

## Apr-Jun'21 Earnings Preview

July 2, 2021

### Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Aarti Industries	HOLD	874	814
BPCL	BUY	463	581
GAIL (India)	BUY	151	184
Gujarat Gas	UR	665	NA
HPCL	BUY	298	365
Indraprastha Gas	BUY	564	662
Indian Oil Corporation	BUY	108	135
Mahanagar Gas	BUY	1,142	1,296
NOCIL	BUY	230	251
Oil India	UR	169	NA
ONGC	BUY	118	155
Petronet LNG	BUY	223	351
Reliance Industries	UR	2,129	NA

Source: PL UR = Under Review

## Top Picks

### Indraprastha Gas

### Growth bumps hit Q1 results, recovery ahead

**Q1FY22 Oil & Gas sector earnings will be likely impacted by lower OMCs and CGD earnings by 52%QoQ and 16%QoQ, even though upstream will improve earnings by 9%QoQ. OMC results are also expected to get hit by lower marketing margins (delay in price changes given state elections till end April) and depreciating INR (1.2%QoQ). Upstream earnings will benefit from high crude prices (+13%QoQ). RIL's standalone earnings will likely improve by 13%QoQ given higher refining profitability. CGD earnings will likely drop 16% QoQ as Covid 19 impacted volumes (-14%QoQ), in our view.**

**We put ratings of Gujarat Gas, Oil India and Reliance Industries 'Under Review' post sharp rise in stock prices. We shall come out with revised target prices/ ratings at the time of 1Q results. IGL is our preferred pick being a play on post covid economic recovery and structural tailwinds in gas business.**

### Exhibit 2: Q1FY22 sector aggregates hit by lower marketing profits

Total (Rs m)	Q1FY22E	Q1FY21	% chg	Q4FY21	% chg
Sales	5,051,536	2,699,106	87%	4,864,183	4%
EBITDA	457,717	288,964	58%	501,808	-9%
PAT	246,754	137,390	80%	310,805	-21%
Brent (USD/bbl)	68.4	31.6	116%	60.6	13%
USD/Rs	73.8	75.9	-3%	72.9	1%

Source: Company, PL

- RIL:** RIL's standalone earnings will see improvement in refining profitability. We factor in stable refining throughput (16.5MTPA, Q4FY21 17.1MTPA) given moderate pick up in global demand. Petrochemicals earnings are likely to stay healthy albeit lower QoQ.
- Downstream:** We expect OMCs to report weak Q1 knowing their lower marketing profits. Marketing margins for Q1 will likely contract as retail fuel prices were left unchanged given April 21 state elections, despite jump in crude prices. Benchmark refining margins for Q1 were at US\$2.1/bbl v/s USD1.8/bbl in Q4. Gasoline and diesel spreads have improved QoQ. With crude prices improving, we expect inventory gains of Rs86bn, from Rs156bn in Q4FY21.

### Exhibit 3: OMC earnings impacted by lower marketing gains

Total (Rs m)	Q1FY22E	Q1FY21	% chg	Q4FY21	% chg
Sales	3,468,752	1,856,610	87%	3,475,648	0%
EBITDA	144,922	137,817	5%	244,215	-41%
PAT	71,592	71,538	0%	150,004	-52%
Singapore GRM (US/bbl)	2.1	-1.0	-310%	1.8	17%

Source: Company, PL

- Upstream:** Upstream companies will see earnings at Rs54.7bn, due to higher crude oil realization. Production and sales volumes are likely to be muted. We have not factored in any subsidy burden and expect net realization of ~US\$67/bbl and domestic gas price of USD2.0/mmbtu

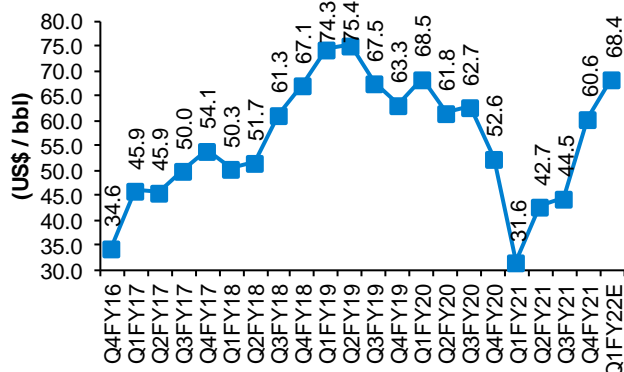
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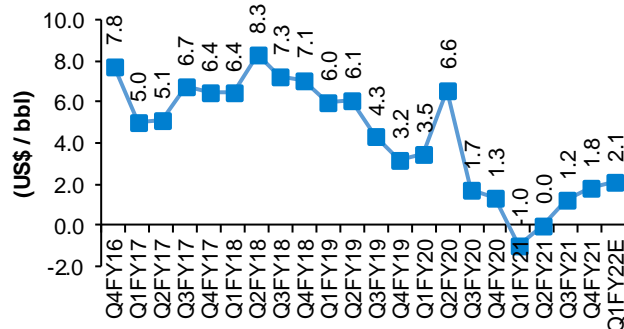
**Exhibit 4: Upstream earnings supported by higher realisations**

Total (Rs m)	Q1FY22E	Q1FY21	% chg	Q4FY21	% chg
Sales	261,553	147,552	77%	237,684	10%
EBITDA	132,226	61,049	117%	105,482	25%
PAT	54,742	3,407	1507%	50,384	9%

Source: Company, PL

**Exhibit 5: Brent prices has seen sharp rise in Q1**


Source: Company, PL

**Exhibit 6: Singapore GRMs also recovered from lows**


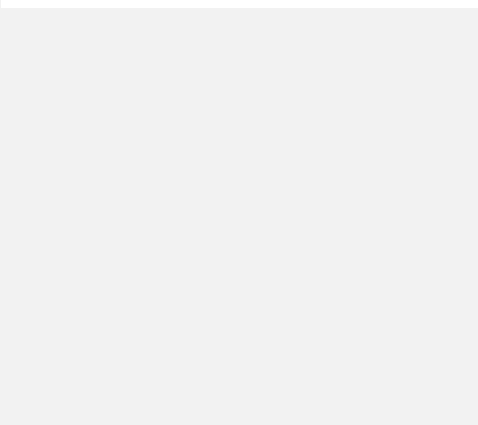
Source: Company, PL

**Exhibit 7: Q1FY22 Result Preview**

Company Name		Q1FY22E	Q1FY21	YoY gr. (%)	Q4FY21	QoQ gr. (%)	Remark
Aarti Industries	Sales	11,283	9,048	24.7	11,431	(1.3)	Aarti is expected to report muted Q1 results as lockdown impacts volumes especially in the speciality chemicals segment. Pharma segment will also report strong performance.
	EBITDA	2,340	1,759	33.0	2,486	(5.9)	
	Margin (%)	20.7	19.4		21.7		
	PBT	1,600	1,020	57.0	1,648	(2.9)	
	Adj. PAT	1,296	815	59.2	1,348	(3.8)	
Bharat Petroleum Corporation	Sales	749,481	387,851	93.2	768,823	(2.5)	BPCL is likely to report lower earnings due to weak marketing margins, lower inventory gains.
	EBITDA	36,386	39,158	(7.1)	50,579	(28.1)	
	Margin (%)	4.9	10.1		6.6		
	PBT	28,886	29,262	(1.3)	52,445	(44.9)	
	Adj. PAT	21,607	20,762	4.1	119,401	(81.9)	
GAIL (India)	Sales	164,936	120,875	36.5	155,491	6.1	We expect earnings to improve due to strong petrochemicals, marketing margins and higher LPG profits.
	EBITDA	27,369	6,226	339.6	25,649	6.7	
	Margin (%)	16.6	5.2		16.5		
	PBT	25,919	3,562	627.7	26,116	(0.8)	
	Adj. PAT	19,387	2,555	658.8	19,077	1.6	
Gujarat Gas	Sales	25,931	10,829	139.5	34,289	(24.4)	We expect GGL profits to decline from Q4 level due to lower volumes during pandemic.
	EBITDA	5,419	1,857	191.8	5,542	(2.2)	
	Margin (%)	20.9	17.2		16.2		
	PBT	4,539	783	479.9	4,682	(3.0)	
	Adj. PAT	3,509	587	498.3	3,499	0.3	
Hindustan Petroleum Corporation	Sales	623,629	377,209	65.3	748,434	(16.7)	HPCL likely to report lower profits due to lower marketing earnings and inventory gains.
	EBITDA	25,529	43,536	(41.4)	46,664	(45.3)	
	Margin (%)	4.1	11.5		6.2		
	PBT	19,429	37,284	(47.9)	40,685	(52.2)	
	Adj. PAT	16,320	28,138	(42.0)	30,179	(45.9)	

Company Name		Q1FY22E	Q1FY21	YoY gr. (%)	Q4FY21	QoQ gr. (%)	Remark
Indraprastha Gas	Sales	12,694	6,386	98.8	17,081	(25.7)	We expect IGL profits to come off from Q4 levels due to lower volumes during pandemic.
	EBITDA	4,321	834	417.8	5,605	(22.9)	
	Margin (%)	34.0	13.1		32.8		
	PBT	3,786	435	769.7	5,165	(26.7)	
	Adj. PAT	2,832	318	789.7	3,863	(26.7)	
Indian Oil Corporation	Sales	1,361,186	623,966	118.2	1,237,140	10.0	IOCL likely to report weak results due to lower marketing earnings and inventory gains.
	EBITDA	83,007	55,123	50.6	146,972	(43.5)	
	Margin (%)	6.1	8.8		11.9		
	PBT	45,007	26,286	71.2	109,511	(58.9)	
	Adj. PAT	33,665	19,108	76.2	87,812	(61.7)	
Mahanagar Gas	Sales	5,926	2,618	126.4	7,177	(17.4)	We expect MGL profits to come off from Q4 levels due to lower volumes during pandemic.
	EBITDA	2,447	800	206.0	3,162	(22.6)	
	Margin (%)	41.3	30.6		44.1		
	PBT	2,167	607	257.0	2,866	(24.4)	
	Adj. PAT	1,621	452	258.3	2,128	(23.8)	
NOCIL	Sales	3,000	1,065	181.7	3,220	(6.8)	We expect earnings to be strong led by higher margins from price hikes taken.
	EBITDA	555	75	642.0	503	10.3	
	Margin (%)	18.5	7.0		15.6		
	PBT	502	91	453.5	426	17.9	
	Adj. PAT	375	118	219.3	360	4.2	
Oil India	Sales	29,570	17,439	69.6	25,795	14.6	We expect healthy earnings growth for the company due to higher crude oil prices. Volume growth to be muted.
	EBITDA	9,558	1,972	384.7	4,247	125.1	
	Margin (%)	32.3	11.3		16.5		
	PBT	5,558	-1,585	(450.6)	12,103	(54.1)	
	Adj. PAT	4,141	-1,552	(366.7)	9,877	(58.1)	
Oil & Natural Gas Corporation	Sales	231,984	130,113	78.3	211,889	9.5	We expect healthy earnings growth due to higher crude oil prices. Volume growth likely to be muted.
	EBITDA	122,668	59,077	107.6	101,235	21.2	
	Margin (%)	52.9	45.4		47.8		
	PBT	76,668	9,035	748.6	63,144	21.4	
	Adj. PAT	50,601	4,960	920.2	67,339	(24.9)	
Petronet LNG	Sales	82,495	48,836	68.9	75,753	8.9	We expect earnings to be impacted by high LNG prices even though the 5% tariff escalation is implemented.
	EBITDA	12,358	9,099	35.8	10,911	13.3	
	Margin (%)	15.0	18.6		14.4		
	PBT	10,088	6,966	44.8	8,561	17.8	
	Adj. PAT	7,761	5,202	49.2	6,234	24.5	
Reliance Industries	Sales	1,027,394	504,460	103.7	859,770	19.5	Earnings to improve QoQ due to improved petrochemicals profitability and recovery in refining earnings.
	EBITDA	129,154	71,280	81.2	101,930	26.7	
	Margin (%)	12.6	14.1		11.9		
	PBT	110,154	43,850	151.2	74,070	48.7	
	Adj. PAT	85,810	97,530	(12.0)	76,170	12.7	

Source: Company, PL



**Exhibit 8: Q4FY21 Result Snapshot**

(Rs mn)	Sales			EBITDA			PBT			Adj. PAT		
	Q4FY21	YoY gr.	QoQ gr.	Q4FY21	YoY gr.	QoQ gr.	Q4FY21	YoY gr.	QoQ gr.	Q4FY21	YoY gr.	QoQ gr.
ARTO IN	11,431	12.1%	0.0%	2,486	17.6%	-7.7%	1,648	23.9%	-16.8%	1,348	25.9%	-16.3%
BPCL IN	768,823	11.4%	15.2%	50,579	-917.3%	17.5%	52,445	-630.8%	14.6%	119,401	-438.9%	329.9%
GAIL IN	155,491	-12.4%	0.6%	25,649	3.6%	33.6%	26,116	6.4%	39.8%	19,077	-32.2%	28.3%
GUJGA IN	34,289	28.6%	21.2%	5,542	29.9%	-9.8%	4,682	44.9%	-10.6%	3,499	42.3%	-10.8%
HPCL IN	748,434	13.1%	9.0%	46,664	-760.4%	41.3%	40,685	-384.2%	28.8%	30,179	NA	28.2%
IGL IN	17,081	10.0%	18.1%	5,605	48.8%	11.9%	5,165	52.0%	15.2%	3,863	52.5%	15.4%
IOCL IN	1,237,140	4.5%	16.3%	146,972	6827.1%	52.7%	109,511	-575.0%	40.5%	87,812	-269.3%	78.6%
MAHGL IN	7,177	4.5%	7.7%	3,162	29.7%	-0.2%	2,866	27.5%	-1.6%	2,128	27.7%	-2.1%
NOCIL IN	3,220	51.4%	17.3%	503	37.0%	36.4%	426	38.8%	44.5%	360	60.9%	63.1%
OINL IN	25,795	-0.4%	21.3%	4,247	-138.6%	-552.7%	12,103	-345.6%	-619.9%	9,877	6.7%	-18.1%
ONGC IN	211,889	-1.2%	24.5%	101,235	17.9%	21.3%	63,144	527.0%	123.8%	67,339	-318.0%	388.6%
PLNG IN	75,753	-11.6%	3.4%	10,911	56.4%	-18.3%	8,561	76.1%	-27.0%	6,234	73.6%	-29.0%
RIL IN	859,770	11.7%	27.6%	101,930	-10.1%	17.3%	74,070	-12.3%	6.5%	76,170	195.2%	-12.9%

Source: Company, PL

**Q4FY21 Management Commentary**

Company	Commentary
<b>ARTO IN</b>	ARTO has announced capex of Rs50bn over FY22-24E, as they set up capacities to capture new chemistries which will aid import substitution. Company plans to target pharma and agrochemicals for 60% of incremental revenues, while 40% will be for discretionary space.
<b>BPCL IN</b>	Management has clarified that they have no intention to exit IGL/PLNG stake and they are working with government to avoid need for open offer or paring down of stake in these companies. This removes an overhang on IGL/PLNG. For FY21, NRL/BORL PAT was at Rs30.5bn/-760mn and GRMs were at \$37.23/bbl (including excise benefits) and \$6.2/bbl.
<b>GAIL IN</b>	Urja Ganga gas pipeline volume demand will be 11-12mscmd over next one year. Management expects transmission volumes to grow at 6-8%CAGR. Company has already tied in 80% of US cargoes for FY22 and 50% for FY23E.
<b>GUJGA IN</b>	The company plans to add 200 CNG stations each for FY22/23E. Downstream demand traction remains strong and will drive industrial volume growth.
<b>HPCL IN</b>	HPCL opened 2,158 new retail outlets for FY21; total 18,634. Company expects Mumbai refinery expansion to be commissioned in Q2FY22 and Vizag expansion by FY23E.
<b>IGL IN</b>	Schools/ IT firms account for 15% of CNG demand and rising vaccination will aid volume rampup. Margins are likely to sustain at Rs8/scm.
<b>IOCL IN</b>	IOCL opened 3,000 new retail outlets in FY21 and total outlet population was at 32,060. Capex for FY21 was at Rs270bn and will be at Rs285bn for FY22E.
<b>MAHGL IN</b>	Volumes for May21 was down 25% from Q4 levels due to pandemic restrictions. Discussions with OMCs continue over commission.
<b>NOCIL IN</b>	Healthy demand in domestic and export markets drive growth. Volume traction healthy in replacement and OEM market. Another round of price hike in April 21 to pass on higher RM prices.
<b>OINL IN</b>	Acquisition of NRL stake is value accretive and the refiner is on track to expand capacity to 9MTPA by FY25E. Revised capex is likely to be Rs280bn and will be funded in 70:30 D/E.
<b>ONGC IN</b>	Domestic gas prices are to be revised up 50% in Oct 21. Project timeline remain uncertain in the pandemic.
<b>PLNG IN</b>	PLNG has lined up capex of Rs187bn over next five years to set up 1,000 LNG stations, 100 CBG plants along with setting up of tanks.
<b>RIL IN</b>	Gas volumes to ramp to 18mscmd in near term as new fields are brought into production. QoQ improvement in Oil to Chemicals segment was due to stable demand and improvement in fuels, polymer and polyester margin due to supply disruptions, which will likely continue.



Exhibit 9: Valuation Summary

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
					FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Aarti Industries	S HOLD	874	814	152.3	39.9	43.2	61.5	70.4	9.3	9.3	20.1	16.3	5.2	5.1	13.3	9.5	15.0	14.7	38.1	27.1	19.2	16.3	33.1	18.8	58.2	59.3	23.0	32.2
BPCL	S BUY	463	581	968.5	2,845.7	2,301.6	2,719.7	3,224.1	83.5	213.0	133.4	169.2	36.7	120.5	88.3	121.4	18.6	57.6	42.2	58.0	9.7	26.8	15.4	18.9	24.8	8.0	11.0	8.0
GAIL (India)	S BUY	151	184	682.4	718.7	567.3	745.2	1,037.7	83.7	64.5	89.7	115.5	65.2	47.7	63.3	81.9	14.5	10.6	14.0	18.2	14.8	10.5	13.0	15.4	10.5	14.3	10.8	8.3
Gujarat Gas	S UR	665	NA	457.9	103.0	98.5	105.6	138.5	16.3	20.9	24.2	28.9	11.9	12.8	15.6	19.7	17.3	18.5	22.6	28.7	43.6	32.8	29.0	27.1	38.4	35.9	29.4	23.2
HPCL	S BUY	298	365	432.7	2,687.7	2,330.0	2,472.2	2,774.4	51.2	159.3	117.8	129.7	38.5	106.6	60.1	67.1	25.2	73.4	41.4	46.2	13.5	32.7	15.6	15.5	11.8	4.1	7.2	6.4
Indraprastha Gas	S BUY	564	662	394.6	64.9	49.4	62.2	74.0	15.2	14.8	20.5	23.7	11.4	10.1	13.6	15.3	16.2	14.4	19.4	21.8	24.7	18.4	21.2	20.2	34.7	39.2	29.0	25.8
Indian Oil Corporation	S BUY	108	135	995.7	4,843.6	3,639.5	5,084.7	5,618.4	164.0	405.9	339.9	354.5	67.0	193.7	160.1	163.6	7.3	21.1	17.4	17.8	6.4	18.7	13.6	12.8	14.9	5.1	6.2	6.1
Mahanagar Gas	S BUY	1,142	1,296	112.8	29.7	21.5	26.6	33.0	10.5	9.3	11.5	14.7	7.9	6.2	7.9	10.1	80.3	62.7	79.9	102.6	29.7	20.0	22.5	24.5	14.2	18.2	14.3	11.1
NOCIL	S BUY	230	251	38.3	8.5	9.2	12.7	17.9	1.8	1.3	2.2	3.5	1.3	0.9	1.4	2.4	7.9	5.2	8.6	14.3	11.2	7.1	10.7	16.1	29.1	44.3	26.8	16.1
Oil India	S UR	169	NA	183.5	121.3	86.2	133.2	148.8	25.9	12.7	38.9	44.0	25.8	21.9	26.3	29.3	23.8	20.2	24.2	27.0	9.9	8.7	9.8	10.3	7.1	8.4	7.0	6.3
ONGC	S BUY	118	155	1,490.1	4,250.0	3,605.7	4,301.8	4,738.8	611.7	566.0	732.6	780.5	205.9	243.6	313.4	309.3	16.4	19.4	24.9	24.6	9.7	10.0	10.9	10.1	7.2	6.1	4.8	4.8
Petronet LNG	S BUY	223	351	335.1	354.5	260.2	311.0	364.9	39.9	24.9	45.5	54.9	27.7	7.4	29.2	37.3	18.5	4.9	19.5	24.9	28.4	6.8	24.7	29.5	12.1	45.2	11.5	9.0
Reliance Industries	S UR	2,129	NA	13,721.7	3,359.8	2,456.7	3,626.7	4,090.6	518.5	335.0	537.3	630.0	351.5	276.4	390.0	502.5	55.4	42.9	60.5	78.0	8.5	6.1	7.6	8.9	38.4	49.6	35.2	27.3

Source: Company, PL

S=Standalone / C=Consolidated / UR = Under Review



Exhibit 10: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
	C	P	C	P	% Chng.	FY22			FY23			FY22			FY23			FY22			FY23		
						C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Aarti Industries	HOLD	HOLD	814	814	0.0%	61,548	61,548	0.0%	70,360	70,360	0.0%	13,262	13,262	0.0%	9,453	9,453	0.0%	38.1	76.1	-50.0%	27.1	54.3	-50.0%
BPCL	BUY	BUY	581	581	0.0%	27,19,685	27,19,685	0.0%	32,24,139	32,24,139	0.0%	88,276	88,276	0.0%	1,21,409	1,21,409	0.0%	42.2	42.2	0.0%	58.0	58.0	0.0%
GAIL (India)	BUY	BUY	184	184	0.0%	7,45,232	7,45,232	0.0%	10,37,745	10,37,745	0.0%	63,304	63,304	0.0%	81,897	81,897	0.0%	14.0	14.0	0.0%	18.2	18.2	0.0%
Gujarat Gas	UR	BUY	NA	666	NA	1,05,629	1,05,629	0.0%	1,38,491	1,38,491	0.0%	15,573	15,573	0.0%	19,725	19,725	0.0%	22.6	22.6	0.0%	28.7	28.7	0.0%
HPCL	BUY	BUY	365	404	-9.7%	24,72,228	24,72,228	0.0%	27,74,385	27,74,385	0.0%	60,127	60,127	0.0%	67,128	67,128	0.0%	41.4	41.4	0.0%	46.2	46.2	0.0%
Indraprastha Gas	BUY	BUY	662	662	0.0%	62,158	62,158	0.0%	74,023	74,023	0.0%	13,596	13,596	0.0%	15,277	15,277	0.0%	19.4	19.4	0.0%	21.8	21.8	0.0%
Indian Oil Corporation	BUY	BUY	135	135	0.0%	50,84,653	50,84,653	0.0%	56,18,392	56,18,392	0.0%	1,60,108	1,60,108	0.0%	1,63,639	1,63,639	0.0%	17.4	17.4	0.0%	17.8	17.8	0.0%
Mahanagar Gas	BUY	BUY	1,296	1,296	0.0%	26,571	26,571	0.0%	33,008	33,008	0.0%	7,891	7,891	0.0%	10,134	10,134	0.0%	79.9	79.9	0.0%	102.6	102.6	0.0%
NOCIL	BUY	BUY	251	251	0.0%	12,749	12,749	0.0%	17,900	17,900	0.0%	1,427	1,427	0.0%	2,374	2,374	0.0%	8.6	8.6	0.0%	14.3	14.3	0.0%
Oil India	UR	UR	-	NA	NA	1,33,219	1,08,400	22.9%	1,48,811	1,24,303	19.7%	26,269	9,759	169.2%	29,262	12,359	136.8%	24.2	9.0	169.2%	27.0	11.4	136.8%
ONGC	BUY	BUY	155	155	0.0%	43,01,776	43,01,776	0.0%	47,38,764	47,38,764	0.0%	3,13,363	3,13,363	0.0%	3,09,291	3,09,291	0.0%	24.9	24.9	0.0%	24.6	24.6	0.0%
Petronet LNG	BUY	BUY	351	351	0.0%	3,11,015	3,11,015	0.0%	3,64,931	3,64,931	0.0%	29,201	29,201	0.0%	37,314	37,314	0.0%	19.5	19.5	0.0%	24.9	24.9	0.0%
Reliance Industries	UR	BUY	NA	2,256	NA	36,26,668	34,47,484	5.2%	40,90,552	39,09,392	4.6%	3,90,037	3,99,307	-2.3%	5,02,479	5,13,737	-2.2%	60.5	62.0	-2.3%	78.0	79.7	-2.2%

Source: Company, PL

C=Current / P=Previous / UR=Under Review

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	1,628	1,666
2	Bharat Petroleum Corporation	BUY	581	472
3	GAIL (India)	BUY	184	164
4	Gujarat Gas	BUY	666	540
5	Hindustan Petroleum Corporation	BUY	404	276
6	Indian Oil Corporation	BUY	135	105
7	Indraprastha Gas	BUY	662	513
8	Mahanagar Gas	BUY	1,296	1,139
9	NOCIL	BUY	251	209
10	Oil & Natural Gas Corporation	BUY	155	122
11	Oil India	UR	-	122
12	Petronet LNG	BUY	351	228
13	Reliance Industries	BUY	2,256	1,995

**PL's Recommendation Nomenclature**

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



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