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INDUSTRIAL INVESTMENT TRUST LTD.

Annual Report
2002-2003

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IIT GROUP

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Shareholders are requested to bring the copy of the Annual Report alongwith them to the General Meeting.

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INDUSTRIAL INVESTMENT TRUST LIMITED

BOARD OF DIRECTORS : SUSHIL K. PREMCHAND — *Chairman*

C. K. THANAWALA — *Managing Director*

HOMI F. MEHTA
RASESH N. MAFATLAL
V. C. VAIDYA
P. N. JAMBUNATHAN
ARUN GANDHI
H. C. ASHER

HIMADRI KATHARANI — *Vice President - Legal*

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BANKERS : Federal Bank Ltd.
State Bank of Mysore
Union Bank of India

SOLICITORS & ADVOCATES : Crawford Bayley & Co.

AUDITORS : A. F. Ferguson & Co.

REGISTERED OFFICE : 14E, Rajabahadur Mansion, 2nd Floor,
28, Bombay Samachar Marg,
Mumbai 400 001.

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NOTICE

NOTICE is hereby given that the Seventieth Annual General Meeting of the Members of the Company will be held at Walchand Hirachand Hall, Indian Merchants' Chamber, 4th floor, LNM IMC Building, Churchgate, Mumbai – 400 020 on Wednesday, the 20th August, 2003 at 11.00 a.m. to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and the Auditors.
2. To declare a dividend for the year ended 31st March, 2003.
3. To appoint a Director in place of Mr. Sushil K. Premchand who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Homi F. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. H.C. Asher who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business :

7. To consider, and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution :

   "**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310, Schedule XIII and any other applicable provisions of the Companies Act, 1956, and pursuant to the Articles 149 and 150 of the Articles of Association of the Company, consent of the members of the Company be and is hereby accorded to the re-appointment of Mr. C.K. Thanawala, as Managing Director, of the Company for a period of six months with effect from 1st July, 2003 as per the terms and conditions as set out in the Agreement dated July 1, 2003 (the "Agreement") between Mr. C.K. Thanawala and the Company.

   RESOLVED FURTHER THAT in the event of absence or inadequacy of profits during Mr.C. K. Thanawala's term of office as Managing Director, the remuneration mentioned in the Agreement shall be payable as minimum remuneration.

   AND RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to the above resolution.

By Order of the Board,
For INDUSTRIAL INVESTMENT TRUST LIMITED

HIMADRI KATHARANI
Vice President – Legal

Mumbai : 18th June, 2003

Registered Office :
14E, Rajabahadur Mansion, 2nd Floor,
28, Bombay Samachar Marg
Mumbai – 400 001

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The explanatory statement pursuant to Section 173 of the Companies Act, 1956 is enclosed and forms part of the Notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 6th August, 2003 to 20th August, 2003 (both days inclusive) for the purpose of payment of dividend to be declared.
4. The dividend, if declared, will be payable on or before 20th September, 2003 to those members whose name appear in the Register of Members of the Company on 20th August, 2003 or to their mandates registered with the Company before 31st July, 2003.
5. The members are requested to intimate to the Company before 31st July, 2003 changes, if any, in their registered addresses.

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6. Members are requested to bring the copy of their Annual Report and the Attendance Slip at the Annual General Meeting.
7. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to Mr. C.M. Kothari Sr. Vice President – Accounts or Mrs. Himadri Katharani Vice President – Legal so as to reach at least seven days before the date of the meeting, so that the information required may be made available at the meeting, to the best extent possible.
8. In accordance with the provisions of Section 205A of the Companies Act, 1956 the Company has transferred unclaimed dividends in September, 1998 for the year ended 31st March, 1995 to the General Revenue Account of the Central Government. Members concerned may, therefore, submit their claims in the prescribed form to the Registrar of Companies, Maharashtra 2nd floor, Hakoba Mills Compound, Dattaram Lad Marg, Kalachowki, Mumbai – 400 033.
9. In terms of section 205A and 205C of the Companies Act, 1956 any dividend remaining unpaid for a period of seven years from the due date of payment is required to be transferred to the Investor Education and Protection Fund. Members who have not encashed their divided warrants for the year 1995-96 or thereafter are requested to write to the Company / Registrars and Share Transfer agents.
10. At the ensuing Annual General Meeting, Mr. Sushil K. Premchand, Mr. Homi F. Mehta and Mr. H.C. Asher retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49 (VI) (A) of the Listing Agreement, the particulars of the aforesaid Directors are given below:-

(I) Mr. Sushil K. Premchand :

Mr. Sushil K. Premchand graduated in Economics from the University of Bristol, U.K. He is also a fellow member of the Institute of Chartered Accountants in England and Wales. He has vide experience in the business and Industry spanning over three decades. He started his career with a major international accounting firm, then he went on to join the family owned business. At present he is Managing Director of Preroy AF, Zug. Switzerland. He has been associated with the Company for more than a decade. He is a non-executive Chairman of the Company. The Company stands to benefit significantly from his expertise in financial service sector. Presently he holds the Directorships of the following Public Companies and membership / chairmanship of the committees of the Board.

Name of the Company #		Designation	Membership/Chairmanship of Committees*
(1)	Industrial Investment Trust Limited	Chairman	Audit Committee Member
(2)	IIT Corporate Services Limited	Chairman	Audit Committee Chairman
(3)	IIT Investrust Limited	Chairman	Audit Committee Chairman
(4)	IIT Capital Services Limited	Chairman	Audit Committee Chairman

(II) Mr. Homi F. Mehta

Mr. Homi F. Mehta was educated at Doon School, Dehra Dun and later went to U.S.A. for Bachelors' Degree in Business Administration at Babson College. On his return he joined the family Industrial House engaged in diversified interests in Investments, Textiles, Readymade Garments, Automobiles etc. Mr. Homi F. Mehta is a Director on the Board of the Company since 28th March, 1967. He has a wide experience in Trade and Industries of about five decades. The Company stands to benefit significantly from his advice and guidance. Presently he holds the Directorships of the following Public Companies and membership / chairmanship of the committees of the Board.

Name of the Company #		Designation	Membership/Chairmanship of Committees*
(1)	The Gaekwar Mills Limited	Director	–
(2)	ARI Consolidated Investment Ltd.	Director	Audit Committee Member
(3)	Zenith Securities & Investments Ltd.	Director	–
(4)	Industrial Investment Trust Limited	Director	Audit Committee – Chairman Share Transfer & Investor Grievance Committee – Chairman
(5)	IIT Corporate Services Limited	Director	–

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(III) Mr. H.C. Asher

Mr. H.C. Asher is a Solicitor. He is a prominent Corporate Lawyer and Senior Partner of Crawford Bayley & Co., Advocates & Solicitors. He has vast experience in corporate legal matters. The Company stands to benefit significantly from his advice and guidance. Presently he holds the Directorships of the following Public Companies and membership / chairmanship of the committees of the Board.

Name of the Company		Designation	Membership/Chairmanship of Committees*
(1)	ARI Consolidated Investments Ltd.	Director	–
(2)	Gulf Oil Corporation Limited	Director	Audit Committee Member
(3)	Hind Filters Limited	Director	–
(4)	Hind Syntex Limited	Director	–
(5)	Hinduja TMT Limited	Director	–
(6)	Industrial Investment Trust Limited	Director	–
(7)	The Indian Card Clothing Co. Ltd.	Director	Audit Committee – Member Share Transfer & Investor Grievance Committee – Chairman
(8)	Ingersoll-Rand (India) Limited	Director	Audit Committee – Chairman Share Transfer & Investor Grievance Committee – Member
(9)	Keltech Energies Limited	Director	–
(10)	Lakshmi Synthetic Machinery Manufacturers Limited	Director	–
(11)	Mandovi Pallets Limited	Director	Share Transfer & – Investor Grievance Committee – Chairman
(12)	Monsanto Chemicals of India Limited	Director	Audit Committee – Member Share Transfer & – Investor Grievance Committee – Member

Excludes Directorships in Private Limited Companies which are neither a subsidiary nor a holding company of a Public Limited Company.

* Excludes Committees other than Audit Committees, Remuneration Committees and Shareholder / Investor Grievance Committee formed by Companies other than Public, Listed Companies.

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 7

Mr. C.K. Thanawala was re-appointed as the Managing Director for a period of one year with effect from 1st July, 2002, with the consent of the members accorded by a resolution passed at the Annual General Meeting held on 21st August, 2002 on the terms and conditions set out in the agreement dated 1st July, 2002 between Mr. C.K. Thanawala and the Company.

As the term of his office expires on 30th June, 2003, the Remuneration Committee, pursuant to Article 149 and 150 of the Articles of Association of the Company, re-appointed Mr. C.K. Thanawala as the Managing Director at a remuneration set out in the Agreement dated July 1, 2003 between the Company and Mr. C.K. Thanawala and as per the resolution passed at its meeting held on 18th June, 2003.

The terms and conditions of Mr. Thanawala's remuneration as set out in the Agreement dated July 1, 2003 referred to in the Special Resolution at Item seven of the notice are as follows :

1. *Salary :* Rs. 1,50,000/- per month with a power to the Board to increase the same.
2. *Commission :* At a rate to be determined by the Board of Directors for each year, subject to an overall limit of 50% of his annual salary.
3. *Perquisites :* In addition to salary, perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement for self and family, leave travel concession for self and family, leave encashment at the end of the tenure, club fees, personal accident insurance etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 2,25,000/- for the 6 month period of his appointment. For the purpose of such limit :
   a) Perquisites shall be valued as per Income-tax Rules, where applicable, and in the absence of any such Rules, shall be valued at actual cost; and
   b) Use of Company car for official purposes and telephone at residence, including payment for local calls and long distance official calls, shall not be included.

   Provided that
   i) Company's contribution to Providend Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income-Tax Act.
   ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
   iii) Encashment of leave at the end of the tenure;

   Shall not be included in the computation of limits for perquisites.

   Provided further that the aggregate of the salary, gratuity, leave encashment and all other perquisites and contributions towards providend fund, superannuation fund or annuity fund, shall not exceed the limits specified in Sections 198 and 309 of the Companies Act, 1956.
4. Minimum Managerial Remuneration (in case of absence or inadequacy of profits):

   Notwithstanding anything to the contrary herein contained, where, in any financial year during the Currency of the tenure of Mr. C.K. Thanawala, the company has no profits or the profits are inadequate, the company will pay remuneration by way of salary and perquisites as per the Agreement dated July 1, 2003.

Disclosures as required by Schedule XIII Part II Section II – Paragraph 1 (B)

I. GENERAL INFORMATION

(1) **Nature of Industry:** Investment Company registered as Non-Banking Finance Company with the Reserve Bank of India.

(2) **Date or expected date of commencement of commercial production** – Certificate of Commencement of Business dated 10/11/1933.

(3) **In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus** - N.A.

(4) **Financial performance based on given indicators :** Financial performance of the company during last five years.

Amt. in 000's

Financial Parameters	Year				
	1998 - 1999	1999 - 2000	2000 - 2001	2001 - 2002	2002 - 2003
Turnover	119758	176368	83282	71951	135615
Net Profit / (Loss) (U/s 198)	43365	59962	29613	28097	(23231)
Net Profit (P & L A/c)	42905	47016	26137	24857	16013
Amount of Dividend	20000	20000	20000	20000	17500
Rate of Dividend	20%	20%	20%	20%	17.5%

(5) **Export performance and net foreign exchange earnings & collaborations :** The company is not engaged in export business. It does not have any foreign collaboration.

(6) **Foreign investments or collaborations, if any :** None

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II. INFORMATION ABOUT THE APPOINTEE :

(1) **Background details :** Mr. C.K. Thanawala has been employed by the Company since 15th May, 1975. His educational qualifications are BA (Hons.), B.Com, AMBIM (London), ACWA (London). He has 46 years of experience in the financial service industry.

Mr. C.K. Thanawala has been the Managing Director of the Company since 1988. The Company's financial performance and activities have grown steadily under his stewardship. Since his appointment as Managing Director, the Company has evolved a consistent dividend policy, and has an uninterrupted track record of dividend payment since 1988. The Company has made three Bonus issues – in 1991-92, 1993-94 and 1996-97 under his leadership. The market value of quoted investments of the company as on 31/3/2003 is Rs. 42.82 Crores, whereas the related book value of these investments is Rs. 9.59 Crores.

(2) **Past remuneration :**

Year	Salary	Perquisites	Commission	Others (P.F.)	Total
2000-2001	18,00,000	1,20,000	-	4,86,000	24,06,000
2001-2002	18,00,000	1,20,000	-	4,86,000	24,06,000
2002-2003	18,00,000	1,20,000	-	4,86,000	24,06,000

(3) **Recognition or Awards :** None

(4) **Job Profile and his suitability :**

Job Profile

Mr. C.K. Thanawala's job profile mainly consists of overseeing the operations of the company under the superintendance of the Board of Directors.

He is also responsible to superintendent and monitor the operations of the following subsidiary companies :

(1) IIT Corporate Services Limited, which is engaged in Registrar and Share Transfer Agency work, and is a Depository Participant.

(2) IIT Investrust Limited, which is engaged in Broking activities.

He is further involved in guiding and directing the activities of the associate company, IIT Capital Services Limited.

Suitability

Mr. C.K. Thanawala is the most suitable candidate for the post of Managing Director for the following reasons :

(a) His educational qualifications are appropriate for the investment company and financial services activities.

(b) His 29 years of experience in the Company makes him most fitting nominee.

(c) He has steered the company as Managing Director since 1988 most successfully.

(5) Remuneration proposed : Given elsewhere in the Explanatory Statement for Item No. 7 of the Notice.

(6) Comparative remuneration profile : The remuneration proposed to be paid to him is most reasonable considering the size of the company, the type of industry and his position and profile.

(7) Pecuniary relationship : Besides the remuneration being paid to him as the Managing Director, he does not have any other pecuniary relationship with the company or any other managerial personnel.

The Board of Directors believe that his re-appointment as Managing Director is in the interest of the Company and therefore recommend the resolution for your approval.

The Agreement dated July 1, 2003 between the Company and Mr. C.K. Thanawala is available for inspection by the members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day upto the date of this Annual General Meeting.

The remuneration set out herein may be treated as an abstract of the Agreement between the Company and Mr. C.K. Thanawala, pursuant to Section 302 of the Companies Act, 1956.

Except, Mr. C.K. Thanawala, none of the Directors is concerned or interested in the aforesaid resolution.

By Order of the Board of Directors,
For INDUSTRIAL INVESTMENT TRUST LIMITED

HIMADRI KATHARANI
Vice President - Legal

Mumbai - 18th June, 2003

Registered Office :
14E, Rajabahadur Mansion, 2nd Floor,
28, Bombay Samachar Marg,
Mumbai - 400 001.

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DIRECTORS' REPORT

Your Directors are pleased to present the Seventieth Annual Report of the Company, together with the Audited Statement of Accounts for the year ended 31st March 2003.

		(Rs. in lakhs)	Previous Year (Rs. in lakhs)
1.	**FINANCIAL RESULTS**		
(a)	Total Income	**1356.15**	719.51
	Profit before depreciation	**203.68**	313.69
	Less : Depreciation	**33.19**	58.17
	Profit before Tax	**170.49**	252.52
	Less : Provision for Tax	**13.78**	6.95
		156.71	248.57
	Add : Balance of profit brought forward from the previous year	**256.89**	278.05
	Amount available for appropriation	**413.60**	526.62
(b)	From this, the Directors have transferred to :		
	Special Reserve	**32.03**	49.72
	General Reserve	**12.01**	20.00
(c)	The Directors recommend payment of Dividend at the rate of Rs. 1.75 per share (previous year Rs. 2.00 per share) on 1,00,00,000 shares of Rs. 10/- each which will absorb	**175.00**	200.00
	Tax on proposed Dividend	**22.42**	–
(d)	Leaving a balance to be carried forward	**175.56**	256.89

OPERATING RESULTS

The total income for the year under review is higher at Rs. 1356.15 lakhs as compared to Rs. 719.51 lakhs – a rise of 88 %. This was mainly due to sale of property at Andheri, Mumbai. The income from dividend and interest on investments at Rs. 181.91 lakhs was higher than Rs. 145.98 lakhs in the previous years. The capital gains realized at Rs. 1018.79 lakhs during the current year is higher compared to Rs. 334.57 lakhs in the previous year, due to sale of property.

Expenditure during the year at Rs. 1185.66 lakhs is higher than Rs. 463.99 lakhs last year. This is mainly due to provision made for diminution in the value of Investments including investment in broking subsidiary – IIT Investrust Limited.

2. INVESTMENTS

The Company's portfolio of investment is regularly reviewed and securities are bought or sold having regard to market conditions. Details of the Company's investment, including a portfolio summary and analysis of securities held are given in Schedule E to the Balance Sheet as on 31st March, 2003.

The market value of the Company's quoted investments, as on 31st March, 2003 was Rs. 4281.70 lakhs (previous year Rs. 5857.99 lakhs). This is 346% higher than the related book value. During the year the Company purchased shares / debentures etc. of various companies with a book value of Rs. 74.12 lakhs and sold shares / debentures etc. of various companies with a book value of Rs. 68.35 lakhs.

3. SUBSIDIARY COMPANIES

i) IIT Corporate Services Limited

(a) Registrar and Transfer Agency (R&T) Services

The Company continues its efforts to cut down costs. It has shifted its operations to smaller premises, which will result in further reduction in expenses. The Company continues to concentrate on providing quality service to its clients.

(b) Depository

The subsidiary has been providing customer friendly environment and several value added services in this segment. However, due to unfavourable market conditions, the revenues from this activity have not increased.

(c) Outlook

With implementation of cost cutting measures and moving the operations to smaller premises, the Company expects fewer burdens on the revenues and the bottom line to improve.

ii) IIT Investrust Limited

This Company continues to make losses. Volatile but subdued Stock Market throughout the year did not provide opportunity to augment broking business. It concentrated its efforts on cost cutting measures and recovery of outstanding dues through legal process.

The Board of Directors of this company, decided to surrender, for the time being its membership with both the exchanges, and to concentrate on exploring possibilities, for providing research based investment advisory activities to its clients.

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4. ASSOCIATE COMPANY

IIT Capital Services Limited

As reported earlier, the Company does not make further disbursements. It continues to exert all its efforts in recovering the outstanding dues. However, the recovery process is quite slow.

5. PUBLIC DEPOSITS

The Company does not accept Public Deposits.

6. EMPLOYEE RELATIONS

Relations with employees continue to be cordial. The Directors take this opportunity to thank the employees at all levels for their continued dedication and the hard work put in by them.

7. DIRECTORS

Mr. Sushil K. Premchand, Mr. Homi F. Mehta and Mr. H.C. Asher retire by rotation and being eligible, offer themselves for re-appointment.

8. MANAGING DIRECTOR

Term of Mr. C. K. Thanawala, Managing Director expires on June 30, 2003. Your Directors vide resolution passed at the meeting of the Remuneration Committee held on June 18, 2003 has re-appointed him as Managing Director for a period of six months on terms and conditions set out in the agreement to be entered between the Company and Mr. C. K. Thanawala. You are requested to approve the same.

9. AUDITORS' REPORT

The observations made by the Auditors in their report are appropriately dealt with in the notes forming part of the accounts for the year which are self-explanatory and hence do not require any further explanations.

10. AUDITORS

You are requested to re-appoint Messrs A. F. Ferguson & Co., Chartered Accountants, as Auditors of the Company from the conclusion of the 70th Annual General Meeting until the conclusion of the 71st Annual General Meeting of the Company.

11. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, your Directors confirm that:

(a) in the preparation of the annual accounts, the applicable accounting standards have been followed;

(b) appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the affairs of the company for year ended 31st March, 2003;

(c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(d) The annual accounts have been prepared on a going concern basis.

REMUNERATION COMMITEE

The Directors have constituted a Remuneration Committee comprising of the following Directors:

(1)	Mr. Homi F. Mehta	-	Chairman (Non-executive & Independent)
(2)	Mr. V. C. Vaidya*	-	Member (Non-executive & Independent)
(3)	Mr. P. N. Jambunathan	-	Member (Non-executive & Independent)

* Mr. V.C. Vaidya has resigned as member of the Remuneration Committee with effect from 23rd January, 2003.

Company has already constituted Audit Committee with effect from 14th March 2001.

12. PARTICULARS OF EMPLOYEES

There are no employees coming under the purview of Section 217 (2A) of the Companies Act, 1956 and therefore such information has not been disclosed.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

Your Company is not engaged in any manufacturing activities, and therefore, there are no particulars to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, relating to conservation of energy or technology absorption. During the year under review, the Company did not earn any foreign exchange and there was no expenditure in foreign exchange.

On behalf of the Board of Directors,

SUSHIL K. PREMCHAND
Chairman

Mumbai

Date: 18th June, 2003

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