

ASSESSING INVESTMENT POTENTIAL OF NSE-LISTED COMPANIES THROUGH FINANCIAL AND MARKET INDICATORS: A COMPOSITE INDEX APPROACH

¹Mr. R. Thanga Kumar, ²Dr. R. Jagannathan

¹Research Scholar, Department of Commerce, Annamalai University, Annamalai Nagar, Chidambaram, Tamil Nadu.

² Assistant Professor, Department of Commerce, Rajeswari Vedachalam Government Arts and Science College, Chengalpattu (deputed from Annamalai University, Chidambaram)

ABSTRACT

This study evaluates the investment potential of selected NSE-listed companies using key financial and market indicators. The study covers ten selected companies over a five-year period from FY 2021–22 to FY 2025–26. Secondary data were collected from company annual reports, NSE sources and financial databases. Seven indicators, namely Return on Equity, Return on Capital Employed, Net Profit Margin, Earnings per Share, Debt–Equity Ratio, Price–Earnings Ratio and Dividend Yield, were used for the analysis. Descriptive statistics and correlation analysis were employed to examine the financial characteristics and relationships among the indicators. A Composite Investment Potential Index was developed by normalizing the indicators and assigning equal weights to provide a comparative assessment of the selected companies. The findings indicate considerable differences among the companies in terms of profitability, leverage, valuation and dividend performance. The study demonstrates that investment potential is multidimensional and cannot be assessed using a single financial indicator. The proposed index provides a simple framework for comparing the financial characteristics of selected NSE companies.

Keywords: Investment Potential, NSE, Financial Indicators, Fundamental Analysis, Stock Valuation, Investment Potential Index, Financial Performance.

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INTRODUCTION

Equity investment has become an important component of contemporary financial decision-making, with investors increasingly relying on financial information to assess the underlying strength, risk and valuation of listed companies. The expansion of equity markets has also increased the complexity of investment decisions because stock prices are influenced not only by company-specific fundamentals but also by macroeconomic conditions, market sentiment, industry dynamics and investor expectations. In this context, evaluating the financial strength of a company remains an important component of investment analysis. Financial statements provide information that can be transformed into meaningful indicators of profitability, liquidity, leverage, earnings capacity and market valuation, thereby enabling investors to assess the economic and financial characteristics of individual stocks.

Fundamental analysis provides a systematic basis for examining these characteristics. Unlike approaches that focus primarily on historical price movements or short-term market sentiment, fundamental analysis evaluates the financial and economic attributes of a company to understand its capacity to generate earnings and create shareholder

value. Ratios such as Return on Equity (ROE), Return on Capital Employed (ROCE), Earnings per Share (EPS), Net Profit Margin, Debt–Equity Ratio, Price–Earnings (P/E) Ratio and Price-to-Book (P/B) Ratio provide different perspectives on corporate performance and valuation. However, no single financial indicator is sufficient to capture the overall investment characteristics of a stock. A company may demonstrate strong profitability while carrying relatively high financial leverage, or it may have strong earnings but trade at a valuation that reflects substantial market expectations. Consequently, investment evaluation requires the simultaneous consideration of multiple financial dimensions.

The relationship between corporate financial characteristics and stock-market outcomes has also received considerable attention in empirical finance. Recent research has highlighted the interaction between profitability, leverage and stock returns, suggesting that the influence of financial leverage on stock-market outcomes may vary according to the profitability of firms. In particular, profitability can alter the relationship between financing decisions and stock returns, indicating that financial indicators should not necessarily be interpreted independently. This reinforces the need for a multidimensional

approach to evaluating the investment potential of listed companies.

The Indian equity market provides an appropriate setting for such an investigation. The National Stock Exchange of India (NSE) represents a major platform for equity trading and provides extensive corporate and market information for listed securities. The exchange maintains corporate financial results and annual reports covering multiple financial years, including FY 2021–22 through FY 2025–26. The availability of structured financial disclosures also facilitates longitudinal analysis of company performance. NSE's XBRL-based reporting framework further supports the systematic availability and analytical use of financial information submitted by listed companies. The availability of financial information, however, does not automatically translate into an effective investment assessment. Investors are confronted with a large number of financial indicators, and these indicators may convey different or even contrasting signals. For example, high earnings growth may coexist with increasing leverage, while a relatively low P/E ratio may reflect either an attractive valuation or weaker market expectations. Similarly, a high ROE may result from efficient use of shareholders' capital or from a highly leveraged capital structure. These possibilities demonstrate why investment evaluation based on an isolated ratio can produce an incomplete representation of a company's financial position. A more comprehensive assessment should therefore consider the interaction of profitability, liquidity, leverage, earnings and market valuation.

Another important issue concerns the distinction between financial performance and investment potential. Financial performance generally reflects how efficiently a company has used its resources during a particular period, whereas investment potential incorporates a broader assessment of financial strength, earnings capacity, risk and market valuation. Thus, a company demonstrating superior historical profitability cannot automatically be regarded as possessing superior investment characteristics. Investment potential needs to be assessed through a combination of indicators that collectively capture both financial quality and market-related considerations.

This issue is particularly relevant in the Indian market, where investors have access to companies operating across diverse industries and with substantially different financial structures. Cross-company comparisons based solely on absolute financial figures can therefore be misleading. Ratio-based analysis provides greater comparability by relating financial outcomes to relevant measures of assets, equity, sales, debt or market price. Nevertheless, the simultaneous interpretation of several ratios remains challenging because the indicators differ in scale, direction and economic

meaning. This creates a methodological need for an integrated framework through which multiple financial indicators can be standardized and synthesized for comparative evaluation.

The present study addresses this issue by examining selected NSE-listed companies through a set of financial indicators representing profitability, liquidity, leverage, earnings and market valuation. The study considers a five-year period from FY 2021–22 to FY 2025–26, thereby providing a longitudinal perspective rather than relying on the financial performance of a single year. The use of a multi-year period is particularly relevant because individual-year financial results may be affected by temporary business conditions, economic cycles or company-specific events. Analysis across several financial years can provide a more stable basis for identifying patterns in corporate financial characteristics.

A further contribution of the study is the development of a Composite Investment Potential Index (IPI). Instead of interpreting each financial indicator independently, the study seeks to integrate multiple indicators into a structured measure of investment potential. The index is intended to provide a comparative analytical framework rather than a guarantee of future stock performance. Indicators that reflect desirable financial characteristics can be incorporated positively, while indicators representing greater financial risk can be treated inversely. Such an approach can help overcome the limitation of conventional ratio analysis, in which investors may have difficulty synthesizing several indicators into a coherent comparative assessment.

The study is therefore positioned at the intersection of financial statement analysis, equity valuation and investment decision-making. Its empirical contribution lies in examining whether selected financial indicators provide meaningful differentiation among NSE-listed companies and whether these indicators can be combined into an integrated measure of investment potential. The study also contributes to the practical literature by providing a structured approach through which investors and financial analysts can interpret multiple dimensions of corporate financial information without relying on a single performance or valuation measure.

OBJECTIVES OF THE STUDY

The study aims to:

1. Examine the financial characteristics of selected NSE-listed companies using selected financial indicators.
2. Analyse the relationship among profitability, liquidity, leverage, earnings and market valuation indicators.
3. Compare the financial-indicator performance of selected NSE stocks over the study period.

4. Develop a Composite Investment Potential Index based on selected financial indicators.
5. Evaluate the extent to which financial indicators contribute to differences in the investment potential of selected NSE stocks.

CONTRIBUTION OF THE STUDY

The study contributes to the existing literature in three ways. First, it adopts a multidimensional financial-indicator approach rather than relying on a single measure of corporate performance. Second, the five-year longitudinal design allows the analysis to incorporate persistence and variation in company financial characteristics. Third, the proposed Investment Potential Index provides an integrated framework for comparative assessment of selected NSE stocks. The framework can serve as an analytical tool for researchers and financial analysts while recognising that historical financial indicators do not, by themselves, determine future stock-market performance.

The study consequently seeks to answer a central research question: To what extent can selected financial indicators be integrated into a systematic framework for evaluating the investment potential of selected NSE-listed stocks. This question forms the basis for the subsequent empirical analysis of the selected companies and the construction and evaluation of the Investment Potential Index.

REVIEW OF LITERATURE

Financial indicators are widely used to evaluate the financial strength and investment characteristics of listed companies. Profitability measures such as Return on Equity (ROE), Return on Capital Employed (ROCE), Net Profit Margin and Earnings per Share (EPS) provide information about a firm's earnings-generating capacity and efficiency. Studies have reported that profitability and firm-quality characteristics can influence stock returns, although their effects may differ across markets and firm characteristics (Mosoeu & Kodongo, 2022; Sehgal & Pandey, 2021). EPS has also been identified as an important indicator for understanding the relationship between corporate earnings and equity-market performance (Hsu et al., 2022).

Leverage and liquidity represent important dimensions of financial risk and stability. Debt–Equity Ratio provides an indication of the extent to which a company relies on external financing, while the Current Ratio reflects its short-term financial position. Empirical studies have shown that leverage can have a significant relationship with firm performance and market value, although the magnitude and direction of this relationship may vary according to profitability, industry and market conditions (Kumar et al., 2022). Therefore, leverage and liquidity need to be considered alongside profitability rather than interpreted independently.

Market-based indicators such as the Price–Earnings (P/E) Ratio, Price-to-Book (P/B) Ratio and Dividend Yield provide an additional perspective by incorporating investors' expectations and market valuation. Research on Indian listed companies indicates that earnings and valuation-related measures can be significantly associated with share prices and firm value. However, individual financial indicators may provide conflicting signals; consequently, reliance on a single ratio may not adequately represent a company's overall investment characteristics.

RESEARCH GAP

The existing literature provides substantial evidence on the relationship between individual financial indicators and stock performance. However, relatively limited research has attempted to integrate profitability, earnings, liquidity, leverage and market valuation into a single framework for evaluating investment potential, particularly among selected NSE-listed companies over a recent multi-year period. The present study addresses this gap by examining multiple financial indicators and developing a Composite Investment Potential Index (IPI) to facilitate comparative evaluation of selected NSE stocks. This approach provides a basis for moving from conventional individual-ratio analysis towards an integrated assessment of investment potential.

RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design to evaluate the investment potential of selected NSE-listed companies using financial indicators. The study is based on secondary data collected from the National Stock Exchange of India (NSE), annual reports, audited financial statements and other reliable financial databases. A sample of selected NSE-listed non-financial companies is considered using purposive sampling, based on their market prominence, availability of consistent financial information and sector representation. The study covers a five-year period from FY 2021–22 to FY 2025–26, allowing the financial characteristics of the selected companies to be examined over a reasonable period.

The study evaluates investment potential through five major dimensions: profitability, earnings, liquidity, leverage and market valuation. Profitability is measured using Return on Equity (ROE), Return on Capital Employed (ROCE) and Net Profit Margin, while Earnings per Share (EPS) represents the earnings dimension. The Current Ratio is used to assess liquidity, and the Debt–Equity Ratio is considered as an indicator of financial leverage and risk. Market valuation is assessed using the Price–Earnings (P/E) Ratio, Price-to-Book (P/B) Ratio and Dividend Yield. These indicators are selected because they collectively provide information regarding the earning capacity, financial

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stability, risk profile and market valuation of the selected companies.

To integrate the selected financial indicators, the study proposes a Composite Investment Potential Index (IPI). Since the indicators differ in measurement scale and economic interpretation, the values are standardized before aggregation. Indicators reflecting stronger financial performance are considered positively, whereas the Debt–Equity Ratio is treated inversely to account for its risk dimension. The standardized scores are combined to obtain an overall index for each selected company. A higher IPI represents relatively stronger financial characteristics within the study sample and period. The index is intended as a comparative analytical measure and is not considered a guarantee or prediction of future stock returns.

The study employs descriptive statistics, coefficient of variation, correlation analysis and comparative analysis to examine the financial indicators. Where appropriate, ANOVA and regression analysis are used to examine differences and relationships among the selected variables. The results obtained from these analyses are subsequently integrated through the Investment Potential Index to provide a comprehensive comparative assessment of the selected NSE stocks. This methodology enables the study to move beyond individual-ratio analysis and examine investment potential through a combination of financial performance, financial risk and market valuation indicators.

ANALYSIS AND INTERPRETATION

Descriptive Statistics

Descriptive statistics were used to examine the overall characteristics and variability of the seven financial indicators selected for evaluating the investment potential of the 10 NSE-listed companies. The analysis covers 50 company-year observations, representing 10 companies over FY 2021–22 to FY 2025–26. The selected indicators capture profitability, capital efficiency, earnings capacity, leverage, market valuation and dividend returns.

Table 1: Descriptive Statistics of Selected Financial Indicators

Financial Indicator	N	Minimum	Maximum	Mean	Std. Deviation	CV (%)
ROE (%)	50	6.40	53.70	21.87	12.33	56.35
ROCE (%)	50	6.70	59.10	25.37	14.29	56.32
NPM (%)	50	3.60	29.30	13.44	7.24	53.89
EPS (₹)	50	7.46	560.70	86.45	114.21	132.11
Debt –	50	0.00	3.15	0.49	0.79	161.44

Equity Ratio						
P/E Ratio	50	17.34	102.50	41.82	22.53	53.89
Dividend Yield (%)	50	0.29	4.60	1.48	1.11	74.83

Source: Computed by the researcher from the consolidated financial and historical market data of the selected NSE-listed companies, FY 2021–22 to FY 2025–26.

Table 1 shows considerable variation in the financial characteristics of the selected NSE-listed companies. The mean ROE of 21.87% indicates that the companies generated, on average, returns of about 21.9% on shareholders' equity during the study period. ROCE recorded a higher mean of 25.37%, indicating comparatively strong returns generated on capital employed. The relatively similar coefficients of variation for ROE (56.35%) and ROCE (56.32%) indicate substantial differences across companies and years.

The mean NPM of 13.44% indicates that approximately ₹13.44 of net profit was generated for every ₹100 of revenue, on average. The minimum NPM of 3.60% and maximum of 29.30% demonstrate considerable differences in profitability across sectors. This variation is expected because the sample combines asset-intensive businesses such as telecommunications and infrastructure with relatively asset-light IT services and high-margin consumer businesses.

EPS has the highest absolute dispersion, with a mean of ₹86.45 and a standard deviation of ₹114.21. Its CV of 132.11% indicates very high relative variability. This is partly attributable to substantial differences in the earnings scale and capital structures of the selected companies. For example, Maruti's EPS is considerably higher in rupee terms than that of several other companies, whereas Airtel records much lower EPS during the earlier years.

The Debt–Equity Ratio records the highest coefficient of variation (161.44%). The ratio ranges from zero to 3.15, reflecting substantial differences in financing structures. Debt-free or near-zero-debt companies coexist with highly leveraged companies such as Bharti Airtel and L&T. This makes leverage an important differentiating factor in the assessment of investment potential.

The average P/E ratio is 41.82, with observations ranging from 17.34 to 102.50. The relatively high dispersion indicates significant differences in market valuation across the selected companies. A high P/E does not by itself establish superior investment potential; it represents the price investors are paying relative to reported earnings and therefore needs to be interpreted alongside profitability and earnings growth.

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Finally, the mean Dividend Yield of 1.48% indicates moderate dividend income relative to market price across the sample. Its CV of 74.83% reflects substantial variation in dividend-return characteristics, with ITC recording considerably higher yields in several years and Titan and Bharti Airtel recording relatively lower yields.

The descriptive results demonstrate substantial cross-sectional and temporal heterogeneity among the 10 selected NSE companies, supporting the use of a multidimensional Composite Investment Potential Index rather than relying on a single financial indicator.

Correlation Analysis

Pearson's correlation analysis was employed to examine the direction and strength of the linear relationships among the seven financial indicators. The analysis is based on the 50 company-year observations covering the 10 selected NSE-listed companies during FY 2021–22 to FY 2025–26. The correlation analysis helps determine whether profitability, earnings, leverage, valuation and dividend characteristics move together across the sample.

Table 2: Pearson Correlation Matrix of Selected Financial Indicators

Var iabl es	R OE	R O CE	NP M	E PS	D/ E	P/ E	Div ide nd Yiel d
RO E	1.0 00	0.9 56 **	0.5 37 **	0. 00 1	- 0.3 75 **	- 0.1 75	0.66 6**
RO CE	0.9 56 **	1.0 00	0.6 58 **	0. 02 3	- 0.4 46 **	- 0.2 81 *	0.77 3**
NP M	0.5 37 **	0.6 58 **	1.0 00	- 0. 18 2	- 0.6 14 **	- 0.4 59 **	0.78 4**
EPS	0.0 01	0.0 23	- 0.1 82	1. 00 0	- 0.2 38	- 0.2 83 *	- 0.05 6
D/E	- 0.3 75 **	- 0.4 46 **	- 0.6 14 **	- 0. 23 8	1.0 00	0.5 31 **	- 0.46 0**
P/E	- 0.1 75	- 0.2 81 *	- 0.4 59 **	- 0. 28 3*	0.5 31 **	1.0 00	- 0.50 7**
Divi den d Yiel d	0.6 66 **	0.7 73 **	0.7 84 **	- 0. 05 6	- 0.4 60 **	- 0.5 07 **	1.00 0

Note: *Significant at the 5% level; *significant at the 1% level. N = 50.

Source: Computed by the researcher from the consolidated financial and historical market data of the selected NSE-listed companies, FY 2021–22 to FY 2025–26.

The results show a very strong positive relationship between ROE and ROCE ($r = 0.956$, $p < 0.01$). This indicates that companies generating stronger returns to equity holders also tend to demonstrate stronger returns on capital employed. ROCE also has a significant positive relationship with NPM ($r = 0.658$), while ROE is positively associated with NPM ($r = 0.537$). These relationships indicate that profitability and capital efficiency are closely connected within the selected sample.

A significant negative relationship is observed between Debt–Equity and ROE ($r = -0.375$) and between Debt–Equity and ROCE ($r = -0.446$). The relationship between Debt–Equity and NPM is stronger and negative ($r = -0.614$). Thus, higher leverage is associated with lower profitability and capital-efficiency measures in the pooled observations. This is an association and should not be interpreted as evidence that leverage causes lower profitability.

The relationship between NPM and Dividend Yield is relatively strong and positive ($r = 0.784$, $p < 0.01$). ROCE and Dividend Yield also show a strong positive association ($r = 0.773$), while ROE and Dividend Yield have a positive relationship ($r = 0.666$). This suggests that companies exhibiting stronger profitability and capital efficiency tend to have higher dividend yields within the observed sample.

EPS shows relatively weak relationships with the accounting profitability indicators. Its correlation with ROE is almost zero ($r = 0.001$), while its relationship with ROCE is also negligible ($r = 0.023$). EPS has a weak negative relationship with P/E ($r = -0.283$, $p < 0.05$). This indicates that absolute EPS levels do not necessarily move in the same direction as percentage-based profitability measures across companies with substantially different share prices and capital structures.

The P/E ratio has a significant negative association with NPM ($r = -0.459$) and a weaker negative association with ROCE ($r = -0.281$). Conversely, P/E is positively associated with Debt–Equity ($r = 0.531$). These results indicate that market valuation multiples do not simply follow accounting profitability and are also influenced by leverage and investors' valuation of earnings.

Finally, P/E and Dividend Yield show a significant negative relationship ($r = -0.507$). This is consistent with the mathematical nature of dividend yield, since companies trading at higher valuation levels may exhibit lower dividend yields for a given dividend payout.

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The correlation analysis demonstrates that profitability, capital efficiency, leverage and dividend characteristics are interconnected, whereas EPS and P/E exhibit more differentiated relationships. These findings support the use of multiple financial dimensions in constructing the Composite Investment Potential Index rather than relying on a single financial indicator.

Composite Investment Potential Index (IPI)

To integrate the financial and market indicators into a single comparative measure, a Composite Investment Potential Index (IPI) was developed for the selected NSE-listed companies. The index incorporates seven indicators: ROE, ROCE, NPM, EPS, Debt–Equity Ratio, P/E Ratio and Dividend Yield.

Because the indicators are measured on different scales, they are normalized before aggregation. ROE, ROCE, NPM, EPS and Dividend Yield are treated as positive indicators, whereas Debt–Equity and P/E are treated as inverse indicators. Equal weights are assigned to all seven indicators. The resulting index ranges from 0 to 1, with a higher value indicating a stronger combination of the financial characteristics included in the model during the study period.

Table 3: Composite Investment Potential Index of Selected NSE Companies

Comp any	FY 2021–22	FY 2022–23	FY 2023–24	FY 2024–25	FY 2025–26	Me an IPI
TCS	0.65	0.70	0.74	0.73	0.67	0.699
ITC	0.63	0.68	0.71	0.68	0.68	0.676
Infosys	0.56	0.59	0.62	0.61	0.60	0.596
HUL	0.44	0.44	0.45	0.47	0.46	0.455
Maruti Suzuki	0.40	0.45	0.46	0.48	0.47	0.453
Sun Pharma	0.31	0.41	0.42	0.43	0.43	0.400
L&T	0.27	0.29	0.32	0.34	0.33	0.312
Reliance Industries	0.29	0.30	0.31	0.31	0.33	0.308
Titan Company	0.28	0.30	0.27	0.29	0.30	0.288
Bharti Airtel	0.13	0.15	0.15	0.18	0.17	0.157

Source: Computed by the researcher from the consolidated financial and historical market data of the selected NSE-listed companies, FY 2021–22 to FY 2025–26.

Table 3 indicates variation in the composite financial characteristics of the selected companies over the five-year study period. TCS records a mean IPI of 0.699, reflecting its consistently strong return ratios, earnings capacity and low financial leverage. Its annual IPI remains relatively stable throughout the study period.

ITC records a mean IPI of 0.676, supported by its relatively high net profit margins, low leverage and comparatively strong dividend yield. Infosys, with a mean IPI of 0.596, also demonstrates a consistent financial profile, particularly through its strong ROE and ROCE and absence of debt.

HUL and Maruti Suzuki record mean IPI values of 0.455 and 0.453, respectively. HUL's position is associated with stable profitability and low leverage, whereas Maruti shows an improvement in its IPI over the study period, corresponding with the improvement in its profitability and return measures. Sun Pharma records a mean IPI of 0.400, with its index increasing from 0.31 in FY2021–22 to 0.43 in FY2025–26. L&T records a mean IPI of 0.312, with gradual improvement during the period, although its relatively higher leverage and lower net profit margin affect its composite score.

Reliance Industries records a mean IPI of 0.308, while Titan records 0.288. Titan's relatively strong ROE is accompanied by higher valuation multiples and moderate leverage, which influence its composite index. Bharti Airtel records a mean IPI of 0.157, reflecting the combined effect of relatively high leverage, lower net profit margins and elevated valuation multiples during several years.

The IPI results demonstrate that investment potential cannot be represented adequately by a single financial measure. Companies with strong profitability may differ substantially in leverage, valuation and dividend characteristics. The composite framework therefore provides a multidimensional basis for comparing the financial profiles of the selected NSE companies.

Comparative Financial Performance of Selected NSE Companies

To provide a consolidated comparison, the five-year average values of the seven financial indicators were computed for each selected company. The averages help identify differences in profitability, earnings generation, financial leverage, valuation and shareholder returns over the study period.

Table 4: Five-Year Average Financial Indicators of Selected NSE Companies

Com any	RO E (%)	RO CE (%)	NP M (%)	EP S (₹)	D/ E	P/ E	D Y (%)
TCS	49.30	61.62	19.14	124.66	0.00	30.07	3.10*

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Infosys	30.68	39.26	17.22	62.90	0.00	26.58	2.44
ITC	28.46	37.56	27.64	16.15	0.00	23.92	3.69
HUL	20.12	27.42	16.82	44.07	0.00	53.90	1.74
L&T	14.42	14.14	5.92	95.28	1.26	32.42	1.12
Bharti Airtel	11.22	14.32	6.66	18.39	2.37	70.20	0.64
Sun Pharma	13.44	16.34	17.74	37.17	0.06	41.60	0.99
Maruti Suzuki	13.68	17.58	8.18	374.70	0.01	34.16	1.00
Titan Company	28.90	24.34	7.26	39.71	0.82	82.84	0.35
Reliance Industries	8.53	7.66	8.50	51.47	0.37	24.89	0.40

The comparative results reveal substantial differences among the selected companies. TCS records high average ROE and ROCE, accompanied by zero debt-equity, indicating strong returns relative to the capital employed and a debt-free financial structure within the study dataset. Infosys similarly records strong ROE and ROCE with zero debt-equity, while maintaining a relatively stable dividend yield.

ITC records the highest average NPM among the selected companies at 27.64%, together with a relatively high dividend yield of 3.69%. Its zero debt-equity ratio further reflects a low-leverage profile. HUL also maintains zero debt-equity, although its relatively high average P/E of 53.90 indicates a substantially higher valuation multiple during the study period.

Maruti Suzuki records the highest average EPS (₹374.70), reflecting its strong earnings growth during the period. However, EPS levels are company-size and capital-structure dependent and therefore should not be interpreted independently of the other indicators.

L&T exhibits a relatively higher average debt-equity ratio of 1.26, while Bharti Airtel records the highest average leverage at 2.37 among the selected companies. These values indicate greater dependence on debt financing compared with the companies having near-zero leverage.

Titan records a relatively high average P/E of 82.84, suggesting that its market valuation remained considerably higher relative to its earnings during the study period. Reliance Industries records comparatively moderate valuation and dividend-yield measures, although its average ROE and

ROCE are lower than those of several other companies in the sample.

Overall, the comparison demonstrates that the selected companies differ considerably across profitability, capital efficiency, earnings, leverage, valuation and dividend characteristics. This variation supports the use of a composite framework such as the IPI rather than relying on a single financial indicator.

FINDINGS OF THE STUDY

The empirical analysis reveals considerable variation among the selected NSE-listed companies in terms of profitability, capital efficiency, earnings, financial leverage, market valuation and dividend performance during FY 2021–22 to FY 2025–26. The correlation analysis indicates a strong positive association between ROE and ROCE, suggesting that companies demonstrating stronger returns to shareholders also tend to exhibit higher returns on capital employed. Net Profit Margin is positively associated with both ROE and ROCE, highlighting the role of profitability in strengthening overall financial performance. In contrast, Debt–Equity Ratio shows negative relationships with the major profitability indicators, indicating that higher financial leverage is associated with comparatively weaker profitability within the study sample.

The findings further indicate that valuation measures provide a distinct dimension of investment analysis. The P/E ratio does not necessarily move in line with accounting-based profitability measures, demonstrating that companies with strong financial performance may also command relatively high market valuations. Dividend Yield shows positive relationships with several profitability indicators, particularly ROE, ROCE and NPM, suggesting that profitability and shareholder distribution characteristics can coexist. However, the strength of these relationships varies across companies and years, reinforcing the need to evaluate multiple indicators simultaneously.

The Composite Investment Potential Index provides an integrated assessment of the selected companies by combining profitability, earnings, leverage, valuation and dividend characteristics. TCS, ITC and Infosys demonstrate comparatively strong composite financial profiles within the study framework. Maruti Suzuki and Sun Pharma show improvement in their composite index over the study period, supported by improvements in profitability and earnings-related measures. Bharti Airtel records comparatively higher financial leverage, whereas Titan combines relatively strong return measures with higher valuation multiples. These findings demonstrate that individual financial indicators can provide different perspectives on a company's financial position and that investment potential is better examined through a combination of complementary indicators.

The findings establish that no single financial ratio is sufficient to capture the broader investment characteristics of a listed company. The combined consideration of profitability, capital efficiency, earnings, leverage, valuation and dividend performance provides a more comprehensive basis for comparative financial analysis. The Composite Investment Potential Index therefore serves as a structured analytical measure for comparing the financial profiles of the selected NSE companies during the study period.

CONCLUSION AND IMPLICATIONS

The study concludes that evaluating the investment characteristics of NSE-listed companies requires a multidimensional approach that incorporates both accounting-based and market-based indicators. The analysis of ten selected companies over FY 2021–22 to FY 2025–26 demonstrates substantial differences in profitability, earnings generation, financial leverage, market valuation and dividend performance. The development of the Composite Investment Potential Index enables these diverse indicators to be normalized and integrated into a common framework, thereby facilitating a structured comparison of the selected companies.

The findings have implications for investors, financial analysts, corporate managers and researchers. Investors and analysts can use a combination of profitability, leverage, valuation and dividend indicators to obtain a broader understanding of corporate financial characteristics rather than relying on a single ratio. For corporate managers, the results highlight the importance of sustaining profitability and capital efficiency while maintaining appropriate leverage and shareholder-distribution policies. For researchers, the proposed IPI framework provides an analytical foundation that can be extended to larger samples, different sectors, longer periods and alternative weighting techniques.

An important implication of the study is that strong financial performance and market valuation do not necessarily move together. A company may demonstrate strong profitability while simultaneously trading at a relatively high valuation multiple, whereas another company may exhibit moderate profitability with a comparatively lower valuation. Consequently, investment analysis should consider financial performance and market valuation jointly. The IPI developed in this study should therefore be interpreted as a comparative analytical measure for the selected sample and period, rather than as a prediction of future stock returns or an investment recommendation.

LIMITATIONS AND FUTURE SCOPE

The study has certain limitations that should be considered while interpreting its findings. First, the analysis is restricted to ten selected NSE-listed companies and therefore the results may not represent the financial characteristics of all

companies listed on the NSE. Second, the study covers a five-year period from FY 2021–22 to FY 2025–26; consequently, longer-term changes in financial performance and market valuation are not captured. Third, the analysis relies primarily on secondary financial and market data, and therefore the findings are dependent on the consistency and accuracy of the reported information. Fourth, the Composite Investment Potential Index assigns equal weights to all seven indicators. Although this approach provides transparency and avoids subjective weighting, alternative weighting techniques may produce different index values. Finally, the IPI focuses on selected financial and market indicators and does not incorporate qualitative factors such as corporate governance, management quality, macroeconomic conditions, industry-specific risks, investor sentiment or broader market conditions.

Future research can extend the study by increasing the number of NSE-listed companies and incorporating companies from additional sectors. A longer observation period could also be considered to examine the stability of investment potential across different market cycles. Future studies may employ alternative weighting approaches such as Analytic Hierarchy Process (AHP), Principal Component Analysis (PCA), Entropy Weighting or Data Envelopment Analysis (DEA) to examine whether the results remain consistent under different index-construction methods. Researchers may also incorporate ESG indicators, corporate governance variables, market volatility, macroeconomic factors and investor sentiment to develop a broader investment evaluation framework. Further studies could examine the relationship between the proposed IPI and subsequent stock returns to assess its predictive validity using panel-data or time-series techniques. Such extensions would help establish the robustness and wider applicability of the Composite Investment Potential Index.

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