

**BUY****TP: Rs 1,345 | ▲ 18%****JSW STEEL**

| Metals &amp; Mining

| 04 December 2025

## Announces Rs158bn JV with JFE Steel for Bhushan Power

- JFE Steel Corp. Japan will acquire 50% stake in Bhushan Power and Steel (BPSL) at Rs158bns in two tranches
- This will result in overall EBITDA reduction to an extent of BPSL EBITDA and will be offset by benefit of gross debt reduction
- Raise rating to BUY from HOLD and TP to Rs1,345 (from Rs1,121) with a multiple of 7.5x Dec'27 EBITDA.

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**JV with JFE Steel details:** JSW Steel has entered into a 50:50 joint venture (JV) partnership with JFE Steel Japan for the business of Bhushan Power and Steel (BPSL). This is being done under 2 steps:

- BPSL's business will be transferred to JSW Sambalpur Steel for a cash consideration of Rs245bn. JSW Sambalpur is 100% held by JSW Kalinga St..., wholly owned subsidiary of Piombino Steel. This is owned 82.7% by JSW Steel and 17.4% by other promoter group entity
- JFE will invest/acquire 50% stake in JSW Kalinga for Rs158bn in two tranches. JV entity is JSW Kalinga.

**Transaction benefits:** This will strengthen the company's balance sheet and will enable JFE Steel to benefit from the future growth of BPSL asset with an expansion potential from 4.5mnt to 10mnt and benefit of various cost levers.

- Slump sale for Rs245bn include 1<sup>st</sup> tranche of Rs71bn from JFE. The 2<sup>nd</sup> tranche will be Rs79bn from JFE is likely to be completed by Sept'2026. JV will issue 65mn shares to JFE Steel. Total equity shares of JSW Steel will increase from 2440mn to 2,510mn
- Overall cash inflow will be to an extent of Rs324bn (sum of Rs245bn and Rs79bn). Further existing debt to an extent of Rs49bn in BPSL will get transferred to the JV. Therefore, total of Rs373bn (sum of Rs324bn & Rs49bn), will be a debt reduction in the balance sheet of JSW Steel

**Changes in our estimates:** This will result in JV treatment as a share of JV in P&L hence, EBITDA will get reduced to an extent of BPSL EBITDA of 5.7% in FY27E and 11.3% in FY28E. This will be offset through debt reduction of Rs373bn.

**BUY with revise TP:** We raise rating to BUY from HOLD with revised TP of Rs1,345(from Rs1,121) and a multiple of 7.5x Dec '27 EBITDA, primarily due to the benefit of debt reduction.

### Key changes

| Target | Rating |
|--------|--------|
| ▲      | ▲      |

|                  |                  |
|------------------|------------------|
| Ticker/Price     | JSTL IN/Rs 1,144 |
| Market cap       | US\$ 31.0bn      |
| Free float       | 55%              |
| 3M ADV           | US\$ 20.3mn      |
| 52wk high/low    | Rs 1,224/Rs 880  |
| Promoter/FPI/DII | 45%/25%/11%      |

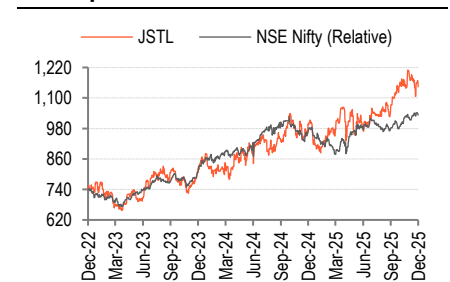
Source: NSE | Price as of 3 Dec 2025

### Key financials

| Y/E 31 Mar              | FY25A  | FY26E | FY27E |
|-------------------------|--------|-------|-------|
| Total revenue (Rs bn)   | 1,688  | 1,913 | 2,071 |
| EBITDA (Rs bn)          | 229    | 363   | 413   |
| Adj. net profit (Rs bn) | 40     | 123   | 159   |
| Adj. EPS (Rs)           | 16.4   | 50.6  | 65.0  |
| Consensus EPS (Rs)      | 16.4   | 50.6  | 65.0  |
| Adj. ROAE (%)           | 5.1    | 14.5  | 16.1  |
| Adj. P/E (x)            | 69.9   | 22.6  | 17.6  |
| EV/EBITDA (x)           | 15.5   | 9.4   | 7.6   |
| Adj. EPS growth (%)     | (51.4) | 209.0 | 28.5  |

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



**Fig 1 – Transaction summary**

| S.no | Details                     | Rs bn |
|------|-----------------------------|-------|
| 1    | Slump sale                  | 245   |
| 2    | 2nd tranche from JFE        | 79    |
|      | Total cash inflow           | 324   |
| 3    | Debt transfer of BPSL to JV | 49    |
|      | Debt reduction (Rs bn)      | 373   |

Source: Company

## Highlights of Analyst Meet

**JFE benefit:** JFE will be able to benefit from the growth of BPSL assets. It has a potential to expand from 4.5mnt to 10mnt and beyond. JFE will bring in technological expertise and technology in terms of new product grades.

**Outlook:** Management is optimistic on the demand environment and expects the industry to grow by 8-8.5% for FY26E. Imports have come down in the Oct-Nov period and prices will likely see stabilise and improve in Q4FY26E.

**BPSL outlook:** JSW Steel has increased the capacity from 2.7mnt in 2021 (acquired through IBC route) to 4.5mnt. The company plans to ramp up capacity to 10mnt and beyond. Management commented that various cost benefits are yet to play out. 1) Its alloy & bar operating rate has not reached an optimum level. 2) Blast furnace had challenges in terms of operations. So, once these things normalise, management expects EBITDA to improve. BPSL reported a revenue of Rs214bn and EBITDA of Rs22bn in FY25.

**Debt:** Management is comfortable with NetDebt/EBITDA of 2.5-3.0x, going forward. It has Net Debt/EBITDA of 3x on end of Sept'25. Post the deal, promoters' stake will increase in JSW Steel from 45.3% to 46.7% and no. of shares will go up from 2440mn to 2,510mn.

## Valuation Methodology

Management has maintained a positive outlook on the demand environment.

Post this transaction:

- We estimate 9% CAGR volumes growth over FY25-FY28E period.
- USD INR assumption revised to Rs90.0 vs earlier Rs87.0 for FY26E, Rs90.0 vs earlier Rs89.0 for FY27E and Rs90.0 vs earlier Rs89 for FY28E.
- Estimate transaction to be completed in Sept'26. Therefore, BPSL EBITDA impact on FY27E is accounted for 6 months and full year impact for FY28E.
- Revenue is revised downwards by 4.2% for FY27E and 4.1% for FY28E.
- EBITDA is revised down by 4.8% for FY27E and 5.3% for FY28E.

**Fig 2 – Revision in estimates**

| (Rs mn)         | Actual    | New       |           |           | Old       |           |           | Change (%) |       |       |
|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-------|-------|
|                 | FY25A     | FY26E     | FY27E     | FY28E     | FY26E     | FY27E     | FY28E     | FY26E      | FY27E | FY28E |
| Revenue         | 1,688,240 | 1,913,176 | 2,071,405 | 2,266,983 | 1,913,176 | 2,162,005 | 2,362,708 | 0.0        | (4.2) | (4.1) |
| EBITDA          | 229,040   | 363,170   | 413,174   | 485,218   | 363,170   | 433,792   | 512,569   | 0.0        | (4.8) | (5.3) |
| EBITDA % margin | 13.6      | 19.0      | 19.9      | 21.4      | 19.0      | 20.1      | 19.5      |            |       |       |
| PAT             | 35,040    | 123,388   | 158,543   | 205,304   | 121,674   | 168,988   | 220,152   | 1.4        | (6.2) | (6.7) |
| EPS (Rs)        | 14        | 51        | 65        | 84        | 50        | 69        | 90        | 1.4        | (6.2) | (6.7) |

Source: Company, BOBCAPS Research

**Fig 3 – Key assumptions**

|                      | FY24   | FY25   | FY26E  | FY27E  | FY28E  |
|----------------------|--------|--------|--------|--------|--------|
| Sales volumes (mn t) | 21.2   | 21.7   | 24.3   | 25.8   | 27.9   |
| Realization (Rs/t)   | 63,704 | 58,741 | 60,503 | 62,015 | 63,256 |
| % growth yoy         |        |        |        |        |        |
| Volumes              | 7.9    | 2.5    | 12.0   | 6.0    | 8.0    |
| Realization          | (4.8)  | (7.8)  | 3.0    | 2.5    | 2.0    |
| EBITDA/t (Rs)        | 10,358 | 8,455  | 12,983 | 14,113 | 15,582 |
| USD-INR              | 85.0   | 87.0   | 90.0   | 90.0   | 90.0   |

Source: Company, BOBCAPS Research

## EV/EBITDA-based valuation rationale

We raise rating to BUY from HOLD with revised TP of Rs1,345(from Rs1,121) and a multiple of 7.5x Dec '27 EBITDA, Target revision is primarily due to the benefit of debt reduction.

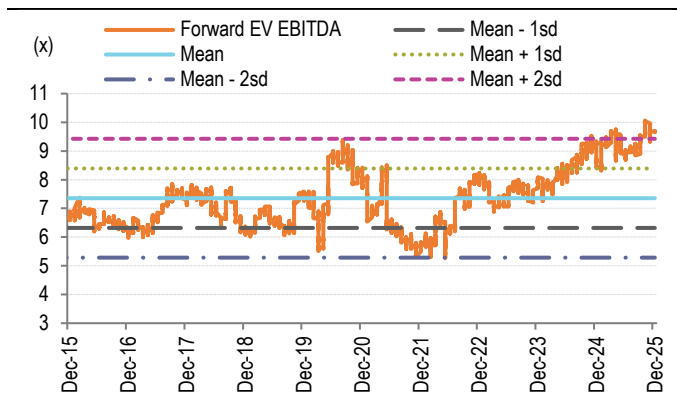
- Takes into account a net-debt-reduction benefit of Rs294bn in FY26E and overall Rs372bn in FY27E.

**Fig 4 – Valuation summary**

| Particulars     | Dec.27 EBITDA (Rs mn) | Multiple | Value (Rs mn) | Rs/share |
|-----------------|-----------------------|----------|---------------|----------|
| JSW Steel       | 467,207               | 7.5      | 3,504,051     | 1,396    |
| Less - Net debt |                       |          | 332,137       | 132      |
| CWIP            |                       |          | 204,780       | 82       |
| Target price    |                       |          |               | 1,345    |

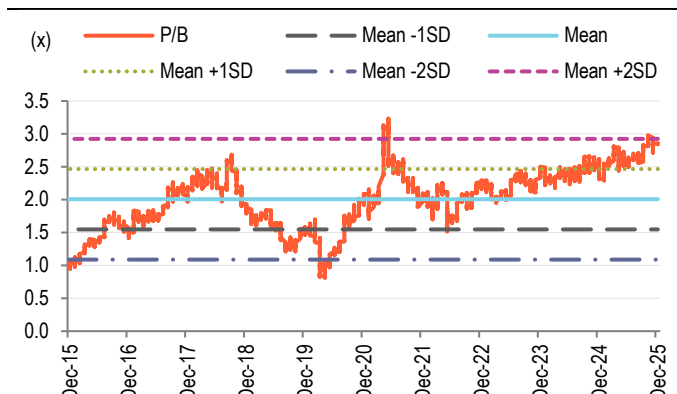
Source: Company, BOBCAPS Research

**Fig 5 – EV/EBITDA 1YF**



Source: Bloomberg

**Fig 6 – P/B 1YF**



Source: Bloomberg

## Financials

### Income Statement

| Y/E 31 Mar (Rs bn)         | FY24A        | FY25A        | FY26E        | FY27E        | FY28E        |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Total revenue</b>       | <b>1,750</b> | <b>1,688</b> | <b>1,913</b> | <b>2,071</b> | <b>2,267</b> |
| EBITDA                     | 282          | 229          | 363          | 413          | 485          |
| Depreciation               | (82)         | (93)         | (109)        | (118)        | (127)        |
| EBIT                       | 201          | 136          | 254          | 295          | 358          |
| Net interest inc./(exp.)   | (81)         | (84)         | (78)         | (78)         | (74)         |
| Other inc./(exp.)          | 10           | 7            | 7            | 7            | 7            |
| Exceptional items          | 6            | (5)          | 0            | 0            | 0            |
| EBT                        | 136          | 54           | 183          | 225          | 292          |
| Income taxes               | (44)         | (16)         | (57)         | (70)         | (91)         |
| Extraordinary items        | 0            | 0            | 0            | 0            | 0            |
| Min. int./Inc. from assoc. | (2)          | (3)          | (3)          | 4            | 4            |
| <b>Reported net profit</b> | <b>88</b>    | <b>35</b>    | <b>123</b>   | <b>159</b>   | <b>205</b>   |
| Adjustments                | (6)          | 5            | 0            | 0            | 0            |
| <b>Adjusted net profit</b> | <b>82</b>    | <b>40</b>    | <b>123</b>   | <b>159</b>   | <b>205</b>   |

### Balance Sheet

| Y/E 31 Mar (Rs bn)              | FY24A        | FY25A        | FY26E        | FY27E        | FY28E        |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Accounts payables               | 157          | 120          | 136          | 147          | 161          |
| Other current liabilities       | 317          | 343          | 343          | 343          | 343          |
| Provisions                      | 4            | 3            | 3            | 3            | 3            |
| Debt funds                      | 856          | 960          | 911          | 911          | 861          |
| Other liabilities               | 150          | 165          | 165          | 165          | 165          |
| Equity capital                  | 3            | 3            | 3            | 3            | 3            |
| Reserves & surplus              | 774          | 792          | 908          | 1,058        | 1,255        |
| Shareholders' fund              | 798          | 817          | 933          | 1,083        | 1,280        |
| <b>Total liab. and equities</b> | <b>2,282</b> | <b>2,407</b> | <b>2,490</b> | <b>2,652</b> | <b>2,813</b> |
| Cash and cash eq.               | 123          | 133          | 411          | 578          | 666          |
| Accounts receivables            | 75           | 84           | 90           | 92           | 94           |
| Inventories                     | 378          | 350          | 401          | 440          | 488          |
| Other current assets            | 68           | 83           | 83           | 83           | 83           |
| Investments                     | 74           | 96           | 96           | 96           | 96           |
| Net fixed assets                | 1,051        | 1,168        | 915          | 869          | 892          |
| CWIP                            | 292          | 205          | 205          | 205          | 205          |
| Intangible assets               | 66           | 68           | 68           | 68           | 68           |
| Deferred tax assets, net        | 0            | 0            | 0            | 0            | 0            |
| Other assets                    | 228          | 259          | 259          | 259          | 259          |
| <b>Total assets</b>             | <b>2,282</b> | <b>2,407</b> | <b>2,490</b> | <b>2,652</b> | <b>2,813</b> |

### Cash Flows

| Y/E 31 Mar (Rs bn)                 | FY24A        | FY25A        | FY26E        | FY27E       | FY28E        |
|------------------------------------|--------------|--------------|--------------|-------------|--------------|
| <b>Cash flow from operations</b>   | <b>172</b>   | <b>207</b>   | <b>272</b>   | <b>321</b>  | <b>366</b>   |
| Capital expenditures               | (231)        | (126)        | 144          | (71)        | (150)        |
| Change in investments              | (25)         | (80)         | 0            | 0           | 0            |
| Other investing cash flows         | (28)         | (9)          | 0            | 0           | 0            |
| <b>Cash flow from investing</b>    | <b>(284)</b> | <b>(215)</b> | <b>144</b>   | <b>(71)</b> | <b>(150)</b> |
| Equities issued/Others             | 0            | 0            | 0            | 0           | 0            |
| Debt raised/repaid                 | 67           | 104          | (49)         | 0           | (50)         |
| Interest expenses                  | (81)         | (84)         | (78)         | (78)        | (74)         |
| Dividends paid                     | 18           | 7            | 7            | 8           | 9            |
| Other financing cash flows         | 24           | (9)          | (18)         | (12)        | (13)         |
| <b>Cash flow from financing</b>    | <b>28</b>    | <b>17</b>    | <b>(138)</b> | <b>(82)</b> | <b>(129)</b> |
| <b>Chg in cash &amp; cash eq.</b>  | <b>(84)</b>  | <b>9</b>     | <b>278</b>   | <b>168</b>  | <b>87</b>    |
| <b>Closing cash &amp; cash eq.</b> | <b>123</b>   | <b>133</b>   | <b>411</b>   | <b>578</b>  | <b>666</b>   |

### Per Share

| Y/E 31 Mar (Rs)      | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS         | 36.1  | 14.4  | 50.6  | 65.0  | 84.1  |
| Adjusted EPS         | 33.7  | 16.4  | 50.6  | 65.0  | 84.1  |
| Dividend per share   | 7.3   | 2.8   | 3.1   | 3.3   | 3.6   |
| Book value per share | 318.3 | 325.8 | 373.3 | 435.0 | 515.6 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales       | 2.0   | 2.1   | 1.8   | 1.5   | 1.3   |
| EV/EBITDA      | 12.2  | 15.5  | 9.4   | 7.6   | 6.2   |
| Adjusted P/E   | 33.9  | 69.9  | 22.6  | 17.6  | 13.6  |
| P/BV           | 3.6   | 3.5   | 3.1   | 2.6   | 2.2   |

### DuPont Analysis

| Y/E 31 Mar (%)               | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT)  | 63.4  | 67.9  | 67.3  | 70.6  | 70.3  |
| Interest burden (PBT/EBIT)   | 64.6  | 43.2  | 72.1  | 76.0  | 81.5  |
| EBIT margin (EBIT/Revenue)   | 11.5  | 8.1   | 13.3  | 14.3  | 15.8  |
| Asset turnover (Rev./Avg TA) | 79.7  | 72.0  | 78.1  | 80.6  | 83.0  |
| Leverage (Avg TA/Avg Equity) | 3.1   | 3.0   | 2.9   | 2.6   | 2.4   |
| Adjusted ROAE                | 11.5  | 5.1   | 14.5  | 16.1  | 17.7  |

### Ratio Analysis

| Y/E 31 Mar                                   | FY24A | FY25A  | FY26E | FY27E | FY28E |
|--|-------|--------|-------|-------|-------|
| <b>YoY growth (%)</b>                        |       |        |       |       |       |
| Revenue                                      | 5.5   | (3.5)  | 13.3  | 8.3   | 9.4   |
| EBITDA                                       | 52.2  | (18.9) | 58.6  | 13.8  | 17.4  |
| Adjusted EPS                                 | 131.4 | (51.4) | 209.0 | 28.5  | 29.5  |
| <b>Profitability &amp; Return ratios (%)</b> |       |        |       |       |       |
| EBITDA margin                                | 16.1  | 13.6   | 19.0  | 19.9  | 21.4  |
| EBIT margin                                  | 11.5  | 8.1    | 13.3  | 14.3  | 15.8  |
| Adjusted profit margin                       | 4.7   | 2.4    | 6.4   | 7.7   | 9.1   |
| Adjusted ROAE                                | 11.5  | 5.1    | 14.5  | 16.1  | 17.7  |
| ROCE   | 12.5  | 7.6    | 13.2  | 14.5  | 16.4  |
| <b>Working capital days (days)</b>           |       |        |       |       |       |
| Receivables                                  | 16    | 18     | 17    | 16    | 15    |
| Inventory                                    | 79    | 76     | 77    | 78    | 79    |
| Payables                                     | 39    | 30     | 32    | 32    | 33    |
| <b>Ratios (x)</b>                            |       |        |       |       |       |
| Gross asset turnover                         | 0.8   | 0.7    | 0.8   | 0.8   | 0.8   |
| Current ratio                                | 1.0   | 1.2    | 1.7   | 2.0   | 2.1   |
| Net interest coverage ratio                  | 2.5   | 1.6    | 3.3   | 3.8   | 4.9   |
| Adjusted debt/equity                         | 0.9   | 0.9    | 0.5   | 0.3   | 0.1   |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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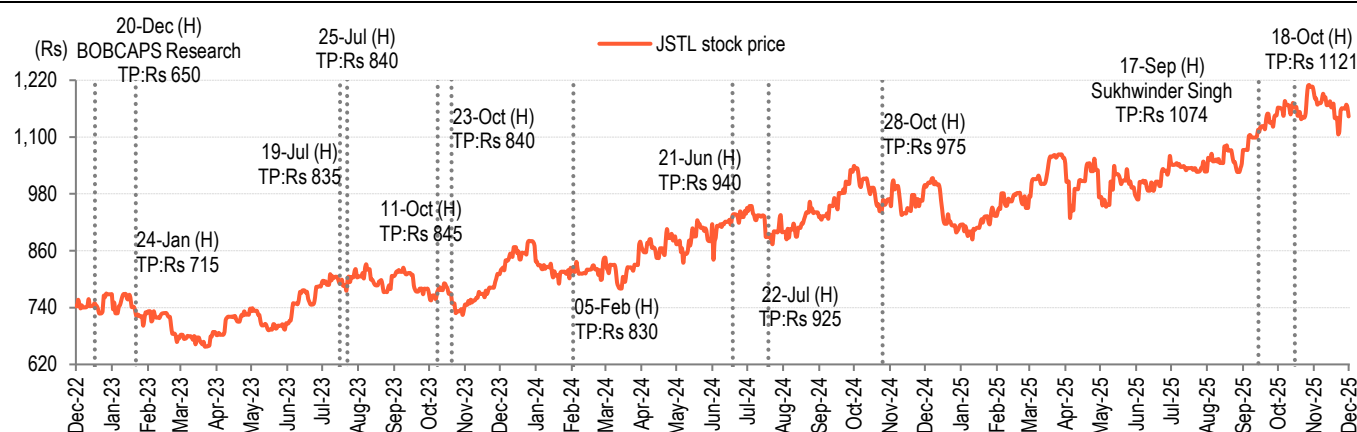
**HOLD** – Expected return from -6% to +15%

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**Note:** Recommendation structure changed with effect from 21 June 2021

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### Ratings and Target Price (3-year history): JSW STEEL (JSTL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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