

**BUY**

TP: Rs 3,693 | ▲ 15%

**MAHINDRA & MAHINDRA** | Automobiles

31 July 2025

## Healthy show in a challenging environment; maintain BUY

- Automotive and tractors volumes grew in double digits by ~17%/11% YoY; blended realisations gains ~10% YoY, mild fall QoQ
- Auto EBIT margin fell marginally to 8.9% vs 9.5% YoY (EV impact). FES market share at 45.2% (+50 bps YoY); margins at 20.7% up 100bps YoY
- Maintain FY26E/FY27E EBITDA estimate and BUY rating; continue to value MM's core business at 24x 1YF P/E with revised TP of Rs 3,693

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**Topline growth remains healthy in difficult business environment:** MM's strong momentum continued in Q1FY26 with revenue growth of ~26%/9% YoY/QoQ, to Rs 340.8bn. The key driver was blended volume growth of ~15%/12% YoY/QoQ to 381k vehicles. Net blended realisation, too, surged by ~10% YoY (down ~3% QoQ) to Rs 893.8k per vehicle, as product mix stayed favourable.

**BEV penetration impressive, margins mildly impacted:** Auto business revenue share rose to 73% (~70% in Q1FY25), maintaining a dominant position. EBIT margin fell to 8.9% vs 9.5% in Q1FY25; however, ex-BEV business, it was at 10%. SUV revenue market share surged by 570bps to 27.3% while E-SUV volume market share rose to 31.8%, driven by a strong response to Thar Roxx and 2 new EVs. The LCV segment had muted gains of 4% YoY amid a struggling market environment.

**FES gaining pace:** Tractor segment market share was the highest ever at 45.2% up by 50 bps YoY, as volumes grew by 10% YoY to 133k units. FES PBIT growth was at 6% YoY, impacted by the Sampo write-off, excluding which, the growth would have been ~18%. Further, core tractor PBIT improved to 20.7 vs 19.7% in Q1FY25.

**Product pipeline not altered:** MM has reiterated product launch outline for CY26, but has kept flexibility to align it with the prevailing economic condition at that time. The new "Vision" platform will be launched on 15<sup>th</sup> August, 2025 and 2 new EV launches are planned for January 2026.

**Overall healthy performance continues; maintain BUY:** We retain our EBITDA estimates for FY26e/FY27e (EPS is revised due to depreciation revision), factoring in the healthy outlook from Automotive and FES segments. This follows healthy monsoons and a prudent launch pipeline. We introduce FY28 earnings penciling in a 3Y PAT/EBITDA/PAT CAGR of 12%/14%14%. We value MM's core business at 24x 1-year P/E, a 10% premium to its long-term average (22x), resulting in a revised SOTP-based TP of Rs 3,693 (Rs3,689). This includes a subsidiary value of Rs347. Maintain BUY (+15%) and upward bias to our earnings estimates.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	MM IN/Rs 3,209
Market cap	US\$ 45.9bn
Free float	81%
3M ADV	US\$ 87.2mn
52wk high/low	Rs 3,303/Rs 2,425
Promoter/FPI/DII	19%/37%/29%

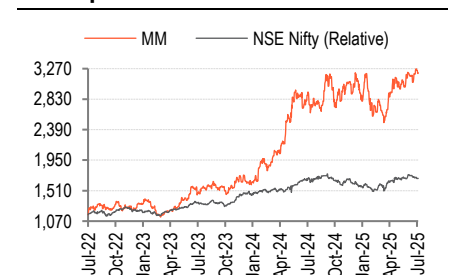
Source: NSE | Price as of 30 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	11,64,837	13,06,433	14,91,076
EBITDA (Rs mn)	1,62,745	1,93,896	2,22,533
Adj. net profit (Rs mn)	1,18,548	1,46,069	1,62,516
Adj. EPS (Rs)	98.9	121.9	135.6
Consensus EPS (Rs)	98.9	116.8	129.9
Adj. ROAE (%)	20.8	21.6	20.2
Adj. P/E (x)	32.4	26.3	23.7
EV/EBITDA (x)	24.3	20.1	17.7
Adj. EPS growth (%)	10.6	23.2	11.3

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Earnings call highlights**

Parameter	Q1FY26	Q4FY25	Our view
Market	<p>SUV revenue market share rose to 27.3%, up 570 bps YoY. LCV (&lt;3.5T) volume market share at 54.2%, up 340 bps YoY, despite a challenging industry environment.</p> <p>Tractor market share reached 45.2%, up 50 bps YoY, with volumes growing 10% YoY to 133K units. Farm segment faced challenges in international markets due to a Sampo write-down.</p>	<p>In Q4FY25, MM's SUV revenue share rose to 23.5%, increasing by 310 bps, (FY25 revenue share stood at 22.5% increasing by 210bps). LCV market share increased by 4.8% in Q4FY25 (added 2.9% share in FY25) while the industry had a -3% CAGR. LLM had a dominant market share at 42.9% with total sales of 108k units.</p> <p>On the farm side, market share reached 41.2% up by 180 bps in Q4FY25 with volumes growing by 23% YoY to ~87k units, (FY25 market share at 43.3% up by 170 bps).</p>	<p>Automotive and FES are expected to deliver healthy growth. FES segment's better-than-expected performance will offset the slow growth in LCV segment.</p>
Order book	<p>BEV order books remain strong, with a focus on higher-end variants. Lower battery pack variant is being released at an affordable price point to increase inclusivity.</p> <p>Thar Roxx bookings remain robust, particularly for 4x4 variants, with production ramped up to reduce waiting periods (currently ~4 months). Thar 3-Door volumes are currently at 3.5–4k units/month, but MM has achieved full fungibility and can shift the volume mix between variant as per the demand.</p>	<p>Currently, the BEV order book is skewed towards top variant Pack 3, which accounts for more than 75%. Pack 1 and 2 variants have low conversion from inquiries to bookings.</p> <p>Average waiting period based on the current production rate and order backlog is 4 months.</p>	<p>Focus on boosting growth is a stated policy. The policy to revisit cancellations by adding new capacity will help enhance monthly volume catering to the buoyant demand. MM has limited cannibalisation impact.</p>
Electric Vehicle	<p>BEV production at ~4k units/month, with plans to scale to 5–6k units/month during festive season and further post-January 2026 with new launches. No PLI has been accrued yet; awaiting XEV 9e certification expected in Q2/Q3. Low product cannibalisation from BEVs to ICE portfolio is seen as of now.</p> <p>EV margins are expected to align with ICE margins over time. Henceforth, management is agnostic about product cannibalisation.</p>	<p>MM has operationalised production capacity 5,000 BEVs per month out of the 7,500 capacities.</p> <p>On the PLI scheme, management has indicated that it is a calibrated decision to wait for XEV 9E to receive technical certification and then apply for accrual.</p> <p>Management mentioned that the ICE portfolio has witnessed low levels of cannibalisation from BEVs.</p>	<p>Efforts on expanding EV base is a long-stated strategy. Strong product pipeline will ensure the growth strategy. Low levels of cannibalisation indicate new first time MM vehicle buyers.</p>
FES	<p>Tractor volumes at 133K units, up 10% YoY, with market share at 45.2% (highest ever). Farm machinery business has been recalibrated for moderate growth to maintain profitability.</p> <p>Domestic demand will likely be robust, supported by rural sentiment and a favourable monsoon.</p>	<p>New products Swaraj Target and Mahindra Oja addressed the gap in the &lt;30hp tractor segment and aided in gaining the 5% market share.</p> <p>Domestically, South India and Maharashtra are expected to be the regions of good growth; where mgmt. expects to hold competitive advantage. Chhattisgarh was significant outlier growing 35% over past 12-18 months.</p> <p>In the export markets, MM lost market share in Turkey due to early adoption of TREM V equivalent, which hiked prices vs competitors (will normalise as competition adapts to TREM V).</p> <p>In the US, overall market share rose to 8.5% driven by &lt;20hp tractor segment growth.</p>	<p>Better monsoon predictions and further actual normal monsoons will help tractor demand locally. Further focus on 3-key global markets, including Turkey, USA and Brazil will help international volume.</p>
Margin	<p>Auto PBIT margin (ex-eSUV) at 10%, Farm PBIT at 19.8% (core tractor at 20.7%). Consolidated PAT up 24% to Rs 40.8bn crore.</p>	<p>Losses in international farm operations to the tune of ~Rs 1 bn and Category B business (MAM &amp; Sampo) write-off to the</p>	<p>Maintaining margins in a challenging business scenario is very encouraging. Commodity</p>

Parameter	Q1FY26	Q4FY25	Our view
	Steel prices have inched up by 6%, but were mitigated by passing on price hikes to customers. International subsidiary losses (Sampo write-down) impacted farm profitability.	tune of Rs 6.5 bn impacted consolidated profitability. Auto and FES PBIT margin stood at 9.5%/18.4% respectively, increasing by 110 bps/210 bps and write-offs of category B business was undertaken to curtail any further losses.	inflation is a concern, though currently, it has not impacted margins meaningfully.  Hiving off non-core business a short-term hit but a healthy long-term strategy.
All-round focus, healthy balance sheet comes handy	On the Rare earth magnet situation, mgmt reiterated that they are comfortably covered for the next 2-3 quarters and don't foresee any production constraints coming up as of now.  MM plans to do electric bus business only through SML ISUZU product line and has no plans to develop their own product.	Management has identified 6 scalable growth gems (Hospitality, Logistics, Real Estate, Susten, Lat Mile Mobility and Trucks & Buses) and aims to grow each of them to USD 2-3 bn. On 15th August, MM announced the unveiling of their new platform Vision. There is capacity expansion of 1.2 L p.a. underway at Chakan for the new platform.	Newer challenges are well mitigated. With the new partner SML ISUZU, EV portfolio is expected to only expand.

Source: Company, BOBCAPS Research

**Fig 2 – Quarterly performance (Standalone)**

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	4QFY25	QoQ (%)	Q1FY26E
Volume	3,81,338	3,32,042	14.8	3,41,046	11.8	3,81,338
Avg. Realisation per Vehicle	8,93,780	8,14,318	9.8	9,19,331	(2.8)	9,33,120
Net Revenues	3,40,832	2,70,388	26.1	3,13,534	8.7	3,48,212
<b>Total Income (A)</b>	<b>3,40,832</b>	<b>2,70,388</b>	<b>26.1</b>	<b>3,13,534</b>	<b>8.7</b>	<b>3,48,212</b>
<b>Operating Expenses</b>						
Raw materials consumed	2,59,207	1,99,394	30.0	2,32,299	11.6	2,59,940
Employee Expenses	13,017	11,753	10.7	12,686	2.6	13,928
Other Expenses	19,769	19,018	3.9	21,725	(9.0)	23,504
<b>Total Expenditure (B)</b>	<b>2,91,993</b>	<b>2,30,166</b>	<b>26.9</b>	<b>2,66,709</b>	<b>9.5</b>	<b>2,97,373</b>
<b>EBITDA (A-B)</b>	<b>48,840</b>	<b>40,222</b>	<b>21.4</b>	<b>46,825</b>	<b>4.3</b>	<b>50,839</b>
Other Income	7,913	3,515	125.1	7,678	3.1	7,518
Depreciation	9,999	9,146	9.3	13,058	(23.4)	13,513
EBIT	46,754	34,591	35.2	41,446	12.8	44,844
Finance Costs	559	529	5.7	810	(31.0)	875
PBT after excep items	46,195	34,062	35.6	40,636	13.7	43,969
Tax expense	10,214	7,936	28.7	9,079	12.5	9,893
<b>Reported PAT</b>	<b>34,498</b>	<b>26,126</b>	<b>32.0</b>	<b>24,371</b>	<b>41.6</b>	<b>34,076</b>
<b>Adjusted PAT</b>	<b>35,981</b>	<b>26,126</b>	<b>37.7</b>	<b>31,557</b>	<b>14.0</b>	<b>34,076</b>
EPS (Rs)	27.8	21.0	32.0	19.6	41.6	27.4
<b>Key Ratios (%)</b>			<b>(bps)</b>		<b>(bps)</b>	
Gross Margin	23.9	26.3	(231)	25.9	(196)	25.4
EBITDA Margin	14.3	14.9	(55)	14.9	(61)	14.6
EBIT Margin	13.7	12.8	92	13.2	50	12.9
PBT Margin	13.6	12.6	96	13.0	59	12.6
Tax Rate	22.1	23.3	(119)	22.3	(23)	22.5
Adj PAT Margin	10.6	9.7	89	10.1	49	9.8

Source: Company, BOBCAPS Research

## Valuation Methodology

We retain our EBITDA estimates for FY26e/FY27e (EPS is revised downward by 4% each due to depreciation revision), factoring in the healthy outlook from Automotive and FES segments. This follows healthy monsoons and a prudent launch pipeline. We introduce FY28 earnings penciling in a 3Y PAT/EBITDA/PAT CAGR of 12%/14%14%. We expect FES's revival to be stronger, and automotive to maintain a strong momentum owing to MM's focus on driving volumes and market share.

Despite a strong capex for automotive and FES, we believe MM's capital allocation policy continues to imply less debt stress that will result in balance sheet health and keep return ratios moving at a good pace.

This is reflected in the recent SML ISUZU acquisition. The current (FY25), MM Truck & Bus at 3% market share in >3.5T Commercial Vehicle (CV). Post-acquisition, combined market share with SML at 6%, is estimated to take MM at the No.4 OEM in >3.5T CV. Target market share is 10-12% by FY31 and over 20% market share by FY36. Additionally, M&HCV segment aimed at growing market share to 5%. For buses, SML's 16% market share in Light CV (LCV)/Integrated CV (ICV) buses, combined with M&M will reach 21% (strong presence in ILCV).

Additionally, organic capacity expansion plans are the right measures to address market preferences, especially in the automotive segment and will help MM to maintain leadership in the SUV segment.

We continue to value MM's core business at 24x 1-year P/E, a 10% premium to its long-term average (22x), resulting in a revised SOTP-based TP of Rs 3,693 (Rs3,689). This includes subsidiary value of Rs347. Maintain BUY (+15%) and upward bias to our earnings estimates.

**Fig 3 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E*	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	13,06,433	14,91,076	16,62,518	13,06,400	14,91,038		0.0	0.0	
EBITDA	1,93,896	2,22,533	2,42,013	1,93,888	2,22,525		0.0	0.0	
Adj PAT	1,46,069	1,62,516	1,76,363	1,52,573	1,70,307		(4.3)	(4.6)	
Adj EPS (Rs)	121.9	135.6	147.2	127.3	142.1		(4.2)	(4.5)	

Source: BOBCAPS Research; \*FY28 earnings introduced in Q1FY26

**Fig 4 – Key assumptions**

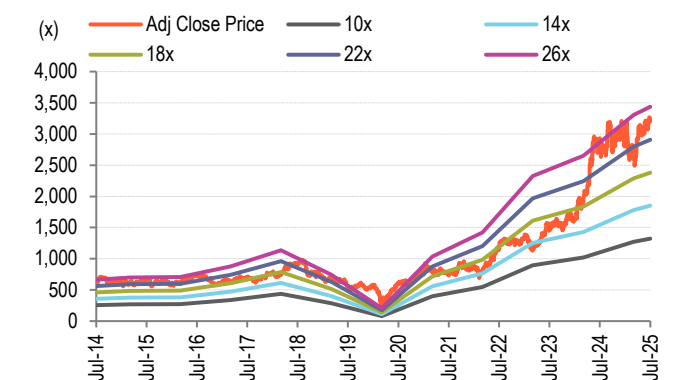
Parameter	FY26E	FY27E	FY28E
Volume (units)	15,35,751	17,07,443	18,57,361
Revenue (Rs mn)	13,06,433	14,91,076	16,62,518
EBITDA (Rs mn)	1,93,896	2,22,533	2,42,013
EBITDA margin (%)	14.8	14.9	14.6
Adj. PAT (Rs mn)	1,46,069	1,62,516	1,76,363
EPS (Rs)	121.9	135.6	147.2

Source: Company, BOBCAPS Research

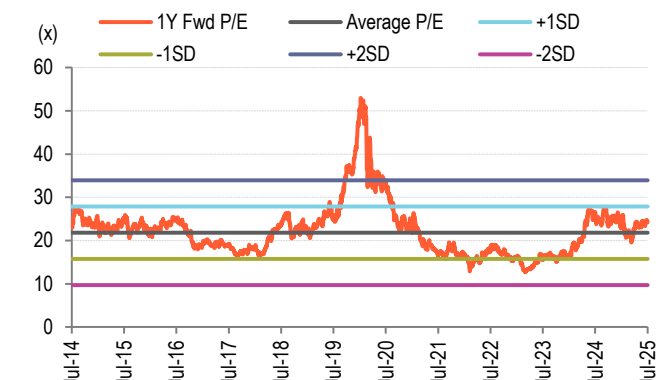
**Fig 5 – Valuation summary**

Business	Value (Rs/sh)	Valuation basis
Core Business	3,346	24x 1-year forward EPS
Subsidiaries	347	30% holding company discount
<b>Total</b>	<b>3,693</b>	-

Source: BOBCAPS Research| Note: 1-year forward valuations

**Fig 6 – P/E band: We continue to value MM at 24x 1YF core business EPS**


Source: Company, Bloomberg, BOBCAPS Research

**Fig 7 – P/E 1YF MM will continue to trade at premium to its mean valuations**


Source: Company, Bloomberg, BOBCAPS Research

## Key risks

Key downside risks to our estimates:

- Commodity inflation sustaining for longer-than-expected in the high-end segment.
- Accelerated launches by competitors in the high-end automotive segment
- Slower-than-expected recovery in the farm equipment segment

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>9,87,634</b>	<b>11,64,837</b>	<b>13,06,433</b>	<b>14,91,076</b>	<b>16,62,518</b>
EBITDA	1,26,662	1,62,745	1,93,896	2,22,533	2,42,013
Depreciation	34,389	42,268	46,800	51,970	56,670
EBIT	1,36,217	1,59,005	1,86,862	2,10,226	2,28,180
Net interest inc./(exp.)	(1,388)	(2,505)	(2,549)	(2,803)	(3,084)
Other inc./(exp.)	43,944	38,527	39,767	39,664	42,837
Exceptional items	0	0	0	0	0
EBT	1,34,830	1,56,500	1,84,314	2,07,423	2,25,096
Income taxes	27,652	37,952	38,245	44,907	48,733
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>1,07,178</b>	<b>1,18,548</b>	<b>1,46,069</b>	<b>1,62,516</b>	<b>1,76,363</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,07,178</b>	<b>1,18,548</b>	<b>1,46,069</b>	<b>1,62,516</b>	<b>1,76,363</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	1,99,990	2,37,166	2,71,242	3,09,368	3,49,898
Other current liabilities	60,729	87,343	48,689	62,753	69,641
Provisions	18,714	22,689	2,176	2,394	2,633
Debt funds	20,365	16,818	14,583	11,199	10,445
Other liabilities	0	0	0	0	0
Equity capital	5,996	6,004	5,996	5,996	5,996
Reserves & surplus	5,16,770	6,09,846	7,30,022	8,67,378	10,18,580
Shareholders' fund	5,22,766	6,15,850	7,36,018	8,73,374	10,24,576
<b>Total liab. and equities</b>	<b>8,22,563</b>	<b>9,79,866</b>	<b>10,72,707</b>	<b>12,59,089</b>	<b>14,57,194</b>
Cash and cash eq.	55,259	1,14,345	41,451	71,218	89,528
Accounts receivables	45,495	57,256	65,322	74,554	83,126
Inventories	95,048	1,03,333	1,37,176	1,52,835	1,74,564
Other current assets	1,29,520	1,37,760	2,09,029	2,53,483	3,15,878
Investments	2,99,954	3,54,680	3,95,098	4,87,786	5,80,555
Net fixed assets	1,94,378	1,92,111	2,05,311	2,03,341	1,96,671
CWIP	18,460	37,010	35,950	32,500	33,500
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(15,551)	(16,629)	(16,629)	(16,629)	(16,629)
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>8,22,563</b>	<b>9,79,866</b>	<b>10,72,707</b>	<b>12,59,089</b>	<b>14,57,194</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>90,834</b>	<b>1,59,264</b>	<b>12,284</b>	<b>1,55,082</b>	<b>1,42,072</b>
Capital expenditures	(49,619)	(58,550)	(58,940)	(46,550)	(51,000)
Change in investments	(29,083)	(54,726)	(40,418)	(92,688)	(92,769)
Other investing cash flows	43,944	38,527	39,767	39,664	42,837
<b>Cash flow from investing</b>	<b>(34,758)</b>	<b>(74,749)</b>	<b>(59,591)</b>	<b>(99,575)</b>	<b>(1,00,932)</b>
Equities issued/Others	800	(787)	(8)	0	0
Debt raised/repaid	(29,891)	(3,547)	(2,235)	(3,384)	(754)
Interest expenses	(1,388)	(2,505)	(2,549)	(2,803)	(3,084)
Dividends paid	(25,160)	(25,160)	(25,160)	(25,160)	(25,160)
Other financing cash flows	7,229	1,560	(733)	0	0
<b>Cash flow from financing</b>	<b>(48,410)</b>	<b>(30,438)</b>	<b>(30,684)</b>	<b>(31,347)</b>	<b>(28,998)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>7,666</b>	<b>54,077</b>	<b>(77,991)</b>	<b>24,161</b>	<b>12,142</b>
<b>Closing cash &amp; cash eq.</b>	<b>55,259</b>	<b>1,14,345</b>	<b>41,451</b>	<b>71,218</b>	<b>89,528</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	89.5	98.9	121.9	135.6	147.2
Adjusted EPS	89.5	98.9	121.9	135.6	147.2
Dividend per share	21.0	21.0	21.0	21.0	21.0
Book value per share	436.3	514.0	614.3	729.0	855.2

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.0	3.4	3.0	2.6	2.4
EV/EBITDA	31.4	24.3	20.1	17.7	16.5
Adjusted P/E	35.9	32.4	26.3	23.7	21.8
P/BV	7.4	6.2	5.2	4.4	3.8

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	79.5	75.7	79.3	78.4	78.4
Interest burden (PBT/EBIT)	99.0	98.4	98.6	98.7	98.6
EBIT margin (EBIT/Revenue)	13.8	13.7	14.3	14.1	13.7
Asset turnover (Rev./Avg TA)	192.3	198.1	188.9	182.4	173.2
Leverage (Avg TA/Avg Equity)	1.1	1.0	1.0	1.0	1.0
<b>Adjusted ROAE</b>	<b>22.4</b>	<b>20.8</b>	<b>21.6</b>	<b>20.2</b>	<b>18.6</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	16.2	17.9	12.2	14.1	11.5
EBITDA	21.3	28.5	19.1	14.8	8.8
Adjusted EPS	63.7	10.6	23.2	11.3	8.5

### Profitability & Return ratios (%)

EBITDA margin	12.8	14.0	14.8	14.9	14.6
EBIT margin	13.8	13.7	14.3	14.1	13.7
Adjusted profit margin	10.9	10.2	11.2	10.9	10.6
Adjusted ROAE	22.4	20.8	21.6	20.2	18.6
ROCE	21.0	20.4	21.3	20.1	18.6

### Working capital days (days)

Receivables	16	16	17	17	17
Inventory	34	31	34	35	36
Payables	94	92	96	96	97

### Ratios (x)

Gross asset turnover	0.4	0.4	0.4	0.4	0.4
Current ratio	1.2	1.2	1.4	1.5	1.6
Net interest coverage ratio	(98.2)	(63.5)	(73.3)	(75.0)	(74.0)
<b>Adjusted debt/equity</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets



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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

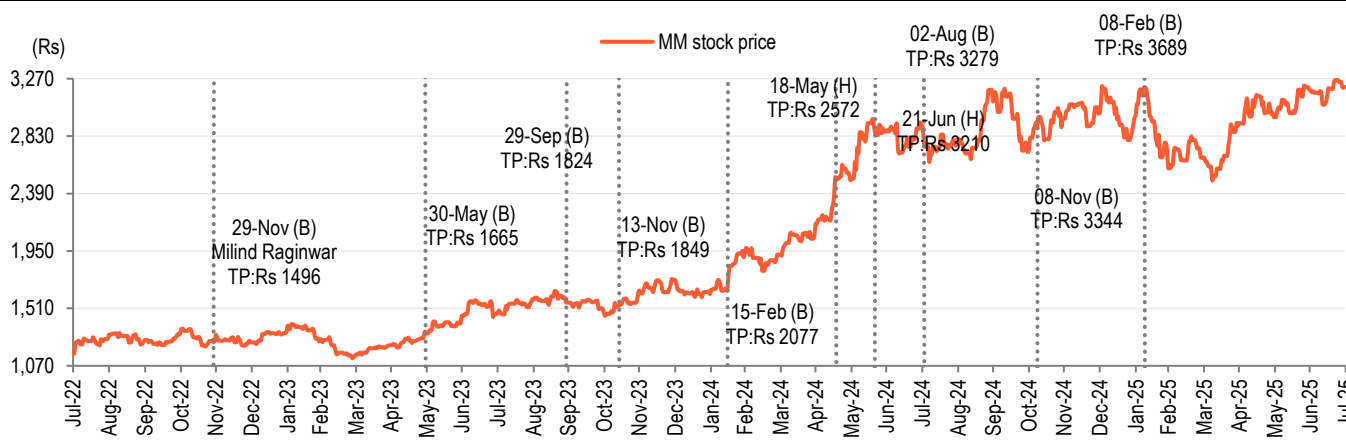
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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### Ratings and Target Price (3-year history): MAHINDRA & MAHINDRA (MM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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