

INDIA URBAN FOOD INDEX

Cooling Food Costs; Policy Holds Course

Our February 06 update of the India Urban Food Index shows a decline to ₹925 (-2.2%), marking the sharpest correction in recent weeks, even as volatility rose to 51.59 and affordability improved to 1.39%. The pullback was led by vegetables — with tomato, onion and potato prices easing on improved arrivals. Healthy Rabi sowing progress, steady wholesale market arrivals and adequate buffer positions continue to anchor the supply backdrop despite localized fluctuations.

The latest move reinforces a gradually improving inflation configuration, supported by lower food costs and a relatively stable rupee that tempers imported price risks, even as global energy markets remain fluid. Against this backdrop, the Reserve Bank of India has maintained the repo rate at 6.25%, signalling a cautious, data-dependent pause while monitoring liquidity conditions and external volatility. For policymakers, the durability of supply-side easing and currency stability will determine whether price pressures continue to ease, while markets will watch for persistent cooling before pricing in a clearer shift in the rate trajectory.

INDEX SNAPSHOT

National Average

₹925

Fell 3.2% from the last reading (₹956), marking the sharpest correction in recent weeks and the lowest level recorded to date.

Volatility

51.59

Rose 2.0% from 50.56, indicating slightly higher dispersion across cities. While above the long-term average of 48.19, the movement remains within historical norms.

Affordability (%)

1.39%

Declined by 5 bps from 1.44% (-3.5% WoW), reaching its lowest reading to date. The improvement places household food expenditure well below the historical average of 1.49%.

INDEX HIGHLIGHTS

- Vegetables:** Tomato prices witnessed a steep decline as a bumper crop led to significant oversupply in the market, resulting in a sharp price collapse. Onion and potato prices also moved lower alongside tomatoes. The decline was driven by unhindered supplies of fresh local produce after the winter chill subsided. Additionally, a post-festive dip in demand following Makar Sankranti and Saraswati Puja contributed to the downward pressure.
- Pulses:** Chickpeas prices remained unchanged, maintaining the lower band established earlier in the year, suggesting adequate domestic availability. Red lentils prices declined further, extending the gradual downtrend observed in recent weeks.
- Animal Proteins:** Chicken prices receded further, consolidating after early-January volatility. Egg prices declined sharply, suggesting softer seasonal demand. Milk continues to act as an anchor in the food basket, with prices remaining range-bound, with only marginal fluctuations in recent weeks.

INFLATION OUTLOOK

The Indian rupee ended modestly higher, closing at ₹90.36 per U.S. dollar, up 0.1% from the previous session, after foreign banks' dollar sales and the unwinding of intraday short positions lent support. The currency was unable to sustain gains beyond the 90 mark as importers stepped in to purchase dollars and corporates continued hedging their exposures, capping appreciation. The prior session had seen weakness driven by NDF-related dollar demand, even as optimism around the India-U.S. trade deal spurred expectations of renewed foreign inflows. Regional cues remain cautious, with softer Asian currencies and risk-off sentiment in equities underpinning intermittent dollar strength.



On the energy front, Brent crude hovered near \$67.55 per barrel, even as Indian refiners recalibrated sourcing strategies amid sanctions pressures and ongoing U.S.-India trade negotiations. State-run refiners such as Indian Oil Corporation and Bharat Petroleum Corporation Limited, along with private major Reliance Industries, have reportedly from fresh Russian oil purchases for upcoming loading cycles, though some earlier cargoes remain scheduled. Reliance has additionally procured 2 million barrels of Venezuelan crude from Vitol — its first such purchase in nearly a year — following renewed U.S. licensing arrangements. The shift underscores a diversification push as refiners balance trade diplomacy, sanctions compliance and supply security in a relatively stable global price environment.

Domestically, liquidity conditions remain a focal point. Banks have urged the Reserve Bank of India to ease certain liquidity coverage norms amid persistent deposit shortfalls and elevated bond yields, despite substantial policy easing over the past year. The RBI's Monetary Policy Committee kept the repo rate unchanged at 5.25%, retaining a neutral stance while emphasising that future policy will be guided by evolving growth and inflation dynamics under the new data series framework.

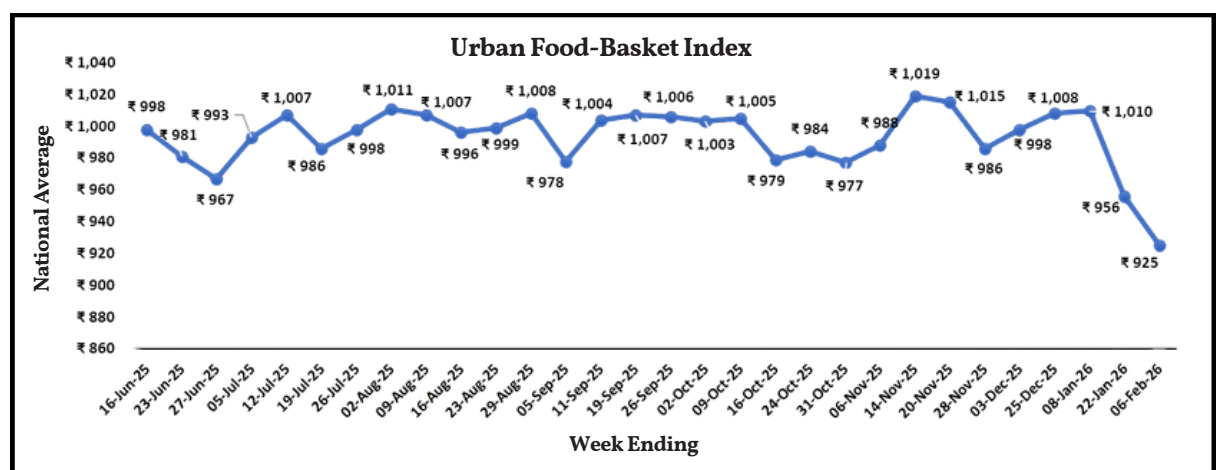
SUPPLY FUNDAMENTALS

Sowing & Crop Progress	Robust (total area coverage is up by 15.88 lakh hectares YoY)
Market Arrivals	Steady (balanced inflows across cereals, pulses and oilseeds)
Buffer Stock Position	Adequate (stable foodgrain inventories and healthy opening balances)
Reservoir Status	Improving (live storage is up by 10.03% YoY)
Rainfall & Field Conditions	Supportive (weather conditions continue to align with prevailing seasonal patterns)

KEY IMPLICATIONS

The policy backdrop suggests a deliberate pause by the Reserve Bank of India, with the Monetary Policy Committee opting to retain the repo rate at 5.25% while maintaining a neutral stance. Having delivered cumulative easing over the past year, the central bank appears to be prioritising macro stability amid evolving global uncertainties and shifting trade dynamics. The forward path of policy will likely remain data-dependent, with growth momentum, external sector developments and inflation trends under the new series framework shaping the scope for any future adjustment.

INDEX TRAJECTORY



Average 10-item basket prices across 21 cities from 16-Jun-25 to 06-Feb-26

INDIA URBAN FOOD INDEX

METHODOLOGY & SCOPE

The India Urban Food-Basket Index tracks retail prices of ten everyday food items at fixed quantities across 21 major Indian cities, using prices sourced from the Blinkit app to provide a consistent and comparable measure of what urban households pay at checkout. By holding quantities constant—from staple vegetables to protein items—the index offers a reliable benchmark for tracking changes in retail food prices over time. With food items accounting for roughly 45% of India's CPI basket, even relatively small movements in these prices can have a material impact on headline inflation and influence the Reserve Bank of India's policy assessment.

Published on a fortnightly basis, the index is designed to capture emerging price trends driven by factors such as monsoon disruptions, supply bottlenecks, seasonal shifts, and currency movements well ahead of their reflection in official monthly CPI data. Each update integrates the latest price point into the existing time series, enabling precise period-on-period comparisons and clearer trend identification. In parallel, the analysis also tracks movements in the exchange rate and global crude oil prices—key non-food components accounting for the remaining share of the CPI basket—ensuring that the broader inflation environment is assessed in a comprehensive and forward-looking manner.

INDEX DATA: INCEPTION TO DATE

Week Ending	National Average	Volatility	Affordability %
16-Jun-25	₹ 998	52.39	1.50%
23-Jun-25	₹ 981	51.24	1.47%
27-Jun-25	₹ 967	51.38	1.45%
05-Jul-25	₹ 993	67.93	1.49%
12-Jul-25	₹ 1,007	52.04	1.51%
19-Jul-25	₹ 986	51.26	1.48%
26-Jul-25	₹ 998	58.73	1.50%
02-Aug-25	₹ 1,011	56.11	1.52%
09-Aug-25	₹ 1,007	48.30	1.51%
16-Aug-25	₹ 996	49.28	1.50%
23-Aug-25	₹ 999	42.83	1.50%
29-Aug-25	₹ 1,008	55.42	1.51%
05-Sep-25	₹ 978	46.93	1.46%
11-Sep-25	₹ 1,004	47.16	1.51%
19-Sep-25	₹ 1,007	49.62	1.51%
26-Sep-25	₹ 1,006	48.00	1.51%
02-Oct-25	₹ 1,003	27.69	1.51%
09-Oct-25	₹ 1,005	39.39	1.51%
16-Oct-25	₹ 979	48.65	1.47%
24-Oct-25	₹ 984	51.63	1.48%
31-Oct-25	₹ 977	58.33	1.47%
06-Nov-25	₹ 988	62.99	1.48%
14-Nov-25	₹ 1,019	38.25	1.53%
20-Nov-25	₹ 1,015	32.64	1.52%
28-Nov-25	₹ 986	42.15	1.48%
03-Dec-25	₹ 998	41.83	1.50%
25-Dec-25	₹ 1,008	28.51	1.51%
08-Jan-26	₹ 1,010	42.75	1.52%
22-Jan-26	₹ 956	50.56	1.44%
06-Feb-26	₹ 925	51.50	1.39%

DISCLAIMER

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ABOUT EAGLEWOOD CAPITAL

The Dovetail-Eaglewood-India Fund is a Mauritius-based Category I FPI that serves as a gateway for global investors to tap into India's growth story. Our mission is to offer investors a compelling opportunity to capitalize on India's economic momentum. The Fund is managed by Dovetail Capital, with Eaglewood serving as the Fund's Investment Advisor.

Eaglewood is a contrarian investor: we apply fundamental research and proprietary models to allocate capital to overlooked Indian equities and operate a rigorous risk framework that protects capital and supports tactical deployment into catalyst-driven opportunities.

Dovetail is one of India's largest fund administrators, with over USD 2.2 billion in assets under administration; its investment manager, DIM, serves as the Fund's IM and manages an asset base exceeding USD 0.5 billion across multiple funds and mandates. In this critical role, DIM acts as the Fund's operational backbone, overseeing middle- and back-office functions and coordinating all aspects of fund operations.