

# BANGKOK CHAIN HOSPITAL PLC

No. 222/2023  
16 November 2023

## CORPORATES

**Company Rating:** A  
**Outlook:** Stable

**Last Review Date:** 08/11/22

### Company Rating History:

Date	Rating	Outlook/Alert
04/11/21	A	Stable
08/11/19	A-	Positive
17/09/09	A-	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Bangkok Chain Hospital PLC (BCH) at “A”, with a “stable” outlook. The rating reflects the company’s strong position in the middle-income patient segment and patients covered by the government social security coverage (SC) scheme and its strong balance sheet. However, these strengths are partially offset by the competitive environment of the healthcare service industry and the challenges from rising operating expenses.

## KEY RATING CONSIDERATIONS

### Strong position in cash and SC segments

We view BCH as having a strong competitive position in both cash patient and SC patient segments. During the last three years, the company generated operating revenue of THB9.0-THB21.5 billion. BCH ranked third, in terms of revenue, with about 5%-10% of the total revenue generated by private hospital operators listed on the Stock Exchange of Thailand (SET).

BCH operates hospital network of 15 hospitals and two clinics as of September 2023. The group’s 10 hospitals provide services to patients under both the SC and cash segments. Normally, revenues from the cash patient segment accounted for around 67% of total patient revenues, and the SC segment about 33%.

For the first nine months of 2023, BCH generated revenue from cash patient segment of THB5.9 billion, or about 30% more than the same period in the pre-pandemic year. Revenue in the cash segment was driven by a rebound in general patients and a rise in foreign patients. The company aims to broaden its revenue base in the cash segment, focusing on the treatment of specific diseases and more complex medical care. In our view, offering advanced treatment for complex diseases will not only contribute to revenue growth but also elevate the level of intensity care.

BCH is the largest hospital chain that caters for a significant number of patients covered by social security benefits. As of September 2023, the registered persons with social security in BCH’s hospital network reached around 1.013 million, accounting for about 8% of total registered persons under the SC scheme in Thailand. BCH’s revenue from the general SC patient segment increased by 15% year-on-year (y-o-y) to THB2.8 billion during the first nine months of 2023. This was owing to a large base of SC insured persons, pent-up demand for complex medical care, and a rising basic capitation rate. We view the large number of registrants will provide economies of scale and aid in the efficient use of hospital facilities.

### New hospitals to enhance customer base and drive growth

During 2020-2021, the company unveiled three new hospitals: one each in Prachinburi Province and Sra Kaeo Province in Thailand, and one in Vientiane, the Lao People's Democratic Republic (Lao PDR), the company’s first step in expanding into international markets. These new hospitals have helped increasing number of cash patients and SC registered persons, offering additional capacity beds of 276. The operating results of these new hospitals have been improving. Hospitals in Sra Kaeo and the Lao PDR have already been operating with positive earnings before interest, taxes, depreciation, and amortization (EBITDA).

BCH is currently in the expansion phase of pursuing development of two new hospitals. The first is the “Kasemrad Ari Radiation Oncology Clinic”, located near BCH’s “World Medical Hospital” (WMC) in Nonthaburi Province. This clinic will primarily provide radiation therapy services to patients across BCH’s hospital network. It is currently under construction with target to commence operations within 2024, with a total investment of THB300 million.

Also, the company has outlined plans for a new hospital in Samut Prakan Province, called “Kasemrad Suvarnabhumi Hospital”. This hospital will provide services to both general patients and those covered by social security. With a capacity of 268 patient beds, it will be strategically located near the Bangplee Industrial Estate. The hospital is projected to begin its operations in 2027, with a total investment (including land) of around THB1.6 billion.

The company further plans to open additional hospitals with the goal to achieve 20 hospitals by 2028. This extension is expected to increase the number of licensed beds by more than 35% from 2,254 beds. The company is currently conducting feasibility studies for potential projects, with a particular focus on the Eastern Economic Corridor (EEC) area.

### **Return to normal pace in 2023**

We expect BCH’s revenue to revert to its normal pace from 2023 onwards, after a period of exceptional growth during the pandemic period of 2021-2022. For the first nine months of 2023, BCH reported operating revenues of THB8.8 billion and EBITDA of THB2.1 billion. Its EBITDA margin of 24.2% during the first nine months of 2023 was relatively low due to one-time expenses from foreign exchange loss and the impact from the impairment of COVID-related receivables. The company faced the sharp depreciation of the Kip currency for hospital in the Lao PDR and recorded foreign exchange loss of THB133 million during the first nine months of 2023.

To alleviate the effects of Kip currency volatilities, the company prepaid its Thai baht loans of its hospital in the Lao PDR with equity injection in September 2023.

### **Profit margin likely to rebound in 2024-2025**

We expect BCH’s EBITDA margin to continue to improve, ranging from 24%-26% during the next three years, aligning with the enhancement of patient base, the increase of international patient visits, and a larger base of SC-insured persons with higher capitation rates. Moreover, we expect revenues and profitability from new hospitals to progressively increase. Existing hospitals are expected to achieve improving profit margins through the adoption of more advanced treatments, while keeping continued focus on enhancing efficiency and cost-control measures.

Going forward, revenue in the cash patient segment will likely increase in line with the company’s strategy to enhance its facilities to cater a larger number of cash patients. The company has upgraded and modernized the existing facilities by adding new equipment, additional examination rooms, and the establishment of new medical service departments. New specialized disease centers, such as a pediatric center, heart center, diabetes center, beauty clinics such as plastic surgery, and preventative care, allow BCH’s hospital network to serve a larger patient base. Also, the company is expanding its Thai patient base by collaborating with insurance companies. The proportion of BCH’s patients covered by insurance accounted for about 33% of the cash patient revenue for the first nine months of 2023.

Furthermore, international patient numbers are on the rise, particularly from patients in the Middle East and Thailand’s neighboring countries. The reopening of broader checkpoints such as those in Mae Sai and Aranyaprathet have increased the number of cross-border patients. The company is also expanding into new markets, such as Saudi Arabia, and employing strategic marketing efforts to attract Chinese patients seeking services like in-vitro fertilization (IVF) and wellness. In the first nine months of 2023, international patient revenues reached THB1.5 billion, accounting for about 17% of the total patient revenue, a notable increase from the 7%-10% range in 2019-2020. Also, we anticipate the government’s economic stimulus measures and the relaxation of visa requirements for tourists from certain countries, will serve as additional incentives driving a greater number of foreign visitors and medical tourists to Thailand.

We expect positive momentum in revenue from the SC patient segment, primarily due to an increase in the basic capitation rate. The Social Security Office (SSO) of Thailand elevated the basic capitation rate by 10% to THB1,808 per person, effective on 1 May 2023. The company also signed a memorandum of understanding (MOU) with the SSO for a specialized medical treatment program focused on surgical treatment for five high-cost illnesses. The SSO has increased in the payment rate for these five high-cost illnesses to THB15,000 per adjusted relative weight (RW), from THB12,000. With BCH’s large base of SC insured persons and an increase in complex medical cases, we expect these increases to have a positive impact on the company’s revenue.

Looking ahead, we expect BCH’s revenue to reach about THB12 billion in 2023, marking more than a 30% increase compared with 2019 levels, and project an annual growth rate of about 4%-5% during 2024 and 2025.

### Strong balance sheet

BCH has strong financial position. As of September 2023, its interest-bearing debt was THB1.55 billion, down from about THB3.9 billion at the end of 2022. BCH has been paying down its maturing debentures and scheduled bank loans. Furthermore, the company has taken active steps to mitigate foreign exchange risk by prepaying some of the bank loans at its subsidiary in Vientiane. At the end of September 2023, the company had minimal adjusted net debt of THB264 million, resulting in a very low debt-to-EBITDA ratio of 0.1 times.

Despite its expansion plan, we expect BCH's financial profile to remain strong during the forecast period. We estimate BCH to spend about THB3.5 billion in aggregate over the next three years on capacity expansion and maintenance expenditures. We expect BCH to partly finance its capital expenditure from operating cash flows. Without any large debt-funded acquisitions and/or investments, we expect BCH's capital structure to remain strong with the debt to EBITDA ratio below 1 times during the next three years.

### Ample liquidity

We assess BCH to have ample liquidity during the next 12 months. At the end of September 2023, BCH's sources of funds comprised cash and cash equivalents of about THB1.5 billion plus an undrawn bank facility of THB5 billion. Funds from operations (FFO) are forecast to be about THB2.3 billion in 2023. Uses of funds include capital expenditures and long-term loans of THB38 million due in the fourth quarter of 2023 and around THB1.16 billion of maturing long-term loans in 2024.

### BASE-CASE ASSUMPTIONS

- Revenues to be around THB12 billion in 2023, with an annual growth of 4%-5% for 2024-2025.
- EBITDA margin to be 24%-26% during the forecast period.
- Total capital spending of about THB3.5 billion during the next three years.

### RATING OUTLOOK

The "stable" outlook is based on our expectation that BCH will maintain its strong market position in the cash patient and SC patient segments and continue to maintain a strong financial profile.

### RATING SENSITIVITIES

The rating and/or outlook could be revised downward if BCH's operating performance and financial status are significantly weaker than expected. The rating and/or outlook could also be revised downward if any debt-funded acquisitions and/or investments substantially weaken the company's financial position. Conversely, a rating upside could materialize if BCH improved its cash flow substantially on a sustained basis, while maintaining a strong balance sheet.

### COMPANY OVERVIEW

BCH was established in 1993 and listed on the SET in 2004. At the end of August 2023, BCH's major shareholder was the Harnphanich Family, holding approximately 50% of the outstanding shares. BCH owns and operates 15 hospitals and two clinics. The company has four major hospital brands: World Medical Hospital (WMC), Kasemrad International Hospital (KIH), Kasemrad Hospital (KH), and Karunvej Hospital (KV). Each brand targets different patient segments. WMC aims to service high-income self-pay and international patients, KIH provides service to upper middle-income self-pay patients, KH targets middle-income self-pay patients and SC patients, and KV focuses on patients enrolled in the SC scheme. In 2021, BCH opened its first hospital in a foreign country, a 110-bed KIH-Vientiane, in the Lao PDR. BCH's total licensed beds as of September 2023 was 2,254 beds.

The revenue contributions of the self-pay and SC groups in the first nine months of 2023 constituted around 67% and 33% of BCH's revenue, respectively. Revenues from the outpatient department (OPD) contributed about 50% of patient revenue in the cash segment with the remainder from the inpatient department (IPD).

**KEY OPERATING PERFORMANCE**

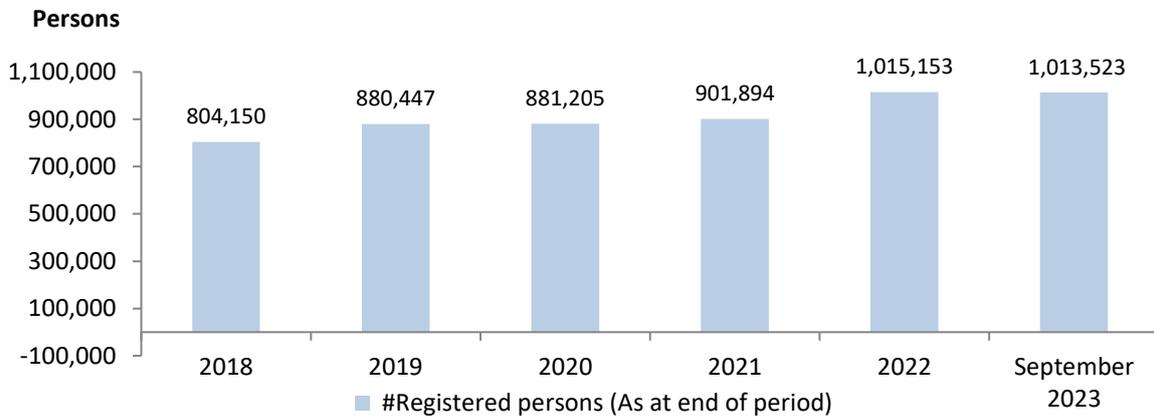
**Table 1: Revenue Contribution by Services**

Services	2019		2020		2021		2022		Jan-Sep 2023	
	Bil. THB	%	Bil. THB	%	Bil. THB	%	Bil. THB	%	Bil. THB	%
<b>Cash segment</b>										
General cash patients	5.79	65	5.01	56	7.40	35	4.80	25	5.90	67
COVID patients under UCEP*			0.68	8	10.70	50	7.80	41		
<b>Social security coverage</b>										
General SC patients	3.08	35	3.24	36	3.30	15	3.40	18	2.76	33
COVID-related SC patients							2.90	15		
<b>Total</b>	<b>8.88</b>	<b>100</b>	<b>8.93</b>	<b>100</b>	<b>21.40</b>	<b>100</b>	<b>18.90</b>	<b>100</b>	<b>8.76</b>	<b>100</b>

\*UCEP = Universal Coverage for Emergency Patients

Source: BCH

**Chart 1: BCH Patients Enrolled in SC Scheme**



Source: BCH

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	Jan-Sep 2023	-----Year Ended 31 December -----			
		2022	2021	2020	2019
Total operating revenues	8,764	18,910	21,529	9,014	8,992
Earnings before interest and taxes (EBIT)	1,395	4,206	9,510	1,842	1,724
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,117	5,178	10,402	2,642	2,407
Funds from operations (FFO)	1,741	4,021	8,378	2,175	1,973
Adjusted interest expense	85	160	156	137	140
Capital expenditures	668	1,450	762	2,701	1,750
Total assets	17,268	19,796	26,384	16,527	14,116
Adjusted debt	264	1,423	2,143	6,526	4,828
Adjusted equity	13,267	13,510	14,306	7,626	6,978
<b>Adjusted Ratios</b>					
EBITDA margin (%)	24.16	27.38	48.32	29.31	26.77
Pretax return on permanent capital (%)	10.51 **	21.52	51.94	13.27	14.38
EBITDA interest coverage (times)	24.93	32.28	66.70	19.33	17.24
Debt to EBITDA (times)	0.09 **	0.27	0.21	2.47	2.01
FFO to debt (%)	817.76 **	282.60	391.03	33.32	40.87
Debt to capitalization (%)	1.95	9.53	13.03	46.11	40.89

\* Consolidated financial statements

\*\* Annualized with trailing 12 months

**RELATED CRITERIA**

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

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**Bangkok Chain Hospital PLC (BCH)**

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<b>Company Rating:</b>	A
<b>Rating Outlook:</b>	Stable

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