

## PRESS RELEASE

### **AIR DYNASTY HELI SERVICES PRIVATE LIMITED**

**September 2024**

#### Ratings

Instrument/Facilities	Amount (Mn)	Ratings	Rating Action
Long Term Bank Facilities – USD	2.47	IRN BBB-	Assigned
Short Term Bank Facilities – USD	0.20	IRN A3	Assigned
Short Term Bank Facilities – NPR	27.90	IRN A3	Assigned
Short Term Bank Facilities – EUR	2.70	IRN A3	Assigned
<b>Total USD Loans</b>	<b>2.67</b>		
<b>Total NPR Loans</b>	<b>27.90</b>		
<b>Total Euro Loans</b>	<b>2.70</b>		

*Details of facilities are in Annexure 1 below*

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BBB- (Triple B Minus) to the long-term USD bank facilities of USD 2.47 Mn, and IRN A3 (A Three) to the short-term USD bank facilities of USD 0.20 Mn, short-term NPR bank facilities of NPR 27.90 Mn, and short-term Euro bank facilities of EUR 2.70 Mn.

#### Detailed Rationale

The ratings assigned to the bank facilities of Air Dynasty Heli Services Private Limited (ADH) derive strength from its strong group support of Yeti Group, supported by experienced board members with established track record in tourism and aviation industry. The rating also factors in the healthy growth in Total Operating Income (TOI) at a CAGR of ~21% during FY20 to FY24, adequate margin levels and a strong recovery trajectory following the adverse impacts of COVID-19 pandemic in Nepal's tourism sector. The ratings also take note of the company's moderate capital structure, highlighted by low debt utilization, and strong tangible net-worth. This strength is primarily attributed to the consistent accretion of profits to reserves over the years. The favorable profit margins have also resulted in high interest coverage and debt service coverage ratios (DSCR).

However, these rating strengths are constrained by the concentrated revenue profile of the company in two sectors; Everest Region (~66%), and Annapurna Region (~21%). This concentration exposes ADH to heightened risks from natural calamities that frequently affect these areas, potentially disrupting operations and revenue streams. The ratings also remain constrained by ADH's revenue dependent on the seasonality of tourism industry of Nepal. ADH's revenue in primary trekking seasons accounted for ~84% of total revenue in FY24 (~81% in FY23). Furthermore, the company faced a critical setback in August 2024, when one of its helicopters crashed, reducing the fleet from four to three helicopters. The impact of the loss is expected to influence the company's financial performance in FY25, as the reduction in available aircraft limits its service capacity. Going forward, the company's ability to diversify its revenue profile, improve its operational and safety record, and maintain its profitability margins amidst the volatility in aviation turbine fuel (ATF) prices will remain key sensitivities.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

##### Strong group support and experienced management team

ADH is a part of Yeti World, a large business conglomerate operating in the tourism and aviation industry with over a dozen companies. Mr. Pavitra Kumar Karki, Managing Director, has more than three decades of experience in tourism and aviation sector. Capt. Anil Rawal, Executive Director, has experience of more than 10,000 hours of flying helicopters. Additionally, Mr. Shyam Sunder Kadel,

Marketing Director, also has more than two decades of experience in tourism sector. The board is also supported by qualified and experienced management team.

## Healthy financial profile

ADH, generating its revenue from helicopter charter services ranging from sightseeing, medical evacuations, mountain rescues, and aerial surveys, demonstrated steady growth in TOI at a CAGR of ~21% from FY20 to FY24, despite significant disruptions caused by the COVID-19 pandemic, which severely impacted Nepal's tourism sector. The company experienced a sharp decline in TOI in FY21, with a decrease of around ~80% compared to FY20. However, a strong recovery was observed in FY22, with revenue rising to NPR 324 Mn, reaching NPR 716 Mn in FY24. EBITDA margin remained strong at ~44% in FY23 and further improved to ~48% in FY24, largely driven by lower fuel prices and reduced overhead costs. Additionally, ADH recorded a healthy PAT margin of 20% in FY23, which increased to 24% in FY24, primarily due to reduced financial cost.

## Moderate capital structure and debt coverage indicators

The capital structure of ADH stood moderate with the overall gearing ratio of 0.78x as on mid-July 2024 improving from 1.23x as on mid-July 2023 (FY22: 2.46x), driven by profit accretion to reserves. The company has been consistently earning profits over the past three years, increasing its tangible net-worth (TNW) standing at NPR 536 Mn in FY24, which increased from NPR 361 Mn in FY23. Interest coverage ratio stood comfortable at 19.90x in FY24, improving from 17.52x in FY23 (FY22: 7.80x), attributable to low gearing leading to low interest expenses in comparison to operating profit of the company. Furthermore, DSCR of the company is comfortable at 15.13x in FY24, improving from 13.19x in FY23 (FY22: 6.18x). Total Debt to EBITDA stood low at 1.21x in FY24 slightly improved from 1.35x in FY23. Total Debt to GCA also remained low at 1.70x in FY24 compared to 1.97x in FY23.

## Key Rating Weaknesses

### Concentrated revenue profile

ADH recorded a revenue of NPR 716 Mn in FY24. The revenue generated is mainly from one major destination, i.e. Everest Region, which accounts for ~66% of total revenue. This is followed by Annapurna region route, which accounts for ~21% of total revenue. The remaining revenue consists of Medical Evacuation and other miscellaneous sectors. Being prone to natural calamities such as avalanches in the Everest and Annapurna region, any disturbances in the area would severely impact its revenue profile, given its high dependency on those routes.

### Established track record, however, impacted by recent crash

ADH, incorporated in the year 2000, boasts over three decades of experience in helicopter charter service industry. The company operated with a fleet of four helicopters which are well-suited for mountainous and hilly terrains, serving diverse sectors such as tourism, medical evacuations, rescue missions, and aerial surveys. However, the company faced significant setback in August 2024, when one of its helicopters tragically crashed in Surya Chaur-7, Nuwakot, resulting in fatalities. The incident not only brought operational and reputational challenges but also reduced ADH's fleet from four to three helicopters. The immediate impact of this loss is expected to influence the company's revenue performance in FY25, as the reduction in available aircraft limits its service capacity, higher insurance premiums, and potential operational delays while safety investigations and fleet reassessments take place.

### Industry Cyclicity and Seasonal Revenue Patterns

In regions like Nepal, demand for helicopter services tends to be highly seasonal, particularly linked to the tourist season (trekking and climbing). Off-season periods can lead to low revenues. As ADH is also dependent on tourists for its service, its revenue is also impacted by the seasonality of trekking season. The monthly revenue revealed the sales were concentrated between September–November

and March–May, aligning with Nepal's primary trekking seasons. These two periods accounted for ~81% of total revenue in FY23, which increased to ~84% in FY24. This highlights the company's significant reliance on tourist inflows during the trekking seasons for its overall revenue.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Corporate Credit Rating Methodology](#)

**About the Company:**

Air Dynasty Heli Services Private Limited (ADH), headquartered in Sinamangal, Kathmandu, is a private helicopter operator established on June 13, 2000. As a charter operator in Nepal, ADH specializes in a diverse range of services, including heli-sightseeing, medical evacuations, mountain rescues, aerial surveys, aerial photography, pilgrimage tours, and other customized flight solutions tailored to clients' needs. ADH consists of a dedicated team of over 70 professionals and a fleet of 4 helicopters (including 1 helicopter en route). Mr. Malcom Roy Smith is the major shareholder holding 48.48% of total shares.

**Financial Indicators (Standalone)**

For the year ended* As on	FY20	FY21	FY22	FY23	FY24
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	337	68	324	740	716
EBITDA Margin (%)	10.03	Neg	43.81	44.17	48.24
Interest Coverage Ratio (x)	1.91	Neg	7.80	17.52	19.90
Total Debt/ EBITDA (x)	15.60	Neg	3.68	1.35	1.21
Current Ratio (x)	1.42	1.34	5.37	3.02	2.99
Overall Gearing Ratio (x)	1.38	2.17	2.12	1.16	0.78

\*Classification as per Infomerics Nepal standards

**Annexure:1 Detail of Facilities:**

Name of Instruments/ Facilities	Types of Facilities	Amount (Mn)	Rating
<b>USD Loan</b>			
Long Term Bank Facilities- Term Loan	Long Term	2.47	IRN BBB-
Fund Based Bank Facilities- Short Term Loan	Short Term	0.20	IRN A3
<b>NPR Loan</b>			
Fund Based Bank Facilities- Short Term Loan	Short Term	22.50	IRN A3
Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	5.40	IRN A3
<b>Euro Loan</b>			
Non-Fund Based Bank Facilities – Letter of Credit	Short Term	2.70	IRN A3
<b>Total NPR Loans</b>		<b>27.90</b>	
<b>Total USD Loans</b>		<b>2.67</b>	
<b>Total Euro Loans</b>		<b>2.70</b>	

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### About Infomerics Credit Rating Nepal Limited:

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