

## BPSL: Debt deconsolidation underway

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JSW Steel (JSTL IN) has entered into a strategic 50:50 joint venture agreement with JFE Steel Corporation. As part of this partnership, the steel business of Bhushan Power & Steel (BPSL) will be transferred to the JV through a slump sale. As part of transaction, JSW Steel will receive ~INR 323bn in cash and will deconsolidate INR 49bn of BPSL debt, resulting in an optical net debt reduction of ~INR 372bn. However, accounting for its 50% share of JV net debt, the effective net debt reduction will be ~INR 266bn. After factoring in the economic interest in the JV and the impact of equity dilution, the revised ownership structure is estimated to lower JSW Steel's FY27E EV/EBITDA multiple by ~1%. Factoring the near-term headwinds, we retain our **Sell** rating on [JSW Steel](#) with a TP of INR 994.

**JV partner to infuse technical know-how and domain expertise:** JSW Steel had acquired BPSL's 2.5mn-tonnes capacity in CY21 through the Insolvency and Bankruptcy Code process, which currently has been expanded to 4.5mn tonnes. The joint venture with JFE Steel Corporation of Japan brings together the execution strength of JSTL and the manufacturing technology expertise of JFE Corporation, enabling a wider portfolio of value-added steel products. The transaction is subject to regulatory approvals, and the partnership includes a structured investment of INR 78.75bn as the first tranche, expected by March 2026, followed by a second INR 78.75bn tranche within the next 3-4 months. BPSL has land available to take the capacity to 10mn tonnes. The phased funding improves visibility on liquidity support and reinforces long-term product and growth potential.

**Proceeds from deleveraging to strengthen balance sheet:** The debt in BPSL's books at the time of acquisition was ~INR 108bn, with current debt at ~INR 49bn. The new JV will have a debt of ~INR 212bn, with ~INR 120bn in operational entity and the balance in holding JV. JSW Steel will receive a total of ~INR 323bn as cash consideration, likely by March 2026 with the JV awaiting regulatory approvals along with a gross debt reduction of INR 372.50bn. The deal will enable JFE to explore markets out of Japan and enable JSTL to speed up its growth journey by exploring expansion opportunities at Dolvi (Maharashtra) or Vijayanagar (Andhra Pradesh) or Sambalpur (Odisha) plants.

**Streamlined structure comes at the cost of equity dilution:** The Board of Directors has approved a scheme to merge Piombino Steel (PSL) with JSW Steel. PSL currently holds 100% of BPSL through its subsidiary structure. The proposed merger aims to simplify the shareholding architecture. JSW Steel currently owns 82.65% of PSL, while the remaining 17.35% is held by JSW Shipping & Logistics Private (a promoter entity). As part of the transaction, JSW Shipping & Logistics will transfer its ~17% stake to JSW Steel through a share-swap arrangement, resulting in an estimated 2.7% equity dilution for JSW Steel shareholders.

**Near-term headwinds persist:** We believe recent positives are already reflected in the stock price. Domestic HRC prices in Q3FY26TD have corrected ~INR 2,190/tonne versus the Q2FY26 average, indicating softer near-term realization. Also, coking coal costs expected to rise by ~USD 3-5/tonne QoQ in Q3FY26, as indicated by management, while operational factors such as the relining shutdown at Vijayanagar BF-III are expected to add to cost pressure.

Further, export contribution is likely to remain restricted with global tariff barriers and Europe's Carbon Border Adjustment Mechanism (CBAM) rollout weighing on shipment and pricing flexibility. Together, these factors may affect margins in the near term. Thus, we retain our **Sell** rating on [JSW Steel](#) with a TP of INR 994.

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