

CMP: ₹ 1,150

Target: ₹ 1,280 (11%)

Target Period: 12 months

December 4, 2025

HOLD**BPSL deal will support B/S deleverage...**

About the stock: JSW Steel (JSW), the flagship company of JSW group, is one of the largest and most diversified steel producers' companies in India.

- Current Steel Capacity: India- 34.2 million Ton (MT) & US- 1.5 MT

Key Event Update: JSW Steel has announced that it has entered into a strategic 50:50 joint venture with Japan's JFE Steel Corporation. As part of this arrangement, Bhushan Power and Steel Ltd (BPSL), currently owned by JSW Steel, will be transferred into the new joint venture entity. JFE Steel will acquire a 50% stake for a total consideration of ₹15,750 crore in the new JV, payable in two equal tranches.

Key transaction details:

- JSW Steel and its longstanding partner, JFE Steel Corporation, have formed a joint venture to jointly operate BPSL, with JFE investing ₹15,750 crore for a 50% stake, paid in two equal instalments.
- At the outset, JSW Steel will transfer BPSL to JSW Sambalpur Steel through on a slump sale on going concern basis for ₹24,483 crore (which includes ₹7,875 crore investment by JFE Steel and ₹16,608 crore debt raised at BPSL). JSW Sambalpur Steel is a wholly owned subsidiary of JSW Kalinga Steel, which in turn is a wholly owned subsidiary of Piombino Steel Ltd. Piombino Steel is held 82.65% by JSW Steel, with the remaining stake held by JSW Shipping & Logistics Pvt Ltd, a promoter group entity; which is being eventually given an exit through share-swap transaction, thereby increasing promoter shareholding by 1.43% to 46.7% in JSW Steel.
- The transaction values BPSL at an EV of ~₹53,000 crore, which includes an equity valuation of ~₹31,500 crore and debt of ~₹21,500 crore (~₹4,900 crore as existing debt & rest fresh raise). It implies an FY27E EV/EBITDA multiple of ~12x, higher than assigned ~9x multiple for JSW Steel (FY27E).
- Through this deal, we estimate ~₹37,250 crore as inflows to JSW Steel, including ~₹32,350 crore in cash inflows from the sale of BPSL equity stake and the transfer of ~₹4,900 crore of BPSL's debt to the new Joint Venture. Consequently, JSW Steel's Net Debt/EBITDA ratio is projected to improve sharply from ~3x (as of Sep'25) to ~1x by FY27E, with deal expected to complete by H1FY27.
- Importantly, the Joint Venture aims to expand BPSL's capacity from 4.5 MTPA to 10 MTPA by 2030, with a stronger emphasis on value-added products by leveraging JFE's technological capabilities.

Rating and Target Price

- The transaction is positive in nature as it provides b/s bandwidth to both the entities to walk onto their own aggressive growth paths. With net cash inflows into JSW Steel & valuations at which it is executed, it is accretive to our target price by ₹ 60/share. However, the elevated valuation limit upside from current levels. We maintain **HOLD** rating on JSW Steel with SOTP based revised target price of ₹1,280. PI Note: we shall incorporate the transaction in our forward financial numbers in due course of time.

Key Financial Summary

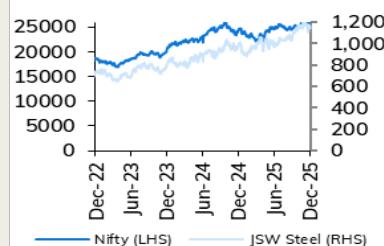
Key Financials ₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Total Operating Income	79,839	1,46,371	1,65,960	1,75,006	1,68,824	18.2%	1,85,334	2,07,898	11.0%
EBITDA	20,141	39,007	18,547	28,236	22,904	14.0%	32,562	41,652	34.9%
EBITDA Margins (%)	25.2	26.6	11.2	16.1	13.6		17.6	20.0	
Net Profit	7,911	20,665	4,144	8,812	3,504	-2.8%	10,504	16,909	119.7%
EPS (₹)	32.4	84.5	16.9	36.0	14.3		43.0	69.1	
P/E	35.5	13.6	67.9	31.9	80.3		26.8	16.6	
RoNW (%)	17.5	30.5	5.8	11.0	5.1		12.0	16.2	
RoCE (%)	13.0	21.9	7.0	11.1	7.0		10.9	14.0	

**Particulars**

Particulars	₹ crore
Market capitalisation	2,81,221
Total Debt (FY25)	95,957
Cash & Investment (FY25)	19,104
EV (₹ crore)	3,58,074
52 week H/L (₹)	1224 / 880
Equity capital (₹ crore)	305
Face value (₹)	1.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Mar-25
Promoter	44.9	44.8	45.3	45.3
FII	25.6	25.8	25.4	25.6
DII	10.6	10.5	10.9	10.9
Other	19.0	18.9	18.3	18.3

Price Chart**Recent event & key risk**

- Company sells 50% stake in BPSL to JFE Steel for ₹15,750 crore
- **Key Risk:** (i) delay in executing capex plans at Indian operation impacting medium term volume target ii) higher than expected improvement in EBITDA/tonne leading to beat to our estimates.

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Manisha Kesari
manisha.kesari@icicisecurities.com

Key Tables and Charts

Exhibit 1: BPSL's Key Assumption

Particulars	Units	FY23	FY24	FY25	FY26E	FY27E
Sales Volume	MT	2.5	3.0	3.3	3.4	4.0
Blended Realisation	₹/tonne	79,988	73,714	64,770	63,447	66,000
Revenue	₹ crore	20,077	21,893	21,439	21,743	26,648
EBITDA	₹ crore	1,805	2,764	2,212	3,301	4,441
EBITDA	₹/tonne	7,191	9,306	6,683	9,632	11,000

Source: Company, ICICI Direct Research

Exhibit 2: Valuation Matrix- SoTP based target price calculation

Particulars (₹ crore)	FY27E	Comments
EBITDA		
JSW Steel EBITDA	41,652	
Less: BPSL EBITDA	4,441	Post this deal, BPSL will be turned into a JV, thereby we exclude BPSL EBITDA, with reduction of ~11% to Consol EBITDA in FY27E
JSW (Excl. BPSL) EBITDA - (A)	37,210	
Net Debt		
JSW Steel Net Debt	73,993	
Less: Cash Consideration from Stake sale	32,350	Cash consideration from this stake sale is ~₹32,350 crore with
Less: BPSL Debt	4,900	BPSL Net Debt of ~₹4,900 crore being transferred to JV, which will
Expected JSW Steel Net Debt (Excl. BPSL) - (B)	36,743	enable debt reduction by ~50% at consolidate level in FY27E
JSW Steel Valuation Matrix		
JSW (Excl. BPSL) EBITDA - (A)	37,210	
EV/EBITDA Multiple (x)	9	
Target EV (Excl. BPSL)	334,894	
Less: Net Debt (Excl. BPSL) - (B)	36,743	
Implied Market Cap (Ex BPSL)	298,152	With exclusion of BPSL Earnings and Net Debt, we have arrived at
No. of Share (in crore)	245	a target price (Excl BPSL) of ₹1,220/share for JSW Steel by giving
Target Price (excl BPSL) (₹/share) - (C)	1,220	9x EV/EBITDA on FY27E Earnings (Excl BPSL)
Post Deal BPSL Valuation Matrix		
Equity Valuation	31,500	JFE Steel equity infusion of ₹15,750 crore for 50% stakes at an
JSW's 50% Stake	15,750	equity valuation of ~₹31,500 crore. With JSW Steel holding a
No. of Share (in crore)	245	balance 50% stake in BPSL, the incremental value addition to the
Incremental Target Price from deal (₹/share) - (D)	60	target price will be ~₹60/share.
Final Target Price (C+D)	1,280	
Current Market Price	1,150	
Upside (%)	11%	

Source: Company, ICICI Direct Research



Financial Summary (Consolidated)

Exhibit 3: Profit and loss statement				
(Year-end March)	FY24	FY25	FY26E	₹ crore
	FY24	FY25	FY26E	FY27E
Net Sales	172,588	166,575	182,832	204,988
Other Operating Income	2418	2249	2502	2911
Total Operating Income	175,006	168,824	185,334	207,898
Growth (%)	5.5	-3.5	9.8	12.2
Raw Material Expenses	101,678	99,142	99,120	107,294
Employee Expenses	4,591	4,798	5,341	5,828
Other Operating Expense	40,501	41,980	48,310	53,124
Total Operating Expenditure	146,770	145,920	152,772	166,246
EBITDA	28,236	22,904	32,562	41,652
Growth (%)	52.2	-18.9	42.2	27.9
Depreciation	8,172	9,309	10,145	11,046
Interest	8,105	8,412	8,726	8,241
Other Income	1,004	694	1,184	1,164
PBT	12,963	5,877	14,875	23,528
Exceptional Item	-417	800	188	0
Total Tax	4,407	1,586	4,157	6,588
PAT	8,812	3,504	10,504	16,909
Growth (%)	112.6	-60.2	199.8	61.0
EPS (₹)	36.0	14.3	43.0	69.1

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
(Year-end March)	FY24	FY25	FY26E	₹ crore
	FY24	FY25	FY26E	FY27E
Profit after Tax	8,812	3,504	10,504	16,909
Add: Depreciation	8,172	9,309	10,145	11,046
(Inc)/dec in Current Assets	-4,752	551	-4,659	-6,853
Inc/(dec) in CL and Provisions	-5,243	-1,192	4,369	6,212
Others	8,105	8,412	8,726	8,241
CF from operating activities	15,094	20,584	29,085	35,555
(Inc)/dec in Investments	-2,440	-7,971	-100	-1,100
(Inc)/dec in Fixed Assets	-23,180	-12,641	-20,000	-22,000
Others	370	672	100	100
CF from investing activities	-25,250	-19,940	-20,000	-23,000
Issue/(Buy back) of Equity	4	0	0	0
Inc/(dec) in loan funds	6,733	10,382	2,000	-2,000
Dividend & interest outgo	-8,927	-10,197	-9,827	-9,953
Inc/(dec) in Share Cap	0	0	0	0
Others	3,980	108	0	0
CF from financing activities	1,790	293	-7,827	-11,953
Net Cash flow	-8,366	937	1,259	602
Opening Cash	20,714	12,348	13,285	14,544
Closing Cash	12,348	13,285	14,544	15,145

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
(Year-end March)	FY24	FY25	FY26E	₹ crore
	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	305	305	305	305
Reserve and Surplus	77,364	79,191	88,595	103,792
Total Shareholders funds	77,669	79,496	88,900	104,097
Total Debt	85,575	95,957	97,957	95,957
Deferred Tax Liability	9,659	9,510	9,510	9,510
Minority Interest / Others	7,451	9,127	9,327	9,527
Total Liabilities	180,354	194,090	205,694	219,091
Assets				
Gross Block	156,608	177,918	198,925	220,925
Less: Acc Depreciation	44,786	54,095	64,240	75,286
Net Block	111,822	123,823	134,685	145,639
Capital WIP	29,676	21,007	20,000	20,000
Total Fixed Assets	141,498	144,830	154,685	165,639
Investments	7,885	15,860	15,960	17,060
Inventory	37,815	34,956	38,082	42,719
Debtors	7,548	8,415	9,140	10,253
Loans and Advances	4	2	2	2
Other Current Assets	6,816	8,259	9,067	10,171
Cash	12,348	13,285	14,544	15,145
Total Current Assets	64,531	64,917	70,835	78,290
Current Liabilities	33,365	32,552	35,544	39,871
Provisions	439	285	311	349
Current Liabilities & Prov	47,844	46,652	51,021	57,232
Net Current Assets	16,687	18,265	19,814	21,057
Others Assets	14,284	15,135	15,235	15,335
Application of Funds	180,354	194,090	205,694	219,091

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	36.0	14.3	43.0	69.1
Cash EPS	69.5	52.4	84.4	114.3
BV	317.6	325.1	363.5	425.7
DPS	7.3	2.8	4.5	7.0
Cash Per Share	40.5	43.6	47.7	49.7
Operating Ratios (%)				
EBITDA Margin	16.1	13.6	17.6	20.0
PAT Margin	5.0	2.1	5.7	8.1
Inventory days	78.9	75.6	75.0	75.0
Debtor days	15.7	18.2	18.0	18.0
Creditor days	69.6	70.4	70.0	70.0
Return Ratios (%)				
RoE	11.0	5.1	12.0	16.2
RoCE	11.1	7.0	10.9	14.0
RoIC	14.5	8.8	13.6	17.3
Valuation Ratios (x)				
P/E	31.9	80.3	26.8	16.6
EV / EBITDA	12.6	15.6	11.0	8.5
EV / Net Sales	2.0	2.1	1.9	1.7
Market Cap / Sales	1.6	1.7	1.5	1.4
Price to Book Value	3.6	3.5	3.2	2.7
Solvency Ratios				
Debt/EBITDA	3.0	4.2	3.0	2.3
Debt / Equity	1.1	1.2	1.1	0.9
Current Ratio	1.5	1.6	1.6	1.6
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), Manisha Kesari (PGDM-Finance) Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report