

Estimate changes

TP change

Rating change



CMP: INR1,780

TP: INR2,350 (+32%)

Buy

Apparel and real estate drive growth

	RW IN
Bloomberg	
Equity Shares (m)	67
M.Cap.(INRb)/(USDb)	118.5 / 1.4
52-Week Range (INR)	2240 / 1093
1, 6, 12 Rel. Per (%)	3/-16/1
12M Avg Val (INR M)	562

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Net Sales	82.1	87.2	96.7
EBITDA	12.0	12.5	14.2
PAT	6.3	6.6	8.0
EPS (INR)	94.4	99.1	120.4
GR. (%)	44.5	4.9	21.5
BV/Sh (INR)	435	678	798
ROE (%)	23.9	17.8	16.3
RoCE (%)	17.5	15.8	14.1
RoIC (%)	20.2	17.2	16.7
P/E (X)	18.8	18.0	14.8
P/BV (X)	4.1	2.6	2.2
EV/EBITDA (X)	10.8	10.0	8.4
Div Yield (%)	0.2	0.0	0.0

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	49.1	49.1	49.1
DII	7.9	6.0	5.0
FII	14.4	17.7	16.4
Others	28.6	27.6	29.6

FII Includes depository receipts

- Raymond reported revenue/EBITDA growth of 10%/13% YoY (in line), led by the real estate segment (up 50% YoY). The overall lifestyle revenue/EBITDA growth were propelled by the branded apparels segment (+ 20% YoY). However, the engineering business faced challenges due to sluggish conditions in the export market.
- Raymond has created three distinct vectors, i.e., Lifestyle, Real Estate, and an engineering unit Newco (by acquiring MPPL), with each segment re-energizing growth. The company remained net cash at the group level, and it has the ability to scale up each segment with internal accruals. We expect its consolidated revenue/PAT to grow at 12%/24% YoY over FY24-26. We **reiterate our BUY rating on the stock.**

Margins improved in all segments, driven by GM scale benefits

- Consol revenue was up 10% YoY to INR23.9b (in line), led by Real estate (+50% YoY) and Branded Apparel (+20% YoY) segments.
- The overall lifestyle segment revenue/EBITDA grew 6% YoY/13% YoY to INR18.4b/INR3.1b, with margin improvement of 110bp YoY to 16.9%.
- Engineering revenue grew 4% YoY to INR2.2b, constrained by a sluggish export market; however, the domestic market witnessed growth. The EBITDA margin contracted to 13.9% (down 200bp YoY), which led to a 9% YoY decline in EBITDA.
- Real estate segment's revenue/EBITDA increased 50%/30% YoY to INR4.4b/INR970m and margin declined 340bp YoY to 22.1%, due to the initial launch costs associated with a new project.
- Gross profit was up 10% YoY to INR10b (in line), while margins were up 20bp YoY to 42%.
- EBITDA was up 13% YoY to INR3.6b (in line), while margins were up 50bp YoY to 15.2%.
- Adj PAT was up 80% YoY to INR1.9b (9% miss) due to higher interest cost. Margins were up 300bp YoY to 7.9%.

Highlights from the management commentary

- The quarter started on a strong note with the festive season, marked by Navratri in October and Diwali in November; however, post Diwali, the festive demand could not sustain, leading to subdued consumer demand in the market. The outlook for 4QFY24 indicates a moderate uptick in consumer demand.
- The company received SEBI approval and shareholder meeting will be held on Feb 26, 24 to seek approval for the demerger.
- The company plans to expand its **retail store network** through the FOFO model and plans to open 250-300 stores in the next 12-18 months. Over the next three years, Ethnix has plans to expand and could reach up to 300 stores.

Aliasgar Shakir - Research Analyst (Aliasgar.Shakir@motilaloswal.com)

Research Analyst: Tanmay Gupta (Tanmay.Gupta@motilaloswal.com | **Harsh Gokalgandhi** (Harsh.Gokalgandhi@motilaloswal.com))

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The Branded Apparel segment had reported positive SSSG vs other apparel companies reporting flat/negative SSSG. This is supported by casualization and scale benefits.

Valuation and view

- The stock is down 19% from its peak in Sep'23; it is trading at a P/E and EV/EBITDA of 12x and 6.6x on FY26E, respectively. This is significantly lower than the valuation of retail & discretionary coverage universe, which are valued at ~45-50x on a one-year forward basis.
- Raymond has taken strategic initiatives, including the sale of the FMCG business, the de-merger of the Lifestyle Business, shaping the Real Estate Business, and establishing an engineering unit 'Newco' following the Maini precision (MPPL) acquisition. These three vectors are anticipated to generate shareholder value for each business unit, led by professional management, a favorable net cash position at the group level, and the optimization of costs and WC.
- We cut our estimates by 5% for FY24/25 by building in 12%/24% revenue/EBITDA CAGR for FY24-26E consolidated business, aided by 11%/9% lifestyle revenue/EBITDA CAGR. It should garner an ROE of 16%/17% in FY25/FY26.
- Our SOTP-based valuation ascribes the real estate business at 5x on FY25E EV/EBITDA on embedded EBITDA, assuming pre-sales of INR20b and 25% EBITDA margin, to arrive at a valuation of INR25b (i.e., INR380/share). Adjusting for the same, the Lifestyle business is trading at a P/E of 15x. Subsequently, we assign a P/E of 22x on FY26E to the Lifestyle business, arriving at a value of INR1,820/share. The engineering business is valued at EV/EBITDA of 7x on FY26E, arriving at a value of INR150/share. The combined value of Real Estate, Engineering and Lifestyle businesses works out to be INR2,350/share. We reiterate our BUY rating on the stock.

Quarterly performance

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est. Var
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			3QE	(%)
Total Revenue	17,281	21,682	21,682	21,502	17,715	22,534	23,862	23,123	82,147	87,234	24,087	-1
YoY %	109%	40%	18%	10%	3%	4%	10%	8%	33%	6%	11%	
Total expenditure	15,197	18,333	18,490	18,134	15,748	19,388	20,242	19,343	70,153	74,721	20,496	-1
EBITDA	2,085	3,350	3,192	3,368	1,966	3,146	3,619	3,781	11,994	12,513	3,591	1
EBITDA margin (%)	12.1%	15.4%	14.7%	15.7%	11.1%	14.0%	15.2%	16.3%	14.6%	14.3%	14.9%	26
Depreciation and amortization	584	575	578	616	597	654	703	703	2,354	2,657	685	3
Finance Costs	591	634	705	643	795	893	1,035	942	2,573	3,665	799	30
Other income	263	226	314	420	550	673	642	640	1,223	2,503	677	-5
Exceptional items	0	96	45	930	94	230	0	0	1,072	324	0	
Profit before Tax	1,172	2,271	2,177	1,599	1,030	2,042	2,523	2,776	7,219	8,370	2,784	-9
Tax	365	709	1,161	-231	267	507	626	700	2,004	2,100	702	-11
Profit after Tax	807	1,562	1,017	1,830	763	1,535	1,897	2,077	5,216	6,270	2,082	-9
Margin (%)	4.7%	7.2%	4.7%	8.5%	4.3%	6.8%	7.9%	9.0%	6.3%	7.2%	8.6%	-70
Minority Interest	-10	-31	-18	-21	-15	-14	-19	-19	-80	-66	-14	37
Share of Profit in Associated Companies	12	57	-51	135	9,904	77	-43	0	154	9,938	0	
Net Income	809	1,589	948	1,944	10,653	1,598	1,835	2,058	5,289	16,142	2,069	-11
Adjusted income	797	1,627	1,044	2,739	842	1,751	1,878	2,058	6,207	6,528	2,069	-9
Margin (%)	4.7%	7.3%	4.4%	9.0%	60.1%	7.1%	7.7%	8.9%	6.4%	18.5%	8.6%	-90

Quarterly segmental performance

Segmental performance INRm	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Branded Textile										
Revenue	6,482	9,118	9,023	9,018	6,884	9,327	9,090	9,178	33,641	34,478
EBITDA	1,138	2,029	1,887	1,966	1,170	2,061	1,963	1,977	7,026	7,171
margins	17.6%	22.3%	20.9%	21.8%	17.0%	22.1%	21.6%	21.5%	20.9%	20.8%
Branded Apparel										
Revenue	2,624	3,700	3,636	3,315	3,045	4,366	4,370	4,017	13,276	15,798
EBITDA	147	359	406	524	190	533	607	487	1,444	1,817
margins	5.6%	9.7%	11.2%	15.8%	6.2%	12.2%	13.9%	12.1%	10.9%	11.5%
Garmenting										
Revenue	2,471	2,655	2,823	3,054	2,648	3,124	2,810	3,301	11,003	11,884
EBITDA	152	232	256	202	240	228	303	203	841	974
margins	6.1%	8.7%	9.1%	6.6%	9.1%	7.3%	10.8%	6.1%	7.6%	8.2%
B2B Shirting										
Revenue	1,695	2,105	1,948	1,872	1,919	2,108	2,140	1,986	7,620	8,153
EBITDA	165	278	209	195	190	282	233	216	852	921
margins	9.7%	13.2%	10.7%	10.4%	9.9%	13.4%	10.9%	10.9%	11.2%	11.3%
Tools/Hardware and Auto Comp										
Revenue	2,094	2,277	2,084	2,190	2,094	2,007	2,170	2,331	8,645	8,602
EBITDA	267	293	331	340	290	255	302	315	1,231	1,161
margins	12.8%	12.9%	15.9%	15.5%	13.9%	12.7%	13.9%	13.5%	14.2%	13.5%
Real estate										
Revenue	2,865	2,474	2,921	2,892	2,337	2,426	4,390	3,419	11,151	12,571
EBITDA	788	633	745	703	540	470	970	747	2,873	2,727
margins	27.5%	25.6%	25.5%	24.3%	23.1%	19.4%	22.1%	21.8%	25.8%	21.7%

Exhibit 1: Lifestyle business- Valuation on FY26 (INR m)

INR	FY26E
EBITDA	10,374
PAT	5,477
EPS	83
PE Ratio	22
Per share value	1,820

Source: Company, MOFSL

Exhibit 2: Real Estate business- Valuation on FY25 (INR m)

INR m	FY25E
Pre-sales	20,162
Margin	25%
EV/ EBITDA	5.0x
EV= Equity	25,203
No of shares	67
Per share value	380

Source: Company, MOFSL

Exhibit 3: Engineering business - Valuation on FY26 (INR m)

INRm	FY26E
EBITDA	1,398
EV/ EBITDA	7.0x
EV= Equity	9,785
No of shares	67
Per share value	150

Source: Company, MOFSL

Exhibit 4: Valuation on FY26 (INR)

INR	Valuation
Lifestyle Valuation	1,820
Real estate Valuation	380
Engineering Valuation	150
Consol value	2,350
CMP	1,780
Upside	32%

Source: Company, MOFSL



Highlights from the management commentary

Current environment

- The quarter started on a strong note with the festive season, marked by Navratri in October and Diwali in November; however, post Diwali, the festive demand could not sustain, leading to subdued consumer demand in the market. The outlook for 4QFY24 indicates a moderate uptick in consumer demand.
- 4QFY24 appears to indicate a moderate uptick in consumer demand.
- Discretionary spending on fabric and apparel was adversely impacted primarily due to inflationary pressures.
- **US, UK & Europe:** Order book remained healthy for formal wear category in garmenting despite significant challenges of global inflation.
- **Demand levers:** China+1 strategy adoption and consolidation of vendors by major brands, coupled with favorable currency (USD).

Demerger update

- The company received SEBI approval and shareholder meeting will be held on Feb 26, 24 to seek approval for the demerger.
- Expect demerger of the engineering business once the business gets matured.

Guidance

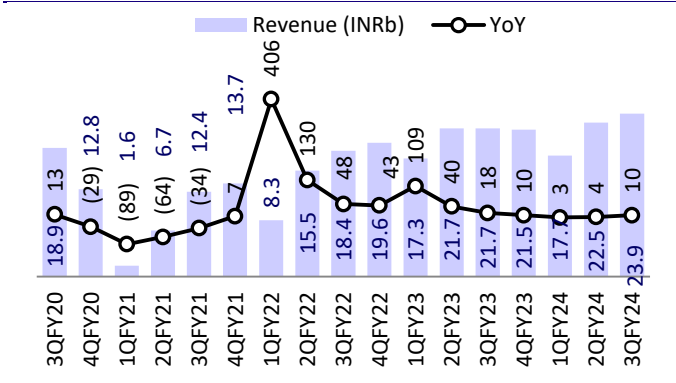
- The company plans to expand its **retail store network** through the FOFO model and plans to open 250-300 stores in the next 12-18 months. Over the next three years, Ethnix has plans to expand and could reach up to 300 stores.
- The company would continue to spend incremental INR650-700m **advertisement expenses** p.a.
- **The Home segment clocked** around INR1.5-1.6b revenue and expects to double it in the next three to four years. The strategy would be to grow via premiumization, expanding distribution channels, and establishing a robust institutional model.
- The global **denim market experienced a slowdown** in this quarter. However, the company's order book remains robust for the next six months, with the addition of new customers and expansion into new geographies (Europe and Japan).

Lifestyle business

- **Branded textile** revenue remained consistent in 3QFY24 compared to the previous year, despite muted customer demand and challenging market conditions, especially post Diwali.
- Casualization-focused approach and store additions led to increase in **branded apparel (BA)** revenue.
- BA margin will improve due to scale benefits. Improvement in scale is led by higher advertisements and growth in all the three channels (EBO, LFS, MBO)
- BA had reported positive SSSG/LFL vs other companies in the segment, reporting flat/negative SSSG. This is supported by casualization.
- The company had around 20% COCO stores and that share is expected to continue.
- **The Garmenting business** has exhibited healthy momentum in order book maintained, driven by the adoption of China+1 strategy and the addition of newly acquired global customers.

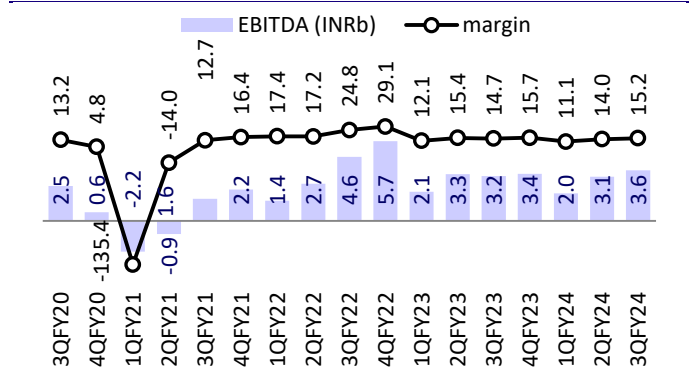
Key exhibits

Exhibit 5: Net sales rose 10% YoY, led by Real estate segment



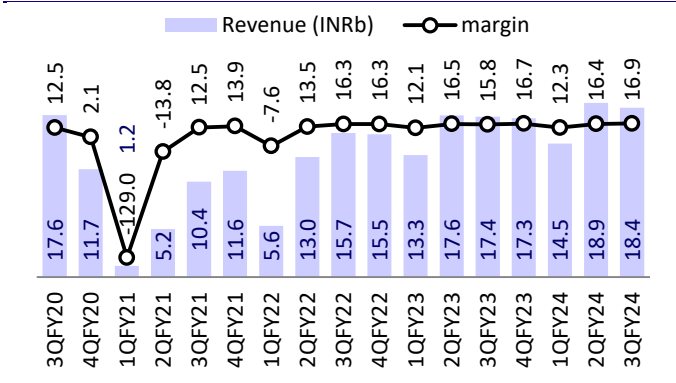
Source: Company, MOFSL

Exhibit 6: EBITDA increased 13% YoY/margin up 50bp YoY



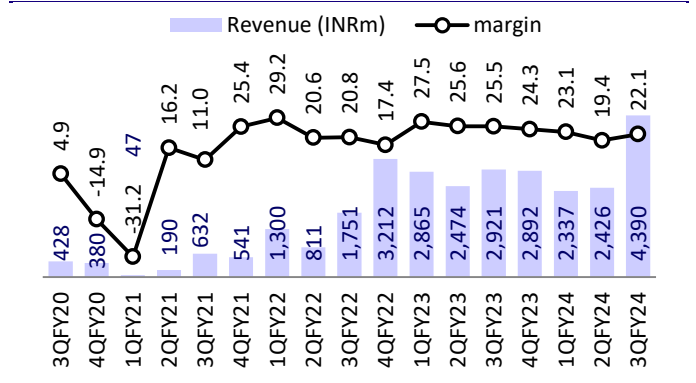
Source: Company, MOFSL

Exhibit 7: Lifestyle revenue/EBITDAM at +6%/+13bp YoY



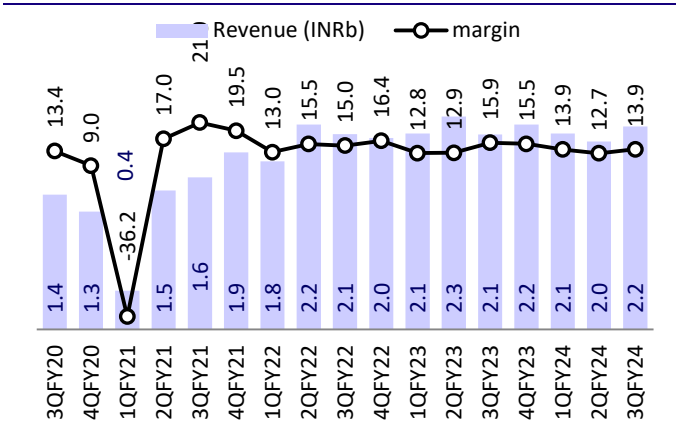
Source: Company, MOFSL

Exhibit 8: RE revenue up 50%/margins down 340bp YoY



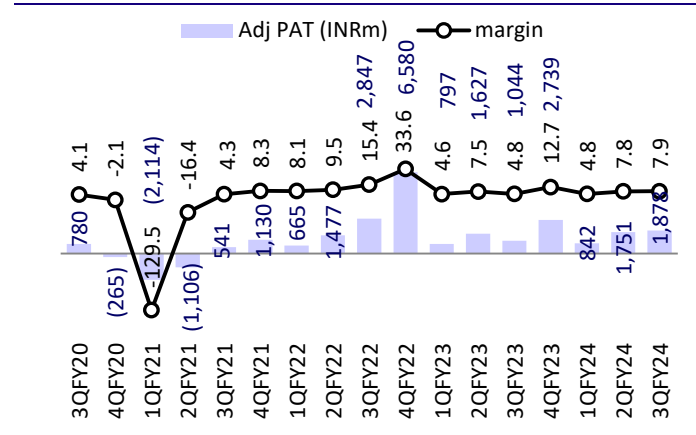
Source: Company, MOFSL

Exhibit 9: Engineering revenue up 4% YoY/margins down 200bp YoY



Source: MOFSL, Company

Exhibit 10: Adjusted PAT up 80% YoY to INR1.9b



Source: MOFSL, Company

Exhibit 11: Estimate change table

Consol	FY24	FY25
Revenue old	89,105	99,345
Revenue new	87,234	96,706
change	-2.1%	-2.7%
GP old	38,300	43,006
GP new	37,336	41,633
change	-2.5%	-3.2%
Margin old	43.0	43.3
Margin new	42.8	43.1
change	-0.2	-0.2
EBITDA old	13,096	14,686
EBITDA new	12,513	14,172
change	-4.5%	-3.5%
EBITDAM old	14.7	14.8
EBITDAM new	14.3	14.7
change	-0.4	-0.1
PAT old	16,988	8,452
PAT new	16,142	8,014
change	-5.0%	-5.2%

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue from Operations	65,823	64,824	34,465	61,785	82,147	87,234	96,706	1,09,196
Change (%)	11	-2	-47	79	33	6	11	13
Raw Materials	28,062	28,001	16,434	22,405	29,983	32,276	34,814	39,311
Manufacturing & opex	8,339	7,740	4,162	7,460	9,099	10,032	11,605	13,104
Employee Costs	9,348	9,963	6,736	8,796	10,242	11,515	13,055	14,742
Development of property cost	870	1,851	1,327	7,265	9,030	7,589	8,654	10,698
SG&A	13,436	12,110	6,469	8,748	11,799	13,309	14,406	14,777
Total Expenditure	60,055	59,665	35,127	54,674	70,153	74,721	82,533	92,630
% of Sales	91.2	92.0	101.9	88.5	85.4	85.7	85.3	84.8
EBITDA	5,768	5,158	-662	7,111	11,994	12,513	14,172	16,566
Margin (%)	8.8	8.0	-1.9	11.5	14.6	14.3	14.7	15.2
Depreciation	1,965	3,398	3,142	2,398	2,354	2,657	2,801	2,514
EBIT	3,803	1,760	-3,804	4,713	9,641	9,856	11,371	14,052
Margin (%)	5.8	2.7	-11.0	7.6	11.7	11	12	13
Finance costs	2,326	3,027	2,760	2,277	2,573	3,665	3,161	3,042
Other Income	1,254	959	2,014	1,695	1,223	2,503	2,503	2,503
Exceptional Items loss (gain)	47	-381	0	1,636	1,072	324	0	0
PBT bef. EO Exp.	2,684	73	-4,551	2,495	7,219	8,370	10,713	13,513
Total Tax	-856	428	1,609	219	-2,004	-2,100	-2,700	-3,405
Tax Rate (%)	31.9	-584.0	35.4	-8.8	27.8	25.1	25.2	25.2
PAT	1,828	502	-2,942	2,714	5,215	6,270	8,014	10,108
Minority Interest	-68	-56	66	-48	-80	-66	0	0
Sh. of Profit in Associated Companies	-80	1,516	-95	-64	154	9,938	0	0
PAT after MI	1,680	1,961	-2,970	2,603	5,289	16,142	8,014	10,108
Adjusted PAT	1,874	121	-2,942	4,350	6,287	6,594	8,014	10,108
Change (%)	49.2	-93.6	-2,538.5	-247.9	44.5	4.9	21.5	26.1
Margin (%)	2.8	0.2	-8.5	7.0	7.7	7.6	8.3	9.3

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	614	647	666	666	666	666	666	666
Total Reserves	18,924	23,112	20,308	22,925	28,324	44,466	52,479	62,587
Net Worth	19,538	23,759	20,974	23,591	28,990	45,131	53,145	63,253
Minority Interest	830	885	819	772	850	850	850	850
Total Loans	21,429	21,725	20,759	20,663	21,275	26,985	25,985	24,985
Lease Liability	0	5,459	3,369	2,609	4,020	3,827	3,692	3,597
Capital Employed	41,797	51,828	45,920	47,635	55,135	76,794	83,672	92,684
Fixed Assets	20,493	24,812	20,651	19,025	19,697	20,041	20,240	20,726
Total Investments	4,113	2,448	1,557	6,989	11,999	11,999	11,999	11,999
Investment in Associate/JV	1,285	3,528	3,447	4,008	4,393	14,331	14,331	14,331
Curr. Assets, Loans&Adv.	37,418	41,939	36,286	37,859	41,096	53,479	62,105	73,198
Inventory	19,015	22,011	16,338	20,113	24,966	26,768	29,144	31,413
Account Receivables	12,595	11,595	9,580	8,731	7,443	8,365	9,273	10,471
Cash and Bank Balance	1,261	3,276	5,521	3,363	3,258	12,917	18,258	25,885
Loans and Advances	4,547	5,057	4,846	5,652	5,430	5,430	5,430	5,430
Curr. Liability & Prov.	24,020	24,892	20,688	25,112	26,231	27,237	29,184	31,750
Account Payables	13,520	14,056	11,638	17,169	16,919	17,925	19,871	22,438
Other Current Liabilities	9,811	10,125	8,333	7,017	8,438	8,438	8,438	8,438
Provisions	689	712	717	925	875	875	875	875
Net Current Assets	13,398	17,047	15,598	12,747	14,865	26,242	32,921	41,448
Deferred Tax assets	1,144	2,300	3,617	4,232	2,859	2,859	2,859	2,859
Other Assets	1,363	1,693	1,050	632	1,322	1,322	1,322	1,322
Appl. of Funds	41,797	51,828	45,920	47,635	55,134	76,793	83,672	92,684

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	30.5	1.9	-44.2	65.3	94.4	99.1	120.4	151.8
Cash EPS	62.5	54.4	3.0	101.4	129.8	139.0	162.5	189.6
BV/Share	318.3	367.1	315.1	354.4	435.5	678.0	798.3	950.2
DPS	3.0	0.0	0.0	3.0	3.0	0.0	0.0	0.0
Payout (%)	9.8	0.0	0.0	4.6	3.2	0.0	0.0	0.0
Valuation (x)								
P/E	58.3	955.0	-40.3	27.2	18.8	18.0	14.8	11.7
Cash P/E	28.5	32.7	592.2	17.6	13.7	12.8	11.0	9.4
P/BV	5.6	4.8	5.6	5.0	4.1	2.6	2.2	1.9
EV/Sales	2.1	2.2	4.0	2.1	1.6	1.4	1.2	1.0
EV/EBITDA	23.5	27.3	-205.9	18.6	10.8	10.0	8.4	6.6
Dividend Yield (%)	0.2	0.0	0.0	0.2	0.2	0.0	0.0	0.0
FCF per share	-37.7	-12.3	68.8	66.2	71.6	40.6	74.7	108.4
Return Ratios (%)								
RoE	10.0	0.6	-13.2	19.5	23.9	17.8	16.3	17.4
RoCE (Post Tax)	10.9	6.9	-0.4	14.4	17.5	15.8	14.1	15.1
RoIC (Post Tax)	8.9	5.4	-5.3	13.2	20.2	17.2	16.7	20.0
Working Capital Ratios								
Fixed Asset Turnover (x)	3.2	2.6	1.7	3.2	4.2	4.4	4.8	5.3
Asset Turnover (x)	1.6	1.3	0.8	1.3	1.5	1.1	1.2	1.2
Inventory (Days)	105	124	173	119	111	112	110	105
Debtor (Days)	70	65	101	52	33	35	35	35
Creditor (Days)	75	79	123	101	75	75	75	75
WC (Days)	100	110	151	69	69	72	70	65
Leverage Ratio (x)								
Current Ratio	1.6	1.7	1.8	1.5	1.6	2.0	2.1	2.3
Interest Cover Ratio	1.6	0.6	-1.4	2.1	3.7	2.7	3.6	4.6
Net Debt/Equity	0.8	0.9	0.8	0.5	0.3	0.1	0.0	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	2,651	1,208	-4,646	4,068	8,445	8,370	10,713	13,513
Depreciation	1,965	3,398	3,142	2,398	2,354	2,657	2,801	2,514
Interest & Finance Charges	2,326	3,027	2,760	2,277	2,573	3,665	3,161	3,042
Others	-805	-610	-495	-458	-487	-2,503	-2,503	-2,503
Direct Taxes Paid	-707	-397	232	-344	-724	-2,100	-2,700	-3,405
(Inc)/Dec in WC	-2,350	-1,729	6,712	46	-3,862	-1,718	-1,339	-900
CF from Operating	2,507	3,729	7,037	6,774	8,053	8,370	10,134	12,261
(Inc)/Dec in FA	-2,410	-1,925	-16	-317	-1,023	-2,000	-2,000	-2,000
Free Cash Flow	97	1,804	7,021	6,457	7,030	6,370	8,134	10,261
(Pur)/Sale of Investments	387	130	186	-4,407	-4,203	0	0	0
Others	797	601	475	475	469	2,503	2,503	2,503
CF from Investments	-1,226	-1,194	644	-4,248	-4,758	503	503	503
Issue of Shares	0	3,500	0	0	0	-66	0	0
Inc/(Dec) in Debt	1,143	-1,980	-4,244	-1,084	-724	-12,483	-2,135	-2,095
Inc/(Dec) in Internal Debt	0	0	0	0	0	17,000	0	0
Interest Paid	-2,412	-2,597	-2,438	-2,053	-2,265	-3,665	-3,161	-3,042
Dividend	-220	-222	-1	-96	-201	0	0	0
CF from Fin. Activity	-1,488	-1,299	-6,683	-3,232	-3,189	786	-5,297	-5,137
Inc/Dec of Cash	-248	1,126	998	-706	106	9,660	5,340	7,627
Opening Balance	446	198	1,325	2,323	1,617	3,258	12,917	18,258
Other bank balance	1,062	1,952	3,198	1,746	1,534	0	0	0
Closing Balance	1,261	3,276	5,521	3,363	3,258	12,917	18,258	25,885

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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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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