

A Study on Financial Performance of Larsen & Turbo Limited

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Abstract:

Looking at cash flow reveals whether a company stands solid or shaky. Central to this look: Larsen & Toubro Limited, a name tied to big construction and engineering jobs across India. Data comes from official reports - mostly annual snapshots - that track five years of movement. Rather than assumptions, hard figures shape the picture, drawn through tools such as ratio trends, comparisons between consecutive years, along with matching entries across financial statements. The checkup hits four points: covering bills due soon, profit power, handling extended borrowing, also how well assets serve goals over months.

Keywords: Financial Performance, Ratio Analysis, Profitability Analysis, Liquidity Analysis, Solvency Analysis, Cash Flow Analysis, Trend Analysis, Capital Structure.

Introduction

Starting out in 1938, Larsen & Toubro Limited - often called L&T - began through the efforts of two Danish engineers: Henning Holck-Larsen and Søren Kristian Toubro. Based now in Mumbai, it stands as one of India's biggest and most varied global companies. Work spans across engineering, building projects, making goods, tech solutions, alongside finance activities. Since its early days, the firm helped shape how industries and public works grew across the nation. Though rooted in construction, its reach expanded far beyond over time.

L&T works in many areas - infrastructure, energy systems, industrial machinery, oil and gas, military equipment production, software solutions, and banking activities. Big jobs with tight demands define what they do; new ideas matter here, along with solid results and long-term thinking. Across borders, their presence reaches nations scattered through West Asia, African regions, Asian territories, European zones, and both North and South America.

Larsen & Toubro Limited keeps growing, thanks to steady orders, income from many areas, also careful leadership. You can find its shares traded openly across key markets in India, where it sticks to clear rules and honest reporting. Because it runs well financially, while getting things done smoothly,

people often look at L&T when studying how firms perform over time.

Company Profile

Larsen & Toubro Limited (L&T) is a leading Indian multinational conglomerate headquartered in Mumbai. Established in 1946, the company operates in engineering, construction, manufacturing, technology, defence, and financial services. L&T executes large infrastructure projects worldwide and provides integrated solutions from design to delivery. It is recognized for innovation, strong governance, operational excellence, and significant contributions to economic development.

Company Details

Trade Name: L&T (Larsen & Toubro Limited).

Company type: Public Limited Company (PLC).

Industry: Conglomerate (Engineering & Construction focused).

Founded: 7 February 1946.

Headquarters: L&T House, Ballard Estate, Mumbai, Maharashtra, India.

Statement of the problem

Looking into numbers helps see how well a company runs financially. One key player in India's building and engineering sector faces tough competition plus

heavy funding needs. For firms like this, checking results regularly reveals whether profits stay strong, cash flows smoothly, then debts remain manageable over time.

Even though yearly financial updates are public, tracking how a business does across years means digging deeper into its numbers. When the economy shifts, project expenses climb, or income swings happen, a firm's finances can change fast. For this reason, looking closely at Larsen & Toubro Limited's money results from 2021 to 2025 becomes necessary using different review methods.

One goal here is spotting what works and where things fall short financially. Seeing these sides clearly helps shareholders, leaders, others involved understand outcomes better. Clarity comes through examining results closely instead of guessing. Real understanding grows when numbers guide the way forward.

Objectives

1. To analyze the financial performance of Larsen & Toubro Limited over a selected period using financial statements.
2. To examine the liquidity position of the company by applying liquidity ratios.

Scope of the Study

Performance clues hide within balance sheets and income summaries made available each year. Years were picked carefully so comparisons make sense across time. What emerges is a picture built entirely from official disclosures. No outside sources shape the findings here. Each number traces back to documents issued by the company itself. Trends surface when results from different years line up side by side.

One look at the numbers shows how well Larsen & Tubro handles money matters. Profits, cash flow, debt levels, and daily operations get checked using ratios. Instead of guessing, trends over time give a clearer picture. Comparing past results with recent ones reveals shifts in performance. What stands out is whether spending matches income in a smart way. Useful for those who need clarity - investors, leaders,

lenders, others - it aims to show where Larsen & Toubro Limited stands financially, highlighting both strong points and weak spots.

Research Methodology

Research Design

One look at how things stand shows the work follows a path that describes details clearly. This way of moving through numbers lets meaning come out naturally over time. Instead of guessing, it watches what happens when results are laid bare step by step. A steady flow of figures reveals patterns without forcing conclusions ahead of time. What appears matches real outcomes seen across recent cycles. Each piece fits only after checking where it belongs in sequence.

Sources of Data

Most of what we know here comes from already existing records. Information about money matters was pulled straight from L&T's yearly report releases. Websites tied to the business helped fill gaps, while stock market documents added depth. Financial magazines also played a role, alongside various internet spots worth noting.

Study period

Five years—from 2020 to 2025—form the base for checking how money results shift over time. Through this window, changes from one year to the next come into view. Patterns start showing up when numbers are lined up across these stretches. What happens each year gains clarity when seen beside what came before. Looking back this far helps spot movement others might miss.

Review of Literature

Mahesh & Suresh (2022) conducted a study on financial performance of selected engineering companies in India. Their findings revealed that profitability ratios showed an increasing trend over the study period, indicating improved operational performance. The authors emphasized the importance of liquidity management for sustaining growth. However, the study focused on cross-industry

comparison rather than in-depth evaluation of individual firms.

Kumar and Singh (2023) analyzed the financial performance of a large Indian public sector enterprise using ratio analysis and trend evaluation. They concluded that while the firm maintained healthy solvency, liquidity ratios were inconsistent due to fluctuating current assets. The research highlighted macroeconomic influences but did not extensively explore industry challenges specific to infrastructure companies.

Reddy (2021) carried out a study on financial performance of a diversified engineering firm, examining profitability, solvency, and efficiency ratios for a period of five years. The study reported that although revenue growth was satisfactory, cost management needed improvement to enhance net profitability. The research also suggested that analysis based solely on financial ratios may not capture qualitative business factors.

Sharma & Gupta (2024) investigated financial trends in major Indian conglomerates and emphasized that trend analysis complements ratio analysis by identifying patterns over time. Their study indicated that companies with stable revenue growth and strong liquidity positions were better positioned to face economic downturns. They recommended incorporating comparative analyses with industry benchmarks for broader insight.

Patil (2023) focused on performance evaluation of selected infrastructure firms in India. The author noted that firms with diversified revenue streams exhibited better resilience during downturns. The study underscored the role of effective asset utilization in improving return on investment but was limited by restricted sample size and absence of qualitative evaluation.

Data Analysis and Interpretation

Table No: 01

Liquidity Ratios

Financial year	Current ratio	Quick ratio
2021	1.14	1.39
2022	1.18	1.36
2023	1.17	1.32
2024	1.13	1.22
2025	1.08	1.24

Source:secondary data

Interpretation

Maintained current and quick ratios above 1 from 2021–2025, indicating good liquidity and the ability to meet short-term obligations. However, the slight decline over the years suggests tightening liquidity.

Table No: 02

Solvency Ratios

Financial year	Debt-Equity Ratio	Proprietary Ratio
2021	0.44	0.70
2022	0.35	0.74
2023	0.28	0.78
2024	0.30	0.77
2025	0.33	0.75

Source:secondary data

Interpretation

Debt–equity ratio declined from 0.50 (2020) to 0.28 (2023), showing reduced reliance on debt, then slightly increased to 0.33 (2025), indicating moderate leverage. The proprietary ratio rose from ~0.67 to ~0.78, reflecting that a larger portion of assets is financed by shareholders’ equity, signifying financial stability and lower risk.

Table No: 03

Profitability Ratios

Financial year	Gross profit ratio	Operating profit ratio	Net profit ratio
2021	35.5	11.6	9.5
2022	35.8	12.4	6.7
2023	35.8	10.7	6.8
2024	33.4	9.9	7.0
2025	32.7	10.4	7.0

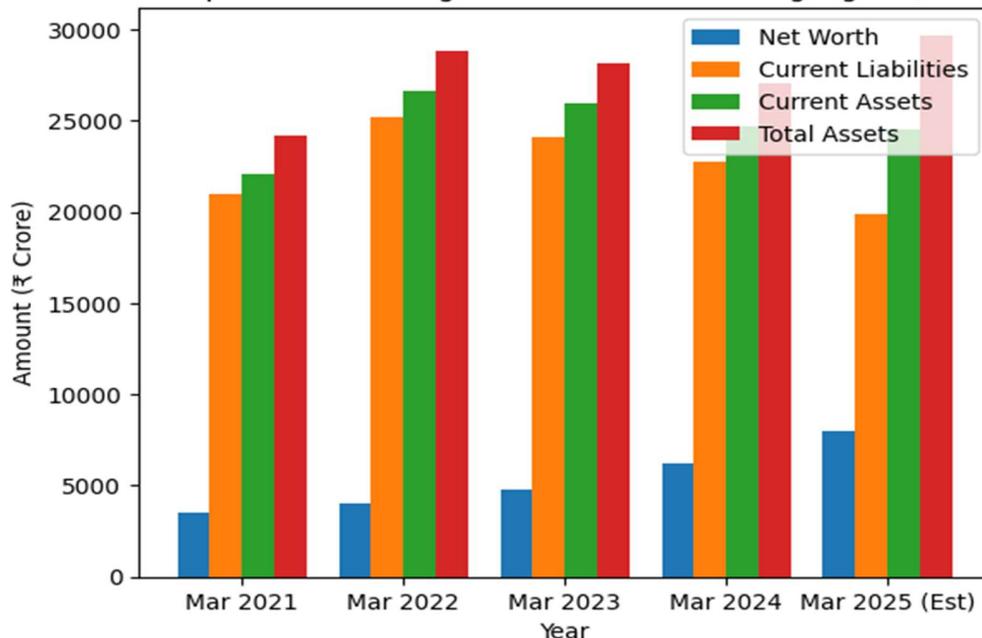
Source:secondary data

Interpretation

Maintained strong gross profitability over the period, though there is a slight downward trend in gross profit ratio, indicating mild pressure on direct costs. Operating profit and net profit ratios have gradually declined and stabilized around moderate levels, reflecting rising operational expenses and market challenges, yet the company continues to deliver consistent bottom-line performance.

Table No. 04 Comparative Statement

Comparative Bar Diagram – Balance Sheet Highlights (L&T)



Suggestions

The company should continue optimizing its current assets and current liabilities to maintain a healthy liquidity position and ensure smooth day-to-day operations.

Efficient utilization of total assets will help the company generate higher returns and improve return on assets (ROA).

Increased investment in digital transformation and automation can improve project execution efficiency and reduce delays.

Conclusion

The company has maintained a strong and stable financial position over the years. The analysis of revenue, profitability, and balance sheet highlights indicates a consistent growth trend, especially after the post-pandemic period.

The comparative bar diagrams show a steady increase in revenue, net profit, net worth, and total assets, reflecting effective financial management and operational efficiency. Although there were minor fluctuations during the pandemic period, the company recovered well and demonstrated resilience. The improvement in profitability and

asset base highlights L&T’s ability to manage costs, expand operations, and strengthen its market position.

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