, and EBITDA at 6.81%. The primary structural concern is persistently low liquidity, with the current ratio and liquid ratio remaining below standard benchmarks throughout the period. TNPL is concluded to be a financially improving enterprise well-positioned for medium-term growth.

*Keywords: Financial Stability, Business Growth, TNPL, Ratio Analysis, CAGR, Seven-Dimension Framework, Ray (2011), Moving Average*

### 1. INTRODUCTION

Financial stability and business growth constitute two central dimensions in assessing a firm's overall performance and long-term sustainability. Financial stability reflects a firm's ability to maintain a sound financial structure, ensure adequate liquidity, and consistently honour its obligations. Business growth denotes the expansion of a firm's operational and financial base, gauged through increases in revenue, asset size, and profitability over time. The relationship between these dimensions is inherently interdependent — rapid growth without financial strength may create liquidity shortfalls, while excessive conservatism may impair competitive expansion.

Tamil Nadu Newsprint and Papers Limited (TNPL), a Government of Tamil Nadu enterprise, is an integrated paper manufacturer and global pioneer in bagasse-based eco-friendly production. The present study focuses on evaluating TNPL's financial stability and business growth for the period 2019-20 to 2023-24 using a structured multi-dimensional framework, integrating ratio analysis, CAGR, and moving average forecasting.

### 2. REVIEW OF LITERATURE

Ray (2011) evaluated the financial performance of 133 Indian paper companies across seven dimensions for 2000-01 to 2008-09 using ratio analysis, coefficient of variation, and regression, finding improving profitability but declining dividend payouts and a negative impact of aged fixed assets on ROCE. This study serves as the direct methodological foundation for the present research. Dhanya and Keerthana (2025) demonstrated that company-specific longitudinal ratio analysis yields more actionable insights than

aggregate industry studies. Kanagaraj and George (2025) found that fixed asset turnover above 1.5 times generated 28% higher ROCE, and that ACDGFA exceeding 60% is a leading indicator of future capital expenditure stress. Solanki and Shah (2025) showed that firms where current and liquid ratios diverged by more than 0.8 units exhibited inventory management inefficiencies compressing operating margins within two years. Manchala et al. (2025) confirmed that net profit CAGR exceeding revenue CAGR is present in 72% of firms with improving operating leverage, validating the dual-CAGR analysis applied in this study.

### 3. OBJECTIVES OF THE STUDY

**Primary Objective:** To examine the financial stability and business growth of TNPL for the period 2019-20 to 2023-24.

**Secondary Objectives:**

- To analyse profitability and profit appropriation through return ratios and dividend measures.
- To examine financial structure and capital composition through leverage and debt coverage ratios.
- To assess operating efficiency through capital employed, fixed asset, and total asset turnover ratios.
- To evaluate fixed asset age, current asset efficiency, and short-term liquidity.
- To compute CAGR for key financial parameters and analyse trends using moving average methods.

### 4. RESEARCH METHODOLOGY

The study employs a descriptive and analytical research design structured around the seven-dimension framework of Sarbapriya Ray (2011), augmented by CAGR computation and moving average trend analysis. The design is longitudinal, covering five consecutive financial years from 2019-20 to 2023-24.

Type of Research: Analytical. Data Type: Secondary data sourced exclusively from TNPL's audited annual reports and BSE/NSE filings. Study Period: FY2019-20 to FY2023-24, capturing pre-pandemic baseline, disruption year, and three recovery years. Analytical Tools: Ratio analysis (17 ratios across seven dimensions), CAGR [ $CAGR = (Ending\ Value / Beginning\ Value)^{(1/n)} - 1$ ,  $n = 4$ ], three-year moving average for trend smoothing and forecasting, and coefficient of variation for consistency assessment.

### 5. DATA ANALYSIS AND INTERPRETATION

#### 5.1 Financial Profitability

**Table 1: Net Profit Ratio of TNPL (2019-20 to 2023-24)**

Year	Net Profit (Rs. Lakh)	Revenue from Operations (Rs. Lakh)	Net Profit Ratio (%)
2019-20	13,003.23	3,47,111.28	3.75
2020-21	-6,511.13	2,76,817.50	-2.35
2021-22	1,433.19	4,02,029.17	0.36
2022-23	38,787.00	5,17,989.12	7.49
2023-24	20,816.31	4,69,282.45	4.44

Source: TNPL Audited Annual Reports (2019-20 to 2023-24)

TNPL's net profit ratio shows a V-shaped trend: declining from 3.75% in 2019-20 to -2.35% in 2020-21 (pandemic-driven net loss), recovering to 0.36% in 2021-22 and peaking at 7.49% in 2022-23, before moderating to 4.44% in 2023-24. ROE similarly declined to -4.08% in 2020-21 and peaked at 19.95% in 2022-23 before settling at 9.96% in 2023-24. ROCE peaked at 22.28% in 2022-23 and moderated to 15.33% in 2023-24, indicating sustained improvement in capital utilisation.

**Table 2: Return on Capital Employed (ROCE) of TNPL (2019-20 to 2023-24)**

Year	PBIT (Rs. Lakh)	Capital Employed (Rs. Lakh)	ROCE (%)
2019-20	41,312.23	3,32,169.67	12.44
2020-21	9,463.44	3,91,814.70	2.42
2021-22	17,844.88	3,58,381.71	4.98
2022-23	78,442.48	3,52,107.10	22.28
2023-24	54,824.22	3,57,603.69	15.33

Source: TNPL Audited Annual Reports (2019-20 to 2023-24)

## 5.2 Financial Structure

**Table 3: Financial Structure — D/E and TDCE Ratios (2019-20 to 2023-24)**

Year	Total Debt (Rs. Lakh)	Shareholders' Equity (Rs. Lakh)	D/E Ratio	TDCE Ratio
2019-20	1,77,889.18	1,71,291.11	1.04	0.54
2020-21	2,28,339.79	1,59,676.67	1.43	0.58
2021-22	2,22,263.15	1,58,913.86	1.40	0.62
2022-23	1,86,081.43	1,94,410.63	0.96	0.53
2023-24	1,79,618.12	2,08,972.18	0.86	0.50

Source: TNPL Audited Annual Reports (2019-20 to 2023-24)

The D/E ratio increased from 1.04 in 2019-20 to a peak of 1.43 in 2020-21, then declined consistently to 0.86 in 2023-24, indicating progressive deleveraging. TDCE fell from 0.62 to 0.50, and TDNFA remained below 1.0 throughout, confirming strong asset coverage of long-term obligations.

## 5.3 Operating Efficiency

CETO recovered from 0.71 in 2020-21 to 1.47 in 2022-23, remaining above the 1.0 optimal benchmark in four of five years. NFATO crossed 1.0 from 2021-22 onwards (1.23, 1.16, 1.09), confirming that fixed assets now generate more than their net book value in annual revenue. TATO improved from 0.46 to 0.78, reflecting improving but capital-intensive asset deployment.

## 5.4 Current Asset Efficiency and Liquidity

**Table 4: Current Asset Efficiency (CATO) and Liquidity Ratios (2019-20 to 2023-24)**

Year	Revenue (Rs. Lakh)	CATO (Times)	Current Ratio	Liquid Ratio
2019-20	3,47,111.28	2.16	0.71	0.34
2020-21	2,76,817.50	2.00	0.67	0.34
2021-22	4,02,029.17	3.88	0.47	0.27
2022-23	5,17,989.12	3.31	0.60	0.23
2023-24	4,69,282.45	2.85	0.67	0.25

Source: TNPL Audited Annual Reports (2019-20 to 2023-24)

CATO remained above 2.0 throughout the entire period, peaking at 3.88 in 2021-22. The 3-year moving average rose from 2.68 to 3.35, confirming an improving underlying efficiency trend. In contrast, liquidity is TNPL's primary structural concern: the current ratio declined to a low of 0.47 in 2021-22 and recovered only to 0.67 in 2023-24, while the liquid ratio fell from 0.34 to 0.23 before marginal improvement to 0.25, both well below standard benchmarks of 1.5 and 1.0 respectively.

## 5.5 CAGR Analysis — Business Growth

Table 5: CAGR of Key Financial Parameters of TNPL (2019-20 to 2023-24)

Parameter	Base Value 2019-20 (Rs. Lakh)	Final Value 2023-24 (Rs. Lakh)	n	CAGR (%)
Revenue from Operations	3,47,111.28	4,69,282.45	4	7.83
Net Profit (PAT)	13,003.23	20,816.31	4	12.48
Total Assets	5,57,664.78	6,04,486.20	4	2.04
Shareholders' Equity	1,71,291.11	2,08,972.18	4	5.10
EBITDA	64,436.66	83,874.92	4	6.81

Source: TNPL Audited Annual Reports (2019-20 to 2023-24)

CAGR analysis confirms positive growth across all five parameters. Net profit CAGR of 12.48% exceeds revenue CAGR of 7.83%, indicating improving operating leverage and a more efficient cost structure. EBITDA grew at 6.81%, shareholders' equity at 5.10%, and total assets at 2.04%, reflecting disciplined growth.

## 6. FINDINGS

- TNPL's profitability exhibits a clear V-shaped recovery: ROE peaked at 19.95% and ROCE at 22.28% in 2022-23, with net profit CAGR of 12.48% exceeding revenue CAGR of 7.83%, confirming improving operating leverage.
- Financial structure improved consistently, with the D/E ratio declining from 1.43 to 0.86 and TDNFA remaining below 1.0 throughout, indicating strong long-term solvency and progressive deleveraging.
- Operating efficiency ratios crossed optimal benchmarks: CETO exceeded 1.0 in four of five years and NFATO exceeded 1.0 from 2021-22 onwards, indicating productive deployment of fixed assets.
- CATO remained consistently above 2.0 throughout the study period, peaking at 3.88 in 2021-22, with the 3-year moving average rising to 3.35 in 2023-24, confirming strong working capital efficiency.
- Liquidity is TNPL's primary structural weakness: the current ratio ranged from 0.47 to 0.71 and the liquid ratio from 0.23 to 0.34, both consistently below standard benchmarks throughout the five-year period.
- The dividend rate recovered from a low of 29.93% in 2021-22 to 79.81% in 2023-24, with a 2023-24 payout ratio of 26.60% within the ideal range, reflecting a shareholder-supportive variable dividend policy.

## 7. SUGGESTIONS

- TNPL should implement a working capital optimisation programme targeting a current ratio of at least 1.0 in the near term, through shorter receivables cycles, reduced inventory holding, and diversified short-term funding beyond trade payables.
- Systematic product mix migration toward packaging boards, tissue paper, and premium copier variants will enhance margin realisation and reduce dependence on declining printing and writing paper segments.
- Future capital expansion should prioritise internal accruals and selective long-term debt, with a formal capital structure policy establishing target D/E of 0.7-1.0 and minimum interest coverage of 3.0 times.
- TNPL should institutionalise 3-year moving average trend analysis as part of annual financial planning to forecast working capital requirements and align investment with cash flow cycles.

## 8. CONCLUSION

This study provides a structured evaluation of TNPL's financial stability and business growth over 2019-20 to 2023-24 using the seven-dimension framework of Sarbapriya Ray (2011), augmented by CAGR analysis and moving average forecasting. The overarching finding is that TNPL has demonstrated meaningful financial improvement despite navigating the COVID-19 pandemic, input cost inflation, and market price volatility. Profitability exhibited a V-shaped recovery, capital structure underwent consistent deleveraging, and operating efficiency ratios crossed optimal benchmarks in recent years. Business growth is confirmed across all five CAGR parameters, with net profit growing faster than revenue. Liquidity remains the primary structural concern requiring near-term management attention. TNPL's ongoing strategic expansion into tissue papers, packaging boards, and premium copier products, supported by its bagasse-based sustainable production model, positions it favourably for medium-term growth.

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