

PRESS RELEASE

MUNAL AND MAYUR WELLNESS RETREAT HOTEL PRIVATE LIMITED

September 2024

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	543.70	IRN BB-	Assigned
Short Term Bank Facilities	6.30	IRN A4	Assigned
Total	550.00		

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB- (Double B Minus) to the long term bank facilities of NPR 543.70 Mn and IRN A4 (A Four) to the short term bank facilities of NPR 6.30 Mn.

Detailed Rationale

The ratings assigned to bank facilities of Munal and Mayur Wellness Retreat Hotel Private Limited (MMWR) derives strength from experienced promoters and management team, and strategic locational advantage. The ratings also factor in partial operations of resort from June 27, 2024 and government initiative and support towards tourism industry.

However, the ratings are mainly constrained by project implementation and operation stabilization risk along with long gestation period associated with hospitality industry and intense competition. Going forward, the ability of the company to complete ongoing construction on time and satisfactory operations will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Board of Directors and management team

The company is managed under the overall guidance of its three-member Board of Directors (BoD) chaired by Mr. Lakpa Dhundup Lama. Mr. Lama has prior experience in hospitality sector through his other business ventures. Furthermore, the management team is led by Mr. Donald Cha, who has over 3 decades of experience in wellness industry. He is further supported by other team members across various functions.

Strategic locational advantage

The resort is located in Chitwan district of Nepal and has started partial commercial operations under brand name "Munal & Mayur Medical Wellness Retreat" from June 27, 2024 with 26 keys. The full operations are expected from September 2025. Guests staying at Munal & Mayur Medical Wellness Retreat can enjoy close proximity to several notable attractions and landmarks. Nepal's first national park - Chitwan National Park is located in Chitwan district. The national park is home to tigers, one-horned rhinos and elephants, making it a must-see destination for wildlife enthusiasts. The strategic positioning of the resort near the community forest, which is home to wildlife, is expected to bolster its occupancy rates.

Key Rating Weaknesses

Project implementation and operation stabilization risk along with long gestation period associated with hospitality industry

The resort commenced construction in August 2022 with an estimated cost of NPR 554 Mn. However, the cost increased to NPR 823 Mn mainly on account of structural changes to include wellness retreats. The remaining construction work is expected to complete within a year i.e., September

2025. Generally, hotels require longer gestation period to recover the fixed costs associated with it and become profitable. The implementation and funding risk associated the remaining project remains a concern. Hotel projects have long gestation period since construction and stabilization of operations take relatively longer period. Going forward, the ability of the company to timely secure the funds and complete construction work; and thereafter attract customers, maintain occupancy level, establish its brand and derive benefit from the hotel as envisaged will be crucial rating factor.

Expected leveraged financial profile and funding risk

The project is highly leveraged in terms of capital structure as reflected in the debt equity ratio of ~74:26 for the project with the estimated project cost of NPR 823 Mn. Revenue levels are expected to remain moderate until the resort achieves stability as the project is majorly funded through debt. Furthermore, the partial debt component for the escalated cost is yet to be tied up, leaving it vulnerable to funding risk.

Intense competition

The hotel industry in Nepal is fragmented with presence of numbers of organized and unorganized players, which increases the stabilization risk for new hotel industry. The proposed resort will be a single property in Chitwan; hence its geographic and market sector diversification remains low. However, some comfort is derived from the promoter's prior experience in hospitality and tourism sector. As the hotel industry is largely dependent upon the arrival of foreign tourist, MMWR'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:

Munal and Mayur Wellness Retreat Hotel Private Limited (MMWR) was incorporated on September 04, 2019 to construct operate a resort under brand name 'Munal & Mayur Medical Wellness Retreat' in Chitwan, Nepal. The project is a 36 keys resort including seven keys for villas. The company began its partial operations from June 2024 with 26 keys. The resort is expected to operate on full scale after completion of remaining construction work within a year i.e., September 2025. The major shareholder of the company is Mr. Lakpa Dhundup Lama, holding ~75% of shareholding of company as on Mid-July 2024.

Analyst Contacts

Mr. Girish Bhatta

+977-1-4583304/4585906

girish.bhatta@infomericsnepal.com

Ms. Samigya Acharya

Tel No. +977-1-4583304/4585906

samigya.acharya@infomericsnepal.com

Relationship Contact

Mr. Rabin Pudasaini

+977-1-4583304/4585906

rabin.pudasaini@infomericsnepal.com



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Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com

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