February 12, 2026

Essar Oil and Gas Exploration and Production Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based – Term loan	1222.00	1222.00	[ICRA]A- (Stable); reaffirmed
Commercial paper	50.00	50.00	[ICRA]A2+; reaffirmed
Total	**1272.0**	**1272.0**	

**Instrument details are provided in Annexure I*

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 and Production Limited (EOGEPL/ the company). The reaffirmation of the ratings continues to factor 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 competitive pricing for a period of 15 years (starting FY2018) till August 2033, along with pipeline connectivity to the national grid through the Urja Ganga pipeline, which mitigates evacuation risks. Post connectivity, the company's average gas production improved to 0.93 mmscmd (Million Metric Standard Cubic Meters per Day) in FY2025 from 0.86 mmscmd in FY2024 and stood at 0.95 mmscmd in H1 FY2026. The company's gas production will remain largely stagnant at 0.93 mmscmd in FY2026 as several wells are undergoing workover operations in H2 FY2026 and no major capex has been incurred during FY2026.

The company posted a revenue of Rs. 398.3 crore and OPBDITA of Rs. 256.5 crore in H1 FY2026 against a revenue of Rs. 878.4 crore and OPBDITA of Rs. 601.0 crore in FY2025. The revenue and profits moderated in H1 FY2026 as softening of crude oil prices during the period kept the realisations muted. The crude oil prices have remained volatile, hovering between $60/barrel (bbl) and $70/bbl in the recent past and any significant reduction will impact the credit metrics negatively.

ICRA notes that the company is in the final stages of raising Rs. 850 crore in fresh term loans to finance its upcoming capex programme for the remaining wells to be drilled as part of its 200-well programme, make payments toward spending royalty dues and also clear the outstanding dues to capital creditors. As on September 30, 2025, the total dues towards capital creditors and royalty payments stood at Rs. 224.48 crore, of which capex creditor portion will be settled through the proposed term loan and the balance funded from internal accruals. The company has been clearing the pending royalty dues for the past periods and expects to clear all royalty related dues and establish a normal royalty payment cycle by June 2026.

The management estimates that natural gas production from the Raniganj block is expected to rise to ~1.5 mmscmd over the next 12-15 months. The expected ramp-up in production and the sale of natural gas will lead to a significant improvement in the debt servicing metrics, going forward. ICRA will continue to monitor the ramp-up in natural gas production. The natural gas realisations have also gone down with the decline in brent crude oil prices, moderating the cash generation in FY2026 vis-à-vis earlier expectations. With the lower cash generation, EOGEPL's capex programme remained suspended in FY2026 which has impacted the expected growth in gas production. Going forward, any further material moderation in gas realisations will remain a key monitorable. The incremental debt being availed by the company is being governed by the existing trust and retention account (TRA) mechanism along with a mandatory sweep to the extent of 50% of the excess cash generated by the company, if exercised by the lenders.

The ratings are supported by a stable outlook for gas consumption in India, backed by rising demand from sectors such as city gas distribution, fertilisers, power and refining, coupled with high import dependence, which mitigates the demand risk for EOGEPL's output. At present, the company's gas remains competitively priced vis-à-vis imported regasified liquefied natural gas (R-LNG), easing the offtake risk.

The ratings also draw comfort from the successful implementation of a resolution plan by the lenders, creation of a debt service reserve account (DSRA) for one quarter's repayment obligations, and the presence of a TRA mechanism that prioritises debt servicing over capex. As on November 30, 2025, the company had a cash balance of Rs. 149.5 crore, including Rs. 91.6 crore earmarked for DSRA, Rs. 40 crore of fixed deposits being built for the debt repayment for Q3 FY2026 and Rs. 4.4 crore of cash balances in the TRA account. ICRA expects net cash accruals in the range of Rs. 450 crore to Rs. 500 crore in FY2026, against debt repayments of Rs. 260-300 crore. In FY2027, at current crude oil price levels, ICRA expects net cash accruals in the range of Rs. 650-700 crore against a debt repayment of Rs. 431 crore. The capex funding requirements, the near-term capex creditor and pending royalty payments will be met through the fresh loans being availed and internal accruals.

However, the ratings remain constrained by the company's exposure to the volatility in crude oil prices, which drives gas realisations under its Brent-linked formula, and to geological, technological and execution risks inherent in exploration and production (E&P) activities. The cash flows will also remain susceptible to uncertain gas production volumes from the E&P blocks. EOGEPL is targeting 94 vertically deviated wells by FY2027-end with an estimated outlay of Rs. 578 crore and another Rs. 102 crore to be spent on the workover of the existing wells. The capex plan exposes 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 a robust cash generation and keeping the credit profile stable.

Key rating drivers and their description

Credit strengths

Long-term gas supply agreement (GSPA) with GAIL; pipeline connectivity in place – EOGEPL 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 imported long-term or spot LNG, thereby reducing the offtake risk. Under the GSPA, the gas price has a floor of $5.215/mmbtu (Million British Thermal Units) 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, EOGEPL 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 EOGEPL's supply facility, while the CNG sales are through cascades. EOGEPL's gas field 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 the 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 EOGEPL ramp up its average production to 0.93 mmscmd in FY2025 from 0.54 mmscmd in FY2021. Further, the company has resumed its 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 a healthy growth with the commissioning of incremental wells. The company plans to undertake drilling of the remaining 94 wells (part of the 200 wells campaign) to improve the production from the fields. The moderation in gas realisation had prompted the company to scale down its capex in the near term. However, with the raising of the fresh debt, the gas production is expected to ramp up as the capex plan is executed.

Trust & retention account mechanism in place to provide first preference to debt servicing - The presence of the TRA mechanism, after the debt restructuring in CY2022 by the existing lenders, ensures accruals are available to meet the debt obligations and the capex on time. The new debt being availed by the company will also be governed by the TRA mechanism. The successful operations of the TRA without any cash upstreaming to group companies would remain a key monitorable.

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 EOGEPL 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 vis-à-vis the earlier estimates, considering the moderation in crude oil prices in FY2026. 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. With the company raising fresh debt to restart its capex and evaluating the option of undertaking horizontal drilling apart from the traditional vertical/vertically deviated wells, the uptick in the volumes and the associated cash flow will remain a key monitorable, going forward.

Liquidity position: Adequate

EOGEPL's liquidity is likely to remain adequate, supported by expectation of net cash accruals in the range of Rs. 375-400 crore for FY2026 which should enable the company to meet the debt repayments during the year comfortably. The additional term debt of Rs. 850.0 crore being availed by the company will enable it to meet the liabilities towards the remaining capex creditors and fund the upcoming capex plans comfortably.

Rating sensitivities

Positive factors – A timely execution of the ongoing capex within the envisaged capital outlay and timeline and the subsequent ramp-up in gas volumes and 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 large a 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	[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. 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)

	FY2024	FY2025	H1 FY2026*
Operating income	851.7	878.4	398.3
PAT	315.2	245.2	137.8
OPBDIT/OI	69.5%	68.4%	64.4%
PAT/OI	37.0%	27.9%	34.6%
Total outside liabilities/Tangible net worth (times)	0.61	0.56	0.43
Total debt/OPBDIT (times)	2.22	1.83	1.92
Interest coverage (times)	4.22	4.11	3.86

*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

<table>
<tr><th colspan="6">Current (FY2026)</th><th colspan="6">Chronology of rating history for the past 3 years</th></tr>
<tr><th colspan="6"></th><th colspan="2">FY2025</th><th colspan="2">FY2024</th><th colspan="2">FY2023</th></tr>
<tr><th>Instrument</th><th>Type</th><th>Amount rated (Rs. crore)</th><th>Feb 12, 2026</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th></tr>
<tr><td rowspan="2">Issuer rating</td><td rowspan="2">Long term</td><td rowspan="2">-</td><td rowspan="2">-</td><td>Oct 14, 2025</td><td>[ICRA]A- (Stable); withdrawn</td><td>Sep 17, 2024</td><td>[ICRA]A-; rating watch with developing implication</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>May 09, 2025</td><td>[ICRA]A- (Stable)</td><td>Jul 24, 2024
Jul 08, 2024</td><td>[ICRA]A- (Stable)</td></tr>
<tr><td rowspan="2">Term loan</td><td rowspan="2">Long term</td><td rowspan="2">1222.00</td><td rowspan="2">[ICRA]A- (Stable)</td><td>Oct 14, 2025</td><td rowspan="2">[ICRA]A- (Stable)</td><td>Sep 17, 2024</td><td>[ICRA]A-; rating watch with developing implication</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>May 09, 2025</td><td>Jul 24, 2024</td><td>[ICRA]A- (Stable)</td></tr>
<tr><td rowspan="2">Commercial paper</td><td rowspan="2">Short term</td><td rowspan="2">50.00</td><td rowspan="2">[ICRA]A2+</td><td>Oct 14, 2025</td><td rowspan="2">[ICRA]A2+</td><td>Sep 17, 2024</td><td>[ICRA]A2+; rating watch with developing implication</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>May 09, 2025</td><td>Jul 24, 2024</td><td>[ICRA]A2+</td></tr>
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Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund based – Term loan	Simple
Commercial paper	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 No	Instrument name	Date of issuance/Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	**Fund based – term loan**	-*	-	Mar-31-2029	1,222.00	[ICRA]A- (Stable)
Unplaced	**Commercial paper**	-	-	-	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

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