

## Woodland Hospital

July 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	18.00	CARE BB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the bank facilities of Woodland Hospital is constrained by small scale of operations, geographic and revenue concentration risk, risk of withdrawal of capital due to its constitution as a sole proprietorship firm, capital-intensive and human resource-intensive nature of business and high vulnerability to treatment-related and operating risks. CARE's rating also factors in losses incurred by Jowai hospital which became operational in September 2020 due to low average revenue per operating bed (ARPOB). However, the same is more than offset by strong operating performance of Shillong hospital with high occupancy and ARPOB levels.

The rating derives strength from experienced & qualified promoters, long standing presence of Shillong hospital in Meghalaya, tie-up arrangement with various corporate and government entities, improvement in financial performance on the back of improved occupancy and ARPOB of Shillong hospital, comfortable capital structure and debt protection metrics.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained increase in scale of operation beyond Rs.100 crore on combined basis

#### Negative factors

- Any un-envisaged incremental debt funded capital expenditure deteriorating its overall gearing and TDGCA beyond 0.50x and 2.00x respectively
- Deterioration in occupancy level below 70% on sustained basis in Shillong hospital

### Analytical approach: Combined.

CARE Ratings Limited has combined the business and financial risk profiles of Woodland Hospital and Woodland WK Hospital as both the entities are engaged in same line of business, have common promoters along with financial linkages.

### Outlook: Stable

The group is expected to sustain its operational and financial performance on the back of high occupancy and ARPOB levels in Shillong hospital coupled with comfortable capital structure and debt protection metrics.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Small scale of operations

The scale of operation of the firm remained small with combined total operating income (TOI) of Rs.94.32 crore in FY23 (Prov) (FY22: Rs.67.88 crore) and net worth base of Rs.84.14 crore as on Mar 31, 2023 (Rs.78.17 crore as on Mar 31, 2022). The small size restricts the financial flexibility of the entity in times of stress.

##### Geographic and revenue concentration risk

The firm has 2 hospitals located in Meghalaya – one located at Shillong & second located at Jowai. Hence, it has a geographical concentration risk considering its presence only in Meghalaya. Furthermore, its revenue is derived majorly from mother and childcare segment apart from general surgery, exposing it to revenue concentration risk from a single speciality.

##### Risk of withdrawal of capital due to its constitution as a sole proprietorship firm

Both the entities are sole proprietorship firms and accordingly exposed to the inherent risk of proprietor's capital being withdrawn at times of personal contingency and limited ability to raise capital. There has been a withdrawal (net of additions) of Rs 12.00 crore in FY23 and Rs.9.16 crore in FY22 as against PAT of Rs 17.97 crore and Rs. 12.92 crore respectively.

##### Capital-intensive and human resource-intensive nature of business

The hospital industry is a capital-intensive industry with a relatively long gestation period. Generally, a new hospital takes a timeframe of around two to three years to breakeven at its operational level. Time is also needed for its establishment, occupancy rate and financial stability in the initial period of operation. Thus, the promoter is required to support the operation until the mentioned parameters reach the minimum desired level. Furthermore, the maintenance capex required for the hospital industry also remains high, owing to regular replacement of equipment, non-reusable pharmaceutical and surgical products.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### High vulnerability to treatment-related and operating risks

Healthcare is a highly sensitive sector, where any mistake on a critical case or negligence on part of any doctor or staff of the unit can lead to distrust among the masses. Thus, all the healthcare providers need to monitor each case diligently and meticulously to avoid the occurrence of any unforeseen incident that can damage the reputation of a hospital to a large extent.

### Key strengths

#### Experienced & qualified promoters

Dr. Werlok Kharshiing, proprietor, is a highly qualified [MBBS, MS (Surgery), M.Ch. (plastic surgery)] doctor having experience of around four decades. He has successfully performed numerous surgeries and offered professional consultancy in reputed hospitals. Prior to establishing "Woodland Hospital", he was a specialist in General surgery and plastic surgery at civil hospital, Shillong.

The day-to-day operation of the hospital is being looked after by Dr. Werlok Kharshiing along with the support from a team of experienced doctors and professionals along with his wife Dr. Margaret Wahlang and his daughter Dr. Anju R. Wahlang.

Dr. Margaret Wahlang is GNM (Diploma) from Medical School AMC, Dibrugarh and Nursing Superintendent of Woodland Hospital, since 1991. Dr. Anju R. Wahlang is a MBBS, DMRD (Radiology) and Sr. Consultant Radiologist at Woodland Hospital.

#### Long standing presence of Shillong hospital in Meghalaya

Woodland hospital at Shillong started its operation in March 1991 as a Nursing home and then it was transformed into a multi-speciality hospital one of a kind in the region. It offers facilities in various fields of medical science with dedicated team of doctors for each department. The hospital is equipped with state-of-the-art equipment, around 48 in-house doctors/specialists, 17 visiting doctors and consultants. It has received NABH accreditation and NABL accreditation which reassures the high standard for quality care and patient safety. Among the hospitals operating in region, it is one of the major multi-speciality hospitals equipped with experienced doctors capable of handling critical cases.

#### Tie-up arrangement with various corporate and government entities

Woodland hospital has tie-ups with various corporates and government entities like SBI, BSNL, FCI, North Eastern Power Corporation Ltd, Ex-Servicemen Contributory Health Scheme like to provide medical services, including annual check-up of the employees. Such tie-up ensures steady referrals of patients to the hospital, thereby improving its occupancy rate. This apart, WDH also operates 4 diagnostic centres located at Jowai and Shillong.

Further, the firm derives around 75% of its revenue from the cash segment which leads to a better cash flow since payments from TPA and other forms are generally delayed to some extent.

#### Improvement in financial performance on the back of improved occupancy and ARPOB of Shillong hospital

Combined income from operation has grown at a CAGR of 19.1% to Rs.94.32 crore between FY20 and FY23. This was mainly on account of improvement in ARPOB (from Rs.4,448 in FY20 to Rs.8,036 in FY23) for Shillong hospital and addition of new hospital in Jowai in Sep 2020. The occupancy of Shillong hospital stood at around 90% in FY20 before getting impacted in FY21 and FY22 due to Covid-19 and falling to 65-70% levels. Occupancy levels recovered to around 82% in FY23.

The occupancy for Jowai hospital has started to pick up from 31.2% in FY22 to 61.3% in FY23. ARPOB for Jowai hospital continues to remain low between Rs.2800-Rs.3200 due to its presence in remote location along with options for patients to go to missionary hospitals.

On combined basis, PBILDT margin has moderated from 37.02% in FY21 to 26.72% in FY23 due to losses incurred by Jowai hospital albeit Shillong hospital PBILDT margin has hovered between 31-33% in the past except FY21 due to reduction in consumption of lower margin medicine & other consumables during the same period. In line with combined PBIDT margin, PAT margin has moderated from 26.93% in FY21 to 19.05% in FY23 albeit Shillong hospital PAT margin has hovered between 27%-29% in the past except for FY21.

#### Comfortable capital structure and debt protection metrics

On a combined basis, overall gearing remained comfortable at 0.15x as on Mar 31, 2023 and 0.25x as on Mar'22 (0.29x as on Mar'21). As on Mar 31, 2023, o/s term loan stood at Rs.12.89 crore as compared to Rs.19.91 crore as on Mar 31, 2022 pertaining to Jowai hospital with OD limits remaining unutilized as on balance sheet date. As articulated by management, the firm is planning to set up additional building at Shillong hospital adding 40-50 beds catering mainly to gynae and obstetrics at an estimated cost of around Rs.15 crore and the same would be funded through internal accruals.

#### Liquidity: Adequate

Post-prepayment of Rs.5.00 crore of term loan from receipt of capital subsidy in March 2023 for Jowai hospital, the firm has to pay only interest expense (~Rs 0.11 crore monthly) till April 2025 and regular EMI (~Rs.0.32-0.33 crore monthly) post-that vis-à-vis GCA of Rs.18.77 crore and Rs.23.28 crore in FY22 and FY23 (Prov) respectively indicating adequate liquidity. Apart from that, the firm has sanctioned FD backed OD limit of Rs.5.39 crore. The average utilization of fund-based limit for the last 12 months ending March 2023 was 12.02% for HDFC bank OD (Sanctioned limit: Rs.4.80 crore) while Nil utilization for SBI OD limits (Sanctioned limit: Rs.0.59 crore).

#### Environment, social, and governance (ESG) risks: Not Applicable

## Applicable criteria

[Policy on default recognition](#)  
[Financial Ratios – Non financial Sector](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Credit Watch](#)  
[Short Term Instruments](#)  
[Hospital](#)  
[Policy on Withdrawal of Ratings](#)  
[Consolidation](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Healthcare Services	Hospital

Woodland Hospital is a Multi-Specialty Hospital situated in Dhankheti, Shillong which was established in March, 1991 as a Proprietary concern by Dr. Werlok Kharshiing and his wife Mrs. Margret Wahlang. The hospital started with 28 Indoor beds, two Operation Theatres (One Major & One Minor) along with the basic diagnostic facilities and departments like General Surgery, Obstetrics & Gynaecology, Paediatrics and ENT. The hospital expanded to 120 beds in FY01 and further to 160 beds in FY13. The Shillong hospital has received accreditation from NABH (entry level) and its Department of Pathology has received accreditation from National Accreditation Board for Testing & Calibration Laboratories (NABL) for Medical Testing.

In Sept 2020, the firm set up Woodland WK Hospital at Jowai in West Jaintia Hills District of Meghalaya at a cost of Rs.54.00 crore funded through term loan of Rs.21 crore and promoter contribution of Rs.33 crore. It is a 105 bedded multispecialty Hospital including 14 I.C.U beds and 6 Neonatal I.C.U beds and has 3 Operation Theatres, 12 Dialysis beds, Endoscopy, X-Ray, CT- Scan, U.S.G, Department of Pathology and Department of Microbiology.

The promoter group also own 4 diagnostics centres - Woodland Medical Centre, Ladthalaboh, Jowai owned by Dr. Anju R. Wahlang (daughter of Dr. Werlok Kharshiing), Bell View Diagnostic Clinic, Mawkhar, Shillong owned by wife of Dr. Werlok Kharshiing, Woodland Diagnostic Centre, Nongkseh, Upper Shillong (under Shillong hospital) and Woodland Institute of Nursing, Latikor, Shillong (under North East Hub Society).

Brief Financials (₹ crore)- Combined*	March 31, 2022 (U/A)	March 31, 2023 (U/A)
Total operating income	67.88	94.32
PBILDT	20.69	25.20
PAT	12.92	17.97
Overall gearing (times)	0.25	0.15
Interest coverage (times)	10.65	12.13

U/A: Unaudited; Note: 'the above results are latest financial results available'

\*Audited financials numbers of Woodland Hospital and Woodland WK Hospital has been combined by the rating analytical team.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	18.00	CARE BB+; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	18.00	CARE BB+; Stable				

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

### Contact us

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