Net debt and the debt-equity ratio

Net debt and the debt-equity ratio is a free 40-minute lesson for Class 12 Accountancy on solvency ratios. Students work out net debt and the debt-equity ratio for four Indian companies, two ways, from balance sheets filed with NSE and BSE.

5-minute prep

- Print one worksheet per student, or plan to show the student page (cityfort.in/class/debt-equity) on the projector.
- Read the ground rule aloud before pairs start: we explain differences, we don't rank companies.
- Skim the background on the two versions of the ratio and on which cash counts.
- Optional: open NTPC's Q2 FY27 filing at PDF page 13 to show a real statement of assets and liabilities.

Class	Senior secondary, Class 11–12 (Commerce)
Time	One 40-minute period. Part E (six months later) can be set as homework.
Edition	2026–27 first edition v1.0
Lesson page	cityfort.in/teachers/debt-cash-and-staying-power/net-debt-and-debt-equity

Objective

Students can find borrowings, cash and equity on a real balance sheet, work out net debt and the debt-equity ratio with the date, and explain why two versions of the ratio give different answers.

CBSE units the lesson supports

- Accountancy (055), Class XII, Part B: Analysis of Financial Statements (CBSE Accountancy (055))
- Financial Markets Management (805), Class XII, Unit 4: Financial Statement Analysis (CBSE Financial Markets Management (805)), in part

For learning only. Cityfort is not a SEBI-registered adviser and does not recommend buying or selling any security. Prices shown are dated and may be out of date.

Timing

Minutes	Step	What happens
0–4	**Hook**	Ask: "On 31 Mar 2026, was HUL's debt bigger than its cash?" Reveal ₹0 crore of borrowings and ₹7,495 crore of cash. Then show NTPC's ₹2,75,634 crore of borrowings on 30 Sep 2026.
4–11	**Three words and one ratio**	Use the made-up stationery company in Part B: borrowings ₹50 lakh (₹30 lakh long-term), cash ₹20 lakh, shareholders' funds ₹60 lakh. Net debt is ₹30 lakh; the textbook debt-equity ratio is 0.5 : 1. (made-up numbers)
11–25	**Four companies**	Pairs fill the table in Part C for HUL, Britannia, NTPC and JSW Energy: net debt or net cash, then debt ÷ equity on all borrowings. Every row carries its date.
25–31	**Two versions of the ratio**	In Part D, pairs work the textbook version for NTPC and JSW Energy: long-term borrowings ÷ equity. NTPC gives 1.02 against 1.29 on all borrowings. Ask why the two differ.
31–37	**Six months later**	Part E: Britannia went from ₹633 crore of net cash on 31 Mar 2026 to ₹814 crore of net debt on 30 Sep 2026, after paying ₹2,172 crore of dividends. Ask what moved: the debt, the cash or the equity? Ground rule: we explain differences, we don't rank.
37–40	**Exit ticket**	Students answer the three exit-ticket questions on the worksheet.

Materials

- The student worksheet (one per student), or the student page on phones or the class projector
- The answer key (teacher only)
- Optional: the slides, projected
- A calculator per pair

Discussion questions

1. HUL's debt-equity ratio was 0, but it owed ₹1,478 crore under leases. Should lease liabilities count as debt? What would change if they did?
2. NTPC's ratio is 1.02 the textbook way and 1.29 on all borrowings. Which one would you quote, and what would you write next to it?
3. Britannia's debt to equity rose from 0.27 to 0.61 in six months. Name two lines on the balance sheet that moved.
4. NTPC builds power stations; Britannia makes biscuits and bread. How might the kind of assets each business needs change how much it borrows?
5. What does a debt-equity ratio not tell you about when the debt must be repaid?

Adapting the lesson

Students still building their English: Pre-teach four words with the word bank: borrowings, net debt, shareholders' funds and ratio. Give students the sentence frames and let them answer Part C in the table only, without full sentences.

For learning only. Cityfort is not a SEBI-registered adviser and does not recommend buying or selling any security. Prices shown are dated and may be out of date.

Students who need more support: Give Part C with HUL and NTPC already filled in, so students do Britannia and JSW Energy only. Allow rounded numbers in the division.

Students ready for more: IndiGo counts its aircraft lease liabilities (₹75,943 crore) as debt, giving total debt of ₹77,749 crore and a debt-to-equity figure of 11.15. On borrowings alone (₹1,806 crore) it would be 0.26. Students explain which version describes an airline's obligations more fully, and why.

Extension: Students take one more company's annual report filed on NSE. They copy long-term borrowings, short-term borrowings, cash and equity from the consolidated balance sheet, with the page and the date. Then they work out net debt and both versions of the debt-equity ratio. No ranking.

Teacher background

What formula does the textbook use?

The NCERT Accountancy textbook (Part II, Chapter 5) defines the debt-equity ratio as long-term debts ÷ shareholders' funds. It also lists total assets to debt, the proprietary ratio and interest coverage as solvency ratios.

Why does the Cityfort page use all borrowings?

Short-term borrowings must also be repaid, often within months. This lesson divides all borrowings by net worth and leaves lease liabilities out, as the Cityfort pages for HUL, Britannia, NTPC and JSW Energy do. IndiGo's figure in the advanced task is IndiGo's own and includes leases. Rating agencies use their own adjusted ratios (Lesson 4). Students should always write which version they used.

Which cash counts in net debt?

Here cash means cash, other bank balances and current investments (investments the company can turn into cash within a year). Long-term investments are left out. Companies often publish their own net debt with a wider cash figure, so their number can differ.

Is there a 'right' debt-equity ratio?

The NCERT chapter mentions a 2:1 rule of thumb and says it varies from industry to industry. This lesson applies no cut-off to any company: students describe each ratio, its date and what moved it.

If your class runs a stock-market simulation, these lessons can come before it: they explain what a company does and how it reports results. They do not suggest which companies to choose, and Cityfort does not run, rank or judge simulation picks.

Teaching notes

- Students often subtract equity instead of cash for net debt. Write the two formulas on the board side by side.
- HUL's ratio is zero, which can feel like a trick. Use it to ask what else a company owes that is not a borrowing: leases and money owed to suppliers.
- If a student says NTPC's ratio is too high, ask what they would need to know first: what the debt pays for and when it falls due. Lesson 3 picks this up.
- All numbers use the consolidated statements: the group, including its subsidiaries.

For learning only. Cityfort is not a SEBI-registered adviser and does not recommend buying or selling any security. Prices shown are dated and may be out of date.

CBSE units this lesson supports

Cityfort is not affiliated with, approved by or endorsed by CBSE, NCERT, NCFE, SEBI, NSE or BSE. Board and curriculum names are used only to say which published syllabus units a lesson supports.

- Accountancy (055) Class XII, Part B: Analysis of Financial Statements (Unit 3 in the marks table, Unit 4 in the detailed syllabus): supports the debt to equity ratio among the solvency ratios.
- Financial Markets Management (805) Class XII, Unit 4 Financial Statement Analysis: partial. Students work one ratio from real statements.

student page

Scan the code or type: **cityfort.in/class/debt-equity**

Sources

1. S1: Integrated Annual Report 2025-26 (FY26), incl. standalone and consolidated financial statements, Hindustan Unilever Limited, filed with NSE, 2 Jun 2026. https://nsearchives.nseindia.com/annual_reports/AR_29330_HINDUNILVR_2025_2026_A_21643813_02062026215058.pdf
2. S2: Q2 FY27 results (consolidated and standalone, limited review), outcome of board meeting 5 Nov 2026, Britannia Industries Limited, filed with NSE, 5 Nov 2026. https://nsearchives.nseindia.com/corporate/BRITANNIA1_05112026182929_Outcome_of_the_Board_Meeting.pdf
3. S3: Unaudited financial results Q2 FY27 (quarter and six months ended 30 Sep 2026), standalone and consolidated (board outcome 31 Oct 2026), NTPC Limited, filed with BSE and NSE, 31 Oct 2026. https://www.bseindia.com/xml-data/corpfiling/AttachLive/763a3c28-d8b4-4cfb-83b1-854c78ab5c26.pdf
4. S4: Consolidated results XBRL Q2 FY27, incl. half-year balance sheet (integrated filing), JSW Energy Limited, filed with NSE, 28 Oct 2026. https://nsearchives.nseindia.com/corporate/xbrl/INTEGRATED_FILING_INDAS_1748147_28102026071428_WEB.xml
5. S5: Annual Report FY26 (2025-26), incl. consolidated financial statements, InterGlobe Aviation Limited (IndiGo), filed with NSE, 28 Jul 2026. https://nsearchives.nseindia.com/annual_reports/AR_30032_INDIGO_2025_2026_A_16514151_28072026132713.pdf
6. S6: Accountancy Part II, Class XII, Chapter 5: Accounting Ratios (Reprint 2026-27; the PDF prints no date, accessed 16 Nov 2026), National Council of Educational Research and Training (NCERT), 16 Nov 2026. https://ncert.nic.in/textbook/pdf/leac205.pdf
7. S7: Accountancy (Code 055), Senior School Curriculum 2026–27 (dated 13 Mar 2026 by the CBSE server, checked 15 Nov 2026), Central Board of Secondary Education (CBSE), 13 Mar 2026. https://cbseacademic.nic.in/web_material/CurriculumMain27/SecPart2/Accountancy_SecP2_2026-27.pdf
8. S8: Unaudited results Q2 FY27 (quarter and half year to 30 Sep 2026), standalone and consolidated, with board outcome and media release, JSW Energy Limited, filed with NSE, 28 Oct 2026. https://nsearchives.nseindia.com/corporate/KRUTIKAJSWEL_28102026151509_Outcome.pdf

Credit and licence

"Debt, cash and staying power: Lesson 2 – Net debt and the debt-equity ratio" by Cityfort (cityfort.in/teachers/debt-cash-and-staying-power/net-debt-and-debt-equity), CC BY-NC 4.0. Data from Hindustan Unilever's FY26 annual report, filed with NSE on 2 Jun 2026; Britannia's Q2 FY27 quarterly results, filed with NSE on 5 Nov 2026; NTPC's Q2 FY27 quarterly results, filed with BSE on 31 Oct 2026; JSW Energy's Q2 FY27 quarterly results, filed with NSE on 28 Oct 2026; and IndiGo's FY26 annual report, filed with NSE on 28 Jul 2026.

If you change this material, please remove the Cityfort name or mark it as modified; changed versions are not reviewed by Cityfort. Company names are trademarks of their owners; Cityfort is not affiliated with or endorsed by them.

For learning only. Cityfort is not a SEBI-registered adviser and does not recommend buying or selling any security. Prices shown are dated and may be out of date.

No ads in any lesson file. Student pages carry at most one non-personalised ad. No student logins. Questions or corrections: cityfort.in/contact.

Cityfort is not affiliated with, approved by or endorsed by CBSE, NCERT, NCFE, SEBI, NSE or BSE. Board and curriculum names are used only to say which published syllabus units a lesson supports.

For learning only. Cityfort is not a SEBI-registered adviser and does not recommend buying or selling any security. Prices shown are dated and may be out of date.

Data from Hindustan Unilever's FY26 annual report, filed with NSE on 2 Jun 2026; Britannia's Q2 FY27 quarterly results, filed with NSE on 5 Nov 2026; NTPC's Q2 FY27 quarterly results, filed with BSE on 31 Oct 2026; JSW Energy's Q2 FY27 quarterly results, filed with NSE on 28 Oct 2026; and IndiGo's FY26 annual report, filed with NSE on 28 Jul 2026. Checked 15 Nov 2026.

For learning only. Cityfort is not a SEBI-registered adviser and does not recommend buying or selling any security. Prices shown are dated and may be out of date.