Quess Corp

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	QUESS IN
Equity Shares (m)	149
M.Cap.(INRb)/(USDb)	36.7 / 0.4
52-Week Range (INR)	379 / 232
1, 6, 12 Rel. Per (%)	-9/-32/-34
12M Avg Val (INR M)	238

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	156.6	178.8	199.9
EBITDA Margin (%)	2.0	2.0	2.1
Adj. PAT	2.2	2.5	2.9
Adj. EPS (INR)	14.8	16.7	19.2
EPS Gr. (%)	(2.4)	12.9	14.7
BV/Sh. (INR)	83.0	71.4	61.6
Ratios			
RoE (%)	21.8	28.5	37.9
RoCE (%)	25.8	33.0	43.7
Payout (%)	108.1	95.7	83.4
Dividend Yield (%)	6.5	6.5	6.5
Valuations			
P/E (x)	16.6	14.7	12.8
P/BV (x)	3.0	3.4	4.0
EV/EBITDA (x)	10.6	9.3	8.0
EV/Sales (x)	0.2	0.2	0.2

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	56.9	57.0	56.6
DII	9.8	8.7	11.0
FII	14.1	14.6	15.8
Others	19.2	19.7	16.6

FII includes depository receipts

CMP: INR246 TP: INR280 (+14%) Neutral

Not out of the woods yet

2H to mirror 1H performance; margins peak out

- Quess Corp's revenue was up 5% QoQ/3% YoY in 2QFY26, largely in line with our expectation of 6.3% QoQ growth. EBITDA margin was up 13bp YoY at 2%, in line with our estimate. Adj PAT rose 2% QoQ to INR520m. In 1HFY26, revenue/EBITDA/adj. PAT grew 2.6%/10.5%/4.5% YoY. In 2HFY26, we expect revenue/EBITDA/adj. PAT to grow 6.5%/31.0%/7.3% QoQ. Limited growth triggers in the core general staffing (GS) business and muted operating leverage amid a slower scale-up in professional staffing (PS) and overseas businesses keep us on the sidelines. We reiterate our **Neutral** rating with a TP of **INR280**, valuing the stock at **17x Jun'27E EPS.**

Our view: PS business growth a key monitorable

- **GS recovery on expected lines:** We believe GS continues to stabilize after past one-offs like the NBFC ramp-down, aided by festive demand across Manufacturing, BFSI, and Consumer-Retail-Telecom (CRT) segments. Net additions of 21k reflect improving demand visibility, supported by macro tailwinds such as rate cuts, GST 2.0, and lower taxes. Management aims to sustain 10-15k net adds QoQ and guides that 2H will remain broadly similar to 1H, which we view as a steady but not accelerating growth trajectory.
- Margins were stable at 1.4%, with PAPM in the INR670-680 range. In our view, while execution and collections remain robust, the rising dependence on Tier-3/4 sourcing keeps the business operationally intensive, which could constrain both margin expansion and productivity gains.
- **Professional segment remains resilient:** PS delivered 220bp margin improvement QoQ, supported by the rationalization of low-margin contracts and healthy GCC demand. Although one client issue impacted revenue (~INR300m), the margin mix improved. With 73% of headcount now tied to GCCs and a visible mandate pipeline, growth should remain steady. In our view, the early focus on GCCs and niche roles has helped insulate this segment from broader softness in IT hiring.
- However, the segment's scale (6-7% of revenue) remains modest relative to GS, and the near-term contribution from 'Origint', despite healthy traction, is unlikely to materially move the needle for overall profitability.
- **Margins at peak levels; upside capped:** Quess delivered its highest-ever EBITDA (INR770m, 2% margin, up 10bp QoQ), led by a richer mix from PS and overseas operations (~50% of total EBITDA). However, the company has reiterated its target of exiting FY26 at a 2% margin, which is in line with what we have built into our numbers and suggests limited upside from these levels. We see little headroom for margin expansion in FY27 unless high-margin PS business scales meaningfully faster than GS.

Keval Bhagat - Research analyst (Keval.Bhagat@MotilalOswal.com)
Research analyst: Abhishek Pathak (Abhishek.Pathak@MotilalOswal.com) | **Tushar Dhonde** (Tushar.Dhonde@MotilalOswal.com)

Valuation and change in estimates

- We estimate revenue growth of 4.6%/14.2% in FY26/FY27, with stable EBITDA margins of ~ 2%.
- We believe growth triggers in the core GS business remain limited, as the segment is already operating with high sourcing intensity and limited pricing flexibility. The PS segment continues to perform well but remains too small to offset GS cyclicality in the near term.
- Additionally, the company's dependence on Tier-3/4 sourcing and slower overseas scale-up could constrain operating leverage, keeping margin expansion muted. **We reiterate our Neutral rating** with a TP of INR280, valuing the stock at 17x Jun'27E EPS.

In-line revenue and margins; gross additions at 115k

- Revenue was up 5% QoQ/3% YoY, in line with our expectation of 6.3% QoQ.
- GS grew 3% YoY. PS grew 11% YoY. Overseas business was up 3% YoY.
- EBITDA margin was up 13bp YoY at 2%, in line with our expectations.
- Adj PAT was up 2% YoY at INR520m.
- Gross additions stood at ~115k employees in 2Q. Industrials, BFSI and Retail were among the top recruiting sectors.
- In GS, 72 new contracts were added, while 18 new were added in PS.

Key highlights from the management commentary

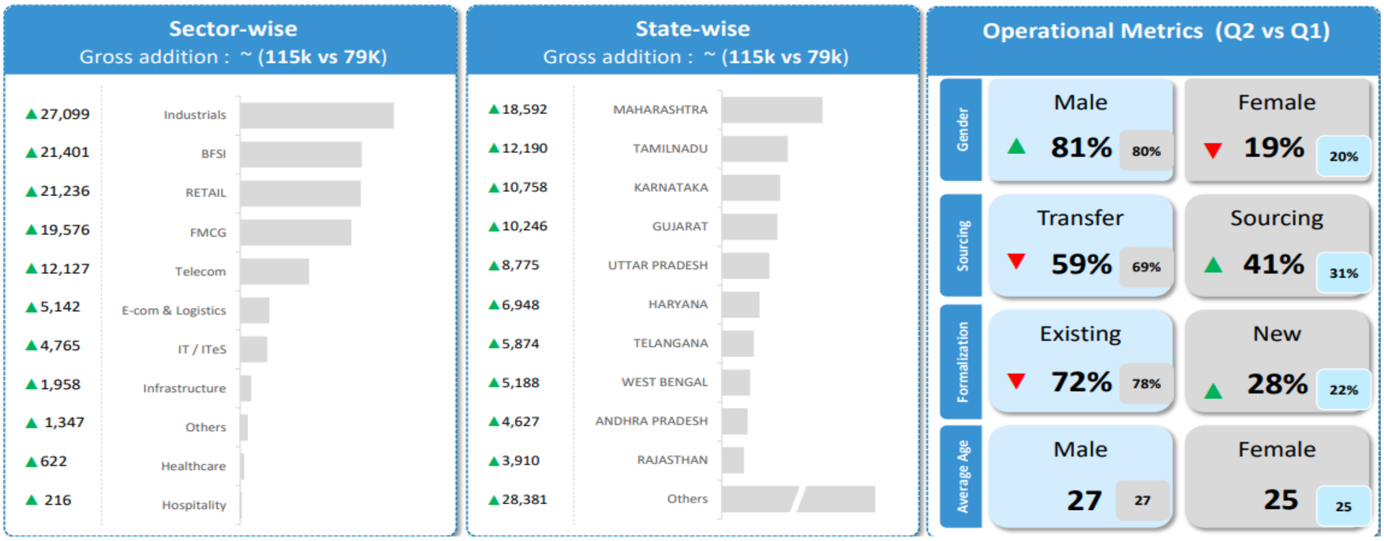
- Over the last 2-3 quarters, Quess focused on stabilizing after one-off events such as the NBFC ramp-down, with efforts in 1H directed toward recovering volumes in GS.
- Festive hiring momentum led to higher net additions, supported by seasonal demand in Manufacturing, BFSI, and CRT segments. The season benefitted from macro tailwinds such as repo rate reduction, lower tax rates, and GST 2.0. The company remains confident of repeating its 1H performance in 2H.
- Strong execution in collection efficiency continues, with dominance in the 'collect-and-pay' model. Cash conversion remains stable.
- CRT remains a mature segment with a healthy pipeline and sourcing funnel. While Telecom hiring is muted, Retail and E-commerce continue to grow.
- Manufacturing is growing faster than other sub-segments.
- **PS** remains a high-growth, high-margin business within the portfolio, maintaining margins at 12.2%. Margins are expected to remain stable at low double digits.
- Around 73% of headcount is tied to GCC projects across digital, telecom, and technology roles.
- Broad-based strength observed across the Middle East and Malaysia, with growth in both IT and non-IT verticals. The Philippines also delivered a strong quarter.

Consolidated - Quarterly

Y/E March	FY25				FY26E				FY25	FY26E	Est.
	1Q*	2Q*	3Q*	4Q*	1Q*	2Q	3QE	4QE			2QFY26
Net Sales	**35,869**	**37,048**	**40,191**	**36,564**	**36,514**	**38,316**	**40,061**	**41,691**	**1,49,672**	**1,56,582**	**38,828**
YoY Change (%)	-22.0	-22.0	-17.0	-25.5	1.8	3.4	-0.3	14.0	9%	5%	NA
Total Expenditure	35,236	36,355	39,567	35,891	35,817	37,549	39,240	40,798	1,47,049	1,53,405	38,043
EBITDA	**632**	**693**	**625**	**674**	**697**	**767**	**820**	**892**	**2,623**	**3,177**	**785**
Margins (%)	1.8	1.9	1.6	1.8	1.9	2.0	2.0	2.1	1.8	2.0	2.0
Depreciation	106	105	99	102	105	102	131	131	412	470	123
EBIT	**526**	**588**	**525**	**572**	**592**	**665**	**689**	**761**	**2,211**	**2,707**	**662**
Margins (%)	1.5	1.6	1.3	1.6	1.6	1.7	1.7	1.8	1.5	1.7	1.7
Interest	106	97	92	91	99	131	110	110	386	470	125
Other Income	64	14	49	109	47	40	42	42	236	172	37
PBT before EO expense	**483**	**505**	**482**	**591**	**541**	**575**	**621**	**693**	**2,061**	**2,410**	**574**
Recurring Tax	-6	-4	4	-35	12	57	62	69	-41	201	52
Rate (%)	-1.3	-0.8	0.8	-5.9	2.3	9.9	10.0	10.0	-2.0	8.3	9.0
MI & P/L of Asso. Cos.	-0.4	0.5	0	0	1	2	0	0	1	3	0
Adjusted PAT	**490**	**508**	**478**	**625**	**528**	**516**	**559**	**624**	**2,101**	**2,206**	**522**
Extraordinary items	-1	3	61	1,580	19	0	0	0	1,643	19	0
Reported PAT	**491**	**505**	**417**	**-955**	**509**	**516**	**559**	**624**	**458**	**2,188**	**522**
YoY Change (%)	2.6	-29.7	-34.8	-201.2	3.8	2.1	34.1	-165.4	-66%	378%	NA
Margins (%)	1.4	1.4	1.0	-2.6	1.4	1.3	1.4	1.5	0.3	1.4	1.3

*Note: FY25 figures are re-stated for Demerger.

Exhibit 1: 2QFY26 hiring snapshot



Source: Company, MOFSL

CONFERENCE CALL

Key highlights from the management commentary

2QFY26 performance

- Over the last 2-3 quarters, the focus was on stabilizing after one-off events such as the NBFC ramp-down, with efforts in 1H directed towards recovering volumes in GS.
- Festive hiring momentum led to higher net additions, supported by seasonal demand in Manufacturing, BFSI, and CRT segments. The season benefitted from macro tailwinds such as repo rate reduction, lower tax rates, and GST 2.0. The company remains confident of repeating its 1H performance in 2H.
- Both sourcing and sales engines are mature. Net additions stood at 21k in the quarter, with an aim of delivering 10k-15k net adds QoQ in the upcoming quarters, translating into single-digit annual growth.

- Strong execution in collection efficiency continues, with dominance in the ‘collect-and-pay’ model. Cash conversion remains stable.
- Sourcing remains an intensive activity. The core-to-associate ratio is slightly declining, with 67% of demand now from Tier 3/4/5 cities and the rest from Tier 1/2. Quess continues to invest in sourcing as timely deployment remains key.
- CRT remains a mature segment with a healthy pipeline and sourcing funnel. While Telecom hiring is muted, Retail and E-commerce continue to grow.
- **GS mix:** (1) CRT and BFSI comprise large-volume, flat-fee and collect-and-pay businesses with limited sourcing needs; (2) Manufacturing and Consumer segments grew 30% YoY and yielded higher gross margins than traditional business. As the mix shifts, overall margins are expected to improve.
- Two emerging businesses: (1) value-added, tech-backed platform business, and (2) construction segment — a high-GM and EBITDA business, currently contributing ~8% to overall EBITDA. Plans to improve this mix over the next 1–2 years.
- Manufacturing is growing faster than other sub-segments.
- **PS segment** remains a high-growth, high-margin business within the portfolio, maintaining margins at 12.2%. Margins are expected to remain stable at low double digits.
- Around 73% of headcount is tied to GCC projects across digital, telecom, and technology roles.
- A large portion of revenue comes from the MSP program (pass-through business where headcount is not on Quess payroll). One client issue led to ~INR300m in revenue loss, impacting revenue per associate but improving margins.
- Open mandates provide confidence for continued strong performance. Digital, Hi-Tech, Consumer and Retail verticals continue to fuel growth.
- IT services clients are showing positive headcount growth.
- Most growth is led by GCCs — both legacy GCCs focusing on cost optimization and AI-led transformation, and newer GCCs adopting these models from inception. The mix between Top 10 and next 40 GCCs is shifting.
- ‘**Origint**’ GCC-as-a-service offering: One GCC has been executed and activated; two more are at the final legal stages. Sales cycle typically spans six months, with contribution expected from 4Q onward.
- **Overseas business:** Broad-based strength observed in the Middle East and Malaysia, with growth in both IT and non-IT verticals. The Philippines also delivered a strong quarter.
- Singapore remained largely stable, offsetting slower IT hiring by expanding GS business. Local hires now at 43% (vs. 17% last year). Focus remains on diversification and localization to drive profitability.
- Reported its highest-ever quarterly EBITDA of INR770m, with EBITDA margins at 2%. Margin improvement was driven by operational efficiency and a higher share of high-margin businesses.
- PS and overseas businesses contributed 30% and 20%, respectively, together accounting for ~50% of overall EBITDA.
- Finance costs remained elevated due to higher working capital requirements in high-margin businesses, which have longer credit cycles. It expects normalization over the coming quarters. Total finance costs stood at INR90-100m per quarter, with 25% operational and 75% non-operational components.

- Staff bonuses worth INR1-1.2b are expected as a pass-through in Oct-Nov (3Q).
- ETR is expected to be at 10-12%, reflecting higher contribution from high-margin businesses.
- For the full year, operating cash flow-to-EBITDA is expected to remain in the 70-80% range.
- Rationalization of low-margin MSP contracts has reduced subcontractor expenses.

Valuation and view

- We estimate revenue growth of 4.6%/14.2% in FY26/FY27, with stable EBITDA margins of ~2%.
- We believe growth triggers in the core GS business remain limited, as the segment is already operating with high sourcing intensity and limited pricing flexibility. The PS segment continues to perform well but remains too small to offset GS cyclicality in the near term.
- Additionally, the company's dependence on Tier-3/4 sourcing and slower overseas scale-up could constrain operating leverage, keeping margin expansion muted. **We reiterate our Neutral rating** with a TP of INR280, valuing the stock at 17x Jun'27E P/E.

Exhibit 2: Summary of our revised estimates

	Revised			Earlier			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue (m)	1,56,582	1,78,790	1,99,946	1,57,874	1,79,918	2,01,377	-0.8%	-0.6%	-0.7%
Rev. growth (%)	4.6	14.2	11.8	5.5	14.0	11.9	-86bp	22bp	-9bp
EBITDA (m)	3,177	3,622	4,138	3,235	3,690	4,172	-1.8%	-1.9%	-0.8%
EBITDA Margin (%)	2.0	2.0	2.1	2.0	2.1	2.1	-2bp	-3bp	0bp
EBIT Margin (%)	1.7	1.7	1.8	1.7	1.7	1.8	-2bp	-3bp	0bp
EPS (INR)	14.8	16.7	19.2	15.2	17.5	19.8	-2.3%	-4.7%	-3.3%

Source: MOFSL

Financials and valuation

Consolidated Income Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**1,08,370**	**1,36,918**	**1,71,584**	**1,36,951**	**1,49,672**	**1,56,582**	**1,78,790**	**1,99,946**
Change (%)	-1.4	26.3	25.3	-20.2	9.3	4.6	14.2	11.8
Cost of services	2,007	2,787	4,794	2,864	3	3	3	4
Employees Cost	92,968	1,16,870	1,46,595	1,25,184	1,40,513	1,47,000	1,67,850	1,87,711
Other Expenses	7,617	10,743	14,336	6,560	6,533	6,402	7,316	8,093
Total Expenditure	**1,02,593**	**1,30,400**	**1,65,726**	**1,34,608**	**1,47,049**	**1,53,405**	**1,75,169**	**1,95,807**
% of Sales	94.7	95.2	96.6	98.3	98.2	98.0	98.0	97.9
EBITDA	**5,777**	**6,518**	**5,858**	**2,343**	**2,623**	**3,177**	**3,622**	**4,138**
Margin (%)	5.3	4.8	3.4	1.7	1.8	2.0	2.0	2.1
Depreciation	2,285	2,120	2,746	581	412	470	554	620
EBIT	**3,491**	**4,397**	**3,112**	**1,763**	**2,211**	**2,707**	**3,067**	**3,518**
Int. and Finance Charges	1,113	792	1,066	572	386	470	483	540
Other Income	451	198	263	148	236	172	179	200
PBT bef. EO Exp.	**2,829**	**3,803**	**2,309**	**1,340**	**2,061**	**2,410**	**2,763**	**3,178**
EO Items	1,388	0	-535	10	1,643	0	0	0
PBT after EO Exp.	**1,442**	**3,803**	**2,844**	**1,330**	**418**	**2,410**	**2,763**	**3,178**
Total Tax	590	1,066	615	-25	-41	201	270	318
Tax Rate (%)	40.9	28.0	21.6	-1.9	-9.8	8.3	9.8	10.0
Minority Interest	114	98	-16	0	1	0	0	0
Reported PAT	**738**	**2,640**	**2,245**	**1,355**	**458**	**2,209**	**2,494**	**2,861**
Adjusted PAT	**2,125**	**2,640**	**1,710**	**1,365**	**2,262**	**2,209**	**2,494**	**2,861**
Change (%)	-18.5	24.2	-35.2	-20.2	65.8	-2.4	12.9	14.7
Margin (%)	2.0	1.9	1.0	1.0	1.5	1.4	1.4	1.4

Consolidated- Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	1,477	1,480	1,482	1,485	1,489	1,489	1,489	1,489
Total Reserves	21,954	22,898	24,205	26,505	9,359	7,913	6,606	5,495
Net Worth	**23,431**	**24,378**	**25,688**	**27,990**	**10,848**	**9,402**	**8,095**	**6,985**
Minority Interest	939	1,310	1,621	1,656	11	11	11	11
Total Loans	4,514	5,877	5,311	3,695	121	121	121	121
Deferred Tax Liabilities	-4,061	-3,983	-5,275	-6,426	-4,480	-4,480	-4,480	-4,480
Capital Employed	**24,823**	**27,582**	**27,343**	**26,915**	**6,501**	**5,055**	**3,747**	**2,637**
Gross Block	10,857	13,806	16,160	18,521	16,378	17,378	18,378	19,378
Less: Accum. Deprn.	8,129	10,249	12,995	15,827	16,239	18,275	20,599	23,198
Net Fixed Assets	**2,728**	**3,557**	**3,165**	**2,693**	**139**	**-897**	**-2,221**	**-3,821**
Goodwill on Consolidation	9,890	10,096	10,427	10,039	2,362	2,362	2,362	2,362
Capital WIP	309	153	181	326	0	20	40	60
Total Investments	**41**	**17**	**17**	**367**	**0**	**0**	**0**	**0**
Curr. Assets, Loans&Adv.	**30,173**	**35,904**	**41,429**	**42,495**	**20,980**	**23,751**	**26,496**	**29,572**
Inventory	290	275	282	71	0	0	0	0
Account Receivables	8,945	23,323	26,886	27,721	15,295	16,302	18,614	20,816
Cash and Bank Balance	5,646	4,105	4,376	5,201	2,491	3,178	3,222	3,724
Loans and Advances	15,292	8,201	9,886	9,501	3,194	4,271	4,660	5,031
Curr. Liability & Prov.	**18,317**	**22,145**	**27,876**	**29,004**	**16,979**	**20,180**	**22,928**	**25,535**
Account Payables	1,212	1,154	1,249	1,176	586	2,101	2,400	2,682
Other Current Liabilities	14,983	18,258	23,546	24,133	13,990	15,522	17,609	19,588
Provisions	2,122	2,733	3,080	3,696	2,403	2,557	2,920	3,265
Net Current Assets	**11,856**	**13,759**	**13,554**	**13,491**	**4,000**	**3,571**	**3,568**	**4,036**
Appl. of Funds	**24,823**	**27,582**	**27,343**	**26,915**	**6,501**	**5,056**	**3,749**	**2,638**

Note: figures for FY21 to FY24 are not adjusted for demerger

Financials and valuation

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	**14.9**	**17.7**	**11.5**	**9.3**	**15.2**	**14.8**	**16.7**	**19.2**
Cash EPS	30.8	31.9	29.9	13.2	17.9	18.0	20.4	23.3
BV/Share	206.7	215.1	226.7	247.0	95.7	83.0	71.4	61.6
DPS	7.0	8.0	8.0	8.0	8.0	16.0	16.0	16.0
Payout (%)	135.7	45.2	53.2	86.8	52.8	108.1	95.7	83.4
Valuation (x)								
P/E	16.6	13.9	21.5	26.5	16.2	16.6	14.7	12.8
Cash P/E	8.0	7.7	8.2	18.6	13.7	13.7	12.0	10.5
P/BV	1.2	1.1	1.1	1.0	2.6	3.0	3.4	4.0
EV/Sales	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	5.9	5.9	6.4	14.8	13.1	10.6	9.3	8.0
Dividend Yield (%)	2.8	3.3	3.3	3.3	3.3	6.5	6.5	6.5
FCF per share	45.7	31.6	24.6	29.3	25.4	19.6	14.9	18.0
Return Ratios (%)								
RoE	9.2	11.0	6.8	5.1	11.6	21.8	28.5	37.9
RoCE	7.7	11.4	8.6	6.2	12.6	25.8	33.0	43.7
RoIC	10.9	15.0	10.6	8.2	19.4	84.6	236.4	-957.3
Working Capital Ratios								
Asset Turnover (x)	4.4	5.0	6.3	5.1	23.0	31.0	47.7	75.8
Debtor (Days)	30	62	57	74	37	38	38	38
Creditor (Days)	4	3	3	3	1	5	5	5
Leverage Ratio (x)								
Net Debt/Equity	-0.1	0.1	0.0	-0.1	-0.2	-0.3	-0.4	-0.5

Consolidated - Cash Flow Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	737	2,510	2,229	2,804	459	1,292	1,499	1,744
Depreciation	2,285	2,120	2,746	2,832	412	2,036	2,324	2,599
Interest & Finance Charges	1,113	550	1,066	1,173	386	36	36	36
Direct Taxes Paid	1,648	-869	-1,994	-1,441	1,292	-201	-270	-318
(Inc)/Dec in WC	-464	-307	-231	-1,449	-728	1,118	46	34
CF from Operations	**5,319**	**4,004**	**3,816**	**3,920**	**1,821**	**4,281**	**3,636**	**4,096**
Others	1,835	1,538	846	1,373	1,984	-337	-388	-392
CF from Operating incl EO	**7,154**	**5,542**	**4,663**	**5,293**	**3,805**	**3,944**	**3,248**	**3,704**
(Inc)/Dec in FA	-613	-833	-987	-987	-15	-1,020	-1,020	-1,020
Free Cash Flow	**6,540**	**4,709**	**3,676**	**4,305**	**3,790**	**2,924**	**2,228**	**2,684**
(Pur)/Sale of Investments	-144	-390	485	280	0	0	0	0
Others	-295	-653	543	1,202	37	0	0	0
CF from Investments	**-1,052**	**-1,876**	**41**	**495**	**22**	**-1,020**	**-1,020**	**-1,020**
Issue of Shares	2	628	352	3	4	0	0	0
Inc/(Dec) in Debt	-6,312	720	-567	-1,519	-1,567	0	0	0
Interest Paid	-737	-553	-640	-621	-134	-36	-36	-36
Dividend Paid	0	-1,868	-1,855	-714	-1,485	-2,387	-2,387	-2,387
Others	-997	-3,842	-2,530	-2,919	-807	-620	-569	-565
CF from Fin. Activity	-8,045	-4,916	-5,239	-5,770	-3,988	-3,043	-2,992	-2,989
Inc/Dec of Cash	**-1,943**	**-1,250**	**-536**	**18**	**-3,517**	**-120**	**-764**	**-305**
Closing Balance	**5,646**	**4,105**	**4,376**	**5,201**	**2,491**	**3,178**	**3,221**	**3,724**

Note: figures for FY21 to FY24 are not adjusted for demerger

NOTES

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

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Nainesh Rajani

Email: nainesh.rajani@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, 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
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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