

PRESS RELEASE

HOTEL FOREST INN LIMITED

August 2025

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BB- (Is)	Assigned
Long Term Bank Facilities	2,112.16	IRN BB-	Assigned
Short Term Bank Facilities	50.00	IRN A4	Assigned
Total	2,162.16		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the issuer rating of IRN BB- (Is) [Double B Minus (Issuer)]. Issuer with this rating is considered to have a moderate risk of default regarding timely servicing of financial obligations.

Also, Infomerics Nepal has assigned the rating of IRN BB- (Double B Minus) to the long-term bank facilities of NPR 2,112.16 Mn and rating of IRN A4 (A Four) to the short-term bank facilities of NPR 50.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Hotel Forest Inn Limited (HFIN) derive strength from its experienced board of directors and professional management team, as well as the hotel's strategic location in Budhanilkantha, Kathmandu. The ratings further benefit from the company's operational tie-up with the globally renowned hospitality brand of 'Holiday Inn Resort' through a hotel management agreement with InterContinental Hotels Group (IHG). This affiliation is expected to enhance HFIN's brand positioning, marketing reach, operational systems, and overall guest experience. Further, the Government of Nepal's continued policy support to promote tourism provides a favorable support for the industry.

However, the ratings remain constrained by HFIN's modest financial performance during its early phase of operations, marked by high fixed costs and limited revenue generation resulting in operating losses. The ratings also remain constrained by the inherent risks of the hospitality industry, such as the need for operational stabilization, exposure to cyclical and seasonal fluctuations, and significant competition from both international and domestic players. Going forward, the company's ability to scale up operations, improve occupancy and profitability levels, and efficiently utilize IPO proceeds as envisaged will be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced board of directors and management team

HFIN is governed by five-member Board of Directors led by Ms. Binita Thapa, who brings over two decades of experience over different industries and holds leadership roles in Devi Hydropower Limited and Menchhiyam Hydropower Limited. The day-to-day operations are overseen by Mr. Ajay Kumar, General Manager, who brings with him over fifteen years of experience in the hospitality industry. The leadership is supported by a competent management team across key functions, contributing to structured operations and long-term business strategy.

Association with reputed hotel brand and strategic locational advantage

HFIN has entered into hotel management agreement with InterContinental Hotels Group (IHG) and operates under the international brand of 'Holiday Inn Resort' which is a large multinational mid-

scale hotel chain. As of March 31, 2025, IHG brand operates 6000+ hotels across 100+ countries being one of the preferred choices of world travelers. Under the hotel management agreement, HFIN gets marketing services, technology service, technical service, consultation services etc. from IHG. These services are likely to provide the company with added benefits of established service, large customer base, marketing assistance and already widespread brand name recognition to drive hotel guest bookings. Additionally, the hotel's location in Budhanilkantha, Kathmandu, being close to natural reserves and cultural landmarks positions it well for attracting both leisure travelers and corporate clients seeking retreats or short getaways.

Key Rating Weaknesses

Modest financial performance

HFIN's financial performance remains subdued owing to its nascent stage of operations. The hotel became partially operational from July 2024. In FY25, the company reported a Total Operating Income (TOI) of ~NPR 136 Mn, but EBITDA remained negative due to high operating leverage. Both PBT and PAT continued to remain in loss driven by high fixed overheads and elevated interest expenses stemming from majorly debt-funded capital expenditure. However, the capital structure remains moderately leveraged, with an overall gearing ratio of 1.52x and a Total Outside Liabilities/Tangible Net Worth of 1.68x as of mid-July 2025. The company's ability to ramp up revenue generation and move toward break-even will be a key credit monitorable.

Operational stabilization risk associated with hospitality industry

The hotel became partially operational from July 2024. With average occupancy level of ~26% in FY25, the hotel is yet to achieve operational stabilization therefore the need for effective risk management strategies to stabilize operations and achieve sustainable financial performance remains crucial. Further, the company's ability to attract customers, maintain a high occupancy level, establish a strong brand presence, and ultimately derive the intended benefits from the hotel is of vital importance.

Cyclical Trends and Intense competition

The hospitality industry in Nepal remains highly competitive with the presence of both local and international players offering varied pricing and service models. Moreover, hotel performance in Nepal is seasonal and sensitive to global travel trends, natural calamities, and geopolitical factors. As HFIN operates a single property, it has limited geographical and segmental diversification. Despite the support from an international brand and an experienced team, the company's ability to consistently attract guests and compete effectively in a saturated market remains a key monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Issuer Rating Methodology](#)
[Corporate Rating Methodology](#)

About the Company:

Hotel Forest Inn Limited, established on November 22, 2010, is operating a five-star hotel under the brand name of 'Holiday Inn Resort Budhanilkantha' in Budhanilkantha, Kathmandu. The hotel sprawled over ~1.24 hectare of land with total 104 keys. It commenced partial commercial operations from July 2024. As of mid-July 2025, Ms. Binita Thapa is the major shareholder holding ~32% stake in the company.

Financial Indicators (Standalone):

For the year ended* As on	FY25
	Unaudited
Total Operating Income (NPR Mn)	136

For the year ended* As on	FY25
	Unaudited
EBITDA Margin (%)	Neg.
Interest Coverage Ratio (x)	Neg.
Current Ratio (x)	4.33
Total Outside Liabilities/Tangible Net Worth	1.68
Overall Gearing Ratio (x)	1.52

*Classification as per Infomerics Nepal standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	2,112.16	IRN BB-
Fund Based Bank Facilities- Working Capital Loan	Short Tern	50.00	IRN A4
Total Facilities		2,162.16	

¹Letter of Credit/Bank Guarantee

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About Infomerics Credit Rating Nepal Limited:

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