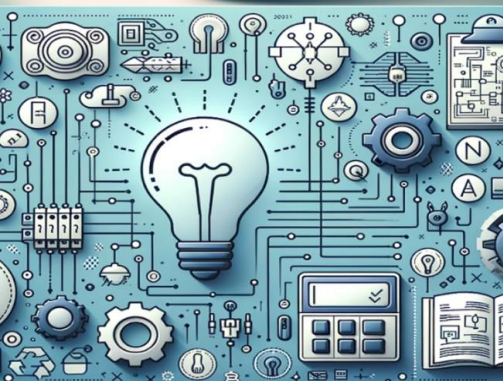




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A Study on Financial Statement Analysis of Larsen & Toubro (L&T) Ltd., Coimbatore

Karuppasamy M, R. Shivani

II MBA, Karpagam College of Engineering, Coimbatore, India

Assistant Professor, School of Management Studies, Karpagam College of Engineering, Coimbatore, India

ABSTRACT: Finance is defined as the management of money and includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting. Finance, the process of raising funds or capital for any kind of expenditure. Consumers, business firms, and governments often do not have the funds available to make expenditures, pay their debts, or complete other transactions and must borrow or sell equity to obtain the money they need to conduct their operations. The objective of the study is to analyse the financial statement analysis of Larsen & Toubro (L&T) Ltd, Coimbatore. The sample period of the study is during from 2019-20 to 2023-24. Analytical research design, convenience sampling method has been used. Financial statement of the company has been used as secondary data. Ratio analysis, common size balance sheet and comparative balance sheet have been applied as statistical tool to reach the findings of the study. It is found that Debtors turnover ratio was has decreased to 15.28 and 6.96 in the year of 2020-21 and 2022-23 respectively. It is suggested that the net profit must be improved by the management. The firm must look up the sales to generate the revenue. The higher the net profit ratio will lead to long survive in the business. It is concluded that the main objective of the present study is to identify the individual ratios which are affecting the assets and liability of the concern.

KEYWORDS: Financial Statement, profitability Analysis, Cash flow, financial performance.

I. INTRODUCTION

Financial statements provide a snapshot of a corporation's financial health at a particular point in time, giving insight into its performance, operations, cash flow, and overall conditions. Shareholders need financial statements to make informed decisions about their equity investments, especially when it comes time to vote on corporate matters.

Financial statements are the financial records that show a company's business activity and financial performance. Companies are required to report their financial statements on a quarterly and annual basis by the U.S. Securities and Exchange Commission (SEC). The SEC monitors the markets and companies to ensure that everyone is playing by the same rules and that markets function efficiently. There are specific guidelines that are required by the SEC when issuing financial reports so that investors can analyze and compare one company with another easily. Financial statements provide a picture of the performance, financial position, and cash flows of a business. These documents are used by the investment community, lenders, creditors, and management to evaluate an entity.

II. STATEMENT OF THE PROBLEM

Financial statement analysis plays a crucial role in assessing a company's financial health, yet many organizations face challenges due to inaccurate data interpretation, lack of proper financial ratios, and failure to identify trends. Poor analysis can lead to misguided decision-making, affecting profitability, liquidity, and overall stability. Inefficiencies in this process may result in misallocation of resources, inaccurate forecasting, and failure to detect financial risks on time. This can weaken investor confidence, impact creditworthiness, and hinder business growth. Limited knowledge of financial indicators and improper comparison with industry benchmarks further contribute to ineffective analysis. Without proper evaluation, companies may struggle with cash flow management and strategic planning. Addressing these issues can improve financial transparency, helping businesses make informed decisions. Effective financial statement analysis enhances operational efficiency, strengthens financial control, and supports long-term sustainability.



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This study helps in identifying challenges and providing insights to improve financial analysis practices. Enhancing this process allows organizations to optimize financial performance and achieve stability in a competitive market.

Objectives of The Study

- To ascertain the short term solvency of the business concern.
- To analyze the financial performance of the company by using various financial ratios.
- To measure the effective utilization of the company.
- To examine the long term solvency position of the business concern.
- To analyse and ascertain the operating efficiency of the business concern.
- To analyse the present financial positions as well as the future.

II. REVIEW OF LITERATURE

Noels, S., Vandermarliere, B., Bastiaensen, K., & De Bie, T. (2021) Noels and colleagues introduced an Earth Mover's Distance-based graph distance metric to quantify similarities between companies' financial statements. The study aimed to develop a method for computing the similarity between financial statements of different companies. The researchers applied their metric to real-world financial data, demonstrating its usefulness in various applications. The findings indicated that this method could assist investors in identifying investment opportunities, aid government officials in detecting fraudulent companies, and help accountants benchmark groups of companies. The study concluded that the proposed distance metric offers a promising tool for analyzing financial statements.

Ravula, S. (2021). explored the application of text analysis in financial disclosures to extract valuable information about a firm's health. The study aimed to review previous work in unstructured data analysis in finance and accounting, focusing on computational linguistics and natural language processing methods. The research involved a comprehensive literature review of existing methodologies. Ravula found that traditional quantitative techniques have limitations and that analyzing unstructured text can provide deeper insights. The study revealed that current methods often focus on sentiment metrics, suggesting a need for broader research areas. Ravula concluded that future studies should explore diverse approaches in text analysis to enhance financial disclosure analysis.

III. RESEARCH METHODOLOGY

A study on financial statement analysis of Larsen & Toubro (L&T) Ltd., Coimbatore. is the study area of this study. In this study, the sample period of the study is during from 2019-20 to 2023-24. Analytical research design and convenience sampling method has been used. Financial statement of the company has been used as secondary data. Ratio analysis has been applied as statistical tool to reach the findings of the study.

IV. DATA ANALYSIS AND INTERPRETATION

Interpretation

TABLE NO: 4.1			
CASH RATIO			
Year	Cash	Current Liabilities	Ratio
2019-2020	38.07	48.65	0.78
2020-2021	45.15	50.13	0.90
2021-2022	27.36	56.36	0.49
2022-2023	12.82	66.91	0.19
2023-2024	57.10	64.79	0.88

Source : Annual report



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TABLE NO: 4.2

CASH TO CURRENT ASSETS RATIO

Year	Cash	Current assets	Ratio
2019-2020	38.07	73.66	0.52
2020-2021	45.15	90.05	0.50
2021-2022	27.36	96.53	0.28
2022-2023	12.82	133.05	0.10
2023-2024	57.10	147.37	0.39

Source : Annual report

Interpretation

From the above table conveys that Cash to current assets ratio was 0.52 in the year of 2019-2020. It has decreased to 0.52 in the year of 2020-2021. It has increased to 0.80 and 0.86 in the year of 2021-2022 and 2022-2023 respectively. It has decreased to 0.82 in the year of 2023-2024.

TABLE NO: 4.3

RETAINED EARNING RATIO

Year	Retained earnings	Net profit after tax	Ratio
2019-2020	63.10	25.92	243.44
2020-2021	83.27	29.79	279.52
2021-2022	109.86	40.57	270.79
2022-2023	143.40	47.40	302.53
2023-2024	169.49	37.32	454.15

Source : Annual report



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Interpretation

From the above table conveys that Retained earning ratio was 243.44 in the year of 2019-2020. It has increased to 279.52 in the year of 2020-2021. It has decreased to 270.79 in the year 2021-2022 respectively. It has increased to 302.53 and 454.15 in the year of 2022-2023 and 2023-2024.

TABLE NO: 4.4		
TREND PERCENTAGE OF DEBTORS		
Year	Debtors	Trend
2019-2020	253500	100
2020-2021	267500	106
2021-2022	339250	134
2022-2023	1326130	523
2023-2024	555168.95	219

Source : Annual report

Interpretation

From the above table conveys Trend percentage of debtors ratio was 100 in the year of 2019-2020. It has increased to 106 and 134 in the year of 2020-2021 and 2021-2022. It has further increased to 523 in the year of 2022-2023 respectively. It has decreased 219 in the year of 2023-2024.

V. SUGGESTIONS

- The average inventory has ups and down for the consecutive five years. The needed inventory level must be maintained by the production manager.
- The credit sales must be reduced one up to certain limit. There must be strict credit policy but not to affect sales volume and lots of customers.
- The average collection period must be reduced and monitored by concerned authority. The days must be reduced and speed up the collection amount.
- It should increase sales volume as well as gross profit, further it can improve if the company concentrates on its operating, Administrative and selling expenses and by reducing expenses.

VI. CONCLUSION

The main objective of the present study is to identify the individual ratios which are affecting the assets and liability of the concern. The return on assets and payable against liability must be enabling to the concern. The concern's return on assets is moderate one. It has to keep monitor on current assets and fixed assets in order to get fair return. The concern's payable against liability is also comfortable to the concern. It should keep monitor in the forthcoming years on current liability and long term liabilities. Capital turnover ratio of the company was satisfactory. The cash ratio has not been maintained according to the standard, the cash has been maintained less than the standard which indicates that company should maintain more cash balance. The net profit has been maintained in the increasing rate which shows that the company has performing well during the study period. From the study it is clear that the company looks forward to generate a more favorable service in the near future.

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