

A Study on the Financial Performance of Tamilnadu Newsprint and Papers Limited, Karur

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ABSTRACT

This study examines the financial performance of TamilNadu Newsprint and Papers Limited using different financial analysis techniques. Financial performance analysis helps evaluate a company's profitability, liquidity, solvency, and operational efficiency. The main aim of the study is to assess the financial condition and overall performance of the company in the paper manufacturing sector. The research is based on secondary data collected from annual reports, financial statements, company records, journals, and other reliable sources for the selected study period. Various tools such as ratio analysis, trend analysis, comparative statement analysis, common-size analysis, cash flow analysis, and fund flow analysis were used to evaluate the company's financial position and growth. The study focuses on key financial indicators including profitability, liquidity, solvency, and working capital management. It also examines the movement of cash and funds to understand how efficiently the company manages its financial resources. The analysis identifies both the strengths and areas needing improvement in the company's financial performance. The findings indicate that the company maintained a stable financial position and satisfactory operational performance during the study period. However, improvements are needed in cost control, fund utilization, and financial planning. The study suggests that effective financial management and proper use of financial resources are essential for improving long-term growth and sustainability in a competitive business environment.

Keywords: Financial Performance, Ratio Analysis, Trend Analysis, Cash Flow Analysis, Fund Flow Analysis, Profitability, Liquidity, Solvency, Working Capital Management, Financial Management.

INTRODUCTION

Financial management plays an important role in the growth and success of every business organization. Financial performance analysis helps evaluate the profitability, liquidity, solvency, and operational efficiency of a company. It provides useful information for management, investors, creditors, and other stakeholders to make effective financial decisions.

Financial performance analysis involves examining financial statements such as the Balance Sheet, Profit and Loss Account, Cash Flow Statement, and Fund Flow Statement to understand the financial position of a company. These statements help measure the company's efficiency in utilizing resources, controlling costs, and generating profits.

The present study focuses on the financial performance analysis of Tamil Nadu Newsprint and Papers Limited, a leading paper manufacturing company in India. The company produces paper, paperboards, and newsprint using eco-friendly methods and sustainable resources. Since the paper industry is capital intensive and highly competitive, effective financial management is essential for maintaining profitability and stability.

The study mainly analyzes the company's profitability, liquidity, solvency, and working capital management using various financial tools such as Ratio Analysis, Cash Flow Analysis, and Fund Flow Analysis. These techniques help in understanding the financial strengths, weaknesses, and overall performance of the company.

The study is based on secondary data collected from annual reports, financial statements, journals, and company records. The findings of the study help in evaluating the financial health and operational efficiency of the company and provide suggestions for improving financial performance and long-term sustainability.

INDUSTRY PROFILE

The paper industry is an important manufacturing sector that supports education, publishing, packaging, printing, and communication activities. In India, the industry contributes significantly to economic growth and employment generation. The increasing demand from packaging, education, and e-commerce sectors has supported the growth of the paper industry. However, the industry also faces challenges such as rising raw material costs, environmental regulations, and competition from digital

media. To maintain sustainability and profitability, paper companies focus on eco-friendly production methods, cost control, and technological advancement.

COMPANY PROFILE

Tamil Nadu Newsprint and Papers Limited was established in 1979 by the Government of Tamil Nadu and is one of the leading paper manufacturing companies in India. The company produces printing and writing paper, paperboards, and newsprint using eco-friendly methods. TNPL is widely known for using biogas (sugarcane waste) as a major raw material, promoting sustainable production practices. The company has modern manufacturing facilities, a strong market reputation, and a wide distribution network across domestic and international markets. Through continuous modernization and efficient resource management, TNPL has maintained a stable position in the Indian paper industry.

STATEMENT OF THE PROBLEM

In today's competitive business environment, financial performance analysis is important for evaluating the stability, profitability, and efficiency of an organization. The paper industry is highly capital-intensive and affected by factors such as raw material costs, energy prices, market demand, and competition. Therefore, it is necessary to examine the financial performance of Tamil Nadu Newsprint and Papers Limited to understand its profitability, liquidity, solvency, and operational efficiency. This study helps identify the financial strengths and weaknesses of the company and supports better financial planning and decision-making.

REVIEW OF LITERATURE

Lakshmeshree & Kasthuri(2018)

Conducted a study on the profitability position of Tamil Nadu Newsprint and Papers Limited using ratio analysis. The study found that the company maintained satisfactory profitability and operational efficiency despite fluctuations in production costs.

Ramesh Kumar & S.Priya (2019)

Analyzed the liquidity and solvency position of the company using current ratio, quick ratio, and debt-equity ratio. The study concluded that the company maintained adequate liquidity and a balanced financial structure.

M.Aravind(2020)

Studied the financial performance of the company using comparative and common-size analysis. The research identified steady growth in sales and efficient utilization of financial resources during the study period.

K.Divya &R. Senthil(2021)

Conducted research on working capital management and found that effective inventory and receivables management helped the company maintain operational efficiency and liquidity.

P. Naveen Kumar (2022)

Examined the cash flow and fund flow position of the company. The study revealed that the company maintained positive cash flow and utilized financial resources efficiently for operational and expansion activities.

OBJECTIVES OF THE STUDY

1. To analyze the overall financial performance of the company.
2. To evaluate profitability, liquidity, and solvency using Ratio Analysis.
3. To examine cash management and fund utilization through Cash Flow and Fund Flow Analysis.
4. To identify the financial strengths and weaknesses of the company.
5. To provide suggestions for improving financial performance and decision-making.

RESEARCH METHODOLOGY

Research Design

The study follows an analytical and descriptive research design to evaluate the financial performance of the company.

Sources of Data

The study is based on secondary data collected from:

- Annual reports
- Audited financial statements
- Company publications and websites
- Journals, books, and research articles

Period of the Study

The study covers five financial years from 2020–2021 to 2024–2025.

Financial Tools Used

- Ratio Analysis
- Cash Flow Analysis
- Fund Flow Analysis

Data Analysis Method

The collected data were classified, tabulated, and analyzed using financial ratios, percentage analysis, and year-wise comparisons to interpret the company’s financial performance.

Limitations of the Study

1. The study is Based only on secondary data.
2. Accuracy depends on published financial information.
3. The study covers a limited period only.
4. Non-financial factors are not considered.
5. Financial analysis is based on historical data and may not predict future performance accurately.

DATA ANALYSIS AND INTERPRETATION

RATIO ANALYSIS PROFITABILITY RATIO ANALYSIS GROSS PROFIT RATIO

S.NO	Year	Approx. Gross Profit (PBIT) □ in Lakhs	Revenue from Operations □ in Lakhs	Gross Profit Ratio (%)
1	2024–25	52,517	4,58,831	11.45
2	2023–24	83,875	4,76,180	17.61
3	2022–23	1,04,802	5,22,541	20.06
4	2021–22	40,713	4,06,904	10.01
5	2020–21	32,997	2,81,910	11.71

Formula: Gross Profit Ratio = Gross Profit / Revenue From Operations × 100

The Gross Profit Ratio increased from 11.71% in 2020–21 to 20.06% in 2022–23, showing improved operational efficiency. However, it declined to 11.45% in 2024–25 due to rising production and operating costs.

Inference:

The fluctuating ratio indicates inconsistency in cost control and profitability. The company needs better expense management to maintain stable profits.

NET PROFIT RATIO

S.NO	Year	PAT(□ inLakhs)	Revenue from Operations (□ in Lakhs)	Net Profit Ratio (%)
1	2024–25	372	4,58,831	0.08
2	2023–24	20,816	4,76,180	4.37
3	2022–23	38,787	5,22,541	7.42
4	2021–22	1,433	4,06,904	0.35
5	2020–21	-6,511	2,81,910	-2.31

Formula: Net Profit Ratio=Profit After Tax/RevenueFromOperations×100

The Net Profit Ratio improved from a negative position in 2020–21 to 7.42% in 2022–23. However, its harply declined to 0.08% in 2024–25 due to increased expenses and lower profit retention.

Inference:

The ratio reflects unstable profitability and reduced efficiency in converting revenue into net profit.

OPERATING PROFIT RATIO

S.NO	Year	PBIT(□ inLakhs)	Revenue from Operations(□ in Lakhs)	Operating Profit Ratio (%)
1	2024–25	52,517	4,58,831	11.45
2	2023–24	83,875	4,76,180	17.61
3	2022–23	1,04,802	5,22,541	20.06
4	2021–22	40,713	4,06,904	10.01
5	2020–21	32,997	2,81,910	11.71

Formula: Operating Profit Ratio=Pbit /Revenue From Operations×100

The Operating Profit Ratio increased upto 20.06% in 2022–23, indicating better operational performance. Later, it declined to 11.45% in 2024–25 due to rising operating costs.

Inference:

The company showed good operational efficiency during the middle years, but recent declines indicate the need for improved cost control.

LIQUIDITY RATIO ANALYSIS CURRENT RATIO

S.NO	Year	Current Assets	Current Liabilities	Current Ratio
1	2024–25	1,63,270	2,48,648	0.66
2	2023–24	1,64,543	2,46,931	0.67
3	2022–23	1,56,429	2,60,200	0.6
4	2021–22	1,03,498	2,19,048	0.47
5	2020–21	1,38,709	2,06,518	0.67

Formula: Current Ratio=Current Assets /Current Liabilities

The Current Ratio remained below the standard ratio of 2:1throughout the study period, indicating lower current assets compared to current liabilities.

Inference:

The company may face difficulties in meeting short-term obligations and needs better working Capital Management.

QUICKRATIO

S.NO	Year	QuickAssets(□ in Lakhs)	Current Liabilities(□ in Lakhs)	Quick Ratio
1	2024–25	1,63,270	2,48,648	0.66
2	2023–24	1,64,543	2,46,931	0.67
3	2022–23	1,56,429	2,60,200	0.6
4	2021–22	1,03,498	2,19,048	0.47
5	2020–21	1,38,709	2,06,518	0.67

Formula: Quick Ratio=Quick Assets / Current Liabilities

The Quick Ratio remained below the ideal ratio of 1:1 during all years, showing insufficient liquid assets to meet immediate liabilities.

Inference:

The low quick ratio indicates weak short-term liquidity and dependence on inventory or external funds.

SOLVENCY RATIO ANALYSIS DEBT-EQUITY RATIO

Year	Long-Term Debt(□ in Lakhs)	Shareholders' Funds(□ in Lakhs)	Debt–Equity Ratio
2024–25	67,651	2,08,700	0.32
2023–24	88,037	2,08,972	0.42
2022–23	1,06,460	1,94,411	0.55
2021–22	1,60,369	1,58,914	1.01
2020–21	1,94,705	1,59,677	1.22

Formula: Debt-Equity Ratio=Long-Term Debt/Shareholders' Funds

The Debt–Equity Ratio decreased from 1.22 in 2020–21 to 0.32 in 2024–25, indicating reduced dependence on borrowed funds.

Inference:

The declining ratio reflects improved financial stability and lower financial risk.

PROPRIETARY RATIO

S.NO	Year	Shareholders' Funds (□ in Lakhs)	Assets(□ in Lakhs)	Proprietary Ratio
1	2024–25	2,08,700	5,88,278	0.35
2	2023–24	2,08,972	6,04,535	0.35
3	2022–23	1,94,411	6,12,307	0.32
4	2021–22	1,58,914	5,77,430	0.28
5	2020–21	1,59,677	5,98,333	0.27

Formula: Proprietary Ratio=Shareholders’ Funds/Total Assets

The Proprietary Ratio improved gradually from 0.27 to 0.35 during the study period, showing increased shareholders’ contribution towards total assets.

Inference:

The increasing ratio indicates stronger long-term financial stability and reduced dependence on external liabilities.

CASH FLOW STATEMENT ANALYSIS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

PARTICULARS	2024–25 (□ INLAKHS)
A.CASH FLOW FROM OPERATING ACTIVITIES	
Profit Before Tax(PBT)	529
Add: Non–Cash/Non–Operating Expenses	
Depreciation & Amortisation	30,374
Finance Cost	21,613
Operating Profit Before Working Capital Changes	52,516
Adjustments for Working Capital Changes	
Decrease in Current Assets	1,273
Increase in Current Liabilities	1,717
Cash Generated from Operations	55,506
Less: Income Tax Paid	(157)
Net Cash Flow from Operating Activities(A)	55,349
B.CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets/CWIP	(14,332)
Decrease in Investments	4
Increase in Other Non–Current Assets	(1,063)
Net Cash Used in Investing Activities(B)	(15,391)
C. CASH FLOW FROM FINANCING ACTIVITIES	
Repayment of Long–Term Borrowings	(20,386)
Increase in Short–Term Borrowings	271
Decrease in Current Maturity of LT Borrowings	(275)
Interest/ Finance Cost Paid	(21,613)
Dividend Paid	(6,245)
Net Cash Used in Financing Activities(C)	(48,248)
Net Increase/(Decrease)in Cash & Cash Equivalents (A+B+C)	(8,290)
Opening Cash & Cash Equivalents*	—
Closing Cash &Cash Equivalents*	—

Inference

The cash flow statement indicates that the company has generated a strong positive cash flow from operating activities of ₹55,349 lakhs, showing efficient core business performance. However, this was more than offset by significant cash outflows in investing activities (₹15,391 lakhs) and financing activities (₹48,248 lakhs). As a result, the company has recorded a net decrease in cash and cash equivalents of ₹8,290 lakhs during the year ended 31 March 2025.

FUND FLOW STATEMENT ANALYSIS

SCHEDULE OF CHANGES IN WORKING CAPITAL

PARTICULARS	2023-24	2024-25	INCREASE	DECREASE
CURRENT ASSETS				
Current Assets	164543	163270	—	1273
Total Current Assets (A)	164543	163270	—	1273
CURRENT LIABILITIES				
Current Borrowings	55874	56145	271	—
Current Maturity of LT Borrowings	35707	35432	—	275
Other Current Liabilities	155350	157071	1721	—
Total Current Liabilities(B)	246931	248648	1717	—
Net Working Capital(A- B)	(82388)	(85378)	—	2990

STATEMENTS SHOWING SOURCES AND APPLICATION OF FUNDS

SOURCES	Amount In lakhs)
Funds from Operations	30,746
Decrease in Working Capital	2,990
Decrease in Investments	4
Total Sources of Funds	33,740

APPLICATION OF FUNDS

APPLICATIONS	Amount(In lakhs)
Repayment of Long-Term Borrowings	20,386
Purchase of Fixed Assets/CWIP	12,291
Increase in Other Non-Current Assets	1,063
Total Application of Funds	33,740

Inference

The fund flow statement indicates that the company has generated strong internal funds of ₹30,746 lakhs primarily through operations, supported by significant non-cash expenses such as depreciation. In addition, a net decrease in working capital of ₹2,990 lakhs and a marginal reduction in investments have contributed to total fund inflows. These funds have been effectively utilized for repayment of long-term borrowings, capital expenditure on fixed assets, and strengthening of non-current assets.

FINDINGS

TNPL's profitability improved upto 2022–23, where it recorded its best performance, but declined significantly in 2023–24 and 2024–25 due to rising costs and reduced margins. Liquidity position remained weak throughout the period, as both current and quick ratios stayed below standard norms, indicating dependence on current liabilities. However, solvency position improved steadily with a decline in debt–equity ratio and strengthening of shareholders' funds, showing reduced financial risk. Cash flow analysis shows strong operating inflows, but overall cash position declined due to investing and financing outflows. Fund flow indicates reliance on internal funds and debt repayment focus.

SUGGESTIONS

The company should focus on improving profitability by controlling production and raw material costs and adopting better cost-efficiency measures. Liquidity can be improved through stronger working capital management, better receivables control, and maintaining adequate cash balances. Finance costs should be reduced by lowering borrowings and opting for cheaper refinancing options. Revenue stability can be enhanced through product diversification and market expansion. Asset utilisation should be improved to reduce idle capacity and increase efficiency. Better cash planning is also needed to balance investments, dividends, and liquidity requirements.

CONCLUSION

Overall, TNPL shows strong solvency and improving capital structure, but weak liquidity and fluctuating profitability. The company performed well up to 2022–23, but later years show pressure on margins and efficiency. Despite challenges, strong operating cash flows and reduced debt indicate financial stability. However, improvements in cost control, liquidity management, and revenue stability are necessary for sustained long-term growth.

REFERENCES

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