

Mold-Tek Packaging (MOLPAC)

CMP: ₹ 992

Target: ₹ 1110 (12%)

Target Period: 12 months

HOLD

May 5, 2023

Steady operating performance...

About the stock: Mold-Tek Packaging is a leading player in the rigid packaging business and is into manufacturing decorative packaging containers for paint, lubricant, FMCG & foods (F&F) industry.

- It was the first to introduce in-mould label (IML) decorative products and QR coded packaging products in India
- While new product launches helped drive profitability of the company, its balance sheet remained strong with RoCE, RoE of ~19%, ~16%, respectively (three-year average)

Q4FY23 Results: Lower raw material prices support margin expansion.

- Revenues grew ~4% YoY to ~₹ 185 crore led by improved volume growth of ~9% YoY. FMCG and lubes segment revenues were up ~33% and ~1.5% YoY to ~₹ 43 crore and ~₹ 56 crore, respectively, supported by customer additions. However, paints segment revenue was down ~8% YoY to ₹ 85.3 crore due to lower realisations
- Stabilising raw material prices and improved sales mix led to improvement in gross margin by 247 bps YoY. This, coupled with better operating leverage led to improvement in EBITDA margin by 142 bps YoY to 19.3%
- PAT grew ~33% YoY to ₹ 23 crore supported by better EBITDA margin and lower tax outgo

What should investors do? Mold-Tek Packaging's share price has grown by ~2.9x over the past five years (from ₹ 346 in May 2018 to ~₹ 992 levels in May 2023).

- We maintain our **HOLD** rating on the stock

Target Price and Valuation: We value the stock at 30x FY25E EPS with a revised target price of ₹ 1110/share.

Key triggers for future price performance:

- Capacity addition, new launches (foraying into pharma packaging) and increasing wallet share from existing clients are expected to drive revenue
- Aiming to increase EBITDA/kg to ₹ 42-43/kg from ~₹ 39/kg in FY23. High margin FMCG & pharma products to drive EBITDA/kg
- Balance sheet to remain healthy with low debt, high RoCE, RoEs

Alternate Stock Idea: We like Supreme Industries in our coverage.

- Supreme is market leader in the plastic piping segment with ~15% market share. Robust b/s with average RoE, RoCE of 23%, 26%, respectively
- BUY with a target price of ₹ 3200



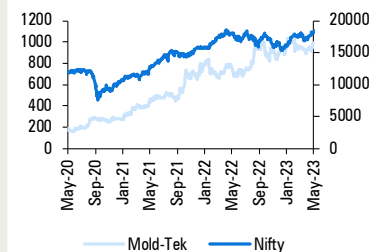
Particulars

Particular	Amount
Market Cap (₹ Crore)	3,290.2
Total Debt (FY23) (₹ Crore)	47.3
Cash & Inv (FY23) (₹ Crore)	6.5
EV (₹ Crore)	3,331.0
52 week H/L	1123/ 648
Equity capital (₹ Crore)	16.6
Face value (₹)	5.0

Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	33.5	34.2	34.1	34.0	33.5
FII	10.5	12.0	13.9	14.5	16.9
DII	15.7	16.8	20.1	20.1	19.5
Others	40.3	37.0	31.8	31.4	30.2

Price Chart



Recent event & key risks

Key Risk: (i) Delay in launch of pharma packaging products (ii) Sharp expansion in EBITDA margin aided by cost saving measures

Research Analyst

Hitesh Taunk
hitesh.taunk@icicisecurities.com

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Ashwi Bhansali
ashwi.bhansali@icicisecurities.com

Key Financial Summary

(₹ crore)	FY19	FY20	FY21	FY22	FY23	5 Year CAGR (FY18-FY23)	FY24E	FY25E	2 Year CAGR (FY23-FY25E)
Net Sales	405.7	438.2	478.9	631.5	729.9	16.0	877.9	1089.8	22.2
EBITDA	70.3	76.8	94.5	120.7	135.4	17.0	166.7	209.3	24.3
EBITDA Margin (%)	17.3	17.5	19.7	19.1	18.6		19.0	19.2	
Net Profit	31.9	37.5	48.0	63.7	80.4	23.6	96.4	122.8	23.6
EPS (₹)	11.5	13.4	17.2	20.4	24.2		29.1	37.0	
P/E (x)	86.1	73.9	57.7	48.7	40.9		34.1	26.8	
RoE (%)	16.7	19.0	18.7	13.9	14.4		15.1	16.5	
RoCE (%)	18.0	18.6	20.1	18.6	17.0		18.6	21.3	

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results: Pick-up in demand supports volume offtake in Q4FY23

- Mold Tek Packaging's Q4FY23 revenues increased ~4% YoY to ~₹ 185 crore led by improvement in volume offtake across segments. Lubes & FMCG segment reported volume growth of 14% & 29% YoY, respectively led by new customer additions and wallet share gains. The paint segment volume grew albeit a slower pace of 2% owing to lower demand from the customers. The paint and lubes segment witnessed a sharp decline in their realisations owing to passing of lower raw material prices. As a result, lubes segment revenue grew marginally by 1.5% YoY to ₹ 43.4 crore while paint segment revenue declined ~8% YoY to ₹ 85.3 crore. The FMCG segment reported revenue growth of 33.4% YoY to ₹ 56 crore owing to improved product mix
- Easing raw material prices and change in product mix led to improvement in gross margin by 247 bps YoY. As a result, EBITDA margins improved by 142 bps YoY to 19.3% supported by better operating leverage
- PAT grew ~33% YoY to ₹ 23 crore led by improvement in EBITDA margin and lower tax outgo

Q4FY23 Earnings Conference Call highlights

Demand and margin outlook

- The management has guided for 15-20% YoY volume growth over the next three years. FMCG volume growth is expected to be at 30% YoY
- The management expects improved volume offtake from Kissan, Horlicks & Cadbury from June 2024 onwards
- The management expects commercial production for pharma segment to begin from Q2FY24 onwards and revenue contribution from this segment is likely to start from H2FY24 onwards. According to the management, the revenue from injection blow moulding (IBM) category will be ~₹ 75-80 crore in the next three years
- The company has started supplying IML paint pails to Pidilite
- The management expects revenue of ₹ 10 crore from newly added customers initially, which is likely to double in the next two to three years
- In Q4FY23, the company received new orders from companies like Red Bucket Biryani, Pidilite Paints, Aayu International, Libero Enterprises, Gemini Edibles, Living Foods, Aries Agro and others
- According to the management, EBITDA per kg will be at ~₹ 42/kg in FY24 and ~₹ 43/kg in FY25

Capex & expansion plans

- Mold-Tek's capex for FY23 was at ₹ 130 crore. The company has envisaged a similar amount for FY24
- The company is setting up three new plants for the Aditya Birla Group for paint pails and also plans to expand capacity at its existing plants for pharma & FMCG segment
- In FY25, the company estimates a capex of ₹ 80-100 crore, which will largely be towards brownfield expansion

Other

- Mold-Tek Packaging added 82 new customers in the FMCG segment in Q4FY23
- The company plans to add customers in new geographies – especially around Panipat & Daman where its plants are situated

Exhibit 1: Peer Comparison

Company	Mcap ₹ cr	Revenue					EBITDA margin					PAT					RoCE					RoE					PE				
		FY21	FY22	FY23E	FY24E	FY25E	FY21	FY22	FY23E	FY24E	FY25E	FY21	FY22	FY23E	FY24E	FY25E	FY21	FY22	FY23E	FY24E	FY25E	FY21	FY22	FY23E	FY24E	FY25E	FY21	FY22	FY23E	FY24E	FY25E
Shaily Eng	1,092	361	566	601	660	760	17	14	13	16	17	22	35	25	43	58	11	11	9	12	15	12	10	7	10	12	45	31	43	26	19
Mold Tek	3,290	479	631	730	878	1090	20	19	19	19	19	48	64	80	96	123	20	19	17	19	21	19	14	14	15	16	58	49	41	34	27
Time Technoplast	1,922	3005	3650	4315	4780	5297	13	14	13	14	14	108	192	235	293	343	9	11	13	14	15	6	9	11	12	13	18	10	8	7	6
EPL	5,498	3092	3433	3705	4268	4761	20	17	16	17	18	244	221	204	267	377	16	13	13	17	21	15	12	12	15	19	22	25	27	21	15

Source: Company, ICICI Direct Research

We believe Mold-Tek Packaging has reported healthy volume growth in Q4FY23 led by strong performance of the FMCG segment. For FY23, the company reported strong volume growth of ~16% YoY led by ~36% and ~32% volume growth in the FMCG and lube segments, respectively. Strong volume growth in the FMCG and lubes segment is attributable to new client additions and wallet share gains from existing customers. The paint segment volume growth at ~6% YoY was impacted by lower discretionary spend in FY23 by end consumers. Going forward, the management expects demand for paint pails to improve supported by capacity expansion, addition of new customers (Grasim) in the segment and improvement in demand scenario of paints from Q1FY24 onwards.

On the lubes & FMCG front, the management continues to guide strong volume growth supported by customer additions and new product launches. This is likely to drive overall volume CAGR of 19% over FY23-25E. On the margin front, we build in a marginal improvement in EBITDA margin by 60 bps over FY23-25E due to low operating leverage from new capacities in the initial period of operations. Mold-Tek has envisaged a capex of ~₹ 130-140 crore in FY24E and ~₹ 80-100 crore in FY25E in order to set up new plants and expand capacity to meet the increasing demand across segments.

We cut our PAT estimates by 2.3% and 2.6% for FY23E & FY24E, respectively factoring in a delay in launch of IBM products. We model overall revenue CAGR of 22% over FY23-25E. We believe, at the current price, the stock discounts all its near term positives. Hence, we maintain our HOLD rating on the stock and value the stock at 30x FY25E EPS with a target price of ₹ 1110/share.

Exhibit 2: Variance Analysis

	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	184.7	177.9	3.8	154.8	19.3	Revenue growth led by better volume offtake across segments
Other Income	0.8	1.1	-21.8	0.4	94	
Raw Material Exp	108.4	108.8	-0.4	90.6	19.6	Gross margin improved by 247 bps YoY supported by easing raw material prices and improved sales mix
Employee cost	11.1	10.6	4.5	10.6	4.4	
Other Expenditure	29.6	26.7	10.8	25.1	17.8	
Total Expenditure	149.1	146.1	2.0	126.4	17.9	
EBITDA	35.6	31.8	12.1	28.4	25.3	
EBITDA Margin (%)	19.3	17.9	142 bps	18.4	93 bps	EBITDA margin improvement was due to better gross margin
Depreciation	8.2	6.9	19.6	7.5	9.6	
Interest	1.3	1.1	15.6	0.8	68.3	
PBT	26.9	24.8	8.4	20.6	30.8	
Total Tax	3.9	7.5	-47.8	4.3	-8.1	
PAT	23.0	17.3	32.8	16.3	41.0	PAT growth is attributable to margin expansion & lower tax outgo

Key Metrics

Paints	85.3	92.5	-7.8	72.0	18.5	Segment volumes were up marginally by 2% YoY supported by recovery in paints demand. However, decline in revenue was due to lower realizations
Lubes	43.4	42.7	1.5	39.8	8.9	Segment volumes were up by 14% YoY led by new customer additions
FMCG	56.0	42.0	33.4	43.0	30.2	Segment volumes were up by 29% YoY led by wallet share gains from exiting customers and new customer additions

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

₹ crore)	FY24E			FY25E			Comments
	Old	New	% Chg	Old	New	% Chg	
Revenue	898.9	877.9	(2.3)	1,117.0	1,089.8	(2.4)	We have slightly tweaked our estimates downwards factoring in delay in revenue contribution from pharma segment. We build in revenue CAGR of ~22% over FY23-25E
EBITDA	169.9	166.7	(1.9)	213.5	209.3	(2.0)	
EBITDA Margin (%)	18.9	19.0	9bps	19.1	19.2	9bps	We have largely maintained our EBITDA margin estimates considering easing RM prices and improved product mix, going forward
PAT	98.7	96.4	(2.3)	126.1	122.8	(2.6)	
EPS (₹)	29.7	29.1	(2.1)	37.9	37.0	(2.3)	

Source: ICICI Direct Research

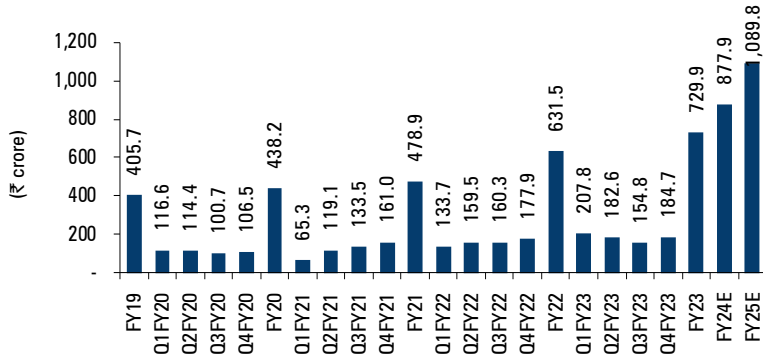
Exhibit 4: Assumptions

	Current (%)						Previous			Comments
	FY20	FY21	FY22E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	
Paints	22.5	10.1	36.5	3.6	15.5	21.6	7.0	12.2	18.5	We model segment revenue CAGR of 19% in FY23-25E led by capacity additions and addition of new customers
Lubes	(11.1)	(2.2)	33.0	28.1	10.9	8.5	32.1	15.1	16.4	We model segment revenue CAGR of 10% in FY23-25E supported by wallet share gains of existing customers and new customer additions
FMCG	18.9	19.9	20.9	32.4	31.6	30.0	29.6	22.3	30.8	We model segment revenue CAGR of 31% for FY23-25E supported by new product launches and customer additions

Source: ICICI Direct Research

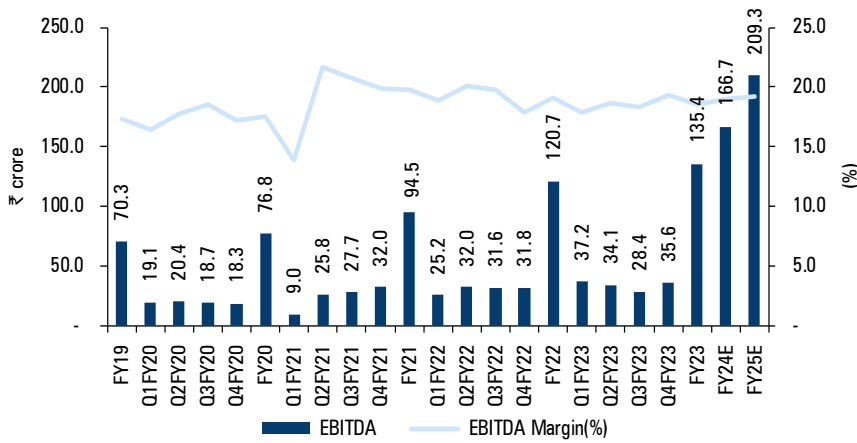
Financial story in charts....

Exhibit 5: Revenue growth trend



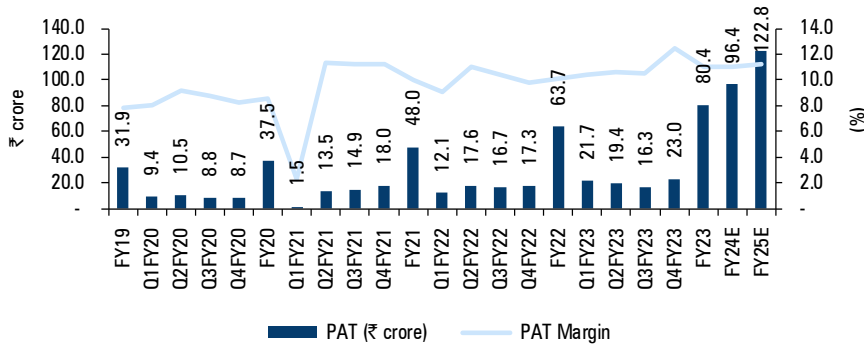
Source: Company, ICICI Direct Research

Exhibit 6: EBITDA margin movement



Source: Company, ICICI Direct Research

Exhibit 7: PAT growth trend



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Revenue	631.5	729.9	877.9	1,089.8
Growth (%)	31.9	15.6	20.3	24.1
Raw material expense	384.8	435.3	524.8	651.2
Employee expenses	38.7	43.6	54.7	65.8
Other expenses	95.5	114.9	131.7	163.5
Total Operating Exp	510.8	594.5	711.2	880.4
EBITDA	120.7	135.4	166.7	209.3
Growth (%)	27.7	12.2	23.1	25.6
Depreciation	26.4	30.2	34.2	40.3
Interest	9.3	3.9	3.7	4.2
Other Income	1.6	1.4	0.8	0.3
PBT	86.5	102.7	129.6	165.1
Total Tax	22.9	22.3	33.2	42.3
PAT	63.7	80.4	96.4	122.8
Growth (%)	32.7	26.4	19.9	27.4
EPS (₹)	20.4	24.2	29.1	37.0

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit after Tax	63.7	80.4	96.4	122.8
Add: Depreciation	26.4	30.2	34.2	40.3
(Inc)/dec in Current Assets	-85.4	21.6	-36.8	-50.0
Inc/(dec) in CL and Provisions	-11.6	10.5	14.9	23.6
Others	9.3	3.9	3.7	4.2
CF from operating activities	2.4	146.7	112.4	141.0
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-51.9	-146.5	-130.0	-80.0
Others	-14.8	-30.6	34.8	0.0
CF from investing activities	-66.7	-177.1	-95.2	-80.0
Issue/(Buy back) of Equity	1.7	1.0	0.0	0.0
Inc/(dec) in loan funds	-54.9	3.3	10.0	-30.0
Dividend paid & dividend tax	-22.5	-19.9	-16.6	-16.6
Others	149.0	36.2	-3.7	-4.2
CF from financing activities	73.3	20.5	-10.2	-50.8
Net Cash flow	9.0	-9.9	7.0	10.2
Opening Cash	7.4	16.4	6.5	13.5
Closing Cash	16.4	6.5	13.5	23.7

Source: Company, ICICI Direct Research

Exhibit 10: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Liabilities				
Equity Capital	15.6	16.6	16.6	16.6
Reserve and Surplus	441.5	542.1	622.0	728.2
Total Shareholders funds	457.1	558.7	638.5	744.8
Total Debt	44.0	47.3	57.3	27.3
Other non current liabilities	15.1	21.3	21.2	21.3
Total Liabilities	516.2	627.2	717.0	793.3
Assets				
Gross Block	365.4	509.0	639.0	719.0
Less: Acc Depreciation	102.7	132.9	167.2	207.5
Total Fixed Assets	276.5	392.7	488.5	528.2
Investments	0.0	0.0	0.0	0.0
Inventory	95.9	85.2	96.2	119.4
Debtors	143.0	123.4	144.3	164.2
Loans and Advances	0.6	0.7	0.7	0.7
Other CA	14.9	23.5	28.3	35.1
Cash	16.4	6.5	13.5	23.7
Total Current Assets	270.8	239.3	283.0	343.2
Creditors	28.1	33.3	40.9	53.7
Provisions	4.9	5.2	6.4	8.4
Other CL	25.0	30.0	36.1	44.8
Total Current Liabilities	58.0	68.5	83.4	106.9
Net current assets	212.8	170.8	199.7	236.2
Other non current assets	26.9	63.7	28.9	28.9
Total Assets	516.2	627.2	717.0	793.3

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
EPS	20.4	24.2	29.1	37.0
Cash EPS	28.8	33.4	39.4	49.2
BV	146.2	168.4	192.5	224.6
DPS	7.2	6.0	5.0	5.0
Operating Ratios (%)				
EBITDA Margin	19.1	18.6	19.0	19.2
PAT Margin	10.1	11.0	11.0	11.3
Asset Turnover	1.7	1.4	1.4	1.5
Inventory Days	55.4	42.6	40.0	40.0
Debtor Days	82.7	61.7	60.0	55.0
Creditor Days	16.2	16.6	17.0	18.0
Return Ratios (%)				
RoE	13.9	14.4	15.1	16.5
RoCE	18.6	17.0	18.6	21.3
RoIC	18.8	16.9	18.5	21.4
Valuation Ratios (x)				
P/E	48.7	40.9	34.1	26.8
EV / EBITDA	27.5	24.6	20.0	15.7
EV / Net Sales	5.3	4.6	3.8	3.0
Market Cap / Sales	5.2	4.5	3.7	3.0
Price to Book Value	6.8	5.9	5.2	4.4
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.0
Current Ratio	7.7	6.0	5.7	5.1
Quick Ratio	4.8	3.8	3.7	3.2

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct Consumer Discretionary universe

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹)				P/E (x)				EV/EBITDA (x)				RoCE (%)				RoE (%)			
					FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
Asian Paints (ASIPAI)	2,983	3,180	Hold	2,86,070	32.2	41.3	49.5	53.3	92.7	72.2	60.2	55.9	59.0	48.2	40.2	36.3	27.1	32.6	33.7	31.8	23.0	27.5	27.7	25.3
Berger Paints (BERPAI)	620	600	Hold	60,221	8.6	9.4	11.1	12.6	72.3	66.0	56.0	49.2	45.4	41.1	35.6	31.4	23.3	26.9	29.2	30.1	21.2	24.3	26.0	26.2
Kansai Nerolac (KANNER)	394	435	Hold	21,233	6.9	9.2	11.2	13.4	56.7	42.6	35.2	29.4	32.7	26.2	21.8	18.3	12.1	15.6	17.6	19.1	9.2	12.1	13.5	14.7
Pidilite Industries (PIDIND)	2,465	2,535	Hold	1,25,173	23.8	26.2	35.4	40.6	103.7	94.2	69.7	60.6	67.5	61.4	46.9	41.1	21.7	22.5	27.3	28.5	18.4	18.8	22.6	23.4
Sheela Foam (SHEFOA)	1,058	1,450	Buy	10,322	22.3	20.1	29.0	36.2	47.5	52.7	36.4	29.2	33.4	36.5	25.9	21.0	18.0	16.3	19.0	23.5	15.6	13.2	15.6	19.4
Bajaj Electricals (BAJELE)	1,184	1,275	Hold	13,598	10.8	19.5	31.1	36.8	109.3	60.8	38.1	32.2	54.0	37.2	26.8	22.8	13.5	20.2	24.6	24.3	7.8	13.5	18.2	18.1
Crompton Greaves(CROGR)	257	335	Hold	16,109	9.2	7.3	9.0	11.3	27.9	35.3	28.7	22.7	21.0	22.2	18.5	15.3	16.2	14.3	17.6	21.4	24.0	18.5	20.5	22.6
Havells India (HAVIND)	1,259	1,425	Buy	78,851	19.1	17.2	24.9	29.4	66.0	73.4	50.6	42.8	43.6	48.0	34.5	29.2	23.7	20.6	26.9	29.8	20.0	16.3	21.9	24.2
Polycab India (POLI)	3,269	3,380	Buy	48,853	61.4	80.7	90.1	104.3	53.3	40.5	36.3	31.3	37.7	26.1	23.5	19.9	20.2	25.8	24.3	23.7	15.6	19.2	18.4	18.2
Symphony (SYMLIM)	995	1,085	Hold	6,961	17.3	22.7	28.4	36.2	57.5	43.8	35.0	27.5	42.1	36.9	28.9	22.5	15.9	21.0	25.0	28.4	14.4	21.2	24.2	26.7
V-Guard Ind (VGUARD)	249	310	Buy	10,664	5.3	4.6	6.7	8.9	46.7	54.2	37.0	28.1	31.4	34.2	21.5	17.7	21.2	16.0	22.0	23.5	16.2	14.0	17.0	18.7
Voltas Ltd (VOLTAS)	802	870	Hold	26,525	15.3	4.1	20.0	25.5	52.4	194.7	40.2	31.4	37.9	45.6	30.0	23.7	14.0	11.4	17.6	19.8	9.2	4.5	13.3	15.1
Amber Enterprises (AMBEN)	1,868	2,150	Hold	6,294	33.0	44.1	69.4	87.1	56.5	42.3	26.9	21.4	24.1	18.3	13.7	11.2	6.8	9.8	13.0	14.4	6.4	8.4	11.6	12.7
Dixon Technologies (DIXTEC)	2,908	3,055	Hold	17,259	32.1	40.4	68.1	88.5	90.7	71.9	42.7	32.9	45.9	36.0	24.2	18.9	17.7	22.0	27.9	29.1	19.1	24.6	31.7	31.0
Supreme Indus (SUPIND)	2,758	3,200	Buy	35,034	76.2	68.1	83.2	98.6	36.2	40.5	33.2	28.0	27.8	28.6	23.6	19.5	25.9	21.2	26.1	27.5	25.2	19.7	23.5	24.4
Astral Ltd (ASTPOL)	1,486	2,185	Hold	29,851	24.4	21.4	32.3	42.0	60.9	69.4	46.0	35.4	38.8	38.7	29.1	22.7	26.6	22.6	27.6	30.0	21.0	16.9	21.9	23.7
EPL (ESSPRO)	174	182	Hold	5,498	7.0	6.5	8.4	11.9	24.9	26.9	20.6	14.6	10.4	10.0	8.2	6.7	12.6	12.9	17.1	20.5	12.1	11.5	14.7	19.2
Time Techno (TIMTEC)	85	95	Hold	1,922	8.5	10.4	13.0	15.2	10.0	8.2	6.6	5.6	5.2	4.5	4.0	3.5	11.3	13.0	14.5	15.4	9.3	10.9	12.4	13.0
Moldtek Packaging (MOLPLA)	1,005	1,110	Hold	3,333	20.4	24.2	29.1	37.0	49.3	41.4	34.6	27.1	27.9	24.9	20.3	16.0	18.6	17.0	18.6	21.3	13.9	14.4	15.1	16.5

Source: Bloomberg, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
Third floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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Name of the Compliance officer (Research Analyst): Mr. Anoop Goyal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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