

# Rajasthan MSME Policy 2015

## 1. Preamble

Micro, Small and Medium Enterprises (MSMEs) cater to the vital needs of the economy in terms of their two specific roles, i.e. as a support base for large industry and as a stand-alone provider of goods and services. In fact, they form the backbone of the industrial sector in terms of numbers and provide the largest share of employment after agriculture.

Rajasthan is the largest State in India. Strategically located between the northern and western growth hubs in India, it has 40% of the land falling within the ambit of the upcoming Delhi-Mumbai Industrial Corridor (DMIC). Rajasthan is a remarkably peaceful and politically stable State, offering a set of unique opportunities for profitable investment in many sectors.

The State is endowed with abundant physical resources, rich mineral wealth, agro surplus, world-renowned handicrafts and handloom and outstanding skills. These provide ample opportunities for manufacturing, beneficiation, processing activities and services in the MSME sector, which has been the strength of the State. This sector plays a crucial role in the process of economic development by value addition, employment generation, equitable distribution of income, removal of regional disparities, as well as through export earnings. However, there remains a vast untapped potential which, through proper harnessing and nurturing, can be translated into huge gainful employment generation and many fold increase in contribution to the State's Gross Domestic Production.

## 2. Vision

It is the vision and endeavour of the State to encourage and give a fillip to the setting up of micro, small and medium enterprises in the State and create an enabling conducive environment for them to attain globally competitive competence level.

### 3. Approach and Strategy

To realize the vision, the approach and strategy for MSME development focuses on a combination of both fiscal and non-fiscal interventions. These policy initiatives are expected to provide a conducive environment to encourage increased investments in the MSME sector in the State.

**The key measures include:**

- (1) Streamlining procedures, rules and regulations for ease of doing business.
- (2) Strengthening the Single Window System to make it more effective under the provisions of the Rajasthan Enterprises Single Window Enabling and Clearance Act, 2011.
- (3) Setting up facilitation mechanisms for guidance to new investors and support to existing ones.
- (4) Providing competitive fiscal incentives and concessions to attract investment.
- (5) Creation of new industrial areas.
- (6) Time bound allotment or conversion of land for industry.
- (7) Encouragement of private industrial parks and MSME Clusters.
- (8) Focus on thrust sectors, including handicrafts, handlooms and khadi.
- (9) Facilitate SMEs for raising obtaining credit/capital.
- (10) Assist unemployed youth for setting up Micro Enterprises.
- (11) Promoting start-ups and budding entrepreneurs through setting up of plug and-play facilities and incubation centres.
- (12) Marketing support to MSMEs.
- (13) Encourage Quality Improvement and Research & Development.
- (14) Promote adoption of practices for environment protection and water and energy conservation.
- (15) Focussed skill development programmes to provide adequate work force.
- (16) Assist sick units in revival efforts.
- (17) Strengthening of MSME Government support agencies
- (18) Recognition and encouragement to MSME adopting best practices.

## **4. Operative Period and Eligibility**

- (1) This Policy shall come into effect from the date of its notification in the official Gazette and will remain in force till it is amended or Superseded by the Government.
- (2) This Policy shall supersede the Policy Package for Micro, Small and\ Medium Enterprises, 2008 and the Notification No. F.1 (4)Ind./2/08 dated 13-2-2009 issued thereof.
- (3) Incentives, concessions and assistance to the MSMEs would be available to those who are eligible as per the provisions of Rajasthan Investment Promotion Scheme, 2014, hereinafter referred to as RIPS – 2014.

## **5. Ease of Doing Business**

- (1) Applications for all new investment proposals may be submitted at the District Industries Centre (D.I.C.) under the Single Window System for time bound approvals.
- (2) Online filing of E.M. I and E.M.II. Available.
- (3) Labour Laws – Industrial Dispute Act, 1947, Factories Act, 1948, Contract labour (Regulation & Abolition) Act 1970 and Apprenticeship Act, 1961 have been amended with a view to make them more industry-friendly, especially for MSMEs and e-platform has been provided for registration and submission of returns.
- (4) For 88 Green category industries, the receipt of deposit of fees will be considered as ‘NOC’ from the Rajasthan State Pollution Control Board. Mapping of NIC codes for each of the 88 categories is being completed and will further facilitate the process.
- (5) The rules, regulations and procedures in each Government Department / Agency having an interface with the setting up of an enterprise are being continuously reviewed for simplification and expeditious disposal on a regular basis.

(6) The District Industries Centres (DICs) shall be modernised through technology upgradation and capacity building of staff so as to restructure them as facilitating e-enabled centres to provide all the facilities related to the MSMEs such as land, electric/water connection, RPCB clearances, labour/factory and boiler department/ VAT registration at a single point to ensure effective implementation of single window system and online approvals.

## **6. Facilitation**

(1) Setting up of a State level MSME Facilitation Centre that provides guidance and support to new investors in context of information about investment opportunities, procedure for setting up an industry, approvals required, guidance in preparation of project report, documentation, access to credit institutions and handholding support for registration and obtaining necessary clearances and approvals.

(2) Such facilitation centres will be opened up at the district level in each D.I.C. in a phased manner over the next 3 years.

(3) The State MSME Facilitation Council will be made more effective and strengthened by:

- Ensuring timely payments for goods supplied by MSMEs.
- Setting up a panel of arbitrators for expeditious resolution of disputes pertaining to delayed payments.
- IT enablement of processes and working of the Council.

(4) In addition to its regulatory functions, the Rajasthan State Pollution Control Board will also play an advisory and promotional role to facilitate the MSMEs comply with pollution control norms.

## **7. Fiscal Benefits and Incentives**

All fiscal benefits and incentives to MSMEs shall be available as per the provisions of RIPS - 2014.

## **8. Infrastructure Development and Land For Industry**

The State Government will establish land bank for industrial purpose by identifying suitable Government / private land. Land available for industry at different locations in the State shall be made available online.

### **A. RIICO Industrial Area**

- (1) RIICO allots plots for industry in the industrial areas developed by it.
- (2) In the new industrial areas to be developed by RIICO, 30% plots will be reserved for Micro, Small and Medium Enterprises (MSMEs).
- (3) The concessions in land price to different categories will be as provided for in the RIICO Disposal of Land Rules, 1979.
- (4) Financing for purchase of a fresh plot in RIICO industrial area can be availed under RIICO's Scheme for Financing of Industrial Land.

### **B. Private Sector Industrial Parks**

- (1) The State Government will encourage private sector investment for setting up industrial parks and clusters.
- (2) Conversion of land for private sector industrial parks / estates shall be in accordance with the provisions of the Rajasthan Land Revenue (Conversion of Agriculture land for Non-Agriculture Purposes in Rural Areas) Rules 2007 and Rajasthan Urban Areas (Permission for Use of Agriculture land for Non Agricultural Purpose and Allotment) Rules, 2012, as applicable.

### **C. Land By Individual Units**

(1) Other than allotment / purchase of land as per A. and B. above, allotment of Government land in rural areas, set apart for industry, can be applied for under the provisions of the Rajasthan Land Revenue (Industrial Areas Allotment) Rules, 1959. The application will be disposed off within a period of 60 days.

(2) For setting up an enterprise, 50% exemption on stamp duty and 50% exemption of land conversion charges is available under RIPS-2014.

(3) Application for conversion of the agriculture land for industry can be made in accordance with the provisions of the Rajasthan Land Revenue (Conversion of Agriculture land for Non-Agriculture Purposes in Rural Areas) Rules 2007 /Rajasthan Urban Areas (Permission for Use of Agriculture land for Non-Agricultural Purpose and Allotment) Rules, 2012, as applicable, and the same will be disposed off within the time period of 60 / 45 days, as applicable.

(4) The following concessions / exemptions are available for conversion of land for industry in rural areas:

(a) No conversion order required for :-

- Up to 2500 square metres land for micro and small industries
- Up to use of 5% agriculture land for agri-business
- If entire land, and any building thereon, is used for I.T. (subject to payment of conversion charges)

(b) No conversion charges for “green” industries, as declared such by order of Rajasthan State Pollution Control Board.

(5) Conversion of agriculture land falling within 1 km. periphery of any industrial area developed by RIICO would attract peripheral charges as prescribed by RICCO from time to time.

(6) Conversion order, as applicable, will be issued within 15 days of full deposit of the required charges.

## **9. Development of MSME Clusters**

(1) The State Govt. shall encourage cluster development approach as an effective strategy for the development of MSMEs. It is cost-effective, inclusive, and sustainable and enables competitiveness.

(2) The basic aim of the strategy and approach would be addressing critical infrastructure gaps, and optimizing local resources with the objective of creating production centres constituting the critical mass to become production or service hubs so as to ensure economy of scales for overall benefit. Sectors namely handicrafts, handloom and khadi, gems and jewellery, agro- based/ food processing, leather and leather products, textiles and apparels, stone, ceramics and glass, pottery, light engineering and auto components, ESDM, IT, ITeS etc. shall be taken up on priority for development in clusters, especially for the development of artisans, craftsmen, weavers and micro enterprises.

(3) Interventions based on identified missing links, nature and level of required support in the field of infrastructure, capacity building of human resources, market development assistance, technology adoption and product diversification shall be taken up for the implementation of cluster development projects.

(4) In addition to State schemes, the State Government will provide all necessary support and contribution for maximizing the benefits of the Cluster Development Schemes for MSME of the Central Government.

## **10. Khadi, Handloom and Crafts sector**

The State Government will make concerted efforts for the development of the Khadi, Handloom and craft sectors and for employment generation and increased earning opportunities of the artisans and weavers. The interventions will include design development, innovations, product development, skill development, technological upgradation, quality improvement, branding, marketing support and various other means for popularizing these handicrafts for contemporary use. State

and District-wise Inventory of Crafts and directory of artisans would be prepared as part of this concerted strategy for focused development.

## 11. Credit Access and Support

(1) MSMEs shall be facilitated in seeking credit from financial institutions be providing them required information and help in documentation.

(2) Rajasthan Financial Corporation (RFC), a State Government undertaking, shall provide credit to MSME enterprises on easier terms under its loan schemes.

(3) Credit up to a maximum of Rs. 5.0 crore can be availed by young entrepreneurs (up to age 45 years) for setting up a new enterprise, with interest subsidy of 6% applicable up to a maximum credit limit of Rs. 90 lakh, under the *YuvaUdyamita ProtsahanYojna* of RFC.

(4) Interest subsidy would be provided to unemployed youth, women, educated and unemployed women and S.C., S.T. and Specially-abled Persons for setting up micro enterprises, as per the provisions contained in the Chief Minister's Employment Generation Programme, 2015, as notified by the State Government.

(5) For those MSEs seeking collateral free loan (of up to Rs. 1 crore) from financial institutions under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) the one-time service processing fees charged by NSIC / State Agency / Financial Institution for documentation and submission to the financial institution shall be reimbursed by the State Government of sanction of loan, subject to a maximum of 0.5% of the loan amount or Rs. 25,000/-, whichever is less.

(6) For women, SC / ST and Specially-abled entrepreneurs, the service processing fees charged, as mentioned in clause (2) above, shall be reimbursed by the State Government on sanction of loan, subject to a maximum amount of Rs. 50,000/-.

(7) In addition to availing credit from commercial banks, other financial institutions and RFC, SMEs can also avail credit under the on-going financing schemes of RIICO.

## **12. Support to Small & Medium Enterprises (SMEs) For Raising Capital**

Under the new guidelines of SEBI, SMEs can raise equity capital through SME exchange. With a view to encourage SMEs to raise funds through this route, assistance will be provided to the extent of 10% of the expenditure incurred, subject to a maximum of Rs.2.5 lakh one time after successful raising of equity.

## **13. Support for Start-Up Business and Budding Entrepreneurs**

(1) To assist start-up ventures and budding entrepreneurs plug- and play facilities will be encouraged to be set, especially in the sectors of IT, Garment-making, Electronics and ESDM so that the new entrants in these fields may have access to easy entry and exit facilities for immediate starting their business venture.

(2) RIICO / RSIC would develop flatted factory complexes, including plug-and-play facilities, for MSMEs, with 24 hour 3 phase uninterrupted power supply and enabling infrastructure. In such complexes, allotment shall be only to Non-polluting enterprises. These shall be developed on no- profit no-loss basis. For this purpose, the State Govt. shall provide 10% subsidy to RIICO / RSIC towards its capital cost.

(3) Rapid Incubation Centres would be established in each District of the State for encouraging unemployed youth and other entrepreneurs for setting up new micro and small enterprises. This would include entrepreneur business skill development, identification of appropriate technology, hands-on experience

on the working projects, projects/product selection and opportunity guidance, facilitation on fund management through Banks, interaction with project suppliers for machine technology supply, how to set up an enterprise and facilitation for project report preparation.

(4) With a view to provide access to young entrepreneurs to new and emerging technology a 3-D and robotics Laboratory would be set up, for which the State Government will provide Rs. 5 crore.

## 14. Marketing Support to MSMEs

(1) **Organization of Fairs, Expositions, B&S meets:-**With a view to create more business opportunities for MSMEs and to establish linkages between vendors and anchor units marketing events for MSMEs like Buyer-Seller Meets, trade fairs& expositions, etc. would be organized. Assistance would also be provided under on-going schemes for setting up stalls and participation in such events within the State as well as in national and international events.

(2) **Vendor Development of MSEs:-** In order to equip SMEs to cater to the requirements of the PSUs, activities would be taken up under the vendor development programme for a direct interface and linkages between the PSUs and the vendors. In addition, consortia of MSEs would be encouraged through NSIC / RSIC in order to enable MSEs to meet the requirements of large order Procurements through package bidding.

(3) **Purchase Preference for MSEs :-** The State Govt. will provide the following facilities for purchase of stores/ services by its various departments, PSUs and autonomous bodies from MSMEs, registered/ having Entrepreneur Memorandum with the Industries Department:-

### (a) **Concessions in Tender Forms etc. for Micro and Small Enterprises (MSEs):-**

- a. Tender form shall be made available at 50% of the prescribed cost.
- b. Earnest money shall be deposited at 0.5% of the estimated value of purchases/services.
- c. Security deposit will be 1% of the value of the purchases/ services.

(b) Purchase preference to MSMEs of the State in accordance with the provisions stated in the Procurement of Stores (Preference to Micro, Small & Medium Enterprises of Rajasthan) Rules, 2015, as notified by the State Government.

(4) **Marketing Support to Handicrafts :-** With a view to provide sustainable market access to artisans for sale of their products, artisans / artisan bodies will be effectively linked with organizations / institutions / agencies that are engaged in marketing and access to e-commerce platforms will be encouraged. In addition, State level crafts bazaar would be organized round the year and would include an annual mega event.

## 15. Support For Quality Improvement

(1) The following assistance would be provided to MSME to get quality certification to enable them to introduce quality products in the competitive market:-

a) 50% of all charges up to a maximum amount of Rs. 3 lakh paid for obtaining of each certification for ISI /BIS / WHO-GMP / Hallmark certifications& other national /international certification approved by Quality Council of India.

b) 50% of fee payable to Recognized International Certification Authority and 50% cost of testing equipment and machinery required for that certification, up to a maximum amount of Rs. 5 lakh (inclusive of the two categories, i.e. certification and testing equipment / machinery).

Note:

(i) The cost for certificate will include:

- Fees charged by certification agency (excluding travel, hotel & surveillance charges)
- Cost of testing equipment as required for certifications
- Calibration charges of equipment

(ii) Not eligible:

- If any certification referred above is required as part of statutory provision.
- Testing equipment purchased after the issuance of Quality certificate shall not be eligible for assistance.
- Expenditure incurred for renewal of certificate

(iii) This assistance will be supplementary to such scheme of Government of India (GOI). However, in no case total assistance from GOI and the State Government would exceed 75% of the total eligible cost incurred by MSME for said purpose.

(2) To encourage MSMEs / Handicraft / Handloom enterprises to attain international quality benchmark, the State Govt. will endeavour to get regional offices/ branches of national laboratories like CLIR, CFTRI, etc. established in the State. The State Govt. will provide land at 50% of the DLC rate and also provide part of the capital cost for setting up such laboratories/ institutions.

(3) Research, Development and Testing laboratories set up by MSME associations will be given land at 50% of the DLC rates and the State Government shall provide 50% of the capital cost incurred on establishment of such laboratories subject to a limit Of Rs. 2.00 cr., provided that such laboratories obtain accreditation from a national level Accreditation Board/ Authority.

## **16. Support For Environment Conservation**

(1) RIICO will provide land at 50% of the prevailing rate (in the case of RIICO industrial area) and the State Govt. shall provide 50% of the capital cost for establishment of Common Effluent Treatment Plant (CETP) by Industry Associations / SPV in industrial areas/ clusters, as per applicable laws, subject to the following conditions:

(a) The capital cost will include the total project cost, i.e. of land, plant and machinery, on-site laboratory, conveyance system, recirculation system, disposal system etc. that are part of the integral project.

(b) The State assistance of 50% of the total project cost shall be subject to a ceiling of Rs. 20 crore in projects without ZLD and Rs. 40 crore for projects with ZLD. The State Government funding shall also be restricted to Rs. 1.5 crore MLD for a CETP project without ZLD.

(c) The State Government shall not have any liability towards time and cost over runs.

(d) In case assistance is availed under any scheme of Government of India, the State Government assistance shall be restricted to the amount provided for the State share under the said scheme.

(e) Operational/ running/ maintenance cost of such plants and facilities will be borne by such MSME associations.

(2) The State Govt. shall bear 50% of the capital cost, maximum up To Rs. 25 lakh, incurred by the small and medium enterprise for establishment of Effluent Treatment Plant (ETP)/ facility provided the enterprise uses 80% of the recycled water.

## **17. Skill Development/ Manpower Availability**

(1) The R.S.L.D.C. is the State Nodal Agency for imparting skill development training across the State. These programmes would be focused on providing the skilled manpower as per the requirements of the MSME enterprises.

(2) RSLDC would also maintain a data base that is accessible to the enterprises and provides a direct interface with the skilled manpower available for ready employment.

## **18. Rehabilitation of Sick MSME units**

(1) SME Sick Industrial enterprise, under the ambit of the Sick Industrial Companies (Special Provisions) Act, 1985, will be covered under the rehabilitation scheme for such enterprise as approved, in accordance with the procedures set forth under the Act.

(2) The following category of sick MSE manufacturing units would be eligible for relief, concessions and incentives in accordance with the Rajasthan Sick Micro & Small Enterprises (Revival and Rehabilitation) Scheme, 2015:

(a) A manufacturing micro and small enterprise, which has been taken over before the commencement or during the operative period of this Scheme and sold during the operative period of the Scheme to a new management by RIICO/ RFC / Central Financial Institutions / Banks; and

(b) A manufacturing micro and small enterprise not covered under the provisions the Sick Industrial Companies (Special Provision) Act, 1985, identified as sick by the principal loaning bank in accordance with the guidelines issued by the Reserve Bank India, from time to time and declared as sick in accordance with the procedure as prescribed under the Rajasthan Sick Micro & Small Enterprises (Revival and Rehabilitation) Scheme, 2015.

## 19. Strengthening of MSME Government support Agencies

(1) The Office of The Commissioner of Industries shall be restructured to facilitate greater focus and emphasis on the development of handloom and handicraft and Micro, Small and Medium Enterprises.

(2) The State Govt. shall restructure and reorganize and strengthen the various MSME support Government agencies like Rajasthan Handloom Development Corporation (RHDC), Rajasthan Rajya Bunkar Sahkari Sangh Limited (RRBSSL), Rajasthan Small Industries Corporation Limited (RSIC), Khadi and Village Industries Board (KVIB), Rural non-farm Development Agency (RUDA) with a view to remove duplication of work, and to focus on their key development / commercial goals.

(3) The organizational structure, activities and mode of functioning of the Rajasthan Small Industries Corporation Limited (RSIC) shall be revamped with a view to provide focus on production and marketing of quality handicrafts with required brand building.

## 20. Awards to Best Performing Enterprises

(1) Awards would be given to best performing enterprises and artisans with a view that they act as role models for others for adoption of best practices for mass replication. These would include:

(a) **Rajasthan UdyogRatna Awards** will be given to the MSMEs for growth in production, exports, quality, technological innovations and best practices for environment, water and energy conservation.

(b) **State Handloom and Handicraft Awards** will be given to the enterprises and outstanding artisans / craftsmen in the Handloom and Handicraft sector.

## 21. Nodal Department

The Micro, Small and Medium Industries Department (MSME, Industries Department) would be the nodal department for the implementation of the MSME Policy 2015.

### Annexure –I

#### Incentives Available to MSMEs under Rajasthan Investment Promotion Scheme-2014

Launched - 8.10.2014

Effective up to 31.3.2019

Applicable for:-

1. New Enterprise
2. Existing Enterprise making investment for expansion
3. Sick industrial enterprise for its revival

Benefits provided to All Manufacturing and Service Enterprises:-

Manufacturing Enterprises

Service Enterprises

30% investment subsidy on VAT & CST paid \*

20% employment generation subsidy of VAT & CST paid

50% exemption on electricity duty

50% exemption of Mandi fee All above - for 7 Years

Reimbursement of 50% of VAT paid on purchase of Plant & Machinery or Equipment\*

50% exemption of entertainment tax,

50% exemption of electricity duty

50% exemption of Land Tax

All above - for 7 Years

50% exemption on stamp duty and conversion charges

50% exemption on stamp duty and conversion charges

\* additional 10% for eligible Women, SC, ST and Persons with Disabilities.

• Benefits to enterprises in Most Backward and Backward Areas:-

Above benefits for enterprises located anywhere extended to ten years (except for interest subsidy).

Most Backward Areas

Backward Areas

Manufacturing Enterprise – Additional investment subsidy of 20% of VAT & CST paid for 7 years.

Service Enterprise - Additional 20% reimbursement of VAT paid on the Plant & machinery or equipment for 7 years.

Manufacturing Enterprise – Period of benefits, except for interest subsidy, extended from 7 years to 10 years.

For service enterprise- additional 10% reimbursement of VAT paid for seven years.

• Specific benefits for following thrust sectors:-

(i). Ceramic and Glass (ii). Dairy (iii). ESDM (iv). Industrial Gases (v). MSME (vi). Pharmaceutical (vii). Plastic to Oil Manufacturing (viii). Textile (ix). Power loom (x). Tourism (xi). Kota stone, Marble and Granite (xii) Defense Sector. (details on next page)

**Specific benefits for Thrust Sectors (as applicable to MSME):-**

(i). **Ceramic and Glass sector-** For minimum investment of Rs. 5 crore- 50% Investment subsidy and up to 10% Employment Generation subsidy of VAT & CST for 10 years.

(ii). **Dairy sector-** For minimum investment of Rs. 25 crore- 50% Investment subsidy and up to 10% Employment generation subsidy of VAT & CST for 10 years, 50% Entry Tax Exemption on capital goods, for setting up new plant or expansion of existing enterprises.

(iii). **ESDM sector-** For investment of Rs. 25 lakh but below Rs. 250 crore- 75% Investment subsidy for first 4 years, 60% for next 3 years and 50% for last 3 years and up to 10% Employment Generation subsidy of VAT & CST for 10 years. 50% Entry Tax exemption on capital goods, for setting up new plant or expansion of existing enterprises.

(iv). **MSME sector-** In addition to the benefits given to manufacturing enterprises, 75% exemption from electricity duty for Micro & Small enterprises in rural areas, Reduced CST of 1% for 10 years, 50% exemption from payment of entry tax on raw and processing materials and packaging materials excluding fuel.

(v). **Plastic to Oil Manufacturing sector-** For minimum investment of Rs. 1 crore- 60% Investment subsidy & 10% Employment generation subsidy of VAT & CST for 10 years. 50% Entry Tax exemption on capital goods, for setting up new plant or expansion of existing enterprises.

(vi). **Textile sector-** For minimum investment of Rs. 25 lakh - 5% interest subsidy, 1% additional interest subsidy for investment more than Rs. 25 crore, 7% interest subsidy for technical textile sector, 50% reimbursement on purchase of yarn, fibre, recycled fibre yarn, cotton and pet bottles, 50% Entry Tax Exemption on capital goods, for setting up new plant or expansion of existing enterprises, capital subsidy on zero liquid discharge based ETP equivalent to 20% of amount paid to the suppliers for the plant excluding civil work (max. Rs. 1 crore).

(vii). **Powerloom sector-** For minimum investment of Rs. 25 lakh and minimum employment 10 persons in an area specified in the districts of Jodhpur, Pali and Barmer - same benefits as provided to the textile sector, 30% additional reimbursement of VAT on purchase of yarn for 7 years.

(viii). **Kota stone, Marble and Granite Sector-** For minimum investment of Rs. 25

lacs-55% Investment subsidy & 10% Employment Generation subsidy of VAT & CST for 7 years.

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