Reading a credit rating report

Reading a credit rating report is a free 40-minute lesson for Class 11–12 Commerce on how agencies rate company debt. Students read three published rating reports, on HUL, NTPC and JSW Energy, and record each rating, its reasons and what could change it.

5-minute prep

- Print one worksheet per student, or plan to show the student page (cityfort.in/class/credit-rating) on the projector.
- Make groups of three and decide who reads which extract before the lesson.
- Read the ground rule aloud before groups start: we explain differences, we don't rank companies.
- Optional: open one full rating report on the agency's website to show how long it is.

Class	Senior secondary, Class 11–12 (Commerce)
Time	One 40-minute period, run as a jigsaw in groups of three.
Edition	2026–27 first edition v1.0
Lesson page	cityfort.in/teachers/debt-cash-and-staying-power/reading-a-credit-rating

Objective

Students can find the rating, outlook, key strengths, key weaknesses and rating sensitivities in a published rating report, and explain why a credit rating is an opinion on debt, not on a company's shares.

CBSE units the lesson supports

- Financial Markets Management (805), Class XI, Unit 2: Primary and Secondary Market (CBSE Financial Markets Management (805))
- Business Studies (054), Class XII, Unit 9: Financial Management (CBSE Business Studies (054)), in part

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Timing

Minutes	Step	What happens
0–5	**Hook**	Show HUL's ₹0 crore of borrowings and NTPC's ₹2,75,634 crore. Then show both ratings: Crisil AAA/Stable (reaffirmed) and CARE AAA; Stable (reaffirmed). Ask: "How can both get the top rating?" Students write a guess in Part A.
5–11	**What a rating is**	Teach the SEBI scale from Part B: AAA, AA, A and BBB, then BB, B, C and D. A rating is an agency's opinion on whether a debt will be repaid in full and on time. The company being rated pays the agency, and the rating is not a recommendation on any security.
11–25	**Jigsaw: one report each**	In each group of three, one student reads the Crisil extract on HUL, one the CARE extract on NTPC and one the ICRA extract on JSW Energy. Each fills a rating card in Part C: agency, date, rating, outlook, two strengths, two weaknesses, one rating sensitivity and the liquidity label.
25–33	**Teach your group**	Each student has two minutes to tell the group what their agency said. The group answers Part D: what reasons other than the amount of debt did each agency give?
33–37	**Debt, not shares**	Whole class: CARE names a Government of India holding below 50% as a negative factor for NTPC. Crisil names a 10% loss of market share together with an operating margin below 15% for HUL. Ask why these are about repaying debt, not about the share. 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 three report extracts on the student page (one per student in each group)
- The answer key (teacher only)
- Optional: the slides, projected

Discussion questions

1. CARE gives NTPC's total debt at 4.6 times its FY25 EBITDA, yet rates it AAA. Which two reasons in the report help explain that?
2. Crisil calls HUL's dividend payout of 117% of FY25 profit a key monitorable. Why would a lender care how much a company pays to its shareholders?
3. ICRA says about 96% of JSW Energy's operating capacity is under long-term contracts. How do long contracts help a lender?
4. A rating sensitivity says what could lead to a change. Why is it not a forecast that the rating will change?
5. The company pays the agency for its rating. What does the agency's report do to show its reasons in the open?

Adapting the lesson

Students still building their English: Pre-teach five words with the word bank: rating, outlook, sensitivity, liquidity and counterparty. Give each student the rating card as a table to fill, not sentences.

Students who need more support: Give students the HUL extract only, with the rating, outlook and one strength already underlined. They find one weakness and one sensitivity.

Students ready for more: ICRA names net debt above 5.5 times OPBDITA, on a sustained basis, as a downgrade metric for JSW Energy. Students find what OPBDITA means, explain "on a sustained basis" in their own words, and say why an agency writes a trigger rather than a forecast.

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Extension: Students find one more company's rating in its annual report or in a credit rating disclosure filed on NSE. They note the agency, the date, the rating and the outlook, and read the rationale on the agency's website for one strength, one weakness and one sensitivity. No ranking.

Teacher background

What do the rating symbols mean?

SEBI has standardised the long-term symbols. AAA means the highest degree of safety regarding timely servicing of financial obligations; then come AA, A and BBB. BB, B and C mean rising risk of default, and D means default. Plus and minus signs show standing within AA to C.

Who pays for the rating?

The company that issues the debt pays the agency, which SEBI calls the issuer-pays model. SEBI's rules require agencies to state that ratings are not recommendations to buy, hold or sell any security.

Why does NTPC hold AAA with so much debt?

CARE's report gives its reasons: long-term contracts with cost-plus tariffs, NTPC's size (89.1 GW, about 17% of India's capacity) and a 51.1% Government of India holding. It also lists weaknesses: dues from state power distributors and a capital spending plan of about ₹2,66,558 crore for FY26 to FY28.

Are the agency's ratios the same as the textbook's?

Agencies adjust the numbers their own way. Crisil put HUL's FY25 adjusted interest coverage at 58.74 times; Lesson 3's formula gives a different figure for a different year. Compare an agency's ratio only with the same agency's ratio.

Why are the dates different?

Each agency reviews a rating on its own timetable. Crisil's HUL report is dated 3 Oct 2025, CARE's NTPC report 22 May 2026 and ICRA's JSW Energy report 11 Sep 2026. Tell students to write the date on every rating card.

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 read AAA as a verdict on the whole company. Keep bringing them back to the definition: an opinion on paying debt on time.
- The NTPC extract is the hardest. Its reader may need help with "cost-plus tariff": the regulator lets NTPC charge its costs plus a set return.
- If a student asks whether to buy HUL or NTPC shares, say a rating is about debt, not shares, and that Cityfort gives no advice.
- Each report is dated. If an agency publishes a newer report before you teach, the extract is still a fair record of what it said on that date.

CBSE units this lesson supports

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- Financial Markets Management (805) Class XI, Unit 2 Primary and Secondary Market: supports the debt investment session (bonds rated for their credit quality).
- Business Studies (054) Class XII, Unit 9 Financial Management: partial. Risk and cost of borrowed funds in the financing decision.

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student page

Scan the code or type: **cityfort.in/class/credit-rating**

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Cards to print and cut out

Rating card (one per student)

- Company and agency:
- Date of the report:
- Long-term rating and outlook:
- Two strengths:
- Two weaknesses:
- One rating sensitivity:
- Liquidity label:

Sources

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3. S3: Unaudited financial results Q2 FY27 (quarter 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: Press release: NTPC Limited, ratings reaffirmed (CARE AAA; Stable / CARE A1+), 22 May 2026, CARE Ratings Ltd, 22 May 2026. https://www.careratings.com/upload/CompanyFiles/PR/202605140504_NTPC_Limited.pdf
5. S5: 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
6. S6: 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
7. S7: SEBI FAQs on Credit Rating Agencies (2 Mar 2026), SEBI, 2 Mar 2026. https://www.sebi.gov.in/sebi_data/faqfiles/mar-2026/1772445490055.pdf
8. S8: SEBI (Credit Rating Agencies) Regulations, 1999, last amended 15 Jan 2026, SEBI, 15 Jan 2026. https://www.sebi.gov.in/legal/regulations/jan-2026/securities-and-exchange-board-of-india-credit-rating-agencies-regulations-1999-last-amended-on-january-15-2026-_99126.html
9. S9: Financial Markets Management (Code 805), Skill Subject curriculum 2026–27, Class XI–XII, Central Board of Secondary Education (CBSE), 13 Mar 2026. https://cbseacademic.nic.in/web_material/Curriculum27/SrSec/805-FMM.pdf
10. S10: Business Studies (Code 054), Senior School Curriculum 2026–27, Central Board of Secondary Education (CBSE), 13 Mar 2026. https://cbseacademic.nic.in/web_material/CurriculumMain27/SecPart2/BusinessStudies_SecP2_2026-27.pdf
11. S11: 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

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