

Broader markets especially smallcaps were on fire; pharma stocks rally on improved outlook in Q3FY21..

- 1) Indian equities started the week on a strong note as the benchmark indices gained over 0.7 per cent each, led by buying in financial, and FMCG counters. The S&P BSE Sensex rallied 347 points, or 0.77 per cent to settle at 45,427 levels while NSE's Nifty ended at 13,356, up 97 points, or 0.73 per cent. HUL (up 3 per cent), Bharti Airtel (up 3 per cent), HDFC (up 2.54 per cent), and ITC (up 2.5 per cent) were the top Sensex gainers.
- 2) On the sectoral front, barring Nifty Realty, all other indices on the NSE ended in the green. Nifty PSU Bank index ended over 2 per cent higher at 1,734 levels.
- 3) Market breadth was in favour of the bulls as out of 3,167 companies traded on the BSE, 2,035 advanced and 937 declined while 195 stocks remained unchanged. The broader market outperformed the frontline indices.
- 4) The S&P BSE SmallCap index ended 1.3 per cent higher at 17,542.66 points while the S&P BSE MidCap gained 0.95 per cent to 17,554.
- 5) Broader markets especially smallcaps witnessed good price action. Shares of Tanla Platforms, Omaxe, Himatsingka Seide, Reliance Infrastructure, Dewan Housing Finance Corporation (DHFL), TVS Electronics and Indiabulls Integrated Services and other 380 stocks were locked in their respective upper circuit on the BSE after strong rally in smallcap stocks on Monday. Kothari Products, Oswal Greentech, Adhunik Industries, Jaiprakash Power Ventures, Sical Logistics, Shemaroo Entertainment, Geojit Financial Services, Mawana Sugars, Hindustan National Glass & Industries were locked in 20 per cent upper circuit on the BSE.

Key recent developments

- 1) The Reserve Bank of India (RBI) on Friday revised its forecast of economic growth for the current fiscal year (2020-21) to minus 7.5 per cent compared to its earlier forecast of minus 9.5 per cent. RBI governor Shaktikanta Das said the change in forecast has been prompted by a surge in demand in both rural as well as urban areas. The second half of the fiscal year is expected to show positive growth despite disruptions caused by coronavirus pandemic, he added.
- 2) The RBI kept the policy repo rate unchanged at 4 per cent amidst high inflation. CPI inflation rose sharply to 7.3 per cent in September and further to 7.6 per cent in October 2020, with some evidence that price pressures are spreading. Food inflation surged to double digits in October across protein-rich items including pulses, edible oils, vegetables and spices on multiple supply shocks. Core inflation, i.e., CPI excluding food and fuel, also picked up from 5.4 per cent in September to 5.8 per cent in October. Both three months and one year ahead inflation expectations of households have eased modestly in anticipation of the seasonal moderation of food prices in the winter and easing of supply chain disruptions. The RBI governor said inflation is likely to remain elevated with some relief in the winter months. "CPI inflation is seen at 6.8 percent for Q3FY21 and projected CPI inflation is at 5.8 percent for Q4FY21. For H1FY22, projected CPI inflation is seen at 5.2-4.6 percent with risks broadly balanced," said Das. Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent. The Monetary Policy Committee (MPC) also decided to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.
- 3) Real GDP for the September quarter contracted 7.5 per cent year-on-year, on the back of the steep contraction in manufacturing, construction, and services, data released by the National Statistical Office showed on November 27. The real GDP for April-June 2020 had contracted 23.9 per cent, the steepest fall ever (and the first contraction in 40 years). The July-September 2019 quarter had witnessed a GDP growth of 4.4 per cent.
- 4) Turning to the growth outlook, the recovery in rural demand is expected to strengthen further, while urban demand is also gaining momentum as unlocking spurs activity and employment, especially of labour displaced by COVID-19. Fiscal stimulus is increasingly moving beyond being supportive of consumption and liquidity to supporting growth-generating investment. On the other hand, private investment is still slack and capacity utilisation has not fully recovered, RBI Governor Shaktikanta Das said in Monetary Policy Statement.



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- 5) Prime Minister Narendra Modi on Friday said that experts believe that the wait for a COVID-19 vaccine will not be long and it may be ready in a few weeks, asserting the vaccination drive in India will begin as soon as scientists give the nod. In his remarks here at an all-party meeting held virtually, he said healthcare workers involved in treating COVID-19 patients, frontline workers, who include police personnel and municipal staff, and old people suffering from serious conditions would be inoculated on priority. Noting that there have been questions about the price of the COVID-19 vaccine, the prime minister said it is natural to have such queries and asserted that public health will be accorded top priority in the matter and states will be fully involved. In his concluding address at the meeting called by the Union government to discuss the pandemic situation, Modi sought to address most burning aspects of the issue, ranging from India's vaccine readiness to its pricing, and reiterated that the country has done better than even some developed countries and those with better health infrastructure in tackling the pandemic.
- 6) Earlier Prime Minister Narendra Modi in a meeting with chief ministers on Tuesday said that, India's priority is to make a coronavirus vaccine "safe on all scientific standards" available to all its citizens. The central government and states have to "work together" in controlling the coronavirus pandemic and "no one can impose any view", PM Modi told the chief ministers of eight states worst affected in the pandemic. Modi held two meetings through video with Chief Ministers and Lieutenant Governors to discuss the coronavirus situation in the states and preparations for vaccine delivery.
- 7) Earlier, UK became the first western country to approve a Covid-19 vaccine, with its regulator clearing Pfizer Inc. and BioNTech SE's shot ahead of decisions in the U.S. and European Union. The emergency authorisation clears the way for the deployment of a vaccine that's expected to play a significant role in the global effort to halt the coronavirus. Pfizer and its German partner said in November that the shot, relying on novel technology called messenger RNA, was 95% effective in a final analysis of clinical-trial data. "The government has today accepted the recommendation from the independent Medicines and Healthcare products Regulatory Agency (MHRA) to approve Pfizer-BioNTech's COVID-19 vaccine for use. This follows months of rigorous clinical trials and a thorough analysis of the data by experts at the MHRA who have concluded that the vaccine has met its strict standards of safety, quality and effectiveness," the UK government said in a statement. "The vaccine will be made available across the UK from next week. The NHS has decades of experience in delivering large scale vaccination programmes and will begin putting their extensive preparations into action to provide care and support to all those eligible for vaccination," the statement added. Britain's approval of BioNTech-Pfizer's vaccine against Covid-19 marks a "historic moment" in the battle against the pandemic, the US pharma group's chief executive said. "Today's Emergency Use Authorisation in the UK marks a historic moment in the fight against Covid-19," said Pfizer CEO Albert Bourla.
- 8) Goods and service tax (GST) collections for November 2020 stood at Rs. 1.04 lakh crore, marginally lower than Rs 1.05 lakh crore collected in October this year, but higher than Rs. 1.03 lakh crore collected in the same month last year. Economic recovery is clearly evident from improved GST collections data. GST Collections crossed the Rs. 1 lakh crore mark for the second time since April, after last month's Rs. 1.05 lakh crore.
- 9) India's manufacturing sector activity lost momentum and fell to a three-month low in November amid slower increases in factory orders, exports and buying levels, a monthly survey said on Tuesday. The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI) fell from 58.9 in October to a three-month low of 56.3 in November, indicating that the manufacturing sector growth remained strong, despite losing traction. In PMI parlance, a print above 50 means expansion, while a score below that denotes contraction. "The Indian manufacturing sector remained on the right path to recovery, with strong growth of new orders and output sustained during November," Pollyanna De Lima, economics associate director at IHS Markit, said.
- 10) The Serum Institute of India (SII) will seek emergency use authorisation for the AstraZeneca Covid-19 vaccine in about two weeks. Adar Poonawalla, Founder and CEO, SII said on Saturday that SII is in the process of submitting the data for the clinical trials to the DCGI and will seek emergency use authorisation. Poonawalla said the vaccine will first be distributed in India before it starts dispatching to "Covax countries" in Africa. PM Modi, as part of Covid-19 vaccine review tour in Ahmedabad, Hyderabad and Pune, visited SII on Saturday evening to discuss the manufacturing and supply of Covishield, the vaccine developed against coronavirus by the institute.
- 11) Hyderabad-based Hetero Labs would be working with the Russian Direct Investment Fund (RDIF) to produce 100 mn doses per year of the Sputnik V vaccine. The parties intend to start the production of Sputnik V in the beginning of 2021, the statement said. Earlier this week Kirill Dimitriev, CEO of RDIF, Russia's sovereign wealth fund, said that the fund was planning to supply 1 bn doses of Sputnik V across the globe in 2021 and had forged partnerships in India, China, Brazil, Korea, Hungary and some other locations. Requests for more than 1.2 billion doses of Sputnik V vaccine came from more than 50 countries, RDIF claimed. Dr Reddy's Laboratories (DRL) is RDIF's partner in India for conducting clinical trials and distribution of the vaccine. It had indicated this month that the process of technology transfer had begun at its partner site (for manufacturing) in India. The first batch of Sputnik V vaccines have also arrived for clinical trial purposes. "We are delighted to announce the agreement between RDIF and Hetero



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that will pave the way for production of the safe and highly effective Sputnik V vaccine on Indian soil. The vaccine's interim clinical trial results show 95% efficacy on the 42nd day after the first dose. I am confident that Sputnik V should become an integral part of the national vaccine portfolio of every country willing to protect its population from the coronavirus. Thanks to our co-operation with Hetero, we will be able to significantly increase production capacity and provide people of India with an efficient solution in this challenging period of the pandemic," Dimitriev said. B Murali Krishna Reddy, director – International Marketing, Hetero Labs, said that manufacturing the product locally is crucial to enable swift access to patients. The Sputnik V vaccine has been priced at \$10 per dose. It is a two-dose course.

- 12) Reserve Bank of India (RBI) Governor Shaktikanta Das on Thursday said the country's economy had recovered stronger than expected from the initial impact of the Covid-19 pandemic, but there is a need to be watchful of demand sustainability after the end of festivities. The governor also assured the financial markets that the regulator will continue to work in a nimble-footed manner to ensure orderly functioning of the markets. "The Reserve Bank remains committed to fostering orderly functioning of financial markets and will continue to evaluate incoming information having a bearing on the financial markets and act, as needed, to mitigate any downside risks," he said. "Today, the capital account is convertible to a great extent," he said. "Inward FDI is allowed in most sectors and outbound FDI by Indian incorporated entities is allowed as a multiple of their net worth. The external commercial borrowing framework has also been significantly liberalised to include more eligible borrowers, even as maturity requirements have been reduced and end-use restrictions have been relaxed."
- 13) US biotech company Moderna said it is having discussions with a number of countries and parties about rolling out its vaccine candidate against COVID-19. The company didn't specify whether India is among the countries it is having discussions with. Moderna hinted about the possibility of joining Covax and said the discussions are ongoing. Covax is a World Health Organization-backed facility, which aims to supply low and middle-income countries (LMICs), with proven COVID-19 vaccines, while ensuring equitable global access. "We are seeing enormous interest and are having discussions with a number of countries about Moderna's vaccine candidate against COVID-19," a Moderna spokesperson said in an email to queries about its plans for India. On partnerships with Indian drug companies or hospital chains for distribution of the vaccine in India, Moderna said it is holding discussions, but has no new specific agreements to announce at this point of time.
- 14) Earlier, AstraZeneca said that the late-stage trials showed its coronavirus vaccine was up to 90 per cent effective, giving public health officials hope they may soon have access to a vaccine that is easier to distribute than some of its rivals. The results are based on interim analysis of trials in the UK and Brazil of a vaccine developed by Oxford University and manufactured by AstraZeneca. No hospitalisations or severe cases of Covid-19 were reported in those receiving the vaccine. "These findings show that we have an effective vaccine that will save many lives," Oxford University Professor Andrew Pollard, chief investigator for the trial, said in a statement. "Excitingly, we've found that one of our dosing regimens may be around 90% effective." AstraZeneca is the third major drug company to report late-stage results for its potential Covid-19 vaccine as the world anxiously waits for vaccines that will end the pandemic that has killed almost 1.4 million people. Pfizer and Moderna last week reported preliminary results from late-stage trials showing their vaccines were almost 95 per cent effective. Unlike the Pfizer and Moderna vaccines, the Oxford-AstraZeneca candidate doesn't have to be stored at ultra-cold temperatures, making it easier to distribute, especially in developing countries. All three vaccines must be approved by regulators before they can be widely distributed.
- 15) The experimental COVID-19 vaccine of American pharma company Pfizer and BioNTech SE has proved to be 95 percent effective in final results from a pivotal study. It is also showing signs of being safe, key pieces of data as the companies prepare to ask health regulators to authorize use. Out of 170 adult volunteers in the nearly 44,000-subject trial who developed Covid-19 with at least one symptom, 162 received a placebo, while eight got the vaccine, Pfizer and BioNTech said. This 95 percent effectiveness rate makes the experimental candidate be on par with the likes of shingles and measles vaccines. Last week, All India Institute of Medical Sciences (AIIMS) director, Dr Randeep Guleria had said, "Pfizer vaccine has to be kept at minus 70 degrees Celsius which is a challenge for developing countries like India."
- 16) India is seeing a "strong recovery" taking root in the economy, as seen by increased goods and service tax collections and other metrics, Finance Minister Nirmala Sitharaman had said earlier. Sitharaman announced a new set of stimulus measures to boost employment under Atmanirbhar Bharat Rozgar Yojna to incentivise the creation of new employment opportunities. The new announcements aim at benefiting companies and individuals, who lost their jobs due to Covid-19 induced lockdown. The new announcements came after the government approved a Rs 1.45-trillion package by extending the production-linked incentive (PLI) scheme to 10 more sectors. The latest approval is in addition to the already announced Rs. 51,311-crore PLI for three sectors. With this, the total incentives under the PLI schemes come to Rs. 2 trillion.

Sectors and stocks

- 1) Shares of pharmaceutical companies extended their past week rally on Monday, with the S&P BSE Healthcare index hitting a fresh record high. The healthcare index hit a fresh record high of 21,320 points in intra-day trade today, thus rallying 5 per cent in the first five trading days of December 2020. In comparison, the benchmark index was up 2 per cent during the period.
- 2) Glenmark Pharmaceuticals, Syngene International, Sequent Scientific, Natco Pharma, Caplin Point Laboratories, Dishman Carbogen Amcis, FDC, and Aarti Drugs were up in the range of 5 per cent to 7 per cent on the BSE. Sun Pharmaceutical Industries, Ajanta Pharma, Lupin, and Dr Reddy's Laboratories were up between 2 per cent and 3 per cent. With the unlocking of the economy and the announcement of various unlock guidelines, patient footfalls are gaining traction in healthcare units as demand from non-Covid-19 patients is gathering pace, according to CARE Ratings. Also, hospitals and patients are adapting themselves to the Covid-19 environment and social distancing norms. Thus the operations of the healthcare industry are estimated to return to normal levels only from Q3FY21 onwards which is expected to augur well for the Indian pharma industry as it will result in the higher prescription of medicines from hospitals, clinics, OPD centres, local clinics, and doctors, the rating agency said in drugs and pharma update in H1FY21 report dated November 25, 2020. However, CARE Ratings said it might not see operations at pre-Covid level rates in the current quarter for all the areas of ailments primarily non-high priority treatments (dermatology, orthopaedic, etc.) which, in turn, will restrict prescription of these drugs. It is to be noted that the e-consultations and other home care services will provide support to the pharma industry.
- 3) In addition to this, the industry will continue to see demand from the domestic as well as international markets for some of the antivirals, antimalarials, and antibiotics given the spread of Covid-19. Moreover, the demand for Indian drugs in the international market will be supported by new product launches thereby aiding the Indian pharma exports. Thus, the demand for drugs is expected to remain steady to a large extent.
- 4) However, the industry is likely to face delays in product launches and clinical trials given the current scenario. Besides, Covid-19 has also led to deferment of physical inspections by the USFDA which has delayed in the commencement of the pharma units and also the launch of products, it said.
- 5) Shares of ADF Foods were up by 19 per cent to Rs. 630, also its new high on the BSE on Monday on the back of heavy volumes. The stock of the packaged foods company has rallied 45 per cent in the past eight trading days. Effective from today, December 7, the BSE has revised the price band of the stock to 20 per cent from 5 per cent earlier. ADF is a consumer-focused company and a leader in prepared ethnic food offering ready-to-eat (RTE) items, ready-to-cook (RTC) items, sauces, pickles, pastes, dips, and frozen foods under its 7 Flagship brands. It manufactures, distributes, and markets Indian food along with organic Mexican and natural Mediterranean foods. The company's products are available in over 50 plus countries through a strong distribution network across US, Canada, Europe, Australia, Asia, and Middle East. While announcing September quarter (Q2FY21) results on November 9, the management said that all businesses including exports of ethnic food, US business, and agency distribution were seeing good growth. The company's facilities are currently operating at pre-covid levels and seeing increased demand in the prepared food segment with significant changes in consumer habits. The management believes that the company is well placed to tap the growing opportunities on the back of its brand reputation, global distribution network, and robust balance sheet. The company's total debt as of September 30, 2020, stood at Rs. 13 crore, which constitutes short-term borrowings. Total cash and cash equivalents stood at Rs. 74 crore. For Q2FY21, ADF Foods had reported 36 per cent year-on-year (YoY) growth in profit after tax at Rs 12.60 crore, on the back of a 52 per cent YoY jump in the total income of Rs 96.80 crore. EBITDA margin remain robust at 19 per cent, but contracted by 400 basis points from 23.2 per cent in the previous year quarter. The "Agency distribution segment" where the Company acts as distribution agent of food products for a fast-moving consumer goods (FMCG) global major across the US and UK markets, contributed Rs 20 crore revenues in Q2FY21, it said.
- 6) Shares of companies engaged in broking business rallied by up to 20 per cent at the bourses on Monday on expectation of strong earnings growth due to the uptick in the markets and a healthy addition of new clients.
- 7) Geojit Financial Services was locked in 20 per cent upper circuit at Rs 57.75, also its 52-week high on the BSE on the back of heavy volumes. The stock has rallied 44 per cent in the past three days. The trading volumes on the counter jumped over five-times with a combined 4.3 million shares changing hands. There were pending buy orders for 300,000 shares on the NSE and BSE.
- 8) Shares of Angel Broking rallied by 17 per cent to Rs. 407, its highest level since listing on October 5, 2020. The company, on Friday, said its overall average daily turnover (ADTO) has grown by 416 per cent year-on-year (YoY) to Rs. 2,260 billion in the month of November 2020. On month-on-month (MoM) basis, ADTO rose 17.5 per cent, it said. The retail turnover market share on overall equity increased by 958 basis points to 15.4 per cent in November from 5.9 per cent in November 2019 and 78 basis points MoM from 14.7 per cent in October 2020. The company's client basis, during the November month, saw growth of 92.9 per cent YoY at 2.97 million, it said. Angel Broking is



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one of the largest retail broking houses in India in terms of active clients on NSE. The company is a technology-led financial services company providing broking and advisory services, margin funding, loans against shares and financial products distribution to its clients under the brand "Angel Broking". For the July-September quarter (Q2FY21), Angel Broking had reported the highest-ever quarterly profit after tax (PAT) at Rs 74.6 crore against Rs 48.3 crore in June quarter of the current fiscal (Q1FY21).

- 9) Omaxe was locked in 10 per cent upper circuit at Rs. 82.25. The company said it delivered 6.7 million sq. ft. in 2019-20 and targets to develop & deliver around 8 million sq. ft. of area in 2020-21. The company's total delivery as on September 2020 stood at 124.3 million sq. ft. in real estate and construction contracting, it said. The management said the recent developments that have emerged as a result of the Covid-19 pandemic and the increased investment and infrastructure development by governments and businesses in the tier II & III cities will drive employment, real estate sector and overall growth of the Indian economy in the coming decade.
- 10) Tanla Platforms was up by 5 per cent to hit a new high of Rs. 782 on the BSE. In the past month, the stock rallied by 124 per cent, against 8 per cent rise in the S&P BSE Sensex. A sharp rally in the stock price have seen, its market capitalisation crossed Rs 10,000 crore mark at Rs 10,637 crore today, the BSE data shows. On November 12, the company said its stock has been included in MSCI India Domestic Small Cap index. The company has seen a lot of interest from foreign institutional investors (FIIs). On November 25, the Massachusetts Institute of Technology's (MIT's) endowment fund and Old Bridge Capital picked a stake in India's leading cloud communications service provider for about Rs 87.5 crore.

Global markets

- 1) European shares declined on Monday as rising tension between the United States and China sapped some appetite for risky assets, while Britain-based exporters outperformed as uncertainty over a Brexit trade deal battered the pound.
- 2) Germany's trade-sensitive DAX index and the pan-European STOXX 600 index fell 0.1 per cent.

Ajcon Global's view

- 1) Sentiments have improved significantly with RBIs forecast of positive GDP growth. Additionally, Prime Minister Narendra Modi on Friday said that experts believe that the wait for a COVID-19 vaccine will not be long and it may be ready in a few weeks, asserting the vaccination drive in India will begin as soon as scientists give the nod also aided in improvement of sentiments.
- 2) With COVID-19 vaccine coming in UK; sentiments of global investors have already improved.
- 3) Domestically, broader markets continued to witnessing buying which is a good sign for retail investors. Strong up move is being registered in smallcaps space which will bring much needed relief who were caught at the peak of 2018. Real GDP for September quarter contracted by 7.5 percent, but according to us, the Q2 GDP data indicates signs of economic revival from a standstill scenario (owing to nationwide lockdown in April, May, and June 2020). The numbers could have been a disaster had it not been for a gradual recovery of economy during various phases of Unlock.
- 4) Sectorally, PSU bank stocks rallied in the trade with the Nifty PSU Bank index surging nearly 5 per cent to 1,673 levels. SBI ended around 4 per cent higher at Rs 256.40 on the NSE.
- 5) Samvat 2077 has already started on a positive note with Indian equities continue to remain buoyant. Investors confidence on economic recovery is improving day by day led by COVID-19 vaccine related developments. Earlier, in Samvat 2076, the benchmark indices index rallied by 10.68 per cent. Samvat 2076 witnessed a roller coaster ride with India entering into a nationwide lockdown from the mid-night of March 24 owing to COVID-19 pandemic. Fears of a disrupted economy made S&P BSE Sensex and the Nifty50 indices fall steeply by over 39 per cent to hit a low of 25,639 and 7,511, respectively on March 24, 2020 which was nerve testing. However, since then, the benchmarks have defied gravity and hit new highs on November 11, 2020 as hopes of potential Covid-19 vaccine and reduction of COVID-19 cases domestically from its peak calmed the nerve of investors.
- 6) Globally, investor sentiments have improved on expectations of better global trade ties and more monetary stimulus under US President-elect Joe Biden supported risk appetite.
- 7) Domestically, investors sentiments have improved led by strong earnings performance in majority of the Companies which has surpassed our expectations as well. Clearly, there are visible signs of economic recovering fast. After significant rally witnessed in Largecaps space since the announcement of initial Lockdown to control COVID-19 pandemic, investors have become stock specific in midcaps and smallcaps. Investors are increasing allocation in Companies which are witnessing turnaround in Q2FY21, Unlock phase and having cost efficiencies. In addition,



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greenshoots like improved Auto sales numbers, improved occupancy in airlines, normal monsoons, economic activity catching up in some sectors to Pre-COVID19 levels is cherished by street participants.

- 8) At present levels, Nifty valuations look expensive led by significant spike of FPI liquidity in the month of November 2020. Hence we are cautious on Large caps and advise partial profit booking. The news on COVID-19 vaccine coming in UK has already led to rerating of sectors that were hammered in COVID-19 crisis. Further fall in domestic bourses, will make markets healthy for fresh entry.

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SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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