Cipla

Estimate change	⟷
TP change	↓
Rating change	⟷

CMP: INR1,350 TP: INR1,450 (+7%) Neutral

Earnings decline at trough; expect revival going forward

Bloomberg	CIPLA IN
Equity Shares (m)	808
M.Cap.(INRb)/(USDb)	1090.6 / 11.5
52-Week Range (INR)	1599 / 1166
1, 6, 12 Rel. Per (%)	-2/8/-2
12M Avg Val (INR M)	2233

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	281.6	305.2	353.8
EBITDA	59.2	58.0	73.5
Adj. PAT	40.9	38.2	50.0
EBIT Margin (%)	16.7	14.5	16.8
Cons. Adj. EPS (INR)	50.7	47.3	62.0
EPS Gr. (%)	-19.2	-6.8	31.1
BV/Sh. (INR)	426.6	471.0	525.3
Ratios			
Net D:E	0.0	0.0	0.0
RoE (%)	11.9	10.0	11.8
RoCE (%)	12.8	10.6	12.3
Payout (%)	12.5	12.9	10.0
Valuations			
P/E (x)	26.6	28.6	21.8
EV/EBITDA (x)	20.5	21.0	16.5
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	0.8	-0.7	0.3
EV/Sales (x)	4.3	4.0	3.4

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	29.1	29.1	29.1
DII	34.8	34.5	30.2
FII	20.5	20.5	24.8
Others	15.6	15.9	15.9

FII includes depository receipts

Ramp-up of NA portfolio remains a key monitorable

- Cipla delivered a largely in-line revenue in 2QFY27. EBITDA was better than expected (5% beat) due to higher-than-expected gross margin (GM) and lower-than-expected R&D spent for the quarter. Earnings were in line as higher-than-expected EBITDA was offset by lower other income and a higher tax rate.
- India business growth was driven by strong offtake in chronic therapies, improved industry growth in acute therapies, robust execution in consumer health and sequential improvement in trade generics.
- NA sales gradually improved QoQ to USD172m in 2QFY27. Management is confident of achieving a sales run rate of USD250m from 4QFY27 onward, aided by the scale-up of respiratory and peptide products.
- In South Africa, Cipla reported subdued performance YoY due to tender weakness and accounting changes.
- We largely maintain our FY27/FY28 earnings estimates. Earnings are likely to remain under pressure in FY27 for the second year in a row, while incremental contributions from upcoming launches could support a recovery in FY28.
- We value Cipla at 22x 12-month forward earnings to arrive at a TP of INR1,450. The current valuation provides limited upside. Maintain Neutral.

Product mix and lower operating leverage weigh on margin YoY

- 2Q revenue decreased 2.4% YoY to INR74b (in line with estimate).
- Gross margin contracted 265bp YoY to 64.4%.
- EBITDA margins contracted 620bp YoY to 18.7% (our est. 17.7%). Other expenses/employee costs increased (up 235bp/260bp YoY), partially offset by decrease in R&D expenses (down 140bp YoY).
- EBITDA declined 27%YoY to INR13.9b (our est. INR13.2b).
- Adj. PAT declined 35% YoY to INR8.8b (in line with estimate).
- For 1HFY27, revenue was stable YoY at INR145b, while EBITDA/PAT declined 30%/36% YoY to INR25.8b/INR17b.

US softness weighs on growth despite strong domestic performance

- US sales (22% of sales) declined 19.4% YoY to INR16.4b (USD172m, down 26% in CC terms).
- API and Other sales (1% of sales) declined 59% YoY to INR1.1b.
- India sales (47% of sales) grew 11.8% YoY to INR35.2b.
- SAGA sales (16% of sales) were stable YoY at INR11.7b.
- EM sales (13% of sales) were stable YoY at INR9.7b.

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

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Key highlights from the management commentary

- Compared to 2Q NA sales of USD172m, Cipla maintained its guidance to hit USD1b in annualized (quarterly USD250m) run rate from 4QFY27 onward.
- Ventolin scale-up, along with three respiratory approvals/one peptide approval, would drive up NA sales run rate from 2HFY27 onward.
- While ramp-up of g-Advair/g-Ventolin is happening gradually, Cipla expects scale-up of subsequent products would be faster.
- Through partnership with Qilu Pharma, Cipla expects to be in the first wave of launch for pembrolizumab biosimilar.
- Cipla maintained its EBITDA margin guidance of 18.5%-20% for FY27 vs. 17.7% in 1HFY27.

Quarterly Performance

Y/E March	FY26				FY27E				FY26	FY27E	Est.	% Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Net Revenues	**69,575**	**75,894**	**70,745**	**65,412**	**71,193**	**74,039**	**80,186**	**79,738**	**281,626**	**305,156**	**74,405**	**-0.5**
YoY Change (%)	3.9	7.6	0.0	-2.8	2.3	-2.4	13.3	21.9	2.2	8.4	-2.0	
Total Expenditure	51,793	56,947	58,194	55,442	59,270	60,162	64,630	63,073	222,377	247,134	61,235	
EBITDA	**17,781**	**18,948**	**12,551**	**9,970**	**11,923**	**13,878**	**15,556**	**16,665**	**59,249**	**58,022**	**13,170**	**5.4**
YoY Change (%)	3.6	0.5	-36.9	-35.2	-32.9	-26.8	23.9	67.2	-16.9	-2.1	-30.5	
Margins (%)	25.6	25.0	17.7	15.2	16.7	18.7	19.4	20.9	21.0	19.0	17.7	
Depreciation	2,527	2,970	2,784	3,829	3,042	3,449	3,607	3,587	12,110	13,685	3,329	
Interest	141	132	140	131	170	167	98	97	544	533	90	
Other Income	2,586	2,690	2,063	1,482	2,109	1,512	1,650	1,800	8,820	7,071	1,950	
Profit before Tax	**17,699**	**18,535**	**11,690**	**7,491**	**10,819**	**11,773**	**13,501**	**14,781**	**55,416**	**50,875**	**11,701**	
One-time (expense)/income	0	0	-2,759	-420	0	0	0	0	-3,179	0	0	
PBT after EO expense	**17,699**	**18,535**	**8,931**	**7,071**	**10,819**	**11,773**	**13,501**	**14,781**	**52,236**	**50,875**	**11,701**	
Rate (%)	27.0	27.0	18.7	21.0	27.3	27.2	26.0	26.2	24.4	26.6	25.5	
Minority Interest	-55.7	19.0	-12.4	-45.3	-19.5	-210.2	-18.6	-18.6	-94.4	-267.0	-18.6	
Reported PAT	**12,976**	**13,512**	**6,758**	**5,547**	**7,891**	**8,775**	**10,010**	**10,927**	**38,792**	**37,603**	**8,736**	
Adj PAT	**12,976**	**13,512**	**8,780**	**5,663**	**8,134**	**8,775**	**10,145**	**11,105**	**40,931**	**38,158**	**8,794**	**-0.2**
YoY Change (%)	10.2	3.7	-35.6	-53.6	-37.3	-35.1	15.5	96.1	-19.2	-6.8	-34.9	

E: MOSL Estimates;

Key performance Indicators

Y/E March	FY26				FY27E				FY26	FY27E	Est.
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Domestic formulation	30,700	31,460	34,570	30,070	34,520	35,160	38,373	33,678	126,800	141,731	35,550
YoY Change (%)	5.9	6.7	9.9	14.7	12.4	11.8	11.0	12.0	9.2	11.8	13.0
North America	19,330	20,390	14,850	14,140	15,320	16,430	18,737	21,855	68,710	72,342	15,818
YoY Change (%)	-7.4	2.7	-22.1	-26.3	-20.7	-19.4	26.2	54.6	-13.0	5.3	-22.4
SAGA	8,710	11,780	10,010	12,360	9,770	11,710	11,011	11,989	42,860	44,480	11,309
YoY Change (%)	25.3	10.3	2.7	21.3	12.2	-0.6	10.0	-3.0	14.1	3.8	-4.0
Emerging market	8,610	9,670	9,290	8,190	9,990	9,670	9,933	10,100	35,760	39,693	9,638
YoY Change (%)	1.4	20.0	12.7	-8.5	16.0	0.0	6.9	23.3	6.0	11.0	-0.3
Cost Break-up											
RM Cost (% of Sales)	31.2	32.9	37.2	34.4	37.5	35.6	35.6	34.0	33.9	35.6	36.8
Staff Cost (% of Sales)	18.9	17.3	18.7	21.6	21.0	19.9	19.3	20.0	19.1	20.0	20.0
R&D Expenses(% of Sales)	6.2	7.1	7.0	7.1	6.8	5.7	6.2	6.1	6.3	6.3	6.4
Other Cost (% of Sales)	18.2	17.7	17.7	19.3	17.9	20.1	19.5	19.0	19.1	19.1	19.1
Gross Margins(%)	68.8	67.1	62.8	65.6	62.5	64.4	64.4	66.0	66.1	64.4	63.2
EBITDA Margins(%)	25.6	25.0	17.7	15.2	16.7	18.7	19.4	20.9	21.0	19.0	17.7
EBIT Margins(%)	21.9	21.1	13.8	9.4	12.5	14.1	14.9	16.4	16.7	14.5	13.2



Highlights from the management commentary

- Cipla plans 45-50 US filings over the next three years, with focus on complex generics.
- Lanreotide supplies are not expected to resume in FY27, given regulatory issues at the current partner's site and a gestation period to choose alternate partner for manufacturing.
- GLP-1 brands continue to witness 5-10% MoM growth, with Yurpeak emerging as the second-largest brand in the segment.
- Management expects double-digit growth in Consumer Health, supported by underlying demand and mitigation of cost and pricing headwinds.

India sustains growth momentum, NA sales QoQ supported by g-Ventolin launch

NA: Currency tailwinds partially offset the underlying revenue decline

- North America revenue declined 27% YoY to USD334m in 1HFY27. Owing to INR depreciation against USD, the decline translated into a relatively lower 20% YoY in INR terms (INR31.8b).
- The improvement QoQ was supported by launch of the first AB-rated generic Ventolin (gVentolin) in the US, with a 22% share of the overall US Albuterol MDI market.
- The g-Advair Diskus approval marked Cipla's first dry powder inhaler approved from its US manufacturing network, thereby expanding its complex inhalation capabilities.
- The exclusive Qilu partnership for Keytruda biosimilar commercialization strengthens Cipla's presence in high-value oncology biosimilars and provides an additional potential growth avenue in the US.
- Cipla maintains a robust US pipeline with 281 ANDAs/NDAs, including 191 approved and 46 under review, providing visibility for future launches.
- We expect North America to return to a healthy CAGR of 19.7% (in INR terms) over FY26-28, driven by the ramp-up of gVentolin, g-Advair, commercialization of complex generics from its strong pipeline and partly due to low base effect.

India: Chronic franchise continues to drive growth

- India revenue grew 12% YoY to INR69.7b in 1HFY27, driven by strong execution in chronic therapies, new product launches and continued market share gains.
- Cipla delivered 15% market growth, with double-digit growth in chronic therapies like Respiratory, Cardiac, Urology, Anti-diabetes and Dermatology, as per IQVIA.
- Chronic portfolio remained the key growth engine, with Respiratory (+11%), Urology (+11%), Dermatology (+16%), Cardiac (+20%) and Anti-diabetes (+50%), as per IQVIA YTD Sep'26.
- Cipla highlighted strong MoM adoption of tirzepatide, with Yurpeak becoming the second-largest brand in the GLP-1 segment and expects the category to sustain growth.
- The company maintained its leadership in respiratory with Foracort (>INR10b TTM sales), while Dytor scaled beyond INR8b, highlighting the strength of its in-house brands.

- Cipla continued to expand its portfolio with the recent launches of Yurpeak, Duolin Syncrobreathe, Revesmart and Rizontem.
- Consumer Health sustained growth, led by strong double-digit haircare growth while key brands such as Omnigel, Nicotex, Prolyte and Cipladine retained market leadership.
- We expect the India business to deliver 10.8% CAGR over FY26-28 to INR155b, led by continued chronic therapy penetration, sustained new launches, market share gains and expansion of the consumer health franchise.

One Africa: Loss of tender and accounting adjustment impacted YoY growth

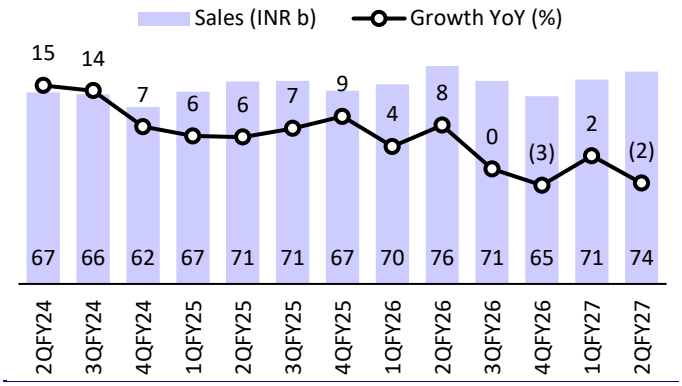
- One Africa revenue grew 5% YoY to INR21.5b in 1HFY27, driven by favorable foreign currency tailwind (USD226m; down 5%YoY).
- Reported primary sales were affected by accounting changes and weakness in the tender business following the loss of a tender. However, the accounting changes had no impact on EBITDA.
- Management received favorable court ruling on the disputed tender, which could support normalization of the tender business.
- South Africa's private market business outperformed the industry, growing 9.9% vs. market growth of 8.9%, reflecting continued market share gains across key therapies.
- Growth was supported by healthy performance across key therapies like GU system & Sex Hormones, nervous system and dermalogical.
- Cipla has six brands in the top 30, 11 in the top 50, and 20 in the top 100 within South Africa's generics market.
- The company launched six new products across multiple therapies during the quarter, further strengthening its portfolio and expanding its addressable market.
- We expect One Africa to deliver 5.5% CAGR over FY26-28, driven by continued private market share gains in South Africa and stable growth across markets.

Valuation and view:

- We largely maintain our FY27/FY28 earnings estimates. Earnings are likely to remain under pressure in FY27 for the second year in a row, while incremental contributions from upcoming launches could support a recovery in FY28.
- We value Cipla at 22x 12-month forward earnings to arrive at a TP of INR1,450. The current valuation provides limited upside. Maintain Neutral.

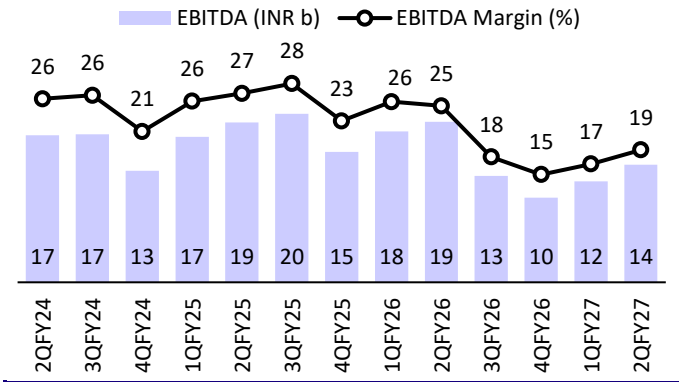
Story in charts

Exhibit 1: Revenue decreased 2% YoY in 2QFY27



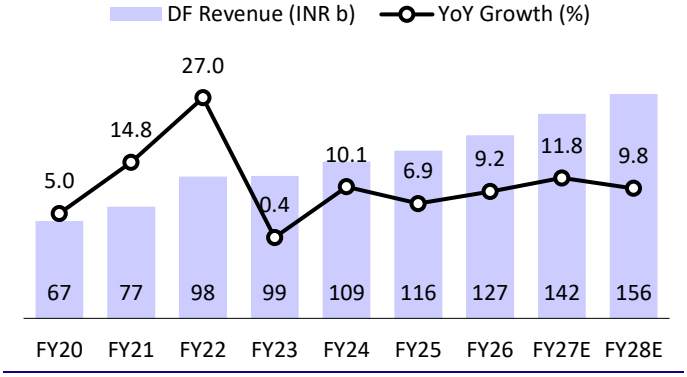
Source: MOFSL, Company

Exhibit 2: EBITDA margin contracted 620bp YoY in 2QFY27



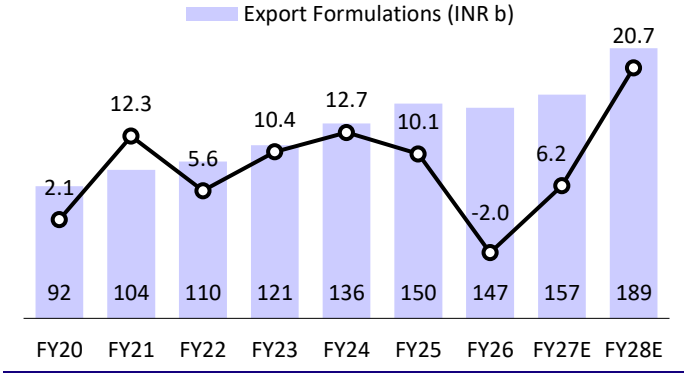
Source: MOFSL, Company

Exhibit 3: Expect 10.8% DF sales CAGR over FY26-28



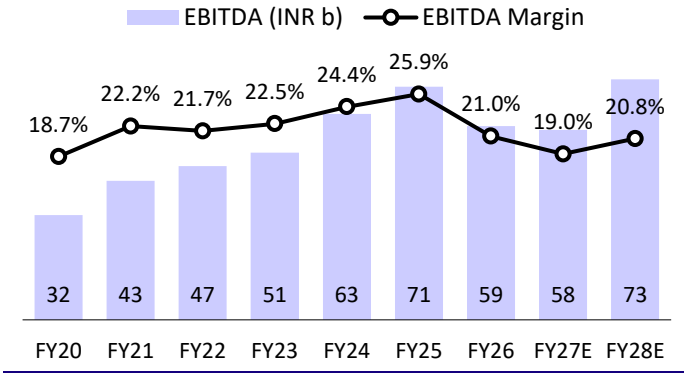
Source: MOFSL, Company

Exhibit 4: Expect 13.2% export sales CAGR over FY26-28



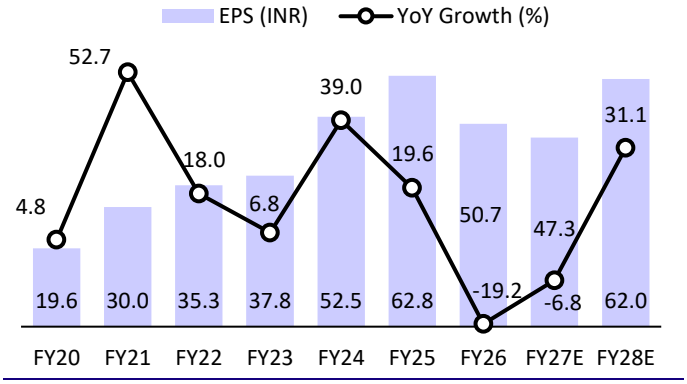
Source: MOFSL, Company

Exhibit 5: EBITDA margin to remain stable over FY26-28



Source: MOFSL, Company

Exhibit 6: Expect EPS to increase over FY26-28



Source: MOFSL, Company

Financials and valuations

Income Statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Income	**217,121**	**227,531**	**257,741**	**275,476**	**281,626**	**305,156**	**353,763**
Change (%)	13.3	4.8	13.3	6.9	2.2	8.4	15.9
EBITDA	**47,016**	**51,144**	**62,911**	**71,279**	**59,249**	**58,022**	**73,491**
Change (%)	10.6	8.8	23.0	13.3	-16.9	-2.1	26.7
Margin (%)	21.7	22.5	24.4	25.9	21.0	19.0	20.8
Depreciation	10,520	11,721	10,079	11,070	12,110	13,685	14,038
EBIT	**36,496**	**39,423**	**52,832**	**60,209**	**47,139**	**44,337**	**59,453**
Int. and Finance Charges	1,064	1,095	899	620	544	533	255
Other Income - Rec.	2,809	4,514	6,225	7,949	8,820	7,071	7,410
PBT before EO Items	**38,242**	**42,842**	**58,158**	**67,538**	**55,416**	**50,875**	**66,608**
One-time (Expense)/Income	3,309	2,458	1,139	-670	3,179	0	0
PBT but after EO Exp.	**34,933**	**40,384**	**57,019**	**68,208**	**52,236**	**50,875**	**66,608**
Tax	9,338	12,028	15,466	15,298	13,538	13,540	18,054
Tax Rate (%)	26.7	29.8	27.1	22.4	25.9	26.6	27.1
Minority Interest	299	310	322	-33	(175)	(340)	(120)
Income from associates	-128	-26	-16	-219	-81	-73	-50
Reported PAT	**25,168**	**28,020**	**41,216**	**52,725**	**38,792**	**37,603**	**48,624**
Adj PAT	**28,382**	**30,478**	**42,355**	**50,664**	**40,931**	**38,158**	**50,026**
Change (%)	18.0	7.4	39.0	19.6	-19.2	-6.8	31.1
Margin (%)	13.1	13.4	16.4	18.4	14.5	12.5	14.1

Balance Sheet

(INR Mn)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	1,614	1,614	1,614	1,614	1,614	1,614	1,614
Reserves	201,532	232,464	265,450	310,321	342,706	378,587	422,366
Revaluation Reserves	0	0	0	0	0	0	0
Net Worth	**208,417**	**234,078**	**267,065**	**311,935**	**344,320**	**380,201**	**423,981**
Loans	8,975	5,943	3,340	1,977	3,493	2,318	2,318
Deferred Liabilities	-2049	-2932	-4025	-5913	-9010	-9010	-9010
Minority Interst	2757	3058	959	958	883	883	883
Capital Employed	**218,100**	**240,144**	**267,339**	**308,957**	**339,686**	**374,392**	**418,172**
Gross Block	160,107	166,824	179,676	195,412	233,938	262,443	287,443
Less: Accum. Deprn.	60,056	71,777	81,856	92,925	105,035	118,720	132,758
Net Fixed Assets	**100,052**	**95,048**	**97,820**	**102,487**	**128,903**	**143,723**	**154,685**
Capital WIP	3,829	6,892	8,643	12,128	15,863	16,863	16,863
Investments	4,171	6,324	7,558	7,508	5,440	5,440	5,440
Curr. Assets	**158,304**	**177,106**	**207,279**	**245,625**	**265,744**	**290,704**	**330,426**
Inventory	53,502	51,564	52,380	56,421	65,967	69,547	78,620
Account Receivables	34,244	40,570	47,707	55,064	56,201	65,303	75,705
Cash and Bank Balance	19,285	15,646	8,750	7,998	13,074	8,775	14,743
Others	51,273	69,325	98,443	126,142	130,502	147,079	161,358
Curr. Liability & Prov.	**48,423**	**49,923**	**53,962**	**58,791**	**76,264**	**82,425**	**89,330**
Account Payables	36,213	37,055	37,844	41,625	52,097	58,258	65,162
Provisions	12,210	12,868	16,118	17,166	24,167	24,167	24,167
Net Current Assets	**109,882**	**127,183**	**153,317**	**186,835**	**189,481**	**208,279**	**241,096**
Appl. of Funds	**218,100**	**240,144**	**267,340**	**308,957**	**339,687**	**374,392**	**418,172**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Adjusted EPS	**35.3**	**37.8**	**52.5**	**62.8**	**50.7**	**47.3**	**62.0**
Cash EPS	48.2	52.3	65.0	76.5	65.7	64.2	79.4
BV/Share	258.1	284.2	330.9	386.5	426.6	471.0	525.3
DPS	3.0	3.0	4.0	5.0	5.0	5.0	5.0
Payout (%)	11.5	10.3	9.4	9.2	12.5	12.9	10.0
Valuation (x)							
P/E	38.2	35.8	25.7	21.5	26.6	28.6	21.8
Cash P/E	28.0	25.8	20.8	17.7	20.5	21.0	17.0
P/BV	5.2	4.8	4.1	3.5	3.2	2.9	2.6
EV/Sales	5.6	5.3	4.7	4.4	4.3	4.0	3.4
EV/EBITDA	25.9	23.8	19.4	17.1	20.5	21.0	16.5
Dividend Yield (%)	0.2	0.2	0.3	0.4	0.4	0.4	0.4
FCF per Share	32.8	26.0	34.9	39.9	11.5	-10.7	0.0
Return Ratios (%)							
RoE	14.5	13.3	15.9	16.2	11.9	10.0	11.8
RoCE	13.7	13.5	17.0	18.3	12.8	10.6	12.3
RoIC	14.5	13.8	17.0	17.8	11.9	10.0	12.0
Working Capital Ratios							
Fixed Asset Turnover (x)	1.4	1.4	1.5	2.8	2.4	2.2	2.4
Debtor (Days)	58	65	68	73	73	78	78
Inventory (Days)	90	83	74	75	85	83	81
Creditors (Days)	42	39	35	38	37	39	38
Working Capital (Days)	105	108	107	110	121	122	121
Leverage Ratio (x)							
Current Ratio	3.3	3.5	3.8	4.2	3.5	3.5	3.7
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement (INR Mn)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Profit before Tax & Extraordinary Items	36,754	42,208	58,967	71,279	52,236	50,875	66,608
Depreciation	10,520	11,721	10,510	11,070	12,110	13,685	14,038
Interest/Dividends Recd.	267	-527	-1,297	-2,024	-1,742	-7,071	-7,410
Direct Taxes Paid	-11,395	-13,019	-15,975	-16,681	-15,862	-13,540	-18,054
(Inc)/Dec in WC	-1,775	-5,594	-8,061	-6,655	-2,252	-23,097	-26,849
Other Items	-1,112	-2,412	-2,805	-9,632	-5,090		
CF from Operations	**33,259**	**32,377**	**41,339**	**47,357**	**39,400**	**20,853**	**28,332**
CF from Oper. incl EO Expense	**33,259**	**32,377**	**41,339**	**47,357**	**39,400**	**20,853**	**28,332**
(inc)/dec in FA	-6,810	-11,355	-13,151	-15,148	-30,117	-29,505	-25,000
Free Cash Flow	**26,449**	**21,021**	**28,188**	**32,209**	**9,283**	**-8,652**	**3,332**
(Pur)/Sale of Investments	1,706	-8,879	-14,314	-21,818	5,732	0	0
Other Items	-13,481	-3,528	-2,359	55	1,123		
CF from Investments	**-18,584**	**-23,761**	**-29,825**	**-36,911**	**-23,261**	**-29,505**	**-25,000**
Inc/(Dec) in Debt	350	0	0	-860	1,878	-1,175	0
Interest (Paid)/Recd	-757	-650	-648	-364	-370	6,538	7,155
Dividend Paid	-4,034	-4,035	-6,862	-10,498	-12,924	-4,844	-4,844
Others Items	-11,558	-4,899	-4,495	-1,206	-920	3,821	314
CF from Fin. Activity	**-15,998**	**-9,583**	**-12,004**	**-12,928**	**-12,337**	**4,341**	**2,625**
Inc/Dec of Cash	**-1,323**	**-968**	**-490**	**-2,483**	**3,802**	**-4,311**	**5,957**
Add: Beginning Balance	14,012	19,285	15,646	8,750	7,998	13,074	8,775
Ending cash balance	**12,689**	**18,317**	**15,156**	**6,267**	**11,801**	8,763	14,732
Bank balances and FX impact	6,596	-2,670	-6,407	1,731	1,273	12	11
Closing balance	**19,285**	**15,646**	**8,749**	**7,998**	**13,074**	**8,775**	**14,743**

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NOTES

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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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