Profit or cash?

Name: _____ Class: _____ Date: _____

Profit is what a company earned on paper during the year. Cash is the money that actually came in and went out. This lesson shows why the two are rarely the same.

Ground rule: In this lesson there is no winner. We explain differences; we don't rank companies or say which is better to own.

What to do

1. Guess whether ITC's cash from its business in FY26 was higher, lower or the same as its profit.
2. Read how the made-up stationery shop turns profit into cash.
3. Read ITC's and Eternal's numbers below, then answer the questions.
4. Every number you need is on this page. The filings are linked if you want to see them.

Part A. Your guess

ITC made ₹20,689 crore of profit in FY26 (April 2025 to March 2026).

1. Do you think the cash that came in from ITC's business was higher, lower or the same? Why?

_____

_____

Part B. From profit to cash

A made-up school stationery shop made ₹20,000 of profit. Depreciation on its photocopier was ₹5,000. Its stock of notebooks rose by ₹15,000. It paid ₹12,000 for a new photocopier.

1. Start with profit and add back depreciation. What do you get?

_____

2. Now take away the rise in stock. How much cash came in from operations?

_____

3. Take away the new photocopier (capex). What is the shop's free cash flow?

_____

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Part C. ITC

ITC, FY26: profit ₹20,689 crore; cash from operating activities ₹18,464 crore; capex ₹2,183 crore; free cash flow ₹16,281 crore; dividends paid ₹18,271 crore.

1. Which is larger, profit or cash from operating activities? By how much?

2. Check free cash flow: cash from operating activities minus capex. Does your answer match?

3. ITC paid more in dividends than its free cash flow. Name one place that extra cash could come from.

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Work in pairs. Every pair reports one answer to the class.

Name: _____ Class: _____ Date: _____

Part D. Eternal

Eternal, FY26: profit ₹366 crore; cash from operating activities ₹632 crore; capex ₹1,751 crore; free cash flow −₹1,119 crore. Inventory rose from ₹176 crore to ₹2,181 crore.

1. Which is larger, profit or cash from operating activities?

2. Since the first quarter of FY26, Blinkit has owned most of the goods it sells. How does that explain the rise in inventory?

3. Why is Eternal's free cash flow below zero?

Part E. Compare without ranking

For every ₹100 of profit, ITC brought in ₹89.2 of cash from operating activities, and Eternal brought in ₹172.7.

1. Give one business reason for the difference between the two companies.

2. Which page of each annual report would you read next to check your reason?

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Exit ticket

1. In your own words, what does cash from operating activities show?

2. Give one reason profit and cash can differ.

3. What is free cash flow, and what can make it negative?

Word bank

Profit	What is left after all costs and tax for the year, counted when income is earned and costs are used.
Cash from operating activities	Cash that came in from running the main business, after paying suppliers, staff and tax.
Capex	Capital spending: money paid for long-lasting assets such as factories, stores, machines and software.
Free cash flow	Cash from operating activities minus capex: the cash left after running the business and paying for new assets.
Inventory	Goods a company has bought or made but not yet sold, also called stock.
Depreciation	The share of an asset's cost counted as a cost each year. It uses no cash in that year.

Sentence starters

- ___'s cash from operating activities was higher than its profit because ___.
- Profit and cash differ when ___.
- Free cash flow was below zero because the company ___.

student page

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