PRESS RELEASE

LUMBINI PALACE RESORT LIMITED

July 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank facilities	5,292.99	IRN BB	Assigned
Short Term Bank Facilities	203.94	IRN A4	Assigned
Total	**5,496.93**		

Details of facilities are in Annexure-1

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB (Double B) to the long term bank facilities of NPR 5,292.99 Mn and IRN A4 (A Four) to the short term bank facilities of NPR 203.94 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Lumbini Palace Resort Limited (LPR) derives strength from its experienced directors and management team and the Long Term Hotel Management Agreement (HMA) with Marriott International for development and operation of Lumbini Marriott Resort and Spa. The ratings also factor in the small albeit improving financial performance as evident from a CAGR of ~22% in TOI during past financial years ending FY25 and a healthy EBITDA margin across the same period. Furthermore, the ratings take comfort from improving capital structure as reflected in the overall gearing ratio of ~1.28x as of mid-July 2025 from ~2.67x in FY24 and further improved to ~0.25x as of mid-May 2026, owing to the strengthening of TNW (Tangible Net Worth). The ratings also factor in moderate coverage metrices reflected in an interest coverage ratio of 1.74x as of mid-July 2025 (1.33x in FY24) and 1.61x as of mid-May 2026. Likewise, DSCR also improved to 1.64x as of mid-July 2026 against 1.30x in FY24. The ratings further derive strength from its strategic location near Indo-Nepal border and Gautam Buddha International Airport along with proximity to Lumbini, a UNESCO World Heritage Site, which is expected to drive domestic and international tourist footfall.

These rating strengths however are constrained by project implementation risk associated with the company's under construction Lumbini Marriott Resort and Spa, which has achieved ~45% physical and ~35% financial progress as of mid–May 2026. The ratings are further constrained by the pending financial closure of the debt requirement, exposing the project to funding risks. Additionally, LPR remains exposed to the cyclic trends and intense competition in Nepal's hospitality industry, particularly in a premium and luxury hotel segment thereby exerting pressure on occupancy levels and profitability. The company's ability to achieve timely financial closure, complete the project within envisaged cost and timeline and successfully stabilize operations upon commencement will remain key sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced board of directors

The ratings derive strength from LPR's experienced Board of Directors and professional management team. The Board is chaired by CA. Deepak Pandey, former President of the Association of Chartered Accountants of Nepal (ACAN), who possesses extensive experience in banking, finance, hospitality, and corporate governance. The Board is further strengthened by CA. Roshan Kumar Neupane, former Chief Executive Officer of NIC Asia Bank Limited, along with other directors having significant experience across banking, insurance, and business management. The company is also supported by a professional management team with expertise in the various sectors.

Strategic location supported by strong brand association

The ratings derive strength from the project's strategic location and its association with Marriott International. The proposed Lumbini Marriott Resort & Spa is strategically located in Siyari Rural Municipality, Rupandehi, within the Lumbini tourism corridor, with close proximity to Lumbini, a UNESCO World Heritage Site, Gautam Buddha International Airport and the Indo - Nepal border at Sunauli. The location is expected to provide a sustainable demand base from domestic and international tourists and religious pilgrims. Further, the long-term Hotel Management Agreement (HMA) with Marriott International is expected to enhance the project's market positioning through access to Marriott's global reservation platform, Bonvoy loyalty network, internationally recognized brand standards, and operational expertise. The combined advantage of a strategically located asset and affiliation with a globally established hospitality brand is expected to support healthy occupancy levels, strong average room rates (ARR), and stable operating performance over the medium term.

Improvement in capital structure albeit moderate coverage indicators

The capital structure of LPR improved significantly during FY25, characterized by an overall gearing ratio of ~1.28x as of mid-July 2025 (FY24: ~2.67x; FY23:3.84x), which further improved to ~0.25x as of mid-May 2026. The improvement was primarily driven by strengthen of company's tangible net worth (TNW) base following substantial equity infusion and advance share capital. Similarly, the TOL/TNW ratio moderated to ~1.35x in FY25 (FY24: ~2.76x; FY23: 3.91x) and further improved to ~0.30x as of mid-May 2026, reflecting an improved solvency profile. The interest coverage ratio improved to ~1.74x in FY25 (FY24: ~1.33x; FY23: ~1.18x) primarily due to lower interest expenses and stood at ~1.61x as of mid-May 2026. Likewise, the DSCR improved to ~1.64x in FY25 from ~1.30x in FY24 (FY23: 1.19x), albeit remaining at a moderate level.

Small albeit improving financial performance

The company's total operating income (TOI) has reached ~NPR 141 Mn in FY25 from ~119 Mn in FY24 (~NPR 72 Mn and ~NPR 101 Mn as of FY22 and FY23 respectively), exhibiting a healthy growth trend, registering a CAGR of ~22% during FY22–FY25, supported by the recovery in tourism activities and improved contributions from the accommodation and banquet segments. However, the EBITDA margin moderated to ~44% in FY25 (FY24: ~55% and FY23: ~54%) due to higher procurement costs following the reduction in in-house agricultural production. Nevertheless, the PAT margin improved to ~11% in FY25 (FY24: ~4%), supported by higher scale of operations and lower interest expenses. Consequently, Gross Cash Accruals (GCA) improved to ~NPR 26 Mn in FY25 (FY24: ~NPR 16 Mn), indicating improved internal cash generation. The company recorded TOI of NPR 145 Mn during 10MFY26 with EBITDA margin of ~44%. The company's ability to complete its expansion project and subsequently scale operations remain crucial.

Key Rating Weaknesses

Implementation risk

The company is setting up a hotel property at an estimated cost of ~NPR 10,997 Mn. As of May-end 2026, the company has achieved ~35% of financial progress and ~45% of physical progress and the first phase of project (with 200 number of bays) is expected to commence its full commercial operations from January 2027 and overall project (with 450 number of bays) by FY30. 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. Timely completion and successful stabilization of operations thereafter will remain monitorable.

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. Despite the support from an international brand and an experienced promoter, the company's ability to consistently attract guests and compete effectively in a saturated market remains a key monitorable.

Analytical Approach: Standalone

Applicable Criteria:
[Corporate credit rating methodology]

About the Company:
Lumbini Palace Resort Private Limited was established on December 24, 2018 as a private limited company. The company was later converted to public limited company on December 08, 2025 and consequently changed its name to Lumbini Palace Resort Limited (LPR). LPR has entered into hotel management agreement with Marriott International and will operate a hotel under brand name 'Lumbini Marriott Resort and Spa' after successfully completion of a project. The major shareholder of the company is Terras Ink Company Private Limited, holding 12.15% of shareholding of the company as on mid-May 2026.

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24	FY25	10MFY26
	Audited	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	72	101	119	141	145
EBITDA Margin (%)	25.50	53.93	55.07	44.74	43.34
Interest Coverage Ratio (x)	0.59	1.18	1.33	1.74	1.61
Current Ratio (x)	1.18	6.90	0.90	1.68	2.56
Total Outside Liabilities/Tangible Net Worth (x)	5.33	3.91	2.76	1.35	0.30
Overall Gearing Ratio (x)	4.89	3.84	2.67	1.28	0.25

**Classification as per Infomerics Nepal standards*
Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure 1: Details of Facilities:

Name of Instruments/ Facilities	Types of Facilities	Amount (NPR Mn)	Rating
Long Term Bank Facilities - Term Loan	Long Term	750.00	IRN BB
Long Term Bank Facilities – Term Loan (Proposed)	Long Term	4,542.99	IRN BB
Short Term Bank Facilities – Working Capital Loan	Short Term	103.94	IRN A4
Short Term Bank Facilities – Working Capital Loan (Proposed)	Short Term	100.00	IRN A4
Total		**5,496.93**	

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About Infomerics Credit Rating Nepal Limited:
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