

Press Release

Akama Hotel Private Limited

Rating

Facility/ Instrument	Amount (Rs. In Million)	Rating	Rating Action
Long Term Bank Facilities	1,150.00	CARE-NP BB [Double B] (Credit watch with negative implications)	Ratings placed on credit watch with negative implications
Total Facilities	1,150.00		

Details of Facilities in Annexure 1

CARE Ratings Nepal Limited (CRNL) has placed the ratings assigned to the bank facilities of Akama Hotel Private Limited (AHPL) on ‘credit watch with negative implication’.

Rationale

The rating action is triggered by the closure of the hotel operation due to the spread of Coronavirus disease 2019 (COVID-19) resulting in nationwide lockdown announced by the Government of Nepal (GoN) since March 24, 2020.

COVID-19 has affected Nepal as well, with Nepal reporting its first case on January 24, 2020. Further, GoN imposed travel restrictions and countrywide lockdown since March 24, 2020 closing most of the organizations and slowing down the economic activities. This is also expected to have negative financial and operational implication on all the players in the tourism and hospitality sector like AHPL.

AHPL started its operation with soft opening of its hotel on February 2019. AHPL had many cancellations in its bookings since January 2020 and travel restrictions and lockdown in Nepal as well as other countries in the world is further likely to stress the financial profile of the company in terms of revenue generation, profitability, cash flow and debt servicing capability.

Impact of COVID-19 is expected to be seen in Nepalese economy in coming months. With slowdown in various sectors, tourism and hospitality sectors are prone to be impacted. Though, the Central Bank of Nepal has provided an extension of 3 months for the repayment of loans falling due in mid-April 2020 which could provide some temporary relief. However, the company might have stressed liquidity which could impact the debt servicing capability of the company going forward. With the continuation of lockdown at domestic and global level, the exact impact of the pandemic on the operational and financial performance of the company is not ascertainable.

CRNL shall be continuously monitoring the COVID-19 crisis and its impact on the business, financial risk profile and liquidity position of the company during this period. CRNL may remove the ratings from watch, and would take a final action on the ratings once clarity emerges on these issues.

About the Company

Akama Hotel Private Limited (AHPL) was incorporated in May 2014 and started operations from February 2019 through a 4-star deluxe hotel property at Dhumbarahi, Kathmandu by name of Hotel Akama. AHPL is promoted by individuals and companies who are part of Sanima Group.

Detailed rating rationale of the company is available at www.careratingsnepal.com

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Annexure 1: Details of the Facilities rated

Nature of the Facility	Type of the Facility	Amount (Rs. Million)	Rating
Long Term Bank Facilities	Term Loan	1,150.00	CARE-NP BB (Credit watch with negative implications)
Total		1,150.00	