



JUNE 2016

Shariah Compliance Screening Report

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In the name of Allah
most Gracious, most Merciful

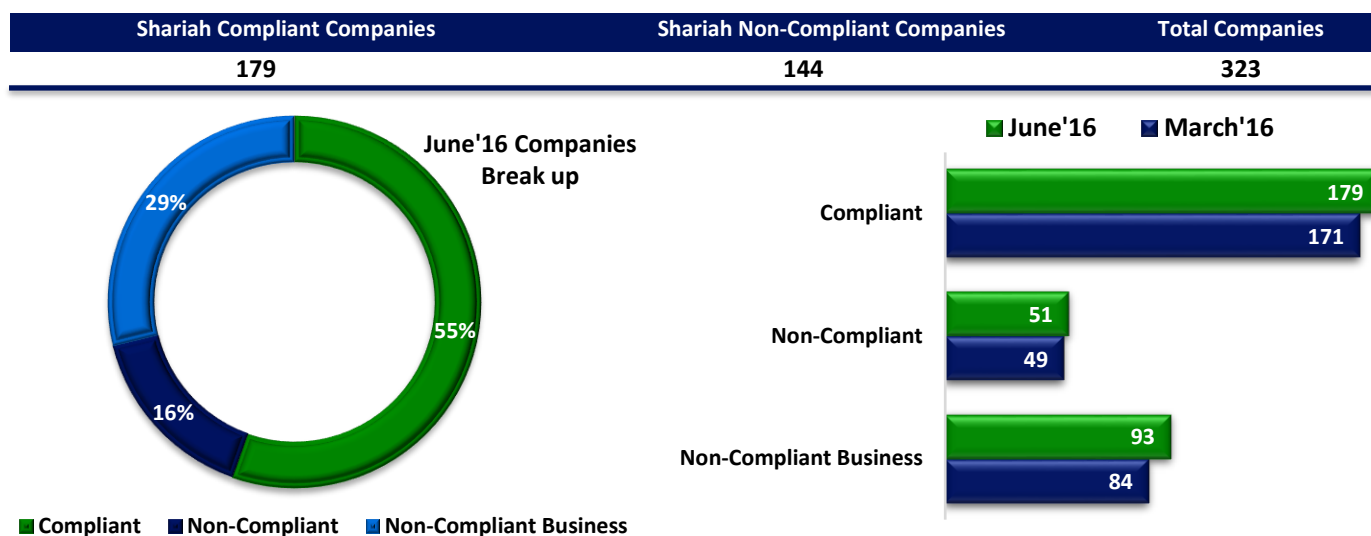




17 November, 2016

KEY HIGHLIGHTS

- We have conducted Shariah compliance screening of **323** selected companies listed on the Pakistan Stock Exchange as per their latest financial statements (June'16), on the basis of the Shariah compliance screening mechanism approved by our Shariah Supervisory Council headed by Mufti Irshad Ahmad Aijaz.
- Following are the results for the **323** companies under consideration vis-à-vis **304** companies screened in the preceding quarter.



Change of Status- June 2016 (Compliant)	Non-Compliant
International Industries Limited (INIL)	BYCO Petroleum (BYCO)
International Steels Limited (ISL)	Fauji Fertilizer Company Limited (FFC)
Rupali Polyester Limited (RUPL)	
Kot Addu Power Company Limited (KAPCO)	
Treet Corporation Limited (TREET)	

Moreover, based on financials of June'16, companies that became Shariah Compliant are:

- International Industries Limited (INIL)** *(Debt to Assets: 30.98%)*
Long and Short term borrowings have dropped off from PKR 5,870 mn to PKR 4,291 mn (26.91%) & PKR 6,545 mn to PKR 5,260 mn (19.63%) in its 4QFY16 have gauged enough to change the shariah status of Company.
- International Steels Limited (ISL)** *(Debt to Assets: 38.17%)*
A down trend in financings have observed in 4QFY16 by (28.74%) from PKR 5,254 mn to PKR 3,744 mn and by (60.35%) from PKR 2,198 mn to PKR 3,524 mn in long and short term have led to change a Shariah Status of the company.
- Rupali Polyester Limited (RUPL)** *(Debt to Assets: 38.32%)*
Substantial decline in short term borrowings by 29.38% from PKR 1,820 mn to PKR 1,285 mn in 4QFY16 enabled the shariah status change of company.



4. **Kot Addu Power Company Limited (KAPCO)** *(Debt to Assets: 23.77%)*
Fallen off long term finance by 41.16% from PKR 656 mn to PKR 386 mn in 4QFY16 push the company to change its status from non-compliant to compliant.

5. **Treet Corporation Limited (TREET)** *(Debt to Assets: 29.62%)*
The company was Non-Compliant on the basis of Business owing to the major portion of sales were being generated from its shaving razor segment but Treet Corporation is under its expansion process in multiple compliant businesses these days. This expansion will ultimately lower the ratio of razor segment in sales. Hence we have conducted screening of the company as per its recent annual report and found it Shariah Compliant.

The following companies have become non-compliant due to breaching the threshold levels.

1. **BYCO Petroleum (BYCO)** *(Debt to Assets: 53.31%)*
Root cause for the shariah status change of BYCO in 4QFY16 is a considerable up trend in both Long and short term borrowings from commercial banks, borrowings have up by 25% and 259% from PKR 13,875 mn to PKR 17,389 mn & PKR 1,838 mn to PKR 6,594 mn respectively.
Long and short term borrowings have risen 38% and 102% in FY16 compared to borrowings of Yesteryear.

 2. **Fauji Fertilizer Company Limited (FFC)** *(Debt to Assets: 44.33%)*
A vertiginous soar in the long term borrowings of Fauji Fertilizer Company by 114% from PKR 13,194 mn to PKR 28,192 mn is the main reason behind the change in company's Shariah status.
- The financial statements of Sui Northern Gas Pipelines (SNGP) and Sui Southern Gas (SSGC) for June'16 are unavailable. Therefore, the status for the aforementioned companies is assigned according to their last published financial statements. The status of these companies is:
 1. Sui Northern Gas Pipelines (Compliant)
 2. Sui Southern Gas Company (Non-Compliant)



RENAMED COMPANIES

Old Name	New Name
Descon Chemicals Limited	Nimir Resins
Noon Pakistan Limited	Fauji Foods Limited
Standard Chartered Modaraba	Orix Modaraba
First Islamic Modaraba	Popular Islamic Modaraba



Shariah Compliant Companies

Abbott Lab	Engro Fertilizers	Kot Addu Power Company	Sazgar Engineering Works
Adam Sugar Mills	Engro Foods	Lalpir Power	Service Industries
Ados Pakistan	Equity Modaraba	Linde Pakistan	Shabbir Tiles and Ceramics
Agriautos Industries	Exide	Lotte Chemical	Shakarganj Limited
Akzo Nobel Pak	Faran Sugar	Lucky Cement	Shell Pakistan
Al Shaheer Corp	Fatima Fertilizer	MACPAC Films	Shezan International
AL-Ghazi Tractor	Fauji Cement	Maple Leaf Cement	Shield Corporation
Al-Khair Gadoon Ltd.	Fauji Foods	Mari Petroleum	Shifa Int.Hospital
Allied Rental Modaraba	Fazal Cloth Mills Limited	Meezan Bank	Siemens Pakistan
AL-Noor Modaraba	Fecto Cement	Mehran Sugar	Sitara Chemical
Altern Energy	Ferozsons (Lab)	Millat Tractors	Sitara Energy
Amreli Steels Ltd.	Flying Cement	Mirpurkhas Sugar Mills	Sitara Peroxide
Archroma Pak	Gatron Ind.	Modaraba Al-Mali	Sui North Gas Pipelines
Artistic Denim	General Tyre	Mughal Iron and Steel	Synthetic Products Enterprises
Atlas Battery	Ghandhara Ind.	National Bank Modaraba	Systems Limited.
Atlas Honda Ltd.	Ghandhara Nissan	National Foods	Tariq Glass Ind.
Attock Cement	Ghani Automobile	National Refinery	Telecard Limited
Attock Petroleum	Ghani Gases Ltd.	Nestle Pakistan	Thal Limited.
Attock Refinery	Ghani Glass Limited.	Nimir Ind.Chemicals	Thatta Cement
Avanceon Ltd.	Ghani Global Glass Limited.	Nishat Mills Ltd.	The Searle Company
B.F.Modaraba	Ghani Value Glass	Oil & Gas Development	Treet Corp
B.R.R.Guardian Modaraba	Gharibwal Cement	Orix Mudaraba	Tri-Star 1st. Modaraba
Babri Cotton Mills	Glaxo Smith Kline	P.N.S.C.	Trust Modaraba
Bank Islami Pak	Habib Modaraba	P.T.C.L.	Unicap Modaraba
Bannu Woollen	Habib Sugar	Packages Ltd.	Unilever Foods
Bata	Habib-ADM Ltd.	Pak Cement	United Distributors
Berger Paints	Hascol Petroleum	Pak Datacom	Wah-Noble Chemicals
Bestway Cement	Highnoon (Lab)	Pak Elektron	Wyeth Pakistan
Bhanero Textile	Hinopak Motor	Pak Int.Bulk Terminal	ZIL Limited.
Biafo Industries Limited.	Hi-Tech Lubricants Ltd.	Pak Modaraba	
Burshane LPG (Pakistan)	Honda Atlas Cars	Pak Oilfields	
Buxly Paints	Hub Power Company	Pak Paper Products	
Century Paper & Board Mills	Huffaz Seamless	Pak Suzuki	
Chenab Limited.	I.B.L.Modaraba	Pak Synthetics	
Cherat Cement	IBL HealthCare	Pak.Int.Cont Terminal	
Cherat Packaging	ICI Pakistan	Pakgen Power	
Cres. Stand.Mod	Imperial Sugar Ltd.	Pakistan Cables	
Crescent Steel	Imrooz Modaraba	Pakistan Petroleum	
D.G. Khan Cement	International Industries	Pakistan State Oil Co.	
Dawood Hercules	International Steels Ltd.	Paramount Modaraba	
Dawood Lawrencepur	Ittehad Chemicals Ltd.	Pioneer Cement	
Descon Oxychem	Janana De Malucho	Power Cement Ltd.	
Dewan Cement	Javedan Corporation Limited.	Prudential Modaraba	
Dewan Farooque Spinning	Jubilee Spinning & Weaving Mills	Punjab Modaraba	
Dolemn City REIT	K.S.B.Pumps	Quice Food Industries	
Dynea Pakistan	KASB Modaraba	Rafhan Maize Products	
Elite Cap.Modaraba	K-Electric Ltd.	Redco Textile Limited.	
Ellcot Spinning	Kohat Cement	Rupali Polyester	
Emco Industries	Kohinoor Energy	Safe Mix Concrete Ltd.	
Engro Corp	Kohinoor Textile Mills	Sanofi-Aventis	



Shariah Non - Compliant Companies

Adamjee Insurance	Grays leasing Ltd.	Pak. Ind. & Comm. Leasing
Agriotech Limited	Gul Ahmed Textile	Pak-Gulf Leasing Company Ltd.
Aisha Steel	Habib Bank	Pakistan General Insurance Co.Ltd.
AKD Capital Limited	Habib Insurance Co Ltd.	Pakistan Reinsurance Co.Ltd.
Allied Bank Ltd	Habib Metropolitan	Pakistan Tobacco Company
Al-Mal Sec. & Services	HallMark Insurance Co.Ltd.	Pervez Ahmed Securities Ltd.
AL-Noor Sugar	Hum Network Ltd.	Philip Morris Pak Ltd.
Arif Habib Corp	Ibrahim Fibres	PICIC Energy Fund
Arif Habib Ltd.	IGI Insurance	PICIC Growth Fund
Arpak International Investments Ltd.	IGI Investment Bank	PICIC Insurance Ltd.
Asia Insurance Company Ltd.	IGI Life Insurance	PICIC Investment Fund
Askari Bank	Indus Motor Company	Premier Insurance
Askari General Insurance Co.Ltd.	Invest and Finance Securities Ltd.	Prudential Discount & Guarantee
Atlas Insurance	Investec Mutual Fund	Prudential Investment Bank
Azgard Nine	Investec Securities	Prudential Stocks Fund
Bank Al-Falah	Ismail Industries.	Reliance Insurance Co.Ltd.
Bank Al-Habib	J. O. V. & Co.	Saif Power
Bank of Khyber	J.D.W.Sugar	Samba Bank
Bank of Punjab	Japan Power Generation	Sapphire Textile Mills
BIPL Securities	JS Bank	Saudi Pak Leasing
Byco Petroleum	JS Investments	Security Leasing Corp.Ltd.
Capital Assets Leasing Corp Ltd.	Jubilee General Insurance Co.Ltd.	Shahmurad Sugar
Century Insurance	Jubilee Life Insurance	Shahtaj Sugar Mills
Chashma Sugar	Karam Ceramics	Silk Bank
Clover Pakistan	Khyber Tobacco Co.Ltd.	Silver Star Insurance Company Limited
Colgate Palmolive	Kohinoor Mills Limited	Soneri Bank Ltd.
Cyan Limited	Kohinoor Spinning Mills	Southern Electric Power Co.
Dawood Capital Management	Maqbool Textile Mills Limited	Stand.Chartered Leasing
Dawood Equities Ltd.	Masood Textile	Standard Chartered Bank
Dewan Farooque Motors	MCB Bank	Standard Insurance
Dewan Salam Fibre Limited.	MCB-ARIF Habib	Sui Southern Gas Company
Dewan Sugar	Media Times Ltd	Summit Bank
Dominion Stock Fund	Merit Packaging	Tandlianwala Suger Mills
Dost Steels Ltd.	Mithchells Fruit	Thal Industries Limited.
East West Life Assurance Co Ltd.	Murree Brewery Company Ltd.	TPL Direct Insurance
ECOPACK Ltd.	National Asset Management Company Ltd.	TPL Trakker Ltd.
EFU General Insurance Ltd.	National Bank Ltd.	TRG Pak Ltd.
EFU Life Assurance Ltd.	NetSol Technologies Ltd.	Tri-Pack Films
English Leasing	Next Capital	Trust Investment Bank Ltd.
Engro Polymer & Chemicals	NIB Bank Limited.	United Bank
Engro Powergen	Nimir Resins Limited	United Insurance Co.Ltd.
ESCORTS Bank	Nishat (Chunian) Textile	Universal Insurance Co.Ltd.
Fauji Fert Bin Qasim	Nishat Chunian Power	WorldCall Telecom Ltd.
Fauji Fertilizer Company	Nishat Power	Zephyr Textile Mills
Faysal Bank	Noon Sugar	
First Credit and Investment Bank Ltd.	Orix Leasing Pakistan	
First Dawood Mutual Fund	Otsuka Pakistan	
First National Equities Ltd.	Pace (Pak) Ltd.	
Gadoon Textile	Pak Int.Airlines	
Gillete Pakistan Ltd.	Pak Refinery	



APPROVED ISLAMIC BANKS AND WINDOWS FOR PLACEMENTS

Islamic Banks

- **Al Baraka Bank Pakistan Limited***
- **Bank Islami Pakistan Limited**
- **Dubai Islamic Bank Pakistan Limited**
- **MCB Islamic Bank Limited**
- **Meezan Bank Limited**

Islamic Banking Windows

- **Allied Bank Limited** Islamic Banking
- **Askari Bank Limited** Islamic Banking
- **Bank AL Habib Limited** Islamic Banking
- **Bank Alfalah Limited** Islamic Banking
- **The Bank of Khyber** Islamic Banking
- **The Bank of Punjab** Taqwa Islamic Banking
- **Faysal Bank Limited** Barkat Islamic Banking
- **Habib Bank Limited** Islamic Banking
- **Habib Metropolitan Bank Limited** Sirat Islamic Banking
- **National Bank of Pakistan** Aitmaad Islamic Banking
- **SilkBank Limited** Eman Islamic Banking
- **Sindh Bank Limited** Sa'adat Islamic Banking
- **Soneri Bank Limited** Mustaqeem Islamic Banking
- **Standard Chartered Bank (Pakistan) Limited** Saadiq Islamic Banking
- **Summit Bank Limited** Islamic Banking
- **United Bank Limited** Ameen Islamic Banking

** Al Baraka Bank Pakistan Limited has recently acquired Burj Bank Limited.*

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SCREENING GUIDELINES FOR EQUITY SECURITIES

1. The following is the screening criteria for investments in equity scrip in the local market.

A. Business of the investee company

The business of the investee company should be Halal. Accordingly, investment in shares of conventional banks, insurance companies, leasing companies, companies dealing in alcohol and any other non-compliant activities is not permissible.

B. Interest bearing debt to total assets

The total interest based debt of the investee company should not exceed 40% of the total assets. The debt here includes all interest-based debt & interest based financing.

C. Investment in non-Shariah compliant activities and income from non-Shariah compliant investments

The following two conditions must be observed for share screening purposes:

A- Investment in Shariah non-compliant activities should not exceed 33% of the total assets.

B- Income from Shariah non-compliant investment should not exceed 5% of the gross revenue. (Gross revenue means gross sales plus other income). Subsequently, giving the proportionate portion of noncompliant income to charity is required to purify earnings from investee companies.

D. Illiquid Assets to Total Assets

The total illiquid assets as a percentage of the total assets should at least be 20% where illiquid assets are defined as those assets which can be traded at price different from their par value.

E. Net liquid assets versus share price

The net liquid assets [**Net Liquid Assets = Total Assets – Illiquid Assets – Total Liabilities**] per share should be less than the market price of the share.

PURIFICATION GUIDELINES

A charity rate should be computed to purify earnings from investment in shares i.e. non-compliant income (after tax) divided by net income (after tax) and it should be applied to the entire dividend received from the investee company and the calculated amount shall be paid in charity.



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