



## A Conceptual Analysis of Financial Strategy Adaptation in Public and Private Sector Enterprises: A Study of NTPC Ltd. and Tata Power Ltd

Ms. Toshi Singh <sup>1</sup>, Prof. Sanjeev Sharma <sup>2</sup>

<sup>1</sup>Research Scholar

<sup>2</sup>Dept. of Accounts & Law, Faculty of Commerce St John's College, Agra

### ABSTRACT

The Indian power sector has experienced a major shift in recent years due to policy reforms, market-driven plans, and the growing sector focus on renewable energy expansion. These changes have required power enterprises to re-evaluate their financial strategies to maintain long-term viability and competitive strength. This paper explains a conceptual analysis of financial strategy adaptation in public and private power enterprises, with particular reference to NTPC Ltd. and Tata Power Ltd. The study is based on a theoretical review of existing literature, policy frameworks, and published corporate and annual reports related to financial management in the power sector. Major dimensions of financial strategy, including capital structure decisions, investment priorities, risk management practices, and dividend policies, are examined from a conceptual analysis. The paper emphasizes the role of ownership structure in shaping the adaptation of financial strategies among public and private enterprises operating within the same sector. By synthesizing existing knowledge, the study provides a structured theoretical insight into financial strategy adaptation in India's power sector.

**Keywords:** Financial Strategy, Public Sector, Private Sector, Power Enterprises, Conceptual Analysis, NTPC Ltd., Tata Power Ltd.

### 1. INTRODUCTION

The power sector is the lifeblood of the Indian economy and is a major contributor to industrial growth. India is the world's third-largest

producer and consumer of electricity, taking its position as one of the fastest-growing large economies in the world. Yet the energy challenge before the industry is complex and twofold: meeting an exponentially growing demand for electricity – exacerbated by rampant urbanization and industrial activity – while still living up to global climate.

Over the past two decades, the sector has witnessed a sea change driven by the Electricity Act of 2003, the unbundling of state utilities and increased participation from the private sector. Perhaps most notably, a major transition is underway in the industry itself from a heavily regulated regime to a market-driven one, where tariffs are found more and more through competitive bidding. However, this shift from investment, which guaranteed fixed returns to market-based profits, has led to new uncertainties and adjusted the rules of the game: adapting financial strategy has become a survival tool for today's generation of power utilities.

In this dynamic landscape, two giants embody the divergent philosophies of the public and private sectors. NTPC Ltd is the most prominent Maharatna Central Public Sector Undertaking in India with approximately 25 per cent share of India's power generation market, and a representation of public sector stability, scale and socioeconomic commitments. To this end, NTPC is guided by "Financial Soundness" as a key element of its financial objectives and will utilize its sovereign-equivalent credit ratings to efficiently mobilize low-cost capital for large-scale infrastructure projects while transitioning broadly to 60 GW of renewable energy generation capacity by the year 2032.

Conversely, Tata Power Company Ltd., a leading private utility in India with a comprehensive vertical integration, showcases the flexibility and creativity essential for the private sector. With a strong emphasis on profitability and enhancing shareholder value, Tata Power is evolving into a consumer-focused "Utility of the Future," shifting towards modern solutions like electric vehicle charging, smart grids, and home automation. Its strategy for adaptation highlights "Financial Fitness," which includes aggressive debt reduction and a pledge to reach Net Zero by 2045, significantly ahead of the national schedule.

To stay competitive and sustainable, both companies must consistently enhance their financial strategies. This involves reorganizing capital to handle substantial debt, diversifying investment portfolios to reduce climate transition risks, and utilizing digital transformation to improve operational efficiency. This study offers a conceptual analysis of how NTPC Ltd. and Tata Power Ltd. adjust their capital structures,

investment priorities, and risk management frameworks to spearhead India's energy transition during a time of significant change.

### Statement of the Research Problem

The Indian power sector is experiencing a significant shift from a regulated, coal-centric framework to a market that emphasizes competition and renewable energy. This transition has heightened financial uncertainty, increased capital demands, and introduced operational risks for power companies. NTPC Ltd., as a public sector entity, must juggle its duty to ensure national energy security with substantial investments in renewable energy, all while maintaining financial stability and a robust credit profile. Conversely, Tata Power Company Ltd. is focused on moving towards clean energy and exploring new business areas, but it must carefully navigate debt, liquidity, and market risks. The shift from a regulated cost-plus model to competitive bidding has diminished guaranteed returns, putting additional pressure on profitability and cash flows. Moreover, delayed payments from DISCOMs further complicate financial planning and stability. Thus, the primary research challenge is to examine how these two companies, with their distinct ownership structures, are adjusting their financial strategies—such as capital structure, funding for renewable projects, and risk management—to ensure long-term sustainability and competitiveness in a rapidly evolving energy market.

## 2. LITERATURE REVIEW

Yuristiawan et al. (2026) analysed the role of leverage, profitability, and liquidity in the valuation of a firm through a quantitative associative approach. The research concluded that the influence of profitability has on the value of company is the most significant and leverage and liquidity have an uneven effect on the value of companies depending on financial situation, which manager and investors can use to improve their firm value.

The study in the FULafia Journal of Management Sciences (2026) investigated the relationship between dividend policy and firm value though panel data from 61 firms. The research findings showed that dividend payout ratio, dividend yield, and dividend per share positively impact on firm value and showed the importance of dividend decisions in attracting investors.

Wardani et al. (2024) examine the impact of profitability, leverage, and liquidity on dividend policy in infrastructure sector companies from 2022 to 2024 through a quantitative analysis of financial statements. The research revealed that profitability is a major factor affecting dividend policy, while leverage and liquidity have different effects on dividend policy.

Maxim (2023) analyzed the impact of liquidity management on the profitability of retail companies in Romania using data from 300 firms between 2013 and 2021. The study used Return on Capital Employed (ROCE) for measuring the profitability and also used liquidity indicators such as the current ratio, immediate liquidity ratio, and cash conversion cycle. The findings showed that the cash conversion cycle and current liquidity ratio negatively affect profitability, while the immediate liquidity ratio has a positive relationship with ROCE. The study concludes that effective liquidity management is essential for improving financial performance and maintaining sustainable profitability in retail businesses.

Zimon et al. (2022) analyze financial liquidity management strategies in construction companies in the Podkarpackie Province of Poland. Using financial data from 2017–2019, the study examines the relationship between liquidity strategies and profitability. The findings indicate that small firms tend to adopt conservative liquidity strategies, while larger firms prefer moderate approaches, highlighting the importance of balanced liquidity management.

### 3. RESEARCH OBJECTIVES

- To investigate the idea of adapting financial strategies.
- To examine financial strategy trends in businesses in the public and private sectors.
- To investigate the differences in financial approaches of NTPC Ltd and Tata Power Ltd

#### Research Methodology

##### Nature of study

This study is conceptual and descriptive in nature, based on secondary data. The analysis draws upon:

- Integrated Annual Reports of NTPC Ltd. and Tata Power Ltd. (FY 2018–19 to FY 2024–25).

## Data Sources

The research is based on secondary data including:

- Annual reports of NTPC Ltd. and Tata Power Ltd.
- Policy documents of the Government of India
- Research journals and academic publications
- Industry reports

## Analytical Approach

The study applies theoretical financial frameworks and comparative analysis techniques to interpret strategic financial patterns.

## Scope of Study

The research focuses on conceptual financial strategy adaptation rather than empirical statistical testing.

A comparison of the financial strategies of NTPC Ltd. (Public Sector) and Tata Power Ltd. (Private Sector) reveals how their ownership structures influence their approaches to capital, risk, and growth.

## 4. RESULT & DISCUSSION

### 1. Capital Structure (Debt-Equity Mix)

NTPC Adheres to well-defined, project-specific debt-to-equity ratios: 70:30 for thermal, hydro, and coal mining projects, and a more leveraged 80:20 for solar and wind projects. Its consolidated net debt to equity ratio has historically ranged between 1.16 and 1.49.

Tata Power manages capital dynamically with a standalone policy to keep the gearing ratio (net debt divided by total capital plus net debt) around 50%. At a consolidated level, its policy targets a gearing ratio between 60% and 80%. Its net debt to equity ratio has shown significant improvement, moving from 2.19 in FY19 to 1.03 in FY23.

## 2. Investment Strategy

NTPC pursues a dual strategy of ensuring national energy security while enabling a clean transition, targeting 130 GW+ capacity by 2032, with 60 GW from renewable energy (RE). Its strategy includes organic growth and inorganic acquisitions, such as acquiring government stakes in NEEPCO and THDC to balance its portfolio.

Tata Power focuses on becoming a "Utility of the Future" by aggressively shifting capital from Mundra and thermal businesses to "Clean & Green" segments and B2C energy solutions. Its strategy is centered on an asset-light growth model, prioritizing RE, transmission, and distribution.

## 3. Dividend Policy

NTPC Maintains a highly consistent track record, having declared dividends for 32 consecutive years. Its dividend payout ratio typically ranges between 30% and 46% of Profit after Tax (PAT).

Tata Power's policy aims to strike a balance between rewarding shareholders and retaining sufficient funds for organic and inorganic growth. It generally proposes to limit dividend distribution to the range of 30% to 60% of distributable profits.

## 4. Risk Management

NTPC: Utilizes a comprehensive Enterprise Risk Management (ERM) framework that incorporates climate-related physical and transitional risks into its strategic planning. To mitigate realization risks from weak DISCOMs, it relies on Tri-Partite Agreements (TPA) between the GoI, RBI, and State Governments, backed by Letters of Credit.

Tata Power: Focuses on mitigating financial risks through diversification of its lender base and advocacy with regulators for tariff increases. It manages market fluctuations and currency exposure through forwards, options contracts, and interest rate swaps.

## 5. Liquidity Management

NTPC Ensures liquidity through robust payment security mechanisms and monthly billing to beneficiaries, which provides steady cash flows

to meet operational requirements. It also monitors asset-liability matching (ALM) specifically for employee benefit obligations.

Tata Power: Places a strong emphasis on maximizing free cash flow and improving internal cash accruals to fund its CAPEX. It maintains access to a variety of funding sources and occasionally funds long-term investments through short-term sources that can be rolled forward or refinanced.

In conclusion, this conceptual analysis of NTPC Ltd. and Tata Power Ltd. demonstrates that while both enterprises are successfully navigating the global energy transition and digital transformation, their financial strategy adaptations are fundamentally shaped by their respective public and private sector ownership models.

Feature	NTPC Ltd. (Public)	Tata Power Ltd. (Private)
Core Identity	Maharatna CPSU focused on national scale.	Vertically integrated "Utility of the Future".
Current Capacity	~76 GW (Group).	~15.7 GW (Managed/Installed).
Adaptation Focus	Structural consolidation via NGEL and NGEL IPO.	B2C transformation (EV, Rooftop Solar, Smart Homes).
Sustainability Goal	60 GW RE by 2032; Net Zero by 2070.	100% Green by 2045; Net Zero by 2045.
Risk Focus	DISCOM payment realization and MAT credits.	Balance sheet leverage and Mundra recovery.
Innovation Enabler	NETRA (R&D) and Project PRADIP (Digital).	IoT-based smart energy management and AI.

Table 1: Comparative Summary of Adaptation Strategies  
Source: Author Compiled

#### 4. FINDINGS OF THE STUDY

Based on the analysis of NTPC Ltd. and Tata Power Company Ltd., the following key findings are observed:

##### 1. Different Financial Approaches

NTPC, being a public sector company, focuses on maintaining strong financial stability. It depends on government support and a strong credit rating to raise low-cost, long-term funds. On the other hand, Tata Power, as a private company, focuses on reducing debt and improving financial efficiency to increase shareholder value.

## 2. Different Debt Management Strategies

NTPC can handle higher debt because its income is relatively stable under regulated returns. Tata Power has worked hard to reduce its debt over the years and improve its financial position. It also brings in private investors to fund renewable projects instead of increasing its overall debt.

## 3. Different Revenue Models

NTPC still earns a major part of its income from regulated projects, but it is gradually moving toward competitive bidding for new projects. Tata Power is expanding beyond power generation into customer-focused services such as EV charging, home automation, and improving electricity distribution systems.

## 4. Renewable Energy Transition

Both companies are investing heavily in renewable energy. NTPC has created a separate subsidiary for green energy projects to increase focus and attract investment. Tata Power is rapidly expanding its renewable portfolio and aims to become a clean energy company in the future.

## 5. Risk and Payment Management

NTPC has strong payment security arrangements with government backing, which ensures timely recovery of dues from distribution companies. Tata Power faces tighter liquidity situations but manages them through refinancing and better financial planning.

## 6. Role of Innovation

NTPC invests in research and development to prepare for future technologies like green hydrogen and carbon capture. Tata Power uses digital technology and smart systems to reduce losses and improve efficiency in electricity distribution.

## 5. CONCLUSION

The study shows that NTPC Ltd. and Tata Power Company Ltd. are both playing important roles in India's energy transition, but they follow different financial strategies because of their ownership structures.

NTPC, as a public sector company, focuses on financial stability and uses government support and strong credit ratings to fund large renewable projects while ensuring energy security. In contrast, Tata Power, as a private sector company, focuses on reducing debt, improving efficiency, and expanding into customer-focused services like EV charging and rooftop solar. While their approaches are different— one based on scale and stability, the other on flexibility and innovation— both companies are successfully moving toward renewable energy, digitalization, and long-term sustainability. Together, they show that both public and private sector models can contribute effectively to building a reliable and green energy future for India

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