IPO REVIEW

Highness Microelectronics IPO

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- The company is engaged in the design, development, integration, assembly and manufacture of digital imaging solutions.
- Boosted bottom lines from FY24 onwards raise eyebrows and concern over its sustainability going forward.
- Based on its recent earnings, the issue appears aggressively priced.
- Tiny paid-up equity capital post listing hints at longer gestation period for migration.
- Only well-informed/cash surplus/risk seekers may park moderate funds for medium term.

About the Company

Highness Microelectronics Ltd. (HML) is an ISO 9001:2015 and ISO 13485:2016 certified Company, engaged in the Design, Development, Integration, Assembly and Manufacture of Digital-Imaging Solutions. The Company operates in two main categories namely ‘Off the Shelf Products’ and ‘Market Specific Solutions / Project’. Under ‘Products’ category, it offers Flat Panel Displays like Thin Film Transistor (‘TFT’) and Liquid Crystal Display (‘LCD’) module, Display Controllers, Electrolumiscent Displays, Vacuum Fluorescent Displays, Touch Screens, Cable Assembly & Harness, Backlight Drivers & Inverters and ‘Display-Enhancement solutions.

Further under ‘Display-Enhancement Solutions’, it undertakes value addition process to ruggedize Commercial off the Shelf (‘COTS’) displays; these value addition processes include- Backlight enhancement for High-Brightness for Outdoor & Direct-Sunlight readability, Wide-Operating Temperature for extreme-climatic conditions, Electro-Magnetic Interference (‘EMI’) shielding for mission critical operations, Night Vision Compatibility (‘NVIS’), Optical-Bonding , Vandal-Proofing as well as outdoor visibility, Adding cover glass to achieve Anti-Reflective, Anti-Glare, Anti-Fingerprint/Smudge etc.

Its ‘Market-specific solution/ Project’ category includes Display-monitors in form factors such as Open-Frame Displays, Panel-Mount Displays, Industrial Grade Displays and Medical Grade Display Monitors. Its industry verticals for these display monitors are Industrial Automation, Medical & Healthcare, Railways (Trains & Metros and Automobiles) and Defence & Aerospace.

HML has built a strong reputation, which has played a key role in retaining its valued clients. Its ongoing relationships with existing customers foster repeat business and serve as a competitive advantage in attracting new clients and expanding its reach. The long-term connections it has cultivated with major customers have been vital to its growth. Over the years, it has developed a

solid and loyal customer base, and while the company don’t have formal long-term agreements in place, many customers continue to return. This consistent support has been instrumental in strengthening its business over time. As of December 31, 2025, it had 47 employees on its payroll.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of 1806000 equity shares of Rs. 10 each to mobilize Rs. 21.67 cr. at the upper cap. The IPO consists of 1653600 fresh equity shares worth Rs. 19.84 cr. at the upper cap, and an Offer for Sale (OFS) of 152400 equity shares worth Rs. 1.83 cr. at the upper cap. The company has announced a price band of Rs. 114 – Rs. 120. The IPO opens for subscription on March 24 2026, and will close on March 27, 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 34.98% of post-IPO paid-up equity capital of the company. From the net proceeds of the fresh equity issue, the company will utilize Rs. 5.27 cr. for capex on assembly line, Rs. 1.89 cr. for repayment/prepayment of certain borrowings, Rs. 6.71 cr. for working capital and the rest for general corporate purpose.

The IPO is solely lead managed by Fintellectual Corporate Advisors Pvt. Ltd., and Skyline Financial Services Pvt. Ltd. is the registrar to the issue. Rainbow Securities Pvt. Ltd. is the market maker.

The company has issued its initial equity shares at par value. The company has also issued bonus equity shares in the ratio of 350 for 1 in August 2024. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. Negligible, Rs. NIL, and Rs. 0.05 per share.

Post-IPO, company’s current paid-up equity capital of Rs. 3.51 cr. will stand enhanced to Rs. 5.16 cr. Based on the upper price band of the IPO, the company is looking for a market cap of Rs. 61.96 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit, of Rs. 9.91 cr. / Rs. 0.44 cr. (FY23), Rs. 10.99 cr. / Rs. 2.39 cr. (FY24), Rs. 14.17 cr. / Rs. 2.52 cr. (FY25). For 9M - FY26 ended on December 31, 2025, it earned a net profit of Rs. 3.41 cr. on a total income of Rs. 14.41 cr. Surprisingly, the company has given its financial data in Rupees Thousands. Its higher borrowing of Rs. 8.20 cr. as of December 31, 2025 also raise concern, as even after paying part of its post-IPO, it has over 1 debt equity ratio.

For the last three fiscals, the company has reported an average EPS of Rs. 6.07, and an average RoNW of 55.96%. The issue is priced at a P/BV of 4.20 based on its NAV of Rs. 28.57 as of December 31, 2025, and at a P/BV of 2.07 based on its post-IPO NAV of Rs. 57.85 per share at the upper cap.

If we attribute its FY26 annualized super earnings on post-IPO expanded equity base, then the asking price is at a P/E of 13.62, and based on its FY25 earnings, the P/E stands at 24.54. Thus, the issue appears aggressively priced on P/E basis following bumper profits reported. Thanks to bumper profits from FY25 onwards, which has been mirrored in its P/E.

The company has posted PAT margins of 4.58% (FY23), 22.31% (FY24), 17.92% (FY25), 24.13 % (9M-FY26), and RoCE Margins of 49.76 %, 75.02%, 42.09%, 36.88%, respectively, for the referred periods.

Dividend Policy

The company has not paid any dividends for the reported periods of the offer document. It will adopt a prudent dividend policy, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has no listed peers to compare with.

MERCHANT BANKER'S TRACK RECORDS:

This is the 4th mandate from Fintellectual Advisors in the last two fiscals. From the last 3 listings, 1 opened at discount, and the rest with premium ranging from 5.56% to 90% on the date of listing.

Conclusion / Investment Strategy

HML is engaged in the design, development, integration, assembly and manufacture of digital imaging solutions. Boosted bottom lines from FY24 onwards raise eyebrows and concern over its sustainability going forward. Based on its recent earnings, the issue appears aggressively priced. Tiny paid-up equity capital post listing hints at longer gestation period for migration. Only well-informed/cash surplus/risk seekers may park moderate funds for medium term.

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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