

# Cera Sanitaryware

BSE Sensex 73,320 S&P CNX 22,713

## CERA

Bloomberg	CRS IN
Equity Shares (m)	13
M.Cap.(INRb)/(USD\$)	60.3 / 0.6
52-Week Range (INR)	7275 / 4461
1, 6, 12 Rel. Per (%)	6/-15/-16
12M Avg Val (INR M)	171
Free float (%)	45.6

### Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	20.3	22.5	25.1
EBITDA	2.6	3.4	4.0
Adj. PAT	2.2	2.7	3.1
Adj. EPS (INR)	166.9	209.0	239.6
EPS Gr. (%)	-13.2	25.2	14.7
BV/Sh. (INR)	1,137.1	1,271.1	1,425.7

### Ratios

RoE (%)	14.7	16.4	16.8
RoCE (%)	19.0	22.1	22.8
Payout (%)	42.6	35.9	35.5

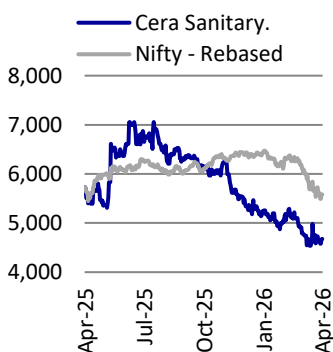
### Valuations

P/E (x)	28.0	22.4	19.5
P/BV (x)	4.1	3.7	3.3
EV/EBITDA (x)	20.0	15.1	12.7
Div. Yield (%)	1.4	1.6	1.8

### Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	54.4	54.4	54.4
DII	14.0	13.6	6.3
FII	14.7	15.8	22.2
Others	16.9	16.2	17.2

### Stock Performance (1-year)



**CMP: INR 4,677 TP: INR 5,990 (+28%) Upgrade to Buy**  
**Healthy demand momentum continues in 4QFY26**

Cera Sanitaryware (CRS) continued to witness healthy demand momentum in 4QFY26 after clocking a healthy 11% revenue growth in 3Q, following a <5% growth since 2HFY24. In our recent interaction, management remained optimistic about reporting double-digit growth in FY27, with a gradual expansion in margins as one-off cost factors disappear in the coming period. Further, the company's production remains unaffected, supported by sufficient gas supply from Gail (100%) and Sabarmati (80%). We keep our earnings estimate intact and expect an 11%/23%/20% CAGR in revenue/EBITDA/PAT over FY26E-28, with EBITDA margin recovering toward 16%. A high cash surplus (~INR10b likely in FY28) will help CRS to weather the storm in case of tough times. After a ~15% correction in scrip from its Feb'26 high, CRS's scrip appears attractive at ~19x FY28E P/E (vs. 33x 10-year average). We, thus, upgrade our rating on CRS to BUY with a revised TP of INR5,990, based on 25x FY28E P/E.

### Key highlights from our interaction with the management

- Demand momentum remained healthy, and a double-digit revenue growth is likely in 4QFY26, in line with management guidance.
- Management also expects double-digit revenue growth in FY27.
- Margins have seen contraction in the last few quarters due to factors such as: 1) a rise in trade discount due to a greater mix of project sales; 2) a rise in brass prices; 3) higher publicity costs associated with phasing out certain SKUs; and 4) new brand launch-related expenses.
- Management expects a gradual recovery in margins (13-14% in 4QFY26 and 15%+ from 2HFY27 onwards) as some one-off costs disappear.
- The company's production has remained unaffected, supported by sufficient gas supply from Gail (100%) and Sabarmati (80%), compared to a more than 50% cut in gas supply for Morbi-based players, which has led to the shutdown of most plants in the region.
- CRS has taken two price hikes in Mar'26 of 4% in Sanitaryware and 11% in Faucetware, following raw material cost inflation, to protect margins.
- Faucetware plant utilization is near optimal level, while Sanitaryware plant is operating at ~80%. Faucetware capacity can be scaled up from 0.4m units to 0.6m units in 4-6 months at existing location, as needed.
- The company has acquired a land parcel near Kadi, Gujarat, for a Sanitaryware greenfield facility. It will decide on the timeline to set up capacity in the next few months.
- The *Polipluz* brand is focused on driving volumes through store expansion.
- The *Senator* brand aims to elevate CRS' positioning in the premium segment, rather than solely driving volume.
- The company is in the process of appointing brand ambassadors soon.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### India’s top sanitary and bathware brand

Founded in 1980, CRS is India’s third-largest sanitaryware player and a leading faucet brand in the bathware industry with ~8% combined organized market share. It has an annual capacity of 2.5m pieces of sanitaryware and 4m pieces of faucetware, largely comprising products in the mid-premium range. Its manufacturing plants are based in Kadi (Gujarat), the ceramic hub of India. Building on its earlier asset-light model, the company has ramped up capex over the last 2-3 years to develop in-house capacity for mid-premium range products, while continuing to outsource mass-mid-range product requirements. CRS’s three brands (Senator, CERA Luxe, and CERA) cater to its products at different price points. The company has a highly penetrated distribution network with 6,600+ dealer partners, 25,500+ retailers, 1,850 brand stores, and 13 company-owned experience centers. Rising aspirations and the affordability of consumers are driving premiumization in tier 2/3 towns (over 70% revenue exposure), despite the company increasing its presence in the niche premium category. CRS has adopted a risk-averse business model thus far, with retail sales contributing ~80% to total revenue. However, looking at the robust prospects, it now intends to increase its focus on institutional sales as well, with a dedicated sales team in place.

#### Exhibit 1: CRS commands ~8% organized market share in India’s sanitary and bathware industry

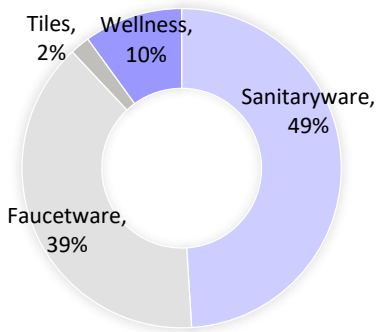
<b>Market size of India’s sanitary &amp; bathware (INR b)</b>	<b>331.0</b>
Organised market share	62%
Organised market (INR b)	205.2
CRS’ FY25 revenue (INR b)	16.9
<b>CRS’ total market share (%)</b>	<b>5.1</b>
<b>CRS’ organised market share (%)</b>	<b>8.2</b>

Source: Company

### Wide product offerings; premiumization-driven growth

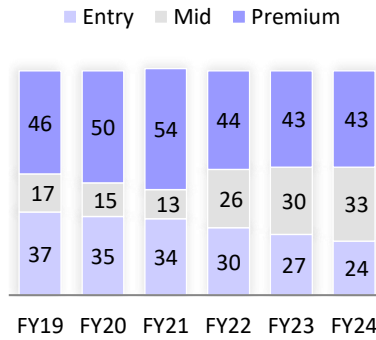
CRS has vast product offerings throughout the value chain (mass to luxury), which are sold through its three brands (*Senator, CERA Luxe, and CERA*), pan-India, through a multilayer marketing infrastructure as well as through continued brand efforts. Starting with sanitaryware over four decades ago, CRS now has a wide product basket (added faucets in FY11 and tiles in FY13). Regular introduction of new SKUs, refreshing running SKUs, and entry into new product lines have helped the company expand its portfolio. While gaining strength in the mass-mid segment through its *CERA* and the newly launched *Polipluz* brands, the company has also been focusing on the premium segment through its *Senator* and *CERA Luxe* brands. The premiumization trend in tier 2/3 towns (CRS’ focus) has also led the company to address the changing requirements of these markets. The mid and premium segments combined generated over 75% of total revenue in FY25. Following a 6% revenue CAGR over FY19-25, we estimate a 9% revenue CAGR over FY25-28. CRS is tracking industry growth in the sanitaryware and faucetware categories, as it will continue to expand its channel and product basket with heightened branding efforts.

**Exhibit 2: Segment revenue (FY25, %)**



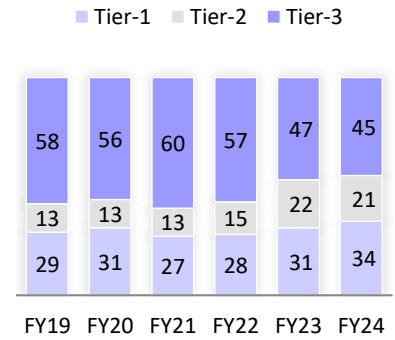
Source: Company

**Exhibit 3: Range-wise revenue mix (%)**



Source: Company

**Exhibit 4: Tier-wise revenue mix (%)**

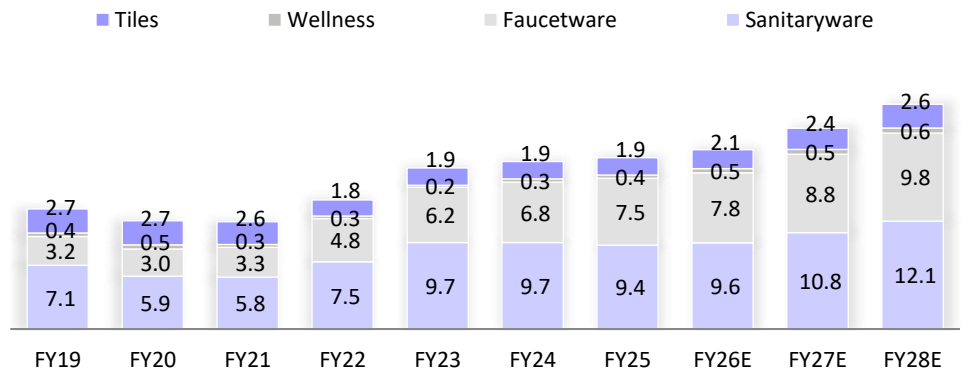


Source: Company

**Diversification in faucetware working well**

CRS enjoys a wide product basket in the bathware category. The company added faucets in FY11 and tiles in FY13. In FY25, non-sanitaryware products accounted for 51% share of the total revenue, a substantial diversification from a single product line. Notably, all these diversifications were achieved without CRS leveraging its balance sheet. Over these years, faucetware has scaled up rapidly (15% revenue CAGR over FY19-25; ~INR7.5b revenue in FY25, 39% mix in total), delivering the best margins within the pack. Traction in tiles (~INR1.9b revenue in FY25, 10% mix), though, has been slow due to low brand salience and intense competition; CRS's focus remains on the high-end GVT segment to profitably grow the division. Wellness is a niche segment (comprising bathroom cubicles/partitions/shower panels) and may face limitations in scaling. Faucetware capacity was expanded from 0.3m pieces per month in FY23 to 0.4m pieces in FY25. Sanitaryware capex will be executed in due course. Additional capacities at new locations would also mitigate the risk of production disruption at a single location.

**Exhibit 5: Sanitary & faucetware-highest contributors to revenue (INR b)**



Source: Company, MOFSL

**Healthy cash flow due to a strict credit policy**

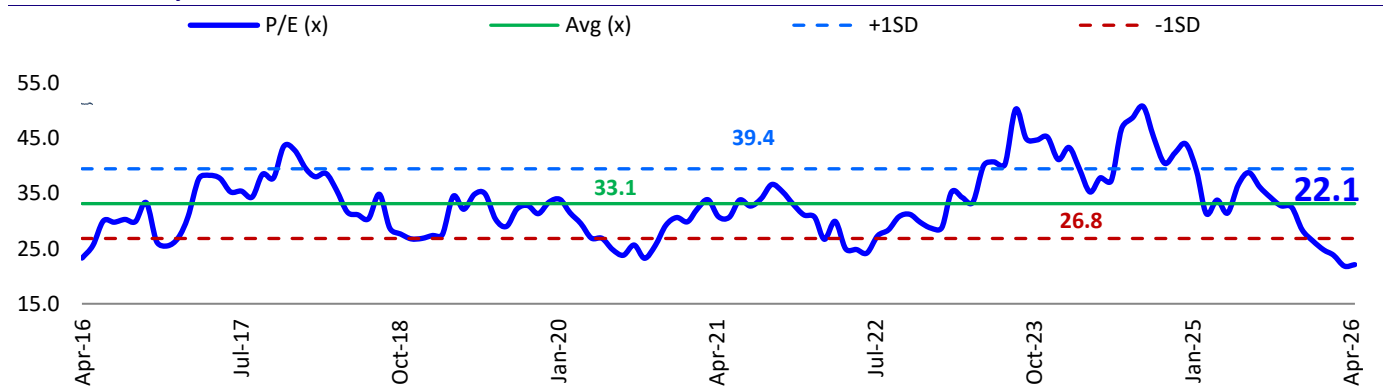
CRS's strong cash flows (OCF/EBITDA ~75%, FCF/PAT ~109% average over FY19-25) have been driven by its strict credit policy, healthy margins, and asset-light business model. However, these metrics weakened in FY25 due to an increase in the working capital cycle. Management expects them to normalize in FY26. Leveraging an asset-light model, the company has rapidly widened its product offerings. It has also paid regular dividends over the last 30+ years (30%+ payout ratio in the last three years). We expect CRS to generate ~INR6b of FCF over FY25-28. We also project the company to generate over INR10b cash in FY28 (~INR6b in FY25).

## Key exhibits

Exhibit 6: Consolidated quarterly performance

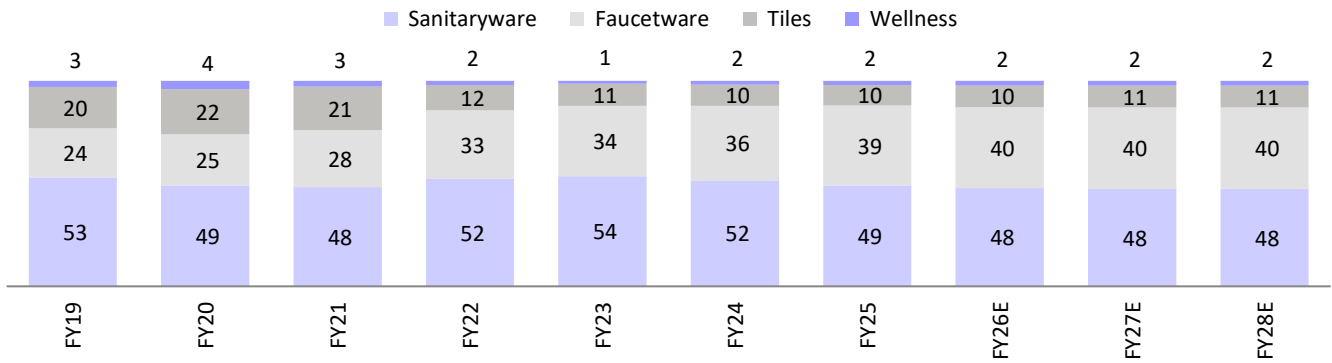
	FY25				FY26E				FY25	FY26E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>4,007</b>	<b>4,926</b>	<b>4,493</b>	<b>5,805</b>	<b>4,194</b>	<b>4,879</b>	<b>4,990</b>	<b>6,231</b>	<b>19,262</b>	<b>20,294</b>
YoY Change (%)	-6.6	6.4	2.4	5.8	4.7	-0.9	11.1	7.3	2.5	5.4
Total Expenditure	3,427	4,205	3,899	4,724	3,663	4,208	4,479	5,311	16,263	17,661
<b>EBITDA</b>	<b>581</b>	<b>721</b>	<b>594</b>	<b>1,081</b>	<b>531</b>	<b>671</b>	<b>511</b>	<b>920</b>	<b>2,998</b>	<b>2,633</b>
Margins (%)	14.5	14.6	13.2	18.6	12.7	13.8	10.2	14.8	15.6	13.0
Depreciation	90	107	98	106	91	98	98	99	407	386
Interest	13	26	18	17	14	16	20	20	75	70
Other Income	159	178	121	151	186	166	114	119	605	585
<b>PBT before EO expense</b>	<b>637</b>	<b>765</b>	<b>599</b>	<b>1,110</b>	<b>612</b>	<b>722</b>	<b>507</b>	<b>920</b>	<b>3,122</b>	<b>2,761</b>
Extra-Ord expense	0	0	0	-15	0	0	-185	0	-15	-185
<b>PBT</b>	<b>637</b>	<b>765</b>	<b>599</b>	<b>1,095</b>	<b>612</b>	<b>722</b>	<b>322</b>	<b>920</b>	<b>3,107</b>	<b>2,577</b>
Tax	163	79	140	232	146	156	86	221	620	608
Rate (%)	25.5	10.3	23.4	21.2	23.9	21.6	26.6	24.0	20.0	23.6
Minority Interest	4	6	0	6	0	0	0	0	22	0
Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>471</b>	<b>680</b>	<b>459</b>	<b>856</b>	<b>466</b>	<b>566</b>	<b>237</b>	<b>699</b>	<b>2,465</b>	<b>1,968</b>
<b>Adj PAT</b>	<b>471</b>	<b>680</b>	<b>459</b>	<b>871</b>	<b>466</b>	<b>566</b>	<b>421</b>	<b>699</b>	<b>2,480</b>	<b>2,153</b>
YoY Change (%)	-16.4	16.3	-9.9	16.3	-1.0	-16.7	-8.1	-19.8	3.1	-13.2
Margins (%)	11.7	13.8	10.2	15.0	11.1	11.6	8.4	11.2	12.9	10.6

Exhibit 7: One-year forward P/E band and standard deviation

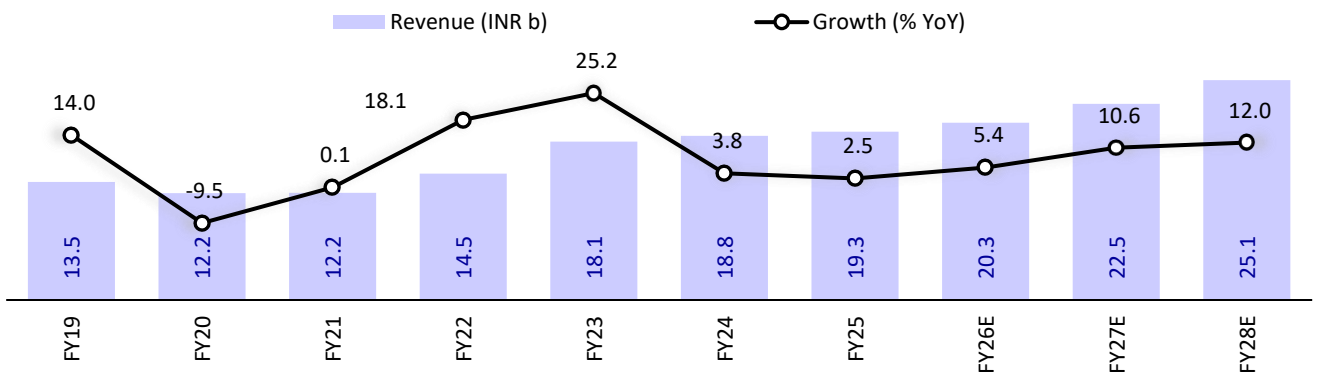


Source: Bloomberg, MOFSL

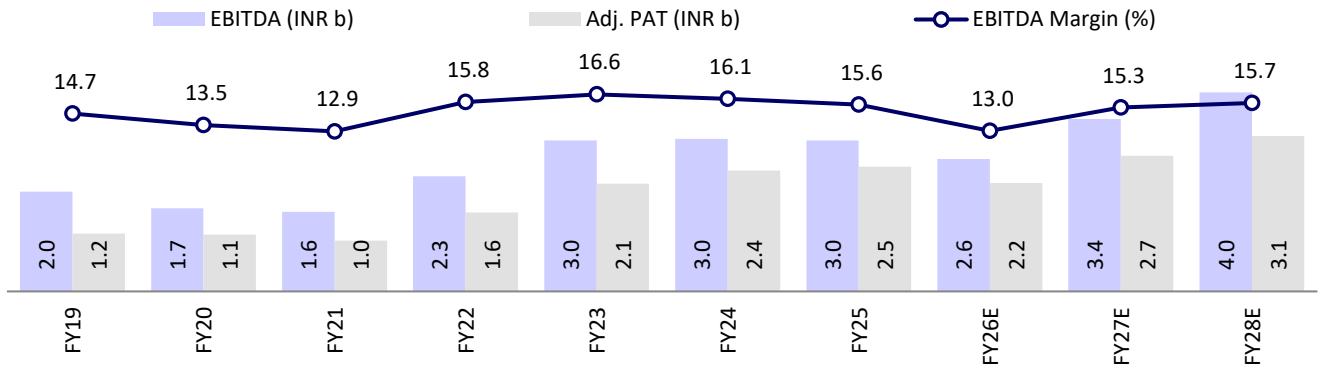
**Exhibit 8: Revenue mix trend (% annual standalone)**



**Exhibit 9: Consolidated annual revenue and growth trends**



**Exhibit 10: EBITDA, Adj. PAT and margin annual trends (%)**



## Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Total Income from Operations</b>	<b>12,243</b>	<b>14,458</b>	<b>18,105</b>	<b>18,794</b>	<b>19,262</b>	<b>20,294</b>	<b>22,455</b>	<b>25,150</b>
Change (%)	0.1	18.1	25.2	3.8	2.5	5.4	10.6	12.0
RM Cost	6,268	6,836	8,246	8,828	9,119	10,051	10,784	12,003
Employees Cost	1,537	1,936	2,147	2,309	2,453	2,732	2,933	3,260
Other Expenses	2,858	3,399	4,710	4,624	4,691	4,879	5,308	5,929
<b>Total Expenditure</b>	<b>10,663</b>	<b>12,171</b>	<b>15,103</b>	<b>15,761</b>	<b>16,263</b>	<b>17,661</b>	<b>19,026</b>	<b>21,192</b>
% of Sales	87.1	84.2	83.4	83.9	84.4	87.0	84.7	84.3
<b>EBITDA</b>	<b>1,581</b>	<b>2,287</b>	<b>3,002</b>	<b>3,033</b>	<b>2,998</b>	<b>2,633</b>	<b>3,430</b>	<b>3,958</b>
Margin (%)	12.9	15.8	16.6	16.1	15.6	13.0	15.3	15.7
Depreciation	396	324	326	365	407	386	449	490
<b>EBIT</b>	<b>1,185</b>	<b>1,963</b>	<b>2,676</b>	<b>2,667</b>	<b>2,592</b>	<b>2,247</b>	<b>2,980</b>	<b>3,468</b>
Int. and Finance Charges	97	53	60	58	75	70	52	43
Other Income	252	236	284	595	605	585	618	641
<b>PBT bef. EO Exp.</b>	<b>1,339</b>	<b>2,147</b>	<b>2,899</b>	<b>3,204</b>	<b>3,122</b>	<b>2,761</b>	<b>3,546</b>	<b>4,066</b>
EO Items	0	-57	-50	-16	-15	-185	0	0
<b>PBT after EO Exp.</b>	<b>1,339</b>	<b>2,090</b>	<b>2,849</b>	<b>3,188</b>	<b>3,107</b>	<b>2,577</b>	<b>3,546</b>	<b>4,066</b>
Total Tax	340	560	738	775	620	608	851	976
Tax Rate (%)	25.4	26.8	25.9	24.3	20.0	23.6	24.0	24.0
Share of Profit/Loss of JV	0	0	0	0	0	0	0	0
Share of Minority Interests	-8	19	16	23	22	0	0	0
<b>Reported PAT</b>	<b>1,008</b>	<b>1,511</b>	<b>2,094</b>	<b>2,390</b>	<b>2,465</b>	<b>1,968</b>	<b>2,695</b>	<b>3,090</b>
<b>Adjusted PAT</b>	<b>1,008</b>	<b>1,568</b>	<b>2,144</b>	<b>2,406</b>	<b>2,480</b>	<b>2,153</b>	<b>2,695</b>	<b>3,090</b>
Change (%)	-11.0	55.6	36.7	12.2	3.1	-13.2	25.2	14.7
Margin (%)	8.2	10.8	11.8	12.8	12.9	10.6	12.0	12.3

Consolidated - Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	65	65	65	65	64	64	64	64
Total Reserves	8,652	10,086	11,661	13,393	13,471	14,601	16,329	18,323
<b>Net Worth</b>	<b>8,717</b>	<b>10,152</b>	<b>11,726</b>	<b>13,458</b>	<b>13,536</b>	<b>14,666</b>	<b>16,394</b>	<b>18,388</b>
Minority Interest	117	142	106	128	147	157	167	177
Total Loans	1,221	657	745	667	895	785	675	565
Deferred Tax Liabilities	303	354	376	482	407	397	387	377
<b>Capital Employed</b>	<b>10,358</b>	<b>11,305</b>	<b>12,953</b>	<b>14,735</b>	<b>14,985</b>	<b>16,005</b>	<b>17,623</b>	<b>19,507</b>
Gross Block	6,558	6,097	6,448	7,158	7,812	8,212	8,612	9,012
Less: Accum. Deprn.	2,403	2,727	3,053	3,419	3,825	4,211	4,661	5,151
<b>Net Fixed Assets</b>	<b>4,155</b>	<b>3,370</b>	<b>3,395</b>	<b>3,740</b>	<b>3,986</b>	<b>4,000</b>	<b>3,951</b>	<b>3,861</b>
Goodwill on Consolidation								
Capital WIP	13	7	169	130	108	98	88	78
<b>Total Investments</b>	<b>4,743</b>	<b>5,620</b>	<b>6,628</b>	<b>8,025</b>	<b>6,968</b>	<b>8,268</b>	<b>8,868</b>	<b>9,768</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>4,866</b>	<b>5,585</b>	<b>6,575</b>	<b>6,561</b>	<b>7,567</b>	<b>7,180</b>	<b>8,294</b>	<b>9,467</b>
Inventory	1,997	2,937	3,825	3,636	4,105	4,170	4,614	5,168
Account Receivables	2,095	1,648	1,892	2,026	2,711	2,502	2,768	3,101
Cash and Bank Balance	104	243	262	372	316	53	437	704
Loans and Advances	670	757	596	527	435	455	475	495
<b>Curr. Liability &amp; Prov.</b>	<b>3,418</b>	<b>3,276</b>	<b>3,813</b>	<b>3,721</b>	<b>3,645</b>	<b>3,542</b>	<b>3,579</b>	<b>3,667</b>
Account Payables	1,554	1,893	2,069	1,790	1,879	1,946	2,153	2,412
Other Current Liabilities	1,737	1,269	1,524	1,675	1,478	1,278	1,078	878
Provisions	127	114	220	256	287	317	347	377
<b>Net Current Assets</b>	<b>1,448</b>	<b>2,309</b>	<b>2,762</b>	<b>2,841</b>	<b>3,922</b>	<b>3,638</b>	<b>4,715</b>	<b>5,800</b>
Misc Expenditure	0	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>10,358</b>	<b>11,305</b>	<b>12,953</b>	<b>14,735</b>	<b>14,985</b>	<b>16,005</b>	<b>17,623</b>	<b>19,507</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>								
<b>Adj EPS</b>	<b>78.1</b>	<b>121.6</b>	<b>166.2</b>	<b>186.5</b>	<b>192.3</b>	<b>166.9</b>	<b>209.0</b>	<b>239.6</b>
Cash EPS	108.8	146.7	191.5	214.9	223.8	196.9	243.8	277.6
BV/Share	676	787	909	1,043	1,049	1,137	1,271	1,426
DPS	13.0	35.0	50.0	60.0	65.0	65.0	75.0	85.0
Payout (%)	16.6	29.9	30.8	32.4	34.0	42.6	35.9	35.5
<b>Valuation (x)</b>								
P/E	59.8	38.4	28.1	25.0	24.3	28.0	22.4	19.5
Cash P/E	42.9	31.8	24.4	21.7	20.9	23.7	19.2	16.8
P/BV	6.9	5.9	5.1	4.5	4.5	4.1	3.7	3.3
EV/Sales	4.7	3.8	3.0	2.8	2.8	2.6	2.3	2.0
EV/EBITDA	36.1	24.2	18.1	17.4	18.0	20.0	15.1	12.7
Dividend Yield (%)	0.3	0.7	1.1	1.3	1.4	1.4	1.6	1.8
FCF per share	196.9	57.4	96.2	134.7	72.9	112.4	114.3	136.0
<b>Return Ratios (%)</b>								
RoE	11.6	15.4	18.3	17.9	18.3	14.7	16.4	16.8
RoCE (pre-tax)	15.2	21.2	25.4	24.5	22.4	19.0	22.1	22.8
RoIC (pre-tax)	21.1	37.1	49.0	51.0	44.2	36.1	44.8	47.1
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.9	2.4	2.8	2.6	2.5	2.5	2.6	2.8
Net Working Capital Cycle (Days)	76	68	74	75	94	85	85	85
Debtor (Days)	62	42	38	39	51	45	45	45
Inventory (Days)	60	74	77	71	78	75	75	75
Creditor (Days)	46	48	42	35	36	35	35	35
<b>Leverage Ratio (x)</b>								
Current Ratio	1.4	1.7	1.7	1.8	2.1	2.0	2.3	2.6
Interest Cover Ratio	14.8	41.6	48.9	56.0	42.7	40.3	69.7	96.1
Net Debt/Equity	-0.4	-0.5	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	1,339	2,090	2,849	3,188	3,107	2,577	3,546	4,066
Depreciation	396	324	326	365	407	386	449	490
Interest & Finance Charges	97	53	60	58	75	70	52	43
Direct Taxes Paid	-296	-523	-727	-783	-595	-629	-871	-996
(Inc)/Dec in WC	1,316	-933	-768	154	-925	21	-693	-818
<b>CF from Operations</b>	<b>2,851</b>	<b>1,011</b>	<b>1,740</b>	<b>2,983</b>	<b>2,068</b>	<b>2,425</b>	<b>2,482</b>	<b>2,786</b>
Others	-171	-121	-116	-623	-848	-585	-618	-641
<b>CF from Operating incl EO</b>	<b>2,680</b>	<b>890</b>	<b>1,624</b>	<b>2,360</b>	<b>1,220</b>	<b>1,840</b>	<b>1,865</b>	<b>2,144</b>
(Inc)/Dec in FA	-140	-150	-383	-622	-280	-390	-390	-390
<b>Free Cash Flow</b>	<b>2,540</b>	<b>740</b>	<b>1,241</b>	<b>1,738</b>	<b>940</b>	<b>1,450</b>	<b>1,475</b>	<b>1,754</b>
(Pur)/Sale of Investments	-2,313	-601	-701	-843	1,511	-1,300	-600	-900
Others	30	32	29	37	36	585	618	641
<b>CF from Investments</b>	<b>-2,423</b>	<b>-719</b>	<b>-1,054</b>	<b>-1,428</b>	<b>1,266</b>	<b>-1,105</b>	<b>-372</b>	<b>-649</b>
Issue of Shares	0	0	0	0	-1,621	0	0	0
Inc/(Dec) in Debt	-83	214	-13	-49	-24	-110	-110	-110
Interest Paid	-79	-65	-36	-32	-23	-70	-52	-43
Dividend Paid	0	-169	-455	-650	-780	-838	-967	-1,096
Others	-27	-86	-92	-104	-153	20	20	20
<b>CF from Fin. Activity</b>	<b>-188</b>	<b>-106</b>	<b>-596</b>	<b>-835</b>	<b>-2,601</b>	<b>-998</b>	<b>-1,109</b>	<b>-1,229</b>
<b>Inc/Dec of Cash</b>	<b>68</b>	<b>65</b>	<b>-26</b>	<b>97</b>	<b>-114</b>	<b>-263</b>	<b>384</b>	<b>267</b>
Opening Balance	8	74	139	113	210	95	-168	216
Other cash & cash equivalent								
<b>Closing Balance</b>	<b>77</b>	<b>139</b>	<b>113</b>	<b>210</b>	<b>95</b>	<b>-168</b>	<b>216</b>	<b>483</b>

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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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