

IN MAY, FPI BUYING IN AUTO STOCKS WAS THE HIGHEST IN OVER 10 YEARS

# Foreigners Lap Up Auto, Financial Shares in May

Buying in financial services cos at ₹17,671 cr in May – FPIs' highest in sector in last 29 months

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**Mumbai:** Foreign fund managers were most bullish on financial services firms and automobile companies in May with shares in both these sectors absorbing nearly 64% of their total inflows during the month.

Overseas investors bought shares of financial services firms worth ₹17,671 crores in May, their highest monthly purchase in the sector in the last 29 months, according to Primeinfobase.com data. They purchased auto and auto components shares worth ₹8,700 crore, the highest monthly buy in over 10 years. FPIs bought shares worth ₹41,207 crores in May, the data showed.

## FINANCIALS

Financial firms demonstrated a year-on-year profit growth of 44% in the March quarter, outperforming the estimated growth of 29% due to strong credit growth in the system, along with margin expansion and lower credit costs.

The Nifty Bank index declined half a percent between January and April and surged nearly 3% in May following the purchases by Foreign Portfolio Investors (FPIs). These investors had sold shares of financial firms worth ₹7,965 crore between January and April and ₹61,200 crore in the calendar year 2022.

"During May, the Indian financial sector experienced significant foreign demand, bolstered by robust March quarter earnings that surpassed market expectations," said Caryl Charly re-

## FPI Investments

(in ₹ Crore)

Sector	May 23	Jan-Apr'23	2022	2021
Financial Services	17,671	-7,965	-61,177	-17,884
Auto & Auto Comp	8,702	6,602	-483	431
FMCG	3,235	1,843	14,284	-5,550
Healthcare	2,869	-157	14,181	-3,710
Consumer Services	2,865	-1,574	2,988	31,977
Oil & Gas	2,729	-19,021	-22,247	4,160
Capital Goods	2,505	6,698	5,317	8,999
Information Techn	-891	-12,882	-71,357	-24,043
Media & Entert	-719	-839	-2,920	-4,089
Power	-656	389	730	0
Metals & Mining	-619	6,085	3,024	-1,827
Construction Materials	-344	4,859	-4,544	-1,839

SOURCE: Primeinfobase.com

search analyst at Geojit Financial Services. "However, considering the anticipated moderation in credit growth and margin pressures in FY24, we maintain a neutral stance on the sector with a stock-specific approach. Long-term investors may consider employing an accumulation strategy during the year, as the sector currently trades at its long-term averages."

## AUTOMOBILES

In May, FPIs invested nearly a billion dollars in the auto sector, which was about one-fifth of the monthly net inflow. FPIs have been net buyers of auto stocks in each of the first five months of 2023. Their assets under management (AUM) in the auto sector increased by 19% to \$37 billion year-to-date.

FPIs have allocated nearly 52% of their net inflow in Indian equities in the automobiles sector so far this year, the data from NSDL show. Improved revenue visibility backed by the expanding order book and abating raw material prices, which should support profitability, are some of the factors that are attracting investors to the auto sector.

Barring tractors, other auto segments are expected to report a volume growth of 8-15% for FY24. The order book of carmakers such as Maruti Suzuki India and Mahindra and Mahindra (M&M) were at nearly four lakh and three lakh cars respectively which provides encouraging volume visibility. Maruti, India's largest car maker, has guided for a better volume growth than the expected industry growth of 5-7%. It aims to double the sales of sports utility vehicles (SUV) in FY24 to around five lakhs from the previous year.

Automakers have also started expanding their capacities to maintain market share. For instance, Maruti plans to double the installed capacity to four million a year by 2030 compared with 2.2 million currently with an investment of close to ₹50,000 crore.

With higher FPI investment, the auto sector has become the fifth largest valued in the FPI equity portfolio after banking and finance, IT, Energy, and FMCG sectors. The Nifty Auto index has gained 16% year-to-date while the benchmark Nifty 50 has risen by 2.2%.