

SML Mahindra – Recommended Stock -View Changed from Hold to Buy

Dear Investors,

Current View and Rationale: Following the Q3FY26 results and healthy January 2026 sales performance of the company, the outlook for the CV sector has improved meaningfully, supported by a gradual recovery in market sentiment and an increasing likelihood of a cyclical upturn. At the current juncture, the stock is trading at a reasonable valuation of ~35x P/E on a TTM basis. SML Mahindra is well positioned to benefit from this environment, supported by its healthy balance sheet and improving demand visibility. In light of these factors, **we maintain a constructive short- to medium-term view on the stock and have upgraded our stance from Hold to BUY at a CMP of 3,820 as on 4 February 2026, with a medium-term investment horizon of 6 months. We assign a target price of 4,395, implying an upside potential of ~15% from the CMP.**

Q3FY26 Business Performance: -

| | Dec 24 | Sep 25 | Dec 25 | Growth QoQ | Growth YoY |
|---------------------|--------|--------|--------|------------|------------|
| Revenue Cr | 332 | 555 | 539 | -2.9% | 62.5% |
| Operating Profit Cr | ^ 18 | 42 | 41 | -2.0% | 124.2% |
| OPM % | 5.5 | 7.5 | 7.6 | | |
| PAT Cr | ^ 1 | 21 | 18 | -16.7% | 3,209.4% |
| NPM % | 0.2 | 3.8 | 3.3 | | |
| EPS ₹ | 0.4 | 14.6 | 12.1 | -16.8% | 3,263.9% |

Sales figure for the month of January 2026:

| Category | January | | | April - January | | |
|--------------------|---------|---------|----------|-----------------|---------|----------|
| | 2025-26 | 2024-25 | % Change | 2025-26 | 2024-25 | % Change |
| Cargo Vehicles | 500 | 383 | 31% | 4320 | 3153 | 37% |
| Passenger Vehicles | 837 | 642 | 30% | 8352 | 7465 | 12% |
| Total | 1337 | 1025 | 30% | 12672 | 10618 | 19% |

Recommendation History and Returns: We had initially recommended SML Mahindra as BUY on 18 November 2025 at 2,845, with a target price of 3,665, implying an upside potential of ~29%. Subsequently, on 16 December 2025, considering strengthening fundamentals and improved demand visibility, we revised the target price upward to 4,242, indicating an additional upside potential of ~16% from the then prevailing market price of 3,656 over the next 12 months. The stock further strengthened to a high of 4,585 on 8 January 2026 and generated a return of 61% within about one and a half months, significantly outperforming the originally envisaged 12-month investment horizon, thereby reinforcing our positive medium-term outlook.

Thank you and best regards,

On behalf of Bajaj Capital's Research Team