

City Hotel Limited

Ratings

Facilities	Amount (Rs. in Million)	Rating ¹	Rating Action
Issuer Rating	NA	CARE-NP BB(Is) [Double B (Issuer Rating)]	Revised from CARE-NP BB- (Is)
Long-Term Bank Facilities	2,500.06 (Decreased from 3,289.93)	CARE-NP BB [Double B]	Revised from CARE-NP BB-
Short-Term Bank Facilities	80.00	CARE-NP A4 [A Four]	Reaffirmed
Total Facilities	2,580.06 (Decreased from 3,369.93)		

Details of instruments/facilities in Annexure-1

CARE Ratings Nepal Limited (CRNL) has revised the issuer rating assigned to City Hotel Limited (CHL) to 'CARE-NP BB (Is)' from 'CARE-NP BB- (Is)'. Issuers with this rating are considered to offer moderate risk of default regarding timely servicing of financial obligations, in Nepal. CRNL has also revised the rating assigned to the long term bank facilities of CHL to 'CARE-NP BB' from 'CARE-NP BB-' and reaffirmed the rating of 'CARE-NP A4' assigned to its short term bank facilities.

Detailed Rationale & Key Rating Drivers

The revision of ratings assigned to CHL and its bank facilities factors in the improved financial risk profile of the company in H1FY26 (refers to the six-month period ended mid-January 2026) following the successful completion of its right issue in October 2025, partial proceeds of which were utilized for deleveraging the balance sheet in H1FY26. Reduced debt levels are likely to improve its debt servicing burden in FY26 (FY, refers to twelve-month period ending mid-July). The ratings also take into account the expected improvement in the company's operating performance and revenue visibility, supported by strategic operational developments. The rebranding of the property under the Hyatt Centric brand, a globally recognized upscale lifestyle hospitality brand, is expected to enhance the property's market positioning, brand recall, and occupancy levels over the medium term. In addition, the introduction of an on-site casino is likely to augment non-room revenues, improve overall customer footfall, and diversify revenue streams, thereby strengthening the property's earnings potential over the near to medium term. Notwithstanding the above strengths, the ratings remain constrained by the company's relatively higher debt levels vis-à-vis current levels of cash accruals, despite the recent deleveraging efforts. The ratings continue to factor in susceptibility to cyclicalities, intense competition in the hospitality sector and consider the concentration risk owing to revenue generation from a single property.

The ratings, however, continue to derive strength from the experienced and resourceful promoters of the company, whose demonstrated financial flexibility and track record of timely support provide continued comfort to the company's credit profile. The ratings also consider the strategic locational advantage of the hotel and government initiative and support for tourism. Notwithstanding the gen Z protests-led disruption in H1FY26, CHL has shown fairly steady operating traction, reflected in healthy occupancy levels and stable revenue generation. The improved leverage and reduced debt servicing obligations mark a notable improvement during H1FY26 in the company's credit risk profile, which had previously remained constrained by net losses, elevated interest outflows, and high debt levels.

Going forward, the ability of the company to achieve the envisaged occupancy levels and ARR's leading to sustained growth in income with improved profitability leading to improvement in overall debt service coverage indicators will be the key rating sensitivities. Furthermore, timely financial support from promoters will also be key rating sensitivity.

¹Complete definition of the ratings assigned are available at www.careratingsnepal.com and other CARE publications

Detailed Description of the Key Rating Drivers

Key Rating Weaknesses

Modest debt service coverage trend, although likely to improve going forward

CHL's debt coverage indicators have remained weak till H1FY26 amid relatively high debt levels vis-à-vis cash accruals. The company has remained dependent on timely financial support from promoters as a result. However, CHL has made significant strides in improving its financial leverage, which had previously been under strain. A marked improvement in CHL's capital structure was achieved following the rights share issuance, significantly reducing leverage. As of mid-January 2026, the company's overall gearing ratio has improved to 1.07x from a high of 4.37x in mid-July 2025. This reduction in debt enhances CHL's financial stability, improving its ability to service debt and increasing financial flexibility. The company's liquidity position is further strengthened by a cash balance of Rs. 156 Mn and liquid investments of ~Rs. 50 Mn as of January 2026. These liquid assets, combined with the reduction in debt servicing obligations, provide cushion to meet short-term financial requirements. Furthermore, the company's future revenue streams, including rental income are expected to further support debt servicing capacity and overall financial health. The company's ability to improve operational cash flows as envisaged will remain critical from credit perspective.

Susceptibility to cyclical, intense competition and geographic concentration risk in the hospitality sector

The hotel industry of Nepal is fragmented in nature with presence of large number of organized and unorganized players spread across various regions. The number of hotels operating in the city of Kathmandu remains high which results in intense competition that might lead to competitive pricing, also reflective in the relatively subdued, albeit increasing, ARRs despite surge in tourists to pre-covid levels in 2024. Also, occupancy levels and revenue in the hotel industry are susceptible to macroeconomic trends, both in the domestic and global markets. Furthermore, the company's hotel has a single establishment located at Kathmandu, thus exposing operations to geographic concentration risk.

Key Rating Strengths

Experienced directors and resourceful promoters

CHL derives strength from the financial flexibility of its promoter group belonging to the Golyan Group. Golyan Group has diversified business presence in Nepal which includes manufacturing, hydroelectricity projects, international trade & services, banking, insurance, real estate, textile, hospitality, energy etc. CHL is managed under the overall guidance of its board of directors (BOD) who possess wide experience in different business sectors. Mr. Shakti Kumar Golyan, chairman, has wide experience in various business sectors and is the director of Golyan Group of industries. Mr. Akshay Golyan, Managing Director, has almost a decade long experience in manufacturing and real estate sector. He is also the managing director of Reliance Spinning Mills Limited (CARE-NP A-/A2+) and director of Westar Properties Limited.

Steady operating performance

The company has reported steady operating performance over FY24-FY25. Although total operating income (TOI) moderated to Rs. 522 Mn from Rs. 582 Mn in FY24 mainly on account of lower rental income, hotel's operational parameters have been fairly stable. The company maintained a stable occupancy rate of ~ 55-60% over FY24-H1FY26, with a healthy revenue momentum continuing into H1FY26, as reported by the Rs. 245 Mn TOI recorded in the first half of FY26. While operating profitability has been pressured by high interest expenses in the past, the repayment of term loans in FY26 is expected to lead to reduction in interest obligations. This deleveraging is set to result in a steady improvement in net profitability from FY26 onwards, enhancing the company's financial flexibility and mitigating past operational challenges. Further, the strategic rebranding of the property to Hyatt Centric, along with the addition of an on-site casino, is expected to materially strengthen CHL's revenue streams.

Association with reputed hotel brand likely to benefit the company in terms of marketing and hotel operations

CHL has entered into a Hotel Management Agreement (HMA) with Hyatt International- South West Asia, Limited, which is owned by Hyatt Hotels Corporation (HHC). HHC is a leading global hospitality company having a portfolio of 20 premier brands with more than 1,200 properties in over 70 countries across 6 continents as of December 31, 2024. As per the HMA, Hyatt International- South West Asia Limited has been assisting CHL to complete the hotel property according to its international standards along with providing supervision in accordance with Hyatt Operating Standards, technical assistance, professional training, customer reservations etc. These services are likely to provide the company with added benefits of established service, large customer base, marketing assistance and already widespread brand name recognition to drive hotel guest bookings. Also, being associated with a global brand such as Hyatt will likely benefit CHL in terms of increased revenues, global business reputation and brand specific resources.

Government initiative and support for tourism industry

Tourism has long been a cornerstone of Nepal's economy and remains a key priority, as reflected in the FY26 Budget. The budget introduced tax exemptions for hotels and resorts and allocated Rs. 13.28 Bn to the Ministry of Culture, Tourism, and Civil Aviation. Reinforcing this commitment, the government has declared FY23–FY33 as the "Tourism Decade" to position Nepal as a premier global travel destination. Tourist arrivals peaked at 11.97 lakhs in CY19 but sharply declined during the pandemic due to lockdowns. Recovery began in CY23 with the resumption of flights and reopening of economies. Arrivals rebounded to 11.58 lakhs and continued upward trend on y-o-y basis till CY25 end. The hotel industry's performance is closely tied to tourism prospects, which depend on economic conditions, disposable income, foreign tourist arrivals (FTAs), and trends such as business and leisure travel and MICE (meetings, incentives, conferences, exhibitions). However, demand is highly sensitive to location-specific factors and external risks like natural disasters, disease outbreaks, terrorism, and political unrest. The hospitality sector is inherently cyclical. Hotel room demand supply dynamics are influenced by economic cycles, market-specific factors, and timing of new supply additions. While strong demand drivers can boost occupancy and room rates, oversupply from short-term projections often leads to price competition and lower profitability. The events including protests and riots on September 8–9, 2025, followed by a nationwide curfew and airport closures caused tourist arrivals to drop ~18% y-o-y during the month of September 2025. Despite the hiccups, arrival of tourist has increased in by CY2025 end, though merely by 0.95% reaching total of 11.58 lakhs compared to 11.48 lakhs last year.

Applicable Criteria

[Rating Methodology - Hotel Industry](#)

[Rating Methodology - Issuer Rating](#)

About the Company

City Hotel Limited, incorporated on December 05, 2007, is a 5-star hotel property located in Soalteemode, Kathmandu which is operating under the brand name of 'Hyatt Centric' with a total of 153 room keys and belongs to the Golyan Group of companies. The company started its commercial operation from November 2021 onwards.

Financial performance

(Rs. in Million)

Particulars	FY24 (A)	FY25 (A)	H1FY26 (UA)
Income from Operations	582	522	244
PBILDT Margin (%)	35.17	29.00	22.01
Overall Gearing (times)@	4.10	4.37	1.07
Interest coverage (times)	0.63	0.57	0.52
Total Debt/Gross Cash Accruals (times)	Negative	Negative	Negative

A: Audited, UA: Unaudited

@ Overall Gearing (excl. loan from promoters)

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Type of the Facility	Amount (Rs. Million)	Rating
Long Term Bank Facilities	Term Loan	2,500.06	CARE-NP BB
Short Term Bank Facilities	Fund Based Limit	80.00	CARE-NP A4
Total Facilities		2,580.06	

Contact us

Analyst Contact

Ms. Sonu Chouhan

Contact No.: +977-1-4012628/29/30

Email: sonu.chouhan@careratingsnepal.com

Mr. Santosh Pudasaini

Contact No.: + 977 9802312855

Email: pudasaini.santosh@careratingsnepal.com

Relationship Contact

Mr. Ananda Prakash Jha

Contact No.: +977 9818832909

Email: anand.jha@careratingsnepal.com

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