

February 19, 2026

JSW Sambalpur Steel Limited: Ratings assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term Loans**	12,000.00	[ICRA]AA (Stable); Assigned
Long-term/Short-term – Fund-based/ Non-fund Based Limits**	8,000.00	[ICRA]AA (Stable)/[ICRA]A1+; assigned
Total	20,000.00	

*Instrument details are provided in Annexure I

**Proposed

Rationale

The ratings assigned to the proposed bank facilities of JSW Sambalpur Steel Limited (JSSL) factors in the strong credit support derived from its status as a wholly-owned subsidiary of JSW Kalinga Steel Limited (JKSL), proposed to be held through a 50:50 joint venture (JV) between JSW Steel Limited (JSW; rated [ICRA]AA (watch with positive implications)) and JFE Steel Corporation, Japan (JFE), following the recently announced transfer of the steel business undertaking of Bhushan Power and Steel Limited (BPSL) in JSSL through a slump sale for a cash consideration of Rs.24,483 crore. The transaction is proposed to be executed in two tranches. The first tranche entails a primary equity infusion of Rs.7,875 crore in JKSL by JFE for acquiring 25% stake in the entity. The proceeds, along with funds raised in JKSL and JSSL (aggregating to about Rs.16,608 crore) are expected to be utilised for meeting the slump sale cash consideration payable to JSW, with completion expected by March 2026. The second tranche involves stake purchase of JKSL's shares from its shareholders (currently Piombino Steel Limited) for a cash consideration of Rs.7,875 crore, to be completed by Q2 FY2027. After the completion of the entire transaction, through JKSL, JSSL would be owned, operated and controlled jointly (50:50) by JSW and JFE. Furthermore, comfort is drawn from the strong commitment of both the JV partners to support the transaction. JSW is the largest domestic steel producer, with an installed crude steel capacity of 35.7 million tonnes per annum (mtpa) (including 4.5 mtpa capacity of BPSL) as of December 2025; while JFE is a leading global player with an installed crude steel capacity of 30.3 mtpa with a strong presence in high-grade steel segments.

The ratings also factor in the integrated nature of the BPSL asset, which will be subsumed into JSSL upon completion of the transaction. The asset comprises an integrated 4.5 mtpa steel manufacturing facility at Jharsuguda, Odisha, in proximity to JSW captive iron ore mines. Apart from the backward integration facilities such as beneficiation, sintering, coke oven and pelletisation plants, BPSL has downstream facilities in the form of a cold rolling mill, galvanising and colour coating lines, and a pipe and tube mill. BPSL's product portfolio has value-added products and a strong market presence in eastern India. The capacity utilisation is expected to remain healthy in the near term and improve further in the medium term upon completion of the full ramp-up. The same is likely to support the profitability of the entity as well, going forward. The production stood at 3.54 MT in FY2025 and 2.84 MT in 9M FY2026. ICRA also notes that the captive iron ore mines of Netrabandha Pahar iron ore block are expected to be commissioned by H2 FY2027, which is likely to further strengthen the operating profile of the entity.

The ratings, however, remain constrained by the expected moderation in JSSL's credit metrics after the completion of the transaction, with JSSL's external debt estimated at ~Rs.12,000 crore reflecting the partial debt-funded nature of the proposed transaction. While the profitability is likely to improve gradually with stabilisation of the existing 4.5 mtpa capacity, the leverage may remain elevated in the near to medium term, thereby constraining the coverage indicators. However, the proposed elongated tenure of the term loan at JSSL is anticipated to provide some cushion to cash flows and debt service coverage (DSCR) of the entity in the medium term. Going forward, the ability of the entity to prudently manage its leverage,

considering its long-term growth aspiration, would remain a key rating monitorable. The ratings also factor in refinancing risk at the parent entity level (JKSL), given the proposed issuance of bonds with a medium-term tenure. This risk is, however, partially mitigated by the strong financial flexibility of the JSW Group and its demonstrated ability to refinance the debt at competitive terms in the past. Additionally, the rating remains exposed to the inherent cyclicality associated with the steel industry, which leads to volatility in earnings and cash flows, as well as input price risks, particularly coking coal, which has historically exhibited high volatility.

Key rating drivers and their description

Credit strengths

Strong parentage with ultimate strategic backing from JSW steel and JFE joint venture- JSSL derives significant comfort from its ultimate parentage and sponsorship—JSW and JFE—through JKSL, which is proposed to be a 50:50 JV post-closure of the transaction. The structure entails a slump sale of BPSL's steel undertaking in JSSL for Rs.24,483 crore, with JFE infusing Rs.15,750 crore in two tranches. JSW is the largest domestic steel producer, with an installed crude steel capacity of 35.7 mtpa (including 4.5 mtpa capacity of BPSL) as of December 2025; while JFE is a leading global player with strong presence in high-grade steel segments. Consequently, the strong profile of both the JV partners provides comfort.

Comfortable operating profile supported by integrated nature of operations of the asset; also focus on value added products in the sales mix - The asset, which will be subsumed into JSSL upon completion of the transaction, is an integrated 4.5 mtpa steel facility at Jharsuguda, Odisha, with upstream (beneficiation/sinter/pellet/coke, BF-DRI mix, and captive power) and 1.8 mtpa downstream capabilities (galvanising, colour coating, pipes/tubes) as well as 1.2 mtpa alloy steel capacity. The value-added skew (including alloy grades) and presence across flats/longs support blended realisations and margin. Following the acquisition of the asset from NCLT in FY2021, the production capacity has been increased from 2.75 mtpa to around 4.5 mtpa at present. The capacity utilisation is expected to remain healthy in the near term and improve further in the medium term upon completion of the full ramp-up. The same is likely to support the profitability of the entity as well, going forward. The production stood at 3.54 MT in FY2025 and 2.84 MT in 9M FY2026.

Strategically located facilities providing accessibility to raw materials – The asset also derives benefits from its proximity to JSW's Odisha iron ore mines and established logistics. Further, the Netrabandha Pahar captive iron ore block (Odisha; about 82 MT reserves; 2 mtpa capacity) is estimated to be commissioned by H2 FY2027, which should reduce dependence on merchant ore and support cost competitiveness. Additionally, JSW's network through its retail presence and distributor channels close to the target market provides additional comfort.

Credit challenges

Moderate credit metrics expected over the medium term – Owing to incremental borrowings for the acquisition funding, ICRA notes that JSSL leverage, as reflected by total debt/OPBDITA will remain elevated in the medium term. However, with full ramp up of the existing facilities, the profitability is expected to improve, thus supporting the leverage and coverage indicators of the entity. In addition, the proposed elongated tenure of the term loan at JSSL is likely to provide some cushion to cash flows and debt service coverage (DSCR) of the entity in the medium term. Going forward, the ability of the entity to prudently manage its leverage, considering its long-term growth aspiration, would remain a key rating monitorable. The ratings also factor in refinancing risk at JKSL's level, given the proposed issuance of bonds with a medium-term tenure. This risk is, however, partially mitigated by the strong financial flexibility of the JSW Group and its demonstrated ability to refinance the debt at competitive terms.

Exposure to price risk as well as cyclicity inherent in the steel industry – The steel industry is characterised by its inherent cyclicity. This is likely to keep the profitability and cash flows of all industry players, including JSSL, volatile. However, JSSL’s access to JSW’s captive iron ore mines in Odisha, competitive conversion costs and an enriched product mix partly mitigate the earnings volatility to an extent.

Exposure to forex risks, however, correlation between forex rate movement and steel prices provide some natural hedge- The company remains exposed to forex risks, given its dependence on imports for coking coal. However, the risk is largely mitigated by its hedging policy, fully covering its revenue account and the subsequent year’s debt servicing obligations, as well as the inherent linkage of steel realisations with foreign exchange rates.

Liquidity position: Adequate

JSSL’s liquidity position remains adequate. Although term debt is expected to increase to around Rs.12,000 crore to partly fund the proposed transaction, the expected elongated repayment structure is likely to provide adequate headroom to support cash flows over the medium term. The working capital limits would also be available, keeping the overall liquidity position comfortable. In the event of any future expansion, the timely funding tie up would remain crucial from the liquidity management perspective.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of significant improvement in revenues and earnings, with substantial reduction in debt levels resulting in considerable improvement in debt protection metrics and liquidity position on a sustained basis.

Negative factors – Downward pressure on the rating could emerge in case of sustained weakening of profitability and cash accruals because of prolonged lull in demand conditions. Any large debt-funded capex/ acquisition resulting in significant weakening of the credit metrics would also be a credit negative. Any weakening of linkages with both the JV partners (JSW and JFE) would also be a negative rating factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Iron & Steel
Parent/Group support	Parent/Group Company: JSSL is a 100% subsidiary of JKSL, which is proposed to be held through a 50:50 JV between JSW Steel Limited and JFE Steel Corporation, Japan. ICRA expects the promoters to be willing to extend financial support to JSSL/JKSL, given their strategic importance to their promoters and the close business linkages among them.
Consolidation/Standalone	Standalone

About the company

JSW Sambalpur Steel Limited was incorporated on September 30, 2025. The entity is a wholly owned subsidiary of JSW Kalinga Steel Limited (incorporated on April 26, 2025), which is a 100% subsidiary of Piombino Steel Limited (PSL). These entities are primarily being considered for the recently announced 50:50 joint venture between JSW Steel Limited and JFE Steel Corporation, a Japanese steel manufacturer, to own and operate the business undertaking of Bhushan Power & Steel Limited.

As per the transaction details, BPSL's steel business undertaking is to be transferred to JSSL by way of a slump sale on a going concern basis. Upon completion of the slump sale and other related steps, JSSL through JKSL, would be owned, operated and controlled jointly (50:50) by JSW and JFE. The asset, which will be subsumed into JSSL upon completion of the transaction, is an integrated 4.5 mtpa steel facility at Jharsuguda, Odisha, with upstream (beneficiation/sinter/pellet/coke, BF-DRI mix, and captive power) and 1.8 mtpa downstream capabilities (galvanising, colour coating, pipes/tubes) as well as 1.2 mtpa alloy steel capacity.

Key financial indicators (audited)

As JSSL was incorporated in September 2025, audited financial statements are not available for the entity. FY2026 will mark the first year of its statutory financial reporting.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years						
				FY2026	FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-Term	12,000.00	Feb 19, 2026	[ICRA]AA (Stable)	-	-	-	-	-	-
Fund-based/ Non-fund Based Limits	Long-Term/Short-Term	8,000.00	Feb 19, 2026	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term – Fund Based - Term Loans	Simple
Long-term/Short-term – Fund-based/ Non-fund Based Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long Term – Fund Based - Term Loans*	NA	NA	NA	12,000.00	[ICRA]AA (Stable)
NA	Long-term/Short-term – Fund-based/ Non-fund Based Limits*	NA	NA	NA	8,000.00	[ICRA]AA (Stable)/[ICRA]A1+

Source: Company; * Proposed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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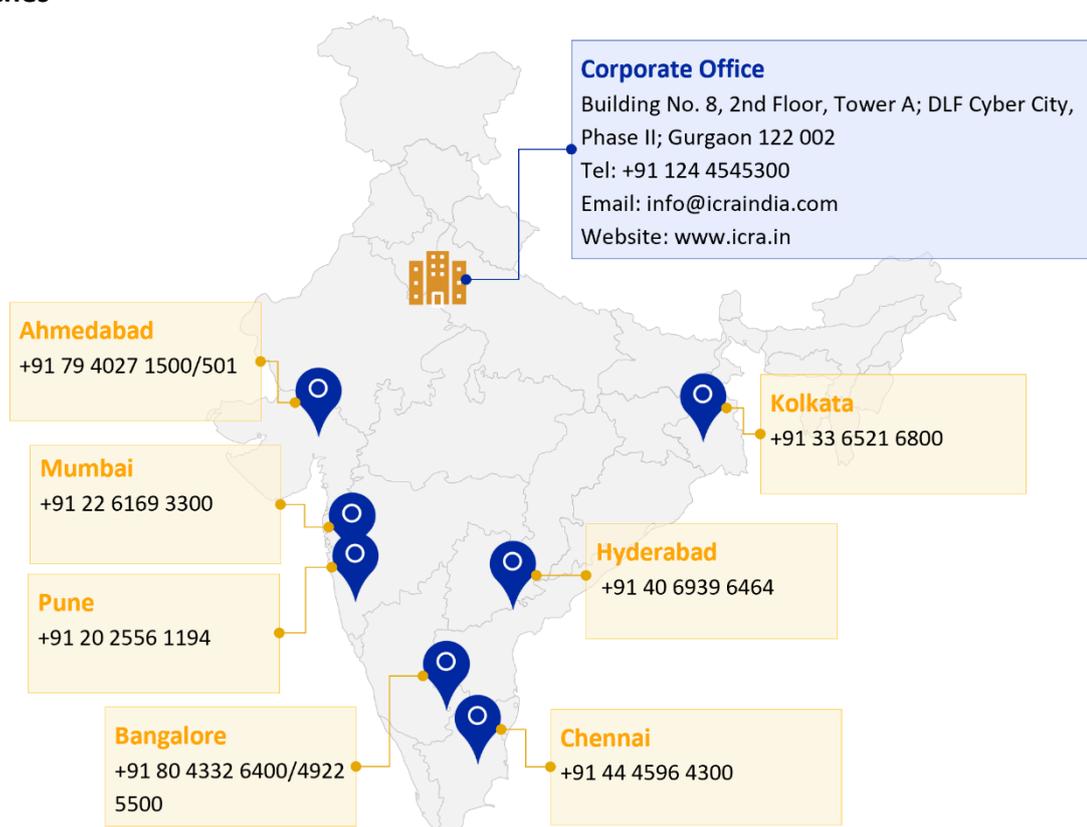
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