

MAX Financial Services

Estimate change



TP change



Rating change



Bloomberg	MAXF IN
Equity Shares (m)	345
M.Cap.(INRb)/(USD\$)	439 / 5.2
52-Week Range (INR)	1311 / 854
1, 6, 12 Rel. Per (%)	12/11/16
12M Avg Val (INR M)	1159

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Gross Premiums	344.2	395.9	455.0
Sh. PAT	6.3	7.3	9.7
NBP gr - APE (%)	23.2	16.7	16.1
Premium gr (%)	16.5	15.0	14.9
VNB margin (%)	23.0	24.5	25.0
Op. RoEV (%)	19.0	19.5	19.4
Total AUMs (INRb)	1,693	1,904	2,147
VNB (INRb)	20.7	25.7	30.5
EV Per Share	538	642	767

Valuations

P/EV (x)	3.0	2.5	2.1
P/EVOP (x)	18.5	15.1	12.7

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	3.3	6.5	6.5
DII	44.0	62.6	57.0
FII	46.2	24.7	29.7
Others	6.4	6.1	6.8

FII includes depository receipts

CMP: INR1272
TP: INR1,300 (+2%)
Neutral

Strong APE growth driven by 23% growth in NOP

- MAX Financial Services (MAXLIFE) reported a steady performance in 2QFY25. New business APE grew 31.3% YoY to INR21.7b (in-line), while for 1HFY25, it grew 31% YoY to INR36.2b.
- MAX reported a VNB growth of 23.1% YoY to INR5.1b (in-line) and for 1HFY25, it grew 16% YoY to INR7.7b, due to strong growth in rider attachment.
- VNB margins expanded sequentially to 23.6% in 2QFY25 from 17.5% in 1QFY25 (~600bp jump) due to operating leverage and strong growth in volumes and rider attachment. The management guides to maintain a double-digit VNB growth and margin in the range of 23-24% for FY25.
- Shareholders PAT for the quarter came in at INR1.4b, a decline of 11% YoY (22% beat). For H1FY25, it came in at INR3b, an increase of 13.6% YoY.
- We have increased our APE growth for FY25 estimates as 2Q momentum has become stronger. However, we have cut our VNB margin assumptions given the adverse product mix trends (higher share of ULIPs). **Reiterate Neutral** with a TP of INR 1,300, premised on 2.3x Sept'26E EV and a holding company discount of 20%.

VNB margins expand sequentially

- Gross premium income grew 16.8% YoY to INR77.4b (11% miss). For 1HFY25, it came in at INR131.4b, a growth of 14% YoY. Renewal premium grew 12.4% YoY to INR47.2b (13% miss).
- Margins have expanded ~600bp sequentially due to operating leverage, strong growth in volumes, and rider attachment. The management guides that 3QFY25 will experience some stabilization on account of the impact of surrender charges and rebranding costs. However, on an overall basis, it guides to be in the range of 23-24% for FY25.
- Total expense increased 28% YoY in 1HFY25 due to the redefining of commissions and increased workforce across distribution channels.
- Surrender charges are likely to impact VNB margins by 100-200bp; however, this will be mitigated in a few quarters as MAXLIFE has relaunched 98% of its products and is in discussions with channel partners for compensation benefits.
- On the product front, ULIPs reported an exponential growth of 73% YoY, driven by the newly launched Nifty 500 Momentum Fund. Retail and Group protection grew 36% and 10% YoY, respectively, given that Retail is driven by the Seva Health Preposition. Protection and health are critical areas of growth; MAXLIFE is working to support the growth of these products and reduce the ULIP proportion.
- On a YoY basis, the business mix shifted in favor of ULIPs to 44% (vs. 33% in 2QFY24), and the share of non-PAR savings increased to 30% in 2QFY25 from 28% in 2QFY24.
- AUM grew 26.8% YoY (in-line) to INR1.7t.

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- On the distribution side, banca APE/proprietary channels grew 20%/44% YoY. The growth in proprietary business was aided by 1) strong top agent engagement; 2) productivity gain from continued capacity expansion; 3) newer pools of customers aiding growth in the direct channel; and 4) the e-commerce channel experiencing momentum in the savings business. In the online channel, 30-35% of sales came from its own website.
- For 2HFY25, we expect APE/VNB/PAT to grow 15%/-1%/233% to INR53.8b/INR13b/INR3.3b, respectively.

Highlights from the management commentary

- The Board has approved the inclusion of co-promoter Axis Bank in the brand identity for a stronger brand association, increased likeability, and ease of remembering. Currently, it maintains a counter share of 65-70% with Axis Bank.
- Over the past two to three years, the company has been balancing the market share growth with margins. The management guides for margins to be in the range of ~23-24% for FY25 despite the impact of surrender charges and rebranding costs.
- The company aims to be among the top three players and achieve faster growth.

Valuation and view

MAXLIFE reported a steady performance in 2QFY25 with strong growth of 31% in total APE. The growth is driven by 23% growth in NOP and expansion of VNB margins by ~600bp sequentially due to strong growth in volumes, rider attachment, and operating leverage effects. Going forward, surrender charges are expected to hit margins by ~100-200bp, which will be offset by higher premium growth, new product launches, and restructuring of commissions. In terms of growth, banca and online channels are likely to maintain a strong growth momentum. MAXLIFE has received approval to include Axis Bank as a co-promoter for a stronger brand association (it currently maintains a counter share in the range of ~65-70%). We have increased our APE growth for FY25 estimates as 2Q momentum has become stronger. However, we have cut our VNB margin assumptions given the adverse product mix trends (higher share of ULIPs). **Reiterate Neutral** with a TP of INR 1,300, premised on 2.3x Sept'26E EV and a holding company discount of 20%.

Quarterly performance

Policy holder's A/c (INR b)	FY24				FY25E			FY24	FY25E	FY25E 2QE	(INR m) A v/s E
	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
First year premium	15.3	17.6	25.4	12.6	20.5	21.3	30.9	68.9	85.3	19.7	4%
Growth (%)	37.7%	20.7%	5.3%	27.1%	33.6%	21.2%	21.9%	16.8%	23.9%	28.6%	
Renewal premium	42.0	46.1	66.8	33.2	47.2	53.2	75.4	185.1	212.9	54.2	-13%
Growth (%)	7.5%	14.6%	14.6%	10.3%	12.4%	15.5%	12.8%	13.0%	15.0%	28.9%	
Single premium	8.9	9.3	15.2	8.2	9.7	10.1	16.6	41.3	45.9	12.8	-25%
Growth (%)	14.2%	15.5%	66.5%	-5.7%	8.4%	8.7%	9.8%	35.1%	11.0%	43.9%	
Gross premium income	66.3	73.0	107.4	54.0	77.4	84.7	122.9	295.3	344.2	86.7	-11%
Growth (%)	14.2%	16.1%	17.3%	10.8%	16.8%	16.0%	14.5%	16.5%	16.5%	30.9%	
PAT	1.6	1.5	-0.5	1.6	1.4	1.6	1.8	3.6	6.3	1.1	22%
Growth (%)	196.2%	-34.9%	-186.4%	51.4%	-11.2%	4.1%	-445.5%	-17.8%	74.8%	-27.0%	
Key metrics (INRb)											
New business APE	16.5	18.0	28.7	14.5	21.7	20.7	33.1	73.0	89.9	21.0	3%
Growth (%)	38.8%	18.9%	13.2%	30.5%	31.3%	15.2%	15.4%	17.7%	23.2%	0.3	
VNB	4.2	4.9	8.2	2.5	5.1	4.9	8.2	19.7	20.7	5.0	2%
Growth (%)	11.5%	-17.5%	6.6%	2.8%	23.1%	-0.6%	-0.6%	1.2%	4.8%	0.2	
AUM	1,341.6	1,426.2	1,508.4	1,611.5	1,701.4	1,769.5	1,692.7	1,508.4	1,692.7	1,676	2%
Growth (%)	18.4%	20.5%	22.8%	24.8%	26.8%	24.1%	12.2%	22.8%	12.2%	0.2	
Key ratios (%)											
VNB margins (%)	25.2	27.2	28.6	17.5	23.6	23.5	24.6	31.2	23.0	24.0	

Quarterly snapshot

Policyholder A/c (INRb)	FY24				FY25		YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q		
Gross premium	48.7	66.3	73.0	107.4	54.0	77.4	17	43
First year premium	9.9	15.3	17.6	25.4	12.6	20.5	34	63
Renewal premium	30.1	42.0	46.1	66.8	33.2	47.2	12	42
Single premium	8.7	8.9	9.3	15.2	8.2	9.7	8	18
Shareholder PAT	1.0	1.6	1.5	-0.5	1.6	1.4	-11	-11
APE data (INRb)								
PAR	1.9	3.9	3.3	4.3	1.9	2.1	-46	11
Individual protection	0.9	1.6	1.6	1.8	1.5	2.2	36	49
Group protection	1.2	1.0	1.0	0.5	1.5	1.1	10	-25
Non-par savings	4.2	4.6	6.2	10.2	3.9	6.6	42	68
ULIP	2.8	5.5	5.8	11.9	5.7	9.5	73	69
APE (% of total)								
PAR	17.0	23.7	18.5	14.8	13.0	9.7	-1,403	-334
Individual protection	8.0	9.7	9.0	6.4	10.0	10.0	33	0
Group protection	11.0	6.0	5.5	1.8	10.0	5.0	-99	-501
Non-par savings	38.0	28.0	34.5	35.6	27.0	30.3	238	334
ULIP	25.0	33.4	32.5	41.4	39.0	44.0	1,064	501
Distribution mix (%)								
Proprietary	40.0	40.0	40.0	40.0	49.0	43.7	370	-530
Banca	58.0	59.7	59.0	56.4	48.0	54.3	-536	631
Others	2.0	0.3	1.0	3.6	2.0	2.0	166	-1
Key ratios (%)								
Operating ratios								
Opex to GWP ratio (%)	23.6	22.8	22.6	22.0	26.3	25.6	280	-70
Solvency ratio	188.0	184.0	179.0	172.0	203.0	198.0	1,400	-500
Profitability ratios								
VNB margins	22.2	25.2	27.2	28.6	17.5	23.6	-157	609
Persistency ratios (%)								
13th month	84.0	84.0	85.0	87.0	87.0	87.0	300	0
25th month	69.0	70.0	70.0	70.0	71.0	71.0	100	0
37th month	52.0	62.0	63.0	63.0	64.0	64.0	200	0
49th month	64.0	65.0	65.0	66.0	67.0	67.0	200	0
61st month	58.0	57.0	58.0	58.0	58.0	58.0	100	0
Key metrics (INRb)								
VNB	2.5	4.2	4.9	8.2	2.5	5.1	23	102
AUM	1,291	1342	1426	1508	1612	1701	27	6
Equity mix (%)	26.5	28.1	30.1	30.0	29.7	43.3	1,521	1,354

Note: (a) Persistency ratios, opex ratio, and EV for 5M, 8M, and 11M

Sources: MOFSL, company reports

Highlights from the management commentary

1HFY25 performance

- MAXLIFE continues to outperform the industry growth, clocking a 2-year CAGR of 25% compared to 14% of the industry growth.
- The number of policies grew by 20%.
- Upsides from mortality experience have resulted in a minor positive variance.
- MAXLIFE aims to grow at 5-7% delta over the private industry growth rate.
- Total expense increased 28% YoY in 1HFY25 due to the redefining of commissions and ramping up of distribution in workforce, reflecting productivity in the coming quarters.
- New business strain has increased due to a higher mix of ULIP and protection.
- Economic variance includes 2/3 of equity gains and 1/3 of fixed income.

Product mix

- Growth of 74% in ULIP was driven by the introduction of the new Nifty 500 Momentum Fund.
- Retail protection growth was driven by the Seva Health proposition.
- Strategic emphasis on rider attachment led to 280% YoY growth in rider APE. A large part of the rider attachment was with ULIP, which was sold through the banca channel to preserve margins.
- The group credit life segment experienced growth despite high competitive intensity.
- The company had adjusted pricing in 1HFY25 for yield curve movements, and the adjustment was sharper last month.
- Protection and health are critical areas of growth and the company is focusing on growing these segments, thereby reducing the ULIP proportion.
- Group annuity was impacted by a large deal last year. The split between retail: group annuity stood at INR1.73b:INR120m.

VNB margin

- For 1HFY25, VNB grew at 16% YoY/6.1% QoQ, backed by a strong growth in rider attachment.
- Rider attachment has played a significant role in guiding margins upwards. On a sequential basis, an improvement of ~600bp was observed, wherein ~500bp improvement was attributed to operating leverage and strong volume growth and ~100bp to stronger rider attachment.
- The management is maintaining a guidance of double-digit VNB growth and strong APE growth. It expects 3QFY25 margins to stabilize.
- The management guides for margins to be in the range of 23-24% for FY25. The impact of new surrender regulations on margins will be mitigated over two to three quarters. However, the rebranding cost will be a one-off, which will impact margins for the next two quarters.

Channel mix

- Investments in the proprietary channel have resulted in a two-year CAGR of 46% for the channel.
- Growth drivers for the proprietary channel include: 1) strong top agent engagement; 2) productivity gain from continued capacity expansion; 3) newer pools of customers aiding growth in the direct channel; and 4) e-commerce channel experiencing momentum in the savings business.
- 20 new partners were on-boarded in 2QFY25, including 2 banks and 5 online and offline brokers.
- Policy conversion rate has been at 10% depending on the channel mix, with bank conversion rates higher and online conversions lower.
- In the online channel, 30-35% of sales came from its own website.

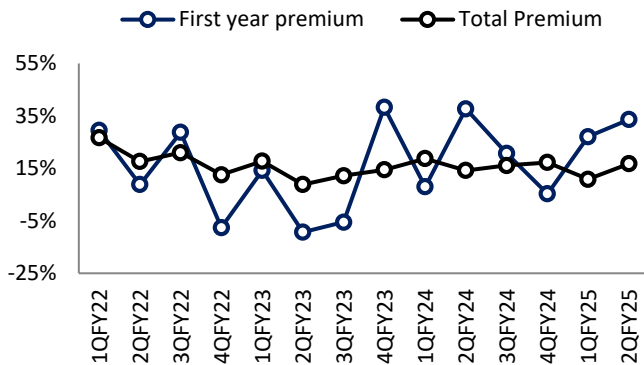
Axis Bank as a co-promoter

- The Board has approved the inclusion of co-promoter Axis Bank in the brand identity for a stronger brand association, increased likeability, and ease of remembering.
- Approvals of ROC and IRDAI will be required and the turnaround time will be close to 45 days, post which a new brand name will be launched, potentially by the next quarter.
- This strategic move is expected to help MAXLIFE boost growth through Axis Bank's salesforce. It already maintains a counter share of 65-70% with Axis Bank.
- MAXLIFE aims to be among the top three players and achieve faster growth.

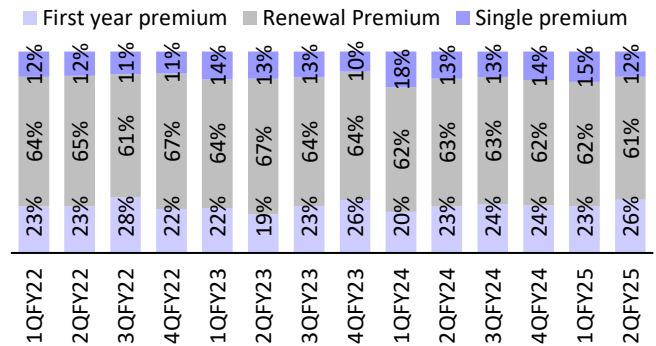
Surrender regulations

- The company has relaunched 98% of its products and is in the process of mitigating margins through discussions for compensation benefits. It expects 100-200bp margin impact, majority of which will be mitigated in the next few quarters.

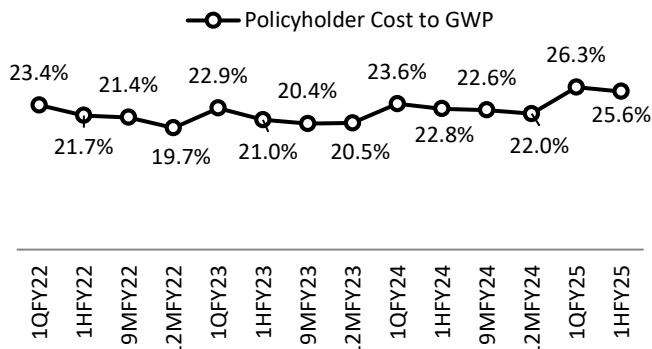
Key exhibits

Exhibit 1: First-year premium grew 34% YoY, while total premium grew 17% YoY in 2QFY25

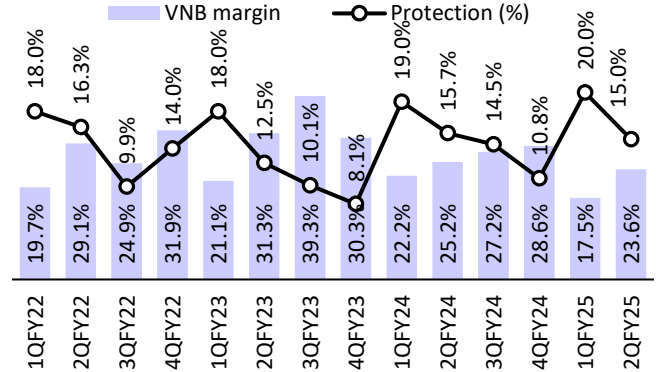
Sources: MOFSL, company reports

Exhibit 2: Share of first-year premium increased to 26% in 2QFY25

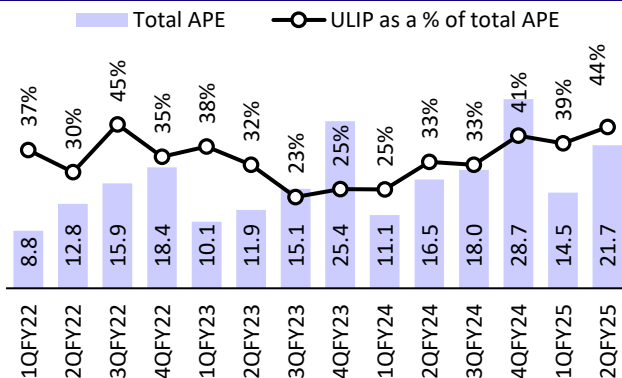
Sources: MOFSL, company reports

Exhibit 3: Opex-to-GWP ratio stood at 25.6% for 1HFY25

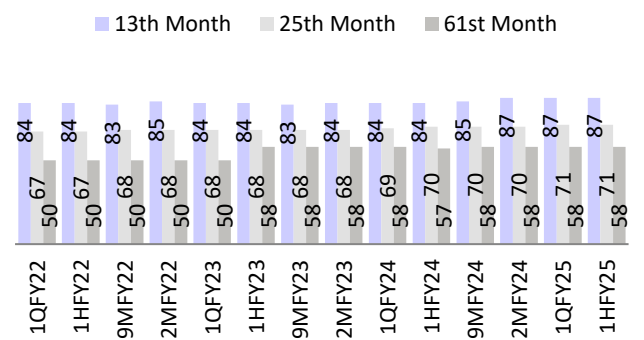
Sources: MOFSL, company reports

Exhibit 4: VNB margin contracted 160bp YoY to 23.6%

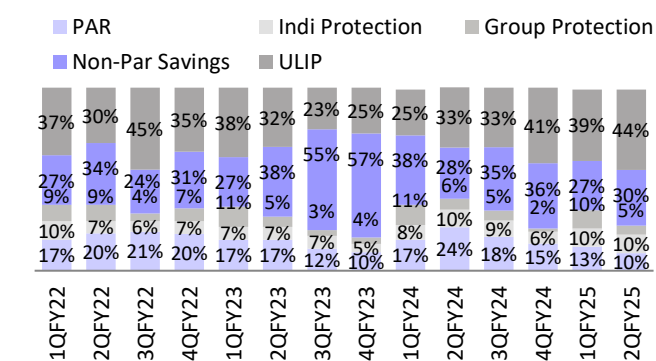
Sources: MOFSL, company reports

Exhibit 5: Share of ULIP in total APE rose to 44% in 2QFY25

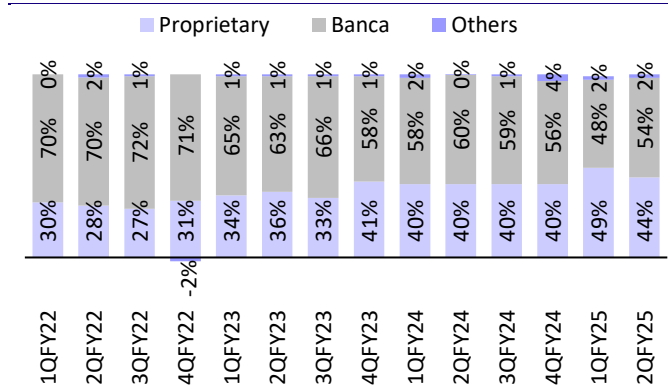
Sources: MOFSL, company reports

Exhibit 6: Trend in 13th/25th/61st month persistency

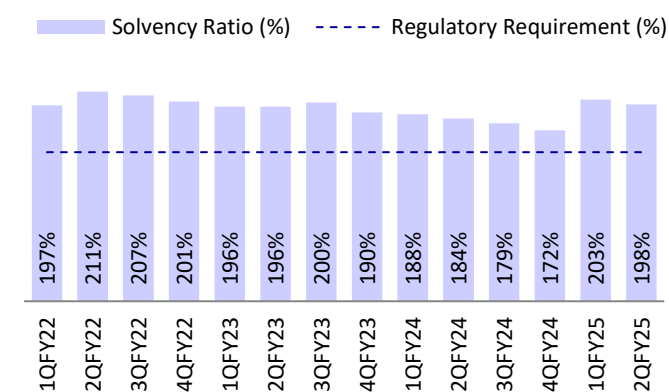
Sources: MOFSL, company reports

Exhibit 7: Share of protection stood at 15% of the total APE, while share of ULIP rose to 44% in 2QFY25

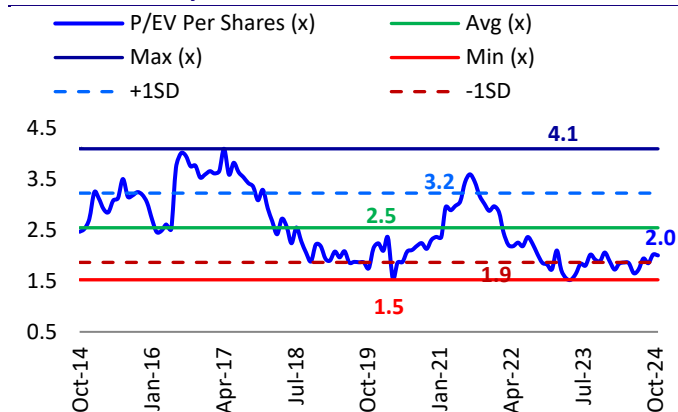
Sources: MOFSL, company reports

Exhibit 8: Distribution Mix (%)

Sources: MOFSL, company reports

Exhibit 9: Solvency ratio healthy at 198%, well above the regulatory requirement of 150%

Sources: MOFSL, company reports

Exhibit 10: One year forward P/EV chart trend

Sources: MOFSL, company reports

Exhibit 11: We value MAXLIFE at INR1,300 per share

Appraisal value method (INR b)	Sept'26E
Embedded value	304
New business profit	28.1
Appraisal value	699
MFS stake post deal	80%
MFS value	559
MFS valuation per share (INR)	1,620
Appraisal value-to-embedded value (x)	2.3
Holding company discount	20%
Target price (INR)	1,296
Upside/downside	2%

Source: MOFSL

Financials and valuations

Technical account (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross premiums	1,61,836	1,90,179	2,24,141	2,53,419	2,95,290	3,44,155	3,95,900	4,54,979
Reinsurance ceded	2,049	2,788	4,272	4,601	5,443	6,343	7,297	8,386
Net premiums	1,59,788	1,87,391	2,19,870	2,48,818	2,89,847	3,37,811	3,88,603	4,46,593
Income from investments	21,589	1,21,657	87,408	60,936	1,70,875	1,33,732	1,36,385	1,53,442
Other income	612	730	878	792	77	77	77	77
Total income (A)	1,81,989	3,09,778	3,08,155	3,10,547	4,60,800	4,71,621	5,25,065	6,00,112
Commission	(10,244)	(12,270)	(14,028)	(16,138)	(23,983)	(28,564)	(33,297)	(38,633)
Operating expenses	(23,441)	(27,008)	(30,192)	(35,808)	(40,861)	(46,581)	(53,103)	(60,537)
Total commission and opex	(33,685)	(39,277)	(44,220)	(51,947)	(64,843)	(75,145)	(86,399)	(99,169)
Benefits paid (net)	66,222	70,149	92,772	99,792	1,33,212	1,39,852	1,55,632	1,79,500
Chg in reserves	66,394	1,96,686	1,64,581	1,50,603	2,57,486	2,47,363	2,72,994	3,08,826
Prov for doubtful debts								
Total expenses (B)	1,69,073	3,08,010	3,03,993	3,04,550	4,57,656	4,64,471	5,17,155	5,89,645
(A) - (B)	12,916	1,768	4,162	5,997	3,144	7,150	7,910	10,467
Prov for tax	-	-	-	-	-	-	-	-
Surplus/deficit	12,916	1,768	4,162	5,997	3,144	7,150	7,910	10,467

Shareholder's a/c (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Transfer from technical a/c	4,690	3,864	2,781	4,563	2,612	5,941	6,573	8,698
Income from investments	2,074	2,360	3,212	3,143	3,943	3,860	4,632	5,558
Total income	6,781	6,351	6,033	7,858	6,858	10,104	11,508	14,559
Other expenses	292	739	707	785	900	1,017	1,149	1,299
Contribution to technical A/c	410	502	1,168	1,999	2,210	2,400	2,600	2,800
Total expenses	701	1,241	1,874	2,784	3,110	3,417	3,749	4,099
PBT	5,978	5,102	4,170	5,069	3,749	6,687	7,759	10,461
Prov for tax	(585)	131	(303)	(694)	(152)	(401)	(466)	(628)
PAT	5,394	5,232	3,867	4,374	3,597	6,286	7,293	9,833
Growth	-3%	-3%	-26%	13%	-18%	75%	16%	35%

Financials and valuations

Balance sheet (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sources of fund								
Share capital	19,188	19,188	19,188	19,188	19,188	20,608	20,608	20,608
Reserves and surplus	6,806	10,589	12,760	16,208	20,184	25,363	31,514	40,171
Shareholders' fund	25,739	30,079	31,959	35,467	39,983	46,649	52,875	61,614
Policy liabilities	4,54,807	5,58,936	6,72,822	8,05,354	9,73,550	11,68,260	14,01,911	16,82,294
Prov. for linked liab.	1,74,210	2,54,703	2,94,035	3,03,656	3,87,991	5,91,573	6,46,855	7,10,638
Funds for future app.	30,962	29,819	32,369	35,803	38,727	-	-	-
Current liabilities & prov.	20,276	28,853	37,214	38,656	36,183	-	-	-
Total	6,97,448	9,12,228	10,83,335	12,42,553	15,38,216	17,85,873	20,81,033	24,33,938
Application of funds								
Shareholders' inv	32,581	38,484	51,477	55,042	58,484	70,181	84,217	1,01,060
Policyholders' inv	4,60,484	5,81,847	6,89,187	8,21,021	10,08,078	12,09,694	14,51,633	17,41,959
Assets to cover linked liab.	1,91,642	2,83,736	3,34,432	3,52,502	4,41,793	4,68,300	4,96,398	5,26,182
Loans	4,264	5,322	6,661	9,248	10,605	16,225	24,825	37,982
Fixed assets	2,187	2,213	2,604	3,452	4,153	4,859	5,685	6,652
Current assets	26,566	29,480	36,189	39,942	51,286	56,414	62,056	68,261
Total	6,97,448	9,12,228	10,83,335	12,42,553	15,38,216	17,85,873	20,81,033	24,33,938

Operating ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Investment yield	3.3%	15.2%	9.0%	5.1%	12.4%	8.6%	7.8%	7.8%
Commissions/GWP	6.3%	6.5%	6.3%	6.4%	8.1%	8.3%	8.4%	8.5%
- First year premiums	-17.2%	-17.5%	-18.0%	-18.7%	-27.5%	-27.0%	-27.0%	-27.0%
- Renewal premiums	-2.6%	-2.7%	-2.5%	-2.5%	-2.4%	-2.4%	-2.4%	-2.4%
- Single premiums	-1.1%	-1.4%	-1.8%	-1.6%	-1.5%	-1.0%	-1.0%	-1.0%
Operating expenses/GWP	-14.5%	-14.2%	-13.5%	-14.1%	-13.8%	-13.5%	-13.4%	-13.3%
Total expense ratio	-20.8%	-20.7%	-19.7%	-20.5%	-22.0%	-21.8%	-21.8%	-21.8%
Claims/NWP	41.4%	37.4%	42.2%	40.1%	46.0%	41.4%	40.0%	40.2%
Solvency ratio	207%	202%	201%	193%	172%	195%	190%	158%

Persistency ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
13th month	83.0%	84.0%	85.0%	84.0%	87.0%	88.0%	89.0%	90.0%
25th month	71.0%	71.0%	68.0%	68.0%	70.0%	71.0%	72.0%	73.0%
37th month	63.0%	63.0%	61.0%	62.0%	63.0%	63.5%	64.0%	64.5%
49th month	59.0%	58.0%	56.0%	63.0%	66.0%	66.5%	67.0%	67.5%
61st month	52.0%	54.0%	50.0%	58.0%	58.0%	58.5%	59.0%	59.5%

Profitability ratios (%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
New business margin (%)	21.6%	25.2%	27.4%	31.2%	26.5%	23.0%	24.5%	25.0%
RoE (%)	20.2%	18.7%	12.5%	13.0%	9.5%	14.5%	14.7%	17.2%
Operating RoEV	20.3%	18.6%	19.2%	22.1%	20.2%	19.0%	19.5%	19.4%
RoEV (%)	11.6%	18.6%	19.8%	14.7%	19.9%	19.0%	19.4%	19.3%

Valuation ratios	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total AUMs (INR b)	685	904	1,075	1,229	1,508	1,693	1,904	2,147
EPS (INR)	14.5	11.0	8.1	9.2	7.6	14.6	16.9	22.8
Value of new business (INR b)	9.0	12.5	15.3	19.5	19.7	20.7	25.7	30.5
Embedded value (INR b)	99.8	118.4	141.8	162.6	194.9	231.9	277.0	330.6
EV per share (INR)	209.7	248.7	297.9	341.8	409.7	537.8	642.4	766.7
P/EV (x) - After 20% hold co disc	7.6	6.4	5.3	4.6	3.9	3.0	2.5	2.1
P/EPS (x)	109.4	144.4	195.4	172.7	210.0	108.9	93.9	69.6
P/EVOP(x)	37.8	37.0	30.1	21.9	20.8	18.5	15.1	12.7
P/VNB(x)	76.3	54.8	44.8	35.1	34.7	33.1	26.6	22.5

Note: Valuation ratios adjusted for MFS stake (80%) and hold company discount (20%)

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BUY	>=15%
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