

Webinar summary

Market summary and portfolio positioning

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HEADLINE

Buoyant Capital has moved its portfolio stance to **aggressive** at the start of April 2026 — only the fourth such transition in the firm’s 9Y10M history. The shift follows a sharp market correction driven primarily by flows rather than by earnings compression, a fiscal / BoP / corporate-profit cost of the current conflict that is **manageable but not trivial**, and valuations that have moved back toward 10-year averages.

| STANCE | FUND SIZE | TRACK RECORD | BENCHMARK |
|---|--|---|--|
| AGGRESSIVE From defensive, effective April 2026 | USD 1.5 Bn+ As of March 2026 (PMS + AIF) | ~20% CAGR Post-fees, 9Y 10M, top percentile | BSE 500 Beat on 1/2/3/5/7Y and since inception |

KEY THEMES

India’s dependencies — oil is a price problem, gas is an availability problem

Roughly 25% of global seaborne oil trade and 20% of LNG trade transit the affected region. For India, 100% of gas imports are LNG, and of ~35 BCM of annual gas imports, ~23 BCM transits the Strait of Hormuz. Timing matters: kharif sowing begins in June and ~80% of imported LNG goes into urea for fertiliser production. Oil risk is priceable; gas risk will take longer to evolve. Recoverable substitution covers ~18.5 BCM of the 23 BCM at risk.

Cost of the conflict — manageable, not trivial

Assuming oil at USD 95/bbl for three months, the impact calculator estimates ~15 bps of fiscal slippage (deficit moves from 4.30% to ~4.40–4.45%), ~3% hit to corporate profits (INR 50,000 Cr against an NSE 500 profit pool of ~INR 17.5 L Cr), and a **USD 22 Bn swing in the BoP** versus the prior USD 8 Bn surplus case. Current account deficit widens to ~1.6% of GDP. Against this, India holds **USD 500 Bn+** of usable reserves — ~23x the BoP problem. None of this is trajectory-altering.

Capex-to-consumption creating earnings air-pockets

Post-COVID growth was driven disproportionately by central and state capex. Analysis of 16 state budgets shows “freebie” / social-infrastructure spend has overtaken capex. By bottom-up count, ~INR 6 L Cr (~1.7% of GDP) has been transferred directly to households — exceptional in a non-crisis year. Because recipients often spend on items outside the listed universe (fruit, vegetables, grains), the listed profit pool slowed first. Q3 PAT growth of 7–8% is well below long-term averages.

Flows, not FIIs, are the real story

Across CY24, CY25 and Q1 CY26, FIIs sold ~USD 20 Bn — but promoter + PE/VC selling via bulk/block deals was ~3x FII selling, and QIPs + IPOs added another ~1.5x. Total equity supply was ~USD 150 Bn, with FIIs accounting for only ~20%. The buying was overwhelmingly retail. Household savings into equities sits at ~7.1%

— up 10x in a decade but still below the 20%+ seen in most developed markets. Structural headroom remains substantial.

Small-cap dislocation has unwound; relative value has not

On a 10-year rolling basis, share-price growth and EPS growth must converge. By September 2024, small caps were running ~18% above fundamentals on a 5-year compounded basis. After the correction (micro caps down ~40% and small caps down ~27% from 52-week highs), 5- and 10-year profiles look well-aligned again — but small caps have not become *cheap* relative to their history, and illiquidity premia are not yet priced in.

PORTFOLIO STANCE & POSITIONING

Only four stance transitions in ten years. The portfolio-risk framework scored the current book at roughly **2 / 5** — only 3.6% of the book in the red zone, ~9% amber, bulk green. The assessment weighed earnings risk (65%), valuation risk (25%) and tail risk (10%) across crude/gas impact, margin compression, supply chain, demand destruction, absolute and flow-driven valuation risk, plus regulatory, BoP, credit and geopolitical tails. A drawdown caused by flows preserves underlying asset value — creating pockets of opportunity. An earnings-led drawdown requires earnings to re-compound before multiples can recover. The current correction is flow-driven; that is a better set-up to add risk into.

“Stance change is guidance on the path of adjustment, not a set of immediate trades. Portfolio construction remains a continuous process; the signal is directional.”

EXECUTION FRAMEWORK

| LEVER | WHAT | STATUS |
|--------------------------|---|--|
| Core beta upgrade | Upgrade conviction weights within the core book where asset value is intact but share price has been hit by flows. | Active — began before the formal stance change |
| Satellite expansion | Shift the core/satellite balance toward a higher satellite allocation, as is typical during aggressive phases. | In motion |
| Small / mid-cap exposure | Dial risk into small/mid caps — conditional on valuations becoming cheap enough to price in illiquidity premia. Not there yet. | On hold |

PERFORMANCE — ALIGNED WITH THE PHILOSOPHY

- **Returns:** ~20% CAGR post-fees over 9Y 10M — top percentile across 1/2/3/5/7Y on PME.
- **Risk-adjusted:** Portfolio beta ≤ 1.0. Up-capture ~125, down-capture ~73 on 5Y rolling basis.
- **Recent drawdown:** From the 26 September 2025 high through end-March, BSE 500 fell ~19%, small caps ~25%, Buoyant NAV ~14%. Buoyant recovered to ~1 ppt below the peak while indices remain 16–23% below.
- **5Y rolling returns:** 1,700+ observations; ~680 bps average alpha; outperformance on 96% of all completed 5Y periods.

RECENT PORTFOLIO ACTIONS

- **Added:** FMCG (time-correction + valuation finally attractive after 5–6 years of flat-lining), telecom, building materials.
- **Deployed:** The cash position carried pre-conflict.
- **Exited:** Oil and gas exposure — done *before* the conflict began.
- **Reduced:** Materials (after a strong run).
- **Overall:** Exposure increased in consumption-linked names; small-cap weight at historic fund lows entering this phase, now being selectively rebuilt.

Q&A HIGHLIGHTS

Capacity. Current strategy has **~2x additional capacity** at current liquidity parameters (no stock > 10% of AUM, < 20% of free float, reasonable liquidity). New-client portfolios converge with the mother portfolio over time; no model portfolio is run.

INR outlook. India–US rate differential is ~150 bps versus 400 bps post-COVID and 800 bps at fragile-five peak. Like-for-like implies ~1.5% annual depreciation. The rupee overshot fair value since September 2024 and has retraced; a consolidation period likely — good entry point for NRIs.

Long-run return expectation. Historical long-run market CAGR is ~12–13%. Single-digit earnings growth (last 2–3 quarters) should not be permanent; breaching 20% structurally would require levers India does not have (cheap labour, currency manipulation, single-window clearance).

FII vs domestic narrative. FII holdings are still ~USD 750–770 Bn; ~USD 30 Bn sold = roughly a 5% allocation shift. Disproportionate attention is paid to FIIs; domestic drivers matter more at the margin.

Gold / silver. A debasement play — structurally positive on a multi-year horizon once volatility settles. Not yet a functional medium of transaction, which limits reserve-asset potential.

Execution pace. Path-dependent, deliberate. “Turning a cruise ship, not a U-turn in a car.” Consistency is valued over speed.

Rule-based vs judgement. Stance framework is *not* fully rule-based — a pure rule-based system works in one cycle and gives way in the next. The Investment Committee applies judgement within a structured framework.

OUTLOOK

The fundamental fabric of India — more people working and working more productively, a large consumption market, an operating democracy, and a credible judiciary — remains intact. Domestic flows have further to run as household savings into equities converge toward global norms. Over a longer horizon, FIIs should return once the AI-trade and relative-valuation advantages elsewhere fade.

The window to position for uncertainty was the past 12–15 months. Today, with valuations reset and the economic cost of the conflict quantifiable and contained, the calibrated path is to **add risk into flow-driven weakness**, not to continue protecting a downside that has largely already been realised.

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