

CMP: ₹ 858

Target: ₹ 910 (6%)

Target Period: 12 months

HOLD

October 18, 2022

Thane launch key near term trigger for sales volumes

About the stock: Oberoi Realty (ORL) is a Mumbai-focused premium real estate developer with a presence in the residential, commercial and hospitality segments.

- Residential portfolio of ~15.7 mn sq ft of ongoing projects and launches provides healthy growth and cash flow visibility over the medium term

Q2FY23 Results: ORL reported healthy sales value led by traction at Worli project.

- The sales value was at ₹ 1156 crore, up ~39% YoY, 52% QoQ, largely led by Worli Project (sold eight units worth ₹ 610 crore). We highlight that pricing of Worli 83181/sq feet has also shown ~63% increase than the last sale (recorded in FY21). In terms of overall sales volume, the company managed to sell 3.7 lakh sq ft area during Q2FY23, down 16% YoY
- Reported revenues were down 8.7% YoY at ₹ 688.6 crore. The decline was owing to lower residential segment revenue recognition, which was at ₹ 556.3 crore, down 17% YoY. EBITDA, at ₹ 310.4 crore, was down 16.8% YoY. Thus, reported EBITDA margins were down 439 bps YoY to 45.1% due to project, revenue mix. PAT was at ₹ 318.6 crore, up 19.5% YoY, given higher profit from share of JV (Worli Project)

What should investors do? ORL's share price has grown at ~14% CAGR over the past five years.

- We maintain **HOLD** rating on the company. Further value accretion is expected to be seen with new foray into non MMR and society redevelopment projects. Thane launch also remains a key monitorable

Target Price and Valuation: We value ORL at ₹ 910/share.

Key triggers for future price performance:

- Uniquely positioned in MMR's premium residential segment; eyeing opportunities beyond MMR region over medium term
- Launch of Thane project, which will propel sales volume trajectory
- Strong cash flow visibility from ongoing and planned projects

Alternate Stock Idea: Besides ORL, we like Brigade in the real estate space.

- A play on strong portfolio of assets in southern market
- BUY with a target price of ₹ 595



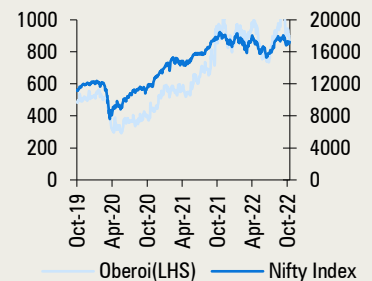
Particulars

Particular	₹ crore
Market Capitalization	29,119
Total Debt (FY22)	2,855
Cash & Inv (FY22)	2,991
EV	28,983
52 week H/L (₹)	1089 / 726
Equity capital	363.6
Face value (₹)	10.0

Shareholding pattern

	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	67.7	67.7	67.7	67.7
DII	8.6	8.9	9.8	9.8
FII	20.5	20.3	19.4	19.4
Other	3.3	3.1	3.1	3.1

Price Chart



Key Risks

Key Risk: (i) Any slowdown in residential real estate; (ii) addition of new projects which may boost visibility

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Key Financial Summary

₹ crore	FY21	FY22	5 yr CAGR (FY17-22)	FY23E	FY24E	FY25E	3 yr CAGR (FY22-25E)
Net Sales	2052.6	2694.0	19.3%	3157.9	4805.5	5637.7	27.9%
EBITDA	1000.4	1181.3	15.7%	1456.7	2353.6	3020.9	36.7%
EBITDA Margin (%)	48.7	43.9		46.1	49.0	53.6	
Net Profit	739.3	1047.1	22.8%	1244.4	1711.8	2275.0	29.5%
EPS (₹)	20.3	28.8		34.2	47.1	62.6	
P/E (x)	42.2	29.8		25.1	18.2	13.7	
EV/EBITDA (x)	28.9	24.5		19.7	12.0	9.0	
RoE (%)	7.9	7.8		7.9	11.9	13.4	
RoCE (%)	9.1	9.0		9.8	14.3	16.1	

Source: Company, ICICI Direct Research

Key business highlight and outlook

Thane to drive volumes ahead

ORL reported sales value of ₹ 1,156 crore, up ~39% YoY, 52% QoQ, led by healthy traction witnessed in Three Sixty West, Worli (sold eight units worth ₹ 610 crore) and Enigma (Mulund) (₹ 131 crore; up 32% YoY). Rest of the projects saw muted growth. Pricing wise, we noticed that Three Sixty West, Worli Project has registered massive ~63% growth to ₹ 82,181/sq ft than the last sale (recorded in FY21), while rest of its projects witnessed decent 4-12% YoY growth. In terms of overall sales volume, the company managed to sell 3.7 lakh sq ft area during Q2FY23, down 16% YoY. Going forward, the company is looking to launch a new project in Thane during Q3FY23. Additionally, the management is planning to launch subsequent phase of Borivali/Goregaon in H2FY23, given the lower available inventory now in these locations. On a healthy base of 2.1 million sq feet (msf) sales volume in FY22, we bake 2.6 msf, 2.7 msf, and 3 msf volumes in FY23E, FY24E and FY25E, respectively, with Borivali, Thane, Goregaon volumes are driving the same along with pick-up in Worli.

Hospitality, retail remain robust

Revenue for Westin Mumbai Garden City project doubled during Q2FY23 on a YoY basis to ₹ 34.1 crore largely backed by marked improvement witnessed in average room rates (to ₹ 7,891 in Q2FY23 vs ₹ 3,637 in Q2FY22). Also, the occupancy remained elevated at 82.7% (vs. 83.7% in Q2FY22). Commerz-I revenues improved 6.2% YoY (to ₹ 7.6 crore) aided by improved occupancy level (to 56.8%) and rise in rents. For Commerz-II, revenue dropped 10% YoY (to ₹ 28.8 crore) primarily due to decline in occupancy level (to 81.1%). The management expects occupancies in Commerz-II to improve in the near-to-medium term with uptick in demand for office space. For Oberoi Mall, the company booked revenue of ₹ 34.7 crore during Q2FY23 (vs. ₹ 3.8 crore reported in Q2FY22) with normalisation in mall operations. Commerz-III, having ~2.4 mn sq ft area (1.5 msf leased out to Morgan Stanley), is under construction and likely to get completed by FY23-end. For this project, the company is in discussions with large occupiers and expects leasing momentum to pick up, going forward.

Key conference call takeaways

- The healthy sales witnessed in Three Sixty West project is mainly backed by strong underlying demand, completion of construction work on-site, and receipt of occupation certificate (OC) during June 2022. Till now, the project has attracted booking of 7,14,691 sq ft (worth ₹ 3,293.6 crore), while it still has inventory of 15,67,655 sq ft. Going forward, the management expects a pick-up in momentum in sales to continue with receipt of OC, minimal competitions/inventories, and strong pipeline of enquiries. Additionally, it is targeting realisation of ~₹ 1,00,000-1,10,000 /sq ft on carpet area for new sales
- The company had planned launch of Thane project during the festive season of Q2FY23. However, it faced the issue of eco-sensitive zone (cropped up during August 2022), which delayed the launch. Currently, the problem has now resolved from the government side and the management expects to launch Thane projects (both Pokhran Road and Kolshet) during Q3FY23 with receipt of necessary/pending approvals (the show flats are ready for Pokhran Road). Peddar Road, Mumbai project is currently under designing stage
- ORL has been chosen as the preferred developer for few redevelopment projects and expects to close those deal in the near future. The company also highlighted an SRA project (next to its existing Borivali- Sky City project) where 95% of site is vacated and cleared. The company is planning to construct a commercial building on this land parcel and the execution work is likely to commence soon
- ORL has undertaken 5-10% price hikes across its major projects with effect from October 10, 2022 owing to significant rise in input prices and approvals costs

We expect sales momentum in H2FY23 to be robust driven by new launches in Thane and Goregaon/Borivali subsequent phases. We maintain HOLD with a target price of ₹ 910/share. Further value accretion will be seen once new foray into non MMR and society redevelopment projects are seen (awaited for a long time) and incorporated in NAV.

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (Chg %)	Q1FY23	QoQ (Chg %)	Comments
Income from Operation	688.6	944.0	754.3	-8.7	913.1	-24.6	Topline miss owing to lower revenue recognition in residential segment
Other Income	23.2	25.0	14.3	62.6	21.7	6.9	
Operating Cost	335.2	380.0	344.0	-2.6	381.3	-12.1	
Employee cost	20.7	20.0	15.6	33.0	18.2	14.0	
Other expenditure	22.3	35.0	21.5	3.3	21.5	3.7	
EBITDA	310.4	509.0	373.1	-16.8	492.2	-36.9	
EBITDA Margin (%)	45.1	53.9	49.5	-439 bps	53.9	-882 bps	
Depreciation	10.1	10.0	10.1	-0.7	9.8	2.8	
Interest	36.3	34.0	17.1	112.0	32.6	11.4	
PBT	287.3	490.0	360.2	-20.2	471.5	-39.1	
Taxes	69.2	125.0	95.4	-27.4	113.7	-39.1	
PAT	318.6	400.0	266.6	19.5	403.1	-21.0	

Key Metrics

Sales Volume (in sq ft)	3,70,414	4,43,704	-16.5	4,01,182	-7.7
Sales value (₹ crore)	1,156	829	39.5	761	51.8

Source: Company, ICICI Direct Research

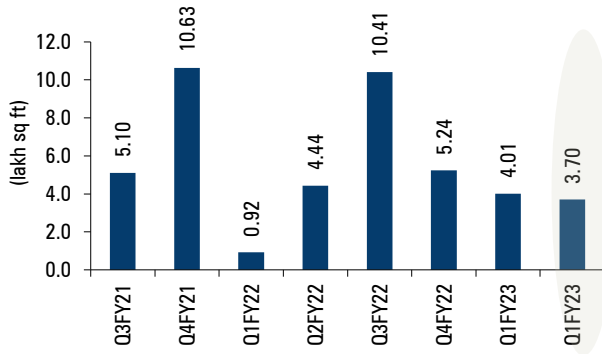
Exhibit 2: Change in estimates

(₹ Crore)	FY22		FY23E		FY24E		FY25E		
	Old	New	Old	New % Change	Old	New % Change	New		
Revenue	2694.0	3475.9	3157.9	-9.1	4775.5	4805.5	0.6	5637.7	Realign estimates
EBITDA	1181.3	1487.1	1456.7	-9.1	2140.1	2353.6	0.6	3020.9	
EBITDA Margin (%)	43.9	42.8	46.1	335 bps	44.8	49.0	416 bps	53.6	
PAT	1047.1	1181.6	1244.4	5.3	1470.6	1711.8	16.4	2275.0	
EPS (₹)	28.8	32.5	34.2	5.3	40.4	47.1	16.4	62.6	

Source: Company, ICICI Direct Research

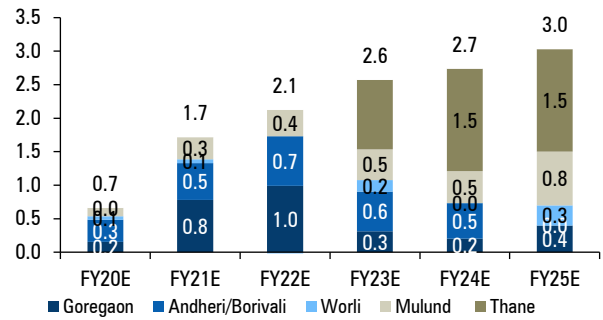
Company Analysis

Exhibit 3: Quarterly sales volumes trend



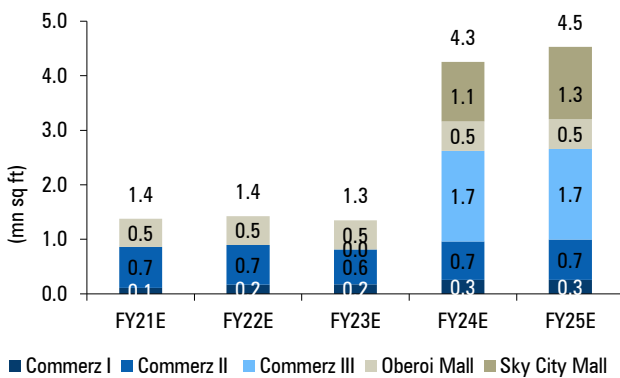
Source: Company, ICICI Direct Research

Exhibit 4: Sales volumes in H2FY23 to be driven by Thane



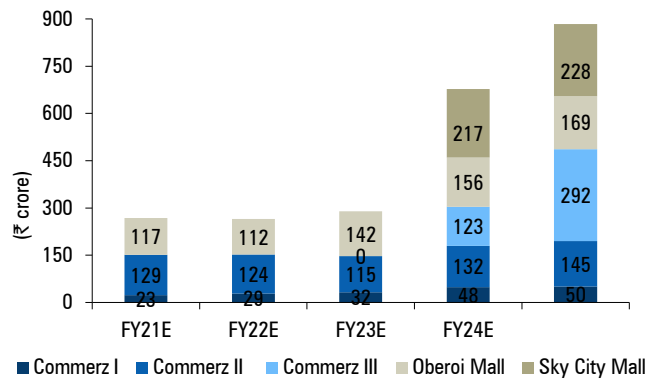
Source: Company, ICICI Direct Research

Exhibit 5: Leasing trend



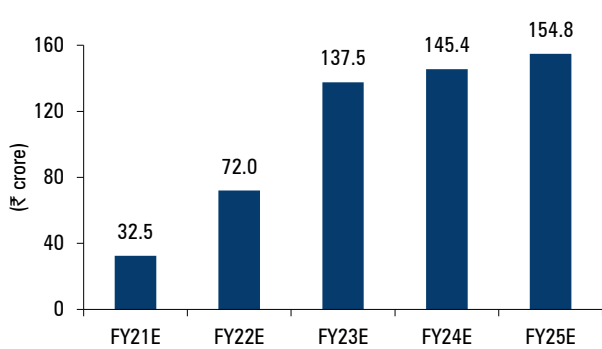
Source: Company, ICICI Direct Research

Exhibit 6: Leasing revenues trend



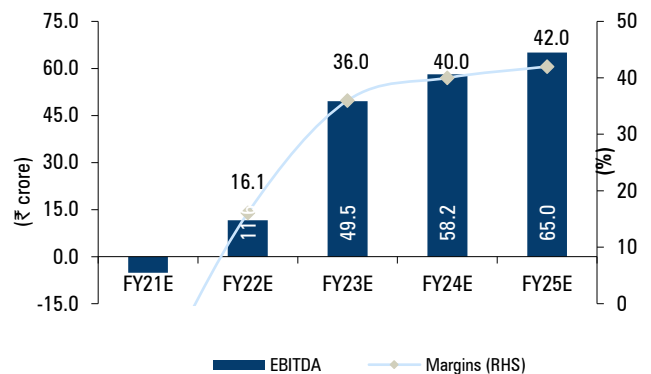
Source: Company, ICICI Direct Research

Exhibit 7: Hotel revenue trend



Source: Company, ICICI Direct Research

Exhibit 8: Westin's operating profit trend



Source: Company, ICICI Direct Research

Exhibit 9: Ongoing residential projects operational metrics

Particulars	Q2FY23	Q1FY23	Q4FY22	Q3FY22	Q2FY22
Area Booked (sq ft)					
Oberoi Esquire	0	5728	45267	44055	100672
Oberoi Exquisite	0	0	4374	11790	14635
Three Sixty West	73281	0	-9562	0	-9562
Maxima	10582	12053	54915	75444	27417
Prisma	0	0	0	-	-
Eternia	36350	53520	65900	49530	40000
Enigma	82373	50432	81618	68462	64710
Sky City	104728	138503	184377	223572	132872
Elysian	63100	140946	97402	567826	72960
Total	3,70,414	4,01,182	5,24,291	10,40,679	4,43,704
Sales Value (₹ crore)					
Oberoi Esquire	-	16.8	116.5	107.4	238.9
Oberoi Exquisite	-	-	12.3	23.0	33.3
Three Sixty West	609.6	-	(48.1)	-	(38.6)
Maxima	19.2	21.9	86.9	118.9	44.5
Prisma	-	-	-	-	-
Eternia	57.0	85.2	101.4	76.0	59.7
Enigma	130.6	78.0	124.3	102.9	98.8
Sky City	204.7	256.0	337.3	403.0	246.4
Elysian	134.6	303.2	194.5	1,133.9	145.7
Avg. Realization for the quarter (₹/sq ft)					
Oberoi Esquire		29,399	25,734	24,385	23,729
Oberoi Exquisite			28,052	19,542	22,754
Three Sixty West	83,181				40,316
Maxima	18,163	18,170	15,815	15,765	16,213
Prisma					
Eternia	15,667	15,912	15,392	15,338	14,925
Enigma	15,851	15,470	15,223	15,023	15,268
Sky City	19,547	18,484	18,296	18,027	18,540
Elysian	21,338	21,508	19,966	19,969	19,974
Project Completion (%)					
Oberoi Esquire	100.0	100.0	100.0	100.0	100.0
Oberoi Exquisite	100.0	100.0	100.0	100.0	100.0
Three Sixty West	100	100	*	*	*
Maxima	71.0	66.0	63.0	61.0	56.0
Prisma	100.0	100.0	100.0	100.0	100.0
Eternia	81.0	75.0	71.0	71.0	69.0
Enigma	78.0	72.0	69.0	67.0	66.0
Sky City	90.0	90.0	87.0	84.0	83.0
Elysian	*	*	*	*	*
Inventory as on Date (sq ft)					
Oberoi Esquire	2195	2195	7923	53190	97247
Oberoi Exquisite	0	0	0	4374	16174
Three Sixty West	1567655	1640936	1640936	1631374	1631374
Maxima	27133	37715	49579	104494	273240
Prisma	6371	6371	6371	6371	6371
Eternia#	1020550	1173900	1227420	1293320	1342850
Enigma#	970516	1054270	1104702	1186320	1254782
Sky City#	496002	600730	739233	923610	1147182
Elysian	1016140	1079240	1220186	1317588	565201

Source: Company, ICICI Direct Research

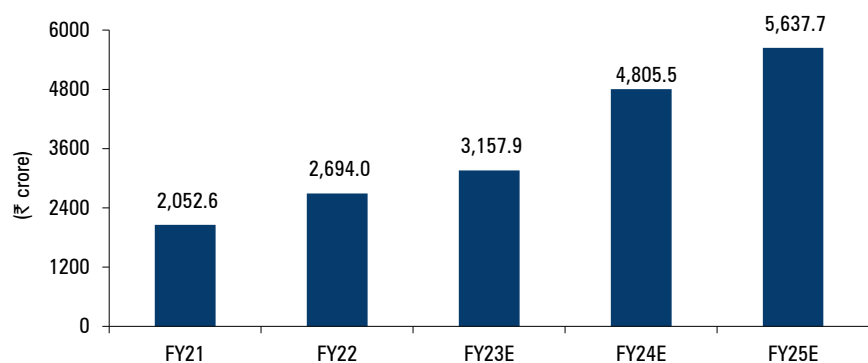
Exhibit 10: Operational trend in Oberoi's rental, hospitality portfolio

	Q2FY23	Q1FY23	Q4FY22	Q3FY22	Q2FY22
Oberoi Mall (Retail Property)					
Operating Revenue (₹ crore)	34.7	37.6	80.3	24.7	3.8
EBITDA margin (%)	95.5	95.6	95.5	94.2	50.3
Occupancy (%)	96.2	96.0	95.0	96.2	94.6
Realisation (₹/sqft/month)	218	236	NA	NA	NA
Commerz I (Commercial Space)					
Operating Revenue (₹ crore)	7.6	7.8	7.3	7.1	7.1
EBITDA margin(%)	89.2	77.6	91.0	91.5	91.6
Occupancy (%)	56.8	53.5	53.5	53.5	53.5
Realisation (₹/sqft/month)	142	155	145	142	142
Commerz II Phase I (Commercial Space)					
Operating Revenue (₹ crore)	28.8	27.2	27.2	32.5	32.1
EBITDA margin(%)	92.8	92.3	92.1	95.3	94.7
Occupancy (%)	81.1	80.9	80.9	97.4	97.4
Realisation (₹/sqft/month)	151	143	143	142	140
The Westin Mumbai Garden City (Hospitality)					
Operating Revenue (₹ crore)	34.1	34.8	22.8	24.9	16.4
EBITDA margin(%)	32.5	39.0	24.4	23.9	16.6
Average Room Rate (₹)	9546	9116	7166	6918	4378
Occupancy (%)	82.7	91.3	74.7	72.2	83.7
RevPAR (₹)	7891	8236	5397	5001	3637

Source: Company, ICICI Direct Research

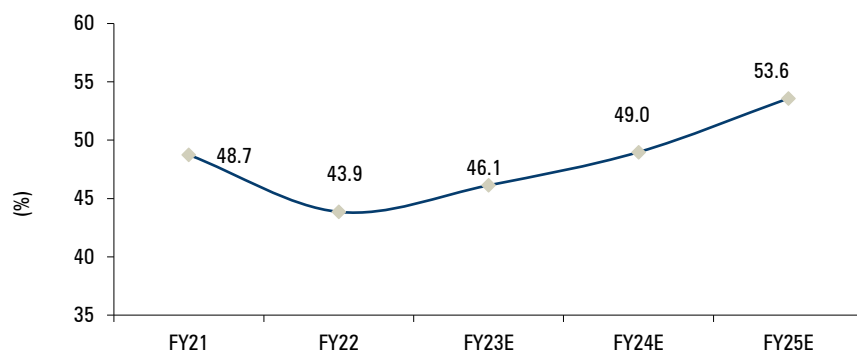
Financial story in charts

Exhibit 11: Revenue trend



Source: Company, ICICI Direct Research

Exhibit 12: EBITDA margin trend



Source: Company, ICICI Direct Research

Valuation

We maintain HOLD rating on the company with a target price of ₹ 910. Further value accretion will be seen once new foray into non MMR and society redevelopment projects are seen. Launch of Thane will be the other key monitorable for ORL.

Exhibit 13: Valuation

Location	Type	Status	NAV	NAV Multiple	Value (₹ cr)	₹/share
Goregaon			10,000.4		10,000.4	275.0
Oberoi Mall	Retail	Completed	2,140.1	1.0	2,140.1	58.9
Commerz I	Commercial	Completed	328.0	1.0	328.0	9.0
Westin	Hotel	Completed	1,089.4	1.0	1,089.4	30.0
Exquisite I	Residential	Ongoing	208.5	1.0	208.5	5.7
Esquire	Residential	Ongoing	602.9	1.0	602.9	16.6
Commerz II	Commercial	Ongoing	-	1.0	-	-
Elysian	Residential	Ongoing	1,516.5	1.0	1,516.5	41.7
Commerz III	Commercial	Planned	4,003.1	1.0	4,003.1	110.1
Social Infrastructure	Social Infrastructure		111.9	1.0	111.9	3.1
Andheri/Borivali			6,452.1		6,452.1	177.5
Oberoi Maxima	Residential	Ongoing	114.6	1.0	114.6	3.2
Oberoi Prisma	Residential	Ongoing	3.0	1.0	3.0	0.1
Oberoi Splendour IT park	Commercial	Planned	73.6	1.0	73.6	2.0
Oberoi Splendour school	Social Infrastructure	Planned	14.7	1.0	14.7	0.4
Borivali	Residential	Ongoing	3,118.8	1.0	3,118.8	85.8
Borivali	Mall	Planned	3,127.5	1.0	3,127.5	86.0
Worli			6,712.3		6,712.3	184.6
Oasis Residential	Residential	Ongoing	4,731.0	1.0	4,731.0	130.1
Oasis Hospitality	Hotel	Ongoing	604.0	1.0	604.0	16.6
I-Ventures	Residential	Planned	1,377.2	1.0	1,377.2	37.9
Thane						
Thane (Kolshet)	Residential	Planned	5,753.6	1.0	5,753.6	158.2
Thane (Kolshet)	Residential	Planned	466.2	1.0	466.2	12.8
Mulund			2,021.0		2,021.0	55.6
Eternia	Residential	Ongoing	885.7	1.0	885.7	24.4
Enigma	Residential	Ongoing	1,023.8	1.0	1,023.8	28.2
Mulund Commercial	Commercial	Planned	111.4	1.0	111.4	3.1
Pune			63.9		-	-
Sangam city - Residential	Residential	Planned	0.6	-	-	-
Sangam city - Commercial	Commercial	Planned	33.7	-	-	-
Sangam city - Retail	Retail	Planned	29.7	-	-	-
Net cash/ (Debt)			(1,200.0)	1.0	(1,200.0)	(33.0)
Total			30,269.4	1.0	30,205.5	831
Premium for growth (10%)						83
Rounded off Target price						910

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Net Sales	2,694.0	3,157.9	4,805.5	5,637.7
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	2,694.0	3,157.9	4,805.5	5,637.7
Growth (%)	31.2	17.2	52.2	17.3
Operating Costs	1,349.6	1,512.4	2,232.9	2,362.3
Employee Expenses	68.4	75.2	82.7	91.0
Other Expenses	94.6	113.5	136.3	163.5
Total Operating Expenditure	1,512.6	1,701.2	2,451.9	2,616.8
EBITDA	1,181.3	1,456.7	2,353.6	3,020.9
Growth (%)	18.1	23.3	61.6	28.4
Depreciation	39.8	101.7	151.7	201.7
Interest	86.0	171.3	171.3	171.3
Other Income	58.5	50.0	50.0	50.0
PBT	1,114.0	1,233.7	2,080.6	2,697.9
Prior Period Adjustments	0.0	0.0	0.0	0.0
Total Tax	306.5	320.8	541.0	701.5
PAT before profit from associates	807.5	912.9	1,539.6	1,996.5
Minority Interest	0.0	0.0	0.0	0.0
Profit from associates	239.6	331.4	172.1	278.6
PAT	1,047.1	1,244.4	1,711.8	2,275.0
EPS (₹)	28.8	34.2	47.1	62.6

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Equity Capital	363.6	363.6	363.6	363.6
Preference Capital	0.0	0.0	0.0	0.0
Reserve and Surplus	10,052.5	11,151.5	12,572.4	14,556.5
Total Shareholders funds	10,416.1	11,515.1	12,936.0	14,920.1
Total Debt	2,855.5	2,855.5	2,855.5	2,855.5
Total Liabilities	15,666	16,765	18,186	20,170
Assets				
Gross Block	1,291.7	2,541.7	3,791.7	5,041.7
Less Accumulated Depreciation	311.9	413.6	565.2	766.9
Net Block	979.8	2,128.1	3,226.4	4,274.8
Capital WIP	3,297.4	2,908.1	1,249.7	343.1
Total Fixed Assets	4,277.2	5,036.2	4,476.1	4,617.9
Goodwill on consolidation	0.0	0.0	0.0	0.0
Investments	2,697.5	2,697.5	2,697.5	2,697.5
Inventory	5,036.1	4,526.5	4,527.9	4,527.9
Debtors	124.6	344.2	444.2	444.2
Loans and Advances	2,568.8	2,842.1	4,325.0	5,073.9
Cash	293.2	649.5	1,046.4	2,139.8
Other Current Assets	666.0	666.0	666.0	666.0
Total Current Assets	8,688.6	9,028.5	11,009.5	12,851.9
Creditors	2,393.4	2,393.4	2,393.4	2,393.4
Provisions	0.8	0.8	0.8	0.8
Net Current Assets	6,294.4	6,634.2	8,615.2	10,457.6
Deferred Tax Assets	2.5	2.5	2.5	2.5
Total Assets	15,666	16,765	18,186	20,170

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit after Tax	1,047.1	1,244.4	1,711.8	2,275.0
Depreciation	39.8	101.7	151.7	201.7
Interest	86.0	171.3	171.3	171.3
Others	-298.1	-381.4	-222.1	-328.6
Net Increase in Current Assets	-1,209.0	16.5	-1,584.2	-748.9
Net Increase in Current Liabilities	1,278.4	0.0	0.0	0.0
Net cf from operating activities	944.3	1,152.5	228.5	1,570.5
(Purchase)/Sale of Fixed Assets	-1,322.2	-860.7	408.4	-343.4
Others	-298.1	-381.4	-222.1	-328.6
Net cf from Investing Activities	-2,019.8	-479.3	630.6	-14.8
Inc / (Dec) in Equity Capital	109.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	1,321.7	0.0	0.0	0.0
(Payment) of Dividend & Div. Tax	-109.1	-145.4	-290.9	-290.9
Interest paid	-86.0	-171.3	-171.3	-171.3
Net cf from Financing Activities	1,235.5	-316.8	-462.2	-462.2
Net Cash flow	160.0	356.4	396.8	1,093.5
Opening Cash/Cash Equivalent	133.1	293.2	649.5	1,046.4
Closing Cash/ Cash Equivalent	293.2	649.5	1,046.4	2,139.8

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
EPS	28.8	34.2	47.1	62.6
Cash EPS	29.9	37.0	51.2	68.1
BV	286.5	316.7	355.8	410.3
Operating profit per share	36.0	44.4	71.7	92.0
Cash Per Share	8.1	17.9	28.8	58.9
Operating Ratios (%)				
EBITDA Margin	43.9	46.1	49.0	53.6
PBT / Net Sales	41.4	39.1	43.3	47.9
PAT Margin	30.0	28.9	32.0	35.4
Inventory days	682	523	344	293
Debtor days	17	40	34	29
Creditor days	324	277	182	155
Return Ratios (%)				
RoE	7.8	7.9	11.9	13.4
RoCE	9.0	9.8	14.3	16.1
RoIC	16.4	16.7	20.4	22.4
Valuation Ratios (x)				
P/E	29.8	25.1	18.2	13.7
EV / EBITDA	24.5	19.7	12.0	9.0
EV / Net Sales	10.8	9.1	5.9	4.8
Market Cap / Sales	10.8	9.2	6.1	5.2
Price to Book Value	3.0	2.7	2.4	2.1
Solvency Ratios (x)				
Debt / EBITDA	2.4	2.0	1.2	0.9
Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	3.5	3.5	4.2	4.5
Quick Ratio	1.4	1.6	2.3	2.6

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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