PRESS RELEASE

THE METROPOLITAN HOTEL LIMITED

November 2026

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	2,245.34 (enhanced from 1,894.05 Mn)	IRN BB	Reaffirmed
Short Term Bank Facilities	10.00 (reduced from 85.00 Mn)	IRN A4	Reaffirmed
Total	**2,255.34**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the rating of IRN BB (Double B) assigned to the long-term bank facilities of NPR 2,245.34 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 10.00 Mn.

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of The Metropolitan Hotel Limited (TMHL) factors in the completion of its first full year of commercial operations, with the company reporting total operating income of ~NPR 268 Mn in FY26. The ratings continue to derive comfort from the strong promoter profile, strategic location of the hotel, and its association with an internationally recognized hospitality brand through a management agreement with AAPC India Hotel Management Private Limited (Accor Hotels). The ratings further take into consideration the favorable long-term prospects of Nepal's tourism industry, supported by various government initiatives aimed at promoting tourism and strengthening hospitality infrastructure.

However, the ratings remain constrained by TMHL's below-average financial risk profile, characterized by its nascent stage of operations, leveraged capital structure, as reflected in an overall gearing ratio of 3.18x as of mid-July 2026, and subdued debt-servicing indicators, with both DSCR and interest coverage ratio remaining below unity. The ratings are further constrained by operational stabilization risks associated with the hotel's relatively short operating track record, coupled with exposure to the inherent cyclicality and seasonality of the hospitality industry and intense competition from established and upcoming hotels. Going forward, TMHL's ability to stabilize its operations, achieve and sustain healthy occupancy levels, improve average room realizations, and generate adequate cash accruals to meet its debt-servicing obligations, while strengthening its profitability and overall financial risk profile, will remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Support from established international hospitality brand and strong promoter group

TMHL has entered into an agreement with Accor group, which is one of the leading hotel chains in the world. The hotel constructed will be operated under Accor's 'Mercure' brand, which is one of the world's prominent mid-scale hotel brand. This partnership ensures the hotel operates under the 'Mercure' brand, enhancing its market presence and guest appeal. The company is backed by experienced leadership of Mr. Desh Bandhu Basnet, Chairman, who brings over 25 years of industry experience and has served as an executive member of various national and international committees. Similarly, Mr. Rajendra Raut, Director, possesses over 35 years of experience across various industries and has held executive roles in numerous national committees. Furthermore, the board of directors is supported by a strong management team with experience in relevant areas of business.

Strategic locational advantage

TMHL operates a hotel under the brand name "Mercure Kathmandu", which commenced full-fledged commercial operations on January 15, 2025, with a revised total project cost of ~NPR 3,217 Mn. Strategically located in Sukedhara, Kathmandu, the hotel benefits from its proximity to major commercial hubs, tourist attractions, and cultural landmarks within Kathmandu Valley, including several UNESCO World Heritage Sites. Further, its accessibility to Tribhuvan International Airport provides added convenience to both domestic and international travelers. The hotel's favorable location is expected to support its ability to attract business and leisure travelers, thereby facilitating occupancy growth and revenue generation over the medium to long term.

Key Rating Weaknesses

Below average financial profile, given its initial year of operation

TMHL commenced its soft opening in November 2024, followed by commercial operations on January 15, 2025, and reported Total Operating Income (TOI) of ~NPR 93 Mn in FY25. However, EBITDA, Profit Before Tax (PBT), and Profit After Tax (PAT) remained negative, primarily attributable to the initial stage of operations, coupled with elevated finance costs and depreciation expenses associated with debt-funded capital expenditure. The company's operating performance improved in FY26, with TOI increasing significantly to ~NPR 268 Mn and EBITDA turning positive at ~NPR 18 Mn, supported by increased revenue from room operations and food and beverage services, which contributed ~49% and ~37% of total revenue, respectively. Consequently, the EBITDA margin improved to ~6.66% in FY26 from a negative level in FY25, reflecting improved occupancy levels and better absorption of fixed operating costs. Nevertheless, PBT and PAT continued to remain negative owing to the relatively high interest and depreciation burden, constraining the company's overall financial profile.

Also, TMHL's capital structure remained leveraged, with the overall gearing ratio of 3.18x in FY26 and 3.22x in FY25 amid majorly debt funded project. However, the TOL/TNW ratio increased to 3.89x in FY26 from 3.54x in FY25, indicating continued pressure on the company's financial risk profile. Debt coverage indicators remained stressed, with the Debt Service Coverage Ratio (DSCR) and Interest Coverage Ratio remaining below unity, reflecting inadequate internal cash accruals to meet debt-servicing obligations. Nevertheless, the recent equity infusion provides some financial cushion. Going forward, the company's ability to improve profitability through higher occupancy levels, effective cost management, and gradual deleveraging, thereby strengthening its debt coverage indicators and overall financial risk profile, will remain a key rating monitorable.

Operational stabilization risk and long gestation period associated with hotel industry

The hotel started its soft opening from November 2024 with full commercial operations commenced from January 15, 2025. TMHL has demonstrated an improvement in its operational performance, with average occupancy increasing from ~19% in FY25 to ~41% in FY26, supported by a gradual increase in room demand. Consequently, room revenue increased significantly from ~NPR 33 Mn in FY25 (six months of operations) to ~NPR 131 Mn in FY26 (full year of operations). However, the ARR declined from ~NPR 9,141 in FY25 to ~NPR 8,350 in FY26, indicating pressure on room pricing amid efforts to improve occupancy levels. Although the hotel achieved a peak monthly occupancy of ~60% in June FY26, the occupancy levels have remained volatile, ranging between ~22% and ~60% during FY26. Despite the improvement, 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.

Intense competition with limited segment and geographic diversification

The hotel industry in Nepal are fragmented with presence of numbers of organized and unorganized players across Kathmandu. Further, impacted by the growing number of new hotels in the country as both investors and the government focus on the growth of the tourism sector. Competition in the sector has also intensified because of the 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. Also, the proposed hotel project will be a single property in Kathmandu, hence its geographic and market sector diversification remains low. As the hotel industry is largely dependent upon the arrival of foreign tourist, TMHL's capacity to compete with the existing players once operational, remains to be seen.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

Past rating rationale:
The Metropolitan Hotel Limited: Bank Facilities Rating Revised

About the Company:
The Metropolitan Hotel Limited (TMHL) was incorporated in July 2016 and later converted into public limited company in July 2024. TMHL is a special-purpose-vehicle that owns and operates a 5-star hotel in Sukedhara, Kathmandu offering a total of 105 keys. The construction of the hotel commenced in 2020 and full commercial operations of commenced from January 15, 2025. The total project cost stood at ~NPR 3,217 Mn. The company has ventured in to the hospitality sector with internationally renowned hotel chain Mercure by Accor and has entered into a comprehensive agreement AAPC India Hotel Management Private Limited (Accor Hotels) for operating under the brand name "Mercure Kathmandu". TMHL is a part of AB Holdings, where Mr. Desh Bandhu Basnet is the chairman holding majority (~50%) stake.

Financial Indicators (Standalone)

For the year ended* As on	FY25	FY26
	Audited	Unaudited
Total Operating Income (NPR Mn)	93	268
EBITDA Margin (%)	Neg.	6.66
Interest Coverage Ratio (x)	Neg.	0.13
Current Ratio (x)	0.35	0.69
Total Outside Liabilities/Tangible Net worth (x)	3.54	3.89
Overall Gearing Ratio (x)	3.22	3.18

**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-Term Loan	Long Term	2,245.34	IRN BB
Fund Based Bank Facilities-Working Capital	Short Term	10.00	IRN A4
Total Facilities		**2,255.34**	

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About Infomerics Credit Rating Nepal Limited:
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