Ref: SEC/SE/2023-24
Date: November 06, 2023

To,

Corporate Relations Department	National Stock Exchange of India Ltd.
BSE Ltd.	Exchange Plaza, 5th Floor
Phiroze Jeejeebhoy Towers	Plot No. C/1, G Block, Bandra Kurla Complex
Dalal Street, Mumbai- 400001	Bandra (E), Mumbai – 400051
BSE Scrip Code: 500096	NSE Scrip Symbol: DABUR

Sub: Transcript of Investors' Conference Call for Dabur India Limited – Q2 FY 2023-24 Financial Results

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Investors` Conference Call organized on November 02, 2023, post declaration of Financial Results for the quarter ended on September 30, 2023. The said transcript is also available on the website of the Company at www.dabur.com.

This is for your information and records.

Thanking You,

Yours faithfully,
For **Dabur India Limited**

ASHOK KUMAR JAIN

Digitally signed by ASHOK KUMAR JAIN
DN: c=IN, postalCode=110092, st=DELHI, street=EAST DELHI, l=EAST DELHI, o=Personal, serialNumber=ecb3e1fdc2a028c70333c2d10a7e968110c5d0645b352ed6dfd1bc6aad8147b3, pseudonym=459e115d99c240908ca599222de2db9e, 2.5.4.20=08443b3bbbcf5f80cd46cc26add8b8bdd652ffd20caa6b7340b03564e4b39dfa, email=ASHOK.JAIN@DABUR.COM, cn=ASHOK KUMAR JAIN
Date: 2023.11.06 12:27:51 +05'30'

(A K Jain)
EVP (Finance) and Company Secretary

Encl: as above

Dabur India Limited

Q2 FY24 Results

Investors Conference Call

November 02, 2023

MANAGEMENT: **MR. MOHIT MALHOTRA - CHIEF EXECUTIVE OFFICER**
MR. ANKUSH JAIN - CHIEF FINANCIAL OFFICER
MR. ASHOK JAIN - EVP(FINANCE) AND COMPANY SECRETARY
MRS. GAGAN AHLUWALIA - VP, CORPORATE AFFAIRS
MR. N. KRISHNAN - DEPUTY GENERAL MANAGER, FINANCE

Gagan Ahluwalia: Good afternoon, ladies, and gentlemen. On behalf of the management of Dabur India Limited, I welcome you to this conference call pertaining to results for the quarter ended 30th September 2023. Present here with me are Mr. Mohit Malhotra, Chief Executive Officer, Dabur India Limited; Mr. Ankush Jain, Chief Financial Officer; Mr. Ashok Jain, EVP, Finance and Company Secretary; and Mr. N. Krishnan, DGM Finance. At the outset, we will have an overview of the company's performance by Mr. Mohit Malhotra, and this will be followed by the Q&A session.

I now hand over to Mr. Mohit Malhotra.

Mohit Malhotra: Thank you very much. Good afternoon, ladies, and gentlemen. Thank you for joining us today for the results call of Q2 financial year '24. While the macroeconomic indicators were showing an improving trend during the quarter, uneven distribution of rainfall and a deficient monsoon impacted rural consumption in quarter two.

However, we expect the uptrend in FMCG consumption to continue driven by new way channels, MSP increases, sustained infrastructure investments, robust crop sowing and onset of the festive season. Dabur's consolidated revenue grew by 10.4% in constant currency terms and 7.3% in INR terms to reach INR3,204 crores. Our international business grew by 23.6% in constant currency terms and 10.4% in INR terms.

The beverage portfolio in the India business was impacted by uneven distribution of rainfalls, especially in North India, which was significant salience in our business. Ex-beverages, India business saw a growth of 6%, backed by volume growth of 5%.

Talking about the categories. HPC portfolio recorded a growth of 5.8% during the quarter. Our Home Care portfolio grew by 15%, led by a strong double-digit growth in our Odonil and Odomos brands.

In the mosquito repellent category, we saw a strong uptick of 556 basis points in market share, taking our share of Odomos to 65%, and our air freshener portfolio also saw a gain of 164 basis points. Dabur Red franchise grew at a high single digit and the recent introduction of Dabur Red Bae Fresh gel is showing good traction in the marketplace. Our market share in the toothpaste category saw a gain of 20 basis points. Hair Care recorded a high single-digit growth in secondary terms, and our share in Hair Oils improved by 143 basis points to reach a level of 17%.

The Healthcare portfolio recorded a growth of 5.4%. We gained market share across the Health Supplements portfolio with Chyawanprash seeing a 45-bps gain and Dabur Honey gaining 64 bps improvement during the quarter. The Digestives category saw a growth of 18.1% on back of robust performance of Hajmola franchise. OTC portfolio witnessed 8.4% growth during the quarter, driven by Lal Tail, Honitus and Dabur Health juices.

Ethical portfolio recorded an 8% growth in the quarter. Our recent initiative of setting up a Therapeutics division is doing well, and we saw baby care sales double and the Therapeutics division recording a double-digit growth. While beverage business saw a 10% decline during the quarter, food business under the homemade brand performed very well with a growth of 40%.

This was further bolstered by Badshah acquisition, which saw high-teens growth during the quarter. Despite the high inflation in spices, we remain committed to exiting the year with a run rate of INR500 crores coming from our foods portfolio. We continue to drive our distribution initiatives. Our direct reach stands at 1.4 million outlets and should increase to 1.5 million by the end of the fiscal year. Village coverage is at a strong 1.07 lakh villages being ably supported by more than 13,000 Yodhas.

The Edge score, which is a marker of the efficiency of the distribution, continues to see improvement and has seen further improvement by 12% in the quarter.

Now coming to our International Business. With moderation and inflation and distribution changes in the international business, the business has seen a strong recovery and registered a 23.6% constant currency growth.

This was driven by a notable increase across regions with MENA region growing at 18.4%; Egypt business growing at 35%; Turkey at 78%; and Bangladesh recording an 11% growth. Our focus on innovation and customer-centric strategies has enabled us to gain market share across categories and countries.

Recently, we made a disclosure regarding litigation against our U.S. based step-down subsidiary, Namaste LLC. Let me assure you that this does not concern any of our Dabur brands or products. This litigation is against the entire hair relaxer industry players, including L'Oréal, Godrej, SoftSheen Carson Namaste Labs, Avalon, Revlon and so many more.

Where it has been alleged that the use of these products leads to harmful effects to health. Namaste disputes the same and stands by the safety of its products. The case has been filed based on an incomplete and an inconclusive study and has absolutely no legal merit. The portfolio in question is less than 1% of our consolidated revenue and we have a product liability insurance in place. The matter is subjudice.

Coming to the consolidated profitability during the quarter. Our gross margin saw a healthy expansion of around 300 bps as we saw material deflation during the quarter. In line with our stated strategy, we have increased our A&P investments by around 43%. We believe that media investments are essential to drive long-term sustainable growth and maintain our market leadership.

The consolidated operating profit recorded a growth of 10%. Excluding the one-off exceptional legal costs, our operating profit grew by 16% and consolidated PAT increased by 14.1%. Overall, the demand scenario is improving. The onset of festive season augurs well for our business, and we will continue to drive profitable growth across our business verticals backed by investments in our distribution network, brands, manufacturing, digital organizational capabilities.

With that, I conclude my address and open the floor for more Q&A. Thank you.

Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy: My first question is on Home Care. So clearly, you start this quarter with double-digit Y-o-Y growth and four years CAGR. My question here is not on Odonil. My question is on Odomos. So other HI players have pointed towards in-home consumption being weak, which I think in your case is more of out-of-home, but still wanted to understand, are there any learnings from this part of the business, which is growing double-digit Y-o-Y and on four years to some of the laggards of your business? And second, this 560-bps gain in market share for Odomos, on what number is such a sharp gain, what is driving this? And your recent foray in terms of the in-home mosquito essentially LVPs, any initial success if you can share?

Mohit Malhotra: Right. So firstly, I think Home Care is a category which is underpenetrated in the country. And I think because the category which is underpenetrated, there is a tailwind of growth which is happening as the country is urbanizing and from metros to mini metros to Class one, Class two towns, the penetration is moving up. And post-COVID, there's opening up of the market, that's why, rightly pointed like you did, that Odomos is more out-of-home consumption as kids move out and there is a learning.

So what is the learning across the category in our juice business. Our Real Juice business was in-house consumption. As we got into PET bottle with out-of-home consumption, it's catching up. So cross-category learning is there, but that's sort of a laggard. Out-of-home consumption is really actually catching up well. So is there a learning in Skin Care also, which is a laggard at the moment. As far as our extension of Odomos into LVP is concerned, early days yet. Most of our distributors have already taken insecticide licenses, and we are rolling out LVP across the board all India.

As of now, we've garnered a turnover, we've just been two months since we've actually rolled out and a turnover of roughly around INR4 crores to INR5 crores, but the category size is around INR2,500 crores as compared to a very small size in which personal application creams operate. We expect good acceptance of this brand extension into LVP because the awareness of the brand is very high. So that's where we are on Odomos and the insecticide category.

Abneesh Roy: Mohit, my second question is on the beverage business. So in Q1, the performance of the cola companies and your performance was in a very tight band, both were weak. But this time, I see a very big disparity where both the pan-India national cola companies are double-digit kind of growth and you are at a double-digit decline. I understand it is not a like-for-like portfolio, but for the customer, it is broader form of a bit similar consumption.

So here, is it a one-off? Is it because of festival impact? I know you alluded towards the North India on an overall company basis, but is North India impacting this part of the business more? But can any proactive steps be taken so that we can close the gap in terms of performance with the overall beverage in terms of the cola companies what they are seeing from a medium, long term, can you close the gap in terms of performance?

Mohit Malhotra: Right. Abneesh, I think festive season impacted us. The festive season has shifted by around 20 days. So a lot of loading, which happens during the festive season, did not happen as far as the beverage business is concerned. And North India got impacted by incessant rainfall, which happened in the month of July. So the business got impacted in the month of July, and we could not cover that up in the month of August where rainfall was lower. But in September, again, the rains kind of caught up and therefore, the loading and the supply chain got impacted.

And north so much because north contribution to the business is more than around 50% for us. That was one factor, festive season, north rainfall. And the third factor was that there is a new player called Storia, which has entered the market which is in coconut water. Our coconut water business got impacted because of that one player.Storia impacted our market share in the modern trade as far as the coconut water is concerned. So we are ramping it up.

We are putting in a capex worth around INR30 crores toINR40 crores. So that the next season, we are able to catch up with the PET bottles in the real wherein coconut water can be launched. While we launched a Tetra Pak, but Tetra Pak in coconut water has not shown us as great a response as may be a transparent aseptic PET bottle. So we are putting up a Capex for aseptic PET bottle to try to cover up the lacuna that we faced in the first and the second quarter.

Abneesh Roy: Sure. And last question will be on the legal thing which you mentioned on Namaste. You mentioned product liability insurance is there. So two sub questions there. In terms of the legal cost, I think, which is fairly large, fairly substantial, any part of the insurance claims can cover that also. And second is, I understand it's an industry-wide impact. So is the collective action also being thought about because a lot of these are company-specific, but then it's a larger industry-wide also. So any industry-wide action, which can lower the legal costs, which can lead to faster solution? Anything of that sort can happen?

Mohit Malhotra: You're right. We have a product liability insurance in place. That insurance actually covers any claims or damages arising out of the legal speed, the estimate of which is not known as yet because we are still in the discovery phase and the final scientific phase and the legal proceedings, court proceeding will determine all that, which is still little time away. It may take another four to six months for that to happen, but we've started incurring the legal costs.

While the insurance is covering a part of the legal cost and some part, we will have to bear. There is a ceiling and the cap on the legal costs there. That's why you see an expense which we have incurred. We've incurred an expense of around INR36 crores in the quarter. But initially, in the discovery phase, expense was higher. Going forward, we expect the expense to be lower in the range of around INR20-odd crores per quarter is the expense that we estimate going forward, but this is our estimation of the expense.

As far as the joint legal pursuit is concerned against the legal case, we have our lawyers and other company lawyers in the industry have got together and created a forum called the joint defence group and they are all working together towards fighting this case. There doesn't seem to be any legal merit to the case because it's based on an incomplete and an inconclusive study, which has got published in a journal, and that is becoming the basis of the legal suit. In the past also, a couple of cases like this have happened and we have a precedence, which works in the favour of the defence, which is us, and we are very confident of winning this case.

As far as Namaste is concerned, we have safety studies in place, which are material in this case, and our products are safe. We and Namaste LLC maintain that our products are absolutely safe and do not harm the consumer health. And this kind of a product has been sold for people of African origins for generations together. And we don't see any legal merit, but the cost will have to be incurred for a time. That's how the legal landscape is actually set up in America. We have to defend it. And that's why we are trying to defend it with capping of the cost as I just alluded to. If I missed a point, Mr. Jain, you could add on. Yes. So that's pretty much from our side, yes.

Abneesh Roy: One last question on the India business. So essentially, India's largest biscuit company today said that even demand situation is challenging. So in that context, spending too much on advertising or say, promotion, doesn't make sense. In your case, 40% plus advertising spends are happening. I understand many other HPC companies are also sharply ramping up and foods is different.

But what would be your thought process given your volume growth, 3% or ex of beverage, say, around 5%, 6% is not something very high. So is -- are we now at the peak of the advertising spend? So if you could comment on that. And which categories are seeing more in terms of the ramp-up on a Y-o-Y basis?

Mohit Malhotra: Yes. So I think overall situation, you're absolutely right. As far as food is concerned, it's more impulse purchase. So they don't spend too much on advertising and building a consideration for your brand and saliency for the brand does not make a ton of sense because more impulse purchase decision is taken on point of sale. Therefore, food companies don't spend. And we also don't spend as much of money in our beverage and our food portfolio. It's more point-of-sale investment.

As far as considered purchases of HPC and HC are concerned, I think their advertising becomes very, very important to build the equity and build the brand into the consideration set. And moreover, bring the brands to the core for the decision-making. There, we feel it's very important. And in the last one, two years, when the inflation was very high, we cut back expenditures. So we are still at around 7.5%to 8%.

We think the band of advertising to sales ratio in this category should be around 8% to 10%. So we will continue to ramp up advertising investments in that category. And in specific, we are talking about more of Oral Care, where we will ramp up, Home Care where we will ramp up. HPC categories is where we will look at more growth. And also in category like Chyawanprash, for which we are having a season.

Because what happens in health care is that attrition happens once the season is out and you have to enrol consumers. For enrolling consumers, some top-of-mind advertising has to be there. So our power brands will see a ramp-up of advertising and not so much in the beverage and the food portfolio, to your point.

Aditya Soman from CLSA

Aditya Soman: So first question on the season. I think you indicated that the season was weaker for juices and Chyawanprash. So are we seeing any sort of pickup in October as we enter the festive season?

And secondly, I think you just mentioned on advertising support for Chyawanprash, so I'm assuming that this will be largely in 3Q and then in 4Q, the support goes back to normal levels. Would that be right?

Mohit Malhotra: Yes, Aditya. So absolutely right. So I think season for beverages was impacted in the second quarter wherein invariably we do loading for beverages for the season to come in the quarter three. This time, because Diwali has got shifted by 20 days, the loading got shifted to quarter three and whatever we lost in quarter two should ideally get compensated in quarter three. I think it's just a shift of season. It is not that season was damp or something. It was just shifting of festivity, which has happened and therefore, loading suffered in Chyawanprash and some amount of Amla and some amount of beverages, which should get compensated in quarter three, I'm pretty positive about that.

And if you look at the quarter three number, October has just gone past, and we've seen our beverage growth at around 10% -odd levels in the quarter already started, wherein it declined at around 9% to 10% in quarter two.. So, as far as advertising is concerned, yes, Chyawanprash advertising should and has already started as the winter has started in the north. We have started our advertising in Chyawanprash and Honey, and it will continue through the quarter three. And in quarter four, it will again abate a little bit.

Aditya Soman: Very clear. And in terms of Home Care, we've seen very strong numbers, in particular, Odonil. Anything to call out what's really driven this -- driven the market share gain?

Mohit Malhotra: So Odonil is in the Home Care category. The penetration of Home Care category is low in the country, as I alluded to before also. And there is a tailwind of a category growth of around 20%. So it's a great category to be in, and we feel as per Nielsen syndicated data, also the category is growing by 20%. Our secondary sale is in the range of around 23%, and its margin-accretive category to us with low competitive intensity. And we have a high capability and a good brand in Odonil.

So we are extending the Odonil brand. So we were present in the PDCB block, from PDCB block, we've extended ourselves into gels. So we launched a gel pocket and the initial feelers from the market, the gel pocket has been received very well. It's a modern upmarket format, uplifting from PDCB blocks to the gel pocket that is doing considerable well in the marketplace. So it's on back of that. In addition, our aerosol format is also doing well. We've introduced a signature variant of aerosols also in the marketplace. So room freshener category is also picking up there. So that's where we are as far as Odonil is concerned.

<u>Arnab Mitra from Goldman Sachs</u>

Arnab Mitra: My first question was on margins. So in most of the commodity benefit of lower commodity costs already in the quarter. And in the context of you having already done a 20.5% margin this quarter, you're obviously seasonally strong in the Q2. Would you now be a lot more confident of holding above a 20% margin for the rest of the year?

Mohit Malhotra: Yes. As far as margin is concerned, we've seen a bit of deflation, Arnab, in most of our categories. But that said, we have not seen too much of deflation in petroleum-linked products.

While there is a deflation in packaging, there is a deflation happening in edible oils. But as you know, the petroleum prices haven't softened to what they were when the inflation cycle had not begun. So LLP prices are still not where they were earlier during the COVID or pre-COVID time. So we are waiting for that to actually soften. And we expect the margin upside to continue to happen for us going forward in the quarter. I did not understand your question very correctly Ankush would you like to add to this?

Ankush Jain: Arnab, what I understood you are saying that 20% will hold in the rest of year. Is it?

Arnab Mitra: Pretty much.

Ankush Jain: Our business is seasonal. Now our operating margin is based on seasonality also. So Q3, it peaks, but Q4 doesn't really touch 20% or thereabout. H2, we'll have to see a blend of both the seasons put together, yes.

Mohit Malhotra: Yes. But that said, we have already given a yearly guidance, and we'll maintain by around 19.5% annual operating margin, and we are committed to this despite the legal cost, which has actually hit by around INR63 crores in the first half.. Despite the recurring legal cost that we will have in the subsequent quarters also, we are pretty confident to what guidance we have given to the market of 19.5%. We'll be either at that or even better than that also. We will try as the commodity cycle is on a deflation sort of trajectory...

Arnab Mitra: Got it. Secondly, Mohit, on Health Supplements. That was one kind of soft aspect in this quarter where you had a flat versus last quarter being like a 5% growth. So anything to call out for why this quarter was softer than last quarter given that the base would be now correcting post-COVID, the impact had started going away. So anything to call out why it was weaker? And any specific factors which you think would drive the growth in the second half?

Mohit Malhotra: Yes. So I think on Health Supplements very clearly, I think the default came in from Chyawanprash. Because of the season shifting by 20 days, Chyawanprash loading could not happen as it happens in the previous years also. So that has got shifted. So as that gets shifted and the winters have also got shifted, I think it should get covered up. As far as Honey is concerned, the second big brand in our supplement portfolio, that continues to gain share and do well. We grew by around 6%-7% in our Honey brand, whereas Chyawanprash actually declined at around minus 7% only because of the season issue, so which I think in the second half should get covered up.

Arnab Mitra: Got it. And just one follow-up question on the legal issue in the U.S. So this 1% of the sales that you have, does that sales get impacted in any way because of the legal challenge or because consumers may be concerned on this product given the case? And secondly, this INR20 crores cost that you said, how many quarters do you think this continues? I'm just trying to understand the period of time in which the legal expenses have to be borne.

Mohit Malhotra: Yes. So there is a little bit shadow cast on the business. If you look at the overall Namaste business, which is roughly around $45 million to $50 million business. Out of that, around 25% of the business is relaxer business. Only the relaxer business is impacted by this and that is continuously getting impacted and there is a delisting, which is happening of relaxers because of the sentiment being negative in the U.S. market. So that business is impacted.

But over the period of past four-five years, we have created a non-relaxer portfolio, which is now almost 75% to 80% of the portfolio and growing at a faster clip as compared to the relaxer portfolio. So we will expedite to build and bolster that non-relaxer portfolio. That said, U.S. contributes to around 60% of the business, 40% comes from outside of the U.S. That relaxer is not impacted. Even in U.K., it is not impacted. There, we'll continue to compensate the same.

As far as legal cost is concerned, we had incurred a cost of around INR30 crores-INR35 crores per quarter in the first half. But going forward, we are capping it. We are trying to cap it at the range of around INR20 crores to INR22 crores per quarter. That is what we've done. We've done some changes as far as our legal attorneys are concerned and also taking up with the insurance companies, etc.

All that is happening and also working in joint defence group to cap the legal costs. So that said, invariably such multi-district litigations in the U.S. take invariably two years if not more, but two years is what we are trying to see that it should take, and this kind of a cost should continue till the time.

Shirish Pardeshi from Centrum

Shirish Pardeshi: Two questions in the beginning. You mentioned during the CNBC interview that there is a rural uptick you are seeing. So specifically, there are two parts of question. One, you alluded saying that the winter has started setting in. So is the north winter or north rural has seen these green shoots? And the second part is that where the rural problems is still not recovered or below expectation?

Mohit Malhotra: Right. So Shirish, overall, I was commenting upon the overall rural sentiment. If you look at the syndicated data also and the same thing we are seeing in our business, rural, if you look at past three quarters, we saw rural in the negative territory. From negative, it moved to positive at around 0.4 in last-to-last quarter, then it moved to 4%. From 4%, it's moved to 6.7% in terms of volume. So the trajectory of rural is only getting positive as you are lapping over the lower basis and those lower basis will continue for some time.

And I think rural will continue to gain traction, albeit it's happening slowly, but it will happen surely. With MSP increases that the government is announcing, with the election season coming up, some softs will happen. Infrastructure investment is sustaining by the government, direct benefit transfers are in place.

So I think on back of all this and rainfall in the crop proceeding has also been good for the winter crop. So on back of all this, I think rural will grow. And we have seen our trajectory also in rural kind of sustaining. But that said, rural is lagging urban, and we have seen in our business also the new way channels like modern trade, e-commerce are growing at a much faster clip and GT business is not doing so well. If you look at the distribution of how rural is faring, I think rural -- the worst is in south of India.

In south, rural is getting impacted the most because that is where the monsoon also got impacted if you look at distribution. So south is lagging in rural. Followed by south, it is, I think, west and then it is north and east. So that is where we are seeing a little shoe pinching in south for us, at least for Dabur. I can't comment upon the other companies. But South India, for us, is lagging quite a bit. But I think north -- with winter coming in, north should pick up.

And UP, Bihar and central region, Madhya Pradesh, they should tend doing better as compared to the South India. Because in south, we are also impacted by a little bit of credit in the market because the money is not there in the hands of the consumer. And because the money is not there, the credit extensions are also picking up, the payment is not coming back. So a little bit inventory issues are also happening in our South India.

Shirish Pardeshi: Okay. One follow-up here in the rural part, but you mentioned that when the winter is setting in, you mean to say that the winter loading for our products -- our kind of business has now started with the ease in the north.

Mohit Malhotra: Yes, absolutely. Chyawanprash where north is very salient, I think, which got impacted in the last quarter, should pick up now.

Shirish Pardeshi: Okay. So now the question on health care is that though second half last year was weaker and base is now becoming normalized. So can we expect against 5% growth what we have seen in quarter two in health care should be double or high double digit?

Mohit Malhotra: I can't say high double digit, but maybe high single definitely as the season is approaching. So high single is what we expect because it all depends upon the power brands. Because while the rest of the portfolio is there, that is trending up at around high double digit, whether it's ethical portfolio or it's a branded ethical portfolio or OTC portfolio that will continue to grow. But till the time, the power brands like Chyawanprash and Honey fire, I don’t think it's going to get to a high double-digit growth in health care. So Chyawanprash is where I think the bus actually stops for us. So we just hope that Chyawanprash business trends up well in the quarter 3.

Shirish Pardeshi: Okay. My last question is on the International Business. You've fantastically delivered a very strong growth despite the challenges in the Middle East. I mean, most of the companies are highlighting there is a crisis. But just if I extend your thought, how we should look at second half? If the momentum remains there, the inflation is subsiding, the margin trajectory is also there. So maybe a quick comment on how we should look at the overall revenue growth and margin trajectory in the second half for the International Business?

Mohit Malhotra: Yes. So, I think in the topline, we will expect a double-digit growth and a high double-digit growth in constant currency. Currencies that we don't know what kind of depreciation that they will go through. But high double-digit growth is what we are expecting in International Business going forward in the second half also. But I will give a caveat here. With the situation developing in Middle East, which is although Palestine is immaterial for us, we don't have too much of business coming from Palestine, it's a INR3 crores per quarter. That's a very small, negligible business, and that doesn't impact our business. But as the situation develops, it's a wait-and-watch situation for us.

As of now, we are not impacted. But if the war spreads to the whole region, then the business can come into a little bit of frenzy and we will have to wait and watch. But at the moment, I think the way things are, I think we are very comfortable to say that double-digit constant currency growth will continue. And what we've delivered in the first half, we will deliver in the second half also despite the legal cost, which is hitting International Business only. So this entire INR63 crores hit International Business. And yet, it has delivered the business despite a little bit of cloud on the Namaste business also because of relaxers.

Shirish Pardeshi: Any word on margin?

Mohit Malhotra: So margin, there's a deflationary trend there in International Business. We have seen our gross margins improve by around 600 basis points. There was a 300-basis point in consol that you've seen in GP going up, but in International it has gone up by 600 basis points because it's entirely HPC business and the entire basket of commodities of HPC business are kind of deflationary whether it's petroleum-linked, specialty chemicals or it is a little bit of edible oils that the guys use. So that entire thing is deflationary. This deflation trend will continue and margin upside on gross margin will, again, keep trending up in the second half also.

Amit Rustagi from UBS

Amit Rustagi: Just on the legal cost, when you mentioned that the legal costs are insured or the impact of outcome is insured, can you elaborate on that? Like whatever cost you will be incurring, will there be any recovery in some of these costs or these are like the legal expenses that cannot be recovered from anyway?

Mohit Malhotra: So there are two elements of legal cost, Amit. One is the legal cost, which will happen, which are the damages, which the plaintiffs will kind of put on to the company. The estimation for that is not known, and that will happen at a later stage of the case when there will be court proceedings. As of now, the cost that we've incurred is the cost of hiring a defence counsel and this is a legal cost. And that a part is recoverable, a part is not recoverable out of this. But the majority part of what we've already incurred is something which is really not recoverable.

Amit Rustagi: Okay. And when you mentioned like from the next quarter, it will come down to INR23INR24 crores. So will that have some component of recoverable part? Or is it still a non recoverable part going forward?

Ashok Kumar Jain: I have to clarify what happens when the insurance company take up the defence on your behalf. When they take up the defence, they engage the lawyer, kind of an average lawyer or it caps the fee. If somebody wants to defend its position in a better way, they want to engage the best of the layer in the class. So then there will be a certain higher cost than what insurance company reimbursed.

So this is that cost which we are going to incur. Why the cost will be lower going forward is that in the initial phase, there is a discovery phase. A lot of documents of the company are studied and the lawyers gain the information and then they submit in the court. So during that phase, the costs are high. Now that first phase is almost going to be over. So slowly, these costs will come down over the subsequent quarters. Then it will be more of a litigation cost.

Amit Rustagi: Okay. Okay. Got it.

Mohit Malhotra: Yes. But Amit, just to tell you, for example, an insurance company will cover a cost of around $300 per hour for a legal counsel, if we incur a cost of more than that, that balance has to be borne by the company themselves. And this is that kind of a cost. And to Mr. Jain's point, I think the discovery phase expense is more and post-discovery fee expense will be limited. That's why from INR36-odd crores, it will go down to around INR20 crores.

Amit Rustagi: Okay. Got it. And among the new and like new product launches, NPDs, do you think any material NPD where you think that brand extension is working quite well and can be a sizable opportunity for us in the near term? Any new products where you think that we should be very, very -- there is a lot of positivity around that new product launch.

Mohit Malhotra: Yes. So I think we - in HPC, we rolled out Cool King as a brand. I think first year itself; it will be doing around an exit of around INR20 crores. We launched a Bae Fresh gel as an extension of Dabur Red, that's got great reception in the marketplace around INR25 crores turnover that we will do there. LVP extension of Odomos is early days yet, but we've launched it on INR10 crores. In health care, we've done baby care. Baby care on back of setting up an advocacy team, we have already done a turnover around INR20 crores-INR25 crores. We'll exit the year at around INR50 crores turnover.

So I think that's a big call out and is doing exceedingly well. Tea is getting good traction of around INR15 crores we've already done. Hajmola variants that we rolled out Chatcola, Limcola, etc, have done INR50 crores sales. In food business, our coconut water introduction in the Tetra Pak has already gone at INR20 crores in the season.

And I think full year, we've also ordered a capex for the PET bottles that I alluded to earlier, wherein a new private equity players has done well. So I think that as and when we catch the next season, hopefully, in the coming summer, if we are able to catch it, then we should be able to ramp that up. Fizz is doing well for us. We've got a turnover of around INR20 crores in Fizz and PET bottles around INR25 crores. These are the call outs for the NPDs doing well for us.

Amit Rustagi: Okay. Great. Great to know this. Thanks, Mohit, and wish you and entire team a Happy Diwali.

Mohit Malhotra: Thank you, Amit. Happy Diwali to you, too. Thank you.

Gagan Ahluwalia: Thank you for your participation in this conference call. The webcast audio recording and transcript of this call will be available on our website. Thank you and have a great evening ahead and wish you a very Happy Diwali. Thank you.