

## Pace Digitek Ltd- IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
26 September 2025	30 September 2025	₹208-219	Subscribe

### Investment Summary

Pace Digitek Limited, incorporated in 2007, has transformed into an integrated solutions provider across Telecom, Energy, and ICT verticals with a strong footprint in India and overseas. The company delivered robust growth with revenues rising from ₹503 crore in FY23 to ₹2,434 crore in FY24 (+384%), while PAT surged from ₹16.5 crore to ₹229.9 crore (+1,290%). In H1 FY25, it reported revenues of ₹1,188 crore and PAT of ₹152 crore, reflecting sustained momentum. Backward-integrated manufacturing, a diversified order book, and entry into Battery Energy Storage Systems (BESS) position it well for long-term growth. However, risks include high client concentration (>90% revenues from a few telecom operators) and execution intensity in renewable projects. At an issue size of ₹900 crore, proceeds will primarily fund capex in renewables and BESS, strengthening its capacity and growth outlook. Overall, Pace Digitek's integrated model, rapid scale-up, and expansion into renewable storage create strong long-term growth tailwinds, though near-term risks around client concentration and execution remain key monitorables.

### Company Overview

Incorporated in 2007, Pace Digitek Limited (PDTL) has evolved from an electrical equipment manufacturer for telecom operators into a multi-disciplinary infrastructure solutions provider with a diversified presence across Telecom, Energy, and ICT verticals. Headquartered in Bengaluru, the company leverages integrated capabilities spanning product manufacturing, turnkey EPC execution, and long-term O&M services, enabling a comprehensive presence across the telecom and energy value chain. With operations spread across multiple Indian states—including Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Jammu & Kashmir, Uttarakhand, and the North-Eastern region—alongside an international footprint in Myanmar and Africa, PDTL has built scale, execution expertise, and customer proximity.

Over the years, the company has strategically broadened its scope. The Telecom vertical encompasses passive equipment manufacturing, O&M services for towers and OFC networks, and turnkey EPC projects covering tower erection and fiber rollouts. The Energy vertical follows both BOO and EPC models, focusing on solarisation of telecom towers, rural electrification, and lithium-ion based Battery Energy Storage Systems (BESS) that support energy efficiency and grid stability. The ICT segment, a more recent addition, offers surveillance systems, smart classrooms, and agricultural kiosks, aligning with the government's digital infrastructure push. The acquisition of GE Power Electronics India and rights to the Lineage Power brand in FY2014 was a pivotal milestone, marking the company's entry into direct current power systems and reinforcing its backward integration strategy.

Pace Digitek today operates three advanced manufacturing facilities in Bengaluru and Bidadi, spanning ~200,000 sq. ft., with certifications including ISO 9001:2015, ISO/IEC 27001:2022, ISO 20000:2018, ISO 14001:2015, and CMMi Level 3, alongside global safety benchmarks such as UL 1973, UL 1642, UL 9540A, and IEC 62619:2022. Facility 3, commissioned recently, has an initial annual capacity of 2.5 GWh of BESS, expandable to 5 GWh, positioning PDTL as one of the few domestic players with scalable battery storage capabilities. Supported by 1,513 permanent employees as of July 31, 2025, a diversified order book, and established customer relationships, the company is well placed to capitalize on rising data demand, the 5G rollout, and the sectoral shift towards renewable and sustainable telecom infrastructure.

### Business Model

Pace Digitek operates on an integrated business model spanning products, projects, and services across its three verticals—Telecom, Energy, and ICT. The company manufactures passive telecom equipment and lithium-ion battery systems through backward-integrated facilities, ensuring cost efficiency, quality control, and timely delivery. It executes turnkey EPC projects such as tower erection, OFC rollouts, rural electrification, and solar energy installations, generating lump-sum project revenues. Long-term operations and maintenance (O&M) contracts for telecom towers, OFC networks, and solarized sites provide annuity-style income, stabilizing cash flows.

The Energy vertical further strengthens recurring revenue through Build-Own-Operate (BOO) solar projects and BESS installations, where returns accrue over the asset lifecycle. ICT solutions like surveillance systems, smart classrooms, and kiosks diversify revenue streams and align with digital infrastructure demand. The model is underpinned by strong execution capabilities, certifications, and global safety standards, enabling participation in large-scale government and private sector tenders. With its integrated approach, the company captures value across the infrastructure lifecycle—from design and manufacturing to installation and long-term service.

## Business Verticals

Pace Digitek Limited operates on a diversified platform across three core verticals—Telecom, Energy, and ICT—supported by backward-integrated manufacturing and long-term service capabilities.

In the Telecom segment, the company manufactures advanced power management solutions including Switch-Mode Power Supply (SMPS) units, Hybrid DC Power Systems (HDCPS), Charge Control Units (CCUs), inverters, converters, lithium-ion batteries, and modular power cabinets, all designed to ensure reliable DC supply for telecom towers. Its Remote Monitoring Systems (RMS) enable predictive diagnostics and site uptime, while AMC and lifecycle services cover rectifiers, CCUs, RMS, and batteries. The company also undertakes comprehensive O&M services for telecom towers and OFC networks, managing alarm monitoring, diesel refuelling, minor repairs, estate management, and site security, alongside preventive and corrective maintenance routines.

Within Energy, Pace Digitek manufactures containerised, liquid-cooled Battery Energy Storage Systems (BESS) integrated with PCS and EMS software, certified under UL and IEC global safety standards, alongside lithium-ion batteries for telecom and utility applications. The company executes solarisation of telecom towers, rooftop and canal-top solar projects, and utility-scale BESS installations under EPC and Build-Own-Operate models, while also engaging in rural electrification and substation projects. O&M services for solarised towers, BESS, and distribution assets ensure long-term performance and uptime. In addition, the company has announced plans for backward integration into solar module and cell manufacturing, enhancing its renewable ecosystem.

The ICT vertical complements these infrastructure businesses by delivering customised solutions such as smart classrooms, agricultural kiosks, and digital surveillance systems for state education departments, agriculture ministries, and Smart Cities Mission projects. Services include AMC and maintenance of ICT hardware, connectivity, and content systems, ensuring continuous functionality of surveillance networks, education platforms, and rural engagement tools. Execution capabilities extend to end-to-end ICT deployments, including design, installation, and integration, with Pace also evaluating opportunities in high-growth adjacencies such as Indian Railways’ KAVACH automatic train protection (ATP) programme. Together, this integrated portfolio across products, projects, and services positions the company as a one-stop solutions provider for the telecom, energy, and ICT infrastructure value chain.

## Financial Snapshot

Metric	FY23	FY24	In (Cr) FY25
Revenue (₹ Cr)	503	2,434	2,438
EBITDA (₹ Cr)	28	403	485
Net Profit (₹ Cr)	17	230	280
EBITDA Margin (%)	5.6%	16.5%	19.9%
PAT Margin (%)	3.3%	9.5%	11.5%
EPS (Basic) (₹)	0.95	12.88	12.98

## Investment Rationale

### 1. Integrated End-to-End Solutions Provider

Pace Digitek's evolution from a telecom equipment manufacturer into a full-scale solutions provider is a key strength. The company today offers an integrated suite across product manufacturing, turnkey EPC execution, and long-term O&M services. Its ability to align offerings with the transition from basic rectifiers in the 2G era to hybrid and grid-integrated power systems positions it well for the 5G and broadband rollout. This holistic approach reduces dependency on third parties, drives margin retention, and enhances execution control. By addressing the entire lifecycle of telecom infrastructure requirements, Pace has cemented itself as a one-stop partner for tower operators and fiber rollouts.

### 2. Diversified Business Segments and Order Book

The company operates across Telecom, Energy, and ICT, mitigating single-segment dependency and broadening growth drivers. A pivotal milestone was the acquisition of GE Power Electronics India's business and the Lineage Power brand, which enabled end-to-end DC systems manufacturing for telecom towers. More recently, energy solutions such as BESS and solar projects have become the largest contributors to its order book. As of March 31, 2025, the consolidated order book stood at ₹76,336 million, reflecting the scalability of its business model. This diversification enhances revenue visibility and demonstrates adaptability to emerging infrastructure needs.

### 3. Strong Order Book Visibility

A robust order book provides significant near-term revenue visibility and reduces business volatility. With confirmed projects from government and public sector clients in telecom, OFC networks, and renewable energy, the company is positioned for stable execution and predictable cash flows. The order book has not only expanded in value but also shifted toward higher-margin verticals such as BESS and solar, creating long-term structural growth. This visibility allows efficient capex planning, supply chain leverage, and stronger negotiations with partners. For investors, it underscores both stability and multi-year growth momentum.

### 4. Battery Energy Storage Systems (BESS) as Key Growth Driver

Pace Digitek's foray into BESS projects provides a high-growth platform aligned with India's push for renewable energy and grid modernization. In FY25, BESS orders alone contributed ₹24,700 million to the order book, a sharp scale-up from prior years. With certifications like UL 1973 and IEC 62619:2022, its containerised, liquid-cooled BESS are globally benchmarked, creating an edge in technology-led tenders. The business provides recurring opportunities across utility, industrial, and commercial users seeking reliable energy storage. This vertical is expected to contribute disproportionately to revenue and margin growth in the medium-to-long term.

### 5. Telecom Expansion and Global Market Opportunities

The ongoing 5G rollout, rising broadband consumption, and government digital connectivity initiatives create strong demand for fiber networks and telecom towers. Pace Digitek, with its turnkey execution and O&M expertise, is well placed to capture this opportunity across Tier-2 and Tier-3 cities, government contracts, and enterprise projects. At the same time, international markets such as Myanmar and Africa offer expansion potential, leveraging India's cost and manufacturing advantages. Global exposure diversifies revenue streams, enhances project scale, and positions the company as a competitive cross-border infrastructure player, strengthening its long-term growth trajectory.

## Key Risks

### 1. Customer Concentration

Pace Digitek's revenues remain heavily reliant on a small set of clients, with the top 3, 5, and 10 customers contributing 88.97%, 93.97%, and 96.25% of FY25 revenues. While this is slightly lower than FY24 levels, the concentration still exposes the company to significant revenue volatility if any major client reduces orders or shifts procurement. Longstanding relationships with top customers mitigate the risk somewhat, but dependence remains elevated.

## 2. Dependence on Public Sector Clients

Public sector undertakings accounted for 96.17% of FY25 revenues and nearly 98% of the order book, making the company highly sensitive to government-led spending and procurement cycles. The large ₹7,568 crore 4G Saturation Project has been a growth driver but has also heightened reliance on PSU contracts. Any delays or budget constraints could directly impact performance.

## 3. Revenue Concentration in Telecom Vertical

Telecom continues to dominate the business, contributing 94.2% of FY25 revenues, with Energy and ICT together forming less than 6%. This limited diversification means any slowdown in telecom tower rollouts or operator capex could materially affect the topline. While BESS, solar, and ICT are emerging, they are not yet sizable enough to offset a downturn in telecom.

## 4. Working Capital Intensity

Net working capital has surged to ₹969 crore in FY25, with receivables at ₹1,843 crore (~75% of revenue), pushing debtor days to 218. This sharp rise, largely tied to milestone-based collections from PSU projects, increases liquidity risk and dependence on external financing. Sustained delays in collections could strain cash flows and impact execution capability.

## 5. Capacity Underutilisation

Manufacturing utilisation remains weak, with passive equipment at 38.7% and batteries at just 15.3% in FY25. Although this reflects lower operating shifts versus installed capacity assumptions, underutilisation structurally depresses efficiency and return metrics. Scaling demand in new verticals will be critical to absorb idle capacity and improve margins.

## IPO Details and Use of Proceeds

Parameter	Details
Issuer	Pace Digitek Limited
IPO Structure	Fresh Issue only (No OFS)
Issue Size	₹819.15 crore (3.74 Cr shares, ~₹8.2 bn)
Price Band	₹208 – ₹219 per share
Face Value	₹2 per share
Post-Issue Market Cap	₹4,727 crore (at upper price band)
IPO Opening Date	September 26, 2025
IPO Closing Date	September 30, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	84.0% → 69.5%
Book Running Lead Manager(s)	Unistone Capital Private Limited
Use of Proceeds	<ul style="list-style-type: none"> <li>Capital expenditure for expansion – 630 Cr</li> <li>General corporate purposes</li> </ul>

## Valuation and Recommendation

Pace Digitek has demonstrated strong financial traction, with EBITDA margins expanding from 6% in FY23 to 20% in FY25 and PAT growing at a robust 305% CAGR over FY23–25. This sharp profitability improvement reflects operating leverage and efficient execution across its telecom, energy, and ICT verticals. At the upper price band, the IPO is valued at a reasonable P/E of ~16.87x FY25 EPS, making it attractive relative to peers in the telecom infrastructure space. With a diversified service portfolio, strong order book, and exposure to high-growth segments such as fiber EPC and BESS, the company is well placed to capitalize on industry tailwinds. We believe the issue offers favorable risk reward for investors. Accordingly, we assign a **“SUBSCRIBE”** rating.

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