

Indian Smallcaps Deliver A Stunning Opening In The First Over Of T12 FY27



Capturing Mr. Market's Movements And Moments

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Indian Equities to Crash on Iran War? – April 26 Headlines...

CNBC Inside India newsletter: The worst might not be over for Indian equities – 1st April 2026

Bloomberg: Global Funds Flee Indian Stocks at Record Pace on Growth Fears – 10th April 2026

Mint: HSBC to JPMorgan, Goldman Sachs: Why are foreign brokerages downgrading India? – 28 April 2026

...Indian Small caps Deliver Stunning performance in the month of April 2026

Index	April'26-Return
Nifty Smallcap 250	13.4%
Nifty Microcap 250	16.2%

Bharat Vector	April'26-Return
Bharat Small 250	21.10%
Bharat Micro 250	23.21%
Bharat Nano 250	25.20%
Bharat Pico 250	24.34%

Framing Mr Market's Movements And Moments

The markets witnessed something unexpected but highly rewarding for the investors in the first month of this financial year. This note aims to assess this unexpected and unusual moment from a fundamentals-first lens. We first revisit the macro, top-down noise playing out during and before the month gone by, then we present the varying movements observed across the market cross-sections and then focus on the fundamental factors that actually matter.

Part 1: Macro Backdrop Largely Unchanged Over the Past Month

As we enter the new financial year, the first month has delivered strong returns across market segments. This comes despite a backdrop filled with negative macro narratives. Concerns around geopolitical tensions, inflation, currency depreciation and elevated commodity prices have remained front and centre.

Foreign institutional investors have continued to be persistent sellers, with cumulative outflows of ~₹1.75 lakh crore in CY26 so far, including ~₹44,000 crore in April alone.¹ At the same time, the rupee has remained under pressure, depreciating to record lows near 95 per US dollar, driven by rising oil prices and sustained capital outflows.

Geopolitical risks have intensified with the ongoing Iran conflict, which has pushed crude prices higher, with Brent moving into the \$110–115/bbl range and at times spiking even higher. This has had second-order effects through higher input costs, pressure on trade balances, and risks to energy availability, including potential gas supply constraints.

Particulars	31-Mar-26	30-Apr-26
Rupee vs USD	93.5	95.2
Brent Crude Oil (USD/Bbl)	104.1	111.6
Bloomberg Commodity Index (USD)	135.2	141.0
S&P GSCI	745.2	777.2

Inflation ²	28-Feb-26	31-Mar-26
CPI Inflation India	3.21%	3.40%
Inflation USA	2.40%	3.30%

Exhibit 1 : Macro conditions at beginning and end of April 2026
Source : Trading Economics and OmniScience Insights Lab

Energy availability has emerged as an additional point of concern. India remains structurally dependent on imports for both crude and gas, and tight global LNG markets have raised the risk of supply constraints and elevated spot prices, particularly during peak demand periods. This has implications not just for inflation, but also for industrial cost structures. Broader commodity indicators also remained firm, with the Bloomberg Commodity Index and S&P GSCI both increasing by ~4.3% during the period.

¹ [The Economic Times, 25 April 2026](#)

² Inflation data in India is reported with a lag of approximately 10 days; accordingly, February and March figures have been used for this analysis.

On the inflation front, pressures did not ease. India CPI moved up from 3.21% to 3.40%, while US inflation rose from 2.4% to 3.3% and upside risks emerging from fuel and food prices. Bond markets have also reflected these pressures, with the benchmark 10-year government bond yield hardening over the month crossing the 7% mark. At points, yields have moved towards ~7.1–7.15%, levels last seen nearly two years ago, driven by higher crude prices, currency weakness and concerns around fiscal pressures.³

At the same time, there is a growing narrative around India's relatively limited participation in the global AI-driven capex cycle. Unlike developed markets and parts of East Asia, where AI-linked investments are driving incremental earnings upgrades, India's market has not yet seen a comparable earnings impulse from this theme, leading to concerns around relative positioning.

Growth expectations have also seen some moderation at the margin. Recent outlook from IMF and other agencies suggests FY27 GDP estimates are trending closer to the 6.5–6.7% range, lower than the ~7.6% growth seen in FY26.⁴

Taken together, the macro environment did not provide any incremental support to equities during the month. If anything, the direction of movement across key variables was severely adverse. Despite this, market performance over the month was decisively strong, which makes it necessary to look beyond the macro narrative.

³ [The Economic Times, 01 May 2026](#)

⁴ [Forbes India, 14 April 2026](#)

Part 2 : Market Performance and the Hidden Layers

The first month of the financial year presents a clear divergence between market performance and the prevailing macro narrative. While external conditions have remained largely unchanged, equity markets have delivered strong and broad-based returns. This section examines that divergence in a structured manner, moving from the macro backdrop to price action, and then analysing the various cross sections of the market.

Index	Price (1 Apr '26)	Price (30 Apr '26)	Return
Nifty 50	22,679	23,998	5.8%
Nifty 100	23,273	24,896	7.0%
Nifty Midcap 150	19,869	22,000	10.7%
Nifty Smallcap 250	14,749	16,731	13.4%
Nifty Microcap 250	19,766	22,964	16.2%

Exhibit 2 : April 2026 Returns of Major Indices
Source : NSE Indices and OmniScience Insights Lab

The above table shows increasing performance trend as we move from the large caps to smaller cap companies. While we explore the fundamental drivers behind this performance differential, another immediate question that comes to mind is: what about the performance of companies beyond the 750 firms covered by traditional indices? At OmniScience we consider the investible universe of companies to be those with intrinsic value/market capitalization above 1000Cr as this covers reasonably large companies which typically have national presence, diversified suppliers and customers base and an evolved corporate governance structure. Currently, there are nearly 1500 companies that we consider investible and hence we see a big gap in what is covered by the traditional classification of indices.

Defining The Market Through Bharat Vectors

We begin with an investible universe of roughly 1,500 listed companies, using a market capitalisation threshold of ₹600–700 crore as the lower bound to account for companies available at a discount to their intrinsic values of 1000Cr+. From this universe, companies are classified based on their closing market capitalisation as of 31 March 2026, which marks the end of the previous financial year.

To create a structured view of the market, this universe is divided into six equal cohorts of 250 companies each, ranked by market capitalisation. These groupings are designed to help track how different segments of the market behave over time. They are not indices, benchmarks or investible strategies. Instead, they serve as a simple and consistent way to observe both the movements and the moments of the broader Mr Bharat Market. These cohorts are defined as follows:

Segment	Rank Range	Opening MCap (₹ Cr)	Closing MCap (₹ Cr)	Average MCap (₹ Cr)
Bharat Large 250	1–250	18,20,000	28,000	1,32,000
Bharat Mid 250	251–500	27,900	9,400	15,900
Bharat Small 250	501–750	9,400	4,100	6,400
Bharat Micro 250	751–1000	4,100	2,050	2,900
Bharat Nano 250	1001–1250	2,050	1,120	1,540
Bharat Pico 250	1251–1500	1,110	640	850

Exhibit 3 : Definitions of OmniScience Bharat Vectors
Source : OmniScience Insights Lab

Limitations of Conventional Indices and the Case for Bharat Vectors

The decision to construct this framework instead of relying on existing indices is deliberate.

First, the objective here is not to redefine market segments but to create a lens through which Mr. Market's behaviour can be observed more clearly. Index construction is very intricate with multiple layers of methodology, including liquidity filters, free float adjustments and sectoral considerations, which is not the focus of this analysis.

Second, commonly used indices in India do not fully align with global definitions of market segmentation. In most global markets, large cap indices are designed to represent a dominant share of the total market capitalisation, often around 70%. In comparison, India's large cap classified indices accounts for a meaningfully lower share of total market capitalisation, typically in the range of 50 to 60%.

Finally, index coverage in India meaningfully tapers off beyond the first 1000 companies, with some microcap benchmarks marking the practical boundary. Beyond this point lies a sizeable and investible universe that remains relatively under-tracked. This segment often represents a blind spot in formal market analysis, even though it has significant retail participation.

Taken together, these limitations make a strong case for a simpler, more exhaustive framework that captures the full breadth of the market.

Bharat Vectors Deliver Expected 1 year Performance in April Itself

Across the six Bharat Vectors, returns for the month were strong and clearly broad-based. This was not a narrow rally led by a handful of large-cap names, but a widespread move across the market spectrum, with strength increasing as one moves down the market cap curve.

The performance across segments was as follows: the Bharat Large 250 delivered 10.49%, Mid 250 returned 16.09%, Small 250 came in at 21.10%, while Micro 250 and Nano 250 generated 23.21% and 25.20% respectively. Even at the tail end, the Pico 250 delivered a strong 24.34%.

Bharat Vector	April'26-Return
Bharat Large 250	10.49%
Bharat Mid 250	16.09%
Bharat Small 250	21.10%
Bharat Micro 250	23.21%
Bharat Nano 250	25.20%
Bharat Pico 250	24.34%

Exhibit 4 : April 2026 Returns of Bharat Vectors
Source : OmniScience Insights Lab

Two things stand out. First, returns were strong double-digits across segments, indicating broad participation. Second, there is a clear **gradient** in performance, with smaller segments materially outperforming larger ones.

This is particularly notable given that the macro backdrop remained negative during the period. The pattern of returns suggests that the move was not driven by top-down factors, but by a more widespread re-pricing across the market.

This raises the central question: if macro conditions have not improved, what is driving this sharp price appreciation?

Part 3: The Underlying Performance Drivers

This section examines that divergence in a structured manner, moving from the macro backdrop to price action, and then anchoring the analysis in underlying business fundamentals and valuations.

Strong Business Fundamentals Across The Spectrum

Core operating metrics have remained broadly stable, with only marginal movements at the segment level. Return ratios reflect this stability. Large and mid-vectors have held RoE levels at ~16.9% and ~11.3% respectively. Bharat Small 250 has seen a slight moderation from 10.27% to 10.5%, while Micro declined from 12.3% to 11.09%. At the smaller end, Nano and Pico vectors have seen modest improvements, with RoE moving from 4.67% to 4.88% and from 6.98% to 7.02% respectively.

Fundamental Metrics	Bharat Large 250		Bharat Mid 250		Bharat Small 250		Bharat Micro 250		Bharat Nano 250		Bharat Pico 250	
	30-Mar	30-Apr	30-Mar	30-Apr	30-Mar	30-Apr	30-Mar	30-Apr	30-Mar	30-Apr	30-Mar	30-Apr
RoE %	16.93%	16.93%	11.34%	11.34%	10.27%	10.50%	12.34%	11.09%	4.67%	4.88%	6.98%	7.02%
Net D/E %	52.54%	52.54%	22.49%	22.49%	36.72%	36.55%	25.74%	24.93%	49.85%	48.51%	37.79%	38.31%
Fwd Growth	10.52%	10.52%	9.90%	9.90%	16.02%	16.02%	14.57%	14.57%	12.28%	12.28%	13.23%	13.23%
Fwd Data Points	232		210		177		153		98		52	

Exhibit 5 : Fundamentals across Bharat Vectors

Source : OmniScience Insights Lab

Leverage remains contained. Net debt to equity ratios are largely unchanged across segments. Large caps remain stable at ~52.5%, Mid caps at ~22.5%, while Small and Micro caps have seen only marginal reductions. Nano caps show a slight improvement from 49.85% to 48.5%, while Pico caps have seen a modest increase from 37.8% to 38.3%.

Forward growth expectations are also unchanged across all cohorts, indicating no material revision to earnings outlook during the period. Clearly the data suggests that the fundamental position of companies across segments has remained intact. There is no step change in operating performance that would independently explain the sharp move in prices over such a short time frame.

Cleaning up the Universe for Nano and Pico 250

Fundamental Metrics	Bharat Nano 250		Bharat Pico 250	
	30-Mar	30-Apr	30-Mar	30-Apr
RoE %	9.06%	9.06%	10.12%	10.20%
Net D/E %	15.03%	15.03%	24.42%	24.75%
Fwd Growth	11.33%	11.33%	14.28%	14.28%
Fwd Data Points	98		52	

Exhibit 6 : Fundamentals for Nano and Pico Bharat Vectors with Cleaned up Universe

Source : OmniScience Insights Lab

For Nano and Pico segments the current RoE numbers are significantly depressed because of large number of negative earnings companies. The exhibit above presents more normalized RoE numbers for the two segments once the negative earnings companies are excluded from the combined calculations. This also improved the leverage ratios significantly indicating the presence of more investible companies according to the Scientific Investing Framework in the cleaned up group.

How Valuations have Evolved Over the Month

In contrast to stable fundamentals, valuation multiples have expanded meaningfully across all cohorts over the month.

Bharat Large 250 has seen P/E move from 20.2x to 22.3x and P/B from 3.4x to 3.78x. Bharat Mid 250 has re-rated from 25.46x to 29.64x on P/E and from 2.89x to 3.36x on P/B. Bharat Small 250 shows a similar trend, with P/E expanding from 26.23x to 31.50x and P/B from 2.69x to 3.31x.

The re-rating is more pronounced as we move down the market cap curve. Bharat Micro 250 has seen P/E expand from 15.26x to 21.80x, while Bharat Nano 250 have moved from 36.49x to 44.10x. Bharat Pico 250 has also seen an increase from 21.25x to 26.59x. Price to book multiples across these segments have moved up in tandem.

Valuation Metrics	Bharat Large 250		Bharat Mid 250		Bharat Small 250		Bharat Micro 250		Bharat Nano 250		Bharat Pico 250	
	30-Mar	30-Apr	30-Mar	30-Apr	30-Mar	30-Apr	30-Mar	30-Apr	30-Mar	30-Apr	30-Mar	30-Apr
P/E	20.20	22.30	25.46	29.64	26.23	31.50	15.26	21.80	36.49	44.10	21.25	26.59
P/B	3.42	3.78	2.89	3.36	2.69	3.31	1.88	2.42	1.70	2.15	1.48	1.87

Exhibit 7 : Valuations across Bharat Vectors

Source : OmniScience Insights Lab

Valuation Metrics	Bharat Nano 250		Bharat Pico 250	
	30-Mar	30-Apr	30-Mar	30-Apr
P/E	15.40	19.30	14.46	17.95
P/B	1.40	1.75	1.46	1.83

Exhibit 8 : Valuations Nano and Pico Bharat Vectors with cleaned up universe

Source : OmniScience Insights Lab

This divergence between stable fundamentals and rising valuations suggests that the recent price performance is less about a fresh improvement in underlying business metrics and more about the market realigning with an already strong fundamental base. The preceding period had seen valuations compress amid elevated geopolitical and macro concerns. As those risks were reassessed, the market has begun to close that gap.

Finally, we present a heat map on various Scientific Investing Framework parameters for the 6 market segments covered by Bharat Vectors. A favourable to less favourable metric is indicated by the colour spectrum moving from green to red.

	Large 250	Mid 250	Small 250	Micro 250	Nano 250	Pico 250
#Cos in Clean Universe	237	226	216	208	199	223
Average MCap (INR Cr)	1,32,000	15,900	6,400	2,900	1,540	850
P/E	21.6	28.1	25.6	17.3	19.3	18.0
RoE %	17.3%	11.8%	11.9%	13.8%	9.1%	10.2%
Net D/E %	47.7%	20.4%	18.0%	18.2%	15.0%	24.8%
Consensus Earnings Growth	10.5%	10.0%	15.7%	14.6%	11.3%	14.3%

Above table highlights that most of the segments are investable with Large, Micro and Pico being the most attractive segments. Even Nano segment is significantly undervalued compared to the forecasted earnings growth. Given the high growth rates Small 250 looks significantly undervalued. One should be focused on the high RoE companies in Small and Nano segments. Even Mid 250 might have significant opportunities but one has to be more selective in terms of the valuation and the corresponding growth rates.

CONCLUSION

The past month is a useful reminder that markets do not move in a straight line with macro narratives. Despite a macro backdrop that remained at best unchanged, and in parts weaker, returns across segments have been strong. The underlying reason is straightforward. Business fundamentals across the market had already been stable, with no deterioration in profitability, balance sheet strength or growth expectations.

What changed was not the fundamentals, but the market's willingness to price them appropriately after a phase of caution driven by external noise. This reinforces a simple point. Over time, equity outcomes are anchored in bottom up business performance, while macro narratives tend to influence sentiment and timing. Staying focused on fundamentals remains the more reliable way to interpret market moves.

"If we're right about the business, macroeconomic factors won't matter. And if we're wrong about the business, macroeconomic factors won't save us". – Warren Buffett

It should be noted that Bharat Vectors are not designed for use as indices, benchmarks or investible strategies but rather to track the movements and moments of Mr. Market at broad level.

We would like to remind the Scientific Investor that an investible portfolio has to be created using the Scientific Investing Framework that focuses on enhancing safety via eliminating companies with weak fundamentals and enhancing growth by focusing on companies with high potential for future growth driven by exposure to long term growth vectors but which are available below their conservatively estimated intrinsic values.

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