

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	DLFU IN
Equity Shares (m)	2,475
M.Cap.(INRb)/(USD\$)	916 / 11.1
52-Week Range (INR)	444 / 295
1, 6, 12 Rel. Per (%)	-2/-7/-6
12M Avg Val (INR M)	2367

Financials & Valuations (INR b)

Y/E Mar	FY22	FY23E	FY24E
Sales	57.2	61.2	70.7
EBITDA	17.4	19.9	24.1
EBITDA (%)	30.5	32.4	34.1
PAT	16.6	23.7	45.1
EPS (INR)	6.7	13.3	25.3
EPS Gr. (%)	540.2	186.7	276.5
BV/Sh. (INR)	203.8	213.0	234.1

Ratios

Net D/E	0.1	0.0	0.0
RoE (%)	4.6	6.4	11.3
RoCE (%)	3.5	4.1	4.9
Payout (%)	33.0	31.3	16.5

Valuations

P/E (x)	55.1	27.8	14.6
P/BV (x)	1.8	1.7	1.6
EV/EBITDA (x)	54.4	33.6	26.7
Div Yield (%)	0.5	1.1	1.1

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	75.0	75.0	75.0
DII	4.8	4.6	3.0
FII	14.9	14.9	17.0
Others	5.4	5.6	5.1

CMP: INR370

TP: INR385 (+4%)

Neutral

Steady performance; growth largely priced in

In line Residential pre-sales; FY23 guidance unchanged

- DLFU's pre-sales in 2Q was steady QoQ at INR20.5b (up 36% YoY) and in line with its quarterly run-rate (as per its FY23 guidance of INR80b). However, it was 7% below our estimate due to the timing of sales recognition.
- The management received a strong response to its 3.4msf of project launches in 2QFY23, which contributed INR13.5b to pre-sales. It also reported a pick-up in its Ultra Luxury project 'Camellias', which clocked INR4.7b of sales v/s INR3.5b in 1QFY23 and now commands INR60,000/sq. ft.
- Despite a strong response to its recent launches, the management reiterated its FY23 pre-sales guidance of INR80b, citing the uncertain economic environment.
- Collections improved by 14% QoQ to INR12.5b (down 17% YoY). It also realized INR4b of collections from One Midtown (Delhi). Surplus cash flows of INR1.3b were utilized to reduce its net debt to INR21b.
- Revenue fell 12% YoY and 10% QoQ to INR13b (21% below our estimate). EBITDA dropped by just 5% YoY to INR4.4b due to a 260bp improvement in margin. PAT grew 26% YoY to INR4.8b (26% below our estimate).

Strong Retail performance and Downtown Gurugram led to a growth in rentals

- Rental income for DCCDL's portfolio rose 6% QoQ to INR9.9b, led by: a) commencement of operations at Downtown Gurugram; and b) 10% QoQ growth in Retail Rentals.
- Rentals from Downtown Gurugram stood at INR290m in 2QFY23. It further has 5.3msf of project under-construction across Downtown Gurugram (2msf) and Chennai (3.3msf), of which 1.6msf (30%) is pre-leased.
- We expect DCCDL's Commercial portfolio to register 18% Rental CAGR to INR47b over FY22-24.

Key takeaways from the management interaction

- **Launches:** In 3QFY23, DLFU will see another launch at Panchkula and a high rise project will be launched in 4Q. The management is confident of surpassing its sales guidance of over INR80b, but given the external environment, it retained its existing guidance.
- The new tower launch at One Midtown is scheduled for 1QFY24, but the management may bring it forward to 4QFY23. Current realizations are ~23,000/sq. ft., with DLFU's adjacent completed project (Capital Green) commanding INR30,000/sq. ft. in the secondary market. It is also planning a Luxury high rise project in Chennai. DLF 5 (Crest 2) will be launched in FY24.
- **Interest rate:** The hike in interest rates was in line with its expectations. The management is closely watching these developments. So far, it has seen no impact on demand. Given the depreciation in the INR v/s the USD, it is planning to aggressively reach out to NRIs over the next few months.

Pritesh Sheth – Research Analyst (prites.sheth@MotilalOswal.com)

Sourabh Gilda – Research Analyst (sourabh.gilda@MotilalOswal.com)

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Growth trajectory intact, but implied land value indicates DLFU is fairly priced; reiterate our Neutral rating

- While pre-sales were 7% lower than our estimate, we remain confident that DLFU will deliver better than its FY23 pre-sales guidance of INR80b. Hence, we retain our FY23 and FY24 pre-sales and cash flow estimates.
- Due to lower than expected revenue recognition in 2Q, we reduce our FY23 PAT estimate by 13%.
- While we remain confident on the growth trajectory in its Residential as well as Commercial business, a large part of it seems already priced into its valuation. Thus, the implied value of its land parcels remains the only key metric for a further upside in the stock.
- At current valuations, the surplus land in DLFU and DCCDL is valued at INR434b, which is in line with our estimated value of INR470b, assuming a 20/11-year development timeline for DLFU/DCCDL's 151msf/25msf land bank, which is fair in our view. **We reiterate our Neutral rating** with an unchanged SoTP-based TP of INR385.

Quarterly Performance (INR m)

Y/E March	FY22				FY23E				FY22	FY23E	FY23E Variance	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%/bp)
Gross Sales	11,395	14,809	15,497	15,473	14,416	13,023	15,310	18,492	57,174	61,242	16,522	-21
YoY Change (%)	107.7	-8.0	0.4	-9.7	26.5	-12.1	-1.2	19.5	5.6	7.1	11.6	
Total Expenditure	7,441	10,226	10,284	11,797	10,280	8,657	10,220	12,218	39,748	41,374	10,698	
EBITDA	3,954	4,583	5,213	3,675	4,137	4,367	5,091	6,274	17,426	19,868	5,824	-25
Margins (%)	34.7	30.9	33.6	23.8	28.7	33.5	33.3	33.9	30.5	32.4	35.3	-172bps
Depreciation	379	373	374	369	373	367	394	410	1,494	1,543	378	
Interest	1,749	1,759	1,455	1,282	1,052	1,069	875	710	6,246	3,706	1,013	
Other Income	1,027	756	1,372	1,049	747	582	1,102	1,244	4,205	3,675	1,074	
PBT before EO expense	2,853	3,207	4,757	3,073	3,458	3,512	4,925	6,398	13,891	18,293	5,507	-36
Extra-Ord expense	0	0	-2,244	0	0	0	0	0	-2,244	0	0	
PBT	2,853	3,207	7,001	3,073	3,458	3,512	4,925	6,398	16,135	18,293	5,507	-36
Tax	828	944	600	838	876	910	1,239	1,578	3,210	4,602	1,386	
Rate (%)	29.0	29.4	8.6	27.3	25.3	25.9	25.2	24.7	33.2	33.2	25.2	
Minority Interest & P/L of Asso. Cos.	1,346	1,526	1,883	1,820	2,111	2,169	2,739	3,018	6,567	10,037	2,117	
Reported PAT	3,371	3,790	8,283	4,055	4,692	4,772	6,424	7,839	19,492	23,727	6,239	-24
Adj PAT	3,371	3,790	6,232	4,055	4,692	4,772	6,424	7,839	17,447	23,727	6,239	
YoY Change (%)	-577.1	33.7	38.1	-15.7	39.2	25.9	3.1	93.3	51.9	36.0	64.6	
Margins (%)	29.6	25.6	40.2	26.2	32.5	36.6	42.0	42.4	30.5	38.7	37.8	-112bps
Operational Metrics												
Residential												
Pre-sales	10	15	20	27	20	21	22.0	24	73	86	22	-7
Collections	6	14	13	13	11	13	20.0	27	46	71	16	-22
Net Debt	47	40	32	27	23	21	11.0	7.8	27	8	17	

Source: MOFSL, Company

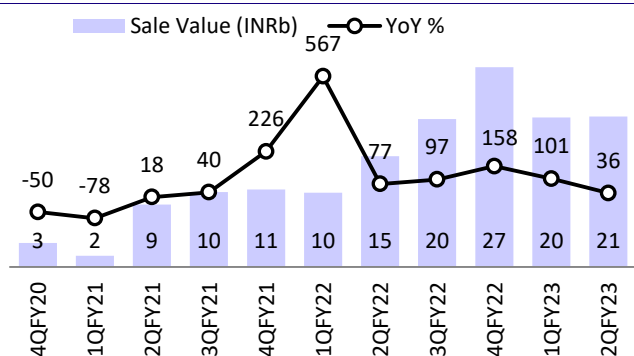
Key exhibits

Exhibit 1: Strong launch pipeline to help in maintaining sales momentum

Projects	Location	Size	Till FY22	Launch timeline			
				1HFY23	2HFY23	FY24	FY24 & beyond
DLF - GIC Residential JV	Central Delhi	8.0	2.1	0.0	0.0	2.0	4.0
DLF - Hines/ADIA Office JV	Gurgaon	3.0	0.0	0.0	0.0	0.0	3.0
Value Homes	Gurgaon/Tricity/ Chennai/Goa	9.0	2.3	2.6	0.6	4.4	0.0
Commercial	DLF 5/New Gurgaon/Delhi	2.0	0.0	0.6	0.1	0.0	1.3
NOIDA IT Park	Noida	3.5	0.0	0.0	0.3	0.0	3.2
Premium/Luxury Housing	DLF City/New Gurgaon/ Chennai	10.0	3.1	1.3	2.0	3.0	0.0
Total		35.5	7.5	4.5	3.1	9.4	11.5

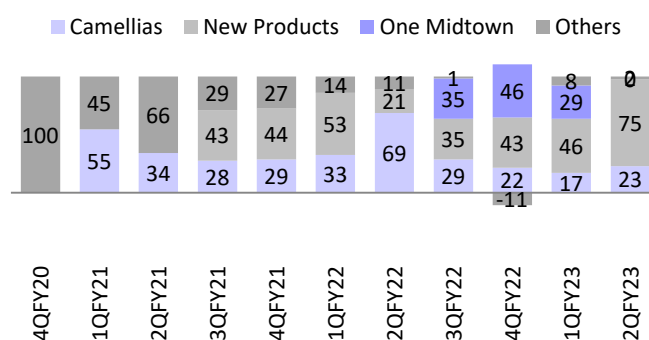
Source: Company, MOFSL

Exhibit 2: DLFU clocked record sales of INR20b driven by new launch at Panchkula and Gurgaon



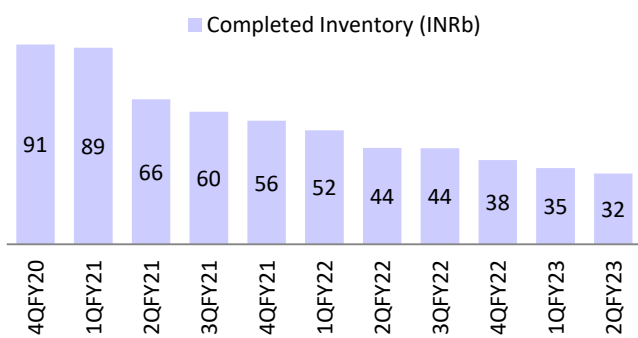
Source: Company, MOFSL

Exhibit 3: Company generated 75% of sales from new products



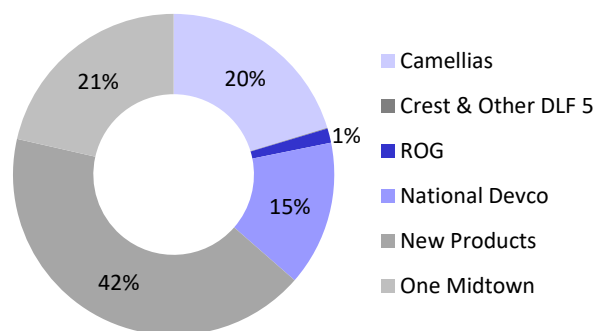
Source: Company, MOFSL

Exhibit 4: Completion of key projects & strong demand in RTM segment led to significant drop in completed inventory



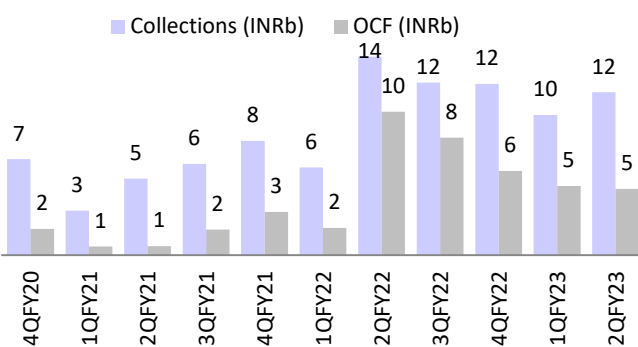
Source: MOFSL, Company

Exhibit 5: Split of unsold inventory (completed & ongoing)



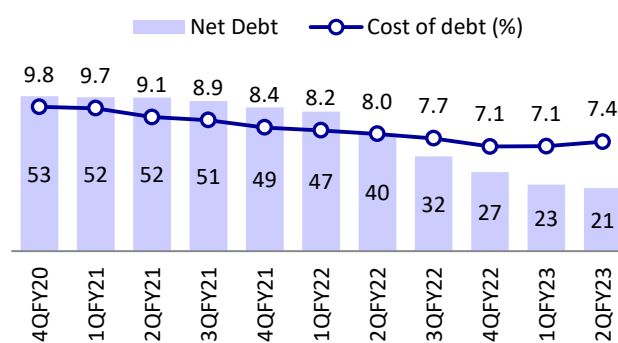
Source: MOFSL, Company

Exhibit 6: collections and OCF remain steady

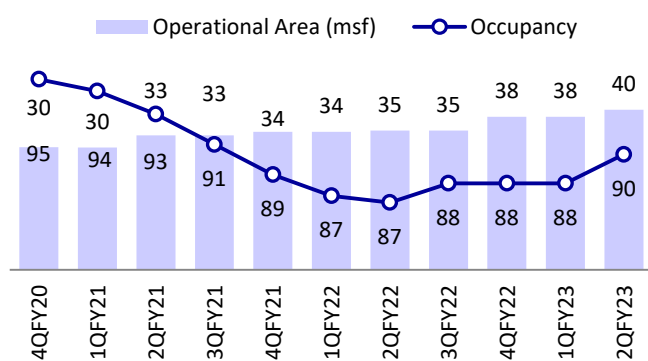


Source: Company, MOFSL

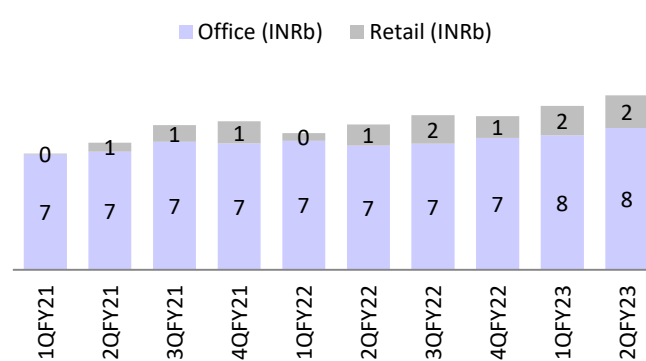
Exhibit 7: Healthy OCF generation led to consistent reduction in net debt



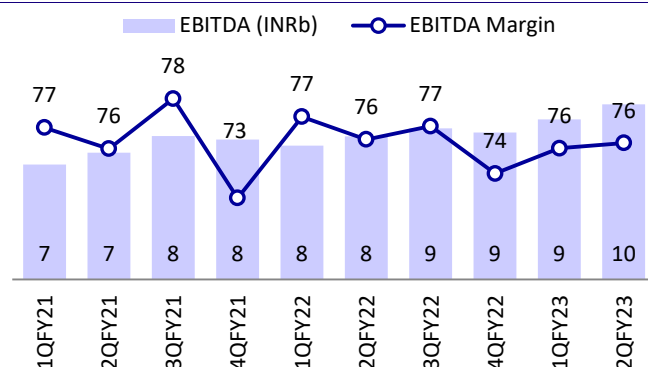
Source: Company, MOFSL

Exhibit 8: Leasing portfolio in DCCDL witnessing gradual improvement in occupancy

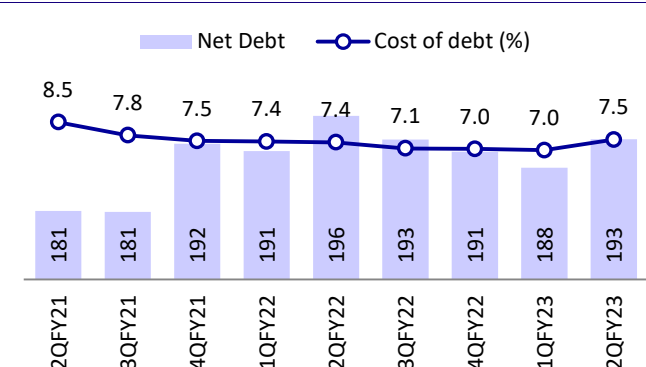
Source: MOFSL, Company

Exhibit 9: Office assets continue to generate healthy rentals while retail portfolio is witnessing gradual recovery

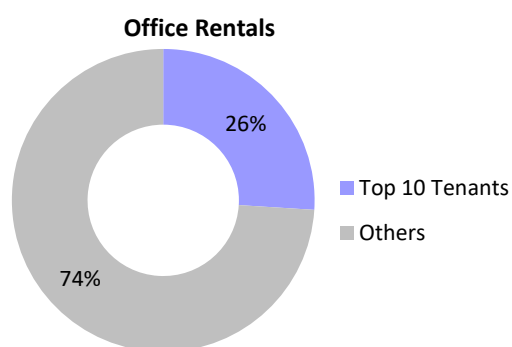
Source: MOFSL, Company

Exhibit 10: EBITDA (excl. CAM) stood at INR9b with steady margins of 75%+

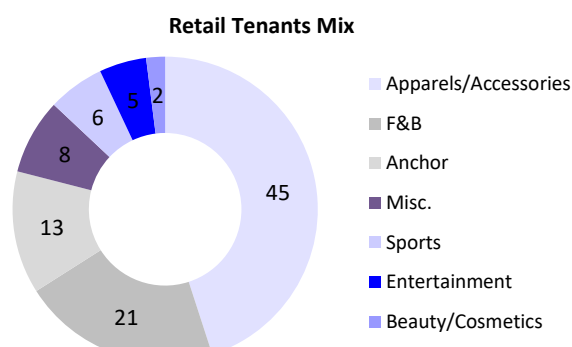
Source: MOFSL, Company

Exhibit 11: Cost of debt marginally increased despite sharp increase in repo rate

Source: MOFSL, Company

Exhibit 12: DCCDL generates 26% rentals from the top 10 tenants

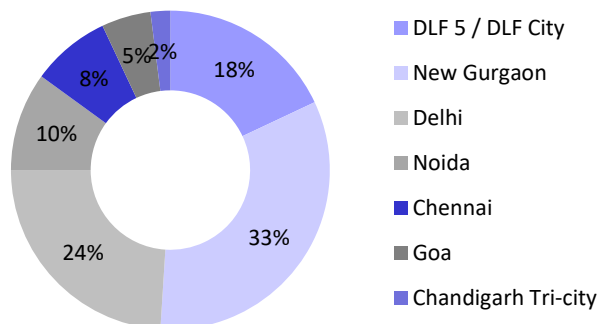
Source: MOSL, Company

Exhibit 13: Retail portfolio has a diversified tenant mix

Source: MOSL, Company

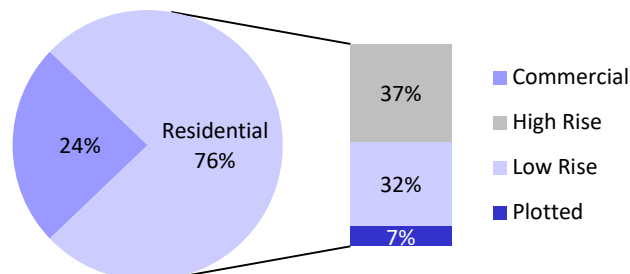
Story in charts

Exhibit 14: Around 85% of its projects are in its home market of Delhi NCR, with launches planned in Chennai, Chandigarh, and Goa



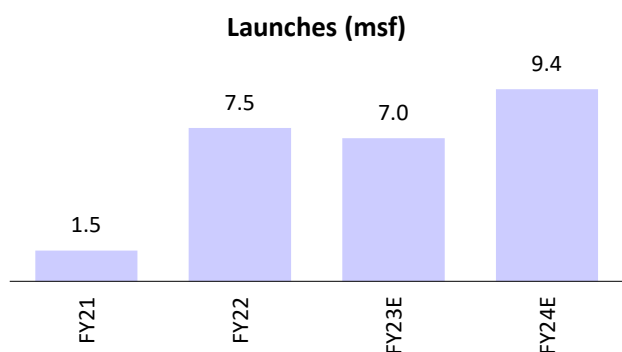
Source: Company, MOFSL

Exhibit 15: Product is diverse across fast turnaround low-rise as well as flagship premium high-rise projects



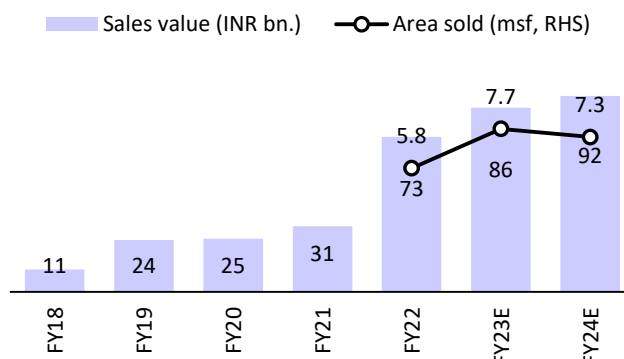
Source: Company, MOFSL

Exhibit 16: DLFU will launch 12msf of projects over next 18 months



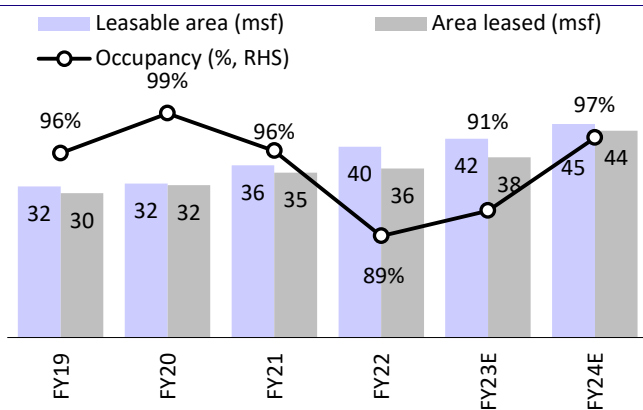
Source: MOFSL, Company

Exhibit 17: It will breach the previous peak of sales bookings, with INR92b of pre-sales in FY24E



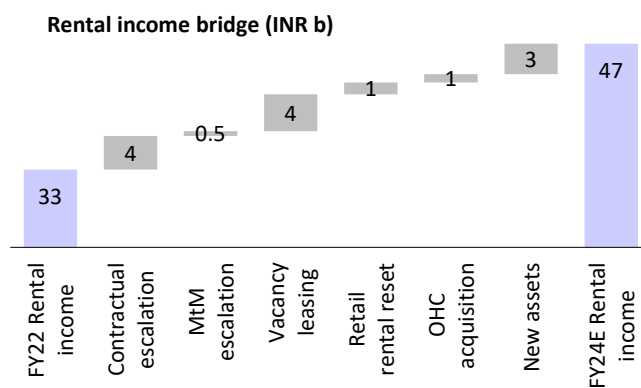
Source: MOFSL, Company

Exhibit 18: Occupancy to gradually improve over FY22-24E

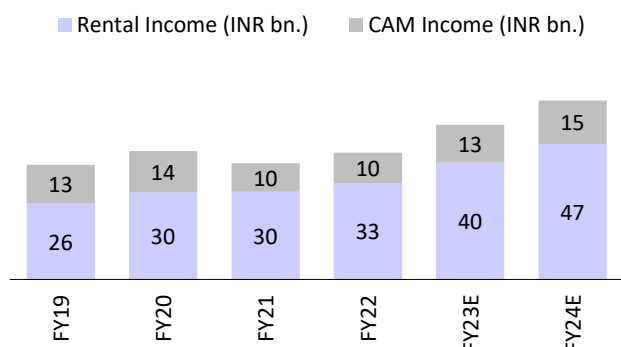


Source: Company, MOFSL

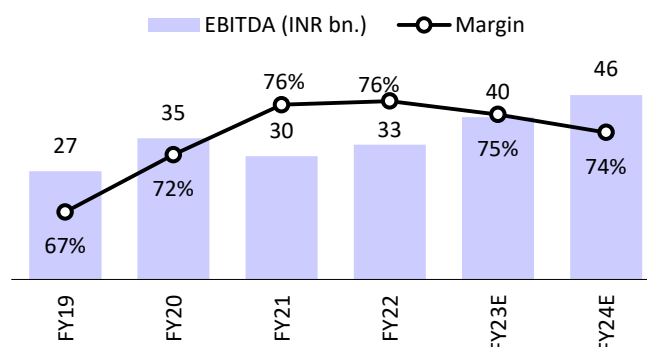
Exhibit 19: Expect rentals to post 18% CAGR to INR47b through FY24



Source: Company, MOFSL

Exhibit 20: Expect lease income to grow to INR70b, at 20% CAGR, as CAM income recovers

Source: MOFSL, Company

Exhibit 21: Expect margin to normalize ~69%, with EBITDA rising at 17% CAGR to INR48b

Source: MOFSL, Company

Exhibit 22: Earnings change summary

(INR m)	Old		New		Change (%)	
					FY23E	FY24E
Revenue	66,023	77,585	61,242	70,702	-11	1
EBITDA	25,562	35,681	19,868	24,122	-17	-4
Adj. PAT	29,645	52,437	23,727	45,127	-13	-3
Pre-sales	81,285	85,129	86,435	91,979	0	-1
Collections	67,020	68,759	70,752	70,721	0	0

Source: MOFSL, Company

Highlights from the management commentary**Collections**

- Collections are moving as per plan and given that One Midtown is a JV project, management highlighted that reported collection numbers do not include inflows from this project. Company collected INR4b at One Midtown in 2QFY23

Launch plans

- Company received very strong response to new launch at DLF 5 (Groove) and company is now done with DLF 5 launches for FY23. If all goes well, high rise (Crest 2) will be launched in 2HFY24. The Luxury high rise project at Chennai will be launched in FY24

Annuity Portfolio:

- DLFU witnessed steady improvement in physical occupancy which now stands at 67% across portfolio. It continue to remain positive on Office segment and hence deploying capital towards developing new assets (in Gurugram and Chennai) to capture growth
- The impact of rate hike on DCCDL interest would be INR4b but company managed to restrict it to little over INR1b. Fixed cost debt is 15-20% and moving forward, Impact on PAT level could be INR1.5-2b at PAT level in FY24

Valuation and view

We value DLFU using an SoTP-based approach where:

- The value of completed, ongoing, upcoming projects and land bank is derived by using a NAV-based approach discounted at a WACC of 12.6%;
- The value of operational portfolio is derived by applying an 8% cap rate on Dec'23E EBITDA;
- The value of the ongoing commercial portfolio is derived through DCF using a WACC of 9.5%, where the terminal value is derived by applying an 8% cap rate to steady-state EBITDA.
- We arrive at a GAV of INR1,085b, net of FY23E DevCo debt of INR8b and INR123b of DCCDL's debt (at DLFU's share). We arrive at a NAV of ~INR954b, or INR385 per share, which indicates an upside potential of 4%. Retain Neutral.

Exhibit 23: Our SoTP-based valuation approach for DLFU denotes an upside potential of 4%

Segment	Rationale	Value (INR b)	Per share	As a percentage of NAV	As a percentage of CMP
DLFU – DevCo		489	197	51%	53%
Residential – completed projects	❖ Inventory of INR56b + receivables of INR23b – pending construction cost of INR4b discounted over three-to-four years at a WACC of 12.6%	39	16	4%	4%
Upcoming launches	❖ Launch pipeline of ~35msf, with a revenue potential of INR360b (DLFU's stake) at a 50-55% cash flow margin, discounted over seven-to-eight years at 12.6% WACC	112	45	12%	12%
Commercial – operational	❖ Dec'23E EBITDA of ~INR3b at a cap rate of 8%	31	13	3%	3%
Landbank – development	❖ Carries a book value of ~INR150b and recorded in the inventory	307	124	32%	33%
DLF Cyber City Developers (DCCDL)		596	241	63%	65%
Commercial – operational	❖ Dec'23E EBITDA of ~INR43b at a cap rate of 8%	377	152	40%	41%
Commercial – upcoming	❖ Based on a 10-year DCF and the terminal value calculated at a 5% LTG rate and discounted using a WACC of 9.5%	47	19	5%	5%
Land bank – DCCDL	❖ Carries a book value of ~INR77b at DLFU's stake	172	70	18%	19%
Total GAV		1,085	438	114%	118%
Less: Net debt		(131)	(53)	(14%)	(14%)
Total NAV		954	385	100%	104%
No. of shares (m)		2475			
NAV per share		385			
CMP		370			
Upside potential		4%			

Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

	(INR m)						
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	83,661	60,828	54,141	57,174	61,242	70,702	55,664
Change (%)	24.7	-27.3	-11.0	5.6	7.1	15.4	-21.3
Total Expenditure	62,246	49,478	39,963	39,748	41,374	46,580	33,603
% of Sales	74.4	81.3	73.8	69.5	67.6	65.9	60.4
EBITDA	21,415	11,350	14,178	17,426	19,868	24,122	22,062
Margin (%)	25.6	18.7	26.2	30.5	32.4	34.1	39.6
Depreciation	2,246	2,003	1,595	1,494	1,543	1,594	1,644
EBIT	19,169	9,347	12,583	15,932	18,325	22,528	20,418
Int. and Finance Charges	20,619	14,269	8,534	6,246	3,706	1,324	55
Other Income	7,906	8,054	5,308	4,205	3,675	4,596	3,618
PBT bef. EO Exp.	6,457	3,131	9,358	13,891	18,293	25,800	23,981
EO Items	0	3,403	-962	-2,244	0	0	0
PBT after EO Exp.	6,457	6,535	8,396	11,647	18,293	25,800	23,981
Total Tax	2,774	21,327	3,623	3,210	4,602	6,491	6,034
Tax Rate (%)	43.0	326.4	43.2	27.6	25.2	25.2	25.2
Minority Interest	-9,509	-8,960	-6,163	-6,567	-10,037	-25,818	-16,621
Reported PAT	13,192	-5,832	10,936	15,004	23,727	45,127	34,569
Adjusted PAT	13,192	1,872	11,483	16,629	23,727	45,127	34,569
Change (%)	-70.4	-85.8	513.4	44.8	42.7	90.2	-23.4
Margin (%)	15.8	3.1	21.2	29.1	38.7	63.8	62.1

Consolidated - Balance Sheet

	(INR m)						
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	4,414	4,951	4,951	4,951	4,951	4,951	4,951
Total Reserves	3,23,850	3,39,517	3,48,489	3,58,672	3,74,973	4,12,674	4,39,817
Net Worth	3,35,765	3,44,467	3,53,439	3,63,623	3,79,924	4,17,625	4,44,767
Minority Interest	406	184	203	195	195	195	195
Total Loans	1,72,225	81,025	66,634	41,818	22,542	449	504
Deferred Tax Liabilities	-19,372	2,465	5,408	21,416	21,416	21,416	21,416
Capital Employed	4,89,024	4,28,142	4,25,684	4,27,051	4,24,076	4,39,684	4,66,882
Gross Block	58,295	23,642	21,313	21,780	23,380	24,980	26,580
Less: Accum. Deprn.	5,170	7,171	7,730	9,224	10,768	12,361	14,005
Net Fixed Assets	53,125	16,472	13,582	12,556	12,612	12,619	12,575
Investment Property	36,958	25,955	25,545	26,626	26,626	26,626	26,626
Goodwill on Consolidation	10,092	9,443	9,443	9,443	9,443	9,443	9,443
Capital WIP	1,029	887	942	811	5,633	9,855	12,670
Total Investments	1,73,089	1,85,658	1,96,455	1,97,795	2,07,832	2,33,650	2,50,271
Curr. Assets, Loans&Adv.	3,71,163	3,20,155	2,86,835	2,77,810	2,75,916	2,78,393	2,62,129
Inventory	2,20,086	2,24,862	2,10,866	2,01,075	1,84,564	1,72,396	1,60,130
Account Receivables	8,323	7,204	5,813	5,636	6,711	7,748	6,100
Cash and Bank Balance	48,554	24,204	14,069	9,316	14,213	16,942	17,969
Loans and Advances	94,201	63,884	56,087	61,783	70,428	81,307	77,930
Curr. Liability & Prov.	1,56,431	1,30,426	1,07,118	97,988	1,13,986	1,30,901	1,06,832
Account Payables	12,772	10,563	12,345	23,229	24,179	27,222	19,638
Other Current Liabilities	1,42,874	1,18,395	93,727	73,820	88,801	1,02,518	86,280
Provisions	785	1,469	1,046	940	1,007	1,162	915
Net Current Assets	2,14,732	1,89,728	1,79,717	1,79,822	1,61,930	1,47,492	1,55,297
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	4,89,024	4,28,142	4,25,684	4,27,051	4,24,075	4,39,684	4,66,882

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)							
EPS	7.4	1.0	4.6	6.7	13.3	25.3	19.4
Cash EPS	8.7	2.2	7.3	10.2	14.2	26.2	20.3
BV/Share	188.2	193.1	198.1	203.8	213.0	234.1	249.3
DPS	0.0	0.0	0.0	2.0	4.2	4.2	4.2
Payout (%)	0.0	0.0	0.0	33.0	31.3	16.5	21.5
Valuation (x)							
P/E	49.1	345.7	78.2	54.0	27.8	14.6	19.1
Cash P/E	41.9	167.0	49.5	35.7	26.1	14.1	18.2
P/BV	1.9	1.9	1.8	1.8	1.7	1.6	1.5
EV/Sales	9.2	11.6	17.6	16.3	10.9	9.1	11.5
EV/EBITDA	36.0	62.0	67.0	53.4	33.6	26.7	29.1
Dividend Yield (%)	0.0	0.0	0.0	0.6	1.1	1.1	1.1
FCF per share	8.3	1.2	6.2	10.8	17.7	16.2	2.7
Return Ratios (%)							
RoE	3.8	0.6	3.3	4.6	6.4	11.3	8.0
RoCE	3.0	2.5	2.4	3.5	4.1	4.9	4.2
RoIC	3.5	-8.7	3.3	5.3	6.6	9.0	8.4
Working Capital Ratios							
Fixed Asset Turnover (x)	1.4	2.6	2.5	2.6	2.6	2.8	2.1
Asset Turnover (x)	0.2	0.1	0.1	0.1	0.1	0.2	0.1
Inventory (Days)	960	1,349	1,422	1,284	1,100	890	1,050
Debtor (Days)	36	43	39	36	40	40	40
Creditor (Days)	56	63	83	148	144	141	129
Leverage Ratio (x)							
Current Ratio	2.4	2.5	2.7	2.8	2.4	2.1	2.5
Interest Cover Ratio	0.9	0.7	1.5	2.6	4.9	17.0	371.7
Net Debt/Equity	0.4	0.2	0.1	0.1	0.0	0.0	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	6,457	6,535	8,396	11,646	18,293	25,800	23,981
Depreciation	2,246	2,003	1,595	1,494	1,543	1,594	1,644
Interest & Finance Charges	17,392	9,407	5,562	6,247	32	-3,272	-3,563
Direct Taxes Paid	-2,344	-422	4,015	2,198	-4,602	-6,491	-6,034
(Inc)/Dec in WC	-241	-10,644	-7,020	7,540	22,788	17,167	-6,778
CF from Operations	23,510	6,879	12,547	29,124	38,053	34,798	9,250
Others	-3,080	-3,322	2,055	-806	0	0	0
CF from Operating incl EO	20,430	3,557	14,602	28,318	38,053	34,798	9,250
(Inc)/Dec in FA	-5,687	-1,386	692	-1,484	-6,422	-5,822	-4,415
Free Cash Flow	14,743	2,170	15,294	26,833	31,631	28,976	4,835
(Pur)/Sale of Investments	7,325	-9,571	-5,318	4,085	0	0	0
Others	-5,048	76,038	6,131	29	3,675	4,596	3,618
CF from Investments	-3,410	65,081	1,505	2,630	-2,748	-1,227	-797
Issue of Shares	30,942	32,374	5,087	0	0	0	0
Inc/(Dec) in Debt	-3,693	-95,349	-17,459	-26,785	-20,000	-22,000	0
Interest Paid	-16,775	-23,819	-7,202	-6,328	-2,983	-1,416	0
Dividend Paid	-1,696	-8,077	-1,987	-4,969	-7,426	-7,426	-7,426
Others	-25	-347	-276	-200	0	0	0
CF from Fin. Activity	8,754	-95,218	-21,838	-38,282	-30,409	-30,842	-7,426
Inc/Dec of Cash	25,775	-26,580	-5,731	-7,335	4,897	2,729	1,027
Opening Balance	22,779	42,663	16,084	10,353	3,018	7,915	10,644
Closing Balance	48,554	16,084	10,353	3,018	7,915	10,644	11,671

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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