

United Breweries

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	UBBL IN
Equity Shares (m)	264
M.Cap.(INRb)/(USDb)	539.5 / 6.2
52-Week Range (INR)	2300 / 1646
1, 6, 12 Rel. Per (%)	5/13/13
12M Avg Val (INR M)	580

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Net Sales	90.0	102.0	115.6
Sales Gr. (%)	10.8	13.4	13.4
EBITDA	8.1	11.8	15.0
Margin (%)	9.0	11.6	13.0
Adj. PAT	4.7	7.5	9.9
Adj. EPS (INR)	17.8	28.4	37.4
EPS Gr. (%)	14.4	59.8	31.7
BV/Sh. (INR)	167.6	182.8	202.9

Ratios

RoE (%)	10.9	16.2	19.4
RoCE (%)	11.1	16.4	19.5

Valuations

P/E (x)	115.0	71.9	54.6
P/BV (x)	12.2	11.2	10.1
EV/EBITDA (x)	65.4	45.7	35.4

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	70.8	70.8	70.8
DII	17.7	17.8	17.2
FII	6.4	6.3	6.7
Others	5.1	5.1	5.2

FII includes depository receipts

CMP: INR2,041 **TP: INR2,000 (-2%)** **Neutral**

Premiumization trend continues; uncertainty on margins

- United Breweries (UBBL) delivered revenue growth of 10% YoY (est. 12%), aided by policy changes in Andhra Pradesh (AP). Volume growth was 8% YoY (est. 6%). The Premium portfolio continued to deliver strong performance, posting 33% YoY growth (27% in 2QFY25).
- North, West, East and South regions reported volume growth of 16%, 4%, 3% and 8%, respectively. Volume growth was mainly driven by Telangana, AP, Uttar Pradesh, Maharashtra and Rajasthan. Meanwhile, Goa, West Bengal, Tamil Nadu and Kerala reported weak performance.
- GM contracted 90bp YoY/70bp QoQ to 43.1% (est. 43.8%). EBITDA margin contracted 90bp YoY to 7.1% (est. 9.1%). The company is strengthening its local brewing capabilities for premium products and improving the bottle recovery rates, supporting long-term margin growth. We estimate EBITDA margin of 11.6% in FY26 and 13% in FY27.
- The company remains focused on volume-led growth, along with share gain in the premium portfolio. It is planning to invest INR7.5b in a greenfield brewery in UP, which will produce both mainstream and premium brands, including Heineken, in cans and bottles. The facility will add 1.0-2.0 MHL capacity, which is expected to be ready by 4QFY27. We estimate a 13% revenue CAGR during FY25-27, led by high-single-digit volume growth.
- We maintain our Neutral rating on the stock with a TP of INR2,000 (based on 55x Dec'26E EPS).

Healthy revenue growth; weak operating margins

- Premium portfolio continues to shine:** UBBL's standalone net sales grew by 10% YoY to INR20.0b (est. INR20.4b). Volume growth was 8% YoY (est. 6%), with premium segment volume growing strongly by 33% YoY.
- Growth across the regions:** North, West, East and South regions reported volume growth of 16%, 4%, 3% and 8%, respectively. Volume growth was mainly driven by Telangana, AP, Uttar Pradesh and Rajasthan, partially offset by Tamil Nadu and West Bengal. A positive price mix is driven by price increases in multiple states and mix from premiumization, partially offset by growth in the economy segment and a negative state mix.
- Contraction in margins:** Gross margin declined 90bp YoY and 70bp QoQ to 43.1% (est. 43.8%, 43.8% in 2QFY25). Employee expenses grew 6% YoY, while other expenses rose 11% YoY, led by investments in supply chain ahead of the peak season. EBITDA margin contracted 90bp YoY to 7.1% (est. 9.1%, 10.7% in 2QFY25).
- Decline in profitability:** EBITDA declined by 3% YoY to INR1.4b (est. INR1.9b). Higher depreciation (+18%) and lower other income (-58%) resulted in a 25% YoY fall in PBT. There was an exceptional item of INR258m on account of severance pay to employees on separation. APAT fell 24% YoY to INR640m (est. INR1,124m). Reported PAT declined 55% YoY to INR383m.
- In 9MFY25, net sales, EBITDA and APAT grew by 10%, 18% and 13%.

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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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- UBBL indicated that it has lost market share in West Bengal, as beer has become expensive (from INR135 to INR160) after the recent duty increase. In addition, it has also lost market share in Rajasthan and Tamil Nadu.
- The 15% price increase in Telangana is not enough to cover the entire costs, as per UBBL. The company is pushing for tax restructuring, as currently the entire price increase is passed on to consumers. Furthermore, UBBL expects its outstanding receivables to be paid by the government soon.
- With the revised UP excise policy, effective Apr'25, liquor stores can sell both beer and IMFL, thus UBBL can now reach 17,000 stores vs. 6,000 earlier.
- UBBL introduced Kingfisher Flavours with two new variants, Lemon Masala and Mango Berry Twist, to target young customers. Currently, they are launched only in Goa and Daman and will be gradually scaled up. Management stated that the initial traction has been encouraging.

Valuation and view

- Owing to a consistent miss in margin, we cut our EPS estimates by 13%/5% for FY25/FY26 despite our estimates being lower than the Bloomberg consensus.
- The company is facing numerous challenges, including stiff competition from both local and international brands in India and regulatory issues in the industry.
- UBBL posted 8% volume growth in 3QFY25 (+6% in 9MFY25), while its premium volume grew 33% (+35% in 9MFY25), maintaining its robust growth momentum. We estimate a CAGR of 13%/36%/45% of revenue/EBITDA/adj. PAT over FY25-27.
- We estimate EBITDA margin recovery in FY26 and FY27; any delay in margin recovery can potentially lead to further earnings cuts. We maintain our Neutral rating on the stock. **Our TP of INR2,000 is based on 55x Dec'26E EPS.**

Standalone Quarterly Performance**(INRm)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Volume growth (%)	-12	7	8	11	5	5	8	8	2	7	6	
Net Sales	22,732	18,880	18,227	21,315	24,730	21,147	19,984	24,107	81,227	89,967	20,414	-2.1%
YoY Change (%)	-6.7	12.4	13.1	20.8	8.8	12.0	9.6	13.1	8.3	10.8	12.0	
Gross Profit	9,221	8,408	8,018	8,894	10,642	9,272	8,619	9,973	34,703	38,506	8,941	-3.6%
Margin (%)	40.6	44.5	44.0	41.7	43.0	43.8	43.1	41.4	42.7	42.8	43.8	
EBITDA	2,228	1,846	1,456	1,420	2,847	2,268	1,411	1,604	6,962	8,131	1,851	-23.7%
YoY Change (%)	-15.9	-15.8	89.9	165.6	27.8	22.9	-3.0	13.0	13.0	16.8	27.1	
Margins (%)	9.8	9.8	8.0	6.7	11.5	10.7	7.1	6.7	8.6	9.0	9.1	
Depreciation	513	508	518	577	577	571	613	576	2,119	2,337	575	
Interest	17	14	21	18	16	22	32	15	69	85	22	
Other Income	103	122	241	263	73	105	101	348	737	627	235	
PBT	1,801	1,446	1,158	1,088	2,327	1,781	610	1,361	5,511	6,337	1,489	-59.0%
Tax	440	369	310	280	595	458	227	235	1,403	1,635	365	
Rate (%)	24.5	25.5	26.7	25.7	25.5	25.7	26.2	17.3	25.5	25.8	24.5	
Reported PAT	1,361	1,076	849	808	1,733	1,322	383	1,126	4,109	4,702	1,124	-66.0%
Adj PAT	1,361	1,076	849	808	1,733	1,322	640	1,126	4,109	4,702	1,124	-43.0%
YoY Change (%)	-15.8	-19.8	274.9	730.8	27.3	22.9	-24.5	39.3	24.7	14.4	32.5	
Margins (%)	6.0	5.7	4.7	3.8	7.0	6.3	3.2	4.7	5.1	5.2	5.5	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY24				FY25		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
2Y average growth (%)							
Sales	55.6	15.1	7.5	12.1	1.0	12.2	11.4
EBITDA	80.9	8.3	13.2	43.1	5.9	3.6	43.4
PAT	204.2	23.3	97.1	318.4	5.8	1.5	125.2
% of Sales							
COGS	59.4	55.5	56.0	58.3	57.0	56.2	56.9
Employee Expenses	6.5	8.7	8.6	8.2	7.4	8.2	8.4
Other Expenses	24.3	26.0	27.4	26.9	24.1	24.9	27.7
Depreciation	2.3	2.7	2.8	2.7	2.3	2.7	3.1
YoY change (%)							
COGS	-0.5	16.9	9.0	14.7	4.3	13.4	11.3
Employee Expenses	-1.1	18.5	8.4	9.5	24.1	5.7	6.4
Other Expenses	-16.9	15.5	10.3	22.3	8.1	7.1	10.9
Other Income	-0.4	-14.5	85.5	126.3	-29.7	-14.0	-58.1
EBIT	-17.4	-20.0	254.1	NM	32.4	26.9	-14.9

E: MOFSL Estimates

Exhibit 1: Regional volume performance

Volume Growth¹
(+8% ITQ, +6% YTD)



Source: Company presentation

Exhibit 2: Volume rose 8% YoY in 3QFY25

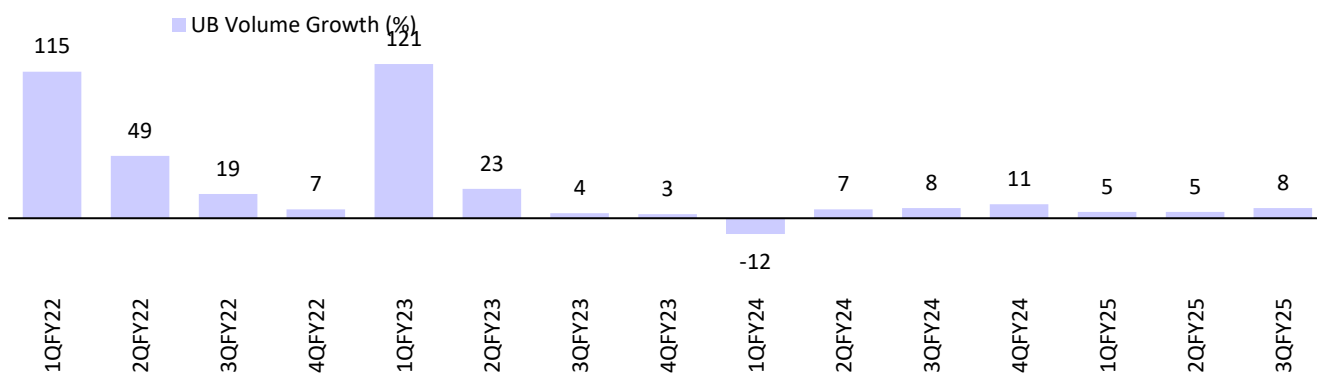
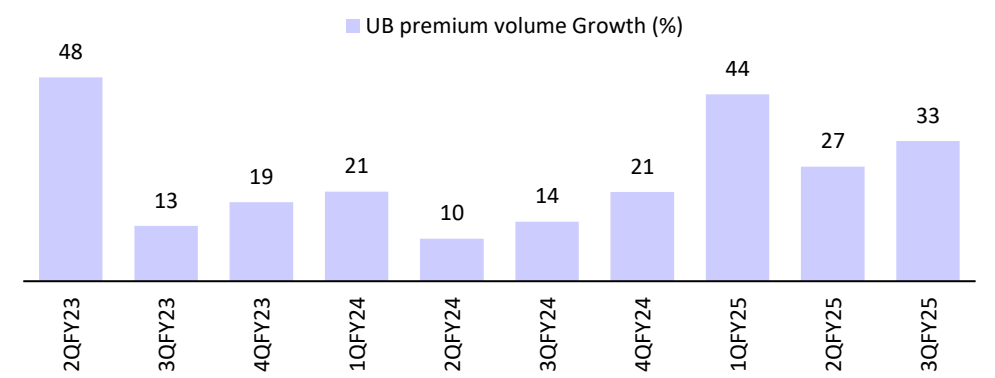


Exhibit 3: UBBL's premium portfolio delivered 33% YoY volume growth in 3QFY25

Conference call highlights

Environment and outlook

- Total volume growth stood at 8.4% in 3Q (vs. category growth of 7%), driven by broad-based growth across our footprint and positively impacted by recent policy changes in AP.
- Premium volume grew 33% in the quarter, bringing the YTD growth rate to 35%. The growth in the premium portfolio was led by Kingfisher Ultra, Kingfisher Ultra Max, and Heineken Silver.
- UBBL indicated that it has lost market share in West Bengal, as beer has become expensive (from INR135 to INR160) after the recent duty increase. It has also lost market share in Rajasthan and Tamil Nadu.
- The 15% price increase in Telangana is not enough to cover the entire costs, as per UBBL. The company is pushing for tax restructuring, as currently the entire price increase is passed on to consumers. Furthermore, UBBL expects its outstanding receivables to be paid by the government soon.
- In Karnataka, beer is becoming less affordable for consumers, as per UBBL. In the economy segment, UBBL has a low volume share and has passed on price increases to customers in this segment. In its Ultra portfolio, UBBL is absorbing the price hikes. As per management, this is done to protect category growth.
- With the revised UP excise policy, effective Apr'25, liquor stores can sell both beer and IMFL, thus UBBL can now reach 17,000 stores vs. 6,000 earlier.
- The company anticipates that growth in its premium segment will continue to outpace the overall portfolio growth in the coming quarters.

Costs and margins

- UBBL expects gross margin recovery to be gradual.
- The company is prioritizing the development of local capabilities in its breweries to bring premium production closer to the market and consumers, aiming to drive long-term margin growth.
- UBBL saw 5% improvement YoY in the bottle recovery rate. Given volume growth, new bottles are also being introduced in the network. The company aims to achieve a 70% bottle recovery rate.
- The company will introduce a productivity program in 2HFY26 to optimize its efficiency and profitability.

Product development

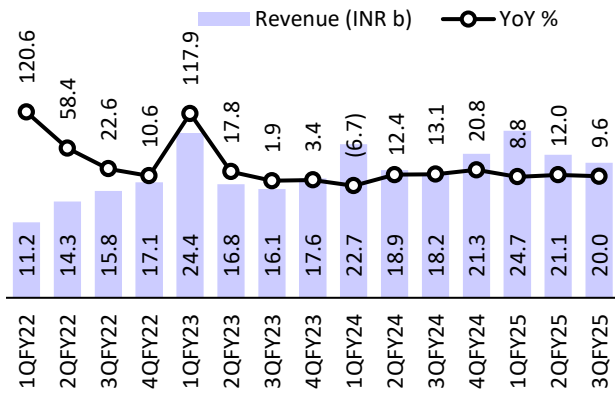
- UBBL introduced Kingfisher Flavours with two new variants, Lemon Masala and Mango Berry Twist, to target young customers. Currently, they are launched only in Goa and Daman and will be gradually scaled up. Management stated that the initial traction has been encouraging.

Capex

- UBBL is investing INR7,500m in a greenfield brewery in UP (after 12 years), which will produce both mainstream and premium brands, including Heineken, in cans and bottles. The facility will add 1.0-2.0 MHL capacity, which is expected to be ready by 4QFY27. Currently, the company caters to this market through contract manufacturing.
- UBBL has been investing in warehouses and maintenance capex to optimize its production capacities ahead of the peak season.
- UBBL added 10,000 coolers in 3QFY25.

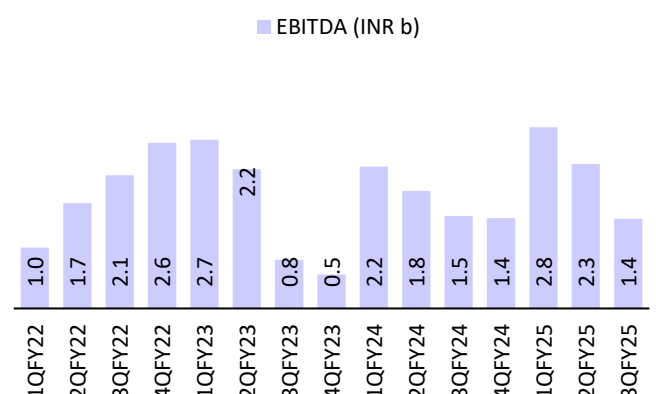
Key Exhibits

Exhibit 4: Net sales up 10% YoY to INR20b



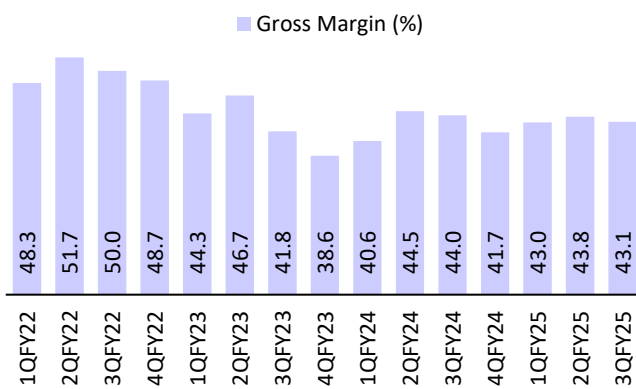
Sources: Company reports, MOFSL

Exhibit 5: EBITDA decline 3% YoY to INR1.4b



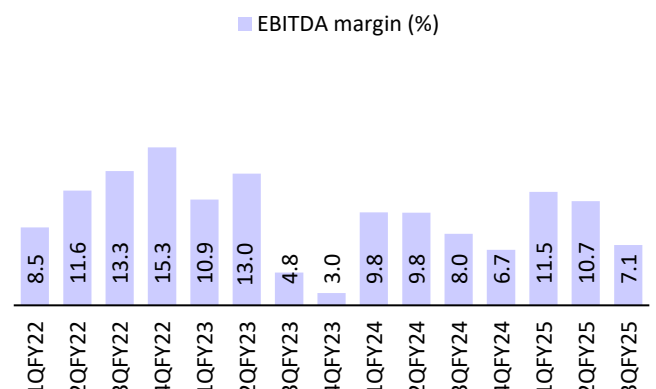
Source: Company reports, MOFSL

Exhibit 6: Gross margin contracted 90bp YoY to 43.1%



Sources: Company reports, MOFSL

Exhibit 7: EBITDA margin contracted 90bp YoY to 7.1%



Source: Company reports, MOFSL

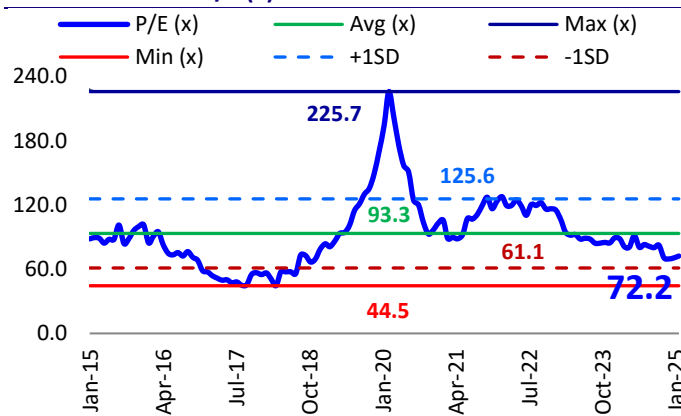
Valuation and view

- Owing to a consistent miss in margin, we cut our EPS estimates by 13%/5% for FY25/FY26 despite our estimates being lower than the Bloomberg consensus.
- The company is facing numerous challenges, including stiff competition from both local and international brands in India and regulatory issues in the industry.
- UBBL posted 8% volume growth in 3QFY25 (+6% in 9MFY25), while its premium volume grew 33% (+35% in 9MFY25), maintaining its robust growth momentum. We estimate a CAGR of 13%/36%/45% in revenue/EBITDA/ adj. PAT over FY25-27E.
- We estimate EBITDA margin recovery in FY26 and FY27; any delay in margin recovery can potentially lead to further earnings cuts. We maintain our Neutral rating on the stock. **Our TP of INR2,000 is based on 55x Dec'26E EPS.**

Exhibit 8: We cut our EPS estimates for FY25 and FY26 by 13% and 5% respectively

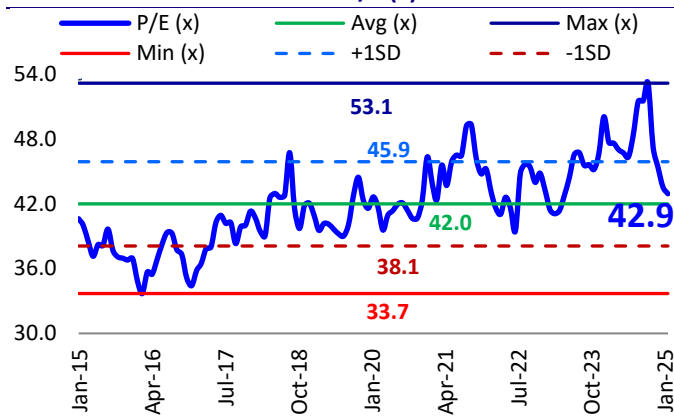
INR m	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Total Income	89,967	1,01,986	89,967	1,01,932	-	0.1
EBITDA	8,131	11,807	9,302	12,526	(12.6)	(5.7)
Adjusted PAT	4,932	7,865	5,675	8,284	(13.1)	(5.1)

Exhibit 9: UBBL's P/E (x)



Source: MOFSL

Exhibit 10: Consumer sector's P/E (x)



Source: MOFSL

Financials and valuations

Consolidated - Income Statement (INR m)									
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Income from Operations	64,754	65,092	42,431	58,384	74,999	81,227	89,967	1,01,986	1,15,612
Change (%)	15.2	0.5	-34.8	37.6	28.5	8.3	10.8	13.4	13.4
Raw Materials	30,077	31,511	20,294	29,261	42,654	46,524	51,461	57,010	64,165
% of Sales	46.4	48.4	47.8	50.1	56.9	57.3	57.2	55.9	55.5
Gross Profit	34,678	33,581	22,137	29,123	32,346	34,703	38,506	44,976	51,447
Margin (%)	53.6	51.6	52.2	49.9	43.1	42.7	42.8	44.1	44.5
Employees Cost	4,484	5,041	4,855	5,231	5,955	6,474	7,121	7,691	8,306
% of Sales	6.9	7.7	11.4	9.0	7.9	8.0	7.9	7.5	7.2
Other Expenses	18,810	19,782	13,472	16,926	20,228	21,268	23,254	25,479	28,119
% of Sales	29.0	30.4	31.7	29.0	27.0	26.2	25.8	25.0	24.3
Total Expenditure	53,371	56,334	38,620	51,418	68,837	74,265	81,836	90,180	1,00,589
% of Sales	82.4	86.5	91.0	88.1	91.8	91.4	91.0	88.4	87.0
EBITDA	11,384	8,758	3,811	6,966	6,162	6,962	8,131	11,807	15,023
Margin (%)	17.6	13.5	9.0	11.9	8.2	8.6	9.0	11.6	13.0
Depreciation	2,599	2,851	2,320	2,172	2,106	2,119	2,337	2,456	2,587
EBIT	8,785	5,907	1,491	4,794	4,056	4,843	5,794	9,350	12,436
Int. and Finance Charges	312	311	227	148	46	69	85	80	83
Other Income	320	93	503	298	494	737	627	750	840
PBT bef. EO Exp.	8,793	5,689	1,766	4,944	4,504	5,511	6,337	10,020	13,193
EO Items	0	0	-72	-263	-248	0	0	0	0
PBT after EO Exp.	8,793	5,689	1,694	4,682	4,257	5,511	6,337	10,020	13,193
Total Tax	3,160	1,406	556	1,284	1,210	1,403	1,635	2,505	3,298
Deferred Tax									
Tax Rate (%)	35.9	24.7	32.8	27.4	28.4	25.5	25.8	25.0	25.0
Less: Minority Interest	4	6	6	0	0	0	0	0	0
Reported PAT	5,629	4,277	1,132	3,398	3,047	4,109	4,702	7,515	9,895
Adjusted PAT	5,629	4,277	1,204	3,661	3,295	4,109	4,702	7,515	9,895
Change (%)	42.6	-24.0	-71.8	204.0	-10.0	24.7	14.4	59.8	31.7
Margin (%)	8.7	6.6	2.8	6.3	4.4	5.1	5.2	7.4	8.6

Consolidated - Balance Sheet (INR m)									
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	265	264	264	264	264	264	264	264	264
Total Reserves	31,572	34,938	35,558	39,087	39,385	41,519	44,039	48,067	53,371
Net Worth	31,838	35,203	35,823	39,351	39,649	41,783	44,304	48,332	53,635
Minority Interest	30	33	38	41	46	52	52	52	52
Total Loans	2,115	1,691	1,154	0	0	0	0	0	0
Capital Employed	34,097	36,927	37,014	39,393	39,695	41,836	44,356	48,384	53,687
Gross Block	39,954	45,077	47,808	49,615	51,102	52,466	54,966	57,966	60,966
Less: Accum. Deprn.	22,425	26,058	28,378	30,550	32,656	34,775	37,112	39,568	42,155
Net Fixed Assets	17,529	19,019	19,430	19,065	18,446	17,691	17,854	18,398	18,811
Goodwill on Consolidation	242	242	65	65	65	65	65	65	65
Capital WIP	1,899	1,991	1,288	1,099	771	1,727	1,095	1,119	1,124
Total Investments	3	3	61	84	81	80	80	80	80
Curr. Assets, Loans&Adv.	34,171	34,254	37,679	39,182	43,442	50,972	51,234	60,112	63,391
Inventory	10,325	10,939	11,367	9,358	14,278	13,687	15,891	17,080	20,296
Account Receivables	15,110	13,504	13,950	12,549	14,073	23,138	13,834	28,637	20,142
Cash and Bank Balance	462	786	4,693	9,097	3,953	2,142	9,145	1,537	9,581
Loans and Advances	8,275	9,025	7,669	8,178	11,138	12,004	12,364	12,859	13,373
Curr. Liability & Prov.	19,747	18,582	21,507	20,101	23,109	28,698	25,972	31,390	29,783
Account Payables	5,902	5,450	6,181	6,380	7,170	9,485	5,798	10,409	7,963
Provisions	13,845	13,131	15,326	13,721	15,939	19,214	20,174	20,981	21,821
Net Current Assets	14,424	15,672	16,171	19,081	20,333	22,274	25,262	28,723	33,608
Appl. of Funds	34,097	36,927	37,014	39,393	39,695	41,836	44,356	48,384	53,687

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)									
EPS	21.3	16.2	4.6	13.8	12.5	15.5	17.8	28.4	37.4
Cash EPS	31.1	27.0	13.3	22.1	20.4	23.6	26.6	37.7	47.2
BV/Share	120.4	133.1	135.5	148.8	150.0	158.0	167.6	182.8	202.9
DPS	2.5	2.5	0.5	10.5	7.5	10.0	7.1	11.4	15.0
Payout (%)	11.7	15.5	11.7	81.7	65.1	64.4	40.0	40.0	40.0
Valuation (x)									
P/E	95.8	126.1	447.8	147.3	163.7	131.3	114.7	71.8	54.5
Cash P/E	65.6	75.7	153.0	92.5	99.9	86.6	76.6	54.1	43.2
P/BV	16.9	15.3	15.1	13.7	13.6	12.9	12.2	11.2	10.1
EV/Sales	8.4	8.3	12.6	9.1	7.1	6.6	5.9	5.3	4.6
EV/EBITDA	47.5	61.7	140.6	76.1	86.9	77.2	65.2	45.6	35.3
Dividend Yield (%)	0.1	0.1	0.0	0.5	0.4	0.5	0.3	0.6	0.7
Return Ratios (%)									
RoE	19.2	12.8	3.4	9.7	8.3	10.1	10.9	16.2	19.4
RoCE	18.2	12.8	3.6	9.7	8.2	10.2	11.1	16.4	19.5
RoIC	18.5	13.5	3.1	11.6	9.1	9.9	12.0	17.6	21.1
Working Capital Ratios									
Asset Turnover (x)	1.9	1.8	1.1	1.5	1.9	1.9	2.0	2.1	2.2
Inventory (Days)	52	60	96	65	58	63	60	59	59
Debtor (Days)	85	80	118	83	65	84	75	76	77
Creditor (Days)	31	32	50	39	33	37	31	29	29
Working Cap. Turnover (Days)	79	83	99	62	80	90	65	97	76
Leverage Ratio (x)									
Current Ratio	1.7	1.8	1.8	1.9	1.9	1.8	2.0	1.9	2.1
Interest Cover Ratio	28.2	19.0	6.6	32.4	87.4	70.3	68.5	116.7	149.1
Debt/Equity	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	8,793	5,689	1,694	4,944	4,173	5,511	6,337	10,020	13,193
Depreciation	2,599	2,851	2,320	2,172	2,106	2,119	2,337	2,456	2,587
Interest & Finance Charges	306	305	224	146	44	67	85	80	83
Direct Taxes Paid	-3,898	-1,903	-823	-1,301	-1,397	-1,388	-1,226	-1,879	-2,474
(Inc)/Dec in WC	-1,101	-2,196	2,976	2,994	-6,160	-5,166	10,428	-21,098	7,211
CF from Operations	6,699	4,746	6,392	8,956	-1,234	1,144	17,959	-10,420	20,600
Others	-269	332	-189	40	39	-370	0	0	0
CF from Operating incl EO	6,430	5,078	6,203	8,996	-1,196	773	17,959	-10,420	20,600
(Inc)/Dec in FA	-4,366	-4,033	-1,498	-1,728	-1,543	-1,907	-2,480	-2,980	-2,980
Free Cash Flow	2,064	1,045	4,705	7,268	-2,739	-1,134	15,479	-13,400	17,620
(Pur)/Sale of Investments	0	0	0	13	3	0	0	0	0
Others	114	231	86	-10	515	625	-6,265	8,566	-5,284
CF from Investments	-4,252	-3,802	-1,412	-1,726	-1,025	-1,282	-8,745	5,586	-8,264
Issue of Shares	0	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-1,006	115	61	-2,551	-100	0	0	0	0
Interest Paid	-313	-268	-281	-181	-45	-19	-85	-80	-83
Dividend Paid	-640	-800	-663	-134	-2,779	-1,985	-1,881	-3,006	-3,958
Others	0	0	0	0	0	701	-247	312	-251
CF from Fin. Activity	-1,959	-952	-884	-2,867	-2,923	-1,302	-2,212	-2,774	-4,292
Inc/Dec of Cash	219	324	3,907	4,404	-5,144	-1,811	7,003	-7,608	8,044
Opening Balance	242	462	786	4,693	9,097	3,953	2,142	9,145	1,537
Closing Balance	462	786	4,693	9,097	3,953	2,142	9,145	1,537	9,581

E: MOFSL Estimates

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