

PRESS RELEASE**ASIAN HOTEL LIMITED****January 2026****Rating**

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB (Is)	Assigned

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

Detailed Rationale

The rating assigned to Asian Hotel Limited (AHL) derives comfort from the experienced promoters and management team, as well as the hotel's strategic linkage to Buddhist tourism, supporting demand. The Total Operating Income (TOI) improved in FY25, registering a CAGR of around 17% during FY23 to FY25, driven by higher room occupancy, which stood above 50% in FY24 and FY25 from around 37% in FY23. Revenue growth was supported by full operation of rooms, improved banquet occupancy, and rental income from casino operations. The capital structure strengthened, with the overall gearing ratio improving to 1.08x at the end of FY25 from 3.48x at the end of FY24 (3.08x at the end of FY23) supported by equity infusion by promoters in FY25. The property's advantageous location and the favorable growth outlook for Nepal's tourism and hospitality industry in the long term, supported by government initiatives to promote tourism and attract visitors provides some comfort.

However, the rating remains constrained by the operational stabilization risk inherent to the hospitality industry. The rating also takes note of the moderate financial performance and moderation in debt coverage indicators, characterized by net loss in FY25, primarily due to one-time tax expense arising from a change in control of the entity under section 57 of the Income Tax Act, 2058 where all the assets and liabilities of the company are deemed to be disposed of at market value and any unrealized gains are taxed. The rating also factors the recent riots and incidents of vandalism at various hotel properties which have weakened sentiment towards the hospitality sector and may have a medium-term impact on the industry, given that it is heavily dependent on tourist influx. Going forward, AHL's ability to stabilize operations, improve profitability, enhance occupancy levels, and ensure timely completion of IPO issuance and utilization of IPO proceeds as envisaged will be key rating sensitivities.

Detailed Description of Key Rating Drivers**Key Rating Strengths****Experienced promoters and management team**

AHL is managed by a six Board of Directors (BoD) led by its Chairman, Mr. Paras Adhikari who brings cross industry experience. The Board comprises professionals with diverse experience including investment, cement, hospitality, education, and trading businesses, providing balanced strategic oversight and industry knowledge. The hotel's operations are managed by Mr. Om Prakash Pandey, General Manager, who possesses over 25 years of experience in hotel operations and hospitality management. The BoD is further supported by a competent and experienced management team, which strengthens operational execution and supports the company's growth prospects.

Strategic locational advantage with the connection of Buddhism

AHL is located at Bhairahawa of Rupandehi district of Nepal. Guests staying at the hotel can enjoy close proximity to several notable attractions and landmarks. Visitors are attracted by Lumbini, a

UNESCO World Heritage site and a significant pilgrimage destination, within a short drive. Furthermore, the hotel is located nearby a scenic tourist destination- Palpa, with several religious and natural attractions. Given its close proximity to Indo-Nepal border and one of the three international airports of the country- Gautam Buddha International Airport, the hotel is expected to act as an incentive for tourists, especially Indian tourists, which is expected to bolster its occupancy rates.

Improving capital structure

AHL's leverage position improved significantly in FY25, with the overall gearing ratio improving to 1.08x as at the end of FY25 from 3.48x as at the end of FY24 (3.08x as at the end of FY23). However, debt coverage indicators remained constrained with DSCR moderating to 0.98x in FY25 from 1.66x in FY24, owing to the net loss during the year. The interest coverage ratio remained moderate at 1.39x in FY25, improved from 0.87x in FY24 and 0.36x in FY23, driven by improvement in EBITDA. Going forward, the capital structure is expected to improve with enhancement in the net worth base post proposed IPO issuance.

Key Rating Weaknesses

Operational stabilization risk associated with hotel industry

AHL commenced partial operation in July 2022 with 16 rooms and achieved full operational capacity of 66 rooms in January 2025, while capital expenditure is still ongoing. The hotel reported an average occupancy of around 37% in FY23, which improved to around 53% in FY24 with the addition of rooms, but moderated to around 50% in FY25 due to ongoing construction activities that restricted operational days. As 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. Moving forward, the successful stabilization of hotel operations, maintain a high occupancy level, establish a strong brand presence will be key monitorable factors.

Moderate financial performance

AHL's Total Operating Income (TOI) increased from NPR 66 Mn in FY23 to NPR 74 Mn in FY24 and further to NPR 104 Mn in FY25, registering a CAGR of around 17% during FY23 to FY25. Operating performance improved, with EBITDA margin rising to ~59% in FY25 from ~41% in FY24, supported by scale-up of operations, increase in room inventory, improved banquet occupancy, and rental income from casino operations. Despite the improvement, the company reported a loss in FY23, which improved to PAT of NPR 7 Mn due to higher revenue generation, better cost absorption. However, AHL reported a net loss in FY25, primarily on account of a one-time tax expense arising from a change in control under Section 57 of the Income Tax Act, 2058, where all the assets and liabilities of the company are deemed to be disposed of at market value and any unrealized gains are taxed. Further, the working capital efficiency moderated, with working capital turnover declined to 0.66x in FY25 from 0.96x in FY24 and 8.10x in FY23, primarily due to increase in inventory, receivables, and trade payables. Consequently, the operating cycle extended to 135 days in FY25 from 67 days in FY24 (negative in FY23), reflecting the impact of longer credit terms of the company.

Intense competition within the hospitality sector

The hospitality sector in Nepal faces significant competitive pressures due to the presence of numerous organized and unorganized players. Competition is also expected to intensify over time as both private investors and the government continue to prioritize the development of Nepal's tourism sector. Competition in the sector has also intensified due to relatively slow growth in demand vis-à-vis supply, resulting in a moderation of the operating metrics of the hotel properties. Given the high operating leverage of the hospitality business, the operating profitability could be adversely impacted vis-à-vis projected estimates for new properties.

Analytical Approach: Standalone

Applicable Criteria:

[Issuer Rating Methodology](#)

About the Company:

Asian Hotel Limited (AHL), previously Asian Buddha Hotel Private Limited, was incorporated on March 26, 2015 which later converted to public limited company on July 10, 2025. The company operates a four-star located at Siddharthanagar, Bhairahawa. The hotel sprawled over 42,636 square feet of land and has a total of 66 room keys. The hotel commenced its operation from July 17, 2022 in Bhairahawa. The major shareholders of the company are Mr. Paras Adhikari and Mr. Santosh Chaudhary, each holding ~14% stake in the company as on Mid-July 2025.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25
	Audited	Audited	Audited
Total Operating Income (NPR Mn)	66	74	104
EBITDA Margin (%)	21.65	41.47	58.57
Interest Coverage Ratio (x)	0.36	0.87	1.39
Current Ratio (x)	1.38	1.73	3.29
Overall Gearing Ratio (x)	3.08	3.48	1.08

*Classification as per Infomerics Nepal standards

Earnings before Interest Tax Depreciation Amortization (EBITDA)

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About Infomerics Credit Rating Nepal Limited:

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