

Decoding the Financial Performance of Seshasayee Paper and Boards Limited: An Empirical Study

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Abstract

Seshasayee Paper and Boards Limited is one of the key players among Indian paper industry in our country. They play a pivotal role in our country's economic development as well by catering the needs, wide array of sectors such as publishing, packaging, education and printing. They have demonstrated a significant presence through the consistency and operational resilience in various financial aspects. The study has undertaken to decode the financial performance in the way of using correlation and Dupont analysis for over the period of 10 years. The main objective is the understand the decomposition of ROE and factors influencing the financial health of the company across the study period.

The Dupont model aims to decompose the ROE into its various key components such as Assets Turnover ratio, Equity Multiplier with Net profit margin, how the internal factors are influencing the returns of shareholders during the time frame. The results from the Du Pont Analysis reveals the profitability that have been measured by NPM, which is most consistent driver of ROE, while financial leverage and asset efficiency is having impact that are relatively modest. In order to validate such findings, Pearson's correlation analysis was conducted for the study period. The results of Correlation are positively impacted between NPM and ROE, whereas a weaker association with ATR and EM. These are not statistically significant at the 5% level of significance. The ROE is primary driven by the profitability other than leverage by highlighting the company's financial approach conservatively. These understandings provide valuable inferences for financial approach or strategies and performance evaluation in similar capital-intensive industries.

The study highly offers to the existing literature by contributing a single-firm deep dive analysis that complements border level industry research. The deep insights were derived that are expected to be valued to policy makers, investors, analysts and various academicians. The statistical based methods using SPSS, were robust and replicable model for evaluating the financial performance of a firm over period of time. It is clear evident that SPB Ltd has demonstrated with commendable growth in the key perform areas, continuous attention to the management of debt, efficiency of cost, strategies in relation with operational and financial are quite essential. The research also opens with gateway for the avenues for the future analysis, comparative analysis also among Indian Paper companies as benchmark of financial performance within the sector.

Keywords: ROCE, Seshasayee paper mills, Dupont Analysis, Financial performance,

Introduction:

Efficiency, sustainability and health assessment of financial performance and analysis is important and critical tool for industrial and business sustainability. It has been seen that global economy has become interconnected and competitive, the pulp and paper industry continue to play pivotal role in fulfilling the packing, publishing, education, and hygiene product requirements. Seshasayee Paper Boards Limited (SPB) is key player in the paper manufacturing industry offers an empirical financial investigation. The aim is to decode the financial performance of SPB for over a decade by evaluating its efficiency, liquidity, profitability, and solvency to arrive at meaningful insights of financial resilience and growth trajectory.

Founded in 1960, headquartered in Erode, Tamil Nadu, SPB has emerged as key player in India's pulp and paper manufacturing sector. Over the past decades it has expanded its product range by adopting sustainable practices and by upgrading manufacturing processed at environmental and industrial standards. The organization is publicly listed in Bombay stock exchange (BSE) and national stock exchange (NSE) by attracting various investors, analyst, policymakers, and researchers. Therefore, it is imperative to understand the companies' financial structure through ratio analysis and scrutiny.

The multidimensional concept of financial performance emphasizes the firm's ability to manage resource efficiently and by honoring financial obligation and remain solvent in long term and generate profits. The study also employs various financial indicators like Earnings per share (EPS), Return to Equity (ROE), Price on earnings(P/E) Return of assets (ROA), Debt to Equity ratio, Quick Ratio, Net profit ratio, Inventory turnover ratio, Interest coverage Ratio and other financial metrics. Also, by analysis SPB data ranging from FY 2014-15, to FY 2024-25, this study in conducted to identify the pattern, Fluctuation's and trends that shows the organization performance and strategic positioning in the competitive Indian market.

The industry is facing challenges in digitalization and environmental concern, by showing the resilience mainly in education, packaging, and hygiene. The macro-economic factors such as foreign exchange volatility, inflation, and pricing of raw materials and government policy shift have influenced the sector heavily influenced the financial results. Companies like SPB which has the dependent on raw material and operation scale, the financial performance is reflected in managing efficiency, cost control measures and adaptability and technological advancements.

In this study SPSS software is used for statistical analysis to derive correlations and trends among financial ratios and metrics over the study period. This quantitative approach will enhance the reliability of interpretations and supports the evidence-based conclusions. Statistical, trend analysis and regression tools are used to understand the relationship between profitability and other financial ratios. Further, Year wise reporting is compared to identify the cyclical trends, anomalies and growth phases that reflect the company's dynamic operations.

Rationale of Choosing Seshasayee Paper Boards Limited

The rationale by choosing the SPB as focus lies with companies' consistent market presence, environmental conscious production model, and its preparedness to withstand industry headwinds. Unlike other competitors that had seen volatile earnings or regulatory setbacks, SPB represents a stable case with financial data for academic and managerial analysis. SPB's decades over journey encapsulated

the challenges and opportunities of Indian manufacturing sector by making its model for financial decoding.

The study will be beneficial for investors, academicians and corporate analyst seeking a practical understanding of financial performance analysis. This will also serve as a guiding document for stakeholders in paper industry for bench marking performance, evaluate investment decisions and understanding the financial dynamics of medium-cap manufacturing firm. The findings of this research could support the internal management to arrive at their financial strategies and exploring areas of improvements.

Review of Literature

The financial performance is the key stone for companies' decision-making process. It involves firm by evaluating firms' profitability, liquidity, efficiency, and solvency using various ratios and accounting and statistical tools. The importance of this analysis has seen numerous studies across industries, including Manufacturing industries where the firm faces the operational and capital-intensive challenges. The paper industry with raw material cost dependency factors, environmental compliance, and energy consumption, requires close scrutiny of financial stability and sustainability.

A recent past study reveals the financial performance evaluation of paper industry often focused on macro level comparison and cross-sectional analysis. The focused empirical study on SPB over a period offers deep and granular level insights in its strategic financial management. This helps decoding the company's strength and vulnerabilities by offering nuanced interpretations beyond surface level financial statements. The research aims to fill the gap by projecting longitudinal financial evaluations of SPB and by highlighting the year-on-year performance metrics and implications.

Emphasized by Pandey during 2015 the financial performance analysis using ratio's tool not only helps to assess the performance but also supports forecasting the allocation of resources. This is very crucial for companies operating in cyclical industries like paper manufacturing.

Jain and Khan (2017) explains the profit ratios such as return on equity (ROE) and Earnings per share (EPS) and most widely used indicators to conclude the firm's ability to generate shareholders value.

Rao and Gosh (2016) evaluate the financial health of paper manufacturing firms in India and identified that cost management, Raw material procurement, and debt servicing influenced the firm level profitability. The findings reveal that despite moderate revenue growth, firms with efficient capital utilization which has outperformed the competitors in shareholders returns.

Krishna and Rao (2018) performed a comparative financial performance analysis in leading paper manufacturing companies in India by using liquidity and solvency ratios. The study concluded that firms with a healthy current ratio and interest coverage ratio was better equipped to manage the economic downturn. Mishra (2019) used Altman's Z-score test to evaluate the risk of bankruptcy in Indian paper industry and this highlighted that many mid-sized firms shows that financial fragility due to higher operational costs and limited diversifications.

Sharma and Mehta during 2020 explained how financial efficiency influences long term operational success in manufacturing enterprise by utilizing panel data regression methods. They also discovered a strong positive link between profitability and asset utilization and by emphasising the firms with effective resources management tend to exhibit superior performance over time.

Similarly, a study concluded by Das and Roy (2021) stated that how environmental and operational initiative affect financial income in Indian paper and pulp sector. It was concluded that through eco-

friendly investments and sustainable practices lead to increase in short-term expenditure, and they also contribute to long term financial resilience which boost the investor confidence.

Various Analytical tools like SPSS and Excel are employed in financial research based on their capability to manage huge data set by performing various analysis including correlation and Regression, trend studies. During 2022 Patel and Shah also emphasized these tools on the accuracy and impartiality of financial assessments. The research by Patel and Shah also concluded that longitudinal studies provide more insights than cross sectional evaluations.

The reviewed literature indicates that while generalized models for financial performance exist, there is a notable lack of detailed empirical research focused on individual firms in India's paper manufacturing industry. This study aims to bridge that gap by conducting a decade-long empirical evaluation of Seshasayee Paper and Boards Limited (SPB), offering an in-depth look at its financial trajectory and internal dynamics.

The research paper aims to fill the gap between theoretical financial models and real-world corporate performance by revealing the financial journey of Seshasayee Paper and Boards Limited. By looking through the empirical lens, the study will show, how the financial ratios portray the story of the company's evolution, resilience, and strategic directions. By performing this exercise this would contribute to both academic's literature and practical financial management and by offering a well-rounded perspective on financial anatomy of important player in India's paper industry

Statement of the Problem

A company evaluation of financials goes beyond simple metrics like revenue or profit margin holistically. The value creation for shareholders is unclear, while conventional report offers valuable data. These are very important factors for firms like Seshasayee paper and boards limited, due to resource heavy and competitive industry operations. The key elements that contribute Return on Equity (ROE) is important for strategic planning and sustained business success.

The ROE does not clarify whether the returns are due to Operational effectiveness, capital structure, cost management. The Dupont framework breaks ROE in three main elements like Asset turnover, Equity Multipliers and net profit margin that allows more detailed assessment of financial efficiency. Yet, to enable the data driven decision it is essential to examine how the factors contribute to ROE.

There remains a scarcity of in-depth research that combines analytical and statistical approaches to study the financial performance of SPB over an extended timeframe. This absence presents a significant research opportunity to understand how the firm's internal financial mechanisms have influenced shareholder value over a ten-year period.

Accordingly, this research seeks to analyze SPB's financial performance by applying the DuPont model alongside correlation analysis. This integrated approach aims to both conceptually dissect ROE and statistically confirm the influence of its drivers, thereby yielding practical insights for a range of stakeholders including financial executives, investors, and policymakers.

This study holds substantial relevance across different audiences. For company leadership, it uncovers internal financial levers that directly impact shareholder returns, aiding strategic decision-making. For investors, it offers a clearer view of what underpins return generation, thereby supporting more informed investment choices. Academically, the study enriches financial performance literature by combining conceptual and quantitative tools to analyze the financial evolution of a single firm. The insights could also inform similar analyses in other capital-intensive industries.

Objectives

1. To examine the trend and components of ROE using the DuPont Analysis for the 10 years period of study
2. To decompose the ROE into EM,NTM and ATR in order to understand the individual contributions to the returns of the shareholders
3. To validate the effectiveness of DuPont Analysis as a financial performance as an evaluation tool.
4. To analyse statistically the relationship between ROE and its components.

Data Analysis and Interpretation

DuPont analysis

The management of finance is the vital part of the business concern. The evaluation of financial performance helps to assess about the company, maintain its funds to achieve its objectives over a period of time. It is the matter of interest to the certain groups such as lenders, competitors, investors, the Government and the company. The evaluation involves the analysis and interpretation of financial statements, including balance sheet, income statement, P&LA/c, and cash flow statement, in a way that the analysis have to undertake fully in order to financial and profitability soundness of the business.

The financial performance analysis is significant to the stakeholders who are investing their funds. This can be assessed in different methods, where usual method using by the investors are ratio analysis method. It is a simple tool which helps to analyses the relationship between two variables that are drawn from the financial statements. Different and various ratios are used for the purposes and their type of ratio to be analyzed, interpreted may depend upon the stakeholder's interested category. One of the important ratios widely used by investors is ROE, which helps to assess the company based on performance of shareholders equity that reflects (Fabozzi, & Peterson et al in 2003). The research which is based on ROE were among the researchers and academicians have gone through the various factors that are influencing ROE.

One of the broadly used tools for the assessing the equity is DuPont analysis. There may be varied for across the companies for definite period. RoE is key performance indicator of a company. It is considered to be mathematical model of representing a factorial analysis of profitability from the financial return of equity (ROE). The simple calculation of ROE reveals the health of the organization, but initially there will not be a complete picture. Higher the ROE speaks about the company as ideal and indicates a positive sign, which is adding returns to shareholders. But it is not easy to draw a conclusion with the ROE exclusively why because the company may be opted for high debt and unaccountably increased its equity returns. Hence, the DuPont analysis is proved to be the superior tool to understand the various dynamics of the ROE.

A robust financial framework that deconstructs the ROE into its three constituent components Net profit margin, asset turnover ratio and equity multiplier. The three compositions with fundamental drivers such as profitability, efficiency and leverage, analysis offers deeper insights of the components that influence the shareholders returns. The way of computing DuPont formula

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

YEAR	NPM	ATR	EM	ROE	GIVEN ROE*
2015-16	0.03	0.91	2.57	8.13817	8.45
2016-17	0.11	1.04	1.85	21.1588	22.00

2017-18	0.11	0.87	3.01	28.9092	17.51
2018-19	0.14	0.92	1.61	21.2718	21.89
2019-20	0.15	0.82	1.40	16.9227	17.48
2020-21	0.14	0.52	1.33	9.30841	9.10
2021-22	0.08	0.82	1.32	8.76472	8.55
2022-23	0.19	1.00	1.27	24.2045	24.52
2023-24	0.15	0.75	1.25	14.1667	14.11
2024-25	0.06	0.72	1.27	5.49034	5.46

(* Mentioned Values are taken from Published Resources – Moneycontrol.Com)

INTERPRETATION

The above analysis is for the period of 2015-16 to 2024-25 – 10 years of Seshasayee Paper Boards Limited for comprehensive understanding of the company's equity in the way of ROE. After breaking the ROE in the form of the constituents' components Net profit Margin, Assets Turnover ratio, and Equity Multiplier which reveals the financial and internal operational strategies that have designed the shareholder's return.

In the year 2024-25 the ROE declined sharply to the 5.49% because of significant drop in NPM, at the same time by sustaining the stable ATR and leverage that encounters the cost control or growth in revenue. The next 2023-24, performing stable, with minor incline in ATR which leads to reduced ROE. But it was peak in the year 2022-23, with 24% ROE, net profit margin which is highest (19%) and having solid efficiency.

In the year 2020-21 and 2021-22 have witnessed the incline due to the COVID 19 pandemic, with the pitfall in asset turnover and profitability which is likely the economic challenge. Despite of the various cautious recovery and leverage strategy, the drop in operational and margins that pull down the overall returns.

The ROE levels were maintained in the year 2018-19 and 2019-20 which was driven by proper utilization of assets, solid profit margins although the leverage began to incline, which indicates the conservative financing approach.

On compare with the period of 2016-17 & 2017-18, ROE was at the high level that too exceeded 21% due to the profit margins are strong, and also sharp rise in financial leverage in the year 2017-18. The ROE was stable and improved profitability for the 2015-16.

At last, the overall performance of profitability was the dominant driver of the ROE throughout the 10 years. The company is consistently maintaining the profit levels, moderate level of equity multiplier that reflects in the practical approach. A supportive role played by the asset efficiency with ATR fluctuations which is influencing ROE both upward and downward. The correspondence values between reported and calculated ROE that sustains the effectiveness of the DuPont model in assessing and interpreting the company's financial performance. The DuPont analysis is not only to decode the operational dynamics of SPB Ltd but also it offers insight to the sustainability of its value creation approaches.

CORRELATION ANALYSIS

DuPont Analysis is the conceptual and mathematical expression or composition of ROE, whereas the correlation brings the relationship between the variables. Are they actually associated? With the hypothesis of **“There is significant relationship between the NTM, ATR and EM for these 10 years of SPB Ltd.”**. The correlation analysis shall be very well taken for consideration with the Dupont

suggestions. The suggestions are NTM are having strongest influence all the years, Assets Turnover Ratio also supports, where EM plays a minor role that are tested statistically using correlation analysis. In order to validate the Du-Pont findings statistically, added depth and rigor to the test and shall arrive with the strengthened conclusion correlation analysis is being taken for the further study.

		Correlations				
		year	npm	atr	em	ROE
year	Pearson Correlation	1	.290	-.450	-.757*	-.328
	Sig. (2-tailed)		.417	.191	.011	.354
	N	10	10	10	10	10
npm	Pearson Correlation	.290	1	.037	-.426	.573
	Sig. (2-tailed)	.417		.920	.220	.084
	N	10	10	10	10	10
atr	Pearson Correlation	-.450	.037	1	.332	.589
	Sig. (2-tailed)	.191	.920		.349	.073
	N	10	10	10	10	10
em	Pearson Correlation	-.757*	-.426	.332	1	.389
	Sig. (2-tailed)	.011	.220	.349		.267
	N	10	10	10	10	10
ROE	Pearson Correlation	-.328	.573	.589	.389	1
	Sig. (2-tailed)	.354	.084	.073	.267	
	N	10	10	10	10	10

*. Correlation is significant at the 0.05 level (2-tailed).

The test is being analysed to find the variables are associated or correlated statistically. It is proved that the variables are associated either weak positive or moderate positive.

The results between ROE and NPM reveals that there is moderate positive correlation between with $r=0.573$ that indicates the profitability is consistently influencing the shareholders for the returns. However, the relationship is not statistically significant at the 5% level of the confident, the evident is not strong enough to confirm the significance level.

At the same time, the correlation between the ROE and ATR is positive but very weak with $r=0.589$, and again here also they are not statistically significant at 5% level. This explains about the operational efficiency is important in improving ROE, not consistently.

Where the equity multiplier (EM) is showing the positive correlation weakly with ROE, $r = 0.389$, $p = 0.267$ that indicate partial impact of financial leverage on returns of the shareholder during the period of study. The point already supports the earlier DuPont interpretation of SPB Ltd. stated that the company is a maintained relatively conservative capital structure, depend on more on internal profitability than external leverage.

Decision-making Inferences

The above findings exhibit the important insights for the decision-making process. The decomposition of ROR reveals the NPM, which is the consistent factor of the shareholders returns on their investment that also emphasize the significant focus on the cost control, pricing strategies and profitability despite of the relying heavily on leverage. Managers should line up the operational efficiency and enhancement of

margin to sustain ROE over period of time. The ROE is also contributed by Equity Multiplier in certain years, with increased financial leverage over a period of time, with the weak overall correlation with ROE. It is clearly suggested to the SPB Ltd to conservative financing approach. This may lead the company to financial stable, and there is scope for optimizing capital structure by enhancing the return with compromising solvency. At the same hand, the ATR influencing the modestly which indicates the utilization of assets efficiently and its improvement in operational efficiency that could be leveraged. The manager shall focus on the investments, inventory turnover, optimized to drive the higher asset efficiency and income generation from existing resources. The analysis shows the components that do not related the ROE conceptually and it is limited with statistical significance. The fluctuations are likely due to macroeconomic conditions and internal strategies of company. The need for financial planning dynamically with regular performance as yardstick and the periods of volatility are navigating by forecasting data driven.

Conclusion

This research utilized the DuPont Analysis to investigate the factors influencing Return on Equity for Seshasayee Paper and Boards Ltd. over a decade and confirmed the results through correlation analysis. The findings suggest that profitability, represented by net profit margin, is the main contributor to ROE, while asset efficiency and financial leverage have secondary importance. Nevertheless, the statistical analysis indicated that none of the relationships reached significance at the 5% level, suggesting the existence of non-linear factors or external influences that extend beyond conventional financial ratios. The overall performance of SPB Ltd. demonstrates a stable yet prudent financial approach, characterized by minimal dependence on debt and moderate asset utilization. The company's capacity to create value for shareholders has primarily relied on its internal profitability. Consequently, future financial strategies should aim to enhance margins, optimize asset utilization, and investigate safe leverage opportunities to sustainably boost ROE. In summary, although the DuPont model is a robust analytical framework for assessing financial performance, it should be complemented with statistical techniques and a broader contextual perspective to facilitate well-rounded managerial decisions.

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