

Digilogic Systems IPO

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- The company is engaged in technology lead services and solutions for defence and aerospace engineering sector.
- The company has reported inconsistency in its top and bottom lines for the reported periods.
- It marked setback in top line for FY24, but bottom line posted growth.
- The bumper profits reported for FY25 raises eyebrows and concern over its sustainability going forward.
- Based on its recent financial data, the issue appears exorbitantly priced.
- Only well-informed/ cash surplus/risk seekers may park moderate funds for medium term, others can stay away.

About the Company

Digilogic Systems Ltd. (DSL) is a technology-led company engaged in the design, development, integration, manufacturing, supply and support of Automated Test Equipment (ATE) systems, radar and Electronic Warfare environmental simulators, application software, and embedded signal processing solutions for the defence and aerospace engineering sector.

The company generally receives purchase orders either directly from government entities through the tendering process and indirectly via third-party vendors supplying to government entities. Its business involves the design, development, manufacturing, assembling, integration, and support of test systems system software, and embedded signal processing solutions. DSL's offerings are organised into three segments:

- (i) Test Systems, which include Automated Test Equipment, Checkout Systems, and Radar/EW Simulators;
- (ii) Application Software, comprising data acquisition platforms and IP cores; and
- (iii) Services, providing system integration, upgrades, and lifecycle support.

The company operates from its two facilities – Hyderabad (corporate HQ), and Bangalore (Marketing Office). It provides specialized services that complement our product offerings in test, simulation, and embedded systems. These services are designed to support clients across the defence and aerospace sectors, with limited application in industrial automation. Its solutions cover the entire project lifecycle, from concept development to deployment and maintenance. As of December 31, 2025, it had 102 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden combo IPO of 7789196 equity shares of Rs. 2 each to mobilize Rs. 81.01 cr. The issue constitutes fresh equity shares worth Rs. 69.68 cr. (approx. 6699596 equity shares at the upper cap), and an Offer for Sale (OFS) of 1089600 equity shares (worth Rs. 11.33 cr. at the upper cap). The company has announced a price band of Rs. 98 – Rs. 104 per share. The IPO opens for subscription on January 20, 2026, and will close on January 22, 2026. The minimum application to be made is for 2400 shares and in multiple of 1200 shares thereon, thereafter. Post allotment, shares will be listed on BSE SME. The issue constitutes 26.90% of post-IPO paid-up equity capital of the company. From the net proceeds of the fresh equity issue, the company will utilize Rs. 51.74 cr. for capex on new proposed facility, Rs. 8.00 cr. for prepayment/repayment of certain borrowings, and the rest for general corporate purpose.

The IPO is solely lead managed Indorient Financial Services Ltd., while KFin Technologies Ltd. is the registrar to the issue. Pace Stock Broking Services Pvt. Ltd., is the market makers.

The company has issued initial equity shares at par value, it has issued further equity capital in the price range of Rs. 48 – Rs. 58.752 per share (based on Rs. 2 FV) between September 2024 and February 2025. It has also issued bonus equity shares in the ratio of 1 for 1 in September 2024. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. 0.56, Rs. and Rs. 1.03 per share.

Post-IPO, company's current paid-up equity capital of Rs. 4.45 cr. will stand enhanced to Rs. 5.79 cr. Based on the upper price band of the IPO, the company is looking for a market cap of Rs. 301.10 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total revenue/net profit, of Rs. 56.12 cr. / Rs. 2.18 cr. (FY23), Rs. 51.71 cr. / Rs. 2.40 cr. (FY24), Rs. 72.19 cr. / Rs. 8.11 cr. (FY25). For H1 - FY26 ended on September 30, 2025, it earned a net profit of Rs. 1.61 cr. on a total revenue of Rs. 18.28 cr. The company has posted inconsistency in its top and bottom lines for the reported periods. The bumper profits for FY25 appears to be a window dressing to fetch fancy valuations for the IPO.

For the last three fiscals, the company has reported an average EPS of Rs. 2.53, and an average RoNW of 27.42%. The issue is priced at a P/BV of 6.60 based on its NAV of Rs. 15.76 as of September 30, 2025, and at a P/BV of 2.87 based on its post-IPO NAV of Rs. 36.18 per share (at the upper cap).

If we attribute its FY26 annualized earnings on post-IPO expanded equity base, then the asking price is at a P/E of 93.69, and based on its FY25 earnings, the P/E stands at 37.14. Thus, the issue appears exorbitantly priced.

The company has posted PAT margins of 3.89% (FY23), 4.65% (FY24), 11.26% (FY25), 8.87% (H1-FY26), and RoCE Margins of 20.68 %, 19.10%, 34.27%, 4.71%, respectively for the referred periods.

Dividend Policy

The company not declared any dividends for the reported periods of the offer document. It has adopted a dividend policy in July 2025, based on its financial performances and future prospects.

Comparison with Listed Peers

As per the offer document, the company has shown DCX System, Zen Techno, Data Patterns, Apollo Micro, Ananth Techno, as its listed peers. They are currently trading at a P/E of 76.0, 48.5, 61.0, 103, and NA (as of January 16, 2026). However, they are not truly comparable on an apple-to-apple basis. This comparison appears to be an eyewash.

MERCHANT BANKER'S TRACK RECORDS:

This is the 12th mandate from Indorient Financial in the last three fiscals. From the last 11 listings, 3 opened at discount, and the rest with premium ranging from 1.16% to 90.00% on the date of listing.

Conclusion / Investment Strategy

DSL is engaged in technology lead services and solutions for defence and aerospace engineering sector. The company has reported inconsistency in its top and bottom lines for the reported periods. It marked setback in top line for FY24, but bottom line posted growth. The bumper profits reported for FY25 raises eyebrows and concern over its sustainability going forward. Based on its recent financial data, the issue appears exorbitantly priced. Small post-IPO paid-up equity capital indicates longer gestation for migration. Only well-informed/ cash surplus/risk seekers may park moderate funds for medium term, others can stay away.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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