

# IRB Infrastructure

Estimate change 

TP change 

Rating change 

**CMP: INR65**

**TP: INR60 (-8%)**

**Neutral**

## In-line performance; execution poised to accelerate with a robust order book

Bloomberg	IRB IN
Equity Shares (m)	6039
M.Cap.(INRb)/(USDb)	393.1 / 4.7
52-Week Range (INR)	70 / 23
1, 6, 12 Rel. Per (%)	56/147/108
12M Avg Val (INR M)	1022

### Financials & Valuations (INR b)

Y/E Mar	2024E	2025E	2026E
Sales	73.8	81.8	92.9
EBITDA	34.0	38.7	44.7
PAT	6.8	9.9	13.2
EBITDA (%)	46.1	47.3	48.1
EPS (INR)	1.1	1.6	2.2
EPS Gr. (%)	-6.0	45.6	33.7
BV/Sh. (INR)	22.9	24.2	26.0

### Ratios

Net D/E	1.0	0.9	0.8
RoE (%)	5.0	6.9	8.7
RoCE (%)	7.6	8.2	9.1
Payout (%)	32.2	22.1	16.6

### Valuations

P/E (x)	58.0	39.8	29.8
P/BV (x)	2.8	2.7	2.5
EV/EBITDA (x)	15.5	13.5	11.5
Div Yield (%)	0.5	0.5	0.5

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	34.4	34.4	34.2
DII	7.9	7.4	6.8
FII	47.2	47.3	48.6
Others	10.6	10.4	10.5

FII Includes depository receipts

- IRB Infrastructure (IRB)'s revenue grew 30% YoY to INR19.7b in 3QFY24 (8% above our estimate). EBITDA margin came in at 44.2% (down 500bp YoY, below our estimate of 45.8% margin). EBITDA grew 17% YoY to INR8.7b, in line with estimates. Higher interest cost was offset by lower tax outgo, which led to APAT growth of 33% YoY to INR 1.9b, in line.
- Construction revenues stood at INR 13.5b, up 38% YoY during the quarter, while BOT revenue stood at INR 6.15b (+16% YoY).
- The order book stood at ~INR362b (excl GST) at 3Q end. The O&M order book stood at INR293b and the construction order book stood at INR69b.
- In 3QFY24, IRB's Private InvIT was awarded TOT-12 and TOT-13 projects in Madhya Pradesh and Rajasthan. With these order wins, IRB's market share in the TOT space rose to 38%, the highest among any private player in the sector. Further, IRB witnessed 25% YoY growth in toll collection, driven by higher traffic and increased tariff.
- While FY24 has been muted so far in terms of order awarding, there is a large pipeline of tenders, which would likely get awarded in 4QFY24. With a strong order book of INR362b as of Dec'23 and a robust tender pipeline, driven by BOT projects, we expect a revenue CAGR of ~13% over FY23-26. We increase our APAT estimate for FY26 by ~19%, given strong order execution outlook and stable margin profile. We reiterate our Neutral rating with a revised SoTP-based TP of INR60 per share.**

### Robust order book despite subdued awarding activity by NHAI

- Awarding by NHAI has been muted in FY24 with only 1,000 kms of projects awarded until date. Despite this, IRB has secured orders worth INR 160b YTD FY24. The tender pipeline is strong and IRB's priority would be BOT toll projects, followed by TOT projects, and then HAM projects.
- As of Dec'23, the order book stood at INR362b. In the order book, the EPC segment accounted for INR69b, providing robust revenue visibility for the construction segment for the next two-to-three years. The O&M order book is close to INR292b.

### Key takeaways from the management commentary

- In Jan'24, Yedeshi Aurangabad Tollway Ltd (YATL), with IRB as the EPC Contractor, secured a INR 16.8b arbitration award. YATL intends to allocate the award to IRB to compensate for the time and cost overrun encountered during the construction period. It could take 1-1.5 years for IRB to receive funds from this award.
- IRB Infrastructure Trust successfully concluded the debt refinancing for its five project SPVs, totaling INR 63.9b. This will lead to a reduction in the interest rate by 1.1% and savings of ~INR 10b in amortization over the next five years.

**Alok Deora - Research analyst** (Alok.Deora@motilaloswal.com)

**Saurabh Dugar - Research analyst** (Saurabh.Dugar@motilaloswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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- The construction vertical is expected to clock a CAGR of ~15-20% over the next two-three years with stable EBITDA margins.
- IRB's Private InvIT was awarded TOT-12 and TOT-13 projects in Madhya Pradesh and Rajasthan.

#### Valuation and view

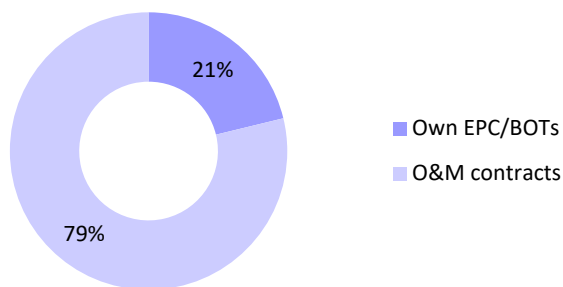
- Fueled by a robust order book and a strong tender pipeline, primarily fueled by BOT projects, we expect execution to pick up, leading to ~13% CAGR in revenue, coupled with sustained margins. We revise our APAT estimate for FY26 upward by ~19%. We reiterate our Neutral rating on the stock with a revised SoTP-based TP of INR60 per share.

#### Consolidated quarterly performance

(INR m)

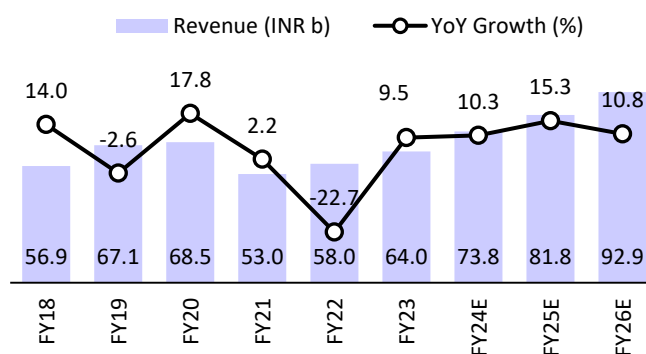
Y/E March	FY23				FY24E				FY23	FY24E	FY24 3QE	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Sales</b>	<b>19,246</b>	<b>13,430</b>	<b>15,141</b>	<b>16,200</b>	<b>16,342</b>	<b>17,450</b>	<b>19,685</b>	<b>20,312</b>	<b>64,016</b>	<b>73,789</b>	<b>18,219</b>	<b>8</b>
YoY Change (%)	18.4	(8.3)	18.4	13.0	(15.1)	29.9	30.0	25.4	10.3	15.3	20.3	
<b>EBITDA</b>	<b>10,606</b>	<b>6,651</b>	<b>7,446</b>	<b>7,588</b>	<b>7,778</b>	<b>7,946</b>	<b>8,695</b>	<b>9,615</b>	<b>32,291</b>	<b>34,034</b>	<b>8,350</b>	<b>4</b>
Margins (%)	55.1	49.5	49.2	46.8	47.6	45.5	44.2	47.3	50.4	46.1	45.8	
Depreciation	2,031	1,919	2,150	2,221	2,367	2,327	2,513	2,536	8,321	9,743	2,300	
Interest	3,850	3,893	3,671	3,733	3,815	4,346	4,327	4,335	15,146	16,823	3,950	
Other Income	708	959	560	789	1,112	1,295	1,088	1,171	3,016	4,666	1,100	
<b>PBT</b>	<b>5,434</b>	<b>1,799</b>	<b>2,185</b>	<b>2,423</b>	<b>2,709</b>	<b>2,569</b>	<b>2,942</b>	<b>3,915</b>	<b>11,840</b>	<b>12,134</b>	<b>3,200</b>	
Tax	1,468	702	646	753	836	858	561	868	3,569	3,123	960	
Rate (%)	27.0	39.0	29.6	31.1	30.9	33.4	19.1	22.2	30.1	25.7	30.0	
Share of profit in Associates	(334)	(244)	(125)	(367)	(535)	(753)	(507)	(452)	(1,069)	(2,247)	(450)	
<b>Reported PAT</b>	<b>3,632</b>	<b>854</b>	<b>1,414</b>	<b>1,303</b>	<b>1,338</b>	<b>958</b>	<b>1,874</b>	<b>2,595</b>	<b>7,202</b>	<b>6,764</b>	<b>1,790</b>	
<b>Adj PAT</b>	<b>3,632</b>	<b>854</b>	<b>1,414</b>	<b>1,303</b>	<b>1,338</b>	<b>958</b>	<b>1,874</b>	<b>2,595</b>	<b>7,202</b>	<b>6,764</b>	<b>1,790</b>	<b>5</b>
YoY Change (%)	405.1	101.7	94.5	(25.3)	(63.2)	12.2	32.6	99.2	99.3	(6.1)	26.6	
Margins (%)	18.9	6.4	9.3	8.0	8.2	5.5	9.5	12.8	11.3	9.2	9.8	

**Exhibit 1: Order book breakup (3QFY24: INR362b)**



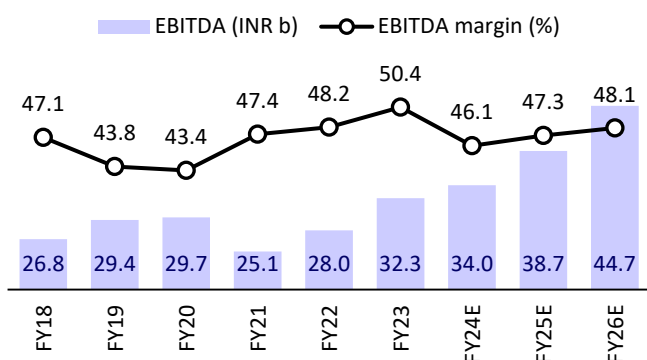
Source: MOFSL, Company

**Exhibit 2: Revenue to see ~13% CAGR over FY23-25E**



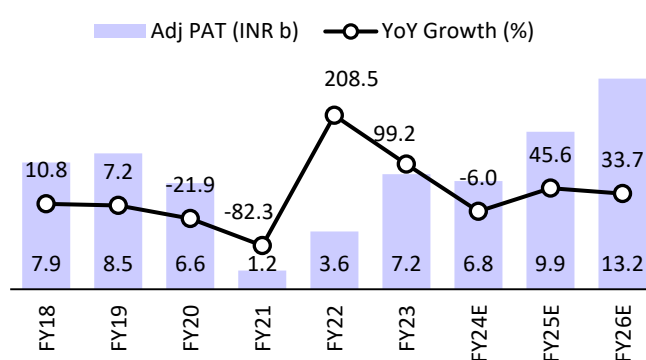
Source: MOFSL, Company

**Exhibit 3: EBITDA and EBITDA margin trends**



Source: MOFSL, Company

**Exhibit 4: APAT to clock CAGR of ~22% over FY23-25**



Source: MOFSL, Company



**Highlights from management commentary**

- As of Dec’23, the company’s order book stood at INR 362b. In the order book, the EPC segment accounted for INR69b, providing robust revenue visibility for the construction segment of the company for the next two to three years. The O&M order book is close to INR292b.
- Awarding by NHAI has been muted in FY24 with only 1,000 kms of projects awarded until date. Despite this, IRB has secured orders worth INR 160b crore YTD FY24.
- IRB’s Private InvIT was awarded TOT-12 and TOT-13 projects in Madhya Pradesh and Rajasthan.
- The company is set to receive arbitration cash award of INR16.8b. Historically, it has taken 1-1.5 years for the funds to be disbursed from such awards.
- IRB secured the Lalitpur Lakhnadon NH44, TOT-12 project in Madhya Pradesh, marking its entry into the 12th Indian state. The Concession Agreement with NHAI has been signed for this project, representing the most extensive continuous stretch of National Highway awarded on a TOT basis to date.
- Furthermore, the company obtained the Kota Bypass and Cable Stay Bridge stretch on NH76 in Rajasthan, along with the Jhansi Gwalior NH44 in Madhya Pradesh under the TOT-13 bundle of NHAI.
- IRB received the appointed date for the Samakhiyali Santalpur BOT Project in Gujarat and initiated tolling and construction on the project from Dec’23. The Samakhiyali Santalpur BOT project has been granted the Appointed Date, marking the commencement of construction and tolling activities.

- In 3QFY24, the total toll collection stood at INR 13.7b (+25% YoY). The rise in toll collection is attributed to both an increase in tariff and higher traffic volume.
- IRB Infrastructure Trust successfully concluded the debt refinancing for its five project SPVs, totaling INR 63.9b. This will lead to a reduction in the interest rate by 1.1% and savings of ~INR 10b in amortization over the next five years.
- The company's interest rates are linked to MCLR. As MCLR rates decrease, it is expected that the company's interest rates will also decrease. The current cost of funding for the company stands at ~10%.

**Guidance:**

- The construction vertical is expected to clock a CAGR of ~15-20% over the next two-three years with stable EBITDA margins.
- During the bidding process, IRB's priority is to focus on BOT projects, followed by TOT projects, and then HAM projects.
- Execution of BoT projects is more challenging than EPC. The bidding for such projects is less aggressive due to the substantial equity requirements. There are typically 6-7 bidders for BoT projects.
- The pattern of project awarding by NHAI will shift, with BOT projects having a greater share in NHAI's awarding activity in the coming quarters. It is anticipated that 40% of NHAI's awarding activity will be via BOT projects.

**Exhibit 5: Segmental performance snapshot**

(INR m)	3QFY24	3QFY23	YoY	2QFY24	QoQ
<b>Construction business</b>					
Revenue	13,526	9,814	37.8%	51,245	-73.6%
EBIDTA	3,225	2,128	51.5%	14,716	-78.1%
EBITDA margin (%)	23.8%	21.7%	216bps	28.7%	-487bps
Adjusted PAT	2,000	1,033	93.6%	8,162	-75.5%
<b>BOT business</b>					
Revenue	6,159	5,327	15.6%	17,277	-64.3%
EBIDTA	5,471	5,318	2.9%	14,998	-63.5%
EBITDA margin (%)	88.8%	99.8%	-1102bps	86.8%	201bps
Adjusted PAT	-125	381	-132.9%	-1,528	-91.8%

Source: MOFSL, Company

**Valuation and view**

- The order pipeline is robust and would see strong execution along with stable margins.
- We increase our APAT estimates for FY26 by ~19% in order to factor in new order wins. We maintain our Neutral rating on the stock with a revised SoTP-based TP of INR60 per share.

**Exhibit 6: Revised forecast**

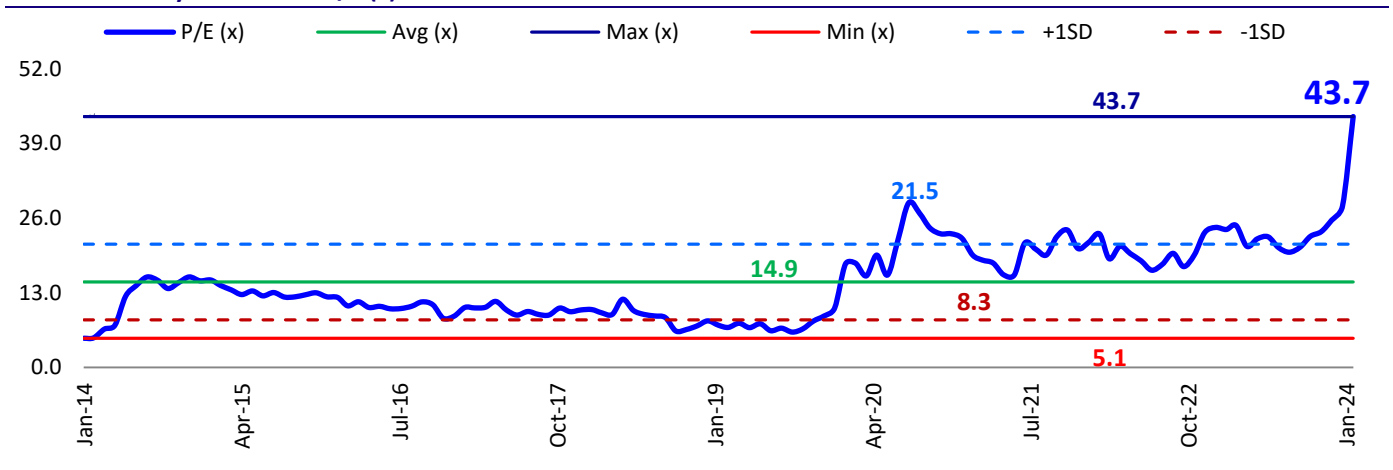
Earnings Change	Old			New			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	71,994	80,603	88,848	73,789	81,773	92,943	2.5%	1.5%	4.6%
EBITDA	33,343	38,000	42,055	34,034	38,651	44,713	2.1%	1.7%	6.3%
EBITDA margin	46.3%	47.1%	47.3%	46.1%	47.3%	48.1%	-19	12	77
Adj. PAT	7,196	9,530	11,099	6,764	9,850	13,174	-6.0%	3.4%	18.7%

**Exhibit 7: SOTP-based target price stands at INR60**

Particulars	INR m	Per share (INR)
<b>Standalone</b>		
FY26E Core PAT	16,191	
Target PE multiple	18.0	
<b>Standalone valuation</b>	<b>2,91,445</b>	<b>48</b>
<b>Asset business</b>		
Other Assets	56,017	12
<b>Total</b>	<b>3,47,462</b>	<b>60</b>

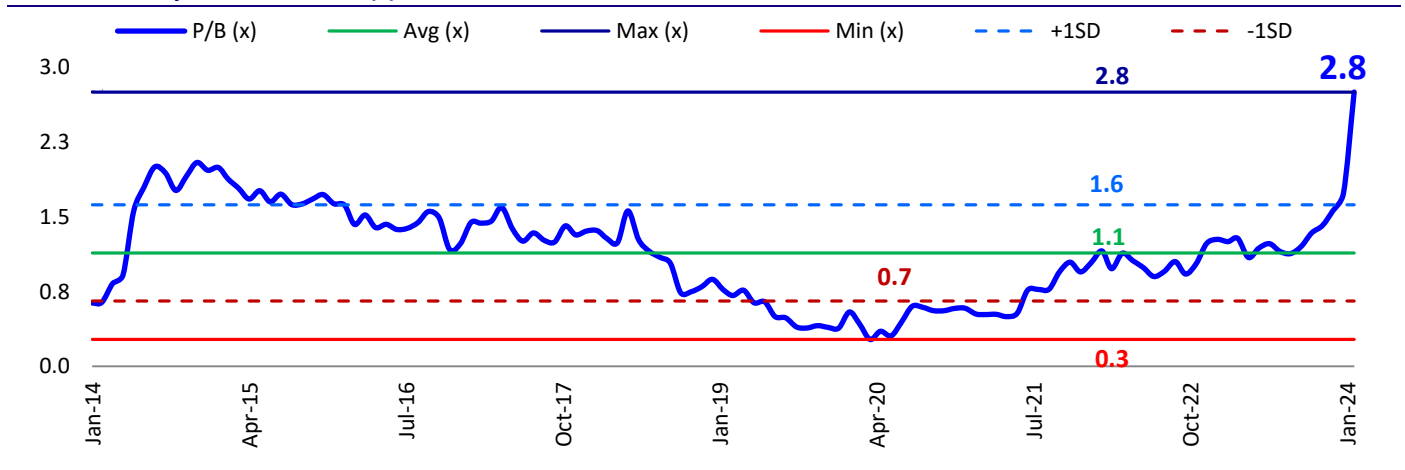
Source: MOFSL, Company

**Exhibit 8: One-year forward P/E (x)**



Source: Company, MOFSL

**Exhibit 9: One-year forward P/B (x)**



Source: Company, MOFSL

## Financials and valuations

Consolidated Income Statement							(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Total Income from Operations</b>	<b>68,522</b>	<b>52,986</b>	<b>58,037</b>	<b>64,016</b>	<b>73,789</b>	<b>81,773</b>	<b>92,943</b>
Change (%)	2.2	-22.7	9.5	10.3	15.3	10.8	13.7
<b>EBITDA</b>	<b>29,714</b>	<b>25,127</b>	<b>27,975</b>	<b>32,290</b>	<b>34,034</b>	<b>38,651</b>	<b>44,713</b>
Margin (%)	43.4	47.4	48.2	50.4	46.1	47.3	48.1
Depreciation	4,683	5,817	6,828	8,321	9,743	11,063	12,068
<b>EBIT</b>	<b>25,031</b>	<b>19,310</b>	<b>21,147</b>	<b>23,968</b>	<b>24,291</b>	<b>27,588</b>	<b>32,645</b>
Int. and Finance Charges	15,644	16,924	18,906	15,146	16,823	16,130	16,072
Other Income	1,950	1,889	5,517	3,017	4,666	4,670	4,094
<b>PBT bef. EO Exp.</b>	<b>11,337</b>	<b>4,274</b>	<b>7,758</b>	<b>11,839</b>	<b>12,134</b>	<b>16,128</b>	<b>20,667</b>
EO Items	574	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>11,911</b>	<b>4,274</b>	<b>7,758</b>	<b>11,839</b>	<b>12,134</b>	<b>16,128</b>	<b>20,667</b>
Total Tax	4,544	1,445	1,882	3,569	3,123	4,930	6,414
Tax Rate (%)	38.1	33.8	24.3	30.1	25.7	30.6	31.0
Minority Interest/Associate income	-158	-1,658	-2,262	-1,070	-2,247	-1,348	-1,079
<b>Reported PAT</b>	<b>7,209</b>	<b>1,172</b>	<b>3,614</b>	<b>7,200</b>	<b>6,764</b>	<b>9,850</b>	<b>13,174</b>
<b>Adjusted PAT</b>	<b>6,635</b>	<b>1,172</b>	<b>3,614</b>	<b>7,200</b>	<b>6,764</b>	<b>9,850</b>	<b>13,174</b>
Change (%)	-21.9	-82.3	208.5	99.2	-6.0	45.6	33.7
Margin (%)	9.7	2.2	6.2	11.2	9.2	12.0	14.2

Consolidated Balance Sheet							(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	3,515	3,515	6,039	6,039	6,039	6,039	6,039
Total Reserves	63,314	65,493	1,19,617	1,27,750	1,32,333	1,40,002	1,50,995
<b>Net Worth</b>	<b>66,829</b>	<b>69,008</b>	<b>1,25,656</b>	<b>1,33,789</b>	<b>1,38,372</b>	<b>1,46,041</b>	<b>1,57,034</b>
Minority Interest	0	0	0	0	0	0	0
Total Loans	75,709	1,66,640	1,66,853	1,67,397	1,69,910	1,72,343	1,74,082
Deferred Tax Liabilities	-570	-687	-435	637	637	637	637
<b>Capital Employed</b>	<b>1,41,968</b>	<b>2,34,962</b>	<b>2,92,074</b>	<b>3,01,823</b>	<b>3,08,919</b>	<b>3,19,022</b>	<b>3,31,753</b>
Gross Block	2,99,277	3,02,110	3,07,928	3,08,339	3,13,130	3,13,630	2,95,376
Less: Accum. Deprn.	22,572	28,389	35,217	43,538	53,623	64,685	57,999
<b>Net Fixed Assets</b>	<b>2,76,705</b>	<b>2,73,721</b>	<b>2,72,711</b>	<b>2,64,801</b>	<b>2,59,507</b>	<b>2,48,945</b>	<b>2,37,377</b>
Capital WIP	4,030	4,030	625	75	433	433	433
<b>Total Investments</b>	<b>41,459</b>	<b>47,989</b>	<b>49,042</b>	<b>51,409</b>	<b>53,295</b>	<b>58,447</b>	<b>63,868</b>
<b>Curr. Assets, Loans and Adv.</b>	<b>76,091</b>	<b>85,285</b>	<b>1,01,999</b>	<b>1,10,739</b>	<b>1,18,738</b>	<b>1,35,652</b>	<b>1,56,584</b>
Inventory	3,314	3,217	3,175	2,990	4,444	5,011	5,842
Account Receivables	4,408	5,879	15,934	16,352	12,042	13,577	15,829
Cash and Bank Balance	22,707	23,390	17,438	24,171	36,507	44,865	52,993
Loans and Advances and CA	45,663	52,799	65,451	67,226	65,744	72,199	81,921
<b>Curr. Liability and Prov.</b>	<b>2,56,317</b>	<b>1,76,064</b>	<b>1,32,303</b>	<b>1,25,202</b>	<b>1,23,055</b>	<b>1,24,455</b>	<b>1,26,510</b>
Other Current Liabilities	2,55,800	1,75,562	1,31,707	1,24,630	1,22,483	1,23,883	1,25,938
Provisions	517	502	596	572	572	572	572
<b>Net Current Assets</b>	<b>-1,80,226</b>	<b>-90,780</b>	<b>-30,305</b>	<b>-14,463</b>	<b>-4,317</b>	<b>11,197</b>	<b>30,074</b>
<b>Appl. of Funds</b>	<b>1,41,968</b>	<b>2,34,961</b>	<b>2,92,074</b>	<b>3,01,823</b>	<b>3,08,919</b>	<b>3,19,022</b>	<b>3,31,753</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>							
EPS	1.9	0.3	0.6	1.2	1.1	1.6	2.2
Cash EPS	3.2	2.0	1.7	2.6	2.7	3.5	4.2
BV/Share	19.0	19.6	20.8	22.2	22.9	24.2	26.0
DPS	0.5	0.0	0.0	0.0	0.3	0.3	0.3
Payout (%)	29.3	0.0	0.0	10.5	32.2	22.1	16.6
<b>Valuation (x)</b>							
P/E	34.4	195.0	108.6	54.5	58.0	39.8	29.8
Cash P/E	20.2	32.7	37.6	25.3	23.8	18.8	15.6
P/BV	3.4	3.3	3.1	2.9	2.8	2.7	2.5
EV/Sales	4.1	7.0	9.3	8.4	7.1	6.4	5.5
EV/EBITDA	9.5	14.8	19.4	16.6	15.5	13.5	11.5
Dividend Yield (%)	0.8	0.0	0.0	0.0	0.5	0.5	0.5
FCF per share	39.0	-19.3	-7.1	2.9	4.7	4.3	4.5
<b>Return Ratios (%)</b>							
RoE	10.2	1.7	3.7	5.5	5.0	6.9	8.7
RoCE	12.0	9.0	8.1	7.3	7.6	8.2	9.1
RoIC	13.5	11.0	8.3	7.4	8.1	8.8	10.5
<b>Leverage Ratio (x)</b>							
Interest Coverage Ratio	1.6	1.1	1.1	1.6	1.4	1.7	2.0
Net Debt/Equity	0.8	2.1	1.2	1.1	1.0	0.9	0.8

### Consolidated Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>OP/(Loss) before Tax</b>	11,337	4,274	7,758	10,770	12,134	16,128	20,667
Depreciation	4,683	5,817	6,828	8,321	9,743	11,063	12,068
Interest and Finance Charges	15,644	16,924	18,906	13,109	16,823	16,130	16,072
Direct Taxes Paid	-4,544	-1,445	-1,882	-2,020	-3,123	-4,930	-6,414
(Inc.)/Dec. in WC	30,008	-90,047	-73,115	-12,999	2,190	-7,156	-10,750
<b>CF from Operations</b>	<b>57,128</b>	<b>-64,476</b>	<b>-41,505</b>	<b>17,180</b>	<b>37,768</b>	<b>31,236</b>	<b>31,642</b>
Others	-1,376	-1,889	-5,517	461	-4,666	-4,670	-4,094
<b>CF from Operations incl. EO</b>	<b>55,752</b>	<b>-66,365</b>	<b>-47,023</b>	<b>17,641</b>	<b>33,102</b>	<b>26,566</b>	<b>27,549</b>
(Inc.)/Dec. in FA	81,260	-1,550	4,277	99	-4,807	-500	-500
<b>Free Cash Flow</b>	<b>1,37,012</b>	<b>-67,915</b>	<b>-42,746</b>	<b>17,740</b>	<b>28,294</b>	<b>26,066</b>	<b>27,049</b>
(Pur.)/Sale of Investments	-35,005	-8,189	-3,315	-4,385	-4,133	-6,500	-6,500
Others	1,950	1,889	5,517	1,982	4,666	4,670	4,094
<b>CF from Investments</b>	<b>48,204</b>	<b>-7,849</b>	<b>6,479</b>	<b>-2,303</b>	<b>-4,274</b>	<b>-2,330</b>	<b>-2,906</b>
Issue of Shares	0	0	53,466	0	0	0	0
Inc./(Dec.) in Debt	-78,300	90,932	212	4,475	2,513	2,434	1,739
Interest Paid	-15,644	-16,924	-18,906	-12,279	-16,823	-16,130	-16,072
Dividend Paid	-2,116	0	0	-755	-2,181	-2,181	-2,181
Others	-793	890	-180	-46	0	0	0
<b>CF from Fin. Activity</b>	<b>-96,852</b>	<b>74,897</b>	<b>34,592</b>	<b>-8,605</b>	<b>-16,491</b>	<b>-15,878</b>	<b>-16,515</b>
<b>Inc./Dec. in Cash</b>	<b>7,104</b>	<b>683</b>	<b>-5,951</b>	<b>6,733</b>	<b>12,336</b>	<b>8,358</b>	<b>8,128</b>
Opening Balance	15,603	22,707	23,390	17,438	24,171	36,507	44,865
<b>Closing Balance</b>	<b>22,707</b>	<b>23,390</b>	<b>17,438</b>	<b>24,171</b>	<b>36,507</b>	<b>44,865</b>	<b>52,993</b>

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NOTES



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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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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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