

May 5, 2025

Event Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,150		1,150	
Sales (Rs. bn)	2,041	2,263	2,041	2,263
% Chng.	-	-	-	-
EBITDA (Rs. bn)	385	446	385	446
% Chng.	-	-	-	-
EPS (Rs.)	59.9	70.7	59.9	70.7
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	1,750	1,678	2,041	2,263
EBITDA (Rs. bn)	282	227	385	446
Margin (%)	16.1	13.5	18.9	19.7
PAT (Rs. bn)	82	36	146	173
EPS (Rs.)	34.0	14.5	59.9	70.7
Gr. (%)	131.4	(57.3)	312.0	18.1
DPS (Rs.)	7.3	8.0	9.0	10.0
Yield (%)	0.8	0.8	0.9	1.0
RoE (%)	11.5	4.5	17.1	17.4
RoCE (%)	13.0	8.5	17.4	19.6
EV/Sales (x)	1.8	1.9	1.5	1.3
EV/EBITDA (x)	10.9	13.9	8.0	6.5
PE (x)	28.6	67.0	16.3	13.8
P/BV (x)	3.0	3.0	2.6	2.2

Key Data

JSTL.BO | JSTL IN

52-W High / Low	Rs.1,075 / Rs.824
Sensex / Nifty	80,502 / 24,347
Market Cap	Rs.2,380bn / \$ 28,150m
Shares Outstanding	2,445m
3M Avg. Daily Value	Rs.1914.05m

Shareholding Pattern (%)

Promoter's	44.85
Foreign	25.59
Domestic Institution	10.59
Public & Others	18.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.8)	0.5	9.3
Relative	(12.3)	(0.5)	1.3

Tushar Chaudhari

tusharchaudhari@plindia.com | 91-22-663222391

SC judgement creates uncertainty in the near term

Quick Pointers:

- SC directs JSTL to liquidate BPSL, terms resolution plan illegal due to delay in payment and use of CCDs.
- BPSL, with 4.5mt capacity, contributes ~13% of JSTL's total 36mt capacity and ~10% of consolidated EBITDA.

The Supreme Court of India (SC) on 2nd May rejected JSW Steel's (JSTL) insolvency resolution plan for Bhushan Power & Steel (BPSL) terming it illegal on account of multiple procedural and substantive lapses found at various levels of the resolution process, ultimately directing the National Company Law Tribunal (NCLT) to initiate liquidation proceedings against BPSL. This judgement has not only created uncertainty around JSTL's deal but also raised questions on the entire IBC process. In a verdict on appeals by operational creditors and erstwhile promoters, SC raised objections over the failure to implement the resolution plan within the prescribed timeline and the use of debt (Rs1bn in equity and Rs84.5bn in Compulsory Convertible Debentures) by JSTL, as approved by the reconstituted Board in Mar'21. We expect JSTL to file a review petition against the judgment, as delays were largely due to uncertainty caused by ED's actions on BPSL's assets. Moreover, in several other IBC cases, leveraging the corporate debtor was permitted.

JSTL holds an 83.28% stake in BPSL and has invested ~Rs35bn since the Rs193.5bn acquisition to enhance capacity from 2.75mtpa to 4.5mtpa. BPSL contributes ~10% to JSTL's consolidated EBITDA and ~12% to its consolidated capacity as of FY25E. In a worst case, assuming JSTL loses the asset, BPSL capacities and proportionate EBITDA would be deducted from our forward estimates, negatively impacting our FY26/27E EBITDA by ~8/9% respectively; resulting ~12% cut in our TP. We have not yet incorporated the potential negative impact in our estimates, but expect stock performance to remain muted until there is more clarity on the issue—primarily on a) legal options available to JSTL, b) recovery of capex incurred on BPSL, and c) appellants' demand over EBITDA in case of demurrer to the judgement. Despite this setback, JSTL remains the fastest growing domestic steel producer with its exceptional execution skills. We maintain 'Accumulate' at lower levels with a TP of Rs1,150 based on 7.5x EV of Mar'27 EBITDA.

Key Observations and Judicial Findings from the judgement:

Violation of IBC and CIRP Regulations

- The court labeled the Resolution Plan as being in “flagrant violation and contravention” of the IBC. (flagrant violation and contravention” refers to a serious, intentional breach of the legal requirements).
- The Resolution Professional (RP) was found to have “utterly failed” in discharging his statutory duties throughout the CIRP of BPSL.
- The Committee of Creditors (CoC) was faulted for accepting and approving the Resolution Plan, despite it not conforming to mandatory legal provisions.
- The Resolution Plan did not comply with Section 30(2) (duty of the RP to examine compliance of the plan) and Section 31(2) (power of NCLT to reject a non-compliant plan) of the IBC.

Section 30 (2) deals with the Resolution Professional’s duty to examine the resolution plans. Section 31(2) empowers the Adjudicating Authority (NCLT) to reject a resolution plan if it does not meet the requirements under IBC.

Legal and Procedural Grounds for Rejection

- Failure to implement the plan within the prescribed timeline.
- Use of a mix of equity and debt to fund the acquisition, whereas the plan mandated only equity funding.

Rejection of Resolution Plan and Liquidation Order

- The Resolution Plan was rejected for non-conformity with statutory provisions and for gross delays in implementation.
- The apex court ruled that NCLT should have rejected the plan at the very first instance due to its non-compliance with Section 30(2).
- Consequently, the orders of the NCLT (dated September 5, 2019) and the NCLAT judgment (dated February 17, 2022) were declared “perverse” and without jurisdiction and were set aside. ***Earlier decisions by the NCLT and NCLAT were completely wrong, made without the legal power to do so, and therefore those decisions were cancelled and made invalid.***
- Exercising suo motu powers under Article 142 of the Constitution, the court directed initiation of liquidation against BPSL under Section 33(1) of IBC.

Suo motu powers means when a court acts by itself, without anyone asking it to. Usually, courts wait for someone to file a case. But sometimes, if the court sees that something is very wrong or unfair (like a big accident, injustice, or problem that affects many people), it can step in on its own — this is called using its suo motu powers.

Delays and Strategic Non-Compliance by JSW Steel

- After NCLT's approval of the Resolution Plan in Sep 2019, JSW failed to make upfront payments to creditors within the mandated 30-day period.
- Payments remained unpaid until March 2022, resulting in delays of 540 days for financial creditors and 900 days for operational creditors.
- The court observed that JSW delayed implementation strategically, waiting for a favorable steel market. It made part payments in March 2021 when the steel sector saw a boom.
- The court criticized JSW for instituting frivolous and vexatious litigation to delay proceedings under the pretext of pending cases, despite no judicial stay on implementation.

Impact of Enforcement Directorate (ED) Proceedings

- The Enforcement Directorate (ED) had attached BPSL assets worth Rs40 bn shortly after NCLT approval, creating uncertainty.
- However, the Supreme Court in 2024 directed the ED to hand over the assets to JSW, thus resolving the issue.
- The court noted that enough comfort had been given by lenders (CoC) to JSW and that there was no stay in place preventing implementation.

Failure of the Committee of Creditors (CoC)

- The CoC failed to apply commercial wisdom appropriately and took contradictory positions before the court.
- It accepted payments from JSW without protest, even as JSW delayed fulfilling its commitments under the resolution plan.

Next Steps and Legal Remedies

- In Mar'21, financial creditors had undertaken that in case the Supreme Court, for any reason, sets aside the plan or denies immunity to JSTL in ED cases against the previous promoters of BPSL, the amount of Rs193.5bn will be refunded to JSTL.
- Lenders must now appoint a liquidator. The process will initially seek to sell BPSL as a going concern, failing which it may be liquidated asset-by-asset.
- The liquidator's first responsibility will be to secure and protect BPSL's assets, given the involvement of multiple stakeholders and legal complexities.

Although official reply from JSTL is yet awaited, as per media reports, JSW Steel retains the right to:

- File a review petition against the Supreme Court's verdict.
- Pursue a curative petition, which would be heard by a larger bench if the review fails.

A curative petition is a legal remedy available in the Indian judicial system that allows a party to seek a review of a judgment or order passed by the Supreme Court of India, even after a review petition has been rejected. It is a mechanism for addressing errors or judicial overreach that might have been missed during the regular review process.

Exhibit 1: Procedural development timeline

Date	Event
Jul-17	NCLT admitted BPSL into CIRP
Aug-18	JSW Steel emerged as the preferred bidder for BPSL.
Feb-19	Resolution Professional filed an application with the NCLT seeking approval of JSW's Resolution Plan.
Apr-19	The CBI registered an FIR against BPSL, its Directors, and others for various criminal offenses
Apr-19	ED registering a case under the Prevention of Money Laundering Act (PMLA) and attaches BPSL assets worth Rs40.25bn.
Sep-19	NCLT approved JSW Steel's resolution plan for BPSL, stating that criminal cases against BPSL's former promoters would not impact JSW Steel as the new promoter.
Oct-19	The ED passed a provisional attachment order (PAO) under PMLA, which was challenged by JSW before the National Company Law Appellate Tribunal (NCLAT)
Oct-19	NCLAT stayed the PAO and the Resolution Plan as it pertained to creditor payments.
Feb-20	NCLAT upheld NCLT's approval of JSW Steel's resolution plan and allows JSTL to acquire BPSL
Mar-21	JSW Steel paid the financial creditors and took control of BPSL
Dec-24	SC directed ED to transfer attached assets to JSW
May-25	SC directed JSTL to liquidate BPSL, terms resolution plan illegal due to delay in payment and use of CCDs

Source: IBCLaw.in, PL

Exhibit 2: BPSL's EBITDA Contribution (Rs mn)

	FY22	FY23	FY24	FY25E
JSW Consolidated	3,90,070	1,85,470	2,82,360	2,25,903
BPSL	64,230	18,050	27,640	22,785
% of Consolidated	16.50%	9.70%	9.80%	10.10%

Source: Company, PL

Exhibit 3: BPSL's Capacity Contribution (mt)

	FY22	FY23	FY24	FY25E
JSW Consolidated	28.5	29.2	29.7	35.7
BPSL	2.75	3.5	3.5	4.5
% of Consolidated	9.60%	12.00%	11.80%	12.60%
Increase in BPSL Capacity		0.7	0.5	6.0

Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,750	1,678	2,041	2,263
YoY gr. (%)	5.5	(4.1)	21.7	10.9
Cost of Goods Sold	917	966	1,099	1,213
Gross Profit	833	711	942	1,051
Margin (%)	47.6	42.4	46.1	46.4
Employee Cost	46	49	57	60
Other Expenses	505	436	500	545
EBITDA	282	227	385	446
YoY gr. (%)	52.2	(19.7)	69.7	15.9
Margin (%)	16.1	13.5	18.9	19.7
Depreciation and Amortization	82	89	99	105
EBIT	201	137	286	340
Margin (%)	11.5	8.2	14.0	15.0
Net Interest	81	84	79	101
Other Income	10	8	7	10
Profit Before Tax	136	57	216	250
Margin (%)	7.7	3.4	10.6	11.0
Total Tax	44	25	67	76
Effective tax rate (%)	32.5	44.2	31.0	30.5
Profit after tax	91	32	149	173
Minority interest	2	0	1	1
Share Profit from Associate	(2)	(1)	0	0
Adjusted PAT	82	36	146	173
YoY gr. (%)	131.4	(56.8)	312.0	18.1
Margin (%)	4.7	2.1	7.2	7.6
Extra Ord. Income / (Exp)	6	(4)	2	-
Reported PAT	88	31	148	173
YoY gr. (%)	112.6	(64.7)	376.5	16.7
Margin (%)	5.0	1.9	7.3	7.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	88	31	148	173
Equity Shares O/s (bn)	2	2	2	2
EPS (Rs)	34.0	14.5	59.9	70.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,545	1,705	1,885	1,946
Tangibles	1,545	1,705	1,885	1,946
Intangibles	-	-	-	-
Acc: Dep / Amortization	427	516	615	721
Tangibles	427	516	615	721
Intangibles	-	-	-	-
Net fixed assets	1,118	1,189	1,270	1,225
Tangibles	1,118	1,189	1,270	1,225
Intangibles	-	-	-	-
Capital Work In Progress	304	304	304	304
Goodwill	6	6	6	6
Non-Current Investments	133	132	132	132
Net Deferred tax assets	(83)	(92)	(107)	(133)
Other Non-Current Assets	68	68	68	68
Current Assets				
Investments	0	0	0	0
Inventories	378	378	429	444
Trade receivables	75	73	89	105
Cash & Bank Balance	126	74	32	233
Other Current Assets	51	58	69	103
Total Assets	2,290	2,312	2,429	2,650
Equity				
Equity Share Capital	3	3	3	3
Other Equity	774	787	916	1,066
Total Network	777	790	919	1,069
Non-Current Liabilities				
Long Term borrowings	842	842	742	742
Provisions	15	15	15	15
Other non current liabilities	46	46	46	46
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	334	333	402	445
Other current liabilities	141	143	145	147
Total Equity & Liabilities	2,290	2,312	2,429	2,650

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	134	57	216	250
Add. Depreciation	82	89	99	105
Add. Interest	81	84	79	101
Less Financial Other Income	10	8	7	10
Add. Other	(11)	(8)	(7)	(10)
Op. profit before WC changes	285	222	386	446
Net Changes-WC	(136)	(4)	(6)	(21)
Direct tax	(28)	(17)	(51)	(51)
Net cash from Op. activities	121	202	330	374
Capital expenditures	(166)	(160)	(180)	(60)
Interest / Dividend Income	9	8	7	10
Others	10	-	-	-
Net Cash from Invst. activities	(146)	(152)	(173)	(51)
Issue of share cap. / premium	0	-	-	-
Debt changes	39	-	(100)	-
Dividend paid	(8)	(18)	(20)	(22)
Interest paid	(81)	(84)	(79)	(101)
Others	-	-	-	-
Net cash from Fin. activities	(50)	(102)	(199)	(123)
Net change in cash	(76)	(52)	(42)	201
Free Cash Flow	(37)	42	150	314

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	34.0	14.5	59.9	70.7
CEPS	67.8	51.1	100.2	113.8
BVPS	321.3	323.1	375.7	437.3
FCF	(15.4)	17.2	61.2	128.2
DPS	7.3	8.0	9.0	10.0
Return Ratio(%)				
RoCE	13.0	8.5	17.4	19.6
ROIC	9.6	4.9	12.2	15.7
RoE	11.5	4.5	17.1	17.4
Balance Sheet				
Net Debt : Equity (x)	0.9	1.0	0.8	0.5
Net Working Capital (Days)	25	26	21	17
Valuation(x)				
PER	28.6	67.0	16.3	13.8
P/B	3.0	3.0	2.6	2.2
P/CEPS	14.3	19.1	9.7	8.6
EV/EBITDA	10.9	13.9	8.0	6.5
EV/Sales	1.8	1.9	1.5	1.3
Dividend Yield (%)	0.8	0.8	0.9	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	463	429	397	414
YoY gr. (%)	(1.5)	1.7	(11.0)	(1.3)
Raw Material Expenses	256	225	211	225
Gross Profit	207	204	186	189
Margin (%)	44.8	47.5	46.8	45.6
EBITDA	61	55	54	56
YoY gr. (%)	(22.9)	(21.8)	(31.1)	(22.3)
Margin (%)	13.2	12.8	13.7	13.5
Depreciation / Depletion	22	22	23	23
EBIT	39	33	32	32
Margin (%)	8.5	7.7	8.0	7.8
Net Interest	21	21	21	21
Other Income	2	2	2	1
Profit before Tax	21	14	9	12
Margin (%)	4.6	3.2	2.1	2.8
Total Tax	7	5	4	5
Effective tax rate (%)	32.7	36.9	45.2	39.2
Profit after Tax	14	9	5	7
Minority interest	-	-	-	-
Share Profit from Associates	(1)	-	(1)	-
Adjusted PAT	13	8	7	8
YoY gr. (%)	(64.5)	(63.9)	(69.9)	(67.0)
Margin (%)	2.8	2.0	1.8	1.9
Extra Ord. Income / (Exp)	-	-	(3)	(1)
Reported PAT	13	8	4	7
YoY gr. (%)	(64.5)	(63.9)	(84.1)	(70.3)
Margin (%)	2.8	2.0	1.1	1.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13	8	4	7
Avg. Shares O/s (bn)	2	2	2	2
EPS (Rs)	5.3	3.5	2.9	3.3

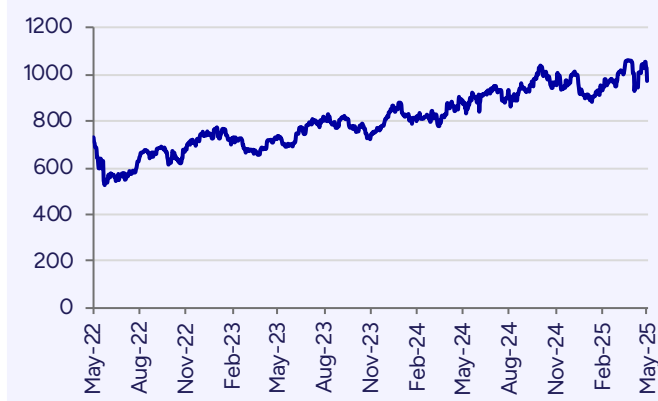
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Crude Steel Production (mt)	25.0	27.2	30.2	33.3
India Sales Volume incl BPSL (mt)	23.8	26.3	29.3	32.3
Realisation / tonne (Rs)	65,215	53,756	57,800	60,048
EBITDA / tonne (Rs)	11,466	7,653	11,778	11,095

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	23-Apr-25	Accumulate	1,150	1,044
2	08-Apr-25	Accumulate	1,009	930
3	27-Jan-25	Hold	919	932
4	09-Jan-25	Hold	872	891
5	26-Oct-24	Accumulate	1,014	944
6	07-Oct-24	Accumulate	1,106	1,034
7	21-Jul-24	Accumulate	1,022	890
8	07-Jul-24	Accumulate	1,026	951
9	18-May-24	Accumulate	980	902

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,383	1,938
2	Ambuja Cement	BUY	658	545
3	Dalmia Bharat	Accumulate	2,117	1,974
4	Hindalco Industries	BUY	736	620
5	Jindal Stainless	BUY	655	581
6	Jindal Steel & Power	Accumulate	978	893
7	JSW Steel	Accumulate	1,150	1,044
8	National Aluminium Co.	BUY	181	159
9	NMDC	Accumulate	69	68
10	Nuvoco Vistas Corporation	Accumulate	357	316
11	Shree Cement	Reduce	28,336	30,788
12	Steel Authority of India	Hold	118	116
13	Tata Steel	BUY	173	138
14	Ultratech Cement	BUY	13,668	12,114

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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