

Infrastructure

Key Indicators

	FY22	FY23	FY24 (YTD)
Daily average FASTag toll (INR b)	1.04	1.5	1.7
Tenders awarded by NHAI (km)	6,306	6,003	310
Road construction by NHAI (km)	4,325	4,882	1,990

NHAI project awarding subdued, hurts order inflows

- Project awarding by NHAI stands at 310km and construction stands at 1,990km in FY24YTD. The muted awarding by NHAI has hit FY24 order inflows for several road construction companies. Some companies also reduced their order inflow targets for FY24 due to the slow pace of awarding.
- Toll collections have been improving, with FASTag-based toll collections at INR419b during Apr-Nov'23 and a daily run rate of ~INR1.7b. In Nov'23, daily average toll collections stood at ~INR1.8b.
- NHAI's primary focus is on asset monetization as a means to generate funds beyond budgetary allocations. NHAI awarded two TOT bundles, 11 and 12, totaling 400km, at a cost of INR 66b in Oct'23. For FY24, NHAI aims to achieve a total monetization target of up to INR450b.
- DFCCIL revised the timelines for Dedicated Freight Corridor (DFC) projects, and these projects are now expected to be completed by Dec'24.

NHAI awarding muted to date in FY24, but road construction gathers pace

As of FY24, NHAI has awarded projects with a length of ~310km. HAM projects continued to dominate project awarding in terms of volume of the awarded projects (137km awarded worth INR45b over Apr-Oct'23).

Road construction activities gained momentum in Oct'23, with NHAI completing ~356km of roads vs. ~150km in Sep'23 and ~340km in Oct'23. During Apr-Nov'23, road construction has reached 1,990km. In FY23, NHAI completed ~4,882km of roads at a rate of 13.4km per day, an improvement from 4,325km constructed in FY22.

FASTag toll collections witnessing consistent improvement

FASTag toll collections improved 14% YoY during Apr'23-Nov'23, while collection value increased 21% YoY. Higher toll collections play a crucial role in expediting the monetization process of road assets by the Ministry. Additionally, toll collections benefit the companies seeking to monetize their existing toll assets.

Asset monetization in focus for NHAI

NHAI has drawn up a list of 46 projects, spanning over 2,612km, for monetization in FY24. NHAI awarded two TOT bundles, 11 and 12, totaling 400 km, at a cost of INR66b in Oct'23. Cube Highways secured bundle 11, covering the 84 km Allahabad Bypass on NH19 in UP, for INR 21.5b. IRB Infrastructure Trust won bundle 12, spanning 316 km across UP and MP, for INR44.3b. In FY24, NHAI aims to achieve a total monetization target of up to INR450b.

Moderating input prices to improve margins for contractors

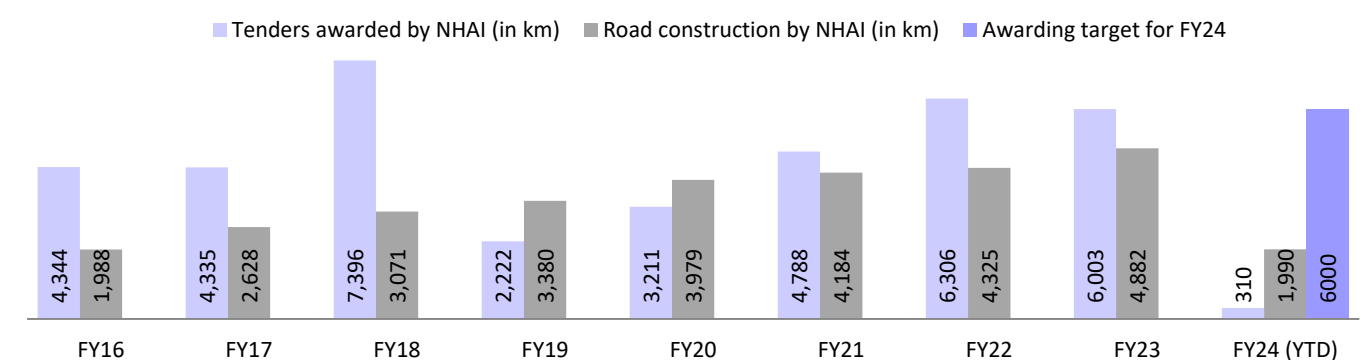
Steel prices have decreased ~25%, while aluminum prices have dropped ~32% since Apr'22. Conversely, cement prices have increased ~9% from their lows in Jul'22, mainly due to input cost pressures. With higher construction activities and stability in commodity prices, road contractors anticipate some improvement in profitability and margins in 2HFY24.

Players with strong order book, balance sheet strength, and diversified operations well placed

Although there has been a slowdown in project awards until Oct'23, a robust pipeline of tenders is currently in place. Entities with significant order backlogs, strong financial standings, and involvement across diverse sectors are well poised to benefit from NHAI's proactive approach to project allocation in 2HFY24. Our top pick in this sector is KNR Constructions Ltd (KNRC).

Subdued project awarding by NHAI hurts order inflow targets of several road construction companies

Exhibit 1: NHAI awarding and construction trends (in km)

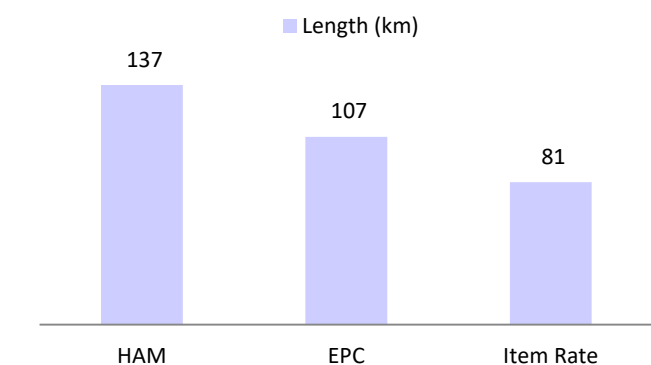


Sources: NHAI, MOFSL

Road project awarding by the NHAI accelerated in Oct'23; it awarded five projects in Oct'23 aggregating ~50km. During the month, ~350km of roads were constructed (vs. ~150km in Sep'23 and ~340km in Oct'22). NHAI has awarded a total of ~310km of road projects in FY24YTD, while road construction has stood at ~1,990km. In FY23, road awards totaled 6,003km and road construction totaled 4,882km.

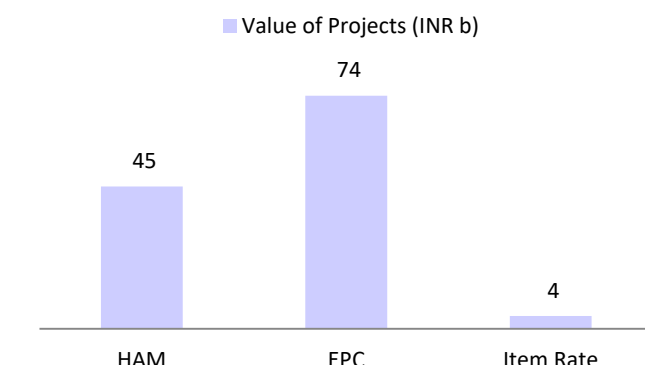
During Apr-Nov'23, road construction has reached ~1,990km. In FY23, NHAI completed ~4,882km of roads at a rate of 13.4km per day, an improvement from 4,325km constructed in FY22.

Exhibit 2: HAM projects constituted 42% of the projects awarded during Apr-Oct'23 (in km)...



Source: NHAI, MOFSL

Exhibit 3: ...and 37% of the total projects awarded (in value terms)



Source: NHAI, MOFSL

HAM projects continued to dominate project awarding in terms of volume of the projects awarded (137km of lengths awarded worth INR45b over Apr-Oct'23).

Though project awarding has remained much below expectations during Apr-Oct'23, awarding is expected to pick up from Dec'23. Subdued project awarding by NHAI has hit the order inflow targets of several companies. Hence, most of the road construction companies have reduced their order inflow guidance materially for FY24.

Exhibit 4: FY24 order inflow targets of key listed players (INR b)

Company	Order inflow in FY23	Order inflow target in FY24
Dilip Buildcon	109	70-90
PNC Infratech	48.5	70-80
KNR Constructions	20	20-30
IRB Infra	29	50-60
Ashoka Buildcon	88	70-80
HG Infra	86.5	50-60
G R Infra	150	90-100

Source: Industry reports, MOFSL

Exhibit 5: List of Civil Project awarded till date (01/11/2023) in FY 2023-24

S.no	Project Name	Total Length	State	PIU	Lanes	NH (New)	Mode	Concessioner	Total Awarded Cost (INR b)	Loa Date Civil work
1	Construction of 1 Nos ROB, 2 Nos VUPs, Service roads, provision of lighting and construction of other miscellaneous works at various stretches including maintenance of existing section of NH-4 from AP/Tamil Nadu Border (Km.134.890) to Nalagampalli village (Km.172.000)	5.5	Andhra Pradesh	Tirupati	4L PS	4	EPC	SD Infra	1.5	13-04-2023
2	4L of Bakarpur Hat (NH19 Bypass) –Manikpur section of NH-139W	38.8	Bihar	Motihari	4L	139W	HAM	RKD Construction Pvt. Ltd.	11.2	03-08-2023
3	4L Elevated Corridor and at-grade improvements from Design Ch:0+000 to Design Ch: 19+870 of Danapur – Bihta Section, Design Ch:0+000 to Design Ch:0+231 connecting the existing RoB near Danapur station ,1.35 Km ramps and at-grade improvements to 4-lane section on Danapur side and Upgradation of existing Two lane carriageway to Four Lane carriageway from Design Ch:19+870 to Design Ch:23+500 of Bihta - Koilwar section	25.1	Bihar	Patna	4L	922	EPC	Ceigall India Limited-YFC Projects Private Limited JV	19.7	13-09-2023
4	4L Greenfield starting from NH-30 near Saristabad (Patna) to Nathupur (Project end point of Patna-Gaya-Dobhi Section of NH-83)	3.9	Bihar	Gaya	4L PS	83	EPC	H.S. Engineers & Associates-Velji Ratna Sorathia Infra Pvt. Ltd. JV	1.0	09-10-2023
5	Long Term measures for 4nos. of Black Spots Locations, Construction of Mandir Hasaud Flyover and Electrical work of 04 nos at Raipur-Aurang section of NH-53 from Km. 239 to Km 282	0.8	Chhattisgarh	Raipur-I	4L	53	EPC	Vishesh Infrastructure Pvt. Ltd.	0.3	24-08-2023
6	Construction of VUP at Km. 51.300 (Baghola) on Delhi-Agra section of NH-2	1.8	Haryana	CMU Mathura	6L	19	EPC	Chaudhary Construction Company Pvt. Ltd.	0.2	18-04-2023
7	Construction of LVUP Design Ch.117.920, LVUP and other related works on Panipat- Jalandhar section of old NH-1 (new NH 44) from Km 96.000 to Km 387.100	1.5	Haryana	Ambala	6L	44	EPC	Kisan Construction Co.	0.1	21-10-2023
8	Construction of Vehicular Underpass (VUP) (6-Lane) 1 No on Hisar-Dabwali section of old NH-10 (new NH-09) from Chainage Km. 217.900 to Km. 218.550	0.7	Haryana	Hissar	4L	09	EPC	Himalayan Infracorp Private Limited	0.1	29-05-2023
9	Construction of Service Road between km.143.400 to km.143.800 (LHS) in Village Kakkar Majra on Yamunanagar - Saha - Barwala - Panchkula Section	0.4	Haryana	Chandigarh	2L	344	Item Rate	N.B.Construction Company	0.0	28-07-2023
10	Construction of Foot Over Bridge (FOB) at Ch. 2.180 near Civil Hospital Ambala Cantt on Ambala - Saha section of NH-444A	0.0	Haryana	Ambala	4L	444A	Item Rate	Satish Aggarwal & Co	0.0	01-09-2023
11	4/6 Lane of Yamunanagar-Saha-Barwala- Panchkula Section of NH-73 from Km.70.830 to Km.115.400 – Treatment of 2 Nos. of	1.9	Haryana	Chandigarh	4L PS	344	EPC	Mahender Singh Contractor	0.3	21-10-2023

S.no	Project Name	Total Length	State	PIU	Lanes	NH (New)	Mode	Concessioner	Total Awarded Cost (INR b)	Loa Date Civil work
	Potential Blackspot locations (1) Karera Khurd, Yamunanagar at km.78.520 and (2) Thana Chapper, Yamunanagar at km.101.228									
12	4L PS bijni to mandi section from Km 202.815 to Km 208.000 of NH-20 (New NH 154) of Pathankot-Mandi (Package-VB)	5.4	Himachal Pradesh	Palampur	4L PS	NH-154	HAM	Gawar Construction Ltd	9.7	16-10-2023
13	Rectification of Black Spots at Gole Mela and Construction of Service Road to Existing VUP at Sangoor on Jammu Udhampur Section of NH-44	1.8	Jammu and Kashmir	Udhampur	2L/4L	44	EPC	Bandh & Co.	0.4	25-05-2023
14	6L Flyover for rectification of Blackspot at km 518.440 (Mouda T-Junction) on Nagpur - Wainganga Bridge Section from km 517.655 to km 519.100	1.4	Maharashtra	Nagpur (PD-1)	6L	53	EPC	Shri Swami Samarth Engineers Ltd.	0.5	11-10-2023
15	Improvement of Existing Alignment of Pandharpur Town (Part Bypassed Section of NH 965 from KM 36.230 to KM 44.230) from Chh. Shivaji Maharaj Chowk to Wakhari	8.0	Maharashtra	Pandharpur	4L PS	965	EPC	AK Shivhare Infrastructure Pvt. Ltd.	0.8	13-06-2023
16	Rehabilitation and Up gradation from 4 to 8 laning of Chandikhole – Paradip Section of NH-53 (Old NH – 5A) from Km.60.000 to Km.76.646 (Package-4)	16.6	Odisha	Chandikhole	8L	53	HAM	Rail Vikas Nigam Limited	8.1	13-07-2023
17	Construction of Steel Truss Bridge at Km. 1+700, 2+450, 3+300 and 3+900 over Sidhwan Canal on 4-lane (Partial Access Controlled) Laddowal Bypass from Km 0.000 to Km 17.041	0.1	Punjab	Ludhiana	3L	5	EPC	Bhullar Constructions	0.2	26-09-2023
18	Construction of the service road from Km.74.220 to Km.75.00 including Minor Bridge at Km.74.361 at Village Fatehpur Distt. SBS Nagar	0.8	Punjab	Jalandhar	Others	344A	Item Rate	Mahipal Construction Co.	0.0	01-05-2023
19	Rectification of Blackspot by Construction of Underpass at Sohal Town on Pathankot - Amritsar Section of NH-15 from Km.6.082 to Km.108.502 at Ch. 43+500	0.9	Punjab	Amritsar	4L	54	EPC	Vijay Kumar Contractor	0.2	01-09-2023
20	Strengthening / Overlaying on Six lane Gurgaon – Kotputli – Jaipur section from Km 188.000 to Km 268.300 of NH 48 (Old NH- 8)	80.3	Rajasthan	Jaipur	6L	48	Item Rate	Patel Infrastructure Limited	4.0	30-06-2023
21	Construction of Trumpet Interchange Connecting Bangalore – Chennai Expressway (km.261+705 to km. 262+800) with Maduravoyal to Walajapet Section of NH 48 near Sriperumbudur Toll Plaza at km. 35+700	1.1	Tamil Nadu	Kanchipuram	4L	E-7 & NH-4	EPC	Jayshree international in JV with Pratap Builders	0.9	11-07-2023
22	Construction of approaches to ROB at Km.51/700 (159-A & B @	1.0	Tamil Nadu	Chengalpattu	8L	NH-32	EPC	SREE Infratech	0.2	21-04-2023

S.no	Project Name	Total Length	State	PIU	Lanes	NH (New)	Mode	Concessioner	Total Awarded Cost (INR b)	Loa Date Civil work
	Km.55/6-10 between (Singaperumal koil, Paralur Stations) in the Tambaram – Tindivanam section of NH-32 (Old NH 45)									
23	Construction of New Double Tier 4L Elevated Corridor from Chennai Port to Maduravoyal in Chennai District from km - 0.342 to Km 20.593 and Package IV from (Km 14.185 to Km 20.593)	6.4	Tamil Nadu	Chennai	4L	NH-48	EPC	J. Kumar Infra Projects limited in JV with AzVirat Limited liability company	7.8	31-07-2023
24	Construction of New Double Tier 4L Elevated Corridor from Chennai Port to Maduravoyal in Chennai District from km - 0.342 to Km 20.593 and Package III from (Km 9.700 to Km 14.185)	4.5	Tamil Nadu	Chennai	4L	NH-48	EPC	J Kumar Infra Projects Ltd.	8.7	31-07-2023
25	Construction of New Double Tier 4L Elevated Corridor from Chennai Port to Maduravoyal in Chennai District from km - 0.342 to Km 20.593 and Package II from (Km 4.604 to Km 9.700)	5.1	Tamil Nadu	Chennai	4L	NH-48	EPC	J Kumar Infra Projects Ltd.	10.2	31-07-2023
26	Construction of New Double Tier 4-lane Elevated Corridor from Chennai Port to Maduravoyal in Chennai District from Km - 0+342 to Km 20+223 Package 1 from (Km - 0+342 to Km 4+604)	4.9	Tamil Nadu	Chennai	4L	NH-48	EPC	J. Kumar Infra Projects limited in JV with AzVirat Limited liability company	9.2	31-07-2023
27	Permanent Rectification of Black Spot TN- (02)-267 & TN-(02)-689 by Constructing a Vehicular Underpass (VUP) (1x20x5.5m) at Km. 48+640 (Selliampalayam) in the project of Salem Ulundurpet Section of NH-79 (Old NH-68)	1.3	Tamil Nadu	Viluppuram	4L PS	79	EPC	VALAR & CO	0.2	30-06-2023
28	Permanent Rectification of Black Spot TN- (02)-538 by Constructing a Vehicular Underpass (VUP) (1x12x5.5m) at Km. 32+450 (Mathur Junction) in the project of Salem Ulundurpet Section of NH-79 (Old NH-68)	1.0	Tamil Nadu	Viluppuram	4L PS	79	EPC	VALAR & CO	0.2	28-06-2023
29	Permanent Rectification of Black Spot TN- (02)-535 & TN-(02)-132 by Constructing a Vehicular Underpass (VUP) (1x12x5.5m) at Km. 66+165 (Sarvay Junction) and Constructing a Light Vehicular Underpass (LVUP) (1x12m x 4m) at Km.67+070 (In-front of Tagore School) in the project of Salem Ulundurpet Section of NH-79 (Old NH-68)	1.9	Tamil Nadu	Viluppuram	4L PS	79	EPC	Mr. P Sivaperumal	0.3	12-04-2023
30	Permanent Rectification of Black Spot TN- (02)-182 by Constructing a Vehicular Underpass (VUP) (1x12x5.5m) at Km. 64+750 (Samiyarkinaru) in the project of Salem Ulundurpet Section of NH-79 (Old NH-68)	0.9	Tamil Nadu	Viluppuram	4L PS	79	EPC	Mr. P Sivaperumal	0.2	12-04-2023
31	Permanent Rectification of Black Spot TN- (02)-377 by Constructing a Vehicular Underpass (VUP) (1x12x5.5m) at Km. 120+500 (Sembimadevi) in the project of Salem Ulundurpet	0.9	Tamil Nadu	Viluppuram	4L PS	79	EPC	Mr. P Sivaperumal	0.2	28-06-2023

S.no	Project Name	Total Length	State	PIU	Lanes	NH (New)	Mode	Concessioner	Total Awarded Cost (INR b)	Loa Date Civil work
Section of NH-79 (Old NH-68)										
32	Improvement of T Junction at Black Spot location TG-02-365 KM 167.200 - 4 (Municipal Madarywada Junction) from (KM. 166.670 to KM. 168.325) on Armoor-Mancherial Section of NH 63	1.7	Telangana	Mancherial	2L/4L PS	63	EPC	Srinivasa Laxmi Construction Co.	0.1	09-05-2023
33	Construction of 6L LVUP at Km. 59.825 (Wangapally-Motakonduru Cross Road) along with Approaches & Service Roads on Yadgiri-Warangal section of NH-163	0.7	Telangana	Warangal	6L	163	EPC	Govin Buildtech Pvt. Ltd.	0.1	19-07-2023
34	4L Kasganj-Badaun Section from Km. 123.100 to Km. 179.500 (Pkg-III) of NH530B	56.4	Uttar Pradesh	Badaun	4L	530B	HAM	G R Infraprojects Limited	10.9	16-06-2023
35	4L Prayagraj Greenfield By-pass from design Km 50+860 (near Nibi Kala Uperhar) to design Km 64+763 on NH-19 (near Khodaypur Kasgaon) including Interchange loop at NH-19	15.0	Uttar Pradesh	Prayagraj	4L PS	RING ROAD	EPC	Joint Stock company Buer(JSC BUER) - oss Construction Private Ltd.(JV)	3.5	19-10-2023
36	4 Lane Inner Ring Road around Allahabad City Pkg-2 (Prayagraj Southern Bypass 43.200 - 50.860)	7.7	Uttar Pradesh	Prayagraj	4L PS	RING ROAD	EPC	GPT Infra Projects Ltd.	7.4	17-10-2023
37	Four/Six laning of Bhaniyawala-Jollygrant- Rishikesh spur section of NH-07 from Km. 0.000 to Km 19.780	19.8	Uttarakhand	Vasant Vihar Dehradun	4L/6L	7	HAM	Brij Gopal Construction Pvt. Ltd.	5.5	18-10-2023

Source: NHAI

NHAI focusing on asset monetization

NHAI has drawn up a list of 46 projects, spanning over 2,612km, for monetization in FY24. Until Oct'23, NHAI has monetized 1,614km of projects for INR264b (excluding TOT bundles 11 & 12) through TOT and 636km of projects for INR102b through InVIT.

In total, NHAI aims to generate up to INR450b through monetization in FY24.

Exhibit 6: TOT bundles bid out by NHAI

Sl. no	Bundle	Date	Length	Value (INR b)
1	TOT Bundle 1	Aug-18	682 km	96.8
2	TOT Bundle 2	Feb-19	586 km	Bid cancelled
3	TOT Bundle 3	Nov-19	566 km	50.1
4	TOT Bundle 4	Sep-20	401 km	Bid cancelled
5	TOT Bundle 5A-1	Jan-21	54 km	10.1
6	TOT Bundle 5A-2	Jan-21	106 km	12.5
7	TOT Bundle 6	Mar-22	108km	Bid cancelled
8	TOT Bundle 7	Mar-22	135km	62.7
9	TOT Bundle 8	Mar-22	139km	Bid cancelled
10	TOT Bundle 9	Apr-22	73km	30.1
11	TOT Bundle 10	Apr-22	125km	Bid cancelled
12	TOT Bundle 11	Oct-23	84km	21.5
13	TOT Bundle 12	Oct-23	316km	44.3
14	TOT Bundle 13	-	110km	Bids submitted
15	TOT Bundle 14	-	110km	Bids submitted

Sources: NITI Aayog, News Articles, MOFSL

NHAI awarded two TOT bundles, 11 and 12, totaling 400 km, at a cost of INR66b in Oct'23. The TOT bundle 11 for the 84km-long Allahabad Bypass on NH19 in UP has been awarded to Cube Highways and Infrastructure Ltd. for INR21.5b. The TOT bundle 12 for the 316 km-long Lalitpur -Sagar -Lakhnadon section that passes through the states of UP and MP has been awarded to IRB Infrastructure Trust for an amount of INR44.3b.

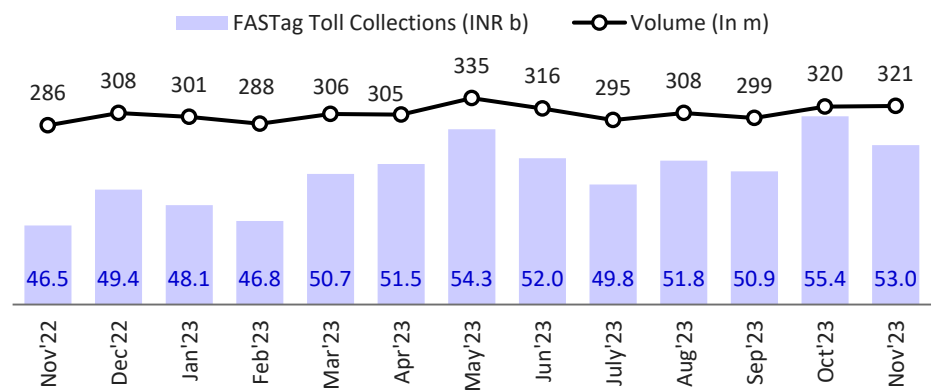
Further, bids have been submitted for Bundles 13 and 14 in Oct'23. The estimated valuation would be ~INR60-70b. Among the roads included in the TOT 13 and 14 packages are:

- the Kota Bypass (NH-76) route spanning 28km
- the Gwalior-Jhansi route (NH-75) spanning 81km
- the Delhi-Meerut expressway (NH-334 DME) covering 60km,
- the Delhi-Hapur section (NH-24 along with a segment of DME) spanning 51km
- the Binjabahal-Teleibani road (NH-6) extending over 79km.

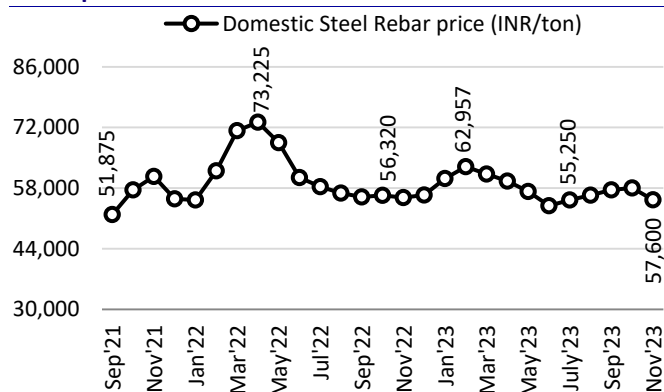
FASTag toll collections continue to gain traction

FASTag toll collections improved 14% YoY during Apr'23-Nov'23, while collection value increased 21% YoY.

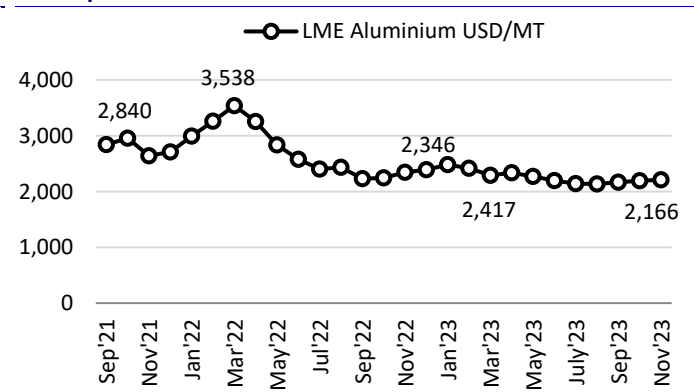
The successful implementation of FASTag has resulted in strong toll collections on highways. Higher toll collections play a crucial role in expediting the monetization process of road assets by the Ministry. Additionally, toll collections benefit the companies seeking to monetize their existing toll assets.

Exhibit 7: FASTag toll collections continues to improve

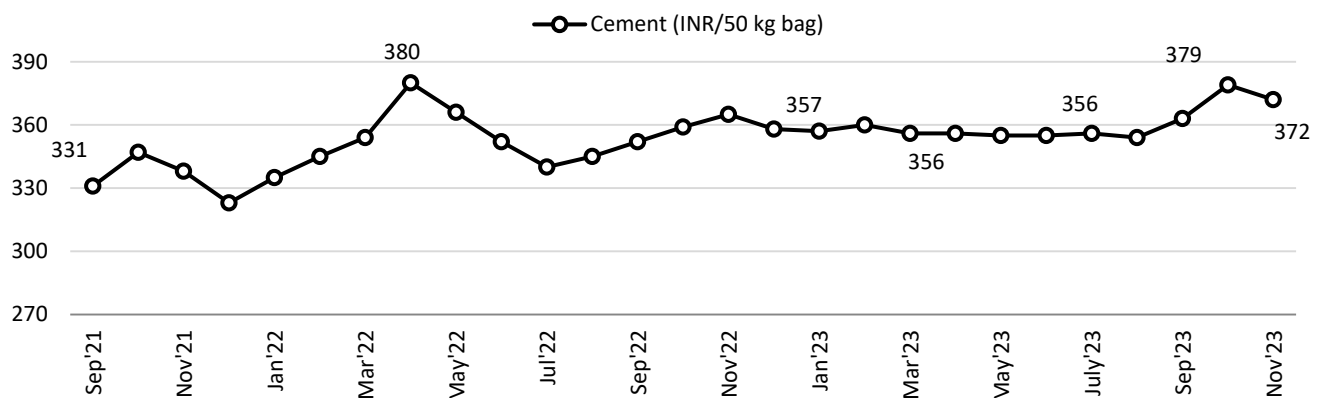
Sources: NPCI, RBI, MOFSL

Moderating commodity prices to aid margins of road developers
Exhibit 8: Domestic steel rebar price (INR/ton) declined ~25% over Apr'22-Nov'23
Exhibit 9: LME Aluminum price (USD/MT) moderated ~32% over Apr'22-Nov'23


Source: MOFSL



Source: MOFSL

Exhibit 10: Cement price (INR/50kg bag) decreased MoM

Sources: MOFSL

Timelines revised for DFCs

The Dedicated Freight Corridor Corporation of India (DFCCIL) has so far commissioned 2,258km of the proposed 2,843km, pertaining to stretches undertaken by the government for both the corridors.

The completion deadline for the Eastern and Western DFCs has been extended to Dec'24 primarily due to delays in land acquisition.

Exhibit 11: Completion status of WDFC and EDFC

Section/packages		Length	Commissioning target	Financial
WDFC				
Rewari-Palanpur	Rewari-Madar	306km	Commissioned	88%
	Madar-Palanpur	353km	Commissioned	
Palanpur-Makarpura		290km	Mar’24	
Makarpura-Sachin		135km	Commissioned	
Sachin-Vaitarna		186km	Mar’24	
Vaitarna-JNPT		109km	Dec’24	
Dadri-Rewari		127km	Commissioned	
EDFC				
Bhaupur-Khurja		351km	Commissioned	92%
Bhaupur-DDU		402km	Commissioned	
DDU -Sonnagar		137km	Commissioned	
Khurja-Dadri		46km	Commissioned	
Pilkhani–Ludhiana		179km	Commissioned	
Khurja-Pilkhani		222km	Commissioned	

Sources: DFCCIL, MOFSL

Exhibit 12: Gol has budgeted to spend INR10t in capex in FY24

Sl. no	Ministry	FY24 Budget capex estimates (INR b)	Actual capex in Apr-Sep'23 (INR b)	% of Actual capex in Apr-Sep to BE
1	Road transport and highways	2,586.1	1563.8	60.5
2	Railways	2,400.0	1426.0	59.4
3	Housing & urban affairs	260.0	120.2	46.2
4	Ports, shipping and waterways	10.7	5.6	52.2
5	Others	4,747.0	1790.6	37.7
Total		10,003.7	4,906.3	49.0

Sources: Controller General of Accounts, MOFSL

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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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,

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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