

MONTHLY 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 crore 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 crore 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

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

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 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 ear-

nings that surpassed market expectations," said Cryll Charly, research 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."

Continued on >> Smart Investing

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>> From ETMarkets Page 1

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 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 falling 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 car-makers such as Maruti Suzuki India and Mahindra & 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 now 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%.

"Evident from monthly sales data, auto companies are delivering strong performance with high growth as the demand envi-

ronment remains strong and the shortage of semiconductor issues behind us," said Siddharth Bhamre, head of research Religare Broking. "In a market which appears to be stretched on valuation, auto companies are still available at not expensive valuation."

OTHER SECTORS

Other than financial and auto, overseas funds bought shares of FMCG (₹3,235 crore), healthcare (₹2,869 crore), consumer services (₹2,865 crore), oil & gas (₹2,729 crore), and capital goods (₹2,505 crore) in May.

Sectors such as IT, media & entertainment, power, metals & mining, and construction materials saw outflows in May.