

We downgrade (on recent sharp run-up in the stock price) Techno Electric (TEEC) to REDUCE with revised upwards TP of Rs1,600/sh (+2% upside). TEEC, a top EPC player with capabilities to provide solutions in T&D (EPC work for substation and distribution management system) and power generation (BoP and FGD) has recently diversified into high-growth businesses such as smart meter and data center. With a robust order backlog of Rs91bn (L1 position: Rs12bn), along with a strong enquiry pipeline, we expect TEEC’s revenue to more than double in the next 2 years. Order prospects are resilient, supported by the T&D, smart metering space, given the aggressive targets for renewable capacity adds and RDSS-led ordering. We expect multifold growth in the data-center segment on the back of rising digitization globally benefiting TEEC.

**Techno Electric: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	8,295	15,024	25,353	35,761	45,017
EBITDA	867	2,094	3,710	5,598	7,229
Adj. PAT	966	2,710	3,604	4,941	6,113
Adj. EPS (Rs)	8.8	25.2	30.6	42.0	52.0
EBITDA margin (%)	10.4	13.9	14.6	15.7	16.1
EBITDA growth (%)	(61.0)	141.6	77.2	50.9	29.1
Adj. EPS growth (%)	(63.3)	186.7	21.7	37.1	23.7
RoE (%)	5.1	13.2	12.3	12.6	13.9
RoIC (%)	9.1	23.3	27.7	27.8	26.9
P/E (x)	178.6	62.3	51.2	37.3	30.2
EV/EBITDA (x)	197.4	80.0	45.0	30.3	23.5
P/B (x)	8.9	7.8	5.0	4.5	3.9
FCFF yield (%)	2.2	(0.9)	(0.2)	0.0	2.0

Source: Company, Emkay Research

**Q1FY25 Financial Summary and Guidance**

TEEC recorded sustained strong growth performance during Q1FY25 with revenue/EBITDA of Rs3.7bn/523mn (+37%/+148% YoY); EBITDAM came in at 13.4% (+645bps YoY). Rise in EBITDAM is largely on account of improved gross margins i.e. 25% (+749bps YoY). Going ahead, the management maintains its revenue guidance for FY25E/26E at Rs25/35bn (FY24-26E CAGR of >50%). TEEC projects FY27E revenue growing to Rs45-50bn. The management is confident of sustaining margins in the range of 13-15% and estimate EPS from EPC business to come in at Rs50/75 during FY26E/FY27E; they expect EPS from the Data Center business to further add Rs25-30 per share post-commissioning at full utilization levels. Though our revenue estimates are in line with the management’s guidance, we are conservative towards the growth in EPS from EPC business; estimate it to be Rs42/52 per share.

**Strong order backlog coupled with strong cash balance**

TEEC’s robust order book stands at Rs91bn (vs FY23: Rs37bn), coupled with L1 position as on date at Rs12bn, depicting strong order inquiry. The current order pipeline is over Rs50bn, for which results are yet to open; the management is hopeful of bagging orders worth at least Rs30bn. In the Data Center segment, TEEC will be commissioning its ~6MW (Phase 1) Chennai data center by Q3FY25 (delay on account of floods in Tamil Nadu); commissioning of 24MW in its entirety is currently scheduled for Mar-26. QIP inflow of Rs12.5bn has been successfully completed leading to cash (including investments) balance of Rs25bn. They recently won 2 orders under TBCB concession, requiring capex of Rs7.5bn, and having revenue potential of ~Rs800mnpa over the 35 years concession period.

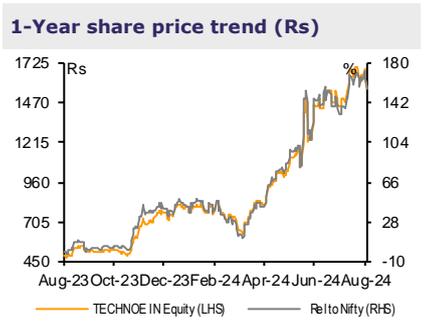
**Valuations**

We expect TEEC to benefit from sharp jump in order backlog, favorable tailwind, and robust balance sheet (raised Rs12.5bn QIP) to fund the growth in TBCB, smart metering, and Data Centre. However, with recent up-move in the stock (1M/3M: 8%/46%), we downgrade the stock from BUY to REDUCE with revised TP of Rs1,600/sh (+2% upside).

Target Price – 12M	Sep-25
<b>Change in TP (%)</b>	<b>14.3</b>
Current Reco.	REDUCE
Previous Reco.	BUY
Upside/(Downside) (%)	2.0
CMP (14-Aug-24) (Rs)	1,568.9

Stock Data	Ticker
52-week High (Rs)	1,777
52-week Low (Rs)	440
Shares outstanding (mn)	107.6
Market-cap (Rs bn)	169
Market-cap (USD mn)	2,011
Net-debt, FY25E (Rs mn)	-17,547
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	406.4
ADTV-3M (USD mn)	4.8
Free float (%)	-
Nifty-50	24,144
INR/USD	83.9
<b>Shareholding, Jul-24</b>	
Promoters (%)	56.9
FPIs/MFs (%)	7.9/24.9

Price Performance				
(%)	1M	3M	12M	
Absolute	8.4	45.6	238.7	
Rel. to Nifty	10.0	34.0	172.6	

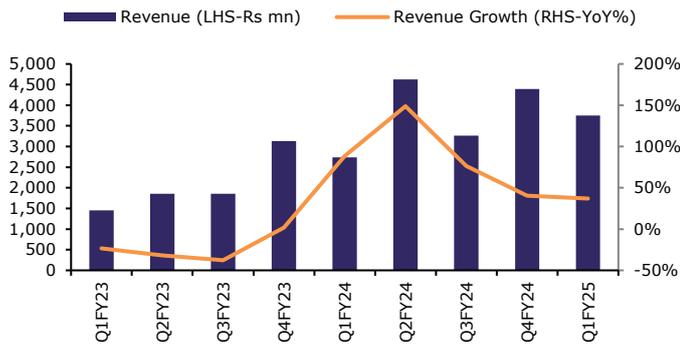


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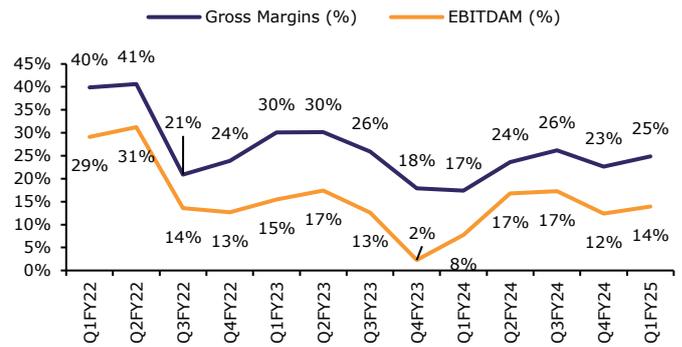
# Story in Charts

**Exhibit 1: Q1FY25 revenue rose to Rs3.8bn (+37% YoY)**



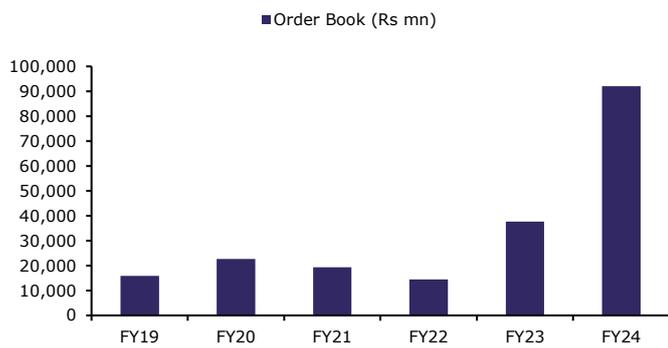
Source: Company, Emkay Research

**Exhibit 2: Q1FY25 margin profile rose YoY and QoQ**



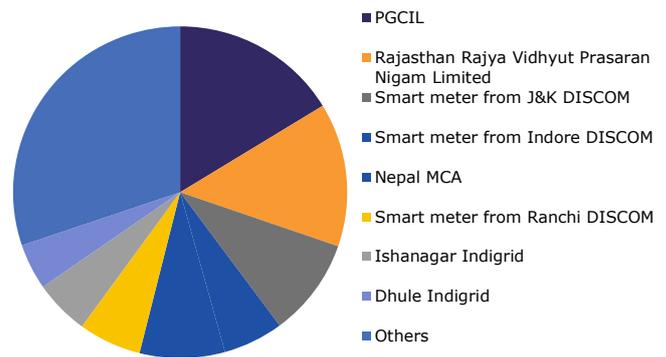
Source: Company, Emkay Research

**Exhibit 3: Strong tendering activity has led to rise in order book**



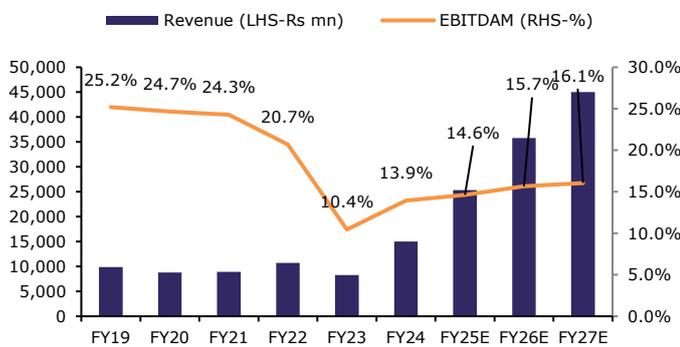
Source: Company, Emkay Research

**Exhibit 4: Order book breakup**



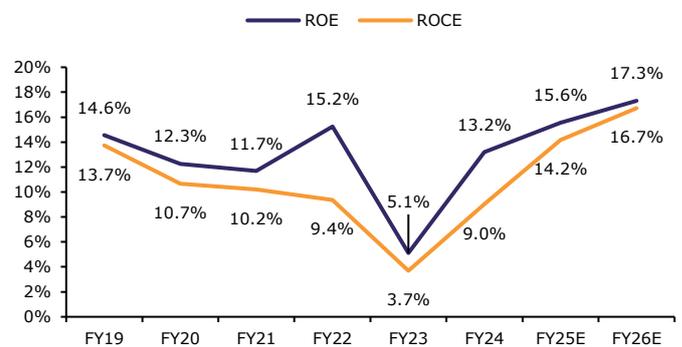
Source: Company, Emkay Research

**Exhibit 5: Revenue to grow in line with guidance; expect margins to expand going ahead**



Source: Company, Emkay Research

**Exhibit 6: ROE/ROCE on an upward trajectory going ahead**



Source: Bloomberg, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

## Exhibit 7: Quarterly Results

Financial Result Analysis (Rs mn)	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Revenue	2,739	4,396	3,754	37.0	(14.6)	8,295	15,024	81.1
Material cost	2,263	3,400	2,820	24.6	(17.1)	6,258	11,604	85.4
as % of sales	82.6	77.3	75.1	-749bps	-223bps	75.4	77.2	179bps
Employee Cost	105	127	132	24.8	3.7	422	462	9.4
as % of sales	3.9	2.9	3.5	-34bps	62bps	5.1	3.1	-201bps
Other expenditure	160	325	279	74.6	(14.2)	748	864	15.5
as % of sales	5.8	7.4	7.4	160bps	4bps	9.0	5.8	-327bps
Total expenditure	2,528	3,852	3,230	27.8	(16.1)	7,428	12,930	74
EBITDA	211	544	523	147.8	(3.8)	867	2,094	142
Depreciation	20	20	19	(3.0)	(2.8)	76	78	3
EBIT	191	524	504	163.6	(3.8)	791	2,016	155
Other Income	312	313	236	(24.2)	(24.3)	746	1,361	82
Interest	42	43	22	(49.0)	(49.6)	107	164	54
PBT	461	794	719	55.9	(9.4)	1,431	3,213	125
Taxes	183	19	186	1.9	900.7	464	502	8
PAT	278	775	533	91.4	(31.3)	966	2,710	181
Extraordinary/Exceptional item	-	-	-			(902)	26	(103)
Minority interest	(0)	-	-			-	-	
Add: Associate income	-	-	-			-	-	
Net Profit/(Loss) from discontinuing operations	(26)	-	448					
Reported PAT	253	775	981	288.1	26.5	64	2,736	4,203
<b>Margins (%)</b>								
Gross Margins	17.4	22.7	24.9	749bps	223bps	24.6	22.8	-179bps
EBITDAM	7.7	12.4	13.9	623bps	157bps	10.4	13.9	349bps
EBITM	7.0	11.9	13.4	645bps	151bps	9.5	13.4	388bps
PBTM	16.8	18.1	19.2	232bps	110bps	17.2	21.4	414bps
PATM	10.2	17.6	14.2	403bps	-345bps	11.6	18.0	639bps
Effective Tax rate	39.6	2.3	25.9	-1,373bps	2,357bps	32.5	15.6	-1,683bps

Source: Company, Emkay Research

## Exhibit 8: Change in Estimates

Particulars (Rs mn)	FY25E			FY26E			FY27E
	Earlier	Revised	% Change	Earlier	Revised	% Change	Introducing
Revenue	25,200	25,353	1%	35,473	35,761	1%	45,017
EBITDA	3,696	3,710	0%	5,545	5,598	1%	7,229
EBITDA Margin	14.7%	14.7%	0bps	15.6%	15.6%	0bps	16.1%
PAT	3,594	3,604	0%	4,901	4,941	1%	6,113
EPS (Rs/share)	33.4	30.6	-8%	45.5	42.0	-8%	52.0
PER (x)	36.2	51.2		26.5	37.3		30.2

Source: Emkay Research

## Exhibit 9: TEEC - SoTP

Particulars	Valuation Basis	Adj. PAT (Rs mn)	Eq. Value (Rs mn)	Eq/share (Rs)
EPC	35x Sep-26E	4,230	148,053	1,247
Data Center	DCF		28,677	244
Cash and equivalents			25,000	109
<b>Equity value/share (Sep-26E)</b>			<b>189,517</b>	<b>1,600</b>
Upside				+2%

Source: Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

## Concall KTAs

### Company Performance:

- During Q1FY25, revenue/PAT came in at Rs3.7bn/533mn (+37%/+91% YoY); PAT inclusive of profit from discontinued operations stood at Rs981mn. EBITDAM stood at ~14% (+623bps/+157bps YoY/QoQ).
- The order backlog stood at Rs91bn and the company's current L1 position stands at ~Rs12bn, this constitutes 2 PGCIL orders (Neelgad & Sirohi) worth ~Rs4.8bn, 1 order from AEGCL worth Rs5.2bn, and 1 order from Adani worth Rs1.4bn.
- The company successfully completed its QIP of Rs12.5bn. Current investment value including cash and cash equivalents post-QIP proceeds stands around Rs25bn; ~Rs215 per share. Treasury income will continue to be recurring income for the company.
- TEEC has been onboarding recruits at the top level in order to streamline each vertical (T&D, FGD, Smart metering, and Data Center).
- Assets in RE and transmission, which were created over the past 15 years now stand monetized and TEEC currently possesses no asset on hand, barring data centers under construction.

### Data Centers:

- Indian data center market size is estimated to be 4.8GW by 2029 – a CAGR of 19%. In monetary terms, the market size is expected to be US\$2bn in 2024 and US\$4.5bn by 2029.
- The management has, till date, incurred capex of ~Rs3bn toward phase1 of its ~6MW Chennai center. The entire project of ~24MW is expected to be commissioned by Mar-26. The management estimates revenue from this data center to start coming in within 3-6 months of commissioning.
- TEEC recently won a concession from RailTel to setup >100 edge data centers on railway stations across 23 states. Target has been set to commission data centers at 20 locations each year, totaling 100 locations in the coming 5 years. TEEC is targeting execution of each data center at the respective location within months from the date of land allocation. Additionally, these data centers will have to be operated by the company for the next 20-25 years, after which operations will be transferred back to RailTel.
- TEEC was also awarded an order to set up a data center in Kolkata; it is currently under the design phase and its construction shall commence from Jan-25.
- The management has been looking to tie up with strategic partners in order to run its data centers. Nevertheless, it is also open to the option of running it on its own, for want of a suitable partner.
- As a shift in the monetization strategy, the management plans to operate the data centers that it commissions unless there are buyers at attractive valuations.

### Smart Metering:

- Focus is being placed on strengthening the power distribution network. On the back of this, ~Rs222mn meters are under various stages of awarding (totaling to ~2.2trn), of which ~87.6% would be under the RDSS scheme. Of these, ~117mn meters have already been awarded and 12.7mn meters have been installed. The company expects to get orders worth Rs15-20bnpa in the segment for deployment of 2mn meters.
- TEEC is currently setting up 3mn meters (worth Rs35bn) across J&K, Tripura, Jharkhand, and Madhya Pradesh.

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

**Transmission:**

- The management continues to have a positive outlook on the industry, on the back of a strong order inquiry pipeline and increasing tendering activities by the GoI. The integration of transformation capacity at new and existing substation under ISPs for wind and solar capacity would entail a cost of Rs2.4trn by 2030. PGCIL sees a large addressable market and estimates transmission capex at Rs1.7trn up to 2030; the company expects capex revival to Rs150-250bnpa starting from FY25.
- The management expects larger business out of AMI segment transmission and data centers transmission, especially coming out of higher-end technological solutions. They believe that energy demand is at an all-time high and the demand growth is in double digits.
- Total bids open for transmission is around Rs400bn, of which Techno expects to book order worth Rs20-25bnpa for the next 2-4 years. TEEC currently has orders worth Rs49bn from transmission segment and an L1 position of Rs12bn.
- TEEC recently won 2 concession orders under TBCB, Goga, Mook, and Bukhajan having a potential revenue of Rs28bn over the concession period. The capex projected for these 2 orders won is ~Rs7.5bn. These projects involve a concession period of 35 years and are entitled for Rs800mnpa.

**Guidance:**

- Revenue guidance for FY25E/26E/27E was Rs25bn/Rs35bn/50bn and EPS is expected to grow to Rs35/50/75 during a similar timeline. These are EPS projections, ex of data center business. The management is confident of sustaining margins in the range of 13-15% going ahead.
- Current order pipeline are over Rs50bn, results for which are yet to open. The management is hopeful of bagging at least Rs30bn.
- The management maintains its guidance to an order inflow of Rs50bn during FY25. It plans incurring capex of ~Rs50bn over the next two years. The capex to be incurred is likely to be distributed among data centers/TBCBs/Smart meters in the ratio of 25%/25%/50%.

**Others:**

- Approval letter from TANGEDCO for delayed payment of interest on energy charges from 2009-10 to 2020-21 amounting to Rs782mn will be received in 6 equal installments from May-24 to Oct-24. The company has received 2 installments of Rs261mn for the month of May and June. The total receivables as of Jun-24 is Rs522mn.
- TEEC recognized revenue from discontinued operations amounting to Rs599mn on account of recovery of interest on delayed payments on energy charges.

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

## Techno Electric: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>8,295</b>	<b>15,024</b>	<b>25,353</b>	<b>35,761</b>	<b>45,017</b>
Revenue growth (%)	(22.8)	81.1	68.8	41.1	25.9
<b>EBITDA</b>	<b>867</b>	<b>2,094</b>	<b>3,710</b>	<b>5,598</b>	<b>7,229</b>
EBITDA growth (%)	(61.0)	141.6	77.2	50.9	29.1
Depreciation & Amortization	76	78	278	528	754
<b>EBIT</b>	<b>791</b>	<b>2,016</b>	<b>3,432</b>	<b>5,070</b>	<b>6,475</b>
EBIT growth (%)	(56.3)	154.9	70.2	47.7	27.7
Other operating income	0	0	0	0	0
Other income	746	1,361	1,497	1,647	1,812
Financial expense	107	164	123	129	136
<b>PBT</b>	<b>1,431</b>	<b>3,213</b>	<b>4,806</b>	<b>6,588</b>	<b>8,151</b>
Extraordinary items	0	0	0	0	0
Taxes	464	502	1,201	1,647	2,038
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>966</b>	<b>2,710</b>	<b>3,604</b>	<b>4,941</b>	<b>6,113</b>
PAT growth (%)	(63.3)	180.5	33.0	37.1	23.7
<b>Adjusted PAT</b>	<b>966</b>	<b>2,710</b>	<b>3,604</b>	<b>4,941</b>	<b>6,113</b>
<b>Diluted EPS (Rs)</b>	<b>8.8</b>	<b>25.2</b>	<b>30.6</b>	<b>42.0</b>	<b>52.0</b>
Diluted EPS growth (%)	(63.3)	186.7	21.7	37.1	23.7
<b>DPS (Rs)</b>	<b>6.0</b>	<b>6.1</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>
<b>Dividend payout (%)</b>	<b>68.3</b>	<b>24.4</b>	<b>18.3</b>	<b>13.4</b>	<b>10.8</b>
EBITDA margin (%)	10.4	13.9	14.6	15.7	16.1
EBIT margin (%)	9.5	13.4	13.5	14.2	14.4
Effective tax rate (%)	32.5	15.6	25.0	25.0	25.0
<b>NOPLAT (pre-IndAS)</b>	<b>534</b>	<b>1,701</b>	<b>2,574</b>	<b>3,803</b>	<b>4,856</b>
Shares outstanding (mn)	110.0	107.6	117.6	117.6	117.6

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,431	3,213	4,806	6,588	8,151
Others (non-cash items)	0	0	0	0	0
Taxes paid	464	502	1,201	1,647	2,038
Change in NWC	(319)	(2,186)	(798)	(2,198)	(3,804)
<b>Operating cash flow</b>	<b>1,012</b>	<b>411</b>	<b>4,113</b>	<b>5,047</b>	<b>5,463</b>
Capital expenditure	2,756	(1,837)	(4,500)	(5,000)	(2,000)
Acquisition of business	(2,558)	1,628	5,750	0	(1,000)
Interest & dividend income	489	489	489	489	489
<b>Investing cash flow</b>	<b>945</b>	<b>1,153</b>	<b>2,747</b>	<b>(3,353)</b>	<b>(1,188)</b>
Equity raised/(repaid)	(5)	0	20	0	0
Debt raised/(repaid)	0	0	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(107)	(164)	(123)	(129)	(136)
Dividend paid (incl tax)	660	660	660	660	660
Others	(1,511)	(2,149)	8,757	(4,614)	(5,313)
<b>Financing cash flow</b>	<b>(962)</b>	<b>(1,653)</b>	<b>9,314</b>	<b>(4,083)</b>	<b>(4,789)</b>
Net chg in Cash	995	(90)	16,175	(2,389)	(515)
OCF	1,012	411	4,113	5,047	5,463
Adj. OCF (w/o NWC chg.)	693	(1,775)	3,316	2,848	1,659
FCFF	3,769	(1,426)	(387)	47	3,463
FCFE	4,151	(1,101)	(21)	406	3,816
OCF/EBITDA (%)	116.8	19.6	110.9	90.1	75.6
FCFE/PAT (%)	429.7	(40.6)	(0.6)	8.2	62.4
<b>FCFF/NOPLAT (%)</b>	<b>705.8</b>	<b>(83.9)</b>	<b>(15.0)</b>	<b>1.2</b>	<b>71.3</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	215	215	235	235	235
Reserves & Surplus	19,191	21,417	36,841	41,122	46,575
<b>Net worth</b>	<b>19,406</b>	<b>21,632</b>	<b>37,076</b>	<b>41,357</b>	<b>46,810</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	717	693	693	693	693
<b>Total debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities &amp; equity</b>	<b>20,124</b>	<b>22,325</b>	<b>37,769</b>	<b>42,050</b>	<b>47,503</b>
Net tangible fixed assets	478	429	4,651	9,123	10,369
Net intangible assets	0	0	0	0	0
Net ROU assets	334	330	330	330	330
Capital WIP	946	2,757	2,757	2,757	2,757
Goodwill	0	0	0	0	0
Investments [JV/Associates]	13,048	11,419	5,669	5,669	6,669
<b>Cash &amp; equivalents</b>	<b>1,462</b>	<b>1,372</b>	<b>17,547</b>	<b>15,157</b>	<b>14,560</b>
Current assets (ex-cash)	11,526	12,029	16,607	22,615	29,807
Current Liab. & Prov.	7,669	6,012	9,792	13,601	16,989
<b>NWC (ex-cash)</b>	<b>3,857</b>	<b>6,018</b>	<b>6,816</b>	<b>9,014</b>	<b>12,818</b>
<b>Total assets</b>	<b>20,124</b>	<b>22,325</b>	<b>37,769</b>	<b>42,050</b>	<b>47,503</b>
Net debt	(1,462)	(1,372)	(17,547)	(15,157)	(14,560)
Capital employed	20,124	22,325	37,769	42,050	47,503
<b>Invested capital</b>	<b>4,669</b>	<b>6,777</b>	<b>11,796</b>	<b>18,467</b>	<b>23,517</b>
BVPS (Rs)	176.4	201.0	315.2	351.6	398.0
Net Debt/Equity (x)	(0.1)	(0.1)	(0.5)	(0.4)	(0.3)
Net Debt/EBITDA (x)	(1.7)	(0.7)	(4.7)	(2.7)	(2.0)
Interest coverage (x)	0.1	0.0	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>3.7</b>	<b>9.0</b>	<b>11.3</b>	<b>12.6</b>	<b>14.4</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	178.6	62.3	51.2	37.3	30.2
P/CE(x)	165.6	60.5	47.5	33.7	26.9
P/B (x)	8.9	7.8	5.0	4.5	3.9
EV/Sales (x)	20.6	11.1	6.6	4.7	3.8
EV/EBITDA (x)	197.4	80.0	45.0	30.3	23.5
EV/EBIT(x)	216.4	83.1	48.7	33.4	26.2
EV/IC (x)	36.6	24.7	14.2	9.2	7.2
FCFF yield (%)	2.2	(0.9)	(0.2)	0.0	2.0
FCFE yield (%)	2.4	(0.7)	0.0	0.2	2.1
Dividend yield (%)	0.4	0.4	0.4	0.4	0.4
<b>DuPont-RoE split</b>					
Net profit margin (%)	11.6	18.0	14.2	13.8	13.6
Total asset turnover (x)	0.4	0.7	0.8	0.9	1.0
Assets/Equity (x)	1.1	1.0	1.0	1.0	1.0
<b>RoE (%)</b>	<b>5.1</b>	<b>13.2</b>	<b>12.3</b>	<b>12.6</b>	<b>13.9</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	6.4	11.3	10.2	10.6	10.8
IC turnover (x)	0.4	0.7	1.2	1.4	1.4
<b>RoIC (%)</b>	<b>9.1</b>	<b>23.3</b>	<b>27.7</b>	<b>27.8</b>	<b>26.9</b>
<b>Operating metrics</b>					
Core NWC days	169.7	146.2	98.1	92.0	103.9
<b>Total NWC days</b>	<b>169.7</b>	<b>146.2</b>	<b>98.1</b>	<b>92.0</b>	<b>103.9</b>
Fixed asset turnover	1.9	10.9	7.0	4.3	3.8
Opex-to-revenue (%)	14.1	8.8	8.2	7.1	6.7

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
30-May-24	1,209	1,400	Buy	Ashwani Sharma
12-Feb-24	793	1,050	Buy	Anshul Agrawal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>SELL</b>	<15% downside

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