

BIOTECH ENERGY (PVT.) LIMITED

Analyst(s):

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RATING DETAILS

RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A	A1	A	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	15-May-26		16-Apr-25	

Shareholding (5% or More)

Safco Venture Holdings Ltd - 91.21%

Mr. Saeed Kausar - 8.79%

Other Information

Incorporated in 2014

Private Limited Company

Chairman: Taimur Sheikh

CEO: Taimur Sheikh

Directors: Ali Taimur Sheikh, Umer Taimur Sheikh

External Auditor: Baker Tilly Mehmood Idrees Qamar Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology - Corporates Ratings

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The assigned ratings reflect Biotech Energy (Pvt.) Limited's established position as the leading manufacturer and exporter of biodiesel. The business risk is supported by volumetric growth and improving capacity utilization in FY25 and 1HFY26. The Company benefits from operating in a niche segment with high entry barriers, including certification requirements and specialized raw material procurement. The financial risk profile is supported by stable cash flow generation and moderate capitalization indicators. However, reliance on short-term borrowings to finance working capital requirements remains a key consideration, particularly in light of an extended cash conversion cycle. Coverage indicators, while adequate, have moderated mainly due to higher finance costs.

The ratings also incorporate exposure to feedstock price volatility and concentration in a single product line and export market. The decline in profitability during FY25 was primarily due to one-off tax adjustments, and elevated finance costs, with recovery witnessed in the ongoing year. Going forward, the Company's ability to sustain volumetric growth, profitability and coverage indicators while maintaining prudent leverage management will remain important from ratings perspective.

Company Profile

Biotech Energy (Pvt.) Limited ('BEPL' or 'the Company') was incorporated in April 2014 as a private limited company in Pakistan. BEPL is a subsidiary of SAFCO Venture Holdings Limited and forms part of Group Shaikh, a family-owned business group with diversified interests in trading and renewable energy. The principal activity of BEPL is the manufacturing and export of methyl ester biodiesel to international markets. The Company's production facility is located at Sheikhpura-Sharaqpur Road, Punjab, with an installed capacity of approximately 50,000 metric tons per annum. BEPL utilizes waste-based feedstock, including used cooking oil, refinery waste, and poultry waste, for biodiesel production. The product meets EN14214 European standards and is entirely exported to European markets, in compliance with applicable international quality and sustainability requirements. The Company also holds the required carbon certification for exports, which is renewed annually by independent international auditors.

Governance

The Company operates under a family-led management structure, with key positions held by members of the sponsoring Shaikh family. Mr. Taimur Shaikh serves as the Chairman and CEO, while Mr. Ali Taimur Shaikh is a director and oversees overall operations. Mr. Umer Taimur Shaikh is responsible for commercial strategy and business development. The core management team is supported by experienced professionals in their respective departments.

The Board of Directors is primarily composed of sponsor representatives, with involvement of senior management in operational and financial oversight. The Company has established multiple internal committees, including audit, procurement, operations, and sustainability committees, which meet periodically to oversee key functions. While governance practices are supported by defined structures and reporting lines, overall control remains concentrated within the sponsoring family.

Business Risk

INDUSTRY

The global biodiesel industry continues to experience growth, supported by increasing emphasis on decarbonization and regulatory measures promoting renewable fuels. Demand is primarily driven by the transportation sector, along with ongoing advancements in production efficiency and feedstock utilization.

In the European Union (EU), regulatory frameworks remain a key driver of biodiesel demand. Under the revised Renewable Energy Directive (RED III), the EU has set a binding renewable energy target of at least 42.5% by 2030, with an ambition to reach 45%. For the transport sector, member states are required to achieve a 14.5% reduction in greenhouse gas intensity or ensure that 29% of energy consumption is derived from renewable sources. Advanced (second-generation) biodiesel continues to offer strong growth potential, as it is not subject to the 7% cap applicable to conventional biofuels.

Pakistan's biodiesel industry remains at a nascent stage, with limited local players and underdeveloped infrastructure. While the country has a sizeable base of waste-based feedstock, including used cooking oil, several barriers continue to hinder new entrants. These include high capital requirements, the need for an efficient raw material procurement network, and stringent international certification and quality standards. However, with rising global demand for sustainable fuels and evolving regulatory frameworks in key export markets, the sector holds potential for growth, particularly in exports.

OPERATIONAL UPDATE

Metric	FY24	FY25	1HFY26
Installed Capacity (MTPD)	123.28	123.28	123.28
Actual Production (MTPD)	89.50	99.80	102.16
Capacity Utilization (Annualized)	72.60%	80.95%	82.87%

Daily production increased in FY25, and 1HFY26. Accordingly, capacity utilization also improved reflecting operational efficiency and stable demand in export markets. The Company continues to maintain required international certifications for exports, supporting uninterrupted access to European markets. Feedstock is primarily sourced from locally available waste streams; however, certain inputs such as methanol, are now mobilized through imports, due to cost optimization considerations. The Company has adequate in-house power generation capacity of approximately 3.4 MW, higher than its peak requirement.

During FY25 and 1HFY26, BEPL incurred capital expenditure directed towards process optimization, automation enhancements, and plant upgrades, aimed at improving operational efficiency and product quality. Additionally, the Company has acquired land next to the company's premises. The land will be leased out to Safco Opco (Pvt.) Limited (an associated company), primarily for the development of the sustainable aviation fuel (SAF) project.

SALES & PROFITABILITY

Despite slight decrease in price, BEPL's net sales increased by 10.3% to PKR 11.1 bn in FY25 (FY24: PKR 10.1 bn), driven by higher export volumes. Net sales reached PKR 6.02b in 1HFY26 on the back of increase on both price and volume. Gross margins improved to 23.3% in FY25 (FY24: 20.8%) and remained stable at 23.4% in 1HFY26, supported by higher capacity utilization in FY25 & 1HY26 and improved prices in 1HY26.

Meanwhile, net profit declined sharply in FY25 to PKR 53.9 million (FY24: PKR 921.7 million) primarily due to the impact of changes in taxation regulations, including recognition of deferred tax pertaining to prior periods along with higher finance costs on account of higher weighted average borrowings. Consequently, net margins declined to 0.5% in FY25 (FY24: 9.2%). However, profitability rebounded in 1HFY26, with profit after tax of PKR 532.2 million, indicating normalization of earnings following the one-off tax impact.

Going forward, profitability would primarily remain sensitive to volumetric growth, product price, raw material cost movements and financing requirements.

Financial Risk

CAPITAL STRUCTURE

The Company's capital structure remained broadly stable. Short-term borrowings constitute the majority of debt and reflect the working capital-intensive nature of the business. Long-term debt increased in FY25 and 1HFY26, due to ongoing capital expenditure. Equity base (excluding revaluation surplus) increased to PKR 7.0 billion at end-FY25 (FY24: PKR 6.8 billion) and PKR 7.5 billion by end-1HFY26, supported by profit retention. Core equity includes interest free loan of PKR 857.8 million from director of the Company, which are to be repaid at the Company's discretion. Gearing remained stable at 0.56x at end-1HFY26 and 0.59x at end-FY25 (FY24: 0.57x). Leverage increased to 0.90x at end-FY25 (FY24: 0.64x) and remained elevated at 0.92x at end-1HFY26 mainly due to the impact of deferred tax liability and higher long-term borrowings. Going forward, gearing and leverage metrics are expected to remain stable, supported by internal cash flow generation and growth in the equity base.

DEBT COVERAGE & LIQUIDITY

Funds from operations (FFO) increased to PKR 1.5 billion in FY25 (FY24: PKR 1.3 billion) mainly due to higher non-cash adjustments in operating cash flows. Accordingly, the debt servicing coverage ratio (DSCR) reduced to 2.69x in FY25 (FY24: 4.40x) and further to 2.51x at 1HFY26 mainly due to higher finance costs. FFO to total debt improved to 37.1% in FY25 (FY24: 33.2%), though moderated to 28.7% at 1HFY26. Anyhow, coverage indicators remain adequate, supported by the Company's ability to generate stable operating cash flows.

The Company's liquidity profile remained satisfactory, with the current ratio improving to 1.48x at end-FY25 (FY24: 1.34x) and further to 1.52x at end-1HFY26. However, the business remains working capital intensive, as reflected in an increasing cash conversion cycle, which stood at 128 days in FY25 (FY24: 114 days) and 132 days at 1HFY26, primarily due to higher inventory levels.

The Company's reliance on short-term borrowings to finance working capital requirements remains a key consideration for liquidity management. Nevertheless, available credit lines and internal cash flow generation provide support to the liquidity profile.

FINANCIAL SUMMARY

Ratio Analysis	FY24A	FY25A	6MFY26M
Gross Margin (%)	20.63	23.27	23.42
Operating Margin (%)	13.27	16.63	15.85
Net Margin (%)	9.16	0.48	8.83
Funds from Operation (FFO) (PKR Millions)	1,298.85	1,520.16	608.03
FFO to Total Debt* (%)	33.17	37.08	28.65
FFO to Long Term Debt* (%)	1324.01	421.81	236.09
Gearing (x)	0.57	0.59	0.56
Leverage (x)	0.64	0.9	0.92
Debt Servicing Coverage Ratio* (x)	4.4	2.69	2.51
Current Ratio (x)	1.34	1.48	1.52
(Stock in trade + trade debts) / STD (x)	0.91	0.97	1.21
Return on Average Assets* (%)	8.00	0.39	7.06
Return on Average Equity* (%)	14.81	0.78	14.68
Cash Conversion Cycle (days)*	114	128	132

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Biotech Energy (Pvt.) Limited				
Sector	Oil & Gas				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: ENTITY				
	14/05/2026	A	A1	Stable	Reaffirmed
	16/04/2025	A	A1	Stable	Reaffirmed
	21/09/2023	A	A1	Stable	Upgrade
09/03/2023	A	A2	Stable	Initial	
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted	Name	Designation		Date	
	Adeel Aleem	Group Chief Financial Officer		4-May-26	
Umair Amjad	Group Company Secretary Sr. Manager Accounts & Taxation				