Project: a staying-power profile of one company

Name: _____ Class: _____ Date: _____

You will build a staying-power profile of one listed company: what it owes, what it holds, and what its filings and rating report say about its debt. Every number needs its page and its date.

> **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. Choose one listed company (not a bank) and download its annual report from nseindia.com or bseindia.com.
2. Find the balance sheet, the statement of profit and loss and the borrowings note. Write each page number.
3. Copy every number you need into your number log with its line name, page, date and unit.
4. Work the five calculations from your planner, showing the formula, the numbers and the result.
5. Fill the rating card from the company's credit rating report.
6. Write your profile, then add two things it cannot show.

Part A. Your company

1. Company name, balance-sheet date, financial year, consolidated or standalone:

   _____

   _____

2. Exchange and date the filing was made:

   _____

3. Balance sheet: page ___. Statement of profit and loss: page ___. Borrowings note: page ___.

   _____

Part B. Number log

Write every number you use: line name, date or year, amount, unit and page.

1. Line name | Date or year | Amount | Unit | Page

   _____

   _____

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Part C. Five calculations

1. 1. Net debt or net cash = borrowings − cash and liquid investments

2. 2. Borrowed share = borrowings ÷ (borrowings + shareholders' funds) × 100

3. 3. Debt-equity ratio: textbook (long-term borrowings ÷ shareholders' funds) and all borrowings ÷ shareholders' funds

4. 4. Interest coverage = (profit before tax + finance costs) ÷ finance costs

5. 5. Due within 12 months = current borrowings ÷ all borrowings × 100, and one sentence from the filing on repayment, with its page

Part D. Rating card

1. Agency, date of the report, long-term rating and outlook:

2. One strength, one weakness and one rating sensitivity, in your own words:

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Part E. Your profile

1. Write your profile: one or two sentences for each result, saying what it shows about how the business pays for what it needs.

2. Two things your profile cannot show:

3. Partner check: which three numbers did your partner check, and did they match?

Word bank

Net debt	Borrowings minus cash and liquid investments. If cash is larger, the company has net cash.
Debt-equity ratio	Debt divided by shareholders' funds. The textbook uses long-term debts only.
Interest coverage	Profit before interest and tax divided by interest: how many times over profit could pay it.
Current borrowings	Borrowings due within 12 months of the balance-sheet date.
Credit rating	An agency's opinion on whether a debt will be repaid in full and on time.
Rating sensitivity	A factor the agency says could lead it to raise or lower the rating.

Sentence starters

- On ___, ___ had borrowings of ₹___ crore and cash of ₹___ crore (annual report, page ___).
- Its interest coverage in FY__ was ___ times, which shows ___.

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- My profile cannot show ___.

student page

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