

**PRESS RELEASE****SKYLINE INFRA LIMITED****January 2026****Ratings**

Instrument	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	1,062.28	IRN B+	Assigned
<b>Total</b>	<b>1,062.28</b>		

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN B+ (Single B Plus) to the long-term bank facilities of NPR 1,062.28 Mn.

**Detailed Rationale**

The rating assigned to the bank facilities of Skyline Infra Limited (SIL) derives strength from the company's multiple revenue sources driving from hotel and mall operations. The commercial operation of its hotel- "Sarovar Portico Birgunj" since mid-September 2024, improved operation traction, albeit on lower base, along with mall operation providing stable revenue stream. The rating also factors in improving capital structure of the company marked by improvement in its overall gearing ratio from 3.03x as of mid-July 2024 to 0.90x as of mid-December 2025 primarily due to broader tangible net worth base resulting from equity infusion of promoters. Also, the strategic location of the project and hotel's association with international hotel chain "Sarovar Hotels" provides some comfort.

However, these rating strengths are constrained by the company's modest financial performance in its initial year of operations in spite of broadened revenue trajectory in FY25. The rating also takes consideration the inherent stabilization risk associated with company's recently operational project and the long gestation period associated with hospitality industry. The competitive nature of the hospitality industry, characterized by low entry barriers and intense price-based competition, along with increasing competition and existence of 'leasing out' market continues to exert pressure on profitability margins. Going forward, the company's ability to achieve stabilization through sustained occupancy, and thereby improve its revenue base and profitability, while continuing to improve its debt coverage metrics remains key rating sensitivities.

**Detailed Description of Key Rating Drivers****Key Rating Strengths****Operational ramp up supported by multiple revenue stream**

SIL derives its revenue from two major sources- hotel operations and mall operations. The company primarily generates its revenue via operations of self-managed hotel under brand name "Sarovar Portico Birgunj". The hotel, since commencement of its operations in mid-September 2024, has boosted the company's operational traction, contributing ~74% of the company's total operating income in FY25. The other revenue source- leased-out commercial spaces are under long-term agreements, thereby derive stable revenue visibility and cash flow over the long term.

**Strategic location of the project and association with international hotel chain**

The strategic location of the project in Birgunj, Nepal, which is conducive for commercial complex. Also, the property being at close proximity to Indo-Nepal border (~4km from Raxaul border), the hotel operations is expected to be benefitted from arrival of tourists, primarily from India. The project location remains favorable in terms of commercial viability. Furthermore, the company's association with Sarovar Hotels Private Limited, a prominent Indian hotel chain operating a diverse portfolio of properties that cater to both mid-market and upscale travelers, under the brand name "Sarovar Portico" is expected to bolster the market presence.

## Improving gearing profile

The capital structure of SIL improved significantly, with overall gearing ratio improving from 3.03x at the end of FY24 to 1.67x in FY25 and further to 0.90x as on mid-December 2025, primarily due to broader tangible net worth base resulting from equity infusion of promoters coupled with scheduled repayment of term loan. Furthermore, Total Outside Liabilities/ Tangible Net worth (TOL/TNW) improved significantly from 3.83x in FY24 to 2.09x in FY25 and 1.15x in 5MFY26. The debt coverage metrics remained moderate with Debt Service Coverage Ratio and Interest Service Coverage Ratio (ISCR) of 1.96x and 1.90x respectively in FY25.

## Key Rating Weaknesses

### Modest financial performance in its initial year of operation

SIL began partial operations from FY24, with mall operations, whilst its hotel operations commenced from FY25 (mid-September 2024). The company's total operating income (TOI) increased from ~NPR 12 Mn in FY24 to ~NPR 85 Mn in FY25, supported by hotel operations generating ~74% of TOI. Consequently, EBITDA increased from NPR 7 Mn in FY24 to NPR 27 Mn in FY25. However, the profitability margins of the company dropped significantly, with the company reporting EBITDA margin of 31.37% in FY25 compared to 64.55% in FY24 and PAT margin of 2.68% in FY25 compared to 43.90% in FY24, due to increased hotel operational costs, interest expenses and depreciation costs in FY25. During first five months of FY26, the company reported TOI of NPR 39 Mn along with EBITDA margin of 41.40%.

### Long gestation period associated with hotel industry

The company has set up a hotel with 60 rooms capacity which includes all modern amenities, along with commercial mall set up for lease-out. Generally, hotels require longer gestation period to recover the associated fixed costs and become profitable. The long gestation period of hotels is because of the construction of a premium hotel taking up to three to four years while stabilization of operations may take another two to three years. The company has modest operational performance in FY25, reporting ~34% occupancy, along with lower profitability margins. Going forward, the company's ability to stabilize its hotel operations with increased occupancy and profitability, while maintaining sustained revenue from its mall operations resulting in sustained positive cash accruals over the medium term remains key rating monitorable.

### Susceptibility to cyclical, intense competition and geographic concentration risk

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 Birgunj remains high resulting in intense competition that might lead to competitive pricing leading to subdued ARR's despite surge in tourists. Also, occupancy levels and revenue in the hotel industry are susceptible to macroeconomic trends, both in the domestic and global markets. Additionally, the presence of multiple commercial complexes that lease out rental spaces to businesses could result in a supply glut in the near to medium term. This increased competition and potential oversupply may negatively impact the occupancy and rental rates of commercial spaces in the industry. Furthermore, the company's single establishment located at Birgunj, Nepal exposes operations to geographic concentration risk.

## Analytical Approach: Standalone

## Applicable Criteria:

[Corporate Credit Rating Methodology](#)

## About the Company:

Skyline Infra Limited was incorporated in November 2016 as a private limited company and later converted into public limited company in July 2023. The company operates a nine-storied commercial

complex "Skyline Mall" in Birgunj, Nepal comprising 60-room hotel under the brand name "Sarovar Portico Birgunj" along with banquet hall, commercial rental spaces for retail brand outlets, movie theatre, casino and office spaces. Mr. Pratik Agrawal is the majority shareholder of the company as of mid-July 2025, holding ~17% of the total equity shareholding.

## Financial Indicators (Standalone)

For the year ended* As on	FY24	FY25	5MFY26
	Audited	Unaudited	Unaudited
Total Operating Income (NPR Mn)	12	85	39
EBITDA Margin (%)	64.55	31.37	41.40
Interest Coverage Ratio (x)	NA	1.94	3.98
Total Debt/ EBITDA (x)	173.23	49.55	26.53
Current Ratio (x)	0.67	0.71	0.80
Overall Gearing Ratio (x)	3.03	1.67	0.90
TOL/TNW	3.83	2.09	1.15

*Earnings Before Interest Tax Depreciation Amortization*

*Total Outside Liabilities/ Tangible Net Worth*

*\*Classification as per Infomerics Nepal standards*

## Annexure:1 Detail of Facilities

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	1,062.28	IRN B+
<b>Total Facilities</b>		<b>1,062.28</b>	

*\*Short-Term Non-Fund Based Bank Facilities of NPR 2.80 Mn is within the Term Loan limit.*

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## About Infomerics Credit Rating Nepal Limited:

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