



SECTORAL INSIGHT REPORT

Hotel &
Tourism

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www.garimacapital.com

+977-014529149/50, 01-4516691

Kamalpokhari, Kathmandu, Nepal



Tourism Industry Overview



Nepal with rich ancient culture and scenic beauty is an ideal destination for trekking, adventure, wildlife and culture. **More than 45% of tourists to Nepal visit the country for its natural wealth.** As per Central Bureau Statistics, **tourism is fourth largest industry by employment** in the country followed by wholesale & retail trade, education and manufacturing.

According to World Bank, **in 2019, 6.7% of Nepal's GDP** generated from tourism industry and approx. **6.7% of country's total employment** was supported by tourism. 80% of those jobs were in the most remote and resource-constrained regions. Hospitality sector has a heavy dependence on tourism.

In 2020, Ministry of Culture, Tourism, and Civil Aviation initiated a new mission to boost the tourism and hospitality industry of Nepal. It was named **'Visit Nepal 2020'**. It **aimed to attract 2 million tourists** at the end of 2020, but covid-19 disrupted the mission. Tourism and hospitality industry suffered a huge hit during covid pandemic due to restriction of movement of people.

Though the covid restriction eased in 2021, **Nepal received 0.15 million tourists in 2021 (generating a revenue of USD 112.5mn), a drop of more than 87% compared to 1.2 million in 2019 (resulting in revenue of USD 724mn).** Hotel industry also struggled to recover the losses and bring back its business to normal. **Daily occupancy rate hovered around 20% in 2021.**

In order to help the sector's hit hard by pandemic, government had taken multiple steps. The government provided **NPR 4.95bn of refinancing and subsidized loans** to prevent tourism businesses from shutting down. Nepal signed agreements with India and Bangladesh for promotion of tourism between the countries.

With the situation in the country turning back to pre-covid times, the tourism sector is getting back to track. Nepal Tourism Board (NTB) **reported 0.6 million tourists' arrival by air in 2022** of which 0.2 million were from neighboring country, India. The other top countries from where major tourist influx came were US, UK, Australia, Bangladesh.

NTB specified that **227,755 tourists arrived in Nepal by air in first three months of 2023** with 55,074, 73,255 and 99,426 arriving in January, February and March respectively. The increase is the result of Chinese citizen being allowed to travel abroad and start of trekking season. **NTB has targeted to host at least 1 million visitors in 2023,** majorly by attracting tourists from Asia.



Nepal Tourism Decade (2023-2032)

In Dec 2022, the previous government led by Sher Bahadur Deuba has declared the Tourism Decade (2023-2032) to revive tourism sector in the post-pandemic period. The plan aims to conduct province and national-level campaigns for tourism promotion across the country and target to achieve following:

- *After a decade, bring in 3.5 million tourists annually, excluding India and those coming overland*
- *Increase tourist spending to USD 125 daily from the existing USD 48*
- *Create 1 million direct jobs in the tourism sector*
- *Increase the tourism sector's contribution to GDP to 10%*
- *Drive the tourist numbers to pre-pandemic levels by 2024*
- *Upsurge tourist arrivals in each subsequent year by 15%*

The program of Tourism Decade (2023-2032) is likely to get continuation and support from the new government led by Pushpa Kamal Dahal in coalition with Party led by Sher Bahadur Deuba.

Monetary Policy 2022/23 Stance on Tourism

- Development banks were required to disburse 17% of total credit to agriculture, micro, cottage, and small enterprises/businesses, energy, and tourism sectors by mid-July 2022, 19% by mid-July 2023 and 20% by mid-July 2024.

Similarly, finance companies were obligated to distribute 12% of the total loan to above sectors by mid-July 2022, 14% by mid-July 2023 and 15% by mid-July 2024.

As of mid-April 2022, such loans disbursed by development banks and finance banks amounted to Rs. 11.9bn (26.62%) and Rs. 16.15bn (21.92%) respectively.

- For payment of wages of workers and employees, **Rs. 1.15bn of business continuity loan** has been approved as of mid-June 2022 to support the tourism and cottage, small and medium enterprise sectors affected by the Covid-19 pandemic.

Highlights of budget 2022/23 relating to Tourism

- **Rs. 9.38 billion is allocated for the tourism sector.**
- **Waiver of the annual license and renewal fee** for the fiscal year 2022/23 for the businesses related to the tourism sector including hotels affected by the COVID-19 pandemic. Concessional loans will be continued for the revival of the tourism sector.
- **Private sector investment will be attracted** in tourism infrastructure development. In collaboration with the province government and the private sector, the development of hill stations for recreational and adventure tourism in hilly and mountainous areas will be encouraged. Allocation of Rs. 900 million for tourism infrastructure development programmes to be operated on a cost-sharing basis with the local level at 216 locations.



- Special programmes such as tourism fairs and roadshows in border towns, large cities, and educational institutions will be conducted through NTB to increase tourist arrivals from neighboring countries India and China.
- **50% tax exemption on taxable income for FY 2078/79 on tourism industry businesses (except for Casinos)** such as hotels, travel, trekking, and film business having annual transaction volume of more than 10 million.
- The foot trails leading to base camps of mountains approved for mountaineering to be upgraded. Allocation of budget to expand access to communication facilities on foot trails. **Rs. 330 million allocated for the construction of the Great Himalayan Trail** extending from east to west in the high mountainous region.

Ban on Independent Trekking

On 9th March 2023, NTB announced that all trekkers are required to **hire licensed trekking guide and obtain TIMS (Trekking Information Management System) cards through authorized trekking agencies citing safety concerns effective from 1st April 2023**. The new rule is expected to generate employment in the country. This decision has not been taken positively by many, especially trekkers and is being considered counter-productive for tourism.

In 2019, out of 1.2 million foreign tourists, 0.2 million were trekkers. After the announcement, there has been a rise in number of solo trekkers looking for guides because of their planned travel while many tourists have decided to cancel their trekking plans owing to the restriction in freedom of movement and increased cost.

The decision will have a negative impact in the rural parts of the country that are heavily dependent on tourists for their income.

Hotel Industry



The hotel sector is cyclical. Its fortunes rise and fall with the economic boom and bust. After the disastrous Covid period, hotels have started to generate revenue as tourists' arrival is gradually increasing. Though hotels have started earning, it will take a long period for earnings to fully recover and reach pre pandemic level owing to low number of tourists compared to 2019 and lower room tariff.

Average length of tourist's stay has increased from 12.7 days in 2019 to 15.5 days in 2021 but average expenses per visitor per day has remain unchanged to USD 48 in the same period. However, it rose to USD 65 in 2020 but fell back to USD 48 in 2021.

As per Vinayak Shah, vice-president of Hotel Association Nepal (HAN), there are 2,000 hotels as members under HAN producing 10,000 room nights, of which only 25% have been sold in March 2023. Due to slowdown in economy, 20% of small and medium-sized hotels have been closed.



Post government announcement of the construction of two international airports in Bhairahawa & Pokhara and ‘Visit Nepal 2020’, the hospitality industry noted an unprecedented expansion across the country with billions of funds being poured into hotel projects. Despite the pandemic, investment of Rs 13.48 billion and Rs 26.51 billion was made in 2020/21 and 2021/22 respectively as investors saw huge potential in the hospitality sector. The lending from banks and financial institutions (BFIs) to the hotel sector surged by 28% and 10% in 2020/21 and 2021/22 respectively.

The number of *star and non-star hotels surged from 1,289 in 2019 to 1,345 in 2021 with daily bed capacity rising to 48,412 from 43,999* during the same period. Additionally, the number of travel & trekking agencies, tour & trekking guides, rafting agencies etc. also increased by an average of 5%.

‘Visit Nepal 2020’ had to be cancelled due to rising covid cases in and around the world. It was expected that operation of both the airport will boost tourism and hence, benefit hotel industry of the country. But due to lack of international airlines in both the airport, absence of proper marketing and branding of Bhairahawa airport and recent flight crash near Pokhara airport, these airports failed to observe tourists’ arrival as expected.

Hotels and Tourism Index

The sector index stands at 3159.86 as of 6th April 2023. It reached its 52 weeks high level of 3400 in January 2023, but since then the sector is moving sideways in between 3000 and 3200 level. It observed its lifetime high of 4,100 in the

beginning of April 2021 following the listing of Chandragiri Hills Limited that shoot up the value of index in a month.

At present, 5 companies are listed in NEPSE under the Hotel & Tourism Sub-Indices.

4. Taragaon Regency Hotels Ltd. (TRH)

Started in August 2000, TRH *operates under the brand ‘Hyatt Regency Kathmandu’ which is a luxury 5-star hotel in Kathmandu valley*. The hotel is built on 37 acres land and is created in the traditional Newari style architecture. It has **280 rooms and suites** and employs 400 workers. The hotel provides numerous amenities like spa, fitness center, on-site restaurant, swimming pool, playground and casino. Its occupancy rate increased from 5.8% in 2020/21 to 31% in 2021/22.

5. Oriental Hotel Limited (OHL)

OHL, Radisson Hotel, Kathmandu *is a 5-star hotel* incorporated in January 1994 went public on July 1999. It has **260 rooms and suites**. It provides several facilities such as rooftop swimming pool, fitness center, tranquility spa, 24-hour Casino and six on-site restaurants and bar options. The occupancy rate of OHL decreased from 32.97% in 2019/20 to 2.6% in 2020/21.

6. Soaltee Hotel Limited (SHL)

Premier 5-star deluxe hotel, SHL was established in 1965 and inaugurated by the Late King Mahendra Bir Bikram Shah Dev on November, 1966. It is spread over 12 acres and has **289 rooms including 7 suites**. It is the first hotel to attract foreign investment from the Oberoi Hotels Private Limited in 1969. SHL listed its stocks in NEPSE in 1993, becoming the



first hotel in Nepal to get its shares listed on exchange. The hotel offers specialty restaurants and lounge, fitness center, salon, spa, swimming pool and tennis court. Its occupancy rate surged by 18.83% to 35.44% in 2021/22 compared to last FY. Unlike other hotel scrip, *the par value of SHL is Rs.10.*

4. 'Chandragiri Hills Limited (CGH)

Located 7 km from Thankot, Kathmandu at a height of 2551 meters, CGH soft opening was organized in August 2016, followed by grand inauguration in December 2016 by then PM Pushpa Kamal Dahal. *CGH has cable cars, 100-room resort, adventure park, zipline, view tower, Baleswor Mahadev temple, restaurants & bars and natural history exhibition gallery.* Its shares were listed in NEPSE on Feb 2021.

5. Kalinchowk Darshan Limited (KDL)

KDL promotes Kalinchowk Bhagwati temple located at an altitude of 3,842 meters from the sea-level at eastern hilly region of Dolakha district. With hike of one and half hour or five minutes of cable car ride from Kuri village, one can reach Kalinchowk Bhagwati temple. *KDL also operates cable car, fun park, hotel and resort.* On 22 March 2023, KDL shares got listed on NEPSE.

City Hotel Limited owns a 5-star hotel under the Brand Name "Hyatt Place" in Kathmandu. The Hyatt Place, Kathmandu is operating at 10 Ropani land located at Red Cross Road, Soalteemode. The hotel has **153 rooms, and 3 suites.** *City Hotel Ltd. (at times of writing this report) has issued the IPO shares to Migrant workers and is in the process of issuing IPO to the General Public. This will result to six companies listed in the Hotels & Tourism Sub-Indexes in NEPSE.*

The table below provides the fundamental highlights of the listed 5 scrips under the Hotel & Tourism Sub-Indices:

Particulars	TRH	OHL	SHL	CGH	KDL
Paid-up value (Rs. mn)	1,886.7	1,128.1	842.6	1,534.1	600
Promoter: Public shareholding	30.85:69.15	70:30	85:15	88:12	80:20
LTP (06/04/2023)	459.9	538.9	234.8	1,104.4	311.8
52 weeks high-low	507-302.1	602.6-413.8	252.6-186.7	1,487-900.2	311.8-134.4
180 days average	379.7	496.3	216.2	1,094.8	-
Last dividend year	2078-79	2075-76	2078-79	-	-
Cash and bonus dividend (%)	8.42/ 0	10.79/ 5	21.32/ 5	-	-



Particulars	TRH	OHL	SHL	CGH	KDL
Q2 2022/23 net profit (Rs. mn)	106.2	36.6	251.4	51.5	-
Q2 2021/22 net profit (Rs. mn)	-1.3	-80	40	-5.9	-
EPS Q2 2022/23 (Q2 2021/22)	5.63 (-0.07)	3.24 (-7.09)	2.98 (0.58)	3.36 (-0.38)	-
BVPS Q2 2022/23 (Q2 2021/22)	133.08 (116.15)	180.49 (172.34)	23.51 (17.58)	77.64 (72.72)	-

TRH, OHL, SHL and CGH has reported substantial net profits in the Q2 FY 2022-23 in contrast to the same period last year. Though revenue and profits are rising as tourism activity is gradually reviving, the number of tourists is too less to fill the rooms of the hotels compared to pre-covid period. Also, the recent ban imposed by government on April 26, 2022 on 10 goods classifying them as luxury items included products consumed by hotels such as liquors, cigarettes and tobacco products leading to shortage of goods in hotel impacting their revenue. The ban got lifted on Dec. 6, 2022.

Closing Remark

Hottel and Tourism industry is recovering slowly from the impact of Covid-19 pandemic as evident from the rise in the number of tourists and increase in hotel's net profit. Government is taking steps to revive and aid the sector by promoting country through Nepal Tourism Decade (2023-2032), providing business continuity loan, waiving annual license & renewal fee, developing hills stations for adventure activities and upgrading trekking trails. Given the number of international airlines increases in the recently opened two international airports (at Pokhara and Bhairahawa), it will also benefit the industry in the coming years. We perceive that the hotel and industry sector will experience growth owing to factors cited above. However, our anticipation of thriving hotel and tourism sectors may be compromised by the shortfall in tourist arrival numbers (than anticipated) due to upsurge in covid cases, actualization of global severe recession, rising global inflations, ban on independent solo-trekking, business (hotel & tourism) failure and shutdown due to no recovery of losses (produced by Covid-19), higher interest burden, etc. all acting as headwinds.

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