IPO REVIEW

Pace Digitek IPO

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- The company is one of the fastest growing telecom infra solutions provider with related services.
- It posted bumper top and bottom lines from FY24 onwards following its entry in to storage batteries for solar power.
- Based on its recent financial data, the issue appears fully priced.
- According to the management, with its entry into EPC, BESS, ICT, PCS, EMS segments, it is poised for bright prospects ahead.
- Well-informed investors may park funds for medium to long term.

About the Company

Pace Digitek Ltd. (PDL) is a telecom infrastructure solution provider with a significant focus on the telecom infrastructure industry including telecom towers and optical fibre cables. The company undertakes manufacturing, installation and commissioning services of products at the site and undertake operation and maintenance of site including tower erection and optical fiber cable laying as turnkey solution. It generates revenue from operations from 3 verticals i.e., telecommunications, energy, and information and communication technology (ICT).

It has established 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. The company commenced operations as an electrical equipment product manufacturer for the telecom industry, and over the years it has expanded Telecom Infra operations to comprise products, projects, operations & maintenance (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 which are tailored for telecom tower companies and operators and has helped it enhance market position in the energy management solutions.

From Fiscal 2023, it has backward integrated supply of Telecom Infra products through its Subsidiary, Lineage Power Private Limited (Lineage) for the projects that it undertakes. It has also been undertaking projects for solarization of telecom towers (which comprises supply of solar modules and along with lithium-ion batteries and the related equipments to telecom towers, installation, commissioning and O&M) since Fiscal 2013. PDL provides end-to-end integrated solutions in the telecom tower infrastructure and optical fibre cables (OFC). Its telecom towers vertical is the mainstay of business and under this vertical it is engaged in (i) product manufacturing of equipments

for telecom industry; (ii) providing O&M services for telecom towers, and annual maintenance of OFC and other ancillary services; and (iii) undertaking turnkey projects including erection of towers network, and OFC network.

It undertakes (i) solar energy projects on a ‘build, own and operate’ model, and solarization of telecom towers (which comprise supply of solar modules along with lithium-ion batteries and the related equipment to telecom towers, installation, commissioning and O&M). PDL also undertakes BESS projects in either standalone mode or coupled with solar PV plants, floated through both 'build, own, and operate' and 'engineering, procurement, and construction' models. In addition, it undertakes rural electrification projects under engineering, procurement and construction (EPC) model; and (ii) products: the company manufactures and supplies lithium-ion battery systems (which act as an energy storage device for the telecom towers) larger containerized, liquid-cooled battery energy storage systems, power conversion systems (PCS) coupled with energy management systems (EMS) software.

It also offers customized surveillance systems, smart classrooms and smart kiosks for agricultural initiatives to the ICT sector. Over the years it has transitioned from a manufacturer of equipment for the telecom industry to a multi-disciplinary solutions provider. The company has recently through its Subsidiary i.e., Lineage, commenced manufacturing battery energy storage systems (BESS), which are systems that utilizes batteries to capture, store, and distribute electrical energy. These include: (i) liquid cooled battery energy storage containers; (ii) power conversion systems (PCS); and (iii) energy management system (EMS).

PDL also undertakes turnkey projects for renewable energy sector through Subsidiary, Pace Renewable Energies Private Limited. It also undertakes BESS projects in either standalone mode or coupled with solar PV plants, floated through both 'build, own, and operate' and 'engineering, procurement, and construction' models. As of July 31, 2025, it had 1513 employees on its payroll, and additional 332 contract workers.

Issue Details / Capital History

The company is coming out with its maiden book building route IPO of equity shares worth Rs. 819.15 cr. – (approx. 37404018 equity shares at the upper cap). The company has announced a price band of Rs. 208 – Rs. 219 per equity shares of Rs. 2 each. The issue opens for subscription on September 26, 2025, and will close on September 30, 2025. The minimum application to be made is for 68 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 17.33% of the post-IPO paid-up equity capital. From the net proceeds of the IPO, the company will utilize Rs. 630.00 cr. for capex requirements, and the rest for general corporate purposes.

The company has reserved equity shares worth Rs. 2 cr. (approx. 91324 shares at the upper cap) for its eligible employees and offering them a discount of Rs. 20 per share, and from the rest, it has

allocated not more than 50% for QIBs, not less than 15% for HNIs, and not less than 35% for Retail investors.

The sole Book Running Lead Manager (BRLM) to this issue is Unistone Capital Pvt. Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue. Globalworth Securities Ltd. is a syndicate member.

Having issued initial equity shares at par, the company issued further equity shares at a fixed price of Rs. 840 per share (based on Rs. 2 FV) between August 2024, and January 2025. The company has also issued bonus shares in the ratio of 6 for 1 in March 2010, 1.380 for 1 in December 2015, and 5 for 1 in February 2025. The average cost of acquisition of shares by the promoters Rs. 0.02 per share.

Post-IPO, its current paid-up equity capital of Rs. 35.69 cr. will stand enhanced to Rs. 43.17 cr. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 4727.03 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit, of Rs. 514.66 cr. / Rs. 16.53 cr. (FY23), Rs. 2460.27 cr. / Rs. 229.87 cr. (FY24), and Rs. 2462.20 cr. / Rs. 279.10 cr. (FY25). The company posted almost static top lines from FY24 onwards, but bottom line marked growth. According to the management, last two fiscal’s performance indicates the likely trends in coming years as it has entered in EPC, BESS, ICT, PCS, EMS segments, where it has created a niche place.

For the last three fiscals, the company has posted an average EPS of Rs. 13.18 and an average RoNW of 25.74%. The issue is priced at a P/BV of 3.07 based on its NAV of Rs. 71.24 as of March 31, 2025, and at a P/BV of 2.33 based on its post-IPO NAV of Rs. 93.96 per share (at the upper cap).

If we attribute FY25 earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at a P/E of 16.94. Based on FY24 earnings, the P/E stands at 20.56. Thus, the issue appears fully priced.

The company has shown PAT margins of 3.295% (FY23), 9.44% (FY24), 11.44% (FY25), and RoCE margins of 6.99%, 40.85%, 37.89%, respectively for the referred periods.

Dividend Policy

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

Comparison with Listed Peers

As per the offer document, the company has shown HFCL, Exicom Tele, and Bondada Engg., as their listed peers. They are currently trading at a P/E of 325, NA, and 38.5 (As of September 25, 2025).

However, they are truly not comparable on an apple-to-apple basis.

Merchant Banker's Track Record

The BRLM associated with the offer has handled 28 pubic issues in the past three fiscals, out of the last 10 listing, 5 opened at par, and the rest with premium ranging from 4.94% to 105.00% on the listing date.

Conclusion / Investment Strategy

The company is one of the fastest growing telecom infra solutions provider with related services. It posted bumper top and bottom lines from FY24 onwards following its entry in to storage batteries for solar power. Based on its recent financial data, the issue appears fully priced. According to the management, with its entry into EPC, BESS, ICT, PCS, EMS segments, it is poised for bright prospects ahead. Well-informed investors may park funds for medium to long 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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