

Pakistan Equity | Steel | Company Report

Crescent Steel & Allied Products Ltd. (CSAP)

Powering progress through steel pipelines



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CSAP TP PKR 194.38/share; Upside of 46%

CSAP Key Ratios					
	FY24A	FY25A	FY26E	FY27F	FY28F
EPS	20.7	17.3	22.7	24.7	26.2
EPS YoY	807%	-16%	31%	9%	6%
Price Earnings	2.1	5.7	5.9	5.4	5.1
Price to Book	0.4	0.9	1.1	1.0	0.9
Dividend Yield	12.5%	7.5%	7.7%	8.3%	8.9%
Gross Margins	29.6%	23.9%	26.0%	26.3%	26.5%
EBITDA Margins	26.5%	17.4%	21.7%	21.8%	22.1%
Net Margins	17.6%	21.1%	24.0%	23.5%	23.2%
ROE	23.2%	16.3%	19.1%	18.7%	17.9%
ROA	15.7%	10.2%	10.8%	10.9%	10.7%

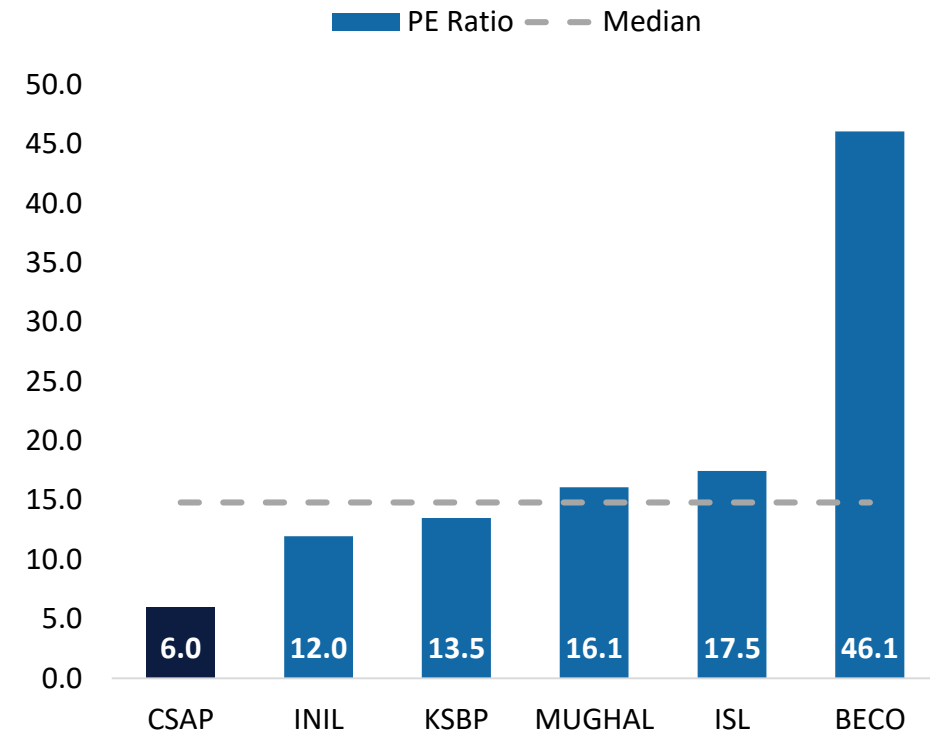
Source: Company Accounts, Growth Securities

- We initiate coverage on Crescent Steel & Allied Products (CSAP) with a 'Buy' rating and Dec'26 target price (TP) of PKR 194.38/share which provides an upside of 46% from last closing price of PKR 133.05/share (03 Feb 2026).
- We expect CSAP to post EPS CAGR of 11% for the next five years (FY26-30) and revenue CAGR of 10% for the same period.
- CSAP is also expected to provide Dividend Yield (DY) of 7.7%, 8.3% and 8.9% for FY26/27/28. To recall, in FY25 CSAP DY stood at 7.5% with payout ratio at 43%.
- Our investment case for the company rests on the following factors:
 - **1) Strong order book in Steel segment:** CSAP is industry leader in Pakistan for large diameter spiral welded pipes. These pipes are mainly used in transporting oil, gas and water over large distances. Company currently has a strong flow of orders with a size totaling PKR 6.5-7.0bn, including K IV and SNGP gas pipelines.
 - **2) New gas connections to require pipeline infrastructure:** Government of Pakistan (GoP) in Sep'25 lifted the ban on new gas connections. These new gas connections would require pipeline network which is materially positive for CSAP future.
 - **3) Steel pipes: A high margin business:** CSAP gross margins have averaged 24% in FY23-25 compared to 5% in the period (FY18-22). Improvement in margins is due to steel pipes becoming a major revenue driver recently which is a high margin business.
 - **4) Valuation:** We have valued CSAP using Discounted Cash Flows (FCFF) approach where we have used risk-free rate of 10.2% (5-Year PIB), risk premium 6%, beta 1.47 and terminal growth rate of 4.5%. CSAP is currently trading at discount PE of 5.96x compared to engineering sector average of 14.80x.

Cash flow based and comparative valuations

Cash Flow Based Valuation (FCFF)					
PKRmn	FY27F	FY28F	FY29F	FY30F	FY31F
Net Income	1,916	2,034	2,160	2,296	2,408
Add: Depreciation	223	238	253	270	287
▲ in Working Capital	(63)	(56)	(58)	(60)	(55)
Capital Expenditure	(371)	(389)	(409)	(429)	(450)
Add: Interest*(1-T)	182	183	183	184	184
Free Cash Flow to Firm	1,888	2,010	2,130	2,260	2,374
Discount Factor	0.5	1.5	2.5	3.5	4.5
Discounted FCFF	1,748	1,596	1,451	1,320	1,189
PV of Future Cash Flows	7,304				
PV of Terminal Value	10,261				
Enterprise Value	17,564				
Debt Value	2,474				
Equity Value	15,090				
Outstanding shares (mn)	77.63				
Value/Share (PKR)	194.38				

Source: Company Accounts, Growth Securities

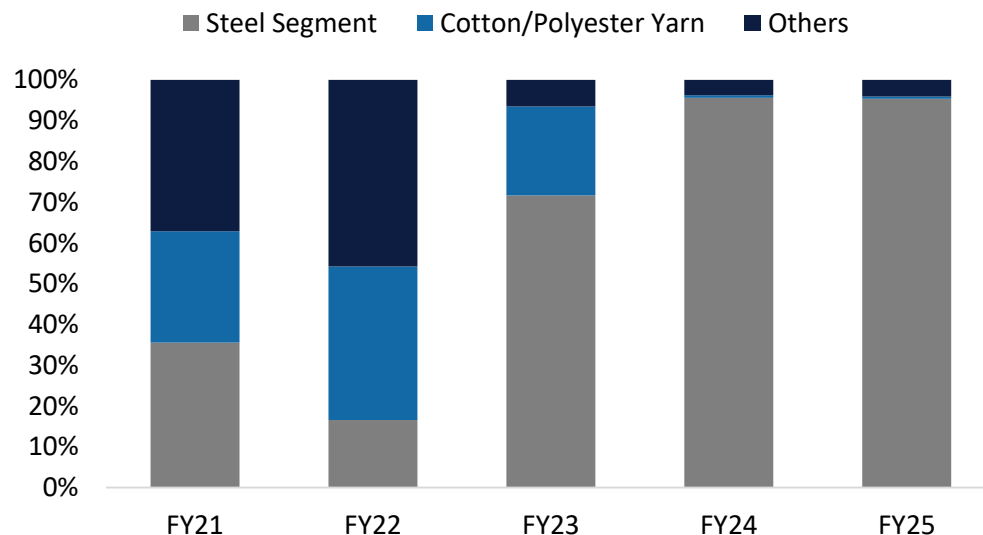


Source: Company Accounts, PSX, Growth Securities

Recent contracts leading to strong order book

CSAP Strong Order Book of Steel Pipes					
Date	Contract	Type	Value PKRmn	Start	Completion
21-Aug-24	K IV Project	Coated Line Pipes	8,595	2QFY25	2QFY26
07-Oct-24	SNGP	Bare Line Pipes	2,740	3QFY25	3QFY25
23-Dec-24	Contractor	Coated Line Pipes	1,504	4QFY25	1QFY26
28-Jan-26	SNGP	Bare Line Pipes	3,860	3QFY26	1QFY27

Source: PSX, Growth Securities



Source: Company Accounts, Growth Securities

- Crescent Steel (CSAP) is a leading industry player in large diameter spiral welded pipes and various line pipe coatings.
- Company has a manufacturing range of 8"-120" diameter in wall thickness from 4 mm – 25 mm. CSAP is authorized to use API monogram of the American Petroleum Institute (API).
- Due to its comprehensive product range company has been able to contribute 4,783 km to Pakistan's gas transmission network of 13,420 km over the last three decades.
- Company currently has a strong order flow of pipeline projects on hand which are expected to contribute ~PKR 6.7bn in revenue in FY26.
- In 1QFY25, company notified increase in total value of K-IV project (Greater Karachi Bulk Water Supply) from PKR 5.9bn to PKR 8.6bn due to additional quantity of 65k meters of coated steel line pipes. This project started in 2QFY25 and expected to be completed by 2QFY26.
- CSAP also has an active project of gas pipelines (SNGP) of PKR 3.9bn. This project is expected to start in 3QFY26 and shall be completed by 1QFY27.
- Steel pipeline segment has grown to become the major revenue driver for the company. In FY22, steel pipeline segment contributed 17% to company revenue which has since grown to contribute 95% to revenue by FY25.
- This development has been due to company increasing its output in steel pipeline segment, discontinuing steel billets segment and scaling down in yarn segment.
- Yarn segment contributed 38% of revenue in FY22 which has declined to 1% in FY25.

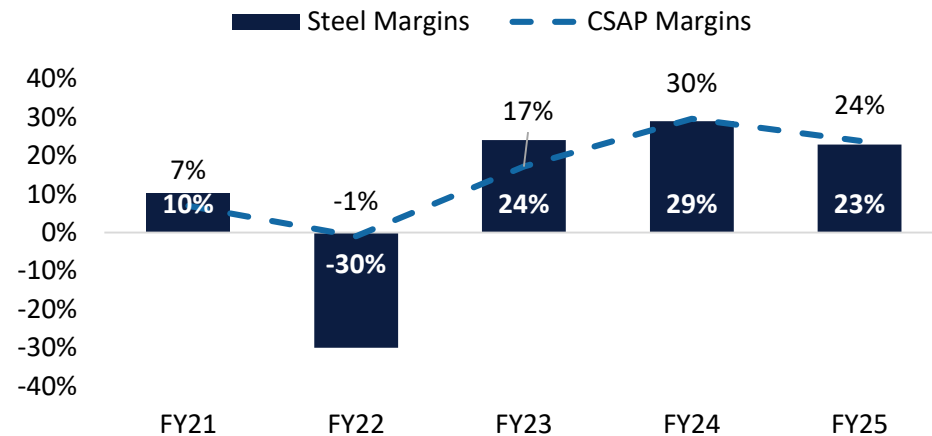
Gas Pipelines: Key requirement of new connections

3.5mn new gas connection requests to require pipeline network			
Supplier	Applications (mn)	Gas Supply (MMCFD)	Rate (PKR/MMBTU)
SNGP	3.2	227	3,000-3,500
SSGC	0.3	24	3,000-3,500
Total	3.5	251	
Existing gas connections			
SNGP	7.3	517	500-1,460
SSGC	3.2	251	500-1,460
Total	10.5	768	

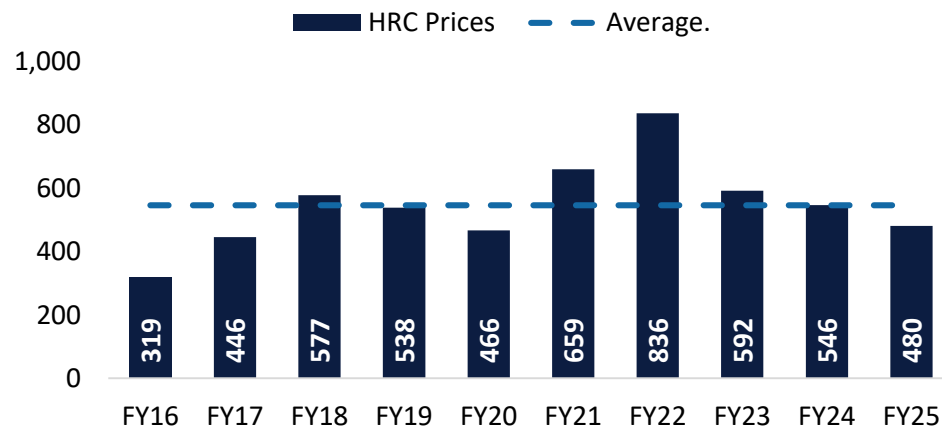
Source: Company Accounts, Growth Securities

- In Aug'25 petroleum division submitted a summary to Federal Cabinet seeking approval to allow new domestic gas connections.
- In Sep'25 federal cabinet approved the resumption of new gas connections across the country, lifting the ban imposed in 2021.
- Cabinet decided to allow new domestic gas connections, particularly in newly-developed housing areas where residents were forced to rely on LPG cylinders and alternative fuels.
- In this regard, 3.5mn gas connection requests have piled up since 2021. With 3.2mn applications for SNGP and 0.3mn for SSGC.
- First year target for new gas connections is 0.12mn which would increase substantially in coming years.
- Current gas connections in the country total 10.5mn, with 7.3mn for SNGP and 3.2mn for SSGC. This totals a gas requirement of 768 MMCFD.
- With pending applications of 3.2mn, ~251 MMCFD of pipeline gas demand will be added which would increase the demand by ~32%.
- Demand increase in pipeline gas by 32% will lead to substantial requirement of new pipeline networks which bodes well for CSAP, since it is a leader in gas pipelines
- Although the new gas connections are being provided at higher RLNG rates, the cost would still be less than LPG which is being used by new housing societies.
- RLNG rates of PKR 3,000-3,500/MMBTU are cheaper by 35-40% compared to LPG rates which stand at ~PKR 6,000/MMBTU, according to PBS data.

Steel pipes segment: High margin business



Source: Company Accounts, Growth Securities



Source: Bloomberg, Growth Securities

- From FY18 to FY22 average gross margins of CSAP stood at 5% with a peak of 12% witnessed in FY18 and trough of -1% in FY22.
- However, from FY23 to FY25 average gross margins of the company have been revised up to 24%, with margins of 17%, 30% and 24% recorded in FY23/24/25 respectively.
- Reason for drastic change in margin profile of the company is the change in revenue driver of the company which were tilted more towards Cotton/Polyester Yarn and Steel Billets before FY23.
- Yarn and billets are relatively lower margin businesses leading to lower margins before FY23. In FY23 revenue composition of the company changed in favor of steel segment which accounted for 72/96/95% of gross revenue in FY23/24/25 respectively.
- Steel segment of the company comprises the products Bare Pipes, Coated Pipes, and Pipe Coatings. In FY23/24/25 margins of steel segment stood at 24%, 29% and 23%.
- Going forward, Steel segment is expected to be the main revenue driver since Yarn and Billets segments have not been operational for last 2-3 years.
- Yarn segment hasn't been operational in FY24 and FY25. Billets segment hasn't been operational since FY23, therefore, the segment has since been disposed and classified as discontinued operations.
- Going forward we have assumed margins of the company in 26-27% range.
- Raw material costs account for 74% of cost of sales of Steel segment in FY25. Main raw material for the segment is Hot Rolled Coil (HRC). HRC prices have been on a downward trajectory since FY22 and declined by 12% YoY to average of USD 480/ton in FY25. In FY26 average HRC prices have declined further by 5-6%.

Financial Highlights



Income Statement					
PKRmn	FY24A	FY25A	FY26E	FY27F	FY28F
Net sales	9,112	6,381	7,338	8,163	8,775
Cost of sales	6,414	4,856	5,430	6,020	6,450
Gross profit	2,697	1,524	1,908	2,143	2,326
Dist. Exp.	55	36	43	48	52
Admin Exp.	515	651	481	535	575
Operating profit	2,127	838	1,383	1,559	1,698
Finance cost	497	288	278	260	261
Other Income	1,252	1,534	1,574	1,615	1,657
Other Exp.	271	76	162	177	189
Profit before tax	2,610	2,007	2,517	2,738	2,906
Taxation	920	565	755	821	872
PAT frm. Cont. Ops.	1,690	1,442	1,762	1,916	2,034
PAT frm. Disc. Ops.	-84	-99	0	0	0
Profit After Tax	1,607	1,343	1,762	1,916	2,034
EPS (PKR)	20.7	17.3	22.7	24.7	26.2
DPS (PKR)	5.5	7.5	10.2	11.1	11.8

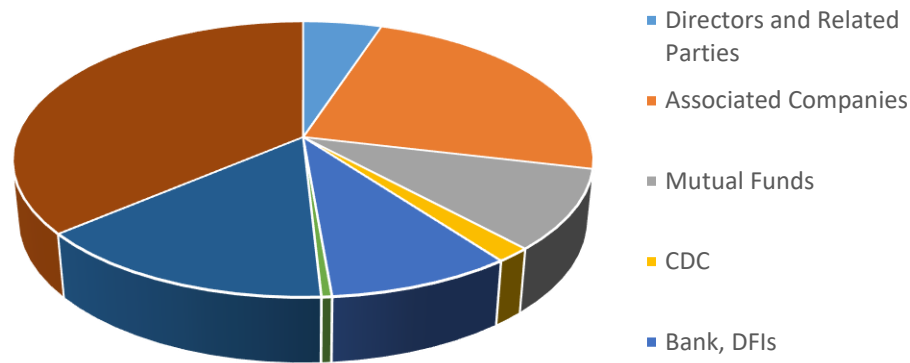
Source: Company Accounts, Growth Securities

Balance Sheet					
PKRmn	FY24A	FY25A	FY26E	FY27F	FY28F
Non-Current Assets	5,750	4,686	5,015	5,168	5,325
Current Assets	4,748	11,234	11,753	13,153	14,484
Total Assets	10,498	15,920	16,768	18,321	19,809
Equity	7,716	8,752	9,720	10,774	11,893
Non-Current Liabilities	441	293	293	293	293
Current Liabilities	2,341	6,875	6,755	7,254	7,623
Total Equity & Liabilities	10,498	15,920	16,768	18,321	19,809

Source: Company Accounts, Growth Securities

Company Intro: Steel pipes key revenue driver

CSAP Shareholding Pattern: June 30 2025



Source: Company Accounts, Growth Securities



Crescent Steel &
Allied Products Limited

Source: Company Website, Growth Securities

- Crescent Steel and Allied Products Limited (CSAP) was incorporated on 1 August 1983 as a public limited company. CSAP operates/operated five segments Steel, Cotton, Investment & Infrastructure Development (IID), Energy, and Hadeed (Billet) segment.
- Flagship segment of the company is Steel Pipes segment. Steel segment is the major driver of operational activity, volumes and performance at Crescent Steel.
- CSAP specializes in manufacturing large diameter spiral welded pipes and various line pipe coatings. In the manufacturing process Hot-rolled coils (HRC) are processed and converted into Submerged Arc Welded Helical Seam Line Pipes.
- **Line Pipe Operations:** Industry leader in Pakistan for large diameter Submerged Arc Welded Helical steel pipe. Manufacturing range of 8"-120" diameter in wall thickness from 4 mm – 25 mm, capacity to produce (based on single shift) up to 66,667 tons annually. Authorized to use API monogram of the American Petroleum Institute (API). Production achieved during FY25 was 41kMT (FY24: 59k MT) of line pipes in varied sizes and thicknesses.
- **Pipe Coating Operations:** Multi-layered external and internal coating of pipes. CSAP carries the capability to coat steel line pipes ranging from 4 inches – 84 inches (114 mm – 2,134 mm), tape coatings on pipe diameters above 60 inches (1,524 mm) and internal epoxy coatings on diameters ranging from 8 inches – 60 inches (219 mm – 1,524 mm). The annual notional capacity of the plant works out to 600k square meters based on 14-inch diameter pipes operating single Ten-hour shifts. In FY25 98,072 meters of (FY24: 230K meters) of pipes in varying sizes were coated.

CSAP: Other business segments



Source: Company Website, Growth Securities



Source: Company Website, Growth Securities

- **Cotton/Polyester Yarn Division:** Crescent Cotton Products, acquired in 2000, is the textile division of the Company, located in Jaranwala, Punjab.
- Specializing in producing high-quality cotton/synthetic and blended carded yarn equipped with Slub, Siro and Compact attachments. CCP operates 19,680 spindles and has a production capacity of 385 bags per day.
- The unit is equipped with modern high-tech European and Japanese machinery ensuring high-quality yarn processing, in counts from 10s to 31s.
- The plant capacity converted to 20s count polyester cotton yarn based on three 8-hour shifts per day, for 1,092 shifts converts to 9,197,007 kilogram.
- Yarn produced at Crescent Cotton Products is sold to fabric Manufacturers who weave or knit the yarn into the fabric and sell it for further processing to garment manufacturers. The unit remained inoperative during FY25.
- **Energy Division:** Equipped with a 15 MW co-generation, thermal generation power plant at Bhone, Punjab, the unit commenced commercial operations in December 2014. The primary function of the unit is to produce, distribute, sell, and supply electricity to the billet manufacturing unit and to Shakarganj Limited. The unit remained inoperative during FY25.
- **Solar Investment:** Solution de Energy is a wholly owned subsidiary of Crescent Steel. The principal activity of the Company is to build, own, operate and maintain a 100MW solar power project. The project aims to generate, and sell electricity to Pakistan Electric Power Company (PEPCO) / Distribution Companies (DISCOS).

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Rating System and Valuation Methods

‘Buy’ – Total stock return > 15%

‘Hold’ – Total stock return > 0% and < 15%

‘Sell’ – Total stock return < 0%

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