

## Dabur India

BUY

Positive surprise; maintain BUY

## Summary

DABUR India (DABUR) 2QFY22 result was above our estimates. DABUR continued to post strong double digit growth on a high base driven by market share gains across all key verticals; Health Care, Home Care, Personal Care and Foods. Health Care witnessed some moderation in demand especially for health supplements compared to previous quarters, but tailwinds still persists and DABUR continues to gain market share from competition. Revenue growth in HPC and Foods portfolio is tracking well; aggressive product launches and strong market share gains are healthy signs. Urban market grew at higher rate compared to rural for DABUR. Positively, international business continues to post strong recovery. Contraction in gross margin due to rise in raw material price is concerning and is likely to persist. As per revised outlook on inflation; we have marginally trimmed our EPS estimates for FY22E by 3%. We maintain our estimates for FY23E and have introduced FY24E in our forecast. We maintain BUY rating on the stock with a TP of Rs 736 (vs previous TP of Rs 722).

## Key Highlights and Investment Rationale

- Market share gains drive double digit revenue growth on a high base:** Consolidated revenue grew 12%YoY (v/s 14%YoY in 2QFY21) driven by 12%YoY growth in India FMCG business (+10%YoY volume growth) while International business grew 11%YoY (+14% CC growth). Revenue from Food and Home and Personal Care portfolio grew 43% YoY and 17% YoY (on a base of -4%YoY and 9%YoY) respectively. Revenue from Health Care declined 5%YoY due to high base of 49%YoY. Positively; DABUR continues to gain market share in chyawanprash (520bp YoY), honey (430bp YoY), toothpaste (+40bp YoY), hair oil (+80bp YoY), Shampoo (+30bp YoY), Odomos (+120bp YoY) and Real (+100bp YoY).
- Inflation impacts operating profit:** Consolidated gross margin contracted 204bps YoY (3rd consecutive decline) to 49% due to inflation in raw material cost. EBITDA margin contracted 60bp YoY to 22%. Adjusted PAT grew 5%YoY.
- Maintain BUY:** As per revised business outlook; we have trimmed our EPS estimates for FY22E by 3% while maintain estimates for FY23E. We have introduced FY24E in our forecast. We maintain BUY rating on the stock with a revised TP of Rs 736. We value DABUR on 55x FY23E.

TP	Rs 736		
CMP	Rs 598		
Potential upside / downside	+23%		
Previous Rating	BUY		

## V/s Consensus

EPS (Rs)	FY22E	FY23E	FY24E
IDBI Capital	10.2	12.0	13.4
Consensus	10.6	12.3	13.8
% difference	(4.1)	(2.4)	(3.2)

## Shareholding Pattern (%)

Promoters	67.4
FII	21.4
DII	3.4
Public	7.8

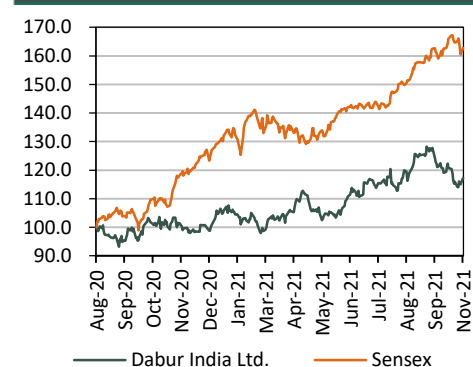
## Price Performance (%)

	-1m	-3m	-12m
Absolute	(3.2)	(0.4)	17.0
Rel to Sensex	(5.3)	(14.5)	(34.6)

## Key Stock Data

Bloomberg / Reuters	DABUR IN / DABU.BO
Sector	FMCG
Shares o/s (mn)	1,768
Market cap. (Rs mn)	1,057,709
Market cap. (US\$ mn)	14,111
3-m daily average value (Rs mn)	84.7
52-week high / low	Rs659 / 483
Sensex / Nifty	60,029 / 17,889

## Relative to Sensex (%)



## Financial snapshot

Year	FY20	FY21	FY22E	FY23E	FY24E
Revenue	87,036	95,617	1,09,551	1,18,948	1,31,591
EBITDA	17,924	20,027	23,033	27,222	30,380
EBITDA (%)	20.6	20.9	21.0	22.9	23.1
Adj. PAT	14,450	16,856	18,037	21,240	23,624
EPS (Rs)	8.2	9.5	10.2	12.0	13.4
EPS Growth (%)	0.2	16.7	7.0	17.8	11.2
PE (x)	72.1	61.8	57.8	49.1	44.1
Dividend Yield (%)	0.5	0.6	0.9	1.0	1.1
EV/EBITDA (x)	57.9	51.6	44.5	37.2	32.9
RoE (%)	23.6	23.6	22.2	23.4	23.1
RoCE (%)	23.3	22.9	23.3	25.0	25.1

Source: IDBI Capital Research;

### Conference Call Highlights

- DABUR expects rural to outperform urban in mid to long term
- There has been softness in rural demand in Aug-Sept'21 due to liquidity pressure. But expect recovery in the festive month of Nov'21 to be strong
- Revenue contribution from NPD stands at 5% on overall basis. Revenue contribution from NPD in food portfolio is c. 9-10%.
- DABUR aims to maintain innovation rate by 4-5% an annual basis. Management targets to achieve c. 5% incremental revenue from innovation led portfolio.
- Launched Chyawanprash at Rs 55 price point to drive aggressive growth in rural market.
- Revenue contribution from rural stands at c. 47-49%
- Revenue contribution from wholesale business stands at 30%. Wholesale channel is getting disrupted by cash and carry companies.
- DABUR currently enjoys 1.3mn direct reach and aims to reach 1.4mn outlets by FY23E.
- Hair oil portfolio was relatively more impacted by inflation as there has been calibrated price hikes due to high competitive intensity
- In coconut oil; DABUR's Anmol brand is no. 2 brand and contributes c. Rs 2bn to revenue.
- In Amla oil segment; flanker brand contributes c. 15% to revenue. Flanker brand helps to create moat for the hero-brand (Dabur Amla) of the company
- In juices segment; DABUR aims drive aggressive growth in drinks portfolio led by improvement in distribution. Currently, DABUR covers <10% of entire distribution universe in drinks portfolio.
- DABUR expects revenue from Homemade brand in food portfolio to reach Rs 2bn by FY23E.

**Exhibit 1: Consolidated Quarterly Snapshot**

(INR m)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	YTD FY22	YTD FY21	YoY (%)
<b>Revenues</b>	<b>28,176</b>	<b>25,160</b>	<b>12.0</b>	<b>26,115</b>	<b>7.9</b>	<b>54,291</b>	<b>44,960</b>	<b>20.8</b>
COGS	14,415	12,359	16.6	13,554	6.4	27,969	22,374	25.0
Gross profit	13,761	12,802	7.5	12,562	9.5	26,323	22,586	16.5
<i>Gross Margin (%)</i>	<i>48.8</i>	<i>50.9</i>	<i>-204bps</i>	<i>48.1</i>	<i>74bps</i>	<i>48.5</i>	<i>50.2</i>	<i>-175bps</i>
Employee expenses	2,697	2,673	0.9	2,582	4.4	5,279	4,911	7.5
<i>% of net sales</i>	<i>9.6</i>	<i>10.6</i>	<i>-105bps</i>	<i>9.9</i>	<i>-32bps</i>	<i>9.7</i>	<i>10.9</i>	<i>-120bps</i>
Advertisement expenses	2,022	2,022	0.0	1,884	7.3	3,905	3,478	12.3
<i>% of net sales</i>	<i>7.2</i>	<i>8.0</i>	<i>-86bps</i>	<i>7.2</i>	<i>-4bps</i>	<i>7.2</i>	<i>7.7</i>	<i>-54bps</i>
Other Expenses	2,835	2,413	17.5	2,576	10.1	5,411	4,337	24.8
<i>% of net sales</i>	<i>10.1</i>	<i>9.6</i>	<i>47bps</i>	<i>9.9</i>	<i>20bps</i>	<i>10.0</i>	<i>9.6</i>	<i>32bps</i>
<b>EBITDA</b>	<b>6,207</b>	<b>5,694</b>	<b>9.0</b>	<b>5,520</b>	<b>12.4</b>	<b>11,727</b>	<b>9,860</b>	<b>18.9</b>
<b><i>EBITDA Margin (%)</i></b>	<b><i>22.0</i></b>	<b><i>22.6</i></b>	<b><i>-60bps</i></b>	<b><i>21.1</i></b>	<b><i>89bps</i></b>	<b><i>21.6</i></b>	<b><i>21.9</i></b>	<b><i>-33bps</i></b>
Depreciation	633	596	6.2	613	3.3	1,246	1,164	7.1
EBIT	5,574	5,098	9.3	4,907	13.58	10,481	8,697	20.5
Other Income	1,124	876	28.4	848	32.5	1,973	1,594	23.8
Interest Expenses	83	75	10.4	75	10.3	158	153	2.9
<b>PBT</b>	<b>6,616</b>	<b>5,899</b>	<b>12.1</b>	<b>5,681</b>	<b>16.5</b>	<b>12,296</b>	<b>10,137</b>	<b>21.3</b>
Taxes	1,558	1,067	46.0	1,297	20.1	2,855	1,892	
<b>Adjusted PAT</b>	<b>5,057</b>	<b>4,832</b>	<b>4.7</b>	<b>4,384</b>	<b>15.4</b>	<b>9,441</b>	<b>8,245</b>	<b>14.5</b>
Extra-ordinary items	0	0		0		0	0	
Minority Interest	10	12		10		19	7	
Share in profit/loss of associate	4	-3		1		5	-3	
Reported PAT	5,052	4,817	4.9	4,375	15.5	9,427	8,235	14.5
<b>EPS</b>	<b>2.87</b>	<b>2.73</b>	<b>5.3</b>	<b>2.5</b>	<b>15.9</b>	<b>5.3</b>	<b>4.7</b>	<b>14.7</b>

Source: Company; IDBI Capital Research

**Exhibit 2: Segmental revenue break-up**

(INR m)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	YTFY22	YTFY21	YoY (%)
Consumer care	23,875	22,172	7.7	21,679	10.1	45,554	39,512	15.29
<i>Foods</i>	3,699	2,569	44.0	4,025	-8.1	7,724	4,741	62.90
<i>Retail</i>	183	109	67.5	92	99.2	274	129	112.06
<i>Others</i>	345	248	39.3	255	35.1	600	469	28.05
Unallocated	75	64	17.5	64	16.0	139	109	27.43
<b>Segmental EBIT</b>								
Consumer care	6,023	5,888	2.3	5,377	12.0	11,401	10,215	11.60
<i>Foods</i>	674	357	88.6	602	12.0	1,276	656	94.55
<i>Retail</i>	-9	-31	-69.9	-30	-69.7	-40	-89	-55.66
<i>Others</i>	31	21	46.4	21	46.4	52	42	23.50
<b>Segmental EBIT Margin (%)</b>								
<i>Consumer care</i>	25.2%	26.6%	-133bps	24.8%	43bps	25.0%	25.9%	-83bps
<i>Foods</i>	18.2%	13.9%	431bps	14.9%	327bps	16.5%	13.8%	269bps
<i>Retail</i>	-5.0%	-28.0%	2301bps	-33.2%	2812bps	-14.4%	-69.0%	5458bps
<i>Others</i>	41.0%	32.9%	811bps	32.5%	851bps	37.1%	38.3%	-118bps

Source: Company; IDBI Capital Research

**Exhibit 3: Standalone Quarterly Snapshot**

(INR m)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	YTD FY22	YTD FY21	YoY (%)
<b>Revenues</b>	<b>21,199</b>	<b>19,009</b>	<b>11.5</b>	<b>19,828</b>	<b>6.9</b>	<b>41,027</b>	<b>33,918</b>	<b>21.0</b>
COGS	11,118	9,500	17.0	10,619	4.7	21,737	17,105	27.1
Gross profit	10,081	9,509	6.0	9,209	9.5	19,290	16,813	14.7
<i>Gross Margin (%)</i>	<i>47.6</i>	<i>50.0</i>	<i>-247 bps</i>	<i>46.4</i>	<i>111 bps</i>	<i>47.0</i>	<i>49.6</i>	<i>-255 bps</i>
Employee expenses	1,655	1,744	-5.1	1,615	2.5	3,270	3,177	2.9
<i>% of net sales</i>	<i>7.8</i>	<i>9.2</i>	<i>-136 bps</i>	<i>8.1</i>	<i>-34 bps</i>	<i>8.0</i>	<i>9.4</i>	<i>-140 bps</i>
Advertisement expenses	1,656	1,675	-1.2	1,506	10.0	3,161	2,973	6.3
<i>% of net sales</i>	<i>7.8</i>	<i>8.8</i>	<i>-100 bps</i>	<i>7.6</i>	<i>22 bps</i>	<i>7.7</i>	<i>8.8</i>	<i>-106 bps</i>
Other Expenses	1,966	1,628	20.8	1,715	14.6	3,682	2,927	25.8
<i>% of net sales</i>	<i>7.0</i>	<i>6.5</i>	<i>51 bps</i>	<i>6.6</i>	<i>41 bps</i>	<i>7.7</i>	<i>8.8</i>	<i>-106 bps</i>
<b>EBITDA</b>	<b>4,804</b>	<b>4,462</b>	<b>7.7</b>	<b>4,373</b>	<b>9.8</b>	<b>9,177</b>	<b>7,737</b>	<b>18.6</b>
<b><i>EBITDA Margin (%)</i></b>	<b><i>22.7</i></b>	<b><i>23.5</i></b>	<b><i>-81 bps</i></b>	<b><i>22.1</i></b>	<b><i>60 bps</i></b>	<b><i>22.4</i></b>	<b><i>22.8</i></b>	<b><i>-44 bps</i></b>
Depreciation	400	361	11.0	386	3.7	786	701	12.1
EBIT	4,404	4,102	7.4	3,988	10.43	8,391	7,035	19.3
Other Income	972	732	32.7	712	36.5	1,683	1,381	21.9
Interest Expenses	35	19	80.8	23	52.4	58	44	31.4
<b>PBT</b>	<b>5,340</b>	<b>4,815</b>	<b>10.9</b>	<b>4,676</b>	<b>14.2</b>	<b>10,016</b>	<b>8,372</b>	<b>19.6</b>
Taxes	1,389	888	56.4	1,152	20.5	2,541	1,551	63.9
<b>Adjusted PAT</b>	<b>3,952</b>	<b>3,927</b>	<b>0.6</b>	<b>3,524</b>	<b>12.1</b>	<b>7,476</b>	<b>6,821</b>	<b>9.6</b>
Extra-ordinary items	0	0		0		0	0	
Reported PAT	3,952	3,927	0.6	3,524	12.1	7,476	6,821	9.6
<b>EPS</b>	<b>2.2</b>	<b>2.2</b>	<b>0.6</b>	<b>2.0</b>	<b>12.1</b>	<b>4.2</b>	<b>3.9</b>	<b>9.6</b>

Source: Company; IDBI Capital Research

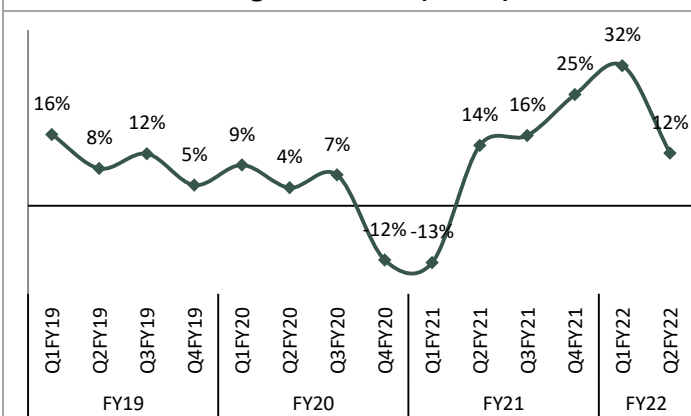
<b>Exhibit 4: Actual vs. Estimates</b>				(Rs mn)
Particulars	Actual	IDBI Estimate	% variation IDBI	
Revenue	28,176	27,621	2.0%	
EBITDA	6,207	6,046	2.7%	
Margin (%)	22.0%	21.9%		
PAT	5,052	4788	5.5%	

Source: Company; IDBI Capital Research

	FY22E			FY23E			FY24E
	New	Old	(%) Chg	New	Old	(%) Chg	New
Revenue (Rs mn)	109,551	109,551	0.0	118,948	118,948	0.0	1,31,591
EBITDA (Rs mn)	23,033	22,867	0.7	27,222	26,103	4.3	30,380
EBITDA margin (%)	21.0%	20.9%		22.9%	21.9%		23.1%
Net profit (Rs mn)	18,037	18,139	-0.6	21,240	20,639	2.9	23,624
EPS (Rs)	10.2	10.3	-0.6	12.0	11.7	2.9	13.4

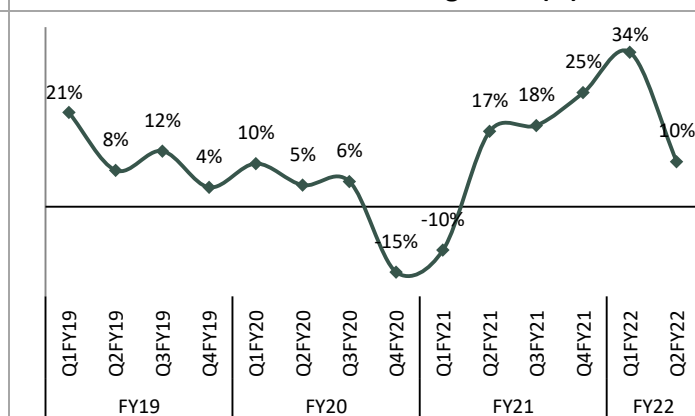
Source: Company; IDBI Capital Research

**Exhibit 6: Revenue growth trend (% YoY)**



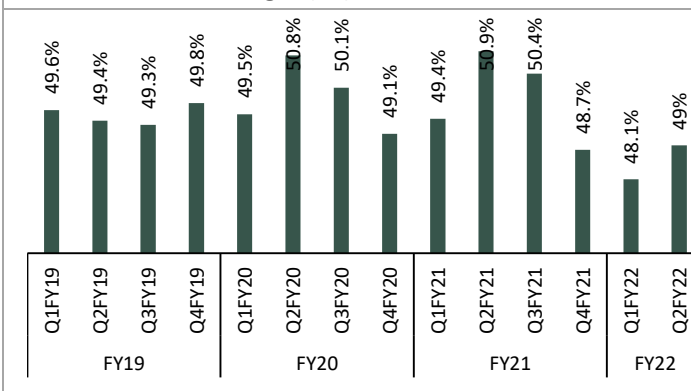
Source: Company; IDBI Capital Research

**Exhibit 7: Domestic FMCG Volume growth (%)**



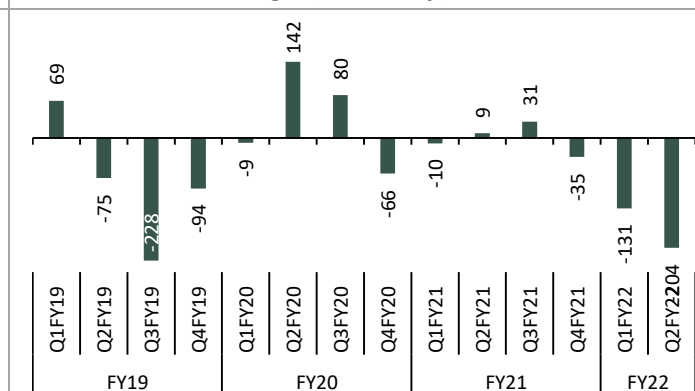
Source: Company; IDBI Capital Research

**Exhibit 8: Gross Margin (%)**

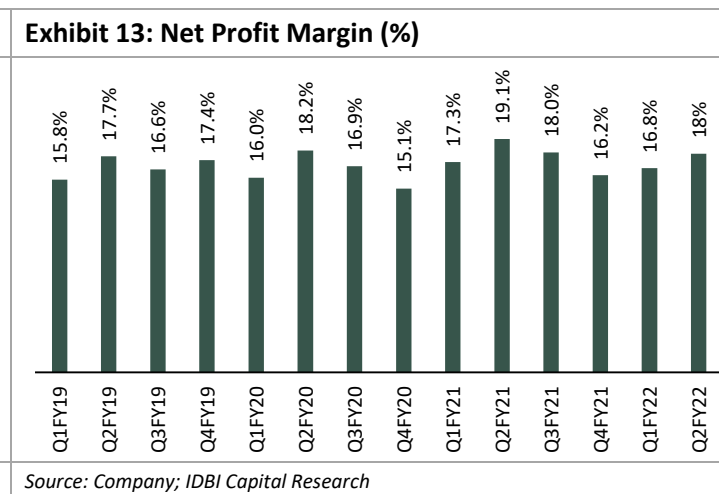
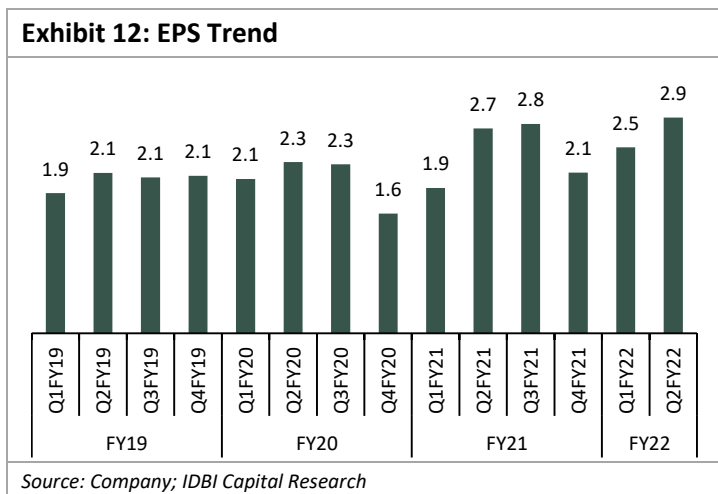
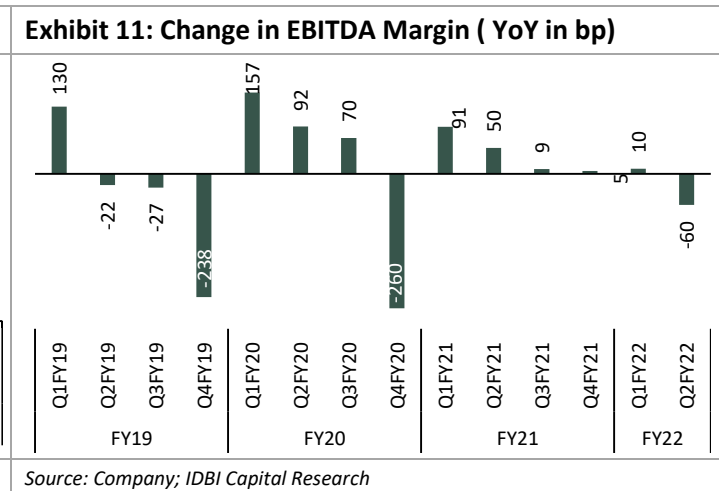
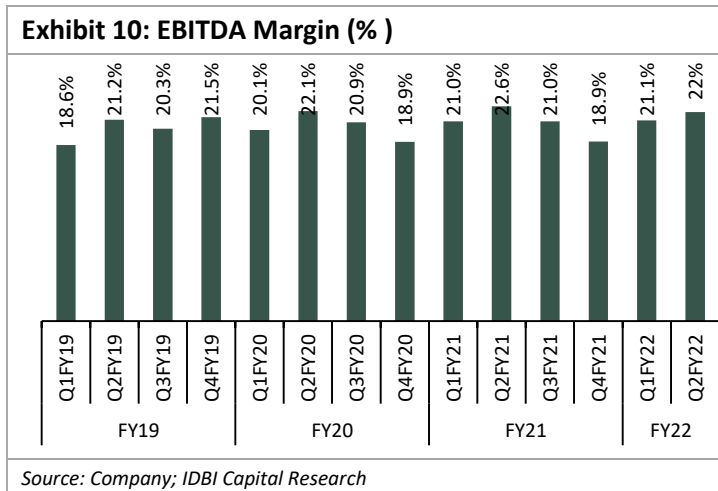


Source: Company; IDBI Capital Research

**Exhibit 9: Gross Margin (YoY in bp)**

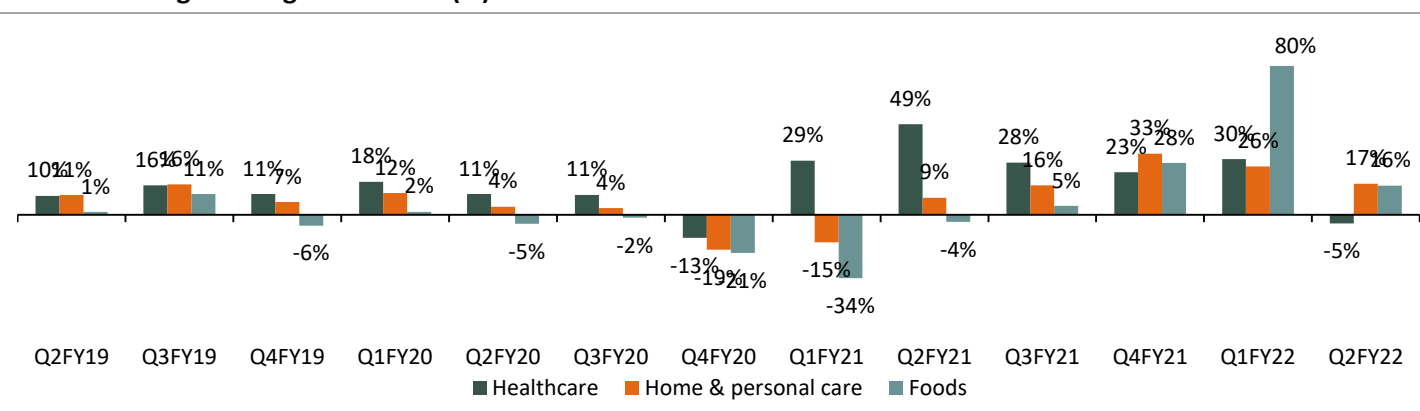


Source: Company; IDBI Capital Research





**Exhibit 14: Segmental growth trend (%)**



Source: Company; IDBI Capital Research

**Exhibit 15: Category growth trend (%)**

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
<b>Healthcare</b>											
Health supplements	10%	20%	14%	12%	-10%	53%	70.9%	35%	18%	25%	-13.6%
Digestives	12%	18%	10%	16%	-10%	-12%	2.2%	-1%	20%	16%	22.7%
OTC	17%	13%	4%	6%	-21%	22%	56.1%	34%	34%	52%	1.9%
Ethicals	10%	16%	7%	3%	NA	NA	26.4%	23%	39%	51%	NA
<b>Home and personal care</b>											
Oral Care	8%	11%	4%	9%	-16%	1%	24%	28%	42%	21%	13.3%
Hair oils	3%	12%	3%	0%	-21%	-26%	-6%	12%	25%	38%	27.9%
Shampoo	3%	11%	12%	5%	-17%	-9%	18%	27%	33%	41%	20.5%
Home care	16%	11%	7%	3%	-18%	-31%	-10%	-1%	24%	31%	25.3%
Skin & salon	11%	12%	1%	0%	-24%	-13%	38%	9%	38%	-5%	-11.9%
<b>Foods</b>											
Beverage	7%	12%	4%	4%	-19%	-15%	9%	16%	33%	26%	17%
Culinary	-6%	2%	-5%	-2%	-21%	-34%	-4%	5%	28%	80%	16%

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22E	FY23E	FY24E
<b>Net sales</b>	<b>95,617</b>	<b>1,09,551</b>	<b>1,18,948</b>	<b>1,31,591</b>
<i>Growth (%)</i>	9.9	14.6	8.6	10.6
Operating expenses	(75,590)	(86,519)	(91,726)	(1,01,211)
<b>EBITDA</b>	<b>20,027</b>	<b>23,033</b>	<b>27,222</b>	<b>30,380</b>
<i>Growth (%)</i>	11.7	15.0	18.2	11.6
Depreciation	(2,357)	(2,732)	(2,977)	(3,251)
<b>EBIT</b>	<b>17,670</b>	<b>20,300</b>	<b>24,245</b>	<b>27,129</b>
Interest paid	(290)	(507)	(507)	(507)
Other income	3,206	3,366	3,534	3,711
<b>Pre-tax profit</b>	<b>20,586</b>	<b>23,159</b>	<b>27,271</b>	<b>30,332</b>
Tax	(3,705)	(5,095)	(6,000)	(6,673)
<i>Effective tax rate (%)</i>	18.0	22.0	22.0	22.0
Minority Interest	(23.8)	(26.8)	(31.5)	(35.1)
<b>Net profit</b>	<b>16,856</b>	<b>18,037</b>	<b>21,240</b>	<b>23,624</b>
Exceptional items	-	-	-	-
<b>Adjusted net profit</b>	<b>16,856</b>	<b>18,037</b>	<b>21,240</b>	<b>23,624</b>
<i>Growth (%)</i>	16.7	7.0	17.8	11.2
<i>Shares o/s (mn nos)</i>	1,766	1,766	1,766	1,766

### Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22E	FY23E	FY24E
Pre-tax profit	20,586	23,159	27,271	30,332
Depreciation	2,401	2,732	2,977	3,251
Tax paid	(3,213)	(5,095)	(6,000)	(6,673)
Chg in working capital	3,269	(555)	2,683	(503)
Other operating activities	(1,870)	507	502	507
<b>Cash flow from operations (a)</b>	<b>21,172</b>	<b>20,749</b>	<b>27,434</b>	<b>26,914</b>
Capital expenditure	(3,112)	(2,764)	(3,267)	(3,646)
Chg in investments	(10,946)	-	(0)	-
Other investing activities	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(14,058)</b>	<b>(2,764)</b>	<b>(3,267)</b>	<b>(3,646)</b>
Equity raised/(repaid)	0	-	-	-
Debt raised/(repaid)	647	-	-	-
Dividend (incl. tax)	(5,921)	(9,018)	(10,620)	(11,812)
Chg in minorities	-	-	-	-
Other financing activities	(860)	(505)	(539)	(543)
<b>Cash flow from financing (c)</b>	<b>(6,134)</b>	<b>(9,523)</b>	<b>(11,159)</b>	<b>(12,355)</b>
<b>Net chg in cash (a+b+c)</b>	<b>980</b>	<b>8,462</b>	<b>13,008</b>	<b>10,914</b>

**Balance Sheet**

(Rs mn)

Year-end: March	FY21	FY22E	FY23E	FY24E
Net fixed assets	23,397	23,429	23,718	24,113
Investments	34,641	34,641	34,642	34,642
Other non-curr assets	2,674	2,674	2,674	2,674
<b>Current assets</b>	<b>47,759</b>	<b>59,567</b>	<b>72,236</b>	<b>86,185</b>
Inventories	17,343	19,870	21,575	23,868
Sundry Debtors	5,616	6,434	6,986	7,729
Cash and Bank	13,290	21,752	35,216	46,130
Marketable Securities	-	-	-	-
Loans and advances	-	-	-	-
<b>Total assets</b>	<b>1,08,471</b>	<b>1,20,310</b>	<b>1,33,268</b>	<b>1,47,613</b>
<b>Shareholders' funds</b>	<b>66,058</b>	<b>76,635</b>	<b>85,653</b>	<b>96,273</b>
Share capital	76,635	85,653	96,273	1,08,086
Reserves & surplus	1,767	1,767	1,767	1,767
<b>Total Debt</b>	<b>74,868</b>	<b>83,886</b>	<b>94,506</b>	<b>1,06,318</b>
Secured loans	4,833	4,833	4,833	4,833
Unsecured loans	-	-	-	-
Other liabilities	786	815	815	815
<b>Curr Liab &amp; prov</b>	<b>25,851</b>	<b>28,642</b>	<b>30,980</b>	<b>33,513</b>
Current liabilities	23,972	26,763	29,325	31,857
Provisions	1,878	1,878	1,655	1,655
<b>Total liabilities</b>	<b>31,469</b>	<b>34,290</b>	<b>36,628</b>	<b>39,160</b>
<b>Total equity &amp; liabilities</b>	<b>1,08,471</b>	<b>1,20,310</b>	<b>1,33,268</b>	<b>1,47,613</b>
<b>Book Value (Rs)</b>	<b>43</b>	<b>48</b>	<b>55</b>	<b>61</b>

Source: Company; IDBI Capital Research

**Financial Ratios**

Year-end: March	FY21	FY22E	FY23E	FY24E
Adj. EPS (Rs)	9.5	10.2	12.0	13.4
Adj. EPS growth (%)	16.7	7.0	17.8	11.2
EBITDA margin (%)	20.9	21.0	22.9	23.1
Pre-tax margin (%)	21.5	21.1	22.9	23.1
ROE (%)	23.6	22.2	23.4	23.1
ROCE (%)	22.9	23.3	25.0	25.1
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	0.9	1.0	0.9	0.9
Leverage factor (x)	1.4	1.4	1.4	1.4
Net margin (%)	17.6	16.5	17.9	18.0
Net Debt/Equity (x)	(0.1)	(0.2)	(0.3)	(0.4)
<b>Working Capital &amp; Liquidity ratio</b>				
Inventory days	66	66	66	66
Receivable days	21	21	21	21
Payable days	92	93	95	95

**Valuation**

Year-end: March	FY21	FY22E	FY23E	FY24E
P/E (x)	61.8	57.8	49.1	44.1
Price / Book value (x)	13.6	12.2	10.8	9.6
PCE (x)	54.2	50.2	43.0	38.8
EV / Net sales (x)	10.8	9.4	8.5	7.6
EV / EBITDA (x)	51.6	44.5	37.2	32.9
Dividend Yield (%)	0.6	0.9	1.0	1.1



# Notes

Dealing

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**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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