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Research Article

A Comprehensive Study of Financial Performance of Larsen & Toubro Limited Using Trend, Ratio, and Growth Approaches (2020–21 To 2024–25)

Raksana Devi V[1], Lishanthini T[2], Thayanithi S[3], Dr. TR. Kalai Lakshmi[4]

[1]MBA II Year, School of Management Studies, Sathyabama Institute of Science and Technology, 600 119

[2]M. Com II Year Student, School of Management Studies, Sathyabama Institute of Science and Technology, Chennai

[3]M. Com II Year Student, School of Management Studies, Sathyabama Institute of Science and Technology, Chennai 600 119

[4]Associate Professor, School of Management Studies, Sathyabama Institute of Science and Technology, Chennai 600 119

***Corresponding Author**

Raksana Devi V

(raksanadeviv@gmail.com)

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Abstract: This research paper aims to evaluate the financial performance of Larsen & Toubro Limited (L&T). Being an engineering firm, the company has faced numerous challenges due to the nature of its operations. The purpose of the research paper was to examine the profitability, liquidity, solvency, efficiency and growth of the company's financial performance and stability during the years 2020-21 to 2024-25. Information was obtained from the annual reports of the company using trend analysis, ratio analysis, and growth analysis. The company is experiencing steady growth in terms of revenues at a rate of 17% annually. Although there were slight fluctuations in the short-term cash flows, the company remains in excellent financial standing, given the significant reduction in debt, asset utilization efficiency, financial obligation coverage, and profitability.

Keywords: Financial Performance, Trend Analysis, Ratio Analysis, Growth Analysis, Larsen & Toubro, Infrastructure Sector, Solvency, Liquidity.

INTRODUCTION

The construction sector is a key contributor to the development progress of any country. Larsen & Toubro Limited (L&T) is one of the most reputable firms that undertakes large construction projects worldwide. This study was conducted to assess the overall financial condition of the company amid stiff competition. As construction projects demand enormous capital and costs need to be effectively controlled, generating continuous profits remains a difficult task for many organizations in the industry. Financial analysis will help assess how the organization performs in terms of profitability, liquidity, and other aspects of its operations.

ANALYTICAL FRAMEWORK OF THE STUDY

The financial condition and behaviour of Larsen & Toubro can be understood using a well-structured set of analytical tools. Trend Analysis helps observe important financial indicators and allows the analysis of long-term dynamics that affect the company. Ratio Analysis is equally necessary, as it analyses financial information to assess efficiency and profitability. Growth Analysis, on the other hand, helps evaluate the actual pace at which the company expands, based on Year-over-Year (YoY) growth and CAGR. These techniques combined help in the assessment of the performance and financial stability of Larsen & Toubro.

REVIEW OF LITERATURE

Shamreen Fathima A. and Dr. P. Raman (2025) carried out a comprehensive analysis of Larsen & Toubro's financial performance from 2019 to 2024 using DuPont analysis. Subsequently, Rohit Jain and Dr. S. Prasanna Kumar (2023) highlighted L&T's consistent growth in revenue generation and debt management between 2018 and 2022 due to India's booming infrastructure industry. K. Pavithra and S. Kirubadevi (2018) examined the short-term liquidity of Larsen &

Toubro by evaluating the company's cash flow statements between 2003 and 2016. On the other hand, Dr. G. Dhamodharan (2018) concentrated on the construction division of Larsen & Toubro and determined how effectively the company managed its profit, cash flows, and debt. Lastly, K. M. Mala and Dr. G. Anand Raghu (2017) examined how Larsen & Toubro performed against the larger Indian mining and construction equipment industry through simple financial ratios and trends. While previous studies considered specific periods or segments, this study attempts to adopt a broader perspective by using all three types of analyses trend analysis, ratio analysis, and growth analysis to provide an overall snapshot of L&T's financial position.

RESEARCH METHODOLOGY

The study utilizes the descriptive and analytical method of research to evaluate the financial performance of Larsen & Toubro Limited. The data used is secondary in nature and is sourced from the annual reports published by the company itself. Particularly, the study makes use of the Statement of Profit and Loss and Balance Sheet for five consecutive years starting from 2020-21 to 2024-25. The financial data was subjected to trend analysis, calculation of financial ratios including profitability, liquidity, solvency, and efficiency ratios, as well as growth rate calculations including Year-on-Year (YoY) and Compound Annual Growth Rate (CAGR).

DATA ANALYSIS AND INTERPRETATION

Table 1: Income and Profitability Trends (2020–21 to 2024–25)

Year	Revenue (₹ Cr)	EBIT (₹ Cr)	PAT (₹ Cr)	EPS (₹)
2020–21	135979.03	12235.80	12921.28	82.49
2021–22	156521.23	14410.73	10419.24	61.71
2022–23	183340.70	16973.04	12530.62	74.51
2023–24	221112.91	20423.50	15547.1	93.96
2024–25	255734.45	23104.01	17673.33	109.36

Source: Computed from L&T Annual Reports

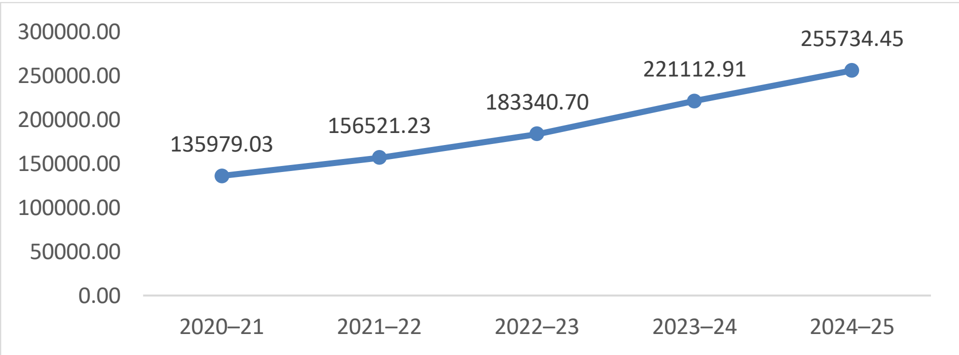

Chart 1: Revenue Trend

Data Interpretation and findings:

There has been a consistent rise in revenues generated by L&T from Rs 1,35,979.03 Cr in 2020-21 to Rs 2,55,734.45 Cr in 2024-25. Apart from this, the company has witnessed consistent gains in operating profits/EPS during the same period. Even though the firm has witnessed a massive fall in its net profits or PAT and EPS by 19% and 25%, respectively, during the year 2021-22, an impressive recovery in both the measures has been observed in the coming periods. The most significant point is that the highest level of net profits and EPS was seen in 2024-25.

Table 2: Profitability Ratios (2020–21 to 2024–25)

Year	Operating Profit Margin (%)	Net Profit Margin (%)	Return on Capital Employed (%)
2020–21	9.00	9.50	7.04
2021–22	9.21	6.66	8.97
2022–23	9.26	6.83	10.09
2023–24	9.24	7.03	12.53
2024–25	9.03	6.91	13.01

Source: Computed from L&T Annual Reports

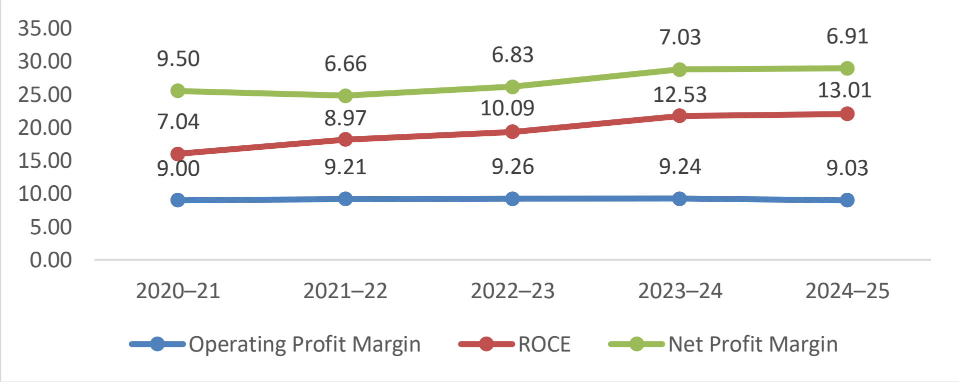

Chart 2: Comparative Trend of Profitability Ratios

DATA INTERPRETATION AND FINDINGS:

The company kept its operating profit margin very stable, staying between 9.00% and 9.26% over the five years. Even though its net profit margin dropped from 9.50% in the first year, it successfully stabilized near 7.0% later on. This shows the company has good control over its overall expenses even as it grows. The best sign of profitability is the Return on Capital Employed (ROCE), which steadily grew from 7.04% to 13.01%. This continuous rise means the company is becoming much more efficient at generating returns from the money invested in it.

Table 3: Liquidity Ratios (2020–21 to 2024–25)

Year	Current Ratio	Quick Ratio
2020–21	1.38	1.33
2021–22	1.30	1.26
2022–23	1.36	1.32
2023–24	1.23	1.19
2024–25	1.21	1.18

Source: Computed from L&T Annual Reports

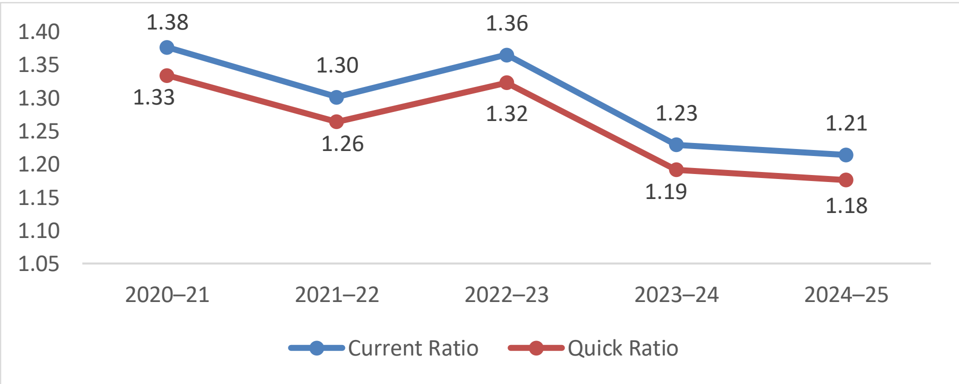

Chart 3: Comparative Trend of Liquidity Ratios

Data Interpretation and findings:

During the five-year period from 2020 to 2025, the company's liquidity position slightly weakened in the short term due to declining trends in both the current ratio and the quick ratio. This is a slight reduction in the liquidity of the business. However, the ratios have been above 1.0 throughout the period. It means that the company maintained a sufficient liquidity position to service its short-term liabilities. The continued ratios above the average benchmark also indicate an absence of liquidity problems.

Table 4: Solvency Ratios (2020–21 to 2024–25)

Year	Debt–Equity Ratio	Interest Coverage Ratio
2020–21	1.77	1.05
2021–22	1.52	1.59
2022–23	1.35	1.84
2023–24	1.35	2.21
2024–25	1.36	2.40

Source: Computed from L&T Annual Reports

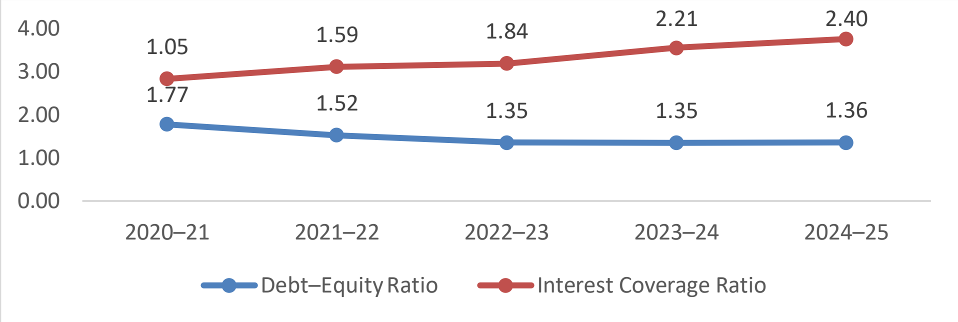

Chart 4: Comparative Trend of Solvency Ratios

Data Interpretation and findings:

The financial performance of the business noticeably improved over the five-year period. For instance, the debt-equity ratio went down from 1.77 to 1.36, which indicates that the firm now depends less on external funds. Moreover, the interest coverage ratio increased twice during the given period, thus indicating an improved ability to finance its interest expenses. Therefore, the financial situation has improved due to reduced leverage and lower financial risk.

Table 5: Year-on-Year (YoY) Growth (%)

Year	Revenue (%)	EBIT (%)	PAT (%)	EPS (%)
2021–22	15.11	17.78	-19.36	-25.19
2022–23	17.13	17.78	20.26	20.74
2023–24	20.60	20.33	24.07	26.10
2024–25	15.66	13.12	13.68	16.39

Source: Computed from L&T Annual Reports

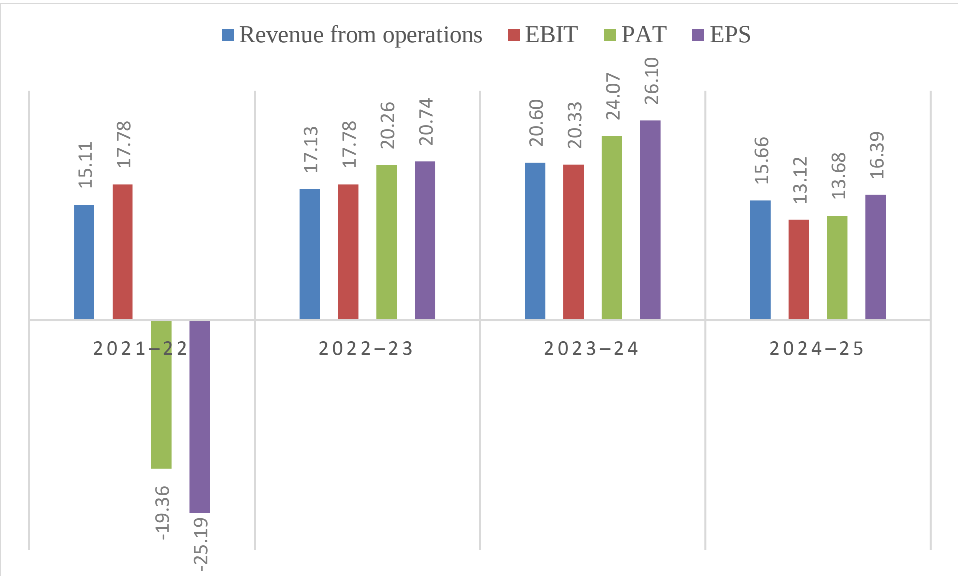

Chart 5: Year-on-Year Growth (%)

Data Interpretation and findings:

Based on the year-to-year analysis, the company's performance is promising despite a few challenges. Revenue grew consistently, increasing by 15.11% in 2021–22, reaching a peak of 20.60% in 2023–24, and then declining to 15.66% in 2024–25, which demonstrates an overall expansion in the company's scale. A similar trend was observed in EBIT growth, which remained stable initially, rose to a maximum of 20.33% in 2023–24, and then declined by the end of 2024–25, indicating some pressure on business operations. With regard to the company's profit and earnings per share, both showed a steady increase from 2021–22, reached their highest levels in 2023–24, and then declined slightly in 2024–25.

Table 6: Compound Annual Growth Rate (CAGR) (2020–21 to 2024–25)

Year	Beginning Year Value	Ending Year Value	CAGR (%)
Revenue	135979.03	255734.45	17.11
EBIT	12235.80	23104.01	17.22

PAT	12921.28	17673.33	8.14
EPS	82.49	109.36	7.30

Source: Computed from L&T Annual Reports

Data Interpretation and findings:

From the period 2020–21 to 2024–25, there is a trend of steady momentum in the company's finances, with revenue and EBIT increasing at nearly the same rate of roughly 17% per annum. This implies that the company is experiencing operational and financial expansion along with improved efficiency. On the other hand, PAT and EPS have been growing more slowly, at annual averages of 8.14% and 7.30%. The difference in growth rates indicates that the company has not been able to sustain its net profitability and shareholder value in line with its revenue and EBIT growth. The company experienced a positive growth trend during the five-year period based on its financial performance. However, there is still room for improvement, particularly in net profitability and shareholder value creation.

CONCLUSION

Based on the analysis, it is evident that Larsen & Toubro Limited exhibited consistent financial performance during the span of five years. The primary reason for this growth has been attributed to a high annual growth rate of 17.11% and quick bounce back of the firm from the losses recorded in the year 2021. Although the liquidity position weakened briefly, there was an improvement in financial leverage and solvency, with dependence on debt reduced and an improved ability to cover interest expenses. The increase in the bottom line is not due to higher profit margins but rather due to better asset utilization and capital management.

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