

February 06, 2026

## Sagar Manufacturers Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term-Fund-based - Term loan	559.47	501.85	[ICRA]A- (Stable); reaffirmed
Long-term-Fund-based-Cash credit	289.00	329.00	[ICRA]A- (Stable); reaffirmed
Short-term - Non-fund based- Others	16.00	16.00	[ICRA]A2+; reaffirmed
Long-term/short-term-Unallocated limits	0.00	17.62	[ICRA]A- (Stable)/[ICRA]A2+; reaffirmed
<b>Total</b>	<b>864.47</b>	<b>864.47</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings reaffirmation factors in Sagar Manufacturers Private Limited's (SMPL) large spinning capacity of more than 2 lakh spindles and its consistently near-full capacity utilisation levels during last three years, which provide benefits of economies of scale. The ratings further derive comfort from SMPL's established position in the business-to-business (B2B) segment in both the domestic and export markets, which, coupled with good product quality and diverse product offerings under the yarn category, result in repeat orders. The ratings also favourably factor in the proximity of SMPL's plant to the cotton belt of Madhya Pradesh (MP), Maharashtra and Gujarat, which result in savings on transportation costs.

Over the years, SMPL has been successful in ramping up its capacities, which led to healthy compounded annual growth rate (CAGR) of 11% during FY2022-FY2025. SMPL reported a YoY revenue growth of 16% (at standalone level) in FY2025 to Rs.1,682 crore, driven by increase in volume offtake led by full-year benefit of commercialisation of new spinning unit (Unit 6), partly offset by marginal moderation in realisation by over 4% in FY2025. The company has recorded revenues of Rs. 1,270 crore in 9M FY2026 on a standalone basis wherein the sales volume and realisation remained range-bound on a YoY basis. While there has been some improvement in gross contribution levels in 8M FY2026 led by decline in cotton prices, these are expected to remain range-bound going forward, given the demand uncertainties and pressure on realisation, thereby translating into stable operating profit margins (OPM).

Going forward, with commencement of dyeing and printing plant (including manufacturing of finished fabric) in December 2025, the OPMs are expected to improve in FY2027, driven by higher share of revenue from fabric where margins are higher than of yarn because of higher value addition.

These strengths are, however, partially offset by SMPL's moderate financial profile, characterised by elevated debt levels resulting from regular large debt-funded capital expenditure (capex) towards capacity expansions. ICRA notes that the company incurred capex of Rs. 240 crore in FY2025 and FY2026 towards setting up a manufacturing and processing unit of finished fabrics, funded by debt of Rs. 171 crore (drawn Rs. 80.12 crore till December 31, 2025, balance expected to be drawn in Q4 FY2026 and Q1 FY2027 for payment of capex LCs), equity contribution from promoters of Rs. 5 crore and the balance of Rs. 65 crore from internal accruals and balance. The unit commenced operations from December 2025 against the envisaged COD of April 2026. While the new capex initiative would increase the debt levels in the near term, healthy revenues and profits generated from the spinning business are expected to adequately support the financial profile over the medium term. Additionally, there is no major capex planned for FY2027 and FY2028.

Sagar Multispecialty Hospital, operating under SMPL, is a 100% subsidiary, operating a 300-bed super multi-specialty hospital at Bhopal, which commercialised operations in January 2024. The company phased its staff hiring in alignment with the rollout

of new services, enabling it to achieve breakeven at the EBITDA level in FY2024, despite being operational for three months. Subsequently, with ramp up in the occupancy level in FY2025, coupled with benefit of operating leverage, SSRPL recorded revenues of Rs. 55.1 crore in first full year of operation in FY2025 and Rs. 75 crore in 9M FY2026. The company is expected to breakeven at PBT level in FY2026. The company's ability to timely and profitably ramp-up the hospital's operations would be the key rating factor. ICRA notes the hospital's modest cash flows at present and expects SMPL to provide need-based funding support to SSRPL.

The ratings are also tempered by the company's exposure to pricing pressure due to the non-integrated nature of operations and the intensely competitive nature of the cotton spinning industry. ICRA also notes that cotton stocking during the harvest season exposes the company to fluctuations in cotton and cotton yarn prices during the non-harvest period, with fixed procurement costs and fluctuating yarn realisations. Nevertheless, the company's lower-than-industry-average cotton stocking mitigates the risk to some extent.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that SMPL will continue to exhibit healthy capacity utilisation levels. This, coupled with improvement in realisation levels, partly supported by recent commercialisation of forward integration, would lead to improvement in the company's profitability levels in the medium term, consequently lending support to the debt coverage indicators.

## Key rating drivers and their description

### Credit strengths

**Large-scale spinning operations** – SMPL has 2,30,784 spindles as on December 31, 2025, which translate into a spinning capacity of 51,951 metric tonnes per annum (MTPA) and offers the company benefits of economies of scale and cost control. The company manufactures combed compact yarn, organic yarn, better cotton initiative (BCI) yarn, slub yarn and conventional combed yarn across a wide range of counts. Since the commencement of operations of its Unit-6 in September 2023, the company has started manufacturing polycotton as well. The entity's ability to manufacture diversified products across various counts and varieties provides flexibility to switch among product offerings and retain some pricing power, given the otherwise commoditised nature of yarn. Besides, its considerable presence in the B2B segments reduces expenses related to intermediaries.

**Proximity to cotton belt, healthy ramp-up in scale of operations** – SMPL's manufacturing facility is in Raisen district of Madhya Pradesh, 30 km from Bhopal, and is well connected by the National Highway-45. It is situated close to the cotton belt of Madhya Pradesh, Maharashtra, and Gujarat. The proximity to the cotton belt reduces its transportation costs and supports the operating profitability. Over the years, SMPL has continuously expanded its spinning capacity to 2.3 lakh spindles in FY2026 from 1.5 lakh spindles in FY2021 and has been able to ramp up the operations quickly, as reflected in healthy capacity utilisation level to nearly full in last three years (FY2023 to 9M FY2026). This translated into a healthy CAGR of 11% during FY2022-FY2025. SMPL reported a YoY revenue growth of 16% (at standalone level) in FY2025 to Rs.1,682 crore, driven by increase in volume offtake by full-year benefit of commercialisation of new spinning unit (Unit 6). The same was partly offset by marginal moderation in realisation by over 4% in FY2025. The company has recorded revenues of Rs. 1,270 crore in 9M FY2026 on a standalone basis wherein the sales volume and realisation remained range-bound on a YoY basis. It is expected to record revenues of Rs. 1,725 crore in FY2026. The increase in revenue is driven by commencement of dyeing and printing unit in December 2025, which is expected to add Rs. 30-40 crore to the revenue in FY2026.

**Established market position** – SMPL has an established position in the domestic and several export markets like Bangladesh, Egypt, South America, Turkey and Sri Lanka. The exports accounted for 44% of SMPL's yarn sales in FY2025 and 50% in 9M FY2026. Its domestic clients include many large and reputed textile companies and there is no involvement of intermediaries. The company also has long relationships with its customers, which reflect SMPL's good product quality and result in repeat orders.

## Credit challenges

**Leveraged capital structure and moderate financial profile** – Given the large debt-funded capex towards capacity expansion in the past towards increasing the spinning capacity and the working capital-intensive nature of operations, SMPL's reliance on external borrowings has remained high. This resulted in a leveraged capital structure with a gearing of 1.8 times and total outside liabilities vis-à-vis tangible net worth of 2.0 times as on March 31, 2025. ICRA notes that the company incurred capex of Rs. 240 crore in FY2025 and FY2026 towards setting up a manufacturing and processing unit of finished fabrics, funded by a debt of Rs. 171 crore (drawn Rs. 80.12 crore till December 31, 2025, balance expected to be drawn in Q4 FY2026 and Q1 FY2027 for payment of capex LCs), equity contribution from promoters of Rs. 5 crore and the balance of Rs. 65 crore from internal accruals and balance. While the new capex initiative would increase the debt levels in the near term, healthy revenues and profits generated from the spinning business are expected to adequately support the financial profile over the medium term. Additionally, there is no major capex planned for FY2027 and FY2028. This remains a key rating monitorable.

**Pricing pressure owing to non-integrated operations and fragmented industry structure** – The spinning industry is highly fragmented with a significant share of unorganised players. While SMPL manufactures a wide variety of yarns with different count range, its presence predominantly in the yarn segment limits its ability to pass on the increase in raw material costs. However, with expansion of knitting capacities in the future and venture in fabric dyeing processes, is expected to support the margins of the company in the medium term.

**Exposure to volatility in cotton/yarn prices** – The requirement of stocking cotton during the harvest season results in working-capital intensive operations and exposes SMPL's profit margins to fluctuation in cotton prices. However, in the current fiscal to safeguard from implementation of import duty on cotton from January 2026, the company imported six months of cotton in advance wherein import of cotton increased to 36% in 9M FY2026 from 8% in FY2025.

In FY2025, the OPM improved marginally to 10.6% from 10.0% in FY2024, led by lower raw material costs, which in turn led to increased contribution. Moreover, in FY2024, initial costs to operationalise and stabilise the polycotton unit-6, impacted the profitability levels. Additionally, margins are supported by optimal utilisation of power. This led to a lower proportion of increase in electricity expenses than in revenue, as a part of the power requirement is met through the solar plant. While there has been some improvement in gross contribution levels in 8M FY2026 led by decline in cotton prices, these are expected to remain range-bound going forward, given the demand uncertainties and pressure on realisation, thereby translating into stable operating profit margins (OPM).

With commencement of dyeing and printing plant (including manufacturing of finished fabric) in December 2025, the margins are expected to improve in FY2027, driven by higher share of revenue from fabric where margins are more than of yarn because of its higher value addition.

## Liquidity position: Adequate

SMPL's liquidity position is adequate, supported by healthy cash flow from operations and operationalisation of the hospital. Besides, the liquidity position is supported by long residual tenure of loans of seven years. SMPL's average utilisation of the sanctioned Rs. 289-crore working capital limits stood at 87% in last 13 months ended on December 31, 2025. The company's sanctioned working capital limits increased to Rs. 329 crore in December 2025 to meet the incremental working capital requirements for the new plant which provides adequate buffer. It also has a bill discounting limit of Rs. 368 crore wherein the average utilisation is around 23% during the last 13 months ended on December 31, 2025. There are no major capex plans for FY2027. The cash generation from the business is likely to remain sufficient against debt repayments of Rs. 79.1 crore in FY2026 and Rs. 70.5 crore in FY2027 at group level.

## Rating sensitivities

**Positive factors** – ICRA could upgrade SMPL’s ratings if there is a substantial growth in its scale of operations and profits, aided by a successful ramp-up of capacities, leading to an improvement in credit metrics and liquidity position.

**Negative factors** – Pressure on the ratings may emerge if any sharp decline in revenues and profits or any large debt-funded capex adversely impacts its credit metrics or liquidity position on a sustained basis. Specifically, SMPL’s consolidated debt service coverage ratio (DSCR) remaining below 1.6 times on a sustained basis, would be a negative factor.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Textiles - Spinning</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SMPL along with its wholly-owned subsidiary, SSRPL, which has set up a 300-bed hospital in Bhopal. As on March 31, 2025, the company had one subsidiary, enlisted in Annexure-2.

## About the company

SMPL, incorporated in 2010, is promoted by the Agrawal family of Bhopal. It is a part of the Sagar Group and is involved in cotton yarn spinning in the counts of 20-40s. Its manufacturing facility is in Raisen, MP and has an installed capacity of 2,30,784 spindles as on December 31, 2025. The company commenced its operations in 2013 with a capacity of 33,120 spindles (7,000 MT). It undertook phased capacity expansion, which led to an increase in the spinning capacity to 33,330 MTPA, running three shifts at 100% utilisation. It produces 100% cotton yarn and polycotton yarn under the brand name, SAGAR YARN. The company has also set up a knitting division, with 12 knitting machines which increased to 100 knitting machines (the company added 56 knitting machines in FY2026 having total installed capacity of 7,840 metric tonnes per annum (MTPA)) taking total installed capacity of 15,604 MTPA as on January 01, 2026.

It has one subsidiary, SSRPL, which has set up a 300-bed super multi-specialty hospital at Hoshangabad Road in Bhopal. The hospital started full-fledged operations in January 2024, with its full operational bed capacity of 300 from December 2025.

The Sagar Group caters to infrastructure, healthcare, education and textiles verticals. The Group launched its first real estate project in 1983. In 2001, the Group forayed into the field of education with its flagship education venture, Sagar Public School, in Bhopal. At present, the Group is operating six schools, three engineering institutes, one B-school, two pharmacy institutes, several real-estate projects and a spinning mill in Bhopal.

## Key financial indicators (audited)

SMPL (consolidated)	FY2024	FY2025
Operating income	1,461.5	1,737.1
PAT	23.4	32.2
OPBDIT/OI	10.0%	10.6%
PAT/OI	1.6%	1.9%
Total outside liabilities/Tangible net worth (times)	2.1	2.0
Total debt/OPBDIT (times)	5.4	4.5
Interest coverage (times)	3.2	3.4

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

		Current rating (FY2026)		Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Feb 06,2026	Date	Rating	Date	Rating	Date	Rating
<b>Fund-based-Cash credit</b>	Long-term	329.00	[ICRA]A-(Stable)	Feb 07, 2025	[ICRA]A-(Stable)	Nov 27, 2023	[ICRA]A-(Stable)	Jun 22, 2022	[ICRA]A-(Stable)
				-	-	-	-	Oct 06, 2022	[ICRA]A-(Stable)
<b>Unallocated limits</b>	Long-term/short-term	17.62	[ICRA]A-(Stable)/[ICRA]A2+	-	-	Nov 27, 2023	[ICRA]A-(Stable)/[ICRA]A2+	Oct 06, 2022	[ICRA]A-(Stable)/[ICRA]A2+
<b>Fund-based-Term loan</b>	Long-term	501.85	[ICRA]A-(Stable)	Feb 07, 2025	[ICRA]A-(Stable)	Nov 27, 2023	[ICRA]A-(Stable)	Jun 22, 2022	[ICRA]A-(Stable)
				-	-	-	-	Oct 06, 2022	[ICRA]A-(Stable)
<b>Non-fund based-Others</b>	Short-term	16.00	[ICRA]A2+	Feb 07, 2025	[ICRA]A2+	Nov 27, 2023	[ICRA]A2+	Jun 22, 2022	[ICRA]A2+
				-	-	-	-	Oct 06, 2022	[ICRA]A2+

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term-Fund-based-Term loan	Simple
Long-term-Fund-based-Cash credit	Simple
Short-term-Non-fund based-Others	Simple
Long-term/Short-term-Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	NA	NA	NA	329.00	[ICRA]A-(Stable)
NA	Term loans	FY2015	8.5- 9.0%	FY2034	501.85	[ICRA]A-(Stable)
NA	Credit exposure limit	NA	NA	NA	16.00	[ICRA]A2+
NA	Unallocated limits	NA	NA	NA	17.62	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company name	ownership	Consolidation approach
Sagar Manufacturers Private Limited	Rated Entity	Full Consolidation
Sagar Services & Resources Private Limited	100.00%	Full Consolidation

Source: Company

## ANALYST CONTACTS

**Jitin Makkar**

01244545368

[jitinm@icraindia.com](mailto:jitinm@icraindia.com)

**Kinjal Kirit Shah**

022-61143442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Sakshi Suneja**

022-61693349

[sakshi.suneja@icraindia.com](mailto:sakshi.suneja@icraindia.com)

**Taanisha Sharma**

022-61693344

[taanisha.sharma@icraindia.com](mailto:taanisha.sharma@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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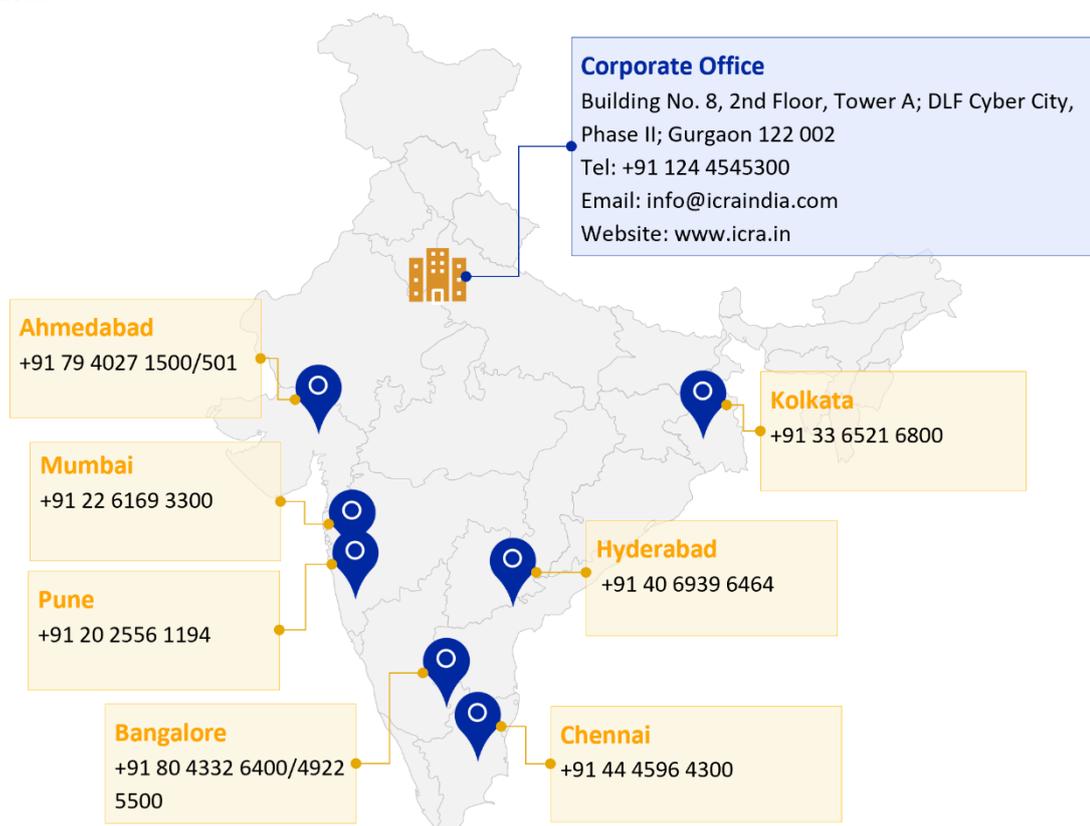
### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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