

Dear Investor,

In April 2026, Indian equity markets staged a decisive and broad-based recovery, reversing the sharp correction seen in March that was triggered by the escalation of the West Asia conflict. The Nifty 50 gained 7.46% to close at 23,998, reclaiming key technical levels and signalling a sharp improvement in risk appetite. Large caps led the initial recovery as global risk sentiment improved following a temporary ceasefire announcement in the Middle East, with frontline stocks attracting fresh institutional interest. The Nifty 500 advanced 10.50%, confirming that the recovery was not confined to blue chips but extended broadly across the market capitalisation spectrum.

The recovery was especially powerful in broader markets, with smaller and mid-tier segments delivering outsized gains. The Nifty Midcap 150 surged 13.22%, while the Nifty Smallcap 250 jumped 17.10%, reflecting strong domestic re-allocation into higher-growth segments after the March sell-off. The Nifty Microcap 250 was the standout performer with a 21.55% gain, indicating that smaller, domestically oriented businesses saw the sharpest mean-reversion as geopolitical uncertainty eased at the margin. The Nifty Next 50 advanced 15.40%, suggesting a decisive rotation into large cap adjacencies and quality mid-tier names. The Nifty India FPI 150, comprising stocks heavily owned by foreign portfolio investors, gained 9.39%, reflecting some stabilisation in FII positioning following the extreme sell-off in March.

Index	Mar-26	Apr-26	1M Change (%)
Nifty 50	22,331	23,998	7.46%
Nifty Next 50	60,350	69,644	15.40%
Nifty 500	20,528	22,684	10.50%
Nifty Midcap 150	19,431	22,000	13.22%
Nifty Smallcap 250	14,288	16,731	17.10%
Nifty Microcap 250	18,893	22,964	21.55%
Nifty India FPI 150	1,401	1,533	9.39%

FII & DII Flows

In April 2026, FIIs remained net sellers in the cash segment, recording a net outflow of ₹70,135.46 crore, with gross purchases of ₹3.03 lakh crore against gross sales of ₹3.74 lakh crore. While the intensity of outflows moderated relative to March’s exceptional net sale of ₹1,22,540 crore, the highest single-month FII outflow in the data series, April nonetheless confirms that foreign investors have not yet fully re-engaged with Indian equities, continuing to reduce exposure even as domestic markets recovered sharply. DIIs provided a significant offsetting force, posting net inflows of ₹51,063.87 crore. Domestic institutions recorded gross purchases of ₹3.78 lakh crore against sales of ₹3.27 lakh crore, reflecting sustained SIP-driven mutual fund inflows and robust domestic participation. The divergence between FII outflows and DII support underscores the continued structural role of domestic capital in providing market resilience.

Sectoral Highlights

Index Name	1M	3M	1 Yr	Volatility 1Yr (%)	Beta 1Yr
Nifty Realty	21.87	1.34	-10.12	25.67	1.47
Nifty Metal	15.27	8.87	50.96	22.49	1.2
Nifty Financial Services Ex-Bank	14.27	-0.03	14.18	20.48	1.33
Nifty Chemicals	14.21	2.42	-1.85	16.85	0.92
Nifty Consumer Durables	12.87	8.39	0.85	19.42	1.08
Nifty FMCG	12.17	-0.2	-8.19	14.19	0.71
Nifty Bank	9.13	-7.96	0.38	15.69	1.07
Nifty Financial Services	9.09	-6.05	-0.77	16.33	1.14
Nifty Auto	9.04	-2.96	17.39	20.55	1.28
Nifty Oil & Gas	8.41	-0.59	5.57	16.14	0.87

*Based On TRI data.

Economic Updates

GST Collections Hit Record ₹2,42,702 Crore in April 2026, Up 8.7% YoY

India's GST collections for April 2026 reached a record ₹2,42,702 crore, growing 8.7% year-on-year against ₹2,23,265 crore in April 2025, per data released by the Government of India on May 1, 2026. However, the composition of growth warrants close reading — import-related IGST collections surged 25.8% year-on-year to ₹57,580 crore, driven largely by higher crude oil and commodity import values following the West Asia conflict, while domestic GST revenue grew at a far more modest 4.3% to ₹1,85,122 crore. Net GST revenue after refunds stood at ₹2,10,909 crore, up 7.3% YoY. Total refunds rose 19.3% to ₹31,793 crore, with domestic refunds up 54.6%, indicating accelerated processing. The headline number signals a strong start to FY27 from a fiscal standpoint, but the underlying domestic demand signal is more moderate than the aggregate figure suggests.

SEBI Permits Net Settlement of Funds for FPIs in Cash Market

On April 24, 2026, SEBI issued a circular permitting FPIs to net their fund obligations for outright cash market transactions, replacing the existing gross settlement requirement at the custodian level. Under the revised framework, FPIs can offset sale proceeds against purchase obligations on the same day, settling only the net fund obligation, while trades involving both buy and sell of the same security within a settlement cycle continue on a gross basis. Securities settlement, STT, and stamp duty remain unchanged. The framework is to be implemented by December 31, 2026, and directly addresses market participant concerns around higher liquidity requirements, funding costs, and forex slippage under the gross settlement model, particularly during index rebalancing.

World Bank: Energy Prices Surge 24% in 2026 on West Asia Supply Shock

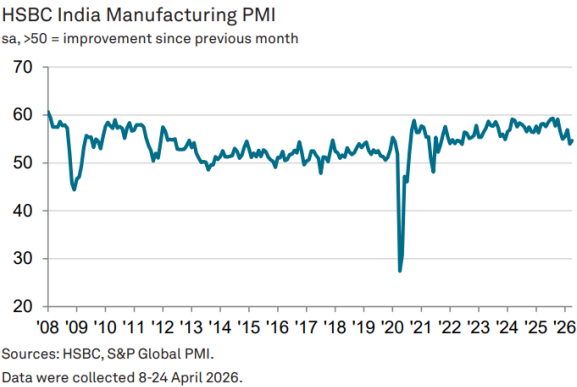
The World Bank's Commodity Markets Outlook released on April 28, 2026, projected energy prices to surge 24% in 2026, the highest level since Russia's invasion of Ukraine in 2022, driven by the Middle East conflict's shock to global supply chains. Attacks on energy infrastructure and shipping disruptions in the Strait of Hormuz, which handles approximately 35% of global seaborne crude trade, triggered what the World Bank described as the largest oil supply shock on record, with an initial reduction in global oil supply of around 10 million barrels per day. North Sea Dated crude was trading near \$130 per barrel at the time of the report, over \$60 per barrel above pre-conflict levels, with physical prices briefly approaching \$150 per barrel before a two-week ceasefire announcement provided partial relief. Overall commodity prices were forecast to rise 16% in 2026, with fertiliser prices projected to increase 31%. For India, which imports approximately 85% of its crude requirements, the IEA's April 2026 Oil Market Report noted a projection of demand growth declining by 80,000 barrels per day on average for 2026, against earlier expectations of growth of 730,000 barrels per day. Moody's Ratings also flagged in early March that India faces pressure on the rupee, higher inflation, and a widening current account deficit under a prolonged disruption scenario, given that India imports around 46% of its oil and gas requirements from West Asia.

World Bank India Development Update: FY26 Growth at 7.6%; FY27 Moderated to 6.6%

The World Bank’s India Development Update for April 2026 confirmed that despite heightened global trade tensions during FY26, India remained the fastest-growing major economy, with real GDP growth accelerating to 7.6%, up from 7.1% in FY25. The current account deficit was reported at 1.0% of GDP, while fiscal consolidation continued, bringing the general government deficit to 7.4% of GDP. Employment rates remained stable and formal job creation strengthened. The update further noted that the GDP rebasing exercise released in February 2026, which shifted the base year to 2022–23, led to a downward revision in nominal GDP levels, reflecting a reassessment of the size of India’s informal economy. Looking ahead, the World Bank projected FY27 growth at 6.6%, reflecting headwinds from the Middle East conflict. The report emphasised that while India’s strong macroeconomic buffers provide some protection against downside risks, the conflict underscores the strategic importance of energy diversification, prudent fiscal management, and trade diversification as structural priorities.

HSBC India Manufacturing PMI Rises to 54.7 in April; Input Cost Inflation Hits 44-Month High

India's Manufacturing PMI rose modestly to 54.7 in April 2026 from 53.9 in March, but still marked the second-slowest improvement in operating conditions in close to four years, as the West Asia conflict continued to weigh on the sector. New orders and output both recovered from March but remained among the weakest readings in three-and-a-half years, with firms citing competitive pressures, the war, and client reluctance to approve pending orders. The dominant story was cost inflation - input prices rose at their steepest pace since August 2022, driven by higher prices for aluminium, chemicals, fuel, and petroleum products, with firms directly attributing the spike to the Middle East conflict - output charges rising at their fastest rate in six months as a result. Export orders were the one clear bright spot, expanding at a seven-month high on stronger demand from clients across Australia, China, Japan, the UAE, and the UK. Employment growth was the strongest in ten months, driven by expansion plans. Business sentiment remained at its second-highest level since November 2024.



Small & Mid-cap Update

Equity mutual fund flows remained resilient in April 2026, supported by sustained retail participation, with SIP contributions at ₹31,115 crore, a marginal 3% dip from the record ₹32,087 crore in March, yet remaining well above historical benchmarks and continuing to reflect the structural deepening of household financialisation. Total net inflows into large, mid and small cap categories rose to ₹15,961.92 crore, modestly higher than March's ₹15,324.93 crore, sustaining the strong momentum seen in the prior month. The allocation trend remained decisively growth-oriented and shifted further toward the broader market: small cap funds led for the first time with ₹6,885.90 crore (43.14%), followed by mid cap funds at ₹6,551.40 crore (41.04%), while large cap funds garnered ₹2,524.61 crore (15.82%). Large cap allocation contracted further from 19.56% in March to 15.82% in April, its lowest share in recent months, while the combined mid and small cap share crossed 84%, underscoring an accelerating investor preference for higher-growth market segments. The sharp domestic equity market recovery in April with the Nifty Midcap 150 and Nifty Smallcap 250 gaining 13.22% and 17.10% respectively appears to have reinforced rather than tempered investor conviction in broader market allocations, with retail participants treating the March correction as an accumulation opportunity rather than a reason for caution.

Outlook

April's sharp recovery was a mean reversion trade after an oversold March, not a fundamental re rating. The West Asia conflict has only partially paused, energy prices remain elevated, input cost inflation is at multi year highs and FIIs remained net sellers for the fourth consecutive month.