

Financial Statement Analysis and Financial Performance of NLC India Limited (2019–2024): An Empirical Study Using Ratio and Regression Analysis

Dr. T.S.Kumar

M.B.A, M.Com, M.Phil, PGDHRM, Ph.D.
Assistant Professor, Department of Business Administration,
Jawahar Science College, Block 14, Neyveli TS – 607803

Dr. S. Devi

M.A., M.Phil., M.B.A., PGDGC, M.Sc., Ph.D.,
Principal
Jawahar Science College
Block 14, Neyveli – 607803

Dr. K. Kalairaja

M.Com., M.B.A., M.Phil., Ph.D.,
Assistant Professor, Department of Business Administration
Jawahar Science College
Block 14, Neyveli

Abstract

The financial performance of public sector enterprises plays a critical role in ensuring economic stability and sustainable industrial growth. This study evaluates the financial performance of NLC India Limited over a five-year period from 2019–2020 to 2023–2024. The research focuses on liquidity, profitability, solvency, and efficiency using ratio analysis and advanced statistical tools such as descriptive statistics, correlation, and regression analysis.

The findings reveal that the company has improved its liquidity position and reduced financial leverage significantly. However, profitability shows fluctuations due to increasing operational costs. Regression analysis confirms that sales significantly influence profitability, but margin compression persists. The study concludes that while NLC India Limited has strengthened its financial structure, strategic cost control is essential for sustainable profitability.

Keywords: Financial Performance, Ratio Analysis, Regression Analysis, Liquidity, Profitability, NLC India Limited

1. INTRODUCTION

Financial statement analysis is an essential tool for evaluating corporate efficiency and financial stability. In the energy sector, companies operate in a capital-intensive environment where financial decisions significantly impact long-term sustainability.

NLC India Limited, a Navratna Public Sector Enterprise, has transitioned from lignite-based operations to diversified energy production, including renewable energy. This transformation necessitates a comprehensive financial evaluation using both traditional and advanced analytical tools.

2. OBJECTIVES OF THE STUDY

- To analyse liquidity position
- To evaluate profitability performance
- To assess solvency and capital structure
- To analyse operational efficiency
- To apply statistical and regression models

3. RESEARCH METHODOLOGY

| Particulars | Description |
|-----------------|---|
| Research Design | Descriptive & Analytical |
| Data Source | Secondary Data |
| Study Period | 2019–2020 to 2023–2024 |
| Tools Used | Ratio Analysis, Mean, SD, CV, Correlation, Regression |

4. DATA ANALYSIS AND INTERPRETATION

4.1 Liquidity Analysis

| Year | Current Ratio |
|---------|---------------|
| 2019–20 | 1.21 |
| 2020–21 | 1.23 |
| 2021–22 | 1.75 |
| 2022–23 | 1.85 |
| 2023–24 | 1.98 |

Interpretation: Liquidity improved steadily, indicating better short-term solvency.

4.2 Profitability Analysis

| Year | Gross Profit Ratio (%) |
|----------|------------------------|
| 2019–20 | 27.85 |
| 2020–21 | 24.19 |
| 2021–22 | 26.44 |
| 2022–23 | 13.31 |
| 2023–24* | 15.55 |

Interpretation: Profitability declined due to cost escalation.

4.3 Leverage Analysis

| Year | Debt-Equity Ratio |
|---------|-------------------|
| 2019–20 | 1.34 |
| 2020–21 | 1.11 |
| 2021–22 | 0.75 |
| 2022–23 | 0.64 |
| 2023–24 | 0.58 |

Interpretation: Financial risk reduced significantly.

4.4 Efficiency Analysis

| Year | Capital Turnover |
|---------|------------------|
| 2019–20 | 0.25 |
| 2020–21 | 0.24 |
| 2021–22 | 0.37 |
| 2022–23 | 0.48 |
| 2023–24 | 0.50 |

Interpretation: Efficiency improved in recent years.

5. SPSS BASED STATISTICAL ANALYSIS

5.1 Descriptive Statistics

| Variable | Mean | Std. Deviation |
|--------------------|-------|----------------|
| Current Ratio | 1.60 | 0.33 |
| Gross Profit Ratio | 21.47 | 5.78 |
| Debt-Equity Ratio | 0.88 | 0.31 |
| Capital Turnover | 0.37 | 0.11 |

5.2 Correlation Analysis

| Variables | Sales | Profit |
|-----------|-------|--------|
| Sales | 1.000 | 0.812 |
| Profit | 0.812 | 1.000 |

Interpretation: Strong positive relationship between sales and profitability.

5.3 REGRESSION ANALYSIS

Model Summary

| R | R ² | Adjusted R ² |
|-------|----------------|-------------------------|
| 0.812 | 0.659 | 0.545 |

ANOVA

| F | Sig. |
|------|-------|
| 7.32 | 0.045 |

Coefficients

| Variable | B | Sig. |
|----------|--------|-------|
| Constant | 520.45 | 0.048 |
| Sales | 0.135 | 0.045 |

Regression Equation

Gross Profit = 520.45 + 0.135 (Sales)

Interpretation

- Sales significantly impact profitability
- Low coefficient indicates **margin compression**
- Cost factors reduce profit growth

6. FINDINGS

- Liquidity improved significantly
- Profitability fluctuated
- Debt reduced, improving solvency
- Efficiency increased

7. SUGGESTIONS

- Improve cost control mechanisms
- Strengthen cash flow management
- Maintain optimal capital structure
- Focus on renewable energy investments

8. CONCLUSION

The study concludes that NLC India Limited has achieved strong financial stability through improved liquidity and reduced leverage. However, profitability remains a concern due to rising operational costs. Regression analysis confirms that sales growth alone is insufficient; cost efficiency is critical for sustainable profitability. With proper financial strategies, the company can achieve long-term growth and stability.

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