

RATING REPORT

Burj Clean Energy Modaraba

REPORT DATE:

21 May, 2025

RATING ANALYSTS:

Saeb Muhammad Jafri

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RATING DETAILS

	Preliminary Rating
Rating Category	Short-term
Instrument Rating	A1 (plim)
Rating Date	21 May 2025
Rating Action	Preliminary

COMPANY INFORMATION

Incorporated in 2024

External auditors: Rahman Sarfaraz Rahim Iqbal
Rafiq Chartered Accountants

Public Listed Company

Chairperson: Mr. Muneer Kamal
Chief Executive Officer: Mr. Nabeel Anjum Malik

Shareholding (Above 10%):

- Burj Energy International Management Limited - 67.50%
- Burj Modaraba Management Company (Private) Limited – 11.60%

APPLICABLE METHODOLOGY(IES)

VIS NON-BANK FINANCIAL COMPANIES:

<https://docs.vis.com.pk/Methodologies%202024/NBFCs202003.pdf>

VIS Instrument Ratings:

<https://backupsqvis.s3.us-west-2.amazonaws.com/Methodologies-2025/IRM-Apr-25.pdf>

RATING SCALE(S)

VIS Issue/Issuer Rating Scale

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

Burj Clean Energy Modaraba Limited

OVERVIEW
OF THE
INSTITUTION

RATING RATIONALE

Burj Clean Energy Modaraba ("BCEM or "the Modaraba"), a project of Burj Modaraba Management Company (Private) Limited (BMMCPL). The Modaraba specializes in developing, owning, and operating renewable energy and related solutions, including energy storage, energy efficiency products, and E-mobility projects.

Company Profile

Burj Clean Energy Modaraba ("BCEM or "the Modaraba"), is a modaraba managed by Burj Modaraba Management Company (Private) Limited (BMMCPL or the Modaraba Management Company). The Modaraba is listed on the Growth Enterprise Market Board (GEM Board) of the Pakistan Stock Exchange (PSX); listing took place in October 2024. The registered office is situated in Karachi, Pakistan.

The Modaraba's principal activity is developing and operating distributed renewable energy projects in Pakistan. This includes supplying energy services to commercial, industrial, utility, and residential clients through Power Purchase Agreements (PPA). Its activities also include leasing renewable energy equipment, investing in clean energy projects, and providing energy storage solutions. Additionally, BCEM engages in trading alternative energy products, conducting research and development for sustainable technologies, and offering consultancy services on energy efficiency. The Modaraba also aims to facilitate the trading of carbon credits and international renewable energy certificates (I-REC).

Proposed STS Structure:

BCEM plans to raise an unsecured, privately placed STS, up to PKR 700 million inclusive of green shoe option of PKR 200 million. The proceeds from the issue will be utilized for the purposes of Modaraba's normal business as permitted under its constitutive documents. The STS employs a Musharakah structure, relying on Shirkat-ul-Aqd. The structure is as follows:

- The tenor of the instrument is six (06) months from the date of drawdown.
- The proposed profit rate is based on 6 months KIBOR plus 175 basis points.
- Profit is payable at the time of the maturity of the Sukuk along with the principal payment.
- The Issuer will also establish a Sukuk Payment Account (SPA). The Issuer shall ensure that the principal repayment amount is deposited into the SPA no later than ten (10) calendar days prior to the scheduled repayment date.

Key Rating Driver**Business Risk Profile****Asset Quality**

The ratings factor in comfort derived from the Modaraba's asset quality profile, supported by its exposure to the corporate renewable energy segment in Pakistan. The client portfolio consists of established corporate entities, which contribute to credit quality and mitigates counterparty risk. Asset quality is further reinforced by a corporate guarantee provided by the principal client, which enhances recovery prospects. Concentration in a relatively stable and regulated segment of the energy sector underpins the overall assessment of the receivables portfolio.

Operational Risk

The Modaraba's operational risk profile is influenced by its reliance on the performance and maintenance of renewable energy assets. Operational challenges, such as equipment efficiency and project execution, can affect energy production levels. To mitigate these risks, BCEM engages in thorough maintenance protocols and collaborates with experienced engineering, procurement, and construction contractors. Additionally, the Modaraba emphasizes the implementation of advanced technologies to enhance operational efficiency and reduce downtime.

Sponsorship and Experienced Management

The ratings of BCEM benefit from the sponsorship of BEIML. The Sponsor has expertise in investment and asset management, Islamic banking, corporate finance, Shariah-compliant fund structuring, and project financing, particularly in renewable energy initiatives and advanced electric vehicle and energy storage technologies. Additionally, the management team of Burj Clean Energy Modaraba possesses substantial experience in the renewable energy sector, further supporting the company's operational capabilities.

Support from the sponsor has been demonstrated through the transfer of ownership in BSEPL and JPL Holdings to BCEM. These transfers have provided early revenue generation for the Modaraba through BSEPL and JPL Holdings, prior to any of BCEM's own projects, while the holding in JPL Holdings has enabled access to highly dependable and stable dividend income from JPL. These factors have contributed positively to BCEM's cash flow profile and provide support to the assigned ratings. Moreover, ratings are underpinned on the comfort provided by BEIML to BCEM to provide financial support to the Modaraba to cover its liabilities and any instrument issue going forward. Moreover, institutional equity participation by Meezan Bank Limited and Habib Bank Limited (both rated 'AAA'), enhances the Modaraba's access to capital and improves the strength of its overall sponsor profile.

Financial Risk Profile

The Modaraba's projected revenue composition indicates continued reliance on corporate sales, which are expected to remain the primary contributor to total revenue. Over the forecast period, corporate revenues are projected to account for approximately 50%–96% of total sales. Retail revenue, initially representing a smaller portion, is expected to increase over time, contributing nearly 30%–40% of total revenue in the later years of the projection, in line with the company's planned expansion into consumer-driven markets. Revenue from renewable energy certificates (RECs) and carbon credits is anticipated to remain limited, contributing approximately 1%–3% of total revenue. Additionally, gradual growth is projected in the electric vehicle (EV) infrastructure and battery energy storage system (BESS) segments, with contributions expected to reach ~4% towards the end of the forecast period. Profitability is also expected to be supported by dividend income from JPPL.

Gearing and leverage ratios are expected to increase from 0.55x and 0.73x in FY25 to 2.47x and 2.49x in FY29, respectively. The Modaraba's funding structure comprises a mix of debt and equity, with an increasing reliance on external borrowings. The current portion of debt is expected to rise over the years. Future financing is primarily projected to be sourced from long-term bank debt. However, management has indicated plans for additional equity injections, which are expected to provide support to the capital structure.

While credit risk is expected to remain elevated due to continued funding requirements for new business initiatives, counterparty risk on key projects is mitigated through a corporate guarantee from the principal customer.

Burj Clean Energy Modaraba
Appendix I

Financial Summary	
Balance Sheet (PKR Millions)	9MFY25A
Property, plant and equipment	648.38
Long term investment	572.18
Right-of-use Assets	11.15
Trade debts	28.54
Short-term Investments	66.57
Cash & Bank Balances	183.57
Other Assets	79.45
Total Assets	1,589.84
Creditors	64.12
Long-term Debt (incl. current portion)	435.30
Total Debt	435.30
Other Liabilities	32.28
Total Liabilities	531.69
Paid up Capital	1,000.00
Revenue Reserve	58.15
Equity (excl. Revaluation Surplus)	1,058.15
Income Statement (PKR Millions)	
Income Statement (PKR Millions)	9MFY25A
Net Sales	136.18
Gross Profit	136.18
Operating Profit	86.45
Finance Costs	33.67
Profit Before Tax	71.97
Profit After Tax	58.15
Ratio Analysis	
Ratio Analysis	9MFY25A
Operating Margin (%)	63.48%
Net Margin (%)	42.70%
Funds from Operation (FFO) (PKR Millions)	75.70
FFO to Total Debt* (%)	23.19%
FFO to Long Term Debt* (%)	23.19%
Gearing (x)	0.41
Leverage (x)	0.50
Debt Servicing Coverage Ratio* (x)	1.34
Current Ratio (x)	2.43
Return on Average Assets* (%)	4.88%
Return on Average Equity* (%)	7.33%
Cash Conversion Cycle (days)	57.37

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

Burj Clean Energy Modaraba Limited
Appendix II

REGULATORY DISCLOSURES					
Name of Rated Entity	Burj Clean Energy Modaraba				
Sector	Modaraba				
Type of Relationship	Solicited				
Purpose of Rating	Sukuk Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: Short-term Sukuk				
	21-May-2025		A1 (plim)		Preliminary
Instrument Structure	BCEM plans to raise an unsecured, privately placed STS, up to PKR 700 million inclusive of green shoe option of PKR 200 million. The proceeds from the issue will be utilized for the purposes of Modaraba’s normal business aspermitted under its constitutive documents. The STS employs a Musharakah structure, relying on Shirkat-ul-Aqd. The tenor of the instrument is six (06) months from the date of drawdown. The proposed profit rate is based on 6 months KIBOR plus 175 basis points. Profit is payable at the time of the maturity of the Sukuk along with the principal payment. The Issuer will also establish a Sukuk Payment Account (SPA). The Issuer shall ensure that the principal repayment amount is deposited into the SPA no later than ten (10) calendar days prior to the scheduled repayment date.				
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
	Mr. Nabeel Anjum Malik		Chief Executive Officer		21/03/2025
	Mr. Talha Ameer Khan		Managing Director, Investments		
	Ms. Mahnoor Khan		Investment Analyst		