

# Petronet LNG

Estimate change



TP change



Rating change



Bloomberg	PLNG IN
Equity Shares (m)	1500
M.Cap.(INRb)/(USDb)	525.9 / 6.3
52-Week Range (INR)	359 / 187
1, 6, 12 Rel. Per (%)	4/21/33
12M Avg Val (INR M)	1593

## Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	527.3	585.8	582.4
EBITDA	52.1	67.2	68.3
Adj. PAT	35.4	46.3	47.0
Adj. EPS (INR)	23.6	30.9	31.3
EPS Gr. (%)	9.1	30.9	1.5
BV/Sh.(INR)	113.1	129.7	146.5

## Ratios

Net D:E	-0.4	-0.5	-0.5
RoE (%)	22.2	25.4	22.7
RoCE (%)	23.5	26.5	23.7
Payout (%)	46.3	46.3	46.3

## Valuation

P/E (x)	14.9	11.4	11.2
P/BV (x)	3.1	2.7	2.4
EV/EBITDA (x)	8.7	6.5	6.1
Div. Yield (%)	3.1	4.1	4.1

## Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	50.0	50.0	50.0
DII	12.9	11.4	5.0
FII	25.6	26.2	34.3
Others	11.6	12.4	10.8

FII Includes depository receipts

**CMP: INR351**

**TP: INR380 (+8%)**

**Neutral**

## Adj. PAT in line; utilization may soften in 2Q

- Petronet LNG (PLNG) recorded lower-than-estimated EBITDA of INR13.7b in 1QFY25. Dahej utilization was up 13% QoQ at 112%, while Kochi utilization stood at 22% (+1.6pp YoY). Reported PAT at INR11.4b was above our estimate. In 1Q, the company booked additional provisions worth INR1.3b with respect to use-or-pay (UoP) charges.
- The Dahej terminal expansion from 17.5mmt to 22.5mmt is expected to be completed by Mar'25, after which it will be available for use. However, till now, there has not been any material progress on signing anchor customers for the expanded capacity. The management highlighted that the 250km stretch of the Kochi-Bangalore pipeline will be completed by Mar'25, after which Kochi terminal utilization should improve. In 2Q, utilization trends for Dahej/Kochi are expected to remain robust, though likely down QoQ.
- PAT, adjusted for one-off income (net basis) of INR1.9b, came in-line with our estimate. In 2Q, utilization trends are expected to soften given weaker power demand and some spot LNG inflation (Asia JKM +11% QoQ in Jul'24'TD vs 1QFY25 avg.). Going forward, the key catalysts will be 1) the commissioning of the expanded Dahej capacity, and 2) pipeline connectivity for the Kochi terminal. While the PDH-PP project and Gopalpur FSRU can support the future volume trajectory, we believe that economics of these projects are yet to be established and that they are longer-dated projects. As such, we maintain our **Neutral rating with a TP of INR380**.

## Beat on volumes led by robust utilization

- 1Q revenue came in 10% below our estimate at INR134.2b (+15% YoY).
- EBITDA also came in 10% below our estimates at INR13.7b (+16% YoY).
- In 1Q, inventory gains stood at INR2.65b, while trading gains stood at INR580m.
- Other income stood at INR2.2b (est. INR1.2b, +49% YoY). Resultant reported PAT was INR11.4b (est. INR10.3b, +45% YoY).
- However, adjusted PAT came in line with our estimates at INR10b.
- Operational performance:
  - Total volumes stood at 262Tbtu (est. of 232.8Tbtu, +14% YoY).
  - Dahej utilization stood at 112% (+14pp YoY), above our estimate. Kochi utilization at 22.2% (+1.6pp YoY) came in line with our estimate.
- In 1QFY25, PLNG provisioned INR1.3b for UoP dues. Additionally, PLNG has waived off UoP charges of INR632m.
- **As of Jun'24**, provisions on UoP dues stood at INR4.9b.
- UoP dues of INR17.9b (net provision INR13b) are included in trade receivables as of Jun'24. The company has obtained bank guarantees from customers to recover UoP charges for FY22 and FY23. The customers have not given balance confirmations toward these dues. However, the management is confident of recovering such charges.

**Abhishek Nigam – Research Analyst** (Abhishek.nigam@MotilalOswal.com)

**Rishabh Daga - Research Analyst** (Rishabh.Daga@motilaloswal.com)

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

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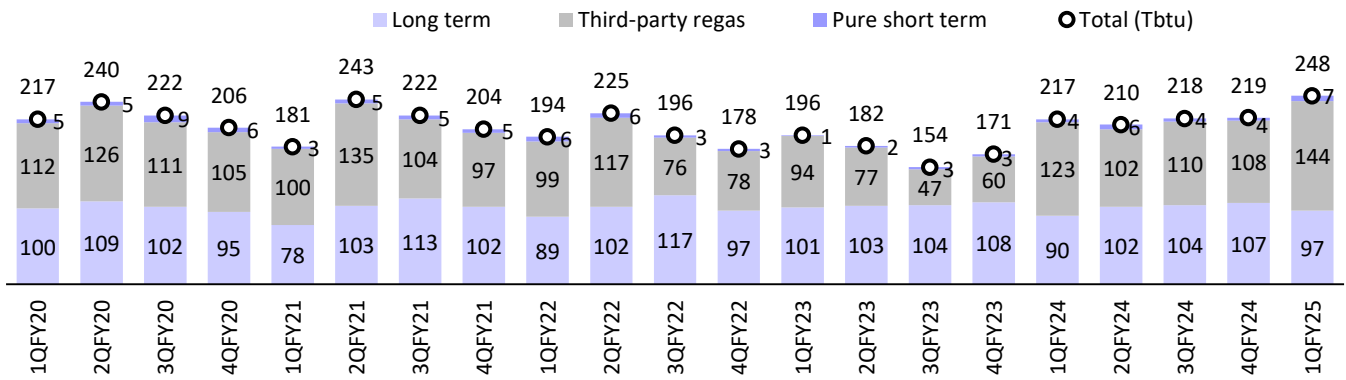
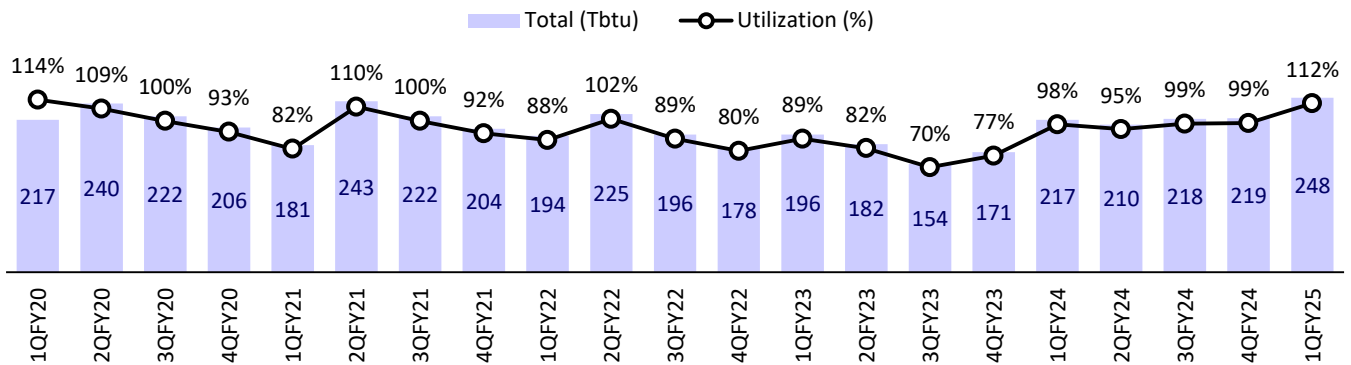
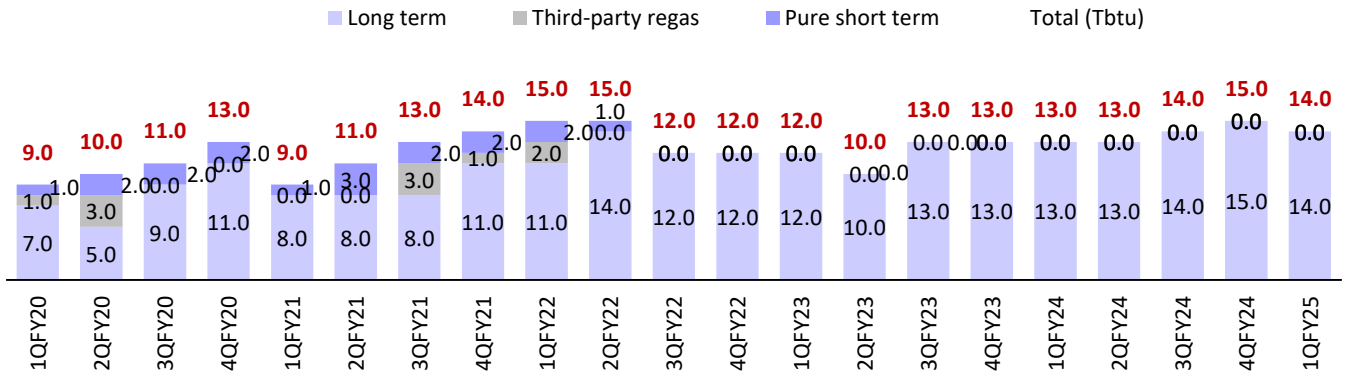
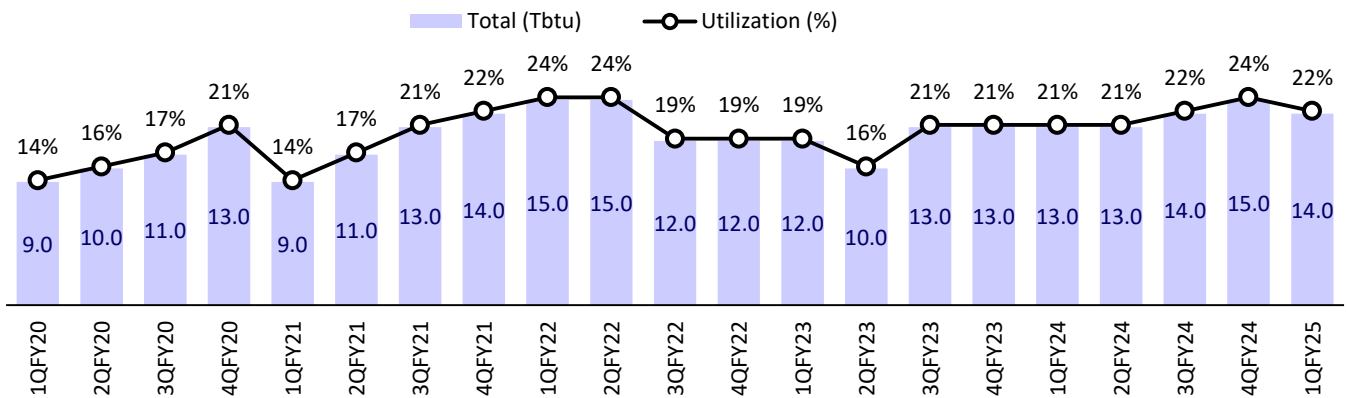
**Valuation and view**

- PLNG's volume utilization improved substantially in 1QFY25 amid moderate spot LNG prices and robust demand. While we remain positive about volume growth, we believe ongoing uncertainty around UoP provisioning and rising competition will prevent further re-rating.
- We increase our FY25 estimates to account for a strong 1Q operational performance. Additionally, we raise FY26E volumes to account for the start of expanded capacity at Dahej, even though the company is yet to tie up with off-takers for new capacity.
- We value PLNG at 12x FY26E EPS to arrive at a TP of INR380. **We reiterate our Neutral rating on the stock.**

**Standalone - Quarterly Earning Model**

(INR b)

Y/E March	FY24				FY25	FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q			1QE	(%)
<b>Net Sales</b>	<b>116.6</b>	<b>125.3</b>	<b>147.5</b>	<b>137.9</b>	<b>134.2</b>	<b>527.3</b>	<b>583.5</b>	<b>148.9</b>	<b>-10%</b>
YoY Change (%)	-18.3	-21.6	-6.5	-0.6	15.1	-12.0	10.7	27.8	
Total Expenditure	105	113	130	127	120	475	519	134	0%
<b>EBITDA</b>	<b>11.8</b>	<b>12.1</b>	<b>17.1</b>	<b>11.0</b>	<b>13.7</b>	<b>52.1</b>	<b>64.9</b>	<b>15.3</b>	<b>-10%</b>
Margin (%)	10.1	9.7	11.6	8.0	10.2	9.9	11.1	10.3	
Depreciation	1.9	1.9	2.0	1.9	1.9	7.8	8.5	2.1	
Interest	0.7	0.7	0.7	0.7	0.7	2.9	2.5	0.6	
Other Income	1.5	1.6	1.6	1.6	2.2	6.2	6.1	1.2	
<b>PBT before EO expense</b>	<b>11</b>	<b>11</b>	<b>16</b>	<b>10</b>	<b>13</b>	<b>48</b>	<b>60</b>	<b>14</b>	<b>-3%</b>
Extra-Ord expense	0	0	0	0	-2	0	-2	0	0%
<b>PBT</b>	<b>10.6</b>	<b>11.0</b>	<b>16.0</b>	<b>10.0</b>	<b>15.2</b>	<b>47.6</b>	<b>61.8</b>	<b>13.8</b>	<b>10%</b>
Tax	2.7	2.8	4.1	2.6	3.8	12.2	16.0	3.5	
Rate (%)	25.6	25.8	25.5	25.9	24.9	25.7	25.8	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0%
<b>Reported PAT</b>	<b>7.9</b>	<b>8.2</b>	<b>11.9</b>	<b>7.4</b>	<b>11.4</b>	<b>35.4</b>	<b>45.9</b>	<b>10.3</b>	<b>11%</b>
<b>Adj PAT</b>	<b>7.9</b>	<b>8.2</b>	<b>11.9</b>	<b>7.4</b>	<b>10.0</b>	<b>35.4</b>	<b>44.0</b>	<b>10.3</b>	<b>-3%</b>
YoY Change (%)	12.7	9.9	0.9	20.1	26.5	9.1	24.3	30.4	
Margin (%)	6.8	6.5	8.1	5.3	7.4	6.7	7.5	6.9	
<b>Key Assumptions</b>									
Regas volume (Tbtu)	123	102	110	108	144	443	369	92	56%
Sales volume (Tbtu)	107	121	122	126	118	476	571	141	-16%
Total Volumes (Tbtu)	230.0	223.0	232.0	234.0	262.0	919.0	940.2	232.8	13%
<b>Operational details</b>									
<b>Dahej throughput (Tbtu)</b>	<b>217</b>	<b>210</b>	<b>218</b>	<b>219</b>	<b>248</b>	<b>864</b>	<b>885</b>	<b>219</b>	<b>13%</b>
Long term	90	102	104	107	97	403	430	107	-10%
Third-party	123	102	110	108	144	443	369	92	56%
Short term/spot	4	6	4	4	7	18	86	19	-64%
<b>Kochi throughput (Tbtu)</b>	<b>13</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>14</b>	<b>55</b>	<b>56</b>	<b>14</b>	<b>1%</b>
Dahej utilization (%)	98%	95%	99%	99%	112%	98%	100%	99%	13%
Kochi utilization (%)	21%	21%	22%	24%	22%	22%	22%	22%	0%

**Exhibit 1: Dahej total volumes at 248Tbtu, up 14% YoY****Exhibit 2: Dahej terminal utilization at 112% in 1QFY25****Exhibit 3: Kochi volumes at 14Tbtu, up 8% YoY****Exhibit 4: Kochi terminal utilization at 22% in 1QFY25**

Source: Company, MOFSL



## Highlights from the management commentary

### Performance:

- For 1QFY25, PLNG's PBT stood at INR15.2b (+43% YoY).
- Dahej terminal reported throughput of 248tbtu in 1QFY25 (109% utilization).
- Robust volumes were driven by moderate LNG prices and efficient and optimal operational performance.

### Capex:

- Capex of INR3b incurred in 1QFY25.
- FY25 planned capex amounts to INR35b.
- No foreseeable challenges w.r.t cash in the upcoming years since debt/equity ratio of 70/30 will be maintained.

### Exceptional items in 1QFY25: gain of INR1.9b

- Inventory gains stood at INR2.6b. Additionally, trading gains amounted to INR0.6b
- In 1QFY25, PLNG provisioned INR1.3b for UoP dues.

### UoP

- UoP of INR630m has been reversed. However, it was the reversal of revenue booked earlier. PLNG clocked equivalent volume in 1QFY25.

### Dahej current utilization:

- The utilization of ~109% in 1QFY25 was around 100% as of now. Exceptionally high power demand in May and June led to such high levels of utilization. However, utilization is expected to remain robust going forward.

### Update on ongoing projects:

- Dahej expansion is expected to complete in Mar'25. The capacity shall increase by 5mmtpa post expansion to 22.5mmtpa. This increase capacity shall be available from FY26.
- Total project capex ~INR5.70b.
- Payback period will be not more than 2-3 years.
- We are not worried about any under-utilization amid increasing volumes, robust demand growth and range-bound LNG prices.
- Dahej shall have a substantial share in increasing consumption volumes in the country.
- Petchem project will be done through the third Jetty. It will be like a utility (tolling) business.

### Kochi terminal:

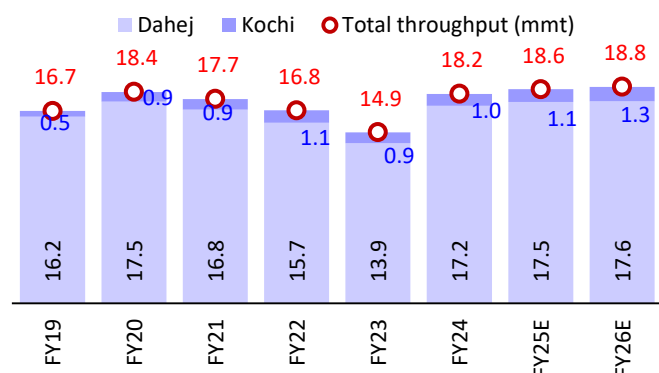
- Kochi terminal connectivity with Bangalore expected by Mar'25. Utilization to increase post that.
- Robust utilization growth is expected post connectivity to National Gas Grid. CGD entities to be the key customers.
- May reach to 50%-60% initially and may enhance further.

### Re-gasification Service business:

- Higher due to moderate LNG prices and high demand.
- 1QFY25, re-gas service income stood at INR8.5b.

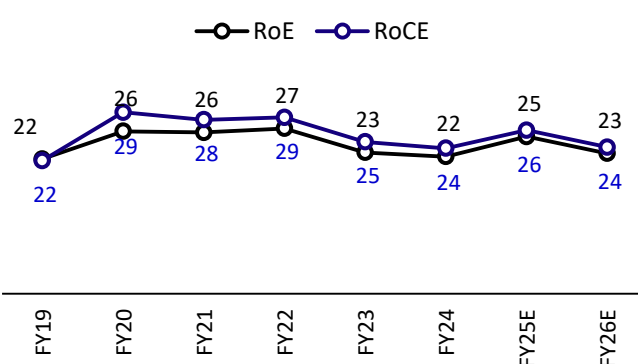
## Story in charts

Exhibit 5: Volume snapshot for PLNG



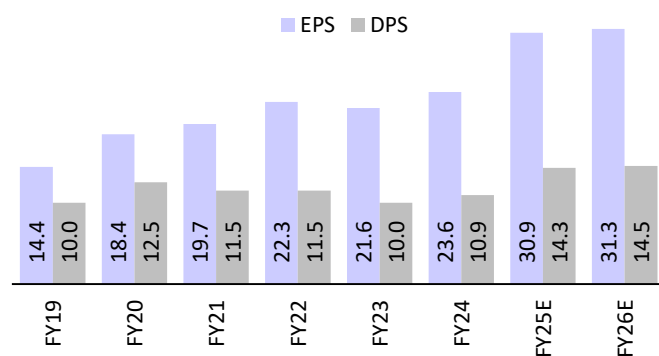
Source: Company, MOFSL

Exhibit 6: Return ratios profile



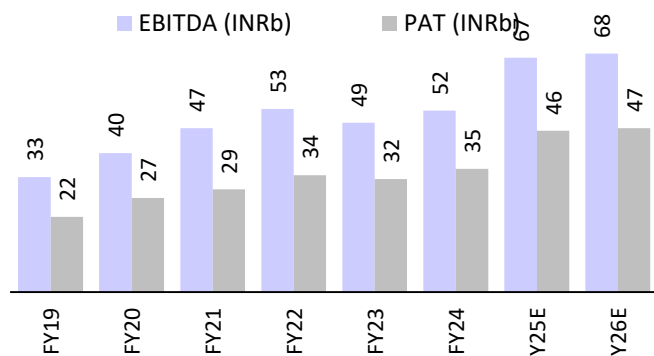
Source: Company, MOFSL

Exhibit 7: Payout ratios



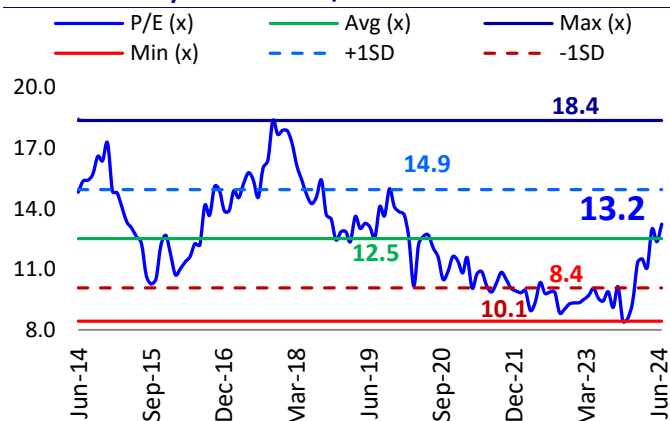
Source: Company, MOFSL

Exhibit 8: EBITDA/PAT snapshot



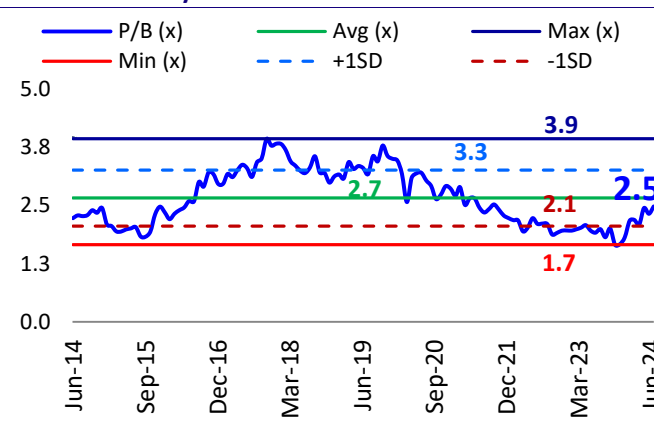
Source: Company, MOFSL

Exhibit 9: One-year forward P/E – trades at 13.2x



Source: Company, MOFSL

Exhibit 10: One-year forward PB – trades at 2.5x



Source: Company, MOFSL

## Financials and valuations

### Standalone - Income Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Total Income from Operations</b>	<b>384.0</b>	<b>354.5</b>	<b>260.2</b>	<b>431.7</b>	<b>599.0</b>	<b>527.3</b>	<b>585.8</b>	<b>582.4</b>
Change (%)	25.5	-7.7	-26.6	65.9	38.8	-12.0	11.1	-0.6
<b>EBITDA</b>	<b>32.9</b>	<b>39.9</b>	<b>47.0</b>	<b>52.5</b>	<b>48.6</b>	<b>52.1</b>	<b>67.2</b>	<b>68.3</b>
Margin (%)	8.6	11.3	18.1	12.2	8.1	9.9	11.5	11.7
Depreciation	4.1	7.8	7.8	7.7	7.6	7.8	8.5	9.5
<b>EBIT</b>	<b>28.8</b>	<b>32.1</b>	<b>39.2</b>	<b>44.8</b>	<b>40.9</b>	<b>44.3</b>	<b>58.7</b>	<b>58.9</b>
Int. and Finance Charges	1.0	4.0	3.4	3.2	3.3	2.9	2.5	2.9
Other Income	4.5	3.7	3.9	3.1	5.7	6.2	6.1	7.2
<b>PBT bef. EO Exp.</b>	<b>32.3</b>	<b>31.8</b>	<b>39.7</b>	<b>44.7</b>	<b>43.3</b>	<b>47.6</b>	<b>62.3</b>	<b>63.2</b>
EO Items	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
<b>PBT after EO Exp.</b>	<b>32.3</b>	<b>31.1</b>	<b>39.7</b>	<b>44.7</b>	<b>43.3</b>	<b>47.6</b>	<b>62.3</b>	<b>63.2</b>
Total Tax	10.8	4.1	10.2	11.2	10.9	12.2	16.0	16.2
Tax Rate (%)	33.3	13.3	25.7	25.1	25.3	25.7	25.7	25.7
<b>Reported PAT</b>	<b>21.6</b>	<b>27.0</b>	<b>29.5</b>	<b>33.5</b>	<b>32.4</b>	<b>35.4</b>	<b>46.3</b>	<b>47.0</b>
<b>Adjusted PAT</b>	<b>21.6</b>	<b>27.6</b>	<b>29.5</b>	<b>33.5</b>	<b>32.4</b>	<b>35.4</b>	<b>46.3</b>	<b>47.0</b>
Change (%)	3.7	28.1	6.9	13.7	-3.4	9.1	30.9	1.5
Margin (%)	5.6	7.8	11.3	7.8	5.4	6.7	7.9	8.1

### Standalone - Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Total Reserves	85.7	94.5	101.5	119.3	134.3	154.6	179.5	204.7
<b>Net Worth</b>	<b>100.7</b>	<b>109.5</b>	<b>116.5</b>	<b>134.3</b>	<b>149.3</b>	<b>169.6</b>	<b>194.5</b>	<b>219.7</b>
Total Loans	1.0	0.6	0.6	0.2	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	13.4	8.9	8.8	8.3	7.0	6.2	6.2	6.2
<b>Capital Employed</b>	<b>115.0</b>	<b>119.1</b>	<b>125.9</b>	<b>142.8</b>	<b>156.4</b>	<b>175.8</b>	<b>200.7</b>	<b>225.9</b>
Gross Block	91.8	99.9	103.5	106.9	110.6	115.4	133.8	148.6
Less: Accum. Deprn.	15.1	22.9	30.7	38.4	46.1	53.8	62.3	71.8
<b>Net Fixed Assets</b>	<b>76.7</b>	<b>77.0</b>	<b>72.8</b>	<b>68.5</b>	<b>64.5</b>	<b>61.5</b>	<b>71.5</b>	<b>76.8</b>
Capital WIP	3.5	0.0	0.3	1.9	11.3	15.5	9.1	9.3
<b>Total Investments</b>	<b>9.9</b>	<b>38.4</b>	<b>45.8</b>	<b>37.6</b>	<b>33.8</b>	<b>21.7</b>	<b>21.7</b>	<b>21.7</b>
Lease Liabilities		35.9	33.2	31.3	30.7	26.0	26.0	26.0
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>60.8</b>	<b>71.6</b>	<b>70.1</b>	<b>103.2</b>	<b>114.6</b>	<b>152.0</b>	<b>178.8</b>	<b>198.2</b>
Inventory	5.7	4.8	3.4	5.8	11.5	14.7	16.3	16.2
Account Receivables	14.3	16.4	18.7	26.8	38.4	36.3	40.3	40.1
Cash and Bank Balance	29.6	44.3	43.4	43.2	56.8	74.1	92.2	112.1
Cash	2.3	9.8	8.5	10.5	0.6	17.2	29.2	41.9
Bank Balance	27.3	34.6	34.9	32.7	56.2	56.9	56.9	56.9
Loans and Advances	11.2	6.0	4.5	27.4	7.9	27.0	30.0	29.8
<b>Curr. Liability &amp; Prov.</b>	<b>35.8</b>	<b>32.0</b>	<b>29.8</b>	<b>37.1</b>	<b>37.1</b>	<b>49.0</b>	<b>54.4</b>	<b>54.1</b>
Account Payables	13.0	11.7	10.4	15.3	16.4	28.6	31.8	31.6
Other Current Liabilities	22.6	20.1	18.5	20.6	18.8	17.9	19.9	19.8
Provisions	0.3	0.3	1.0	1.2	1.9	2.4	2.7	2.7
<b>Net Current Assets</b>	<b>25.0</b>	<b>39.5</b>	<b>40.3</b>	<b>66.1</b>	<b>77.5</b>	<b>103.0</b>	<b>124.3</b>	<b>144.0</b>
<b>Appl. of Funds</b>	<b>115.0</b>	<b>154.9</b>	<b>159.2</b>	<b>174.1</b>	<b>187.1</b>	<b>201.8</b>	<b>226.6</b>	<b>251.9</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>14.4</b>	<b>18.4</b>	<b>19.7</b>	<b>22.3</b>	<b>21.6</b>	<b>23.6</b>	<b>30.9</b>	<b>31.3</b>
Cash EPS	17.1	23.6	24.9	27.5	26.7	28.8	36.5	37.6
BV/Share	67.1	73.0	77.7	89.5	99.6	113.1	129.7	146.5
DPS	10.0	12.5	11.5	11.5	10.0	10.0	13.1	13.3
Payout (%)	74.9	73.8	58.5	51.5	46.3	42.4	42.4	42.4
<b>Valuation (x)</b>								
P/E	24.4	19.1	17.8	15.7	16.2	14.9	11.4	11.2
Cash P/E	20.5	14.9	14.1	12.8	13.1	12.2	9.6	9.3
P/BV	5.2	4.8	4.5	3.9	3.5	3.1	2.7	2.4
EV/Sales	1.3	1.4	1.9	1.1	0.8	0.9	0.7	0.7
EV/EBITDA	15.1	12.1	10.3	9.2	9.7	8.7	6.5	6.1
Dividend Yield (%)	2.9	3.6	3.3	3.3	2.9	2.9	3.7	3.8
FCF per share	13.2	21.7	23.2	22.7	9.7	26.9	24.0	24.9
<b>Return Ratios (%)</b>								
RoE	21.8	26.3	26.1	26.7	22.8	22.2	25.4	22.7
RoCE	21.5	29.4	28.1	28.5	24.6	23.5	26.5	23.7
RoIC	28.5	51.4	80.0	69.6	53.4	55.3	61.4	54.6
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	4.2	3.6	2.5	4.0	5.4	4.6	4.4	3.9
Asset Turnover (x)	3.3	2.3	1.6	2.5	3.2	2.6	2.6	2.3
Inventory (Days)	5	5	5	5	7	10	10	10
Debtor (Days)	14	17	26	23	23	25	25	25
Creditor (Days)	12	12	15	13	10	20	20	20
<b>Leverage Ratio (x)</b>								
Current Ratio	1.7	2.2	2.4	2.8	3.1	3.1	3.3	3.7
Interest Cover Ratio	29.1	8.0	11.7	14.1	12.4	15.3	23.1	20.6
Net Debt/Equity	-0.3	-0.4	-0.4	-0.3	-0.4	-0.4	-0.5	-0.5

### Standalone - Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	32.3	31.1	39.7	44.7	43.3	47.6	62.3	63.2
Depreciation	4.1	7.8	7.8	7.7	7.6	7.8	8.5	9.5
Interest and Finance charges	1.0	4.0	3.4	3.2	3.3	2.9	2.5	2.9
Direct Taxes Paid	-8.1	-4.7	-9.9	-12.6	-12.4	-12.4	-16.0	-16.2
(Inc)/Dec in Wkg. Capital	-4.5	-4.0	-1.7	-6.3	-15.9	5.9	-3.2	0.2
Others	-3.4	-0.7	-3.6	-1.9	-0.8	-3.0	-6.1	-7.2
<b>CF from Op. Activity</b>	<b>21.4</b>	<b>33.5</b>	<b>35.6</b>	<b>34.7</b>	<b>25.2</b>	<b>48.7</b>	<b>48.0</b>	<b>52.3</b>
(Inc)/Dec in FA & CWIP	-1.6	-0.9	-0.7	-0.7	-10.6	-8.4	-12.0	-15.0
<b>Free Cash Flow</b>	<b>19.8</b>	<b>32.6</b>	<b>34.9</b>	<b>34.0</b>	<b>14.6</b>	<b>40.3</b>	<b>36.0</b>	<b>37.3</b>
(Pur)/Sale of Investments	33.2	-3.3	-11.6	5.5	0.4	9.2	0.0	0.0
Others	-32.3	0.9	3.0	-15.4	-1.2	-11.4	0.0	0.0
<b>CF from Inv. Activity</b>	<b>-0.7</b>	<b>-3.2</b>	<b>-9.3</b>	<b>-10.6</b>	<b>-11.4</b>	<b>-10.6</b>	<b>-12.0</b>	<b>-15.0</b>
Inc / (Dec) in Debt	-6.2	-0.1	-0.4	-0.4	-0.2	0.0	0.0	0.0
Interest paid	-1.2	-1.8	-3.4	-3.2	-0.3	-0.1	-2.5	-2.9
Dividends Paid (incl.tax)	-18.1	-8.1	-22.5	-15.8	-17.3	-15.0	-21.4	-21.8
<b>CF from Fin. Activity</b>	<b>-25.5</b>	<b>-22.7</b>	<b>-27.6</b>	<b>-22.1</b>	<b>-23.7</b>	<b>-21.5</b>	<b>-24.0</b>	<b>-24.6</b>
<b>Inc / ( Dec) in Cash</b>	<b>-4.8</b>	<b>7.5</b>	<b>-1.3</b>	<b>2.0</b>	<b>-9.8</b>	<b>16.6</b>	<b>12.0</b>	<b>12.7</b>
Add: Opening Balance	7.0	2.3	9.8	8.5	10.5	0.6	17.2	29.2
<b>Closing Balance</b>	<b>2.3</b>	<b>9.8</b>	<b>8.5</b>	<b>10.5</b>	<b>0.6</b>	<b>17.2</b>	<b>29.2</b>	<b>41.9</b>

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NOTES

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BUY	>=15%
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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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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