

Coromandel International

BSE SENSEX

54,768

S&P CNX

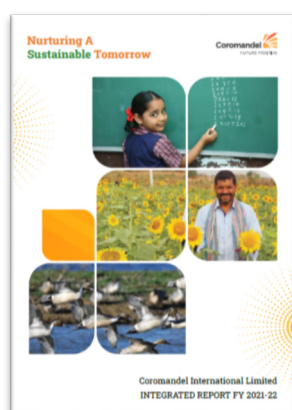
16,341

CMP: INR1003

TP: INR1160 (+16%)

Buy

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Stock Info

Bloomberg	CRIN IN
Equity Shares (m)	292
M.Cap.(INRb)/(USD\$)	294 / 3.7
52-Week Range (INR)	1019 / 710
1, 6, 12 Rel. Per (%)	2/37/11
12M Avg Val (INR M)	489
Free float (%)	42.5

Financials Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	191.1	279.1	242.6
EBITDA	21.5	22.6	25.8
Adj. PAT	15.3	16.1	18.6
EBITDA Margin (%)	11.2	8.1	10.6
Cons. Adj. EPS (INR)	52.1	54.7	63.2
EPS Gr. (%)	15	5	15.6
BV/Sh. (INR)	217	257	307

Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	26.6	23.1	22.4
RoCE (%)	27.5	23.8	23.1
Payout (%)	23	25.6	22.2

Valuations

P/E (x)	19.2	18.3	15.8
EV/EBITDA (x)	12.9	12.1	10.3
Div. Yield (%)	1.2	1.4	1.4
FCF Yield (%)	6.1	2.1	3.1

Strategic initiatives to drive long-term growth

CRIN's FY22 Annual Report highlights the company's strategic and transformational initiatives, its performance, and significant trends in the industry. Key highlights below:

- The management has taken various strategic initiatives such as strengthening the supply-chain on the back of significant backward integration and strategic procurement. Such initiatives will help create a moat in the long run.
- CRIN is improving its R&D capabilities with the help of advanced tools such as 'ARM' and 'Minitab' to conduct trials and analyze research data. It is digitizing its processes by adopting a dashboard for materials management and ascertaining the status of batches to improve its operating efficiency.
- It is aligning itself with key trends in the industry by expanding its product portfolio to address the growing demand for high-performance complex Agri input solutions. It is venturing into drone spraying services to address the need for highly efficient delivery mechanisms.
- CRIN has improved its operating margin on the back of backward integration and improvement in sourcing in FY22, with EBITDA/MT for manufactured fertilizers (DAP and NPK) increasing by 12% YoY to INR4,588/MT.

Long-term strategic initiatives to create a moat in the long run

- **Strengthening the supply-chain:** CRIN has strengthened its back-end supply-chain across businesses with significant backward integration, in addition to ramping up its manufacturing capacities through sustained de-bottlenecking efforts. Such backward integrations and strategic procurement initiatives for key input materials helped the business partially tackle the critical issue on the raw material front.
- The company pursued a strategic investment in a Senegal rock phosphate mine in FY22. The Senegal mine is expected to provide up to one-third of CRIN's rock phosphate requirements in due course of time. CRIN is also initiating a new sulfuric acid plant and debottlenecking its existing phosphoric acid plants. The new sulfuric acid plant is expected to come on stream in FY24 and will help CRIN augment its sulfuric acid capacity at Visakhapatnam to 3,300MTPD from 1,800 MTPD, while its phosphoric acid capacity will rise to ~1,300tpd from ~1,000tpd.
- **Improving R&D:** CRIN's R&D team is using an agriculture research field trial tool (ARM) to enhance the impact of its trials. The tool saves time on designing the trials and developing reports. It also improves accuracy and the quality of the results of such trials. It is using 'Minitab', an advanced tool for analyzing research data and conducting hypothesis testing and regression analysis.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	57.5	57.5	57.6
DII	21.2	21.7	20.6
FII	7.1	7.2	7.7
Others	14.2	13.5	14.1

FII Includes depository receipts

- **Digitizing processes:** CRIN is looking to overhaul its IT infrastructure and is ramping up its digital and analytics capabilities. Under its digital transformation program, it has provided its units with a dashboard for materials management, tracking customer escalations, and ascertaining the status of different batches.
- **Tapping into the emerging growth opportunity:** The management is setting up a dedicated office in Chennai to embark upon growth opportunities in adjacent areas that can complement its existing businesses. It has set up a separate structure for looking at investments in new startups and agritech ventures.
- **Organizational realignment:** The management is seeking to re-align its organizational structure to provide greater control, responsibility, and independent decision-making ability at the strategic business unit level.

Aligning with industry trends to improve its business performance

- The management has identified and outlined some megatrends in agriculture in its FY21 annual report which still hold good. It is continuing to keep a tab on them and is accordingly aligning its internal strategies. Some of the key trends going forward are as follows:
 1. Growing demand for high-performance complex **Agri input solutions** to meet the demands of a growing population and spike in healthy, high-calorie diets.
 2. The need for precision **farming techniques**, coupled with improvised, highly efficient **delivery mechanisms**.
 3. Increasing trend of **contract farming** and shared supply-chain infrastructure.
 4. **Rural innovation**, including access to high-speed internet, Agri-focused credit products, availability of affordable digital tools for soil health measurement, pest advisory, weather information, demand forecasting, and livestock management.
 5. **Biotech** and advanced breeding techniques.
- In line with the current trend, CRIN has developed a diverse product portfolio, including biological and organic products. It launched nine products in FY22 (three/six fertilizers/Crop Protection products, *refer Exhibit 4*).
- Aligning itself with the Government of India's intent to promote drone usage in agriculture, CRIN has initiated drone spraying on various crops. It has procured five drones and has trained 20 pilots for the same. It is in the process of active collaboration with technology companies and universities for improving its drone spraying services.
- The management is also focusing on the key strategic levers such as deepening its understanding of the consumer, building power brands, investing in R&D and data analytics, becoming a player of scale, creating new markets, and strengthening its efficiency and quality across the value chain.

Sustainable operating margin on account of better sourcing and backward integration

- **Revenue** grew 35% YoY to INR191b in FY22 on the back of higher realization growth in both the Nutrient and Crop Protection business.
- The Nutrient and Allied business segment grew 36% YoY, with its share in consolidated revenue improving marginally to 87% in FY22 from 86% in FY21. In volume terms, manufactured fertilizer grew 3.8% YoY to 3.7MMT on the back of strong traction in DAP/SSP (up 10.2%/12.8% YoY to 2.2MMT/7.6MMT) and a

1.1% growth in NPK to 27.7MMT. However, volumes for traded fertilizer fell 22% YoY to 0.96 MMT. Revenue from the Crop Protection segment grew 20% YoY to INR25.1b in FY22.

- **Margin:** EBITDA/adjusted PAT grew 8.3%/15% YoY to INR21.5b/INR15.3b. As per our calculations, EBITDA/MT for manufactured fertilizers (including SSP, assuming an EBITDA/MT of INR1,300) stood at INR3,925/MT (up 10% YoY). The same for manufactured NPK and DAP stood at INR4,588/MT (up 12% YoY). EBITDA for the Crop Protection segment stood at INR4.3b (up 18% YoY), with margin at 17.9% (down 50bp YoY).
- **Operating performance:** CRIN's fertilizer plants operated at 84% capacity and produced 2.9MMT of DAP and complex fertilizers. Its consumption market share improved to 16.7% (up 100bp YoY). The SSP product segment within fertilizer grew 55% and maintained its leadership position, with a market share of 16.1% in FY22 v/s 12.8% in FY21.
- **Working capital cycle:** In FY22, its overall working capital days fell to 42 days from 56 days, led by a decrease in trade/government subsidy receivable days to five/six days (v/s 14/15 days in FY21). CRIN's reduced its trade and subsidy receivables by over 50% as collection improved on the back of higher consumption, while subsidy disbursements by the government improved.
- **Cash flow analysis:** CFO fell 50% YoY to INR20.7b in FY22. The CFO/EBITDA ratio stood at 97% in FY22 (v/s 209% in FY21). The decline was primarily due to extraordinarily high cash flow in the base year (FY21) as the government released pending subsidy to aid fertilizer companies.
- **Capex:** Total capex stood at INR2.8b in FY22 (v/s INR1.9b in FY21). In FY22, CRIN began setting up a sulfuric acid plant in Vishakhapatnam and commissioned a state-of-the-art liquid fertilizer plant. Other major projects included expansion of capacity for granulated SSP and Bio pesticides, phosphoric acid evaporator, structural stability, and other maintenance initiatives.
- **RoCE/RoE** stood at 27.5%/26.6% in FY22 v/s 25.3%/28.1% in FY21. The fall in RoE was due to lower net profit margin (8% in FY22 v/s 9.4% in FY21) and higher asset turnover (3x in FY22 v/s 2.7x in FY21), while the equity multiplier remained at 1x in FY21 and FY22.
- **Debt:** CRIN repaid short-term debt of INR16m in FY22 and is debt free.

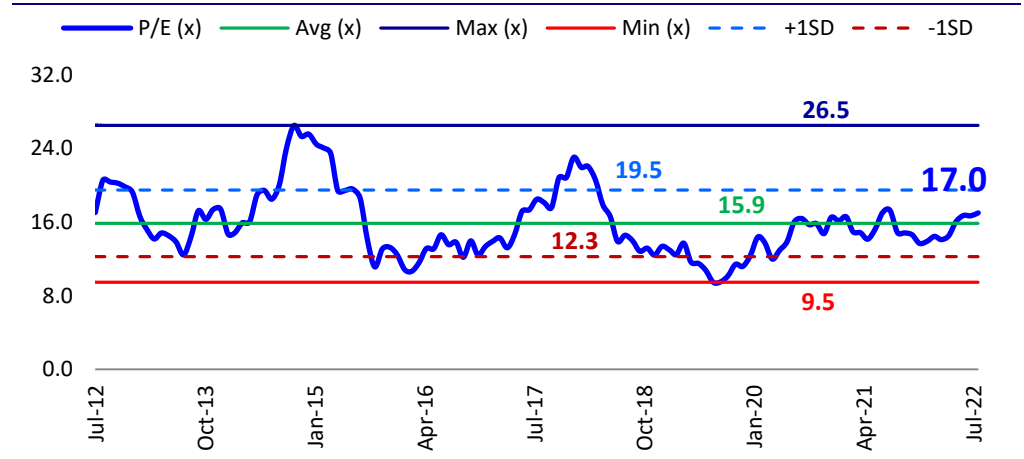
Valuation and view

- The management has taken various strategic initiatives such as strengthening its back-end supply chain, improving its R&D capabilities, and digitizing its processes. It is aligning itself with key industry trends by expanding its product portfolio to address the growing demand for high-performance complex Agri input solutions. All such initiatives will help it to create a moat and drive growth in the long run.
- Going forward, the key growth levers include: i) the management's focus on increasing penetration in existing markets, ii) debottlenecking to raise capacity and strengthening its back-end supply chain, iii) efforts to lower the cost of raw material, while maintaining the same level of quality, and establishing an alternative sourcing destination (which will aid cost savings), iv) launch of three-to-four molecules in the Crop Protection segment, v) inorganic growth, and vi)

its focus on profitable growth in the Retail business by reorganizing stores based on consumption patterns.

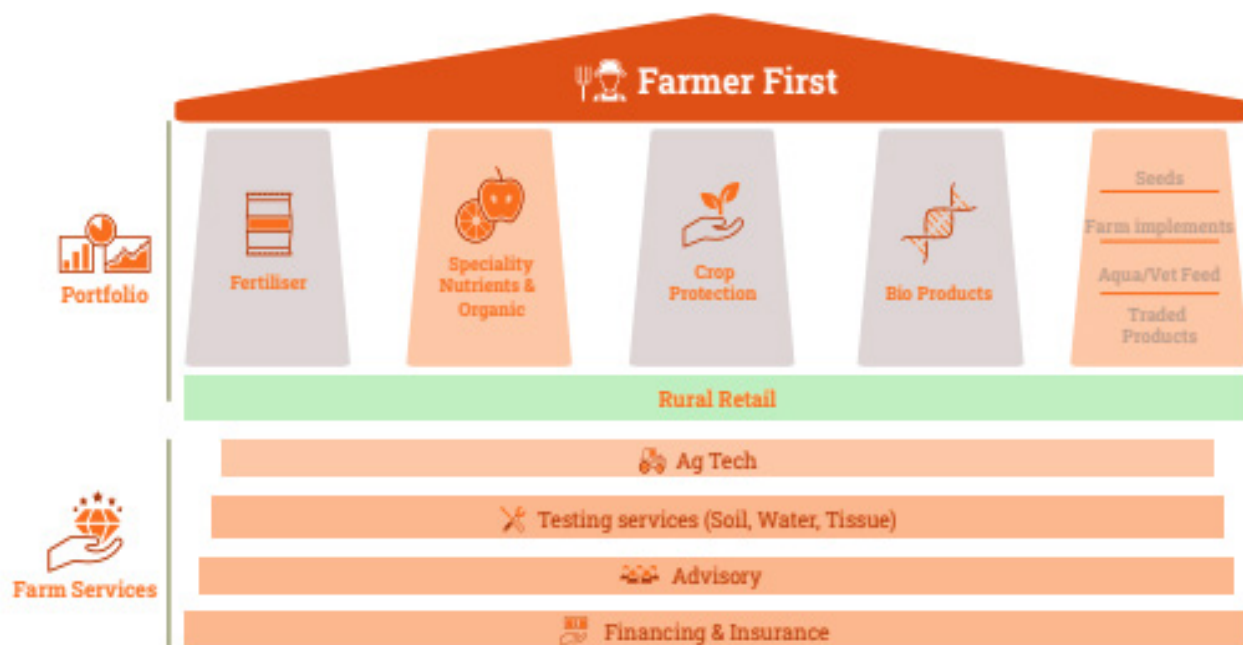
- We expect revenue/EBITDA/PAT CAGR of 12.7%/9.6%/10% over FY22-24. We value CRIN at 18x FY24E EPS to arrive at our TP of INR1,160. We maintain our Buy rating.

Exhibit 1: CRIN's one year forward P/E



Source: MOSL, Company

Exhibit 2: CRIN's farmer first model



A 'Farmer First' winning business model

Exhibit 3: CRIN's ESG framework

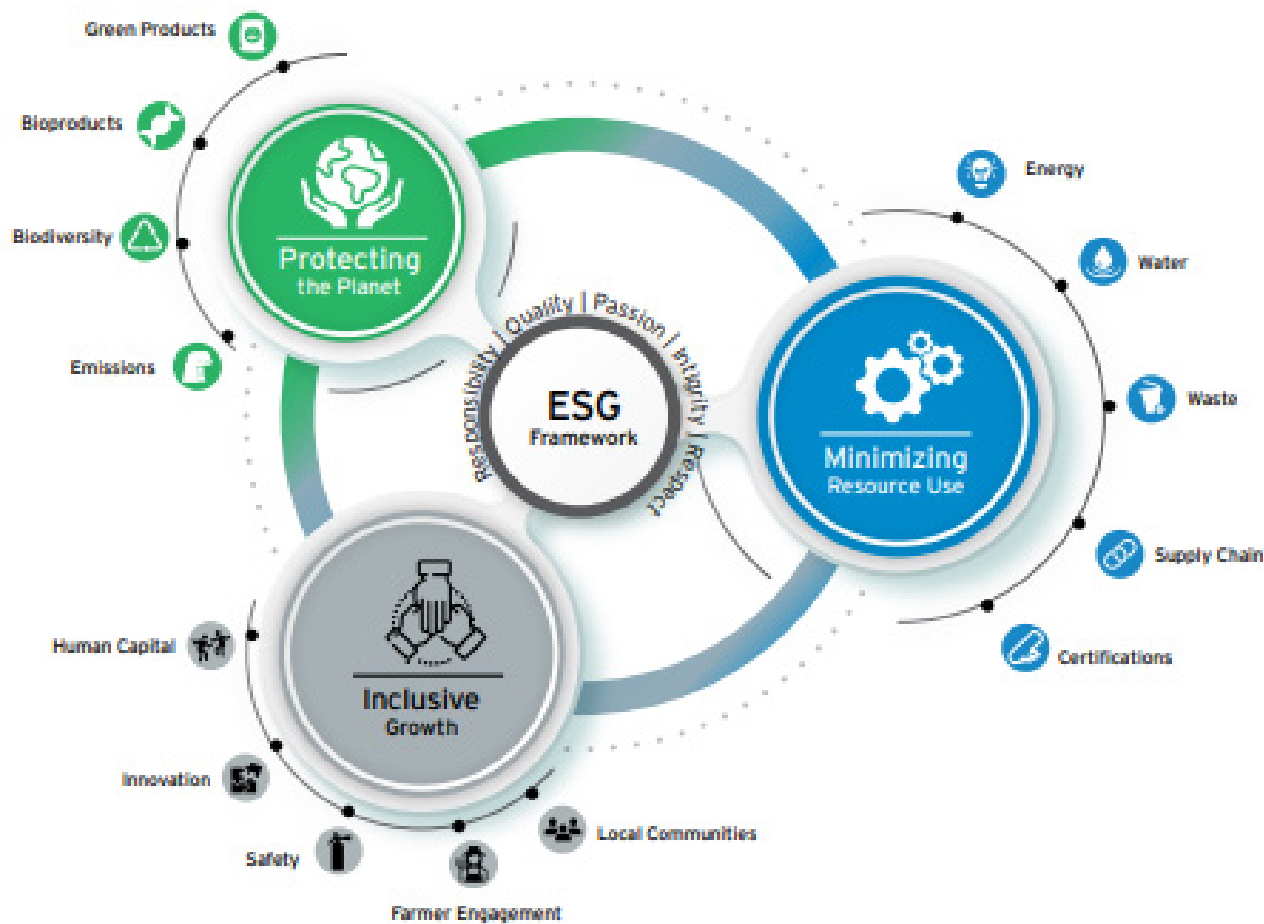


Exhibit 4: Fostering sustainable growth



Exhibit 5: Details of new product launches by CRIN in FY22

**Groshakti Plus**

A superior complex fertiliser with EnPhos Technology and fortified Zinc. It is suitable for crops like Cereals, Pulses, Oilseeds, Fruit and Vegetable crops etc.

**Accu Mist Zinc**

Liquid fertiliser containing 39.5% Zinc oxide. Provides Zinc micronutrients and improves nutrient uptake efficiency

**Makeba**

A broad-spectrum insecticide, it provides long-lasting protection against a variety of pests and crops

**Finio**

Delivers a quick knockdown effect for all stages of whiteflies with Diafenthiuron and Pyriproxifen as its main ingredients

**Officer**

Powered by a unique formulation for post-emergent weed control in paddy, this has a unique application window at even 1 to 3 weed leaf stage

**Insas**

Insecticide formulation that provides long persistent control against all developmental stages of whiteflies and mites

**Optra FS**

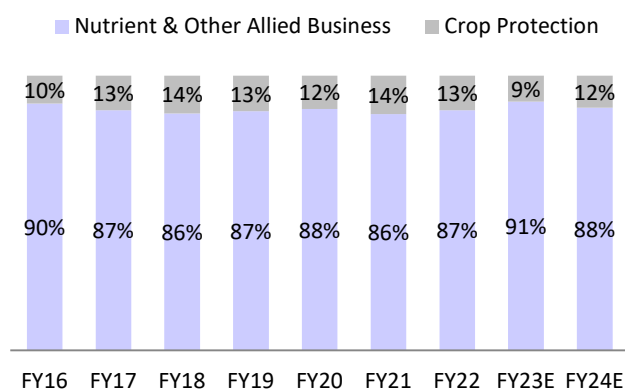
A broad-spectrum insecticide formulation providing effective control against Aphids & Jassids

**Magnite**

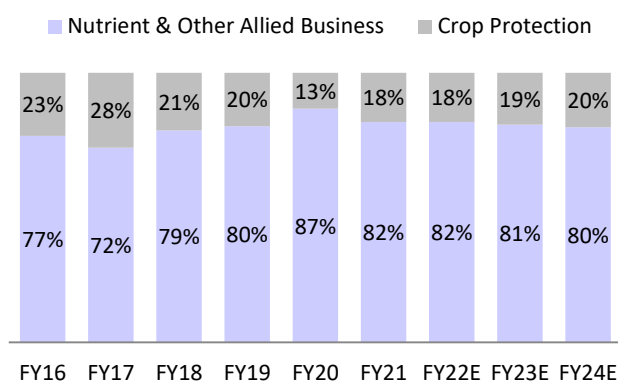
A broad-spectrum product that offers preventive, systemic, and curative activity through its ingredients Azoxystrobin and Difenconazole

**Fitsol Grapes**

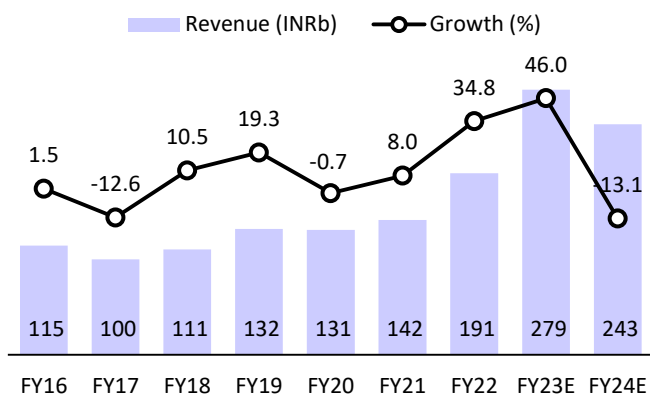
Water-soluble fertiliser fertigation product customised to meet the nutrient requirements of the Grape crop

Exhibit 6: Segmental revenue mix

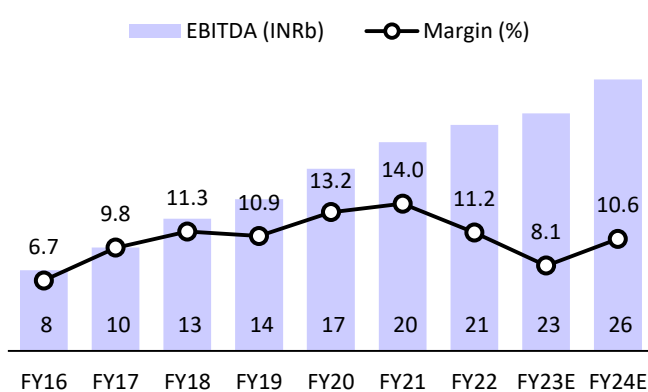
Source: Company, MOFSL

Exhibit 7: Segmental EBITDA mix

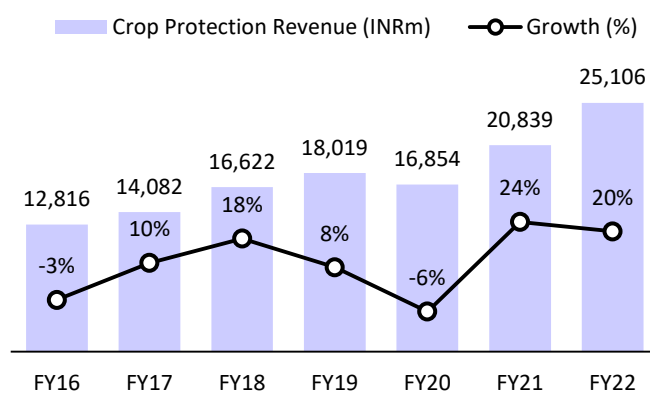
Source: Company, MOFSL

Exhibit 8: Consolidated revenue trend

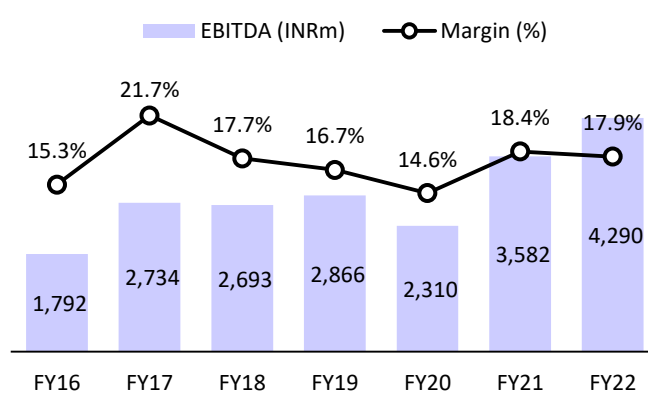
Source: Company, MOFSL

Exhibit 9: Consolidated EBITDA trend

Source: Company, MOFSL

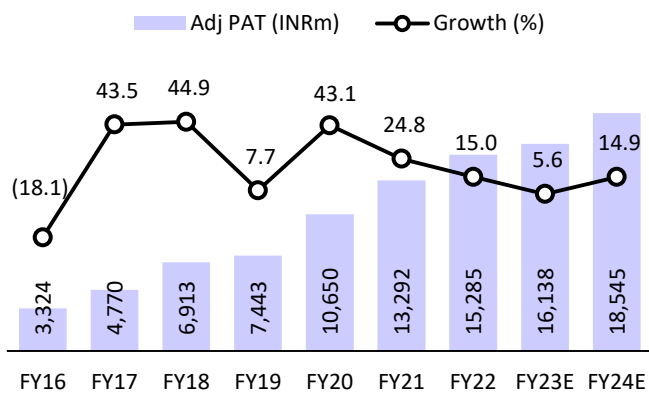
Exhibit 10: Revenue trend for the Crop Protection business

Source: Company, MOFSL

Exhibit 11: EBITDA trend for the Crop Protection business

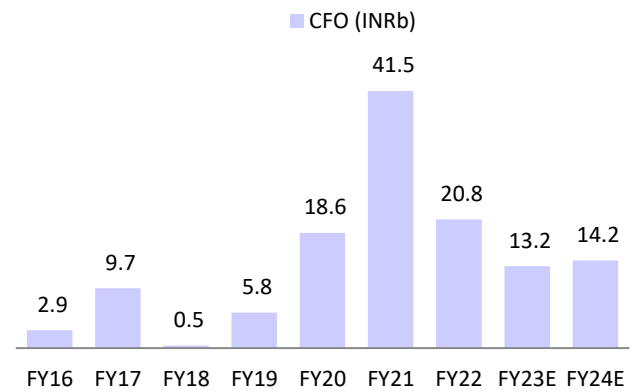
Source: Company, MOFSL

Exhibit 12: Consolidated PAT trend



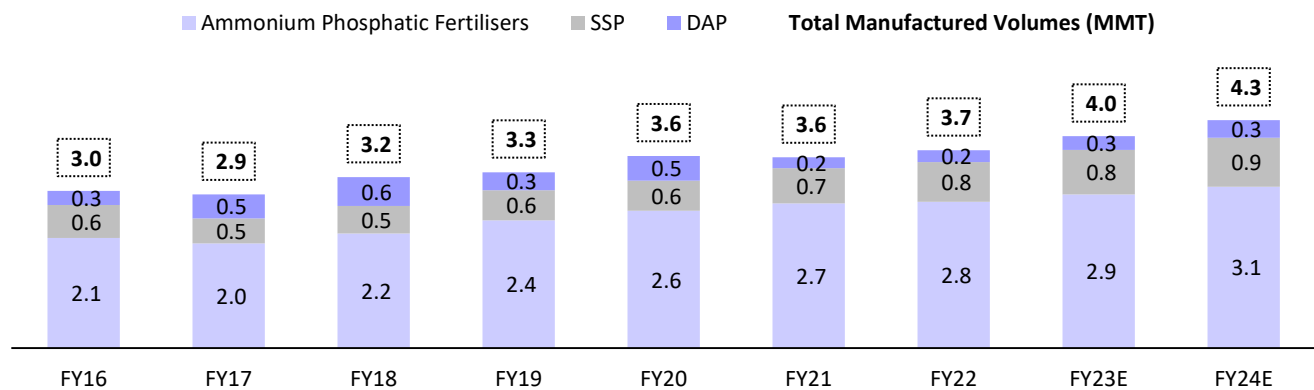
Source: Company, MOFSL

Exhibit 13: Consolidated CFO trend



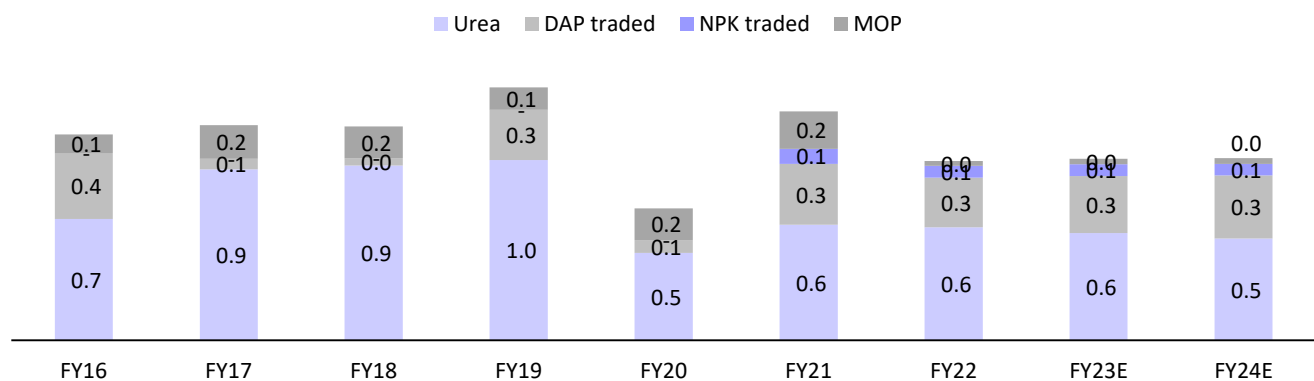
Source: Company, MOFSL

Exhibit 14: Annual trend of manufactured fertilizer volumes

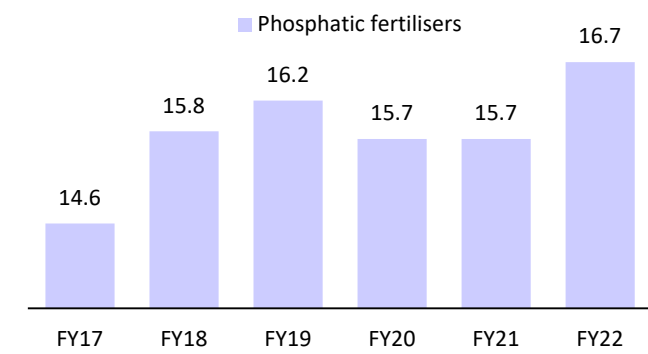


Source: MOFSL, Company

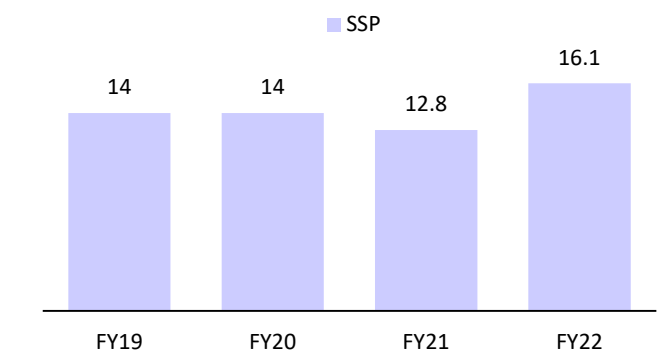
Exhibit 15: Annual trend of traded fertilizer volumes (MMT)



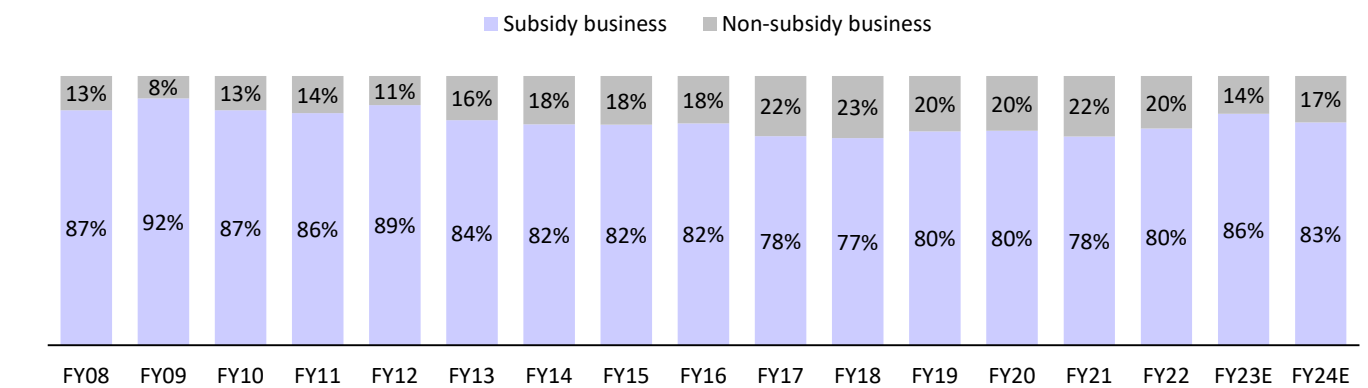
Source: MOFSL, Company

Exhibit 16: CRIN's market share in phosphatic fertilizers (%)

Source: MOFSL, Company

Exhibit 17: CRIN's market share in SSP (%)

Source: MOFSL, Company

Exhibit 18: Subsidy and non-subsidy business mix trend for CRIN

Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	114,814	100,308	1,10,829	1,32,246	1,31,367	1,41,820	1,91,109	2,79,058	2,42,608
Change (%)	1.5	(12.6)	10.5	19.3	(0.7)	8.0	34.8	46.0	(13.1)
Raw Material Cost	87,231	71,210	76,094	93,396	90,556	96,879	1,42,165	2,26,198	1,85,004
As a percentage of Sales	76.0	71.0	68.7	70.6	68.9	68.3	74.4	81.1	76.3
Personnel Expenses	2,919	3,108	3,619	4,111	4,611	5,386	5,872	6,620	7,036
As a percentage of Sales	2.5	3.1	3.3	3.1	3.5	3.8	3.1	2.4	2.9
Freight and Distribution Expenses	8,274	8,278	9,792	10,327	8,844	8,923	10,334	11,425	11,888
As a percentage of Sales	7.2	8.3	8.8	7.8	6.7	6.3	5.4	4.1	4.9
Other Expenses	8,723	7,885	8,761	9,981	10,046	10,789	11,239	12,233	12,858
As a percentage of Sales	7.6	7.9	7.9	7.5	7.6	7.6	5.9	4.4	5.3
Total Expenditure	1,07,146	90,481	98,265	1,17,815	1,14,057	1,21,977	1,69,610	2,56,475	2,16,786
As a percentage of Sales	93.3	90.2	88.7	89.1	86.8	86.0	88.8	91.9	89.4
EBITDA	7,668	9,827	12,564	14,431	17,310	19,843	21,499	22,583	25,822
Margin (%)	6.7	9.8	11.3	10.9	13.2	14.0	11.2	8.1	10.6
Depreciation	1,061	1,007	991	1,138	1,580	1,731	1,727	1,968	2,241
EBIT	6,607	8,820	11,573	13,292	15,730	18,112	19,772	20,615	23,582
Int. and Finance Charges	2,209	2,238	1,783	2,507	2,353	1,057	755	755	755
Other Income	665	548	597	371	400	751	1,443	1,659	1,908
PBT bef. EO Exp.	5,062	7,130	10,387	11,156	13,777	17,806	20,460	21,520	24,735
EO Expense/(Income)	250	0	0	-239	0	0	0	0	0
PBT after EO Exp.	5,312	7,130	10,387	10,917	13,777	17,806	20,460	21,520	24,735
Current Tax	1,878	2,432	3,539	3,874	3,686	4,599	5,187	5,505	6,226
Deferred Tax	-161	-78	-71	-153	-551	-31	26	0	0
Total Tax	1,716	2,353	3,468	3,721	3,135	4,568	5,213	5,505	6,226
Tax Rate (%)	32.3	33.0	33.4	34.1	22.8	25.7	25.5	25.6	25.2
Less: MI/Share of profit/loss of JV and Ass.	22	7	6	-8	-8	-54	-37	-39	-41
Reported PAT	3,574	4,770	6,913	7,205	10,650	13,292	15,285	16,054	18,551
Adjusted PAT	3,324	4,770	6,913	7,443	10,650	13,292	15,285	16,054	18,551
Change (%)	-18.1	43.5	44.9	7.7	43.1	24.8	15.0	5.0	15.6
Margin (%)	2.9	4.8	6.2	5.6	8.1	9.4	8.0	5.8	7.6

Consolidated Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	291	292	292	293	293	293	294	294	294
Total Reserves	26,048	28,616	28,670	33,291	42,884	51,213	63,289	75,234	89,676
Net Worth	26,340	28,908	28,963	33,584	43,177	51,506	63,583	75,527	89,969
Deferred Liabilities	1,679	1,495	1,254	1,123	578	576	660	660	660
Total Loans	26,267	22,284	27,284	29,545	16,251	16	0	0	0
Capital Employed	54,286	52,686	57,501	64,252	60,007	52,098	64,243	76,188	90,629
Gross Block	23,550	24,612	25,625	26,631	31,166	36,849	39,337	46,207	51,207
Less: Accum. Deprn.	10,250	11,257	12,248	13,387	14,967	16,698	18,424	20,392	22,632
Net Fixed Assets	13,300	13,355	13,376	13,244	16,200	20,151	20,913	25,816	28,575
Goodwill on Consolidation	3	3	3	3	3	3	3	3	3
Capital WIP	309	137	375	1,756	654	898	1,412	1,541	1,541
Current Investments	3	1	1	1	0	0	0	0	0
Total Investments	4,772	3,885	2,214	2,008	2,113	2,138	2,435	2,435	2,435
Curr. Assets, Loans, and Adv.	73,433	69,071	82,515	88,728	82,517	65,765	88,085	1,16,758	1,17,808
Inventory	23,458	17,246	22,625	32,414	26,971	26,009	36,632	53,518	46,528
Account Receivables	16,419	16,217	15,777	18,244	17,341	5,544	2,649	4,587	5,317
Govt. Subsidies Receivable	23,671	25,570	26,269	23,935	23,162	5,897	2,941	3,823	3,323
Cash and Bank Balance	1,978	1,678	5,554	1,593	783	7,221	17,533	20,426	26,747
Loans and Advances	7,908	8,359	12,291	12,542	14,259	21,094	28,330	34,404	35,893
Curr. Liability and Prov.	37,531	33,764	40,983	41,488	41,481	36,857	48,605	70,366	59,733
Account Payables	32,329	29,345	33,786	37,625	33,481	29,222	39,135	58,873	48,152
Other Current Liabilities	4,945	4,129	6,952	3,542	7,643	7,281	9,132	10,704	10,635
Provisions	257	289	244	321	357	354	337	789	946
Net Current Assets	35,902	35,307	41,532	47,240	41,036	28,908	39,481	46,393	58,075
Appl. of Funds	54,286	52,686	57,501	64,252	60,007	52,098	64,243	76,188	90,629

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)									
EPS	11.4	16.4	23.6	25.4	36.3	45.3	52.1	54.7	63.2
Cash EPS	15.1	19.8	27.0	29.3	41.7	51.2	58.0	61.4	70.8
BV/Share	90.4	99.1	99.1	114.8	147.4	175.5	216.6	257.3	306.5
DPS	2.5	4.0	6.5	6.5	12.0	12.0	12.0	14.0	14.0
Payout (%)	24.5	29.4	33.0	31.7	39.6	26.5	23.0	25.6	22.2
Valuation (x)									
P/E ratio	87.7	61.2	42.3	39.3	27.5	22.1	19.2	18.3	15.8
Cash P/E ratio	66.5	50.5	37.0	34.1	24.0	19.5	17.3	16.3	14.1
P/BV ratio	11.1	10.1	10.1	8.7	6.8	5.7	4.6	3.9	3.3
EV/Sales ratio	2.8	3.1	2.8	2.4	2.4	2.0	1.4	1.0	1.1
EV/EBITDA ratio	41.2	31.8	25.0	22.2	17.8	14.4	12.9	12.1	10.3
Dividend Yield (%)	0.2	0.4	0.6	0.6	1.2	1.2	1.2	1.4	1.4
FCF per share	7.0	30.1	4.8	8.7	51.8	121.3	60.6	20.6	31.5
Return Ratios (%)									
RoE	13.4	17.3	23.9	23.8	27.7	28.1	26.6	23.1	22.4
RoCE	10.1	12.1	15.1	15.1	20.3	25.3	27.5	23.8	23.1
RoIC	10.4	12.5	16.0	16.2	21.1	27.4	34.8	32.4	31.6
Working Capital Ratios									
Fixed Asset Turnover (x)	5	4	4	5	4	4	5	6	5
Asset Turnover (x)	2.1	1.9	1.9	2.1	2.2	2.7	3.0	3.7	2.7
Inventory (Days)	75	63	75	89	75	67	70	70	70
Debtor (Days)	52	59	52	50	48	14	5	6	8
Govt. Subsidy Receivable (days)	75	93	87	66	64	15	6	5	5
Creditor (Days)	135	150	162	147	135	110	100	95	95
Others (Days)									
Working Capital Turnover (Days)	108	122	118	126	112	56	42	34	47
Leverage Ratio (x)									
Current Ratio	2.0	2.0	2.0	2.1	2.0	1.8	1.8	1.7	2.0
Interest Coverage Ratio	3	4	6	5	7	17	26	27	31
Debt/Equity ratio	1.0	0.8	0.9	0.9	0.4	0.0	0.0	0.0	0.0

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
NP/(Loss) Before Tax and EO Items	5,062	7,130	10,387	11,156	13,777	17,806	20,460	21,520	24,735
Depreciation	1,061	1,007	991	1,138	1,580	1,731	1,727	1,968	2,241
Interest and Finance Charges	1,545	1,690	119	1,783	2,353	1,057	755	-904	-1,153
Direct Taxes Paid	-1,716	-2,353	-3,498	-3,709	-3,135	-4,568	-5,213	-5,505	-6,226
(Inc.)/Dec. in WC	-3,039	2,195	-7,540	-4,601	4,044	25,476	3,052	-4,019	-5,361
CF from Operations	2,913	9,669	459	5,768	18,620	41,502	20,781	13,058	14,235
Others	0	0	2,174	-504	0	0	0	0	0
CF from Operations incl. EO	2,913	9,669	2,633	5,264	18,620	41,502	20,781	13,058	14,235
(inc.)/dec. in FA	-869	-890	-1,230	-2,731	-3,434	-5,926	-3,002	-7,000	-5,000
Free Cash Flow	2,044	8,779	1,402	2,534	15,186	35,576	17,779	6,058	9,235
(Pur.)/Sale of Investments	-275	887	0	0	-105	-25	-297	0	0
Others	665	548	2,483	-4,053	1,320	-6,622	-12,921	1,659	1,908
CF from Investments	-479	546	1,253	-6,784	-2,219	-12,572	-16,220	-5,341	-3,092
Issue of Shares	0	0	167	45	1	0	0	0	0
Inc./(Dec.) in Debt	5,047	-3,983	4,437	2,316	-13,294	-16,235	-16	0	0
Interest Paid	-2,209	-2,238	-1,801	-2,511	-2,353	-1,057	-755	-755	-755
Dividend Paid	-876	-1,403	-2,813	-2,292	-4,219	-3,521	-3,522	-4,109	-4,109
Others	-5,517	-2,890	0	0	2,654	-1,679	10,044	39	41
CF from Fin. Activity	-3,556	-10,513	-10	-2,441	-17,211	-22,491	5,751	-4,824	-4,822
Inc./Dec. in Cash	-1,121	-299	3,876	-3,961	-810	6,438	10,312	2,893	6,321
Add: Beginning Balance	3,099	1,977	1,678	5,554	1,593	783	7,221	17,533	20,426
Closing Balance	1,977	1,678	5,554	1,593	783	7,221	17,533	20,426	26,747

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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