

Persistent Systems (PSYS IN)

Event Update

June 29, 2026

■ Estimate Change | ■ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	6,400		6,400	
Sales (INR bn)	179	215	179	215
% Chng.	-	-	-	-
EBITDA (INR bn)	34	42	34	42
% Chng.	-	-	-	-
EPS (INR)	148.9	182.8	148.9	182.8
% Chng.	-	-	-	-

Key Data

PERS.BO | PSYS IN

BSE Code	533179
NSE Code	PERSISTENT
52-W High / Low	INR 6,599 / INR 4,449
Face Value	5
Sensex / Nifty	77,100 / 24,056
Market Cap	INR 764 bn / \$ 8,090 mn
Shares Outstanding	157.75 mn
3M Avg. Daily Value	INR 3,740.05 mn

Shareholding Pattern (%)

Promoters	30.29
FIIs	22.80
MF	22.98
DII	6.84
Public	17.09
Promoter's Pledge	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(3.9)	(1.8)	(23.8)	(20.7)
Relative	(4.7)	(4.1)	(15.6)	(14.9)

Key Financials - Consolidated

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR bn)	119	147	179	215
EBITDA (INR bn)	21	28	34	42
Margin (%)	17.2	19.0	19.1	20.0
PAT (INR bn)	14	20	23	29
EV (INR bn)	738	737	726	712
Total Debt (INR bn)	-	-	-	-
C&C Eq. (INR bn)	7	11	27	41
EPS (INR)	90.2	124.7	148.9	182.8
Gr. (%)	21.7	38.2	19.4	22.8
DPS (INR)	35.0	40.0	40.2	40.7
Yield (%)	0.7	0.8	0.8	0.8
RoE (%)	24.8	27.6	27.0	27.0
RoCE (%)	23.8	26.4	25.8	25.6
EV/Sales (x)	6.2	5.0	4.1	3.3
EV/EBITDA (x)	35.8	26.4	21.3	17.1
PE (x)	53.7	38.8	32.5	26.5
P/BV (x)	11.9	9.7	8.0	6.5

Europe expansion to begin the next growth phase

Quick Pointers

- Announces Nagarro acquisition for Eur 1.3 bn (USD 1.6 bn) at 1.3x CY25 revenue
- Acquisition to be funded by bridge loan facility of EUR 1.4 bn

The investments (USD 1.6bn) in Nagarro is largely complementing and scaling the core business dynamics of PSYS, in terms of expanding new verticals and geographies, where PSYS has marginal presence. More importantly, the target entity shares a similar culture and service lines to PSYS' core business, which is a positive in our view. However, we believe there is a slight business risk which comes along with the vertical presence, barring 2-3 verticals, the near-term growth within other business units remains a challenge (mid-single-digit). PSYS is largely pivoted on the build side (platform engineering), while Nagarro is dominated on the managed side that results in having higher T&M practice (around 60% mix). Hence, there is a notable difference in growth/margin profile of PSYS and Nagarro. Although there are a few (10 accounts) client overlapping between them, the management is excited and confident of scaling the potential accounts through cross-selling and up-selling opportunities.

The deal valuations (1.3x EV/Sales of CY25 & 9.12x EV/EBITDA) look relatively fair, given the breadth and depth it provides to achieve a higher TAM. We don't see any immediate turnaround post integration (expected Q4FY26/Q1FY27). Probably, the consol business would require investments in senior leaders and fuel S&M engine to newer verticals and geos before it embarks on a smooth journey. As per our estimates (Pro-forma), we see 120bps and ~200bps margin dilution at GM and EBITDA levels, however the integration will be EPS accretive (~4% at FY28E) despite the additional amortization & interest expense. The EPS calculation is excluding the USD650m deal (ACV 125m), that would add ~5% each (FY27E/FY28E) to PSYS core USD revenue. Retain BUY.

Acquisition: PSYS announced the acquisition of Germany-listed digital engineering firm Nagarro SE for EV of USD 1.4 bn. Nagarro is a diversified digital engineering company with ~18,500 employees across 40+ countries, including ~13,500 employees in India. The transaction includes the acquisition of a 21% stake from Nagarro's largest shareholder, and a voluntary public takeover offer for the remaining shares at EUR 81/share (140% premium to the previous close). The deal is backed by an EUR 1.4 bn bridge loan facility & the transaction is expected to close in Q4 CY26/Q1 CY27, subject to regulatory approvals. Nagarro reported revenue of EUR 999.3 Mn (USD 1,079 Mn) in CY25 & rev. of CAGR of 4.7% between CY23-25.

Rationale of acquisition: The acquisition significantly strengthens PSYS presence in Europe, increasing the region's revenue contribution from 9% to 22%, while adding complementary capabilities in digital engineering, ERP, CX and AI-led transformation. Nagarro also brings strong client relationships across Europe, particularly in Industrials, Automotive & TMT segments in which PSYS had marginal presence. The combined entity will have nearly US\$2.9bn in revenue and 46,000+ employees, enhancing Persistent's global scale, geographic diversification and cross-selling opportunities.

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Other Call Highlights

- Management stated that the acquisition offers multiple synergy vectors through cross selling opportunities, cost synergies and Nagarro's strong presence, particularly in the Industrial segment
- Nagarro strengthens PSYS's capabilities through its position as a key SAP implementation partner, a domain where Persistent has relatively low exposure, along with being one of the few accredited Sellers for OpenAI and its partnerships with Anthropic and leading hyperscalers, enhancing the combined entity's AI and enterprise technology capabilities along with nearshore delivery presence
- Management highlighted that the acquisition would aid in adding complementary services to existing business, and not just a simple consolidation deal, & will provide PSYS with an entry into the Middle East region
- Quality of Nagarro's client logos and minimal customer overlap with PSYS create significant untapped cross selling opportunities, while some cannibalisation may occur in the T&M business, the combined capabilities and PSYS's technology rigor are expected to support larger deal wins and help drive Nagarro's growth, subject to successful integration and scaling
- Two BaFin inquiries relating to Nagarro's books were received in FY24 pertaining to financial reporting & accounting treatments, however a comprehensive due diligence was conducted by Persistent, and no major concerns were identified
- Management highlighted that interest cost to be incurred from FY28 onwards will depend on the open offer acceptance rate and the combined entity's cash generation ability for debt repayment

Exhibit 1 : Acquisition is expected to EPS accretive despite being margin dilutive

FY28 Pro Forma (in INR mn)	Persistent	Nagarro	Acq. Related exp.	Merged
Revenue in (USD)	2,268	1,232	-	3,500
Revenue	215,440	117,044	-	332,484
Gross Profit	76,481	37,454	-	113,935
Gross Margin (%)	35.5%	32.0%		34.3%
EBITDA	41,580	16,386	-	57,966
EBITDA Margin (%)	19.3%	14.0%		17.4%
Dep. & Amortization	5,817	3,511	4,072	13,400
EBIT	35,763	12,875	-	44,566
EBIT Margin (%)	16.6%	11.0%		13.4%
Net Other Income	1,939		(6,404)	(4,465)
PBT	37,702	12,875	-	40,101
Tax	8,860	3,476	-	10,025
PAT	28,842	9,399	-	30,076
PAT Margin (%)	13.4%	8.0%		9.0%
No. of shares (in Mn)	157.8			157.8
EPS	182.8			190.6

Source: Company, PL

Assumptions (Nagarro revenue growth CY26 & CY27 is 3% & 5%, Interest calculated at 4.5% & Nagarro existing interest cost integrated in new loan)






Exhibit 2 : Nagarro's operating metrics

Nagarro	CY20	CY21	CY22	CY23	CY24	CY25	Q1CY26	CAGR CY20-25
Revenue in (Eur mn)	430.5	546	856.3	912.1	972	999.3	248.1	18.3%
Gross Profit	118	154.4	247.1	235.7	295.8	321.3	77.4	22.2%
GM (%)	27.4%	28.3%	28.9%	25.8%	30.4%	32.2%	31.2%	
Adj. EBITDA	57.8	79.7	148.5	126.1	147.5	138.2	31.2	19.0%
Margin (%)	13.4%	14.6%	17.3%	13.8%	15.2%	13.8%	12.6%	
Geo. Mix (%)								
NA	41.0%	40.5%	40.2%	36.1%	35.8%	34.7%	34.9%	
Central Europe	29.3%	26.5%	27.1%	28.3%	28.7%	29.8%	29.1%	
Rest of Europe	11.8%	11.4%	11.9%	12.0%	12.3%	12.6%	12.2%	
RoW	17.9%	21.6%	20.9%	23.6%	23.3%	22.9%	23.8%	
Geo. Revenue (Eur mn)								
NA	176.4	221	344.1	329.2	347.7	346.8	86.7	14.5%
Central Europe	126.2	144.7	231.7	257.7	278.8	298	72.1	18.7%
Rest of Europe	50.9	62.4	101.5	109.8	119.1	126	30.3	19.9%
RoW	77	117.9	179	215.3	226.5	228.5	59.1	24.3%
Segment Mix (%)								
Automotive, Manufacturing and Industrial	18.7%	19.7%	19.1%	21.9%	22.6%	24.9%	26.4%	
Energy, Utilities and Building Automation	9.5%	8.1%	6.9%	7.6%	7.6%	6.7%	5.8%	
Financial Services and Insurance	13.6%	13.1%	13.5%	13.8%	12.8%	12.4%	13.6%	
Horizontal Tech	14.8%	12.6%	9.2%	7.1%	6.3%	5.1%	3.6%	
Life Sciences and Healthcare	7.8%	7.8%	7.0%	7.7%	7.3%	7.1%	6.9%	
Management Consulting and Business Information	7.2%	7.5%	7.5%	6.5%	6.2%	7.6%	8.4%	
Public, Non-profit and Education	9.4%	9.5%	8.4%	7.7%	9.1%	9.0%	9.2%	
Retail and CPG	14.6%	14.0%	13.4%	13.4%	13.6%	13.5%	13.4%	
Telecom, Media and Entertainment	9.4%	7.5%	5.7%	5.5%	5.6%	4.5%	4.4%	
Travel and Logistics	9.0%	9.3%	9.2%	8.9%	8.8%	9.2%	8.3%	
Segment (Eur mn)								
Automotive, Manufacturing and Industrial	80.6	107.3	163.6	199.3	219.8	248.6	65.6	25.3%
Energy, Utilities and Building Automation	40.7	44.2	58.7	69.1	73.5	66.5	14.5	10.3%
Financial Services and Insurance	58.4	71.7	115.9	126	124.8	123.6	33.7	16.2%
Horizontal Tech	63.7	68.8	78.9	64.7	61.5	50.9	9	-4.4%
Life Sciences and Healthcare	33.7	42.7	59.8	70.3	70.9	71.4	17	16.2%
Management Consulting and Business Information	31	41.2	64.5	59.2	60.5	75.9	20.8	19.6%
Public, Non-profit and Education	40.3	52	72.2	69.8	88.9	90.2	22.8	17.5%
Retail and CPG	62.7	76.6	114.5	122	132.4	135.1	33.3	16.6%
Telecom, Media and Entertainment	40.3	40.7	49.1	50	54.2	44.7	10.8	2.1%
Travel and Logistics	38.9	51	79.1	81.6	85.5	92.4	20.6	18.9%
Top clients mix								
Top 5 %	17.8%	16.8%	15.4%	14.3%	14.4%	15.5%	16.4%	
Top 6-10 %	11.8%	11.5%	10.6%	9.3%	9.1%	8.8%	9.3%	
Non Top 10 clients %	70.4%	71.7%	74.0%	76.4%	76.5%	75.7%	74.3%	
Top clients mix (Eur mn)								
Top 5 %	76.6	91.7	131.9	130.4	140.0	154.9	40.7	15.1%
Top 6-10 %	50.8	62.8	90.8	84.8	88.5	87.9	23.1	11.6%
Non Top 10 clients %	303.1	391.5	633.7	696.8	743.6	756.5	184.3	20.1%

Source: Company, PL

Exhibit 3 : Acquisition strengthens PSYS capabilities and expands Europe presence

Persistent - Nagarro Group to be a combined AI powerhouse: deeper where we lead, complement across the enterprise, lead in Europe and physical world

 Reinforce the core	 Complement Business AI	 Combine the ecosystem	 Lead in Europe	 Expand the frontier
<p>Strengthen our two strongest pillars by uniting both firms' best-in-class assets in software engineering (e.g., SASVA, Vanguard) and data (e.g., iAURA, DEP.AI)</p>	<p>Complement functional workflows by embedding AI in every business process, powered by Fluidic Intelligence's 100+ accelerators (e.g., NIA Forcastra, Mosaic OS)</p>	<p>Tap at-scale alliances across Hyperscalers ISVs (e.g., SAP, IBM, Adobe, Salesforce, Siemens, ServiceNow, Snowflake etc.) and Frontier-AI (OpenAI, Anthropic, NVIDIA)</p>	<p>Lead Europe's still-early AI market by leveraging Nagarro's strong European footprint and native India-EU corridor as enterprise adoption accelerates</p>	<p>Expand into Physical & Industrial AI through Nagarro's automotive, manufacturing and IoT/OT depth and expertise - from the factory floor to the connected product</p>

Source: Company, PL

Exhibit 4 : Nagarro's acquisition takes consolidated revenue to USD 2.9 bn

Together, Persistent – Nagarro Group will create an AI-led engineering powerhouse to serve global clients with end-to-end offerings across every major sector...

New dimension of scale

A global leader in **AI-led digital engineering** with **~USD 2.9B** run-rate revenue (Q4FY26) and 46,000+ employees across 40+ countries

Enhanced capabilities

Nagarro's **AI, Digital, Product Design, ERP and CX capabilities** complement Persistent's **technology portfolio** – the group strengthens the AI Forward Deployed Engineering capabilities, to accelerate client outcomes in AI-led transformation

Stronger diversification

At-scale presence in **North America (USD 1.7B+)** and **Europe (USD 600M+)**; Europe rising from **~9% to ~22%⁽¹⁾ of pro-forma revenue**

Broader vertical depth

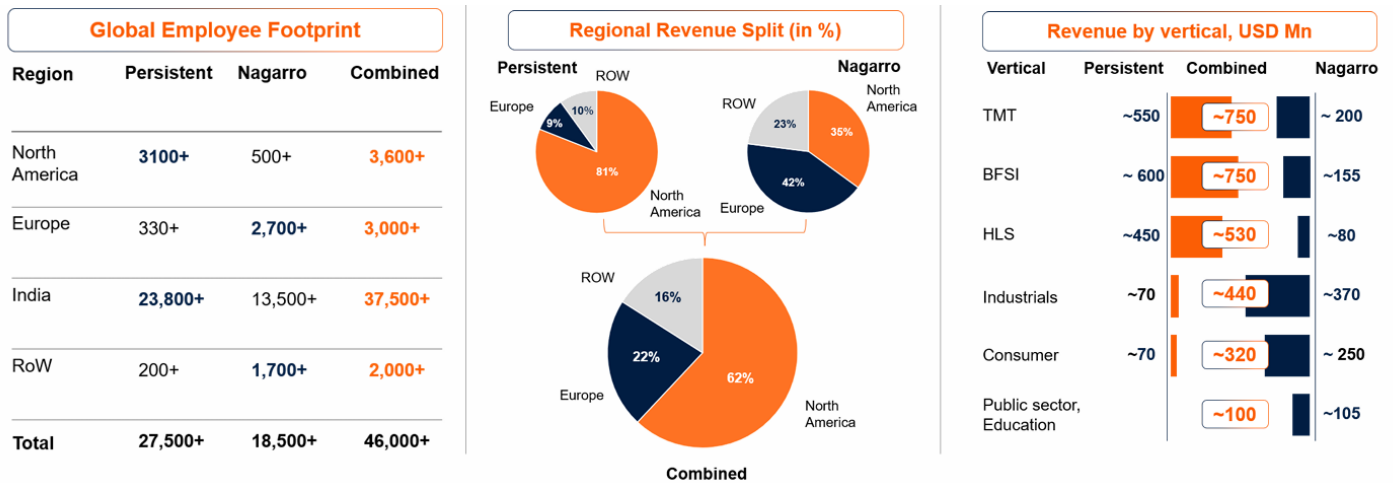
Scaled verticals with **\$750M+ BFSI** and **TMT**, **\$500M+ HLS**, **\$ 400M+ Industrials**; **\$300M+ in Consumer**; combined marquee client base

Strong cultural fit

Two global organizations with entrepreneurial ethos, an engineering-first culture, and decades of trust with some of the world's most demanding clients

Source: Company, PL

Exhibit 5 : Acquisition scales Europe revenue mix to 22% from existing 9% which was strategic objective



Source: Company, PL

Exhibit 6 : Acquisition to be funded by EUR 1.4 bn bridge loan

Financing and related details



- **Transaction to be funded through committed bridge financing from Barclays**
 - **Interest:** EURIBOR + Margin of 175 up to 250 bps (4.1% - 4.8%)
 - **Leverage (Net Debt / Combined EBITDA):** ~1.9x to 2.5x based on open offer acceptance (50% + 1 share to 100%) and is expected to reduce below 1.0x by FY30
 - **Total amount of facility:** Committed bridge financing facility of EUR 1.4 Billion (includes amount for refinancing of Nagarro's existing debt if required)
 - **Security:** Corporate guarantee up to EUR 1.54 Billion provided by Persistent Systems Ltd. (additional amount provisions for outstanding accrued interest, if any)



- **Goodwill and other intangibles:** 70:30 ratio
- **Amortization period for other intangibles:** 8 years



- **Expected to be Cash EPS accretive as well as Reported EPS accretive in Year 1 (excluding transaction expenses)**
- **Revenue and Cost synergies to be detailed post regulatory approvals**

Source: Company, PL

Financials

Income Statement (INR bn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Net Revenues	119	147	179	215
YoY gr. (%)	21.6	23.5	21.2	20.5
Cost of Goods Sold	79	95	116	139
Gross Profit	41	53	63	76
Margin (%)	34.0	35.7	36.0	36.0
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	21	28	34	42
YoY gr. (%)	19.4	35.8	22.0	21.9
Margin (%)	17.2	19.0	19.1	20.0
Depreciation and Amortization	3	4	5	6
EBIT	18	24	29	36
Margin (%)	14.7	16.2	16.4	17.0
Net Interest	-	-	-	-
Other Income	1	1	1	2
Profit Before Tax	18	25	31	38
Margin (%)	15.3	17.0	17.2	18.0
Total Tax	4	5	7	9
Effective Tax Rate (%)	23.2	21.8	24.0	24.0
Profit After Tax	14	20	23	29
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	14	20	23	29
YoY gr. (%)	22.6	39.6	20.2	22.8
Margin (%)	11.7	13.2	13.1	13.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14	19	23	29
YoY gr. (%)	28.0	33.2	26.0	22.8
Margin (%)	11.7	12.6	13.1	13.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14	19	23	29
Equity Shares O/s (mn)	-	-	-	-
EPS (INR)	90.2	124.7	148.9	182.8

Source: Company, PL

Balance Sheet (INR bn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Non-Current Assets				
Gross Block	37	43	46	51
Tangibles	22	27	31	35
Intangibles	16	16	16	16
Acc: Dep / Amortization	24	28	32	38
Tangibles	12	16	21	27
Intangibles	11	11	11	11
Net Fixed Assets	14	15	14	12
Tangibles	9	11	9	8
Intangibles	5	5	5	5
Capital Work In Progress	-	-	-	-
Goodwill	12	14	14	14
Non-Current Investments	6	7	8	10
Net Deferred Tax Assets	2	3	4	5
Other Non-Current Assets	2	3	4	5
Current Assets				
Investments	7	11	11	11
Inventories	-	-	-	-
Trade Receivables	18	21	24	29
Cash & Bank Balance	7	11	27	41
Other Current Assets	18	28	34	41
Total Assets	87	114	140	168
Equity				
Equity Share Capital	1	1	1	1
Other Equity	62	78	95	117
Total Network	63	78	96	118
Non-Current Liabilities				
Long Term Borrowings	-	-	-	-
Provisions	-	-	-	-
Other Non Current Liabilities	3	6	7	9
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade Payables	9	11	19	23
Other Current Liabilities	12	18	18	18
Total Equity & Liabilities	87	114	140	168

Source: Company, PL

Cash Flow (INR bn)

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	18	24	31	38
Add. Depreciation	3	4	5	6
Add. Interest	-	-	-	-
Less Financial Other Income	1	1	1	2
Add. Other	2	1	-	-
Op. Profit before WC Changes	23	30	36	44
Net Changes-WC	(6)	(6)	(1)	(8)
Direct Tax	(5)	(6)	(7)	(9)
Net Cash from Op. Activities	12	18	27	27
Capital Expenditures	(2)	(2)	(4)	(4)
Interest / Dividend Income	1	-	-	-
Others	(3)	(5)	(1)	(2)
Net Cash from Inv. Activities	(4)	(6)	(5)	(6)
Issue of Share Cap. / Premium	2	-	-	-
Debt Changes	(3)	(2)	-	-
Dividend Paid	(5)	(6)	(6)	(6)
Interest Paid	-	-	-	-
Others	-	-	-	-
Net Cash from Fin. Activities	(6)	(7)	(6)	(6)
Net Change in Cash	1	4	16	14
Free Cash Flow	9	16	24	22

Source: Company, PL

Quarterly Financials (INR bn)

Y/e Mar	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Net Revenues	33	36	38	41
YoY gr. (%)	2.8	7.4	5.5	7.4
Raw Material Expenses	22	23	24	26
Gross Profit	12	13	14	14
Margin (%)	35.3	36.0	36.1	35.3
EBITDA	6	7	7	8
YoY gr. (%)	-	-	-	-
Margin (%)	18.3	19.1	19.4	18.9
Depreciation / Depletion	1	1	1	1
EBIT	5	6	6	7
Margin (%)	15.5	16.3	16.7	16.3
Net Interest	-	-	-	-
Other Income	-	-	-	-
Profit before Tax	6	6	7	7
Margin (%)	16.7	17.2	17.3	16.6
Total Tax	1	1	1	1
Effective Tax Rate (%)	23.5	23.6	19.2	21.5
Profit After Tax	4	5	5	5
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4	5	5	5
YoY gr. (%)	7.4	10.9	12.1	0.2
Margin (%)	12.7	13.2	14.0	13.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4	5	4	5
YoY gr. (%)	7.4	10.9	(6.8)	20.4
Margin (%)	12.7	13.2	11.6	13.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4	5	4	5
Avg. Shares O/s (mn)	-	-	-	-
EPS (INR)	27.2	30.1	33.8	33.6

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26	FY27E	FY28E
Per Share (INR)				
EPS	90.2	124.7	148.9	182.8
CEPS	110.0	150.4	179.5	219.7
BVPS	407.2	500.2	605.6	747.7
FCF	59.3	99.5	150.4	141.8
DPS	35.0	40.0	40.2	40.7
Return Ratio (%)				
RoCE	23.8	26.4	25.8	25.6
ROIC	18.7	19.6	18.9	19.1
RoE	24.8	27.6	27.0	27.0
Balance Sheet				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	29	25	10	10
Valuation (x)				
PER	53.6	38.8	32.5	26.4
P/B	11.8	9.6	7.9	6.4
P/CEPS	44.0	32.1	26.9	22.0
EV/EBITDA	35.8	26.3	21.2	17.1
EV/Sales	6.1	4.9	4.0	3.3
Dividend Yield (%)	0.7	0.8	0.8	0.8
FCFF Yield (%)	1.2	2.0	3.1	2.9
PEG Ratio	2.4	1.0	1.6	1.1

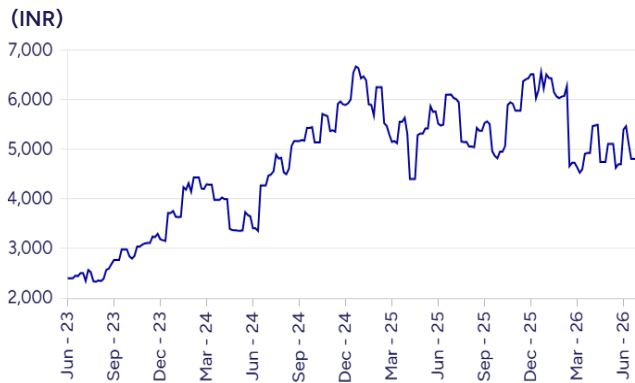
Source: Company, PL

Key Operating Metrics

Y/e Mar	FY25	FY26	FY27E	FY28E
Revenue (in US\$ mn)	1,409	1,654	1,923	2,268

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	22-Apr-26	Buy	6400	5330
2	01-Apr-26	BUY	6570	5049
3	21-Jan-26	BUY	7360	6343
4	02-Jan-26	BUY	7060	6283
5	15-Oct-25	BUY	6280	5338
6	04-Oct-25	BUY	5970	5069
7	24-Jul-25	Hold	5890	5606
8	01-Jul-25	Hold	5890	6042
9	24-Apr-25	BUY	5910	5164
10	03-Apr-25	Accumulate	5920	5318

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Coforge	Buy	2020	1466
2	Cyient	BUY	950	780
3	Fractal Analytics	Hold	1040	1034
4	HCL Technologies	Reduce	1300	1441
5	Infosys	BUY	1570	1241
6	KPIT Technologies	BUY	880	723
7	L&T Technology Services	Hold	3610	3550
8	Latent View Analytics	Buy	450	309
9	LTM	HOLD	4560	4342
10	Mphasis	BUY	3000	2233
11	Persistent Systems	Buy	6400	5330
12	Tata Consultancy Services	BUY	3450	2589
13	Tata Elxsi	HOLD	4800	4651
14	Tata Technologies	HOLD	560	591
15	Tech Mahindra	Buy	1660	1463
16	Wipro	HOLD	200	210

PL's Recommendation Nomenclature (Absolute Performance)

BUY	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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