A Study on Effective Stock Selection Strategies using Quantitative and Qualitative Techniques for Auto and EV Sector in India

B. Akash[1*] and S. Saranya[2]

[1]*MBA Scholar, Department of Management Studies, NPR College of Engineering & Technology, Natham, Dindigul, Tamil Nadu*

[2]*Associate Professor, Department of Management Studies, NPR College of Engineering & Technology, Natham, Dindigul, Tamil Nadu*

[*]*Corresponding Author Mail Id:* akashkash85226@gmail.com

Abstract

This study intends to explore and evaluate effective stock selection strategies by integrating both quantitative financial metrics and qualitative strategic factors, with a specific focus on the Indian Auto and EV sector. As the equity market offers diverse opportunities, identifying fundamentally strong and strategically positioned companies becomes essential for informed investment decisions. The research is conducted on five leading companies from the Auto and EV industry Tata Motors, Mahindra & Mahindra, Hero MotoCorp, Bosch Ltd. and Sona BLW Precision Forgings selected based on their market relevance and innovation in the electric mobility space. Quantitative parameters such as Price-to-Earnings ratio (PE), PEG ratio, ROCE, Operating Profit, Debt Ratio, and Cash Flow are analyzed to assess financial strength and value. Simultaneously, qualitative factors like sectoral tailwinds, brand positioning, management quality, and innovation capability are examined to gauge long-term potential and industry fit. By combining measurable data with contextual insights, the study provides a practical and comprehensive stock evaluation model. This dual-approach framework equips retail investors and analysts with deeper understanding, helping them make more rational and strategic investment decisions in a rapidly transforming sector. The findings also underline the growing importance of thematic and sector-based investing in India.

Keywords: Stock, Strategies, Quantitative, Qualitative, Analysis

Introduction

In the dynamic world of equity markets, selecting the right stock is both an art and a science. Investors today are not just looking for undervalued opportunities but also for companies that are strategically positioned for sustainable growth. This study presents a dual-approach framework for effective stock selection by integrating quantitative financial metrics with qualitative strategic

insights, offering a balanced perspective for making informed investment decisions. The Indian Auto and Electric Vehicle (EV) sector has been selected as the focal point due to its rapid transformation driven by technological innovation, policy support, and changing consumer preferences. The shift toward clean energy and electric mobility has brought this sector to the forefront of investor interest. The research analyses five leading companies Tata Motors, Mahindra & Mahindra, Hero MotoCorp, Bosch Ltd., and Sona BLW Precision Forgings Ltd., each representing different strengths and operational models within the auto value chain. Quantitative factors such as PE ratio, operating profit, ROCE, PEG, debt ratio, and cash flow are studied to evaluate financial health and performance. In parallel, qualitative elements like sectoral trends, brand strength, management efficiency, and technological capability are assessed to understand the long-term potential and market positioning. This integrated method ensures that stock selection goes beyond numerical ratios, taking into account real-world dynamics and strategic foresight. Ultimately, this study aims to offer a practical model that retail and institutional investors can apply to minimize risk, enhance returns, and make data-driven, future-oriented investment decisions.

Objectives of the Study

- ➢ To study the investors in making informed, practical, and data-driven investment decisions within the Auto & EV sector.
- ➢ To apply the quantitative financial metrics to assess the fundamental strength of selected Auto & EV companies.
- ➢ To analyse the qualitative factors of industry trends, innovation and management efficiency impacting stock potential.
- ➢ To identity the selected company's financial statement that blends financial ratios with strategic insights for effective stock selection.

Scope of the Study

This research is centered on the evaluation of effective stock selection strategies within the Indian Auto and Electric Vehicle (EV) sector, which has been undergoing significant transformation due to technological innovation, policy interventions, and changing consumer preferences. The study focuses on five selected companies Tata Motors, Mahindra & Mahindra, Hero MotoCorp, Bosch Ltd., and Sona BLW Precision Forgings Ltd. each chosen for their strategic importance and representation across various segments of the automotive and EV value chain. By narrowing the scope to this specific sector and sample size, the study ensures depth, relevance, and focused insight.

The quantitative aspect of the study includes a detailed analysis of financial metrics such as Price-to-Earnings (PE) ratio, Operating Profit Margin, PEG ratio, Return on Capital Employed (ROCE), Debt Ratio, Interest Coverage Ratio, Cash Flow, and Sales to Market Cap ratio. These indicators help in assessing the financial health, growth potential, profitability, and efficiency of each company. The study is based on secondary data collected from reliable sources such as company annual reports, financial websites, and market databases, focusing on the latest 3–5 financial years to identify consistent performance trends.

The qualitative scope involves an assessment of non-financial elements that influence stock performance, such as brand positioning, government policy support (like FAME-II), industry growth outlook, innovation initiatives, and management effectiveness. The study does not cover intraday trading, technical analysis, or foreign equities. Its findings are meant to support long-term, data-driven investment decisions specifically within the Indian context.

Research Methodology

1) **Type of Research:** Descriptive based analytical study
2) **Nature of Data:** Secondary data form companies
3) **Sources of Data:**
    - Screener.in, Money control
    - NSE/BSE India
    - Annual reports, financial statements
    - Industry and government policy reports
4) **Time Frame of Analysis:** Financial Years from 2019-2020 to 2023-2024
5) **Sampling Technique:** Financial Metrics
6) **Sample Area:** 5 companies
7) **Selected Companies:**
    - Tata Motors Ltd.
    - Mahindra & Mahindra Ltd.
    - Hero MotoCorp Ltd.
    - Bosch Ltd.
    - Sona BLW Precision Forgings Ltd.
8) **Tools of Analysis:**
    - **Quantitative:** PE ratio, PEG, ROCE, Operating Profit, Debt Ratio, Interest Coverage, Cash Flow, Sales to Market Cap

- **Qualitative:** Brand value, sectoral growth trends, management vision, innovation capability, policy support

Overview about Selected Companies

1. Tata Motors Ltd.

- Leading player in both passenger and commercial vehicles.
- First-mover in Indian EV market with models like Nexon EV.
- Owns Jaguar Land Rover, expanding global footprint.
- Strong focus on sustainable mobility and EV infrastructure.

2. Mahindra & Mahindra Ltd.

- Known for SUVs and rural market dominance.
- Actively investing in EVs through "Born Electric" platform.
- Expanding R&D and partnerships in clean mobility.
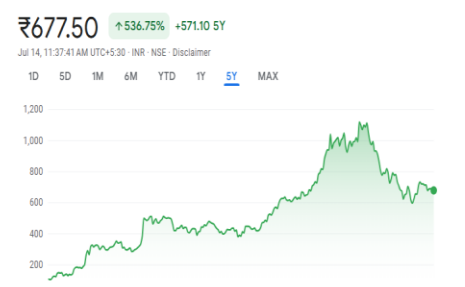- Focused on becoming a global EV innovator.

3. Hero MotoCorp Ltd.

- World's largest two-wheeler manufacturer.
- Entered EV market with VIDA brand and swapping tech.
- Strong brand recall and widespread dealership network.
- Targeting affordable and efficient electric mobility.

4. Bosch Ltd.

- Key automotive component supplier across EV and ICE.
- Supports OEMs with EV-ready technologies.
- Strong focus on clean, automated, and connected mobility.
- Backbone of India's EV supply chain innovation.

5. Sona BLW Precision Forgings Ltd.

- Specialist in precision components for EVs.
- Major exporter with global EV clients.
- Focus on lightweight and high-efficiency systems.
- Rapid growth driven by global EV demand.

Data Analytics and Interpretation

Quantitative Analysis Overview

Quantitative analysis involves evaluating the financial performance of selected companies using key numerical indicators. This method focuses on objective, measurable data that reflect a

company's profitability, efficiency, and financial stability. In this study, ten essential financial ratios are used to assess and compare the selected firms:

- Price to Earnings (PE) Ratio
- Operating Profit Margin
- Net Profit Margin
- Price to Earnings Growth (PEG) Ratio
- Debt-to-Equity Ratio
- Interest Coverage Ratio
- Return on Capital Employed (ROCE)
- Cash Flow from Operations
- Quarterly Performance Growth
- Sales to Market Capitalization Ratio

The aim is to provide a clear, comparative picture of each company's financial health to aid in informed investment decisions.

Qualitative Analysis Overview

Qualitative analysis evaluates non-numerical factors that influence a company's market performance and investment attractiveness. This includes strategic positioning, innovation capacity, market perception, and external influences like government policies. The eight qualitative parameters considered in this study are:

- Brand strength and reputation
- Management efficiency and leadership vision
- Market trends and sectoral outlook (e.g., rising EV demand)
- Innovation and R&D capabilities
- Government policies and regulatory support
- Customer trust and loyalty
- Competitive positioning in the industry
- Sustainability and ESG practices

This approach offers insights that numbers alone cannot reveal, such as how a company adapts to changing consumer behavior, leverages industry shifts and sustains long-term competitive advantage.

Table: 1 Qualitative Analysis for the Auto and Electric Vehicle

Companies	Tata Motors Ltd.	Mahindra & Mahindra Ltd.	Hero MotoCorp	Bosch Ltd.	Sona BLW Precision Forgings
P\E Ratio	8.55	29.78	19.36	55.35	47.8
PEG ratio	0.24<1	0.37	2.533	4.34	1.52
Operating profit	**55216cr**	30518cr	5785cr	2310cr	231cr
Net profit margin	28149cr	14073cr	4376cr	2013cr	164cr
Debt Equity ratio	0.615	1.67	0.036	0.008	0.036
Interest coverage Ratio	10.86	3.36	81.47	177.69	32.23
ROCE	20%	13.90%	31.20%	21.10%	17.80%
Cashflow from operations	-5666	394	-221	-110	957
Quarterly results trend	shows strong and consistent revenue growth	steady growth of every side	moderate perform	visible and rapid growth	consistent growth
Sales to Market capitalisation ratio	1.76>1	0.41	0.11	0.16	0.03

Source: Secondary Data as on 31st March 2025 from moneycontrol.com

Tata Motors Ltd. – Strong revenue and profit growth with a low P/E (undervalued), attractive PEG (<1), healthy ROCE (20%). However, negative cash flow indicates liquidity stress.

Debt is moderate. Looks fundamentally strong with growth potential but needs better cashflow management. **Mahindra & Mahindra Ltd.** – Fairly valued with moderate P/E and PEG (<1, attractive). High debt-equity (1.67) and low interest coverage suggest higher financial risk. Steady performance but debt handling is a concern. **Hero MotoCorp** – Stable, strong profitability (high net margin, ROCE 31%). Very low debt and excellent coverage. But PEG >1 means growth is priced in, making it less attractive for new investors. **Bosch Ltd.** – Premium valuation (P/E 55, PEG 4.34) indicates it's expensive. Strong balance sheet (almost debt-free, very high coverage). Moderate growth but high quality, defensive stock. **Sona BLW Precision Forgings** – High P/E and PEG (overvalued compared to earnings). Consistent growth trend with good ROCE (17.8%), strong cashflows, and solid coverage. Still, expensive relative to size.

Table: 2 Qualitative Analysis for the Auto and Electric Vehicle

Criteria	Tata Motors Ltd.	Mahindra & Mahindra Ltd.	Hero MotoCorp	Bosch Ltd.	Sona BLW Precision Forgings
Brand Reputation	Very Strong	Strong	Trusted Indian brand in 2-wheelers	Premium & highly trusted	Emerging reputation in EV components
Sector Outlook	High potential	Resilient growth	moderate, rural-centric	stable demand	high growth expected
EV (Electric Vehicle) Play	Strong: Tata EV leader in India	Good: XUV400, investing in EVs	Lagging in EV strategy	Indirectly benefits via components	Fully focused on EV drivetrain systems
Innovation & R&D	Strong	Consistent	Limited innovation	Strong R&D hub	High innovation
Management Quality	Stable, visionary (N. Chandrasekaran)	Efficient, agile (Anand Mahindra)	Proven, but conservative	Professional, German discipline	Professional & growth-oriented

Criteria	Tata Motors Ltd.	Mahindra & Mahindra Ltd.	Hero MotoCorp	Bosch Ltd.	Sona BLW Precision Forgings
Global Exposure	High	Export-focused	Mostly domestic	Global supplier	Exports to multiple OEMs
Dependence on Economy	Cyclical	Cyclical	Less cyclical due to essential transport	Less cyclical	Less cyclical in long run
Competitive Advantage	JLR luxury + Tata EVs leadership	Rural strength + SUV success	Strong service & rural network	Technology & product quality	Specialized niche player in EV components
ESG & Sustainability	High focus	Proactive	Limited progress publicly	Strong sustainability practices	EV support = inherently ESG friendly

Source: Secondary Data as on 31ˢᵗ March 2025 from economictimes.indiatimes.com

Tata Motors Ltd. – Very strong brand with global presence (JLR + EV leadership). Strong management, high R&D, and aggressive EV push make it well-positioned for future growth. Cyclical risks remain, but sustainability and sector outlook are highly favorable. **Mahindra & Mahindra Ltd. –** Strong brand with rural and SUV dominance. Agile management and steady EV investments (XUV400) keep it competitive. Slightly more dependent on domestic economy, but resilient. Good long-term bet in autos + agri synergy. **Hero MotoCorp –** Trusted brand with wide rural network, but weak in EV adoption and limited innovation. Strong profitability and stable management but sector outlook is moderate (2-wheeler demand tied to rural economy). Conservative strategy limits growth upside. **Bosch Ltd. –** Premium global supplier with cutting-edge R&D and German management discipline. Focused on technology, ESG, and stable demand. Less cyclical than OEMs. However, growth is moderate since it's more dependent on auto cycles indirectly. **Sona BLW Precision Forgings –** Emerging niche EV components player with strong innovation and exports.

Smaller but fast-growing, highly ESG-aligned, and future-facing. Expensive compared to peers but positioned as a "future mobility" play.

Findings of the Study

➢ To find out the Tata Motors Ltd. emerges as the most promising stock based on both quantitative and qualitative factors. Its low P/E (8.55) and PEG < 1 indicate strong value and growth potential. However, high debt-equity ratio (1.67) and lower interest coverage highlight financial risk. Its proactive EV investments provide long-term potential, though leverage remains a concern.

➢ The study revealed that the consistent revenue growth, high operating profit, and improving return metrics.

➢ Strong presence in the EV market, global reach (via JLR), and solid brand perception.

➢ Offers the best balance of valuation, performance, and future readiness among all selected companies.

➢ Among the peers, Tata Motors offers the most attractive mix of valuation, financial strength, and EV leadership.

➢ The study finds out the M & M is a steady long-term player but needs better debt control.

➢ Hero MotoCorp is highly profitable today but risks lagging in future EV transition.

➢ Bosch is a safe, high-quality but expensive stock.

➢ Sona BLW is a niche EV play with high future potential but priced at a premium.

Stock Recommendations for Selected Companies

Rank	Companies	Why?	Finalverdict
I	**Tata Motors**	Low P/E & PEG, EV leader, global reach (JLR), strong financials	**Strongly buy**
II	**M & M Ltd**	Balanced growth, EV push, diversified, rural & urban reach	**Buy**
III	**Sonablw Precision**	EV components focus, strong ROCE, slightly overvalued	**Buy on dips**
IV	**Bosch Ltd**	Excellent ROCE & brand, but highly overvalued	**Hold**
V	**Hero Motorcorp**	Weak EV presence, high PEG, limited innovation & global strategy	**Avoid for Now**

Conclusion

This study concludes that a combination of quantitative ratios and qualitative factors provides a more accurate and reliable approach to stock selection. Among the evaluated companies, Tata Motors stands out as the most balanced investment choice due to its valuation, financial strength, and future potential in the EV sector. The research proves that practical application of financial metrics like PEG, ROCE, and market positioning can significantly aid in identifying fundamentally strong stocks.

The findings reveal that Tata Motors Ltd. emerges as the most promising stock, offering the best combination of undervaluation, strong financial performance, EV leadership, and global presence. Mahindra & Mahindra Ltd. shows steady growth with diversified exposure but needs better debt management. Sona BLW Precision Forgings represents a niche EV-focused growth stock, albeit at a premium valuation. Bosch Ltd. remains a defensive and high-quality play, though currently expensive, while Hero MotoCorp lags in EV innovation and future readiness despite strong profitability today.

Overall, the study concludes that a hybrid approach of combining quantitative and qualitative analysis ensures more effective stock selection. Investors must not only rely on numbers but also consider industry trends, innovation, and management strategies especially in a rapidly transforming sector like Indian automobiles and EVs.

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