PRESS RELEASE

HOTEL LHASA INTERNATIONAL PRIVATE LIMITED

August 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Long Term Bank Facilities	2,019.00 (reduced from 2,084.47)	IRN BB	Reaffirmed
Short Term Bank Facilities	5.10 (enhanced from 6.77)	IRN A4	Reaffirmed
Total	**2,024.10**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB (Double B) to the long-term bank facilities of NPR 2,019.00 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 5.10 Mn.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Hotel Lhasa International Private Limited (HLIPL) derive comfort from the company's experienced promoters and professional management team, as well as the hotel's strategic location in Lazimpat, Kathmandu. The ratings also factor in the company's association with a globally recognized hospitality brand, "Dusit Princess", under a hotel management agreement with Dusit Overseas Company Limited. This international affiliation is expected to support guest inflow, operational efficiency, and long-term positioning. Furthermore, the Government of Nepal's continued policy support to boost tourism provides a favorable industry backdrop.

However, the ratings remain constrained by HLIPL's modest financial performance, given its nascent stage of operations, with pressure from high fixed costs and elevated debt levels. The ratings also consider the inherent risks associated with stabilizing new hospitality projects, including cyclicality, seasonality, and intense market competition. Going forward, the company's ability to achieve operational stabilization, improve occupancy levels and profitability margins, and strengthen its capital structure will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter and management team

HLIPL is promoted by individuals with extensive experience in the tourism and hospitality sector. The Board of Directors is led by Mr. Dorje Gyaltsen Lama, who has been involved in hotel development and operations for over two decades and has successfully promoted other hospitality ventures in Nepal. The day-to-day operations are overseen by Mr. Sameer Banerjee, Cluster General Manager, who brings with him over two decades 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

HLIPL has entered into hotel management agreement with Dusit Overseas Company Limited and operates under the international brand of 'Dusit Princess' which is a large multinational mid-scale hotel chain. As of March 2026, Dusit International had over 77 years of experience in the hospitality industry, with a global portfolio of approximately 290 hotels, resorts, and luxury villas across 18 countries, representing more than 11,800 rooms under nine brands. The agreement provides HLIPL with marketing, operational, technical, and management support, which enhances service quality, customer trust, and global visibility. The hotel is located in Lazimpat, a prominent location in Kathmandu with close proximity to tourist attractions, cultural landmarks, and Tribhuvan International Airport, making it an attractive destination for both international and domestic travelers.

Key Rating Weaknesses

Modest financial performance, given limited operational track record
HLIPL commenced commercial operations in July 2023 and reported Total Operating Income (TOI) of ~NPR 338 Mn and EBITDA of ~NPR 40 Mn in FY24. However, PBT and PAT remained negative, primarily due to elevated finance costs and depreciation associated with debt-funded capital expenditure. In FY25, the company's operating performance improved, with TOI increasing to ~NPR 437 Mn and EBITDA rising to ~NPR 122 Mn, supported by higher room and food revenues, which contributed ~46% and ~38% of total revenue, respectively. The EBITDA margin improved significantly to ~28% in FY25 from ~12% in FY24, reflecting better occupancy and improved operating efficiency. In 11MFY26, HLIPL recorded TOI of ~NPR 402 Mn and EBITDA of ~NPR 118 Mn. However, PBT and PAT continued to remain negative due to the high interest and depreciation burden.

Leveraged Capital structure with stressed debt coverage indicators
HLIPL's capital structure remained leveraged, with the overall gearing ratio deteriorating to 3.91x as of mid-July 2025 from 3.83x in FY24, while the TOL/TNW ratio increased to 4.09x from 3.99x over the same period. However, in 11MFY26, the overall gearing and TOL/TNW ratios improved to 2.97x and 3.09x, respectively, supported by scheduled loan repayments, capital infusion, and the conversion of unsecured loans from directors into equity. Debt coverage indicators, however, continued to remain stressed, with DSCR below unity, indicating inadequate internal cash accruals to meet debt-servicing obligations. Nevertheless, the recent equity infusion provides some financial support. The interest coverage ratio improved from 0.20x in FY24 to 0.62x in FY25 and further to 0.83x in 11MFY26, reflecting a gradual improvement in debt-servicing capacity, although it remained modest.

Operational stabilization risk associated with hospitality industry
HLIPL commenced commercial operations in July 2023 and the average occupancy level improved from ~39% in FY24 to ~53% in FY25 and remained at ~52% up to May 2026, indicating gradual progress but still below industry optimal levels. The stabilization of a newly launched hotel typically takes time, and HLIPL continues to face pressure to ramp up room sales, streamline operating expenses, and build brand loyalty. Additionally, the company is developing a casino within the hotel premises, which is expected to begin operations from beginning of 2027. Timely completion of the casino and its smooth operations thereafter will remain key monitorable.

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 HLIPL 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:
Corporate credit rating methodology

Past Rating Rationale:
Hotel Lhasa International Private Limited: Bank Facilities Rating Assigned

About the Company:
Hotel Lhasa International Private Limited, established on December 15, 2013, is operating a five-star hotel under the brand name of 'Dusit Princess Kathmandu' in Lazimpat, Kathmandu. The hotel sprawled over ~2,553 sq. m. of land with total 107 room keys. It commenced full-scale commercial operations from July 2023. As of mid-June 2026, Mr. Dorje Gyaltsen Lama is the major shareholder holding ~49% stake in the company.

Financial Indicators (Standalone)

For the year ended* As on	FY24	FY25	11MFY26
	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	338	437	402
EBITDA Margin (%)	11.94	27.99	29.30
Interest Coverage Ratio (x)	0.20	0.62	0.83
Current Ratio (x)	1.64	1.11	1.47
TOL/TNW (x)	3.99	4.09	3.09
Overall Gearing Ratio (x)	3.83	3.91	2.97

**Classification as per Infomerics Nepal standards*
Earnings before Interest Tax Depreciation Amortization (EBITDA)
Total Outside Liabilities/Tangible Net Worth (TOL/TNW)

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	2,019.00	IRN BB
Fund Based Bank Facilities- Working Capital Loan	Short Tern	5.00	IRN A4
Non-Fund Based Bank Facilities- BG[1]	Short Term	0.10	IRN A4
Total Facilities		**2,024.10**	

[1]*Bank Guarantee*

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About Infomerics Credit Rating Nepal Limited:
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