

RESEARCH**BOB ECONOMICS RESEARCH | GLOBAL COMMODITY PRICES**

How global commodity prices fared during the war

EMS | Q4FY26 REVIEW

Demand recovery in sight; margin quality a near-term drag

SUMMARY**INDIA ECONOMICS: GLOBAL COMMODITY PRICES**

Since the outbreak of war between US and Iran at the end of Feb'26, global commodity prices have risen notably till May'26. Apart from war related concerns, we observe that adverse weather conditions have also impacted prices of grains and raw materials like cotton and rubber. Strong demand for renewable fuels, metals is also adding to price pressures. In this note we have explored how commodity prices have moved between Feb and May'26 this year, compared with last year.

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EMS: Q4FY26 REVIEW

- RAC weakness on weather/BEE destocking masked channel normalisation; early sell-through and hikes set up the FY27 rebound
- Cost inflation and rupee depreciation could pressurise margins, with price hikes likely to lag
- Roll-forward to Jun-28EPS with multiples and ratings broadly unchanged. Amber remains our preferred pick

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GLOBAL COMMODITY PRICES

16 June 2026

How global commodity prices fared during the war

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Economist

Going forward, we believe that prices may remain elevated even in the next few months as it will take some time for supply chains to completely normalise even after the war ends. For India, the impact will be felt on WPI, which is expected to average between 7-8% in FY27.

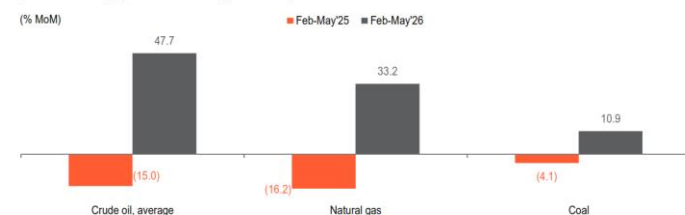
Since the outbreak of the war between US, Israel and Iran on 28 Feb 2026, markets entered a new volatile era from Mar'26 onwards. By 1 Mar 2026, Iran had attacked neighbouring Gulf countries which housed US military bases and by 4 Mar 2026, it had claimed full control of the Strait of Hormuz and announced a blockade for all commercial ships. Since then, commodity prices have remained elevated.

Impact on energy prices:

World Bank's pink sheet data shows that between Feb'26 and May'26, the headline index (nominal US\$, 2010=100) for all commodities has registered 30.7% increase, following (-) 10.9% decline last year during the same period. This was a result of sharp rise in crude oil prices, which not only increased the input cost of other materials but have also led to higher freight cost.

The energy price index rose the most by 44.9% this year (Feb-May), after declining by (-) 15.2% last year during the same period. Crude oil prices on an average increased sharply by 47.7%, and natural gas prices (average of US, Europe and Japan) registered 33.2% increase between Feb-May'26. Coal prices too inched up by 10.9%, after recording (-) 4.1% decline last year. Coal prices have been impacted through secondary effects. As price of diesel goes up due to rise in crude oil prices, transportation cost of coal is also pushed higher.

Figure 1: Energy prices under significant pressure



Source: World Bank Pink Sheet, Bank of Baroda Research



Demand recovery in sight; margin quality a near-term drag

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- **Cost inflation and rupee depreciation could pressurise margins, with price hikes likely to lag**
- **Roll-forward to Jun-28EPS with multiples and ratings broadly unchanged. Amber remains our preferred pick**

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RAC contract manufacturers had a weak quarter, due to supply: PGEL and EPACK saw revenue decline of 10% and 8% YoY, as RACs revenue declined 12% and 33% respectively, hit by weather, BEE-led destocking and, for PGEL, roughly Rs 4.2bn of LPG and truck disruption. Amber was the outlier, with CD up 9% on wallet-share gains. We read the weakness as largely supply- and pre-buy-due to BEE ratings led rather than a demand washout.

Channel inventory has normalised, pointing to an FY27 base-effect recovery: Inventory has unwound from a ~5mn-unit peak to ~4.0mn units, with PGEL and EPACK both flagging firmer April-May sell-through and 15-20% price hikes already passed through. The industry expects ~15% Q1 volume growth off a weak base. We believe FY27 demand recovers, though the cycle read diverges, with PGEL framing FY26 as a washout while in our view, Amber absorbed the same market.

Smartphone weakness was price-led, margin dilution optical as higher costs were passed through and conversion income stayed stable: Dixon's revenue was broadly flat as memory-led ASP inflation suppressed mass-segment demand rather than share, with FY27 volumes guided flat (ex-Vivo) plus 12-15% led by pricing. Localisation is the structural story camera modules scaling to 190mn units and the HKC display JV reaching mass production by Q4FY26 though we expect component accretion to offset PLI expiry only from H2FY27. Vivo approval remains the key upside swing.

Diversified EMS compounded, but execution now separates: Syrma grew 58% YoY on exports, auto and railways, guiding to 35% FY27 growth off an Rs 66bn book. Avalon delivered 40%, staying capex-light. Kaynes decelerated to 26% as an EV OEM cut volumes and orders slipped, withdrawing guidance despite a Rs 90bn book a timing-led miss that nonetheless raises execution-credibility questions given FY26 delivery trailed its own cut guidance.

Recommendation snapshot

Ticker	Price	Target	Rating
AMBER IN	7,811	9,300	BUY
DIXON IN	12,235	12,000	HOLD
EPACK IN	231	310	BUY
PGEL IN	527	610	BUY
SYRMA IN	1,299	1,250	HOLD

Price & Target in Rupees | Price as of 16 Jun 2026



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HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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