Net debt and the debt-equity ratio

Name: Class: Date:

A company's debt on its own tells you little. This lesson takes away the cash it holds (net debt) and compares what it owes with what its shareholders own (the debt-equity ratio).

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 HUL's debt or its cash was larger on 31 Mar 2026.
2. Read the made-up stationery company to learn the formulas.
3. Fill the table in Part C of your worksheet using the four companies below.
4. Work the textbook version of the ratio for NTPC and JSW Energy.
5. Every number you need is on this page. The filings are linked if you want to see them.

Part A. Your guess

1. On 31 Mar 2026, was HUL's debt bigger or smaller than its cash? Why do you think so?

Part B. A made-up stationery company

Borrowings ₹50 lakh (₹30 lakh long-term). Cash ₹20 lakh. Shareholders' funds ₹60 lakh.

1. Net debt = borrowings − cash = ___

2. Debt-equity ratio (textbook) = long-term borrowings ÷ shareholders' funds = ___

3. Debt ÷ equity on all borrowings = ___

Part C. Four companies

Use the numbers on the student page. Write the date in every row.

1. HUL (31 Mar 2026): net debt or net cash ___; all borrowings ÷ equity ___

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2. Britannia (31 Mar 2026): net debt or net cash ___; all borrowings ÷ equity ___

3. NTPC (30 Sep 2026): net debt or net cash ___; all borrowings ÷ equity ___

4. JSW Energy (30 Sep 2026): net debt or net cash ___; all borrowings ÷ equity ___

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Work in pairs.

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Part D. The textbook version

Long-term borrowings on 30 Sep 2026: NTPC ₹2,17,884 crore, JSW Energy ₹69,095 crore.

1. NTPC: long-term borrowings ÷ shareholders' funds = ___

2. JSW Energy: long-term borrowings ÷ shareholders' funds = ___

3. Why is each answer lower than the ratio on all borrowings in Part C?

Part E. Six months later

Britannia, 30 Sep 2026: borrowings ₹2,595 crore, cash ₹1,781 crore, shareholders' funds ₹4,249 crore. Dividends paid April to September 2026: ₹2,172 crore.

1. Work out Britannia's net debt or net cash on 30 Sep 2026.

2. Work out all borrowings ÷ equity on 30 Sep 2026.

3. Name two lines that moved between March and September, and say what moved each one.

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Exit ticket

1. Write the formula for net debt and the textbook formula for the debt-equity ratio.

2. Why should a debt-equity ratio always carry a date?

3. Give one thing a debt-equity ratio cannot tell you.

Word bank

Borrowings	Money the company owes to lenders: bank loans, bonds, debentures and commercial paper.
Long-term borrowings	Borrowings due after more than 12 months, shown under non-current liabilities on the balance sheet.
Net debt	Borrowings minus cash and liquid investments. If cash is larger, the company has net cash.
Shareholders' funds	Share capital plus reserves: what belongs to the shareholders. Also called equity or net worth.
Debt-equity ratio	Debt divided by shareholders' funds. The textbook uses long-term debts only.
Lease liabilities	Rent the company has promised to pay under leases, such as for shops or aircraft.

Sentence starters

- On ___, ___ had net debt / net cash of ___.
- ___'s debt-equity ratio was ___ the textbook way and ___ on all borrowings, because ___.
- Between March and September 2026, ___ moved because ___.

student page

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