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# Financial Performance Analysis of Larsen & Toubro Ltd at Manapakkam Branch in Chennai

**Harshavardhan M[1] | Dr. G. Amutha[2*]**

[1]Student, MBA General, Department of Management Studies, VISTAS, Chennai.
[2]Associate Professor, Department of Management Studies, VISTAS, Chennai.

[*]Corresponding Author: amuthag.sms@velsuniv.ac.in

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## Abstract

*The present study aims to analyse the financial performance of Larsen & Toubro Ltd. For this purpose, data was collected from various sources, primarily the company's reports and financial statements, and processed with the help of ratio analysis, trend analysis, and comparative analysis. The research was conducted in 2021-2026 to assess the company's liquidity, solvency, profitability, and overall operational success and performance level. Multiple financial ratios were calculated and compared to evaluate these aspects, namely, Current Ratio, Quick Ratio, Cash Ratio, Debt-to-Equity Ratio, Interest Coverage Ratio, Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), Net Profit Margin, Asset Turnover Ratio, and Earnings per Share (EPS). The analysis revealed that Larsen & Toubro Ltd. demonstrated a stable liquidity position and a strong solvency position with a minimal presence of financial leverage. The company reported signs of improvement in terms of asset utilisation and profit generation and had consistent revenue, current assets, total assets, and shareholders' equity growth during the analysed period. Nevertheless, a slight decline in profitability was observed in 2025-2026 due to an increase in operating expenses and profit after tax, which decreased ROA, ROE, Net Profit Margin, and EPS. Thus, the study concluded that the company demonstrated overall stable financial performance and efficient operations but should consider improving cost management and profitability to ensure sustainable growth and create more value for shareholders.*

***Keywords****: Financial Performance Analysis, Liquidity Dynamics, Solvency Risk, Ratio Analysis, Trend Analysis, Comparative Analysis, Larsen & Toubro, Engineering and Construction.*

## Introduction

Financial performance analysis is an integral part of assessing the position of the entity, managing efficiency, profitability, liquidity, and solvency. It determines the entity's ability to use its financial resources for specific purposes efficiently. Moreover, it allows the management, investors, and creditors to evaluate the company based on certain criteria. Therefore, it is crucial to analyse the financial performance of the entity, especially those operating in large-scale industries with high costs associated with them, such as the engineering and infrastructure. Larsen & Toubro Ltd. (L&T) is a multinational conglomerate company involved in construction, manufacturing, IT, financial services, and infrastructure. Their operations cover over fifty countries, making this company one of the largest engineering and construction companies in India. In this paper, the financial performance analysis of L&T will be conducted to evaluate its performance and identify whether this company is more efficient than its competitors in the same sphere. The period of 2021-2026 will be considered using the ratio analysis, trend analysis, and comparative analysis. The analysis of the firm's liquidity, solvency, and efficiency will be conducted, as well as the determination of ROA, ROE, ROCE, and other relevant ratios.

## Objectives of the Study

- **Primary Objective**
  - To analyse the financial performance of Larsen & Toubro Ltd. in 2021-2026
- **Secondary Objectives**
  - To analyse the liquidity position of the company based on liquid assets and current liabilities.
  - To evaluate the solvency and leverage position of the company based on long-term capital structure.
  - To analyse the profit-making capacity of the company with the help of profitability ratios.
  - To analyse the operating performance of the company based on assets and working capital.
  - To compare the financial performance of the company with its competitors and analyse the trends in performance of the company over the years.

## Need of the Study

The need for the study arises from the necessity to evaluate how Larsen & Toubro (L&T) managed to overcome pandemic, geopolitical, and commodity price-related challenges and maintain profitability in 2021-26. In addition, it is essential to explain why the Company's order and revenue growth were high during the period while its operating margin decreased. The study is also necessary to understand how L&T was able to shift to an asset-light business model and reduce debt to improve liquidity and solvency. Another objective of the research is to assess the financial health and operating performance of the construction industry using one of its largest contractors as an example. Finally, the study will be useful to investors, lenders, and policymakers to determine the risk-return profiles and creditworthiness of large-scale projects in the construction sector in India.

## Scope of the Study

One should also delimit the scope of this research because the study has extremely special features. First, the research will cover only Larsen & Toubro Ltd.'s (L&T) financial performance, including 2020-21 and 2025-26 since the report needs to include 6 years. Second, the current study will concentrate on the business's international sales, including India as the main market and the Middle East as the second one. Third, the financial performance of Larsen & Toubro will depend on the company's business description, including the company's main areas of work: infrastructure, hydrocarbons, power, defence, and developmental projects. Finally, the company's ratio analysis, trends of revenue and orders, and competitor analysis will be included in the present research.

## Review of Literature

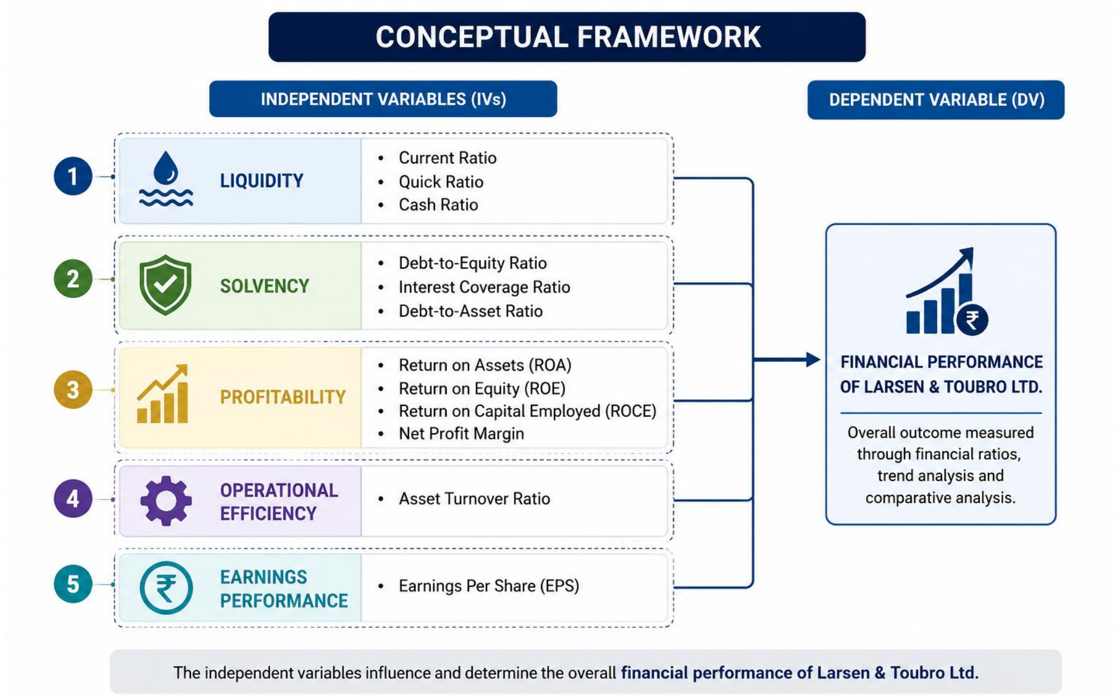
Li (2024) designed the analytical framework to verify the main hypotheses that proved the importance of the analysis of the key aspects of corporate financial statements. The author claimed that the analysis of the organization's short-term liquidity, solvency, and management of assets, along with its profitability, is crucial to understand the firm's financial performance. In this study, the author confirmed that the special attention to the connection between several specific ratios could help identify the firms' default risks. Therefore, Li's research perfectly addresses the research question of this study.

The study conducted by Jaana Shari and Raman (2024) was aimed at understanding L&T's financial performance since 2019 and included the application of the Ratio Analysis tool and DuPont System of Financial Analysis. Shari and Raman (2024) stated that L&T's stable return on equity was mainly associated with the firm's efficient turnover of its assets and not with the increased leverage capacity in the company's capitalization structure.

Prasanth, Moinuddin, and Anbarasan (2024) analysed Larsen & Toubro Construction's performance for the last five years to identify the firm's liquidity ratios and profit trends. These scholars found out that the construction division's growing material prices caused the largest percentage of decreases in operating profits and only partially offset by the stable liquidity ratios. Monika and Vini Infanta (2024) explored the connection between Larsen & Toubro's dividend policy and its overall profitability.

Umarani, Doraisami, and Radhamani (2022) analysed Larsen & Toubro Limited's income statements for the last five years (2017-2021) to identify the firm's financial performance. The authors revealed that the company has successfully maintained its short-term liquidity and proportionate sales growth by controlling the working capital and short-term liabilities. The findings of this study suggest that the researchers recommend automating the cost-accounting process to minimize the risks of natural market price variations that affect the firm's functioning. Sharma and Patel (2021) explored several Indian engineering firms' stock performances in conditions of economic instability to discover the link between the companies' cash flow, short-term asset returns, and their overall profitability.

**Conceptual Framework**




**Research Gap**

There is still a gap in research on Larsen & Toubro Ltd.'s (L&T) financial performance as well as the EPC industry's risk management practices. It should be noted that most of the studies mentioned above analyse the financial performance of the company in the historical retrospective, while little attention has been paid to the Larsen & Toubro's performance during the unstable 2021-26 cycle. Scholars rarely explain why the pandemic-related international supply chain interruptions and soaring commodity prices could not reduce the record-breaking order book and revenue growth. Furthermore, there has been an insufficient body of evidence that could analyse the impact of Larsen & Toubro's recent light asset model and aggressive debt reduction policy in the context of comprehensive financial analysis using a combination of longitudinal and cross-sectional approaches. This article attempts to help fill this gap in research because it will provide up-to-date evidence on the financial optimization and risk management of one of the largest EPC firms in the world.

**Research Design**

The paper will employ an Empirical and Analytical research design where the performance of Larsen and Toubro is reviewed over the past 6 years, including the current fiscal year (2021 – 2026). In this regard, secondary data from the company's annual report, balance sheet, and income statement will be extracted for review and analysis. As such, this research study is both longitudinal since it examines the performance of the firm over years, and cross-sectional because the firm's performance is compared against other firms in the same industry.

**Tools for Analysis**

The quantitative analysis will be conducted using the following tools;

- **Ratio Analysis:** This is the primary tool for analysing the company's performance using the following ratios;

- Liquidity Ratios: Current ratio and Quick ratio.
- Solvency Ratios: Debt-Equity ratio and Interest coverage ratio.
- Profitability Ratios: PBDIT%, PAT%, and RONW.
- Efficiency Ratios: Total assets turnover ratio and Inventory turnover ratio.

• **Trend Analysis (Horizontal Analysis):** This is the second tool that will be used to depict trends in percentage changes to demonstrate movements of consolidated revenue, profits and order books for the past six (6) years.

• **Comparative Analysis (Vertical and Peer group Analysis):** This will be conducted to compare the trends in operating performance, capital structure, and other relevant performance indicators of L&T against the competitors and the industry.

**Results and Discussion**

**Table 1: Result of Comparative Analysis**

| Particulars | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|---|---|---|---|---|
| Total Assets | 168502.28 | 172424.49 | 175282.69 | 186416.35 | 208138.24 |
| Current Assets | 122017.86 | 122199.57 | 123491.34 | 132415.12 | 158312.15 |
| Current Liabilities | 87567.48 | 89704.66 | 98027.05 | 104109.06 | 122353.99 |
| Working Capital | 34450.38 | 32494.91 | 25464.29 | 28306.06 | 35958.16 |
| Total Equity | 67114.05 | 71527.95 | 64416.04 | 71895.84 | 74532.9 |
| Total Debt | 20298.29 | 18151.09 | 22540.47 | 21934.88 | 11773.33 |
| Revenue | 101000.41 | 110500.98 | 126235.85 | 142509.01 | 153680.17 |
| EBIT | 11495.65 | 11957.93 | 13722.14 | 15769.22 | 10816.64 |
| Profit After Tax (PAT) | 7879.45 | 7848.97 | 9304.33 | 10870.72 | 6287.13 |
| Earnings Per Share | 56.09 | 55.85 | 66.95 | 79.06 | 45.71 |

**Interpretation**

The comparative analysis indicates that Larsen & Toubro Ltd. recorded an increase in the values of assets and revenue for FY 2021-22 to FY 2025-26. The total equity increased, while the total debt decreased significantly in FY 2025-26, thus improving the company's financial position. Concurrently, EBIT, PAT, and EPS decreased in FY 2025-26 compared with FY 2024-25, which implies a lower level of profitability. On balance, Larsen & Toubro Ltd. has a strong position in respect to total assets and revenue, while its profitability requires improvements.

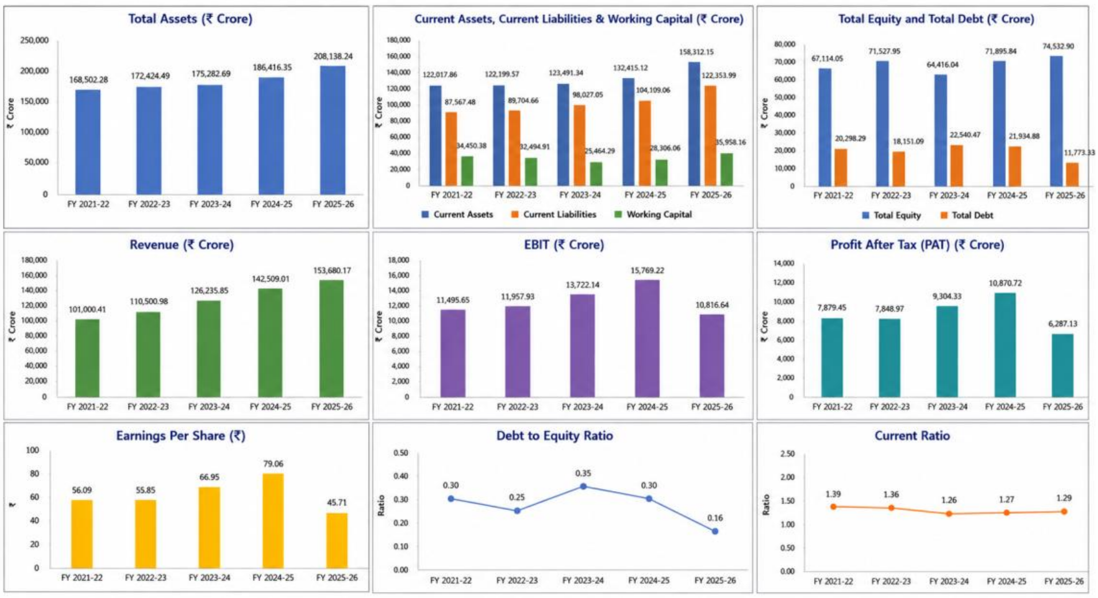


**Table 2: Result of Ratio Analysis**

| Ratio | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|---|---|---|---|---|
| Current Ratio | 1.39 | 1.36 | 1.26 | 1.27 | 1.29 |
| Quick Ratio | 1.36 | 1.32 | 1.22 | 1.24 | 1.26 |
| Cash Ratio | 0.07 | 0.04 | 0.04 | 0.03 | 0.05 |
| Debt-to-Equity Ratio | 0.3 | 0.25 | 0.35 | 0.31 | 0.16 |
| Interest Coverage Ratio | 6.55 | 5.63 | 5.7 | 7.18 | 6.46 |
| Debt-to-Asset Ratio | 0.12 | 0.11 | 0.13 | 0.12 | 0.06 |
| Return on Assets (ROA) | 4.68 | 4.55 | 5.31 | 5.83 | 3.02 |
| Return on Equity (ROE) | 11.74 | 10.97 | 14.44 | 15.12 | 8.44 |
| Return on Capital Employed (ROCE) | 14.35 | 14.78 | 17.97 | 19.42 | 12.83 |
| Net Profit Margin | 7.8 | 7.1 | 7.37 | 7.63 | 4.09 |
| Asset Turnover Ratio | 0.6 | 0.64 | 0.72 | 0.76 | 0.74 |
| Earnings Per Share | 56.09 | 55.85 | 66.95 | 79.06 | 45.71 |

**Interpretation**

The results of the ratio analysis indicate that Larsen & Toubro Ltd. was able to maintain satisfactory levels of liquidity and significantly reduce debt. At the same time, the analysis revealed a decrease in return on assets, return on equity, return on capital employed, net profit margin, and earnings per share in FY 2025–26, which signals a reduction in profitability. Thus, it can be concluded that the company possesses high financial performance with low financial risk, which can be classified as good. However, there is a need for improving profitability and ensuring high returns for the shareholders.

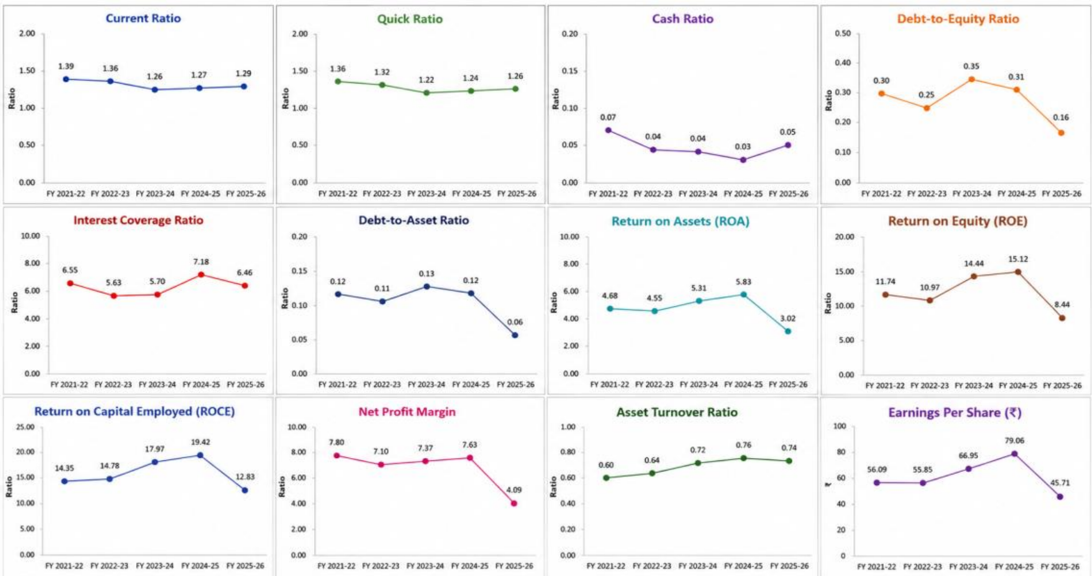
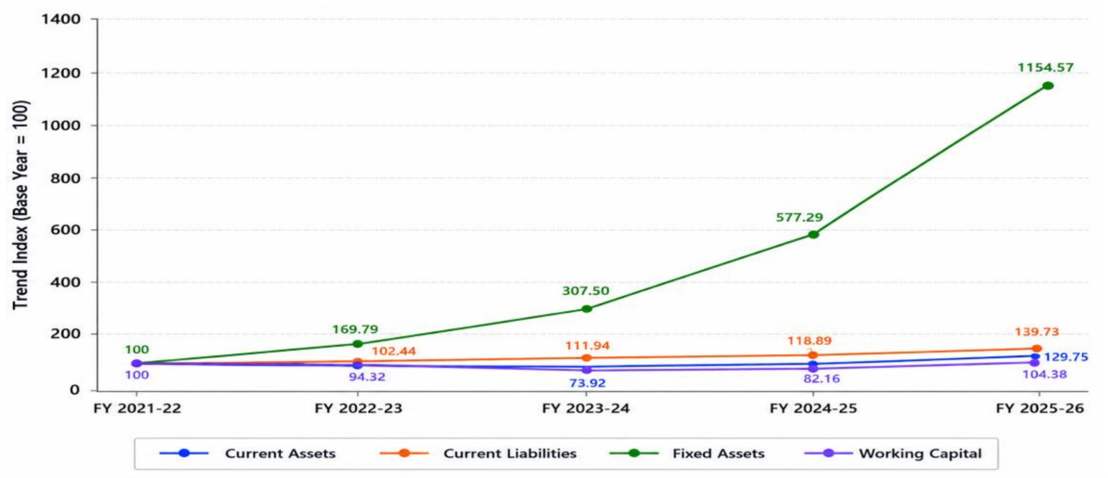



**Table 3: Result of Trend Analysis**

| Particulars | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|---|---|---|---|---|
| Current Assets | 100 | 100.15 | 101.21 | 108.52 | 129.75 |
| Current Liabilities | 100 | 102.44 | 111.94 | 118.89 | 139.73 |
| Fixed Assets | 100 | 169.79 | 307.5 | 577.29 | 1154.57 |
| Working Capital | 100 | 94.32 | 73.92 | 82.16 | 104.38 |

**Interpretation**

Current assets and current liabilities have been rising steadily for five (5) years, while the fixed assets increased significantly. The working capital was negative for the first years and then became positive in FY 2025–26. In general, the growth of working capital and total assets indicates that the firm is doing well.




## Findings of the Study

- The financial condition of Larsen & Toubro Ltd. is positive for the period under analysis (FY2021–26). The company has a stable profit for this period, while sales and assets growth rates are positive as well.
- Current ratio and Quick ratio had a positive trend, which means that the company has sufficient short-term assets to cover its short-term liabilities. At the same time, the Cash ratio is low, which means that the company has a limited amount of cash. The Debt-Equity and Debt-Asset ratios are positive as well, proving that Larsen & Toubro Ltd. is solvent and has an adequate balance between its debt and equity.
- Profit ratios had a slight positive trend in 2023, 2024, and 2025, while a significant drop was observed in 2025–26 due to increased overheads, costs of projects, inflation, and expenses. The asset turnover ratio had a positive trend, meaning that the company managed its assets effectively. However, the company should have improved its management of accounts receivable.
- According to trend analysis, the company’s revenues, assets, and equity are growing every year. At the same time, a comparison with similar companies shows that Larsen & Toubro Ltd. is in a better financial position than most of its competitors. Nevertheless, profit ratios decreased slightly compared to the previous year.

## Suggestions of the Study

- The company should continue to pursue a policy of long-term profitable growth, including expansion into new areas, such as renewable energy, digital technology, defence, and infrastructure.
- The company should try to maintain an optimum cash balance, while at the same time avoiding negative cash balances and liquidity crunches. The management should seek to maintain a stable capital structure and avoid taking on too much debt. The company should focus on cutting costs and increasing profits for the long term, while continuing to implement cost-saving and profit-generating initiatives and policies.
- The company should develop a policy for working capital management, including measures to shorten the debtor period and reduce stocks and accelerate cash conversion. In the future, the company should periodically benchmark against major competitors and invest heavily in technology, automation, people, and international markets.

## Limitation of the Study

- The current research has several limitations that are essential to consider when evaluating the validity of the obtained results. First, the data used was collected from the company’s annual reports and other sources, which means that potential inaccuracies may have been introduced due to incorrect data collection or processing by Larsen & Toubro Ltd.

- Second, the company's financial status was analysed for six years – 2021–26, meaning that earlier years were not considered. Moreover, while the ratios were compared to similar companies, only those within the same industry were considered. The analysis only evaluated the Larsen & Toubro Ltd.'s financial position using financial ratios and did not consider other crucial factors that may have influenced it. Since the ratios were calculated using past data, future projections were not considered, and the results cannot be generalized to future periods. The effect of government policies, inflation rates, legal and political risks, market forces, and other external factors was not considered in the analysis.
- Finally, it is essential to note that the current research is purely academic, and all recommendations and conclusions are made from this perspective and cannot be applied to real-world scenarios.

**Conclusion**

Based on the research, it may be concluded that Larsen & Toubro Limited is a financially stable and safe company. For the 2021–26 period, the management of this conglomerate has demonstrated an aggressive deleveraging policy, allowing it to create a stable capital base for future growth. More specifically, Larsen & Toubro Ltd. has a stable interest coverage and liquidity coverage ratio, meaning that it does not face challenges in meeting its short-term and long-term financial obligations. Despite the negative impact of inflation on its ratios, including the net-profit-to-total-costs ratio and net-profit-to-equity, Larsen & Toubro Ltd. is expected to maintain its status as one of the leading international engineering companies due to its high asset turnover rate. This factor will allow it to provide value to its shareholders in the long run.

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