



ORIGINAL RESEARCH PAPER

Commerce

FINANCIAL ANALYSIS AND PERFORMANCE OF L&T

KEY WORDS:

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ABSTRACT

This project aims to analyze the financial performance of L&T, and identify opportunities for improvement. The project will involve an in-depth analysis of the company's financial statements, cash flow projections, inventory management, and accounts receivable processes. The results of the analysis will be used to develop a comprehensive financial management strategy that focuses on the growth of the company. The project will also involve the implementation of best usage of current asset in management and the development of a monitoring system to track progress. Ultimately, the project aims to improve the company's financial health, increase profitability, and enhance shareholder value.

INTRODUCTION

Finance may be the lifeblood of a commercial enterprise. It's the master vital, which gives around to the whole source of internet marketing used in production and retailing actions. Helpful management of each company is normally closely associated with efficient administration of it has the financing. A barter trading program is likewise a kind of financing options. Finance can be an art of managing different available assets like cash, possessions, money, securities, and so forth.

Statement Of The Problem

Proper analysis of the financial statements of the companies is necessary to assess the financial health of the companies, as it provides valuable insights into its financial performance. Financial appraisal provides a method for accessing the financial strengths and weakness of companies. There are two views of the financial strength of every organization based on the period of lending i.e., the short term and long term.

OBJECTIVES OF THE STUDY

- To ascertain the financial position of L&T.
- To know the progress of current ratio in L&T.
- To know the Short term and long term solvency of the company.

Review Of Literature

- Balakrishnan (2021) examined the "Financial Efficiency of General public Sector Petroleum Industry," the result of which revealed that the gross income ratio of Indian Essential oil Corporation is great compared to that of Bharat Petroleum Corporation and Hindustan Petroleum Companies. He had also demonstrated that the Hindustan Petroleum Corporation offers better net revenue ratio than that of Bharat Petroleum Companies and Indian Oil Corporation.
- Pal (2018) produced a "Comparative Research of Financial Overall performance of Indian Steel Businesses under Globalization". The objective of the analysis was to examine the financial performance of Indian Metal companies and establish the linear romantic relationship between liquidity, leverage, effectiveness and profitability of the selected companies.

Research Methodology

Research Design

The final results and conclusion is find on the 5 years financial statements data that extracted from the annual report of L&T from their official webpage.

Data Collection

Secondary Data

The data collected from center for monitoring Indian economy. Secondary data used in this study. The other relevant data were collected from Journals, Magazines,

Websites and Daires.

Tools Used For Analysis

EQUITY AND LIABILITIES	2021(In Crs)	2022(In Crs)	Changes (In %)
SHAREHOLDER'S FUNDS			
Equity Share Capital	280.91	281.01	1.00
TOTAL SHARE CAPITAL	1404.57	496.66	0.35
Reserves and Surplus	75204.02	81755.00	1.09
TOTAL RESERVES AND SURPLUS	75204.02	81755.00	1.09
TOTAL SHAREHOLDERS FUNDS	76992.19	82623.31	1.07
MINORITY INTEREST	12051.53	12966.07	1.08
NON-CURRENT LIABILITIES			
Long Term Borrowings	80996.38	61402.66	0.76
Deferred Tax Liabilities [Net]	1178.66	1039.33	0.8
Other Long Term Liabilities	1873.16	1766.25	0.94
Long Term Provisions	773.78	817.77	1.06
TOTAL NON- CURRENT LIABILITIES	84.827.98	65026.01	0.77
CURRENT LIABILITIES			
Short Term Borrowings	50485.22	61849.92	1.23
Trade Payables	45504.61	51144.24	1.12

Data has been analysed using below mentioned financial techniques;

- Comparative Balance Sheet
- Trend analysis
- Ratio Analysis

Data Analysis And Interpretation:

Comparative Balance Sheet Of 2021-2022

Other Current Liabilities	38419.50	43083.51	1.12
Short Term Provisions	2998.68	3355.86	1.12
TOTAL CURRENT LIABILITIES	137408.01	159433.53	1.16
TOTAL CAPITAL AND LIABILITIES	311273.71	320048.92	103
ASSETS			
NON-CURRENT ASSETS			
Tangible Assets	17054.60	16530.47	0.97
Intangible Assets	19197.76	18729.37	0.98
Capital Work-In- Progress	388.37	1170.32	3.01
FIXED ASSETS	36752.75	36509.37	0.99
Non-Current Investments	8615.40	9810.86	1.14
Deferred Tax Assets [Net]	2697.00	2840.10	1.05
Long Term Loans And Advances	53114.33	46989.83	0.88
Other Non-Current Assets	7060.44	8240.59	1.17

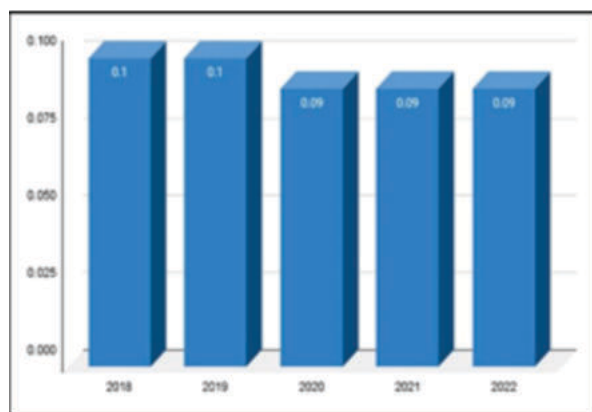
TOTAL NON- CURRENT ASSETS	116306.88	111867.75	0.96
CURRENT ASSETS			
Current Investments	31011.23	29792.51	0.96
Inventories	5820.54	5943.32	1.02
Trade Receivables	42229.78	46138.92	1.09
Cash And Cash Equivalents	16241.50	18953.17	1.17
Short Term Loans And Advances	42027.59	42549.54	1.01
Other Current assets	57636.19	64803.71	1.12
TOTAL CURRENT ASSETS	194966.83	208181.17	1.07
TOTAL ASSETS	311273.71	320048.92	1.03
Contingent Liability	21540.85	23020.82	1.07

Interpretation

The equity share capital increased marginally from Rs. 280.91 Cr to Rs.281.01 Cr, showing a growth of 1%. The total share capital decreased from Rs. 1,404.57 Cr to Rs.496.66 Cr, indicating a decrease of 0.35%. The reserves and surplus increased from Rs. 75,204.02Cr to Rs. 81,755.00 maintain a stable level of profitability from its sales. However, it is important to note that the Gross Profit Ratio alone may not provide a complete picture of a company's financial performance. It should be analyzed along with other financial ratios and factors such as operating expenses, net income, and market conditions to make a comprehensive assessment. Cr, showing a growth of 1.09%. The total shareholder funds increased from Rs. 76,992.19 Cr to Rs. 82,623.31 Cr, indicating a growth of 1.07%. The minority interest increased from Rs. 12,051.53 Cr to Rs. 12,966.07 Cr, showing a growth of 1.08%. The long-term borrowings decreased from Rs. 80,996.38 Cr to Rs. 61,402.66 Cr, indicating a decrease of 0.76%. The deferred tax liabilities (net) decreased from Rs.1,178.66 Cr to Rs. 1,039.33 Cr, showing a decrease of 0.88%. The other long-term liabilities decreased from Rs. 1,873.16 Cr to Rs. 1,766.25 Cr, indicating a decrease of 0.94%.

Gross Profit Ratio

Year	Gross profit (in Rs Cr.)	Net sales (in Rs Cr.)	Gross profit Ratio
2018	11516.16	118087.06	0.10
2019	13440.59	133342.20	0.10
2020	13430.95	144308.50	0.09
2021	12235.80	134476.75	0.09
2022	14410.73	155672.46	0.09



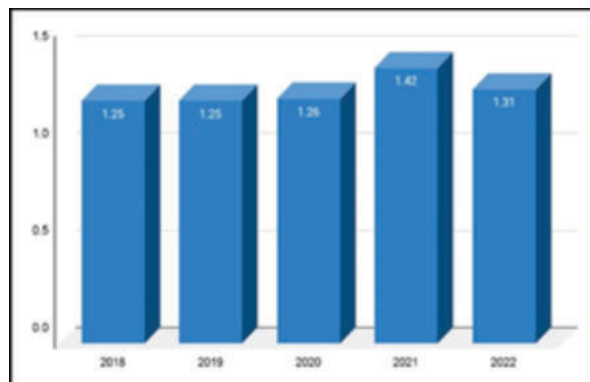
Interpretation Of Gross Profit

The Gross Profit Ratio is a financial ratio that helps to measure the efficiency of a company in generating profits from its sales. It is calculated by dividing the gross profit of the company by its net sales. In the case of L&T, the Gross Profit

Current Ratio

Year	Current asset (in Rs Cr.)	Current Liabilities (in Rs Cr.)	Current Ratio
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2018	136238.24	109273.22	1.25
2019	166791.44	133802.31	1.25
2020	18689.89	144729.21	1.26
2021	194966.83	137408.01	1.42
2022	208181.17	159433.53	1.31



Interpretation Of Current Ratio

The current ratio is a financial ratio that measures a company's ability to meet its short-term obligations or current liabilities with its current assets. Looking at the data provided, the current ratio of the company has been consistently above 1, indicating that the company has had more current assets than current liabilities in each year. In 2017-18 and 2018-19, the current ratio was 1.25, which means that for every \$1 of current liabilities, the company had \$1.25 of current assets to cover those liabilities. In 2019-20, the current ratio increased slightly to 1.26, indicating that the ratio has been relatively consistent over the past five years, ranging from 0.09 to 0.10. This suggests that the company has been able to maintain a stable level of profitability from its sales.

FINDINGS

- A current ratio of 1 or higher is generally considered a good indicator of a company's ability to meet its short-term obligations, while a current ratio below 1 may indicate financial difficulty in the near future.
- The Gross Profit Ratio has been relatively consistent over the past five years, ranging from 0.09 to 0.10. This suggests that the company has been able to maintain a stable level of profitability from its sales.

SUGGESTIONS

- An increase in the working capital turnover (WCT) ratio to 3.19 in 2021-22 indicates that the company has improved its efficiency in using its working capital to generate sales.
- A higher WCT ratio means that the company is generating more sales for each dollar of working capital invested.
- This could be due to better inventory management, which means that the company is holding less inventory, which frees up cash that can be invested in other areas of the business dollar of working capital invested.

CONCLUSION

- Based on the financial analysis presented above, Larsen & Toubro (L&T) appears to have a stable financial position with consistent operating margins and gross profit ratios.
- The net profit margin ratio has fluctuated over the years, but the company has earned a significant profit per share in recent years.
- The net profit ratio has also been consistently high, indicating that investors are willing to pay a premium for L&T's earnings.

REFERENCES

- Balakrishnan (2021) Business analysis and valuation: Using financial statements. South-Western College Pub.
- Pal (2018) Financial statement analysis. McGraw-Hill Education.