

Life Insurance Corporation

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	LICI IN
Equity Shares (m)	6325
M.Cap.(INRb)/(USDb)	5597.6 / 63.8
52-Week Range (INR)	1160 / 715
1, 6, 12 Rel. Per (%)	-3/4/-22
12M Avg Val (INR m)	1293

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Net Premiums	4,881	5,184	5,515
Surplus / Deficit	401.4	457.3	518.7
Sh. PAT	481.5	521.6	591.0
VNB margin (%)	17.6	18.0	18.5
RoEV (%)	6.8	11.7	11.5
Total AUM (INRt)	54.5	63.0	70.5
APE (INRb)	568.3	596.5	642.8
VNB (INRb)	100.1	107.4	118.9
EV per share	1,228	1,372	1,529

Valuations

P/EV (x)	0.7	0.6	0.6
P/EVOP (x)	6.8	7.2	6.5

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	96.5	96.5	96.5
DII	1.4	1.3	0.9
FII	0.1	0.1	0.2
Others	2.0	2.1	2.4

FII Includes depository receipts

CMP: INR 885 TP: INR 1,080 (+22%) Buy

APE and VNB in line; VNB margin expands to 15.4%

- In 1QFY26, LIC reported net premium income of INR1.2t (in line), up 5% YoY. Renewal premium grew 6% YoY to INR599b, while first-year/single premium grew 1%/4% YoY to INR75b/INR519b.
- New business APE rose 9% YoY to INR127b (in line), with individual APE growing 9% YoY to INR70.6b and group APE rising 16% YoY to INR55.9b.
- Absolute VNB grew 21% YoY to INR19b (in line). VNB margin improved YoY to 15.4% from 13.9% in 1QFY25 but was slightly below our expectation of 16%.
- Management expects premium growth to recover in 2H FY26 and the focus remains on absolute VNB growth. VNB margin improvement will be driven by product mix shift toward non-par, cost optimization, higher contribution from high-ticket size products, and improvement in persistency.
- We have kept our FY26/FY27 estimates unchanged considering the in-line performance in 1QFY26. **Reiterate BUY with a TP of INR1,080 (premised on 0.7x FY27E EV).**

Product mix shift to non-par results in VNB margin expansion

- Individual APE growth of 9% YoY was driven by 33% YoY growth in non-par APE to INR21.4b, which was offset by a 4% YoY decline in par APE to INR49.2b.
- The strong growth in non-par business resulted in a rise in non-par contribution to 16.9% from 14% in 1QFY25 of the total APE. This led to a 150bp expansion in VNB margin for 1QFY26.
- Commission expenses declined 3% YoY to INR49.5b and operating expenses fell 10% YoY to INR75.5b, resulting in expense of management ratio of 10.5%, improving 140bp YoY.
- Income from investments in policyholders' accounts grew 7% YoY to INR1,029.3b, while it increased 52% YoY to INR17.8b in shareholders' accounts. Total AUM grew 6% YoY to INR57t (in line). Yield on investment for policyholders' accounts declined slightly to 8.45% from 8.54% in 1QFY25.
- On the distribution front, contribution from agency channel was at 92.3% in 1QFY26 (95.8% in 1QFY25), with individual NBP growing 2% YoY. Individual NBP from bancassurance grew strongly by 72% YoY, with contribution growing to 4.2% (2.6% in 1QFY25) with enhanced focus on building omni-channel distribution network.
- LIC maintains the highest agency force in the country with ~1.5m agents, of which 51.56% have a vintage of more than five years. This constitutes 47.1% of the industry agency force. The company now has tie-ups with 94 bancassurance partners, 295 brokers and 177 corporate agents, reflecting a massive distribution network spread across the country.
- The 13th/37th/61st month persistency stood at 70.9%/64.3%/58.3% in 1Q, witnessing a YoY decline across cohorts (except 49th month persistency).
- Solvency improved to 217% in 1QFY26 from 199% in 1QFY25.

Research Analyst: **Prayesh Jain** (Prayesh.Jain@MotilalOswal.com) | **Nitin Aggarwal** (Nitin.Aggarwal@MotilalOswal.com)

Research Analyst: **Kartikeya Mohata** (Kartikeya.Mohata@MotilalOswal.com) | **Muskan Chopra** (Muskan.Chopra@MotilalOswal.com)

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Highlights from the management commentary

- Several steps have been taken to improve margins: (1) rising proportion and demand of non-par products, which carry higher margins; (2) redesigning of non-par guaranteed products following IRDAI regulation changes, and (3) shift toward high-ticket products with stronger persistency and profitability.
- Across lines, VNB margins have either stabilized or improved, with the most notable gains in the individual non-par segment.
- While agency productivity in terms of number of policies has moderated, the average ticket size has risen 23% and sum assured has increased 15%. LIC expects policy count-based productivity to improve going forward.

Valuation and view

- LIC maintains its industry-leading position and focuses on achieving growth recovery through wider product offerings, higher ticket sizes, a shift in the product mix toward non-par, agency channel expansion, and a higher contribution from bancassurance and alternate channels. A shift toward higher-margin non-par products and improvement in persistency will boost VNB margin going forward. The company is also working on enhancing its digital capabilities for cost optimization. We have kept our FY26/FY27 estimates unchanged considering the in-line performance in 1QFY26. **Reiterate BUY with a TP of INR1,080 (premised on 0.7x FY27E EV).**

Qty Performance

Policy holder's A/c (INRb)	FY25				FY26				FY25	FY26	1Q FY26E	Actual vs est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
First year premium	75	112	73	111	75	114	80	123	370	392	78.3	-4%
Growth (%)	10%	12%	-14%	-20%	1%	1%	10%	11%	-5%	6%	4.9%	
Renewal premium	564	619	646	791	599	647	674	832	2,621	2,752	591.6	1%
Growth (%)	5%	4%	3%	2%	6%	4%	4%	5%	4%	5%	4.8%	
Single premium	500	469	351	577	519	512	379	638	1,898	2,049	542.9	-4%
Growth (%)	31%	24%	-24%	-6%	4%	9%	8%	11%	3%	8%	8.6%	
Net premium income	1,138	1,199	1,069	1,476	1,192	1,296	1,141	1,556	4,881	5,184	1,192.4	0%
Growth (%)	16%	12%	-9%	-3%	5%	8%	7%	5%	3%	6%	4.8%	
PAT	105	76	111	190	110	83	125	203	482	522	109.5	0%
Growth (%)	10%	-4%	17%	38%	5%	10%	13%	7%	19%	8%	4.7%	

Key metrics (INRb)

New business APE	116	165	100	189	127	173	107	190	568	597	122.3	3%
Growth (%)	21%	26%	-24%	-11%	9%	5%	8%	1%	0%	5%	5.8%	
VNB	16	29	19	35	19	31	20	37	100	107	19.6	-1%
Growth (%)	23%	47%	-27%	-3%	21%	6%	3%	4%	4%	7%	21.5%	
AUM (INRt)	54	55	55	55	57	59	61	63	55	63	58.3	-2%
Growth (%)	16%	17%	10%	6%	6%	6%	10%	16%	6%	16%	8.9%	

Key Ratios (%)

VNB Margins (%)	13.9	17.9	19.4	18.7	15.4	18.0	18.5	19.5	17.6	18.0	16.0	-63
Solvency ratio (%)	199.0	198.0	202.0	211.0	217.0	-	-	-	211	217.7		

bps

	FY25				FY26	Change (%)	
	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Net premium income	1,137.7	1,199.0	1,068.9	1,475.9	1,192.0	5	-19
First year premium	74.7	112.0	72.8	110.7	75.3	1	-32
Renewal premium	564.3	619.1	645.9	791.4	598.8	6	-24
Single premium	500.0	469.4	351.4	576.8	519.2	4	-10
Investment income	961.8	1,089.7	943.4	931.3	1,029.3	7	11
Other income	1.5	1.4	1.5	2.2	1.3	-11	-42
Trf from Sh.holder's a/c	8.1	6.0	6.2	6.8	6.0	-26	-12
Total income (A)	2,109.1	2,296.2	2,019.9	2,416.3	2,228.6	6	-8
Commission paid	50.9	65.4	59.7	77.1	49.5	-3	-36
First year premium	20.2	27.5	19.6	27.9	17.4	-14	-38
Renewal premium	29.2	32.2	33.5	46.5	30.8	6	-34
Single premium	0.9	1.6	1.3	2.7	1.2	36	-53
Operating expense	84.3	97.5	84.5	87.8	75.5	-10	-14
Total commission & Opex	135.2	162.9	144.2	165.0	125.0	-8	-24
Benefits paid	818.6	975.6	946.8	1,422.5	970.6	19	-32
Change in actuarial liability	1,031.5	1,082.5	799.1	620.2	1,011.6	-2	63
Total Expenses (B)	1,984.3	2,212.6	1,893.5	2,194.2	2,103.4	6	-4
PBT	124.8	83.6	126.5	222.1	125.2	0	-44
Tax	15.9	11.0	16.9	33.9	15.8	0	-53
Surplus/(Deficit)	108.9	72.5	109.5	188.2	109.4	0	-42
Shareholder A/c							
Trf from Policyholder a/c	107.8	72.4	109.0	184.0	107.9	0	-41
Investment Income	11.8	14.6	16.0	17.6	17.9	52	1
Total income	119.6	87.0	124.9	201.6	125.8	5	-38
PBT	104.6	76.2	110.6	190.1	110.1	5	-42
Tax	-	-	-	-	0.2		
PAT	104.6	76.2	110.6	190.1	109.9	5	-42
New Business APE	124.7	159.0	108.0	168.4	126.5	9	-33
Key Ratios (%)							
Operating ratios							
Commission (unwtd)	4.5	5.4	5.6	5.2	4.1	-32bp	-107bp
Opex (unwtd)	7.4	8.1	7.9	5.9	6.3	-108bp	39bp
Total Cost	11.9	13.6	13.5	11.2	10.5	-140bp	-68bp
Solvency ratio	199.0	198.0	202.0	211.0	217.0	1800bp	600bp
Profitability ratios							
VNB margin	13.9	17.9	19.4	18.7	15.4	147bp	-338bp
Persistency ratios							
13th Month	72.4	68.2	68.6	68.6	70.9	-145bp	228bp
25th Month	68.8	65.0	64.7	65.4	66.0	-283bp	63bp
37th Month	66.4	60.5	60.9	59.6	64.3	-210bp	467bp
49th Month	60.7	56.5	56.0	56.1	62.9	218bp	676bp
61st Month	58.4	54.8	59.7	58.5	58.3	-10bp	-23bp
Key Metrics (INR b)							
VNB	16.1	29.4	19.3	35.3	19.4	21	-45
EV	NA	8,217.2	NA	7,768.8	NA		
AUM	53,590.0	55,395.2	54,776.5	54,523.0	57,050.0	6	5



Highlights from the management commentary

Business highlights

- LIC's individual and group market shares stood at 38.76% and 76.54%, respectively (vs. 39.27% and 76.59% in 1QFY25).
- The number of policies sold declined 15% YoY, impacted by changes in surrender value regulations; however, this also led to a shift toward higher ticket-size products. Growth is expected to pick up meaningfully in 2HFY26.
- Policy sales via the Ananda app rose 39.4% YoY, reflecting progress in digital adoption.
- Several steps have been taken to improve margins: (1) rising proportion and demand of non-par products, which carry higher margins; (2) redesigning of non-par guaranteed products following IRDAI regulation changes, and (3) a shift toward high-ticket products with stronger persistency and profitability.
- The company's dividend payouts have increased consistently from INR1.5/share in FY22 to INR12/share in FY25 and this trajectory is expected to sustain. LIC aims to maintain solvency in the 1.8-2.0x range, balancing growth ambitions with potential regulatory changes that could impact solvency.
- Economic assumptions were impacted (50-75bp) by interest rate changes, while operating assumptions contributed positively owing to expense efficiencies and improved long-term persistency. Mortality experience remains stable, with a favorable effect from higher ticket-size products.
- Individual VNB margin improved to 23-24% in 1QFY26 from 21% in 4QFY25.
- Monthly premium mode accounts for 10-15% of policies.
- LIC is leveraging a combination of workforce rationalization and technology for cost optimization. The goal is expense optimization rather than outright reduction.
- Digital transformation is in focus, with AI/ML being integrated into the decision-making process across all departments. The company is also working with fintech partners to enable seamless digital services and it aims to remain competitive on the digital front.
- LIC is currently evaluating a health insurance foray through the acquisition of a stake in a standalone health insurer. However, this is contingent on further regulatory developments expected on the composite license proposal.
- The government's stake in LIC is targeted to come down to 90% by 2027, with dilution expected in tranches.

Product mix and VNB margin

- ULIP witnessed strong growth due to a low base, while savings and annuity had a higher base. While non-par product margins were the highest, par product margins improved due to repricing. Strong ULIP growth led to a robust increase in absolute VNB resulting in margin improvement.
- Management remains focused on scaling up the non-par business, which will support continued improvement in overall VNB margins. While margin improvement remains an objective, business growth and customer demand remain the key priorities. Improved longevity assumptions and a stronger focus on protection in the group business have also supported VNB margin improvement.

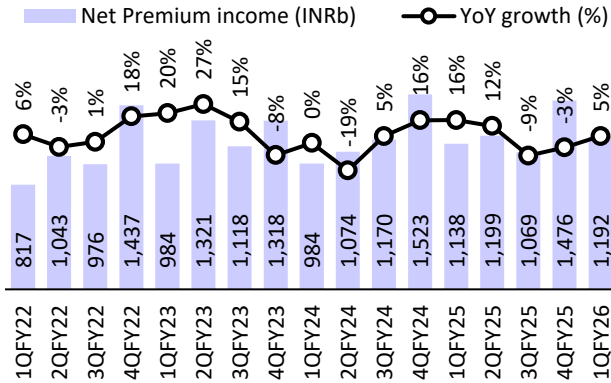
- Group business VNB margin varies by product but is higher in the assurance segment. Group business contributes ~30% of overall VNB and remains a strategic segment, especially on the assurance side.
- Annuity products are expected to gain relevance as the senior citizen population rises. Cross-selling and upselling opportunities remain strong, and the company's strategy is to sell customer-centric solutions.
- Across the lines, VNB margins have either stabilized or improved, with the most notable gains in the individual non-par segment.

Distribution

- LIC added 61,000 agents over the past year, maintaining its agent market share at 47.11% (vs 48.64% in 1QFY25).
- While agency productivity in terms of number of policies has moderated, the average ticket size has risen 23% and sum assured has increased 15%. The company expects policy count-based productivity to improve going forward.

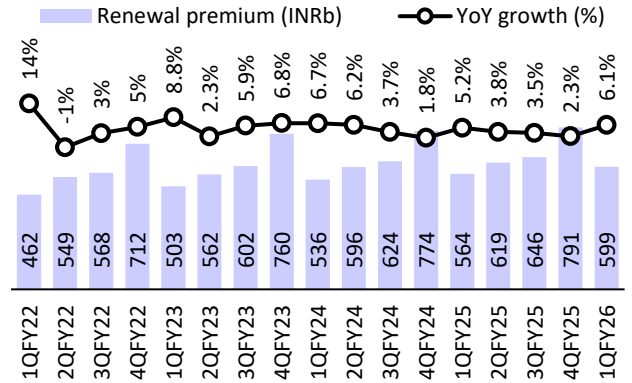
Key exhibits

Exhibit 1: Net premium income increased 5% YoY in 1QFY26



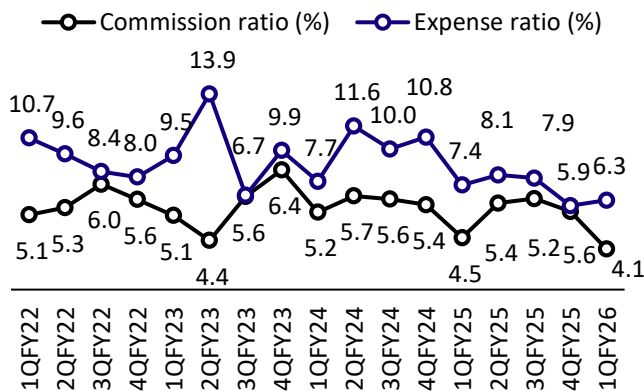
Source: MOFSL, Company

Exhibit 2: Renewal book grew 6% YoY in 1QFY26



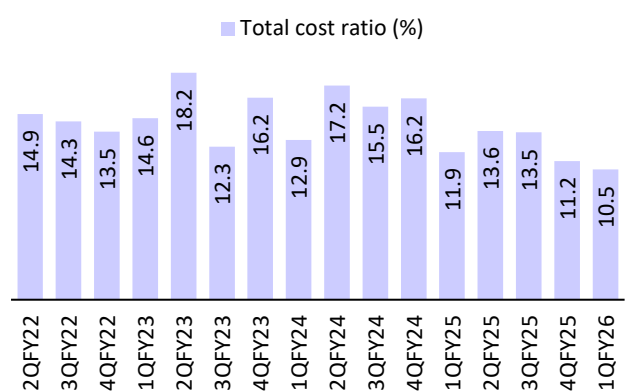
Source: MOFSL, Company

Exhibit 3: Trend in expense and commission ratio



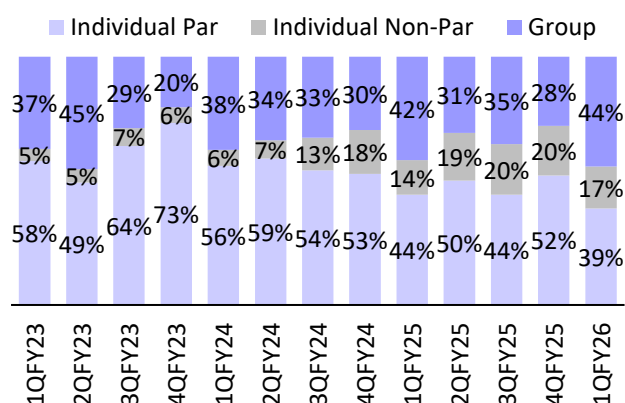
Source: MOFSL, Company

Exhibit 4: Total cost ratio declined YoY to 10.5%



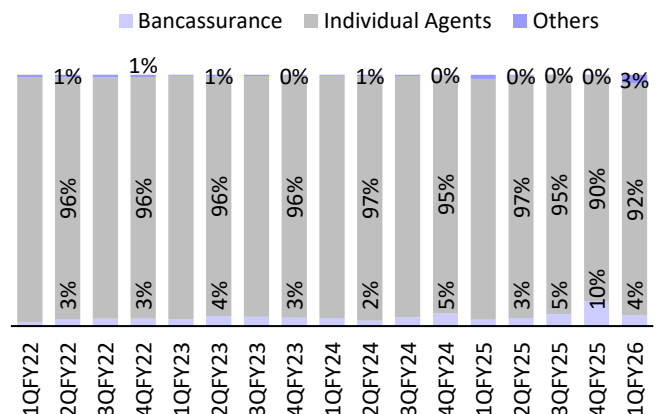
Source: MOFSL, Company

Exhibit 5: Share of non-par business grew YoY to 17% of total APE



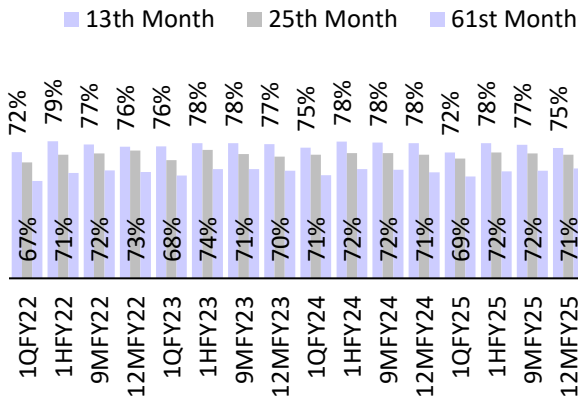
Source: MOFSL, Company

Exhibit 6: Non-agency contribution increasing YoY in the mix



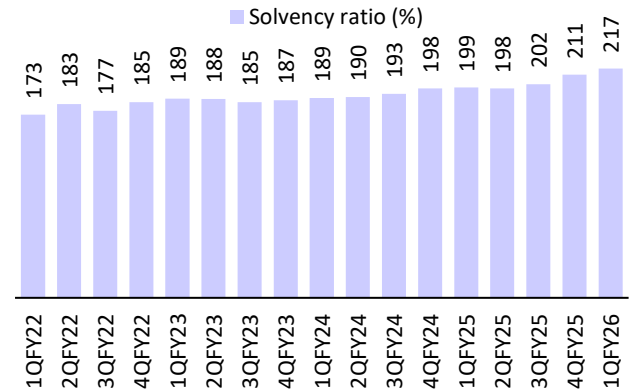
Source: MOFSL, Company

Exhibit 7: Persistency ratios across cohorts



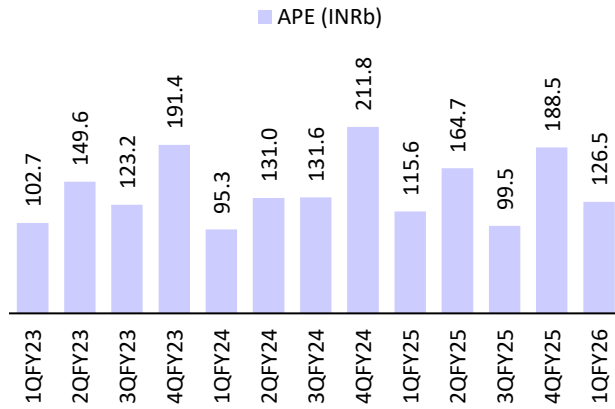
Source: MOFSL, Company

Exhibit 8: Solvency ratio improves YoY to 217% in 1QFY26



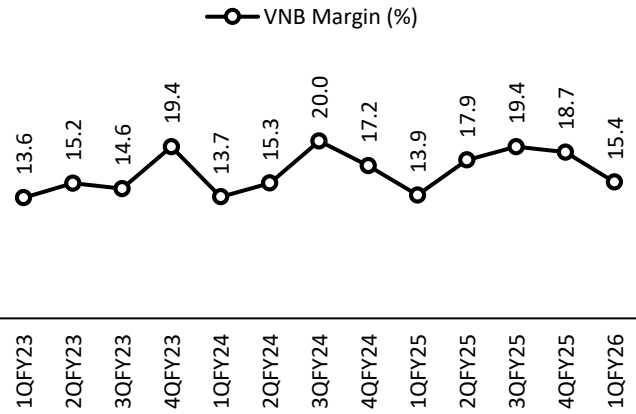
Source: MOFSL, Company

Exhibit 9: APE trend



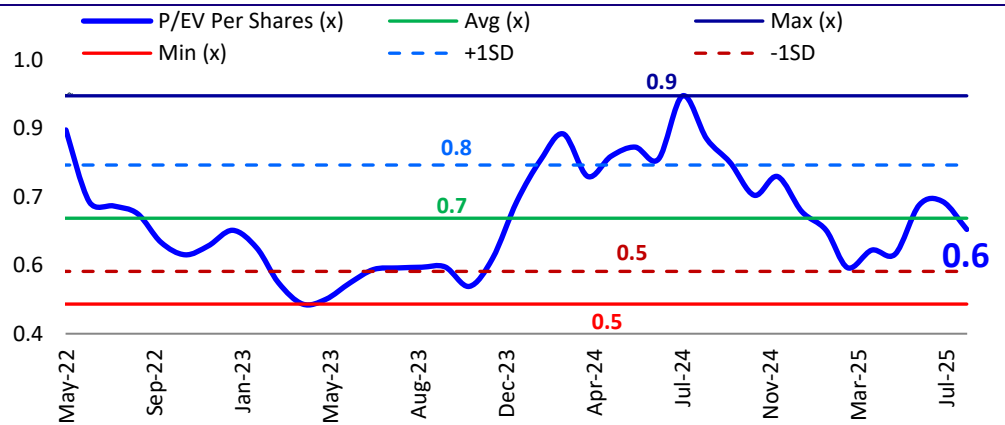
Source: MOFSL, Company

Exhibit 10: VNB margin expands YoY



Source: MOFSL, Company

Exhibit 11: One-year forward P/EV



Source: MOFSL, Company

Financials and valuations

Technical account (INR b)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Gross Premiums	4,058.5	4,280.2	4,746.7	4,757.5	4,888.5	5,191.8	5,523.2
Reinsurance Ceded	(4.5)	(6.1)	(6.6)	(6.8)	(7.0)	(7.4)	(7.9)
Net Premiums	4,054.0	4,274.2	4,740.0	4,750.7	4,881.5	5,184.4	5,515.3
Income from Investments	2,855.2	2,928.9	3,063.9	3,639.4	3,926.2	4,060.9	4,304.1
Other Income	127.9	7.9	76.6	146.9	33.8	35.5	37.2
Total income (A)	7,037.1	7,211.0	7,880.5	8,537.1	8,841.5	9,280.8	9,856.6
Commission	223.6	236.9	255.8	259.6	253.1	266.7	283.1
Operating expenses	351.6	383.7	481.5	481.2	354.2	376.1	400.1
Total commission and opex	575.2	620.6	737.3	740.8	607.2	642.9	683.2
Benefits Paid (Net)	2,907.2	3,574.6	3,425.8	3,916.7	4,194.3	4,440.6	4,725.2
Change in reserves	3,215.8	2,972.8	3,433.8	3,492.0	3,533.3	3,710.0	3,895.5
Prov for doubtful debts (inc other exp)	73.1	(93.8)	(148.5)	(29.2)	(21.7)	(35.0)	(40.0)
Total expenses (B)	6,771.3	7,074.3	7,448.4	8,120.3	8,313.2	8,758.5	9,263.9
(A) - (B)	265.8	136.7	432.1	416.7	528.3	522.3	592.6
Tax (incl GST)	92.6	79.7	53.5	59.6	80.0	65.0	73.9
Surplus / Deficit	173.2	57.0	378.6	347.4	401.4	457.3	518.7

Shareholder's a/c (INR b)							
Transfer from technical a/c	29.6	121.9	360.5	374.6	473.2	503.0	570.6
Income From Investments	0.2	2.0	11.5	36.9	59.9	76.5	84.1
Total Income	29.9	123.9	372.0	411.5	533.2	579.5	654.7
Other expenses	0.0	0.0	0.0	2.5	6.4	7.1	7.8
Contribution to technical a/c	0.0	83.3	2.7	3.0	45.2	49.7	54.7
Total Expenses	0.1	83.3	7.4	5.4	51.6	56.8	62.5
PBT	29.8	40.7	364.6	406.1	481.5	522.7	592.2
Tax	0.1	0.2	0.6	0.8	-	1.0	1.2
PAT	29.7	40.4	364.0	406.9	481.5	521.6	591.0
Growth	10%	36%	800%	12%	19%	8%	13%

Balance Sheet	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Sources of Fund							
Share Capital	1.0	63.2	63.2	63.3	63.3	63.3	63.3
Reserves And Surplus	67.1	40.4	394.9	757.4	1,201.0	1,627.7	2,104.9
Shareholders' Fund	69.8	104.1	456.7	819.4	1,261.9	1,688.3	2,165.0
Policy Liabilities	34,207.3	37,100.4	40,512.5	43,953.3	47,355.8	52,968.0	59,269.4
Prov. for Linked Liab.	329.6	238.9	261.6	348.8	475.3	513.4	554.4
Funds For Future App.	0.5	0.8	1.8	4.1	8.0	9.3	10.6
Current liabilities & prov.	831.2	712.4	593.8	634.9	486.9	535.6	589.1
Total	38,295.2	42,305.9	45,505.1	52,855.3	56,238.4	62,847.3	70,240.6
Application of Funds							
Shareholders' invt	4.3	64.1	293.6	637.4	1,040.3	1,144.3	1,258.7
Policyholders' invt	34,984.4	38,956.9	41,891.8	48,765.1	51,362.8	57,526.3	64,429.5
Assets to cover linked liab.	329.7	239.4	263.1	352.6	483.1	555.6	638.9
Loans	1,087.6	1,098.8	1,155.6	1,202.6	1,274.8	1,338.5	1,405.5
Current assets	1,854.4	1,911.2	1,862.8	1,857.0	2,032.9	2,236.2	2,459.8
Total	38,295.2	42,305.9	46,698.9	54,098.5	56,238.4	62,847.3	70,240.6

Financials and valuations

Premium (INR b) and growth (%)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
NBP - unweighted	1,855	1,989	2,321	2,227	2,268	2,440	2,634
NBP - wrp	495	529	584	574	560	597	643
Renewal premium	2,203	2,291	2,426	2,531	2,621	2,752	2,889
Total premium - unweighted	4,059	4,280	4,747	4,758	4,888	5,192	5,523
NBP growth - unweighted	2.9%	7.2%	16.6%	-4.0%	1.8%	7.6%	7.9%
NBP growth - wrp	-30.0%	6.9%	10.4%	-1.7%	-2.4%	6.5%	7.8%
Renewal premium growth	8.8%	4.0%	5.9%	4.3%	3.5%	5.0%	5.0%
Premium growth - unweighted	6.0%	5.5%	10.9%	0.2%	2.8%	6.2%	6.4%

Premium mix (%)	FY21	FY22E	FY23	FY24	FY25	FY26E	FY27E
New business - un weighted							
- Individual mix	30.9%	27.5%	25.4%	25.9%	27.5%	27.4%	27.4%
- Group mix	69.1%	72.5%	74.6%	74.1%	72.5%	72.6%	72.6%
Total premium mix - un weighted							
- Participating	57.3%	56.1%	55.1%	53.4%	52.0%	50.0%	48.0%
- Non-participating	42.3%	43.4%	44.4%	45.9%	47.1%	48.9%	50.7%
- ULIPs	0.4%	0.5%	0.5%	0.7%	0.9%	1.1%	1.3%

Indi premium sourcing mix (%)	FY21	FY22E	FY23	FY24	FY25	FY26E	FY27E
Individual agents	93.8%	96.2%	96.4%	96.0%	95.0%	94.5%	94.0%
Corporate agents-Banks	3.1%	2.6%	3.3%	3.6%	4.4%	4.9%	5.4%
Direct business	2.2%	0.3%	0.1%	0.2%	0.3%	0.3%	0.3%
Others	0.9%	0.8%	0.1%	0.2%	0.3%	0.3%	0.3%
Persistency ratios (%)							
13th Month	78.8%	75.6%	77.0%	77.7%	77.9%	78.0%	78.0%
25th Month	70.0%	73.5%	74.3%	71.0%	71.6%	72.0%	72.3%
37th Month	66.9%	66.6%	67.3%	65.5%	64.1%	63.7%	63.6%
49th Month	63.1%	63.9%	64.7%	66.3%	68.8%	70.3%	71.1%
61st Month	58.8%	61.0%	61.4%	60.9%	60.7%	61.0%	61.6%
Profitability ratios (%)							
VNB margin (%)	9.9%	15.1%	16.2%	16.8%	17.6%	18.0%	18.5%
RoE (%)	73.6%	46.5%	129.8%	63.8%	46.3%	35.4%	30.7%
Operating ROEV	36.9%	11.9%	10.9%	11.5%	11.4%	10.0%	10.0%
RoEV (%)	105.6%	466.4%	7.5%	24.9%	6.8%	11.7%	11.5%

Valuation & key data	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total AUMs (INRb)	36,762	40,850	43,970	51,219	54,523	63,036	70,492
- of which equity AUMs (%)	21%	21%	20%	21%	22%	22%	22%
Dividend %	-15%	0%	0%	-100%	21%	21%	21%
Dividend payout ratio (%)	0%	23%	5%	16%	16%	18%	19%
EPS, INR	4.7	6.4	57.5	64.1	76.1	82.5	93.4
VNB (INRb)	41.7	76.2	91.8	95.8	100.1	107.4	118.9
Embedded Value (INRb)	956.1	5,414.9	5,822.4	7,273.4	7,768.7	8,675.6	9,670.7
EV per share (INR)	151.2	856.1	920.5	1,149.9	1,228.3	1,371.6	1,529.0
VIF as % of EV	93%	98%	92%	90%	85%	81%	78%
P/VIF (%)	6.3	1.1	1.0	0.9	0.9	0.8	0.7
P/AUM (%)	15%	14%	13%	11%	10%	9%	8%
P/EV (x)	5.9	1.0	1.0	0.8	0.7	0.6	0.6
P/EPs (x)	188.2	138.4	15.4	13.8	11.6	10.7	9.5
P/EVOP (x)	32.6	10.0	9.5	8.4	6.8	7.2	6.5

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Nainesh Rajani

Email: 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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