PRESS RELEASE

HOTEL FOREST INN LIMITED

September 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BB- (Is)	Reaffirmed
Long Term Bank Facilities	1,920.52 (Decreased from 2,112.16)	IRN BB-	Reaffirmed
Short Term Bank Facilities	50.00	IRN A4	Reaffirmed
Total	**1,970.52**		

Details of facilities are in Annexue-1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the issuer rating of IRN BB- [Double B Minus (Issuer)]. Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.
Also, Infomerics Nepal has reaffirmed the rating of IRN BB- [Double B Minus] assigned to the long-term bank facilities of NPR 1,920.52 Mn and IRN A4 [A Four] assigned to the short-term bank facilities of NPR 50.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to Hotel Forest Inn Limited (HFIN) and its bank facilities derive strength from its experienced board of directors and professional management team, as well as the hotel's strategic location in Budhanilkantha, Kathmandu. The ratings further benefit from the company's operational tie-up with the globally renowned hospitality brand 'Holiday Inn Resort' through a hotel management agreement with InterContinental Hotels Group (IHG). This affiliation is expected to continue enhancing HFIN's brand positioning, marketing reach, operational systems, and overall guest experience. Further, the Government of Nepal's continued policy support to promote tourism provides a favorable backdrop for the industry.
However, the ratings remain constrained by HFIN's subdued financial performance during its early phase of operations, marked by high fixed overheads resulting in operating losses (Negative EBITDA of ~NPR 18 Mn in FY26) and net losses (Negative PAT of ~NPR 245 Mn in FY26). The ratings are also constrained by the inherent risks of the hospitality industry, such as cyclicality, seasonal fluctuations, and intense competition from domestic and international brands. While the successful deployment of NPR 400 Mn in IPO proceeds has partially deleveraged the capital structure (reducing overall gearing to 1.23x in FY26), solvency remains moderate. Going forward, the company's ability to further scale up average occupancy, achieve operational break-even and manage high interest costs will be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced board of directors

HFIN is governed by five-member Board of Directors led by Ms. Binita Thapa, who brings over two decades of experience over different industries and holds leadership roles in Devi Hydropower Limited and Menchhiyam Hydropower Limited. The Board of Directors is supported by an experienced management team.

Association with reputed hotel brand and strategic locational advantage

HFIN has entered into hotel management agreement with InterContinental Hotels Group (IHG) and operates under the international brand of 'Holiday Inn Resort' which is a large multinational midscale hotel chain. As of August 2026, IHG brand operates 7000+ hotels across 100+ countries being one of the preferred choices of world travelers. Under the hotel management agreement, HFIN gets marketing services, technology service, technical service, consultation services etc. from IHG. These services are likely to provide the company with added benefits of established service, large customer base, marketing assistance and already widespread brand name recognition to drive hotel guest bookings. Additionally, the hotel's location in Budhanilkantha, Kathmandu, being close to natural reserves and cultural landmarks positions it well for attracting both leisure travelers and corporate clients seeking retreats or short getaways.

Favorable Government policies towards hospitality sector
The Government of Nepal (GoN) has prioritized the tourism and hospitality sector as a key driver of economic growth, foreign exchange earnings, and employment generation. To encourage private investment, the GoN offers attractive tax incentives, such as income tax holidays and tax concessions for tourism-related industries. Furthermore, the central bank, Nepal Rastra Bank (NRB), has historically designated tourism as a productive sector, directing commercial banks to allocate a minimum portion of their advances to this sector to ensure favorable credit availability. These supportive policy frameworks, coupled with targeted national promotional campaigns, significantly strengthen the long-term growth and demand outlook for the Nepalese hospitality industry.

Key Rating Weaknesses

Operational stabilization risk associated with hotel industry
The hotel commenced phased operations with 68 rooms in July 2024, scaling to its full 104-room capacity by April 2025 and remains in its early stabilization phase. Consequently, robust marketing and risk management strategies are crucial to navigate high operating leverage, manage costs, and stabilize financial performance. Ultimately, the company's ability to build brand equity under the Holiday Inn Resort banner, attract a steady clientele, and maintain higher occupancy is vital to achieving long-term profitability.

Below average financial performance, given initial years of operation
HFIN's financial performance remains subdued as it navigates its early operational phase. In FY25, the hotel's first full year, Total Operating Income (TOI) stood at ~NPR 136 Mn, while the company booked operational losses with Negative EBITDA ~NPR 39 Mn due to high initial operating leverage. Consequently, HFIN recorded negative PAT of ~NPR 172 Mn, heavily impacted by elevated interest expenses from debt-funded capital expenditures. In FY26, TOI grew by ~40% to ~NPR 191 Mn and the EBITDA loss narrowed to negative ~NPR 18 Mn, although net losses reached ~NPR 245 Mn. The capital structure remains moderately leveraged; following the early 2026 IPO, the overall gearing ratio improved to 1.23x (down from 1.58x in FY25) and the TOL/TNW ratio strengthened to 1.43x (down from 1.77x). Going forward, HFIN's long-term sustainability depends on driving occupancy, managing fixed costs, and solidifying its market position.

Cyclical Trends and Intense competition
The hotel industry in Nepal is highly susceptible to cyclical trends and faces intense competition. Kathmandu, in particular, has a saturated market with a large number of both organized and unorganized hotel players. This overcrowding can lead to aggressive pricing strategies, which might reduce average room rates (ARRs) even during periods of increased tourism. Additionally, the sector's performance is closely tied to broader macroeconomic conditions, both domestically and globally, making revenue and occupancy levels vulnerable to market fluctuations.

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology & Corporate Rating Methodology

Past Rating Rationale:
Hotel Forest Inn Limited: Issuer Rating and Bank Facilities Rating Assigned

About the Company:
Hotel Forest Inn Limited, established on November 22, 2010, is operating a five-star hotel under the brand name of 'Holiday Inn Resort Budhanilkantha' in Budhanilkantha, Kathmandu. The hotel sprawled over ~1.24 hectares of land with total 104 keys. It commenced partial commercial operations from July 2024. As of mid-July 2025, Ms. Binita Thapa is the major shareholder holding ~32% stake in the company.

Financial Indicators (Standalone)

For the year ended* As on	FY25	FY26
	Audited	Unaudited
Total Operating Income (NPR Mn)	136	191
EBITDA Margin (%)	Negative	Negative
Interest Coverage Ratio (x)	Negative	Negative
Current Ratio (x)	1.42	1.50
Overall Gearing Ratio (x)	1.58	1.23
TOL/TNW (x)	1.77	1.43

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

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Rating
Fund Based Bank Facilities- Term Loan	Long Term	1,920.52	IRN BB-
Fund Based Bank Facilities- Working Capital Loan	Short Term	50.00	IRN A4
Total Facilities		**1,970.52**	

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About Infomerics Credit Rating Nepal Limited:
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information asymmetry among varied lenders and investors and facilitating borrowers/issuers to various fundraising opportunities/avenues. Infomerics observes and maintains ethical standards in its activities. For more information, visit https://infomericsnepal.com/

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