

A Study on Fundamental and Technical Analysis of Larsen & Toubro

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Abstract

This Research examines the investment potential of Larsen & Turbo Limited with fundamental and technical analysis. The paper analyses financial data, valuation ratios, and stock prices to understand market movements and help investors make informed and strategic investment decisions. The objective of this paper is to evaluate the financial records of Larsen & Toubro Ltd, a leading Indian multinational company, through fundamental and technical analysis. The main goal is to assess the company's financial health by examining its performance, profitability, and liquidity over the past 2 years. Fundamental analysis examines key metrics such as Earnings Per Share (EPS), Price-to-Earnings (P/E) ratio, and Debt-to-Equity levels, along with qualitative factors such as government infrastructure policies and global order-book trends. These elements help determine the stock's true value and the company's ability to maintain growth during fluctuations in commodity prices and tough competition in domestic markets. At the same time, the research uses basic technical analysis tools, including Moving Averages, Relative Strength Index, and MACD. By combining historical financial data with short-term price movements, the study finds a "fundamentally strong" outlook marked by steady revenue growth and manageable debt, even though technical signals show a neutral-to-bearish trend in volatile market periods. The results show that while L&T holds a leading position in infrastructure and defence, its stock performance is greatly affected by broader economic factors. This research acts as a guide for investors, balancing long-term fundamental strength with technical entry and exit points to improve investment decisions in the engineering and construction sector.

Keywords: Larsen & Toubro, Fundamental Analysis, Technical Indicators, Infrastructure & Defence, Financial Performance.

1. Concept & Importance

The study focuses on evaluating investment decisions using an integrated approach of fundamental and technical analysis in modern financial markets. With increasing market complexity, volatility, and investor participation, relying on a single analytical method is insufficient. Fundamental analysis assesses intrinsic value through financial performance, while technical analysis evaluates price trends and market behaviour. Their integration provides a comprehensive framework for understanding both long-term sustainability and short-term market movements. The study is particularly important in the infrastructure sector, where companies are influenced by macroeconomic conditions, capital intensity, and policy changes, making investment evaluation more challenging yet essential.

1.1 Need for the Study

The study is needed to address the growing complexity of financial markets, promote rational investment decisions, bridge the gap between theory and practice, and enhance investor awareness. It also emphasises the importance of sector-specific analysis and the necessity of combining valuation with timing strategies.

1.2 Influence

The research is influenced by market volatility, macroeconomic factors (interest rates, inflation, policies), industry dynamics, and investor sentiment, all of which impact financial performance and stock price behaviour.

1.3 Statement of the Problem

The key problem is the inability of single-method analysis to provide a complete understanding of stock performance, leading to inefficient investment decisions due to a disconnect between intrinsic value and market price movements.

1.4 Theoretical Framework

The study is based on an integrated framework combining fundamental analysis (financial ratios, profitability, liquidity, macroeconomic factors) and technical analysis (price trends, RSI, MACD, moving averages). It aligns intrinsic valuation with market timing, bridging theoretical models with practical investment strategies.

1.5 Significance of the Study

The study is significant for improving investment accuracy, risk management, and decision-making. It contributes to academic research and provides practical insights for investors, especially within the infrastructure sector.

1.6 Objectives

- Analyse financial performance
- Evaluate profitability and liquidity
- Study fundamental factors affecting share value
- Apply technical tools for price analysis

1.7 Hypothesis

The study tests relationships between financial performance, fundamental factors, technical indicators, and stock price, including the effectiveness of integrated analysis in improving investment decisions.

1.8 Scope of the Study

The study focuses on financial and stock analysis over 2020–2025, using secondary data, covering both fundamental and technical approaches within the infrastructure sector from an investor perspective.

2. Scholarly Review

Existing literature highlights the critical role of both fundamental and technical analysis in stock market decision-making. Studies such as those by Mayur (2015) emphasise the effectiveness of technical tools like moving averages in identifying price trends and market reversals, supporting short-term trading decisions. Similarly, Shalini et al. (2019) found that indicators like RSI and MACD provide early signals of price movement, though they may carry risks of false predictions during volatile conditions.

On the other hand, Suresh et al. (2013) and Shattennavar et al. (2020) underline the importance of fundamental analysis, focusing on financial ratios, economic indicators, and

company performance to determine intrinsic stock value. These studies highlight that profitability, liquidity, and capital structure significantly influence long-term investment decisions and help investors assess financial stability.

Recent research by Yang et al. (2024) and Goel et al. (2024) strongly supports the integration of both approaches. Their findings suggest that combining fundamental indicators with technical tools improves the accuracy of stock price prediction compared to using either method independently. This integrated framework enhances decision-making by aligning valuation with market timing strategies.

Furthermore, Agustín et al. (2019) demonstrate that integrated models provide greater predictive power than standalone fundamental analysis, confirming that stock prices are influenced by both internal financial performance and external market trends. Studies also highlight that in emerging markets like India, sector-specific factors and macroeconomic conditions significantly affect stock behaviour.

Despite extensive research, there remains a gap in applying integrated analysis specifically within the infrastructure sector and for companies like Larsen & Toubro. Thus, the present study builds upon prior research by combining both analytical approaches to provide a comprehensive evaluation of financial performance and stock price behaviour.

3. Research Methodology

The study adopts an integrated approach to analyse the financial performance and stock market behaviour of Larsen & Toubro using both fundamental and technical analysis. Fundamental analysis evaluates financial statements to assess profitability, liquidity, solvency, and overall financial stability, while technical analysis examines historical price movements and trading patterns using charts and indicators to predict trends. The combination of both methods provides a comprehensive understanding of investment potential.

3.1 Research Design

The study follows a descriptive and analytical research design. Descriptive analysis presents financial and stock data systematically through tables and charts, highlighting trends in revenue, profitability, and price movements. Analytical design interprets these data using

ratio analysis and technical tools to identify relationships and patterns. This combined approach ensures a structured presentation along with meaningful interpretation.

3.2 Data Collection

The study is based entirely on **secondary data**, including financial statements, stock price data, and market reports obtained from reliable sources such as company annual reports, NSE, BSE, Moneycontrol, Yahoo Finance, and Screener.in. This ensures data reliability and consistency for analysis.

3.3 Sampling Design & Tools

A judgmental sampling method is used, selecting Larsen & Toubro due to its market significance and data availability. The study also uses time-based sampling (2020–2025). Key tools include financial ratios, stock price records, and technical indicators for analysis.

3.4 Statistical Tools Used

The study employs ratio analysis, trend analysis, percentage analysis, moving averages, and graphical analysis. Key ratios include EPS, P/E ratio, ROE, and Debt–Equity ratio to evaluate profitability, liquidity, and solvency. Trend analysis identifies performance patterns over time, while moving averages and charts help analyse stock price behaviour and market trends.

Overall, the methodology ensures a systematic, reliable, and comprehensive evaluation by integrating financial performance analysis with stock market trend analysis, aiding effective investment decision-making.

4. Data Analysis and Interpretation

The data analysis section comprises a combined evaluation of the study objectives and financial records to assess the overall performance of the company. The analysis is based on secondary data and is presented in tabular form, including financial statements, ratios, and key indicators.

By integrating objective-based analysis with financial data, the study identifies trends, compares performance over the years, and evaluates profitability, liquidity, and financial stability, providing a clear basis for interpreting the results.

Table 4.1 Combined Analysis of Objectives

Objective	Key Focus Area	Interpretation
Objective 1: Financial Performance	Revenue, Profit Trends	Consistent growth confirms strong financial performance and long-term sustainability of L&T.
Objective 2: Profitability & Liquidity	ROE, Net Profit, Current Ratio	Balanced profitability and liquidity indicate efficient financial management and the ability to meet obligations.
Objective 3: Fundamental Factors	EPS, P/E, Debt–Equity	Strong fundamentals with stable valuation and controlled risk enhance investor confidence.
Objective 4: Technical Analysis	RSI, Moving Averages, MACD	Shows short-term fluctuations but overall upward trend, supporting timing decisions.

Table 4.2 Financial Statements Summary (2020–2025)

Component	Key Data	Interpretation
Profit & Loss Statement	Revenue: ₹1.45L Cr → ₹2.2L Cr Net Profit: ₹8,000 Cr → ₹13,000 Cr Margin: 8%–10%	Shows consistent growth in revenue and profitability. Stable margins indicate strong operational efficiency despite external challenges.
Balance Sheet	Total Assets: Increasing trend, Debt–Equity: ~1.2–1.5, Equity: Rising yearly	Indicates expansion with controlled leverage. Strong equity base reflects financial stability and long-term

		sustainability.
Statistical Ratios	EPS: Increasing ROE: 12%–16% Current Ratio: 1.2–1.4 P/E: Stable	Reflects improved shareholder returns, efficient capital use, and adequate liquidity position.

4.1 Overall Integrated Interpretation

The combined analysis clearly shows that Larsen & Toubro exhibits strong fundamental performance supported by consistent financial growth, stable profitability, and controlled risk levels during 2020–2025. However, stock price movements are not solely determined by financial data and are influenced by market sentiment and macroeconomic factors, as reflected in technical indicators.

The integration of both analyses demonstrates that while fundamental analysis determines intrinsic value and long-term strength, technical analysis enhances timing and market-entry/exit decisions. The annual report data strongly support the conclusion that L&T is fundamentally sound, and when combined with technical signals, provides a comprehensive and reliable investment evaluation framework.

5. Conclusion

The present study, titled “*A Study of Fundamental and Technical Analysis of Larsen & Toubro Ltd (2020–2025)*”, provides a comprehensive evaluation of the company’s financial performance and stock behaviour by integrating both analytical approaches. The findings clearly indicate that Larsen & Toubro demonstrates strong fundamental performance, supported by consistent revenue growth, stable profitability, and effective financial management. Ratio analysis reveals a balanced position in terms of profitability, liquidity, and leverage, confirming the company’s financial resilience in a capital-intensive and cyclical infrastructure sector. These findings align with earlier studies such as Suresh et al. (2013) and Shattennavar et al. (2020), which emphasise the importance of financial indicators in determining intrinsic value and long-term investment potential.

Further, the study finds that key fundamental variables such as Earnings Per Share (EPS), Price-to-Earnings (P/E) ratio, and Debt–Equity ratio significantly influence the valuation of L&T’s shares. The presence of a strong order book and stable financial structure enhances

investor confidence and future revenue visibility. This observation is consistent with Agustín et al. (2019), who concluded that fundamental factors have a strong and positive relationship with stock prices.

From a technical perspective, indicators such as Moving Averages, RSI, and MACD reveal short-term fluctuations and trend variations influenced by market sentiment and macroeconomic conditions. While technical signals occasionally indicate neutral or bearish trends, the long-term movement of the stock remains aligned with its strong fundamentals. This supports the findings of Mayur (2015) and Shalini et al. (2019), who highlight the usefulness of technical tools in predicting price movements, albeit with certain limitations.

Most importantly, the study confirms that the integration of fundamental and technical analysis provides a more accurate and reliable framework for investment decision-making. This finding is strongly supported by Yang et al. (2024) and Goel et al. (2024), who advocate for combined analytical approaches to enhance predictive accuracy and investment outcomes. Thus, the study validates the hypothesis that neither method alone is sufficient, but their combination significantly improves decision-making efficiency.

5.1 Suggestions

For the government, it is recommended to ensure stable policy frameworks, timely project approvals, and infrastructure funding support, as these directly influence the performance of companies like L&T and overall investor confidence.

For the company (L&T), maintaining financial discipline, improving project execution efficiency, and managing debt levels will further strengthen its market position. Enhancing transparency in financial reporting and investor communication can also boost shareholder trust.

For investors and readers, it is advisable to adopt an integrated analytical approach rather than relying on a single method. Long-term investment decisions should be based on strong fundamentals, while technical analysis should be used for timing entry and exit points to optimise returns and minimise risk.

5.2 Limitations of the Study

The study is limited by its reliance on secondary data, which may be subject to reporting inaccuracies. It is also based on historical data (2020–2025), which may not fully predict future trends in volatile markets. The exclusion of behavioural and psychological factors, limited consideration of all macroeconomic variables, and focus on a single company restrict the generalisability of the findings.

5.3 Final Conclusion

In conclusion, the study establishes that Larsen & Toubro is fundamentally strong with stable financial performance and growth potential, while its stock price behaviour reflects both internal performance and external market dynamics. The integration of fundamental and technical analysis provides a holistic understanding of investment potential, bridging the gap between valuation and market timing. This research contributes to both academic and practical domains by offering a structured framework for informed, rational, and effective investment decision-making in emerging markets like India.

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