

# AXIS BANK LIMITED

NIMs and CDR improvement

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## Result and Price Analysis

Axis Bank has reported strong results with several positive takeaways: 1) Accomplishing the aspiration of ROE of more than 18% for 4QFY24, 2) Healthy credit growth (14.2% YoY, 3.5% QoQ). 3) Strong other income growth (38.2% YoY, 21.8% QoQ) driven by treasury gains. 4) Lower C/I ratio of 46.9% compared to 49.5% in 3QFY24. 5) Increased disbursement in retail and SME loans. 6) Strong contingent provision buffer (1.3% of gross loans). 6) Sequential improvement in NPA (GNPA/NNPA ratio 1.43%/0.31%) driven by lower slippages. 7) Restructuring (14bps of GCA) squeezed further and at manageable levels with 20% coverage. Additionally, CDR ratio improved to 90.3% compared to 92.8% in the previous quarter. However, the negative aspect is the higher-than-expected provision expenses (₹11.8bn vs ₹10.3bn in 3QFY24). Furthermore, we believe the negatives are well provided for and anticipate growth to continue going forward.

## Gazing the core

**NPA ratio improvement continues; restructuring narrowed down further:** Axis Bank's total slippages decreased to ₹34.7bn from ₹37.2bn in the previous quarter. Up-gradation and recovery remained steady at ₹21.5bn compared to ₹26bn in 3QFY24. Write-offs amounted to approximately ₹20.8bn. This steady asset quality performance led to a 4.8% sequential decline in GNPA amount. The GNPA/NNPA/PCR stood at 1.43%/0.31%/78.5%, compared to 1.58%/0.36%/77.8% in the previous quarter. There was an improvement in the GNPA ratio in the retail and SME segments. The retail GNPA ratio was at 1.2%, while the SME and corporate GNPA ratios were at 0.9% and 2.0%, respectively. The restructured pool significantly decreased to ₹15.3bn (14bps of GCA), primarily from the retail book, compared to ₹16.4bn in the previous quarter. The bank maintains a provision of approximately 20% on restructured loans, exceeding regulatory limits. Approximately 96% of the retail restructured book is secured, with Loan-to-Value (LTV) ratios ranging from 40% to 70%, and 100% provision has been made on unsecured retail restructured loans.

Key Financials (₹ mn)	FY22	FY23	FY24	FY25E	FY26E
NII	331,322	429,458	498,945	576,863	662,411
Operating Profit	247,420	195,585	371,232	432,598	500,049
Reported Profits	130,255	95,797	248,614	289,891	335,478
Net Worth	1,150,255	1,249,932	1,502,350	1,792,241	2,127,719
Loan & Advances	7,076,960	8,453,028	9,650,684	11,050,033	12,652,288
Int. Bearing Liabilities	10,068,548	11,332,453	12,654,531	14,464,202	16,537,632

Key Ratios (%)	FY22	FY23	FY24	FY25E	FY26E
NIM's	3.3	3.7	3.8	3.8	3.8
C/I Ratio	48.8	46.1	48.7	48.3	48.2
Gross NPA Ratio	2.8	2.0	1.4	1.4	1.2
PCR (%)	74.7	80.9	78.5	75.7	72.0
Adj. RoA Ratio	1.2	(1.2)	1.8	1.8	1.9
Adj. RoE Ratio	12.0	(12.8)	18.1	17.6	17.1

Rating :	BUY
Current Market Price (₹) :	1,127
12M Price Target (₹) :	1,322
Potential upside (%) :	17

## Stock Data

Sector :	Banking
Face Value (₹) :	2
Total Market Cap (₹ bn) :	3,480
Free Float Market Cap (₹ bn) :	3,202
52-Week High / Low (₹) :	1,152 / 854
BSE Code / NSE Symbol :	532215 / AXISBANK
Bloomberg :	AXSB:IN

## Shareholding Pattern

(%)	Mar-24	Dec-23	Sep-23	Jun-23
Promoter	8.22	8.20	8.22	8.19
FPIs	53.84	54.68	53.00	52.00
MFs	22.67	21.43	21.29	21.71
Insurance	4.61	4.51	4.67	5.05
Others	10.66	11.18	12.82	13.05

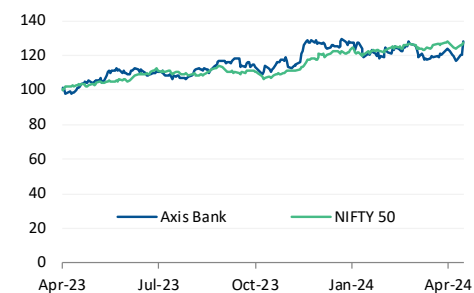
Source: BSE

## Price Performance

(%)	1M	3M	6M	12M
Axis Bank	9.1%	8.1%	18.0%	28.3%
Nifty 50	2.1%	5.7%	18.0%	27.0%

\* To date / current date : April 25, 2024

## Axis Bank vs Nifty 50



The BB & below rated pool remained stable at 0.28% of gross customer assets. Fund-based BB & below outstanding increased by 3.3% sequentially. Additionally, the non-fund-based outstanding in the BB & below pool remained stable. Furthermore, 100% of the restructured corporate book is classified as BB & below. The provision expenses were sequentially higher at ₹11.8bn (compared to ₹10.3bn in the previous quarter). The bank's PCR remained stable at 78.5%. Additionally, the PCR (including technical write-offs) stood at 94%, while the Aggregate PCR (including Specific Provision + COVID Provision + General Provision + Contingency Provision) stood at 159% of reported GNPLs. Moreover, contingent provisioning (COVID + standard asset) stood at 1.3% of net loans.

**Credit growth in line; CDR improved marginally:** The bank's advances stood at approximately ₹9.65tn (post acquisition), reflecting a growth of 14.2% YoY and 3.5% sequentially. The corporate book, comprising 28.7% of the total, decreased by 2.9% QoQ. Conversely, the retail book, representing 60.4% of the total, saw sequential growth of 5.6%. Similarly, the SME book, accounting for 10.9% of the total, increased by 4.7% QoQ. The bank's deposit stood at ~₹10.6tn and grew at 12.9% YoY and 6.3% QoQ. The CASA stood at 42.1%. The bank's Capital to Risk-Weighted Assets Ratio (CRAR) stood at 16.63%, with a Common Equity Tier 1 (CET 1) ratio of 13.74%. Additionally, the Liquidity Coverage Ratio (LCR) was at 120%, with an excess Statutory Liquidity Ratio (SLR) of ₹850bn. The Risk-Weighted Assets (RWA) to assets ratio remained stable sequentially at 71%. Furthermore, the Credit Deposit Ratio (CDR) improved to 90.3% compared to 92.8% in 3QFY24.

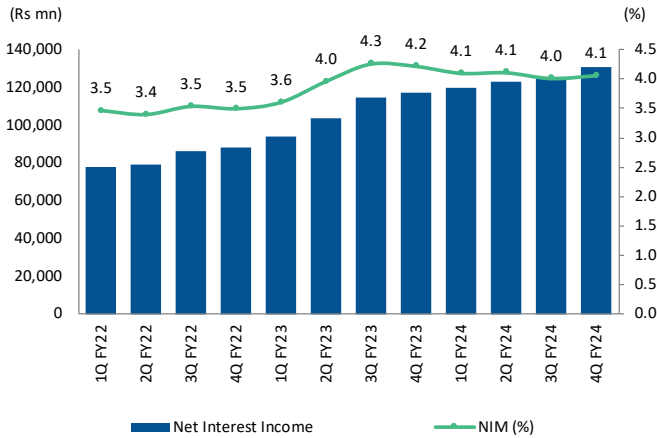
**Stable NIMs with lower C/I ratio:** The bank's Net Interest Income (NII) stood at ₹130.9bn, showing growth of 11.5% YoY and 4.4% QoQ. Despite a higher cost of funds (5.43%) and cost of deposits (5.06%), the bank's Net Interest Margins (NIMs) improved to 4.06%. Non-interest income grew by 21.8% QoQ, primarily driven by strong treasury income growth. Management hopes to achieve stable NIM going forward, owing to i) improvement in mix of loans versus investments on the assets side, ii) higher share of low cost deposits and iii) reduction in RIDF bonds (which have negative spread) as incremental allocations have stopped as the bank is PSL compliant. Stable Net Interest Income (NII) growth and improving operating expenses (Cost/Income ratio: 46.9% compared to 49.5% in the previous quarter) contributed to a sequential growth in Pre-Provision Operating Profit (PPoP) of 15.3%. Additionally, the higher provisioning expenses sequentially (₹11.8bn versus ₹10.3bn) resulted in a net profit of ₹71.3bn. The bank's quarterly Return on Assets (ROA) and Return on Equity (ROE) stood at 2.0% and 20.25%, respectively.

### Outlook & Valuations

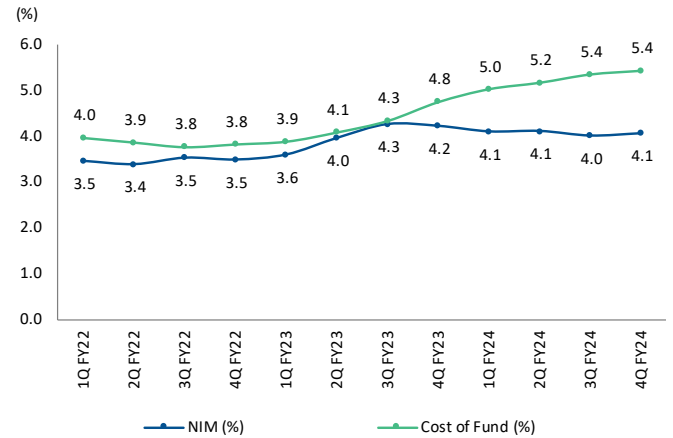
We value the standalone bank with PBV of 2.2x FY26E Adj. BVPS of ₹575 and reach price target to ₹1,322. We recommend BUY rating with potential upside of 17% from current level.

Quarterly story in charts

**NII Trend**



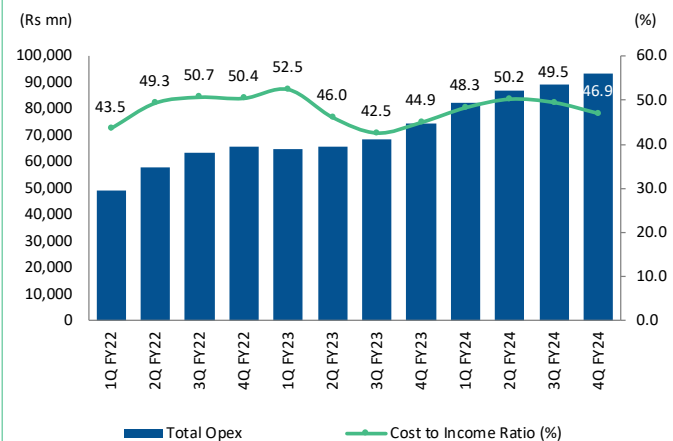
**Yields and Margin Trend**



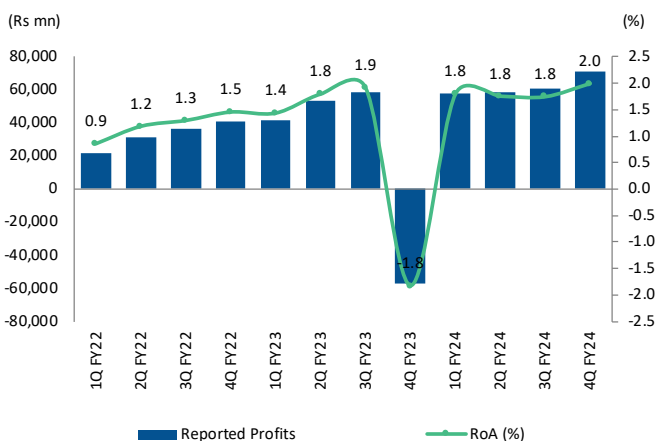
**Other Income Trend**



**Total OPEX Trend**



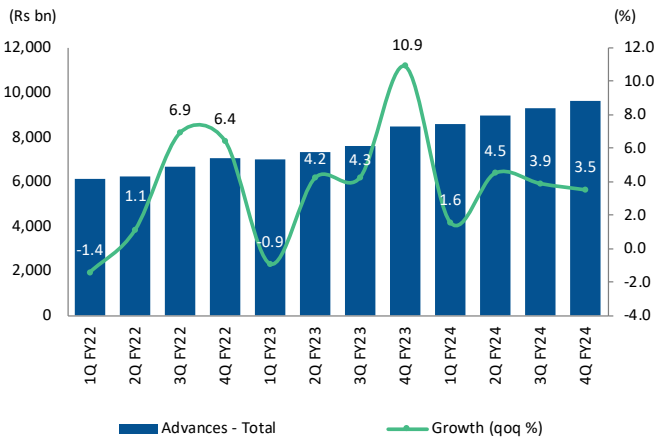
**Reported Profit Trend**



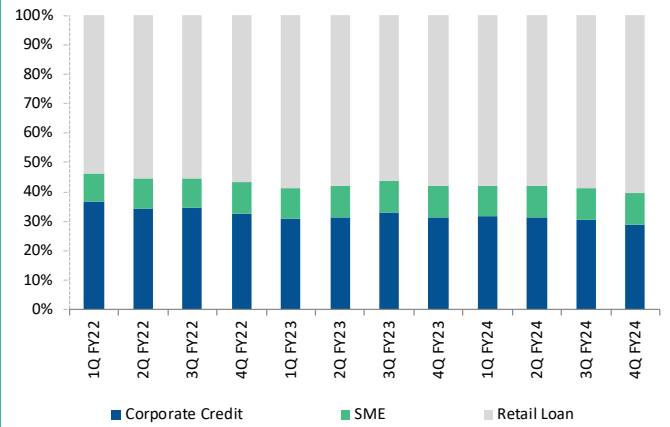
**Return Ratio Trend**



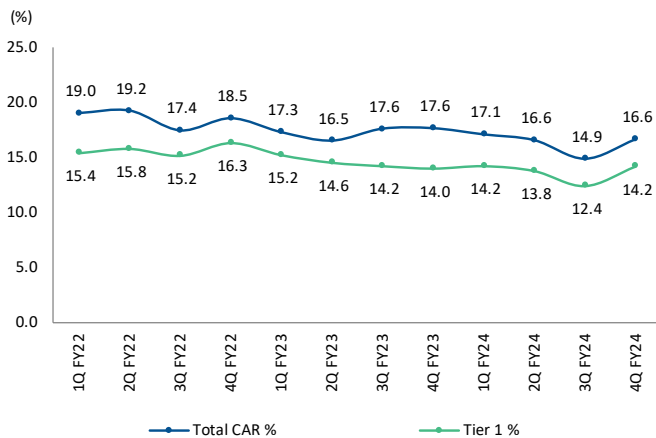
**Loan Book Trend**



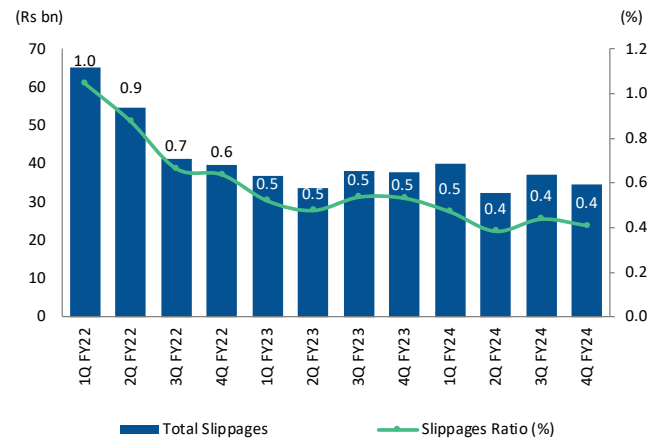
**Loan Book Mix**



**CRAR & Tier 1 Ratio Trend**



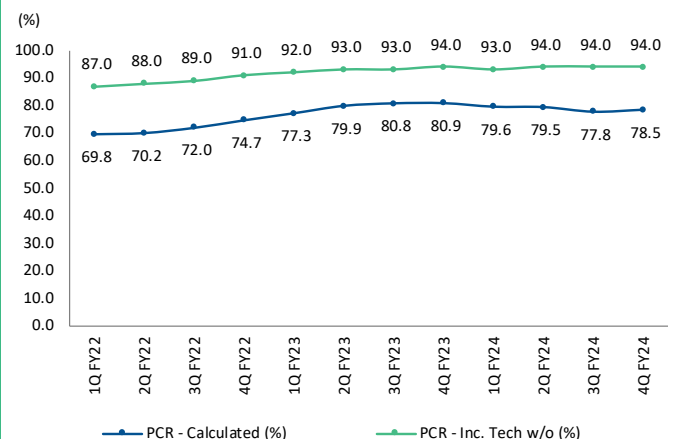
**Slippages**



**Gross NPA Trend**



**PCR Trend**



## Recent Performance at a glance

### Exhibit 1 : Income Statement Analysis

(₹ mn)	4Q FY24	4Q FY23	% yoy / bps	3Q FY24	% qoq / bps	FY24	FY23	% yoy / bps
Interest Inc.	292,245	239,698	21.9	279,611	4.5	1,093,686	851,638	28.4
Interest Expenses	161,355	122,276	32.0	154,290	4.6	594,742	422,180	40.9
Net Interest Income	130,890	117,422	11.5	125,322	4.4	498,945	429,458	16.2
NII to Net Operative Income	65.9	70.6	(465)	69.3	(336)	69.0	72.2	(327)
NIM (%)	4.06	4.2	(16)	4.0	5	3.8	3.7	8
Other Income - Total	67,658	48,953	38.2	55,548	21.8	224,420	165,009	36.0
Other Income to Net Operative Income	34.1	29.4	465	30.7	336	31.0	27.8	327
Net Operating Revenue	198,548	166,375	19.3	180,870	9.8	723,364	594,466	21.7
Employee Expenses	29,235	21,636	35.1	27,113	7.8	109,331	87,974	24.3
Other Opex	63,956	53,063	20.5	62,344	2.6	242,802	186,009	30.5
Total Opex	93,191	74,699	24.8	89,457	4.2	352,133	273,983	28.5
Cost to Income Ratio (%)	46.9	44.9	204	49.5	(252)	48.7	46.1	259
Pre Provision Profits	105,357	91,676	14.9	91,412	15.3	371,232	320,483	15.8
Provisions & Contingencies - Total	11,853	3,058	287.6	10,283	15.3	40,631	26,526	53.2
NPA Provisions as % Operating Income	11.3	(9.2)	2,045	11.2	0	10.9	13.6	(262)
Profit Before Tax	93,504	(36,280)	(357.7)	81,129	15.3	330,601	169,059	95.6
Tax	22,207	21,004	5.7	20,418	8.8	81,986	73,262	11.9
Effective Tax Rate (%)	23.8	(57.9)	8,165	25.2	(142)	24.8	43.3	(1,854)
Reported Profits	71,297	(57,284)	(224.5)	60,711	17.4	248,614	95,797	159.5
RoA (%)	2.0	(1.8)	383	1.8	25	1.8	0.8	101
RoE (%)	20.3	(17.9)	3,818	18.1	218	18.1	8.0	1,008

Source: Company, LKP Research

**Exhibit 2 : Balance Sheet Analysis**

(₹ mn)	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	QoQ % / bps	YoY % / bps
Net Worth	1,306,449	1,249,932	1,309,497	1,367,024	1,429,836	1,502,350	5.1	20.2
RoE (%)	19.3	(17.9)	19.2	18.3	18.1	20.3	218	3,818
Tier 1 %	14.2	14.0	14.2	13.8	12.4	14.2	177	18
Total CAR %	17.6	17.6	17.1	16.6	14.9	16.6	175	(101)
RWA - Total	7,952,808	8,562,616	8,729,018	8,970,721	9,929,639	10,488,181	5.6	22.5
Advances - Total	7,620,755	8,453,028	8,585,114	8,973,470	9,322,864	9,650,684	3.5	14.2
Investments	3,051,031	2,888,148	2,853,967	2,956,907	3,090,699	3,315,273	7.3	14.8
Total Assets	12,235,089	13,173,255	13,028,386	13,389,135	13,985,407	14,772,086	5.6	12.1
RoA (%)	1.92	(1.83)	1.80	1.76	1.75	2.00	25	383
Deposits	8,481,733	9,469,452	9,416,897	9,555,564	10,048,995	10,686,414	6.3	12.9
CASA Deposits	3,777,130	4,465,360	4,287,990	4,238,660	4,234,580	4,594,010	8.5	2.9
CASA Ratio (%)	44.5	47.2	45.5	44.4	42.1	43.0	90	(420)
Interest Bearing Liabilities - Total	10,309,181	11,332,453	11,138,658	11,407,987	12,000,585	12,654,531	5.4	11.7

Source: Company, LKP Research

**Exhibit 3: Funding Profile Analysis**

(₹ mn)	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	10,309,181	11,332,453	11,138,658	11,407,987	12,000,585	12,654,531	5.4	11.7
Deposits	8,481,733	9,469,452	9,416,897	9,555,564	10,048,995	10,686,414	6.3	12.9
CASA Deposits	3,777,130	4,465,360	4,287,990	4,238,660	4,234,580	4,594,010	8.5	2.9
Saving Deposit	2,513,920	2,974,160	2,955,300	2,923,130	2,903,630	3,021,330	4.1	1.6
Current Deposit	1,263,210	1,491,200	1,332,690	1,315,530	1,330,950	1,572,680	18.2	5.5
Term Deposits	4,704,603	5,004,092	5,128,907	5,316,904	5,814,415	6,092,404	4.8	21.7
Borrowings	1,827,448	1,863,000	1,721,761	1,852,424	1,951,590	1,968,118	0.8	5.6

Source: Company, LKP Research

**Exhibit 4: Assets Quality Analysis**

(₹ mn)	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	QoQ % / bps	YoY % / bps
Total Slippages	38,070	37,710	39,900	32,540	37,150	34,710	(6.6)	(8.0)
Slippages Ratio (%)	0.54	0.53	0.47	0.38	0.44	0.41	(3)	(12)
Gross NPA	199,610	186,042	181,582	167,567	158,930	151,271	(4.8)	(18.7)
Gross NPAs Ratio (%)	2.38	2.02	1.96	1.73	1.58	1.43	(15)	(59)
PCR - Calculated (%)	80.8	80.9	79.6	79.5	77.8	78.5	72	(234)
Net NPA	38,301	35,589	37,036	34,413	35,269	32,475	(7.9)	(8.8)
Net NPAs Ratio (%)	0.47	0.39	0.41	0.36	0.36	0.31	(5)	(8)
Standard Restructured	24,820	20,470	19,070	17,560	16,410	15,280	(6.9)	(25.4)
Std. Rest. Adv. as % of Advances	0.3	0.2	0.22	0.20	0.16	0.14	(2)	(10)

Source: Company, LKP Research

## Annual Projections

### Exhibit 5: Profit and Loss Statement

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
Int. Income	673,768	851,638	1,093,686	1,250,756	1,432,797
Interest Expenses	342,446	422,180	594,742	673,893	770,387
Net Interest Income	331,322	429,458	498,945	576,863	662,411
<i>NIM (%)</i>	3.30	3.68	3.76	3.81	3.82
Other Income - Total	152,205	165,009	224,420	260,688	303,334
Net Operating Revenue	483,528	594,466	723,364	837,551	965,745
Employee Exp.	76,126	87,974	109,331	125,731	144,590
Other Opex	159,982	186,009	242,802	279,222	321,105
Total Opex	236,108	273,983	352,133	404,953	465,696
<i>C/I Ratio</i>	48.83	46.09	48.68	48.35	48.22
Pre Provision Profits	247,420	320,483	371,232	432,598	500,049
<i>PPP Growth (yoy %)</i>	(3.7)	29.5	15.8	16.5	15.6
Provisions & Contingencies - Total	73,595	26,526	40,631	47,109	53,940
<i>Credit Cost (As % of Op. AUM)</i>	1.15	0.36	0.47	0.50	0.50
Profit Before Tax	173,826	169,059	330,601	385,489	446,109
Tax	43,571	73,262	81,986	95,598	110,632
<i>Effective Tax Rate</i>	25.1	165.9	24.8	24.8	24.8
Reported Profits	130,255	95,797	248,614	289,891	335,478
<i>PAT Growth (yoy %)</i>	97.7	(26.5)	159.5	16.6	15.7

### Exhibit 6: Balance Sheet

(₹ mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	6,140	6,154	6,173	6,173	6,173
Reserves (ex Revel. Reserve)	1,144,115	1,243,779	1,496,177	1,786,068	2,121,546
Net Worth - Ex Revaluation	1,150,255	1,249,932	1,502,350	1,792,241	2,127,719
Deposits	8,217,209	9,469,452	10,686,414	12,214,633	13,965,589
Borrowings	1,851,339	1,863,000	1,968,118	2,249,570	2,572,043
Interest Bearing Liabilities	10,068,548	11,332,453	12,654,531	14,464,202	16,537,632
Other Lia. & Prov.	531,493	586,636	606,939	632,360	655,604
<b>Total Liabilities</b>	<b>11,751,781</b>	<b>13,173,255</b>	<b>14,772,086</b>	<b>16,897,069</b>	<b>19,329,220</b>
<b>Assets</b>					
Cash & Cash Equivalent	1,109,871	1,064,108	1,144,544	1,311,348	1,502,464
Investments	2,755,972	2,888,148	3,315,273	3,805,563	4,368,363
Loan & Advances	7,076,960	8,453,028	9,650,684	11,050,033	12,652,288
<i>Growth (yoy %)</i>	13.5	19.4	14.2	14.5	14.5
Fixed Assets	45,724	47,339	56,846	64,910	74,370
Other Assets	763,255	720,632	604,740	665,214	731,735
<b>Total Assets</b>	<b>11,751,781</b>	<b>13,173,255</b>	<b>14,772,086</b>	<b>16,897,069</b>	<b>19,329,220</b>

**Exhibit 7: Detailed ROA Tree**

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Yields / Margins</b>					
<i>Yield on Advance</i>	7.5	8.3	9.6	9.6	9.6
<i>Yield on Funds</i>	6.7	7.3	8.2	8.3	8.3
<i>Cost of Funds (CoF)</i>	3.7	3.9	5.0	5.0	5.0
<i>Interest Spread</i>	3.0	3.3	3.3	3.3	3.3
<i>NIM's</i>	3.3	3.7	3.8	3.8	3.8
<i>Interest Income / Assets</i>	6.2	6.8	7.8	7.9	7.9
<i>Interest Exp. / Assets</i>	3.2	3.4	4.3	4.3	4.3
<i>NII / Assets</i>	3.1	3.4	3.6	3.6	3.7
<i>Fee Income / Assets</i>	1.0	1.0	1.2	1.2	1.2
<i>Other Non Core Income / Assets</i>	-	-	-	-	-
<i>Other Income / Assets</i>	1.4	1.3	1.6	1.6	1.7
<i>Net Operating Income / Assets</i>	4.5	4.8	5.2	5.3	5.3
<b>Operating Ratios</b>					
<i>NII to Net Operative Income</i>	68.5	72.2	69.0	68.9	68.6
<i>Other Income to Net Operative Income</i>	31.5	27.8	31.0	31.1	31.4
<i>Empl. Cost/Oper. Exps.</i>	32.2	32.1	31.0	31.0	31.0
<i>Other Op. Exps./Oper. Exps.</i>	67.8	67.9	69.0	69.0	69.0
<i>C/I Ratio</i>	48.8	46.1	48.7	48.3	48.2
<i>Provisions as % PPP</i>	15.2	4.5	5.6	5.6	5.6
<i>Credit Cost (As % of Op. AUM)</i>	1.1	0.4	0.5	0.5	0.5
<i>Effective Tax Rate</i>	25.1	165.9	24.8	24.8	24.8
<i>Employee Exp. / Assets</i>	0.7	0.7	0.8	0.8	0.8
<i>Other Opex/ Assets</i>	1.5	1.5	1.7	1.8	1.8
<i>Total Opex / Assets</i>	2.2	2.2	2.5	2.6	2.6
<i>Operating Profits / Assets</i>	2.3	2.6	2.7	2.7	2.8
<i>Exceptional Items / Assets</i>	-	(1.0)	-	-	-
<i>Op Profit ex Except Items / Assets</i>	2.3	1.6	2.7	2.7	2.8
<i>Provisions / Assets</i>	0.7	0.2	0.3	0.3	0.3
<i>Profit Before Tax / Assets</i>	1.6	1.4	2.4	2.4	2.5
<i>Tax Expenses / Assets</i>	0.4	0.6	0.6	0.6	0.6
<i>RoA</i>	1.2	0.8	1.8	1.8	1.9
<i>Leverage (x)</i>	10.2	10.5	9.8	9.4	9.1
<i>RoE</i>	12.0	8.0	18.1	17.6	17.1
<i>Adj. RoA</i>	1.2	(1.2)	1.8	1.8	1.9
<i>Adj. RoE</i>	12.0	(12.8)	18.1	17.6	17.1



**Exhibit 8: Per share data**

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Face Value	2	2	2	2	2
Adjusted Share O/S (mn)	3,070	3,077	3,087	3,087	3,087
Earnings Per Share	42.4	31.1	80.5	93.9	108.7
EPS (% YoY)	97.3	(26.6)	158.7	16.6	15.7
P/E (x)	24.6	33.5	13.0	11.1	9.6
Book Value	374.7	406.2	486.7	580.7	689.4
BVPS (% YoY)	13.0	8.4	19.8	19.3	18.7
P/BV (x)	2.8	2.6	2.1	1.8	1.5
Adj. BV	365.7	400.5	481.5	575.4	684.1
Adj. BV (% YoY)	10.3	9.5	20.2	19.5	18.9
P/ABV (x)	2.9	2.6	2.2	1.8	1.5

**Exhibit 9: Balance Sheet Ratios**

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Credit / Deposit Ratio	86.1	89.3	90.3	90.5	90.6
Incremental C/D Ratio	73.4	109.9	98.4	91.6	91.5
Investment Deposit Ratio	33.5	30.5	31.0	31.2	31.3
Dom. SLR Investment / Deposits	26.7	24.3	24.7	24.8	24.9
CASA Ratio	45.1	47.3	43.1	43.1	43.1

**Exhibit 10: Credit Quality**

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Slippage Ratio	3.2	2.1	1.7	1.5	1.4
Gross NPA (Cl Bal)	218,223	186,042	151,271	157,906	154,453
Gross NPAs Ratio (%)	2.8	2.0	1.4	1.4	1.2
PCR (%)	74.7	80.9	78.5	75.7	72.0
Net NPA (Cl. Bal.)	55,122	35,589	32,475	38,298	43,312
Net NPAs Ratio (%)	0.7	0.4	0.3	0.3	0.3
Total Impaired Loans	218,223	186,042	151,271	157,906	154,453
Impaired Loan as % of Loan / AUM	2.9	2.1	1.5	1.4	1.2
Total Risk Reserves	163,102	150,453	118,797	119,608	111,141
Total Risk As % of Loan Book	2.2	1.7	1.2	1.0	0.8

**Exhibit 11: Key Assumptions & Forecasts**

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Loan & Advances	7,076,960	8,453,028	9,650,684	11,050,033	12,652,288
<i>Growth (yoy %)</i>		19.4	14.2	14.5	14.5
Interest Bearing Liabilities	10,068,548	11,332,453	12,654,531	14,464,202	16,537,632
<i>Growth (yoy %)</i>		12.6	11.7	14.3	14.3
Yield on Funds	6.7	7.3	8.2	8.3	8.3
Cost of Funds (CoF)	3.7	3.9	5.0	5.0	5.0
Interest Spread	3.0	3.3	3.3	3.3	3.3
NIM's	3.3	3.7	3.8	3.8	3.8
Other Income Growth	2.6	8.4	36.0	16.2	16.4
C/I Ratio	48.8	46.1	48.7	48.3	48.2
Effective Tax Rate	25.1	165.9	24.8	24.8	24.8
<b><u>Return Ratios</u></b>					
Adj. RoA	1.2	(1.2)	1.8	1.8	1.9
Adj. RoE	12.0	(12.8)	18.1	17.6	17.1
<b><u>Asset Quality Metrics</u></b>					
<i>Credit Cost (As % of Op. AUM)</i>	1.1	0.4	0.5	0.5	0.5
<i>Gross NPAs Ratio (%)</i>	2.8	2.0	1.4	1.4	1.2
<i>Net NPAs Ratio (%)</i>	0.7	0.4	0.3	0.3	0.3

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