Interest coverage and when debt comes due

Name: Class: Date:

Borrowed money costs interest every year, and it must be repaid on set dates. This lesson checks how many times over each company's profit could pay its interest, and how much of its debt falls due within a year.

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 how many times over NTPC's profit could pay its interest in FY26.
2. Read the made-up transport company to learn the formula.
3. Work out interest coverage for the four companies below.
4. Work out how much of each company's borrowings was due within 12 months.
5. Every number you need is on this page. The filings are linked if you want to see them.

Part A. Your guess

NTPC, FY26: profit before tax ₹27,134 crore; finance costs ₹13,801 crore.

1. About how many times over could NTPC's profit before interest and tax pay its interest? Guess first.

Part B. A made-up transport company

Profit before tax ₹8 lakh. Interest ₹2 lakh.

1. Profit before interest and tax = ___

2. Interest coverage = profit before interest and tax ÷ interest = ___ times

Part C. Four companies, FY26

Formula for all four: (profit before tax + finance costs) ÷ finance costs.

1. NTPC: ___ times

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2. JSW Energy: ___ times

3. Britannia: ___ times

4. HUL: ___ times. HUL had no borrowings. What else could its finance costs be for?

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Work in pairs. Use the 30 Sep 2026 numbers.

Name: _____ Class: _____ Date: _____

Part D. When is it due?

1. For NTPC, JSW Energy and Britannia: current borrowings ÷ all borrowings × 100 = ___% due within 12 months.

2. Pick one company. How might it repay or replace the debt due within 12 months? Give one way.

Part E. Three numbers, one company

JSW Energy, FY26 interest coverage: 1.34 by the formula in Part C; 1.7 on the Cityfort page (EBITDA ÷ finance costs); 1.75 by ICRA's own calculation.

1. Why does the EBITDA version come out higher than the Part C version?

2. Total assets to debt (textbook): total assets ÷ long-term borrowings. Work it for NTPC.

Exit ticket

1. Write the formula for interest coverage in your own words.

2. Where on the balance sheet do you find the borrowings due within 12 months?

3. Why should you compare a coverage ratio only with one worked out the same way?

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Word bank

Finance costs	Interest and similar charges a company paid during the year on what it owes.
Interest coverage	Profit before interest and tax divided by interest: how many times over profit could pay the interest.
Current borrowings	Borrowings due within 12 months of the balance-sheet date.
Non-current borrowings	Borrowings due after more than 12 months. The textbook calls them long-term debts.
Total assets	Everything the company owns or controls on the balance sheet: plants, stock, cash and more.
Refinance	Repay a loan that is due with money from a new loan or bond.

Sentence starters

- In FY26, ___'s profit before interest and tax covered its finance costs ___ times.
- On 30 Sep 2026, ___% of ___'s borrowings was due within 12 months, because ___.
- Coverage could change next year if ___.

student page

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