

September 17, 2024

Essar Oil and Gas Exploration and Production Limited – Placed on rating watch with developing Implication

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	-	[ICRA]A-; Placed on rating watch with developing implication
LT Fund-Based-Term Loan	1222.00	1222.00	[ICRA]A-; Placed on rating watch with developing implication
Commercial Paper	50.00	50.00	[ICRA]A2+; Placed on rating watch with developing implication
Total	1272.00	1272.00	

*Instrument details are provided in Annexure-1

Rationale

The Ahmedabad bench of National Company Law Tribunal (NCLT) initiated Corporate Insolvency Resolution Process (CIRP) against Essar Oil & Gas Exploration and Production Limited (EOGEPL/the company) following an application filed by Greka Green Solutions (India) Limited (Greka), an operational creditor of the company. The order has been passed by the NCLT bench in respect of the plea filed by Greka regarding a claim of Rs. 24.4 crore (including penalty and interest levied on overdue payment). Greka had provided turnkey services and hiring of onshore drilling rigs under two contracts with EOGEPL up to March 2017. However, EOGEPL had delayed in making payments under the said contracts and in June 2019 under into a settlement agreement with Greka to settle the pending payments, wherein EOGEPL gain failed to make the payments. Thereafter in July 2020, both the parties i.e. the company and Greka entered into another settlement agreement wherein the pending payment amount was recognized as \$1.1 million and the same was to be paid in 21 instalments. EOGEPL paid 20 instalments and the last instalment of \$0.13 million was pending due to the disagreement between the company and Greka since June 2022. Meanwhile Greka filed a petition in NCLT for recovering the balance amount and also claimed interest payable on delayed payments taking the total claim to around Rs. 24.4 crore.

The management of EOGEPL highlighted that the last pending payment was also paid to Greka in July 2024 and as on date no amount is outstanding or dues payable under the settlement agreements with Greka. As a result, the company post the order passed by the NCLT, approached National Company Law Appellate Tribunal (NCLAT) on September 9, 2024, and NCLAT suspended the order passed by the NCLT on September 10, 2024, and asked the company to file its reply within three weeks of the order being passed by NCLAT and the next date of hearing of the case is on November 6, 2024. While the control of the company had been passed on to Insolvency Resolution Professional (IRP) post the NCLT order on September 6, 2024, the same has been restored post the NCLAT order on September 10, 2024, suspending the earlier NCLT order.

With the control of operations resting with the management of EOGEPL post the passing of the NCLAT order, the escrow mechanism in place under the resolution plan ensuring timely servicing of debt, healthy natural gas production and healthy production levels provide comfort in terms of debt servicing of the company. While currently, the NCLT order has been suspended, ICRA will continue to monitor the developments pertaining the event going forward and will take necessary rating action if required.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Oil Exploration & Production
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Essar Oil and Gas Exploration and Production Limited (EOGEPL) was incorporated on May 10, 2016, and is a wholly-owned subsidiary of Essar Exploration & Production Limited, Mauritius (EEPL), which is a holding company of the exploration & production (E&P) assets owned by Essar Global Fund Limited, a global fund with ~\$8-billion assets under management. EEPL holds both conventional (crude oil) E&P assets with a resource base of 3.4 billion barrels of oil equivalent (BBOE) as well as unconventional (CBM and shale) E&P assets with a resource base of 14 trillion cubic feet (TCF) in India and overseas.

The Indian E&P assets are held through EOGEPL. It holds two E&P blocks in India at Raniganj and Mehsana. The company is a leading player in the production of CBM with 99% of its revenue being generated by the Raniganj block in West Bengal.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)				Chronology of rating history for the past 3 years					
		Amount Rated (Rs Crore)	Sep 17, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long Term	-	[ICRA]A-; Placed on rating watch with developing implication	Jul 24, 2024	[ICRA]A- (Stable)	-	-	-	-	-	-
				Jul 08, 2024	[ICRA]A- (Stable)	-	-	-	-	-	-
Term Loan	Long Term	1222.00	[ICRA]A-; Placed on rating watch with developing implication	Jul 24, 2024	[ICRA]A- (Stable)	-	-	-	-	-	-
Commercial Paper	Short Term	50.00	[ICRA]A2+; Placed on rating	Jul 24, 2024	[ICRA]A2+	-	-	-	-	-	-

			watch with developing implication									
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Complexity level of the rated instrument

Instrument	Complexity Indicator
Issuer Rating	NA
Long Term Fund-Based – Term Loan	Simple
Commercial Paper	Very 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 analyzing 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, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Issuer rating	-	-	-	-	[ICRA]A- Rating Watch with Developing Implications
NA	Fund-Based – term Loan	-*	-	-*	1222.00	[ICRA]A- Rating Watch with Developing Implications
Unplaced	Commercial Paper	-	-	-	50.00	[ICRA]A2+ Rating Watch with Developing Implications

Source: Company; *Not available

[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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About ICRA Limited:

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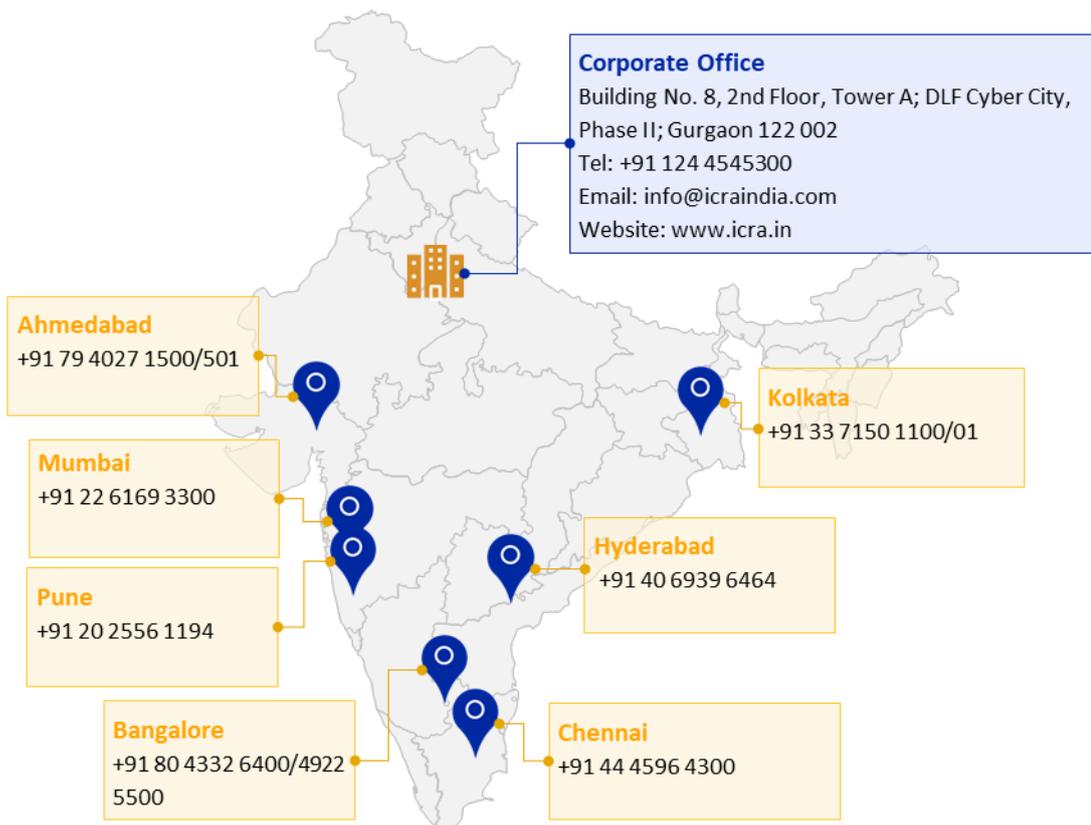
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