Motilal Oswal Financial Services

12 March 2025

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	74,102	0.0	-5.2
Nifty-50	22,498	0.2	-4.9
Nifty-M 100	48,763	0.7	-14.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,572	-0.8	-5.3
Nasdaq	17,436	-0.2	-9.7
FTSE 100	8,496	-1.2	4.0
DAX	22,329	-1.3	12.2
Hang Seng	8,755	0.3	20.1
Nikkei 225	36,793	-0.6	-7.8
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	71	0.1	-3.9
Gold ($/OZ)	2,916	0.9	11.1
Cu (US$/MT)	9,639	1.4	11.4
Almn (US$/MT)	2,720	0.4	7.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	87.2	-0.1	1.9
USD/EUR	1.1	0.8	5.5
USD/JPY	147.8	0.3	-6.0
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.7	-0.01	-0.1
10 Yrs AAA Corp	7.4	-0.03	0.2
Flows (USD b)	**11-Mar**	**MTD**	**CYTD**
FIIs	-0.3	-2.21	-15.7
DIIs	0.23	2.89	20.1
Volumes (INRb)	**11-Mar**	**MTD***	**YTD***
Cash	905	937	986
F&O	1,27,415	1,81,954	1,87,580

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Technology: Recovery stuck in second gear

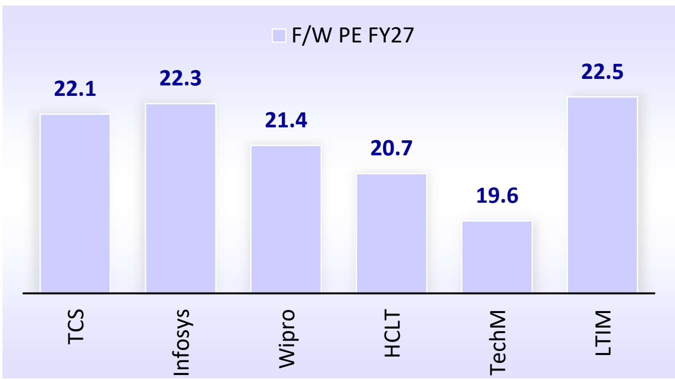
- We argued that discretionary spending could see a revival in US Banking, Healthcare, and Hi-Tech, driven by 1) rate cuts, 2) a business-friendly administration, and 3) pre-GenAI spending.
- Six months on, US rate cut chances have declined, and geopolitical/tariff risks are weighing on stability. Sentiment has turned cautious, with enterprises taking a "wait-and-watch" stance. GenAI adoption is progressing but not yet boosting IT services revenue. Clients are still prioritizing capex over services spending, making FY26 discretionary spending uncertain.
- In this environment, we prioritize correct positioning over predictability, favoring bottom-up transformation and margin-driven stories. We reposition our ratings to reflect this: we downgrade Infosys to Neutral and Wipro to Sell, while we upgrade TechM to BUY. LTIMindtree and TCS remain preferred picks for their risk-reward balance. Among midcaps, we retain our preference Coforge and Persistent, and see the recent correction as an opportunity to buy. We downgrade LTTS to Neutral due to valuation discomfort.

Research covered

Cos/Sector	Key Highlights
Technology	Recovery stuck in second gear
India Strategy	Sharp market correction offers opportunities
Tata Motors	Profit focus intact but global headwinds persist for JLR
Zydus Lifescience	Gears up for expansion into medtech through Amplitude
Healthcare Monthly	Acute therapies impact YoY growth in Feb'25
India Life Insurance	Single-digit growth in private individual WRP in Feb'25

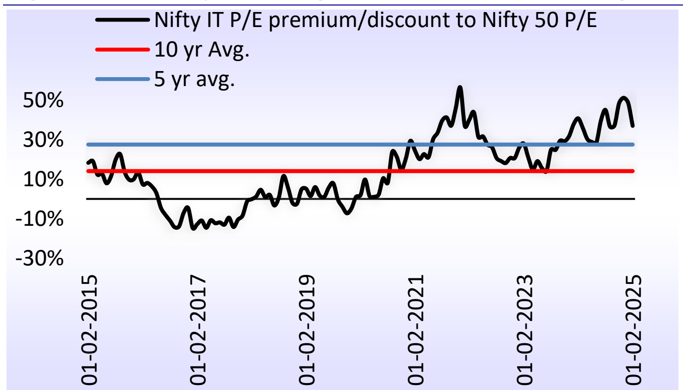
Chart of the Day: Technology (Recovery stuck in second gear)

Large-caps trade at almost same valuations on our FY27 estimates



Source: MOFSL estimates

Nifty IT P/E remains at elevated premium to Nifty P/E despite the recent corrections; its current premium of 37% is still higher than last 5 year average (which includes COVID highs)



Source: Bloomberg, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Bharti Airtel signs pact with SpaceX to bring Starlink's high-speed internet to India

The collaboration explores ways Starlink's satellite-based internet can enhance Airtel's offerings. Additionally, Airtel's market expertise is expected to complement SpaceX's direct-to-consumer and business services in India.

2

PB Fintech to invest Rs 696 crore in arm PB Healthcare Services

The capital infusion would be done to meet its general operating expenses and enhance brand awareness, office presence and strategic initiatives.

3

Godrej Agrovet to acquire remaining stake in Creamline Dairy Products for Rs 930 crore

Godrej Agrovet's board approved the acquisition of the remaining 48.06 percent stake in Creamline Dairy Products, which is set to become a wholly-owned subsidiary of the company.

4

Zydus Life board greenlights acquisition of 85.6% stake in Amplitude Surgical for €256.8 million

Amplitude Surgical holds a leading position in the highly attractive orthopedics market, with a global presence supported by an extensive distribution network.

5

Poly Medicure gets Medical Device Regulation certification for its 54 products in Europe

The MDR certification ensures that these products comply with the European Union's stringent safety, quality, and regulatory standards.

6

CG Power bags Rs 450 crore order to supply railway products for Vande Bharat trainsets

CG Power has secured a significant order for the supply and servicing of railway products, including propulsion kits with motors, transformers, and other components, for the manufacturing of 10 Vande Bharat trainsets.

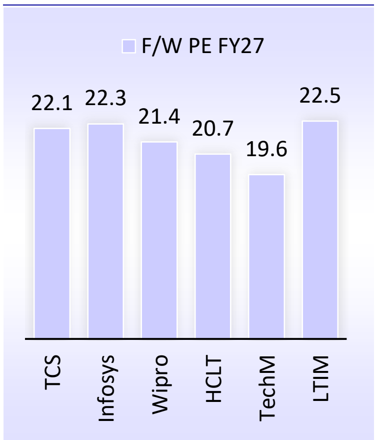
7

Navratna PSU RVNL emerges as lowest bidder for Rs 554.64 crore NHAI project

The project involves the construction of a six-lane access-controlled connectivity road linking Sabbavaram bypass (Anakapalli-Anandapuram corridor) to Sheelanagar junction of NH-516C in Andhra Pradesh.

Technology

Large-caps trade at almost same valuations on our FY27 estimates



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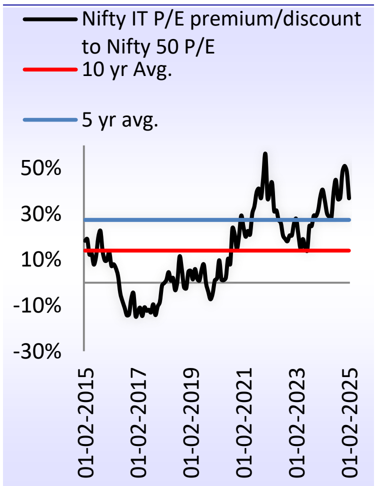


Recovery stuck in second gear

We have argued earlier that discretionary spending could see a revival in select pockets like US Banking, Healthcare, and Hi-Tech, driven by three key factors: 1) the beginning of a rate cut cycle, 2) a business-friendly administration, and 3) the start of pre-GenAI spending.

Six months on, the landscape has shifted. The probability of US rate cuts has diminished, and heightened geopolitical/tariff risks are weighing on short-term stability for US and European enterprises. Sentiment has turned cautious from January to March, with enterprises adopting a "wait-and-watch" approach. While GenAI adoption is progressing, it is not yet moving the needle for IT services revenues. The focus has yet to shift away from capex, and clients are still not prioritizing services spending. This evolving backdrop makes forecasting discretionary spending in FY26 uncertain, and meaningful improvement over FY25 is no longer a given.

In this environment, we prioritize correct positioning over predictability, favoring bottom-up transformation and margin-driven stories over top-down discretionary names. We reposition our ratings to reflect this: we downgrade Infosys to Neutral and Wipro to Sell, while we upgrade TechM to BUY. LTIMindtree and TCS remain preferred picks for their risk-reward balance, whereas HCL's all-weather portfolio makes it relatively resilient. We also trim our growth estimates and reduce target multiples by 15%. Among midcaps, we retain our preference for growth-oriented mid-tier names, Coforge and Persistent, and see the recent correction as an opportunity to buy. We downgrade LTTS to Neutral due to valuation discomfort.

Discretionary recovery slower than expected

- Recent comments from EPAM, Globant, and Endava (Exhibit 4) have dampened hopes for a swift recovery in discretionary spending during 1HCY25. This contrasts with our earlier expectations (3QFY25 preview: Setting the stage for a CY25 revival), when channel checks indicated a revival in short-cycle deals.
- While higher-for-longer interest rates remain a headwind, the bigger concern is rising uncertainty. Clients are likely adopting a wait-and-watch approach as the new US administration's stance on tariffs, along with lingering geopolitical tensions, adds to the volatility and could take time to stabilize.
- While not yet apparent in earnings downgrades (Exhibits 5 to 12), we keep an eye out on earnings estimates for major US sectors.

Positioning, not predicting: We rejig our ratings to reflect uncertainty

- The short-term volatility is likely to delay discretionary spending recovery, prompting us to temper our expectations for a meaningful FY26 rebound, particularly for large-caps.
- We believe getting our positioning right may reap more rewards than predicting when clients resume spending.
- Our preference is for bottom-up transformation/margin recovery stocks, rather than names contingent on a top-down discretionary revival.
- Market expectations of 5-6% CC growth for Infosys could be at risk, and we see TCS coming in lower at ~3.5%. Wipro and Infosys (our EPS estimates are ~7-10% below consensus for Infosys/Wipro) face correction risk, leading us to downgrade our rating to Hold for Infosys and Sell for Wipro.

- While LTIM's new CEO navigates a tough macro, recent corrections in TCS and LTIM improve their risk-reward. HCL's "all-weather" portfolio remains attractive, and we retain BUY.
- We continue to like mid-tier growth names like Coforge and Persistent, which continue to deliver commendable 20%+ earnings growth, with the recent correction offering a good entry point.

Upgrade TechM to BUY

- We initially stayed on the sidelines due to concerns over the street's 15% FY27 EBIT margin estimates, persistent weakness in communications, and the need to assess TechM's BFSI strategy.
- **Key changes:** Street margin expectations are now more reasonable at 14% and the company's BFSI performance has been impressive in the last few quarters with niche offerings. We believe TechM's transformation remains relatively decoupled from discretionary spends **(detailed upgrade thesis on page 7).**
- Transformation under new leadership has only just begun, and sustained margin improvements appear achievable despite near-term headwinds, in our opinion.
- With mid-tier IT peers already operating at 14-15% margins, TechM has the potential to exceed these levels, supporting a longer runway for 15-20%+ EPS CAGR beyond FY27.
- **Key catalysts ahead:** Continued efforts to improve deal quality, right-sizing the workforce, reducing the avg. resource cost, recovery in telecom vertical and sustained TCV growth will be key markers to track in the next 12 months.
- **Key risks:** TechM's reliance on communications and manufacturing is a risk: the communication segment has bottomed out and a sharp recovery looks unlikely, and TechM's automotive ER&D exposure (albeit for US OEMs) is a key risk to growth in FY26E.

Large-cap valuations: Something's got to give

- Almost all six large-cap IT services players today trade at the same valuations – we went back in history to see the last time this happened (Exhibits 22 to 26); TechM and HCL are certainly in uncharted territory, but Infosys and Wipro have not been able to sustain valuation parity in the past.
- We think this valuation setup favors TCS the most. While the growth has been poor over the past 2-3 years, the stock has corrected by 20% over the past six months, and has underperformed most large-cap IT names. As growth becomes uncertain across the board though, we believe TCS could be in business and margin expansion could lead to better or at-par earnings growth to other peers.
- Nifty IT P/E remains at elevated premium to Nifty P/E despite the recent corrections (Exhibit 27); its current premium of 37% is still higher than last 5 year average (which includes COVID highs).

Downgrade Infosys, Wipro on slower-than-expected discretionary revival

- Infosys (up 4% in last one year) and Wipro (up 8% in last one year) have outperformed TCS (down 13%) and Nifty IT (up 1%) during this period, as markets have priced in a recovery in discretionary spends in CY25.
- As this report argues, a conducive business climate in the US and rate cuts have been key assumptions, which look uncertain at least for the short term.
- **We believe there are risks to street's growth estimates**, and accordingly, we downgrade Infosys to Neutral and Wipro to Sell.
- We would revisit our ratings if FY26 guidance surprises us.

Valuations and changes in estimates

- We tweak our growth estimates for FY26 (Exhibit 1). More importantly, we ascribe 10-15% lower multiples to all companies under our coverage to account for short-term uncertainty.
- We prefer HCLT, TechM and TCS in large-caps and continue to like Coforge and Persistent in mid-tier names. Coforge is the only company in our coverage with consistent earnings upgrades – the recent mega deal announcement reinforcing our view. We see the recent correction as an opportunity to buy. We downgrade LTTS to Neutral due to valuation discomfort.

Valuations and changes in estimates

	CMP (INR)	TP (INR)	Upside/ Downside	Earlier Target Multiple	Revised Target Multiple	Earlier YoY cc Gr. (%)		Revised YoY cc Gr. (%)		Earlier EBIT Margin (%)		Revised EBIT Margin (%)		Earlier EPS (INR)		Revised EPS (INR)		EPS Change (%)	
						FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27
TCS	3,575	4,050	13%	30	25	6.2	7.6	3.5	6.7	25.5	26.0	25.7	26.0	152	166	150	162	-1.0	-2.6
Infosys	1,662	1,650	-1%	28	22	7.3	8.3	5.0	7.4	20.9	21.5	21.4	21.5	70	78	69	74	-1.9	-4.0
Wipro	278	240	-14%	22	18	4.1	5.9	2.9	4.2	16.7	16.8	17.0	17.2	12	13	12	13	0.4	-0.4
HCLT	1,568	1,800	15%	28	23	6.6	8.0	5.3	7.3	18.6	18.8	18.5	18.6	70	78	69	76	-1.3	-2.6
TechM	1,479	1,950	32%	25	25	4.4	7.3	3.5	7.4	12.4	13.6	12.2	14.0	63	74	62	75	-1.8	1.8
LTIM	4,654	6,250	34%	31	30	9.1	11.5	8.2	10.1	15.1	15.9	15.0	15.9	182	213	178	207	-2.2	-2.7
MPHL	2,278	2,550	12%	28	23	9.6	10.0	8.5	8.9	15.6	15.8	15.6	15.8	102	113	101	111	-1.1	-2.1
LTTS	4,643	5,100	10%	31	30	18.8	13.7	17.0	12.1	15.0	15.5	15.0	15.5	150	174	148	169	-1.5	-2.8
PSYS	5,240	6,250	19%	55	45	18.5	19.1	18.5	19.1	15.1	15.4	15.1	15.4	114	138	114	138	0.0	0.0
COFORGE	7,632	11,200	47%	43	38	26.1	18.3	30.1	19.6	13.3	14.0	13.3	14.0	227	282	235	295	3.3	4.4
CYL*	1,244	1,175	-11%	18	18	4.2	7.6	4.2	6.1	14.6	14.6	14.1	14.2	64	67	62	64	-3.4	-4.1
ZENT	682	770	13%	23	21	9.1	10.4	9.1	10.4	14.1	14.5	14.1	14.5	32	37	32	37	0.0	0.0

Source: MOFSL; Note: * DET business' USD revenue growth

Changes in stock ratings

Coverage Companies	Earlier Rating	Current Rating
TCS	Buy	Buy
Infosys	Buy	Neutral
Wipro	Neutral	Sell
HCLT	Buy	Buy
TechM	Neutral	Buy
LTIM	Buy	Buy
MPHL	Neutral	Neutral
LTTS	Buy	Neutral
PSYS	Buy	Buy
COFORGE	Buy	Buy
CYL	Sell	Sell
ZENT	Neutral	Neutral

India Strategy

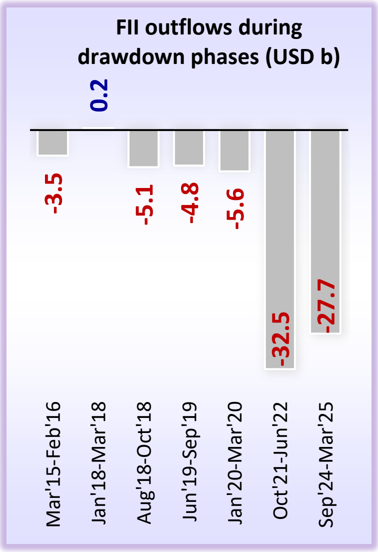
BSE Sensex: 74,102 | **Nifty-50: 22,498**

Sharp market correction offers opportunities

- **Is the market close to a bottom?** Multiple factors suggest that the Indian equities could be in the latter stages of correction unless any extreme unforeseen risk materializes. We believe that the modest earnings growth so far in FY25 should give way to double-digit growth in FY26. Market valuations have eased, especially in large-cap stocks, with Nifty-50 trading at a ~10% discount to LPA. India's fiscal and monetary policies have turned stimulative, which should support demand and sentiment. Nifty-50 has corrected ~16% since late Sep'24, which is close to the median correction and maximum non-black-swan correction of the past 10 years. FII selling of ~USD28b is 85%+ of the highest selling in the past decade. Moreover, the recent global factors that are instrumental in these corrections are also turning around, with the Dollar Index, S&P500 and US bond yield retracing to levels closer to pre-US election results.
- **Buying opportunity emerging in select names:** In this report, we identify key beaten-down names that have corrected meaningfully and currently appear out of favor, but for which our analysts have a strong conviction over their earnings growth, business momentum and quality of business model/management – suggesting that the stock correction likely factors in excessive pessimism. Our top picks identified based on the above criteria are as follows: **Large-caps: RIL, Bharti, Hindustan Unilever, L&T, Maruti, Titan, Adani Ports, Bharat Electronics, LTIM, Shriram Finance, JSW Energy and Polycab; SMIDs: HDFC AMC, Coforge, Page, AU SFB, JK Cements, Ipca, Godrej Properties, Brigade, Angel One, and Happy Forgings**.
- **Stimulative fiscal and monetary policies should help revive demand:** The Indian policy setting is also becoming more accommodative, which should begin to lift demand impulse over the next few quarters. Both the monetary and fiscal policies have pivoted to spur domestic consumption and liquidity. India's Finance Minister, in the FY26 Union Budget, flexed the government policy to stimulate consumption through INR1t worth of budgeted savings for taxpayers.
- **Multiple monetary measures reflect RBI's accommodative stance:** On the monetary front, the RBI recently embarked on a rate-cut cycle after five years (last rate cut was in Mar'20). In the lead-up to the rate cut, the RBI had also been boosting domestic liquidity through various measures such as: 1) CRR cut from 4.5% to 4.0% (INR1.16t), 2) OMO purchases (INR600b), 3) FX swaps (INR450b), and 4) VRR auctions (INR42.2t). On 5th Mar'24, it announced further measures that will potentially infuse liquidity through fresh OMOs (INR1t) and FX swaps (~INR0.9t). Both fiscal and monetary policies have turned more accommodative, which, in our view, will boost the demand impulse and growth over the coming quarters.
- **A perfect storm:** Indian markets have corrected meaningfully over the last five months, with the Nifty-50/Nifty MidCap/Nifty SmallCap down ~16%/21%/24% (as of 4th Mar'25) from their peak. The broad-based correction is mainly attributed to modest 9MFY25 earnings growth, continuous FII selling since Oct'24 (~USD28b), a challenging geopolitical backdrop, and a strengthening

Nifty-50 correction phases

FII outflows during drawdowns



dollar index that has drawn funds away from various markets. The stock-level correction has been even more pronounced, especially for SMID, as weakening earnings growth and elevated valuations coincided with shrinking risk appetite. Nifty MidCap and Nifty SmallCap peak multiples have fallen to ~27x/20x (from ~35x/24x) but remain elevated.

- **Earnings moderated sharply in FY25, improvement likely in FY26:** A slowdown in corporate earnings growth has been one of the key factors behind weak market sentiment, as Nifty-50 has managed only 4% YoY PAT growth in 9MFY25 (vs. a healthy 20%+ CAGR during FY20-24). While 4QFY25 will likely be another weak quarter (Nifty PAT growth likely at 4% YoY), we expect 16%/19% YoY growth in Nifty/MOFSL PAT in FY26E. Although there could be some risk to FY26E earnings in the current backdrop, we believe that growth would still be in double digits. Once the extreme risk aversion and weak sentiment abate, the equity market would be guided by a better earnings growth trajectory in FY26.
- **Current peak-to-trough correction at past-decade median**: Based on our analysis of Nifty-50's correction phases in the past 10 years, it appears that the Indian equity market could be in the latter stages of correction unless some extreme unanticipated risk materializes. Nifty-50 has already corrected 16% in the current peak-to-trough journey, which has been in line with the median 17% dip in the episodes of 10%+ corrections in the Nifty-50 and maximum peak-to-trough dip in non-black-swan episodes over the past decade. Interestingly, the peak Nifty-50 multiple at the start of previous correction phases was higher in several occasions, giving some valuation cushion for large-caps, even as SMIDs trade much above their past 10-year average valuation relative to Nifty. This also corroborates our stance to overweight large caps over SMIDs – our model portfolio has 76% weight on large-caps compared to 16% on mid-caps and 8% on small-caps.
- **When will FII outflows abate/reverse?** Currently, this is the most topical question we have come across in our recent investor interactions. While it is difficult to point out the inflection point, it does appear to us that a large part of FII outflows should be behind. The current bout of FII selling (of ~USD28b) in the past five months has been an outlier. The selling is ~85% of the highest streak of FII outflows (of USD32.5b) seen between Oct'21 and Jun'22. Lower corporate earnings growth and a slowing domestic economy have been key domestic factors, while strengthening US bond yields, rising USD Index and China's AI breakthrough have been key external drivers of the current bout of FII outflows.
- **FII outflows affecting markets but their marginal impact getting smaller:** While Nifty has corrected ~16% in its peak-to-trough journey, the impact of FII flows appears to be more calibrated versus previous episodes. During the 2015-16 phase, FIIs had sold ~USD4b in Indian equities, which led to a 23% market correction. The current bout of FII selling has been ~7x bigger at ~US28b, while the market has corrected ~16%. Even adjusting for Index levels, the intensity of the current bout of FII selling has been ~2.7x of the 2015-16 phase, though market correction has been lower. This reflects a milder impact of FII selling on the Indian market and the increased counterweight of DII inflows, which remained strong at ~USD44b during the current phase of market weakness.

- **India could eventually be a net beneficiary of global realignment:** Any eventual strength in the US economy on back of multi-faceted policy measures, should likely be beneficial for Indian exporters, while US' reciprocal tariff policy may not cast a severe dent, in our opinion. The finance minister had proactively lowered customs duties on some import items in the Union Budget, and the Prime Minister in his recent US trip has indicated a stronger partnership with the US on the energy and defense fronts, which will help to narrow the deficit and assuage US concerns. In addition, the US-China trade standoff should help redirect some global demand requirements toward other countries, including India. Hence, once the dust settles on the initial reaction to the new US administration announcements, we believe FII outflows from Indian equities should start to moderate.

Beaten-down stocks we like after the recent market correction

Company	MCap (USDb)	CMP (INR)	EPS (INR)			EPS CAGR (%)	PE (x)			PB (x)			ROE (%)		
			FY25E	FY26E	FY27E	FY25-27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Largecaps															
Reliance Inds.	193.5	1,238	50.6	61.0	67.9	15.9	24.5	20.3	18.2	2.0	1.8	1.7	8.3	9.3	9.5
Bharti Airtel	113.7	1,630	36.4	45.1	62.5	31.1	44.8	36.2	26.1	8.9	6.7	5.8	22.8	23.0	25.8
Hind. Unilever	59.3	2,248	44.1	49.3	54.1	10.8	51.0	45.6	41.5	10.3	10.2	9.9	20.2	22.4	24.2
Larsen & Toubro	51.1	3,177	106.2	135.4	156.5	21.4	29.9	23.5	20.3	4.5	3.9	3.4	15.9	17.8	17.9
Maruti Suzuki	42.0	11,567	462.3	512.4	573.4	11.4	25.0	22.6	20.2	3.9	3.4	3.1	14.8	15.3	15.2
Titan Company	31.4	3,027	42.8	53.4	63.8	22.1	70.7	56.7	47.4	22.3	17.5	13.9	35.5	34.6	32.7
Adani Ports	28.3	1,143	47.7	58.5	70.0	21.2	24.0	19.5	16.3	4.0	3.4	2.9	17.9	18.8	19.1
Bharat Electronics	23.2	272	6.7	7.8	9.4	18.7	40.7	34.9	28.9	9.8	7.9	6.4	24.1	22.6	22.2
LTIMindtree	16.0	4,671	158.7	182.1	212.8	15.8	29.4	25.7	21.9	6.1	5.3	4.7	22.0	22.2	22.8
Shriram Finance	13.6	626	44.2	52.6	63.6	20.0	14.2	11.9	9.8	2.0	1.8	1.5	15.6	15.8	16.4
JSW Energy	9.8	506	13.7	17.2	18.2	15.4	36.9	29.3	27.7	3.9	3.5	3.2	11.0	12.5	12.0
Polycab India	8.7	4,942	125.0	148.0	174.3	18.1	39.5	33.4	28.4	7.7	6.6	5.6	19.5	19.7	19.9
Midcaps and Smallcaps															
HDFC AMC	9.4	3,750	114.5	130.6	148.7	14.0	32.7	28.7	25.2	10.4	9.5	8.7	33.1	34.7	36.2
Coforge	5.9	7,531	133.9	227.1	282.3	45.2	56.2	33.2	26.7	11.8	10.1	8.5	22.2	32.8	34.5
Page Industries	5.1	39,880	613.6	709.4	841.0	17.1	65.0	56.2	47.4	25.3	21.8	18.7	39.0	38.8	39.5
AU Small Finance	4.6	539	29.7	37.4	48.5	27.7	18.1	14.4	11.1	2.4	2.1	1.8	14.5	15.7	17.3
J K Cements	3.9	4,399	90.4	128.1	169.6	37.0	48.7	34.4	25.9	5.7	5.1	4.4	11.6	15.7	18.1
Ipca Labs.	3.9	1,328	34.3	45.8	56.5	28.3	38.7	29.0	23.5	4.8	4.2	3.6	13.0	15.4	16.5
Godrej Properties	6.9	1,970	51.3	64.4	64.8	12.4	38.4	30.6	30.4	3.1	2.9	2.6	10.4	9.8	9.0
Brigade Enterpr.	2.7	952	37.8	44.1	63.1	29.2	25.2	21.6	15.1	3.3	2.9	2.4	16.2	14.3	17.5
Angel One	2.2	2,043	148.5	160.7	214.6	20.2	13.8	12.7	9.5	3.0	2.6	2.2	28.6	22.2	25.4
Happy Forgings	0.9	831	27.9	33.5	39.2	18.5	29.8	24.8	21.2	4.3	3.7	3.3	15.3	16.1	16.4

Source: Bloomberg, MOFSL

Tata Motors

BSE Sensex	S&P CNX
74,102	22,498

CMP: INR648 | **TP: INR705 (+9%)** | **Neutral**

Profit focus intact but global headwinds persist for JLR

SCV focus for India CVs, servicing focus in India PVs

We met with the TTMT management, and the KTAs of the same are as follows: The house of brands strategy is proving successful, with its top three models now well differentiated. It plans to position the Discovery brand accordingly. Going forward, the focus will be on profitable volume growth, without any major focus on market share. Management has maintained its FY25 guidance, unlike most other OEMs that have issued profit warnings. In the Indian CV segment, while the business has performed well across most parameters, the primary focus would be on regaining lost share in SCVs. In the Indian PV segment, apart from upcoming new launches, the company will focus on improving its service capabilities. However, we continue to remain on the sidelines regarding this company, given the uncertainties around threat from potential US tariff levies, weak global macro conditions, and the ramp-up of margin-dilutive EV business. In the absence of any triggers, we reiterate our Neutral stance with Dec'26E SOTP-based TP of INR705.

JLR — Focus on house of brands pays off

- Management indicated that its house of brands strategy has yielded rich dividends, as it has successfully differentiated its key brands as premium luxury in each of the categories it operates in.
- The strategy has been particularly successful with the RR, RR Sport, and Defender. The Defender, for instance, was earlier priced at an average of GBP45k, which has now increased to GBP60k. Further, the recent differentiated offering in the model, Defender Octa, is priced at almost GBP200k and is expected to be the biggest blockbuster launch in the Middle East.
- Customers in this price segment are willing to pay a significant premium for unique products that stand out as differentiated.
- Management also mentioned that while these three brands have been successfully positioned as aspirational brands for consumers, it is working on positioning the Discovery brand in a similar manner. Additionally, once the Jaguar brand transitions to EV-only, it will be differentiated along similar lines.
- Regarding the remaining products, management indicated that Velar is likely to move to the EMA architecture in 2026. It also needs to consider a differentiated positioning strategy for Evoque.
- Given this aspirational positioning, it is no longer focused on market share targets. JLR will focus on volume/revenue growth, but in a more profitable manner.

Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3681
M.Cap.(INRb)/(USDb)	2715.1 / 31.1
52-Week Range (INR)	1179 / 606
1, 6, 12 Rel. Per (%)	-2/-24/-38
12M Avg Val (INR M)	12302
Free float (%)	57.4

Financial Snapshot (INR b)

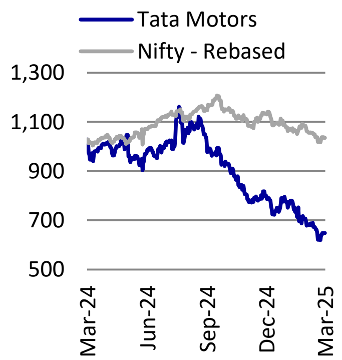
Y/E March	2025E	2026E	2027E
Net Sales	4,480	4,638	4,884
EBITDA	583.8	598.4	633.4
Adj. PAT	241.0	224.0	213.9
Adj. EPS (INR)	65.6	60.9	58.2
EPS Gr. (%)	12	-7	-5
BV/Sh. (INR)	292.2	349.0	402.9
Ratios			
Net D/E (x)	0.1	0.1	0.0
RoE (%)	25.1	19.0	15.5
RoCE (%)	15.4	13.7	12.1
Payout (%)	6.4	6.9	7.2
Valuations			
P/E (x)	9.9	10.6	11.1
P/BV (x)	2.2	1.9	1.6
EV/EBITDA (x)	4.5	4.2	3.8
Div. Yield (%)	0.6	0.6	0.6

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	42.6	42.6	46.4
DII	16.9	16.4	17.4
FII	18.7	20.6	18.6
Others	21.9	20.4	17.6

FII includes depository receipts

Stock Performance (1-year)



Uncertainty surrounding EV adoption in key regions

- Management has indicated that the pace of EV adoption is slowing down in its key markets. Its MLA platform is already flexible between ICE and BEV powertrains. For the Jaguar brand, it is transitioning to an EV-only positioning. Its EV-focused architecture, EMA, may need adjustments if consumer adoption of EVs slows significantly. Further, given the uncertainty around the pace of EV adoption in key markets, the company may need to extend the life of its ICE platforms beyond the originally planned timeline. It may also consider launching new ICE variants in the future. However, even if it proceeds with ICE products, they are unlikely to be capex heavy.
- Management has maintained that capex guidance is likely to remain at current levels going forward.
- The peak of its launch cycle is expected to occur in 2026, by which time it aims to be net debt-free.
- Uncertainty around the impact of tariff barriers persists, and the company will wait to assess whether any material changes to its current business model are necessary as a result.

Region-wise outlook

- JLR is currently experiencing decent growth in Europe, and the UK is also in recovery mode.
- The US is expected to continue witnessing healthy demand moving forward.
- China continues to remain under stress. However, JLR remains the least impacted with a decline of just 3% compared to the industry's decline of 20%+. Its inventory in China is also well under control. Overall, management has indicated that the business has become much more resilient. Once demand in China revives, it is likely to see an improvement in market share.
- The company's focus will be on 'profitable growth'.
- Management has indicated that it will be able to achieve its FY25 guidance, unlike most other OEMs that have issued profit warnings.
- In terms of brands, Jaguar is expected to phase out its ICE variants next year. For Land Rover, it anticipates continued outperformance driven by strong demand for its top three models.

Higher operational costs likely to normalize

- Management indicated that the key reason for the rise in VME has been the high discounts currently offered on Jaguar. The VME for its top three models is just 2-3% of revenues, which is substantially lower than peers. However, the VME for Jaguar and other LR models is much higher. Additionally, given that Jaguar's ICE will be discontinued soon in its ICE avatar, it expects VME to start normalizing in the coming quarters.
- Warranty costs have inched higher and have been disappointing, according to the management. One reason for this is the delay in merging its parts warehouse division, which took much longer than expected. This delay led to the unavailability of spares with dealers, causing customers to wait. Warranty costs were also higher due to the increased mix from the US. In the US, labor costs are on an uptrend, which tends to increase warranty provision costs. Moreover, quality-related issues are more prevalent in models produced before 2021, as the company is seeing minimal issues with models produced after 2021. Further, with the rising mix of software-defined vehicles, warranty provisioning has started to rise, as skilled manpower is required to address issues when they occur.

Update on Indian CVs

- Management has indicated that the CV business has done an excellent job improving market share in key segments, as well as enhancing profitability and returns.
- It has seen strong market share growth in the bus segment, a category it previously did not focus on, and expects the bus business to continue performing well.
- Additionally, the spare parts and digital businesses are on the right track.
- However, the SCV division performance has been disappointing, and the company is now focused on getting it back on track by FY26. Management indicated that it has been losing share in this segment due to the poor execution of its plans. It intends to appoint a new leader for this business soon, who will be responsible for turning around this segment going forward.

Update on Indian PVs

- TTMT has indicated that it will look to relaunch/reposition Curvv during the upcoming IPL. It acknowledged that it has not communicated the brand's positioning effectively in this case.
- It is also looking to launch a variant of Altroz to help reverse the declining sales of the model.
- Soon, it will begin branding campaigns around the Harrier EV launch.
- Beyond this, the Sierra is expected to be launched during the upcoming festive season, which management anticipates will be one of its most exciting launches of the fiscal year.
- Management has indicated that it is not concerned about the rising number of EV launches in the market. In fact, it expects EV adoption to pick up, with many large OEMs preparing to launch EVs. According to management, the only EV that appears to be standing out as key competition is Windsor, whose positioning is seen as highly competitive.
- Management has also indicated that it expects TTMT's EV contribution to increase to 20% in the coming fiscal year, with further growth to 30%. However, it believes that an EV contribution of around 15% will be sufficient to meet the upcoming CAFÉ norms.

Key focus remains on bringing service capabilities up to par

- Management indicated that while most of its products are well positioned, there is a need to enhance the service capabilities of its outlets.
- Given the rise in its market share without a corresponding increase in servicing throughput, customers are now facing challenges in receiving timely service.
- It plans to encourage dealers to invest in service capabilities, emphasizing that it aligns with their long-term interests.
- Additionally, it may consider separating the channels between mass market and premium brands at a later stage.

Other highlights

- PV demand remains weak, primarily due to the high base of the industry.
- Management has indicated dissatisfaction with the PV contribution margin, indicating that its EBITDA margin is at least 300bp lower than its desired level.

Zydus Lifescience

BSE SENSEX	S&P CNX
74,102	22,498

CMP: INR900 TP: INR950 (+6%) Neutral

Stock Info

Bloomberg	ZYDUSLIF IN
Equity Shares (m)	1006
M.Cap.(INRb)/(USDb)	905.5 / 10.4
52-Week Range (INR)	1324 / 855
1, 6, 12 Rel. Per (%)	-2/-9/-10
12M Avg Val (INR M)	1794
Free float (%)	25.0

Financials Snapshot (INR b)

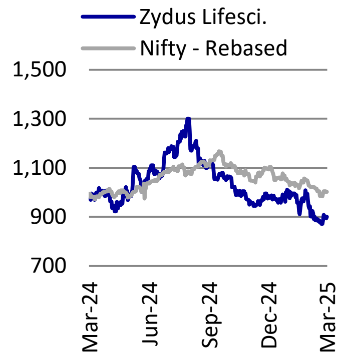
Y/E MARCH	FY25E	FY26E	FY27E
Sales	228.5	257.2	268.6
EBITDA	66.7	74.7	67.3
Adj. PAT	44.8	49.2	43.4
EBIT Margin (%)	25.2	25.1	21.0
Cons. Adj. EPS (INR)	44.5	48.9	43.2
EPS Gr. (%)	18.3	9.8	-11.7
BV/Sh. (INR)	252.6	294.4	330.5
Ratios			
Net D:E	-0.1	-0.3	-0.3
RoE (%)	19.8	17.9	13.8
RoCE (%)	18.6	16.7	13.1
Payout (%)	13.0	11.9	13.4
Valuations			
P/E (x)	20.2	18.4	20.9
EV/EBITDA (x)	13.0	11.1	11.8
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	3.5	5.0	4.9
EV/Sales (x)	3.8	3.2	2.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	75.0	75.0	75.0
DII	10.7	10.7	13.0
FII	7.5	7.5	5.0
Others	6.8	6.9	7.0

FII Includes depository receipts

Stock Performance (1-year)



Gears up for expansion into medtech through Amplitude

- **Zydus Lifesciences has entered into exclusive negotiations to acquire Amplitude Surgical, extending its scope of business in the medtech segment.**
- **Amplitude delivered 5% YoY growth in sales for six months ending in Dec'24, with EBITDA margin of 25.4%. The acquisition would be at 4x EV/12M sales and 15.7x EV/12M EBITDA.**
- **The acquisition is a part of Zydus' priority verticals in the medtech segment to build its global presence.**
- **Zydus is enhancing its existing growth levers such as a) differentiated product pipeline/manufacturing for US generics, b) day-1 launches/next generation drug delivery platforms for India market, and c) niche product pipeline in biosimilar, vaccine and NCE segments. Zydus is further adding growth levers in its medtech segment (cardiology, nephrology, orthopaedics). However, considering stable earnings over FY25-27, we maintain Neutral rating on the stock.**

Amplitude – In-house R&D/manufacturing/marketing/distribution company

- Amplitude is a leading French company for lower-limb orthopaedics. It develops and markets high-end products for orthopedic surgery covering the main disorders affecting the hip, knee and extremities, and notably foot and ankle surgery.
- Amplitude's revenue has been stable at EUR106m and EBITDA posted a 5% CAGR to EUR27m over the past five years ending in Jun'24. Over the past six months, it delivered 5% YoY growth in revenue to EUR51m with EBITDA of EUR13.8m.
- Amplitude's 60% of revenue comes from knee-related products and 33% from hip-related products.
- Its assets include a manufacturing plant (60-65% utilization) and an international logistics center.

Transaction to be completed by Jun'25

- Zydus will acquire a 100% stake in Amplitude for a cash consideration of EURO300m (INR28.5b), comprising a block acquisition of an 85.6% stake at EUR6.25 per equity share (EURO256.8m) and the remaining 14.6% stake at EURO6.25 per equity share (EURO43.2m) after the completion of the block acquisition.
- It is expected that the block acquisition would be completed and the offer would be filed with the French market authority (AMF) by June'25.
- The said transaction is done at an EV/EBITDA of 15.7x of 12M EBITDA.
- The acquisition will be funded through a mix of internal accruals and external financing.

Global Orthopaedics – Decent market size with concentrated market share

- Orthopaedics is a USD45b market globally, which has clocked a 3.7% CAGR over FY16-24.
- Of the total orthopaedics market, knees and hips represent ~31% market share.
- Going ahead, the global orthopedics market is expected to see a 4.1% CAGR to USD60b over FY24-30, driven by technological advancements, a demographic shift, an increase in healthcare expenditures, and a regulatory landscape promoting innovation and quality.

Aims to establish global presence in other key segments in med-tech

- **Cardiology (product launches, inorganic opportunities)**: Zydus plans to build a presence in interventional cardiology. It has acquired a manufacturing facility of Nano Therapeutics in 2024, located at Surat, Gujarat. It plans to expand its portfolio through new launches and partnerships.
- **Nephrology (product pipeline)**: Zydus plans to focus on the nephrology segment to address the growing burden of chronic kidney diseases globally and establish a dialyzer manufacturing plant to produce high-end membranes.

Valuation and view

- ZYDUSLIF continues to work on limited-competition products such as gPalbociclib and g-riociguat to improve its outlook over FY25-28.
- It is working on a few NDA drugs that are in various stages of clinical trials, viz. CUTX101, Saroglitazar with PBC indication, Unsoflast, and a few other drugs, which would drive growth over FY26-27.
- Apart from these products, Zydus has a pipeline of 25 products (incl 3 ADCs) in the biosimilar segment, as well as 20+ vaccine products across platforms.
- Further, Zydus is expanding its scope of business in the medtech space, specifically in cardiology, nephrology and orthopaedics.
- Amplitude provides foundation through a presence in product development, manufacturing and distribution.
- While medtech ventures would play out over the medium to long term, we expect earnings to remain stable over FY25-27 due to competitive pressures in g-Revlmid and efforts to enhance the product pipeline. Maintain Neutral on the stock.

Performance of top companies in Feb

Company	MAT growth (%)	Feb'25 (%)
IPM	7.4	4.1
Abbott*	8.7	5.6
Ajanta	10.4	4.6
Alembic	0.1	-4.7
Alkem*	4.7	4.0
Cipla	6.3	5.3
Dr Reddys	9.0	3.2
Emcure*	4.5	0.1
Eris	4.7	-0.9
Glaxo	0.5	-5.1
Glenmark	11.5	8.1
Intas	10.5	6.0
Ipca	13.3	10.9
Jb Chemical*	11.6	10.0
Lupin	7.4	5.2
Macleods	5.4	3.3
Mankind	7.2	5.3
Sanofi	3.6	-5.5
Sun*	9.9	7.8
Torrent	8.0	3.6
Zydus*	8.4	8.2

Acute therapies impact YoY growth in Feb'25

- The India pharma market (IPM) grew 4.1% YoY in Feb'25 (vs. 7.8% in Feb'24 and 8.5% in Jan'25).
- The growth was driven by strong outperformance in Cardiac/Gastro/Urology vs. IPM by 300bp/370bp/540bp.
- Acute therapy YoY growth stood at 3% in Feb'25 (vs. 5% in Feb'24 and 8% Jan'25 each) owing to seasonality effects.
- For the 12 months ending in Feb'25, IPM grew 7.4% YoY, led by price/new launches/volume growth of 4.3%/2.3%/0.8% YoY.
- Out of the top 10 brands, Electral/PAN clocked a growth of 44%/20% YoY to INR820m/INR550m in Feb'25.
- During Jan'25, Mixtard/Augmentin witnessed a decline of 14%/9% to INR590m/INR760m.
- Out of the top 40 brands, Alburel/Rybelsus/Electral grew more than 25% in Feb'25.

IPCA/JB Chemicals/Zydus outperform in Feb'25

- In Feb'25, among the top-20 pharma companies, IPCA (up 10.9% YoY), JB Chem (up 10% YoY), and Zydus (up 8.2% YoY) recorded higher growth rates vs IPM.
- Alembic (-4.7%) and Glaxo (-5.5%) were the major laggards.
- IPCA outperformed IPM, led by strong double-digit growth across key therapies, like Pain/Cardiac/Antineoplast/Gastro.
- JB Chemicals outperformed IPM, led by strong show in ophthal/cardiac.
- Zydus outperformed IPM, led by double-digit growth in Cardiac/Anti-infective/Antineoplast.
- IPCA reported industry-leading volume growth of 5.4% YoY on the MAT basis. Torrent reported the highest price growth of 6.9% YoY on MAT basis. Eris posted the highest growth in new launches (up 4.0% YoY).

Cardiac/Gastro/Derma/Urology led YoY growth on MAT basis

- On the MAT basis, the industry reported 7.4% growth YoY.
- Chronic therapies posted 5% YoY growth, while acute therapies clocked 3% YoY growth in Feb'25.
- Cardiac/Gastro/Derma/Urology grew 11.3%/8.9%/9.4%/13% YoY. Respiratory/Anti-infectives/Gynae underperformed IPM by 530bp/340bp/400bp.
- The acute segment's share in overall IPM stood at 61% for MAT Feb'25, with YoY growth of 6.2%. The chronic segment (39% of IPM) grew 9.3% YoY.

Domestic companies outperform MNCs in Feb'25

- As of Feb'25, Indian pharma companies hold a majority share of 84% in IPM, while the remaining is held by multi-national pharma companies (MNCs).
- In Feb'25, Indian companies grew at 4.3%, while MNCs grew 3.2% YoY.
- In MNCs, Abbott registered the highest growth of 5.6% YoY, while Sanofi/Glaxo registered a decline of 5.5%/5.1% in Feb'25.

Insurance Tracker

Single-digit growth in private individual WRP in Feb'25

Industry's individual WRP declines YoY, dragged down by a significant decline reported by LIC

- **In Feb'25, the individual weighted received premium (WRP) growth for private players was tepid at 1.6% YoY. The life insurance industry witnessed a 4.3% YoY decline in WRP, owing to a 17.4% YoY decline for LIC.**
- **Among listed players, individual WRP for MAXLIFE witnessed the fastest growth of 9.5% YoY, while HDFCLIFE posted 1% YoY growth. IPRULIFE/SBILIFE reported a decline of 13%/1%. Bajaj Allianz witnessed flat performance.**
- **The industry's new business premium declined 11% YoY in Feb'25 owing to a 22% YoY decline reported by LIC, while private players reported growth of 3% YoY.**
- **In terms of new business premium, HDFCLIFE/IPRULIFE/Bajaj Allianz reported growth of 24%/5%/3%, while SBILIFE/MAXLIFE reported a decline of 18%/6% YoY.**
- **Premium growth has been tepid since the implementation of surrender value regulations in Oct'24 and witnessed a decline after 11 months. We expect premium growth to remain volatile in the near term and to recover in the medium term as these changes become favorable for customers. HDFCLIFE and SBILIFE are our preferred picks in the space.**

Individual WRP and YoY growth (%)

Individual WRP, INR m	Feb'25	YoY gr. (%)
Grand Total	**93,641**	**-4.3%**
Total Private	**68,724**	**1.6%**
LIC	**24,917**	**-17.4%**
HDFC life	11,999	0.9%
SBI Life	11,809	-0.9%
ICICI Prudential	7,308	-12.7%
Max Life	7,200	9.5%
Tata AIA	6,580	4.9%
Bajaj Allianz	6,130	0.3%
Birla Sun life	3,563	29.6%
Kotak Life	3,261	-8.4%

Source: LI Council, MOFSL

Individual WRP market share of private players improves MoM

- The market share of private players increased ~130bp MoM to 73.4% in Feb'25, and on YTD basis, the market share of private players was at 70.8%.
- For Feb'25, HDFCLIFE was at the top with 12.8% market share in individual WRP, followed by SBILIFE at 12.6% and IPRULIFE at 7.8%.
- On an unweighted premium basis also, HDFCLIFE was the largest private player with a market share of 10.7%, followed by SBILIFE at 7.3%and IPRULIFE at 6.2%.

Performance of key private players

On an individual WRP basis, the combined market share of private listed players – SBILIFE, HDFCLIFE, IPRULIFE, and MAXLIFE – accounted for 59% of the private insurance industry and 41.8% of the overall industry as of YTDFY25. Among other prominent private insurers, TATA AIA and Bajaj Allianz have a market share of 6.9% and 5.8%, respectively, in YTDFY25.

Among key listed players on the basis of individual WRP –

- **HDFCLIFE** grew 1% YoY in Feb'25 (up 20% YoY in YTDFY25). The total unweighted premium grew 23.5% YoY (up 14% YoY in YTDFY25).
- **SBILIFE** declined 1% YoY in Feb'25 (up 13.2% YoY in YTDFY25). The total unweighted premium declined 18% YoY (down 6.4% YoY in YTDFY25).
- **IPRULIFE** declined 12.7% YoY in Feb'25 (up 22.3% YoY in YTDFY25). The total unweighted premium was up 5.3% YoY in Feb'25 (up 26.4% YoY in YTDFY25).
- **MAXLIFE** grew 9.5% YoY in Feb'25 (up 21.9% YoY in YTDFY25). The total unweighted premium declined 6% YoY in Feb'25 (up 12.7% YoY in YTDFY25).

IndusInd Intl Holdings: Promoters have always supported the bank, irrespective of stock price; Ashok Hinduja, Chairman

- Indusind mgmt. has handled other problems quite well over the last many months
- Difficult to address why the issue was not disclosed earlier; have become aware of situation only now
- Request shareholder not to panic; these are routine problems
- Have full trust & support to the institution; market should appreciate when mgmt. is transparent to acknowledge problem
- Should give opportunity to the mgmt. to clarify this issue in media
- Believe Sumanth Kathpalia will have fair answers on this issue.

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Dixon Tech: Can EMS cos continue their stellar growth for next 3-5 years? Will reciprocal tariffs hit EMS space? ; Saurabh Gupta, CFO

- Confident of growth given market conditions
- Co expects to maintain a revenue growth rate of 35-40% for the next three to four years
- More focus on Backward integration will lead to margin expansion
- Concerns about U.S. tariffs, but believe India has a competitive edge over China in electronic manufacturing

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Shree Cement : Demand is very good in the cement sector, with 7-8% growth expected in FY25; HM Bangur, Chairman of Shree Cement

- Cement industry anticipates a 7-8% growth rate for the year, driven by a robust housing market
- North experiencing high demand and less capacity, while the South grapples with oversupply.
- Last quarter of the fiscal year is expected to witness a surge in government spending, positively impacting cement demand.
- Cement industry is poised for more consolidation, which can lead to lower costs and increased efficiency.

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Nazara Technologies: The sale of Openplay to moonshine will streamline the gaming business; Nitish Mittersain, Joint MD & CEO

- Sold its open play stake to Poker Bazi, consolidating its Real Money Gaming operations.
- Greater uncertainty about tariffs and the repatriation of potential supply chains
- Co is focusing on profitable international marketing efforts, particularly in the U.S. market.
- Co maintains a clean balance sheet with no anticipated impairments in its core businesses.

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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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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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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