VIS
Credit Rating Company Limited

AVARI HOTELS (PVT.) LIMITED

Analyst:
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RATING DETAILS

Ratings Category	Latest Rating	Previous Rating
	Long-term	**Long-term**
Bank Loan Rating	AA (BLR)	AA (BLR)
Rating Outlook/ Watch	Stable	Stable
Rating Action	Reaffirmed	Reaffirmed
Rating Date	September 22, 2026	August 01, 2025

Shareholding (5% or More)	Other Information
Beach Luxury Hotel Limited – 85%	Incorporated in 1968
Avari International Hotels – 12%	Private Limited Company
	Chairman of the Board/CEO: Mr. Dinshaw B. Avari
	External auditors: Kreston Hyder Bhimji & Co.

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The reaffirmation of the 'AA BLR' Bank Loan Rating reflects the credit enhancement provided by the financing structure. Unilever Pakistan Limited (Unilever), a subsidiary of Unilever PLC, which carries an international long-term rating of 'A+' by Standard & Poor's, is a long-term tenant of Avari Hotels (Private) Limited (AHPL). Under the financing structure, Unilever remains contractually responsible for servicing all principal and markup obligations of the facility extended to AHPL. The last annual installment of PKR 810mn is scheduled to be paid in May 2027, against the total facility of PKR 4.3bn.

While maintaining the two flagship 5-star hotels in Karachi and Lahore, AHPL's growth strategy remains focused on expanding through the middle tier Xpress hotels across various cities. The lean business model is agile to roll out, well-positioned to capture both upscale corporate and family travelers' niche, while insulating itself from the high capex cycle associated with expanding the 5-star hotels. The profitability position and capitalization remain sound.

Company Profile

Avari Hotels (Private) Limited was incorporated in Pakistan on September 25, 1968 as a private limited company. The Company owns and manages two five-star hotel properties in Pakistan: Avari Towers Karachi and Avari Lahore. Its core operations comprise room rentals, sale of food and beverages, banquet services, event hosting, and other related hospitality services. To cater to the mid-market segment, the Company also operates leased properties under the Avari Xpress brand in Islamabad, Multan, Faisalabad, Lahore, Gilgit and Skardu along with Avari Boutique Multan. In addition, the Company owns and operates Avari Plaza Karachi and Avari Plaza Lahore, which generate rental income through leasing of commercial office space on both short term and long-term basis.

Management and Governance

Board & Senior Management

Mr. Dinshaw B. Avari is the Chief Executive Officer of Avari Hotels (Private) Limited and is a member of the Avari family, which owns and operates the Avari Group. He has been actively involved in the Group's hospitality business and oversees the management and strategic development of its hotel operations in Pakistan.

Mr. Xerxes B. Avari is a Director of Avari Hotels (Private) Limited and has been associated with the Group’s hospitality business for several years. He brings considerable experience in the sector and is involved in overseeing the Company’s operations and business affairs.

The Board of Directors of Avari Hotels (Private) Limited comprises five members from the sponsoring family with extensive experience in the hospitality industry and provides strategic oversight of the Company's operations and long-term growth initiatives.

Industry Profile & Business Risk

Pakistan’s hospitality sector is witnessing a gradual recovery following a challenging operating environment in recent years, supported by easing inflation and improving economic activity. The tourism market is projected to grow at a CAGR of 11.1% through 2031, with domestic travelers remaining the primary demand driver, accounting for 90.9% of tourism activity in 2025. Meanwhile, international tourism is expected to expand at a faster pace, with arrivals projected to grow by 12.1% through 2031, supported by improving travel accessibility and infrastructure. Recent developments are supporting the sector’s medium-term growth prospects. Online visa services have been expanded to 192 countries, while infrastructure improvements, including the New Gwadar International Airport and upgrades to the Karakoram Highway, are improving connectivity to key tourism destinations. Accommodation services and MICE tourism are also expected to remain key growth areas, supporting demand for quality hotels in major business and tourism centers. Islamabad alone faces an estimated 4,000-room shortfall, indicating capacity constraints in the premium accommodation segment.

Despite the improving demand outlook, business risk remains exposed to security conditions, macroeconomic volatility and operating cost pressures, particularly utilities, food and payroll. Currency volatility also affects imported inputs and equipment, while security concerns in parts of Balochistan and southern KP continue to constrain tourism potential. Overall, the sector outlook has improved, with rising tourism activity and limited quality accommodation providing growth opportunities; however, industry risk remains moderate, given the sector’s sensitivity to economic conditions, security perceptions and cost inflation.

Bank Loan Rating

AHPL mobilized a PKR 4.3 billion financing facility from Meezan Bank Limited and Industrial & Commercial Bank of China Limited, which was disbursed in October 2019. One of AHPL's tenants in Karachi Corporate Plaza, Unilever Pakistan Limited (Unilever), has undertaken to service all principal and markup obligations in lieu of advance rental payment to AHPL through a Tripartite

Agreement among the lenders, AHPL and Unilever. The financing is additionally secured by a charge over AHPL's assets and personal guarantees of the sponsors.

All debt servicing payments are made directly into a lien-marked account maintained with the agent bank under irrevocable instructions to retire the outstanding debt as payments fall due. Principal repayments remain aligned with the agreed rental schedule, under which rental rates escalate by 10% annually. In accordance with the lease agreement between AHPL and Unilever, the lease will automatically renew upon completion of the initial 10-year term unless Unilever provides the required notice prior to expiry. Furthermore, in the event of a sale or transfer of Unilever's operations, the successor entity will assume all obligations under the existing lease agreement. Similarly, any sublease of a portion of the leased premises will not affect the financing arrangement, and Unilever will remain responsible for all obligations under the agreement until the expiry of the lease term.

Of the PKR 4.3 billion principal amount, AHPL has paid off PKR 3.5 billion till June 2026 with annual repayments while the last principal payment of PKR 810 million is scheduled to fall in May 2027.

Financial Risk

The repayment of the bank loan is supported by Unilever’s annual rental obligations to AHPL, mitigating repayment risk as the underlying business remains operational. The Company’s expansion strategy has enabled growth without significant capital expenditure, with investments largely focused on property renovations and the development of leased Xpress hotels. Accordingly, AHPL has maintained a contained gearing profile, supporting its ability to manage cash flow risks arising from cyclicality in the hospitality segment.

Renovation work at Avari Lahore is being undertaken in phases, while the Xpress Skardu property has been completed**. The** Company also plans to launch additional properties over the medium term and invest in solar energy to improve operating efficiency and support margins.

Leverage remained manageable during FY26, with funding requirements largely met through existing facilities and internal cash generation. Occupancy remained under pressure, reflecting the challenging operating environment. AHPL continues to focus on maximizing margins through a pricing strategy that prioritizes rate enhancement over occupancy. Despite some support from major sporting events, operations were affected by regional conflict-related disruptions during the latter part of FY26. Liquidity remained sound, supported by adequate short-term coverage and timely debt repayments.

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REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Avari Hotels (Pvt.) Limited
Sector	Hospitality (Miscellaneous)
Type of Relationship	Solicited
Purpose of Rating	Bank Loan Ratings

Rating History

Rating Date	Medium to Long Term	Rating Outlook/Watch	Rating Action
09-22-2026	AA (blr)	Stable	Reaffirmed
08-01-2025	AA (blr)	Stable	Reaffirmed
08-8-2024	AA (blr)	Stable	Reaffirmed
06-16-2023	AA (blr)	Stable	Reaffirmed
05-30-2022	AA (blr)	Stable	Reaffirmed
06-09-2021	AA (blr)	Stable	Reaffirmed
04-10-2020	AA (blr)	Stable	Final
09-17-2018	AA (blr)	Stable	Preliminary

Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Due Diligence Meeting Conducted

Name	Designation	Date
Xerxes Byram Avari	Director/Owner	20th August 2026
Saeed Ahmed Patel	CFO	