

## Value added products continue to drive revenue growth...

**About the stock:** Time Technoplast is a leading manufacturer of polymer based packaging & composite products with 34 production facilities in 11 countries.

- Established products (industrial packaging, PE pipe, battery others) contribute ~80% to the topline while value added product category (IBC, composite cylinders, mox films) contribute 20% of revenue
- Focus is to increase revenue sharing from value added product category in the next five years from 20% to 22%

### Q3FY23 Results: Value added products segment drives revenue growth in Q3

- The company reported revenue growth of ~20% YoY to ₹ 1128.6 crore, led by 16% volume growth. Segment wise, value added product (VAP) revenue increased by ~24% supported by order execution in the composite cylinder segment. The polymer product segment revenue grew ~18%
- EBITDA margin declined 105 bps YoY to 13.4% dragged by higher raw material costs and delay in price hikes
- PAT grew by ~14% to ₹ 62.6 crore mainly due to strong topline growth

**What should investors do?** Time Technoplast's share price has given negative return of 54% over the past five years from ~₹ 187 in February 2018 to ₹ 86 in February 2023.

- We revise our rating from BUY to **HOLD** on the stock

**Target Price & valuation:** We revise our target price to ₹ 95/share valuing the stock at 4x EV/EBITDA on FY24E EBITDA.

### Key triggers for future price performance:

- The company has laid out plans to achieve ₹ 5000 crore revenue by FY25 (implied CAGR of 14% in FY21-25) led by value added product segment
- Time Techno sees strong revenue traction (₹ 2200 crore/annum) from its newly launched CNG cascade business (not built in future estimates)
- Improved product mix is expected to drive EBITDA margin, going forward, (aims to increase EBITDA margin to 15.5% FY25E)

**Alternate Stock Idea:** We like Supreme Industries in our coverage universe. Supreme is the market leader in the plastic piping segment with ~15% market share. Robust b/s with average RoE, RoCE of 24%, 27%, respectively

- BUY with a target price of ₹ 2880



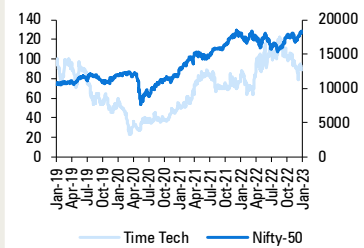
### Particulars

Particular	Amount
Market Cap (₹ Crore)	1,944.9
Total Debt (FY22) (₹ Crore)	825.4
Cash&Inv (FY22) (₹ Crore)	93.1
EV (₹ Crore)	2,677.2
52 week H/L	126/ 63
Equity capital (₹ Crore)	22.6
Face value (₹)	1.0

### Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	51.3	51.3	51.3	51.3	51.3
FII	12.4	10.9	8.7	7.8	8.9
DII	10.1	9.6	9.1	9.2	8.9
Others	26.2	28.2	30.8	31.6	30.9

### Price Chart



### Recent event & key risks

- Key Risk:** (i) Slow demand of composite product segments (ii) Delay in passing on high input prices

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### Key Financial Summary

₹ Crore	FY19	FY20	FY21	FY22	5 Year CAGR (FY17-22)	FY23E	FY24E	2 Year CAGR (FY22-24E)
Net sales	3,563.7	3,578.0	3,004.9	3,649.8	6%	4,315.2	4,779.8	14%
EBITDA	523.5	498.9	387.1	505.8	5%	577.9	666.8	15%
EBITDA Margin (%)	14.7	13.9	12.9	13.9		13.4	14.0	
PAT	202.7	169.1	107.8	192.2	5%	234.6	293.1	23%
EPS (₹)	9.0	7.5	4.8	8.5		10.4	13.0	
P/E (x)	9.6	11.5	18.0	10.1		8.3	6.6	
Price/Book Value (x)	1.2	1.1	1.0	0.9		0.9	0.8	
EV/EBITDA (x)	5.0	5.3	6.5	5.3		4.5	4.0	
RoE (%)	12.1	9.3	5.7	9.3		10.9	12.4	
RoCE (%)	15.0	12.5	8.7	11.3		13.0	14.5	

## Key takeaways of recent quarter & conference call highlights

### Q3FY23 Results: Strong revenue growth, recovery of margins delayed

- Time Techno reported revenue growth of ~20% YoY to ₹ 1128.6 crore supported by volume growth of 16%
- Segment wise, valued added product segment (composite products) revenue increased ~24% YoY to ₹ 368.5 crore led by strong growth in the composite cylinders' segment by 49% YoY. The revenue contribution of the value added product to overall topline has also increased from 22% in 9MFY22 to 24% in 9MFY23
- Polymer products revenue increased by ~18% YoY to ₹ 760.2 crore supported by inflow of new orders.
- EBITDA margin was down 105 bps YoY to 13.4%, mainly due to higher raw material costs and weak operating leverage.
- As a result of strong topline growth, PAT grew by 14.2% YoY to ₹ 62.6 crore

### Q3FY23 Earnings Conference Call highlights

- **Demand outlook:** The management expects to achieve revenue of ₹ 4200 crore in FY23 and ₹ 4800 crore in FY24, a blended growth of 15% YoY. The company has received new orders for pipes and the management sees business potential in government projects like Smart Cities, Jal Jeevan Mission and Swachh Bharat Mission. The management expects more than 100% growth in composite cylinders in the next 2-3 years. According to the management, the contribution of value added products to overall revenue will increase to 60% as against 24% currently. The company plans to launch oxygen cylinder from April'23 and Hydrogen cylinder by the end of Dec'23
- **EBITDA margin guidance:** The management has guided for 13.8% EBITDA margin for FY23 and 14-15.5% EBITDA margin for FY24
- The company has envisaged a capex of ₹ 225 crore in FY24 and ~₹ 150 crore for FY25

### Time Technoplast - ESG Disclosure Score\*

Score	FY20	FY21	FY22
Environmental	1.8	1.8	1.8
Social	5.7	11.5	11.5
Governance	66.1	66.1	78.6
<b>Overall ESG Score</b>	<b>24.6</b>	<b>26.5</b>	<b>30.7</b>

Source: Bloomberg, ICICI Direct Research, \*Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures

Exhibit 1: Peer Comparison

Company	Mcap ₹ cr	Revenue				EBITDA margin				PAT				RoCE				RoE				PE			
		FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Shaily Eng	1,200	361	566	601	660	17	14	13	16	22	35	25	43	11	11	9	12	12	10	7	10	49	34	48	28
Mold Tek	3,262	479	631	747	899	20	19	19	19	48	64	80	99	20	19	25	25	19	14	22	22	57	48	41	33
Time Technoplast	1,945	3005	3650	4315	4780	13	14	13	14	108	192	235	293	9	11	13	14	6	9	11	12	18	10	8	7
EPL	4,898	3092	3433	3738	4077	20	17	18	19	244	221	272	334	16	13	16	18	15	12	15	17	20	22	18	15

Source: Company, ICICI Direct Research

Time Technoplast’s Q3FY23 revenue growth of ~20% was driven by both polymer and VAP (composite products) segments. However, on a three-year basis, the revenue CAGR of 7% is much lower than other plastic packaging companies such as Mold Tek packaging (3 year CAGR 15%) and EPL Ltd (3 year CAGR 10%). Time Technoplast’s Established product segments (contributes ~75% of topline) grew albeit a slow pace of 5% over the last three years due to supply disruption in overseas markets and slower offtake of its piping products. The value added product segments (~25% of revenue) grew at CAGR of 15% in the last three years led by strong demand for LPG cylinders from oil marketing companies in India and increasing traction in its newly introduced CNG cascade business (Type IV cylinders). The company aims to further increase the revenue contribution of the VAP segment through new launches. Going forward, we believe VAP segment will be key growth driver over FY22-24E. We model VAP segment revenue to grow at a CAGR of 25% over FY22-24E led by strong growth in the composite cylinder segment. For the established product segment, we model revenue CAGR of 12% over FY22-24E on a favourable base and execution of new orders received in the pipe division.

On the margin front, despite rising contribution of high margin value added products the EBITDA margin of 13.4% in Q3FY23 is much lower than the company’s pre-covid margin range of 15%. We model EBITDA margin of 14% for FY24E, below its pre covid level EBITDA margin. This coupled with delay in divestment of overseas business and its debt reduction plans are likely to keep profitability/return ratios under check in near to medium term. Hence we revise our rating from BUY to HOLD on the stock, valuing the company at 4xEV/EBITDA on FY24E EBITDA with a target price of ₹ 95/share.

**Exhibit 2: Variance Analysis**

	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	1,128.6	942.0	19.8	1,024.0	10.2	Revenue growth was led by 16% volume growth in Q3. The composite product segment grew 24% YoY led by strong growth in the composite cylinder segment
Other Income	2.1	0.7	194.4	0.4	404.8	
Raw Material Exp	817.5	663.4	23.2	743.6	10.0	Volatility in raw material prices and delay in price hikes led to decline in gross margin by 201 bps
Employee Exp	53.9	45.9	17.5	49.2	9.6	
Other expenditure	106.2	96.9	9.7	97.8	8.6	
EBITDA	150.9	135.8	11.1	133.4	13.1	
EBITDA Margin (%)	13.4	14.4	-105 bps	13.0	34 bps	Lower gross margin coipled with weak operating leverage led to fall in EBITDA margin
Depreciation	43.2	39.4	9.6	41.7	3.6	
Interest	25.5	22.9	11.3	24.0	6.4	
PBT	84.3	74.2	13.6	68.2	23.7	
Total Tax	21.7	19.4	12.0	17.5	24.0	
PAT	62.6	54.9	14.2	50.7	23.6	PAT growth was majorly driven by topline growth
Key Metrics						
Polymer products	760.2	645.0	17.8	674.3	12.7	Revenue growth was driven by execution of orders received in the segment
Composite products	368.5	297.0	24.1	349.7	5.4	Execution of new orders from IOCL of LPG cylinders and ramp up in CNG cascade helped drive segment revenues.

Source: Company, ICICI Direct Research

**Exhibit 3: Change in estimates**

₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Chg	Old	New	YoY (%)	
Revenue	4,160.5	4315.2	3.7	4749.3	4779.8	0.6	We have tweaked our revenue estimate upwards for FY23 factoring in strong revenue growth in Q3. We model overall revenue CAGR of 14% over FY22-24E led by Value Added Products revenue CAGR of 25%
EBITDA	557.5	577.9	3.7	672.1	666.8	(0.8)	
EBITDA Margin (%)	13.4	13.4	-1bps	14.2	14.0	-20bps	We have largely maintained our EBITDA margin estimates for FY23E-24E
PAT	222.6	234.6	5.4	297.4	293.1	(1.4)	
EPS (₹)	9.8	10.4	5.4	13.2	13.0	(1.4)	

Source: ICICI Direct Research

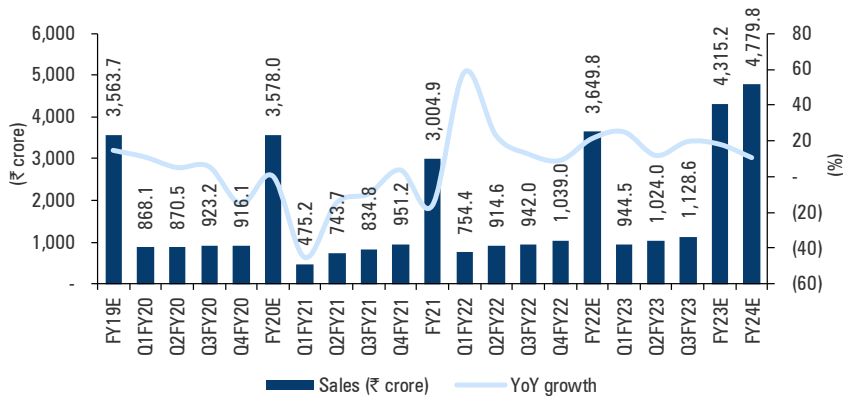
**Exhibit 4: Assumptions**

Growth (%)	Current				Earlier		Comments
	FY21	FY22E	FY23E	FY24E	FY23E	FY24E	
Established products	-16.7	20.0	14.4	8.7	12.7	9.0	We believe improved demand for packaging products and pick up in construction activities will drive company's packaging products and PE pipe revenues over FY23E-24E. We model segment revenue CAGR of 12%
Value added Products	-13.1	27.2	32.4	17.5	18.4	32.9	We model segment revenue CAGR of 25% in FY22-24E considering strong order book in the composite cylinder (LPG/CNG) category

Source: ICICI Direct Research

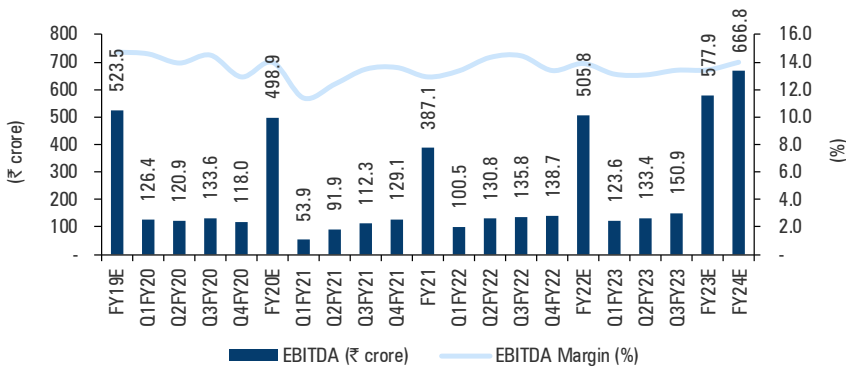
## Financial story in charts

Exhibit 5: Overall revenue trend



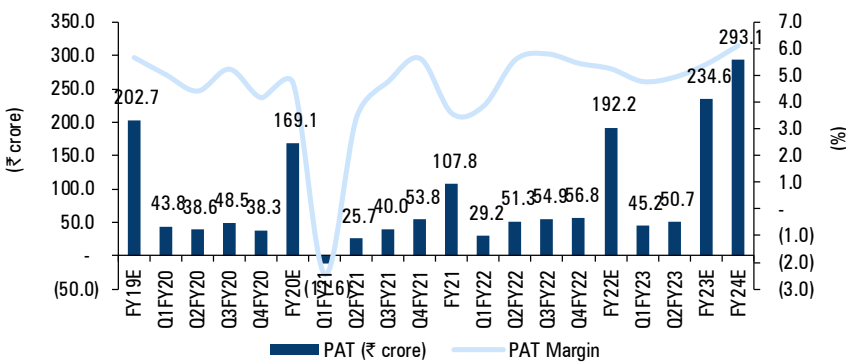
Source: Company, ICICI Direct Research

Exhibit 6: EBITDA and EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 7: PAT trend



Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 8: Profit and loss statement					₹ crore
Year end March	FY21	FY22	FY23E	FY24E	
<b>Net sales</b>	<b>3004.9</b>	<b>3649.8</b>	<b>4315.2</b>	<b>4779.8</b>	
Expenditure					
Raw material	2102.9	2577.1	3118.3	3417.6	
Employee Expenses	159.4	182.6	204.7	217.4	
Other Expenses	355.5	384.3	414.3	478.0	
<b>Total expenditure</b>	<b>2617.8</b>	<b>3144.0</b>	<b>3737.3</b>	<b>4113.0</b>	
<b>EBITDA</b>	<b>387.1</b>	<b>505.8</b>	<b>577.9</b>	<b>666.8</b>	
Other income	3.8	3.0	4.7	5.1	
<b>EBITDA (incl. other income)</b>	<b>391.0</b>	<b>508.8</b>	<b>582.6</b>	<b>672.0</b>	
Depreciation	151.0	157.4	170.4	183.1	
<b>EBIT</b>	<b>240.0</b>	<b>351.4</b>	<b>412.1</b>	<b>488.9</b>	
Interest	97.7	92.0	98.0	97.0	
<b>PBT before Exc. Items</b>	<b>142.2</b>	<b>259.4</b>	<b>314.1</b>	<b>391.9</b>	
Less: Exc. Items	0.0	0.0	0.0	0.0	
<b>PBT after Exc. Items</b>	<b>142.2</b>	<b>259.4</b>	<b>314.1</b>	<b>391.9</b>	
Tax	36.4	67.2	79.5	98.7	
<b>PAT</b>	<b>107.8</b>	<b>192.2</b>	<b>234.6</b>	<b>293.1</b>	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement					₹ crore
Year end March	FY21	FY22E	FY23E	FY24E	
Profit/(Loss) after taxation	107.8	192.2	234.6	293.1	
Add: Depreciation & Amortization	151.0	157.4	170.4	183.1	
Add: Interest Paid	97.7	92.0	98.0	97.0	
CF bef working capital chg.	356.6	441.6	503.1	573.2	
Net Increase in Current Assets	15.3	-283.5	-237.2	-205.6	
Net Increase in Current Liabilities	-57.3	-57.9	232.8	36.9	
<b>Net CF from operating act.</b>	<b>314.5</b>	<b>100.2</b>	<b>498.8</b>	<b>404.5</b>	
(Purchase)/Sale of Fixed Assets	-42.3	-220.0	-180.0	-280.0	
Others	-64.8	93.2	0.0	0.0	
<b>Net CF from Investing act.</b>	<b>-107.1</b>	<b>-126.7</b>	<b>-180.0</b>	<b>-280.0</b>	
Pro/(Rep) of debt	-85.1	148.0	-20.0	-20.0	
Payment of Div & Div tax	-15.8	-80.0	-72.0	-72.0	
Int. paid	-97.7	-92.0	-98.0	-97.0	
<b>Net CF from Financing act</b>	<b>-202.9</b>	<b>32.6</b>	<b>-281.1</b>	<b>-189.0</b>	
Net Cash Flow	4.5	6.1	37.7	-64.5	
Cash & Cash Equi at beg	82.5	87.0	93.1	130.7	
<b>Cash &amp; Cash Equi at end</b>	<b>87.0</b>	<b>93.1</b>	<b>130.7</b>	<b>66.2</b>	

Source: Company, ICICI Direct Research

Exhibit 10: Balance Sheet					₹ crore
Year end March	FY21	FY22E	FY23E	FY24E	
Share capital	22.6	22.6	22.6	22.6	
Reserve and Surplus	1880.2	2049.0	2120.6	2341.7	
<b>Total Shareholder's Fund</b>	<b>1902.8</b>	<b>2071.6</b>	<b>2143.2</b>	<b>2364.3</b>	
Total Debt	677.3	825.4	805.4	785.4	
Deferred Tax liability	82.5	90.2	90.2	90.2	
Minority Interest	48.3	53.4	53.4	53.4	
<b>Total Assets</b>	<b>2764.4</b>	<b>3121.1</b>	<b>3172.7</b>	<b>3373.8</b>	
Gross Block					
	2564.7	2795.0	2975.0	3255.0	
Accumulated Depreciation					
	1324.0	1481.4	1651.8	1834.9	
Net Block					
	1240.8	1313.6	1323.2	1420.1	
Capital WIP					
	80.5	70.2	70.2	70.2	
Total Fixed Assets					
	1321.3	1383.9	1393.4	1490.3	
Investments					
	28.9	0.0	0.0	0.0	
Current Assets					
Inventory					
	759.8	907.7	969.4	1047.6	
Debtors					
	798.3	866.9	1064.0	1113.1	
Other Current Assets					
	249.1	316.2	294.4	372.8	
Cash					
	87.0	93.1	130.7	66.2	
<b>Total Current Assets</b>					
	<b>1894.2</b>	<b>2183.8</b>	<b>2458.6</b>	<b>2599.8</b>	
Current Liabilities					
Creditors					
	324.4	384.9	532.0	550.0	
Provisions					
	13.6	14.7	10.3	10.6	
Other current liabilities					
	202.0	82.6	172.7	191.3	
<b>Total Current Liabilities</b>					
	<b>540.1</b>	<b>482.2</b>	<b>715.0</b>	<b>751.9</b>	
<b>Total Liabilities</b>	<b>2764.4</b>	<b>3121.1</b>	<b>3172.7</b>	<b>3373.8</b>	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
Year end March	FY21	FY22E	FY23E	FY24E
EPS	4.8	8.5	10.4	13.0
Cash EPS	11.4	15.5	17.9	21.1
DPS	0.7	3.5	3.2	3.2
BV per share	84.1	91.6	94.8	104.5
<b>Profitability Ratio</b>				
EBITDA Margin	12.9	13.9	13.4	14.0
PAT Margin	3.6	5.3	5.4	6.1
<b>Return Ratio</b>				
RoCE	8.7	11.3	13.0	14.5
RoE	5.7	9.3	10.9	12.4
RoIC	8.6	11.6	13.1	14.3
<b>Valuation Ratio</b>				
P/E	18.0	10.1	8.3	6.6
EV/EBITDA	6.5	5.3	4.5	4.0
Mcap/Sales	0.6	0.5	0.5	0.4
Price to BV	1.0	0.9	0.9	0.8
<b>Activity Ratios</b>				
Inventory Days	92.3	90.8	82.0	80.0
Debtors Days	97.0	86.7	90.0	85.0
Creditors Days	39.4	38.5	45.0	42.0
Gross Block Turnover	1.2	1.3	1.5	1.5
<b>Solvency Ratios</b>				
Debt/Equity	0.4	0.4	0.4	0.3
Debt/Ebitda	1.7	1.6	1.4	1.2
Current Ratio	5.3	5.2	4.3	4.5
Quick Ratio	3.1	3.0	2.5	2.7

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct universe (Consumer Discretionary)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹)				P/E (x)				EV/EBITDA (x)				RoCE (%)				RoE (%)			
					FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
Asian Paints (ASIPAI)	2,807	3,180	Hold	2,69,191	33.4	32.2	41.3	49.5	83.9	87.3	67.9	56.7	54.5	55.5	45.4	37.8	29.6	27.1	32.6	33.7	25.0	23.0	27.5	27.7
Berger Paints (BERPAI)	562	610	Hold	54,587	7.4	8.6	9.4	11.1	75.8	65.5	59.8	50.8	45.7	41.2	37.2	32.3	24.9	23.3	26.9	29.2	21.3	21.2	24.3	26.0
Kansai Nerolac (KANNER)	411	435	Hold	22,150	9.8	6.9	9.2	11.2	41.7	59.2	44.5	36.7	26.3	34.1	27.3	22.7	17.2	12.1	15.6	17.6	13.2	9.2	12.1	13.5
Pidilite Industries (PIDIND)	2,317	2,535	Hold	1,17,657	22.2	23.8	26.2	35.4	104.5	97.5	88.5	65.5	69.7	63.5	57.7	44.0	23.3	21.7	22.5	27.3	19.6	18.4	18.8	22.6
Sheela Foam (SHEFOA)	1,182	1,450	Buy	11,532	24.4	22.3	20.1	29.0	48.5	53.1	58.9	40.7	31.9	37.3	40.6	29.0	24.3	18.0	16.3	20.9	20.1	15.6	13.2	17.5
Bajaj Electricals (BAJELE)	1,137	1,275	Hold	13,058	16.5	10.8	19.5	31.1	68.9	105.0	58.4	36.6	43.9	51.8	35.7	25.7	15.1	13.5	20.2	24.6	10.7	7.8	13.5	18.2
Crompton Greaves(CROGR)	300	335	Hold	18,804	9.8	9.2	7.3	9.0	30.5	32.5	41.2	33.5	24.6	24.5	25.6	21.4	34.4	16.2	14.3	17.6	31.9	24.0	18.5	20.5
Havells India (HAVIND)	1,226	1,420	Buy	76,784	16.7	19.1	18.2	26.1	73.6	64.3	67.3	46.9	48.3	42.5	44.7	31.8	24.9	23.7	23.6	30.2	20.1	20.0	19.9	25.3
Polycab India (POLI)	3,038	3,380	Buy	45,401	59.3	61.4	80.7	90.1	51.2	49.5	37.6	33.7	40.0	35.0	24.3	21.8	20.6	20.2	25.8	24.3	17.9	15.6	19.2	18.4
Symphony (SYMLIM)	1,051	1,215	Hold	7,352	15.3	17.3	26.1	34.8	68.7	60.8	40.2	30.2	51.6	44.5	31.0	23.4	15.2	15.9	24.5	29.0	14.9	14.4	23.6	27.4
V-Guard Ind (VGUARD)	249	310	Buy	10,664	4.7	5.3	4.6	6.7	52.8	46.7	54.2	37.0	33.3	31.4	34.2	21.5	23.9	21.2	16.0	22.0	16.7	16.2	14.0	17.0
Voltas Ltd (VOLTAS)	863	940	Hold	28,542	16.0	15.3	5.6	20.7	54.0	56.4	155.0	41.7	43.8	40.9	46.1	31.1	15.0	14.0	15.1	19.2	10.6	9.2	6.9	13.7
Amber Enterprises (AMBEN)	1,875	2,150	Hold	6,318	24.7	33.0	44.1	69.4	75.9	56.7	42.5	27.0	28.5	24.2	18.3	13.7	7.7	6.8	9.8	13.0	5.2	6.4	8.4	11.6
Dixon Technologies (DIXTEC)	2,726	3,055	Hold	16,179	27.3	32.1	40.4	68.1	100.0	85.0	67.4	40.0	56.4	43.0	33.8	22.8	23.5	17.7	22.0	27.9	21.7	19.1	24.6	31.7
Supreme Indus (SUPIND)	2,715	2,880	Buy	34,488	77.0	76.2	63.9	84.6	35.3	35.6	42.5	32.1	26.3	27.3	29.9	22.2	33.1	25.9	22.5	28.0	30.9	25.2	20.7	24.5
Astral Ltd (ASTPOL)	1,935	2,185	Buy	38,871	20.3	24.4	21.4	32.3	95.2	79.3	90.3	59.9	59.7	50.7	50.4	37.8	27.5	26.6	22.6	27.6	21.5	21.0	16.9	21.9
EPL (ESSPRO)	155	175	Hold	4,898	7.7	7.0	8.6	10.6	20.0	22.1	18.0	14.7	8.4	9.3	7.8	6.6	16.2	12.6	15.9	18.5	14.8	12.1	14.7	17.1
Time Techno (TIMTEC)	86	102	BUY	1,945	4.8	8.5	10.4	13.0	18.0	10.1	8.3	6.6	6.5	5.3	4.5	4.0	8.7	11.3	13.0	14.5	5.7	9.3	10.9	12.4
Moldtek Packaging (MOLPLA)	981	1,045	Hold	3,262	17.2	20.4	24.0	29.7	57.1	48.2	40.9	33.0	35.5	27.3	23.9	19.7	20.1	18.6	25.4	25.3	18.7	13.9	22.4	22.2

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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