

Dalmia Bharat

Estimate change



TP change



Rating change



Bloomberg	DALBHARA IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	343.4 / 4.1
52-Week Range (INR)	2431 / 1651
1, 6, 12 Rel. Per (%)	4/-18/-42
12M Avg Val (INR M)	873
Free Float (%)	44.2

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	147.7	163.0	176.2
EBITDA	27.3	33.3	38.2
Adj. PAT	8.6	12.2	15.7
EBITDA Margin (%)	18.5	20.4	21.7
Adj. EPS (INR)	45.9	65.0	83.6
EPS Gr. (%)	12.8	41.5	28.5
BV/Sh. (INR)	903	950	1,014

Ratios

Net D:E	0.1	0.1	0.0
RoE (%)	5.2	7.0	8.5
RoCE (%)	5.6	6.9	8.3
Payout (%)	28.3	27.7	23.9

Valuations

P/E (x)	39.9	28.2	21.9
P/BV (x)	2.0	1.9	1.8
EV/EBITDA(x)	12.4	10.4	8.9
EV/ton (USD)	87	85	83
Div. Yield (%)	0.7	1.0	1.1
FCF Yield (%)	-2.3	1.9	4.8

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	55.8	55.8	55.9
DII	14.7	13.8	9.6
FII	8.9	9.4	14.1
Others	20.5	21.0	20.5

FII includes depository receipts

CMP: INR1,834

TP: INR2,250 (+23%)

BUY

Weak performance; demand growth and price key monitorable

Industry volume growth to be ~6% in FY25E (vs. previous est. of ~8%)

- Dalmia Bharat (DALBHARA)'s 2QFY25 performance was weak as expected as its EBITDA declined 26% YoY to INR4.3b (5% miss) and EBITDA/t was down 32% YoY to INR650 (est. INR700). OPM contracted 4.7pp YoY to 14%. PAT declined 54% YoY to INR550m (est. INR571m). Higher volume growth (+8% YoY; +3% v/s estimates) and better cost controls were key positives; though, realization decline of 6% QoQ was weaker than our estimate of ~2% decline.
- Management believes that muted cement demand in 1HFY25 led to lower capacity utilization and weak pricing. Demand is expected to improve in 2H, led by a pick-up in construction activities, private capex, and government-led infrastructure projects. It expects demand to grow at 8% YoY in 2HFY25 and 6% YoY in FY25 (previous estimate of ~8%). Better demand should lead to price improvements; though competitive intensity needs to be monitored.
- We cut our EBITDA estimates by ~5% for FY25/FY26 (each) and ~4% for FY27 due to continued pricing pressure and slower-than-expected recovery in demand. We value DALBHARA at 12x Sep'26E EV/EBITDA to arrive at our TP of INR2,250 (earlier INR2,390). **Reiterate BUY.**

Volume increases 8% YoY; realization/t dips 9%

- Consolidated revenue/EBITDA/adj. PAT stood at INR30.9b/INR4.3b/INR550m (down 2%/26%/54% YoY and 1%/5%/4% vs. our est.) in 2QFY25. Sales volume grew 8% YoY to 6.7mt Realization was down 9% YoY/6% QoQ.
- Variable costs declined 13% YoY (8% lower than our estimate). However, Other expense/freight cost per ton increased 7%/8% YoY (up 6%/flat vs. our estimate). Employee costs declined 3%/4% YoY/QoQ. Opex/t was down 4% YoY (3% lower than our estimate).
- In 1HFY25, consol. revenue/EBITDA declined 1%/9% YoY, while adj. PAT grew 16% (led by lower depreciation and ETR). Our estimates imply a revenue/EBITDA/PAT growth of ~2%/14%/13% YoY for 2HFY25, which would be led by volume growth of ~8% and higher cement prices. We estimate EBITDA/t to be at INR965 in 2HFY25 vs. INR920/INR780 in 2HFY24/1HFY25. OCF in 1HFY25 declined 69% YoY to INR2.1b due to an increase in working capital. Capex stood at INR13.9b vs. INR16.1b in 1HFY24. Net debt increased to INR6.4b vs. INR4.6b as of Jun'24. Net debt to EBITDA stood at 0.25x vs. 0.17x as of Jun'24.

Highlights from the management commentary

- It reiterated volume growth guidance of 1.5x than the industry growth. The ongoing expansion in Northeast and Bihar is likely to be completed in 2H.
- Fuel consumption cost stood at INR1.36/Kcal vs. INR1.38/Kcal in 1QFY25. The company expects fuel cost to decline marginally in the coming quarter.
- The company is working on cost savings of INR150-200/t over the next three years (INR50/t in FY25/26 each and INR100/t in FY27) through increasing RE share, captive coal mines, logistics optimization, etc.

Sanjeev Kumar Singh - Research analyst (Sanjeev.Singh@MotilalOswal.com)

Research analyst - Mudit Agarwal (Mudit.Agarwal@MotilalOswal.com) | Abhishek Sheth (Abhishek.Sheth@MotilalOswal.com)

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Valuation and View

- DALBHARA reported weak operating performance in 2QFY25 due to weak realization amid higher price correction in the Southern and Eastern regions and an increase in the non-trade mix in sales volume. We estimate the company's revenue/EBITDA/PAT CAGR at 6%/13%/27% over FY25-27. We estimate a volume CAGR of ~8% over FY25-27 and EBITDA/t of INR990/1,060 in FY26/FY27 vs. INR880 in FY25E.
- The stock has corrected ~25% since Dec'23, factoring in delayed capacity addition plans and weak operating performance due to sharp price corrections in its core markets. The company is among the least cost producer in the industry, backed by a higher blending ratio, green power share, and lower freight cost. The stock is currently trading at 10x/9x FY26E/FY27E EV/EBITDA. We value the stock at 12x Sep'26E EV/EBITDA to arrive at our revised TP of INR2,250 (earlier INR2,390). **Reiterate BUY.**

Quarterly Performance (Consolidated)

Y/E March	FY24				FY25E				(INR b)			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY24	FY25E	FY25 2QE	Var. (%)
Net Sales	36.3	31.5	36.0	43.1	36.2	30.9	34.9	45.8	146.9	147.7	31.2	-1
YoY Change (%)	10.0	6.0	7.4	10.1	-0.3	-2.0	-3.2	6.2	8.5	0.5	-0.9	
Total Expenditure	30.1	25.6	28.3	36.5	29.5	26.5	28.5	35.8	120.5	120.4	26.7	-0
EBITDA	6.2	5.9	7.8	6.5	6.7	4.3	6.3	9.9	26.4	27.3	4.6	-5
Margins (%)	17.0	18.7	21.6	15.2	18.5	14.1	18.2	21.7	18.0	18.5	14.6	-52
Depreciation	4.0	4.0	3.7	3.3	3.2	3.4	3.4	3.7	15.0	13.7	3.4	-0
Interest	0.8	1.0	1.1	0.9	1.0	1.0	1.0	1.2	3.9	4.2	1.0	-
Other Income	0.5	0.9	0.6	1.2	0.5	0.7	0.8	0.7	3.2	2.7	0.7	12
PBT before EO Expense	1.9	1.7	3.6	3.5	3.1	0.7	2.7	5.7	10.7	12.2	0.9	-14
Extra-Ord expense	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	1.1	0.0	
PBT after EO Expense	1.9	1.7	3.6	3.5	1.9	0.7	2.7	5.7	10.7	11.1	0.9	-14
Tax	0.4	0.5	1.0	0.3	0.5	0.2	0.7	1.6	2.2	3.1	0.2	
Prior Period Tax Adjustment	0.0	0.0	0.1	-0.6	0.0	0.1	0.0	0.0	-0.6	0.1	0.0	
Rate (%)	22.2	27.9	24.7	26.7	16.0	20.5	27.0	28.8	15.0	28.8	27.0	
Reported PAT (Pre Minority)	1.4	1.2	2.7	3.2	1.5	0.5	2.0	4.1	8.5	8.0	0.6	-21
Minority + Associate	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.3	0.2	0.1	
Adj. PAT	1.2	1.2	2.7	2.5	2.3	0.6	1.9	4.0	7.6	8.6	0.6	-4
YoY Change (%)	-36.9	325.0	33.8	-3.1	82.9	-53.8	-28.6	57.4	11.5	13.9	-52.0	
Per Ton Analysis (Blended) INR/t												
Sales Dispatches (m ton)	7.0	6.2	6.8	8.8	7.4	6.7	7.4	9.5	28.8	31.0	6.5	3
YoY Change (%)	12.4	6.9	7.9	18.9	6.2	8.1	8.4	7.8	12.1	7.5	5.0	
Net Realization	5,209	5,079	5,300	4,894	4,893	4,607	4,732	4,821	5,101	4,771	4,793	-4
YoY Change (%)	-2.2	-0.8	-0.5	-7.4	-6.1	-9.3	-10.7	-1.5	-3.2	-6.5	-5.6	
RM Cost	812	860	921	1,111	818	664	650	640	939	690	860	-23
Employee Expenses	319	365	325	230	308	327	304	243	302	291	361	-9
Power, Oil & Fuel	1,294	1,126	1,068	898	1,023	1,055	1,040	1,026	1,082	1,035	1,003	5
Freight and Handling Outward	1,161	1,018	1,093	1,159	1,122	1,099	1,110	1,134	1,112	1,118	1,100	-0
Other Expenses	739	761	749	753	719	815	768	732	750	755	771	6
Total Expenses	4,324	4,129	4,154	4,151	3,989	3,960	3,872	3,775	4,185	3,889	4,094	-3
EBITDA	885	950	1,146	743	904	648	861	1,046	916	882	699	-7

Source: Company, MOFSL Estimates



Key takeaways from the conference call

Demand and pricing outlook

- Cement demand was muted in 1HFY25 and lower than the estimates. Due to the muted demand, utilization declined to ~67%, leading to a weak pricing environment. The industry demand growth is estimated to be ~2-3% YoY in 1HFY25. Further, government infrastructure spending was only ~27% of the budgeted allocation till Aug'24 (vs. ~39% for the first five months in FY24).
- Demand growth is expected to be at ~8% YoY in 2HFY25 and overall growth should be at ~6% in FY25, led by a pick-up in construction activities, government-led infrastructure, private capex, and pent-up demand from intense monsoon in the last couple of months. Current cement prices (MTD) are flat vs. 2QFY25 average. Improvement in demand is likely to result in a price hike going forward, subject to competitive intensity.

Operational highlights and cost insights

- Fuel consumption cost stood at INR1.36/Kcal vs. INR1.38/Kcal in 1QFY25. The share of Renewable Energy (RE) increased to ~39% and targets to be at ~45%/50% by FY25/FY26-end. The trade share stood at ~63% vs. 68%/64% Q2FY24/Q1FY25.
- The lead distance increased to 280km vs. 277km/272km YoY/QoQ due to the sale of cement in Central India from its plants situated in the Eastern regions. It will continue to serve the Central Indian market as it has plans to set up capacity there.
- Blended cement sales stood at ~83% vs. ~88%/86% in 2QFY24/1QFY25. The C:C ratio stood at 1.64x vs. 1.67x in 1QFY25. The trade share stood at 63% vs. 68%/64% in 2QFY24/1QFY25.
- Other expenses increased due to a higher number of shutdowns and higher volume leading to higher packing/store spare costs.
- Incentives accrued stood at INR610m in 2QFY25 and incentives received stood at INR200m. Incentives receivable stood at INR7.8b as of Sep'24. In early Oct'24, it received an incentive of INR460m. It expects total incentive accruals as well as collection of around INR3.0b in FY25b.
- The company continues to be the lowest cost producer in the industry. It is working on cost savings of INR150-200/t through increasing RE share, AFR, captive coal mines, logistics optimization, etc.
- Depreciation declined YoY due to additional depreciation of INR400m in 2QFY24 pertaining to replacement of certain components of plant and machinery. Depreciation is expected at INR13.0b-13.5b in FY25.

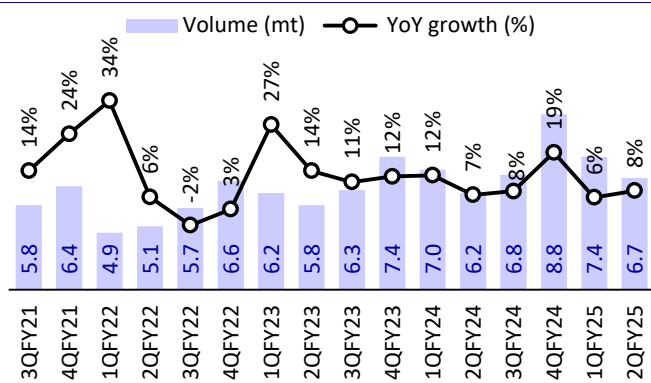
Expansion plans and capex

- Capacity expansion of 2.4mt in Northeast and 0.5mt in Bihar is expected to be commissioned in 2HFY25. Capex stood at INR1.4b in H1FY25. Capex pegged at INR3.0b-3.3b in FY25 largely toward capacity expansion, purchase of land for future projects, and cost reduction initiatives, including renewable energy and coal mines development.
- The company has set up renewable power capacities across various locations. It has commissioned 16MW captive solar power plant at Sattur, TN, taking its total RE capacity to 202MW.
- Capex guidance for FY26 is INR25b; however, this will increase as soon as the company announces the next phase of expansion (likely in the next nine months).

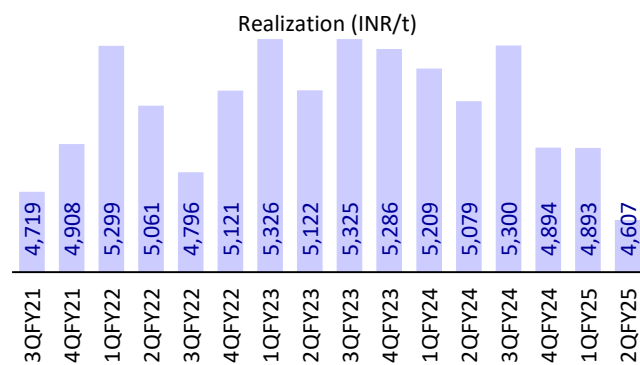
Debt position and other key highlights

- Gross debt stood at INR47.8b as of Sep'24 vs. INR46.5b as of Mar'24. Net debt (considering IEX investment part of cash and cash equivalents) stood at INR6.4b vs. INR4.8b as of Mar'24. Its net debt to EBITDA stood at 0.25x vs. 0.18x as of Mar'24. IEX investment at MTM value stood at INR27.2b vs. INR17.9b as of Mar'24. It reiterated its net debt to EBITDA ratio target at below 2.0x.
- The company is investing in its brand, expanding its distribution network, and enhancing service efficiency to strengthen its market presence and growth.

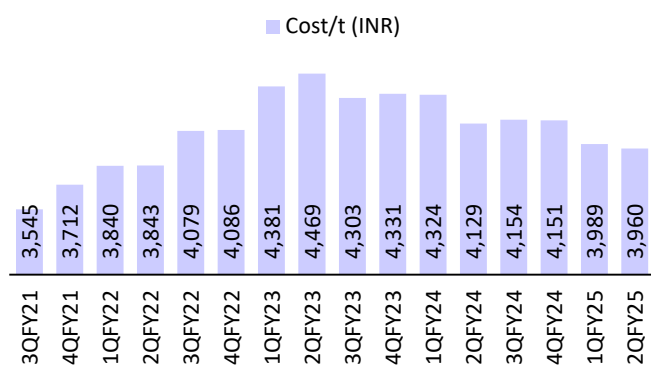
Story in charts

Exhibit 1: Sales volume up 8% YoY


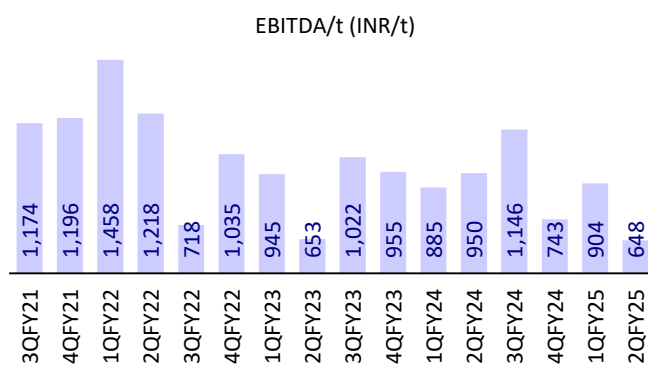
Source: Company, MOFSL

Exhibit 2: Realization down 9% YoY (down 6% QoQ)


Source: Company, MOFSL

Exhibit 3: Opex/t declined 4% YoY and 1% QoQ


Source: Company, MOFSL

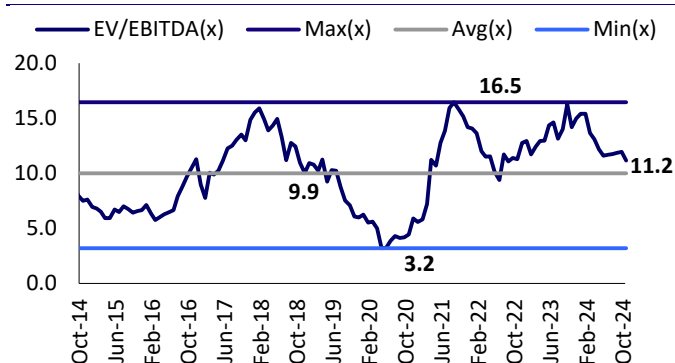
Exhibit 4: EBITDA/t declined 32% YoY


Source: Company, MOFSL

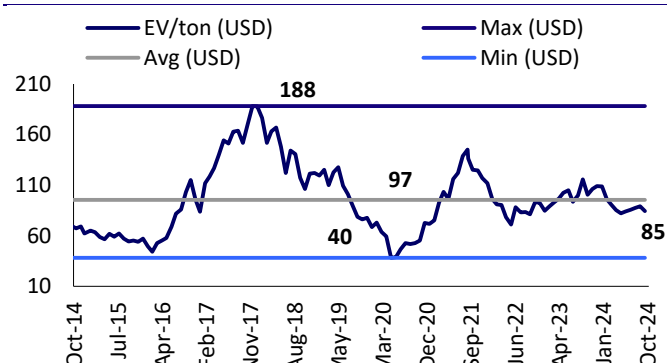
Exhibit 5: Key operating metrics (blended)

	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)
INR/t					
Realization	4,607	5,209	-12%	4,894	-6%
RM Cost	664	812	-18%	1,111	-40%
Staff Cost	327	319	3%	230	42%
Power and Fuel	1,055	1,294	-18%	898	18%
Freight and Forwarding	1,099	1,161	-5%	1,159	-5%
Other Expenditure	815	739	10%	753	8%
Total Expenditure	3,960	4,324	-8%	4,151	-5%
EBITDA	648	885	-27%	743	-13%

Source: Company, MOFSL

Exhibit 6: One-year forward EV/EBITDA


Source: Company, MOFSL

Exhibit 7: One-year forward EV/ton


Source: Company, MOFSL

Financials and valuations (Consolidated)

Income Statement						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	96,740	1,01,100	1,12,860	1,35,400	1,46,910	1,47,711	1,62,954	1,76,158
Change (%)	2.0	4.5	11.6	20.0	8.5	0.5	10.3	8.1
EBITDA	21,060	27,620	24,260	23,160	26,390	27,301	33,267	38,183
Margin (%)	21.8	27.3	21.5	17.1	18.0	18.5	20.4	21.7
Depreciation	15,280	12,500	12,350	13,050	14,980	13,660	14,797	14,903
EBIT	5,780	15,120	11,910	10,110	11,410	13,641	18,471	23,280
Int. and Finance Charges	4,380	2,950	2,020	2,340	3,860	4,166	4,765	5,110
Other Income - Rec.	2,170	1,810	1,600	1,380	3,150	2,705	2,840	3,014
PBT bef. EO Exp.	3,570	13,980	11,490	9,150	10,700	12,181	16,546	21,184
EO Expense/(Income)	0	-3,330	20	-3,850	0	1,130	0	0
PBT after EO Exp.	3,570	17,310	11,470	13,000	10,700	11,051	16,546	21,184
Current Tax	1,140	2,120	250	320	2,160	3,096	4,206	5,385
Deferred Tax	50	3,330	2,900	2,100	1,310	0	0	0
Tax Rate (%)	27.5	40.4	26.5	29.6	25.4	25.4	25.4	25.4
Reported PAT	2,380	11,860	8,320	10,580	7,230	7,954	12,340	15,799
Minority and Associates	-140	-130	-240	-190	-270	-180	-150	-130
PAT Adj. for EO items	2,240	8,400	8,203	6,850	7,640	8,614	12,190	15,669
Change (%)	-27.3	275.0	-2.3	-16.5	11.5	12.8	41.5	28.5
Margin (%)	2.3	8.3	7.3	5.1	5.2	5.8	7.5	8.9

Balance Sheet						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	390	374	375	375	375	375	375	375
Total Reserves	1,05,650	1,27,726	1,60,235	1,55,905	1,63,590	1,68,927	1,77,743	1,89,662
Net Worth	1,06,040	1,28,100	1,60,610	1,56,280	1,63,965	1,69,302	1,78,117	1,90,037
Deferred capital investment subsidy	1,400	1,240	1,250	1,660	1,560	1,560	1,560	1,560
Deferred Liabilities	12,770	16,590	15,640	16,100	17,580	17,580	17,580	17,580
Minority Interest	250	340	720	1,160	1,100	1,280	1,430	1,560
Total Loans	59,500	37,080	31,190	37,420	46,300	55,300	55,300	46,300
Capital Employed	1,79,960	1,83,350	2,09,410	2,12,620	2,30,505	2,45,022	2,53,987	2,57,037
Gross Block	1,66,440	1,86,160	2,00,360	2,16,590	2,39,020	2,68,940	3,02,910	3,20,700
Less: Accum. Deprn.	40,890	49,910	59,020	68,760	81,710	93,340	1,06,106	1,19,799
Net Fixed Assets	1,25,550	1,36,250	1,41,340	1,47,830	1,57,310	1,75,600	1,96,804	2,00,901
Capital WIP	17,400	10,060	10,450	18,710	23,950	22,000	8,000	7,000
Current Investment	26,980	32,930	43,990	29,350	38,720	38,720	38,720	38,720
Non-current Investment	1,610	7,410	13,060	5,900	5,910	5,910	5,910	5,910
Curr. Assets, Loans and Adv.	37,670	32,210	37,840	53,400	51,225	48,565	52,335	56,159
Inventory	9,740	7,600	9,460	13,160	12,180	12,950	14,286	15,444
Account Receivables	6,640	5,110	6,730	7,000	8,360	8,094	8,929	9,653
Cash and Bank Balance	4,030	2,470	1,600	2,850	3,920	1,311	2,649	4,432
Loans and Advances	17,260	17,030	20,050	30,390	26,765	26,210	26,471	26,630
Curr. Liability and Prov.	29,250	35,510	37,270	42,570	46,610	45,773	47,781	51,653
Account Payables	27,210	32,820	34,600	39,370	43,160	42,304	43,955	47,516
Provisions	2,040	2,690	2,670	3,200	3,450	3,469	3,827	4,137
Net Current Assets	8,420	-3,300	570	10,830	4,615	2,792	4,554	4,506
Appl. of Funds	1,79,960	1,83,350	2,09,410	2,12,620	2,30,505	2,45,022	2,53,987	2,57,037

E: MOFSL estimates

Financials and valuations (Consolidated)

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)*								
EPS	11.5	44.9	43.8	36.5	40.8	45.9	65.0	83.6
Cash EPS	89.8	111.7	109.7	106.1	120.6	118.8	143.9	163.0
BV/Share	543.8	684.6	857.2	833.6	874.6	903.0	950.1	1,013.6
DPS	2.0	1.3	9.0	9.0	9.0	13.0	18.0	20.0
Payout (%)	17.2	3.0	20.6	24.6	22.1	28.3	27.7	23.9
Valuation (x)*								
P/E	159.7	40.9	41.9	50.2	45.0	39.9	28.2	21.9
Cash P/E	20.4	16.4	16.7	17.3	15.2	15.4	12.7	11.2
P/BV	3.4	2.7	2.1	2.2	2.1	2.0	1.9	1.8
EV/Sales	3.7	3.3	2.8	2.4	2.2	2.3	2.1	1.9
EV/EBITDA	16.9	12.1	13.2	14.3	12.3	12.4	10.4	8.9
EV/t (USD)	162	132	107	104	88	87	85	83
Dividend Yield (%)	0.1	0.1	0.5	0.5	0.5	0.7	1.0	1.1
Return Ratios (%)								
ROIC	3.0	6.7	6.0	4.5	5.2	5.9	7.1	8.4
RoE	2.1	7.2	5.7	4.3	4.8	5.2	7.0	8.5
RoCE	3.5	6.1	5.6	4.2	5.4	5.6	6.9	8.3
Working Capital Ratios								
Asset Turnover (x)	0.5	0.6	0.5	0.6	0.6	0.6	0.6	0.7
Inventory (Days)	37	27	31	35	30	32	32	32
Debtor (Days)	25	18	22	19	21	20	20	20
Leverage Ratio (x)								
Current Ratio	1.3	0.9	1.0	1.3	1.1	1.1	1.1	1.1
Debt/Equity	0.6	0.3	0.2	0.2	0.3	0.3	0.3	0.2
Cash Flow Statement								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	3,570	13,640	11,620	13,210	10,690	12,181	16,546	21,184
Depreciation	15,280	12,500	12,360	13,050	14,980	13,660	14,797	14,903
Interest and Finance Charges	3,640	3,190	1,930	2,310	3,860	3,896	4,635	4,980
Direct Taxes Paid	-660	440	240	-140	-540	-3,096	-4,206	-5,385
(Inc.)/Dec. in WC	2,740	7,810	-5,150	-770	460	-793	-559	1,714
CF from Operations	24,570	37,580	21,000	27,660	29,450	25,847	31,212	37,396
Others	-1,190	-1,540	-1,680	-5,140	-3,100	-3,835	-2,840	-3,014
CF from Operations incl. EO	23,380	36,040	19,320	22,520	26,350	22,012	28,372	34,382
(Inc.)/Dec. in FA	-13,450	-10,270	-17,560	-27,010	-27,230	-30,000	-22,000	-18,000
Free Cash Flow	9,930	25,770	1,760	-4,490	-880	-7,988	6,372	16,382
(Pur.)/Sale of Investments	-4,970	6,050	6,380	2,980	-1,610	0	-9	-8
Others	300	370	410	1,080	1,340	2,705	2,840	3,014
CF from Investments	-18,120	-3,850	-10,770	-22,950	-27,500	-27,296	-19,169	-14,994
Issue of Shares	0	-4,000	50	0	0	0	0	0
Inc./(Dec.) in Debt	120	-25,340	-5,800	6,670	8,890	9,008	144	-8,875
Interest Paid	-4,680	-3,960	-2,320	-2,970	-4,390	-3,896	-4,635	-4,980
Dividend Paid	-930	0	-1,000	-1,690	-1,690	-2,437	-3,375	-3,750
Others	-430	-450	-350	-330	-590	0	0	0
CF from Fin. Activity	-5,920	-33,750	-9,420	1,680	2,220	2,675	-7,865	-17,604
Inc./Dec. of Cash	-660	-1,560	-870	1,250	1,070	-2,609	1,338	1,784
Opening Balance	4,690	4,030	2,470	1,600	2,850	3,920	1,311	2,648
Closing Balance	4,030	2,470	1,600	2,850	3,920	1,311	2,648	4,432

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NOTES

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Nainesh Rajani

Email: nainesh.raiani@motilaloswal.com

Contact: (+65) 8328 0276

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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