

PRESS RELEASE

GRAND CENTRAL HOTEL PRIVATE LIMITED

June 2024

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	803.00	IRN BB-	Assigned
Short Term Bank Facilities	30.00	IRN A4	Assigned
TOTAL	833.00		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned long term rating of IRN BB- (Double B Minus) to the long term bank facilities of NPR 803.00 Mn and short term rating of IRN A4 (A Four) to the short term bank facilities of NPR 30.00 Mn.

Detailed Rationale

The ratings assigned to Grand Central Hotel Private Limited (GCHPL) derive strength from strategic location of the project and the international brand affiliation with Wyndham Hotel Asia Pacific Company Limited. The ratings also factor in the promoter's prior experience in the hospitality industry, moderate financial progress of the project and government initiative and support towards tourism industry.

These rating strengths are however constrained by project implementation risk as reflected in the financial progress of ~53% as of mid-April 2024. The stabilization risk upon commissioning of the hotel project, given the highly competitive hotel industry also remains a rating concern. Moreover, the ratings also factor in the exposure to volatile interest rates and intense competition in the hospitality industry. Going forward, the ability of the company to complete the project within estimated time and cost and satisfactory operations thereafter will remain be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter and international brand affiliation

The company is promoted by a single shareholder Mr. Desh Bandhu Basnet, Chairman of AB Investment Holdings who has led project development and direct equity investment across diverse sectors including Hospitality & Tourism. The project has successfully finalized a licensing agreement with Wyndham Hotel Asia Pacific Company Limited for the use of brand name "Ramada by Wyndham Itahari Marg". Wyndham Hotel Group is one of the renowned hotel franchising companies with a global network of approximately 9,100 hotels across over 95 countries. This strategic partnership is anticipated to expand the project's brand value significantly, thereby enhancing its overall performance and market positioning.

Moderate financial progress and debt component already tied up

Out of total project cost of ~NPR 1,072 Mn, financial progress of ~53% has been achieved till mid-April 2024. The company is expected to soft launch its hotel by the second half of FY25, with full commercial operations expected to commence by FY26, which is expected to be first full year of operations. The debt component of the project funding has already been tied up in debt equity of ~75:25.

Locational Advantage

The hotel's strategic location, positioned in close proximity (approximately 30 kms) to the Indo-Nepal Border is expected to support the attraction of tourists from India, particularly for leisure,

entertainment, and wedding events. Furthermore, the hotel benefits from corporate establishments in the neighborhood to secure business opportunities for hosting various programs and events.

Key Rating Weaknesses

Project implementation risk

The company is setting up a hotel property at an estimated cost of ~NPR 1,072 Mn. As of mid-April 2024, the company has achieved ~53% financial progress with moderate stages of construction. The project is expected to complete in the second half of FY25 and commence its commercial operations by FY26. Timely completion and successful stabilization of operations thereafter will remain monitorable. Also, hotels generally require longer gestation period to recover the associated fixed costs and become profitable. Furthermore, demand risk is expected to moderate as the industry is highly fragmented owing to low entry barriers with minimum capital and technology requirement. Intense competition may continue to constrain scalability, pricing power and profitability.

Expected leveraged financial profile

The project is highly leveraged in terms of capital structure as reflected in the debt equity ratio of ~75:25 for the project with the estimated project cost of ~NPR 1,072 Mn. Revenue levels are expected to remain in moderate levels until the hotel achieves stability as the project is majorly funded through debt.

Intense competition with limited segment and geographic diversification

The hotel industry is fragmented in nature with the presence of large number of organized and unorganized player across various regions, which increases the stabilization risk for the new hotel industry. The proposed hotel project will be a single property in Itahari, hence its geographic and market sector diversification remains low. As the hotel industry is largely dependent upon the arrival of foreign tourist, GCHPL's capacity to compete with the existing players once operational, remains to be seen.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

Grand Central Hotel Private Limited (GCHPL) is a special-purpose-vehicle that owns and propose to operate a 5-star hotel in Itahari, Sunsari with a total of 80 keys. The company has entered into licensing agreement with Wyndham Hotel Asia Pacific Company Limited for operating hotel under the brand name of "Ramada by Wyndham Itahari Pashupati Marg". The company is fully owned by Mr. Desh Bandhu Basnet, Chairman of AB holdings. The project has already achieved more than 50% of the financial progress till mid-April 2024 and the debt component has also been tied up. The hotel is expected to be fully operational by the beginning FY26.

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities-Term Loan	Long Term	803.00	IRN BB-
Fund Based Bank Facilities-Working Capital (WCL)	Short Term	30.00	IRN A4
Total Facilities		833.00	



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About Infomerics Credit Rating Nepal Limited:

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