

# Experts give thumbs up to TaMo's push for EVs

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Tata Motors (TaMo) stock jumped over 3 per cent in intraday trade on Thursday, a day after the company launched the electric vehicle (EV) variant of its popular hatchback, Tiago. It, however, ended the day over 1 per cent higher at ₹404 levels in an overall weak market.

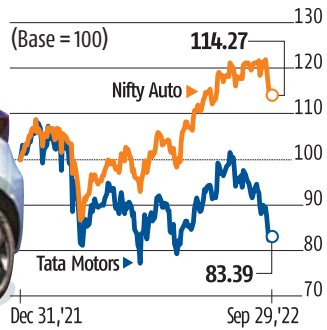
Most analysts remain bullish on the counter, with those at Jefferies expecting the stock to hit ₹650 levels in their best-case scenario – up nearly 60 per cent from the current levels. TaMo is offering the EV with two different battery packs. The smaller 19.2 kWh battery pack variants are offered with a 3.3 kW AC charger (range: 250km), while the variants with the larger 24 kWh battery pack will come equipped with a 7.2 kW AC charger (range: 315 km).

Tiago EV XT model's on-road price (Mumbai) is around ₹180,000 higher than the equivalent ICE version (XT AMT), which analysts at Emkay Global estimate implies a quicker pay-back period of nearly 31,000-km, or 2-3 years, based on the monthly usage. In comparison, the gap between Nexon EV and ICE was higher at around ₹400,000.

"A more accurate assessment of the economic efficiency of EVs in comparison to internal combustion engines (ICEs) is the total cost of ownership (TCO), which includes purchase cost, running expenses, maintenance cost, and resale value. TCO for Tiago XT Petrol stands at ₹19.1/km, while it is slightly higher for Tiago XT EV at ₹20.4/km, assuming monthly usage of 1,000kms. In case of monthly usage of over



## TRAILING FOR NOW

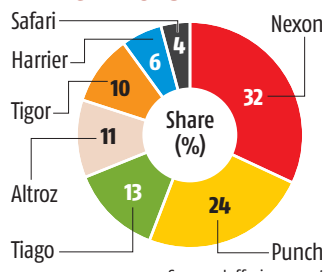


## ON-ROAD PRICES OF AUTOMATIC VARIANTS

Make/Model	Price (₹ '000)
Hyundai i20	1,015 - 1,383
VW Polo	1,015 - 1,197
Tata Tiago EV	905 - 1,258
Maruti Baleno	878 - 1,085
Maruti Swift	819 - 972
Hyundai i10	779 - 973
Tata Tiago	761 - 836

Source: Jefferies report

## TaMo: INDIA PASSENGER VEHICLE VOLUME MIX



Source: Jefferies report

1,250kms, TCO will be favorable for EV. TCO for EV can further reduce if we consider state-level subsidies and FAME fleet subsidies," they said.

Analysts at Nomura expect the Tiago EV to sell 3,000 - 5,000 units per month, and its overall EV sales to touch 60,000/ 96,000 in financial years 2023 and 2024 (FY23 and FY24). Every 1 per cent market share gain in passenger vehicles (PVs), they believe, has the potential to add around ₹50 billion to Tata Motors' m-cap. "We maintain our 'buy' rating and SOTP-based target price of ₹520. The stock is trading at 4.3x FY24 EV/ebitda (enterprise value/earnings before interest tax, depreciation and amortisation)," wrote Kapil Singh and Siddhartha Bera of Nomura in a recent note.

That said, TaMo's EV vol-

ume, analysts believe, would be limited by capacity constraints. "The target is to reach over 50,000 units in FY23 and over 100,000 units in FY24. We expect the industry to be around 150,000 in FY24, which would represent marginal EV penetration of only 2 per cent. Considering capacity constraints, dispatches of Tiago EV are expected only from January 2023," wrote analysts at Emkay Global in a recent note, and maintain a target price of ₹530 on the stock.

Thus far in 2022, TaMo has been an underperformer. The counter has given a negative return of 17 per cent as compared to its closest rivals -- Maruti Suzuki and Mahindra & Mahindra -- which have moved up over 17 per cent and 48 per cent, respectively. The Nifty Auto index has rallied around

14 per cent during this period, ACE Equity data showed.

As their base case, analysts at Jefferies maintain a price target of Rs 540 for Tata Motors. Tata's EV strategy, they believe, should drive market share gains for the company as EV adoption rises in India, although capacity constraints might limit its total PV volume in the near-term. "Tiago EV offers an attractive proposition, providing the differentiated appeal of an EV at a reasonable price. Tata is also expanding its EV availability from around 85 to nearly 165 cities as it expects good acceptance of Tiago EV in tier-2/3 cities. EVs now form 8 per cent of Tata's India PV volumes, and we believe Tata has potential to gain share as EV adoption rises," wrote Nitij Mangal and Sagar Sahu of Jefferies in a note.