

JSW's takeover of Bhushan Power: Supreme Court's reversal of its May decision, how it impacts ongoing IBC resolution plans

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Written by [George Mathew](#)

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BPSL, acquired by JSW in 2021, has consistently contributed to the company's revenue and profits. (File)

In a boost to corporate resolutions under the Insolvency and Bankruptcy Code (IBC), the Supreme Court on Friday (September 26) approved Sajjan Jindal-led JSW Steel's \$2.3 billion acquisition of Bhushan Power and Steel (BPSL), reversing its earlier rejection of the deal.

The court also dismissed creditors' demand for an additional ₹6,100 crore, clearing the way for the long-delayed takeover.

What SC said on Friday

On Friday, the Supreme Court said that JSW had successfully revived Bhushan Power and Steel by investing heavily in modernisation and protecting thousands of jobs, ensuring the company remained a going concern.

The court observed that the core purpose of the Insolvency and Bankruptcy Code (IBC) — turning a loss-making entity into a profitable one — had been fulfilled. It further noted that delays in the process were not caused by either the Committee of Creditors (CoC) or the Successful Resolution Applicant (SRA), who had consistently worked to enforce the resolution plan.

Importantly, the SC ruled that Compulsorily Convertible Debentures (CCDs) issued by the SRA must be treated as equity. Once a resolution plan is approved by the CoC, the Court said, reopening claims would amount to committing violence on the provisions of law.

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The SC decision is expected to boost the ongoing resolution plans under the IBC code, aiding the recovery of bank funds stuck in distressed firms.

What happened in May

The Supreme Court then rejected JSW Steel's Rs 19,350 crore bid to acquire Bhushan Power through the Corporate Insolvency Resolution Process (CIRP) route, and ordered the liquidation of the company.

While ordering the liquidation, the biggest in the corporate history, a bench of Justice Bela Trivedi and Justice Satish Chandra Sharma lambasted the delay on the part of JSW Steel to implement the resolution plan and said the Committee of Creditors (CoC) failed to exercise its commercial wisdom while approving the Resolution Plan. The SC order unsettled the buyers of other distressed assets and cast a shadow over Indian bankruptcy reforms introduced in 2016.

The SC said that JSW, even after the approval of its plan by the National Company Law Appellate Tribunal (NCLAT), wilfully contravened and had not complied with the terms of the said approved Resolution Plan for a period of about two years. This, it said, frustrated the very object and purpose of the IBC, and consequently had vitiated the insolvency resolution proceedings of the corporate debtor-BPSL.

BPSL key to JSW's revenue

BPSL, acquired by JSW in 2021, has consistently contributed to the company's revenue and profits. The plant posted a profit of Rs 300 crore in Q1 FY25, a loss of Rs 93 crore in Q2, and a profit of Rs 11 crore in Q3. Analysts say JSW could see an 8–10% decline in FY26 EBITDA and revenue if BPSL is liquidated.

BPSL, originally promoted by Sanjay Singal, faced several financial difficulties due to high debt and other challenges. It was admitted into the Corporate Insolvency Resolution Process (CIRP)

under IBC in 2018.

Liquidation would also require JSW to recover Rs 19,300 crore owed to lenders. BPSL has expanded its plant capacity from 3.5 MTPA to 5 MTPA (Phase-II) and operates advanced facilities in [Chandigarh](#), Derabassi, [Kolkata](#), and Odisha, producing flat and long steel products.

SC's criticism of lenders committee, RP

In May, the Supreme Court said the Committee of Lenders had failed to exercise its commercial wisdom while approving the Resolution Plan of the JSW, which was in absolute contravention of the mandatory provisions of IBC and CIRP Regulations. The CoC also had failed to protect the interest of the creditors by taking contradictory stands before the court, and accepting the payments from JSW without any demurrer, and supporting JSW to implement its ill-motivated plan against the interest of the creditors, SC said.

The Resolution Professional (RP) had utterly failed to discharge his statutory duties contemplated under the IBC and the CIRP Regulations during the course of entire CIR proceedings of the corporate debtor (BPSL), SC had said.

Deal facing liquidation

The liquidation of BPSL could possibly have been the biggest in the history of the corporate sector in terms of the size of the debt. The Supreme Court earlier ordered the liquidation of Jet Airways, a once prominent Indian airline, due to the failure of a resolution plan and the inability of the Jalan-Kalrock Consortium (JKC) to fulfil its financial obligations. While Jet Airways was estimated to have owed its financial creditor around Rs 7,800 crore, a total of around Rs 15,723 crore was admitted as claims by the National Company Law Tribunal when the airline was first grounded in 2019.

The number of cases ending in liquidation in FY24 was 2,476 involving total claims of Rs 11 lakh crore, according to the Insolvency and Bankruptcy Board of India (IBBI). However, the liquidation value is just Rs 69,634 crore, just 6.33 per cent of admitted claims.