

M&M, TaMo, Maruti: Auto stocks to stay in fast lane

The uptrend in auto sector to continue in the near term, believe analysts

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Shares of automobile companies were leading the charge on the bourses on Tuesday, with Mahindra & Mahindra (M&M) rising as much as 5.15 per cent on the BSE during intraday trade.

The stock hit a record high of 2,169.25 apiece on Tuesday, and was the top gainer on the BSE and National Stock Exchange (NSE). This came after the company launched a compact sports utility vehicle (SUV) — XUV 3XO — at a competitive starting price of ₹7.49 lakh.

With 3XO's launch, M&M aims to be among the top two players in the compact SUV segment in around three years.

Meanwhile, analysts see the development as M&M's attempt to take on Tata Motors' Nexon, Hyundai Venue and Maruti Suzuki Brezza, in the sub-four metre segment.

"Mahindra and Mahindra has recognised an opportunity to expand its market share in the sub-4 metre SUV segment, which currently has limited competition like Tata Punch and Tata Nexon. With over 50 per cent of the passenger vehicle industry already in the SUV space, they are capitalising upon their expertise by introducing the new XUV 3XO SUV in this segment," said Ashwin Patil, senior research analyst, tracking the auto sector at LKP Securities.

He added that the growing demand for smaller SUVs is fuelled by an increasing income profile and a cultural shift towards larger vehicles.

M&M's launch also had a positive effect on shares of Tata Motors, which soared as much



as 1.9 per cent to ₹1,019.55.

Even Maruti Suzuki jumped 2.31 per cent to ₹12,990 apiece. By comparison, S&P BSE Auto jumped 2.34 per cent in intraday deal to 51,389.34 levels, when the markets closed on Tuesday.

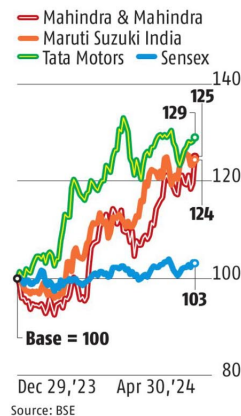
Going ahead, analysts believe the uptrend in the auto sector is expected to continue in the near term as companies focus on both electric vehicles (EV) and internal combustion engine (ICE) cars to capitalise on the efficiency of these vehicles.

"Introduction of new vehicle models, a major backlog of pending orders, and robust demand will keep the positive momentum intact in the auto sector.

Rising SUV demand shows the noticeable shift in consumer preferences towards safety and comfort over traditional fuel efficiency considerations," said Gaurang Shah, senior vice-president at Geojit Financial Services.

Hopes of favourable pol-

BIG JUMP



Source: BSE

icies by the government, coupled with realisation of domestically-produced chips in India, and falling commodity prices may provide a shot in the arm to the sector, said analysts.

Rating agency Icri expects the automotive industry demand to remain steady

during the current financial year 2024-25 (FY25), with growth across segments expected to remain at varied levels, largely attributable to varied base levels.

It pegs the passenger vehicle (PV) segment to grow 3-6 per cent year-on-year (Y-o-Y) in FY25.

In the immediate future, Nuvama Institutional Equities expects PV industry volumes (domestic) to post double-digit growth (approximately 10 per cent Y-o-Y) in April 2024. It would be supported by healthy demand in rural/urban areas and pending order books.

It expects M&M PV growth at 17 per cent, outstripping Maruti Suzuki and Tata Motors.

"We anticipate total volume growth of 6 per cent for M&M (including PV, commercial vehicles, three-wheelers) at 66,300 units; 6 per cent for Tata Motors (PV) at 50,100 units and 12 per cent for Maruti Suzuki India at 180,000 units," it added.