

## DNP Limited

October 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	250.00	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation in the rating assigned to bank facilities of DNP Limited (DNPL) continues to derive strength from its strong and experienced promoter entities with operational synergies, strategic importance of the pipeline in terms of gas transportation for Numaligarh Refinery Limited (NRL), being the sole pipeline connecting Oil India Limited (OIL) gas field to refinery plant of NRL and long-term gas transportation agreement with take or pay arrangement for 80% of the minimum contracted quantity. This arrangement imparts strong cashflow visibility to DNPL and insulates it from revenue volatility.

DNPL has constructed a pipeline with length of ~192 kilometres (KMs) with a capacity of 300 million metric standard cubic metre (MMSCM) per annum.

The rating also factors in satisfactory financial performance in FY25, comfortable capital structure, and satisfactory debt protection metrics.

These rating strengths are partially offset by high capital-intensive business, project risk pertaining to replacement of first 55 kms pipeline, geographical concentration risk, and risk of timely revision of transportation cost (TC).

CARE Ratings Limited (CareEdge Ratings) notes completion of residential township project for accommodation of DNPL's employees in H1FY26, receipt of letter of comfort dated January 09, 2025, issued by NRL relating to renewal of gas transportation agreement with DNPL beyond 2026. CareEdge Ratings also notes equity infusion of ₹40 crore from promoters for the replacement capex.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant improvement in the scale of operation from the current level while maintaining profitability margins around current level on a sustained basis.

#### Negative factors

- The company's inability to renew gas transportation agreement in a timely manner resulting moderation in financial risk profile.
- Sizeable cost or time overruns in the estimated project cost or unplanned debt-funded capex leading to moderation in capital structure on a sustained basis.
- Delay in revision of rates leading to stretched liquidity profile of the company.

**Analytical approach:** Standalone with factoring group linkages.

#### Outlook: Stable

The outlook is likely to remain 'Stable', considering assured cash flow visibility due to presence of long-term gas transportation agreement among OIL, NRL, and the company.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Detailed description of key rating drivers:****Key strengths****Strong parentage with operational synergies**

DNPL was incorporated by Assam Gas Company Limited (AGCL), NRL, and OIL (rated 'CARE AAA; Stable/ CARE A1+'). AGCL has right of way (ROW) to lay the pipeline from competent authorities while OIL (supplier) has gas to supply NRL (buyer). Thus, these three entities came together to form a joint venture (JV) called DNPL in which AGCL, NRL, and OIL hold 51%, 26%, and 23% of shareholdings, respectively. In DNPL's board of directors', there is one director from AGCL, NRL, and OIL each and two nominee directors of Government of Assam.

**Strategic importance of the pipeline in terms of gas transportation for NRL**

DNPL has constructed a pipeline with length of ~192 kilometres (KMs) having designed capacity of 1.2 million standard cubic metre per day (MMSCMD) at 44 kg/cm<sup>2</sup> pressure level. This pipeline meets ~100% of NRL's natural gas requirement. Thus, this pipeline infrastructure is critical for NRL's operation, which consumes natural gas captively for use in different units and gas turbine. CareEdge Ratings notes that there is no other approved pipeline by Petroleum and Natural Gas Regulatory Board (PNGRB) in the vicinity, which makes DNPL critically important for NRL, as NRL fully depends on DNPL for its natural gas requirements.

**Long-term gas transportation agreement despite risk of timely renewal; take or pay arrangement for 80% of minimum contracted quantity**

AGCL has an agreement with OIL and NRL, where a JV (DNPL) would be formed to transport gas from gas field (well number 50) owned by OIL to NRL's refinery. The agreement is for 15 years (starting from March 28, 2011) for transportation of 300 million standard cubic metre (MMSCM) gas per annum from OIL's gas field to Numaligarh Refinery. Although renewal of the agreement is due in March 2026, NRL has issued a letter of comfort dated January 09, 2025 where it has reiterated that NRL intends to renew the gas transportation agreement with DNPL beyond 2026 and requirement for transportation of additional 1.5 MMSCMD in addition to the current agreement for transportation agreement. The renewal will be undertaken either in the current form or with necessary amendments, based on mutual agreement, to meet future operational and commercial requirements. As articulated by the management, agreement is expected to get renewed before the expiry of the term (March 27, 2026). Thus, timely renewal of the agreement will remain as a key rating sensitivity.

**Satisfactory financial performance in FY25**

DNPL's financial performance has remained satisfactory with total operating income (TOI) improving from ₹86.46 crore in FY24 to ₹99.71 crore in FY25, considering higher volume of gas transported (~15.6%) amid steady realisation. Operating margins improved from 52.39% in FY24 to 54.89% due to increased volume despite increase in fuel cost (average gas price increased from ₹20.75 per SCM in FY24 to ₹23.50 in FY25). The company reported gross cash accruals (GCA) of ~₹47 crore in FY25 (PY: ~₹41 crore) against debt repayment obligations of ₹8.05 crore in FY25. In Q1FY26, DNPL has reported a TOI of ₹28.52 crore.

**Comfortable capital structure and debt protection coverage**

The company's capital structure remained comfortable despite debt funded capex, marked by overall gearing ratio of 0.35x as on March 31, 2025 (compared to 0.16x as on March 31, 2024), owing to healthy net worth base.

Total outside liabilities to net worth ratio was low at 0.44x as on March 31, 2025, against 0.23x as on March 31, 2024. Debt coverage indicators were strong marked by interest coverage ratio of 75.02x in FY25 (PY: 30.76x) and total debt to GCA (TD/GCA) ratio of 3.30x in FY25 (PY: 1.48x). Going ahead, debt coverage indicators are expected to improve from FY27 onwards with increase in transportation capacity post completion of replacement of 55 km pipeline.

**Key weaknesses****Project risk**

The company has one ongoing project for replacement of 55 km of pipeline at an estimated cost of ₹224.13 crore and the same will be funded through ₹160 crore of term debt and 64.13 crore through equity/internal accruals. The project is scheduled to be completed by March 31, 2026. Financial closure for the same has been achieved, having 11.25 years tenure ending in March 2036, including moratorium period 1.50 years. Post completion of this project, the management has articulated that they would be able to utilise three compressors instead of two currently being utilised (out of a total of five compressors; two being kept on standby) leading to increase in transportation capacity up to 480 million metric standard cubic metre (MMSCM) per annum.

Till July 2025, DNPL has incurred ₹151.94 crore, funded through debt of ₹107.56 crore, equity of ₹40.00 crore and ₹4.38 crore through internal accrual of the company. The management has articulated that the project's cost is pass through in the form of revision in TC rate.

Although the above capex would lead to moderation in overall gearing, the same will continue to remain satisfactory.

Apart from the above, DNPL has completed its construction of residential township for accommodation of its employees in H1FY26 at a project cost of ₹140 crore funded through debt of ₹75 crore and balance ₹65 crore through internal accrual of the company. As articulated by the management, a portion of the cost incurred will be passed through in TC rate. However, discussion on the same with NRL is going on.

### **Working capital intensive operation**

There is mechanism of metre reading and raising invoice. Metre reading is being done by both parties within seven days after month end and invoice should be raised within 10 days after month end. Thereafter payment shall be made within 30 days from invoice date. Thus, at given month end, outstanding debtors will be for two months. The company maintains sufficient stores and spares for repair and maintenance given the criticality of operation which further increase the working capital intensity. Working capital requirements are mainly funded through creditors and internal accruals.

The company's operating cycle stood at 138 days as on March 31, 2025 (177 days as on March 31, 2024). Given the operation, DNPL's working capital cycle is expected to remain range bound at around current level, going forward.

### **Geographical concentration risk**

DNPL is exposed to significant geographical concentration risk due to its limited operational footprint, with most revenue derived from Assam and from single pipeline infrastructure. This concentration renders the company susceptible to region-specific uncertainties, including economic, demographic, and other changes, which could adversely affect its business prospects, financial condition, and operational results.

### **Risk of timely revision in TC rate**

Per the gas transportation agreement, tariff escalation of 3% per annum (p.a.) was agreed and accordingly tariff was revised till FY17. According to the apex level meeting between DNPL and NRL dated April 09, 2012, TC can be revised once pipeline throughput level reaches 82% and commitment level of 90% is achieved. NRL requested DNPL to revise the tariff in FY18 (₹2.98 per scm) as pipeline throughput was 90%. NRL stopped tariff escalation of 3% p.a. in FY19 when pipeline throughput crossed 90%. However, DNPL continued to charge TC with annual escalation of 3% p.a. This led to build up of debtors of ₹26.38 crore between FY19 and FY22. DNPL simultaneously wrote off the debtors. On April 27, 2022, DNPL and NRL reached consensus for 12% IRR post tax for tariff revision based on WDV as on March 31, 2021, annual transport quantity (average of last five years) and annual opex. The tariff was revised on April 01, 2021 to ₹2.99 per scm for three years. The next revision was due on April 01, 2024, based on FY24 audited results and the same has not yet happened. As articulated by the management, TC rate revision will be done and renewal of agreement in current financial year and would have retrospective effect from April 01, 2024.

Timely revision in TC rate will remain as a key rating sensitivity.

### **Liquidity: Adequate**

The company's liquidity position is adequate backed by assured cashflows governed by the gas transportation agreement with NRL and DNPL, which ensures timely servicing of debt obligations. The company has sufficient cushion in GCA (₹47.35 crore) against debt repayment obligations of ₹8.05 crore in FY25; supported by comfortable current ratio and cash and cash equivalents of ~₹65 crore (including margin money of ₹16.96 crore) as on March 31, 2025. DNPL has debt repayment obligation of ₹9.30 crore in FY26, which is expected to be met out of cash accruals of the company. The company has utilised 100% FD backed OD with outstanding balance being ₹13.47 crore as on March 31, 2025. Apart from that, the company has sanctioned limit of ₹20 crore of working capital limits, which remain fully unutilised.

**Environment, social, and governance (ESG) risks:** Not applicable

### **Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

[Factoring Linkages Parent Sub JV Group](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, gas and consumable fuels	Gas	Gas transmission/marketing

DNPL was incorporated in 2007 by AGCL, NRL, and OIL (rated 'CARE AAA; Stable/ CARE A1+'). AGCL has right of way (ROW) to lay the pipeline from competent authorities, while OIL (supplier) has gas to supply to NRL (buyer). Thus, these three entities came together to form a JV called DNPL in which AGCL, NRL, and OIL hold 51%, 26%, and 23% of shareholdings, respectively. In DNPL's board of directors, there is one director from AGCL, NRL, and OIL each and two nominee's directors of Government of Assam. The pipeline has total length of ~192 kilometres (KMs) with designed capacity of 1.2 million standard cubic metre per day (MMSCMD) at 44 kg/cm<sup>2</sup> pressure level, which meets ~100% of natural gas requirement of NRL and thus, this pipeline infrastructure is critical for NRL's operation.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)	Q1FY26 (UA)
Total operating income	86.46	99.73	28.52
PBILDT	45.29	54.74	NA
PAT	23.09	29.11	NA
Overall gearing (times)	0.16	0.35	NA
Interest coverage (times)	30.76	75.02	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2036	235.00	CARE A-; Stable
Fund-based- Working capital facilities	-	-	-	-	15.00	CARE A-; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	235.00	CARE A-; Stable	-	1)CARE A-; Stable (28-Mar-25) 2)CARE A-; Stable (06-Nov-24)	-	-
2	Fund-based-Working capital facilities	LT	15.00	CARE A-; Stable	-	1)CARE A-; Stable (28-Mar-25) 2)CARE A-; Stable (06-Nov-24)	-	-

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-Working capital facilities	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

### Contact us

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