

June 29, 2026

Vedanta Oil and Gas Limited: [ICRA]AA+ (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term-Fund-based-Term loan	1,400.00	[ICRA]AA+ (Stable); assigned
Total	1,400.00	

*Instrument details are provided in Annexure II

Rationale

The assigned long-term rating factors in Vedanta Oil & Gas Limited's (VOGL) established position in the domestic upstream exploration and production (E&P) sector, supported by its access to a sizeable resource base (~2.9 billion barrels of oil equivalent (boe)) and proven reserves and resources of ~1.3 billion boe. The portfolio is anchored by the Rajasthan (RJ-ON-90/1) block, which remains the key contributor to production and cash flows, supplemented by other producing assets such as Ravva and Cambay. The company's established production profile (87,200 barrels of oil equivalent per day (boepd) in FY2026) and sizeable scale of operations support healthy revenue visibility.

The rating also factors in VOGL's competitive cost structure, characterised by low operating cost (~US\$15-16/boe) and relatively competitive finding and development (F&D) costs, supporting healthy operating margins (40–45%) and resilience to crude oil price volatility. The company's integrated infrastructure and established technical capabilities aid operational efficiency and production stability. Further, VOGL derives financial flexibility from its status as being part of the Vedanta Group. The credit profile also factors in the potential upside from ongoing development activities, including enhanced oil recovery initiatives in the Rajasthan block and ramp-up across other assets, which are expected to support reserve accretion and medium-term growth in production and cash flows.

The ratings, however, remain constrained by the inherent geological, technological, and regulatory risks associated with exploration and production (E&P) activities. The high asset concentration, with a significant dependence on the Rajasthan block for production and cash flows, further accentuates the risk profile. Further, the block is currently governed by a production sharing contract (PSC) valid until May 2030, and any delay or unfavourable outcome in the extension process could impact long-term production visibility and cash flow stability from the asset. ICRA also notes that the production levels from the existing blocks are on a steady decline and the same moderated to 87,200 boepd in FY2026 from 1,03,200 boepd in FY2025 owing to a natural decline in the mature oil fields. Any sustained decline in crude oil prices arising from a slowdown in global demand will also remain monitorable.

ICRA also notes that the primary term of the contract for the CB/OS –2 block had expired in June 2023. VOGL along with the other joint venture partners has applied for extension by 10 years, having complied with the prerequisites and condition as per the applicable government policy for extension. While the outcome remains awaited, timely receipt of the extension and the associated terms will remain key monitorables from a credit perspective.

The rating is also supported by the Group's diversified metals portfolio spanning zinc, silver, lead, aluminium, copper and nickel. The Group also has a healthy presence in oil and gas, ferrous metals including iron ore, and independent power producer (IPP) projects. The large scale of operations with a healthy market share in the domestic aluminium and zinc businesses and the cost-efficient operations in the domestic zinc and oil and gas segments strengthen the Group's operating profile.

Post demerger, ICRA expects the relatively stronger cash-generating entities within the Vedanta Group to support the Group's dividend requirements, with the flexibility to fund the same from other group entities as well. ICRA also expects the Group to support the relatively weaker entities within the Vedanta Group, if required. However, VRL's cash flow requirement has come down significantly owing to a reduction in its leverage as well as elongation of the maturity schedule, leading to significant reduction in its debt servicing obligations in the next two years.

The Vedanta Group's ¹ credit profile is also expected to strengthen in FY2027, building on the considerable improvement witnessed in FY2026. This has been supported by a sharp increase in base metal prices, thus supporting the financial risk profile of the Group, which reported an OPBDITA of \$6.7 billion in FY2026. Even after considering the proportionate consolidation of HZL, the OPBDITA still remained healthy at \$5.7 billion in FY2026 compared to \$3.8 billion in FY2025. Accordingly, the Group's adjusted net leverage (post the proportionate consolidation of HZL) improved to 2.3 times in FY2026 and is expected to further moderate to less than 2.0 times, going forward.

The Group's financial flexibility has also strengthened drastically, resulting in a sharp improvement in the average interest cost by ~200 bps in FY2026. The recent debt sanctions at sub-8% interest rate further demonstrate an improvement in the Group's financial flexibility. Going forward, a timely closure of any refinancing requirement either at VRL or other entities in the Vedanta Group will remain a key monitorable.

Further, while the Group's total debt position improved in FY2026, the overall net debt remains elevated at ~\$12.4 bn. While the refinancing risk at VRL has come down significantly in the last few years supported by the elongation of the debt maturity profile, any stress at VRL's level could impact the financial flexibility of the Vedanta Group and would remain a key monitorable.

ICRA has also taken note of recent disclosures by Vedanta Limited (rated [ICRA]AA+ (Stable)/[ICRA]A1+) and Hindustan Zinc Limited (rated [ICRA]A1+) regarding search operations conducted by the Enforcement Directorate (ED) at certain offices of the Vedanta group in connection with alleged contraventions under the Foreign Exchange Management Act (FEMA). ICRA understands that the group has furnished the requisite information to the ED and no material impact on the credit profile has been observed at present. Nevertheless, any adverse developments that could affect the operational or financial risk profile of the company or the group will remain a rating monitorable.

The Stable outlook on the long-term rating reflects ICRA's expectation of stable operating performance, supported by the company's established production base and cost-efficient operations, which are likely to sustain healthy profitability and cash accruals despite inherent production decline in mature fields. The Group's credit profile will be supported by the healthy cash flow generation from diversified businesses, strong financial flexibility and execution capabilities. In addition, Group's commitment to undertake any large debt-funded capex in a calibrated manner while maintaining its debt metrics at prudent levels also support the Stable outlook.

Key rating drivers and their description

Credit strengths

Strong resource base leading to potential for reserve accretion and production growth - VOGL benefits from a sizeable resource base of ~1,320 million metrics of barrel oil equivalent (mmboe), with a dominant contribution from the Rajasthan (RJ-ON-90/1) block (~82% of total reserves and resources), which remains the core cash-generating asset. The RJ block has a well-diversified field mix, including Mangala, Satellite, Mangala BH tight oil, Bhagyam and Aishwarya, along with emerging potential from Raag deep gas, supporting long-term production visibility. Beyond Rajasthan, the company has meaningful resource presence across the East Coast and deepwater portfolio, West Coast, and other assets, along with an emerging

¹ While analysing Vedanta Group, ICRA has consolidated the profiles of entities including VAML, Vedanta Limited (ex- HZL), Vedanta Oil and Gas Limited, Vedanta Power Limited and Vedanta Iron & Steel Limited along with total debt and financial expenses of Vedanta Resources Limited to calculate the leverage and coverage metrics of the Group. In addition, ICRA has considered the proportionate share of expected earnings and leverage of HZL consolidated financials in the overall group profile.

exploration portfolio in the North-East. While the RJ block continues to anchor near-term production, ongoing exploration, redevelopment and enhanced recovery initiatives (including ASP flooding, infill drilling and deep gas exploration) across basins are expected to support reserve accretion and partially offset natural decline in mature fields, thereby underpinning medium- to long-term production growth.

Established production profile and low cost of production providing resilience - VOGL benefits from an established production base led by the Rajasthan block, supplemented by Ravva and Cambay assets. Its sizeable scale of operations (production of ~87,200 boepd in FY2026) support healthy revenue visibility, going forward. Its low operating cost (US\$15-16/boe) and competitive F&D costs support strong operating margins (40–45%), providing resilience to profitability and cash flows despite commodity price volatility.

Strong financial position - VOGL's financial risk profile is supported by a robust capital structure and low net leverage, underpinned by moderate external debt of Rs. 5,846 crore and healthy cash and liquid investments of Rs. 5,315 crore as on March 31, 2026. The company's gearing remained comfortable at 0.2x as on March 31, 2026. With expectation of healthy cash flow from operations in the medium term, calibrated capex plans, the company's reliance on debt is expected to decrease further, supported by ongoing scheduled repayments. Its capitalisation and coverage metrics are likely to remain healthy as corroborated by an expected interest cover and net debt/OPBITDA of ~4.7x and ~0.2x respectively in FY2026.

Status as being part of the Vedanta Group - The rating also considers the company's status as being a part of the Vedanta Group, having a diversified metals portfolio spanning zinc, silver, lead, aluminium, copper and nickel. The Group also has a healthy presence in oil and gas, ferrous metals including iron ore, and power IPP projects. The large scale of operations with a healthy market share in the domestic aluminium and zinc businesses and the cost-efficient operations of the domestic zinc and oil and gas segments strengthen the Group's operating profile.

Credit challenges

Exposure to geological, technology and regulatory risks that are inherent in E&P activities, in addition to commodity risks - As an upstream company, VOGL is exposed to geological, technological and execution risks inherent in E&P activities, especially considering the different geographies and geologies that the VOGL is exposed to. VOGL remains exposed to commodity price risk as a bulk of the revenues at a standalone level is derived from the sale of crude oil.

High asset concentration with high dependence on the Rajasthan block for the cash flows and production - VOGL's business profile remains exposed to high asset concentration risks, with the Rajasthan (RJ-ON-90/1) block accounting for a dominant share of production and cash flows. Further, the block is currently governed by a production sharing contract (PSC) valid until May 2030, any delay or unfavourable outcome in the extension process could impact long-term production visibility and cash flow stability from the asset. ICRA also notes that the production levels from the existing blocks are on a steady decline and the same moderated to 87,200 boepd in FY2026 from 1,03,200 boepd in FY2025 owing to a natural decline in the mature oil fields.

High leverage of the overall Group, including VRL; sizeable planned capital expenditure, though at nascent stage could increase leverage - Despite the improvement in profitability in FY2026, the Vedanta Group's overall leverage remains elevated, with the adjusted net debt high at ~\$12.5 billion at the end of FY2026. VRL's total debt position stood at ~\$5.2 billion in FY2026 vis-à-vis ~\$5.7 billion at the end of FY2024. While the refinancing risk at VRL has come down significantly in the last few years, any stress at VRL's level impacting the financial flexibility of the Vedanta Group would remain a key monitorable.

Environment and social risks

Environmental considerations – VOGL is exposed to the risks of tightening regulations on environment and safety. It also remains exposed to the longer-term risk of the ongoing shift towards a future that is less dependent on fossil fuels. But this is a risk that will play out only over the distant future as India remains heavily dependent on oil and gas imports.

Social considerations – The worldwide societal trend towards a shift to less carbon-intensive sources of energy could structurally reduce the demand for oil and refined products and weigh on the prices. However, for emerging markets like India, such a change in consumer behaviour or any other driver of change is expected to be relatively slow paced. Therefore, while VOGL remains exposed to the aforementioned social risk, it does not materially affect its credit profile as of now.

Liquidity position: Adequate

VOGL’s liquidity is expected to remain adequate, supported by its healthy anticipated cash flow from operations and its cash and liquid investments aggregating to ~Rs. 4,669 crore as on May 31, 2026. Against this, the company has a scheduled repayment of ~Rs. 3,053 crore in FY2027 on its existing debt. The company is expected to incur a growth and maintenance capex of ~Rs. 4,000 crore, on an annual basis, over the medium term.

Rating sensitivities

Positive Factors- The ratings could be upgraded if VOGL demonstrates a material increase in the scale of reserves leading to higher production, along with a consistent improvement in reserve metrics such as reserve replacement ratio (RRR) and reserve life index (RLI), and healthy growth in earnings and cash flows on a sustained basis, resulting in a sustained improvement in its leverage and coverage metrics. Also, the rating would remain sensitive to the credit profile of the overall Vedanta Group.

Negative factors- The ratings could be downgraded if there is a sustained decline in crude oil prices, production volumes and profitability, resulting in lower-than-anticipated cash accruals, or if a high debt-funded capex leads to a deterioration in the debt coverage metrics on sustained basis. Further any significant weakening in the credit profile of the Vedanta group, with net leverage increasing to over 2.5 times on a sustained basis could also be a trigger for ratings downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Oil Exploration & Production
Parent/Group support	Parent Group: Vedanta Group; ICRA expects the Vedanta Group to be willing to extend need-based financial support to VOGL. The Group has a track record of extending timely financial support to its group entities, whenever a need has arisen.
Consolidation/Standalone	The ratings are based on the consolidated financial profile of VOGL

About the company

VOGL (erstwhile Malco Energy Limited) is a pure-play upstream oil and gas company, formed pursuant to the demerger of Vedanta Limited. Post demerger, VOGL houses the Group’s entire E&P portfolio, encompassing crude oil and natural gas assets across multiple onshore, offshore and deepwater basins in India. The company has a diversified asset base spanning 44 blocks across 13 sedimentary basins, with a resource potential of ~2.9 billion boe and proven reserves and resources of ~1.3 billion boe.

Key financial indicators (audited)

In view of the demerger becoming effective on May 01, 2026, the audited financials (and key financial indicators) are not available for the entity.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2027)			Chronology of rating history for the past 3 years						
			FY2026		FY2025		FY2024		
Instrument	Type	Amount rated (Rs. crore)	June 29, 2026	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	1,400.00	[ICRA]AA+ (Stable)	-	-	-	-	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA-rated Instruments that fall under the regulatory purview of various Financial Sector Regulators (FSR) are as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA that fall under the regulatory purview of various Financial Sector Regulators (FSR) are as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI

3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term - Fund-based-Term loan	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	NA	NA	FY2034	1,400.00	[ICRA]AA+ (Stable)

Source: Company

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

Annexure III: List of entities considered for consolidated analysis:

Company name	Ownership	Cosnolidation approach
Cairn India Holdings Limited	100%	Full consolidation
Cairn energy Hydrocarbons limited	100%	Full consolidation

Source: Company

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