

## RATIOS AND SUGGESTED FORMULAS FOR THE BCR CRITERIA

S.No.	RATIOS	SUGGESTED FORMULA
<b>1</b>	<b>Profitability Ratios</b>	
1.1	Profit before tax ratio (For Financial Sector)	$\frac{\text{Profit before tax}}{\text{Gross Markup Income}}$
1.2	Gross Yield on Earning Assets (For Financial Sector)	$\frac{\text{Total Interest Income}}{\text{Total Earning Assets}}$
1.3	Gross Spread ratio (For Financial Sector)	$\frac{\text{Net markup income}}{\text{Gross Markup Income}}$
1.4	Cost / Income ratio	$\frac{\text{Operating expenses}}{\text{Operating Income}}$
1.5	Return on Equity	$\frac{\text{Net Income}}{\text{Shareholder's Equity}}$
1.6	Return on Capital employed	$\frac{\text{Net Income}}{\text{Average Debt Liabilities} + \text{Average Shareholders' Equity}}$
1.7	Gross Profit ratio	$\frac{\text{Gross Profit}}{\text{Total Revenue}}$
1.8	Net Profit to Sales	$\frac{\text{Net Profit}}{\text{Total Revenue}}$
1.9	EBITDA Margin to Sales	$\frac{\text{EBITDA}}{\text{Net Sales}}$
1.10	Operating leverage ratio	$\frac{\% \text{ change in EBIT}}{\% \text{ change in Sales}}$

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<b>2</b>	<b>Liquidity Ratios</b>	
2.1	Advances to Deposits ratio (For Financial Sector)	$\frac{\text{Loans \& Advances (Net)}}{\text{Deposits}}$
2.2	Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2.3	Quick / Acid test ratio	$\frac{\text{Current Assets minus Inventories}}{\text{Current Liabilities}}$
2.4	Cash to Current Liabilities	$\frac{\text{Cash + Cash Equivalents}}{\text{Current Liabilities}}$
2.5	Cash flow from Operations to Sales	$\frac{\text{Cash flow from operations}}{\text{Sales}}$
2.6	Free Cash Flows to the Firm	Earning before interest & taxation (1-taxation) +Depreciation +Amortization +/-Changes in Working Capital -Capital Expenditure
2.7	Free Cash Flows to the Equity Holders	Free Cash Flows to the Firm +/- Net Borrowings raised / (repaid) -Interest payments (1-taxation)
<b>3</b>	<b>Activity / Turnover Ratios</b>	
3.1	Inventory turnover ratio	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$
3.2	No. of Days in Inventory	$\frac{\text{Days in Year}}{\text{Inventory Turnover}}$
3.3	Debtor turnover ratio	$\frac{\text{Total Credit Sales}}{\text{Average Accounts Receivable}}$
3.4	No. of Days in Receivables	$\frac{\text{Days in Year}}{\text{Debtor Turnover}}$
3.5	Creditor turnover ratio	$\frac{\text{Net Credit Purchases}}{\text{Average Accounts Payable}}$
3.6	No. of Days in Payables	$\frac{\text{Days in Year}}{\text{Creditor Turnover}}$

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3.7	Total Assets Turnover Ratio	$\frac{\text{Revenue}}{\text{Total Assets}}$
3.8	Fixed Assets Turnover Ratio	$\frac{\text{Revenue}}{\text{Fixed Assets}}$
3.9	Operating Cycle	$\text{No. of Days in Inventory} + \text{No. of Days in Receivables} - \text{No. of Days in Creditors}$
<b>4</b>	<b>Investment/Market Ratios</b>	
4.1	Earnings per share (EPS)	$\frac{\text{Net Income after Tax} - \text{Dividend on Preference Shares}}{\text{Weighted Average Number of Ordinary Shares}}$
4.2	Price Earnings ratio	$\frac{\text{Market value of share}}{\text{EPS}}$
4.3	Price to Book ratio	$\frac{\text{Market value of share}}{\text{Total Assets} - \text{Intangible Assets}}$
4.4	Dividend Yield ratio	$\frac{\text{Annual Dividends Per Ordinary Share}}{\text{Market Price per Share of Ordinary Share}}$
4.5	Dividend Payout ratio	$\frac{\text{Dividend per Share}}{\text{EPS}}$
4.6	Dividend Cover ratio	$\frac{\text{Basic EPS}}{\text{Annual total dividend per share}}$
4.7	Break-up Value per share without Surplus on Revaluation of Property, Plant and Equipment	$\frac{\text{Total Shareholders' Equity} - \text{Revaluation Surplus}}{\text{Total Ordinary Shares Outstanding}}$

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4.8	Break-up Value per share including the effect of Surplus on Revaluation of Property, Plant and Equipment	$\frac{\text{Total Shareholders' Equity}}{\text{Total Ordinary Shares Outstanding}}$
4.9	Break-up Value per share including investment in Related Party at fair /market value and also with Surplus on Revaluation of Property, Plant and Equipment	$\frac{\text{Total Shareholders' Equity} + \text{Increase in value of investment in Related parties (if valued at MV or Fair value)}}{\text{Total Ordinary Shares Outstanding}}$
<b>5</b>	<b>Capital Structure Ratios</b>	
5.1	Capital Adequacy ratio (For Financial Sector)	$\frac{\text{Tier One Capital} + \text{Tier Two Capital}}{\text{Risk Weighted Assets}}$
		<b>Tier One Capital</b> includes share capital, share premium and accumulated profits.
		<b>Tier Two Capital</b> includes undisclosed reserves, revaluation reserves, general provisions, hybrid instruments and subordinated term debt
5.2	Earning assets to total assets ratio	$\frac{\text{Earning Assets}}{\text{Total Assets}}$
5.3	Weighted average cost of deposit	$\frac{\text{Interest on Deposits}}{\text{Weighted Average Deposits}}$
5.4	Net assets per share	$\frac{\text{Net Assets}}{\text{Number of Shares outstanding}}$
5.5	Financial leverage ratio	$\frac{\text{Total Debt}}{\text{Shareholders' Equity}}$
5.6	Weighted average cost of debt	$\frac{\text{Interest on Debt}}{\text{Weighted Average Loan Balance}}$
5.7	Debt to Equity ratio	$\frac{\text{Long-term Debt}}{\text{Shareholders' Equity}}$
5.8	Interest Cover ratio	$\frac{\text{EBIT}}{\text{Finance Cost}}$
5.9	Economic Value Addition	Net Operating Profit After Tax - (Total Assets - Current Liabilities)* Weighted Average Cost of Capital