

PRESS RELEASE

HOTEL EASTERN NEPAL LIMITED

June 2026

Ratings

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 Minus (Issuer)]. Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

Detailed Rationale

The rating assigned to Hotel Eastern Nepal Limited (HENL) derives strength from its experienced directors and management team, the project's strategic location near the Indo-Nepal border, and the finalized international branding association with Inter-Continental Hotels Group (IHG) to operate as Holiday Inn Express & Suites. The rating also factors in the project's steady advancement, with physical progress reaching 70%, and financial progress of ~58% as of April 2026. Furthermore, the rating takes into account the positive outlook of the tourism sector and significant government support.

These rating strengths are however constrained by project implementation risk, as full commercial operations have been elongated to mid-October 2026 from earlier planned soft launch of Mid-April 2026. The stabilization risk upon commissioning, given the highly competitive hospitality industry and the hotel's single-property nature, also remains a concern. Moreover, the ratings factor in the project's highly leveraged capital structure (debt-equity of 70:30) and exposure to volatile interest rates. Going forward, the ability of the company to complete the construction within the revised timeframe and cost, and to achieve operational stabilization thereafter, will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced directors and management team

HENL is governed by a three-member Board of Directors. The board brings diverse industry expertise, including an Independent Director with over 30 years of experience in the hospitality sector. The leadership is supported by a competent management team across various functions, contributing to structured operations and a long-term business strategy.

Strategic branding association and locational advantage

The project derives significant strength from its finalized association with the Inter-Continental Hotels Group (IHG) to operate under the international brand Holiday Inn Express & Suites. The proposed project is located in Dhulabari Chowk, Jhapa, a prime location for the hospitality industry. The region is strategically positioned along the East-West Highway, making it easily accessible for both domestic and international tourists. This location is in close proximity to key transportation hubs and major border crossings, which increases its appeal for travelers. Jhapa itself is a growing hub for tourism, and the project will cater to the increasing demand for high-quality hospitality services, offering a luxurious yet homely experience to visitors. The area around the project is known for its beautiful landscapes and is a gateway to various tourist destinations in both Nepal and India.

Key Rating Weaknesses

Project implementation risk albeit steady progress

The company is setting up a hotel property (branded as Holiday Inn Express & Suites - by IHG) at an estimated cost of ~NPR 3,269 Mn. As of May 05, 2026, the project has achieved 70% overall physical progress. Financial progress stood at ~58% out of the total estimated project cost of NPR 3,269 Mn as of late April 2026. The debt portion of NPR 2,288 Mn has been fully tied up in a debt-equity mix of 70:30. The project is now expected to commence full commercial operations by mid-October 2026, strategically timed before the Dashain festival, making FY27 its first year of operation. Timely completion and successful stabilization of operations remain monitorable, particularly as hotels generally require a longer gestation period to recover fixed costs. While demand risk is expected to be managed through the international IHG branding, the industry remains fragmented, owing to low entry barriers with minimum capital and technology requirement, with intense competition that may impact long-term pricing power.

Expected leveraged financial profile

The project is highly leveraged in terms of capital structure as reflected in the debt equity ratio of ~70:30 for the project with the estimated project cost of ~NPR 3,269 Mn. Revenue levels are expected to remain moderate until the hotel operations stabilize, which may result in stretched liquidity during the initial years of operation. Furthermore, the company faces exposure to volatile interest rates, although recent policy shifts for long-term fixed-rate loans for the tourism sector may offer future mitigation.

Intense competition with limited segment and geographic diversification

The hotel industry in Nepal is fragmented, with a high presence of both organized and unorganized players, which increases stabilization risks for new properties. HENL's project will be a single property located in Jhapa, resulting in low geographic and market sector diversification. The hotel will face direct competition from existing high-end properties in the immediate vicinity. As the industry is largely dependent on foreign tourist arrivals, HENL's capacity to successfully compete and maintain healthy occupancy rates once fully operational remains a key monitorable factor.

Analytical Approach: Standalone

Applicable Criteria:

[Issuer Rating Methodology](#)

Past Rating Rationale:

[Hotel Eastern Nepal Limited: Bank Facilities Rating Assigned](#)

About the Company:

Hotel Eastern Nepal Limited (HENL) is a special-purpose-vehicle that owns and propose to operate a 5-star hotel in Mechinagar, Jhapa with a total of 98 keys under the brand Holiday Inn Express & Suites - by IHG. The company is majorly promoted by an institutional promoter while the remaining shares are held by individual promoters.

Analyst Contacts

Mr. Utshav Bikram Malla

Tel No. +977-1-4583304/4585906

utshav.malla@infomericsnepal.com

Ms. Neha Tamrakar

+977-1-4583304/4585906

neha.tamrakar@infomericsnepal.com



Infomerics Credit Rating Nepal Limited

Relationship Contact

Mr. Rabin Pudasaini

Tel No. +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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