



# A STUDY ON FINANCIAL PERFORMANCE OF LARSEN AND TURBO

**Mr. S. Muruganatham M.Com., M.Phil.<sup>1</sup>, Mr. Poovarasam.C<sup>2</sup>**

<sup>1</sup>Assistant Professor, Department of Commerce with Professional Accounting,  
Dr. N.G.P Arts and Science College

<sup>2</sup>181PA128, Department of Commerce with Professional Accounting,  
Dr. N.G.P Arts and Science College

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## ABSTRACT

Finance studies and addresses the ways in which individuals, businesses, and organizations raise, allocate, and use monetary resources over time, taking into account the risks entailed in their projects. Financial management involves managerial activities concerned with the acquisition of fund for business purpose. The finance function does with procurement of money taking into consideration today as well as future needs and finance is required to purchase a machinery and raw materials, to pay salaries and wages and also for day-to-day expenses. Corporate finance is an area of finance dealing with the financial decisions corporations make and the tools and analysis used to make these decisions. L&T has delivered Engineering, Procurement and Construction (EPC) services for many projects in the upstream hydrocarbon sector over the last two decades, in India, Middle East, Africa, South-East Asia and Australia. L&T has formed a joint venture with Sapura Crest Petroleum Berhad, Malaysia for providing services to offshore construction industry worldwide. It has made presence in various sectors that include Solar, Electrical and automation, information technology, machinery and industrial products, alloys, etc. This study attempts to provide an insight into financial soundness of the company. It also highlights the significant relationships of the financial statements through analysis. It would also help the company in planning future financial decisions by improving the current financial position and soundness. The study has been restricted to data available between years 2011-2014.

**KEYWORDS:** Financial performance, L&T, ratio analysis.

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## 1. INTRODUCTION

The finance function does with procurement of money taking into consideration today as well as future needs and finance is required to purchase a machinery and raw materials, to pay salaries and wages and also for day-to-day expenses. Corporate finance is an area of finance dealing with the financial decisions corporations make and the tools and analysis used to make these decisions.

## 2. STATEMENT OF THE PROBLEM

In order to function in an efficient and effective manner, every company needs to be aware of its liquidity and financial conditions. This way, it is possible to identify the trends and relationships between financial statement items. There is a need to strike a balance between profitability and liquidity which in turn protects the interest of creditors and investors. The industries can focus on attaining a higher level of performance by showing current financial position of the company. Such evaluations are also useful in reforming and improving weaknesses which is done through recognition of the

strengths of performed activities. Thus, the study focuses on analysis of the liquidity five of last thirteen years of the company.

## 3. OBJECTIVES OF THE STUDY

- To critically evaluate the various financial ratios of L&T.
- To provide an insight about the financial soundness of the company.
- To provide suggestions on better Liquidity ratio based on the findings.

## 4. RESEARCH METHODOLOGY

Research is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge.



## SOURCE OF DATA

### PRIMARY DATA

The information collected is mainly based on the personal discussion with the financial executives

### SECONDARY DATA

Secondary data is mainly collected from annual reports, official records and the web page of the company.

## 5. TOOLS AND TECHNIQUES

### 1. Liquidity Ratio

- Current ratio
- Liquid ratio
- Absolute liquid ratio

### 2. Profitability Ratio

- Gross profit ratio
- Net profit ratio
- Return on investment ratio

### 3. Solvency ratio

- Equity ratio

### 4. Activity ratio

- Inventory turnover ratio
- Fixed asset turnover ratio
- Total asset turnover ratio

## 6. REVIEW OF LITERATURE

**K.T. Gopi (2018)<sup>1</sup>**, “The study on financial performance of cement industry in India” in this study mistreatment Extended Dupont approach of leading cement firms like ACC, Gujarat Ambuja and Ultra tech cement for the period 2006-2015. This approach has stressed on analysis of Return

on Equity (ROE). This approach has shown the decline in the profitability of leading cement firms throughout the period and it can be inferred that the monetary performance of all three companies appears to be similar as measured by ROE with minimal deviation among companies.

**Mrs. N. Sumathi and Dr. K. Jothi (2016)<sup>2</sup>**, “A comparative analysis on cement companies in India with reference to Ultra tech limited and OCL India limited” accomplishing this study using convenience sampling approach for the period of 10 years and concluded that financial position of the companies are satisfactory, profitability ratio proves the performance of selected companies and both the companies must enhance their short term solvency position.

**ChandrasahasSahu (2013)<sup>3</sup>**, “The study on mathematical modeling of concrete mixes, and its properties in fresh and harden state” by using slump test and comparison factor test and compressive strength and indicates that mixes containing distinct dosage of the fantastic plasticizer indicates the impact on compressive strength of concrete and enhance the workability with same water cement ratio and it significantly influences the concrete combination fluidity and it was designed to modify traditional conventional concrete.

## 7. TABLES

TABLE SHOWING LIQUID RATIO

YEAR	LIQUID ASSET	CURRENT LIABILITY	LIQUID RATIO
2015-2016	102,598.34	85,046.43	1.20
2016-2017	117,701.51	89,525.12	1.31
2017-2018	131,390.44	109,273.22	1.20
2018-2019	160,377.51	133,802.31	1.19
2019-2020	176,943.24	144,729.21	1.22

## INTERPRETATION

The standard liquid ratio is 1:1. The higher ratio, the higher will be the safety margin. In the year of 2016-2017 the ratio was 1.31 but then it starts decreasing and gave a rise in the year of 2019-2020

maintain this further.

## 8. SUGGESTIONS

- The company is able to pay short term obligations and the company has enough quick assets to pay for its current liabilities, so the company has to

- The company should try and increase its liquidity position so that it will be able
- to meet short term- debt obligations and has enough resources to pay its debt over next 12 months.
- The Operating cash flow should generate sufficient positive cash flow to maintain its operations and also to be able to meet its interest expenses.
- The company has good earning capacity by reducing cost of sales and



should try to increase its Sales at a greater pace.

4. <https://www.equitymaster.com/research-it/annual-results-analysis/LART/LT-2019-20-Annual-Report-Analysis/841>

## 9. CONCLUSION

The ultimate aim of analysing the financial statements of the company is to forecast the enterprise's liquidity, profitability and solvency position. The ratio analysis is one of the most powerful tools of analysing financial performance. The analysis of financial statements has helped to identify the strengths and weakness of the company. In general the company has achieved tremendous progress over the recent years. The company's performance is satisfactory. The study gives a clear idea of the financial performance of the company over the last five years. The study reveals that the company is in profitable position and has been maintaining a good financial performance.

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