

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF L&T PVT.LTD

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Abstract— The study attempted to evaluate the overall financial performance of Larsen & Toubro Ltd. (L&T), one of India's leading infrastructure and engineering conglomerates, over a period from 2019-20 to 2023-24, focusing on profitability, liquidity, solvency, and operational efficiency using tools like ratio analysis and DuPont analysis. Key metrics include ROE, ROA, ROI, Liquidity ratios.

Key Words— L&T-Larsen & Toubro, ROA -Return on Assets, ROE - Return on Equity, ROI - Return on Investment

I. INTRODUCTION :

Financial performance analysis plays a vital role in financial management and supports effective decision-making within any business organization. It involves a thorough and structured assessment of a company's financial condition and operational performance over a defined period. In today's fast-paced and competitive business landscape, financial performance analysis has become an essential tool for a wide range of stakeholders—including management, investors, lenders, regulators, and employees. By analyzing key financial statements such as the balance sheet, income statement, and cash flow statement, analysts can gain a clear and accurate understanding of a company's financial stability and operational effectiveness.

II. NEED FOR THE STUDY :

To evaluate L&T Pvt Ltd.'s overall performance and financial health. To analyse five-year trends in solvency, liquidity, and profitability. To assist investors and stakeholders in making decisions. To offer suggestions for enhancing sustainability and financial stability. To assist the business in maintaining its level of competition in a changing business environment.

III. OBJECTIVES OF THE STUDY :

Primary Objective :

To analyse and evaluate the overall financial performance of L&T.

Secondary Objectives :

1. To evaluate the various financial ratios of L&T over a period of five years.
2. To examine the short-term and long-term solvency position of company.
3. To suggest recommendations based on the results of the financial performance analysis for improving L&T's overall performance and sustainability.

IV. SCOPE OF THE STUDY :

The study examines the important financial metrics such as operational efficiency, liquidity, profitability, and solvency. It evaluates performance using analytical tools such as trend analysis and ratio analysis. This study is based only on secondary data from the financial records and annual reports of the company. It seeks to determine the company's financial structure's advantages and disadvantages in order to make better decisions. Recommendations are provided to enhance L&T's financial results

V. LIMITATIONS OF THE STUDY :

- The secondary data used in the analysis comes from annual reports of the company, which might not be updated with present financial circumstances.

- The study may not be able to predict future financial patterns as it is based on historical data.
- The study does not take into consideration of unexpected events such as global disruptions or economic disasters.
- The accuracy of the results may be impacted by accounting changes made to financial statements.

VI. REVIEW OF LITERATURE :

1. **Priya, V. B., and Venkatesh, P. (2024). Financial Performance of L&T Construction in Comparison with Competitors. International Journal of Foreign Trade and International Business**-The authors compare L&T Construction's financial performance with those of other comparable EPC firms, such as Dilip Buildcon and KEC International, over a five-year period (2018–2023). They determine that L&T is more profitable and solvent than its competitors based on important financial criteria, including the debt-to-equity ratio, net profit margin, and current ratio.
2. **Reddy, A., and Kumar, S. (2023). Comprehensive Financial Analysis of L&T Using Ratio and Trend Analysis. International Journal of Financial Studies**-This study emphasis on important financial parameters like liquidity, profitability, and solvency ratios, this study carried out a thorough examination of L&T's financial performance over a five-year period. In order to find trends and changes in financial measures and gain a better understanding of the company's operational effectiveness and financial stability, the writers used trend analysis.
3. **Das, M., and Banerjee, R. (2022). DuPont Analysis and Financial Sustainability of Indian Infrastructure Firms. South Asian Journal of Business and Finance**-Using DuPont analysis, Banerjee and Das evaluated the financial sustainability of infrastructure companies, with L&T serving as a primary focus. ROE was broken down into net profit margin, equity multiplier, and asset turnover in the study. Strong equity leverage and rising net margins were the main drivers of L&T's average ROE of 15.2%. However, because of the lengthy project gestation, the asset turnover ratio stayed low. Additionally, the authors used trend analysis, which demonstrated steady increases in net income and shareholder returns from year to year.

VII. RESEARCH METHODOLOGY :

The main goal of a research design is to guarantee that the data collected effectively to addresses the research problem, the research design used here is **Analytical research design** looking at and analyzing data to find trends, relationships, and underlying causes. Examining a company's financial accounts, calculating important financial ratios, comparing trends over time, and examining the relationships between various financial components are all part of financial performance analysis. This includes more than just summarizing the data; it additionally involves analyzing it to arrive at informed inferences regarding the stability, performance, and financial health of the business. This study carries out only the secondary data.

Secondary data

The data collection for the study is mainly from the secondary sources. Data has been obtained from published reports like the annual reports of the company, balance sheets, and profit and loss account, booklets, records such as files, reports maintained by the company

TOOLS OF THE STUDY

Tools used for analysis are:

1. Ratio analysis
2. Dupont analysis

VIII. DATA ANALYSIS AND INTERPRETATION :

3.2.1 Table showing the Current Ratio

Year	Current Assets (Rs. Cr.)	Current Liabilities (Rs. Cr)	Current Ratio (%)
2023-24	2,18,080	1,76,601	1.23
2022-23	2,22,204	1,62,066	1.37
2021-22	2,08,181	1,59,434	1.31
2020-21	1,94,967	1,37,408	1.42
2019-20	1,82,690	1,44,729	1.26

Source: Data collected and compiled from annual reports

INTERPRETATION

From the above analysis of L&T's financial performance, it is evident that the current ratio is not maintained for over five-years signaling a decline in liquidity. To prove the short-term solvency position of the company, the ideal ratio 2:1 has to be maintained. So, it is suggested that L&T need to improve its working capital management to strengthen financial solvency.

3.2.1 Chart showing the Current Ratio



3.2.2 Table showing the Quick Ratio

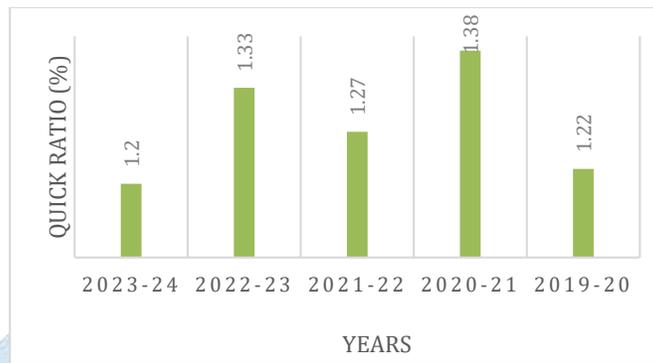
Year	Quick Assets (Rs. Cr.)	Current Liabilities (Rs. Cr.)	Quick Ratio (%)
2023-24	2,11,460	1,76,601	1.2
2022-23	2,15,376	1,62,066	1.33
2021-22	2,02,238	1,59,434	1.27
2020-21	1,89,146	1,37,408	1.38
2019-20	1,76,943	1,44,729	1.22

Source: Data collected and compiled from annual reports

INTERPRETATION

From the above analysis of L&T's financial performance, all 5 years exceed the optimal quick ratio of 1:1, indicating a decrease in liquidity position. The downward trend indicates a declining support to cover short-term commitments with liquid assets. To ensure long-term financial stability and maintain investor confidence, the company should focus on improving working capital efficiency.

3.2.2 Chart showing the Quick Ratio



3.2.3 Table showing the ROA

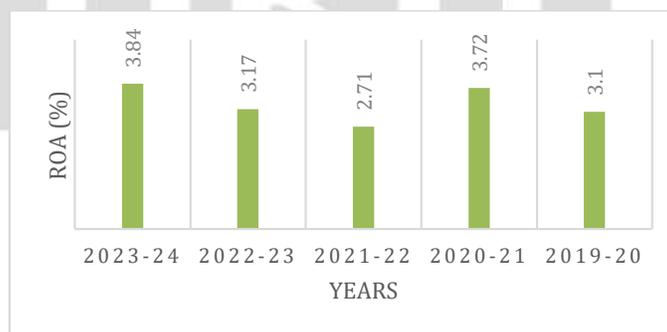
Year	Net Profit (Rs Cr)	Total Assets (Rs Cr)	ROA (%)
2023-24	13,059	3,39,627	3.84
2022-23	10,470	3,30,352	3.17
2021-22	8,669	3,20,049	2.71
2020-21	11,582	3,11,274	3.72
2019-20	9,549	3,08,140	3.1

Source: Data collected and compiled from annual reports

INTERPRETATION

From the above analysis of L&T's financial performance, ROA has increased from 2.71% in 2022 to 3.84% in 2024 reflecting the enhanced asset utilization and increased profitability. The inconsistent performance over time reveals operational inefficiencies. The company should concentrate on high-margin initiatives & improve operational efficiency. underperforming assets

3.2.3 Chart showing the ROA



3.2.4 Table showing the ROE

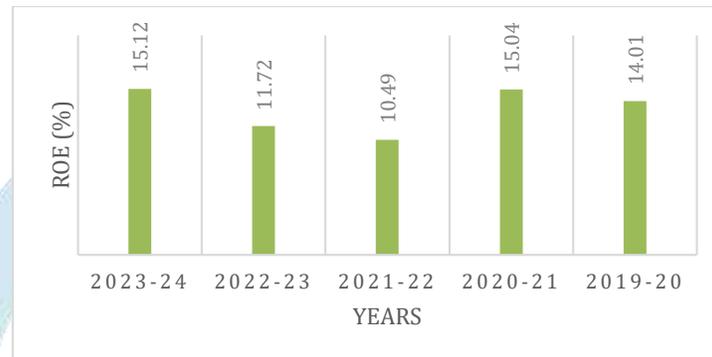
Year	Net Profit (Rs. Cr)	Shareholders' Equity (Rs. Cr)	ROE (%)
2023-24	13,059	86,360	15.12
2022-23	10,470	89,326	11.72
2021-22	8,669	82,623	10.49
2020-21	11,582	76,992	15.04
2019-20	9,549	68,127	14.01

Source: Data collected and compiled from annual reports

INTERPRETATION

From the above analysis of L&T's financial performance, ROE has improved from 10.49% in 2022 to 15.12% in 2024, demonstrating higher returns to shareholders. The 2022 decline was probably caused by a rise in equity base and a decrease in net profit. Although recent expansion indicates increased profitability, variations point to inconsistency.

3.2.4 Chart showing the ROE

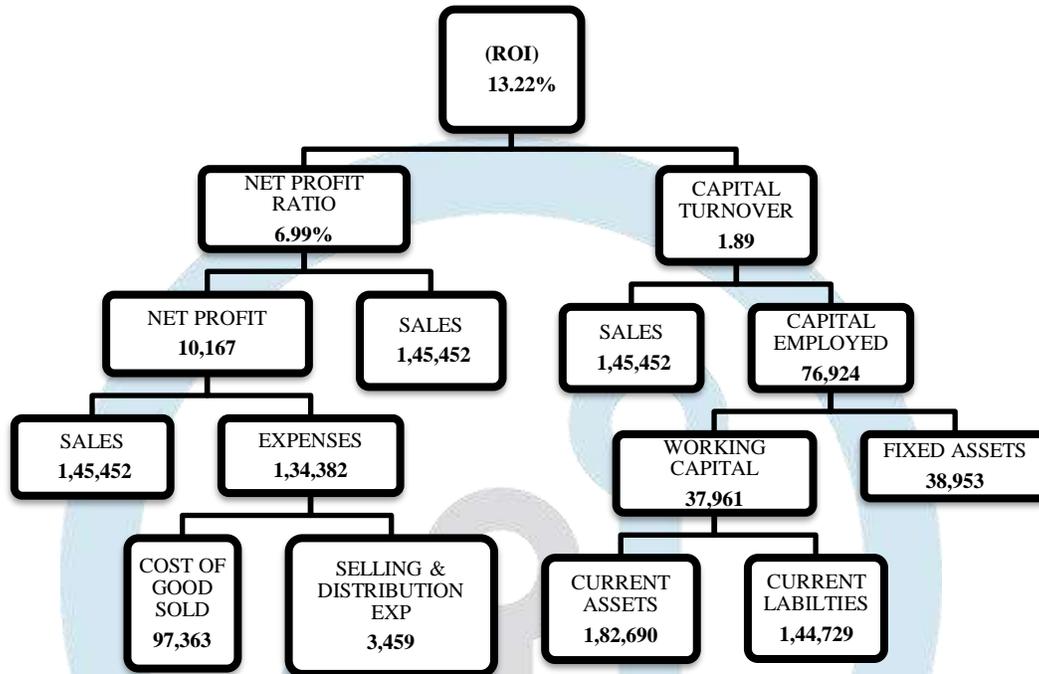


3.2.5 Table showing the Comparative Financial Performance based on Dupont analysis of ROI

Particulars	2023-24	2022-23	2022-21	2020-21	2019-20
Net Sales	2,21,113	1,83,340	1,56,521	1,35,979	1,45,452
Net Profit	15,570	12,625	10,291	4,669	10,167
Cost of Goods Sold	1,46,029	1,16,615	99,739	86,701	97,363
Selling & Distribution exp	4,168	3,503	3,533	3,557	3,459
Total Expenses	2,04,847	1,69,297	1,44,378	1,27,173	1,34,382
Fixed Assets	38,208	37,908	36,509	36,753	38,953
Current Assets	2,18,080	2,22,204	2,08,181	1,94,967	1,82,690
Current Liabilities	1,76,601	1,62,066	1,59,434	1,37,408	1,44,729
Current Ratio	1.23	1.37	1.31	1.42	1.26
Working Capital	41,479	60,138	48,747	57,559	37,961
Capital Employed	79,687	98,046	85,256	94,312	76,914
Net Profit Ratio	7.04	6.89	6.58	3.43	6.99
Capital Turnover	2.77	1.87	1.84	1.44	1.89
ROI (%)	19.53	12.89	12.11	4.94	13.22

Source: Data collected and compiled from annual reports

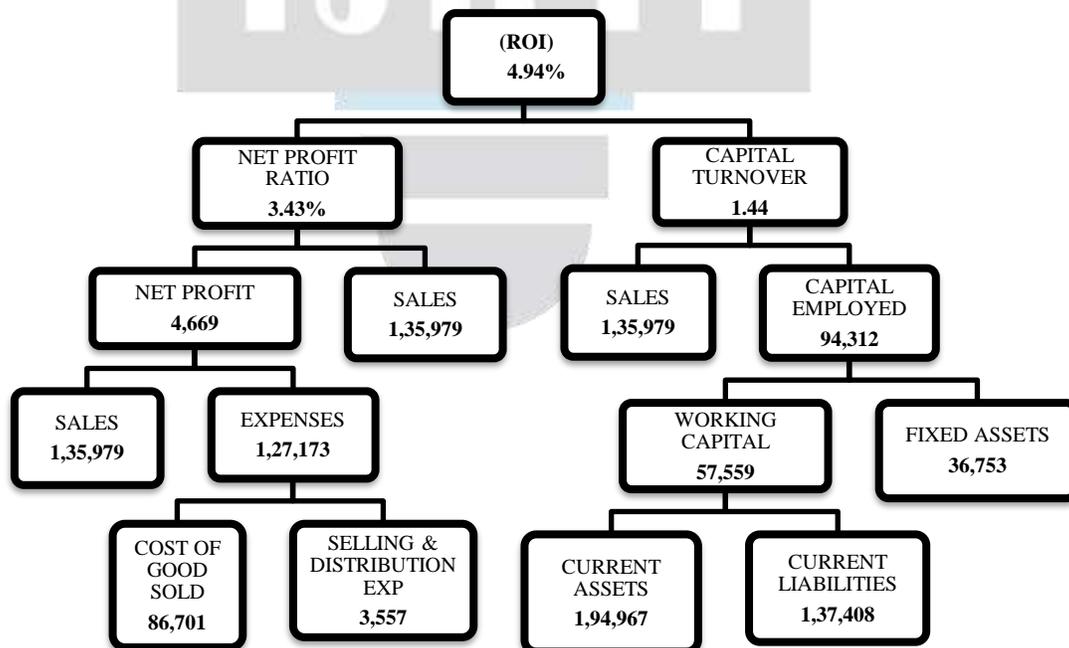
3.2.5.1 Dupont Chart showing ROI for the year 2019-2020 (Rs. in Crores)



INTERPRETATION

From the above analysis of L&T, the ROI has been presented in the form of Dupont chart, and it is found that the ROI during the year 2019-20 is 13.22%, demonstrating a moderate level of capital utilization efficiency. The return shows potential for improvement, even though it is reasonable considering the difficulties caused by the pandemic. According to the ROI, capital was not fully utilized even if activities were consistent. Enhancing asset utilization and improving margins could lead to stronger returns in subsequent years.

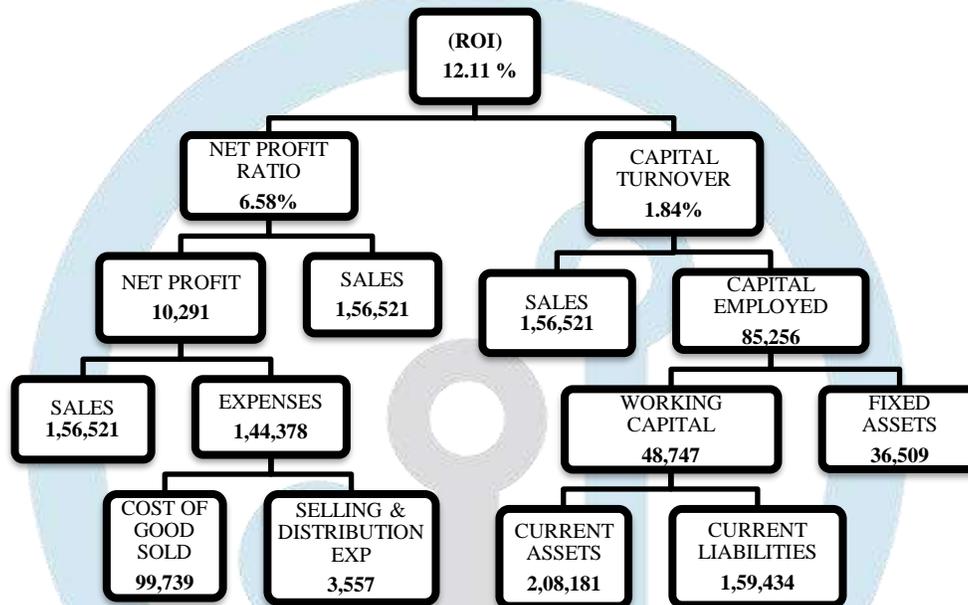
3.2.5.2 Dupont Chart showing ROI for the year 2020-2021 (Rs. in Crores)



INTERPRETATION

From the above analysis of L&T, the ROI has been presented in the form of Dupont chart, and it is found that the ROI has dropped to 4.94% in the year 2020-21, demonstrating a poor ability to generate returns on invested capital. The terrible impact of the pandemic on profitability and operational performance are shown in this fast fall. The low return brings attention to put margins and a lack of capital.

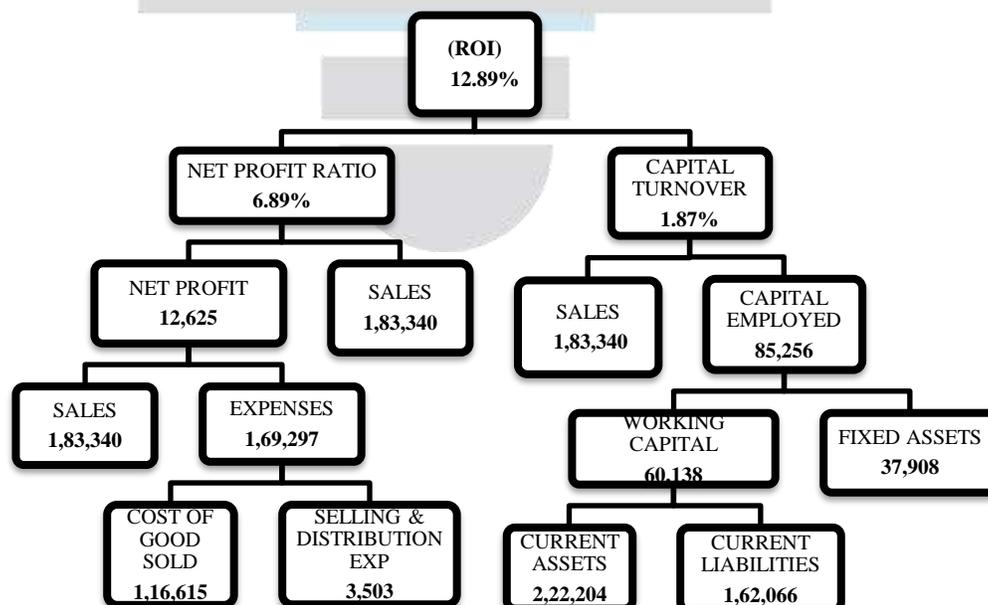
3.2.5.3 Dupont Chart showing ROI for the year 2021-22 (Rs. in Crores)



INTERPRETATION

From the above analysis of L&T, the ROI has been presented in the form of Dupont chart, and it is found that the ROI has increased at 12.11% in the year 2021-22, indicating a post-pandemic improvement in capital efficiency in comparison to 2020-21. This shows increased profitability and greater capital utilization. The recovery points to be improved is project execution and effective cost control.

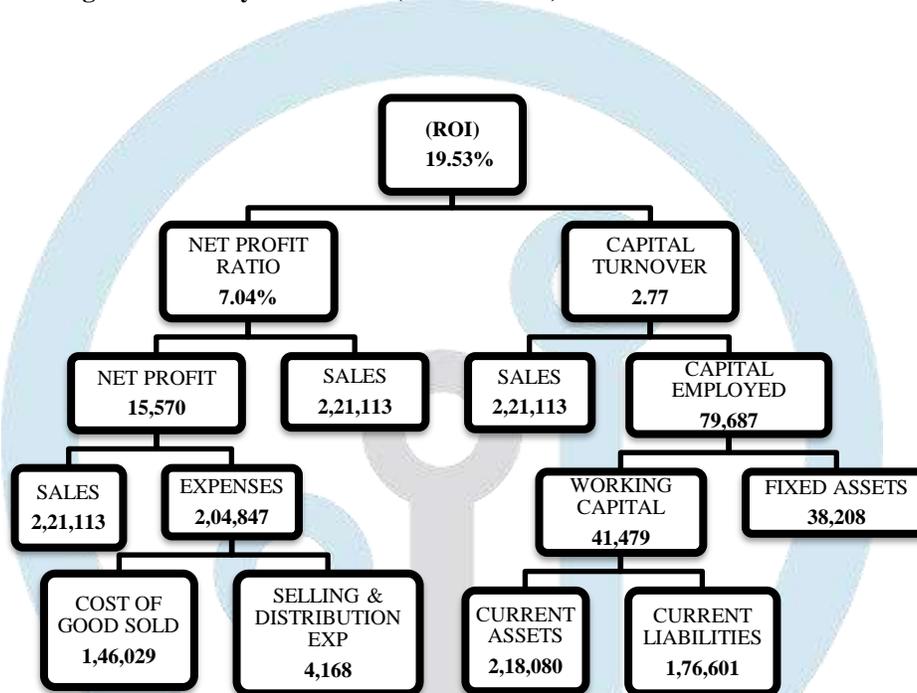
3.2.5.4 Dupont Chart showing ROI for the year 2022-23 (Rs. in Crores)



INTERPRETATION

From the above analysis of L&T, the ROI has been presented in the form of Dupont chart, and it is found that the ROI has improved to 12.89% in the year 2022-23, reflecting continued improvement in capital efficiency. The increase from 2021-22 reflects stronger profitability and better asset utilization. This suggests that L&T effectively managed its operations, resulting in higher returns.

3.2.5.5 Dupont Chart showing ROI for the year 2023-24 (Rs. in Crores)



INTERPRETATION

From the above analysis of L&T, the ROI has been presented in the form of Dupont chart, and it is found that the ROI has grown to 19.53% in 2023-24, the highest level in five years. DuPont study indicates that an exceptional capital turnover of 2.77 and a net profit ratio of 7.04% were the main drivers of this strong success. This implies that L&T greatly enhanced its capital deployment, cost effectiveness, and operational execution. Strong financial health is demonstrated by the 2024 ROI, which also indicates an effective growth plan and efficient strategic management.

IX. FINDINGS :

- The Current ratio decreased from 1.42 I 2021 to 1.23 in 2024, indicating a drop in short-term liquidity and possible pressure on working capital management. In the same period of time, the Quick ratio decreased from 1.38 to 1.20, indicating a tighter supply of liquid assets to satisfy short-term commitments.
- ROA has increased from 2.71% in 2022 to 3.84% in 2024. indicating greater asset utilization. A growth in ROE from 10.49% in 2022 to 15.12% in 2024 suggests better returns for shareholders.
- DuPont study revealed that a capital turnover of 2.77 and a net margin of 7.04%, which demonstrated significantly improved cost control and capital efficiency, caused ROI to increase dramatically from 4.94% in 2021 to 19.53% in 2024.

X. SUGGESTIONS :

- Strengthen Liquidity: Reduce inventory, improve receivables, enhance payables management to increase current and quick ratios.
- Stabilize Profitability: To maintain steady ROA and ROE, concentrate on high-margin projects and optimize operations.
- Sustain ROI Gains: Increase capital turnover and engage in profitable, high-return initiatives to maintain a high ROI. Lean management and automation will continue to increase operating profit

XI. CONCLUSION :

L&T has shown significant operational expansion and profitability gains recently, there are still important areas that require focus to guarantee long-term success. Enhancing liquidity provides foundations for future expansion, especially through working capital optimization and cash conversion speed. Sustained profitability will be supported by concentrating on cost reduction, high-margin industries, and cutting-edge technologies. Returns on equity and assets can also be increased by investing in technology and reallocating funds to high-growth sectors.

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