motilal oswal Financial Services

3 November 2025
2QFY26 Results Update | Sector: Healthcare

Ajanta Pharma

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	AJP IN
Equity Shares (m)	125
M.Cap.(INRb)/(USDb)	317.3 / 3.6
52-Week Range (INR)	3148 / 2022
1, 6, 12 Rel. Per (%)	2/-8/-24
12M Avg Val (INR M)	365

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	52.7	59.9	65.0
EBITDA	14.7	17.8	19.2
Adj. PAT	10.4	12.4	13.9
EBIT Margin (%)	24.8	27.1	27.0
Cons. Adj. EPS (INR)	83.0	98.7	111.0
EPS Gr. (%)	11.1	18.9	12.5
BV/Sh. (INR)	365.5	439.0	521.8
Ratios			
Net D:E	-0.2	-0.2	-0.3
RoE (%)	24.9	24.5	23.1
RoCE (%)	25.2	24.9	23.4
Payout (%)	26.3	25.5	25.5
Valuations			
P/E (x)	30.6	25.7	22.9
EV/EBITDA (x)	21.7	17.6	15.9
Div. Yield (%)	0.8	1.0	1.1
FCF Yield (%)	0.8	2.7	3.4
EV/Sales (x)	6.0	5.2	4.7

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	66.3	66.3	66.3
DII	17.9	17.5	17.1
FII	8.5	8.9	9.1
Others	7.3	7.4	7.5

FII includes depository receipts

CMP: INR2,539 TP: INR3,000 (+18%) Buy

In-line 2Q; growth led by DF/US generics

Efforts on track to sustain industry outperformance in branded generics

- Ajanta Pharma (AJP)'s 2QFY26 revenue was slightly above our expectation (3.5% beat). EBITDA and PAT were largely in line and grew at a lower rate compared to revenue growth for the quarter. Product mix across geographies and higher opex to enhance traction in newer therapies in the domestic formulation (DF) segment kept EBITDA/PAT growth under check.
- AJP is outperforming the industry in its core therapies (ophthalmology, dermatology, and pain therapies) within the DF segment. Additionally, it is improving traction in newer therapies like gynecology as well as nephrology.
- The company is deepening its presence through MRs in addition to a healthy pipeline of launches in branded generics (Asia/Africa).
- AJP delivered its third consecutive quarter of strong YoY growth in US generics, backed by launches and market share gains in existing products.
- We broadly retain our FY26/FY27/FY28 estimates. We expect 14% earnings CAGR over FY25-28, led by consistent industry-beating growth in branded generics markets of India/Asia/Africa and healthy traction in US generics.
- We value AJP at 30x 12M forward earnings to arrive at our TP of INR3,000. Considering superior execution across key markets supported by product launches as well as strengthening the field force, we expect AJP to deliver sustained growth over the next 3-5 years. **Reiterate BUY.**

Product mix drags profitability both YoY and QoQ

- AJP's 2QFY26 revenue grew 14% YoY to INR13.5b (our est: INR13.0b), led by growth in all its key business areas.
- India sales rose 12% YoY to INR4.3b (32% of sales). The US generic sales grew 48% YoY to INR3.4b (26% of sales). Branded generics Asia sales rose 5% YoY to INR3.1b (23% of sales).
- The branded generic sales in Africa grew 4% YoY to INR2.2b (17% of sales). Africa Institutional sales declined 25% to INR320m (2% of sales).
- Gross margin contracted 130bp YoY at 76.6%.
- EBITDA margin also contracted ~120bp YoY to 27% (our est. of 28%), majorly due to contraction in gross margin.
- EBITDA grew 9.5% YoY to INR3.7b (our est. INR3.7b).
- Adjusting for the Net Forex loss impact of INR13m, Adj. PAT grew by 10.9% YoY to INR2.6b (our est. INR2.6b).

Highlights from the management commentary

- Two ANDAs were filed in 1HFY26. AJP received approvals for two ANDAs and launched three ANDAs in 1HFY26.
- AJP intends to file 10-12 ANDAs in FY26.
- AJP remains confident in delivering low-teens YoY growth in the Asia branded generics segment in FY26.
- AJP expects to sustain the growth momentum in the US generics segment in FY26 and can grow at high teens in FY27 as well.
- It guided a 78% (+-1%) gross margin and 27% (+-1%) EBITDA margin for FY26.

Tushar Manudhane - Research Analyst (Tushar.Manudhane@MotilalOswal.com)
Research Analyst: Vipul Mehta (Vipul.Mehta@MotilalOswal.com), **Eshita Jain** (Eshita.Jain@MotilalOswal.com)

- A calibrated approach towards first-to-market launches may drive fewer such launches in the DF segment. Having said this, AJP remains confident to outperform the DF segment going forward as well. AJP is witnessing improved traction in newer therapies such as gynaecology/nephrology, and progress is as per expectation.

Consol. - Quarterly Performance

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	vs Est
INRm	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			2QE	(%)
Net Sales	**11,449**	**11,866**	**11,461**	**11,704**	**13,027**	**13,537**	**13,155**	**13,012**	**46,481**	**52,731**	**13,078**	**3.5**
YoY Change (%)	12.1	15.4	3.7	11.0	13.8	14.1	14.8	11.2	10.4	13.4	10.2	
Total Expenditure	7,846	8,498	8,253	8,733	9,262	9,850	9,511	9,434	33,330	38,056	9,364	
EBITDA	**3,604**	**3,368**	**3,208**	**2,972**	**3,765**	**3,688**	**3,644**	**3,578**	**13,152**	**14,675**	**3,714**	**-0.7**
YoY Change (%)	28.1	15.9	-0.3	6.8	4.5	9.5	13.6	20.4	12.2	11.6	10.3	
Margins (%)	31.5	28.4	28.0	25.4	28.9	27.2	27.7	27.5	28.3	27.8	28.4	
Depreciation	340	344	360	398	413	430	375	371	1,441	1,588	376	
EBIT	**3,264**	**3,024**	**2,849**	**2,574**	**3,352**	**3,258**	**3,269**	**3,208**	**11,710**	**13,087**	**3,338**	
YoY Change (%)	31.5	17.7	-0.9	5.4	2.7	7.7	14.8	24.6	13.0	11.8	10.4	
Margins (%)	28.5	25.5	24.9	22.0	25.7	24.1	24.9	24.7	25.2	24.8	25.5	
Interest	7	60	79	61	53	34	66	66	207	218	66	
Other Income	182	195	129	111	170	197	165	175	616	706	145	
PBT before EO expense	**3,439**	**3,159**	**2,898**	**2,624**	**3,469**	**3,421**	**3,368**	**3,316**	**12,119**	**13,575**	**3,417**	
Extra-Ord expense	-217	-257	176	71	-158	-13	0	0	-227	-171	0	
PBT	**3,221**	**2,902**	**3,074**	**2,694**	**3,311**	**3,408**	**3,368**	**3,316**	**11,892**	**13,404**	**3,417**	
Tax	764	738	745	442	758	806	775	789	2,688	3,128	776	
Effective Rate (%)	23.7	25.4	24.2	16.4	22.9	23.7	23.0	23.8	22.6	23.3	22.7	
MI & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**2,458**	**2,165**	**2,329**	**2,253**	**2,553**	**2,602**	**2,594**	**2,527**	**9,204**	**10,276**	**2,642**	**-1.5**
Adj PAT	**2,624**	**2,356**	**2,196**	**2,194**	**2,675**	**2,612**	**2,594**	**2,527**	**9,369**	**10,407**	**2,642**	**-1.1**
YoY Change (%)	30.8	26.5	3.3	16.4	2.0	10.9	18.1	15.2	18.9	11.1	12.1	
Margins (%)	22.6	19.5	18.9	18.6	20.3	19.0	19.5	19.2	19.9	19.5	20.0	

Key Performance Indicators

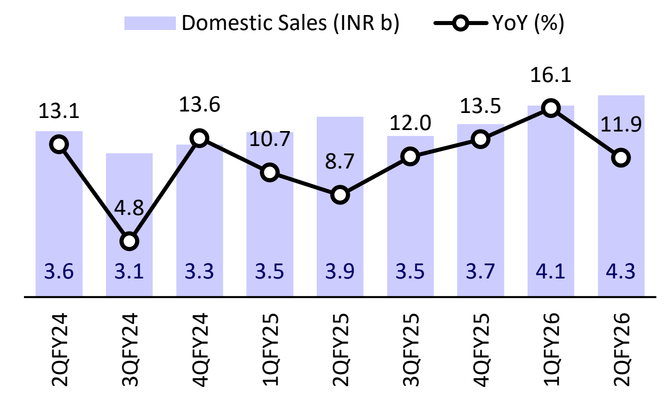
Y/E March	FY25				FY26E				FY25	FY26E	FY26E
INRm	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			2QE
Domestic formulations	3,530	3,860	3,450	3,700	4,100	4,320	4,011	4,232	14,540	16,662	4,185
YoY Change (%)	10.7	8.7	12.0	13.5	16.1	11.9	16.2	14.4	11.2	14.6	8.4
Asia	2,770	2,960	3,160	3,030	3,040	3,100	3,350	3,363	11,944	12,853	3,315
YoY Change (%)	9.1	28.7	8.2	7.8	9.7	4.7	6.0	11.0	13.0	7.8	12.0
Africa (branded + Insti)	2,720	2,560	2,060	1,610	2,660	2,530	2,443	2,020	8,902	9,653	2,444
YoY Change (%)	21.4	31.5	(14.5)	(7.5)	(2.2)	(1.2)	18.6	25.5	6.7	7.9	(4.5)
US	2,280	2,320	2,630	3,250	3,100	3,440	3,235	3,315	10,205	13,090	3,016
YoY Change (%)	7.0	(2.1)	4.4	24.5	36.0	48.3	23.0	2.0	5.9	24.9	30.0
Cost Break-up											
RM Cost (% of Sales)	23.4	22.1	22.5	24.2	21.2	23.4	21.9	22.0	23.0	22.1	22.1
Staff Cost (% of Sales)	22.2	22.0	23.1	23.9	23.3	23.4	23.9	24.1	22.8	23.7	23.0
Other Cost (% of Sales)	18.5	22.8	21.8	21.1	22.4	21.3	22.1	22.2	21.1	22.0	22.0
Gross Margin (%)	76.6	77.9	77.5	75.8	78.8	76.6	78.1	78.0	77.0	77.9	77.9
EBITDA Margin (%)	31.5	28.4	28.0	25.4	28.9	27.2	27.7	27.5	28.3	27.8	28.4
EBIT Margin (%)	28.5	25.5	24.9	22.0	25.7	24.1	24.9	24.7	25.2	24.8	25.5
PBT Margin (%)	29.6	26.2	25.0	22.2	26.3	24.9	25.3	25.1	25.7	25.4	25.8
PAT Margin (%)	22.6	19.5	18.9	18.6	20.3	19.0	19.5	19.2	19.9	19.5	20.0

Other highlights from the management commentary

- AJP has moved away from the factoring process in the US generics business, driving receivables days in the interim period.
- Moderation in industry growth is expected to have some impact on the branded business in Africa for AJP.
- About 200 MRs will be added in India over the next two years. AJP is expected to increase MR strength by 10-12% in the Asia/Africa branded generics segment. Currently, it has 3600 MR in the DF and ~2080 in the Asia/Africa branded generics segments.
- Of the 54 active ANDAs, 50 are commercialized to date in the US generics segment.

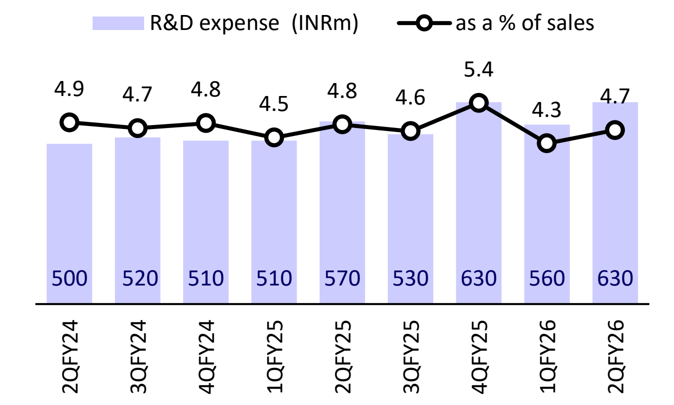
Key exhibits

Exhibit 1: DF sales up ~12% YoY in 2QFY26



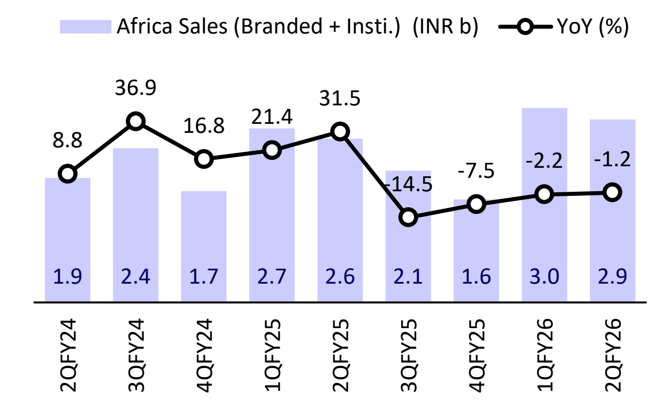
Source: MOFSL, Company

Exhibit 2: R&D spending at ~5% of sales



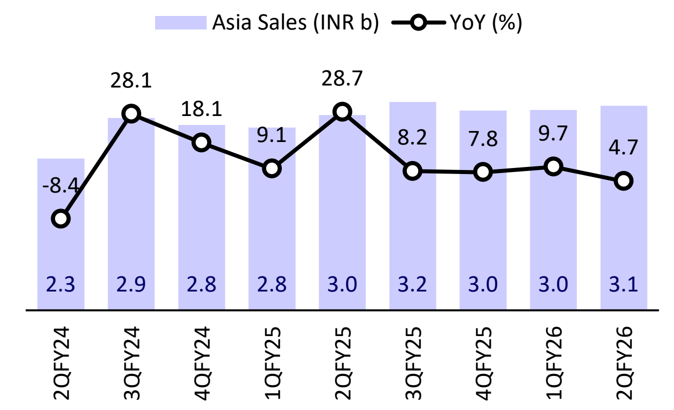
Source: MOFSL, Company

Exhibit 3: Africa sales (Branded + Institutional) declined ~1% YoY in 2QFY26



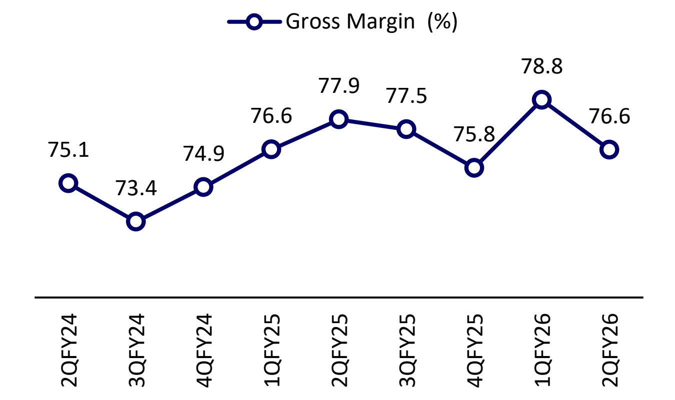
Source: MOFSL, Company

Exhibit 4: Asia sales grew 5% YoY



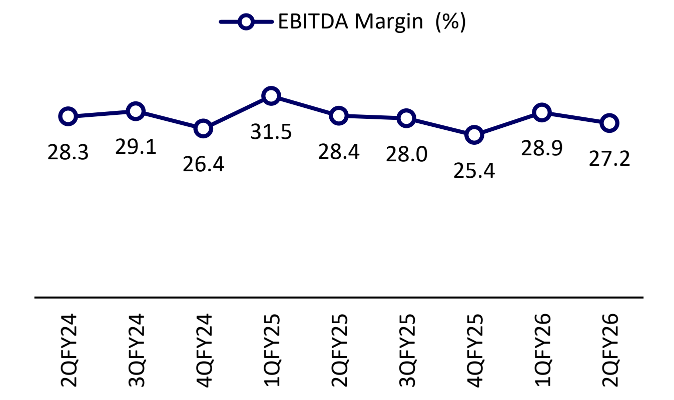
Source: MOFSL, Company

Exhibit 5: Gross margin contracted 130bp YoY



Source: MOFSL, Company

Exhibit 6: EBITDA margin contracted 120bp YoY in 2QFY26



Source: MOFSL, Company

Superior execution in branded generics/US to drive growth prospects

Branded generics – consistent product introduction and better market penetration are the key

- In 1HFY26, AJP's DF business (branded) grew 15% YoY to ~INR7.5b. On a 12-month basis, growth was driven by price increases (+5.7% YoY), volume expansion (+0.5% YoY), and new product launches (+3.2% YoY).
- As per IQVIA (MAT Sep'25), AJP outperformed the industry by 250bp, driven by double-digit growth in key therapies, including derma and ophthalmic.
- The therapy mix remained well diversified: cardiology (37%), ophthalmology (30%), dermatology (23%), and pain management (10%). The company continued to rank among the Top 10 players in each of its core therapies, supported by robust prescription growth and strong brand equity.
- The newly launched Gynecology and Nephrology divisions are in the investment phase and continue to scale up. These are expected to make meaningful contributions over the next 12–18 months.
- The Indian field force stands at ~3,600 medical representatives (MRs), with the company planning to add ~200 MRs in the next two years. Productivity for new hires is expected to normalize over 1.5–2 years and drive further topline growth.
- Over FY25–28E, we expect AJP's DF segment to deliver a 13% sales CAGR, driven by new launches, enhanced coverage in focus therapies, and stronger doctor engagement.
- AJP continues to retain momentum in the Asia branded generics business, which grew 7% YoY to ~INR6b in 1HFY26, led by chronic therapy focus and 13 new launches during the period. These launches are likely to support growth in 2H.
- The Africa branded generics business remained stable at INR4.5b in 1HFY26 (+1% YoY), impacted by industry slowdown. We expect improved volume growth in FY26, supported by new launches initiated in 1HFY26.
- We project a 10% sales CAGR in the Asia and Africa branded generics segment over FY25–28, reaching ~INR28b, supported by portfolio expansion in chronic therapies and deeper market penetration through an expanded sales force.

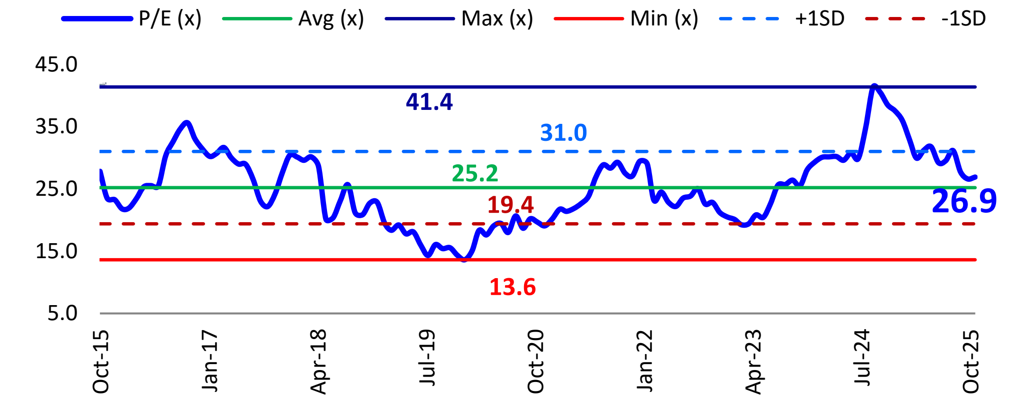
US generics – Product launches and market share gains to sustain the growth momentum

- In 1HFY26, Ajanta's US generics revenue grew 42% YoY to INR6.5b, supported by recent product launches and market share gains in key products.
- AJP has a robust portfolio of 50 commercialized ANDAs and 22 pending approvals, with plans to file 10–12 ANDAs in FY26, which should help sustain growth momentum in the US market.
- We expect a 15% sales CAGR in the US generics segment over FY25–28, reaching ~INR15b, driven by steady launch cadence and portfolio expansion across niche and limited-competition products.

Valuation and view: Reiterate BUY

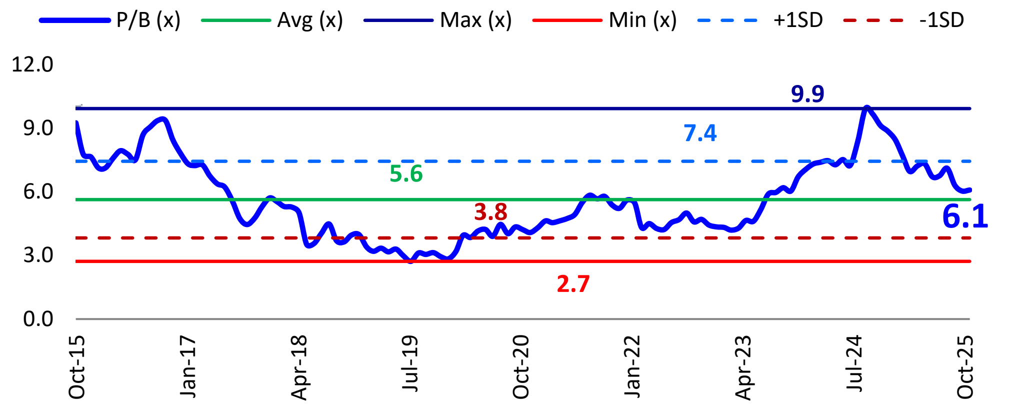
- We broadly retain our FY26/FY27/FY28 estimates. We expect 14% earnings CAGR over FY25-28, led by consistent industry-beating growth in branded generics markets of India/Asia/Africa and healthy traction in US generics.
- We value AJP at 30x 12M forward earnings to arrive at our TP of INR3,000. Considering superior execution across key markets supported by product launches as well as strengthening the field force, we expect AJP to deliver sustained growth over the next 3-5 years. **Reiterate BUY.**

Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

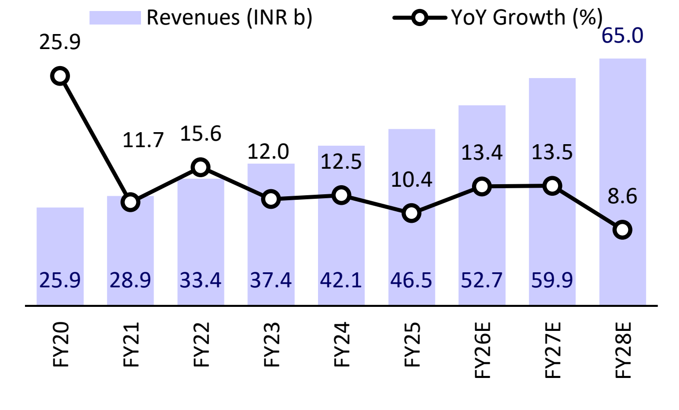
Exhibit 8: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

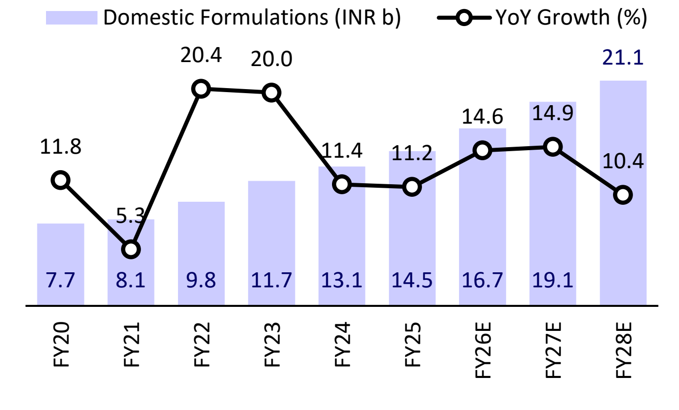
Story in charts

Exhibit 9: Total sales to post 12% CAGR over FY25-28E



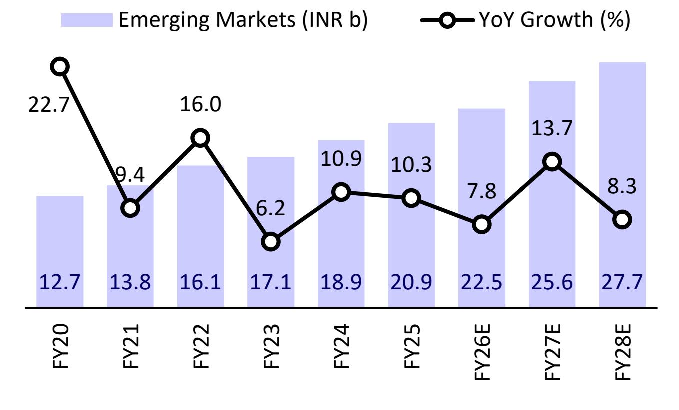
Source: Company, MOFSL

Exhibit 10: DF sales to clock 13% CAGR over FY25-28E



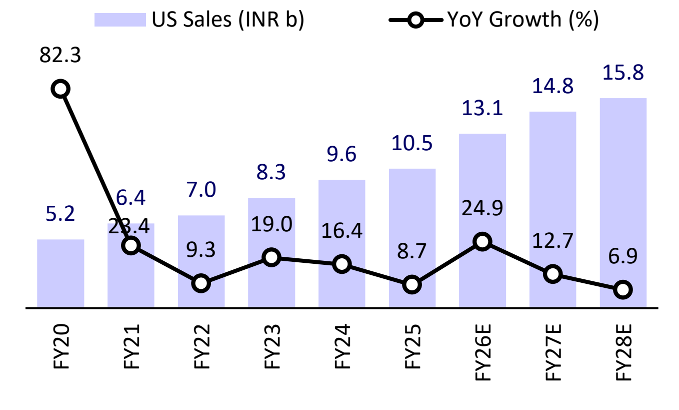
Source: Company, MOFSL

Exhibit 11: EM sales to clock 10% CAGR over FY25-28E



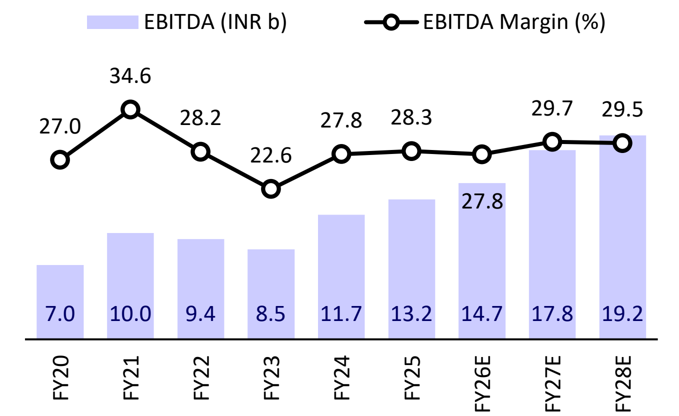
Source: Company, MOFSL

Exhibit 12: US sales to post 15% CAGR over FY25-28E



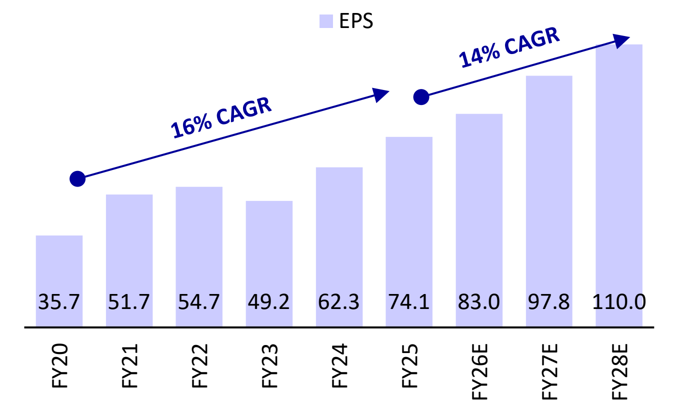
Source: Company, MOFSL

Exhibit 13: Expect 120bp margin expansion over FY25-28E



Source: Company, MOFSL

Exhibit 14: Expect 14% earnings CAGR over FY25-28E



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**33,410**	**37,426**	**42,087**	**46,481**	**52,731**	**59,867**	**65,004**
Change (%)	15.6	12.0	12.5	10.4	13.4	13.5	8.6
Total Expenditure	**23,986**	**28,972**	**30,368**	**33,330**	**38,056**	**42,088**	**45,830**
% of Sales	71.8	77.4	72.2	71.7	72.2	70.3	70.5
EBITDA	**9,424**	**8,454**	**11,719**	**13,152**	**14,675**	**17,779**	**19,174**
Margin (%)	28.2	22.6	27.8	28.3	27.8	29.7	29.5
Depreciation	1,253	1,308	1,354	1,441	1,588	1,534	1,607
EBIT	**8,171**	**7,146**	**10,365**	**11,710**	**13,087**	**16,245**	**17,567**
Int. and Finance Charges	102	58	72	207	218	248	233
Other Income	757	803	459	616	706	785	861
PBT bef. EO Exp.	**8,826**	**7,892**	**10,752**	**12,119**	**13,575**	**16,782**	**18,195**
EO Items	-269	439	-387	227	171	0	0
PBT after EO Exp.	**9,095**	**7,453**	**11,139**	**11,892**	**13,404**	**16,782**	**18,195**
Total Tax	1,968	1,574	2,978	2,688	3,128	4,408	4,276
Tax Rate (%)	21.6	21.1	26.7	22.6	23.3	26.3	23.5
Minority Interest	0	0	0	0	0	0	0
Reported PAT	**7,127**	**5,879**	**8,162**	**9,204**	**10,276**	**12,375**	**13,919**
Adjusted PAT	**6,916**	**6,225**	**7,878**	**9,369**	**10,407**	**12,375**	**13,919**
Change (%)	5.8	-10.0	26.6	18.9	11.1	18.9	12.5
Margin (%)	20.7	16.6	18.7	20.2	19.7	20.7	21.4

Consolidated - Balance Sheet

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	172	253	253	251	251	251	251
Total Reserves	32,472	33,627	35,421	37,652	45,563	54,782	65,151
Net Worth	**32,644**	**33,880**	**35,674**	**37,903**	**45,813**	**55,032**	**65,402**
Total Loans	19	15	15	26	26	26	26
Deferred Tax Liabilities	463	977	1,085	1,105	1,105	1,105	1,105
Capital Employed	**33,125**	**34,872**	**36,773**	**39,034**	**46,944**	**56,163**	**66,533**
Gross Block	22,857	24,012	25,191	29,461	32,371	34,753	36,670
Less: Accum. Deprn.	7,738	9,046	10,400	11,841	13,429	14,963	16,570
Net Fixed Assets	**15,120**	**14,966**	**14,792**	**17,620**	**18,942**	**19,791**	**20,100**
Goodwill on Consolidation	0	0	0	0	0	0	0
Capital WIP	1,529	2,095	2,565	1,763	1,853	1,271	1,154
Total Investments	**707**	**5,465**	**3,580**	**4,732**	**4,732**	**4,732**	**4,732**
Curr. Assets, Loans&Adv.	**22,645**	**24,265**	**25,448**	**26,034**	**33,598**	**44,025**	**55,394**
Inventory	7,911	8,156	8,284	9,039	11,156	13,261	14,816
Account Receivables	10,198	10,569	12,468	11,827	15,892	17,222	18,165
Cash and Bank Balance	2,118	3,309	1,308	1,762	2,306	8,723	17,179
Loans and Advances	2,418	2,231	3,388	3,406	4,245	4,819	5,233
Curr. Liability & Prov.	**6,875**	**11,919**	**9,611**	**11,116**	**12,180**	**13,654**	**14,846**
Account Payables	3,272	4,227	4,633	4,542	5,943	6,573	7,157
Other Current Liabilities	3,302	7,310	4,405	5,537	5,520	6,267	6,804
Provisions	301	382	573	1,036	718	815	885
Net Current Assets	**15,770**	**12,346**	**15,836**	**14,919**	**21,418**	**30,371**	**40,548**
Appl. of Funds	**33,126**	**34,872**	**36,773**	**39,033**	**46,944**	**56,163**	**66,533**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
EPS	**55.2**	**49.7**	**62.8**	**74.7**	**83.0**	**98.7**	**111.0**
Cash EPS	65.2	60.1	73.7	86.2	95.7	111.0	123.9
BV/Share	260.4	270.3	284.6	302.4	365.5	439.0	521.8
DPS	6.4	11.5	15.4	18.9	21.4	24.9	28.1
Payout (%)	11.4	24.7	23.8	26.0	26.3	25.5	25.5
Valuation (x)							
P/E	46.0	51.1	40.4	34.0	30.6	25.7	22.9
Cash P/E	39.0	42.3	34.5	29.4	26.5	22.9	20.5
P/BV	9.8	9.4	8.9	8.4	6.9	5.8	4.9
EV/Sales	9.6	8.5	7.6	6.9	6.0	5.2	4.7
EV/EBITDA	33.9	37.6	27.3	24.3	21.7	17.6	15.9
Dividend Yield (%)	0.3	0.5	0.6	0.7	0.8	1.0	1.1
FCF per share	29.0	48.8	51.1	66.5	21.8	71.4	89.9
Return Ratios (%)							
RoE	22.1	18.7	22.7	25.5	24.9	24.5	23.1
RoCE	22.3	18.8	22.8	25.9	25.2	24.9	23.4
RoIC	23.1	21.4	28.5	30.2	29.2	30.1	31.7
Working Capital Ratios							
Inventory (Days)	86	80	72	71	77	81	83
Debtor (Days)	111	103	108	93	110	105	102
Creditor (Days)	36	41	40	36	41	40	40
Leverage Ratio (x)							
Net Debt/Equity	-0.1	-0.3	-0.1	-0.2	-0.2	-0.2	-0.3

Consolidated - Cash Flow Statement (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	8,557	7,453	11,139	11,892	13,746	16,782	18,195
Depreciation	1,253	1,308	1,354	1,441	1,588	1,534	1,607
Interest & Finance Charges	-655	58	72	207	-488	-537	-628
Direct Taxes Paid	-1,968	-1,513	-3,121	-3,230	-3,128	-4,408	-4,276
(Inc)/Dec in WC	-2,427	665	-998	1,789	-5,956	-2,536	-1,721
CF from Operations	**4,760**	**7,971**	**8,446**	**12,100**	**5,762**	**10,836**	**13,178**
Others	323	-53	-596	-521	0	0	0
CF from Operating incl EO	**5,082**	**7,918**	**7,851**	**11,579**	**5,762**	**10,836**	**13,178**
(Inc)/Dec in FA	-1,409	-1,745	-1,390	-3,168	-3,000	-1,800	-1,800
Free Cash Flow	**3,674**	**6,173**	**6,460**	**8,411**	**2,762**	**9,036**	**11,378**
(Pur)/Sale of Investments	-190	-3,907	1,774	-977	0	0	0
Others	857	56	270	378	706	785	861
CF from Investments	**-741**	**-5,596**	**654**	**-3,767**	**-2,294**	**-1,015**	**-939**
Issue of Shares	-2	-14	0	0	0	0	0
Inc/(Dec) in Debt	3	-5	1	11	0	0	0
Interest Paid	-102	-23	-35	-173	-218	-248	-233
Dividend Paid	-816	-897	-6,422	-3,494	-2,708	-3,156	-3,549
Others	-3,873	-192	-4,054	-3,163	10	0	0
CF from Fin. Activity	**-4,790**	**-1,131**	**-10,511**	**-6,819**	**-2,916**	**-3,404**	**-3,783**
Inc/Dec of Cash	**-449**	**1,191**	**-2,006**	**993**	**553**	**6,417**	**8,456**
Opening Balance	2,014	1,565	2,757	750	1,743	2,296	8,713
Closing Balance	**1,565**	**2,757**	**750**	**1,743**	**2,296**	**8,713**	**17,169**
Unrealised loss / (gain) on forex	14	14	19	19	19	19	19
Total Cash & Cash Eq	**1,580**	**2,771**	**769**	**1,762**	**2,315**	**8,733**	**17,189**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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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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