

CRESCENT STEEL & ALLIED PRODUCTS LIMITED

Analyst:

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RATING DETAILS

Ratings Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A-	A2	A-	A2
Rating Outlook/ Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Rating Date	April 28, 2026		December 17, 2024	

Shareholding (5% or More)

Local Public – 36.2%
Other Companies (Local and Foreign) – 14.7%
Mutual Funds and Modarabas – 9.4%
Associated Companies, Undertakings, and Related Parties – 23.6%

Other Information

Incorporated in 1983
Public Listed Company
Chief Executive: Mr. Ahsan M. Saleem
External Auditor: A.F. Ferguson & Co Chartered Accountants Internal Auditor: BDO Ebrahim & Co 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 Crescent Steel and Allied Products Limited's established presence in Pakistan's steel and engineering sector, supported by its operating track record and diversified business segments. The ratings incorporate the Company's business profile, underpinned by contributions from the Investment and Infrastructure development Division (IID), along with secured projects that provide a degree of revenue visibility over the medium term. However, the business remains largely dependent on project flows, resulting in earnings volatility and uneven capacity utilization, while high client concentration continues to act as a constraint. Nonetheless, its position as the leading domestic producer of large diameter API-grade pipes provides meaningful competitive leverage.

The Company maintains a conservative capital structure, characterized by low leverage and limited reliance on external borrowings, supporting strong coverage metrics and financial flexibility. Profitability remains mixed, with pressure on core margins from lower capacity utilization and higher input costs. Net earnings receive additional support from non-core income, primarily from the IID Division, while the recent divestment of other non-core businesses allows the Company to focus more on strengthening its core operations. Liquidity remains adequate, supported by improved coverage indicators, although the working capital cycle remains stretched. Key rating sensitivities include sustaining core margin improvement, reducing dependence on non-operational income in light of reduced ancillary contributions, and effective working capital management while preserving liquidity and coverage metrics.

Company Profile

Crescent Steel & Allied Products Limited (“CSAP” or “the Company”) was incorporated in Pakistan in 1983 as a public limited company. The Company is listed on the Pakistan Stock Exchange Limited (“PSX”). The registered office of the Company is in Lahore, whereas its principal office is in Karachi.

The principal activity of Crescent Steel & Allied Products Limited is the manufacturing and sale of steel and allied engineering products, with a primary focus on large-diameter steel line pipes. These pipes are used extensively in the oil and gas, water, and infrastructure sectors, while the Company’s coating division provides internal and external corrosion protection for pipelines. Together, these operations allow CSAP to offer integrated steel pipe solutions from production to surface protection, meeting both domestic and project-based requirements.

CSAP’s manufacturing facilities are located in Nooriabad, Sindh, and Dalowal, Punjab, equipped with pipe plants and coating plant that support these core operations. Other segments, including the Crescent Hadeed (Billet) and Cotton Divisions, are non-operational, while the IID Division manages strategic equity and real estate holdings, providing income diversification.

Management and Governance

CEO Profile

Mr. Ahsan M. Saleem is the Chief Executive Officer of the Company and brings extensive experience in steel manufacturing and industrial management. Under his leadership, the Company has focused on strengthening its core operations in line pipe production and coating services while enhancing operational efficiency and project execution. Mr. Ahsan M. Saleem is a co-founder and current Board Chairman of The Citizens Foundation (TCF). He is also a founding member of the Commecs Education Trust and of the Pakistan Centre for Philanthropy and continues to serve on both Boards. He has previously served on the Boards of Habib University as a founding member and as Chairman Board of Governors of the Indus Valley School of Art and Architecture. Mr. Ahsan M. Saleem is actively engaged in promoting sustainable practices, supporting infrastructure development, and expanding the Company’s contribution to Pakistan’s steel and engineering sectors.

Board & Senior Management

The Board of Crescent Steel & Allied Products Limited comprises eight directors in total, including 1 executive and 7 non-executive directors, of which 4 are independent members. The Board includes 1 female director, ensuring representation in line with corporate governance standards. It is chaired by Mr. Ahmad Waqar, with dedicated committees overseeing audit, human resources, remuneration, risk, and environmental, social, and governance (ESG) matters. The senior management team consists of experienced professionals with expertise across steel manufacturing, finance, operations, governance, and energy integration.

Industry Profile & Business Risk

The business risk profile of Pakistan’s steel pipes and line pipe manufacturing industry is assessed as moderately high, reflecting its linkage to infrastructure-led demand while benefiting from ongoing requirements in energy and utility transmission networks. Demand remains project-dependent and cyclical, driven mainly by public sector infrastructure spending and EPC-led energy projects. This results in uneven short-term visibility; however, medium- to long-term demand is supported by continued expansion and rehabilitation of transmission infrastructure.

The industry produces high-grade line pipes used in energy and utility applications, requiring compliance with technical specifications, specialized fabrication processes, and coating applications for corrosion protection and operational performance. This adds a level of technical complexity and limits direct substitution from lower-grade alternatives.

An integrated operating structure, combining pipe manufacturing with coating operations, provides some cost efficiencies and improves control over input availability. However, exposure to steel coil price movements remains a key cost factor.

Overall, while the industry is exposed to project execution cycles and macroeconomic conditions, it benefits from sustained infrastructure demand, technical requirements, and relatively higher entry barriers compared to commodity steel products, which supports a more stable medium-term operating profile.

Operational Update

Steel Production Capacity	FY22	FY23	FY24	FY25
Pipes-tons				
Installed production-tons	66,667	66,667	66,667	66,667
Actual Production- tons	5,082	42,888	59,543	41,175
Capacity Utilization	8%	64%	89%	62%
Coating Plant-outside surface area of pipes				
Installed production- sq meters	600,000	600,000	600,000	600,000
Actual Production- sq meters	96,677	305,098	553,906	319,711
Capacity Utilization	16%	51%	92%	53%

In FY25, Crescent Steel & Allied Products Limited maintained its installed capacity across both pipes and coating segments, with performance primarily reflecting utilization trends and the timing of project execution. In the pipes segment, production declined from FY24, with capacity utilization easing to 62% (FY24: 89%), following the completion of large project-based orders in the prior year and limited replacement inflows. Demand remained linked to infrastructure and gas transmission activity, resulting in uneven order flows and volatile production patterns. Pipeline projects and recently awarded contracts are expected to support volumes over FY26–FY27. In the coating segment, utilization declined to 53% (FY24: 92%), primarily due to reduced coating requirements and a shift in product mix toward uncoated pipes, leading to lower fixed cost absorption and weaker segmental contribution.

Overall, the Steel Division continued to contribute meaningfully to earnings; however, performance softened on a year-on-year basis amid lower utilization and reduced high-margin project activity. The business remains exposed to public sector development spending and energy infrastructure investment cycles, introducing demand volatility. Non-core segments, including cotton spinning, energy generation, and Hadeed remained non-operational, consistent with the Company's strategic focus on its core steel operations.

Profitability

The Company's topline declined by 43% year-on-year to PKR 6.4 billion in FY25 (FY24: PKR 9.1 billion), primarily due to reduced demand from projects, reflecting the project-driven nature of the pipes segment. Revenue remains concentrated in the domestic market, with Bare Pipes contributing 65% (FY24: 60%) and Pre-Coated Pipes 29% (FY24: 32%). Revenue concentration remains high, with approximately 80% derived from three key clients: Sui Northern Gas Pipelines Ltd., CHEC-AFI Joint Venture, and Sui Southern Gas Company Ltd. On the margins front, Gross margins contracted in FY25, primarily due to higher raw material costs and lower capacity utilization, which impacted fixed cost absorption. While profitability improved, largely driven by reduced operating expenses, lower finance costs due to deleveraging, and contribution of income from IID Division, indicating weakening in core operating profitability. The recent divestment of non-core businesses is expected to further enhance core profitability by reducing reliance on non-operating income and improving operating efficiency. Net margin increased to 21.1% (FY24: 17.6%). During 9MFY26, the Company reported sales of PKR 5.3 billion, with contribution continuing from Bare and Pre-Coated Pipes. Gross margins showed some recovery; however, bottom-line profitability remained supported by contribution of income from the IID division of PKR 296 million, other income of PKR 107 million, and lower finance costs, indicating a degree of reliance on non-core income streams. Net margin dropped to 13.1% during the period. The Company has secured projects in the water and gas sectors with deliveries extending through FY28, which are expected to support revenue growth.

Financial Risk

Capital Structure

The Company's equity base increased to PKR 8.8 billion as of June 2025 (FY24: PKR 7.7 billion), reflecting a 13% year-on-year rise, primarily supported by profit retention. Profitability during FY25 was supported by contributions from the IID Division, which generated PKR 1.5 billion from short-term and long-term investments. By March 2026, equity rose further to PKR 9.1 billion, supported by continued earnings, including PKR 296 million generated by the investment segment during 9MFY26, despite a final dividend payout of PKR 194 million and an interim dividend of PKR 155 million for FY26. The Company maintains a conservative capital structure, with gearing and leverage ratios improving to 0.11x and 0.30x, respectively, in 9MFY26 (FY25: 0.28x and 0.82x). Long-term borrowings declined to PKR 17 million by March 2026 (FY25: PKR 132 million), primarily due to scheduled repayments, while short-term borrowings declined from PKR 1.9 billion in FY25 to PKR 0.87 billion by 9MFY26, mainly reflecting lower working capital requirements amid reduced demand from the projects, along with partial support from internal cash flows and investment income. While low debt levels indicate limited external financing reliance, liquidity remains sensitive to stability of operating cash flows and investment income.

Debt Coverage & Liquidity

The Company has historically maintained an adequate liquidity profile, reflected by a five-year average current ratio of 1.54x. In FY25, the current ratio declines to 1.57x (FY24: 2.03x), due to contract liabilities; however, it improved to 2.62x by end-Mar'26. Nonetheless, liquidity indicators remain within acceptable thresholds. Short-term debt coverage declined to 2.35x at FY25 (FY24: 4.64x), before reaching 2.84x in Mar 26, to reflect adequate coverage of short-term obligations. Cash flow indicators improved in 9MFY26, supported by higher gross margins and a significant reduction in leverage, enhancing internal cash generation. Coverage metrics strengthened, with FFO-to-total borrowings rising to 82% in 9MFY26 (FY25: 39%; FY24: 205%). Consequently, debt servicing capacity improved, with DSCR increasing to 5.01x in 9MFY26 (FY25: 2.47x; FY24: 3.90x), primarily driven by a sharp reduction in borrowings. Working capital pressures showed some easing, as receivable days declined to 71 days in 9MFY26 compared to 89 days in FY25, while inventory days increased to 176 days from 167 days. As a result, the net operating cycle improved to 232 days in 9MFY26 from 249 days in FY25. Going forward, sustaining cash flow strength will depend on further normalization in working capital and margin stability, as the improvement in coverage is partly driven by deleveraging.

FINANCIAL SUMMARY		(Rs. in millions)		
BALANCE SHEET	FY24	FY25	9MFY26	
Property, plant and equipment	2,195	1,999	2,594	
Stock-in-Trade	1,448	2,984	1,334	
Trade Debts	1,472	1,641	1,129	
Cash & Bank Balances	303	75	48	
Total Assets	10,498	15,920	11,874	
Trade Payables	44	132	60	
Long Term Debt	682	509	178	
Short Term Debt	630	1,965	867	
Total Debt	1,312	2,474	1,045	
Total Liabilities	2,782	7,168	2,764	
Paid Up Capital	776	776	776	
Total Equity	7,716	8,752	9,109	
INCOME STATEMENT	FY24	FY25	9MFY26	
Net Sales	9,112	6,381	5,319	
Gross Profit	2,697	1,525	1,315	
Operating Profit	3,108	2,296	1,028	
Profit Before Tax	2,610	2,008	906	
Profit After Tax (continuing operations)	1,690	1,443	620	
Net Profit of the year	1,606	1,344	697	
RATIO ANALYSIS	FY24	FY25	9MFY26	
Gross Margin (%)	29.6%	23.9%	24.7%	
Operating Margin (%)	34.1%	36.0%	19.3%	
Net Margin (%)	17.6%	21.1%	13.1%	
Funds from Operation (FFO)	2693	968	646.9	
FFO to Total Debt*	2.05	0.39	82%	
FFO to Long Term Debt*	3.95	1.90	484%	
Gearing (x)	0.17	0.28	0.11	
Leverage (x)	0.36	0.82	0.30	
Debt Servicing Coverage Ratio* (x)	3.90	2.47	5.01	
Current Ratio (x)	2.03	1.57	2.62	
(Stock in trade + trade debts) / STD (x)	4.64	2.35	2.84	
Return on Average Assets* (%)	15.7%	10.2%	7.8%	
Return on Average Equity* (%)	23.2%	16.3%	10.1%	
Cash Conversion Cycle (days)	108	228	150	

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	Crescent Steel & Allied Products Limited				
Sector	Steel				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	28-Apr-26	A-	A2	Stable	Reaffirmed
	17-Dec-24	A-	A2	Stable	Reaffirmed
	13-Dec-23	A-	A2	Stable	Maintained
	31-Mar-23	A-	A2	Rating Watch - Developing	Maintained
	11-Oct-22	A-	A2	Stable	Reaffirmed
	25-Jun-21	A-	A2	Stable	Reaffirmed
	08-Apr-20	A-	A2	Stable	Downgrade
	26-Dec-18	A	A2	Stable	Downgrade
29-May-18	A+	A2	Negative	Maintained	
03-Jul-17	A+	A2	Stable	Initial	
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 Meeting Conducted	Name	Designation			Date
	Azeem Sarwar	Controller & Company Secretary			
	Abdul Ghani	Manager Treasury			
	Muhammad Shakeebullah	Manager Reporting, Consolidation & Corporate Compliance			
Imran Kazmi	Assistant Manager Treasury			17th Feb 2026	