

4 December 2025

JSW Steel

JV with JFE – a strategic milestone; Maintain BUY

Two of the world's largest steel producers i.e., JSW Steel (JSTL) and JFE have formed a 50:50 JV for 4.5m tonne Bhushan Power & Steel (BPSL) facility. As part of the transaction, JSTL will divest 50% stake in BPSL for Rs372.5bn (including Rs49bn BPSL's outgoing debt), valuing the deal at an EV of Rs530bn. Net cash inflow to JSTL is pegged at ~Rs322.5bn (pre-tax), which can meaningfully aid balance-sheet deleveraging (net debt: Rs791.5bn as of H1 FY26) or be channelled into growth capex across Dolvi, Salem, Vijayanagar, or Odisha. We view the monetisation of BPSL while retaining 50% ownership as strategically positive. As the slump sale and Tranche-II processes conclude by Sep'26, consolidated financial effects will reflect from FY28. With pending regulatory approvals, we maintain our estimates and retain BUY rating on the stock with a TP of Rs1,340, valuing it at 9x FY27-28e EV/EBITDA multiple.

The Deal: BPSL is valued at an EV of Rs530bn (Rs315bn equity and Rs215bn debt). JFE will pay Rs157.5bn to JSTL for 50% stake. Debt component includes BPSL's existing Rs49bn debt transferred to the JV and consequently removed from JSTL's consolidated book and an additional Rs166bn of fresh debt to be raised at JV level, which will be passed on to JSTL as part of slump sale. The transaction implies an FY28e EV/EBITDA multiple of ~9.8x for BPSL.

What it means for JSTL? As part of the deal, JSTL will continue to oversee project execution and ensure seamless operations at BPSL. In exchange for its 50% stake, it will receive Rs78.75bn each in two tranches, Rs166bn from the JV's fresh debt raising, and transfer of BPSL's existing Rs49bn debt (amounting to a gross consideration of Rs372.5bn and cash consideration of Rs323.5bn). If this amount is fully deployed towards deleveraging, JSTL could generate annual finance cost saving of ~Rs30bn. Further, JSTL stands to benefit from JFE's advanced technical expertise, particularly in VAP segment. JSTL also plans to simplify its corporate structure by merging Piombino Steel (BPSL's holding company) by Jan'26, which is likely to increase promoter's shareholding to 46.74% from 45.32%.

What it means for JFE? JFE will play a key role in driving innovation and providing technical expertise at BPSL. The JV also enables JFE to participate directly in India's rapidly expanding ferrous sector, aligning with its long-term plan to make India its second-largest manufacturing base. Overall, the structure is mutually beneficial – JSTL unlocks significant value while retaining 50% ownership of asset, and JFE gains strategic exposure to India's high-growth steel market.

Outlook and Valuation. The proposed JV is likely to strengthen JSTL's balance sheet through meaningful deleveraging while simultaneously leveraging JFE's technical expertise to accelerate ramping up of BPSL operations. As per our back-of-the-envelope assessment though BPSL's ~12% EBITDA contribution will move out of JSTL's consolidated financials, the corresponding reduction in interest cost from deleveraging should largely offset the impact. We have kept our estimates unchanged as we do not expect any material change in JSTL's equity value on FY28e basis. **Thus, we maintain BUY rating on the stock with a TP of Rs1,340.**

Key Financials (Y/E Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs bn)	1,750	1,688	1,917	2,020	2,267
EBITDA (Rs bn)	282	229	339	392	480
Adj. PAT (Rs bn)	82	40	115	148	206
EV / EBITDA (x)	12.6	15.8	10.8	9.3	7.6

Source: Company, Anand Rathi Research

Rating: BUY

Target Price (12-mth): Rs.1,340

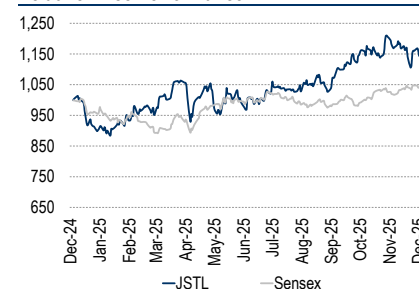
Share Price: Rs.1,150

Key Data	JSTL IN / JSTL.BO
52-week high / low	Rs1224 / 880
Sensex / Nifty	85265 / 26034
Market cap	Rs2793bn
Shares outstanding	2443m

Shareholding Pattern (%)	Sep'25	Jun'25	Mar'25
Promoters	45.3	45.3	44.8
- of which, Pledged	12.5	12.4	13.4
Free float	54.7	54.7	55.2
- Foreign institutions	25.6	25.4	25.8
- Domestic institutions	10.9	10.9	10.5
- Public	18.3	18.3	18.9

Estimates Revision (%)	FY26e	FY27e	FY28e
Revenue	-	-	-
EBITDA	-	-	-
APAT	-	-	-

Relative Price Performance



Source: Bloomberg

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Quick Glance – Financials and Valuations (Consolidated)

Fig 1 – Income statement (Rs bn)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Sales volume (m tonnes)	24.8	26.5	29.4	30.7	34.0
Net revenue	1,750	1,688	1,917	2,020	2,267
Growth (%)	5.5	-3.5	13.6	5.4	12.2
Total Expenses	1,468	1,459	1,579	1,629	1,787
EBITDA	282	229	339	392	480
EBITDA/tonne (Rs./tonne)	11,395	8,659	11,518	12,742	14,121
EBITDA margins (%)	16.1	13.6	17.7	19.4	21.2
Depreciation	82	93	102	110	119
Other income	10	7	13	10	10
Interest expenses	81	84	87	84	82
PBT before EO	130	59	162	208	289
PBT after EO	136	54	162	208	289
Effective tax	44	16	44	56	79
PAT (before Assc. / (MI)	91	38	118	151	210
Reported PAT	88	35	115	148	206
Adj. PAT	82	40	115	148	206
Growth (%)	131.4	-51.4	187.5	28.5	39.9

Fig 2 – Balance sheet (Rs bn)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	3	3	3	3	3
Net worth	777	795	893	1,018	1,194
Total Debt	880	988	943	918	893
Minority interest	21	22	22	21	21
DTL / (Assets)	94	92	92	92	92
Others	33	46	49	53	57
Capital employed	1,804	1,942	1,998	2,102	2,257
Net tangible assets	1,051	1,168	1,263	1,368	1,466
Net intangible assets	32	32	31	30	28
CWIP	292	205	209	215	219
Other non-current assets	258	292	292	292	292
Current assets (excl. cash)	454	434	495	522	586
Cash	80	117	39	11	9
Bank balance	43	74	74	74	74
Other current assets	68	83	75	79	88
Current liabilities	475	463	481	488	506
Capital deployed	1,804	1,942	1,998	2,102	2,257

Fig 3 – Cash-flow statement (Rs bn)

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
EBITDA	282	229	339	392	480
+ other adj.	2	6	0	0	0
- Inc. / (dec.) in WC	-136	-7	-35	-23	-56
Others, incl. taxes	-28	-20	-44	-56	-79
CF from oper. activity	121	209	259	312	346
- Capex	-155	-126	-200	-220	-220
Free cash-flow	-35	83	59	92	126
Others	9	-44	13	10	10
CF from invest. activity	-146	-170	-187	-210	-210
- Div. (incl. buyback & taxes)	-8	-18	-17	-22	-31
+ Debt raised	39	91	-45	-25	-25
Others	-81	-76	-87	-84	-82
CF from finan. activity	-50	-3	-149	-131	-138
Closing bal. (incl. bank bal.)	80	117	39	11	9

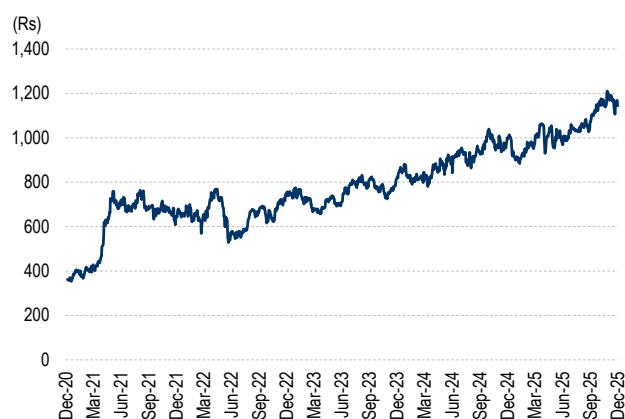
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Y/E Mar	FY24	FY25	FY26e	FY27e	FY28e
EPS (Rs)	33.6	16.3	47.0	60.4	84.4
P/E (x)	34.2	70.4	24.5	19.1	13.6
P/BV (x)	3.6	3.5	3.1	2.8	2.4
EV / EBITDA (x)	12.6	15.8	10.8	9.3	7.6
RoE (%)	12.3	4.5	13.6	15.4	18.7
RoCE (%)	12.5	7.6	12.7	14.2	17.0
DPS (Rs)	7.3	2.8	7.0	9.1	12.7
Dividend payout (%)	22	17	15	15	15
Net debt / EBITDA (x)	2.7	3.5	2.4	2.1	1.7
Inventory (days)	78	75	75	75	75
Debtors (days)	16	18	18	18	18
Payable (days)	32	26	26	26	26
EBITDA margins (%)	16.1	13.6	17.7	19.4	21.2
Net profit margins (%)	4.7	2.4	6.0	7.3	9.1

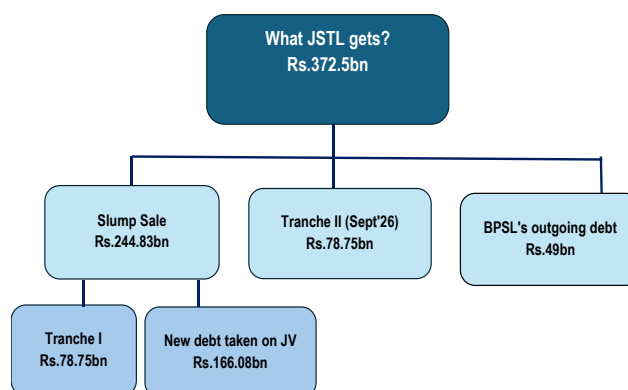
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – What it means for JSTL?



Source: Company, Anand Rathi Research

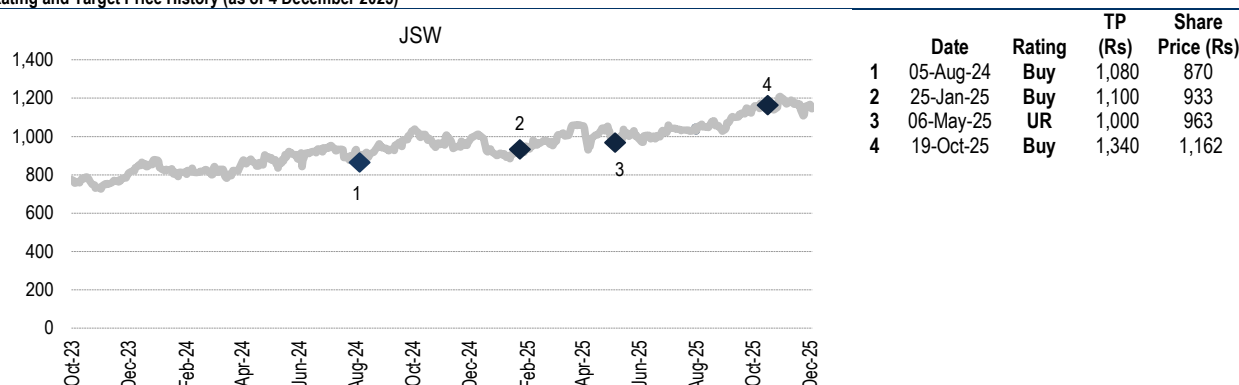
Appendix

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