

Laurus Labs

Estimate change



TP change



Rating change



Bloomberg	LAURUS IN
Equity Shares (m)	540
M.Cap.(INRb)/(USDb)	504.4 / 5.7
52-Week Range (INR)	944 / 440
1, 6, 12 Rel. Per (%)	0/37/102
12M Avg Val (INR M)	1707

Financials & valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	66.8	77.1	88.9
EBITDA	16.3	19.4	22.2
Adj. PAT	7.2	9.0	10.6
EBIT Margin (%)	17.1	18.0	17.9
Cons. Adj. EPS (INR)	13.4	16.8	19.6
EPS Gr. (%)	131.5	25.0	16.8
BV/Sh. (INR)	96.8	111.0	127.5

Ratios

Net D:E	0.5	0.4	0.3
RoE (%)	14.7	16.2	16.5
RoCE (%)	11.2	12.5	13.1
Payout (%)	15.6	15.6	15.6

Valuations

P/E (x)	69.7	55.8	47.8
EV/EBITDA (x)	32.5	27.4	23.8
Div. Yield (%)	0.2	0.2	0.3
FCF Yield (%)	0.4	0.7	1.2
EV/Sales (x)	8.0	6.9	5.9

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	27.6	27.6	27.2
DII	11.7	11.9	13.1
FII	26.2	25.7	26.1
Others	34.5	34.8	33.7

FII includes depository receipts

CMP: INR934

TP: INR1,110 (+19%)

Buy

Healthy momentum in CDMO/FDF; earnings upcycle intact

ARV recovery, CDMO scale-up, and operating leverage drive a 2Q beat!

- Laurus Lab (LAURUS) delivered yet another better-than-expected quarter with a 6%/18%/38% beat on revenue/EBITDA/PAT. Higher formulation sales (FDF; backed by robust ARV revenue), a superior mix in the CDMO segment, and improving operating leverage led to a strong 2QFY26 performance.
- Along with improving traction in the human health CDMO segment, the company has invested in manufacturing assets for the animal health and crop science aspects of the CDMO segment. In fact, the validation batches for certain products in the animal health segment are ongoing, with scale-up likely from FY27.
- The non-ARV formulation sales have witnessed a healthy scale-up QoQ, fueled by newer introductions and higher off-take of existing products.
- LAURUS has shown encouraging performance in the ARV segment, led by higher volumes of products sold during the quarter.
- We raise our earnings estimates by 11%/10%/6% for FY26/FY27/FY28, factoring in 1) improved ARV prospects, 2) steady pick-up in CDMO projects, and 3) higher generics business backed by CMO opportunities.
- We expect a 50% earnings CAGR over FY25-28 and value LAURUS at 58x 12M forward earnings to arrive at our TP of INR1,110. **Reiterate BUY.**

Better operating efficiency fuels margin expansion

- LAURUS' 2QFY26 revenue grew 35.1% YoY to INR16.5b (our est. INR15.6b). Synthesis business (29% of sales, small molecules) was up 58% YoY to INR4.7b, led by expansion of the project funnel and a healthy client base.
- FDF sales grew 58% YoY to INR5.2b (31% of sales). API sales (37%) rose 11% YoY to INR6.2b. Bio division sales (3%) grew 18% YoY to INR470m.
- Gross Margin (GM) expanded ~470bp YoY to 59.9%, with a change in business mix. Notably, GM expanded 50bp QoQ despite the share of Synthesis business dipping 300bp during the same period.
- EBITDA margin expanded ~980bp YoY to 24.4% (our estimate: 21.9%) due to better operational efficiency (other expenses/employee costs dipped 360bp/160bp YoY as a % of sales).
- EBITDA grew 126% YoY to INR4.0b (our estimate at INR3.4b).
- The company's Adj. PAT scaled from INR198m in 2QFY25 to INR1.9b (our estimate at INR1.4b) for the quarter.
- LAURUS' 1HFY26 revenue/EBITDA grew 33%/125% YoY to INR32/INR8b. PAT sharply moved from INR330m in 1HFY26 to INR3.5b in 1HFY26.

Highlights from the management commentary

- LAURUS guided the ARV business to be INR25b (+/-INR2b) for FY26.
- The favorable mix of commercial molecules within CDMO is driving better gross margin despite a lower share of CDMO revenue on a QoQ basis.

Tushar Manudhane - Research Analyst (Tushar.Manudhane@MotilalOswal.com)

Research Analyst: Vipul Mehta (Vipul.Mehta@MotilalOswal.com) | **Eshita Jain** (Eshita.Jain@MotilalOswal.com)

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- In addition to the INR50b capex planned over the next five years, LAURUS has been allotted 532 acres in Vizag by the Govt. of Andhra Pradesh. The company plans to invest USD600m (~INR50b) over eight years on this land to expand pharma manufacturing and R&D infrastructure, with a focus on scaling and technology advancement.
- Of the total capex outlay of INR36b over FY22-26, about 23% would be spent on the API/CDMO projects, while the remainder would be spent on drug products.

Consolidated- Quarterly Earnings Model

Y/E March	FY25				FY26E				FY25	FY26E	FY26	(INRM)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	vs Est (%)
Net Sales	11,949	12,237	14,151	17,203	15,696	16,535	16,611	17,968	55,540	66,809	15,624	5.8
YoY Change (%)	1.1	-0.1	18.4	19.5	31.4	35.1	17.4	4.4	10.2	20.3	27.7	
EBITDA	1,712	1,783	2,852	4,206	3,821	4,033	3,887	4,600	10,553	16,340	3,422	17.9
YoY Change (%)	2.7	-5.1	57.2	74.2	123.2	126.1	36.3	9.4	35.7	54.8	91.9	
Margins (%)	14.3	14.6	20.2	24.4	24.3	24.4	23.4	25.6	19.0	24.5	21.9	
Depreciation	1,061	1,075	1,061	1,104	1,168	1,205	1,232	1,306	4,301	4,911	1,035	
EBIT	651	708	1,791	3,102	2,653	2,828	2,655	3,293	6,252	11,429	2,386	
YoY Change (%)	-14.5	-25.1	115.7	122.8	307.3	299.3	48.3	6.2	59.1	82.8	236.9	
Margins (%)	5.5	5.8	12.7	18.0	16.9	17.1	16.0	18.3	11.3	17.1	15.3	
Interest	492	526	578	564	515	400	443	459	2,160	1,817	521	
Other Income	25	46	94	-3	104	270	56	52	163	482	58	
PBT before EO expense	185	228	1,307	2,535	2,242	2,697	2,268	2,887	4,254	10,095	1,923	
Extra-Ord expense	0	0	0	-589	0	0	0	0	-589	0	0	
PBT	185	228	1,307	3,123	2,242	2,697	2,268	2,887	4,843	10,095	1,923	
Tax	63	51	401	785	631	760	635	794	1,299	2,820	500	
Rate (%)	33.9	22.3	30.7	25.1	28.2	28.2	28.0	27.5	26.8	27.9	26.0	
MI & Profit/Loss of Asso. Cos.	-5	-21	-17	20	7	-3	15	16	13	36	15	
Reported PAT	127	198	923	2,319	1,603	1,940	1,618	2,077	3,531	7,239	1,408	37.8
Adj PAT	127	198	923	1,878	1,603	1,940	1,618	2,077	3,126	7,239	1,408	37.8
YoY Change (%)	-52.7	-46.3	298.9	148.4	1,164	877.9	75.3	10.6	92.4	131.5	609.7	
Margins (%)	1.1	1.6	6.5	10.9	10.2	11.7	9.7	11.6	5.6	10.8	9.0	

Key Performance Indicators (Consolidated)

Y/E March	FY25				FY26E				FY25	FY26E	FY26	(INRb)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
INRb												
API	6.6	5.6	5.3	6.9	6.4	6.2	6.1	6.4	22.2	25.0	6.4	
YoY Change (%)	11.2	(11.4)	(7.5)	(7.9)	(4.1)	10.8	15.0	(7.0)	(12.6)	20.3	15.0	
Custom Synthesis	2.1	3.0	4.0	4.6	4.9	4.7	5.0	5.8	13.7	20.4	4.6	
YoY Change (%)	(14.4)	33.5	88.7	95.3	130.4	57.5	25.0	25.0	49.0	48.5	55.0	
Formulation	2.7	3.3	4.4	5.4	4.1	5.2	5.0	5.2	15.8	19.5	4.3	
YoY Change (%)	(3.9)	(1.2)	18.8	26.5	50.0	57.9	15.0	(3.9)	11.9	23.4	30.0	
Cost Break-up												
RM Cost (% of Sales)	44.9	44.8	43.1	45.5	40.6	40.1	41.0	40.5	44.6	40.6	42.5	
Staff Cost (% of Sales)	14.6	14.6	13.4	10.3	13.7	13.0	13.0	12.5	13.0	13.0	13.6	
R&D Expenses(% of Sales)	5.4	5.5	4.2	3.8	4.1	3.9	3.9	3.6	3.1	2.5	4.2	
Other Cost (% of Sales)	26.2	26.0	23.4	19.7	21.4	22.5	22.6	21.4	23.4	21.9	22.0	
Gross Margins (%)	55.1	55.2	56.9	54.5	59.4	59.9	59.0	59.5	55.4	59.4	57.5	
EBITDA Margins (%)	14.3	14.6	20.2	24.4	24.3	24.4	23.4	25.6	19.0	24.5	21.9	
EBIT Margins (%)	5.5	5.8	12.7	18.0	16.9	17.1	16.0	18.3	11.3	17.1	15.3	



Other highlights from the management commentary

- LAURUS has completed the API rebalancing strategy with a debottlenecking exercise implemented in the ARV sub-segment.
- Alongside LAURUS' existing payload and linker expertise, Aarvik Therapeutics will add bioconjugation and fill-finish technologies, enabling a comprehensive end-to-end offering in the antibody-drug conjugate (ADC) space.
- Multiple validation-phase projects are underway in the animal health vertical, which is scaling gradually in FY26 and is expected to see a meaningful ramp-up from FY27.
- The opex/capex for the Gene/ADC segment is expected to be INR2.5b to be spent over the next three years.
- Asset turnover improved from 0.77x in FY25 to 0.9x in 1HFY26 and is expected to rise further over the next 24 months with continued scale-up in synthesis and FDF businesses.
- Higher other income was primarily driven by foreign exchange gains in 2QFY26.

Key exhibits

Exhibit 1: Revenue grew 35% YoY in 2QFY26

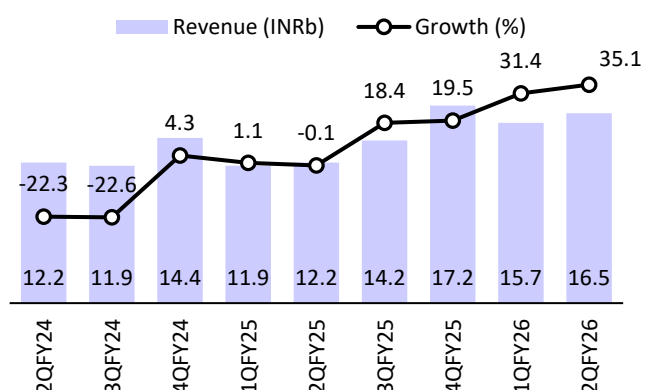


Exhibit 2: Share of FDF/CS stood at 31%/29% in 2QFY26

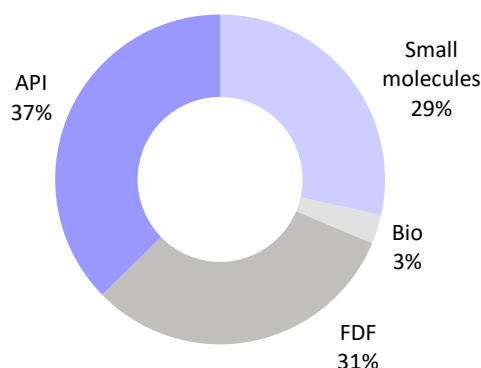


Exhibit 3: API sales up 11% YoY

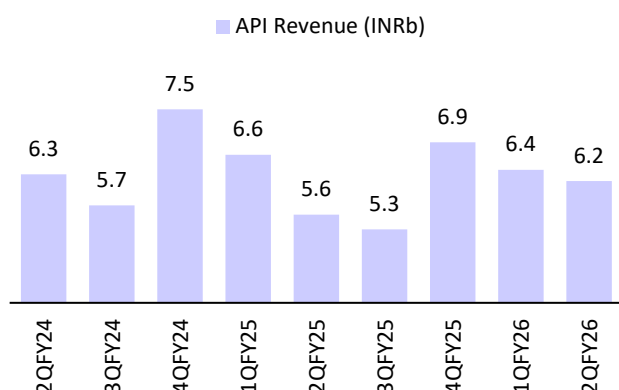


Exhibit 4: FDF sales up 58% YoY

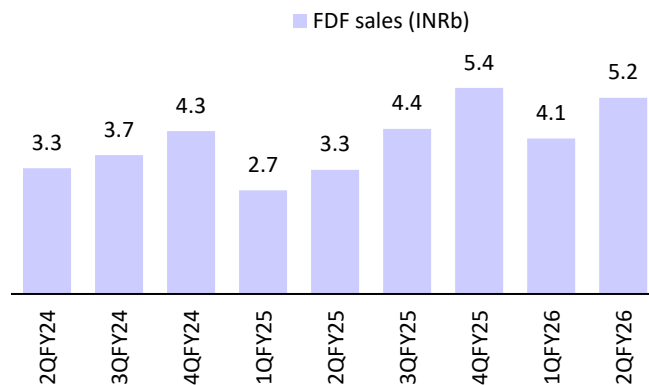
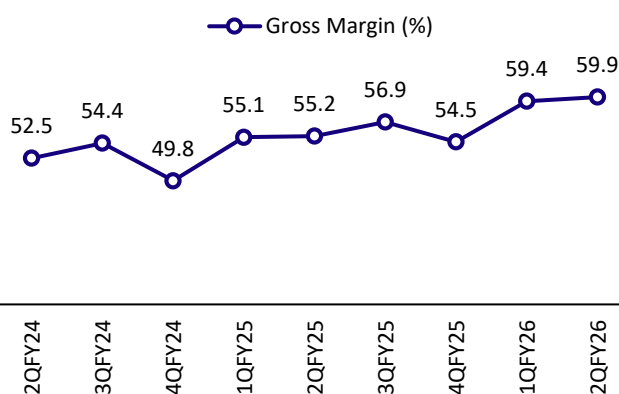
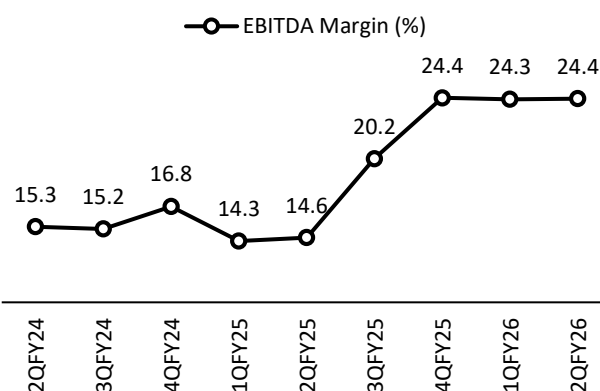


Exhibit 5: Gross margin expanded 470bp YoY



Source: MOFSL, Company

Exhibit 6: EBITDA margin expanded 980bp YoY



Source: MOFSL, Company

Strong momentum sustains in CDMO and generics

CDMO – investment/performance on track across human health/animal health/crop science segments

- LAURUS' CDMO revenue grew 33% YoY to INR 32b in 1HFY26, driven by multiple late-phase and commercial-scale deliveries. Strong traction in complex small-molecule projects continues to expand the pipeline, supported by a balanced mix of large and mid-sized global pharma clients.
- The company has a robust pipeline of over 110 active projects, including more than 90 in human health and around 20 in animal health and crop science.
- LAURUS has invested ~INR5b in its animal health segment to date. Multiple products are currently undergoing validations. The segment is scaling gradually in FY26 and is expected to witness a meaningful ramp-up from FY27.
- A multi-year agreement signed in FY25 with a leading crop science company further strengthens the segment's visibility. Although the contribution remains limited for now, LAURUS continues to focus on scaling up this segment as well.
- The company is also expanding commercial manufacturing capacity at its Vizag site, while simultaneously enhancing capabilities in advanced modalities, including peptides and other complex therapeutic platforms.
- We expect the CDMO segment to deliver a ~30% revenue CAGR over FY25–28E, reaching around ~INR30b, supported by expansion in production capacities as well as the addition of capacities.

Generics – ARV volumes remain strong; non-ARV likely to grow owing to additional capacity

- Generics sales grew 20% YoY to INR21.8b in 1HFY26, led by sustained volume growth in the ARV portfolio, supported by developed market supplies and calibrated portfolio expansion.
- LAURUS has cumulatively filed 91 DMFs to date. In developed markets, 3 FDF dossiers were filed in H1, with 4 approvals received, taking the total approved products to 90.
- Construction commencement of the finished formulation manufacturing site in Hyderabad took place on Jun'25, with the first phase expected by mid-2027. This expansion will enhance the non-ARV product mix, reducing reliance on the ARV business as well as serving new markets, including India.
- We expect the FDF segment to deliver a 17% sales CAGR to INR25b, while the API business is projected to grow at a 7% CAGR over FY25–28E, reaching INR30b.

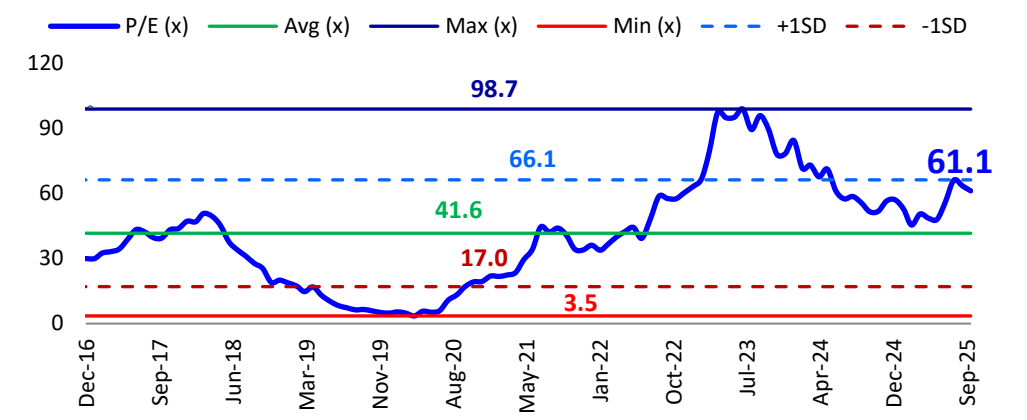
Bio – minor segment, but growth gaining pace

- Bio sales grew 18% YoY to INR470m in 2QFY26; the majority of 2Q sales came from customers with long-term potential and improvement in commercial product sales, with rising customer interest for dedicated fermentation lines.
- Construction of the commercial-scale fermentation facility in Vizag is progressing as planned, with Phase 1 capacity of approximately 400 kiloliters expected to be ready by the end of CY26, with Phase 2 adding another 500-700 kiloliters.

Valuation and view

- We raise our earnings estimates by 11%/10%/6% for FY26/FY27/FY28, factoring in 1) improved ARV prospects, 2) steady pick-up in CDMO projects, and 3) higher generics business backed by CMO opportunities.
- We expect a 50% earnings CAGR over FY25-28 and value LAURUS at 58x 12M forward earnings to arrive at our TP of INR1,110. **Reiterate BUY.**

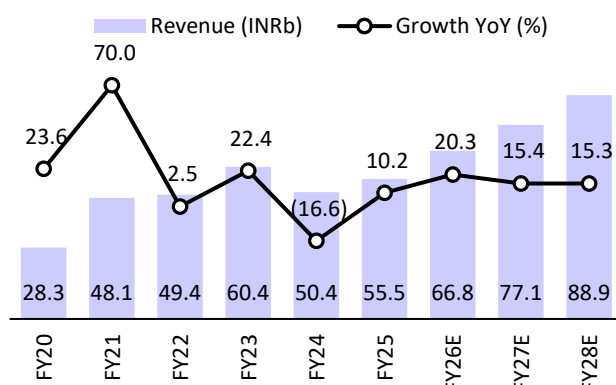
Exhibit 7: P/E chart



Source: MOFSL, Company, Bloomberg

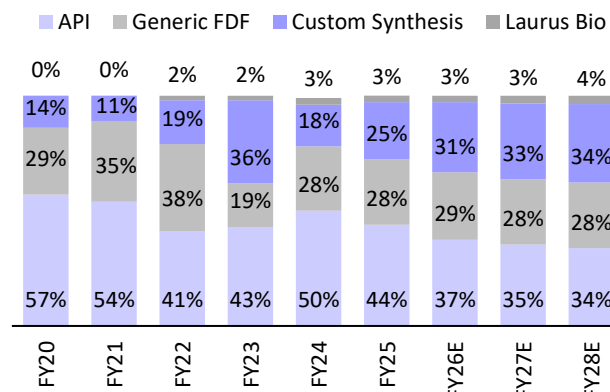
Story in charts

Exhibit 8: To post a sales CAGR of 17% over FY25-28E



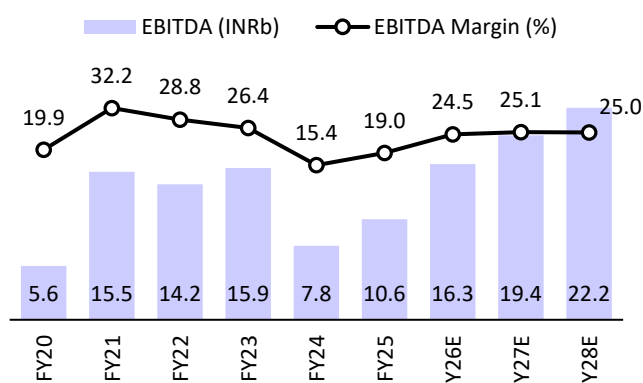
Source: MOFSL, Company

Exhibit 9: Product mix to improve over FY25-28E



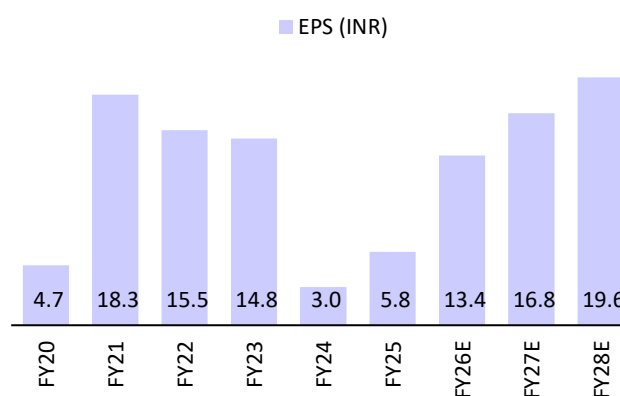
Source: MOFSL, Company

Exhibit 10: EBITDA CAGR to be 28% over FY25-28E



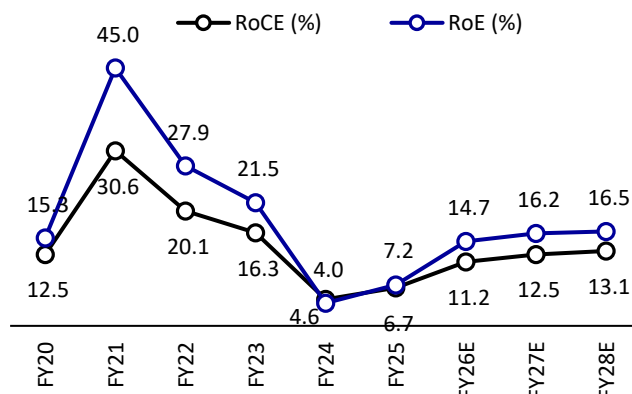
Source: MOFSL, Company

Exhibit 11: Expect a strong EPS trajectory over FY25-28E



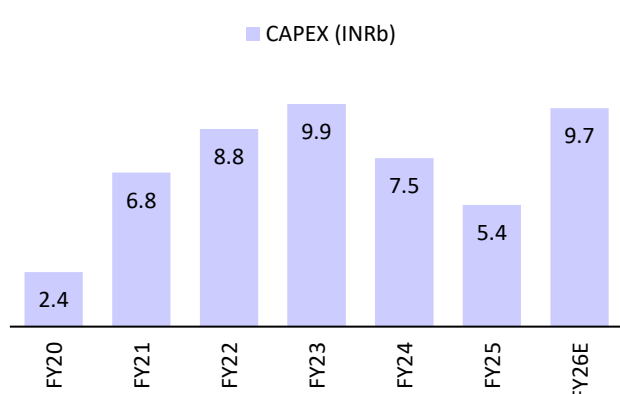
Source: MOFSL, Company

Exhibit 12: Return ratios to spurt over FY25-28E



Source: MOFSL, Company

Exhibit 13: Capex intensity to remain strong in FY26



Source: MOFSL, Company

Financials and valuations

Consolidated - Income statement (INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	48,135	49,356	60,406	50,408	55,540	66,808	77,107	88,883
Change (%)	70.0	2.5	22.4	-16.6	10.2	20.3	15.4	15.3
Total Expenditure	32,628	35,131	44,483	42,633	44,987	50,468	57,746	66,650
% of Sales	67.8	71.2	73.6	84.6	81.0	75.5	74.9	75.0
EBITDA	15,507	14,224	15,923	7,775	10,553	16,340	19,361	22,232
Margin (%)	32.2	28.8	26.4	15.4	19.0	24.5	25.1	25.0
Depreciation	2,051	2,515	3,241	3,846	4,301	4,911	5,482	6,319
EBIT	13,456	11,709	12,682	3,929	6,252	11,429	13,879	15,914
Int. and Finance Charges	682	1,024	1,652	1,829	2,160	1,817	1,807	1,807
Other Income	237	153	60	263	163	482	270	270
PBT bef. EO Exp.	13,011	10,839	11,090	2,364	4,254	10,094	12,342	14,376
EO Items	0	0	0	0	589	0	0	0
PBT after EO Exp.	13,011	10,839	11,090	2,364	4,843	10,094	12,342	14,376
Total Tax	3,173	2,514	3,123	684	1,299	2,820	3,227	3,731
Tax Rate (%)	24.4	23.2	28.2	28.9	26.8	27.9	26.1	26.0
Minority Interest	0	2	32	55	-23	36	69	76
Reported PAT	9,838	8,322	7,965	1,625	3,567	7,238	9,047	10,569
Adjusted PAT	9,838	8,322	7,965	1,625	3,126	7,238	9,047	10,569
Change (%)	285.4	-15.4	-4.3	-79.6	92.4	131.5	25.0	16.8
Margin (%)	20.4	16.9	13.2	3.2	5.6	10.8	11.7	11.9

Consolidated - Balance Sheet (INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	1,073	1,075	1,077	1,077	1,077	1,077	1,077	1,077
Total Reserves	24,902	32,437	39,298	40,032	43,647	49,755	57,389	66,308
minority interest	32	79	111	46	1,300	1,300	1,300	1,300
Net Worth	26,007	33,591	40,487	41,155	46,024	52,132	59,766	68,685
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	13,871	17,320	21,006	26,115	27,553	28,053	27,553	27,053
Deferred Tax Liabilities	192	691	825	570	319	319	319	319
Capital Employed	40,070	51,602	62,317	67,842	73,895	80,503	87,637	96,056
Gross Block	27,949	35,283	46,085	54,745	61,378	69,895	78,258	85,931
Less: Accum. Deprn.	8,706	11,221	14,462	18,308	22,609	27,520	33,002	39,320
Net Fixed Assets	19,243	24,062	31,623	36,437	38,769	42,375	45,256	46,610
Goodwill on Consolidation	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463
Capital WIP	3,622	8,132	5,508	4,228	4,584	5,767	4,903	4,731
Total Investments	34	308	993	1,714	2,819	2,819	2,819	2,819
Curr. Assets, Loans&Adv.	32,145	34,715	36,017	39,028	44,721	50,849	59,194	70,575
Inventory	15,755	17,603	16,848	18,454	19,365	22,123	25,946	30,130
Account Receivables	13,061	13,542	15,804	16,629	20,072	22,880	26,829	31,170
Cash and Bank Balance	485	759	485	1,417	1,442	1,226	1,086	3,127
Loans and Advances	2,845	2,811	2,880	2,528	3,842	4,621	5,333	6,148
Curr. Liability & Prov.	17,437	18,079	14,287	16,029	19,459	23,769	26,998	31,141
Account Payables	11,787	8,764	7,107	10,512	9,585	11,891	13,289	15,339
Other Current Liabilities	4,894	7,753	6,165	4,334	8,520	10,249	11,828	13,635
Provisions	757	1,562	1,016	1,183	1,354	1,629	1,880	2,167
Net Current Assets	14,708	16,637	21,730	22,999	25,262	27,081	32,196	39,434
Appl. of Funds	40,070	51,602	62,317	67,842	73,896	80,503	87,637	96,056

Financials and valuations

Ratios

Y/E March)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	18.3	15.5	14.8	3.0	5.8	13.4	16.8	19.6
Cash EPS	22.1	20.1	20.8	10.2	13.8	22.6	27.0	31.4
BV/Share	48.3	62.4	75.2	76.4	85.4	96.8	111.0	127.5
DPS	2.0	2.0	1.9	0.4	0.9	1.7	2.2	2.6
Payout (%)	13.1	15.6	15.6	15.6	15.6	15.6	15.6	15.6
Valuation (x)								
P/E	51.3	60.6	63.4	310.6	161.4	69.7	55.8	47.8
Cash P/E	42.5	46.6	45.0	92.3	68.0	41.5	34.7	29.9
EV/Sales	10.8	10.6	8.7	10.5	9.6	8.0	6.9	5.9
EV/EBITDA	33.4	36.6	33.0	68.1	50.3	32.5	27.4	23.8
Dividend Yield (%)	0.2	0.2	0.2	0.0	0.1	0.2	0.2	0.3
FCF per share	0.9	0.6	0.1	-1.6	2.9	3.3	6.3	10.8
Return Ratios (%)								
RoE	45.0	27.9	21.5	4.0	7.2	14.7	16.2	16.5
RoCE	30.6	20.1	16.3	4.6	6.7	11.2	12.5	13.1
RoIC	32.7	23.0	18.6	4.8	7.3	12.1	13.7	14.4
Working Capital Ratios								
Asset Turnover (x)	1.2	1.0	1.0	0.7	0.8	0.8	0.9	0.9
Inventory (Days)	119	130	102	134	127	121	123	124
Debtor (Days)	99	100	95	120	132	125	127	128
Creditor (Days)	89	65	43	76	63	65	63	63
Leverage Ratio (x)								
Current Ratio	1.8	1.9	2.5	2.4	2.3	2.1	2.2	2.3
Interest Cover Ratio	19.7	11.4	7.7	2.1	2.9	6.3	7.7	8.8
Net Debt/Equity	0.5	0.5	0.5	0.6	0.5	0.5	0.4	0.3

Consolidated - Cash Flow Statement

(INRM)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	13,011	10,839	11,089	2,364	4,843	10,094	12,342	14,376
Depreciation	2,051	2,515	3,241	3,846	4,301	4,911	5,482	6,319
Interest & Fin. Charges	579	862	1,455	1,750	2,100	1,334	1,537	1,537
Direct Taxes Paid	-2,285	-1,823	-2,855	-1,046	-1,375	-2,820	-3,227	-3,731
(Inc)/Dec in WC	-5,941	-3,416	-3,153	-332	-2,814	-2,035	-5,256	-5,196
CFO	7,415	8,977	9,778	6,581	7,055	11,485	10,879	13,305
Others	-85	135	161	33	-106	0	0	0
CFO incl EO	7,330	9,111	9,939	6,615	6,949	11,485	10,879	13,305
(Inc)/Dec in FA	-6,839	-8,767	-9,875	-7,476	-5,411	-9,700	-7,500	-7,500
Free Cash Flow	491	344	64	-862	1,538	1,785	3,379	5,805
(Pur)/Sale of Inv.	-2,584	-393	-223	-800	-1,054	0	0	0
Others	13	17	137	52	-352	482	270	270
CF from Investments	-9,410	-9,143	-9,961	-8,224	-6,817	-9,218	-7,230	-7,230
Issue of Shares	74	43	74	26	102	0	0	0
Inc/(Dec) in Debt	3,804	1,968	2,138	5,078	1,561	500	-500	-500
Interest Paid	-580	-850	-1,404	-1,743	-2,092	-1,817	-1,807	-1,807
Dividend Paid	-750	-859	-1,075	-862	-431	-1,130	-1,413	-1,651
Others	0	5	13	43	753	-38	-71	-78
CF from Fin. Activity	2,547	307	-253	2,541	-107	-2,485	-3,791	-4,036
Inc/Dec of Cash	467	275	-275	932	25	-218	-142	2,040
Opening Balance	15	483	757	482	1,415	1,442	1,226	1,086
Closing balance	483	757	482	1,415	1,442	1,226	1,086	3,128
Bank balance	2	2	2	1	0	0	0	0
Total Cash and Cash equivalent	485	759	485	1,417	1,442	1,226	1,086	3,127

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NOTES

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BUY	>=15%
SELL	< - 10%
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Nainesh Rajani

Email: nainesh.raiani@motilaloswal.com

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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,

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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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