

CreditAccess Grameen

Estimate change	
TP change	
Rating change	

Bloomberg	CREDAG IN
Equity Shares (m)	159
M.Cap.(INRb)/(USDb)	226.4 / 2.7
52-Week Range (INR)	1796 / 982
1, 6, 12 Rel. Per (%)	-3/-31/20
12M Avg Val (INR M)	530

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	31.7	39.4	47.8
Total Income	34.4	42.4	51.1
PPoP	23.9	29.5	35.4
PAT	14.5	16.8	20.7
EPS (INR)	91	106	130
EPS Gr. (%)	75	17	23
BV (INR)	412	508	638
Ratios (%)			
NIM	14.4	14.1	13.9
C/I ratio	30.5	30.6	30.7
Credit cost	2.0	2.4	2.2
RoA	5.7	5.3	5.3
RoE	24.8	23.0	22.6
Valuations			
P/E (x)	15.7	13.5	11.0
P/BV (x)	3.5	2.8	2.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	66.6	66.7	73.7
DII	15.8	15.8	12.3
FII	11.7	12.0	9.7
Others	6.0	5.6	4.4

FII Includes depository receipts

Please refer our thematic report on MFI:

Unlocking growth; empowering lives!



CMP: INR1,421 TP: INR1,725 (+21%)

Buy

Healthy quarter with in-line earnings and stable NIM

Guidance on credit costs raised but can still deliver healthy RoA/RoE

- CreditAccess Grameen (CREDAG) delivered a healthy operational performance in 4QFY24, with 34% YoY growth in PAT to ~INR3.97b (inline). 4QFY24 NII grew ~42% YoY to ~INR8.8b and PPoP grew 36% YoY to ~INR6.8b. FY24 PAT grew ~31% YoY to ~INR5.1b.
- The cost-income ratio (CIR) was broadly stable QoQ and YoY at ~30%. Opex included ~INR260m toward long-term incentives and one-time special bonus to employees for commemorating the silver jubilee year. The management guides for CIR of ~30-31% in FY25.
- Reported yield was stable at ~21% and CoF was also stable QoQ at 9.8%, leading to sequentially stable NIM of ~13.1%. Average disbursement yields in 4QFY24 declined ~40bp QoQ and ~50bp YoY to 21.4%. The management guides for a ~20bp decline in portfolio yields because of a ~50bp reduction in lending rates implemented in Dec'23 on incremental disbursements. We model NIM (calc.) of ~14.1%/13.9% in FY25/FY26.
- 4QFY24 disbursements grew ~12% YoY to ~INR80.5b and AUM grew ~27% YoY to ~INR267b. The borrower base grew ~15% YoY to ~4.92m. CREDAG added ~86 branches in 4QFY24, taking the total to 1,967 branches.
- GNPA/NNPA deteriorated by ~20bp/6bp QoQ to ~1.2%/~0.35%. Stage 3 PCR rose ~40bp QoQ to ~70.8%. Annualized credit costs rose to ~2.4% (~2.2% in 4QFY23 and ~2.3% in 3QFY24) because of higher provisioning on standalone loans and higher write-offs.
- We cut our FY25 estimates by ~3% to factor in the high credit cost guidance. We estimate a CAGR of 24%/20% in AUM/PAT over FY24-26, leading to RoA/RoE of ~5.3%/22.6% in FY26. While the current valuation of 2.2x Mar'26E P/BV is not inexpensive, CREDAG will continue to deliver robust return ratios, aided by a strong underlying business model. **Reiterate our BUY rating with a revised TP of INR1,725 (based on 2.7x Mar'26E P/BV).**

Highlights from the management commentary

- FY25 Guidance:** GLP growth of 23-24%; NIM of 12.8-12.9%; CIR of 30-31%; credit costs of 2.2-2.4%; RoA of 5.4-5.5% and RoE of 23-23.5%
- The management expects CoB in FY25 to remain stable as it continues to maintain a robust ALM position.

Valuation and view

- CREDAG is primed to dominate the segment by: a) providing the lowest-cost organized financing, b) improving operational efficiency through continuous technology enhancement, and c) integrating risk management in every process to drive superior asset quality and lower credit costs.
- CREDAG's robust execution has been vindicated by its resilience during various credit cycles and external disturbances. With a strong capital position (Tier-1 of ~22%), it can navigate any potential disruptions in future and also capitalize on the growth opportunity in the medium term. **Retain BUY on the stock with a TP of INR1,725 (based on 2.7x Mar'26 P/BV).**

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CREDAG: Quarterly Performance										(INR M)		
Y/E March	FY23				FY24				FY23	FY24	4QFY24E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	7,363	7,713	8,548	9,648	11,052	11,874	12,444	13,632	33,271	49,001	13,368	2
Interest Expenses	2,798	2,732	3,142	3,456	3,849	4,239	4,415	4,822	12,129	17,324	4,809	0
Net Interest Income	4,565	4,981	5,406	6,192	7,203	7,635	8,029	8,810	21,143	31,677	8,559	3
YoY Growth (%)	35.1	35.1	31.2	34.2	57.8	53.3	48.5	42.3	33.5	49.8	38.2	
Other Income	233	434	540	1,015	656	602	509	959	2,237	2,725	935	3
Total Income	4,798	5,415	5,946	7,206	7,858	8,237	8,537	9,770	23,379	34,402	9,493	3
YoY Growth (%)	30.4	38.9	32.0	29.3	63.8	52.1	43.6	35.6	32.4	47.1	31.7	
Operating Expenses	1,909	2,067	2,160	2,177	2,420	2,611	2,520	2,942	8,315	10,493	2,673	10
Operating Profit	2,889	3,348	3,785	5,029	5,438	5,626	6,018	6,828	15,064	23,910	6,821	0
YoY Growth (%)	33.5	53	38	36	88	68	59	36	40	59	36	
Provisions & Loan Losses	1,009	1,054	894	1,053	764	959	1,262	1,533	4,010	4,518	1,524	1
Profit before Tax	1,880	2,294	2,891	3,976	4,674	4,668	4,756	5,295	11,054	19,392	5,297	0
Tax Provisions	493	529	733	1,010	1,189	1,197	1,222	1,324	2,794	4,933	1,337	-1
Net Profit	1,387	1,766	2,158	2,966	3,485	3,470	3,533	3,971	8,261	14,459	3,960	0
YoY Growth (%)	583.6	196.5	84.5	85.3	151.3	96.6	63.7	33.9	131.5	75.0	33.5	
AUM Growth (%)	23.3	24.0	21.9	26.7	39.7	36.0	31.5	27.0	29.0	31.8	26.2	
NIM (%)	11.3	12.4	12.6	12.8	13.4	13.8	14.0	14.1	12.5	14.4	13.7	
Cost to Income Ratio (%)	39.8	38.2	36.3	30.2	30.8	31.7	29.5	30.1	35.6	30.5	28.2	
Tax Rate (%)	26.2	23.0	25.3	25.4	25.4	25.7	25.7	25.0	25.3	25.4	25.2	
Key Parameters (%)												
Yield on loans	18.4	19.1	19.6	19.7	20.7	21.1	21.0	21.0	19.7	21.0		
Cost of funds	9.1	9.2	9.6	9.5	9.6	9.8	9.8	9.8	9.5	9.8		
Spread	9.3	9.9	10.0	10.2	11.1	11.3	11.2	11.2	10.2	11.2		
NIM	11.1	12.0	11.9	12.2	13.0	13.1	13.1	13.1	12.2	13.1		
Credit cost	2.5	2.6	2.1	2.2	1.4	1.7	2.2	2.4	2.2	2.4		
Cost to Income Ratio (%)	39.8	38.2	36.3	30.2	30.8	31.7	29.5	30.1	30.2	30.1		
Tax Rate (%)	26.2	23.0	25.3	25.4	25.4	25.7	25.7	25.0	25.4	25.0		
Performance ratios (%)												
GLP/Branch (INR m)	93	98	103	118	119	120	123	136				
GLP/Loan Officer (INR m)	14.8	15.3	15.0	18.3	18.1	16.9	17.9	20.3				
Borrowers/Branch	2,195	2,255	2,281	2,387	2,422	2,452	2,478	2,500				
Borrowers/Loan Officer	349	351	333	371	367	345	360	373				
Balance Sheet Parameters												
Gross loan portfolio (INR B)	156.2	165.4	177.9	210.3	218.1	224.9	233.8	267.1	210.3	267.1		
Change YoY (%)	23.3	24.0	21.9	26.7	39.7	36.0	31.5	27.0	26.7	27.0		
Disbursements (INR B)	24.2	43.8	48.5	71.7	47.7	49.7	53.4	80.5	188.1	231.3		
Change YoY (%)	126.9	12.5	2.7	23.8	97.5	13.5	10.3	12.3	21.6	23.0		
Borrowings (INR B)	118.8	123.1	135.7	164.1	168.2	177.6	190.7	219.5				
Change YoY (%)	21.5	22.4	18.5	27.0	41.6	44.3	40.5	33.7				
Borrowings/Loans (%)	84.0	81.0	82.8	86.2	84.9	85.0	86.3	87.4				
Debt/Equity (x)	2.9	2.8	3.0	3.2	3.1	3.1	3.1	3.3				
Asset Quality (%)												
GS 3 (INR M)	4,584	3,400	2,887	2,368	1,817	1,657	2,197	3,037	2,368.0	3,037.0		
G3 %	3.1	2.2	1.7	1.2	0.9	0.8	1.0	1.2	1.2	1.2		
NS 3 (INR M)	1,667	1,187	985	812	552	509	650	888	812.2	888.0		
NS3 %	1.2	0.8	0.6	0.4	0.3	0.2	0.3	0.4	0.4	0.3		
PCR (%)	63.6	65.1	65.9	65.7	69.6	69.3	70.4	70.8				
ECL (%)	3.0	2.3	1.9	0.0	1.6	1.6	1.8	2.0				
Return Ratios - YTD (%)												
ROA (Rep)	3.1	4.0	4.6	5.5	5.8	5.6	5.5	5.7	5.5	5.7		
ROE (Rep)	13.4	16.1	18.8	24.0	26.4	24.7	23.6	24.9	24.0	24.9		

E: MOFSL Estimates

Spreads stable QoQ; CoB to remain stable in FY25

- Reported yield was stable at ~21% and CoF was also stable QoQ at 9.8%, leading to sequentially stable NIM of ~13.1%.
- The management shared that the pricing depends on the risk-grading of districts and vintage of the customer. Moreover, it provides lower pricing of 1% to customers with vintage of over four years.
- Incremental CoB declined QoQ because the company borrowed only from domestic banks and not through NCDs or foreign borrowings.
- Despite the ~50bp reduction in lending rates, the company expects NIMs of 12.8%-12.9% due to: a) the gradual impact of revised pricing on portfolio yield over the next 18-20 months, and b) robust control over borrowing costs via a diversified liability profile and ongoing access to PSL-linked funds. We model NIM (calc.) of 14.1%/13.9% in FY25/ FY26.

Asset quality deteriorated further; management raised credit cost guidance

- GNPA/NNPA deteriorated by ~20bp/6bp QoQ to ~1.2%/0.35%. PCR rose ~40bp QoQ to ~70.8%. Credit costs were high by ~35bp because of higher provisioning on standalone loans.
- Both the customer vintage and geography are considered while calculating LGD/PD assumptions of the ECL model. Therefore, expanding into non-core markets will likely increase the provisioning requirement. The company raised its guidance on credit costs to 2.2-2.4% (vs. 1.6-1.8% earlier). We model credit costs of 2.4%/2.2% for FY25/FY26.
- Maharashtra, Chhattisgarh, Rajasthan and Gujarat are categorized as Higher Risk states, Tamil Nadu as Medium Risk, and Karnataka as Low Risk.



Highlights from the management commentary

Performance Update

- AUM grew 27% YoY to INR267b as of Mar'24.
- Customer acquisitions were strong with 1.35m new customer additions in FY24.
- Added ~86 branches in 4Q and 194 branches in FY24. Also, merged a few branches for operational efficiency.
- Portfolio yield of ~21% and stable CoB of 9.8%.
- Created additional provisions of INR260m toward long-term incentives and one-time bonus as part of silver jubilee celebrations.
- ECL provisioning stood at 1.95% (higher than its GNPA).
- Gross credit costs stood at 2.06% in FY24 (which included write-offs of 1.52%). Out of this, Stage 1 ECL provisions contributed ~35bp, which was higher because of revised ECL provisioning policy (revision was done in 2QFY23).
- CRAR at ~23.1% (Tier I: ~22.2%).
- Over FY17-FY24, cross-cycle RoA of ~3.6% and RoE of ~15%.
- The board has declared a one-time special final dividend of INR10/share for silver jubilee celebrations (dividend of ~INR1.6b).

Guidance

- Expects CoB in FY25 to remain stable as it maintains a robust ALM position.
- FY25 Guidance: GLP growth of 23-24%; NIM of 12.8%-12.9%; CIR of 30-31; Credit costs of 2.2-2.4%; RoA of 5.4%-5.5% and RoE of 23-23.5%

- Expects yield impact of ~20bp in FY25 because of the lending rate cut of ~50bp from Dec'24 onward.
- Guides for FY25 credit costs of 2.2-2.4%, which will include actual write-offs below 2%.
- Expects the core states to deliver 10-15% growth, while Bihar, UP, WB, Odisha, Telangana and Andhra should deliver >25% growth. Combined, expects AUM growth of 23-24%

Credit Costs

- Credit costs were higher by ~35bp because of higher provisioning on standalone loans.
- As it grows more in the non-core markets, the provisioning requirement will increase. CREADAG is building a cushion against potentially higher risk in new markets.
- Slightly higher write-offs and slightly higher provisioning lead to slightly higher credit costs guidance.
- PAR increase of ~20bp YoY included ~10bp from the flood situation and ~10bp from business as usual slippages. There could be some small movements here and there but nothing significant.
- Maharashtra, Chhattisgarh, Rajasthan and Gujarat are categorized as Higher Risk, Tamil Nadu as Medium Risk, and Karnataka as Low Risk.

Cost of Borrowings

- In 4Q of the year, it borrows from all the domestic banks. It has not drawn any NCDs and foreign borrowings, which is why the incremental CoB declined QoQ.
- Expects CoB to remain stable in FY25.
- Borrowings are MCLR-based and not Repo/EBLR-based. Until there are lower MCLRs, CoB of CREADAG will not decline.

Pricing Model

- Pricing depends on risk-based pricing of districts and vintage of the customer.
- Pricing benefit of 1% is given to customers with vintage of >4 years

Retail Finance

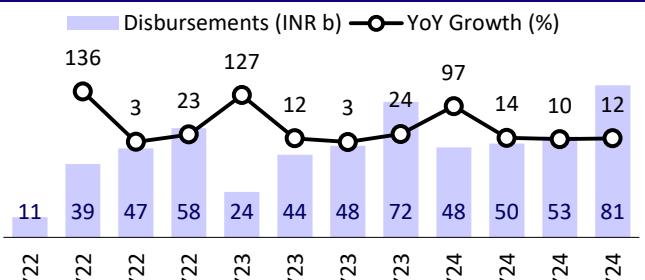
- Unsecured individual loan portfolio forms ~72% of the retail finance portfolio.
- Expects it to grow to 10-15% of the overall AUM by FY28.
- Retail finance will be able to retain the customer better.
- Almost all retail finance products, except Home Loans, have yields closer to the MicroFinance book

Others

- Attrition is lower in new markets than in old markets.
- Unique to CREADAG stood at ~28% (this ratio will slightly dip and then move up over the course of time).
- Vintage and geography are both considered while calculating LGD/PD assumptions – so, as CREDAG continues to add lower vintage and newer geography customers, the provisioning requirement will increase.

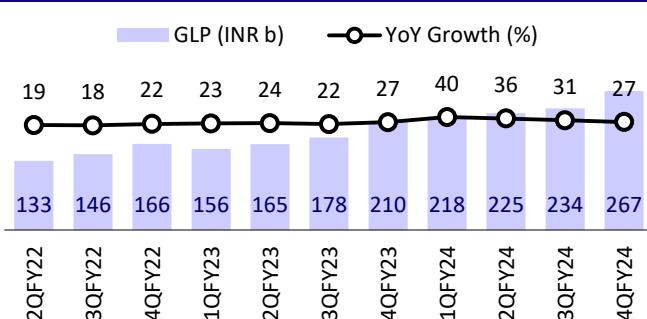
Key exhibits

Exhibit 1: Disbursements grew 12% YoY...



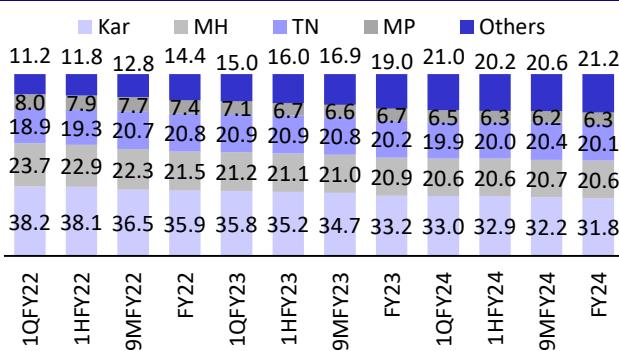
Sources: MOFSL, Company

Exhibit 2: ...driving GLP growth of 27% YoY



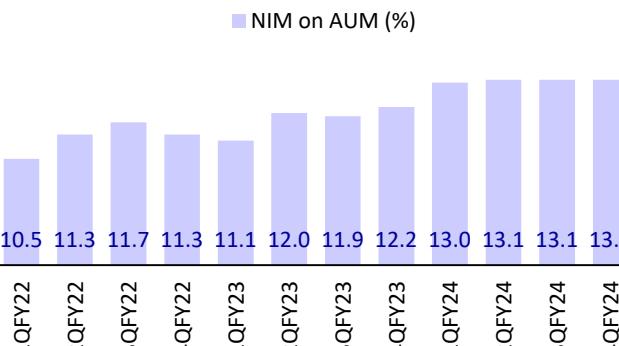
Sources: MOFSL, Company

Exhibit 3: Concentration of the top three states in AUM declined QoQ (%)



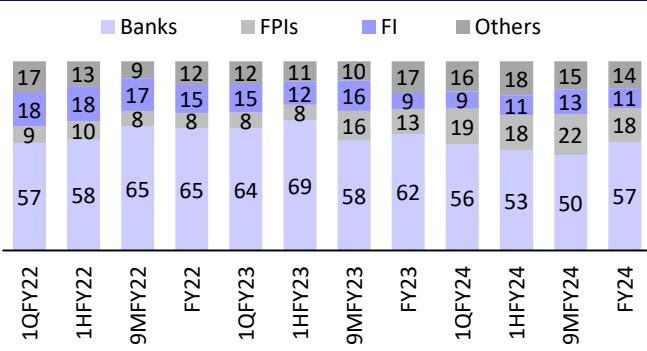
Sources: MOFSL, Company

Exhibit 5: Reported NIM stable QoQ (%)



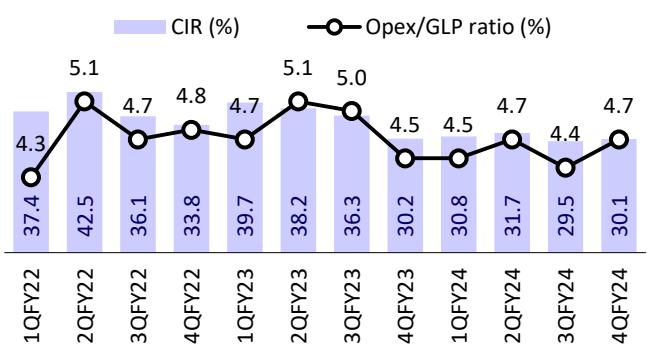
Sources: MOFSL, Company

Exhibit 4: Proportion of bank borrowings rose significantly QoQ (%)



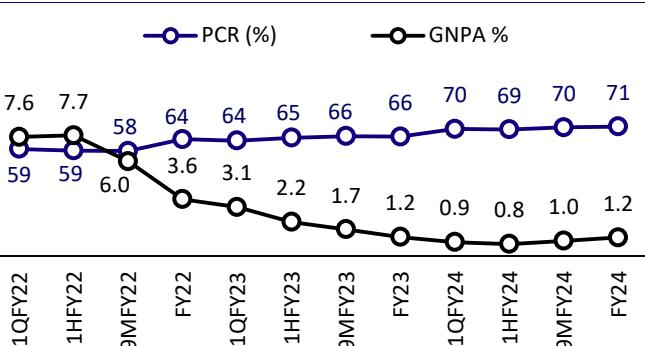
Sources: MOFSL, Company

Exhibit 6: C/I ratio increased QoQ to ~30%



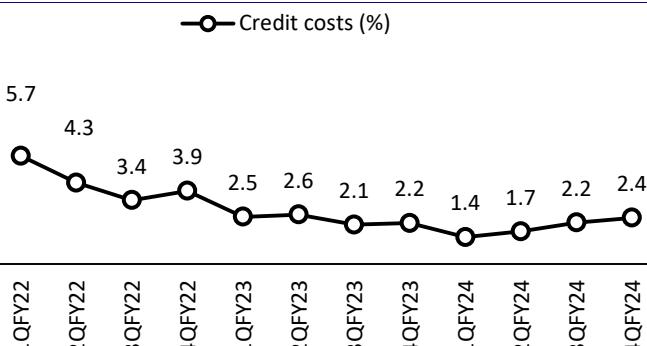
Sources: MOFSL, Company

Exhibit 7: GNPA stood at ~1.2% as of Mar'24



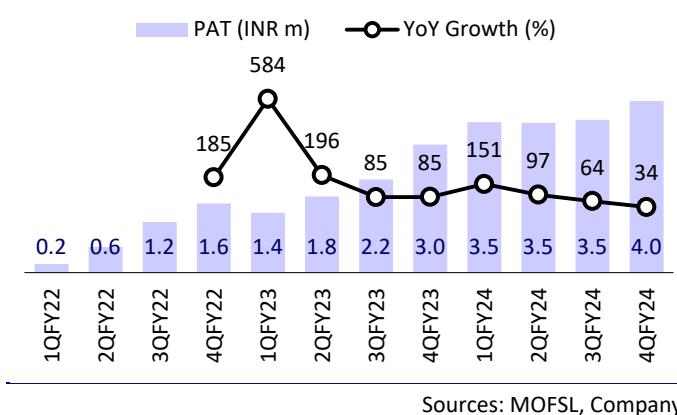
Sources: MOFSL, Company

Exhibit 8: Credit cost rose ~25bp QoQ to 2.4%



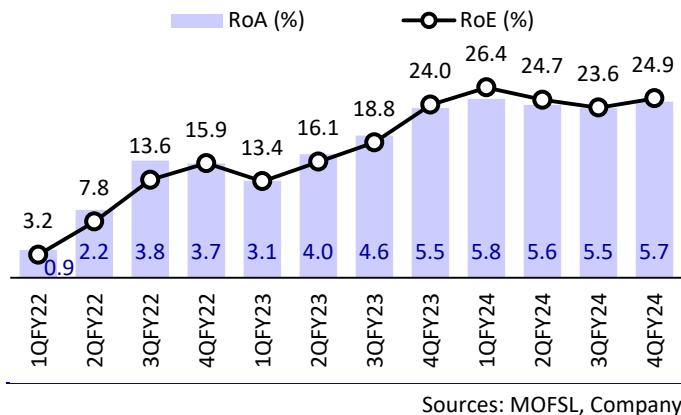
Sources: MOFSL, Company

Exhibit 9: PAT grew ~34% YoY in 4QFY24



Sources: MOFSL, Company

Exhibit 10: RoA/RoE stood at 5.7%/25% in 4QFY24



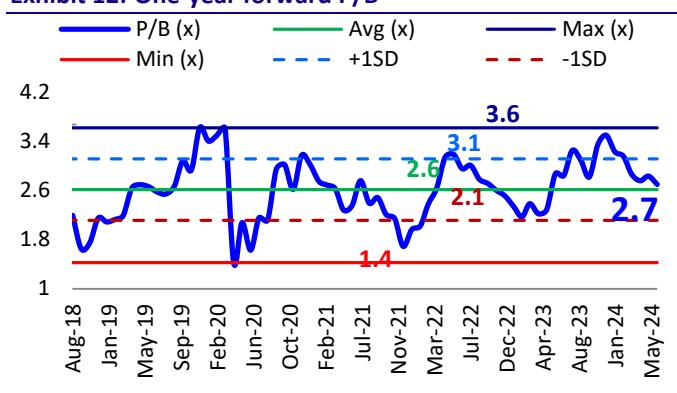
Sources: MOFSL, Company

Exhibit 11: Cut FY25 estimates by ~3% to factor in higher credit costs

INR B	Old Est.			New Est.			% change		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
NII	31.4	38.4	46.1	31.7	39.4	47.8	0.8	2.8	3.8
Other Income	2.7	3.0	3.3	2.7	3.0	3.3	0.9	1.0	0.1
Total Income	34.1	41.3	49.3	34.4	42.4	51.1	0.8	2.7	3.6
Operating Expenses	10.2	12.6	15.1	10.5	13.0	15.7	2.6	3.2	3.7
Operating Profits	23.9	28.7	34.2	23.9	29.5	35.4	0.0	2.5	3.6
Provisions	4.5	5.3	6.6	4.5	6.9	7.7	0.2	28.7	16.4
PBT	19.4	23.4	27.6	19.4	22.6	27.7	0.0	-3.5	0.5
Tax	4.9	6.0	7.0	4.9	5.8	7.1	-0.3	-3.5	0.5
PAT	14.4	17.4	20.6	14.5	16.8	20.7	0.1	-3.5	0.5
AUM	265	328	401	267	332	409			
Borrowings	212	263	320	218	265	321			
RoA	5.8	5.5	5.2	5.7	5.3	5.3			
RoE	24.8	23.5	22.1	24.8	23.0	22.6			

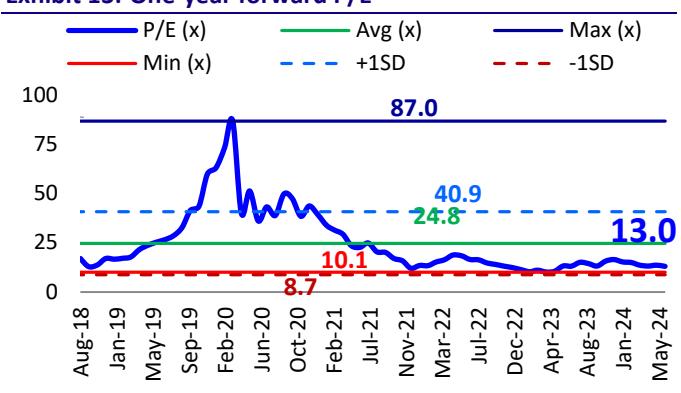
Sources: MOFSL, Company

Exhibit 12: One-year forward P/B



Source: MOFSL, Company

Exhibit 13: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income Statement								(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	12,183	16,334	22,900	25,673	33,271	49,001	61,658	74,898
Interest Expended	4,168	5,783	9,287	9,841	12,129	17,324	22,211	27,073
Net Interest Income	8,016	10,551	13,613	15,832	21,143	31,677	39,447	47,825
Change (%)	58.4	31.6	29.0	16.3	33.5	49.8	24.5	21.2
Other Income	650	721	1,760	1,825	2,237	2,725	2,982	3,292
Net Income	8,666	11,271	15,373	17,657	23,379	34,402	42,429	51,117
Change (%)	67.3	30.1	36.4	14.9	32.4	47.1	23.3	20.5
Operating Expenses	2,940	4,283	5,856	6,885	8,315	10,493	12,965	15,693
Operating Income	5,726	6,989	9,517	10,772	15,064	23,910	29,464	35,424
Change (%)	81.9	22.1	36.2	13.2	39.8	58.7	23.2	20.2
Provisions and W/Offs	749	2,373	7,714	5,968	4,010	4,518	6,851	7,676
PBT	4,977	4,616	1,803	4,805	11,054	19,392	22,613	27,748
Tax	1,760	1,261	490	1,237	2,794	4,933	5,766	7,076
Tax Rate (%)	35.4	27.3	27.2	25.7	25.3	25.4	25.5	25.5
PAT	3,218	3,355	1,313	3,568	8,261	14,459	16,847	20,672
Change (%)	51.4	4.3	-60.9	171.7	131.5	75.0	16.5	22.7
Proposed Dividend (Incl Tax)	0	0	0	0	0	1,594	0	0

Balance Sheet								(INR M)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	1,436	1,440	1,556	1,559	1,589	1,594	1,594	1,594
Reserves & Surplus	22,215	25,902	35,360	38,218	49,481	64,106	79,359	1,00,031
Net Worth	23,651	27,342	36,916	39,777	51,070	65,700	80,953	1,01,625
Borrowings	48,666	95,397	1,09,413	1,29,207	1,63,123	2,18,410	2,65,485	3,20,512
Change (%)	34.3	96.0	14.7	18.1	26.2	33.9	21.6	20.7
Other liabilities	1,257	3,163	4,264	4,964	4,389	4,352	5,175	6,157
Total Liabilities	73,574	1,25,902	1,50,592	1,73,948	2,18,581	2,88,462	3,51,612	4,28,294
Cash and bank balances	6,156	7,176	24,844	17,614	14,364	13,139	18,374	24,753
Loans and Advances	66,028	1,10,989	1,17,205	1,47,653	1,90,433	2,51,050	3,08,703	3,77,073
Change (%)	34.9	68.1	5.6	26.0	29.0	31.8	23.0	22.1
Fixed Assets	187	5,793	5,734	5,739	968	1,214	1,456	1,747
Investments	2	456	5	5	4,545	14,389	13,670	14,353
Intangible Assets		0	0	4,673	5,061	4,923	4,923	4,923
Other Assets	1,200	1,488	2,804	2,937	3,208	3,747	4,486	5,445
Total Assets	73,572	1,25,447	1,50,587	1,73,942	2,18,581	2,88,462	3,51,612	4,28,294

E: MOFSL Estimates

Financials and valuations

Ratios (%)								
AUM and Disbursements (INR m)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
AUM	71,590	1,19,960	1,35,870	1,65,990	2,10,320	2,67,140	3,31,832	4,09,201
YoY growth (%)	43.9	67.6	13.3	22.2	26.7	27.0	24.2	23.3
Disbursements	82,212	1,08,040	1,10,104	1,54,670	1,88,090	2,31,340	2,84,548	3,47,149
YoY growth (%)	35.2	31.4	1.9	40.5	21.6	23.0	23.0	22.0
Ratios (%)								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Spreads Analysis (%)								
Yield on Portfolio	20.1	18.1	19.8	19.2	19.4	21.8	21.7	21.6
Cost of Borrowings	9.8	8.0	9.1	8.2	8.3	9.1	9.2	9.2
Interest Spread	10.3	10.1	10.7	11.0	11.1	12.7	12.5	12.3
Net Interest Margin	13.9	11.9	11.9	12.0	12.5	14.4	14.1	13.9
Profitability Ratios (%)								
RoE	16.9	13.2	4.1	9.3	18.2	24.8	23.0	22.6
RoA (on balance sheet)	5.2	3.4	0.9	2.2	4.2	5.7	5.3	5.3
Debt: Equity (x)	2.1	3.5	3.0	3.2	3.2	3.3	3.3	3.2
Leverage (x)	3.3	3.9	4.3	4.2	4.3	4.4	4.3	4.2
Efficiency Ratios (%)								
Int. Expended/Int.Earned	34.2	35.4	40.6	38.3	36.5	35.4	36.0	36.1
Op. Exps./Net Income	33.9	38.0	38.1	39.0	35.6	30.5	30.6	30.7
Empl. Cost/Op. Exps.	63.3	61.2	64.9	63.6	62.0	63.8	64.0	64.0
Other Income/Net Income	7.5	6.4	11.5	10.3	9.6	7.9	7.0	6.4
Asset quality								
GNPA	385	1,738	5,487	5,587	2,364	3,037	3,648	3,359
NNPA	109	458	1,686	1,974	808	888	912	739
GNPA %	0.6	1.5	4.5	3.7	1.2	1.2	1.2	0.9
NNPA %	0.2	0.4	1.4	1.3	0.4	0.3	0.3	0.2
PCR %	71.7	73.6	69.3	64.7	65.8	70.8	75.0	78.0
Valuation								
Book Value (INR)	165	190	237	255	321	412	508	638
BV Growth (%)	47.2	15.3	25.0	7.5	25.9	28.3	23.2	25.5
Price-BV (x)		7.5	6.0	5.6	4.4	3.5	2.8	2.2
EPS (INR)	22.4	23.3	8.4	22.9	52.0	90.7	105.7	129.7
EPS Growth (%)	35.5	3.9	-63.8	171.2	127.1	74.5	16.5	22.7
Price-Earnings (x)		61.1	168.7	62.2	27.4	15.7	13.5	11.0
Dividend per share	0.0	0.0	0.0	0.0	10.0	0.0	0.0	0.0
E: MOFSL Estimates								

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