PRESS RELEASE

GARIMA HOTEL LIMITED

September 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Issuer Rating	NA	IRN BB (Is)	Assigned
Long Term Bank Facilities	771.69	IRN BB	Assigned
Short Term Bank Facilities	20.00	IRN A4	Assigned
Total	**791.69**		

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 (Issuer)]. Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.
Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB (Double B) to the long-term bank facilities of NPR 771.69 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 20.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Garima Hotel Limited (GHL) derive strength from its experienced promoters and its association with the established "Soaltee" brand under the name "Soaltee Westend Itahari". The ratings also take into account the hotel's strategic location in Itahari, along the east-west Mahendra Highway and north-south Koshi Highway, with proximity to Dharan, Kakarbhitta and Biratnagar Airport, supporting accessibility. The ratings further factor in GHL's improving financial performance, with total operating income registering a CAGR of ~104% during FY23-FY26, accompanied by improvement in EBITDA margin and PAT turning positive in FY26. Further comfort is derived from the improvement in the company's capital structure, with the overall gearing ratio declining to 0.57x as of mid-July 2026 from 1.70x in FY25.

However, the ratings remain constrained by GHL's limited operational track record, given the nascent stage of its hotel operations, and the associated stabilization risks inherent in newly established hospitality properties marked by modest occupancy levels of 24% and 31% in FY25 and FY26. The ratings also factor in the company's stretched liquidity position, as indicated by the increase in working capital intensity to ~174% in FY26 from ~120% in FY25. Further, GHL remains exposed to the inherent cyclicality and seasonality of the hospitality industry, intense competition. Going forward, the company's ability to achieve operational stabilization, improve occupancy levels and profitability margins, efficiently manage its working capital requirements, strengthen its capital structure, and complete the proposed IPO issuance in a timely manner will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters

GHL benefits from the support of experienced institutional and individual promoters, with Stream Investment Company Private Limited being the largest shareholder, holding a 17.42% equity stake. The company is governed by a five-member Board of Directors (BoD) under the chairmanship of Mr. Bhim Bahadur Poudel, who has more than 36 years of experience across manufacturing, trading, services, and construction businesses. The Board is further supported by a competent and experienced management team, which strengthens operational execution and supports the company's growth prospects.

Association with "Soaltee" brand and strategic location advantage

The hotel is running under the name "Soaltee Westend Itahari" with franchise model with "Soaltee" brand. Soaltee Hotels and Resorts boast a rich 6 decades history and have been pioneers in Nepal's hospitality sector. Renowned for their dedication to quality, sustainability, and guest satisfaction, Soaltee Hotels and Resorts continue to set the standard for luxurious hospitality in Nepal. Further, Soaltee Hotels and Resorts operate several prestigious establishments in Nepal, including Soaltee Westend Nagarkot, The Soaltee Kathmandu, and The Soaltee Westend Premier Nepalgunj. This association is expected to increase traction and thereby improving occupancy. The hotel's strategic location in Itahari, ~25 km north of Biratnagar, ~16 km south of Dharan, and ~92 km west of Kakarbhitta, provides good connectivity to major commercial centers of eastern Nepal. Its location along the east-west Mahendra Highway and north-south Koshi Highway, along with proximity to Biratnagar Airport (~22 km), supports accessibility for business, leisure, and transit travellers, thereby aiding occupancy and revenue prospects. Further, the hotel is well-positioned to capitalize on demand from nearby corporate establishments. With its five-banquet hall facility, it has adequate capacity to host business events, conferences, and social functions, thereby supporting diversified revenue streams.

Average financial performance, given initial years of operation

GHL commenced hotel operations in a phased manner from April 2023, with full-fledged commercial operations starting from FY24. The company's financial performance remains average, considering the relatively nascent stage of operations, although it has demonstrated a strong improvement in scale, with revenue registering a CAGR of ~104% during FY23-FY26. Total Operating Income (TOI) increased substantially from ~NPR 3 Mn in FY22, when operations were at an initial phase, to ~NPR 207 Mn in FY26. Operating profitability has also improved, with EBITDA increasing to ~NPR 82 Mn in FY26 from ~NPR 23 Mn in FY25 and ~NPR 1 Mn in FY24, following operating losses in the preceding years. Revenue in FY26 was primarily driven by food and beverage operations, contributing ~47% of total revenue, followed by room revenue at ~24%. With the gradual stabilization and scale-up of hotel operations, both PBT and PAT have also turned positive, indicating an improving profitability profile.

Improving capital structure albeit modest debt coverage indicators

The company's capital structure improved significantly in FY26, supported by equity infusion and a reduction in overall debt levels. The overall gearing ratio improved to 0.57x in FY26 from 1.70x in FY25, while the TOL/TNW ratio moderated to 0.65x from 1.90x during the same period, reflecting lower financial leverage and a strengthened net worth position. Debt servicing indicators also improved, with DSCR turning positive at 1.05x in FY26 from negative levels in the preceding period. Similarly, the interest coverage ratio improved to 2.13x in FY26 from 1.80x in FY25, supported by improved operating profitability. However, debt coverage remains modest, as reflected by the DSCR remaining close to unity. Going forward, GHL's ability to sustain improvement in profitability, effectively manage operating costs, enhance occupancy levels, and withstand competitive pressures will remain key to maintaining adequate debt servicing capability and a healthy financial risk profile.

Key Rating Weaknesses

Limited track record of operation

The hotel commenced its commercial operations in April 2023 and is currently in the early stages of its operational lifecycle. In FY25, GHL generated revenue of ~NPR 129 Mn increased from ~NPR 96 Mn and reported revenue of ~NPR 207 Mn in FY26, with EBITDA of ~NPR 23 Mn in FY25 and ~NPR 82 Mn in FY26. The average occupancy level stood at ~24% in FY25 and ~31% in FY26. 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. 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.

Stressed liquidity profile

GHL's liquidity profile remained stressed, as reflected by the increase in working capital intensity to ~174% in FY26 from ~120% in FY25. The deterioration was primarily driven by an increase in the average collection period to 73 days in FY26 from 38 days in FY25, along with a rise in the average inventory holding period to 122 days from 94 days during the same period. The relatively high collection period is attributable to the company's focus on events and corporate clients, to whom it generally extends credit periods of 60-120 days. Meanwhile, the average creditors period declined to 116 days in FY26 from 181 days in FY25. Consequently, the operating cycle increased to 79 days in FY26 from negative 49 days in FY25, exerting additional pressure on liquidity. Going forward, efficient management of receivables and inventory, along with maintaining adequate supplier credit, will remain important for improving the company's liquidity position.

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:

[Corporate credit rating methodology]

About the Company:

Garima Hotel Limited (GHL), incorporated on November 20, 2012, operates a five-star hotel under the brand name "Soaltee Westend Itahari" in Itahari, Sunsari. The hotel is spread over ~6,091 sq. meters of land with total 77 room keys. GHL commenced partial commercial operations in April 2023. As of mid-August 2026, The Stream Investment Company Private Limited is the largest shareholder of the company, holding a 17.42% equity stake.

Financial Indicators (Standalone)

For the year ended* As on	FY23	FY24	FY25	FY26
	Audited	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	12	96	129	207
EBITDA Margin (%)	-115.49	1.45	17.64	39.73
Interest Coverage Ratio (x)	-0.17	0.03	1.80	2.13
Current Ratio (x)	0.49	1.27	1.58	4.72
Total Outside Liabilities/Tangible Net Worth (TOL/TNW) (x)	68.53	2.44	1.90	0.65
Overall Gearing Ratio (x)	61.90	2.22	1.70	0.57

**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- Long Term Loan	Long Term	771.69	IRN BB
Fund Based Bank Facilities- Short Term Loan	Short Term	20.00	IRN A4
Total		**791.69**	

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About Infomerics Credit Rating Nepal Limited:
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