

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	BOS IN
Equity Shares (m)	29
M.Cap.(INRb)/(USD\$b)	931 / 11.2
52-Week Range (INR)	32230 / 17925
1, 6, 12 Rel. Per (%)	7/34/43
12M Avg Val (INR M)	778

Financials & Valuations (INR b)

INR b	FY24	FY25E	FY26E
Sales	167.3	191.4	214.8
EBITDA	20.9	27.3	31.8
Adj. PAT	18.3	24.2	28.0
EPS (INR)	620.5	821.1	950.9
EPS Gr. (%)	28.5	32.3	15.8
BV/Sh. (INR)	4,091	4,527	5,058

Ratios

RoE (%)	15.9	19.1	19.8
RoCE (%)	20.6	24.3	25.2
Payout (%)	44.4	46.9	44.2

Valuations

P/E (x)	50.9	38.5	33.2
P/BV (x)	7.7	7.0	6.2
Div. Yield (%)	1.2	1.2	1.3
FCF Yield (%)	1.0	1.6	1.8

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	70.5	70.5	70.5
DII	17.2	17.3	16.8
FII	4.1	3.7	3.7
Others	8.2	8.5	9.0

FII Includes depository receipts

CMP:INR31,566 TP: INR28,585 (-9%) Neutral

4Q performance hit by weak demand for CVs and tractors

Industry growth likely to moderate in CY24

- BOS's 4QFY24 performance was operationally weak as revenue/EBITDA came in lower at INR42.3b/INR5.6b (est. INR45.7b/INR6.3b). However, higher other income and lower tax led to PAT beat. The management expects FY25 revenue growth to be similar to FY24 levels.
- We raise our FY25E/FY26E EPS by ~1%/5% to factor in higher other income and lower tax. After the recent run-up, the stock at ~38.5x/33.2x FY25E/FY26E EPS appears fairly valued. **We reiterate our Neutral stance on BOS with a TP of INR28,585 (based on ~30x FY26E EPS).**

Weak tractor demand dents growth for mobility division

- Revenue/EBITDA/adj. PAT rose 4%/7%/42% YoY to INR42.3b/INR5.6b/INR5.6b in 4QFY24 (vs. est. INR45.7b/INR6.2b/INR4.8b). FY24 revenue/EBITDA/adj. PAT grew 13%/21%/25% YoY.
- Mobility business grew by ~2.7% YoY, driven by 9.4% growth in mobility aftermarket division and 17.6% growth in 2Ws. Power solutions remained relatively flat. Consumer goods and building technologies grew ~16%/17% YoY.
- Gross margins contracted 150bp YoY (-320bp QoQ) to 34.5%, driven by a weaker mix. Lower gross margin was partially offset by lower other expenses as EBITDA margins grew 30bp YoY (-60bp QoQ) to 13.2% (est. 13.6%).
- PBIT margins for the mobility division expanded ~180bp YoY to 13.9%, while it declined 100bp YoY for non-mobility to 11.4%.
- Further, higher other income and lower tax resulted in a beat in adj. PAT, which came in at INR5.6b (est. INR4.8b), up ~41.5% YoY. CFO/FCF for the year grew ~3%/61% YoY.
- BOS declared a dividend of INR375/share for FY24 (vs. INR480 for FY23).

Highlights from the management commentary

- **Outlook:** Given the high base for most segments, the management expects overall auto industry growth to moderate in CY24. It expects FY25 revenue growth to be similar to FY24 levels. While it expects 1Q to be much slower due to elections, demand is expected to pick up from 2Q onward.
- Hydrogen ICE technology is currently undergoing design maturity with most OEMs. Most of the OEM partners are currently testing/running products based on Hydrogen ICE either within their facility or on the road for testing. BOS expects penetration of this technology in CVs in India at 10-15% by 2030.
- **Localization:** BOS continues to have varied levels of content localization ranging from 90-95% for some matured products to 30-60% for others. OEMs continue to encourage localization and have already decided to localize EGT solution and its SOP would be Apr'25.

- **Update on EV orders:** BOS has indicated that it has a good share of orders in 2W EVs. It is also in serious discussions with multiple OEMs for the supply of e-axles and electronics for EVs.

Valuation and view

- We believe BOS would be outperforming the underlying auto industry growth with new order wins and content increases. We expect BOS to deliver a 24% earnings CAGR over FY24-26E (on the back of 13% revenue CAGR).
- We increase our FY25E/FY26E EPS by ~1%/5% to factor in higher other income and lower tax. After its recent run-up, the stock at ~38.5x/33.2x FY25E/FY26E EPS appears fairly valued. **Hence, we reiterate our Neutral rating with a TP of INR28,585 (premised on ~30x FY26E EPS).**

Quarterly performance (S/A)

Y/E March	(INR Million)										
	FY23				FY24				FY23	FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Net Sales	35,444	36,616	36,599	40,634	41,584	41,301	42,052	42,334	1,49,293	1,67,271	45,712
YoY Change (%)	45.1	25.5	17.7	22.7	17.3	12.8	14.9	4.2	26.7	12.0	12.5
RM Cost (% of sales)	64.6	64.9	60.0	64.0	64.5	66.8	62.3	65.5	63.4	64.8	63.0
Staff Cost (% of sales)	7.6	7.5	7.4	8.1	7.4	8.1	7.9	8.5	7.7	8.0	7.7
Other Expenses (% of sales)	15.6	16.4	23.3	15.9	17.9	13.2	16.0	12.8	16.8	14.7	15.8
EBITDA	4,495	4,311	4,037	5,224	4,679	4,913	5,784	5,572	18,067	20,948	6,212
Margins (%)	12.7	11.8	11.0	12.9	11.3	11.9	13.8	13.2	12.1	12.5	13.6
Depreciation	648	919	1,083	1,206	921	1,013	1,173	1,188	3,856	4,295	1,245
Interest	36	19	20	46	308	122	39	39	121	508	51
Other Income	566	1,497	1,312	1,359	1,875	1,542	1,548	2,262	4,734	7,227	1,593
PBT before EO expense	4,377	4,870	4,246	5,331	5,325	5,320	6,120	6,607	18,824	23,372	6,509
Extra-Ord expense	0	0	0	0	0	-7,850	-588	0	0	-8,438	0
PBT after EO Expense	4,377	4,870	4,246	5,331	5,325	13,170	6,708	6,607	18,824	31,810	6,509
Tax	1,035	1,146	1,057	1,341	1,235	3,181	1,527	962	4,579	6,905	1,668
Tax Rate (%)	23.6	23.5	24.9	25.2	23.2	24.2	22.8	14.6	24.3	21.7	25.6
Reported PAT	3,342	3,724	3,189	3,990	4,090	9,989	5,181	5,645	14,245	24,905	4,841
Adj PAT	3,342	3,724	3,189	3,990	4,090	3,843	4,721	5,645	14,245	18,058	4,841
YoY Change (%)	28.7	0.1	35.7	13.8	22.4	3.2	48.0	41.5	17.0	26.8	21.3

E: MOFSL Estimates

Segmental Mix (INR m)

	FY23				FY24				FY23	FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Auto	31,092	31,505	32,399	34,165	36,232	35,708	36,522	35,114	1,29,161	1,43,576
Growth (%)	44.7	29.3	18.2	26.0	16.5	13.3	12.7	2.8	28.7	11.2
PBIT margin (%)	13.6	12.1	11.2	12.1	10.9	12.5	14.2	13.9	12.2	12.9
Contribution (%)	87.7	86.0	88.6	84.1	87.1	86.5	86.8	82.9	86.5	96.2
Non-Auto	4,388	5,237	4,464	6,684	5,424	5,634	5,764	7,256	20,787	24,078
Growth (%)	48.0	5.1	8.6	6.2	23.6	7.6	29.1	8.6	14.5	15.8
PBIT margin (%)	9.8	12.6	11.7	12.4	16.4	9.3	13.5	11.4	11.8	12.5
Contribution (%)	12.4	14.3	12.2	16.4	13.0	13.6	13.7	17.1	13.9	16.1
a) Consumer goods	3,188	3,528	2,547	4,757	3,754	3,897	3,336	5,237	14,034	16,224
Growth (%)	52.2	(0.3)	5.2	(1.1)	17.8	10.5	31.0	10.1	10.9	15.6
PBIT margin (%)	5.8	11.1	6.2	8.9	15.5	7.2	11.7	11.5	8.2	11.4
b) Others	1,200	1,709	1,917	1,927	1,670	1,737	2,428	2,019	6,753.0	7,854.0
Growth (%)	38.1	18.1	13.3	29.7	39.2	1.6	26.7	4.8	22.9	16.3
PBIT margin (%)	20.4	15.9	19.0	21.2	18.3	14.0	16.1	11.2	19.1	14.8
Total Revenue (post inter segment)	35,444	36,616	36,585	40,634	41,584	41,301	42,052	42,334	1,49,293	1,67,271
Growth (%)	45.1	25.5	16.9	22.7	17.3	12.8	14.9	4.2	26.8	12.0

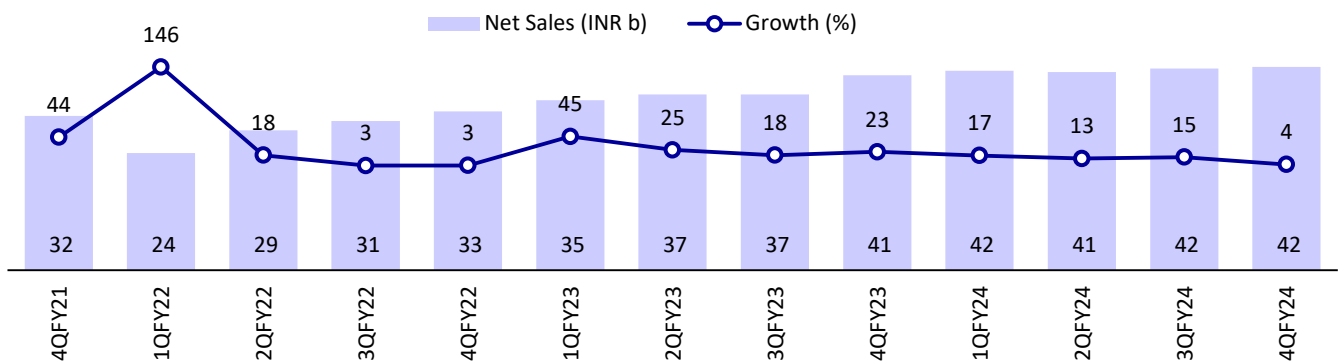
E: MOFSL Estimates

Key takeaways from the management commentary

- **Outlook-** Given the high base for most segments, the management expects overall auto industry growth to moderate in CY24. The management expects FY25 revenue growth to be similar to FY24 levels. While 1Q is expected to be much slower due to elections-led issues, demand is expected to pick up from 2Q onward.
- The contribution of exports stood at 8.1% in FY24 and it should continue to increase in the coming years.
- **4Q highlights:** 4Q revenue grew 4% YoY, driven by mobility aftermarket, 2Ws and consumer goods segments.
- The mobility aftermarket segment grew 9.4% YoY, led by good demand for spark plugs and diesel products.
- 2W segment posted 17.6% YoY growth
- However, power solutions segment remained flat YoY due to weak demand from the tractor segment.
- Consumer good business grew 10.5% YoY. Building technology solutions posted 13.9% YoY growth due to execution of higher orders for security systems.
- **FY24 update-** Revenue grew 12% YoY, driven by mobility and consumer goods segments.
- The mobility segment grew 11% YoY, driven by 10.9% YoY growth in the power solution segment, which was in turn driven by strong growth in PVs and HCVs and higher content per vehicle (exhaust gas treatment solution post BS6).
- The aftermarket segment grew 10.2% YoY to record its highest-ever sales, led by good demand for spark plugs, filters and lubricants. Independent aftermarket now contributes to 63% of business and grew 9.1% YoY. This segment now boasts 50k touch points spanning 650 districts and 15k different part numbers. This division has also ventured into the home segment with the launch of i6 inverter battery for power backup solutions.
- 2W segment posted 19.2% YoY growth, led by good demand for fuel injectors from TVS and BAL. 2W sales are expected to rise in FY25 due to pre-buying impact of OBD 2.2 to be implemented in 2025.
- The business beyond mobility solutions grew 17.7%. Consumer goods business grew 15.8% YoY led by higher sales in tools and accessory. The building technology solution posted 17% YoY growth due to the installation of a higher number of security cameras, led by significant wins across segments like metros, airports, and garment, energy and consumer sectors. The management has a positive growth outlook for this segment.
- The power tools segment has gained market share across segments and this trend is expected to continue going ahead. BOS would focus on cordless tools, industrial tools, dealer engagement and innovative new product launches tailored for medium and entry-level segments. The cordless tool segment reached 11% of total sales in this segment.
- BOS hived off OE/OES diagnostic business from mobility aftermarket division (revenue of INR360m) as part of the restructuring exercise undertaken by parent with an intention to focus on the core. BOS hived off this business as the future outlook for this business was weak as it was likely to be shifted online. The management has indicated that this exercise is not fully complete.

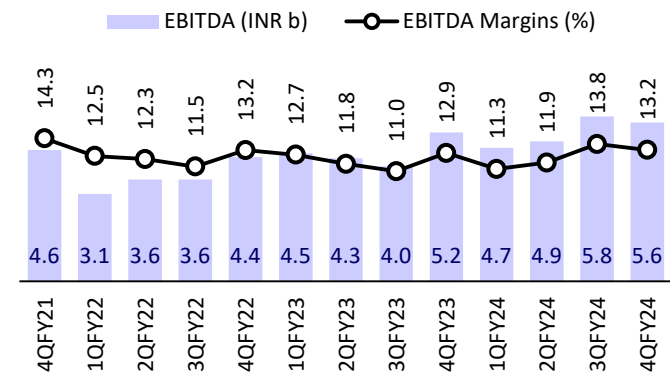
- The parent is looking to divest its building technology business, which is expected to conclude in 1Q or 2QFY25.
- **Hybrids-** The management indicated that hybrid technology is currently seeing rapid acceptance in many developed markets, including China. However, BOS maintains its view that hybrids have a limited time window. Nevertheless, it has a full range of products in hybrids globally. While MSIL and Toyota have launched vehicles on Toyota’s hybrid technology in India, BOS is in discussions with multiple domestic OEMs for a range of hybrid solutions.
- **Localization-** BOS continues to have varied levels of content localization ranging from 90-95% for some matured products to 30-60% for others. OEMs continue to encourage localization.
 - In cases of mandatory localization required by the government, BOS is localizing components even if the cost of importing a particular technology is lower than that after localization. OEMs are aware and supportive of such initiatives.
 - BOS has already taken a decision to localize EGT solutions and its SOP would be Apr’25.
 - In certain segments like spark plugs, BOS localizes considering not just the domestic opportunity but also for some export markets.
 - The current deadline for Trem5 for tractors is Apr’26 and the management is hopeful that this deadline will not be postponed again. BOS would be starting with a fairly high level of localization.
- **Hydrogen ICE in India:** This technology is currently undergoing design maturity with most OEMs. Most of the OEM partners are currently testing or running products based on Hydrogen ICE either within their facility or on the road for testing. BOS expects penetration of this technology in Indian CVs to be 10-15% by 2030.
- **Update on EV orders:** BOS has indicated that it has a good share of orders in 2W EVs. BOS is also in serious discussions with multiple OEMs for the supply of e-axles and electronics for EVs.
- It expects to sustain capex at around INR4-6b per annum in the coming years.

Exhibit 1: Trend in revenue



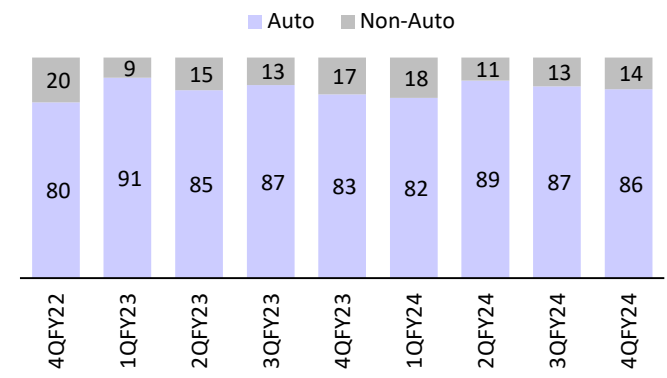
Source: Company, MOFSL

Exhibit 2: EBITDA and EBITDA margin trends



Source: Company, MOFSL

Exhibit 3: Share of Auto and non-Auto in PBIT



Source: Company, MOFSL

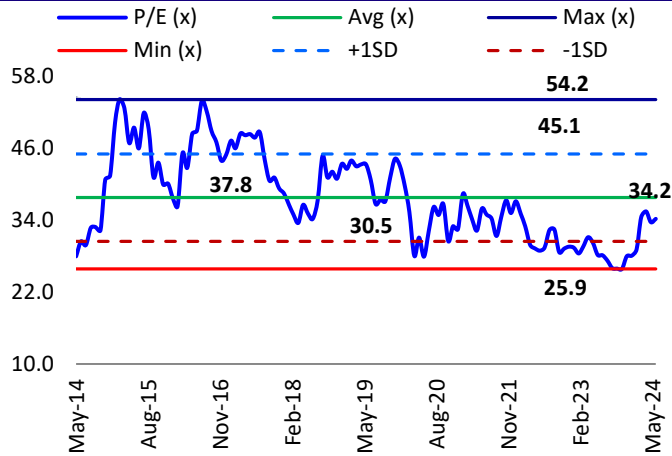
Valuation and view

- BOS has a long-term strategy of shaping the market in key technologies, with innovative products and solutions. BOS maintains its stance of being a technology-agnostic partner with customers, governments, and stakeholders. It has continued with critical investments in competence development and solutions designed/developed for India. In the non-auto businesses, BOS has adopted a two-pronged approach. It continues to introduce ‘fit-for-market’ products and solutions and plans to increase its ‘go-to-market’ footprint, using both offline and digital platforms.
- The electrification of 2Ws/3Ws opens up new growth avenues as BOS will be better positioned in these segments for EVs. Our estimates do not factor in any material contributions from e-2W/3Ws as the competitive landscape is yet to stabilize.
- With improving localization and operating leverage in FY25E, EBITDA margin will recover to over 14.8%, after falling to ~10.3%/12.4% in FY21/FY22 (vs. 12.5% in FY24). This would result in a 24% earnings CAGR over FY24-26E (on the back of 13% revenue CAGR).
- We increase our FY25E/FY26E EPS by ~1%/5% to factor in higher other income and lower tax. BOS is expected to continue to outperform the underlying auto industry growth with new order wins. After its recent run-up, the stock at ~38.5x/33.2x FY25E/FY26E EPS appears fairly valued. **Hence, we reiterate our Neutral rating with a TP of INR28,585 (premised on ~30x FY26E EPS).**

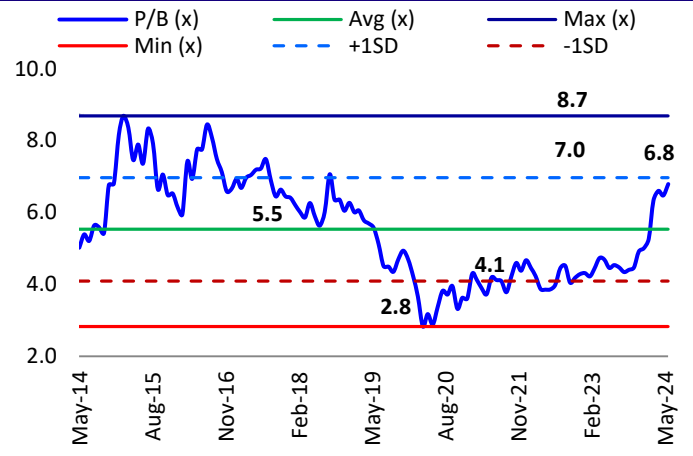
Exhibit 4: Revisions to our estimates

(INR b)	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	191.4	191.4	0.0	214.8	214.8	0.0
EBITDA Margin (%)	14.3	14.8	-60bp	14.8	14.8	-10bp
PAT	24.2	23.9	1.2	28.0	26.8	4.6
EPS (INR)	821.1	811.6	1.2	950.9	909.3	4.6

Exhibit 5: P/E and P/B bands



Source: MOFSL



Source: MOFSL

Key operating indicators

Exhibit 6: Trend in sales

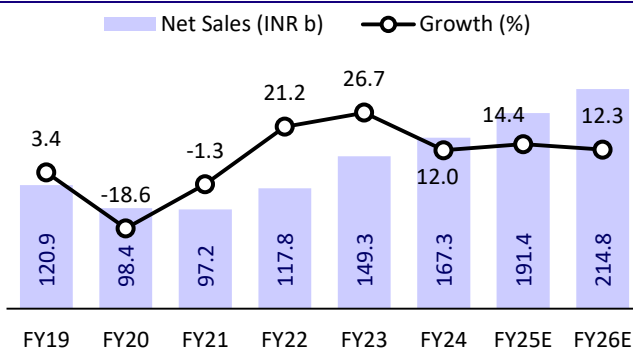


Exhibit 7: Segment mix

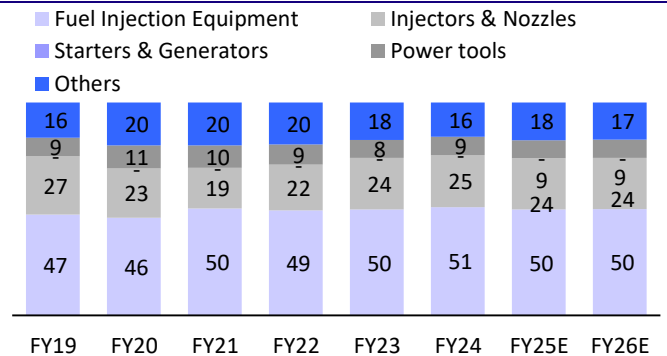


Exhibit 8: Gross margin vs. EBITDA margin

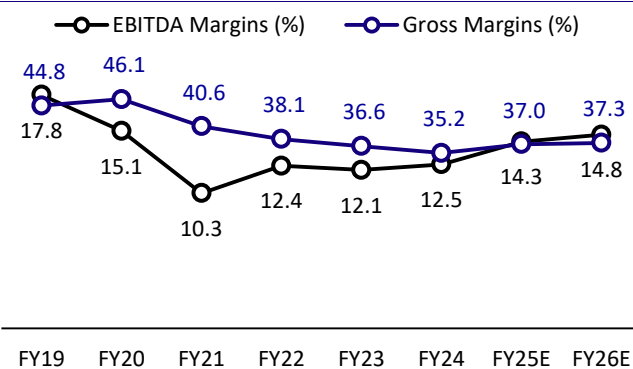


Exhibit 9: Trend in dividend payout

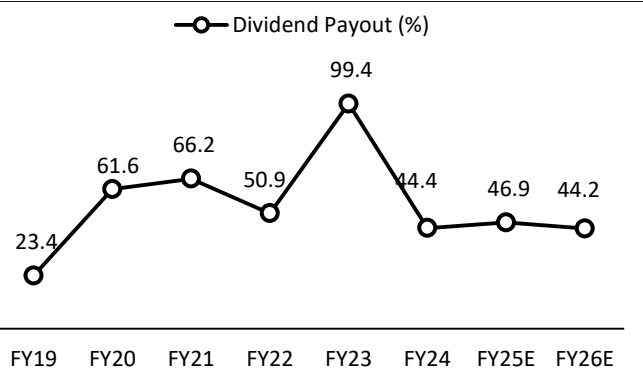


Exhibit 10: FCF and net cash

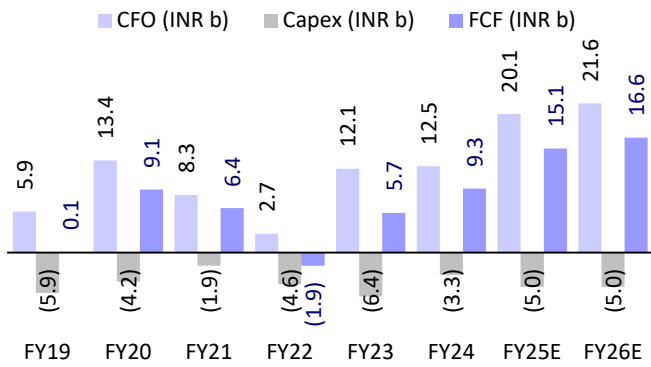


Exhibit 11: Cash, as a percentage of capital employed, stands at ~69%

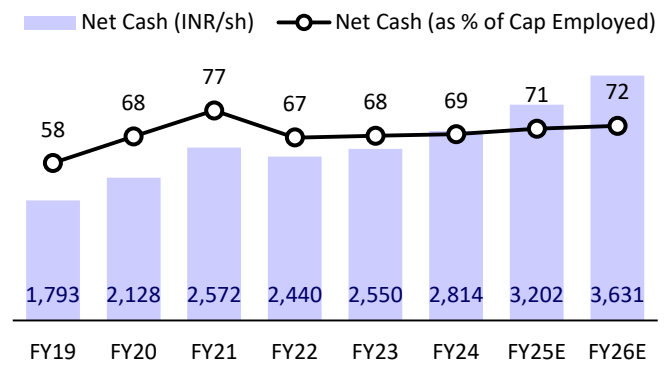
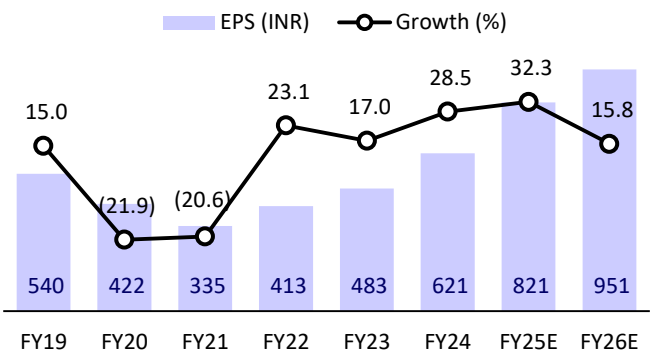
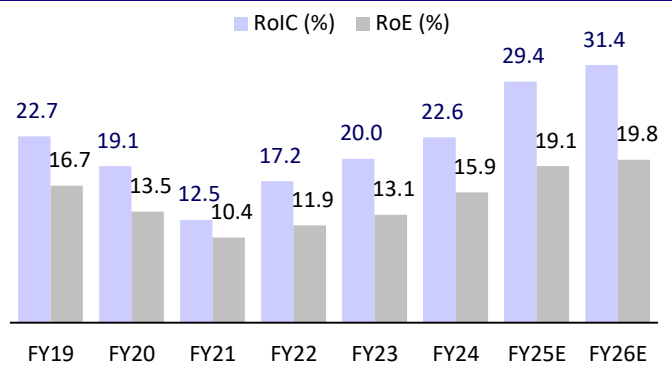


Exhibit 12: EPS and EPS growth trends



Source: Company, MOFSL

Exhibit 13: Trend in BOS' return profile



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement							(INR Million)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Op. Revenues	1,20,850	98,416	97,180	1,17,816	1,49,293	1,67,271	1,91,354	2,14,841
Change (%)	3.4	-18.6	-1.3	21.2	26.7	12.0	14.4	12.3
EBITDA	21,541	14,834	10,039	14,624	18,067	20,948	27,293	31,754
Margin (%)	17.8	15.1	10.3	12.4	12.1	12.5	14.3	14.8
Depreciation	4,021	3,833	3,414	3,243	3,856	4,295	4,367	4,667
EBIT	17,520	11,001	6,624	11,381	14,211	16,653	22,926	27,087
Fin. charges	133	102	140	289	121	508	300	200
Other Income	5,953	5,466	5,040	3,909	4,734	7,227	8,025	8,609
PBT bef. EO Exp.	23,340	16,365	11,524	15,001	18,824	23,372	30,651	35,496
EO Income/(Exp)	0	-8,416	-5,555	0	0	8,438	0	0
PBT after EO Exp.	23,340	7,948	5,969	15,001	18,824	31,810	30,651	35,496
Current Tax	7,051	3,324	1,630	1,930	4,338	5,978	6,437	7,454
Deferred Tax	355	-1,424	-784	899	241	927	0	0
Tax Rate (%)	31.7	23.9	14.2	18.9	24.3	21.7	21.0	21.0
Reported PAT	15,934	6,048	5,123	12,172	14,245	24,905	24,215	28,042
Adjusted PAT	15,934	12,452	9,890	12,172	14,245	18,299	24,215	28,042
Change (%)	11.1	-21.9	-20.6	23.1	17.0	28.5	32.3	15.8

Standalone - Balance Sheet							(INR Million)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	295	295	295	295	295	295	295	295
Total Reserves	90,967	92,399	97,927	1,06,584	1,09,827	1,20,337	1,33,198	1,48,854
Net Worth	91,262	92,694	98,222	1,06,879	1,10,122	1,20,632	1,33,493	1,49,149
Total Loans	0	0	0	0	532	393	393	393
Capital Employed	91,262	92,694	98,222	1,06,879	1,10,654	1,21,025	1,33,886	1,49,542
Gross Block	28,991	34,629	36,339	38,738	42,482	45,903	51,143	56,143
Less: Accum. Deprn.	17,338	21,271	23,983	26,623	30,479	34,774	39,141	43,808
Net Fixed Assets	11,653	13,358	12,356	12,115	12,003	11,129	12,002	12,335
Capital WIP	6,546	4,932	4,928	6,054	3,655	2,240	2,000	2,000
Total Investments	40,538	40,415	51,571	55,275	55,536	57,820	67,820	79,820
Curr. Assets, Loans&Adv.	63,764	69,928	73,821	76,499	87,619	99,482	1,13,880	1,25,144
Inventory	14,443	11,159	12,985	17,293	19,029	18,934	23,592	26,487
Account Receivables	15,675	14,131	13,894	15,267	19,029	21,818	24,640	27,665
Cash and Bank Balance	12,527	22,560	24,505	17,054	20,569	25,927	27,378	28,024
Loans and Advances	21,118	22,079	22,438	26,885	28,992	32,803	38,271	42,968
Curr. Liability & Prov.	35,834	40,506	49,514	47,225	51,940	52,523	64,694	72,634
Account Payables	15,885	16,050	22,230	22,404	27,253	25,676	34,077	38,259
Other Current Liabilities	9,200	8,277	14,171	11,174	12,196	12,228	15,308	17,187
Provisions	10,749	16,180	13,113	13,647	12,491	14,619	15,308	17,187
Net Current Assets	27,929	29,422	24,308	29,274	35,679	46,959	49,187	52,510
Deferred Tax assets	4,596	4,567	5,059	4,161	3,781	2,877	2,877	2,877
Appl. of Funds	91,262	92,694	98,222	1,06,879	1,10,654	1,21,025	1,33,886	1,49,542

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	540	422	335	413	483	621	821	951
Cash EPS	677	552	451	523	614	766	969	1,109
BV/Share	3,095	3,143	3,331	3,624	3,734	4,091	4,527	5,058
DPS	105	105	115	210	480	375	385	420
Payout (%)	23.4	61.6	66.2	50.9	99.4	44.4	46.9	44.2
Valuation (x)								
P/E	58.4	74.8	94.2	76.5	65.4	50.9	38.5	33.2
Cash P/E	46.7	57.2	70.0	60.4	51.4	41.2	32.6	28.5
P/BV	10.2	10.0	9.5	8.7	8.5	7.7	7.0	6.2
EV/Sales	7.6	9.2	9.3	7.8	6.1	5.4	4.7	4.2
EV/EBITDA	42.7	61.3	90.3	62.5	50.4	43.2	33.1	28.5
Dividend Yield (%)	0.3	0.3	0.4	0.7	1.5	1.2	1.2	1.3
FCF per share	2.6	309.2	217.4	-64.8	194.7	314.2	511.3	563.7
Return Ratios (%)								
RoIC	22.7	19.1	12.5	17.2	20.0	22.6	29.4	31.4
RoE	16.7	13.5	10.4	11.9	13.1	15.9	19.1	19.8
RoCE (pre-tax)	24.6	17.9	12.2	14.9	17.4	20.6	24.3	25.2
Working Capital Ratios								
Fixed Asset Turnover (x)	4.2	2.8	2.7	3.0	3.5	3.6	3.7	3.8
Asset Turnover (x)	1.3	1.1	1.0	1.1	1.4	1.4	1.5	1.5
Inventory (Days)	44	41	49	54	47	41	45	45
Debtor (Days)	47	52	52	47	47	48	47	47
Creditor (Days)	48	60	83	69	67	56	65	65
Working Cap. Turnover (Days)	47	25	-1	38	37	46	42	42

Standalone - Cash Flow Statement

(INR Million)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	23,410	10,069	5,671	15,001	18,824	23,372	30,651	35,496
Depreciation	4,045	4,445	3,414	3,243	3,856	4,295	4,367	4,667
Interest & Finance Charges	-2,769	-2,948	-2,377	-2,096	-2,670	-4,018	-7,725	-8,409
Direct Taxes Paid	-7,822	-4,612	-2,695	-2,664	-4,031	-6,958	-6,437	-7,454
(Inc)/Dec in WC	-6,888	10,206	6,320	-9,404	-2,501	-2,061	-777	-2,677
Others	-4,044	-3,799	-1,984	-1,374	-1,342	-2,102	0	0
CF from Operating incl EO	5,931	13,361	8,349	2,706	12,136	12,528	20,079	21,623
(Inc)/Dec in FA	-5,854	-4,243	-1,938	-4,617	-6,395	-3,261	-5,000	-5,000
Free Cash Flow	78	9,118	6,411	-1,911	5,741	9,267	15,079	16,623
(Pur)/Sale of Investments	15,821	782	-5,087	-1,837	8,079	1,537	-10,000	-12,000
Others	7,691	-5,267	2,395	6,122	934	4,552	8,025	8,609
CF from Investments	17,659	-8,729	-4,630	-332	2,618	2,828	-6,975	-8,391
Issue of Shares	-21,569	0	0	0	0	0	0	0
Interest Paid	-60	0	-16	-150	-62	-22	-300	-200
Dividend Paid	-3,679	-3,731	-3,095	-3,394	-12,092	-14,312	-11,354	-12,386
Others	0	-259	-271	-287	-240	-182	0	0
CF from Fin. Activity	-25,308	-3,990	-3,382	-3,831	-12,394	-14,516	-11,654	-12,586
Inc/Dec of Cash	-1,717	642	337	-1,457	2,360	840	1,451	646
Opening Balance	3,627	1,910	2,552	2,889	1,432	3,792	4,632	6,083
Closing Balance	1,910	2,552	2,889	1,432	3,792	4,632	6,083	6,729

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NOTES

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SELL	< - 10%
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