Interest coverage and when debt comes due

Interest coverage and when debt comes due is a free 40-minute lesson for Class 12 Accountancy on solvency ratios. Students work out interest coverage for four companies from FY26 filings, then read how much of each one's borrowings falls due within 12 months.

5-minute prep

- Print one worksheet per student, or plan to show the student page (cityfort.in/class/interest-cover) on the projector.
- Read the ground rule aloud before pairs start: we explain differences, we don't rank companies.
- Skim the background on how the lesson adapts the textbook formulas.
- Optional: open NTPC's Q2 FY27 filing at PDF page 11 (the FY26 column) and page 13 (borrowings).

Class	Senior secondary, Class 11–12 (Commerce)
Time	One 40-minute period. Part D (total assets to debt) can be set as homework.
Edition	2026–27 first edition v1.0
Lesson page	cityfort.in/teachers/debt-cash-and-staying-power/interest-cover-and-due-dates

Objective

Students can work out the interest coverage ratio and the total assets to debt ratio from real statements, and read how much of a company's borrowings falls due within 12 months, with the date.

CBSE units the lesson supports

- Accountancy (055), Class XII, Part B: Analysis of Financial Statements (CBSE Accountancy (055))
- Business Studies (054), Class XII, Unit 9: Financial Management (CBSE Business Studies (054)), in part

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Timing

Minutes	Step	What happens
0–4	**Hook**	Ask: "NTPC paid ₹13,801 crore of finance costs in FY26. Its profit before tax was ₹27,134 crore. How many times over could the profit pay the interest?" Students guess in Part A.
4–10	**The formula**	Walk through the made-up transport company in Part B: profit before tax ₹8 lakh, interest ₹2 lakh. Profit before interest and tax is ₹10 lakh, so interest coverage is 5 times. (made-up numbers)
10–22	**Four companies**	Pairs work interest coverage for NTPC, JSW Energy, Britannia and HUL in Part C, using the same formula for all four: (profit before tax + finance costs) ÷ finance costs.
22–31	**When is it due?**	Part D: students split each company's borrowings into current borrowings (due within 12 months) and the rest. NTPC had ₹57,750 crore due within 12 months of 30 Sep 2026; Britannia ₹2,440 crore. Ask how each company might repay or replace that debt.
31–37	**Three numbers, one company**	Whole class: JSW Energy's coverage is 1.34 by the textbook formula, 1.7 on the Cityfort page (EBITDA ÷ finance costs) and 1.75 by ICRA's own calculation. Ask what each one counts. 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 had ₹0 crore of borrowings on 31 Mar 2026 but still paid ₹410 crore of finance costs in FY26. What else can a company pay interest on? Where in the annual report would you check?
2. About 94% of Britannia's borrowings was due within 12 months, against 21% at NTPC. How does what each business buys with the money explain the difference?
3. Management said NTPC's weighted average borrowing rate was 5.72% in H1 FY27. If that rate rose, which line of the statement of profit and loss would change first?
4. Why might a company with steady income under long contracts borrow more than one whose sales change with the season?
5. A coverage ratio uses one year's profit. What could make next year's ratio very different?

Adapting the lesson

Students still building their English: Pre-teach four words with the word bank: finance costs, interest coverage, current borrowings and total assets. Give the formula as a fill-in box so students only add and

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divide.

Students who need more support: Give Part C with NTPC already worked as an example, so students do Britannia and HUL. Skip Part E.

Students ready for more: Students work the total assets to debt ratio for all three borrowers: NTPC 2.65, JSW Energy 1.98, Britannia 68.8. Then they explain why Britannia's is so large when most of its borrowings are short-term and left out of the formula.

Extension: Students take one more company's annual report filed on NSE. They copy profit before tax, finance costs, non-current borrowings, current borrowings and total assets, with the page. They work out interest coverage and the share of borrowings due within 12 months, and find one sentence in the report about how the company plans to repay or refinance. No ranking.

Teacher background

What formulas does the textbook use?

NCERT's Accountancy Part II (Chapter 5) defines interest coverage as net profit before interest and tax ÷ interest on long-term debts, and total assets to debt as total assets ÷ long-term debts.

How does this lesson adapt them?

Company statements show total finance costs, not interest on long-term debt alone. So this lesson uses (profit before tax + finance costs) ÷ finance costs, and long-term debt means non-current borrowings. Finance costs can include interest on leases and other items, so the ratio is close to the textbook's but not identical.

Why does JSW Energy show three coverage numbers?

Each one divides a different profit figure by interest. The textbook formula counts profit after depreciation; the Cityfort page uses EBITDA (₹9,999 crore in FY26), which is before depreciation; ICRA uses its own adjusted figures. Compare a ratio only with the same ratio worked the same way.

What does "current borrowings" include?

Borrowings due within 12 months of the balance-sheet date: short-term loans, commercial paper and the part of long-term loans that falls due within the year (current maturities). Companies often repay them with new borrowing, so a large figure is not by itself a problem. The lesson asks students to find how each company says it will meet them.

What do rating agencies say about repayment?

ICRA reported JSW Energy's group cash and cash equivalents at about ₹12,881 crore in June 2026, including encumbered cash (cash set aside for lenders). Lesson 4 reads rating reports in full.

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

- The most common slip is dividing profit before tax by interest without adding the interest back. Ask: was the interest already taken out of this profit?

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- Students may read NTPC's lower coverage as a warning sign. Point back to the question the lesson asks: what does the ratio count, and what could change it?
- Britannia's total assets to debt ratio looks very large because the formula uses long-term borrowings only, and most of Britannia's borrowings are short-term.
- If a student asks which company to put money in, say the lesson is about how each business pays for its debt, and that Cityfort gives no advice.

CBSE units this lesson supports

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- Accountancy (055) Class XII, Part B: Analysis of Financial Statements (Unit 3 in the marks table, Unit 4 in the detailed syllabus): supports the interest coverage ratio and the total asset to debt ratio.
- Business Studies (054) Class XII, Unit 9 Financial Management: partial. Cash flow position and interest coverage as factors affecting capital structure.

student page

Scan the code or type: **cityfort.in/class/interest-cover**

Sources

1. S1: Unaudited financial results Q2 FY27 (quarter and six months ended 30 Sep 2026), standalone and consolidated, with the FY26 audited column (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
2. S2: Transcript of Q2 FY27 conference call held 31 Oct 2026, NTPC Limited, filed with BSE, 6 Nov 2026. https://www.bseindia.com/xml-data/corpfiling/AttachLive/4d962dc4-6133-4998-8d2e-9fa5fec441f5.pdf
3. S3: Integrated Annual Report FY26 (2025-26), incl. consolidated financial statements and BRSR, JSW Energy Limited, filed with NSE, 16 Jun 2026. https://nsearchives.nseindia.com/annual_reports/AR_29400_JSWENERGY_2025_2026_A_16735826_16062026235243.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: ICRA rationale: JSW Energy Limited, ratings reaffirmed [ICRA]AA (Stable)/[ICRA]A1+, 11 Sep 2026, ICRA Limited, 11 Sep 2026. https://www.icra.in/Rating/GetRationalReportFilePdf?id=145545
6. S6: 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
7. S7: 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
8. S8: Q4 FY26 and FY26 audited results (consolidated and standalone), outcome of board meeting 7 May 2026, Britannia Industries Limited, filed with NSE, 7 May 2026. https://nsearchives.nseindia.com/corporate/BRITANNIA1_07052026204613_Outcome.pdf
9. S9: 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

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10. S10: 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

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