

Press Release
City Hotel Limited

Rating

Facility	Amount (Rs. In Million)	Rating	Rating Action
Long Term Bank Facilities	2,312.00	CARE-NP BB [Double B] (Credit watch with negative implications)	Ratings placed on credit watch with negative implications
Short Term Bank Facilities	80.30	CARE-NP A4 [A Four] (Credit watch with negative implications)	Ratings placed on credit watch with negative implications
Total Facilities	2,392.30		

Details of Facilities in Annexure 1

CARE Ratings Nepal Limited (CRNL) has placed the ratings of ‘CARE-NP BB’ assigned to the long term bank facilities and ‘CARE-NP A4’ assigned to the short term bank facilities of City Hotel Limited (CHL) on ‘credit watch with negative implications’.

Rationale

The rating action is triggered by temporary suspension of the hotel construction activities 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 CHL. The hotel is in advanced stages of construction and is envisaged to come into operation in July 2020. With the outbreak of COVID-19 pandemic, resulting in travel restrictions and lockdown in Nepal as well as other countries in the world, construction of the hotel property is currently suspended. Also, the company is facing challenges in procuring necessary equipment’s mostly imported, required for completing the hotel construction. In the event of delay in start of normal business activities, it is expected that the commercial operation date of the hotel project might get delayed, which is likely to impact the company’s ability to achieve sales and profitability as envisaged and maintain its debt coverage indicators.

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, NRB has provided an extension of 3 months for the repayment of loans falling due in Mid-April 2020 which provides some relief to the company. With the continuation of lockdown at domestic and global level, the exact impact of the pandemic on the cash

flows 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

City Hotel Limited, incorporated on December 05, 2007, is setting up a 5-star hotel property located in Soalteemode, Kathmandu which will operate under the brand name of ‘Hyatt Place’ with a total of 153 room keys and belongs to the Golyan Group of companies. The company plans to start commercial operation of the hotel from July 2020 onwards. The company is being promoted by 7 shareholders who have infused total paid-up equity of Rs. 780 Mn as on July 16, 2019.

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

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CRNL’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRNL has based its ratings on information obtained from sources believed by it to be accurate and reliable. CRNL does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRNL have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

Annexure 1: Details of the Facilities rated

Nature of the Facility	Type of the Facility	Amount (Rs. In Million)	Rating
Long Term Bank Facilities	Term Loan	2,312.00	CARE-NP BB (Credit watch with negative implications)
Short Term Bank Facilities	Overdraft Loan	80.00	CARE-NP A4 (Credit watch with negative implications)
Short Term Bank Facilities	Bank Guarantee	0.30	CARE-NP A4 (Credit watch with negative implications)
Total		2,392.30	