Bhushan Power & Steel Limited

March 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	14,030.00	CARE AA; Stable / CARE A1+	Reaffirmed
Commercial Paper	1,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities and Commercial paper of Bhushan Power and Steel Limited (BPSL or the company) factors the ramp-up of the additional 1 million tonne (MT) capacity, while continuing to factor the strong parentage being with it being a subsidiary of JSW Steel Limited which is one of the largest producers in India and the strategic importance of BPSL to JSWSL. Though revenue contribution of BPSL to JSWSL's topline is low, JSWSL derives benefit with presence in eastern region (closer to mines, Odisha) where JSWSL does not have manufacturing base. Additionally, JSWSL has demonstrated strong commitment since acquisition of BPSL, and have also extended letter of comfort for existing bank facilities of BPSL.

The company's sales volume increased from 2.51 MT in FY23 to 2.96 MT in FY24 (FY, refers to the period April 01 to March 31). Despite of the fall in the blended sales realisations, the company's profitability showcased improvement in FY24, largely on the back of increase in sale of value-added steel products. The sales realisations reduced to ₹73,963/tonne in FY24 (vs ₹79,989/tonne in FY23). The company has ramped up the volume sales for multiple value-added products including cold-rolled steel (CRC) and Pipes which increased by 24% and 54% respectively in FY24. Resultantly, the blended PBILDT/tonne (profit before interest, lease, rentals, depreciation, and taxation per tonne) stood at ₹9,341/tonne (vs ₹7,197/tonne in FY23).

The blended sales realizations however have moderated to ₹60,682/tonne in Q3FY25, sequentially reducing over the past 3 quarters. This is primarily owing to the industry scenario resulting from increased cheaper imports from China. Furthermore, the PBILDT/tonne has declined substantially reaching ₹5,824/tonne in Q2FY25 and ₹6,148/tonne in Q3FY25. This also owes to the commissioning and ramp-up related expenses of additional 1 MTPA capacity and ramp-up of the existing downstream assets. Given the plant has been fully ramped-up in Q3FY25, CAREEdge expects optimum scaling up of expanded capacity which in turn may reduce higher overhead expenses. BPSL's Netrabandha mine in Odisha is expected to commence production in Q1FY26 with an estimated capacity of 2 million tonnes per annum which is expected to result in further cost savings. Given that the company has almost 1.8 MTPA of downstream assets, the profitability levels are expected to be higher from the value-added steel, once all the debottlenecking related issues are resolved.

Earlier JSWSL had undertaken a discussion with the Committee of Creditors (CoC) for the takeover of BPSL against payment to the financial creditors of BPSL as per the resolution plan. The CoC formally voted for such resolution, and thus, BPSL's acquisition was completed on March 26, 2021. All the financial lenders have indemnified that the amount paid to them will be refunded to the acquirer (JSWSL), in case the verdict by the Supreme Court of India in the ongoing hearings go against the acquirer, wherein the acquirer had sought immunity against the prosecution on the new management in matters related to the former management. Additionally, the properties worth ₹4,025 crores were under dispute as Directorate of Enforcement (ED) had filed appeal in Supreme Court. Recently, the Supreme Court vide its order dated Dec 11, 2024, disposed-off appeals filed by the Committee of

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

creditors (COC) and the ED by directing the ED to handover the control of the properties of BPSL, to the successful resolution applicant i.e. JSW Steel Ltd. This may result in seamless integration of the assets and expansion going ahead.

The ratings are, however, constrained by the susceptibility of profitability margins to the volatility in steel prices and the presence in the inherently cyclical steel industry. Going forward, further integration as well as the continued support from JSWSL for the overall operations of BPSL will remain critical from the credit perspective. Furthermore, the impact of the Supreme Court judgement upholding the power of the states for levying tax on mining operations also remains a key monitorable, until further clarity for the same emerges, especially with respect to the retrospective tax burden (if any).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors- Factors likely to lead to positive rating action

- Improvement in the financial/credit risk profile of JSWSL

Negative factors- Factors likely to lead to negative rating action

- Net debt to PBILDT of more than 3.0x on a sustained basis.
- Weakening of linkages and/or deterioration in the financial/credit risk profile of JSWSL.
- Any unforeseen large debt-funded capex or acquisitions, thereby impacting the overall capital structure to above 1.50x.

Analytical approach: CARE Ratings has adopted the standalone approach. However, the management, financial, and operational linkages with JSWSL (equity holding of 83.28% in BPSL) have also been considered and accordingly parent notch-up framework has been applied to arrive at the ratings.

Outlook: Stable

Stable outlook reflects the completion of the project and ramp-up of the capacity to optimum levels since end of Q3FY25. The comfort on the financial flexibility of the company is being drawn from the strong parentage of JSW Steel Limited.

Detailed description of key rating drivers:

Key strengths

Strategic importance of BPSL to JSWSL

The JSW group has a leading market share in southern and western India. With the acquisition of BPSL, JSWSL has extended market reach to the eastern and northern regions in India. As on December 31, 2024, BPSL has an integrated steelmaking capacity of 4.5 mtpa at Jharsuguda, Odisha having increased from 3.5 MTPA as on December 31, 2023 aided by capacity expansion. The company also has significant downstream facilities at Jharsuguda, Chandigarh, and Kolkata. BPSL’s product mix of value-added steel products will complement JSWSL’s product profile, while BPSL will benefit from JSWSL’s strong track record in the steel industry.

Access to the JSW group’s supplier and distributor network to provide operational efficiency

JSWSL has four operational iron ore mines in Odisha, ensuring part raw material security for the company. BPSL's Netrabandha mine in Odisha is expected to commence production in Q1FY26 with an estimated capacity of 2 million tonnes per annum. Currently, BPSL procures iron ore from JSW mines located in Odisha and other mines. BPSL imports its coal requirement for the direct reduced iron (DRI) plant and sources coal for its captive power plant from various mines of Mahanadi Coalfields Limited. BPSL also imports its requirements of coking coal and high-grade steam coal. By leveraging the relationship of JSWSL with its suppliers, BPSL is able to procure raw materials on better terms. On the other hand, BPSL is likely to benefit from the access to

JSWSL’s strong distribution network, which, combined with JSW’s brand value, gives the company a competitive advantage and helps in increasing the sales volumes even in times of a challenging business environment.

Key weaknesses

Performance impacted owing to the sequential decline in realisations

For FY24, the company’s performance was stable with volume sales of 2.96 MT (vs 2.51 MT in FY23) and blended sales realisations reducing to ₹73,963/tonne (vs ₹79,989/tonne in FY23). The company has ramped up the volume sales for multiple value-added products including cold-rolled steel (CRC) and pipe sales rising by 24% and 54% respectively. Resultantly, the blended PBILDT/tonne stood at ₹9,341/tonne (vs ₹7,197/tonne in FY23). The blended sales realizations moderated to ₹60,682/tonne in Q3FY25, sequentially reducing over the past 3 quarters. However, this is primarily owing to the industry scenario resulting from increased cheaper imports from China. Furthermore, the PBILDT/tonne has substantially lowered reaching ₹5824/tonne in Q2FY25 and ₹6148/tonne in Q3FY25. This also owes to the commissioning and ramp-up related to the additional 1 MTPA capacity and ramp-up of the existing downstream assets. Given the plant has been fully ramped-up in Q3FY25, we expect optimum scaling up of expanded capacity which in turn may reduce higher overhead expenses. The company has almost 1.8 MTPA of downstream assets which may result in relatively higher profitability levels.

Exposed to foreign exchange risk

Owing to high dependence on imports for its coking coal and foreign currency-denominated debt, the company remains exposed to forex risk, which is partially mitigated by its hedging policy, covering its revenue account fully on a gross basis and the next one year’s debt service obligations. Also, the company has been a leading exporter, and hence, has a natural hedge to that extent.

Cyclicality of the steel industry

The prospects of the steel industry are strongly co-related to economic cycles. The demand for steel is sensitive to the trends of particular industries, such as automotive, construction, infrastructure, and consumer durables, which are the key consumers of steel products. These key user industries, in turn, depend on various macroeconomic factors such as consumer confidence, employment rates, interest rates, and inflation rates, among others, in the economies in which they sell their products. When downturns occur in these economies or sectors, the steel industry may witness a decline in demand.

Liquidity: Adequate

As on December 31, 2024, the company has a cash balance of ₹424 crore (as on March 31, 2024, ₹643 crore). The repayment of ₹4,500 crore due in March 2024 has been repaid by the company by availing new loan of ₹4,000 crore and balance from internal accruals. For the capex, the company has capex LC lines, which at the end of three years, will be converted to a term loan or repaid from internal accruals. BPSL, being part of the JSW group, enjoys significant financial flexibility. The company also has fund-based working capital limits of ₹1,100 crore which are moderately utilised around 30% for the trailing 12 months ended December 2024, providing cushion to the existing liquidity position.

Assumptions/Covenants Not applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

[Iron & Steel](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

BPSL is a steel manufacturer with facilities for long and flat steel products. The company has a presence across the value chain, with manufacturing facilities for sinter, sponge iron, pig iron, HRC, CRC, bars, rods and galvanised sheets, tubes and pipes. BPSL was referred to the National Company Law Tribunal (NCLT) for the Corporate Insolvency and Resolution Process (CIRP) under the Insolvency Bankruptcy Code (IBC) on July 26, 2017. The NCLT, through its order dated September 05, 2019, approved the resolution plan for BPSL with a bid amount of ₹19,700 crore. The company has been acquired through a holding company – Piombino Steel Limited, wherein, JSWSL holds 83.28% stake, and the balance is held by JSW Shipping and Logistics Private Limited. As on Dec 31, 2024, BPSL has a capacity of 4.50 million tonnes per annum (MTPA) of crude steel.

Brief Financials (₹ crore)	FY2023 (A)	FY2024 (A)	9MFY2025 (UA)
Total operating income	20,077	21,893	16,029
PBILDT	1,806	2,765	1,882
PAT	160	674	219
Overall gearing (times)	0.54	0.47	-
Interest coverage (times)	2.40	3.04	2.96

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)		Proposed	not yet placed	7-365 days	1000.00	CARE A1+
Fund-based - LT/ ST-Term loan		-	-	March 2030	3750.00	CARE AA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	255.00	CARE AA; Stable / CARE A1+
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	2375.00	CARE AA; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	4475.00	CARE AA; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	3175.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Term loan	LT/ST	3750.00	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (04-Apr-24)	1)CARE AA; Stable / CARE A1+ (09-Oct-23) 2)CARE AA; Stable / CARE A1+ (07-Apr-23)	1)CARE AA; Stable / CARE A1+ (15-Sep-22) 2)CARE AA (CE); Stable / CARE A1+ (CE) (12-May-22)	1)CARE AA (CE); Stable / CARE A1+ (CE) (15-Sep-21) 2)CARE AA- (CE); Stable / CARE A1+ (CE) (27-Apr-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	255.00	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (04-Apr-24)	1)CARE AA; Stable / CARE A1+ (09-Oct-23)	1)CARE AA; Stable / CARE A1+ (15-Sep-22) 2)CARE A+; Stable / CARE A1	1)Provisional CARE A+ (CE); Stable / CARE A1 (CE) (15-Sep-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
						2)CARE AA; Stable / CARE A1+ (07-Apr-23)	(12-May-22)	2)CARE BBB+; Stable / CARE A2 (27-Apr-21)
3	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	-	-	-	-	1)Withdrawn (15-Sep-22) 2)CARE A+; Stable / CARE A1 (12-May-22)	1)CARE A-; Stable / CARE A2 (15-Sep-21)
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	2375.00	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (04-Apr-24)	1)CARE AA; Stable / CARE A1+ (09-Oct-23) 2)CARE AA; Stable / CARE A1+ (07-Apr-23)	1)CARE AA; Stable / CARE A1+ (15-Sep-22) 2)CARE A+; Stable / CARE A1 (12-May-22)	-
5	Non-fund-based - LT/ ST-BG/LC	LT/ST	4475.00	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (04-Apr-24)	1)CARE AA; Stable / CARE A1+ (09-Oct-23) 2)CARE AA; Stable / CARE A1+ (07-Apr-23)	1)CARE AA; Stable / CARE A1+ (15-Sep-22) 2)CARE A+; Stable / CARE A1 (12-May-22)	-
6	Non-fund-based - LT/ ST-BG/LC	LT/ST	3175.00	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (04-Apr-24)	1)CARE AA; Stable / CARE A1+ (09-Oct-23) 2)CARE AA; Stable	1)CARE AA; Stable / CARE A1+ (15-Sep-22) 2)CARE A+; Stable / CARE A1 (12-May-22)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
						/ CARE A1+ (07-Apr-23)		
7	Commercial Paper-Commercial Paper (Standalone)	ST	1000.00	CARE A1+	1)CARE A1+ (04-Apr-24)	1)CARE A1+ (09-Oct-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT/ ST-Term loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
5	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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