



14th November, 2022

The Manager - Listing
The National Stock Exchange of India Ltd.
Exchange Plaza, Plot No. C/1, G. Block
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051
Scrip Code: EMAMILTD

The Manager - Listing
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Scrip Code: 531162

Dear Sirs,

Sub: Transcript of Earnings conference call

With reference to our letter dated 9th November, 2022 regarding intimation of Earnings Conference Call, post declaration of Unaudited Financial Results of the Company for the Second Quarter ended 30th September, 2022, we are enclosing copy of transcript of the said Conference Call.

The aforesaid document are also made available on the Company's website at www.emamiltd.in.

This is for your information and record.

Thanking You,
Yours sincerely,
For Emami Limited,

Ashok Purohit

Dy. Company Secretary & DGM - Legal

Encl: a/a



“Emami Limited
Q2 FY 23 Earnings Conference Call”

November 11, 2022



MANAGEMENT:

**MR. MOHAN GOENKA – VICE CHAIRMAN & WHOLE
TIME DIRECTOR**

MR. VIVEK DHIR - CEO, INTERNATIONAL BUSINESS

MR. VINOD RAO - PRESIDENT, SALES

MR. GULRAJ BHATIA - PRESIDENT HEALTHCARE

MR. RAJESH SHARMA - PRESIDENT, FINANCE AND IR

MODERATOR:

MR. PERCY PANTHAKI FROM IIFL SECURITIES

Moderator:

Ladies and gentlemen, good day, and welcome to Emami Limited 2Q FY'23 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Percy Panthaki from IIFL Securities. Thank you, and over to you, sir.

Percy Panthaki:

Hi. Good evening, everyone. This is Percy from IIFL. We are pleased to host the management of Emami Limited today. On the call with us are Mohan Goenka, Director; Rajesh Sharma, President, Finance and IR; Vivek Dhir, CEO, International Business; Vinod Rao, President, Sales; and Gulraj Bhatia, President Healthcare. Without further ado, I'll hand over the call to Mr. Mohan Goenka. Over to you, sir.

Mohan Goenka:

Thank you, Percy. Very good afternoon, friends. Thank you for joining us today. I welcome you all to this conference call on Emami's results for the second quarter and half year ended FY'23. As you all are aware, the domestic FMCG industry continued to remain soft during the quarter, and demand sentiment remained muted due to high inflation, rural slowdown and liquidity pressure. In the given context, our overall net sales at INR807 crore grew by 4% and revenue at INR814 crore grew by 3% in the second quarter of the financial year.

Our domestic business grew by 1.2% during the quarter with a volume degrowth of 1.2% which may appear optically muted. However, given the various headwinds in the last 2-3 years, our domestic business grew by 8% on a 3-year CAGR basis. The corrections in pain management and health care are broadly in line with expectations due to high base as well as decline in consumption of COVID contextual products. You would be aware that Helios Lifestyle, which operates under the brand, The Man Company, has become our subsidiary with effect from 1st July '22. During the quarter, it contributed 3.5% to our overall net sales. Our core domestic business grew by 5% and including international business, our Q2 growth is 8% over previous year, excluding the pain management and health care range and revenues from our new subsidiary, Helios Lifestyle.

Coming to our brand-wise performance. BoroPlus range grew by 17%; Male Grooming range grew by 2% and 7 Oils in One grew by 1% during the quarter. Due to the muted demand environment, Navratna range declined by 5% and Kesh King

range declined by 10% whereas Pain Management and Healthcare range witnessed corrections of 13% and 16%, respectively. However, if you look at a 3-year CAGR, BoroPlus range grew by 5%; Kesh King range grew by 14%; 7 Oils in One grew by 18%; Pain Management range grew by 6%; Healthcare grew by 10%; and Navratna posted flat growth. However, Male Grooming range declined by 4%.

New age channels like Modern Trade grew strongly by 28% and e-commerce grew by 56% during the quarter. The contributions of e-commerce channel increased by 300 basis points to 7.8%, and modern trade contribution increased by 220 basis points to 8.7% of the domestic revenues. Both Modern Trade and e-commerce put together now contribute to 16.5% of the domestic revenues against 11.3% in the second quarter of last year.

Our international business grew by 17% during the quarter on the back of good performance across markets. CIS continued to grow despite disturbances due to our own infrastructure built in previous years. Other SAARC markets, including Nepal, Sri Lanka, et cetera, are also showing signs of recovery despite continued macro-economic issues. Growth from GCC stood at 39%, and I am happy to share that around 70% of GCC sales are now manufactured outside of India. And by the end of this financial year, we should be able to reach our maximum localization objectives.

During the quarter, our gross margins at 66.6% contracted by 230 basis points. This impact was on expected lines due to unprecedented inflationary pressure and favorable portfolio mix last year due to extraordinary high sales of pain management range. Despite this input cost pressure, we did not cut our advertising spends as we remain buoyant behind our brands looking at their long-term potential and rural recovery. We continue to invest aggressively behind our brands due to which our A&P spend increased by 400 basis points this quarter. Therefore, EBITDA at INR195 crore declined by 29% over previous year due to inclusion of new subsidiary costs, upfront marketing investments and strategic outlay on distribution expansion in Rural, and Modern Trade channels.

Profit before tax at INR186 crore declined by 18%, and profit after tax at INR180 crore declined by 3% over previous year. With the moderation in input cost inflation, we do not see much pressure on our gross margins in the second half of the financial year.

Though our EBITDA margins in the first half of the financial year at 23.2% are lower by 760 basis points against previous

year, we do not see much contraction in the second half which normally accounts for 55% of the overall annual EBITDA. Hence, for the full year, we expect our EBITDA margins to be in the pre COVID levels, that is around 27% for our core business. Going ahead, we are optimistic of delivering sustainable growth on account of good monsoon, government impetus and correction in input prices. We are optimistic in witnessing an upward curve in the consumer sentiments in the near future. With this brief, I now open the floor for Q&A. Thank you so much.

Moderator: First question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy: My first question is on your comment that the margins will come back to pre-COVID in terms of 27% EBITDA margin for the core business. So what exactly do you mean for the reported margins? Because core business is not exactly the full business because now Man Company is also there and your recent Dermicool. So on a reported basis, what is the expectation in terms of margins?

Mohan Goenka: So that would be excluding the Helios. If you exclude the Helios, that makes it the core business basically. So reported numbers would be around 27% only.

Abneesh Roy: And including Helios, how much it will be? And that's my question because this quarter, your Helios revenue will be around INR28 crore based on the 3.5% of consol. So how is the profitability in this part of the business? And is there a seasonality in terms of the INR28 crore sales. Is there a big seasonality there?

Mohan Goenka: So there is no seasonality as far as Helios is concerned, Abneesh. And also the margins would not deplete so much in the second half for Helios. So it should be, as I said, it may be a max of 0.2%-0.3% here and there. It will not have a significant impact.

Abneesh Roy: My second question is on the modern trade e-commerce. So it is around 8% each broadly. So here, if you could tell us versus your overall business, how is the mix different? And how is the, say, gross margin different ex of discount because a lot of these channels also have discounting which may not be there necessarily in the general trade. Is there a big difference in the gross margin profile?

Vinod Rao: There isn't much of a difference in the gross margins between the two channels. So we promote a set of SKU in a range large packs where we price them so that we give these discounts to consumer end. And we track channel EBITDA, so across

channels, GT, MT and e-comm. And both e-com and Modern Trade channels are comparable to general trade EBITDA levels.

Abneesh Roy:

And last question on your Digital First launches. So you have used the word organic in two of your product. So for example, in 7 Oils in One, how is the price premium versus the base product? And similarly, when I see apple cider vinegar, even Dabur has done that. So two sub-questions here. So will you also follow largely Dabur's strategy of doing a lot of such products on the e-commerce which say Dabur has already done. And similarly, what's the price premium of Zandu apple cider vinegar organic versus say Dabur's apple cider.

Mohan Goenka:

So yes, Abneesh, we have for a long time, we have decided to do a launch, a lot of digital-first brands particularly on our existing range and also on the Zandu D2C platform. That is very, very clear. Of course, the Digital First brand comes at a premium. So 7 Oils in One is almost at a premium of around almost 50%, 60% premium to our existing range. So that is how it is. And if you compare the price of apple cider vinegar with Dabur, what is the price? So we are slightly premium, Abneesh. We are slightly premium of about 12% to 13% compared to Dabur. So we are very cognizant of the margin what Vinod said because these two channels are aggressively growing, and we don't want to dilute our margins for these two channels. So we have kept the prices accordingly.

Abneesh Roy:

Yes. The only issue is in your own product, I do understand base version organic. It makes a lot of sense. But in apple cider vinegar, where there are private labels also, I don't know that 12%, 13% premium, customer will he stay? That was my question.

Mohan Goenka:

So our aspirations may not be so high, Abneesh. It has come as a range. But we don't want to dilute our margins. That is very, very clear.

Moderator:

The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki:

So typically, in FMCG companies, we noticed a behavior that when gross margin is under pressure, they curtail the ad spend, so that there is some delivery at the EBITDA margin front. Now this time, we have not done it. Some other companies also in Q2, we are seeing have increased ad spend, even though there is a gross margin pressure. So what should we read into this? Does it mean that now there is a lot of clarity that the input cost is coming down? And therefore, there is a confidence to sort of take ad spend up, or should we read it as that now expense have remained subdued for so

long that the situation has become dire and if we don't do it, then the brands are getting affected.

Mohan Goenka:

Percy, I would say that there is a definite decline in the input costs. The pressure is easing. We are very confident that the markets should improve today or tomorrow. In fact, let me also share that we are happy to see the numbers coming in the last 10, 15 days, post all the holiday season. So there is some buoyancy coming in, in the wholesale markets, particularly for the winter products and it is across the board. So this was in expected lines. If the trend continues for another 30, 40 days, then we are very, very optimistic that you would see some good numbers coming in for everyone. So see, we would have to increase our advertising because you are also right that for quite some time, the advertising was subdued. We are expecting the market to pick up. So this is an important raw material for all of us if you want to grow the market.

Percy Panthaki:

And Mohanji, on input cost, is there any visibility that it has peaked out and now clearly, it is coming down, and adjusted for seasonality, the Q3 input cost will be lower than Q2? I'm saying adjusted for the normal product seasonality.

Mohan Goenka:

Yes, we are very confident, Percy, that the input cost pressure has eased off quite a bit, and there would not be any margin pressures in the third quarter.

Percy Panthaki:

And secondly, on Kesh King, there is a 10% Y-o-Y decline. Now we understand that it is a high base effect. The 3-year CAGR is still quite healthy. But just wanted to ask you on a sequential basis, that is Q1 versus Q2. Normally, there will be some seasonality for Kesh King, right? On a sequential basis, it would either be growing or declining at a particular percentage. So this year also, the Q1 versus Q2 growth or decline, is it in line with what is the normal historic trend?

Vinod Rao:

Yes, there is not much of a seasonality you see. You see a slightly, in fact, a growth in this quarter, primarily because of the festive season. Overall oils grow in this market and especially the value-added hair oils. So in a seasonal point of view, we're not seeing that effect coming into play, really. Overall, the market is sluggish, and we have a sizable rural contribution across our portfolio, and that is where we are seeing pressures. But in the channels where we've invested and which are growing like Modern Trade and e-com, we are seeing healthy growth even on Kesh King which talks about our offtake as being healthy. And this is a temporary effect around the inflationary pressures that we're seeing across and largely due to rural.

- Percy Panthaki:** So, this year, Q2, was it more or less in rupee million terms, the sale value for Q2? Was it the same as Q1 or it has dipped yet?
- Vinod Rao:** Yes, it is same, it is same.
- Moderator:** The next question is from the line of Prakash Kapadia from Anived Portfolio Managers Private Limited. Please go ahead.
- Prakash Kapadia:** Navratna, despite the sales base not being too high, it has actually de-grown. So could you give us some sense what is happening in the Hindi-speaking belt in terms of demand scenario? Is customer addition an issue or repeat purchase an issue for Navratna?
- Mohan Goenka:** Prakash, honestly, this is not just for Navratna. It is across the oil portfolio. You would see there is some down trading. People are not using oils as much as they were using earlier. Also, unfortunately, Navratna, the Extra Thanda oil, which is showing some decline, particularly post COVID because if you remember, COVID, people were very averse of the cold, getting cold because of multiple reasons. So they had stopped using a lot of these products, which caught cold. So since then, we are seeing a little pressure on the Navratna portfolio, particularly on the Extra Thanda. Otherwise, the base Navratna Oil is still growing, but Extra Thanda is pulling it down. But anyhow, I think now that the COVID is completely out of this thing, we are hopeful that in the next season with our new campaign and all, we should see some growth positively coming in the number of that portfolio.
- Prakash Kapadia:** And also if you could give us some sense how are the growth rates between Rural and Urban. Because the way Modern Trade and e-commerce have grown, I'm sure Urban is doing far, far better. So if you could give us some sense on rural and urban growth rate differentials.
- Vinod Rao:** So there is a significant difference between Urban and Rural, and one will have to break it up as retail and overall and then wholesale separately. Wholesale is trending to behave like rural and it typically behaves in a similar manner. So we see the demand challenges, we see wholesale also declining to that effect. But with Modern Trade and general trade retail and e-commerce, we're seeing far ahead. It's actually almost 2x to growth of rural now.
- Prakash Kapadia:** 2x, okay. That's helpful. In terms of amortization, Rajesh, Kesh King, majority amortization is over in the June quarter. So this kind of a run rate of around INR45 crore to INR50 crore should be over the next few quarters in terms of the overall depreciation and amortization?

- Rajesh Sharma:** Yes, right. So this quarter, INR23.5 crore amortization is without Kesh King. This is primarily on account of Dermicool, Creme 21, et cetera. So this would continue for some time.
- Prakash Kapadia:** And lastly, Rajesh, tax rates, we've seen some MAT credit being used in the first half because of which the tax rates are lower. So for '23 and '24, what kind of tax rate should we assume for the whole year?
- Rajesh Sharma:** So we have started accounting for MAT credit since the March quarter last year. And this would happen, I think, for another 2, 3 years. So at least for this year, I think average tax rate should be below 10% kind of. And next year also, we can assume 10% kind of a tax rate only.
- Prakash Kapadia:** Okay, until the time this MAT credit is not fully utilized. Okay, understood. And other OpEx is also up quite sharply. Is there any one-off, Rajesh, in the other OpEx, excluding the ad spend because it's up almost, I think, 44% on a year-on-year basis?
- Rajesh Sharma:** This has also gone up because of the integration of Helios, which became subsidiary from July 1. So the revenues have also come and their other OpEx expenses have also been added up. And apart from that, we have also invested quite a bit on distribution initiatives, which is adding up. And then obviously, some other costs which were not there during the COVID period like travel, et cetera, have also increased compared to last year.
- Prakash Kapadia:** Okay, and partly because sales growth is muted, we are not seeing that leverage coming in?
- Rajesh Sharma:** Right. That's right.
- Moderator:** The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.
- Shirish Pardeshi:** Hearty congratulations for showing a good number. Can you just share the 17% growth what you have delivered? What are the things we can expect that got a benefit in this quarter and what else we can expect more in the international business going forward?
- Vivek Dhir:** I think our growth is a function of many geographies. So our operations exist in Southeast Asia, SAARC, Russia, CIS. So the markets which are more westwards, which is MENA markets, Russia, CIS, we are performing better than the Eastward markets, SAARC and Southeast Asia. So we expect similar type of growth in those regions again. But the Asian side of the business is also turning around and hopefully

should deliver better. And we expect, I think it's not exactly 17%. Somewhat in similar reason between 12%, 13%, 14% growth in quarter 3 as well and going forward. So many initiatives are happening on the brand side, manufacturing side and even infrastructure which we are building in the markets, which continue to yield results for us in coming time periods as well.

Shirish Pardeshi:

I got that. That's helpful. I'm just only trying to relate, Mohanji, you said most of the manufacturing for all tax business will be outside India. So obviously, if the sales momentum is strong and the profitability is going to improve but on the other side, we see the Asian markets, say neighboring market in Bangladesh, which has done well last year, this is not done. So maybe can we expect that second half is going to be better for these all SAARC countries including Bangladesh?

Vivek Dhir:

Absolutely. Say like when you look at absolutely neighboring markets, Sri Lanka has gone through a very, very bad phase. Currency depreciated is very, very sharply in the month of March itself and slow depreciation after that. Volumes dipped. There was hardly any money in the market. So things are coming back on track. We have witnessed from August onwards itself, things are on track, and we should be moving ahead. Bangladesh again has gone through bad phase. The dollar availability is pretty low in the country at the moment. But our fundamental business is doing fine over there. So when we look at the main brands, major brands, all are going at a decent pace. For some of our new initiatives, we are not able to invest in line, and hence, that is pulling us down in that market. Nepal also going through quite a bit of macroeconomic issues which we are working to come around those type of issues as well. So that we protect these markets. Macroeconomic is not in our hands, but our actions to overcome those issues are in our hands. So we are working around that area so that these markets also continue to perform for this.

Shirish Pardeshi:

My second question is on BoroPlus, Mohanji. The growth, which is shown in this quarter, which is 17%, is it primarily because of the winter loading and maybe a follow-up there, that how do you see the season panning out for the winter in the so-called the strong markets of BoroPlus in the North?

Mohan Goenka:

So yes, this is primarily loading, but we are also seeing a good amount of secondaries also coming in because winter has set in well across India. So we are very hopeful. And with the new campaign with Akshay Kumar, we are also going to be aggressive. So hopefully, BoroPlus range should do well. Even the lotions, BoroPlus Soft that we have launched this year, we are going all out as far as BoroPlus is concerned.

Shirish Pardeshi: So the question here is that will we be able to get a better sales than last year, or we will have to manage for the sales, maybe a little more than the last year?

Mohan Goenka: No, no, we are definitely expecting better numbers for BoroPlus. We are expecting a double-digit growth for the year as far as BoroPlus range is concerned.

Shirish Pardeshi: Okay, my last question is on the Healthcare, Gulrajji. We have seen that both OTC Healthcare business has been declining. What is it that we are trying to get it? I mean, one fact is that, yes, COVID contextual products are declining. But on the other hand, we have taken a lot of initiatives. We have put the feet on street and we are trying to do Zandu online. We are trying to expand the distribution. We have done a lot of new launches. So how confident we are I mean, obviously, on a Y-o-Y basis, the number may not look impressive, but in second half should be looking better in our control?

Gulraj Bhatia: So you are right that over the last 2 years, we had seen an exponential growth in some of our key categories in terms of immunity products, et cetera. So we are seeing a base effect in play, and as you said, we've over the last 2 years, invested in increasing our manpower coverage in retail and up-country markets. So we'll definitely see the results of that coming in as we go into the next few months. And we are also focusing on some of our power brands and trying to reduce the dependence on the immunity products. So definitely, probably from the next quarter onwards, we see a much better overall performance in terms of the comparison with last year. The last 2 years, if you see compared to FY19-20, both OTC business and the medical business has been performing well. It's just that the last 2-year base has been a bit challenging for us for this year in terms of the base effect.

Shirish Pardeshi: But just one follow-up here. Would you be able to quantify what kind of business now run rates we are getting from Zanducare online?

Gulraj Bhatia: So I think we have been focusing significantly on launching many digital-first products. And earlier, we had a higher focus or higher dependence on the legacy products, the current products. Month-on-month, the focus on the new products is increasing, which are the digital-first products. So currently, we are seeing a run rate of about INR2 crore, basically, and that will keep increasing month-on-month as we go forward.

Shirish Pardeshi: Okay. Okay. Wonderful. Last question, Mohanji, for the overall guidance. I mean, last time you said that there will be a cut in margins about 200 basis points. Is the commentary which will

prevail for second half or you're still not sure that if winter goes better, we might be able to recover the lost margin?

Mohan Goenka: So I spoke on the margin front, Shirish, and we are confident of delivering around 27% EBITDA margins. That is what is the target that we have taken, which is at par to our pre-COVID core levels. So last year, last 2 years, we all know from 27% to 30% was due to the mix and no pressure on our input costs. But despite of high advertising, despite of everything, we should be able to achieve 27% EBITDA margins.

Moderator: Follow up question from the line of Percy Panthaki. Please go ahead.

Percy Panthaki: Yes, sir, just if you can tell us something about your distribution efforts. And how many new outlets have you added or new villages have you added? Or if you can give some color on whatever we have added, let's say, 2 years ago, what is the ramp-up in those outlets, if it was, let's say, indexed 200, something like that, some flavor on the efforts on distribution, please?

Vinod Rao: So the in the rural project under Khoj, we're doing well. So what we've done this year is looking at the demand. We've not gone on an expansion in the first 2 quarters, but we have consolidated the current footprint. So in all the other KPIs in terms of the value business we get per town and villages, so all the 8,000, 9,000 villages that we added in the past, we're getting 90% repeat rates. So in a sense, all towns added in the last quarter of last year, till date, we are getting 90% of those getting billed every month. And those are some of the efficiencies which are very good metrics that we're seeing. Our value per town or town or village has not dropped. What we've also done is we've optimized the current set of villages. So the 32,000 which we already had and these new 10,000, which is now a total of 42,000 footprint presence, we've been able to save a bit on our van costs. And that we're plowing back into the business and we'll look at expansion from December onwards, and we hope to add around 8,000 to 10,000 more villages taking our entire coverage from 32,000 last year to close to 50,000 by the end of this year.

Percy Panthaki: And on the margins, Mohanji, when you are saying that you are targeting 27%, in that scenario, what kind of ad spends are you also building into our model?

Mohan Goenka: Around 16.5% to 17%.

Percy Panthaki: Okay. And on innovation, what is the sort of target here in terms of new products driving what percentage of your sales? And what is it right now? And in this context, how do you

define new products like some companies defined whatever is launched within last 24 months or 36 months?

Mohan Goenka: Right now, Percy, our contribution from NPDs is roughly about 1%, 1.5%. We are trying to ramp this up significantly going forward. As I said, markets are slightly, once the inflation comes down, markets should also pick up, and we have a significant good pipeline of NPDs, both in Zandu and our existing range. So hopefully, going forward, it should be in the range of about 3% or so. That's what we expect from NPDs.

Moderator: We have the next question from the line of Amit Purohit from Elara. Please go ahead.

Amit Purohit: Just continuing on the previous question on the distribution expansion. Any target that we have over the next 2 years, this is the kind of villages you want to cater to? And also a follow-up on that is the kind of brands or the products which get sold now in the rural considering the fact that there is kind of a muted growth in the overall market. So which are the brands which are doing well for us in terms of repeat purchase that you highlighted?

Vinod Rao: So the immediate target is actually to get to 50,000 villages by the year-end. And that would be a big stride we would have taken from the 32,000 we were 2 years back and we started the expansion only in the last quarter of last year. Going forward, also in the next 2 years, we hope to add in the zones of around 10,000 villages every year, but provided we hit the threshold or cost of sales benchmark that we've set for ourselves. And then accordingly, we will look at add villages. We have a significant wholesale contribution. So in a numeric sense, we deliver that, and there will be a point of time where we won't add direct villages, and we'll keep consolidating the current additions.

Brands, largely all the brands that we've been doing, we have the similar mix that we have in Urban, that we have in rural. It's only the LUP and the mid-pack contributions are higher, and the large packs are virtually very, very low in the rural market. And we're seeing the similar response to what we're seeing in Urban general trade. We're seeing a similar kind of uplifts in brands. Same phenomenon we started seeing post October or even the September, October period. We're looking at winter. We're being stronger. We're seeing a much better performance around our winter portfolio. And yes, so brand mix is not too different. It's only the Healthcare, et cetera. Those contributions are far lower in Rural. Otherwise between Navratna, Balms, Kesh King and BoroPlus, we're seeing a similar kind of a mix.

- Amit Purohit:** And just one more question on the margins. You indicated 27% for FY'23. Beyond that, would you be looking to reinvest behind brands and keep the advertising spend high and keep the margin stable or you would look to get back to closer to around 30% margin or so on back of gross margin expansion?
- Mohan Goenka:** We are committed to invest behind our brands and also to invest behind the distribution channels. Also, we see very healthy growth coming in from the Healthcare channels. So we have a lot of investments to do going forward. And so margins should be in the pre-COVID levels around 27%. If natural margin expansion happens, it happens. Otherwise, you should expect around 27% margins.
- Moderator:** Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference back to the management for their closing remarks. Thank you, and over to you.
- Rajesh Sharma:** Thank you, Percy. Thank you, IIFL, for ending this call. Thank you all the participants for joining us today for our results con call. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of IIFL Securities Limited, that concludes today's call. Thank you all for joining us, and you may now disconnect your lines.

Disclaimer - The following transcript has been edited for language, errors and grammar and therefore, it may not be a verbatim representation of the call