

Impact of Indian Union Cabinet's Approval of Additional E-Bus Services on the Share Price Movement of Select EV Producing Companies

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Abstract

In the present study, we emphasize on the impact of Union Cabinet's approval for 10000 electric buses on the stock return of top 5 select electronic vehicles automobile manufacturing companies in India, based on market capitalization, as of August 16, 2023. In order to empirically validate the effect of this event, we have employed the event study methodology considering market model. For this purpose, we have collected the daily stock prices of TVS Motor Company Ltd., TATA Motors Ltd., Maruti Suzuki India Ltd., Eicher Motors Ltd. and Bajaj Auto Ltd. from the official website of Bombay Stock Exchange (BSE). We have considered August 17, 2023 as the event day, with an event window of 41 days (-20, +20) and an estimation window of 100 days. Furthermore, in the present study we have applied the parametric t-test to infer the significance of Cumulative Abnormal Return (CAR) for these companies individually. The findings reveal that the impact of this announcement on CARs of only Maruti Suzuki India Ltd for the range of windows (1, 10) and (1, 20) after the event announcement day are positive (5.9520 and 8.3722 respectively) and statistically significant at 1% level. The significant positive CARs implies that shareholders anticipate that this announcement may be beneficial for Maruti-Suzuki in the future, leading to a potential gain in market share.

Keywords: Indian Stock Market; S&P BSE 200; Electronic Vehicles (EV); Event study methodology; Cumulative Abnormal Return (CAR); Share Prices; Automobile Companies; Market Capitalization.

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