

August 05, 2025

Near term headwinds but outlook promising...

About the stock: Aurobindo is a leading export driven global producer of generic formulations and APIs with major presence in the US and Europe. The company's broad product portfolio, which is backed by a vertically integrated model, encompasses seven key therapeutic/product areas, including CNS, anti-retroviral, CVS, antibiotics, gastroenterological, anti-diabetics and anti-allergic. The company has forayed into complex areas of injectables, oncology OSDs and biosimilars.

- Q1FY26 Sales break-up- US formulations- 44%, Europe- ~30%, APIs- 12%, RoW (Growth markets- ~9% and ARV- ~4%)

Result performance & Investment Rationale:

- Q1FY26- Muted numbers on expected lines- Revenues grew ~4% YoY to ₹ 8382 crore due to softness in the US (44% of the revenues) which de-grew 2% to ₹ 4072 crore. Europe (30% of the revenues) grew 18% to ₹ 2338 crore and ARV (~4% of the revenues) grew 55% to ₹ 355 crore. Growth Markets (~10% of the revenues) grew ~9% YoY to ₹ 772 crore (including India formulations). APIs de-grew at 16% YoY ₹ to 916 crore. EBITDA de-grew 1% YoY to ₹1603 crore while EBITDA margins decreased 103 bps to 20.4%. EBITDA de-growth was mainly driven by increase in employee expenses. Adjusted PAT de-grew 10.3% YoY to ₹ 824 crore.
- The performance was more or less in sync with the overall FY26 management guidance with flattish US growth (waning gRevlimid traction and pending approvals from Eugia III), overall single digit growth and EBITDA margins around ~21% (came in slightly lower though). This also stems from the fire event at Pen G facility in April 2025 which is likely to cause 4-6 months of revenue loss besides forgoing of GPM benefits. On the bright side, European growth has been consistently strong over the last few quarters.
- Despite Eugia III induced slowdown, outlook remains promising – With the expected resolution of pending Eugia-III USFDA embargo mostly by the end of FY26, the company would be focusing on other important aspects as well. Although the US business may remain subdued in FY26 due to a decline in gRevlimid, we expect recovery in FY27 driven by injectable momentum and steady oral solid growth. (We have not baked in the recent Lannett acquisition for want of FTC approval). Europe has emerged as an important growth driver for the company. It expects biosimilars ramp-up (4 approved) from H2FY26 onwards. The management has set a target of ₹1 billion revenues for Europe in FY26. Overall, resolution of Eugia-3, upcoming launches across regions, and expansion into complex areas like biosimilars, coupled with R&D scale-up, position the company for sustained growth and improving margins.

Rating and Target price

- Our target price is ₹ 1285 based on 15x FY27E EPS of ₹ 85.5.

Key Financial Summary

| Key Financials (₹ crore) | FY23 | FY24 | FY25 | 2 year CAGR (FY23-25) | FY26E | FY27E | 2 year CAGR (FY25-27E) |
|-----------------------------|---------|---------|---------|--------------------------|---------|---------|---------------------------|
| Revenues (₹) | 24855.2 | 29000.4 | 31723.7 | 13.0 | 33989.2 | 37644.4 | 8.9 |
| EBITDA (₹ crore) | 3683.8 | 5827.3 | 6605.4 | 33.9 | 6666.2 | 8470.0 | 13.2 |
| EBITDA margins | 14.8 | 20.1 | 20.8 | | 19.6 | 22.5 | |
| Net Profit (₹ crore) | 1934.9 | 3390.2 | 3531.7 | 35.1 | 3493.1 | 5013.1 | 19.1 |
| EPS (₹) | 33.0 | 57.9 | 60.3 | | 59.6 | 85.5 | |
| PE (x) | 32.4 | 19.8 | 18.0 | | 18.0 | 12.5 | |
| EV/EBITDA (%) | 17.1 | 11.2 | 9.8 | | 9.2 | 6.8 | |
| ROE (%) | 7.2 | 11.4 | 10.8 | | 9.7 | 12.4 | |
| ROCE (%) | 8.6 | 13.7 | 13.9 | | 13.1 | 16.1 | |

Source: Company, ICICI Direct Research



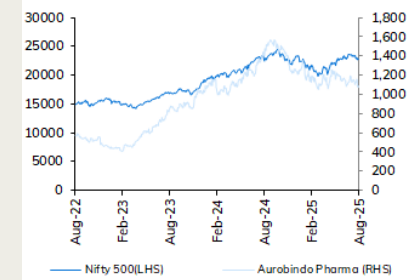
Particulars

| Particular | Amount |
|-----------------------|---------------|
| Market Capitalisation | ₹ 62695 crore |
| Debt (FY25) | ₹ 8263 crore |
| Cash (FY25) | ₹ 5569 crore |
| EV | ₹ 65389 crore |
| 52 week H/L (₹) | 1593/994 |
| Equity capital | ₹ 58.6 crore |
| Face value | ₹ 1 |

Shareholding pattern

| (in %) | Sep-24 | Dec-24 | Mar-25 | Jun-25 |
|----------|--------|--------|--------|--------|
| Promoter | 51.8 | 51.8 | 51.8 | 51.8 |
| FIIIs | 16.6 | 16.3 | 15.3 | 14.4 |
| DIIIs | 25.1 | 25.2 | 26.2 | 26.9 |
| Others | 6.5 | 6.7 | 6.6 | 6.9 |

Price Chart



Key risks

- Slower ramp up in new launches especially in the US.
- Unforeseen expenses related to regulatory issues which keep on emerging.

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Exhibit 1: Quarterly Summary

| (₹ Crore) | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | YoY (%) | QoQ (%) |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|
| Total Operating Income | 5809.4 | 6235.9 | 5739.2 | 6407.1 | 6473.0 | 6850.0 | 7219.0 | 7351.0 | 7580.4 | 7567.0 | 7796.1 | 7978.5 | 8382.1 | 7868.0 | 4.0 | -6.1 |
| Raw Material Expenses | 2524.2 | 2886.7 | 2568.0 | 2907.5 | 2931.0 | 3154.7 | 3236.7 | 3150.6 | 3060.9 | 3072.7 | 3210.3 | 3315.4 | 3427.9 | 3239.2 | 5.4 | -5.5 |
| % of revenue | 43.5 | 46.3 | 44.7 | 45.4 | 45.3 | 46.1 | 44.8 | 42.9 | 40.4 | 40.6 | 41.2 | 41.6 | 40.9 | 41.2 | 56 bps | 27 bps |
| Gross Profit | 3285.2 | 3349.2 | 3171.2 | 3499.6 | 3542.0 | 3695.3 | 3982.3 | 4200.4 | 4519.5 | 4494.3 | 4585.8 | 4663.1 | 4954.2 | 4628.8 | 3.0 | -6.6 |
| GPM (%) | 56.5 | 53.7 | 55.3 | 54.6 | 54.7 | 53.9 | 55.2 | 57.1 | 59.6 | 59.4 | 58.8 | 58.4 | 59.1 | 58.8 | -56 bps | -27 bps |
| Employee Expenses | 853.2 | 880.2 | 868.5 | 921.7 | 851.9 | 952.0 | 955.0 | 989.7 | 1026.3 | 1072.0 | 1109.5 | 1131.6 | 1162.6 | 1228.8 | 14.6 | 5.7 |
| % of revenue | 14.7 | 14.1 | 15.1 | 14.4 | 13.2 | 13.9 | 13.2 | 13.5 | 13.5 | 14.2 | 14.2 | 14.2 | 13.9 | 15.6 | 145 bps | 175 bps |
| Other Manufacturing Expenses | 1457.5 | 1532.6 | 1512.1 | 1623.4 | 1687.9 | 1592.5 | 1624.5 | 1610.2 | 1820.1 | 1802.8 | 1910.2 | 1903.8 | 1999.7 | 1796.7 | -0.3 | -10.2 |
| % revenues | 25.1 | 24.6 | 26.3 | 25.3 | 26.1 | 23.2 | 22.5 | 21.9 | 24.0 | 23.8 | 24.5 | 23.9 | 23.9 | 22.8 | -99 bps | -102 bps |
| Total Expenditure | 4835.0 | 5299.4 | 4948.5 | 5452.6 | 5470.8 | 5699.2 | 5816.2 | 5750.5 | 5907.3 | 5947.5 | 6229.9 | 6350.7 | 6590.2 | 6264.7 | 5.3 | -4.9 |
| % of revenue | 83.2 | 85.0 | 86.2 | 85.1 | 84.5 | 83.2 | 80.6 | 78.2 | 77.9 | 78.6 | 79.9 | 79.6 | 78.6 | 79.6 | 103 bps | 100 bps |
| EBITDA | 974.4 | 936.5 | 790.7 | 954.5 | 1002.2 | 1150.9 | 1402.8 | 1600.5 | 1673.1 | 1619.6 | 1566.1 | 1627.8 | 1791.9 | 1603.3 | -1.0 | -10.5 |
| EBITDA Margins (%) | 16.8 | 15.0 | 13.8 | 14.9 | 15.5 | 16.8 | 19.4 | 21.8 | 22.1 | 21.4 | 20.1 | 20.4 | 21.4 | 20.4 | -103 bps | -100 bps |
| Depreciation | 253.6 | 279.5 | 298.1 | 321.4 | 345.6 | 326.6 | 417.5 | 423.3 | 354.3 | 404.2 | 382.3 | 418.5 | 444.4 | 405.7 | 0.4 | -8.7 |
| Interest | 9.2 | 14.6 | 25.3 | 45.0 | 55.6 | 56.6 | 68.2 | 75.6 | 89.4 | 111.0 | 112.7 | 118.5 | 115.0 | 97.8 | -12.0 | -15.0 |
| Other Income | 48.9 | 40.6 | 57.2 | 92.7 | 134.9 | 116.3 | 187.0 | 162.5 | 135.6 | 220.9 | 136.0 | 157.3 | 134.8 | 105.3 | -52.3 | -21.9 |
| Less: Forex & Exceptional lte | 162.8 | 0.0 | 0.0 | 0.0 | 0.0 | 69.8 | 29.8 | 0.0 | 122.1 | 0.0 | -0.3 | 49.8 | 0.0 | 0.0 | | |
| PBT | 597.7 | 683.0 | 524.5 | 680.8 | 735.9 | 814.3 | 1074.3 | 1264.2 | 1242.8 | 1325.3 | 1207.5 | 1198.3 | 1367.3 | 1205.1 | -9.1 | -11.9 |
| Total Tax | 17.5 | 158.6 | 113.0 | 189.1 | 224.2 | 242.3 | 323.7 | 322.5 | 322.6 | 405.7 | 390.5 | 354.3 | 432.3 | 382.6 | -5.7 | -11.5 |
| Tax rate (%) | 2.9 | 23.2 | 21.5 | 27.8 | 30.5 | 29.8 | 30.1 | 25.5 | 26.0 | 30.6 | 32.3 | 29.6 | 31.6 | 31.7 | 114 bps | 13 bps |
| Profit from Associates | -4.1 | -4.0 | -1.2 | 0.0 | 0.0 | -2.8 | 0.9 | -2.6 | -12.7 | -1.4 | -1.4 | 1.6 | -32.2 | 1.9 | | |
| PAT before MI | 576.1 | 520.4 | 410.3 | 491.7 | 511.7 | 569.2 | 751.5 | 939.2 | 907.6 | 918.2 | 815.6 | 845.6 | 902.8 | 824.5 | -10.2 | -8.7 |
| Minority Interest | -0.3 | -0.2 | -0.1 | -0.3 | -0.4 | -0.3 | -0.3 | -0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Adjusted PAT | 734.5 | 520.5 | 410.4 | 491.9 | 512.1 | 639.2 | 781.7 | 939.6 | 1029.7 | 918.2 | 815.3 | 895.4 | 902.8 | 824.1 | -10.3 | -8.7 |
| EPS (₹) | 9.8 | 8.9 | 7.0 | 8.4 | 8.7 | 9.7 | 12.8 | 16.0 | 15.5 | 15.7 | 13.9 | 14.4 | 15.4 | 14.1 | | |

Source: Company, ICICI Direct Research

Q1FY26 Results / Conference call highlights

US Business -

- Company had lower contribution from gRevlimid (both QoQ and YoY)
- Traction in Revlimid was lower by almost ₹150 crore on YoY basis and ₹550 crore QoQ.
- Company have sold its most of available quota for gRevlimid.
- Company launched 15 new products in the US this quarter filed 4 ANDAs received 14 approvals.
- Two US facility Dayton (Invested \$70million), is expected to start production from Q2-Q3FY26(waiting for regulatory approval).
- From Eugia V Vizag plant company plans to file more than 20 products in US and Europe in next two years.
- Company has invited USFDA for Eugia 3 Inspection.
- Company plans to take more market share for gRevlimid upon opening of market from Feb 26.

Europe Business -

- Company aspires for 1 billion Euro sales in FY26.
- Company expects Biosimilar revenue (EU) to start from Q3, Q4 with superior margins.
- Company has started making the manufacturing quantities for commercial supplies of Biosimilars.
- Company in total have four Biosimilars for Europe.

ARV -

- ARV business was primarily driven by volume uptake and new tender wins in several geographies, which management expects to sustain in the near term.

API Business -

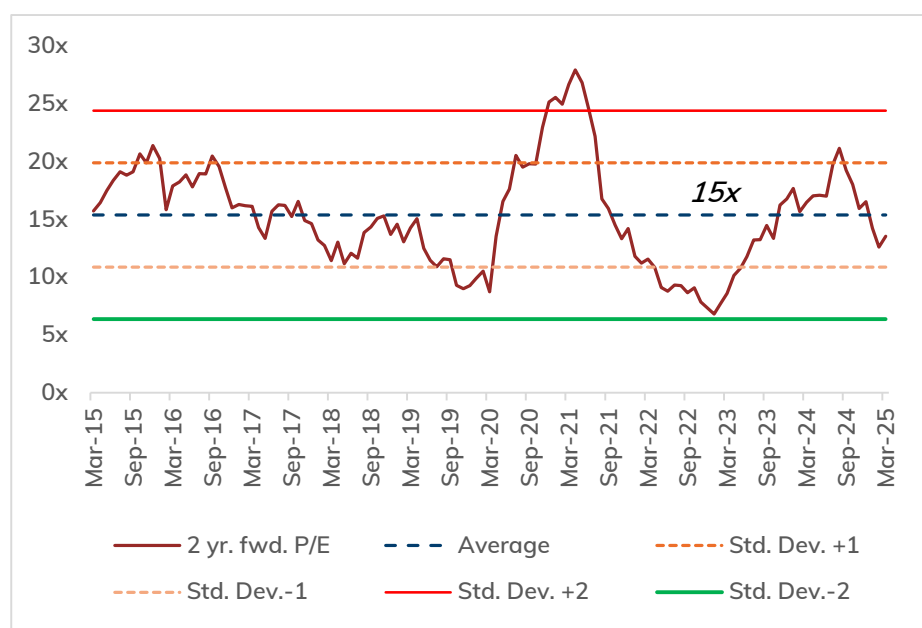
- Pen G facility started operations from 1st July.
- API business was impacted by geopolitical challenges, business mix, and the pricing pressures.
- Company is seeing pricing pressure in both export and Domestic.
- Company expects PLI benefit on 7000-8000 Tonne Production of Pen G.

Other Highlights -

- Ex- Revlimid growth in Sales is 12% on YoY.

- China facility (Invested \$145 million) has commenced operations from Q4FY25(initial capacity of 2 billion units plus).
- China facility is expected to breakeven at EBITDA level by Q3FY26.
- Company has spent US\$ 13 million in Biologics CMO and balance US\$100 million are expected to be invested by March 27.
- Company doesn't plan for any further green field capex.
- Company aspires for EBITDA margin of 20-21% in FY26.
- In regular Injectable company had sales had growth of 11% on both QoQ and YoY.
- Company endeavours to maintain US\$ 100 million of free cash flow per quarter.
- Company has signed a definitive agreement to acquire 100% stake in US-based Lannett Company for a total enterprise value of US\$250 million. Lannett is a manufacturer of complex generics, including DEA-controlled substances, and has launched products in liquid and ADHD treatment categories. Its 425k sq ft cGMP-compliant facility in the US supports multiple dosage forms. For the trailing twelve months ending March 2025, Lannett reported revenues of US\$306 million.

2-year forward PE Band



Source: Company, ICICI Direct Research

Financial Tables

Exhibit 2: Profit and loss statement ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| Revenues | 29,000.4 | 31,723.7 | 33,989.2 | 37,644.4 |
| Growth (%) | 16.7 | 9.4 | 7.1 | 10.8 |
| Raw Material Expenses | 12,602.9 | 13,026.2 | 14,033.1 | 15,434.2 |
| Employee Expenses | 3,922.9 | 4,475.6 | 5,308.3 | 5,458.4 |
| Other Manufacturing Expenses | 6,647.3 | 7,616.4 | 7,981.6 | 8,281.8 |
| Total Operating Expenditure | 23,173.2 | 25,118.3 | 27,323.0 | 29,174.4 |
| EBITDA | 5,827.3 | 6,605.4 | 6,666.2 | 8,470.0 |
| Growth (%) | 58.2 | 13.4 | 0.9 | 27.1 |
| Interest | 289.7 | 457.2 | 391.0 | 304.3 |
| Depreciation | 1,521.7 | 1,649.4 | 1,622.8 | 1,717.5 |
| Other Income | 601.5 | 649.0 | 454.9 | 503.8 |
| PBT before Exceptional Items | 4,617.3 | 5,147.8 | 5,107.3 | 6,952.0 |
| Less: Forex & Exceptional Items | 221.7 | 49.5 | 0.0 | 0.0 |
| PBT | 4,395.7 | 5,098.3 | 5,107.3 | 6,952.0 |
| Total Tax | 1,211.0 | 1,582.7 | 1,621.8 | 1,946.6 |
| PAT before MI | 3,184.7 | 3,515.5 | 3,485.4 | 5,005.4 |
| Minorities and Associates | -16.1 | -33.4 | 7.7 | 7.7 |
| PAT | 3,168.5 | 3,482.2 | 3,493.1 | 5,013.1 |
| Adjusted PAT | 3,390.2 | 3,531.7 | 3,493.1 | 5,013.1 |
| Growth (%) | 75.2 | 4.2 | -1.1 | 43.5 |
| EPS (Diluted) | 54.1 | 59.4 | 59.6 | 85.5 |
| EPS (Adjusted) | 57.9 | 60.3 | 59.6 | 85.5 |

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Profit/(Loss) after taxation | 2,613.4 | 3,334.8 | 3,493.1 | 5,013.1 |
| Add: Depreciation & Amortization | 1,521.7 | 1,649.4 | 1,622.8 | 1,717.5 |
| Net Increase in Current Assets | -2,410.4 | -1,597.9 | -457.0 | -1,925.0 |
| Net Increase in Current Liabilities | 735.4 | 353.4 | 646.3 | 798.9 |
| CF from operating activities | 2,434.5 | 3,924.6 | 5,696.2 | 5,908.8 |
| (Purchase)/Sale of Fixed Assets | -3,501.2 | -2,528.1 | -1,200.0 | -1,500.0 |
| (Inc)/dec in Investments | 153.5 | 88.2 | 0.0 | 0.0 |
| Others | -908.2 | 564.1 | -147.2 | -157.1 |
| CF from investing activities | -4,256.0 | -1,875.8 | -1,347.2 | -1,657.1 |
| Issue of Equity Shares | 0.0 | -930.2 | 0.0 | 0.0 |
| Inc / (Dec) in Debt | 1,461.3 | 1,603.7 | -1,500.0 | -1,500.0 |
| Dividend & Dividend Tax | -263.6 | -1.0 | -270.0 | -387.5 |
| others | -396.2 | -552.7 | -391.0 | -304.3 |
| CF from financing activities | 801.5 | 119.8 | -2,161.0 | -2,191.8 |
| Net Cash flow | -1,019.9 | 2,168.6 | 2,188.0 | 2,059.9 |
| Opening Cash | 4,413.4 | 3,393.5 | 5,569.0 | 7,756.9 |
| Closing Cash | 3,393.5 | 5,562.1 | 7,756.9 | 9,816.8 |
| Free Cash Flow | -1,066.7 | 1,396.5 | 4,496.2 | 4,408.8 |
| Free Cash Flow (US\$) | -144.1 | 189.5 | 608.1 | 587.1 |

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|-------------------------------|---------------|---------------|---------------|---------------|
| Equity Capital | 58.6 | 58.1 | 58.1 | 58.1 |
| Reserve and Surplus | 29,784.2 | 32,595.2 | 35,818.3 | 40,444.0 |
| Total Shareholders funds | 29,842.8 | 32,653.3 | 35,876.4 | 40,502.0 |
| Total Debt | 6,647.6 | 8,262.9 | 6,762.9 | 5,262.9 |
| Deferred Tax Liability | 356.6 | 303.3 | 333.6 | 367.0 |
| Minority Interest | 8.0 | -6.4 | -7.2 | -8.0 |
| Long term Provisions | 225.7 | 282.9 | 316.9 | 354.9 |
| Other Non Current Liabilities | 51.9 | 68.6 | 72.1 | 75.7 |
| Source of Funds | 37,133 | 41,565 | 43,355 | 46,554 |
| Gross Block - Fixed Assets | 21,442.8 | 22,076.9 | 23,126.9 | 24,476.9 |
| Accumulated Depreciation | 7,443.1 | 7,900.8 | 9,523.6 | 11,241.1 |
| Net Block | 13,999.8 | 14,176.2 | 13,603.4 | 13,235.8 |
| Capital WIP | 3,868.7 | 4,900.0 | 5,050.0 | 5,200.0 |
| Net Fixed Assets | 17,868.5 | 19,076.1 | 18,653.3 | 18,435.8 |
| Goodwill on Consolidation | 595.2 | 618.0 | 618.0 | 618.0 |
| Investments | 372.2 | 251.7 | 251.7 | 251.7 |
| Inventory | 9,808.2 | 10,543.7 | 10,380.7 | 11,417.1 |
| Cash | 3,393.5 | 5,569.0 | 7,756.9 | 9,816.8 |
| Debtors | 4,816.7 | 5,745.9 | 6,156.3 | 6,818.3 |
| Loans & Advances & Other CA | 3,251.8 | 2,637.3 | 2,847.1 | 3,073.6 |
| Total Current Assets | 24,053.0 | 27,162.5 | 29,807.5 | 33,792.4 |
| Creditors | 4,454.2 | 4,188.9 | 4,512.6 | 4,963.2 |
| Provisions & Other CL | 3,484.8 | 4,031.5 | 4,354.0 | 4,702.3 |
| Total Current Liabilities | 7,938.9 | 8,220.3 | 8,866.6 | 9,665.5 |
| Net Current Assets | 16,216.1 | 18,942.1 | 20,940.8 | 24,126.9 |
| LT L& A, Other Assets | 970.1 | 1,383.7 | 1,494.4 | 1,613.9 |
| Deferred Tax Assets | 1,212.6 | 1,293.0 | 1,396.4 | 1,508.1 |
| Application of Funds | 37,133 | 41,565 | 43,355 | 46,554 |

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|-----------------------------|-------|-------|-------|-------|
| Per share data (₹) | | | | |
| Adjusted EPS (Diluted) | 57.9 | 60.3 | 59.6 | 85.5 |
| BV per share | 509.3 | 557.2 | 612.2 | 691.2 |
| Dividend per share | 4.5 | 4.6 | 4.6 | 6.6 |
| Cash Per Share | 57.9 | 95.0 | 132.4 | 167.5 |
| Operating Ratios (%) | | | | |
| Gross Profit Margins | 56.5 | 58.9 | 58.7 | 59.0 |
| EBITDA margins | 20.1 | 20.8 | 19.6 | 22.5 |
| Net Profit margins | 11.7 | 11.1 | 10.3 | 13.3 |
| Inventory days | 284 | 295 | 270 | 270 |
| Debtor days | 61 | 66 | 66 | 66 |
| Creditor days | 129 | 117 | 117 | 117 |
| Asset Turnover | 1.5 | 1.7 | 1.7 | 1.8 |
| EBITDA Conversion Rate | 41.8 | 59.4 | 85.4 | 69.8 |
| Return Ratios (%) | | | | |
| RoE | 11.4 | 10.8 | 9.7 | 12.4 |
| RoCE | 13.7 | 13.9 | 13.1 | 16.1 |
| RoIC | 15.2 | 16.8 | 17.3 | 22.5 |
| Valuation Ratios (x) | | | | |
| P/E | 19.8 | 18.0 | 18.0 | 12.5 |
| EV / EBITDA | 11.2 | 9.8 | 9.2 | 6.8 |
| EV / Net Sales | 2.3 | 2.0 | 1.8 | 1.5 |
| Market Cap / Sales | 2.1 | 2.0 | 1.8 | 1.7 |
| Price to Book Value | 2.1 | 1.9 | 1.7 | 1.5 |
| Solvency Ratios | | | | |
| Debt / Equity | 0.2 | 0.3 | 0.2 | 0.1 |
| Debt / EBITDA | 1.1 | 1.3 | 1.0 | 0.6 |
| Current Ratio | 2.3 | 2.3 | 2.2 | 2.2 |
| Quick Ratio | 1.0 | 1.0 | 1.0 | 1.0 |
| Net debt/Equity | 0.1 | 0.1 | 0.0 | -0.1 |
| Working Capital Cycle | 215.7 | 244.2 | 218.7 | 218.7 |

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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