



## PAKISTAN STOCK EXCHANGE LIMITED

(Formerly: Karachi Stock Exchange Limited)

Stock Exchange Building, Stock Exchange Road, Karachi-74000,

Phones: 111-001-122

### CRITERIA FOR SELECTION OF TOP 25 COMPANIES FOR THE YEAR 2016

1) **Prerequisites for Selection of Top Companies:**

- a) A minimum distribution of 30% (including at least 15% cash dividend) for the year;
- b) The Shares of the company are traded 50% of the total trading days during the year
- c) The company should not be in the Defaulters' Segment of the Exchange or trading in its shares has not been suspended on account of violation of Listing of Companies & Securities Regulations of the Exchange during the year.

2) **The Companies that Qualify above Prerequisites will be selected on the Basis of Highest Marks Obtained as per the following Criteria:**

<b>a) Capital Efficiency:</b>	
(i) Shareholders Return on Equity (on the basis of before tax profit)	15%
(ii) Ratio of Capital Expenditure to Total Assets	3%
(iii) Change in Market Value Added (MVA of a year in the difference between Market Value minus Book Value for that year.)	2.5%
<b>b) Dividend Distribution (including Bonus)</b>	
(i) Total Distribution out of Current Year's Profit only. (In case dividend/bonus is paid out of prior year's earnings/reserves, than the dividend/bonus shall be adjusted proportionately)	10%
(ii) Payout Ratio (DPS / EPS)	10%
<b>c) Growth in Operating Revenue</b>	6%
<b>Change in EBITDA Margin (Operating margin) in absolute terms</b>	6%
<b>d) Free-Float of Shares</b>	10%
Free-Float of shares as a percentage of total shares outstanding	
<b>e) Turnover of Shares</b>	2.5%
Transactions that are executed on Karachi Automated Trading System (KATS)	

<b>f) Corporate Governance &amp; Investors Relation</b>	
(i) Updated website is maintained by the company where information regarding the Management/Board of Directors, Vision/Mission statement and latest financials are available	3.5%
(ii) Announcement of Half-yearly result within one month	2.5%
(iii) Holding of Board Meeting for the consideration of accounts within one month of the close of financial year	5%
(iv) Holding of AGM within three months of year-end	2.5%
(v) Early despatch of final dividend / bonus shares within 10 days instead of the requirement of 30 days	5%
(vi) Holding of at least one corporate briefing program during the year	2.5%
(vii) Compliance with the provisions of Code of Corporate Governance (in case of any noncompliance, no marks shall be awarded)	4%
(viii) At least 50% of directors have completed Director's Training Program from institutes approved by SECP.	2.5%
(ix) More than 1 independent director in the Board of Directors	2.5%
(x) Chairman of Audit Committee who is an independent and a non-executive director	2.5%
(xi) Corporate Social Responsibilities Monetary donation(s) as percentage of after tax profit disclosed in the annual accounts (minimum 1% of after tax profit will qualify for full marks)	2.5%
<b>TOTAL</b>	<b>100%</b>