



Al-Hilal
— Shariah Advisors —

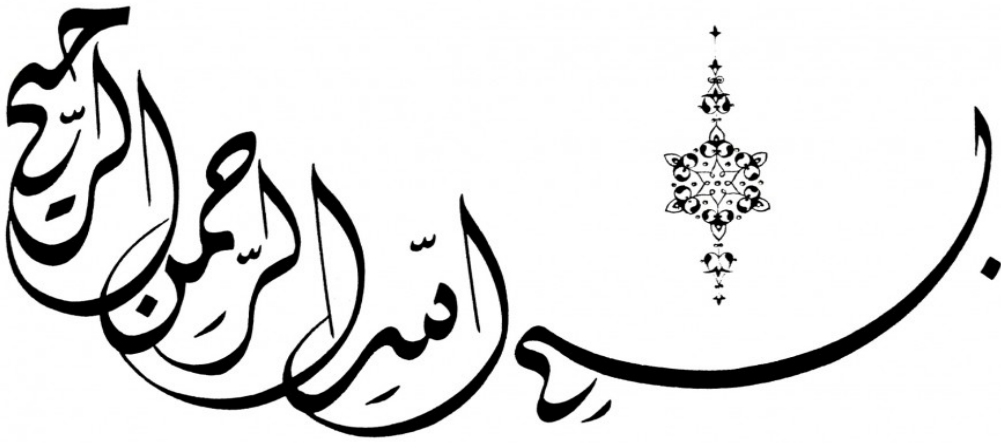
Formerly Fortune Islamic Services

Shariah Compliance Screening Report

March 2016

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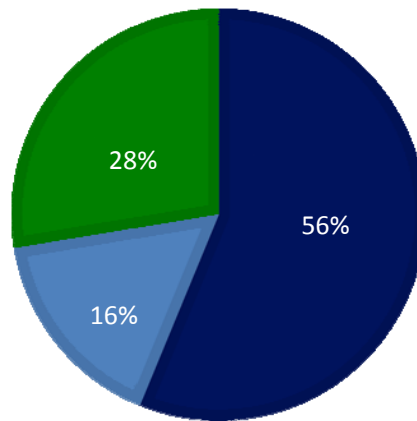
27 June, 2016

KEY HIGHLIGHTS

- We have conducted Shariah compliance screening of **304** select companies listed on the Pakistan Stock Exchange as per their latest financial statements (Mar'16), on the basis of the Shariah compliance screening mechanism approved by our Shariah Advisory Board headed by Mufti Irshad Ahmad Aijaz Sahab.
- Following are the results for the **304** companies under consideration.

Shariah Compliant Companies	Shariah Non- Compliant Companies	Total Companies
171	133	304

MARCH '16



■ Compliant ■ Non Compliant ■ Non Compliant Business

Incoming - Mar 2016 (Compliant)	Outgoing –Mar 2016 (Non Compliant)
Century Paper (CEBP)	Shahtaj Sugar Mills (SHJS)
Thatta Cement (THCCL)	Al Noor Sugar Mills (ALNRS)
Emco Industries (EMCO)	Indus Motors (INDU)

} Cyclical Compliance*

Moreover, based on their latest financials, companies that became Shariah Compliant during this exercise are:

- Century Paper (CEBP)** *(Debt to Assets: 32.77%)*
Short term borrowings have shrunk down from PKR 2,177mn to 638mn in its March Quarter which is the key reason to change the status of company.
- Thatta Cement (THCCL)** *(Debt to Assets: 36.86%)*
Thatta Cement's long term financing in its 3QFY16 fell by PKR 88 mn (5.42%) from PKR 1,621 mn to PKR 1,533 mn, this coupled with a reduction in its short term borrowing in the same quarter of PKR 324 mn (87.1%) from PKR 372mn to PKR 48 mn, have led to a change in the Shariah status of the company.

Long-term finances as well as short term borrowings are availed from commercial banks.

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



1. **Indus Motors (INDU)** *(Non-Compliant Investment to Total Assets: 35.58%)*
 Hefty jump in short term investments which are mainly invested in Market Treasury bills and Term Deposit Receipts (TDRs) from PKR 2,389mn to PKR 14,431mn in its nine months fueled enough to change status of company.

2. **Shahtaj Sugar Mills (SHJS)** *(Debt to Assets: 48%)*
 Shahtaj Sugar Mills's short-term borrowings rose sharply in its 2QFY16 by 187% from PKR 456 mn to PKR 1,309mn, and its running finance of PKR 165 mn have been completely paid off, which are the key reasons behind the change in their Shariah status.

3. **Al-Noor Sugar (ALNRS)** *(Debt to Assets: 50.8%)*
 A steep increase in the short term borrowings of Al-Noor Sugar in its 2QFY16 from PKR 50mn to PKR 2,980mn is the driving factor behind the change in their current Shariah status.

**These companies change status is based on sugar season and business cycle.*

✎ The financial statements of Sui Northern Gas Pipelines (SNGP) and Sui Southern Gas (SSGC) for March'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)

✎ The criterion for screening is enclosed.

✎ The Comprehensive list of companies is as follows.

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Shariah Compliant Companies

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



Shariah Non - Compliant Companies

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



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 [$\text{Net Liquid Assets} = \text{Total Assets} - \text{Illiquid Assets} - \text{Total Liabilities}$] 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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