

October 25, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,600		1,750	
NII (Rs. m)	2,59,063	2,98,647	2,63,906	3,03,886
% Chng.	(1.8)	(1.7)		
Op. Profit (Rs. m)	1,93,522	2,27,623	2,00,622	2,29,048
% Chng.	(3.5)	(0.6)		
EPS (Rs.)	136.3	163.0	145.8	168.3
% Chng.	(6.6)	(3.1)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII (Rs m)	2,06,159	2,21,634	2,59,063	2,98,647
Op. Profit (Rs m)	1,57,403	1,58,196	1,93,522	2,27,623
PAT (Rs m)	89,498	80,541	1,06,139	1,26,992
EPS (Rs.)	115.0	103.4	136.3	163.0
Gr. (%)	20.7	(10.1)	31.8	19.6
DPS (Rs.)	16.5	14.5	17.7	21.2
Yield (%)	1.3	1.1	1.4	1.7
NIM (%)	4.5	4.3	4.3	4.3
RoAE (%)	15.3	12.3	14.4	15.1
RoAA (%)	1.8	1.5	1.7	1.7
P/BV (x)	1.6	1.4	1.3	1.1
P/ABV (x)	1.6	1.5	1.3	1.2
PE (x)	11.1	12.4	9.4	7.9
CAR (%)	17.2	16.8	16.8	17.0

Key Data INBK.BO | IIB IN

52-W High / Low	Rs.1,695 / Rs.1,258
Sensex / Nifty	80,065 / 24,399
Market Cap	Rs.997bn / \$ 11,860m
Shares Outstanding	779m
3M Avg. Daily Value	Rs.5256.95m

Shareholding Pattern (%)

Promoter's	16.36
Foreign	34.10
Domestic Institution	35.08
Public & Others	14.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.6)	(13.2)	(10.8)
Relative	(6.3)	(19.9)	(28.1)

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Aditya Modani

adityamodani@plindia.com | 91-22-66322257

Harshada Gite

harshadagite@plindia.com | 91-22-66322237

Weak quarter with miss on all fronts

Quick Pointers:

- Core PAT miss of 14% due to weaker NII, fees and asset quality.
- We cut earnings by average ~10% for FY25/26E.

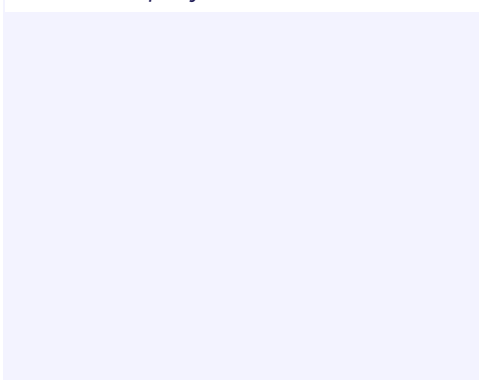
We trim core PAT for FY25/26E by 11.7%/8.5% driven by (1) reduction in FY25 NIM and (2) cut in fees. IIB saw a weak quarter as NII, fees and asset quality disappointed leading to 14% miss on core PAT. Reported NIM declined QoQ by 17bps due to 26bps fall in loan yields led by (1) sharp decline in higher yielding MFI (2) rise in share of lower yielding CCB and (3) LDR reduction. Muted loan growth at 13.2% YoY was a function lower CFD growth due to sharp QoQ decline of 11.7% in MFI portfolio. 30-90 DPD pool in MFI has inched up QoQ from 2% to 4%. IIB created buffer provisions of Rs5.25bn towards likely stress from MFI and ECL implementation. Bank expects disbursements in MFI to pick-up once environment improves suggesting that yield reversion to normalcy may not be immediate. We roll forward to Sep'26 ABV but cut multiple to 1.6x from 1.7x and trim TP to Rs1,600 from Rs1750. Retain BUY.

- Weak quarter; miss on NII/fees/provisions; buffer provisions created:** NII was lower at Rs53.5bn (PLe Rs55.5bn) due to miss on NIM (calc.) at 4.44% (PLe 4.59%) as loan yields were much lower at 12.34% (PLe 12.57%); cost of funds was flat QoQ at 6.84%. Loan/deposit growth were in-line at 13.2%/14.7% YoY. Other income was lower at Rs21.8bn (vs PLe Rs26.3bn) due to lower fees. Opex at Rs39.4bn was 4.9% below PLe led by lower staff costs and other opex. Core PPOp at Rs35.3bn was 9.2% below PLe; PPOp was Rs35.9bn (PLe Rs40.4bn). GNPA was higher at 2.11% (PLe 2.07%) as slippages increased to Rs18bn (PLe Rs16.5bn) while recoveries were at Rs6.2bn (PLe Rs6.8bn). Adjusting for Rs5.25bn of contingent provisions that were created, provisions were a drag at Rs13.0bn (PLe Rs11bn) as. Core PAT was 14% below PLe at Rs18bn while PAT was Rs18.5bn (PLe Rs22.1bn).
- Sharp decline in MFI loans QoQ:** Loan growth was muted at 2.7% QoQ due to muted growth in CFD (-0.2%) mainly led by a sharp decline in MFI (-11.7%) while the vehicle book saw soft accretion at 0.9% QoQ. Majority of the sequential growth was driven by the wholesale segment (+5.6% QoQ). However, vehicle loans are expected to accelerate driven by festive season and boost in capex while diamond business is also gaining momentum since the last two quarters. MFI book sharply declined by Rs43.23bn QoQ as disbursements were slower at Rs70bn (Rs85bn in Q1FY25 and average of Rs120-130bn per quarter); repayment was normal at Rs96bn. IIB intends to ramp up disbursements in MFI once the operating environment improves.
- NIM compression/lower fees to drive earnings cut:** Reported NIM fell QoQ by 17bps to 4.08% as loan yields dropped by 26bps. Of the yield fall, 54% was attributable to MFI decline, 31% was due to higher CCB growth resulting in its share rising by 1.3% QoQ and 14% was owing to LDR fall. Yield recovery to normal level of 12.6% could be slower given challenges in MFI. Hence we cut NIM for FY25 by 12bps. Fees declined QoQ due to 1) no PSLC income 2) lower treasury fees 3) falling loan processing fees owing to lower disbursements and 4) lower penal interest on CC because of govt. intervention. We trim fee income for FY25/26E by average 11.4% which would be partly offset by cut in opex.

Exhibit 1: PAT was miss due to lower NII, other income and higher provisions

Financial Statement (Rs mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	Q2FY25E	Var. (%)
Interest Income	126,863	112,478	12.8	125,468	1.1	129,286	(1.9)
Interest Expense	73,390	61,711	18.9	71,391	2.8	73,738	(0.5)
Net interest income (NII)	53,473	50,767	5.3	54,076	(1.1)	55,547	(3.7)
Other income	21,839	22,818	(4.3)	24,413	(10.5)	26,271	(16.9)
Fee income	21,250	21,200	0.2	23,480	(9.5)	24,771	(14.2)
Other Non-interest income	589	1,618	(63.6)	933	(36.8)	1,500	(60.7)
Total income	75,312	73,585	2.3	78,489	(4.0)	81,819	(8.0)
Operating expenses	39,394	34,776	13.3	39,222	0.4	41,415	(4.9)
-Staff expenses	10,927	9,566	14.2	10,397	5.1	11,436	(4.5)
-Other expenses	28,467	25,210	12.9	28,825	(1.2)	29,978	(5.0)
Operating profit	35,918	38,809	(7.4)	39,267	(8.5)	40,404	(11.1)
Core operating profit	35,329	37,191	(5.0)	38,334	(7.8)	38,904	(9.2)
Total provisions	18,201	9,738	86.9	10,498	73.4	11,000	65.5
Profit before tax	17,717	29,071	(39.1)	28,769	(38.4)	29,404	(39.7)
Tax	4,462	7,256	(38.5)	7,247	(38.4)	7,351	(39.3)
Profit after tax	13,255	21,815	(39.2)	21,522	(38.4)	22,053	(39.9)
Deposits (Rs bn)	4,127	3,598	14.7	3,985	3.6	4,127	(0.0)
Advances (Rs bn)	3,572	3,155	13.2	3,479	2.7	3,570	0.1
Profitability ratios							
RoAA	1.0	1.9	(90)	1.7	(70)	1.7	(72)
RoAE	8.1	15.3	(722)	13.5	(541)	14.1	(596)
NIM (calc.)	4.4	4.8	(37)	4.6	(15)	4.6	(16)
Yield on Advances	9.7	9.7	-	9.9	(18)	9.6	27
Cost of Deposits	6.6	6.4	20	6.5	2		
Asset Quality ratios							
Gross NPL (Rs m)	76,385	61,642	23.9	71,268	7.2	74,970	1.9
Net NPL (Rs m)	22,820	18,138	25.8	20,955	8.9	21,741	5.0
Gross NPL ratio	2.1	1.9	18	2.0	9	2.1	4
Net NPL ratio	0.6	0.6	7	0.6	4	0.6	3
Coverage ratio	70.1	70.6	(45)	70.6	(47)	71.0	(88)
Business & Other Ratios							
Low-cost deposit mix	35.8	39.3	(346)	36.7	(82)	35.9	(5)
Cost-income ratio	52.3	47.3	505	50.0	234	50.6	169
Non int. inc / total income	29.0	31.0	(201)	31.1	(210)	32.1	(311)
Credit deposit ratio	86.5	87.7	(113)	87.3	(75)	86.5	5
CAR	16.5	18.2	(169)	17.6	(104)		
Tier-I	15.2	16.8	(154)	16.2	(94)		

Source: Company, PL



Q2FY25 conference call highlights

Balance Sheet

- **Advances** saw a tepid growth due to de-growth in the unsecured book, leading to shift of mix towards secured book. MFI and CC growth was subdued; vehicle loans are expected to accelerate driven by festive season and boost in capex; diamond business is also gaining momentum since last 2 qtrs.
- **MFI disbursal** was Rs70bn in Q2FY25 (Rs85bn in Q1FY25 vs avg. of Rs120-130bn per quarter) while repayment was in-line with normal rate of Rs96bn. IIB intends to ramp up disbursals in MFI once the operating environment improves.
- **Vehicle disbursals** are maintained at Rs106bn per quarter which is expected to be Rs120bn per quarter going ahead with focus on OEMs and <2yrs used cars. **Corporate book** is guided to grow at 16-18%.
- **Advances** are guided to be lower than 18% YoY for FY25 but may improve from next financial year.
- **Deposit** mobilization was robust with retail mobilization being the highest in last 3 quarters. Increased focus on NRI customers, launch of Pioneer Private for HNI and UHNI customers, community banking for senior citizen and a new app launched for GIFT city clients led to healthy deposit mobilization.
- **LDR** is targeted to be maintained at 88-89%.
- **Average LCR** was at 118% while average surplus liquidity was Rs485bn.
- Risk-weight on MFI increased from 75-125bps (CET-1 impact of 70-80bps)

Profit & Loss

- **Margins fell** as 1) yields were lower due to rundown of high yielding book, 2) **cost of deposits** were higher due to higher share of TD and 3) fall in LDR.
- **Fees** was lower due to 1) no PSLC income (present only in Q1), 2) lower treasury fees 3) fall in loan processing fees due to lower disbursals and 4) penal interest on CC because of govt. intervention impacting Rs1.0-1.5bn per year.

Asset Quality

- **Contingency provision** of Rs5.25bn (totaling to Rs15.25bn) was made during the quarter basis stress in the operating environment. Management expects to use Rs2.5bn (out of Rs5.25bn) for MFI in case of any eventuality.
- **Credit cost** is guided to settle at 110-130bps going forward. Normal credit cost in CC is 2.8-3%. Construction NPA was largely due to 2 accounts that slipped during the quarter, however, recovery is expected in the subsequent quarter.

CV and car loans saw muted growth, while 2W and tractor degrew QoQ.

Credit card/LAP business delivered a 15.5/12.0% YoY growth.

MFI witnessed higher competition, leading to degrowth sequentially.

Corporate book share increased during the quarter.

- Provisioning policy – Provisions are made on 70th day while write-offs are done between 180-270 days. Write-offs were Rs730mn in Q2FY25.
- 30-90DPD** for MFI was 4% (vs 2% in Q1FY25). Recovery from MFI is 15-20% in early stage vs 7-15% in later stage.

Exhibit 2: Consumer finance saw a muted growth

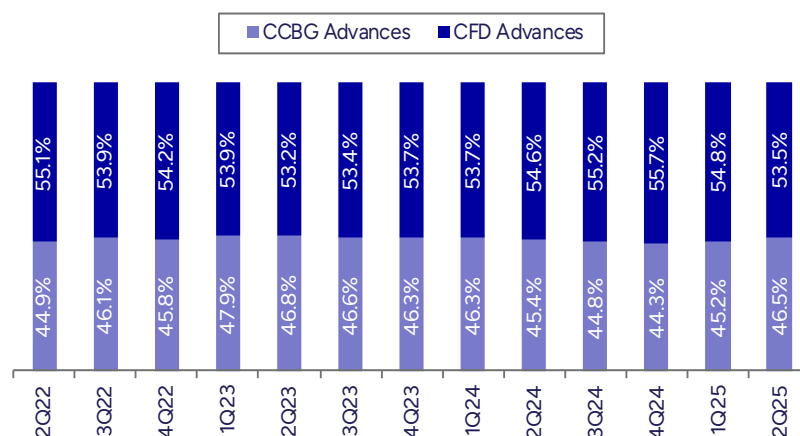
Loan Book mix	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)
CV Loans	341,830	308,790	10.7	338,340	1.0
3W/Small CV	40,910	37,730	8.4	40,600	0.8
2W Loans	49,140	48,040	2.3	50,400	(2.5)
Car Loans	274,380	225,130	21.9	266,290	3.0
Tractors	81,560	95,800	(14.9)	85,720	(4.9)
Equipment Financing	118,370	105,020	12.7	116,830	1.3
Credit Card	109,320	94,620	15.5	107,860	1.4
LAP	114,010	101,810	12.0	111,690	2.1
Others	278,670	208,790	33.5	251,230	10.9
MFI	327,230	343,630	(4.8)	370,460	(11.7)
BBG	174,990	153,640	13.9	166,830	4.9
Consumer Finance (incl BBG)	1,910,410	1,723,000	10.9	1,906,250	0.2
Corporate Finance	1,661,180	1,431,540	16.0	1,572,730	5.6

Loan Mix

Vehicle Finance	25.4%	26.0%	(0.6)	25.8%	(0.4)
Non-Vehicle Consumer	28.1%	28.6%	(0.5)	29.0%	(0.9)
Consumer Finance	53.5%	54.6%	(1.1)	54.8%	(1.3)
Corporate Finance	46.5%	45.4%	1.1	45.2%	1.3

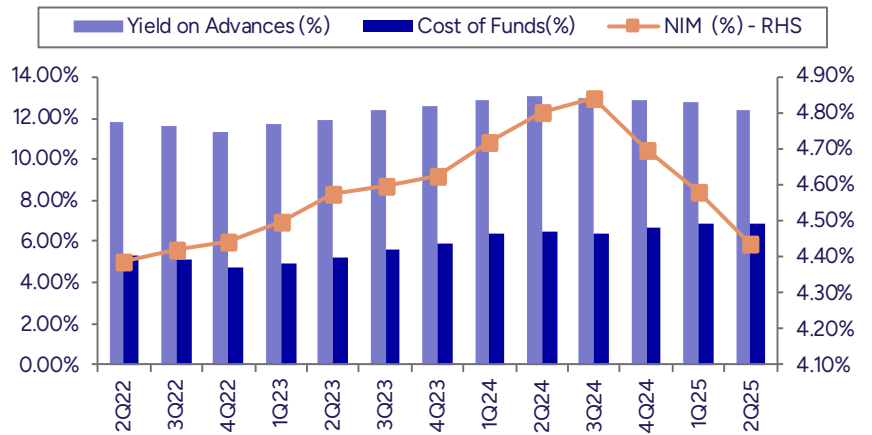
Source: Company, PL Research; Note – Car Loans includes Utility Vehicles

Exhibit 3: CCBG:CFD mix at 47:53



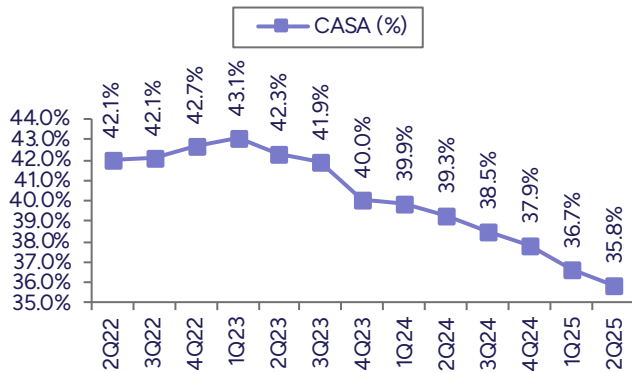
Source: Company, PL Research

Exhibit 4: Margins (calc) fell further due to fall in yields



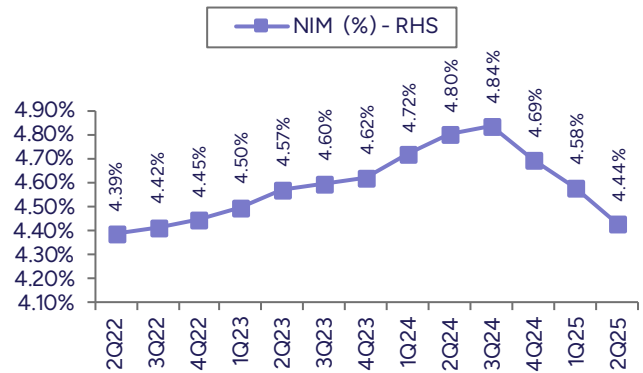
Source: Company, PL

Exhibit 5: CASA further declined to 35.8%



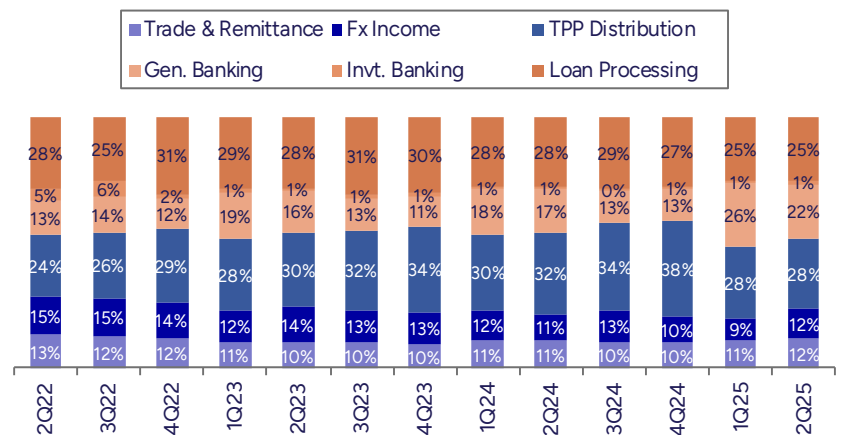
Source: Company, PL

Exhibit 6: NIM (calc) fell by 14bps due to lower yields



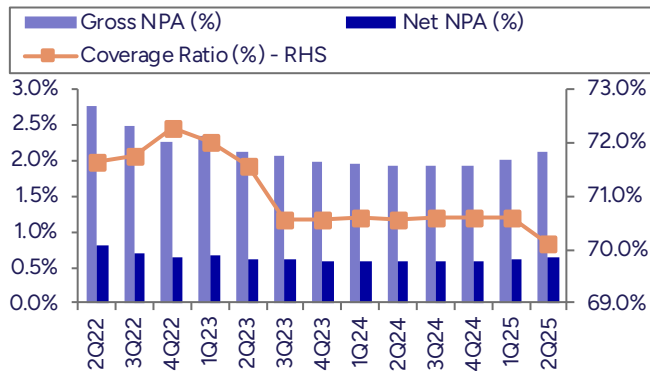
Source: Company, PL

Exhibit 7: Other income mix is largely stable



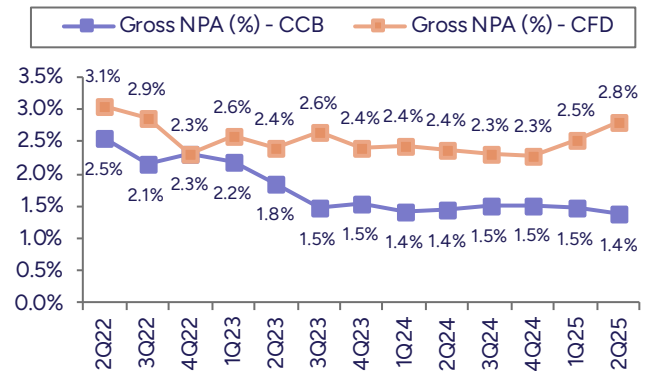
Source: Company, PL

Exhibit 8: GNPA/NNPA increased to 2.1%/0.6%



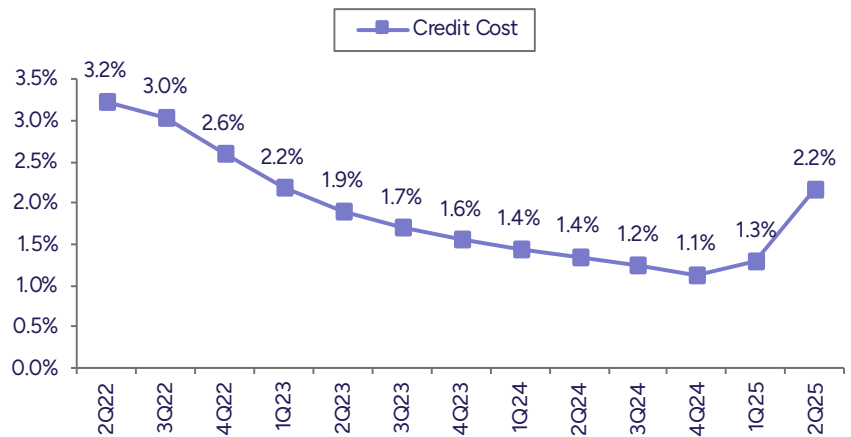
Source: Company, PL

Exhibit 9: GNPA ratios worsened for CFD book



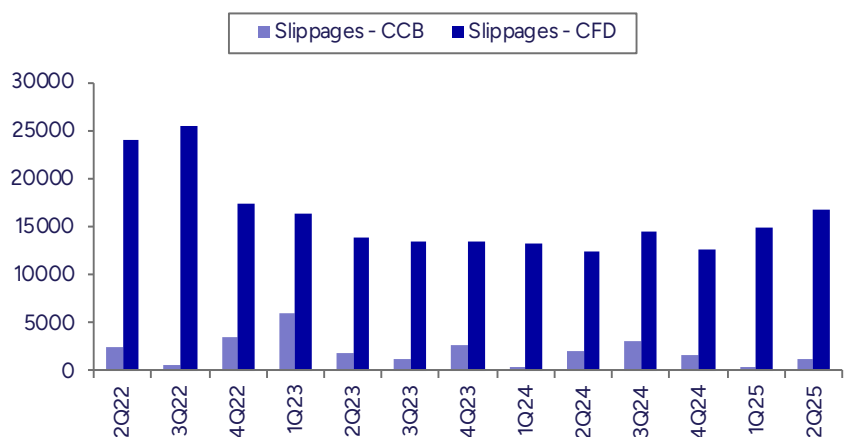
Source: Company, PL

Exhibit 10: Credit cost (calc) increased by 87bps to 2.2%



Source: Company, PL

Exhibit 11: Slippages increased in both the portfolios



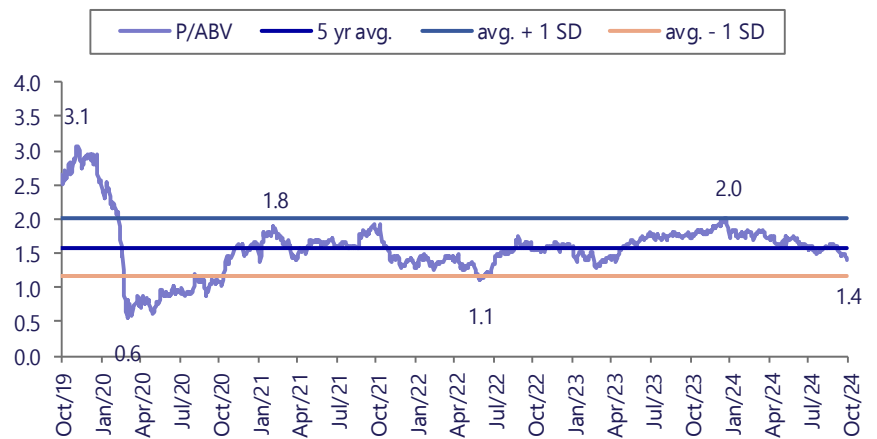
Source: Company, PL

Exhibit 12: ROEs to improve on core earnings performance & lower provision

RoE decomposition (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest income	9.7	8.7	8.1	8.5	9.4	9.5	9.4	9.4
Interest expenses	5.6	4.6	4.1	4.4	5.2	5.4	5.3	5.3
Net interest income	4.1	4.0	3.9	4.1	4.2	4.0	4.1	4.1
Other Inc. from operations	2.3	2.0	1.9	1.9	1.9	1.7	1.8	1.8
Total income	6.4	6.0	5.9	6.0	6.2	5.7	5.9	5.9
Employee expenses	0.7	0.7	0.7	0.7	0.8	0.8	0.7	0.7
Other operating expenses	2.0	1.8	1.8	1.9	2.1	2.1	2.1	2.1
Operating profit	3.6	3.5	3.4	3.3	3.2	2.9	3.1	3.1
Tax	0.6	0.3	0.4	0.6	0.6	0.5	0.6	0.6
Loan loss provisions	1.6	2.4	1.7	1.0	0.8	0.9	0.8	0.8
RoAA	1.5	0.8	1.2	1.7	1.8	1.5	1.7	1.7
RoAE	13.6	7.3	10.2	14.5	15.3	12.3	14.4	15.1

Source: Company, PL

Exhibit 13: One year forward P/ABV of IIB trades at 1.4x



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Int. Earned from Adv.	3,81,193	4,31,873	4,99,862	5,74,977
Int. Earned from invt.	62,022	74,698	82,605	93,252
Others	2,696	2,145	2,568	2,946
Total Interest Income	4,57,482	5,21,150	5,97,160	6,84,532
Interest Expenses	2,51,323	2,99,516	3,38,096	3,85,885
Net Interest Income	2,06,159	2,21,634	2,59,063	2,98,647
Growth(%)	17.2	7.5	16.9	15.3
Non Interest Income	93,878	94,822	1,11,458	1,30,371
Net Total Income	3,00,038	3,16,456	3,70,522	4,29,018
Growth(%)	23.8	11.7	15.0	15.0
Employee Expenses	38,953	43,177	45,579	49,293
Other Expenses	99,435	1,15,084	1,31,421	1,52,101
Operating Expenses	1,42,635	1,58,260	1,77,000	2,01,395
Operating Profit	1,57,403	1,58,196	1,93,522	2,27,623
Growth(%)	9.7	0.5	22.3	17.6
NPA Provision	30,838	43,346	44,278	49,239
Total Provisions	37,987	50,691	52,002	58,300
PBT	1,19,415	1,07,505	1,41,519	1,69,323
Tax Provision	29,918	26,964	35,380	42,331
Effective tax rate (%)	25.1	25.1	25.0	25.0
PAT	89,498	80,541	1,06,139	1,26,992
Growth(%)	21.1	(10.0)	31.8	19.6

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Face value	10	10	10	10
No. of equity shares	778	779	779	779
Equity	7,783	7,790	7,790	7,790
Networth	6,27,971	6,92,794	7,85,135	8,98,329
Growth(%)	15.0	10.3	13.3	14.4
Adj. Networth to NNPA's	19,689	25,475	30,276	34,928
Deposits	38,47,929	44,49,080	51,61,350	59,87,649
Growth(%)	14.4	15.6	16.0	16.0
CASA Deposits	14,58,728	15,79,265	18,58,380	21,88,882
% of total deposits	37.9	35.5	36.0	36.6
Total Liabilities	51,49,351	58,62,078	67,81,512	78,34,369
Net Advances	34,32,983	39,15,191	45,41,988	52,69,131
Growth(%)	18.4	14.0	16.0	16.0
Investments	10,65,267	11,54,547	13,49,705	15,65,784
Total Assets	51,49,351	58,62,078	67,81,512	78,34,369
Growth (%)	12.5	13.8	15.7	15.5

Asset Quality

Y/e Mar	FY24	FY25E	FY26E	FY27E
Gross NPAs (Rs m)	66,934	85,012	1,00,763	1,16,571
Net NPAs (Rs m)	19,689	25,475	30,276	34,928
Gr. NPAs to Gross Adv.(%)	1.9	2.1	2.1	2.1
Net NPAs to Net Adv. (%)	0.6	0.6	0.6	0.6
NPA Coverage %	70.6	70.0	70.0	70.0

Profitability (%)

Y/e Mar	FY24	FY25E	FY26E	FY27E
NIM	4.5	4.3	4.3	4.3
RoAA	1.8	1.5	1.7	1.7
RoAE	15.3	12.3	14.4	15.1
Tier I	15.8	15.4	15.5	15.7
CRAR	17.2	16.8	16.8	17.0

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Interest Income	1,15,723	1,21,985	1,25,468	1,26,863
Interest Expenses	62,766	68,221	71,391	73,390
Net Interest Income	52,956	53,764	54,076	53,473
YoY growth (%)	17.8	15.1	11.1	5.3
CEB	21,650	22,930	23,480	21,250
Treasury	2,310	2,075	933	589
Non Interest Income	23,959	25,005	24,413	21,839
Total Income	1,39,681	1,46,990	1,49,880	1,48,702
Employee Expenses	10,267	10,491	10,397	10,927
Other expenses	26,626	28,007	28,825	28,467
Operating Expenses	36,893	38,498	39,222	39,394
Operating Profit	40,022	40,271	39,267	35,918
YoY growth (%)	8.7	7.3	2.5	(7.4)
Core Operating Profits	37,712	38,196	38,334	35,329
NPA Provision	-	-	-	-
Others Provisions	9,342	8,991	10,498	18,201
Total Provisions	9,342	8,991	10,498	18,201
Profit Before Tax	30,680	31,280	28,769	17,717
Tax	7,701	7,812	7,247	4,462
PAT	22,979	23,468	21,522	13,255
YoY growth (%)	17.3	15.0	1.3	(39.2)
Deposits	36,87,930	38,47,929	39,85,130	41,26,792
YoY growth (%)	13.4	14.4	14.8	14.7
Advances	32,70,570	34,32,983	34,78,980	35,71,586
YoY growth (%)	19.9	18.4	15.5	13.2

Key Ratios

Y/e Mar	FY24	FY25E	FY26E	FY27E
CMP (Rs)	1,280	1,280	1,280	1,280
EPS (Rs)	115.0	103.4	136.3	163.0
Book Value (Rs)	803	886	1,004	1,149
Adj. BV (Rs)	778	853	965	1,105
P/E (x)	11.1	12.4	9.4	7.9
P/BV (x)	1.6	1.4	1.3	1.1
P/ABV (x)	1.6	1.5	1.3	1.2
DPS (Rs)	16.5	14.5	17.7	21.2
Dividend Payout Ratio (%)	14.3	14.0	13.0	13.0
Dividend Yield (%)	1.3	1.1	1.4	1.7

Efficiency

Y/e Mar	FY24	FY25E	FY26E	FY27E
Cost-Income Ratio (%)	47.5	50.0	47.8	46.9
C-D Ratio (%)	89.2	88.0	88.0	88.0
Business per Emp. (Rs m)	160	164	173	184
Profit per Emp. (Rs lacs)	20	16	19	21
Business per Branch (Rs m)	2,440	2,516	2,659	2,843
Profit per Branch (Rs m)	30	24	29	32

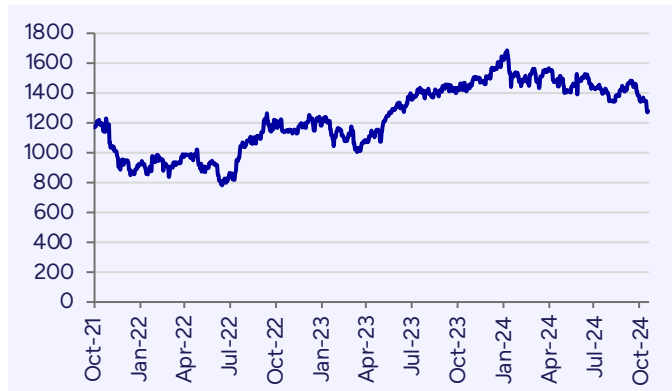
Du-Pont

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII	4.24	4.03	4.10	4.09
Total Income	6.17	5.75	5.86	5.87
Operating Expenses	2.93	2.87	2.80	2.76
PPoP	3.24	2.87	3.06	3.11
Total provisions	0.78	0.92	0.82	0.80
RoAA	1.84	1.46	1.68	1.74
RoAE	15.32	12.25	14.42	15.14

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	BUY	1,750	1,383
2	28-Jul-24	BUY	1,404	1,750
3	08-Jul-24	BUY	1,800	1,434
4	26-Apr-24	BUY	1,800	1,496
5	09-Apr-24	BUY	1,740	1,568
6	19-Jan-24	BUY	1,740	1,613
7	08-Jan-24	BUY	1,620	1,643

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	1,875	1,745
2	Axis Bank	BUY	1,530	1,132
3	Bank of Baroda	BUY	300	251
4	Can Fin Homes	BUY	1,000	871
5	City Union Bank	BUY	190	150
6	DCB Bank	BUY	180	119
7	Federal Bank	BUY	210	194
8	HDFC Asset Management Company	BUY	5,360	4,555
9	HDFC Bank	BUY	2,000	1,682
10	ICICI Bank	BUY	1,520	1,240
11	IndusInd Bank	BUY	1,750	1,383
12	Kotak Mahindra Bank	BUY	2,230	1,872
13	LIC Housing Finance	Hold	660	618
14	Nippon Life India Asset Management	BUY	615	631
15	State Bank of India	BUY	960	797
16	UTI Asset Management Company	BUY	1,050	1,202

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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