Hotel Ichchha Limited: Rating reaffirmed

October 15, 2026

Summary of rating action

Facility	Rated Amount	Rating Action
Issuer Rating	NA	[ICRANP-IR] BB; reaffirmed

Rating action

ICRA Nepal has reaffirmed the issuer rating assigned to Hotel Ichchha Limited (HIL or the company) at [ICRANP-IR] BB (pronounced ICRA NP Issuer Rating Double B). Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.

Rationale

The rating reaffirmation primarily factors in expected improvement in HIL's operational/business profile after its affiliation (since April 02, 2026) with Lemon Tree Hotels Limited (LTHL) enabling HIL to use the 'Lemon Tree Premier[1]' brand along with an access to LTHL's huge customer base; thus, increasing its visibility. The rating also draws comfort from the company's improving revenue per available room (RevPAR) levels by ~30% in FY2026 as against FY2025 supported by fair occupancy at (~53% for FY2026; albeit on a lower operational room base[2] vis-à-vis ~48% in FY2025). The RevPAR improvement also remains aided by the company's ability to enjoy some premiums on its tariffs as benefitted by the its only five-star category hotel in a favorable location of an industrial town close to the Indo-Nepal border. ICRA Nepal also takes note of the company's improved leverage level amid equity infusions; as such, its gearing levels (TD/TNW[3]) declined to 0.3 times in FY2026 from 1.2 times in FY2024. Moreover, the rating continues to consider the promoter group's presence across diverse sectors, along with the Government of Nepal's (GoN's) initiatives to support and enhance demand prospects of the Nepalese tourism industry.

Nonetheless, the rating remains constrained by the company's limited track record (operational as a four-star hotel since 2017 and as a five-star category since March 2023) and its low (albeit improving) on-balance sheet reserves. ICRA Nepal also takes note of the modest revenue base with the reduction in keys due to ongoing renovations as reflected by revenue degrowth and constriction of the operating profit margins (OPM). As such, its ability to timely complete the renovations and operate in full capacity remains crucial to improve its declined RoCE[4] (~3% in FY2026 from ~8% in FY2025), given such renovations majorly being equity funded. ICRA Nepal also takes note of the high operating leverages and the high working capital intensity (net working capital to operating income ratio at 111% as of mid-July 2026) mainly for huge inventory levels. This coupled with incremental capex plans are likely to exert sustained pressure on its liquidity. Further, HIL's single property reliance heightens exposure to geographical concentration risks. Similarly, the fragmented nature and cyclicality of the hotel industry, pricing pressures with existing and possible new entrants and the volatility in interest rates remain among other rating considerations.

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1 An upper mid-scale five-star category brand under LTHL, an established Indian hotel chain with over 100 hotels in India, Sri Lanka, and Nepal, which provides the licensee with access to loyalty programs and other brand visibility advantages.

[2] *Although the company has 97 rooms, it operated with 69 keys in FY2026 due to the ongoing renovations after it received the five-star license in March 2023.*

[3] *Total Debt/Total Net Worth*

[4] *Return on Capital Employed*

Going forward, the company's ability to improve revenue/margins, manage working capital intensity, along with the timely completion of initial public offering (IPO) and utilisation of the proceeds for debt downsizing as planned, will be the key rating sensitivities.

Key rating drivers

Rating Strengths

Affiliation with established brand and strategic location – As a recent development, HIL entered into a 20-year license agreement with Lemon Tree Hotels Limited (LTHL) to use its brand name 'Lemon Tree Premier'. This association is expected to provide the hotel with improved visibility along with access to LTHL's reservation network, which is expected to better its business prospects. Besides, the project is based in an industrial town, close to the Indo-Nepal border, which along with its first mover advantages as the only five-star property in the region, has aided its RevPAR levels; RevPAR increased by ~30% in FY2026 (NPR 2,392 in FY2026 from 1,842 in FY2025 compared to NPR 1,373 during 9MFY2025) supported by fair occupancy (~53% for FY2026 and ~48% in FY2025 vs ~29% in FY2024, albeit on a low operational key base). The recent affiliation, its favorable location and its ongoing facility upgradation is expected to aid its business prospects incrementally.

Ongoing upgradation funded by equity infusion resulting in controlled leverage – The company has been funding its ongoing renovation of rooms and additions of other infrastructures/facilities, (capex of NPR 231 million in FY2026 in addition to NPR 595 million in FY2025) majorly through equity infusion; as such HIL's paid up capital increased to ~NPR 1,400 million as of mid-July 2026 (increased from ~NPR 975 million as of mid-July 2025 vs ~NPR 405 million as of mid-July 2024). As a result, TD/TNW reduced to 0.3x as of mid-July 2026 from 1.2x as of mid-July 2024. The company has further planned to raise NPR 350 million through IPO and utilize the same to deleverage its project loan outstanding of ~NPR 376 million as of mid-July 2026.

Government's support for the tourism sector players and promotor comfort – The Government of Nepal (GoN) has introduced several supportive measures to promote the country's tourism sector, which remains its strategic priority. This includes setting a minimum lending threshold for banks and financial institutions (BFIs) for tourism-related projects, interest capitalisation offered during construction phases, declaration of 'Visit Nepal Decade 2023-2033', and extended support in case of exigencies. The long-term outlook for the sector also remains optimistic, bolstered by Nepal's geographic advantage, neighboring two populous nations—India and China. Additionally, the company's growth potential is backed by the promoter group's diverse presence across hospitality, education, real estate sector among others.

Rating Challenges

Limited track record and squeezed operational profile– HIL has a limited operational track record (as a four-star hotel since 2017 and as a five-star category since March 2023) and its scale of operations remains modest so far. Although it has 97 keys, it operated with 69 keys in FY2026 given the ongoing renovations. This coupled with high operating leverages led the company's OPM to decline to ~45% in FY2026 from ~57% in FY2025. Also, its RoCE reduced to ~3% in FY2026 from ~8% in FY2025 amid higher capital infusion and squeezed operational profile with the ongoing upgradations/renovations related works. Its ability to timely complete the renovations and operate at full capacity remains crucial for its RoCE improvement given its increased equity base.

Stretched liquidity and lack of diversification across geographies – HIL witnessed high working capital intensity (net working capital to operating income ratio) of ~111% as of mid-July 2026 (though declined from ~208% in 9MFY2025, last

rating exercise) on account of extended inventory holding[5] thereby reflecting a stretched liquidity position. Incrementally, its ongoing capex for of the renovations coupled with high operating leverages as prevalent in the hotel industry could create cash flow pressures in the interim. As such, its timely operation in a full scale along with materialization of its proposed IPO plans to downsize the loans remains crucial for its liquidity profile. Furthermore, HIL operates a single-property hotel that offers limited diversification across geographies and business segments and thus, business performance enhancement will largely depend on the improvements in customer flow, high value event executions, and the hotel's ability to capture benefits of operating as a Lemon Tree brand.

Fragmented and cyclical nature of hotel industry, also exposed to macroeconomic risks – Given the fragmented nature of hotel industry, the company faces intense competition with large number of existing players as well as upcoming new hotel properties. Like other players in the industry, the company is exposed to industry cyclicality/seasonality, macroeconomic cycles and exogenous factors (geopolitical crises, terrorist attacks, disease outbreaks, etc).

Rating Sensitivities

Positive Factors – The ratings could be upgraded if the company is able to operate at full capacity, scale-up revenue, improve margins and coverage indicators, complete the proposed IPO in a timely manner and utilise the proceeds for deleveraging as planned.

Negative factors – Further moderations in margins, deterioration of coverage metrices and sustained pressure in the working capital intensity and liquidity may result in a rating downgrade.

Analytical approach: For arriving at the ratings, ICRA Nepal has applied its rating methodology as indicated below.

Link to applicable criteria:
Issuer Rating Methodology

Link to the last rating rationale:
Rationale_Hotel Ichchha Limited_Fresh Issuer Rating July 2025

Company Profile

Hotel Ichchha Limited (HIL) was incorporated as a private limited company in September 2015, and was converted into a public limited company on June 03, 2024. HIL is a special purpose vehicle (SPV) operating a five-star hotel with 97 keys in Simara, Bara, under the brand 'Lemon Tree Premier'. The company entered into a franchise agreement for 20 years with Lemon Tree Hotels Limited. The hotel was granted a five-star license in March 2023 (earlier 4-star). HIL is promoted by Mr. Ichchha Bahadur Wagle and his family members/associates. The promoter group is also engaged in sectors such as real estate, education, etc. among others.

Key financial indicators

	FY2022 Audited	FY2023 Audited	FY2024 Audited	FY2025 Audited	FY2026 Provisional
Operating income-OI (revenues in NPR million)	60	108	171	173	142
OPBDITA/OI (%)	9%	48%	74%	57%	45%
Total debt/Tangible net worth (TNW; times)	6.0	5.3	1.2	0.4	0.3
Total outside liabilities/TNW (times)	6.8	5.7	1.5	0.6	0.4

[5] *Higher inventory period in FY2026 is due to inventory of food, beverages, guest supplies, fuel and gas, linen among others amounting to ~NPR 19 million out of total inventory of ~NPR 24 million, leading to spike in working capital intensity ratio*

	FY2022 Audited	FY2023 Audited	FY2024 Audited	FY2025 Audited	FY2026 Provisional
Total debt/OPBDITA (times)	93.4	11.0	3.5	4.2	5.9
Interest coverage (ICR; times)	0.2	2.6*	6.4*	2.4	4.0*
DSCR (times)	0.2	2.6*	4.3*	1.3	1.2*
Net working capital/OI (%)	-14%	24%	73%	11%	111%
Current ratio	0.3	0.4	1.5	1.7	4.7

**The interest incurred on the loans availed for the capex was capitalised for accounting purposes, however, had to be paid for banking purposes at ~NPR 14 million, ~NPR 13 million and ~NPR 9 million during FY2023, FY2024 and FY2026 respectively. Including the same, adjusted ICR and DSCR would have been 1.5 and 1.5 times respectively for FY2023, 3.9 and 3.0 times respectively for FY2024 and 2.6 and 1.1 times respectively for FY2026.*

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About ICRA Nepal Limited:

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