

Indian shares surge on autos, post-budget cheer

Manufacturing survey also provides a lift; Sensex jumps 3.5%

By [Nick Godt](#), MarketWatch

MUMBAI (MarketWatch) — Indian shares surged on Tuesday, getting a lift from upbeat manufacturing estimates as well as auto sales, while investors continued to cheer the government's deficit-reduction strategy and other measures announced as part of this year's fiscal budget.

China dollar buying; Bank of Japan

The U.S. Treasury revises China's holdings of dollar assets sharply higher, while Masaaki Shirakawa, the Bank of Japan's governor, strikes back against critics.

Asian markets were also on firm footing as crude-oil prices rose but held under the key \$100-a-barrel level. [See more on equities benchmarks trading mostly higher across Asia.](#)

The Sensex index (BOMBAY:XX:SENSEX) jumped 623.10 points, or 3.5%, to end at 18,446.50. Gains on the Sensex were supported by automotive shares.

February figures on auto sales were announced during the session. And in Monday's budget announcement, the government also refrained from raising taxes on autos, as some investors feared, further lifting sentiment on the sector.

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Shares of Mahindra & Mahindra Ltd. (BOMBAY:IN:500520) jumped 8.4% after the company reported February sales of 33,378 vehicles, up 20% from 27,894 in the year-earlier period.

Among other automakers on the Sensex, Maruti Suzuki India (BOMBAY:IN:532500) rallied 7.1% and Tata Motors Ltd. (BOMBAY:IN:500570) (NYSE:TTM) gained 5.4%.

Tata's total sales of commercial and passenger vehicles last month rose 12% from February 2010, the company said. Domestic sales rose 10% to 73,039, while exports, numbering 4,504 vehicles in February, were up 39% from 3,237 in the year-earlier period.

Maruti Suzuki India said it sold 111,645 vehicles in February, a 16% increase from the year-earlier period and including 10,102 export units. The company sold 101,533 in India alone, up 20% from February 2010.

Hitting on all cylinders

On Monday, investors cheered the budget unveiled by Finance Minister Pranab Mukherjee, who forecast a bigger-than-expected deficit reduction, to 4.6% of gross domestic product, over the coming 2011-2012 fiscal year. [See report on reaction to India's new budget.](#)

Among the measures cheered by the market were new allowances for foreign investors to invest in Indian mutual funds and for institutional investors to buy corporate bonds from infrastructure companies, according to Nishith Desai Associates.

"This will provide a boost to Indian stock markets and also offer interesting investment avenues for foreign investors," the firm said in a note.

Also lifting sentiment Tuesday, India's manufacturing activity expanded at a faster pace in February than in the previous month, thanks to output growth and an inflow of new orders, especially from abroad, according to an HSBC survey.

SENSEX 17,835, -44.07, -0.25%

HSBC's monthly purchasing managers' index rose to 57.9 in February from 56.8 in January. A figure above 50 indicates expansion in activity.

However, HSBC warned that manufacturers face rising costs due to tight labor markets and increasing prices for materials, which will add further upward pressures on output prices.

"In turn, this calls for a further tightening of macroeconomic policies to tame the growing inflation pressures," HSBC said. ■

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