

January 28, 2025

RESULT REPORT Q3 FY25 | Sector: Metals and Mining

Tata Steel Ltd

Strong performance in India continues, while Europe business heads towards break-even

Results Synopsis

Tata Steel's Q3FY25 performance was above the consensus expectations, primarily driven by stable volumes and falling raw material prices, which offset the declines in NSR on a QoQ basis. Net revenue from operations decreased by 0.5% QoQ and 3% YoY, with EBITDA down c.4% QoQ and c.7% YoY. The results included a write back of Rs 14,129 million in 'Other Expenses' thereby inflating the EBITDA at the consolidated level.

The company's Kalinganagar 5.0 mtpa brownfield expansion remains on schedule, with the CRM complex adding annealing lines expected to be commissioned soon (one annealing line was commissioned during December 2024). Tata Steel is also advancing its expansion plans at the NINL production site as part of its broader strategy to achieve its Indian capacity targets for FY2031 and is currently undergoing the EC approval process.

In Europe, the performance saw losses peaking in Q2FY25 due to TSUK blast furnace shutdowns, poor demand seen in the Netherlands and falling NSR. In Q3FY25, TSUK losses nearly halved, due to the savings on fixed costs post closure of the blast furnaces. TSN saw an increase of deliveries on a QoQ basis by 2%. Falling NSR in Netherlands deter the higher volumes and the TSN business ended up at a minute loss on the EBITDA level.

TSUK transition continues while KP Phase II 5.0 mtpa expansion ramps-up steadily

Tata Steel's current operational capacity in India stands at 26.60 mtpa, which includes the 5.0 mtpa brownfield expansion at Kalinganagar. This expansion is expected to reach full ramp-up within the next few quarters (H1FY26E). The 2.20 mtpa CRM complex is adding galvanizing and annealing facilities, which will contribute to an improved product mix by increasing the share of VAP thereby enhancing realizations. Kalinganagar plant will bring in significant fixed costs savings, higher efficiencies and be free of the 'legacy costs' attached to the Jamshedpur facilities.

While the KP-II progresses, the company's focus will be towards cost reductions on the European business which has been facing its challenges since the acquisition of Corus. The TSUK blast furnaces have been completely shut down and shall be procuring its substrate from TSN however, the downstream assets continue to function and meet with orders in the geography.

Valuation and View

We project Revenue/EBITDA growth for Tata Steel at a CAGR of 8%/24%, over FY25-27E. We value Tata Steel on a SOTP basis to arrive at our revised target price of Rs 146/sh.

Exhibit 1: Actuals vs Estimates

Rs mn	Actuals	Estimates		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Revenue	536,483	522,609	524,381	2.7%	2.3%	Strong performances in a challenging environment
EBITDA	59,035	54,750	47,419	7.8%	24.5%	
EBITDA (%)	11.0%	10.5%	9.0%	50 bps	200 bps	
PAT	2,955	5,998	-5,496	(50.7%)	(153.8%)	

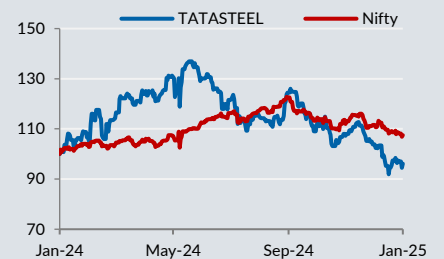
Source: YES Sec

Reco	: ADD
CMP	: Rs 129
Target Price	: Rs 146
Potential Upside	: +13%

Stock data (as on Jan 28, 2025)

Nifty	22,957
52 Week h/l (Rs)	185 / 123
Market cap (Rs/USD mn)	1577544 / 18233
Outstanding Shares (mn)	12,485
6m Avg t/o (Rs mn):	6,528
Div yield (%):	2.9
Bloomberg code:	TATA IN
NSE code:	TATASTEEL

Stock performance



	1M	3M	1Y
Absolute return	-7.4%	-14.3%	-4.7%

Shareholding pattern (As of Dec'24 end)

Promoter	33.2%
FII+DII	42.8%
Others	24.0%

Δ in estimates

	New	Old
FY26E EBITDA	336,615	357,568
FY27E Sales (mt)	32.39	32.70
FY27E EBITDA	381,433	407,190

Δ in stance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	145	157

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	2,124,940	2,232,527	2,474,697
YoY (%)	(7.3%)	5.1%	10.8%
EBIDTA	246,648	336,615	381,433
EBITDA (%)	11.6%	15.1%	15.4%
PAT	20,001	29,241	35,287
ROE (%)	2.1%	3.0%	3.6%
ROCE (%)	8.1%	12.8%	14.4%

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RESULT HIGHLIGHTS

Consolidated performance

- Consolidated revenue from operations for the quarter stood at Rs 536,483 mn (vs our estimate of Rs 522,609 mn) down 0.5% QoQ and 3% YoY.
- Absolute EBITDA for the quarter stood at Rs 59,035 mn (vs our estimate of Rs 54,750 mn). EBITDA margins stood at 11% for the quarter vs 11.4% in Q2FY25 and 11.3% in Q3FY24. (Our estimate of 10.5%)
- Net profit for the quarter stood at Rs 2,955 mn (vs our estimate of Rs 5,998 mn) down 61% QoQ and 36% YoY.
- Total exceptional items stood at (Rs 1,463 mn), majorly towards employee separation compensation (Rs 1,551 mn).
- Europe EBITDA loss came down to Rs 7,357 mn vs Rs 13,442 mn in Q2FY25.

Standalone performance

- Revenue from operations for the quarter stood at Rs 327,605 mn, up 1.1% QoQ and down 5.6% YoY.
- Absolute EBITDA for the quarter stood at Rs 75,005 mn. EBITDA margins stood at 22.9% for the quarter vs 20.4% in Q2FY25 and 23.9% in Q3FY24.
- Net profit for the quarter stood at Rs 38,786 mn, up 8% QoQ and down 17.5% YoY.

Exhibit 2: Consolidated Quarterly Snapshot

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Revenue	594,897	556,819	553,119	586,873	547,714	539,047	536,483	(0.5%)	(3.0%)
Cost of goods sold	274,752	259,031	224,465	260,909	224,230	239,431	239,304	(0.1%)	6.6%
Employee costs	59,254	59,165	65,271	61,407	64,669	63,266	60,725	(4.0%)	(7.0%)
Other expenses	209,152	195,945	200,747	198,556	191,870	174,938	177,419	1.4%	(11.6%)
EBITDA	51,739	42,678	62,636	66,002	66,945	61,413	59,035	(3.9%)	(5.7%)
EBITDA %	8.7%	7.7%	11.3%	11.2%	12.2%	11.4%	11.0%	(3.4%)	(2.8%)
Depreciation	24,123	24,799	24,220	25,680	25,354	25,967	25,692	(1.1%)	6.1%
Other income	11,768	2,282	2,279	1,759	2,599	5,986	2,210	(63.1%)	(3.0%)
Finance costs	18,252	19,594	18,808	18,423	17,767	19,714	18,041	(8.5%)	(4.1%)
Share of profit/(loss)	(2,713)	1,029	734	370	925	(255)	470	(284.4%)	(36.0%)
Exceptional items	134	(68,989)	(3,341)	(5,945)	(3,579)	181	(1,262)	(797.6%)	(62.2%)
Profit before tax	18,554	(67,392)	19,279	18,084	23,768	21,643	16,720	(22.7%)	(13.3%)
Taxes	13,305	(2,280)	14,058	12,543	14,583	14,055	13,765	(2.1%)	(2.1%)
Profit after tax	5,249	(65,112)	5,221	5,541	9,186	7,588	2,955	(61.1%)	(43.4%)

Source: Company, YES Sec

Exhibit 3: Consolidated Operational Performance

mtpa	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Consolidated volumes									
Production	7.13	7.31	7.58	7.92	8.00	7.69	7.58	(1.4%)	0.0%
Sales	7.20	7.07	7.15	7.98	7.39	7.52	7.51	(0.1%)	5.0%
Realization/t (Rs)	82,624.5	78,758.0	77,359.3	73,543.0	74,115.5	71,681.8	71,435.8	(0.3%)	(7.7%)
EBITDA/t (Rs)	7,185.9	6,036.5	8,760.2	8,270.9	9,058.8	8,166.6	7,860.8	(3.7%)	(10.3%)

Source: Company, YES Sec

Exhibit 4: Standalone Quarterly Snapshot

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Revenue	354,868	341,978	346,855	365,401	329,579	323,995	327,605	1.1%	(5.6%)
Cost of goods sold	154,166	151,018	126,728	153,938	127,686	139,142	137,084	(1.5%)	8.2%
Employee costs	17,198	18,825	18,843	19,617	21,388	19,401	19,560	0.8%	3.8%
Other expenses	116,427	103,081	118,353	111,137	112,745	99,354	95,957	(3.4%)	(18.9%)
EBITDA	67,078	69,054	82,932	80,708	67,760	66,098	75,005	13.5%	(9.6%)
EBITDA %	18.9%	20.2%	23.9%	22.1%	20.6%	20.4%	22.9%	12.2%	(4.2%)
Depreciation	14,837	14,823	15,194	15,203	15,238	15,564	15,555	(0.1%)	2.4%
Other income	14,843	8,220	3,259	4,774	3,744	8,515	4,560	(46.4%)	39.9%
Finance costs	10,203	11,162	10,384	9,255	9,248	11,329	10,802	(4.6%)	4.0%
Exceptional items	(112)	(129,928)	101	(6,417)	(2,366)	138	(1,463)	(1158.2%)	(1555.2%)
Profit before tax	56,767	(78,640)	60,714	54,607	44,653	47,858	51,745	8.1%	(14.8%)
Taxes	4,626	6,270	13,728	13,775	11,343	11,949	12,960	8.5%	(5.6%)
Profit after tax	52,142	(84,910)	46,985	40,832	33,310	35,910	38,786	8.0%	(17.5%)

Source: Company, YES Sec

Exhibit 5: Standalone Operational Performance

mtpa	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Standalone volumes									
Production	4.84	4.91	5.13	5.24	5.01	5.06	5.41	6.9%	5.5%
Sales	4.79	4.82	4.88	5.42	4.94	5.11	5.29	3.5%	8.4%
Realization/t	74,085	70,950	71,077	67,417	66,716	63,404	61,929	(2.3%)	(12.9%)
EBITDA/t	14,004	14,326	16,994	14,891	13,716	12,935	14,179	9.6%	(16.6%)

Source: Company, YES Sec

Exhibit 6: Tata Steel Netherlands quarterly performance

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Revenue	150,260	129,610	129,230	139,080	141,670	141,010	138,670	(1.7%)	7.3%
Cost of goods sold	86,370	70,100	66,000	68,300	66,720	64,360	68,410	6.3%	3.7%
Employee costs	26,910	25,360	30,680	27,710	27,830	27,650	27,560	(0.3%)	(10.2%)
Other expenses	48,710	45,600	44,690	46,030	42,600	46,570	42,710	(8.3%)	(4.4%)
EBITDA	(11,730)	(11,450)	(12,140)	(2,960)	4,520	2,430	(10)	(100.4%)	(99.9%)
EBITDA %	(7.8%)	(8.8%)	(9.4%)	(2.1%)	3.2%	1.7%	(0.0%)	(100.4%)	(99.9%)
Volumes (mt)									
Production	0.94	1.19	1.19	1.48	1.69	1.66	1.76	6.0%	47.9%
Deliveries	1.37	1.23	1.30	1.43	1.47	1.50	1.53	2.0%	17.7%
Realization/t (Rs)	109,679	105,374	99,408	97,259	96,374	94,007	90,634	(3.6%)	(8.8%)
EBITDA/t (Rs)	(8,562)	(9,309)	(9,338)	(2,070)	3,075	1,620	(7)	(100.4%)	(99.9%)

Source: Company, YES Sec

Exhibit 7: Tata Steel UK quarterly performance

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Revenue	77,380	72,880	62,940	68,000	68,100	65,150	56,650	(13.0%)	(10.0%)
Cost of goods sold	38,110	41,880	33,600	38,560	39,400	43,870	40,090	(8.6%)	19.3%
Employee costs	11,290	11,210	12,100	10,440	11,850	11,890	9,500	(20.1%)	(21.5%)
Other expenses	31,960	33,460	33,810	22,880	26,400	25,270	14,410	(43.0%)	(57.4%)
EBITDA	(3,980)	(13,670)	(16,570)	(3,880)	(9,550)	(15,880)	(7,350)	(53.7%)	(55.6%)
EBITDA %	(5.1%)	(18.8%)	(26.3%)	(5.7%)	(14.0%)	(24.4%)	(13.0%)	(46.8%)	(50.7%)
Volumes (mt)									
Production	0.85	0.76	0.72	0.66	0.68	0.39	-	(100.0%)	(100.0%)
Deliveries	0.75	0.73	0.64	0.69	0.68	0.63	0.57	(9.5%)	(10.9%)
Realization/t (Rs)	103,173	99,836	98,344	98,551	100,147	103,413	99,386	(3.9%)	1.1%
EBITDA/t (Rs)	(5,307)	(18,726)	(25,891)	(5,623)	(14,044)	(25,206)	(12,895)	(48.8%)	(50.2%)

Source: Company, YES Sec

KEY CONFERENCE CALL HIGHLIGHTS

Macro-economic environment

- China's steel production shows no signs of slowing down and the steel exports continue to be on the rise which has remained a concern for the Indian steel industry.
- The policy rate cuts, and China's stimulus package is expected to support consumption; however, geopolitical risks remained elevated and have kept the prices low at about \$480/t for steel.
- In the last 12 months US and EU steel prices have dropped 24% and 37% respectively.
- The DGTR initiated investigations on safeguard duties, while global trade measures like anti-dumping duties were implemented.
- Chinese steel exports surged to c.110 mt (5-year average of c.60 mt)

General business updates

- NINL – The plant has met all the goals of costs and operational requirements. Process of seeking EC for plant expansion currently underway. During the quarter, NINL reported a 20% EBITDA margin vs 13% in Q2FY25.
- HRC prices dropped by about Rs 2,400/t in India during Q3FY25.
- Kalinganagar currently producing about 8,500t/day – targeting to reach 10,000t/day over the next quarter.
- The company has 500-600 million tonnes of iron ore available post 2030. The company will also look to participate in auctions in the state of Jharkhand, Odisha and Chhattisgarh. Additionally, the company may not keep a 100% captive profile which will depend on the location of the plants, premium being paid on the mining front and the market pricing etc.
- CRM complex: CRM has been operating for the last few months as per the plan. Continuous Annealing line got commissioned in December 24.
- On the ESG front – TSUK remains focused on its shift towards decarbonization and shall be utilizing the scrap available in the country to produce greener steel. TSN on the other hand is under conversations with the governments and awaiting more clarity on how the Hydrogen availability is made feasible for domestic players. The company wants to transition to a gas-based process and later add Hydrogen technologies once its economically feasible.
- Europe will see a supply side transition during the shift towards greener steel and there is a possibility that not all the capacities in the continent will end up shifting towards a greener route due to economic or strategic reasons.
- Capital allocation policy – Completely based on attractiveness of the project. For eg. UK transition along with the grant was attractive as it is expected to generate higher IRRs.
- Tata Steel is focused on deleveraging, aiming for a Net debt/EBITDA of around 2.75x and intends to prioritize growth without excessively increasing debt. However, poor steel pricing continues to weigh heavy on the debt reduction strategy.

Tata Steel European operations

- TSN spreads facing all-time lows at EUR 170/t due to falling realizations. As a result, management is keen to undertake restructuring plan for TSN by reducing employee strength and fixed costs.
- TSUK both the blast furnaces have been shut down successfully and the transformation journey has begun.
- UK fixed cost reduction of GBP 80/t during Q3FY25.

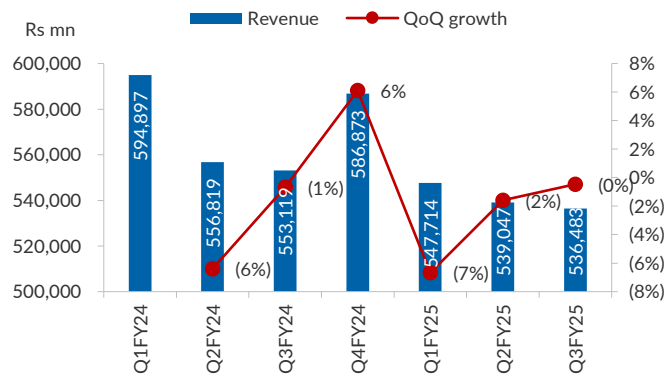
- At TSUK, about 1,900 employees have already taken the job support program and left TSUK. More employee reduction to follow.
- TSUK is expected to breakeven by Q1FY26 if the market conditions follow a favorable pattern. However, can get delayed to Q2FY26 if the market volatility continues to persist.
- Gross debt at TSN stands at \$500 million and TSUK should be in the range of \$700-800 million.

Management guidance

- Expect consolidated capex in FY25 to be ~Rs 18,000-19,000 crores. The next two fiscals will see lower capex vs FY25 since no new large projects are yet in the pipeline.
- In India, NSR should be flat QoQ for the next quarter. In terms of cost, coking coal will be lower by USD 10/t
- In TSUK and TSN, NSR will see a drop of ~GBP 60/t. TSN will see coking coal prices falling by \$20/t and iron ore prices expected to be lower by \$ 3-4/t QoQ.

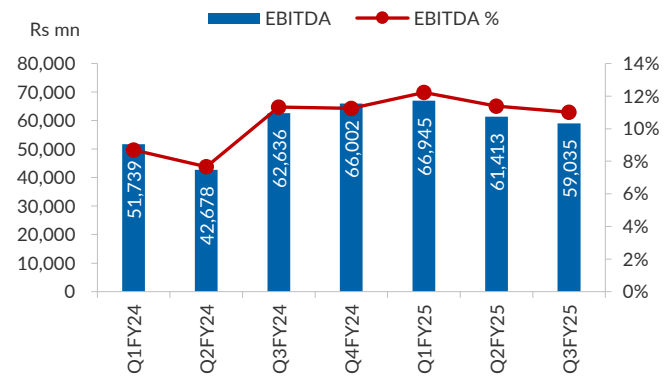
QUARTERLY PERFORMANCE IN CHARTS

Exhibit 8: Revenue remained mostly flat QoQ



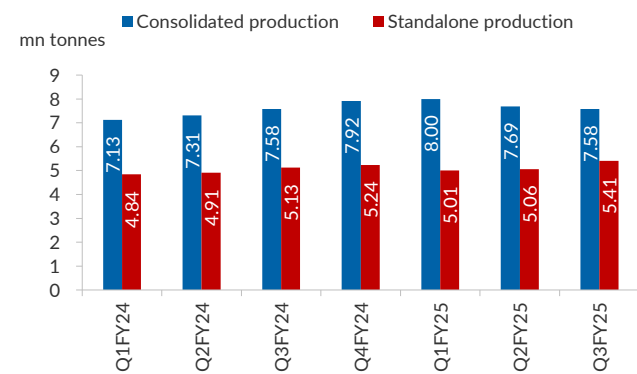
Source: Company, YES Sec

Exhibit 9: EBITDA performance



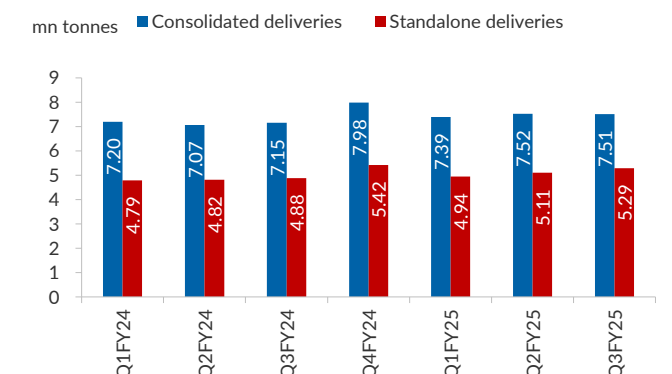
Source: Company, YES Sec

Exhibit 10: Production volumes remain strong



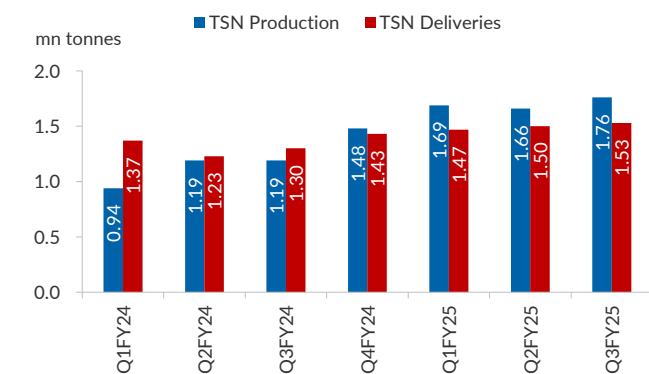
Source: Company, YES Sec

Exhibit 11: Deliveries remain steady QoQ



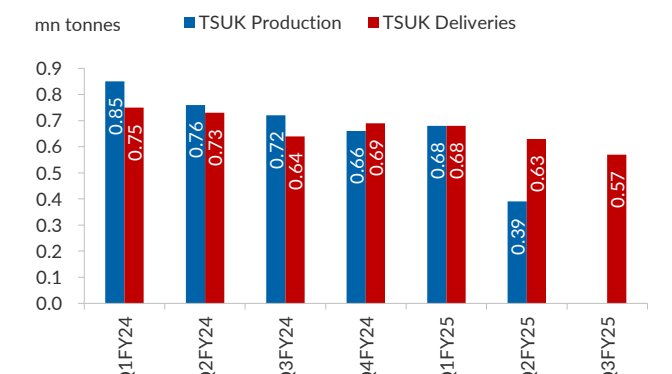
Source: Company, YES Sec

Exhibit 12: TSN reports strong operational performance to support TSUK



Source: Company, YES Sec

Exhibit 13: Port Talbot production ceases post BF closures



Source: Company, YES Sec

FINANCIALS OVERVIEW

Exhibit 14: Income Statement

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net revenue	1,564,774	2,439,592	2,433,527	2,291,708	2,124,940	2,232,527	2,474,697
Cost of goods sold	566,176	834,787	1,132,383	1,019,157	936,594	970,801	1,072,686
Employee cost	199,088	232,641	224,193	245,096	240,883	227,499	246,738
Other expenses	494,468	737,264	753,949	804,396	700,815	697,612	773,840
EBITDA	305,043	634,900	323,002	223,059	246,648	336,615	381,433
% Margin	19.5%	26.0%	13.3%	9.7%	11.6%	15.1%	15.4%
Dep. & Amort.	92,336	91,009	93,352	98,822	99,872	100,464	111,361
Other income	8,956	7,849	10,375	18,089	14,394	14,682	14,975
Finance costs	76,067	54,622	62,987	75,076	80,656	85,376	85,376
Share of profit/(loss)	3,273	6,492	4,181	(580)	1,140	-	-
Exceptional items	(10,432)	(1,341)	1,133	(78,141)	(4,660)	-	-
Profit before tax	138,437	502,269	182,351	(11,470)	76,994	165,458	199,672
Taxes	56,539	84,776	101,598	37,626	56,993	136,217	164,385
Profit after tax	81,898	417,493	80,753	(49,096)	20,001	29,241	35,287

Source: Company, YES Sec

Exhibit 15: Balance Sheet

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Assets							
PPE	1,190,035	1,161,665	1,186,967	1,235,381	1,249,509	1,227,045	1,193,684
CWIP	181,287	212,276	303,079	333,702	409,702	461,702	513,702
Non-current assets	1,852,755	1,928,890	2,013,562	2,028,753	2,117,322	2,148,472	2,170,743
Inventories	332,764	488,244	544,153	491,575	436,222	452,154	499,607
Trade receivables	95,398	122,464	82,572	62,635	64,039	67,282	74,580
Cash and equivalents	55,321	156,047	121,299	70,808	391	14,448	3,212
Bank	2,501	2,943	12,274	15,969	16,882	50,594	58,089
Current assets	601,122	922,561	866,061	705,036	581,897	650,993	706,846
Total assets	2,454,872	2,854,456	2,880,217	2,734,235	2,699,219	2,799,465	2,877,589
Equity and liabilities							
Equity share capital	11,976	12,212	12,212	12,474	12,474	12,474	12,474
Other equity	722,662	1,132,218	1,018,609	907,883	922,884	944,814	971,279
Non-current liabilities	971,116	777,591	855,514	825,873	868,018	883,094	885,516
Current liabilities	708,671	903,969	972,951	984,035	891,873	955,113	1,004,350
Total equity and liabilities	2,454,872	2,854,456	2,880,217	2,734,235	2,699,219	2,799,465	2,877,589

Source: Company, YES Sec

Exhibit 16: Cash Flow Statement

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Cash flow from operations							
Profit before taxes	138,437	502,269	182,351	(11,470)	76,994	165,458	199,672
Depreciation & amortization	92,336	91,009	93,352	98,822	99,872	100,464	111,361
Finance costs	76,067	54,622	62,987	75,076	80,656	85,376	85,376
CFO before working cap changes	285,397	659,004	309,083	222,367	257,521	351,297	396,409
Working capital changes	164,913	(96,177)	(37,065)	33,837	(6,080)	(3,087)	(10,357)
Cash generated from operations	450,310	562,827	272,018	256,204	251,441	348,210	386,051
Taxes paid	(7,043)	(119,017)	(55,188)	(53,197)	(56,993)	(136,217)	(164,385)
Net CFO	443,267	443,810	216,831	203,007	194,448	211,993	221,667
Cash flow from investing							
Purchase of PPE	(69,786)	(105,222)	(141,425)	(182,066)	(114,000)	(78,000)	(78,000)
Sale of PPE	4,446	5,695	3,277	4,754	-	-	-
Change in non-current assets	-	-	-	-	1,558	(1,614)	(3,633)
Others	(27,889)	(9,285)	(48,651)	34,798	(76,000)	(52,000)	(52,000)
Net CFI	(93,229)	(108,812)	(186,798)	(142,514)	(188,442)	(131,614)	(133,633)
Cash flow from financing							
Proceeds from borrowings	98,006	124,389	167,687	133,295	50,000	59,000	-
Payments of borrowings	(391,772)	(263,596)	(102,261)	(109,600)	(32,000)	-	-
Finance costs paid	(68,034)	(46,867)	(61,197)	(81,446)	(80,656)	(85,376)	(85,376)
Dividends paid	(11,505)	(30,201)	(62,926)	(44,288)	(5,000)	(7,310)	(8,822)
Net CFF	(370,897)	(234,011)	(69,807)	(110,970)	(75,511)	(32,610)	(91,776)
Net change in cash	(20,859)	100,987	(39,775)	(50,478)	(69,504)	47,769	(3,742)
Cash at beginning	77,323	55,321	156,070	121,299	70,808	391	14,448
Cash at end	55,321	156,070	121,299	70,808	1,304	48,161	10,707

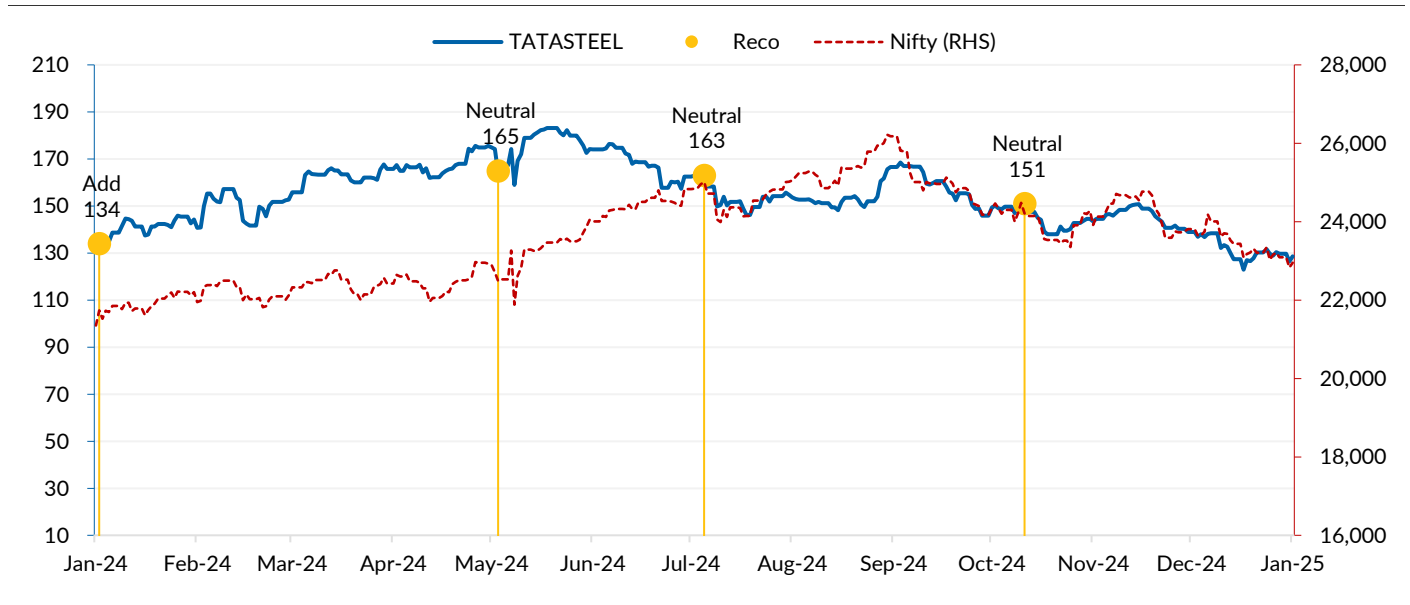
Source: Company, YES Sec

Exhibit 17: Key Ratios

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)							
Revenues	5.0%	55.9%	(0.2%)	(5.8%)	(7.3%)	5.1%	10.8%
GP	17.0%	60.7%	(18.9%)	(2.2%)	(6.6%)	6.2%	11.1%
EBITDA	71.1%	108.1%	(49.1%)	(30.9%)	10.6%	36.5%	13.3%
EBIT	133.2%	155.7%	(57.8%)	(45.9%)	18.1%	60.9%	14.4%
PAT	598.5%	409.8%	(80.7%)	(160.8%)	(140.7%)	46.2%	20.7%
Margins (%)							
GP	63.8%	65.8%	53.5%	55.5%	55.9%	56.5%	56.7%
EBITDA	19.5%	26.0%	13.3%	9.7%	11.6%	15.1%	15.4%
EBIT	13.6%	22.3%	9.4%	5.4%	6.9%	10.6%	10.9%
PAT	5.2%	17.1%	3.3%	(2.1%)	0.9%	1.3%	1.4%
Return profile (%)							
ROE	10.6%	35.7%	7.7%	(5.3%)	2.1%	3.0%	3.6%
ROCE	12.2%	27.9%	12.0%	7.1%	8.1%	12.8%	14.4%

Source: Company, YES Sec

Recommendation Tracker



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