

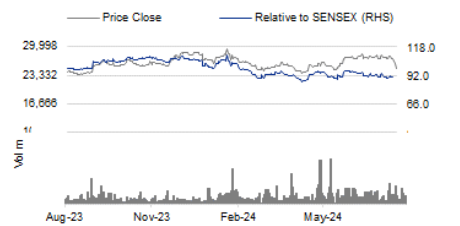
India

HOLD (no change)

Consensus ratings*: Buy 21 Hold 13 Sell 7	
Current price:	Rs25,099
Target price:	Rs26,500
Previous target:	Rs27,700
Up/downside:	5.6%
InCred Research / Consensus:	-6.9%
Reuters:	SHCM.NS
Bloomberg:	SRCM IN
Market cap:	US\$12,471m Rs905,576m
Average daily turnover:	US\$16.0m Rs1161.0m
Current shares o/s:	36.1m
Free float:	73.7%
*Source: Bloomberg	

Key changes in this note

- Cut EBITDA by 7-13% for FY25F-26F.
- Reduce the target price to Rs26,500 from Rs27,700 earlier.
- Introduce FY27F estimates.




Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(8.8)	(1.2)	3.5
Relative (%)	(8.3)	(8.6)	(14.3)

Major shareholders	% held
Promoter & Promoter Group	62.6
SBI Mutual Fund	5.3
LIC	4.2

Research Analyst(s)



Nishant BAGRECHA
T (91) 22 4161 1564
E nishant.bagrecha@incredresearch.com

Saurabh SINGH
T (91) 2241611558
E saurabh.singh@incredresearch.com

Rohan KALLE
T (91) 22 4161 1561
E rohan.kalle@incredresearch.com

Shree Cement Ltd

Near-term pressure; growth drivers intact

- 1Q consolidated EBITDA stood at Rs9.3bn (Incred estimate: ~Rs12.4bn), down 2% yoy. Volume grew ~8% yoy to 9.64mt, ~2% above our estimate.
- Revises its volume guidance for FY25F to be in line with the industry vs. earlier guidance of 8-10%. Faces intense pressure in North India from large players.
- We cut FY25F-26F EBITDA estimates by ~7-13% to factor in near-term industry headwinds. Retain HOLD rating with a lower target price of Rs26,500.

East India aids volume but drags realization; cautious commentary

Shree Cement or SRCM's 1QFY25 cement volume rose by ~8% yoy to 9.64mt, with the eastern region growing 15%/11% yoy/qoq and the northern region growing 7% yoy but declining 3% qoq, and the southern region declining by 5%/4% yoy/qoq. Due to competition from large players (UTCEM, ACEM) in the northern market, the company's volume registered a decline, and it was covered up by additional volume from the eastern region. The increase in volume mix from the eastern region (one of the lowest price markets) during the quarter, along with soft prices, dragged its cement realization down. Blended realization declined by 6% yoy and qoq (~3% below our estimate). SRCM has revised its FY25F volume guidance to be in line with the industry vs. earlier guidance of ~8-10%. Expect 4Q to be the best quarter of FY25F.

Profitability impacted in 1Q; green power to top ~60% by 1QFY26F

Blended EBITDA/t declined qoq to Rs962 (vs. our estimate of Rs1,311/t) mainly due to lower realization and higher other expenses on account of recent plant commencement and spending on the brand. SRCM believes the plant will stabilize in the coming months. Adjusted EBITDA/t (excl. power business) was at Rs950 vs. Rs1,336 qoq and Rs1,046 yoy. Fuel costs stood at Rs1.76/kcal vs. Rs1.82/kcal qoq and are expected to remain stable in the near term. The share of green power was ~54% (highest in the industry) and is expected to touch ~62% in 1QFY26F.

Expansion remains on track to achieve ~80mtpa capacity by FY28F

During 1Q, SRCM commissioned its integrated cement unit in Guntur district of Andhra Pradesh having cement production capacity of ~3mtpa. Besides this, the ongoing expansion projects are progressing as per schedule across geographies to reach its target of 80mtpa ahead of schedule. SRCM maintained its annual capex of Rs40bn over the next three years, of which a major portion will be funded from internally generated funds.

Retain HOLD rating with lower target price of Rs26,500

SRCM trades at an EV/EBITDA of 16.7x & EV/t of US\$145 in FY26F, discount to its historical average due to gap fill up in profitability by other large peers. We retain our HOLD rating on SRCM with a target price of Rs26,500, set at Sep 2025 EV/EBITDA of 16x. **Upside risks:** Better pricing growth & better-than-expected cost control. **Downside risks:** Weak demand, pricing pressure, and delay in commissioning the capacity.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	178,523	204,038	209,431	235,257	266,831
Operating EBITDA (Rsm)	29,595	45,167	42,615	51,767	60,388
Net Profit (Rsm)	12,707	23,957	15,429	20,708	25,731
Core EPS (Rs)	352.2	664.0	427.6	573.9	713.2
Core EPS Growth	(45.5%)	88.5%	(35.6%)	34.2%	24.3%
FD Core P/E (x)	71.26	37.80	58.69	43.73	35.19
DPS (Rs)	100.0	105.0	67.6	90.8	112.8
Dividend Yield	0.40%	0.42%	0.33%	0.44%	0.54%
EV/EBITDA (x)	30.27	19.13	20.68	16.98	14.45
P/FCFE (x)	196.23	110.72	(31.64)	(118.70)	(307.25)
Net Gearing	(5.5%)	(20.3%)	(11.2%)	(11.4%)	(12.8%)
P/BV (x)	4.86	4.37	4.13	3.83	3.52
ROE	7.0%	12.2%	7.2%	9.1%	10.4%
% Change In Core EPS Estimates			(0.62%)	(0.57%)	(0.54%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Near-term pressure; growth drivers intact

Key takeaways from 1QFY25 results and earnings call

Demand and pricing outlook:

- **Sales volume (cement+clinker)** stood at 9.64mt, ~8% yoy and ~1.5% above our estimates.
- **Blended realization** stood at Rs5,315/t, down ~6% qoq and yoy while ~3% below our estimate. Sales of premium products stood at 7.6% of the total trade sales volume.
- **Industry outlook:** SRCM continues to remain optimistic on cement demand growth with the government's continued focus on infrastructure and housing.
- **Volume growth:** Management expects volume growth to be in line with the industry in FY25F vs. its earlier guidance of 8-10%. 1Q was a tough quarter for the industry due to general elections in India along with extreme weather conditions.
- As per management, industry volume declined from Jul 2024 till now. Expects 2QFY25F to be weak and 3QFY25F to be disappointing due to some festivals reducing normal operations of the market. Expects 4Q to be the best quarter in FY25F, as major government spending comes during the same period.
- **Regional demand:** During the quarter, volume shifted marginally from the northern region to the eastern region. The northern region's realization was lower in company markets. Volume growth yoy was 7% in the north, 15% in the east, -5% in the south, and on qoq, -3% in the north, 11% in the east, and -4% in the south. The northern region's volume declined due to high competition from industry leaders (UTCEM and ACEM).
- **Realization & regional mix:** In 1Q, realization Rs/t was as Rs4,641 in the north, Rs4,154 in the east and Rs4,620 in the south. The regional mix was 55% in the north, 35% in the east, and 10% in the south.
- **Prices:** SRCM expects price revival once demand starts recovering.
- **RMC:** Ready mix concrete or RMC business has seven plants with 624 cubic metre per hour capacity. The company plans to have 100 plants in more than 50 cities over the next three-to-five years.
- **On consolidation:** As per management, pricing pressure from large players will keep consolidation on a faster track, as it is pacing up the same.

Cost & margins:

- **Operating costs/t:** Overall blended costs/t were higher by ~4.3% qoq (while down ~5% yoy) on account of a) raw material costs/t increasing by 25% qoq and 7% yoy to Rs436. b) Energy costs/t down 5% qoq and 15% yoy to Rs1,603, c) logistics costs/t rising by 4% qoq while declining by 1% yoy to Rs1,191, and d) fixed costs/t rising by ~13% qoq to Rs1,124.
- **Consolidated EBITDA** for the quarter came in at ~Rs9.3bn, down 2% yoy and 35% qoq (~20-25% below our/street expectations). **Blended EBITDA/t stood at Rs962 during the quarter** vs. Rs1,491 in 4QFY24 and Rs1,059 in 1QFY24.
- **Reported PAT** came in at ~Rs2.8bn vs. our expectation of ~Rs5.3bn; down 51% yoy and 59% qoq. Depreciation increased by ~107% yoy to ~Rs7bn.
- Cement EBITDA/t stood at Rs950 vs. Rs1,336 qoq and Rs1,046 yoy.
- Cash profit stood at Rs9.57bn in 1QFY25F vs. Rs8.98bn in 1QFY24.
- During 1QFY25, the share of green power consumption in total power consumption stood at 54% vs. 56% qoq. Expected to reach 62% by Jun 2025F. It is also steadily increasing the usage of alternative fuels. SRCM installed power capacity touched 1,003MW with the commissioning of a 19.5MW solar power plant at its manufacturing unit in Andhra Pradesh in Jun 2024.

- Lead distance stood at 456km vs.435kms qoq, increased of 21kms qoq.
- Fuel cost stood at Rs1.76/kcal vs Rs1.82/kcal vs 2.4/kcal yoy. Expect cost prices to remain stable or be marginally down as avg portfolio fuel cost including coal is on downward trend.
- Other expenses increased due to brand promotion and stabilization operation of its recently commissioned plants which was more than its estimates (~Rs520m). Expect it to rationalize in the coming months.

Expansion and capex update:

- For FY25F, the company expects capex to be around Rs40bn.
- During 1Q, SRCM commissioned its integrated cement unit in Guntur district of Andhra Pradesh, with cement production capacity of ~3mtpa. Besides this, the ongoing expansion projects in Jaitaran, Rajasthan (6mtpa), Kodla, Karnataka (3mtpa), Baloda Bazar, Chhattisgarh (3.4mtpa), and Etah, Uttar Pradesh (3mtpa) are progressing well and as per schedule. Further, SRCM is working on expanding its capacities in different geographies to reach its target of 80mtpa ahead of schedule.
- Currently, sales volume from Nawalgarh to NCR will cost more than the incentives on the same. Nawalgarh logistics advantage will come when its Etah grinding unit or GU gets commissioned.

Other business highlights:

- SRCM's non-trade components business increased during the quarter.
- Consumed 27,000t of agro waste during the quarter.
- Expects budgetary allocation to start coming into play from mid-Sep 2024F.
- The company mentioned that Bangladesh volume is sold in some markets of the northeast, but the Bangladesh event won't have any impact on the Indian cement industry.

Figure 1: Consolidated quarterly performance

Particulars (Rs m)	1QFY25	1QFY25F	4QFY24	1QFY24	% Change		
					1QFY25F	4QFY24	1QFY24
Net Sales	51,240	52,016	54,010	50,357	-1%	-5%	2%
Raw Materials Consumed	4,198	3,771	3,333	3,629	11%	26%	16%
Freight and Forwarding Expenses	11,481	10,597	10,898	10,759	8%	5%	7%
Power and Fuel Costs	15,456	15,657	16,056	16,891	-1%	-4%	-8%
Employee Costs	2,854	2,610	2,625	2,659	9%	9%	7%
Other Expenses	7,979	6,939	6,881	6,970	15%	16%	14%
Total Expenditure	41,968	39,575	39,792	40,907	6%	5%	3%
EBITDA	9,272	12,441	14,218	9,449	-25%	-35%	-2%
Depreciation	7,043	6,042	7,023	3,395	17%	0%	107%
EBIT	2,229	6,399	7,195	6,055	-65%	-69%	-63%
Interest	562	652	621	743	-14%	-9%	-24%
Other Income	1,391	1,430	1,496	1,691	-3%	-7%	-18%
PBT	3,059	7,176	8,071	7,002	-57%	-62%	-56%
Tax	274	1,830	1,313	1,283	-85%	-79%	-79%
PAT before MI & Associates	2,785	5,346	6,757	5,719	-48%	-59%	-51%
Minority Interest	-2	1	9	-4			
Profit from Assoc.	0	0	0	0			
Recurring PAT	2,786	5,345	6,749	5,723	-48%	-59%	-51%
Extraordinary Items	0	0	0	0			
Reported PAT	2,786	5,345	6,749	5,723	-48%	-59%	-51%
EPS (Rs)	77.2	148.2	187.1	158.6	-48%	-59%	-51%
Gross Margin	39%	42%	44%	38%	-304 bp	-469 bp	135 bp
EBITDA Margin	18.1%	23.9%	26.3%	18.8%	-582 bp	-823 bp	-67 bp
EBIT Margin	4%	12%	13%	12%	-795 bp	-897 bp	-767 bp
PBT Margin	6%	14%	15%	14%	-783 bp	-897 bp	-794 bp
PAT Margin	5%	10%	12%	11%	-484 bp	-706 bp	-593 bp
Tax Rate	9%	26%	16%	18%	-1,654 bp	-731 bp	-936 bp
Cost items as % of Sales							
Raw Material Costs	8%	7%	6%	7%	94 bp	202 bp	99 bp
Freight Costs	22%	20%	20%	21%	203 bp	223 bp	104 bp
P&F Costs	30%	30%	30%	34%	6 bp	44 bp	-338 bp

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

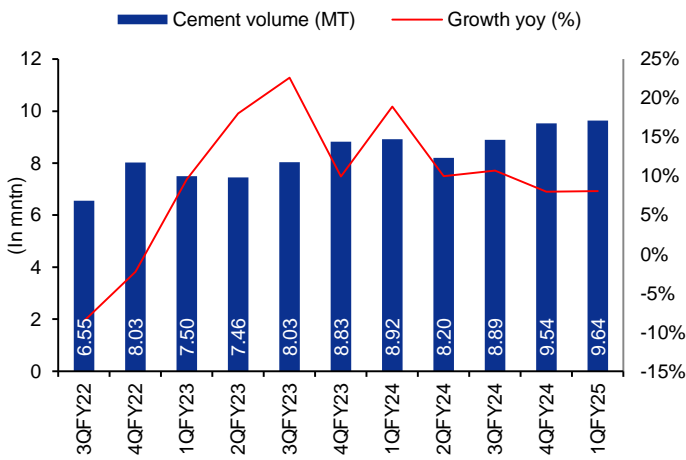
Figure 2: 1QFY25 results: Per tonne analysis

Per tonne analysis	1QFY25	1QFY25F	4QFY24	1QFY24	% Change		
					1QFY25F	4QFY24	1QFY24
Sales volume (Cement + Clinker)	9.64	9.49	9.54	8.92	1.6%	1.1%	8.1%
Realization	5,315	5,480	5,664	5,645	-3.0%	-6.2%	-5.8%
EBITDA/t	962	1,311	1,491	1,059	-27%	-35.5%	-9.2%
RM costs/t	436	397	350	407	10%	25%	7%
P&F costs/t	1,603	1,650	1,684	1,894	-3%	-5%	-15%
Freight costs/t	1,191	1,117	1,143	1,206	7%	4%	-1%
Employee costs/t	296	275	275	298	8%	8%	-1%
Other expenses/t	828	731	722	781	13%	15%	6%
Total cost/t	4,354	4,170	4,173	4,586	4.4%	4.3%	-5.1%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

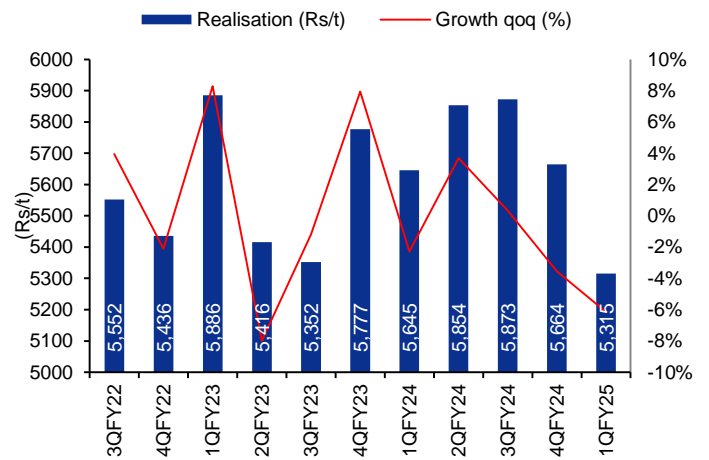
Key charts ➤

Figure 3: Cement sales volume, including clinker, increased by ~8% yoy to 9.64mt



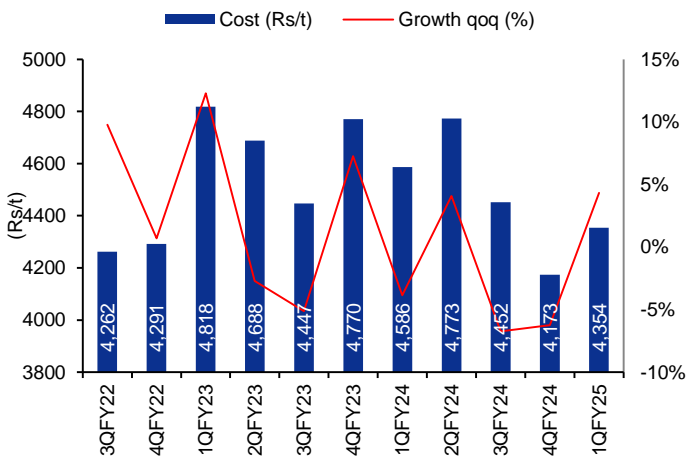
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Blended realization declined by ~6% qoq



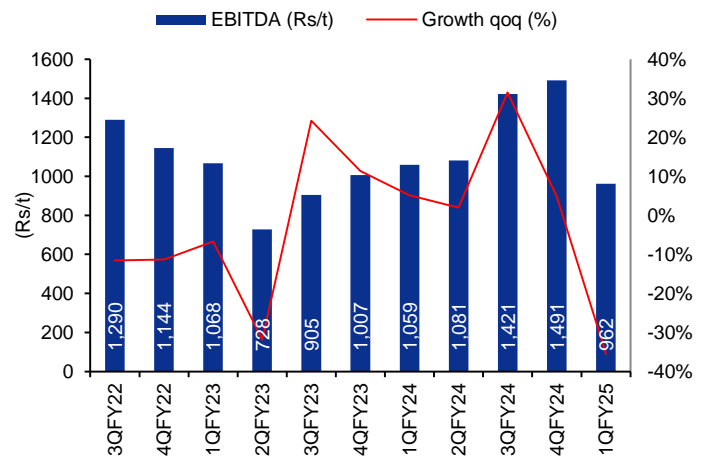
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Total operating blended costs/t were up by ~4% qoq



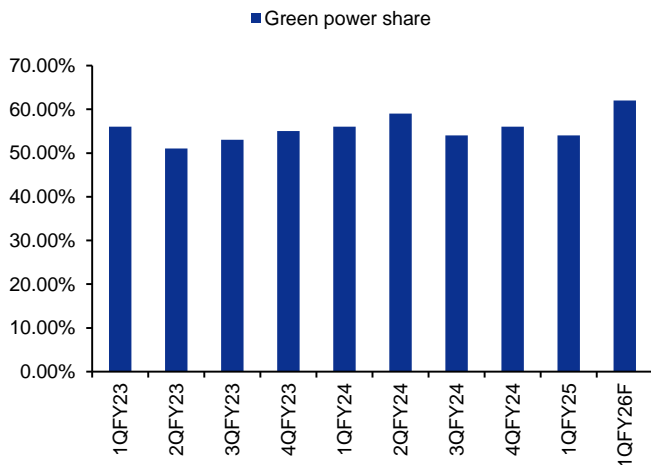
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Blended unit EBITDA stood at Rs962, a decline of Rs98 down ~5% yoy

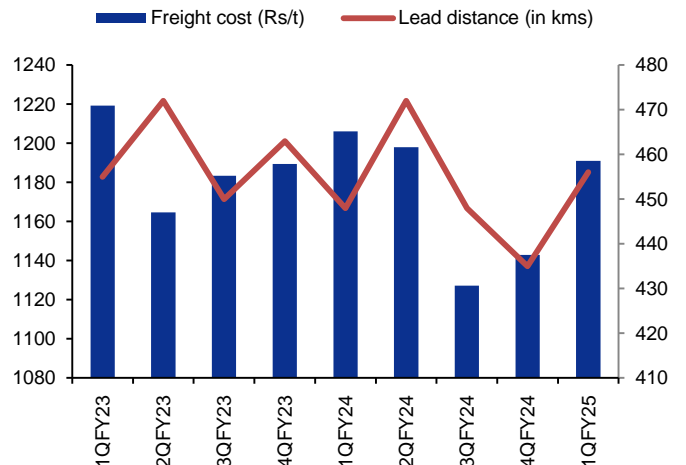


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: SRCM's green power share remains more than 50% and is expected to reach 62% in Jun 2025F **Figure 8: Freight costs in Rs/t increased due to the rise in lead distance during the quarter**



SOURCE: INCRED RESEARCH, COMPANY REPORTS



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key changes ➤

Figure 9: Our revised earnings estimates

Rs. m	New		Old		Change (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Sales	2,09,431	2,35,257	2,24,065	2,50,741	-7%	-7%
EBITDA	42,615	51,767	48,292	55,399	-13%	-7%
PAT	15,429	20,708	19,976	24,691	-29%	-19%
EPS (Rs.)	427.6	573.9	564.5	697.5	-32%	-22%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Changes in our earnings estimates vs. Bloomberg consensus estimates

Rs. m	Incred			Consensus			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Sales	2,09,431	2,35,257	2,66,831	2,22,399	2,50,140	2,73,098	-6%	-6%	-2%
EBITDA	42,615	51,767	60,388	50,589	58,017	66,185	-16%	-11%	-9%
PAT	15,429	20,708	25,731	26,741	30,347	36,351	-42%	-32%	-29%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 11: Key assumptions

	FY23	FY24	FY25F	FY26F	FY27F
Volume (mtpa)	31.8	35.5	38.4	42.5	47.3
Yoy	15%	12%	8%	11%	11%
Blended Realisation (per t)	5,611	5,741	5,459	5,541	5,641
Yoy	4%	2%	-5%	1%	2%
Cost (per t)	4,681	4,470	4,349	4,322	4,364
Yoy	15%	-5%	-3%	-1%	1%
EBITDA (per t)	930	1,271	1,111	1,219	1,277
Yoy	-30%	37%	-13%	10%	5%
EBITDA (Rs m)	29,595	45,167	42,615	51,767	60,388
Yoy	-20%	53%	-6%	21%	17%

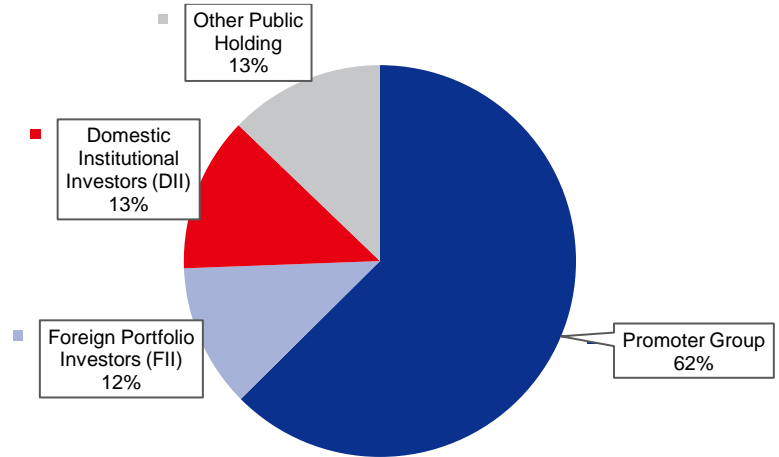
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: Maintain our HOLD rating on the stock with a lower target price of Rs26,500, set at EV/EBITDA of 16x

Valuation	TP
Target EV/EBITDA multiple (x)	16.0
Target EV (Rs m)	9,66,202
Net debt (Rs m)	(50,958)
No. of shares (m)	36
Target price (Rs)	26,500

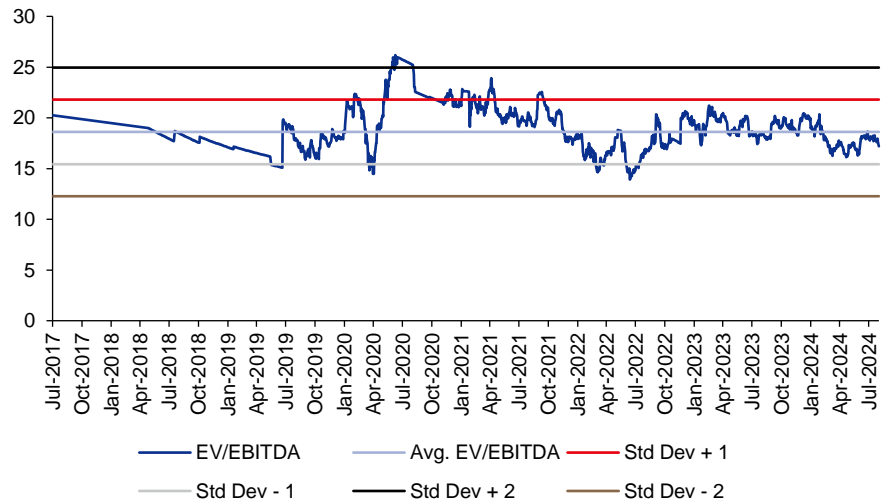
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 13: SRCM's shareholding pattern (as of end-Jun 2024)



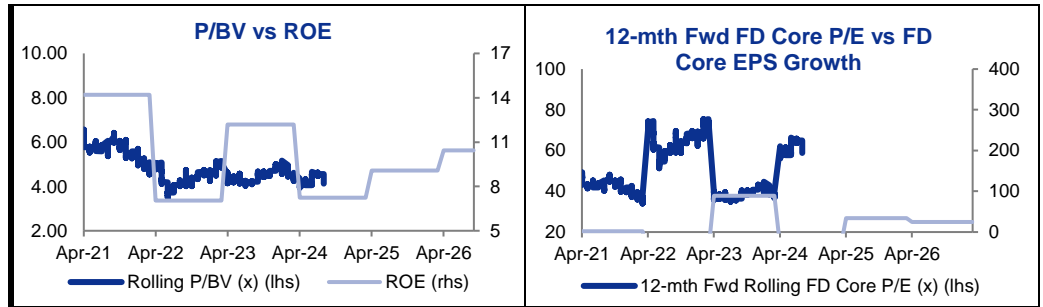
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: SRCM's one-year forward EV/EBITDA trades close to its historical average



SOURCE: INCRED RESEARCH, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	178,523	204,038	209,431	235,257	266,831
Gross Profit	178,523	204,038	209,431	235,257	266,831
Operating EBITDA	29,595	45,167	42,615	51,767	60,388
Depreciation And Amortisation	(16,607)	(18,973)	(25,614)	(27,663)	(29,876)
Operating EBIT	12,988	26,194	17,001	24,104	30,512
Financial Income/(Expense)	(2,629)	(2,583)	(2,377)	(2,305)	(2,213)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	4,591	5,981	5,682	5,455	5,564
Profit Before Tax (pre-EI)	14,950	29,592	20,307	27,253	33,862
Exceptional Items					
Pre-tax Profit	14,950	29,592	20,307	27,253	33,862
Taxation	(2,259)	(5,630)	(4,874)	(6,541)	(8,127)
Exceptional Income - post-tax					
Profit After Tax	12,691	23,962	15,433	20,712	25,735
Minority Interests	16	(5)	(5)	(5)	(5)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12,707	23,957	15,429	20,708	25,731
Recurring Net Profit	12,707	23,957	15,429	20,708	25,731
Fully Diluted Recurring Net Profit	12,707	23,957	15,429	20,708	25,731

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	29,595	45,167	42,615	51,767	60,388
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(478)	5,244	5,736	699	(855)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	4,591	5,981	5,682	5,455	5,564
Other Operating Cashflow	(3,133)	(14,704)	(14,704)	(14,704)	(14,704)
Net Interest (Paid)/Received	(2,629)	(2,583)	(2,377)	(2,305)	(2,213)
Tax Paid	(2,259)	(5,630)	(4,874)	(6,541)	(8,127)
Cashflow From Operations	25,687	33,475	32,079	34,371	40,053
Capex	(32,791)	(31,695)	(40,500)	(41,500)	(42,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	8,646	17,510	(21,203)	(1,500)	(1,500)
Cash Flow From Investing	(24,145)	(14,185)	(61,703)	(43,000)	(44,000)
Debt Raised/(repaid)	3,072	(11,111)	1,000	1,000	1,000
Proceeds From Issue Of Shares	(9)	(2)	(9)	(9)	(9)
Shares Repurchased					
Dividends Paid	(3,608)	(3,788)	(2,952)	(3,962)	(4,923)
Preferred Dividends					
Other Financing Cashflow	(2,223)	(2,199)	15,209	14,909	14,909
Cash Flow From Financing	(2,767)	(17,101)	13,247	11,937	10,976
Total Cash Generated	(1,225)	2,190	(16,377)	3,308	7,029
Free Cashflow To Equity	4,615	8,179	(28,624)	(7,629)	(2,947)
Free Cashflow To Firm	4,171	21,874	(27,248)	(6,324)	(1,734)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	35,588	56,859	40,481	43,789	50,818
Total Debtors	12,116	12,865	12,623	13,535	15,352
Inventories	27,597	35,551	30,984	34,805	39,476
Total Other Current Assets	14,379	16,848	16,336	18,350	20,813
Total Current Assets	89,679	122,122	100,425	110,480	126,459
Fixed Assets	74,809	95,909	110,295	123,632	135,756
Total Investments	52,853	22,918	23,418	23,918	24,418
Intangible Assets	27,966	19,297	40,000	41,000	42,000
Total Other Non-Current Assets	18,033	19,289	19,789	20,289	20,789
Total Non-current Assets	173,660	157,413	193,502	208,839	222,963
Short-term Debt	19,590	7,618	8,118	8,618	9,118
Current Portion of Long-Term Debt					
Total Creditors	11,960	12,142	13,236	14,471	16,252
Other Current Liabilities	35,772	41,518	40,839	47,051	53,366
Total Current Liabilities	67,321	61,278	62,194	70,141	78,737
Total Long-term Debt	5,809	7,131	7,631	8,131	8,631
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3,440	3,685	4,185	4,385	4,585
Total Non-current Liabilities	9,249	10,816	11,816	12,516	13,216
Total Provisions					
Total Liabilities	76,570	72,094	74,010	82,657	91,953
Shareholders Equity	186,364	207,029	219,506	236,251	257,059
Minority Interests	406	411	411	411	411
Total Equity	186,770	207,440	219,917	236,662	257,470

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	18.9%	14.3%	2.6%	12.3%	13.4%
Operating EBITDA Growth	(20.2%)	52.6%	(5.7%)	21.5%	16.7%
Operating EBITDA Margin	16.6%	22.1%	20.3%	22.0%	22.6%
Net Cash Per Share (Rs)	282.42	1,167.11	685.48	749.45	916.55
BVPS (Rs)	5,165.30	5,738.06	6,083.86	6,547.98	7,124.69
Gross Interest Cover	4.94	10.14	7.15	10.46	13.79
Effective Tax Rate	15.1%	19.0%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	28.4%	15.8%	19.1%	19.1%	19.1%
Accounts Receivables Days	20.44	22.34	22.21	20.29	19.76
Inventory Days	53.74	56.48	57.98	51.04	50.81
Accounts Payables Days	25.57	27.69	27.76	27.56	27.16
ROIC (%)	10.2%	17.9%	9.7%	12.7%	14.9%
ROCE (%)	6.4%	12.1%	7.4%	9.9%	11.5%
Return On Average Assets	6.1%	9.8%	6.2%	7.5%	8.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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