

Estimate changes
TP change
Rating change


Bloomberg	DABUR IN
Equity Shares (m)	1762
M.Cap.(INRb)/(USD\$)	939.9 / 11.5
52-Week Range (INR)	610 / 482
1, 6, 12 Rel. Per (%)	-8/-6/-11
12M Avg Val (INR M)	1124

Financials & Valuations (INR b)

Y/E March	2023	2024E	2025E
Sales	115.3	130.5	150.4
Sales Gr. (%)	5.9	13.2	15.3
EBITDA	21.6	25.1	29.7
EBITDA mrg. (%)	18.8	19.2	19.7
Adj. PAT	17.0	19.7	23.3
Adj. EPS (INR)	9.6	11.1	13.1
EPS Gr. (%)	-6.9	15.9	18.0
BV/Sh.(INR)	50.6	56.2	61.4

Ratios

RoE (%)	19.6	20.8	22.3
RoCE (%)	17.6	18.2	19.7
Payout (%)	60.0	61.8	60.0

Valuation

P/E (x)	55.2	47.7	40.4
P/BV (x)	10.5	9.4	8.6
EV/EBITDA (x)	40.9	35.2	29.5
Div. Yield (%)	1.1	1.3	1.5

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	66.2	66.2	67.4
DII	8.4	7.6	3.8
FII	19.7	20.5	20.4
Others	5.6	5.7	8.4

FII Includes depository receipts

CMP: INR531 TP: INR595 (+12%)
Buy
Margins likely hit trough; full rural recovery necessary

- Revenue was in line with our estimates in 4QFY23. Volumes grew ~1% v/s our expectation of 5%. Rural markets remained lackluster; however, the management witnessed some green shoots at the end of the quarter.
- EBITDA margin contracted 270bp YoY to 15.3%, the lowest in the last 35 quarters. It was affected by an adverse product mix, a step-up in media spends and one-off expenses to the tune of INR250-300m. It seems margin has hit the trough; however, a recovery to 20% EBITDA margin would be gradual as most of the gains from the gross margin expansion would be invested back in media spends.
- Despite near-term challenges, Dabur (with nearly half of its domestic sales coming from rural) remains a good play on the incipient but gradual rural demand recovery theme. **We retain our target P/E multiple of 45x FY25E EPS to arrive at a TP of INR595. Maintain BUY.**

Performance in line with pre-quarterly update

- Dabur's 4QFY23 consolidated sales grew 6.4% to INR26.8b (est. INR27.8b).
- EBITDA/PBT/adj. PAT declined 9.6%/16.7%/22.8% YoY to INR4.1b/INR4b/INR2.9b (est. INR5.5b/INR5.5b/INR4.2b).
- We believe the company likely posted 1% India FMCG volume growth YoY in 4QFY23 (est. 5%).
- Gross margin contracted 160bp YoY to 45.8% (est. 46%).
- As a percentage of sales, stable ad-spends (-30bp YoY to 5.7%), stable staff costs (-30bp YoY to 10.8%) and high other expenses (+170bp YoY to 14.1%) led to **EBITDA margin contraction of 270bp to 15.3%** (est. 20.2%).
- FY23 sales grew by 5.9% to INR115.3b, while EBITDA/adj. PAT declined 4%/6.7% to INR21.6b/INR17b.
- **4QFY23 standalone** sales grew 4.7% YoY to INR19.4b. EBITDA/adj. PAT declined 7.8%/7.4% YoY to INR3.0b/INR2.7b. EBITDA margin came in at 15.7% v/s 17.8% YoY. FY23 sales grew by 6.2% to INR86.8b, while EBITDA/adj. PAT were flat at INR17b/INR14.1b.

Highlights from the management commentary

- Rural markets continue to lag behind urban markets, due to inflation and downtrading. However, some green shoots were visible at the end of the quarter.
- Direct reach now stands at 1.4m and 7.7m outlets in total, including indirect reach, and village coverage has increased to 100,000.
- Media investments are currently 5-5.5% and will go up to 7-8% gradually.
- Odonil has a 33% market share, which is the same/slightly higher compared to the nearest competitor.
- The healthcare portfolio should improve as the high base fades ahead.

Valuation and view

- We reduce our FY24E/FY25E EPS by 5.2%/7.4% to factor in a more gradual margin improvement than our earlier expectation.
- The overall sales growth trajectory has clearly revived in recent years – a continuation of the turnaround seen by Dabur under the new CEO.
- We believe a rural demand recovery, material cost stability and a less challenging base are likely to result in healthy earnings growth from FY24 onward. **We retain our target P/E multiple of 45x, as we roll forward to FY25E EPS to arrive at a TP of INR595. Reiterate BUY.**

Quarterly Performance (Consolidated)

Y/E March	FY22				FY23				FY22	FY23	FY23	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Domestic FMCG vol. growth (%)	34.4	10.0	2.0	2.0	5.0	2.0	-3.0	1.0	10.1		5.0	
Net sales	26.1	28.2	29.4	25.2	28.2	29.9	30.4	26.8	108.9	115.3	27.8	-3.8
YoY change (%)	31.9	12.0	7.8	7.7	8.1	6.0	3.4	6.4	14.1	5.9	10.5	
Gross profit	12.6	13.8	14.2	11.9	12.9	13.6	13.9	12.3	52.5	52.6	12.8	-4.2
Margin (%)	48.1	48.8	48.3	47.4	45.9	45.4	45.5	45.8	48.2	45.6	46.0	
EBITDA	5.5	6.2	6.3	4.5	5.4	6.0	6.1	4.1	22.5	21.6	5.5	-24.8
Margins (%)	21.1	22.0	21.3	18.0	19.3	20.1	20.0	15.3	20.7	18.8	19.6	
YoY growth (%)	32.5	9.0	9.3	2.5	-1.5	-3.2	-2.8	-9.6	12.5	-4.0	20.2	
Depreciation	0.6	0.6	0.6	0.7	0.7	0.7	0.7	1.0	2.5	3.1	0.8	
Interest	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.8	0.2	
Other income	0.8	1.1	1.0	1.0	1.0	1.2	1.0	1.2	3.9	4.5	1.0	
PBT	5.7	6.6	6.5	4.8	5.6	6.4	6.2	4.0	23.6	22.2	5.5	-28.4
Tax	1.3	1.6	1.5	1.0	1.2	1.5	1.4	1.0	5.3	5.2	1.2	
Rate (%)	22.8	23.6	22.4	20.0	21.8	23.1	23.1	26.1	22.3	23.3	21.4	
Adjusted PAT	4.4	5.0	5.0	3.8	4.4	4.9	4.8	2.9	18.2	17.0	4.2	-30.0
YoY change (%)	28.0	4.7	2.3	0.4	0.7	-2.8	-5.0	-22.8	7.7	-6.7	10.3	

Key Performance Indicators

Y/E March	FY22				FY23			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Realization Gr %	-1.4	1.5	5.4	5.6	4.9	4.9	6.3	3.7
2Y average growth %								
Volumes	12.4	13.4	10.1	13.7	19.7	6.0	-0.5	1.5
Sales	9.5	12.9	11.9	16.5	20.0	9.0	5.6	7.1
EBITDA	11.8	12.7	12.9	14.1	15.5	2.9	3.2	-3.6
PAT	9.1	7.7	10.6	13.8	14.3	0.9	-1.4	-11.2
% sales								
COGS	51.9	51.2	51.7	52.6	54.1	54.6	54.5	54.2
Other expenditure	27.0	26.8	27.0	29.4	26.6	25.3	25.5	30.5
Depreciation	2.3	2.2	2.1	2.6	2.4	2.4	2.3	3.8
YoY change %								
COGS	35.3	16.6	12.3	10.5	12.7	13.2	9.1	9.7
Other expenditure	25.3	6.3	-0.8	6.4	6.6	-0.1	-2.5	10.2
Other income	18.2	28.4	19.5	16.7	18.5	9.6	4.2	21.8
EBIT	18.8	19.8	19.2	15.4	16.9	17.8	17.7	11.5

Exhibit 1: Category-wise performance

Category Growth (%)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23
Hair Care	(20.2)	(22.9)	(2.4)	13.7	26.0	8.1	1.8	7.3	2.8	8.1	1.8	(2.4)	Flat
Health Supplements	(9.7)	52.6	70.8	34.7	17.7	(35.5)	(12.6)	14.4	12.2	(35.5)	(12.6)	0.4	(3.3)
Oral Care	(15.4)	1.4	24.2	28.0	42.1	12.5	9.2	4.4	8.5	12.5	9.2	2.6	(3.0)
Foods	(20.6)	(34.4)	(3.8)	4.7	27.6	35.7	21.2	(5.0)	(1.7)	35.7	21.2	34.5	22.0
Digestives	(9.4)	(11.5)	2.5	(0.3)	20.0	30.5	0.1	10.2	15.9	30.5	0.1	11.2	5.6
Skin & Salon	(24.3)	(12.5)	38.1	9.1	37.9	11.4	(15.0)	1.0	(0.3)	11.4	(15.0)	(5.6)	(2.0)
Home Care	(18.0)	(30.5)	(10.2)	(1.0)	24.3	51.9	20.9	7.0	2.5	51.9	20.9	18.2	10.3
OTC & Ethicals	(20.9)	21.8	39.8	28.5	36.9	(15.4)	(0.2)	5.7	4.1	(15.4)	(0.2)	4.0	(0.4)

Sources: Company reports, MOFSL



Highlights from the management commentary

Environment and outlook

- The operating environment was challenging in 4QFY23 and volumes declined for the overall FMCG sector. Volumes started to pick up at the end of the quarter.
- Rural markets continue to lag behind urban markets, due to inflation and downtrading. However, some green shoots were visible at the end of the quarter.
- A demand revival was seen in UP and Bihar (central market), whereas south markets experienced a bit of pressure while east and west did better.
- E-commerce grew 30% YoY and contributed 9% to revenue.
- MT grew in double digits.
- Direct reach now stands at 1.4m and 7.7m outlets in total, including indirect reach, and village coverage has increased to 100,000.
- Secondary growth in the quarter was in double digits.

Costs and margins

- Material inflation was 6% and the company also took a 6% price hike.
- Sequentially, the pressure on gross margin is reducing.
- Operating profit was affected by an increase in media spends (up 16% in India).
- One-off expenses in other expenses:
 - ~INR200m on account of FX loss on Sri Lanka
 - ~INR100m phasing CSR expense
- Variable expenses increased in line with case sales growth (up 11%).
- Spices inflation has gone up; however, management has done some rationalizing in other costs.
- The product mix change toward the low-margin business also impacted margin adversely.
- Operating margin may inch up going ahead; however, most of the gains from gross margin expansion will be invested back in media spends.
- Media investments are currently 5-5.5% and will go up to 7-8% gradually.

Additional segmental highlights

- Beverages continued its strong growth trajectory, outperforming the industry significantly. Real Juices crossed the INR2b mark.
- A slight moderation may be witnessed in the F&B business going ahead due to a high base.
- Oral Care – Dabur Red continued gaining market share and every second household is now a Dabur oral care household. The Naturals segment account for 30% of oral care. The Sensitive segment is also growing.
- The hair oils market declined 2.8%, whereas Dabur grew 2% and gained market share, led by perfumed oil. Coconut oil would be INR3b currently.
- Honey grew 6-7% YoY, while chawanprash declined 35% on account of a high base due to omicron.
- The Honey category grew 7%, while the honey market declined, thereby gaining market share.
- Hajmola and Pudinhara delivered robust performances.
- Secondary sales of HPC grew 7%.
- Baby care ended the year with INR200m in revenue, which is expected to increase to INR500m in FY24.

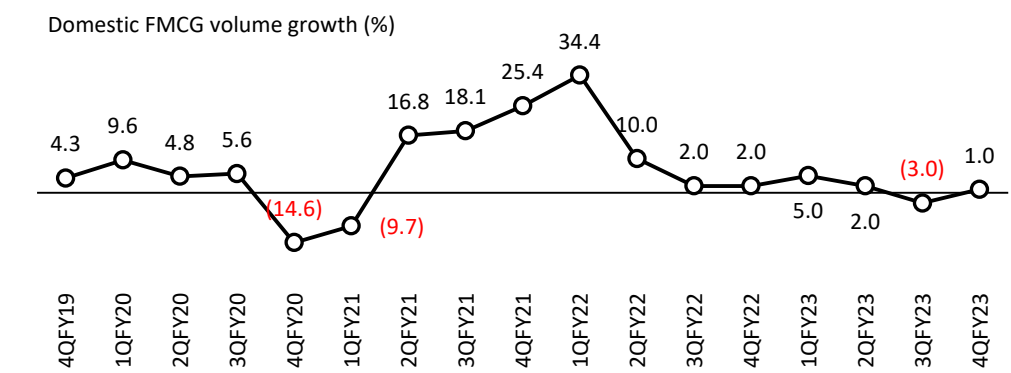
- The Healthcare portfolio should improve as the high base fades going ahead.

Other points

- On an average, sales return would be 1% of total sales.
- A total of 180 SKUs were culled down in the past six months.
- Odonil has a 33% market share, which is the same/slightly higher compared to the nearest competitor.
- Management is targeting revenue of INR5b from the foods business in FY24 and INR10b in the next five years.
- For the overall F&B vertical, management targets revenue of INR40-45b in the next five years.
- Turkey an Egypt recorded exceptional CC growth; however, due to currency translation impact, growth in INR terms was minimal.

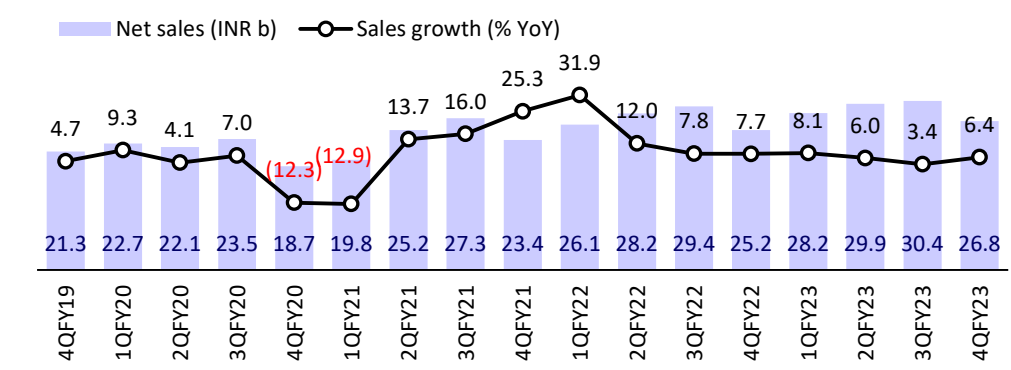
Key exhibits

Exhibit 2: Domestic FMCG business volumes up 1% YoY in 4QFY23

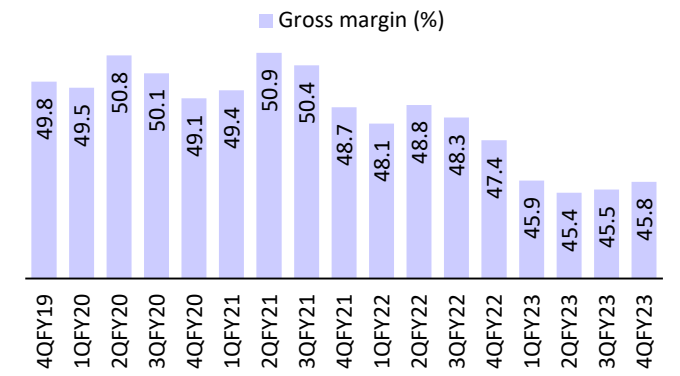


Sources: Company reports, MOFSL

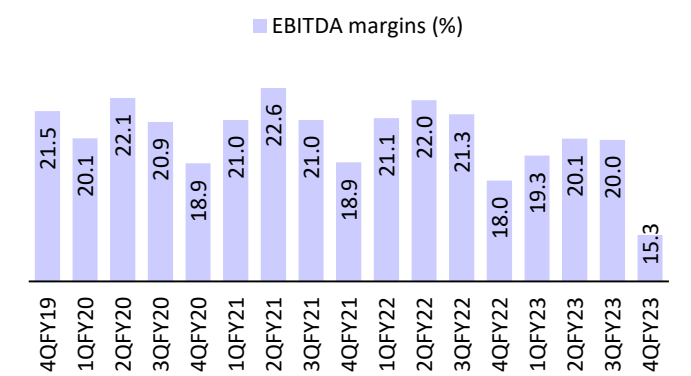
Exhibit 3: Consolidated reported net sales grew 6.4% YoY to INR26.8b



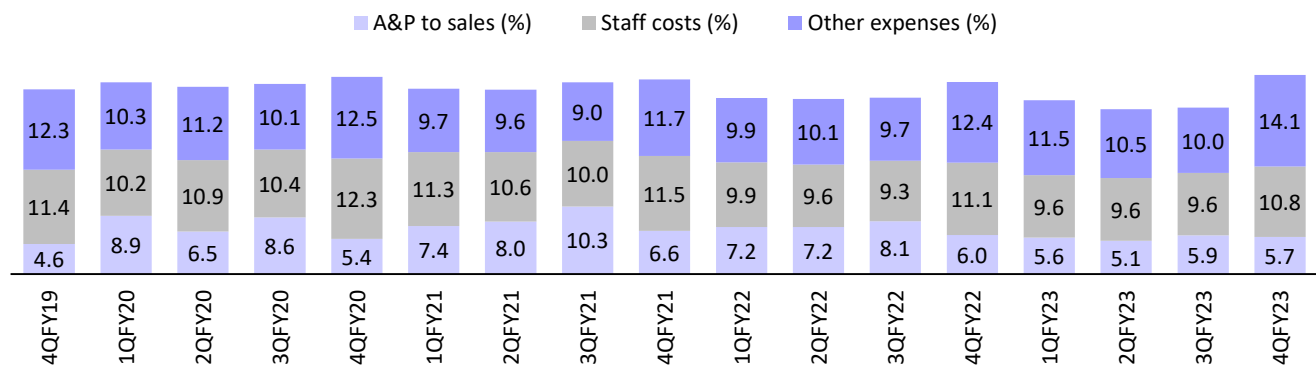
Sources: Company reports, MOFSL

Exhibit 4: Consolidated gross margin fell 160bp YoY to 45.8%

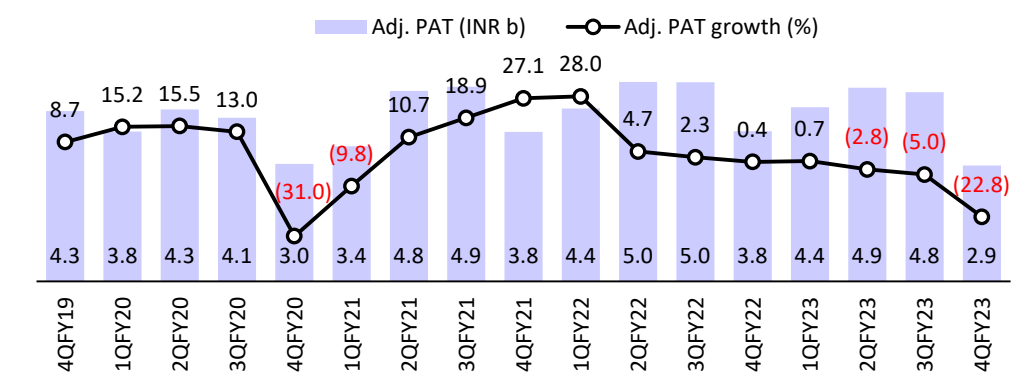
Sources: Company reports, MOFSL

Exhibit 5: EBITDA margin contracted 270bp YoY to 15.3%

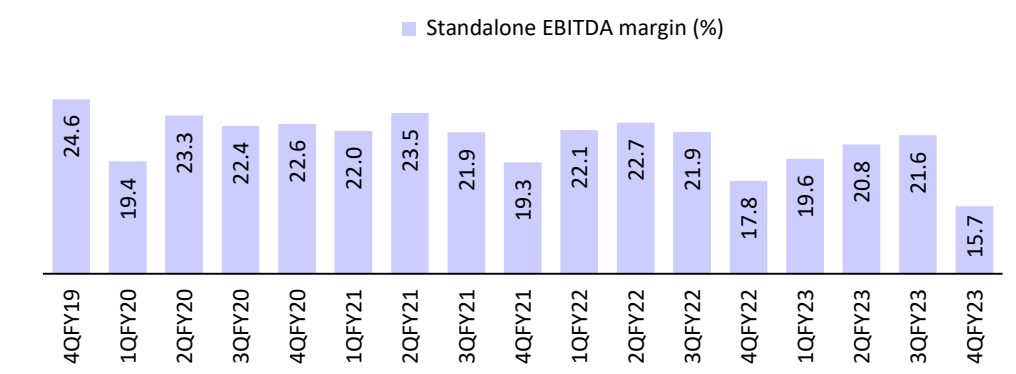
Sources: Company reports, MOFSL

Exhibit 6: Other expenses increase 170bp YoY to 14.1%, while A&P spends and staff costs remain flat YoY in 4QFY23

Sources: Company reports, MOFSL

Exhibit 7: Consolidated adjusted PAT declined 22.8% YoY to INR2.9b

Sources: Company reports, MOFSL

Exhibit 8: Standalone EBITDA margin contracted 210bp YoY to 15.7% in 4QFY23

Sources: Company reports, MOFSL

Valuation and view

What has happened in the past decade from a business perspective?

- The company has considerably increased its market share in two of its largest categories – Juices and Oral Care – to record highs at the end of the decade. Following the initial setback from Patanjali, the company was able to recoup its lost market share in Honey, Chyawanprash, and Juices.
- For a company that reported a modest INR53b in sales in FY12, the sales/EBITDA/PAT CAGR over the last 10 years has been decent, but not remarkable, at 8-11%. Growth has been at the same pace for the past five years, with sales/EBITDA/PAT growing ~7%/~8%/~12%.
- Its inability to increase the pace of growth in its core Healthcare business has been the biggest disappointment for Dabur.

Valuation and view

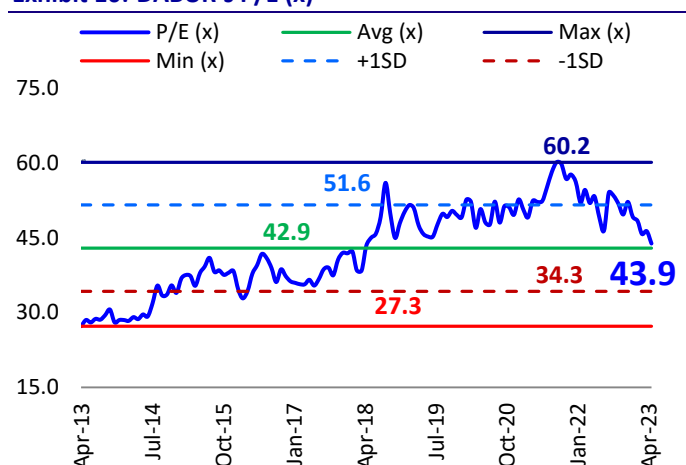
- We reduce our FY24E/FY25E EPS by 5.2/7.4% to factor in a more gradual margin improvement than our earlier expectation.
- The overall sales growth trajectory has clearly revived in recent years – a continuation of the turnaround seen by Dabur under the new CEO.
- A rural demand recovery, material cost stability and a less challenging base are likely to result in healthy earnings growth from FY24 onward. **We retain our target P/E multiple of 45x, as we roll forward to FY25E EPS to arrive at a TP of INR595. Reiterate BUY.**

Exhibit 9: We cut our FY24/FY25 estimates by 5.2%/7.4%

	New		Old		% Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Net Sales	130.5	150.4	131.1	152.2	-0.4	-1.1
EBITDA	25.1	29.7	26.4	32.0	-4.7	-7.1
Adjusted PAT	19.7	23.3	20.8	25.1	-5.2	-7.4

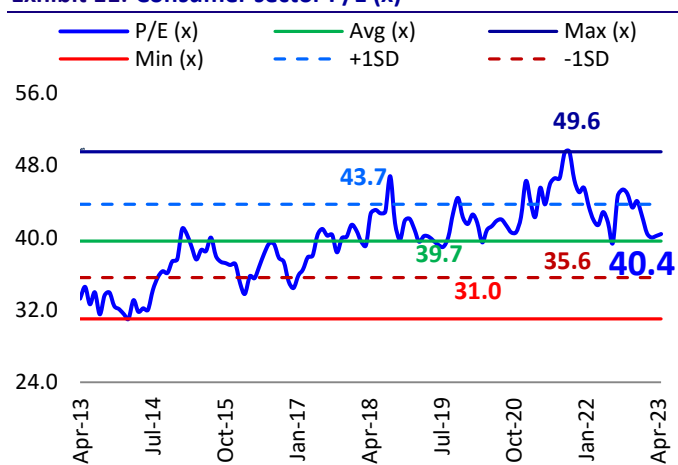
Source: MOFSL

Exhibit 10: DABUR's P/E (x)



Sources: Bloomberg, MOFSL

Exhibit 11: Consumer sector P/E (x)



Sources: Bloomberg, MOFSL

Financials and valuations

Income Statement							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Net Sales	77.2	85.1	86.8	95.5	108.9	115.3	130.5	150.4
Change (%)	1.4	10.3	2.0	9.9	14.1	5.9	13.2	15.3
Gross Profit	39.0	42.2	43.4	47.7	52.5	52.6	61.3	73.0
Margin (%)	50.5	49.6	50.0	50.0	48.2	45.6	47.0	48.5
EBITDA	16.2	17.4	17.9	20.0	22.5	21.6	25.1	29.7
Change (%)	7.2	7.6	2.9	11.9	12.5	(4.0)	16.1	18.2
Margin (%)	20.9	20.4	20.6	21.0	20.7	18.8	19.2	19.7
Depreciation	1.6	1.8	2.2	2.4	2.5	3.1	3.6	4.0
Int. and Fin. Charges	0.5	0.6	0.5	0.3	0.4	0.8	0.6	0.6
Other Income - Recurring	3.1	3.0	3.1	3.3	3.9	4.5	4.9	5.3
Profit before Taxes	17.1	18.0	18.2	20.6	23.6	22.2	25.8	30.5
Change (%)	6.0	5.4	1.4	12.7	14.5	(5.7)	16.4	17.9
Margin (%)	22.1	21.1	21.0	21.5	21.6	19.3	19.8	20.3
Tax	3.7	4.2	4.9	5.1	4.4	4.8	5.9	7.0
Tax Rate (%)	19.6	16.3	16.4	17.6	22.3	23.3	23.5	23.5
Profit after Taxes	13.7	15.1	15.3	17.0	18.3	17.0	19.8	23.3
Change (%)	7.2	9.7	1.3	11.2	7.9	(6.9)	16.1	18.0
Margin (%)	17.8	17.7	17.6	17.8	16.8	14.8	15.2	15.5
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Reported PAT	13.5	14.4	14.4	16.9	17.4	17.0	19.3	22.8

Balance Sheet							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Share Capital	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Reserves	55.3	54.6	64.3	74.9	82.0	88.0	97.7	107.1
Net Worth	57.1	56.3	66.1	76.6	83.8	89.7	99.5	108.8
Minority Interest	0.3	0.3	0.4	0.4	0.4	4.7	4.7	4.8
Loans	9.4	7.0	5.3	5.1	10.3	11.8	11.7	11.7
Capital Employed	66.7	63.7	71.7	82.1	94.6	106.2	116.0	125.4
Gross Block	26.3	28.0	32.9	34.4	37.9	52.2	61.7	63.5
Less: Accum. Depn.	(10.2)	(11.7)	(13.8)	(15.4)	(17.3)	(20.4)	(24.1)	(28.0)
Net Fixed Assets	16.2	16.3	19.2	19.1	20.6	31.7	37.7	35.5
Capital WIP	0.4	0.6	1.5	1.5	1.7	1.8	1.8	1.8
Goodwill	4.1	3.4	3.4	3.4	2.5	4.1	4.1	4.1
Investments	38.1	33.6	28.0	41.6	62.2	62.7	62.7	68.9
Current	7.1	7.3	13.9	7.5	8.5	7.4	5.2	5.7
Non-current	30.9	26.3	14.1	34.1	53.7	55.3	57.5	63.2
Curr. Assets, L&A	28.3	30.5	41.3	42.8	35.9	36.3	38.5	48.4
Inventory	12.6	13.0	13.8	17.3	19.1	20.2	21.6	25.7
Account Receivables	7.1	8.3	8.1	5.6	6.5	8.5	7.9	10.3
Cash and Bank Balance	3.1	3.3	8.1	13.3	5.7	3.3	4.7	8.0
Others	5.6	5.8	11.3	6.5	4.6	4.3	4.3	4.3
Curr. Liab. and Prov.	19.2	20.5	21.7	26.2	27.5	29.4	27.7	32.3
Current Liabilities	17.1	18.1	18.9	22.9	23.6	26.6	24.6	29.0
Provisions	2.0	2.4	2.8	3.4	3.8	2.8	3.1	3.3
Net Current Assets	9.1	10.0	19.6	16.6	8.4	6.9	10.7	16.1
Application of Funds	66.7	63.7	71.7	82.1	94.6	106.2	116.0	125.4

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Basic (INR)								
EPS	7.8	8.5	8.6	9.6	10.3	9.6	11.1	13.1
Cash EPS	8.6	9.2	9.4	10.9	11.3	11.4	12.9	15.1
BV/Share	32.4	31.9	37.4	43.4	47.4	50.6	56.2	61.4
DPS	7.5	2.8	3.0	4.8	5.2	5.8	6.9	7.9
Payout %	96.5	32.3	34.8	49.6	50.4	60.0	61.8	60.0

Valuation (x)

P/E	68.3	62.4	61.6	55.4	51.4	55.2	47.7	40.4
Cash P/E	61.6	57.9	56.4	48.5	47.1	46.7	41.1	35.1
EV/Sales	11.7	10.7	10.4	9.3	8.1	7.7	6.8	5.8
EV/EBITDA	55.8	52.2	50.7	44.3	39.1	40.9	35.2	29.5
P/BV	16.4	16.6	14.2	12.2	11.2	10.5	9.4	8.6
Dividend Yield (%)	1.4	0.5	0.6	0.9	1.0	1.1	1.3	1.5

Return Ratios (%)

RoE	25.9	26.5	24.9	23.7	22.7	19.6	20.8	22.3
RoCE	22.6	23.9	23.1	22.4	21.0	17.6	18.2	19.7
RoIC	48.9	50.9	43.5	48.6	61.2	44.7	38.5	42.1

Working Capital Ratios

Debtor (Days)	33	36	34	21	22	27	22	25
Asset Turnover (x)	1.2	1.3	1.2	1.2	1.2	1.1	1.1	1.2

Leverage Ratio

Debt/Equity (x)	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
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Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
OP/(loss) before Tax	16.9	17.2	17.3	20.6	22.7	22.2	25.8	30.5
Int./Div. Received	0.2	1.7	2.3	(0.2)	0.5	(1.0)	(4.9)	(5.3)
Depreciation & Amort.	1.6	1.8	2.2	2.4	2.5	3.1	3.6	4.0
Interest Paid	(2.0)	(2.0)	(2.0)	(2.3)	(2.8)	(2.8)	0.6	0.6
Direct Taxes Paid	(3.2)	(3.5)	(3.1)	(3.2)	(3.9)	(4.9)	(5.9)	(7.0)
(Incr)/Decr in WC	(2.6)	(0.2)	(0.6)	3.9	(1.0)	(1.6)	(2.4)	(1.9)
CF from Oper.	10.9	15.0	16.1	21.1	18.0	14.9	16.8	20.8
(Incr)/Decr in FA	(2.0)	(2.3)	(4.0)	(3.1)	(3.7)	(4.9)	(9.6)	(1.8)
Free Cash Flow	8.9	12.7	12.1	18.1	14.3	10.0	7.2	19.0
(Pur)/Sale of Invt.	(5.8)	3.2	(3.6)	(13.6)	(12.7)	(0.1)	(0.0)	(6.3)
Others	2.7	3.2	6.8	6.8	(4.3)	(2.0)	7.0	5.2
CF from Invest.	(5.1)	4.1	(0.9)	(9.8)	(20.7)	(7.0)	(2.5)	(2.9)
Issue of Shares	-	0.0	0.0	0.0	0.0	0.0	-	-
(Incr)/Decr in Debt	(0.5)	(2.4)	(1.8)	(0.3)	2.5	(0.0)	(0.0)	-
Dividend Paid	(4.0)	(13.2)	(5.1)	(5.9)	(9.7)	(9.2)	(12.2)	(14.0)
Others	(1.2)	(3.2)	(3.6)	0.1	2.3	(1.1)	(0.6)	(0.6)
CF from Fin. Act.	(5.7)	(18.9)	(10.4)	(6.1)	(4.9)	(10.4)	(12.8)	(14.5)
Incr/Decr of Cash	0.0	0.2	4.8	5.2	(7.6)	(2.4)	1.4	3.4
Add: Opening Bal.	3.0	3.1	3.3	8.1	13.3	5.7	3.3	4.7
Closing Balance	3.1	3.3	8.1	13.3	5.7	3.3	4.7	8.0

E: MOFSL Estimates

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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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