

Ipcap Laboratories

Estimate change	
TP change	
Rating change	

Bloomberg	IPCA IN
Equity Shares (m)	254
M.Cap.(INRb)/(USDb)	349.2 / 4
52-Week Range (INR)	1758 / 1168
1, 6, 12 Rel. Per (%)	-2/-9/-1
12M Avg Val (INR M)	584

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	89.4	97.2	108.0
EBITDA	17.3	18.0	22.4
Adjusted PAT	9.1	10.4	12.9
EBIT Margin (%)	14.9	14.3	16.7
Cons. Adj EPS (INR)	36.0	41.1	51.0
EPS Gr. (%)	44.8	14.2	24.2
BV/Sh. (INR)	273.9	308.8	352.1
Ratios			
Net D-E	0.1	0.1	0.0
RoE (%)	13.7	14.1	15.4
RoCE (%)	13.2	12.4	14.2
Payout (%)	11.2	12.3	15.8
Valuation			
P/E (x)	38.2	33.5	27.0
EV/EBITDA (x)	20.3	19.5	15.7
Div. Yield (%)	0.3	0.4	0.6
FCF Yield (%)	1.3	1.4	3.0
EV/Sales (x)	3.9	3.6	3.2

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	44.7	44.7	46.3
DII	36.2	36.1	33.8
FII	10.7	10.8	10.9
Others	8.4	8.5	9.1

FII Includes depository receipts

CMP: INR1,377

TP: INR1,610 (+17%)

Buy

DF strength intact; Unichem drag weighs on 1QFY26 performance

Growth revival measures in place across key geographies

- Ipcap Laboratories (IPCA) delivered lower-than-expected 1QFY26 performance with a miss on revenue/EBITDA/PAT by 3%/15%/18%, largely due to an inferior show by Unichem for the quarter. This was further fueled by subdued sales growth in branded formulation exports and a decline in domestic API sales.
- That said, Unichem is working to revive sales through new launches in the US/EU markets. IPCA is also in the process of building a product pipeline from its own site for the US market.
- The domestic formulation (DF) business remains a strong backbone for IPCA, delivering better-than-industry growth in 1QFY26. The company is not only working on enhancing its portfolio but has also restructured its cardiology division to support superior growth.
- The lack of global funding has been impacting the institutional anti-malaria business.
- We reduce our earnings estimates by 2%/4% for FY26/FY27, factoring in: a) disruption of the Unichem business in Asia/Africa/Brazil, b) some delay in the US business from IPCA's own site, and c) some hiccup in the DF segment on account of restructuring. We value IPCA 30x 12M forward earnings to arrive at a TP of INR1,610.
- IPCA is implementing geography-specific measures to improve growth prospects, such as: a) the addition of MRs in select therapies in DF, b) strengthening its product pipeline for the US/other export markets, and c) implementing synergy measures while integrating the Unichem business. Accordingly, we estimate a 10%/14%/19% CAGR in sales/EBITDA/PAT for FY25-27. Reiterate BUY.

Segmental mix benefit offset by higher opex on YoY basis

- IPCA's 1QFY26 sales grew 10.3% YoY to INR23b (our est: INR23.7b).
- Formulation sales increased 11% YoY to INR14b (62% of sales).
- DF sales grew 10% YoY to INR9.6b (42% of total sales). Exports formulation sales grew 13.7% YoY to INR4.4b (20% of total sales).
- API sales grew 13% YoY to INR3.3b (14% of sales). Domestic API sales grew 18% YoY to INR760m (23% of API sales). Export API sales grew 28% YoY to INR2.5b (77% of API sales).
- Revenue from subsidiaries grew 7% YoY to INR5.6b (24% of sales).
- Gross margin (GM) expanded 80bp YoY to 70% due to a superior product mix/lower RM costs.
- However, EBITDA margin contracted 70bp YoY to 18% (our est: 20.7%), as higher GM was offset by higher opex (other expenses up 130bp YoY as % of sales).
- EBITDA grew 6% YoY to INR4.2b (our est: INR4.9b).
- PAT grew 21% YoY to INR2.3b (our estimate: INR2.8b).

Highlights from the management commentary

- IPCA guided for 9-10% YoY revenue growth in FY26. EBITDA margin is expected to improve gradually by 70-75bp YoY in FY26.
- Unichem lost market share in four products due to competition, while its business was also impacted in Asia/Africa/Brazil. Additionally, a provision of INR120m was made in 1QFY26 due to currency fluctuation. The closure of the Ireland facility further led to an expense of INR100m.
- IPCA restructured its cardiovascular division and added 400MRs, which temporarily impacted business in this therapy during 1QFY26. However, this is expected to improve going forward.
- The company expects about 3-4% addition in the field force on an annual basis over the next 3-5 years, largely for chronic therapies.
- IPCA has filed one product with the USFDA, and 15-16 products are under various stages of development.

Quarterly Performance

Y/E March	(INRm)											
	FY25				FY26				FY25	FY26E	FY26E	% Chg
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Revenues (Core)	20,926	23,549	22,454	22,467	23,089	25,130	24,802	24,185	89,396	97,205	23,720	-2.7
YoY Change (%)	31.8	15.8	9.4	10.5	10.3	6.7	10.5	7.6	16.0	8.7	13.4	
EBITDA	3,927	4,425	4,631	4,289	4,164	4,649	4,687	4,498	17,271	17,999	4,910	-15.2
YoY Change (%)	33.5	22.7	39.9	33.2	6.0	5.1	1.2	4.9	32.1	4.2	25.0	
Margins (%)	18.8	18.8	20.6	19.1	18.0	18.5	18.9	18.6	19.3	18.5	20.7	
Depreciation	989	1,004	985	1,001	1,001	1,063	1,049	1,023	3,978	4,135	981	
EBIT	2,938	3,421	3,646	3,287	3,164	3,586	3,638	3,476	13,293	13,864	3,929	-19.5
YoY Change (%)	30.7	26.6	57.5	46.9	7.7	4.8	-0.2	5.7	39.9	4.3	33.7	
Margins (%)	14.0	14.5	16.2	14.6	13.7	14.3	14.7	14.4	14.9	14.3	16.6	
Interest	241	226	168	215	185	131	131	131	849	580	131	
Other Income	206	263	201	258	327	350	376	390	928	1,443	238	
PBT before EO Expense	2,904	3,458	3,679	3,331	3,305	3,805	3,883	3,734	13,372	14,727	4,035	
One-off (gain)/ Expense	0	0	0	2,051	0	0	0	0	2,051	0	0	
PBT after EO Expense	2,904	3,458	3,679	1,280	3,305	3,805	3,883	3,734	11,321	14,727	4,035	
Tax	914	994	906	622	961	1,119	1,149	1,120	3,436	4,349	1,211	
Rate (%)	31.5	28.7	24.6	48.6	29.1	29.4	29.6	30.0	25.7	29.5	30.0	
Reported PAT	1,990	2,464	2,773	658	2,344	2,686	2,734	2,614	7,885	10,378	2,825	-17.0
Minority Interest	-67	-160	-292	20	-12	16	19	20	-499	43	12	
Adj PAT after Minority Int	1,922	2,305	2,481	2,418	2,332	2,702	2,753	2,634	9,127	10,421	2,837	-17.8
YoY Change (%)	24.9	36.4	122.5	23.4	21.3	17.2	10.9	8.9	44.8	14.2	47.6	
Margins (%)	9.2	9.8	11.1	10.8	10.1	10.8	11.1	10.9	10.2	10.7	12.0	

Key Performance Indicators

Y/E March	(INRm)											
	FY25				FY26				FY25	FY26E	FY26E	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Domestic formulations	8,734	9,405	8,772	7,641	9,610	10,515	9,789	8,596	34,551	38,510	9,721	
YoY Change (%)	11.6	11.3	12.5	10.8	10.0	11.8	11.6	12.5	11.5	12.0	11.3	
Exports formulations	3,954	5,415	4,582	5,235	4,496	5,123	5,362	5,637	19,186	20,619	4,969	
YoY Change (%)	-0.6	15.0	5.8	10.5	13.7	-5.4	17.0	7.7	8.1	7.5	25.7	
API sales	2,880	3,186	3,179	3,414	3,263	3,580	3,688	3,833	12,658	14,364	3,260	
YoY Change (%)	-2.4	-4.9	11.6	2.1	13.3	12.4	16.0	12.3	1.3	13.5	13.2	
Cost Break-up												
RM Cost (% of Sales)	30.8	32.2	29.8	31.5	30.0	30.5	30.0	31.0	31.1	30.4	30.7	
Staff Cost (% of Sales)	23.3	21.7	21.6	22.3	23.5	23.0	23.2	22.7	22.2	23.1	21.6	
Other Cost (% of Sales)	27.2	27.4	28.0	27.1	28.5	28.0	27.9	27.7	27.4	28.0	27.0	
Gross Margins(%)	69.2	67.8	70.2	68.5	70.0	69.5	70.0	69.0	68.9	69.6	69.3	
EBITDA Margins(%)	18.8	18.8	20.6	19.1	18.0	18.5	18.9	18.6	19.3	18.5	20.7	
EBIT Margins(%)	14.0	14.5	16.2	14.6	13.7	14.3	14.7	14.4	14.9	14.3	16.6	



Highlights from the management commentary

- API prices are now stable, and the outlook is gradually improving.
- IPCA witnessed 15% YoY growth in chronic therapies vs 9.9% YoY growth exhibited by IPM.
- IPCA witnessed 9.8% YoY growth in acute therapies vs 6.8% YoY growth exhibited by IPM.
- IPCA delivered 13% YoY growth in pain therapy for 1QFY26.
- The institutional business is expected to remain stable due to a lack of global funding.
- GM expansion is largely due to the product mix.
- Onyx reported a loss due to limited projects as a result of inadequate funding from big pharma/smaller innovators.

Strategic measures in place to drive growth in focus markets

DF: Chronic focus; volume uptick propels DF momentum

- IPCA delivered 10% YoY growth in 1QFY26, after delivering 12% YoY growth in FY25.
- Therapy-wise, IPCA exhibited strong YoY growth in the antineoplast/immunomodulator and gastro-intestinal segments for the quarter. The pain-analgesic/cardiac segment were steady; however, derma/anti-infectives dragged overall YoY growth to some extent.
- Interestingly, temporary disruptions in the cardiology therapy, driven by the restructuring of the division and addition of MRs, affected YoY growth to some extent for the quarter.
- IPCA has largely been in line with the industry in 1QFY26. That said, chronic therapies grew 15% YoY vs 9.9% YoY growth for the industry in 1QFY26, according to IMS.
- IPCA remains one of the leading company, where considerable portion of domestic formulation growth is driven by volume. Almost 5% YoY growth has been attributed to volume growth for the past 12M.
- There has been consistent efforts toward improving the share of metro cities in the overall DF segment. There is also a focus to enhance the share of chronic therapies in the overall portfolio. Interestingly, if rheumatoid arthritis is clubbed under chronic, given the medicine in-take is for a prolonged period of time, the overall chronic share is greater than IPM.
- We expect a 12.2% sales CAGR in the DF segment to INR43.5b over FY25-27.

Exports: growth driven by generics/API/Unichem's US sales for the quarter

- In 1QFY26, IPCA's exports sales stood at INR7b, up 18% YoY. Specifically, formulation sales grew 13.7% YoY to INR4.5b (64% of exports) and API sales stood at INR2.5b, up 28% YoY (36% of exports) for 1QFY26.
- Within formulation sales, generics grew 19% YoY to INR2.7b and branded generics grew 9.6% YoY to INR1.3b. The institutional anti-malaria business came in at INR580m, stable YoY for 1QFY26.
- Despite increased competition, Unichem delivered 12% YoY growth in the US market in 1QFY26. Unichem continues to progress well in the EU market with 37% YoY growth in sales for the quarter. This was offset by a muted show in other geographies like Asia, Africa and Brazil.

- Subsidiary sales grew 7% YoY to INR5.6b, primarily led by Unichem.
- With a significant reduction in the overlap of R&D, Unichem is also developing its product pipeline independently.
- Considering a gradual revival in IPCA sales for the US market, we expect some moderation in the branded generics business and disruption in Unichem's performance.
- Accordingly, we expect the overall export formulations (including Unichem) business to clock a 8.5% sales CAGR, reaching INR60b over FY25-27.

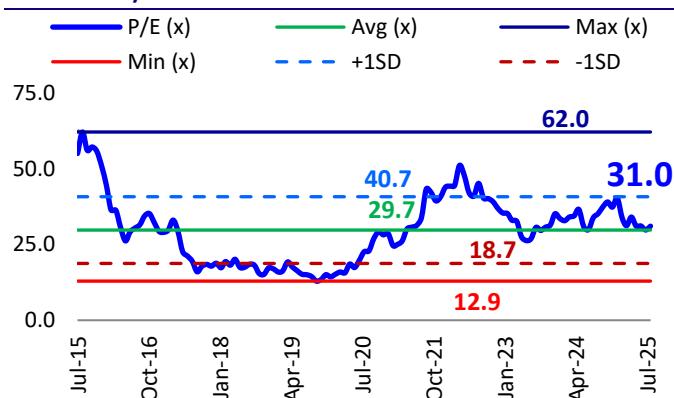
API: Exports-led volume gains help stabilize sales amid pricing pressure

- The API segment has been undergoing a challenging time, with sales on a declining trend for past three years.
- The industry has been facing pricing pressure due to excess inventory in the channel. The demand remains stable.
- Considering this backdrop, IPCA's performance of stable YoY sales in FY25 and 1QFY26 business is quite comforting.
- In fact, IPCA delivered 13% YoY growth in API sales, backed by strong exports for the quarter.
- IPCA continues to optimize the cost of production to maintain market share and gain traction in newer products.
- Accordingly, we expect 10.5% sales CAGR over FY25-27 to reach INR15.5b.

Valuation and view

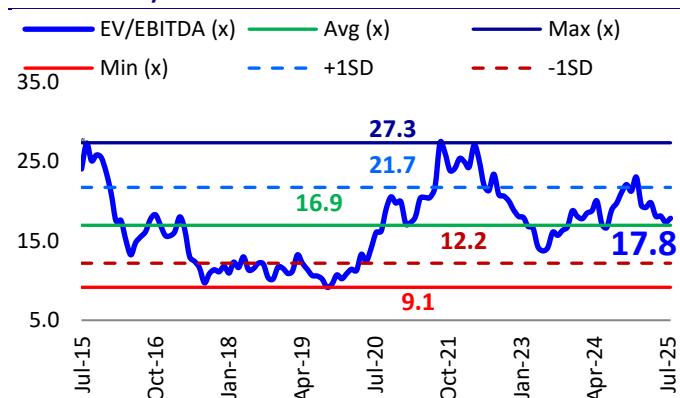
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- IPCA is implementing geography-specific measures to improve growth prospects, such as: a) adding MRs in select therapies in DF, b) strengthening the product pipeline for the US/other exports market, and c) implementing synergy measures while integrating the Unichem business. Accordingly, we estimate 10%/14%/19% CAGR in sales/EBITDA/PAT for FY25-27. Reiterate BUY.

Exhibit 1: P/E chart



Source: MOFSL, Company, and Bloomberg

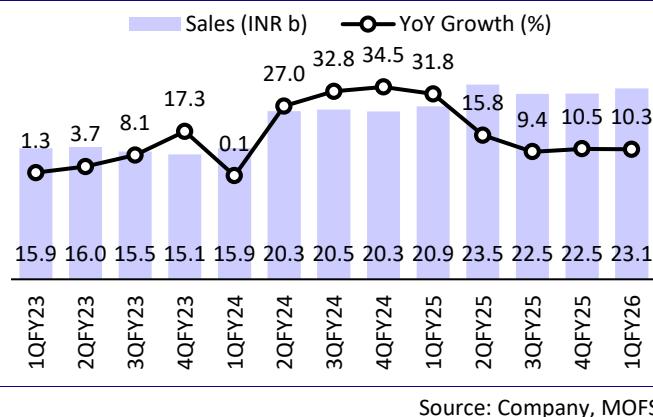
Exhibit 2: EV/EBITDA chart



Source: MOFSL, Company, and Bloomberg

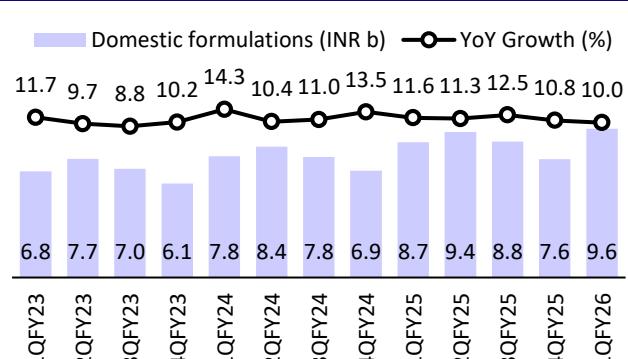
Story in charts

Exhibit 3: Total sales grew 10.3% YoY in 1QFY26



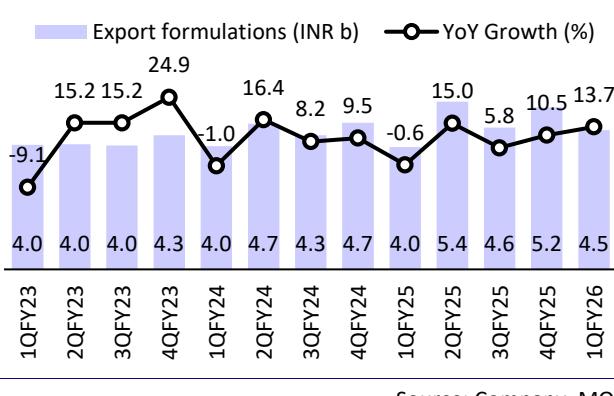
Source: Company, MOFSL

Exhibit 4: DF sales grew 10% YoY in 1QFY26



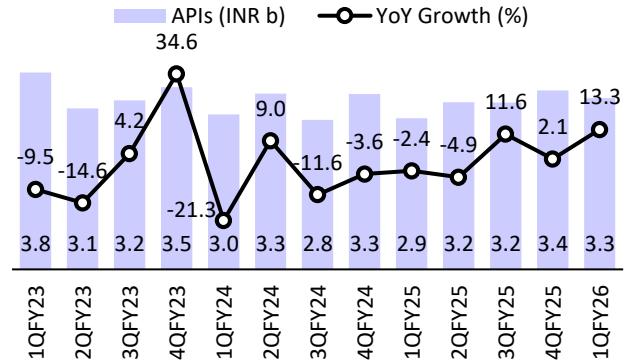
Source: Company, MOFSL

Exhibit 5: Export formulation sales rose 13.7% YoY



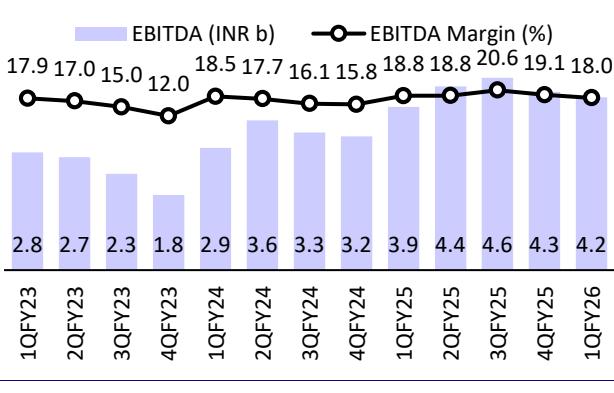
Source: Company, MOFSL

Exhibit 6: API sales increased 13.3% YoY in 4QFY25



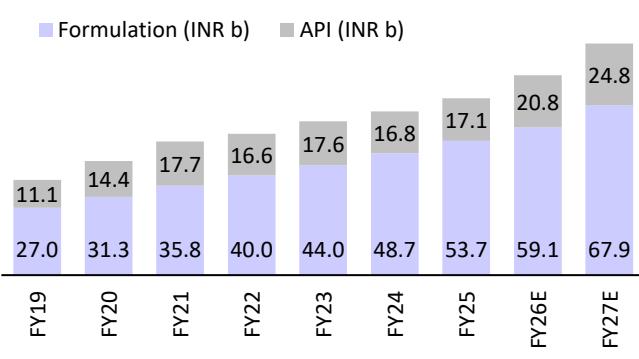
Source: Company, MOFSL

Exhibit 7: EBITDA margin contracted 70bp YoY in 1QFY26



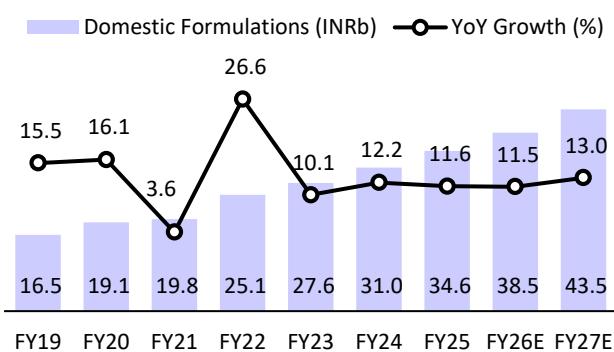
Source: Company, MOFSL

Exhibit 8: Expect 12% sales CAGR over FY25-27



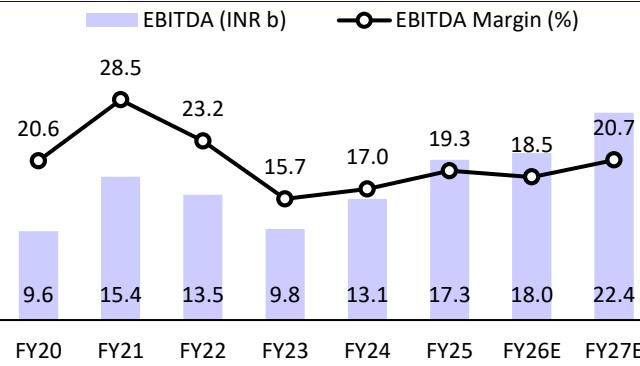
Source: Company, MOFSL

Exhibit 9: Expect 13% DF sales CAGR over FY25-27



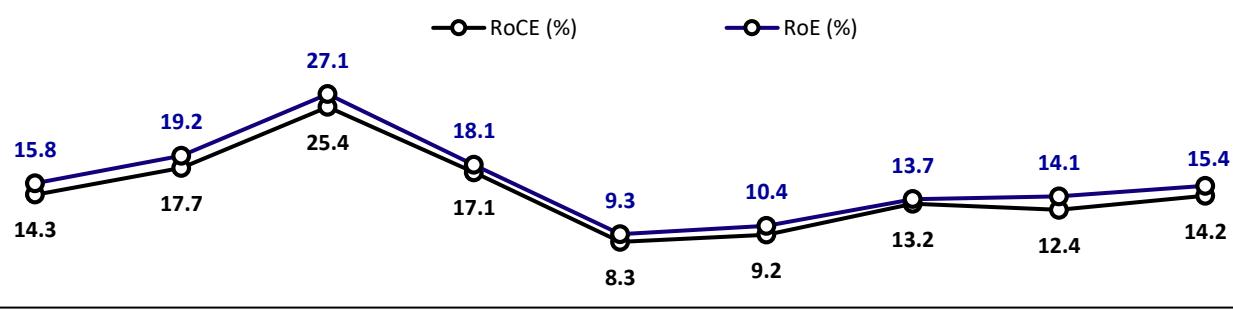
Source: Company, MOFSL

Exhibit 10: Expect margin to expand over FY25-27



Source: Company, MOFSL

Exhibit 11: Expect return ratios to gradually improve over FY25-27



Source: Company, MOFSL

Financials and valuations

Income Statement		(INRm)								
Y/E March		FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Revenues		37,732	46,487	54,200	58,298	62,569	77,074	89,396	97,205	1,08,037
Change (%)		14.9	23.2	16.6	7.6	7.3	23.2	16.0	8.7	11.1
EBITDA		7,170	9,580	15,444	13,509	9,812	13,076	17,271	17,999	22,364
Change (%)		57.7	33.6	61.2	-12.5	-27.4	33.3	32.1	4.2	24.2
Margin (%)		19.0	20.6	28.5	23.2	15.7	17.0	19.3	18.5	20.7
Depreciation		1,824	2,105	2,092	2,324	2,616	3,572	3,978	4,135	4,325
EBIT		5,346	7,475	13,352	11,184	7,197	9,503	13,293	13,864	18,039
Int. and Finance Charges		189	165	90	77	455	1,383	849	580	497
Other Income - Rec.		483	578	457	666	1,151	1,075	928	1,443	1,550
PBT before EO Expense		5,640	7,888	13,719	11,773	7,892	9,195	13,372	14,727	19,092
EO Expense/(Income)		157	445	-171	416	314	769	2,051	0	0
PBT after EO Expense		5,483	7,442	13,890	11,357	7,579	8,426	11,321	14,727	19,092
Tax		1,042	1,353	2,401	2,248	2,532	3,135	3,436	4,349	5,804
Tax Rate (%)		18.5	17.2	17.5	19.1	32.1	34.1	25.7	29.5	30.4
Reported PAT		4,441	6,090	11,488	9,110	5,047	5,291	7,885	10,377	13,287
Less: Minority Interest		18	78	91	269	-206	984	499	-43	350
Net Profit		4,423	6,012	11,398	8,841	5,253	4,307	7,387	10,420	12,937
Adj PAT		4,580	6,485	11,255	9,218	5,275	6,304	9,127	10,420	12,937
Adj PAT growth (%)		91.3	41.6	73.6	-18.1	-42.8	19.5	44.8	14.2	24.2

Balance Sheet		(INRm)								
Y/E March		FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital		252	252	254	254	254	254	254	254	254
Total Reserves		30,971	35,903	46,763	54,666	58,167	63,068	69,231	78,088	89,085
Net Worth		31,224	36,275	47,017	54,920	58,420	63,322	69,485	78,342	89,339
Deferred liabilities+A55:Z80		1457	1398	1316	1506	1856	3062	2781	2781	3162
Total Loans		3,505	4,328	1,988	8,027	14,746	14,274	13,526	12,768	12,085
Capital Employed		36,342	42,137	50,466	65,222	75,755	94,607	1,00,189	1,08,288	1,18,985
Gross Block		26,657	30,268	31,872	37,647	43,601	65,195	66,306	70,306	73,306
Less: Accum. Deprn.		6,951	9,056	11,148	13,472	16,088	19,660	23,638	27,774	32,098
Net Fixed Assets		19,706	21,212	20,724	24,175	27,514	45,535	42,668	42,533	41,208
Capital WIP		361	708	2,348	3,064	1,404	3,429	6,218	6,218	6,218
Investments		1,204	2,719	4,711	9,892	6,260	8,620	9,797	9,797	9,797
Curr. Assets		24,217	27,939	32,881	39,237	51,051	53,386	58,753	65,986	81,298
Inventory		10,725	13,231	15,948	18,580	17,434	24,713	25,604	28,762	32,855
Account Receivables		6,815	8,952	8,118	9,108	9,890	16,865	18,738	20,773	23,679
Cash and Bank Balance		2,823	1,809	3,651	6,407	18,532	2,968	3,442	5,303	12,373
Loans & Advances		3,854	3,947	5,164	5,143	5,194	8,840	10,969	11,148	12,391
Curr. Liability & Prov.		9,147	10,441	10,198	11,147	10,473	16,364	17,247	16,245	19,535
Account Payables		8,190	9,182	8,781	9,704	8,923	13,050	13,592	14,381	17,463
Provisions		957	1,259	1,417	1,443	1,550	3,314	3,655	1,864	2,072
Net Current Assets		15,070	17,498	22,682	28,091	40,577	37,022	41,506	49,741	61,762
Appl. of Funds		36,342	42,137	50,466	65,222	75,755	94,607	1,00,189	1,08,288	1,18,985

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Adj. EPS (INR)	18.1	25.6	44.4	36.3	20.8	24.9	36.0	41.1	51.0
Cash EPS	24.8	32.2	53.2	44.0	31.0	31.1	44.8	57.4	68.0
BV/Share	123.7	143.2	185.3	216.5	230.3	249.6	273.9	308.8	352.1
DPS	3.0	5.0	8.1	8.1	4.0	4.0	4.0	5.0	8.1
Payout (%)	16.8	19.7	18.2	22.2	19.4	16.2	11.2	12.3	15.8
Valuation (x)									
P/E	76.2	53.8	31.0	37.9	66.2	55.4	38.2	33.5	27.0
P/BV	11.1	9.6	7.4	6.4	6.0	5.5	5.0	4.5	3.9
EV/Sales	9.3	7.5	6.5	6.0	5.6	4.6	3.9	3.6	3.2
EV/EBITDA	48.9	36.6	22.7	26.0	35.7	26.8	20.3	19.5	15.7
Dividend Yield (%)	0.2	0.4	0.6	0.6	0.3	0.3	0.3	0.4	0.6
Return Ratios (%)									
RoE	15.8	19.2	27.1	18.1	9.3	10.4	13.7	14.1	15.4
RoCE	14.3	17.7	25.4	17.1	8.3	9.2	13.2	12.4	14.2
RoIC	14.0	18.0	28.7	21.1	10.2	9.7	12.3	11.7	14.1
Working Capital Ratios									
Fixed Asset Turnover (x)	1.9	2.3	2.6	2.6	2.4	2.1	2.0	2.3	2.6
Debtor (Days)	65	70	54	56	58	80	77	78	80
Inventory (Days)	104	104	107	116	102	117	105	108	111
Working Capital Turnover (Days)	118	123	128	136	129	161	155	167	167
Leverage Ratio (x)									
Interest Cover Ratio	28.3	45.3	147.7	145.4	15.8	6.9	15.7	23.9	36.3
Debt/Equity	0.0	0.1	0.0	0.0	-0.1	0.2	0.1	0.1	0.0

Cash Flow Statement (INRm)									
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Oper. Profit/(Loss) before Tax	7,170	9,580	15,444	13,509	9,812	13,076	17,271	17,999	22,364
Interest/Dividends Recd.	483	578	457	666	1,151	1,075	928	1,443	1,550
Direct Taxes Paid	-1,165	-1,412	-2,484	-2,058	-2,181	-1,928	-3,718	-4,349	-5,422
(Inc)/Dec in WC	-1,686	-3,442	-3,343	-2,652	-361	-12,009	-4,010	-6,374	-4,952
CF from Operations	4,803	5,304	10,075	9,464	8,421	213	10,471	8,719	13,540
Others	365	784							
EO Expense / (Income)	157	445	-171	416	314	769	2,051	0	0
CF from Oper. incl EO Exp.	5,010	5,643	10,246	9,048	8,107	-556	8,421	8,719	13,540
(inc)/dec in FA	-1,632	-3,958	-3,244	-6,491	-4,294	-23,618	-3,900	-4,000	-3,000
Free Cash Flow	3,379	1,685	7,002	2,557	3,813	-24,174	4,521	4,719	10,540
(Pur)/Sale of Investments	-336	-1,515	-1,992	-5,181	3,632	-2,360	-1,177	0	0
Others	317	376	0	0	0	0	0	0	0
CF from Investments	-1,651	-5,097	-5,236	-11,672	-662	-25,979	-5,077	-4,000	-3,000
Issue of shares	0	0	1	0	0	0	0	0	0
(Inc)/Dec in Debt	-1,070	804	-2,331	6,663	6,683	12,743	-298	-758	-683
Interest Paid	-189	-165	-90	-77	-455	-1,383	-849	-580	-497
Dividend Paid	-761	-1,269	-2,030	-2,030	-1,015	-1,015	-1,015	-1,269	-2,030
Others	188	-675	1,281	306	-532	719	-831	1,561	1,168
CF from Fin. Activity	-1,832	-1,305	-3,169	4,863	4,681	11,065	-2,993	-1,046	-2,041
Inc/Dec of Cash	1,528	-758	1,841	2,238	12,126	-15,470	351	3,673	8,499
Add: Beginning Balance	2,181	3,709	2,954	4,795	7,033	19,159	2,969	3,442	5,303
Forex/ Business acquisition	0	3	0	0	0	0	0	0	0
Closing Balance	3,709	2,954	4,795	7,033	19,159	3,690	3,319	7,116	13,802
Bank balances / Mutual fund (gain)/ loss	-886	-1,145	-1,145	-627	-627	-721	123	1,813	1,429
Closing Balance	2,823	1,809	3,650	6,407	18,533	2,969	3,442	5,303	12,373

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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

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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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