

PRESS RELEASE

YETI AIRLINES LIMITED

August 2025

Rating

Instruments/ Facilities	Amount (Mn)	Rating	Rating Action
Long Term Bank Facilities-NPR	2,958.30	IRN BBB-	Assigned
Long Term Bank Facilities-USD	27.19	IRN BBB-	Assigned
Short Term Bank Facilities-NPR	757.32	IRN A3	Assigned
Long Term/Short Term Bank Facilities-NPR	2,646.00	IRN BBB-/A3	Assigned
Total NPR Loans	6,361.62		
Total USD Loans	27.19		

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 long term NPR loans of NPR 2,958.30 Mn and USD loans of USD 27.19 Mn, the rating of IRN A3 (A Three) to short term bank facilities of NPR 757.32 Mn and rating of IRN BBB-/A3 (Triple B Minus/A Three) to long term/short term bank facilities of NPR 2,646.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Yeti Airlines Limited (YAL) derive comfort from its long track record of operations (since 1998), stable market shares in domestic airlines industry (second largest with ~21% as of FY24 in terms of passenger volume following recovery from ~17% in FY23) alongside strong geographical coverage with sales offices spread across various airports and hubs coupled with online booking bolstering ticket sales. The ratings also factor in well-experienced and resourceful promoter group 'Yeti group' and presence of the institutional promoter namely Asian Life Insurance Company Limited (ALICL) [[IRN A\(Is\)](#)]. The ratings also factor in YAL's strong recovery post air crash¹ in FY23 characterized by robust growth during FY24-25 in terms of scheduled flights, passenger volume and total operating income (TOI). The presence of AMO² certificate enables YAL to reduce repair costs and secure repair contracts from other airlines, thereby generating additional cash inflow. The ratings also positively factor in the rise in passenger occupancy to 82% in FY25 (~78% in FY23) and the increase in scheduled flights, supported by the addition of two new ATR 72 aircraft during FY24, thereby expanding the total fleet size to seven.

However, these rating strengths are partially offset by the leveraged albeit improving capital structure of YAL (Overall gearing ratio of 4.45x as of mid-July 2025 vis-à-vis 49.81x in FY23) owing to substantial capital investments in procuring two new aircrafts amounting to ~NPR 1.70 Bn in FY24. The elevated debt levels have led to stressed coverage ratio albeit on improving trend following infusion of capital by ALICL characterized by high Total Outside Liabilities/ Tangible Net Worth (TOL/TNW) of 4.88x in FY24 and moderate DSCR of 2.13x in FY24 (58.80x and 1.33x in FY23 respectively). The rating constraints also factor in dependency on few key routes, ATF (Aviation Turbine Fuel) price fluctuations and foreign exchange risk especially aggravated by USD denominated debts (~37% of total debt) although increase in USD revenues has hedged the risk to an extent. The ratings are further constrained by the intense competition within the industry, cyclicity and seasonality in aviation sector and regulatory risk exposure inherent in the aviation industry. Going forward, the company's capability to upscale proportionally while efficiently utilizing the newly added planes in its fleet, maintain higher occupancy rate alongside generate adequate profits while maintaining its foreign debt and managing foreign exchange risk will remain key rating sensitivities.

¹ MSN 754-9N-ANC fleet crashed on January 15, 2023 nearby Pokhara International Airport killing all 72 people on board

² AMO is Aircraft maintenance organization certification issued by regulatory body (CAAN) that authorizes an organization to conduct maintenance activity not only in its own fleet but also for other airlines.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong promoter group with presence of institutional promoter

YAL is an integral part of Yeti World, a large business conglomerate operating in the tourism and aviation industry with over a dozen companies. Addition of Asian Life Insurance Company Limited (ALICL), one of the largest players in life insurance sector in Nepal as a majority shareholder brings with it financial flexibility. Mr. Lhakpa Sonam Sherpa, Chairman, leads YAL with over 50 years of experience in the tourism sector. The board includes Ms. Chanda Sherpa as Managing Director and Mr. Norbu Tshiring Sherpa as Deputy Managing Director, both with extensive experience in the tourism industry. Mr. Subhas Sapkota, CEO, a Chartered Accountant brings over 16 years of experience in various industries and leads a qualified and experienced team across various functions.

Long track record of operation and stable market positioning

YAL has an established presence in the domestic aviation industry, with operational track record dating back to 1998. The company has been able to sustain its market positioning, emerging as the second-largest player with market share of ~21% in FY24. However, on January 15, 2023, one of YAL's aircraft (9N-ANC) crashed near Pokhara Regional International Airport, which adversely impacted customer sentiment and led to a temporary shift toward alternative airlines. This incident, coupled with the broader economic slowdown and the imposition of VAT on air tickets, contributed to a decline in YAL's market share to ~17% in FY23, down from ~21% in FY22 and ~23% in FY21. Nevertheless, the company has demonstrated a swift recovery in FY24, supported by the induction of two new aircraft into its fleet and a resurgence in the tourism sector. The ability of management to maintain its foothold and increase its market share remains key monitorable.

Presence of AMO certificate along with strategic sales offices and online booking

YAL holds an AMO certificate issued by the regulatory body CAAN. As one of the few airlines with such certification, YAL has gained a competitive advantage being able to perform maintenance on its own fleet at reduced costs and secure repair contracts from other airlines, thereby generating additional revenue. Additionally, YAL's strategic placement of sales offices at various airports and hubs and its online booking system contribute to increased ticket sales and a growing market share.

Strong revenue growth and margin expansion driven by fleet expansion

YAL has demonstrated a steady recovery in its financial performance following the operational downturn in FY23, which was triggered by the aircraft accident near Pokhara in January 2023. The induction of two new ATR 72 aircraft in FY24 played a pivotal role in supporting this rebound. YAL's operating income, primarily derived from ticket sales, increased by ~13% in FY24 over FY23 and registered a robust annualized growth of ~29% in Q3FY25 over FY24. The fleet enhancement has also improved fuel efficiency, leading to a notable expansion in EBITDA margins from ~20% in FY23 to ~26% in both FY24 and Q3FY25. Profitability from core operations strengthened as well, with PAT margins improving from ~2% in FY24 to ~5.47% in Q3FY25. Notably, PAT in FY23 was bolstered by a one-time fair value gain of NPR 349 Mn from investment property, temporarily elevating PAT margin to 5.47% despite underlying operational weakness. YAL has shown continuous improvement since the slump in FY23, as reflected in the CAGR of ~11% in scheduled flights, ~14% in passenger volume, ~63% in USD revenue, ~18% in NPR revenue, and ~27% in TOI during FY23–FY25. The ability of YAL to sustain this growth momentum by scaling operations, efficiently managing costs, and rationalizing debt through prudent working capital management remains a key rating sensitivity.

Key Rating Weaknesses

Leveraged albeit improving capital structure and moderate debt coverage indicators

YAL capital structure had been significantly weakened by accumulated losses during the COVID-19 pandemic, resulting in negative TNW and overall gearing in FY22. Although TNW turned marginally

positive at ~NPR 232 Mn in FY23, the adjusted TNW (excluding unrealized gains) remained negative. The equity infusion of ~NPR 1,660 Mn by ALICL in FY24 strengthened the TNW position to ~NPR 1,863 Mn and supporting notable improvement in leverage metrics. This infusion, combined with consistent operating profitability, has led to a marked improvement in the company's leverage profile. Overall gearing ratio improved to 4.45x at the end of FY24 from 49.81x in FY23 (3.69x in Q3FY25), while the TOL/TNW ratio declined to 4.88x from 58.80x over the same period (4.15x in Q3FY25). Moreover, the long-term debt to gross cash accruals (GCA) ratio also improved significantly, standing at 19.87x in FY24 compared to 30.32x in FY23 (12.00x in Q3FY25). Similarly, YAL also has moderate interest coverage ratio (1.71x in FY24) and DSCR (2.13x in FY24). Despite such improvement, YAL's capital structure is highly leveraged and its coverage indicator is quite moderate. The ability of management to effectively downsize its debt obligations and improve its capital structure is key rating sensitivity.

High Dependency on few key routes

During FY24, YAL recorded TOI of NPR 4,258 Mn and the number of routes increased to 20 from 16 in FY23. Notably, the top 4 routes (Kathmandu to & from-Pokhara, Biratnagar) accounted for 47% of the total revenue and 47% of total passengers in FY24. This contribution represents decline from 52% (both in passenger and revenue) in FY23, indicating diversification of revenue in a smaller subset of routes further supported by increased routes in new destination and provides some comfort. Nevertheless, in response to the growing demand for the Kathmandu-Pokhara-Kathmandu route, YAL took proactive measures by initiating night flights from September 2023.

Profitability susceptible to ATF prices amid intense competition coupled with regulatory risk

YAL remains exposed to volatility in global crude oil prices, with aviation fuel comprising ~32% of total operating costs in FY24 and rising to 45% in FY23. The airline sector's limited ability to pass on rising fuel costs to passengers—due to intense competition and potential impact on load factors—adds to this vulnerability. Nonetheless, recent moderation in international Aviation Turbine Fuel (ATF) prices, combined with YAL's effective fuel cost management and deployment of fuel-efficient aircraft, has supported margin improvement. In addition, the domestic aviation industry is regulated by the Civil Aviation Authority of Nepal (CAAN) under the "Air Fare Monitoring Nirdeshika, 2073," which imposes upper and lower fare limits on each route, further restricting pricing flexibility. With nine players in the fixed-wing segment and twelve in the rotary-wing segment, competition remains intense. Going forward, YAL's ability to enhance market share through strategic fleet expansion, entry into new routes, and increased deployment on high-margin sectors while maintaining competitive pricing will be critical to sustaining its profitability and market position and remains a key rating sensitivity.

Forex risk amid sizable USD based obligations

Yeti Airlines Limited (YAL) remains exposed to significant foreign exchange risk, with approximately 38% of its total bank borrowings and a substantial portion of its maintenance and parts expenses denominated in USD, while USD-based revenue accounted for only ~13% of total revenue in FY24 (compared to 5% in FY22 and 15% in FY23, down from ~33% pre-COVID). This currency mismatch has resulted in notable forex losses of NPR 304 Mn in FY22, NPR 130 Mn in FY23, and NPR 101 Mn in FY24. Although the gradual depreciation of the NPR against the USD heightens this risk, it is partially mitigated by a steady recovery in USD revenue driven by rising foreign tourist arrivals. The ability of management to manage USD denominated debts and resulting forex risks is key rating sensitivity.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

Established in 1998 AD, Yeti Airlines Limited is one of the oldest domestic airlines service provider in Nepal. YAL is second largest player in domestic air industry covering 17% of market shares in respect of passengers served as on FY23. YAL operates a fleet of 7 ATR 72 airplanes out of which 6 are purchased and 1 is leased. The entire share of YAL is held by promoters itself. The major promoters of YAL include Asian Life Insurance Limited (46.82%), Mr. Lhakpa Sonam Sherpa (25.03%) and Ms. Chanda Sherpa (20.06%).

Financial Indicators (Standalone)

Amount in NPR Mn*	FY21	FY22	FY23	FY24	9MFY25
	Audited				Unaudited
Total Operating Income	1,396	3,920	3,775	4,258	4,117
Foreign Exchange Gain/(Loss)	44	-304	-130	-101	-
EBITDA Margin (%)	Neg	29.61	20.02	25.95	25.62
Current Ratio (x)	0.48	0.73	0.72	1.02	0.95
Overall Gearing Ratio on Book TNW (x)	Neg	Neg	49.81	4.45	3.61
Overall Gearing Ratio excluding finance lease (x)	Neg	Neg	46.06	4.23	3.42
TOL/TNW (x)	Neg	Neg	58.80	4.88	3.93
Interest Coverage Ratio (x)	Neg	2.57	1.26	1.71	2.05

* Classification as per Infomerics Nepal Standard

Earnings before Interest, Tax, Depreciation, Amortization (EBITDA)

Annexure 1: Details of Facilities:

Instruments/ Facilities	Types of Facilities	Amount (Mn)	Rating
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Long Term Bank Facilities-USD Term Loan	Long Term	27.19	IRN BBB-
Short Term Bank Facilities-NPR Cash Credit Loan	Short Term	757.32	IRN A3
Long Term/Short Term Bank Facilities-NPR LC/BG [^]	Long Term/Short Term	2,646.00	IRN BBB-/A3
Total NPR Loans		6,361.62	
Total USD Loans		27.19	

[^] Letter of Credit/Bank Guarantee

Analyst Contacts

Mr. Girish Bhatta

Tel No.+977-1-4583304/4585906

girish.bhatta@infomericsnepal.com

Mr. Raunak Mulmi

Tel No.+977-1-4583304/4585906

raunak.mulmi@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini

Tel No.+977-1-4583304/4585906

rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:

Infomerics Credit Rating Nepal Ltd. is Nepal's third Credit Rating Agency licensed by the Securities Board of Nepal (SEBON) on March, 2022. Infomerics Nepal is a subsidiary of Infomerics Valuation and Rating



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Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com

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