

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