Owned or borrowed funds? Why companies borrow

Name: Class: Date:

Companies pay for what they need with owners' funds (money from shareholders and kept profits) and borrowed funds (money they must repay). This lesson shows why five Indian companies chose different mixes.

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 why HUL had no borrowings while NTPC owed a lot.
2. Read how the made-up school canteen pays for its kitchen and its stock.
3. Read the five companies below and match each one to a reason for borrowing.
4. Work out the borrowed share of total funds for NTPC and Britannia.
5. Every number you need is on this page. The filings are linked if you want to see them.

Part A. Your guess

HUL had ₹0 crore of borrowings on 31 Mar 2026. NTPC owed ₹2,75,634 crore on 30 Sep 2026.

1. Why might one large company borrow a lot and another not at all? Write one guess.

Part B. A made-up school canteen

The owners put in ₹2 lakh. A bank lends ₹3 lakh for a new kitchen. A supplier gives 30 days to pay for ₹40,000 of stock.

1. Which money is owners' funds and which is borrowed funds?
2. Is the kitchen fixed capital or working capital? And the stock?
3. Count the bank loan only. Work out the borrowed share of total funds: bank loan ÷ (bank loan + owners' funds) × 100.

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Part C. Match the cards

Match each company card to one reason label. Write the fact from the card that decided it.

1. HUL: reason ___ because ___

2. NTPC: reason ___ because ___

3. JSW Energy: reason ___ because ___

4. Britannia: reason ___ because ___

5. Airtel: reason ___ because ___

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Work in pairs. Use the numbers on the student page.

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Part D. Do the maths

NTPC on 30 Sep 2026: borrowings ₹2,75,634 crore, equity ₹2,13,471 crore. Britannia on 30 Sep 2026: borrowings ₹2,595 crore, equity ₹4,249 crore.

1. NTPC: borrowings ÷ (borrowings + equity) × 100 = ___%

2. Britannia: borrowings ÷ (borrowings + equity) × 100 = ___%

3. HUL had no borrowings. What is its borrowed share?

Part E. What decides the mix?

CARE expects NTPC's regulated new capacity to be funded 70:30 debt to equity. JSW Energy raised ₹10,125 crore from new shares and share warrants as well as borrowing.

1. Name one factor affecting capital structure that these facts show, and explain it in one sentence.

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Exit ticket

1. In your own words, what is the difference between owners' funds and borrowed funds?

2. Give one reason a company borrows, with one company as the example.

3. Is money borrowed to build a power station fixed capital or working capital? Why?

Word bank

Owners' funds	Money from shareholders and profits kept in the business. It does not have to be repaid.
Borrowed funds	Money a company must repay, usually with interest: bank loans, bonds and debentures.
Capital structure	The mix of owners' funds and borrowed funds a company uses.
Fixed capital	Money tied up in long-lasting assets such as plants, machines and buildings.
Working capital	Money needed for day-to-day running: stock, money owed by customers and bills due soon.
Equity	What belongs to the shareholders on the balance sheet: share capital plus reserves.

Sentence starters

- ___ borrows because it needs to ___ (fact: ___).
- ___'s borrowed share of total funds was ___ on ___.
- One factor behind ___'s capital structure is ___ because ___.

student page

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