



CAPITAL FIRST LTD

AUGUST 12, 2016

SECTOR FINANCIAL SERVICES

RECOMMENDATION

Buy @ 660, Target 800





Capital First Ltd - Emerging as a leader in Consumer Finance

- Company Overview and Stock price3
- Product Overview.....4
- NPA of Capital First.....7
- Capital Adequacy Ratio.....7
- Industry Outlook.....8
- Conference Call with ET.....9
- Company Financial.....10
- Balance Sheet.....11
- Cash Flow.....12
- Ratios.....12
- Peer Comparison.....14
- Shareholding Pattern..... 15
- Investment Rationale.....17
- Disclaimer.....18



Company's Overview and Stock Price

Share price of the Capital first has rose almost 94.33% after Union budget 2016-17 held on 28th Feb 2016, the stock was top performer among financial services sector. Share price of the company has outperformed the Index which rose 32.90% from budget.

The Company has successfully covered 222 locations in India in six year from 9 locations. Credit rating of the company has improved from A+ to AA+, managing a total AUM of 1,72,12.50 Crs as on 30th June 2016 with a customer base of 28,68,594 and has a marginal NPA(Net) of 0.60%.

The company has a vision:

- To be leading financial services provider- admired and respected for high corporate governance, ethics and values.
- To primarily support the growth of MSMEs in India with debt capital through technology enabled platforms and processes
- To finance the aspirations of the Indian Consumers using new-age analytics and technology solutions

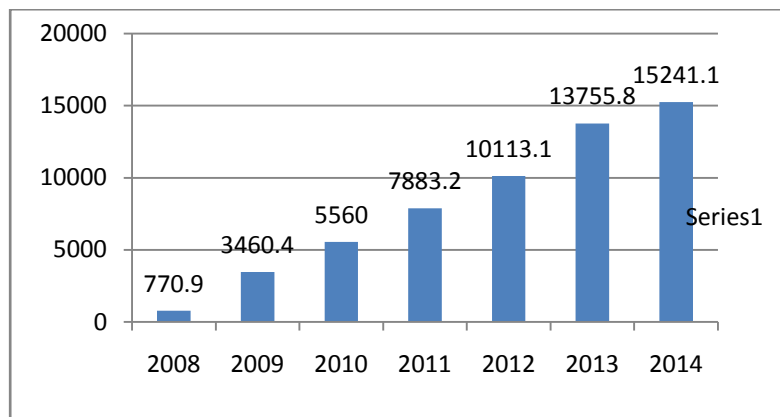
EXCHANGE SYMBOL	CAPITAL FIRST
Current Price * (Rs.)	680.50
Face Value (Rs.)	10
52 Week High (Rs.)	797.40 (28-Jul-16)
52 Week Low (Rs.)	321.00 (25-Aug-15)
Life Time high (Rs.)	1097.45 (07-Feb-08)
Life Time low (Rs.)	91.00 (19-Dec-11)
Average Daily Movement	23.20
Avg Volume [20 days]	406820
1 Month Return (%)	15.57
P/E Ratio (x)	35.31
Book Value	184.75
Market Cap	6435.93 (Cr)
% of Promoter pledged	0





Product Overview

- Personal Loan
- Loan Against Property
- Two Wheeler Loans
- Business Loan
- Used Car Loan
- Durable Loan
- Insurance



Capital First has transformed from a Wholesale Lending NBFC to a strong Retail Lending NBFC in the last 5 years.

Company has exposure of 11% for Real Estate & corporate Loans and balance 89% is for Retail loans.

Capital First provides financing to select segment that are traditionally underserved by the existing financing system

- Loans for Business Expansion
- Short Term Business funding
- Loans for Plant & Machinery
- Loans for office display panels
- Loans for Air Conditioners
- Loans for Office Automation – PCs, Laptops, Printers
- Loans for Office Furniture
- Loans for Two Wheeler purchase

Capital First provides **Wholesale Credit** for working capital finance with registered mortgage on security of tangible and marketable collateral with escrow of cash flows. The same is lent after the receipt of all the necessary approvals.



Services Offered:

- Working Capital Finance
- Real Estate and Developer Funding

Loan against Property

Capital First's **Mortgage Loan** allows you to borrow a substantial amount of money by mortgaging your property as collateral.

Capital First finance the following types of properties

- Self occupied residences
- Self occupied commercial property
- Leased Commercial property
- Leased Residential property
- Lease Rental Discounting against residential and commercial properties
- Loans upto Rs. 15 crores
- Avail of tenures upto 15years

Business Loan

The Capital First Business Installment Loan offers you some great advantages like:

- Speedy loan processing
- Loans upto 75 lakh*
- Repay with easy equated monthly installments
- Simple documentation
- Door-to-door Service
- Topping up the existing loan
- Excellent customer service

Used Car Loan

- 100% LTV in the Used Car Elite Program
- Minimal documentation
- Competitive interest rates
- Easy repayment options



Durable Loan

- 0% Interest and low down payments *
- Easy repayment options
- Minimal documentation
- Instant Approvals
- No security deposit

CFL has emerged as a Specialized Player in financing MSMEs by offering different products for their various financing needs

- To Small and Medium Entrepreneurs financing based on customised cash flow analysis and references from the SME's customers, vendors, suppliers
- To Small Entrepreneurs/ partnership firms in need of immediate funds, for say, purchase of additional inventory for an unexpected large order.
- To Micro business owners and consumers for purchase of office PC, office furniture, Tablets, Two-Wheeler, etc.

Rigorous Credit Underwriting Process helps in maintaining high asset quality

In the Mortgages business at Capital First, **about 37% of the total applications** are disbursed after passing through several levels of scrutiny and checks, mainly centered on cash flow evaluation, credit bureau and reference checks. Most rejections are because of the lack of visibility or inadequate cash flows.

- Application Logged in: **100**
- CIBIL/Credit Bureau rejection: **(-2)**
- Rejection due to Insufficient Cashflow / Documentation: **(-39)**
- Rejection after Personal Interview: **(-3)**
- Rejection due to legal & technical reasons: **(-6)**
- Rejected for other reasons: **(-12)**
- Net Disbursals: **37**



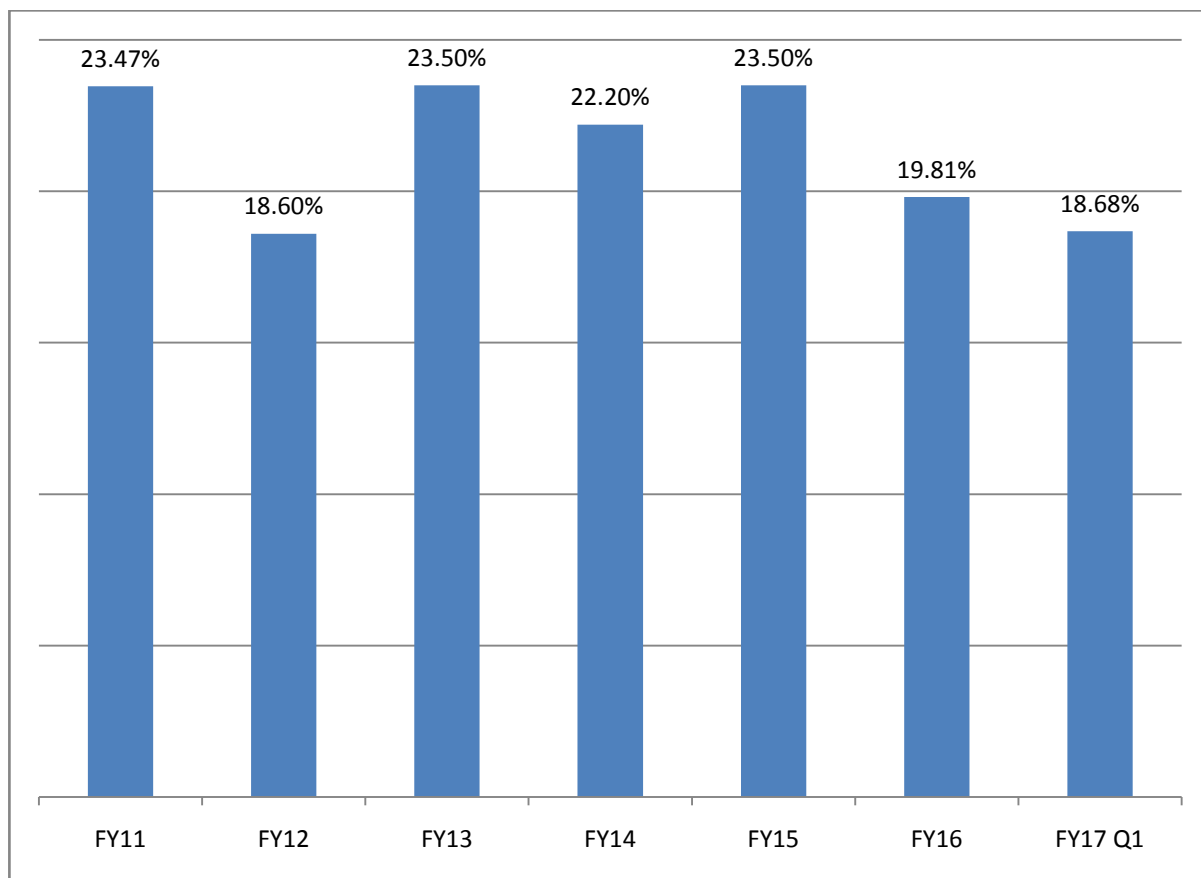
Non Performing Assets (NPA)

CFL’s Asset Quality is among one of the best in the Indian Financial Services Industry, even during difficult macro-economic periods.

- Average NPA for top 10 banks in India as on 30th June 2016 @ 90 day period is Gross NPA 6.61% and Net NPA is 3.81
- Average NPA for top 10 NBFCs in India as on 31th Mar 2016 @ 150 day period is Gross NPA 4.26% and Net NPA is 1.97%
- NPA level for Capital First Limited as on 30th June 2016 @ 120 day period is Gross NPA 1.18% and Net NPA is 0.60%

CFL has maintained a Capital Adequacy significantly higher than regulatory requirements over the years.

Capital Adequacy Ratio (CAR)





Industry Outlook

There exists a large opportunity to finance the MSME Segment in India

Micro, Small and Medium enterprises form a large part of the Indian Economy. They generate employment and act as a catalyst for socio-economic transformation in India. There are more than 29 million MSME enterprises across India employing more than 69 million people

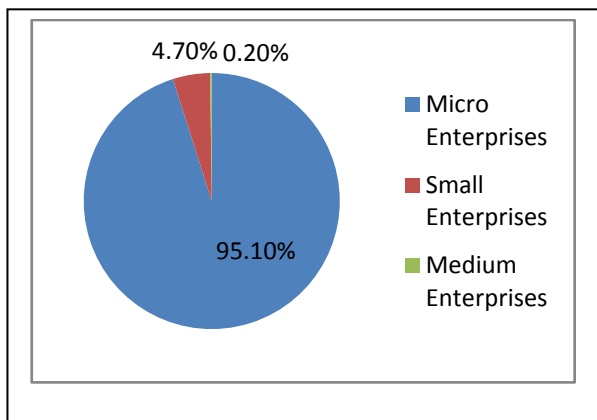
MSME sector is especially the unorganized micro and small enterprises, lack in support from the existing ecosystem, especially financing.

Challenges faced by the MSME sector

- Absence of adequate and timely supply of finance for working capital
- High cost of credit
- Collateral Requirements
- Limited Access to Equity Capital
- Limited ability for expansion and modernization
- Lack of proper transportation and warehouse
- Squeezed by larger customers (principals) on delayed payment terms

Opportunity

- Total viable & addressable debt demand in MSME sector is Rs. 26 trillion out of which immediately addressable is Rs. 9.9 trillion
- Total viable & addressable working capital and capex demand is Rs. 9.9 trillion out of which short term i.e. < 1 year is Rs. 6 trillion



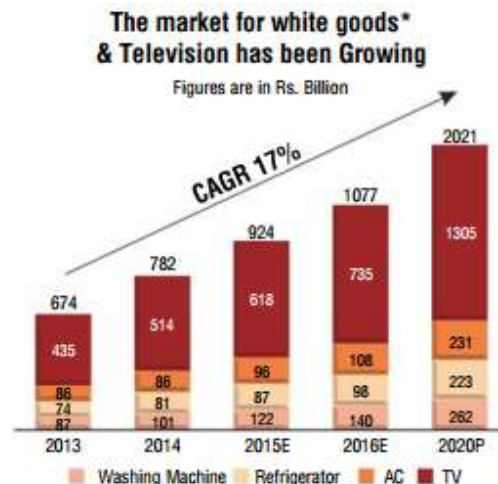
Solution offered by Capital First

- Customised credit assessment and operations processes to meet the needs of the MSME segment against the security of property or cash flow of the customers
- Provide debt finance products to MSMEs and developing processes tailored to the MSME and consumer segment



The Indian Consumer financing market is a huge and growing opportunity.

- Per capita Income is expected to grow up by 9.22% CAGR from 81000 in 2013 to 137500 by 2019.
- Organised retail is expected to grow from 3% in 2015 to 18% by 2020.
- Awareness has increased for urbanization and for greater brand it is expected to grow further from 31% in 2011 to 41% by 2030.
- 16 million two wheelers were sold in FY15 showed growth of 8.09% YoY.
- Market for consumer durable goods and Indian electronic is growing in a fast pace at 17% CAGR.
- Replacement cycle has gone down from 9-10 years to 4-5 years.



NBFC is slowly and gradually leaving behind the Banks in Consumer durable finance

The consumer durable market, close to about 45% is financed by banks. So banks have a very natural advantage in financing consumer durables. They all have a credit card platform and on the card platform, not only are they selling a durable, they are also selling a restaurant they are also selling tickets, all sorts of airlines tickets. They have a single consolidated bill which they are sending to the customer, so they have a bit of a natural advantage.

But the installment based loans therefore, is a very NBFC specific market. Only 15% of consumer finance market under EMIs is done by finance companies. This year Capital first expect the durable financing through EMIs to grow by anywhere about 40-50% and that is still big growth.



Highlights: Chairman of Capital First V Vaidyanathan Conference call with Economic times

Mr V Vaidyanathan expect demand to grow for finance as interest rate is going down by both structurally and cyclically. The substantial savings of about Rs 400-500 per household in India has already cut down, so that will translate to more cash in people's pockets and will also result in more purchase of consumer durable items. With the Seventh Pay Commission, cash worth Rs 10,000 crore will come in the system. It is a matter of time. It comes with a lag but he believes that this will be the year in which the consumption will start picking up again.

Mr V Vaidyanathan added that the fundamental issue is that during the phase of 2009, 2010, 2011, and 2012 and even before substantial of capacity has got created which is still getting consumed through the increased demand. But you see the amount of investments happening on roads, ports, defence, railways with the number - Rs two lakh crores of investment happening through railways and through defence, Rs 59,000 crore on urban roads, Rs 29,000 crore to rural roads. Now that is big cash. So that will eventually seep to the system. He have no doubt in his mind that if one take a fast forward of one year from now, one will actually begin to see demand begin to pick up again.

The customers company is financing are small entrepreneurs. These are shopkeepers and the merchants and so on. This market is growing. They are often getting very coloured by the high NPA numbers of the large corporates and stake sale and deleveraging, these are actually grabbing their attention but at consumption level, SME credit at a services level and even manufacturing is growing. But at services level, SME business is

growing very well.

A lot of consumers are buying online now and when they go on to Flipkart or Amazon, if they are buying a white good, heavy duty item, Rs 50,000 or Rs 100,000 they can actually take an EMI there on the website when they are purchasing it, so is there a lot of business for NBFC which Mr V Vaidhyathan expect to grow by 15% in coming years.



Company Financials

In Cr	Jun'16	Mar'16	Jun'15	% Growth QoQ	% Growth YoY
	Quarterly	Quarterly	Quarterly		
Net Sales/Income from operations	616.08	558.20	395.00	10.37%	55.97%
Other Operating Income	0.40	0.13	3.15		
Total Income From Operations	616.48	558.33	398.15	10.41%	54.84%
Employees Cost	57.17	48.26	37.15	18.46%	53.89%
Depreciation	2.89	2.68	2.17		
Other Expenses	110.91	106.96	59.00		
Total Expenditure	170.97	157.91	98.32	8.27%	73.89%
Operating Profit	346.05	323.83	249.00	6.86%	38.98%
Provisions And Contingencies	99.45	76.60	50.83	29.83%	95.65%
Other Income	5.32	0.00	0.20		
P/L Before Int., Excpt. Items & Tax	351.37	323.83	249.20	8.50%	41.00%
Interest	276.04	252.38	198.62	9.37%	38.98%
P/L Before Tax	75.33	71.45	50.58	5.43%	48.93%
Tax	26.17	23.95	17.47	9.27%	49.80%
Net Profit/(Loss) For the Period	49.16	47.50	33.12	3.49%	48.43%
Equity Share Capital	91.37	91.24	91.10		
EPS (Rs.)	5.39	5.21	3.64	3.45%	48.08%

- Company's revenue has jumped by 55.97% YoY from Rs. 395.00 crs to Rs. 616.08 crs
- Company's operating profit jumped by 38.98% YoY.
- Company has given jump of 10.37% QoQ, were Net profit gone up by 3.49% QoQ.
- Net profit margin was at 7.97% for June 16 Quarter.
- Company has huge Operating profit margin of 56.16% for June quarter 2016.
- Company has a increasing Provisions and contingencies in Quarter on Quarter.



Balance Sheet

	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
EQUITIES AND LIABILITIES					
SHAREHOLDERS FUNDS					
Equity Share Capital	91.24	90.98	82.02	70.41	64.50
Total Share Capital	91.24	90.98	82.02	70.41	64.50
Reserves and Surplus	1,568.36	1,448.27	1,052.82	871.53	745.97
Total Reserves and Surplus	1,568.36	1,448.27	1,052.82	871.53	745.97
Total Share holders' Funds	1,659.60	1,539.25	1,134.84	941.95	810.46
Equity Share Application Money	0.15	0.00	0.84	0.00	0.00
NON-CURRENT LIABILITIES					
Long Term Borrowings	7,094.21	4,519.70	5,541.97	4,452.15	2,720.34
Other Long Term Liabilities	57.94	44.86	37.86	28.93	10.93
Long Term Provisions	112.23	96.85	96.18	82.19	97.48
Total Non-Current Liabilities	7,264.38	4,661.41	5,676.01	4,563.28	2,828.75
CURRENT LIABILITIES					
Short Term Borrowings	1,552.44	1,390.49	1,493.72	1,093.77	1,152.24
Trade Payables	122.18	80.59	64.49	52.75	40.88
Other Current Liabilities	3,329.19	2,586.79	1,600.76	850.52	779.88
Short Term Provisions	104.52	87.01	36.78	46.70	35.94
Total Current Liabilities	5,108.33	4,144.89	3,195.75	2,043.73	2,008.93
Total Capital And Liabilities	14,032.46	10,345.55	10,007.44	7,548.96	5,648.14
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	19.43	13.85	22.40	24.00	21.23
Intangible Assets	9.81	5.25	5.16	5.65	2.16
Capital Work-In-Progress	0.00	0.00	0.00	0.00	1.98
Intangible Assets Under Development	0.00	0.00	0.00	0.00	1.40
Fixed Assets	29.24	19.09	27.56	29.66	26.77
Non-Current Investments	222.32	80.40	80.40	190.08	264.27
Deferred Tax Assets [Net]	54.36	42.47	16.72	7.71	6.80
Long Term Loans And Advances	8,130.96	6,412.14	4,925.07	3,957.76	2,702.14
Other Non-Current Assets	155.74	260.25	251.14	215.45	211.65
Total Non-Current Assets	8,592.63	6,814.35	5,300.89	4,400.65	3,211.63
CURRENT ASSETS					
Current Investments	31.84	29.07	346.32	68.57	60.68
Trade Receivables	26.68	10.08	8.95	13.99	47.10
Cash And Cash Equivalents	1,034.70	1,019.42	1,989.62	1,152.12	495.50
Short Term Loans And Advances	4,045.71	2,311.70	2,225.95	1,814.79	1,761.29
Other Current Assets	300.90	160.95	135.71	98.83	71.93
Total Current Assets	5,439.83	3,531.21	4,706.55	3,148.30	2,436.51
Total Assets	14,032.46	10,345.55	10,007.44	7,548.96	5,648.14



Cash Flow

Product Name	Mar-16 Annual	Mar-15 Annual	Mar-14 Annual	Mar-13 Annual	Mar-12 Annual
Net Profit/Loss Before Extraordinary Items And Tax	238.61	161.32	40.89	78.44	135.11
Net CashFlow From Operating Activities	-3323.83	-1405.18	-1167.99	-1214.80	-1333.26
Net Cash Used In Investing Activities	-71.89	354.05	-277.52	98.80	-62.14
Net Cash Used From Financing Activities	3339.57	80.92	2293.02	1742.61	1551.06
Foreign Exchange Gains / Losses	0.00	0.00	0.00	0.00	0.00
Adjustments on Amalgamation / Merger / Demerger / Others	0.00	0.00	0.00	0.00	0.00
Net Inc/Dec In Cash And Cash Equivalents	-56.15	-970.21	847.50	626.62	155.66
Cash And Cash Equivalents Begin of Year	999.42	1969.62	1122.12	495.50	339.85
Cash And Cash Equivalents End Of Year	943.26	999.42	1969.62	1122.12	495.50

Company has not made any big investment during the year 2016

Ratios					
	16-Mar	15-Mar	14-Mar	13-Mar	12-Mar
Per Share Ratios					
Basic EPS (Rs.)	17.22	13.48	5.2	10.49	14.23
Diluted EPS (Rs.)	16.36	12.85	5.19	10.44	14.23
Cash EPS (Rs.)	18.29	13.41	5.2	10.71	14.76
Book Value	181.9	169.18	138.36	133.77	125.66
Dividend / Share(Rs.)	2.4	2.2	2	1.8	1.5
Revenue from Operations/Share (Rs.)	202.22	155.04	128.31	113.35	108.83
PBDIT/Share (Rs.)	123.25	104.88	89.1	77.86	82.75
Net Profit/Share (Rs.)	17.2	12.31	4.51	9.91	14.29
Profitability Ratios					
PBT Margin (%)	12.93	11.43	3.88	9.82	19.24
Net Profit Margin (%)	8.5	7.94	3.51	8.74	13.13
Return on Networth / Equity (%)	9.45	7.27	3.25	7.4	11.37
Return on Capital Employed (%)	1.75	1.8	0.54	1.26	2.53
Total Debt/Equity (X)	5.21	3.84	6.2	5.89	4.78
Asset Turnover Ratio (%)	13.14	13.63	10.51	10.57	12.42
Liquidity Ratios					
Current Ratio (X)	1.06	0.85	1.47	1.54	1.21
Quick Ratio (X)	1.06	0.85	1.47	1.54	1.21
Dividend Payout Ratio (CP) (%)	13.12	16.41	38.76	16.95	10.21
Cash Earnings Retention Ratio (%)	86.88	83.59	61.24	83.05	89.79
Valuation Ratios					
Enterprise Value (Cr.)	11,548.40	8,530.98	6,492.93	5,538.39	4,155.56
EV/Net Operating Revenue (X)	6.26	6.05	6.17	6.94	5.92
EV/EBITDA (X)	10.27	8.94	8.88	10.1	7.79
Price/BV (X)	2.37	2.36	1.27	1.22	0.96
Price/Net Operating Revenue	2.13	2.58	1.37	1.43	1.11



Peer Comparison

INSTRUMENT	Price	Avg. Volume	Market Cap (Rs. in Cr)
CAPITAL FIRST	671.00	414927	6223
KEYNOTE CORPORATE	37.25	169	26
MAX FINANCIAL SERVICES	504.20	1168657	13636
TCI FINANCE	26.15	33109	32
TIMES GUARANTY	19.30	643	17
VLS FINANCE	63.30	331487	248
WEIZMANN FOREX	188.50	3773	215

Capital first has huge volume and market cap which gives liquidity to the stock.

INSTRUMENT	Price	P/E Ratio (X)	% FII Holding
CAPITAL FIRST	671.00	34.16	7.54
KEYNOTE CORPORATE	37.25	8.68	0.00
MAX FINANCIAL SERVICES	504.20	64.12	30.69
TCI FINANCE	26.15	11.67	0.00
TIMES GUARANTY	19.30	0.00	0.00
VLS FINANCE	63.30	7.34	0.00
WEIZMANN FOREX	188.50	13.72	0.00

Capital First has good FII holding and trading at PE ratio of 34.16 the valuation is little higher but as company is growing this will not have big affect.

INSTRUMENT	Price	% Pledged	Debt Equity Ratio (X)	Int. Coverage Ratio (X)
CAPITAL FIRST	671.00	0.00	5.25	1.29
KEYNOTE CORPORATE	37.25	0.00	0.18	3.93
MAX FINANCIAL SERVICES	504.20	50.92	0.16	9.07
TCI FINANCE	26.15	0.00	1.41	1.29
TIMES GUARANTY	19.30	0.00	0.00	0.00
VLS FINANCE	63.30	0.00	0.00	37.31
WEIZMANN FOREX	188.50	0.00	0.81	4.30

INSTRUMENT	1M	3M	6M	1Y	% Chg Post Budget
VLS FINANCE	37.66	65.12	106.94	24.93	111.37
CAPITAL FIRST	11.26	33.56	77.41	71.13	87.91
MAX FINANCIAL SERVICES	0.55	38.03	62.29	-8.19	56.11
TCI FINANCE	0.60	31.07	11.31	-26.50	21.26
WEIZMANN FOREX	-16.48	6.33	7.19	-28.79	19.71
TIMES GUARANTY	-3.51	0.26	-8.33	-8.33	4.34
KEYNOTE CORPORATE	-0.40	-1.97	3.91	3.47	3.91

Capital First has surged 87.91% post budget being a 2nd top performer in its segment.



Shareholding Pattern

Shareholding Pattern	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Promoter and Promoter Group (%)	65.11	65.20	65.23	65.27	65.30
Indian	NIL	NIL	NIL	NIL	NIL
Foreign	65.11	65.20	65.23	65.27	65.30
Institutions (%)	15.11	17.19	18.09	17.99	17.73
FII	7.54	7.28	2.46	7.74	7.73
DII	7.57	9.91	15.63	10.26	10.00
Non Institutions (%)	19.79	17.61	16.68	16.74	16.97
Bodies Corporate	NIL	NIL	NIL	6.44	7.04
Others	19.79	17.61	16.68	10.30	9.93
Custodians	NIL	NIL	NIL	NIL	NIL
Total no. of shares (cr.)	9.14	9.12	9.12	9.11	9.11

Institutions hold 15.11% in the Company

Persons holding securities more than 1% of total number of shares under category Public Shareholding.

	Category	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Cloverdell Investment Ltd	Promoters	63.74	63.83	63.86	63.90	63.93
Bodies Corporate	Non Promoters	7.22	1.43	NIL	NIL	NIL
JV And Associates LLP	Non Promoters	5.22	5.23	5.23	5.24	5.24
Birla Sun Life Trustee Company Private Limited	Non Promoters	2.29	2.24	4.88	4.61	3.88
Goldman Sachs India Fund Limited	Non Promoters	1.93	1.94	NIL	1.94	1.84
Hdfc Standard Life Insurance Company Limited	Non Promoters	1.73	2.97	3.17	3.31	3.81
Government Pension Fund Global	Non Promoters	1.48	1.48	1.48	1.48	1.48
Dayside Investment Ltd	Promoters	1.37	1.37	1.37	1.37	1.37
Swiss Finance Corporation (Mauritius) Limited	Non Promoters	1.29	1.41	1.80	2.17	2.17
Foreign Individuals or NRI	Non Promoters	1.23	1.09	NIL	NIL	NIL
Public - PAC	Non Promoters	NIL	5.61	NIL	NIL	NIL
DSP Blackrock Micro Cap Fund	Non Promoters	NIL	1.79	1.69	1.51	1.49



#	Announcement Date	Ex-Date	Amount	Interim/Final
1	16-May-2016	27-Jun-2016	2.40	Final
2	13-May-2015	10-Jul-2015	2.20	Final
3	08-May-2014	05-Jun-2014	2.00	Final
4	27-May-2013	14-Aug-2013	1.80	Final
5	29-May-2012	06-Sep-2012	1.50	Final
6	30-Jun-2011	04-Aug-2011	1.50	Final
7	25-May-2010	29-Jul-2010	1.00	Final

COMPANY PROFILE OF CAPITAL FIRST, NSE, INDIA

Date of Incorporation	18-Oct-2005
Date of Listing	01-Feb-2008
Management	
Name	Designation
V Vaidyanathan	Chairman & Managing Director
Apul Nayyar	Executive Director
Nihal Desai	Executive Director
Brinda Jagirdar	Independent Director
N C Singhal	Independent Director
M S Sundara Rajan	Independent Director
Hemang Raja	Independent Director
Dinesh Kanabar	Independent Director
Narendra Ostawal	Non Executive Director
Vishal Mahadevia	Non Executive Director
Registered Office Address	
Indiabulls Finance Centre, 15th Floor, Tower-2, Senapati Bapat Marg, Elphinstone, 400013, Mumbai, Maharashtra, India	
Website	
http://www.capfirst.com	



Investment Rationale

- Company's revenue has jumped by 55.97% YoY from Rs. 395.00 crs to Rs. 616.08 crs
- Company's operating profit jumped by 38.98% YoY.
- Company has given jump of 10.37% QoQ, were Net profit gone up by 3.49% QoQ.
- Net profit margin was at 7.97% for June 16 Quarter.
- Company has huge Operating profit margin of 56.16% for June quarter 2016.
- Company has a increasing Provisions and contingencies in Quarter on Quarter.
- Capital First has transformed from a Wholesale Lending NBFC to a strong Retail Lending NBFC in the last 5 years.
- Total asset under management is Rs. 172.13 Billion
- 89% of AUM is for share of retail
- Company has a Capital Adequacy ratio of 18.70%
- From last 6 years company has shown consistent growth trend
- Long term rating for the company is at AA+
- Capital First has an employee base of 1694
- Company served at 222 locations
- Number of customers financed since inception crossed 2.8 million
- Capital First Housing Loan Book crossed Rs. 4.42 billion

We recommend BUY in Capital First @ 660 with the target of 800.



Disclaimer:

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