

Woodland Hospital

August 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	17.68 (Reduced from 18.00)	CARE BB+; Stable	Reaffirmed

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 Low ARPOB & occupancy of Jowai hospital which became operational in September 2020. CARE takes note of breakeven achieved in Jowai hospital due to improved occupancy levels in FY24 and operationalization of Cathlab department in Q4FY24 and a new block dedicated OBST, gynae & paediatric department having 40 beds in Q1FY25-end.

The rating derives strength from professional & qualified promoters, long standing presence of Shillong hospital in Meghalaya, tie-up arrangement with various corporate and government entities, satisfactory financial performance in FY24 on the back of high occupancy and ARPOB of Shillong hospital, comfortable capital structure and debt protection metrics.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to increase the scale of operation beyond Rs.100 crore on combined level.

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 unit.

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 and display cash flow fungibility.

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.98.00 crore in FY24 (Prov) (FY23: Rs.94.75 crore) and net worth base of Rs.97.37 crore as on Mar 31, 2024 (Rs.84.90 crore as on Mar 31, 2023). 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. Gynaecology, Paediatric and general surgery contribute around 29% of the total revenue for the Shillong hospital in FY24

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 withdrawal of Rs.14.53 crore in FY24 and RS.12.00 crore in FY23 as against PAT of Rs. 27.00 crore and Rs. 31.34 crore respectively.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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..

High vulnerability to treatment-related and operating risks: Healthcare is a highly sensitive sector where any mishandling of a case or negligence on part of any doctor and/or staff of the unit can lead to distrust among the masses. Thus, all the healthcare providers need to monitor each case diligently and maintain high operating standard to avoid the occurrence of any unforeseen incident which can damage the reputation of the hospital to a large extent.

Key strengths

Professional & qualified promoters: Dr. Werlok Kharshiing, Proprietor of Woodland hospital, is a highly qualified [MBBS, MS (Surgery), M.Ch. (plastic surgery)] 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. This apart he also offered professional consultancy at other reputed hospitals of the city.

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 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. WDH has received NABH accreditation and NABL accreditation which reassures the high standard for quality care and patient safety. Among the hospitals operating in region, WDH 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.

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

Healthy financial performance backed by improvement in ARPOB in Shillong hospital and improved occupancy in Jowai hospital: Combined income from operation has grown marginally by 3.4% to Rs.98.00 crore in FY24. This was mainly on account of improvement in average revenue per occupied bed (Rs.8,036 in FY23 to Rs.8,850 in FY24 for Shillong hospital) despite dip in occupancy % in Shillong hospital from 82% in FY23 to 78% in FY24.

The occupancy for Jowai hospital (became operational from Sep 2021) has started to pick up from 31.2% in FY22 to 61.3% in FY23 and further to 64.0% in FY24. ARPOB for Jowai hospital continues to remain low at Rs.34.74 in FY24.

On Combined basis, PBILDT margin has moderated from 40.65% in FY23 to 35.75% in FY24 due to increased employee expense and consumption of lower margin medicine & other consumables. In line with PBIDT margin, PAT margin has moderated from 33.72% in FY23 to 26.52% in FY24 (Prov).

Comfortable capital structure and debt protection metrics: On a consolidated basis, overall gearing remained comfortable at 0.17x as on Mar'24 (0.17x as on Mar'23). As on Mar 31, 2024, o/s term loan stood at Rs.12.30 crore as compared to Rs.19.91 crore as on Mar 31, 2022 pertaining to Jowai hospital. The firm was made prepayment of term loan till Aug 2025. Total debt to GCA remained comfortable at 0.48x as on Mar 31, 2024.

Liquidity: Adequate

Post-prepayment of Rs.5.00 crore of term loan from receipt of capital subsidy in March 2023 for Jowai hospital and further prepayment of around Rs.0.70 crore from cash accruals till March 2024, the group has prepaid the principal portion of the loan till Aug 2025. Post this prepayment, the group has principal repayment of Rs.1.80 crore in FY26 and Rs.2.82 crore in FY27 vis-à-vis GCA of Rs.33.85 crore indicating adequate liquidity position.

As on Mar 31, 2024, the firm has cash and bank balance and MF investments of around Rs.17.37 crore.

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 2024 stood between 10-15%.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Hospital](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

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. Further, the hospital has expanded by another 40 beds in Q1FY25.

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 owns 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).

Combined Financials (₹ crore)	March 31, 2023 (U/A)	March 31, 2024 (P)
Total operating income	94.75	98.00
PBILDT	38.52	35.03
PAT	31.34	27.00
Overall gearing (times)	0.17	0.17
Interest coverage (times)	19.68	28.40

A: Audited UA: Unaudited P: Provisional; Note: 'the above results are latest financial results available'

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 instruments/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		-	-	-	17.68	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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	17.68	CARE BB+; Stable	-	1)CARE BB+; Stable (06-Jul-23)	-	-

LT: Long term

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.

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About us:

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