

PRESS RELEASE

YETI AIRLINES LIMITED

October 2026

Ratings

Instruments/ Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BBB- (Is)	Reaffirmed
Long Term Bank Facilities	6,389.11 (reduced from 6,699.64)	IRN BBB-	Reaffirmed
Short Term Bank Facilities	1,046.50 (enhanced from 757.32)	IRN A3	Reaffirmed
Long Term/Short Term Bank Facilities	551.92 (reduced from 2,646.00)	IRN BBB-/A3	Reaffirmed
Total NPR Loans	7,987.53		

Details of Facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BBB- (Triple B Minus) to long term bank facilities of NPR 6,389.11 Mn, the rating of IRN A3 (A Three) to short term bank facilities of NPR 1,046.50 Mn and the rating of IRN BBB-/A3 (Triple B Minus/A Three) to long term/short term bank facilities of NPR 551.92 Mn.

Likewise, Infomerics Nepal has also reaffirmed the issuer rating of IRN BBB- (Is) [Triple B Minus (Issuer)]. Issuers with this rating are considered to have the moderate risk of safety regarding timely servicing of financial obligations. Such issuers carry moderate credit risk.

Detailed Rationale

The reaffirmation of ratings assigned to Yeti Airlines Limited (YAL) and its bank facilities continues to derive comfort from its long track record of operations (since 2002), stable market shares in domestic airlines industry (second largest with ~22-23% as of FY25-26 in terms of passenger) alongside strong geographical coverage with sales offices spread across various airports and hubs coupled with online booking bolstering ticket sales. The ratings also continue to 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 performance in FY25 in terms of scheduled flights, passenger volume and total operating income (TOI) followed by stabilization in operational performance in FY26. The presence of AMO¹ 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 FY25-26 (~78% in FY24) and the increase in scheduled flights. The rating also positively factors in improved capital structure owing to additional infusion of capital via private placement indicated by overall gearing ratio improving to 1.49x in FY26 from 3.10x in FY25 and 4.45x in FY24 and healthy coverage indicators supported by improved operation profitability and lowered borrowing costs amidst excess liquidity in Nepalese economy (interest coverage ratio of 3.54x in FY26 from 2.98x in FY25). Likewise, the rating also factors in YAL converting its entire USD denominated loan portfolio to NPR loans following amendment in NRB's Foreign Exchange Management provisions, thereby eliminating forex risk significantly though company incurred significant one-time forex losses of ~NPR 327 Mn in FY26.

However, these rating strengths are partially offset by the surge in ATF fuel prices due to ongoing geopolitical tensions in Western Asia leading to YAL partially passing on the cost to consumers increasing the passenger fare. The increased fare resulting in reduction of scheduled flight and passenger volume (contraction of ~6% in scheduled flight and ~9% in passenger carried in FY26 over FY25) leading to stabilization of financial profile in FY26. With much of the effect expected to be

¹ 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.

seen in FY27, the ability of YAL to maintain its market position along with operating margins remains to be seen. The ratings also remain constrained due to working capital intensive nature of operations indicated by higher working capital intensity of ~34% in FY26 driven by higher inventory holding to support its operations. The rating constraints also factor in dependency on few key routes, ATF (Aviation Turbine Fuel) price fluctuations and foreign exchange risk persisting due to purchase of spare parts denominated in USD although increase in USD revenues has hedged the risk significantly. The ratings are further constrained by the intense competition within the industry, cyclicality 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 whilst maintaining its operating margins will remain key rating sensitivities.

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 2002. The company has been able to sustain its market positioning, emerging as the second-largest player with market share of ~22-23% in FY25-26. 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 and has held the market share steady across past two years. The ability of management to maintain its foothold and increase its market share remains key monitorable.

Improved capital structure and debt coverage indicators

YAL's credit profile has strengthened materially following a NPR 2.27 Bn equity infusion through private placement, including premium. The proceeds were primarily utilized for debt reduction and engine overhauls of select aircraft, thereby supporting both balance-sheet deleveraging and fleet availability. Consequently, overall gearing improved to 1.49x as of mid-July 2026 from 3.10x in FY25 and 4.45x in FY24, while debt-equity ratio improved to 1.47x from 2.96x and 4.17x, respectively. TOL/TNW also improved to 1.60x in FY26 from 3.38x in FY25 and 4.60x in FY24. Improved capitalization and lower debt burden have translated into stronger debt-servicing capacity, with interest coverage improving to 3.54x in FY26 from 2.98x in FY25 and 1.71x in FY24 and DSCR rising to 1.88x in FY26 from 1.13x in FY25. Overall, the strengthened capital structure provides greater headroom to absorb near-term volatility in fuel costs and passenger demand. With planned IPO proceeds of ~NPR 2.1 Bn expected in near term, the gearing profile is further expected to be improve significantly.

Stabilization in revenue in FY26 following significant growth in FY25

YAL's financial profile continues to recover post the 2023 plane crash, with TOI growing 26% in FY25 over FY24, supported by fleet expansion, before moderating to 2% in FY26 amid reduced flight operations due to elevated ATF prices. EBITDA margin improved to ~33% in FY25 from ~26% in FY24 and ~20% in FY23, supported by the addition of fuel-efficient aircraft, but moderated to ~30% in FY26 due to higher fuel costs. PAT margin similarly improved to ~12% in FY25 from ~1% in FY24, before declining to ~3% in FY26, with PAT reducing to NPR 181 Mn from NPR 648 Mn, primarily due to a NPR 327 Mn forex loss recognized upon conversion of its entire foreign-currency loan into NPR-denominated debt after change in regulatory guidelines allowed it. The forex loss is largely non-recurring, while the conversion has substantially mitigated forex risk and is expected to reduce annual forex losses going forward. Going forward, YAL's ability to improve aircraft utilization, manage elevated fuel costs, and subsequently improve its financial profile will remain crucial.

Key Rating Weaknesses

Working capital intensive nature of operations

YAL's operations remain working capital intensive, reflected in high utilization of its working capital limits over the 12 months ended mid-August 2026. The operating cycle stood at ~98 days in FY26, compared with ~84 days in FY25 and ~111 days in FY24, primarily driven by higher inventory holding, with inventory days increasing to ~98 days from ~84 days in FY25. The higher inventory was partly strategic, as management proactively stocked critical spare parts and components anticipating higher costs in the near term deriving from depreciation of NPR against USD and ongoing geopolitical conflict and ensuring timely aircraft maintenance. Working capital intensity increased to ~34% in FY26 from ~20% in FY25 and ~33% in FY24, mainly due to higher inventory levels and lower creditor/payment days. While the inventory build-up has increased near-term working capital requirements, it is expected to support operational continuity and mitigate exposure to further spare-parts cost escalation. Nonetheless, the increased working capital requirement has necessitated the management to borrow additional short term loans and the ability of YAL to manage its working capital needs remain key rating monitorable.

High Dependency on few key routes

YAL recorded TOI of NPR 5,384 Mn in FY25, with its route network remaining stable at 18 routes. Revenue and passenger concentration has increased, with the top four routes (Kathmandu–Pokhara and Kathmandu–Biratnagar, both ways) contributing ~46% of revenue and ~47% of passengers in FY25, increasing to ~51% and ~52%, respectively, in FY26. Further, USD-denominated revenue remains highly concentrated, with ~90% generated from two routes, particularly the Kathmandu–Pokhara sector. Such concentration remains a key rating constraint, as adverse developments affecting key routes could materially impact operations and foreign currency earnings, as witnessed following the Pokhara plane crash in FY23. Accordingly, YAL's ability to diversify its route network and reduce concentration, particularly in USD-denominated revenue streams, remains a key rating monitorable.

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 FY25 and FY26. The airline sector's limited ability to pass on rising fuel costs to passengers amid intense competition and potential impact on load factors adds to this vulnerability. In addition, recent surge in international ATF prices owing to ongoing geopolitical tensions have caused significant rise in fuel costs. With YAL unable to pass on entirety of the increased cost to the consumers, the operating margins is expected to take a hit during coming years unless the crisis is resolved. However, the combined effect of 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.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#) & [Issuers Rating Methodology](#)

Link to past rating rationale:

[Yeti Airlines Limited: Issuer Rating Assigned](#)

[Yeti Airlines Limited: Bank Facilities Ratings Assigned](#)

About the Company:

Established in 2002 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 22-23% of market shares in respect of passengers served as on FY25-26. 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 (29.85%), Mr. Lhakpa Sonam Sherpa (15.96%) and Ms. Chanda Sherpa (12.79%).

Financial Indicators (Standalone)

Amount in NPR Mn*	FY22	FY23	FY24	FY25	FY26
	Audited				Unaudited
Total Operating Income	3,920	3,775	4,258	5,384	5,475
Foreign Exchange Gain/(Loss)	-304	-130	-101	-91	-327
EBITDA Margin (%)	29.61	20.02	25.95	33.08	29.56
Current Ratio (x)	0.73	0.72	1.02	0.85	1.14
Overall Gearing Ratio on Book TNW (x)	Neg	49.81	4.45	3.10	1.49
Overall Gearing Ratio excluding finance lease (x)	Neg	46.06	4.23	2.97	1.44
TOL/TNW (x)	Neg	58.80	4.88	3.38	1.60
Interest Coverage Ratio (x)	2.57	1.26	1.71	2.98	3.54

* Classification as per Infomerics Nepal Standard

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

Total Outside Liability/Tangible Net Worth (TOL/TNW)

Annexure 1: Details of Facilities:

Instruments/ Facilities	Types of Facilities	Amount (Mn)	Rating
Long Term Bank Facilities-NPR Term Loan	Long Term	6,389.11	IRN BBB-
Short Term Bank Facilities-NPR Cash Credit Loan	Short Term	1,046.50	IRN A3
Long Term/Short Term Bank Facilities-NPR LC/BG^	Long Term/Short Term	551.92	IRN BBB-/A3
Total NPR Loans		7,987.53	

^ Letter of Credit/Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:

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