FIRST LIGHT

09 July 2026

RESEARCH

BOB ECONOMICS RESEARCH | PRICE PICTURE

June-CPI to reflect surge in food price

AUTOMOBILES | Q1FY27 PREVIEW

Cost inflation drags margins; demand momentum a respite

REAL ESTATE (FLEX-WORK) | Q1FY27 PREVIEW

Robust demand for Flex; improved utilisation to drive growth

SUMMARY

INDIA ECONOMICS: PRICE PICTURE

BoB Essential Commodities Index (BoB ECI) has risen at its sharpest pace since Mar'25 by 2.4% in Jun'26, on YoY basis. In Jul'26, the build-up is even higher (first 6-days) at 2.9%. Thus, inflation faces pressure from food prices. International food prices continue to remain elevated. Given the recent developments around pick up in South West monsoon, kharif acreage and reservoir level, a careful monitoring is needed of the spatial distribution of rainfall as well as of El Nino conditions in the coming days. The overall reservoir storage position as on 2 Jul 2026 is at lower level as the Normal storage for the corresponding period.

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AUTOMOBILES: Q1FY27 PREVIEW

- Volume growth across segments healthy, driven by small cars in 4W and premium/scooter segment in 2W. Hyundai volume falls YoY/QoQ
- Commodity cost inflation partially offset by price hikes, though gross and EBITDA margins down by 200bps YoY/QoQ for coverage universe
- Tractor and 3W volume gains stay robust in Q1, despite monsoon and geopolitical concerns; margin pressure across segments to continue

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REAL ESTATE (FLEX-WORK): Q1FY27 PREVIEW

- Flex-Workspace operators — now the largest cohort of occupiers — accounted for ~27% of the total office leasing
- Larger leasable area (+26% YoY), higher occupancy (+154bps YoY) and VAS revenues to drive EBITDA margins (+134 bps YoY)
- Larger operational leasable area and improved utilisation to drive revenues (+34.8% YoY), resulting in EBITDA growth of +37.5% YoY

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PRICE PICTURE

08 July 2026

June-CPI to reflect surge in food price

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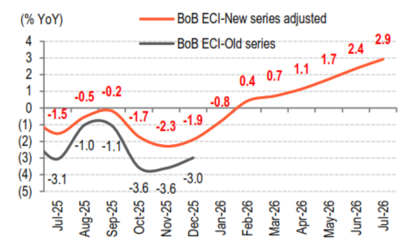
BoB Essential Commodities Index (BoB ECI) has risen at its sharpest pace since Mar'25 by 2.4% in Jun'26, on YoY basis. In Jul'26, the build-up is even higher (first 6-days) at 2.9%. Thus, inflation faces pressure from food prices. International food prices continue to remain elevated. Given the recent developments around pick up in South West monsoon, kharif acreage and reservoir level, a careful monitoring is needed of the spatial distribution of rainfall as well as of El Nino conditions in the coming days. The overall reservoir storage position as on 2 Jul 2026 is at lower level as the Normal storage for the corresponding period.

Against this backdrop, we expect CPI to settle at 4.3% in Jun'26, with risks tilted to the upside. To get an idea about the calculation of the index, refer to our previous edition of BoB ECI.

Price picture using BoB Essential Commodity Index-Adjusted for new base year:

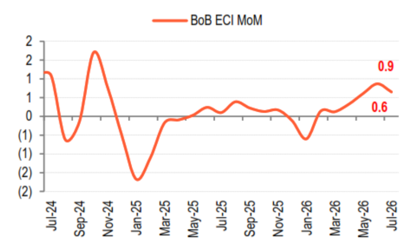
- BoB ECI rose at its highest since Mar'25 by 2.4% in Jun'26, on YoY basis. Among 20 items, 17 items witnessed increase in inflation rate. Among them, the steepest increase was seen for onion, edible oils, pulses and cereals. Onion retail prices surged to a 15-month high to 2.3% in Jun'26 after declining by (-) 5.6% in May'26. Within pulses, both gram and tur dal prices have contracted at a much slower pace in Jun'26. Price of urad dal registered a steady increase for the same period. The edible oil prices continue to advance.
- Sequential picture: BoB ECI inched up by 0.9% in Jun'26, fastest pace since Nov'24. The price increase was broad based. Majority steepness was visible for onion, potato, edible oils (except groundnut oil), rice and pulses. Some sequential momentum was also visible for other miscellaneous items such as milk.
- Jul'26 trend: For the first 6 days, BoB ECI rose at a faster pace by 2.9%, on YoY basis. On a MoM basis, it has risen by 0.6%.

Figure 1: The new BoB ECI has been picking up sharply on YoY basis…



Source: CMIE, Bank of Baroda Research, Note: For Jul'26: *for the first 6 days

Figure 2: …On sequential basis (MoM) some moderation is noted



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- **Commodity cost inflation partially offset by price hikes, though gross and EBITDA margins down by 200bps YoY/QoQ for coverage universe**
- **Tractor and 3W volume gains stay robust in Q1, despite monsoon and geopolitical concerns; margin pressure across segments to continue**

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PV demand strong; margin pressure persists: Passenger Vehicle (PV) OEMs under our coverage (MSIL/MM) will likely deliver healthy revenue gains of ~41%/20% YoY, led by resilient SUV demand, entry-level recovery and stable retail sales. MSIL volumes outperform (29% YoY gains), HMIL stays subdued due to its ageing portfolio. Margins are likely to remain under pressure owing to commodity inflation, product development cost and EV investments, despite calibrated price hikes.

2W demand supported by scooters, premiumisation & exports: 2W OEMs are expected to post healthy revenue growth led by BJAUT and TVSL (~35% YoY), HMCL (~33% YoY) and EIM (~26% YoY). Demand is driven by scooters, premium motorcycles, exports (mixed across OEMs) and EVs. Commodity inflation, EV investments and brand spends will likely weigh on margins, partly offset by a healthy mix, operating leverage and selective price hikes.

CV demand mixed despite buoyancy: AL is expected to report ~15% revenue growth, with LCV demand remaining healthy while MHCV demand moderating amid slower institutional ordering and mixed freight activity. Lower tonnage to add to margin woes. Exports are expected to remain volatile, despite the recovery in select export markets. Margins are likely to stay under pressure from commodity inflation as well as an adverse product mix; partially cushioned by price hikes as also a higher aftermarket contribution.

Tractors in fast lane despite delayed monsoon: Tractor demand remained strong, supported by kharif sowing and healthy farm economics. VSTT (24% YoY) led the growth in volumes, followed by ESCORTS and MM (~21%/18% YoY respectively). Margin pressure from commodity inflation and higher investments will likely be partly offset by cost optimisation and calibrated price hikes.

Top picks: MSIL and MM continue to be our preferred picks. Reasonable/higher valuations drive our neutral view in the 2W segment. We assign SELL rating to ESCORTS and VSTT.

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Robust demand for Flex; improved utilisation to drive growth

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- **Larger leasable area (+26% YoY), higher occupancy (+154bps YoY) and VAS revenues to drive EBITDA margins (+134 bps YoY)**
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Largest cohort of occupiers: Over Q1FY27, ~24.6msf was absorbed (+22.2% YoY), with GCCs continuing to be the primary demand anchor (accounting for ~42% of total absorption) and ~21msf (+22.8% YoY) of office space was delivered. **Flex-Workspace operators accounted for ~27% of the total space absorbed over the quarter**, with leasing concentrated in core micro-markets (BLR, HYD and PUN). Flex-workspace operators were also the largest occupiers of Grade B assets, as they work to re-position well-located buildings as premium managed workspaces.

Robust growth in leasable area: Over Q1FY27, we expect flex-workspace operators under our coverage to expand operational leasable area by ~26% YoY (in line with ~26% CAGR over FY24-26). We believe that **a majority of this expansion is likely to be speculative**, as operators continue to expand aggressively to capture demand from GCCs and domestic enterprises. As a result, we **expect blended occupancies to be under pressure** (expect occupancy gains to be limited to ~+154bps YoY).

Higher VAS revenues to drive margins: Higher occupancies are likely to aid operators in generating higher VAS revenues from tenants. We expect VAS revenues to make up ~15% of total revenues, helping operators improve EBITDA margins by ~+134bps.

IT/ITeS tenancy risk persists: IT/ITeS tenants remain the largest cohort of tenants in operators' portfolios. Considering productivity gains delivered by the advent of AI, we believe that incremental leasing by IT/ITeS tenants is likely to subdued.

EBITDA growth of ~+37.5% YoY: We expect operators under our coverage to report higher revenue (~+34.8% YoY), on the back of larger operational leasable area, improved utilisation and higher VAS revenues, resulting in EBITDA growth of +37.5% YoY. We believe that the **operators that can deliver sustainable growth (with improved occupancy) in leasable area are better positioned to outperform**; prefer WEWORK and SMARTWORKS.

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