

July 24, 2025

## Q1FY26 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>HOLD</b>		<b>ACCUMULATE</b>	
<b>Target Price</b>	<b>2,392</b>		<b>2,550</b>	
Sales (Rs. m)	2,18,909	2,37,194	2,20,520	2,43,943
% Chng.	(0.7)	(2.8)		
EBITDA (Rs. m)	50,553	55,713	51,865	58,519
% Chng.	(2.5)	(4.8)		
EPS (Rs.)	32.3	35.7	33.8	38.3
% Chng.	(4.4)	(6.8)		

### Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. bn)	244	202	219	237
EBITDA (Rs. bn)	58	48	51	56
Margin (%)	24.0	23.6	23.1	23.5
PAT (Rs. bn)	39	30	31	34
EPS (Rs.)	40.7	31.6	32.3	35.7
Gr. (%)	61.0	(22.3)	2.3	10.3
DPS (Rs.)	31.2	25.5	27.5	30.0
Yield (%)	1.3	1.1	1.2	1.3
RoE (%)	135.2	81.7	72.1	72.1
RoCE (%)	180.2	102.7	88.0	89.2
EV/Sales (x)	9.1	11.1	10.2	9.4
EV/EBITDA (x)	38.1	47.0	44.3	40.1
PE (x)	57.1	73.5	71.8	65.1
P/BV (x)	67.0	54.4	49.5	44.6

### Key Data

NEST.BO | NEST IN

52-W High / Low	Rs.2,778 / Rs.2,110
Sensex / Nifty	82,184 / 25,062
Market Cap	Rs.2,239bn / \$ 25,910m
Shares Outstanding	964m
3M Avg. Daily Value	Rs.2300.31m

### Shareholding Pattern (%)

Promoter's	62.76
Foreign	10.29
Domestic Institution	11.18
Public & Others	15.77
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(1.8)	5.2	(8.6)
Relative	(2.0)	(2.5)	(10.9)

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## Inputs stabilize, nutrition business outlook hazy

### Quick Pointers:

- Volumes up ~3%, GM & EBITDAM decline 250/155bps (below estimates) showing the impact of elevated commodity prices, operational costs
- Milk Products & Nutrition face pressure with muted growth

**We cut FY26/FY27 estimates by 4.4/6.8% given 1) pressure on Milk Products & Nutrition category (~38% of sales) due to muted growth in dairy and rising competitive intensity in low growth infant nutrition and 2) higher overheads /depreciation due to near doubling of gross block over last 3 years.**

**NESTLE posted a weak quarter with 5.9% sales growth and flattish EBITDA as margins declined 155bps given impact of elevated commodity prices (coffee, cocoa, milk and palmoil), higher operational costs (expansion in capacity) and drag in sales from Milk products and nutrition. We remain confident of double-digit sales growth in Maggi, Nescafe (powder + RTD) and Chocolates (Wafers and milk chocolates). However, Maggi Noodles face rising competition from host of B2C brands in a fast-evolving category.**

**Nestle faces a big challenge in Dairy given that a lot of domestic dairy players have much lower margin expectations and far competitive prices. Infant nutrition (Cerelac and Lectogen) has grown at low single digits in last decade and faces added competition from Danone in a high margin low growth segment. Given ~11.7% PAT decline in 1Q, FY26 EPS growth is likely to be in low single digits and FY27 should likely show 10.3% EPS growth.**

**Even after assuming 11.5% EPS CAGR post FY26, the stock trades at 63xJune27 EPS, which limits any meaningful upside. We cut the target price to Rs2392 (Rs2550 earlier) and rating from Accumulate to Hold given headwinds in a dairy and nutrition and premium valuations.**

**Sales up by 4.5%, PAT down by 4.2%:** Revenues grew by 5.9% YoY to Rs51bn (PL: Rs51.5bn) with domestic/ export sales up by 5%/ 16%. Gross margins contracted by 249bps YoY to 55.2% (Pl: 56.4%) due to elevated commodity prices. EBITDA declined by 1.3% YoY to Rs11bn (PL:Rs 11.95bn) due to higher operating costs due to new units affected margins; Margins contracted by 156bps YoY to 21.6% (PL:23.2%). 1Q witnessed higher interest costs on account of borrowing to fund temporary operational cash-flow requirements. Adjusted PAT declined by 11.7% YoY to Rs6.6bn (PL:Rs 7.5bn)

## Segment-wise Performance

- Powdered and Liquid Beverages:** Strong double-digit growth, continuing momentum from previous quarters. NESCAFÉ strengthened its leadership in the coffee segment. Growth driven by 1) Affordable packs for wider reach 2) Premiumization through NESCAFÉ Gold and NESCAFÉ Roastery and 3) Continued strong performance from NESCAFÉ RTD (Ready-to-Drink).

- **Prepared Dishes and Cooking Aids: Volume-led growth returns:** Double-digit growth recorded for MAGGI noodles. Masala-Ae-Magic maintained strong double-digit growth. Double Masala Classic Noodles as well Spicy range, which includes Spicy Garlic, Spicy Cheesy, Spicy Pepper and Spicy Manchurian generated positive momentum.
- **Confectionary:** High double-digit growth, driven by strong volume performance - KITKAT was the top growth driver, especially in RUrban markets. MUNCH and MILKYBAR also recorded double-digit growth. High double-digit growth in breakfast cereals was boosted by the successful launch of MUNCH CHOCO Fills
- **Milk Products and Nutrition: Muted growth performance:** MILKMAID delivered single-digit growth. Growing up milk continued to gain momentum bolstered by renovation & scaled up its market share.
- **Petcare business:** Strong performance, especially in the Cat portfolio. Purina Felix and Purina Friskies delivered robust growth. Expanded infrastructure and market reach in major cities.

**Ecom and QC share in double digits:** E-commerce (12.5% of domestic sales) continues its growth trajectory, while Out-of-Home (OOH) emerged as the fastest-growing business consistently growing at double-digit rates.

**International Expansion Progresses:** Export operations registered high double-digit growth, driven by foods, coffee, Instant Tea, and Breakfast Cereals, despite commodity headwinds. Masala-Ae-Magic launched in the UK.

**RM costs stabilizing post 1Q26:** Coffee prices are expected to remain range bound. Cocoa and edible oil prices are also stabilizing. Milk prices are expected to decrease with the monsoon season. This is expected to reduce margin pressure.

**Exhibit 1: 1QFY26: Revenue up 5.9% YoY; Gross margins/EBITDA margins contract 250bps/155bps YoY.**

Y/e March (Rs mn)	1QFY26	1QFY25	YoY gr. (%)	4QFY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
<b>Net Sales</b>	<b>50,962</b>	<b>48,140</b>	<b>5.9</b>	<b>55,039</b>	<b>(7.4)</b>	<b>2,18,909</b>	<b>2,02,016</b>	<b>8.4</b>
Gross Profit	28,107	27,751	1.3	30,914	(9.1)	1,23,045	1,14,518	7.4
% of NS	55.2	57.6	-2.5	56.2	-1.0	56.2	56.7	-0.5
Other Expenses	17,105	16,608	3.0	17,025	0.5	72,492	66,781	8.6
<b>EBITDA</b>	<b>11,003</b>	<b>11,143</b>	<b>(1.3)</b>	<b>13,890</b>	<b>(20.8)</b>	<b>50,553</b>	<b>47,737</b>	<b>5.9</b>
Margins (%)	21.6	23.1	-1.6	25.2	-3.6	23.1	23.6	-0.5
Depreciation	1,569	1,127	39.2	1,553	1.0	6,932	5,399	28.4
Interest	469	317	48.0	375	25.0	1,296	1,360	(4.7)
Other Income	40	391	(89.7)	84	(52.1)	79	589	(86.5)
<b>PBT</b>	<b>9,005</b>	<b>10,091</b>	<b>(10.8)</b>	<b>12,046</b>	<b>(25.2)</b>	<b>42,405</b>	<b>41,567</b>	<b>2.0</b>
Tax	2,412	2,625	(8.1)	3,192	(24.4)	11,237	11,085	1.4
Effective tax rate (%)	26.8	26.0	0.8	26.5	0.3	26.5	26.7	-0.2
<b>Adjusted PAT</b>	<b>6,592</b>	<b>7,466</b>	<b>(11.7)</b>	<b>8,854</b>	<b>(25.5)</b>	<b>31,167</b>	<b>30,481</b>	<b>2.3</b>

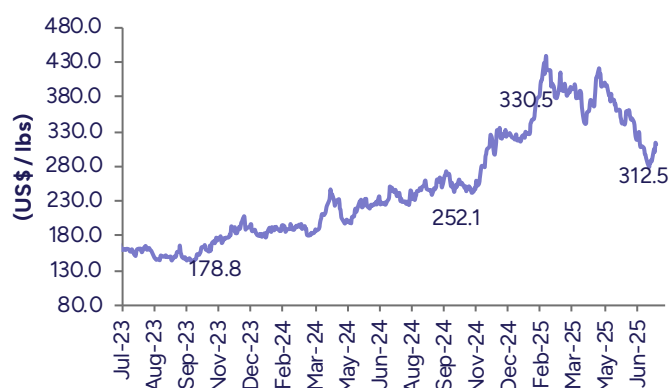
Source: Company, PL,

**Exhibit 2: Beverages and Chocolates to drive long term volume growth**

Y/e March	CY21	CY22	15MFY24	FY25	FY26	FY27
<b>Milk Products</b>						
Volume (MT)	134669	134034	168143	1,25,771	1,27,029	1,29,569
Volume growth	-2.7%	-0.5%	25.4%	-25.2%	1.0%	2.0%
Sales Value (Rs m)	62686	68157	98687	76,576	79,661	83,692
Growth in Value	1.9%	8.73%	44.8%	-22.4%	4.0%	5.1%
% of sales	42.7%	40.6%	40.7%	38.1%	36.6%	35.5%
<b>Beverages</b>						
Volume (MT)	24507	28020	38039	30,153	31,962	33,560
Value (Rs m)	16918	20188	30207	28,881	32,145	35,439
Growth in Volume	18.0%	14.3%	35.8%	-20.7%	6.0%	5.0%
Growth in Value	14.6%	19.3%	49.6%	-4.4%	11.3%	10.3%
%Sales	11.5%	12.0%	12.4%	14.4%	14.8%	15.0%
<b>Prepared Dishes &amp; Cooking Aids</b>						
Volume (MT)	329567	348225	442827	3,59,785	3,84,970	4,11,918
Value (Rs m)	45813	53006	73914	61,991	68,320	75,763
Growth in Volume	17.1%	5.7%	27.2%	-18.8%	7.0%	7.0%
Growth in Value	17.1%	15.7%	39.4%	-16.1%	10.2%	10.9%
%Sales	31.2%	31.6%	30.4%	30.9%	31.4%	32.1%
<b>Chocolate &amp; Confectionery</b>						
Volume (MT)	55648	62401	85934	69,473	74,336	79,540
Value (Rs.mn)	21231	26545	39947	33,328	37,444	40,866
Realisation (Rs./Kg)	382	425	465	480	504	514
Growth in volume	10.5%	12.1%	37.7%	-19.2%	7.0%	7.0%
Growth in Value	21.0%	25.0%	50.5%	-16.6%	12.4%	9.1%
Growth in Realisations	9.5%	11.5%	9.3%	3.2%	5.0%	2.0%
% Sales	14.5%	15.8%	16.5%	16.6%	17.2%	17.3%

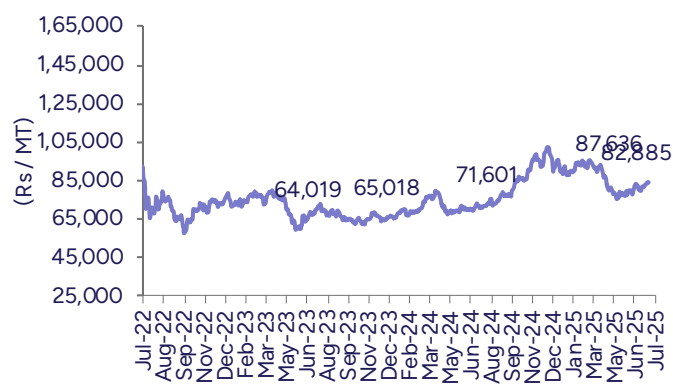
Source: Company, PL, \* NEST changed year ended from Dec to March in CY23

**Exhibit 3: Coffee prices inch up 65.9%YoY & down 2.9% QoQ**



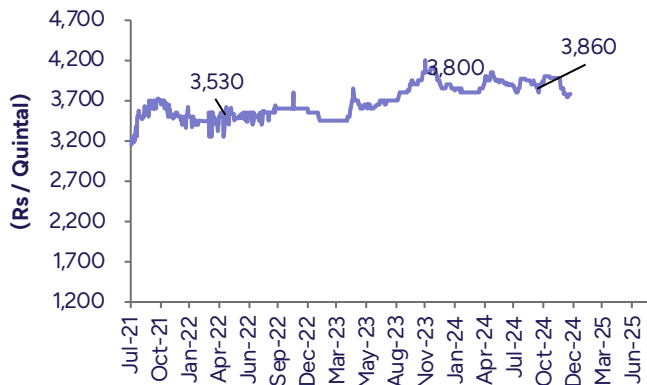
Source: Company, PL

**Exhibit 4: Palmoil up 13.7% YoY and down 11.8% QoQ**



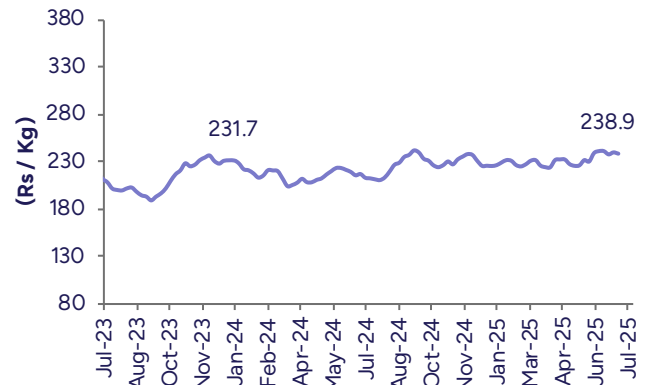
Source: Company, PL

**Exhibit 5: Sugar prices up 4.1% YoY & flattish QoQ**



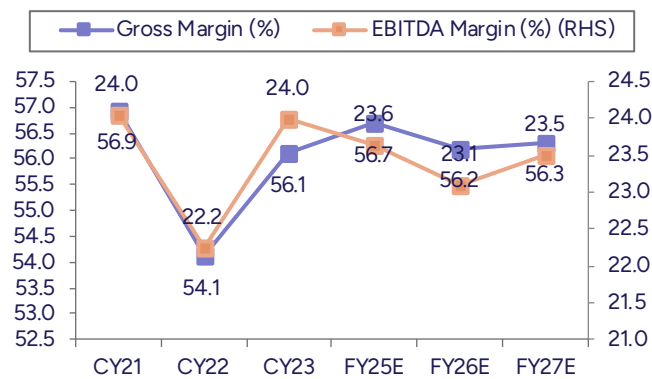
Source: Company, PL

**Exhibit 6: SMP prices up 8% YoY & 2% QoQ**



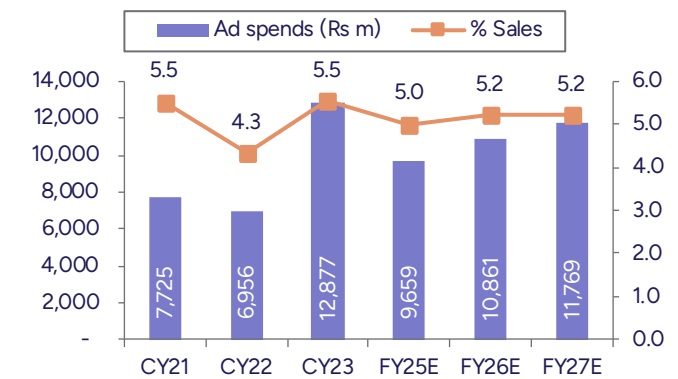
Source: Company, PL

**Exhibit 7: Further scope of GM expansion remains limited**



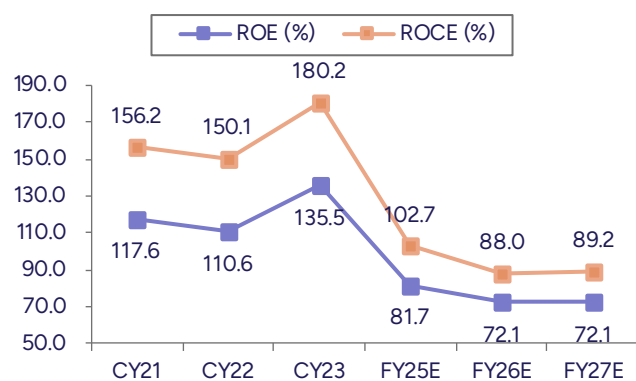
Source: Company, PL

**Exhibit 8: Ad spends to remain range-bound**



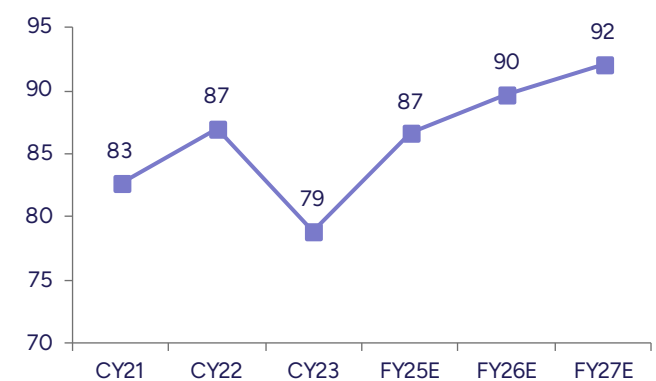
Source: Company, PL

**Exhibit 9: ROE and ROCE remain healthy**



Source: Company, PL

**Exhibit 10: Expect higher dividend payout**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Net Revenues</b>	<b>2,43,939</b>	<b>2,02,016</b>	<b>2,18,909</b>	<b>2,37,194</b>
YoY gr. (%)	44.4	(17.2)	8.4	8.4
Cost of Goods Sold	1,07,086	87,498	95,864	1,03,624
Gross Profit	1,36,853	1,14,518	1,23,045	1,33,570
Margin (%)	56.1	56.7	56.2	56.3
Employee Cost	23,361	20,237	22,192	23,812
Other Expenses	27,968	22,644	24,741	26,562
<b>EBITDA</b>	<b>58,498</b>	<b>47,737</b>	<b>50,553</b>	<b>55,713</b>
YoY gr. (%)	55.7	(18.4)	5.9	10.2
Margin (%)	24.0	23.6	23.1	23.5
Depreciation and Amortization	5,678	5,399	6,932	7,696
<b>EBIT</b>	<b>52,820</b>	<b>42,338</b>	<b>43,621</b>	<b>48,016</b>
Margin (%)	21.7	21.0	19.9	20.2
Net Interest	1,455	1,360	1,296	1,520
Other Income	1,480	589	79	277
<b>Profit Before Tax</b>	<b>52,778</b>	<b>41,567</b>	<b>42,405</b>	<b>46,774</b>
Margin (%)	21.6	20.6	19.4	19.7
Total Tax	13,560	11,085	11,237	12,395
Effective tax rate (%)	25.7	26.7	26.5	26.5
<b>Profit after tax</b>	<b>39,218</b>	<b>30,482</b>	<b>31,167</b>	<b>34,379</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>39,218</b>	<b>30,482</b>	<b>31,167</b>	<b>34,379</b>
YoY gr. (%)	61.0	(22.3)	2.3	10.3
Margin (%)	16.1	15.1	14.2	14.5
Extra Ord. Income / (Exp)	-	(1,595)	-	-
<b>Reported PAT</b>	<b>39,218</b>	<b>28,887</b>	<b>31,167</b>	<b>34,379</b>
YoY gr. (%)	62.1	(26.3)	7.9	10.3
Margin (%)	16.1	14.3	14.2	14.5
Other Comprehensive Income	(429)	(796)	(500)	(500)
Total Comprehensive Income	38,788	28,090	30,667	33,879
<b>Equity Shares O/s (m)</b>	<b>964</b>	<b>964</b>	<b>964</b>	<b>964</b>
<b>EPS (Rs)</b>	<b>40.7</b>	<b>31.6</b>	<b>32.3</b>	<b>35.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>85,568</b>	<b>1,10,192</b>	<b>1,22,206</b>	<b>1,33,367</b>
Tangibles	85,568	1,10,192	1,22,206	1,33,367
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>50,966</b>	<b>55,456</b>	<b>61,887</b>	<b>69,058</b>
Tangibles	50,966	55,456	61,887	69,058
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>34,602</b>	<b>54,736</b>	<b>60,319</b>	<b>64,309</b>
Tangibles	34,602	54,736	60,319	64,309
Intangibles	-	-	-	-
Capital Work In Progress	17,417	11,726	8,500	7,500
Goodwill	-	-	-	-
Non-Current Investments	4,884	7,691	7,774	7,834
Net Deferred tax assets	(120)	(536)	112	236
Other Non-Current Assets	13,380	11,745	12,293	12,967
<b>Current Assets</b>				
Investments	6,523	264	2,176	7,073
Inventories	20,894	28,501	23,507	25,349
Trade receivables	3,005	3,632	3,338	3,553
Cash & Bank Balance	1,665	692	4,336	4,852
Other Current Assets	2,288	3,902	3,902	4,292
<b>Total Assets</b>	<b>1,05,230</b>	<b>1,23,239</b>	<b>1,26,659</b>	<b>1,38,405</b>
<b>Equity</b>				
Equity Share Capital	964	964	964	964
Other Equity	32,445	40,207	44,261	49,215
<b>Total Networth</b>	<b>33,409</b>	<b>41,172</b>	<b>45,225</b>	<b>50,179</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	255	225	225	5,000
Provisions	29,172	30,902	32,233	33,662
Other non current liabilities	2,714	3,552	4,192	4,971
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	57	7,309	5,000	2,000
Trade payables	22,379	26,238	25,476	26,971
Other current liabilities	17,125	13,307	14,309	15,623
<b>Total Equity &amp; Liabilities</b>	<b>1,05,231</b>	<b>1,23,239</b>	<b>1,26,659</b>	<b>1,38,405</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	52,889	41,567	42,405	46,774
Add. Depreciation	5,678	5,399	6,932	7,696
Add. Interest	1,455	1,360	1,296	1,520
Less Financial Other Income	1,480	589	79	277
Add. Other	(4,023)	398	(1,226)	(859)
Op. profit before WC changes	55,998	48,724	49,406	55,131
Net Changes-WC	9,417	(3,321)	3,537	(4,606)
Direct tax	(13,560)	(11,085)	(11,237)	(12,395)
<b>Net cash from Op. activities</b>	<b>51,855</b>	<b>34,317</b>	<b>41,705</b>	<b>38,129</b>
Capital expenditures	(23,676)	(19,842)	(9,289)	(10,687)
Interest / Dividend Income	2,707	1,830	1,418	1,710
Others	1,363	(2,817)	-	-
<b>Net Cash from Invst. activities</b>	<b>(19,606)</b>	<b>(20,829)</b>	<b>(7,871)</b>	<b>(8,977)</b>
Issue of share cap. / premium	-	4,267	(100)	-
Debt changes	11	7,222	(2,309)	1,775
Dividend paid	(30,082)	(24,586)	(26,514)	(28,925)
Interest paid	(1,455)	(1,360)	(1,296)	(1,520)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(31,526)</b>	<b>(14,457)</b>	<b>(30,218)</b>	<b>(28,669)</b>
<b>Net change in cash</b>	<b>724</b>	<b>(969)</b>	<b>3,616</b>	<b>483</b>
Free Cash Flow	28,179	14,476	32,416	27,443

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	40.7	31.6	32.3	35.7
CEPS	46.6	37.2	39.5	43.6
BVPS	34.7	42.7	46.9	52.0
FCF	29.2	15.0	33.6	28.5
DPS	31.2	25.5	27.5	30.0
<b>Return Ratio(%)</b>				
RoCE	180.2	102.7	88.0	89.2
ROIC	54.4	34.6	36.3	38.0
RoE	135.2	81.7	72.1	72.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	0.2	0.0	(0.1)
Net Working Capital (Days)	2	11	2	3
<b>Valuation(x)</b>				
PER	57.1	73.5	71.8	65.1
P/B	67.0	54.4	49.5	44.6
P/CEPS	46.6	37.2	39.5	43.6
EV/EBITDA	38.1	47.0	44.3	40.1
EV/Sales	9.1	11.1	10.2	9.4
Dividend Yield (%)	1.3	1.1	1.2	1.3

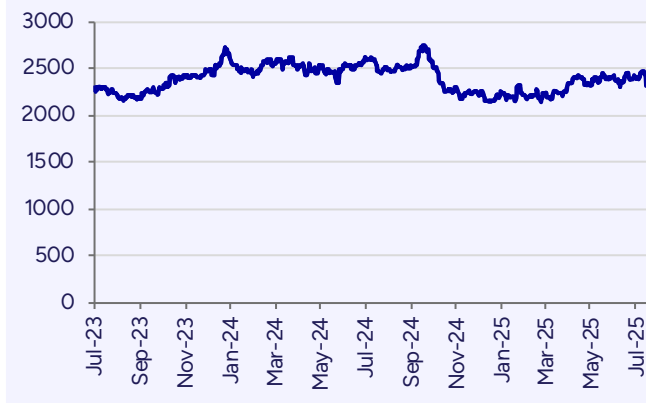
Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Net Revenue</b>	<b>51,040</b>	<b>47,797</b>	<b>55,039</b>	<b>50,962</b>
YoY gr. (%)	1.3	3.9	4.5	5.9
Raw Material Expenses	22,139	20,846	24,124	22,854
Gross Profit	28,901	26,951	30,914	28,107
Margin (%)	56.6	56.4	56.2	55.2
<b>EBITDA</b>	<b>11,677</b>	<b>11,027</b>	<b>13,890</b>	<b>11,003</b>
YoY gr. (%)	(5.0)	(0.9)	3.8	(1.3)
Margin (%)	22.9	23.1	25.2	21.6
Depreciation / Depletion	1,216	1,325	1,553	1,569
<b>EBIT</b>	<b>10,461</b>	<b>9,702</b>	<b>12,336</b>	<b>9,433</b>
Margin (%)	20.5	20.3	22.4	18.5
Net Interest	322	346	375	469
Other Income	69	44	84	40
<b>Profit before Tax</b>	<b>10,208</b>	<b>9,400</b>	<b>12,046</b>	<b>9,005</b>
Margin (%)	20.0	19.7	21.9	17.7
Total Tax	2,613	2,261	3,192	2,412
Effective tax rate (%)	25.6	24.1	26.5	26.8
<b>Profit after Tax</b>	<b>7,595</b>	<b>7,139</b>	<b>8,854</b>	<b>6,592</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>7,595</b>	<b>7,139</b>	<b>8,854</b>	<b>6,592</b>
YoY gr. (%)	(5.7)	6.0	(4.2)	(11.7)
Margin (%)	14.9	14.9	16.1	12.9
Extra Ord. Income / (Exp)	2,269	(178)	-	-
<b>Reported PAT</b>	<b>9,864</b>	<b>6,961</b>	<b>8,854</b>	<b>6,592</b>
YoY gr. (%)	8.6	6.2	(5.2)	(11.7)
Margin (%)	19.3	14.6	16.1	12.9
Other Comprehensive Income	1	(1,010)	202	(9)
<b>Total Comprehensive Income</b>	<b>9,864</b>	<b>5,951</b>	<b>9,056</b>	<b>6,583</b>
Avg. Shares O/s (m)	964	964	964	964
<b>EPS (Rs)</b>	<b>7.9</b>	<b>7.4</b>	<b>9.2</b>	<b>6.8</b>

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-25	Accumulate	2,550	2,419
2	25-Apr-25	Accumulate	2,559	2,433
3	09-Apr-25	Accumulate	2,546	2,275
4	05-Feb-25	Accumulate	2,606	2,300
5	08-Jan-25	Accumulate	2,689	2,220
6	17-Oct-24	Accumulate	2,689	2,379
7	07-Oct-24	Accumulate	2,862	2,598
8	25-Jul-24	Accumulate	2,746	2,481

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,140	2,485
2	Avenue Supermarts	Hold	3,923	4,064
3	Britannia Industries	BUY	5,941	5,839
4	Colgate Palmolive	Hold	2,453	2,376
5	Dabur India	Hold	501	514
6	Emami	Accumulate	697	573
7	Hindustan Unilever	Accumulate	2,601	2,393
8	ITC	BUY	538	417
9	Jubilant FoodWorks	Hold	689	688
10	Kansai Nerolac Paints	Accumulate	284	251
11	Marico	Accumulate	718	726
12	Metro Brands	Hold	1,195	1,167
13	Mold-tekk Packaging	Accumulate	723	704
14	Nestle India	Accumulate	2,550	2,419
15	Pidilite Industries	BUY	3,428	3,060
16	Restaurant Brands Asia	Accumulate	89	82
17	Titan Company	BUY	3,756	3,441
18	Westlife Foodworld	Hold	745	772

PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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