

BSE SENSEX
73,503

S&P CNX
22,333



| | |
|-----------------------|---------------|
| Bloomberg | DLFU IN |
| Equity Shares (m) | 2475 |
| M.Cap.(INRb)/(USDb) | 2255.6 / 27.3 |
| 52-Week Range (INR) | 944 / 337 |
| 1, 6, 12 Rel. Per (%) | 7/57/132 |
| 12M Avg Val (INR M) | 2861 |

Financials & Valuations (INR b)

| Y/E MARCH | FY24E | FY25E | FY26E |
|-------------------|-------|-------|-------|
| Sales | 62.2 | 73.8 | 79.6 |
| EBITDA | 19.9 | 26.7 | 30.5 |
| EBITDA Margin (%) | 32.0 | 36.2 | 38.3 |
| Adj PAT | 25.6 | 40.2 | 43.5 |
| Cons. EPS (INR) | 10.3 | 16.2 | 17.6 |
| EPS Growth (%) | 53.8 | 42.4 | 70.1 |
| BV/Share (INR) | 221.4 | 239.8 | 260.0 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | -0.1 | -0.1 | -0.1 |
| RoE (%) | 6.6 | 9.8 | 9.8 |
| RoCE (%) | 4.2 | 5.3 | 5.5 |
| Payout (%) | 29.0 | 18.5 | 17.1 |

Valuations

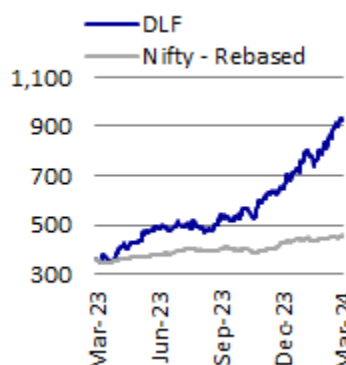
| | | | |
|----------------|-------|------|------|
| P/E (x) | 89.0 | 56.7 | 52.4 |
| P/BV (x) | 4.2 | 3.8 | 3.5 |
| EV/EBITDA (x) | 112.0 | 84.3 | 73.2 |
| Div. Yield (%) | 0.3 | 0.3 | 0.3 |

Shareholding pattern (%)

| As On | Dec-23 | Sep-23 | Dec-22 |
|----------|--------|--------|--------|
| Promoter | 74.1 | 74.1 | 75.0 |
| DII | 5.5 | 5.3 | 5.1 |
| FII | 15.8 | 15.9 | 14.8 |
| Others | 4.7 | 4.9 | 5.1 |

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR911

TP: INR850 (-7%)

Neutral

Poised for a healthy performance in the near term...

...but valuations already factor in growth and a strong price CAGR

Launch pipeline provides good visibility

- During 9MFY24, DLF achieved bookings of INR133b, surpassing the company's full-year guidance of INR130b. The company has largely exhausted the new project pipeline for the current year, and the performance in the fourth quarter will be driven by INR44b worth of inventory at the existing projects. Hence, we expect bookings to remain flat in FY24 at INR155b.
- However, the company has scaled up its launch pipeline and expects to launch 26msf of residential projects worth INR700b over the next 2-3 years.
- The key projects slated for launch in FY25 include luxury apartments in DLF 5, a premium high-rise project in Chennai, the first phase of a recently acquired project in Andheri (Mumbai), the subsequent phase at Privana (Gurugram), along with a small luxury development in Goa.
- The pipeline is equally strong for FY26, which will also witness the launch of the second phase at its JV project, One Midtown. With the majority of these launches in Gurugram, we anticipate a healthy sales traction and expect pre-sales to reach INR230b by FY26, achieving a 22% CAGR over FY24-26.

Setting new pricing benchmarks in DLF 5

- The upcoming 4msf project in DLF 5, which is being publicized as the mini version of its uber-luxury project, Camellias, is likely to command a realization of INR50k/sft at launch (expected in 1HFY25). This would set a new benchmark for the upcoming projects of the company.
- Out of the 24msf of land bank owned by the company in DLF 5/DLF City, ~18msf is yet to be launched, and a major portion of these land parcels (~15-16msf) are located in DLF 5, where the company has delivered a few of its flagship projects such as Camellias, Magnolia, and Crest.
- DLF has demonstrated a healthy CAGR of 13-18% in pricing over the last decade at DLF 5 across various projects. A recent transaction at Camellias fetched a realization as high as INR100k/sft. Despite the high base, the management remains confident in achieving a steady growth in realization from the current level.
- For the balance area, we have factored in a price growth of 10% YoY over the 12-year monetization timeline.

Existing portfolio largely leased; commences development for the next leg of growth

- DLF has 1.7msf of vacant SEZ space (ex-Silokhera), which constitutes 50% of the total vacant space in the portfolio. With the non-SEZ portfolio being 97% occupied, the recent amendment to the SEZ Act, which allows floor-by-floor de-notification of SEZ space, would lead to a rise in near-term occupancy levels.

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- The first phase of Downtown Chennai (2.3msf), which is fully leased (including 0.4msf of hard option), will commence rentals beginning in FY25. The second phase (1msf) has been leased to Standard Chartered, which will be delivered at the end of FY25, along with the second phase of Downtown Gurugram (2msf).
- Thus, exit rentals are expected to reach INR57b for DCCDL's rental portfolio, leading to an 11% rental CAGR during FY24-26E.
- Beyond the existing development, DLF has commenced planning and development of phase 3 office assets totaling more than 6msf in Chennai and Gurugram.
- DLF is also developing ~4msf of retail assets across Gurugram, Delhi, and Goa, including India's largest mall, 'Mall of India, Gurugram', which are expected to be delivered by FY26-27 and contribute ~INR10b to rentals. This is in line with the management's target to double the retail footprint over 4-5 years.

Valuation and view

- DLF's vast land reserves continue to offer growth visibility. However, our assumption of a 12-13 year monetization timeline for its remaining 160msf of land bank (including TOD potential) adequately incorporates this growth.
- We estimate an 8-10% CAGR in prices across its key markets of Gurugram, New Gurugram, Delhi, and Chandigarh. Based on the above assumptions, we value the land at INR940b. The current valuation already implies INR1137b of value for its land, indicating limited upside potential.
- We incorporate the higher realization of DLF 5 land bank and tweak our monetization assumption to factor in its aggressive launch pipeline as indicated by the company. We revise our TP to INR850, indicating a 7% potential downside. **Reiterate Neutral.**

Exhibit 1: Our SoTP-based valuation approach for DLF implies 7% downside from CMP

| Segment | Rationale | Value (INR b) | Per share | as % of NAV |
|----------------------------------|---|---------------|------------|-------------|
| DLF - Devco | | 1,517 | 613 | 72% |
| Residential - Completed projects | ❖ Inventory of INR32b + Receivables of INR6b – pending construction cost of INR1-2b discounted over two years at WACC of 12.5% | 42 | 17 | 2% |
| Upcoming launches | ❖ 41msf of launch pipeline with revenue potential of INR560b (DLF's stake) at 50-55% cash flow margin discounted over 5-6 years at 12.5% WACC | 322 | 130 | 15% |
| Commercial - Operational | ❖ Mar'26E EBITDA of ~INR2.7b at a cap rate of 8% | 41 | 17 | 2% |
| Commercial - Ongoing/Upcoming | ❖ Value of upcoming office and retail assets based on DCF at 12.5% WACC | 62 | 25 | 3% |
| Land bank - development | ❖ Carries a book value of ~INR150b and recorded in inventory | 1,050 | 424 | 50% |
| DCCDL | ❖ | 687 | 278 | 33% |
| Commercial - Operational | ❖ Mar'26E EBITDA of ~INR48b at a cap rate of 8% | 477 | 193 | 23% |
| Commercial - Upcoming | ❖ Based on DCF with terminal value calculated using rental at stabilized state, discounted using WACC of 10% | 36 | 14 | 2% |
| Land bank - DCCDL | ❖ Carries a book value of ~INR77b (DLF's stake) | 174 | 70 | 8% |
| Total GAV | | 2,204 | 890 | 105% |
| Less: Net debt | | (98) | (40) | (5%) |
| Total NAV | | 2,106 | 851 | 100% |
| No. of shares (m) | | 2475 | | |
| NAV per share | | 850 | | |
| CMP | | 911 | | |
| Upside potential | | -7% | | |

Source: MOFSL, Company

Exhibit 2: Sensitivity of DevCo's land value to different price growth assumption and its impact on overall TP

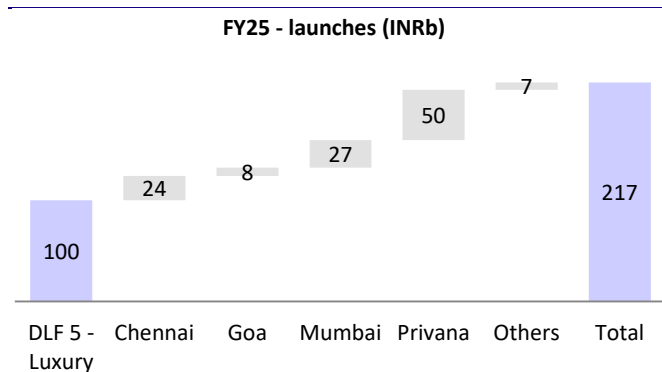
| Price Growth | Monetization Timeline (years) | | | | | |
|--------------|-------------------------------|-----|-----|-----|-----|------|
| | | 8 | 10 | 13 | 15 | 18 |
| | 5% | 809 | 774 | 748 | 726 | 697 |
| | 10% | 872 | 869 | 850 | 825 | 822 |
| | 15% | 968 | 975 | 986 | 994 | 1006 |

Key Exhibits

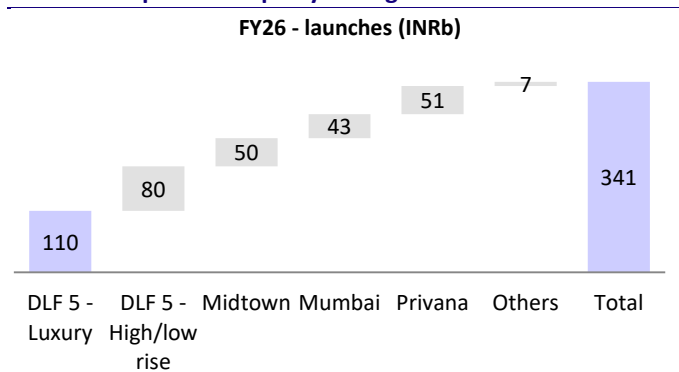
Exhibit 3: DLF has unveiled an additional 16msf of pipeline and plans to launch 10msf worth INR320b in FY25

| Projects | Initial Guidance | | Launched till FY23 | | Planned FY24 | | Total till FY24 | | Planned FY25 | | Beyond FY25 | |
|-------------------------|------------------|--------------|--------------------|--------------|--------------|--------------|-----------------|--------------|--------------|--------------|-------------|--------------|
| | Size (msf) | Value (INRb) | Size (msf) | Value (INRb) | Size (msf) | Value (INRb) | Size (msf) | Value (INRb) | Size (msf) | Value (INRb) | Size (msf) | Value (INRb) |
| Luxury Segment | 10 | 125 | 10 | 152 | 0 | 0 | 10 | 152 | 6 | 242 | 5 | 150 |
| Midtown, DLF-GIC JV | 8 | 175 | 2 | 44 | - | - | 2 | 44 | 0 | 0 | 3 | 75 |
| Premium/value homes | 9 | 50 | 5 | 31 | 5 | 84 | 10 | 114 | 4 | 73 | 9 | 150 |
| Commercial | 2 | 25 | 1 | 13 | 1 | 15 | 2 | 28 | 0 | 5 | 0 | 5 |
| Atrium Place (Hines JV) | 3 | 70 | - | - | - | - | - | - | 0 | 0 | 3 | 70 |
| NOIDA IT Park | 4 | 25 | - | - | 1 | 7 | 1 | 7 | 0 | 0 | 3 | 19 |
| Total | 35 | 470 | 18 | 240 | 7 | 105 | 25 | 346 | 10 | 320 | 22 | 469 |
| Cumulative | | | | | | | | | 35 | 666 | 57 | 1134 |

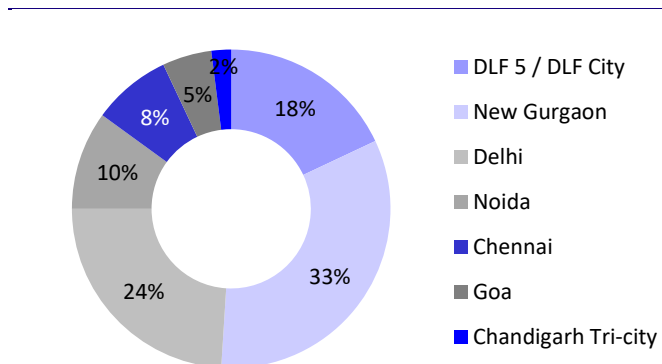
Source: Company, MOFSL

Exhibit 4: Key projects like luxury development in DLF 5, Privana 2nd phase and Mumbai are expected to be launched in FY25

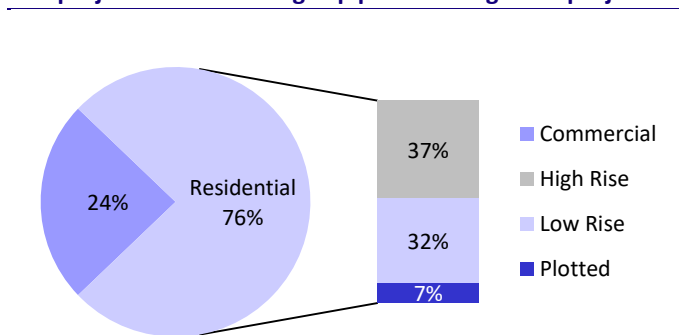
Source: Company, MOFSL

Exhibit 5: Pipeline is equally strong for FY26

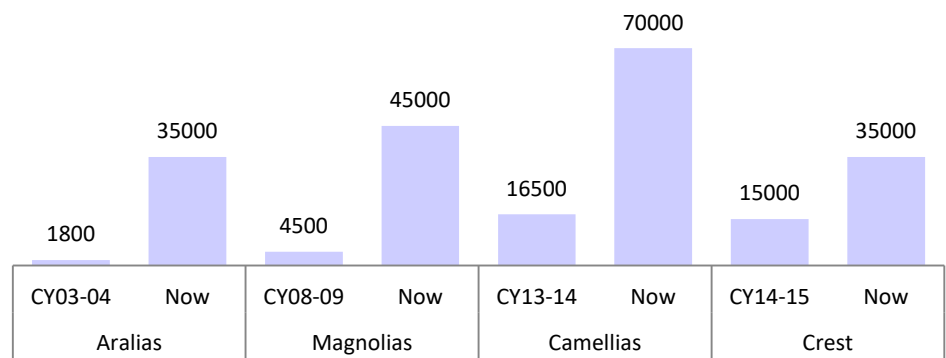
Source: Company, MOFSL

Exhibit 6: Around 85% of its projects are in its home market of Delhi NCR, with launches planned in Chennai, Chandigarh, and Goa

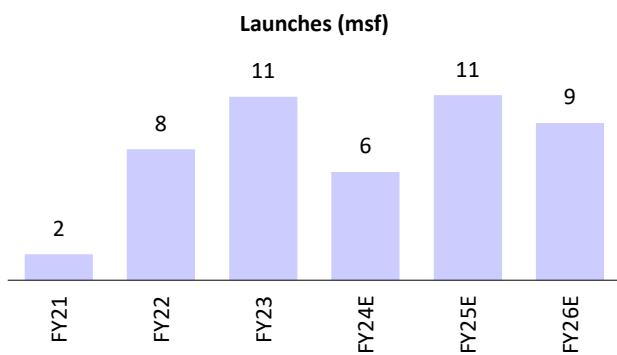
Source: Company, MOFSL

Exhibit 7: Diverse products across the fast-turnaround low-rise projects as well as flagship premium high-rise projects

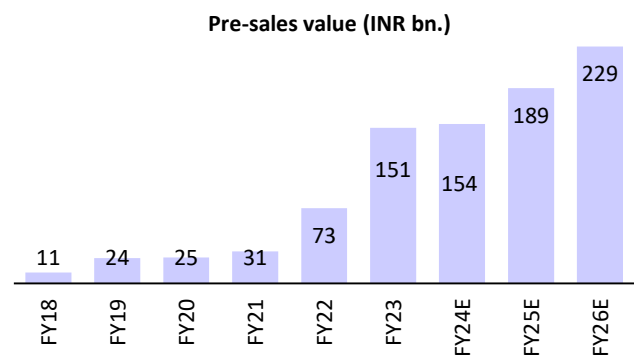
Source: Company, MOFSL

Exhibit 8: DLF has achieved 11-18% CAGR in pricing in key projects

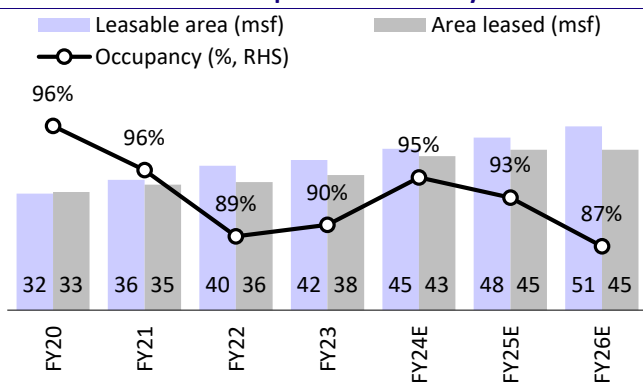
Source: Company, MOFSL

Exhibit 9: To launch 11msf of projects in FY25...

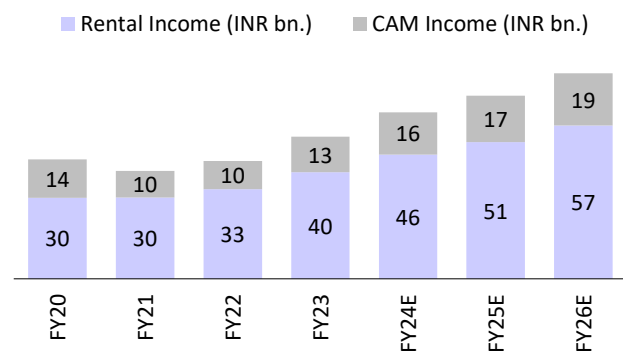
Source: MOFSL, Company

Exhibit 10: ...and we expect it to grow the pre-sales at 22% CAGR over FY24-26E

Source: MOFSL, Company

Exhibit 11: Portfolio to expand to ~50msf by FY26E

Source: Company, MOFSL

Exhibit 12: Expect rentals to report 11% CAGR to reach INR57b during FY24-FY26

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Income from Operations | 60,828 | 54,141 | 57,174 | 56,948 | 62,180 | 73,767 | 79,557 |
| Change (%) | -27.3 | -11.0 | 5.6 | -0.4 | 9.2 | 18.6 | 7.8 |
| Total Expenditure | 49,478 | 39,963 | 39,748 | 39,690 | 42,293 | 47,046 | 49,061 |
| % of Sales | 81.3 | 73.8 | 69.5 | 69.7 | 68.0 | 63.8 | 61.7 |
| EBITDA | 11,350 | 14,178 | 17,426 | 17,259 | 19,887 | 26,720 | 30,496 |
| Margin (%) | 18.7 | 26.2 | 30.5 | 30.3 | 32.0 | 36.2 | 38.3 |
| Depreciation | 2,003 | 1,595 | 1,494 | 1,486 | 1,566 | 1,616 | 1,666 |
| EBIT | 9,347 | 12,583 | 15,932 | 15,773 | 18,321 | 25,104 | 28,829 |
| Int. and Finance Charges | 14,269 | 8,534 | 6,246 | 3,921 | 3,495 | 1,843 | 2,135 |
| Other Income | 8,054 | 5,308 | 4,205 | 3,173 | 4,664 | 4,795 | 5,171 |
| PBT bef. EO Exp. | 3,131 | 9,358 | 13,891 | 15,024 | 19,490 | 28,056 | 31,865 |
| EO Items | 3,403 | -962 | -2,244 | 0 | 0 | 0 | 0 |
| PBT after EO Exp. | 6,535 | 8,396 | 11,647 | 15,024 | 19,490 | 28,056 | 31,865 |
| Total Tax | 21,327 | 3,623 | 3,210 | 4,015 | 4,904 | 7,059 | 8,017 |
| Tax Rate (%) | 326.4 | 43.2 | 27.6 | 26.7 | 25.2 | 25.2 | 25.2 |
| Minority Interest | -8,960 | -6,163 | -6,567 | -9,330 | -10,993 | -19,197 | -19,652 |
| Reported PAT | -5,832 | 10,936 | 15,004 | 20,340 | 25,579 | 40,194 | 43,500 |
| Adjusted PAT | 1,872 | 11,483 | 16,629 | 20,340 | 25,579 | 40,194 | 43,500 |
| Change (%) | -85.8 | 513.4 | 44.8 | 22.3 | 25.8 | 57.1 | 8.2 |
| Margin (%) | 3.1 | 21.2 | 29.1 | 35.7 | 41.1 | 54.5 | 54.7 |

Consolidated - Balance Sheet

(INR m)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity Share Capital | 4,951 | 4,951 | 4,951 | 4,951 | 4,951 | 4,951 | 4,951 |
| Total Reserves | 3,39,517 | 3,48,489 | 3,58,672 | 3,71,925 | 3,90,078 | 4,22,846 | 4,58,920 |
| Net Worth | 3,44,467 | 3,53,439 | 3,63,623 | 3,76,875 | 3,95,029 | 4,27,796 | 4,63,870 |
| Minority Interest | 184 | 203 | 195 | 44 | 44 | 44 | 44 |
| Total Loans | 81,025 | 66,634 | 41,818 | 33,340 | 13,259 | 15,102 | 17,747 |
| Deferred Tax Liabilities | 2,465 | 5,408 | 21,416 | 25,743 | 25,743 | 25,743 | 25,743 |
| Capital Employed | 4,28,142 | 4,25,684 | 4,27,051 | 4,36,002 | 4,34,074 | 4,68,685 | 5,07,405 |
| Gross Block | 23,642 | 21,313 | 21,780 | 20,434 | 22,034 | 23,634 | 25,234 |
| Less: Accum. Deprn. | 7,171 | 7,730 | 9,224 | 10,710 | 12,276 | 13,892 | 15,559 |
| Net Fixed Assets | 16,472 | 13,582 | 12,556 | 9,723 | 9,757 | 9,741 | 9,675 |
| Investment Property | 25,955 | 25,545 | 26,626 | 28,688 | 28,688 | 28,688 | 28,688 |
| Goodwill on Consolidation | 9,443 | 9,443 | 9,443 | 9,443 | 9,443 | 9,443 | 9,443 |
| Capital WIP | 887 | 942 | 811 | 611 | 3,230 | 5,849 | 8,467 |
| Total Investments | 1,85,658 | 1,96,455 | 1,97,795 | 1,94,811 | 2,05,804 | 2,25,001 | 2,44,653 |
| Curr. Assets, Loans&Adv. | 3,20,155 | 2,86,835 | 2,77,810 | 2,96,004 | 2,95,565 | 3,32,116 | 3,66,664 |
| Inventory | 2,24,862 | 2,10,866 | 2,01,075 | 1,93,612 | 1,44,803 | 1,81,890 | 1,85,269 |
| Account Receivables | 7,204 | 5,813 | 5,636 | 5,492 | 5,997 | 7,114 | 7,673 |
| Cash and Bank Balance | 24,204 | 14,069 | 9,316 | 22,747 | 63,801 | 39,838 | 62,343 |
| Loans and Advances | 63,884 | 56,087 | 61,783 | 74,152 | 80,964 | 1,03,273 | 1,11,379 |
| Curr. Liability & Prov. | 1,30,426 | 1,07,118 | 97,988 | 1,03,278 | 1,18,413 | 1,42,152 | 1,60,186 |
| Account Payables | 10,563 | 12,345 | 23,229 | 24,379 | 27,230 | 30,290 | 31,587 |
| Other Current Liabilities | 1,18,395 | 93,727 | 73,820 | 78,041 | 90,161 | 1,10,650 | 1,27,291 |
| Provisions | 1,469 | 1,046 | 940 | 858 | 1,022 | 1,212 | 1,308 |
| Net Current Assets | 1,89,728 | 1,79,717 | 1,79,822 | 1,92,726 | 1,77,152 | 1,89,964 | 2,06,479 |
| Misc Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appl. of Funds | 4,28,142 | 4,25,684 | 4,27,051 | 4,36,002 | 4,34,074 | 4,68,685 | 5,07,405 |

Financials and valuations

Ratios

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | |
| EPS | 1.0 | 4.6 | 6.7 | 11.4 | 10.3 | 16.2 | 17.6 |
| Cash EPS | 2.2 | 7.3 | 10.2 | 12.2 | 15.2 | 23.4 | 25.3 |
| BV/Share | 193.1 | 198.1 | 203.8 | 211.3 | 221.4 | 239.8 | 260.0 |
| DPS | 0.0 | 2.0 | 3.0 | 4.0 | 3.0 | 3.0 | 3.0 |
| Payout (%) | 0.0 | 45.3 | 49.5 | 48.7 | 29.0 | 18.5 | 17.1 |
| Valuation (x) | | | | | | | |
| P/E | 537.5 | 121.6 | 84.0 | 49.5 | 89.0 | 56.7 | 52.4 |
| Cash P/E | 259.7 | 76.9 | 55.5 | 46.1 | 60.5 | 39.3 | 36.3 |
| P/BV | 2.9 | 2.8 | 2.8 | 2.7 | 4.2 | 3.8 | 3.5 |
| EV/Sales | 17.5 | 26.8 | 25.0 | 24.7 | 35.8 | 30.5 | 28.1 |
| EV/EBITDA | 93.7 | 102.2 | 82.0 | 81.5 | 112.0 | 84.3 | 73.2 |
| Dividend Yield (%) | 0.0 | 0.4 | 0.5 | 0.7 | 0.3 | 0.3 | 0.3 |
| FCF per share | 1.2 | 6.2 | 10.8 | 9.3 | 27.2 | -8.6 | 9.8 |
| Return Ratios (%) | | | | | | | |
| RoE | 0.6 | 3.3 | 4.6 | 5.5 | 6.6 | 9.8 | 9.8 |
| RoCE | 2.5 | 2.4 | 3.5 | 3.4 | 4.2 | 5.3 | 5.5 |
| RoIC | -8.7 | 3.3 | 5.3 | 5.3 | 7.2 | 10.5 | 11.1 |
| Working Capital Ratios | | | | | | | |
| Fixed Asset Turnover (x) | 2.6 | 2.5 | 2.6 | 2.8 | 2.8 | 3.1 | 3.2 |
| Asset Turnover (x) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| Inventory (Days) | 1,349 | 1,422 | 1,284 | 1,241 | 850 | 900 | 850 |
| Debtor (Days) | 43 | 39 | 36 | 35 | 35 | 35 | 35 |
| Creditor (Days) | 63 | 83 | 148 | 156 | 160 | 150 | 145 |
| Leverage Ratio (x) | | | | | | | |
| Current Ratio | 2.5 | 2.7 | 2.8 | 2.9 | 2.5 | 2.3 | 2.3 |
| Interest Cover Ratio | 0.7 | 1.5 | 2.6 | 4.0 | 5.2 | 13.6 | 13.5 |
| Net Debt/Equity | 0.2 | 0.1 | 0.1 | 0.0 | -0.1 | -0.1 | -0.1 |

Consolidated - Cash Flow Statement

(INR m)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| OP/(Loss) before Tax | 6,535 | 8,396 | 11,646 | 15,024 | 19,490 | 28,056 | 31,865 |
| Depreciation | 2,003 | 1,595 | 1,494 | 1,486 | 1,566 | 1,616 | 1,666 |
| Interest & Finance Charges | 9,407 | 5,562 | 6,247 | 3,921 | -1,169 | -2,951 | -3,036 |
| Direct Taxes Paid | -422 | 4,015 | 2,198 | -858 | -4,904 | -7,059 | -8,017 |
| (Inc)/Dec in WC | -10,644 | -7,020 | 7,540 | 5,628 | 56,628 | -36,775 | 5,990 |
| CF from Operations | 6,879 | 12,547 | 29,124 | 25,202 | 71,611 | -17,113 | 28,468 |
| Others | -3,322 | 2,055 | -806 | -1,450 | 0 | 0 | 0 |
| CF from Operating incl EO | 3,557 | 14,602 | 28,318 | 23,752 | 71,611 | -17,113 | 28,468 |
| Free Cash Flow | 2,170 | 15,294 | 26,833 | 23,115 | 67,392 | -21,332 | 24,249 |
| (Pur)/Sale of Investments | -9,571 | -5,318 | 4,085 | -13,014 | 0 | 0 | 0 |
| Others | 76,038 | 6,131 | 6,327 | 9,026 | 4,664 | 4,795 | 5,171 |
| CF from Investments | 65,081 | 1,505 | 8,928 | -4,626 | 445 | 576 | 952 |
| Issue of Shares | 32,374 | 5,087 | 0 | 0 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -95,349 | -17,459 | -26,785 | -8,736 | -22,000 | 0 | 0 |
| Interest Paid | -23,819 | -7,202 | -6,328 | -3,702 | -1,576 | 0 | 510 |
| Dividend Paid | -8,077 | -1,987 | -4,969 | -7,428 | -7,426 | -7,426 | -7,426 |
| Others | -347 | -276 | -200 | -266 | 0 | 0 | 0 |
| CF from Fin. Activity | -95,218 | -21,838 | -38,282 | -20,131 | -31,002 | -7,426 | -6,916 |
| Inc/Dec of Cash | -26,580 | -5,731 | -1,037 | -1,005 | 41,054 | -23,963 | 22,505 |
| Opening Balance | 42,663 | 16,084 | 10,353 | 9,316 | 8,311 | 49,365 | 25,402 |
| Closing Balance | 16,084 | 10,353 | 9,316 | 8,311 | 49,365 | 25,402 | 47,907 |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

| 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 |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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