JSW seals ₹31,500 cr JV with JFE Steel for Bhushan Power

DE-LEVERAGING. Jindal company will sell 50% in BPSL to Japanese giant for ₹15,750 cr

Suresh P Iyengar
Mumbai

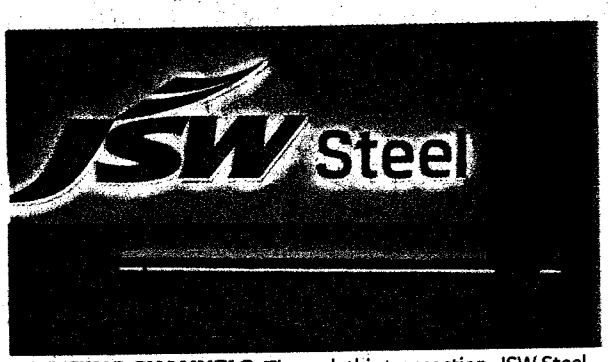
JSW Steel will sell 50 per cent of its stake in its subsidiary Bhushan Power and Steel (BPSL) to JFE Steel Corporation for ₹15,750 crore, to form an equal joint venture at an equity value of ₹31,500 crore, as part of its efforts to deleverage its balance sheet and fund growth.

It will also transfer BPSL-related debt of ₹5,000 crore to the newly-formed JV entity.

To start with, JSW Steel will transfer its BPSL business through slump sale to JSW Sambalpur Steel, for a ₹24,483 crore.

JSW Sambalpur is 100 per cent held by JSW Kalinga Steel. JFE will acquire 50 per cent equity stake in JSW Kalinga at an aggregate consideration of ₹15,750 crore in two equal tranches.

In a separate development, JSW Shipping & Logistics, a promoter group entity, will transfer its 17.35 per cent holding in BPSL to JSW Steel through a share-swap deal, post which the promoters' holding in JSW Steel will go up to 46.75 per cent from 45.32 per cent now.



CREATING CHANNELS. Through this transaction, JSW Steel will monetise part of its holding in BPSL to accelerate the growth of the company REUTERS

JSW Kalinga is a wholly-owned subsidiary of Piombino Steel, which in turn is owned by JSW Steel (82.65 per cent) and by JSW Shipping & Logistics (17.35 per cent).

SHARE SWAP

To gain full control of BPSL, JSW Steel merged Piombino Steel, the holding company of BPSL, and acquired 17.35 per cent stake held by JSW Shipping & Logistics through a share-swap deal.

The slump sale and related steps will result in JSW Steel and JFE holding JSW Kalinga at 50 per cent each.

BPSL currently operates 4.5-million tonnes per annum (mtpa) integrated steel facility in Odisha and it will be expanded to 10 mtpa by 2030. Jayant Acharya, Joint Managing Director, JSW Steel, said the deal will result in deleveraging of balance sheet by ₹37,250 crore and help in taking up the planned 25-mt integrated port-based steel, plant at Paradip in Odisha. The proposed plant will be connected through a slurry pipeline of 300 km to the captive iron ore mine and the work on pellet plant is in progress, he said.

With the deleveraged balance sheet, the first phase of 5-mtpa steel plant will be taken up sooner than later, he said.

NET DEBT TO DIP

The net debt of JSW Steel at ₹80,000 crore will come down to ₹43,000 and net debt to EBITDA will fall to 1.15 times from 2.97 times by March-end.

Though JSW Steel had acquired BPSL for ₹19,700 crore through an IBC process in 2021, it was finally approved by the Supreme Court in September.

"The company will bring in JFE that will bring in technological expertise, and along with JSW Steel's capability of project execution and operational excellence, will create further value for the joint venture," it added.