

Bharat Electronics

Estimate change



TP change



Rating change



Bloomberg	BHE IN
Equity Shares (m)	7310
M.Cap.(INRb)/(USDb)	2658.9 / 31.1
52-Week Range (INR)	374 / 230
1, 6, 12 Rel. Per (%)	19/25/31
12M Avg Val (INR M)	9055

Financials Snapshot (INR b)

Y/E March	2025	2026E	2027E
Sales	236.6	276.7	325.5
Sales Gr. (%)	17.3	17.0	17.6
EBITDA	67.7	77.4	91.0
EBITDA Margin	28.6	28.0	28.0
Adj. PAT	52.9	61.1	74.4
Adj. EPS (INR)	7.2	8.4	10.2
EPS Gr. (%)	31.5	15.5	21.9
BV/Sh.(INR)	27.0	34.3	43.3

Ratios

RoE (%)	26.8	24.3	23.5
RoCE (%)	29.5	27.3	26.3
Payout (%)	12.4	12.4	12.4

Valuations

P/E (x)	50.3	43.5	35.7
P/BV (x)	13.5	10.6	8.4
EV/EBITDA (x)	37.9	32.1	26.7
Div. Yield (%)	0.2	0.3	0.3

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	51.1	51.1	51.1
DII	20.9	20.9	22.7
FII	17.6	17.4	17.6
Others	10.4	10.6	8.7

FII Includes depository receipts

CMP: INR364

TP: INR410 (+13%)

Buy

Consistent performer

BEL reported strong results for the quarter as well as for the full year, with stable margin improvements. The order inflow for FY25 was a bit weaker than the company's initial guidance, but the order prospect pipeline for BEL stands strong for the next two years. Company is rightly positioned to benefit from the expected upcoming emergency procurement list and to cater to wider defense electronics components across the army, navy and air force for the next few years. We expect its margin performance to remain strong, driven by increased indigenization as well as continued R&D spend over years. We raise our estimates by 7%/8% for FY26/FY27 on a better-than-expected margin profile and slightly lower other income. The stock is currently trading at 43.5x/35.7x P/E on FY26/27E earnings. We arrive at a revised TP of INR410 based on 40x Mar'27E earnings and maintain BUY on BEL. We increase our valuation multiple to 40x from 36x earlier on its strong prospect pipeline.

Results were much ahead of our expectation

BEL results came in ahead of our estimates on EBITDA and PAT level. 4QFY25 revenue grew 7% YoY and was broadly in line with our estimate of INR88.8b. Revenue growth was driven by a strong order book of INR717b and an inflow of ~INR194b during FY25 vs. target of INR250b. EBITDA grew 22% YoY to INR28b, beating our estimate by 35%, while EBITDA margin expanded 390bp YoY to 30.6% vs. our estimate of 23.3% mainly due to lower-than-expected other expenses. Gross margin was ahead of our estimates at 47.8% in 4QFY25 vs. our estimate of 45.5%. Margin performance is dependent upon the project mix during the quarter. Strong margin performance resulted in a 27%/23% beat to our PBT/PAT estimates. PAT stood at INR21.0b, up 18.0% YoY vs. our estimate of INR17.1b. For FY25, revenue/EBITDA/PAT grew 17%/35%/32% to INR237b/INR68b/INR53b. OCF for FY25 stood at INR4.8b, a significant decrease compared to last year. This was due to a significant increase in net working capital led by higher inventory and receivables and lower customer advances. Lower OCF and higher capex led to FCF outflow of INR5.2b for the year.

Promising order inflow pipeline from emergency procurement and other long-term projects

BEL has an order book of INR717b and received inflows worth INR194b during FY25. Company is rightly positioned to benefit from the expected upcoming emergency procurement list, which will be finalized over the next 7-10 days. BEL is also eyeing inflows from various projects over the next two years, such as 1) QRSAM worth INR300b where BEL is the lead integrator and the project can be finalized by 4QFY26/1QFY27, 2) orders worth INR270b spread across next-generation corvettes from naval shipyards (worth INR60-100b), electronic warfare, electronic orders from Tejas Mk1A LCA, Atulya radar, ground-based electronic warfare systems, air defense fire control radar, etc. Along with this, the company is constantly eyeing opportunities from exports, particularly from Europe rearmament across platforms. In FY26, BEL expects an order inflow of INR270b and revenue growth of 15%.

EBITDA margin profile to stay strong on order book mix and indigenization

BEL's EBITDA margin stood strong at 28.6% in FY25, led by improved gross margin and lower other expenses as provisions were lower. EBITDA margin has consistently improved for the last three years, from 21.6% in FY22 to 28.6% in FY25. This was driven by increased indigenization and continued R&D investments done by the company to indigenize production. Company has given EBITDA margin guidance of 27% for FY26 and it aims to constantly improve this going forward. BEL has judiciously maintained a right mix of orders across components and system integration-led orders, where components have higher margins and system integration orders have provided good revenue support. We expect this mix to be maintained over the next two years.

Looking to expand exports

Company is targeting export revenue of USD120m in FY26. The company is evaluating opportunities in various countries, including Europe. Europe rearmament has a lot of demand coming in for fuses, ammunition, contract manufacturing for aerospace and defense. BEL already has a presence in these components and is working on a plan to target these opportunities.

BEL is working across varied platforms

- **QRSAM:** BEL is working on a QRSAM project as the lead integrator, and this project is for both the Indian Army and Indian Air Force with a project size of INR300b. This project is expected to be awarded by 4QFY26/1QFY27.
- **Next-generation corvette:** For an NGC project, the company is eyeing 10-12 sub-systems related orders from naval shipyards cumulatively worth INR60-100b, which can be finalized over FY26/27.
- **Project Kusha:** Project Kusha is for indigenous production of S400 missiles. This is being driven by DRDO, and BEL will be the development partner in this project. This project is worth INR400b and may be split into 1-2 lead integrators, with BEL being the preferred integrator, as major sub-systems, control systems, radar will be done by BEL. This project is still in R&D phase and the prototype will be there by 1-1.5 years. After that, trials for these system will take around 12-24 months.
- **Brahmos missile:** BEL is involved in two sub-systems for Brahmos missile. It is changing its scope of contribution in Brahmos, so the company is in constant discussions with Brahmos and working on designs for next-gen systems.
- **Software-defined radios:** BEL is already working with the Navy for replacing older radios with software-defined radios. It is also eyeing orders worth INR10b from army for the replacement of 40k-50k radios. While there will be competition in this space, BEL will be the nominated player for DRDO-led projects.
- **Counter drone systems:** BEL won recent orders from the army and BSF. It also expects repeat orders for counter-drone systems. The company has capabilities for both – soft kill as well as hard kill. It costs nearly INR150-200m for this type of anti-drone products.

Financial outlook

We raise our estimates by 7%/8% for FY26/27. We increase our order inflow estimates as we factor in large-sized order inflows from QRSAM and next-generation corvettes to materialize between FY26 and FY27. We also bake in a longer gestation period for these orders and expect a CAGR of 17%/16%/19% in sales/EBITDA/PAT over FY25-27. We expect OCF/FCF to remain strong over FY25-27, led by control over working capital. Further, the company had a cash surplus of INR94b as of FY25, providing scope for further capacity expansion.

Key risks and concerns

A slowdown in order inflows from the defense and non-defense segments, intensified competition, further delays in the finalization of large tenders, a sharp rise in commodity prices, and delays in payments from the MoD can adversely impact our estimates on revenue, margins, and cash flows.

Valuation and view

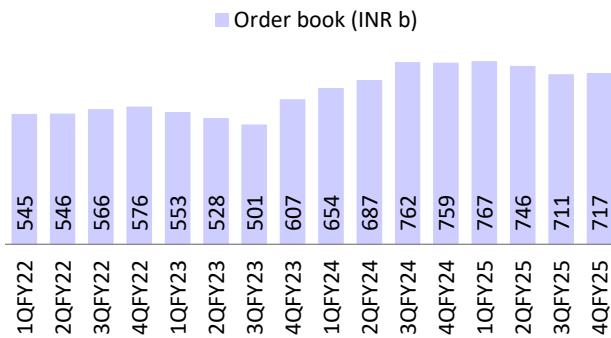
BEL is currently trading at 43.5x/35.7x on FY26E/FY27E EPS. We increase our estimates on a better-than-expected margin profile and slightly lower other income. We revise our TP to INR410 on 40x Mar'27E. We increase our valuation multiple to 40x from 36x earlier on a strong prospect pipeline for BEL. **Reiterate BUY rating.**

Standalone Quarterly Performance

Y/E March	FY24				FY25				FY24	FY25	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var (%)
Net Sales	35,108	39,933	41,367	85,285	41,988	45,834	57,561	91,197	201,694	236,580	88,780	3
Change (%)	12.8	1.2	0.1	32.1	19.6	14.8	39.1	6.9	14.3	17.3	4.1	
EBITDA	6,644	10,044	10,494	22,800	9,367	13,885	16,533	27,890	49,982	67,676	20,654	35
Change (%)	29.4	17.4	23.0	24.9	41.0	38.2	57.5	22.3	23.5	35.4	-9.4	
As of % Sales	18.9	25.2	25.4	26.7	22.3	30.3	28.7	30.6	24.8	28.6	23.3	
Depreciation	1,013	1,004	998	1,109	997	1,032	1,029	1,298	4,124	4,356	1,241	5
Interest	11	15	5	39	12	13	13	58	70	96	32	81
Other Income	1,417	1,705	2,232	2,205	2,015	1,668	2,051	1,942	7,558	7,676	3,121	-38
PBT	7,038	10,729	11,723	23,856	10,373	14,509	17,542	28,476	53,346	70,900	22,501	27
Tax	1,729	2,606	2,790	6,021	2,612	3,596	4,381	7,428	13,146	18,017	5,410	
Effective Tax Rate (%)	24.6	24.3	23.8	25.2	25.2	24.8	25.0	26.1	24.6	25.4	24.0	
Reported PAT	5,308	8,123	8,933	17,835	7,761	10,913	13,161	21,048	40,200	52,883	17,091	23
Change (%)	23.0	32.9	49.2	30.6	46.2	34.3	47.3	18.0	33.7	31.5	-4.2	
Adj PAT	5,308	8,123	8,933	17,835	7,761	10,913	13,161	21,048	40,200	52,883	17,091	23
Change (%)	23.0	32.9	49.2	30.6	46.2	34.3	47.3	18.0	33.7	31.5	-4.2	

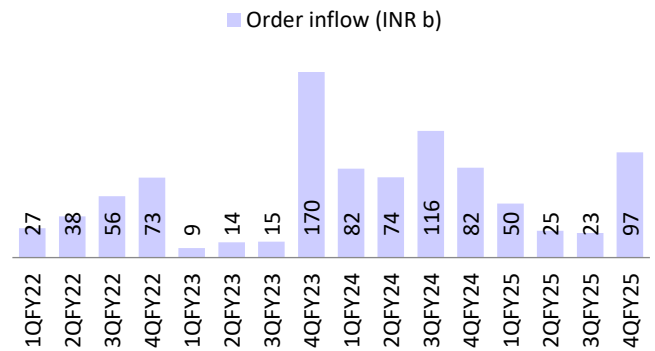
Key Exhibits

Exhibit 1: Order book remains strong



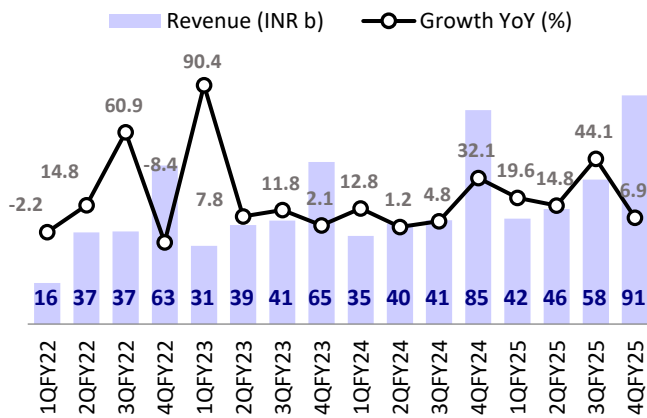
Source: MOFSL, Company

Exhibit 2: Order inflows increased 17% YoY



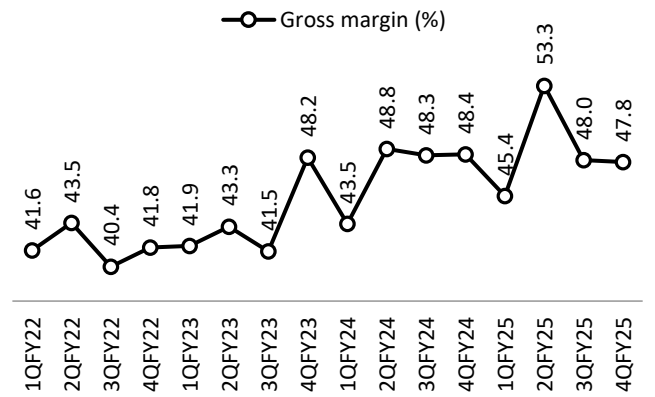
Source: MOFSL, Company

Exhibit 3: Revenue grew 7% YoY even on a high base



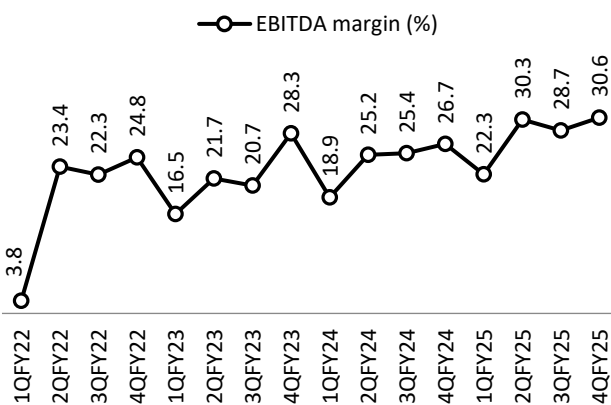
Source: MOFSL, Company

Exhibit 4: Gross margin at stable levels



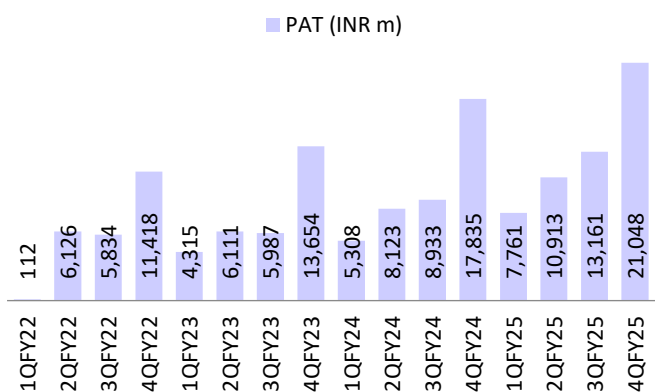
Source: MOFSL, Company

Exhibit 5: EBITDA margin peaked in the quarter



Source: MOFSL, Company

Exhibit 6: PAT performance remained strong at 18% YoY



Source: MOFSL, Company

Exhibit 7: We increase our estimates on better-than-expected margin profile and slightly lower other income along with assumption of QRSAM award to FY27

(INR m)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Order inflow	2,70,000	3,60,000	(25.0)	5,83,500	4,14,000	40.9
Net Sales	2,76,738	2,74,888	0.7	3,25,492	3,25,308	0.1
EBITDA	77,386	69,027	12.1	91,020	81,688	11.4
EBITDA (%)	28.0	25.1	290 bp	28.0	25.1	290 bp
Adj. PAT	61,068	57,000	7.1	74,440	68,955	8.0
EPS (INR)	8.4	7.8	7.1	10.2	9.4	8.0

Source: Company, MOFSL

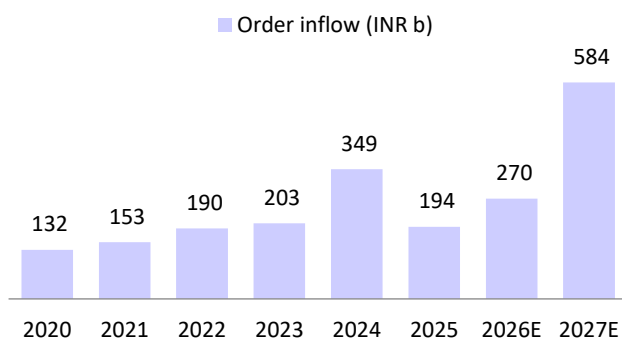
Exhibit 8: BEL's order inflows announced in FY25

Date	Order	Amount (INR b)	Accumulated Orders (INR b)	Customer
16-May-25	❖ Major orders received include Integrated Drone Detection and Interdiction System (IDDIS), Software Defined Radio (SDR) and Data Communication Unit (DCU) for attack guns, AI based solutions for ships, simulators, communication equipment jammers, spares, services etc.	5.7	217.9	
07-Apr-25	❖ Supply of EW Suite for Mi 17 V5 Helicopters of Indian Air Force comprising of comprises Radar Warning Receiver (RWR), Missile Approach Warning System (MAWS) and Counter Measure Dispensing System (CMDS)	22.1	212.2	Indian Air Force
02-Apr-25	❖ Maintenance services for the Akash Missile System	5.9	190.1	Indian Air Force
27-Mar-25	❖ Major orders include radar spares, radar upgradation, electronic voting machines, simulators, advanced land navigation system and stabilizer for tanks, fire control system for ship based decoys, communication equipment, other spares, services etc.	13.9	184.2	
12-Mar-25	❖ Supply and services of Ashwini Radars	24.6	170.3	Indian Air Force
10-Mar-25	❖ Major orders include RF seekers, vessel and air traffic management system, electro optic repair facility, radar upgradation, spares, services, etc.	8.4	145.7	
06-Mar-25	❖ Major orders include airborne electronic warfare products, advanced composite communication system for submarine, Doppler weather radar, train communication system, radar upgradation, spares, services etc.	5.8	137.2	
	❖ Supply of Software Defined Radios (SDR) and Data Communication Terminals (DCT)	10.3		Indian Cost Guard
20-Feb-25	❖ Include earth station for satellite communication, laser range finders, fire control centre, command and control post, communication equipment for weapon system, head up display, spares, services, etc.	2.6	131.5	
	❖ Supply of Electro Optic Fire Control System (EOFCs)	6.1		Indian Navy
08-Feb-25	❖ Anti drone system, fuzes, integrated fire detection and suppression system, vessel communication system, spares, services etc	3.5	118.6	
28-Jan-25	❖ Major orders include advanced composite communication system for ship, communication equipment, medical electronics, electro optics, active radar homing head for missiles, class room jammers, spares, services etc.	5.3	108.9	
13-Jan-25	❖ Major orders include communication equipment, electro optics, upgrades for satcom network, radar & fire control system, spares, services etc.	5.6	103.6	
23-Dec-24	❖ Major orders include platform screen doors for metro rail, radars, communication equipment, jammers, seekers, upgraded submarine sonar, upgraded satcom terminals, test stations, spares, services etc.	9.7	98.0	
09-Dec-24	❖ Major orders include maintenance of Akash Missile System, telescopic sights for guns, communication equipment, jammers, electronic voting machines, test stations, spares, services etc.	6.3	88.3	
08-Nov-24	❖ Major orders received include Laser Range Finders, communication equipment, vessel communication and support system, test equipment for guns, spares, services etc.	5.0	81.9	
07-Oct-24	❖ Major orders received include EMI shelters, AMC for Integrated Air Command and Control system nodes, Upgrade / spares for gun systems, spares for radars, communication system etc.	5.0	77.0	
11-Sep-24	❖ Supply of indigenous Multi-Function Radar in X Band	8.5		Cochin Shipyard Limited (CSL)
	❖ Includes navigational complex system for ships, thermal imagers, communication equipment, fire control system, gun control system, spares, services, etc.	3.1	70.8	
22-Aug-24	❖ Major orders comprise of Combat Management System, Communication equipment, Stabilized Optronic Pedestal, Upgrades, Spares, Services etc.	7.0	59.2	
28-Jun-24	❖ Supply and installation of an advanced, indigenously designed and developed Sighting and Fire Control System (FCS) for the upgrade of BMP 2/2K Tanks of the Indian Army, along with a comprehensive Engineering Support Package.	31.7	48.0	Armoured Vehicles Nigam Limited (AVNL)
	❖ Doppler Weather Radar, Classroom jammers, spares and services etc.	4.8		
22-May-24	❖ Includes AMC of Akash Missile System, Combat Management System for Ships, Missile Fire Control System for ships, Laser Range Finders, Communication Network Centre etc.	11.5		

Source: Company

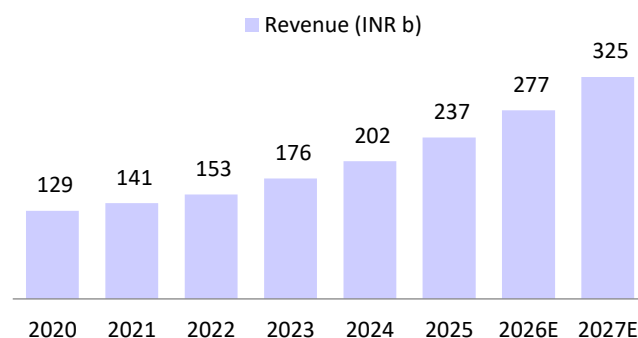
Financial outlook

Exhibit 9: We bake in large-sized inflows to materialize during FY26/27



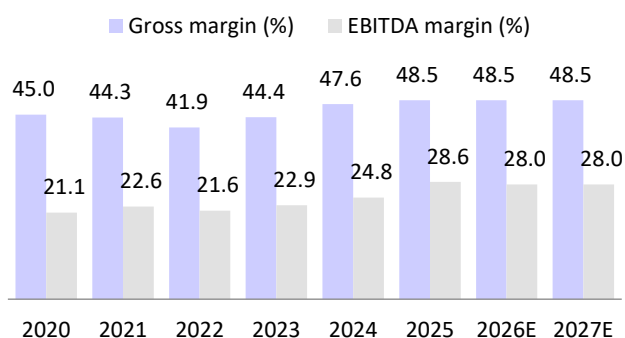
Source: MOFSL, Company

Exhibit 10: We expect revenue to clock a CAGR of 17% over FY25-27E



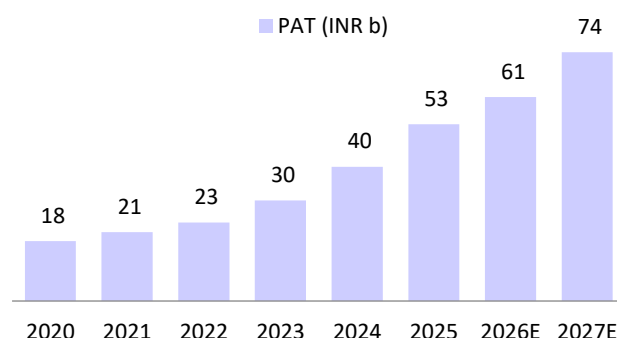
Source: MOFSL, Company

Exhibit 11: Gross/EBITDA margin to range around 49/28%



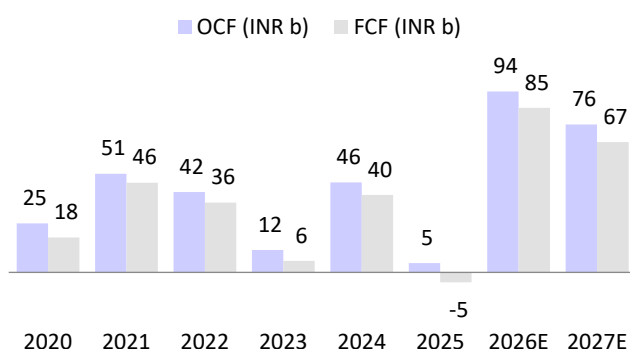
Source: MOFSL, Company

Exhibit 12: We expect a CAGR of 19% in PAT over FY25-27E



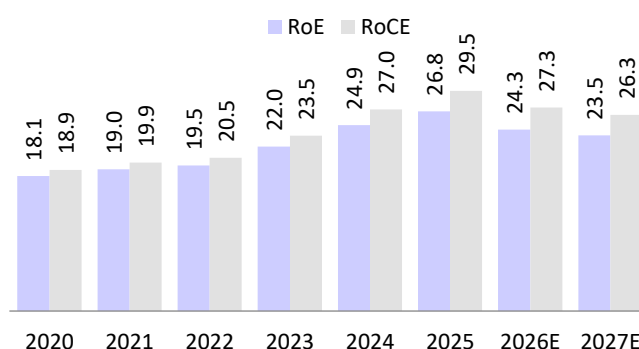
Source: MOFSL, Company

Exhibit 13: OCF & FCF to increase beyond FY25



Source: MOFSL, Company

Exhibit 14: RoE and RoCE to remain in the range of 24-27%



Source: MOFSL, Company

Financials and valuation

Income statement							(INR M)	
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Net Sales	1,29,211	1,40,638	1,53,138	1,76,462	2,01,694	2,36,580	2,76,738	3,25,492
Change (%)	6.9	8.8	8.9	15.2	14.3	17.3	17.0	17.6
Raw Materials	71,052	78,278	89,025	98,088	1,05,659	1,21,810	1,42,486	1,67,588
Gross Profit	58,160	62,360	64,113	78,374	96,035	1,14,770	1,34,252	1,57,903
Staff Cost	20,575	19,407	21,094	22,977	24,667	27,344	33,762	39,710
Other expenses	10,283	11,142	9,926	14,921	21,386	19,751	23,103	27,174
EBITDA	27,301	31,811	33,092	40,475	49,982	67,676	77,386	91,020
% of Net Sales	21.1	22.6	21.6	22.9	24.8	28.6	28.0	28.0
Depreciation	3,496	3,663	3,802	4,079	4,124	4,356	4,968	5,551
Interest	33	61	49	148	70	96	96	96
Other Income	1,019	1,261	2,336	3,600	7,558	7,676	9,552	14,430
PBT	24,792	29,348	31,578	39,849	53,346	70,900	81,874	99,802
Tax	6,853	8,694	8,089	9,782	13,146	18,017	20,806	25,362
Rate (%)	27.6	29.6	25.6	24.5	24.6	25.4	25.4	25.4
Adjusted PAT	17,938	20,654	23,489	30,067	40,200	52,883	61,068	74,440
Reported PAT	17,938	20,654	23,489	30,067	40,200	52,883	61,068	74,440
Change (%)	-6.9	15.1	13.7	28.0	33.7	31.5	15.5	21.9

Balance sheet							(INR M)	
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Share Capital	2,437	2,437	2,437	7,310	7,310	7,310	7,310	7,310
Reserves	96,824	1,06,331	1,18,055	1,29,146	1,54,116	1,90,237	2,43,707	3,08,887
Net Worth	99,261	1,08,768	1,20,492	1,36,455	1,61,426	1,97,546	2,51,017	3,16,196
Loans	-	-	-	-	-	-	-	-
Deferred Tax Liability	(4,974)	(4,634)	(6,207)	(5,034)	(5,742)	(5,341)	(5,341)	(5,341)
Capital Employed	94,287	1,04,134	1,14,285	1,31,422	1,55,684	1,92,205	2,45,676	3,10,855
Gross Fixed Assets	42,815	45,103	50,090	55,847	60,414	70,287	78,787	87,787
Less: Depreciation	12,784	16,448	20,250	24,328	28,453	32,808	37,776	43,328
Net Fixed Assets	30,030	28,655	29,840	31,518	31,962	37,479	41,011	44,459
Capital WIP	1,994	3,507	3,986	3,616	4,538	4,688	4,688	4,688
Investments	12,233	13,313	15,543	6,645	7,678	8,204	8,204	8,204
Curr. Assets	1,89,879	2,40,423	2,78,924	3,03,732	3,41,637	3,48,469	4,66,476	5,76,602
Inventory	39,628	49,547	55,669	64,121	74,076	90,697	1,06,092	1,24,782
Debtors	40,055	65,515	61,034	70,220	73,622	90,920	1,06,352	1,25,089
Cash & Bank Balance	15,562	50,082	74,991	80,090	1,09,681	93,973	1,71,352	2,29,485
Loans & Advances	400	527	88	83	84	81	17	20
Other Current Assets	94,235	74,752	87,142	89,219	84,174	72,799	82,663	97,226
Current Liab. & Prov.	1,39,850	1,81,764	2,14,008	2,14,089	2,30,131	2,06,635	2,74,703	3,23,099
Liabilities	1,25,091	1,64,265	1,91,851	1,99,468	2,13,630	1,90,387	2,55,697	3,00,744
Provisions	14,759	17,499	22,157	14,621	16,500	16,248	19,006	22,355
Net Current Assets	50,029	58,659	64,916	89,643	1,11,506	1,41,834	1,91,773	2,53,504
Application of Funds	94,287	1,04,134	1,14,285	1,31,422	1,55,684	1,92,205	2,45,676	3,10,855

Financials and valuation

Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Adjusted EPS	7.4	8.5	9.6	4.1	5.5	7.2	8.4	10.2
Growth (%)	-6.9	15.1	13.7	-57.3	33.7	31.5	15.5	21.9
Cash EPS	8.8	10.0	11.2	4.7	6.1	7.8	9.0	10.9
Book Value	40.7	44.6	49.5	18.7	22.1	27.0	34.3	43.3
DPS	3.1	3.4	4.2	1.7	0.8	0.9	1.0	1.3
Payout (incl. Div. Tax.)	42	40	44	41	15	12	12	12

Valuation (x)

P/E (standalone)	49.4	42.9	37.7	88.4	66.1	50.3	43.5	35.7
Cash P/E	41.3	36.4	32.5	77.9	60.0	46.4	40.3	33.2
EV/EBITDA	31.9	26.3	24.5	63.7	51.0	37.9	32.1	26.7
EV/Sales	6.9	6.1	5.4	14.9	12.6	10.8	9.0	7.5
Price/Book Value	8.9	8.1	7.4	19.5	16.5	13.5	10.6	8.4
Dividend Yield (%)	0.9	0.9	1.2	0.5	0.2	0.2	0.3	0.3

Profitability Ratios (%)

RoE	18.1	19.0	19.5	22.0	24.9	26.8	24.3	23.5
RoCE	18.9	19.9	20.5	23.5	27.0	29.5	27.3	26.3
RoIC	26.7	38.9	76.5	90.3	92.3	79.3	73.6	98.1

Turnover Ratios

Debtors (Days)	113	170	145	145	133	140	140	140
Inventory (Days)	112	129	133	133	134	140	140	140
Fixed Asset Turnover (x)	2.9	3.1	3.0	3.1	3.3	3.4	3.5	3.7

Cash flow statement

(INR M)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
PBT before Extraordinary Items	24,792	29,348	31,578	39,849	53,346	70,900	81,874	99,802
Add : Depreciation	3,496	3,663	3,802	4,079	4,124	4,356	4,968	5,551
Interest and others	(292)	750	(1,241)	(2,046)	5,516	(6,437)	96	96
Less : Direct Taxes Paid	5,684	5,323	8,024	9,150	14,130	16,674	20,806	25,362
(Inc)/Dec in WC	3,013	22,597	15,498	(21,179)	(2,376)	(47,341)	27,440	(3,598)
CF from Operations	25,325	51,035	41,612	11,552	46,480	4,804	93,572	76,490
CF from Operations after EOI	25,325	51,035	41,612	11,552	46,480	4,804	93,572	76,490
(Inc)/Dec in FA	(7,264)	(4,664)	(5,461)	(5,621)	(6,423)	(10,010)	(8,500)	(9,000)
Free Cash Flow	18,062	46,371	36,151	5,931	40,057	(5,206)	85,072	67,490
(Pur)/Sale of Investments	(731)	(1,094)	(43,145)	33,442	(52,465)	17,494	-	-
CF from Investments	(7,995)	(5,758)	(48,606)	27,820	(58,888)	7,484	(8,500)	(9,000)
(Inc)/Dec in Networth	(250)	(83)	-	-	-	-	(0)	-
(Inc)/Dec in Debt	(13)	(16)	-	-	-	-	-	-
Less : Interest Paid	552	431	539	697	128	156	96	96
Dividend Paid	9,793	10,227	10,233	12,424	14,615	16,806	7,597	9,261
CF from Fin. Activity	(10,608)	(10,757)	(10,772)	(13,121)	(14,743)	(16,961)	(7,693)	(9,357)
Inc/Dec of Cash	6,722	34,519	(17,766)	26,251	(27,152)	(4,673)	77,378	58,133
Add: Beginning Balance	8,840	15,562	50,082	74,991	80,090	98,646	93,973	1,71,352
Other adjustments	-	-	42,675	(21,153)	56,743	(11,035)	-	-
Closing Balance	15,562	50,082	74,991	80,090	1,09,681	93,973	1,71,351	2,29,485

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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