

May 09, 2025

## Essar Oil and Gas Exploration and Production Limited: [ICRA]A-/[ICRA]A2+ ratings reaffirmed and removed from watch with developing implications; Stable outlook assigned

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer rating	-	-	[ICRA]A- (Stable) reaffirmed; removed from rating watch with developing implication and Stable outlook assigned
LT fund-based - Term loan	1,222.00	1,222.00	[ICRA]A- (Stable) reaffirmed; removed from rating watch with developing implication and Stable outlook assigned
Commercial paper	50.00	50.00	[ICRA]A2+; reaffirmed and removed from rating watch with developing implications
<b>Total</b>	<b>1,272.00</b>	<b>1,272.00</b>	

\*Instrument details are provided in Annexure 1

### Rationale

ICRA has reaffirmed the rating of [ICRA]A- assigned to the bank lines and [ICRA]A2+ assigned to the commercial paper programme of Essar Oil and Gas Exploration Limited (EOGEPL/ the company). It also removed the rating from watch with developing implications and assigned a stable Outlook. The ratings had been placed under watch with developing implications after the Ahmedabad bench of the National Company Law Tribunal (NCLT) passed an order under the Corporate Insolvency Resolution Process (CIRP) on September 6, 2024, in relation to a plea filed by Greka Green Solutions (India) Limited (Greka), an operational creditor for the company. The order, however, was suspended by the National Company Law Appellate Tribunal (NCLAT) on September 10, 2024.

Subsequently, EOGEPL and Greka have reached a settlement agreement. The signed agreement between EOGEPL and Greka was placed before the NCLAT. Both the parties jointly represented that the matter has been settled amicably and they do not intend to proceed with the process in NCLAT. Accordingly, the NCLAT has set aside the bankruptcy case against EOGEPL through an order dated March 19, 2025, communicated to the company on March 24, 2025. The settlement agreement includes a payout of ~Rs. 24 crore that will be processed in two tranches – Rs. 15 crores as a one-time settlement and Rs. 9 crores as an advance for a drilling rig services to be provided by Greka to EOGEPL.

The reaffirmation of the ratings factors in the presence of the company's long-term gas sales and purchase agreement (GSPA) with GAIL India Ltd [rated [ICRA]AAA(Stable)/[ICRA]A1+] at a competitive pricing for a period of 15 years (starting FY2018) till August 2033 along with the pipeline connectivity with the national grid through the Urja Ganga pipeline which mitigates the evacuation risks. After the connectivity with the Urja Ganga pipeline, the company's average gas production rose to 0.93 mmscmd in FY2025 from 0.86 mmscmd in FY2024. The production is expected to rise further with the new wells coming online along with an expected increase in output from the already producing wells.

The outlook for gas consumption in India remains positive with rising demand from sectors such as city gas distribution, fertiliser, power and refining and the high import dependence, which mitigates the demand risk for the gas produced by EOGEPL. At present, EOGEPL's gas remains competitively priced vis-à-vis imported regasified liquified natural gas (R-LNG), thus

easing the offtake risk. The overall coverage and capitalisation metrics have improved materially over the course of FY2024 and FY2025E because of increased production and healthy realisations. The coverage and capitalisation indicators are expected to improve with rising production and repayment of debt obligations. The ratings are further supported by the successful implementation of the resolution plan by the lenders of EOGEP along with the creation of a debt service reserve account (DSRA) for one quarter's repayment obligations. The ratings also take comfort from the presence of a trust and retention account (TRA) mechanism, wherein debt servicing gets priority over capital expenditure.

The ratings are constrained by the exposure of the cash flow to the volatility in crude oil prices, which drives the realisations for the gas sold by the company. The company is exposed to geological, technological and execution risks inherent in exploration and production (E&P) activities. The cash flow will also remain susceptible to uncertain gas production volumes from the E&P blocks.

The company has scaled down its capex plans for FY2026 owing to the decline in crude oil prices which drives the gas realisations for the company. Accordingly, the gas production is also expected to be lower than the previous estimates in the future years. However, the cash generation is expected to remain comfortable to meet the debt servicing requirements. While the capex for the near term has been scaled down, the company has plans to drill around 94 more wells and also undertake horizontal drilling over the next couple of years. The capex, when undertaken, will expose the company to exploration and production risks. Besides, the company derives almost all its cash flow from a single field, which exposes it to asset concentration risks. Under its resolution plan, the company has to take approvals from the lenders to undertake capex and avail any further debt. This constrains the company's financial and operational flexibility and can impact the gas production, going forward, in case the remaining planned capex is deferred for an extended period.

The Stable outlook on the rating reflects ICRA's expectation that the gas production from the CBM field will continue to be healthy and competitive against alternative sources, thereby supporting robust cash generation and keeping the credit profile stable.

## Key rating drivers and their description

### Credit strengths

**Long-term gas supply agreement with GAIL; pipeline connectivity in place** – EOGEP has a long-term GSPA with GAIL for 15 years, starting August 2018, with a take-or-pay clause for the entire offtake which, however, would be triggered once the gas sale of 1.2 MMSCMD is achieved. However, at present, the current production level is at 0.95 mmscmd and, thus, the take-or-pay clause is yet to become effective. Further, the pricing based on the GSPA contract remains competitive for GAIL vis-a-vis the imported long-term or spot LNG, thereby reducing the offtake risk. Under the GSPA, the gas price has a floor of \$5.215/MMBtu and a cap of \$13.45/MMBtu, based on a formula linked to the average Brent crude price of last three months. These prices are applicable for the first 10 years of the contract and is subject to renegotiation at the end of the 10th year, i.e. in FY2028. Additionally, due to the efficient payment mechanism built within the GSPA, EOGEP receives payments on a fortnightly basis.

Apart from the long-term contract with GAIL, the company has entered into various short-term contracts with several customers for the sale of coal bed methane (non-GAIL CBM sales) and compressed natural gas (CNG). For these contracts, the company is able to charge an average \$3-4/mmbtu premium over GAIL prices. Non-GAIL CBM is sold mostly to industrial customers connected through a dedicated pipeline from EOGEP's supply facility, while the CNG sales are through cascades. EOGEP's gasfield was linked to GAIL's Urja Ganga pipeline in May 2021, connecting it to the national gas grid and enabling the company to ramp up production. The connectivity to the GAIL pipeline has eliminated the evacuation risk for the field as it remains attractively priced and the dependence of India on imported LNG remains high.

**Expected improvement in gas production to boost cash generation** – The commissioning of the GAIL pipeline in FY2022 helped EOGEP ramp up its average production to 0.93 mmscmd in FY2025 from 0.54 mmscmd in FY2021. Further, the company has

capex plans to ramp up production from the existing and new wells. The company had commissioned 348 wells (under phase-I) till FY2018. An additional 106 wells have been commissioned as on date as part of its ongoing plan. Going forward, gas production and sales from the fields are expected to witness healthy growth with the incremental wells being commissioned. Additionally, the company plans to undertake horizontal drilling to improve production from the wells. The moderation in gas realisation has prompted the company to scale down its capex in the near term. However, the ramp-up of gas from the recently drilled wells and an uptick in gas generation from the existing wells will support production growth, though it is expected to be lower than expected.

**Trust & retention account mechanism in place to monitor cash flow to provide first preference to debt servicing** - The presence of a trust and retention account (TRA) mechanism, after the debt restructuring in CY2022 by the existing lenders, ensures the accruals are available to meet the debt obligations and capex on time. The successful operations of the TRA without any cash upstreaming to group companies would remain a key monitorable. Further, the allowance of capex for growth would be based on the lenders' approval only.

**Favourable outlook for natural gas consumption in India**- The demand for natural gas is expected to increase significantly in the coming years due to rising urbanisation, growing energy requirement and the need for more environment-friendly energy sources. The use of natural gas in the refinery, petrochemical, power and city gas distribution would drive natural gas demand growth, while the fertiliser sector will remain the anchor customer for gas consumption in the country. As India remains dependent on the more expensive imported LNG, the offtake risk for the gas produced by EOGEP is mitigated to a large extent.

### Credit challenges

**Cash flow exposed to volatility in production level and gas pricing along with dependence on a single field** - Gas prices have witnessed significant volatility in the past. Further, the company has a GSPA with GAIL and the prices in the agreement are linked to Brent crude oil prices. ICRA notes that the realisations and profits are expected to moderate in FY2026 vis-à-vis the earlier expectations, considering the noticeable fall in crude oil prices in FY2025. The presence of a floor for gas pricing in the GSPA with GAIL and the ability of the company to sell natural gas to non-GAIL users at a premium provide comfort to some extent. However, the fields are exposed to the inherent risks of exploration and production activities wherein the final production level can be lower than the envisaged output. Besides, the company derives almost all its cash flow from a single field which exposes it to asset concentration risks.

**Exposure to capex to be incurred for E&P activity amid constrained financial flexibility** – In order to ensure continued growth in gas production, the company needs to incur capex to drill new wells and service old wells every year. The capex incurred, however, remains exposed to the risks associated with lower-than-expected production. As on date, the capex has been completed for 106 wells under a new campaign. In the coming years, the company plans to evaluate horizontal drilling over traditional vertical drilling for higher volumes. The company will remain exposed to risks associated with uncertainty over the production level, as is the case with E&P activities. The uptick in the volumes and the associated cash flow will remain a key monitorable, going forward.

### Liquidity position: Adequate

EOGEP's liquidity is expected to remain adequate, supported by expected annual net accruals of ~Rs. 550 and ~Rs. 650 crore over the next two years i.e. FY2026 and FY2027, respectively. The company's cash and cash equivalents stood at Rs. 104.19 crore, including DSRA of ~Rs. 88.47 crore, as on March 31, 2025. EOGEP's net working capital requirements remained low owing to the timely receivables from strong counterparties. The net cash accruals are adequate to meet its repayment

obligation of ~Rs. 263 crore in FY2026 and FY2027. The capex plan of the company will be funded entirely through internal accruals.

## Rating sensitivities

**Positive factors** – Timely execution of the ongoing capex within the envisaged capital outlay and timelines and the subsequent ramp-up of the gas volumes sales, resulting in a significant improvement in the company’s liquidity and debt coverage metrics may lead to an upgrade.

**Negative factors** – A lower-than-expected growth in gas production, weakening the company’s debt servicing capabilities, and/or higher-than-expected debt-funded capex moderating the leverage and coverage metrics may warrant a downgrade. Further, any non-compliance with the TRA mechanism could be a negative for the rating.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Oil Exploration &amp; Production</a>
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. It is a wholly-owned subsidiary of Essar Exploration & Production Limited, Mauritius (EEPL), which is the holding company of the exploration and production (E&P) assets owned by Essar Global Fund Limited, a global fund with ~ \$8 billion of 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.

EOGEPL holds two E&P blocks in India viz. Raniganj and Mehsana. The company is a leading producer of CBM from its block in Raniganj, West Bengal. At present, 99% of EOGEPL’s revenue is being generated by the Raniganj CBM Block.

### Key financial indicators (audited)

	FY2023	FY2024	9MFY2025*
Operating income	891.6	851.7	670.3
PAT	335.2	315.2	315.6
OPBDIT/OI	71.4%	69.5%	74.3%
PAT/OI	37.6%	37.0%	47.1%
Total outside liabilities/Tangible net worth (times)	0.71	0.61	0.52
Total debt/OPBDIT (times)	2.36	2.22	1.74
Interest coverage (times)	3.84	4.22	4.93

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, \*Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 9, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long term	-	[ICRA]A- (Stable)	Sep 17, 2024	[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- (Stable)	Sep 17, 2024	[ICRA]A-; placed on rating watch with developing implication	-	-	-	-
				Jul 24, 2024	[ICRA]A- (Stable)	-	-	-	-
Commercial paper	Short term	50.00	[ICRA]A2+	Sep 17, 2024	[ICRA]A2+; placed on rating watch with developing implication	-	-	-	-
				Jul 24, 2024	[ICRA]A2+	-	-	-	-

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 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, 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	<b>Issuer rating</b>	-	-	-	-	[ICRA]A- (Stable)
NA	<b>Fund-based – term loan</b>	-*	-	31-Mar-2029	1,222.00	[ICRA]A- (Stable)
Unplaced	<b>Commercial paper</b>	-	-	-	50.00	[ICRA]A2+

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**

## ANALYST CONTACTS

**Girishkumar Kadam**  
+91 22 6114 3441  
[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Prashant Vasisht**  
+91 124 4545 322  
[Prashant.vasisht@icraindia.com](mailto:Prashant.vasisht@icraindia.com)

**Varun Gogia**  
+91 98711 56542  
[varun.gogia1@icraindia.com](mailto:varun.gogia1@icraindia.com)

**Abhijit Nadkarni**  
+91 7045309908  
[abhijit.nadkarni@icraindia.com](mailto:abhijit.nadkarni@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



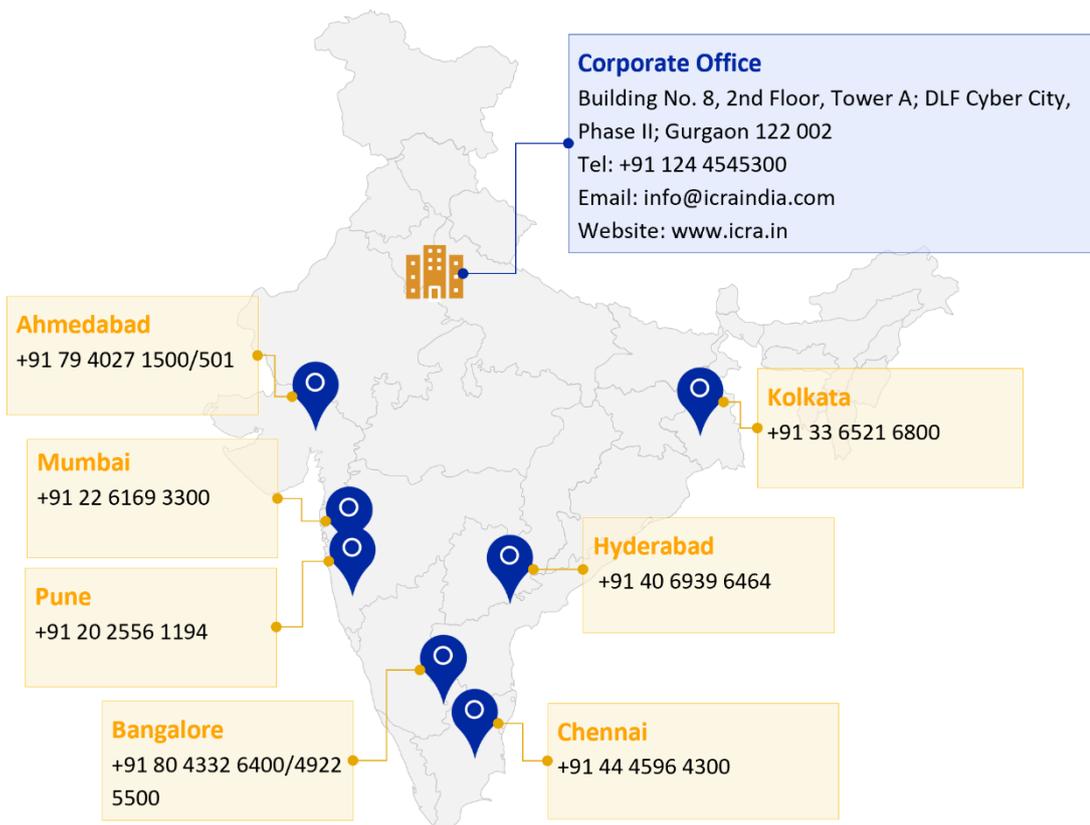
### Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.