

Estimate change	
TP change	
Rating change	

Bloomberg	APTY IN
Equity Shares (m)	635
M.Cap.(INRb)/(USDb)	275.8 / 3.1
52-Week Range (INR)	585 / 368
1, 6, 12 Rel. Per (%)	-3/-2/-16
12M Avg Val (INR M)	749

Financials & valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	261.2	280.7	302.1
EBITDA	35.7	38.9	43.1
Adj. PAT	12.4	14.6	18.2
EPS (INR)	19.6	23.0	28.6
EPS Growth (%)	-33.2	17.6	24.1
BV/Share (INR)	290.1	304.8	329.9
Ratios			
RoE (%)	8.7	9.7	11.2
RoCE (%)	11.4	12.6	14.5
Payout (%)	28.3	37.2	29.7
P/E (x)	22.2	18.9	15.2
P/BV (x)	1.5	1.4	1.3
Div. Yield (%)	1.2	1.6	2.0
FCF Yield (%)	4.0	7.3	6.8

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	37.0	37.4	37.4
DII	29.1	28.1	26.7
FII	12.5	13.4	14.5
Others	21.5	21.1	21.5

FII includes depository receipts

CMP: INR434

TP: INR520 (+20%)

Buy

India business impresses; Europe disappoints

Margins likely to improve with a reduction in input costs

- Apollo Tyres (APTY)’s 1QFY26 consolidated performance was in line with our estimates. However, while standalone performance was much ahead of our estimates, the European business margin was weaker than expected.
- On account of its weak performance in Europe, we reduce our EPS estimates by 10%/6% over FY26/FY27E. We factor in a 60bp improvement in APTY’s margin during our forecast period, driving a 21% PAT CAGR over a corrected base. Valuations at 15.2x FY27E appear attractive, especially when compared to peers. **We reiterate our BUY rating on APTY with a TP of INR520 (valued at 18x Jun’27E consol. EPS).**

India business impresses, but Europe disappoints

- APTY’s 1QFY26 consolidated performance was in line. However, while standalone performance was much ahead of our estimates, the European business was weaker than expected.
- Consolidated revenue grew ~4% YoY to INR65.6b (in line). Revenue was led by low to mid-single-digit growth in the replacement and OEM segments, offset by a decline in export volumes.
- The company’s EBITDA margin remained flat YoY at 13.2% (in line). EBITDA contracted 4.6% YoY (up ~4% QoQ) to INR8.7b (in line).
- In 1Q, Apollo booked exceptional expenses related to the restructuring costs of INR3.7b at its Netherlands unit. Adjusted for these costs, PAT declined 15% YoY to INR2.8b (est. INR3.1b), primarily due to lower-than-expected other income.
- Standalone business revenue was in line at INR47.2b, up ~3% YoY and QoQ each. Gross margin contracted 380bp YoY (+220bp QoQ) to 36.7% (est. 35%). Employee costs experienced a sudden jump on account of new talent acquisition, bonus payouts, and a new ESOP scheme for senior management. EBITDA margin spiked 240bp QoQ (down 20bp YoY) to 13.6% (above our estimate of 12%), due to lower input costs.
- The EBITDA margin of the European business hit a multi-quarter low of 10.8% (down 290bp YoY) on account of weak demand and higher inflationary pressure, both on commodities and employees.
- Net debt during the period came down by INR3.9b to INR21b, with net debt/EBITDA improving to 0.7x, aided by controlled capex and a focus on free cash flow.

Highlights from the management commentary

- India business grew in line with the industry, with OE business growing at low single digits and the replacement segment growing at mid-single-digit levels. Management is hopeful of demand revival in the festive season. Revenue growth guidance remains at high single digits for FY26E.

- Europe witnessed a seasonal decline in revenue. Despite weak sentiments, APTY's PCLT segment outperformed the market. Management expects a pick-up in demand momentum in the coming quarters.
- Gross margin may improve in future quarters on account of reduced RM costs; however, exchange rate uncertainty remains a major factor to monitor.
- APTY refrained from providing margin guidance due to uncertain macroeconomic conditions. There is no change from the previous capex guidance of INR15b, which includes INR7b for maintenance and INR8b for expansion.

Valuation and view

On account of its weak performance in Europe, we reduce our EPS estimates by 10%/6% over FY26/FY27E. We factor in a 60bp improvement in APTY's margin during our forecast period, driving a 21% PAT CAGR over a corrected base. Valuations at 15.2x FY27E appear attractive, especially when compared to peers. **We reiterate our BUY rating on APTY with a TP of INR520 (valued at 18x Jun'27E consol. EPS).**

Y/E March	Cons - Qty Earnings Model								(INR m)			
	FY25				FY26E				FY25	FY26E	1QE	VAR
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Revenues	63,349	64,370	69,280	64,236	65,608	69,317	74,982	70,771	261,234	280,677	67,102	-2
YoY Change (%)	1.4	2.5	5.0	2.6	3.6	7.7	8.2	10.2	2.9	10.6	5.9	
EBITDA	9,093	8,779	9,470	8,374	8,677	9,357	10,966	9,893	35,715	38,893	8,710	0
Margins (%)	14.4	13.6	13.7	13.0	13.2	13.5	14.6	14.0	13.7	13.9	13.0	
Depreciation	3,695	3,759	3,759	3,771	3,776	3,850	3,910	4,130	14,984	15,666	3,780	
Interest	1,070	1,197	1,105	1,094	1,006	950	880	876	4,466	3,712	1,010	
Other Income	308	217	81	275	189	230	120	250	881	789	370	
PBT before EO expense	4,636	4,040	4,686	3,785	4,085	4,787	6,296	5,137	17,146	20,305	4,290	
Extra-Ord expense	404	52	42	1,188	3,702	0	0	0	1,687	3,702	0	
PBT	4,232	3,988	4,644	2,596	383	4,787	6,296	5,137	15,460	16,603	4,290	
Tax Rate (%)	28.6	25.4	27.4	29.0	66.5	26.0	26.0	29.3	27.5	28.0	25.5	
MI & Profit/Loss of Asso. Cos.	0	-1	-2	-3	-1	-1	1	1	-7	0	0	
Reported PAT	3,020	2,975	3,372	1,846	129	3,544	4,658	3,629	11,213	11,959	3,197	
Adj PAT	3,313	3,012	3,403	2,708	2,812	3,544	4,658	3,629	12,436	14,626	3,197	-12
YoY Change (%)	-18.4	-37.6	-32.9	-41.8	-15.1	17.6	36.9	34.0	-33.2	17.6	-3.5	
Margins (%)	5.2	4.7	4.9	4.2	4.3	5.1	6.2	5.1	4.8	5.2	4.8	
Standalone (India)												
Net Revenues	45,916	44,617	45,398	45,805	47,254	47,294	48,576	49,587	181,736	192,711	48,212	-2
YoY Change (%)	4.0	1.2	4.8	4.4	2.9	6.0	7.0	8.3	3.6	6.0	5.0	
EBITDA	6,331	5,389	5,035	5,152	6,447	6,290	6,509	6,826	21,907	26,073	5,785	11
Margins (%)	13.8	12.1	11.1	11.2	13.6	13.3	13.4	13.8	12.1	13.5	12.0	
Adj PAT	2,264	1,675	1,251	1,438	2,233	2,244	2,407	2,602	6,657	9,492	1,978	13
YoY Change (%)	-27.1	-52.2	-59.2	-8.8	-1.4	34.0	92.4	81.0	-40.8	42.6	-12.6	
Europe (EUR m)												
Net Revenues	146	171	183	176	146	169	182	177	676	674	146	0
YoY Change (%)	1.4	1.2	4.0	-3.3	0.0	-1.2	-0.5	0.4	0.8	0.4	0.0	
Margins (%)	13.7	14.8	17.7	14.3	10.8	12.5	15.0	13.3	15.2	13.0	13.5	

Source: MOFSL Estimates



Highlights from the management commentary

Standalone update

- **Demand outlook:** India business grew in line with the industry, with OE business growing at low single digits and the replacement segment growing at mid-single digit levels. Also, while overall volume growth was flat YoY, it was up 4% QoQ.
- The CV OE growth was driven by increased pre-buying of trucks due to the mandate of AC cabins. Additionally, in PVs, they have secured an order to supply their premium Aspire 5 tyres to an auto manufacturer based out of Germany. Management is hopeful of demand revival in the festive season. Revenue growth guidance remains at high single digits for FY26E.
- **Revenue Mix:** Standalone revenue mix by product – TBR at 54%, PCR at 21%, farm specialty tyres at 7%, LCV at 8% and other specialty products at 9%. Replacement segment is still a major contributor, making up ~65% of revenue, followed by OEMs at 24% and export at 11%. India remains the primary focus, contributing 66% of consolidated revenue, Europe follows at 27%, and other geographies make up 7%.
- **Segmental trends and Market share:** In PV OEM, APTY lost market share due to certain key OEM accounts that they have walked away from in this quarter. They have performed broadly in line with the market in the replacement segment. In TBR replacement, the company has grown at mid-single digits, while in PCR replacement, APTY has grown slightly below the market at low single digits. The estimated market share in PCR stands at 20% and TBR replacement at 30%.
- **Exports** from India declined this quarter, primarily due to market conditions in Europe and the US.

Europe business update

- **Demand:** Europe witnessed a seasonal decline in revenue. Despite weak sentiments, APTY's PCLT segment outperformed the market. Management expects a pick-up in demand momentum in the coming quarters.
- The UHP mix for APTY has now increased to 48% for the quarter, reflecting continued premiumization.
- The key reason for margin contraction in Europe was inflationary pressure in a market where demand was challenging.
- Netherland plant to cease operations by summer 2026. One-time extraordinary restructuring cost was incurred this quarter (payout to employees working in that plant).
- While Hungary's average tax rate stands at 9%, the same in the Netherlands is about 20%. However, despite shifting operations from the Netherlands to Hungary, the average tax rate is unlikely to materially change, as they are headquartered in Hungary and they procure from the Netherlands and supply to different locations globally from Hungary.
- Reifenco booked Euro 53m in revenues, which was 5% up YoY, and an EBITDA margin of 4%.

Guidance:

- APTY refrained from providing margin guidance due to volatility in macroeconomic conditions. There is no change from the previous capex guidance of INR15b, which includes INR7b for maintenance and INR8b for expansion.
- Gross margin may improve in future quarters on account of reduced RM costs; however, exchange rate uncertainty remains a major factor to look out for.
- RoCE target remains at 15%. European operations pulled down the company's returns, but management is hopeful about recovery in the coming quarters.

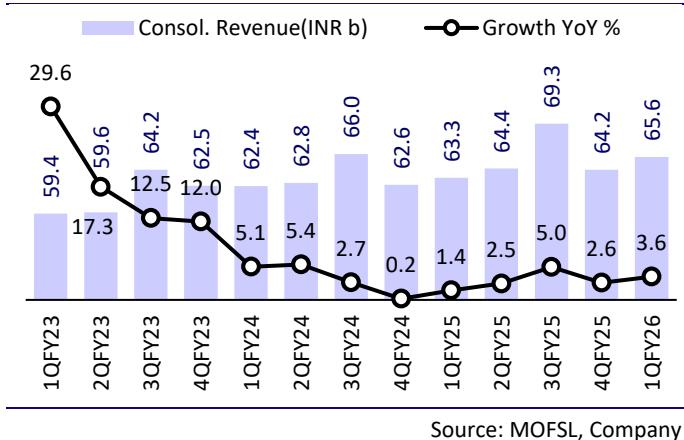
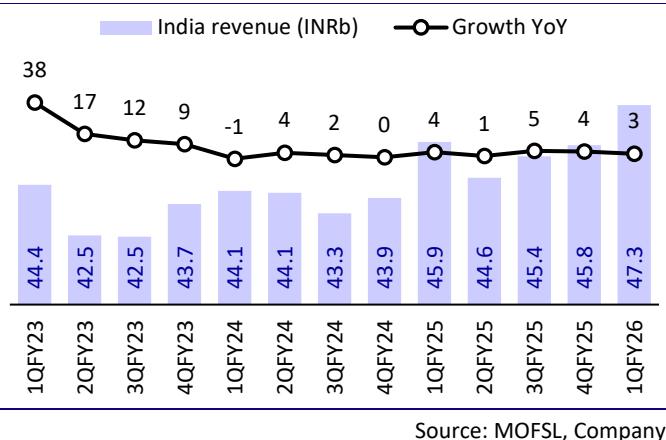
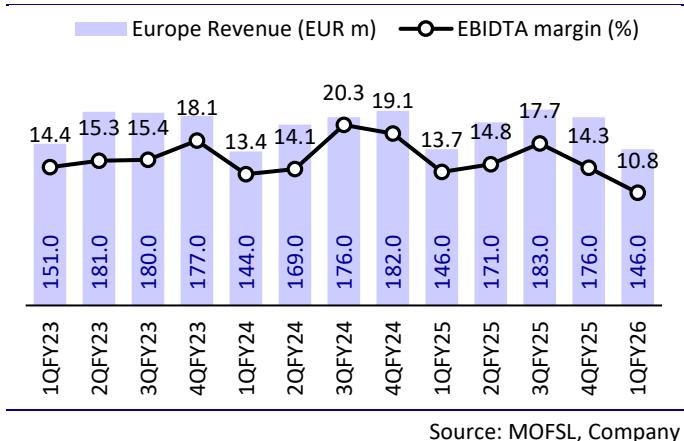
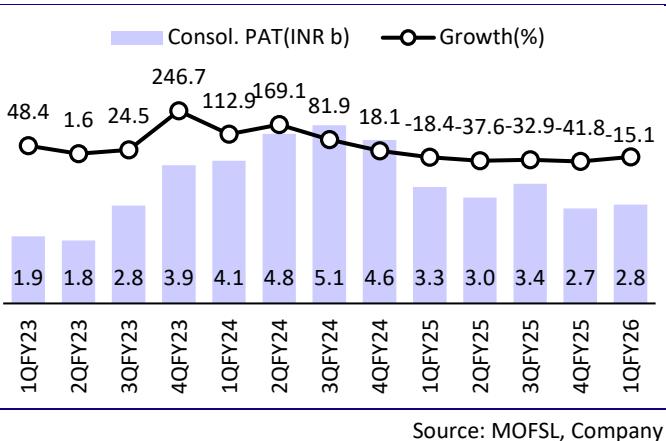
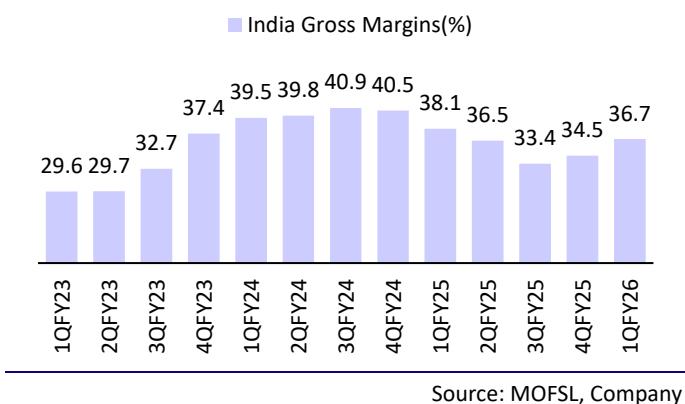
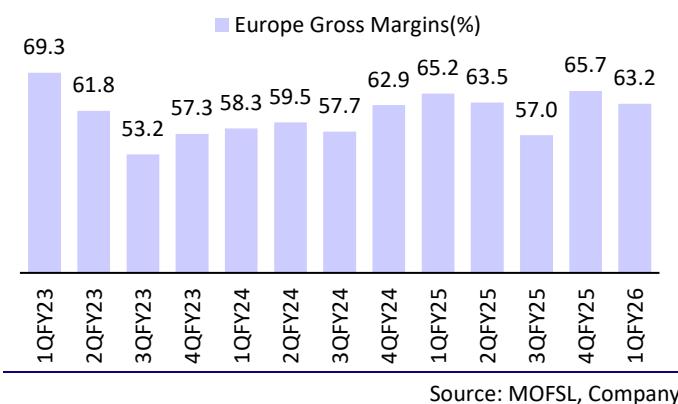
Key exhibits
Exhibit 1: Consolidated revenue trend

Exhibit 2: Trend in APTY's India revenue

Exhibit 3: Performance trend in APTY's EU operations

Exhibit 4: Consolidated PAT and PAT growth trends


Exhibit 5: Trend in India's gross margin (%)



Source: MOFSL, Company

Exhibit 6: Trend in the EU's (derived) gross margin (%)



Source: MOFSL, Company

Valuation and view

- **India business well-placed for growth over the long term:** APTY is well placed with a strong competitive positioning and ready capacities to benefit from strong growth in TBR/PCR in OEM, as well as a recovery in the replacement segment. While the near-term OEM demand may remain subdued, we estimate a 5% volume CAGR over FY25-27, led by growth in the replacement demand as well as recovery in exports. After the correction in FY25, we expect margins to improve by over 160bp during FY25-27. Overall, after a sharp decline in earnings in FY25 (down 45% YoY), we expect standalone PAT to clock a 30% CAGR over FY25-27E.
- **Premiumization focus driving better brand positioning and a healthy margin profile:** The company has been focusing on enhancing its product offerings in both India and Europe. Benefiting from its robust R&D capabilities, the company saw notable enhancements in its sales mix, with the PV revenue contribution rising from 18% in FY18 to 23% in FY25, aligning with its premiumization strategy. In Europe, given the premium status of the Vredestein brand, coupled with the establishment of a cutting-edge manufacturing facility in Hungary, the company is well-positioned to enhance its product portfolio by shifting toward the lucrative premium car tyre segment. This is evident from the rising share of its UHP/UUHP mix in Europe to 48% in 3QFY25 from 43% in 3QFY24. With improved competitiveness, APTY has gained market share in the replacement segment and made inroads with OEMs. APTY's relentless focus on margin-lucrative segments would be the key margin tailwind in the coming years.
- **Leaner business model driving healthy returns:** The company has opted for smaller-scale capex plans rather than consolidating them, with an anticipated average annual capex of INR12b for FY25-27E, compared to INR27.2b during the previous capex cycle of FY18-20. These measures have contributed to the consistent generation of free cash flow over the past four years and a reduction in net debt to INR25b as of Mar'25 from INR43.5b in FY21. These measures, coupled with its premiumization strategy, have helped to drive improved returns over the years.
- **Valuation and view:** On account of its weak performance in Europe, we reduce our EPS estimates by 10%/6% over FY26/FY27E. We factor in a 60bp improvement in APTY's margin during our forecast period, driving a 21% PAT CAGR over a corrected base. Valuations at 15.2x FY27E appear attractive, especially when compared to peers. **We reiterate our BUY rating on APTY with a TP of INR520 (valued at 18x Jun'27E consol. EPS).**

Exhibit 7: Changes to our estimates

(INR M)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	2,80,677	2,79,786	0.3	3,02,085	3,00,539	0.5
EBITDA	38,893	40,267	-3.4	43,052	44,287	-2.8
EBITDA (%)	13.9	14.4	-50bp	14.3	14.7	-50bp
EPS (INR)	23.0	25.5	-9.8	28.6	30.4	-6.0

Source: Company, MOFSL

Exhibit 8: One-year forward P/E

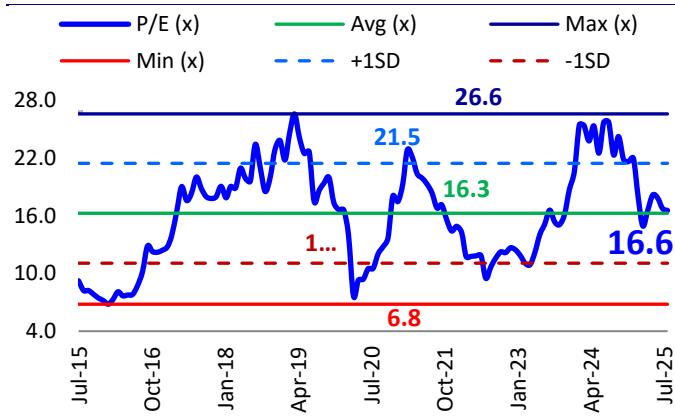
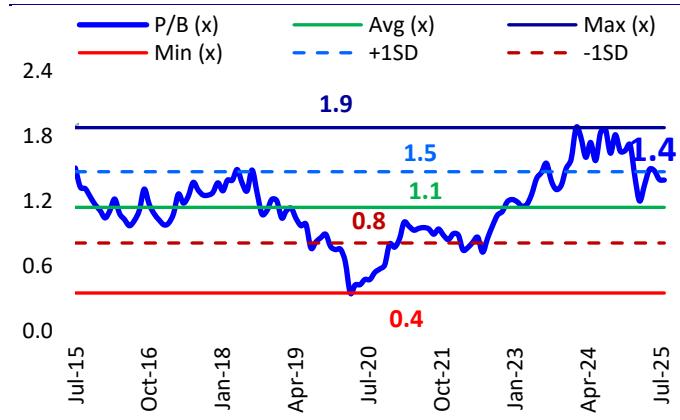


Exhibit 9: One-year forward P/B band



Story in charts

Exhibit 10: Revenue and growth trends

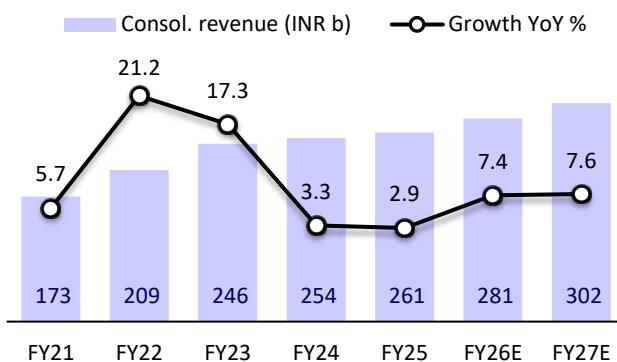
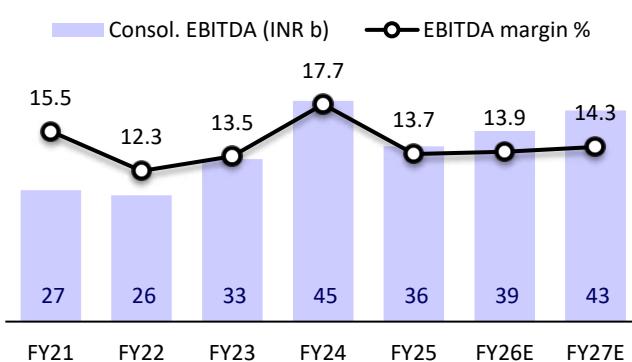
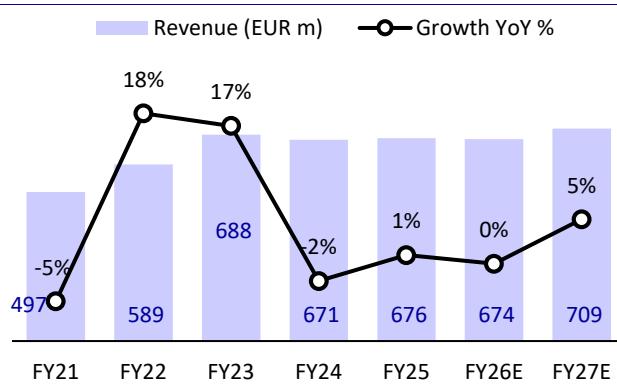


Exhibit 11: EBITDA and EBITDA margin trends



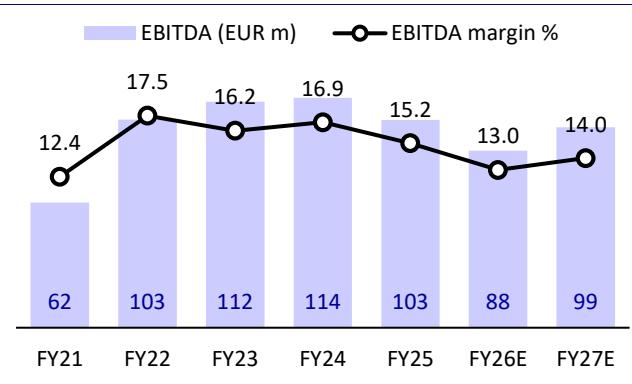
Source: Company, MOFSL

Exhibit 12: Revenue and growth trends for the EU business



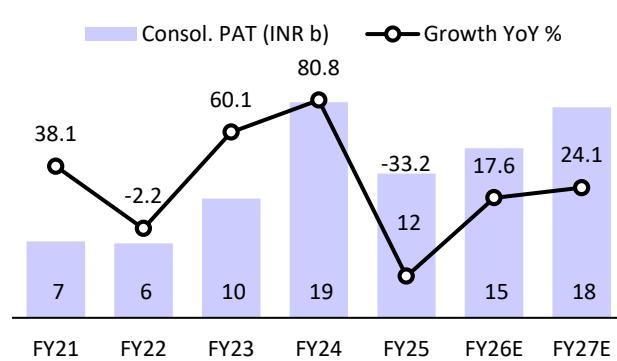
Source: Company, MOFSL

Exhibit 13: EBITDA margin trend for APTY's EU business



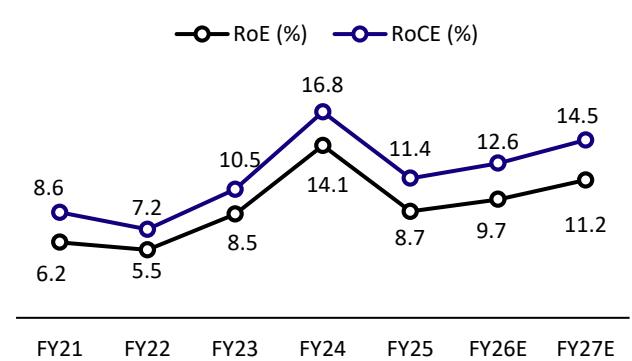
Source: Company, MOFSL

Exhibit 14: PAT and PAT growth trends



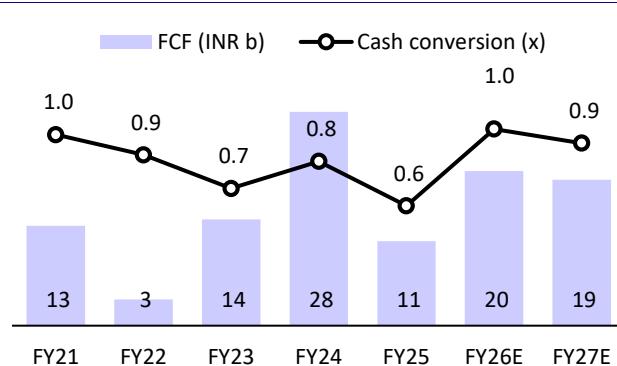
Source: MOFSL, Company

Exhibit 15: Trend in APTY's return profile



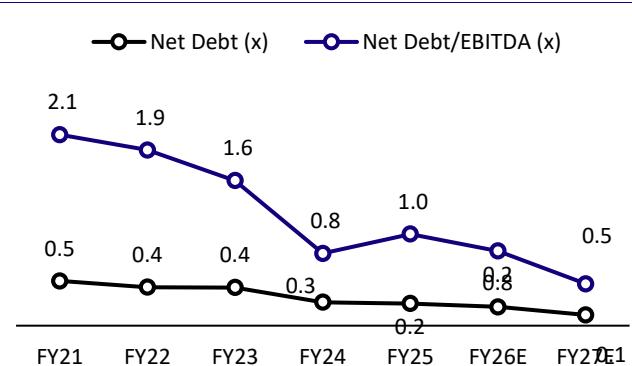
Source: MOFSL, Company

Exhibit 16: FCF to remain positive due to lower capex



Source: MOFSL, Company

Exhibit 17: Net debt to be on a declining trend



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	163,502	172,820	209,476	245,681	253,777	261,234	280,677	302,085
Change (%)	-6.8	5.7	21.2	17.3	3.3	2.9	7.4	7.6
Raw Materials	90,756	93,945	123,855	146,371	136,631	146,945	155,939	167,273
Employees Cost	24,822	25,134	25,742	26,199	29,640	31,297	35,351	38,073
Other Expenses	28,537	26,917	34,137	39,975	42,519	47,276	50,494	53,687
Total Expenditure	144,115	145,995	183,735	212,545	208,790	225,519	241,784	259,033
% of Sales	88.1	84.5	87.7	86.5	82.3	86.3	86.1	85.7
EBITDA	19,387	26,825	25,741	33,137	44,987	35,715	38,893	43,052
EBITDA Margin (%)	11.9	15.5	12.3	13.5	17.7	13.7	13.9	14.3
growth	6.2	30.9	-20.8	9.8	31.4	-22.9	1.4	2.8
Depreciation	11,381	13,150	13,997	14,191	14,778	14,984	15,666	16,533
EBIT	8,006	13,675	11,744	18,945	30,209	20,732	23,227	26,519
EBIT Margin (%)	4.9	7.9	5.6	7.7	11.9	7.9	8.3	8.8
Int. and Finance Charges	2,808	4,430	4,444	5,312	5,059	4,466	3,712	2,743
Other Income	237	1,294	1,235	411	1,536	881	789	1,129
PBT bef. EO Exp.	5,434	10,539	8,535	14,044	26,685	17,146	20,305	24,905
EO Items	0	4,927	59	-226	1,786	1,687	3,702	0
PBT after EO Exp.	5,434	5,612	8,476	14,269	24,899	15,460	16,603	24,905
Total Tax	670	2,110	2,091	3,813	7,684	4,253	4,643	6,747
Tax Rate (%)	12.3	37.6	24.7	26.7	30.9	27.5	28.0	27.1
Reported PAT	4,764	3,502	6,385	10,456	17,219	11,213	11,959	18,158
Adjusted PAT	4,764	6,576	6,429	10,290	18,607	12,436	14,626	18,158
Change (%)	-42.8	38.1	-2.2	60.1	80.8	-33.2	17.6	24.1

Consolidated - Balance Sheet								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	572	635	635	635	635	635	635	635
Total Reserves	98,728	113,796	116,886	125,147	138,387	147,022	154,535	167,295
Net Worth	99,300	114,431	117,521	125,782	139,022	147,657	155,171	167,930
Total Loans	68,383	65,843	61,937	64,205	49,051	44,104	34,104	24,104
Deferred Tax Liabilities	7,032	7,020	9,014	12,590	16,530	17,988	17,988	17,988
Capital Employed	174,715	187,294	188,471	202,577	204,603	209,749	207,263	210,022
Gross Block	242,083	264,875	290,635	305,312	313,603	322,569	337,469	352,519
Less: Accum. Deprn.	89,734	102,883	116,880	131,071	145,850	160,833	176,499	193,032
Net Fixed Assets	152,350	161,992	173,755	174,241	167,753	161,736	160,970	159,487
Goodwill on Consolidation	2,134	2,204	2,158	2,288	2,311	2,374	2,374	2,374
Capital WIP	16,420	11,065	6,182	2,526	3,477	4,354	4,354	4,354
Total Investments	194	1,096	4,813	4,358	5,317	452	5,452	7,452
Curr. Assets, Loans&Adv.	60,957	82,088	84,550	90,117	90,716	104,144	103,279	110,797
Inventory	32,069	33,185	41,554	44,285	42,457	51,312	53,829	57,934
Account Receivables	9,399	13,808	20,513	24,885	26,648	30,621	32,297	34,760
Cash and Bank Balance	7,386	9,713	8,706	8,360	9,116	8,861	2,809	2,664
Loans and Advances	12,103	25,381	13,777	12,587	12,494	13,350	14,344	15,438
Curr. Liability & Prov.	57,340	71,151	82,987	70,953	64,971	63,311	69,166	74,442
Account Payables	23,090	28,067	35,309	33,956	29,786	28,744	30,759	33,105
Other Current Liabilities	29,115	38,644	44,193	33,505	31,427	30,168	33,681	36,250
Provisions	5,134	4,440	3,484	3,492	3,757	4,399	4,726	5,086
Net Current Assets	3,617	10,937	1,563	19,164	25,745	40,833	34,112	36,355
Appl. of Funds	174,715	187,294	188,471	202,577	204,603	209,749	207,263	210,022

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	8.3	10.4	10.1	16.2	29.3	19.6	23.0	28.6
growth	-42.8	24.3	-2.2	60.1	80.8	-33.2	17.6	24.1
Cash EPS	31.7	38.8	40.1	48.1	65.6	53.9	59.5	68.2
BV/Share	195.1	224.8	230.9	247.1	273.1	290.1	304.8	329.9
DPS	6.2	3.5	3.3	4.3	5.3	5.0	7.0	8.5
Payout (%)	90.5	63.5	32.3	25.8	19.4	28.3	37.2	29.7
Valuation (x)								
P/E	52.1	41.9	42.9	26.8	14.8	22.2	18.9	15.2
P/BV	2.2	1.9	1.9	1.8	1.6	1.5	1.4	1.3
EV/Sales	1.9	1.9	1.6	1.3	1.2	1.2	1.1	1.0
EV/EBITDA	16.0	12.4	12.8	10.0	7.0	8.7	7.9	6.9
Dividend Yield (%)	1.4	0.8	0.7	1.0	1.2	1.2	1.6	2.0
FCF per share	-5.0	20.3	5.3	21.6	43.5	17.2	31.5	29.7
Return Ratios (%)								
RoE	4.8	6.2	5.5	8.5	14.1	8.7	9.7	11.2
RoCE (pre-tax)	5.2	8.6	7.2	10.5	16.8	11.4	12.6	14.5
RoIC	4.8	5.4	5.3	7.8	11.2	7.9	8.6	9.9
Working Capital Ratios								
Fixed Asset Turnover (x)	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.9
Asset Turnover (x)	0.9	0.9	1.1	1.2	1.2	1.2	1.4	1.4
Inventory (Days)	72	70	72	66	61	72	70	70
Debtor (Days)	21	29	36	37	38	43	42	42
Creditor (Days)	52	59	62	50	43	40	40	40
Leverage Ratio (x)								
Net Debt/Equity	0.6	0.5	0.4	0.4	0.2	0.2	0.2	0.1

Consolidated - Cash Flow Statement (INR m)								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	5,434	5,612	8,477	14,272	25,402	15,466	20,305	24,905
Depreciation	11,381	13,150	13,997	14,191	14,778	14,984	15,666	16,533
Interest & Finance Charges	2,808	4,430	4,444	5,312	5,059	4,466	2,923	1,614
Direct Taxes Paid	-925	-2,035	-1,222	-2,168	-3,843	-3,926	-4,643	-6,747
(Inc)/Dec in WC	7,996	4,616	-1,829	-7,845	-5,031	-12,662	669	-2,388
CF from Operations	26,695	25,772	23,867	23,762	36,366	18,328	34,918	33,917
Others	-1,522	-1,303	-2,332	-2,396	-1,971	-97	0	0
CF from Operating incl EO	25,174	24,469	21,535	21,367	34,395	18,231	34,918	33,917
(Inc)/Dec in FA	-28,055	-11,563	-18,164	-7,627	-6,739	-7,306	-14,900	-15,050
Free Cash Flow	-2,881	12,906	3,371	13,739	27,656	10,926	20,018	18,867
(Pur)/Sale of Investments	-134	-12,547	5,960	2,512	-716	4,973	-5,000	-2,000
Others	230	667	482	331	348	310	789	1,129
CF from Investments	-27,959	-23,443	-11,722	-4,784	-7,107	-2,022	-19,111	-15,921
Issue of Shares	0	10,800	0	0	0	0	0	0
Inc/(Dec) in Debt	13,863	-3,222	-1,875	-7,484	-16,114	-5,218	-10,000	-10,000
Interest Paid	-2,232	-3,407	-4,022	-4,793	-4,759	-4,171	-3,712	-2,743
Dividend Paid	-4,310	0	-2,223	-2,064	-2,858	-3,811	-4,446	-5,398
Others	-1,771	-2,869	-2,712	-2,587	-2,802	-3,264	0	0
CF from Fin. Activity	5,550	1,302	-10,832	-16,928	-26,534	-16,464	-18,158	-18,142
Inc/Dec of Cash	2,765	2,327	-1,018	-346	755	-255	-2,350	-145
Opening Balance	4,622	7,387	9,725	8,706	8,361	9,115	8,861	6,511
Closing Balance	7,387	9,714	8,706	8,361	9,115	8,861	6,511	6,366

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NOTES

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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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