

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Dear Shareholders,

It is my pleasure to present the Annual Report for Fiscal Year 2025 which includes our annual sustainability and financial performance together with statutory disclosures. This report is accompanied by the audited Financial Statements (Separate and Consolidated) for the year ended June 30, 2025.

Alhamdulillah, the outgoing fiscal year was another good one for us at Crescent Steel in many aspects. We consolidated our leading industry position with a few distinct achievements, delivered solid financial results accompanied by higher returns for shareholders (up 36.4% YoY), completed key investments which enhance our product offering, and divested in underperforming assets to protect profitability and improve allocations.

The K-IV Pipeline Project, designed in Phase 1 for the supply of 260 MGD of potable water from Keenjhar Lake, to reservoirs in Karachi through a 210 KM pipeline network continues to remain material for our business in the immediate term. We have delivered more than 67% of the ~210 km in pipes required for the project to date; the remaining 30% in line pipes required for the project (65 KM) are expected to be supplied up to FY27. Substantial completion of all packages of the K-IV Phase 1 Project, is expected to trigger demand from the K-IV Augmentation Project which will upgrade water pipeline networks within Karachi; an estimated 70,000 tons of coated large diameter, internally and externally lined pipe demand trigger.

In addition to showcasing our capabilities in the large OD API pipe manufacturing segment for up to 84 inches, the project raised the quality bar in the water

and wastewater segment. As a result the Wajihar-Thar project aligned specifications against the KIV Project for which we were considered and successfully awarded the contract. The Wajihar-Thar project enabled us to further strengthen our product offering by adding capabilities for shop applied cement lining.

Profitability and cashflows from core steel line pipe operations were impacted as certain projects budgeted in the water and energy sectors were either not tendered or were delayed; however, our portfolio investments helped deliver strong overall financial results. Our team's performance this past year has been disciplined and driven by purpose – we delivered improved operations, product reach and strengthened commitments with customers, colleagues and the communities we serve.

Progress on the national reform agenda provides a more stable backdrop for businesses like ours. They reduce volatility in procurement and capital planning and create space for investment in the sectors that will drive Pakistan's growth – engineering, energy, and infrastructure. Crescent Steel's own performance this year, including our contribution to the K-IV water supply project over the last two years, demonstrates the role that Pakistani corporates can play in building national resilience.

At the close of FY25, Crescent Steel successfully delivered over 204 kilometers (41,175 metric tons) of line-pipe in assorted sizes, alongside 319,711 square meters of line-pipe coating. These volumes reflect our continued operational strength and execution capability.

Sales for FY25 stood at Rs. 6,380 million (FY24: Rs. 9,112 million), reflecting a 30.0% year-on-year decline, primarily due to the slowdown in laying activities of the KIV project and delayed execution of in hand orders from Q4FY25 to Q1FY26 due to supply chain disruptions and geo-political tensions. Sales equated to Rs. 12,161 million on a deemed revenue basis (factoring in client supplied steel raw material for the K-IV Project) compared with deemed revenue of Rs. 18,105 million in FY24.

Despite a moderated topline activity, profitability remained robust with standalone EBIT at Rs. 2,197 million (FY24: Rs. 3,024 million), translating into a margin of 34.3% on net sales (FY24: 33.2%). This is primarily on the back of income from investments of Rs. 1,462 million (FY24: 1,070 million) – primarily constituting dividends and realized gain on sales of strategic holdings in Altern Energy Limited (ALTN) in line with our asset allocation and divestment strategy. Consequently, underlying EBITDA stood at Rs. 2,468 million (FY24: Rs. 3,290 million), with a margin of 38.7% (FY24: 36.1%), reflecting strong liquidity and earnings buffers that can be leveraged to absorb shocks and provide access to capital. On a consolidated basis, results were impacted by portfolio adjustments consequent on the divestment of Altern Energy Limited.

Standalone profit after tax (PAT) stood at Rs. 1,343 million (FY24 PAT: Rs. 1,607 million). Gross profit stood at Rs. 1,524 million, reflecting a margin of 23.9% (FY24: 28.9%; Rs. 2,636 million), impacted by lower sales and project-linked cost dynamics. Operating profit however, was recorded at Rs. 1,138 million (FY24: 2,560 million), translating into a margin of 33.3% (FY24: 31.2%).

On a consolidated basis, the Group posted a loss after tax of Rs. 43 million for FY25, compared to a profit after tax of Rs. 1,272 million in FY24. Operating profit however, was recorded at Rs. 1,138 million (FY24: 2,560 million), translating into a margin of 17.8% (FY24: 28.1%). This is primarily on account of portfolio adjustments and divestment of strategic holdings in Altern Energy Limited consequent on the termination of the underlying Power Purchase Agreement (PPA). As a result, as of February 28, 2025, the accounting treatment for our investment in ALTN was revised from equity accounting to fair value through profit or loss. This resulted in impairment charge of Rs. 220 million and a share-of-loss impact of Rs. 475 million on the consolidated P&L. As of July 16, 2025, the Group has fully disposed of its holding in ALTN.

Consequently, standalone earnings per share (EPS) for FY25 stood at Rs. 17.30 (FY24: Rs. 20.69), while consolidated loss per share (LPS) was Rs. 0.56 (FY24: EPS of Rs. 16.38).

As at June 30, 2025, the Company's balance sheet footing stood at Rs. 15,920 million (FY24: Rs. 10,498 million). We maintained a conservative gearing ratio of 22.0% and a strong current ratio of 1.63 reflecting prudent financial management and a disciplined capital structure. These metrics underscore our commitment to preserving financial resilience and operational agility amid a dynamic and evolving business environment.

Crescent Steel's book value has grown at a compounded annual growth rate (CAGR) of 7.5% since 1987 – from Rs. 7.11 to Rs. 112.73 per share. When adjusted for unrealized gains on strategic investments held at cost, the indicative break-up value stands at Rs. 141.10 per share. As of the reporting date, the Company's share traded at Rs. 115.63 per share, reflecting an earnings multiple of 6.7x and a price-to-book value ratio of 1.02 – underscoring sustained investor confidence and intrinsic value creation.

The Company distributed Rs. 388 million, representing 28.9% of PAT, as interim dividend during FY25. Including the proposed final dividend, total profit distribution to shareholders for the year will stand at Rs. 582 million, equaling 43.3% of PAT.

Rs. 112.4 million or 5.9% of profit before tax (PBT) was donated towards various causes we support. Of these community investments, approximately 91.0% were directed toward education, reflecting our belief in its transformative impact and long-term value creation.

Rs. 1,584 million or 83.0% of PBT was paid in taxes to the national exchequer and broader economy (FY24: Rs. 2,704 million; 107.0% of PBT), a year-on-year decline of 41.4%, primarily due to reduced topline activity linked to project execution cycles. Rs. 4,472 million (49.3% of sales) was paid to suppliers, while Rs. 691 million (15.0% of sales) was distributed to employees as compensation and benefits. Payments to lenders stood at Rs. 288 million (4.5% of sales and an average borrowing cost of 15.2%).

The flexibility and strength of our operating model – combined with the unwavering commitment of our leadership and teams – enabled us to close FY25 with strong performance, despite continued idling in other business divisions and a significant escalation in input costs. These outcomes demonstrate the resilience of our diversified business model, with investment income offsetting pressure on the steel division, and reflect our ability to adapt, prioritize core strengths, and execute with discipline under challenging conditions.

Looking ahead, a key strategic focus will be to sustain topline momentum and reinforce the Company's growth trajectory through operational excellence, market responsiveness, and prudent capital allocation.

Having stated some fiscal facts, I would now like to move to operations

Incorporated in 1983, we commenced commercial production in 1987 with an API licensed line pipe manufacturing unit about 100 km from Karachi, in Nooriabad. Today, we operate four distinct businesses, in the engineering, textile, power, and capital markets sectors.

Our flagship operations center on the manufacturing and coating of large diameter steel line pipes, which play a critical role in the energy cycle by enabling the safe and efficient transportation of hydrocarbons. These pipelines traverse rivers, mountains, towns, and villages – serving as vital infrastructure that communities and the environment depend on for long-term integrity and safety. Beyond oil and gas, line pipes are also used in water and wastewater systems, and serve structural applications in the construction of ports, jetties, bridges and buildings.

During the year, we developed and commissioned an Internal Cement Mortar Lining (ICML) system in-house, positioning ourselves as one of the only domestic facilities with a shop applied ICML product. Our in-house ICML facility will provide our growing customer base with an enhanced product offering, enabling us to build internal lining revenue streams. This is aligned with our medium-term objective of building our internal and external lining business for steel pipelines.

This versatility underscores the strategic importance of our products across multiple sectors and reinforces Crescent Steel's position as a trusted contributor to national infrastructure development.

Beyond the flagship steel operations, our operations continue to create meaningful impact across key sectors of the economy. Our yarn business contributes to the agricultural value chain by generating sustained demand for cotton and empowering farming communities across Pakistan. Investments in alternate power have enabled us to achieve energy independence while contributing to the stability of the national grid. Our capital market investments reflect a long-term conviction in the resilience and growth potential of Pakistan's corporate sector.

During FY25, the operations of the Hadeed (Billet) Division were formally classified as a discontinued, in line with the Company's strategic review. Accordingly, all assets of the division except for freehold land were reclassified as "Held for Sale" under applicable accounting standards. The freehold land was separately reclassified as "Investment Property," in line with its long-term strategic value and potential for alternate use. This reclassification aligns with our broader objective of optimizing asset deployment and focusing capital on core and high-performing segments.

Our purpose – **to contribute meaningfully to sustainable national development and inclusive growth, while consistently delivering value across all stakeholder groups** – remains the cornerstone of our strategic direction and corporate ethos. It serves as the vital link between our business strategy and our responsibility as a corporate citizen. This purpose underpins our commitment to remain competitive, resilient, and forward-looking, while actively contributing to Pakistan's economic, environmental, and social prosperity.

Our businesses continue to provide equal opportunity employment to hundreds of people in Pakistan.

We have made a deliberate and disciplined prioritization of where we want to grow, remaining focused on businesses where we can leverage our inherent strengths and long-standing capabilities. Our strategic

thrust continues to center around the engineering sector, which remains core to our value proposition and long-term growth ambitions. The challenges of the past few years have served as a catalyst – helping us sharpen our focus within this segment while prompting difficult but necessary decisions to unlock value from underperforming or non-core assets. This portfolio rationalization reflects our commitment to capital efficiency, strategic clarity, and sustainable value creation.

The engineering sector remains a pivotal driver of economic growth in Pakistan, particularly through the development of national energy and water infrastructure. The increasing reliance on pipelines as efficient logistics solutions for fluid transport, coupled with their use in specialized construction applications such as piling for ports, jetties, bridges and buildings, will sustain demand for large diameter line pipes. Crescent Steel is strategically positioned to capitalize on this opportunity, leveraging its technical expertise, manufacturing capacity, and longstanding industry relationships to support infrastructure expansion and national development.

We understand that our industry and Company can have a profound impact on people's lives.

Energy and water security are foundational to Pakistan's economic and social development, with far-reaching implications for communities across the country. These sectors have historically been the single most important contributors to Crescent Steel's growth and employment generation, and they remain central to our business sustainability today. The Company has contributed 35.0% of the national gas transmission infrastructure during its 38 years of operations, playing a significant role in advancing Pakistan's energy logistics and infrastructure footprint.

Our pipe manufacturing business continues to serve domestic demand for large diameter steel line pipes – products that are otherwise imported at high freight costs to bridge local supply gaps. Planned national initiatives to expand pipeline infrastructure, particularly for the transportation of imported fuels, along with critical water and sanitation projects, are material not only to our future business prospects but also to Pakistan's long-term development agenda. Crescent Steel is well positioned to support and benefit from these transformative investments.

Our successes mean a durable and sustainable, energy and water infrastructure for Pakistan.

During the year produced and supplied 41,175 tons of steel line pipe in diameter sizes ranging from 12 inches to 84 inches (59,453 tons in FY24). On a notional basis, this works out to 82,286 tons on an installed notional capacity of 200,000 tons. Line pipe coatings of 319,711 sq. meters on an installed notional capacity of 600,000 sq. meters (553,906 sq. meters in FY24). A total of 204 KMs of line pipes were dispatched during the year.

The Steel Division remained a key contributor to Crescent Steel's overall performance during FY25, despite the operational challenges mentioned earlier. Revenues stood at Rs. 6,346 million (FY24: Rs. 9,056 million), generating a gross profit of Rs. 1,656 million at a margin of 26.1% (FY24: 31.7%; Rs. 2,868 million). Adjusting for deemed revenue of approximately Rs. 5,830 million, estimated sales reach Rs. 12,176 million, reflecting a gross margin of 13.6%. The Division posted a profit before tax (PBT) of Rs. 724 million (FY24: Rs. 1,758 million), contributing Rs. 9.33 per share – 37.9% of the Company's total PBT of Rs. 24.58 per share.

Our line pipe business remains tightly linked to national development cycles, which inherently fluctuate as with all infrastructure development. To buffer against these fluctuations, we have a resilient corporate structure supported by ancillary revenue streams and robust cash flow management.

FY25 saw a strong rebound in Pakistan's capital markets, reflecting improved macroeconomic indicators and investor confidence. The KSE-100 Index rose 60.1% to close FY25 at 125,627 points – among the strongest performers globally. In USD terms, the return was 58.2%, dampened by a modest 1.9% PKR depreciation.

Market capitalization rose significantly, with the KSE-100 alone adding PKR 1.3 trillion to reach PKR 3.7 trillion up 52.4% (USD 13.2 billion, up 49.5%). This growth was driven by broad-based liquidity inflows, substantial monetary easing of 850 basis points and, progress under the IMF program that strengthened external account stability.

For Crescent Steel, this performance is material. Our investment portfolio benefitted from market gains, while the broader improvement in liquidity and confidence has

positive implications for capital formation and financing conditions across industries. Despite the rally, valuations remain compelling. The KSE-100 trades at a forward P/E of 7.2x compared to regional market averages of 12.5x and P/B of 1.24 well below regional averages. This presents a supportive backdrop for long-term investors and underscores Pakistan's potential for further re-rating as fundamentals continue to strengthen .

The investments division continued to provide working capital and cashflow support to our core business, generating Rs. 979 million in cash flow support through investment income (mainly from dividend income flows) and Rs. 1,477 million through the pledge of assets for funded and non-funded limits.

The portfolio (on a consolidated basis including CS Capital) holds Rs. 2,053 million in trading investments while Rs. 3,330 million makeup strategic investments. The division posted a PBT of Rs. 1,415 million, including dividend income of Rs. 801.4 million on a standalone basis. The Division contributed 74.2% to the PBT of Rs. 24.58 per share.

The spinning unit remained inoperative during the year and consequently posted a loss before tax of Rs. 66 million.

Our grid-tied 974.8 Kwh solar plant contributed Rs. 102 million in energy savings since installation and has helped reduce 1,579 tons of CO₂ emissions – reinforcing our commitment to sustainable operations and environmental stewardship.

We employ a diverse workforce with varying skill sets across 6 locations; on average, we had 420 people in employment during the outgoing fiscal year, receiving compensation and benefits of Rs. 691 million during the year. We closed the fiscal year with a workforce of 406 (FY24: 431).

Our commitment has always been to deliver quality products responsibly, efficiently, and economically, and in doing so to make positive contributions to our community, provide fair returns to our shareholders and a desirable workplace for employees.

As a long-term industrial concern, our values are rooted in sustainable principles. Since we opened our facility in Nooriabad in the 1980s – with all our acquisitions and expansions during this time, we have grown with the communities where we work and live, have remained invested in the overall well-being of Pakistan, minimizing our environmental footprint and being a reliable partner for suppliers and customers.

At Crescent Steel, we take pride in the unwavering commitment to ethical business practices demonstrated across our leadership and management teams. Our Core Values and Governing Principles reflect a deeply held belief that every aspect of our business must be conducted with honesty, openness, fair play, and decency. These principles were formally adopted well before the introduction of any mandated Code of Corporate Governance and even prior to our listing in 1987 – underscoring the foresight and integrity embedded in our corporate DNA. Today, they continue to serve as Crescent Steel's North Star, guiding our decisions, shaping our behaviors, and anchoring our responsibility to do what is right – for our business, our people, and all stakeholders we serve.

We continuously strive to build a culture of care anchored in safety-first principles, a steadfast commitment to environmental stewardship, and enduring relationships with all our stakeholders. Our journey has taught us that the discipline and resilience to navigate both favorable and challenging times with equal resolve always returns dividends over a long arc.

At Crescent Steel, we are grateful for what we have accomplished over the past four decades – building not just infrastructure, but trust, impact, and institutional strength.

As we look ahead, we remain deeply committed to seizing the opportunities before us and continuing to make a lasting difference for our business, our communities, and the nation at large.

Looking Ahead

Line pipe manufacturing and coating operations remain an area of focus for us - we expect to resume execution of remaining quantities against the K-IV project. We also have orders in hand from both gas and water line-pipes that will keep us busy during FY26.

Sui Northern Gas Pipelines Limited (SNGPL) has issued a tender for supply of assorted diameters of steel line pipes of approximately 195 kilometers. If awarded, this project will be executed in H2FY26.

In the water sector we expect that projects allied with K-IV will continue to keep us occupied over the next three years, including the K-IV Augmentation Project and the K-IV Project, Phase-II.

I remain confident about Crescent Steel's future because Pakistan's fundamentals are turning a corner. The recent macroeconomic stabilization is creating space for investment, and I have conviction that the engineering sector will prove to be an engine of growth and innovation. Pakistani corporates have shown resilience through every cycle, and I believe the years ahead will offer new opportunities for companies that combine technical strength with disciplined execution. Crescent Steel is well positioned to contribute to and benefit from this next phase of growth.

Looking ahead, our strategy remains clear. We are committed to reinforcing our position in the engineering sector while undertaking a comprehensive review of our asset base. This will allow us to become leaner, more agile, and better positioned to pursue sustainable, long-term growth and value creation.

I extend my sincere gratitude to the Board and its committees for their proactive guidance and unwavering support. I also wish to acknowledge the dedication and resilience of our employees and management team, whose outstanding contributions have been instrumental to sustained performance.

Finally, I would like to recognize and thank our stakeholders – our customers, the communities in which we operate, our business partners, and most importantly, you, our shareholders.

I look forward to your continued trust and support in our collective journey to build a sustainable and value-creating enterprise.



Ahsan M. Saleem

Chief Executive Officer

July 31, 2025