

# Hindustan Unilever Ltd.

## Q3FY25



# Hindustan Unilever Ltd.

Focused on long-term value creation, despite short-term market challenges

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 2,322	INR 2,610	12.4%	54,65,865	ACCUMULATE	Consumer

## Result highlights

- For Q3FY25, the revenue increased 1.6% YoY (-0.7% QoQ) to INR 158,180 Mn, largely in line with our estimates +1.2%.
- EBITDA remained flat on YoY basis(+ 0.8% YoY,-2.6% QoQ) to INR 36,950 Mn, beat our estimates by 2.0%.
- Adj. Net profit decreased by 2.4% YoY (-5.0% QoQ) to INR 24,770 Mn, missing our estimates by 3.2% mainly due to higher than estimated depreciation and tax expense.
- We lower our FY26E/FY27E Adj. EPS estimates by 1.5%/ 2.0%, respectively, factor in Q3FY25 performance and anticipated pressure on margin due to subdued demand. We expect Revenue/EBITDA/Adj. PAT to grow by 5.6%/ 6.9%/ 7.2% CAGR over FY24-27E. HUVR's share price is currently trading at 47.5x/43.5x its FY26E/FY27E EPS. We rollover our valuation multiple to FY27E and assign a P/E multiple of 49x on FY27E EPS of INR 54, arriving at a target price of INR 2,610 (previously INR 2,796). However, we expect strategic acquisitions and premiumization efforts support long term growth recovery. Subsequently, we maintain our 'ACCUMULATE' rating on the shares of Hindustan Unilever Ltd.**

## MARKET DATA

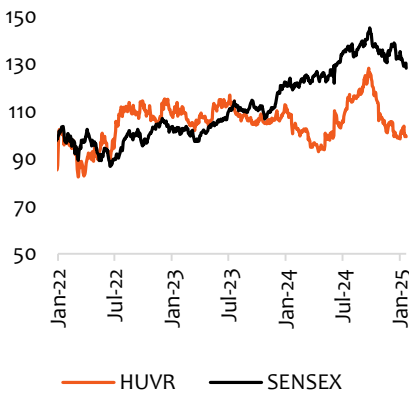
Shares O/S (Mn)	2,350
Mkt Cap (INR Mn)	54,65,865
52 Wk H/L (INR)	3,035/ 2,172
Volume Avg (3m K)	1,697
Face Value (INR)	1
Bloomberg Code	HUVR IN

## KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	605,800	6,18,960	6,33,080	6,72,532	7,29,823
EBITDA	141,480	1,46,630	1,50,095	1,64,369	1,78,886
PAT	101,200	1,02,820	1,08,015	1,15,557	1,26,480
Adj PAT	99,240	1,02,770	1,03,585	1,15,557	1,26,480
EPS (INR)	43.1	43.7	46.0	49.2	53.8
Adj. EPS (INR)	42.2	43.7	44.1	49.2	53.8
EBITDA Margin (%)	23.4%	23.7%	23.7%	24.4%	24.5%
Adj. NPM (%)	16.4%	16.6%	16.4%	17.2%	17.3%

Source: Company, DevenChoksey Research

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	76,520
NIFTY	23,205

## Subdued demand and adverse product mix impact the volume growth

- In Q3FY25, HUVR reported revenue of INR 158,180 Mn, reflecting a modest 1.6% YoY growth (-0.7% QoQ). This performance highlights the challenges of subdued demand and an unfavorable product mix, resulting in flat volume growth.
- Home Care**, (36.3% of total sales), emerged as the standout performer with a growth of 5.4% YoY (+0.1% QoQ). This growth was propelled by high single-digit volume expansion in key subcategories like Fabric Wash and Household Care.
- The **Beauty & Personal Care segment**, the largest contributor at 36.6% of sales, delivered flat revenue growth of 0.3% YoY (-0.6% QoQ). **Hair Care** witnessed mid-single-digit volume growth, bolstered by strong performances from brands like Dove, Tresemme, and Clinic Plus. However, **Personal Care** revenue declined by 3.1% YoY, largely due to a decline in the hygiene subcategory, particularly in the skin cleansing segment.
- The **Foods & Refreshments segment**, which accounts for 23.6% of total sales, reported flat revenue growth of 0.3% YoY (-1.5% QoQ). The segment struggled with a mid-single-digit volume decline, indicating challenges in driving consumption amidst inflationary pressures. While the ice cream category held its ground with flat YoY revenue growth.

## Margin contraction amid volatile commodities prices

- Gross margins during the quarter decreased by 64 bps YoY (-28 bps QoQ), primarily due to volatility in commodity prices.
- EBITDA grew flat by 0.8% YoY (-2.6% QoQ) to INR 36,950 Mn. The EBITDA margin decreased by 19 bps YoY (-46 bps QoQ) to 23.4%, driven by higher operating expenses.

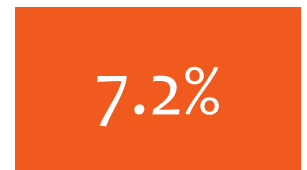
## SHARE HOLDING PATTERN (%)

Particulars	Dec-24	Sep-24	Jun-24
Promoters	61.9	61.9	61.9
FIIs	11.4	12.2	11.9
DIIIs	14.7	14.2	14.2
Others	12.0	11.7	12.0
Total	100	100	100

\*Based on the today's closing dated 23<sup>rd</sup> Jan 25  
 \*Note: All the market data is as of today's closing.



Revenue CAGR between FY24 and FY27E



Adj. PAT CAGR between FY24 and FY27E

## Hindustan Unilever Ltd.

- The company expects to maintain its EBITDA margin at the lower end of its 23.0-24.0% range, amidst inflationary material prices.
- Reported PAT stood at INR 29,840 Mn, marking an impressive 18.9% YoY (15.2% QoQ) growth. However, Excluding extraordinary items related to the divestment of the Pure It business adjusted PAT fell by 2.4% YoY (-5.0% QoQ), primarily due to higher depreciation and tax expenses recorded during the quarter.

### Strategic Developments

- **Demerger of Ice Cream Business** - On November 25, 2024, the Board of Directors (BOD) approved the demerger of HUVR's ice cream business into a new independent listed entity. Subsequently, a wholly owned subsidiary, Kwaliti Walls (India) Limited (KWIL), was incorporated on January 10, 2025. Under the scheme of arrangement approved by the BOD, HUVR's shareholders will receive one equity share in KWIL for every share held in HUVR. HUVR's ice cream business, which generated revenue of INR 15.9 Bn in FY24 (~2.7% of standalone revenue), includes iconic brands such as Kwaliti Wall's, Cornetto, and Magnum. The demerger is expected to unlock significant value for shareholders by creating a focused entity capable of capitalizing on the attractive growth potential of the ice cream market. KWIL's dedicated management team will have greater flexibility to implement tailored strategies, thereby enhancing its growth trajectory.
- **Acquisition of Minimalist** - HUVR has entered into a definitive agreement to acquire a 90.5% stake in Uprising Science Pvt Ltd, the parent company of the premium beauty brand Minimalist. Founded in 2020, Minimalist is a fast-growing digital-first brand specializing in hair care and skin care products, with an annual revenue run rate of INR 5,000 Mn. The acquisition, valued at a pre-money enterprise value of INR 29,550 Mn (subject to adjustments), will be executed through secondary buyouts and primary infusion. The remaining 9.5% stake will be acquired over the next two years. This transaction, expected to close in Q1FY26E, will strengthen HUVR's position in the masstige beauty segment, a high-growth area within the broader Beauty & Wellbeing portfolio. HUVR aims to leverage Minimalist's sharp product positioning and strong eCommerce presence to drive premiumization, targeting a 900bps portfolio shift towards premium categories over the next few years. This acquisition represents a strategic move to address the company's under-indexation in the affluent beauty market and aligns with its long-term growth objectives.
- **Acquisition of Vishwatej Oil Industries' Palm Undertaking** - As part of its strategy to localize palm derivative production and strengthen supply chain resilience, HUVR's BOD approved the acquisition of the palm undertaking of Vishwatej Oil Industries Pvt Ltd. This facility, located in Telangana's Kamareddy district, will bolster HUVR's backward integration capabilities, reducing reliance on palm imports from Indonesia and Malaysia. This acquisition also aligns with India's National Mission to enhance domestic oilseed production and minimize import dependency. By taking proactive steps in localization, HUVR not only secures its raw material supply but also contributes to the broader national agenda of self-reliance in critical agricultural inputs.

### Conference Call Highlights

- **FMCG Demand Environment** - Over the past six months, overall FMCG volume growth has decelerated on a moving annual total (MAT) basis. During Q3FY25, the FMCG sector demand remained subdued with moderation in Urban growth while rural areas showing a gradual recovery. Notably, smaller pack sizes gained popularity, reflecting current macroeconomic challenges and slower urban expansion. Despite this, the long-term premiumization trend persists, with premium products continuing to outpace the mass market segment.
- **Margins and Cost Management** - The gross margin declined by 64 bps YoY due to elevated input costs, particularly for tea and crude palm oil. Effective cost management helped reduce the impact on margins. Despite higher employee and operational expenses, EBITDA margins contracted by only 19 bps YoY. To address rising raw material costs, HUVR implemented calibrated price adjustments in line with inflationary trends. **Management expects to sustain EBITDA margins at the lower end of the 23-24% range and aims to improve margins through product mix optimization and operational leverage.**

### Segment Highlights

- **Home Care** - Revenue in this segment grew by 5.4% YoY, driven by high-single-digit volume growth across fabric wash and household care categories. The fabric wash segment saw broad-based growth, with liquid detergents posting double-digit gains. Household care volumes were also strong, particularly in the dishwashing segment. The company expanded its portfolio by introducing Sunlight liquid dishwash, aligning with its strategy to make liquid detergents accessible to mass-market consumers.
- **Beauty & Wellbeing** - This segment achieved a modest 2.6% YoY growth, though volumes contracted slightly due to a delayed winter season. Hair care registered mid-single-digit volume growth, led by both premium and mass-market offerings. However, skin care and color cosmetics underperformed, primarily due to weak demand. Non-winter skin care lines managed mid-single-digit growth, and the premium skin care segment showed sequential improvement.
  - **Oral Care:** Mid-single-digit growth was supported by pricing initiatives and robust performance from the Closeup brand.
  - **Personal Care:** Revenue declined by 3.1%, with volumes dropping mid-single digits, primarily in the hygiene-focused skin cleansing category. To address this, HUVR relaunched its Lifebuoy brand. On a brighter note, body wash products maintained double-digit growth, further strengthening market leadership.

# Hindustan Unilever Ltd.

## Conference Call Highlights

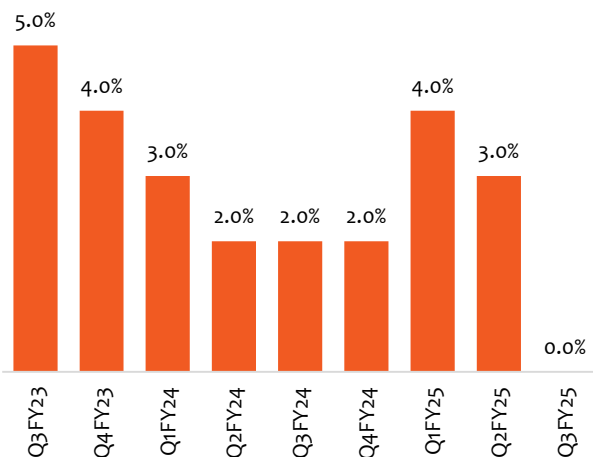
- **Foods:** - Foods posted flat growth as mid-single-digit price gains were offset by volume declines. Premium tea brands like 3 Roses and Taj Mahal saw low-single-digit growth, while coffee achieved double-digit gains in organized trade. Nutrition drinks-maintained market leadership despite subdued consumption, with pricing adjustments to boost demand. Packaged foods grew mid-single digits, driven by ketchup, mayonnaise, sauces, and cuisines. Ice cream sales were flat YoY. Key launches included Knorr's Korean Noodles flavor and Horlicks Strength Plus expansion across India.
- **New Product Launches** - HUVR introduced several new products in Q3FY25 to bolster its portfolio and drive growth:
  - **Fabric Care:** Rin and Comfort were relaunched with improved formulations and branding.
  - **Personal Care:** Dove debuted its Hair and Scalp Therapy range, along with a new Serum Shower collection. Tresemme introduced the Silk Press range, while Lakme unveiled its premium Rouge Bloom series.
  - **Skin Care:** Glow & Lovely launched the Glass Bright cream, and Pond's introduced the Youthful Miracle regimen.
  - **Foods:** Knorr introduced a Korean Noodles flavor, and Horlicks expanded the Strength Plus range across India.

## Valuation and view

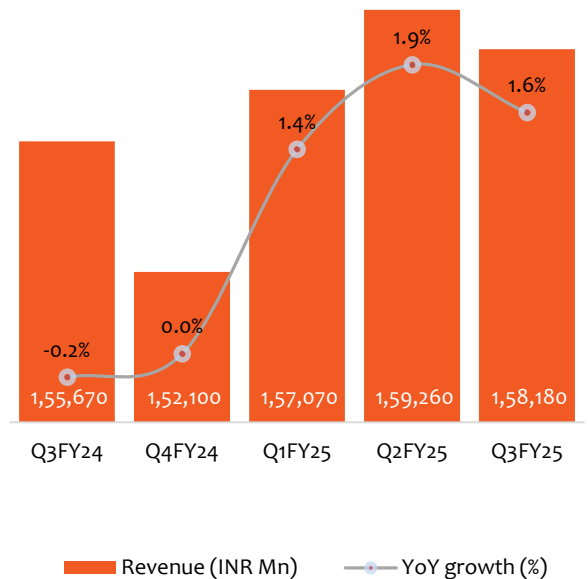
Hindustan Unilever’s Q3FY25 performance reflected subdued demand, flat volumes, and an unfavorable product mix, limiting revenue growth. While Home Care demonstrated resilience through robust volume growth, other segments faced headwinds, notably in hygiene and skin cleansing categories under Beauty & Personal Care, and volume declines in Foods & Refreshments. Elevated input costs further pressured margins. Despite near-term challenges, strategic acquisitions, ongoing premiumization, and a strong pipeline of new product launches underpin long-term growth potential.

We lower our FY26E/FY27E Adj. EPS estimates by 1.5%/ 2.0%, respectively, factor in Q3FY24 performance and anticipated pressure on margin due to subdued demand. We expect Revenue/EBITDA/Adj. PAT to grow by 5.6%/ 6.9%/ 7.2% CAGR over FY24-27E. HUVR's share price is currently trading at 47.5x/43.5x its FY26E/FY27E EPS. We rollover our valuation multiple to FY27E and assign a P/E multiple of 49x on FY27E EPS of INR 54, arriving at a target price of INR 2,610 (previously INR 2,796). However, we expect strategic acquisitions, premiumization efforts, and a robust portfolio of new product launches support long term growth recovery. Subsequently, we maintain our 'ACCUMULATE' rating on the shares of Hindustan Unilever Ltd.

Subdued demand and negative mix impacts volume growth



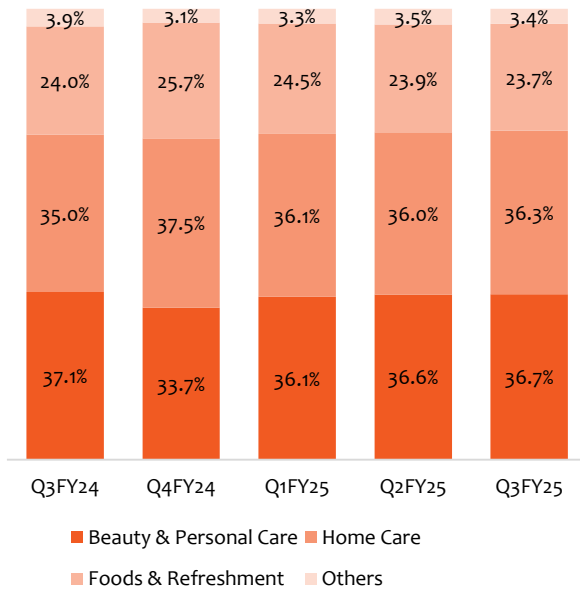
Home Care segment led the YoY revenue growth



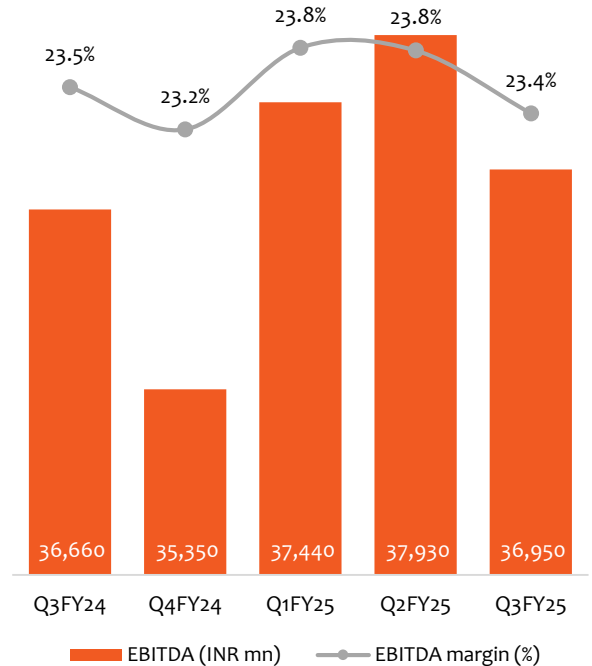
Source: Company, DevenChoksey Research

## Hindustan Unilever Ltd.

### Shares of BPC increased sequentially due demand in beauty products



### EBITDA margin remain stable YoY



Source: Company, DevenChoksey Research

### Result Snapshot

Particulars (INR Mn)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY	9MFY25	9MFY24	YoY
<b>Revenue from Operations</b>	<b>1,58,180</b>	<b>1,59,260</b>	<b>1,55,670</b>	<b>(0.7%)</b>	<b>1.6%</b>	<b>4,74,510</b>	<b>4,66,860</b>	<b>1.6%</b>
<b>Total Expenditure</b>	<b>1,21,230</b>	<b>1,21,330</b>	<b>1,19,010</b>	<b>(0.1%)</b>	<b>1.9%</b>	<b>3,62,190</b>	<b>3,55,580</b>	<b>1.9%</b>
Cost of Raw Materials	47,490	50,050	50,270	(5.1%)	(5.5%)	1,46,280	1,46,460	(0.1%)
Purchase of Stock	28,290	29,140	26,670	(2.9%)	6.1%	84,710	79,460	6.6%
Changes in Inventories	1,230	(2,100)	(2,150)	158.6%	(157.2%)	(1,440)	(890)	(61.8%)
Employee Cost	7,430	8,220	7,060	(9.6%)	5.2%	22,210	21,770	2.0%
Other expenses	36,790	36,020	37,160	2.1%	(1.0%)	1,10,430	1,08,780	1.5%
<b>EBITDA</b>	<b>36,950</b>	<b>37,930</b>	<b>36,660</b>	<b>(2.6%)</b>	<b>0.8%</b>	<b>1,12,320</b>	<b>1,11,280</b>	<b>0.9%</b>
<b>EBITDA Margin (%)</b>	<b>23.4%</b>	<b>23.8%</b>	<b>23.5%</b>	<b>(46 bps)</b>	<b>(19 bps)</b>	<b>23.7%</b>	<b>23.8%</b>	<b>(17 bps)</b>
Depreciation	3,410	3,380	3,130	0.9%	8.9%	10,080	8,960	12.5%
<b>EBIT</b>	<b>33,540</b>	<b>34,550</b>	<b>33,530</b>	<b>(2.9%)</b>	<b>0.0%</b>	<b>1,02,240</b>	<b>1,02,320</b>	<b>(0.1%)</b>
Interest Expense	1,120	1,100	910	1.8%	23.1%	3,150	2,290	37.6%
Other Income	2,320	2,190	2,140	5.9%	8.4%	7,080	5,800	22.1%
<b>PBT</b>	<b>34,740</b>	<b>35,640</b>	<b>34,760</b>	<b>(2.5%)</b>	<b>(0.1%)</b>	<b>1,06,170</b>	<b>1,05,830</b>	<b>0.3%</b>
Exceptional Items	5,070	(160)	(300)	NA	NA	4,430	(720)	715.3%
Tax	9,930	9,470	9,370	4.9%	6.0%	28,570	27,860	2.5%
Minority interest	40	100	0	(60.0%)	0.0%	180	60	200.0%
<b>PAT</b>	<b>29,840</b>	<b>25,910</b>	<b>25,090</b>	<b>15.2%</b>	<b>18.9%</b>	<b>81,850</b>	<b>77,190</b>	<b>6.0%</b>
<b>PAT Margin</b>	<b>18.9%</b>	<b>16.3%</b>	<b>16.1%</b>	<b>260 bps</b>	<b>275 bps</b>	<b>17.2%</b>	<b>16.5%</b>	<b>72 bps</b>
<b>EPS</b>	<b>12.7</b>	<b>11.0</b>	<b>10.7</b>	<b>15.2%</b>	<b>18.9%</b>	<b>34.8</b>	<b>32.8</b>	<b>6.0%</b>
<b>Adj. PAT</b>	<b>24,770</b>	<b>26,070</b>	<b>25,390</b>	<b>(5.0%)</b>	<b>(2.4%)</b>	<b>77,420</b>	<b>77,910</b>	<b>(0.6%)</b>
<b>Adj. PAT Margin</b>	<b>15.7%</b>	<b>16.4%</b>	<b>16.3%</b>	<b>(71 bps)</b>	<b>(65 bps)</b>	<b>16.3%</b>	<b>16.7%</b>	<b>(37 bps)</b>
<b>Adj. EPS</b>	<b>10.5</b>	<b>11.1</b>	<b>10.8</b>	<b>(5.0%)</b>	<b>(2.4%)</b>	<b>32.9</b>	<b>33.2</b>	<b>(0.6%)</b>

Source: Company, DevenChoksey Research

## Hindustan Unilever Ltd.

### KEY FINANCIALS

#### Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenues</b>	<b>6,05,800</b>	<b>6,18,960</b>	<b>6,33,080</b>	<b>6,72,532</b>	<b>7,29,823</b>
COGS	3,17,160	2,97,600	3,06,773	3,24,206	3,50,358
<b>Gross profit</b>	<b>2,88,640</b>	<b>3,21,360</b>	<b>3,26,306</b>	<b>3,48,326</b>	<b>3,79,465</b>
Employee cost	28,540	30,090	29,980	32,287	33,755
Other expenses	1,18,620	1,44,640	1,46,232	1,51,670	1,66,824
<b>EBITDA</b>	<b>1,41,480</b>	<b>1,46,630</b>	<b>1,50,095</b>	<b>1,64,369</b>	<b>1,78,886</b>
EBITDA Margin	23.4%	23.7%	23.7%	24.4%	24.5%
D&A	11,370	12,160	13,670	14,255	14,935
<b>EBIT</b>	<b>1,30,110</b>	<b>1,34,470</b>	<b>1,36,425</b>	<b>1,50,114</b>	<b>1,63,952</b>
Interest expense	1,140	3,340	4,250	4,400	4,500
Other income	5,120	8,110	9,516	9,992	10,491
PBT	1,33,450	1,39,300	1,46,121	1,55,705	1,69,943
Tax	32,010	36,440	37,983	40,092	43,320
Minority interest	(240)	(50)	(123)	(56)	(144)
PAT	1,01,200	1,02,820	1,08,015	1,15,557	1,26,480
<b>Adj. PAT</b>	<b>99,240</b>	<b>1,02,770</b>	<b>1,03,585</b>	<b>1,15,557</b>	<b>1,26,480</b>
EPS (INR)	43.1	43.7	46.0	49.2	53.8
<b>Adj. EPS</b>	<b>42.2</b>	<b>43.7</b>	<b>44.1</b>	<b>49.2</b>	<b>53.8</b>

#### Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	99,910	1,54,690	1,29,366	1,41,452	1,56,672
CFFI	(14,940)	(53,240)	(32,461)	(27,487)	(48,977)
CFFF	(89,530)	(1,00,340)	(96,066)	(1,02,623)	(1,12,008)
<b>Net Inc/Dec in cash</b>	<b>(4,560)</b>	<b>1,110</b>	<b>839</b>	<b>11,341</b>	<b>(4,313)</b>
Opening Cash	11,474	7,014	8,254	9,093	20,434
<b>Closing Cash</b>	<b>7,144</b>	<b>8,254</b>	<b>9,093</b>	<b>20,434</b>	<b>16,121</b>

#### Exhibit 4: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	23.4%	23.7%	23.7%	24.4%	24.5%
Tax rate (%)	24.0%	26.2%	26.0%	25.7%	25.5%
Net Profit Margin (%)	16.7%	16.6%	17.1%	17.2%	17.3%
RoE (%)	19.9%	20.2%	19.8%	21.4%	22.7%
RoCE (%)	16.4%	15.7%	15.2%	16.2%	17.1%
EPS (INR)	43.1	43.7	46.0	49.2	53.8
PE	54.4x	53.6x	51.0x	47.6x	43.5x

#### Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
<b>Equity</b>					
Equity Capital	2,350	2,350	2,350	2,350	2,350
Other Equity	5,02,870	5,11,880	5,28,205	5,45,595	5,64,710
<b>Total Equity</b>	<b>5,05,220</b>	<b>5,14,230</b>	<b>5,30,555</b>	<b>5,47,945</b>	<b>5,67,060</b>
<b>Non-Current Liabilities</b>					
Other financial liabilities	16,670	18,240	18,656	19,819	21,507
Provisions	13,630	15,760	16,120	17,124	18,583
Other Current Liabilities	75,070	1,08,000	1,09,496	1,13,675	1,19,744
<b>Total Non-Current Liabilities</b>	<b>1,05,370</b>	<b>1,42,000</b>	<b>1,44,271</b>	<b>1,50,618</b>	<b>1,59,834</b>
<b>Current Liabilities</b>					
Borrowings	980	130	130	130	130
Lease Liabilities	3,140	3,650	3,650	3,650	3,650
Trade Payables	95,740	1,04,860	1,08,092	1,14,235	1,23,449
Other current liabilities	20,420	20,120	20,601	21,667	23,215
<b>Total Current Liabilities</b>	<b>1,20,280</b>	<b>1,28,760</b>	<b>1,32,474</b>	<b>1,39,682</b>	<b>1,50,444</b>
<b>Total Liabilities</b>	<b>2,25,650</b>	<b>2,70,760</b>	<b>2,76,745</b>	<b>2,90,300</b>	<b>3,10,278</b>
<b>Non-Current Assets</b>					
PPE	69,490	80,310	83,100	86,331	90,372
Intangible assets (inc. Goodwill)	4,57,290	4,57,130	4,57,130	4,57,130	4,57,130
Other current assets	34,110	34,310	34,576	35,319	36,398
<b>Total Non-Current Assets</b>	<b>5,60,890</b>	<b>5,71,750</b>	<b>5,74,806</b>	<b>5,78,780</b>	<b>5,83,900</b>
<b>Current Assets</b>					
Inventories	42,510	40,220	41,460	43,816	47,350
Trade Receivables	30,790	29,970	30,654	32,564	35,338
Investments	28,110	45,580	91,580	1,01,580	1,31,580
Cash and Bank	7,140	8,250	9,093	20,434	16,121
Other current assets	61,430	89,220	59,708	61,070	63,049
<b>Total Current Assets</b>	<b>1,69,980</b>	<b>2,13,240</b>	<b>2,32,494</b>	<b>2,59,464</b>	<b>2,93,439</b>
<b>Total Assets</b>	<b>7,30,870</b>	<b>7,84,990</b>	<b>8,07,300</b>	<b>8,38,244</b>	<b>8,77,339</b>

Source: Company, DevenChoksey Research

## Hindustan Unilever Ltd.

Hindustan Unilever Ltd.			
Date	CMP (INR)	TP(INR)	Recommendation
23-Jan-25	2,322	2,659	ACCUMULATE
24-Oct-24	2,659	2,796	ACCUMULATE
25-Jul-24	2,717	2,956	ACCUMULATE
27-Apr-24	2,223	2,526	ACCUMULATE
22-Jan-24	2,470	2,716	ACCUMULATE
23-Oct-23	2,501	2,778	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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KRChoksey Shares and Securities Pvt. Ltd.

CIN-U67120MH1997PTC108958

Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: 91-22-6633 5000; Fax: 91-22-6633 8060

Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058

Phone: 91-22-66535000

Compliance Officer: Varsha Shinde

Email: [varsha.shinde@krchoksey.com](mailto:varsha.shinde@krchoksey.com)