

Thursday, 25 September 2025

CM RATING 43 /100

Pace Digitek

Telecom infra solution provider

Funds to be used for battery energy storage system manufacturing by subsidiary Pace Renewable Energies Private Limited

Pace Digitek (PDL) is a telecom infrastructure solution provider with a focus on the telecom infrastructure industry including telecom towers and optic fibre cables. The company undertakes manufacturing, installation and commissioning services of products at the site and undertakes operation maintenance of site including tower erection and optical fibre cable laying as turnkey solution.

PDL operates in three verticals: telecommunications, energy and information and communication technology (ICT).

PDL has operational presence in Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Jammu and Kashmir, Uttarakhand, Assam, Manipur, Arunachal Pradesh, Mizoram, Nagaland, Sikkim among others along with operations in Myanmar and Africa.

PDL commenced operations as a passive electrical equipment product manufacturer, and over the years has expanded its passive infra operations to comprise products, projects, O&M, and services and solutions. With the acquisition of the business of GE Power Electronics India and rights over the 'Lineage Power' brand in Fiscal 2014, the company commenced end-to-end manufacturing of direct current systems tailored for telecom tower companies and operators. This has helped to enhance its market position in the energy management solution.

From Fiscal 2023, PDL backward integrated the supply of passive infra products through its subsidiary, Lineage Power Private Limited. The company has also been undertaking projects for solarization of telecom towers, comprising supply of solar modules and along with lithium-ion batteries, related passive equipment for telecom tower installation, commissioning and O&M.

PDL's subsidiaries including Lineage Power Private Limited (LPPL) manufactures and supply power management systems and other related products; Pace Renewable Energies Private Limited (PREPL) provides solarisation of telecom towers. Lineage Power Holding (Singapore) PTE Limited is a wholly owned subsidiary of PDL and was floated as a holding company for Lineage Power Myanmar Limited (LPML). LPML a step-down subsidiary of PDL and executes projects in Myanmar and Africa. AP Digitek Infra Private Limited (APDIPL) and Inso Pace Private Limited (IPPL) were floated to execute specific projects.

There are three manufacturing facilities in Bengaluru for telecom Infra equipment, lithium-ion batteries and battery energy storage systems (BESS).

Object of the offer

The IPO consists of a fresh issue of Rs 819.15 crore.

Out of the proceeds from the fresh issue, Rs 630 crore will be directed towards capital expenditure for investment in subsidiary Pace Renewable Energies Private Limited to set up battery energy storage systems for a project with Maharashtra State Electricity Distribution Company and the balance towards general corporate purposes.

Strengths

PDL stands out as a comprehensive service provider in the telecom tower sector, offering integrated solutions from the manufacturing and supply of power management systems to project execution via EPC contracts, and long-term O&M services. The broad capabilities allow it to address varied customer needs efficiently, making it a preferred partner for telecom operators and tower companies seeking reliability, technological expertise, and operational synergies under one roof.

PDL successfully diversified its business model, expanding from passive electrical equipment manufacturing to include products, projects, O&M, and AMC services across telecom, energy, and ICT segments. Its robust order book, which spans customers in India, Myanmar, and Africa, showcases the resilience and sustained demand for its solutions. This diversification protects from sectoral downturns and ensures consistent revenue streams from a broad, multi-sector clientele. The order book was Rs 7633.6 crore as on end March 2025.

PDL has consistently evolved by adopting intelligent and sustainable power solutions, such as solar power integration and lithium-ion battery adoption. By focusing on advanced technologies and eco-friendly infrastructure, the company addresses both industry trends and the evolving needs of its clients. This forward-thinking approach not only enhances operational efficiency for customers but also positions Pace Digitek as a leader in driving the transition towards greener, more reliable telecom power solutions.

The three advanced manufacturing facilities are spread across 2,00,000 square feet. Further, manufacturing facilities are accredited with 14001:2015 (Environmental Management Systems), ISO/IEC 27001:2022 (Information Security Management System), ISO 20000:2018 (Service Management Systems), ISO 9001:2015 (Quality Management Systems). Additionally, the company has obtained CMMi Level 3 certification.

Weaknesses

PDL significantly relies on revenue from a small group of key customers. For FY2025, its top 5 customers contributed 93.4% of total revenue. This concentration exposes the company to considerable risk—any loss or reduction in orders from these customers, due to contract non-renewal, financial instability, or changes in procurement policies could materially and adversely impact its business.

A significant portion of the orders are from government entities and public sector undertakings through competitive bidding processes. These contracts are often subject to project delays or cancellations due to changes in government priorities or budget allocations. Such dependencies make revenue highly unpredictable and susceptible to regulatory or political changes, potentially resulting in losses or delayed payments that could negatively impact the company's financial health.

Many of the contracts with top customers are relatively short-term, typically ranging from one to three years, including annual renewals. This short duration creates uncertainty regarding future business continuity, as contracts may not be renewed or could be terminated prematurely.

Downturn in the end-use industries / sectors could have an adverse impact on the company's business.

The company derived around 45% of its revenues in FY2025 from Maharashtra.

Failure to meet quality standards required by customers could lead to cancellation of existing and future orders and expose the company inter alia to warranty claims, including monetary liability. It incurred warranty charges amounting to Rs 38.1 crore and Rs 27.3 crore in FY2025 and FY2024, respectively.

Operations are working capital intensive, primarily driven by debtors of 218 days as on March 31, 2025

Experienced negative cash flows from operating activities in FY 2023 and FY2025. Negative cash flows from operating activities in future will affect the financial condition.

Contingent liabilities as on March 31,2025, stood at Rs 55.5 crore.

Valuation

Consolidated sales were flat at Rs 2438.78 crore in FY 2025. The OPM inclined 340 bps to 19.75%, resulting in a 21.0% increase in OP to Rs 481.71 crore. OI declined 9.1% to 23.42 crore. Interest cost inclined 2.9% to Rs 115.15 crore and depreciation increased 18.8% to Rs 6.05 crore. PBT stood at Rs 279.10 crore, up 21.4% as against Rs 229.87 crore in FY2024. Tax expenses increased 10.1% to Rs 11.49 crore. PAT grew 22.0% to Rs 267.61 crore.

In January 2025, the company raised equity capital of Rs 50 crore at Rs 168 (adjusted for bonus share in the ratio 5:1) per equity share of Rs 2 to various shareholders.

At the higher price band of Rs 219, the offer is made at a P/E of 17.66 times EPS (of Rs 12.4). The company quotes at EV/sales of 1.9 times and EV/EBITDA of 9.7 times.

Listed industry peers of the company are HFCL, Exicom Tele-Systems and Bondala Engineering. In comparison, HFCL trades at 60.9 times its P/ EPS, 2.9 times EV/Sales and 26 times EV/EBITDA, Bondala Engineering trades at 57.8 times its P/EPS, 2.9 times EV/Sales and 26.3 times EV/EBITDA. For Exicom Tele-Systems PE and EV/EBITDA could not be calculated as it incurred losses. However EV/Sales stood at 3.1 times.

Pace Digitek: Issue Highlights	
Fresh issue (in Rs crore)	819.15
Offer for sale (in Rs crore)	-
Price Band (Rs)	208-219
For Fresh Issue Offer size (in no of shares)	
- in Upper price band	37404018
- in Lower price band	39382115
Post issue capital (Rs crore)	
- in Upper price band	43.17
- in Lower price band	43.56
Post issue Promoter and Promoter Group shareholding	
-On higher price band (%)	69.5%
-On lower price band (%)	68.9%
Bid Size (in No. of shares)	68
Issue open date	26/09/2025
Issue close date	30/09/2025
Listing	BSE, NSE
Rating	43/100

Pace Digitek : Consolidated Financials			
	2303 (12)	2403 (12)	2503 (12)
Sales	503.20	2434.49	2438.78
OPM (%)	5.62	16.35	19.75
OP	28.28	397.97	481.71
Other inc.	11.46	25.78	23.42
PBIDT	39.75	423.75	505.13

Interest	12.05	111.91	115.15
PBDT	27.70	311.84	389.98
Dep.	5.57	5.09	6.05
PBT Before EO	22.13	306.75	383.93
Exceptional items	-	-	-
PBT After EO	22.13	306.75	383.93
Total Tax	5.60	76.88	104.83
PAT	16.53	229.87	279.10
Minority Interest	2.24	10.44	11.49
Net Profit	14.29	219.44	267.61
EPS (Rs)*	0.66	10.65	12.40
EPS is on post issue equity capital of Rs 43.17 crore of face value of Rs 2 each			
Figures in Rs crore			
Source:Capitaline Corporate database			