



Indian benchmark indices continue to decline on weak global cues; stock specific action witnessed..

- 1) The S&P BSE Sensex fell by 183 points, or 0.35 per cent, to settle at 52,386 levels while NSE's 50-share benchmark declined 38 points, or 0.24 per cent, to close at 15,690 levels. Heavyweights, TCS, HDFC Bank, Reliance Industries, Axis Bank, Kotak Bank, and HDFC were the top laggards along with Wipro, Bajaj Auto, and M&M.
- 2) The broader markets, on the flipside, settled about half a per cent higher. Sectorally, the Nifty Private Bank index was the biggest drag, down 0.6 per cent. On the upside, the Nifty Realty index zoomed 2.4 per cent.
- 3) For the week, BSE Sensex and Nifty 50 fell moderately by 0.2 percent and 0.3 percent respectively. On the other hand, BSE Midcap and BSE Small cap index gained 1.1 percent and 1.0 percent, respectively during the week. With regards to sectoral performance, during the week, BSE Realty index witnessed a good rally of 5.4 percent and BSE healthcare index was up by 2 percent. On the other hand, BSE Auto witnessed a decline of 3 percent in the week. BSE IT and BSE Oil & Gas declined by 1.5 percent and 1.4 percent, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,386.19	52,568.94	182.75	0.35	52,508.24	52,555.73	52,228.01
Nifty	15,689.80	15,727.90	38.10	0.24	15,688.25	15,730.85	15,632.75

Sectors and stocks

- 1) Shares of Bharat Dynamics (BDL) rallied by 7 per cent to Rs. 399 on the BSE in the intra-day trade on Friday after the company signed a contract worth about Rs. 499 crore with Ministry of Defence for manufacture and supply of Akash Missiles to the Indian Air Force (IAF). With the present contract signed for supply of Akash to Indian Air Force, the company's order book position stands at about Rs. 8,683 crore. "The company has bagged new orders worth about Rs. 2,803 crore (including taxes) during the FY 2020-21 which includes Anti - Tank Guided Missiles order worth about Rs. 1,820 crore and Surface to Air Missiles order worth about Rs. 793 crore", BDL said in a press release. BDL is supplying Akash Missiles to Indian Army and Indian Air Force. With the announcement from the Union Cabinet regarding clearance of Akash Weapon System for Export, the company is exploring to offer Akash for export to foreign countries. BDL has already received export leads from some countries expressing interest in procuring the Missile, the management said. BDL is the prime production agency for projects under India's Integrated Guided Missile Development Programme (IGMDP). Akash is one of the missiles under IGMDP being manufactured by BDL, both for Indian Army and Indian Air Force. The company also manufactures Anti-Tank Guided Missiles, Air to Air Missiles, Air to Surface Weapons, Launchers, Test Equipment, Underwater weapons and Counter Measure Systems. That apart, BDL is also aiming to expand its footprints in the international market by offering Air to Air Missiles, Anti-Tank Guided missiles, underwater weapons and Counter Measure Systems in addition to Akash Missiles to friendly countries.
- 2) Shares of Edelweiss Financial Services were locked in the upper circuit of 10 per cent at Rs. 86.50 on the BSE in Friday's session after the latest shareholding pattern showed that ace investor Rakesh Radheshyam Jhunjunwala increased his holding in the company by purchasing additional 4 million equity shares during the April-June quarter (Q2CY21). Post acquisition, Jhunjunwala's holding in Edelweiss Financial Services rose to 1.6 per cent (15.125 million equity shares) from 1.19 per cent (11.125 million equity shares) at the end of the March 2021 quarter, the data shows. Jhunjunwala hiked its holding in the company after a gap of one year. Earlier, in the March 2020 quarter, he held 9.69 million shares or a 1.04 per cent stake in Edelweiss Financial Services, data shows. The Edelweiss Group is one of India's leading diversified financial services companies, providing a broad range of financial products and services to a substantial and diversified client base that includes corporations, institutions, and individuals.
- 3) Shares of Macrotech Developers, the recently listed real estate company, rallied by 10 per cent to Rs. 754 on the BSE in the intra-day trade on Friday, having rallied 14 per cent in two days, after the company released operational performance for the quarter ended June 2021 (Q1FY22). In its quarterly business update, Macrotech Developers said that it pre-sales clocked a growth of 88 per cent YoY at Rs 957 crore relative to Rs 509 crore reported in Q1FY21. The company's pre-sales, however, were down by 62 per cent compared with Rs 2,531 crore in Q4FY21. "While April and May had very limited pre-sales on account of the second Covid wave in



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India, June saw pre-sales of Rs. 654 crore. This pick-up in June is despite some continuing Covid related restrictions in our operating markets," the management said. It added that subject to no further Covid related disruptions, the company is on track to meet its pre-sales guidance. Customer collections, meanwhile, stood at Rs 1,714 crore in the first quarter of the current financial year, higher by 346 per cent compared with the corresponding period a year before. Sequentially, the collections have declined by 18 per cent from Rs 2,089 crore in Q4FY21. The company has reduced consolidated net debt by Rs 3,600 crore during the quarter. Separately, Macrotech Developers has entered into joint development agreements (JDA) with two new projects totaling 1.5 million sq ft of saleable area during the quarter. These 2 projects are in addition to 2 projects which were informed with Q4FY21 results in May 21. Incorporated in 1995, Macrotech Developers [formerly known as Lodha Developers] is one of the largest real estate developers in India. The company is primarily engaged in affordable residential real estate developments and, in 2019, it entered into the development of logistics and industrial parks and also develop commercial real estate. The company generated maximum revenue from this segment as of fiscal 2020 which was 57.77 per cent of total revenue. Under the logistic and industrial park portfolio, it plans to develop an industrial park of over 800 acres of land near Palava. However, the commercial real estate portfolio includes projects like corporate offices, IT campuses, and boutique office spaces. As on December 31, 2020, the firm had successfully completed 91 projects comprising 77.22 million sq. ft. of developable area, with 59.13 million sq. ft. in the affordable housing segment.

- 4) Shares of textiles companies were in demand in an otherwise subdued market, with Vardhman Textiles, Siyaram Silk Mills, RSWM and Dollar Industries hitting their respective 52-week highs on the BSE in intra-day trade on Friday amid expectations of earnings improvement. The Union Budget 2020-21 had set the momentum to give the ailing textile sector a new lease of life by announcing the setting up of mega textile parks, increasing duties on import of textile products, and rationalising the custom duty rates on imports of raw materials, allowing 100 per cent foreign direct investments (FDI) for the sector under the automatic route, assisting in the development of import substitution products and continuing of other schemes for the industry. All this will provide the required impetus to the textile sector and help on the path of speedy recovery.
- 5) Shares of Siyaram Silk Mills were up by 6 per cent to hit a fresh 52-week high of Rs. 344, up 11 per cent in the past two trading days. In financial year 2020-21 (FY21), Siyaram re-engineered its cost structure with significant rationalisation of overheads including marketing spends. Operating overheads declined 42 per cent year-on-year (YoY) in FY21. Going forward, the management expects 25 per cent of cost savings to be sustainable in nature.
- 6) Shares of Bajaj Steel Industries hit a new high of Rs. 1,432, rallying 10 per cent on the BSE in the intra-day trade on Friday, in an otherwise weak market. Bajaj Steel is engaged in the manufacture and sale of machinery for cotton ginning and pressing, used for preparing textile fabrics in India and abroad. It is the only company in the world that produces machineries for all cotton ginning technologies. BSL operates in two business segments: steel division and plastics division. The products manufactured by the company include ginning machine cotton ball opener, cotton baling press, cotton pre-cleaner, lint cleaner, auto feeder, cotton seed delinting machine, decorticator hull beater, cotton seed cleaner, and linter cleaner. In the past one month, the stock has rallied by 125 per cent as compared to a 0.81 per cent rise in the S&P BSE Sensex. Meanwhile, in the past one year, it has seen a whopping rally of 12x as against a 43 per cent rally in the benchmark index. The company is listed only on the BSE. In the past eight trading days, the market price of Bajaj Steel has surged 85 per cent after the company reported a strong set of numbers for the quarter ended March 2021 (Q4FY21). The company's consolidated net profit jumped 69 per cent year-on-year (YoY) at Rs 29.80 crore on back of lower raw material cost. On a sequential basis, the company's profit rose nearly 6-fold from Rs 5.04 crore in December 2020 quarter. Consolidated revenues, however, declined 22 per cent YoY at Rs 124.67 crore. For FY21, Bajaj Steel's consolidated net profit grew 178 per cent YoY at Rs. 65.60 crore from Rs. 23.64 crore in FY20. Revenues were up 23 per cent at Rs. 511 crore from Rs. 415 crore in the previous fiscal.

Key recent major developments..

- 1) The Finance Ministry on Friday said the economy has started showing signs of revival from the impact of the second wave of the COVID-19 pandemic on the back of targeted fiscal relief, monetary policy and a rapid vaccination drive. The broad-based economic relief package, extended to mitigate the second wave, amounted to Rs. 6.29 lakh crore. RBI continues with its efforts to calm the nerves of the market and revive sectors with both backward and forward linkages and multiplier effects on growth, the ministry said in its monthly economic review. To stimulate the economy and ease the financial impact of the coronavirus pandemic and lockdown, Finance Minister Nirmala Sitharaman last month announced eight economic measures amounting to Rs. 6.29 lakh crore to provide relief to individuals as well as businesses in the country. Apart from eight relief measures announced in health and other worst affected sectors, Sitharaman announced a stimulus package for the tourism industry, which included five lakh tourist visas to be issued free of charge, once the government resumes issuance. The total financial implication of the scheme will be Rs. 100 crore. Resilient tax collections of the central government in the first two months of FY21 and sustained momentum in capital expenditure, particularly in the road and rail sector, the report said, augurs well for continued economic recovery driven by capital expenditures. The report further added that the



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recently announced economic relief package was expected to further oil the wheels of the Capex cycle via implementation of the PLI scheme and streamlining of processes for PPP Projects and Asset Monetisation.

- 2) Fitch Ratings on Wednesday cut India's growth forecast to 10 per cent for the current fiscal, from 12.8 per cent estimated earlier, due to slowing recovery post second wave of COVID-19, and said rapid vaccination could support a sustainable revival in business and consumer confidence. In a report, the global rating agency said the challenges for banking sector posed by the coronavirus pandemic have increased due to a virulent second wave in the first quarter of the financial year ending March 2022 (FY22). "Fitch Ratings revised down India's real GDP for FY22 by 280bp to 10 per cent, underlining our belief that renewed restrictions have slowed recovery efforts and left banks with a moderately worse outlook for business and revenue generation in FY22," it said. Fitch believes that rapid vaccination could support a sustainable revival in business and consumer confidence; however, without it, economic recovery would remain vulnerable to further waves and lockdowns.
- 7) Goods and services tax collections fell below the Rs. 1-trillion mark for the first time in nine month in June, 2021 to a 10-month low, as economic activity got disrupted due to the second Covid-19 wave, official data showed. However, the collections are better than expected and will provide a cushion to the government to ramp up spending, going forward. GST collection stood at Rs. 92,849 crore in June compared with Rs 1.02 trillion the previous month and a record high of Rs. 1.41 trillion in April, data released by the ministry of finance showed on Tuesday. These figures pertain to transactions done in May, but collected in June. The collections in May are 2.1 per cent higher than the corresponding month of last year when the national unlocking process began after two months of intense movement curbs due to the pandemic. Meanwhile, May 2021 saw localised lockdowns across the country due to the devastating second wave. The collections in June are on expected lines as e-way bill generation, which indicates supply in the economy, declining to a one year low level average of 1.2 million per day in May.
- 8) Indian bond yields moved up on Tuesday as a rally in global crude oil prices raised worries about higher imported inflation, while a selection of papers for this week's bond buyback by the central bank also disappointed investors. The most-traded 6.64% 2035 bond was up 6 basis points at 6.79%, while the second-highest traded 5.63% 2026 paper rose 7 bps to 5.83%. Both bonds were trading at levels last seen in mid-March. The 10-year bond, which is likely to be soon replaced as the benchmark paper, was up 6 bps at 6.15%, its highest since April 16.
- 9) India's economic damage due to the second wave of COVID-19 and subsequent lockdowns will remain restricted to the April to June quarter, Moody's Investors Service said in a new macroeconomic outlook. "We currently expect India's real GDP to grow at 9.6 per cent in 2021 and 7 per cent in 2022," it said. "With states now easing restrictions, economic activity in May is likely to signify the trough." It assessed the overall economic effect of the second wave to be softer than that during the first wave of pandemic last year, although delivery of and access to vaccines will determine the durability of recovery. "We expect the current lockdowns to have less of an adverse impact on economic activity than the nationwide lockdown in April 2020 because the latest restrictions have been more targeted, localised and less stringent," said Moody's.
- 10) India's domestic factory orders and production contracted to an 11-month low in June as measures to contain the coronavirus put manufacturing into "reverse gear". The IHS Markit India Manufacturing Purchasing Managers' Index (PMI) slipped to 48.1 in June from 50.8 in May and 55.5 in April. This was, for the first time since July 2020, below the critical no-change mark of 50. "The intensification of the Covid-19 crisis in India had a detrimental impact on the manufacturing economy. Growth of new orders, production, exports and input purchasing was interrupted in June as containment measures aimed at bringing the pandemic under control restrained demand. In all cases, however, rates of contraction were softer than during the first lockdown," said Pollyanna De Lima, Economics Associate Director at IHS Markit.
- 11) S&P Global cut its growth forecasts for some of Asia's top economies including India, the Philippines and Malaysia on Monday, offsetting upgrades to China and South Africa and much of Latin America. The estimates, which feed into S&P's closely-followed sovereign ratings, saw India's growth projection chopped to 9.5% from 11% due to its Covid-19 outbreak, the Philippines' lowered to 6% from 7.9% and Malaysia's downgraded to 4.1% from 6.2%. In contrast, China's forecast was nudged up to 8.3% from 8%, Brazil's was hoisted to 4.7% from 3.4%, Mexico's to 5.8% from 4.9% while those of South Africa, Poland and Russia were lifted to 4.2%, 4.5% and 3.7%, respectively, from 3.6%, 3.4% and 3.3%. "The top risk facing emerging market economies (EMs) is a slower-than-expected rollout of the vaccines," S&P's economists said in new report, adding that the pandemic would only subside once vaccinations "reach a level consistent with herd immunity". In Asia's emerging economies, vaccines are currently being administered at a rate of 0.2 doses per 100 people per day. At this rate, S&P estimated it would take another 23 months for 70% of EM Asia's population to be fully vaccinated. The second big risk facing emerging economies, it said, was if strong U.S. growth and inflation cause an early tightening of U.S. monetary policy which then pushes up the dollar and makes servicing debt denominated in the U.S. currency more costly.



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- 12) The Government on Monday announced 1.1 Lakh crore loan guarantee scheme for COVID affected sectors. This includes Rs. 50,000 crore for ramping up health infrastructure in tier-2 and 3 cities, and Rs. 23,220 crore additional allocation with primary focus on paediatric care. The loan guarantee scheme would provide 75 per cent coverage for new projects and 50 per cent for those in expansion mode. Maximum loan of up to Rs. 100 crore would be given for up to three years at the interest rate capped at 7.95 per cent. "Other than the eight metro cities, health infrastructure in all other areas will be focused. If the focus is on aspirational districts 65 per cent cover will be provided," Finance Minister Sitharaman said. Other measures announced on Monday include:
- a) Additional 1.5 lakh crore for Emergency Credit Line Guarantee Scheme
 - b) Free tourist visas for 500,000 visitors, which could have a financial impact worth Rs. 100 crores
 - c) Incentives for creating new jobs extended to end-March 2022
 - d) Facilitate micro-finance loans to 2.5 million persons, with guarantee up to Rs. 7,500 crores
- 5) India Ratings & Research on June 25 cut its forecast for India's gross domestic product (GDP) growth in 2021-22 to 9.6 percent from 10.1 percent earlier due to the outbreak of the second wave of COVID-19. Adding, the growth in India's GDP may further fall to 9.1 percent if the country's vaccination drive is delayed by around three months and the country's entire adult population is not vaccinated by the end of the year. India Ratings in its report said that if the pace of vaccination is maintained close to the 21 June level, then India will be able to vaccinate its entire adult population by the end of the year. The cut in GDP growth estimate is on account of a consumption slowdown due to the outbreak of the second wave of COVID-19, the rating agency said, adding that, unlike the first wave of COVID-19, the second wave of COVID-19 has spread to the rural areas. India Ratings said that it expects the country's private final consumption expenditure growth to come in at 10.8 percent in 2021-22 after it slowed down due to the outbreak of the second wave of COVID-19.
- 6) The direct tax collections for FY22, as on June 15, 2021 show that net collections are at Rs. 1.85 trillion as compared to Rs. 92,762 crore over the corresponding period of the preceding year, representing an increase of 100.4% over the collections of the preceding year. The net direct tax collections include Corporation Tax (CIT) at Rs. 74,356 crore (net of refund) and Personal Income Tax (PIT) including Security Transaction Tax (STT) at Rs. 1.11 trillion (net of refund), said Ministry of Finance on Wednesday. The gross collection of direct taxes (before adjusting for refunds) for FY22 stands at Rs. 2.16 trillion as compared to Rs. 1.37 trillion in the corresponding period of the preceding year. This includes Corporation Tax (CIT) at Rs. 96,923 crore and Personal Income Tax (PIT), including Security Transaction Tax (STT), at Rs. 1.19 trillion. Minor head wise collection comprises Advance Tax of Rs 28,780 crore, Tax Deducted at Source of Rs 1.56 trillion, Self-Assessment Tax of Rs. 15,343 crore; regular assessment tax of Rs 14,079 crore; dividend distribution tax of Rs 1,086 crore and tax under other minor heads of Rs. 491 crore. "Despite extremely challenging initial months of the new fiscal , the Advance Tax collections for the first quarter of the FY22 stand at Rs. 28,780 crore as against advance tax collections of Rs. 11,714 crore for the corresponding period of the immediately preceding financial year, showing a growth of approximately 146%. This comprises Corporation Tax (CIT) at Rs. 18,358 crore and Personal Income Tax (PIT) at Rs. 10,422 crore. This amount is expected to increase as further information is received from banks," the ministry said.
- 7) Wholesale inflation in the country touched a significant high of 12.94 percent in May, as the constant rise in cost of fuel, including petrol, LPG and high speed diesel percolated down into the economy and a low base effect pushed up figures. Measured by the Wholesale Price Index (WPI), wholesale inflation in India began FY22 with a major rise. It had already spiked in the previous month of April when it reached 10.94 percent, up from March's 7.39 percent, and February's 4.17 per cent. The pace of inflation has now accelerated for the fifth-month in a row.
- 8) India's retail inflation shot up to six-month high of 6.3 per cent in May, after easing to a three-month low of 4.23 per cent in April, according to the government data released on Monday. Inflation, based on Consumer Price Index (CPI), has breached the Reserve Bank of India's (RBI) target range for the first time after five months.

Global markets

- 1) The Biden administration in USA is said to add at least 10 Chinese entities to its economic blacklist over alleged human rights abuses and high-tech surveillance in Xinjiang dragged down benchmark indices in China, Japan, South Korea by up to 1 per cent.
- 2) The US Fed has given signs that it will begin to taper its asset purchases programme as soon as this year.
- 3) Earlier, US added a solid 850,000 jobs as economy extends its gains. The report from the Labor Department was the latest sign that the reopening of the economy is propelling a powerful rebound from the pandemic recession. Restaurant traffic across the country is nearly back to pre-pandemic levels, and more people are shopping, traveling



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and attending sports and entertainment events. The number of people flying each day has regained about 80 per cent of its pre-COVID-19 levels.

- 4) European Union economies are set to rebound by their highest rates in decades as coronavirus restrictions ease, but still face risks posed by COVID-19 variants and concerns over inflation, the EU's executive branch said Wednesday. The European Commission's 2021 summer forecasts predict that the economies in the 27-nation EU, and among the 19 countries using the euro single currency, are expected to expand by 4.8% this year, around half a percentage point higher than foreseen under the previous forecast. Real gross domestic product is expected to return to its pre-coronavirus crisis level in the last quarter of this year. Growth in 2022 is predicted to hit 4.5%. The commission puts its increasing optimism down to the fact that economic activity early this year has exceeded expectations, and due to the impact of coronavirus vaccine strategy, which has led to falling numbers of new infections and hospital admissions. The EU economy is set to see its fastest growth in decades this year, fuelled by strong demand both at home and globally and a swifter-than-expected reopening of services sectors since the spring, Economy Commissioner Paolo Gentiloni said. But he warned that the EU must redouble our vaccination efforts, building on the impressive progress made in recent months: the spread of the delta variant is a stark reminder that we have not yet emerged from the shadow of the pandemic.
- 5) Earlier, growth in China's factory activity dipped to a four-month low in June, weighed by higher raw material costs, a global shortage of semiconductors and a resurgence of COVID-19 cases in the major export province of Guangdong. The official manufacturing Purchasing Manager's Index (PMI) eased slightly to 50.9 in June versus 51.0 in May, data from the National Bureau of Statistics showed on Wednesday. It, however, exceeded analysts' forecast for a slowdown to 50.8. It remained above the 50-point mark that separates growth from contraction on a monthly basis. The world's second-largest economy has largely recovered from disruptions caused by the COVID-19 pandemic, but Chinese manufacturers are grappling with new challenges from higher raw material costs to global supply chain bottlenecks. An outbreak of coronavirus infections in China's major export province of Guangdong has also disrupted shipments. Factory output in South Korea and Japan on Wednesday showed unexpected signs of slowdown, in part due to production disruptions in the auto sector from chip shortages.

Ajcon Global's observations and view

- 1) Indian benchmark continue to remain under pressure led by sell off in global equities due to spread of new variants of COVID-19 in many countries, high inflation and rising crude oil prices. However, positive factors like positive US employment data and other positive US economic indicators, rally in commodities, unlock in major states of the country led by significant decline of COVID-19 cases in the second wave with recoveries surpassing new cases by a big margin on a daily basis, vaccination drive going strongly, positive GDP figure, strong Q4FY21 result by majority of the Companies with good management commentary for the future are supporting sentiments. In addition to liquidity provided by FPIs in equities, there is good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis.
- 2) Investors are also hopeful that vaccine shortages will be resolved in some months as vaccine manufacturers' ramp up supplies. The entry of new vaccines is also expected to ease the supply crunch. India has given the first dose of covid antidote to 36.89 crores beneficiaries in the nationwide vaccination till date. According to a government official, two billion doses of Covid-19 vaccines will be made available in the country between August and December, enough to vaccinate the entire population.
- 3) Key domestic factors like positive GDP data, good proposals presented in Union Budget 2021-22 will always keep bulls in the hunt for long term. Improved US GDP data, talks about US\$6 trillion package in US will also support bulls. The Nifty valuations are trading in the range of 35x-40x. Q4FY21 results season has been good so far led by SBI, Asian Paints, Reliance Industries, L&T, Hindustan Unilever, Bajaj Finserv, Bajaj Finance, Shriram Transport Finance, SAIL, Tata Steel, Tata Elxsi, Tata Coffee, UPL, Siemens, Bosch, Borosil Renewables, Orient Electric, Godrej Consumer Products, HDFC Life, SBI Cards, Castrol, Marico, Torrent Pharma, Birla Corp, Container Corporation of India, DCB Bank, Bank of Maharashtra, Dr. Lal Path Labs, Lux Industries, Indoco Remedies, Angel Broking, TCI, TCI Express, Shakti Pumps etc. No doubt Q4FY21 results have been strong and encouraging but the second wave of COVID-19 would impact Q1FY22 results to some extent.
- 4) It is advisable for investors to look out for stock specific opportunities. After strong run up in May and last few weeks; some profit booking is warranted which is being witnessed in large caps. We believe intermediate corrections will keep markets healthy. Investors will track global cues, crude oil prices, Q1FY22 earnings season, ongoing monsoon, economic data like IIP numbers and CPI, vaccination drive and economic activity and COVID-19 cases in Unlock phase for further direction.



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CIN:L74140MH1986PLC041941

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

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