

BUMRUNGRAD HOSPITAL PLC

No. 54/2011

18 November 2011

Company Rating: A

Outlook: Stable

New Issue Rating: A

Rating History:

Date	Company	Issue (Secured/ Unsecured)
21/10/11	A/Sta	-

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Rating Rationale

TRIS Rating affirms the company rating of Bumrungrad Hospital PLC (BH) at "A". At the same time, TRIS Rating assigns the rating of "A" to BH's proposed issue of up to Bt7,000 million in senior debentures. Proceeds from the debentures will be used to repay BH's existing debts and to finance future business expansion. The ratings reflect BH's leading position in Thailand's private hospital market, the capabilities of the hospital's physicians and management team, ability to attract medical staff, and a strong financial position. However, these strengths are partially offset by intense competition in both local and international healthcare markets, single premise limitation, and potential future debt-financed investments.

BH operates a hospital in Bangkok under the name "Bumrungrad International Hospital". The flagship hospital in Bangkok generates over 95% of the company's total revenue. BH is a leading private healthcare provider in Thailand and Asian region with service capacities of 3,900 outpatients per day and 512 inpatient beds. Foreign patients account for approximately 60% of the total revenue. About 70% of total revenue is from self-pay patients.

BH is well managed by a competent and experienced professional and medical staff team. Its flagship hospital earns a very strong brand recognition and three decades of solid medical records. BH targets mostly premium local and foreign patients and competes with differentiation on services and quality. The company has a very strong revenue generating capacity per patient, a key factor in attracting and retaining talent medical staff and specialists.

The company's competitive edge as a medical hub in Asia is underpinned by its first-mover advantage in the regional medical tourist segment, economies of scale, and strong referral networks overseas. In addition, BH enjoys Thailand's developed infrastructure and welcoming atmosphere as a destination for foreign tourists. Medical costs in Thailand are also highly competitive compared with other advanced neighbouring countries.

Hospital industry in Asia, notwithstanding Thailand, is undergoing a consolidation transformation. Several hospitals merged to achieve size and scope. Smaller and stand-alone hospitals, such as BH, are facing rising challenges from strong capital-based hospitals with extensive networks and diverse geographies.

BH's financial profile is strong. Revenue has grown respectably over the past few years. Rising revenue per patient helped offset slowdown in the number of patient visits during political unrests. Operating margins and cash flows should continue to remain stable in the medium term. Leverage level has risen in recent periods after BH built a new OPD clinic and upgraded its flagship Bangkok facilities, as well as acquired 24.99% of Bangkok Chain Hospital PLC's (KH) shares. Debt to capitalization rose from 20.1% in 2010 to 44.05% at the end of September 2011. BH's rating takes into account potential debt-financed investment projects in the future.

Rating Outlook

The "stable" outlook reflects the expectation that BH will be able to maintain its leading position in Thailand's private hospital market. With its strong brand and efficient operations, the company should continue to attract strong profile medical

CreditUpdate reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

CreditUpdates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

staff and premium patients. BH is also expected to maintain its debt to capitalization not to exceed 50% for an extended period.

Bumrungrad Hospital PLC (BH)

Company Rating:	A
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Issue Rating: Up to Bt7,000 million senior debentures due within 2021	A
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Rating Outlook:	Stable
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Financial Statistic and Key Financial Ratio*

Unit: Bt million

	----- Year Ended 31 December -----					
	Jan-Sep 2011	2010	2009	2008	2007	2006
Sales and service revenues	8,605	9,936	9,201	8,757	8,473	7,826
Finance costs	128	68	91	114	111	110
Net income from operations	1,181	1,232	1,207	1,160	1,576	1,080
Funds from operations (FFO)	1,552	1,906	1,725	1,639	1,564	1,483
Capital expenditures	308	694	837	1,722	570	680
Total assets	13,338	9,152	8,567	8,104	7,466	6,623
Total debt	5,000	1,530	1,620	1,885	1,772	1,751
Total liabilities	6,988	3,082	3,094	3,239	3,117	2,994
Shareholders' equities	6,350	6,069	5,473	4,865	4,349	3,629
Depreciation & amortization	482	596	539	459	408	342
Dividends	691	620	583	583	621	548
Operating income before depreciation and amortization as % of sales	25.23	23.47	23.21	23.26	23.57	24.31
Pretax return on permanent capital (%)	19.52 **	24.61	25.17	26.63	37.03	32.55
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	18.22	35.24	25.09	18.99	22.96	17.70
FFO/total debt (%)	31.04 **	124.56	106.50	86.92	88.25	84.67
Total debt/capitalization (%)	44.05	20.13	22.84	27.93	28.95	32.55

* Consolidated financial statements

** Non-annualized

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

- AAA** The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.
- AA** The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.
- A** The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.
- BBB** The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.
- BB** The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.
- B** The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.
- C** The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.
- D** The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year. The symbols and definitions for short-term ratings are as follows:

- T1** Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.
- T2** Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.
- T3** Issuer has acceptable capacity for meeting its short-term obligations.
- T4** Issuer has weak capacity for meeting its short-term obligations.
- D** The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a "Rating Outlook" that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on the fundamental creditworthiness of the company. The rating outlook will be announced in conjunction with the credit rating. In most cases, the outlook of each debt obligation is equal to the outlook assigned to the issuer or the obligor. The categories for "Rating Outlook" are as follows:

- Positive** The rating may be raised.
- Stable** The rating is not likely to change.
- Negative** The rating may be lowered.
- Developing** The rating may be raised, lowered, or remain unchanged.

TRIS Rating may announce a "CreditAlert" as a part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exerting a substantial impact on business or financial profiles of the rated entity. Due to an insufficient data or incomplete developments of the event, such as merger, new investment, capital restructuring, and etc., current credit rating remains unchanged. The announcement aims to forewarn investors to take a more cautious stance in investment decision against debt instruments of the rated entity. CreditAlert report consists of a "Rational" indicating warning reasons, a "CreditAlert Designation", and a current credit rating. Rating Outlook is withheld in the announcement.

CreditAlert Designation illustrates a short-term rating outlook indicative of the characteristics of impacts on the credit rating in one of the three directions (1) *Positive* (2) *Negative* and (3) *Developing*.

TRIS Rating Co., Ltd.

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